

Air Quality Fees Stakeholder Meeting

November 7, 2018

AIR QUALITY DIVISION



Goal of the Stakeholder Process

Reauthorize AQ Fee Legislation that would provide:

- Stable funding for AQD's current Title V staffing level (no FTE increases proposed)
- Services at the level to which regulated community has become accustomed
- a fee structure that is equitable across industry sectors
- An adequately funded Title V program as required by the federal Clean Air Act

DEQ Mission

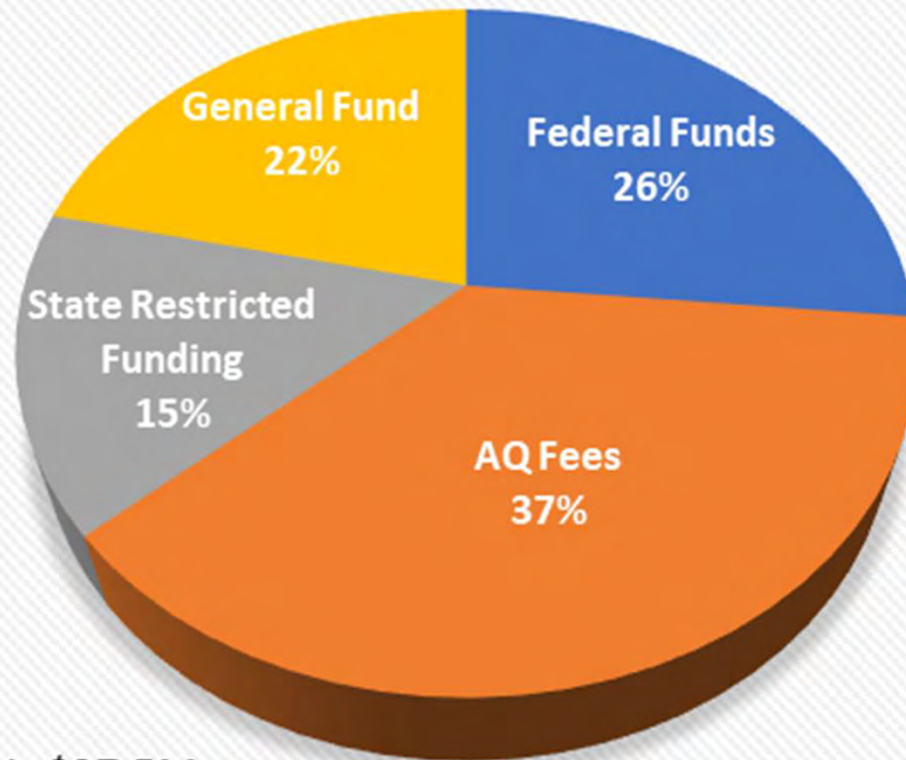
“To promote wise management of Michigan's air, land, and water resources to support a sustainable environment, healthy communities, and a vibrant economy.”

DEQ STAFF ACHIEVES THE DEPARTMENT'S MISSION BY...

- Reviewing and processing permit applications
- Monitoring resources and inspecting regulated entities
- Providing pollution prevention and compliance assistance
- Promoting department programs and services
- Meeting with stakeholder groups to get feedback about the regulatory process

AQD Overview – Funding Sources

2019 AQD Appropriations



AQD FY19 Budget: \$27.5M

CAA Title V of 1990 Amendments

Established an Operating Permit Program

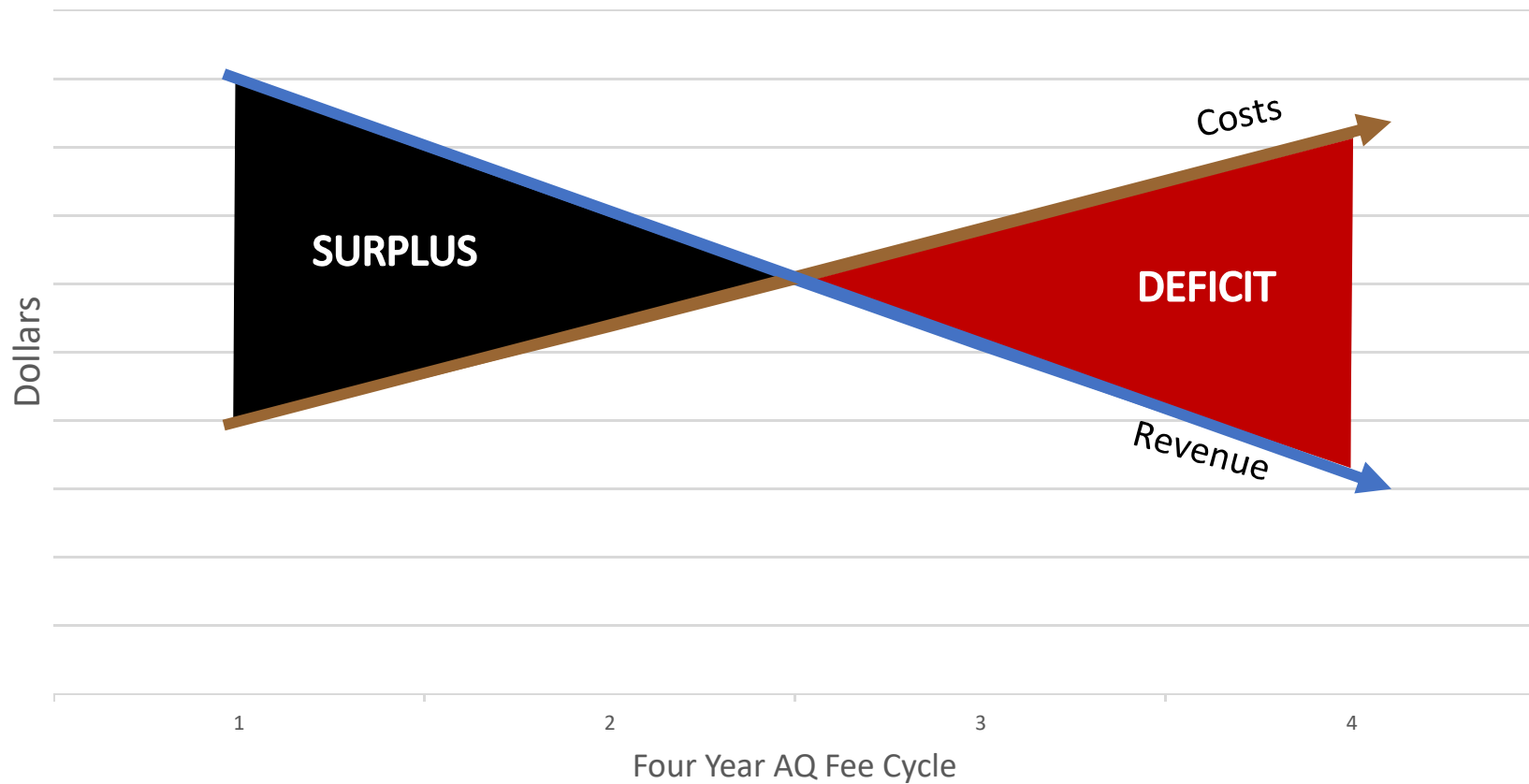
Ensures Facilities Meet Applicable Federal & State Requirements

