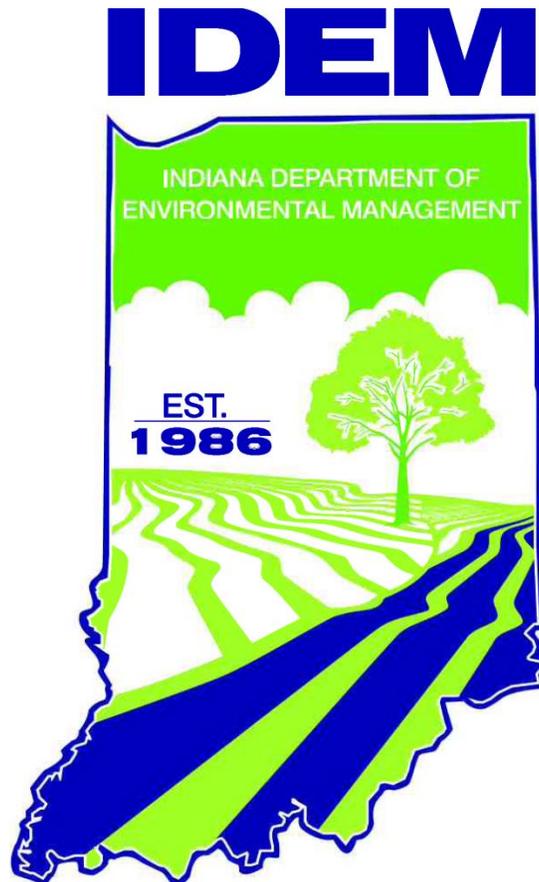


Office of Air Quality

Report to the Environmental Rules Board on Air Permitting Programs

as required by 326 IAC 2-7-19, 326 IAC 2-1.1-8 and IC 13-17-13-3



November 13, 2019

for permit activity during the State Fiscal Year 2019 (FY19):
July 1, 2018 - June 30, 2019

Report to the Environmental Rules Board on Air Permitting Programs

Table of Contents

Introduction	Page 1
Background	Pages 2-4
Detailed Permit Activity Charts and Information	Pages 5-10
Financial Information	Pages 11-13
Permits Program Improvements	Page 14
Priorities for the Permits Program for the next 12 months	Page 15

Introduction to Consolidated Air Board Report on Permitting

The Indiana Department of Environmental Management's permitting programs are crucial to the successful implementation of Indiana's pollution control laws. Those affected by these programs - the regulated community, the general public, state and local officials, and the staff at the Indiana Department of Environmental Management (IDEM) - are interested in how these programs are implemented. The IDEM has been very active in providing information on the department's progress in improving the implementation of the various permit programs. In addition to supplying information requested by various groups, the Office of Air Quality (OAQ) reports annually to the Environmental Rules Board as required by state law.

Three provisions in the state law: 326 IAC 2-7-19 regarding the permit programs that implement Title V of the federal Clean Air Act; 326 IAC 2-1.1-8 on permit decisions subject to timeliness deadlines; and IC 13-17-13-3 regarding the streamlined Enforceable Operating Agreements require the OAQ to report on various aspects of our air permit program. Originally, the required information was presented in one report with three sections, with a separate section for Title V, NSR and Enforceable Operating Agreements. Beginning with the report for 1999, the reports have been integrated into one report that contains all the information required by the three different provisions of state law. In addition, the report also contains additional information that is not required by the underlying legal provisions, but is relevant to the implementation of the programs. This report covers the State Fiscal Year 2019, which began July 1, 2018 and ended June 30, 2019.

The public and interested parties can obtain more information regarding OAQ's construction and operating permit programs via the IDEM website: www.IN.gov/idem/permits/air. Information on this site includes:

- a link to IDEM's online permit guide, and
- Air Quality Permits Status Search, offering an opportunity to check on the status of permit applications and view and download draft and final permit documents using "real time" data.

Background and Overview

Historically, the Air Permits Branch was responsible for implementing Indiana's **New Source Review Program** (also called Construction Permits), which permitted new sources and modifications to existing sources. This program had several levels of approvals, based on emissions.

In 1996, the Branch began implementing the Operating Permit programs that resulted from Title V of the 1990 Clean Air Act Amendments, known as the **Title V Operating Permit Program**. The U.S. EPA granted interim approval for Indiana's Title V operating permit program on December 14, 1995, and OAQ obtained full EPA approval of the program December 4, 2001. This new program has enabled the Agency to draft a compliance tool (the Title V permit) for the permittee, the Agency, and the public that serves as a single reference for all air pollution related requirements applicable to the permitted source. As a result, the OAQ has been reviewing, standardizing, and updating air operating permits for all significant point sources of air pollution in our state. Compliance rates will increase and emissions to the air will decrease as a result of the permits focus on monitoring environmentally significant operations.

