



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

AGENDA: 19

Public Hearing to Receive Testimony on Proposed Amendments to Regulation 3: Fees

Board of Directors Regular Meeting

April 19, 2017

**Pamela Leong
Manager, Engineering Division**

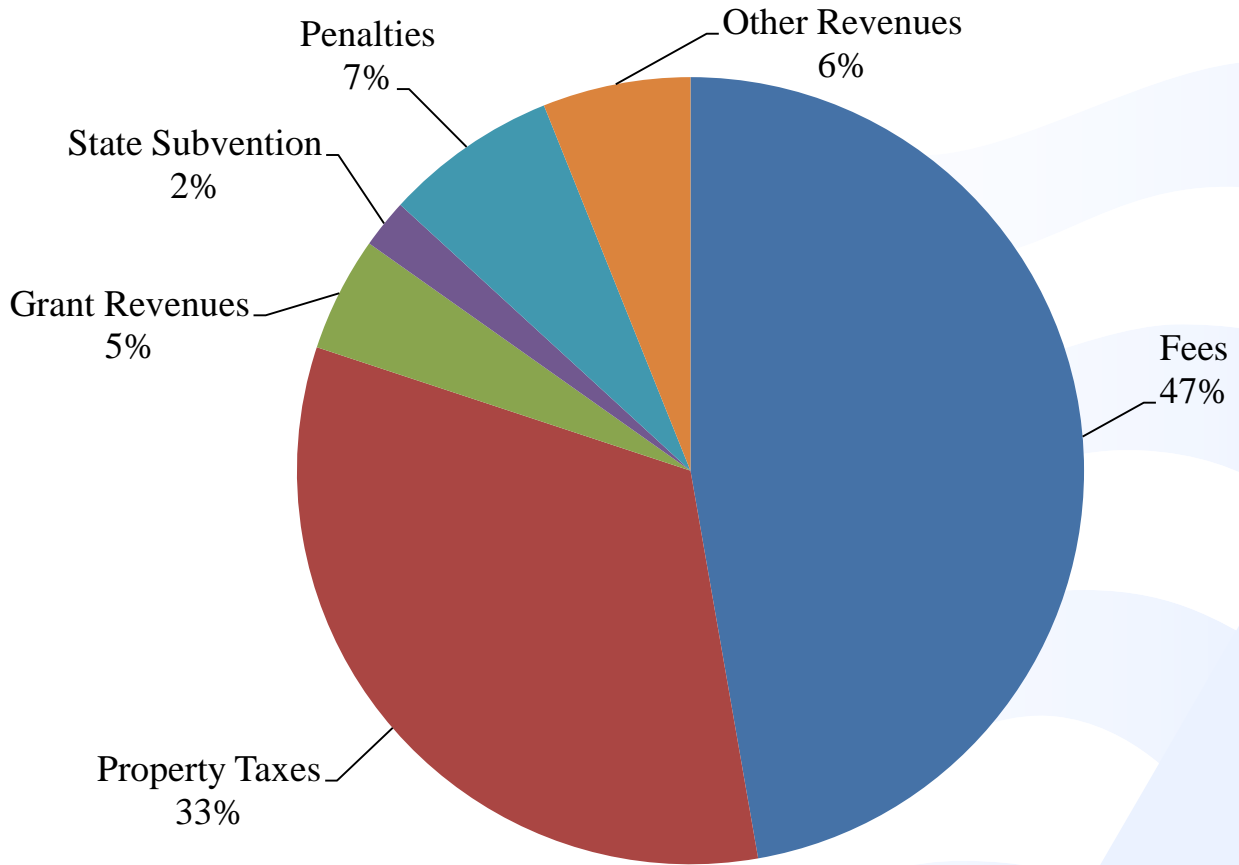


Agenda

1. Cost Recovery Background
2. Draft Fee Amendments
3. Public Comments Received
4. Rule Development Schedule



Revenue Sources - FYE 2016





Cost Recovery Background

- District is authorized to recover 100% of its costs for regulatory programs
- $\text{Cost Recovery \%} = \text{Fee Revenue} / \text{Costs}$



Cost Recovery Policy and Methods

- **Cost Recovery Policy**
 - Adopted by the Board of Directors on March 7, 2012
 - Targets 85% cost recovery of regulatory programs
- **Cost Recovery Methods**
 - Amendments to specific fee schedules to be based on cost recovery analyses conducted at the fee schedule level
 - Newly adopted regulatory measures should include fees to recover costs for implementation

