

PROPOSED AMENDED REGULATION III

PUBLIC CONSULTATION MEETING



March 20, 2018

AGENDA

1. Annual CPI-Based Fee Increase
2. Socioeconomic Impacts of CPI-Only Fee Increase
3. Proposed Rule Amendments with New Fees or Fee Increases
4. Proposed Amendments with No Fee Impacts and/or Administrative Changes
5. Next Steps
6. Open Discussion



ANNUAL CPI-BASED FEE INCREASE

- Proposed Amended Rule 301
- Proposed Amended Rule 303
- Proposed Amended Rule 304
- Proposed Amended Rule 304.1
- Proposed Amended Rule 306
- Proposed Amended Rule 307.1
- Proposed Amended Rule 308
- Proposed Amended Rule 309
- Proposed Amended Rule 311
- Proposed Amended Rule 313
- Proposed Amended Rule 314
- Proposed Amended Rule 315



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3.4 % CPI-based fee increase

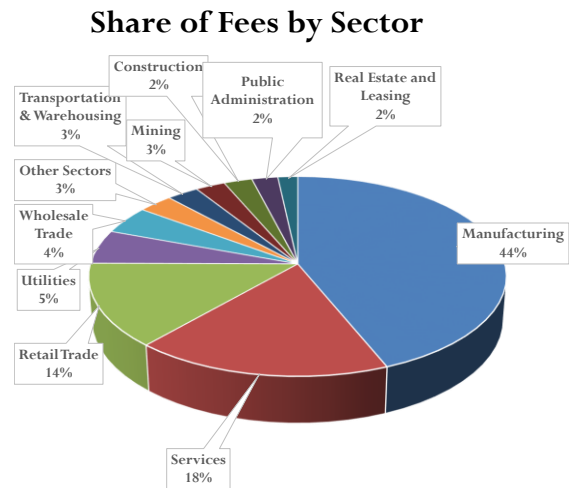
- **Pursuant to Rule 320 (adopted in 2010)**
 - Based on % change in California CPI, from December 2016 to December 2017
 - SCAQMD Governing Board may choose to forego the CPI-based fee increase
- **Applicable to all fee rates, except:**
 - Fee rates set by state law
 - Rule 311(c) Air Quality Investment Program Fees
 - Fees pay for programs to reduce emissions and do not support the SCAQMD Budget
- **Estimated to raise a total of \$2.74 million to cover cost of inflation**
 - Based on the CPI-only Socioeconomic Impact Assessment released on March 15 (<http://www.aqmd.gov/nav/about/finance>)



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Socioeconomic Impacts

- Historical fee revenue:
 - Total flat fees and emission-based fees are estimated at \$17.82 million
 - Total permit processing and permit renewal fees are estimated at \$59.83 million
- The combined amount of these fees currently paid by each industry is small relative to the industry's regional economic output (less than 0.01% overall).



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PROPOSED AMENDMENTS WITH FEE IMPACTS

- Proposed Amended Rule 301
- Proposed Amended Rule 306
- Proposed Amended Rule 307.1



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Necessary Cost Recovery for SCAQMD

- **Cost recovery to meet requirements of recently adopted rules and state mandates**
 - H&SC Section 42705.6 & Rule 1180: Refinery-Related Community Air Monitoring System Annual O&M fees
 - RECLAIM Sunset: Facility Permit Reissuance Fee for converting RECLAIM Facility Permit to a Command-and-Control Facility Permit
 - Rule 1402: Potentially High Risk Level Facility Fees and Special Review Fees
 - Rule 1466: Notification Fees
- **More specific cost recovery for other regulatory actions/services**
 - Current rules do not provide cost recovery or provide insufficient cost recovery for other regulatory actions taken or services provided by SCAQMD



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Estimation of SCAQMD Staff Cost

- FY 2017-18 Burdened Hourly Rates
 - Salaries, benefits & overhead (e.g., share of utilities, insurance, payroll, systems, etc.).
- Example of hourly cost estimate:

Staff Position	Range of Staff Time Per Hour of Evaluation By Air Quality Engineer II			FY 2017-18 Hourly Burdened Rate		Range of Staff Cost Per Hour of Evaluation By Air Quality Engineer II*	
Air Quality Engineer II	100%	100%	x	\$105.69	=	\$105.69	\$105.69
Senior Engineer	25.0%	35.0%	x	\$113.07	=	\$28.27	\$39.57
Supervising Engineer	16.0%	20.0%	x	\$121.17	=	\$19.39	\$24.23
Senior Enforcement Manager	16.0%	20.0%	x	\$135.15	=	\$21.62	\$27.03
Senior Office Assistant	16.0%	20.0%	x	\$68.83	=	\$11.01	\$13.77
Total Cost						\$185.98	\$210.29

* Rounded to the second decimal place.

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III.1: New fees to recover costs associated with operating refinery-related community air monitoring system pursuant to Rule 1180

- Requires affected petroleum refineries to pay an annual fee to SCAQMD for operating and maintaining refinery-related community air monitoring system(s) in communities near these refineries
 - O&M fees specified for each petroleum refinery
 - Fee amounts prorated based on annual cost estimate of \$435,543 per monitoring station with a permanent fixed monitoring location that measures all or most of the relevant pollutants
- The costs come from site maintenance (i.e. electricity, land/site lease), data validation, equipment maintenance, and technical/laboratory labor
- Rule(s) to be Amended:
 - 301(aa)



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III.2: New fees to recover notification costs pursuant to Rule 1466

- Adds a new fee for Rule 1466 notifications. Rule 1466 requires a facility to notify the SCAQMD prior to beginning earth-moving activities and when ambient PM10 dust concentrations limits are exceeded.
- The fee recovers regulatory costs to process the notifications and is identical to the amount charged for cost recovery of Rules 1149 and 1166.
 - The fee is \$62.92 which falls within the reasonable range of processing costs (\$53.53 to \$67.76)
- Rule(s) to be Amended:
 - 301(x)



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III.3: 3. Potential new fees by updating the TAC thresholds to be consistent with the state or SCAQMD's Annual Emission Reporting thresholds

- Revises current reporting and fee-charging thresholds for three toxic air contaminants (TAC) to align with existing reporting thresholds required by either:
 - AB 2588 Air Toxics "Hot Spots" Emission Inventory Criteria and Guidelines Regulation
 - SCAQMD's Annual Emission Reporting (AER) program
- More facilities may need to pay emission fees for these three TACs and current paying facilities may need to pay for more emissions (at the CPI-adjusted fee rates). Fees paid in order to recover increased auditing effort by staff.
- Rule(s) to be Amended:
 - 301 Table IV



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III.4: New fees for RECLAIM permit processing during and after transition out of the RECLAIM program

- Facility Permit Reissuance Fee
 - Recovers SCAQMD costs to transition facilities exiting the RECLAIM program.
 - This process involves extensively changing device conditions, device emissions and requirements, RECLAIM monitoring, reporting and recordkeeping requirements, and other sections of the existing RECLAIM facility permits.
 - Flat fee, plus T&M charge if applicable, based on estimated cost range of \$186-\$210/hour
 - Tiered fee rates by number of permitted RECLAIM NOx sources & differentiated by Title V status to correspond to staff's effort anticipated to be needed.
- Optional voluntary conversion from a transitioned facility permit to conventional command and control equipment based permits
 - Change of condition fee rates in lieu of the permit modification fee rates to reflect staff's effort
- Rule(s) to be Amended:
 - 301(l)(16) & 301(l)(17)



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III.5: New fees to recover costs for periodic assessment of non-RECLAIM CEMS, FSMS, or ACEMS

- Adds a new fee associated with SCAQMD's periodic assessments of non-RECLAIM monitoring systems
 - Same fee rates for period assessment of same monitoring systems required by RECLAIM
 - Minimum fee: \$907.51, plus \$172.01/hour for evaluation time spent in excess of 10 hours; up to a maximum of \$5,738.49
- Minimum fee covers approximately 5.28 hours of evaluation hours by an Air Quality Engineer II which is at the low end of the average amount of time necessary to complete the evaluation.
- Rule(s) to be Amended:
 - 301(j)(5)(D)

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III.6: Increased fees to recover costs associated with voluntary certification programs of Clean Air Solvent (CAS) and Clean Air Choices Cleaner (CACC)

