



# **Underground Storage Tank Revolving Loan and Grant Program Report**

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**State of Washington  
Pollution Liability Insurance Agency**

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Washington Pollution Liability Insurance Agency:  
Underground Storage Tank Revolving Loan and Grant Program  
2016 Report to the Legislature

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## Underground Storage Tank Loan and Grant Program Development

The Washington State Legislature established the Underground Storage Tank Revolving Loan and Grant Program (Loan and Grant Program) to address Washington’s aging underground storage tank (UST) infrastructure, the existing barriers to cleaning up historical contamination from leaking underground storage tank (LUST) sites, and the changing transportation fuel market. The Loan and Grant Program provides UST owners and operators access to capital to:

### Highlights:

- ✓ Initial recipients will be selected in April 2017
- ✓ Program Guidance will be completed by September 2016
- ✓ Rulemaking to begin in early 2017

- Replace or upgrade aging fuel systems to dispense today’s fuels and prevent leaks.
- Clean up historical or ongoing contamination caused by a UST release.
- Transform old stations into the gas stations of the future, adapted to the changing transportation fuel market including the installation of alternative fueling infrastructure such as electric vehicle (EV) charging stations.

The Pollution Liability Insurance Agency (PLIA) is partnering with the Washington State Department of Health (DOH) for administration of the financial lending portion of the program. DOH has existing underwriting capabilities and experience administering loan and grant programs, while PLIA has the technical expertise and project management experience to efficiently and effectively guide cleanups and infrastructure upgrades to prevent future contamination.

By September 1 of each even-numbered year, the agency must provide the Office of Financial Management and the appropriate legislative committees a report on the agency's activities supported by expenditures from the pollution liability insurance agency underground storage tank revolving account (RCW 70.340.090 ). The report must at a minimum include:

- (1) The amount of money the legislature appropriated from the pollution liability insurance agency underground storage tank revolving account under RCW 70.340.080 during the last biennium;
- (2) For the previous biennium, the total number of loans and grants, the amounts loaned or granted, sites cleaned up, petroleum underground storage tank systems upgraded, replaced, or permanently closed, and jobs preserved;



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- (3) For each loan and grant awarded during the previous biennium, the name of the recipient, the location of the underground storage tank facility, a description of the project and its status, the amount loaned, and the amount repaid;
- (4) For each underground storage tank facility where the agency conducted remedial actions under RCW 70.340.060 during the previous biennium, the name and location of the site, the amount of money used to conduct the remedial actions, the status of remedial actions, whether liens were filed against the underground storage tank facility under RCW 70.340.070, and the amount of money recovered; and
- (5) The operating costs of the agency and department of health to carry out the purposes of this chapter during the last biennium.

The 2016 report to the legislature includes only items (1) and (5) given that the program is undergoing its initial startup phase and issuance of loans and grants has not yet begun. Items (1) and (5) are addressed below. In addition, Appendix A includes program background information describing the current state and impacts of Washington’s aging storage tank infrastructure and historical petroleum contamination across the state. Appendix B presents current information on the pilot program initiated by the 2015 Legislature.

*Appropriation*

The Washington State Legislature appropriated \$10,000,000 for the establishment and operation of the program in fiscal year (FY) 2017. At the time of the fund transfer, \$2,500,840 was unobligated and available for transfer to the Pollution Liability Insurance Agency Underground Storage Tank Revolving Account (RCW 70.340.130) for the startup activities of the program.

*Program Timeline*

Building off of the successful implementation of PLIA’s Capital Financial Assistance Grant Pilot Program, and at the direction of the 2016 Legislature, PLIA is developing and initiating the Underground Storage Tank Revolving Loan and Grant Program. Owners and operators of USTs will be asked to submit applications for a Preliminary Planning Assessment (PPA) from October 4, 2016 – March 1, 2017. PLIA will begin making awards for PPAs in the spring and summer of 2017. After a PPA has been completed, PLIA, DOH and the applicant will meet to review the applicant’s financial resources and discuss loan options. Once the

New staff hired at PLIA:

- ✓ Nnamdi Madakor, P.Hg, P.G.,  
Senior Hydrogeologist
- ✓ Karen Barrett, MPA  
Fiscal Analyst
- ✓ Kayley Moen,  
Community Involvement  
Coordinator



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applicant agrees to and is approved for a loan, work will proceed under PLIA oversight.