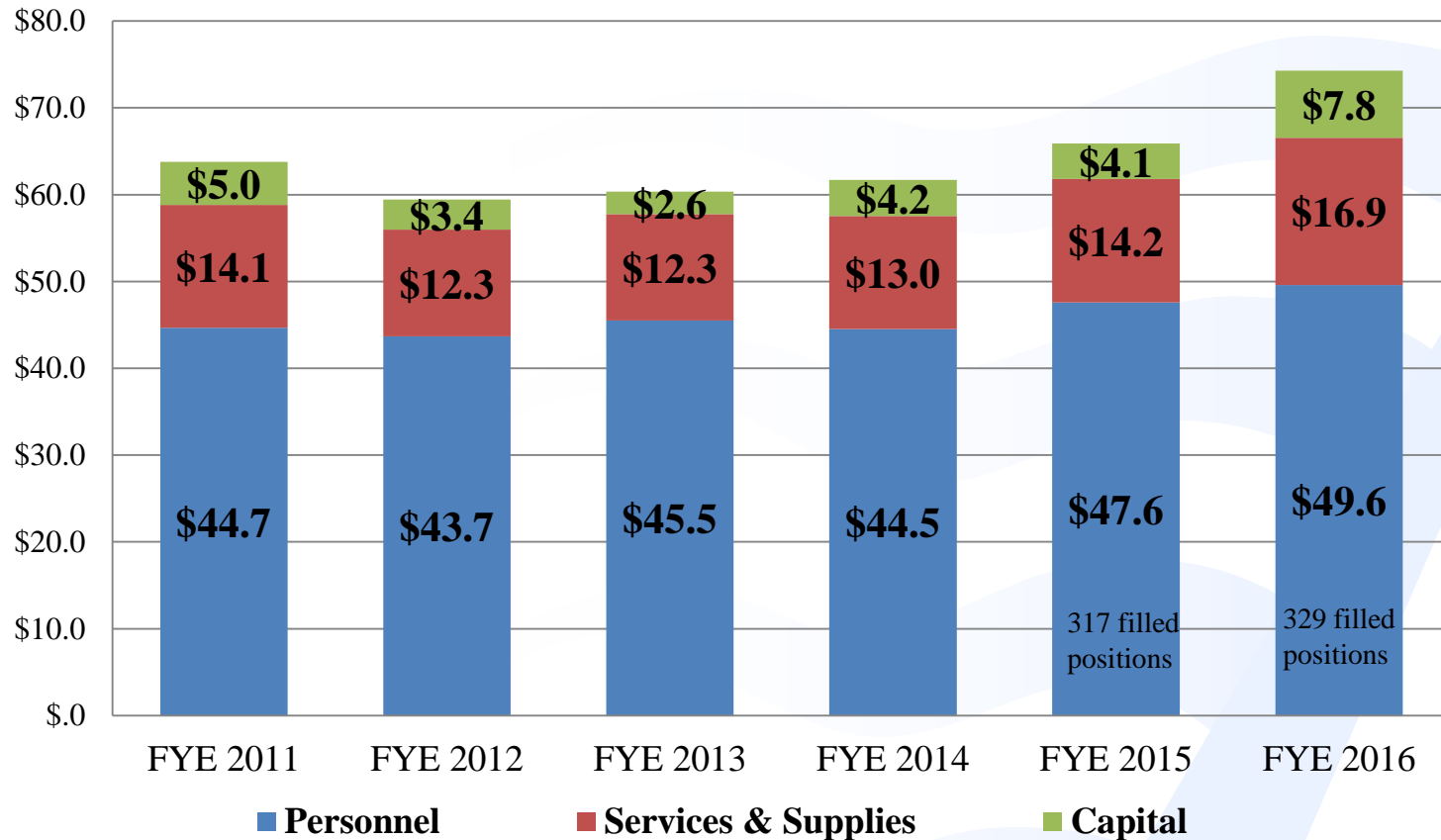


Trends in Cost Recovery

- Fee revenue falls short of overall full cost recovery
 - FYE 2011: Cost recovery = 65%
 - FYE 2012: Cost recovery = 75%
 - FYE 2013: Cost recovery = 80%
 - FYE 2014: Cost recovery = 80%
 - FYE 2015: Cost recovery = 83%
 - FYE 2016: Cost recovery = 82%
 - *FYE 2017: Cost recovery = 82% Projected*
- Cost recovery gap is filled by county tax revenue

Trends in Cost Cutting

Audited General Fund Expenditures (millions)





Proposed Changes to Fee Schedules

Revenue from Fee Schedule	Change in Fees	Fee Schedules
95 – 100% of costs	2.7% increase (CPI-W)*	M, U
85 – 95% of costs	7% increase	F, G3, T
75 – 85% of costs	8% increase	D, P
Less than 75% of costs	9% increase	A, E, G1, G2, G4, H, I, K, R, S, V

* The annual Consumer Price Index for Bay Area Urban Wage Earners and Clerical Workers (CPI-W) increased 2.7% from 2015 to 2016



