Montana Department of
ENVIRONMENTAL QUALITY
Brian Schweitzer, Governor
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PRELIMINARY DETERMINATION
ON PERMIT APPLICATION

Date of Mailing: July 2, 2012

Name of Applicant: Yellowstone Energy Limited Partnership

Source: Petroleum coke-fired electrical/steam co-generation facility

Proposed Action: The Department of Environmental Quality (Department) proposes to issue a permit, with conditions, to the above-named applicant. The application was assigned Permit Application Number 2650-08.

Proposed Conditions: See attached.

Public Comment: Any member of the public desiring to comment must submit such comments in writing to the Air Resources Management Bureau (Bureau) of the Department at the above address. Comments may address the Department's analysis and determination, or the information submitted in the application. In order to be considered, comments on this Preliminary Determination are due by July 17, 2012. Copies of the application and the Department's analysis may be inspected at the Bureau's office in Helena. For more information, you may contact the Department.

Departmental Action: The Department intends to make a decision on the application after expiration of the Public Comment period described above. A copy of the decision may be obtained at the above address. The permit shall become final on the date stated in the Department's Decision on this permit, unless an appeal is filed with the Board of Environmental Review (Board).

Procedures for Appeal: Any person jointly or severally adversely affected by the final action may request a hearing before the Board. Any appeal must be filed by the date stated in the Department's Decision on this permit. The request for a hearing shall contain an affidavit setting forth the grounds for the request. Any hearing will be held under the provisions of the Montana Administrative Procedures Act. Submit requests for a hearing in triplicate to: Chairman, Board of Environmental Review, P.O. Box 200901, Helena, MT 59620.

For the Department,

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VW:DF
Enclosures

DEPARTMENT OF ENVIRONMENTAL QUALITY
Permitting and Compliance Division
Air Resources Management Bureau
P.O. Box 200901, Helena, Montana 59620
(406) 444-3490

DRAFT ENVIRONMENTAL ASSESSMENT (EA)

Issued To: Yellowstone Energy Limited Partnership (YELP)

Montana Air Quality Permit Number (MAQP): MAQP# 2650-08

Preliminary Determination Issued: July 2, 2012
Department Decision Issued:
Permit Final:

1. *Legal Description of Site*: YELP is located in NE¼ of Section 25, Township 1 North, Range 26 East, Yellowstone County, Montana.

2. *Description of Project*: YELP operates a petroleum coke-fired electrical/steam co-generation facility south of the Exxon Refinery in Billings. The facility generates electrical power, which is sold to the Northwestern Energy, and steam, which is supplied to the Exxon facility. The current permit action would add to YELP's existing facility: four outside processed coke storage piles, an outside limestone storage pile, and a new coke load-out silo. In addition, the previously permitted cat slurry oil tank was never constructed and would be deleted from MAQP #2650-08.

3. *Objectives of Project*: To increase on-site storage of processed petroleum coke to provide a reserve fuel supply to the two circulating fluidized bed combustion boilers (CFBCs) in the event of an extended coke supplier outage; to provide on-site storage of limestone which is critical to YELP's success in controlling SO_2 emissions from its boiler operations; and to add a coke load-out silo to allow for delivery and sales to other companies.

4. *Alternatives Considered*: In addition to the proposed action, the Department also considered the "no-action" alternative. The "no-action" alternative would deny issuance of the air quality preconstruction permit to the proposed facility. However, the Department does not consider the "no-action" alternative to be appropriate because YELP demonstrated compliance with all applicable rules and regulations as required for permit issuance. Therefore, the "no-action" alternative was eliminated from further consideration.

5. *A Listing of Mitigation, Stipulations, and Other Controls*: A list of enforceable conditions, including a BACT analysis, would be included in MAQP #2650-08.

6. *Regulatory Effects on Private Property*: The Department considered alternatives to the conditions imposed in this permit as part of the permit development. The Department determined that the permit conditions are reasonably necessary to ensure compliance with applicable requirements and demonstrate compliance with those requirements and do not unduly restrict private property rights.