- On-Site Inspections
- Emission Monitoring & Reporting
- Stack Testing
- Compliance Assistance
- Address Citizen Complaints

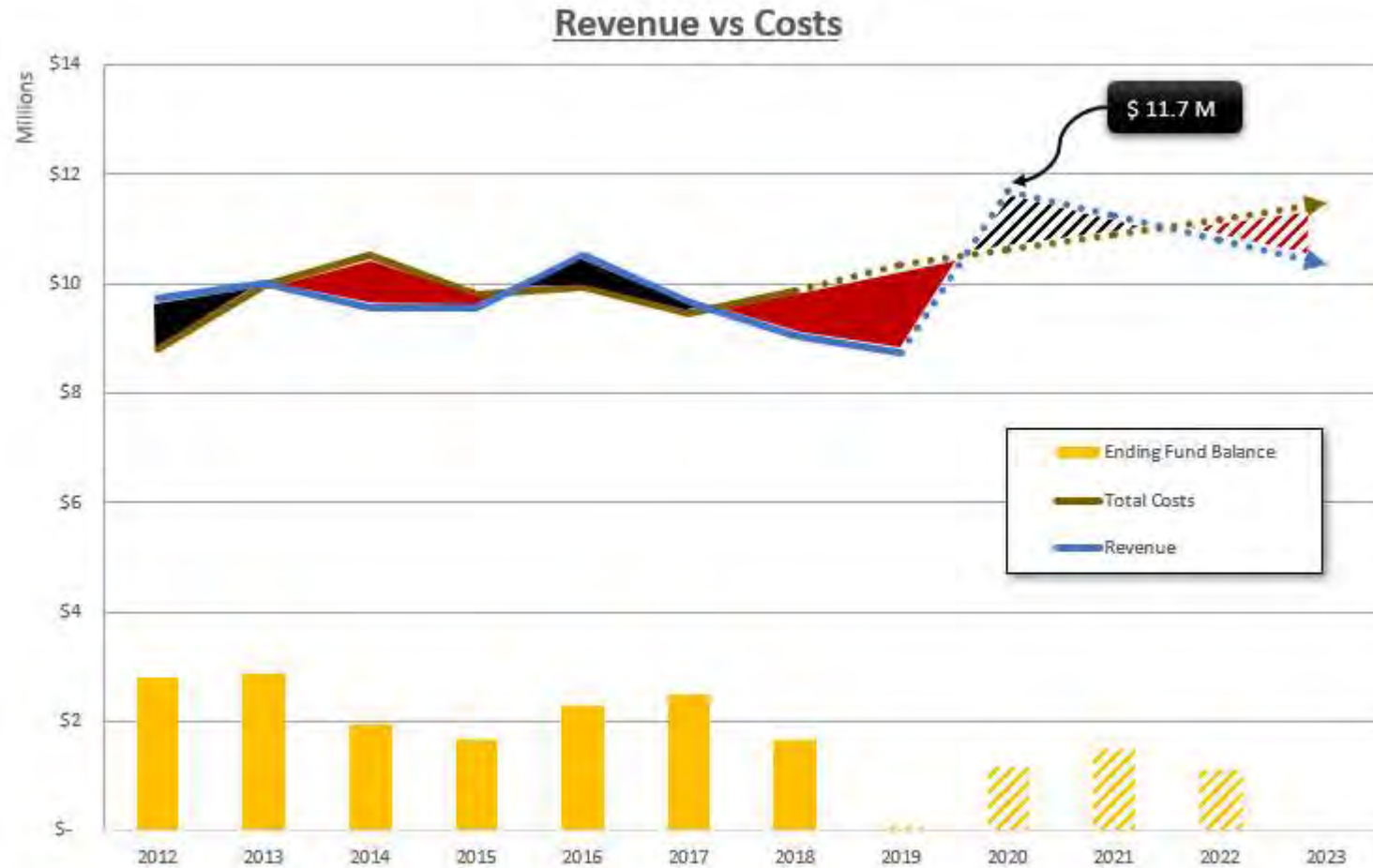
Requires Fee Program to Fund Program

AQ Fee – 4 Year Cycle

AQ Fee Structure - Simple Model



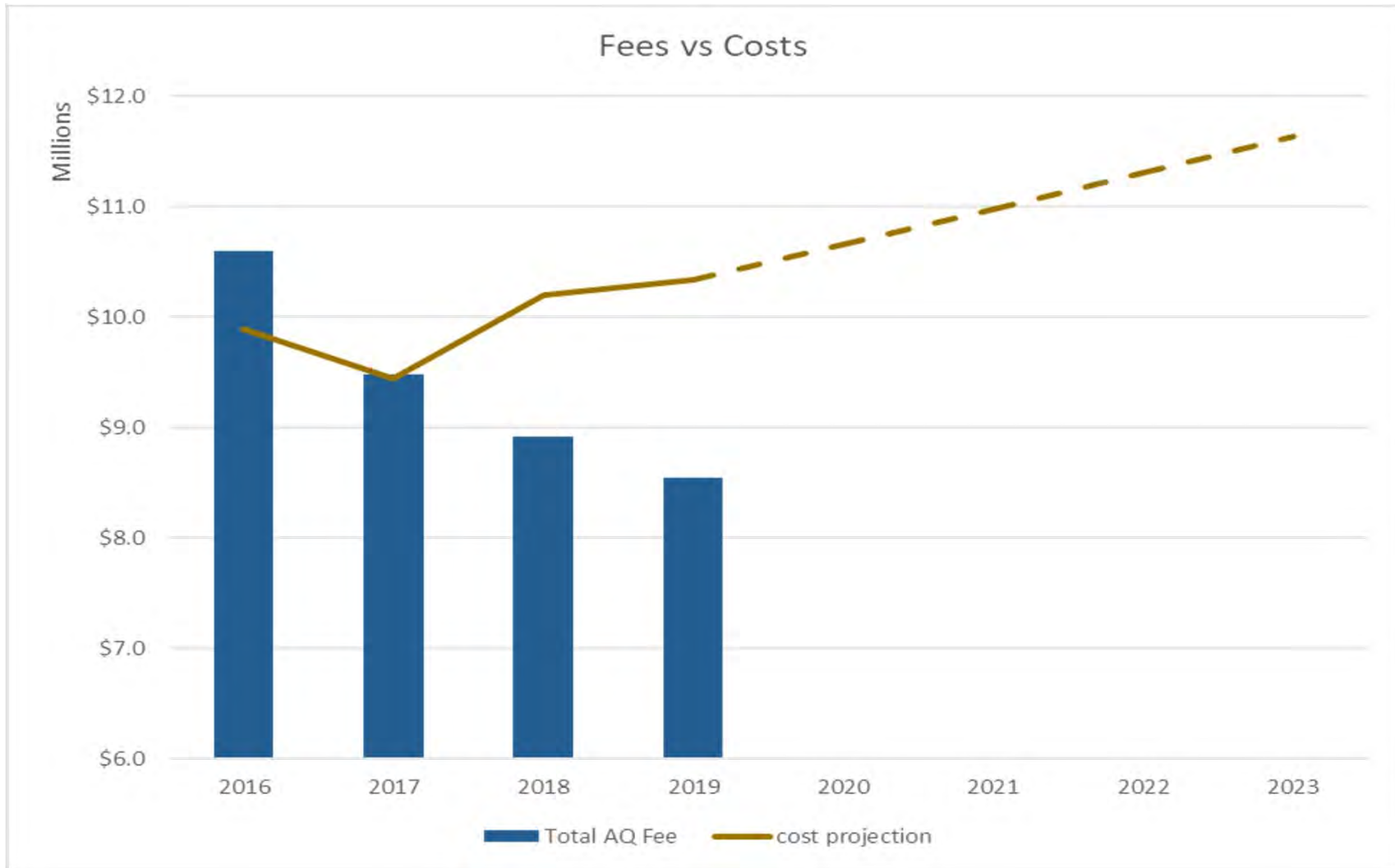
AQ Fee – Revenues / Costs



Title V Costs (2019)

AQD Staff (63.5 FTEs)	ESO Staff (1 FTE)	Overhead Allocation (DEQ, DTMB Tech, OCI)
\$ 8.1 M	\$ 143 K	\$2.1 M

Current AQ Fees



Title V-Related Activities

- ROP Permit Processing
- Inspections – *including Opt-Out Sources*
- Complaint Investigations