The program's award process will be governed by interpretive guidance until the adoption of formal rules. PLIA expects to adopt formal rules by spring 2017.

*Preliminary Planning Assessments (PPA)*

UST owners and operators may apply for a PPA conducted by PLIA to review existing data and reports and, identify and fill existing data gaps to develop a robust cleanup and construction plan. PLIA will use a competitive solicitation process to select consultants to complete the PPA which may include the following:

- Soil and groundwater borings.
- Laboratory analysis of soil and groundwater samples.
- Development of a conceptual site model.
- Development of a cleanup scope of work.
- Design specifications for alternative fuel infrastructure.

Collection and assessment of data is critical given that the program primarily addresses underground infrastructure and pollutants that are invisible from the surface, such as the condition of tanks and piping, and the extent and impacts of contamination. Data and reporting from each PPA will provide the crucial groundwork for a successful and efficient project. Completing a thorough PPA at the outset of any project ensures accountability and efficiency and reduces time to closure.

While PLIA will provide funding for PPAs, the cost will be subtracted from the lending limit for loan applicants. This approach and business model ensures quality data collection and reduced uncertainty in environmental projects when taking the long view. The PPAs will also provide information needed to right-size loans to fit applicant needs and successfully bring projects to closure. UST owners and operators who receive a PPA from PLIA are not guaranteed a loan or grant through the program.

In the spring of 2017, PLIA will review program applications to develop a list of accepted applicants who will receive a PPA in the spring and summer of 2017. Applications for financial assistance will be evaluated based on the draft criteria listed in the program guidance (available on PLIA's website at [www.plia.wa.gov/LG\\_Guidance.pdf](http://www.plia.wa.gov/LG_Guidance.pdf)). PLIA will notify applicants regarding acceptance into the program in April 2017.

*Loan and Grant Process*

After completion of the PPA, UST owners and operators may apply for a loan to cover the estimated costs of cleaning up their site and/or upgrading fuel systems infrastructure, including installing EV charging stations and other alternative fueling infrastructure. PLIA will assess each applicant's ability to pay using a financial assessment model to evaluate (using data and a justifiable procedure) how much of the financial assistance should be



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issued as a grant and how much should be issued as a loan for each applicant. Interest rate discounts may be awarded as an incentive to encourage applicants to opt for alternative fuel strategies such as EV charging station installation in support of the Governor's Pollution Reduction and Clean Energy Executive Order 14-04. Applicants will sign a loan agreement with PLIA and DOH.

PLIA will work with the loan/grant recipient to identify all existing funding sources, such as current insurance policies, or other financial responsibility mechanisms. PLIA will work with recipients to ensure the use of these private funding sources before expending loan and grant funds.

Recipients will select an environmental consultant to complete the cleanup work based on the data collection and work plan development during the PPA. PLIA, the recipient, and the consultant will schedule a project kickoff meeting to develop shared project expectations, timelines and milestones. After the meeting, the consultant will submit a final cleanup and construction plan to the recipient for review and approval. Once approved by the recipient, the work plan will be submitted to PLIA for review to ensure the work plan meets the program requirements and the state's cleanup regulations. Upon approval from PLIA, the consultant will begin work on the project, including submittal of permit applications.

PLIA will schedule meetings and site visits as necessary throughout the project to ensure oversight of cleanup activities, regulatory compliance, and continued transparency for interested parties. Upon completion of cleanup activities, the consultant will submit a plan to PLIA for a Model Toxics Control Act (MTCA) compliance review in coordination with the Department of Ecology's Voluntary Cleanup Program as outlined in a Memorandum of Understanding between the Department of Ecology and PLIA (September 16, 2016).

