Air Quality Permit Program Emission Fee Appropriations Report

Presented to Appropriations Committee of the Legislature

By the Department of Environment and Energy



DEPT. OF ENVIRONMENT AND ENERGY

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Introduction

The Department of Environment and Energy submits this report to the members of the Appropriations Committee of the Nebraska Legislature, pursuant to Neb. Rev. Stat. §81-1505.04, as amended. This report details all direct and indirect program costs incurred during the State Fiscal Year 2019 (SFY 2019) in carrying out the air quality permit program. The permit program is the result of the Federal Clean Air Act Amendments of 1990 (CAAA) and the passage of LB1257 (1992) by the Nebraska Legislature. The department is required to establish and implement a comprehensive operating permit program for major sources of certain air pollutants. The federal program is referred to as the Title V program. The State of Nebraska's "Title V program" is often referred to as the Class I program.

Pursuant to the provisions of §81-1505.04, the department is required to collect an annual fee on the emissions from major sources of air pollution in an amount sufficient to cover the costs of the implementation of the permit program. The statute provides flexibility to develop and adjust the fee according to federal regulation or "as required to pay all reasonable direct and indirect costs of developing and administering the air quality permit program." The State's Payroll and Financial Center system is utilized to document time and resources spent on the program. The purpose of this report is to document the revenue generated from emission fees and identify costs associated with the program. In addition, as required by statute, this report identifies the costs incurred by the department to administer the program for each major source and each primary activity not specific to a major source. This report verifies that revenue generated from emission fees was used by NDEE solely to offset appropriate and reasonable costs associated with the air quality permit program.



Hitchcock County

Emerging Issues

A. National Ambient Air Quality Standards and Cross-State Pollution

Pursuant to the Clean Air Act, EPA must review the National Ambient Air Quality Standards (NAAQS) every five years. The purpose of these standards is to protect public health, welfare and the environment. Pollutants regulated by these standards include ozone (O₃), lead (Pb), particulate matter (PM), carbon monoxide (CO), nitrogen dioxide (NO₂), and sulfur dioxide (SO₂); Nebraska is currently in attainment (compliance) with all six standards. Pending actions affecting Nebraska include:

2015 Ozone NAAQS

EPA issued revised ozone standards in 2015, lowering the standard from 0.075 parts per million (ppm) to 0.070 ppm. In September 2016, NDEE submitted its designation recommendation to EPA, which indicated the entire state should be designated as "unclassifiable/attainment" with respect to the 2015

ground-level ozone standard. The revised State Implementation Plan (SIP) for ozone was submitted to EPA in September 2018, and NDEE is awaiting EPA action on this submittal.

2010 SO₂ NAAQS

The 2010 sulfur dioxide (SO₂) standard requires states to demonstrate attainment in the areas surrounding large sources of this pollutant. NDEE submitted Nebraska's designation recommendation of "attainment" for the areas surrounding three major sources to EPA in 2015. EPA designated two of these sources as in attainment in 2016; the third (Sheldon Station in Lancaster County) was designated unclassifiable, and required further characterization. Nebraska's SIP for this NAAQS was submitted to EPA in 2013.

As a supplement to the 2010 SO₂ standard, EPA finalized the Data Requirements Rule (DRR) in 2015 to assist in implementation of the 2010 standard. This rule requires air quality agencies to characterize the air quality near sources that emit 2,000 tons per year or more of SO₂ by the use of air quality monitoring or pollutant dispersion modeling, or adopt enforceable SO₂ emission limits not to exceed 2,000 tons per year for the affected sources. Sources in the state subject to this rule are coal-fired power plants and included Whelan Energy Center (Adams County), Sheldon Station (Lancaster County), North Omaha Station (Douglas County), Gerald Gentleman Station (Lincoln County), and Nebraska City Station (Otoe County).

