



**BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT**

Proposed Amendments to Regulation 3: Fees

**Pamela Leong
Director of Engineering**

**Board of Directors Meeting
May 1, 2019**

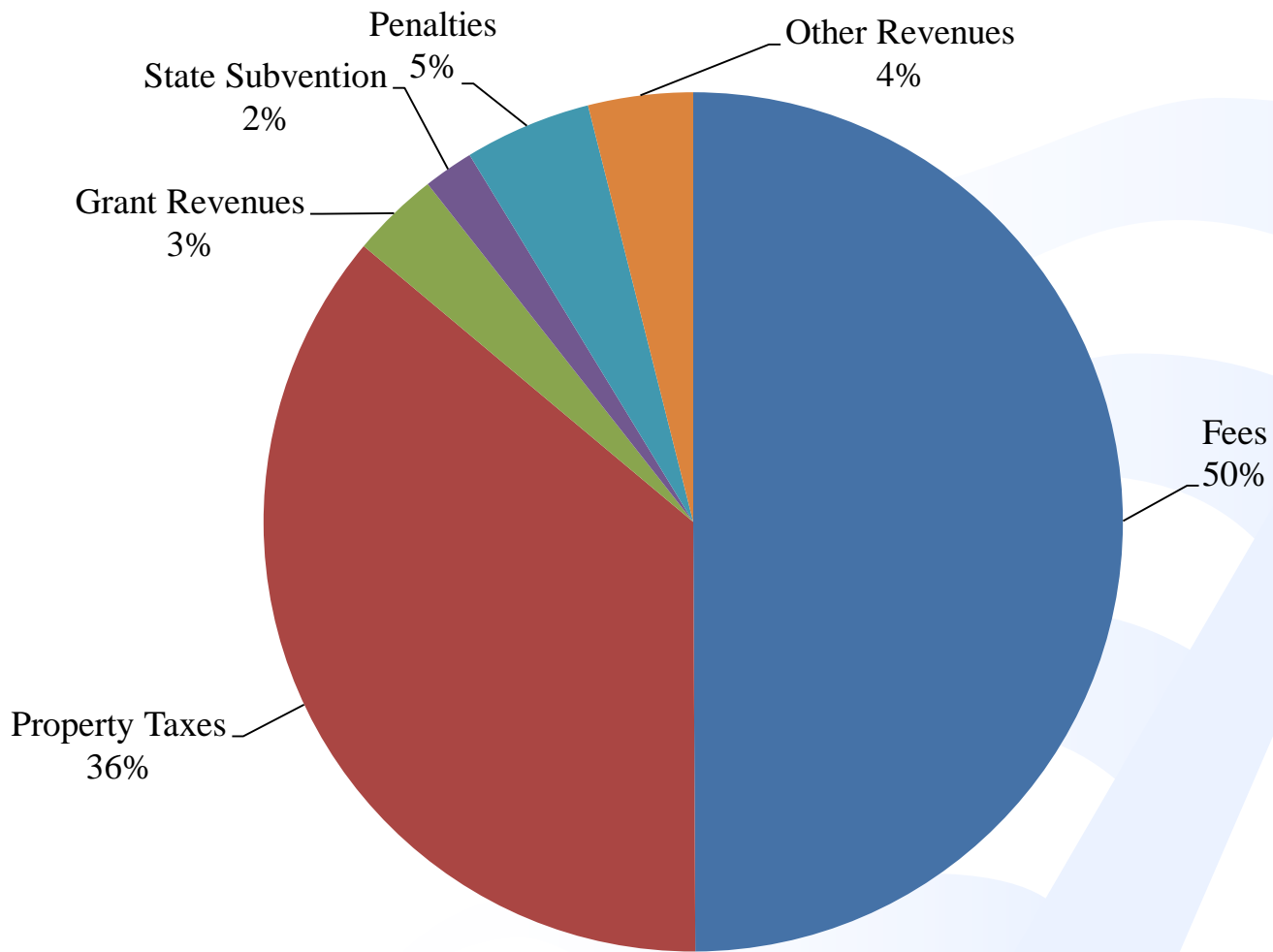


Agenda

1. Cost Recovery Background
2. Draft Fee Amendments
3. Impacts to Large and Small Businesses
4. Comments Received
5. Rule Development Schedule



