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CONFIDENTIAL PORTION

HEARING ON THE MERITS

SOAH DOCKET NO. 582-20-3438.AIR

TCEQ DOCKET NO. 2020-0511-AIR

THURSDAY, OCTOBER 8TH, 2020

COPY

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1 Q (BY MR. RHEM) I would like you to take a look
2 at what has been marked as Exhibit PAC 300. Have you
3 been provided a copy of that by your attorneys?

4 (Exhibit PAC No. 300 marked)

5 A I don't think so. I'm not sure what that is.
6 Could you show me what that is?

7 Q (BY MR. RHEM) I can bring it up on my screen.

8 A Yeah, that would be helpful.

9 Q Let me do that. Actually, no, I can't, because
10 we're not allowed under the protective order to bring --
11 to scan copies of Exhibit 300 because it is subject to
12 the protective order.

13 MR. RHEM: Ms. Dyar, did you provide a
14 copy to your client -- or to your witness of
15 Exhibit 300?

16 MS. DYAR: I have not done so, because it
17 was confidential and it is confidential, and he did not
18 have a need to see it. If I need to remedy that, I can
19 do that.

20 JUDGE BAILEY: Ms. Dyar, how long do you
21 think it will take to provide Mr. Parmley with a copy,
22 or do you have a scanned copy that could be shared --
23 share-screened?

24 MS. DYAR: It will take me approximately
25 one minute.

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1 JUDGE BAILEY: Okay.

2 MS. DYAR: I will be right back.

3 JUDGE BAILEY: And, Lorrie, we can go off
4 the record right now.

5 (Recess: 10:04 a.m. to 10:05 a.m.)

6 JUDGE BAILEY: Okay. Mr. Rhem.

7 MR. RHEM: Great.

8 Q (BY MR. RHEM) Mr. Parmley, can you identify --
9 take a look at the cover page of that document, which is
10 marked as Exhibit PAC 300. Can you take a look at that
11 cover page?

12 A Yes, I've got it in front of me.

13 Q Have you ever seen this document before?

14 A No, never.

15 Q If you take a look at that cover page, would
16 you agree with me that this is the Amended and Restated
17 Lease Agreement Between the Port of Corpus Christi
18 Authority of Nueces County, Texas and Lone Star Ports,
19 LLC, and it is effective on December 10, 2019?

20 A Yeah, that's the title -- that's what the title
21 page says, yes.

22 Q Great. And the lessee in this lease agreement
23 is Lone Star Ports. Correct?

24 A Yes.

25 Q Great. And I'd like you to turn with me to

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1 what is Bates-labeled LSP0012997. Just take your time
2 and let me know when you get there.

3 A All right, I'm there.

4 Q And I'd like you to take a look down at Recital
5 B, about halfway down the page.

6 A Okay.

7 Q And that says -- Recital B states that the
8 Corpus Christi Port Authority owns the surface estate of
9 the 200-acre tract on Harbor Island. Correct?

10 A Yeah, I guess the "Authority" means the Port
11 Authority, yes.

12 Q Very good. And then look down at Recital C
13 just below that.

14 A I'm sorry. Did you say C or D?

15 Q C. C as in Charlie. Lone Star Ports, or the
16 lessee, intends to develop a crude oil export terminal
17 on that property owned by the Port of Corpus Christi
18 Authority. Correct?

19 A Yes, that's what it says.

20 Q Very good. And then can you turn to what is
21 marked as Bates-labeled LSP0013076? Again, take your
22 time. Let me know when you get there. We're not in a
23 rush.

24 A You said 076. Correct.

25 Q Yes, sir.

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1 A Got it.

2 Q On the top of that page, it says Authority's
3 Signature Page to Lease Agreement. Do you see that?

4 A Yes, I do.

5 Q And the person that's signing the lease on
6 behalf of the Corpus Christi Port Authority is Sean --
7 is Sean Strawbridge, the CEO. Correct?

8 A Yes.

9 Q And if you flip to the next page, 13077, the
10 person signing on behalf of Lone Star Ports is A.
11 Lawrence Berry. Correct?

12 A Yeah, looks like somebody signed for him, but
13 yes.

14 Q Okay.

15 A I can't read that signature, but --

16 Q And it -- just looking at the -- at the printed
17 name below that --

18 A Yes.

19 Q Right. Okay. I had previously asked you about
20 your understanding of what Lone Star Ports actually
21 intends to build. I'd like to discuss what Lone Star
22 Ports is contractually required to build according to
23 this lease. Okay?

24 MS. DYAR: Your Honor, I would object to
25 that question. It has no relevance to the air permit

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1 application which is the subject of this proceeding,
2 what Lone Star's contractual obligations are.

