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ATLANTA, GEORGIA 30303-8960

AUG 11 1999

4APT-ARB

Mr. C.H. Fancy, Chief
Bureau of Air Regulation
Florida Department of Environmental Protection
Twin Towers Office Building
2600 Blair Stone Rd.
Tallahassee, Florida 32399-2400

SUBJ: Applicability of Prevention of Significant Deterioration Permitting Requirements,
Proposed Sea Ray Boats Facility, Merritt Island, Florida

Thank you for your letter of July 27, 1999, requesting comments on a permit application submitted by Sea Ray Boats, Inc. (Sea Ray). Sea Ray proposes to construct a fiberglass boat manufacturing facility in Merritt Island, Florida. The facility is referred to as the Cape Canaveral Plant and will be located approximately one mile from an existing Sea Ray fiberglass manufacturing facility referred to as the Merritt Island Plant.

Sea Ray contends that the two facilities should be viewed as separate emission sources. Further, Sea Ray proposes emissions for the Cape Canaveral Plant that are slightly less than the prevention of significant deterioration (PSD) permitting applicability threshold if the facility is treated as a separate source. You have requested comments from us on the question of PSD applicability.

For two facilities to be considered part of the same source under PSD regulations, generally they must be under common control, belong to the same major industrial grouping, and be located on one or more "contiguous or adjacent" properties. The two facilities are clearly under common control and belong to the same major industrial grouping. Our determination is that the Cape Canaveral Plant and the Merritt Island Plant are located on adjacent properties and should be considered as one source for PSD permitting purposes. This determination is based on the following considerations.

1. The separation distance of one mile is definitely within the distances previously determined by the U.S. Environmental Protection Agency (EPA) to deem separated facilities as adjacent. For example, in a letter from EPA Region 4 dated May 12, 1999, we rendered a determination on whether two facilities under common ownership and located approximately one mile apart should be considered adjacent for Title V permitting purposes. Although we concluded that the two facilities could be considered separate based primarily on a lack of interdependence, we also made the following statement: "For this and future such determinations, our position is that

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separate facilities could be considered a single source for Title V permit applicability purposes strictly on the basis of proximity without regard to whether the facilities are dependent on each other or physically connected in some way." We are of the same opinion for PSD applicability determinations as for Title V applicability determinations.

2. The Cape Canaveral Plant raises our attention because it will not be a small emission source. It will have the potential to emit 211 tons per year (tpy) of volatile organic compounds (VOC). This potential emission rate is more than double the 100-tpy emissions threshold that would make the facility a major PSD source on its own if it were in one of the 28 listed PSD categories, and more than five times the PSD significant emission rate for VOC. Moreover, Sea Ray proposes to emit 125 tpy of styrene from the Cape Canaveral Plant. Styrene is a hazardous air pollutant (HAP), and the proposed styrene emission rate is more than ten times the amount (10 tpy) that would cause the proposed facility by itself to be classified as a major HAP source under the national emission standards for hazardous air pollutant (NESHAP) program and under the Title V operating permit program.
3. The existing Merritt Island Plant has a permit that allows 426 tpy of VOC emissions, a major portion of which we assume is styrene and other HAP emissions. The distance between the Merritt Island Plant and the proposed Cape Canaveral Plant is close enough that emissions from the two facilities could interact and impact the same ambient environment regardless of whether they are operationally independent. Therefore, within the broad air quality protection objectives of the prevention of significant deterioration regulations, a review of the control technology and ambient impact aspects of the Cape Canaveral Plant is certainly indicated if PSD review is merited on a procedural basis (that is, on the basis of site adjacency).
4. Sea Ray's letter dated July 14, 1999, makes a case for judging the proposed and existing facilities as having "no functional inter-relationship." However, Sea Ray chose for some definite reason to locate the proposed facility within close proximity of the existing facility. (We deem the proximity to be close in view of the fact that the separation distance between the two sites is less than the combined linear frontage of the sites.) We grant that the closeness of the sites may be merely a result of an area with features conducive for one boat manufacturing facility also being conducive for a similar facility. Nevertheless, Sea Ray's intentional selection of a site so close to the site of the existing facility appears at face value to suggest some sort of advantage in having the two facilities near each other, even if nothing more than the advantage of corporate communication efficiency. Please note, however, that the primary basis for our determination in this case is not whether the two facilities are interdependent.

Taking these various factors into account, we restate our determination that the Cape Canaveral Plant and the Merritt Island Plant should be considered as part of the same source for

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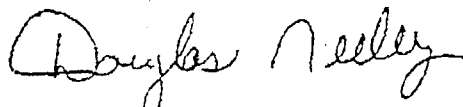
PSD permitting applicability purposes. Should you agree with our determination, we recommend that you convey to Sea Ray the following advantages of having the Cape Canaveral facility undergo PSD review:

- Should Sea Ray decide at a future date to make the two facilities in some way functionally dependent or physically connected, the question of PSD permitting requirements will already be resolved.
- Similarly, should Sea Ray arrange in future to purchase or lease the property between the two sites, this would not trigger the need to re-visit the issue of adjacency.
- If the two facilities are treated as one source and a single PSD permit is issued for both facilities, Sea Ray will be able to credit emission reductions at one facility against future emission increases at the other. If FDEP decides to separate the two facilities for PSD permitting purposes, Sea Ray will not be allowed to use emission decreases at one facility in a netting analysis to avoid major or minor new source review (NSR) permitting for a future modification at the other facility.
- Grouping the two facilities as one source and obtaining a PSD permit will avoid any future investigation by EPA after the new facility begins operation as to whether Sea Ray improperly circumvented PSD regulations. Similar scrutiny by potential public intervenors would also be avoided.

If FDEP decides that the two facilities should be separated for PSD applicability purposes, none of these advantages would apply. Further, if the Cape Canaveral facility is permitted as a separate emission source and thereby avoids PSD review, we would view any "minor" modifications at the facility in the near term that result in VOC emission increases as a possible case of improper PSD circumvention.

If you have any questions or comments concerning this letter, please contact Jim Little at (404) 562-9118.

Sincerely,



R. Douglas Neeley, Chief
Air and Radiation Technology Branch
Air, Pesticides, and Toxics
Management Division