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**SACRAMENTO METROPOLITAN
AIR QUALITY MANAGEMENT DISTRICT**

For Agenda of July 25, 2013

To: Board of Directors
Sacramento Metropolitan Air Quality Management District

From: Larry Greene
Executive Director/Air Pollution Control Officer

Subject: Adopt Resolutions Approving Amendments to Rule 107 – Alternative Compliance and Rule 301 – Permit Fees – Stationary Source

Recommendations

1. Conduct a public hearing for Rule 107 - Alternative Compliance and Rule 301 - Permit Fees – Stationary Source (Permit Fees); and
 2. Adopt attached resolutions approving Rule 107 and Rule 301-Option 4B.
-

Executive Summary

For the past several years, stationary source program revenues have not been sufficient to cover the program costs, and the District has been using the existing stationary source fund balance, i.e. reserve funds, to make up the differences. Despite many cost-saving actions, including reducing 6 positions from the stationary source programs, the District is expected to consume the remaining stationary source fund balance by the middle of fiscal year (FY) 13/14. The District has reached a critical point, and action to increase fees is needed.

At the May 23, 2013 Board meeting, the Board adopted amendments to Rule 205 – Community Bank and Priority Reserve Bank and Rule 306 – Air Toxics Fees. In adopting these rules, the Board made two policy decisions:

- 1) The Board decided to allocate 70% of the Community Bank and Priority Reserve Bank (District bank) cost to businesses with active emission reduction credit loans from the District bank and 30% of the cost to all permit holders. (Staff had recommended a 50-50 allocation.)
- 2) The Board decided to provide fee revenue necessary to restore the Division Manager for Administrative Services in FY14/15.

These policy decisions reduced the number of options for Rule 301 - Permit Fees – Stationary Source from 12 to 3. In today's hearing, Staff proposes that the Board make two additional policy decisions that will determine which option to adopt:

- 1) The rate at which to build the stationary source fund balance.
- 2) Whether to allow sources an option to delay a portion of the fee increases.

Staff recommends that the Board adopt Option 4B, which immediately begins restoring the fund balance. This option provides the District with the greatest financial stability and yields a slightly lower fee at the end of the 5-year period. Option 4B does not allow permit holders the option to defer a portion of their fee increases, which would involve additional administrative costs. Staff

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also recommends that the Board adopt the proposed amendments to Rule 107 - Alternative Compliance, which removes the application processing fee and instead refers to the hourly fee in Rule 301.

Attachments

The following table identifies the attachments to this memo.

Item	Attachment	Page Number
Board Resolution for Rule 107	A	10
Board Resolution for Rule 301	B	13
Proposed Amendments for Rule 107	C	16
Proposed Amendments for Rule 301 (with options)	D	25
Staff Report for Rules 107 and 301 (including comments and responses)	E	37
Written Comments	F	176
Evidence of Public Notice	G	194

Background

The District does not meet state and federal health standards for ozone, and state health standards for particulate matter with an aerodynamic diameter of 10 microns or less (PM10), and particulate matter with an aerodynamic diameter of 2.5 microns or less (PM2.5). State and federal laws require the District to attain the health standards for these nonattainment pollutants, maintain compliance with health standards for other pollutants, and protect the public from emissions of toxic air contaminants. Control of pollution from stationary sources is the primary function of the District¹. A robust District stationary source program is essential to the local business community because it provides timely permits, allows adequate and consistent environmental review, reduces the likelihood of state and federal interventions in local business permitting and compliance decisions, and allows the District to tailor air pollution control measures to meet local community needs. Local implementation maintains a level playing field for compliant businesses and provides quick responses to citizen complaints.

In 2007, the District hired an independent consultant to evaluate the existing fees for the stationary source programs and to provide recommendations to fully recover the program costs. The fee study, completed in 2009, recommended several changes to meet program costs, including fee increases. The fee rule increases were deferred to minimize the impacts on local businesses during the economic downturn. Instead, the District took many actions, including those recommended by the fee study, to improve program efficiencies, increase revenues, and reduce costs. These cost saving actions included eliminating approximately 6 positions from the stationary source programs.

Staff continues to analyze the revenues and expenditures for the stationary source programs. Despite the actions mentioned above, revenues from the stationary source programs are not sufficient to fully recover program costs, and the stationary source fund balance has reached a

¹ California Health and Safety Code Section 40000.

critically low level. The following table summarizes the shortfalls in the local permit program and Title V permit program for FY13/14, if fees are not increased.

Table 1: Summary of Revenue Shortfall

Program	Cost	Revenue	Program Shortfall	
Local Permit Program	\$5,209,679	\$4,714,400	\$495,279	10%
Title V Permit Program	\$186,234	\$74,463	\$111,771	60%

Actions to increase fees are needed in FY13/14 budget and future budget years to eliminate shortfalls, thereby maintaining the essential role of the stationary source programs.

Summary of May 23, 2013 Board Hearing

At the May 23, 2013 Board hearing, Staff presented twelve options to increase fees in Rule 301. Each one of the twelve options stemmed from four policy decisions for the Board to consider for increasing fees over a five-year period. In adopting Rule 205 and Rule 306 at the May hearing, the Board decided on two policies: 1) allocate 70% of the District bank cost to businesses with active emission reduction credit loans from the District bank and 30% of the cost to all permit holders; and 2) establish fees necessary to fund the Division Manager for Administrative Services beginning in FY14/15. These policy decisions reduced the number of options from twelve to three.

Additional Policy Decisions to Be Made

At today's meeting, Staff proposes that the Board make two additional policy decisions that will determine which option to adopt. All options phase in the increases over 5 years. Under Option 4B, the fee increase is highest in the first year, and lowest in each subsequent year. The higher initial fee increase allows the District to immediately begin rebuilding the fund balance. Under Option 5B, the fee increase is evenly distributed across all 5 years, but we will not begin rebuilding the fund balance until FY15/16. Option 6B is the same as Option 4B, but allows permit holders to defer a portion of the increase one year. The deferral may delay fund balance rebuilding. See Table 2 for a comparison of the fee amounts and fund balance ramifications from the three remaining rule options.

Table 2: Comparison of Ramifications from Each Option

Option	1 st Year Fees	Fee Increases	Final Year Fees	Fund Balance Impact
4B	Highest	Lowest in 4 subsequent years	Lowest	Begins building immediately
5B	Lowest	Higher than 4B in 2 nd year Highest in subsequent 3 years Same % increase in all 5 years	Highest	Continues to decline until FY15/16
6B*	Same as 5B	Highest in 2 nd year Same as 4B in next 3 years	Same as 4B	Continues to decline in FY13/14 only

*Only if sources opt to defer their fee increases; otherwise, the fee amounts and ramifications will be the same as in Option 4B.

- 1) Fund Balance: Decide whether to delay increasing the fund balance under the Rule 301 increases.

Rationale – Beginning to build fund balance now provides the District the greatest financial stability and yields a slightly lower fee at the end of the 5-year period.

Staff Recommendation – Begin building fund balance now. To do this, the Board would select Option 4B.

- 2) Deferral: Decide whether to allow sources an option to defer a portion of the increase for one year by paying a 25% fee (Option 6B).

Rationale – Staff recommends against giving permit holders the option to defer because it would require additional administrative costs to implement.

Staff Recommendation – Do not include an option to defer part of the FY13/14 fee. To do this, the Board would select Option 4B.

Proposed Rule Amendments

Staff is proposing to add new local fees, increase all new and existing local fees over the next several years, revise the Title V fee structure, and increase the Title V fees to fully recover the program cost and restore a prudent fund balance.

Rule 301 – Local Permit Fee Increases

Table 3 summarizes the initial and renewal fee increases for each option. All permitted facilities pay these fees. Some facilities, including gasoline dispensing facilities (GDF), also pay source testing fees. These fees reflect the cost of the additional time needed for these tasks. Extraordinary permits may be assessed fees for the cost of the additional time needed to process those permits, if Staff determines that the permits will require substantial additional time. Alternative compliance permits generally qualify as extraordinary permits. Table 4 summarizes the fees for these additional services. The fees are different because they were added to the rule at different times.

Rule 301 – Title V Permit Fees

In addition to our local permits, the Clean Air Act requires federal permits, known as Title V permits, for our 15 major sources. Those 15 sources pay both the Title V permit fee and the local permit fee. Federal regulations require that our Title V fees cover the costs of the Title V permit program. The Title V fee increases will be phased in over five years. Staff is proposing to replace the Title V hourly fee rate with a flat fee rate schedule. The current Title V fee is based on the actual time spent processing Title V permit applications (initial permits, renewals, and permit modifications). The current fee structure is difficult to implement consistently because local permit work overlaps with Title V work and takes additional effort to track. Staff is proposing a flat fee rate structure for each type of Title V application as shown in Table 5.

In addition, Staff is proposing to establish a new annual Title V fee to recover the costs for inspections, reporting, training of field staff, and other enforcement-related activities not previously recouped through fees. To cover this portion of the Title V program cost, Staff is proposing a new annual Title V fee of \$225 per local permit. The number of local permits is indicative of the duration and complexity of inspections and provides a reasonable basis to apportion on-going annual Title V program costs.

Table 3 – Summary of Options

Option	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18	July 25 th Decision	
						Does building the fund balance begin now or is it delayed?	Does the business have an option to defer part of the first year fee increase?
4B	15%	4.5%	4.5%	4.5%	2.5%	Now	No
5B	7.4%	7.4%	7.4%	7.4%	7.4%	Delay	
6B*	7.4%	12.75%**	4.5%	4.5%	2.5%	See Note***	Yes
Title V fees All options	New fee structure	15%	11.6%	2.1%	2.9%	Now	No

*Only if sources opt to defer their fee increases; otherwise the fee increases will be the same as Option 4B.

**Effective percent increase, including amount deferred and 25% deferral fee.

***Depends on the number of sources that defer their fee increases. If all sources defer, then building the fund balance will be delayed until FY14/15.

Table 4 – Fees for Additional Services

	Option	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18
GDF Source test fees	4B and 6B	15%	11.2%	4.9%	4.6%	2.9%
	5B	15%	7.3%	7.4%	7.5%	7.5%
Specified extraordinary permits (e.g. new power plants, landfills)	4B and 6B	15%	15%	15%	14.1%	2.9%
	5B	15%	15%	15%	15%	8.1%
Alternative Compliance	All Options	15%	15%	15%	15%	15%
All other extraordinary permits	4B and 6B	15%	11.2%	4.9%	4.6%	2.9%
	5B	15%	7.3%	7.4%	7.5%	7.5%

Table 5 – Title V Fees

Type of Title V Application	Proposed SMAQMD Fee for FY13/14
Application Filing Fee*	\$1,056 per application
Initial Title V Operating Permit	\$1,022 per local permit
Title V Operating Permit Renewal	\$445 per local permit
Significant Title V Permit Modification	\$2,798 per local permit modified or added
Minor Title V Permit Modification	\$1,500 per local permit modified or added
Administrative Title V Permit Amendment	\$750 per local permit modified or added \$538 per application
Enhanced New Source Review** All Other	

*Application filing fee is required for each Title V application submitted.

**Pursuant to Rule 202 – NEW SOURCE REVIEW or Rule 214 – FEDERAL NEW SOURCE REVIEW

Proposed New Fees:

- Change of Name: Staff is proposing a fee for a name change on a permit. The fee is \$66 for the first permit and \$28 for each additional permit. This fee recovers Staff's time to update the permit(s) and the information in the permit database. This revision simply substitutes a set fee in place of the current practice of charging Staff's hourly rates.
- Source Test Fee for Gasoline Dispensing Facilities (GDFs): Staff is proposing to formalize existing policies on source test fees for GDFs. According to the policy, GDFs have been assessed a lower source test fee because the current source test fee (\$1,307) is too high relative to the time required for testing gasoline storage and dispensing equipment. The proposed source test fees for GDFs are \$234 for underground tanks, \$117 for aboveground tanks, and \$78 for facilities required to do only Phase I vapor recovery testing.
- Alternative Compliance Application Processing Fee: This fee is currently established in Rule 107 – Alternative Compliance. All alternative compliance applications require a new permit or revisions to an existing permit. Therefore, Staff is proposing to move the alternative compliance application processing fee of \$91 per hour to Rule 301 and increase the fee to \$105 per hour.
- Public Notification Fee: Staff is proposing to add a publication fee that requires the applicant to cover the cost associated with public notification. Notifications usually include publishing notices in a newspaper regarding the approval or disapproval of an application. In the past, the District has absorbed this cost. This fee also applies to notices for Title V permits.

Changes since May 23, 2013 Board Hearing

Some changes were made since the May 23rd Board hearing in response to the Board's action and in the course of additional staff work needed to respond to the comments received for the May Board hearing. The changes and fee impacts are discussed below.

- At the Board's direction, changed permit holders' cost share for the District's emissions reduction credit bank from 50% to 30% by May 23rd Board decision on Rule 205.
 - Reduced the fee increase by 0.1% - 0.2%.
- One comment was that our Title V fees were too high because the historic analysis did not fully account for the number of permits processed. Another comment was that the fees were too high when Title V permit modifications are processed concurrently with local permits (referred to as Enhanced New Source Review (NSR)). In response to these comments, Staff re-evaluated the basis for the fee calculations and determined that historically, multiple local permits have been processed with each application for a Title V permit modification, and local permits have been incorporated during the processing of Title V permit renewals. Staff also found that a number of local permits have been evaluated using Enhanced NSR. In addition, Staff discovered that several local permits at one Title V facility are for equipment that has not yet been installed, and should not have been included in the calculation of the annual fee. Staff recalculated the Title V fees taking these factors into account, which changed the fees as follows:
 - Reduced all Title V permit fees by 44%
 - Added an Enhanced NSR administrative permit modification fee - \$750 per local permit, half or less of the fee for minor or significant Title V permit modifications

- Increased the annual fee from \$214 to \$225 per local permit.
- Staff removed the FY18/19 fee increases for alternative compliance applications because Staff had projected the program costs and revenues through FY17/18. In FY18/19, Staff will again assess the costs, revenues and fund balance to determine the appropriate rates.

District Impacts

The District is responsible for achieving and maintaining clean air standards in Sacramento County. The proposed fee increases are necessary to effectively implement the stationary source programs to meet state and federal requirements, and reduce emissions to achieve and maintain health-based air quality standards. If the proposed fee increases are not adopted, the District will exhaust available funds before the end of FY13/14, jeopardizing the District's ability to meet its responsibilities.

Emission Impacts

The proposed amendments to Rules 107 and 301 will increase fees to recover the District's cost to administer the stationary source permit program and the Title V program. These amendments are administrative and do not establish emission standards.

Environmental Review and Compliance

Staff finds that the amendments to Rules 107 and 301 are exempt from California Environmental Quality Act (CEQA). Public Resources Code Section 21080(b)(8) and Section 15273 of the State CEQA Guidelines provide that the adoption or amendments of fee rules are not subject to CEQA. To claim this exemption, the District must find that the amendments are for the purpose of meeting operating expenses. Amendments to Rules 107 and 301 will increase fees to help recover the cost to implement the local permit and Title V permit programs.

Public Outreach and Comments

Staff began the public process by holding an Industry Fee Task Force meeting with selected businesses regarding fee increases in Rule 301 on January 31, 2013. Staff subsequently added Rule 107 – Alternative Compliance to move the fee for processing alternative compliance permits to Rule 301 and increase the fee. On April 11, 2013, Staff held a public workshop on these fee increases. As directed by the Board, Staff also held another public workshop on May 14, 2013, to discuss in detail the proposed fee options for Rule 301. In addition, Staff discussed the proposed fee increases with the full Board and/or the Board's Personnel and Budget Subcommittee on February 28, April 11, and April 25, 2013. At the May 23, 2013 Board hearing, the Board conducted the first of two public hearings and Staff presented all of the options in Rule 301 for the Board's consideration.

For the two public workshops, the May 23rd Board hearing, and today's hearing, Staff posted public notices on the District's website, emailed the notices to interested parties, and sent

notices by U.S. mail to all permit holders. In addition, the notices for the first public workshop on April 11, 2013, the May 23, 2013 Board hearing, and today's hearing were published in the Sacramento Bee.

The responses to oral and written comments from the Industry Fee Task Force meeting, the two public workshops, and the May 23rd Board hearing are included in Appendix H of the Staff Report (Attachment E to this Board letter). The written comment letters are included as Attachment F.

Non-substantive Changes after Posting of Rule 301

Two changes to Rule 301 were made after posting of the notice for this public hearing. The first change corrected the description of the administrative Title V permit amendment fee for Enhanced NSR in Section 313.1(a) to assess a fee to only the local permit(s) being modified or added that are associated with a Title V facility. This change clarifies that a fee is not assessed to all local permits associated with the Title V facility and makes the fee description consistent with the fee for a minor or significant modification. The second change added Rule 202 – New Source Review to the reference for Enhanced NSR. Previously, the reference included only Rule 214 – Federal New Source Review, which authorizes using the Enhanced NSR procedure to evaluate permits for modifications at major sources. Enhanced NSR evaluation of permits is also authorized under Rule 202, and this rule was added for completeness; it does not change the applicability of the proposed fee. The Board may adopt the amendments today with the changed text because the changes are not "...so substantial as to significantly affect the meaning of the proposed rule or regulation."²

² California Health and Safety Code Section 40726

Conclusion

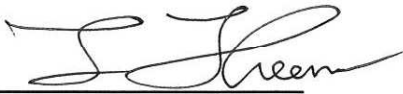
In spite of reduced staffing levels and other efficiency improvements, current fees do not cover stationary source programs costs and the stationary source fund balance has reached a critically low level. Staff proposes to increase fees through amendments to Rule 301. Staff proposes removing the fee in Rule 107 and adding it to Rule 301.

Staff is proposing three fee increase options, Options 4B, 5B, and 6B, for the Board's consideration. Each option will determine the rate to restore the fund balance and whether to allow sources an option to defer a portion of their first year fee increases. Staff recommends that the Board adopt Option 4B, which immediately restores the fund balance and does not allow sources to defer a portion of their fees. This option provides the District with the greatest financial stability and yields a slightly lower fee at the end of the 5-year period. Staff is not recommending Options 5B and 6B because Option 5B delays restoring the fund balance until FY15/16 and Option 6B is administratively difficult to implement.

These changes provide funding to retain the necessary Staff to effectively implement the stationary source programs and restore prudent fund balance.

Respectfully submitted,

Approved as to form:



Larry Greene
Executive Director/Air Pollution Control Officer



Kathrine Pittard
District Counsel

Attachments

Attachment A
Board Resolution for Rule 107

000010

RESOLUTION NO. AQM _____

RULE 107 – ALTERNATIVE COMPLIANCE

**THE BOARD OF DIRECTORS
OF THE SACRAMENTO METROPOLITAN AIR QUALITY
MANAGEMENT DISTRICT**

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District is authorized to amend Rule 107 – ALTERNATIVE COMPLIANCE, by Sections 40001, 40702, 41080, and 42311 of the California Health and Safety Code (Health and Safety Code Section 40727(b)(2)); and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District has determined that a need exists to amend Rule 107 to move the alternative compliance fee in Section 401 to Rule 301 – PERMIT FEES – STATIONARY SOURCE (Health and Safety Code Section 40727(b)(1)); and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District has determined that the meaning of Rule 107 can be easily understood by the persons affected by it (Health and Safety Code Section 40727(b)(3)); and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District has determined that the rule is in harmony with, and not in conflict with or contradictory to, existing statutes, court decisions, or state or federal regulations (Health and Safety Code Section 40727(b)(4)); and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District has determined that the rule does not impose the same requirements as any existing state or federal rule or regulation that applies to affected sources within the District (Health and Safety Code Section 40727(b)(5)); and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District has determined that Rule 107 implements and interprets Health and Safety Code Sections 40920.6(c) and 40709 (Health and Safety Code Section 40727(b)(6)); and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District has determined that a written analysis is not required because the proposed amendments to Rule 107 do not impose any emission limits, standards, monitoring, reporting, or recordkeeping requirements (Health and Safety Code Section 40727.2(g)); and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District has maintained records of the rulemaking proceedings (Health and Safety Code Section 40728); and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District held a duly noticed public hearing on July 25, 2013 and considered public comments on the proposed amendments to Rule 107 (Health and Safety Code Sections 40725 and 40726); and

Board Resolution
Rule 107 – Alternative Compliance
July, 25, 2013, Page 2

WHEREAS, a socioeconomic impact analysis is not required for a rule that does not establish emission limits, interfere with the District's attainment plan, or result in any significant increase in emissions (Health and Safety Code Section 40728.5); and

WHEREAS, the California Environmental Quality Act (CEQA) under Section 15273(a)(1) of the State CEQA Guidelines exempts actions by public agencies that establish and modify fees for the purpose of meeting operating expenses.

NOW, THEREFORE, BE IT RESOLVED THAT the adoption of Rule 107 is exempt from the California Environmental Quality Act (CEQA); and

BE IT FURTHER RESOLVED THAT the Board of Directors of the Sacramento Metropolitan Air Quality Management District approves and adopts the amendments to Rule 107 – ALTERNATIVE COMPLIANCE; and

BE IT ORDERED that Rule 107 be effective as of July 25, 2013.

ON A MOTION by Director _____, seconded by Director _____, the foregoing Resolution was passed and adopted by the Board of Directors of the Sacramento Metropolitan Air Quality Management District, State of California, this 25th day of July, 2013, by the following vote, to wit:

AYES: Directors

NOES: Directors

ABSENT: Directors

Chairperson of the Board
Sacramento Metropolitan Air Quality Management District
State of California

(SEAL)

ATTEST: _____
Clerk of the Board
Sacramento Metropolitan Air Quality Management District

000012

Attachment B
Board Resolution for Rule 301

000013

RESOLUTION NO. AQM _____

RULE 301 – PERMIT FEES – STATIONARY SOURCE

**THE BOARD OF DIRECTORS
OF THE SACRAMENTO METROPOLITAN AIR QUALITY
MANAGEMENT DISTRICT**

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District is authorized to amend Rule 301 – PERMIT FEES – STATIONARY SOURCE, by Sections 40001, 40702, 41080, and 42311 of the California Health and Safety Code for the permit program and by Section 70.9 in Title 40 of the Code of Federal Regulation for the Title V operating permit program (Health and Safety Code Section 40727(b)(2)); and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District has determined that a need exists to amend Rule 301 to fully recover the District's costs to implement the permit program and Title V operating permit program and to restore the stationary source fund balance (Health and Safety Code Section 40727(b)(1)); and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District has determined that the meaning of Rule 301 can be easily understood by the persons affected by it (Health and Safety Code Section 40727(b)(3)); and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District has determined that the rule is in harmony with, and not in conflict with or contradictory to, existing statutes, court decisions, or state or federal regulations (Health and Safety Code Section 40727(b)(4)); and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District has determined that the rule does not impose the same requirements as any existing state or federal rule or regulation that applies to affected sources within the District (Health and Safety Code Section 40727(b)(5)); and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District has determined that Rule 301 implements Health and Safety Code Section 42311 for the permit program and Title 40 of the Code of Federal Regulation, Section 70.9 for the Title V operating permit program (Health and Safety Code Section 40727(b)(6)); and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District has determined that a written analysis is not required because the proposed amendments to Rule 301 do not impose any emission limits, standards, monitoring, reporting, or recordkeeping requirements (Health and Safety Code Section 40727.2(g)); and

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District has maintained records of the rulemaking proceedings (Health and Safety Code Section 40728); and

Board Resolution
Rule 301 – Permit Fees – Stationary Source
July 25, 2013, Page 2

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District held duly noticed public hearings on May 23, 2013 and July 25, 2013 and considered public comments on the proposed amendments to Rule 301 (Health and Safety Code Sections 40725 and 40726); and

WHEREAS, a socioeconomic impact analysis is not required for a rule that does not establish emission limits, interfere with the District's attainment plan, or result in any significant increase in emissions (Health and Safety Code Section 40728.5); and

WHEREAS, the California Environmental Quality Act (CEQA) under Section 15273(a)(1) of the State CEQA Guidelines exempts actions by public agencies that establish or modify fees for the purpose of meeting operating expenses.

