

Air Quality Operating Fees FY 2019



**Presented to:
Clean Air Act Advisory Committee
May 22, 2018**



Agenda



- **DEQ Objectives and Actions**
- **Air Fee Funded Program Activities**
- **Air Fee Appropriation FY 2019**
- **Air Quality Fee Setting Process**
- **FY 2019 Air Quality Fee Estimate**

DEQ Objectives

- Fully Fund Core Air Quality Program Activities
- Minimize Impact of Increased Fee on Fee Payers
- Improve Equity Among Fee Payers
- Avoid Negative Fund Balance
- Lean Operations

Improve Fee Equity

- Existing vs. New

- Action - Increased Application Fee for New or Modified Sources
- Outcome - Reduced Existing Facilities
Subsidization of New Applicants

- Large vs. Small

- Action - Increased Base Fee
- Outcome - Reduced Large Facilities
Subsidization of Small Facilities

Reduce Negative Fund Balance

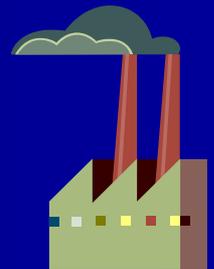
- Negative Air Fee Fund balances had occurred frequently
 - \$402,764 – FY2004
 - \$291,973 – FY2005
 - \$517,405 – FY2006
 - \$313,806 – FY2007
 - \$484,420 – FY2008
 - \$88,275 – FY2018

Streamline Air Quality Operations

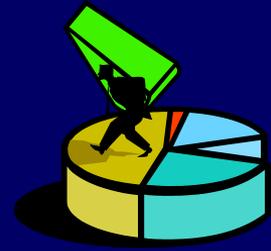
- Incorporate Process Improvement into Air Quality Culture
 - Personnel/Vacancies
 - Hold Open
 - Redirect
 - Eliminate
 - Air Quality Processes
 - Registration-type Programs
 - “Right-size Analyses”

Air Fee Funded Program Activities

- Air Quality Permit Program Implementation
 - Montana Air Quality Permits
 - Title V Operating Permits
- Compliance/Assistance/Enforcement
- Data Management/Emission Inventory
- Emissions & Ambient Air Quality Monitoring
- Source Impact Modeling
- Small Business Assistance



Air Quality Fee Appropriation



| | FY 2018 | FY 2019 | FY 2020 |
|--------------------------|--------------|------------------|--------------|
| Appropriation | \$4,416,947 | \$4,576,817 | \$4,576,817* |
| Projected Expenditure | | \$4,354,863 | \$4,354,863* |
| Projected Revenue | \$3,440,000* | \$3,360,911 | \$3,360,911* |
| Revenue Shortfall | | \$993,951 | TBD |

Air Quality Operating Fee Development Process

■ Factors in Determining Air Fees:

– Target Revenue

- Legislative Appropriation FY19 (\$4,576,817)
- Amount of Carryover - \$0
- Permit Application Fees – changed fees in 2014



– Operating Fees

- Flat Fee Facilities – Oil & Gas, Portables
- Administrative Fees
- \$ per ton of emissions

Air Quality Operating Fee Development Process

- Factors in Determining Air Fees
 - Meet DEQ Objectives - Equity
 - Reflect Current/Future Program Focus Areas
 - Ability to Offset Air Fees with Other Funds
 - General Fund – no longer possible?
 - EPA Grant – unreliable?
- Federal Presumptive Fee - \$49.85/ton
 - Goal to stay below?

Federal Funding - PPG

- Section 103 Grant Money – AQB receives ~\$345k for certain monitoring activities
- Section 105 Grant Money – AQB receives ~\$1.1M for core air quality activities (FFY12 levels)

Scenario #1 – 100%

| Fee Type | # Facilities | Fee/Emissions | Revenue |
|----------------|--------------|---------------|-------------|
| Portables | 350 | \$800 | \$280,000 |
| Oil & Gas Reg. | 1234 | \$1000 | \$1,234,000 |
| Administrative | 275 | \$800 | \$220,000 |
| @\$53.50/ton | | 48,980 | \$2,620,430 |
| | | Total | \$4,354,430 |

Scenario #2 – ~50%

| Fee Type | # Facilities | Fee/Emissions | Revenue |
|----------------|--------------|---------------|-------------|
| Portables | 350 | \$800 | \$280,000 |
| Oil & Gas Reg. | 1234 | \$900 | \$1,110,600 |
| Administrative | 275 | \$800 | \$220,000 |
| @\$45.93/ton | | 48,980 | \$2,249,651 |
| | | Total | \$3,860,251 |