3 JUDGE BAILEY: Mr. Rhem, do you have a
4 response?

5 MR. RHEM: Absolutely. I think the
6 contractual obligations and what the -- what Lone Star
7 Ports has agreed to do is directly relevant and allowing
8 the public to know what they intend to build.

9 If we're having a hearing about an
10 application that is not what the Applicant actually
11 intends to build, then it -- I think the public deserves
12 to know that, and the TCEQ deserves to know what the
13 Applicant actually intends to build; otherwise, this
14 hearing is for some sort of hypothetical that we're not
15 actually going to build.

16 JUDGE BAILEY: Agreed. Overruled.

17 Q (BY MR. RHEM) Mr. Parmley, I'd ask you to turn
18 to what is Bates-labeled LSP0013084. Take your time.
19 We're not in a rush.

20 A A lot of pages. Okay, I'm there.

21 Q Okay. And that page is titled Exhibit C,
22 Disposition Upside. Correct? Do you see that?

23 A I see that. I'm not sure what that means, but
24 I see that.

25 Q Okay. Well, under the second bullet point, the

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1 term project is defined. Do you see that?

2 A Yes, I do.

3 Q Will you please read that definition for us?

4 A I'm not sure it's a definition, but it says
5 project means the Harbor Island terminal project,
6 together with any other infrastructure facilities and
7 equipment connected to, associated with, or necessary
8 for the Harbor Island terminal project, including all
9 the lessee's other facilities located at and downstream
10 of that certain terminal known as Midway Junction and
11 relating to the throughput of crude oil at Harbor Island
12 Crude Terminal regardless of whether such facilities of
13 the lessee are located on the leased premises.

14 Q Okay. So that's -- that's a lot more than just
15 the marine terminal that is the subject of Lone Star
16 Ports' application. Correct? That includes more
17 facilities.

18 A Yeah, I have no idea what the context of this
19 project definition is. It certainly --

20 (Simultaneous speaking)

21 JUDGE BAILEY: Try not to speak over each
22 other.

23 THE REPORTER: I need the witness to
24 please repeat what he said.

25 JUDGE BAILEY: Mr. Parmley --

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1 A I said I have no idea what the definition of
2 project that they're talking about and this document
3 that I have never seen before means, but it's certainly
4 not the definition of project that TCEQ would be
5 evaluating in this permit action.

6 Q (BY MR. RHEM) And that's fine. All I was
7 asking about is that the definition that you see here is
8 different than what TCEQ is reviewing in the
9 application.

10 A Correct.

11 Q Great. And that's because that includes not
12 only the Harbor Island Marine Terminal itself but also
13 all of Lone Star Ports' other facilities at and
14 downstream of the Midway Junction. Correct?

15 A What is -- what is the -- could you repeat the
16 question? I'm not sure what the "that" was in your
17 question.

18 Q Sure. Understood.

19 The reason it's more expansive than what
20 is in the application is because it includes not only
21 the Harbor Island terminal itself but also all of the
22 Lone Star Ports' other facilities at and downstream of
23 the Midway Junction that's referenced in this
24 definition. Correct?

25 A I have no idea. I haven't read this document

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1 before.

2 Q Okay. Based on this definition, the project
3 includes other facilities that are downstream of the
4 Midway Junction that relate to the throughput of crude
5 oil to the Harbor Island Crude Terminal. Correct?

6 MS. DYAR: Your Honor, I would object.
7 Mr. Parmley has answered that question. It's been asked
8 a couple times now.

9 JUDGE BAILEY: Mr. Parmley, answer that
10 last question.

11 And then, Mr. Rhem, I think we can move
12 on.

13 A Yeah, I mean, it -- you know, like I said, it's
14 impossible for me to put this in context, because I'm
15 not even sure what document I'm reading, but it would
16 seem on the surface that -- that Mr. Rhem's definition
17 of project that he just had me read includes more than
18 the permit application under review here at TCEQ.

19 Q (BY MR. RHEM) Okay. And I appreciate that.

20 The Midway Junction terminal, are you
21 familiar with that facility?

22 A Midway Junction --

23 Q It's also -- sorry. I didn't mean to cut you
24 off there.

25 A I'm not sure I understand the term Midway

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1 Junction. Has it been going by some other nomenclature
2 in this proceeding?

3 Q Sure. I was going to ask if --

4 A The Aransas Pass facility, or is that the
5 Midway facility or what?

6 Q Exactly. That's what I was trying to ask you.
7 The Midway terminal, that is a facility that has been
8 permitted by Axis. Correct?

