

State Registration Number

N1470

**RENEWABLE OPERATING PERMIT
STAFF REPORT**

ROP Number

MI-ROP-N1470-2022

REC BOAT HOLDINGS L.L.C. - SPORT AND ENGINEERING

State Registration Number (SRN): N1470

Located at

925 Frisbie Street, Cadillac, Wexford County, Michigan 49601

Permit Number: MI-ROP-N1470-2022

Staff Report Date: May 23, 2022

This Staff Report is published in accordance with Sections 5506 and 5511 of Part 55, Air Pollution Control, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (Act 451). Specifically, Rule 214(1) of the administrative rules promulgated under Act 451, requires that the Michigan Department of Environment, Great Lakes, and Energy (EGLE), Air Quality Division (AQD), prepare a report that sets forth the factual basis for the terms and conditions of the Renewable Operating Permit (ROP).

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MAY 23, 2022 - STAFF REPORT

ROP Number

MI-ROP-N1470-2022

Purpose

Major stationary sources of air pollutants, and some non-major sources, are required to obtain and operate in compliance with an ROP pursuant to Title V of the federal Clean Air Act; and Michigan's Administrative Rules for Air Pollution Control promulgated under Section 5506(1) of Act 451. Sources subject to the ROP program are defined by criteria in Rule 211(1). The ROP is intended to simplify and clarify a stationary source's applicable requirements and compliance with them by consolidating all state and federal air quality requirements into one document.

This Staff Report, as required by Rule 214(1), sets forth the applicable requirements and factual basis for the draft ROP terms and conditions including citations of the underlying applicable requirements, an explanation of any equivalent requirements included in the draft ROP pursuant to Rule 212(5), and any determination made pursuant to Rule 213(6)(a)(ii) regarding requirements that are not applicable to the stationary source.

General Information

Stationary Source Mailing Address:	Rec Boat Holdings L.L.C. - Sport and Engineering 925 Frisbie Street Cadillac, Michigan 49601
Source Registration Number (SRN):	N1470
North American Industry Classification System (NAICS) Code:	366612
Number of Stationary Source Sections:	1
Is Application for a Renewal or Initial Issuance?	Renewal
Application Number:	202000167
Responsible Official:	Rick Videan, Vice President of Operations 231-779-2352
AQD Contact:	Sharon G. LeBlanc, Environmental Quality Analyst 989-217-0055
Date Application Received:	November 23, 2020
Date Application Was Administratively Complete:	November 23, 2020
Is Application Shield in Effect?	Yes
Date Public Comment Begins:	May 23, 2022
Deadline for Public Comment:	June 22, 2022

Source Description

Rec Boat Holdings, L.L.C. – Sport & Engineering Plant (N1470) is a fiberglass boat manufacturer located in an industrial park within the City of Cadillac, Wexford County, Michigan. The NAICS code 366612 on the renewal application is consistent with MACES. The referenced facility is located at 925 Frisbie Street, Cadillac, Wexford County, Michigan.

Regional - With a population of 10,355 (2010 census), and an area of 7.16 square miles, the City of Cadillac is a major commercial and industrial hub for the area. The City is bounded by Lake Cadillac (1.37 miles south). Other nearby surface water bodies include nearby Lake Mitchell (approximately 2.5-miles SW) and the Clam Lake Canal. The city is bounded on the eastern edge by the Manistee National Forest.

Located in Northern Michigan, Wexford County is predominantly a rural county with manufacturing being the greatest employer since the logging industry. Christmas tree farming being important to the agricultural industry. Major roadways in the area include Michigan 131(M-131) (N-S) and M-55 (E-W).

Adjacent Properties - The Cruiser Plant is bounded to the north across 13th Street and east along 13th Street by residential properties. To the NW of the facility is St. Ann Catholic Church and St. Ann Elementary School (pre-K – 7) which is the largest of 4 private schools located in Cadillac, Michigan. Properties to the south and west of the facility include other industrial facilities. Cadillac Public School system consists of 2 high schools, 1 Jr. high school and 4 elementary schools. The closest Public School is Lincoln Elementary School located approximately ¾-miles E-SE of the plant. The Cadillac High School is located approximately 1-mile S of the plant.

Other locations of interest include:

- Wexford County Airport (3/4-mile N)
- Wexford County Civic Arena and Fairgrounds (0.60-mile E)
- Cadillac Leisure Mobile Home Park (0.54-mile S-SE)
- Cadillac Renewable Energy LLC, Atlantic Power Corp (0.95 W-SW)

Plant Activities/History - The Rec Boat Holdings, L.L.C. – Sport & Engineering manufactures boats of various sizes and types and is one of the three major employers for the area. Processes at the facility that emit air contaminants include the spray application, open and closed mold application of gelcoats and resin to construct fiberglass boat parts, cleanup activities utilizing acetone, and use of adhesives in the boat assembly process.

