

Bryan W. Shaw, Ph.D., *Chairman*  
Buddy Garcia, *Commissioner*  
Carlos Rubinstein, *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

July 12, 2011

Melissa Chao, Acting Chief Clerk  
Texas Commission on Environmental Quality  
Office of the Chief Clerk, MC-105  
P.O. Box 13087  
Austin, Texas 78711-3087

Re: Williams Field Services-Gulf Coast Company  
TCEQ Docket No. 2011-0996-MIS-U; Use Determination No. 14534  
Executive Director's Response to Williams Field Services-Gulf Coast Company's Appeal  
of the Executive Director's Negative Use Determination

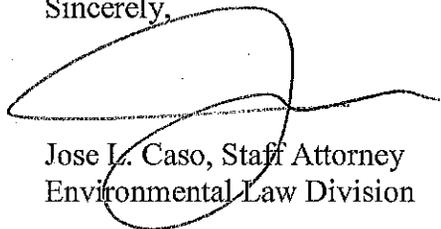
Dear Ms. Chao:

Enclosed for filing, please find an original and 7 copies of the "*Executive Director's Response to Williams Field Services-Gulf Coast Company's Appeal of the Executive Director's Negative Use Determination.*" I have also attached the following attachments to assist the Commission in the resolution of this matter:

Attachment A	Williams Field Services-Gulf Coast Company's Application
Attachment B	Executive Director's Negative Use Determination
Attachment C	Williams Field Services-Gulf Coast Company's Appeal
Attachment D	Use Determination No. 13951 issued to Williams Field Services-Gulf Coast Company

If you have any questions, please do not hesitate to contact me at (512) 239-4309.

Sincerely,



Jose L. Caso, Staff Attorney  
Environmental Law Division

**TCEQ DOCKET NO. 2011-0996-MIS-U  
USE DETERMINATION NO. 14534**

<b>APPEAL OF</b>	<b>§</b>	<b>BEFORE THE</b>
<b>THE EXECUTIVE DIRECTOR'S</b>	<b>§</b>	
<b>NEGATIVE USE DETERMINATION</b>	<b>§</b>	<b>TEXAS COMMISSION ON</b>
<b>ISSUED TO WILLIAMS FIELD</b>	<b>§</b>	
<b>SERVICES-GULF COAST</b>	<b>§</b>	<b>ENVIRONMENTAL</b>
<b>COMPANY USE DETERMINATION</b>	<b>§</b>	
<b>NO. 14534</b>	<b>§</b>	<b>QUALITY</b>

**EXECUTIVE DIRECTOR'S RESPONSE TO WILLIAMS FIELD  
SERVICES-GULF COAST COMPANY'S APPEAL OF THE EXECUTIVE  
DIRECTOR'S NEGATIVE USE DETERMINATION**

The Executive Director of the Texas Commission on Environmental Quality (the Commission or TCEQ) files this response to Williams Field Services-Gulf Coast Company's (Williams or Appellant) appeal of the Executive Director's negative use determination issued for its raw natural gas cleaning and waste removal system, amine processing system, and dehydration system (Processing System) at its Markham Gas Treating Facility in Markham, Matagorda County. The appeal was submitted by Mr. Greg Maxim of Duff and Phelps, on Williams' behalf.

For the reasons described below, the Executive Director respectfully requests that the Commission deny Williams' appeal and affirm the Executive Director's Tier III negative use determination for the raw natural gas cleaning and waste removal system, amine processing system, and dehydration system.

**PROGRAM BACKGROUND**

This appeal of the Executive Director's negative use determination is filed pursuant to H.B. 3121 (77th Tex. Legislature, 2001) establishing an appeals process for use determinations and the Commission rules implementing the legislation.<sup>1</sup>

In 1993, the citizens of Texas voted to adopt a tax measure called Proposition 2. Proposition 2 was implemented when Article VIII, § 1-l was added to the Texas Constitution on November 2, 1993. The amendment allowed the legislature to "exempt from ad valorem taxation all or part of real and personal property used, constructed, acquired, or installed wholly or partly to meet or exceed rules or regulations adopted by any environmental protection agency of the United States, this state, or a political subdivision of this state for the prevention, monitoring, control, or reduction of air, water, or land pollution."

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<sup>1</sup> TEX. TAX CODE § 11.31 and 30 Tex. Admin. Code (30 TAC) § 17.25.

The Texas Legislature codified the constitutional amendment in 1993 as TEX. TAX CODE § 11.31 (effective January 1, 1994). The statutory language in the codified version mirrored the language of Article VIII, § 1-l. In 2001, the legislature amended Section 11.31 when it passed H.B. 3121 (effective September 1, 2001). This bill added several new procedural requirements to § 11.31, including a provision requiring the establishment and implementation of a process to appeal use determinations.<sup>2</sup> The amendment also required the Commission to adopt new rules establishing specific standards for the Executive Director to follow in making use determinations for property that qualified for either full or partial pollution control use determinations.<sup>3</sup> Appeals under Section 17.25 of the Commission rules may be filed by either the applicant seeking the determination, or by the chief appraiser of the tax appraisal district affected by the determination.<sup>4</sup> The Appellant is required to explain the basis for the appeal.<sup>5</sup> Although new rules were adopted on December 13, 2010, the application was filed on April 28, 2010, and thus the rules in place, adopted on February 1, 2008, are being applied to the application and appeals process.