- Stack testing program
- Dedicated staff for specific industry/regulation expertise such as the steel mills, auto assembly plants, power plants etc.
- CEMS and Testing Expertise, with site-specific knowledge and awareness

Title V-Related Activities

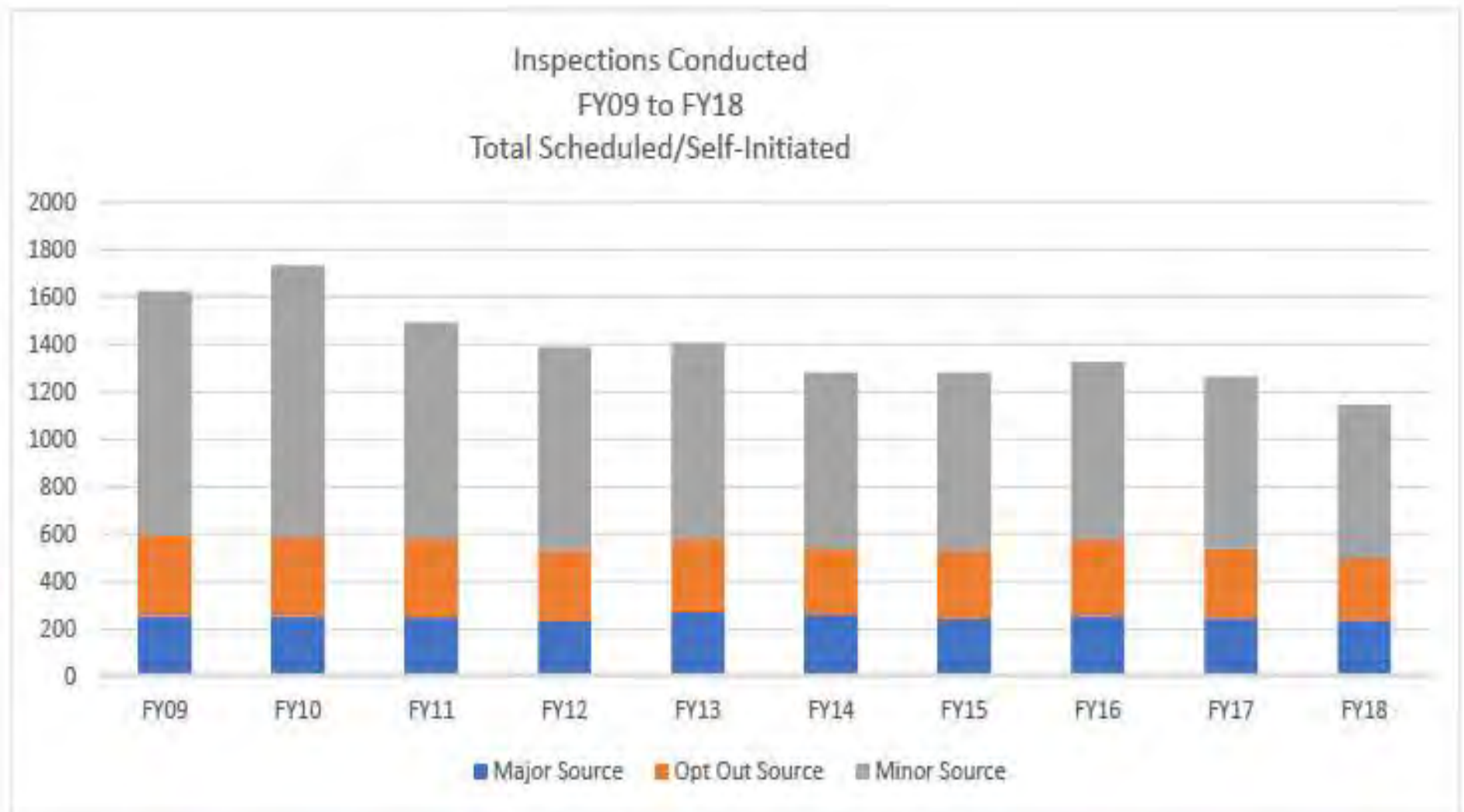
Today's ROP is **NOT** the ROP of 1996!

- More UARs, more scrutiny of permits
- CAM
- NESHAPs (40 CFR Part 63)
- Area Source NESHAPs
- Rules written with increased flexibility; options = confusion
- More active citizenry – complaints and public commentary
- About 50% of ROPs have RICE and/or Boilers for permitting consideration

