

REVISIONS TO THE STATE IMPLEMENTATION PLAN
SITE-SPECIFIC STATE IMPLEMENTATION PLAN REVISION FOR
EL PASO ELECTRICAL PRODUCTS, INC.

TEXAS AIR CONTROL BOARD
12124 PARK 35 CIRCLE
AUSTIN TEXAS

APRIL 1993

SITE-SPECIFIC STATE IMPLEMENTATION PLAN REVISION

IV. Historical Summaries

H. Site-Specific

1. Ozone

a. El Paso Electrical Products, Incorporated

General

The Texas Air Control Board (TACB) Regulation V, concerning the Control of Air Pollution From Volatile Organic Compounds (VOC), allows exemption from the provisions of the rules pertaining to emission specifications and alternate control requirements for certain surface coating operations. The exemption is allowed when the emissions emitted are minimal, the cost of adding controls prohibitive, and supporting documentation is provided and approved by the TACB and the U.S. Environmental Protection Agency (EPA).

El Paso Electrical Products, Inc. (EPEP), a firm that coats mica paper, located in El Paso County, has applied to the TACB for an exemption under §115.427(a)(5)(B) (regarding Control of Air Pollution From VOC) to allow an alternate method of coating mica paper. Due to the unique nature of the coating process, the negative economic impact, and the minimal amount of emissions

emitted (6.5 tons per year), EPEP cannot comply with the requirements of §115.421(a)(4), concerning paper coatings, which specifies the limits of VOC per gallon of solids.

EPEP has requested an exemption from the provisions of §115.421(a)(4). The exemption will be allowed if the surface coating operations emit a combined weight of VOC of less than 100 pounds in any consecutive 24-hour period when uncontrolled, and if the documentation is provided to and approved by both the TACB and the EPA demonstrating that necessary coating performance criteria cannot be achieved with coating that satisfies applicable emission specifications and that control equipment is not technically or economically feasible.

Documentation

In accordance with §115.421(a)(5)(B), EPEP has submitted documentation to the TACB as indicated in Attachment 1 (regarding mica paper process) and Attachment 2 (regarding product requirements) demonstrating that the facility will be emitting less than 100 pounds of VOC in any 24-hour period and that the necessary coating performance criteria specifications that satisfy emissions specifications cannot be achieved. In Attachment 3, EPEP has presented economic cost information indicating that control equipment is not technically or economically feasible.

The TACB recommends approval of the request for exemption as indicated in Attachments 4 and 5, provided that the special stipulations contained in Attachment 6 are included in the EPEP exemption. The exemption for EPEP is limited to the specific process of coating mica paper according to the specifications submitted in Attachment 2. The provisions for the exemption will be voided by the TACB if there is a violation of the stipulations delineated in Attachment 6. Attachment 7 provides additional cost analysis to address the impact of add-on controls with respect to the economic viability of EPEP.

ATTACHMENTS

- (1) Rosengarten, Smith and Associates, Inc., Consultant For El Paso Electrical Products, Inc., Regarding Exemption
- (2) Westinghouse Letter Regarding Paper Coating Process
- (3) Thermal Incinerator Total Annual Cost Summary
- (4) Texas Air Control Board, Engineering Services Request For Exemption
- (5) Permit Process Engineering Request For Exemption
- (6) Special Stipulations For Proposed Exemption
- (7) Letter From Rosengarten, Smith and Associates Regarding Cost Analysis From El Paso Electrical Products, Inc.

ATTACHMENT 1

ATTACHMENT 1

April 21, 1992

Mr. Lawrence Richardson
Permit Engineer
Texas Air Control Board
12124 Park 35 Circle
Austin, Texas 78753

Re: TACB Permit Application #21276
El Paso Electrical Products, Inc.
El Paso, El Paso County, Texas

Dear Mr. Richardson:

This letter is in response to your notice of deficiency dated March 5, 1992. We are addressing each of your comments below.

Question 1:

You are correct that there is military housing about 1200 feet away from the site. We mistakenly believed that it was office space. We contacted Fort Bliss representative, Mr. Tipton and they affirmed that the buildings were residences, part of the Van Home resident

Question 2:

We have the plot

Question 3:

The MS ST-2 are retained to include epoxy.

Epi-Rez used be

NOT APPLICABLE - SEE QUESTION 5, NEXT PAGE.