9 A You're talking --

10 MS. DYAR: Your Honor --

11 (Simultaneous speaking)

12 JUDGE BAILEY: Hold on one second,

13 Mr. Parmley.

14 Ms. Dyar.

15 MS. DYAR: I'm just trying to understand
16 what the question is. Mr. Rhem has floated out a couple
17 different terms now, and I think Mr. Parmley is trying
18 to understand what it is he's asking about exactly. If
19 we could clear that up, I would appreciate that.

20 JUDGE BAILEY: Mr. Rhem, could you restate
21 your question?

22 MR. RHEM: Sure.

23 Q (BY MR. RHEM) Mr. Parmley, are you familiar
24 with the two terminals that have been permitted by Axis
25 Midstream?

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1 A No. I'm familiar with the one that has a draft
2 permit.

3 Q Are you familiar with -- you are not familiar
4 with the -- let me see if I can pull the actual permit
5 number for you. Let's see here. This is the standard
6 permit registration 156544 for Axis Midstream Holdings'
7 Midway Hub Terminal. Are you familiar with that
8 facility?

9 A Yes, I am.

10 Q Okay. And that has been permitted by Axis.
11 Correct?

12 A Correct.

13 Q Okay. And all of the other infrastructure
14 downstream of that Midway terminal hub down to the
15 Aransas Pass terminal has also been permitted by Axis.
16 Is that your understanding?

17 A Yeah, I -- I wouldn't refer to them as
18 terminals, but yes.

19 Q That's fine. I'd like you --
20 (Simultaneous speaking)

21 A -- you used the term terminal, and -- but
22 anyway, go ahead.

23 Q (BY MR. RHEM) Sure. I'd like you to turn to
24 Appendix One, which is Bates-stamped LSP0013097?

25 A I'm sorry. Could you repeat that? 13097?

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1 Q You got it.

2 A All right, I'm there.

3 Q Okay, great. And you'd agree with me, looking
4 at the title there, that this lists the general design
5 criteria for the Harbor Island docks. Correct?

6 A Yes.

7 Q And this includes a list of components for the
8 docks, and it starts off with Item B for some reason,
9 but it goes through B through M.

10 MS. DYAR: Your Honor, that sounded like
11 Mr. Rhem was testifying as to what it said.

12 Is that a question, Mr. Rhem?

13 JUDGE BAILEY: Mr. Rhem, if you -- I'm
14 going to overrule.

15 (Simultaneous speaking)

16 Q (BY MR. RHEM) -- a list of components for the
17 docks, Items B through M?

18 JUDGE BAILEY: Mr. Parmley, did you hear
19 that question?

20 A I probably didn't. Could you ask it again,
21 Mr. Rhem? I think you're asking me if I see B through
22 M. Yes, I do, if that's the question.

23 Q (BY MR. RHEM) Great. And that includes a list
24 of components for the docks. Correct?

25 A Give me just a second.

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1 Q Sure. Take your time.

2 A Yeah, it looks like it. I mean, other things
3 besides just the dock. There's parking area and area
4 lighting requirements and things like that, but most of
5 it has to do with the elements of the dock.

6 Q Great. And take your time, but I want -- I
7 want you to take a look at that and see if there are
8 anything that you would identify as emission sources
9 listed there on Appendix One.

10 A (Witness reading document)

11 Yeah, maybe -- maybe D. I mean, they're
12 basically talking about marine loading in D, but...

13 Q Okay. And there, D, it references loading
14 arms, piping, and equipment. Correct?

15 A Uh-huh.

16 Q And would those types of equipment, those were
17 included in the application?

18 A Yes, they were.

19 Q Great. Let's turn to Appendix Two, the next
20 page.

21 A All right. I'm with you.

22 Q And Page 2 lists crude oil handling components.
23 Correct? Product handling equipment. I'm sorry.

24 A Bear with me. I'm seeing this for the first
25 time.

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1 Q I understand. Take your time.

2 A Okay. Yeah, it looks like product handling
3 equipment, electrical requirements and, you know, all
4 kinds of things really. Yeah.

5 Q Sure. Sure. It's a long list. Let's go
6 through that. So if we look at Item B, that states that
7 there are five loading arms per dock. You see that?

8 A Yeah, I do see that.

9 Q And would those be an emission source?

10 A Those loading arms, the actual loading into the
11 (indiscernible) going vessel would be an emission
12 source.

13 Q Great. And that would have been included in
14 the application. Correct?

15 A Correct.

16 Q I'm not sure about this. Dock Safety Unit
17 Skids and vapor blower skids. Is that an emission
18 source?

19 A I don't know what that is, so I -- doesn't
20 appear to be.

21 Q What about the liquid knockout vessel? Is that
22 an emission source?

23 A No.

24 Q The fire water system?

25 A The fire water system in regard to the engines

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1 that drive the fire water pumps would -- you know, they
2 would -- that would be an engine, so that would be an
3 emission source.