Revenue Sources – Fiscal Year Ending (FYE) 2018





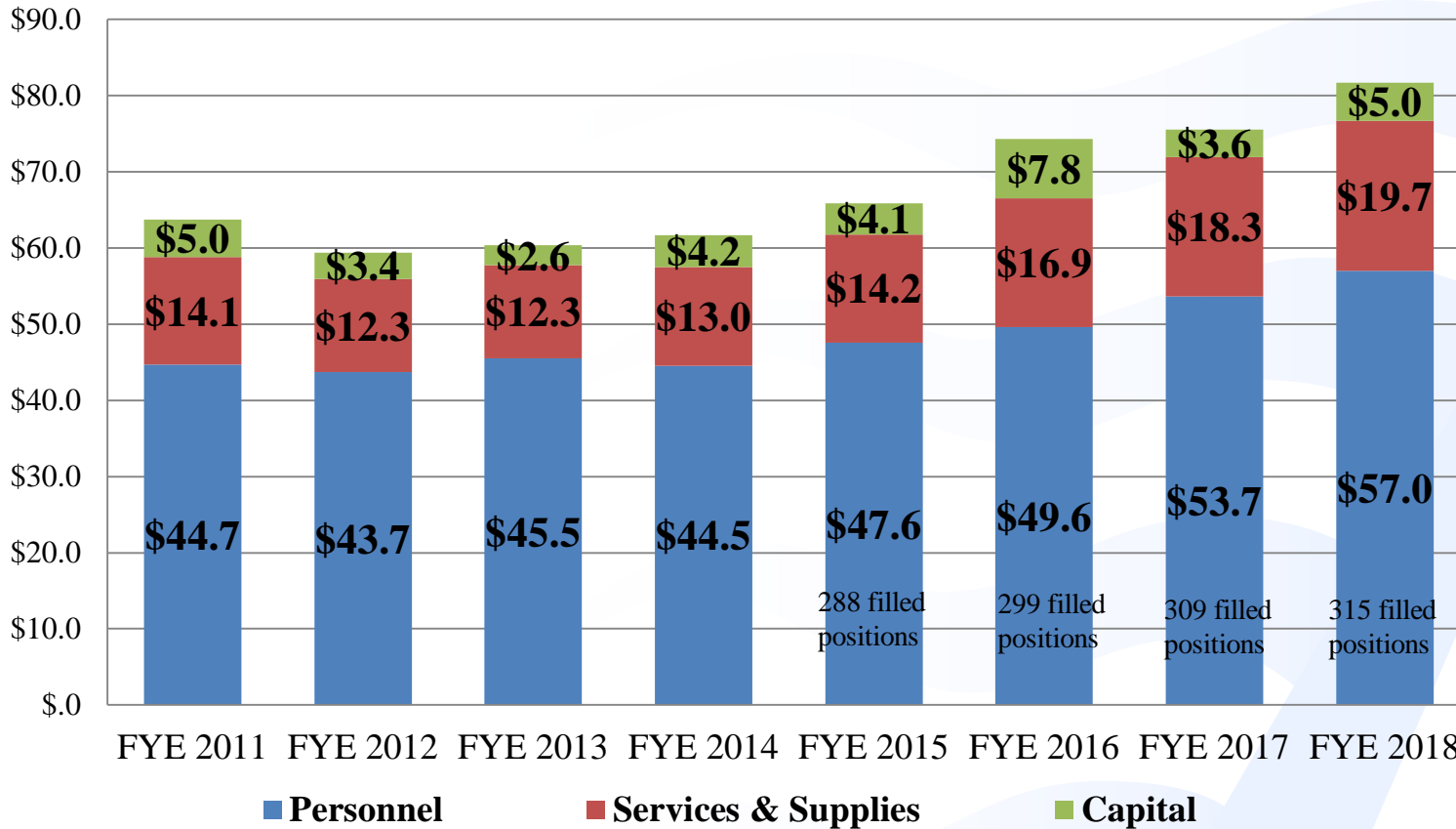
Cost Recovery Background

- Air District has authority to assess fees to recover the reasonable costs of regulating stationary sources
- Board of Directors (Board) set goals of increasing cost recovery to a minimum of 85%
- Fee amendments will be made in consideration of cost recovery analyses conducted at the fee schedule-level
- Air District will implement feasible cost containment measures
- New and enhanced programs reduce cost recovery



Trends in Expenditures

Audited General Fund Expenditures (millions)





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%





Trends in Cost Recovery (cont'd)

➤ Fee revenue falls short of overall full cost recovery
(cont'd)

- FYE 2015: Cost recovery = 83%
- FYE 2016: Cost recovery = 82%
- FYE 2017: Cost recovery = 83%
- FYE 2018: Cost recovery = 84%



Proposed Changes to Fee Schedules

Revenue from Fee Schedule	Change in Fees	Fee Schedules
95 – 110% of costs	3.9% increase** (CPI-W*)	B, F, M, V
85 – 94% of costs	7% increase	G3
75 – 84% of costs	8% increase	P, T
50 - 74% of costs	9% increase	E, H, W
Less than 50% of costs	15% increase**	A, G1, G2, G4, K, S

* The annual Consumer Price Index for Bay Area Urban Wage Earners and Clerical Workers (CPI-W) increase from 2017 to 2018.

** 2018 Matrix Consulting Group Cost Recovery & Containment Study recommendations.

Note: For Schedule D, a 6% increase is proposed, although cost recovery would have allowed an 8% increase. Schedule D covers gasoline stations and many are small businesses.

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Other Proposed Amendments

Schedule E: Solvent Evaporating Sources

- Revisions to clarify when minimum and maximum fees apply for each source.

Schedule L: Asbestos Operations

- Delete the fee specific to mastic removal by mechanical buffers so as to assess fees for such work at the same rate as for other regulated asbestos containing material removal work.



Other Proposed Amendments (cont'd)

Schedule N: Toxic Inventory Fees

- Revise Schedule N to recover the costs for Assembly Bill (AB) 2588 fees to be paid to the California Air Resources Board and for staff to conduct AB 2588 work.

Schedule S: Naturally Occurring Asbestos Operation

- Include a \$325 fee in Schedule S to recover the costs for Asbestos Dust Mitigation Plans amendments.

Other Proposed Amendments (cont'd)

- Specific fees in Regulation 3 proposed to be increased 3.9% based on the CPI-W (filing fees, banking fees, public notice fees, exemption fee, permit renewal processing fees, etc.).
- Revise Section 3-302 to specify that for those applicants that qualify for both the Small Business Discount (50%) and Green Business Discount (10%), only the 50% higher discount shall be applied.
- Revise Section 3-304, Alteration, to clarify that the risk assessment fee shall only be charged when the alteration required a health risk assessment.



Other Proposed Amendments (cont'd)

- Revise Section 3-311 to align the current rule language with established Air District practice for emission reduction credit transactions.
- Add Section 3-343 to recover the Air District's costs for air dispersion modeling done to meet a District regulatory requirement.
- Revise Section 3-405.5 to reduce additional late fees charged to invoices for registration and other fees which are more than 30 days late from 50% to 25%.



Impact on Large Facilities: Power Plants

	Annual % Permit Fee Increase/Decrease (Fiscal Year Ending)					2019 Permit Fee
	2016	2017	2018	2019	2020 Projected	
Delta Energy	12.6	-0.8	-7.0	-13.5	5.8	\$ 369,630
Los Medanos	15.0	-6.0	7.3	15.0	6.9	\$ 407,474
Gateway	15.0	8.5	-7.6	12.0	6.0	\$ 331,320
Crockett Cogen	13.2	0.8	2.5	0	5.8	\$ 230,111



Impact on Large Facilities: Petroleum Refineries

	Annual % Permit Fee Increase/Decrease (Fiscal Year Ending)					2019 Permit Fee for 16 months*
	2016	2017	2018	2019*	2020 Projected	
Chevron	9.3	14.7	1.2	-0.5	12.0	\$4.9 M
Shell	5.8	15.0	4.0	5.6	11.7	\$4.6 M
Phillips 66	3.4	14.6	2.3	4.2	8.5	\$2.3 M
Valero	11.9	15.0	2.4	-0.2	13.3	\$2.5 M
Tesoro	15.0	2.2	-8.5	15	1.9	\$3.1 M

*Permits to Operate extended from 8/1/18 to 12/1/2019 (16 months) to allow use of Rule 12-15 emission inventories to calculate emissions and permit renewal fees. Increase based on ratioed (12/16) amount.