Areas surrounding Gerald Gentleman Station and Nebraska City Station were characterized by modeling, and EPA designated them as "unclassifiable/attainment" in 2016. The area around Whelan Energy Center was characterized by modeling and designated as "attainment/unclassifiable" by EPA in 2018. Air quality monitors were installed near Sheldon Station and North Omaha Station and began operation in January 2017. Monitoring will be completed in 2019 and a designation recommendation for these areas will be submitted to EPA in early 2020. At present, data acquired at these monitors indicate that these areas are in attainment with the NAAQS.

The DRR also requires annual reporting (termed "ongoing requirements") for areas that were characterized by modeling; the 2019 report was submitted to EPA in September 2019. The three facilities subject to these ongoing requirements include Whelan Energy Center, Gerald Gentleman Station, and Nebraska City Station. Emissions data from these facilities were evaluated in July 2019 and indicated that all areas continue to demonstrate attainment with the federal standard.

EPA conducts a comprehensive review of the NAAQS for each pollutant every five years. As these standards are continually subject to being lowered, maintaining the state's attainment status may prove to be a challenge. In the event Nebraska should be designated non-attainment (not in compliance) with a NAAQS, the state will be required to develop a strategy to return to compliance (typically within a timeframe of 3 to 5 years) and sustain on-going compliance thereafter. The impact of a non-attainment designation would potentially create challenges for existing industry to expand and may dissuade new industry from coming into the impacted parts of the state.

Because emissions from one state can sometimes cause or contribute to air pollution issues in a downwind state, EPA issued the Cross-State Air Pollution Rule (CSAPR) in 2011. This rule addresses the ozone standards and PM_{2.5} issues, and EPA determined that Nebraska sources were impacting Wisconsin and its ability to maintain compliance with the 24-hour PM_{2.5} standard. After court challenges to the rule, in which Nebraska was a petitioner, the rule was upheld by the United States Supreme Court in April 2014, and implementation began in 2015. This required electric generating facilities in Nebraska to comply with the sulfur dioxide and nitrogen dioxide emission caps. The second phase of this rule was implemented in September 2016 when the EPA issued a final CSAPR rule to address the 2008 ozone NAAQS; EPA determined that Nebraska had no impact on downwind states and further emission reductions were not required. At the present time, NDEE is evaluating SO₂ transport elements of the

2010 SO2 implementation plan. When the plan was submitted to EPA in 2013, these elements were addressed by reliance on a memo from former EPA Administrator Gina McCarthy; this memo was rendered void following implementation of the rule. NDEE anticipates submission of this portion of the SIP in 2020.

B. Greenhouse Gas Permitting

As a result of a U.S. Supreme Court decision in 2007 (Massachusetts v EPA), EPA was required to evaluate whether greenhouse gas (GHG) emissions were endangering public health and, if so, whether vehicle emissions significantly contributed to such endangerment. GHGs include carbon dioxide, methane, ozone, and nitrous oxide. Under the Clean Air Act, EPA has been developing GHG emission regulation and promulgated a mandatory reporting rule in October 2009 for sources with emissions over 25,000 tons per year, establishing the EPA Greenhouse Gas Reporting Program. Reporting began in 2011 for calendar year 2010 emissions.

EPA also promulgated GHG permitting rules under the Title V operating permit program and the federal prevention of significant deterioration (PSD) permit program in June 2010. EPA expected states to incorporate the revised rules into their programs by January 2, 2011; Nebraska adopted these revised rules at the December 2010 Environmental Quality Council (EQC) hearing. In June 2014, the U.S. Supreme Court partially overturned the GHG permitting rules, stating that EPA may not treat GHGs as an air pollutant for purposes of determining whether a major source is subject to obtain a PSD or Title V permit. A source must otherwise be subject to obtain a permit due to other pollutants. In August 2016, EPA proposed revisions to the GHG permitting rules pursuant to the U.S. Supreme Court decision, but a final rule has yet to be issued.

