

DEPARTMENT OF ENVIRONMENTAL  
CONSERVATION

DIVISION OF AIR QUALITY  
FINAL  
2014 FEE STUDY REPORT

**May 21, 2015**

# Table of Contents

<b>INTRODUCTION.....</b>	<b>5</b>
Fee Evaluation Report Requirements .....	5
Evaluation Methodology.....	5
Fee Report Findings Overall Program Costs – Previous Fee Study vs Current Fee Study ..5	
Permit administration fees:.....	6
Emission Fees:.....	7
<b>TITLE V PERMIT ADMINISTRATION FEES.....</b>	<b>9</b>
Title V Annual Permit Fees .....	9
Oil & Gas Source, PTE > 250 TPY .....	10
Large Power Plant (Excluding Coal-Fired Plants), PTE > 250 TPY .....	11
New Category: Coal-Fired Plants .....	11
Small Power Plant, PTE > 250 TPY .....	13
Oil & Gas or Soil Remediation Unit (SRU), PTE > 100 TPY and < 250 TPY .....	13
Small Power Plant, PTE > 100 TPY and < 250 TPY .....	14
Title V Sources, other than described under (1) – (6) of this section and < 250 TPY .....	14
<b>TITLE V GENERAL PERMITS – OPERATING .....</b>	<b>15</b>
Title V Sources Operating Under GP3 .....	15
Title V Sources Operating Under GPA, PTE > 100 TPY and < 250 TPY .....	16
<b>OTHER TITLE V PERMIT SERVICES.....</b>	<b>17</b>
Owner Requested Limit (ORL), associated with a Title V Source.....	17
Combined Category – PAEL for Diesel Engines & Gasoline Distribution Facilities .....	18
Excess Emissions .....	18
Fee Appeals.....	19
<b>TITLE I PERMIT ADMINISTRATION FEES .....</b>	<b>19</b>
Title I Permit Amendments.....	19
Title I Routine Compliance.....	20
Other Title I Permits .....	21
Owner Requested Limit (ORL), associated with a Title I Source .....	21
Fast Track Requests .....	22
Open Burns .....	22
Excess Emissions .....	23
Fee Appeals.....	23
<b>ACTIVITIES CHARGED TIME &amp; EXPENSES.....</b>	<b>23</b>
<b>EMISSION FEES EVALUATION .....</b>	<b>25</b>
Setting of the Title V and Title I Emission Fees.....	25
Title V Emissions Fees .....	26
Explanation of Fee Change .....	27
Title V Unrealized Obligations for FY16 through FY19 .....	27
Emission Tonnage .....	27
Title I Emissions Fees.....	28
Explanation of Fee Change .....	28
Title I Unrealized Obligations for FY16 through FY19.....	28
Emission Tonnage .....	29
<b>ADDITIONAL REVISIONS TO FEE REGULATIONS .....</b>	<b>29</b>

Negotiated Service Agreements.....	29
Transition Process for Permit Fees .....	29
One-Time Emission Fees .....	30
Billing Procedures.....	30
<b>OTHER FEE CONSIDERATIONS.....</b>	<b>30</b>
Review of Fee Structure Alternatives .....	30
Emission fees for Small Sources.....	31
Funding (Legislative) Options .....	31
Availability of General Funds.....	31
Conclusions.....	32

Table 1: Overall Program Costs.....	5
Table 2 – Percent Fee Change by Regulatory Source Category .....	6
Table 3 – Emission Fee Percent Changes .....	7
Table 4 – Oil & Gas Source, PTE > 250 TPY Annual Renewal Fee .....	10
Table 5 – Oil & Gas Source, PTE > 250 TPY Annual Compliance Fee .....	10
Table 6 – Large Power Plant (excluding coal-fired plants), PTE > 250 TPY Annual Renewal Fee.....	11
Table 7 – Large Power Plant (excluding coal-fired plants), PTE > 250 TPY Annual Compliance Fee .....	11
Table 8 – Coal-Fired Plants Annual Renewal Fee.....	12
Table 9 – Coal-Fired Plants Annual Compliance Fee .....	12
Table 10 – Small Power Plant, PTE > 250 TPY Annual Renewal Fee .....	13
Table 11 – Small Power Plant, PTE > 250 TPY Annual Compliance Fee.....	13
Table 12 – Oil & Gas or SRU, PTE > 100 TPY and < 250 TPY Annual Renewal Fee...	13
Table 13 – Oil & Gas or SRU, PTE > 100 TPY and < 250 TPY Annual Compliance Fee .....	13
Table 14 – Small Power Plant, PTE > 100 PTY and < 250 TPY Annual Renewal Fee...	14
Table 15 – Small Power Plant, PTE > 100 PTY and < 250 TPY Annual Compliance Fee .....	14
Table 16 – Title V Sources, other than described under 18 AAC 50.400(a)(1) – (6), PTE < 250 TPY Annual Renewal Fee .....	14
Table 17 – Title V Sources, other than described under 18 AAC 50.400(a)(1) – (6), PTE < 250 TPY Annual Compliance Fee.....	15
Table 18 – GP3 Annual Compliance Fee .....	16
Table 19 – GPA, PTE > 100 TPY and < 250 TPY Annual Compliance Fee.....	16
Table 20 – ORL Administrative Fee.....	17
Table 21 – ORL Annual Compliance Fee.....	17
Table 22 – PAEL Administrative Fee.....	18
Table 23 – PAEL Annual Compliance Fee.....	18
Table 24 – Excess Emissions Report Fee .....	19
Table 25 – Fee Appeal Fee .....	19
Table 26 – Administrative Permit Amendments .....	19
Table 27 – Title I Minor Permits not classified as needing a Title V Permit Annual Compliance Fee .....	21
Table 28 – ORL associated with at Title I Source Administrative Fee .....	21

Table 29 – Fast Track Permit Fee .....	22
Table 30 – Open Burn Application Fee .....	22
Table 31 – Excess Emissions Administrative Fee .....	23
Table 32 – Fee Appeal Fee .....	23
Table 33 – Emission Fee Rates .....	25
Figure 1 – Title V Prior Year's Costs – FY010 – FY13 .....	26
Figure 2 – Title I Prior Year's Costs – FY10 – FY13.....	28

# Introduction

Alaska Statutes require that the Department of Environmental Conservation (the Department) evaluate fees every four years and establish revised fees in regulation. Alaska Statutes additionally require that the results of the fee study be published in a report. As a result of the current fee study, the Department is proposing revised fees in the Air Quality regulations, 18 AAC 50, Article 4, User Fees. This report is the companion document to proposed revisions to 18 AAC 50, Article 4. Please reference the report for an analysis of proposed fee adjustments.

Unlike other regulatory programs that receive up to 60% of their funding from federal or general funds, federal law requires that the Title V permit program be 100% funded by permit fees. The current permit administration and emission fee rates that became effective on July 1, 2010, no longer cover the full costs of permit and compliance services. Failure to expeditiously adopt the new permit administration and emission fees proposed in 18 AAC 50, Article 4 will result in a funding shortfall which may disrupt permitting services.

## Fee Evaluation Report Requirements

The Department is required under AS 46.14.240(b) (for permit administration fees) and AS 46.14.250(g) (for emission fees) to evaluate fees for services every four years. The current permit administration fees and emission fees became effective July 1, 2010. This report covers the four year period of July 1, 2009, through June 30, 2013, and includes the evaluation for both permit administration fees and emission fees. The Department evaluated the permit administration fee rates established by AS 46.14.240 and 18 AAC 50.400 and the emission fee rates established by AS 46.14.250 and 18 AAC 50.410.

## Evaluation Methodology

The fee rates in this report are determined in accordance with AS 37.10.052, which requires that fixed fees not “*exceed the estimated average reasonable direct cost incurred by the resource agency*”. During the state fiscal years 2010 through 2013 (FY10 – FY13) which were evaluated for this report, the Department used data from the Department’s cost accounting system *BillQuick* and the Division of Air Quality’s (the Division) permit data program *AirTools*. The two tracking systems allow the use of full cost accounting historical data to set fee rates under AS 37.10.052. These systems were reconciled with the State Accounting System (AKSAS).

## Fee Report Findings Overall Program Costs – Previous Fee Study vs Current Fee Study

The previous fee study covered FY06 – FY09 and will be referred to as the 2010 Report; the current fee study covers FY10 – FY13 and will be referred to as this report.

