

## **TxLED Stakeholders meeting, 10/14/2005**

Start time 2:00

On phone: Tammy Fulgham, Citgo  
Vic Ayres for Karl Pepple, City of Houston

Presenter: Morris Brown

Attendees: Kim Harris, Rita Hardy, Cindy Morphew, Leigh Ing, Cindy Fuqua, Don Lewis, Paul Whetstone, Ruben I. Velasquez, Jeff Freeman, Mike Nasi, Teddy Watson, Jim DiArezzo, Bill Gill, Ramon Alvarez, Stephen Strothe, J. Peeples, Chris Pepper, Kurt Lyell, Tod Wickersham, Chris Newton, Gregg Cooke, Jeff Trucksess, Adam Miles, Christine Robichaud, Gerry Benard, Eric Coleman, John R. Braeutigam, Corkey Childress, Ron Smith, Terry Ferguson, Tucker Fitzpatrick, Russel E. Smith, Jennifer Newton, Moraima Grinnell, Jeff Saitas, Robert Lawsa, Diana Durand, Marcus Anderson, Chris Breitling, Donnie Poplaski, Rob Elder, John Reese, John Uleuva, Randy Scott, Craig Knoeller, Adele Noel, Maria Brown, Tom Byers, Bill Hanson, S. Rabahat, George Sturges, Sandra Rennie, Randy Evans, Cary Tower, Fred Wright, Randy Rendon, Chuck Tilbrook, Jim Braddocil

### Meeting Notes:

Opened by Candice Garrett, Division Director Air Quality Planning and Implementation Division

Ms. Garrett indicated that the agenda for proposal will be late November or mid-December 2005. The agenda for adoption is expected to be mid to late April 2006. Ms. Garrett then introduced staff to the stakeholder attendees, and introduced Mr. Morris Brown of TCEQ.

Mr. Brown presented a PowerPoint presentation regarding the TxLED program and staff's suggested changes for improvements. A copy of the presentation can be found here: [http://www.tceq.state.tx.us/implementation/air/sip/TxLED\\_Adv\\_Grp.html](http://www.tceq.state.tx.us/implementation/air/sip/TxLED_Adv_Grp.html)

Mr. Brown indicated a concern with the current TxLED program is the Alternative Emission Reduction Plan (AERP) section. Specifically, EPA indicated its approval of each AERP must be by way of a SIP revision. In order to avoid multiple SIP revisions and not reveal the confidential business information contained in each AERP, staff has drafted a replicable process for determining emission equivalence and EPA approval for each AERP. The replicable process would be added to the SIP if it is proposed and adopted by the TCEQ commission.

Mr. Brown took the following questions:

*Question 1* - Alternative formulations are approved by TCEQ and EPA?

*Answer*- No only alternative plans must be approved by both.

*Question 2*– Is it possible to commingle different TxLED products?

*Answer*- Yes, however, biodiesel should not be mixed with other diesels.

*Question 3* -Can I get non TxLED and blend it using an approved method.

*Answer*- Yes

*Question 4* - If you're mixing diesel fuel, does that make you a producer?

*Answer*- Yes, and you must comply with all rules for suppliers.

*Question 5* - Do certified laboratories have to do the testing for alternative plans?

*Answer*- No. We don't have approved labs at this point. The lab must meet our QAC testing requirements.

*Question 6* – For fuels using the unified model to demonstrate compliance, do they have to complete the application to use the model?

*Answer*- No, we look at it as a way of using an alternative formulation that is approvable. Based on current SIP inventories, the unified model has to show that the formulation for all diesel in a specific area has to show a 5.5% NO<sub>x</sub> reduction for on road and a 6.2% NO<sub>x</sub> reduction in non road in NO<sub>x</sub>. In other words, the unified model is way to confirm that the fuel meets our standards.

*Question 7* – Does the agency consider the East Texas region as four different areas instead of just one area?

*Answer*- Yes, for compliance reasons all TxLED or TxLED equivalents must demonstrate emission reductions equivalence in HGA, DFW, and the remaining covered counties, i.e., three “areas.”

*Question 8* – Where are gasoline offsets allowed?

*Answer* - This strategy is limited to attainment areas.

*Question 9* - Original Q & A draft guidance document didn't limit residual credit to attainment areas. *Answer*- Residual credits will be discussed later on in the presentation.

*Question 10* - There are 110 counties that are considered as non-attainment – correct?

*Answer*- No, actually there are 90 in attainment and 20 in non-attainment. [Point of clarification: although the three counties in the Beaumont-Port Arthur area are designated nonattainment, this rule considers the three among the attainment counties, i.e., 93 attainment and 17 nonattainment counties.]

*Question 11* - Is San Antonio considered attainment or non-attainment?

*Answer*- San Antonio is an attainment area because of an early action compact agreement.

*Question 12* - I sell fuel to multiple cities and buy fuel at multiple refineries, why doesn't Texas make the whole state under the same standard fuel. Prices range 30-40 cents from different parts of Texas. Why not whole state?

*Answer*- The entire State of Texas does not have a problem with air quality. East Texas has more non-attainment areas; West Texas has less air problems specifically with ozone. There are only 3 types of fuel - TxLED, non-compliant, and TxLED alternative plan. The regulations are designed to apply to the suppliers of diesel fuel and not the users of the fuel. [Point of clarification: there are five ways to comply with the rule; please refer to the draft Regulatory Guidance document, i.e., the Q&A.]