Scenario #3 – Federal Presumptive Level

| Fee Type | # Facilities | Fee/Emissions | Revenue |
|----------------|--------------|---------------|-------------|
| Portables | 350 | \$800 | \$280,000 |
| Oil & Gas Reg. | 1234 | \$900 | \$1,110,600 |
| Administrative | 275 | \$800 | \$220,000 |
| @\$49.85/ton | | 48,980 | \$2,441,653 |
| | | Total | \$4,052,253 |

Scenario #4 – First Step

| Fee Type | # Facilities | Fee/Emissions | Revenue |
|----------------|--------------|---------------|-------------|
| Portables | 350 | \$800 | \$280,000 |
| Oil & Gas Reg. | 1234 | \$900 | \$1,110,600 |
| Administrative | 275 | \$900 | \$247,500 |
| @\$45.37/ton | | 48,980 | \$2,222,222 |
| | | Total | \$3,860,322 |

17.8.505 AIR QUALITY OPERATION FEES

(7) The air quality operation fee for facilities other than portable facilities or registered oil and gas well facilities is: ~~based~~ (a) an administrative fee of \$900; and (b) a tonnage fee [of not to exceed \$45.37] per ton of ~~on~~ the actual, or estimated actual, ~~amount~~ emissions of the following air pollutants ~~emitted~~ by the facility during the previous calendar year: ~~and is an administrative fee of \$800, plus \$38.24 per ton of~~ PM-10, sulfur dioxide, lead, oxides of nitrogen, and volatile organic compounds ~~emitted~~.

(9) The air quality operation fee for registered oil and gas well facilities is ~~\$800~~ \$900.



REGISTRATION PROGRAM DEVELOPMENT UPDATE

Clean Air Act Advisory Committee

May 22, 2018

PROJECT OBJECTIVES



Seize the Opportunity for Improvement

Build Efficiency



Maintain Equal or Better Protection of Air Quality

OUTREACH TO-DATE

2017

Updates to Clean Air Act Advisory Committee (CAAAC)

Jan. 2018

Presentation to Montana Contractors' Association (MCA)

Jan. 2018

Presentation to DEQ Opencut stakeholders group

Mar. 2018

Technical work group meeting & CAAAC update

Apr. 2018

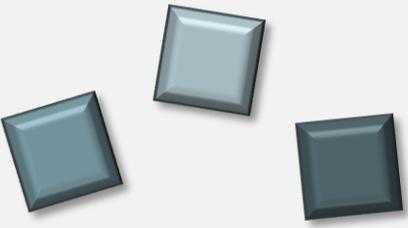
Briefing to Board of Environmental Review (BER)

May 2018

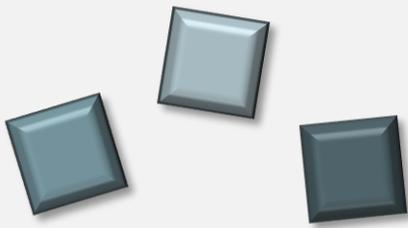
Draft Environmental Assessment circulated to DEQ policy staff