Regulation 11, Rule 18

Rule Development Underway

- Ensures that toxic air contaminant emissions from existing facilities do not pose an unacceptable health risk to people living and working nearby.
- Requires the execution of Health Risk Assessments by Air District staff and submittal of Risk Reductions Plans that will require review and approval.
- ~1100 facilities will be impacted by this rule.
- Fees would only become effective upon Board adoption of proposed Regulation 11, Rule 18

Regulation 11, Rule 18 Fees

Facility-Wide Health Risk Assessment (HRA) Fees

- Range from a \$499 to \$150,000 per facility based on number and type of sources at a facility
- One-time charge to facilities requiring an HRA

Risk Reduction Plan Fees

- Range from \$1,500 to \$32,000 per facility based on the number of sources required to reduce risk
- One-time charge to facilities required to reduce risk below the threshold

Other Proposed Amendments

Schedule A: Hearing Board Fees (Table I)

- Revisions to include diesel exhaust particulate matter in the schedule of toxic air contaminants subject to excess emissions fees.

Schedule H: Semiconductor and Related Operations

- Revisions to directly calculate the fee based on gross throughput of organic solvent processed.

Schedule N: Toxic Inventory Fees

- Update the “slope factor” to recover current costs and higher ARB AB2588 annual fees for FYE 2017

Other Proposed Amendments (cont'd)

- Fees to help recover the costs for the analysis >3 scenarios for Health Risk Assessments in the permit application process (Section 3-302)
- Delete fees for Duplicate Permits and Duplicate Registrations in Section 3-309
- Change all Regulation 3 references of “health risk screening analysis” to “health risk assessment”



Impact on Small Businesses

➤ Proposed FYE 2018 fee increases:

Facility Type	Facility Description	Fee Increase	Total Fee
Gas Station	10 multi-product gasoline nozzles	\$263	\$3,614
Dry Cleaner (permitted)	One machine: 1,400 lb/yr Perc emissions	\$39	\$666
Dry Cleaner (registered)	One machine: 800 lb/yr VOC emissions	\$19	\$225
Auto Body Shop	One spray booth: 400 gal/yr paint	\$46	\$622
Back-up Generator	One 365 hp engine	\$2*	\$332

* Represents a 2.7% increase in the Permit Renewal Processing Fee.

Impact on Large Facilities

Petroleum Refineries

	Annual % Permit Fee Increase (Fiscal Year Ending)					2018 Projected	Current Permit Fee (in millions)
	2014	2015	2016	2017			
Chevron	3.4	12.1	9.3	14.7		13.1	\$3.64
Shell	1.2	12.4	5.8	15.0		15.0	\$3.12
Phillips 66	1.2	9.3	3.4	14.6		13.9	\$1.59
Valero	7.2	8.4	11.9	15.0		15.0	\$1.87
Tesoro	5.5	13.0	21.7	13.3		15.0	\$2.42

Impact on Large Facilities Power Plants

	Annual % Fee Increase (Fiscal Year Ending)					2018 Projected	Current Permit to Operate Fee
	2014	2015	2016	2017			
Delta Energy	13.5	16.9	12.6	4.8	3.7	\$ 459,600	
Los Medanos	11.3	15.0	15.0	4.8	3.5	\$ 326,900	
Gateway	3.3	15.0	19.8	4.5	3.6	\$ 320,300	
Crockett Cogen	2.1	15.0	11.5	7.9	3.5	\$ 222,700	

Public Comments Received

CCEEB and Valero:

- Requested more information on cost and fee estimates for proposed Rule 11-18.
- Requested more information on cost assessment and cost containment efforts.

CCEEB:

- Asked whether the 15% state limit on annual permit fee increases applies to the proposed Rule 11-18 fees.

American Petroleum and Convenience Store Association:

- Requested justification for increase in Fee Schedule D, Gasoline Transfer at Gasoline Dispensing Facilities, Bulk Plants and Terminals.



Rule Development Schedule

- **February 22, 2017**
 - Public workshop
- **March 15, 2017**
 - Written comments due
- **March 22, 2017**
 - Budget & Finance Committee briefing
- **April 19, 2017**
 - Board of Directors first public hearing to receive testimony only
- **June 21, 2017**
 - Board of Directors second public hearing to consider adoption
- **July 1, 2017**
 - Proposed effective date of fee amendments



AGENDA: 20

Spare the Air – Cool the Climate ***A Blueprint for Clean Air and Climate*** ***Protection in the Bay Area***

Board of Directors

April 19, 2017

Henry Hilken
Director of Planning and Climate Protection



Critical Challenges

Climate Change

- The greatest common global challenge
- The biggest threat to our environment, economy, health and quality of life

Health Inequities

- Equal access to healthy air is a fundamental right that still eludes many Bay Area residents

This Plan focuses on strategies that will help us meet both of these challenges



The Air District's Response

We're launching a critical region-wide effort

- We are committed to providing leadership and taking aggressive action
- We have designed a Plan that enables the Air District to support and accelerate the efforts of other critical actors:

Local governments

Technology innovators

Community & advocacy orgs.

