

BEFORE THE ILLINOIS POLLUTION CONTROL BOARD
OF THE STATE OF ILLINOIS

WRB REFINING, LLC)
Ultralow Sulfur Diesel Hydrotreater)
)
) PCB 12-
) (Tax Certification - Air)
PROPERTY IDENTIFICATION NUMBER)
19-1-08-35-00-000-001 or portion thereof)

NOTICE

TO: [Electronic filing] [Service by mail]
John Therriault, Assistant Clerk Michael Kemp
Illinois Pollution Control Board WRB Refining, LLC
State of Illinois Center 404 Phillips Building
100 W. Randolph Street, Suite 11-500 Bartlesville, Oklahoma 74004
Chicago, Illinois 60601

[Service by mail]
Steve Santarelli
Illinois Department of Revenue
101 West Jefferson
P.O. Box 19033
Springfield, Illinois 62794

PLEASE TAKE NOTICE that I have today electronically filed with the Office of the Pollution Control Board the **APPEARANCE** and **RECOMMENDATION** of the Illinois Environmental Protection Agency, a paper copy of which is herewith served upon the applicant and a representative of the Illinois Department of Revenue.

Respectfully submitted by,

/s/ Robb H. Layman
Robb H. Layman
Assistant Counsel

Date: August 25, 2011

ILLINOIS ENVIRONMENTAL PROTECTION AGENCY
1021 North Grand Avenue East
P.O. Box 19276
Springfield, IL 62794-9276
Telephone: (217) 524-9137

BEFORE THE ILLINOIS POLLUTION CONTROL BOARD
OF THE STATE OF ILLINOIS

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19-1-08-35-00-000-001 or portion thereof)	

APPEARANCE

I hereby file my Appearance in this proceeding on behalf of the Illinois Environmental Protection Agency.

Respectfully submitted by,

/s/ Robb H. Layman
Robb H. Layman
Assistant Counsel

Date: August 25, 2011

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RECOMMENDATION

NOW COMES the ILLINOIS ENVIRONMENTAL PROTECTION AGENCY (“Illinois EPA”), through its attorneys, and pursuant to 35 Ill. Adm. Code 125.204 of the ILLINOIS POLLUTION CONTROL BOARD’S (“Board”) procedural regulations, files the Illinois EPA’s Recommendation in the above-referenced request for tax certification of pollution control facilities. The Illinois EPA recommends **issuance** of a tax certification covering the subject matter of the request. In support thereof, the Illinois EPA states as follows:

1. On or about October 14, 2010, the Illinois EPA received an application and supporting information from WRB REFINING, LLC, (“WRB Refining”) concerning the proposed tax certification of certain air emission sources and/or equipment located at its Wood River petroleum refinery in Madison County, Illinois. A copy of the application is attached hereto. [Exhibit A].

2. The applicant’s principal business address is as follows:

WRB Refining LLC
404 Phillips Building
Bartlesville, Oklahoma 74004

3. The facility address is as follows:

WRB Refining LLC
900 South Central Avenue
P.O. Box 76
Roxana, Illinois 62084

4. The subject matter of this request consists of the Ultralow Sulfur Diesel Hydrotreater, which was implemented by the refinery as part of the Ultralow Sulfur Diesel project to reduce plant-wide emissions of sulfur oxides (“Sox”), nitrogen dioxides (“NOx”) and particulate matter associated with the refining of diesel pool sold to consumers. As described in the application, the Ultralow Sulfur Diesel Hydrotreater is a new unit combined from two existing hydrocracker unit reactors and related existing equipment with new equipment, piping and controls. The hydrotreater unit employs hydrogen, a fixed bed catalyst, high pressure and high temperatures to remove sulfur compounds from various product streams (i.e., straight run, fluid cat cracker and coker light gasoil). The high-pressured reaction from the catalyst to the hydrogen-treated product streams removes the sulfur from the product, converting it to hydrogen sulfide. The Ultralow Sulfur Diesel Hydrotreater allows the refinery to comply with the United States’ Environmental Protection Agency’s diesel fuel content requirements, which were established at roughly less than 15 parts per million by weight. In doing so, the new hydrotreater unit ultimately prevents or reduces SOx emissions from the diesel pool supplied to consumers for use in automobiles and other diesel-powered engines. Secondly, the improved quality of low sulfur diesel products allows consumers to make use of more advanced emission control systems for diesel engines, which can result in reductions of NOx and particulate matter emissions.