May 2018

Technical work group meeting & CAAAC update



BUILDING BLOCKS



1 Facilities may be registered to operate at permanent or temporary locations.

2 Operations at temporary locations are limited to <12 months.

3 Operations at each location must comply with emission controls and production limits in rule.

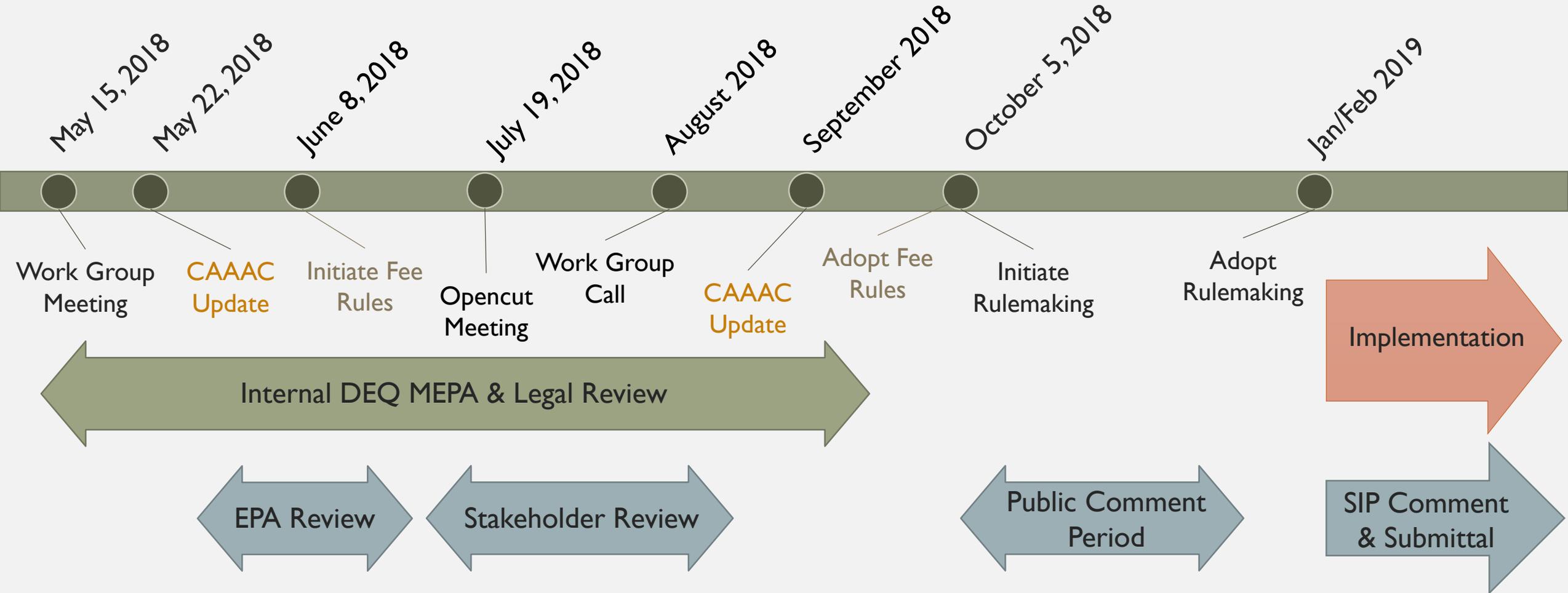
4 Production limits prevent registered facilities from triggering major source permitting requirements.

5 DEQ must receive confirmation of where operations are located.

6 The public must receive advance notice of any location of operation.

7 Inventory of registered equipment must be kept up to date.

TIMELINE



A landscape photograph of a mountain range under a cloudy sky, with a white rectangular box in the center containing the title text. The foreground shows a field of green grass and yellow wildflowers.

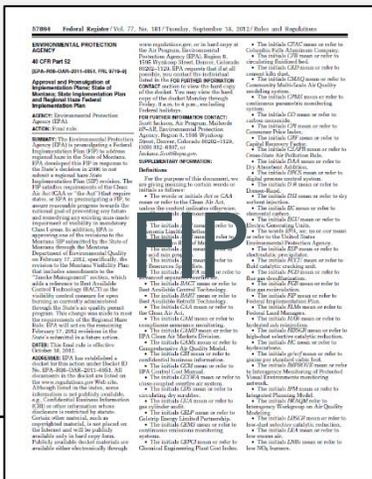
REGIONAL HAZE UPDATE

Clean Air Act Advisory Committee

May 22, 2018

TRANSITION OF AUTHORITY

DEQ is taking steps to gain administrative authority over the Regional Haze program before the next planning period.



Emission Limits:

- Ash Grove, Montana City Plant
- Oldcastle, Trident Plant
- Colstrip Units 1 and 2 (vacated)

Adopt by Board Order at August 10 meeting

PROGRESS TOWARD 2021



- Submit first planning period 5-year progress report (Nov. 2017)
- Transition first planning period FIP to SIP (Fall 2018)
- Begin regional planning discussions
- Decide how to appropriately focus on U.S. anthropogenic impacts on visibility
- Solidify emission inventory to be used for regional modeling
- Analyze which sources impact visibility at Class I Areas on most impaired days
- Determine whether additional controls are required to improve visibility
- Set benchmarks for 2028 to measure continued progress
- Provide for Federal Land Manager consultation and public review
- Submit SIP to EPA ~~by July 2021~~ by early 2020



Thank you!