



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

SUPPLEMENTAL SUPPORTING INFORMATION

PROPOSED AMENDMENTS TO BAAQMD REGULATION 3: FEES

March 14, 2017

At the Air District's Public Workshop on February 22, 2017, Valero Refining Company – California (Valero) and the California Council for Environmental and Economic Balance (CCEEB) requested the Air District's supporting estimates for the costs and fees related to proposed Regulation 11, Rule 18: Reduction of Risk from Air Toxic Emissions at Existing Facilities. Valero also requested supporting information regarding Air District cost-containment consideration. This report has been prepared in response to these requests.

Cost Containment Efforts

Over the past several years, the Air District has been developing the infrastructure for consistent and efficient permit evaluation and processing, and complete projects intended to develop and improve programs within the Engineering Division. To improve program efficiency, the Air District is actively transitioning to the Production System, an on-line permitting system for the regulated community for high-volume source categories including gas stations, dry cleaners, and auto-body shops, and is expanding this system for additional source categories. These tools will increase efficiency and accuracy by allowing customers to submit applications, report data for the emissions inventory, pay invoices and have access to permit documents. The Division is currently working to design, test and deploy the next phase that will incorporate additional device types and functionality. Staff will continue to identify and maintain a level of effort to achieve Air District mandates and continually monitor the pattern of revenues versus expenditures.

In May 2016, the Air District moved into 375 Beale Street. The vision for 375 Beale Street includes the sharing of limited business operations and technology functions between the Air District, Metropolitan Transportation Commission, and the Association of Bay Area Governments. A shared services component was implemented prior to move-in, including personnel and shared business operations, IT license and maintenance agreements required for a shared services component for the agencies. The shared services component includes general services and technology functions, personnel, conference room scheduling, conference room set-up, video conferencing, webcasting, copy/print/mail production and distribution, shared fleet management, shuttle service, wellness center, email, calendaring, telephone systems, wireless network, internet connectivity, printing, electronic file storage, and server rooms maintenance. These shared services between the partner agencies may result in some cost savings.

Future projections anticipate adequate revenue to meet projected expenditures with the assumption of continued attention to cost and permit fee analysis. The Air District continues to be fiscally prudent by building its reserves in an effort set to address future pension and other post-employment benefits obligations, future capital equipment and facility needs, and uncertain fiscal situations either at local or State level or external factors affecting the economy that could impact the District's ability to balance its budgets to fund the day-to-day operations. Staff will continue to identify and maintain a level of effort to achieve Air District mandates and continually monitor the pattern of revenues versus expenditures.

Opportunities for further cost containment measures will be developed and documented in the next Air District Cost Recovery Study. The Air District expects to release a Request for Proposals for this Air District Cost Recovery Study in the next few months.

Proposed Rule 11-18: Reduction of Risk from Air Toxic Emissions at Existing Facilities

Proposed Regulation 11, Rule 18: Reduction of Risk from Air Toxic Emissions at Existing Facilities (Rule 11-18) represents a continuation of the Air District's longstanding efforts to reduce health risk in the Bay Area resulting from the emission of toxic air contaminants from stationary sources. The Air District Board of Directors is scheduled to consider the adoption of Rule 11-18 in May 2017.

Under Rule 11-18, the Air District would use annual toxic emissions inventories from each affected facility to conduct a site-specific Health Risk Assessment (HRA) to assess the potential for adverse health effects to the public from exposure to emissions of toxic air contaminants from the facility.

Using the results of the HRAs, the Air District would determine whether a facility's health risk impact exceeds any risk action level established in the Rule. Facilities that pose a health risk in excess of any risk action level would be required either to demonstrate that all significant sources of toxic emissions at the facility are controlled by Best Available Retrofit Control Technology for Toxic Pollutants (TBARCT), or to reduce the health risk below the risk action level through the implementation of a Risk Reduction Plan. Any facility required to implement a Risk Reduction Plan would first submit the Plan to the Air District for staff review and public comment.

Proposed Rule 11-18 – Estimated Costs and Fees

The Air District proposes new fees to help recover the costs for facility-wide Health Risk Assessments (HRAs) and Risk Reduction Plans required pursuant to proposed Rule 11-18. These fees would only become effective upon Board adoption of proposed Rule 11-18, and would be charged only in the event a facility-wide HRA or a Risk Reduction Plan is required pursuant to proposed Rule 11-18.

Estimated Proposed Rule 11-18 Costs:

The Air District has prepared and distributed a Request for Qualifications and has reviewed proposals from several Facility-Wide Health Risk Assessment contractors.

Based on the proposals received:

- For major facilities with many or large toxic emissions sources (e.g., refineries, chemical plants, large power plants, etc.), the Facility-Wide HRA total cost ranges from \$75,000 to \$100,000.
- For other facilities, the Facility-Wide HRA total cost depends on the number of toxic emissions sources, and the time, materials, and personnel required to conduct the analyses.
 - Medium-sized facilities would range from \$15,000 to \$75,000.
 - Smaller-sized facilities would range from \$1,000 to \$15,000.

There are approximately 80 Facility-Wide Health Risk Assessments that are expected to be submitted and conducted during FYE 2018.

10 major facilities (refineries, large power plants, Dow, Lehigh):

- 10 facilities x \$87,500 = \$875,000

33 medium facilities:

- 33 facilities x \$45,000 = \$148,500

27 smaller facilities:

- 27 facilities x \$8,000 = \$216,000

Total = \$1,239,500

No Risk Reduction Plans are scheduled for submittal and review in FYE 2018, so no costs are estimated for this for FYE 2018 costs. Future costs for Risk Reduction Plan review and approval will range from \$1,500 to \$32,000 per facility depending on the number of sources at the facility subject to risk reduction pursuant to proposed Rule 11-18. The maximum cost for Rule 11-18 Risk Reduction Plan review is estimated in the below table.

Table 2. Estimated Maximum Cost for Rule 11-18 Risk Reduction Plan Review

	\$/hr	+202% fringe benefits and indirect costs	Hours	Estimated Cost
Air Quality Engineer	\$53.01	\$107.08	250	\$26,770.05
Senior Air Quality Engineer	\$58.44	\$118.05	20	\$2,360.98
Supervising Air Quality Engineer	\$64.44	\$130.17	20	\$2,603.38
Air Quality Engineering Manager	\$73.17	\$147.80	2	\$295.61
Director of Engineering	\$88.35	\$178.47	1	\$178.47
Totals				\$32,208.48

Estimated Proposed Rule 11-18 Fee Revenues:

Based on the proposed Regulation 3 Amendments, the Air District estimates FYE 2018 fee revenue sufficient to recover the Air District's costs for the 80 Facility-Wide Health Risk Assessments that are planned to be submitted and conducted during FYE 2018.

In FYE 2018, no fee revenue due to the submittal of Risk Reduction Plans is expected, since no Risk Reduction Plans are scheduled for submittal associated with Rule 11-18. Future costs for Risk Reduction Plan review are expected to be approximately 100% recovered by the fee revenue calculated pursuant to proposed Section 3-341.