### *Timelines*

Projects will begin with a project kickoff meeting and must follow an agreed upon timeline established at that meeting. Any changes require written concurrence by PLIA and the loan/grant recipient. Contracts may be terminated if projects are not progressing as scheduled.

### *Loan Repayments*

Loan repayment will begin after the first project invoice is submitted for payment. The DOH will administer loan repayment schedules and processing.

### *Operating Costs*

PLIA did not incur any operating costs for the program in the previous biennium, as the program had not yet been authorized. During FY 2017, expected startup operating costs for the Revolving Loan and Grant Program will be \$2,500,840. Included in the startup operating costs is \$57,000 for program administration activities carried out by the DOH.



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*Conclusion*

Washington's UST owners and operators have a new capital financial assistance opportunity. PLIA's Loan and Grant Program is available to UST owners and operators who wish to:

- Replace or upgrade aging fuel systems to dispense today's fuels and prevent leaks.
- Clean up historical or ongoing contamination caused by a UST release.
- Transform old stations into the gas stations of the future, adapted to the changing transportation fuel market including the installation alternative fueling infrastructure such as EV charging stations.

PLIA's new Loan and Grant Program will accept applications until March 1, 2017. After reviewing applications, PLIA will begin conducting PPAs on sites accepted into the program. Initial loan agreements will be signed in September 2017. Program updates will be posted to PLIA's website at [www.plia.wa.gov](http://www.plia.wa.gov).

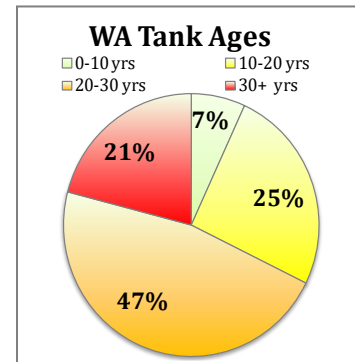


## Appendix A: Underground Storage Tank Revolving Loan and Grant Program Background

Washington’s existing UST infrastructure is aging. In the 1990s, television news coverage of leaking fuel tanks and their impact on community drinking water sources led to national initiatives for large-scale replacement or lining of UST infrastructure. Now, more than 20 years later, the infrastructure once again needs replacing or upgrading, but the national and state program of the 1990s no longer exist to provide incentives and support.