Table 1: Overall Program Costs

<b>Program Costs</b>	<b>2010 Report</b>	<b>This Report</b>	<b>Percent Change</b>
Total Title V overall costs	\$9,586,690	\$13,645,461	+42%
Total Title I overall costs	\$3,920,843	\$5,734,281	+46%

As seen in the table above, the total cost to the Department to operate both the Title V and Title I programs increased over 40% each between the two fee studies. While the 2010 Report recommended a reduction in most fees, in part due to the lower overall program expenses of that time period analyzed, this report will show an increase in fees.

In order to address the increase in program costs, the Department conducted an in-depth review of the fee categories, billing practices, and accounting systems. As a result of that review a number of recommendations and fee adjustments are proposed in this report.

**Permit administration fees:**

The Department continues the direction established in the 2010 Report to reduce administration costs and fee complexity by reducing the number of different permit administration fees from 66 to 24. Some formerly separate permit administration fees and compliance fees (e.g. source test services) were combined into the annual permit administration fees and the annual compliance review fees. This provides for a single annual fee for some service compared to multiple fees under the current regulations. One-time or after-permit-issuance fees that are more suited for time-and-expense billing were moved to that section of the regulations. This clear separation of fees for Title V and Title I related permits is continued in this current study. The Title I permit administration fees continue to remain directly billed on a time-and-expense basis (AS 37.10.052(d)) as recommended in the 2010 Report.

In summary, for the Title V permits, the table below shows the percent change in annual fees for combined services paid by regulatory source categories.

Table 2 – Percent Fee Change by Regulatory Source Category

<b>Regulatory source category</b>	<b>Percent Change</b>
Oil & Gas Source, PTE > 250 TPY	37%
Large Power Plant, PTE > 250 TPY	-10%
New Category: Coal-Fired Plants (formerly included with Large Power Plant)	163%
Small Power Plant, PTE > 250 TPY	-9%
Oil & Gas or SRU, PTE > 100 TPY and < 250 TPY	-10%
Small Power Plant, PTE > 100 TPY and < 250 TPY	14%
Title V Sources, other than described under (1) – (6) of this section and < 250 TPY	-23%

Contributing factors to generally increasing fees overall include:

- contractors were used in addition to Department employees in order to reduce the backlog of permits; the addition of contractor labor increased the average cost per permit;
- new and more complicated federal rules required longer and more complex permits;
- a more rigorous adherence to federal permitting requirements and a greater number of permittee comments on average increased time spent on issuing the permit;
- cost increases due to general inflation;
- the addition of the costs for administrative permit amendments that used to be billed separately but are now included in the revised annual permit administration fees calculation (please see Table 4);
- inclusion of costs previously separated into their own fees for Source Test Plan Reviews (STPs) and Source Test Result Reviews (STRs) into the annual compliance review fee to reduce costs for accounting tracking for both the department and industry;
- change of employee classifications which were updated to reflect increased responsibilities of qualified and experienced staff; and
- the 2010 Report estimate failed to categorize some costs with the appropriate individual permit administration effort. Costs by effort were captured by better tracking and reconciling in this reporting period.

**Emission Fees:**

Table 3 – Emission Fee Percent Changes

Category	Current fee rate/ton	Proposed fee rate/ton	Change
Title V Emission	\$19.32	\$33.16	+\$13.84
Title I Emission	\$9.25	\$9.79	+\$0.54
<b>Total</b>	<b>\$28.57</b>	<b>\$42.95</b>	<b>+\$14.38</b>

After the anticipated permit administration receipts are applied to the overall cost of the Air Permits Program (the Program), the Title V program must make up an average of \$2.8 million dollars through emissions fees in order to cover the remaining cost of the program. This results in a new Title V emission fee rate proposed to be set at \$33.16 per ton allocated to the CAPF.

Contributing factors for the increase in the Title V per ton emission rate include:

- a decrease of 14.3% in the emissions tonnage for Title V, which will increase the rate per ton to cover the Program’s cost (please see discussion on page 25);
- the future obligations (unrealized obligations)<sup>1</sup> anticipated at the time of the 2010 Report were not sufficient to offset the actual increase in program costs;

---

<sup>1</sup> Unrealized obligations means “Duty to make a future payment not already recorded in the accounting system.”

- the permit administration hourly fee rate is currently set at 149% of the hourly employee cost to the state for Air Permit employees under AS 37.10.058. The Department would have needed to have charged 157% in FY13 to fully recover the costs through direct billing, resulting in the 8% gap being covered instead by Title I and Title V emissions fees (please see the discussion on page 31);
- general inflation increased costs;
- 37 % (\$5.07 of the \$13.84) of the increase in Title V emission costs is due to a \$1.6 million dollar unrealized obligation (please see the discussion on page 27).

Contributing factors for the slight increase in the Title I per ton emission rate include:

- the permit administration hourly fee rate is currently set at 149% of the hourly employee cost to the state for Air Permit employees under AS 37.10.058. The Department would have needed to have charged 157% in FY13 to fully recover the costs through direct billing, resulting in the 8% gap being covered instead by Title I and Title V emissions fees (please see the discussion on page 31);
- general inflation increased costs;
- there are no unrealized obligations in the Title I emission fee; had there been any to include, they would have increased the proposed rate further.

# Title V Permit Administration Fees

The following are the recommended permit administration fees for each regulatory service listed in 18 AAC 50.400. The Department is proposing to repeal and readopt this entire section of regulations for consistency and based on Department of Law (DOL) guidelines.

## Title V Annual Permit Fees

*Regulation Citations as of February 2015 – 18 AAC 50.400(a)*

Annual permit administration fees in this section pay for the direct service costs for the renewal of a Title V permit and the routine compliance of such permit.

There are two types of annual fees for permit services:

### 1. Permit Administration Fee

Title V permits have a term of five years, but they do not expire if the permittee submits a timely and complete renewal application. The fees are calculated based on the total cost to issue the permit, divided by five years, to arrive at an annual fee. The five year annualized fee structure is based on public input from permit holders requesting an annual equalization of the cost of the permit. This fee structure also provides level funding across the years.

This report moves the administrative amendment fee into the annual permit administration fee. Administrative permit amendments are minor changes in a permit document that do not result in material changes in permit terms or conditions. Administrative amendments fees in the regulation citations as of February 2015 are 18 AAC 50.400(f)(2) and 18 AAC 50.400(f)(3). The Department finds that the fee structure for administrative permit amendments should be changed to reflect the cost associated with the applicable permit classification. The Department had difficulty isolating the *BillQuick* data for the original permit from amendments to the permit. Also, the costs varied significantly between permit amendment actions, making establishment of an equitable fixed fee challenging. Finally, Title I permits are often incorporated into Title V permits as an administrative amendment. The funding for Title I and Title V activities must remain separate under federal rules. The need to track the fees separately increased the costs for accounting tracking and permit processing time. Both industry and staff have expressed concerns that these crossover actions are confusing and have resulted in project delays while billing issues were pending resolution. Modifying the fee structure will align costs to the direct use of the permit service, eliminate confusion, and allow for seamless transition among the various permitting elements.

### 2. Annual Compliance Review Fee

The fees in this subsection include the annual fixed fees for routine compliance. These fees pay for the routine compliance services related to Title V permits, including routine reviews of facility compliance evaluations (FCEs), annual compliance certifications (ACCs), facility operating reports (FORs), and other routine reports.

This report proposes moving the source test plan reviews (STPs; these are found in 18 AAC 50.400(g)(1) of the February 2015 regulations) and source test result reviews (STRs; these are found in 18 AAC 50.400(g)(2) of the February 2015 regulations) costs into the annual compliance review fee. Although not every permittee will require a STP or STR each year, eventually most permittees will require these services. Tracking the time spent specifically on STRs and STPs separately from other compliance work is difficult. Combining the STPs and STRs into the annual compliance review will ultimately reduce overall cost for accounting tracking for both the Department and industry.

Compliance services that are non-routine are not included in the fixed fee, and the direct cost of non-routine compliance services is computed on a time-and-expense basis.

There are seven Title V permit types that require annual permit fees and annual compliance fees. Those fee categories and the recommended changes to their fees are outlined below. Please note each proposed category includes administrative amendments and source test plan services, which had been separate fee categories in the past.

### **Oil & Gas Source, PTE > 250 TPY**

The total five year cost to issue a Title V permit in this category is now \$21,305. Annually, a permittee in this category can expect to pay \$8,697 for their permit renewal and routine compliance requirements. This represents an annual permitting and compliance cost increase of \$2,357 or 37%.

A number of reasons may have contributed to the increased cost of these permits above the anticipated rate of inflation. These include: A) the use of contractors to assist state employees with permitting to reduce permit backlog; B) new and more complicated federal rules that resulted in longer and more complex permits; and C) a greater number of permittee comments on average increased time spent on issuing these permits.