### **PROCEDURAL BACKGROUND**

On December 15, 2009, Williams filed a Tier I use determination application, Application No. 13951, for a raw natural gas cleaning and waste removal system, an amine processing system, and a dehydration system (Processing System) located at its Markham Gas Treating Facility. The Executive Director issued a Notice of Deficiency (NOD) on the application on February 9, 2010. The Executive Director requested, among other things, that the applicant re-file the application as a Tier III application and provide an explanation of how the Processing System is pollution control equipment and not production equipment. The pollution control equipment associated with the 3 pieces of the Processing System, a thermal oxidizer and a utility flare system, were granted a Tier I, 100% positive use determination.<sup>6</sup>

In response to the NOD, on April 28, 2010, Williams filed a Tier III use determination application for the remaining components of the 3 pieces of the Processing System located at its Markham Gas Treating Facility. On June 3, 2010, the application was declared administratively complete. On January 25, 2011, the application was declared technically complete. On May 23, 2011, a negative use determination was sent to Williams. Williams filed a timely appeal on June 15, 2011.<sup>7</sup>

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<sup>2</sup> TEX. TAX CODE § 11.31(e) and 30 TAC § 17.25.

<sup>3</sup> TEX. TAX CODE § 11.31(g).

<sup>4</sup> TEX. TAX CODE § 11.31(e) and 30 TAC § 17.25(a)(2).

<sup>5</sup> 30 TAC § 17.25(b)(5).

<sup>6</sup> Attachment D, Use Determination No. 13951.

<sup>7</sup> Attachment B, Executive Director's Negative Use Determination.

## PROCESSING SYSTEM DESCRIPTION

Williams claims that the following Processing System qualifies for a positive use determination: Natural Gas Inlet Filter Separator (IFS), Amine Treatment assets, and Glycol Dehydration assets.<sup>8</sup> This property described above is part of a larger facility located at the Markham Gas Processing Plant, a 200 cubic feet per day cryogenic natural gas processing plant.<sup>9</sup> Williams' Processing System was placed in service in 2002 and expanded in 2009 as a liquids separation facility to process raw natural gas into various saleable products, including: butane, ethane, and residue gas.<sup>10</sup> The facility is connected to the Central Texas Gathering System. The Central Texas Gathering System is a natural gas pipeline service that distributes natural gas.

According to Williams' application, the Processing System is "integrated into the overall natural gas processing facility but function[s] as pollution control devices as the raw natural gas passes through these various systems in order to be cleaned and segregated into saleable products."<sup>11</sup> "Additionally, Williams states, "Section 8 of this Application includes descriptions of how these systems are integrated into the overall process of turning raw natural gas into saleable product."<sup>13</sup>

The Processing System clean and remove wastes from the raw natural gas by passing the raw natural gas through an Inlet Filter Separator.<sup>14</sup> The IFS removes impurities (wastes) from the natural gas by stripping gas-treating aromatics and other air impurities from the raw natural gas.<sup>15</sup> Once removed, the impurities are treated as a waste and are sent to the Facility's Liquid and Vapor Waste Handling system to burn off in the utility flare.<sup>16</sup> This flare was granted a Tier I 100% positive use determination.<sup>17</sup>

From the IFS, the raw natural gas is sent to the Amine processing sub-system, which further processes the natural gas by removing hydrogen sulfide and carbon dioxide through the Amine Flash Tank (AFT), the Rich Amine Carbon Filter

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<sup>8</sup> Attachment C, Appeal of Negative Use Determination, pg. 1, June 14, 2011, and Attachment A, Use Determination Application No. 14534, pg. 2 & 3, April 28, 2010.

<sup>9</sup> Use Determination Application No. 14534, pg. 2, April 28, 2010.

<sup>10</sup> Use Determination Application No. 14534, pg. 2, April 28, 2010.

<sup>11</sup> Use Determination Application No. 14534, pg. 2, April 28, 2010.

<sup>13</sup> Use Determination Application No. 14534, pg. 2, April 28, 2010.

<sup>14</sup> Use Determination Application No. 14534, pg. 3, April 28, 2010.

<sup>15</sup> Appeal of Negative Use Determination, pg. 1, June 14, 2011, and Use Determination Application No. 14534, pg. 3, April 28, 2010.

<sup>16</sup> Appeal of Negative Use Determination, pg. 1, June 14, 2011, and Use Determination Application No. 14534, pg. 3, April 28, 2010.

<sup>17</sup> Attachment D, Use Determination No. 13951.

