



CALIFORNIA
AIR RESOURCES BOARD

Deliberative Draft

Cargo Tank Vapor Recovery Public Workshop

November 6, 2018
California Environmental Protection Agency - Sacramento




CARB

1

Agenda

- Part One
 - Background
 - Rulemaking Objectives
 - Potential Amendments/ Conceptual Language
- Part Two
 - Regulatory Implementation and Use of Fee Formula
 - Industry Suggestions
 - Application Processing
 - Assessing Leak Rates
 - Next Steps




CARB

2

Deliberative Draft

Background



CARB

3

Deliberative Draft

Purpose of the Regulation

- CARB established the Cargo Tank regulation to reduce emissions of:
 - Toxic Air Contaminants (TACs) that cause adverse health effects
 - Volatile Organic Compounds (VOC) that form smog
- The Regulation is legislatively required per Health and Safety Code (HSC) section 41962



History of the Regulation

- Adopted in 1977 (Title 17 California Code of Regulation Section 94014)
- CHP implemented the program until 1996
- CARB took over the program in 1996, and began charging a \$20 fee per annual certification

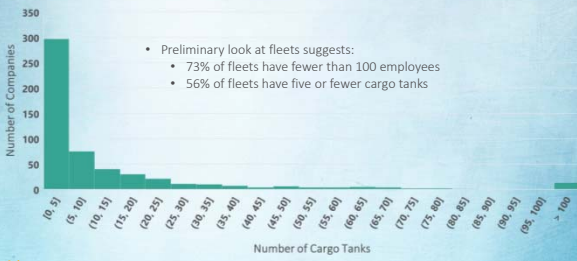


Need for Regulatory Amendments

- Program is underfunded
 - Program is currently underfunded by approximately \$340,000 per year
 - HSC 41962 requires charging certification fee in the amount necessary to administer the program, not to exceed estimated costs
- Program field activities have declined
 - HSC 41962 (i) requires CARB to assure that systems are operated in compliance with standards and procedures
 - Total number of annual field activities has decreased by approximately 85% in the last 10 years



Cargo Tanks Owned by Small Fleets

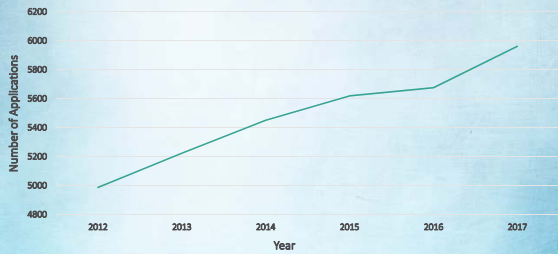


- Preliminary look at fleets suggests:
 - 73% of fleets have fewer than 100 employees
 - 56% of fleets have five or fewer cargo tanks



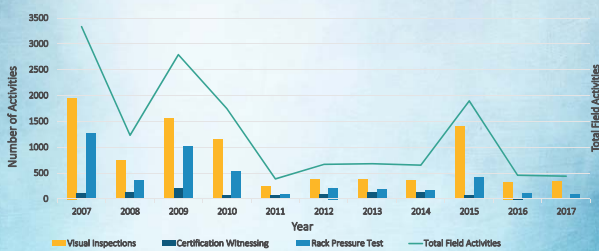
Deliberative Draft

Certification Applications Increasing



Deliberative Draft

Field Activities Decreasing



Deliberative Draft

How Do Cargo Tanks Fail?

