

# Air Quality Fees Stakeholder Meeting

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February 4, 2019

AIR QUALITY DIVISION

# Goal of the Stakeholder Process

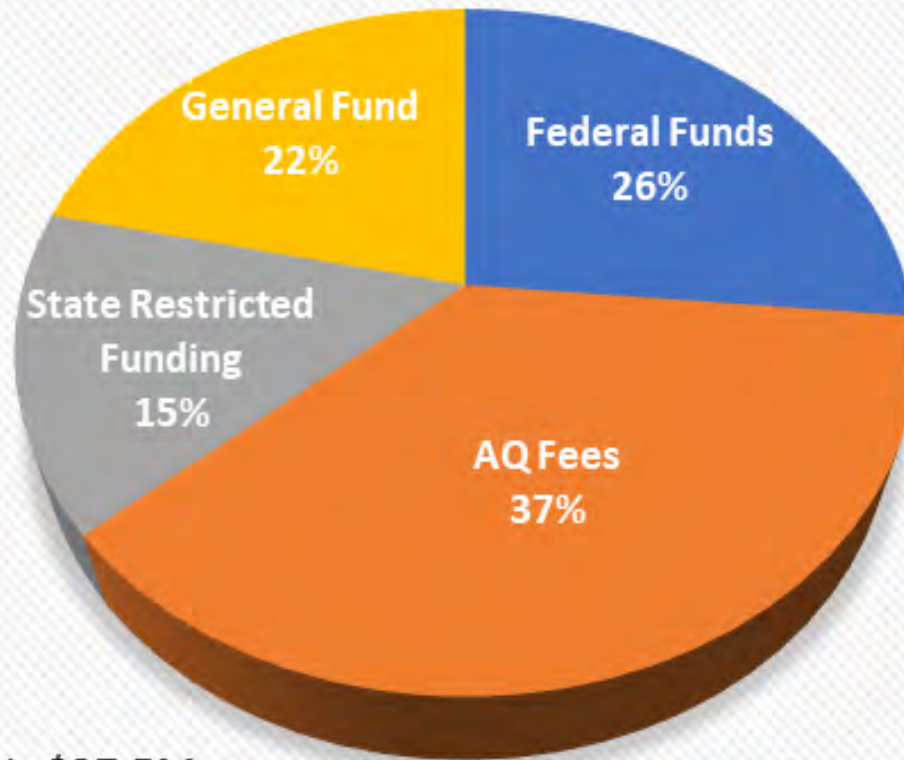
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Reauthorize AQ Fee Legislation that would provide:

- 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

# AQD Overview – Funding Sources

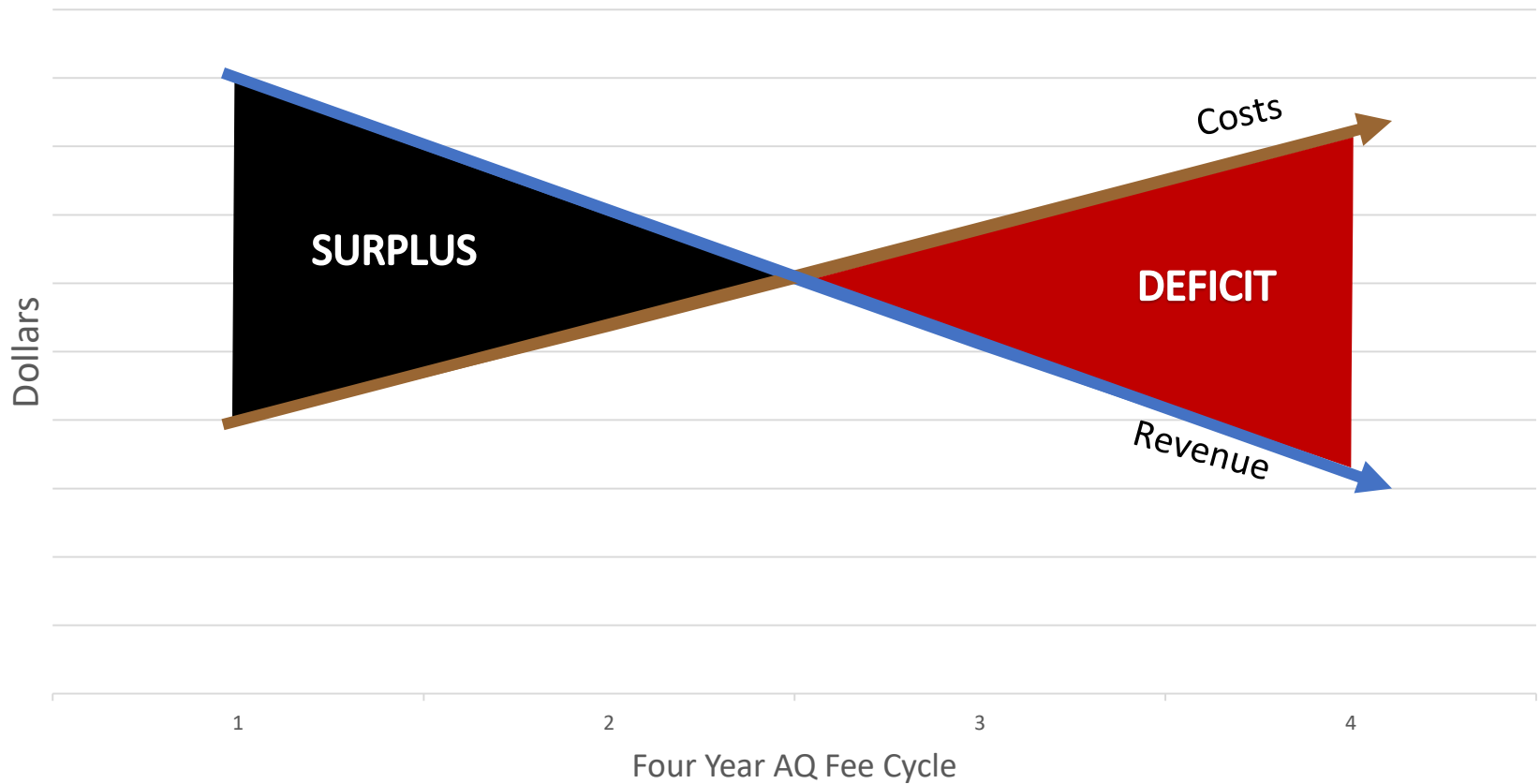
## 2019 AQD Appropriations



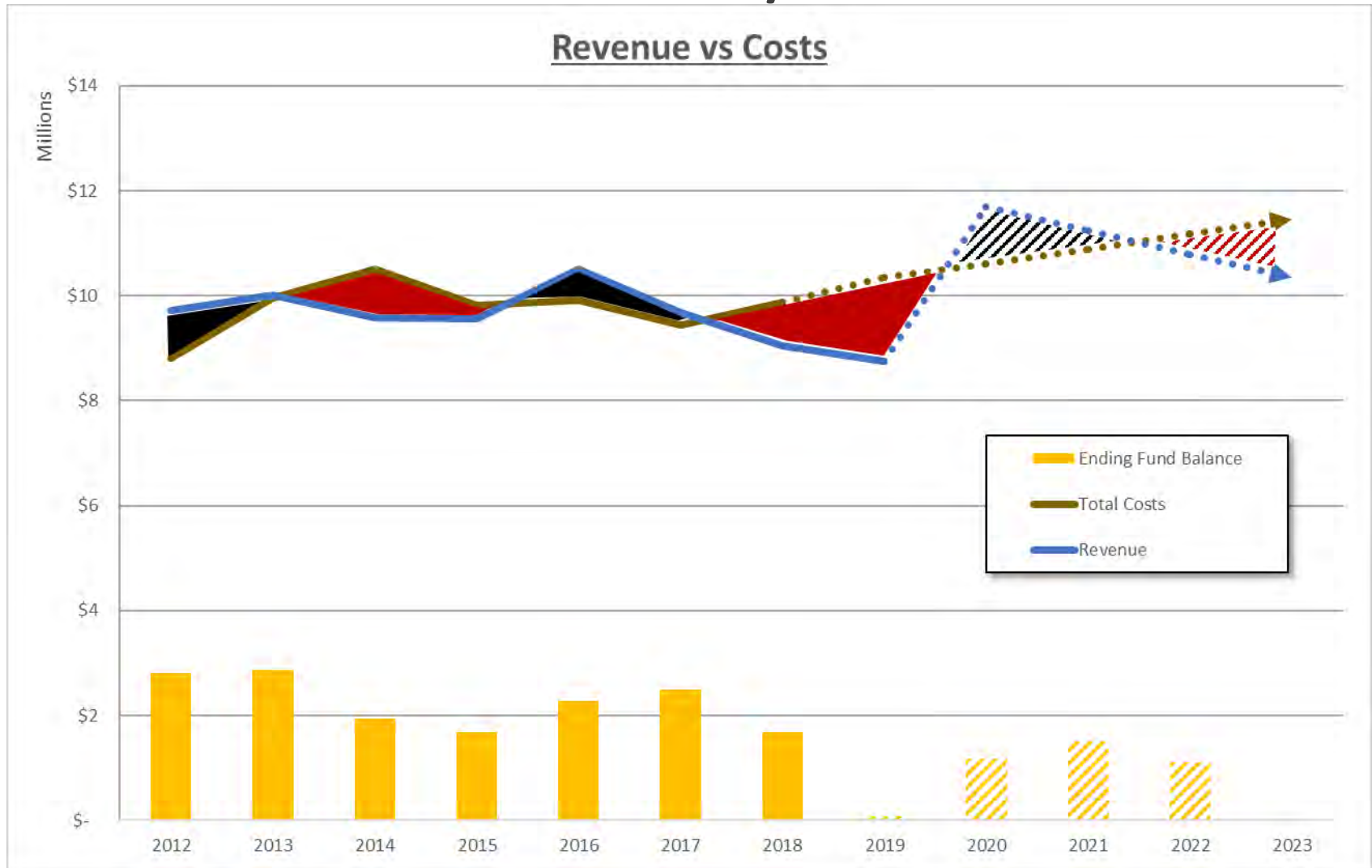
AQD FY19 Budget: \$27.5M