NOW, THEREFORE, BE IT RESOLVED THAT the adoption of Rule 301 is exempt from the California Environmental Quality Act (CEQA); and

BE IT FURTHER RESOLVED THAT the Board of Directors of the Sacramento Metropolitan Air Quality Management District approves and adopts the amendments to Rule 301 – PERMIT FEES – STATIONARY SOURCE described as _____ (Option 4B, Option 5B, or Option 6B); and

BE IT ORDERED that Rule 301 be effective as of July 25, 2013.

ON A MOTION by Director _____, seconded by Director _____, the foregoing Resolution was passed and adopted by the Board of Directors of the Sacramento Metropolitan Air Quality Management District, State of California, this 25th day of July, 2013, by the following vote, to wit:

AYES: Directors
NOES: Directors
ABSENT: Directors

Chairperson of the Board
Sacramento Metropolitan Air Quality Management District
State of California

(SEAL)

ATTEST: _____
Clerk of the Board
Sacramento Metropolitan Air Quality Management District

Attachment C

Proposed Amendments for Rule 107

RULE 107, ALTERNATIVE COMPLIANCE

Adopted 8-1-96

(Amended 9-5-96, 11-7-96, 3-6-97, 8-7-97, 6-4-98, 4-27-00, 9-25-03, xx-xx-13)

INDEX

100 GENERAL

- 101 PURPOSE
- 102 APPLICABILITY
- 103 SEVERABILITY
- 104 VIOLATIONS
- 110 EXEMPTIONS – NOTIFICATION REQUIREMENTS

200 DEFINITIONS

- 201 ELIGIBLE EMISSION REDUCTION CREDIT
- 202 MATERIAL
- 203 OVERALL CONTROL EFFICIENCY
- 204 VOLATILE ORGANIC COMPOUND (VOC)

300 STANDARDS

- 301 ALTERNATIVE COMPLIANCE, GENERAL

400 ADMINISTRATIVE REQUIREMENTS

- 401 APPLICATION PROCESS
- 402 PRELIMINARY DECISION
- 403 NOTIFICATION REQUIREMENTS
- 404 PUBLIC INSPECTION
- 405 ACTION ON APPLICATION
- 406 CALCULATION PROCEDURE FOR EMISSION CREDITS NEEDED FOR COMPLIANCE
- 407 PROGRAM REPORTING

500 MONITORING AND RECORDS

- 501 RECORDKEEPING
- 502 TEST METHODS

100 GENERAL

- 101 **PURPOSE:** To provide an orderly procedure for the review of Authority to Construct and Permit to Operate applications for alternative compliance from certain emission standards established in applicable District Rules and Regulations by providing eligible emission reduction credits to offset the emission increases resulting from noncompliance if needed. This rule shall not be used for the following:
- 101.1 Compliance with Best Available Control Technology requirements pursuant to Rule 202, NEW SOURCE REVIEW;
 - 101.2 Compliance with ~~Maximum Available Control Technology standards~~ National Emission Standards for Hazardous Air Pollutants for Source Categories as described in 40 CFR Part 63;
 - 101.3 Compliance with National Emissions Standards for Hazardous Air Pollutants as described in 40 CFR Part 61;
 - 101.4 Compliance with New Source Performance Standards as described in 40 CFR Part 60;
 - 101.5 Compliance with toxic air contaminant regulations as described in Health and Safety Code Section 39665 et seq;
 - 101.6 To avoid penalties or enforcement actions by obtaining credits after the fact of noncompliance;
 - 101.7 For netting out of NSR or PSD requirements pursuant to Rule 202, NEW SOURCE REVIEW and Rule 203, PREVENTION OF SIGNIFICANT DETERIORATION; or
 - 101.8 To meet requirements for motor vehicle emissions standards, reformulated gasoline, clean fueled fleets, employer trip reduction programs, or vehicle inspection and maintenance programs as described in Title II of the Clean Air Act and Division 26, Part 5 of the Health and Safety Code.
- 102 **APPLICABILITY:** This rule pertains only to emission standards established in Section 300 of the rules specified below and does not relieve a stationary source from any other requirements of those rules. Stationary sources subject to this rule must comply with all other requirements as though the stationary source was also subject to the emission standard provisions of the applicable rules. Such requirements include, but are not limited to, source testing, source test frequency, monitoring and recordkeeping. In addition, this rule may only be used by operations that are subject to the following District rules:
- 102.1 Rule 411, BOILER-NOx FROM BOILERS, PROCESS HEATERS AND STEAM GENERATOR;
 - 102.2 Rule 450, GRAPHIC ARTS OPERATIONS ~~for compliance timelines that are in effect after March 6, 1997;~~
 - 102.3 Rule 451, SURFACE COATING OF MISCELLANEOUS METAL PARTS AND PRODUCTS ~~for compliance timelines that are in effect after March 6, 1997;~~
 - 102.4 Rule 452, CAN COATING;
 - 102.5 Rule 454, DEGREASING OPERATIONS;
 - 102.6 Rule 456, AEROSPACE ASSEMBLY AND COMPONENT COATING OPERATIONS;
 - 102.7 Rule 459, AUTOMOTIVE, TRUCK AND HEAVY EQUIPMENT REFINISHING MOBILE EQUIPMENT, AND ASSOCIATED PARTS AND COMPONENTS COATING OPERATIONS;
 - 102.8 Rule 460, ADHESIVES AND SEALANTS;
 - 102.9 Rule 463, WOOD PRODUCTS COATINGS;
 - 102.10 ~~Rule 465, POLYESTER RESIN OPERATIONS;~~
 - 102.10 Rule 464, ORGANIC CHEMICAL MANUFACTURING OPERATIONS, Sections 305 and Section 306, for wastewater liquid transfer;
 - 102.11 Rule 465, POLYESTER RESIN OPERATIONS; or
 - 102.12 Rule 466, SOLVENT CLEANING.

[Note: Rules 464, 460, 454, and 466 have not been yet approved by the United States Environmental Protection Agency into the State Implementation Plan (SIP). Approval of this rule Rule 107 into the SIP does not constitute automatic SIP approval of these Rules 460 or any modification to the rules listed above made after (date of adoption).]

Rev 3/18/2013

107-2

Month Day, Year September 25, 2003

000018

- 103 **SEVERABILITY:** If a court of competent jurisdiction issues an order that any provision of this rule is invalid, it is the intent of the Board of Directors of the District that other provisions of this rule remain in full force and affect, to the extent allowed by law.
- 104 **VIOLATIONS:** If a stationary source violates any provision of this rule at any time during the compliance or reporting period, the stationary source is in violation for every day of the compliance or reporting period unless the stationary source establishes that it did not operate on a specific day or did not violate the underlying rule on a specific day.

200 DEFINITIONS:

- 201 **ELIGIBLE EMISSION REDUCTION CREDITS:** For purposes of this rule, eligible emission reduction credits shall mean an emission reduction credit certified pursuant to Rule 204, EMISSION REDUCTION CREDITS, and calculated in accordance with the methodology and criteria specified in the Sacramento Metropolitan Air Quality Management District Emission Reduction Credit Certificate 96-00415 or in an Emissions Quantification Protocol approved by the Sacramento Metropolitan Air Quality Management District Board of Directors unless the California Air Resources Board or the U.S. Environmental Protection Agency has disapproved the Emission Quantification Protocol.
- 202 **MATERIAL:** For purposes of this rule, material shall mean coating, primer, adhesive, and solvents including cleanup solvents.
- 203 **OVERALL CONTROL EFFICIENCY:** The ratio of the weight of the VOC removed by the emission control system, to the total weight of VOC emitted from the coating operation, both measured simultaneously, and can be calculated by the following equation:

$$CE = \frac{Wc - Wa}{We}$$

where: CE = Overall control efficiency of the air pollution control system
 Wc = weight of VOC entering control device
 Wa = weight of VOC discharged from the control device
 We = weight of VOC emitted from coating operation

- 204 **VOLATILE ORGANIC COMPOUND (VOC):** For the purposes of this rule, "volatile organic compound" has the same meaning as in Rule 101—GENERAL PROVISIONS AND DEFINITIONS. Volatile organic compounds may also be referred to as reactive organic compounds (ROC).

300 STANDARDS

- 301 **ALTERNATIVE COMPLIANCE, GENERAL:** Notwithstanding the emission limitations and/or control efficiency of the emissions control system specified in the applicable rules, the owners or operators of a stationary source may comply with applicable rules by using an air pollution control system that has been permitted pursuant to Rule 201, GENERAL PERMIT REQUIREMENTS and/or by providing eligible emission reduction credits pursuant to this rule. The need for emission reduction credits will be determined by the calculations in Section 406. If the excess emissions, calculated pursuant to Section 406, are greater than zero pounds per calendar quarter, then the emissions credits needed shall be determined using the following equations:

$$G = E * 1.1$$

Where: G = Total emissions needed for offsets (lbs/quarter)

Rev 3/18/2013

E = Excess emissions as calculated in Section 403 (lbs/quarter)

400 ADMINISTRATIVE REQUIREMENTS

- 401 **APPLICATION PROCESS:** The owner or operator of a stationary source requesting alternative compliance pursuant to this rule shall apply for an Authority to Construct in accordance with Rule 201, GENERAL PERMIT REQUIREMENTS and Rule 202, NEW SOURCE REVIEW and shall pay an alternative compliance application processing fee of \$94/hour specified in Rule 301, PERMIT FEES – STATIONARY SOURCE. The application shall contain all information required by Part E of the District's List and Criteria (adopted pursuant to Article 3, Sections 65940 through 65944 of Chapter 4.5 of Division I of Title 7 of the California Government Code).
- 402 **PRELIMINARY DECISION:** Following acceptance of an application as complete, the Air Pollution Control Officer shall perform the evaluations required to determine compliance with all applicable district, state and federal rules, regulations, or statutes and shall make a preliminary written decision as to whether an Authority to Construct should be approved, conditionally approved, or denied. The decision shall be supported by a succinct written analysis.
- 403 **NOTIFICATION REQUIREMENTS:** The Air Pollution Control Officer shall publish in at least one major daily circulation newspaper of general circulation in the affected community a notice stating the preliminary decision of the Air Pollution Control Officer, noting how pertinent information can be obtained, and inviting written public comment for a 30-day period following the date of publication. The notice shall also be published in accordance with any applicable Targeted Outreach Plan that has been developed and approved by the Sacramento Metropolitan Air Quality Management District Board of Directors. The notice shall include a statement of the procedure to request a public meeting (unless a public meeting has already been scheduled). The Air Pollution Control Officer shall give notice of any public meeting at least 15 days in advance of the meeting. This notification may be combined with the notifications required pursuant to other District rules.
- 404 **PUBLIC INSPECTION:** The Air Pollution Control Officer shall make available for public inspection at the District's office the information submitted by the applicant and the Air Pollution Control Officer's analysis no later than the date the notice of the preliminary decision is published pursuant to Section 403. All such information shall be transmitted no later than the date of publication to any party which requests such information. Information submitted which contains trade secrets shall be handled in accordance with Section 6254.7 of the California Government Code and relevant sections of the California Administrative Code.
- 405 **ACTION ON APPLICATION:** After considering all written comments, the application will be processed in accordance with the procedures in Rule 201, GENERAL PERMIT REQUIREMENTS and Rule 202, NEW SOURCE REVIEW unless otherwise required pursuant to this rule. Except as provided in Section 110, the Air Pollution Control Officer shall provide written notice of the final action to the applicant and any person who submitted written comments pursuant to Section 403, and shall publish such notice in the same manner as the notice was published pursuant to Section 403 and shall make the notice and all supporting documents available for public inspection at the District's office.
- 406 **CALCULATION PROCEDURE FOR EMISSION REDUCTION CREDITS NEEDED FOR COMPLIANCE:** The owner or operator of the stationary source shall calculate the emission reduction credits needed by the stationary source for each calendar quarter in accordance with the following:
- 406.1 **Calculation Procedure for Stationary Sources Subject to Rule 411, BOILER No. NO_x FROM BOILERS, PROCESS HEATERS AND STEAM GENERATORS:**
- a. The excess emissions shall be calculated as follows:

$$E = (EF1 - EF2) * U$$

Where, E	=	Excess NO _x emissions (lbs/quarter)
EF1	=	Noncompliant NO _x emissions (lb-NO _x /mmbtu input). The noncompliant emissions shall be the highest value of the available data from the following: source test results, continuous emission monitors, AP-42 - Compilation of Air Pollutant Emission Factors, or manufacturer's data.
EF2	=	Required NO _x emissions (lb-NO _x /mmbtu input)
U	=	Quarterly permitted fuel usage for the unit (mmbtu/quarter)

- b. The lb-NO_x/mmbtu emissions shall be converted from ppm NO_x based on EPA Method 19 Section 2.

406.2 **Calculation Procedure for Stationary Sources Subject to Rule 450, GRAPHIC ARTS OPERATIONS, Rule 451, SURFACE COATING OF MISCELLANEOUS METAL PARTS AND PRODUCTS, Rule 452, CAN COATING, Rule 454, DEGREASING OPERATIONS, Rule 456, AEROSPACE ASSEMBLY AND COMPONENT COATING OPERATIONS, Rule 459, AUTOMOTIVE, TRUCK AND HEAVY EQUIPMENT REFINISHING, MOBILE EQUIPMENT, AND ASSOCIATED PARTS AND COMPONENTS COATING OPERATIONS; Rule 460, ADHESIVES AND SEALANTS, Rule 463, WOOD PRODUCTS COATINGS, Rule 465, POLYESTER RESIN OPERATIONS, OR Rule 466, SOLVENT CLEANING:** Use the following steps to calculate the total excess emissions for all noncompliant materials:

- a. Calculate the excess emissions for **each** noncompliant material as applied:
1. Calculate the actual quarterly VOC emissions using the following equation:

$$VOC1_i = G_i * NC_{VOCi}$$

where, VOC1_{*i*} = The volatile organic compound emissions of the noncompliant material *i* (lbs-VOC/quarter).

G_{*i*} = Volume of noncompliant material *i*, less water and exempt compounds, requested to be used per quarter (gallons/quarter). G_{*i*} excludes water and exempt compounds.

NC_{VOC*i*} = VOC content of the noncompliant material *i* (lbs-VOC/gal-material less water and exempt compounds).

2. Calculate the actual quarterly volume of solids applied using the following equation:

$$SOLID_i = G_i * NC_{SOLIDi}$$

where, SOLID_{*i*} = Volume of solids in noncompliant material *i* (gals-solid/quarter)

NC_{SOLID*i*} = Solid content of the noncompliant material *i* (gal-solid/gal-material less water and exempt compounds). Mathematically, NC_{SOLID*i*} = 1 - (NC_{VOC*i*} / S_{DENSITY*i*}).

S_{DENSITY*i*} = Density of the VOC solvent in the noncompliant material *i* (lbs-VOC/gal-VOC) or use EPA default of 7.36 lbs/gal.

Rev 3/18/2013

3. Calculate the rule compliant quarterly VOC emissions using the following equation:

$$\text{VOC2}_i = \text{RULE}_{\text{VOC/SOLID}_i} * \text{SOLID}_i$$

where,

VOC2_i = The allowable volatile organic compound emissions for the noncompliant material *i* based on the limit specified in the applicable rule, (lbs-VOC/quarter).

$\text{Rule}_{\text{VOC/SOLID}_i}$ = The allowable pounds of VOC per gallon of solid for the noncompliant material *i* based on the limit specified in the applicable rule, (lbs-VOC/gal-solid). Mathematically, $\text{Rule}_{\text{VOC/SOLID}_i} = \text{RULE}_{\text{VOC}_i} / [1 - (\text{RULE}_{\text{VOC}_i} / 7.36 \text{ lbs/gal})]$, where $[1 - (\text{RULE}_{\text{VOC}_i} / 7.36 \text{ lbs/gal})]$ = gallon of solids per gallon of material less water and exempt compounds.

$\text{Rule}_{\text{VOC}_i}$ = The allowable VOC content for the noncompliant material *i* category as specified in the applicable rule (lbs-VOC/gal-material less water and exempt compounds).

4. Calculate the excess emissions using the following equation:

$$E_i = \text{VOC1}_i * (1 - \text{CE}_i) - \text{VOC2}_i$$

where, E_i = The excess volatile organic compound emissions of noncompliant material *i* (lbs/quarter).

CE_i = Overall control system efficiency of noncompliant material *i*. If no control then CE_i equals zero.

- b. Calculate the total excess emissions for all noncompliant material as applied:

$$E_{\text{total}} = \sum E_i$$

where, E_{total} = The sum of all excess volatile organic compound emissions from each material *i* (lbs/quarter).

406.3 Calculation Procedure for Stationary Sources Subject to Rule 464, ORGANIC CHEMICAL MANUFACTURING OPERATIONS Section 305 and Section 306 for Wastewater Liquid Transfer:

- a. The excess emissions shall be calculated as follows:

$$E = \text{UCE} * 0.92$$

Where, E = Excess volatile organic compound emissions, lbs/quarter

UCE = Uncontrolled volatile organic compound emissions, pounds per quarter, as calculated pursuant to Section 406.3.b.

- b. The uncontrolled volatile organic compound emissions shall be determined as follows:

1. POTENTIAL TO EMIT \geq 25 TPY: A stationary source with a potential to emit 25 tons per year or more of VOC from organic chemical plants shall determine the maximum uncontrolled VOC emission rate by using emission testing pursuant to Rule 464, ORGANIC CHEMICAL MANUFACTURING OPERATIONS, Section 410, Determination of VOC Mass Emission Rate Using Testing.
 2. POTENTIAL TO EMIT $<$ 25 TPY: A stationary source with a potential to emit less than 25 tons per year of VOC from organic chemical plants shall determine the maximum uncontrolled VOC emissions by using engineering assessment pursuant to Rule 464, ORGANIC CHEMICAL MANUFACTURING OPERATIONS, Section 409, Determination of VOC Mass Emission Rate Using Engineering Assessment.
- 406.4 The test methods listed in the following rules will be used to determine the excess emissions, as needed:
- a. Rule 411, ~~BOILER-NO_x FROM BOILERS, PROCESS HEATERS, AND STEAM GENERATORS;~~
 - b. Rule 450, GRAPHIC ARTS OPERATIONS;
 - c. Rule 451, SURFACE COATING OF MISCELLANEOUS METAL PARTS AND PRODUCTS;
 - d. Rule 452, CAN COATING;
 - e. Rule 454, DEGREASING OPERATIONS
 - f. Rule 456, AEROSPACE ASSEMBLY AND COMPONENT COATING OPERATIONS;
 - g. Rule 459, ~~AUTOMOTIVE, TRUCK AND HEAVY EQUIPMENT FINISHING MOBILE EQUIPMENT, AND ASSOCIATED PARTS AND COMPONENTS COATING OPERATIONS;~~
 - h. Rule 460, ADHESIVES AND SEALANTS;
 - i. Rule 463, WOOD PRODUCTS COATINGS;
 - j. Rule 464, ORGANIC CHEMICAL MANUFACTURING OPERATIONS; and
 - k. Rule 465, ~~POLYESTER RESINS-OPERATIONS;~~ and
 - l. Rule 466, SOLVENT CLEANING.
- 407 **PROGRAM REPORTING:**
- 407.1 By March 1 of each year the Air Pollution Control Officer shall prepare and submit to the California Air Resources Board and to U.S. Environmental Protection Agency an annual report which documents the following:
- a. By pollutant and by rule and source category:
 1. The quantity of excess emissions calculated pursuant to Section 406;
 2. The quantity of emission reduction credits needed pursuant to Section 301;
 3. The cost of the emission reduction credits needed; and
 4. The cost avoided by not complying with the appropriate rule based on the cost effectiveness from the rulemaking documents or other information if available;
 - b. The total emission reduction credits used for the year and compares the total emission reduction credits used to the emission reduction credits available from Sacramento Metropolitan Air Quality Management District Emission Reduction Credit Certificate 96-00415 and to the emission reduction credits from Certificate 96-00415 that were in the 1990 baseline emission inventory;
 - c. Summary of changes made to the calculation protocols defined in Title 17, California Code of Regulations, Division 3, Chapter 1, Subchapter 5.5, Section 91507(b); and
 - d. An annual summary of the rules adopted, the implementation dates for the rules, and the estimated emission benefits from the rules.

- 407.2 The District shall evaluate the performance of the alternative compliance program triennially, beginning in 2000. The evaluation shall include the results of the annual reports and identify what, if any, changes were incorporated into the emission inventory update as a result of program implementation. The evaluation will be prepared pursuant to Rule 205, COMMUNITY BANK AND PRIORITY RESERVE BANK, Section 316, Moratorium.

500 MONITORING AND RECORDS

- 501 **RECORD KEEPING:** In addition to the record keeping requirements specified in each rule listed in Section 102, the owner or operator of the stationary source shall maintain the following records:
- 501.1 For material application operations, the owner or operator of the stationary source shall maintain the following records:
- a. At least a quarterly record of all noncompliant material used in gallons;
 - b. The volatile organic compound content for each noncompliant material as applied in grams per liter and pounds per gallon including any supporting information such as data sheet, material list, or invoice giving material name, manufacturer identification, material application and VOC content as applied; and
- 501.2 For boilers, process heaters or steam generators, the owner or operator of the stationary source shall maintain a record of the fuel usage in therms per quarter or gallons per quarter whichever is applicable.
- 501.3 **DURATION OF RECORDS:** These records shall be maintained on-site for a period of five years, during which time they shall be made available to the Air Pollution Control Officer upon request.
- 502 **TEST METHODS:** The test methods specified in the referenced rules in Section 102 shall be used as applicable. The owner or operator of the stationary source shall comply with any source testing requirements specified in the referenced rules in Section 102.

