

October 31, 2018

Elizabeth Adams, Director
Air Division
U.S. EPA, Region IX
75 Hawthorne Street
San Francisco, CA 94105-3901

**Re: Rule 3170 Annual Fee Equivalency Demonstration Report,
Fee Assessment Basis Year 2017**

Dear Ms. Adams:

As required by District Rule 3170, *Federally Mandated Ozone Nonattainment Fee*, the San Joaquin Valley Air Pollution Control District hereby submits the annual Fee Equivalency Demonstration Report for the Fee Assessment Basis Year 2017.

As you are aware, the District adopted Rule 3170 to implement the ozone non-attainment penalty requirements of Section 185 of the federal Clean Air Act (CAA). In doing so, the District followed EPA guidance on implementing an equivalent program that collects fees from alternative sources, which fees are at least equal to those that would be collected under a direct implementation of Section 185. The District's goals in implementing an equivalent program were to avoid further penalties on facilities that had done all they could to reduce air pollution, and to collect the penalty in a way that closely corresponds with the sources of ozone-causing air pollution in the San Joaquin Valley.

To that end, Rule 3170 assesses a penalty from major sources of air pollution only to the extent that such sources have not installed the best available control technology (BACT) for reducing air pollution. Recognizing that this approach will result in a shortfall in penalty collection compared to Section 185, the District committed to making up the difference in one of two ways: first, we would attribute fees collected under Section 9250.17 of the California Vehicle Code (VC) (to the extent those fees were authorized by AB 2522 (Arambula, 2008), herein referred to as the AB 2522 VC fees), and; second, if the above is insufficient to cover the shortfall, the District would assess the necessary fees to cover the remaining shortfall in a second round of fee collection from major sources of air pollution, per section 7.3 of Rule 3170.

Samir Sheikh
Executive Director/Air Pollution Control Officer

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Section 7.2 of Rule 3170 requires the District to demonstrate on an annual basis an accounting of this equivalency effort. Specifically, we are required to produce this report demonstrating that the fees required by Rule 3170 that are collected from major sources of air pollution, plus the AB 2522 VC fees collected, are at least equal to the fees that would have been collected had the District directly implemented Section 185.

This annual report is for the Fee Assessment Basis Year of 2017. The District's accounting of ozone precursor emissions demonstrated 2,705 tons of nitrogen oxides and volatile organic compounds were emitted in excess of 80% of the baseline emissions from major sources in the calendar year 2017. Using the required CPI-adjusted fee assessment rate of \$9,840.67 per ton of emissions, the District determined that a total penalty fee of \$26.6 million is due under Section 185 of the CCA.

Emissions fees collected from major sources under Rule 3170, for pollution emitted during the calendar year 2017 from equipment that has not been equipped with BACT, results in a total fee collected of approximately \$770,000.

As demonstrated in this report, the fees collected under District Rule 3170, plus the Vehicle Code fees collected under the authorization of AB 2522, exceed the total fees that would have been collected under a direct implementation of Section 185 of the Clean Air Act. We have therefore successfully demonstrated Rule 3170 Annual Fee Equivalency for the Fee Assessment Basis Year of 2017. See attachment for additional information.

If you have any questions regarding this matter, or if you would like to review additional details of our equivalency demonstration, please call me at (559) 230-5900.

Sincerely,



for Arnaud Marjollet
Director of Permit Services

Attachment: Table of Rule 3170 Equivalency Information

Attachment:

Rule 3170 Equivalency Information
 Fee Assessment Basis Year 2017

Rule 3170 Section	Fee Description	Rule 3170 Equivalency Accounting
7.2.1.1.	Total fees collected under District Rule 3170 for 2017 tracking year, not reported in a prior annual Fee Equivalency Demonstration Report:	\$766,560
7.2.1.2.	Total AB 2522 VC fees collected in 2017 tracking year, not used to demonstrate equivalency in a prior annual Fee Equivalency Demonstration Report:	\$37,629,995
7.2.1.3.	Total Section 185 fees under a direct implementation of the Federal Ozone Nonattainment Fee:	(\$26,620,349)
7.2.2	Equivalency Demonstration For Basis Year 2017: Excess or (Shortfall) Amount:	\$11,776,206