

Meeting Minutes
Tuesday, July 26, 2016

Title V Fees Stakeholder Advisory Group (SAG)
DEQ Central Office
629 E. Main Street, Richmond, VA
2nd Floor Conference Rooms

Members Present: Philip Lockard, James Taylor, Laura Rose, Ronald Jefferson, Keith Martin, Lenny Dupuis, Mike Stoneberger, Michael Dowd, and Valerie Thomson.

Members Absent: Michael Town, Jay Willis, and Walton Shepherd.

Other Attendees: David Paylor, Angie Jenkins (facilitator), Sam Hollins, Amber Foster, Jill Hrynciw, Randy Hardy, Tom Ballou, Tamera Thompson, Jeff Steers, Todd Alonzo, and Gary Graham.

Meeting convened: 9:32 a.m.

Meeting adjourned: 11:33 a.m.

1. Welcome and Introductions [Angie Jenkins, DEQ]. The attendees were welcomed to the meeting. Members introduced themselves, the attendees were oriented within the facility, and all attendees were asked to sign the attendance record. Meeting materials (attachments 1 - 4) were at each member's place and were available at the rear of the conference room for public attendees. Attachment 1 is the agenda for the meeting. Members were asked to send emails to Gary Graham (gary.graham@deq.virginia.gov) for dissemination to the group instead of "replying to all" or e-mailing the group directly to avoid any possibility of creating a "public meeting" under FOIA without the proper public notice.
2. Welcoming Remarks [David Paylor, DEQ]: The members and other attendees were thanked for participating. Title V of the 1990 Clean Air Act Amendments requires that the Title V permit program be self-funding. Emission fees provide most of that funding, and emissions are down significantly. The fee structure was revised in 2012 with the understanding that the fee structure would have to be revised again in four or five years. Projected revenue for 2017 under that fee structure will decrease to about seven million dollars, while program costs will increase through 2021. As a result, the program will no longer be able to fund itself unless the fee structure is revised again. The purpose of this stakeholder group is to develop recommendations for adjusting the Title V fee

structure to ensure that revenues cover the costs of the program consistent with the Clean Air Act.

3. Title V fee structure and emission trends [Tom Ballou, DEQ]: Attachment 2 contains the slides for this presentation. Mr. Ballou answered questions from the stakeholder group members during the presentation.

This is not a situation unique to Virginia. Other states are finding themselves in a similar situation.

4. Title V program costs and revenues [Val Thomson, DEQ]: Ms. Thomson reviewed Attachments 3 and 4 with the group and answered questions from the group. Title V of the federal Clean Air Act requires that Title V fees cover both direct and indirect costs of the Title V permit program. Direct costs include things like Title V permit and compliance staff salaries and benefits. Indirect costs include things like costs for the building rent, utilities, computers, etc. Direct costs are tied to time reporting. The indirect cost rate is a percentage of direct salary costs. These direct and indirect costs are currently stable, running between 10.2 and 10.9 million dollars per year. Expenditures have remained stable because DEQ has left 26 full time employee (FTE) positions vacant to meet the declining revenue projections. Because the program is self-funded, revenues are deposited into a separate account dedicated to the Title V program.

In 2011 emissions began decreasing, and revenues began a similar decline. This revenue decline (mainly from emission fees) is projected to continue and drop to \$6 million by 2021. The revised fee structure implemented in 2012 will fully fund the program only until 2017. The cash balance is projected to be negative after 2017.

- a. In response to a question by one of the members [Val Thomson, DEQ]: A portion of the costs of the air monitoring program, which monitors ambient air pollutant contributions from both Title V sources and non-Title V sources, is allocated to Title V expenditures according to the amount of emissions from Title V sources compared to emissions from all sources.
- b. In response to a question by one of the members [Tamera Thompson, DEQ]: DEQ has historical information concerning permit application fees and processing times, but it is impossible to project this information into the future because of the nature of permitting. Permit application fees do not fully pay for permit processing. Attachments 5 through 8 were handed out as information for the members review over the coming weeks before the next meeting.
- c. In response to a question by one of the members [Val Thomson, DEQ and Tom Ballou, DEQ]: While raising the 4000 ton emission cap might have affected revenue in 2012, now there are only 6 facilities that are above the cap and the difference between actual emissions and billable emissions is much smaller.

5. Group discussions/fee options[Angela Jenkins, DEQ]:
 - a. Is it possible to move away from emission fees?
 - b. It is possible to increase application fees to more accurately reflect the cost of reviewing applications and issuing permits?
 - c. What is the sensitivity of changes to the emission fee rate vs. changing annual maintenance fee rates?

6. For the next meeting: [Angela Jenkins, DEQ]:
 - a. The next meeting will be in the DEQ Central Office 2nd floor conference rooms at 629 E. Main St, Richmond, Virginia on Monday, August 29, 2016 beginning at 9:30 a.m. Any changes will be published on the Virginia Regulatory Town Hall.
 - b. Summary of action item assignments resulting from this meeting:
 - i. [DEQ] Provide information on how much it costs to issue permits.
 - ii. [DEQ] Provide revenue sensitivity numbers for increasing emission fees, annual permit fees, and maintenance fees.
 - iii. [DEQ] Provide an electronic copy of the emission fees billed in 2016.
 - iv. [DEQ] Provide NACAA surveys on Title V fees.

Attachments:

1. Meeting agenda for the 7/26/16 meeting.
2. Virginia Title V Fee Program Structure and Trends.
3. Title V Projections (Revenue and Expenditures).
4. Title V Expenditures by Fiscal Year by Program Area.
5. Permitting Activity for Virginia Fiscal Year 2016 (July 1, 2015 – June 30, 2016).
6. Title V Application and Emission Inventory Fees (by state).
7. Permit Processing Times (Complete Application to Issued Permit FY 2016).
8. Permitting and Compliance Programs and Standards Implemented by the Air Division.