- 2008 study of 292 cargo tanks
- Compliance rate: 87%
- 40% of violations resulted in excess emissions
- New study underway to better understand current leak rates

Failure Type	Percentage
All Three	57.5%
Pressure Integrity	37.5%
Int. Vap. Valve	2.5%
Liquid Leak	2.5%

https://www.arb.ca.gov/enf/cargotanks/tester08_report.pdf

CARB 13 Deliberative Draft

Non-Compliance = Higher Emissions

- Total 2016 gasoline throughput = 13,787,000 kgal in 2016
- Total emissions with 100% of tanks emitting at controlled levels:
2.83 Tons per day of VOC
- Total emissions with 5.8% of tanks emitting at uncontrolled levels:
11.1 Tons per day of VOC

A difference of 8 tons per day of potential excess emissions

CARB 14 Deliberative Draft

Objectives

CARB 15 Deliberative Draft

Objectives

- Develop regulatory amendments through a public process
 - Establish regulatory language that allows for future adjustments to the certification fee
- Purpose of public process
 - Solicit input such that CARB can develop regulatory language
 - Solicit input on an appropriate resource level to meet legal and public health requirements



Potential Amendments and Conceptual Language



Potential Amendment

- CARB does **not** intend to amend performance standards
- CARB intends to propose regulatory language to:
 - Establish a fee calculation method
 - No dollar amount specified in regulation
 - Ensure the program is revenue neutral
 - Fee adjustments would be made to account for inflation and the cost of the program (indirect and direct costs)




Conceptual Regulatory Language Summary

- a) Assessed fees would recover the total cost of the program
- b) The fee would be determined by a formula with variables pertaining to program cost


Formula: $\frac{\text{Variables pertaining to the program cost}}{\text{(The average number of applications)}} = \text{Cargo Tank Cost Per Certification}$

- c) The cost of replacing a decal would be 12% of the certification cost
- d) Refunds require justification that would be assessed on case-by-case basis

 CARB 19 Deliberative Draft

Conceptual Regulatory Language

- a) The Executive Officer shall assess and collect reasonable certification fees to recover the estimated costs of the cargo tank vapor recovery certification program. Certification fees shall be due and payable to the California Air Resources Board annually.
- b) Certification fees shall be established and periodically revised by the Executive Officer to recover the reasonable costs of administering the cargo tank vapor recovery certification program, in accordance with the following benchmarks: (i) the California consumer price index, as published by the California Department of Finance for the given year, (ii) costs that are attributable directly to the statewide certification and regulatory program, and (iii) a percentage of the indirect Board and statewide costs as agreed to by the Department of Finance and the U.S. Environmental Protection Agency, under Title 2, Code of Federal Regulations, Part 200. The following formula will be used to establish and periodically revise the certification fee.


 CARB 20 Deliberative Draft

Conceptual Regulatory Language: Fee Formula

Formula:

$$\frac{[(P/S + C/E) * CA\ CPI\ \%] + (P/S * IDC)}{(PY\ Apps + PPY\ apps) * .5} = \text{Cargo Tank Cost Per Certification}$$

P/S + C/E = Total Direct Costs
 CA CPI % = CA CPI_{current_yr} / CA CPI_{base_yr}
 Direct Cost * CA CPI % = CA CPI Total Cost
 P/S * IDC (Admin "AD" + Gen. Admin "GA" + Gen. Expense "GE") = Total Indirect Costs
 (Prior Year Apps + Prior Prior Year Apps) * .5 = Total Cargo Tank Apps
 Total Cost / Total Cargo Tank Apps = Cost Per Certification

 CARB 21 Deliberative Draft

Conceptual Formula Variables Defined

- **P/S = Personnel Services** – Salaries, wages, and benefits as outlined in the annual California Budget Act
- **C/E = Contracts & Equipment**
- **CA CPI = California Consumer Price Index** – The annual average California Consumer Price Index (CA CPI), as published by the California Department of Finance, for the given year.
- **CPI current yr** - Is the most recent year for which the annual average CA CPI was published.
- **CPI base yr** - Is the year in which the Fee was last revised or the year in which this regulation was adopted.
- **IDC = Indirect Cost** - General administration, program administration, and operating costs.
- **PY = Prior Year**
- **PPY = Prior Prior Year**



Conceptual Regulatory Language: Replacement Decals and Refunds

- c) In the 12-month period following issuance of a decal, the fee to replace a lost or damaged decal will be 12% of the certification fee at the time of the replacement request.
- d) The California Air Resources Board will not issue refunds for any submitted fees except on a case-by-case basis as determined by the Executive Officer. Requests for a refund must include justification as to why the general rule that fees are nonrefundable should not apply.