Attachment D
Proposed Amendments for Rule 301
(with options)

000025

RULE 301 PERMIT FEES - STATIONARY SOURCE

Adopted 11-29-71

(Amended 8-4-81, 8-31-82, 8-27-85, 10-14-86, 10-27-87, 7-1-88, 7-25-89, 7-24-90, 10-22-91, 6-7-94, 2-2-95, 4-6-95, 12-5-96, 10-25-01, 10-27-05, xx-xx-13)

Consumer Price Index Adjustment: 8-20-02, 11-26-03, 7-12-04, 7-1-05, 7-1-06, 7-2-07, 8-01-08, 8-8-12

INDEX**100 GENERAL**

- 101 PURPOSE
- 102 PUBLIC AGENCIES NOT EXEMPT

200 DEFINITIONS

- 201 CANCELED APPLICATION
- ~~202~~ CHANGE OF NAME
- ~~202~~~~203~~ CHANGE OF LOCATION
- ~~203~~~~4~~ AUTHORITY TO CONSTRUCT FEE
- ~~204~~~~5~~ INITIAL PERMIT FEE
- ~~206~~ INITIAL TITLE V OPERATING PERMIT
- ~~205~~ PERMIT RENEWAL FEE
- ~~206~~~~7~~ MODIFICATION
- ~~208~~ PERMIT RENEWAL FEE
- ~~209~~ PERMIT TO OPERATE
- ~~210~~ PERMIT TO OPERATE MODIFIED
- ~~207~~~~11~~ SOURCE
- ~~212~~ TITLE V APPLICATION
- ~~213~~ TITLE V OPERATING PERMIT RENEWAL

300 STANDARDS

- 301 AUTHORITY TO CONSTRUCT
- 302 INITIAL PERMIT FEE
- 303 PERMIT RENEWAL FEE
- 304 CANCELLATION OR WITHDRAWAL
- 305 REVOCATION
- 306 ALTERATIONS, ADDITIONS, REVISIONS OR CHANGE IN CONDITIONS
- 307 CHANGE IN LOCATION, OWNERSHIP, OR NAME
- 308 SCHEDULES FOR INITIAL PERMIT FEE AND PERMIT RENEWAL FEE
- 309 PERMIT TO OPERATE GRANTED BY HEARING BOARD
- 310 DUPLICATE PERMITS
- 311 SOURCE TEST OBSERVATION AND REPORT EVALUATION
- 312 ANALYSIS FEES
- 313 TITLE V OPERATING PERMIT FEES
- 314 REINSPECTION FEE
- 315 EMISSION REDUCTION CREDIT BANKING FEE
- ~~316~~ ALTERNATIVE COMPLIANCE APPLICATION PROCESSING FEE
- ~~317~~ PUBLIC NOTIFICATION FEE

400 ADMINISTRATIVE REQUIREMENTS

- 401 NOTIFICATION OF INITIAL PERMIT FEE OR PERMIT RENEWAL FEE DUE
- 402 NEGOTIATED PAYMENT SCHEDULE
- 403 CONSUMER PRICE INDEXING OF FEES
- ~~404~~ FEE INCREASES

500 MONITORING AND RECORDS (NOT INCLUDED)

Revision 7/3/2013

October 27, 2005 ~~Month Day, 2013~~

Consumer Price Index Adjustment: 8-8-12

301-1

000026

100 GENERAL

101 **PURPOSE:** To establish fees to be charged to (1) owners/operators of a stationary source required to obtain an ~~A~~ authority to ~~C~~ construct or a ~~P~~ permit to ~~O~~ operate by Rule 201, (2) owners/operators of a stationary source required to obtain a Title V operating permit by Rule 207, (3) owners/operators of a stationary source requesting to use the alternative compliance option specified in Rule 107, ALTERNATIVE COMPLIANCE, and (34) applicants requesting to deposit or withdraw emission reduction credits from the District credit bank.

102 **PUBLIC AGENCIES NOT EXEMPT:** Federal, state or local government agencies or public agencies shall pay fees to the extent allowed under Chapter 2, Division 7, Title 1 of the Government Code (commencing with Section 6100) and Section 42311 of Division 26 of the California Health and Safety Code.

200 **DEFINITIONS:** Unless otherwise defined below, the terms in this rule are defined in Rule 207, TITLE V – FEDERAL OPERATING PERMIT PROGRAM.

201 **CANCELED APPLICATION:** Any application which has been withdrawn by the applicant.

~~202~~ **CHANGE OF NAME:** An administrative name change on the permit(s) where no change of ownership and/or location has occurred.

~~2023~~ **CHANGE OF LOCATION:** Any transfer of an existing permitted source from one location to another not on the same property or facility.

~~2034~~ **AUTHORITY TO CONSTRUCT FEE:** A fee for each authority to construct based on the type and size of the source.

~~2045~~ **INITIAL PERMIT FEE:** A fee for each new permit based on the type and size of the source.

~~206~~ **INITIAL TITLE V OPERATING PERMIT:** A new Title V application that is submitted pursuant to Rule 207, TITLE V – FEDERAL OPERATING PERMIT PROGRAM.

~~205~~ **PERMIT RENEWAL FEE:** A fee required for the annual renewal of a permit to operate.

~~2067~~ **MODIFICATION:** Any physical change in an existing facility or change in the method of operation which results or may result in either an increase or decrease in emission of any air pollutant subject to district control, or the emission of any such air pollutant not previously emitted. The following shall not be regarded as physical changes or changes in the method of operation:

~~2076.1~~ Routine maintenance, repair or replacement with identical or equivalent equipment;

~~2076.2~~ Increased production rate or increased hours of operation where there is no increase in fixed capital cost, unless such production and hours are limited by permit conditions.

~~208~~ **PERMIT RENEWAL FEE:** A fee required for the annual renewal of a permit to operate.

~~209~~ **PERMIT TO OPERATE:** A written permit from the Air Pollution Control Officer issued in accordance with Rule 201 – GENERAL PERMIT REQUIREMENTS.

~~210~~ **PERMIT TO OPERATE–MODIFIED:** A permit to operate that has been modified and that will require the owner or operator to submit a Title V application for a significant or minor Title V permit modification in accordance to Rule 207, Title V – FEDERAL OPERATING PERMIT PROGRAM.

~~20711~~ **SOURCE:** Any operation that produces and/or emits air pollutants.

212 TITLE V APPLICATION: An application submitted pursuant to Rule 207, TITLE V – FEDERAL OPERATING PERMIT PROGRAM.

213 TITLE V OPERATING PERMIT RENEWAL: A Title V application submitted to renew the Title V operating permit pursuant to Rule 207, Title V – FEDERAL OPERATING PERMIT PROGRAM (typically every 5 years).

300 STANDARDS

301 **AUTHORITY TO CONSTRUCT FEE:** Every applicant for an authority to construct shall pay one half of the estimated initial permit fee in Section 308 of this rule upon filing the application.

301.1 Within 30 days of receipt of an application, the Air Pollution Control Officer may notify the applicant that, due to the complexity of the application, the permit processing fees shall be based on the actual hours spent by the District staff in evaluating the application and verifying equipment compliance. This fee shall be assessed in accordance with the hourly rate established in Section 308.11. The applicant shall deposit with the District the amount estimated by the Air Pollution Control Officer to be charged for processing the authority to construct, which said sum is not to exceed the actual cost of such work. This estimate may include costs associated with planning meetings and/or design evaluations prior to actual submission of a complete application. The deposit shall be required for the following:

- a. Equipment associated with cogeneration projects.
- b. Equipment associated with resource recovery projects.
- c. Equipment associated with landfill projects.
- d. Equipment associated with power plants.
- e. Equipment involving the disposal by incineration, or other thermal process, of hazardous, toxic or infectious waste.
- f. Equipment involving the emission of hazardous or toxic materials.
- g. Equipment which is expected to emit 25 tons, or more, per year of any pollutant, or which is expected to increase the emissions of any pollutant from an existing facility by 25 tons, or more, per year.
- h. Any project for which the evaluation is expected to take 10 hours or more.

The applicant may request a conference with the Air Pollution Control Officer to review the cost estimate. The applicant may propose to provide additional information with the application that would reduce the time spent by the Air Pollution Control Officer in reviewing the application. The Air Pollution Control Officer's cost estimate shall be reduced accordingly.

302 **INITIAL PERMIT FEE:** Every applicant for a permit to operate shall pay the initial permit fee in Section 308 of this rule for the issuance of a permit to operate. An applicant for an authority to construct who has paid a portion of the initial permit fee shall be required to pay only the remaining portion for the issuance of a permit to operate.

302.1 When an application for a permit to operate is submitted for equipment that has been operated without a required permit from the District, the applicant shall pay renewal back fees for each year of unpermitted operation, to a maximum of 3 years, in addition to the initial permit fee.

~~302.2 When an application for a permit is submitted for the replacement of a boiler, process heater, or steam generator which is rated at or above 1 million BTU/hr and below 5 mmBTU/hr and is subject to the NOx emission limit requirements in Rule 411, NOX FROM BOILERS, PROCESS HEATERS, AND STEAM GENERATORS, then the applicant shall pay an initial permit fee equivalent to the permit renewal fee in Section 308.3. This section only applies for initial compliance with the limits adopted on October 27, 2005.~~

- 303 **PERMIT RENEWAL FEE:** Every holder of a permit to operate shall pay a fee for the annual permit renewal. The permit renewal fee shall be the total of:
- 303.1 The Permit Renewal Fee indicated by the appropriate schedule of Section 308 of this rule, and
- 303.2 The calculated fee for the total tons of each pollutant emitted during the prior calendar year as indicated by the following table. The minimum fee shall be that for one ton per year. The total tons of each pollutant shall be the actual emission rounded up to the next whole ton.

Table 303 – 1

Pollutant	Fee Per Ton of Pollutant Emitted During 12-Month Period
Carbon Monoxide (CO)	\$5867 for Schedule 6, \$6069 for all other schedules
Nitrogen Oxides (NOx)	\$5867 for Schedule 6, \$6069 for all other schedules
Reactive Organic Gas (ROG)	\$5867 for Schedule 6, \$6069 for all other schedules
Sulfur Oxides (SOx)	\$5867 for Schedule 6, \$6069 for all other schedules
Total Suspended Particulate (TSP)	\$5867 for Schedule 6, \$6069 for all other schedules

- 303.3 The holder of permits with more than one anniversary date may request a common renewal date and that fees be prorated as necessary.
- 304 **CANCELLATION OR WITHDRAWAL:** If the application for an authority to construct is canceled or denied, the fees paid shall not be refunded nor applied to any other application. Fees paid under Section 301.1 that are not used prior to an application being withdrawn by the applicant shall be refunded upon request.
- 305 **REVOCATION:** If a permit to operate is revoked, the permit renewal fee applicable to that portion of the year during which the permit is invalid shall not be refunded nor applied to any other application.
- 306 **ALTERATIONS, ADDITIONS, REVISIONS OR CHANGE IN CONDITIONS:**
- 306.1 When an application is filed for a permit involving alterations or additions resulting in a change to any existing equipment for which a permit to operate was granted for such equipment and has not been canceled under Section 401 of this rule, the applicant shall pay a permit fee based on the incremental increase in rating, capacity or increase in the number of nozzles resulting from such change in accordance with the fee schedule in Section 308 of this rule.
- 306.2 When an application is filed for a revision of conditions on a permit to operate or any alteration or addition, but no increase or change is made in rating, capacity or number of nozzles, and no increases in emissions or health risk, the applicant shall pay a permit fee of ~~\$654752~~ or the initial permit fee in Section 308, whichever is lower.
- 307 **CHANGE OF LOCATION, OR OWNERSHIP, OR NAME:**
- 307.1. When an application is filed for a permit because the equipment has been moved to a new location, or ownership has been transferred from one person to another and a permit to operate granted for such equipment has not been canceled under Section 401 of this rule, the applicant shall pay a permit fee equivalent to the permit renewal fee in Section 303 of this rule.
- ~~307.1.~~307.2. When an application is filed to request a change of name on a permit(s) and a change of ownership has not occurred under Section 307.1 of this rule, the

applicant shall pay \$66 for the change of name on the first permit and \$28 for each additional permit.

308 **SCHEDULES FOR INITIAL PERMIT FEE AND PERMIT RENEWAL FEE:**

308.1 It is determined that the cost of issuing permits, and of inspections pertaining to such issuance exceeds the fees specified in this rule. If more than one fee schedule is applicable to a permit, the governing schedule shall be that which results in the higher fee. When a group of machines are included in a single permit, the permit fee shall be based on the total rating of the group.

308.2 **SCHEDULE 1, ELECTRIC MOTOR HORSEPOWER SCHEDULE:** Any equipment using motors as a power source shall be assessed a permit fee based on the cumulative total rated horsepower of all motors included, in accordance with the following schedule:

<u>Horsepower</u>	<u>Initial Permit Fee</u>	<u>Permit Renewal Fee</u>
Less than 5	<u>\$654752</u>	<u>\$326375</u>
5 to 49	<u>\$1,3071,503</u>	<u>\$654752</u>
50 to 199	<u>\$2,6453,007</u>	<u>\$1,3071,503</u>
200 or greater	<u>\$5,2346,016</u>	<u>\$2,6453,007</u>

308.3 **SCHEDULE 2, FUEL BURNING SCHEDULE:** Any equipment in which fuel is burned, with the exception of incinerators which are covered in Schedule 4, shall be assessed a permit fee based upon the design fuel consumption of the equipment expressed in ~~thousands~~ millions of British Thermal Units (BTU) per hour, using gross heating values of the fuel, in accordance with the following schedule:

<u>Million BTU Per Hour</u>	<u>Initial Permit Fee</u>	<u>Permit Renewal Fee</u>
Less than 1	<u>\$326375</u>	<u>\$163187</u>
1 to 9	<u>\$654752</u>	<u>\$326375</u>
10 to 49	<u>\$1,3071,503</u>	<u>\$654752</u>
50 to 99	<u>\$2,6453,007</u>	<u>\$1,3071,503</u>
100 or greater	<u>\$5,2346,016</u>	<u>\$2,6453,007</u>

308.4 **SCHEDULE 3, ELECTRICAL ENERGY SCHEDULE:** Any equipment which uses electrical energy, with the exception of motors covered in Schedule 1, shall be assessed a permit fee based on total Kilovolt Ampere (KVA) ratings, in accordance with the following schedule:

<u>Kilovolt Ampere</u>	<u>Initial Permit Fee</u>	<u>Permit Renewal Fee</u>
Less than 150	<u>\$1,3071,503</u>	<u>\$654752</u>
150 or greater	<u>\$5,2346,016</u>	<u>\$2,6453,007</u>

308.5 **SCHEDULE 4, INCINERATOR SCHEDULE:** Any crematory or equipment designed and used primarily to dispose of combustible refuse by wholly consuming the material charged leaving only the ashes or residue shall be assessed a permit fee based on the maximum horizontal inside cross sectional area, in square feet, of the primary combustion chamber, in accordance with the following schedule:

<u>Area, Square Feet</u>	<u>Initial Permit Fee</u>	<u>Permit Renewal Fee</u>
Less than 10	<u>\$1,3071,503</u>	<u>\$654752</u>
10 to 39	<u>\$3,9244,513</u>	<u>\$1,9632,257</u>
40 to 99	<u>\$5,2346,016</u>	<u>\$2,6453,007</u>
100 or greater	<u>\$6,5447,522</u>	<u>\$3,2793,761</u>

Revision 7/3/2013

October 27, 2005 Month Day, 2013

Consumer Price Index Adjustment: 8-8-12

301-5

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- 308.6 **SCHEDULE 5, STATIONARY CONTAINER SCHEDULE:** Any stationary tank, reservoir or other container, with the exception of stationary storage tanks covered in Schedule 6, shall be assessed a permit fee based on the capacity in gallons, in accordance with the following schedule:

Gallons	Initial Permit Fee	Permit Renewal Fee
Less than 40,000	\$1,3071,503	\$654752
40,000 to 399,999	\$5,2316,016	\$2,6153,007
400,000 or greater	\$6,5447,522	\$5,2316,016

- 308.7 **SCHEDULE 6, GASOLINE FUELING EQUIPMENT SCHEDULE:**

a. Any gasoline fueling equipment at a single location including stationary gasoline storage tanks, dispensers, and vapor recovery systems shall be assessed a permit renewal fee based on the number of gasoline dispensing nozzles in accordance with the following schedule:

Gasoline Nozzles	Initial Permit Fee	Permit Renewal Fee
Gasoline dispensing equipment with phase I or phase II vapor recovery system	\$1,2231,406	\$642704 minimum at \$87100 per gasoline nozzle

The permit renewal fee for a gasoline dispensing facility granted an exemption for nozzle vapor recovery by Rule 449 shall be \$315362. The initial permit fee for a gasoline dispensing facility shall be reduced by \$32 if the underground inspection is performed by a fire department/district through the consolidated inspection program.

b. In addition to the permit renewal fee in Section 308.7(a), the owner or operator of a facility with gasoline storage and dispensing equipment subject to the Rule 448, GASOLINE TRANSFER INTO STATIONARY STORAGE CONTAINERS, or Rule 449, TRANSFER OF GASOLINE INTO VEHICLE FUEL TANKS, shall pay an annual source test fee. The annual fee shall be determined by the following:

Gasoline Tank	Annual Fee
Tanks with Phase I only	\$78
All Other Underground Tanks	\$234
All Other Aboveground Tanks	\$117

- 308.8 **SCHEDULE 7, INTERNAL COMBUSTION ENGINE HORSEPOWER SCHEDULE:** Any equipment using internal combustion engines as a power source shall be assessed a permit fee based on the cumulative total rated horsepower of all internal combustion engines included, in accordance with the following schedule:

Horsepower	Initial Permit Fee	Permit Renewal Fee
Less than 50	\$326375	\$163187
50 to 249	\$654752	\$326375
250 to 499	\$1,3071,503	\$654752
500 to 999	\$2,6153,007	\$1,3071,503
1000 or greater	\$5,2316,016	\$2,6153,007

- 308.9 **SCHEDULE 8, ELECTRICAL GENERATING EQUIPMENT GREATER THAN 5MW:** The Initial Permit fee or Permit Renewal fee for an electrical generating stationary source producing greater than 5MW shall be based on the actual hours spent by the

Revision 7/3/2013

District staff in evaluating the application and processing the permit. The fee shall be assessed in accordance with the hourly rate established in Section 308.12.

- 308.10 **SCHEDULE 9, MISCELLANEOUS EQUIPMENT:** Any equipment which is not included in the preceding schedules shall be assessed an initial permit fee of ~~\$4,3071,503~~ and a permit renewal fee of ~~\$664752~~. Notwithstanding Section 308.1, standby and emergency equipment may be included in this schedule.
- 308.11 **SCHEDULE 10, TIME AND MATERIALS LABOR RATE RESTRICTED BY HEALTH AND SAFETY CODE SECTION 41512.7(b):** This Schedule shall only be applicable to fees required by Section 301.1. The rate for time and materials shall be ~~\$409125~~ per hour.
- 308.12 **SCHEDULE 11, TIME AND MATERIALS LABOR RATE:** This Schedule shall only be applicable to fees required by Sections 308.9, 311, ~~314, and 315, and 3173~~ through ~~345~~. The rate for time and materials shall be ~~\$436156~~ per hour.
- 309 **PERMIT TO OPERATE GRANTED BY HEARING BOARD:** Permits granted by the Hearing Board after denial by the Air Pollution Control Officer are subject to this Rule.
- 310 **DUPLICATE PERMITS:** A request for a duplicate permit shall be made in writing by the permittee. A fee of ~~\$2923~~ shall be charged for issuing a duplicate permit.
- 311 **SOURCE TEST OBSERVATION AND REPORT EVALUATION:** Except as provided in Section 308.7(b), A fee of ~~\$4,3071,503~~ will be charged against the owner or operator of a source whenever the Air Pollution Control Officer finds that a source test is required and must be observed and the report evaluated by district personnel to determine the actual emissions from the source for the purpose of issuing or renewing a permit to operate. When multiple source tests are performed and the results submitted in one consolidated report, the source test fee of ~~\$4,3071,503~~ shall apply to the first 10 hours of District work. Each additional hour or portion thereof required for reviewing the source test shall be charged the time and materials labor rate established in Section 308.12.
- 312 **ANALYSIS FEES:** Whenever the Air Pollution Control Officer finds that an analysis of the emissions from any source is necessary to determine the extent and amount of pollutants being discharged into the atmosphere which cannot be determined by visual observation, he may collect and analyze emissions samples. The cost of collecting samples, making the analysis and preparing the necessary reports shall be charged against the owner or operator of said source. The Air Pollution Control Officer shall provide the applicant with an estimate of the actual cost of such work. The applicant may request a conference with the Air Pollution Control Officer to review the cost estimate. The applicant may provide additional information that would reduce the time spent by the Air Pollution Control Officer in performing an analysis of the emission from the source. The Air Pollution Control Officer's cost estimate shall be reduced accordingly.
- 313 **TITLE V OPERATING PERMIT FEES:**
313.1 Permit Evaluation and Processing Fees
a. When a Title V application is submitted to the Air Pollution Control Officer pursuant to Rule 207, TITLE V – FEDERAL OPERATING PERMIT PROGRAM, the applicant shall pay a filing fee of \$1,056 per Title V application. In addition, the applicant shall pay the respective fee shown below for the following type of Title V application: The fee for (1) the issuance of an initial Title V operating permit, (2) the renewal of a Title V operating permit, (3) the modification of a Title V operating permit or (4) an administrative Title V permit amendment shall be based on the actual hours spent by the District staff in evaluating the application and processing the operating permit. The fee shall be assessed in accordance with the hourly rate established in Section 308.12.

Revision 7/3/2013

<u>Type of Title V Application</u>	<u>Fee</u>
<u>Initial Title V operating permit</u>	<u>\$1,022 per permit to operate</u>
<u>Title V operating permit renewal</u>	<u>\$445 per permit to operate</u>
<u>Significant Title V permit modification</u>	<u>\$2,798 per permit to operate modified or added</u>
<u>Minor Title V permit modification</u>	<u>\$1,500 per permit to operate modified or added</u>
<u>Administrative Title V permit amendment</u>	
<u>Enhanced New Source Review (NSR)*</u>	<u>\$750 per permit to operate modified or added</u>
<u>Other than Enhanced NSR</u>	<u>\$299 per application</u>

*Pursuant to Rule 202 – New Source Review or Rule 214 – Federal New Source Review

b. Within 30 days of receipt of a Title V application, the Air Pollution Control Officer may notify the applicant that, due to the complexity of the Title V application, the Title V application fees shall be based on the actual hours spent by the District staff in evaluating the application and processing the permit. This fee shall be assessed in accordance with the hourly rate established in Section 308.12. The applicant shall deposit with the District the amount estimated by the Air Pollution Control Officer to be charged for processing the Title V permit application. The applicant may request a conference with the Air Pollution Control Officer to review the cost estimate. The applicant may propose to provide additional information with the application that would reduce the time spent by the Air Pollution Control Officer in reviewing the application. The Air Pollution Control Officer's cost estimate shall be reduced accordingly.