**TITLE V FEES STAKEHOLDER GROUP
AGENDA
July 26, 2016**

- 9:30 – 10:00** **WELCOME / INTRODUCTIONS**
David Paylor / Angie Jenkins
- 10:00 – 10:30** **CURRENT FEE STRUCTURE / EMISSION TRENDS**
Tom Ballou
- 10:30 – 11:00** **TITLE V PROGRAM COSTS/REVENUES**
Val Thomson
- 11:00 – 11:30** **GROUP DISCUSSION / FEE OPTIONS**
Angie Jenkins
- 11:30 – 12:30** **LUNCH**
- 12:30 – 3:15** **GROUP DISCUSSION (con't)**
Angie Jenkins
- 3:15 – 3:30** **NEXT STEPS / FUTURE MEETINGS**
Angie Jenkins
- Next Meeting: August 29, 2016

“Virginia Title V Program Structure and Trends”
(Presentation slides follow)



VIRGINIA TITLE V FEE PROGRAM STRUCTURE & TRENDS

Stakeholder Group Meeting

July 26, 2016

ORIGINAL TITLE V FEE PROGRAM

- Fee program established as part of Title V of the Clean Air Act Amendments of 1990
- Section 502 (b) (3) requires sources to pay and states to collect "*fees sufficient to cover all reasonable direct and indirect costs required to develop and administer the Title V permits program*"
- Fees based on emissions of certain pollutants times a per ton fee amount
- Presumptive fee set at \$25 per ton (1990) and then adjusted annually using the Consumer Price Index (CPI)
- Virginia program began in 1996 with per ton fee of \$32.19 and 4,000 ton cap per pollutant
- Fee revenue was relatively stable for over ten years (\$9-10 million annually) but emissions began to decrease

THE FIRST STAKEHOLDER PROCESS

- Emissions began a steep decline beginning in 2008 due to the economic downturn and new emission controls
- Annual revenue dropped to \$7 million in Fiscal Year 2011 and 2012
- First stakeholder group established in 2010 and discussed a 3-prong approach to address the revenue shortfall:
 - An increase in emissions fees
 - New fees for permit applications and program maintenance
- No consensus on how to increase the emissions fees (fee vs. cap increase)
- 2012 Budget Bill authorized increased emissions fees and new permit and maintenance fees
- New fee structure became effective on July 1, 2012

THE CURRENT ANNUAL FEE STRUCTURE

2016 Emission Fee Rate
(For emissions in year 2015, due September 1, 2016)

\$60.91 per ton of emissions

2016 Annual Permit Maintenance Fees:
(Due on September 1, 2016)

Stationary Source Type	2016 Maintenance Fee
Title V Complex Major Source	\$10,519
Title V Major Source	\$3,681
Title V Source By Rule	\$1,577
Synthetic Minor 80% Source	\$1,051

THE CURRENT PERMIT FEE STRUCTURE

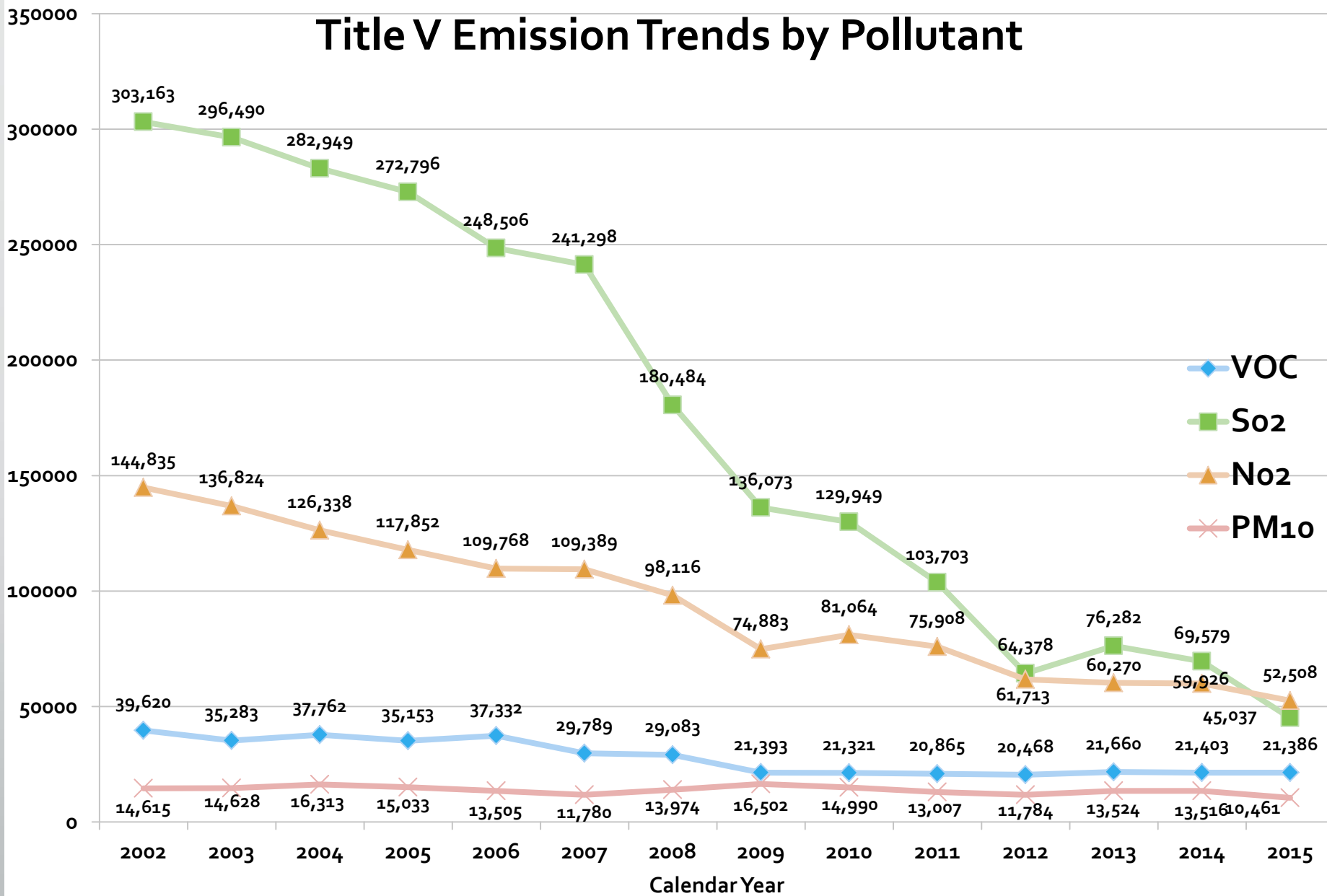
2016 Permit Application Fees
(Effective January 1, 2016)