Future Implementation of Potential Regulatory Language



Process of Fee Adjustment Under Potential Regulatory Language

- Public notification of intent to adjust fees
- Potential workgroup meetings and/or public workshop
- Consideration of comments
- NOT a rulemaking process
 - No Board action or decision needed
 - Considered an Executive Officer decision



25

Deliberative Draft

Public Process So Far

- We initiated discussion with California Fuels & Convenience Alliance (CFCA)
- Discussions included:
 - IT Functionality
 - Current Leak Rates
 - Stepwise Approach to Fee Adjustment



26

Current Processing Challenges

- Current IT Issues:
 - Inability to validate information
 - Limited ability to correct submission errors
 - Approximately 10% of applications need troubleshooting (i.e. submission errors)
- Certification Application Payment Processing:
 - Approximately 500 payments processed per month
 - Delayed payment processing
 - Processing check payments take up to 4 weeks



27

Deliberative Draft

Industry Suggestion: IT Functionality

- Suggestion: Instantaneous certification
- Proposed Functionality: Public facing certification status webpage
- How would this work?
 - Applicant notified prior to payment if test results, location, dates, and times are accepted
 - Pay instantly through a payment portal when application is submitted
 - Once payment is made, loading racks will be able to verify certification by searching a CT number



Improving IT Functionality and Efficiency

Certification Application Processing:

- Improved validation (i.e. cargo tank serial numbers, test date and times)
- Kickback applications with error prior to submittals
- Call tracking
- Multiple user interface
- Payment Portal
- Invoicing
- Document upload
- Automated notification

Reports:

- Ownership history
- Fee Reports
- Applications per month

Field activities:

- Inspections history (i.e. field test results, certification witnessing, rack pressure testing)
- 48 hour notification search by time and location
- Barcode scanner

What public facing features would stakeholders like to see with this new system?



Industry Suggestion: Current Leak Rates

- Suggestion: 2008 study may no longer be relevant due to updated technology
- Response: Current leak rates will be further researched
 - CARB is gathering current compliance data
 - Conducting industry survey and contacting manufacturers regarding cargo tank component durability
 - Gathering data about pressurization issues at loading racks and Gasoline Dispensing Facilities



Industry Suggestion: Stepwise Fee Adjustment

- Suggestion: Increase the fee incrementally to match resource needs
- Response: CARB is currently evaluating program resource needs
 - CARB is gathering current compliance data and conducting surveys
 - Findings will be presented in upcoming workgroup meeting



31

Resource Scenarios

Position Title	Current Staff with No IT	Recommended Staff with No IT	Alternative Staff with IT	Recommended Staff with IT
Air Resources Technician II	2	1	1	1
Air Pollution Specialist	1	3	2	3
Air Resources Supervisor I (10%)	1	1	1	1
Air Resources Supervisor II (5%)	1	1	1	1
Direct Cost (FY 19/20)	\$339,253.48	\$644,289.98	\$722,864.30	\$901,377.34
Certification Fee	~\$85.00	~\$160.00	~\$165.00	~\$205.00



32

Deliberative Draft

Next Steps



33

Upcoming Dates

Upcoming Workshops:

- November 15, 2018 at South Coast AQMD- Diamond Bar
- January 17, 2019 at Cal EPA- Sacramento

Upcoming Workgroups as Needed:

- November 28, 2018 at Depot Park

Anticipated Notice of Proposed Action (NOPA) & 45 Day Comment Period: Early March 2019

Anticipated Board Date: April 25 - 26, 2019

For any comments, questions, or concerns please email: cargotankrulemaking@arb.ca.gov
Visit the Cargo Tank Rulemaking Webpage: <https://www.arb.ca.gov/enf/cargotanks/cargotanks.htm>