

LBE 2/150.1/1996
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REPORT

to

The General Assembly

COLORADO DEPARTMENT of LABOR & EMPLOYMENT

OIL INSPECTION SECTION



Roy R. Romer
Governor

John J. Donlon
Executive Director

by STATE INSPECTOR of Oils

RICHARD O. PIPER

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INTRODUCTION

During 1996 the number one priority for the Oil Inspections Section (OIS) was to eliminate the backlog of reimbursement applications to the Petroleum Storage Tank Fund. This was accomplished through the streamlining of the review processes and the personal efforts of the employees of the State Fund Unit and the Tank Remediation Unit. As a result of this accomplishment, it was determined that there was a solvency problem with the Petroleum Storage Tank Fund. The Oil Inspection Section, together with the petroleum industry, proposed a solution to this problem to the Legislature during 1996. In response, the General Assembly passed HB96-1026 which helped correct the problem.

Oil Inspection promulgated new storage tank regulations during 1996. These regulations were developed with the assistance of industry and other interested groups. The purpose of the new regulations was to consolidate and reformat existing regulations in order to make them easier to read. Most of the changes in the regulations were a relaxation of existing rules. The most significant relaxation was a significant reduction in the number of technical reports required to be submitted in connection with the investigation and cleanup of petroleum contamination.

In conjunction with the Colorado Propane Gas Association, the Oil Inspection Section developed and implemented a new inspection process for bulk propane gas facilities. With the assistance of this industry association, oil inspectors attended advanced training on specifications, installation, and operation of propane gas facilities.

As a result of recommendations made by the state auditor, the Oil Inspection Section initiated experimental procedures for inspecting retail gasoline pumps and meters. The new procedure applies a risk based approach to inspections in which certain meters will be inspected every other year rather than once a year to determine if there is an increase in the number of meters that have to be recalibrated because they are beyond state limits. This experiment will be completed by the end of 1997. If the test is successful, it could allow inspectors to spend more time performing other duties.

Enforcement and Outreach Activities

Field Inspectors issued warning notices for 1183 potential safety, product quality, and environmental violations. Of that total, 78% of these potential violations were corrected either immediately or within 30 days compared to only 20% in 1995. The majority of the remaining violations were corrected with an enforcement letter. Actual enforcement actions were imposed on only 5% of the violations.

Oil Inspection Section personnel conducted 26 joint underground storage tank inspections with the US Environmental Protection Agency (EPA) personnel in 1996. EPA provided the entire Oil Inspection Section with training on Corrosion Prevention and Cathodic Protection. Additionally, EPA presented to the Oil Inspection staff a three day seminar Risked Based Correction Action (RBCA).

During November & December the Oil Inspection Section conducted six all day seminars at the following Colorado cities: Fort Collins, Grand Junction, Durango, Pueblo, and two seminars in Denver. The sessions included presentations on regulatory changes, inspections, remediation technologies, and state fund reimbursement procedures. Each seminar contained lengthy question and answer periods. Over 700 tank owners, consultants, contractors and others attended these presentations. Many expressions of appreciation for OIS's efforts in these seminars were exclaimed by those who attended them.

In addition to the above, individual OIS employees participated in 10 other seminars and conferences. Employees either made oral presentations or participated in questions and answer sessions and work shops. The main purposes were to explain regulations and state fund reimbursement procedures. These sessions were attended by approximately 800 representatives from the petroleum industry, environmental organizations and other associated groups.

Petroleum Storage Tank Fund Activities

The Oil Inspection Section continues to meet the legislative mandate to process rapidly applications for reimbursement from Colorado's Petroleum Storage Tank Fund. In 1996, 659 reimbursement claims were processed to completion. Of these, 618 were approved for reimbursement in the amount of \$23.9 million. The Petroleum Storage Tank Committee denied reimbursement on 30 claims. Another 11 claims were withdrawn by the applicant.

The integrity of the application review process remains sound, as evidenced by the 77% approval rate for 1996. This compares to an 85% approval rate prior to administration of the Fund by the OIS. (The approval rate expresses the amount actually reimbursed on eligible claims as a percentage of all costs submitted.)

