



Department of
**Environment &
Conservation**

Title V Fee Stakeholder Webinar

June 16, 2017

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**

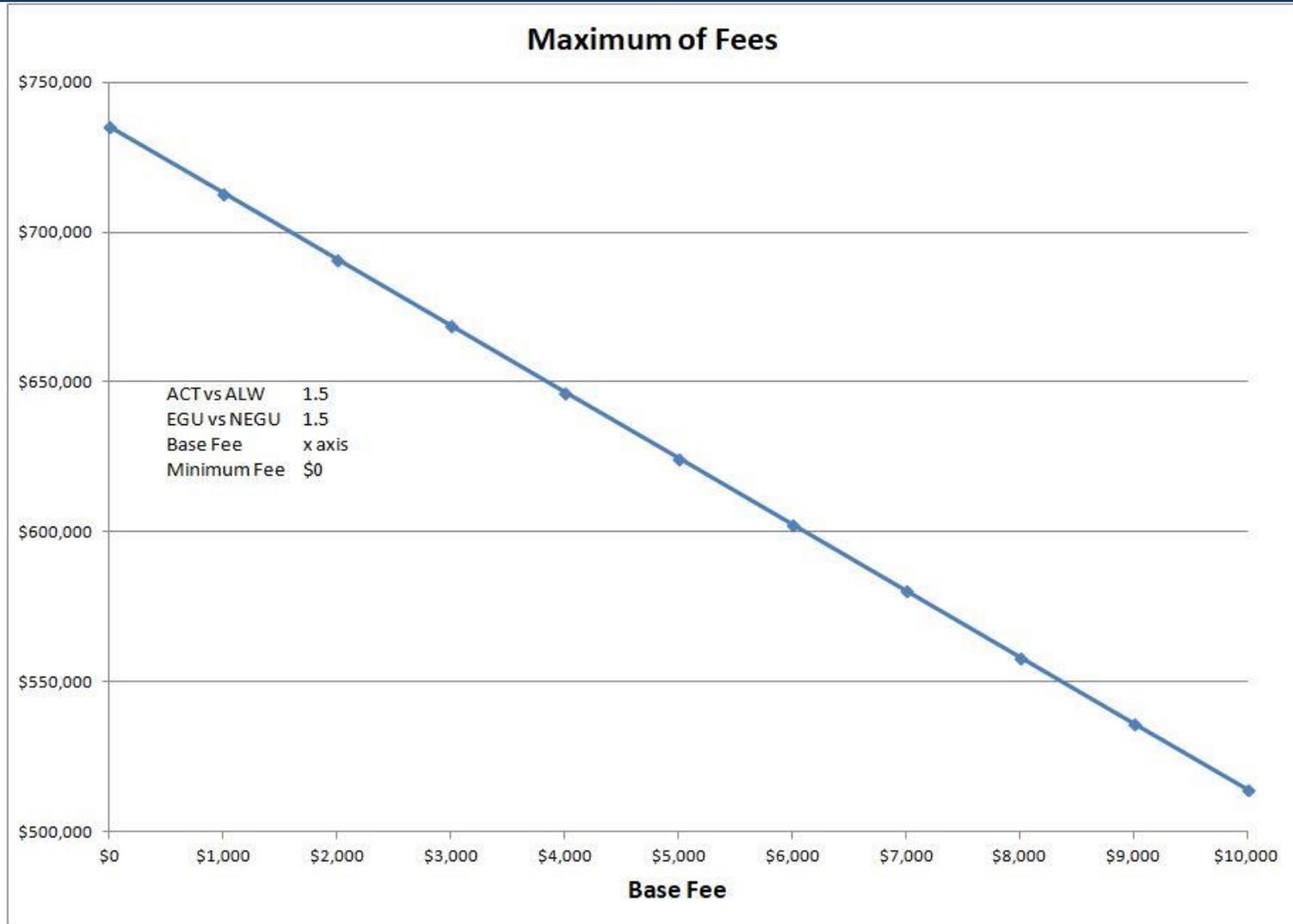
APC Fee Data Analysis – Scenario Statistics Evaluated

- **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

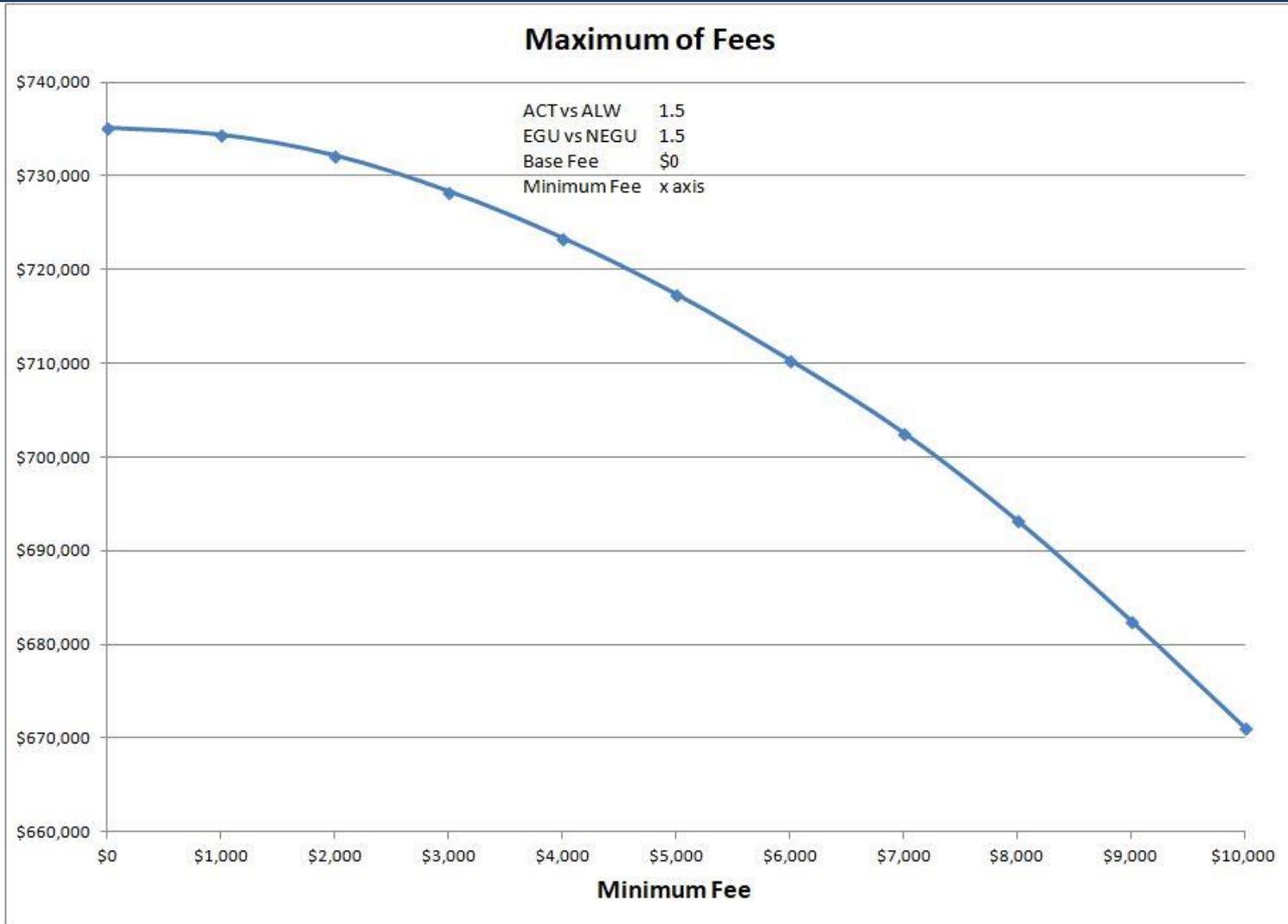
APC Fee Data Analysis – Base Fee & Minimum Fee Explored

