

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT  
REVISED CEQA FINDINGS, SUPPORTING FACTS, AND  
STATEMENT OF OVERRIDING CONSIDERATIONS  
FOR PHILLIPS 66 RODEO RENEWED PROJECT**

The County of Contra Costa (County) acted as Lead Agency under the California Environmental Quality Act (CEQA) for Phillips 66 Company's proposed Phillips 66 Rodeo Renewed Project, County Permit No. CDLP20-02040 and CEQA State Clearinghouse Number 2020120330 (Project). The County has issued two final Environmental Impact Reports (EIRs) for the Project: one in 2022, which was decertified in 2023 pursuant to a judgment of the Contra Costa County Superior Court (2022 EIR); and one in January 2024, which is valid and functions as the current EIR of record for this project (Final Revised EIR). As a responsible agency under CEQA, the Bay Area Air Quality Management District (Air District) participated in the EIR process and has closely reviewed the County's draft and final EIRs.

In January 2023, the Air District issued a document entitled "CEQA Findings, Supporting Facts, and Statement of Overriding Considerations" (2023 Findings) in support of its decision to approve Phillips 66's permit application #31157, which constituted the Air District's first approval of a part of the Project. This document relied on and reflected consideration of the 2022 EIR. Phillips 66 has since submitted permit application #702291 to the Air District for a Permit to Operate one source that is included in the Project and that was inadvertently mischaracterized in permit application #31157. Because the 2023 Findings relied on an EIR that has since been invalidated and decertified, the Air District is issuing this document, which relies on and reflects consideration of the Final Revised EIR, to support its decision to approve permit application #702291.

**PROJECT DESCRIPTION**

The Project is the conversion of Phillips 66 Rodeo Refinery facility from the processing of crude oil to the processing of renewable feedstocks. The renewable feedstocks may include, but are not limited to, soybean oil, tallow, used cooking oils, inedible corn oil, canola oil, fats, oils and grease (FOG), and other vegetable-based oils. The feedstocks would be processed into renewable diesel, renewable jet, renewable naphtha, and treated fuel gas.

The conversion includes modifications to existing processing units, the installation of new units, and removal of obsolete units. New equipment includes a renewable feedstock Pretreatment Unit with Vapor Recovery Systems (biofilter and activated carbon adsorption), and Sulfur Treatment Units with 2-stage Thermal Oxidizer/SO<sub>2</sub> Scrubber. Removed equipment includes a crude unit, tanks, molten sulfur pits, sulfur recovery units, carbon plant (coke calciner), furnaces, and other units.

Renewable feedstocks will be primarily delivered across the Marine Terminal. Renewable feedstocks will also be delivered to the Rodeo facility using the existing railcar infrastructure, modified to reflect the elimination of butane exports. Existing equipment will also be modified to enable the offloading of local alternative feedstocks by tanker truck. Upon completion of the Project, the Rodeo facility will no longer process conventional or nonconventional crude oils, will operate fewer fired heaters, and will no longer export butanes across the existing rail rack. Truck traffic will decrease because trucks will no longer be needed for the export of coke products (which will no longer be produced) and sulfur production will be significantly reduced.

The Project includes other changes to Phillips 66's facilities. The Santa Maria facility in San Luis Obispo County that previously provided crude oil feedstocks to the Rodeo facility has been idled and decommissioned. The existing Phillips 66 crude oil pipeline network from the gathering fields in central California to the Rodeo facility will no longer be necessary to support the reconfigured facility and will be active, but out of service. To account for the idling of the Santa Maria facility and to maintain production levels during the transition

process, the Project involves an increase in deliveries of crude oil across the Marine Terminal on a short-term (7 months) and transitional basis. This interim increase is not a Marine Terminal expansion, nor does it require any physical construction. Once the Rodeo Renewed Project is complete, the Marine Terminal will end crude oil deliveries.

Outside the refinery's conversion to feedstock refinement, many of the facility's other operations, including the receipt, storage, and shipment of petroleum-based transportation fuels, would continue, with some modification of existing equipment.