4 Q And that would have been included in the
5 application. Correct?

6 A It was, yes.

7 Q What about the crude purging and storage
8 facilities? Is that an emission source?

9 A Yeah, there's some recycle tanks in there that
10 are part of that and, you know, just the piping as well.

11 Q Right. And that was also included in the
12 application. Correct?

13 A Correct.

14 Q Let's look at Appendix Three.

15 A This is -- this is a lease agreement.

16 Q Okay. Looking at Appendix Three, I did not see
17 any emission sources there. Would you agree with that,
18 that there aren't any emission sources listed there?

19 A Give me just a second.

20 Q Sure. Take your time.

21 A Yeah, appears to not be any emission sources.

22 Q Okay. Turning to Appendix Four -- and we're
23 almost done with this. We have two more appendixes, and
24 we'll be done with that portion. Appendix Four, will
25 you please turn to that?

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1 A Yes.

2 Q And Appendix Four lists the lessee's deporting
3 facilities, and that includes product loading pumps
4 there in Item G. Do you see that?

5 A Yes.

6 Q And that would be an emission source that was
7 included in the application. Correct?

8 A Correct.

9 Q All right. Going on to Appendix Five -- and
10 I'm looking, just so that everyone can make sure they're
11 kept up, it's LSP0013101.

12 A I'm with you.

13 Q Okay. And Appendix Five lists specific design
14 criteria or what is titled there General Design
15 Criteria, Items A through E. Correct?

16 A Yes.

17 Q And Item A indicates that the terminal is to
18 have the necessary equipment and pipelines to receive
19 and handle crude oil. Correct?

20 A Yes.

21 Q And there would be emissions associated with
22 that process, receiving and loading crude oil?

23 A Yes.

24 Q Item B lists crude oil supply lines, scraper
25 traps, pressure control valves, meter skids, product

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1 sampling equipment, two 80,000-barrel utility tanks,
2 pumping-capability, vapor lines, and a natural gas
3 supply line. Are any of those emission sources?

4 A Yes.

5 Q And were those included in the application?

6 A Yes, they were.

7 Q Okay. Item C lists on-site electrical power
8 generation. Do you see that?

9 A I do.

10 Q Is an on-site electrical power generation unit
11 a source of emissions?

12 A Yes, it would be if it was permanent, yeah.

13 Q Was that included in the application?

14 A No. You know, I don't know. I don't know what
15 this -- again, I don't know what this document says, and
16 I don't know if this is on-site power generation, you
17 know, during construction or -- you know, I'm not sure
18 what I'm looking at is what I'm telling you.

19 But electric power generation would be an
20 emission source. I just don't know if it's a temporary
21 emission source during construction, or they intended
22 something else, but it's in the application, isn't it?

23 Q You've answered my question. I appreciate
24 that.

25 MR. RHEM: I have a little bit more -- or

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1 I'm going to flip to a different exhibit, Judges, but
2 I'm going to come back to the lease. So I don't want to
3 necessarily go out of our breakout room, because it's
4 just going to be about five or six questions, and then
5 I'm going to come back to the lease agreement. Are you
6 okay --

7 JUDGE BAILEY: Is there any way to get to
8 those questions without --

9 MR. RHEM: I can try to do that, if you
10 just let me take a second to reorganize a little bit
11 here.

12 JUDGE BAILEY: Okay.

13 (Pause)

14 MR. RHEM: Actually, I'll just skip that
15 question, and I think we can go out of confidential
16 mode, and then we can discuss the next exhibit.

17 JUDGE BAILEY: Okay. Ms. Dyar, I assume
18 you're going to have -- well, I'm not going to assume.
19 Are you -- do you think you're going to have any
20 redirect regarding the confidential exhibit?

21 MS. DYAR: Yes, I will.

22 JUDGE BAILEY: Okay. Then since we're
23 going to be coming back anyway, Mr. Rhem, we will --
24 we'll exit out of this confidential portion.

25 Judge Smith, do you think it would be best

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1 to kind of change things up, see if any other parties
2 have any cross regarding this exhibit, and then do the
3 redirect and recross while in this breakout room instead
4 of going back and forth?

5 JUDGE SMITH: I would see if another -- if
6 Mr. Frederick has questions on this topic and go ahead
7 and do that, but then I think we'll break out again for
8 a separate redirect, because I don't think it's fair to
9 limit the Applicant's redirect at this point.