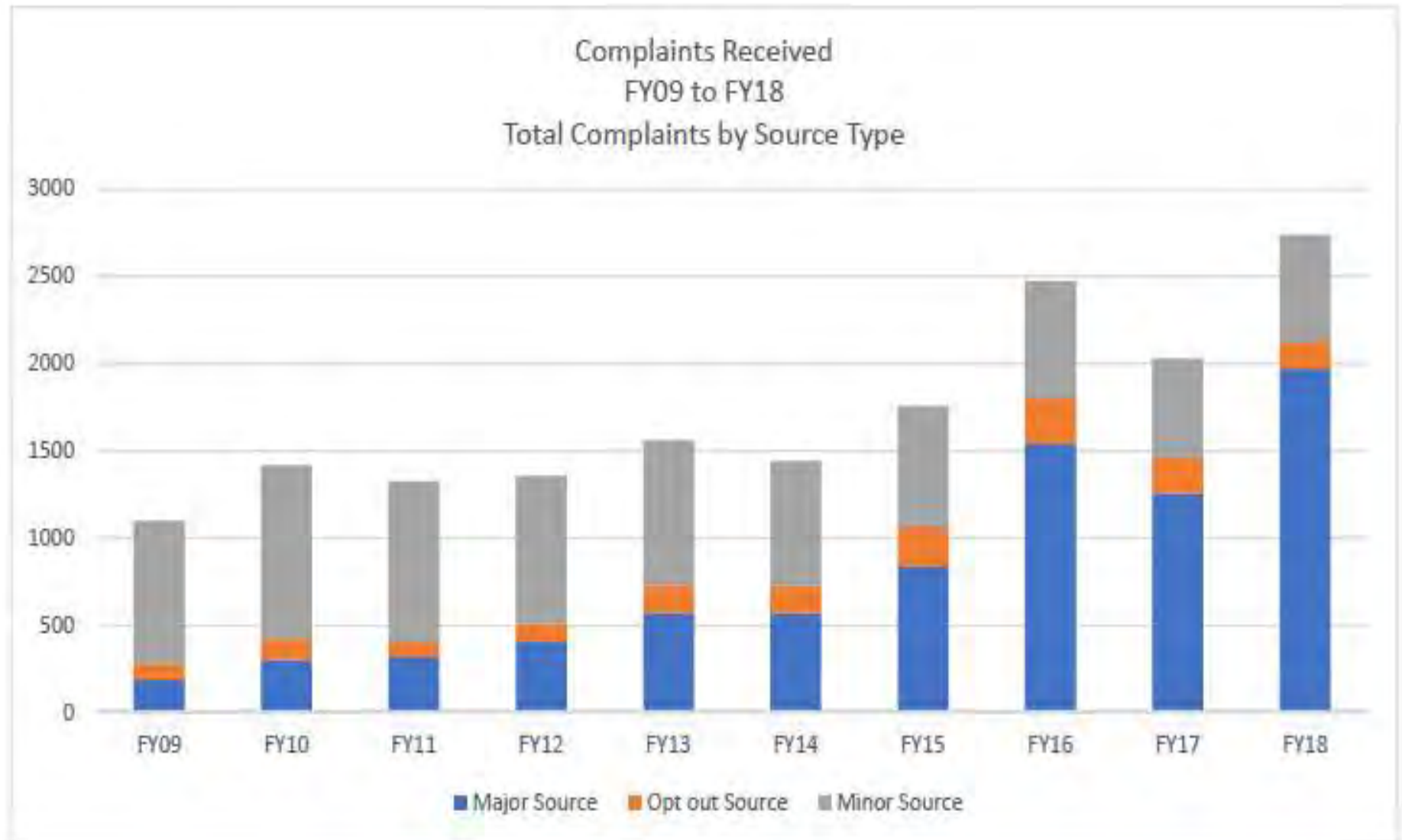
Title V-Related Activities

- Inspections have become more complicated
- FCE reports required for every Title V and Opt-Out inspection
- Complexity of regulations
- Increased risk of litigation

Inspections



Complaints



Title V-Related Activities

- Outreach – 1 FTE -Environmental Support Office
- Increased number of public outreach:
 - hearings,
 - dedicated websites,
 - and informative literature
- Numerous templates, guidance, webinars and trainings for new regulations

Title V-Related Activities

- **18** templates for specific 40 CFR 63 Subparts
- **5** templates for RICE categories
- **53** templates (*and a web-based unit categorization tool*) for Boiler MACTs