(RACF), and the Amine Contactor.<sup>18</sup> Once removed, the hydrogen sulfide and carbon dioxide are treated as a waste by sending the waste gases to the Liquid and Vapor Waste Handling system to be burned off in the utility flare.<sup>19</sup> This flare was granted a Tier I 100% positive use determination.<sup>20</sup>

From the Amine processing system, the gas travels through the Glycol Contactor, where lean, dry glycol is introduced to the natural gas stream to absorb water vapor.<sup>21</sup> The absorbed water is removed from the glycol using a Dehydration process.<sup>22</sup> The regeneration of the glycol solutions used in the Dehydration process release benzene, toluene, ethyl benzene, and zylene, which are sent to the Liquid and Vapor Waste Handling system to be burned off in the utility flare.<sup>23</sup> Once removed the water is processed as an effluent waste.<sup>25</sup>

### **APPELLANT'S CLAIM**

Williams' appeal letter states that the Executive Director incorrectly concluded that the Processing System was production equipment. Williams argues that the Processing System was installed to reduce "the threat of contamination to air or water in the event of an inadvertent release," and therefore, the Executive Director issued its negative use determination in error.<sup>26</sup>

### **LEGAL ANALYSIS**

#### **1. The Executive Director's negative use determination should be affirmed because the Processing System is production equipment.**

If a piece of equipment is used wholly for production purposes, the equipment is not entitled to receive a positive use determination. Williams is utilizing its production system in order to sell the processed natural gas. The Processing System removes certain chemicals from the raw natural gas to make the natural gas saleable and to prevent the corrosion of natural gas pipelines.

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<sup>18</sup> Appeal of Negative Use Determination, pg. 1, June 14, 2011, and Use Determination Application No. 14534, pg. 3, April 28, 2010.

<sup>19</sup> Appeal of Negative Use Determination, pg. 1, June 14, 2011, and Use Determination Application No. 14534, pg. , April 28, 2010.

<sup>20</sup> Attachment D, Use Determination No. 13951.

<sup>21</sup> Appeal of Negative Use Determination, pg. 1, June 14, 2011, and Use Determination Application No. 14534, pg. 3, April 28, 2010.

<sup>22</sup> Use Determination Application No. 14534, pg. 3, April 28, 2010.

<sup>23</sup> Use Determination Application No. 14534, pg. 3, April 28, 2010 and Use Determination Application No. 13951.

<sup>25</sup> Appeal of Negative Use Determination, pg. 1, June 14, 2011,

<sup>26</sup> Appeal of Negative Use Determination, pg. 1, June 14, 2011.

Furthermore, throughout its application, Williams states that the purpose of the equipment is to make the unprocessed natural gas saleable. First, Williams states that the Processing System was placed in service in 2002 and expanded in 2009 as a liquids separation facility to process raw natural gas “into various saleable products, including: butane, ethane, and residue gas.”<sup>28</sup> Second, Williams states that the Processing System is “integrated into the overall natural gas processing facility but function as pollution control devices as the raw natural gas passes through these various systems in order to be cleaned and segregated into saleable products.”<sup>29</sup> Third, Williams states, “Section 8 of this Application includes descriptions of how these systems are integrated into the overall process of turning raw natural gas into saleable product.”<sup>30</sup>

Williams is utilizing, by its own admission, the Processing System to obtain the production benefit of turning raw natural gas into a saleable product. Therefore, Williams is not entitled to a positive use determination because the raw natural gas cleaning and waste removal system, amine processing system, and dehydration system are production equipment and are ineligible for a positive use determination.

2. **The Executive Director’s negative use determination should be affirmed because the Processing System was not installed to “meet or exceed rules and regulations adopted by any environmental protection agency of the United States, Texas, or a political subdivision of Texas, for the prevention, monitoring, control or reduction of air, water, or land pollution.”<sup>31</sup>**

Williams is not entitled to a positive use determination because the 3 pieces of the Processing System were not installed to meet or exceed an adopted environmental rule or regulation as required by the Tax Relief for Pollution Control Property Program (“TRPCP”) rules.<sup>32</sup> In order to meet or exceed an environmental rule or regulation for TRPCP purposes, an applicant is required to demonstrate that the equipment in question was installed to meet or exceed the environmental rules or regulations cited in its application. Williams cited rules 30 TAC §§ 115.121(c), 115.122(c) and 106.492. As will be explained below, these rules are inapplicable to Williams’ use of the raw natural gas cleaning and waste removal system, amine processing system, and dehydration system.

Rule 30 TAC § 115.121(c) prohibits the venting of Volatile Organic Compounds (VOCs) in Matagorda County. The 3 pieces of the Processing System remove impurities from natural gas, of which some may be VOCs. However, the rule does

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<sup>28</sup> Use Determination Application No. 14534, pg. 2, April 28, 2010.

<sup>29</sup> Use Determination Application No. 14534, pg. 2, April 28, 2010.

<sup>30</sup> Use Determination Application No. 14534, pg. 2, April 28, 2010.

<sup>31</sup> 30 TAC § 17.4(a).

<sup>32</sup> 30 TAC § 17.4(a).

not require the removal of VOCs from natural gas. It only prohibits the uncontrolled venting of VOCs. Therefore, because none of the Processing System consists of air pollution control devices, the Processing System was not installed to meet or exceed rule 30 TAC § 115.121(c). Some part of the natural gas processing plant may be subject to 30 TAC § 115.121(c); however, the Processing System is not.

