Topics Covered

• Background
• Strawmen
• Remaining Schedule
Background

- Federal & State statutes & regulations require that direct and indirect costs of Title V permit program be covered by Title V facilities.
- APC Projecting ~ $1.5 million shortfall in FY2019.
- Changes are needed to Title V fee system starting with fees that will be due in 2019.
2017 Stakeholder Process to Date

• 1st Webinars – May 11th and May 15th, 2:00 pm Central
• Stakeholder Meetings – to receive feedback from Stakeholders
  – May 24th – 1:00 PM at TBI, 901 R.S. Gass Blvd., Nashville
  – June 1st – 1:00 PM at Chattanooga Field Office, 1301 Riverfront Parkway, Chattanooga
Summary of Comments from Stakeholder Meetings

• Current minimum fee of $7500 already burdensome on some small companies
• Increase in fees should be relatively consistent across all facilities
  – APC scenarios with both base & minimum fee come closest to meeting this goal
• Facilities that emit more should pay more
• Stakeholders want to see workload analysis
• No wide-spread preference for brackets
  – One commenter stated preference for APC bracket option 4
APC Fee Data Analysis – Fees Definition

- **Two Methods for Fee Calculation**
  - Non-bracketed (preferred – simpler)
  - Bracketed (not preferred – more complex)

- **Variables**
  - Emission Category Ratios ($ / Ton Fees)
    - Actual vs Allowable (AvA)
    - EGU vs Non-EGU (EGU vs NEGU)
  - Permitting Fees
    - Base Fee (added to $/Ton Fee)
    - Minimum fee ($ amount to trigger decision about fee assessment)
  - Bracket variables
    - Bracket size – Tons / Bracket
    - $/Bracket increase - $ increase from 1st Bracket to each following

- **Total Fee = (Base + $/Ton) Fee OR Minimum Fee**
APC Fee Data Analysis – Scenario Statistics Evaluated

- **Statistics evaluated for each scenario**
  - 800+ scenarios explored
  - Maximum Fee
  - Average Fee (Mean Fee)
  - Minimum Fee
  - Number of facilities at the Minimum Fee
  - Number of facilities above the Average Fee
  - Percent change of Fees
    - each fee of each scenario
    - % change from the 2016 Fees
  - And others
APC Fee Data Analysis — Base Fee & Minimum Fee Explored

• Base Fee effect on Fees explored (Minimum Fee = $0)
  – range of values: Base Fee ( $0 to $10,000), Ratios constant at 1.5
  – Maximum Fee **dramatically decreases** with Base Fee increases
    • Average decrease of $22,000 per $1,000 increase in Base Fee
  – Base Fee drives all Fees up reducing # of Facilities paying the Minimum Fee

• Minimum Fee effect on Fees explored (Base Fee = $0)
  – range of values: Minimum Fee ( $0 to $10,000), Ratios constant at 1.5
  – Maximum Fee **significantly decreases** with Base Fee increases
    • Average decrease of $6,400 per $1,000 increase in Minimum Fee
  – Minimum Fee increases also increase # of Facilities paying the Minimum Fee
APC Fee Data Analysis – Base Fee & Minimum Fee Explored

Maximum of Fees

ACT vs ALW 1.5
EGU vs NEGU 1.5
Base Fee x axis
Minimum Fee $0

Base Fee

$0 $1,000 $2,000 $3,000 $4,000 $5,000 $6,000 $7,000 $8,000 $9,000 $10,000

$750,000 $700,000 $650,000 $600,000 $550,000 $500,000

Graph showing the maximum fees based on the base fee, with ACT vs ALW and EGU vs NEGU rates of 1.5, and the base fee ranging from $0 to $10,000.
APC Fee Data Analysis – Base Fee & Minimum Fee Explored

Maximum of Fees

- ACT vs ALW: 1.5
- EGU vs NEGU: 1.5
- Base Fee: $0
- Minimum Fee: x axis

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APC Fee Data Analysis — Base Fee & Minimum Fee Explored

- Base Fee & Minimum Fee **combination** explored
  - Base Fee value range ($0 to $10,000 by $1000 increments)
  - Minimum Fee value range ($10,000 to $0 by -$1000 increments)
  - Emission Category Ratios held constant at 1.5
  - Maximum Fee **dramatically decreases** as Base Fee increases
  - # Facilities at Minimum Fee decreases as Minimum Fee decreases
  - # Facilities at Minimum Fee rapidly decreases as Base Fee increases
  - # Facilities above Mean Fee increases slightly as Base Fee increases
  - # Facilities above Mean Fee = # Facilities at Minimum Fee
    - Base Fee = $4000 and Minimum Fee = $6000
    - Values vary slightly as Emission Category Ratios change
APC Fee Data Analysis – Base Fee & Minimum Fee effects on Fees