- 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



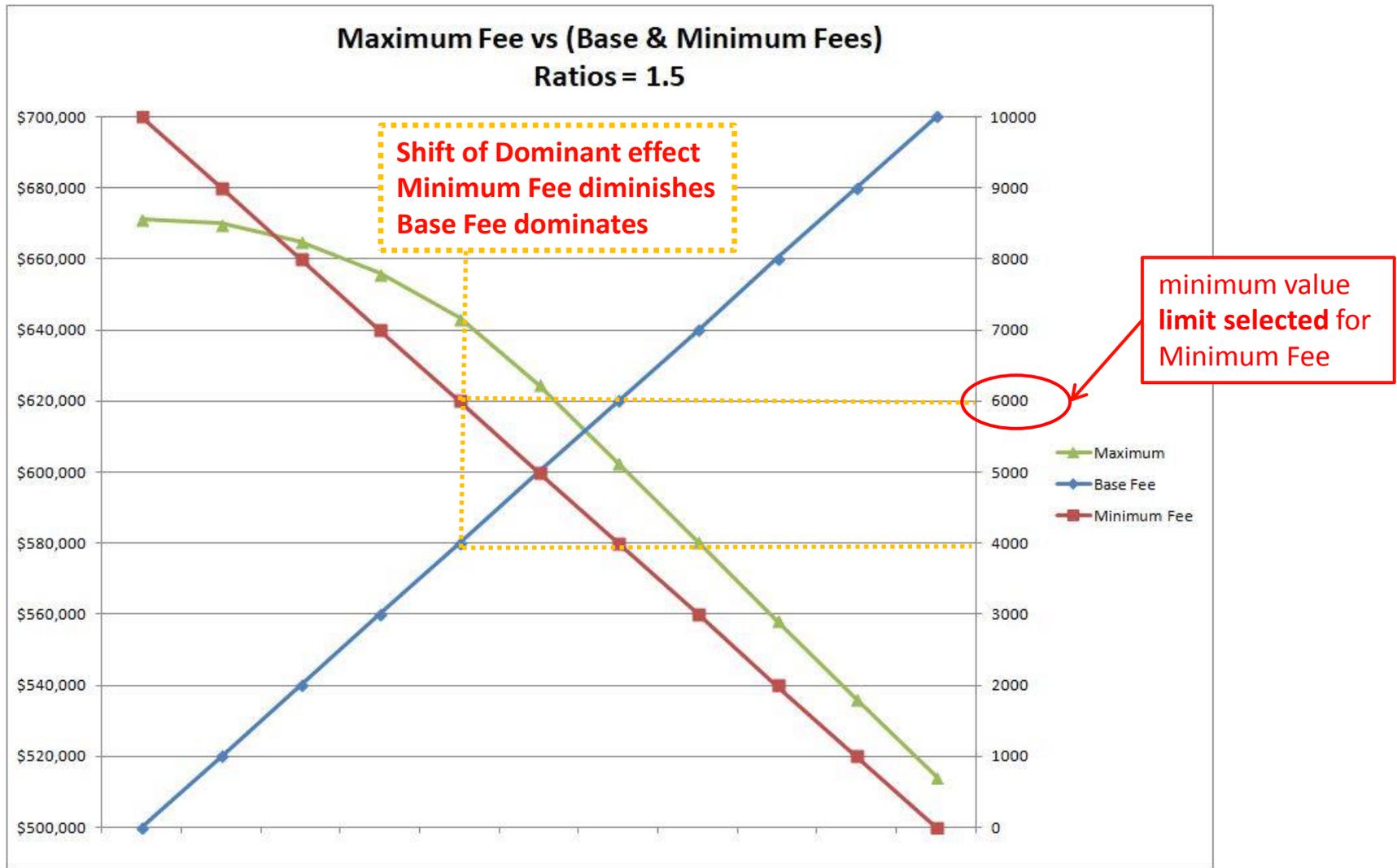
APC Fee Data Analysis – Base Fee & Minimum Fee Explored



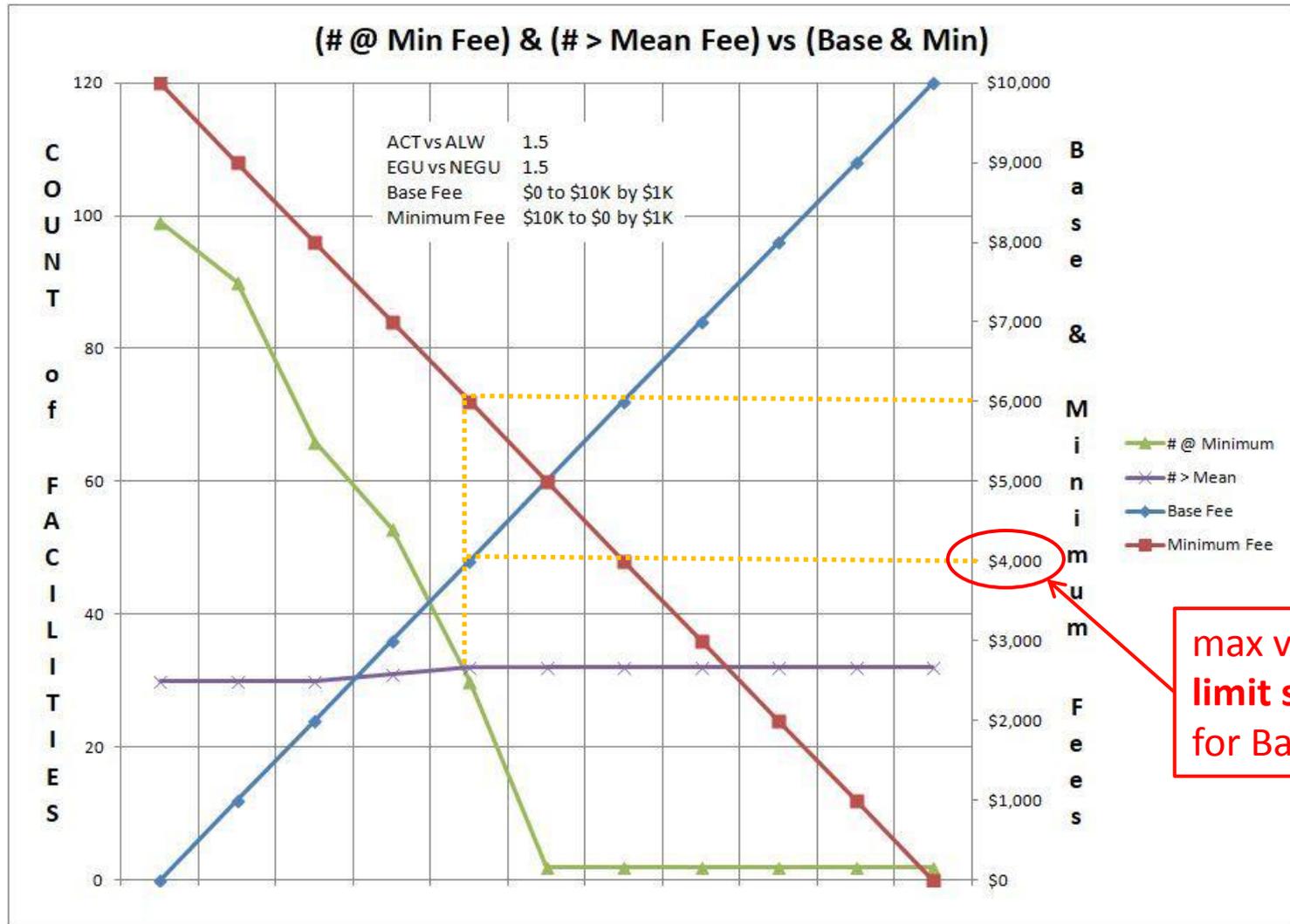
APC Fee Data Analysis – Base Fee & Minimum Fee Explored