Also on

EPN's like to : 1a, to sts this

78 was

More specific CAS numbers for cresylic acid and naphtha are not available because they are the fumes generated when the polyester thread is heated and coats the metal surface. They are essentially the same as those found in the ESL or TLV lists.

Question 4:

El Paso Electrical Products will comply with public notice requirements as dictated by the TACB.

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Question 5:

El Paso Electrical's position regarding Regulation V is that they wish to apply to the Executive Director of the TACB for exemption to the 100 lb/day emission limit. They plan to meet this limit by restricting operating hours to 7 hours per day. We have recalculated Table 7-1. The maximum hourly and daily rates have been reduced by using more realistic assumptions in the calculation method. The previous submittal assumed that the emissions occurred during half as many hours as they actually occur in. Our initial submittal had a considerable safety factor built in to the calculation.

El Paso Electrical would like to point out a number of reasons why they should be granted an exemption from Rule 115.427 (6) (A and B). This rule specifies that an exemption can be applied for if emissions exceed the 15 lb/day limit but are below 100 lb/day. The primary reasons for requesting the exemption are stated below:

The primary customer for the finished mica paper product is Westinghouse, which also supplies the raw material coatings. Attached is a letter from different Round Rock division of Westinghouse which declares that Westinghouse is not willing and/or able to vary the formulation of the coatings. The coatings are for a very specialized purpose, which is the insulation in large electric generators and motors. These motors are replacement motors for nuclear power plants.

The coating process used at El Paso Electrical Products provides a very thin layer of epoxy resin on each paper layer. Small pieces of mica are laminated to the backing paper. High solvent contents are necessary so that mica does not crumble and become uneven. Furthermore, using water as a solvent substitute is not technically feasible for epoxy resins coatings.

Secondly, the cost of controlling the emissions from the paper coater are substantial in terms of capital expense and operating cost. This is well documented in the initial permit application. El Paso Electrical has determined that it would be economically infeasible to continue the mica paper coating process if a control device was mandated. El Paso Electrical is a small business with 27 employees, and cannot afford the costs of control equipment.

El Paso Electrical's primary competitors for the mica paper product are located in Belgium and Switzerland. These companies are not affected by these new stringent coating regulations. If El Paso Electrical is denied this exemption, the result will be that Texas jobs will be lost to foreign producers, and the Texas Air Control Board will be forcing a small business out of an important product line in favor of foreign companies.

Additionally, we would like to point out that the unconditional exemption limit for this type of coating process has been reduced from 550 lb/day to 15 lb/day. This is a reduction of 97.3% within less than two years. This tremendous decrease in exemption level puts an increasing burden small companies with specialized product lines that must purchase sophisticated control equipment to comply with the new regulations. RECEIVED

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area businesses are further penalized because the primary contributors to non-attainment status in the El Paso area are located in Mexico. Those pollutant sources are not subject to U.S. standards for pollution control equipment.

In addition to the information above we have attached replacement pages for Tables 1-1, 7-1, 7-2 and TACB Table 1(a), and pages 1 and 3. These pages have been changed so that the permit application agrees with the discussion above. The increase in the use of Epi-Rez only increases annual emissions by only 46 pounds per year. If you have any questions please contact me at the above listed phone number or Bill Tamewitz at the address below:

El Paso Electrical Products, Inc.
15A Zane Grey
Fort Bliss, Texas 79906
(713) 879-1105

Sincerely,

David Schanzle
Air Quality Engineer

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ATTACHMENT 2

April 13, 1992

William E. Tamewitz
General Manager
El Paso Electrical Products

Dear Bill,

The following is offered for use in your request for a variance from certain environmental regulations:

While it is desirable to reduce the solvent content of resins used as mica-bonds in the manufacture of mica papers, resins are not currently available to replace the resins in use. Solvent reduction, if possible, could lead to monetary savings, improved performance and reduced environmental concerns. Should low solvent, solventless or water soluble resins become available, comparative testing must be performed before the new resins are approved for use.

The resins used by Westinghouse are determined by the demanding environments in which the insulation must perform. Temperatures in excess of 350 F., electrical stresses of up to 13800 volts, vibration and shock loading from the driven equipment and harsh conditions such as petro-chemical and marine environments demand that epoxies (primarily), polyesters and silicone resins are chosen for use.

Westinghouse resins have undergone extensive testing. Some of the resins are qualified for use in nuclear power plant operation. They are designed to be compatible with and, in some instances, co-react with other materials used in the insulation system.