Application for:	2016 Application Fee
Sources subject to Title V permitting requirements:	-
Major NSR permit	\$31,558
Major NSR permit amendment (except administrative)	\$7,363
State major permit	\$15,779
Minor NSR permit (that is not also a state major permit)	\$1,577
Minor NSR permit amendment (except administrative)	\$788
Title V permit	\$21,039
Title V permit renewal	\$10,519
Title V permit modification (except administrative)	\$3,681
State operating permit	\$7,363
State operating permit amendment (except administrative)	\$3,681
Title V General Permit	\$525
Sources subject to the requirements of a synthetic minor permit:	-
Minor NSR permit	\$525
Minor NSR permit amendment (except administrative)	\$262
State operating permit	\$1,577
State operating permit amendment (except administrative)	\$841

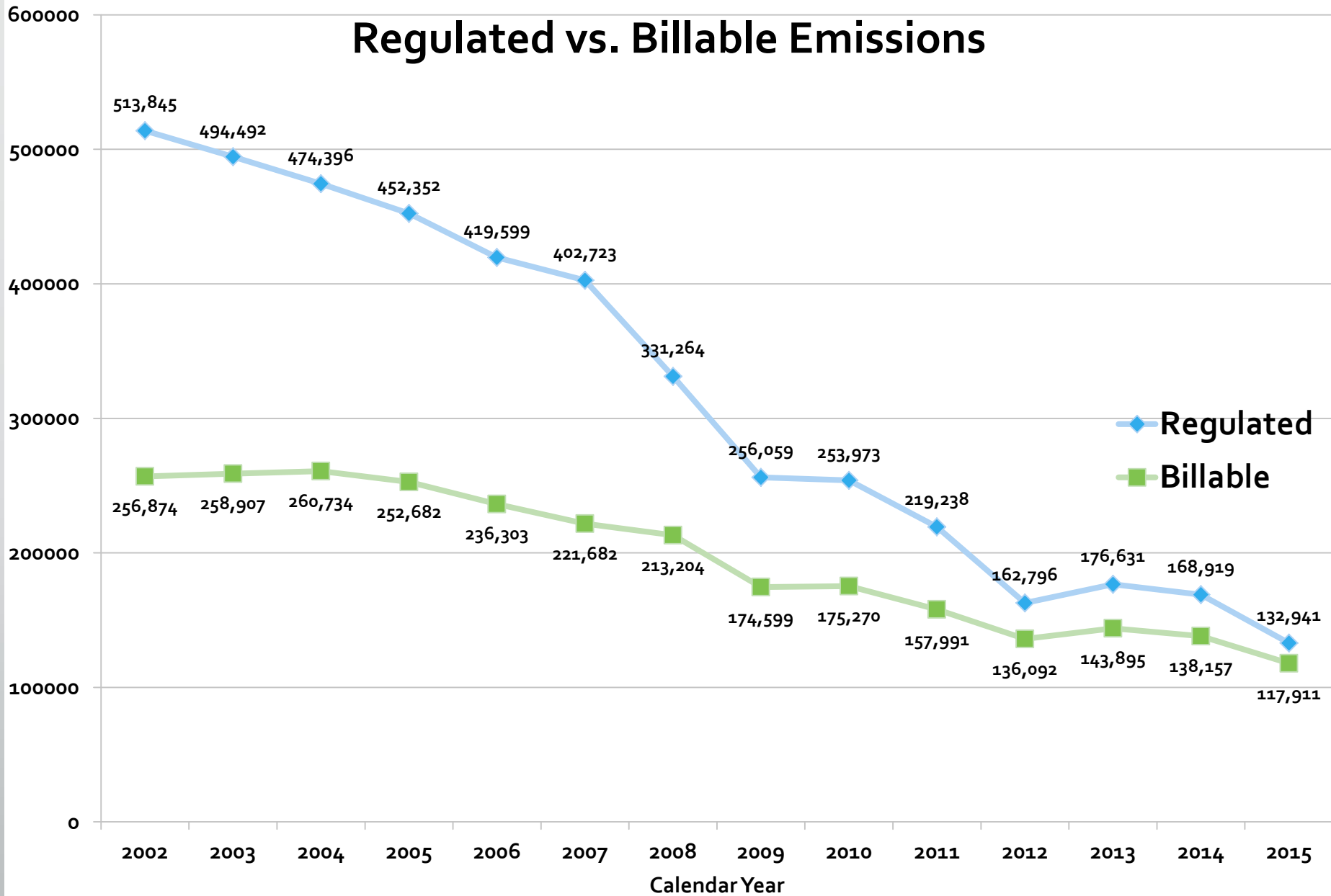


EMISSIONS AND FEE TRENDS

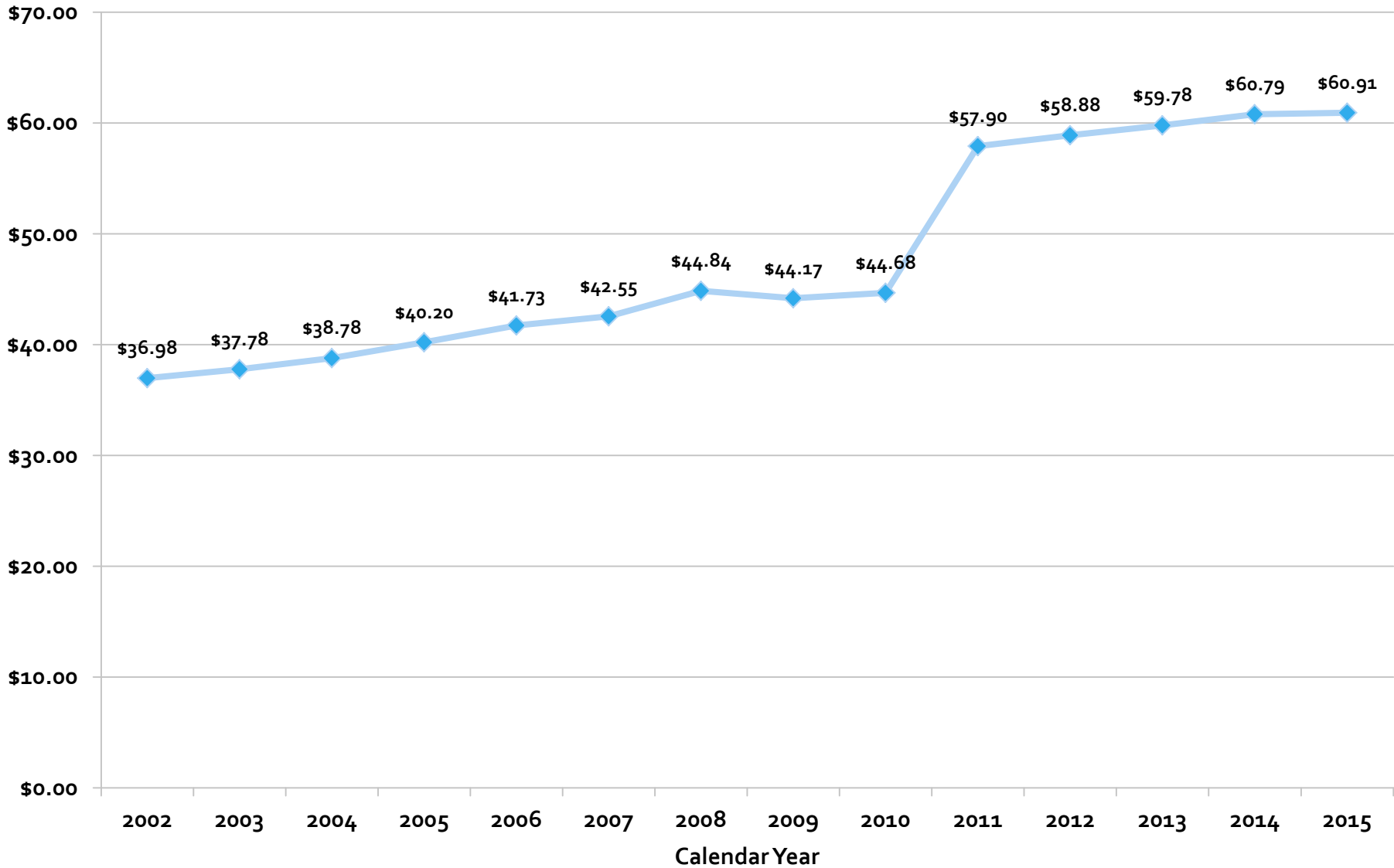
Title V Emission Trends by Pollutant



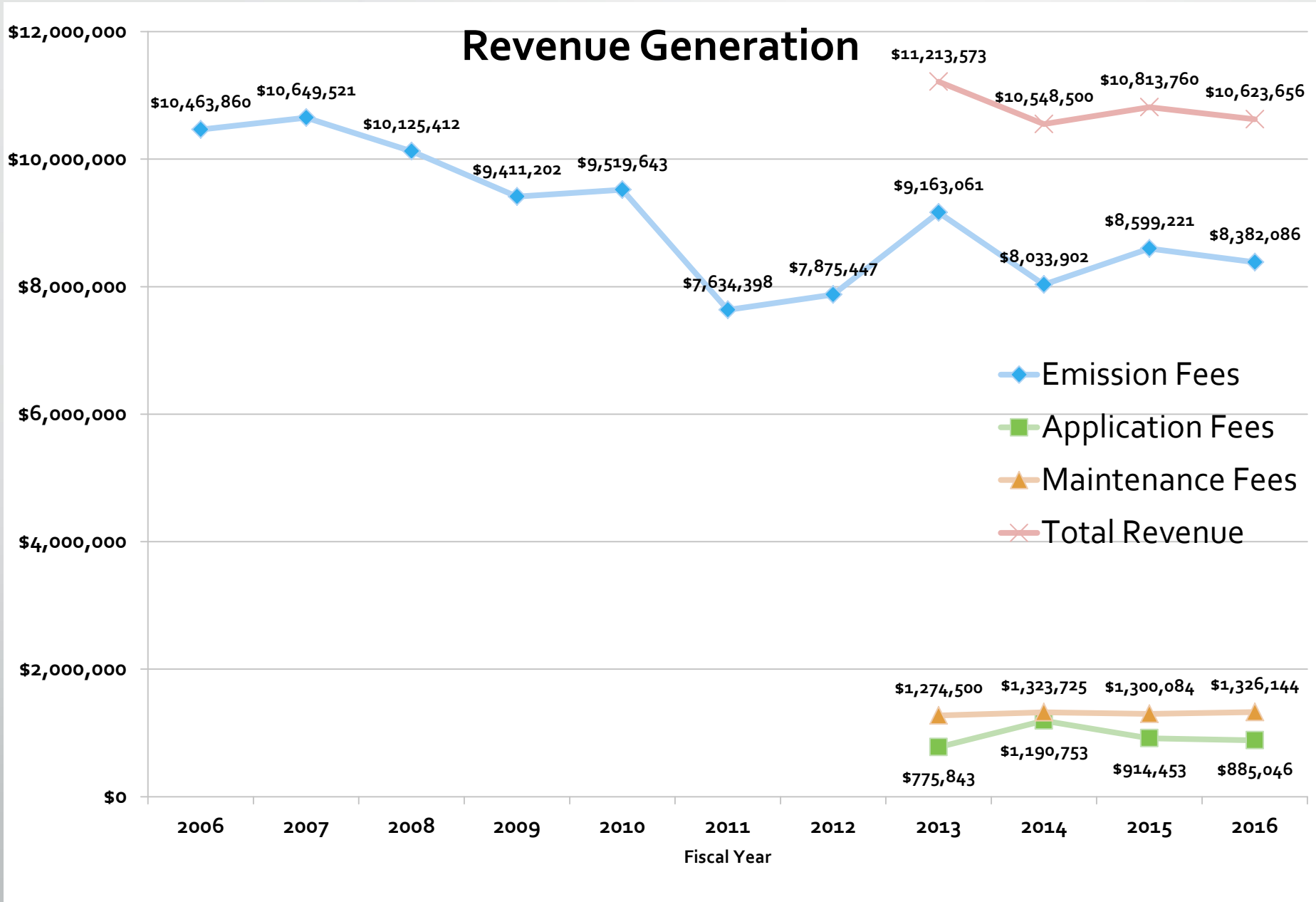
Regulated vs. Billable Emissions



Per Ton Emission Fee