HB 95-1183 required payment of interest on applications not processed and paid within the time frames established by the Colorado General Assembly. Because of the efficient manner with which the OIS continues to process claims, the Fund has not paid any interest.

Applicants who disagree with the Committee's reimbursement decision are entitled to protest that decision. Since the inception of the Fund in 1989, 54 protests have been filed. A formal hearing was held on two of these protests before administration of the Fund was transferred to CDLE on July 1, 1995. In 1996, OIS resolved 33 protests, and presented one protest to the Committee at a formal hearing. There are 18 currently active protests. Also in 1996, the OIS developed a one-page form on which to submit the initial protest (as required by regulation), and worked with the Colorado Office of the Attorney General to develop a procedure for the formal protest hearing.

To further streamline the reimbursement process, the OIS in 1996 created a new reimbursement application form. In the past, the application was seven pages long. Today, the original application is only four pages. Supplemental claims for the same cleanup are only two pages.

The new application packet includes information and instruction sheets clearly explaining how to establish Fund eligibility and how to seek reimbursement for allowable costs. In addition, the OIS now makes reimbursement application forms available on diskette in a variety of word processing formats.

A significant change to the Fund in 1996 is the increased revenue level. Pursuant to HB 96-1026, the environmental surcharge quadrupled from \$25 to \$100 per tank truck load, effective July 1, 1996. Monthly Fund revenues are now averaging \$2.4 million, which has proved sufficient to meet the reimbursement demand. As of December 31, 1996, the Fund balance was \$3,958,749.

As of December 31, 1996, there were 337 active reimbursement claims requesting reimbursement of \$22.6 million. At current Fund revenue and reimbursement levels, it appears that the Fund will be sufficient to pay current and future eligible and allowable reimbursement requests.

The following charts provide an overview of the Fund's history. Numbers in bold indicate activity July 1, 1995 forward, when the OIS began administering the Fund.

| Year | Claims received | Claims processed to completion (approved, denied, withdrawn) | # claims approved | Amt. reimbursed (includes protests) |
|--------------|-----------------|--|-------------------|-------------------------------------|
| 1989-91 | 136 | 62 | 37 | \$1,825,557 |
| 1992 | 140 | 51 | 29 | \$1,600,635 |
| 1993 | 220 | 168 | 166 | \$8,017,952 |
| 1994 | 290 | 118 | 110 | \$4,580,478 |
| 1995 | 467 | 424 (343 at OIS) | 355 (251 at OIS) | \$11,603,217 (\$8,159,474 at OIS) |
| 1996 | 510 | 659 | 618 | \$23,873,160 |
| TOTAL | 1763 | 1,482 | 1,315 | \$51,500,999 |

Oil Inspectors' Activities

Oil Inspectors checked measurement calibrations of service station dispensers, wholesale and bulk flammable liquid meters, and propane meters. Of the 41,313 service station dispensers inspected, 2,628 (6%) were outside of state calibration limits, and were adjusted by Oil Inspectors. Of the 819 wholesale and bulk flammable liquid meters inspected, 379 (46%) were outside of state calibrations limits, and were adjusted by inspectors. Of the 1,043 propane meters inspected, 723 (69%) exceeded state calibration limits, and were adjusted by Oil Inspectors.

Petroleum Storage Tank Remediation Activities

In addition to performing technical reviews of the 659 reimbursement claims to the Petroleum Storage Tank Fund, the tank remediation unit received 2661 technical reports of petroleum leaks, spills and contamination. Of these reports, 299 were corrective action plans for the cleanup of contamination caused by leaking petroleum storage tanks. We processed and approved or disapproved 207 of these plans thereby effecting the cleanup of these sites.

Using Federal L.U.S.T. Trust Fund dollars, OIS contracted with certain environmental firms to investigate contamination at storage tank sites where the source of the contamination was unknown. At eight other locations, OIS contractors performed some levels of remediation where the responsible party was unknown or unwilling/unable to do the cleanup.