Customers depend on the quality of the motor insulation to give long life under harsh conditions. Money lost to down time with a failed motor can run into many thousands of dollars per day.

Some background information is in order to fully understand the issue:

The factors that require the use of a solvented resin are:

- 1 - The low mechanical strength of un-reinforced mica paper.
- 2 - The viscous nature of resins used as mica-bonds.

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Mica paper is composed of small platelets of mica, approximately .03" in diameter or smaller. The platelets are formed into a sheet of mica paper normally .002" to .004" in thickness. This paper has very low mechanical strength and requires a backer such as glass fibers, Dacron fibers or polyester film to add strength and produce a useable product.

A resin (the mica-bond) is used to bond the mica to the backer and improve the performance of the end product. The resin has a high viscosity so that it will not flow out of the end product while in storage. If resin flows between layers, roll blocking occurs. This refers to tape that bonds to itself and will not unroll properly.

Un-reinforced mica paper has low tensile strength. Therefore, the resin viscosity must be reduced by solvents to insure penetration and to allow mica paper to be handled on rollers during application of the backer. A non solvented resin would pull the mica paper apart during manufacturing by adhering to the machinery.

Westinghouse Motor Company does not plan to change the formulations of the resins used in Thermalastic Epoxy insulation systems. A change made without sufficient testing could have serious results in the end product. The research involved in designing these formulations is extensive and costly, therefore changes are not foreseen at this time.

Jami Skaldon
Jami Skaldon

RIGSBY KAVANAUGH
Rigsby Kavanaugh
WMC

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ATTACHMENT 3

Table 6-1 (cont.)

Thermal Incinerator Total Annual Cost Summary

			Estimated Cost	Data Source

ANNUALIZED OPERATING COSTS				
Direct Operating Costs				
Utilities				
Natural gas				
BTU/hr	2300000	actual		
SCF/hr	2190.476	actual		
hr/yr	960	actual		
scf/yr	2102857	actual		
\$/scf	0.001976	actual		
Total natural gas			\$4,155	
Electricity				
H.P.	50	actual		
KW	37.3	actual		
hr/yr	960	actual		
KWh	35808	actual		
\$/KWh	0.059	EPA estimate		
Total electricity			\$2,113	

Total Utilities			\$6,268	
Operating Labor				
(0.5 hr/shift) (\$11.53/hr) (960 hr/yr) / (8hr/shift)			\$692	EPA estimate
Supervision (15% of operating labor)			\$104	EPA estimate

Total labor			\$796	
Maintenance				
Labor (same as operating labor)			\$692	EPA estimate
Materials (100% of maintenance labor)			\$692	EPA estimate

Total Maintenance			\$1,384	
Indirect Operating Costs				
Overhead (80% of all labor)			\$1,190	EPA estimate
Property Tax (1% of total capital cost)			\$3,134	EPA estimate
Insurance (1% of total capital cost)			\$3,134	EPA estimate
Administration (2% of total capital cost)			\$6,267	EPA estimate
Capital recovery (0.163 of total capital cost)			\$51,076	EPA estimate

Total Indirect operating costs			\$64,801	
Total Annualized Cost			\$73,248	
Tons of pollutants saved (95% x 6.31 tpy)			5.99	actual
Annualized Cost per Ton of Emissions Saved			\$12,219	

Table 6-1

Thermal Incinerator Total Annual Cost Summary

	Multiplier or Factor	Estimated Cost	Data Source
CAPITAL COSTS			
Direct Costs			
Major Equipment Purchase Cost			
Thermal incinerator		\$178,000	actual
Taxes and freight	0.08	\$14,240	EPA estimate

Total major equipment purchase cost		\$192,240	
Other direct costs:			
Foundation and supports	0.08	\$15,379	EPA estimate
Erection and handling	0.14	\$26,914	EPA estimate
Electrical	0.04	\$7,690	EPA estimate
Piping	0.02	\$3,845	EPA estimate
Insulation	0.01	\$1,922	EPA estimate
Painting	0.01	\$1,922	EPA estimate

Total Direct costs	0.3	\$57,672	
Indirect costs			
Engineering and supervision	0.1	\$19,224	EPA estimate
Construction field expenses	0.05	\$9,612	EPA estimate
Construction fee	0.1	\$19,224	EPA estimate
Start up	0.02	\$3,845	EPA estimate
Performance test	0.01	\$1,922	EPA estimate

