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Air Resources Board

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Arnold Schwarzenegger
Governor

December 11, 2007

Mr. Glenn Walker
President
Vapor Systems Technologies, Inc.
650 Pleasant Valley Drive
Springboro, Ohio 45066

Dear Mr. Walker:

Thank you for your email dated November 12, 2007. Your email asked whether gasoline dispensing facilities (GDF) with throughputs greater than 600,000 gallons per year can install the Vapor Systems Technologies, Inc.'s (VST) Phase II Enhanced Vapor Recovery (EVR) System Not Including In-Station Diagnostics (ISD), certified under Executive Order VR-203-A. As explained below, the answer is yes, with two conditions. First, the installation of VR-203-A may not result in a major modification, and second, approval of the local air pollution control district is necessary.

ARB's EVR regulations (CP-201, section 9.1.1) require that "[a]ll GDF vapor recovery systems, unless specifically exempted, shall be equipped with an In-Station Diagnostic (ISD) system. GDFs that dispense less than or equal to 600,000 gallons per year are exempted from ISD requirements." Since September 1, 2005, new GDF installations with annual throughputs of greater than 600,000 gallons are required to install a vapor recovery system with ISD. Existing facilities that undergo major modifications are treated as new installations under ARB's regulations (D-200, CP-201 section 2.4.1, and Table 2-1)¹.

Given these regulatory requirements, Executive Order VR-203-A cannot imply in any way that installation of the VST system without ISD is permissible at all existing facilities. Executive Order VR-203-A does not prohibit the installation of the VST system without ISD at existing facilities that do not undergo major modifications when installing vapor recovery equipment. The determination of whether the VST system without ISD may be installed at GDF with an annual throughput of greater than 600,000 gallons must be made in consultation with the local air district.

¹ As defined in D-200, "Modifications of the Phase II System that involves the addition, replacement, or removal of 50 percent or more of the buried piping, or the replacement of dispensers, is considered a major modification of the Phase II system. The replacement of a dispenser is not a major modification when the replacement is occasioned by end user damage to a dispenser."

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website: <http://www.arb.ca.gov>.

California Environmental Protection Agency

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ARB staff has strongly recommended that air districts issue a special notification to operators who desire to install the VST Phase II system without ISD. This notification would advise existing GDF with annual throughput of greater than 600,000 gallons that installation of the VST system without ISD (EO VR-203-A) is subject to the following limitations:

1. Prerequisite for Use

The existing GDF must **not** undergo major modification at the time of installation of the VST system without ISD.

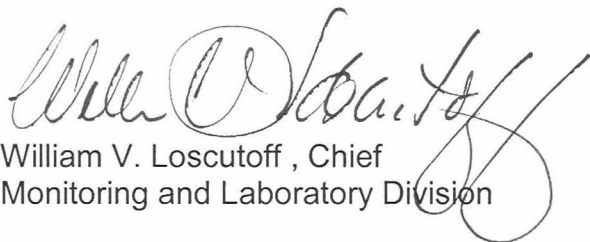
2. Potential Limitation on Continued Use of the System after the Initial Installation

Although the ISD system is expected to be certified by early 2008, GDF operators should understand that there is a possibility that a VST system with ISD system may NOT be certified. If no ISD system for the VST Phase II EVR Balance system is certified, GDF operators who installed the VST Phase II System without ISD will need to install another vapor recovery system with ISD by the applicable ISD deadline.

Because of these limitations, GDF operators, who desire to install the VST system without ISD at existing facilities with annual throughputs greater than 600,000 gallons, should discuss the matter with the local air district.

If you have questions or need further information, please contact Pat Bennett at (916) 322-8959 or via email at pbennett@arb.ca.gov or George Lew at (916) 327-0900 or via email at glew@arb.ca.gov.

Sincerely,



William V. Loscutoff, Chief
Monitoring and Laboratory Division

cc: See Next Page

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cc: Jim Swaney
San Joaquin Valley Air Pollution Control District

John Marvin
Bay Area Air Quality Management District

Gary Ma
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San Diego County Air Pollution Control District