VERMONT

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To: Senator Tim Ashe, Chair, Senate Finance Committee

From: David Mears, Commissioner, Department of Environmental Conservation

Date: April 9, 2015, 2015

Re: Department of Environmental Conservation SFY16 Fee Proposal

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The Department fee proposal is outlined below in accordance with the fee spreadsheet dated April 7, 2015 prepared by the Joint Fiscal office in support of the Executive Fee Bill (H.184), as passed the house. As you are aware, the clean water related fees and dam safety fees have been removed from the fee bill. This category of fees, totaling approximately $760,000 were developed to ensure effective service to Vermonters and to satisfy state and federal statutory obligations through support of our existing programs, while reducing our Department's reliance on general funds.

Please note that the Department's original fee proposal included an additional $1,680,000 to support the Department's Clean Water Initiative and Dam Safety Program.

GENERAL PROGRAM SUPPORT FEES

UNDERGROUND INJECTION CONTROL (UIC)

Program Description

The Department regulates businesses and industrial activities that inject non-sewage process water from their operations into groundwater. This activity, which is regulated by the Underground Injection Control (UIC) Program, can pose a serious threat to groundwater water quality and drinking water sources in Vermont. In October 2014, as directed by the Legislature, and to reflect existing requirements under federal and state law, the Department adopted amended UIC regulations which include major structural changes to how we regulate these discharges. The primary purpose of revisions to the fee structure is to bring the fees into alignment with new regulations.

Underground Injection Control (UIC) - Application Fees ***(Rows 71-78)***

Fee Description and Explanation

The current application fees are based on the 1984 rules. The application fee includes a base, per gallon fee of $0.06/gallon with a minimum application fee of $400. Application fees are paid at the time of initial application or when a major modification occurs. There is no review fee associated with renewals, transfers or minor amendments.

The new rules and our proposed fee structure include a risk based system for assessing fees for these types of projects. The new fee structure takes into consideration: (1) the project's complexity; (2) the anticipated staff time required to review the application and to issue the permit; and (3) the proposed risk to groundwater. Increased risk sites will pay higher fees. This will be accomplished by breaking the fees into two categories dependent on whether or not the discharge meets groundwater quality standards at the point of discharge or under the ground surface. For sites that meet standards at the point of discharge (low risk) the proposed application fee is $500 and $0.10 per gallon for each gallon per day over 2,000. For sites that do not meet groundwater standards at the point of discharge, but meet groundwater standards at points of compliance in groundwater, typically at property lines, (medium risk), the proposed application fee is $1,500 and $0.20 per gallon for each gallon per day over 2,000.

Although, this is a federally delegated program, federal funds and current fees do not cover the entire cost of the program. New revenue generated by this fee change will be used to support UIC program staff.

Underground Injection Control (UIC) - Operating Fees ***(Rows 79-84)***

Fee Description and Explanation

The current operating fees are based on the 1984 rules. All sites are currently charged the same annual operating fee of $0.013 per gallon, with a minimum fee of $250.

The proposed operating fee is $500 and $0.02 per gallon of each gallon over 2,000 (low risk). For sites that do not meet standards at the point of discharge, but meet groundwater standards at the point of compliance, typically property lines (medium risk), the proposed operating fee is $1,500 and $0.03 per gallon for each gallon over 2,000.

Although, this is a federally delegated program, federal funds and current fees do not cover the entire cost of the program. New revenue generated by this fee change, will be used to support UIC program staff.

POTABLE WATER SUPPLY AND WASTEWATER PROGRAM

Program Description

Approximately 55 percent of Vermont's population uses land based systems to treat sewage from their homes, businesses and schools. Improper management of sewage can lead to significant health risks and harm to ecosystems. The Department oversees the Potable Water Supply and Wastewater Program which requires permitting of: any land based disposal system of less than 6,500 gallons per day; connections and extensions to sanitary sewer mains and public water supplies of any size; and installation of small non-public drinking water supplies. The program processes approximately 2,500 permit applications per year and is administered through our regional offices in Barre, Essex, St. Johnsbury, Rutland and Springfield.