#### *Annual Permit Renewal Fee*

Table 4 – Oil & Gas Source, PTE > 250 TPY Annual Renewal Fee

<b>Regulation Citation as of February 2015</b>	<b>Current Fee as of February 2015 (*)</b>	<b>Recommended Fee (Per Year)</b>	<b>Change in Fee (Per Year)</b>	<b>Percent Change</b>
18 AAC 50.400(a)(1)(A)	\$2,675			
18 AAC 50.400(f)(2)	\$225			
18 AAC 50.400(f)(3)	\$220			
<b>Proposed Combined Services Fee</b>	<b>\$3,120</b>	<b>\$4,261</b>	<b>+\$1,141</b>	37%

(\*) Note: In the current fee regulation, the fees under 18 AAC 50.400(f)(2) and 18 AAC 50.400(f)(3) are charged on an as-needed basis.

#### *Annual Routine Compliance Fee*

Table 5 – Oil & Gas Source, PTE > 250 TPY Annual Compliance Fee

<b>Regulation Citation as of February 2015</b>	<b>Current Fee as of February 2015 (**)</b>	<b>Recommended Fee (Per Year)</b>	<b>Change in Fee (Per Year)</b>	<b>Percent Change</b>
18 AAC 50.400(a)(1)(B)	\$1,895			
18 AAC 50.400(g)(1)	\$665			
18 AAC 50.400(g)(2)	\$660			

<b>Proposed Combined Services Fee</b>	<b>\$3,220</b>	<b>\$4,436</b>	<b>+\$1,216</b>	38%
---------------------------------------	----------------	----------------	-----------------	-----

(\*\*) Note: In the current fee regulation, the fees under 18 AAC 50.400(g)(1) and 18 AAC 50.400(g)(2) are charged on an as-needed basis.

### **Large Power Plant (Excluding Coal-Fired Plants), PTE > 250 TPY**

The total five year cost to issue a Title V permit in this category is now \$12,635.

Annually, a permittee in this category can expect to pay \$5,899 for their permit renewal and routine compliance requirements. This represents an annual permitting and compliance cost decrease of \$686 or 10%.

#### *Annual Permit Renewal Fee*

Table 6 – Large Power Plant (excluding coal-fired plants), PTE > 250 TPY Annual Renewal Fee

<b>Regulation Citation as of February 2015</b>	<b>Current Fee as of February 2015 (*)</b>	<b>Recommended Fee (Per Year)</b>	<b>Change in Fee (Per Year)</b>	<b>Percent Change</b>
18 AAC 50.400(a)(2)(A)	\$3,080			
18 AAC 50.400(f)(2)	\$225			
18 AAC 50.400(f)(3)	\$220			
<b>Proposed Combined Services Fee</b>	<b>\$3,525</b>	<b>\$2,527</b>	<b>-\$998</b>	<b>-28%</b>

(\*) Note: In the current fee regulation, the fees under 18 AAC 50.400(f)(2) and 18 AAC 50.400(f)(3) are charged on an as-needed basis.

#### *Annual Routine Compliance Fee*

Table 7 – Large Power Plant (excluding coal-fired plants), PTE > 250 TPY Annual Compliance Fee

<b>Regulation Citation as of February 2015</b>	<b>Current Fee as of February 2015 (**)</b>	<b>Recommended Fee (Per Year)</b>	<b>Change in Fee (Per Year)</b>	<b>Percent Change</b>
18 AAC 50.400(a)(2)(B)	\$1,735			
18 AAC 50.400(g)(1)	\$665			
18 AAC 50.400(g)(2)	\$660			
<b>Proposed Combined Services Fee</b>	<b>\$3,060</b>	<b>\$3,372</b>	<b>+\$312</b>	<b>10%</b>

(\*\*) Note: In the current fee regulation, the fees under 18 AAC 50.400(g)(1) and 18 AAC 50.400(g)(2) are charged on an as-needed basis.

### **New Category: Coal-Fired Plants**

*(Currently included with Large Power Plant, PTE > 250 TPY)*

The analysis indicated that one category, large power plants (current regulations 18 AAC 50.400(a)(2)(A) & (2)(B)) should be separated into two separate fee categories, one for the large power plants and another for large coal-fired plants. The current large power plants category had significant increases in costs due to one sub-group, the large coal-fired plants. In this reporting period, the large coal-fired plants were approximately 75% of the total large power plants expense. However, the large coal-fired plants comprise only approximately 35% of the total population of this category.

The total five year cost to issue a Title V permit in this category is now \$52,835. Annually, a permittee in this category can expect to pay \$17,304 for their permit renewal and routine compliance requirements. This represents an annual permitting and compliance cost increase of \$10,719 or 163%.

Contributing factors associated with cost of coal-fired plant operating permit renewal are as follows:

- Complex and evolving federal coal boiler emission standards required additional staff time to draft and re-draft permit provisions.
- Coal-fired plant permits receive more 3<sup>rd</sup> party interest and adverse comments regarding proposed permit decisions. This increases staff and contractor costs to prepare responses to comments, final permits, and responses to permit appeals.

Contributing factors associated with cost of coal-fired plant routine compliance work are as follows:

- Complex and evolving federal emission standards specific to coal-fired boilers require additional staff time to determine compliance status and interpret changes to applicable requirements.
- Coal-fired boilers have additional periodic monitoring, record keeping, and reporting requirements than do power plants using other fuels such as fuel oil or natural gas.
- Emission source testing costs have now been added to the annual routine compliance fees. Coal-fired boilers are required to conduct emission source tests on a more frequent basis than other electric generating equipment.

Therefore, the Department recommends a new category for coal-fired plants with a separate annual permit fee and annual compliance review fee. This differentiation results in an overall cost reduction for large power plants (excluding coal-fired plants) and a cost increase for coal-fired plants.

#### *Annual Permit Renewal Fee*

Table 8 – Coal-Fired Plants Annual Renewal Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (*)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(a)(2)(A)	\$3,080			
18 AAC 50.400(f)(2)	\$225			
18 AAC 50.400(f)(3)	\$220			
<b>Proposed Combined Services Fee</b>	<b>\$3,525</b>	<b>\$10,567</b>	<b>+\$7,042</b>	200%

(\*) Note: In the current fee regulation, the fees under 18 AAC 50.400(f)(2) and 18 AAC 50.400(f)(3) are charged on an as-needed basis.

#### *Annual Routine Compliance Fee*

Table 9 – Coal-Fired Plants Annual Compliance Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (**)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(a)(2)(B)	\$1,735			
18 AAC 50.400(g)(1)	\$665			
18 AAC 50.400(g)(2)	\$660			
<b>Proposed Combined Services Fee</b>	<b>\$3,060</b>	<b>\$6,737</b>	<b>+\$3,677</b>	120%

(\*\*) Note: In the current fee regulation, the fees under 18 AAC 50.400(g)(1) and 18 AAC 50.400(g)(2) are charged on an as-needed basis.

### Small Power Plant, PTE > 250 TPY

The total five year cost to issue a Title V permit in this category is now \$8,600.

Annually, a permittee in this category can expect to pay \$4,211 for their permit renewal and routine compliance requirements. This represents an annual permitting and compliance cost decrease of \$434 or 9%.

#### Annual Permit Renewal Fee

Table 10 – Small Power Plant, PTE > 250 TPY Annual Renewal Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (*)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(a)(3)(A)	\$1,390			
18 AAC 50.400(f)(2)	\$225			
18 AAC 50.400(f)(3)	\$220			
<b>Proposed Combined Services Fee</b>	<b>\$1,835</b>	<b>\$1,720</b>	<b>-\$115</b>	<b>-6%</b>

(\*) Note: In the current fee regulation, the fees under 18 AAC 50.400(f)(2) and 18 AAC 50.400(f)(3) are charged on an as-needed basis.

#### Annual Routine Compliance Fee

Table 11 – Small Power Plant, PTE > 250 TPY Annual Compliance Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (**)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(a)(3)(B)	\$1,485			
18 AAC 50.400(g)(1)	\$665			
18 AAC 50.400(g)(2)	\$660			
<b>Proposed Combined Services Fee</b>	<b>\$2,810</b>	<b>\$2,491</b>	<b>-\$319</b>	<b>-11%</b>

(\*\*) Note: In the current fee regulation, the fees under 18 AAC 50.400(g)(1) and 18 AAC 50.400(g)(2) are charged on an as-needed basis.

