



Oil Heat Advisory Committee Meeting
Thursday, July 08, 2004 – 9:00 a.m. – PLIA Office

Members Present: Dale Cooper (WOMA); Jim Pendowski (Dept. of Ecology); Jodi Thompson (Consumer); Earl Tower (Consumer); Jim Ledbetter (Consumer); Roger Dovel (PLIA); Lynn Gooding (PLIA); Andrea Moss (PLIA); Ginny Ristine (PLIA)

Members Absent: Calvin Caley (PNOHC); Frank Holmes (WSPA)

Guests Present: Pat Dunn (Patrick Dunn & Associates, Ltd.); Lea Gaskill (PNOHC); Dave Smith (Dept. of Ecology)

The meeting began with a welcome from Roger and introductions around the room. Roger asked if there were any questions or issues that arose from the last meeting; none were noted.

Roger asked Ginny to give a brief overview of how cleanups are conducted. Ginny explained how PLIA is notified and how claims are initiated. After the claim has been validated, PLIA begins the cleanup process trying to keep costs at \$7,500, with a maximum of 16 tons excavated and the remaining contamination treated with bioremediation. So far, the insureds have been pleased at the lack of excavation and damage to their landscaping.

Service Providers

Some of the service providers on PLIA's list are also contracted with oil dealers to perform tank-pulls for customers with tank replacement agreements. Therefore, they are usually chosen by the homeowner to do the cleanup. Dale said he has not heard any concerns about any one service provider getting more work than another. In the past, PLIA attempted a 3-bid process, but it slowed down the cleanup process. Now owners can choose the service provider they want and there have not been any problems.

Dale asked if there had been any complaints about service providers from the homeowners. PLIA has had issues in the past with two service providers, one of which has been permanently removed from the list. During busy times of the year and because a service provider is doing many tank pulls, they tend to get back logged, which causes complaints from homeowners. In some instances no calls are made to PLIA until months after a tank has been pulled. This can be due to miscommunication between the homeowner and service provider. The homeowner may think that the service provider will call, but because they are so backlogged, they are unable to.

Jim Pendowski asked if there could be other service models put in place for the service providers, or designating a service provider to a specific area. Oversight of service providers then becomes a liability issue for the agency.

Lea stressed communication to the oil dealers as much as possible. PLIA notifies oil dealers upon the start of a claim, but there has not been much of a response. Ginny did confirm that the dealers notify PLIA when one of their customers sells their home or converts to a different heating source; this allows PLIA to stop paying a premium for that particular tank.

Earl asked what the agency does when a homeowner calls to check if they are registered and are not. Ginny explained that they encourage the owner to register if they intend on continuing with oil heat. If the owner has a leak, there is nothing that PLIA can do, but offer advice on what steps to take to cleanup the contamination at a minimal cost.

Jodi wondered if there should be standards for active heating oil tanks. Lea explained that it is not always the quality of the tank but the soil conditions surrounding it. Lynn also added if standards were created, someone would have to implement them. This would be very burdensome given the number of tanks.

Lea emphasized that it was the owner's responsibility to care for their tank, but the dealers also have an ethical and moral responsibility to inform their customers of what their responsibilities are.

Lynn expressed concern that a tank replacement contract does not allow the owner to take responsibility because it is up to the dealer to decide whether or not there is a problem. Roger stated that there are some instances where dealers are reluctant to pull tanks when requested by the owner or when a problem is suspected.

Earl brought up the question again as to what the goal of this program is. Lea stated that the original goal was to retain market share and provide oil users with safety and comfort. She would add that it now includes ensuring solvency of the program.

PLIA is still awaiting an Attorney General Opinion on whether or not all active oil tanks can be covered by the program rather than just those that are registered.

Bioremediation

The agency did practice bioremediation in the past, but the service provider that performed those services was removed from PLIA's list. The agency then went to the "dig and haul" method, which was much more expensive, but gave quick results to the homeowners. PLIA now does a combination of bioremediation and "dig and haul". Costs have lowered and the bio seems to be working well for "standard" cleanups.

Leigh Hunt Claim

The Leigh Hunt claim is a claim that Andrea is currently working on. Both Andrea and Lynn visited the site on July 7. Andrea gave the committee a brief history on the claim to date. Fumes were smelled in the basement bathroom in November 2003. The tank was removed and holes were discovered and PLIA was notified on March 12, 2004. Sixteen tons of contaminated soil was initially removed, as well as additional truckloads after careful review. Contamination above MTCA levels remain under the foundation of the

house, but the homeowner is not interested in treating it with bioremediation. About \$23,000 has been spent so far, the question is where to apply the remaining funds to achieve the maximum results. PLIA will take sample borings from underneath the bathroom and delineate any remaining contamination. The homeowner has hired an attorney and has written letters to the Office of the Insurance Commissioner and the Office of the Attorney General.

