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**Golder
Associates**

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July 21, 2008

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BUREAU OF AIR REGULATION

Bureau of Air Regulations
Department of Environmental Protection
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Attention: Ms. Trina L. Vielhauer, Chief, Bureau of Air Regulations

RE: Gerdau Ameristeel, Jacksonville Steel Mill – Request for Extension of Air Construction
Permit No. 0310157-007-AC/PSD-FL-349

0310157-011-AC/PSD-FL-349C

Dear Ms. Vielhauer:

Gerdau Ameristeel (Gerdau) operates the existing Jacksonville Steel Mill near Baldwin in Duval County, Florida. The facility is a scrap iron and steel recycling (secondary metal production) plant that has been in operation since 1976. The plant receives scrap steel by truck and rail and processes it into steel rebar, wire and rod. Main components of the plant include the following:

- Electric Arc Furnace (EAF);
- Continuous Caster;
- Billet Reheat Furnace;
- Rolling and Rod Mill; and
- Slag Handling and Storage.

On September 21, 2005, the Florida Department of Environmental Protection (FDEP) issued Air Construction Permit No. 0310157-007-AC/PSD-FL-349. This permit provides authorization for the construction of the following:

- A new Melt Shop, which houses the EAF operations;
- A new Continuous Caster Building, which houses the Continuous Caster and Ladle Metallurgical Furnace (LMF); and
- A new Billet Reheat Furnace.

On May 2, 2006, the Florida Department of Environmental Protection (FDEP) issued Air Construction Permit No. 0310157-008-AC/PSD-FL-349A. This permit was a revision to the previous issued permit on September 21, 2005 and provides authorization for the construction of a second new Billet Reheat Furnace. The expiration of the PSD Permit is September 28, 2008.

Condition 10 of the construction permit states the following: "The permit expiration date includes sufficient time to complete construction, perform required testing, submit test reports, and submit an application for a Title V operation permit to the Department. Approval to construct shall become invalid for any of the following reasons: construction is not commenced within 18 months after issuance of this permit; construction is discontinued for a period of 18 months or more; or construction is not completed with a reasonable time. The Department may extend the 18-month

period upon satisfactory showing that an extension is justified. In conjunction with an extension of the 18-month period to commence or continue construction (or to construct the project in phases), the Department may require the permittee to demonstrate the adequacy of any previous determinations of Best Available Control Technology (BACT) for emission units regulated by the project. For good cause, the permittee may request that this PSD air construction permit be extended. Such a request shall be submitted to the Department's Bureau of Air Regulations at least sixty (60) days prior to the expiration of this permit."

Construction of the project was initiated within the required 18 months of the permit issuance, and construction of the new Melt Shop, including the construction of the new EAF has been completed. In addition, Gerdau has submitted an application to revise the Title V operating permit to include the new Melt Shop and EAF. Since the initial startup, May 2007, the EAF has experienced two catastrophic EAF transformer failures. These failures have caused extensive delays in the project advancement including delays in the construction of the continuous caster and billet reheat furnaces. The transformer failures are documented in the attached letters to the City of Jacksonville. In addition to the delays caused by the repair and replacement of transformers, Gerdau has also experienced delays beyond its control as a result of poor market conditions.

For the foregoing reasons, Gerdau requests that Air Construction Permit No. 0310157-008-AC/PSD-FL-349A be modified to provide an eighteen (18) month extension of the permit expiration date.

Sincerely,

GOLDER ASSOCIATES INC.



David T. Larocca
Senior Project Engineer



Ken F. Kosky P.E.
Principal

DTL/dtl

cc: James P. Wold, Gerdau Ameristeel

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GERDAU AMERISTEEL

Jacksonville Steel Mill Division

July 21, 2008

Bureau of Air Regulations
Department of Environmental Protection
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Environmental Quality Division
Air Quality
117 West Duval Street, Suite 225
Jacksonville, FL 32202

Attention: Ms. Trina L. Vielhauer, Chief, Bureau of Air Regulations

Attention: Mr. Ronald L. Roberson, Environmental Engineer

RE: Gerdau Ameristeel, Jacksonville Steel Mill –Title V Operation Permit Application Extension Request.

Dear Ms. Vielhauer:

Gerdau commenced operation of a new Electric Arc Furnace (EAF) with a 95 MVA transformer on May 27, 2007. Under its construction permit, performance testing was scheduled to occur by November, 2007. On September, 15, 2007, Gerdau experienced a *force majeure* equipment malfunction when its 95 MVA transformer suffered a catastrophic failure. Gerdau submitted a letter on November 6, 2007, requesting an extension of the testing deadline due to the *force majeure* event. The Department responded on November 15, 2007, and has demanded a stack test or an extension under an enforceable agreement. Despite the *force majeure* defense, Gerdau is willing to conduct a stack test and enter into an appropriate enforcement order.