C. Affordable Clean Energy Rule

In March 2017, President Donald Trump signed the Executive Order on Energy Independence, which directed EPA to review the Clean Power Plan and revise or repeal the plan if EPA determined that it causes unnecessary, costly burdens on coal-fired electric utilities, coal miners, and oil and gas producers. In December 2017, EPA issued an Advance Notice of Proposed Rulemaking, soliciting information from the public about potential future rulemaking to limit greenhouse gas emissions from power plants. In August 2018, EPA proposed the Affordable Clean Energy (ACE) Rule, which became final on July 8, 2019. This rule included three separate rulemakings: 1) repeal of the Clean Power Plan; 2) establishment of emission guidelines for states to use when developing plans to limit greenhouse gas emissions at power plants, and 3) determination that Heat Rate Improvement is the best system for reducing greenhouse gas emissions from coal-fired power plants.

The department has begun planning for implementation of the ACE Rule, which applies to existing coal fired power plants that generate steam. This rule requires submittal of a 111(d) plan from the department to EPA for approval, which is due July 8, 2022. There are approximately 12 designated EGU units in the State of Nebraska that are subject to the ACE rule. The department has begun preparing for meetings with managers of the designated EGUs, developing information request documents, and establishing a timeline for plan implementation.

D. Regional Haze

The Regional Haze Rule was implemented in 1999 to improve visibility in national parks and wilderness areas, and directs state and federal agencies to work together to achieve this goal. Numerous amendments to the rule have been issued, most recently to promulgate amendments to regulatory requirements for State Regional Haze Plans.

NDEE submitted its first Regional Haze State Implementation Plan (SIP) in July 2011 for the first implementation period (2008-2018); in 2012, EPA issued a partial approval/partial disapproval of the SIP. The disapproved portions include the SO₂ Best Available Retrofit Technology (BART) determination for Gerald Gentleman Station and the state's long-term strategy for regional haze insofar as its reliance on the BART determination. Final EPA action on the disapproved portion is pending.

A Federal Implementation Plan (FIP) was issued by EPA that relied on the Cross State Air Pollution Rule (CSAPR) to address reasonable progress toward regional haze goals. This rule established a trading program which allots an SO₂ emission budget for participating sources, which includes Gerald Gentleman Station. Although EPA requested, and was granted, a voluntary remand on the FIP, this source continues to participate in the trading program. Emissions to date from this source have been below the allotted SO₂ budget under CSAPR, and no additional control measures have been required.

The department submitted the Regional Haze Five-year Progress Report in April 2017, and provided additional clarification to EPA to demonstrate progress toward visibility goals. The department continues to await final approval from EPA, which will effectively finalize Nebraska's obligations under the first implementation period of the Regional Haze Rule, which ended in 2018. EPA approval is intended to address the remand on the FIP, and support approval of portions of the 2008 ozone and 2012 PM2.5 infrastructure SIPs that address interstate transport of pollutants, prevention of significant deterioration of air quality, and protection of visibility.

The second implementation period of the rule began in 2018, and the department has begun work on developing the SIP, which is due to EPA in July 2021.

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purposes of determining whether a source is subject to federal permitting rules. Such sources with emissions above the thresholds are required to obtain a Class I operating permit. Some other source categories are required to obtain a Class I operating permit because of other federal requirements.

<u>Class II – Synthetic Minor Source:</u> A source that has a potential to emit to be a major source, but through enforceable limits has lowered its potential to emit to below the major source thresholds. A synthetic minor source must either obtain a Class II permit or qualify for the Low Emitter Program. Synthetic minor sources are not assessed emission fees.

<u>Compliance Assurance:</u> Assuring compliance includes activities such as conducting facility inspections, responding to complaints, stack test observations, file reviews, voluntary compliance, and enforcement.

