2021 Fee Study Report

Introduction

Alaska Statutes require that the Department of Environmental Conservation (the Department) evaluate fees and establish revised fees in regulation. 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. Alaska Statues 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 September 26, 2015, no longer cover the full costs of permit and compliance services. Additionally, a 2018 published EPA guidance document clarified for states that pre-Title V permit costs for sources known to eventually need a Title V permit should be considered Title V program costs. Historically, without this clarification, Alaska had considered these costs as part of the Title I program, only moving them into Title V once a Title V application was received from the applicant. This fee study overhauls the revenue structure of the Division to comply with this EPA guidance specific to the identification of all Title V costs.

This report covers the ten year period of July 1, 2009, through June 30, 2019, 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.

Details about the costs and calculations for the fees can be found in the appendix spreadsheets.

Summary of Significant Changes Affecting Fees

Two changes since the implementation of the last fee study significantly affect fees proposed in this study.

1) In response to recommendations from the Environmental Protection Agency (EPA) Office of Inspector General (OIG), the EPA issued updated guidance to states on allowable fees and rate setting for Title V programs. The OIG report reviewed 9 state permit programs and found that Title V fees were inadequate to cover expenses. Many reasons were identified, including outdated EPA guidance. In response, on March 27, 2018, the EPA issued updated guidance on fees. This guidance replaced the fee guidance

last provided in 1993. The March 27, 2018, memorandum and guidance document are appended to this report in Appendix A. In short, this guidance:

a. Reclassified significant portions of costs previously classified as Title I to Title V. The Department has historically categorized work based on the type of permit being issued. The 2018 EPA Guidance clarifies that classification of program work between Title I and Title V should be based on the stationary source for which the work is performed, not the individual type of permit issued to the source. If a source is or will in the future be permitted as a Title V source, all work on that facility or source is appropriately characterized under the Title V, not Title I, fees. As a result, all minor permit work and other construction permit work for sources that are, or will be, Title V must be considered Title V program costs, not Title I.

b. Clarifies that costs associated with ambient air monitoring or emission inventories necessary to implement the part 70 program are eligible part 70 costs, and they should therefore be recovered under permitting fees. Accordingly, the costs of the Monitoring program within the division are being included in this study as eligible costs for fee calculation purposes.

c. Clarifies that all fees should include adjustments for inflation to match the consumer price index.

2) The 10-ton limit for emission billings is being eliminated. The Department reviewed the historic reasoning for a 10-ton exemption from emission fees, determined that the manual and data-system-based administrative effort involved in applying the exemption was prohibitive, and determined that the exemption provided disproportionately minimal cost relief to stationary sources compared to the cost of administrative effort. The Department is therefore eliminating the 10-ton exemption in this study.

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". The Department evaluated financial activity during the ten year period of July 1, 2009, through June 30, 2019. Detailed cost data from subsidiary systems *BillQuick* (the prior subsidiary system) and *CRITTS* (the subsidiary system currently in use), which track costs by permit, activity, phase, and stationary source, was reconciled with the State of Alaska Accounting Systems of record during the study period (AKSAS, through FY2015; and IRIS, the current system) to produce fully detailed comprehensive cost information at the permit and stationary source level across the entire permitting program.

Stationary source classifications were comprehensively examined to confirm point-in-time status of each source. Costs by stationary source by time period were then evaluated against the 2018 EPA guidance to classify costs as Title V or Title I, and to quantify costs across all sources according to the type of fee each cost was incurred to support.

Permit Administration Fees - Permit Renewals

Annual permit administration fees in this section pay for the direct service costs for the renewal of Title V permits. While permits issued are valid for five years, costs associated with permit renewal are divided by five to assess an annualized fee. This 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.

The following are the recommended permit administration fees for permit renewals for each regulatory service listed in 18 AAC 50.400.