This letter is intended to provide further background on Gerdau's unique situation related to the *force majeure* malfunction, recommend a path forward that includes conducting two stack tests, and to stress that Gerdau is not, and cannot under its present operating scenario, exceed its permit limits under its Title V or construction permits.

Gerdau intends to return the original transformer to service as originally permitted as soon as possible. Currently, the EAF is operating with a 65 MVA-rated transformer that Gerdau received from its Beaumont, Texas facility. This transformer has performed poorly and can be operated only at 35 MVA. Under optimum conditions, the transformer is only capable of producing steel at a production rate of 87 TPH, just over fifty percent of its permitted capacity of 160 TPH. Further, yearly operating totals are also well below permitted capacity. As of the end of November, the EAF had operated for 6,700 hours, and it will likely operate for only 7,200 hours by year end, below both the existing and new Title V permit levels of 8,000 and 8,520 hours/year, respectively. All emissions are going through the new baghouse and, because of lower operating rates, are also well below permitted levels.

Because the 65 MVA-rated transformer is performing so inefficiently, Gerdau is planning to replace it with another interim transformer as soon as possible. Gerdau understands the city's request that it not continue to operate an interim transformer indefinitely without a stack test and therefore proposes to conduct stack testing on the facility with a 2nd interim transformer that will be installed shortly. Gerdau is currently in the process of procuring this transformer, rated at 90 MVA, from its Perth Amboy, New Jersey facility. Gerdau anticipates that this transformer will be installed in mid-March, 2008. Gerdau does not believe that it is constructive to test the facility with the first interim transformer since it will very shortly be replaced and its size and operational problems are causing the facility to operate well below permitted capacity. We propose to conduct the first stack test within sixty days of delivery and installation of the replacement transformer, now scheduled for mid-March, 2008. This short delay is necessary for testing and balancing to ensure that the interim transformer operates properly with the new EAF (testing includes determining adequate arc length, impedance with the transformer *etc.*). The 2nd transformer is



GERDAU AMERISTEEL

Jacksonville Steel Mill Division

closer in size to the original transformer and may allow Gerdau to conduct more meaningful testing closer to the 144 TPH mandated by the permit.¹

The original transformer is currently scheduled to be returned to service in October, 2008. It too will take approximately 60 days to reach full operation, after which Gerdau proposes to conduct a second round of stack testing. Gerdau requests assurances that performance testing conducted for the smaller interim transformer will not create a new baseline for PSD or Title V purposes.

The Department has the discretion to grant Gerdau's request under the recently enacted Force Majeure Rule, which formalized EPA's previously existing policy of using enforcement discretion to delay performance testing in *force majeure* circumstances.² EPA's definition of force majeure events includes equipment failure beyond the control of the facility. The rule states that the granting of an extension to the performance test deadline is "solely within the discretion of the Administrator."³ The Administrator in this case refers to the Department, which has been delegated responsibility over the program by the Administrator. The rule grants broad discretionary authority to the Department and does not contain any limitation in the form of a requirement of an enforceable order. EPA's national stack testing guidance did suggest that time extensions be granted through an enforcement discretion letter or an administrative order, but this guidance has since been supplanted by a specific EPA rulemaking. The intention of the *force majeure* exception is to keep those facilities that experience a qualifying event outside the enforcement regime. Requiring an enforceable order would thus be contrary to the spirit and intention of the rule. Further, enforceable orders were only one of several options that the EPA suggested in its previous guidance and are by no means mandatory. That said, Gerdau understands that the Department would prefer to handle this *force majeure* event under an appropriate enforcement order. We are certainly willing to pursue this approach.

Gerdau Ameristeel looks forward to discussing this matter with the City on January 2nd.

Sincerely,

James Wold

¹ See Condition B.6 of Permit 0310157-009-AC/PSD-FL349B, note 3, p. 8.

² See Revisions to Standards of Performance for New Stationary Sources, National Emission Standards for Hazardous Air Pollutants, and National Emissions Standards for Hazardous Air pollutants for Source Categories, 72 Fed. Reg. 27,437 (May 16, 2007).

³ *Id.* at 27,438

**BEFORE THE ENVIRONMENTAL PROTECTION BOARD
CITY OF JACKSONVILLE**

CITY OF JACKSONVILLE)	
ENVIRONMENTAL AND)	
COMPLIANCE DEPARTMENT,)	
ENVIRONMENTAL QUALITY DIVISION,)	
)	Cease & Desist Citation AP-07-24
Petitioner,)	Alleged Failure to Conduct
)	Initial Performance Compliance Testing
vs.)	
)	
Gerdau Ameristeel Corp.,)	
)	
<u>Respondent.</u>)	

CONSENT ORDER WITH COMPLIANCE PLAN

This Consent Order with Compliance Plan is made and entered into between the City of Jacksonville, Environmental and Compliance Department (E&CD) and Gerdau Ameristeel Corp. ("Respondent").