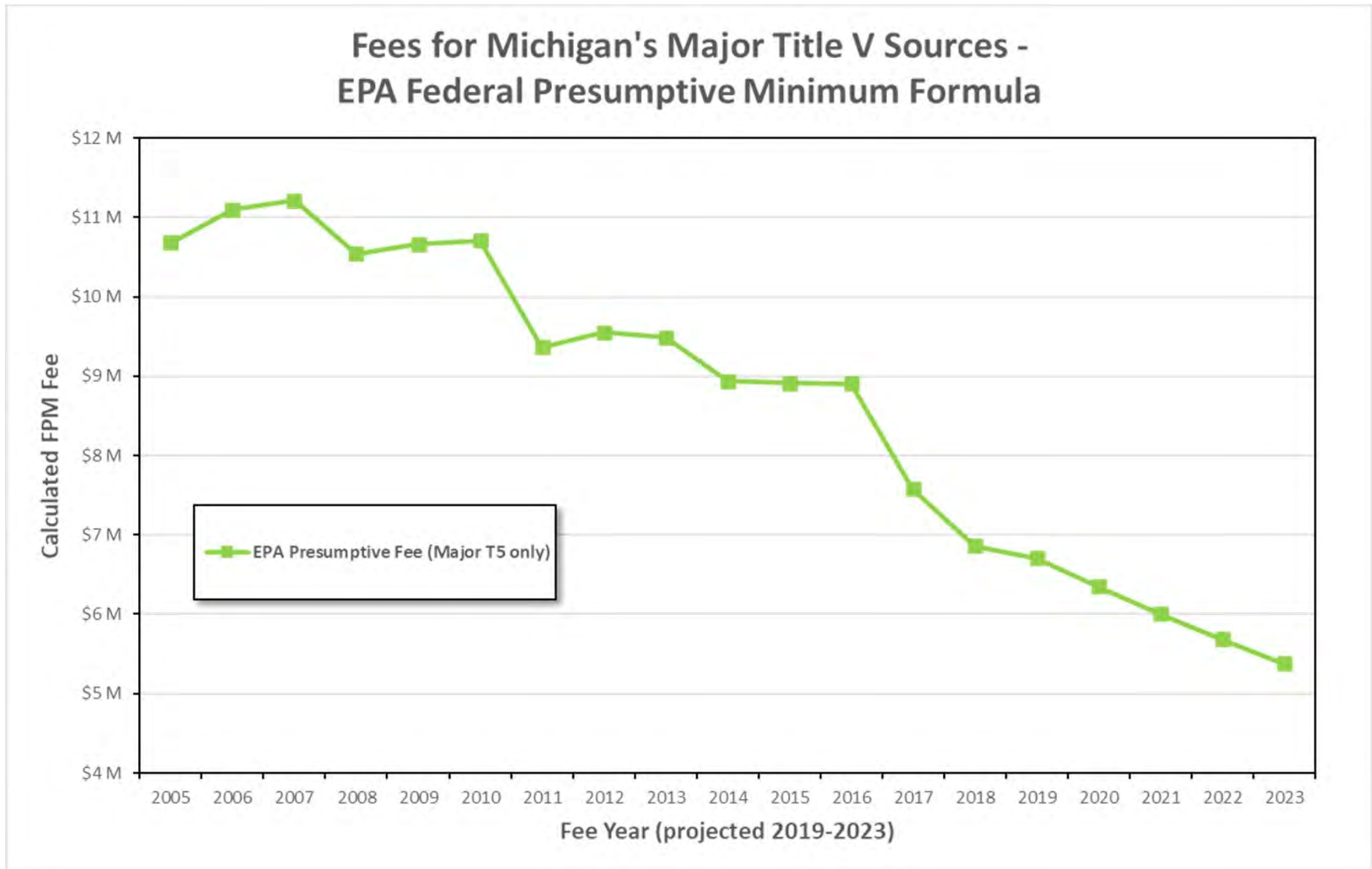
Title V-Related Activities

- Permits Group – Developing of specific permits for industry needs
- Monitoring Group – Fully integrated air monitoring system state-wide
- Emissions Reporting Group - Flexible, web-based Emissions Reporting and Fee Assessment tools
- SIP Group – Development of state specific rules such as exemptions
- Toxics Group – Ongoing development of new and updated screening levels
- Enforcement Group – Negotiate and finalize enforcement actions specific to any facility
- Other Services – Processing FOIA requests, responding to consultants and industry representatives questions and concerns, interacting with EPA on behalf of the needs and concerns of Michigan industry

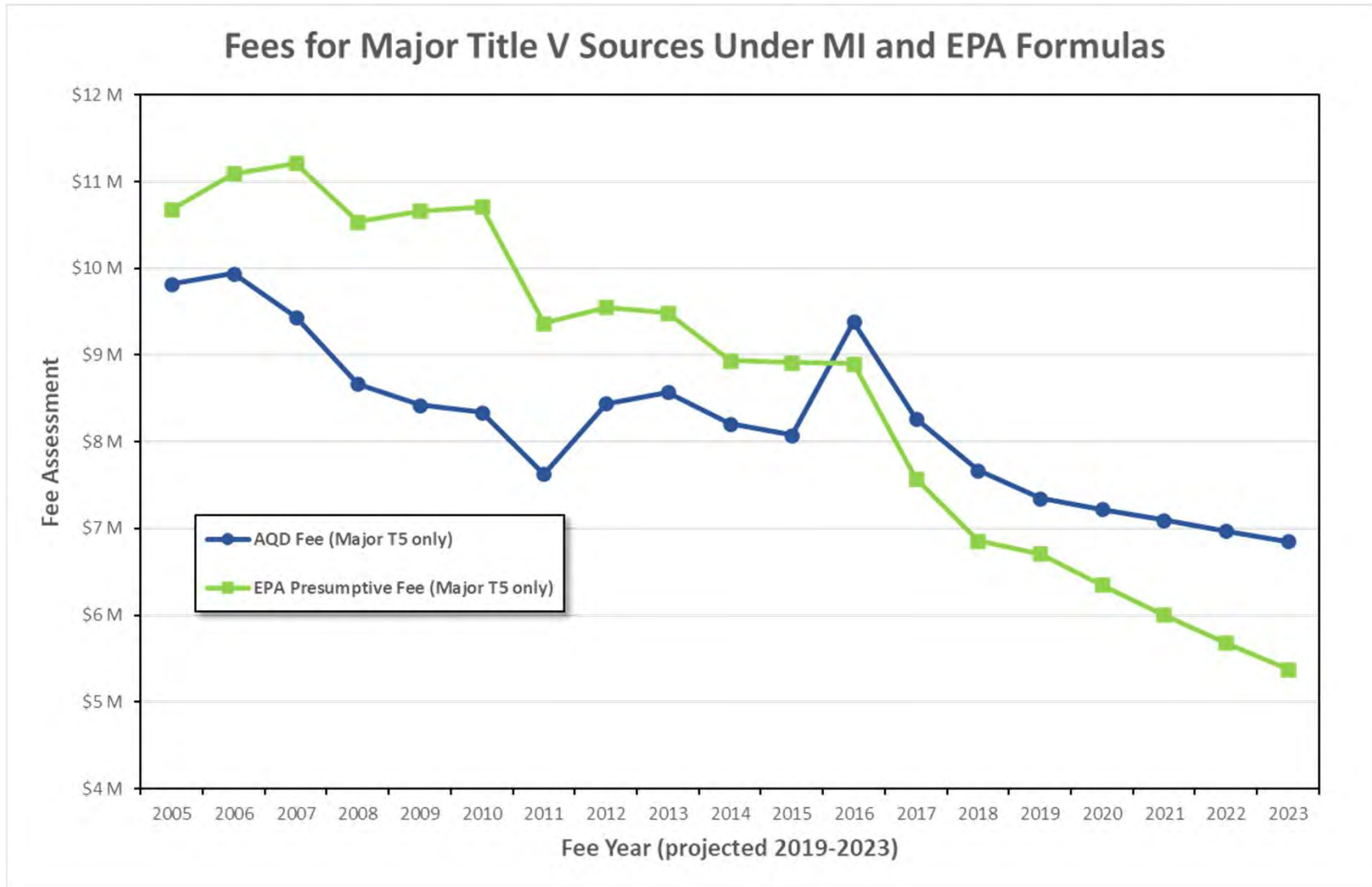
Clean Air Act's Fee Formula

- In 1990, Fee Rate at \$25/Ton of Emissions, Capped at 4,000 Tons Per Pollutant
- Fee Rate Increases Yearly by Consumers Price Index
- For FY 18, Fee Rate is \$49.85/Ton of Emissions
- EPA Presumes the Amount Collected by this Fee Formula is Sufficient to Fund an Acceptable Title V Program (aka Federal Presumptive Minimum (FPM))
- For Michigan, the FY18 FPM Equaled \$6,857,715 (Major Title V Sources Only)

EPA Federal Presumptive Minimum (FPM)



Air Fees: Michigan vs EPA FPM



Current AQ Fee Definitions

- **Fee Subject Emissions** – Emissions of Fee Subject Air Pollutants (i.e. PM10, SO2, VOC, NOx, Pb, HCl) [See 5501(j)]
- **Billable Emissions** – Fee Subject Emissions after Caps are applied
- **Category I Facility** - [5501(d)]- Major source \geq 100 tons
- **Category II Facility** [5501(e)] – Major HAP sources & NSPS subject sources
- **Category III Facility** [5501(f); 5501(k)] – non-major sources subject to a MACT standard.
- **Fee-subject Facility** [5501(k)]