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Impact on Small Businesses

➤ Proposed FYE 2019 fee increases:

Facility Type	Current Fees (prior to change)	Proposed Fee Increase	Total Fees (post change)
Gas Station	\$2,820	\$169	\$2,989
Dry Cleaner (permitted)	\$518	\$0	\$518
Dry Cleaner (registered)	\$259	\$0	\$259
Auto Body Shop	\$532	\$0	\$532
Back-up Generator	\$274	\$11	\$285

The top of the slide features a photograph of the Golden Gate Bridge in San Francisco, California, spanning across the water under a clear blue sky. The bridge's iconic orange-red towers and suspension cables are prominent. In the foreground, a building and some greenery are visible on the left side of the bridge.

WSPA Comments Received

Western States Petroleum Association (WSPA)

- Specificity and transparency in timekeeping and expenditures
- Permit application fees should be in alignment with service and complexity
- Third-party contractor analysis of employee timekeeping
- Public workgroup to review and make recommendations to realign fees for the appropriate level of service



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CCEEB Comments Received

California Council for Environmental and Economic Balance (CCEEB)

- Funding and expenditures for AB 617 and impact on fees
- Revenues, trends and activities for each fee schedule
 - Funding and expenditures for Schedules W, X, N and T
- Services being provided by outside contractors
- Permit fee increases should be in line with improvements in level of service
- Alignment of fee schedules with Budget revenue categories





Timekeeping Improvements

- Employee Handbook
- Cost Recovery Timekeeping Video
- District-Wide Training
- New and Expanded Timecodes
- Quarterly Oversight Meetings
- Meeting with WSPA and CCEEB to Discuss Transparency Concerns





2019 Rule Development Schedule

- **February 19, 2019:** Public workshop
- **March 21, 2019:** Written workshop comments due
- **March 22, 2019:** Budget & Finance Committee briefing
- **May 1, 2019:** Board of Directors first public hearing to receive testimony only



2019 Rule Development Schedule (cont'd)

- **May 9, 2019:** Written public hearing comments due
- **June 5, 2019:** Board of Directors second public hearing to consider adoption
- **July 1, 2019:** Proposed fee amendments effective



BAY AREA
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AGENDA: 20

Update on Mobile Source Emissions Reductions Measures

Board of Directors Meeting
May 1, 2019

Greg Nudd
Deputy Air Pollution Control Officer

How Much is Local?

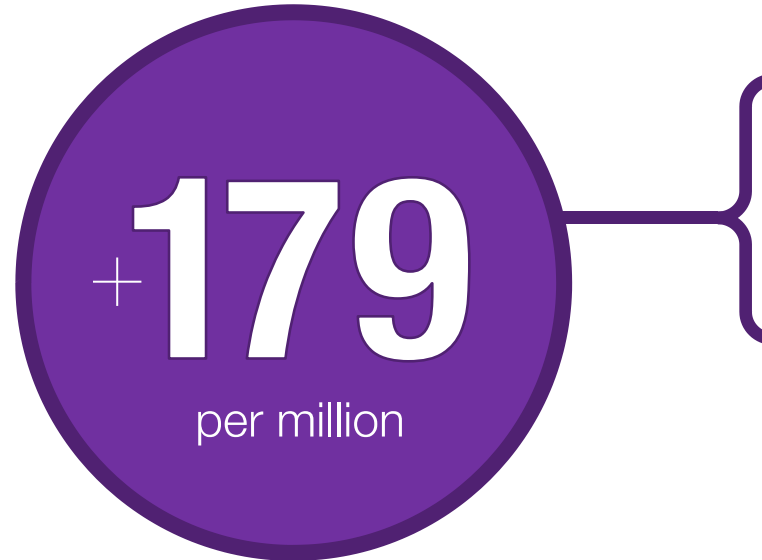
DRAFT 2019-04-23

Modeled Impact, on Residential Cancer Risk, of **Local (versus Regional)** Emissions of Toxic Air Contaminants

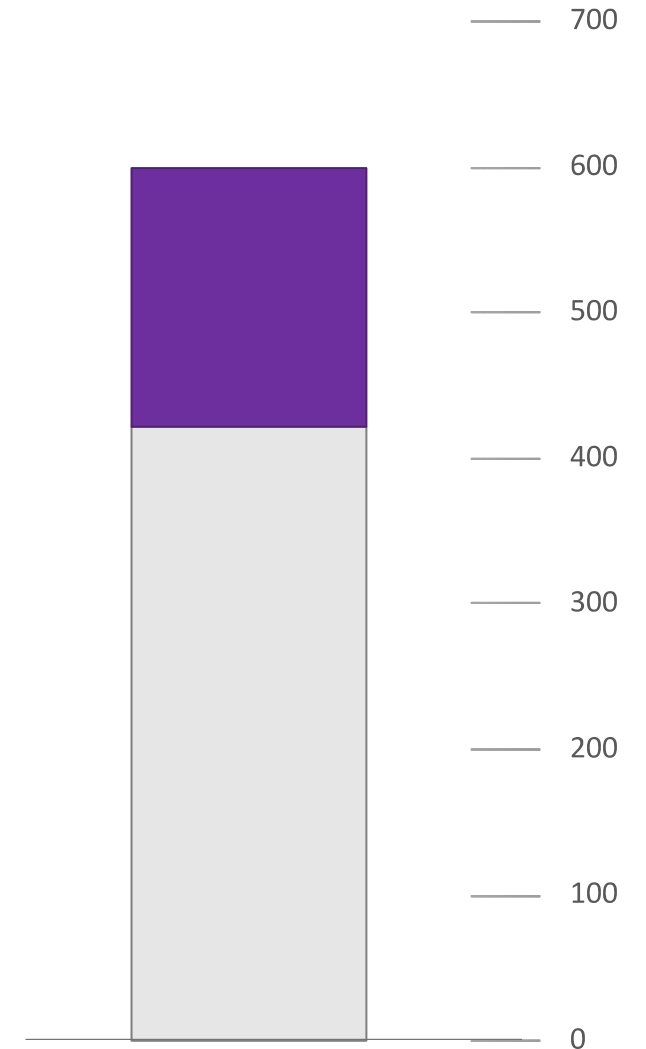
Top Local Contributors*

- Marine Vessels (**34%**)
- Trucks (**33%**)
- Rail (**20%**)

Cancer Risk



■ Local model – mapped impacts
□ Regional model (minus West Oakland)