Households

Business & industry

Research/Academia

State Agencies/ARB

Individuals

- We hold ourselves accountable
 - We are responsible for implementing this Plan
 - Staff will report to the Board on our progress annually



What Is This Plan?

Multi-pollutant plan to update 2010 Clean Air Plan

A comprehensive strategy of 85 measures to:

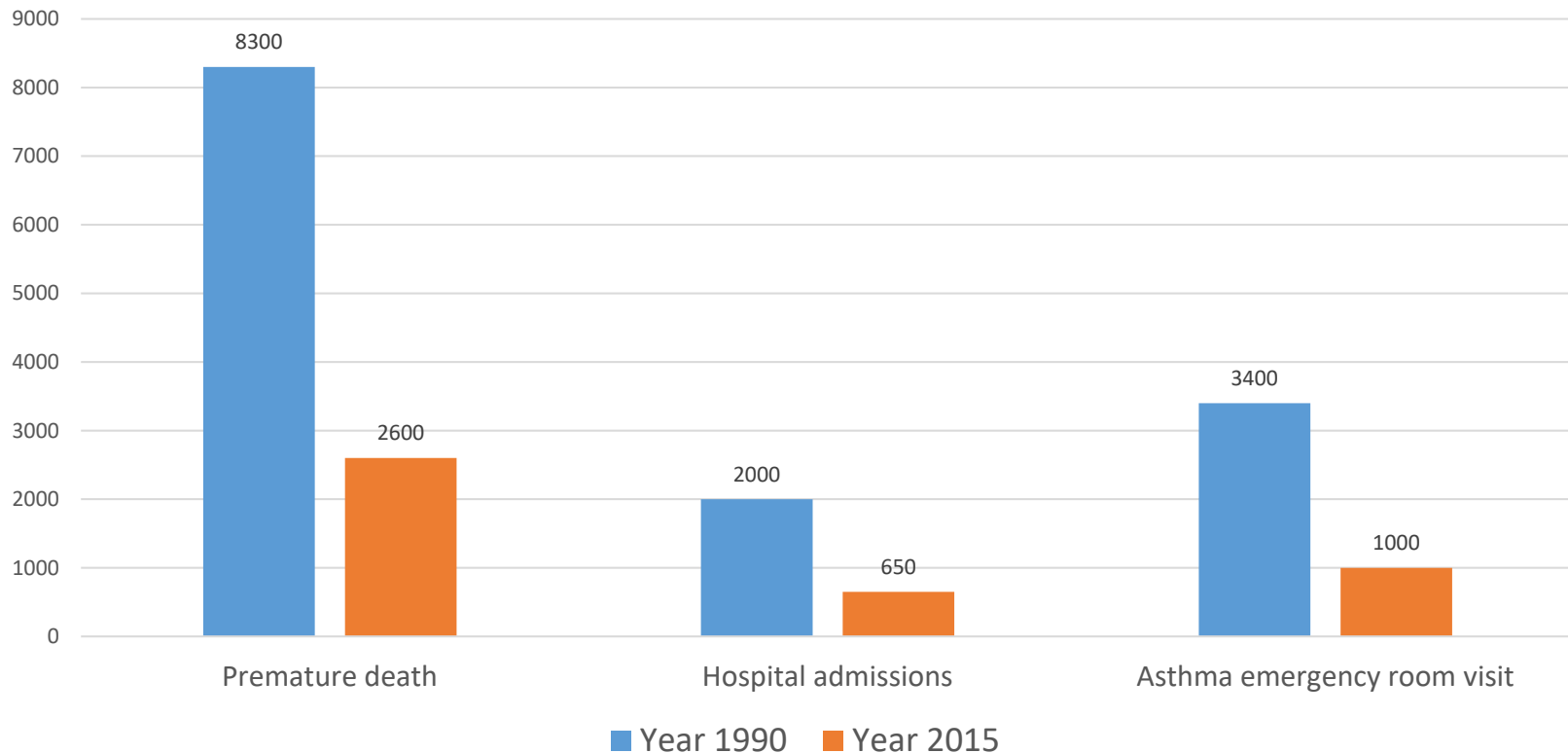
- reduce ozone and fine particles throughout the region
- reduce air toxics in impacted communities
- reduce GHGs toward long-range targets
 - 40% below 1990 levels by 2030
 - 80% below 1990 levels by 2050

This Plan lays out a Bold Vision for a future Bay Area with a thriving economy, truly equitable access to healthy air, and a healthy, secure environment