10 JUDGE BAILEY: Okay. Mr. Rhem?

11 MR. RHEM: Yeah, I was just going to say,
12 I mean, that was my questions from the lease regarding
13 this particular topic. The lease goes into a number of
14 different areas. I will be referencing the lease
15 throughout my cross-examination. I'm on Page 4 of 20,
16 and it goes through a whole litany of issues that are
17 relevant to this case.

18 So I just want to give you that warning
19 ahead of time that I will be referencing it on different
20 issues unrelated to this particular electric generating
21 unit.

22 JUDGE BAILEY: Okay. So how many -- and
23 are all those questions kind of -- there is
24 nonconfidential questions between the confidential
25 discussions of your cross? Or is there any way to do

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1 all of your confidential questions at one time?

2 MR. RHEM: We could try that. The way
3 I've grouped it is by topic, as opposed to just by
4 document, because if there is an issue about the
5 electric generating unit, I've asked questions about
6 that, then reference other exhibits that talk about that
7 particular topic; otherwise, it's just -- I mean, I can
8 do it; it's just a series of what effectively becomes
9 random questions.

10 JUDGE BAILEY: Okay. Okay. I think
11 because we have -- we'll be going in and out anyway, we
12 will go back to the -- we'll go back to the main
13 session. Mr. Rhem, you can ask your nonconfidential
14 questions, and then if we have to get back into this
15 breakout session, we can. Because it seems like your
16 cross -- you have quite a bit more left?

17 MR. RHEM: I would agree with that.

18 JUDGE BAILEY: Okay. All right.

19 Then, Lorrie, at this point, we are going
20 to -- we're going to end the confidential portion of
21 Mr. Rhem's cross-examination at this point, and we are
22 back in the joint session with all of the other parties
23 and attendees.

24 (Confidential portion concluded)

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THURSDAY, OCTOBER 8TH, 2020

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1 JUDGE BAILEY: Mr. Rhem.

2 MR. RHEM: And thank you for that, Judges.

3 Q (BY MR. RHEM) I'd like to turn back to the
4 lease agreement, and that is PAC 300. Mr. Parmley, do
5 you have that in front of you?

6 A I do.

7 Q Great. I'm going to ask you to turn to the
8 page that's Bates-labeled LSP0013012. Take your time.

9 A Okay, I'm at LSP0013012. Is that correct?

10 Q Yes, sir. Thank you.

11 A Okay.

12 Q And I'm going to look at Section 2.3(A)(iii),
13 and it starts with, Lessee does not secure within.

14 A Okay.

15 Q And we're talking about our termination
16 provisions here. And it allows the Lone Star Ports, if
17 it fails to secure -- and I'm reading now from that
18 section -- all permits reasonably required by lessee to
19 construct and operate the Harbor Island Crude Terminal
20 in accordance with its obligations under the lease; and,
21 B, all of lessee's other facilities located out and
22 downstream of that -- of the certain terminal known as
23 Midway Junction and relating to the throughput of crude
24 oil at Harbor Island crude oil terminal regardless of
25 whether such other facilities of lessee are located on

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1 the lease premises.

2 Did I get that correct?

3 A Yeah, looks like it.

4 Q Great. And you'd agree with me that, according
5 to the lease, Lone Star Ports' facilities include the
6 terminal known as Midway Junction, according to the
7 lease?

8 A I'm sorry, Mr. Rhem. Let me read that again,
9 because I haven't seen this before.

10 Q I understand. Take your time.

11 A And some of mine is redacted.

12 Q Mine, too.

13 A (Witness reading document)

14 Okay. Could you repeat your question now
15 that I've read it? I'm sorry.

16 Q Sure. No, I completely understand.

17 You'd agree with me that, according to
18 this lease and that provision you just read, Lone Star
19 Ports' facilities include the terminal known as Midway
20 Junction?

21 MS. DYAR: Your Honor --

22 A Yes.

23 MS. DYAR: -- I'm asking -- Mr. Rhem is
24 asking for a conclusion about what the lease says as an
25 entire document. Perhaps that's not his question.

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1 JUDGE BAILEY: Mr. Rhem, are you referring
2 to the entire lease or just to this portion, this
3 provision?

4 MR. RHEM: I'm referring just to this
5 portion. I'm just trying to understand what it says
6 here and if he agrees with me that the lease indicates
7 that Lone Star Ports' facilities include this site
8 that's called Midway Junction.

9 JUDGE BAILEY: Mr. Parmley, after reading
10 that provision, could you answer the question under --

11 A Yeah --

12 (Simultaneous speaking)

13 A -- I'll try. I'm not much of a lease contract
14 guy, and it looks like they're talking about
15 right-of-ways and easements procurement. And, yes,
16 they -- they do mention Midway Junction. We've thrown
17 around a lot of terminology about, you know, what we're
18 calling these three different or four different
19 facilities. And I'm assuming Midway Junction is the
20 facility near Doyle, and if that's correct, I'd say yes.