### Oil & Gas or Soil Remediation Unit (SRU), PTE > 100 TPY and < 250 TPY

The total five year cost to issue a Title V permit in this category is now \$6,515. Annually, a permittee in this category can expect to pay \$4,644 for their permit renewal and routine compliance requirements. This represents an annual permitting and compliance cost decrease of \$521 or 10%.

#### Annual Permit Renewal Fee

Table 12 – Oil & Gas or SRU, PTE > 100 TPY and < 250 TPY Annual Renewal Fee

	Current Fee as of February 2015 (*)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(a)(4)(A)	\$2,045			
18 AAC 50.400(f)(2)	\$225			
18 AAC 50.400(f)(3)	\$220			
<b>Proposed Combined Services Fee</b>	<b>\$2,490</b>	<b>\$1,303</b>	<b>-\$1,187</b>	<b>-48%</b>

(\*) Note: In the current fee regulation, the fees under 18 AAC 50.400(f)(2) and 18 AAC 50.400(f)(3) are charged on an as-needed basis.

#### Annual Routine Compliance Fee

Table 13 – Oil & Gas or SRU, PTE > 100 TPY and < 250 TPY Annual Compliance Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (**)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(a)(4)(B)	\$1,350			

18 AAC 50.400(g)(1)	\$665			
18 AAC 50.400(g)(2)	\$660			
<b>Proposed Combined Services Fee</b>	<b>\$2,675</b>	<b>\$3,341</b>	<b>+\$666</b>	<b>25%</b>

(\*\*) Note: In the current fee regulation, the fees under 18 AAC 50.400(g)(1)) and 18 AAC 50.400(g)(2) are charged on an as-needed basis.

### **Small Power Plant, PTE > 100 TPY and < 250 TPY**

The total five year cost to issue a Title V permit in this category is now \$10,335.

Annually, a permittee in this category can expect to pay \$5,056 for their permit renewal and routine compliance requirements. This represents an annual permitting and compliance cost increase of \$606 or 14%.

#### *Annual Permit Renewal Fee*

Table 14 – Small Power Plant, PTE > 100 PTY and < 250 TPY Annual Renewal Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (*)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(a)(5)(A)	\$1,565			
18 AAC 50.400(f)(2)	\$225			
18 AAC 50.400(f)(3)	\$220			
<b>Proposed Combined Services Fee</b>	<b>\$2,010</b>	<b>\$2,067</b>	<b>+\$56</b>	<b>3%</b>

(\*) Note: In the current fee regulation, the fees under 18 AAC 50.400(f)(2) and 18 AAC 50.400(f)(3) are charged on an as-needed basis.

#### *Annual Routine Compliance Fee*

Table 15 – Small Power Plant, PTE > 100 PTY and < 250 TPY Annual Compliance Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (**)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(a)(5)(B)	\$1,115			
18 AAC 50.400(g)(1)	\$665			
18 AAC 50.400(g)(2)	\$660			
<b>Proposed Combined Services Fee</b>	<b>\$2,440</b>	<b>\$2,989</b>	<b>+549</b>	<b>23%</b>

(\*\*) Note: In the current fee regulation, the fees under 18 AAC 50.400(g)(1)) and 18 AAC 50.400(g)(2) are charged on an as-needed basis.

### **Title V Sources, other than described under (1) – (6) of this section and < 250 TPY**

The total five year cost to issue a Title V permit in this category is now \$4,220.

Annually, a permittee in this category can expect to pay \$4,003 for their permit renewal and routine compliance requirements. This represents an annual permitting and compliance cost decrease of \$1,202 or 23%.

#### *Annual Permit Renewal Fee*

Table 16 – Title V Sources, other than described under 18 AAC 50.400(a)(1) – (6), PTE < 250 TPY Annual Renewal Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (*)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(a)(7)(A)	\$2,090			
18 AAC 50.400(f)(2)	\$225			
18 AAC 50.400(f)(3)	\$220			
<b>Proposed Combined Services Fee</b>	<b>\$2,535</b>	<b>\$844</b>	<b>-\$1,691</b>	<b>-67%</b>

(\*) Note: In the current fee regulation, the fees under 18 AAC 50.400(f)(2) and 18 AAC 50.400(f)(3) are charged on an as-needed basis.

*Annual Routine Compliance Fee*

Table 17 – Title V Sources, other than described under 18 AAC 50.400(a)(1) – (6), PTE < 250 TPY Annual Compliance Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (**)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(a)(7)(B)	\$1,345			
18 AAC 50.400(g)(1)	\$665			
18 AAC 50.400(g)(2)	\$660			
<b>Proposed Combined Services Fee</b>	<b>\$2,670</b>	<b>\$3,159</b>	<b>+489</b>	<b>18%</b>

(\*\*) Note: In the current fee regulation, the fees under 18 AAC 50.400(g)(1) and 18 AAC 50.400(g)(2) are charged on an as-needed basis.

## Title V General Permits – Operating

*Regulation Citation as of February 2015 – 18 AAC 50.400(d) & 18 AAC 50.400(a)*

Permit administration fees in this section pay for the services related to the issuance of an authorization to operate under the requirements of a state-developed General Operating Permit (GP).

This report moves the source test plan reviews (STPs, February 2015 citation of 18 AAC 50.400(g)(1)) and source test result reviews (STRs, February 2015 citation of 18 AAC 50.400(g)(2)) costs into the annual compliance review fee. Although not every permittee will require a STP or STR each year, eventually most permittees will require these services. Tracking the time spent specifically on STRs and STPs separately from other compliance work is difficult. Combining the STPs and STRs into the annual compliance review will ultimately reduce overall cost for accounting tracking for both the Department and industry.

Non-routine compliance services are not included in the fixed fee, and the direct cost of non-routine compliance services is computed on a time-and-expense basis.

### Title V Sources Operating Under GP3

*Annual Permit Renewal Fee*

The permit application fee is determined by multiplying the number of hours the Department spent to develop the permit by the hourly rate of salary and benefits of the Department employees who developed the permit. This cost will be divided by the number of permittees who receive or are expected to receive the permit to determine the permit administration fee.

*Annual Routine Compliance Fee*

Table 18 – GP3 Annual Compliance Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (**)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(e)	\$325			
18 AAC 50.400(g)(1)	\$665			
18 AAC 50.400(g)(2)	\$660			
<b>Proposed Combined Services Fee</b>	<b>\$1,650</b>	<b>\$2,091</b>	<b>+\$441</b>	<b>27%</b>

(\*\*) Note: In the current fee regulation, the fees under 18 AAC 50.400(g)(1)) and 18 AAC 50.400(g)(2) are charged on an as-needed basis.

This routine compliance for General Permits – Asphalt Plants (GP3s) has been isolated into its own regulation citation through this study. A new segregated fee for annual compliance review of GP3s was needed for two reasons. The first is to ensure proper segregation of expenses and revenue between the Title I and Title V programs. The second is the compliance cost for this category of permits was included in existing regulation 18 AAC 50.400(e), but the costs of the activities for these facilities far exceeded the average costs in the category to which they were assigned. The CAA requires that the funding for the Title V program be generated from and used for only Title V work. A separate fee will ensure accounting compliance with this federal requirement and better reflect the difference in costs for annual compliance work for this sub-group of sources, providing better equity across permits.

**Title V Sources Operating Under GPA, PTE > 100 TPY and < 250 TPY**

*Annual Permit Renewal Fee*

The permit application fee is determined by multiplying the number of hours the Department spent to develop the permit by the hourly rate of salary and benefits of the Department employees who developed the permit. This cost will be divided by the number of permittees who receive or are expected to receive the permit to determine the permit administration fee.

*Annual Routine Compliance Fee*

Table 19 – GPA, PTE > 100 TPY and < 250 TPY Annual Compliance Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (**)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(a)(6)	\$730			
18 AAC 50.400(g)(1)	\$665			
18 AAC 50.400(g)(2)	\$660			
<b>Proposed Combined Services Fee</b>	<b>\$2,055</b>	<b>\$1,554</b>	<b>-\$501</b>	<b>-24%</b>

(\*\*) Note: In the current fee regulation, the fees under 18 AAC 50.400(g)(1)) and 18 AAC 50.400(g)(2) are charged on an as-needed basis.

The proposed fee would include source test costs in the compliance fee and not as a separate charge. During this study period, no permits within this category submitted source test plans or reports, however, should these permittees submit in the future, those costs would be already covered through this combined service fee.

## Other Title V Permit Services

One time permit administration fees in this section pay for the services related to the issuance of an owner requested limit (ORL) or a pre-approved emission limit (PAEL) operating under 18 AAC 50.225 – 230.