Rule 30 TAC § 115.122(c) establishes the method in which vent gas streams, affected by 30 TAC § 115.121(c), must be controlled. It establishes flame temperature requirements, flare requirements, as well as other control methods for gas streams. This rule does not require the removal of VOCs from natural gas. It only establishes the authorized methods of controlling VOCs from vent gas streams. None of the pieces of equipment of the Processing System are air pollution control devices. Therefore, the Processing System does not meet or exceed rule 30 TAC § 115.122(c). Although some equipment at the Williams' natural gas processing plant may have been installed to meet or exceed 30 TAC § 115.121(c), the Processing System that is the subject of this appeal does not vent gas or has vent control devices and therefore does not meet the cited rules. Additionally, Williams has already been granted a Tier I, 100% positive use determination for a flare associated with the Processing System.<sup>33</sup>

Rule 30 TAC § 106.492 establishes a permit by rule (PBR) for flares. The PBR sets out design and operating requirements for flares such as distance limits, flare tip velocity, and requirements based upon composition of chemicals to be destroyed by the flare. This PBR does not require natural gas processing facilities to remove VOCs from natural gas. Instead, it sets the guidelines that flaring units must follow when burning certain types of chemicals. None of the Processing System described in the application is flaring equipment, nor does the Processing System contain a flare. Furthermore, Williams has already been received a Tier I 100% positive use determination for the pollution control equipment, including the flare at the natural gas processing plant.<sup>34</sup>

Williams' Processing System does meet or exceed rules 30 TAC §§ 115.121(c), 115.122(c), or 106.492 as required by 30 TAC § 17.4(a). Therefore, Williams is not entitled to a positive use determination.

**3. The Executive Director's negative use determination should be affirmed because Williams' argument that the Processing System was installed to prevent the inadvertent release of VOCs and other wastes is immaterial because no environmental rule is being met or exceeded by the equipment.**

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<sup>33</sup> Attachment D, Use Determination No. 13951.

<sup>34</sup> Attachment D, Use Determination No. 13951.

In its appeal, Williams states that the purpose of the Processing System is the removal of wastes from natural gas to reduce the threat of contamination to air or water in the event of an inadvertent release. Williams argues that the Processing System was installed to reduce “the threat of contamination to air or water in the event of an inadvertent release.”<sup>35</sup> However, Williams’ argument is immaterial because an applicant is ineligible for a positive use determination unless the equipment was “used, constructed, acquired, or installed wholly or partly to meet or exceed” environmental rules or regulations.<sup>36</sup> As discussed in item no. 2, above, Williams has not cited any environmental rule or regulation it is meeting or exceeding with its raw natural gas cleaning and waste removal system, amine processing system, and dehydration system.

Therefore, because Williams fails to meet the requirements of rule 30 TAC § 17.4(a) it is not entitled to a positive use determination.

### CONCLUSION

After careful consideration of the appeal filed by Williams Field Services-Gulf Coast Company on Use Determination Application Number 14534, the Executive Director concludes that its original Tier III negative use determination was not issued in error. Williams has failed to provide any legal basis upon which the Commission should reverse the Executive Director’s use determination in this case. The Executive Director’s use determination is consistent with the terms and mandates set forth in the relevant statutes and rules. The assertions of the Appellant do not alter the findings and final negative use determination issued by the Executive Director in this case.

Accordingly, the Executive Director respectfully requests that the Commission deny the instant appeal and affirm the Executive Director’s Tier III negative use determination.

Respectfully submitted,  
Texas Commission on Environmental  
Quality

Mark R. Vickery, P.G.  
Executive Director

Robert Martinez, Director  
Environmental Law Division

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<sup>35</sup> Appeal of Negative Use Determination No, 14534, June 14, 2011.

<sup>36</sup> 30 TAC 17.4(a).

By



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Environmental Law Division  
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REPRESENTING THE EXECUTIVE  
DIRECTOR OF THE TEXAS  
COMMISSION ON ENVIRONMENTAL  
QUALITY

# Attachment A

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
APPLICATION FOR USE DETERMINATION  
FOR POLLUTION CONTROL PROPERTY  
TCEQ-00611

RECEIVED  
APR 28 2010  
AIR QUALITY  
DIVISION

The TCEQ has the responsibility to determine whether a property is a pollution control property. A person seeking a use determination must complete the attached application or a copy or similar reproduction. For assistance in completing this form refer to *Property Tax Exemptions for Pollution Control Property* (TCEQ publication RG-461), as well as 30 TAC 17, the rules governing this program. For additional assistance, please call the Tax Relief Program at 512-239-6348. Mail the completed application, along with a complete copy for each listed appraisal district and the appropriate fee, to: Cashier's Office, MC 214, TCEQ, P.O. Box 13088, Austin, TX 78711-3088.

You must supply information for each field unless otherwise noted.

