

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

PHILLIPS 66 COMPANY

AI # 2538

PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.

* Settlement Tracking No.
* SA-AE-15-0080
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* Enforcement Tracking No.
* AE-CN-08-0147
* AE-CN-12-00575
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SETTLEMENT

The following Settlement is hereby agreed to between Phillips 66 Company (“Respondent”) and the Department of Environmental Quality (“DEQ” or “the Department”), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. (“the Act”).

I

Respondent is a corporation that owns and/or operates a petroleum refining facility located in Calcasieu Parish, Louisiana (“the Facility”).

II

On May 12, 2010, the Department issued to ConocoPhillips Company a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. **AE-CN-08-0147**, which is attached as Exhibit A.

On August 20, 2012, the Department issued to ConocoPhillips Company a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. **AE-CN-12-00575**, which is attached as Exhibit B.

On April 26, 2012, the downstream assets of ConocoPhillips were placed into an affiliated entity named Phillips 66 Company. On April 30, 2012, Phillips 66 (the parent corporation of Phillips 66 Company) became a separate stand-alone company through a tax-free spin-off transaction. By virtue of the Separation Agreement between ConocoPhillips and Phillips 66, Phillips 66 Company became responsible for liability, if any, associated with this Facility.

The following violations, although not cited in the foregoing enforcement actions, are included within the scope of this settlement:

1. INSPECTIONS:

- A. Areas of Concern noted in the air inspection performed on or about March 2 through March 6, 2009. The Areas of Concern include, but are not limited to, the following: Louisiana Refinery MACT deviations, 40 CFR 61 Subpart FF deviations, 40 CFR 63 Subpart UUU deviations, Consent Decree Civil Action No. H-01-04430 deviations, Title V Air Permit Nos. 2625-V4 and 2625-V5 deviations, and Title V Air Permit Nos. 2627-V3 and 2627-V5 deviations.
- B. Areas of Concern noted in the air inspection performed on or about March 8 through March 12, 2010. The Areas of Concern include, but are not limited to, the following: Louisiana Refinery MACT deviations, LAC 33:III.905 deviations, 40 CFR 60 Subpart QQQ deviations, 40 CFR 61 Subpart FF deviations, 40 CFR 63 Subpart UUU deviations, Title V Air Permit No. 2625-V3 deviations, Title V Air Permit No. 2624-V9 deviations, Title V Air Permit No. 2625-V5 deviations, and Title V Air Permit Nos. 2626-V5 and 2626-V6 deviations.

- C. Areas of Concern noted in the air inspection performed on or about September 13, 2010, as a result of a Heavy Vacuum Gas Oil spill on or about September 10, 2010. The Areas of Concern include, but are not limited to, LAC 33:I.3917.A and LAC 33:III.905 deviations.
- D. Areas of Concern noted in the air inspection performed on or about November 5 through November 18, 2011. The Areas of Concern include, but are not limited to, the following: an LAC 33:III.501.C.2 deviation, Title V Air Permit Nos. 2623-V5 and 2623-V6 deviations, Title V Air Permit Nos. 2624-V10 and 2624-V11 deviations, Title V Air Permit Nos. 2625-V5 and 2625-V6 deviations, Title V Air Permit No. 2626-V6 deviations, and Title V Air Permit Nos. 2627-V5 and 2627-V6 deviations.
- E. Areas of Concern noted in the Chemical Accident Prevention Provisions inspection performed on or about April 24 through April 26, 2012. The inspection report noted the following deviations: failure to include procedures for the use, inspection and maintenance of emergency response equipment in the emergency response program; failure to ensure the frequency of pump inspections are consistent with manufacturers' recommendations, good engineering practices, and prior operation experience; and failure to include the results of each inspection or test for instrument inspections.
- F. Areas of Concern noted in the air inspection performed on or about December 3 through December 5, 2013. The Areas of Concern include, but are not limited to, the following: Louisiana Refinery MACT deviations, LAC 33:III.905 deviations, 40 CFR 61 Subpart FF deviations, Title V Air Permit Nos. 2623-V6 and 2623-V7 deviations, Title V Air Permit Nos. 2624-V11 and 2624-V12 deviations, and Title V Air Permit No. 2625-V7 deviations.