The following timeline presents a brief summary of the Project's CEQA and air permitting history:

- August 13, 2020 – Phillips 66 submitted its land use permit application to the County.
- December 21, 2020 – The County released a Notice of Preparation of the Draft Environmental Impact Report (DEIR).
- January 20, 2021 – The County held a public scoping meeting.
- October 14, 2021 – The County posted and circulated a Notice of Availability for the DEIR. The comment period began on October 18, 2021 and was extended to December 17, 2021.
- December 17, 2021 – The Air District submitted written comments on the DEIR.
- March 30, 2022 – The County Planning Commission certified the Final EIR and approved the Project.
- May 3, 2022 – The County Board of Supervisors denied the appeals of the County Planning Commission's decision, certified the Final EIR, and approved the Project.
- January 20, 2023 – The Air District approved Application Number 31157, which sought Air District permits required for the Project.
- July 21, 2023 – The Superior Court in *Communities for a Better Environment, et al., v. County of Contra Costa, et al.*, Contra Costa County Superior Court Case No. N22-1080, issued a Statement of Decision in which the Superior Court remanded to the County for reconsideration of three issues in the 2022 EIR.
- October 24, 2023 – The County Board of Supervisors set aside the certification of the 2022 EIR and released a notice of availability of a Draft Revised EIR for the project addressing the issues identified by the Superior Court. The comment period for the Draft Revised EIR began on October 24, 2023 and ended on December 8, 2023.
- December 7, 2023 – The Air District submitted written comments on the Draft Revised EIR.
- January 16, 2024 – The County Board of Supervisors certified the Final Revised EIR.

## **AIR DISTRICT CEQA FINDINGS AND SUPPORTING FACTS**

In accordance with Air District Rules and Regulations and CEQA, the Air District has reviewed and considered the Final Revised EIR for the Project prepared and certified by the Lead Agency, County of Contra Costa. The Final Revised EIR for this Project consists of the January 2024 document entitled "Rodeo Renewed Project: Final Revised Environmental Impact Report," the Draft Revised EIR, and the portions of the 2022 EIR determined by the Superior Court to be in compliance with CEQA. All contents of the Final Revised EIR are incorporated herein by reference. All impacts of the Project are discussed in great detail in the Final Revised EIR. Also incorporated herein by reference is the Air District's file on Phillips 66's permit applications to the Air District for the Project, including, without limitation, all supporting information submitted by Phillips 66 and comments received and analysis completed by the Air District.

The Final Revised EIR concluded that there would be certain significant impacts in six impact areas – Air Quality, Biological Resources, Cultural Resources, Geology and Soils, Transportation and Traffic, and Tribal/Cultural Resources – that could be mitigated to below the level of significance. A detailed

CEQA Mitigation Monitoring and Reporting Program was adopted on January 16, 2024 by the County.

The Final Revised EIR concluded that there would be additional significant and unavoidable impacts in 4 areas – Air Quality, Biological Resources, Hydrology/Water Quality, and Hazards/Hazardous Materials – but the County found that there were overriding considerations related to the benefits of the Project that outweighed these significant and unavoidable impacts. The County made findings based on the Final Revised EIR that all significant impacts had been eliminated or substantially lessened where feasible, and that any remaining significant impacts were unavoidable and acceptable due to the overriding considerations. The County therefore adopted CEQA Findings and a Statement of Overriding Considerations.

After a careful review of the record and its own analysis, the Air District makes the following findings pursuant to section 21081 of CEQA and sections 15091 and 15096(h) of the CEQA Guidelines.

First, the Air District finds that neither recirculation of the Final Revised EIR nor a preparation of a subsequent/supplemental EIR is required for the Project, pursuant to CEQA Guidelines section 15162, as (1) no substantial changes have been proposed in the Project which will require major revisions of the Final Revised EIR due to new significant environmental effects or a substantial increase in the severity of effects; (2) no substantial changes have or will occur with respect to the circumstances under which the project is undertaken which will require major revisions of the Final Revised EIR; and (3) no new information that was not known at the time the Final Revised EIR was prepared is present showing there will be additional significant effects not discussed in the Final Revised EIR, an increase in the severity of significant effects, mitigation measures/alternatives are feasible that were previously found infeasible but Phillips 66 declines to adopt them, or mitigation measures/alternatives considerably different than those analyzed in the DEIR are available but Phillips 66 declines to adopt them.