5. Section 11-10 of the Property Tax Code, 35 ILCS 200/11-10 (2002), defines “pollution control facilities” as:

“any system, method, construction, device or appliance appurtenant thereto, or any portion of any building or equipment, that is designed, constructed, installed or operated for the primary purpose of: (a) eliminating, preventing, or reducing air or water pollution... or (b) treating, pretreating, modifying or disposing of any potential solid, liquid, gaseous pollutant which if released without treatment, pretreatment, modification or disposal might be harmful, detrimental or offensive to human, plant or animal life, or to property.”

6. Pollution control facilities are entitled to preferential tax treatment, as provided by 35 ILCS 200/11-5 (2002).

7. Based on information in the application and the underlying purpose of the Ultralow Sulfur Diesel Hydrotreater to prevent, eliminate or reduce air pollution, it is the Illinois EPA's engineering judgment that the various systems, constructions, devices and/or buildings or equipment from the project relating to air pollution control may be considered as "pollution control facilities" in accordance with the statutory definition and consistent with the Board's regulations at 35 Ill. Adm. Code 125.200. **[Exhibit B]**.

8. Because the substantive components of the application for the Ultralow Sulfur Diesel Hydrotreater satisfies the aforementioned criteria, the Illinois EPA recommends that the Board **issue** the applicant's requested tax certification.

Respectfully submitted by,

1st Robb H. Layman
Robb H. Layman
Assistant Counsel

DATED: August 25, 2011

ILLINOIS ENVIRONMENTAL PROTECTION AGENCY
1021 North Grand Avenue East
P.O. Box 19276
Springfield, Illinois 62794-9276
Telephone: (217) 524-9137

CERTIFICATE OF SERVICE

I hereby certify that on the 25th day of August, 2011, I electronically filed the following instruments entitled **NOTICE, APPEARANCE** and **RECOMMENDATION** with:

John Therriault, Assistant Clerk
Illinois Pollution Control Board
100 West Randolph Street
Suite 11-500
Chicago, Illinois 60601

and, further, that I did send a true and correct paper copy of the same foregoing instruments, by First Class Mail with postage thereon fully paid and deposited into the possession of the United States Postal Service, to:

Steve Santarelli
Illinois Department of Revenue
101 West Jefferson
P.O. Box 19033
Springfield, Illinois 62794

Michael Kemp
WRB Refining, LLC
404 Phillips Building
Bartlesville, Oklahoma 74004

/s/ Robb H. Layman
Robb H. Layman
Assistant Counsel

***** PCB 2012-040 *****
 APPLICATION FOR CERTIFICATION (PROPERTY TAX TREATMENT)
 POLLUTION CONTROL FACILITY
 AIR WATER

ILLINOIS ENVIRONMENTAL PROTECTION AGENCY
 P. O. Box 19276, Springfield, IL 62794-9276

This Agency is authorized to request this information under Illinois Revised Statutes, 1979, Chapter, 120, Section 502a-5. Disclosure of this information is voluntary. However, failure to comply could prevent your application from being processed or could result in denial of your application for certification.

FOR AGENCY USE

File No.	Date Received	Certification No.	Date	
Sec. A APPLICANT	Company Name WRB Refining LLC			
	Person Authorized to Receive Certification Michael Kemp		Person to Contact for Additional Details Gordon Terhune	
	Street Address 404 Phillips Building		Street Address 900 S. Central Ave., P.O. Box 76	
	Municipality, State & Zip Code Bartlesville, OK 74004		Municipality, State & Zip Code Roxana, IL 62084	
	Telephone Number (918) 661-9055		Telephone Number (618) 255-2876	
	Location of Facility Quarter Section Township Range		Municipality Township	
	Street Address 900 S. Central Ave.		County Book Number Madison	
	Property Identification Number		Parcel Number 19-1-08-35-00-000-001	
	Sec. B MANUFACTURING OPERATIONS	Nature of Operations Conducted at the Above Location Petroleum Refining		
		Water Pollution Control Construction Permit No.		Date Issued
NPDES PERMIT No. IL0000205		Date Issued 04/14/04	Expiration Date 04/14/09	
Air Pollution Control Construction Permit No. 04050026		Date Issued 06/11/07		
Air Pollution Control Operating Permit No. 95120306		Date Issued 11/07/03		
Sec. C MANUFACTURING PROCESS	Describe Unit Process See Ultralow Sulfur Diesel Hydrotreater Project Attachment.			
	Materials Used in Process See Ultralow Sulfur Diesel Hydrotreater Project Attachment.			
Sec. D POLLUTION CONTROL FACILITY DESCRIPTION	Describe Pollution Abatement Control Facility See Ultralow Sulfur Diesel Hydrotreater Project Attachment.			