- G. Areas of Concern noted in the air inspection performed on or about December 14 through December 16, 2015.
- H. Areas of Concern noted in the water inspection performed on or about December 10, 2003. The Areas of Concern include, but are not limited to, the following: effluent limitation exceedances, and the failure to properly operate and maintain systems of treatment and controls.
- I. Areas of Concern noted in the water inspection performed on or about December 17, 2004. The Areas of Concern include, but are not limited to, the following: effluent limitation exceedances, the failure to properly monitor flow and pH at Outfall 002, and the failure to accurately report minimum pH values on the monthly Discharge Monitoring Reports.
- J. Areas of Concern noted in the water inspection performed on or about June 26, 2006. The Areas of Concern include, but are not limited to, the following: effluent limitation exceedances, and the failure to collect flow weighted samples.
- K. Areas of Concern noted in the water inspection performed on or about June 12, 2007. The Areas of Concern include, but are not limited to, the following: effluent limitation exceedances.
- L. Areas of Concern noted in the water inspection performed on or about June 4, 2008. The Areas of Concern include, but are not limited to, the following: effluent limitation exceedances, improper laboratory procedures, failures to sample, the failure to properly operate and maintain systems of treatment and controls, and failure to develop and implement Best Management Practices to address storm water run-off from the Coke pit area.

- M. Areas of Concern noted in the water inspection performed on or about April 17, 2012. The Areas of Concern include, but are not limited to, the following: effluent limitation exceedances, an unauthorized discharge that occurred on August 3, 2010, the failure to properly operate and maintain systems of treatment and control, and expired pH buffers.
- N. Areas of Concern noted in the water inspection performed on or about June 17, 2014. The Areas of Concern include, but are not limited to, the following: effluent limitation exceedances, unauthorized discharges noted during the inspection as a result of O&M deficiencies, the failure to sample, the failure to accurately calculate loading values, and the failure to properly operate and maintain systems of treatment and control.
- O. Areas of Concern noted in the water inspection performed on or about December 11, 2014. The Areas of Concern include, but are not limited to, the following: an unauthorized discharge of sulfuric acid and the failure to immediately notify of the unauthorized discharge.
- P. Areas of Concern noted in a water file review conducted on or about December 16, 2015. The Areas of Concern include, but are not limited to, the following: effluent limitation exceedances, failures to sample, improper laboratory procedures, unauthorized discharges of petroleum products or byproducts and/or sulfuric acid that occurred between January 16, 2011 and July 15, 2015, and the failure to properly operate and maintain systems of treatment and control.

2. RELEASES:

- A. In a letter dated July 2, 2009, the Respondent reported a release of approximately 1707 pounds of SO₂ from the Excel Paralubes West Flare (EQT330) in violation of LAC

33:III.905. The release occurred on or about June 25, 2009, and was due to shutdown of the Wet Gas Compressor.

- B. In a letter dated March 26, 2012, the Respondent reported a release of hydrocarbon gas from the North Flare in violation of LAC 33:III.905. The release occurred on or about March 21, 2012, and was due to operator error.
- C. Releases to the environment that were reported to the Department by the Facility between January 1, 2011 and December 31, 2015, including releases to surface water, groundwater and/or soil.