- 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



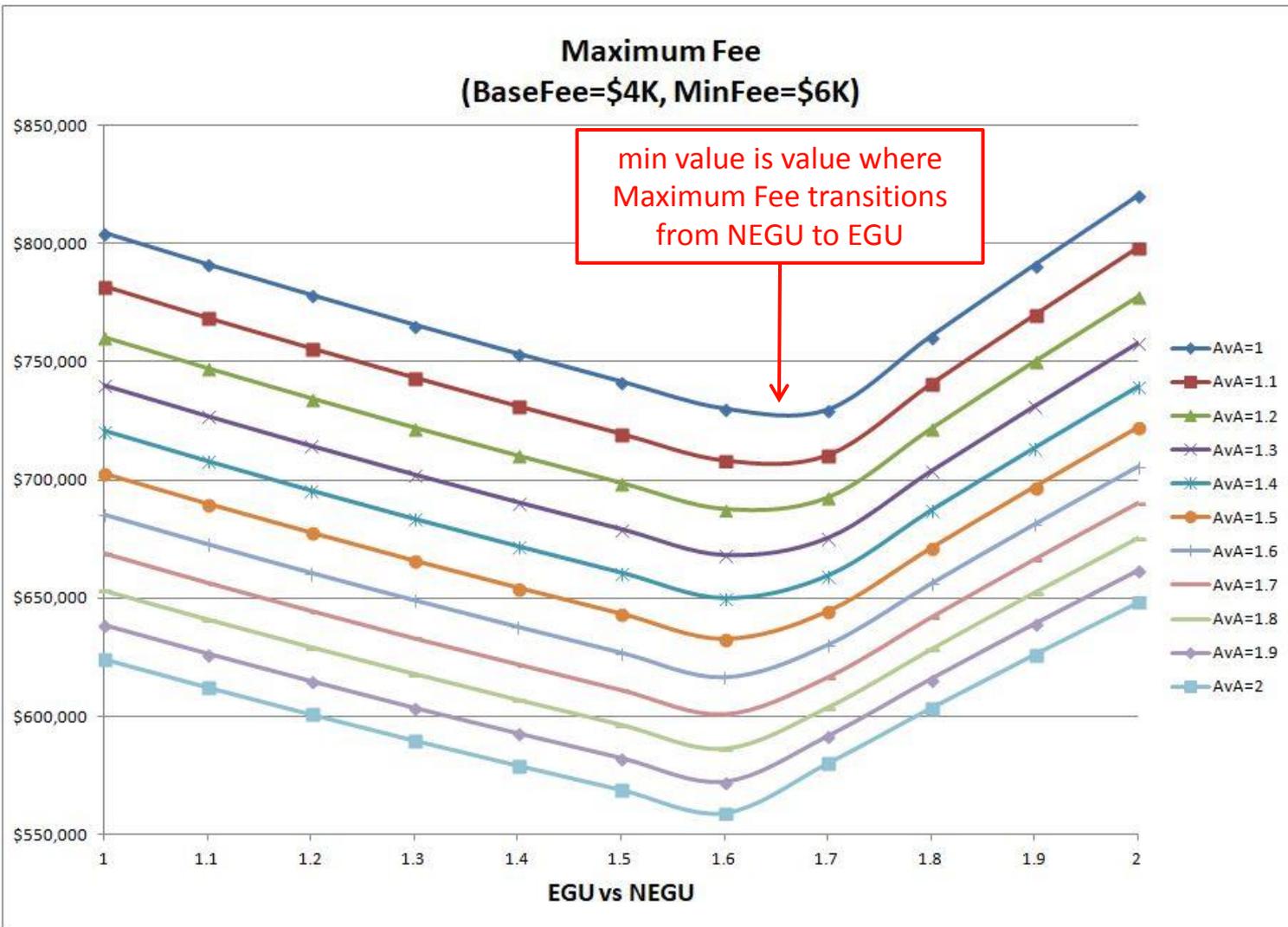
APC Fee Data Analysis – Base Fee & Minimum Fee effects on Fees



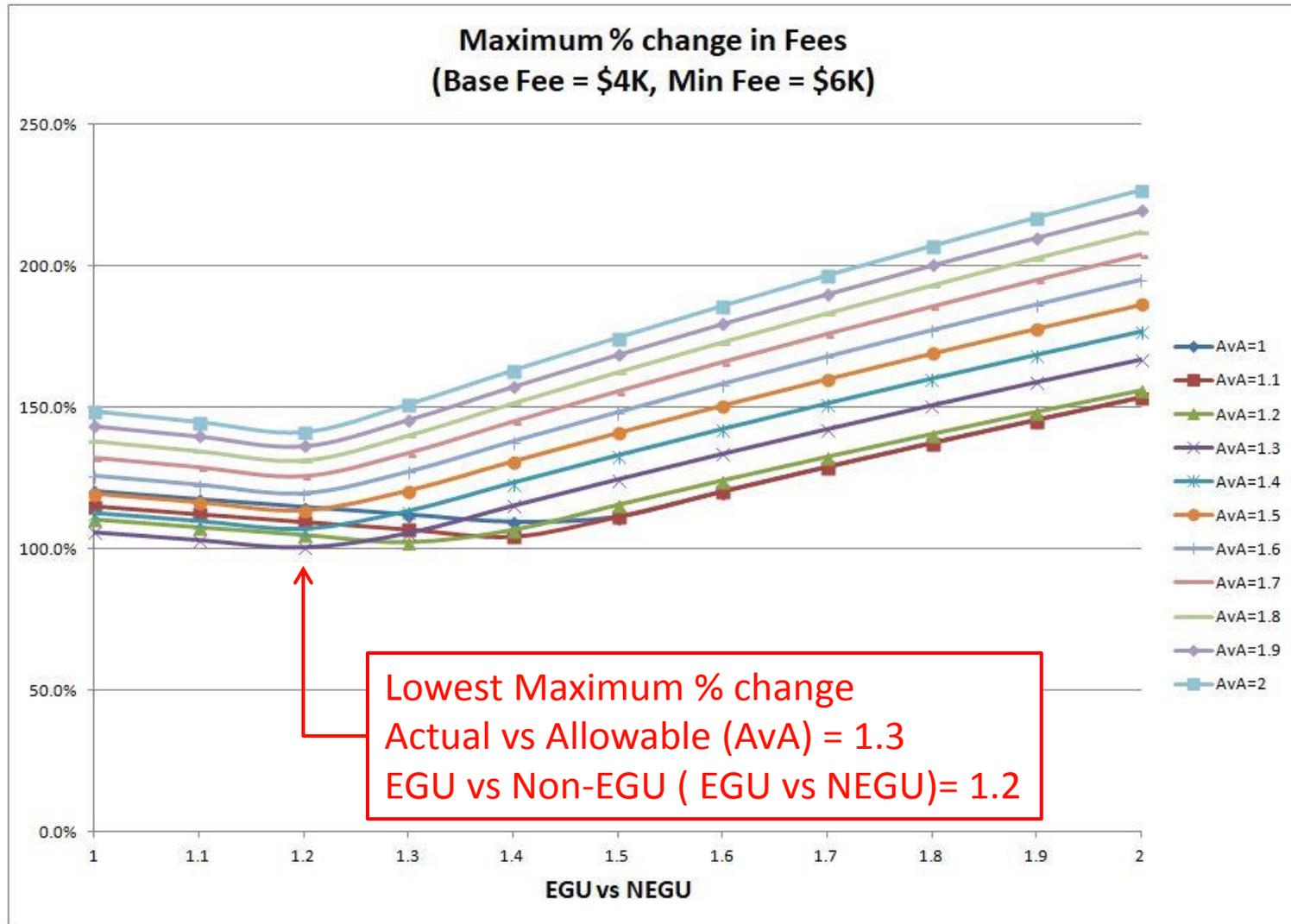
APC Fee Data Analysis – Emission Category Ratios Explored

