



Air Pollution Control Board

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| Greg Cox | District 1 |
| Dianne Jacob | District 2 |
| Dave Roberts | District 3 |
| Ron Roberts | District 4 |
| Bill Horn | District 5 |

May 19, 2015

TO: Workshop Participants

**WORKSHOP REPORT FOR
DRAFT PROPOSED AMENDMENTS TO RULE 40 – PERMIT AND OTHER FEES**

Thank you for your participation in the Air Pollution Control District's public workshop held on January 23, 2015, for discussion of draft proposed amendments to Rule 40 – Permit and Other Fees. Your time is appreciated and your input is vital to the rule amendment process. Attached is a workshop report that provides a summary of the comments received and the District's responses to these comments.

Please be advised that the fees established in existing Rule 40, as last amended in 2011, will remain in effect for the foreseeable future. Draft proposed amendments to Rule 40 are anticipated to be reconsidered in a future year, subject to a rule amendment process including public review. In the interim, the District will continue collecting and analyzing data on program costs and pursuing program efficiencies and cost saving actions.

If you have any questions regarding this notice or the workshop report, please contact Dan Knowlton at (858) 586-2607.

A handwritten signature in blue ink that reads 'Robert C. Reider'.

ROBERT C. REIDER, Deputy Director
Air Pollution Control District

RCR:jlm

Attachment

**AIR POLLUTION CONTROL DISTRICT
COUNTY OF SAN DIEGO**

DRAFT PROPOSED AMENDMENTS TO RULE 40 – PERMIT AND OTHER FEES

WORKSHOP REPORT

The Air Pollution Control District (District) conducted a public workshop on January 23, 2015, for discussion of draft proposed amendments to Rule 40 (Permit and Other Fees). Advance notice of the workshop was mailed to all air quality permit holders, economic development corporations, and chambers of commerce in the county. Additionally, the workshop notice was posted on the District’s website and distributed through the County of San Diego’s electronic mail service.

The workshop was attended by 34 people. Both oral and written comments were received. A summary of the comments received, and District responses to these comments, follows.

1. WORKSHOP COMMENT

Why did it take so long for the District to complete an assessment of its costs and fees? The previous assessment was prepared back in Fiscal Year (FY) 2007-08.

DISTRICT RESPONSE

Two main factors contributed to the time required to complete the latest assessment of District costs and fees. First, after the previous assessment was completed, the District transitioned to a new online system for time accounting and time was then needed to collect and analyze the labor data on which costs and fees are based. Second, State law requires the setting of fees for permit applications and annual permit renewals for at least 120 separate equipment and process categories, which is a time consuming and labor intensive process. Rule 40 includes individual fees for approximately 200 different types of equipment and processes and all required analysis in order to complete the full assessment.

2. WORKSHOP COMMENT

The District’s labor rates for emissions source testing are proposed to increase by 65% on average. The private sector cannot understand this magnitude of a cost increase.

DISTRICT RESPONSE

To clarify, there has not been a substantial increase in the District’s costs to provide source testing services. Rather, the assessment conducted by the District revealed that source testing fees in existing Rule 40 were set at levels that are substantially lower than the costs

incurred to provide these services. Under County policy, full cost recovery is required for all programs and the draft proposed 65% increase in source testing fees was designed to fill the gap between costs and fees in cost recovery.

3. WORKSHOP COMMENT

Instead of reducing any permit renewal fees, the District should consider maintaining those renewal fees to absorb some of the increases in source testing fees.

DISTRICT RESPONSE

The District is required by State law and County standards to recover its costs where the costs are generated. Consequently, renewal fees may not be used to offset costs of providing source testing services.

4. WORKSHOP COMMENT

Why was the District not able to benchmark its source testing fees to compare to those of third-party testing contractors?

DISTRICT RESPONSE

Anecdotal evidence indicates that the District's existing source testing fees are low relative to comparable services provided by independent testing contractors. However, there are few such contractors in the San Diego area and requests for their cost information were not fruitful.