Table 1 – Changes to Annual Administration Fees by Regulatory Source Category

Regulatory source category	Regulation Citation	Current Fee	New Fee	$ Increase / (Decrease)	Percentage Change
Oil & Gas Source, PTE ≥ 250 TPY	18 AAC 50.400(a)(1)(A)	4,261	3,660	(601)	-14%
Large Power Plant, PTE ≥ 250 TPY	18 AAC 50.400(a)(2)(A)	2,527	2,436	(91)	-4%
Coal-Fired Plants, PTE ≥ 250 TPY	18 AAC 50.400(a)(3)(A)	6,871	7,433	562	8%
Small Power Plant, PTE ≥ 250 TPY	18 AAC 50.400(a)(4)(A)	1,720	2,049	329	19%
Oil & Gas or SRU, PTE ≥ 100 TPY and < 250 TPY	18 AAC 50.400(a)(5)(A)	1,303	2,415	1,112	85%
Small Power Plant, PTE ≥ 100 TPY and < 250 TPY	18 AAC 50.400(a)(6)(A)	2,067	2,367	300	15%
Title V Sources, other than described under (1) – (6) of this section and < 250 TPY	18 AAC 50.400(a)(9)(A)	844	2,065	1,221	145%

Table Note: PTE means potential to emit; TPY means tons per year.

Specific Causation for Materially Large Cost Increases

Two permit administration fees for renewals in particular are increasing by a significant margin. These are as follows:

Oil & Gas or SRU with PTE ≥100 TPY and < 250 TPY
Title V sources with the potential to emit equal to or greater than 100 and less than 250 tons per year of any one pollutant and that is an oil-and-gas source or thermal soil remediation unit.

> 18 AAC 50.400(i)(5) "oil-and-gas source" means a Title V source not described in (2)(A) of this subsection, the purpose of which is **the exploration for, extraction of, processing of, transportation of, or storage of crude oil, natural gas, or other petroleum products, or related activities**; "oil-and-gas source" does not include a petroleum refinery or liquefied natural gas (LNG) plant;

The 85% increase in administrative fees is related to the number of emissions units (EUs) at a stationary source, the complex nature of federal requirements associated with them, and the Title I pre-construction permit requirements that exist and are required to be included in Title V renewals. The more EUs located at a source also require additional work to review and grant or deny permit shields which are typically requested in these permit applications.

These sources typically require inclusion of federal requirements such as:

- NSPS Subpart Dc – applicable to small industrial-commercial-institutional steam generating units that commence construction, reconstruction, or modification on or before February 28, 2005.
- NSPS Subpart IIII – applicable to compression ignition internal combustion engines (CI ICE) that commence construction after July 11, 2005.
- NSPS Subpart JJJJ – applicable to spark ignition internal combustion engines (SI ICE) that commence construction after June 12, 2006.
- NSPS Subpart KKKK – applicable to combustion turbines that commenced construction or reconstruction after February 18, 2005.
- NESHAP Subpart HH – applicable to sources with glycol dehydration units that commenced construction on, before, or after August 23, 2011.
- NESHAP Subpart ZZZZ – applicable to reciprocating internal combustion engines (RICE) manufactured on or after January 1, 2008.
- NESHAP Subpart CCCCCC – applicable to existing gasoline dispensing facilities applicable no later than January 10, 2011.
- NESHAP Subpart JJJJJJ – applicable to industrial, commercial, and institutional boilers that commenced construction or reconstruction after June 4, 2010.

The following federal requirements are also found in these permits:

- NSPS Subpart GG – applicable to stationary gas turbines which commenced construction, modification, or reconstruction after October 3, 1977.
- NSPS Subpart Kb – applicable to volatile organic liquid storage vessels which commenced construction, reconstruction, or modification after July 23, 1984.
- NSPS Subpart KKK – applicable to equipment leaks of VOC from onsite natural gas processing plants which commenced construction, reconstruction, or modification after January 20, 1984, and on or before August 23, 2011.
- NESHAP Subpart XX – applicable to bulk gasoline terminals which commenced construction or modification after December 17, 1980.
- NESHAP Subpart BBBBBB – documentation of gasoline throughput must begin on January 10, 2008.

Many of these stationary sources also contain ambient air quality control requirements, owner requested limits (ORLs) to avoid prevention of significant deterioration (PSD) classification, and in some cases best available control technologies (BACT) limits; all of which are required to be incorporated as applicable Part 70 requirements into their Title V permits.