### Owner Requested Limit (ORL), associated with a Title V Source

*Regulation Citation as of February 2015 – 18 AAC 50.400(h)*

#### *One-Time Administrative Fee*

Table 20 – ORL Administrative Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (Per Year)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(h)(1)(A)	\$2,290	\$2,168	-\$122	-5%

#### *Annual Routine Compliance Fee*

Table 21 – ORL Annual Compliance Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (Per Year)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(h)(1)(B)	\$235	\$319	+\$84	+36%

Under existing regulations, ORL permit administration fees were charged at the same rate for both 18 AAC 50.225 and 18 AAC 50.508(5) permits.

The Department determined in the 2010 Report that 18 AAC 50.225 ORLs (Title V) should continue to be charged on a fixed fee basis and that the 18 AAC 50.508(5) ORLs (Title I) should be modified to a time-and-expense based fee structure. Unfortunately, the regulations were not updated to reflect this recommendation due to an administrative oversight. The correction will be made in the proposed regulations. This allows for the streamlined billing of activities associated with minor source permits being categorized primarily as time-and-expense and allows this category of permittees to pay rates much more in-line with the level of service they are requiring.

The recommended fee will include services associated with source test plan reviews (STPs, February 2015 citation of 18 AAC 50.400(g)(1)) and source test result reviews (STRs, February 2015 citation of 18 AAC 50.400(g)(2)) which may be requested infrequently.

Please see the Title I section of this report for more information on ORLs associated with a Title I source.

## Combined Category – PAEL for Diesel Engines & Gasoline Distribution Facilities

*Regulation Citation as of February 2015 – 18 AAC 50.400(h)*

### *One-Time Administrative Fee*

Table 22 – PAEL Administrative Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (Per Year)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(h)(2)(A) & 18 AAC 50.400(h)(3)(A)	\$85 / \$65	\$88	Varies	Varies

### *Annual Routine Compliance Fee*

Table 23 – PAEL Annual Compliance Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (Per Year)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(h)(2)(B) & 18 AAC 50.400(h)(3)(B)	\$45 / \$60	\$95	Varies	Varies

The existing regulations segregated out PAEL fixed fees for two categories: (1) diesel engines under 18 AAC 50.230(c), and (2) gasoline distribution facility considered under 18 AAC 50.230(d) to be a bulk gasoline plant. The permit and compliance review fees for the two PAEL categories will be combined into one permit administration fee which will continue to be charged one-time when the applicant submits an application. The annual compliance review fees will also be combined for these two categories and will continue to be billed annually. The effort required to issue the preapproved emission limits and the compliance work is similar for permits issued under 18 AAC 50.230(c) and (d). Both are preapproved if pre-determined operational criteria are met. Both track fuel usage and/or throughput for compliance. Over the course of the last four years there was only one application for a gasoline distribution facility under 18 AAC 50.230(d), so setting a fee based on one set of expenses conflicts with the direction in Alaska Statute 37.10.052 which seeks to allocate average costs. In order to reduce administrative burden, they are being combined into the same category.

### **Excess Emissions**

*Regulation Citation as of February 2015 – 18 AAC 50.400(g)*

The permit administration fees associated with excess emissions (EE) pay for services to record, enter, and review notifications sent to the Department by clients. Excess emission report/permit deviation report services are technical administrative work actions. Not all sources/facilities have excess emission reporting. These actions are limited to specific sources/facilities, and therefore they are not a routine compliance service. To ensure fairness in setting fee rates, EEs will continue to be a fixed rate fee charged directly to the permit that is out of compliance. This fee will continue to be billed upon receipt of the report.

Sources subject to 18 AAC 50.326 or 18 AAC 50.502 will be invoiced for these nonrefundable one-time, per report fees. These sources may be Title V or Title I. The fee is the same for both categories.

*Per Report Administrative Fee*

Table 24 – Excess Emissions Report Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (Per Year)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(g)(3)	\$15	\$20	+\$5	+33%

**Fee Appeals**

*Regulation Citation as of February 2015 – 18 AAC 50.400(g)*

For a fee review under 18 AAC 15.190, sources subject to 18 AAC 50.326 or 18 AAC 50.502 will be invoiced for this one-time, per appeal fee. These sources may be Title V or Title I. The fee is the same for both categories.

*Per Report Administrative Fee*

Table 25 – Fee Appeal Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (Per Year)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(g)(4)	\$210	\$110	-\$100	-48%

## **Title I Permit Administration Fees**

The following are the recommended permit administration fees for each regulatory service listed in 18 AAC 50.400. The Department is proposing to repeal and readopt this entire section for consistency. Based on Department of Law (DOL) guidelines, it's recommended that an agency repeal and readopt an entire section when it needs to extensively reorganize or revise the section, and in doing so "moves" material around within the section.

**Title I Permit Amendments**

*Regulation Citation as of February 2015 – 18 AAC 50.400(f)*

Administrative Permit Amendments are minor changes in a permit document that do not result in material changes in permit terms or conditions.

*Annual Routine Compliance Fee*

Table 26 – Administrative Permit Amendments

Regulation Citation as of February 2015	Current Fee as of February 2015 (Per Year)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(f)(1)	\$465	time-and-expense (T/E)	N/A	N/A

For Title I sources, these were included in the regulation citations as of February 2015 at 18 AAC 50.400(f)(1). The Department finds that the fee structure for administrative permit amendments should be changed to reflect the cost associated with the applicable permit

classification. The Department had difficulty isolating the *BillQuick* data for the original permit from amendments to the permit. Also, the costs varied significantly between permit amendment actions, making establishment of an equitable fixed fee challenging. Finally, Title I permits are often incorporated into Title V permits as an administrative amendment. The funding for Title I and Title V activities must remain separate under federal rules. The need to track the fees separately increased the costs for accounting tracking and permit processing time. Both industry and staff have expressed concerns that these crossover actions are confusing and have resulted in project delays while billing issues were pending resolution. Modifying the fee structure will align costs to the direct use of the permit service, eliminate confusion, and allow for seamless transition among the various permitting elements.

### **Title I Routine Compliance**

*Regulation Citation as of February 2015 – 18 AAC 50.400(e)*

Permit administration fees in this section pay for the routine compliance services related to Title I Minor Permits for sources not required to get a Title V Permit or General Permit. These are sources not classified as needing a Title V Permit and are subject to a minor permit under 18 AAC 50.502 or are required to have a minor permit under 18 AAC 50.502(b) that is operating under an operating or general permit issued before October 2004.

Routine compliance includes facility compliance evaluations (FCEs), annual compliance certifications (ACCs), facility operating reports (FORs), and other routine report reviews. *BillQuick* data supports the continuation of a fixed fee rate. Compliance for the following permit types were included in this fee category:

- Sources operating under a Minor Permit without a Title V permit;
- MG1 permits;
- MG3 permits;
- MG9 permits; and
- GP3 and GP4 permits for Title I sources.

The fees in this subsection also include the annual fixed fees for routine compliance. They pay for the routine compliance services related to Title V permits, including routine reviews of FCEs, ACCs, FORs, and other routine reports.

This report moves the source test plan reviews (STPs, February 2015 citation of 18 AAC 50.400(g)(1)) and source test result reviews (STRs, February 2015 citation of 18 AAC 50.400(g)(2)) costs into the annual compliance review fee. Although not every permittee will require a STP or STR each year, eventually most permittees will require these services. Tracking the time spent specifically on STR and STP separate from other compliance work is difficult. Combining the STPs and STRs into the annual compliance review will ultimately reduce overall cost for accounting tracking for both the Department and industry.

Non-routine compliance services are not included in the fixed fee, and the direct cost of non-routine compliance services is computed on a time-and-expense (T/E) basis.

*Annual Routine Compliance Fee*

Table 27 – Title I Minor Permits not classified as needing a Title V Permit Annual Compliance Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (**)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(e)	\$325			
18 AAC 50.400(g)(1)	\$665			
18 AAC 50.400(g)(2)	\$660			
<b>Proposed Combined Services Fee</b>	<b>\$1,650</b>	<b>\$750</b>	<b>-\$900</b>	<b>-55%</b>

(\*\*) Note: In the current fee regulation, the fees under 18 AAC 50.400(g)(1) and 18 AAC 50.400(g)(2) are charged on an as-needed basis.

Compliance services and associated administration fees for the GP3 permits for Title V sources have been moved to the Title V annual fixed fee (please reference Title V fee section earlier in the report). Those GP3 permits are for sources classified as needing a Title V permit, and federal rules require that the revenue and costs for them be tracked and deposited into CAPF.