1. E&CD, through its Environmental Quality Division (EQD), enforces Chapters 360 and 362, City of Jacksonville Ordinance Code and Jacksonville Environmental Protection Board Rule 2.

2. The Respondent is located at 16770 Rebar Road, Baldwin, Florida 32234. The Respondent owns and operates an Electric Arc Furnace at Jacksonville Steel Mill.

3. On December 4, 2007, E&CD issued Citation AP-07-24 to the Respondent for failure to conduct an initial performance compliance test on a new electric arc furnace at Jacksonville Steel Mill.

4. The Respondent and E&CD have met in an effort to resolve their disputes as to compliance issues and any alleged violations of City of Jacksonville ordinances and rules. The parties have agreed to enter into this Consent Order with Compliance Plan in order to expeditiously address compliance issues without litigation and its attendant costs, delays, and risks.

Having reached a resolution of this matter without any admission of liability or wrongdoing by the Respondent, the parties agree, and it is

ORDERED:

5. The Respondent shall operate the electric arc furnace at Jacksonville Steel Mill in accordance with all local, state, and federal rules and regulations.

Gerdau Ameristeel
Cease & Desist Citation AP-07-24
Consent Order With Compliance Plan
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6. The Respondent shall comply with the following schedule:
 - a. By no later than February 29, 2008, Respondent shall conduct a compliance test on the 65 MVA Beaumont Transformer and submit the compliance test report to EQD within 45 days of completion of the test.
 - b. By no later than September 1, 2008, Respondent shall complete the installation and start up the 91 MVA Perth Amboy Transformer at Jacksonville Steel Mill. Respondent shall submit notice of the installation and start up of the 91 MVA Perth Amboy Transformer to EQD within 15 business days of installation and start up of the transformer.
 - c. Respondent shall have a 60 day shakedown period to run the 91 MVA Perth Amboy Transformer. The 60 day shakedown period shall begin on the start up date of the transformer.
 - d. Respondent shall conduct the required compliance test on the 91 MVA Perth Amboy Transformer no later than 15 days after the 60 day shakedown period. A notice of the compliance test on the 91 MVA Perth Amboy Transformer shall be submitted to EQD 15 days prior to the start of the test. The required compliance test report on the 91 MVA Perth Amboy Transformer shall be submitted to EQD within 45 days of the completion of the test.

7. Pursuant to Section 360.306, Ordinance Code, if the Respondent fails to meet any of the deadlines specified in paragraph 6 above, then the Director of E&CD may impose a civil fine of up to \$500 for each occurrence of noncompliance with this Consent Order with Compliance Plan. Each day of non-compliance shall constitute a separate offense. The civil fine shall be due within seven days of written notification to the Respondent. The check shall be made payable to the City of Jacksonville Environmental Protection Trust Fund and mailed to E&CD, 117 W. Duval Street, Suite 225, Jacksonville, FL 32202 to the attention Dana L. Brown.

8. No civil penalty is required in this case as Respondent has demonstrated that the failure to timely test the new electric arc furnace was due to a bona fide malfunction which rendered the transformer that powered the electric arc furnace inoperable.

9. This Consent Order with Compliance Plan fully resolves all issues raised in E&CD's Cease and Desist Citation AP-07-24 regarding the matters addressed herein. E&CD reserves the right to take appropriate enforcement action against Respondent for any future violation of the Ordinance Code or rules. Respondent reserves its right to contest any such enforcement action in accordance with applicable law.

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Cease & Desist Citation AP-07-24
Consent Order With Compliance Plan
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10. Notwithstanding paragraph 7 above, a violation of the terms of this Consent Order may subject the Respondent to judicial imposition of civil penalties of up to \$10,000 per violation per day.

11. In consideration of the complete and timely performance by the Respondent of the obligations agreed to in this Consent Order with Compliance Plan, E&CD waives any right to seek judicial imposition of additional penalties. The Respondent waives its right to an administrative hearing pursuant to Section 120.57(1), Florida Statutes, regarding the terms of this Consent Order with Compliance Plan.

12. The provisions of this Consent Order with Compliance Plan shall apply to and be binding upon the parties, their officers, directors, agents, servants, employees, successors, and assigns and all persons, firms and corporations acting under, through or for them and upon those persons, firms, and corporations in active concert or participation with them.

13. Entry of this Consent Order with Compliance Plan does not relieve the Respondent of the need to comply with applicable federal, state or local laws, regulations or ordinances.

**CITY OF JACKSONVILLE
ENVIRONMENTAL AND COMPLIANCE DEPARTMENT**

Date

Ebenezer S. Gujjarlapudi, P.E., Director

Gerdau Ameristeel US Inc.

Date

Carlos Zanoelo, VP/General Manager

ORDER

I hereby certify that the foregoing document was adopted by order of the Environmental Protection Board of the City of Jacksonville this _____ day of _____, 2008.

Michael F. Templeton, Chairman
Environmental Protection Board