Since the last fee study report issued on May 21, 2015, many of these stationary sources have had to include these federal and pre-construction permit requirements in their Title V permits, which take more technical hours for permit writers to complete. Additionally, many of the stationary sources in this source category request that permit shields be granted to shield them from requirements that would be required for 'major' stationary sources (PSD or HAP major), or for requirements that don't apply because of the applicable date for which the requirement becomes effective.

A Title V Source with PTE < 250 TPY
A Title V source, other than one described in 18 AAC 50.400(a)(1) – (8), and that has the potential to emit less than 250 tons per year of any one pollutant.

The 145% increase in administrative fees is related to the variety of emissions units at a stationary source, the complex nature of federal requirements associated with them, and the Title I pre-construction permit requirements that exist and are required to be included in Title V renewals. It appears there are mixed sources like **oil and gas refineries, mines, landfills**, **and hospitals** associated with this category.

These sources typically require inclusion of federal requirements such as:

- NSPS Subpart WWW – applicable to municipal solid waste landfill that commenced construction, reconstruction, or modification on or after May 30, 1991, but before July 18, 2014.
- NSPS Subpart AAAA – applicable to municipal solid waste landfill that has accepted waste since November 8, 1987

- NSPS Subpart Dc – applicable to small industrial-commercial-institutional steam generating units that commence construction, reconstruction, or modification on or before February 28, 2005.
- NSPS Subpart J – applicable to any fuel gas combustion device that is also a flare which commences construction, reconstruction or modification after June 11, 1973, and on or before June 24, 2008
- NSPS Subpart Ja – applicable to the following affected facilities in petroleum refineries: fluid catalytic cracking units (FCCU), fluid coking units (FCU), delayed coking units, fuel gas combustion devices (including process heaters), flares and sulfur recovery plants which either commence construction, modification or reconstruction after May 14, 2007, or elect to comply with the provisions of this subpart in lieu of complying with the provisions in subpart J of this part. For flares, the provisions of this subpart apply only to flares which commence construction, modification or reconstruction after June 24, 2008.
- NSPS Subpart Kb – applicable volatile organic liquid storage vessels (including petroleum liquid storage vessels) for which construction, reconstruction, or modification commenced after July 23, 1984.
- NSPS Subpart IIII – applicable to compression ignition internal combustion engines (CI ICE) that commence construction after July 11, 2005.
- NESHAP Subpart C – Beryllium
- NESHAP Subpart E – Mercury
- 40 CFR 62 Subpart LLL – Sewage sludge incinerators
- NESHAP Subpart ZZZZ – applicable to reciprocating internal combustion engines (RICE) manufactured on or after January 1, 2008.
- NSPS Subpart CCCC – applicable to commercial and industrial solid waste incineration units effective as of August 7, 2013.
- NESHAP Subpart EEEEEE – applicable to iron and steel foundries located at major sources of HAPs
- NESHAP Subpart JJJJJJ – applicable to industrial, commercial, and institutional boilers that commenced construction or reconstruction after June 4, 2010.

Since the last fee study report issued in 2015, many of these stationary sources have had to include these federal and pre-construction permit requirements in their Title V permits, which take more technical hours for permit writers to complete. Additionally, many of the stationary sources in this source category request that permit shields be granted to shield them from requirements that would be required for 'major' stationary sources (PSD or HAP major), or for requirements that only apply to certain source types (i.e., landfills and mines). Perhaps because this category represents the "one-off" permit types where each permit is unique and not as standardized as the ones that group together, like all of North Slope/GPBU/KRU, it might be appropriate to change these permits to TVCPRA (i.e., time-and-expense billing for renewals).

Permit Administration Fees - Routine Compliance

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

The following are the recommended routine compliance fees for each regulatory service listed in 18 AAC 50.400.