7. *The following table summarizes the potential physical and biological effects of the proposed project on the human environment. The "no-action" alternative was discussed previously.*

		Major	Moderate	Minor	None	Unknown	Comments Included
A	Terrestrial and Aquatic Life and Habitats			X			Yes
B	Water Quality, Quantity, and Distribution			X			Yes
C	Geology and Soil Quality, Stability and Moisture			X			Yes
D	Vegetation Cover, Quantity, and Quality			X			Yes
E	Aesthetics			X			Yes
F	Air Quality			X			Yes
G	Unique Endangered, Fragile, or Limited Environmental Resources			X			Yes
H	Demands on Environmental Resource of Water, Air and Energy			X			Yes
I	Historical and Archaeological Sites				X		Yes
J	Cumulative and Secondary Impacts				X		Yes

SUMMARY OF COMMENTS ON POTENTIAL PHYSICAL AND BIOLOGICAL EFFECTS: The following comments have been prepared by the Department.

A. Terrestrial and Aquatic Life and Habitats

Terrestrials would use the areas in which the proposed coke storage/handling and limestone storage operations occur. However, the proposed facilities and stockpiles would be constructed in an area with previous industrial disturbance, the storage piles would implement best management practices to reduce wind-blown emissions; and the coke load-out operations would be enclosed with baghouses to control air emissions. Therefore, the Department would expect minor impacts to terrestrials and aquatic life and habitats caused by the construction and operation of the proposed petroleum coke unloading, handling, and storage facilities or the limestone storage piles.

B. Water Quality, Quantity and Distribution

Water would be used as pollution control, but would only cause a minor disturbance to the area. No surface water or ground water quality problems are expected as a result of using water for pollution control. Any accidental spills, leaks from equipment, or process residuals would be handled according to the appropriate environmental regulations in an effort to minimize any potential adverse impact on the immediate and surrounding area. No impacts to wetlands or drainage patterns would result from the proposed project. Therefore, the Department would expect minor, if any, impacts to water quality, quantity, and distribution.

C. Geology and Soil Quality, Stability and Moisture

Approximately 2.9 acres would be disturbed as a result of the proposed project. The soils would be impacted by the construction of the proposed stockpiles and load-out facilities. However, the impacts would be minor due to the previous industrial disturbance to the area. Operation of the proposed changes would not affect soil quality, stability, or moisture content.

D. Vegetation Cover, Quantity, and Quality

Some existing landscaping and trees exist at the YELP facility. Approximately 2.9 acres would be disturbed as a result of the proposed project. No plant species would be affected by the proposed project. The soils around the facility are hard-packed due to industrial activity. Due to the industrial nature of the facility and the surrounding area, no reduction in productivity or fertility would occur as a result of the proposed project. Therefore, any impacts to vegetation cover, quantity, and quality would be expected to be minor, if any.

E. Aesthetics

The construction and operation of the proposed stock piles and facilities would be visible. MAQP #2650-08 would include conditions to control emissions (including visible emissions) from the coke and limestone stockpiles and the coke load-out silo. Noise levels created by the proposed project would be minimal. Noise would be created by the transporting and handling of the coke in the pile. Once in place, the reserve coke pile would not generate additional noise above that already created by the facility and surrounding industrial activities. Given the industrial nature of the surrounding area the Department does not expect any significant noise impact resulting from the proposed project.

F. Unique Endangered, Fragile, or Limited Environmental Resources

The Department previously contacted the Montana Natural Heritage Program (MNHP) in an effort to identify any species of special concern that may be found in the proposed area. Search results concluded there were no such environmental resources on file for the area. Area, in this case, was defined by the township and range of the proposed site, with an additional one-mile buffer. MAQP #2650-08 would require emissions controls on the proposed coke load-out silo and reasonable precautions on the proposed coke and limestone stockpiles. The resulting allowable emissions from the current permit action would be very small on an industrial scale. Therefore, the Department would expect minor, if any, effects to unique endangered, fragile, or limited environmental resources.

G. Demands on Environmental Resource of Water, Air and Energy

The current permit action would only demand small quantities of water, air, and energy for proper operation. Therefore, the proposed project would have only a minor impact on these resources.

H. Historical and Archaeological Sites

The proposed coke load-out silo and coke and limestone stockpiles would take place within an area previously developed for industrial activities. There would be a low likelihood of disturbance to any known archaeological or historic site, given the previous industrial disturbance in the area. Therefore, it is unlikely the current permit action will have an adverse affect on any known historic or archaeological site.

I. Cumulative and Secondary Impacts

The proposed construction and operation coke load-out silo and coke and limestone stockpiles at the YELP co-generation plant would result in a minor impact to the physical environment. Therefore, it is not expected that the proposed project, in conjunction with current operations,

would result in any significant cumulative impact to the physical environment. Further, it is not expected that the current permit action will result in any secondary impacts on the physical environment.