1. GENERAL INFORMATION

A. What is the type of ownership of this facility?

- |                                                         |                                          |
|---------------------------------------------------------|------------------------------------------|
| <input type="checkbox"/> Corporation                    | <input type="checkbox"/> Sole Proprietor |
| <input type="checkbox"/> Partnership                    | <input type="checkbox"/> Utility         |
| <input checked="" type="checkbox"/> Limited Partnership | <input type="checkbox"/> Other:          |

B. Size of Company: Number of Employees

- |                                     |                                                    |
|-------------------------------------|----------------------------------------------------|
| <input type="checkbox"/> 1 to 99    | <input type="checkbox"/> 1,000 to 1,999            |
| <input type="checkbox"/> 100 to 499 | <input checked="" type="checkbox"/> 2,000 to 4,999 |
| <input type="checkbox"/> 500 to 999 | <input type="checkbox"/> 5,000 or more             |

C. Business Description: (Briefly describe the type of business or activity at the facility)

Natural Gas Processing

D. Your North American Industry Classification System six-digit code. 211112

2. TYPE OF APPLICATION

- |                                              |                                                          |
|----------------------------------------------|----------------------------------------------------------|
| <input type="checkbox"/> Tier I \$150 Fee    | <input checked="" type="checkbox"/> Tier III \$2,500 Fee |
| <input type="checkbox"/> Tier II \$1,000 Fee | <input type="checkbox"/> Tier IV \$500 Fee               |

NOTE: Enclose a check, money order to the TCEQ, or a copy of the ePay receipt along with the application to cover the required fee.

3. NAME OF APPLICANT

- A. Company Name: Williams Field Services-Gulf Coast Company, L.P.  
B. Mailing Address (Street or P.O. Box): One Williams Center  
C. City, State, ZIP: Tulsa, OK 74172

4. PHYSICAL LOCATION OF PROPERTY REQUESTING A TAX EXEMPTION

- A. Name of Facility or Unit: Markham Gas Treating Facility  
B. Type of Mfg. Process or Service: Natural Gas Processing  
C. Street Address: 4367 County Road 403  
D. City, State, ZIP: Markham, TX 77456  
E. Tracking Number (optional): Tier III Application  
F. Company or Registration Number: N/A

5. APPRAISAL DISTRICT WITH TAXING AUTHORITY OVER PROPERTY

- A. Name of Appraisal District: Matagorda  
B. Appraisal District Account Number: 80461

0233330  
AP 26 10

IF STATE PROPERTY  
TCEQ

6. **CONTACT NAME**

- A. Company/Organization Name: Duff & Phelps, LLC  
B. Name of Individual to Contact: Greg Maxim  
C. Mailing Address (Street or P.O. Box): 919 Congress Ave., Suite 1450  
D. City, State, ZIP: Austin, TX 78701  
E. Phone Number and Fax Number: (512) 671-5580 Fax (512) 671-5501  
F. E-Mail Address (if available): gregory.maxim@duffandphelps.com

7. **PROPERTY DESCRIPTION, APPROPRIATE RULE, AND ENVIRONMENTAL BENEFIT**

For each piece, or each category, of pollution control property, answer the following questions.

A. **Property Name and Equipment and Categories-List Number**

Property Name: Amine and Dehydration Systems  
ECL Number: N/A – Tier III

Is the ECL percentage based on the incremental cost difference? \_\_\_ Yes X No

- B. **Describe the property. (What is it? Where is it? How is it used?) If the property includes land or environmental paving you must include a plot plan. The requested land or paving must be highlighted and the square footage must be listed. For paving the cost of the paving per square foot must be provided.**

**Facility Background**

Williams Field Services Group, a subsidiary of Williams, owns and operates the Markham Gas Processing Plant (the "Facility"), a 200 cubic feet per day ("cfpd") cryogenic natural gas processing plant located in Markham, Matagorda County, Texas. The Facility is connected to the Central Texas Gathering System, and was placed in service in 2002 and expanded in 2009 as a liquids separation facility to process raw natural gas into various saleable products, including: butane, propane, ethane, and residue gas

The Pollution Control Property ("PCP") associated with the Facility consists of both dedicated and inherently embedded PCP in the production process. This PCP consists of an initial raw natural gas cleaning and waste removal system, amine processing system, and dehydration system with their respective associated equipment. These systems are the subject of this Use Determination Application. The Tier I PCP associated with the Facility is the subject of separately filed Use Determination Applications.

The above identified embedded PCP systems are integrated into the overall natural gas processing facility but function as pollution control devices as the raw natural gas passes through these various systems in order to be cleaned and segregated into saleable products. We have included in this section the descriptions of the pollution control aspects of these systems. Section 8 of this Application includes descriptions of how these systems are integrated into the overall process of turning raw natural gas into saleable products.

## Pollution Control Property Description

### *Initial Raw Natural Gas Cleaning and Waste Removal PCP*

The integrated processing system starts with the cleaning of the raw natural gas, received from various line sources, and waste removal by the raw natural gas passing through an Inlet Filter Separator ("IFS"). The IFS is designed to strip out gas-treating aromatics and other air impurities from the raw gas and send them to the Facility's Liquid and Vapor Waste Handling system for burn off in the utility flare.<sup>1</sup>

### *Amine Processing PCP*

From the IFS, the raw gas is sent to the Amine processing sub-system, which further processes the gas to remove such air contaminants as hydrogen sulfide ("H<sub>2</sub>S") and carbon dioxide ("CO<sub>2</sub>"), in gaseous form, through the Amine Flash Tank ("AFS"), the Rich Amine Carbon Filter ("RACF"), and the Amine Contactor.<sup>2</sup> The AFS, RACF, and the Amine Contactor send their respective waste gases to the Liquid and Vapor Waste Handling system to be burned off in the utility flare.