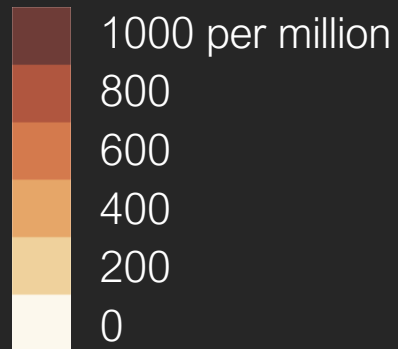


* cancer risk from construction was not modeled

Modeled Impact of Local Sources on Residential Cancer Risk

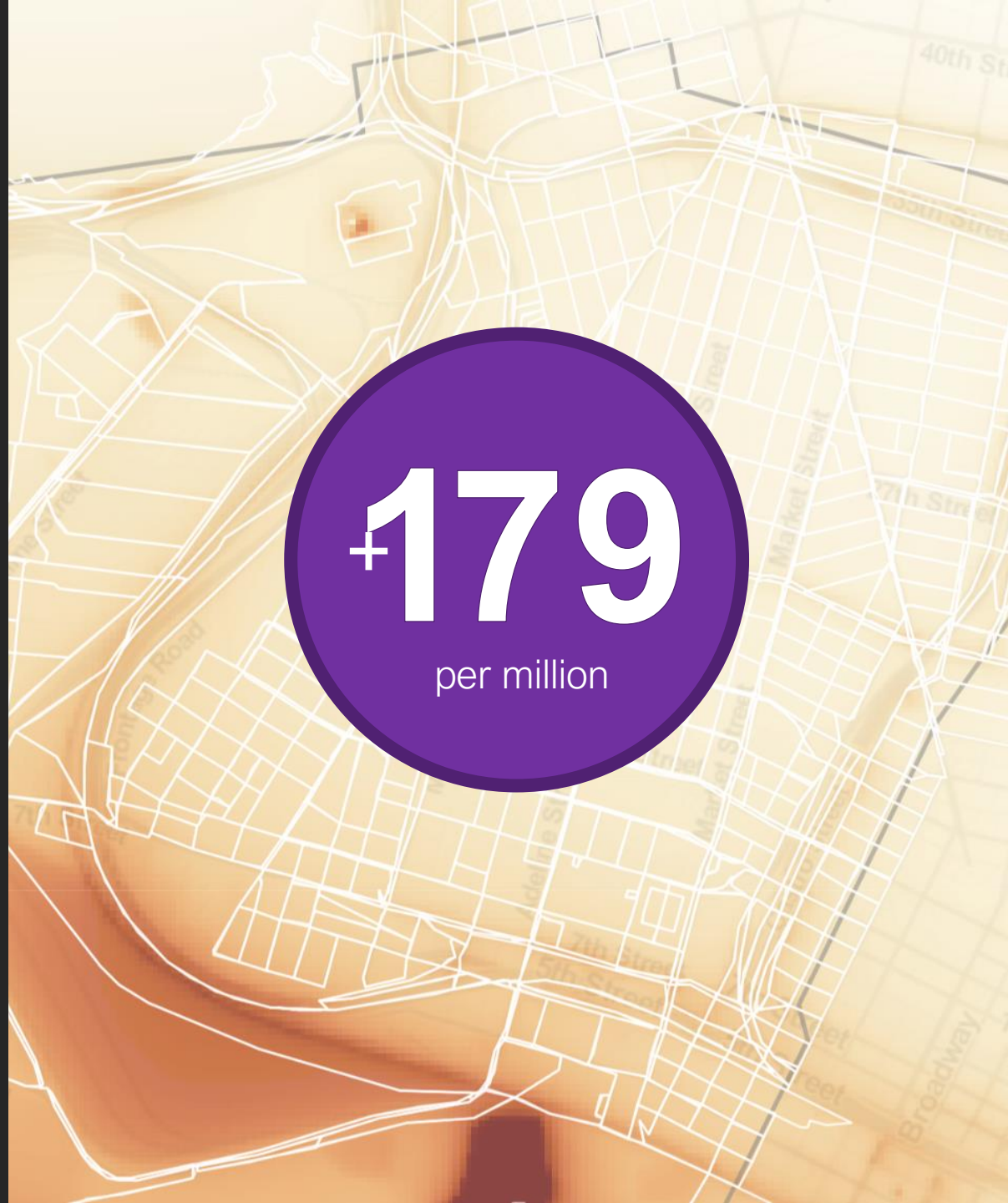
Cancer Risk

DRAFT 2019-04-23



Top Contributors:

- Marine Vessels (34%)
- Trucks (33%)
- Rail (20%)



Impacts on Cancer Risk (30-yr, per million)

Highway

Heavy/Medium HD trucks	20.5	11%	<div style="width: 11%;"></div>
Passenger vehicles	5.4	3%	<div style="width: 3%;"></div>
Light HD trucks	1.3	1%	<div style="width: 1%;"></div>

Street

Heavy/Medium HD trucks	24.0	13%	<div style="width: 13%;"></div>
Passenger vehicles	5.5	3%	<div style="width: 3%;"></div>
Light HD trucks	1.6	1%	<div style="width: 1%;"></div>

Port

Harbor craft	22.5	13%	<div style="width: 13%;"></div>
OGV (berthing)	16.5	9%	<div style="width: 9%;"></div>
OGV (maneuvering)	10.5	6%	<div style="width: 6%;"></div>
Dredging	6.1	3%	<div style="width: 3%;"></div>
Drayage trucks [†]	3.7	2%	<div style="width: 2%;"></div>
Cargo handling	3.4	2%	<div style="width: 2%;"></div>
Railyard (OGRE)	2.2	1%	<div style="width: 1%;"></div>
Railyard (BNSF)	1.6	1%	<div style="width: 1%;"></div>
Bunkering (tugs + pumps)	1.0	1%	<div style="width: 1%;"></div>

Rail

Railyard (UP)	18.0	10%	<div style="width: 10%;"></div>
Rail lines	14.9	8%	<div style="width: 8%;"></div>

Permitted

Schnitzer (stationary)	3.7	2%	<div style="width: 2%;"></div>
Other facilities	2.0	1%	<div style="width: 1%;"></div>
EBMUD	1.5	1%	<div style="width: 1%;"></div>

Other

Schnitzer (trucks)	7.5	4%	<div style="width: 4%;"></div>
Ferries	2.5	1%	<div style="width: 1%;"></div>
Schnitzer (ships at berth)	2.3	1%	<div style="width: 1%;"></div>
Truck-related businesses	0.9	1%	<div style="width: 1%;"></div>

