

Oregon Department of Environmental Quality June 8-9, 2016 Oregon Environmental Quality Commission meeting Rulemaking, Action item L

Increase Title V Permit Fees by the Consumer Price Index

This file contains the following documents:

- EQC Staff Report
- Attachment A: Draft rules redline/strikethrough
- Attachment B: Draft rules no markup

DEQ recommendation to the EQC

DEQ recommends that the Environmental Quality Commission adopt the proposed rules in attachment A as part of Chapter 340 of the Oregon Administrative Rules.

Overview

Short summary

DEQ proposes rules to increase Title V operating permit fees by the change in the consumer price index as authorized by federal and state law. The proposed fee increases are necessary for DEQ to provide essential services associated with Oregon's Title V permitting program.

The proposed rules would increase the fees in two phases. This approach would save administrative costs by holding a single public notice and comment period for the two rulemakings.

Phase one:

DEQ will propose the phase one rules at the commission's meeting in June 2016. The proposed fee increase effective for the 2016 invoice year is 0.45 percent based on the Bureau of Labor Statistics September 2015 consumer price index for the period of September 2014 to August 2015. DEQ would apply this CPI increase to permit fees on the invoices DEQ will issue in August 2016 for annual emissions during 2015 and the operating period Nov. 15, 2016, to Nov. 14, 2017.

Phase two:

DEQ will propose the phase two rules at a commission meeting between December 2016 and May 2017. The proposed fee increase effective for the 2017 invoice year is 0.45 percent based on the Bureau of Labor Statistics September 2016 consumer price index for the period September 2015 to August 2016. This is an estimate identical to the 2016 increase. DEQ would apply this CPI increase to permit fees on the invoices DEQ will issue in August 2016 for annual emissions during 2016 and the operating period Nov. 15, 2017, to Nov. 14, 2018.

Brief history

Title V of the federal Clean Air Act requires each state to develop and implement a comprehensive operating permit program for major industrial sources of air pollution.

Oregon's Title V program:

- Administers federal health standards, air toxic requirements and other regulations to protect air quality
- Issues, renews or modifies Title V permits to prevent or reduce air pollution through permit requirements
- Completes required Title V inspections
- Ensures that existing sources of air pollution comply with state and federal air emissions standards
- Ensures that new sources of air pollution install controls such as filtration equipment, combustion controls and vapor controls needed to protect air quality
- Issues public notices and information about the Title V program
- Provides other essential services such as emission inventories, technical assistance, inspections, enforcement, rule and policy development, data management and reporting to EPA

Regulated parties

The proposed rules would affect facilities that currently have a Title V permit and any facility that applies for this type of permit in the future.

Request for other options

During the public comment period, DEQ requested public comment on whether to consider other options for achieving the rules' substantive goals while reducing the rules' negative economic impact on business.

Statement of Need

What need would the proposed rule address?

EPA delegates authority to DEQ to operate the Title V program in Oregon and regularly reviews Oregon's program for compliance with federal requirements. DEQ must comply with federal requirements to maintain a federally approved and delegated program.

The federal Clean Air Act requires each state to fully pay for its Title V program through permit fees. The Oregon Legislature established Oregon's Title V fees in three categories:

- An annual base fee assessed to all Title V sources regardless of emission quantities
- Emission fees assessed per ton of emissions from individual sources per calendar year and
- Specific activity fees assessed when a source owner or operator modifies a permit.

The fees cover DEQ's costs to operate the Title V program. Costs include a portion of air quality monitoring, planning and agency central services such as accounting and human resources. The Clean Air Act and state law authorize DEQ to increase fees by the annual change in the consumer price index to meet funding requirements by considering inflation.

Oregon's Title V operating permit program requires additional funding to provide essential program services. Costs have increased over the last two years due to inflation. The Environmental Quality Commission last increased Title V fees in 2015, calculated to provide requisite program services up to August 2016. DEQ calculates that the proposed fees would allow Oregon to provide requisite program services up to August 2018. Failure to increase Title V fees could affect DEQ's ability to maintain adequate program staff and jeopardize effective program administration.

How would the proposed rule address the need?

The proposed rules would increase Title V permit fees by the change in the consumer price index, to pay for increased program costs.

How will DEQ know the rule addressed the need?