Total Indirect costs	0.28	\$53,827	
Contingency (5% of equipment purchase cost)	0.05	\$9,812	EPA estimate

Total Capital Costs		\$313,351	

ATTACHMENT 4

Texas Air Control Board

Austin

MEMORANDUM

Texas

To: Lane Hartsock, Deputy Director, Air Quality Planning

From: Jeff Greif, Chief, Engineering Services *Jeff*

Date: August 18, 1992 *8/25/92*

Subject: Subject: Request for Exemption from TACB Regulation V, Rule §115.421(4), Per Rule §115.427(6)(B), by El Paso Electrical Products

The Engineering Services Section (ESS) staff has finished reviewing a request by El Paso Electrical Products, Inc. (TACB Account Number EE-0183-I) to be granted exemption from TACB Regulation V, Rule §115.421(4), as may be allowed under Rule §115.427(6)(B) for facilities that emit less than 100 pounds of volatile organic compounds (VOC) in any consecutive 24 hour period. As will be discussed in more detail below, we believe that El Paso Electrical Products' (EPEP) coating requirements and low emission levels meet the criteria envisioned in the development of Rule §115.427(6)(B), and recommend their request for exemption be approved by the Executive Director. We also recommend requesting approval for a site specific state implementation plan (SIP) public hearing from the TACB Regulation Development Committee as soon as possible so that the company's permitting efforts can also proceed.

EPEP coats mica paper that is used by Westinghouse Motor Corporation as insulation for industrial electric motors and generators which are used in nuclear power plants. They cover wires with Dacron fibers, and occasionally coat these with a very thin film of epoxy; the coating of these covered wires is not considered a source regulated by Regulation V, and therefore is not within the scope of this review. Rule §115.427(6)(B) states that a facility whose total, uncontrolled emissions of affected sources are less than 100 pounds in any consecutive 24 hour period may, if approved by the Executive Director and U.S. EPA, be exempted from the requirements of Rules §115.421 and §115.423. However, the applicant must show that add-on controls at the facility are economically unreasonable, and compliant coatings that can meet performance specifications are not available.

Westinghouse specifies the coatings to be used in the mica paper coating process and provides the technical research to determine which coatings are feasible to use. To date, research has shown that the epoxy resin coating which is used cannot have a VOC content much lower than 80.5 pounds per gallon of solids (6.5 pounds per gallon of coating). As the solvent content is decreased, the coating causes higher mechanical stress on the substrate, causing the mica to crumble and peel off the backing paper to which it is laminated. Also, at this time, water-reduced epoxy resin coatings are not available.

EPEP has represented in their permit application that VOC emissions from the Regulation V affected operation will not exceed 6.31 tons per year. Also, total emissions from the whole facility would not exceed 8.24 tons per year. Mr. Craig Richardson of the Combustion Division of the TACB Permits Program represents this as a 44 percent reduction in the emissions the company is currently allowed to emit under Special Exemption 15433. Since the emissions will be regulated by a permit, ESS recommends that special stipulations for this approval not include an annual VOC emissions limitation to allow flexibility in amending the permit in the future without needing to amend the site specific SIP revision.

EPEP has submitted cost summaries to the TACB Permits Program for a number of add-on control options. The least expensive option has an annualized cost of \$12,219 per ton of VOC emissions reduced. ESS feels this represents the controls as being economically unreasonable. Also, since the company dip-coats the mica paper, transfer efficiency cannot be improved through a different application method.

ESS believes EPEP has provided documentation that coatings are not available which allow them to comply with Regulation V limitations, and that add-on controls are economically unreasonable. Additionally, EPEP and Westinghouse have committed to continue resin research to develop coatings with lower VOC contents, with the hopes of some day complying with Regulation V. We therefore recommend that Regulation Development proceed with the necessary steps, including public hearing, to have the company's request for exemption under Rule 115.427(6)(B) approved by the TACB and submitted through the Governor's office to the U.S. EPA as a site specific SIP revision.¶ Attached, you will find a set of special stipulations which we recommend be incorporated into the site specific SIP revision through reference in a Board Order. The original request from the Permits Program asking for evaluation of the exemption request is also attached, and contains EPEP's discussion of the technical infeasibility of using coatings with lower VOC, as well as the annualized cost analysis for the most inexpensive control option. 1

If you have any questions regarding this memo, please contact Paula Amnott-Tanguma of my staff.