313.2 Annual Title V Fee: In addition to the fees required by Sections 308 and 313.1, an owner/operator of a facility with a Title V operating permit shall pay an Annual Title V Fee of \$225 per permit to operate.

314 **REINSPECTION FEE:** If, during an inspection for the purpose of issuing (1) an initial Permit to Operate, (2) renewal of a Permit to Operate, or (3) any type of Title V operating permit, a permit unit's operation cannot be evaluated or approved due to circumstances beyond the control of the Air Quality Management District, the owner/operator shall pay the actual cost of a reinspection. The fee for the reinspection shall be assessed in accordance with the hourly rate established in Section 308.12.

315 **EMISSION REDUCTION CREDIT BANKING FEE:** Any person who requests to deposit emission reduction credits in the District credit bank or to withdraw emission reduction credits from the District credit bank shall pay a fee based on actual hours spent by the District staff in processing the request. The fee shall be assessed in accordance with the hourly rate established in Section 308.12.

316 **ALTERNATIVE COMPLIANCE APPLICATION PROCESSING FEE:** Any person who submits an application for alternative compliance shall pay an application processing fee of \$105 per hour.

317 **PUBLIC NOTIFICATION FEE:** In addition to the fees required by this rule, the applicant shall pay the actual cost of public notification if a new permit, a permit modification, a Title V operating permit, the deposit of emission reduction credits, or any other actions that must be publically noticed as determined by the Air Pollution Control Officer.

400 ADMINISTRATIVE REQUIREMENTS

401 **NOTIFICATION OF INITIAL PERMIT FEE OR PERMIT RENEWAL FEE DUE:** After the provisions for granting permits as set forth in Division 26 of the Health and Safety Code and these rules and regulations have been complied with or on the renewal date of a permit to operate, the Title V operating permit, or any other action subject to this rule, the

Revision 7/3/2013

applicant/permittee will be notified by mail of the fee due and payable and the date the fee is due. If the fee is not paid by the specified due date, the fee shall be increased by one half the amount and the applicant/permittee shall be notified by mail of the increased fee. If the increased fee is not paid within 30 days after notice the application/permit will be canceled and the applicant/permittee will be notified by mail. A canceled application/permit may be reinstated by payment of the applicable permit fee plus fee increases.

- 402 **NEGOTIATED PAYMENT SCHEDULE:** If a permittee certifies to the Air Pollution Control Officer's satisfaction through declaration that payment in full of Permit to Operate Renewal fees would result in undue financial hardship, the District may negotiate an amended fee payment schedule, provided that the amended schedule includes reimbursing the District for any increased costs of processing the extra payments. Failure to make any payments by any negotiated due date may result in penalties as otherwise authorized in this rule and/or cancellation of the permit.
- 403 **CONSUMER PRICE INDEXING OF FEES:** Except as provided in Section 404, Permit fees may be adjusted on an annual basis. If the Air Pollution Control Officer anticipates the need for a change, the adjustment must initially be proposed as part of the annual budget process. The proposed rate change must meet the requirements of the California Health and Safety Code, including Sections 41512.7(b) and 42311(a). The rate change must be noticed as part of the proposed and final budgets. If the Board of Directors approves a fee change with the final budget, the Air Pollution Control Officer may adjust fees by up to the maximum rate approved by the Board.
- 404 **FEE INCREASES:** Fees shall be increased as follows unless the increase would exceed the limitations in California Health and Safety Code Section 42311(a), in which case, the fee increases will be whatever lesser amount is consistent with 42311(a). Section 403 does not apply where there is a percent listed in the table below:

<u>Stationary Source Permit Fees</u>	<u>FY14/15 (7/25/14-7/24/15)</u>	<u>FY15/16 (7/25/15-7/24/16)</u>	<u>FY16/17 (7/25/16-7/24/17)</u>	<u>FY17/18 (7/25/17-7/24/18)</u>
Sections 303.2, 306.2, 307.2, 308 (except as noted below), 310, 311	4.5%	4.5%	4.5%	2.5%
Section 308.11	15%	15%	14.1%	2.9%
Section 308.7(b) and 308.12	11.2%	4.9%	4.6%	2.9%
Section 313	15%	11.6%	2.1%	2.9%
Section 316	15%	15%	15%	15%

Section 404 shall sunset on July 24, 2018.

**Rule 301 – Summary of Rule Options
July 25, 2013 Board Hearing**

The full Rule 301 ~~strikeout/underline~~ language that has been posted with the public notice implements Option 4B. Additional options are offered for Board consideration. The following identifies the required rule language changes needed if the Board adopts one of the other options.

Option 5B: This option delays building fund balance by evenly spreading the needed fee increase over five years. If this option is adopted, the FY13/14 fees will be changed as shown in the chart at the end of this document and Section 404 will be replaced with the following:

404 FEE INCREASES: Fees shall be increased as follows unless the increase would exceed the limitations in California Health and Safety Code Section 42311(a), in which case, the fee increases will be whatever lesser amount is consistent with 42311(a). Section 403 does not apply where there is a percent listed in the table below:

<u>Stationary Source Permit Fees</u>	<u>FY14/15 (7/25/14- 7/24/15)</u>	<u>FY15/16 (7/25/15- 7/24/16)</u>	<u>FY16/17 (7/25/16- 7/24/17)</u>	<u>FY17/18 (7/25/17- 7/24/18)</u>
Sections 303.2, 306.2, 307.2, 308 (except as noted below), 310, 311	7.4%	7.4%	7.4%	7.4%
Section 308.11	15%	15%	15%	8.1%
Section 308.7(b) and 308.12	7.3%	7.4%	7.5%	7.5%
Section 313	15%	11.6%	2.1%	2.9%
Section 316	15%	15%	15%	15%

Section 404 shall sunset on July 24, 2018.

Option 6B: Option 6B is an option that can be added to Option 4B. It gives a permittee the option of deferring part of their first year of increased renewal fees invoiced between July 24, 2013 and July 24, 2014, and pay that deferred amount plus 25% in the next year's invoice. If this option is adopted, along with the proposed fees in Option 4B, the following language would be added to the rule.

405 DEFERMENT PLAN: A permittee may elect to defer 6.6% of the renewal fee (Sections 303.2 and 308.2 through 308.10) invoiced after July 24, 2013 and before July 25, 2014. The deferred amount will be included with the renewal fee on the next year's invoice. If a permittee elects to defer part of the fee increase, a deferral fee of 25% of the deferred amount will be added. The fees will be due and payable in accordance with Section 401.

Under this option, the effect of the fee increase for each fiscal year is shown in the following table:

Renewal Fees	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18
Option 4B w/ Option 6B	7.4%	12.75%	4.5%	4.5%	2.5%

Comparison of Sections 303, 306, 308, 310 and 311 Fees to Implement Options 4B, 5B, and 6B

RULE 301 - Permit Fees - Stationary Source							
		<i>Initial Fees</i>			<i>Renewal Fees</i>		
		Current Fee	FY13/14	FY13/14	Current Fee	FY13/14	FY13/14
			Option 4B and 6B 15% Fee Increase	Option 5B 7.4% Fee Increase		Option 4B and 6B 15% Fee Increase	Option 5B 7.4% Fee Increase
Section 306.2: Revisions of Conditions with No Increase							
All		\$654	\$752	\$702	N/A	N/A	N/A
Section 308.2: SCHEDULE 1: ELECTRIC MOTOR (HP)							
LEVEL 1	<5	\$654	\$752	\$702	\$326	\$375	\$350
LEVEL 2	5 - <50	\$1,307	\$1,503	\$1,404	\$654	\$752	\$702
LEVEL 3	50 - <200	\$2,615	\$3,007	\$2,809	\$1,307	\$1,503	\$1,404
LEVEL 4	>200	\$5,231	\$6,016	\$5,618	\$2,615	\$3,007	\$2,809
Section 308.3: SCHEDULE 2: FUEL BURNING (MMBTU/HR)							
LEVEL 1	<1	\$326	\$375	\$350	\$163	\$187	\$175
LEVEL 2	1 - <10	\$654	\$752	\$702	\$326	\$375	\$350
LEVEL 3	10 - <50	\$1,307	\$1,503	\$1,404	\$654	\$752	\$702
LEVEL 4	50 - <100	\$2,615	\$3,007	\$2,809	\$1,307	\$1,503	\$1,404
LEVEL 5	>100	\$5,231	\$6,016	\$5,618	\$2,615	\$3,007	\$2,809
Section 308.4: SCHEDULE 3: ELECTRICAL ENERGY (KVA)							
LEVEL 1	<150	\$1,307	\$1,503	\$1,404	\$654	\$752	\$702
LEVEL 2	>=150	\$5,231	\$6,016	\$5,618	\$2,615	\$3,007	\$2,809
Section 308.5: SCHEDULE 4: INCINERATOR (SQ. FT)							
LEVEL 1	<10	\$1,307	\$1,503	\$1,404	\$654	\$752	\$702
LEVEL 2	10 - <40	\$3,924	\$4,513	\$4,214	\$1,963	\$2,257	\$2,108
LEVEL 3	40 - <100	\$5,231	\$6,016	\$5,618	\$2,615	\$3,007	\$2,809
LEVEL 4	>100	\$6,541	\$7,522	\$7,025	\$3,270	\$3,761	\$3,512
Section 308.6: SCHEDULE 5: STORAGE CONTAINER (GALLONS)							
LEVEL 1	<40K	\$1,307	\$1,503	\$1,404	\$654	\$752	\$702
LEVEL 2	40K - <400K	\$5,231	\$6,016	\$5,618	\$2,615	\$3,007	\$2,809
LEVEL 3	>400K	\$6,541	\$7,522	\$7,025	\$5,231	\$6,016	\$5,618
Section 308.7.a: SCHEDULE 6.a: GASOLINE DISPENSING (NOZZLES)							
LEVEL 1	Phase II Exempt	N/A	N/A	N/A	\$315	\$362	\$338
LEVEL 2	< 7 Nozzles	\$1,223	\$1,406	\$1,314	\$612	\$704	\$657
LEVEL 3	8 or more Nozzles	\$173/nozzle	\$199/nozzle	\$186/nozzle	\$87/nozzle	\$100/nozzle	\$93/nozzle
Section 308.8: SCHEDULE 7: IC ENGINES (HP)							
LEVEL 1	<50	\$326	\$375	\$350	\$163	\$187	\$175
LEVEL 2	50 - <250	\$654	\$752	\$702	\$326	\$375	\$350
LEVEL 3	250 - <500	\$1,307	\$1,503	\$1,404	\$654	\$752	\$702
LEVEL 4	500 - <1000	\$2,615	\$3,007	\$2,809	\$1,307	\$1,503	\$1,404
LEVEL 5	>1000	\$5,231	\$6,016	\$5,618	\$2,615	\$3,007	\$2,809
Section 308.10: SCHEDULE 9: MISC							
LEVEL 1	ALL	\$1,307	\$1,503	\$1,404	\$654	\$752	\$702
Section 303.2: RENEWAL EMISSION FEE FOR CO, NOX, ROG, SOX or TSP							
Any Pollut Schedule 6 (per ton)		N/A	N/A	N/A	\$58	\$67	\$62
Any Pollut All Other (per ton)		N/A	N/A	N/A	\$60	\$69	\$64
Section 310: DUPLICATE PERMITS							
All		\$20	\$23	\$21	N/A	N/A	N/A
Section 311: SOURCE TEST OBSERVATION AND EVALUATION REPORT							
Source Test (First 10 Hours)		\$1,307	\$1,503	\$1,404	N/A	N/A	N/A

Attachment E

**Staff Report for Rules 107 and 301
(including comments and responses)**

**SACRAMENTO METROPOLITAN
AIR QUALITY MANAGEMENT DISTRICT**

STAFF REPORT

Proposed Amendments

Rule 107 – Alternative Compliance

Rule 301 – Permit Fees – Stationary Source

June 24, 2013

Prepared by: David Yang
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Approved by: Brigette Tollstrup
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000038

INTRODUCTION

The District's overall mission is to achieve clean air goals by leading the region in protecting public health and the environment through innovative and effective programs, dedicated staff, community involvement, and public education. Control of pollution emitted by stationary sources is an essential part of that mission. Many stationary sources are subject to numerous federal, state and District regulations and are required to obtain permits to operate. The rules proposed for amendment pertain to the District's stationary source program elements that evaluate permits applications to ensure compliance with air quality regulations, including necessary air pollution controls, and conduct inspection and enforcement activities to maintain a high level of compliance.

Historically, state and federal grants have partially offset the cost of the stationary source program. However, those revenues are required to support the unpermitted source element of the program. Fees provide the majority of the support to the permit program. Fees are charged for the issuance and renewal of permits, source test observations and report evaluations, and Title V federal operating permits (for the largest sources). The current fees do not fully cover costs and reserve funds have reached critically low levels. In fiscal year (FY) 13/14, reserve funds will run out and jeopardize the District's ability to meet its responsibilities.

Staff is proposing to amend two rules to increase fees to the level necessary to fully recover the cost of the stationary source program: Rule 107 – Alternative Compliance and Rule 301 – Permit Fees - Stationary Source.

BACKGROUND

The Sacramento Metropolitan Air Quality Management District is the agency with primary responsibility for achieving and maintaining clean air standards in Sacramento County. The District currently does not meet state and federal health standards for ozone, and state health standards for particulate matter with an aerodynamic diameter of 10 microns or less (PM10), and particulate matter with an aerodynamic diameter of 2.5 microns or less (PM2.5). Ozone is a strong irritant that adversely affects human health and damages crops and other environmental resources. As documented by the U.S. Environmental Protection Agency (EPA)¹, both short-term and long-term exposure to ozone can irritate and damage the human respiratory system, resulting in:

- decreased lung function;
- development and aggravation of asthma;
- increased risk of cardiovascular problems such as heart attacks and strokes;
- increased hospitalizations and emergency room visits; and
- premature deaths.

Particulate matter (PM) is a mixture of very small liquid droplets and solid particles. According to the EPA, health studies have linked exposure to particulate matter, especially fine particles,

¹ "Air Quality Criteria for Ozone and Related Photochemical Oxidants", U.S. EPA, February 2006.

to several significant health problems, including:

- Increased respiratory symptoms, such as irritation of the airways, coughing, or difficulty breathing;
- Decreased lung function;
- Aggravated asthma;
- Development of chronic bronchitis;
- Irregular heartbeat;
- Nonfatal heart attacks;
- Premature death in people with heart or lung disease; and
- Increased risk of cardiovascular and cerebrovascular events in post-menopausal women.

State and federal laws require the District to attain the health standards for these nonattainment pollutants, maintain compliance with health standards for other pollutants, and protect the public from emissions of toxic air contaminants. Control of pollution from stationary sources is the primary function of the District². The overall stationary source program consists of the following elements:

- Permit Program: develops and implements prohibitory rules affecting permitted sources, issues and enforces local air quality permits, updates permitted sources' emissions inventories, processes emission reduction credits (ERCs), maintains and updates the ERC bank registry, responds to public complaints at permitted sources, and supports the Sacramento County Business Environmental Resource Center (BERC). The permit program also implements the Title V operating permit program, which requires the District's largest emissions sources to obtain federally enforceable permits.
- Air Toxics Program: evaluates toxic-emitting facilities subject to the Air Toxics "Hot Spots" Information and Assessment Act³.
- Unpermitted Source Program: develops and implements prohibitory rules affecting unpermitted sources including some consumer products, small commercial sources, residential or mobile sources; updates emissions inventories; conducts compliance activities and responds to public complaints at unpermitted facilities. The unpermitted source program also includes the activities related to Rule 421 – Mandatory Episodic Curtailment of Wood and Other Solid Fuel Burning, also known as the "Check Before You Burn" program.
- Portable Equipment Registration Program (PERP): inspects portable equipment registered with the California Air Resources Board (CARB) that operates in Sacramento County.
- Agricultural Burning and Engine Registration Programs: oversees the agricultural burn program implemented by Sacramento County Agricultural Commissioner and registers and inspects engines used in agricultural operations that are subject to the state Airborne Toxic Control Measure (ATCM) for Stationary Compression Ignition Engines⁴.
- Asbestos Program: reviews and enforces plans that minimize the release of asbestos

² California Health and Safety Code Section 40000.

³ California Health and Safety Code Sections 44300-44394.

⁴ California Code of Regulations, Title 17, Section 93115.

fibers during activities involving the removal, processing, handling and disposal of asbestos-containing materials.

- Basinwide Air Pollution Control Council (contract): provides the District's share of financial support to the Sacramento Valley Basinwide Air Pollution Control Council (BCC). The BCC is authorized by state law to develop the air basin's Smoke Management Plan, and works in conjunction with the local districts within the basin to minimize the air quality impacts of agricultural burning and to comply with state requirements for reducing rice straw burning.

A robust District stationary source program is essential to the local business community because it provides timely permits, standard environmental review, reduces the likelihood of state and federal interventions in local business permitting and compliance decisions, and allows the District to tailor air pollution control measures to meet local community needs. Local implementation maintains a level playing field for compliant businesses and provides quick responses to citizen complaints.

Funding for the stationary program is derived from fees established in District rules for activities related to stationary sources, CEQA mitigation funds, as well as discretionary funding from federal and state grants, and civil settlements. For the past several years, program revenues have not been sufficient to cover the program cost, and the District has been using the existing stationary source fund balance (i.e., a reserve account) to make up the differences. The stationary source fund balance has reached a critically low level and funding source from other District programs, such as funding for mobile source programs, is restricted and cannot be used to fund the stationary source program.

Fees must be increased to fully fund the stationary source program, restore the permit program fund balances, and meet cash flow needs. Staff has performed a detailed analysis of program costs and revenues that form the basis of the fee proposal.

LEGAL MANDATES

Section 42300 of the California Health and Safety Code (HSC) authorizes the District to establish, by regulation, a permit system that requires any stationary source that may emit air contaminants to obtain a permit from the Air Pollution Control Officer. HSC Sections 42311 and 41080 authorize the District to adopt, by regulation, a fee schedule to cover the cost of District programs related to permitted stationary sources. HSC Section 42311 also authorizes annual fee adjustments based on changes in the Consumer Price Index (CPI), defined in Revenue and Taxation Code Section 2212 as the percentage change from April 1 of the prior year to April 1 of the current year in the California Consumer Price Index for all items. Increases to existing permit fees are restricted by HSC Section 41512.7(b) to no more than 15% in any calendar year. In some cases, this 15% per year limit on fee increases precludes reaching full cost recovery with one fee adjustment. HSC Section 42311(a) states:

“...the fees assessed under this section shall not exceed, for any fiscal year, the actual costs for district programs for the immediately preceding fiscal year with an adjustment not greater than the change in the annual California Consumer

Price Index..., for the preceding year. Any revenues received by the district pursuant to the fees, which exceed the cost of the programs, shall be carried over for expenditure in the subsequent fiscal year and the schedule of fees shall be changed to reflect that carryover."

This statute requires an annual assessment of permit program costs and revenues and fee adjustments, if necessary, to ensure that the fee revenues do not exceed program costs. The proposed fees are based on our best cost and revenue projections at this time. The increase needed exceeds the 15% limit, therefore, increases are proposed for several fiscal years. If projected costs decline, or revenues increase, beyond our current projections, the proposed FY14/15 and later fee increases must be reduced to equal the revised projected costs.

For the Title V operating permit program, Title 40 of the Code of Federal Regulations Part 70.9 requires the District to establish a fee schedule that is sufficient to cover the Title V permit program cost. These costs include, but are not limited to, the cost to prepare generally applicable regulations or guidance regarding the permit program or its implementation or enforcement, to evaluate and act on Title V permit applications (initial permits, permit renewals, administrative amendments, and minor or significant modifications), to implement and enforce the program, to prepare emission inventories, and the general administrative costs of running the permit program.

REVENUE OVERVIEW

Fee rules or programs that support the stationary source programs include:

- Rule 301 – Permit Fees – Stationary Source, for the permit program, including Title V and emission reduction credit processing.
- Rule 107– Alternative Compliance, Section 401, has the fee for processing permit applications that request using emission reduction credits as an alternative to traditional rule compliance.
- Rule 205 – Community Bank and Priority Reserve Bank Sections 312⁵ and 313, emission reduction credit processing from the District's credit banks.
- Rule 306 – Air Toxics Fees, for the air toxics program.
- Rule 311 – Registration Fees for Agricultural Compression Ignition Engines for the agricultural engine registration program.
- Rule 304 – Plan Fees, for the asbestos program.
- PERP fee revenue.

The unpermitted source program is funded with state and federal grants, civil settlements, and CEQA mitigation fees revenues. These revenues are described below:

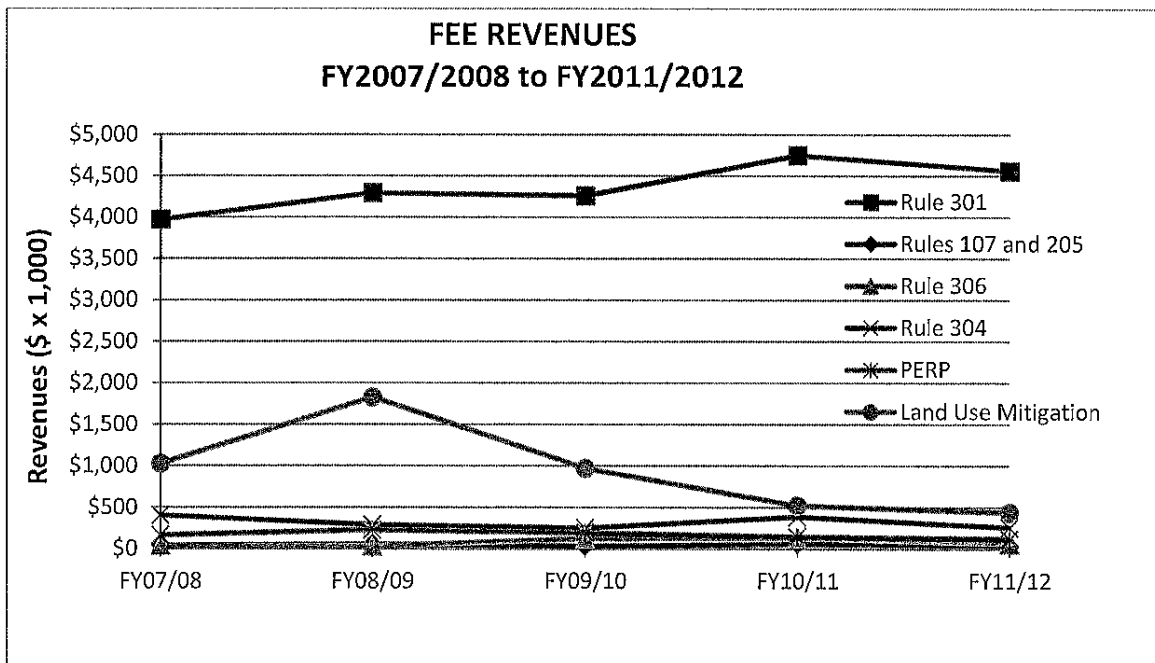
- EPA 105 Grant: Section 105 of the Federal Clean Air Act authorizes the EPA to provide grants to support state or local air pollution control agencies to implement air pollution control programs. These grants may be used to supplement funding to cover the

⁵ Only the administrative fee for processing the loan application.

