



Torrance Refining
Company LLC
3700 W. 190th Street
Torrance, CA 90504
www.pbfenergy.com

April 17, 2018

VIA EMAIL AND OVERNIGHT MAIL

Dr. Clark E. Parker, Sr.
Chair of the Refinery Committee
South Coast Air Quality Management District
21865 Copley Drive
Diamond Bar, CA 91765

Re: Refinery Update

Dear Dr. Parker:

I hope this message finds you well. In a letter dated January 18, 2018, we provided you with an update on objectives the Torrance Refining Company team is committed to and the ways we have demonstrated our commitment. For your reference, I have included Attachment I to our January 18th letter.

Since then, we have continued our efforts to improve refinery operations: We work daily to operate safely, reliably and in an environmentally responsible manner while contributing positively to the communities around the Torrance Refinery. In this letter, we offer an update.

Commitment to Safety

We've operated safely. Our industry tracks Process Safety Events, even very minor ones, and we have now operated for more than nine months without any such events. On the personal safety front, aside from an employee who sprained his foot while conducting an emergency response training exercise last week, we have had zero employee or contractor injuries since August 2017.

In January, the California Division of Occupational Safety & Health (Cal/OSHA) completed a six-month multi-agency "Program Quality Verification" (PQV) inspection of the Refinery's Process Safety Management program. This Cal/OSHA-led inspection was unprecedented in duration, scope, and scale with approximately ten inspectors from multiple agencies onsite at times, focusing primarily on the Refinery's Modified Hydrofluoric Acid (MHF) Alkylation Unit. Other agencies participating in the PQV also included the United States Environmental Protection Agency Region IX, the Los Angeles County Fire Department Hazardous Materials Division, and the Torrance Fire Department.

In the inspection close-out meeting, Cal/OSHA noted that considering the duration and thoroughness of the audit, Torrance performed very well. At the conclusion, Cal/OSHA issued five citations. The issues identified in the citations were either abated during or shortly after the inspection except for two items that are being abated now.

Specific to the MHF Alkylation Unit and consistent with the tiered safety mitigation approach presented by South Coast Air Quality Management District (District) staff at the January 20th Refinery Committee meeting, we voluntarily committed to Cal/OSHA that we would engineer and install five Tier II safety enhancement projects on the Alkylation unit within 24 months. These projects are currently being developed, and we are providing updates to Cal/OSHA quarterly.

Notably, we are also developing additional safety enhancement projects (Tier III) to further augment the unit's already robust and redundant detection, prevention, and response safety systems. We plan to present more details on these safety enhancements in the coming weeks as project scopes are developed and refined.

Commitment to Being Environmentally Responsible

We recognize that flaring is a concern for our neighbors and the District. We have been working diligently to minimize flaring, and our results over the last six months clearly demonstrate the effectiveness of our efforts. Emissions of sulfur oxides (SOx) from flaring over the last six months are less than one ton, which puts us on track for what could be our best-year ever. In addition, we have been relentlessly focused on addressing the two causes of the majority of our flaring— Southern California Edison (SCE) external power failures and excess hydrogen flaring during unit shutdowns and startups.

- **Electrical Reliability Project:** On March 22nd, we updated the District's Hearing Board on our Electrical Reliability Project with SCE under the Stipulated Abatement Order (Order) with the District. When completed, this project will provide the Refinery with a dedicated and stable 220,000 volt power source, thus minimizing and preventing flaring from SCE power disruptions. We are pleased we have met or are on target to meet all our Order conditions and commitments, largely due to our productive relationship with SCE. We met with SCE's President on April 9th to assure alignment on the project schedule and milestones as it moves forward. You'll be pleased to know SCE informed us our positive working relationship with them has become the model for dealing with all their major customers.
- **Hydrogen Flaring:** We submitted a permit application to the District in July 2017 to install a hydrogen vent that will minimize excess hydrogen flaring. Other facilities in the District already have such a vent. After the permit is approved and this project is complete, a significant amount of the excess hydrogen resulting from unit startups and shutdowns will not be flared. This will prevent flaring episodes similar to what occurred in the past. We are eagerly waiting for District approval to start construction so that we can continue to minimize and eliminate flaring.