Sec. E	(1) Nature of Contaminants or Pollutants			
			Material Retained, Captured or Recovered	
		DESCRIPTION	DISPOSAL OR USE	
	Contaminant or Pollutant	Sulfur oxides (SOx)	Hydrogen Sulfide	
			Recovered and converted to solid elemental sulfur.	
	Nitrogen Oxides (NOx)	Nitrogen Gas	N2 not converted to NOx	
	Particulates	Particulates	Trapped or converted by new control	
	(2) Point(s) of Waste Water Discharge			
			Plans and Specifications Attached	
		Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	
(3)	Are contaminants (or residues) collected by the control facility?			
	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>		
(4)	Date installation completed <u>04/04/06</u> status of installation on date of application <u>100%</u>			
(5)	a. TOTAL INSTALLED COST	\$ 199,688,000.00		
	b. NET SALVAGE VALUE IF CONSIDERED REAL PROPERTY:	\$ 1,797,192.00		
	c. PRODUCTIVE GROSS ANNUAL INCOME OF CONTROL FACILITY:	\$ 0.00		
	d. PRODUCTIVE NET ANNUAL INCOME OF CONTROL FACILITY:	\$ 0.00		
	e. PERCENTAGE CONTROL FACILITY BEARS TO WHOLE FACILITY VALUE:	% To Be Determined		
Sec. F	The following information is submitted in accordance with the Illinois Property Tax Code, as amended, and to the best of my knowledge, is true and correct. The facilities claimed herein are "pollution control facilities" as defined in Section 11-10 of the Illinois Property Tax Code.			
		<u>Ken C. O'Leary</u>	<u>DIRECTOR - PTRRC</u>	
	Signature	Title		
Sec. G	INSTRUCTIONS FOR COMPILING AND FILING APPLICATION			
	General: Separate applications must be completed for each control facility claimed. Do not mix types (water and air). Where both air and water operations are related, file two applications. If attachments are needed, record them consecutively on an index sheet.			
	Sec. A	Information refers to applicant as listed in the tax records and the person to be contacted for further details or for inspection of facilities. Define facility location by street address or legal description. A plat map location is required for facilities located outside of municipal boundaries. The property identification number is required.		
	Sec. B	Self-explanatory. Submit copies of all permits issued by local pollution control agencies. (e.g. MSD Construction Permit)		
	Sec. C	Refers to manufacturing processes or materials on which pollution control facility is used.		
	Sec. D	Narrative description of the pollution control facility, indicating that its primary purpose is to eliminate, prevent or reduce pollution. State the type of control facility. State permit number, date, and agency issuing permit. A narrative description and a process flow diagram describing the <u>pollution control facility</u> . Include a listing of each major piece of equipment included in the claimed fair cash value for real property. Include an <u>average</u> analysis of the influent and effluent of the control facility stating the collection efficiency.		
	Sec. E	List air contaminants, or water pollution substances released as effluents to the manufacturing processes. List also the final disposal of any contaminants removed from the manufacturing processes. Item (1) - Refers to pollutants and contaminants removed from the process by the pollution control facility. Item (2) - Refers to water pollution but can apply to water-carried wastes from air pollution control facilities. Submit drawings, which clearly show (a) Point(s) of discharge to receiving stream, and (b) Sewers and process piping to and from the control facility. Item (3) - If the collected contaminants are disposed of other than as wastes, state the disposition of the materials, and the value in dollars reclaimed by sale or reuse of the collected substances. State the cost of reclamation and related expense. Item (4) - State the date which the pollution control facility was first placed in service and operated. If not, explain. Item (5) - This information is essential to the certification and assessment actions. This accounting data must be completed to activate project review prior to certification by this Agency.		
	Sec. F	Self-explanatory. Signature must be a corporate authorized signature.		
		Submit to:	Attention:	Attention:
		Illinois EPA P.O. Box 19276 Springfield, IL 62794-9276	Al Keller Permit Section Division of Water Pollution Control	Donald E. Sutton Permit Section Division of Air Pollution Control

APPLICATION FOR CERTIFICATION (PROPERTY TAX TREATMENT)
POLLUTION CONTROL FACILITY
WRB – Wood River Refinery

Project: Ultralow Sulfur Diesel Hydrotreater

Section C – Manufacturing Process

Process Description:

The Wood River Refinery implemented the Ultralow Sulfur Diesel (ULSD) Project to reduce the emission of sulfur oxides (SO_x), nitrogen oxides (NO_x), and particulate pollutants due to consumer use of the diesel product.