- 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



APC Fee Data Analysis – Emission Category Ratios Explored



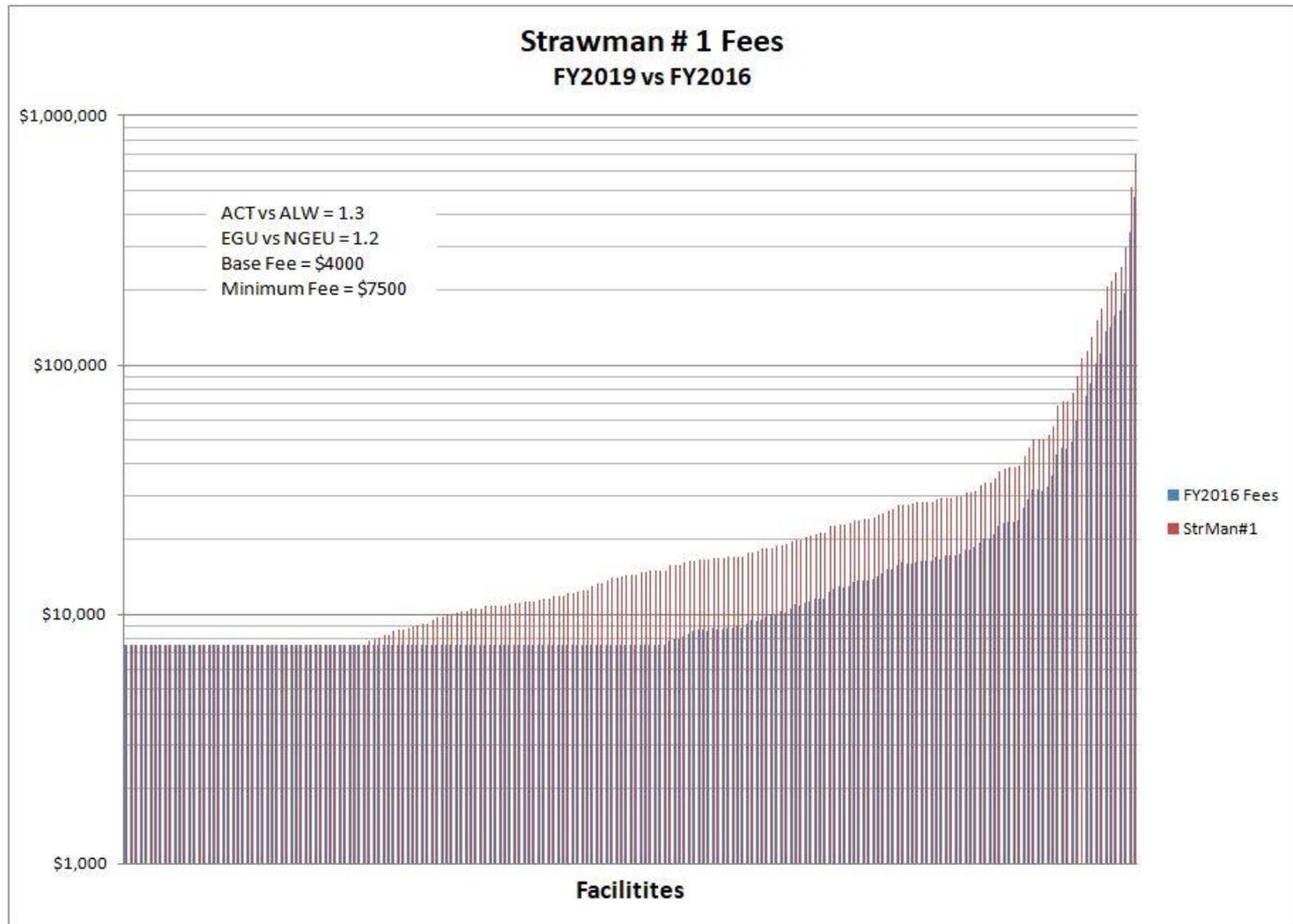
APC Fee Data Analysis – Fees & % Change Data Graphing

- 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)