# AQ Fee – 4 Year Cycle

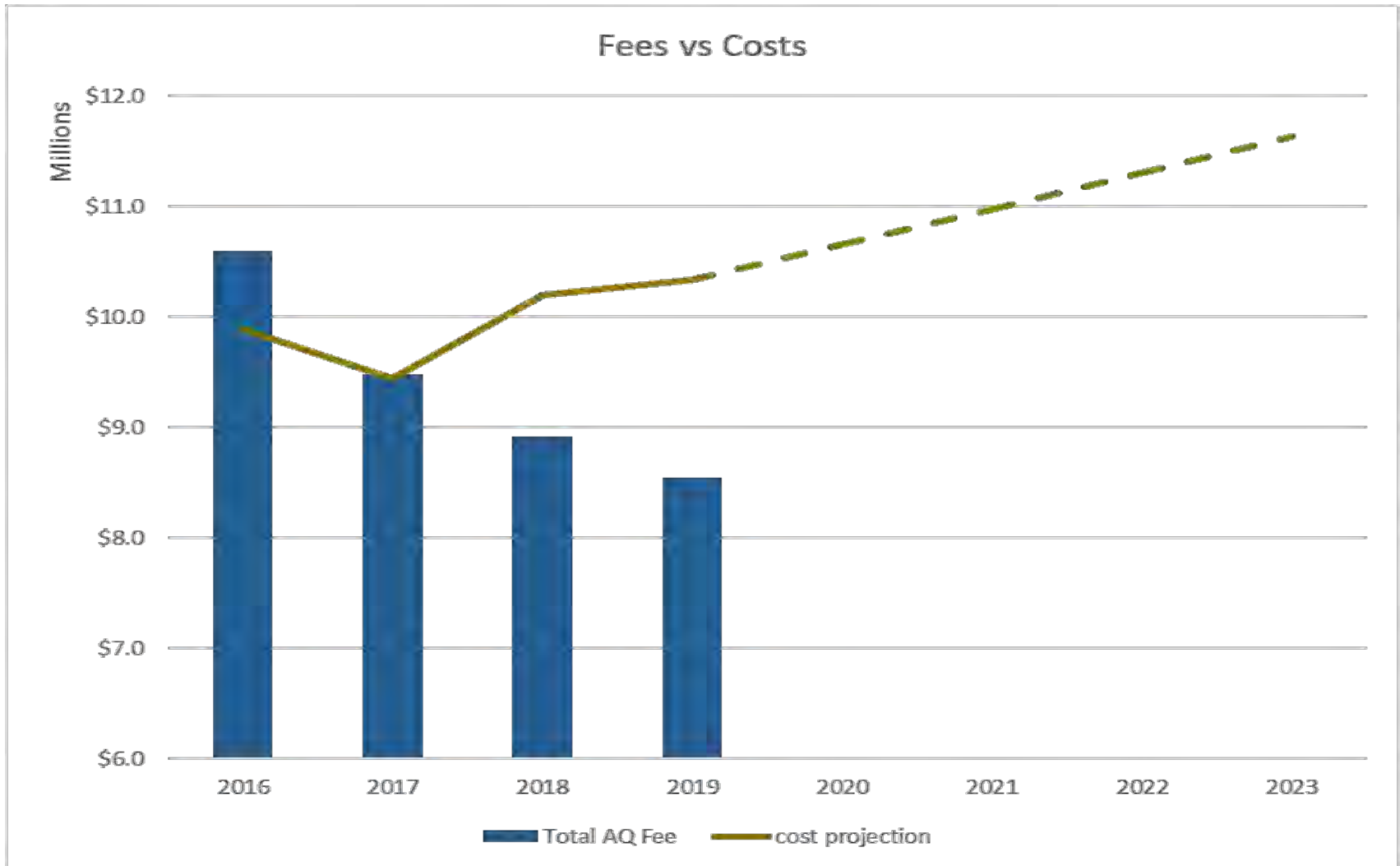
AQ Fee Structure - Simple Model



# AQ Fee – Revenues / Costs



# Current AQ Fees



# Title V-Related Activities

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- 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