3. REPORTS:

- A. In an amended Title V Report and Recertification submitted to the Department on or about September 29, 2014, the Respondent stated that actual volumetric flow to the Area B South Flare (EQT0080) was higher than estimated in the permit application. As a result, the annual emissions limits for CO, NO_x, VOCs and PM were exceeded from 2005 through 2013.
- B. In an amended Title V Report and Recertification submitted to the Department on or about September 29, 2014, the Respondent stated that the facility failed to properly conduct cylinder gas audits (CGAs) for Area A North Flare (EQT0539) and all fired sources; Area B South Flare (EQT0080), Area B Sulfuric Acid Unit (EQT0109), Area B API Flare (EQT0569) and all fired sources; Area C all fired sources; and Excel Paralubes West Flare (EQT0330) and all fired sources from January 1, 2005, through September 30, 2014.
- C. In the facility's 2014 2nd Semiannual Monitoring Report submitted for Area A according to Title V Air Permit No. 2623-V12 on or about March 30, 2015, the Respondent

reported the following Areas of Concern: data availability failures for continuous monitoring, failures to maintain fuel gas H₂S content according to permit limits, deviations for EQT0546, failures to comply with 40 CFR 63 Subpart CC and monitoring failures.

- D. In the facility's 2014 2nd Semiannual Monitoring Report submitted for Area B according to Title V Air Permit No. 2624-V17 on or about March 30, 2015, the Respondent reported the following Areas of Concern: permit exceedances for EQT0109, data availability failures for continuous monitoring, permit exceedance for RLP0058, permit exceedances for EQT0070, permit exceedances for EQT0072, failures to maintain fuel gas H₂S content according to permit limits, Louisiana Refinery MACT deviations, permit exceedances for RLP0057 and monitoring failures.
- E. In the facility's 2014 2nd Semiannual Monitoring Report submitted for Area C according to Title V Air Permit No. 2625-V9 on or about March 30, 2015, the Respondent reported the following Areas of Concern: failures to maintain fuel gas H₂S content according to permit limits, permit exceedances for RLP0405, failures to comply with 40 CFR 63 Subpart CC, permit exceedances for FUG0027, leak repair failures and monitoring failures.
- F. In the facility's 2014 2nd Semiannual Monitoring Report submitted for Area D according to Title V Air Permit No. 2626-V10 on or about March 27, 2015, the Respondent reported monitoring failures.
- G. In the facility's 2014 2nd Semiannual Monitoring Report submitted for Excel Paralubes according to Title V Air Permit No. 2627-V8 on or about March 27, 2015, the Respondent reported the following Areas of Concern: Louisiana Refinery MACT

deviations, failures to comply with 40 CFR 63 Subpart CC and monitoring failures.

- H. In the facility's 2015 1st Semiannual Monitoring Report submitted for Area A according to Title V Air Permit No. 2623-V12 on or about September 29, 2015, the Respondent reported the following Areas of Concern: permit exceedances for EQT0536, permit exceedances for EQT0537, permit exceedances for EQT0538, permit exceedances for EQT0546, failures to comply with 40 CFR 63 Subpart CC and permit exceedances for RLP0079.
- I. In the facility's 2015 1st Semiannual Monitoring Report submitted for Area B according to Title V Air Permit No. 2624-V17 on or about September 29, 2015, the Respondent reported the following Areas of Concern: permit exceedances for EQT0070, permit exceedances for EQT0072, failures to maintain fuel gas H₂S content according to permit limits, permit exceedances for EQT0080, data availability failures for continuous monitoring, permit exceedances for EQT0105, permit exceedances for EQT0109, Louisiana Refinery MACT deviations, permit exceedances for RLP0057 and permit exceedances for RLP0058.
- J. In the facility's 2015 1st Semiannual Monitoring Report submitted for Area C according to Title V Air Permit No. 2625-V10 on or about September 29, 2015, the Respondent reported the following Areas of Concern: permit exceedances for EQT0552, permit exceedances for EQT0554, permit exceedances for EQT0556, permit exceedances for EQT0560, permit exceedances for EQT0561, permit exceedances for EQT0562, Louisiana Refinery MACT deviations, monitoring failures and permit exceedance for RLP0405.