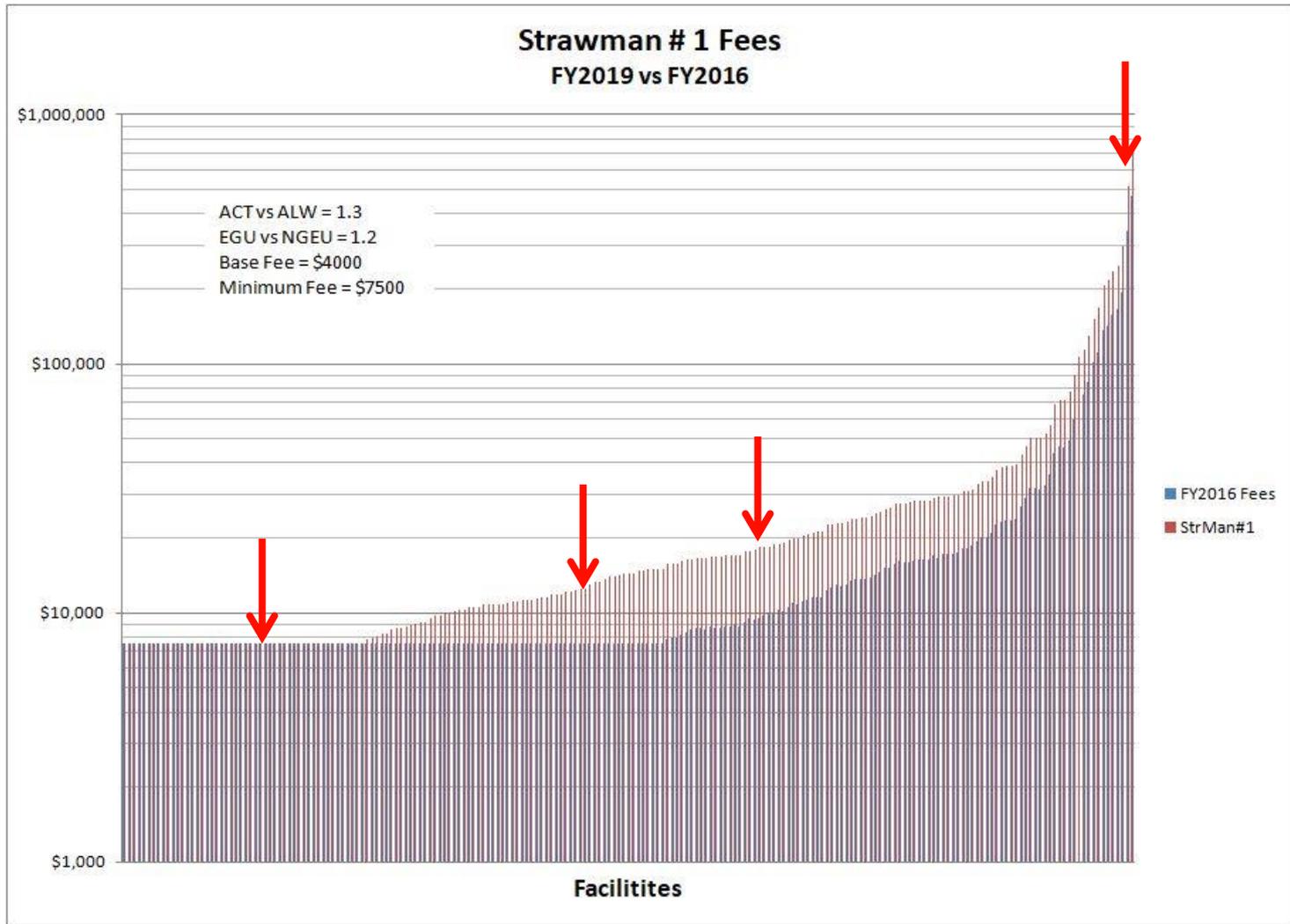
Strawman # 1

- 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

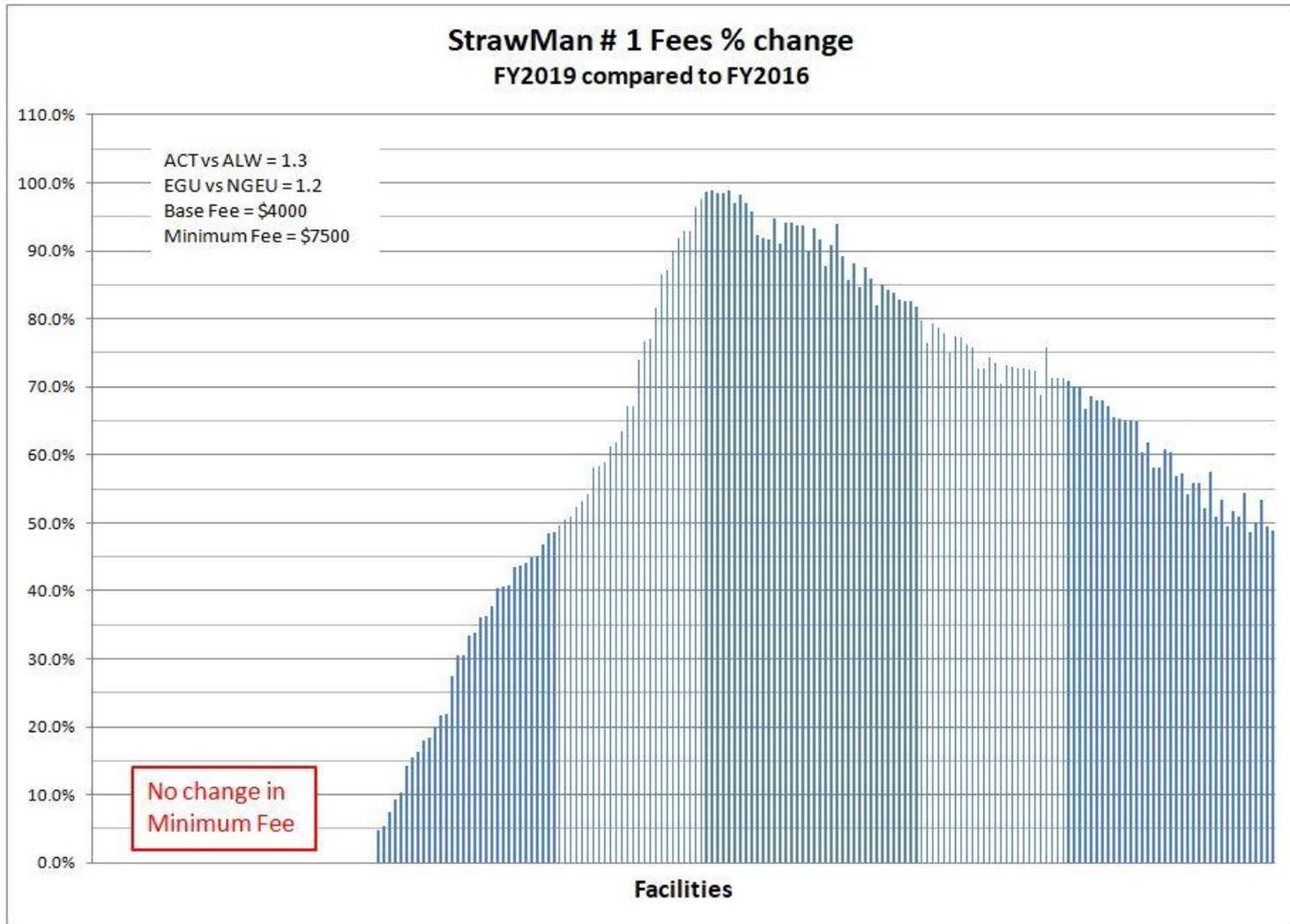


Strawman # 1

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.

Facility pays Minimum Fee	FY2016 Fee = \$7,500	FY2019 % change = 0%	FY2019 Fee = \$7,500
Facility pays some above Minimum Fee	FY2016 Fee = \$7,500	FY2019 % change = 86.6%	FY2019 Fee = \$13,995
Facility pays closer to average Fee	FY2016 Fee = \$10,213	FY2019 % change = 84.7%	FY2019 Fee = \$18,858
Facility pays closer to Maximum Fee	FY2016 Fee = \$193,218	FY2019 % change = 53.4%	FY2019 Fee = \$296,418

