

Title: 33rd Annual Petroleum Cleanup Fund (PCF) Report

Year: 2021

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Committee: Vermont General Assembly

Authorizing Law #: 10 V.S.A.

Section #: §§ 1941(e), 1942(a), & 1942(b)

Executive Summary

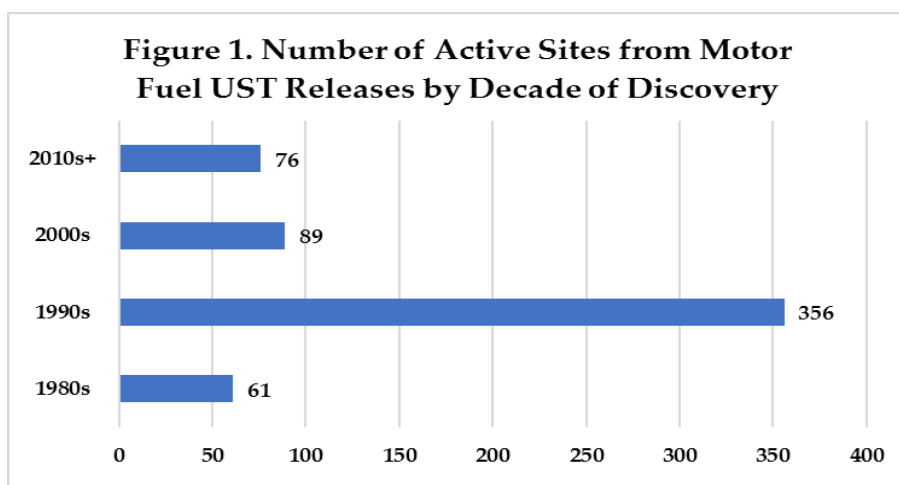
This is the 33rd annual report of the Petroleum Cleanup Fund (PCF) Advisory Committee and will provide a review of receipts and disbursements for fiscal year 2020, in accordance with 10 V.S.A. § 1941 and will evaluate the effectiveness of the PCF in meeting its legislative intent. In fiscal year 2020 the PCF continued to be the primary financial responsibility mechanism for Vermont underground storage tank (UST) owners, which is required by state and federal law. The PCF also provided financial resources to remediate petroleum contamination at schools, homes, businesses, farms, churches, public works facilities and in [232 towns throughout Vermont](#). The PCF funds remediation of releases that threaten public health and the environment. Since the inception of the fund, petroleum releases have been discovered at more than 4,000 properties (3,090 of these have PCF payments – [see details](#)) with contamination discovered in drinking water wells, in the indoor air of homes and businesses, seeping into surface water and at dangerous levels in public utility lines. Without the PCF many Vermont businesses, homeowners and public entities would struggle to pay for expensive cleanups. Critical site cleanup work remains at nearly 1,000 properties contaminated by releases from petroleum USTs and aboveground storage tanks (ASTs). The continued success of the PCF depends upon the continued solvency of the fund.

Key Takeaways

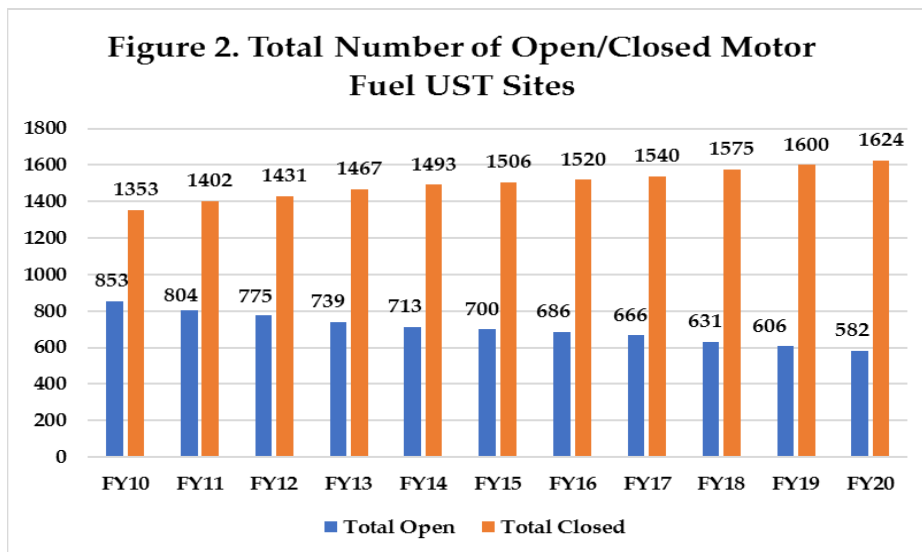
- The PCF is comprised of two accounts: a motor fuel, and a heating oil account. Each maintained a positive balance throughout the year, and the overall fund balance met the required financial assurance requirements for permitted motor fuel UST owners. The PCF's [Fund Balance Report](#) details receipts and disbursements and ending balances. Though the fund has a healthy balance, actuarial studies completed in 2005 and 2016 each found that the fund was “*technically insolvent*” since “*projected liabilities exceeded assets of the fund.*”
- The motor fuel UST site backlog continues to pose a significant risk to fund solvency. However, prevention and cleanup efforts continue to outstrip new releases and over the past decade the total backlog of open contaminated sites has been reduced by over 30%.
- The [AST Rules](#) are working. In the three years since the inspection requirements went into effect in August 2017, releases and cleanup costs are down by 19% and 52% respectively, as compared to the three preceding years. See Figure 3 and discussion on page 3.