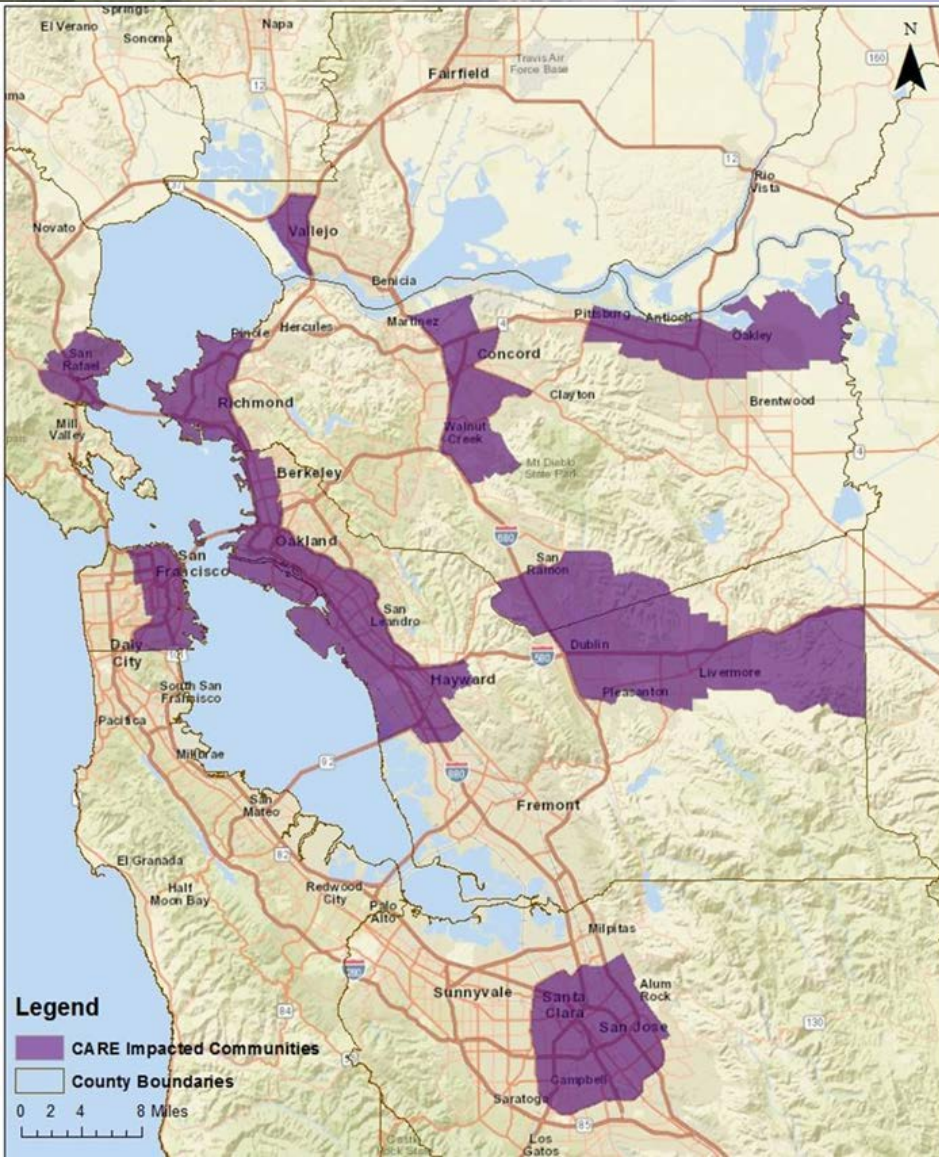
Better Air Quality → Public Health Benefits

- Key health effects have been reduced more than three-fold since 1990
- Better air quality has increased average Bay Area life expectancy by ~ one year