179.1 100%

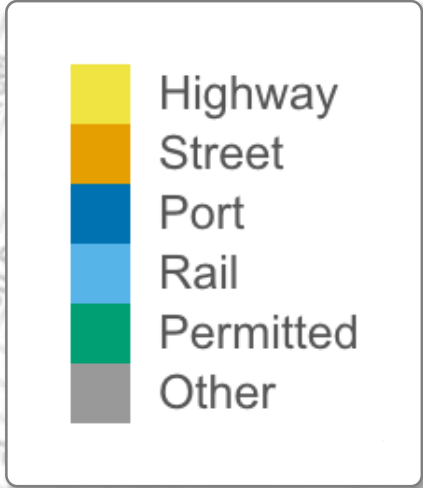
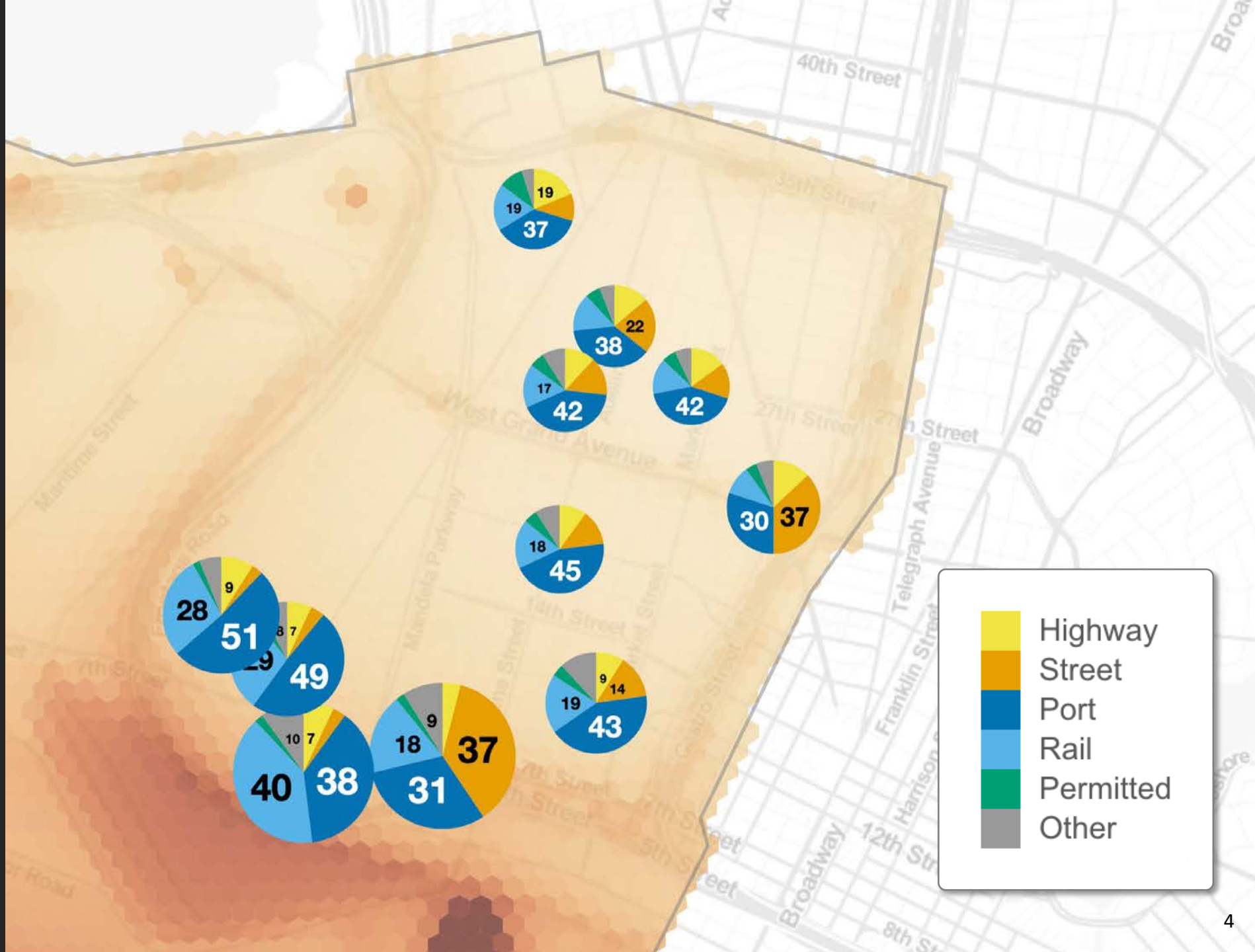
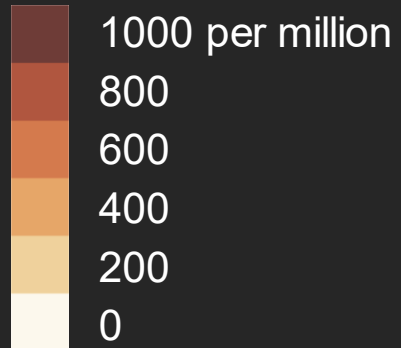
Modeled Impact of Local Sources on Residential

Cancer Risk

Top Local Contributors*

- Marine Vessels (34%)
- Trucks (33%)
- Rail (20%)

* cancer risk from construction was not modeled



Bay Area Air Quality Management District Board of Directors Meeting

May 1, 2019



Reducing Diesel PM from Freight to Protect Communities



CARB milestones for diesel PM

- 1998: identify diesel PM as an air toxic in California
- 2000: adopt Diesel Risk Reduction Plan to cut health risk 85% statewide by 2020
- 2003+: adopt series of rules for cleaner fuels & fleets

2000 Diesel Risk Reduction Plan

Risk Reduction Plan to Reduce Particulate Matter Emissions from Diesel-Fueled Engines and Vehicles



California Environmental Protection Agency
 Air Resources Board

Stationary Source Division
Mobile Source Control Division

October 2000

CARB freight strategies implemented



TRUCKS

- Drayage trucks
- All truck fleets
- Optional low-NOx standards
- Tractor-trailer GHG
- Idling limits
- Smoke limits
- International trucks
- Transport refrigeration



SHIPS

- Lower sulfur fuel
- Shore power
- Ban on incineration
- Ports: vessel speed reduction



