

## Title V Fee Committee Meeting

### Summary

**Date/Time/Location:** The Title V Fee Committee met at the Division of Air Quality's (DAQ) Grantham Lane Office, Dec 13, 2013, 1:00 - 3:00 PM.

**Purpose:** The industry members of the Fee Committee, led by Tom Webster (DuPont), presented their unified fee proposal for the 2015-2017 Title V billing cycle.

**Discussion:** The following key points capture the discussion, agreements and action items needed to revise the proposal and reach a fee agreement:

### Discussion

- Although past committee members agreed to build and maintain a one-year contingency operating budget as a carryover balance, the current committee members consider the 2012 carryover balance (\$3,502,552.00) as excessive.
  - The industry members recommend a phased fee refund as an essential element of their proposal.
- DAQ expressed some concerns about the fee refund proposal:
  - Does it apply to current facilities or all facilities who contributed to the carryover balance surplus?
  - Should we take the opportunity to invest in the Title V program to create efficiencies and reduce long-term operating costs?
  - Industry members recommend a phased refund program for current facilities only.
- Based on the 2012 carryover balance, the industry's initial fee proposal recommended a three-year phased drawdown to achieve a \$500,000.00 carryover balance by Dec 2017.
  - As a result, industry's proposal established fee tables to generate \$2,785,000.00 in annual revenue for 2015-2017.
  - These fees would be subsidized by the carryover funds of approximately \$1,000,000.00 per year to support a \$3.7 - \$3.9 million operating budget throughout the billing cycle.
    - The current proposal recommended revisions to the User Fee category only.
    - The Base Fee tables would remain the same.
- DAQ indicated that the current proposal did not provide sufficient carryover balance (\$500,000.00) to meet the program needs.
  - The recommended carryover (\$500,000.00) would result in a deficit during the transition to the 2018-2020 billing cycle.
  - The proposed \$500,000.00 carryover balance would not support the first quarter payroll and program costs during the fee collection in early 2018.

- Additionally, the proposal would require a significant fee increase (50-60%) in 2018 to generate the required revenue of over \$4,000,000.00 in the first year of the next billing cycle.
- The industry's proposal included a Management Review Study recommendation.
  - The Management Study was not clearly defined.
  - This type of study must have a clear purpose and specific objectives.
- The proposal also recommended creating a dynamic fee calculation process that considers some of the following initiatives:
  - Incentives for technology improvements and emission reductions.
  - Incorporate annual updates for Base Fee hours (rolling average).
  - Incorporate annual updates for emission inventories (user fee updates).
  - Application fees for new Title V facilities.
  - Revised billing cycle to facilitate annual updates.
  - Implement changes in CY 2014.

### **Agreements**

- Based on the proposal and follow-on discussion, the committee recognizes the projected 2015-2017 Title V program budget requirements (\$3,800,000.00) presented in the September 11, 2013, committee meeting.
  - Program requirements were based on 63.0 FTEs or 93% personnel manning level.
- The committee agreed to the following carryover drawdown plan elements:
  - Establish a six-year carryover drawdown plan (2015-2017 and 2018-2020 billing cycles).
    - If required, the transition to the 2018-2020 billing cycle provide an opportunity for midpoint corrections.
  - The drawdown plan will establish and maintain a carryover balance equivalent to six months of program requirements.
    - Include a 2.5% COLA per year for future program requirements.
    - Future carryover balance estimates should be based on projected program requirements for 2020 (end of six-year drawdown plan).
  - Fee tables should be established to meet the total program requirements without the refunded fees.
    - 2015-2017 requirements = \$3,800,000.00
  - Fees and fee refunds should be listed separately on annual billing invoices.
    - Fee refunds would be considered annual credits subtracted from normal program fees.
- The committee agreed to consider a Management Study proposal.
  - The purpose and study objectives must be clearly defined.
  - The cost of the Management Study (\$100,000.00) will be paid from the non-preserved carryover surplus (off the top).
  - Incorporating study changes in 2014 is not feasible.

- DAQ will continue to pursue collection of delinquent fees using all available legal resources.

### **Action Items**

- In the revised proposal, the committee should present recommendations for the following fee structure revisions:
  - Establish Base and User Fee tables needed to generate the 2015-2017 program requirements (\$3,800,000.00).
  - Preserve a minimum carryover balance for the Title V program.
  - Establish a six-year “**carryover**” drawdown plan (next two billing cycles).
  - Determine and recommend annual fee refunds for current facilities over the next six years.
  - The committee should present a proposal for the dynamic fee schedule and how it will be calculated.
    - Incorporate provisions for annual updates to Base Fee hours (rolling average).
      - Indicate billing cycle preferences.
    - Incorporate annual updates for Emissions Data.
      - Indicate billing cycle preferences.
      - **Note:** Annual updates for emissions data will require annual reporting for all Title V and Synthetic Minor facilities.
    - Annual changes to fee tables must still generate the revenue required to meet the total program costs.
    - Provide application fee recommendations for new Title V facilities.
- The committee should present clearly defined objectives and expectations for the management study:
  - What should the study achieve?
  - What aspects of the program should be reviewed?
- DAQ will continue to provide the necessary data and information to support the revised proposal.
- The Chamber will work with the Department in developing their revised proposal.
- Revised proposal will be submitted to the Department by mid-January (January 17?).