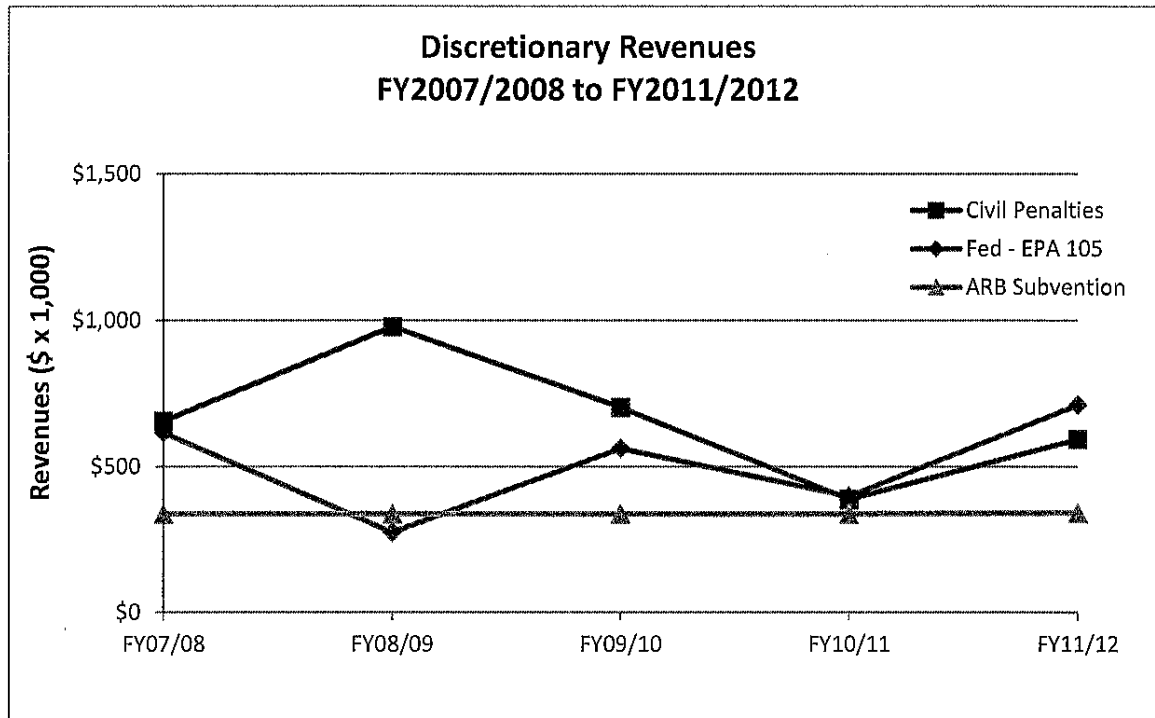
stationary source program costs, but cannot be used to cover the cost associated with the Title V permitting program.

- CARB Subvention Money: HSC Sections 39801-39811 authorize CARB to provide money to help the local air districts to implement programs to reduce air contaminant emissions from stationary sources.
- Civil Settlements: Civil settlements are penalties received for violations of District rules and regulations. Most violations are resolved through the Mutual Settlement Program, a voluntary program designed to settle violations in lieu of filing an action in court to recover civil or criminal penalties pursuant to HSC Sections 42400-42402.
- CEQA Mitigation Fee Revenue: CEQA mitigation fees are received when project developers choose to pay fees in lieu of reducing emissions on site when emissions from land use projects exceed the air quality significance thresholds. These fees are then used to fund innovative projects that will result in emission reductions for Sacramento County. The District uses land use mitigation fee revenue on a temporary basis, to achieve emission reductions from the District's wood smoke programs⁶.

The following figures show the revenues from the fee rules or programs and the discretionary revenues. From FY 07/08 to FY11/12, fee revenues and discretionary revenues remained fairly constant. Program costs will continue to increase with inflation. As such, the District will rely more heavily on the stationary source fund balance or will need to increase fees to cover the program costs because the District cannot be certain of the amounts that will be received from grants and settlements.



⁶ The "Check Before You Burn" Program and the Wood Stove and Wood Fireplace Change Out Incentive Program.



FEE STUDY

In 2007, Staff hired an independent consultant to review the fees for the stationary source programs. The fee study was completed in 2009, and a copy is included in Appendix C. The study concluded that fee revenues were not sufficient to recover all program costs related to Rule 301, Title V, Rule 304, and Rule 306. The following table shows the program shortfalls for FY06/07, the fiscal year analyzed:

	Total Costs (FY06/07)	Total Revenues (FY06/07)	Program Shortfall
Rule 301 (excluding Title V)	\$6,071,770	\$3,949,458	\$2,122,312
Title V	\$115,652	\$27,798	\$87,854
Rule 304	\$596,826	\$274,150	\$322,676
Rule 306	\$131,104	\$42,051	\$89,053

The fee study cautioned that grant and settlement (discretionary) funding sources are not guaranteed to be available or sufficient in the long-term to support program costs. In addition, as the District adopts and implements new programs needed to meet state and federal mandates that do not have dedicated revenue streams, the District will need to fund those programs with discretionary revenues. To avoid exhausting limited discretionary revenue streams, the fee study recommended that the District fully recover the cost of the stationary source programs so that they can be supported without the need of revenue from other sources. The fee study recommended several procedural changes to the District's implementation of the

permit program that would not require fee rule amendments, such as charging emissions fees for all pollutants instead of just one pollutant for boilers, crematories, and engines, and charging source test fees for gasoline dispensing facilities (GDFs). In 2010, the District reviewed the fee rules and implemented these recommendations. In addition, the District reviewed the fee schedule and re-assigned standby engines from miscellaneous fee schedule to the engine fee schedule. These procedural changes increased revenues by approximately \$430,000⁷.

The fee study also recommended several changes that would require modifications to the fee rules. These changes included:

- Increase initial and renewal permit fees in Rule 301 to cover more of the permit program cost.
- Revise the hourly rate in Rule 301 to accurately capture all costs associated with the permit program cost.
- Implement a new annual Title V fee in Rule 301 to cover the activities that are not covered in the current Title V operating permit fees. The current Title V operating permit fees only recover the time spent processing Title V applications.
- Increase air toxics fee and add the authority to adjust fees in relations to the Consumer Price Index (CPI) in Rule 306.

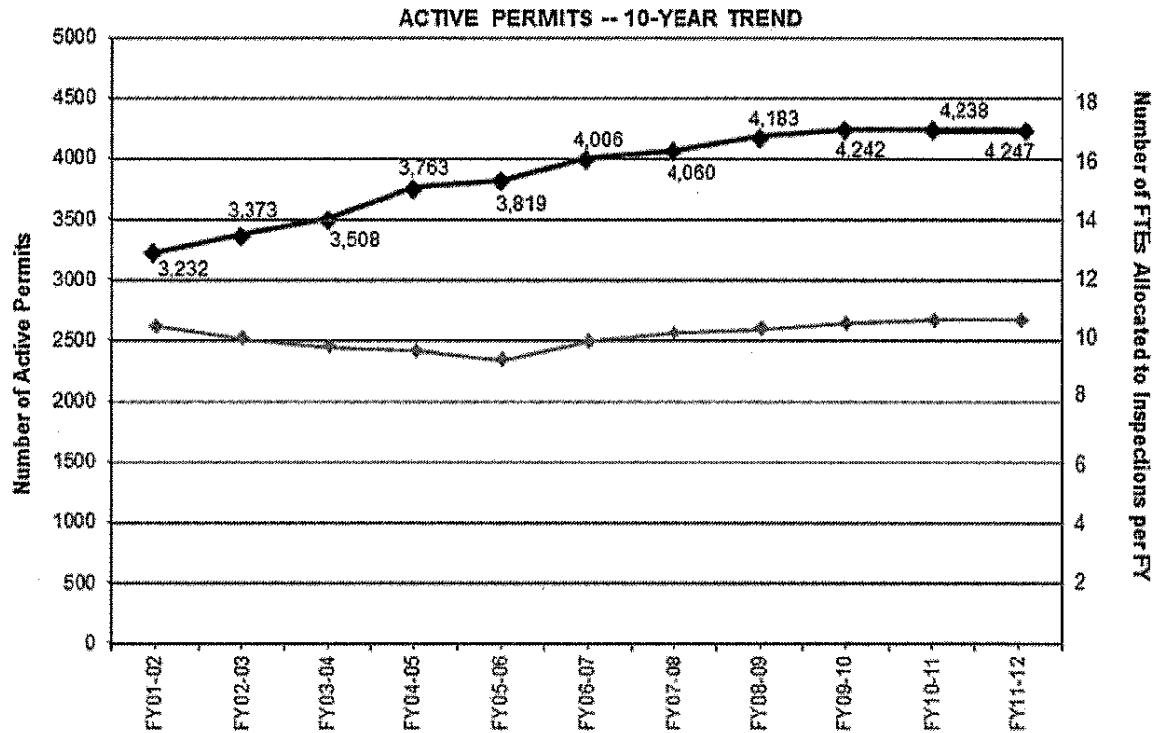
After the fee study was completed, Staff considered implementing the recommendations to amend rules to increase fees; however, Staff decided to defer the needed fee increases because local businesses were being adversely impacted by the downturn in the economy.

COST SAVING ACTIONS

We have taken several actions to avoid fee increases by improving program efficiencies and reducing cost. The District reduced staffing levels by approximately six staff positions in the stationary source program⁸ since 2008. The employee association voluntarily waived the contracted cost of living adjustment for FY 09/10 and FY10/11, a minimum of 2% each year, to help minimize program cost increases. The current reduced Staff level is needed to effectively implement air quality programs. Since the last comprehensive fee increase in 2001, the District, CARB or EPA has adopted 79 rules or regulations requiring additional time to implement and enforce. In addition, the number of permits has increased as seen the following figure.

⁷ Letter to Board of Directors, Subject: Conduct a Public Hearing and Adopt Resolution Approving Use of FY10/11 SMAQMD Proposed Budget pending approval of the Final Budget, May 27, 2010.

⁸ Two inspectors, one permit engineer, one clerical, one program coordinator (40% allocated), and one administrative division manager (40% allocated).



Other changes to handle increased and more complex workload with reduced staff include:

- Staff has developed equipment-specific procedures manuals for common permitted stationary sources, including but not limited to boilers, internal combustion engines, automotive coating operations, and GDFs. Each manual outlines the regulatory requirements and information needed for each type of operation and are available to the public through the District's website. In addition, Staff has developed equipment-specific application forms, engineering evaluation templates, and permit templates for these common stationary sources. These manuals, forms, and templates are used by the District to streamline the application process. This process ensures that the applicant receives the permit in a timely manner so that there are no delays in any projects.
- Staff has improved inspection forms to reduce the time to fill and complete an inspection report. In addition, sources with multiple permits have been consolidated into a single inspection report to reduce writing repetitive information.
- Staff has developed expertise in areas such as GDFs, Title V operating permits, source test methodologies, soil vapor extraction operations, air toxics, and portable equipment, which allows for quicker inspections and reduction in training costs.
- The District has reduced travel and fuel cost by attending trainings locally or over the internet, conducting meetings via phone or internet, purchasing fuel-efficient hybrid vehicles, and reducing the number of vehicles in the District's fleet.
- Staff has arranged with other local government agencies to allow remote parking of District vehicles. This allows field Staff to be more efficient by beginning their day closer to the permitted facilities instead of coming into the office.

- The District has improved its data management, which allows quicker access to data and better data storage. This allows Staff to efficiently work on applications and/or permits by reviewing pertinent historic data from specific stationary sources. The improved data management also allows Staff to remotely access files, email, and other resources while away from the office, which reduces back and forth travel time.
- The District's working relationship with local building departments has streamlined the demolition/renovation asbestos plan process, which allows Staff to focus more resources on unnotified jobs where noncompliance with asbestos requirements is likely to be greater.
- The District has established an electronic payment system which is available on the District's website. This service expands the District's payment options to accept major credit cards and debit or pre-paid debit cards. It also reduces Staff time to process in-office payments.
- The District refinanced the mortgage for the building, lowering the indirect cost to the stationary source programs.
- The District reduced funding to the Business Environmental Resource Center (BERC).
- The District's public notification method for rule development has changed from paper-based mailing to electronic mailing. This change reduces Staff time in preparing a public notification and lowers the public notification cost because there are fewer resources involved (i.e. no printing services or stamps needed).

FEE RULE DISCUSSION AND SHORTFALLS

Permit Program: Rule 301, Permit Fees – Stationary Source establishes fees for processing new or modify existing permits, issuing and amending Title V permits, renewing local and Title V permits, processing ERC applications, and depositing or withdrawing ERCs from the District credit bank.

The last amendment to Rule 301 where fees were increased by more than the CPI⁹ was in 2001¹⁰, which increased fees by 15%. The amendment also added language which allows the Air Pollution Control Officer, with approval from the Board of Directors, to adjust fees annually (as part of annual budget process) to reflect the change in the CPI. The annual adjustment of fees is necessary to meet increased costs due to inflation, help maintain the District's level of service, and avoid later large fee increases. Since 2001, fees were annually adjusted by the CPI. In FY09/10 and FY11/12, the Board of Directors deferred a CPI adjustment for the fees because of the struggling economy at that time¹¹. The CPI changes in FY09/10 and FY11/12 were 3% and 1.8%, respectively. Foregoing CPI increases for those two years makes the fees 4.9% percent lower in FY13/14 than they would be if the CPI increases had been approved. The CPI deferral contributed to the shortfalls in the stationary source program.

⁹ California Consumer Price Index for all items, in accordance with Revenue and Taxation Code Section 2212.

¹⁰ Rule 301 was amended in 2005 to add fees for small units subject to Rule 411 – NOx from Boilers, Process Heaters and Steam Generators; however this amendment did not increase fees.

¹¹ No CPI adjustment was proposed for FY10/11 because the CPI change was 0%.

In FY13/14, the cost of the general permit program is approximately \$5,210,000. Revenues from initial permit fees, renewal fees, source test fees, reinspection fees, ERC processing fees, and District ERC Bank loan renewal fees cover approximately 90% of the program cost, leaving a shortfall of approximately \$495,000.

Title V Program: In addition to the local permits, the federal Clean Air Act requires federal operating permits, known as Title V permits, for our major sources that are subject to Rule 207 – Title V – Federal Operating Permit Program. These major sources pay both local permit fees and Title V permit fees. Title V fees are established in Rule 301.

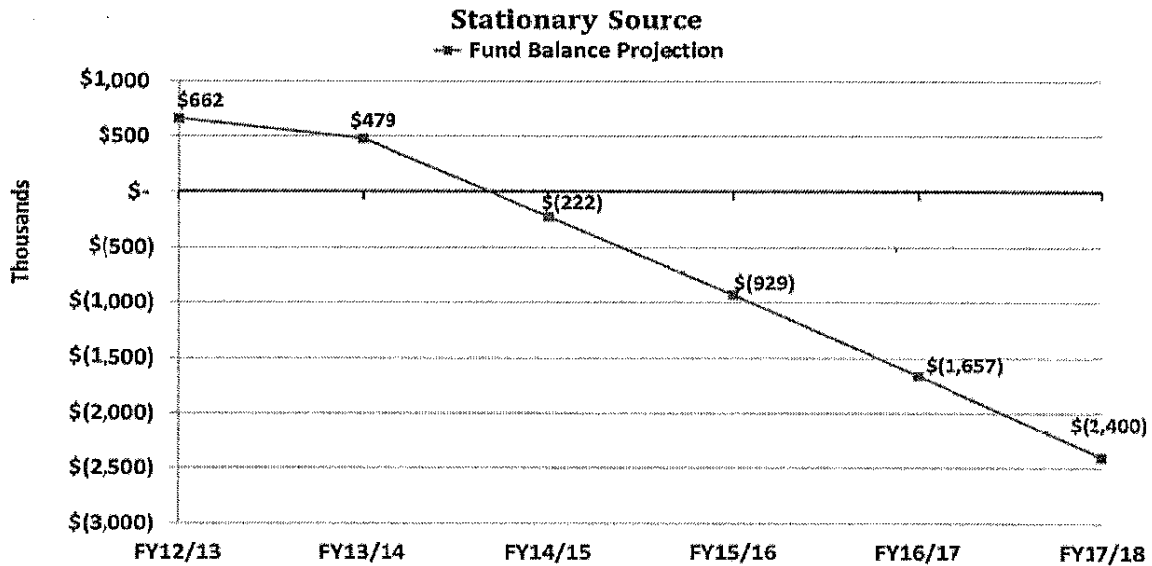
Title V permits are typically renewed every five years. In the periods between the renewals, Title V permits may undergo three types of permit changes: administrative amendments, minor modifications or significant modifications. The current Title V fee assesses an hourly rate established in Section 308.12 of Rule 301 for the actual time spent on processing Title V permit renewals or permit changes. The hourly rate fee does not authorize including costs for other activities associated with the program, such as compliance inspections, enforcement activities, training, and reporting to EPA. Revenues from the Title V program vary from year to year depending on the number of permits modified and the number of sources renewing their Title V permits.

Staff presented proposed Title V fees at the Board hearing on May 23, 2013. At that time, Staff had calculated the annual average Title V permit revenue based on the past five years (FY07/08 to FY11/12) to be approximately \$64,000. However, that calculation did not take into account revenue from a recently paid invoice that included Staff time spent processing a Title V renewal application during the FY07/08 to FY11/12 period. Staff has included the additional revenue and recalculated the average annual revenue, which is approximately \$74,000.

In FY13/14, the cost of the Title V operating permit program is approximately \$186,000. The program shortfall is approximately \$112,000, or 60% of the program cost.

FUND BALANCE

Staff has continued to review and project the costs and revenues in the stationary source program. For the past several years, program revenues have not been sufficient to cover the program cost, and the District has been using stationary source fund balance to make up the differences. The following figure shows the consumption of the existing stationary source fund balance. As shown in the figure, the stationary source fund balance has reached a critically low level, and the District is projected to consume its remaining funds by the middle of FY13/14.



The Board's fund balance policy¹² specifies that the fund balance be equivalent to three months of operating revenues or expenditures because it may take a maximum of three months to receive approval from the Board to remedy a financial problem.

Staff has implemented several procedural changes to increase revenues, many cost saving actions to be more efficient, and reduced the number of staff to maintain program cost in order to avoid fee increases. However, the District has reached a critical point and can no longer defer the needed fee increases recommended by the 2009 fee study.

MAY 23, 2013 BOARD HEARING

At the May 23, 2013 Board hearing, Staff proposed 12 options to increase fees in Rule 301. Each option involved different policy decisions and phase in the fee increases over a five-year period. The key policy decisions that determined the fee increase amounts were: the rate at which to restore the fund balance, whether to allow sources an option to delay a portion of the fee increases, the addition of the Division Manager for Administrative Services, and the method for distributing the District ERC Bank costs

The Board decided on two of the four key policies by adopting amendments to two rules: Rule 306 – Air Toxics Fees and Rule 205 – Community Bank and Priority Reserve Bank. The Board adopted Option B for Rule 306, which included fee increases necessary to fund a part of the cost of restoring the Division Manager for Administrative Services in FY14/15. The Board also

¹² The policy was approved by the Board on May 23, 2013.

adopted a modified Option 3 for Rule 205¹³, which allocated a 70% of the District ERC Bank cost to the sources that are taking loans from the District Bank and 30% of the District ERC Bank cost to all permit holders. The effect of this change in the ERC Bank allocation rate reduced Rule 301 fee increases by 0.1%-0.2%.

The adoption of Rules 205 and 306 in May 2013 reduced the options in Rule 301 to 3, leaving Options 4B, 5B, and 6B. Options 1-3 were eliminated because the fee increases in these options did not include the portion of the District ERC Bank cost that was allocated to all permit holders. The "A" options were eliminated because only the "B" options provide Rule 301 fee increases necessary to fund the rest of the stationary source portion of the Administrative Division Manager position in FY14/15. Each of these remaining options is discussed in the "Proposed Amendments" section.

Several changes were made since the May 2013 Board hearing. The percent fee increase amounts for the Rule 301 options were reduced due to the change in the ERC bank cost allocation.

- For Option 4B, the fee increase amount was reduced by 0.2% each year from FY14/15 to FY17/18, to 4.5%.
 - Note: In FY17/18, the fee increase amount was reduced by an additional 2% in order to avoid exceeding the target stationary source fund balance.
- For Option 5B, the fee increase amount was reduced by 0.1% each year from FY13/14 to FY17/18, to 7.4%.
- For Option 6B, the deferral amount was reduced by 0.2% to 6.6% of the total renewal fee.
- In all options, the hourly rates were recalculated.

Also, Staff is no longer proposing an additional year (FY18/19) of fee increases for the hourly rate to process alternative compliance. Staff will re-evaluate the program costs and revenues as the proposed fees are phased in to determine the appropriate rate in FY18/19.

In addition, Staff established lower Title V application processing fees and a slightly higher annual Title V fee. The changes to the Title V fees are discussed in the "Proposed Amendments" section for the Title V program. See Appendix A for the detailed summary of the changes that have been made to the rule language and to each option since the May 2013 Board hearing.

PROPOSED AMENDMENTS

The significant proposed amendments for Rules 107 and 301 are summarized below. For a detailed list of changes, see Appendix A.

¹³ Staff's original proposal was to allocate half of the District ERC Bank cost to the sources who are taking loans and half to all permit holders. At the May 2103 Board hearing, the Board modified the allocation of the program cost prior to the adoption of Rule 205.