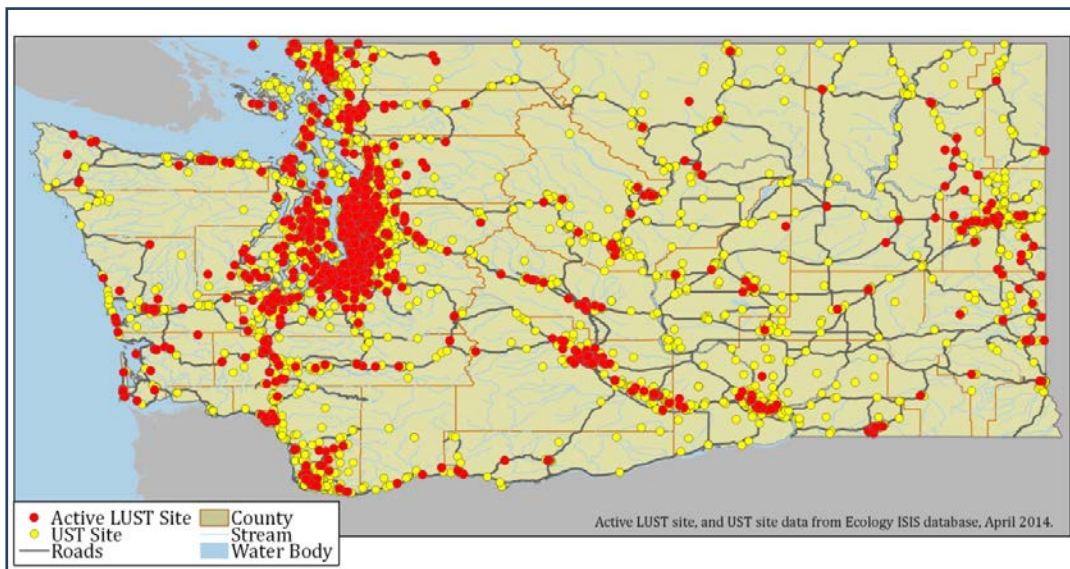
### *Aging Infrastructure*

The average age of Washington’s UST infrastructure is older than 20 years. These older UST systems are more difficult and costlier to insure since the likelihood of leaks from the tanks or the associated piping and fittings increases over time (ASTSWMO, 2015). UST manufacturers generally warrantee UST systems for 30 years. Close to 70% of Washington’s UST infrastructure will be 30 years or older within the next five years.



### *Historical Contamination*

Washington has more than 2,900 LUST sites still awaiting remediation, several of which include historical contamination. In 1989, PLIA was established to ensure the continued availability of affordable UST insurance in Washington from that point forward. PLIA’s commercial UST reinsurance program reinsures approximately 80% of Washington’s current UST infrastructure. At the time PLIA’s program was established, it was assumed that pre-existing contamination would be resolved through other means such as property redevelopment.



Reported leaking underground storage tank sites (red) and active underground storage tank sites (yellow) across Washington.





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Two factors affect the overall ability to resolve historical contamination in Washington: 1) the high groundwater tables in many parts of the state, and 2) Washington's stringent environmental cleanup laws. If a gasoline leak reaches the groundwater table the cleanup costs can rise sharply. In Washington's major metropolitan areas, redevelopment has led to a large number of cleanups, but in many of the state's rural areas, property values are disproportionate to cleanup costs and so redevelopment has not been as successful a driver of cleanup.

### *Financial Barriers*

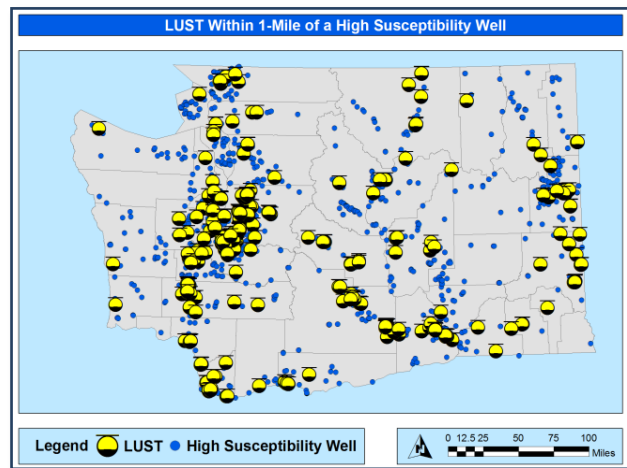
Many owners and operators of USTs are currently unable to access the financial resources necessary to upgrade their UST systems and clean up residual contamination. Traditional lenders are hesitant, and sometimes unable, to provide financing for UST infrastructure, especially if the property already has documented contamination. In addition, many of the UST owners in Washington are small business owners who cannot raise the capital needed from other sources, despite their desire to clean up existing contamination and protect the environment from future releases of contamination.

### *Community Impacts*

The problem of failing USTs combined with a lack of financial resources impacts Washington's communities (Integrative Economics, LLC & Sound Resource Economics, 2016).

**Drinking water:** More than 2,500 operational USTs are located within one mile of a high susceptibility well. When one of those USTs begins to leak, local drinking water sources can be put in jeopardy requiring either costly treatment or well abandonment and loss of a resource.

**Economy:** Surrounding property values can decrease do to historical and current contamination. A recent national study estimates housing prices experience a 3%-6% decrease when a release of contamination from a nearby UST is discovered (Guignet, et al., 2016). The study also found that prices return to pre-contamination levels once the contamination has been cleaned up. Lower property values not only impact individual property owners, but also the amount of property tax collected by local municipalities used to support community services.



<https://fortress.wa.gov/ecy/publications/publications/0909048.pdf>



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**Environment:** Aging tanks and their infrastructure release fuel into soil and groundwater, resulting in contamination that can take years to clean up. Harmful vapors from the contamination can travel through the soil and impact nearby houses and commercial buildings. When contaminated groundwater reaches surface water, it can have harmful impacts on the fish and other organisms present.