- Increases voluntary certification fees to:
 - CAS -- \$1,503.77, with additional fees of \$135.77/hour for analysis/certification processing time in excess of 12 hours
 - CACC -- \$1,803.77 (including \$300.00 for a CACC-specific analysis performed by a contracting laboratory), with additional fees of \$135.77/hour for analysis/certification processing time in excess of 12 hours.
- These costs are associated with SCAQMD's personnel and services performed at a payor's voluntary discretion to use SCAQMD's personnel and services, as well as more expensive U.S. EPA requirements for test methods and calibrations.
- Rule(s) to be Amended:
 - 301(r) & 301(s)

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III.7: New fees to recover costs associated with annual renewal of Rule 1105.1, Rule 1118, and Rule 1123 compliance plans

- Proposes new fees to recover costs for Rule 1105.1 (Reduction of PM10 and Ammonia Emissions from Fluid Catalytic Cracking Units), Rule 1123 (Refinery Process Turnarounds), and Rule 1118 (Flare Monitoring and Recording Plan) compliance plan reviews.
 - The new annual fee for non-Title V facilities is \$406.79; the new annual fee for Title V facilities is \$460.64 for FY 2018-19 and \$509.74 for FY 2019-20 and thereafter.
- Costs associated with SCAQMD's compliance verification inspections, audits, quarterly report reviewing, responding to notifications, responding to complaints, and investigating self-reported deviations.
- Rule(s) to be Amended:
 - 306(h)

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III.8: Potentially increased fees by billing actual cost invoiced to SCAQMD for public notice publication

- Allows SCAQMD to bill the **actual cost invoiced** for public notice publication
 - A facility subject to public noticing requirement may elect to pay SCAQMD to arrange for publication of its public notice, or do so on its own
 - Current predetermined fees do not adequately provide for complete cost recovery if more than one newspaper notice is necessary
- Rule(s) to be Amended:
 - 301(j)(4)(A), 301(m)(6)(A), and 301(c)(4)(A)
 - Current Table IIB to be deleted

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III.9: New fees to recover costs associated with optional catalyst equivalency evaluation

- Adds new fees for work performed on Catalyst Equivalency Evaluations
 - Without this proposal, facilities must submit a permit modification application every time they replace the catalyst on their SCR (potentially cost-savings)
- Fee rates are consistent with staff's hourly rate in Rule 306(d)
 - Non-Title V: \$155.80/hour
 - Title V: \$176.42/hour in FY 2018-19 and \$195.23/hour in FY 2019-20 and thereafter
 - Expected cost per evaluation: \$2,300 and \$3,000 (i.e., approximately 15 hours)
- Costs are for engineering evaluation time to determine equivalency between the currently-used catalyst and the replacement catalyst
- Rule(s) to be Amended:
 - 306(m) & 306(q)



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III.10: New fees to recover costs associated with AB 2588 work for Potentially High Risk Level Facilities

- Adds new fee for work undertaken by the AB 2588 program staff in determining Rule 1402 compliance for facilities designated as a Potentially High Risk Level Facility, as defined under Rule 1402
 - T&M fee: \$172.88/hour, up to a maximum of \$100,000 per year per facility (capped to provide cost certainty)
 - Additional to applicable state fees
 - Billed annually and due at the time of the AB 2588 annual billing
- Fee covers evaluation hours for document review, emissions estimation, prioritization, risk calculation, public notification, and risk reduction for facilities designated as a Potentially High Risk Level Facility.
- Rule(s) to be Amended:
 - 307.1(c) & 307.1(d)(5)
 - 307.1 Table I



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III.11 New Fees To Recover Costs Associated With AB2588 Work On Rule 1402 Related Special Reviews

- Recover costs through fees on ATIR and HRA preparation or revision
 - Add new fees for ATIR at \$150.62/hour
 - Increase fees for HRA from \$131.31/hour to \$150.62/hour, beyond CPI-based increase
- Recent increase in the number of ATIRs and HRAs requiring review by SCAQMD
 - Rule 1402 gives the EO the authority to reject a submitted ATIR or HRA and modify the revised ATIR or HRA and approve it as modified (in situations where the facility is not able to perform the task without errors or delays)
 - Many submitted documents require substantial modifications or revisions, resulting in increased time and effort by SCAQMD staff and/or the need to hire a qualified contractor
- Rule(s) to be Amended:
 - 307.1(c)(27) & 307.1(d)(3)