The Air District also finds based on a careful review and analysis of the Final Revised EIR and its own analysis and independent judgment that the Project will have certain impacts that are less than significant as documented in the Final Revised EIR, certain impacts that are significant but have been mitigated to below the level of significance, and certain other impacts that are significant and unavoidable – namely certain Air Quality, Biological Resources, Hydrology/Water Quality, and Hazards/Hazardous Materials impacts, as documented in the Final Revised EIR.

All Air Quality impacts are discussed below. Significant impacts found in impact areas other than air quality are addressed following the Air Quality discussion. As discussed below, the Air District finds and determines that (i) changes or alterations have been required in and/or incorporated into the project to mitigate or avoid the significant impacts; (ii) any changes or alterations within the responsibility and jurisdiction of other public agencies have been (or should be) adopted by such other agencies; and/or (iii) there are specific economic, legal, social, technological, and other considerations that make it infeasible to impose other mitigation measures or alternatives addressed in the Final Revised EIR.

### **Findings Regarding Air Quality Impacts**

The following discussion summarizes the Air Quality-related impacts identified in the Final Revised EIR and during the Air District's review of the CEQA documents and air permit applications and presents facts to support the Air District's findings. Note that the discussion of Impacts 1-4 below is unchanged (absent minor typographical corrections) from the 2023 Findings because the 2022 EIR's discussion of these impacts was not impacted by the Superior Court's decision and therefore was not revisited in the Final Revised EIR. To

reflect the discussion in the Final Revised EIR, this discussion uses future tense, even though some of the discussed actions may have already taken place.

***Impact 1: Would the Project result in a cumulatively considerable net increase in fugitive dust emissions for which the project region is nonattainment under an applicable federal or state ambient air quality?***

The DEIR determined on page 4.3-62 that fugitive dust emissions related to decommissioning the Santa Maria site and Pipeline sites would be less than significant. However, as stated on p. 4.3-63 of the DEIR, demolition and construction activities, including during the transitional phase, would result in significant impacts at the Rodeo Refinery related to fugitive dust, but Mitigation Measure AQ-1 will reduce fugitive dust impacts to less than significant.

The Air District's Basic Construction Measures in Mitigation Measure AQ-1, as the best management practices for construction activities and demolition, will ensure that the impact is reduced below the Air District's thresholds of significance. In its December 17, 2021 comment letter, the Air District requested that the County add best practices in Mitigation Measure AQ-1, and the County added them. In addition, during meetings with the County staff, the Air District recommended adding a few Basic Construction Measures to memorialize Regulation 6, Rule 6 standards and improve the enforceability of the list of Basic Construction Measures in AQ-1. The County Planning Commission added all of the Air District's recommendations to the land use permit conditions. The measures in Mitigation Measure AQ-1 will reduce fugitive dust emissions by minimizing emissions (e.g., by requiring proper maintenance of construction equipment, limiting idling, and prohibiting the simultaneous occurrence of excavation, grading, and ground-disturbing construction activities) and preventing particulate matter from becoming airborne (e.g., by requiring watering of surfaces, covered haul trucks, vegetative ground cover or paving as soon as possible, and track out controls). The Air District finds that changes or alterations have been required in and/or incorporated into the Project to mitigate or avoid these impacts and have been adopted by the County. Thus, the Air District finds that impacts related to project emissions as mitigated with Mitigation Measure AQ-1 would be *less than significant*.

***Impact 2: Would the project result in a cumulatively considerable net increase of any criteria pollutant associated with vehicle exhaust for which the project region is nonattainment under an applicable federal or state ambient air quality?***

As explained beginning on page 4.3-64 of the DEIR, the Project would have significant impacts related to NOx emissions during the Transitional Phase that will be reduced to less than significant with mitigation. These emissions are largely related to background Marine Terminal incremental traffic but also include emissions from construction equipment, construction vehicles, demolition of the Carbon Plant, and the Pipeline Sites' tank decommissioning (see Table 4.3-11).