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- 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



# Michigan's Current AQ Fee Formula

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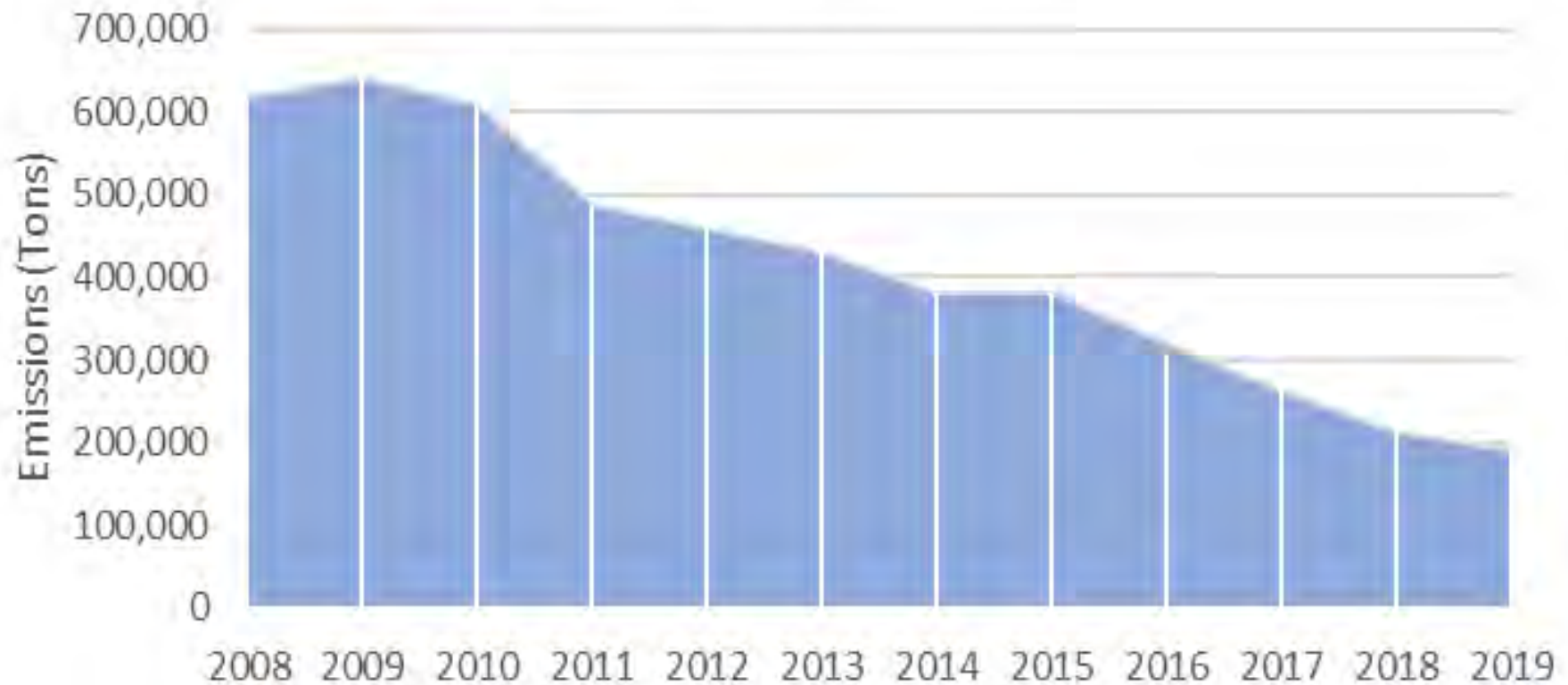
- Last Changed on October 1, 2015
- Current Formula:
  - Sunsets September 30, 2019
  - Facility Charge: Cat I - \$5,250; Cat II - \$1,795
  - Emissions Charge: \$51.15 per ton
- FY18 Fee Assessment : \$9,051,761.10\*
- FY19 Fee Assessment : \$8,596,807.00\*