Rule 107 – Alternative Compliance

Rule 107 allows the use of emission reduction credits as an alternative compliance option for business that might need additional time, or for various reasons want relief from specified requirements in the District's Regulation 4. Rule 107 requires the owner or operator of a stationary source requesting alternative compliance to submit an Authority to Construct application and pay an application processing fee. Rule 107 Section 401 has not been changed since adoption in 1996. The application processing fee is \$91 per hour.

All alternative compliance applications require a new permit or revisions to an existing permit. Therefore, Staff proposes to move the alternative compliance application processing fee from Rule 107 to Rule 301. Staff will remove the application processing fee established in Rule 107 and instead reference the proposed application processing fee in Rule 301. Also, Staff is proposing to make other non-substantial changes, such as updating prohibitory rule titles in Rule 107.

Rule 301 – Permit Fees – Stationary Source

Staff is proposing the following significant amendments to Rule 301. The current fees, proposed fees for FY13/14 to FY17/18 (excluding Title V fees), and number of permits in each fee schedule are shown in Appendix B. A detailed summary of the stationary source program projected expenditures and revenues with the proposed fee increases for FY13/14 through FY17/18 are shown in Appendix E.

General (Local) Permit Program: Staff is proposing to increase all existing fees by 15% in FY13/14. This fee increase will restore approximately 7% of the needed permit program fund balance. Future fee increases are needed to maintain current Staffing levels, restore the Division Manager for Administrative Services in FY14/15, and fully restore the permit program fund balance. See below in section "Additional Fee Increases Starting FY14/15" for more details.

Change of Name: Staff is proposing a new fee for a change in name or operator where a change in ownership and/or location has not occurred. This fee is established to recover Staff's time to update the name for each permit to which the requested name change pertains in the District's database. Staff is proposing to add a name change fee to Section 307.2 of \$66 for the first permit and \$28 for each additional permit.

Source Test Fee for Gasoline Storage and Dispensing Equipment: Beginning in FY10/11, facilities with gasoline storage and dispensing equipment have been subject to a revised source test fee. Although the current fee in Rule 301 to observe a source test and review a source test report is \$1,307, in May 2010, after consultation with District counsel, Staff notified gasoline dispensing facilities (GDFs) that the source test fee is too high relative to the time required for gasoline storage and dispensing equipment. The notice stated that the District will assess an annual source test fee based on the hourly rate established in Section 308.12 instead, using an average of 1.5 hours of work per year for underground tanks and an average of 0.75 hours of work per year for aboveground tanks. The current fee charged for an underground tank is \$204 and for an aboveground tank is \$102 based on an hourly rate of \$136 per hour. Staff is proposing to include this in Rule 301 Section 308.7(b) as part of the renewal fee for GDFs. The

proposed fees are \$234 for underground tanks and \$117 for aboveground tanks, 15% higher than the current fees based on the proposed hourly rate of \$156 per hour.

Some GDFs, such as GDFs at marinas, are exempt from one part of the testing requirements (Phase II¹⁴ vapor recovery). Currently, these facilities do not pay a fee for this review. Staff is proposing to establish a fee for sources that are required to perform source tests only for the transfer of gasoline into stationary storage containers (Phase I¹⁵) rather than having other fee payers subsidize that activity. Staff estimates an average time of 0.5 hours per facility, and is consequently proposing an annual source test fee of \$78 for facilities subject only to Phase I requirements.

Time and Materials Labor Rate Fee: Rule 301 establishes two hourly rates for time and materials: \$109 per hour in Section 308.11 for processing complex permit applications as specified in Section 301.1 and \$136 per hour in Section 308.12 for processing permits for electrical generating equipment greater than 5 megawatts subject to fee schedule 8 (Section 308.9), observing multiple source tests exceeding 10 hours of review (Section 311), performing reinspections (Section 314), processing applications for new emission reduction credits (Section 315), and processing Title V permit applications (Section 313). For processing Title V permit applications, Staff is proposing to modify the fee structure. See “Title V Program Fee” below for further discussion.

Staff reviewed the hourly rates to determine if they were sufficient to recover the cost of one hour of Staff time provided to the applicant or permit holder. The hourly rate was determined by dividing the total stationary source permit program cost by the number of Staff in the stationary source program and the total number of hours worked per year by each Staff person. The total program costs include staff labor, services and supplies, building, vehicles and other administrative overhead costs. For FY13/14, the actual hourly rate needed is \$167. See Appendix F for more information. However, because fee increases are capped at 15% per year, Staff is proposing to increase the hourly rates by 15%, to \$125 in Section 308.11 and \$156 in Section 308.12. Future fee increases are necessary to reach full cost recovery. See below in section “Additional Fee Increases Starting FY14/15” for more details.

Title V Program Fees: Major sources¹⁶ must obtain a Title V permit in addition to their local permits. That permit defines requirements subject to federal enforcement and provides an expanded process for citizen review. Currently, the Title V operating permit fee is based on the actual time spent processing a permit application at an hourly rate specified in Rule 301 Section 308.12. The average annual revenue is approximately \$74,000 over the past 5 years. The projected FY13/14 Title V program cost is \$186,000. There is no fee, currently, to cover the costs for Title V annual activities, such as inspections, reporting, and training. Staff investigated

¹⁴ Rule 449 – TRANSFER OF GASOLINE INTO VEHICLE FUEL TANKS

¹⁵ Rule 448 – GASOLINE TRANSFER INTO STATIONARY STORAGE CONTAINERS

¹⁶ A stationary source that has the potential to emit 25 tons or more per year of nitrogen oxides or volatile organic compounds, 100 tons or more per year of any other regulated air pollutant, 10 tons or more per year of any hazardous air pollutant or 25 tons or more per year of any combination of hazardous air pollutants.

Title V program fees in other air districts to identify other fee structures that would address this problem and eliminate the shortfall.

Only two districts have addressed this problem. South Coast Air Quality Management District (SCAQMD) uses a combination of hourly rate fees and flat-rate fees. The flat rate annual fee recovers annual costs of Title V activities. Bay Area Air Quality Management District (BAAQMD) uses flat fee rates for processing the different type of Title V applications, including an application fee, and set annual fees for on-going activities related to the Title V program and monitoring fees for facilities with continuous emissions monitors or parametric emission monitoring systems.

Staff proposes to adopt the BAAQMD fee structure, without the monitoring fee, as shown in the table below. Staff did not propose the SCAQMD fee structure because the hourly rate structure is difficult to implement consistently and requires extra effort to track staff hours; some Title V activities overlap with local permit activities; and the flat rate annual fee is the same for all sources and does not account for the number of permitted emission units or processes of each Title V permit.

Type of Title V Application	Proposed SMAQMD Fee for FY13/14
Application Filing Fee*	\$1,056 per application
Initial Title V Operating Permit	\$1,022 per local permit
Title V Operating Permit Renewal	\$445 per local permit
Significant Title V Permit Modification	\$2,798 per local permit modified or added
Minor Title V Permit Modification	\$1,500 per local permit modified or added
Administrative Title V Permit Amendment	
Enhanced New Source Review	\$750 per local permit
All Other	\$299 per application

*Application filing fee is required for each Title V application submitted.

An average of approximately \$74,000 was collected annually during the five-year period from FY07/08 to FY11/12. The calculation of fee amounts presented at the May 23rd Board hearing for equivalent cost recovery assumed only one permit to operate was modified for each significant or minor modification and that all local permits were current (no changes to the permits) during the Title V renewal.

Since that time we have learned that, historically, multiple local permits have been included in each application for a Title V permit modification. In addition, during the renewal process, new local permits were added to the Title V permit without separate applications for modifications¹⁷. The number of local permits included in each modification and renewal that occurred from FY07/08 through FY11/12, and the current number of local permits held by each Title V facility were used to project future permit activities. Applying the proposed new fee structure to that projected permit activity allows us to project future revenues and determine the appropriate fees.

¹⁷ Tracking the number of modifications was not necessary when fees were based on the total number of hours to process permits. A commenter identified this flaw in our analysis. Staff reviewed permit evaluations to generate data needed to correctly apply the new fee structure.

1. We assumed one Title V permit renewal will occur in the 5-year period for each Title V facility. For each Title V facility, the renewal fee will be based on the current number of local permits¹⁸. For applications to modify or add local permits that were submitted with the Title V permit renewal application, these permits were assumed to be part of the permit renewal process and subject to the Title V permit renewal fee.
2. For administrative amendments or minor or significant modifications, we used the actual number of local permits that were modified for each Title V application from FY07/08 to FY11/12. Applications to modify or add local permits that were submitted after the Title V permit renewal application, but incorporated during their Title V renewal, were treated as minor modifications. Under the proposed rule, the facility would pay one application filing fee for each application. Because separate permit applications were not required, we determined the number of application filing fees using local permit issue dates. Permits with the same issue dates were treated as if there was one application for them.
3. The BAAQMD fees were applied to the Title V activities and permit renewals that occurred in the 5-year period.
4. The fee for each application type was increased by the same percentage until the annual average revenues based on the new fee structure equaled the annual average revenue during FY07/08 to FY11/12, approximately \$74,000.
5. The proposed fees for FY13/14 were set by increasing each fee from Step 4 by 15%, the maximum allowed by HSC Section 41512.7.

Since the May 2013 Board hearing, we have also learned that three local permits associated with a Title V permit were reviewed using the Enhanced New Source Review (ENSR) procedure pursuant to Rule 214 – Federal New Source Review. The changes incorporated into the Title V permit using ENSR are considered administrative amendment under Rule 207 – TITLE V FEDERAL OPERATING PERMIT PROGRAM. Although the proposed fee for administrative amendment actions is sufficient to cover the District cost for simple modifications, such as a change of the responsible official, it does not reflect the greater amount of Staff time necessary to incorporate permits that were evaluated using ENSR, especially when there are several local permits involved. Staff is proposing to establish an administrative amendment fee that applies specifically to Title V applications that incorporate local permits that are evaluated using the ENSR procedures. Staff estimates the cost to the program for an amendment to a Title V permit to incorporate local permits evaluated using ENSR is 50% of the cost of a minor modification. As such, Staff is proposing an administrative amendment fee for ENSR of \$750 per local permit to operate.

Staff projects annual average revenues of approximately \$86,000 in FY13/14 from the processing of Title V applications using the fee structure and amounts as proposed in the table above.

The projected FY13/14 Title V program cost is \$186,000. Only a portion of that cost, approximately \$119,000, is associated with processing Title V permit applications. This cost includes the permitting Staff's time to process Title V applications, training of permitting Staff to process Title V applications, and all other permit Staff-related activities. There is still a shortfall of approximately \$33,000.

¹⁸ We excluded Sacramento Power Authority /dba Wood Group Power since this facility does not yet have a Title V operating permit.

No fees exist for the non-permit processing activities, such as training of compliance staff, inspections, and reporting. Therefore, the cost for those activities will be used to establish an annual fee. The number of local permits is indicative of the duration and complexity of inspections and provides a useful surrogate to apportion training and other overall Title V program costs. Currently, there are 299 local permits to operate associated with Title V facilities. Staff is proposing an annual Title V fee of \$225 per local permit to operate to fully cover the cost of the annual compliance activities, or \$67,000 per year. At the May 2013 Board hearing, the proposed annual Title V fee was \$214 per local permit to operate because the initial calculation included all local permits, including Authority to Construct permits, in determining the annual Title V fee. However, one Title V facility has 16 Authority to Construct permits but has not yet installed the equipment listed on the Title V permit. The revised calculation has excluded these Authority to Construct permits.

Since no current fees are established to recover the on-going Title V activities, this fee will be considered a new fee and will not be restricted by the 15% maximum increase cap as specified in HSC Section 41512.7. In the future, when considering additional fee increases to fully recover the cost of the Title V program as a whole, all proposed Title V fees, including the annual fee, will be restricted by the 15% cap. Below is a breakdown of Title V program expenditures, revenues with the new fee structure, and program shortfall in FY13/14. See Appendix F for a detailed summary of the Title V program revenues with the proposed new fee structure.

	Expenditures (FY13/14)	Revenues (FY13/14) Proposed Fees	Program Shortfall
Permit Application Processing	\$118,835	\$85,590	\$33,245
On-going Annual Compliance Activities	\$67,399	\$67,275	\$124
Total	\$186,234	\$152,865	\$33,369

As seen above, a shortfall in revenues remains in the Title V program. To address this shortfall, Staff is proposing additional fee increases for all Title V fees in later years. See section "Additional Fee Increases Starting in FY14/15" below for more information.

Alternative Compliance Application Processing Fee: As mentioned above, Staff is proposing to remove the alternative compliance application processing fee from Rule 107 and add it to Rule 301 Section 316. The current \$91 per hour fee has not been changed since 1996. Staff is proposing to increase the current hourly rate fee by 15% to \$105 per hour because we consider the existing fee to be a permit fee and therefore, cannot be increased by more than 15%. The fee will be increased by 15% per year until reaching the actual hourly cost. See section "Additional Fee Increases Starting in FY14/15" below for more information. See Appendix G for the hourly rate calculations.

Public Notification Fee: Staff is proposing to add a public notification fee in Section 317 which requires the applicant to cover the cost of the public notifications, where required. Some common examples are public notifications for permit application for a stationary source within

1,000 feet of a K-12 school¹⁹, applications for modifying or renewing Title V operating permits²⁰, and applications for banking emission reduction credits²¹. When an application is required to undergo a public notification, the District must publish the notice in a paper of general circulation regarding the approval or disapproval of an application. The local newspaper charges a fee for publication. In the past, the District has absorbed the cost since the District did not have the authority to pass the fee to the applicant. There may also be additional staff costs to handle some public notification where unusually long meetings are necessary or an extensive number of comments are received. This amendment gives the District the authority to recover the cost by requiring the applicant to pay the actual publication cost and/or hourly rate fee.

Additional Fee Increases Starting in FY14/15: The fee increases discussed above do not reach full cost recovery, in some cases, because of the 15% per year cap on fee increases in state law. Therefore, fee increases in subsequent years are needed. The proposal specifies a maximum percent increase for each type of fee for each fiscal year to reach full cost recovery using current projections. Every year, Staff will review the expenditures and revenues for the permit program. If the revenues with the proposed fee increases for that year exceed the expenditures, then the APCO will implement a lower percent increase for that fiscal year as required by HSC Section 42311(a). Staff will notify the Board of the action to lower the fee increase below that specified in Rule 301. The following discusses each proposed fee increase in detail:

- Title V Program Fees: In FY13/14, Staff is proposing to modify the Title V operating permit fee structure, including adding an annual fee. However, this change will not fully recover the Title V program cost. As such, Staff is proposing all Title V fees increase by 15% in FY14/15, 11.6% in FY15/16, 2.1% in FY16/17, and 2.9% in FY17/18. A summary of the Title V program cost, projected revenues, and program shortfall is shown below.

	FY14/15	FY15/16	FY16/17	FY17/18
Program Cost	\$191,978	\$196,153	\$200,288	\$205,951
Projected Revenues	\$175,795	\$196,187	\$200,307	\$206,116
Program Shortfall	\$16,183	(\$34)	(\$19)	(\$165)

- Time and Material Labor Rates in Sections 308.11, 308.12 and Section 316: As discussed previously, the Time and Materials Labor rates do not reach full cost recovery with a single fee increase. The hourly rate necessary for full cost recovery is calculated based on the total stationary source permit program cost divided by the total number hours in the stationary source program. The current rates in Sections 308.11, for complex authority to construct applications, 308.12, for electrical generation applications, ERCs, reinspections, and source tests; and Section 316, for alternative compliance, are different. Therefore, the fee increases are different depending on the increase needed to reach full cost recovery. The proposed fee increases are shown in the following table.

¹⁹ HSC Section 42301.6

²⁰ Rule 207, Title V Federal Operating Permit Program, Sections 403 and 408

²¹ Rule 204, Emission Reduction Credits, Sections 404 and 406, and HSC Section 40713

Section		FY14/15	FY15/16	FY16/17	FY17/18
308.11	Percent Increase	15%	15%	14.1%	2.9%
	Hourly Rate Proposed	\$144	\$166	\$189	\$194
308.12	Percent Increase	11.2%	4.9%	4.6%	2.9%
	Hourly Rate Proposed	\$173	\$181	\$189	\$194
316	Percent Increase	15%	15%	15%	15%
	Hourly Rate Proposed	\$121	\$139	\$160	\$184
Hourly Rate Necessary for Full Cost Recovery		\$173	\$181	\$189	\$194

This rule proposal included projections through FY17/18. In FY18/19, Staff will again assess the costs, revenues, and fund balance to determine the appropriate rates.

- Source Test Fee for Gasoline Storage and Dispensing Facilities (GDFs) in Section 308.7(b): The proposed annual GDF source test fee assumed that the tests require actual staff time of 1.5 hours for underground storage tanks with Phase I and II vapor recovery systems, 0.75 hours for above ground storage tanks (Phase I and II), and 0.5 hours for Phase I only tanks. Using the proposed increase specified for the general hourly rate, Section 308.12, the FY14/15 and later proposed annual fees are:

Testing Requirements	Gasoline Storage Tank	FY14/15	FY15/16	FY16/17	FY17/18
Percent Increase		11.2%	4.9%	4.6%	2.9%
Phase I and II	Underground	\$260	\$273	\$286	\$294
Phase I and II	Aboveground	\$130	\$136	\$142	\$146
Phase I Only	All	\$87	\$91	\$95	\$98

- All other fees in Rule 301: Under Option 4B, all other fees, initial permit fees, renewal fees, emissions fees, permit condition revision fees, new change of name fees, duplicate permit fee, and source test fees, will reach full cost recovery with the proposed FY13/14 fee increases. In subsequent years, to maintain staff levels and restore the permit program fund balance, Staff is proposing to increase fees by 4.5% each year through FY16/17 and by 2.5% in FY17/18. This will immediately build a permit program fund balance to approximately three months of the permit program cost.

	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18
Ending Fund Balance	\$108,696	\$286,665	\$619,003	\$1,102,241	\$1,588,114
Fund Balance Goal	\$1,544,946	\$1,601,063	\$1,634,407	\$1,667,267	\$1,711,862
% of Goal	7%	18%	38%	66%	93%

Fee Increase Options for Rule 301

Staff is proposing three options for fee increases to be considered for adoption. The proposed changes for all changes in Rule 107 and for the new fees for Change of Name, GDF Source Test and Title V program for FY13/14 in Rule 301 will remain the same with all of the options. Each option and the remaining policy issues are discussed below.

Option 4B: This is the option that was discussed earlier. This option immediately begins to restore fund balance in FY13/14. Staff recommends this option because it provides the greatest financial stability.

Option 5B: This option delays beginning to restore the fund balance to FY15/16. This option lowers the initial fee increases in FY13/14 compared to Option 4B, but continues to deplete an already low fund balance.

Option 6B: This option was requested in early Board of Directors Subcommittee meetings to immediately begin to restore the fund balance but allow sources to elect to defer part of the permit renewal fee increases for FY13/14. It would be added on to Option 4B. It allows sources to defer 6.6% of the total local permit renewal fee (equipment fees in Sections 308.2 to 308.10 and emissions fees in Section 303.2) in FY13/14. The deferred amount will be assessed in FY14/15 with a deferral fee of 25% for the amount deferred. This option is the most difficult to administer because we must track each business' increase.

Any permitted source may decide to use this option. If no permitted source decides to use the deferral option, the fee increases would be the same as in Option 4B. If all permitted sources elect to the use the deferral option, fund balance would be depleted by the same amount as in Option 5B. Since this deferral option is voluntary, Staff cannot predict how many sources will elect to defer their FY13/14 renewal fee increases. Because the hourly rates are based on program costs and are generally used only for initial permits, Staff does not propose to allow deferral of the hourly rate fees.

The proposed fee increases for each option are summarized in the following table. The effective fee increase for Option 6B shown in the table for FY14/15 includes the amount deferred and the 25% deferral fee.

Rule 301	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18
All fees except those noted below					
Option 4B	15%	4.5%	4.5%	4.5%	2.5%
Option 5B	7.4%	7.4%	7.4%	7.4%	7.4%
Option 6B	7.4%	12.75%*	4.5%	4.5%	2.5%
Hourly Rate in Section 308.11					
Option 4B and 6B	15%	15%	15%	14.1%	2.9%
Option 5B	15%	15%	15%	15%	8.1%
GDF Source Test Fees and Hourly Rate in Section 308.12					
Option 4B and 6B	15%	11.2%	4.9%	4.6%	2.9%
Option 5B	15%	7.3%	7.4%	7.5%	7.5%
Hourly Rate in Section 316					
All Options	15%	15%	15%	15%	15%
Title V fees in Section 313					
All Options	New Fee Structure	15%	11.6%	2.1%	2.9%

*Effective percent increase, including amount deferred and 25% deferral fee.

The following table shows an example of the effect of the deferral in Option 6B to Option 4B, based on a nominal current fee of \$1,000. The amount authorized to defer is determined to match the percent increase under Option 5B. Permitted sources electing to use this option will see an increase of 7.4% instead of 15% in FY13/14. The remaining portion of the fee increase will be deferred to FY14/15 where the permitted sources will see an increase of 12.75% instead of 4.5% for Option 4B, compared to what they would have paid in FY13/14 if had they not deferred a portion of their renewal fees. Proposed fee increases will be 4.5% in FY15/16 and FY16/17 and 2.5% in FY17/18, the same as when fees are not deferred.

		Option 4B	Option 6B
FY12/13	Current Fee	\$1,000	\$1,000
FY13/14	Total Fee (% increase)	\$1,150 (15%)	\$1,074 (7.4%)
FY14/15	Renewal Fee	\$1,202	\$1,202
	+ Deferred Amount from FY13/14		+ \$76
	+ 25% Deferral Fee		+ \$19
	Total Fee (% increase)	\$1,202(4.5%)	\$1,297 (12.75%*)
FY15/16	Total Fee (% increase)	\$1,256 (4.5%)	\$1,256 (4.5%**)
FY16/17	Total Fee (% increase)	\$1,313 (4.5%)	\$1,313 (4.5%)
FY17/18	Total Fee (% increase)	\$1,346 (2.5%)	\$1,346 (2.5%)

*Fees are increased by 12.75% from the fee the permitted source would have paid in FY13/14 or \$1,150 without the deferral.

**Fees are increased by 4.5% from the fee the permitted source should have paid in FY14/15 or \$1,202.

EMISSIONS IMPACT

The proposed amendments to Rules 107 and 301 will increase fees to recover the District's cost to administer the stationary source permit program. These amendments are administrative in nature and have no direct impacts on emissions or air quality.

SOCIOECONOMIC IMPACT /COST IMPACT

HSC Section 40728.5 requires a district to perform an assessment of socioeconomic impacts before adopting, amending, or repealing a rule that will significantly affect air quality or emission limitations. The District Board is required to actively consider the socioeconomic impact of the proposal and make a good faith effort to minimize adverse socioeconomic impacts. Proposed amendments to Rules 107 and 301 are exempt from the requirements of this section because the proposed amendments do not affect air quality or emission limitations.