**Other Title I Permits**

*Regulation Citation as of February 2015 – 18 AAC 50.400(h)*

One time permit administration fees in this section pay for the services related to the issuance of an owner requested limit (ORL) associated with a Title I source.

**Owner Requested Limit (ORL), associated with a Title I Source**

*One-Time Administrative Fee*

Table 28 – ORL associated with at Title I Source Administrative Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (Per Year)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(h)(1)(A)	\$2,290	T/E	N/A	N/A

*Annual Routine Compliance Fee*

Annual routine compliance fees are the same as listed in Table 27.

Under existing regulations, ORL permit administration fees were charged at the same rate for both 18 AAC 50.225 and 18 AAC 50.508(5) permits.

The Department determined in the 2010 Report that ORLs associated with a Title I Source Administrative Fee should be charged on a time-and-expense basis, rather than a fixed fee structure. However, the regulations were not updated to reflect this recommendation due to an administrative oversight, and the old fixed fee remained in place. The correction will be made in the proposed regulations. This allows for the streamlined billing of activities associated with minor source permits being categorized primarily as time-and-expense and allows this category of permittees to pay rates much more in-line with the level of service they are requiring. In addition, the administrative permit amendments associated with a Title I permit will be moved to their own fee category. The Annual Routine Compliance Fee, however, remains as a fixed fee.

Please see the Title V section of this report for more information on ORLs associated with a Title V source.

**Fast Track Requests**

*Regulation Citation as of February 2015 – 18 AAC 50.400(c)*

This administration fee pays for the direct costs of service to issue a “fast track” (FTN) permit under 18 AAC 50.508(b) – (c).

The Department finds that the non-fast track permits continue to be best suited for fees based on a time-and-expense basis under the current regulation citation 18 AAC 50.400(j) subsection. The variability in these permits prevents the Department from establishing a fixed fee.

*One-Time Administrative Fee*

Table 29 – Fast Track Permit Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (Per Year)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(c)	\$2,665	T/E	N/A	N/A

During FY10 through FY13, very few applicants for fast-track permits actually qualified for fast-tracking under 18 AAC 50.508(b) – (c). To reduce the administrative burden to the Department of tracking fast track qualifying and requesting permits separately for a rarely-used fee category, the fast-track billing fixed fee will be billed on a time-and-expense basis.

**Open Burns**

*Regulation Citation as of February 2015 – 18 AAC 50.400(i)*

The current permit administration fee is for the services to process the review of a request for open burning approval (OBA). If the request is denied, any re-submittal will require an additional one-time fee payment.

*Per Application Fee, All Open Burns*

Table 30 – Open Burn Application Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (Per Year)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(i)	\$200	\$230	+\$30	+15%

The current fee does not cover any follow-up activities such as compliance. Under existing regulations, if there are compliance issues related to the operation of an open burn, any associated costs are charged as non-routine compliance and fall under time-and-expense fees (under current regulations 18 AAC 50.400(j)). However, the historical cost study determined that there are routine compliance costs for OBAs that are not fully recovered. There is no current fee for routine or follow-up compliance for OBAs, which has caused confusion for staff on how to record services and labor cost. The OBA routine compliance costs are generally small and do not justify increased accounting costs for tracking and billing separately and are therefore recommended to be included in this application fee moving forward.

For open burns that are determined to have a smoke incursion, costs incurred after such a determination is made will continue to be billed as time and expense costs.

### Excess Emissions

*Regulation Citation as of February 2015 – 18 AAC 50.400(g)*

The permit administration fees associated with excess emissions (EE) pay for services to record, enter, and review notifications sent to the Department by clients. Excess emission report/permit deviation report services are technical administrative work actions. Not all sources/facilities have excess emission reporting; they are limited to specific sources/facilities, and therefore they are not a routine compliance service. To ensure fairness in setting fee rates, EEs will continue to be a fixed rate fee charged directly to the permit that is out of compliance. This fee will continue to be billed upon receipt of the report.

#### *Per Report Administrative Fee*

Table 31 – Excess Emissions Administrative Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (Per Year)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(g)(3)	\$15	\$20	+\$5	+33%

Sources subject to 18 AAC 50.326 or 18 AAC 50.502 will be invoiced for these nonrefundable one-time, per report fees. These sources may be Title V or Title I. The fee is the same for both categories.

### Fee Appeals

*Regulation Citation as of February 2015 – 18 AAC 50.400(g)*

For a fee review under 18 AAC 15.190, sources subject to 18 AAC 50.326 or 18 AAC 50.502 will be invoiced for this one-time, per appeal fee. These sources may be Title V or Title I. The fee is the same for both categories.

#### *Per Report Administrative Fee*

Table 32 – Fee Appeal Fee

Regulation Citation as of February 2015	Current Fee as of February 2015 (Per Year)	Recommended Fee (Per Year)	Change in Fee (Per Year)	Percent Change
18 AAC 50.400(g)(4)	\$210	\$110	-\$100	-48%

## Activities Charged Time & Expenses

*Regulation Citation as of February 2015 – 18 AAC 50.400(j)*

Permit administration fees in the time-and-expense section include those regulatory services for which no fixed fee is established. These services are billed monthly in accordance with AS 37.10.054. The cost recovery, work level, and service actions in current regulation 18 AAC 50.400(j) were reviewed to determine if a fixed fee could be established for any of the services. Data did not support the establishment of new fixed fees. Existing categories remain billed on a time-and-expense basis. As noted in previous sections, the Department

recommends that some services currently covered under fixed fees should be changed to the time-and-expense fee structure.

In fee workshops conducted prior to the 2010 Report, both industry and the Department were interested in establishing a wider range of fixed permit administration fees. The existing regulation in 18 AAC 50.400(j) listed any administration fees that might be amended or transferred to the fixed fees. Based on 12 years of fee studies and improvements in accounting and data collection, the time-and-expense fee structure remains the most appropriate method to collect fees for numerous permit and non-routine compliance services. The data collection demonstrates that the necessary adjustments to the fee structure are toward time-and-expense based fees and not toward fixed fees. The list currently found in 18 AAC 50.400(j) will be removed from the proposed regulations, as it no longer serves its original purpose. The authority for charging time-and-expense based fees still exists in the proposed regulations under the readopted section 18 AAC 50.400 in proposed 18 AAC 50.400(h). Additionally, this will simplify and streamline the regulations and reduce administrative cost. The list is provided in the appendix to this report for convenience to the regulated community.

# Emission Fees Evaluation

Regulation Citation as of February 2015 – 18 AAC 50.410

Table 33 – Emission Fee Rates

Category	Current fee rate/ton	Proposed fee rate/ton	Change
Title V Emission	\$19.32	\$33.16	+\$13.84
Title I Emission	\$9.25	\$9.79	+\$0.54
Total	\$28.57	\$42.95	+\$14.38

In addition to the Title V and Title I permit and compliance workloads, the Program includes support work essential for the delivery of permit services. Program administration activities do not directly serve a permit client but are important support activities. These activities are charged to the emissions codes. Emission fees in each permit program pay for the cost of these indirect services. In many cases, these costs have gone up, and this has led to increased emission fee rates, which are explained later in this section. These program obligations include:

- Full Staffing for Permitting/Compliance Delivery
- Program Improvement/Technical Services
- Data Management Services
- Administrative Services
- Program Management
- Environmental Protection Agency (EPA) Requirements for State Regulatory Program
- Report Review
- Gap in statutory billing rate (149%) of personnel costs vs. full personnel cost

## Setting of the Title V and Title I Emission Fees

The following methodology illustrates the formula and historical numbers used to set the emission fees for Title V and for Title I. The methodology was developed by the Department in conjunction with the Department’s Division of Administrative Services (DAS) to align with statutes. This is the same methodology used in the 2010 report.

The emission fee rate is calculated using the following steps:

1. Establish Historical Program Cost
2. Adjust for Anticipated Administration Fee Program Receipts
3. Calculate Total Program Expenses to be Covered by Emission Fees
4. Identify Emission Tonnage
5. Set Title V or Title I Emission Fee Rate

The years following the last fee study (FY10 – FY13) saw a general decline in emissions such that the average emissions were 14.3% lower than the 2010 Report had predicted. Because the fee rate was based on higher emissions, less revenue was generated than the 2010 Report had estimated. In the 2010 Report, the Department used a single year (FY09) to estimate assessable emissions for the following 4 years. This report uses a regression analysis to set the tonnage for the emission fee. (Please refer to Appendix.)

The cause of this downward trend is a complex mix of factors, but seems to include:

- more accurate reporting of emissions by permittees;
- more permittees choosing to pay on actual emissions rather than allowable emissions;
- increased stringency of federal regulations leading to emission reductions;
- permitted facilities reducing their emissions to drop out of permitting; and
- economic factors leading to reduced operation of pollution causing equipment.