**Small businesses:** When small and midsize gas station owners cannot obtain the capital needed to meet regulations and adapt to alternative fuel strategies, they may not be able to continue operating. This can result in the loss of local businesses, some of which have been handed down over several generations and are a central component in their community.

## References

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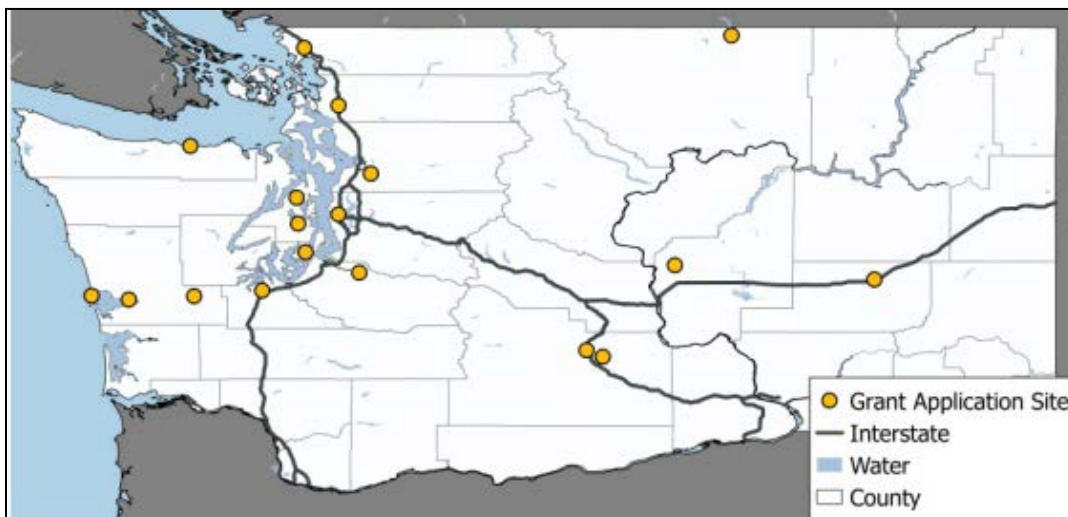


## Appendix B: 2015 – 2016 Capital Financial Assistance Grant Pilot Program

Chapter 3, Laws of 2015, 64<sup>th</sup> Legislature, 3<sup>rd</sup> Special Session, Section 3085 directed PLIA to conduct a pilot demonstration at three study sites with aging tanks, contamination impacting soil or groundwater, or both, and serious financial hardship. PLIA **received 21 applications** for the pilot program grants.

### Pilot Program Status:

- ✓ Two pilot demonstration projects are anticipated to be completed by June 2017.



PLIA Proviso Grant Applications Received

PLIA reviewed and ranked each applicant based on the selection criteria established for the program to select the three sites eligible for pilot demonstration grants. On August 17, 2015, PLIA awarded three \$600,000 grants to: Acme Fuel Company of Olympia; Genesee Fuel and Heating Company, Inc. of Seattle; and Sharp’s Automotive of Moxee.

After selecting the three pilot demonstration sites, PLIA met with each of the grantees and their environmental consultants to review existing information for their sites and to develop a cleanup and infrastructure upgrade plan. PLIA’s successful pilot program provides the foundation for expansion to the full Loan and Grant program in 2017.

On the following pages are profiles of each of the pilot program grant sites.



## Acme Fuel Company, Olympia

Acme Fuel Company, founded in 1925, is a third generation family-owned business located in downtown Olympia. Acme Fuel Company provides fuel services to homes and businesses throughout Thurston and Mason Counties. They deliver propane and heating oil to homes, repair and install heating and cooling equipment, and operate two card lock gas stations that provide fuel to businesses and individuals.