8. *The following table summarizes the potential economic and social effects of the proposed project on the human environment. The "no-action" alternative was discussed previously.*

		Major	Moderate	Minor	None	Unknown	Comments Included
A	Social Structures and Mores				X		Yes
B	Cultural Uniqueness and Diversity				X		Yes
C	Local and State Tax Base and Tax Revenue			X			Yes
D	Agricultural or Industrial Production			X			Yes
E	Human Health			X			Yes
F	Access to and Quality of Recreational and Wilderness Activities			X			Yes
G	Quantity and Distribution of Employment				X		Yes
H	Distribution of Population				X		Yes
I	Demands for Government Services			X			Yes
J	Industrial and Commercial Activity			X			Yes
K	Locally Adopted Environmental Plans and Goals				X		Yes
L	Cumulative and Secondary Impacts			X			Yes

SUMMARY OF COMMENTS ON POTENTIAL ECONOMIC AND SOCIAL EFFECTS: The following comments have been prepared by the Department.

A. Social Structures and Mores

The current project would include construction and operation of stock piles and facilities at an existing industrial site. No additional employment is expected as a result of this project. Minor, if any, effects to social structures and mores would be expected as a result of this project.

B. Cultural Uniqueness and Diversity

The current project would include construction and operation of stock piles and facilities at an existing industrial site. No additional employment is expected as a result of this project. Minor, if any, effects to cultural uniqueness and diversity would be expected as a result of this project.

C. Local and State Tax Base and Tax Revenue

The current project would construction and operation of stock piles and facilities at an existing industrial site. Impacts to local and state tax base and revenue associated with this project would be expected to be minor.

D. Agricultural or Industrial Production

Approximately 2.9 acres would be disturbed as a result of the proposed project, however all disturbances would take place within an existing industrial facility. Impacts from the proposed construction and operation of stock piles and facilities would be expected to be minor. Limitations and conditions in MAQP #2650-08 would minimize allowable emissions. Effects to agricultural or industrial production would be expected to be minor.

E. Human Health

MAQP #2650-08 incorporates conditions to ensure that the coke load-out silo and storage of the processed coke and limestone would be operated in compliance with all applicable rules and standards. These rules and standards are designed to be protective of human health. Impacts to human health would be expected to be minor.

F. Access to and Quality of Recreational and Wilderness Activities

The current permit action would not affect any access to or the quality of any recreational and wilderness activities. The proposed operating site is located within a well-defined industrial area with little recreational and no wilderness activities. Any impacts from the site would be minor given the surrounding industrial area and the relatively small size of the operation.

G. Quantity and Distribution of Employment

No additional employment is expected as a result of this project. YELP currently employs 39 people. No additional employees would result from the proposed project. Any effects to quantity and distribution of employment would be expected to be minor.

H. Distribution of Population

The current permit action would not affect the quantity and distribution of employment in the area. YELP currently employs 39 people. No additional employees would result from the proposed project.

I. Demands for Government Services

The proposed construction and operation of stock piles and facilities would require the proper permitting and associated compliance activities from the state. Effects to the demands for government services would be expected to be minor.

J. Industrial and Commercial Activity

No additional industrial or commercial activity is expected as a result of the current permitting action.

K. Locally Adopted Environmental Plans and Goals

The Department is not aware of any locally adopted environmental plans or goals affected by the issuance of MAQP #2650-08. The MAQP would contain limits for protecting air quality and keeping facility emissions in compliance with state and federal air quality standards.

L. Cumulative and Secondary Impacts

Potential economic and social effects of any individual considerations above would be expected to be minor. The Department has determined that collectively, the potential cumulative and secondary impacts would be expected to be minor.

Recommendation: No Environmental Impact Statement (EIS) is required.
If an EIS is not required, explain why the EA is an appropriate level of analysis: The current permitting action is for the construction and operation of a coke load-out silo and coke and limestone stockpiles.

MAQP #2650-08 includes conditions and limitations to ensure the facility will operate in compliance with all applicable rules and regulations. In addition, there are no significant impacts associated with this proposal.

Individuals or groups contributing to this EA: Department of Environmental Quality – Air Resources Management Bureau

EA prepared by: Deanne Fischer
Date: June 15, 2012