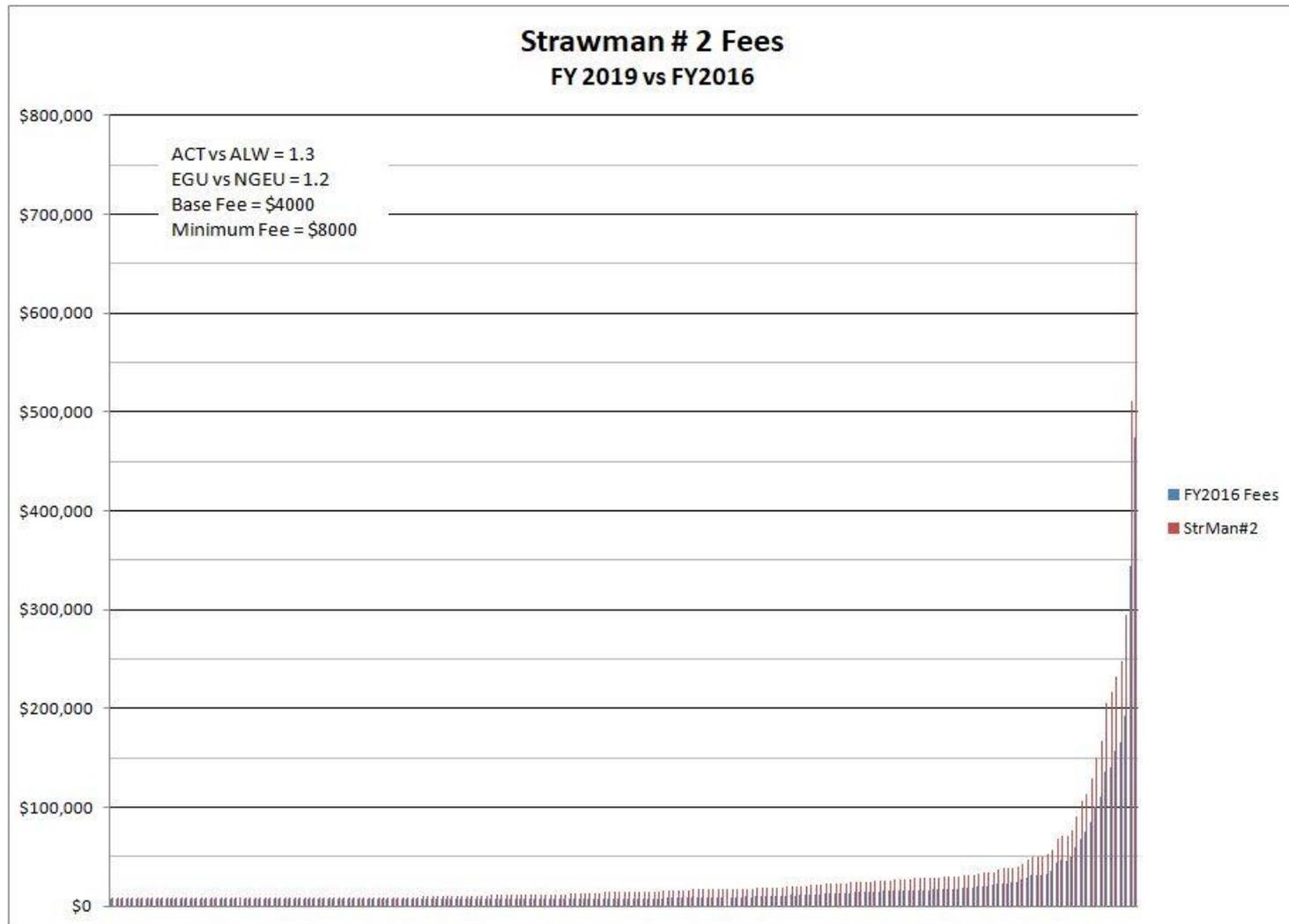
Strawman # 1



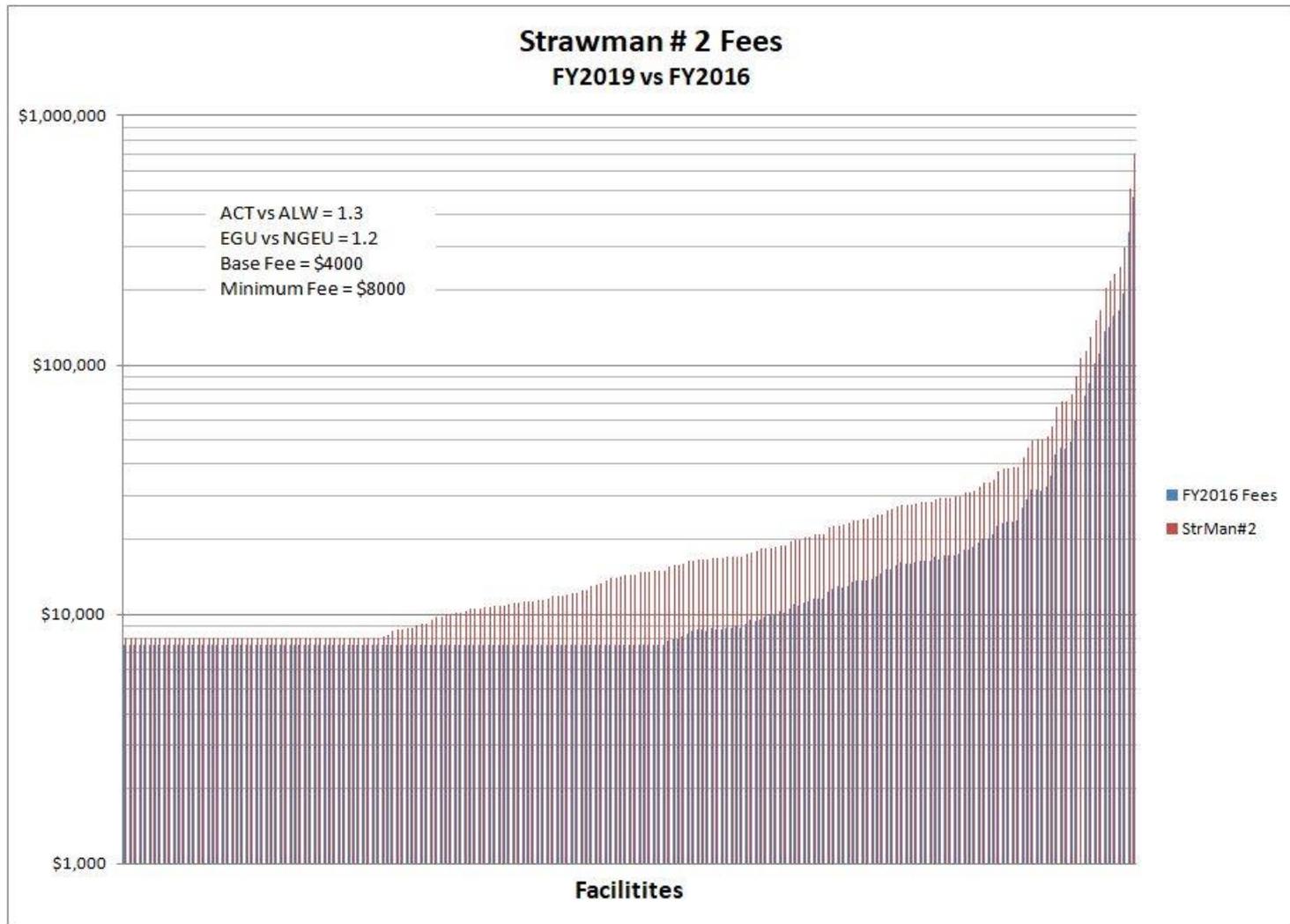
Strawman # 2

- 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

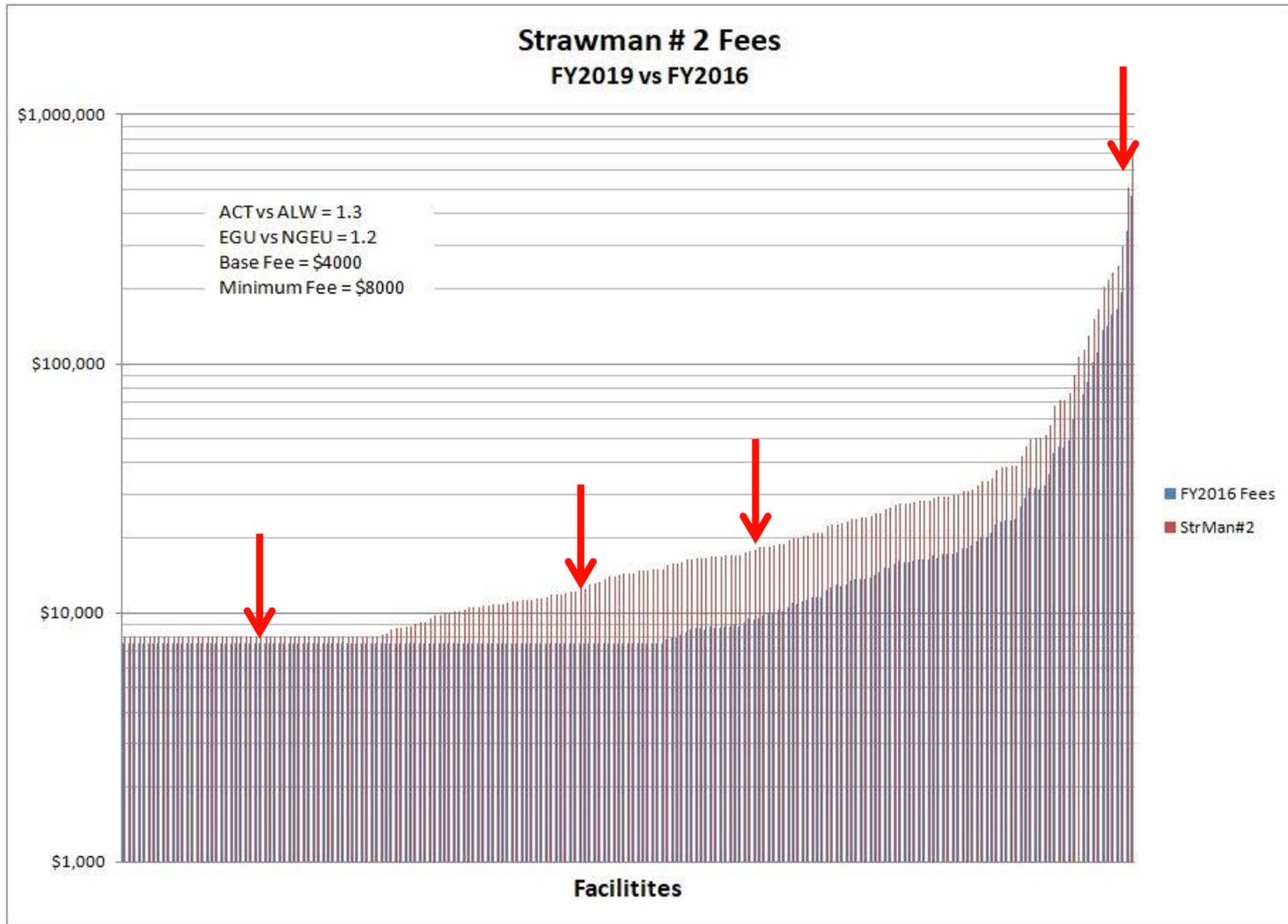
Strawman # 2



Strawman # 2



Strawman # 2



Strawman # 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.