PRELIMINARY OUTREACH ON RULE CONCEPTS

Staff invited 31 businesses with District permits to an Industry Fee Task Force Meeting on January 31, 2013. These businesses were representative of the various permitted sources in Sacramento County. They included a local utility company, a school district, a hospital, manufacturing plants, major sources (with Title V permits), an automotive coating facility and gasoline dispensing facilities.

Prior to the meeting, the District received an email comment that opposed any fee increases. The commenter did not attend the meeting. At the meeting, Air Pollution Control Officer Larry Greene discussed in detail the District's current fiscal situation and the need for fee increases. The discussions also included Staff's proposal for fee increases for the local permit program and Title V program in Rule 301. Staff received several questions asking for more clarification of the District's funding sources and proposed fee increases and one comment suggesting that the proposed fee increase be spread over a period of time instead one large increase. After the meeting, Staff received one comment letter suggesting some administrative changes regarding the collection of fees.

Staff met individually with a source that was unable to attend the day of the meeting. This source expressed concern of the initial large fee increase in the first year and suggested that fees be increased evenly over the five-year period. Staff also discussed the fee increases with the Board of Director's Personnel and Budget Subcommittee on February 28, 2013.

Staff considered all of the comments and questions in developing the proposed amendments to Rules 107, 301 and 306. Proposed amendments to Rule 306 were adopted on May 23, 2013.

PUBLIC WORKSHOP

Staff held a public workshop to discuss the proposed amendments to Rules 301 and 107 on April 11, 2013. A public notice was published in the Sacramento Bee, mailed or emailed to interested parties, including all permitted stationary sources, and was posted on the District website on March 20, 2013. The draft rules and staff report was made available for public review.

As directed by the Board, Staff held a second workshop on May 14, 2013 to discuss the various fee increase options. A public notice for the second workshop was mailed or emailed to all interested parties, including all permitted stationary sources, and was posted on the District website on April 30, 2013. The draft rules including a summary of all options were made available for public review.

Staff received comments and questions concerning the proposed changes to the fee rules at the public workshops and received written comments from our permitted sources. All comments and responses are included in Appendix H.

ENVIRONMENTAL REVIEW AND COMPLIANCE

Staff finds that the amendments to Rules 107 and 301 are exempt from the California Environmental Quality Act (CEQA). Public Resources Code Section 21080(b)(8) and Section 15273 of the State CEQA Guidelines provide that the adoption or amendment of fee rules is not subject to CEQA. To claim this exemption, the District must find that the amendments are for the purpose of meeting operating expenses. Amendments to Rules 107 and 301 will increase fees to help recover the cost to implement the permit and air toxics programs.

REQUIRED FINDINGS

Finding	Finding Determination
Authority: The District must find that a provision of law or of a state or federal regulation permits or requires the District to adopt, amend, or repeal the rule.	The District is authorized to amend Rules 107 and 301 by California Health and Safety Code (HSC) Sections 40001 and 40702. The District is authorized to increase fees to fully recover the District's costs by HSC Sections 41080 and 42311 for the permit program, and 40CFR70.9 for the Title V program. [HSC Section 40727(b)(2)].
Necessity: The District must find that the rulemaking demonstrates a need exists for the rule, or for its amendment or repeal.	The proposed amendments to Rule 107 and 301 are necessary to fully recover the District's cost to implement the permit program and Title V operating permit program. [HSC Section 40727(b)(1)].
Clarity: The District must find that the rule is written or displayed so that its meaning can be easily understood by the persons directly affected by it.	Staff has reviewed the proposed rule amendments and determined that they can easily be understood by the affected parties. In addition, the record contains no evidence that the persons directly affected by the rule cannot understand it. [HSC Section 40727(b)(3)].
Consistency: The rule is in harmony with, and not in conflict with or contradictory to, existing statutes, court decisions, or state or federal regulations.	The proposed amendments to the rules do not conflict with and are not contradictory to existing statutes, court decisions, or state or federal regulations. [HSC Section 40727(b)(4)].
Non-Duplication: The District must find that either: 1) The rule does not impose the same requirements as an existing state or federal regulation; or (2) that the duplicative requirements are necessary or proper to execute the powers and duties granted to, and imposed upon the District.	The proposed amendments to the rule do not duplicate any existing state or federal laws or regulations. [HSC Section 40727(b)(5)].
Reference: The District must refer to any statute, court decision, or other provision of law that the District implements, interprets, or makes specific by adopting, amending or repealing the rule.	HSC Section 42311 for the permit program and 40CFR70.9 for the Title V program. [HSC Section 40727(b)(6)].
Additional Informational Requirements: In complying with HSC Section 40727.2, the District must identify all federal requirements and District rules that apply to the same equipment or source type as the proposed rule or amendments.	Rules 107 and 301 establish fees to cover the cost to implement the District's permit program. The fees do not conflict with any federal requirements. [HSC Section 40727.2(g)].

REFERENCES

Bay Area Air Quality Management District, "Regulation 3 Fees," June 6, 2012.

California Air Resources Board, "Staff Report: Initial Statement of Reasons for Proposed Rulemaking for the Proposed Amendments to the Emission Inventory Criteria and Guidelines Report for the Air Toxics 'Hot Spots' Program," September 2006.

El Dorado County Air Quality Management District, "Rule 601 Stationary Source Fees," July 19, 2005 (adjusted for CPI on July 1, 2009).

El Dorado County Air Quality Management District, "Rule 609 Hourly Rate," July 19, 2005 (adjusted for CPI on July 1, 2009).

Placer County Air Pollution Control District, "Rule 601 Permit Fees," December 9, 2010.

San Joaquin Valley Air Pollution Control District, "Rule 3010 Permit Fee," January 17, 2008 (effective after July 1, 2009).

San Joaquin Valley Air Pollution Control District, "Rule 3020 Permit Fee Schedules," January 17, 2008 (effective after July 1, 2009).

South Coast Air Quality Management District, "Rule 301 Permitting and Associated Fees," May 7, 2010 (CPI increase updated on July 1, 2012).

U.S. EPA, "Air Quality Criteria for Ozone and Related Photochemical Oxidants (EPA 600/R-05-004aF), February 2006.

Yolo-Solano Air Quality Management District, "Rule 4.1 Permit Fees – Stationary Source" December 14, 2005 (cost recovery adjustment: July 1, 2012)

**APPENDIX A
 LIST OF CHANGES TO RULE**

Rule 107, Alternative Compliance

NEW SECTION NUMBER	EXISTING SECTION NUMBER	PROPOSED CHANGES
101.2	same	Corrected the title for the referenced Code Federal Regulations section.
102.1	same	Updated rule title.
102.2-102.3	same	Removed language referring to compliance timeline after March 1997 since this rule language is no longer relevant.
102.7-102.9	same	Updated rule titles.
102.11	102.10	Moved rule to be in sequential order.
102.10	102.11	Section renumbered.
102-Note	same	Since this rule was last amended, the referenced rules have been SIP approved except Rule 460. Added provision that SIP approval of Rule 107 does not constitute automatic SIP approval of changes to any of the listed prohibitory rules after the date of adoption of Rule 107.
401	same	Removed the fee and referenced the fee in Rule 301. Proposed amendment in Rule 301 added a new fee for processing alternative compliance application at a \$105 per hour. See proposed changes to Rule 301.
406.1-406.2	same	Updated rule titles.
406.4	same	Updated rule titles.
501.2	same	Added process heaters and steam generators to clarify all units applicable to this requirement.

Rule 301, Permit Fees – Stationary Source

NEW SECTION NUMBER	EXISTING SECTION NUMBER	PROPOSED CHANGES
101	same	Added alternative compliance application fee to the purpose of the rule.
200	same	Added references to the definitions used in Rule 207, Title V – Federal Operating Permit Program.
202	N/A	Added new definition for “Change of Name” to specify an administrative name change on the permit where no other changes have occurred.
203-205	202-204	Sections renumbered.

NEW SECTION NUMBER	EXISTING SECTION NUMBER	PROPOSED CHANGES
206	N/A	Added new definition for "Initial Title V Operating Permit," consistent with Rule 207, for this new fee.
208	205	Moved the term "Permit Renewal Fee" to be in alphabetical order.
207	206	Section renumbered.
209	N/A	Added new definition for "Permit to Operate" consistent with Rule 201. This refers to the local Authority to Construct or Permit to Operate, not Title V permit.
210	N/A	Added new definition for "Permit to Operate-Modified" to specify local permits that have been modified and that will required the owner and operator to submit a significant or minor Title V permit modification application. Modified local permits are included when assessing fees for processing significant or minor Title V permit modification applications.
211	207	Section renumbered.
212	N/A	Added new definition for "Title V application" to specify an application submitted pursuant to Rule 207 for determining filing fee.
213	N/A	Added new definition for "Title V Operating Permit Renewal" to be consistent with Rule 207 and distinguish from local permit renewals.
300	same	All subsections have increased existing fees by 15%.
N/A	302.2	Deleted section. This section applies to boilers that need to comply with the NOx emission limits in Rule 411- NOx from Boilers, Process Heaters and Steam Generators. The last compliance date for these boilers was October 27, 2009; therefore, this fee is no longer applicable.
306.2	same	Added the phrase "and no increase in emissions or health risk" to ensure that the fee only covers simple permit modifications and excludes emission units that need to be evaluated for BACT and offsets, which entail more work. Added the phrase "or the initial permit fee in Section 308, whichever is lower" after the fee. This amendment will allow the District to charge the lower initial permit fee for a simple permit modification.
307	same	Added "NAME" to Section Title. New requirement for a change of name was added to this section.
307.1	307	Section renumbered into a subsection.
307.2	N/A	Added new fee for a change of name where a change of ownership has not changed. Change of name fee is \$66 for the first permit and \$28 for each additional permit.
308.3	same	Replaced "thousands" with "millions" to be consistent with the correct units in the table.
308.5	same	Added "crematory" to specify that crematories are subject to the fees in this section.

NEW SECTION NUMBER	EXISTING SECTION NUMBER	PROPOSED CHANGES
308.7	same	Section renumbered into subsections (a) and (b). Subsection (b) added new fee for observing source test and evaluating reports at facilities with gasoline storage and dispensing equipment. Fee for underground gas tank is \$234 per facility (1.5 hours times the proposed hourly rate in Section 308.12). Fee for aboveground gas tank is \$117 per facility (0.75 hours times the proposed hourly rate in Section 308.12). Fee for facility subject to only Phase I testing requirements is \$78 (0.5 hours times the proposed hourly rate in Section 308.12). Implements existing policy established instead of higher source test fee in Section 311.
308.12	same	Removed reference to Section 313. Title V fees are no longer based on an hourly rate. Added Section 317 to authorize cost recovery for extraordinary time consuming public notifications.
311.1	311	Added language to clarify that source test fee in this section does not apply to gasoline dispensing facilities. Source test fee for gasoline dispensing facilities is proposed in Section 308.7(b).
313.1	313	Replaced the hourly rate fee structure with flat rate fee structure. Added the provision to use the hourly rate fee only if the APCO determines the flat fees are insufficient to cover the cost to evaluate unusually complex Title V applications.
313.2	N/A	Added new Annual Title V fee of \$225 per Permit to Operate. This fee covers the work not captured in Section 313.1.
314	same	Grammatical corrections.
316	N/A	Added fee for processing alternative compliance application at \$105 per hour. This fee was originally established in \$91 in Rule 107. When moving the fee to Rule 301, the fee was increased by 15%.
317	N/A	Added new fee that requires the applicant to pay for the actual cost for publication when public notification is required.
401	same	Added language to clarify that the fees and late fees apply to Title V operating permits and any other action subject to this rule.
402	same	Grammatical corrections.
403	same	Added an exception to authorization to adjust fees for the Consumer Price Index. Fees will not be CPI-adjusted if fees are raised by the percent increase specified in the new Section 404.
404	N/A	Added percent fee increases for each type of fee for FY14/15 through FY 17/18. This section will sunset on July 24, 2018.

CHANGES TO THE RULE SINCE MAY 23, 2013 BOARD HEARING

Rule 301, Permit Fees – Stationary Source

New Proposed Section Number	May 2013 Proposed Section Number	PROPOSED CHANGES (SINCE MAY 23, 2013 BOARD HEARING)
313.1	N/A	Added title "Permit Evaluation and Processing Fees" to section.
313.1(a)	313.1	Changed to subsection (a). Lowered the proposed fees for processing Title V applications, including the application filing fee. Added a new fee to process Title V applications that used Enhanced New Source Review pursuant to Rule 214 – Federal New Source Review. See "Changes to Proposed Title V Fees" table below for the changes to each application fee.
313.1(b)	N/A	Added provision to charge fees at an hourly rate if the APCO determines that the proposed application processing fee is not sufficient to cover the time to process the application. This section was added in response to comments.
313.2	313.2	Increased the annual fee from \$214 to \$225 because there are now fewer local permits associated with the Title V program.
401	401	Added language to clarify that the fees and late fees apply to Title V operating permits and any other action subject to this rule.
404	404	Changed the percent increase amounts due to the Board's allocation of the District ERC Bank and to keep revenues below the targeted fund balance amount. Removed the column for FY18/19 since the proposal included only 5 years of fee increases. Replaced "CPI" with actual numbers of percent increases and removed the note to the CPI. The percent increase changes for each option, Options 4B, 5B, and 6B, are shown in the tables below in "Changes to Rule 301".
405	405	Section will be added if Option 6B is selected. Changed the deferral amount from 6.8% to 6.6% of the total renewal fee so the fee after deferral matches the fee in FY13/14 for Option 5B.

Changes to the Proposed Title V Fees

Type of Title V Application (Section 313.1(a))	Proposed Fee for FY13/14 May 23, 2013 Board Meeting	Proposed Fee for FY13/14 Proposed New Fee
Application Filing Fee	\$1,902 per application	\$1,056 per application
Initial Title V Operating Permit	\$1,841 per permit to operate	\$1,022 per local permit
Title V Operating Permit Renewal	\$801 per permit to operate	\$445 per local permit
Significant Title V Permit Modification	\$5,308 per permit to operate modified	\$2,798 per permit to operate modified or added
Minor Title V Permit Modification	\$2,700 per permit to operate modified	\$1,500 per permit to operate modified or added
Administrative Title V Permit Amendment Enhanced New Source Review All Other	N/A \$538 per application	\$ 750 per permit to operate \$299 per application
Annual Title V Fee (Section 313.2)	Proposed Fee for FY13/14 May 23, 2013 Board Meeting	Proposed Fee for FY13/14 Proposed New Fee
Annual Title V Fee	\$214 per permit to operate	\$225 per permit to operate

Changes to Rule 301 – Option 4B

Note: The changes to the percent increases since the May 2013 Board hearing are shown in **bold**.

		FY13/14	FY14/15	FY15/16	FY16/17	FY17/18
All fees except those noted below	May 2013	15%	4.7%	4.7%	4.7%	4.7%
	Proposed	15%	4.5%	4.5%	4.5%	2.5%
Hourly Rate in Section 308.11	May 2013	15%	15%	15%	14.1%	5.0%
	Proposed	15%	15%	15%	14.1%	2.9%
GDF Source Test Fees and Hourly Rate in Section 308.12	May 2013	15%	11.2%	4.9%	4.6%	5.0%
	Proposed	15%	11.2%	4.9%	4.6%	2.9%
Hourly Rate in Section 316*	May 2013	15%	15%	15%	15%	15%
	Proposed	15%	15%	15%	15%	15%
Title V Fees in Section 313	May 2013	New Fees	15%	15%	7.5%	CPI
	Proposed	New Fees	15%	11.6%	2.1%	2.9%

*The 10% increase in FY18/19 was deleted.

Changes to Rule 301 – Option 5B

Note: The changes to the percent increases since the May 2013 Board hearing are shown in **bold**.

		FY13/14	FY14/15	FY15/16	FY16/17	FY17/18
All fees except those noted below	May 2013	7.5%	7.5%	7.5%	7.5%	7.5%
	Proposed	7.4%	7.4%	7.4%	7.4%	7.4%
Hourly Rate in Section 308.11	May 2013	15%	15%	15%	15%	7.5%
	Proposed	15%	15%	15%	15%	8.1%
GDF Source Test Fees and Hourly Rate in Section 308.12	May 2013	15%	7.3%	6.8%	7.5%	7.5%
	Proposed	15%	7.3%	7.4%	7.5%	7.5%
Hourly Rate in Section 316*	May 2013	15%	15%	15%	15%	15%
	Proposed	15%	15%	15%	15%	15%
Title V Fees in Section 313	May 2013	New Fees	15%	15%	7.5%	CPI
	Proposed	New Fees	15%	11.6%	2.1%	2.9%

*The 13.8% increase in FY18/19 was deleted.

Changes to Rule 301 – Option 6B

At the May 2013 Board hearing, the proposed language allowed any source to defer 6.8% of the renewal fee (Sections 303.2 and 308.2-308.10). Since that hearing, the proposed language has changed to allow any source to defer only 6.6% of the renewal fee. The following table shows the changes in the effective fee increase percent since the May 2013 Board hearing.

		FY13/14	FY14/15	FY15/16	FY16/17	FY17/18
Total Renewal Fees	May 2013	7.5%	13.2%	4.7%	4.7%	4.7%
	Proposed	7.4%	12.75%	4.5%	4.5%	2.5%

Staff Report
Rule 107 – Alternative Compliance
Rule 301 – Permit Fees – Stationary Source
June 24, 2013
Page B-1

APPENDIX B

**TABLE OF FEE CHANGES FOR RULE 301
(Excluding Title V fees)**

RULE 301 PROPOSED RENEWAL FEE INCREASES - OPTION 4B

		Current Fee	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18	# of Permits*
SCHEDULE 1 ELECTRIC MOTOR (HP)								
LEVEL 1	<5	\$326	\$375	\$392	\$410	\$428	\$439	221
LEVEL 2	5 - <50	\$654	\$752	\$786	\$821	\$858	\$879	482
LEVEL 3	50 - <200	\$1,307	\$1,503	\$1,571	\$1,642	\$1,716	\$1,759	121
LEVEL 4	>200	\$2,615	\$3,007	\$3,142	\$3,283	\$3,431	\$3,517	87
SCHEDULE 2 FUEL BURNING (MMBTU/HR)								
LEVEL 1	<1	\$163	\$187	\$195	\$204	\$213	\$218	25
LEVEL 2	1 - <10	\$326	\$375	\$392	\$410	\$428	\$439	853
LEVEL 3	10 - <50	\$654	\$752	\$786	\$821	\$858	\$879	74
LEVEL 4	50 - <100	\$1,307	\$1,503	\$1,571	\$1,642	\$1,716	\$1,759	9
LEVEL 5	>100	\$2,615	\$3,007	\$3,142	\$3,283	\$3,431	\$3,517	20
SCHEDULE 3 ELECTRICAL ENERGY (KVA)								
LEVEL 1	<150	\$654	\$752	\$786	\$821	\$858	\$879	9
LEVEL 2	>=150	\$2,615	\$3,007	\$3,142	\$3,283	\$3,431	\$3,517	7
SCHEDULE 4 INCINERATOR (SQ FT)								
LEVEL 1	<10	\$654	\$752	\$786	\$821	\$858	\$879	3
LEVEL 2	10 - <40	\$1,963	\$2,257	\$2,359	\$2,465	\$2,576	\$2,640	23
LEVEL 3	40 - <100	\$2,615	\$3,007	\$3,142	\$3,283	\$3,431	\$3,517	2
LEVEL 4	>100	\$3,270	\$3,761	\$3,930	\$4,107	\$4,292	\$4,399	0
SCHEDULE 5 STORAGE CONTAINER (GALLONS)								
LEVEL 1	<40K	\$654	\$752	\$786	\$821	\$858	\$879	24
LEVEL 2	40K - <400K	\$2,615	\$3,007	\$3,142	\$3,283	\$3,431	\$3,517	7
LEVEL 3	>400K	\$5,231	\$6,016	\$6,287	\$6,570	\$6,866	\$7,038	21
SCHEDULE 6.a GASOLINE DISPENSING (NOZZLES)								
LEVEL 1	Phase II Exempt	\$315	\$362	\$378	\$395	\$413	\$423	41
LEVEL 2	< 7 Nozzles	\$612	\$704	\$736	\$769	\$804	\$824	209
LEVEL 3	8 Nozzles	\$696	\$800	\$840	\$880	\$920	\$944	105
	10 Nozzles	\$870	\$1,000	\$1,050	\$1,100	\$1,150	\$1,180	26
	12 Nozzles	\$1,044	\$1,200	\$1,260	\$1,320	\$1,380	\$1,416	108
	14 Nozzles	\$1,218	\$1,400	\$1,470	\$1,540	\$1,610	\$1,652	2
	16 Nozzles	\$1,392	\$1,600	\$1,680	\$1,760	\$1,840	\$1,888	11
	18 Nozzles	\$1,566	\$1,800	\$1,890	\$1,980	\$2,070	\$2,124	2
	20 Nozzles	\$1,740	\$2,000	\$2,100	\$2,200	\$2,300	\$2,360	3
	24 Nozzles	\$2,088	\$2,400	\$2,520	\$2,640	\$2,760	\$2,832	3
	30 Nozzles	\$2,610	\$3,000	\$3,150	\$3,300	\$3,450	\$3,540	2
	36 Nozzles	\$3,132	\$3,600	\$3,780	\$3,960	\$4,140	\$4,248	6
SCHEDULE 6.b GASOLINE DISPENSING (TANK)								
	Phase I only	\$0	\$78	\$87	\$91	\$95	\$98	4
	Underground Tanks	\$204	\$234	\$260	\$273	\$286	\$294	514
	Aboveground Tanks	\$102	\$117	\$130	\$136	\$142	\$146	
SCHEDULE 7 IC ENGINES (HP)								
LEVEL 1	<50	\$163	\$187	\$195	\$204	\$213	\$218	4
LEVEL 2	50 - <250	\$326	\$375	\$392	\$410	\$428	\$439	631
LEVEL 3	250 - <500	\$654	\$752	\$786	\$821	\$858	\$879	276
LEVEL 4	500 - <1000	\$1,307	\$1,503	\$1,571	\$1,642	\$1,716	\$1,759	219
LEVEL 5	>1000	\$2,615	\$3,007	\$3,142	\$3,283	\$3,431	\$3,517	306
SCHEDULE 9 MISC								
LEVEL 1	ALL	\$654	\$752	\$786	\$821	\$858	\$879	256
Total # of Permits:								4716
		Current Fee	FY13/14	FY14/15	FY15/16			# of Permits
RENEWAL EMISSION FEE FOR CO, NOX, ROG, SOX or TSP								
Any Pollutant	Schedule 6 (per ton)	\$58	\$67	\$70	\$73	\$76	\$78	518
Any Pollutant	All Other (per ton)	\$60	\$69	\$72	\$75	\$78	\$80	4198
Total # of Permits:								4716
* As of 3/20/2013								