\*Total Assessed (all categories)

# Fee Subject Emissions are Declining

Sum of Total emissions of fee subject pollutants

## Fee Subject Emissions



# Michigan's Future AQ Fee

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- Adequate funding to cover rising cost and declining emissions
  - \$44.4M over 4 years
  - \$11.8M in 2020 to account for 4% or more annual decline in revenue
- Maintain existing level of service
- Equitable fee structure across industry sectors

# Options for Consideration

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- Higher per ton fee rate
- Higher billable emission caps (limited effectiveness)
- Emission Fee based on Potential to Emit
- Expanding the universe of sources subject to fees (i.e. opt-outs)
- Alternative fees (i.e. application fees)
- CPI annual adjustment (partial fix)
- AQ Fee Revenue Stability Fund

Thank you!

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Questions?

<https://www.michigan.gov/aqfeestakeholders>

# Current AQ Fee Definitions

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- **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)]

# Title V Opt-Out Sources

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**“Opt-Outs”** - Sources that have undergone permitting to restrict in a practically enforceable manner their Potential to Emit either Criteria Pollutant(s) or Hazardous Air Pollutant(s) to levels below the established thresholds for applicability of the Renewable Operating Permit (ROP; *a.k.a.* Title V) program requirements.

# Title V Opt-Out Sources

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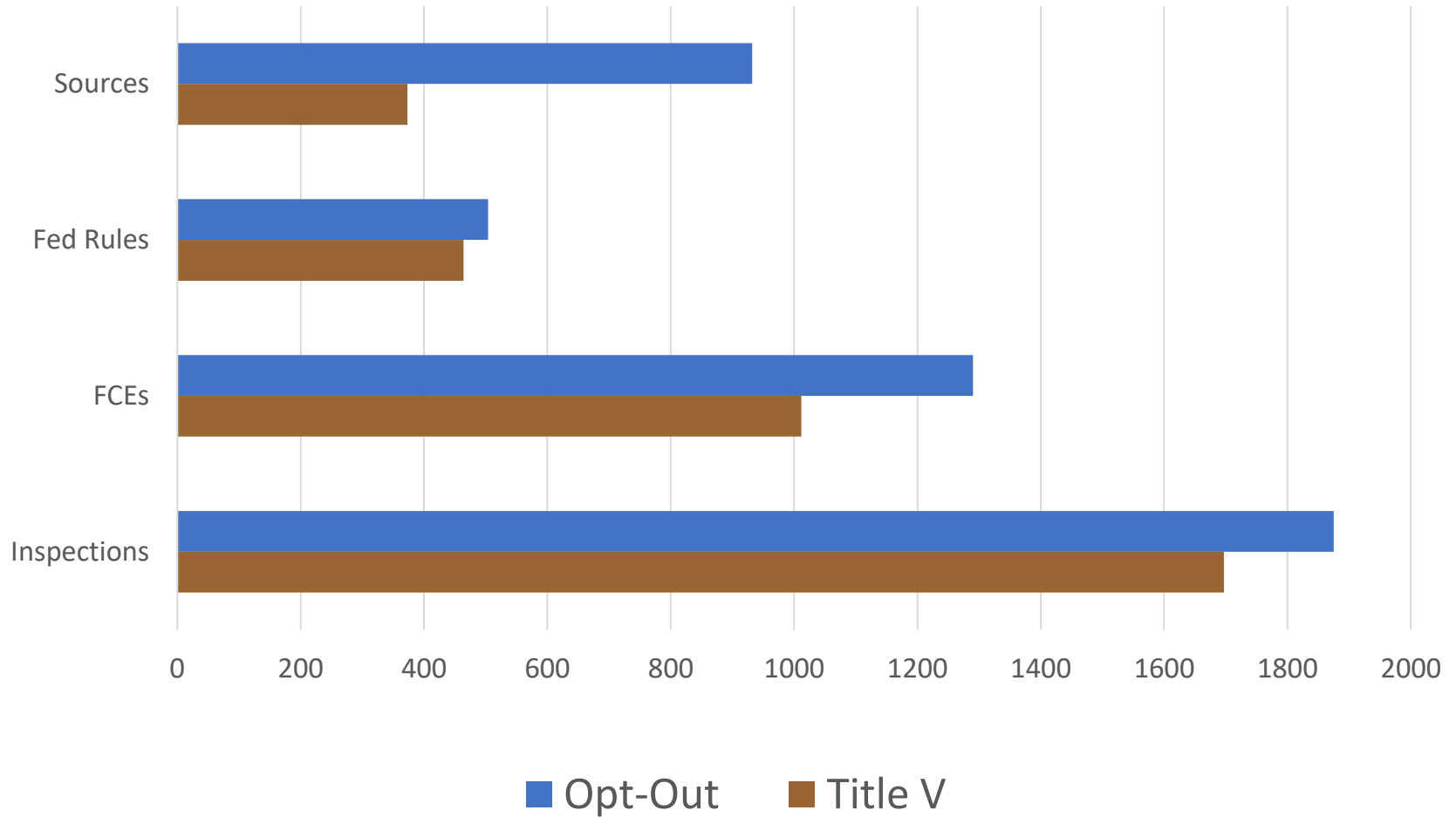
## **AQD Permit to Install** - entails (*at a minimum*)

- material recordkeeping; and
- maintenance of emission records by the facility on a 12-month rolling period basis.

The AQD is required to inspect these sources at least once every five years.



