



November 9, 2021

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Subject: Notice of Violation Dated October 19, 2021; SRN: A3569, Macomb County

Mr. Bognar:

We are writing in response to the above-referenced Notice of Violation (NOV). In this NOV, the Air Quality Division (AQD) identified the following alleged violations: (1) inaccurate production throughputs for EU-DISP-TANK; (2) misapplication of EPA Vol 2 Chapter 8 Equation 8.4-1 when calculating VOC emissions from EU-DISP-TANKS; and, (3) inaccurate reporting of throughputs for EU-DISP-TANK. AQD also alleged that Axalta did not provide acceptable VOC emission records in a timely manner for other EU units.

Axalta is committed to providing accurate and timely responses and working cooperatively with AQD to provide transparency and clarity in its reporting. As will be explained in more detail below, Axalta's throughput numbers were inadvertently double counted because the wrong tab was selected during the sorting process on our master production schedule. This error was caused due to user oversight. Since then, clear instructions have been prepared to provide guidance when a user is sorting the master production schedule. Another related user error occurred when converting production quantities from gallons to pounds. To eliminate this error in the future, Axalta reprogrammed its master production schedule to use product densities to accurately convert units of measure from gallons to pounds.

Over the course of 2021, Axalta worked with AQD to reconcile the differences in the application of EPA Vol 2 Chapter 8 Equation 8.4-1. During a video conference held on September 21, 2021, Axalta presented its updated approach to applying this equation. AQD replied by email shortly thereafter stating that the methodology presented during the September 21st video conference was acceptable. All updated Equation 8.4-1 emission calculations follow this accepted methodology.

EU-DISP-TANKS: Double Counted Throughput and Reporting Inconsistencies

In its October 19, 2021 NOV, AQD requested documentation and an explanation to show how throughputs were double counted, and the reason for inconsistencies between the subsequent throughputs that were reported. Presented below is Axalta's explanation and further documentation showing AQD how this double counting occurred.



Tracking Material Used vs. Production Filled

When a production batch is made, the weight of materials added to the batch are entered into Axalta’s automated production tracking system. To identify this production entry as the weight of materials added to make a product, the entry is given the code ZBUL – indicating materials removed from inventory storage for production. Below is a screen capture example showing how this entry is displayed.

Mat.descr.	Order typ	Act.finish	Tank Grouping	Standard Product Family	Delivered Qty	Delivered Qty UO	Finish Year	Finish Mor	EU

This data shows the following amounts of raw materials removed from storage to produce Product Number 440-9142:

- 10,260 lbs (891 gal) on January 3, 2020
- 28,400 lbs (2467 gal) on January 7, 2020
- 30,780 lbs (2674 gal) on January 8, 2020

It should be noted that the amounts shown in Axalta’s automated production tracking system are reported in gallon and pound quantities. Quantities reported in gallons are converted to pounds using the appropriate product density.

When a completed product is loaded out to shipping containers for customer delivery, it is marked in Axalta’s production tracking system with the code ZFIL – indicating finished product containers are being filled for customer delivery. Below is a screen capture showing how the previous production, marked ZBUL, is also marked ZFIL.

1	Mat.descr.	Order typ	Act.finish	Tank Grouping	Standard Product Family	Delivered Qty	Delivered Qty UO	Finish Year	Finish Mor	EU

ZBUL represents the production of Product Number 440-9142. ZFIL represents customer delivery quantities for Product Number 440-9142 being filled to shipping containers as Customer Product Code E3420792.

These two screen captures show that totaling production without sorting out the ZFIL quantities will result in over-reporting production by approximately a factor of two. Because some production (ZBUL) is retained within the plant and used to make other products within different emission units, not every ZBUL will have a corresponding ZFIL. As a result, the resultant over-reporting will be less than two times greater than actual production. This is why ZBUL is the appropriate code to use when sorting production on EU-DISP TANK as using ZFIL will typically under-report actual production.



Tracking and Converting from Gallons to Pounds

When sorting on ZBUL for all products, the following sampling of results are obtained:

1	Mat.descr.	Order typ	Act.finish	Tank Grouping	Standard Product Family	Delivered Qty	Delivered Qty UO	Finish Year	Finish Mor	EU

This data shows that some entries are in pounds, and others are in gallons. To obtain the total weight of production, the entries in gallons need to be converted to pounds. To do this, Axalta sorts and totals the ZBUL production data on gallons (GA) in the Delivered Quantity Units of Measure (Del. Qty UOM). In the example above, the data shows a total of 7,340 gallons and 81,340 pounds. Axalta has historically used an average product density of 8.5 lb/gal for conversion. During one of the rounds of 2020 emission calculations provided to AQD, a conversion of 12.5 lb/gal was used. Using these values produces two different levels of production as follows:

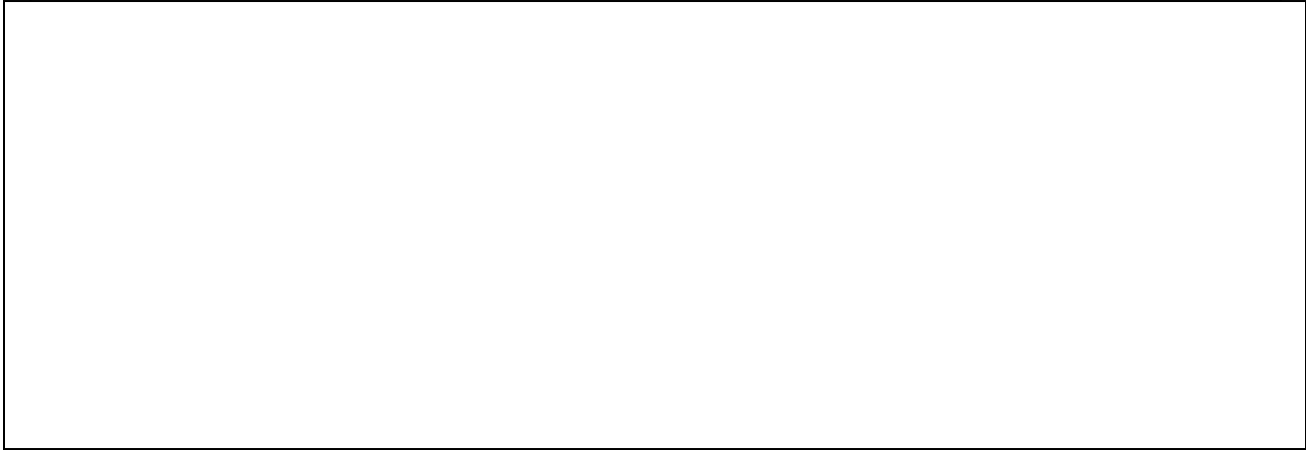
$$7,340 \text{ gal} \times 8.5 \text{ lb/gal} = 62,390 \text{ lb produced}$$
$$7,340 \text{ gal} \times 12.5 \text{ lb/gal} = 91,750 \text{ lb produced}$$

During the course of providing responses to the AQD's request for 2020 emissions data, Axalta reported annual production at different times at the following levels: 7,331 tons/year, 4,760 tons/year, and 3,237 tons/year. The first value, 7,331 tons/year, was the result of including both ZBUL and ZFIL entries when summing production for EU-DISP-TANKS and essentially doubling the production quantities. It relied on a product density of 12.5 lbs/gal when converting gallons to pounds. As described above, it is less than twice the next reported value, 4,760 tons, which also relied on a product density of 12.5 lbs/gal but is correctly based on ZBUL production only. The final value, 3,237 tons/year, appears to be a conversion of 4,760 tons/year back to the traditional default density of 8.5 lbs/gal. This conversion is believed to be in error as all production was converted using a ratio of 8.5/12.5. In actuality, only the fraction of production reported by ZBUL as gallons should have been converted.



To correct these values and obtain an accurate reporting of calendar year 2020, the actual product density in pounds per gallon was programmed into the production tracking system. The actual 2020 production from EU-DISP-TANKS is **4,441.28** tons.

1	Mat.descr.	Order typ	Act.finish	Tank Grouping	Standard Product Family	Delivered Qty	Delivered Qty UO	Gallon Weigt	UOM as Pounds	UOM as Gallons	Finish Year	Finish Mon	EU
22208	157-36094 1C BARIUM SULFATE H/C DISP	ZBUL	12/19/2020	Dispersion	SB Dispersion - Solid	15579	LB	16.32	15,579.05	954.60	2020	Dec	EU-DISP-TANK
22219	157-57142 1C WHITE SBDP	ZBUL	12/19/2020	Dispersion	SB Dispersion - Solid	14936	LB	18.005	14,936.00	829.55	2020	Dec	EU-DISP-TANK



A production schedule and updated emission calculations are attached for each emission unit referenced in the NOV dated October 19, 2021.

Use of EPA EIIP Volume 2, Chapter 8 Equation 8.4.1

Based on the correct production schedule and application of Equation 8.4.1 agreed upon with AQD in September 2021 (see above), Axalta recalculated its emission value for EU-DISP-TANKS. Axalta also provides updated calculations for EU-WBI, EU-S-MEDIA-MILLS (1-4), EU-WBSB as well as the other emission units described under FG-RULE 290 in the NOV.

If you have any questions or require additional information, please contact me at 586-468-9042 or via email at joseph.marecic@axalta.com.

Sincerely,

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cc: Ms. Jenine Camilleri, EGLE
 David Simons, Axalta Coating Systems