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**BEFORE THE ARKANSAS COMMISSION ON
POLLUTION CONTROL & ECOLOGY**
2007 MAR -7 PM 2:40

IN RE: REQUEST BY:)
LION OIL COMPANY TO)
INITIATE RULEMAKING TO AMEND) **DOCKET NO. 06-011-R**
REGULATION NO. 2)

**LION OIL COMPANY'S PROPOSED
STATEMENT OF BASIS AND PURPOSE AND RESPONSIVENESS SUMMARY**

Pursuant to Ark. Code Ann. §8-4-202(d)(4)(C), and Regulation No. 8, Sections 3.4.4 and 3.6.2 and Minute Order 06-38, Petitioner, Lion Oil Company ("Lion"), submits the following Statement of Basis and Purpose and Responsiveness Summary, which is attached, for its proposed amendment to Regulation No.2, and its response to the public comments on its request.

1. Pursuant to Act 163 No. 1993 (Ark. Code Ann. §8-4-202(d)(4)(C)) and Regulation No. 8, Sections 3.4.4 and 3.6.2, each record of rulemaking shall contain a concise general statement of basis and purpose of the proposed rule and a responsive summary which groups public comments into similar categories, explaining why the Commission accepted or rejected the rationale of each category.

STATEMENT OF BASIS AND PURPOSE

2. The Arkansas Pollution Control and Ecology Commission (APCEC) is given the power and duty to promulgate rules and regulations implementing and effectuating the powers and duties of the Arkansas Department of Environmental Quality (ADEQ) and APCEC, including regulations prescribing water quality standards (WQS). Ark. Code Ann. § 8-4-202(a) and (b).

3. Ark. Code Ann. § 8-4-202(c) provides that any person has the right to petition the APCEC for an amendment of any rule or regulation. On October 13, 2006, Lion filed its Petition

to Initiate Third-Party Rulemaking to Amend APCEC Regulation No. 2. Lion's Petition was submitted pursuant to, and in compliance with Section 2.306 of APCEC Regulation No. 2, Section 3.4 of APCEC Regulation No. 8, and the Continuing Planning Process. On October 27, 2006 the APCEC entered Minute Order No. 06- 40 which granted Lion's Petition and initiated rulemaking on the changes proposed to Regulation No. 2 by Lion.

4. Lion operates an oil refining and distributing facility in Union County on the south side of El Dorado, AR. The facility has a wastewater treatment system and discharges process water through Outfall 001 and storm water through Outfalls 002, 003, 004, 005 and 006/007. These discharges are made to Loutre Creek. These discharges are authorized under NPDES Permit No. AR0000647 (the "Permit").

5. The effluent limitations for sulfate and Total Dissolved Solids (TDS) in Lion's NPDES Permit are based upon the maintenance of the designated, but not existing, domestic water supply use for Loutre Creek. The applicable Arkansas sulfate and TDS standards for Loutre Creek are 31 mg/l and 123 mg/l respectively.

6. Lion is specifically requesting the following amendments to APCEC Regulation No. 2:

a. modify the dissolved minerals criteria for Loutre Creek from Hwy 15 South the to confluence with Bayou de Loutre

TDS from 123 mg/L to 1756 mg/L
sulfate from 31 mg/L to 997 mg/L
chloride from 14 mg/L to 256 mg/L, and

Remove Designated Domestic Water Supply Use

b. modify the dissolved minerals criteria for Bayou de Loutre from Loutre Creek to the discharge location for the City of El Dorado South facility as follows:

TDS from 500 mg/L to 1236 mg/L
Sulfate from 90 mg/L to 635 mg/L
Chloride from 250 mg/L to 264 mg/L, and

Remove Designated Domestic Water Supply Use

- c. modify the dissolved minerals criteria for Bayou de Loutre from the discharge from the City of El Dorado South facility downstream to the mouth of Gum Creek as follows:

TDS from 500 mg/L to 966 mg/L
Sulfate from 90 mg/L to 431 mg/L
Chloride : No Change

Remove Designated Domestic Water Supply Use

- d. modify the dissolved minerals criteria for Bayou de Loutre from the mouth of Gum Creek downstream to Boggy Creek as follows:

TDS from 750 mg/L to 780 mg/L
Sulfate from 90 mg/L to 345 mg/L
Chloride : No Change

No change in Designated Uses

- e. modify the dissolved minerals criteria for Bayou de Loutre from the mouth of Boggy Creek downstream to the mouth of Hibank Creek as follows:

TDS: No Change
Sulfate from 90 mg/L to 296 mg/L
Chloride : No Change

No change in Designated Uses

- f. modify the dissolved minerals criteria for Bayou de Loutre from the mouth of Hibank Creek downstream to the mouth of Mill Creek as follows:

TDS: No Change
Sulfate from 90 mg/L to 263 mg/L
Chloride : No Change

No change in Designated Uses

- g. modify the dissolved minerals criteria for Bayou de Loutre from the mouth of Mill Creek downstream to the mouth of Buckaloo Branch as follows:

TDS: No Change
Sulfate from 90 mg/L to 237 mg/L
Chloride : No Change

No change in Designated Uses

- h. modify the dissolved minerals criteria for Bayou de Loutre from the mouth of Buckaloo Branch downstream to the mouth of Bear Creek as follows:

TDS: No Change
Sulfate from 90 mg/L to 216 mg/L
Chloride : No Change

No change in Designated Uses

- i. modify the dissolved minerals criteria for Bayou de Loutre from the mouth of Bear Creek to the final segment of Bayou DeLoutre as follows:

TDS: No Change
Sulfate from 90 mg/L to 198 mg/L
Chloride : No Change

No change in Designated Uses

- j. modify the dissolved minerals criteria for Bayou de Loutre (final segment) to the Arkansas/Louisiana State Line as follows:

TDS: No Change
Sulfate from 90 mg/L to 171 mg/L
Chloride : No Change

No change in Designated Uses

7. In October 2006, Lion submitted to ADEQ a document entitled *Loutre Creek Section 2.306 Site Specific Water Quality Study* in support of this Petition (hereinafter “the Study”). This document fully satisfied the information requirements of Section 2.306 of APCEC Regulation No. 2 for Site Specific Criteria for amending Regulation No. 2.

8. Lion’s Petition is supported by the following facts:

- The domestic water supply use designations for the waterbodies listed in Section 5 and 6 of this document were assigned by default, are not existing uses, and are not attainable uses because the natural, ephemeral and low flow conditions

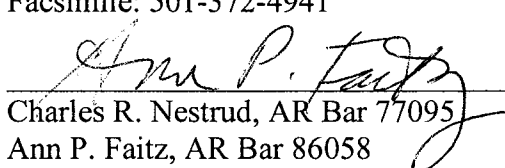
prevent the attainment of the use;

- During the aquatic life field survey, Loutre Creek into which Outfall 001 discharges, was found to maintain a seasonal fishery to the degree supported by the existing habitat and maintains an aquatic life use in downstream segments.
- The discharge from Outfall 001 complies with the WET testing requirements of the NPDES permit at 96% effluent.
- Recent process and air emission control equipment have been added to the facility in response to a Consent Decree jointly signed by ADEQ and EPA to control air emissions. These scrubbers (air emission control equipment) have been responsible for recent increases in sulfate and TDS in the treated wastewater discharged through Outfall 001 as authorized by NPDES Permit AR0000647.
- There is no current economically feasible treatment technology for the removal of chloride, sulfate, or TDS. Ion exchange and reverse osmosis treatment technologies do exist; however, these methods are not cost effective on a large scale basis, are prohibitively expensive, and generate a concentrated brine which is environmentally difficult to dispose of. Such treatment technology is not required to meet the existing uses and would not add any significant environmental protection.
- Proposed modifications to the mineral criteria will not preclude the attainment of the other designated uses.

Respectfully submitted,

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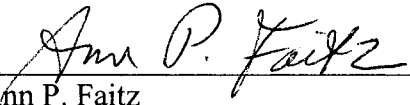
By:


Charles R. Nestrud, AR Bar 77095
Ann P. Faitz, AR Bar 86058

Attorneys for Lion Oil Company

CERTIFICATE OF SERVICE

I, Ann P. Faitz, state that I have, on this 7 day of March, 2007, hand-delivered a copy of the foregoing Petition to Initiate Third-Party Rulemaking to Amend Regulation No. 2 to Ms. Ellen Carpenter, Arkansas Department of Environmental Quality, 8001 National Drive, Little Rock, AR 72219.



Ann P. Faitz

ATTACHMENT 1

RESPONSIVENESS SUMMARY
LION OIL COMPANY 3RD PARTY RULEMAKING
MARCH 7, 2007

Lion Oil Company (Lion) , for it Responsiveness Summary, states:

On December 19, 2006 a public hearing was held in El Dorado, Arkansas on Lion's Third-Party Rulemaking Petition. One speaker presented comments during the public hearing and no other comments were submitted at that time. No other comments were received by ADEQ during the comment period.

Comment: One commenter, who also submitted his comments in written form, expressed support for the requested changes.

Response: Lion appreciates the support for the requested changes.

No other comments relevant to the rulemaking request were received.