*Question 13* - Why establish offsets by rule (see slide 29)?

*Answer* - It creates a baseline for all AERP plans to follow.

Question 14 - What years of low sulfur gasoline qualify (see slide 25)?

Answer – Low sulfur gasoline produced in 2003, 2004, and 2005 can qualify for credits.

Question 15- Isn't there only one approved plan for early introduction to low sulfur gasoline

Answer- There are several approved plans.

Question 16 - Do we envision more AERP plans?

Answer- No, because most producers who were going to comply through an AERP have already submitted plans to comply by this method.

Question 17 - Have plans already been approved by the EPA?

Answer- No, the EPA has not approved any, however, several producers have received letters from EPA indicating that their plan appears to be approvable.

Question 18 – How were gasoline off-sets calculated?

Answer – We ran the MOBILE6 emission factor model with baseline gasoline assumptions and then varied the sulfur level accordingly (see slide). The TxLED fuel has a greater impact on NOx emission than reducing sulfur in gasoline so the ratio approaches but never quite equals one to one.

Question 19 - What is the baseline cetane to get a 5.7 % NOx reduction?

Answer- 48.

Question 20 - At a diesel convention I heard that the trucks are changing so we need to change our fuels (like TxLED) to work with these trucks.

Answer – TxLED meets all ASTM standards and will be fully compatible with today's diesel engines.

Question 21- Are we going to be able to supply enough diesel fuel.

Answer- Yes, we actually show an increase in supply from registrations required to supply diesel fuel beyond October 31<sup>st</sup> in the East Texas Area.

Question 22- What about producers who submitted multiple alternative forms when they actually plan on using 1 of the 4?

Answer – We don't see that as a problem, in fact I don't remember seeing producers who submitted multiple applications.

Question 23- Instead of just providing 25%, 50% etc. cut points for gasoline sulfur levels, you could use linear interpolation to provide all the intermediate sulfur levels and corresponding off-sets.

Answer- A linear function could be more accurate. Good comment please submit that to us.

Question 22- What should we do in cases of laboratory to laboratory differences, for example my lab might give better numbers than another lab.

Answer- We might add something to require an outside lab. Remember if you submit it to the State then you are held accountable for fraudulent documents.

Question 23- Can Biodiesel (B20) sell without an approved additive until mid 2006?

Answer-No, You can only market B20 without an approved additive until Oct. 31, 2005.

Question 24 - Have you heard anything about another extension for compliance?

Answer-No. We typically know the last week the extension expires.

Question 25- What will prevent the four companies approved from raising the prices by \$1 per gallon?

*Answer- Competition.* About 20 companies are currently registered as diesel fuel providers under the TxLED rules. Of these, only four alternative formulations have been approved at this time. The number of companies/plans approved will increase.

*Question 26-* I am concerned about price gouging because too few companies are producing this product.

*Answer-* We approved all alternative plans which don't use any additives. Therefore, it is not necessary to use any of the currently approved formulations to make a compliant fuel.

*Question 27-* Isn't it true that a major company has been producing TxLED for the past year?

*Answer-* Yes, they have been. There have not been any problems with the product or supply.

*Question 28-* We shouldn't submit a revised alternative plan until the rules are approved, we should wait – once the rules are approved, we should then submit our plan?

*Answer –* Yes.

*Question 29-* What about pipeline contamination with sulfur?

*Answer-* TxLED doesn't have a sulfur requirement, and federal requirements require all on-road diesel fuel to be lower in sulfur. Therefore, there should not be any pipeline compatibility problems as a result of this program.

*Question 30-* Who is liable for additives if they don't meet requirements?

*Answer-* When the additive is approved, whoever is doing the treating needs to make sure that they treat it at the correct rate, and they become the liable party.

*Question 31-* What about NOx reductions, what if the additive doesn't meet the NOx reduction numbers claimed?

*Answer-* They have to have done testing to be compliant with the rule's specs.

*Question 32 -* What about Oryxe, why isn't it on the approved formulation list?

*Answer-* It is not a formulation. It's considered an AERP so it is not listed as a formulation option.

*Question 33-* Since there are 4 and not 14 approved formulations won't the cheapest still win?

*Answer-* Perhaps.

*Question34-* What about vehicle warranties?

*Answer-* The buyer is responsible in making sure that the fuel will not harm their vehicles. We don't think there will be a problem because the testing completed so far does not have any adverse effects.

*Question35-* Have the four approved Alternative Formulations additives done no harm in testing?

*Answer-* Yes, and TxLED isn't much different than the fuel you are using now except for lower aromatics and higher cetane. TxLED regulations are same as CARB regulations; CARB fuel has been around since 1993. Vehicles have changed since then to avoid problems with lower aromatic fuels.

*Question 36-* Don't all additives have to go through an alternative formulation process?

*Answer-* Yes.

*Question 37-* Over the next month or two is there anything else for us (producers/importers) to do regarding alternative plans that have yet to be approved by TCEQ or EPA?

*Answer-* Yes, please review these suggested changes and participate in the rule making process.

*Question 38-* If there is no harm testing out there, should the agency require this testing since we don't know what these additives can do? We want to see dyno testing and no harm testing. The market can control only so much and the sellers should do this testing to market their fuel.

*Answer-* Good comments.

*Question 39-* Some cities are replacing the engines with Tier II engines that need low sulfur diesel.

*Answer-* 2007 diesel engine vehicles will be required to meet the new NOx and PM standards, and they will require the use of low sulfur diesel under 15ppm.