Production onsite began in approximately 1985. The facility has expanded since that time and has purchased adjacent properties. The Sport & Engineering Facility consists of two adjacent properties, Sport at 925 Frisbie and Engineering at 905 Frisbie.

The expansions allowed the facility to expand not only their production area, but to add pools to test their product in, and expand shipping and storage space. Rec Boats now makes use of a total of 9 locations ranging from an engine warehouse to a rental location referred to as the Warranty Bldg. 2019 Data for the community indicated that Rec Boat Holdings, L.L.C. is one of the top 3 employers for the area.

Other permitted locations associated with the Facility/Company includes:

- The Rec Boats LLC – Cruiser (N1328) at 609 13th Street, Cadillac
- Trailer Divisions (N1772) at 1552 Miltner Street, Cadillac, and
- Cabinetry (N7941) at 701 6th Street, Cadillac

Rec Boat Holdings LLC was purchased in 2014 by Beneteau Group, a French company, but still is legally operating as Rec Boat Holdings LLC. At the time of the December 6, 2019, site inspection, the

signage associated with the Facility has changed to reflect the Beneteau Group (AKA Groupe Beneteau).

Process/Production

The following processes are associated with fiberglass boat manufacturing onsite.

EUs associated with Sport Plant	EUs associated with Engineering	EUs in one or more locations
EULAMINATION1	EULAMINATION2	EUVOCLEANUP
EUGELCOAT1	EUGELCOAT2	EUACETONECLEANUP
EURTM	EUENGADHESIVE	FGMOLDING
		FGMIXING

Production begins in the lamination section of the facility and ends with finished boats in one of two pools for testing and others ready for wrapping prior to storage and shipping. The process begins with application of fiberglass (EULAMINATION1 and EULAMINATION2) and gel coats (EUGELCOAT1 and EUGELCOAT2) onto molds (FGOPENMOLDING), the finished boat component is removed from the mold and is ground along the edges and cutouts completed prior to assembly.

The Facility is permitted for a close molding process, which also makes use of two spray booths.

Grinding and cutout activities are conducted in an enclosed space and any emissions associated with the activities are released into the work environment and appear to be exempt under Rule 285 (2)(l)(vi)(B).

All stages of production and assembly are conducted onsite, with each boat moving thru the various stages of production with the pace dependent on the size, number of colors, and other components of the special order. Cleanup activities utilize acetone. The facility also makes use of adhesives (EUADHESIVE) during boat assembly. The largest quantity of adhesives are used to assemble the fiberglass boat components, rather than assembly of seat cushions, etc.

None of the process applications are atomized, materials are pumped with no air added. Materials used during the process include (but are not limited to) resin, gelcoat, flotation foams, adhesives and cleanup solvents. Curing occurs between each stage, and results from the chemical reaction occurs at ambient temperature.

The ROP for the facility references Resin Transfer Molding (EURTM), tooling resins discussions with facility staff, these materials are used to make the molds for the boats and are created in the Sport Plant.

Air collection devices (plenums) with filters to control any particulate generated and are vented out one of the stacks associated with the facility (three for the Sport Plant and 2 for the Engineering Plant). Each plenum gets turned on when a work area is in use. Airflow thru the stack and associated plenum creates a negative pressure working environment and helps to seat the filters, which are reported to be replaced on a rotating basis, which equates to an approximately weekly basis.

Gelcoat is received in 55-gallon drums weekly or biweekly, and resins by tanker on average twice per week. The onsite lab tests the materials for quality control, and maintains records documenting the chemical composition of all the materials. Every shipment of production resin (EULAMINATION1, EULAMINATION2, EUGELCOAT1 and EUGELCOAT2) includes a certificate of analysis indicating the chemical composition of the materials. Copies of this information is maintained in the hazmat room in the Cruiser Plant.

Heat is provided by natural gas fired heaters. The facility reports not having an emergency generator or other reciprocating internal combustion engine onsite.

Equipment - Note that none of the equipment was installed prior to 1967 and is not grandfathered with respect to NSR. Equipment or processes associated with the Facility and it's ROP includes:

Equipment	Flexible Group
EULAMINATION1	FGOPENMOLDING
EULAMINATION2	FGOPENMOLDING
EUGELCOAT1	FGOPENMOLDING
EUGELCOAT2	FGOPENMOLDING
EUGRINDCUTBOOTH	NA
EUADHESIVE	NA
EUENGADHESIVE	NA
EUACETONECLEANUP	(formerly FGCLEANUP)
EUVOC CLEANUP	(formerly FGCLEANUP)
EUSPORTMIXING	FGMIXING
EUENGMIXING	FGMIXING
EURTM	NA
SOURCEWIDE	NA

*EUs do not have independent conditions in the ROP or PTI, only under the FG.