Attachments (2)

cc: Bill Campbell, Executive Director
Manuel Aguirre, P.E., Deputy Director, Regulatory Operations
Karen Kirkpatrick, P.E., Director, Regulation Development
✓ Amba Mann, Regulation Development
Jim Crocker, P.E., Director, Combustion Division, Permits
Victoria Hsu, P.E., Chief, Coatings Section, Permits
Craig Richardson, Coatings Section, Permits
Archie Clouse, Director, Region 11
Paula Amnott-Tanguma, Engineering Services Section

ATTACHMENT 5

TEXAS AIR CONTROL BOARD
AUSTIN TEXAS
M E M O R A N D U M

TO: Engineering Services
ATTN: Jeff Greif

FROM: Craig Richardson *CR*

DATE: May 21, 1992

SUBJECT: Application for Permit Under Regulation V Exemption

1. Purpose. To forward the permit application request of El Paso Electrical Products, Inc. for exemption under TACB Regulation V, Rule 115.427(6)(B) from the emission specifications in Rule 115.421(4) and (9)(iv).
2. Considerations.
 - a. Minor changes in formulation of coatings affects the character of emissions for which the applicant is currently permitted under Special Exemption 15433. This prompts the submission of this permit application since amendment is not possible. This permit represents a significant reduction in overall emissions (44%) to 8.24 tons/year.
 - b. The applicant's request for exemption is attached at Tab A. It outlines the ability to stay under the 100 lb. per 24 consecutive hours limit, the very specialized type of coating applied and the excessive cost of installing abatement equipment. This is supported by the coating supplier's letter stating that reducing the solvent content in the resin used is infeasible in view of performance requirements.
 - c. At Tab B is the cost analysis of the least expensive control system of the several analyzed and discussed in the permit application, and the applicant's conclusion that the annualized cost per ton of emissions saved would be economically unreasonable.
 - d. Screening modeling has been performed and off-property concentrations are below ESL for adverse health effects for the VOCs involved. One chemical exceeds the odor threshold and on-site testing is underway to verify its emission rate to determine

the necessity for further action.

- e. An internal record keeping system for hourly production is already in place which will serve as a basis for adjusting operations to comply with the 100 lb/24-hour limitation.
 - f. Region 11 and the El Paso City-County Health District both have no objection to issuing this permit under the 100 lb/24-hour exemption.
3. Discussion. For this type facility Regulation V specifies low VOC content coatings as reasonably achievable controls. El Paso Electrical shows this not to be the case for its very specialized high performance mica paper product. Further, it demonstrates that reduction in emissions that could be attained with abatement equipment would be too costly to consider. The company can readily comply with the provisions for exemption in TACB regulations and is logically pursuing this course of action.
4. Recommendation. Process permit application under Rule 115.427(6)(B) as requested.

Enclosures

ATTACHMENT 6

El Paso Electrical Products, Inc.
Rule §115.427(6)(B), Exemption
Special Stipulations

1. Total volatile organic compound (VOC) emissions from use of all coatings (as applied) regulated by Texas Air Control Board (TACB) Regulation V will not exceed 100 pounds per any consecutive 24 hour period.
2. The VOC content of mica paper coatings (as applied) at this facility shall not exceed 80.5 pounds of VOC per gallon of solids. Additionally, El Paso Electrical Products, Inc., will use the coating with the lowest possible VOC content that is available for each affected operation.
3. The company will implement a daily record-keeping system to document continuous compliance with Stipulation 1. Such a record keeping system will also comply with all requirements of TACB Regulation V, Rule §115.426.
4. It is the responsibility of El Paso Electrical Products, Inc. to ensure compliance with any applicable portions of TACB Regulation V, Rule §115.425.
5. El Paso Electrical Products, Inc. will keep abreast of resin research performed by Westinghouse Motor Company (or its affiliates) and perform ongoing literature reviews to facilitate future progress toward coatings with lower VOC contents.
6. Approval of this exemption does not preclude any permitting requirements which may be more stringent than those contained in these stipulations. Also, if a requirement of these stipulations is more stringent than those contained in a permit, these stipulations will be considered binding.
7. If the VOC emissions associated with all affected coatings (as applied) at this facility ever exceed 100 pounds per any consecutive 24 hour period, this approval is void and may not be reapproved.

