Mar 31, 2014

Title V Fee Committee Meeting

Summary

**Date/Time/Location:** The Title V Fee Committee met at the DNREC, Lukens Drive Office, Mar 31, 2014, 1:00 - 3:00 PM.

**Attendees:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **Company** | **Name** | **Company** | **Name** | **Company** |
| Ali Mirzakhalilli | DAQ | Rich Heffron | DSCC | Stu Widom | Calpine |
| Dave Small | DNREC | Tom Webster | DuPont | John Deemer | DCRC |
| Paul Foster | DAQ | David Bacher | NRG | Angila Marconi | DSWA |
| Amy Mann | DAQ | Kim Wilson | NRG | Bernadene Wasserleben | AstraZeneca |
| Joe Martini | DAQ | Katie Gifford | Audubon |  |  |
| Tony Manson | DAQ | Bill Walsh | Self |  |  |

**Purpose:**

1. DAQ provided a strategic planning and process improvement briefing.
2. Industry members of the Fee Committee, led by Tom Webster (DuPont), presented their second revision to the unified fee proposal for the 2015-2017 Title V billing cycle.
3. DAQ provide Reg 2. Fee concept summary.

**Discussion:**

1. **Strategy Briefing:** Ali presented an overview of the Division’s current strategic planning efforts and specific action plans being implemented to improve internal processes, support customers, manage resources, and develop people.
* Ali highlighted the Project Management Tool (PMT) that was developed by the staff to manage the multiple projects created from the strategy.
* Based on the committee’s questions Ali clarified the following:
	+ The PMT is a standard template used to manage all projects
	+ These management tools were developed by the DAQ staff, for DAQ staff. Current plans and tools are not utilized Department wide.
	+ Hours spent on strategy development are considered general planning and are not assigned to any specific facilities.
	+ Succession planning is one of the Division’s priorities and DAQ is pursuing all options to retain and transfer critical skills and knowledge.
1. **Chamber Proposal:** Tom Webster presented the new proposal and thoroughly explained the method of calculation and distribution of fees across the facilities.

**Key Revisions:**

* Revised proposal includes a **Base Fee and User Fee adjustments** versus the previous User Fee only recommendation.
* Recommends a 2-year fee schedule to align with the **estimated** completion of the proposed management review study report/findings.
* Revised proposal meets the projected TV program cost requirements of $3,716,811 (adjusted 2-year average 2015-2016).
	+ Planning factors of 63.0 FTEs or 93% staffing level remain the same.
	+ Includes 2.5% annual COLA increase for salaries, additional support services and ombudsman program for the 2015-2016 fee periods.
* Revised proposal maintains the committee goal to adjust and maintain a 6-month (program costs) carryover balance.
* Revised proposal maintains the 6-year carryover drawdown plan.
	+ Currently, plan is based on 2012 end of year balance of $3,502.552.00.
	+ Projects a 2020 6-month carryover balance of $1,800,000.00.
	+ Projects annual fee reduction of $300,000.00 per year (6-years) adjusted at mid-point.
	+ Proposes fee adjustment for all facilities with active permits on or before Dec. 31, 2014 (without delinquent accounts).
	+ Proposes fixed fee reduction credits for all eligible facilities for next 6 years.
* Recommends the proposed independent Management Review Study requirements be incorporated directly into the TV legislation. The study recommends the following:
	+ Study and identify methods to optimize air quality processes.
	+ Ensure DNREC’s program staff is “right-sized” for the future.
	+ Optimize emissions inventory processes to support timely data and billing.
	+ Recommends study commence 3rd Qtr 2014, and be completed by 2nd Qtr 2015.
	+ Did not provide the study funding limit.
	+ Suggests process efficiencies and resulting staff adjustments, if any, be considered for 2017 fee schedule adjustments.

**Feedback/Response:** the DAQ Director and staff provided the following feedback:

* Although DAQ previously recommended the management study provisions be developed and orchestrated through a Memorandum of Agreement, DAQ does not object to the incorporation of the management study into the legislation.
* Considering the State contracting and procurement processes, the proposed timeline for the Management Study is very unrealistic.
	+ DAQ predicts a minimum of 2-years to contract and execute an independent management review.
	+ Any measureable operating efficiencies and workload impacts will require additional time beyond the study to validate and institutionalize.
* Based on the management study timeline expectation, DAQ recommends maintaining a 3-year fee cycle.
	+ Provide the option to renegotiate the third year fees if immediate and significant efficiencies are gained through the initial management study.
* The 6-year drawdown plan does not consider the projected program costs in 2020.
	+ Projected 2020 program costs are $4,085,199.00.
	+ Required 2020 carryover balance (6-months) is estimated at $2,042,600.00.
	+ Mid-point adjustments may be required to reach goal.
* DAQ does not support fixed fee adjustments for the six-year drawdown.
	+ Again, mid-point adjustments may be required to meet carryover balance goals.
	+ DAQ recommends fixed percentages based on facility categories.
* DAQ recommends the legislation include a $100,000.00 limit on the management study.
* DAQ recommends adding legislation language to reflect sources delinquent for more than 1-year may be the sole justification for permit cancellation.
1. **Reg 2. Fee Concept:** This concept was previously briefed. Per the chamber’s request, the supporting data was consolidated and simplified for this presentation. The idea of incorporating Natural Minor Permitting fees into the TV fee legislation was discussed.
* The industry members advised against incorporating other permitting fees into the TV legislation.

**Agreements/Action Items:** the entire committee agreed this was a productive meeting and we are very close to a complete agreement. These subsequent follow-up actions are required:

1. **Legislation Draft, § 6097: Fees, Paragraph (c):** DAQ will recommend revised language for a 3-year fee cycle with the option to renegotiate during year three if linked to measureable efficiencies gained through the initial phases of the management study. **Date: April 14, 2014.**
2. **Legislation Draft, § 6097: Fees, Paragraph (g):** DAQ will modify the language to reflect fixed fee percentages (6-years) based on categories of assignment. Date: April 14, 2014.

**Legislation Draft, § 6097: Fees, Paragraph (i):** DAQ will add language pertaining to delinquent sources for more than 1-year. Language should indicate sources delinquent for more than one year may be subject to permit cancellation/revocation solely on the basis of that delinquency. **Date: April 14, 2014.**

1. **Legislation Draft, § 6097: Fees, Paragraph (l):** DAQ will modify the proposed management study language to reflect a more achievable timeline for execution and implementation of any validated process efficiencies. Date**: April 14, 2014.**
2. DAQ will review and validate the Chamber’s preliminary data and proposed fees structure spreadsheets. **Date: April 14, 2014.**
3. The Chamber will continue to research and provide a recommended list of Management Consultants for the proposed management review. **Date: As soon as possible.**

The meeting concluded at 3:30PM. It was agreed that final review and approval will be managed through email.