Since 1990, the OAQ has worked with interested parties to develop relevant legislation, rules, applications, and model language that will be used to implement Indiana's air operating permit programs. Approximately 1700 sources were affected by these programs in 1990. As new sources have been built, and others have closed, that number has grown to approximately 2000. Almost 700 of these sources, predominantly major sources of air pollution, have already obtained or will be obtaining the permits specifically described by Title V of the Clean Air Act. Sources that would otherwise be required to obtain these Title V permits are covered by permit programs that are specially designed for smaller sources. These programs - Federally Enforceable State Operating Permits (FESOP), Source Specific Operating Agreements, (SSOA) and Permit by Rule - establish limits on a source's potential to emit air pollution to below Title V applicability thresholds. These programs achieve the most practical benefits of the full Title V program with streamlined procedures and lower fees. Title V requires that the direct and indirect cost of these programs be supported by permit fees established by the states.

The **Federally Enforceable State Operation Permit (FESOP)** allows sources to limit their air emissions below the Title V threshold levels. A FESOP is somewhat less complex than a Title V permit and can provide more operational flexibility. Conditions in a FESOP are enforceable by U.S. EPA as well as by IDEM. The OAQ has issued 1202 FESOPs as of June 30, 2019 and 24 FESOPS during FY19.

The **Source Specific Operating Agreement (SSOA) Program**, established under 326 IAC 2-9, addresses specific types of sources that, if emissions were unlimited, would have a potential to emit (PTE) at thresholds greater than the major source thresholds for any criteria or hazardous air pollutants. However, the nature of the sources makes it possible to establish realistic operating conditions to limit the PTE to considerably less than major source thresholds. These conditions are specifically established by rule significantly streamlining the application, review, and approval process. The source categories in this program are:

- Surface Coating and Graphic Arts Operations
- Woodworking Operations
- Abrasive Cleaning Operations
- Grain Elevators
- Sand and Gravel Plants
- Crushed Stone Processing Plants
- Ready-Mix Concrete Batch Plants
- Coal Mines and Coal Preparation Plants
- Automobile Refinishing Operations
- Degreasing Operations
- External Combustion Sources
- Internal Combustion Sources

Sources receiving an approval under 326 IAC 2-9 are exempt from the major operating permit program and are not required to submit a Title V or Federally Enforceable State Operating Permit (FESOP) application. OAQ has issued 1319 SSOAs as of June 30, 2019 and 28 SSOAs during FY19.

The **Permit by Rule** program, established under 326 IAC 2-10, exempts certain very small sources from the requirement to obtain an operating approval due to the minimal amount of emissions generated by the source. These sources include all sources that have actual emissions less than 20% of the major source thresholds (without the use of emission controls) as established in 326 IAC 8-2-10. The Permit by Rule program also establishes, under 326 IAC 2-11, the following specific source categories:

- Gasoline Dispensing
- Grain Elevators
- Grain Processing or Milling

By rule, sources under the Permit by Rule Program are not required to submit an application, notify the OAQ or get an approval. These operations are required to produce ordinary business records upon the request of IDEM. IDEM can then verify that the source meets the requirements of the rules. Some sources do choose to notify IDEM and request an acknowledgement letter. During FY19, OAQ issued acknowledgement letters to the 2 sources that requested them.

OAQ has developed a **General FESOP for asphalt plants**, which has streamlined the approval process for these sources. The terms of the permit do not vary from source to source. The provisions of the General Permit were published in the Indiana Register and in at least one newspaper in every county to provide the public with an opportunity to comment and request a public hearing. OAQ did not issue any General Asphalt permits and we no longer had General Asphalt renewal permits during FY19.

On December 25, 1998, rules became effective that essentially created a unitary permit system, in which only brand new sources will receive a Construction permit. All other types of modifications to existing sources receive an Amendment, Modification, or Revision to their existing Operating Permit. To most effectively implement federal requirements for sources that have a Title V permit, the OAQ issues separate permits for construction and operation. Permit Accountability, the requirement that approvals be issued within statutorily prescribed timeframes, still applies to agency permit actions in essentially the same manner as before.

The charts on the following pages show more detailed information on permit activity on:

Operating Permit Programs

First time Title V Operating Permits

Minor Operating Permits

Significant Modifications to Title V Operating Permits

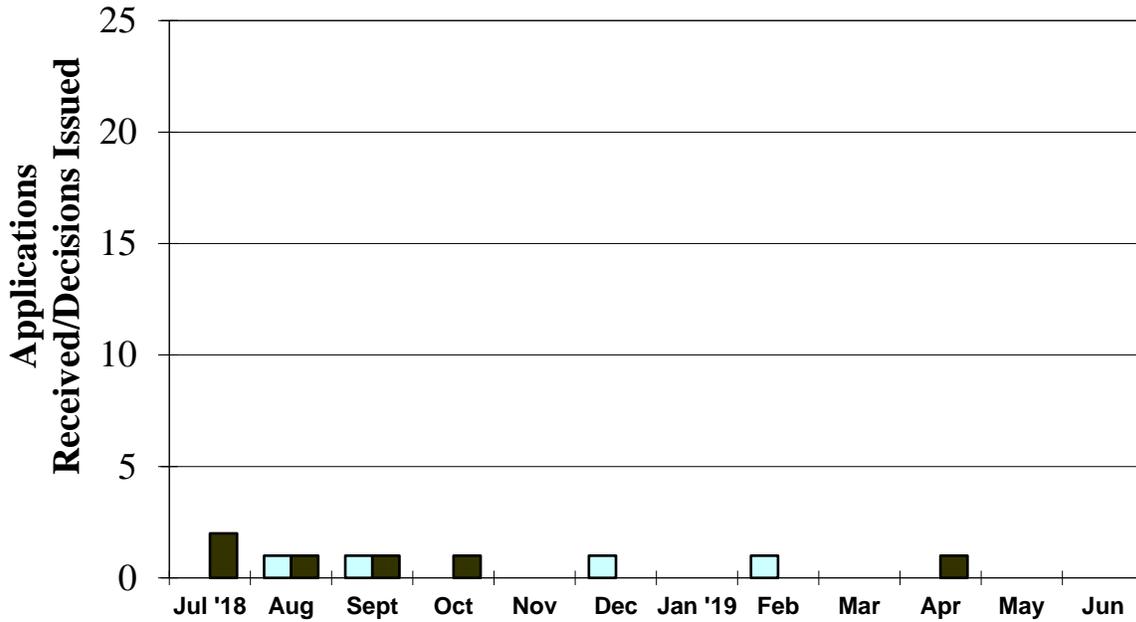
New Source Review Program

New Construction/Source Modifications

Federal Air Construction Permits

First Time Title V Operating Permits

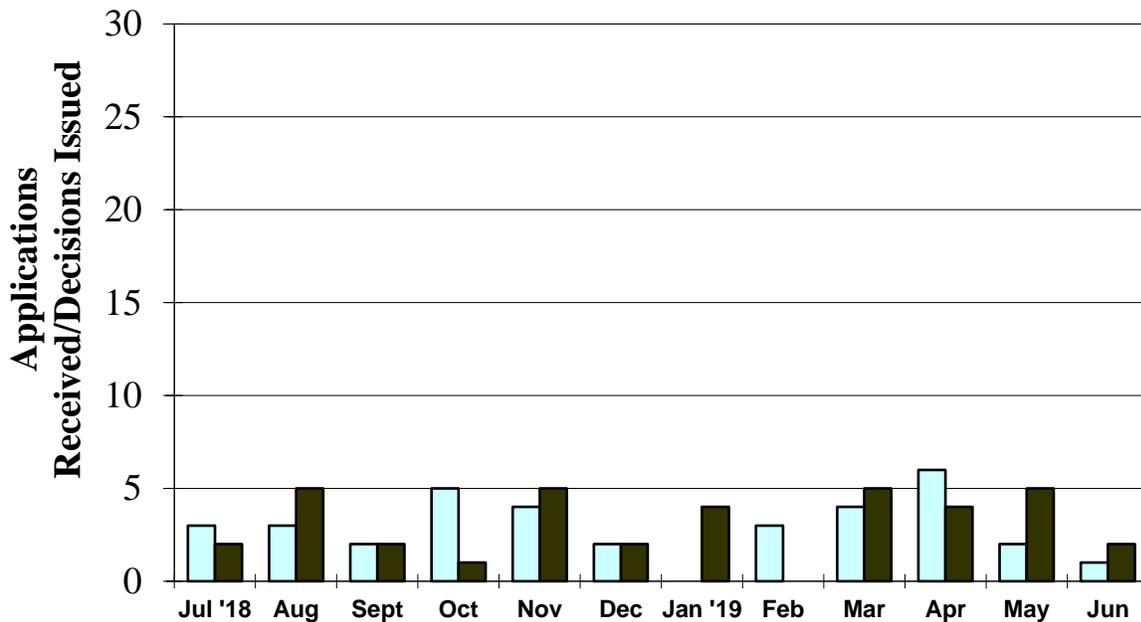
This chart represents first time Title V Operating permits only. The chart does not include those Title V applications received as part of a combined construction permit/operating permit approval, such as Title V/New Source Review, which are instead tracked as construction permits on page 8. The chart includes ALL permit decisions, including applications which were combined, withdrawn, or cancelled.