The rules will have addressed the need if the increased fees help the Title V program balance its budget and avoid a disruption in requisite services.

Rules affected, authorities, supporting documents

Lead division

Operations Division

Program or activity

Title V Operating Permit Program

Chapter 340 action

Amend

Statutory authority

ORS 468.020, 468.065, 468A.025, 468A.040, 468A.050, 468A.310 and 468A.315

Statute implemented

ORS 468.065, 468A.050 and 468A.315

Documents relied on for rulemaking ORS 183.335(2)(b)(D)

Document title	Document location	
2015-2017 Legislatively approved budget	DEQ Website	
Clean Air Act, including Clean Air Act Amendments of 1990	EPA Website	
U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index	Bureau of Labor Statistics Website	

Fee Analysis

Fee Analysis

The proposed rules would increase existing Title V fees. EQC's authority to act on the proposed fees is in ORS 468A.050.

Oregon's Title V program administers federal health standards, air toxic requirements and other regulations to reduce the number of unhealthy air days and health risks from air toxics. The program issues, renews or modifies permits to prevent or reduce air pollution through permit requirements. In addition, it ensures existing pollution sources comply with state and federal air emissions standards and new sources of air pollution install controls such as filtration equipment, combustion controls and vapor controls needed to protect air quality. Other essential services include emission inventories, technical assistance, inspections, enforcement, rule and policy development, data management and reporting to EPA.

Brief description of proposed fees

The Oregon Legislature established Oregon's Title V fees in three categories. The proposed rules would increase the annual base fees, emission fees and specific activity fees, described under the Statement of Need section above and based on the consumer price index described under the Summary section on page one.

Reasons

The proposed fees would address increased program costs.

Fee proposal alternatives considered

Federal law requires DEQ to perform requisite program services to retain delegation of the Title V program. Federal law also requires DEQ to fund the permit program entirely by permit fees. DEQ could decline to administer the program, shifting the program from DEQ to EPA; however, DEQ has chosen not to pursue this alternative to maintain regulatory consistency for the regulated public and citizens of Oregon.

Fee payer

Title V permit holders include many of the largest industrial facilities in the state and are the largest point sources of air pollution in the state. These facilities are mainly large employers and produce items for local and regional consumption. Title V permit holders are an important part of the Oregon economy.

Affected party involvement in fee-setting process

DEQ negotiated with Title V stakeholders when the fees were increased in the 2007 legislative session and again during the 2009 session when the statutory language related to annual Consumer Price Index increases was clarified.

During the public comment period, DEQ requested public comment on whether to consider other options for achieving the rule's substantive goals while reducing negative economic impact of the rule on business.

Summary of impacts

The proposed fee increase would affect the 115 facilities that currently have a Title V permit and any facility that applies for this type of permit in the future.

Fee payer agreement with fee proposal

DEQ has increased Title V fees regularly since the Title V program began in the early nineties. Fee payers generally do not oppose this annual fee increase equal to the rate of inflation.

Links to supporting documents for proposed fees

Document title	Document location
2015-2017 Legislatively approved budget	DEQ Website
Clean Air Act, including Clean Air Act Amendments of 1990	EPA Website
U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index	Bureau of Labor Statistics Website

How long will the <u>current fees</u> sustain the program?

The current fees will not sustain the program.

Biennial Program costs covered by fees
Program costs covered by General Fund
Fees last changed

approx. \$'	7,740,000
	\$0
	1/7/2015

100%	
0%	

How long will the proposed fee sustain the program?

The proposed fee increase will sustain the program up to August 2018.

Phase one:

Expected change in revenue (+/-)	+ \$17,500
Min GF required by statue/rule to fund program	\$0
Proposed fees allows General Fund replacement	\$0
Expected effective date	06/2016

+0.45%
0%
0%

Phase two:

Expected change in revenue (+/-)	+ \$17,600
Min GF required by statue/rule to fund program	\$0
Proposed fees allows General Fund replacement	\$0
Expected effective date	12/2016

+0.45%
0%
0%

Transactions and revenue

DEQ estimated revenue forecasts and expenditures based on the assumption that DEQ identified all facilities subject to the Title V program and that the number of Title V permits and facility emissions will remain approximately the same as invoiced in 2015. The revenue forecasts and expenditures are also based on the assumption that the 2016 change in the consumer price index will be the same as the 2015 change in the index.