Direct costs: Direct program costs are those costs incurred through the direct implementation of the Title V program. Examples include: costs of permit writing and review labor, staff development, training, inspector salaries and travel expenses, air monitoring equipment purchases, regulation development, small business assistance, and computer modeling software purchases.

Indirect costs: Indirect costs are the programs share of costs incurred by the department that benefit the entire agency. Examples include: building rent, costs of certain administrative labor such as the director, the deputy directors, and general data management.

Low Emitter Source: A source that has a potential to emit to be a major source, but has demonstrated through records and emission inventories for at least 5 years a history of actual emissions not exceeding 50% of major source thresholds for regulated pollutants and that is not otherwise required to obtain a permit.

Non Source-Specific Costs: Those costs not specifically attributable to a single source. Examples include: resources required for review of federal regulations, resources required for participation in national organizations, small business assistance, labor for drafting a general air permit, and ambient air monitoring in areas of multiple sources.

<u>Primary Activity:</u> A main functional area of the air program. Examples of primary activities include: permitting, small business assistance, emission inventory, state regulation and program development, compliance assurance, federal policy and rulemaking, and acid rain.

Source-Specific Costs: Those costs specifically attributable to a single source. Examples include: labor for drafting an operating permit for a single source, labor for inspecting a single source, and cost of publishing a public notice for a permit.



Banner County

Direct and Indirect Costs – SFY2019

A. Fees Assessed

Major source emissions were first subject to fees for calendar year 1994 emissions. The following table details the fee rates for the last several years, the date those fees were due, how much was collected, and which fiscal year the fees were intended to fund.

Emission Inventory	Fee Rate per Ton of	Fee Due Date	Fees Collected ¹	Fiscal Year Funded
Year	Pollutant			
2009	\$70	July 1, 2010	\$2,666,552	SFY2011
2010	\$66	July 1, 2011	\$2,566,717	SFY2012
2011	\$64	July 1, 2012	\$2,640,609	SFY2013
2012	\$65	July 1, 2013	\$2,588,903	SFY2014
2013	\$67	July 1, 2014	\$2,738,257	SFY2015
2014	\$70	July 1, 2015	\$2,832,625	SFY2016
2015	\$71	July 1, 2016	\$2,719,339	SFY2017
2016	\$78	July 1, 2017	\$2,958,887	SFY2018
2017	\$78	July 1, 2018	\$3,113,731	SFY2019
2018	\$70	July 1, 2019	\$2,923,715	SFY2020

Table 1	: F	ees Co	llected
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B. General Discussion of Program Costs

The department's SFY2019 estimated expenditures (budget) was \$3,687,041 for the Title V program. The department expended \$2,834,790, or approximately 77% of the budget. Table 2 provides a summary of SFY2019 Title V budgeted costs.

Table 2: Title V Budgeted Costs for SFY2019

Category	Title V	Budgeted Costs
Personnel	\$	1,867,943
Benefits		460,466
Contractual		29,373
Supplies		8,159
Other		297,876
Travel		28,369
Equipment		0
Total Direct Costs		2,692,186
Total Indirect Costs		994,855
Total Costs:	\$	3,687,041

(July 1, 2018 - June 30, 2019)

¹ Fees collected reflect late payment fees and updates to the emissions inventory that may have occurred after the initial submittal was filed.



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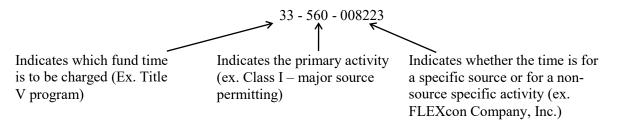
Primary Activity Costs

A. Payroll and Financial Center System

The department is required to establish a system that provides reporting of resources expended on the primary components of the air quality program, as well as resources expended for each major source. Use of a tracking system commenced in July 1996.

