Colorado Department of Public Health and Environment

State Innovation Grant Program

2007 Grant Pre-proposal Application

Project Title: Self Certification Utilizing Principals and Methods Developed Under the Environmental Results Program (SCUP 'M D'UERP).

State Agency: Colorado Department of Public Health and Environment (CDPHE)

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Total Project Cost: *[Budgetary Information Withheld by U.S. EPA]*

Project Period: The project will be ongoing with interim milestones. There will be measurable results by September 2010.

Summary Statement: Oil and Gas development in the Sate of Colorado in general, and the western slope area of the State in particular is growing at an exponential rate. The Colorado Department of Public Health and Environment is searching for innovative ways to ensure operator compliance with the State regulations, and the Self Certification project is an innovative approach that that State is attempting.

Statutory Authority and Flexibility: Colorado Revised Statute 25-7-111 2(c) grants the Air Pollution Control Division (Division) the authority to inspect any sources. The project will fall under this authority and no regulatory flexibility is necessary.

State Agency Support: The Executive Director of the CDPHE, Dennis Ellis, is aware of and approves this project.

Pre-Proposal Project Narrative

In the State of Colorado, in particular in the Western Slope area of the State, Oil and Gas industry is growing at an exponential rate. In some western counties, the Volatile Organic Compound (VOC) Emissions from the oil and gas industry account for over 70% of all VOC from anthropogenic sources. CDPHE and the Air Pollution Control Division (Division) are attempting to rearrange resources to regulate this expanding industry. Due to the large number of minor and synthetic minor sources and the limited inspection resources at the Division, the Division is searching for an innovative way to improve minor source compliance with air pollution regulations.

The project for which CDPHE is requesting the grant is called Self Certification Utilizing Principals and Methods Developed Under the Environmental Results Program. This is a pilot project developed specifically for the operators of condensate tanks in the Oil & Gas industry sector, and it addresses regulatory and operational requirements stemming from air pollution control regulations specific to these operators. Once the pilot project has been implemented, the data systems and workflow processes developed have the potential to be expanded for use with other industry sectors and environmental requirements. The project will consist of developing a survey that will allow condensate tank operators to self-certify the compliance of the equipment on a sector-wide basis. While the Division is working to develop the survey, a contractor will be developing a system in which the sources can submit all surveys and requested data electronically. The Division will then have access to all data submitted and will be able to interpret the results to measure and track compliance, and to identify and react to potential issues. The goals of this project are for the Division to gain a better understanding of: 1) emissions from the chosen sector and 2) the compliance rates. The Division will then be able to better focus its resources where needed. Also, this system will assist operators to better understand the regulations to which they are subject and how best to comply with requirements and identify and implement pollution prevention opportunities.

The Division will implement the program by targeting the self-certification for condensate tanks only. This will allow the Division to identify and fix problems with the process and develop a processes for managing the data that will be gathered by the Division during the pilot project. After initial phases for condensate tank certification programs on a county-wide and then State-wide basis, the Division will evaluate the potential to expand the program to include other minor sources in the Oil and Gas industry sector, including glycol dehydrators and amine sweetening units. The Division will also evaluate the expansion the survey to include cross-media self-certification. The Division believes, based on past experience that if a project of this size is to succeed then it must be done in a series of small steps. The rest of the pre-proposal will list only condensate tanks as the focus of this project but in the future the Division will expand the program to include other source types.

Condensate Tanks are, for the most part, minor sources with respect to air pollution regulatory requirements, but are a large percentage of the State's VOC inventory when aggregated together. Also, because of the unique topography of the State, many of the VOC and BTEX emissions from the tanks tend to concentrate in river valleys and in low-

lying areas. This causes health issues for sensitive citizens living in the area. However, the large quantity of tanks and their status as minor sources results in relatively infrequent inspections by the Division. As a result the Division is proposing to develop and implement this self-certification project for these types of tanks.