In 2011, Acme Fuel Company's fuel supplier delivered fuel to a discontinued tank, resulting in a catastrophic release and an emergency cleanup. During the cleanup investigation they discovered historical contamination from the underground fuel piping and fittings which had been leaking over several years. Upon discovering the contamination, Acme Fuel Company's owner, Christophe Allen, worked with an environmental consultant to develop a plan to clean up the contamination. Mr. Allen was surprised to learn that while his insurance policy covered the cleanup work, none of the station rebuilding costs would be covered. He approached his banker to set up financing and was told that the bank would not be able to help, because his property was already contaminated, and the costs were too large compared to the size of his small family business.



The pilot program grant has allowed Acme Fuel Company to move ahead with the teardown of the station and cleanup of the contamination using insurance funds, with the reassurance that they will have the resources to put their station back together after the contamination has been removed. With the grant funds, Acme Fuel Company will install new tanks and lines less likely to leak in the future.

**Current Project Status:** Excavation began in July 2016.



**Genesee Fuel & Heating Company, Inc., Seattle**

Genesee Fuel & Heating Company is a third generation family-owned business located in South Seattle. The company, started in 1929, is one of only three companies that provide heating oil services to the Seattle area. Genesee Fuel & Heating Company is also the largest dealer of bioheat, which is a form of biodiesel used for home heating. The company provides biodiesel blends of up to 99% biodiesel for their environmentally conscious customers.



In January 2015, the owner of the company, Steve Clark, received a notice of nonrenewal from his insurance company, stating that his coverage would be discontinued within three months due to the age of his company’s USTs. The tanks were installed in 1949 and 1955. Without an insurance policy, Mr. Clark cannot meet the state and federal operating requirements. Although his is a financially sound company, Mr. Clark’s banker was unable to assist him with financing for tank replacement. Mr. Clark’s banker explained trucks and buildings are simple to finance, as they are easy to collateralize but financing for a UST would be an uncollateralized loan, and not something his bank could provide. Without the pilot program grant award, Mr. Clark wouldn’t have been able to continue to operate his business.

**Current Project Status:** Permitting completed October 2016.





## Sharp's Automotive, Moxee

Sharp's Automotive is a small family-owned fuel and service station located in the town of Moxee near Yakima. The Sharp family purchased the business in 1987. The service station is a central part of the community and provides essential services to the surrounding area, especially area farmers.

In 1994, during the nationally led UST upgrade efforts, the station's USTs were removed and replaced. Soil contamination was discovered on the site and interim cleanup actions were completed, but a full cleanup of the site did not occur due to the limited availability of funds.



In 2016, the Department of Ecology issued a letter to Mr. and Mrs. Sharp and the previous property owner noting potential vapor intrusion concerns. The Sharp's were denied financing from their local credit union and unable to fund the investigation and cleanup work necessary at their site. PLIA grant funds are being used to complete the site investigation, secure access agreements, and conduct vapor monitoring to set MTCA cleanup levels for the site.



**Current Project Status:** Vapor intrusion investigation and additional site characterization work under way.



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## Contact Information

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Washington Pollution Liability Insurance Agency

Phone: (800) 822-3905 or (360) 407-0520

Russell E. Olsen, MPA, Executive Director  
russ.olsen@plia.wa.gov

Cyndy Putscher, Deputy Director  
cyndy.putscher@plia.wa.gov

Cassandra Garcia, Ph.D., Legislative & Policy Analyst  
cassandra.garcia@plia.wa.gov

Xyzzlinda Marshall, Program Specialist  
xyzzlinda.marshall@plia.wa.gov

Carrie Pederson, Agency Planner  
carrie.pederson@plia.wa.gov

Nnamdi Madakor, P.Hg, P.G., Senior Hydrogeologist  
nnamdi.madakor@plia.wa.gov

Ken Nelson, MS, Environmental Specialist  
ken.nelson@plia.wa.gov

Karen Barrett, MPA, Fiscal Analyst  
karen.barrett@plia.wa.gov

Kayley Moen, Community Involvement Coordinator  
kayley.moen@plia.wa.gov

If you have questions about this report, please contact Cassandra Garcia at  
cassandra.garcia@plia.wa.gov.