### *Dehydration Processing PCP*

From the Amine processing system, the gas travels through the Glycol Contactor, where lean, dry glycol is introduced to the gas stream to absorb water vapor. Through the Dehydration process, the now wet rich glycol and entrained gas are separated via the Coalescing Filter, where wet rich glycol is sent to a regeneration system (the Dehydrator) and the entrained gas goes into a still column and re-boiler system for further processing into residue gas or sent to the Demethanization circuit for other product processing.<sup>3</sup> The regeneration of the glycol solutions used in the Dehydration process release significant quantities of benzene, toluene, ethylbenzene, and xylene, which are sent to the Liquid and Vapor Waste Handling system to be burned off in the utility flare.

#### Footnotes:

<sup>1</sup> Q.B. Johnson Manufacturing Inc. technical descriptions from web site, qbjohnson.com

<sup>2</sup> *ibid*

<sup>3</sup> Office of Air Quality Planning and Standards, et al., *Compilation of Air Pollutant Emission Factors, Volume I; Stationary Point and Area Sources*, U.S. Environmental Protection Agency, North Carolina, Chapter 5, 1995.

**C. What adopted environmental rule or regulation is being met by the construction or installation of this property?**

The PCP associated with the IFS, amine system, and dehydration system meet the requirements of 30 TAC §115.121(c), §115.122(c), and §106.492 for preventing vent gas streams containing VOCs from being emitted to the atmosphere.

**D. What is the anticipated environmental benefit related to the construction or installation of the property?**

The PCP function associated with the IFS, amine system, and dehydration system is to remove VOCs and other waste products generated from the processing of raw natural gas, which would otherwise be emitted to the atmosphere, and sent to the Liquid and Vapor Waste Handling system to be burned off in the utility flare.

- E. **Provide a Process Flow Diagram. The diagram must show where the property is located within the process and list all inputs and outputs. Explain the disposition of the outputs.**

The attached process flow diagrams (Drawing Nos. MAR-P02-006B and MAR-P02-001B) illustrate the placement of the amine system, inlet filter separator, and dehydration system along with the inflows from various sections of the plant and the outputs to the Liquid and Vapor Waste Handling system.

8. **PARTIAL-PERCENTAGE CALCULATION**

This section is to be completed for Tier III and IV applications. For information on how to conduct the partial-percentage calculation, see the instructions. Attach calculations to completed application.

Production Capacity Factor (PCF)	1.0	
Capital Cost New (CCN)	13,300,212	Based on construction cost data
Capital Cost Old (CCO)	-	New Equipment (not replacement)
Byproduct (BP)	(5,275)	
Byproduct Value	-	Treated gas continues through three (3) additional processes prior to becoming saleable products, while VOCs and other waste products are disposed of through the integrated Liquid and Vapor Waste Handling system.
Storage & Transport	10,000	Estimated annual cost associated with processing waste products through the integrated Liquid and Vapor Waste Handling system.
Interest Rate	0.0325	Based on data from WSJ 03/25/10
Time	20	Estimated Useful Life of Equipment.

$$\frac{[(\text{Byproduct Value}) - (\text{Storage, Transport, \& Disposal Cost})]}{(1 + \text{Interest Rate})^{\text{Time}}} = \frac{0 - 10,000}{1.032520^{20}} = \frac{(10,000)}{1.8958} = (5,275)$$

$$\frac{[(\text{PCF} \times \text{CCN}) - \text{CCO} - \text{BP}]}{\text{CCN}} \times 100 = \frac{(1 \times 13,300,212) - 0 - 0}{13,300,212} = \frac{13,300,212}{13,300,212} = 100\%$$

The total installed cost of the IFS and dehydration system and only the portion of the installed cost of the Amine system related to the PCP have been included in the above calculations for CCN. The installed equipment is not replacing any old equipment; therefore, the CCO is equal to zero and the PCF is equal to one (1).

The PCP function of the IFS, dehydration system, and amine system is to eliminate VOCs and non-saleable waste products from the raw natural gas as it is being processed into saleable gas products. As there is no saleable byproduct as a result of the raw natural gas being processed through these systems and that the annual cost associated with disposing of the non-saleable waste streams result in a negative byproduct value, we have determined the byproduct value equal to \$0 in the equation above, which indicates a pollution control exemption percentage of 100% for these expenditures.

**9. PROPERTY CATEGORIES AND COSTS**

List each control device or system for which a use determination is being sought. Include additional attachments for more than three properties.

Property	Taxable on 1/01/94?	DFC Box	ECL #	Estimated Cost	Use %
Land N/A					
Property PCP associated with the Amine and Dehydration Systems	<u>No</u>	<u>13</u>	<u>Tier III</u>	<u>13,300,212</u>	<u>100</u>
Totals				13,300,212	

**10. EMISSION REDUCTION INCENTIVE GRANT**

*(For more information about these grants, see instructions.)*

Will an application for an Emission Reduction Incentive Grant be filed for this property or project?

Yes       No

**11. APPLICATION DEFICIENCIES**

After an initial review of the application, the TCEQ may determine that the information provided with the application is not sufficient to make a use determination. The TCEQ may send a notice of deficiency, requesting additional information that must be provided within 30 days of the written notice.