Exempt Equipment - The ROP application identified multiple pieces of equipment as exempt from Rule 201 permitting. These included:

Equipment	Description
EUSPACEHTR	Eleven <50MMBTU/hr space heaters
EURESINTANK	Two 6K-gallon resin tanks
EUENGINETEST	Testing of Marine Engines
EUVEHICLES	Lifts and motorized vehicles
EUGASOLINESTR	Gasoline Storage Tanks
EURESINTOTE	Four 275-gallon resin totes
EUGRINDBOOTH	Two cut and grind booths

The following table lists stationary source emission information as reported to the Michigan Air Emissions Reporting System (MAERS) for the year 2020.

TOTAL STATIONARY SOURCE EMISSIONS

Pollutant	Tons per Year
Carbon Monoxide (CO)	NA
Lead (Pb)	NA
Nitrogen Oxides (NO _x)	NA
Particulate Matter (PM)	NA
Sulfur Dioxide (SO ₂)	NA
Volatile Organic Compounds (VOCs)	34.52

The following table lists Hazardous Air Pollutant emissions as calculated for the year 2020 by Facility:

Individual Hazardous Air Pollutants (HAPs) **	Tons per Year
Methylene Ethyl Ketone	0.10
MMA	3.98
Styrene	26.65
Total Hazardous Air Pollutants (HAPs)	30.73

**As listed pursuant to Section 112(b) of the federal Clean Air Act.

See Parts C and D in the ROP for summary tables of all processes at the stationary source that are subject to process-specific emission limits or standards.

Regulatory Analysis

The following is a general description and history of the source. Any determinations of regulatory non-applicability for this source are explained below in the Non-Applicable Requirement part of the Staff Report and identified in Part E of the ROP.

The stationary source is located in Wexford County, which is currently designated by the U.S. Environmental Protection Agency (USEPA) as attainment/unclassified for all criteria pollutants.

The stationary source is subject to Title 40 of the Code of Federal Regulations (CFR) Part 70, because the potential to emit of volatile organic compounds exceeds 100 tons per year and the potential to emit of any single HAP regulated by the federal Clean Air Act, Section 112, is equal to or more than 10 tons per year and/or the potential to emit of all HAPs combined is equal to or more than 25 tons per year.

The stationary source is considered a “synthetic minor” source in regards to the Prevention of Significant Deterioration (PSD) regulations of 40 CFR 52.21 because the stationary source in 2004 under PTI 101-03 accepted legally enforceable permit conditions limiting the potential to emit of Volatile Organic Compounds to less than 250 tons per year.

Installed after August 15, 1967, this equipment was not exempt from New Source Review (NSR) permitting requirements at the time it was installed. Future modifications of this equipment may be subject to NSR.

FGOPENMOLDING (EULAMINATION1, EULAMINATION2, EUGELCOAT1 & EUGELCOAT2), EUVOCLEANUP, EUADHESIVE, EUENGADHESIVE, FGMIXING (EUSPORTMIXING & EUENGMIXING) at the stationary source are subject to the National Emission Standard for Hazardous Air Pollutants for Boat Manufacturing promulgated in 40 CFR Part 63, Subparts A and VVVV.

EUSPACEHTR at the stationary source are not subject to the National Emission Standard for Hazardous Air Pollutants for Major Sources: Industrial, Commercial, and Institutional Boilers and Process Heaters promulgated in 40 CFR Part 63, Subparts A and DDDDD because these natural gas heaters are used for space heat and do not meet the definition of process heater as defined in this subpart.

EULAMINATION1, EULAMINATION2, EUGELCOAT1, EUGELCOAT2, EUADHESIVE, EUVOCLEANUP and EUACETONECLEANUP were evaluated for BACT under one or more PTIs, which were incorporated into the ROP. The use of non-atomized applicators, and low VOC (including styrene and vinyl toluene) and HAP content materials, as well as better reclaim technologies for cleanup solvents was determined to be BACT for the stationary source.

EULAMINATION, EUGELCOAT, EUADHESIVE, EUVOCLEANUP and EUACETONECLEANUP at the stationary source have been assigned emission limits to address Rule 205, 225 and/or 702(c) State Air Toxics Rules.

None of the EUs at the stationary source are subject to:

- the Federal Acid Rain program promulgated in 40 CFR Part 72,
- the Cross-State Air Pollution Rule NO_x Annual Trading Program pursuant to 40 CFR Part 97, Subpart AAAAA.
- the Cross-State Air Pollution Rule NO_x Ozone Season Group 2 Trading Program pursuant to 40 CFR Part 97, Subpart EEEEE.
- the Cross-State Air Pollution Rule SO₂ Group 1 Trading Program pursuant to 40 CFR Part 97, Subpart CCCCC.