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

Table 2 – Changes to Routine Compliance Fees by Regulatory Source Category

Regulatory source category	**Regulation Citation**	**Current Fee**	**New Fee**	**$ Increase / (Decrease)**	**Percentage Change**
Oil & Gas Source, PTE ≥ 250 TPY	18 AAC 50.400(a)(1)(B)	4,436	4,679	243	5%
Large Power Plant, PTE ≥ 250 TPY	18 AAC 50.400(a)(2)(B)	3,372	5,304	1,932	57%
Coal-Fired Plants, PTE ≥ 250 TPY	18 AAC 50.400(a)(3)(B)	6,767	8,219	1,452	21%
Small Power Plant, PTE ≥ 250 TPY	18 AAC 50.400(a)(4)(B)	2,491	2,983	492	20%
Oil & Gas or SRU, PTE ≥ 100 TPY and < 250 TPY	18 AAC 50.400(a)(5)(B)	3,341	4,399	1,058	32%

Small Power Plant, PTE ≥ 100 TPY and < 250 TPY	18 AAC 50.400(a)(6)(B)	2,989	3,460	471	16%
Title V Sources, other than described under (1) – (6) of this section and < 250 TPY	18 AAC 50.400(a)(9)(B)	3,159	5,398	2,239	71%
Title V Source operating under general operating permit for diesel engines (GPA)	18 AAC 50.400(a)(7)	1,554	2,148	594	38%
Title V Source operating under general operating permit for asphalt plants (GP3)	18 AAC 50.400(a)(8)	2,091	2,975	884	42%
Owner Requested Limit (ORL), associated with a Title I Source	18 AAC 50.400(f)(1)(B)	319	409	90	28%
PAEL for Diesel Engines & Gasoline Distribution Facilities	18 AAC 50.400(f)(2)(B)	95	117	22	23%
Title I Minor Source-Specific permit	18 AAC 50.400(d)	750	1,826	1,076	143%

Minor Source-Specific permit issued for Source that will need Title V permit in future			1,826		
Title I Source operating under minor general permit for Oil and Gas Drilling (MG1)	18 AAC 50.400(d)	750	Time-and-expense		
Title I Source operating under minor general permit for Oil and Gas Drilling - Less Restrictive (MG2)	18 AAC 50.400(d)	750	Time-and-expense		
Title I Source operating under minor general permit for asphalt plants (MG3)	18 AAC 50.400(d)	750	1,386	636	85%
Title I Source operating under minor general permit for rock crushers (MG9)	18 AAC 50.400(d)	750	737	(13)	-2%

Reasons for significant increases

The majority of Routine Compliance fees are increasing. Aside from inflationary factors driving these increases, other specific causes are as follows:

1) Increase in federal regulations – During the ten year time span of 2010 through 2020 the number of federal subparts applicable to the regulated stationary sources has increased. The applicability of federal subparts to stationary sources in Alaska is a mix of new federal regulations and operational changes at stationary sources that have made those stationary sources subject to federal regulations. As stationary sources become subject to federal subparts and as these subparts are incorporated into the Air Quality Operating Permits, the Compliance Program is in turn obligated to ensure compliance, thus resulting in an increase in the workload. This increased workload includes training, reviewing submitted reports, and determining compliance or non-compliance status for each affected stationary source.

2) The Routine Compliance fee for minor permits was set at a single level of $750 per year in the previous study, regardless of the type of minor permit. Improvements in data detail implemented since that study enabled specific analysis of efforts and associated costs of conducting Routine Compliance work for each type of minor permit separately. That analysis showed that these costs for certain types of minor permits were higher than for other types. As a result, separate fees are established for Routine Compliance for each type of minor permit in this study. This resulted in increased Routine Compliance fees for Minor Source Specific and Minor Asphalt Plant permits, and a slightly decreased fee for Minor Rock Crusher permits. Additionally, due to significant variability amongst sources, Routine Compliance costs for Oil and Gas Drilling minor permits were moved to time-and-expense billing and are no longer expressed as a flat fee.

3) Specifically for Minor Source Specific (MSS) Routine Compliance, additional factors have contributed to increased costs. An MSS Permit reflects a change at a stationary source that was previously issued an Air Quality Permit with Title I conditions. Each MSS Permit issued to an already regulated stationary source represents an additional layer of conditions and thus compliance work that has to be conducted by the Air Quality Compliance Program.