Estimated Annual Cases from Air Pollution in Bay Area



Healthy Air for All Bay Area Residents



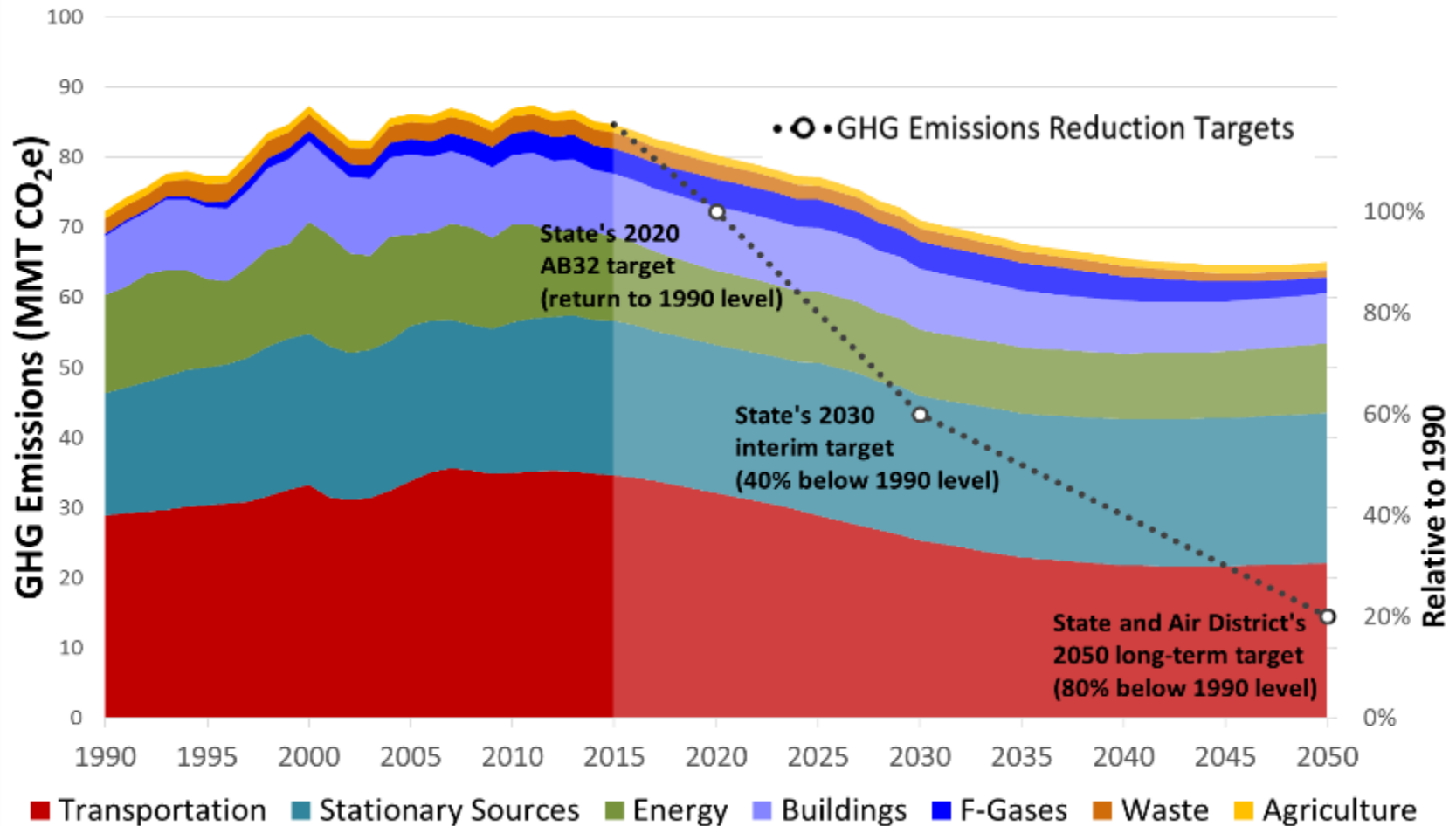
CARE Program identifies Bay Area communities most impacted by air pollution

Regionally: *reduce ozone and PM emissions* to assure long-term compliance with air quality standards