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PROPOSED AMENDMENTS WITH NO FEE IMPACTS AND/OR ADMINISTRATIVE CHANGES

- Proposed Amended Rule 301
- Proposed Amended Rule 304.1
- Proposed Amended Rule 306
- Proposed Amended Rule 307.1
- Presentation covers **more significant changes only** and does not include numbering/renumbering of rule sections and tables, deletion of redundant or obsolete rule language, or correction of typos and references



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IV.1 Specification Of Payment Due Date And Non-Payment Consequence For Rule 301(z) “No Show” Fees

- Owners of gasoline transfer and dispensing facilities must complete performance and reverification tests
 - Third party testers are often hired to conduct these tests, with SCAQMD inspectors observing
 - If the testers fail to arrive at the facility at the scheduled time, SCAQMD imposes a “No Show” fee pursuant to Rule 301(z)
- Amendment will specify time limit for fee payments and consequences of non-payment
 - Fees must be paid within 60 days of invoice, or will be considered delinquent 30 days after due date
 - Delinquent account holders cannot schedule any future tests within SCAQMD jurisdiction until all overdue fees are paid in full
- Rule(s) to be Amended:
 - 301(z)



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IV.10: Removal of Title V fee rate for RTC transaction registration fee

- Removes the Title V fee rate for RTC transaction registration fee, thereby effectively lowering the applicable fee rate for Title V facilities to the CPI-adjusted fee rate for non-Title V facilities.
 - Current differential rates exist for many fees throughout Regulation III and were adopted in June 2017, as a result of the programmatic effort to refine SCAQMD’s revenue-cost alignment.
 - Current fee differential between Title V and non-Title V facilities is less than the cost associated with the additional staff effort needed to process, validate, and bill at the higher Title V rate, due to the need to manually validate the RTC transferee’s Title V status
- Rule(s) to be Amended:
 - 301(l)(8)



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IV.11: Clarification of applicable fees related to processing of an Initial Title V Facility Permit, and revision and renewal of an existing Title V permit

- Restructures current Rule 301, paragraphs (m)(3) through (m)(8), to allow for removal of repetitive language and minimize potential confusion over the applicable Title V-related fees
 - (m)(3) would now cover all Initial Title V Facility Permit applications, regardless of whether the applicant is an existing permitted facility, and further clarify all applicable fees that are due at the time of application filing
 - Consolidates all permit revision/amendment rule language into (m)(4) as applicable fee rates do not vary with the type of permit revision (administrative, significant, etc.)
 - All fee rates would be replaced with a reference to the applicable fee rate table, Table VII



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IV.12: Clarification of change of operator fee applicability

- Clarification of Summary of Permit Fee Rates for Change of Operator in Rule 301 (TABLE FEE RATE-C):
 - Change of operator fees apply to RECLAIM facilities
 - Limits to the change of operator fees are not applicable to RECLAIM facilities
 - Fees are for each permit unit application
- Removes ambiguity concerning which facilities are subject to the change of operator fees since pre-amended table does not explicitly refer to RECLAIM facilities.



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IV.13: Addition of existing equipment/process to Table IB

- Table IB: - “Permit Fee Rate Schedules for Basic Equipment” establishes permit fee rate schedules for basic equipment
- Amendment will add two existing equipment/processes to this table
 - Carbon Dioxide Production Facility as Schedule F equipment/process
 - Chippers, Greenwaste (not including I.C. Engines) as Schedule A equipment/process
- Purpose of amendment is to ensure consistency and improve transparency
 - Rule 301(c)(1)(A)(iii) provides SCAQMD with authority to determine the most appropriate fee schedule



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IV.14: Simplification of fee rate table for facility permit fees