Implementation of Mitigation Measures AQ-1 and AQ-2 will reduce this impact to less than significant. Mitigation Measure AQ-1 includes implementation of Air District control measures that reduce NOx emissions, as well as fugitive dust emissions, by minimizing idling times and ensuring equipment shall be maintained properly. Mitigation Measure AQ-2 requires Phillips 66 to prepare a NOx Mitigation Plan (NM Plan) to ensure that NOx emissions will be below the Air District's threshold of significance prior to the issuance of construction-related permits for site preparation. The purpose of the NM Plan is to document expected construction and transitional phase NOx emissions in detail; and, if necessary, to identify feasible and practicable contemporaneous measures to reduce aggregated construction and transition NOx emissions to below the Air District's 54 pounds per day threshold of significance. The NOx emissions estimate for the Project shall include consideration of readily available NOx construction and transition emission reduction measures, and/or other emission reduction actions



that shall be implemented during construction and transitional phase of the Project. The NM Plan shall describe the approximate amount of NOx emissions reductions that will be associated with each action and reduction measure on a best estimate basis. The NM Plan shall be submitted to the Contra Costa County Department of Conservation and Development and the Air District for review and approval, or conditional approval. NOx reduction measures shall be implemented as needed to reduce emissions below the Air District's significance threshold in the following order: (1) onsite measures, (2) offsite measures within the San Francisco Bay Area Air Basin (SFBAAB), and (3) banked emissions offsets. Mitigation Measure AQ-2 further requires Annual Verification Reports and that Phillips 66 correct any deficiencies.

Thus, the Air District finds that changes or alterations have been required in and/or incorporated into the Project to mitigate or avoid these NOx emissions and have been adopted by the County. The Air District further finds that impacts related to project emissions as mitigated with Mitigation Measure AQ-1 and AQ-2 would be *less than significant*.

***Impact 3: Criteria Pollutants: Would the project expose sensitive receptors to substantial pollutant concentrations?***

As shown in the DEIR analysis starting on page 4.3-69 of the DEIR, the Project's estimated maximum annual emissions from operation of the Project within the SFBAAB are summarized in Table 4.3-15; estimated average daily emissions are summarized in Table 4.3-16. As described on page 4.3-71, truck and rail emissions include all travel within the SFBAAB boundaries and vessel emissions include hoteling emissions at the Marine Terminal and at anchorage sites in the Bay, and transiting emissions between the Marine Terminal and the Pilot Buoy west of the Golden Gate. The Project at full capacity, which would eliminate crude oil refining at the Rodeo Facility, would result in decreases in annual and daily average emissions of all criteria pollutants relative to the baseline within the SFBAAB. Therefore, impacts from these Project operations would remain below the Air District's CEQA significance thresholds and are estimated to be *less than significant*.

However, the Project may result in a *significant and unavoidable impact for NOx with respect to rail operations outside the SFBAAB*. Table 4.3-17, page 4.3-73 shows the potential incremental rail transport emissions by Air Districts along with significant threshold for each District where thresholds could be exceeded, resulting in a significant and unavoidable impact for NOx with respect to rail operations. Significant and unavoidable impacts may occur within seven Air Districts including San Joaquin Valley APCD, Butte County AQMD, Mohave Desert AQMD, Northern Sierra AQMD, Placer County APCD, Tehama County APCD, and Shasta County AQMD. However, the Air District finds that mitigation is legally infeasible pursuant to the Interstate Commerce Commission Termination Act of 1995, 49 USC § 10101 et seq. As stated on page 4.3-74 of the DEIR: "any mitigation measures to address potentially significant and unavoidable impacts from rail transport operations, whether within or outside the SFBAAB, would be legally infeasible because of preemption by federal law governing rail transportation." The County and Air District do not have the authority to impose mitigation measures such as altering rail operations (preventing or delaying operation). Thus, the Air District finds that it is not legally feasible to mitigate this impact. Therefore, the health effects associated with rail activity outside the SFBAAB would be *significant and unavoidable*.