21 Q (BY MR. RHEM) Great. Great. That helps
22 answer my question.

23 I'd now like to turn to what is
24 Bates-labeled LSP0013031.

25 A I'm there.

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1 Q Okay. Section 6.3 is regarding the
2 construction and ownership of Harbor Island Crude
3 Terminal. That's what it says there under Section 6.3.
4 Correct?

5 A Yes.

6 Q And that section states that Lone Star Ports is
7 required to design, build, own, and operate the
8 facility?

9 MR. SEAL: Your Honor, I apologize.
10 Ms. Dyar just informs me she just got kicked off the
11 call. Could we just pause for a second to make sure we
12 get her reconnected? I apologize for the technical
13 difficulties.

14 JUDGE BAILEY: Yes of course. We may have
15 to, I think -- oh, I see her.

16 Ms. Dyar, can you hear us?

17 Judge Smith, do you still see Ms. Dyar?
18 Okay. It seems as if she's still connected, but if
19 she's having technical difficulties, she can log off and
20 log back in, and we will admit her from the waiting
21 room.

22 MR. SEAL: Thank you, Your Honor.

23 JUDGE BAILEY: And, Lorrie, we can go off
24 the record while we wait.

25 (Off the record)

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1 JUDGE BAILEY: We can go back on the
2 record now. All right. Thank you.

3 Mr. Rhem.

4 MR. RHEM: Great.

5 Q (BY MR. RHEM) And so I was talking about
6 Section 6.3. Mr. Parmley, are -- you have that in front
7 of you?

8 A I do.

9 Q Great. And according to that section, Lone
10 Star Ports is required to build, own, and operate
11 facilities and equipment that is to be used for the
12 staging and throughput of crude oil to the Harbor Island
13 terminal. Correct?

14 A Yeah, it doesn't say that exactly, but I think
15 that's what it means.

16 Q Great. And -- but I just want to confirm with
17 you that the Midway Junction terminal and the Aransas
18 Pass terminal, those have already been permitted by Axis
19 Midstream. Correct?

20 A That's correct.

21 MR. RHEM: Okay. That is the end of my
22 discussion of the lease for this portion.

23 JUDGE BAILEY: Okay. Then we will admit
24 everyone back in so that we can finish our discussion.

25 (Confidential portion concluded)

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1 JUDGE BAILEY: Mr. Rhem.

2 MR. RHEM: Great.

3 Q (BY MR. RHEM) Mr. Parmley, I'm going to refer
4 back to Exhibit PAC 300. That's the lease.

5 A Okay. I've got it.

6 JUDGE BAILEY: Wait one second. One
7 second. It seems that we have -- sorry to interrupt,
8 but it seems that we have lost Ms. Dyar. Hold on one
9 second.

10 JUDGE SMITH: I just admitted her.

11 JUDGE BAILEY: Okay. Perfect.

12 All right. We have Ms. Dyar. We have not
13 started yet. We caught your absence before Mr. Rhem had
14 asked his question.

15 So, Mr. Rhem, would you proceed?

16 MR. RHEM: Sure. Thank you.

17 Q (BY MR. RHEM) I want to turn back to Exhibit
18 PAC 300, and I want to go back to the page that's
19 Bates-labeled LSP0013031.

20 A LSP0013031?

21 Q Yes, sir.

22 A Thank you. I'm with you.

23 Q On top of that page, you see Section 6.3?

24 A Yes.

25 Q And I understand that you have not seen this

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1 document before, and I understand you haven't read it
2 until today. But when we read Section 6.3(a), that
3 dictates that the lessee will design, build, own, and
4 operate a facility and equipment relating -- related
5 equipment to build the Harbor Island Crude Terminal,
6 including equipment for staging and throughputting of
7 crude oil. Correct?

8 A Yes, that's what it says.

9 Q Yeah. And that contractual provision requires
10 Lone Star Ports to own and operate equipment upstream of
11 the Lone Star Ports facility?

12 A Let me read it again.

13 Q Sure.

14 A Well, it doesn't appear to require them to own
15 it. It says -- Appendix Five, to be used for the
16 staging and throughputting of crude oil,
17 exporting/importing -- yeah, I guess I'm not -- I'm not
18 seeing exactly what you said.

19 Q Sure. I'll go through it again.

20 Subject to the terms and conditions of
21 this agreement, lessee will design, build, own, and
22 operate facilities and related equipment to meet the
23 general design criteria and to be used for the staging
24 and throughputting of crude oil.

25 A Right. So we're talking about the land, so

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1 that's the leased land, I'm assuming. Like I said, I'm
2 not a contract guy.