Transactions include the number of invoices DEQ issues for annual permit fees in August of each year and the number of invoices DEQ issues for specific activity fees. DEQ issues specific activity fees throughout the year depending on the number of new permit applications and changes to existing permits. These fees are a small portion of program revenue.

Current biennium 2015-2017 Next biennium 2017-2019

Number of transactions	Number of Fee Payers	Impact on revenue (+/-)	Total revenue (+/-)
250	115	+ \$17,500	\$7,760,000
250	115	+ \$35,200	\$7,800,000

Fee schedule

The following table shows the amounts of the proposed fees.

Proposed Fees				
Fee category	2015 Fee	Proposed 2016 Fees	Proposed 2017 Fees ¹	
Annual Title V Fees				
Emission Fee	\$59.81	\$60.08	\$60.37	
Annual Base Fee	\$7,910	\$7,946	\$7,984	
Specific Activity Fees				
Administrative Amendment	\$482	\$484	\$486	
Simple Modification	\$1,929	\$1,938	\$1,947	
Moderate Modification	\$14,471	\$14,536	\$14,606	
Complex Modification	\$28,942	\$29,072	\$29,213	
Air Monitoring Review	\$3,858	\$3,876	\$3,895	

¹ Fees based on an estimate of the 2016 consumer price index.

Statement of fiscal and economic impact

Fiscal and Economic Impact

The increase in Title V permit fees would affect approximately 115 permit holders directly and increase annual program revenue by approximately 0.45 percent in the 2016 invoice year and an additional 0.45 percent in the 2017 invoice year.

The direct impact of the fee increase on permit holders is based on an assumption that emissions will remain the same in future years and that the 2016 change in the consumer price index will be the same as the 2015 change in the index.

Title V permit holders are subject to Oregon's greenhouse gas reporting program and most of the permit holders are subject to the greenhouse gas reporting fees. The greenhouse gas reporting fee is equal to 15 percent of the entity's Title V annual base and emission fees, up to a maximum greenhouse gas reporting fee of \$4,500. Because the greenhouse gas reporting fee calculation is a percentage of the Title V fees, the proposed increase in Title V permit fees would result in a 0.45 percent increase in the greenhouse gas reporting fees for these permit holders in the invoices DEQ will issue in 2016, and an additional 0.45 percent increase in the invoices DEQ will issue in 2017. The cap of \$4,500 remains unchanged.

Statement of Cost of Compliance

1. State and federal agencies

<u>Direct Impacts:</u> Oregon Health Sciences University is the only state agency that holds a Title V permit and paid Title V permit fees of \$16,180.99 in 2015. The proposed rules would increase OHSU's permit fees by about \$66 for 2016 and an additional estimated \$69 for 2017. OHSU is also subject to greenhouse gas reporting fees equal to 15 percent of its annual emission fee and base fee. OHSU paid \$2,110.56 in greenhouse gas reporting fees in 2015. As a result of the proposed rules, OHSU's greenhouse gas reporting fees would increase by about \$10 in 2016 and increase by an additional estimated \$10 in 2017. No federal agencies hold Title V permits.

<u>Indirect Impacts:</u> Changes to fees could affect state and federal agencies indirectly if businesses holding Title V permits change the price of goods and services to offset any increased costs from paying a permit fee.

2. DEQ

<u>Direct Impacts:</u> DEQ has no facilities that require a Title V permit. The proposed fee increases would affect DEQ directly by providing funding necessary to perform requisite program services.

<u>Indirect Impacts:</u> Changes to fees could affect DEQ indirectly if businesses change the price of goods and services to offset any increased or decreased costs from paying a permit fee.

3. Local governments

<u>Direct Impacts:</u> Oregon requires county and city local governments to obtain a Title V major source permit for municipal waste landfills. Fees would increase for two landfills operated by local governments:

• Metropolitan Service District, operating St. Johns Landfill, paid Title V annual permit fees of \$9,646.75 in 2015. The proposed rules would increase its 2016 fees by about \$38 and an Item L 000009

additional estimated \$41 increase for 2017. St. John's Landfill is subject to greenhouse gas reporting fees equal to 15 percent of their annual emission fee and base fee. This fee would increase by about \$6 in 2016 and increase an additional estimated \$6 in 2017.