Commitment to Reliability

In our refining operations, a strong focus on reliability often yields benefits in safety and environmental performance. Our reliable operations have enabled us to improve and sustain this level of safety and environmental performance – and we intend to continue to operate in this manner.

Community Involvement

We continue our high level of involvement in the community, supporting organizations in their efforts to enhance quality of life for our neighbors. Highlights include being a title sponsor of YMCA's Golf Tournament, which sponsors summer camp stays for disadvantaged youth; donating

April 16, 2018

Page 3

funds to Friends of Madrona Marsh to support environmental education programs there and to Los Angeles Conservation Corps SEALab to fund work programs that benefit youth. We also sponsored Beacon House Association's Golf Tournament to aid men in recovery; collaborated with Torrance Unified School District's (TUSD) North High Special Olympics Track Meet, and donated \$100,000 to fund science, technology, engineering, arts and math (STEAM) classroom curriculum for TUSD students, just to name a few of our outreach efforts.

* * *

In closing, we are proud of the improvements we are making and we intend to continue to earn and maintain the respect of the community. As highlighted above, our Refinery employees and contractors have made this progress possible, while addressing the ever-increasing workload generated by the unprecedented number, size, and scope of regulatory audits that we have managed since acquiring the refinery in July 2016. Additionally, we accomplished these improvements while dealing with the lingering and intense sense of uncertainty created by the Proposed Rule 1410 rulemaking process despite the fact that we operate under a Consent Decree that requires us to use MHF and our Alkylation unit has never had an HF/MHF offsite release in almost 52 years of operation.

In spite of a small band of vocal activists' misinformation campaign that mischaracterizes our Alkylation unit, our workforce remains committed to safely and reliably producing the clean transportation fuels that Southern California citizens demand for day-to-day mobility.

If you have any questions regarding the Torrance Refinery, please call or email me or Clark Wrigley. Our office phone numbers are 310-212-4500 (Steve) and 562-349-1654 (Clark).

Sincerely,



Steve Steach
Refinery Manager, Torrance Refinery
Torrance Refining Company LLC
Steve.Steach@pbfenergy.com

Attachment (1)

cc: AQMD Governing Board Refinery Committee Members

Larry McCallon - Governing Board Member, Vice Chair Refinery Committee, via email and overnight mail
Ben Benoit - Governing Board Member, Refinery Committee, via email and overnight mail
Dr. Joseph K. Lyou - Governing Board Member, Refinery Committee, via email and overnight mail
Judy Mitchell - Governing Board Member, Refinery Committee, via email and overnight mail

AQMD Governing Board Chairman

Dr. William A. Burke - Governing Board Chairman, via email and overnight mail

AQMD Governing Board Members

Marion Ashley - Governing Board Member, Refinery Committee, via email and overnight mail

Dr. Clark E. Parker, Sr., *Re: South Coast Air Quality Management District's Proposed Rule 1410 Rulemaking*

April 16, 2018

Page 4

Joe Buscaino – Governing Board Member, Refinery Committee, via email and overnight mail
Michael Cacciotti – Governing Board Member, Refinery Committee, via email and overnight mail
Shawn Nelson – Governing Board Member, Refinery Committee, via email and overnight mail
Dwight Robinson – Governing Board Member, Refinery Committee, via email and overnight mail
Janice Rutherford – Governing Board Member, Refinery Committee, via email and overnight mail
Hilda Solis – Governing Board Member, Refinery Committee, via email and overnight mail

AQMD Staff

Wayne Nastri – Executive Officer, via email and overnight mail
Dr. Philip Fine – Deputy Executive Officer, via email and overnight mail

City of Torrance

Patrick J. Furey, Mayor of Torrance, via email and overnight mail
Chief Martin Serna, Fire Chief, via email and overnight mail

Attachment I
Torrance Refinery Company LLC Update and Accomplishments
January 18, 2018

Torrance Refining Company LLC (TORC) is the new owner and operator of the Torrance Refinery! We acquired the Refinery from its former owner and operator with the goal of making it successful. And we have been making strides! Since the acquisition, we have completed maintenance projects and workforce training, initiated improvement projects, and contributed to many community organizations and nonprofits. Consequently, the refinery has been running more reliably and is a positive contributor to the community.