Other Permit Services

1. **Excess Emission & Permit Deviation Reports 18 AAC 50.400(e)(1)**
   Per Report Administrative Fee
   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 of $45 (previously $20) is the same for both categories.

2. **Fee Appeals 18 AAC 50.400(e)(2)**
Per Report Administrative Fee
For a fee review under 18 AAC 15.190, sources subject to 18 AAC 50.326 or 18 AAC 50.502 were invoiced for this one-time, per appeal fee. These sources may be Title V or Title I. The fee was the same for both categories.
This permit administration fee is eliminated in the proposed fee regulations. A historical review of this fee shows the use of fee appeals continues to be an infrequent occurrence and as such is an immaterial cost burden for the Division with regard to establishing an updated per report administrative fee.

3. **Open Burns 18 AAC 50.400(g)**
Per Application Fee, All Open Burns
This permit administration fee of $387 (previously $230) is for the services to process the review of a request for an open burning approval (OBA) as well as any related routine compliance efforts. If the request is denied, any re-submittal will require an additional one-time fee payment.

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 under 18 AAC 50.400(h).

4. **Owner Requested Limit Permit for Title I sources 18 AAC 50.400(f)(1)(A)**
Per Application Fee
This one-time fee of $2,444 (previously $2,168) is for the services to process the review of a request for an Owner Requested Limit under 18 AAC 50.225. If the request is denied, any re-submittal will require an additional one-time fee payment.

5. **Pre-approved Emission Limit for Title I sources 18 AAC 50.400(f)(2)(A)**
Per Application Fee
This permit administration fee of $219 (previously $88) is for the services to process the review of a request for a Pre-approved Emission Limit under 18 AAC 50.230(c). If the request is denied, any re-submittal will require an additional one-time fee payment.

6. **Activities Charged Time & Expense 18 AAC 50.400(h)**
   The permit administration fees in the time-and-expense section include those regulatory services for which no fixed fee is established under 18 AAC 50.400(a) – (g). 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(h) 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.

   Time-and-Expense Routine Compliance Fee (in lieu of annual fee)
   a. NEW – MG1 and MG2 permits;
   b. 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.

Emission Fees Evaluation

In addition to the Title V and Title I permit and compliance workloads, the Program includes administrative, general regulatory, and other support work essential for the delivery of permit services. These costs are not recovered in individual per-permit fees but are instead covered by fees collected on the basis of stationary sources' tonnage of emissions (Emission fees). Costs 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 hourly personnel rates vs. full personnel cost (this can only be changed through direct legislation, and it is outside the scope of this regulation package)

Setting of the 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. A similar calculation methodology was used in the 2010 and 2015 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. Add inflation factor, and any other known required cost increases
5. Identify Emission Tonnage
6. Set Title V or Title I Emission Fee Rate

AS 46.14.250(d) Emission Fees subsection - the emissions fees are set by regulation on the basis of dollars per ton of air pollutant emitted and are the total annual incurred costs are distributed to that each permittee is assessed an annual emission fee that reflects an equitable apportionment of the fees paid by each stationary source type, size, or category.

Table 3 – Emission fees per ton of pollutant are increasing substantially.

Regulatory source category	Regulation Citation	Current Fee	New Fee	$ Increase / (Decrease)	Percentage Change
Title I Emissions per Ton	18 AAC 50.410(b)(2)	9.79	17.70	7.91	81%
Title V Emissions per Ton	18 AAC 50.410(b)(1)	42.95	84.29	41.34	96%

There are several key reasons for these increases:

1) Emission Tonnage by stationary sources is reducing, which in turn requires a higher rate per ton to recover the same cost.
2) Program costs have increased, due to
    a. Inflation.
    b. Costs of staff training and travel have been unsustainably reduced over the past several years. A known cost increase factor has been included to account for this.
    c. EPA guidance has clarified that the Program should be including monitoring costs among its Program costs. Other federal funding that historically paid for these costs is also no longer predicted to be available.

