

Sheila Holman, Director
Division of Air Quality
North Carolina Department of
Environment and Natural Resources
1641 Mail Service Center
Raleigh, North Carolina 27699-1641

Dear Ms. Holman:

This correspondence is being sent to provide you with a final copy of the U. S. Environmental Protection Agency Region 4 report, which was completed as a result of the EPA title V program evaluation conducted on April 29-30, 2014, (see Enclosure). This report also incorporates the program updates provided by the North Carolina Department of Environment and Natural Resources, Division of Air Quality (DAQ) in the June 5, 2015, letter to the EPA. The purpose of this program review was to evaluate the status and the ability of DAQ to carry out the duties and responsibilities required to effectively run the title V program, as well as find out how the EPA can best assist the DAQ in meeting these commitments.

If you or your staff have any questions regarding the report, please do not hesitate to contact Randy Terry of the EPA Region 4 staff at (404) 562-9032.

Sincerely,

Beverly H. Banister, Director
Air, Pesticides and Toxics Management Division

Enclosure

North Carolina Department of Environment and Natural Resources
Division of Air Quality
Title V Program Review

The North Carolina Department of Environment and Natural Resources, Division of Air Quality (DAQ), initial Clean Air Act title V permit program review was conducted on the dates of March 11, 12, 15 and 16, 2005, in Raleigh, North Carolina. Copies of the report are kept on file on the U. S. Environmental Protection Agency website and at the EPA Region 4 office in Atlanta, Georgia. Based on the information gathered from the initial title V program evaluations and the implementation of new title V permit requirements, the EPA committed to, at a minimum, conduct a second round of title V program reviews for all state and local programs that had at least 20 title V major sources within their jurisdiction by the end of fiscal year 2010.

The second program evaluation of the DAQ title V program was conducted May 19 – 20, 2010, in Raleigh, North Carolina. Based on the findings of the initial program evaluation, the EPA focused the second round evaluation on permit issuance, resources, staffing and implementation of compliance assurance monitoring (CAM). In addition, the EPA conducted administrative reviews of eleven title V permits including two with CAM plans as part of this overall program evaluation. An entrance interview between the EPA and key staff of the DAQ was conducted, where the EPA explained the details that Region 4 would be addressing during their office visit. The following parties attended the title V questionnaire discussion: Randy Terry (EPA Region 4), Lori Shepherd (EPA Region 4), Katy Lusky (EPA Region 4), William Willets (DAQ), Sammy Amerson (DAQ), Rahul Thaker (DAQ), Don Van der Vaart (DAQ), and John Evans (DAQ). This final report was issued on September 21, 2010. Copies of this report are kept on file on the EPA website and at the EPA Region 4 office.

The EPA Region 4 office conducted a third program evaluation of the DAQ title V program on April 29-30, 2014. This evaluation consisted of a review of the title V budgeting and accounting process, permit file review, public participation, and follow-up from previous evaluations. DAQ personnel in attendance included Sheila Holman, William Willets, Mike Abraczinskas, Rahul Thaker and Mark Cuilla. The EPA staff in attendance included Randy Terry, Art Hofmeister, Lori Shepherd and Eva Land. Upon finalization, this report will be kept on file at the EPA Region 4 office and posted on the EPA website.

North Carolina DAQ Title V Program Review

1. Program Review

The DAQ's organizational structure for air permitting resides at the office in Raleigh, North Carolina. All title V permits for the DAQ area are processed in the Raleigh office except those for which permitting jurisdiction is covered under a local title V program. During the initial round of program evaluations, separate program evaluation reports were written covering the Charlotte/Mecklenburg County and Forsyth County title V programs. A second evaluation of the Charlotte/Mecklenburg County title V program was conducted May 17-18, 2010. The Western North Carolina title V program has fewer than 10 title V sources, so an evaluation of their title V program has not been conducted.

Executive Summary

- 1) The DAQ staff has been able to retain an experienced staff and has developed a heightened expertise in dealing with the requirements of title V.
- 2) The DAQ's budget process is well organized, easily followed and thorough. The discussion with DAQ staff regarding the establishment of the annual budget reflected that the staff has a understanding of the overall budget process and clearly identifies title V revenue and expenses from non-title V revenue, such as 105 grant monies, and expenses. In addition, the long range budgetary planning, taking the diminishing emissions base into consideration, shows a commitment to maintaining a viable title V program.
- 3) As their staff matures and a large base of institutional knowledge is projected to retire, the Division, has made several strategic programmatic moves to ensure a continuity of operation. These actions include cross training of staff when opportunities arise and when making hiring decisions early enough to allow for some shared learning with the outgoing staff to ensure a smooth transition.
- 4) The Engineering review documents developed by the staff were very well written, included detail to justify the engineer's decisions and a resource to understanding the history of the facility. In addition, the permits reviewed were comprehensive, thorough and well organized.
- 5) The use of staffing resources seems well thought out and appear to maximize the staff capacity. For example, the decision to use new staff to process renewal title V's with minimal changes is an effective approach to reduce the backlog while easing the new hires into writing title V permits.