Under the Payroll and Financial Center system, program activities are either charged to the Title V (Class I) program, the "state" program, the federal 103 program, or to the construction permit application fee program. The emission fees paid by major sources fund the Title V program. The "state" program refers to the 105 grant program, which is funded by federal funds and state general funds. The federal 103 program is funded wholly by federal funds and is utilized only for maintaining the PM_{2.5} (particulate matter with an aerodynamic diameter of less than 2.5 microns) ambient monitoring network. The construction permit application fee program was enacted by the legislature during the 2004 session (LB449) and began January 1, 2005. When applying for an air quality construction permit, the owner or operator of the facility must submit an application fee. The fees collected under the construction permit program are used toward paying some of the costs of processing the application. There are currently no fees charged to sources for air quality operating permits.

All time spent by staff on the Title V program is recorded as program activity on timesheets in the Payroll and Financial Center system. The Title V program includes activities associated with major sources and synthetic-minor sources. Permit, planning, and compliance program staff document time by primary activity and by specific source or non-source specific activities. An example of how the Title V program activities are tracked follows:



B. Costs by Primary Activity

The following table details the Title V air program costs for SFY2019 by primary activity:

Time Tracking	Agency Program	
Code		Costs
001; 115; 119; 120; 121; 123; 607	Administration/Management	\$ 344,660
002	General Office	315,163
100	Outside Meeting	3,212
103; 111; 567; 568; 592	Compliance / Complaints / Enforcement	581,493
106; 554; 608	Environmental Data Collection/ Ambient Air Monitoring	31,021
112; 555; 564; 565; 604	Rules & Regulations	88,081
113	Legislation	1,792
114; 606	Training	136,723
116	Process Improvement	14,342
125	Legal Advice	100
170	Hazards (Floods)	14,583
553; 594; 605	Air Emission Inventory	89,963
559; 600	Small Business Assistance / Title V/Class II – Compliance Assistance/Outreach	79,617
566; 590; 101	Construction Permit	277,879
591; 560; 561; 562; 570	Operating Permit	447,219
593; 603	Modeling	56,395
596	Monitoring Mercury	13,528
601	Air 105/Title V – Compliance Office Activities	147,170
602	Air 105/Title V – Planning Office	27,319
610	Air 105/Title V – Construction Permit Office	59,504
611	Air 105/Title V – Operating Permit Office	65,502
612	Air 105/Title V – NO FID/Permit	18,254
No Code	Payroll	13,150
No Code	Benefits & Taxes	3,084
No Code	Operating Expenses	4,605
	TOTAL	\$ 2,834,790

Table 3: Costs by Primary Activity SFY2019(July 1, 2018- June 30, 2019)

C. Costs Specific to Class I Major Sources

Table 4 contains the costs the agency incurred that were specific to individual Class I major sources.

(July 1, 2018 - June 30, 2019) Time Total					
Facility Name	Facility Location	Facility ID	Tracking Code	Agency Costs	
A-1 Fiberglass	Hastings	723	008366	\$ 4,770	
A-1 Fiberglass	Aurora	85312	008917	1,017	
ADM Corn Processing	Columbus	39285	008206	30,146	
AGP Soy Processing	Hastings	72698	008794	13,423	
Archer Daniels Midland Co	Fremont	9169	008265	273	
Ash Grove Cement Co	Louisville	4129	004504	38,052	
BD Medical Systems	Columbus	38719	008383	183	
Bertrand Compressor Station	Loomis	88547	010189	7,946	
Bimbo Bakeries USA, Inc	Bellevue	59056	008471	225	
Burgess Well Company	Minden	27639	007332	30	
Butler County Landfill, Inc	David City	62743	008812	4,384	
C.W. Burdick Gen. Station	Grand Island	54712	008429	0	
Cargill Ag Horizons	Albion	1446	008310	1,122	
Cargill Inc Polyol Sweeteners	Blair	64401	008787	6,936	
Cargill Lactic Acid Plant	Blair	91164	010294	4,583	
Cargill, Inc	Blair	57902	008296	52,729	
Chief Ethanol Fuels, Inc	Hastings	58049	008315	4,656	
City of Wayne	Wayne	47263	008426	60	
Clean Harbors Environmental Services, Inc	Kimball	58562	008319	11.486	
CNH Industrial America, LLC	Grand Island	24371	008395	1,870	
David City Municipal Power	David City	4016	008300	118	
Douglas County Recycling Landfill	Bennington	62593	008467	7,203	
Douglas County Landfill	Omaha	59516	008244	89	
Dutton-Lainson Co	Hastings	125	008374	367	
Endicott Clay Products	Endicott	27355	008389	3,889	