***Impact 4: Would the Project expose sensitive receptors to substantial pollutant concentrations?***

The DEIR analyzed health risks starting on page 4.3-75 and determined that the Project would not expose sensitive receptors to substantial pollutant concentrations. As shown on Tables 4.3-18 and 4.3-19, and 4.3-20, the Health Risk Analysis (HRA) demonstrated that the Project will not exceed the applicable cancer risk, non-cancer chronic hazard index, annual average PM2.5 concentration, or acute hazard index threshold at the project-level or community cumulative-level. These impacts are *less than significant*.

***Impact 5: Would the Project result in other emissions (such as those leading to odors) adversely affecting a substantial number of people?***

The County's environmental analysis analyzed other emissions, such as those leading to odors, that could adversely affect a substantial number of people. In response to the Superior Court's decision, the Draft Revised EIR analysis for Impact 4.3-5 replaced that of the DEIR. The Draft Revised EIR and Final Revised EIR demonstrate that the Project will have *less than significant* impacts with mitigation.

Page 9 of the Draft Revised EIR (as well as page 4.3-79 of the DEIR) explains that construction, decommissioning, and demolition activities will not result in significant odor impacts. These activities may result in the release of some fugitive odor emissions, but these would be singular events that would not impact a large number of people. Thus, this impact would be less than significant. This determination was not impacted by the Superior Court's decision.

Regarding operational emissions, pages 9 and 11 of the Draft Revised EIR explain that transitioning to renewable feedstocks should result in a reduction of odors due to the elimination of emissions of petroleum-based odorous gases such as H<sub>2</sub>S, SO<sub>2</sub>, other reduced-sulfur compounds, ammonia, and certain organic compounds. Thus, this will likely result in a beneficial impact on emissions associated with common refinery odors relative to baseline.

However, the Draft Revised EIR recognizes that renewable feedstocks may create odors similar to an animal and/or food processing facility and require proper management and good engineering practices. Due to odor control engineered into the Project, conditions imposed by the Air District, and Mitigation Measures AQ-4 and AQ-5, these potentially significant impacts will be reduced to less than significant.

The Project includes engineered odor control measures and strategies, which include covering potential odor-generating equipment with sealed covers, using fixed roof or floating roof tanks, reducing fugitive emissions, using scrubbing and incineration systems, and minimizing system upsets. These measures are discussed on pages 10 and 11-12 of the Draft Revised EIR. For instance, abatement at the railcar unloading racks includes a sealed header system tied to activated carbon canisters, and Tank 100 (which handles and stores untreated feedstocks) will include a new fixed roof and nitrogen gas blanket in the vapor space. The nitrogen gas blanket will be discharged through activated carbon canisters for odor control prior to release to atmosphere. The Pretreatment Unit is fully enclosed and will include a vapor collection system and treatment. Mandatory conditions in the Air District's permit reinforce the effectiveness of these measures by either mandating some of the above measures or requiring Air District review and approval of design drawings and specifications to ensure their adequacy.

In addition to odor minimization inherent in the Project's design and mandated by Air District permit conditions, Mitigation Measures AQ-4 and AQ-5 will ensure any potential odor impacts are less than significant. Mitigation Measure AQ-4 requires Phillips 66 to implement an Odor Prevention and Management Plan (OPMP). The OPMP includes engineered odor controls; operational procedures, including best management practices (BMPs) for preventing and minimizing odors; odor monitoring and inspection requirements; as well as requirements for rapidly addressing odor complaints and taking corrective action. Mitigation Measure AQ-5 includes specific measures to address odor complaints arising from operations at the rail offloading track area, Tank 100, storage tanks, and the Pretreatment Unit. These measures include monitoring and equipment shutdown if necessary if odors cannot be mitigated or controlled within 24 hours.