This ULSD Project allows the refinery to produce diesel with at most 15 parts per million (ppm) sulfur which is much lower than the previous diesel sulfur content of 500 ppm. The production of ULSD not only reduces emissions of sulfur compounds (a cause of acid rain), but also allows diesel engines to be fitted with advanced emission control systems that would otherwise be poisoned by these compounds. These emission control systems can greatly reduce emissions of oxides of nitrogen and particulate matter.

The Wood River ULSD Project was managed as three separate sub-projects, all of which are necessary to achieve Ultralow Sulfur Diesel in compliance with US EPA standards: (1) the HCU Revamp which simplified the Hydrocracker Unit (HCU) and made two HCU reactors and several other pieces of HCU equipment available for use as part of the ULSD Hydrotreater, (2) the ULD Project which combined the two former HCU reactors and other former HCU equipment with new equipment, piping, and controls to create the Ultralow Sulfur Hydrotreater Unit (ULD) and (3) a new Hydrogen Plant (HP-1) to produce the hydrogen necessary for operation of the Ultralow Sulfur Hydrotreater Unit.

The ULD unit uses hydrogen, fixed bed hydrotreating catalyst, high pressure, and elevated temperature to remove sulfur from straight run, fluid cat cracker (FCC), and coker light gasoil streams. The combined light gasoil feed stream is mixed with hydrogen, heated, and sent to the two high pressure reactors. In the reactors, the gasoil contacts fixed bed hydrotreating catalyst which removes the sulfur from the gasoil and converts it to H₂S. The reactor effluent is cooled via heat recovery exchangers and routed to a recovery/stabilization section where light material is recovered and sent to the Saturates Gas Plant for further processing. The stabilized ultralow sulfur diesel is routed to storage. A simplified process flow diagram for the ULD unit is attached.

The production of ULSD to meet the EPA mandate required a significant increase in hydrogen consumption at the Wood River Refinery. Production of this hydrogen required Wood River Refinery to construct a new Hydrogen Plant, HP-1. HP-1 uses steam, natural gas, fixed bed catalysts, elevated pressure, and high temperatures to produce high purity hydrogen to meet the additional hydrogen demand caused by the construction of ULSD hydrotreater.

Materials Used in Process:

High sulfur gasoil
Hydrogen
Catalysts
Steam
Fuel Gas

Section D – Pollution Control Facility Description

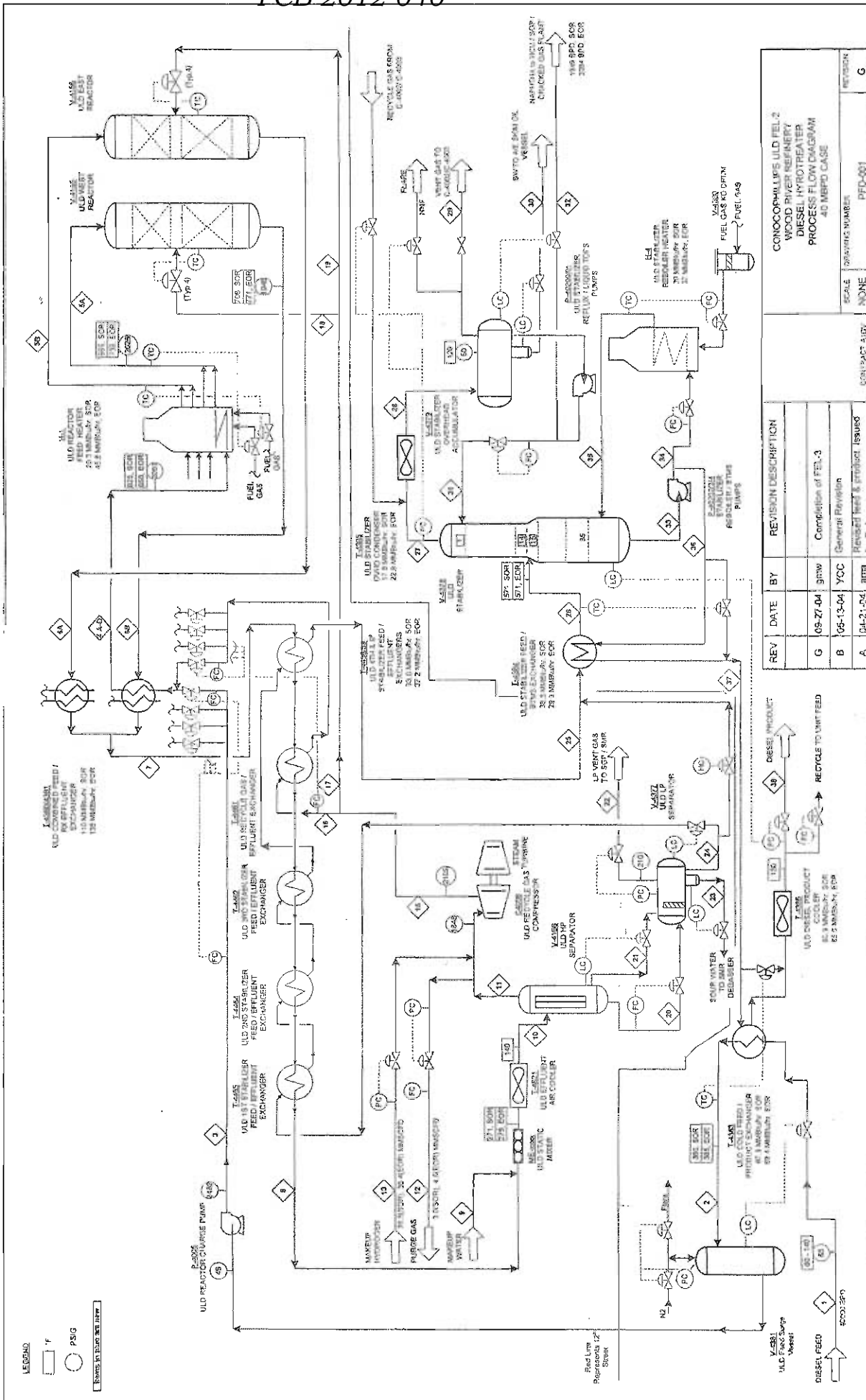
If the emission of SO_x pollution was not a concern, the diesel streams produced by the Wood River Refinery could and would be blended and sold as high valued diesel. However, SO_x pollution is a significant concern and thus the Wood River Refinery installed the ULSD facilities to remove sulfur from diesel streams so that this material could be used as diesel with extremely low emission of SO_x pollution. The ULSD pollution control facility directly prevents the emission to the atmosphere of approximately 2,000 tons per year of SO_x.