Areas of Concerns:

- 1) At the time of the program evaluation, the DAQ had a manageable backlog of title V actions (19 title V renewals and 17 significant modifications). However, DAQ received only 40 title V renewals in the past year but has a total of 275 active title V sources. Forty-six title V permits were issued in the past year. This would lead to 235 permits to be issued in the next four years, or 59 per year. In addition, there are title V applications already in-house to be issued. Title V permit issuance must remain a point of emphasis or the backlog could steadily increase in future years. Since the program evaluation, DAQ has implemented several activities to reduce the backlog. These activities include some short-term prioritization as well a return to having a fully staffed permitting section. In addition, DAQ is in the process of adding two more staff in this work area to further address the backlog issue. To ensure these measures are effective in reducing the backlog, the EPA will monitor the title V permit productivity issuance, through the TOPs reports.

- 2) Based on the file review, we do not consider the files to be administratively complete. Most of the files reviewed did not contain draft or proposed permits, proof of publications or identify which of these items could be obtained electronically. Since the program evaluation, DAQ has developed and implemented the use of a tracking sheet which is now included at the front of each source folder. This sheet provides assurances that each document is appropriately tracked and recorded as to its place in the source folder or the location of any electronic documents that should accompany the folder.

Programmatic Knowledge/Implementation

The EPA and DAQ held discussions on a variety of title V topics including adequacy of title V resources (staffing and capital), public participation, title V workload, and renewal of title V permits. It was apparent during the discussions that the staff had a thorough understanding of the regulations and requirements of 40 CFR part 70. In addition, DAQ discussed its organization plan and how they ensure the retention of institutional knowledge as they experience organizational turnover.

Resources

DAQ's title V program is organized so that title V applications are processed in the central office and enforcement and inspections are handled by the regional offices. DAQ currently has 14 permit engineers dedicated to working on title V applications and one on rotation to Department level duties. Three of these permit engineers focus primarily on the title V backlog applications in an effort to reduce the backlog. DAQ staff is responsible for taking care of all permitting issues for those assigned facilities including reviewing permit applications, drafting permits, calculating emissions, reviewing all submitted reports, answering questions, responding to citizens' information requests, and providing necessary compliance assistance. The permit writers also focus on non-title V work such as prevention of significant deterioration, state-only permitting, quarterly stakeholders meetings, and multiple workgroups.

DAQ utilizes a monthly updated spreadsheet to monitor the application processing schedule and progress. This allows management to ensure that an application does not stagnate during the permitting

process. The permit application tracking information is accessible to both staff and management. In addition, DAQ takes advantage of numerous informal discussions to keep abreast of permitting activity and other title V issues. When situations warrant, more frequent meetings are scheduled.

At the time of the April 29, 2014, program evaluation, DAQ had two unfilled permit engineer positions and two vacant management positions. The DAQ was in the process of filling all the vacancies in the Permits Section. Since the program evaluation, the DAQ has filled the two permit engineer positions and is now fully staffed within their permitting section.

DAQ's title V sources are billed for actual emissions at a current rate of \$31.29 and an annual title V fee of \$6,781.00. Newly permitted title V sources are billed a first time fee of \$9,295.00. One issue that has concerned DAQ management is the steady decline in billable tons of emissions for the title V program. This decline in billable tons has been a slow decrease over the years, and the program has been able to compensate for this with increases in the title V billable tonnage rate.

From 2009 - 2012 the DAQ collected the following title V revenue:

FY 09-10 - \$8,754,998.00
FY 10-11 - \$8,187,756.00
FY 11-12 - \$8,000,817.00
FY 12-13 - \$7,902,853.00

Title V revenue projected for 2013 – 2016 is:

FY 13-14 - \$7,512,314.00
FY 14-15 - \$6,938,474.00
FY 15-16 - \$6,737,942.00

Projected expenses for DAQ's title V program for FY 14-15 are expected to be around \$7,000,000.00. Monies rolled over from previous years along with strategic program decisions should be able to compensate for the potential shortage of revenue in FY 14-15.