Maximum Fee vs (Base & Minimum Fees)
Ratios = 1.5

Shift of Dominant effect
Minimum Fee diminishes
Base Fee dominates

minimum value
limit selected for
Minimum Fee
APC Fee Data Analysis — Base Fee & Minimum Fee effects on Fees

(# @ Min Fee) & (# > Mean Fee) vs (Base & Min)

ACT vs ALW
EGU vs NEGU
Base Fee
Minimum Fee
1.5
1.5
$0 to $10K by $1K
$10K to $0 by $1K

max value limit selected for Base Fee
Emission Category Ratios effect on Fees explored

- Actual vs Allowable (AvA) & EGU vs Non-EGU (EGU vs NEGU)
- Ratio’s range of values limited (min = 1.0 & max = 2.0 incremented by 0.1)
- Base Fee & Minimum Fee = $0

**Ratios directly effect the Maximum Fee**

- AvA Ratio
  - As AvA increases, the Maximum Fee decreases
    - (value range 1.0 to 2.0)
- EGU vs Non-EGU (EGU vs NEGU) Ratio
  - As EGU vs NEGU increases, the Maximum Fee decreases
    - (value range 1.0 to 1.6)
  - As EGU vs NEGU increases, the Maximum Fee increases
    - (value range 1.6 to 2.0)

**Ratios directly effect the Percent Change of Fees**

- Ratios optimized to have the lowest Maximum Percent Change of Fees
APC Fee Data Analysis — Emission Category Ratios Explored

Maximum Fee
(BaseFee=$4K, MinFee=$6K)

min value is value where Maximum Fee transitions from NEGU to EGU
APC Fee Data Analysis – Emission Category Ratios Explored

Maximum % change in Fees
(Base Fee = $4K, Min Fee = $6K)

Lowest Maximum % change
Actual vs Allowable (AvA) = 1.3
EGU vs Non-EGU (EGU vs NEGU) = 1.2
APC Fee Data Analysis — Fees & % Change Data Graphing

- Fees data graphed for selected scenarios
  - FY2019 and FY2016 Fees graphed for comparison
- Fees Percent Change data graphed for selected scenarios
- Scenarios selected and graphed for sharing
  - Actual vs Allowable ratio = 1.3
  - EGU vs Non-EGU = 1.2
  - Base Fee = $4000
  - Scenarios that best met issues raised at stakeholder meetings
    - Strawman # 1 - no change in the Minimum Fee: $7500 (No Brackets)
    - Strawman # 2 - increase in the Minimum Fee: $8000 (No Brackets)
    - Strawmen #1 and #2 are both preferred options
    - Strawman # 3 (not preferred, but taking comments) - no change in the Minimum Fee: $7500 (Brackets)
Strawman # 1

- Base Fee = $4000
- Minimum Fee = $7500 (no change from current system)
- Actual-to-Allowable Ratio = 1.3
- EGU-to-non-EGU Ratio = 1.2
- Fee Rates
  - non-EGU Allowable = $48.12/ton
  - non-EGU Actual = $62.56/ton
  - EGU Allowable = $57.74/ton
  - EGU Actual = $75.07/ton
Strawman # 1

Strawman # 1 Fees
FY2019 vs FY2016

- ACT vs ALW = 1.3
- EGU vs NGEU = 1.2
- Base Fee = $4000
- Minimum Fee = $7500
Strawman # 1

Strawman # 1 Fees
FY2019 vs FY2016

ACT vs ALW = 1.3
EGU vs NGEU = 1.2
Base Fee = $4000
Minimum Fee = $7500

Facilitites
Strawman # 1

Strawman # 1 Fees
FY2019 vs FY2016

ACT vs ALW = 1.3
E GU vs NGEU = 1.2
Base Fee = $4000
Minimum Fee = $7500

Facilities

Department of Environment & Conservation
This slide shows some typical facilities, their fee amounts, and fee percent changes. The typical facilities are selected from those paying the Minimum Fee, those having a fee closer to the Average Fee, and those having a fee closer to the Maximum Fee.