Factors Affecting Emission Tonnage

Emission Tonnage - Regression Analysis Applied
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 from FY14 – FY19 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 69,500 tons annually. This tonnage was used for the fee calculation for FY22 through FY25. 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. Emissions overall are reducing at a rate of approximately 5% per year.

Reasons for these overall reductions vary by facility, but in general include:

1. More permit holders are providing emission actuals instead of using PTEs.
2. Many facilities are not using all emission units or are cutting their own costs which result in lower emissions.
3. Hours of operation are down for many facilities.
4. BPXA fleet wide electrical compressor changeover at facilities.
5. Fuel metering devices in use rather than assumptive operation.
6. Changes in operation in various industrial sectors.

Elimination of the 10 ton per year billing limit
The Department seeks to eliminate the provisions of 18 AAC 50.410(a) which states "The emissions fee is assessed per ton for each air pollutant for which projected emissions are 10 tons per year or greater." This provision precludes the Department from collecting emissions fees on small quantity emissions of any pollutant less than 10 tons per year. This provision was initially enacted with a goal of benefitting small operators; however, analysis during this study has shown examples of both large and small emitting facilities that have certain pollutants below the 10-ton limit which are being excluded from emission billing calculations. Some of these low tonnage pollutants are hazardous air pollutants, and they still require oversight by the Department. The 10 ton limit provision was enacted early in the Air Quality program history, prior to 2002, to address, it is believed, a portion of AS 46.14.250(d) which states, in part, "…the department shall consider factors such as exemptions or reduced rates for small amounts of emissions...". The Department believes this statute brings forward a similar requirement from 40 C.F.R. 71.9(c)(5)(iii) to exclude fees on insignificant emissions as defined in 40 CFR 71.5(c)(11) (incorporated by reference in 18 AAC 50.040(j)(3)) from the fee structure of the Title V program. However, as it is a 40 CFR Part 71 requirement, it only addresses Title V-level fee programs and not minor sources. Also, insignificant emissions have never been defined to state that 10 tons per year constituted insignificant emissions. Those activities defined in 18 AAC 50.326(d)-(i) define what the Program considers insignificant activities and emission rates, but nowhere is any 10 tons per year amount specifically stated.

The Department believes that the exclusion for less than 10 tons per year emissions has become outdated, adds un-needed complexity to the emissions fees accounts, and is a potential loss of

revenue for the Program. In early years of the program, costs associated with invoicing and collecting these less-than-10-ton emissions fees exceeded the revenue generated. This has changed with modern automated billing systems and accurate emissions inventory databases. There is no regulatory requirement to exclude these emissions, only guidance that such exclusions were, and remain, allowable. Further, the Department thinks it will be more equitable to all sources in the program if emission fees are simply collected on all applicable air pollutants based on the amount actually released or permitted to be released rather than screening out at the 10-ton level.

Factors Affecting Program Cost

Unrealized Obligations for Future Years Included in Cost Pool

In the last several years of the study period, Statewide budget austerity measures significantly reduced funds the Division was allowed to dedicate to providing training to permit and compliance staff. Additionally, training opportunities, where they have been offered, have not always resulted in retention of trained staff, as the Division has experienced recent increases in staff turnover. Travel associated with direct compliance activities, as well as travel associated with training, was also cut substantially in those years. Those cuts are not sustainable over time. Lack of staff training has begun to impact the ability of newer employees to efficiently and effectively perform their assigned work. Travel cuts for direct compliance activities are likewise unsustainable, as regulatory requirements necessitate this oversight.

Inclusion of Monitoring Program Costs per EPA Guidance

The Department finds that including the costs of the monitoring program in the emissions fees is supported because they are directly and indirectly associated with Alaska's delegated part 70 program.

Section 502(b)(3)(A) of the Clean Air Act requires operating permit programs to fund all "reasonable direct and indirect costs" of the permit programs through fees collected from "part 70 sources" and requires the fees to be sufficient to cover all reasonable permit program costs. Part 70 uses the term "permit program costs" to describe the costs that must count for fee purposes under part 70. This term is defined in 40 CFR § 70.2 as "all reasonable (direct and indirect) costs required to develop and administer a permit program, as set forth in [40 CFR § 70.9(b)] (whether such costs are incurred by the permitting authority or other State or local agencies that do not issue permits directly, but that support permit issuance or administration)."