Interestingly, the reduction in emission fees in the 2010 Report did not appear to have a significant effect on slowing the downward trend in emissions. The average predicted emissions are approximately 5% lower than the actual FY15 billed emissions and 12% lower than the average billed emissions for the last 6 years. This is consistent with the Department's experience following the last fee study.

### **Title V Emissions Fees**

This report recommends the continuation of a four-year average rate for emission fees instead of a different rate for each fiscal year. The four-year average annual rate for Title V emission fees calculated in this report is \$33.16 per ton. (Please refer to Appendix.)

From FY10 through FY13, the Department spent \$13,645,461 delivering the Title V program. From FY10 to FY13, the Title V program saw an 11% increase in costs.

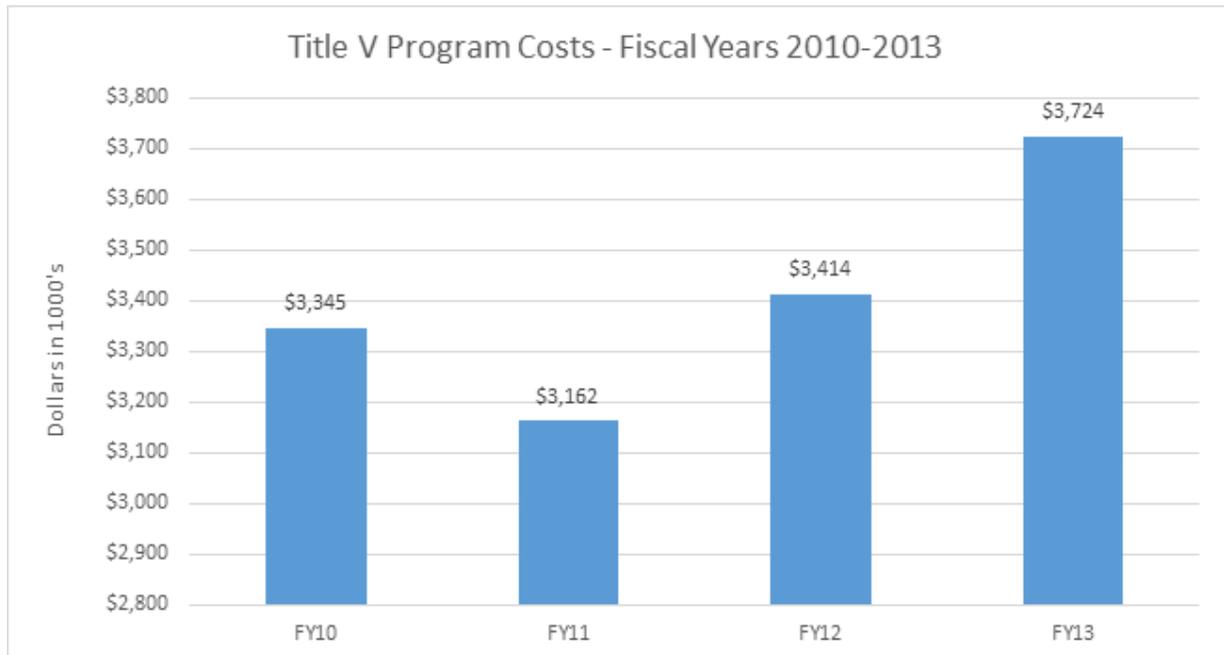


Figure 1 – Title V Prior Year's Costs – FY010 – FY13

The Title V program cost includes the amount spent by the Department to directly deliver the Title V program. These expenses include: direct costs by the Division, allocated costs (which include rent, utilities, and similar Department-wide expenses pro-rated by the amount of personal service expenses charged to a particular funding source), and a direct allocation from the CAPF to support the Department's DAS.

## Explanation of Fee Change

### Title V Unrealized Obligations for FY16 through FY19

- The unrealized obligations<sup>2</sup> used to calculate the Title V emissions fees for this report were \$1,600,000. These represent the additional costs to the CAPF anticipated beginning in FY16 due to a proportional re-alignment done by the DAS. DAS is an administrative support unit that provides the majority of the finance, procurement, human resources, information technology, and budget services to the Department. It also pays a portion of the overhead expenses, including shared lease costs and core service charges from the Department of Administration. DAS is intentionally funded in direct proportion to the funding source breakdown of the personal services costs in the Department. This method complies with an approved federal indirect cost allocation plan. An analysis of the Department's personal services funding in comparison to the funding of DAS shows that the Air Division is overfunded by federal receipts and underfunded by the CAPF. In FY13, the CAPF accounted for 5.6% of the Department's personal service costs, therefore it should proportionally cover 5.6% of the DAS's costs. However, in the FY14 budget, CAPF only accounted for 1.7% of those costs. Beginning in FY16, this gap of 3.9% proportionality will begin to be charged to the CAPF. This represents an increase of about \$400,000 per year.

### Emission Tonnage

- The emissions tonnage estimates used in this calculation were specific to Title V sources only. For fee assessment purposes, regulations allow permittees to report on actual tons emitted or on a source's potential to emit. The historical record is based on the amount of emissions billed. Analysis of historical data indicates a declining trend in tons emitted. The Department used a linear least-squares regression of the historical data to provide a reasonably accurate prediction of future emissions for new emission fee rates. Using the regression analysis, the average future emission tonnage is estimated to be 84,089 tons annually. This tonnage was used for the fee calculation for FY16 through FY19. Using an average rate based on regression analysis has the advantage of setting the emission fee rate to provide consistency for both industry and the Division to establish internal budgets based upon predictable rates.

---

<sup>2</sup> Unrealized obligations means "Duty to make a future payment not already recorded in the accounting system."

## Title I Emissions Fees

This report recommends the continuation of a four-year average rate for emission fees instead of a different rate for each fiscal year. The four-year average annual rate for Title I emission fees is \$9.79 per ton. (Please refer to Appendix.)

In summary, the Program spent \$5,734,281 delivering the Title I program from FY10 through FY13. From FY10 to FY13, the Title I program saw a 13% increase in costs.

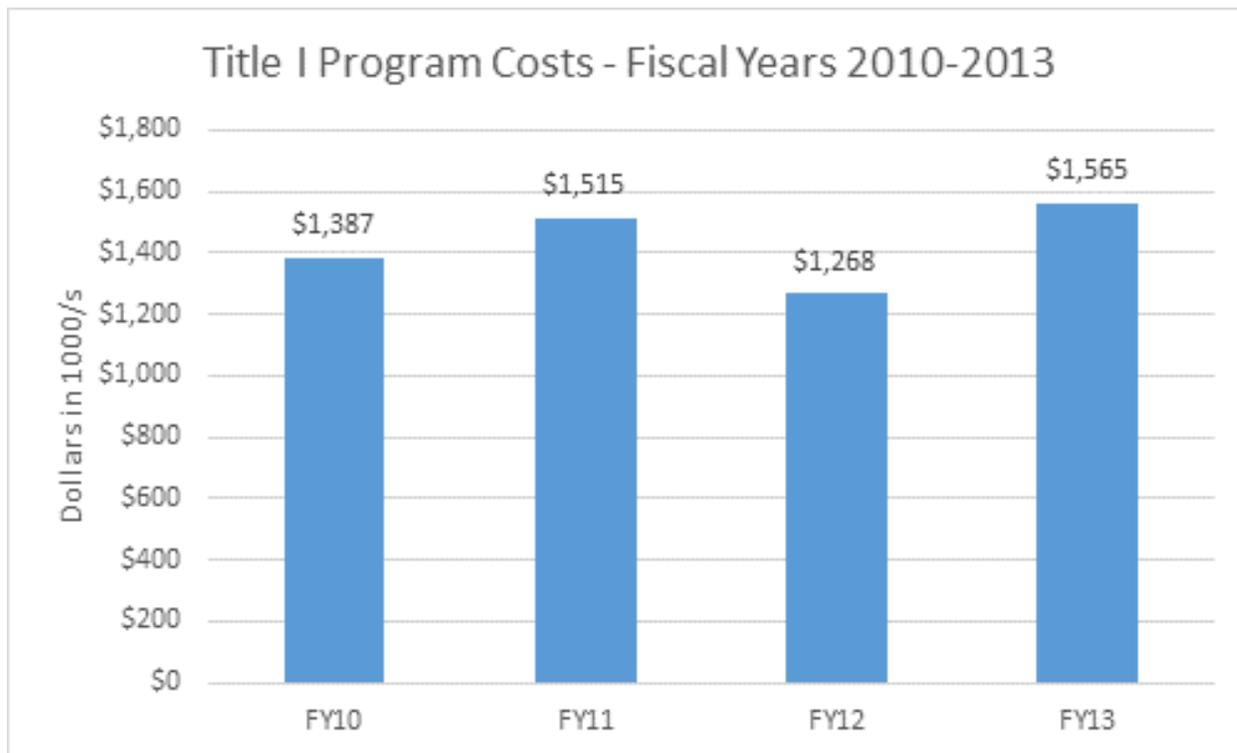


Figure 2 – Title I Prior Year's Costs – FY10 – FY13

The Title I program cost includes the amount spent by the Department to directly deliver the Title I program. These expenses include: direct costs by the Division; allocated costs (which include rent, utilities, and similar Department-wide expenses pro-rated by the amount of personal service expenses charged to a particular funding source); and support for the Department's DAS where the majority of the Department's finance, procurement, human resources, information technology, and budget services are housed.