<table>
<thead>
<tr>
<th>Facility pays Minimum Fee</th>
<th>FY2016 Fee = $7,500</th>
<th>FY2019 % change = 0%</th>
<th>FY2019 Fee = $7,500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility pays some above Minimum Fee</td>
<td>FY2016 Fee = $7,500</td>
<td>FY2019 % change = 86.6%</td>
<td>FY2019 Fee = $13,995</td>
</tr>
<tr>
<td>Facility pays closer to average Fee</td>
<td>FY2016 Fee = $10,213</td>
<td>FY2019 % change = 84.7%</td>
<td>FY2019 Fee = $18,858</td>
</tr>
<tr>
<td>Facility pays closer to Maximum Fee</td>
<td>FY2016 Fee = $193,218</td>
<td>FY2019 % change = 53.4%</td>
<td>FY2019 Fee = $296,418</td>
</tr>
</tbody>
</table>
Strawman # 2

- Base Fee = $4000
- Minimum Fee = $8000 (increase from current system)
- Actual-to-Allowable Ratio = 1.3
- EGU-to-non-EGU Ratio = 1.2
- Fee Rates
  - non-EGU Allowable = $47.91/ton
  - non-EGU Actual = $62.28/ton
  - EGU Allowable = $57.49/ton
  - EGU Actual = $74.74/ton
Strawman # 2

Strawman # 2 Fees
FY 2019 vs FY2016

ACT vs ALW = 1.3
EGU vs NGEU = 1.2
Base Fee = $4000
Minimum Fee = $8000

FY2016 Fees
StrMan#2
Strawman # 2

Strawman # 2 Fees
FY2019 vs FY2016

ACT vs ALW = 1.3
FGU vs NGEU = 1.2
Base Fee = $4000
Minimum Fee = $8000
Strawman # 2

Strawman # 2 Fees
FY2019 vs FY2016

ACT vs ALW = 1.3
FGU vs NGFU = 1.2
Base Fee = $4000
Minimum Fee = $8000
This slide shows some typical facilities’ fee amounts, and their fee percent changes. The typical facilities are selected from those paying the Minimum Fee, those having a fee closer to the Average Fee, and those having a fee closer to the Maximum Fee.

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<th>FY2016 Fee</th>
<th>FY2019 % change</th>
<th>FY2019 Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Fee</td>
<td>$7,500</td>
<td>6.7%</td>
<td>$8,000</td>
</tr>
<tr>
<td>Some above</td>
<td>$7,500</td>
<td>95.8%</td>
<td>$14,684</td>
</tr>
<tr>
<td>Average Fee</td>
<td>$10,952</td>
<td>81.4%</td>
<td>$19,863</td>
</tr>
<tr>
<td>Maximum Fee</td>
<td>$343,614</td>
<td>48.8%</td>
<td>$511,362</td>
</tr>
</tbody>
</table>
Strawman # 2

StrawMan # 2 Fees % change
FY2019 compared to FY2016

ACT vs ALW = 1.3
EGU vs NGEU = 1.2
Base Fee = $4000
Minimum Fee = $8000
Strawman # 3 - Not preferred but taking comments

- Base Fee = $4000
- Minimum Fee = $7500 (no change from current system)
- Actual-to-Allowable Ratio = 1.3
- EGU-to-non-EGU Ratio = 1.2
- Dollar per Ton Rates – See Table Below
- No observed benefit over non-bracket structure
- NOT preferred option due to complexity

<table>
<thead>
<tr>
<th></th>
<th>0-500 tons</th>
<th>501-1000 tons</th>
<th>1001-1500 tons</th>
<th>1501-2000 tons</th>
<th>&gt;2000 tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>non-EGU Allowable</td>
<td>$45.16</td>
<td>$47.16</td>
<td>$49.16</td>
<td>$51.16</td>
<td>$53.16</td>
</tr>
<tr>
<td>non-EGU Actual</td>
<td>$58.71</td>
<td>$61.31</td>
<td>$63.91</td>
<td>$66.51</td>
<td>$69.11</td>
</tr>
<tr>
<td>EGU Allowable</td>
<td>$54.19</td>
<td>$56.59</td>
<td>$58.99</td>
<td>$61.39</td>
<td>$63.79</td>
</tr>
<tr>
<td>EGU Actual</td>
<td>$70.45</td>
<td>$73.57</td>
<td>$76.69</td>
<td>$79.81</td>
<td>$82.93</td>
</tr>
</tbody>
</table>
Strawman # 3

Strawman # 3 Fees
FY2019 vs FY2016

- ACT vs ALW = 1.3
- EGU vs NEGU = 1.2
- Base Fee = $4000
- Minimum Fee = $7500
- Tons/Bracket = 500
- $/Bracket increase = $2

Facilities
Strawman # 3

Strawman # 3 Fees
FY2019 vs FY2016

- ACT vs ALW = 1.3
- EGU vs NEGU = 1.2
- Base Fee = $4000
- Minimum Fee = $7500
- Tons/Bracket = 500
- $/Bracket Increase = $2

Facilities
Strawman # 3

Bracket Example #1 Fees
FY2019 vs FY2016

- ACT vs ALW = 1.3
- EGU vs NEGU = 1.2
- Base Fee = $4000
- Minimum Fee = $7500
- Tons/Bracket = 500
- $/Bracket increase = $2
This slide shows some typical facilities’ fee amounts, and their fee percent changes. The typical facilities are selected from those paying the Minimum Fee, those having a fee closer to the Average Fee, and those having a fee closer to the Maximum Fee.