Locally: *eliminate disparities* in local exposure to air pollution

Climate Challenge in the Bay Area

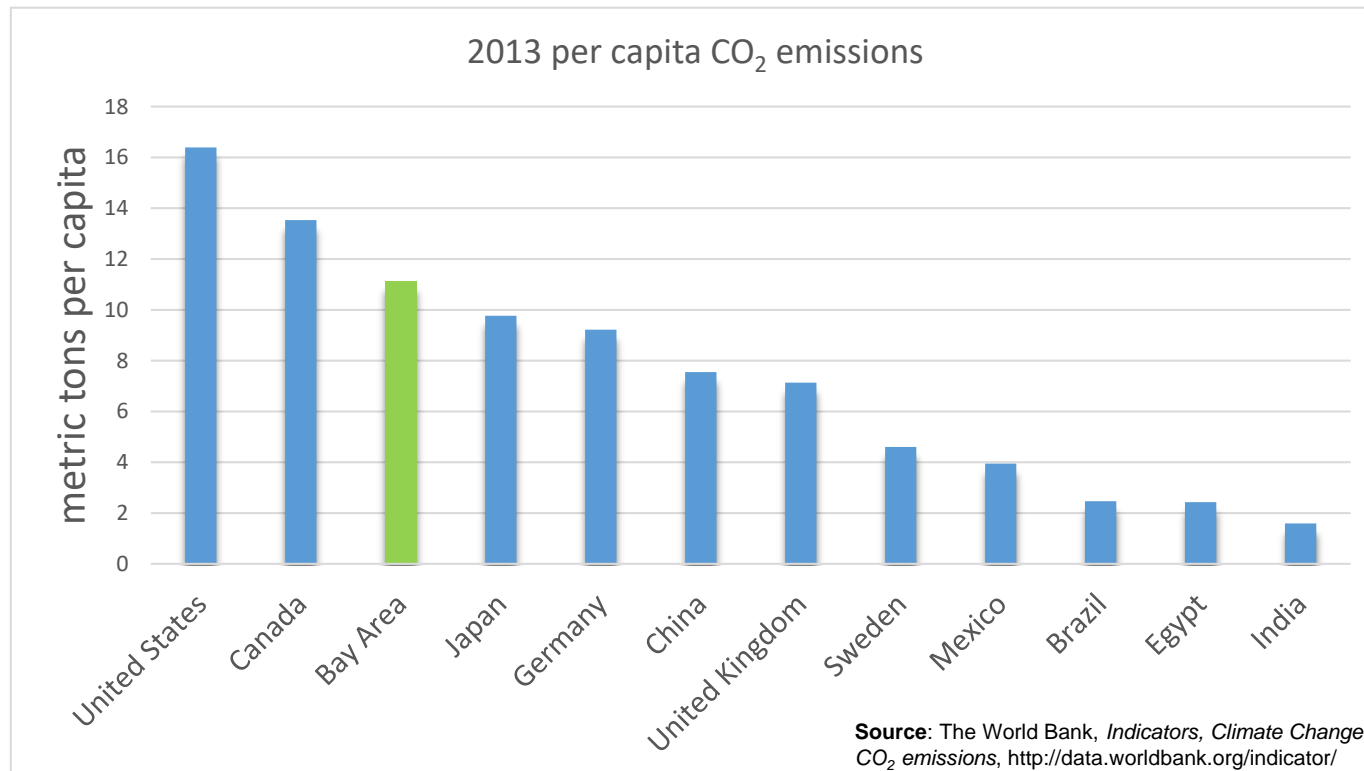
Bay Area GHG Projections to 2050 with Key State Programs



Bay Area Action is Important

The Bay Area is....

- The 21st-largest economy in the world
- The US metropolitan region with the most purchasing power
- A major global contributor to climate change
- A leader whose example is followed



A Bold Vision for 2050

- ✓ Reduce GHG emissions over 80%
- ✓ Eliminate disparities in health risk from air pollution



Power supply is nearly 100% renewable



Buildings are fossil-fuel free

Transportation is based on EVs and renewable diesel



Organics are put to use



Half of all trips are via transit, biking or walking



Oil companies become part of the solution





How Does This Plan Get Us There?

It sets us on a path to 2050 by laying out specific actions the Air District will take over the next 3-5 years

Using all available tools: rules, grants & incentives, partnerships, local gov't collaboration, community engagement, research

Priorities in the Plan:

- Reduce emissions of criteria pollutants and toxic air contaminants from all sources
- Reduce emissions of “super-GHGs” such as methane
- Reduce fossil fuel combustion
- Improve efficiency/reduce demand for fossil fuels
- Decarbonize the energy system/increase renewable energy



Getting There: The Control Strategy

- A near-term strategy for reducing criteria pollutants, air toxics and GHGs
- 85 distinct measures to reduce emissions...

Across all economic sectors:

Stationary Sources (40)

Transportation (23)

Energy (2)

Buildings (4)

Super-GHGs (3)

Waste (4)

Water (2)

Agriculture (4)

Natural & Working Lands (3)

Using many different tools*:

Rule-making (49)

Funding (28)

Model Policies (28)

Outreach/Ed (23)

Advocacy (14)

**Some measures use multiple tools*



Getting There: The Control Strategy

Near-term Priority:
Limit GHGs, criteria pollutants and toxics from refineries and other large stationary sources

Innovation:
Develop region-wide rule-making approach to reduce risk and emissions from many sources comprehensively

CM #	2017 Control Measures
SS 20	Toxics Risk Cap (Rule 11-18)
SS 11	Refinery Emissions Cap (Rule 12-16)
SS 31, 35, 36, 37	Particulate Matter (Rule 6, 6-1, 6-6, 6-7, 6-8)
SS 13	Oil and Gas Production (Rule 8-37)
SS 12	Refinery Carbon Intensity Limits (Reg. 13-1)
SS 9, 17	GHG BACT and Crude Slate in Permits (Rule 2-1, 2-2)
SS 16	Basin-Wide Methane Strategy

CM #	2018 Control Measures
SS 5, 6, 7	Refinery Sulfur Emissions (Rule 9-1)
SS 22	Stationary Gas Turbines (Rule 9-9)
SS 19	Portland Cement (Rule 9-13)
SS 1	Fluid Catalytic Cracking in Refineries (Rule 6-5 Phase 2)
SS 15	Natural Gas Processing and Distribution
SS 40	Odors
WA 1, 2	Landfills and Composting Operations