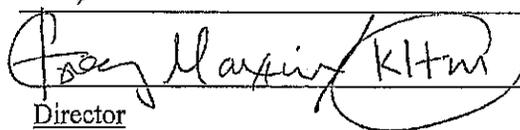
**12. SIGNATURE**

By signing this application, you certify that this information is true to the best of your knowledge and belief.

Printed Name: Greg Maxim

Date: 04/23/2010

Signature



Title

Director

Company:

Duff & Phelps, LLC

Under Texas Penal Code 37.10, if you make a false statement on this application, you could receive a jail term of up to one year and a fine up to \$2,000, or a prison term of two to 10 years and a fine of up to \$5,000.

**13. DELINQUENT FEES AND PENALTIES**

This form will not be processed until all delinquent fees and penalties owed to the TCEQ or the Office of the Attorney General on behalf of the TCEQ are paid in accordance with the Delinquent Fee and Penalty Protocol.

# Attachment B

Bryan W. Shaw, Ph.D., *Chairman*  
Buddy Garcia, *Commissioner*  
Carlos Rubinstein, *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

May 16, 2011

Mr. Greg Maxim  
Director  
Duff & Phelps, LLC  
919 Congress Suite 1450  
Austin, Texas 78701

Re: Notice of Negative Use Determination  
Williams Field Services-Gulf Coast Company  
Markham Gas Treating Facility  
4367 County Road 403  
Markham (Matagorda County)  
Application Number: 14534; Tracking Number: Tier III Application

Dear Mr. Maxim:

This letter responds to Williams Field Services-Gulf Coast Company's application for Use Determination, received April 26, 2010, pursuant to the Texas Commission on Environmental Quality's (TCEQ) Tax Relief for Pollution Control Property Program for the Markham Gas Treating Facility.

The TCEQ has completed the review for application #14534 and has issued a Negative Use Determination for the property in accordance with Title 30 Texas Administrative Code (TAC) §17.4 and §17.6. This equipment is used to convert raw natural gas into marketable gas products. Production equipment is not eligible for a Positive Use Determination.

Please be advised that a Negative Use Determination may be appealed. The appeal must be filed with the TCEQ Chief Clerk within 20 days after the receipt of this letter in accordance with 30 TAC §17.25.

If you have questions regarding this letter or need further assistance, please contact Ronald Hatlett of the Tax Relief for Pollution Control Property Program by telephone at (512) 239-6348, by e-mail at [Ronald.Hatlett@tceq.texas.gov](mailto:Ronald.Hatlett@tceq.texas.gov), or write to the TCEQ, Tax Relief for Pollution Control Property Program, MC-110, P.O. Box 13087, Austin, Texas 78711-3087.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Mark R. Vickery".

Mark R. Vickery, P. G.  
Executive Director

CG/RH

Enclosure

cc: Chief Appraiser, Milam County Appraisal District, P. O. Box 769, Cameron, Texas 76520

P.O. Box 13087 • Austin, Texas 78711-3087 • 512-239-1000 • [www.tceq.state.tx.us](http://www.tceq.state.tx.us)

How is our customer service? [www.tceq.state.tx.us/goto/customer/survey](http://www.tceq.state.tx.us/goto/customer/survey)  
printed on recycled paper

# Attachment C

Received and Original  
Forward to Dept.

JUN 15 2011

TCEQ/Revenue Section

Office of the Chief Clerk, MC 105  
Building F  
TCEQ  
12100 Park 35 Circle  
Austin, TX 78753

June 14, 2011

**NO MONEY**

Re: Appeal of Notice of Negative Use Determination  
Williams Field Services-Gulf Coast Company  
Markham Gas-Processing Facility  
4367 County Road 403  
Markham (Matagorda County)  
Application Number: 14534, Tier III Application

Dear Sir or Madam:

In accordance with 30 Texas Administrative Code (TAC) 17.25, this letter stands as an Appeal to your Notice of Negative Use Determination ("NOD") dated May 16, 2011 for Williams Field Services-Gulf Coast Company's application for Use Determination #14534 (the "Application"). A copy of the NOD is attached.

**Appeal Description**

The subject Application, dated April 26, 2010, was filed pursuant to the Texas Commission on Environmental Quality's (TCEQ's) Tax Relief for Pollution Control Property Program for the Markham Gas- Processing Facility's (the "Facility's") eligible Pollution Control Property ("PCP").

The Application's PCP consists of:

- 1) Natural Gas Inlet Filter Separator ("IFS"), that strips out impurities (wastes) in natural gas;
- 2) Amine Treatment assets, where hydrogen sulfide ("H<sub>2</sub>S") and Carbon Dioxide are stripped and conveyed as waste from the natural gas; and
- 3) Glycol Dehydration assets, where moisture entrained in the natural gas is stripped and processed as an effluent (waste) from the natural gas.

A Tier III Application inclusive of the Cost Analysis Procedure ("CAP") in effect at the time was filed.