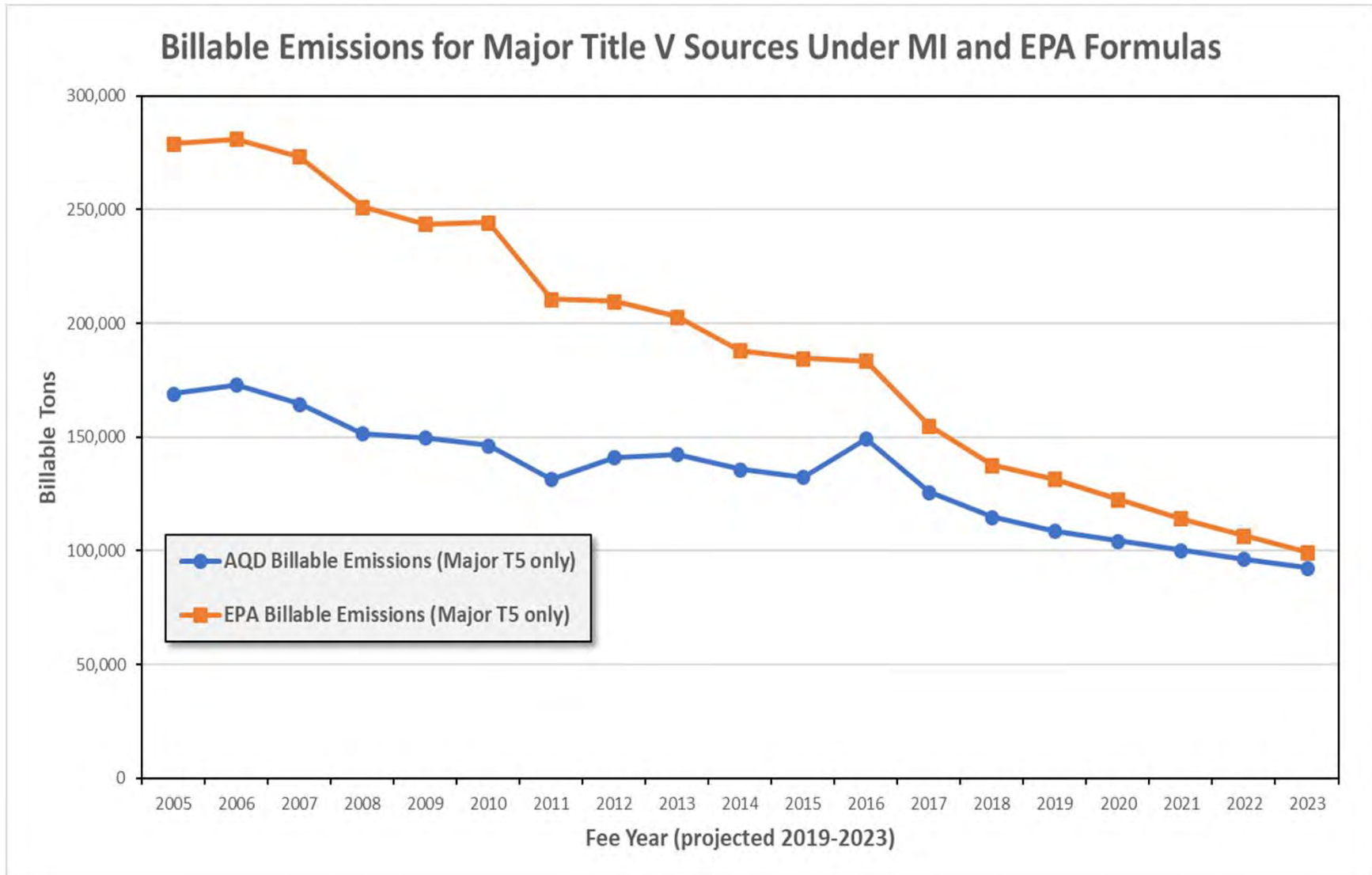
Michigan's Current AQ Fee Formula

- Authorized by Sections 5521 and 5522 of Act 451
- Covers Both Title V Sources and Other Sources
- Includes a Facility Fee & Emissions Fee
- Sets Michigan Fee Rate and Emission Caps
- Formula Established by Legislature

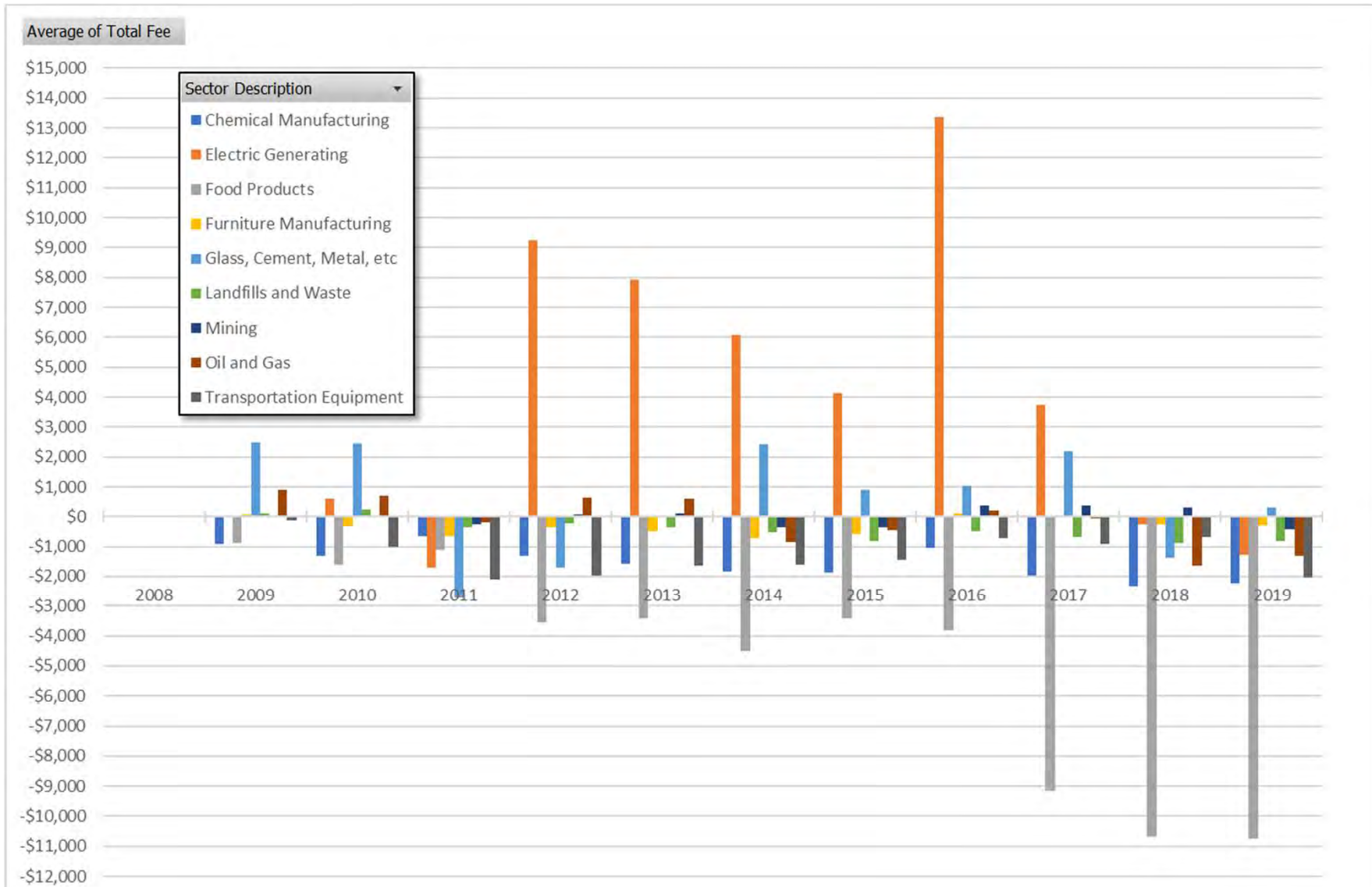
Michigan's Current AQ Fee Formula

- Last Changed on October 1, 2015
- Current Formula **Sunsets September 30, 2019**
- In FY18:
 - Title V Fees were \$7,668,933
(major sources only)
 - Total AQ Fees were \$8,914,761
(all Fee-Subject Facilities)

