



DEPARTMENT OF  
**ECOLOGY**  
State of Washington

## **Air Operating Permit Final Report Fiscal Year 2008**

Publication Number: 09-02-011

*If you need this publication in another format, please contact the Air Quality Program at (360) 407-6800.  
If you have a hearing loss, call 711 for Washington Relay Service. If you have a speech disability, call 877-833-6341.*

## **Table of Contents**

Introduction	Page 3
Financial Summary	Page 3
Time Accounting Summary	Page 4
Activities Completed	Page 4
Pre-billing and Billing Statements	Page 5
Refunds and Rebates	Page 5
Fee Collection and Late Payments	Page 5
Audit Summary	Page 6
EPA State Review Framework	Page 8

## Introduction

This report summarizes the Air Operating Permit (AOP) program for Fiscal Year (FY) 2008. The reporting period is July 1, 2007 through June 30, 2008.

Ecology made two significant changes in FY2008:

1. Ecology adjusted the workload model to more closely reflect program administration costs and development and oversight costs (D&O). Both program administration and development and oversight costs are passed on to Ecology's AOP sources. Development and oversight costs are also passed on to local air quality agencies.
2. Ecology adjusted the way complexity points are used to calculate Ecology's AOP fees. To calculate the dollar per point complexity fee, each complexity point assigned to each source in Ecology's jurisdiction was squared before summing. This allows Ecology to better account for the complexity of large complicated sources within the current AOP fee structure.

If you have questions about the information in this report, contact Crystal Alford at [crya461@ecy.wa.gov](mailto:crya461@ecy.wa.gov) or at (509)329-3595.

## Financial Summary

Revenue:

Billed Revenue	\$1,242,822.20
Collected Revenue	\$1,292,744.52
Difference	\$49,922.30

The difference between the amount billed and the amount collected is due to the following:

- Several past due accounts were collected during this fiscal year. This resulted in collection of an additional \$106,731.37 in fees that were not billed in FY2008.
- After the close of FY2008, Ecology discovered that an AOP fee was deposited into another fund. Because this was not discovered until after the close of the fiscal year, the revenue will be credited to FY 2009.
- A small credit from the previous biennium was applied to the Air Operating Permit fund.

Annual Budget	\$1,327,028.59
Annual Budget After Rebates	
Actual Expenditures	\$1,277,110.20
Difference	\$ 1,926.52

Collected Revenue	\$1,292,744.52
Actual Expenditures	<u>\$1,277,110.20</u>
Difference	\$ 15,634.32

## Time Accounting

	Budgeted Total FTEs	Actual Total FTEs	Difference (Budgeted – Actual)
Industrial Section (IND)	3.73	3.55	0.180
Nuclear Waste Program (NUC)	1.39	1.24	0.15
Department of Health (DOH)	0.25	0.12	0.13
HQ – Program Development Section (PDS)*	1.35	0.90	0.45
HQ – Technical Services Section (TSS)	0.79	0.80	-0.01
HQ – Financial (FIN)	0.073	0.041	0.032
HQ – Program Manager (PM)	0.11	0.099	0.011
Eastern Regional Office (ERO)**	2.23	1.87	0.36
Central Regional Office (CRO)***	1.00	0.58	0.42
<b>Totals</b>	<b>10.92</b>	<b>9.20</b>	<b>1.72 (under budgeted)</b>

\*The Program Development Section’s AOP Coordinator position was vacated in January 2008, and the position wasn’t re-filled until mid-April 2008.

\*\*The Eastern Regional Office’s Permit Manager position was vacated in mid-April 2008 and not refilled until late July 2008.

\*\*\*There was an increase in the number and complexity of new source review applications received by the Central Regional Office. Staff helped develop general order permits and Chapter 173-460 WAC revisions, which delayed processing of AOP submittals and renewals.

## Activities Completed

The table below shows budgeted vs. actual work done on some of the major activities from the workload model:

	Activity	Budgeted Work	Actual Work Completed
Industrial Section (IND)	1. Permit Renewal	0	1
	2. Draft Permit	1.5	0
	3. Final Permit	0	0
	4. Permit Mod.	5.2	1
	5. Inspections	10	8
Nuclear Waste Program (NUC)	1. Permit Renewal	0	0
	2. Draft Permit	0	1
	3. Final Permit	0	0
	4. Permit Mod.	2	2
	5. Inspection	1	1

Central Regional Office (CRO)	1. Permit Renewal	0	0
	2. Draft Permit	2	1
	3. Final Permit	0	0
	4. Permit Mod.	1	1
	5. Inspections	5	5
Eastern Regional Office (ERO)	1. Permit Renewal	5	6
	2. Draft Permit	1	5
	3. Final Permit	1	0
	4. Permit Mod.	6	0
	5. Inspections	10	6

### **Pre-billing and Billing Statements**

Pre-billing:

- Ecology sent pre-billing statements of AOP fees to Ecology AOP sources by October 22, 2007.
- Ecology sent pre-billing statements of D&O fees to each local air agency by October 19, 2007.

Billing:

- Ecology sent invoices for the final billing to Ecology AOP sources on January 31, 2008, with payment due by February 28, 2008.
- Ecology sent invoices for the first half D&O fees to each local air agency on January 31, 2008, with payment due by March 31, 2008.
- Ecology sent invoices for the second half D& O fees to each local air agency on May 7, 2008.