Applications	Jul '18	Aug	Sept	Oct	Nov	Dec	Jan '19	Feb	Mar	Apr	May	Jun	Total
Received	0	1	1	0	0	1	0	1	0	0	0	0	4
Final Decisions	2	1	1	1	0	0	0	0	0	1	0	0	6
Pending (not shown)	3	3	3	2	2	3	3	4	4	3	3	3	

Minor Operating Permits

This chart shows Minor Source Operating Permits (MSOP), the Source Specific Operating Agreements (SSOAs), and Federally Enforceable State Operation Permits (FESOPs). The 1998 rules required existing minor sources without a valid permit to apply for an approval by December 27, 1999. Existing minor sources with operating permits were required to apply by December 26, 2000. The chart does not include those FESOP and MSOP applications received as part of a combined construction permit/operating permit approval, such as FESOP or MSOP with New Construction, which are tracked as construction permits (see page 8). Decisions include permits issued as well as applications withdrawn, combined or denied.

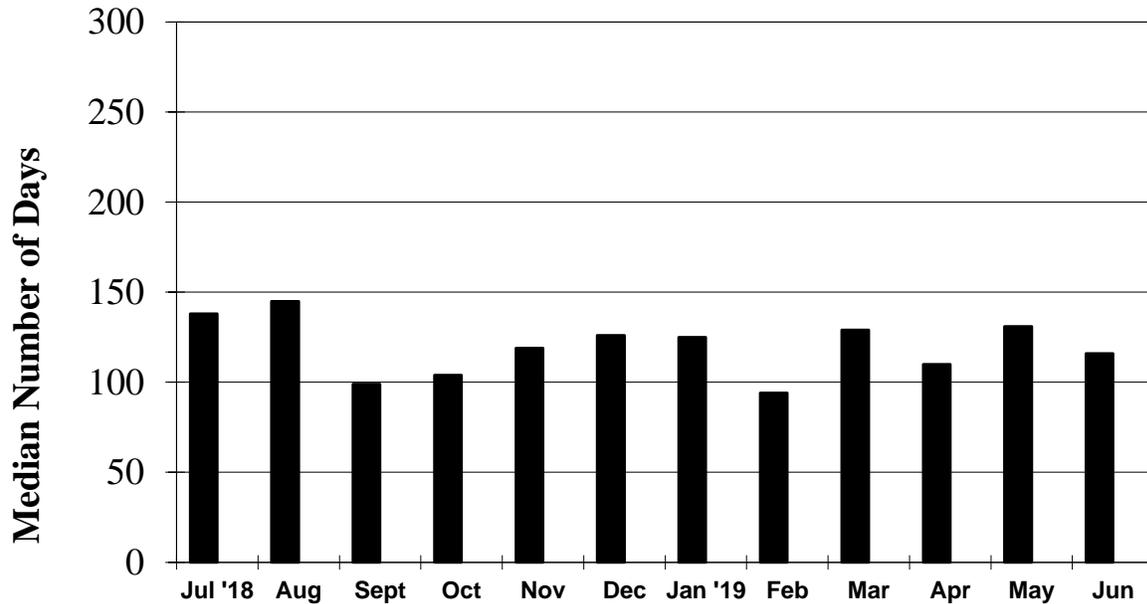


Applications	Jul '18	Aug	Sept	Oct	Nov	Dec	Jan '19	Feb	Mar	Apr	May	Jun	Total
Received	3	3	2	5	4	2	0	3	4	6	2	1	35
Final Decisions	2	5	2	1	5	2	4	0	5	4	5	2	37
Pending (not shown)	15	13	13	17	16	16	12	15	14	16	13	12	

Of the 37 minor source permit decisions made in FY19, 5 were Source Specific Operating Agreements (SSOAs).

Significant Modifications to Title V Operating Permits: 270 day deadline

This chart shows approvals for modifications to existing Title V permits. Approvals for modifications to existing sources with Title V permits is a two step process: source modification approval and permit modification approval. Pre-construction approvals for modifications to "sources" are tracked on page 8.