### Basis for the Appeal

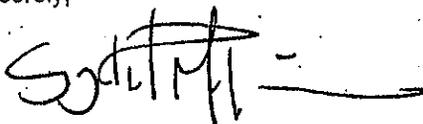
Although the PCP is integrated within a Natural Gas Liquids ("NGL") Recovery Facility, it was described in the Application as being used in the separation and removal of volatile organic compounds ("VOCs") such as Hydrogen Sulfide ("H<sub>2</sub>S") and other wastes, such as Carbon Dioxide ("CO<sub>2</sub>"). These wastes are removed to reduce the threat of contamination to air or water in the event of an inadvertent release. Therefore, the subject PCP is not performing a production function; but, rather, it segregates and captures the waste prior to disposal in the Facility's utility flare. Lastly, for consideration in the CAP calculations, the Facility does not recover CO<sub>2</sub> or elemental sulfur as marketable by-products from the subject PCP.

As noted in the subject Application page 4 of 7, the total historical costs of both the IFS and the Dehydration assets were considered in the CAP analysis as PCP costs eligible for tax exemption. Only that portion of the historical costs of the Amine Treatment assets related to pollution control/waste management activities was considered in the CAP analysis.

Finally, the NOD did not state that the CAP model inaccurately calculated the tax exempt percentage of the subject property. Rather, the NOD stated only that the equipment described is *"used to convert raw natural gas into marketable gas products. Production equipment is not eligible for Positive Use Determination."* Under then-current rule, the CAP is the demonstrated method for determining the tax exempt portion of the subject property, as PCP. In the Application, as calculated by the CAP, the eligible tax exempt percentage was determined to be 100%.

On behalf of the taxpayer, I respectfully request that the negative Use Determination be replaced with a positive Use Determination for the eligible historical costs of the PCP described within the Application. If you have questions regarding this Appeal, please contact me by telephone (512) 671-5580; by e-mail at [gregory.maxim@duffandphelps.com](mailto:gregory.maxim@duffandphelps.com); or write to me at the address listed below.

Sincerely,



Gregory Maxim  
Director  
Specialty Tax

Attachment

For Reference: Mr. Vince Maloney, Chief Appraiser  
Matagorda County Appraisal District  
2225 Avenue G, Bay City, TX 77414-5018

# Attachment D

**USE DETERMINATION**

FOR:

Application 13951

Williams Field Services  
Gulf Coast Company  
Markham Gas Treating Facility  
4367 County Road 403  
Markham (Matagorda County)

The following property is used 100% for pollution control and is installed to meet or exceed federal or state regulations.

Thermal oxidizer and utility flare system.



\_\_\_\_\_  
Executive Director

June 14, 2010  
Date

Mailing List

Williams Field Services-Gulf Coast Company

TCEQ Docket No. 2011-0996-MIS-U

Gregory Maxim, Director  
Specialty Tax  
Duff & Phelps, LLC  
919 Congress Avenue, Suite 1450  
Austin, Texas 78701  
512/671-5500 FAX 512/671-5501

Robert Martinez  
TCEQ Environmental Law Division MC 173  
P.O. Box 13087  
Austin, Texas 78711-3087  
512/239-0600 FAX (512) 239-0606

Vince Maloney  
Chief Appraiser  
Matagorda County Appraisal District  
2225 Avenue G  
Bay City, Texas 77414-5018  
979/244-2031 FAX 979/244-4254

Jose Caso  
TCEQ Environmental Law Division MC 173  
P.O. Box 13087  
Austin, Texas 78711-3087  
512/239-0600 FAX (512) 239-0606

Susana M. Hildebrand, P .E.  
TCEQ Chief Engineer's Office MC 168  
P.O. Box 13087  
Austin, Texas 78711-3087  
5121239-4900 FAX 5121239-6188

Blas Coy  
TCEQ Office of Public Interest Counsel MC 103  
P.O. Box 13087  
Austin, Texas 78711-3087  
5121239-6363 FAX 5121239-6377

Chance Goodin  
TCEQ Chief Engineer's Office MC 168  
P.O. Box 13087  
Austin, Texas 78711-3087  
512/239-6335 FAX 5121239-6188

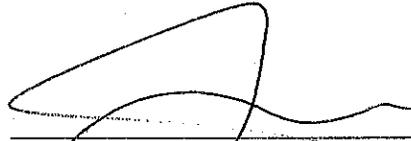
Bridget Bohac  
TCEQ Office of Public Assistance MC 108  
P.O. Box 13087  
Austin, Texas 78711-3087  
5121239-4000 FAX 512/239-4007

Minor Hibbs  
TCEQ Chief Engineer's Office MC 168  
P.O. Box 13087  
Austin, Texas 78711-3087  
512/239-1795 FAX 5121239-1794

Kyle Lucas  
TCEQ Alternative Dispute  
Resolution Program MC 222  
P.O. Box 13087  
Austin, Texas 78711-3087  
512/239-0687 FAX 5121239-4015

**CERTIFICATE OF SERVICE**

I certify that on July 12, 2011, an original and seven copies of the "Executive Director's Response to Williams Field Services-Gulf Coast Company Appeal of the Executive Director's Negative Use Determination" was filed with the Texas Commission on Environmental Quality's Office of the Chief Clerk, and a complete copy was transmitted by mail, facsimile, electronic mail or hand-delivery to all persons on the attached mailing list.



---

Jose Caso, Staff Attorney  
Environmental Law Division  
State Bar No. 24065018