Potable Water Supply and Wastewater Program – Application Fees ***(Rows 85-89)***

Fee Description and Explanation

This is a one-time application fee charged during initial permitting, or if the initial project requires an amendment. Potable Water Supply and Wastewater Permits run with the land and landowners do not pay ongoing operating or renewal fees.

Application fees are broken out into five categories depending on size of design flow and are assessed at the initial undertaking of a project. Fee increases are proposed below to maintain current levels of service while reducing the Program's current reliance on general funds to administer the cost of this program.

1. The smallest projects (≤ 560 gallons/day (gpd)), such as single family homes, fees are proposed to increase from $245 to $306.
2. Medium sized projects (>560 gpd to 2,000 gpd), such as small businesses, schools and apartment buildings, fees are proposed to increase from $580 to $870.
3. Residential subdivisions, commercial developments, and large businesses (> 2,000 gpd to 6,500 gpd) fees are proposed to increase from $2,000 to $3,000.
4. Extensions or connections to municipal sewer and water mains (>6,500 gpd to 10,000 gpd) fees are proposed to increase from $5,000 to $7,500.
5. Sub-divisions and large scale commercial development (>10,000 gpd) are proposed to increase from $9,500 to $13,500.

Potable Water Supply and Wastewater Program - Minor Amendments ***(Row 90)***

Fee Description and Explanation

Minor amendments to a Potable Water Supply and Wastewater Permit include clerical or administrative changes. The fee for a minor amendment is currently $100 and will be increased to $150 under this proposal. It is estimated that the Department processes approximately 160 minor amendments per year. Fee increases are proposed below to maintain current levels of service while reducing the Program's current reliance on general funds to administer the cost of this program.

Potable Water Supply and Wastewater Program - Minor Projects ***(Rows 91-94)***

Fee Description and Explanation

The fee for a minor project permit is currently $180. Under this proposal, it will increase to $270. Businesses, developers and individual homeowners will be impacted by these fees. It is estimated that we process approximately 180 minor project permits per year. One example is a restaurant that proposed to increase the volume of their wastewater (sewage) flows to a municipal system.

In addition, several fee line items have been deleted because they will now be captured under the minor projects fee.

DRINKING WATER PROGRAM

Program Description

The Drinking Water Program ensures that our citizens have access to clean and safe drinking water. Health issues that can be linked to contaminated drinking water include gastrointestinal illness, neurological impairment, chronic diseases, and increased risk of cancer. The program achieves its goals by ensuring that water systems are:(1) providing tools and oversight to ensure our water supply sources are protected from contamination (2) providing a sufficient amount of water to their users; (3) permitting and inspecting water systems, expansions and changes in treatment techniques; and (4) ensuring compliance with state and federal regulations through regular water quality monitoring and reporting. Seventy two percent of Vermonters are provided drinking water through public community water systems. There are approximately 420 of these systems in the state; they include municipal water systems, mobile home parks, and private residential communities such as a condominium complex. The program also regulates non-transient non-community water systems which include over 240 schools and businesses that provide drinking water through their own water source. Lastly, the program regulates approximately 700 transient non-community water systems which include restaurants, summer camps, campgrounds and motels that have their own source of drinking water, many serving the tourist industry.

Drinking water construction permits review the construction of new public drinking water systems and line extensions for existing systems, operational modifications such as new storage tanks, pumping stations, and treatment changes.

Public Community Water System - Construction Fees ***(Row 95-98)***

Fee Description and Explanation

The current fee for all construction projects is a base rate of $375, with a $0.0055 per gallon surcharge. These revenues are used to support program engineering staff to provide technical review and permitting of these projects. Many projects do not involve increases in design flow (e.g. they are operational changes or line extensions), and therefore pay only the minimum fee.

