



DEPARTMENT OF
ECOLOGY
State of Washington

**Air Operating Permit Report
Fiscal Year 2012**

13-02-004

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Introduction

This report summarizes Air Operating Permit (AOP) program financial details and program tasks and activities for Fiscal Year (FY) 2012. The reporting period is July 1, 2011 through June 30, 2012.

If you have questions about the information in this report, contact Crystal Rau at Crystal.Rau@ecy.wa.gov or at (509)329-3595.

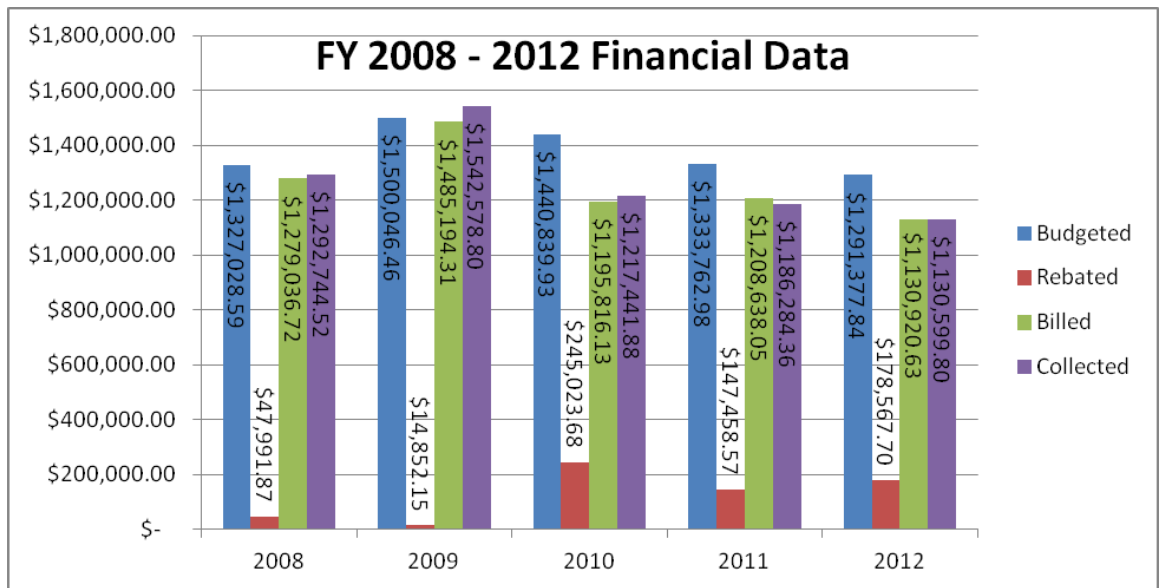
Financial Summary

The budget is set using a workload analysis that identifies the costs associated with Ecology staff performing various AOP program tasks, such as permit writing and compliance verification. The budget for FY 2012 was set at \$1,291,377.84.

AOP tasks are broken into two categories: Ecology AOP program administration costs, which are paid for by Ecology AOP sources (only); and costs associated with development and oversight (D&O) of the statewide AOP program, which are paid for by all AOP sources in Washington. AOP program administration costs for FY2012 were \$1,156,374.42. Statewide development and oversight costs for FY2012 were \$135,003.42.

The annual AOP program administration fees and D&O fees are set after any rebate from the prior fiscal year is subtracted from the annual budget. The amount rebated in FY2011 was \$178,567.70. This rebate was apportioned to each Ecology AOP source or Local Clean Air Agency based on the percentage of the fee they paid the prior year compared to the total fees collected that year.

Information on the AOP budget, rebates, amounts billed and fees collected for each year from FY 2008 through FY2012 are represented in the chart (below). Discrepancies between the amount budgeted and collected are discussed in the specific AOP Annual Report for each fiscal year.