No compliance issues have been associated with the Facility since the time of the previous ROP renewal.

The monitoring conditions contained in the ROP are necessary to demonstrate compliance with all applicable requirements and are consistent with the "Procedure for Evaluating Periodic Monitoring Submittals."

No emission units have emission limitations or standards that are subject to the federal Compliance Assurance Monitoring rule pursuant to 40 CFR Part 64, because all emission units at the stationary source either do not have a control device or those with a control device do not have potential pre-control emissions over the major source thresholds.

Please refer to Parts B, C and D in the draft ROP for detailed regulatory citations for the stationary source. Part A contains regulatory citations for general conditions.

Source-Wide Permit to Install (PTI)

Rule 214a requires the issuance of a Source-Wide PTI within the ROP for conditions established pursuant to Rule 201. All terms and conditions that were initially established in a PTI are identified with a footnote designation in the integrated ROP/PTI document.

The following table lists all individual PTIs that were incorporated into previous ROPs. PTIs issued after the effective date of ROP No. MI-ROP-N1328-2016 are identified in Appendix 6 of the ROP.

PTI Number			
74-10	313-08	276-03	298-02
1239-91C	168-15		

Streamlined/Subsumed Requirements

This ROP does not include any streamlined/subsumed requirements pursuant to Rules 213(2) and 213(6).

Non-applicable Requirements

Part E of the ROP lists requirements that are not applicable to this source as determined by the AQD, if any were proposed in the ROP Application. These determinations are incorporated into the permit shield provision set forth in Part A (General Conditions 26 through 29) of the ROP pursuant to Rule 213(6)(a)(ii).

Processes in Application Not Identified in Draft ROP

The following table lists processes that were included in the ROP Application as exempt devices under Rule 212(4). These processes are not subject to any process-specific emission limits or standards in any applicable requirement.

PTI Exempt Emission Unit ID	Description of PTI Exempt Emission Unit	Rule 212(4) Citation	PTI Exemption Rule Citation
EUSPACEHTR	Eleven <50MMBTU/hr space heaters	212(4)(b)	282(2)(b)(i)

Other exempt processes identified in the application included:

PTI Exempt Emission Unit ID	Description of PTI Exempt Emission Unit	Rule 212 Citation	PTI Exemption Rule Citation
EURESINTANK	Two 6K-gallon resin tanks	212(3)(e)	284(2)(i)
EUENGINETEST	Testing of Marine Engines	NA	NA
EUVEHICLES	Lifts and motorized vehicles	NA	NA
EUGASOLINESTR	Gasoline Storage Tanks	212(3)(e)	284(2)(g)(i)
EURESINTOTE	Four 275-gallon resin totes	212(3)(e)	284(2)(i)
EUGRINDBOOTH	Two cut and grind booths		

Draft ROP Terms/Conditions Not Agreed to by Applicant

This draft ROP does not contain any terms and/or conditions that the AQD and the applicant did not agree upon pursuant to Rule 214(2).

Compliance Status

The AQD finds that the stationary source is expected to be in compliance with all applicable requirements as of the effective date of this ROP.

Action taken by EGLE, AQD

The AQD proposes to approve this ROP. A final decision on the ROP will not be made until the public and affected states have had an opportunity to comment on the AQD's proposed action and draft permit. In addition, the USEPA is allowed up to 45 days to review the draft ROP and related material. The AQD is not required to accept recommendations that are not based on applicable requirements. The delegated decision maker for the AQD is Shane Nixon, Cadillac/Gaylord District Supervisor. The final determination for ROP approval/disapproval will be based on the contents of the ROP Application, a judgment that the stationary source will be able to comply with applicable emission limits and other terms and conditions, and resolution of any objections by the USEPA.

State Registration Number
N1470

RENEWABLE OPERATING PERMIT
JUNE 23, 2022 - STAFF REPORT ADDENDUM

ROP Number
MI-ROP-N1470-2022

Purpose

A Staff Report dated May 23, 2022, was developed to set forth the applicable requirements and factual basis for the draft Renewable Operating Permit (ROP) terms and conditions as required by Rule 214(1) of the administrative rules promulgated under Act 451. The purpose of this Staff Report Addendum is to summarize any significant comments received on the draft ROP during the 30-day public comment period as described in Rule 214(3). In addition, this addendum describes any changes to the draft ROP resulting from these pertinent comments.

General Information

Responsible Official:	Rick Videan, Vice President of Operations 231-779-2352
AQD Contact:	Sharon G. LeBlanc, Environmental Quality Analyst 989-217-0055

Summary of Pertinent Comments

No pertinent comments were received during the 30-day public comment period.

Changes to the May 23, 2022 Draft ROP

No changes were made to the draft ROP.