Our proposal is to change to a flat fee per construction project structure, tiered to reflect the amount of time technical staff needs to adequately review projects. The proposed construction permit flat fee is $900 for community and non-transient non-community (municipalities, businesses, schools), and $500 for transient non-community (restaurants, motels, campgrounds).

Public Community Water System - Operating Fees ***(Row 100)***

Fee Description and Explanation

All public water systems are currently subject to annual operating fees. These fees support all aspects of operation, compliance and engineering activities of the drinking water program. Community water systems currently pay a per gallon fee of $0.0439 per 1,000 gallons.

Our proposal is to increase annual operating fees for community water systems to $.0500 per 1,000 gallons.

Transient Non-Community Operating Fees ***(Row 99)***

Fee Description and Explanation

All public water systems are currently subject to annual operating fees. These fees support all aspects of operation, compliance and engineering activities of the drinking water program. Transient non-community water systems currently pay annual operating fees of $50.

Our proposal is to increase annual operating fees for transient non-community water systems to $100.

Transient Non-Community Water System - Operator Certification Fees ***(Row 101)***

Fee Description and Explanation

The current fee for operator certification is $45 every three years. This fee supports DEC's operator certification, technical support and training program as well as services for transient non-community water systems operators. Out of the 700 transient non-community water systems, there are approximately 200 that are currently exempt from the operator certification fee.

This fee proposal seeks to remove the exemption for those drinking water system operators who are also owners of the water system, resulting in all water system operators under this category paying the same fee.

WASTE MANAGEMENT & PREVENTION

Program Description

People who haul trash, recycling and biosolids from septic tanks for commercial purposes are required to follow rules and regulations for hauling. The program is administered by DEC's Solid Waste Management program to ensure proper handling and disposal of various non-hazardous waste streams. The program includes background checks, compliance and administration of the program.

Solid Waste Hauler Fees ***(Rows 102-105)***

Fee Description and Explanation

The current fee for all vehicles is $50 per year, with a large tractor trailer trucks paying the same fee as a half-ton pick-up truck. The Department's proposal includes a graduated fee for solid waste hauler permits based on vehicle size. For example, two axle vehicles, such as pick-up trucks and dump trucks, will continue to pay $50 per year. Three or four axle vehicles, such as large dump trucks and packer trucks will pay $75 per year. Vehicles with more than four axles, including tractor trailer trucks and tandem tractor trailer trucks, will pay $100 per year. The fee structure was developed to make the fees more equitable, so that a small hauler does not pay the same fee as a large hauler with a much bigger payload and potential risk to the environment through improper handling of material or illegal dumping.

ENVIRONMENTAL ASSISTANCE OFFICE

Program Description

A number of facilities throughout the state use toxic substances as part of their manufacturing processes. Although the Department oversees that these materials are properly handled, treated and disposed, the ideal solution for hazardous waste management is to prevent waste from being generated in the first place. The Pollution Prevention Program is designed to help companies proactively reduce hazardous waste generation and the use of toxic substances using a structured planning process.

*Pollution Prevention Plan Fees (****Rows 120-125)***

Fee description and explanation

Facilities are currently assessed fees on each toxic chemical used or hazardous waste generated with a series of caps for different users and/or generators. Fees are charged based on both by the type and quantity of toxic and/or hazardous substances used at a facility. Currently facilities pay a fee of $350 for each hazardous waste stream and/or the type of toxic chemical used. Each facility that uses toxic chemicals or generates hazardous waste above 2,640 pounds per year is required to have a pollution prevention plan.

