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GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF ENVIRONMENTAL QUALITY  
GAYLORD FIELD OFFICE



DAN WYANT  
DIRECTOR

August 19, 2014

Mr. Robert G. Mannes, President  
Core Energy LLC  
1011 Noteware Drive  
Traverse City, MI 49686

SRN: P0446, Otsego County

Dear Mr. Mannes:

**VIOLATION NOTICE**

On May 7, 2014, the Department of Environmental Quality, Air Quality Division (AQD) requested records for the Core Energy Dover 36 Facility located on Kubacki Road in Section 36, Dover Township, Otsego County, near Gaylord, Michigan. The records requested were those required by Permit to Install (PTI) number 82-13. The records showed the following violations of the PTI.

Process Description	Rule/Permit Condition Violated	Comments
FGENGINES	PTI 82-13, Table FGENGINES, Special Conditions VI.1, 3, 4, 5, and 6	Failure to keep and submit adequate pollutant emission records
EUENGINE2	PTI 82-13, Table FGENGINES, Special Condition VI.6	Engine should not operate before stack height is raised to 50 feet. Records demonstrating compliance with this condition were not provided.

PTI 82-13, Table FGENGINES, Special Condition (SC) VI.3, requires records demonstrating how many hours (if any) EUENGINE1 operated without its pollution control device. No such records were provided. Failure to provide these records is a violation of SC VI.3.

PTI 82-13, Table FGENGINES, SC VI.6 requires records demonstrating that EUENGINE2 is not operated before its stack height is raised to 50 feet. No such records were provided.

During an on-site inspection, staff observed that the stack of EUENGINE2 appears not to have been raised to a height of 50 feet. If EUENGINE2 has operated since PTI 82-13 was issued, that is also a violation of PTI 82-13, Table FGENGINES, SC VI.6.

If EUENGINE2 has not operated, records demonstrating that it has not operated are sufficient recordkeeping for that engine. However, if it has operated, the following records are required and failure to provide them is a violation of the applicable permit condition:

- Maintenance records for EUENGINE2, required by SC VI.1
- NOx emissions for EUENGINE2, required by SC VI.4
- CO emissions for EUENGINE2, required by SC VI.5

Finally, if EUENGINE2 has operated and records for it are not available, that is a violation of PTI 82-13, Table FGENGINES, SC VI.1.

In addition, on July 11, 2014, the AQD conducted an inspection of Core Energy Dover 36 Facility. The purpose of this inspection was to determine the facility's compliance with the requirements of the federal Clean Air Act; Part 55, Air Pollution Control, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (Act 451); the administrative rules and the conditions of PTI 82-13.

During the inspection, staff became aware of several matters which, while not clear violations, were possible regulatory and enforcement concerns.

Process Description	Possible Violation or Area of Concern	Comments
FGFACILITY	Rule 210, R 336.1210 of the Michigan Air Pollution Control Rules	Operation of a facility that may be subject to Title V of the Clean Air Act of 1990 without a Renewable Operating Permit (ROP), or without an enforceable "Opt Out" permit
EUENGINE1	Permit 82-13, Table FGENGINES, Condition VIII.1	Stack height may be less than the required 50 feet

**ROP or "Opt Out" permit required:**

PTI 82-13 covers EUENGINE1, one 1340-HP natural gas fired compressor engine with a catalytic oxidizer, and EUENGINE2, a 149 hp natural gas fired engine. Upon visiting the site, staff observed there were two other natural gas fired compressor engines and eleven process heaters, probably "heater-treaters." According to information provided during the review and issuance of PTI 82-13, all of this additional equipment is exempt from the requirement to obtain a PTI, under various permit exemptions included in the Michigan Air Pollution Control Rules.

However, the absence of this additional equipment from PTI 82-13 concerned staff because the equipment might raise the potential to emit (PTE) of the facility as a whole to the point that the facility would be a major source under Rule 211 of the Michigan Air Pollution Control Rules.

Rule 211 and Title V of the Clean Air Act of 1990 designate facilities which emit 10 tons or more per year of any listed Hazardous Air Pollutant (HAP), 25 tons or more per year of all HAPs combined, or 100 tons or more per year of other regulated air contaminants as "major sources." Major sources are required to obtain an ROP under Rule 210. In the case of the Dover 36 facility, the most likely air contaminants of concern would be nitrogen oxides (NOx) and carbon monoxide (CO) from the natural gas-fired compressor engines and process heaters.

If all equipment combined at the Dover 36 facility has a PTE of more than 100 tons of NOx or CO, operating under worst case conditions full time (defined as 8760 hours per year), the Dover 36 facility would be considered a major source for ROP applicability.

Rule 205 of the Michigan Air Pollution Control Rules allows issuance of a PTI to legally limit potential major source emissions to levels below which a ROP would be required. These "Opt-Out" permits make the source a synthetic minor. Synthetic minor sources do not need an ROP.

PTI 82-13 was intended to be an Opt-Out permit, making the Dover 36 facility a synthetic minor. Unfortunately, PTI 82-13 does not include any "opt out" emission limits on the facility as a whole, nor does it include any individual emission limits on the two engines, glycol dehydrator, eleven process heaters, and any other equipment staff might not have observed which is not listed in the PTI. Without a calculation of the entire facility's PTE for air contaminants, especially NOx and CO, the AQD is unable to determine the Dover 36 Facility's compliance status with regard to Rule 211 of the Michigan Air Pollution Control Rules.

The AQD requests a PTE calculation for the Dover 36 facility, including worst case emissions estimates for all equipment on site. Should this calculation demonstrate that total facility emissions have the potential to exceed Title V major source thresholds, Core Energy would be required to obtain a facility-wide "Opt Out" permit, as authorized under Rule 205, or a Title V Renewable Operating Permit as required by Rule 210.

#### **EUENGINE1 Stack height:**

Staff was unable to measure the stack height of EUENGINE1. The stack height seemed less than 50 feet, judging by eye. The AQD requests an engineering drawing or other similar document which will allow staff to determine compliance with the EUENGINE1 stack height permit condition, PTI 82-13, Table FGENGINES, SC VIII.1.

#### **Compliance Program:**

By August 21, 2014, please submit the information requested in this letter, either by US Mail or by email attachment to William Rogers, [rogersw@michigan.gov](mailto:rogersw@michigan.gov). If EUENGINE2 has not operated since the issuance of PTI 82-13, a statement to that effect certified by you is sufficient to show that it had no emissions and to explain why no maintenance was

performed on it, if that was the case. If it has operated, please provide maintenance and emissions data for EUENGINE2.

If Core Energy believes the above observations or statements are inaccurate or do not constitute violations of the applicable legal requirements cited, please provide appropriate factual information to explain your position.

Thank you for your attention to resolving the violations cited above. If you have any questions regarding the violations or the actions necessary to bring this facility into compliance, please contact me at the number listed below.

Sincerely,

*William J Rogers Jr.*

William J. Rogers Jr.  
Environmental Quality Analyst  
Air Quality Division  
989-705-3406

cc/via email: Ms. Lynn Fiedler, DEQ  
Ms. Teresa Seidel, DEQ  
Mr. Thomas Hess, DEQ  
cc: Ms. Janis Ransom, DEQ