- K. In the facility's 2015 1st Semiannual Monitoring Report submitted for Area D according to Title V Air Permit No. 2626-V10 on or about September 29, 2015, the Respondent reported Louisiana Refinery MACT deviations.
- L. In the facility's 2015 1st Semiannual Monitoring Report submitted for Excel Paralubes according to Title V Air Permit No. 2627-V8 on or about September 29, 2015, the Respondent reported the following Areas of Concern: permit exceedances for EQT0327, permit exceedances for FUG0020 and permit exceedances for RLP0074.
- M. All violations identified in the Title V deviation reports and annual compliance certifications and reports submitted for the Facility pursuant to 40 CFR Part 63, Subparts CC and UUU, 40 CFR Part 60, Subparts J, Ja, and QQQ, 40 CFR Part 61, Subpart FF, and the Louisiana Refinery MACT standard that cover the period January 1, 2011 through December 31, 2015.
- N. Effluent violations and any other LPDES permit deviations reported in Discharge Monitoring Reports (DMRs) submitted by the Facility that cover the period January 1, 2011 through December 31, 2015.

III

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

IV

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of Sixteen Thousand and No/100 Dollars (\$16,000.00) which represents the Department's enforcement costs, in settlement of the claims set forth in this agreement.

Respondent, in addition to the enforcement costs specified in Paragraph IV above and as part of this Settlement, agrees to expend the amount of \$734,000.00 to implement and/or perform the following beneficial environmental projects:

- A. Respondent will contribute Six Hundred Sixty-Nine Thousand and 00/100 (\$669,000) Dollars in a one-time payment to the LDEQ toward the purchase of a Mobile Air Monitoring Lab (MAML). The cover letter that accompanies full payment to the LDEQ shall designate this agreement and the above beneficial environmental project.
- B. Respondent will contribute Sixty-Five Thousand and 00/100 (\$65,000) Dollars to the city of Westlake to assist in the construction of an emergency response center.
- C. Upon completion of all projects required under this Settlement, Respondent shall submit a final report to include a summary of all the information previously submitted and a total amount spent on the projects listed above. It shall also contain a certification that the projects were completed as described.
- D. If Respondent does not spend the amount of \$734,000.00, then it shall, in its final report, propose additional projects for the Department's approval or pay to the Department an amount equal to the difference between the amount of money agreed to be spent and the amount of money actually spent.
- E. The total amount of money expended by Respondent on cash payments to the Department and on beneficial environmental projects, as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30: 2050.7(E)(1).

VI

Respondent further agrees that the Department may consider the Consolidated Compliance Orders & Notices of Potential Penalty, the Areas of Concern noted in the inspections, the release notifications, Title V monitoring reports and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

VII

This agreement shall be considered a final order of the Secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

VIII

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in La. R. S. 30:2025(E) of the Act and the rules relating to beneficial environmental projects set forth in LAC 33:I.Chapter 25.

IX

As required by law, the Department has submitted this Settlement Agreement to the Louisiana Attorney General for approval or rejection. The Attorney General's concurrence is appended to this Settlement Agreement.

X

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Calcasieu Parish, Louisiana. The advertisement, in form and wording approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted an original proof-of-publication affidavit and an original public notice to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

XI

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XII

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his or her respective party, and to legally bind such party to its terms and conditions.

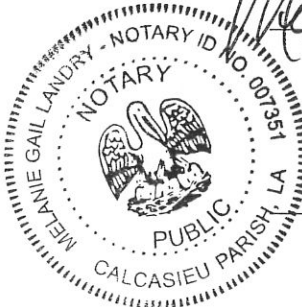
PHILLIPS 66 COMPANY

BY: [Signature]
(Signature)

Steve J Geiger
(Printed)

TITLE: Plant Manager

THUS DONE AND SIGNED in duplicate original before me this 19th day of January, 20 16, at WESTLAKE, LA.

Melanie Gail Landry
NOTARY PUBLIC (ID # 007351)

(stamped or printed)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY
Chuck Carr Brown Secretary

BY: [Signature]
Louise Thurston Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 23rd day of March, 20 16, at Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC (ID # 19181)

Perry Theriot
(stamped or printed)

Approved: [Signature]
D. Chance McNeely, Assistant Secretary