Discussion

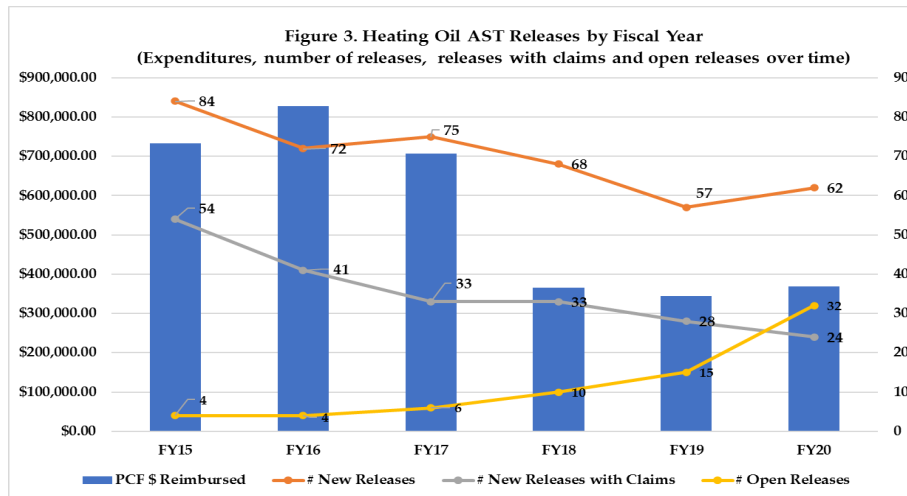
- Motor fuel UST backlog risk to solvency:** The motor fuel account has significant financial risk associated with the backlog of 582 open motor fuel UST sites. As shown in Figure 1, over 70% of these sites are over 20 years old, are from unprotected tanks, and are the most challenging and costly to cleanup. The legacy of these sites is that we have an estimated motor fuel tank liability of nearly \$50M based on the 2016 actuarial study. Many of these older sites now require groundwater reclassification and active cleanup under the amended [Groundwater Protection Rule and Strategy](#) that became effective Jul. 6, 2019.



- Motor fuel UST backlog progress:** In the past decade, this backlog has been reduced by 271 sites. Leak prevention efforts have considerably slowed new releases from motor fuel USTs, allowing site cleanups to outpace new contaminated sites as shown in Figure 2.