Table 4: Costs by Class I Major Source SFY2019(July 1, 2018 - June 30, 2019)

Facility Name	Facility Location	Facility ID	Time Tracking Code	Total Agency Costs
Enron Natural Gas	Palmyra	37514	008325	69
Excel Corp	Schuyler	6272	008524	4,134
Exmark Manufacturing Co	Beatrice	23151	009016	234
FLEXcon Company, Inc	Columbus	58429	008223	4,153
Flint Hills Resources Fairmont	Fairmont	86026	010000	11,902
G & P Development, Inc Landfill	Milford	45275	008825	441
Global Equipment Company, Inc	Norfolk	53804	008936	1,216
Goodyear Tire	Norfolk	53867	008391	3,057
Grand Island Burdick Station	Grand Island		54712	188
Grand Island Platte Gen Station	Grand Island		58027	20,488
Grand Island Regional Landfill	Shelton	62812	008809	981
Green Plains Atkinson, LLC	Atkinson	86416	010027	6,836
Green Plains Central City, LLC	Central City	82836	009032	7,846
Green Plains Ord, LLC	Ord	85861	009091	1,518
Green Plains Wood River, LLC	Wood River	86000	009094	7,453
Green Plains	York	59094	008291	8,397
Hastings Utility – Don Henry	Hastings	58345	008530	1,133
Hastings Utility – N. Denver	Hastings	55721	008339	3,322
Hastings Utility – Whelan Energy	Hastings	58048	008338	41,519
Huntsman	Sidney	5456	008392	1,237
IBP	Lexington	8744	008432	1,378
J Bar J Landfill	Ogallala	63354	008826	148
KAAPA Ethanol	Ravenna	77854	009013	16,092
KANEB Pipeline	Geneva	22282	008343	1,518
KANEB Pipeline	Columbus	39527	008345	964
KANEB Pipeline	Osceola	58738	008482	918
KN Energy	Lexington	8669	008437	970
KN Int. Gas	Albion	1416	008475	1,596
KN Int. Gas	Holdrege	38270	008476	107

Facility Name	Facility Location	Facility ID	Time Tracking Code	Total Agency Costs
KN Int. Gas	North Platte	58735	008477	185
KN Int. Gas	Grand Island	24673	008479	100
Koch Fertilizer Beatrice, LLC	Beatrice	23383	008411	3,274
Lon D Wright Power Plant	Fremont	48518	008350	5,659
Natural Gas	Beatrice	23034	008435	3,611
Natural Gas	Otoe	37669	008470	906
Naturally Recycled Proteins	Wakefield	80265	009061	351
NatureWorks, LLC	Blair	69585	008857	461
Nebraska City Power Plant # 1	Nebraska City	37388	008353	1,909
Nebraska City Power Plant # 3	Nebraska City	64753	009004	164
Nebraska Energy	Aurora	59052	008424	155
NNSWC Landfill	Clarkson	62779	008811	3,976
Northern Natural Gas Co	Beatrice	23382	008324	1,010
NPPD Beatrice Power Station	Beatrice	76739	009002	5,390
NPPD Canaday Station	Lexington	8512	008433	1,763
NPPD Gerald Gentleman Station	Sutherland	34385	008396	11,023
NPPD Hebron Peaking Unit	Hebron	58034	008708	1,122
NPPD McCook Peaking Unit	McCook	39986	008836	1,215
NPPD Gerald Gentleman Station	Sutherland		000098	9
Nucor Corporation	Norfolk	35548	008406	3,769
Nucor Steel	Norfolk	35677	008267	10,851
OPPD Cass County Station	Plattsmouth	70919	008870	2,642
OPPD Nebraska City Station	Nebraska City	58343	008355	16,746
OPPD Sarpy County Station	Bellevue	42638	008241	1,456
Pacific Ethanol Aurora West	Aurora	87072	010151	5,894
Papillion CRK-WWTP	Omaha	57789	008436	530
PGLA-1	Blair	64258	008451	677
Pioneer Trails Tank Car		86000	001955	0
Plainview Municipal Power Plant	Plainview	38561	008757	2,426