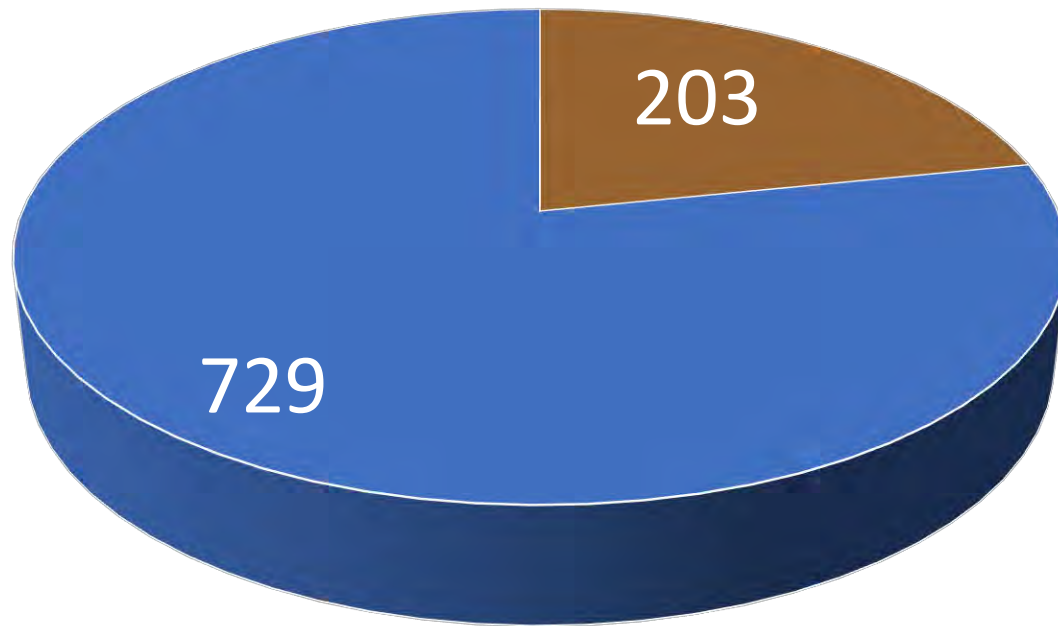
# Title V vs. Opt-Out Workload\*



# Title V Opt-Out Sources

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Source Count = 932

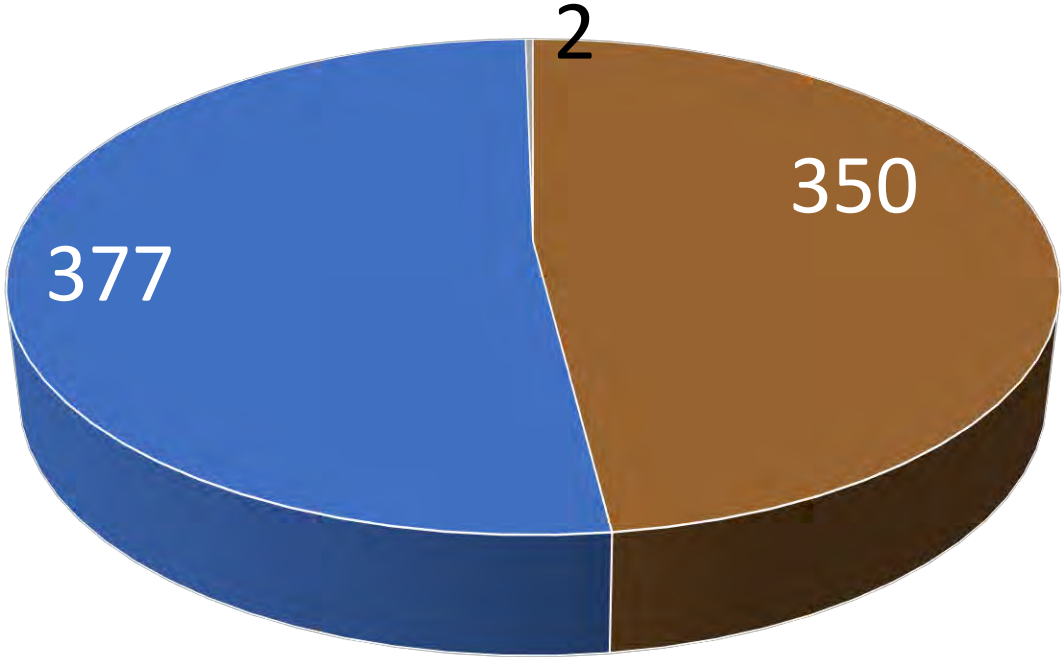


■ Fee

■ Non-Fee

# Non-Fee Opt-Out Sources

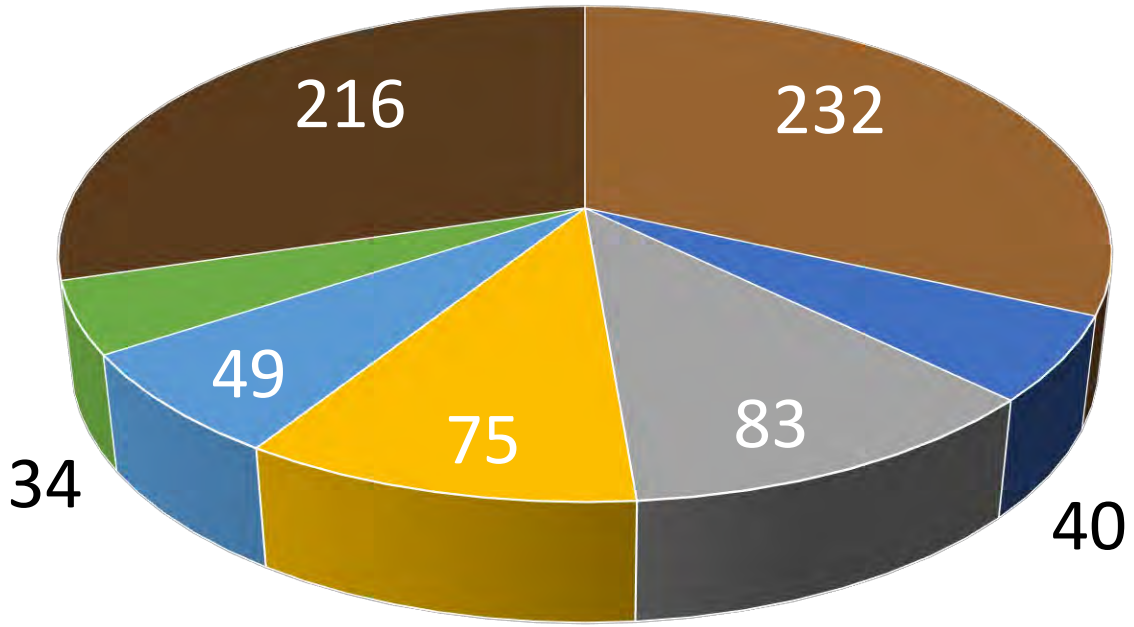
Source Count = 729



■ HAPs   ■ Criteria Pollutants   ■ Blank

# Non-Fee Opt-Out Sources by NAICS

Source Count = 729



- A
- B
- C
- D
- E
- F
- G

# Non-Fee Opt-Out Sources by NAICS

| Category | 2017 NAICS | 2017 NAICS Definition                      | Count |
|----------|------------|--|-------|
| A        | 211xxx     | Oil and Gas Extraction                     | 232   |
| B        | 221xxx     | Utilities                                  | 40    |
| C        | 336xxx     | Transportation Equipment Manufacturing     | 83    |
| D        | 332xxx     | Fabricated Metal Product Manufacturing     | 75    |
| E        | 326xxx     | Plastics and Rubber Products Manufacturing | 49    |
| F        | 325xxx     | Chemical Manufacturing                     | 34    |
| G        | Other      | Other manufacturing, Institutions, etc.    | 216   |

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# Waiver of Fees

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- Fees have been waived for:
  - Natural Gas-Fired Subpart Dc Boilers
  - Subpart JJJJ and IIII Internal Combustion Engines
  - Inactive Portable NSPS Facilities

# Natural Gas-Fired Subpart Dc Boilers

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- Designed to exempt public school buildings from fees where:
  - The sources are subject to fees only because of the Subpart Dc boilers
  - The boilers are capable of burning only natural gas (no oil backup), and
  - The boilers have a maximum design heat input capacity of 50 million BTU/hr or less
- These sources are not permitted or inspected; no services provided



# Subpart JJJ and III Internal Combustion Engines

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- Universe of sources includes:
  - Big box stores, shopping malls, office buildings
- Waive fees where:
  - Engines are exempt per Rule 285(2)(g)
  - Compliant with Subpart III or JJJ, and
  - Are AQD's sole regulatory interest in the source

# Inactive portable facilities

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- Portable facilities located outside of Michigan for several years
  - Fees waived for out of state sources inactive for the most recent two or more calendar years
  - Waiver extended to portable sources located in Michigan, if inactive for two or more years