



Oil Heat Advisory Committee Meeting
Tuesday, June 26, 2007 10:00 a.m.-12:00 p.m. – PLIA Office

Present: Christophe Allen (WOMA/PNOHC); Mike Blum (Dept. of Ecology); Charlie Brown (WOMA/PNOHC); Lynn Gooding (PLIA); Andrea Moss (PLIA); Ginny Ristine (PLIA)

Absent: Frank Holmes (WSPA); Jim Pendowski (Ecology); Earl Tower (Consumer)

After introductions, Lynn opened the meeting with an overview of House Bill 1789 regarding the Heating Oil Tank Reimbursement Program. The new program will be effective on July 22, 2007 and will reimburse owners for replacing their tank(s) with a fiberglass tank or equally protective tank. Only owners that have a valid claim with PLIA on or after July 22 are eligible for the reimbursement, which will fall within the \$60,000 policy limit. The reimbursement will not cover installation costs.

Not all claims will use the reimbursement. The agency estimates about 10 percent of claimants do not replace their tanks. And owners that have tank replacement agreements with their dealers will not need the reimbursement if the dealers are already installing an acceptable tank.

The agency needs to determine what an acceptable tank is and, decide if owners will receive a reimbursement at a flat rate, or for the difference between the cost of a standard steel tank and the chosen acceptable tank.

Christophe reported that some dealers replace tanks with an aboveground tank or steel tank with a magnesium anode coating. The group discussed that some dealers will only replace tanks with an aboveground and leave removal/decommissioning to the owner. However some jurisdictions will not even allow the installation of aboveground tanks. Christophe clarified that ACME tank replacement agreements covered tanks only after they leak, including the line or piping system.

PLIA will not endorse a “do-it-yourself” program. There needs to be oversight on the installation and coating of tanks. If service providers do it themselves, this may void out any warranties or guarantees that come with the tanks.

Lynn went over the handout that showed cost comparisons for different types of tanks. A standard steel tank costs \$600 compared to a coated-steel tank at \$1700, leaving a difference of \$1100. Should PLIA pay the difference or pay the owner a flat rate?

Charlie explained that Representative Kagi initially wanted this to be a proactive program, but looking at similar programs in the past, it would become too expensive for the owners who did not have coverage with PLIA, therefore limiting it to PLIA claimants.

Charlie asked about changing the insurance policy to allow property restoration funds to go towards tank replacement. This would require a rule revision to the \$1500 reimbursement for property restoration, in addition to any policy changes.

As the law reads, PLIA cannot pay the reimbursement to the dealer using a bill received by the owner. PLIA must reimburse the owner directly after they submit proof that they paid. The new program should not create additional costs to the dealers.

Christophe believes a flat rate would work best. However a flat rate raises the following issues:

1. What about owners with tanks larger than the standard 300- or 500-gallon tank? Is it fair that they receive the same reimbursement amount as an owner with a smaller tank? Should owners with larger tanks receive a larger reimbursement?
2. Miscellaneous costs, such as shipping and installation, also make it difficult to have a flat rate.
3. It may create additional costs to owners.

The group agreed that the agency should reimburse owners based on a "like kind" policy. The owner could not replace their tank with a larger one unless it was at their own expense. Also, the approved tank should at least have a 30-year warranty or guarantee.

Christophe asked how much the program could afford. Because the agency pays claims out of the Large Fund (Fund 544) it could afford a lot. However it may trigger the Petroleum Products Tax to start being collected sooner than anticipated. Reimbursements should not exceed the number of claims, and should have a minor impact on the fund, compared to the impact the increase in the number of claims has caused.

Claim costs for the oil heat program have been as high as \$2.1 million a year (2003), decreasing to as low as \$1.5 million. The agency will have current claim cost data after the close of Fiscal Year 2007 on June 30. The agency will monitor whether the new reimbursement results in an increase in claims. Charlie believes the fund can handle paying \$200,000 towards the new program, considering that the dealers also pay into the fund.

Because fiberglass tanks can be fragile and easily crack, they may not be the best option. The installation could also be more costly. Mike mentioned, for commercial underground storage tanks, fiberglass-coated steel tanks have proven to be the best option.

The group discussed how to get the word out about the reimbursement program. The agency will include the information in a public outreach mailing to all registered owners, as well as notify the oil dealers. Charlie said that Lea Wilson could share the information with their members at the next WOMA/PNOHC meeting.

At this time there will be no changes to the rules to incorporate the new program. It will be revisited at the end of the year. However the agency still needs to address the definition of "active tank". WOMA/PNOHC will assist in any changes needed.

In the meantime, PLIA will decide on an appropriate tank and method of reimbursement, keeping in mind the least cost to owners. Lynn will communicate with the committee by email for feedback before implementation towards the end of July.

The agency continues to get push back on using bioremediation as a cleanup method, which has resulted in lower claim costs. Many owners do not want to wait for results and want the cleanups done immediately.

The committee will meet again in late September.

Submitted By:
Xyzlinda Marshall
Administrative Secretary


Approved By _____ Date 7/23/07