LOCOMOTIVES

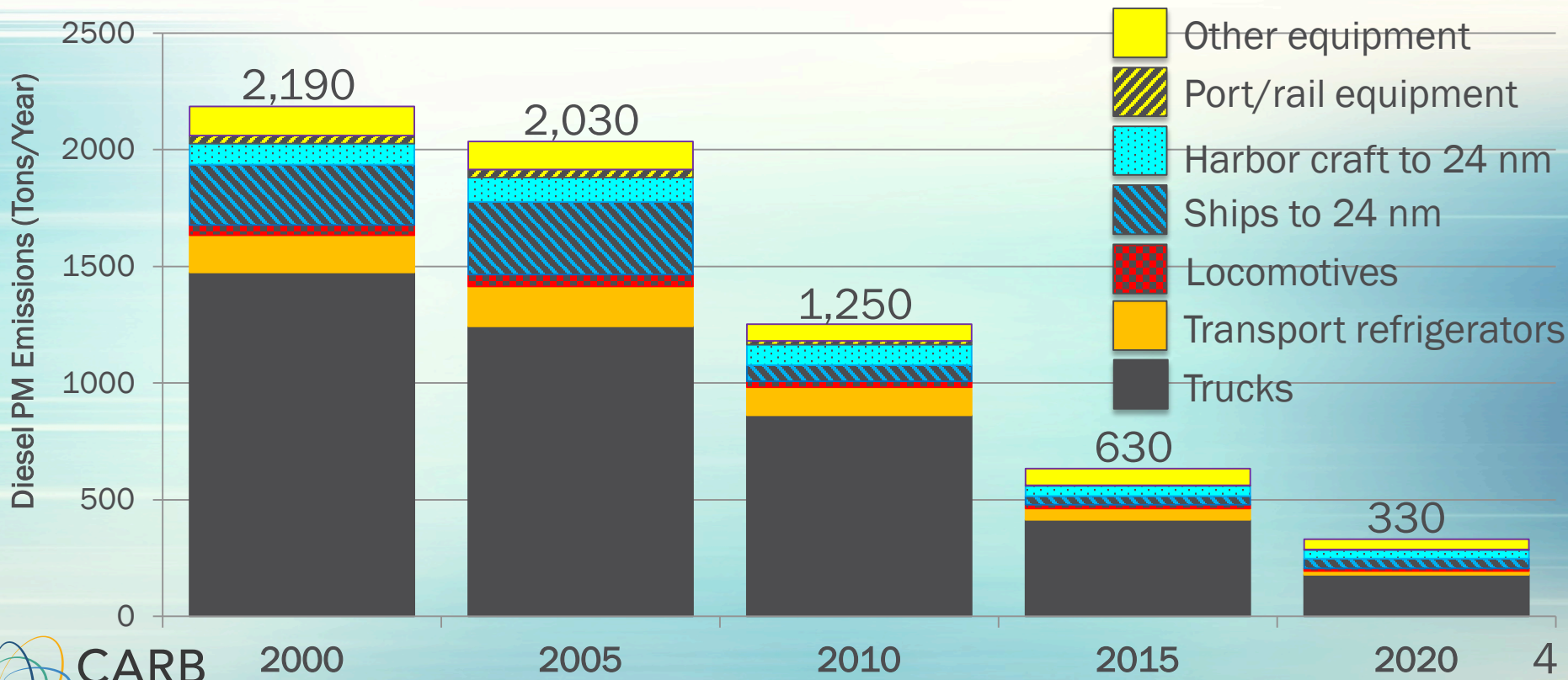
- Low sulfur fuel
- Fleet average NOx limits for South Coast
- Diesel PM risk reduction at rail yards



EQUIPMENT & HARBOR CRAFT

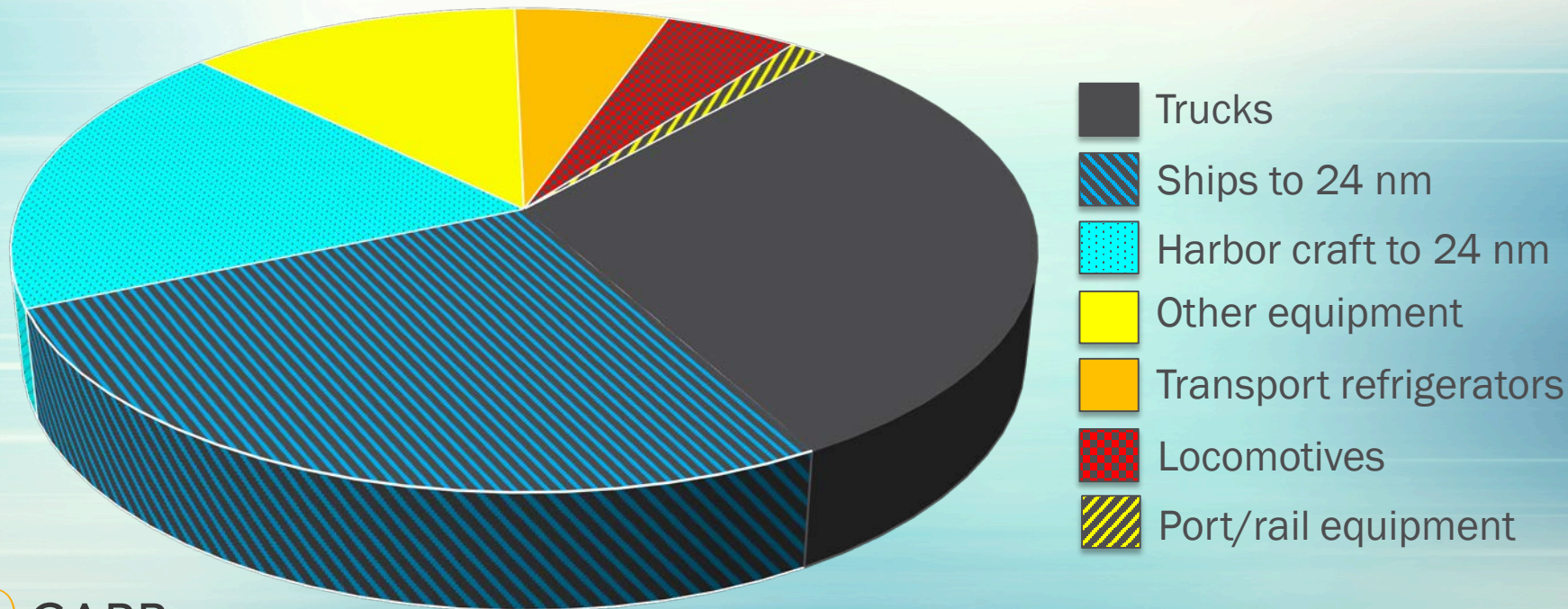
- Low sulfur fuel
- In-use diesel equipment at ports, railyards
- In-use gas forklifts
- Ground service equipment
- In-use harbor craft