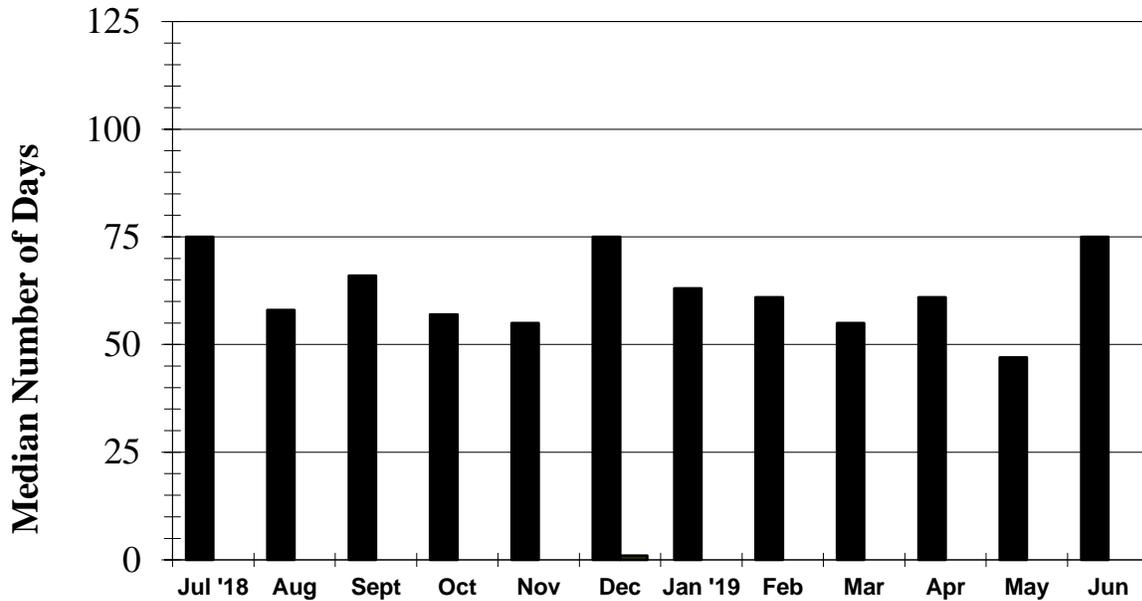


Applications	Jul '18	Aug	Sept	Oct	Nov	Dec	Jan '19	Feb	Mar	Apr	May	Jun	Total
Median # of Days to Issue	138	145	99	104	119	126	125	94	129	110	131	116	
#Past 270 Days*	0	0	0	0	0	0	0	0	0	0	0	0	0
Actual # Modifications Issued	11	14	10	9	11	7	13	3	6	8	8	6	106
Total Applications Received	6	15	8	12	3	9	8	16	18	13	13	6	127
Total Decisions	19	15	10	12	10	14	8	5	3	10	13	12	131
Total Applications Pending	40	40	38	38	31	26	26	37	52	55	55	49	

* There is no statutory deadline for the approval of Title V significant permit modifications; instead 326 IAC 2-7-12(d)(2) states that IDEM shall complete review of the majority of significant permit modifications within nine (9) months after receipt of a complete application.

New Construction/Source Modifications updated

The first table reports the number of permits **subject to the 120 day deadline** which were approved, and the median number of days it took to issue those permits, which also is depicted in the bar graph.



	Jul '18	Aug	Sep	Oct	Nov	Dec	Jan '19	Feb	Mar	Apr	May	Jun	Total
Median # of days to issue	75	58	66	57	55	75	63	61	55	61	47	75	
# of Permits past deadline	0	0	0	0	0	1	0	0	0	0	0	0	1
# of permit approvals issued	20	19	9	15	23	23	13	11	15	18	15	16	197

The second table represents the total number of applications received, decisions issued, and applications pending for all levels of construction approvals, including: New Construction Permits, Interim Construction Permits, Exemptions, Registrations, applications for combined construction/operating permits (such as FESOP/NSR (Federally Enforceable State Operating Permit/New Source Review), as well as requests for modifications to existing sources, including modifications to Title V sources. Modifications to Title V permits are shown on page 7.

	Jul '18	Aug	Sep	Oct	Nov	Dec	Jan '19	Feb	Mar	Apr	May	Jun	Total
Total applications received	20	41	28	33	26	33	25	37	36	32	35	22	368
Total final decisions	36	30	25	28	38	31	28	26	26	30	41	32	371
Total applications pending	102	113	116	121	109	111	108	119	129	131	125	115	

Major New Source Review: 270 Day Review

The OAQ issued the following permits subject to Federal Major Source Review rules in FY18. All permits subject to permit accountability were issued within the allowable time.

Applicant	County	Date
Duke Energy Edwardsport	083	7/10/2018
Toyota Motor Manufacturing	051	7/12/2018
Grain Processing Corp	027	9/7/2018
Midwest Fertilizer	129	6/3/2019
Riverview Energy Corp	147	6/11/2019
Lehigh Cement Corp	093	6/27/2019

The following information regarding permit activity is not shown on the preceding charts but is required by rule to be included in this report:

Permit Application Increase/reduction

During FY19 the OAQ received a total of 1375 permit applications; (0 of the 1375 were reviewed by the Local Air Pollution Control Agencies).

During FY18 the OAQ received a total of 1318 permit applications; (0 of the 1318 were reviewed by the Local Air Pollution Control Agencies.)

This represents an increase in workload of approximately 4.5%.

Public Hearings

The Office of Air Quality conducted 1 public hearing and 2 public meetings during FY19. During this same period last year the OAQ conducted 1 public hearing.

Appeals and Objections

Seven approvals were issued to resolve air permit appeal cases in FY19.

Notices of Deficiency/Requests for Additional Information

During FY19, the OAQ emailed, faxed or mailed 238 Notices of Deficiency.

During FY18, the OAQ emailed, faxed or mailed 292 Notices of Deficiency.