Revenue Generation



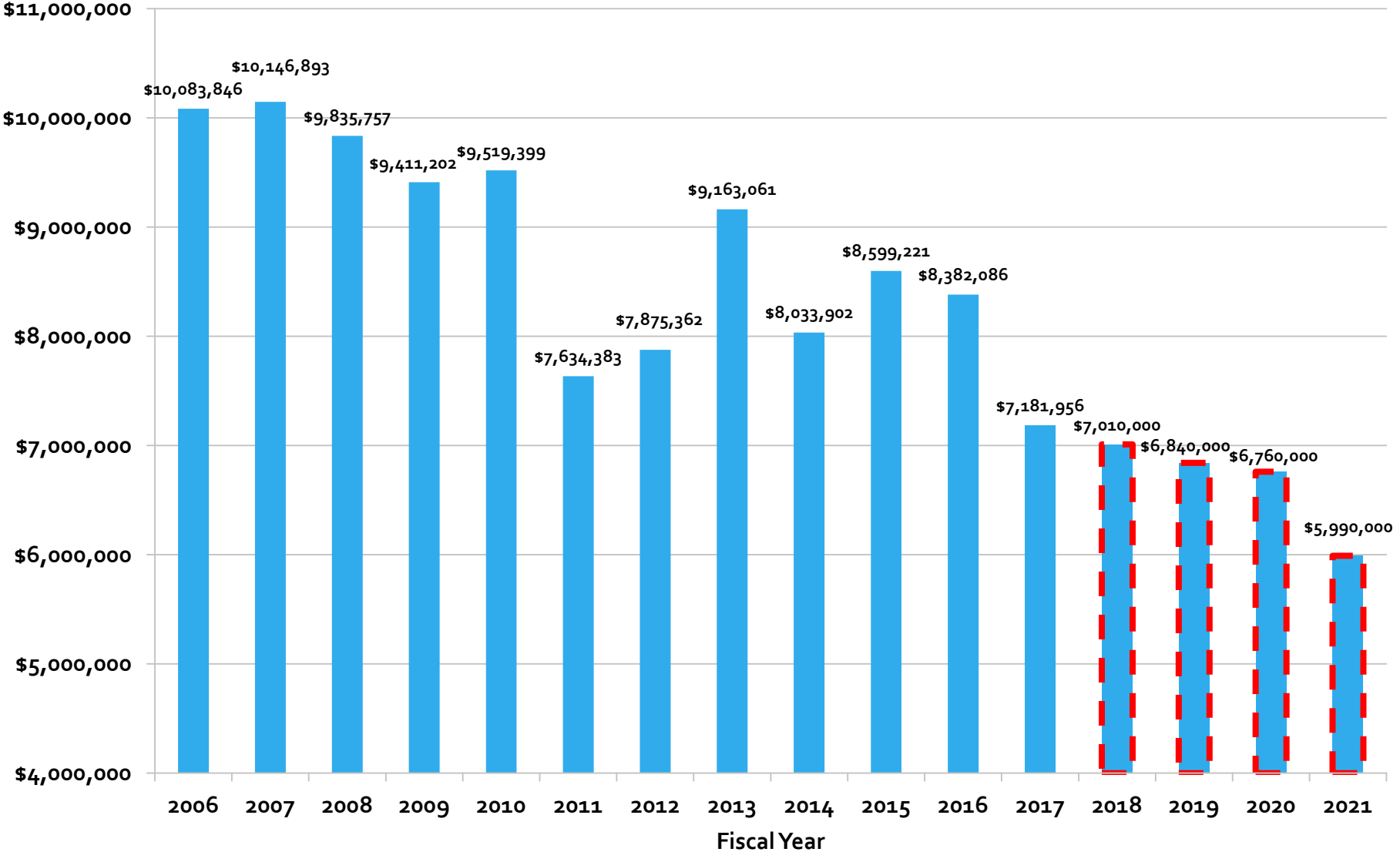


FUTURE PROJECTIONS

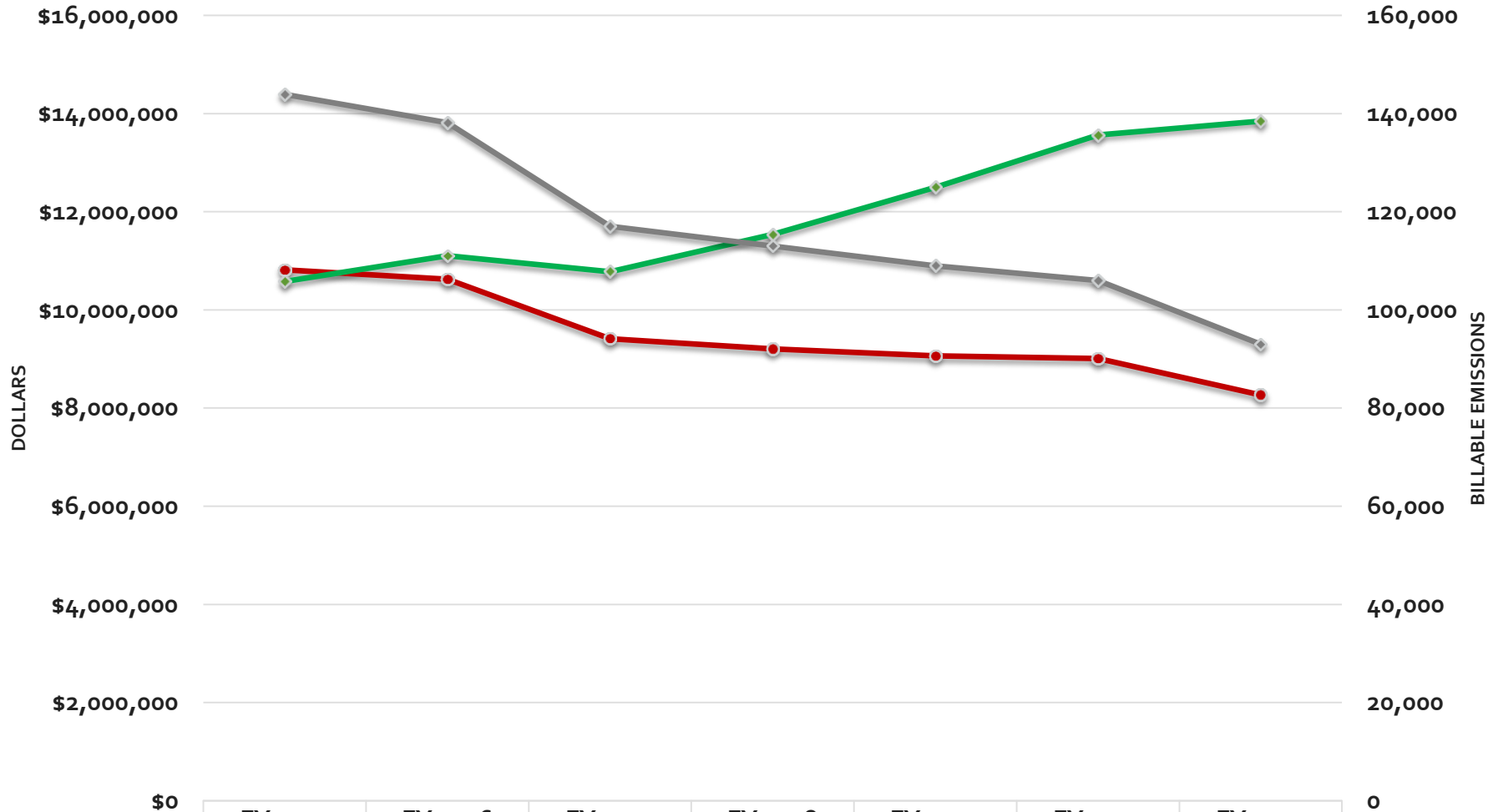
Future Projections

- Emission fees projected forward using the following:
 - Latest information on current and expected source closures
 - Latest information on current and expected source fuel conversions
 - Future power sector emissions from the ERTAC projection tool
 - Average CPI adjustments
 - All other source emissions held constant
- Application and maintenance fees held mostly constant
- Program costs estimates developed by DEQ finance office

Historical Emission Fee Revenue & Projections



TITLE V REVENUE, COSTS, & EMISSIONS PROJECTIONS



	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
● Revenue	\$10,813,76	\$10,623,65	\$9,412,250	\$9,206,216	\$9,062,571	\$9,009,241	\$8,266,232
◆ Costs	\$10,579,95	\$11,103,87	\$10,778,57	\$11,537,07	\$12,498,21	\$13,562,13	\$13,846,77
◆ Emissions	143,895	138,157	117,000	113,000	109,000	106,000	93,000

“Title V Projections (Revenue and Expenditures)”
(Presentation slides follow)