Billable Emissions: Michigan vs EPA FPM



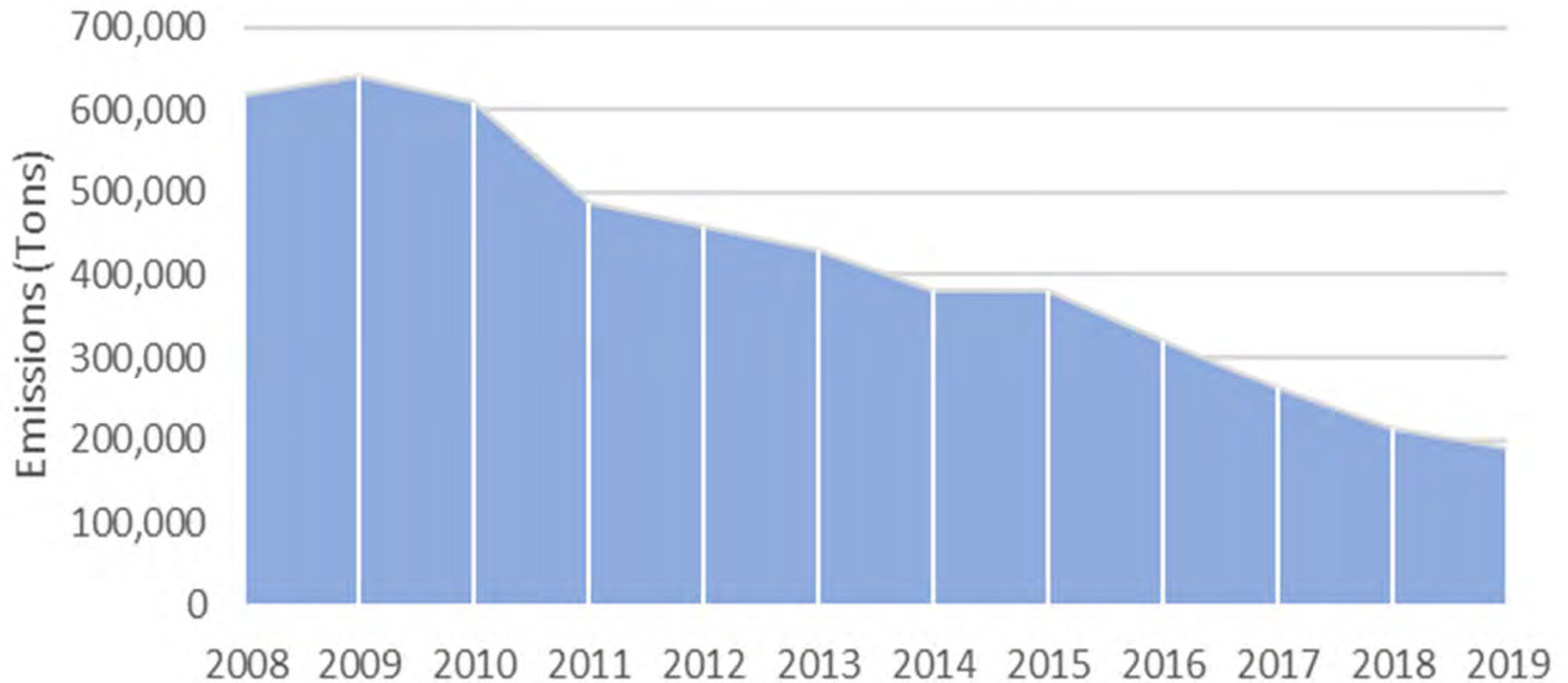
Average AQ Fee Change by Sector



Fee Subject Emissions are Declining

Sum of Total emissions of fee subject pollutants

Fee Subject Emissions



Michigan's Fee Rate & Caps

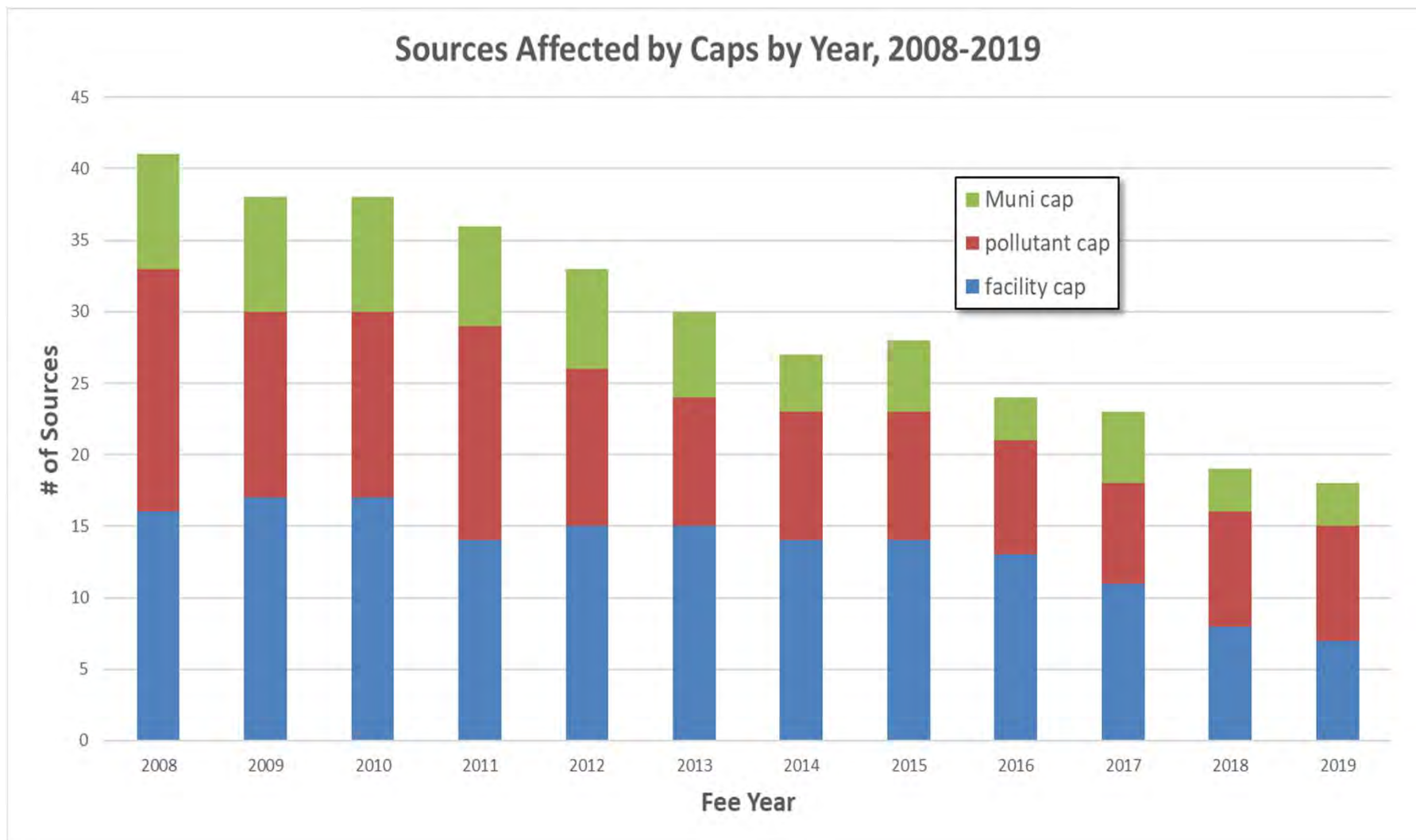
Michigan's Fee Rate is \$51.15/Ton of Emissions