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<th>FY2019 Fee = $7,500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility pays some above Minimum Fee</td>
<td>FY2016 Fee = $7,500</td>
<td>FY2019 % change = 89.8%</td>
<td>FY2016 Fee = $14,233</td>
</tr>
<tr>
<td>Facility pays closer to average Fee</td>
<td>FY2016 Fee = $9,978</td>
<td>FY2019 % change = 79.0%</td>
<td>FY2019 Fee = $17,864</td>
</tr>
<tr>
<td>Facility pays closer to Maximum Fee</td>
<td>FY2016 Fee = $165,656</td>
<td>FY2019 % change = 56.2%</td>
<td>FY2019 Fee = $258,796</td>
</tr>
</tbody>
</table>
Strawman # 3

Strawman # 3 Fees % change
FY2019 compared to FY2016

ACT vs ALW = 1.3
EGU vs NEGU = 1.2
Base Fee = $4000
Minimum Fee = $7500
Tons/Bracket = 500
$/Bracket increase = $2

Facilities
“Once In, Always In” for MACT Standards

- EPA has adopted standards for major sources of Hazardous Air Pollutants known as Maximum Available Control Technology or MACT standards.
- In 2005 EPA issued “Once In, Always In” Policy for Major Source MACT Standards:
  - If a facility is Major for HAPS at MACT compliance date, it will remain subject to MACT standard, even if it reduces emissions below major source threshold.
  - Sources subject to Major Source MACT standards required to obtain Title V permit (and thus subject to Title V fees).
  - Some facilities in TN have reduced emissions below Title V thresholds but remain subject to Title V permit requirements solely due to Once In, Always In policy (probably less than 10).
- Tennessee working through national organizations to urge EPA to revise or eliminate Once In, Always In as part of new administration’s regulatory reform efforts.
“Once In, Always In” Strawman

- Strawman Once In, Always In Title V Fee Exception (OIAI Strawman)
  - Facilities subject to a Major Source MACT standard that have reduced HAP emissions below applicability thresholds through pollution prevention efforts subject to lower minimum fee.
  - Pollution Prevention means that reduction must be through process or material change, not add-on controls or reduction in production
  - Pollution Prevention changes must be permanent and enforceable
- Does not apply to sources subject to Area Source NESHAP, NSPS, or Emissions Guideline that require Title V permit, regardless of emissions. (e.g., landfills)
- Taking comments on concept of OIAI provision and amount of reduced minimum fee
- Provision would be moot if EPA revises or eliminates Once In, Always In policy before 2019 fees are due
Next Step – Submit Comments on Stawmen

- 2nd Webinar – APC Strawmen - Friday, June 16th, 1:00 pm Central
- Deadline for Stakeholder Comments on Strawmen APC approach – June 30th
- Send to APC.inventory@tn.gov
Remaining Timeline – 2017 Stakeholder Process & Rulemaking

- Actual FY2017 revenue and expenses – available end of July
  - Will use to refine $/ton rates prior to official rule proposal
- Brief APC Board – 8/9/2017
- Public NoticeFiled with Secretary of State – 8/25/2017
- Public Hearing – 10/17/2017
- APC Board Adoption – 11/8/2017
- File with Secretary of State – 1/16/2018
- Effective Date – 4/16/2018
Phase II

- Refine expense projections needs using improved expense tracking mechanism
- Analyze Non-Title V expenses
- Revise FY2018 & FY2019 estimated revenue and FY2019 reserve based on FY2017 AEAR reports (first year in which change in calculation method allowed)
- Adjust $/ton rates starting in FY2020, as necessary
- Consider Adding CPI adjustment (with board approval)
- Rulemaking in 2018
  - May involve both Title V Fees and non-Title V Fees
Permit Fee Stakeholder Website

- [http://www.tennessee.gov/environment/topic/permit-air-permit-fees](http://www.tennessee.gov/environment/topic/permit-air-permit-fees)
  - New information:
    - Presentation from 5/24 & 6/1 meetings
    - Summary of Comments from 5/24 & 6/1 stakeholder meetings
    - Written stakeholder comments (one presentation, one email)
    - Presentation from today’s webinar