Class A generators (2,200 lbs or > per month) are currently capped at $1,750 per plan, and $3,500 if they are also large users. Class B generators (> than 220 lbs but < 2,200 lbs per month) are currently capped at $350 per plan and $1,050 if they are also large users. If a facility is strictly a large user they are currently capped at $1,750. A large user is a manufacturing facility with more than 10 employees that uses or produces large quantities of toxic substances. Under this proposal, all fees associated with review of pollution prevention planning will be increased 14 percent, which will raise approximately $8,400 in additional revenue. The new fees are as follows:

Fee description	*Per unit*	*Proposed Fee*
Toxic chemical identified	chemical	$400
Hazardous waste stream identified	waste stream	$400
Class A Generator (2,200 lbs or > per month)	cap per facility plan	$2,000
Class B Generator (>220 lbs but <2,200 lbs per month)	cap per facility plan	$400
Large User	cap per facility plan	$2,000
Class A generators that are large users	cap per facility plan	$4,000
Class B generators that are large users	cap per facility plan	$1,200

The fees are used for program administration, including the review of plans and annual progress reports as well as assistance with preparation of both and identification of reduction opportunities.

AIR QUALITY AND CLIMATE

Program Description

Under the Clean Air Act, DEC regulates emissions of traditional air pollutants and hazardous air contaminants to ensure public health is protected. Examples of facilities regulated include large fuel combustion sources, spray coating operations, hot mix asphalt plants, wood processing plants, and rock crushing plants. All facilities regulated under this program are required to register with the Department so we can track the types of facilities and associated emissions. In addition, to the registration program, some facilities emit hazardous air contaminants, which are known or suspected to have an impact on human health. These facilities pay either a Hazardous Air Contaminant (HAC) emissions fee and/or a Hazardous Air Contaminant Fuel surcharge.

Fees are assessed on the facilities based on the quantity and toxicity of their emissions in order to help cover the costs of delivering services administering the registration program as well as the other costs associated with regulation of the facilities including permitting, compliance, planning and monitoring activities.

*Annual Air Registration Base Fee **(Rows 69-70)***

Fee Description and Explanation:

Our proposal maintains the current base fee structure for large sources (10 tons/year) of $1,500 per year. Under this proposal, we would now also assess a registration base fee on medium and small sources. Medium air pollution sources (5-10 tons/year), like hot mix asphalt plants and rock crushing operations, currently register and do not pay a base fee. Small sources (less than 5 tons/year), like crematories and concrete batch plants, while already subject to regulatory oversight, do not currently register or pay any fee.

There are currently 90 large facilities paying $1,500 annually, which will see no increase in their fees. There are an estimated 50 medium facilities, which we propose to charge a base fee of $1,000, and an estimated 40 small facilities, which we propose to charge a base fee $500.

Hazardous Air Contaminant(HAC) Fee Simplification ***(Rows 113-119):***

Fee Description and Explanation

In addition to the fees described in the base registration fee proposal, we also assess fees on facilities for the toxicity of their emissions. Currently facilities pay a fee for each pound of hazardous air contaminants emitted with those contaminants broken into one of five categories based on toxicity. We are proposing to reduce the number of categories from five to three, consistent with the three categories we currently use for other regulation of these contaminants. The categories would be (1) contaminants known or suspected to cause cancer, $0.95 per pound emitted, (2) contaminants that cause chronic health effects, $0.04 per pound emitted, and (3) contaminants that cause short term irritant health effects, $0.02 per pound emitted. This fee recalibration will raise approximately $15,000 in revenue which is spread over approximately 84 facilities.

Hazardous Air Contaminant(HAC) Fuel Fee ***(Rows 106-112):***

Fee Description and Explanation

Currently air pollution sources pay a fee based on hazardous air contaminant emissions from fuel combustion. Under a companion fee proposal discussed above (Rows 113-119), the relative toxicity of each hazardous air contaminant was re-evaluated and placed in one of three bins. The primary purpose of the proposed revision to the fuel combustion surcharges is to ensure consistency with the revised fees below based on the re-evaluated toxicity and updated estimates of hazardous air contaminant emissions from various fuels based on current science. Overall revenues generated from fuel charges will increase from the current $55,000 to a new total of approximately $94,000, spread over approximately 135 facilities that currently pay these fees.