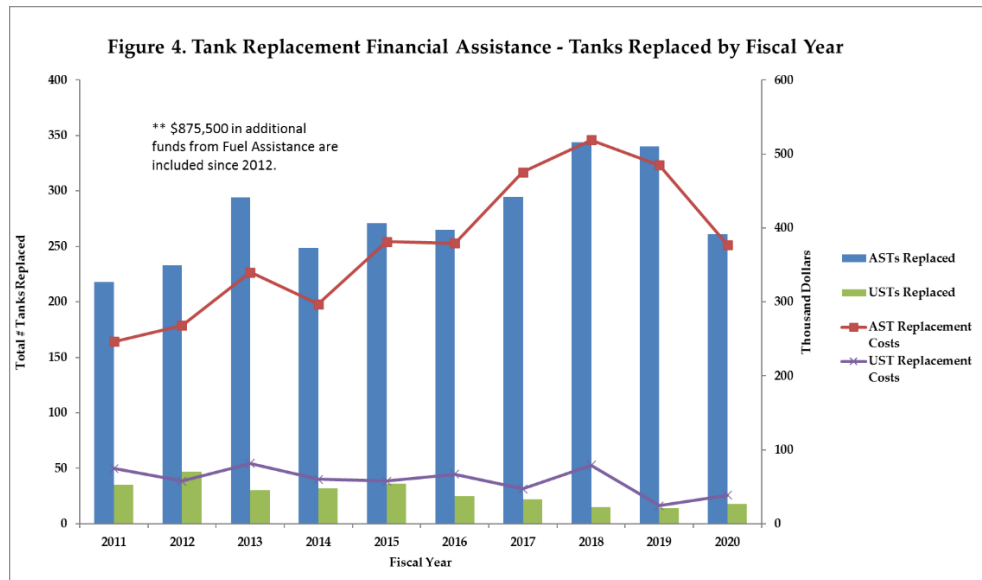
- The heating oil account:** For the third consecutive fiscal year, this account experienced significantly lower cleanup expenditures and a positive balance. Historically, this account has been unsustainable. This success appears attributable to increased prevention efforts through both new regulations and increased tank replacement financial assistance. The [AST Rules](#) were revised in August 2017 in response to [Act 76](#) and require tank inspections every three years and include a delivery prohibition to tanks that are “red-tagged” due to high risk of a fuel release. Over 900 red-tagged tanks were repaired or replaced in 2020, and over 2,300 since the rules were implemented in 2017; many of these received financial assistance. Figure 3 depicts the clear reduction in new spills and cleanup costs beginning in fiscal year 2018.



- Tank Financial Assistance:** Providing financial assistance to vulnerable Vermonters is important to reduce risk to human health and the environment from releases and to prevent heating insecurity. Since inception, the PCF assistance program has funded the replacement or upgrade of 4,101 ASTs and removed 729 single-walled home heating oil USTs. Figure 4 shows data from the last decade – the dip in AST replacements last year is due to COVID-19 as discussed further below.

AST Assistance: In fiscal year 2020, the PCF assisted lower income Vermonters by paying \$306,000 to replace 221 red-tagged ASTs; the pandemic delayed \$24,510 in claims until the next fiscal year. Due to COVID-19, a total of 41 awards worth \$52,750 went unused due to recipient health concerns with contractors entering homes during the pandemic. Using federal LIHEAP monies, ANR paid another \$71,504 to replace 40 red-tagged ASTs owned by low-income Vermonters.

UST Assistance: In fiscal year 2020, the PCF assisted lower income Vermonters by paying \$50,430 to replace 18 underground storage tanks. At 13 of these locations, a new AST was installed for fuel storage.



- COVID-19 Impacts:** The pandemic has negatively impacted the PCF and will continue to do so in fiscal year 2021.

Motor Fuel: With less vehicle travel, revenue from motor fuel distributor licensing fees were down by over \$300,000 in fiscal year 2020, primarily due to a 23% revenue drop over the period from March through June at the start of the outbreak. Some rebound has been seen in fiscal year 2021, as these revenues were down by 12% in the first quarter as compared to the prior year. In addition, several environmental consultants ceased investigation and cleanup work during part of the final quarter of fiscal year 2020 as they interpreted their work as non-essential under VT Agency of Commerce and Community Development. This work has returned to normal except for entries into some buildings with vulnerable persons.

Heating Oil: Homeowner health concerns hindered the ability of technicians to enter numerous residences. This contributed to thousands of tanks not getting inspected by the August 15, 2020 deadline, and to precluding replacement of numerous high risk basement ASTs. This created a regulatory problem for fuel dealers and their customers, as fuel deliveries could not be made to uninspected tanks after the deadline. In response, Vermont Agency of Natural Resources issued guidance on “virtual inspections” as well as “enforcement discretion” for these situations through May 1, 2021.

- Recommended Statutory Changes to Chapter 59:** The PCF Advisory Committee has no recommended changes at this time.