Pollutant Emissions Capped

Source Type	Total Pollutant Emissions	Per Pollutant if Under Total
Electric Providers	6,100 Tons	1,500
Non-Electric Providers	4,500 Tons	1,250

Separate Formula for Municipal Electric Generating Facilities

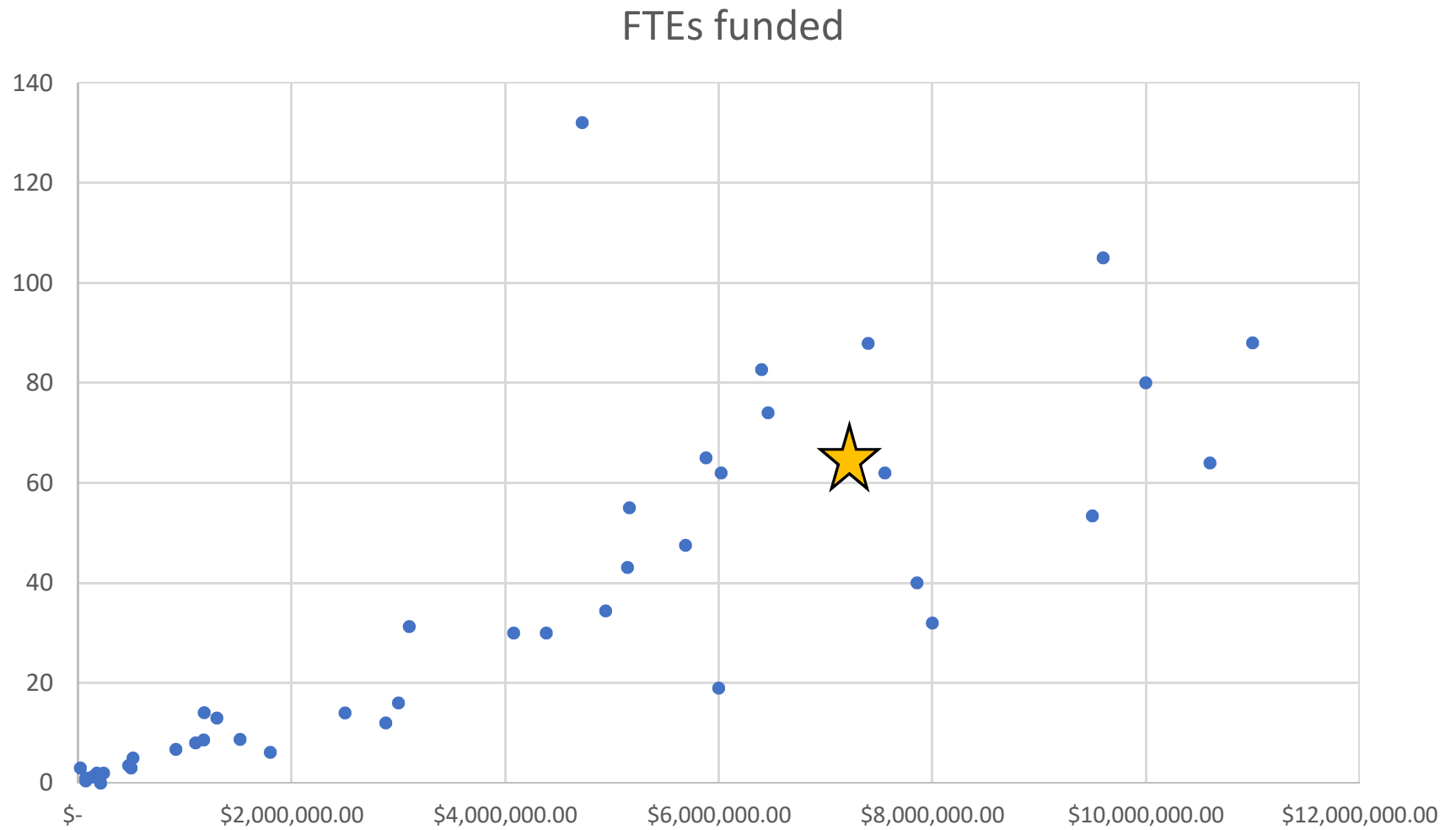
Billable Emission Cap Effectiveness



NACAA Survey

- 53 Agency Responses – not all fully complete
- 0.4 to 132 FTEs funded
- 2 to 579 Permitted Sources
- Permit Issuance Times increased to in excess of 3 Years
- Some Interpretation of data
- Survey says...

NACAA Survey



Great Lakes Neighbors

State	Days – New	Days – Renew	Charge (\$/ton)	Cap (Tons)		Cap (\$)
Michigan	414	380	51.15	4500	total CP-CO	235,425
Michigan-MU				5000	total CP-CO	41,830
Michigan-EP				6100	total CP-CO	317,265
Ohio	1395	1441	49.85	4000	per CP	
Wisconsin	1685	674	35.71	5000	per CP	
Illinois	2387	1975	21.5	13,674	total CP	294,000
Indiana			50			250,000
Minnesota	180	900	119.66			

AQ Fee Reauthorization Timeline

- **Nov. 2018** - Initial stakeholder meeting
- **Jan. 2019 thru Spring 2019** – Regular stakeholder meetings
- **June 1, 2019** - Final proposal agreement
- **Sept. 2019** - Enacted legislation

In Closing...

- The current AQ Fee structure / formula does not provide adequate funding
- The AQD interested in partnering with industry to identify the most appropriate fee structure for all parties
- AQD will assist in any way possible

Thank you!



Questions?