In addition to the health effects of the emissions, condensate tanks rank high on the list of sources of concern for the Division due to imminent changes in the regulations affecting this industry. The Colorado Air Quality Control Commission (Commission) has approved a rule change to Colorado Regulation No. 7 that will require all condensate tanks with emissions greater than twenty (20) tons per year to control emissions, effective May 1, 2008. This rule change was adopted by the Commission on December 17 2006, This change includes the first state-wide condensate tanks regulation; currently regulated control standards exist only for condensate tanks in the Denver Metro region.

With the assistance of the industry as well as local health departments, the Division will develop a survey for the operators to fill out for each of the condensate tanks that they operate that emit over two tons per year of VOC emissions. The operators will complete the survey and enter data electronically. The database system developed by the contractor will allow the division to gather and assess the data to gain a better understanding of emissions and compliance rates.

The Front Range region of the state has an early action compact with the EPA to avoid non-attainment status for ground level ozone. The rest of the state is in attainment for ozone and all other pollutants. The rule change adopted by the Commission is intended to avoid possible ozone non-attainment status and to control regional haze, which could be affected by the VOC emitted from the tanks.

The Self Certification Project will allow the Division to gain a better understanding of emissions from condensate tanks and to better focus resources on companies and regions in which there are non-compliance issues. Additionally, the project will educate the operators about the rule change and to the steps required to comply with the rule as well as pollution prevention possibilities that are available to the industry.

The project will align most closely with EPA Strategic Goals #1: clean air and #10 effective management. The Division will maintain clean air in the State by educating operators of condensate tanks about the new rule as well as how to effectively minimize emissions from the tanks through use of control devices and pollution prevention. The project also leads to better management of the State's resources by identifying the companies and regions of the State in which there are non-compliance issues. The Division will then be able to focus resources on operators that are not complying with air pollution control regulations while allowing those companies that are using good air pollution control practices to have less frequent inspections.

The process and regulatory innovations that this project will bring about are covered by EPA statutory authority of the Clean Air Act and the EPA strategic plan goal of Clean Air as well as healthy communities and ecosystems. This can be accomplished because

this project will evaluate compliance and air emissions on a sector-wide basis and not the typical facility-by-facility basis. This will lead to clean air and healthy communities by allowing the Division to respond more efficiently to the areas and communities that are put more at risk by condensate tanks not complying with regulations.

The self-certification program will include three broad innovations: First, the project will determine air emission inventory and compliance rates across a sector, not a single facility. Second, the project will allow the Division to maximize its presence in the field and with sources while minimizing the amount of time spent by inspectors at each facility. The self-certification survey to be filled out by each source will increase the Division's presence in the field and will allow the Division to make compliance determinations without a field visit by the inspector. Third, this project can lay the groundwork to efficiently expand the self-certification process into a cross-media approach and for implementation at other types of regulated sources.

Timeline:

Phase I: Scoping and Framework Development - Includes development of the self-certification document, with assistance from industry and other potential stakeholders.

Estimated Dates: October 2007 – May 2008

Database and Interface Development - Completed by the contractor under direction from the Division.

Estimated Dates October 2007 – October 2008

Phase II: Pilot - Beta test the process with a company or companies for selected counties in Western Colorado. Identify pilot participants within and provide survey and assistance for beta testing.

Estimated Dates: May 2008 – November 2008

Phase III: Evaluate and Revise - Identify components of the systems and/or process that were particularly prone to bugs, proved to be inefficient or provided less benefit than expected. Identify and include any additional required components, and introduce cross-media concerns.

Estimated Dates: November 2008 – February 2009

Phase IV: Education of industry at large as well as local health department personnel.

Estimated Dates: February 2009 – April 2009

Phase V: Rollout to industry - Provide self certification documents to all companies operating condensate tanks. At this point, the database will be ready for electronic submittals from all companies.

Estimated Dates: Sent out June 2009 to be returned to Division by Aug. 2009 and counted toward 2009 inspection year.

Phase VI: Identify Additional Scope and Direction. By evaluating the success of the condensate tank self certification project on a state-wide basis, the Division will propose

to expand the self-certification to include other minor sources and/or media as appropriate.