RULE 301 PROPOSED INITIAL PERMIT FEE INCREASES - OPTION 4B

		Current Fee	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18
SCHEDULE 1 ELECTRIC MOTOR (HP)							
LEVEL 1	<5	\$654	\$752	\$786	\$821	\$858	\$879
LEVEL 2	5 - <50	\$1,307	\$1,503	\$1,571	\$1,642	\$1,716	\$1,759
LEVEL 3	50 - <200	\$2,615	\$3,007	\$3,142	\$3,283	\$3,431	\$3,517
LEVEL 4	>200	\$5,231	\$6,016	\$6,287	\$6,570	\$6,866	\$7,038
SCHEDULE 2 FUEL BURNING (MMBTU/HR)							
LEVEL 1	<1	\$326	\$375	\$392	\$410	\$428	\$439
LEVEL 2	1 - <10	\$654	\$752	\$786	\$821	\$858	\$879
LEVEL 3	10 - <50	\$1,307	\$1,503	\$1,571	\$1,642	\$1,716	\$1,759
LEVEL 4	50 - <100	\$2,615	\$3,007	\$3,142	\$3,283	\$3,431	\$3,517
LEVEL 5	>100	\$5,231	\$6,016	\$6,287	\$6,570	\$6,866	\$7,038
SCHEDULE 3 ELECTRICAL ENERGY (KVA)							
LEVEL 1	<150	\$1,307	\$1,503	\$1,571	\$1,642	\$1,716	\$1,759
LEVEL 2	>=150	\$5,231	\$6,016	\$6,287	\$6,570	\$6,866	\$7,038
SCHEDULE 4 INCINERATOR (SQ FT)							
LEVEL 1	<10	\$1,307	\$1,503	\$1,571	\$1,642	\$1,716	\$1,759
LEVEL 2	10 - <40	\$3,924	\$4,513	\$4,716	\$4,928	\$5,150	\$5,279
LEVEL 3	40 - <100	\$5,231	\$6,016	\$6,287	\$6,570	\$6,866	\$7,038
LEVEL 4	>100	\$6,541	\$7,522	\$7,860	\$8,214	\$8,584	\$8,799
SCHEDULE 5 STORAGE CONTAINER (GALLONS)							
LEVEL 1	<40K	\$1,307	\$1,503	\$1,571	\$1,642	\$1,716	\$1,759
LEVEL 2	40K - <400K	\$5,231	\$6,016	\$6,287	\$6,570	\$6,866	\$7,038
LEVEL 3	>400K	\$6,541	\$7,522	\$7,860	\$8,214	\$8,584	\$8,799
SCHEDULE 6 GASOLINE DISPENSING (NOZZLES)							
LEVEL 1	Phase II Exempt	\$315	\$362	\$378	\$395	\$413	\$423
LEVEL 2	< 7 Nozzles	\$1,223	\$1,406	\$1,469	\$1,535	\$1,604	\$1,644
LEVEL 3	8 Nozzles	\$1,384	\$1,592	\$1,664	\$1,736	\$1,816	\$1,864
	10 Nozzles	\$1,730	\$1,990	\$2,080	\$2,170	\$2,270	\$2,330
	12 Nozzles	\$2,076	\$2,388	\$2,496	\$2,604	\$2,724	\$2,796
	14 Nozzles	\$2,422	\$2,786	\$2,912	\$3,038	\$3,178	\$3,262
	16 Nozzles	\$2,768	\$3,184	\$3,328	\$3,472	\$3,632	\$3,728
	18 Nozzles	\$3,114	\$3,582	\$3,744	\$3,906	\$4,086	\$4,194
	20 Nozzles	\$3,460	\$3,980	\$4,160	\$4,340	\$4,540	\$4,660
	24 Nozzles	\$4,152	\$4,776	\$4,992	\$5,208	\$5,448	\$5,592
	30 Nozzles	\$5,190	\$5,970	\$6,240	\$6,510	\$6,810	\$6,990
	36 Nozzles	\$6,228	\$7,164	\$7,488	\$7,812	\$8,172	\$8,388
SCHEDULE 7 IC ENGINES (HP)							
LEVEL 1	<50	\$326	\$375	\$392	\$410	\$428	\$439
LEVEL 2	50 - <250	\$654	\$752	\$786	\$821	\$858	\$879
LEVEL 3	250 - <500	\$1,307	\$1,503	\$1,571	\$1,642	\$1,716	\$1,759
LEVEL 4	500 - <1000	\$2,615	\$3,007	\$3,142	\$3,283	\$3,431	\$3,517
LEVEL 5	>1000	\$5,231	\$6,016	\$6,287	\$6,570	\$6,866	\$7,038
SCHEDULE 9 MISC							
LEVEL 1	ALL	\$1,307	\$1,503	\$1,571	\$1,642	\$1,716	\$1,759
SCHEDULE 10 TIME AND MATERIALS LABOR RATE							
HOURLY RATE	ALL	\$109	\$125	\$144	\$166	\$189	\$194
SCHEDULE 11 TIME AND MATERIAL LABOR RATE							
HOURLY RATE	ALL	\$136	\$156	\$173	\$181	\$189	\$194
ALTERNATIVE COMPLIANCE FEE							
HOURLY RATE	ALL	\$91	\$105	\$121	\$139	\$160	\$184
SOURCE TEST OBSERVATION AND EVALUATION REPORT							
	Source Test (First 10 Hours)	\$1,307	\$1,503	\$1,668	\$1,751	\$1,839	\$1,922
	Additional Time (Per Hour)	\$136	\$156	\$173	\$182	\$191	\$200
REVISIONS OF CONDITIONS WITH NO INCREASE							
		\$654	\$752	\$786	\$821	\$858	\$879

RULE 301 PROPOSED RENEWAL FEE INCREASES - OPTION 5B

		Current Fee	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18	# of Permits*
SCHEDULE 1 ELECTRIC MOTOR (HP)								
LEVEL 1	<5	\$326	\$350	\$376	\$404	\$434	\$466	221
LEVEL 2	5 - <50	\$654	\$702	\$754	\$810	\$870	\$934	482
LEVEL 3	50 - <200	\$1,307	\$1,404	\$1,508	\$1,620	\$1,740	\$1,869	121
LEVEL 4	>200	\$2,615	\$2,809	\$3,017	\$3,240	\$3,480	\$3,738	87
SCHEDULE 2 FUEL BURNING (MMBTU/HR)								
LEVEL 1	<1	\$163	\$175	\$188	\$202	\$217	\$233	25
LEVEL 2	1 - <10	\$326	\$350	\$376	\$404	\$434	\$466	853
LEVEL 3	10 - <50	\$654	\$702	\$754	\$810	\$870	\$934	74
LEVEL 4	50 - <100	\$1,307	\$1,404	\$1,508	\$1,620	\$1,740	\$1,869	9
LEVEL 5	>100	\$2,615	\$2,809	\$3,017	\$3,240	\$3,480	\$3,738	20
SCHEDULE 3 ELECTRICAL ENERGY (KVA)								
LEVEL 1	<150	\$654	\$702	\$754	\$810	\$870	\$934	9
LEVEL 2	>=150	\$2,615	\$2,809	\$3,017	\$3,240	\$3,480	\$3,738	7
SCHEDULE 4 INCINERATOR (SQ FT)								
LEVEL 1	<10	\$654	\$702	\$754	\$810	\$870	\$934	3
LEVEL 2	10 - <40	\$1,963	\$2,108	\$2,264	\$2,432	\$2,612	\$2,805	23
LEVEL 3	40 - <100	\$2,615	\$2,809	\$3,017	\$3,240	\$3,480	\$3,738	2
LEVEL 4	>100	\$3,270	\$3,512	\$3,772	\$4,051	\$4,351	\$4,673	0
SCHEDULE 5 STORAGE CONTAINER (GALLONS)								
LEVEL 1	<40K	\$654	\$702	\$754	\$810	\$870	\$934	24
LEVEL 2	40K - <400K	\$2,615	\$2,809	\$3,017	\$3,240	\$3,480	\$3,738	7
LEVEL 3	>400K	\$5,231	\$5,618	\$6,034	\$6,481	\$6,961	\$7,476	21
SCHEDULE 6.a GASOLINE DISPENSING (NOZZLES)								
LEVEL 1	Phase II Exempt	\$315	\$338	\$363	\$390	\$419	\$450	41
LEVEL 2	< 7 Nozzles	\$612	\$657	\$706	\$758	\$814	\$874	209
LEVEL 3	8 Nozzles	\$696	\$800	\$856	\$920	\$992	\$1,064	105
	10 Nozzles	\$870	\$1,000	\$1,070	\$1,150	\$1,240	\$1,330	26
	12 Nozzles	\$1,044	\$1,200	\$1,284	\$1,380	\$1,488	\$1,596	108
	14 Nozzles	\$1,218	\$1,400	\$1,498	\$1,610	\$1,736	\$1,862	2
	16 Nozzles	\$1,392	\$1,600	\$1,712	\$1,840	\$1,984	\$2,128	11
	18 Nozzles	\$1,566	\$1,800	\$1,926	\$2,070	\$2,232	\$2,394	2
	20 Nozzles	\$1,740	\$2,000	\$2,140	\$2,300	\$2,480	\$2,660	3
	24 Nozzles	\$2,088	\$2,400	\$2,568	\$2,760	\$2,976	\$3,192	3
	30 Nozzles	\$2,610	\$3,000	\$3,210	\$3,450	\$3,720	\$3,990	2
	36 Nozzles	\$3,132	\$3,600	\$3,852	\$4,140	\$4,464	\$4,788	6
SCHEDULE 6.b GASOLINE DISPENSING (TANK)								
	Phase I only	\$0	\$78	\$84	\$90	\$97	\$104	4
	Underground Tanks	\$204	\$234	\$251	\$270	\$290	\$312	514
	Aboveground Tanks	\$102	\$117	\$126	\$135	\$145	\$156	
SCHEDULE 7 IC ENGINES (HP)								
LEVEL 1	<50	\$163	\$175	\$188	\$202	\$217	\$233	4
LEVEL 2	50 - <250	\$326	\$350	\$376	\$404	\$434	\$466	631
LEVEL 3	250 - <500	\$654	\$702	\$754	\$810	\$870	\$934	276
LEVEL 4	500 - <1000	\$1,307	\$1,404	\$1,508	\$1,620	\$1,740	\$1,869	219
LEVEL 5	>1000	\$2,615	\$2,809	\$3,017	\$3,240	\$3,480	\$3,738	306
SCHEDULE 9 MISC								
LEVEL 1	ALL	\$654	\$702	\$754	\$810	\$870	\$934	256
Total # of Permits:								4716
		Current Fee	FY13/14	FY14/15	FY15/16			# of Permits
RENEWAL EMISSION FEE FOR CO, NOX, ROG, SOX or TSP								
Any Pollutant	Schedule 6 (per ton)	\$58	\$62	\$67	\$72	\$77	\$83	518
Any Pollutant	All Other (per ton)	\$60	\$64	\$69	\$74	\$79	\$85	4198
Total # of Permits:								4716
* As of 3/20/2013								

RULE 301 PROPOSED INITIAL PERMIT FEE INCREASES - OPTION 5B

		Current Fee	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18
SCHEDULE 1 ELECTRIC MOTOR (HP)							
LEVEL 1	<5	\$654	\$702	\$754	\$810	\$870	\$934
LEVEL 2	5 - <50	\$1,307	\$1,404	\$1,508	\$1,620	\$1,740	\$1,869
LEVEL 3	50 - <200	\$2,615	\$2,809	\$3,017	\$3,240	\$3,480	\$3,738
LEVEL 4	>200	\$5,231	\$5,618	\$6,034	\$6,481	\$6,961	\$7,476
SCHEDULE 2 FUEL BURNING (MMBTU/HR)							
LEVEL 1	<1	\$326	\$350	\$376	\$404	\$434	\$466
LEVEL 2	1 - <10	\$654	\$702	\$754	\$810	\$870	\$934
LEVEL 3	10 - <50	\$1,307	\$1,404	\$1,508	\$1,620	\$1,740	\$1,869
LEVEL 4	50 - <100	\$2,615	\$2,809	\$3,017	\$3,240	\$3,480	\$3,738
LEVEL 5	>100	\$5,231	\$5,618	\$6,034	\$6,481	\$6,961	\$7,476
SCHEDULE 3 ELECTRICAL ENERGY (KVA)							
LEVEL 1	<150	\$1,307	\$1,404	\$1,508	\$1,620	\$1,740	\$1,869
LEVEL 2	>=150	\$5,231	\$5,618	\$6,034	\$6,481	\$6,961	\$7,476
SCHEDULE 4 INCINERATOR (SQ FT)							
LEVEL 1	<10	\$1,307	\$1,404	\$1,508	\$1,620	\$1,740	\$1,869
LEVEL 2	10 - <40	\$3,924	\$4,214	\$4,526	\$4,861	\$5,221	\$5,607
LEVEL 3	40 - <100	\$5,231	\$5,618	\$6,034	\$6,481	\$6,961	\$7,476
LEVEL 4	>100	\$6,541	\$7,025	\$7,545	\$8,103	\$8,703	\$9,347
SCHEDULE 5 STORAGE CONTAINER (GALLONS)							
LEVEL 1	<40K	\$1,307	\$1,404	\$1,508	\$1,620	\$1,740	\$1,869
LEVEL 2	40K - <400K	\$5,231	\$5,618	\$6,034	\$6,481	\$6,961	\$7,476
LEVEL 3	>400K	\$6,541	\$7,025	\$7,545	\$8,103	\$8,703	\$9,347
SCHEDULE 6 GASOLINE DISPENSING (NOZZLES)							
LEVEL 1	Phase II Exempt	\$315	\$338	\$363	\$390	\$419	\$450
LEVEL 2	< 7 Nozzles	\$1,223	\$1,314	\$1,411	\$1,515	\$1,627	\$1,747
LEVEL 3	8 Nozzles	\$1,384	\$1,488	\$1,600	\$1,720	\$1,848	\$1,984
	10 Nozzles	\$1,730	\$1,860	\$2,000	\$2,150	\$2,310	\$2,480
	12 Nozzles	\$2,076	\$2,232	\$2,400	\$2,580	\$2,772	\$2,976
	14 Nozzles	\$2,422	\$2,604	\$2,800	\$3,010	\$3,234	\$3,472
	16 Nozzles	\$2,768	\$2,976	\$3,200	\$3,440	\$3,696	\$3,968
	18 Nozzles	\$3,114	\$3,348	\$3,600	\$3,870	\$4,158	\$4,464
	20 Nozzles	\$3,460	\$3,720	\$4,000	\$4,300	\$4,620	\$4,960
	24 Nozzles	\$4,152	\$4,464	\$4,800	\$5,160	\$5,544	\$5,952
	30 Nozzles	\$5,190	\$5,580	\$6,000	\$6,450	\$6,930	\$7,440
	36 Nozzles	\$6,228	\$6,696	\$7,200	\$7,740	\$8,316	\$8,928
SCHEDULE 7 IC ENGINES (HP)							
LEVEL 1	<50	\$326	\$350	\$376	\$404	\$434	\$466
LEVEL 2	50 - <250	\$654	\$702	\$754	\$810	\$870	\$934
LEVEL 3	250 - <500	\$1,307	\$1,404	\$1,508	\$1,620	\$1,740	\$1,869
LEVEL 4	500 - <1000	\$2,615	\$2,809	\$3,017	\$3,240	\$3,480	\$3,738
LEVEL 5	>1000	\$5,231	\$5,618	\$6,034	\$6,481	\$6,961	\$7,476
SCHEDULE 9 MISC							
LEVEL 1	ALL	\$1,307	\$1,404	\$1,508	\$1,620	\$1,740	\$1,869
SCHEDULE 10 TIME AND MATERIALS LABOR RATE							
HOURLY RATE	ALL	\$109	\$125	\$144	\$166	\$191	\$206
SCHEDULE 11 TIME AND MATERIAL LABOR RATE							
HOURLY RATE	ALL	\$136	\$156	\$167	\$179	\$192	\$206
ALTERNATIVE COMPLIANCE FEE							
HOURLY RATE	ALL	\$91	\$105	\$121	\$139	\$160	\$184
SOURCE TEST OBSERVATION AND EVALUATION REPORT							
	Source Test (First 10 Hours)	\$1,307	\$1,503	\$1,668	\$1,751	\$1,839	\$1,922
	Additional Time (Per Hour)	\$136	\$156	\$173	\$182	\$191	\$200
REVISIONS OF CONDITIONS WITH NO INCREASE							
		\$654	\$702	\$754	\$810	\$870	\$934

RULE 301 PROPOSED RENEWAL FEE INCREASES - OPTION 6B

		Current Fee	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18	# of Permits*
SCHEDULE 1 ELECTRIC MOTOR (HP)								
LEVEL 1	<5	\$326	\$350	\$423	\$410	\$428	\$439	221
LEVEL 2	5 - <50	\$654	\$702	\$849	\$821	\$858	\$879	482
LEVEL 3	50 - <200	\$1,307	\$1,404	\$1,695	\$1,642	\$1,716	\$1,759	121
LEVEL 4	>200	\$2,615	\$2,809	\$3,390	\$3,283	\$3,431	\$3,517	87
SCHEDULE 2 FUEL BURNING (MMBTU/HR)								
LEVEL 1	<1	\$163	\$175	\$210	\$204	\$213	\$218	25
LEVEL 2	1 - <10	\$326	\$350	\$423	\$410	\$428	\$439	853
LEVEL 3	10 - <50	\$654	\$702	\$849	\$821	\$858	\$879	74
LEVEL 4	50 - <100	\$1,307	\$1,404	\$1,695	\$1,642	\$1,716	\$1,759	9
LEVEL 5	>100	\$2,615	\$2,809	\$3,390	\$3,283	\$3,431	\$3,517	20
SCHEDULE 3 ELECTRICAL ENERGY (KVA)								
LEVEL 1	<150	\$654	\$702	\$849	\$821	\$858	\$879	9
LEVEL 2	>=150	\$2,615	\$2,809	\$3,390	\$3,283	\$3,431	\$3,517	7
SCHEDULE 4 INCINERATOR (SQ FT)								
LEVEL 1	<10	\$654	\$702	\$849	\$821	\$858	\$879	3
LEVEL 2	10 - <40	\$1,963	\$2,108	\$2,545	\$2,465	\$2,576	\$2,640	23
LEVEL 3	40 - <100	\$2,615	\$2,809	\$3,390	\$3,283	\$3,431	\$3,517	2
LEVEL 4	>100	\$3,270	\$3,513	\$4,240	\$4,107	\$4,292	\$4,399	0
SCHEDULE 5 STORAGE CONTAINER (GALLONS)								
LEVEL 1	<40K	\$654	\$702	\$849	\$821	\$858	\$879	24
LEVEL 2	40K - <400K	\$2,615	\$2,809	\$3,390	\$3,283	\$3,431	\$3,517	7
LEVEL 3	>400K	\$5,231	\$5,619	\$6,783	\$6,570	\$6,866	\$7,038	21
SCHEDULE 6.a GASOLINE DISPENSING (NOZZLES)								
LEVEL 1	Phase II Exempt	\$315	\$338	\$408	\$395	\$413	\$423	41
LEVEL 2	< 7 Nozzles	\$612	\$658	\$794	\$769	\$804	\$824	209
LEVEL 3	8 Nozzles	\$696	\$747	\$906	\$880	\$920	\$944	105
	10 Nozzles	\$870	\$934	\$1,133	\$1,100	\$1,150	\$1,180	26
	12 Nozzles	\$1,044	\$1,121	\$1,359	\$1,320	\$1,380	\$1,416	108
	14 Nozzles	\$1,218	\$1,308	\$1,585	\$1,540	\$1,610	\$1,652	2
	16 Nozzles	\$1,392	\$1,494	\$1,813	\$1,760	\$1,840	\$1,888	11
	18 Nozzles	\$1,566	\$1,681	\$2,039	\$1,980	\$2,070	\$2,124	2
	20 Nozzles	\$1,740	\$1,868	\$2,265	\$2,200	\$2,300	\$2,360	3
	24 Nozzles	\$2,088	\$2,242	\$2,718	\$2,640	\$2,760	\$2,832	3
	30 Nozzles	\$2,610	\$2,802	\$3,398	\$3,300	\$3,450	\$3,540	2
	36 Nozzles	\$3,132	\$3,362	\$4,078	\$3,960	\$4,140	\$4,248	6
SCHEDULE 6.b GASOLINE DISPENSING (TANK)								
	Phase I only	\$0	\$73	\$93	\$91	\$95	\$98	4
	Underground Tanks	\$204	\$219	\$279	\$273	\$286	\$294	514
	Aboveground Tanks	\$102	\$109	\$140	\$136	\$142	\$146	
SCHEDULE 7 IC ENGINES (HP)								
LEVEL 1	<50	\$163	\$175	\$210	\$204	\$213	\$218	4
LEVEL 2	50 - <250	\$326	\$350	\$423	\$410	\$428	\$439	631
LEVEL 3	250 - <500	\$654	\$702	\$849	\$821	\$858	\$879	276
LEVEL 4	500 - <1000	\$1,307	\$1,404	\$1,695	\$1,642	\$1,716	\$1,759	219
LEVEL 5	>1000	\$2,615	\$2,809	\$3,390	\$3,283	\$3,431	\$3,517	306
SCHEDULE 9 MISC								
LEVEL 1	ALL	\$654	\$702	\$849	\$821	\$858	\$879	256
Total # of Permits:					0	0	0	4716
RENEWAL EMISSION FEE FOR CO, NOX, ROG, SOX or TSP		Current Fee	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18	# of Permits
Any Pollutant	Schedule 6 (per ton)	\$58	\$63	\$75	\$73	\$76	\$78	518
Any Pollutant	All Other (per ton)	\$60	\$64	\$78	\$75	\$78	\$80	4198
Total # of Permits:								4716

Note:

This table shows the fees from FY13/14 to FY17/18 for the sources that elect to defer a portion of their renewal fees as authorized by Section 405. The initial fees in Option 6B are the same fees as in Option 4B. See Rule 301 Proposed Initial Permit Fee Increases - Option 4B.

Staff Report
Rule 107 – Alternative Compliance
Rule 301 – Permit Fees – Stationary Source
June 24, 2013
Page C-1

APPENDIX C
FEE STRUCTURE STUDY
FINAL REPORT

APRIL 29, 2009

000076