This project also enables the refinery to meet US EPA requirements that diesel sulfur content is less than 15 parts per million by weight (ppm_w). The ultralow sulfur diesel reduces emissions of sulfur compounds (a cause of acid rain) and also allows diesel engines to be fitted with advanced emission control systems that would otherwise be poisoned by sulfur. Thus, ultralow sulfur diesel is a necessary and integral part of the diesel pollution reduction system, allowing advanced emission control systems which can greatly reduce emissions of oxides of nitrogen and particulate matter.

Thus, the Wood River ULSD project provides pollution control in two ways. First, the project directly reduces SO_x pollution by removing sulfur from the diesel product. Second, the project provides the diesel quality necessary for reducing emissions of oxides of nitrogen and particulate matter through the use of advanced emission control systems in diesel engines.

The sulfur recovered by this pollution control facility does generate some revenue for the Wood River Refinery, but the costs to operate the pollution control facility are greater than this revenue and thus this pollution control facility results in no net income for the Wood River Refinery

In summary, the Wood River Refinery Ultralow Sulfur Diesel (ULSD) Project was implemented solely to reduce SO_x, NO_x, and particulate pollution.





1021 NORTH GRAND AVENUE EAST, P.O. BOX 19506, SPRINGFIELD, ILLINOIS 62794-9506 - (217) 782-2113

PAT QUINN, GOVERNOR

MEMORANDUM

Technical Recommendation for Tax Certification Approval

Date: May 13, 2011
To: Robb Layman
From: *E* Edwin C. Bakowski
Subject: WRB Refining, LLC. TC-10-10-145

This Agency received a request on October 14, 2010 from WRB Refining, LLC. for an Illinois EPA recommendation regarding tax certification of air pollution control facilities pursuant to 35 Ill. Adm. Code 125.204. I offer the following recommendation.

The air pollution control facilities in this request include the following:

Ultralow Sulfur Diesel Hydrocracker Project which reduces SO₂, NO_x, PM emissions by allowing diesel engines to be fitted with advanced emission control systems. Because the primary purpose of this system is to reduce or eliminate air pollution, it is certified as a pollution control facility.

This facility is located at 900 South Central Avenue, Roxana, Illinois
The property identification number is 19-1-08-35-00-000-001

Based on the information included in this submittal, it is my engineering judgement that the proposed facility may be considered "Pollution Control Facilities" under 35 IAC 125.200(a), with the primary purpose of eliminating, preventing, or reducing air pollution, or as otherwise provided in this section, and therefore eligible for tax certification from the Illinois Pollution Control Board. Therefore, it is my recommendation that the Board issue the requested tax Certification for this facility.

FEM:psj

Exhibit B