Estimated Dates: October 2009 –

The Environmental divisions of CDPHE are in the process of developing and implementing a number of Environmental Results Programs and Self-Certification programs. Two self-certification programs were done by the Hazardous Waste Division, one included voluntary self-certification of roughly ten percent of the small quantity generators in the State; the second was a mandatory self-certification for all small quantity generator auto body shops. Both projects were successful, showing that the industry sources gained a better understanding of the regulations to which they are subject and compliance rates increased. The latest self-certification project is a mandatory dry cleaner self-certification and is a cooperative project by the Division and the Hazardous Waste Division. This project was started in 2006 so there are not any measurable results yet.

About five (5) years ago the Division undertook a project of self-certification and voluntary pollution prevention for car junkyards. This project involved personnel at the junkyards voluntarily removing the mercury switches from the cars, which would have otherwise remained in the cars during the steel recovery process, resulting in mercury emissions to the air. This project was a huge success receiving state and national awards. Ms. Dena Wojtach of the Division was one of the key employees working on the switch removal project. Ms. Wojtach will be assisting with the Self Certification Project for Condensate Tanks in an advisory role.

Federally funded projets???

Division staff working on this project have extensive experience with planning, permitting and enforcement for the Oil and Gas sector. Oil and Gas Team member Paul Buck is an experienced inspector in the oil and gas sector; Team member Blue Parish is an experienced oil and gas permit engineer. Mike Silverstein, is the Deputy Director of the Division and has almost 20 years of regulatory, planning and policy experience. Additionally, the Division plans to gain an industry partner(s) for this project by offering a Supplemental Environmental Project as described below. The Oil & Gas Industry has already proved to be especially receptive over the past year to taking an active role in the implementation of new strategies for environmental regulatory compliance.

The environmental outputs from this project will include training programs, both for the regulated industry operators as well as with the local health departments. Training for the local health departments will cover how the local inspectors can identify a subset of operations and visit the facility to better understand condensate tanks and associated control devices in order to verify the results of submitted self certifications. The training with the industry will cover requirements of the new regulations for the condensate tanks and what it will mean to be in compliance with the regulations.

Another environmental output, which will be the crux of this project, will be the self-certification survey. This will be developed with a company or companies, as discussed above and will need to include all proper questions and information so that the Division can use the survey to determine compliance with the regulations. The database that the Division will contract with an outside party to develop will also be an output. This database will be a platform that may be expanded in the future for use by all environmental divisions at CDPHE and will allow for cross-media purposes.

The major environmental outcome from this project on the short term will be a decrease in VOC emissions from condensate tanks in the state and a greater compliance rate with the recently passed Regulation #7. The regulation will be effective on May 2008, which coincides with the scheduled state-wide rollout for this project. On a long-term basis the outcomes will include: more efficient use of Division time, a decrease in emissions from minor sources in the oil and gas sector and better understanding of applicable regulations by the regulated community and a higher compliance rate.

Public involvement in this project will be minimal and outreach will be done through a number of citizen groups throughout the state. There are expected to be no controversial issues that will come up as a result of this project and as such the Division does not see a lot of public interest in the project nor any reason to seek excessive input.

The Division will partner with local health departments to complete this project. This will involve training the local health departments on the scope of the new regulations. The local officials will assist with the planning phase because they have a closer and more current understanding of what is happening with the oil and gas development in their areas and what questions need to be asked of the industry in order to ensure that best management practices are being used. Further, they will assist with the follow-up validations to ensure that the self-certification documents are accurate.

In order to ensure industry assistance in developing and implementing this project, the Division will use the Supplemental Environmental Project (SEP) Program, which has been in use in Colorado for over five years. This program allows a company with non-compliance issues to defer a portion of its penalty by undertaking a project that will have an environmental benefit to the community that was affected by the source's non-compliance. The Division plans to use SEP to offset the company time that will be used in assisting the Division in establishing the framework of the self-certification document and beta testing the progam.

Budget:
Colorado Department Public Health and Environment
Self certification: Self Certification Utilizing Principals and Methods Developed Under the Environmental Results Program

Total Project Costs	State Leverage Funds	EPA Funding
[Budgetary Information Withheld by U.S. EPA]		

Note: the monies that have been allocated to contracting are for both database development and to fund the time spent by local health departments in assisting with this project.