3 Q Okay. Mr. Parmley, how many marine terminals
4 have you worked on, generally speaking?

5 A Thirty-five, 40. I don't know.

6 Q And how many of those have crude oil storage
7 facilities co-located with a marine terminal?

8 A Crude oil storage facilities co-located?
9 Probably most of them.

10 Q Would you say all of them except for the Lone
11 Star Ports terminal?

12 A You know, I can barely remember yesterday, so
13 going back 20 or 30 years, I'm not sure.

14 Q In order to have a crude oil marine terminal,
15 you have to have loading equipment. Right? You can't
16 operate a facility without loading equipment?

17 A Right. You -- I mean, it's into the pipeline,
18 so that's what you're doing, yeah.

19 Q And the intent of the Lone Star Ports Marine
20 Terminal is to load very large crude carriers. Correct?

21 A I -- I couldn't tell you that.

22 Q You don't know that? Okay.

23 Then you probably don't know, either, how
24 big a very large crude carrier is?

25 A Yeah, my understanding it's about two million

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1 barrels.

2 Q Right. In your experience, are crude oil
3 marine terminals able to function without oil storage
4 tanks?

5 A Well, I don't think it would be a safe
6 operation without at least some recyclable tanks.

7 Q Do they have to have also storage tanks in
8 order to load marine vessels?

9 A I wouldn't think so.

10 Q So all the other facilities that you have
11 worked on that have had oil storage tanks co-located,
12 they didn't have to have them there? They just chose to
13 put them there?

14 A Yeah, I think it's convenient to have them
15 there for storage; but, you know, this is, like I said,
16 it's just into the pipeline in this case.

17 Q Right. And so the common notion of what is a
18 marine terminal does not, in your opinion, include oil
19 storage tanks?

20 A I'm sorry. Could you repeat that question?

21 Q So your common notion of what constitutes a
22 marine oil terminal does not include oil storage tanks?

23 A Like I said, you know, there's a safety factor
24 involved with some of the recycling, but it -- it --
25 not -- it doesn't necessarily involve crude storage

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1 tanks.

2 Q Right. But earlier you said that of all the
3 facilities you worked on, pretty much all or all of them
4 actually did have crude oil storage tanks co-located
5 with the marine terminal?

6 A Yeah, that's right.

7 Q Okay.

8 MR. RHEM: That's all I have.

9 JUDGE BAILEY: Okay. All right. At this
10 time we are going to get everybody back from the waiting
11 room.

12 So, Lorrie, the confidential portion has
13 stopped.

14 (Confidential portion concluded)

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CONFIDENTIAL PORTION

HEARING ON THE MERITS

SOAH DOCKET NO. 582-20-3438.AIR

TCEQ DOCKET NO. 2020-0511-AIR

THURSDAY, OCTOBER 8TH, 2020

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1 JUDGE SMITH: So we're back on the record,
2 sealed.

3 Ms. Dyar, if you could begin.

4 MS. DYAR: Sure. I'm just catching up
5 with myself.

6 Q (BY MS. DYAR) Mr. Parmley, we talked about the
7 lease agreement earlier. Does the lease agreement have
8 anything to do with Lone Star's application or its
9 ability to comply with its permit?

10 A No. The considerations for granting a permit
11 are very clear in 30 TAC 116.111, and there's no
12 contractual components of those requirements at all.

13 Q Does anything in the lease make Lone Star's
14 application deficient in any way?

15 A No. It's -- it's not even a consideration for
16 granting a permit, according to TCEQ's regulations. I
17 mean --

18 Q Does the lease have -- does the lease have any
19 bearing on whether the Midway and Aransas Pass site
20 should be aggregated with Lone Star's terminal?

21 A No, absolutely not. The aggregation rules
22 are -- you know, they're laid out in regulations and
23 confirmed with policy, and they're not -- they're not
24 trumped by a lease agreement.

25 Q Does a lease provision that might require Lone

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1 Star to own or operate facilities used for staging of
2 crude oil have any bearing on the application Lone Star
3 has currently pending with TCEQ?

4 A No, absolutely not.

5 Q Why not?

6 A Well, they're not part of the considerations
7 that TCEQ evaluates to grant a permit. Those are
8 business decisions, and TCEQ's not in the habit of, you
9 know, forcing or getting involved in that kind of
10 contractual business decision.

11 Q Would you say that those decisions are within
12 the purview of the Applicant?

13 A Yes. If I understand your question, yes.

14 Q Let me rephrase it.

15 Would you -- would you say that those are
16 the responsibility of a permit applicant to --

17 A Yes.

18 Q -- make decisions -- to make decisions about
19 what's included in a permit application, what they are
20 seeking authorization for?