Such indirect costs includes ambient monitoring required for establishing the permits program under §7661a. Permit programs (**42 U.S.C.** Title 42 - THE PUBLIC HEALTH AND WELFARE CHAPTER 85 - AIR POLLUTION PREVENTION AND CONTROL SUBCHAPTER V – PERMITS Sec. 7661a - Permit programs) and 40 CFR 70.9(b)(v).

Currently the State of Alaska Department of Environmental Conservation Air Monitoring and Quality Assurance Program (AMQA) is the sole entity conducting ambient air monitoring in the state. This consists of a minimum network of regulatory required monitoring sites. Without this minimum regulatory monitoring network, the Department would not be able to fulfill its requirement for ambient monitoring assessment in support of a delegated Air Permit Program.

The current program covers 11 staff, monitoring equipment and supplies, sampling shelters, operational costs for the sites, travel to the monitoring sites for maintenance, and quality assurance and control checks. The program has a rigorous quality assurance program required by 40 CFR 58, and it is audited by EPA every third year. The State's Air Program Quality Assurance Project Plan applies to all monitoring conducted in the state, including governmental and industry monitoring.

Because the current monitoring program constitutes the minimum necessary to meet regulatory requirements, 100% of the cost of the current program is eligible for inclusion in the fee program. If new or replacement monitoring sites are established or monitoring studies are conducted in the future, the Department will need to assess if any of the associated costs are eligible for inclusion in the fees.

Methods for Stationary Sources to reduce the impact of emission fee increases by reducing their emissions

Sources can potentially reduce actual emissions and the associated emission fees by several strategies:

- Electrify auxiliary systems to reduce organic power generation demands and shift more power needs to an available grid.
- Replacing older less-efficient emissions units with newer, cleaner, more efficient units. When Congress developed the New Source Performance Standards in CAA Section 111, they envisioned significant gains as sources retired older, less efficient generating units. This has not happened. The result is that sources have retained older, less-efficient units long past their anticipated life in order not to upgrade to newer units that carry heavier control system requirements. Examples are GVEA North Pole (2 industrial turbines, 1970s); GVEA Zehnder (2 industrial turbines, 1970s); AML&P/Chugach Electric Bernice Lake (3 industrial turbines, 1970s); Beluga River (2 industrial turbines, 1960's & 2 industrial turbines, 1970s); International Station (2 industrial turbines, 1960s); USA/Doyon Utilities FWW (originally 6 CFB; 1950s) and the list goes on. Modern, efficient units may have emission factors that are less than 25% of the current emitting units or lower.
- Add-on control technologies such as SCR, CatOx, or PM filters that would significantly reduce emissions levels, and thus dramatically affect PTE.
- Switching to cleaner lower-emitting fuels as soon as a reliable supply of gas exists in the interior. Legacy permits may allow much higher sulfur content of liquid fuels, for example.

Conclusions of This Study

- Permit administration fixed fees should be adjusted as described in this report.
- The Title V emission fee rate should be set at $84.29 per ton allocated to the Clean Air Protection Fund (CAPF).
- The Title I emission fee rate should be set at $17.70 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 balances annually to ensure permittees aren't required to pay multiple permit administration fees to cover the cost of the work when work crosses a fiscal year.

- The fee structure and rate setting methodology is well established over more than 15 years and three fee reports, including this report.
- A regression analysis is best suited for estimates of future emission tonnages. Emission fee rates should continue to be based on averages of prior period program costs.
- The existing permit administration and emission fee rates do not cover the full costs of the State's minimum requirements for a Title V and Title I program. Failure to adopt the new fees expeditiously will result in a continued funding shortfall which will disrupt permitting services.

Regulation changes associated with implementation of the fees proposed in this study will incorporate the new fees and will address the timing of billing at the new fee rates.