



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OCT 7 2005

THE ADMINISTRATOR

Jerry E. Thompson
Chief Operating Officer
Citgo Petroleum Corporation
1293 Eldridge Parkway
Houston, TX 77077

Re: Fuel Waiver for Gasoline Sulfur Cap, Lake Charles Refinery

Dear Mr. Thompson:

On October 4, 2005, I received Citgo Petroleum Corporation's (Citgo's) request to issue a fuel waiver of the 300 parts per million (ppm) per-gallon cap on sulfur in gasoline under 40 C.F.R. § 80.195 for its Lake Charles, Louisiana refinery. In that letter and in followup discussions with my staff, Citgo explained that the Lake Charles refinery was shut down prior to Hurricane Rita's landfall on September 24, 2005, and is now in the process of restarting gasoline production. You requested this waiver in order to provide approximately 400,000 barrels (bbls) of gasoline to the market beginning on Tuesday, October 11, 2005, which is approximately three to five days earlier than would otherwise be possible. In your letter and in followup discussions regarding this production timing, Citgo described how gasoline produced at start-up may not meet the sulfur cap and how under normal startup conditions this gasoline would be temporarily stored for blending or reprocessing into finished gasoline meeting the sulfur cap. However, this process both limits the quantity of fuel that can be produced and slows startup of the refinery's Fluidized Catalytic Cracking Units (FCCUs). Citgo has further indicated that it anticipates that it will be able to produce gasoline meeting the 300 ppm sulfur cap within a few days after startup.

EPA, in consultation with the Department of Energy, continues to evaluate the prospect of gasoline supply problems being experienced as a result of Hurricanes Katrina and Rita. The current disruption in the nation's refining capacity caused by these two hurricanes has resulted in the petroleum pipelines operating with diminished volumes, which is further exacerbating the fuel supply issue. Based on this evaluation, I have determined that an "extreme and unusual fuel supply circumstance" continues to exist, that prevents the distribution of an adequate supply of gasoline to consumers. Clean Air Act (CAA) § 211(c)(4)(C). This fuel circumstance is the result of Hurricanes Katrina and Rita, natural disasters, that could not reasonably have been foreseen or prevented and is not attributable to a lack of prudent planning on the part of the suppliers of gasoline. *Id.* Furthermore, I have determined that it is in the public interest to grant this waiver.

We recognize the environmental benefits of the gasoline sulfur cap and the gasoline sulfur program generally. However, to minimize or prevent problems with the supply of gasoline and to allow for critical supplies of gasoline to enter the distribution system as quickly as possible, I am today issuing this waiver of the per-gallon cap on sulfur for gasoline to Citgo's Lake Charles refinery and certain downstream regulated parties. Accordingly, EPA will allow Citgo to produce and sell gasoline with a per-gallon sulfur content of up to 500 ppm until it produces 400,000 bbls of gasoline, or until midnight Saturday, October 15, 2005, whichever occurs first. This waiver is provided with the understanding that Citgo will distribute all fuel produced pursuant to this waiver to the Colonial Pipeline, or to truck racks for local distribution. Citgo must still meet its refinery and corporate pool averages (*see* 40 C.F.R. § 80.195) and include the gasoline produced under this waiver in those annual average calculations. Additionally, this waiver is conditioned upon Citgo surrendering sufficient sulfur credits generated pursuant to 40 C.F.R. § 80.305 or 40 C.F.R. § 80.310 to offset any exceedances of the Lake Charles Refinery's 300 ppm sulfur per-gallon cap. Citgo shall surrender these sulfur credits within 90 days of this letter, and submit a report to EPA within 120 days of this letter. The report shall identify the volume and sulfur content of the gasoline produced pursuant to this waiver and Citgo's compliance with the credit surrender requirements. This report shall be sent to:

Adam M. Kushner, Director
Air Enforcement Division
Mail Code 2242A
U.S. Environmental Protection Agency
1200 Pennsylvania Ave., NW
Washington, DC 20460

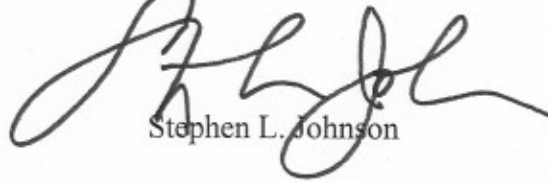
Furthermore, to provide an appropriate transition, I am waiving the applicable downstream sulfur cap for all downstream regulated parties in those portions of Petroleum Administration for Defense Districts (PADDs) I¹, III², and the State of Tennessee and the Commonwealth of Kentucky, where conventional gasoline can be used, allowing those downstream regulated parties to sell gasoline with a sulfur content of up to 500 ppm. *See* 40 C.F.R. § 80.210. This downstream waiver is effective immediately and expires at midnight on November 21, 2005.

¹ PADD I includes the District of Columbia and the following states: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Maryland, Delaware, West Virginia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

² PADD III includes the following states: New Mexico, Texas, Louisiana, Mississippi, Alabama and Arkansas.

If you have any questions you may call Adam M. Kushner at 202-564-2260.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Johnson', written in a cursive style.

Stephen L. Johnson

cc: Secretary Samuel W. Bodman, Department of Energy