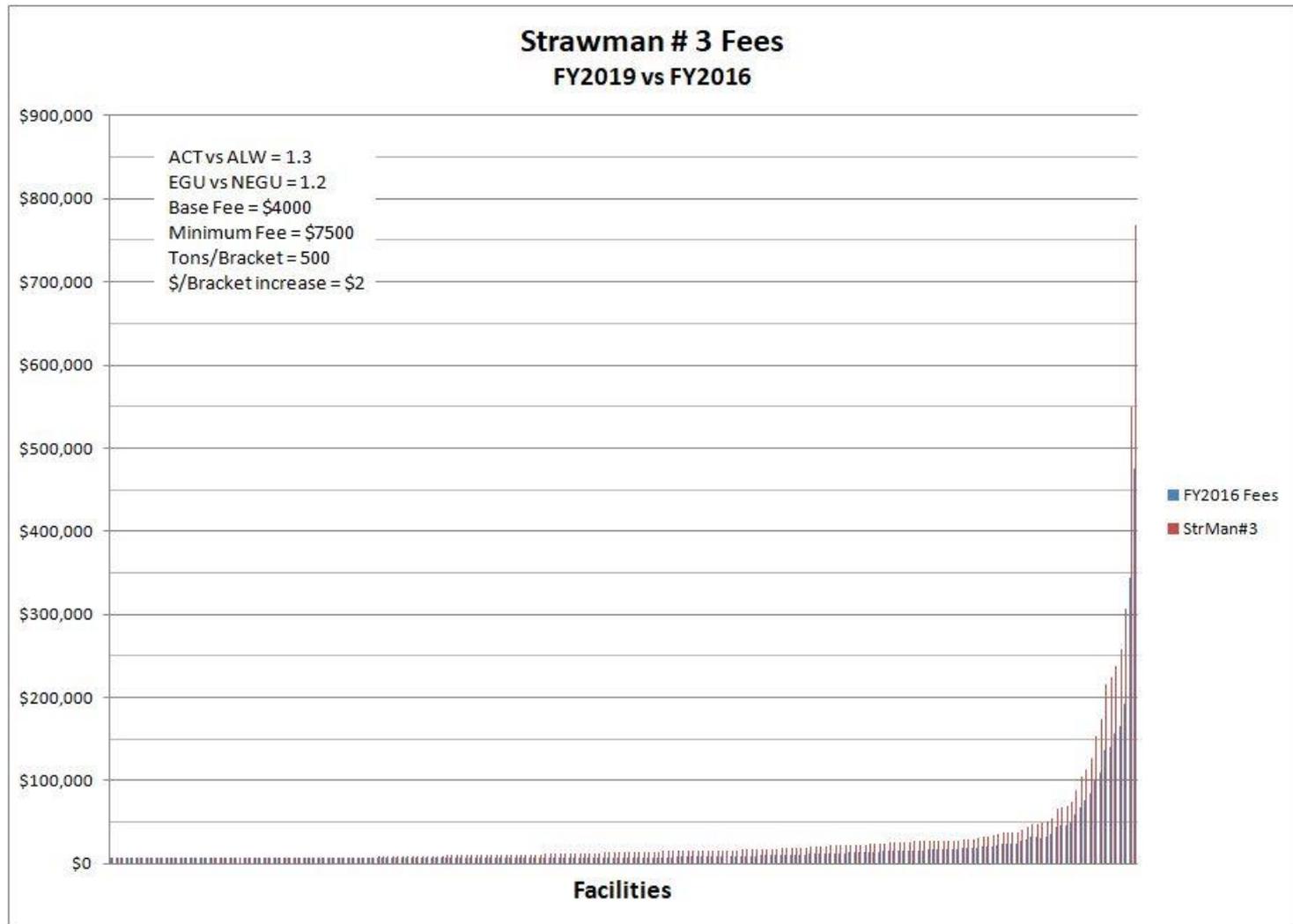
Facility pays Minimum Fee	FY2016 Fee = \$7,500	FY2019 % change = 6.7%	FY2019 Fee = \$8,000
Facility pays some above Minimum Fee	FY2016 Fee = \$7,500	FY2019 % change = 95.8%	FY2019 Fee = \$14,684
Facility pays closer to average Fee	FY2016 Fee = \$10,952	FY2019 % change = 81.4%	FY2019 Fee = \$19,863
Facility pays closer to Maximum Fee	FY2016 Fee = \$343,614	FY2019 % change = 48.8%	FY2019 Fee = \$511,362

Strawman # 3 - Not preferred but taking comments

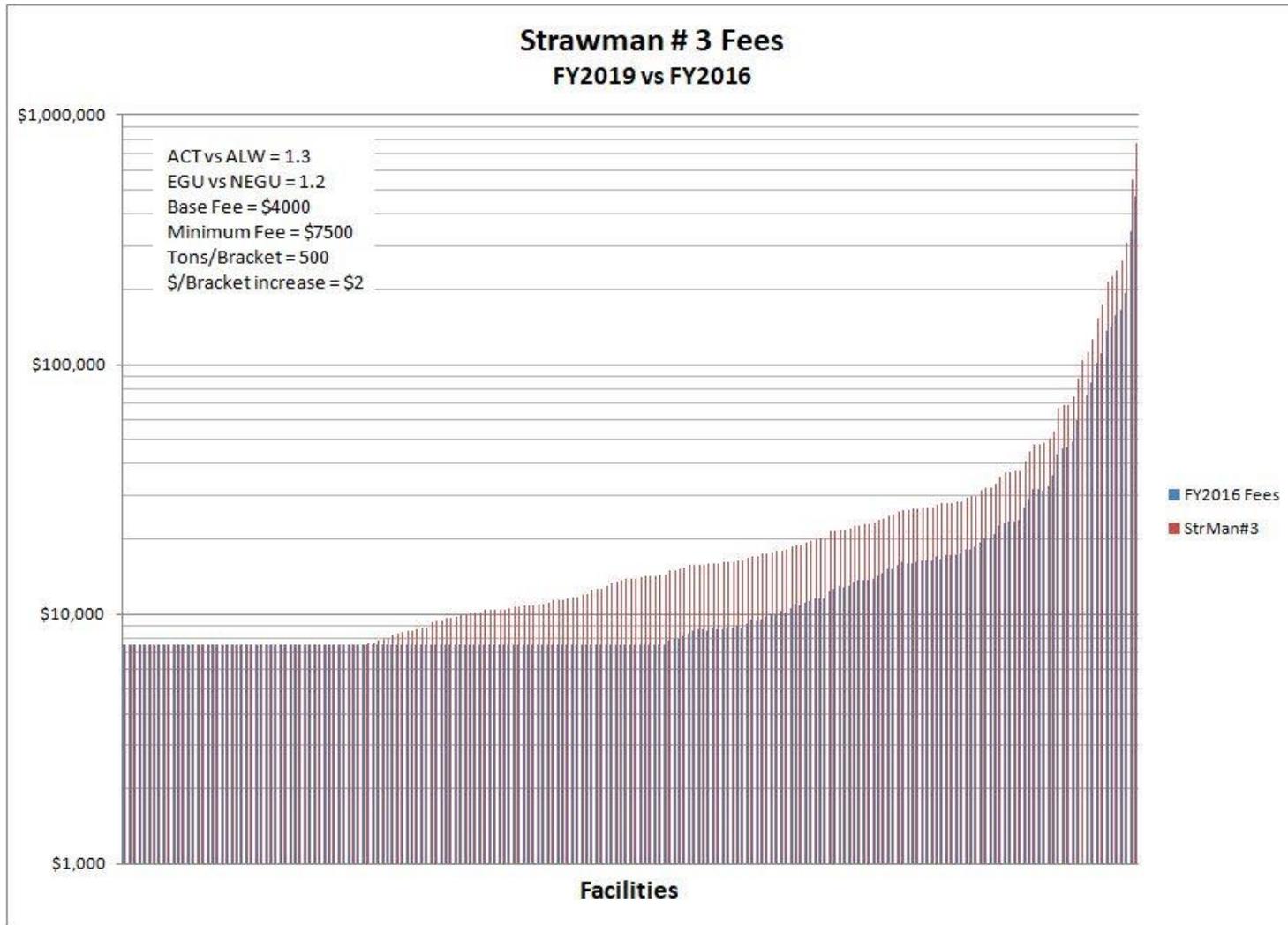
- Base Fee = \$4000
- Minimum Fee = \$7500 (no change from current system)
- Actual-to-Allowable Ratio = 1.3
- EGU-to-non-EGU Ratio = 1.2
- Dollar per Ton Rates – See Table Below
- No observed benefit over non-bracket structure
- NOT preferred option due to complexity

	0-500 tons	501-1000 tons	1001-1500 tons	1501-2000 tons	>2000 tons
non-EGU Allowable	\$45.16	\$47.16	\$49.16	\$51.16	\$53.16
non-EGU Actual	\$58.71	\$61.31	\$63.91	\$66.51	\$69.11
EGU Allowable	\$54.19	\$56.59	\$58.99	\$61.39	\$63.79
EGU Actual	\$70.45	\$73.57	\$76.69	\$79.81	\$82.93