## **Findings Regarding Impacts other than Air Quality**

The Air District also finds and determines that, with regard to the Final Revised EIR's identified environmental impacts other than Air Quality, as detailed in Table ES-3 of the original Draft EIR (which is current and valid as to all non-Air Quality impacts) and the County's 2024 CEQA Findings and Statement of Overriding Considerations, both of which are fully incorporated herein, (i) changes or alterations have been required in and/or incorporated into the project to mitigate or avoid these significant impacts; (ii) any changes or alterations within the responsibility and jurisdiction of other public agencies have been (or should be) adopted by such other agencies; and/or (iii) there are specific economic, legal, social, technological, and other considerations that make it infeasible to impose other mitigation measures or alternatives addressed in the Final EIR or otherwise. The Air District does not have authority to mitigate non-Air Quality-related impacts and thus any changes or alterations to the Project that are not related to Air Quality are within the responsibility and jurisdiction of other public agencies and have been, can be, or should be adopted by those other agencies. To the extent that these impacts have been mitigated to a less-than-significant level, changes or alterations have been required in, or incorporated into, the Project which mitigate or avoid the significant effects. To the extent that these impacts have not been mitigated to a less-than-significant level, there are specific economic, legal, social, technological, and other considerations that make it infeasible to impose other mitigation measures or alternatives, as described in the Final Revised EIR and the County's 2024 CEQA Findings and Statement of Overriding Considerations. All Mitigation Measures adopted by the County are described thoroughly in the Final Revised EIR, incorporated herein.

The Air District further finds that there are no feasible alternatives to the Project that would lessen its environmental impacts. The Air District finds that all significant impacts have been eliminated or substantially lessened where feasible, and that any remaining significant impacts are unavoidable and acceptable due to the overriding considerations discussed below. The Air District bases these findings on the evidence and analysis provided in the Final Revised EIR and on its own independent analysis of the Project and the documents referenced above.

## **STATEMENT OF OVERRIDING CONSIDERATIONS**

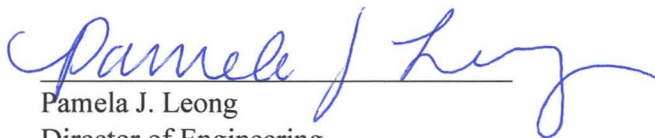
The Air District has reviewed the County's Statement of Overriding Considerations. The County acknowledged that the Project would have several significant environmental impacts that cannot be mitigated to a level of less than significant. These impacts include (1) Air Quality, (2) Biological Resources, (3) Hydrology/Water Quality, and (4) Hazards/Hazardous Materials. The County carefully studied all of these impacts and mitigated them to the fullest extent feasible. As discussed above, the Air District has no authority to further mitigate the significant impacts that may result from the Project. The Air District thus finds that, if further mitigation is possible, any changes or alterations within the responsibility and jurisdiction of other public agencies should be adopted by such other agencies.

Pursuant to Public Resources Code section 21081 and CEQA Guidelines sections 15093 and 15096, the Air District has balanced the benefits of the Project against its unavoidable adverse impacts and has determined that the significant and unavoidable adverse impacts of the Project as documented in the Final Revised EIR are acceptable in light of the specific economic, legal, social, technological and other benefits of the Project, which outweigh the significant and unavoidable adverse impacts. The Air District bases this conclusion about the Project's overriding considerations on the evidence and analysis provided in the Final Revised EIR, the County's discussion of the Project's benefits in its Statement of Overriding Considerations, and on the Air District's own analysis of the Project and its impacts and benefits.

Specifically, the Air District finds that each of the following benefits independently outweighs the Project's

significant and unavoidable impacts: producing renewable fuels; eliminating the refining of crude oil at the Phillips 66 Rodeo Refinery while preserving and creating high quality jobs; providing renewable fuels to allow California to achieve significant progress towards meeting its renewable energy goals; producing renewable fuels that significantly reduce the lifecycle generation of greenhouse gas emissions, as well as other criteria pollutants including particulate matter; reducing emissions from mobile sources by providing cleaner burning fuels; and repurposing/reusing existing critical infrastructure, to the extent feasible. The Project at full capacity would result in a net decrease in criteria emissions within the SFBAAB and GHG emissions. The Project would also result in an overall decrease in electricity and natural gas use.

The documents and other materials that constitute the record of proceedings upon which this decision is based are available to the general public at the Air District offices, 375 Beale Street, San Francisco, CA 94105. Also, the County has posted the Project EIR at: <https://www.contracosta.ca.gov/7945/phillips-66-rodeo-renewed-project> ([Phillips 66 Rodeo Renewed Project | Contra Costa County, CA Official Website](#)).

  
Pamela J. Leong  
Director of Engineering  
Bay Area Air Quality Management District

March 29, 2024  
Date