PLIA has considered using Method B to meet the cleanup standards, which would allow for higher levels of contamination to be left in the ground. But, there is a question of whether or not it would be cost effective, as some of the sampling is expensive. Lynn passed out a table of the required testing for MTCA cleanup regulations. PLIA would like some clarification on the required testing for heating oil sites using Method B. Jim Pendowski said he would check on this.

PLIA posed the question as to how strict PLIA should be in sticking to the dig and haul with bioremediation method. Everyone seemed comfortable with PLIA pushing back on the homeowner as long as the requirement to "satisfy" MTCA is being met.

Roger asked if the amount of \$60,000 available for cleanup was too much. He asked if anyone was concerned that the total available (60k) should be lowered as a mechanism to reduce overall costs and/or cause more cleanups to be completed with an emphasis on bio-remediation. After discussion there was general agreement among the committee that \$60,000 was an appropriate amount and should not be changed.

Jodi explained from a homeowner's experience, that the entire process is traumatizing, not easy to understand, and there was a lack of information given to her. She was surprised that PLIA and the Department of Ecology were not on the same page.

Jim Pendowski suggested that a guidance document, with the backing of Ecology, be created for homeowners so they will know what to expect when owning a heating oil tank. The document should include the justification and ability to satisfy MTCA standards. Assistant Attorneys General, Nels Johnson and Steve Thiele, can assist in the process.

Jim Ledbetter asked if there was an appeal process. The agency has an administrative appeal process, and will have a hearing in the near future. Lynn explained that going in front of a judge is helpful to PLIA because it gives the agency an insight on current practices and operations, giving an idea of what changes need to be or should be made.

Homeowner Responsibility

Lynn opened this portion of the meeting by giving a report on the small fund (545) and large fund (544). Effective July 1, 2004, all administrative costs for the oil heat program will be taken from the small fund. Previously, the only administrative costs taken from the fund were the oil heat managers' salaries. Claim costs have been reduced by around \$300,000. The large fund has received more revenue from the Petroleum Products Tax (PPT) than anticipated at this time last year (due to the rising cost in gas prices). If costs stay the same the PPT should not be triggered again until 2016.

The committee discussed the options of the homeowner paying for a portion of the cleanup or paying an annual fee. By adding this requirement, it would bring more

revenue into the small fund. Some committee members think it would encourage the homeowner to take on more responsibility to maintain their tanks and become aware of the cost of clean up. Jim Pendowski asked how much revenue would be generated and where the revenue would go.

The concerns regarding an annual fee included:

- ♦ How would the agency be able to bill over 60,000 customers and what the administrative costs would be?
- ♦ Would the additional cost drive homeowners away from using oil heat?
- ♦ How would the fee be handled during property transfers, since the registration follows the owner and not the tank?

Dale stated that if PLIA were to charge a deductible it would allow the agency to manage the costs where they are—the cleanups. Earl stressed the importance of the agency being able to define and defend why owners are being charged. Perhaps charging a percentage of claim costs would help to control costs.

Lynn stated that it may be difficult for PLIA to justify why more revenue was needed given the amount in the large fund and the authorization to use the large fund for oil heat claims.

Educating and communicating with homeowners was also a concern of the committee. Some suggestions included:

- ♦ Incentive program for homeowners to replace their tanks.
- ♦ Recommending higher quality tanks than just the standard.
- ♦ Itemizing the special tax on bills to make the owners aware.
- ♦ Establishing standards.

Lea stated that funding would need to be available for a consumer education program and it would need to be consistent and sustained, not a one-time effort.

A subcommittee was created to research and develop a plan in regards to minimizing costs, owner responsibility, and consumer education—What does the agency need to do? How does the agency do it? The subcommittee includes committee members Jim Ledbetter and Earl Tower, and Lea Gaskill of the Pacific Northwest Oil Heat Council. [Roger Dövel will also participate]. The subcommittee will present their findings at the next committee meeting.

Lea agreed to get copies of various tank-pull contracts and the cost from oil dealers and bring them to the next meeting.

The committee will meet again on Monday, September 13, 2004 at 9:00 a.m. at the PLIA office in Olympia.

Respectfully Submitted By:
Xyzlinda Marshall
Administrative Secretary


Approved By _____ Date _____