DEQ
TITLE V PROJECTIONS

7/27/16 3:35 PM

Revenues by source code	ACTUAL FY 2008	ACTUAL FY 2009	ACTUAL FY 2010	ACTUAL FY 2011	ACTUAL FY 2012	ACTUAL FY 2013	ACTUAL FY 2014
02100 - Emissions fees	9,835,757	9,411,202	9,519,399	7,634,383	7,875,362	9,163,061	8,033,902
02100 - Maintenance fees	0	0	0	0	0	1,274,500	1,323,725
02401 - Application fees	0	0	0	0	0	775,843	1,190,753
07108 - Interest	288,591	0	0	0	85	162	120
09084 - Other + 08322 Past Due AR	1,064	0	244	15	0	7	0
Total Revenues	10,125,412	9,411,202	9,519,643	7,634,398	7,875,447	11,213,573	10,548,500

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Expenditures by type	ACTUAL FY 2008	ACTUAL FY 2009	ACTUAL FY 2010	ACTUAL FY 2011	ACTUAL FY 2012	ACTUAL FY 2013	ACTUAL FY 2014
Salaries, classified	5,527,084	5,462,069	5,176,277	5,279,917	5,427,852	5,460,390	5,735,020
Wages	186,219	114,934	106,248	87,619	97,613	76,060	68,965
Benefits	2,168,398	2,021,623	1,716,844	2,023,999	1,761,555	2,032,117	2,122,066
Non-personnel expenditures	3,654,514	3,426,273	2,376,875	2,481,731	2,966,818	2,942,313	3,029,275
Total Program Costs	11,536,215	11,024,899	9,376,244	9,873,266	10,253,838	10,510,880	10,955,326

Cash Transfer In/Out/Other			(157,240)		1,000,000	813	301,160
Yearly Surplus/(Deficit)	(1,410,803)	(1,613,697)	(13,841)	(2,238,868)	(1,378,391)	703,506	(105,666)
End of Year Cash Balance	7,240,582	5,626,885	5,613,044	3,374,176	1,995,785	2,699,291	2,593,625

Projected filled positions
Projected vacancies
Projected total positions

“Title V Expenditures by Fiscal Year by Program Area”
(Presentation slide follows)

Title V
Expenditures by Fiscal Year
By Program Area

	Program	Sum of 2014	Sum of 2015	Sum of 2016
Air Protection Permitting	513025	(4,162,295)	(4,060,057)	(4,409,775)
		38.0%	38.4%	39.7%
Air Protection Compliance and Enforcement	513026	(3,041,615)	(3,000,030)	(2,958,817)
		27.8%	28.4%	26.6%
Air Protection Planning and Policy	513028	(297,863)	(276,972)	(285,680)
		2.7%	2.6%	2.6%
Air Protection Monitoring and Assessment	513029	(667,726)	(807,229)	(759,550)
		6.1%	7.6%	6.8%
Administrative and Support Services	599001	(2,785,827)	(2,435,668)	(2,690,051)
		25.4%	23.0%	24.2%
Total Title V Expenditures	Grand Total	(10,955,326)	(10,579,956)	(11,103,873)

**Permitting Activity for Virginia Fiscal Year 2016
July 1, 2015 – June 30, 2016**

Permit Type	Permits Issued
Exemptions	63
Minor NSR	172
NSR Significant Amendment	41
NSR Minor Amendment	40
NSR Administrative Amendment	21
PSD	2
PSD Minor Amendment	3
PSD Administrative Amendment	1
SOP	4
SOP Significant Amendment	20
SOP Minor Amendment	12
SOP Administrative Amendment	2
State Major	1
Title IV	3
Title IV Renewal	1
Title V	5
Title V Renewal	24
Title V Significant Modification	14
Title V Minor Modification	10
Title V Administrative Amendment	6
General Permits	30

Permitting Processing Time for FY 10

Permit Type	Avg. Processing Time in Days (Application Received to Completed Application)	Avg. Processing Time in Days (Completed Application to Issued Permit)
Minor NSR	43	42
SOP	55	91
Title V	57	1414
Title V Renewals	41	365

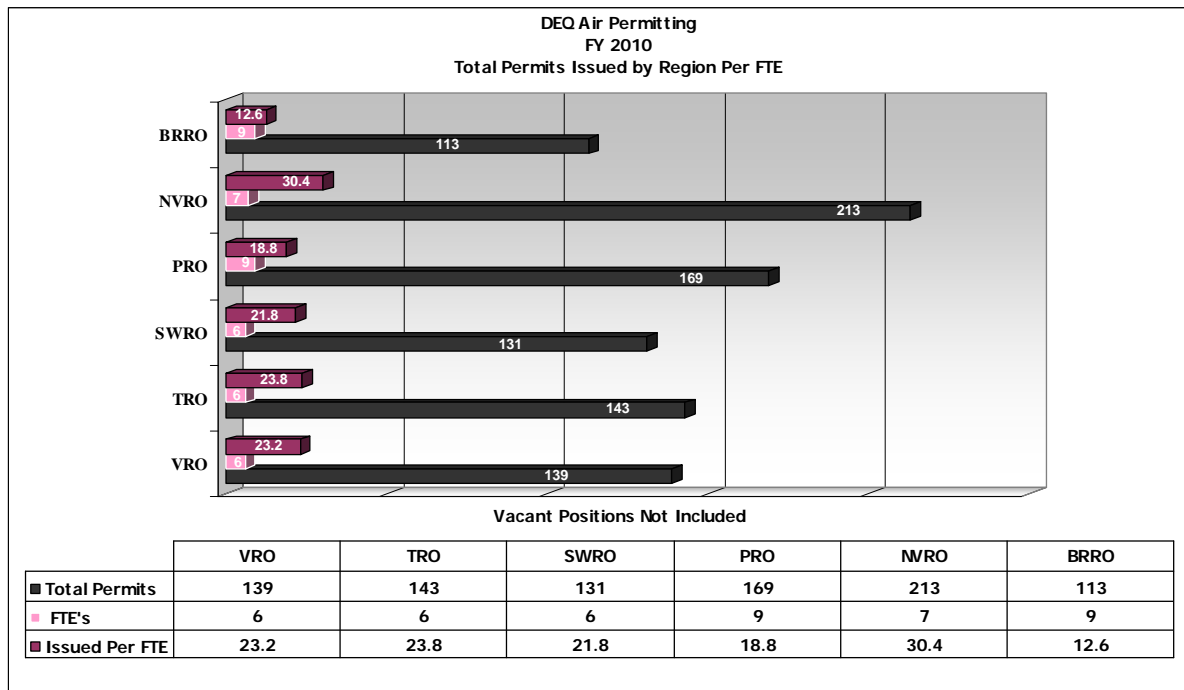
The Expected Processing Time for Minor NSR Permits is 90 Days.