21 A Yes, absolutely.

22 Q Does the location of any upstream storage for
23 the oil that Lone Star would export, where it's located,
24 does that have any impact on whether Lone Star's
25 application meets TCEQ's legal and technical

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1 requirements?

2 A Sorry, Ms. Dyar. Could you repeat that again?

3 I blanked out for a second.

4 Q Sure. The question is: Does the location of
5 any upstream storage for the oil that Lone Star would
6 export have any impact on whether Lone Star's air permit
7 application meets TCEQ's legal and technical
8 requirements?

9 A No, not -- not in this case. I mean, they're
10 greater than a quarter mile away, so...

11 Q But does the fact that they're located a
12 quarter mile away matter to your answer?

13 A Yes, I -- I think if they're located within a
14 quarter mile, it might change my answer.

15 MS. DYAR: Your Honor, I think that's all
16 I have at this time.

17 JUDGE SMITH: Okay. Why don't we go off
18 the record while we pull everyone back on. So we're off
19 the record.

20 (Discussion off the record)

21 (Confidential portion concluded)

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CONFIDENTIAL PORTION

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SOAH DOCKET NO. 582-20-3438.AIR

TCEQ DOCKET NO. 2020-0511-AIR

THURSDAY, OCTOBER 8TH, 2020

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1 JUDGE SMITH: We are back on the record,
2 and we are in sealed session -- closed session.

3 Okay. Mr. Frederick.

4 MR. FREDERICK: Thank you, Judge.

5 Q (BY MR. FREDERICK) Mr. Parmley, I have one
6 question for you related to the lease. And do I -- am I
7 correct you actually have a hard copy of it that you can
8 look at? I'm not allowed to show you anything on the
9 screen.

10 A Yes, they gave me a hard copy this morning,
11 Mr. Frederick.

12 Q Okay. If I could get you to look way back
13 about four or five pages from the end, there is Appendix
14 Five. I've got one question related to that.

15 A Do you have a number -- okay. Yeah, I got it,
16 Appendix Five.

17 Q Okay. So the bottom of the page should be
18 LSP0013101.

19 A Correct. I'm with you.

20 Q Okay. Now, my belief is that in response to a
21 question from Ms. Dyar, you said this lease just didn't
22 have any relevance to the question of whether or not the
23 application included all of its emission sources, all
24 the emission sources at the site?

25 A You know, I can't recall if that's -- if that's

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1 what I said or not. I mean, I'd like to --

2 Q Okay. Let me ask you the question.

3 A Yeah, just ask me.

4 Q Do you believe -- yeah. Let's just start over
5 from the ground. Do you believe that the lease, the
6 terms of the lease, have no relevance to the description
7 of the project, and particularly the description of the
8 emission sources within the project for the Lone Star
9 Ports terminal?

10 A That's -- that's correct. I believe that TCEQ
11 evaluates the permit based on the materials sent to
12 them, and they -- you know, the considerations for
13 granting a permit are outlined in 116.111, and it
14 doesn't say anything about lease agreements or
15 business -- you know, contractual obligations or any of
16 that. TCEQ doesn't get into that when they review a
17 permit.

18 Q So as you understand it, TCEQ not only doesn't
19 but shouldn't undertake any sort of investigation about
20 the scope of the project, the number of emission points
21 in the project, the types of emission points? They just
22 take whatever the Applicant gives it -- gives it. Is
23 that all it has to do?

24 A In this case, we're talking about electric
25 generation capacity, I think. I think that's where

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1 you're going. And it's not uncommon to get electricity
2 off the grid. There's no reason that TCEQ would think
3 that anything's out of the ordinary whatsoever with this
4 application. And it -- granted, it would authorize the
5 facilities as represented in the permit application.

6 Q And it would not be relevant to TCEQ at all
7 that the lease contractually binds Lone Star Ports to
8 build electric generation facility on-site. That's just
9 not relevant?

10 A Well, you'll have to ask TCEQ that question. I
11 hate to speak for them, but it's not anything in
12 116.111. I mean, they could change the lease. They
13 could have different contracts. I mean, any number of
14 things could happen. You know, TCEQ, you know, is --
15 they're reviewing the permit before them, the permit
16 application before them.

17 Q All right. Thank you.

18 MR. FREDERICK: I have no further
19 questions, Judge. I appreciate your indulgence on that.

20 JUDGE SMITH: Okay. Let's go ahead and
21 we'll go off the record and re-admit the people. So
22 we're off the record now.

23 (Off the record)

24 (Confidential portion concluded)

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1 BY MR. BRYAN: I would like you to take a look at what has been marked as Exhibit PAC 500. Have you provided a copy of that to your attorneys?

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