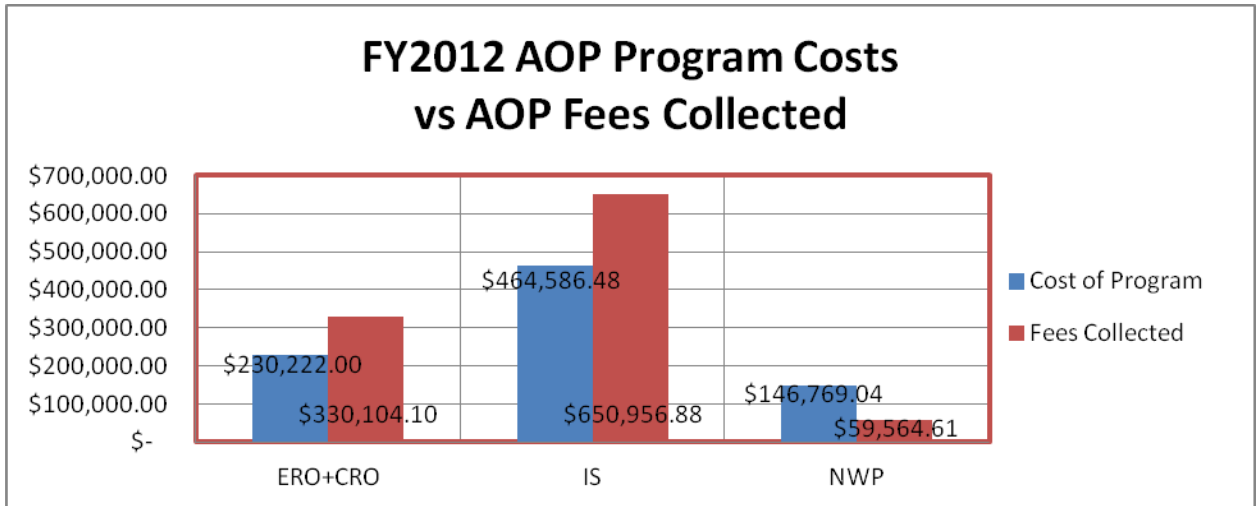


This year, we collected \$320.83 less than was billed. This was due to the closure of an AOP source within PSCAA’s jurisdiction mid-D&O billing cycle.

Ecology collected \$1,130,599.80 in AOP fees for FY2012. Ecology spent \$1,203,348.85 performing AOP related work in FY2012. An additional \$7,636.73 will be spent reimbursing the Washington Department of Health for AOP work related to the Radioactive Air Emissions Licenses incorporated into the AOPs issued to the US Department of Energy Hanford site and Washington State University, per the Interagency Agreement C1200212.

For the first time since Ecology began issuing rebates, the amount collected from AOP sources is less than the amount it took to run the AOP program, which means the rebate actually reduced the AOP fund balance. Since AOP fee revenue did not exceed AOP program expenditures in FY2012, there will be no rebates in the next billing cycle. However, in FY2013 Ecology will apply a credit of \$150,000 to the FY2013 fees to minimize the potential for collecting more revenue than the AOP program expends.

The chart below shows AOP program costs for Ecology’s Regional Offices, Nuclear Waste Program and Industrial Section versus the total AOP fees collected from sources in each program. Not included below are the costs associated with Air Quality Program work out of Ecology’s Headquarters office and overhead (Ecology administration, fiscal office, IT) charges. The methodology for how AOP fees are allocated to each source is set in regulation and statute. However, the formula is unsuccessful in allocating fees that more closely approximate the costs associated with the source.



A time accounting summary follows that shows the number of FTEs budgeted to perform various AOP tasks, the actual number of FTEs spent doing the work, and the difference for FY2012.