We no longer have our administrative staff issue an Administrative NOD prior to assigning the application to the permit writer. Instead administrative deficiencies are addressed by the permit writer as part of a standard NOD that may include other technical deficiencies as well. The second change involved Renewals, and our difficulty to obtain information from sources. Historically, because Renewals did not have the separate accountability time-clock that NSR work had, NODs were not specifically identified and tracked. However, given OAQ's initiative to eliminate backlogs, we encouraged staff to document attempts to obtain this information through an NOD. These, and most of the other NODs, are handled through Fax or E-mail rather than mail for improved efficiency.

Description of any monies deposited into the Title V Operating Trust Fund that were obtained by means other than the fees paid under Title V

Only fees collected from Title V, FESOP, and SSOA sources, and interest on these funds (plus interest) have been deposited into the Title V Operating Permit Trust Fund. No other monies have been deposited.

Review of Fee Schedule and Adequacy of Fees Collected

The Commissioner may adjust the fee schedule using the revision of the Consumer Price Index (CPI) which is most consistent with the CPI for calendar year 1995. The Commissioner may also adjust the fee schedule in the event that revenues do not total \$13,700,000. Revenues in FY19 did not total this amount.

The next page shows a projection of the Title V Dedicated Fund account, as prepared by IDEM's Controller. In August 2019, IDEM received approval from the Environmental Rules Board to increase Title V program fees by 27%. IDEM is not proposing any additional Title V fee increases at this time.

Financial Information

Air Program Permit Fee Collections and Revenues Expenditures

Title V Operating Permit Program expenditures totaled \$11,412,262 in FY19. The OAQ collected \$9,105,838 in fees during FY19. No permit fees were refunded under 326 IAC 2-1.18(m) and (n) in FY19 because there were no late permit decisions. The Auditor's Cash Balance Report is provided below.

Indiana Department of Environmental Management			
Title V Air Permit Fund: 2760			
Legal Fund Analysis Report			
As of June 30, 2019			
CASH Balance, 7/1/18			Total FY18 \$5,254,427
	Actual <u>July '18-June '19</u>	Projection	
REVENUE:			
Operating Fees - 36210	\$474,570	\$0	\$474,570
Title V and Annual Fees - 36220	\$8,636,199	\$0	\$8,636,199
Fed Indirect Cost Revenue - 36230	(\$4,931)	\$0	(\$4,931)
TOTAL REVENUE AS OF JUNE 30, 2019			\$9,105,838
	Encumbrance <u>July '18-June '19</u>	Actual <u>July '18-June '19</u>	
EXPENSES:			
36210 – Title V	\$0	\$11,412,262	\$11,412,262
36220 – Title V (Investments)	\$0	\$0	\$0
36230 – Title V (Transfer Fund)	\$0	\$0	\$0
TOTAL EXPENSES AS OF JUNE 30, 2019			\$11,412,262
TOTAL FUND BALANCE AS OF JUNE 30, 2019			\$1,948,230

Title V Fund Review

IDEM is required to review the balance of the trust fund as of July 1 and determine, once obligated funds are subtracted, whether the balance of the fund exceeds \$3,000,000. If that amount is exceeded, IDEM must adjust the fee payment schedule for the next billing cycle to return any excess trust fund monies. The IDEM Controller has conducted this review, and has determined that the unobligated fund balance in the Title V fund was less than \$3,000,000 as of July 1, 2019.