85% reduction in freight diesel PM from 2000 - 2020 in Bay Area



Freight diesel PM will decline another 40% from 2020 – 2025 in Bay Area

2025 emissions: 190 tons per year



Expansion of California's strategies to reduce freight impacts

Greenhouse gas cuts and efficiency to combat climate change

Cleaner diesel fuel/ equipment for toxics & regional attainment

Focus on community health impacts (AB 617)

Zero-emission operations supported by facility infrastructure

Heavy-duty on-road electric market* today

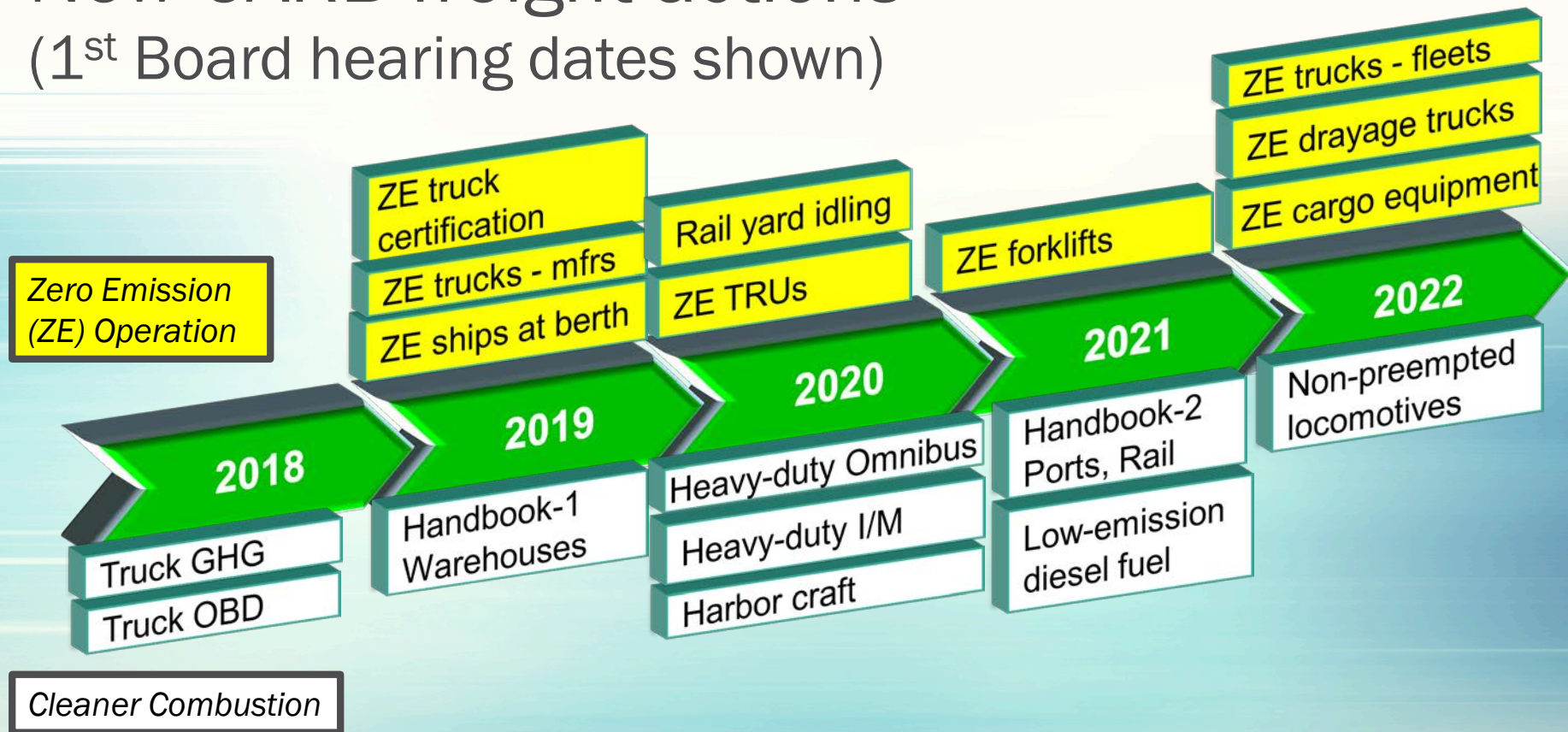
	Class 2B-3	Class 4-5	Class 6-7	Class 8
Commercial Today	 Lightning Systems	 WALLY	 AmeriPride	 BYD
Commercial Soon	 B	 Mitsubishi	 H	 TESLA
Demos	 Mercedes	 ISUZU	 Peterbilt	 TOYOTA

Zero-emission heavy duty passenger vehicles

- ✓ Innovative Clean Transit (adopted)
 - Transit buses, cutaway shuttles
 - Transition to zero from 2023-2040
 - Exemptions to safeguard service
- Zero-Emission Airport Shuttle Bus (pending)
 - Shuttles, buses, passenger vans
 - Transition to zero by 2027-2035



New CARB freight actions (1st Board hearing dates shown)



Truck concepts (for new models)

- Heavy-duty “Omnibus” regulation
 - Low NOx engine standard, plus more rigorous testing, durability demonstration, longer useful life and warranty periods
- Advanced Clean Trucks (zero emission), implementation beginning 2024
 - Phase 1: Manufacturer sales %
 - Phase 2: Large fleet purchase %



Reality check: programs to assess emissions



- Certification
- Warranty reporting
- Manufacturer in-use testing
- Laboratory dynamometer testing
- On-road assessments
- Vehicle and smoke inspections



Ships at berth concepts



Add: oil tankers



Add: roll-on, roll-off carriers

- Current control requirements for covered vessel fleets increase from 70% to 80% of visits in 2020
- Focus on requiring more vessel visits & types, ports & terminals to reduce emissions at berth, plus expand accountability

Three technologies are in use today at California ports:



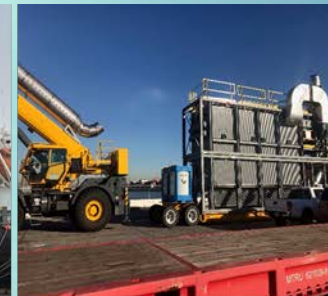
Shore power



Barge-based capture & control



Land-based capture & control



Transport refrigeration unit (TRU) concepts

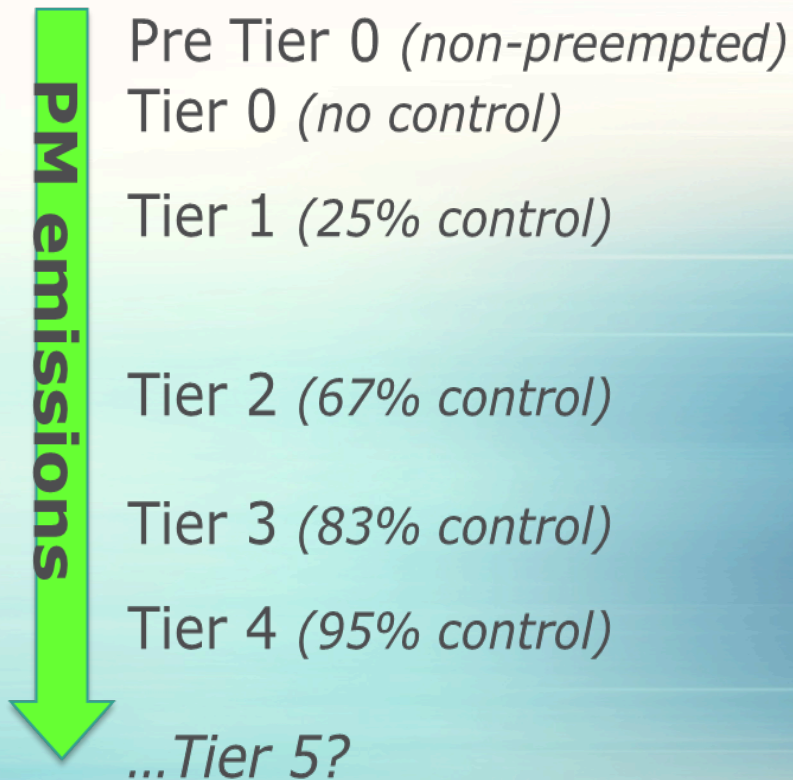
- Current rule requires cleaner diesel
- But still elevated health risks from TRUs at cold storage warehouses, groceries
- Focus on transitioning to zero emission operation
 - Zero emission truck TRUs
 - Plug-in trailer TRUs when stationary
 - Facility infrastructure
 - Electronic tracking for enforcement



Rail yard concepts

- Incentive projects underway
 - Upgrades to Tier 4
 - Zero emission demonstrations
- Focus on expanding enforceability of locomotive idling limits and accelerating upgrades of older, dirtier locomotives

US EPA locomotive standards

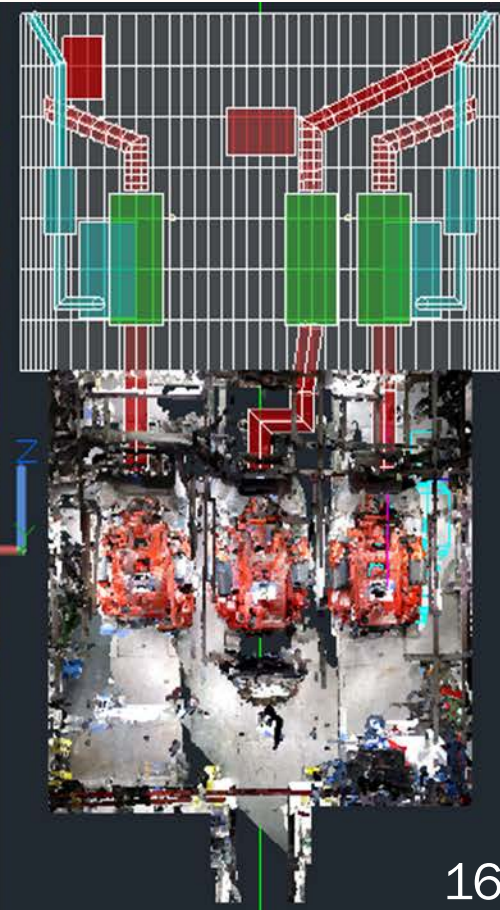


Harbor craft concepts

- Current rule requires engine upgrades over time; incentives are cost-effective
- Focus on cleaner combustion for in-use and new engines
- Support introduction of zero-emission ferries and tour boats



Harbor craft contracts



Schematic of engine room
with clean technology added
(Cal Maritime Academy)

State grants & rebates

Low Carbon Transportation

GHG reductions

\$455M for FY 18-19

AQIP

Criteria pollutant and toxics reductions

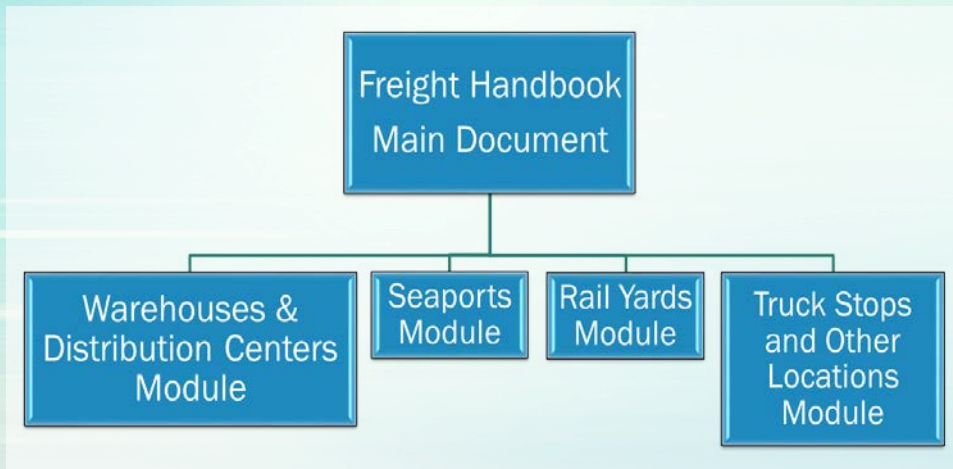
\$28M for FY 18-19

AB 617	Carl Moyer	Prop 1B	FARMER	VW Mitigation Trust
Criteria and toxics reductions for community goals	SIP emission reductions	PM and NOx reductions in goods movement corridors	Criteria pollutant, toxics, and GHG reductions	NOx mitigation
\$245M for FY 18-19	\$78M for FY 18-19	Already Awarded	\$132M for FY 18-19	\$423M for 2017+

Freight Handbook

(a guide to siting, designing, constructing, & operating freight facilities)

- Recommendations that advocates can use locally
- Tools for local decision makers to avoid/mitigate pollution
- “Best practices” for facilities to support zero-emissions



CARB path forward on freight

New CARB rules w/
facility infrastructure

District & port
initiatives

Protect
communities
near freight
facilities

Stricter federal &
international standards

Incentives for
transition to zero



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