### **Explanation of Refunds and Rebates**

Ecology issued no refunds in FY2008. Ecology rebated \$47,991 to the AOP sources. Rebates were credited towards FY2008 D&O fees for each local air agency based on the percentage of D&O fees collected from each agency in FY2007. Rebates were credited to each Ecology AOP source based on the percentage of AOP fees collected from that source in FY2007.

### **Explanation of fee collections/late payments**

Simpson Tacoma Kraft's AOP fee was not received by February 28, 2008. On May 13, Ecology notified Simpson Tacoma Kraft that payment was more than 30 days past due. Ecology received payment in full from Simpson Tacoma Kraft on May 29.

Ecology collected eight past due accounts from previous fiscal years:

- AOP fees for Walters Power from FY2006 and FY2007.
- Payment of remaining FY2006 AOP fees for Goldendale Aluminum Company.
- Payment of the remaining FY2007 AOP fees following bankruptcy settlement of Port Townsend Paper.
- Second half FY2007 D&O fees for Spokane Regional Clean Air Agency, Northwest Clean Air Agency, Yakima Regional Clean Air Authority and Puget Sound Clean Air Agency.

This totaled \$106,731.37 in AOP fees collected in addition to the current AOP fees billed in FY2008.

## **Audit Summary**

The Washington State Auditor's office conducted the FY2008 bi-annual fiscal audit, and Techlaw conducted the FY2008 annual performance audit. Techlaw also reviewed the audit procedures described in WAC 173-401-920.

### **Bi-annual Fiscal Audit:**

The Washington State Auditor's office evaluated Ecology's AOP program for state fiscal years 2006 and 2007. The audit documented that Ecology:

- computed AOP fees correctly;
- sent out invoices in a timely manner;
- did not commingle AOP and D&O fees with any other program funds;
- did not commingle AOP and D&O expenditures with any other program expenses;
- used AOP fee revenue for authorized activities; and
- did not follow internal policies and procedures to collect past due accounts (\$32,210.36 FY2006 and \$63,167.29 FY2007).

Ecology initiated collection of the past due accounts, with the exception of the amount uncollected due to Chapter 11 bankruptcy. Payment was made in full for the \$32,210.36 owed for FY2006. Payment of \$24,377.44 was made towards the amount owed for FY2007. The remaining \$38,789.85 owed for FY2007 was uncollectable after being discharged in the bankruptcy proceedings.

### **Annual Performance Audit:**

Techlaw performed the calendar year 2007 audit of Ecology and the seven local air agencies. This included an annual routine performance audit and annual random individual permit review.

These audits measure the performance of each agency's program against a set of questions detailed in WAC 173-401-920(3)(b) and (c). Instead of meeting with each agency and following a template questionnaire, Techlaw answered many of the regulatory questions using publicly available information before visiting each agency office. This minimized the time agency staff spent responding to Techlaw's questions.

Techlaw reported:

- Washington's program functions well;
- Washington's program continues to improve;
- there is more consistency in permit formats and content, and
- there are fewer lapsed permits.

However, Techlaw also noted:

- there are issues with data access and storage;
- data collected and maintained by each agency varies;
- enforcement activities vary; and
- not all permits are available via agency websites.

Techlaw recommended that:

- agencies require complete renewal applications no less than 12 months before expiration;
- agencies include important dates and information on permit covers;
- permit managers seek opportunities to standardize how compliance and enforcement activities are tracked;
- agencies review rules related to identification of responsible officials; and
- agencies continue to explore opportunities to use agency websites to post permits, track permit actions, track compliance activities and encourage public participation.

Review of Audit Regulations and Procedures:

Techlaw was contracted to form an audit steering committee to evaluate current audit laws, regulations and procedures, and make recommendations for future AOP audits.

Each local air agency designated a representative to participate in the steering committee. The committee:

- felt there were no clear goals, purpose or value to the audits being performed;
- felt that the audit questions were outdated and did not provide a good measure of program effectiveness; and

- suggested that the audit requirements in the regulations go beyond what is specified in state law and could be changed.

The audit steering committee recommended that agencies:

- clarify the purpose of audits (fiscal versus technical performance) and develop objective performance measures ;
- revise audit regulations to decrease the frequency of the audit;
- remove specific audit questions from the regulation; and
- develop guidance for performing audits.

These recommendations were shared with Washington Air Managers Group in July. Ecology will consult with the Washington Air Managers before the next steps are taken to work on these recommendations.

## **EPA State Review Framework**

EPA performed the State Review Framework for Federal Fiscal Year 2005 (October 1, 2005 through September 30, 2006). While the review occurred in the spring of 2007, the final report was not released until January 10, 2008.

The State Review Framework conducted by EPA is used to assess the state's performance in the enforcement and compliance monitoring for AOP sources. During this review, EPA recommended that Ecology's AOP program:

- improve documentation of full compliance evaluations (FCEs);
- determine why high priority violations (HPVs) are not being identified, addressed through formal enforcement action and reported, including review of agency procedures to insure they are sufficient to identify HPVs appropriately; and
- commit to recovering economic benefit and submit copies of economic benefit evaluations for penalties associated with HPVs through calendar year 2008.

Ecology has committed to:

- more thoroughly document activities used to satisfy full compliance evaluations performed at AOP sources;
- evaluate violations to identify those meeting HPV criteria, and follow through with the appropriate response to those violations;
- evaluate the economic benefit of non-compliance when recommending penalties for violations at AOP sources; and
- participate in additional training on how to determine and document high priority violations and calculate economic benefit when recommending penalties.