Getting There: The Control Strategy

Support local gov't efforts to achieve low carbon buildings, renewable energy, trip reduction and zero waste goals through:

- \$4.5 million grant program in FY2017/18 budget
 - *Focus on innovation, replicability, co-benefits and leadership*
- Technology Implementation Office
- Support for Community Choice Energy programs
- Guidance, model ordinances, best practices, tools, networking
- Model Solar Ordinance project





Getting There: The Control Strategy

Aggressively target largest source of GHG, ozone precursor and PM emissions: TRANSPORTATION

- Continue to incentivize electric vehicles (EVs) & EV infrastructure
 - \$17+ million awarded since 2010 for on-road vehicles and charging
 - \$42 million awarded since 2010 for off-road electrification (CalTrain, shore power)
 - \$5 million currently available through the 2017 *Charge!* Program
 - Bay Area goals: 110,000 EVs by 2020, 247,000 EVs by 2025
- Continue to reduce diesel and black carbon emissions
 - ~\$150 million awarded since 2012 to reduce emissions from trucks, school buses, marine vessels, locomotives and off-road equipment
- Work with MTC/ABAG/local governments to reduce VMT
 - Collaborate in developing *Plan Bay Area*
 - Continue funding for shuttle, rideshare and bike programs
 - Support development of strong local climate action plans

What This Plan Achieves

Pollutant	Tons ¹ Reduced	Annual Health Cost Savings	Equivalent Cars Removed
GHGs ²	5.6 million/yr	\$350 million	1,000,000
Ozone (ROG, NOx)	20/day	\$736 million	2,000,000
PM _{2.5}	3/day		

¹ GHGs are in metric tons/year

² Based on 20-year GWP

Intangible, priceless benefits:

- Provide leadership
- Launch a region-wide discussion
- Stimulate engagement from all corners of the region
- Inspire hope in a challenging time

A Community Plan

This is a Plan “of the Community”:

- Hundreds of individual experts and stakeholders have participated in development of this plan
- Demonstrated community buy-in and support
- Widespread public agency participation: MTC, ABAG, BARC, BCDC, local governments, state and federal agencies

It will take widespread collaboration and participation from the entire Bay Area community to make this Plan successful!





Public Comment on the Draft Plan

370 individuals and organizations submitted comments that reflect excitement for the Plan and its Vision:

- Emphasis on the urgency of the goals and need for aggressive action
- Implementation suggestions: act quickly; ideas for partners; thoughts on prioritization and specific actions
- Ideas on how to maximize emission reductions from control measures
- Importance of coordinating with state, regional and local agencies

A photograph of the Golden Gate Bridge in San Francisco, California, spanning across the water. The bridge is a suspension bridge with two large towers and cables. In the foreground, there is a building and some greenery. The sky is clear and blue.

Changes to the Plan

- Add \$4.5 million climate protection grant program and Technology Implementation Office
- Emphasize health and economic benefits of the Plan
- Make the Plan more accessible, understandable and actionable to the public
- Highlight importance of partnerships and collaborations with public agencies and stakeholders (including BARC)
- Update GHG emissions forecast
- Update control measure descriptions
- Acknowledge need to address economic transition issues such as workforce development

An Unprecedented Journey

Road to 2050



We are embarking on an unprecedented journey to lead the Bay Area to a better future

Every household, business, organization and individual has tremendous power to make a difference



Bay Area Leadership

We have all the elements of success:

- Support at the State level
- Dedicated elected officials
- The most committed populace
- A culture of innovation
- A progressive business community
- A vast network of dedicated community organizations



**Our Plan provides the blueprint for the first steps
in this journey**



Recommended Action

Staff recommends that the Board of Directors:

1. Certify the *Final Program Environmental Impact Report*;
2. Adopt the *Findings and Statement of Overriding Considerations set forth in the Final EIR*
 - *All feasible mitigation measures and project alternatives have been evaluated,*
 - *The air quality and climate benefits of the 2017 Plan outweigh the significant water supply impacts, and;*
3. Adopt the proposed 2017 Clean Air Plan entitled *Spare the Air, Cool the Climate*.

Winter PM_{2.5} Seasons

Year	Days > 35 µg/m ³	Winter Spare the Air Alerts
2013/2014	15	30
2014/2015	6	23
2015/2016	0	1
2016/2017	0	7

- **Spare the Air Alert Called for:** 12/19/16, 12/20/16, 12/21/16, 12/22/16, 1/17/17, 1/30/2017, 2/1/2017
- **Days > 35 µg/m³ 24-hr NAAQS:**