	Budgeted Total FTEs	Actual Total FTEs	Difference (Budgeted – Actual)
Industrial Section (IND)	4.29	3.06	1.23
Nuclear Waste Program (NUC)	1.16	1.08	0.08
Department of Health (DOH)	0.25	0.13	0.12
HQ – Science and Engineering Section (SES)	0.46	0.22	0.24
HQ – Technical Services Section (TSS)	1.14	0.66	0.48
HQ – Financial (FIN)	0.073	0.05	0.023
HQ – Program Manager (PM)	0.10	0.10	0.00
Eastern Regional Office (ERO)	1.66	1.88	(0.22)
Central Regional Office (CRO)	0.95	0.91	0.04
Totals	10.08	8.09	1.99

The table below shows some of the basic AOP activities budgeted and the actual work completed for FY2012.

	Activity	Budgeted Work	Actual Work Completed
Industrial Section (IS)	1. Permit Renewal	4	4
	2. Final Permit	4	2
	3. Permit Mod.	4	1
	4. Inspections	10	11
	5. Enforcement	13	3
Nuclear Waste Program (NWP)	1. Permit Renewal	1	1
	2. Final Permit	0	0
	3. Permit Mod.	2	0
	4. Inspection	1	1
	5. Enforcement	1	0

Central Regional Office (CRO)	1. Permit Renewal	0	0
	2. Final Permit	0	2
	3. Permit Mod.	1	0
	4. Inspections	5	6
	5. Enforcement	1	0
Eastern Regional Office (ERO)	1. Permit Renewal	4	3
	2. Final Permit	1	0
	3. Permit Mod.	0	0
	4. Inspections	6	6
	5. Enforcement	8	1

Pre-billing and Billing Statements

Ecology sent pre-billing statements for D&O fees to each local air agency by October 27, 2011. Pre-billing statements for AOP fees were sent to Ecology AOP sources by October 31, 2011.

Ecology sent final billing invoices to Ecology AOP sources in early January 2012, with payment due by February 28, 2012. Ecology sent invoices for D&O fees to each local air agency in early January 2012, and on April 11, 2012. Payments were due March 31, 2012, and June 30, 2012, respectively.

This year, in the middle of the January mailing, the billing was delayed due to inclement weather, building closures and mail service backups and delays experienced in our Headquarters office in Lacey. Invoices were not received by AOP sources or Local Clean Air Agencies until the first week of February.

Explanation of Fee Collections/Late Payments

All AOP and D&O fees were collected by the end of the fiscal year. However, ten AOP sources were unable to pay their invoices by February 28th. This was due to late mailing of the invoices (received by sources the first week of February). All AOP invoices were paid by the end of March.

Explanation of Refunds and Rebates

Ecology did not issue any refunds in FY2012. Rebates were credited towards FY2012 D&O fees for each local air agency based on the percentage of D&O fees collected from each agency in FY2011. Rebates were credited to each Ecology AOP source based on the percentage of AOP fees collected from that source in FY2011.

Summary of Fiscal Audit Covering FY2010 and FY2011

During the fiscal audit of Ecology's AOP program in the spring of 2012, the State Auditor's Office found that the fees assessed to each Ecology AOP source were calculated incorrectly due to data input errors in both FY2010 and FY2011.

In FY2010, INTALCO Ferndale's reported emissions were switched with ALCOA Wenatchee's reported emissions. When ALCOA received their pre-billing statement from Ecology, they noticed the emissions used to calculate their fee were incorrect. ALCOA notified Ecology of the error. Ecology updated ALCOA's emissions and recalculated the fees. INTALCO did not notify Ecology that their pre-billing statement included a fee based on under-reported emissions.

This resulted in INTALCO being under-billed \$53,891, and the remaining 26 AOP sources being over-billed by that same amount, cumulatively.

In FY2011, a typo occurred when transferring the amount of NOx emissions reported by Port Townsend Paper into Ecology's fee calculation spreadsheet. This resulted in over-billing of Port Townsend Paper by \$993.20 and under-billing of the remaining 26 AOP sources, cumulatively.

The Auditor recommended that Ecology correct these past billings, by crediting those that overpaid and collecting from those that underpaid. The FY2013 fees have been adjusted accordingly.