• Deschutes County Solid Waste Department, operating Knott Landfill, paid Title V annual permit fees of \$10,302.40 in 2015. The proposed rules would increase its 2016 fees by about \$48 and an additional estimated \$51 for 2017. Knott Landfill is subject to greenhouse gas reporting fees equal to 15 percent of its annual emission fee and base fee. This fee would increase by about \$7 in 2016 and increase an additional estimate of \$8 in 2017.

<u>Indirect Impacts:</u> Changes to fees could affect county and city local governments indirectly if businesses holding Title V permits change the price of goods and services to offset any increased costs from paying a permit fee.

4. Public

<u>Direct Impacts:</u> Air pollution creates public health problems that can have negative economic impacts. The proposed rules could affect the public directly and positively if the proposed fee increases provide adequate resources for compliance and technical assistance and help avoid public health costs associated with lower compliance and increased air pollution.

<u>Indirect Impacts:</u> Changes to fees could affect the public indirectly if businesses change the price of goods and services to offset any increased or decreased costs from paying a permit fee. DEQ expects any such price increases to be small and lacks available information upon which it could accurately estimate actual potential increases.

5. Large businesses - businesses with more than 50 employees

<u>Direct Impacts:</u> Approximately 100 large businesses hold Title V permits and a fee increase would affect these permit holders directly. Estimated impacts are based on the assumption that DEQ identified all facilities subject to the Title V program and that the number of Title V permits and facility emissions remain constant.

The proposed annual base fees and emission fees are provided in the following table. The annual base fee is small in comparison to the emission fees paid by most sources. The rulemaking would also increase specific activity fees. Specific activity fees contribute a small portion of Title V program revenue.

Proposed Title V Fees For 2016 & 2017					
Fee Category 2015 Fees		Proposed 2016 Fees (to be invoiced)	Increase over 2015 Fees	Proposed 2017 Fees (to be invoiced)	Increase over 2014 Fees
Annual Base \$7,910 \$7,9		\$7,946	\$36	\$7,984	\$40
Emission Fee	\$59.81	\$60.08	\$0.27	\$60.37	\$0.30

¹ Fees based on an estimate of the 2016 consumer price index.

The requirement for a Title V permit is based on quantity of emissions from a facility. In general, lower-emitting sources with less complex permits would experience a smaller annual dollar

impact from the proposed fee increases. The table below shows the effect of the proposed fees on invoices issued to sources emitting 50, 250, 500 or 5,000 tons per year.

Result of Proposed Fees by Quantity of Emissions						
Emissions		Proposed 2016	Estimated			
per calendar 2015		Fees	Increase	2017 Fees	es Increase in fees (est.)	
year	year Fees (to be invoiced		in fees	(est.)		
50 tons/yr	\$10,901	\$10,950	\$49	\$11,005	\$55	
250 tons/yr	\$22,863	\$22,966	\$103	\$23,081	\$115	
500 tons/yr \$37,815 \$37,986		\$37,986	\$171	\$38,176	\$190	
5,000 tons/yr	\$306,960	\$308,346	\$1,386	\$309,886	\$1,540	

¹ Fees based on an estimate of the 2016 consumer price index.

<u>Indirect Impacts:</u> Changes to fees could affect businesses indirectly if other businesses change the price of goods and services to offset any increased or decreased costs from paying a permit fee.

6. Small businesses – businesses with 50 or fewer employees ORS 183.336

<u>Direct Impacts:</u> Most Title V permit holders are large businesses, but the requirement to hold a permit is based on potential emission levels rather than business size. Approximately 15 small businesses are required to hold Title V permits because their potential emissions exceed Title V applicability thresholds. None of the small businesses holding Title V permits emit more than 250 tons per year in a typical year. Businesses emitting 250 tons per year would experience a fee increase of \$103 in 2016 over existing fees and an additional fee increase of \$115 in 2017 over 2016 fees. None of the small businesses are subject to greenhouse gas reporting fees.