The Expected Processing Time for SOP Permits is 180 Days

The Expected Processing Time for Title V Permits is 548 Days.

Processing Time is from the completion of the application to issuance of the permit.

Permits Issued By Permit Writers FY 10



“Title V Application and Emission Inventory Fees (by state)”
(Handout follows)

Title V Application and Emissions Inventory Fees
Updated July 2016

State	Permit Application Fee(s)	Annual Permit Maintenance / Administrative Fee(s)	Annual Emissions Base Fee	Annual Emissions Fees (Per Tons Per Year)	Other Annual Emissions-Related Fees	GHG fees	Emissions Fees Charged By:	Emission Fee Cap
Kentucky	None	N/A	N/A	\$76.87	\$150 flat fee for subject emissions < 25 TPY	\$0.00	Actual emissions	4,000 ton cap on individual pollutants
Maryland	None	N/A	\$5,000	\$57.73	N/A	\$0.00	Actual emissions	No cap
North Carolina	Initial TV: \$9,485 TV PSD or NSR/NAA: \$14,359 TV PSD & NSR/NAA: \$27, 928 Synthetic Minor: \$400.00	Basic Permit Fee TV: \$6,919 Synthetic Minor: \$1,500	N/A	\$31.92	NAA added fee: \$3,726	\$0.00	Actual emissions	4,000 ton cap on individual pollutants
Pennsylvania	\$750	Annual Operating Permit Admin Fee: \$750	N/A	\$86.73	N/A	\$0.00	Actual emissions	4,000 ton cap on individual pollutants
Tennessee	None	N/A	\$7,500	Non-EGUs Per Ton of allowable emissions: \$32.50 Non-EGUs Per Ton of actual emissions: \$43.00 EGUs Per Ton of allowable emissions: \$39.00 EGUs Per Ton of actual emissions: \$49.50	N/A	\$0.00	Source required to declare emissions fee choice: allowable, actual, or a combination thereof	4,000 ton cap on individual pollutants
Virginia	Initial TV: \$21,039 Renewal TV: \$10,519 Modification TV: \$3,681	Maintenance Fees: TV Complex Major Source: \$10,519 TV Major Source: \$3,681 TV Source by Rule: \$1,577 Synthetic Minor 80% Source: \$1,051	N/A	\$60.91	N/A	\$0.00	Actual emissions	4,000 ton cap on individual pollutants
West Virginia	None	N/A	N/A	\$47.95	N/A	\$0.00	Actual emissions	4,000 ton cap on individual pollutants

EGU: Electric Generating Unit
GHG: Greenhouse Gases
NAA: Non-Attainment Area
NSR: New Source Review
PSD: Prevention of Significant Deterioration
TPY: Tons Per Year
TV: Title V

Permit Processing Times
Complete Application to Issued Permit
Fiscal Year 2016 – July 1, 2015 – June 30, 2016

Permit Type	Number of Permits Issued	Average Issuance Time (Complete Application to Permit Issuance) in Days
Minor NSR	172	29
Minor NSR Significant Amendment	41	46
Minor NSR Minor Amendment	40	31
State Operating Permits	4	74
State Operating Permits Significant Amendments	20	91
State Operating Permits Minor Amendments	12	39
Initial Title V Permit	5	1471
Title V Renewal	24	296
Title V Significant Modification	14	139
Title V Minor Modification	9	84

Permit Processing Time Goals:

Minor NSR – 90 Days

State Operating Permits (SOP) – 180 days

Title V – 548 days

**Permitting and Compliance Programs and Standards
Implemented by the Air Division
07/26/2016**

Regulatory Programs/Standards	Number
National Ambient Air Quality Standards (NAAQS)	7
New Source Performance Standards (NSPS)/ Emissions Guidelines (EG)	96
Maximum Achievable Control Technology Standards -MACTS (40 CFR Part 63)	146
National Emission Standards for Hazardous Air Pollutants – NESHAP (40 CFR Part 61)	14
Air Permitting Programs – 9VAC5 Chapter 80	7
EPA Test Methods	134
General Permits	4
EPA Trading Programs	2
State-Only Enforceable Regulations (State Toxics New/Existing, Odor)	3
RACT (NO _x /VOC)	2
Regional Haze/BART	1
Total	416

Other Programs Implemented by the Air Division

- SIP Planning
- Emissions Inventory (includes point, area and mobile)
- Air Quality Monitoring
- Air Dispersion & Photochemical Modeling
- Air Quality Forecasting

Mobile Sources/Inspection and Maintenance – Funded Through I/M Program
Related Fees