Air Permits Program Improvements and Accomplishments

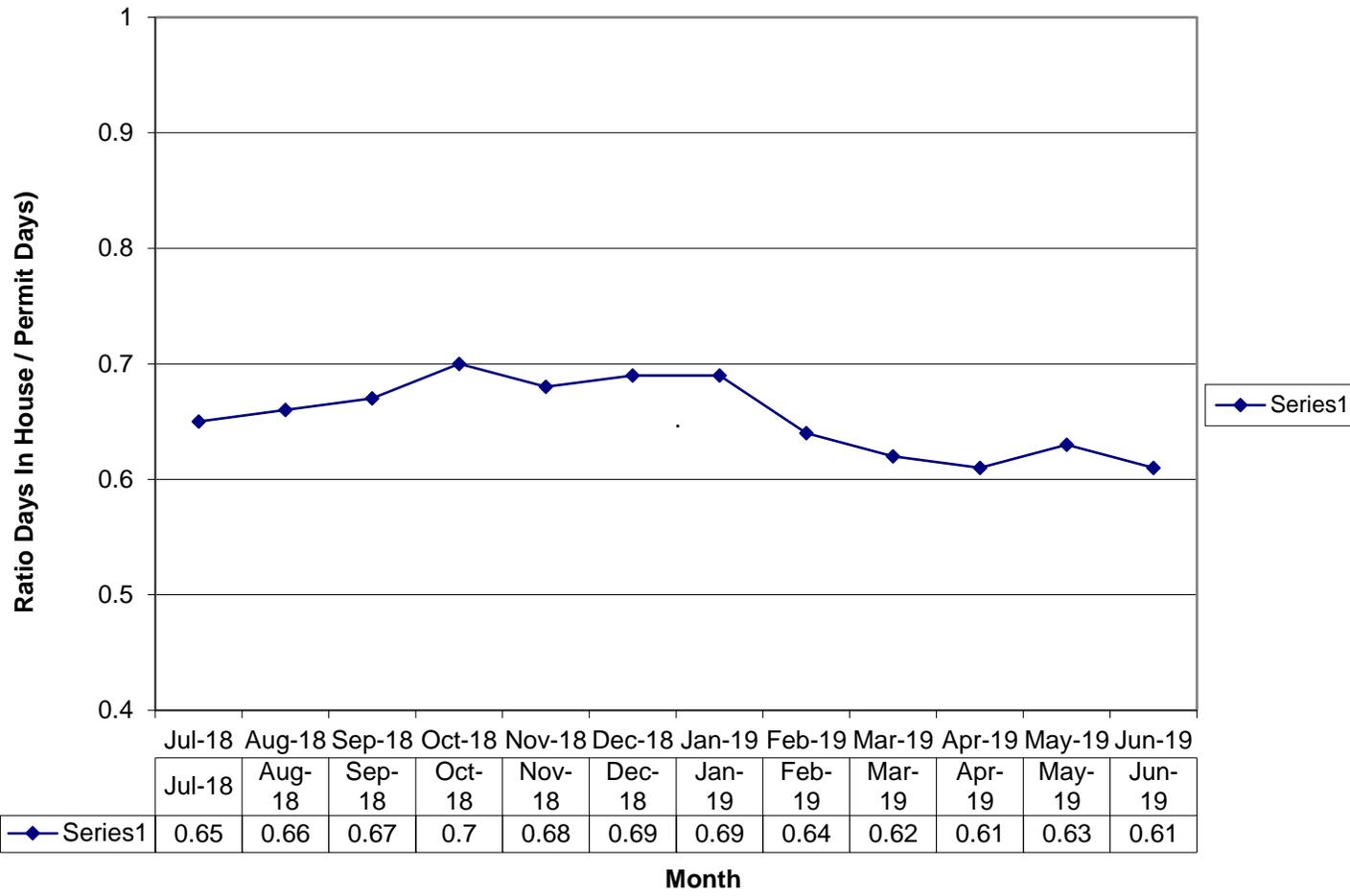
Initial Title V issuance

- ▶ OAQ has issued all of the initial Title V permits (applications received before 12/1/01).

Improvement in Metrics

- ▶ In 2006 IDEM began reporting on agency-wide performance metrics to the Governor. The permit goal in previous years was to, on average, issue permits within their respective permit accountability deadlines on a calendar day rather than accountability clock day basis. However, in an effort to improve efficiency in permit issuance rates, a new goal was set. For this report period the goal was to issue permits at or below 75% of the respective permit accountability deadlines on a calendar day basis on an agency-wide average. As the chart on the next page indicates, OAQ consistently met this on its own for all of FY19. As of June 2019, the metrics was 61% of accountability deadlines.