## Explanation of Fee Change

### Title I Unrealized Obligations for FY16 through FY19

- There are no unrealized obligations anticipated for the coming four years.

## **Emission Tonnage**

- The emissions tonnage estimates used in this calculation were specific to Title I sources only. For fee assessment purposes, regulations allow permittees to report on actual tons emitted or on a source's potential to emit. The historical record is based on the actual amount of collected receipts from the emission fees divided by the rate in 18 AAC 50.410. Analysis of historical data indicates a declining trend in tons emitted. Based on the declining trend, this report used a regression analysis to provide the most accurate calculation figure for new emission fee rates. The regression analysis used is included in Section 3.4 of this document. Using the regression analysis, the average future emission tonnage is estimated to be 91,486 tons annually. This tonnage was used to calculate the fees for FY16 through FY19. Using an average rate based on regression analysis has the advantage of setting the emission fee rate to provide consistency for both industry and the Division to establish internal budgets based upon predictable rates.

## **Additional Revisions to Fee Regulations**

### **Negotiated Service Agreements**

*Regulation Citation as of February 2015 – 18 AAC 50.403*

If a fixed permit administration fee has not been set under 18 AAC 50.400(a) – (i) for a designated regulatory service, the permittee, owner, or operator of a stationary source may request a negotiated service agreement under AS 37.10.052(b) for that designated regulatory service. The current fee regulation states that a retainer must be submitted before the Department begins negotiation. This retainer was intended to ensure payment for services rendered in negotiating a service and reduce collection issues due to non-payment of fees. During this report period, it was determined that this section was rarely used, and there does not appear to be an issue overall with collection of fees for services rendered. Therefore, to reduce the administrative burden of tracking these pre-paid expenses, the retainer will be removed from the fee regulations; and the applicant will continue to be billed time-and-expenses.

### **Transition Process for Permit Fees**

*Regulation Citation as of February 2015 – 18 AAC 50.405*

The current regulation allowed permits for which an application was submitted before January 29, 2005, to be billed in accordance with the provisions of 18 AAC 50.400 – 18 AAC 50.499 in effect on January 29, 2005, including the application of any retainer submitted before that date to any fees effective after that date. There are no applications still pending under this section of the regulations; therefore this regulation section is no longer required.

## **One-Time Emission Fees**

*Regulation Citation as of February 2015 – 18 AAC 50.410(f)*

The Department is proposing to remove the language for assessable emissions under current regulation 18 AAC 50.410(f). This category was initially designated for minor sources considered to be “once and done” permits. Industry has increasingly used the minor source permits for adjustments and changes to their operations, and their permits have not remained “once and done.” As new Minor permits are issued for the same stationary source, it has become difficult to track and manage billing and invoicing. This has increased accounting costs for both industry and the Department. Continuance of this category is not recommended as it is difficult to predict and maintain Title I staffing levels dependent upon a variable, unpredictable, and hard to manage revenue source and because of the increase accounting cost burden for this emission fee.

## **Billing Procedures**

*Regulation Citation as of February 2015 – 18 AAC 50.420*

The Department will bill the current fees to maintain sufficient funds for permitting services. Assuming the new regulations become effective, the new fees recommended in this report will require an adjusted billing. Amending the language in current regulation 18 AAC 50.420(a) is needed to explain how the additional billing will occur. The language includes information on supplemental billing procedures that will address the difference between billing for fees which occurs for FY16 based on current regulations and the updated fees which will be in effect for FY16 after the effective date of these regulations. Additional revisions will be made throughout current regulation 18 AAC 50.420 for clarity.

## **Other Fee Considerations**

Previous sections of this report have presented the various effects of the emission fees by comparing previous fees; reviewing for fee inequities; and analyzing the cost and the effect on types, sizes, and categories of sources. This section provides an overall view and additional information relative to the emission fee.

### **Review of Fee Structure Alternatives**

Alternatives for various fee structure issues were fully addressed in the 2010 Report. The 2010 Report reviewed and confirmed the alternatives for emission fees. This report reviews the 2006 Report and the 2010 Report. No changes are recommended. The following items were analyzed to review emission fees from all sources and identify any alternatives:

- Emission fees for Small Sources
  - Under 10 tons
  - Title V Avoidance
- Funding (Legislative) options
  - Changes to the 149% staff rate
  - Increase in General funds

### **Emission fees for Small Sources**

The conclusions from the 2010 Report still hold true. The option to charge emission fees to these sources does not provide a viable alternative. Assessing the emission fee to this source group is not equitable to the associated level of work or the cost recovery of accounting services. In addition, assessing emission fees would require additional regulation changes.

### **Funding (Legislative) Options**

#### *Adjust the 149% Staff Rate*

The permit administration hourly fee rate is currently set at 149% of the hourly employee cost to the state for Air Permit Program employees under AS 37.10.058.

The recommendation in the 2006 Report and the 2010 Report to update the 149% hourly employee rate to reflect today's costs is still valid. Changing the 149% rate would require legislative action to amend AS 37.10.058(6). However, there have been no changes in statute to the employee hourly rate multiplier since the 2010 Report. The 2010 Report researched and recommended that the 149% hourly rate be adjusted to reflect the current actual cost for a DEC employee (Section 8.4.1, 2010 Report). This rate would have needed to have been 157% in FY13 to recover the costs through direct billing, resulting in the 8% gap being covered instead by Title I and Title V emissions fees.

As discussed in Part I of this report, Alaska Statutes allow permit administration fees to recover the direct costs of providing permit services. This has a greater effect on the Title I program, as the majority of Title I permit administration fees are billed based on a time-and-expense basis. The statute defines the direct cost as 149% of the hourly rate of salary and benefits for direct staff time, plus the full cost of any third-party goods or services used. This direct cost, however, does not cover the full cost of personnel services of staff providing permit services. Personnel service costs include salary and benefits, holidays, vacation, sick leave, training, and administrative time. Personnel service costs also include indirect and allocated costs, such as rent, utilities, equipment, and common supplies. Personnel service costs also need to account for increases to the general program costs due to increased supervisory, payroll, and personnel action work. Either the permit administration fee charged at 149% of the staff person's hourly rate of salary and benefits would have to collect enough to cover all these costs, or some costs would have to be covered by other revenue sources, such as primary emission fees.

### **Availability of General Funds**

General Funds are projected to continue to decline or not be available in the future as the state projects declining oil revenue as of this report.

Unlike other regulatory programs that receive up to 60% of their funding from federal or general funds, the Air Permits Program is designed to be entirely funded by permit fees. Federal law requires that the Title V permit program be 100% funded by permit fees.

## Conclusions

- Permit administration fixed fees should be adjusted as described in this report.
- The Title V emission fee rate should be set at \$33.16 per ton allocated to the Clean Air Protection Fund (CAPF).
- The Title I emission fee rate should be set at \$9.79 per ton allocated to the Emission Control Permit Receipts Account (ECPRA) within designated General Fund Program Receipts (GFPR) and continue to be authorized by the legislature to carry forward from one year to the next.
- The fee structure and rate setting methodology is well established over 12 years and three fee reports: 2006, 2010, and this report.
- A regression analysis is best suited for estimates of emission tonnages. Emission fee rates should continue to be based on four-year averages of projected revenue and program costs.
- This report recommends the legislature review AS 37.10.058(6) for updates to reflect today's cost of personnel staffing within the State of Alaska.
- The current permit administration and emission fee rates do not cover the full costs of permit and compliance services. Failure to adopt the new permit administration and emission fees expeditiously will result in a funding shortfall which may disrupt permitting services.