ATTACHMENT 7

Rosengarten, Smith & Associates, Inc.
Technical Environmental Management

P.O. Box 162545
Austin, Texas 78716-2545

(512) 328-7771
Fax: (512) 328-9155

January 27, 1993

Mr. Lane Hartsock
Director
Air Quality Planning
Texas Air Control Board
12124 Park 35 Circle
Austin, Texas 78753

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AIR QUALITY PLANNING
TEXAS AIR CONTROL BOARD

Re: El Paso Electrical Products, Inc.

Dear Mr. Hartsock:

In response to the December 4, 1992 letter from Thomas Diggs, USEPA to the Texas Air Control Board, we are providing you with this economic analysis of installing emission controls on El Paso Electrical Products' (EPEP) mica paper coating line for VOC emissions. The EPA letter requested information concerning the economic impact of installing an emission control system on:

- 1) production costs
- 2) company profits
- 3) product demand
- 4) employment
- 5) product prices
- 6) affordability

Attached is EPEP's financial statement. It itemizes the mica paper production costs. As discussed in EPEP's TACB permit application, thermal incineration was shown to be the most inexpensive control method available. The thermal incinerator will provide the basis of the control equipment costs discussed herein. The annualized cost of running a thermal incinerator was determined by EPA methods to be \$73,823 and was presented in the Best Available Control Technology (BACT) section of the permit application. Using each of the financial gauges raised by EPA in the paragraphs, we have performed an analysis of the economic feasibility of imposing RACT and have shown that incineration is unreasonable and economically impractical.

Production Costs

1992 (January through November) mica paper production costs are approximately 79% of the annual sales revenue. The addition of the control equipment adds an incremental cost of 15% to the production costs to total approximately 94% of annual sales (See Table 1). The increase in production costs is very significant for a small and struggling company such as EPEP. The primary customer of EPEP mica paper product is Westinghouse Motor Company. The amount of orders and thus the production costs of the mica paper products are inherently tied to the amount of the mica paper product

demanded by Westinghouse.

Company Profits

EPEP has not shown a profit since its inception in November 1989. The company's losses have been decreasing in the last year but they are still far from profitable. For the EPEP has experienced a pre-tax loss of approximately \$75,000 a month (\$900,000 per year) on total sales of \$311,200 per month in 1992. The mica paper production has contributed an average \$101,825 per year. If control equipment were mandated and installed, the loss would increase to about \$81,200 per month or \$974,700 per year. Furthermore, it would nearly eliminate the profit in the only product of the company that is profitable. In terms of company profits, EPEP is in weak financial condition and any mandated capital expenses for control equipment could put them out of business.

Product Demand

EPEP has only one end customer for the mica paper product, Westinghouse Motor Company. EPEP does sell some mica paper to companies who assemble the electrical motor parts for Westinghouse Motor Company. Currently, Westinghouse has been in poor financial condition. This has affected their core business, which does include large scale electrical generating equipment. In addition, the world demand for large scale electrical generating motors has been soft for the last several years. The worldwide recession has deepened the financial troubles of both Westinghouse and EPEP.

Because Westinghouse and other electric motor producers have had recent financial trouble, EPEP has had a weak market for their products. EPEP has only been able to utilize the mica paper line 2 to 3 days per week or less in recent months. This part time utilization of the equipment raises costs per item, while at the same time the customer's ability to pay is weakened.

Employment

EPEP currently employs 23 people. The mica paper coating operation is the only profitable operation at EPEP. Loss of this product line's profitability due to additional capital and operating expenses of emission control equipment would force the entire plant to shut down, resulting in the loss of all the 23 jobs at EPEP.

Product Prices

Based on the reasons given in the paragraph on "Company Profits" it is clear that cost adsorption of emission control equipment is unreasonable. In order to maintain their current level of financial losses, EPEP would be forced to pass the cost of installing control equipment on to their customer to stay in business. Due to the weak financial situation of mica paper products sole customer, this is not be feasible. In fact, Westinghouse Motor Company has recently requested all of its suppliers to lower their prices by 10% for 1993 and has asked for a 10% rebate on products purchased in 1992. Any increase in prices by EPEP would probably cause Westinghouse Motor Company to investigate other suppliers of the mica paper product. Since EPEP is the only U.S. based supplier of products of this type, Westinghouse would have to turn to a foreign

Rosengarten, Smith & Associates, Inc.

supplier. EPEP's competition is located in Switzerland and Belgium.