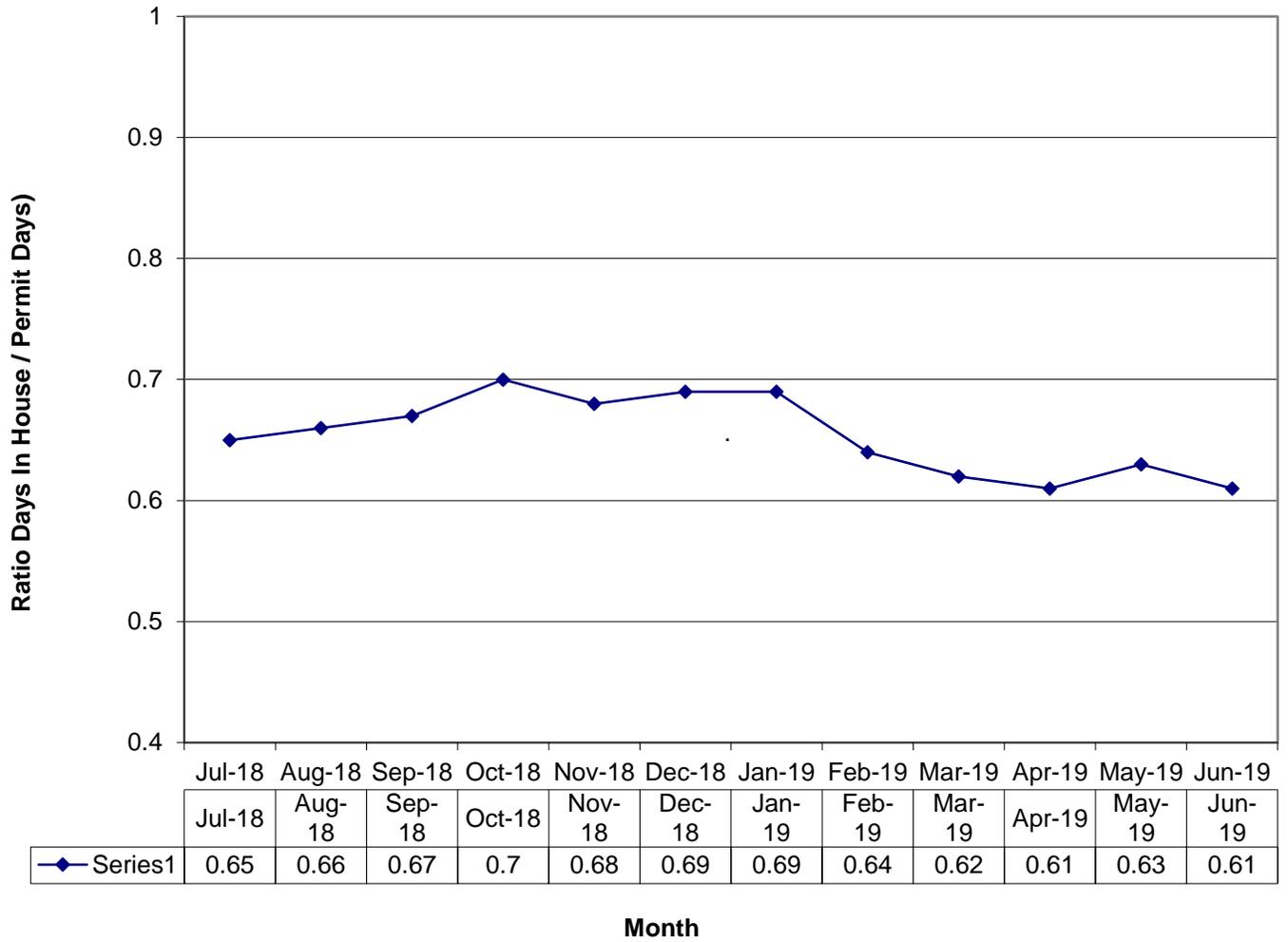
PERMIT METRICS: SUMMARY



	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
Series1	0.65	0.66	0.67	0.7	0.68	0.69	0.69	0.64	0.62	0.61	0.63	0.61

Month

PERMIT METRICS: SUMMARY



Priorities for the Air Permits Program for the next 12 months

Continuous Improvement - Permit Efficiency

In FY 2019, OAQ made minor adjustments to the process and improved our training program. We developed new documents and implemented training geared specifically towards the SEM1s and EE1s to ensure consistency across sections. Our new E7 and the section chiefs have taken on a number of projects to improve standard permit language, form documents, and calculation spreadsheets to improve consistency and efficiency. Our SEM1/EE1 workgroup continues to provide suggestions on improvements and has taken on the task of providing opportunities that foster a team spirit.

Permit renewals

OAQ averages between 20-30 Renewals that extend beyond the prescribed issuance deadlines, on a calendar basis. The majority of these are issued within 30-60 days of these deadlines, and nearly all these Renewals are delayed due to requests from the applicant, or due to an inability to obtain necessary information from the applicant. We are working together to resolve long-pending appeals through the Renewal process, which often adds additional time to the review process and delays issuance. However, the delay in issuance of these Renewals is offset by the elimination of a pending appeal and the workload reduction on OAQ and OLC staff, which has an overall positive result.

Economic development permits

During FY 2019, OAQ continued to improve its efficiency and dedication to customer service, allowing for modifications and new construction for companies adapting to the difficult economic conditions. These projects, regardless of the size and scope, have a significant impact on employment and tax-revenue at the local level and expeditious permitting helps in these areas. OAQ remains committed to issuing these and all permit decisions for new sources and modifications of existing sources as timely as possible without compromising quality or public input.

Permit Fee Increase

On August 14, 2019, the Indiana Environmental Rules Board affirmed a decision by the Indiana Department of Environmental Management (IDEM) Commissioner to increase the Office of Air Quality (OAQ) Title V program fees by 27%. Title V program fees include all fees from Part 70 sources under 326 IAC 2-7, FESOP sources under 326 IAC 2-8, and SSOA sources under 326 IAC 2-9. Increases to annual fees for these sources will be reflected on the annual fee invoice to be sent out in January 2020. Increases to other Title V program fees will be applied to applications postmarked on and after October 1, 2019. A rulemaking is in process to update the Title V program fees in 326 IAC 2-1.1-7.

SharePoint Permits Branch Document Sharing Site

OAQ's Permit Branch developed a new SharePoint site to allow the Compliance and Enforcement Branch access to numerous Permit Branch model documents, training material, calculation templates, and other guidance documentation used by the Permits Branch. The new site will help foster collaboration between the two branches and allow for increased sharing of information. This is intended to further improve efficiency and the quality of our permits.