Facility Name	Facility Location	Facility ID	Time Tracking Code	Total Agency Costs
Platte Generating Station	Grand Island	58027	008771	20,488
Premier Ind.	Mead	43396	008221	3,273
Sarpy County Sanitary Landfill	Springfield	48856	008828	1,524
TIGT Big Springs Station	Big Springs	56628	008297	2,346
Tyson Fresh Meats, Inc	Dakota City	7339	008376	4,943
Union Pacific Railroad	North Platte	60192	008481	3,799
Valero Renewable Fuels Co	Albion	85814	009089	26,745
Vulcraft/Nucor	Norfolk	35548	008406	3,769
Western Sugar Cooperative	Scottsbluff	44141	008225	8,014
Williams Power & Light	Irvington	17738	008462	1,862

D. Sector-Specific Costs

Chart 1 illustrates the program costs by industry sector. The heavy manufacturing sector includes manufacturing facilities such as Nucor Steel, Omaha Steel Castings, and Valmont Industries. The food and meat processing sector includes bread manufacturing, meat packing, rendering, and pet food manufacturing. Incineration includes hospital waste incinerators, as well as the Clean Harbors facility in Kimball. Wastewater treatment facilities (WWTFs) include those systems at municipalities. The "non-source specific" category refers to costs associated with activities that are not related to an individual source, but benefit a broad category of sources. Examples of "non-source specific" activities include, but are not limited to: ambient monitoring, rule development, process improvement activities, data entry, outreach, training, and operating expenses. The program costs reflected in Chart 1 include those attributed to activities related to Class I major sources and Class II synthetic minor sources.

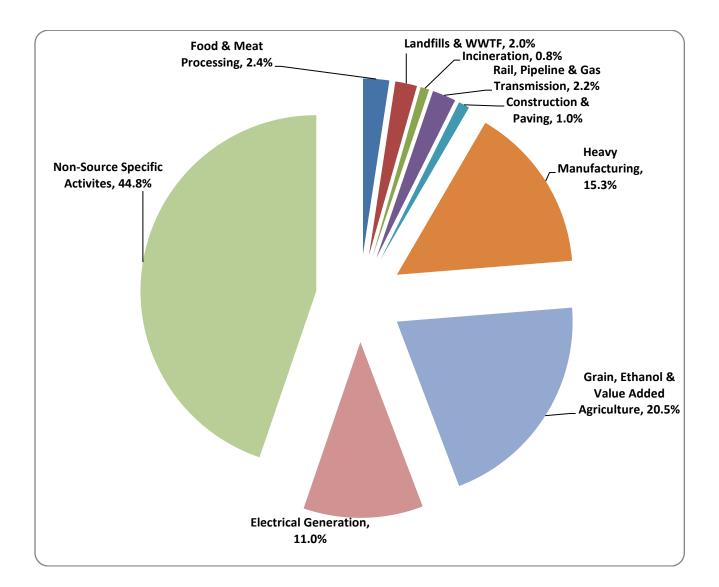


Chart 1: Title V Costs by Sector (Percentage)