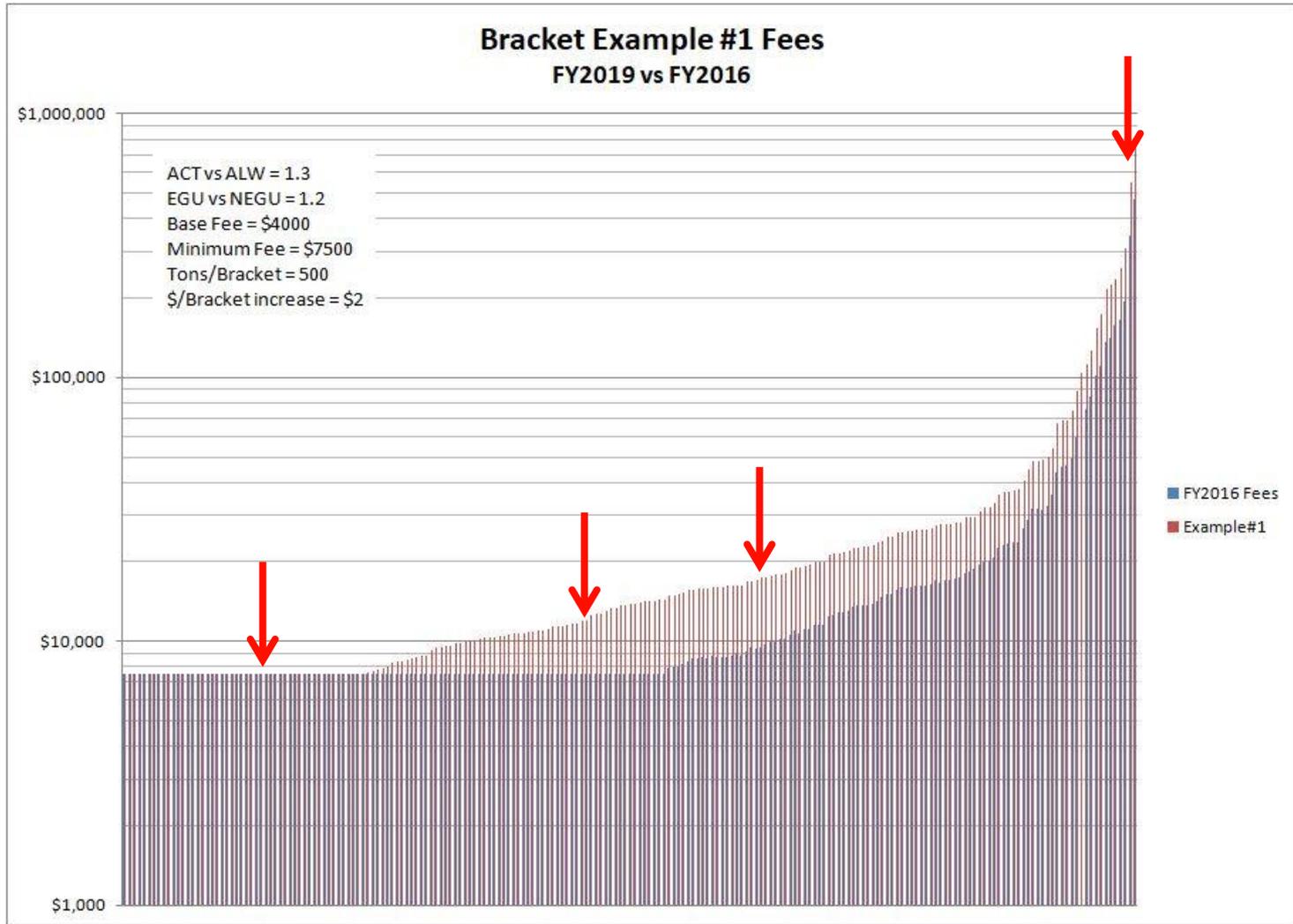
Strawman # 3



Strawman # 3



Strawman # 3

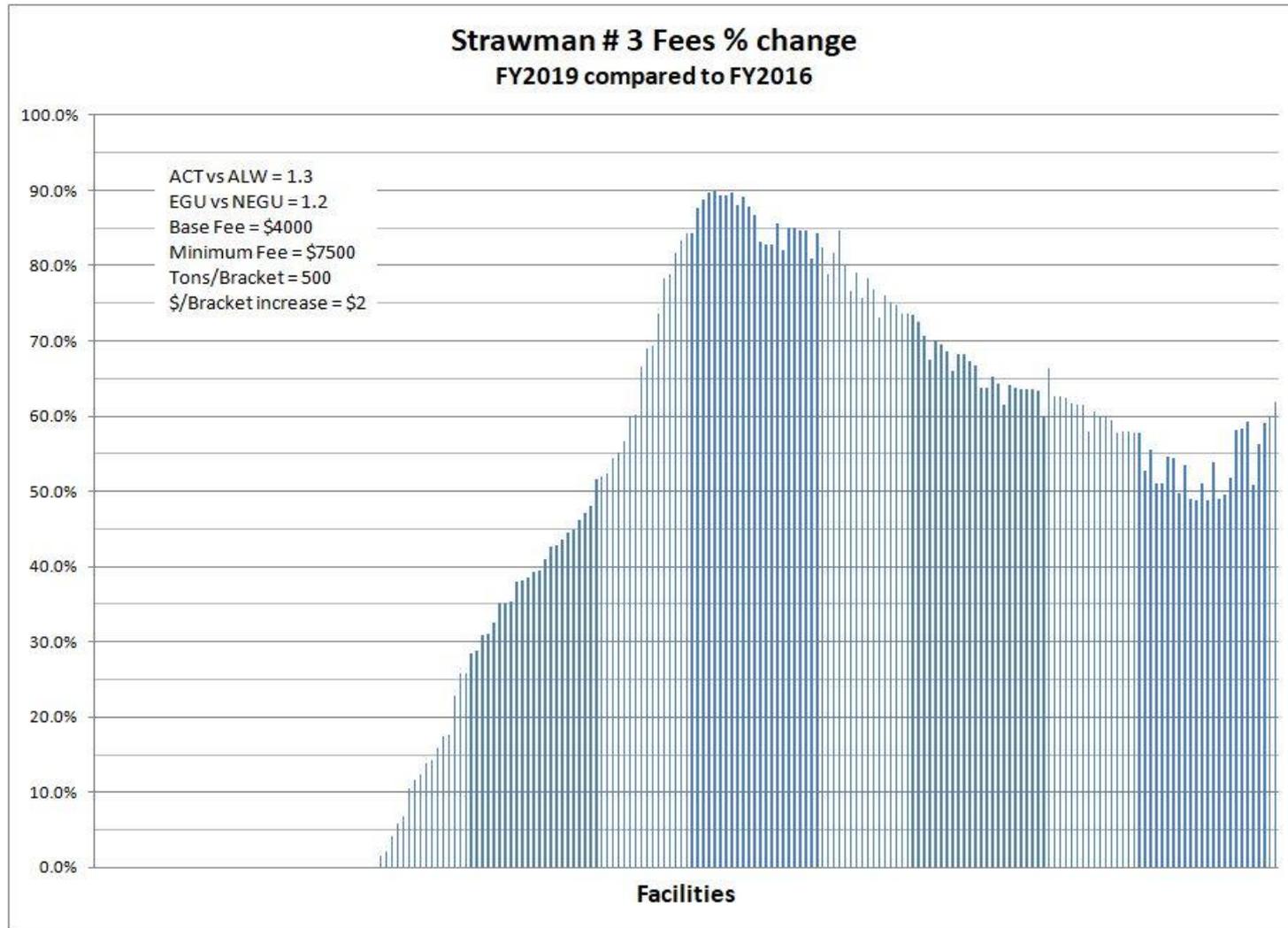


Strawman # 3

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.

Facility pays Minimum Fee	FY2016 Fee = \$7,500	FY2019 % change = 0%	FY2019 Fee = \$7,500
Facility pays some above Minimum Fee	FY2016 Fee = \$7,500	FY2019 % change = 89.8%	FY2016 Fee = \$14,233
Facility pays closer to average Fee	FY2016 Fee = \$9,978	FY2019 % change = 79.0%	FY2019 Fee = \$17,864
Facility pays closer to Maximum Fee	FY2016 Fee = \$165,656	FY2019 % change = 56.2%	FY2019 Fee = \$258,796

Strawman # 3



“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 Strawmen

- 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 Notice Filed 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>
 - 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