Affordability

In light of the resulting loss of profitability and the weak market for its products, clearly EPEP cannot absorb the cost of control equipment. EPEP cannot pass the cost of control to its customer, who are currently attempting to reduce the amount they pay to suppliers. The installation of emissions control on the mica paper coating line is not affordable, EPEP could not fund the purchase nor sustain the operating cost given their current cash flow position.

This brings us to another aspect of the argument on behalf of EPEP. EPEP's VOC emissions are completely insignificant in terms of the El Paso and Juarez areas ozone non-attainment problem. We firmly believe that all stationary sources within the El Paso area (the U.S. side) could be shut down and the ozone non-attainment problem would still exist. After studying the 1988 El Paso emission inventory data, it is clear that the ozone problem in the El Paso/Juarez metropolitan area is primarily the U.S. and Mexican mobile sources and secondarily the numerous uncontrolled stationary sources on the Mexican side of the border. EPEP is being strictly judged because of activities completely out of their control and out of the control of the USEPA. As Americans we are foolish and short sighted to believe that the strict stationary source regulations imposed by TACB and EPA will alleviate air pollution problems in El Paso. El Paso's air pollution problem is primarily from pollutants drifting across our international border.

EPA should give special consideration to the international aspects of the ozone non-attainment problem before placing very tough emission standards on many small U.S. businesses. The small sources are not significant contributors to El Paso's ozone pollution problem yet compliance with TACB and EPA regulations will force many to go out of business altogether. USEPA should take this into account whenever companies in the border areas are forced to comply with non-attainment provisions. Simply put American jobs and businesses are already being exported to Mexico for the profit benefits of low cost labor and lax safety and environmental laws.

EPAs non-attainment regulations further exacerbate this problem, especially in border non-attainment areas. The losers from these regulations are US manufacturing firms and their American employees and every American citizen as our economic strength is sacrificed by poorly conceived regulations. EPEP has already spent thousands of dollars attempting to comply with the regulatory process of granting this exemption. For a small company attempting to become a profitable and sustainable venture, this regulatory process is significant in cost and measures need to be taken to simplify the procedure and speed approvals.

Rosengarten, Smith & Associates, Inc.

By not granting the requested exemption, the TACB and EPA will force EPEP to implement an economically unreasonable control technology or drop their most important product line. Either course of action could very well drive EPEP out of business. We strongly urge your to consider the economic benefits of approving this exemption. It is apparent that emission control equipment is not economically reasonable for EPEP and there should be no additional requirements to approve this exemption. If there are any questions regarding the economic analysis provided in the preceding paragraphs, please call Bill Tamewitz of EPEP at (915) 778-9991 or me at (512) 328-7771.

Sincerely,

A handwritten signature in black ink, appearing to read "David Schanzle". The signature is fluid and cursive, with the first name "David" written in a larger, more prominent script than the last name "Schanzle".

David Schanzle
Director of Air Quality Programs

attachment



EL PASO ELECTRICAL PRODUCTS, INC.

Phone (915) 778-9991
FAX (915) 778-1950

To: David Schanzle

TOTAL SALES

	SALES	BEFORE TAX LOSS
1990	\$1,402,263	(930,858)
1991	2,283,388	(1,160,049)
1992 (11 MOS)	3,423,145	(825,806)

MICA SALES & COST OF PRODUCTION

	SALES	MTL COST	LABOR COST	OVERHEAD COST	TOTAL COST
1990	\$370,732	\$214,972	\$12,900	\$48,195	\$276,067
1991	557,586	327,737	27,132	72,486	427,355
1992 (11 MOS)	469,968	301,646	26,648	61,095	389,389

PRODUCT DEMAND - \$500,000 PER YEAR

EMPLOYMENT - 23 PEOPLE

AFFORDABILITY - WITH EXTRA COST FOR EMISSIONS ABATEMENT ON MICA LINE.

PROJECTED ANNUAL SALES	-	\$500,000
MTL COST 60% SALES	-	300,000
LABOR COST 6% SALES	-	30,000
OVERHEAD COST 13% SALES	-	65,000
MARGIN	-	\$105,000
MINUS - FOR EMISSIONS CONTROL	-	73,823
GROSS MARGIN	-	\$ 31,177

INTEREST RATE ON LOAN - 10.6%