Rule 301 Table VII

- Clarifies divisions between Title V-only, RECLAIM-only, and RECLAIM & Title V permit revisions/amendments
- Removes artificial distinctions between fee categories that have the same fee rates
- Reduces redundancy and opportunities for potential discrepancies by:
 - Listing all facility permit-related fee rates in Rule 301 Table VII, and
 - Replacing facility permit-related fee rates in rule sections with a reference to Table VII, where applicable



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IV.16: Clarification of applicable fee rates for annual emission fees

- Rule 301 Table III: The row for annual emissions greater than 75 tons/year is clarified to mean annual emissions greater than 75 but less than 100 tons/year

Rule 301

TABLE III - EMISSION FEES

Annual Emissions (tons/yr)	Organic Gases* (\$/ton)	Specific Organics** (\$/ton)	Nitrogen Oxides (\$/ton)	Sulfur Oxides (\$/ton)	Carbon Monoxide (\$/ton)	Particulate Matter (\$/tons)
4 – 25	\$[...]	\$[...]	\$[...]	\$[...]	-	\$[...]
>25 – 75	\$[...]	\$[...]	\$[...]	\$[...]	-	\$[...]
>75 and <100	\$1,469.41 1,519.37	\$257.08 265.82	\$846.20 874.97	\$1,017.80 1,052.41	-	\$1,121.67 1,159.81
≥100	\$1,519.37-	\$265.82-	\$874.97-	\$1,052.41-	\$[...]	\$1,159.81-

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IV.19: Clarification of applicable fee rates for plan filing and plan evaluation fees

- Clarification of Plan Filing and Plan Evaluation Fee Table in 306(i)(1):
 - Type A plans include “Various Location” Rule 1166 plans
 - Type C plans include “Fixed Location” Rule 1166 plans
- Clarifies that the filing fee is pursuant to Rule 306(c) and the fees due to adjustment to plan evaluation fees are pursuant to 306(d)
- Adjustments to plan evaluation fees will be determined when plan is approved or rejected
 - i.e. actual hours of work done require additional fees due, or plan is rejected so refund is due
 - The amount due will be billed following project completion

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IV.20: Clarification of request for optional expedited plan evaluation

- A request for optional expedited processing of plan evaluation can only be made upon initial work submittal, initial fees are due at this time
- This request is contingent on the District being able to implement necessary procedures and availability of staff
- Adjustments to expedited processing fees will be determined when plan is approved or rejected
 - i.e. actual hours of work done require additional fees due, or plan is rejected so refund is due
 - The amount due or refund will be billed following project completion



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IV.21: Clarification of fee amounts and due dates for source testing evaluation in Rule 306

- Fees for Title V and Non-Title V facilities would be no longer different
 - The staff time required to manage the different Title V fees exceeds the current differential between Title V and Non-Title V fees
- Refer to 306(d) for additional fees per hour of time incurred by staff when: evaluation time is in excess of 5 hours, and when expedited protocol/report evaluation is requested
- Overtime cost for expedited protocol/report evaluation revised downward to include ½ Rule 306(d) hourly rates only and no mileage, to reflect associated actual staff cost
- Minimum fee, additional fee for time in excess of 5 hours, and fee for expedited evaluation are all billed after project completion and due as stated in bill
- Rule 301(v)(4): Clarified to apply only to expedited review of air dispersion modeling and health risk assessments, not expedited review of source test protocols/evaluations



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IV.22: Removal of redundant definition and adjustment of fee in Rule 307.1

- Definition for “Industry-Wide Facility” in Rule 307.1 removed
 - This definition is redundant, requirements in 307.1 refer to “State Industry-Wide Facility” instead.
 - “Industry-Wide Facility” refers to facilities already encompassed in the more expansive definition of State Industry-Wide Facility under 307.1.
- The maximum fee a small business shall pay is reduced to \$300.
 - \$300 is the maximum set by state law.

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NEXT STEPS



Next meetings



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Next public release of documents (April 3)

- **Revised Draft Reg. III Rules**
- **Draft Staff Report**
- **Expanded Socioeconomic Impact Assessment**
 - Socioeconomic impacts for the proposed Reg. III amendments with fee impacts
 - Estimated revenue increase by proposed amendment
 - Macroeconomic job impact analysis as a result of implementing these proposed amendments

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Contacts

Regulation III

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