<u>Indirect Impacts:</u> Changes to fees could affect small businesses if other businesses holding Title V permits change the price of goods and services to offset any increased costs from paying a permit fee.

a. Estimated number of small businesses and types of businesses and industries with small businesses subject to proposed rule.	DEQ estimates that approximately 13 percent of Title V permit holders (about 15 businesses) are small businesses with 50 or fewer employees, such as such as fiberglass reinforced plastic facilities and smaller wood refinishing operations.
b. Projected reporting, recordkeeping and other administrative activities, including costs of professional services, required for small businesses to comply with the proposed rule.	The proposed rule amendments do not establish any additional reporting, recordkeeping or other administrative activities.
c. Projected equipment, supplies, labor and increased administration required for small businesses to comply with the proposed rule.	The proposed rule amendments do not require any additional equipment, supplies, labor or increased administration.
d. Describe how DEQ involved small businesses in developing this proposed rule.	DEQ provided notice of the proposed rules to all Title V permit holders, including those that are small businesses.

Documents relied on for fiscal and economic impact

Document title	Document location
2015-2017 Legislatively approved budget	DEQ Website
Clean Air Act, including Clean Air Act Amendments of 1990	EPA Website
U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index	Bureau of Labor Statistics Website

Advisory committee

DEQ did not appoint an advisory committee for the proposed rules because federal law and Oregon statute authorize the fee increases.

Housing cost

To comply with ORS 183.534, DEQ determined the proposed rules may have an effect on the development cost of a 6,000-square-foot parcel and construction of a 1,200-square-foot detached, single-family dwelling on that parcel. It is possible that a permit holder could change the price of goods and services to pass on any fee changes to consumers, though any estimate of the possible impact would be speculative using information available at this time.

Request for other options

During the public comment period, DEQ requested public comment on whether to consider other options for achieving the rule's substantive goals while reducing negative economic impact of the rule on business.

Federal relationship

"It is the policy of this state that agencies shall seek to retain and promote the unique identity of Oregon by considering local conditions when an agency adopts policies and rules. However, since there are many federal laws and regulations that apply to activities that are also regulated by the state, it is also the policy of this state that agencies attempt to adopt rules that correspond with equivalent federal laws and rules..." ORS 183.332

Relationship to federal requirements

This section complies with OAR 340-011-0029 and ORS 468A.327 to clearly identify the relationship between the proposed rules and applicable federal requirements.

The proposed rulemaking is not different from, or in addition to, applicable federal requirements and impose stringency equivalent to federal requirements. The proposed rules implement federal requirements of the Clean Air Act and EPA rules (40 CFR Part 70) that Oregon's Title V operating permit program be fully funded through permit fees.

What alternatives did DEQ consider if any?

During the public comment period, DEQ requested public comment on whether to consider other options for achieving the rule's substantive goals while reducing negative economic impact of the rule on business. Federal law requires DEQ to perform requisite program services to retain delegation of the Title V program. Federal law also requires DEQ to fund the permit program entirely by permit fees. DEQ could decline to administer the program, shifting the program from DEQ to EPA; however, DEQ has chosen not to pursue this alternative to maintain regulatory consistency for the regulated public and citizens of Oregon.

Land Use

"It is the Commission's policy to coordinate the Department's programs, rules and actions that affect land use with local acknowledged plans to the fullest degree possible." OAR 340-018-0010

Land-use considerations

To determine whether the proposed rules involve programs or actions that are considered a *land-use* action, DEQ considered:

Statewide planning goals for specific references. Section III, subsection 2 of the DEQ State Agency Coordination Program document identifies the following statewide goal relating to DEQ's authority:

Goal	Title
5	Open Spaces, Scenic and Historic Areas, and Natural Resources
6	Air, Water and Land Resources Quality
11	Public Facilities and Services
16	Estuarial resources
19	Ocean Resources

- OAR 340-018-0030 for EQC rules on land-use coordination. Division 18 requires DEQ to determine whether proposed rules will significantly affect land use. If yes, how will DEQ:
 - o Comply with statewide land-use goals, and
 - o Ensure compatibility with acknowledged comprehensive plans, which DEQ most commonly achieves by requiring a <u>Land Use Compatibility Statement</u>.
- DEQ's mandate to protect public health and safety and the environment.
- Whether DEQ is the primary authority that is responsible for land-use programs or actions in the proposed rules.
- Present or future land uses identified in acknowledged comprehensive plans.