We are an independent refiner. We are not a fully integrated oil company – we do not produce crude oil for sale. We are manufacturers who purchase and refine crude oil into clean transportation fuels that California consumers need and want to carry out their lives in a productive and safe manner. Petroleum refining is our base business. As such, we are absolutely committed to safe and reliable operations of the Torrance Refinery. The fact is -- TORC will fail unless we operate safely, reliably and in an environmentally responsible manner.

We certainly understand the community's concern following the February 2015 incident that occurred under the Refinery's prior ownership. We appreciate that our continuing "license to operate" is based on earning the trust of residents and officials in the communities that surround the Refinery, which we take seriously.

To achieve our goal of running a successful refinery, we have every intention and motivation to operate the Refinery safely and be a positive, contributing member of the community. Despite some challenges early on after we acquired the Refinery, we have already demonstrated this commitment during our short period of ownership and operation. Examples include:

- **Committed to improving the reliability of the Southern California Edison ("SCE") electrical power supply to the refinery** – Last week, TORC and SCE executed a \$2 million contract for SCE to undertake detailed engineering for the new 220kV electrical connection to the Refinery. The total cost of the project is expected to be approximately \$70 million. Once fully implemented, this project will greatly improve the reliability of SCE's delivery of power to the Refinery and reduce emissions from unexpected power outages that the Refinery has experienced in the past.
- **Committed to reduce flaring** – Torrance submitted a District Permit Application in June 2017 to install a hydrogen vent project that will greatly reduce flaring during operational transition periods – similar to other refineries and plants in the District. We are currently awaiting District approval of the permit application.
- **Committed to utilize qualified workers** – TORC was the first California refiner to execute a project labor agreement with the California Building Trades in conjunction with the implementation of Senate Bill 54. TORC extensively used the Building Trades in its most recent turnaround and continues using them for various refinery daily work activities.
- **Successfully executed major turnaround** – In 2017, TORC conducted an extraordinary \$250+ million turnaround on the majority of its refinery process units. As noted above, this turnaround project engaged primarily Building Trades members who worked approximately one million hours during the first six months of 2017. Since the completion of this turnaround in July 2017, the

Attachment I
Torrance Refinery Company LLC Update and Accomplishments
January 18, 2018

Refinery has been running more reliably, producing 20% of southern California's cleaner-burning California Air Resources Board ("CARB") gasoline for consumers as well as 30% of the jet fuel for Los Angeles International Airport (LAX) and 65-80% of the Emissions Control Area (ECA) Marine Fuel for the Ports of Los Angeles and Long Beach.

- **Commitment to employees** – Following the 2017 turnaround, TORC launched "*Operation Flagship*," a Refinery-wide training program to enhance focus, professionalism, competency and capabilities across the Refinery. This investment in all personnel has received very positive feedback from our employees.
- **New hire Operator-trainees** – Twenty new Operator-trainees will begin working at the Torrance Refinery in February 2018, joining our approximately 570 employees and 300 daily Building Trades and other contractors who rely upon good-paying jobs provided by the Refinery to make a living and support their families. These new employees, who will undergo an extensive entry training program, are investing their futures in the Refinery's future.
- **Commitment to a positive open working relationship with California Division of Occupational Safety and Health ("Cal/OSHA")** – The Refinery was subjected to two thorough inspections in 2017. Cal/OSHA led an unprecedented multi-agency Program Quality Verification that is still ongoing and when completed will have lasted six months. During this inspection, TORC has fully cooperated with Cal/OSHA to foster a positive, open process.
- **Commitment to be a major, positive, contributing member of the local community and surrounding region** – The Refinery supports ~45 community groups and non-profits and has made significant contributions to City of Torrance ("City") programs and school district initiatives. The City's revenues from the Refinery fund valuable services that community members rely upon, including police and fire services, parks and recreation programs, just to name a few. TORC Refinery management and our employees will continue supporting various community organizations and needs. Further, the Refinery's inherent economic multiplier impact is extremely valuable. For every Refinery job, 15 other jobs are positively impacted throughout to the Southern California region and state.

Clearly, there is a new spirit and energy at the Torrance Refinery and it is not the same refinery. Over the past year-and-a-half, we have followed through on our pledge to run safely, reliably, and in an environmentally responsible manner. We work to ensure the Refinery's ability to continue to meet this goal and future viability to adequately supply the Southern California region's consumers with the products they want to carry out their lives in a productive and safe manner.