A comparison to other California air districts' source testing fees was also pursued. However, other air districts do not provide comparable source testing services and therefore a direct comparison of fees is not possible.

5. WORKSHOP COMMENT

Is the District willing to publish its costs to conduct source tests in order to compare with charges of third-party testers?

DISTRICT RESPONSE

Yes, the District's costs to provide source testing services are represented by the draft proposed fees in Schedules 90 (labor rates), 92 (source testing fees), and 93 (source test witnessing fees) of the draft proposed amendments to Rule 40. These fees are designed to recover costs of the source testing program including salaries, benefits, capital equipment, and services and supplies.

The District strives to maintain a high level of transparency and the cost information for all fee types is contained in extensive databases and spreadsheets that are available for review. Interested parties should contact the District to make an appointment to review this information.

6. WORKSHOP COMMENT

Does the invoice for an annual permit renewal also include source testing fees?

DISTRICT RESPONSE

The annual permit renewal invoice includes source testing fees, if applicable, that are fixed fees as specified in Schedule 92 or 93 of Rule 40. However, in a minority of cases for less common types of source tests where the amount of labor time can vary considerably, source testing fees are charged on a time and materials basis and are invoiced separately.

7. WORKSHOP COMMENT

The District should reduce the frequency of source tests. Many California air districts require testing on a less frequent basis.

DISTRICT RESPONSE

Source tests have a valuable role in the air quality management program. They provide an accurate representation of air pollutant emissions and pollution control compliance at sources with a potential for substantial emissions or public health impacts. Source tests also provide important information for the "tuning" of sources to optimize operational efficiency, conserve fuel or process materials, and decrease air pollutant emissions.

The frequency of source testing is driven by federal or State regulation or federally approved District rules. Consequently, the District does not have discretion to reduce the frequency of source testing.

The District evaluated source testing frequencies in other California air districts and found substantial alignment within source categories. It should be noted that some other air districts require continuous measurement of emissions at combustion sources, which is more costly than the District's requirements for measurement at specified intervals.

8. WORKSHOP COMMENT

I do not understand why the District needs to observe the entire source test when the test is conducted by a third-party testing contractor.

DISTRICT RESPONSE

A source test conducted by an independent testing contractor must be witnessed by the District to verify that approved testing protocols are followed and the results can be relied upon when a final decision is made whether to issue or renew an air quality permit. This protects both the public, which relies on the District to implement and enforce emission standards, and the source.

9. WORKSHOP COMMENT

Testing contractors who conduct tests at gas stations must be certified by the California Air Resources Board (CARB) to verify their qualifications. Why does the District still need to witness those tests?

DISTRICT RESPONSE

Experience by the District and by other California air districts indicates that testing conducted at gas stations by CARB-certified contractors can deviate from the approved test protocols at a considerable rate. District staff who witness the tests are often called upon to make onsite decisions concerning changes in testing that need to be made or that can be made without voiding the test. Without this onsite District resource, more tests would be at risk of being invalid and having to be repeated at increased cost to the source (or testing contractor) and increased resource demands on the District.

10. WORKSHOP COMMENT

District staff expressed a desire to promote teamwork and to partner with industry to achieve air quality goals. How is teamwork promoted by increasing source testing fees by 65%?

DISTRICT RESPONSE

The District is dedicated to achieving air quality goals in partnership with the industrial community. The draft proposed increase in source testing fees was developed to meet cost recovery goals and is not intended to impede the District's collaboration or teamwork with the industrial community. Please also see the District's response to Comment 2.

11. WORKSHOP COMMENT

I think the District's proposed labor rate increases for permits are equitable and might be lower than labor cost increases experienced in the private sector over the same time period.

DISTRICT RESPONSE

Comment noted.

12. WORKSHOP COMMENT

We hope the District will continue to provide source testing services.

DISTRICT RESPONSE

Comment noted.

RR:jl
05/19/15