Determination

DEQ determined that the proposed rules listed under the Chapter 340 Action section above **do not affect** existing rules, programs or activities that are considered land-use programs and actions in OAR 340-018-0030 or in the DEQ State Agency Coordination Program.

Stakeholder and public involvement

Advisory committee

DEQ did not convene an advisory committee because federal law and Oregon statute authorize the fee increases.

EQC prior involvement

DEQ shares general rulemaking information with EQC through the Director's report. DEQ did not present additional information specific to this proposed rule revision.

Public notice

DEQ provided notice of the proposed rulemaking and rulemaking hearing Jan. 15, 2016, by:

- Filing notice with the Oregon Secretary of State for publication in the Oregon Bulletin on Jan. 15, 2016
- Notifying the Environmental Protection Agency, Region 10, Seattle by email
- Posting the Notice, Invitation to Comment and Draft Rules on the web page for this rulemaking; located at: Title V CPI 2016
- Emailing 7,617 interested parties on the following DEQ lists through GovDelivery:
 - Agency Rulemaking
 - o DEO Public Notices
 - o Air Quality Permits
 - o Title V Permit Program Public
- Emailing 89 representatives of permit holders
- Emailing the following key legislators required under ORS 183.335:
 - o State Representative Kathleen Taylor, Co-Chair, Ways and Means Sub-Committee, Natural Resources
 - O State Senator Richard Devlin, Co-Chair, Ways and Means Sub-Committee
- Emailing advisory committee members
- Postings on Twitter and Facebook
- Posting on the DEQ event calendar: DEQ Calendar

Request for other options

During the public comment period, DEQ requested public comment on whether to consider other options for achieving the rules' substantive goals while reducing the rules' negative economic impact on business. This document includes a summary of comments and DEQ responses.

Public hearings and comment

DEQ held one public hearing. DEQ received two public comments. Later sections of this document include a summary of comments received, DEQ's responses, and a list of the commenters. Original comments are on file with DEQ.

Presiding Officers' Record

Meeting location:

Meeting date and time: Feb. 18, 2016, 5 p.m.

Presiding Officer: Jill Inahara

No one attended the public hearing. DEQ staff waited until 5:20 pm for commenters. The presiding officer convened the hearing, stated that no one attended, explained that DEQ was recording the hearing and closed the hearing.

Summary of comments and DEQ responses

For public comments received by the close of the public comment period, DEQ organized the comments into two categories with cross references to the commenter number. DEQ's response follows the summary. Original comments are on file with DEQ.

DEQ did not change the proposed rules in response to comments.

Comment 1

DEQ received questions regarding implementation of the Title V permitting program, no specific comments on the proposed rules from commenter #1.

Response

DEQ wrote a letter to the commenter answering questions about the resources to implement the Title V permitting program.

Comment 2

DEQ received a comment from commenter #2 in support of the proposed increase in Title V operating permit fees by the change in the consumer price index (CPI).

Response

DEQ agrees with the commenter and appreciates the support of the proposed rule changes.

Commenters

Comments received by close of public comment period

The table below lists people and organizations that submitted public comments about the proposed rules by the deadline. Original comments are on file with DEQ.

List of Commenters						
#	Name	Organization	Comment Category	Hearing #		
1	Kathryn VanNatta	Northwest Pulp and Paper Association	1	1		
2	Dresden Skees-Gregory	Sustainable Environmental Services Corp.	2	1		

Implementation

Notification

If adopted by the Environmental Quality Commission, the proposed rules would become effective when filed and certified by the Secretary of State, approximately June 10, 2016. DEQ would apply the specific activity fees upon the effective date and invoice annual fees to affected parties in August 2016 with payment due Oct. 1, 2016, or later. Because this is a continuation of an existing program, no additional resources or training will be needed to implement the rule.

Requirement

Oregon law requires DEQ to review new rules within five years after EQC adopts them. The law also exempts some rules from review. DEQ determined whether the rules described in this report are subject to the five-year review. DEQ based its analysis on the law in effect when EQC adopted these rules.

Exemption from five-year rule review

The Administrative Procedures Act exempts all of the proposed rules from the five-year rule review because the proposed rules would amend an existing rule. ORS 183.405 (4)