From FY 09-10 to FY 14-15, the DAQ's title V revenue collected has decreased by more than 20 percent, due to a reduction in billable tons of emissions. As a result of this overall decrease, the DAQ adjusted their title V Fee for FY 15 in conjunction with the annual consumer price index (CPI). In December, 2014, the DAQ raised their title V fees 1.58048 percent.

Public Participation

The DAQ works with its citizens to protect and improve outdoor air, or ambient, air quality in North Carolina for the health, benefit and economic wellbeing of all. Permits include conditions to ensure a facility is complying with federal and state rules and laws that are developed to protect human health. At the time of the program evaluation, the DAQ was reviewing its Environmental Equity guidance. The EPA discussed with DAQ some of the experiences that have occurred under the Environmental Justice (EJ) arena within Region 4 and the benefits of working with communities and individuals proactively. EPA is ready to work with DAQ, as they evaluate the environmental equity guidance, to provide feedback from our experience.

Renewal Permits

At the time of the program evaluation, the DAQ had 80 renewal applications and 34 significant modifications in house to be processed. Included in that number are 40 applications that were submitted since April 28, 2013. Of those renewal applications, all were deemed timely and complete. At the time of the program evaluation, the DAQ had a minimal backlog of 19 title V renewals and 17 significant modifications. At one time, DAQ had assigned specific engineers as “renewal only engineers” (discussed in the May 19-20, 2010, program evaluation). Title V permit issuance will have to remain a priority for the DAQ. In the 12 months prior to the program evaluation, the DAQ had issued 46 title V permits, but over the next four years, the DAQ should receive on average slightly less than 60 renewal applications per year. Failure to keep up with the application receipt rate will eventually cause the backlog to grow into a significant number. In order to ensure the continued reduction of the backlog remains a point of emphasis, once fully staffed, the DAQ is planning to restore the “renewal only engineer” concept.

Since the program evaluation, DAQ has implemented several activities to reduce the backlog. These activities include some short-term prioritization in addition to filling the vacancies within the permitting section. In addition, DAQ is in the process of adding two more staff in this work area to further address the backlog issue.

NCDAQ File Review (04/29/14 – 04/30/14)

A list of 10 permit files to be reviewed was submitted to NCDAQ staff on April 24, 2014. The list contained permitting actions that were currently within the EPA’s 45-day review period as well as permits that had been issued by DAQ. The list included Initial title V permits and significant and minor modifications to title V permits as follows:

01895T23 Coats N.A.
03937T20 West Fraser Seaboard Lumber Mill
08559T16 Nomaco Inc. Tarboro (cursory review, in public comment period)
05754T91 Greenville Servic Co.
03387T42 Momentive Specialty Chemical
06542T20 Kurz Transfer Products
04379T37 Fort Bragg
08826T08 Uwharrie Regional Landfill
00164T48 INVISTA S.a.r.l.
02688T35 PPG Industries

The only significant issue noted during the review was that the files provided to the EPA did not appear to contain all of the basic elements to be considered administratively complete. For example, public notice tear sheets, draft and/or proposed permits, and the permit writer’s statement of basis or review was routinely missing from files. DAQ was questioned about the missing items, and the EPA was informed that these things are now normally kept only electronically once the final permit has been issued. Hard copies of these documents are not retained in the file so as to conserve very limited filing space. The missing file components are available for review if requested. The EPA advised DAQ to keep some type of notification in the hard copy file (*e.g.*, a checklist or file summary sheet) to advise any potential reviewer of the existence of additional permitting action documentation that may be

available in an electronic format. Since the conclusion of the program evaluation, DAQ has developed a tracking sheet and has implemented this suggestion.

It was noted that the permit writer's working file for Nomaco, Inc., which was still in the public comment period, did contain all of the appropriate basic elements. The EPA conducted a cursory review of the Nomaco, Inc. significant modification concurrently with the file review.

Conclusion

At the conclusion of the onsite portion of the title V program review, Region 4 personnel met with DAQ officials to conduct an exit interview. During this exit interview, Region 4 shared the findings of the review. Personnel in attendance from the EPA Region 4 were Randy Terry, Art Hofmeister, Eva Land and Lori Shepherd. DAQ officials in attendance included Sheila Holman, William Willets, Rahul Thaker, and Mark Cuilla.

Overall, the EPA believes that DAQ is meeting the requirements set forth for operation of a title V program. The EPA takes special note of the work DAQ had done in strategic planning, as they continue to fully operate the title V program while steadily addressing the reality of diminishing resources and simultaneously reducing the title V backlog. The EPA looks forward to continuing the working relationship with the DAQ.