

## MEMORANDUM

**To:** Board of Directors, Sierra Lakes County Water District  
**From:** Bill Quesnel PE, General Manager  
**Subject:** Fuel Tank Risk Reduction Financial Assistance Program  
**Date:** November 28, 2016

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At the November meeting, the Board discussed the possibility of providing financial assistance to incent homeowners with oil-fired heating systems to remove, or at least upgrade, their storage tank and piping. Director Lindquist and I were tasked with developing such a program.

The State Water Resources Control Board, Division of Financial Assistance, oversees the **Replacing, Removing or Upgrading Underground Storage Tanks (RUST)** program to assist small businesses (owners/operators) with up to 100% of the cost of upgrade/removal/replacement of underground storage tanks (USTs) to meet applicable local, state or federal standards. Depending upon the size of the business the funding can be either a low interest loan (\$10k to \$750k for up to 20 years) or a grant (\$3k to \$70k). The program does not pay for clean-up nor will it pay to replace a UST with an above-ground tank (AST). As with the regulation of USTs, the program is not available for residential heating oil tanks. More information about the fund is available at the following website:

[http://www.waterboards.ca.gov/water\\_issues/programs/ustcf/rust.shtml](http://www.waterboards.ca.gov/water_issues/programs/ustcf/rust.shtml)

The terms/conditions of a District financial assistance program could include:

- funding would be in the form of a grant to remove, replace, upgrade or make other specified improvements to the tank and associated equipment. The following expenses would be eligible for District reimbursement:
  - removal of the UST and installation of a non-fuel oil storage tank (propane), supply piping and home heating system (i.e. new furnace);
  - replacement of the UST with a double-walled AST including replacement piping;
  - replacement of the UST with a double-walled UST equipped with the leak detection and monitoring equipment required for commercial tanks and replacement piping;
  - Placer County permitting (Environmental Health and Building Department);
  - soil sampling after removal to confirm no past spills or leakage; and
  - professional services related to removal/installation of the tank and/or design of the replacement heating system
- funding cannot be used for spill remediation. If contamination is found after the tank is removed the property owner will be required to enroll in the State's UST cleanup fund to pay for that portion of the project. The District grant can be used for the removal and replacement of the tank and related equipment but not cleanup;
- all built residential parcels within the District's service territory would be eligible for funding. The Grantee would be the owner of record as defined by the property's deed of trust.
- the grant amount would be based on a sliding scale with the maximum percentage/amount for projects that eliminate the use of a heating oil storage tank:

- 75% of the cost to remove the UST and install a non-fuel oil heating system, up to a maximum of \$7,500;
- 50% of the cost to remove the UST and install an AST, up to a maximum of \$5,000; and
- 25% of the cost to upgrade the existing UST and piping with spill containment and leak detection equipment, up to a maximum of \$2,500.

If the District's goal is to eliminate heating oil tanks, the installation of an alternate heating system (i.e. propane) will likely require a greater incentive because of the added cost, as compared to tank replacement or upgrade. Assuming there are 10 USTs in the District and all the home owners elected to change to propane, the maximum obligation would be \$75,000.

The funding process would require:

- submittal of an application to the Board for consideration/approval before the project begins. The application will include:
  - the name of owner and contact information, address of the property and known information concerning the tank;
  - a cost estimate prepared by licensed contractor(s) and/or an individual with relative experience. The estimate should be based on two bids for each major component of the project; and
  - the proposed scope of work including the time frame for each step of the project.
- a written agreement between the District and property owner for reimbursement before work begins;
- the property owner secure County permits for removal and installation of the tank and piping;
- the property owner and/or representative initiate and oversee the removal/construction process; and
- reimbursement by the District upon submittal of copies of all paid invoices, construction lien release(s) and permit signoff(s) by Placer County. Amendment of the grant amount (down or up to the maximum) may be required based on the final project accounting.

The RUST program includes the following language in its contract documents:

An applicant that obtains grant funds as a result of material misrepresentation in the application or another submitted document shall repay to the District the amount of grant funds paid to the applicant. Any grant funds paid to the applicant to which the applicant is not entitled must be repaid to the District immediately upon knowledge or notice that such a payment has been made and, in any event, not later than thirty (30) days after written request for repayment by the District.

#### Recommendation

The Board of Directors provide direction to Staff on the development of a cost reimbursement program, especially the concept of increased grant amounts to incent the elimination of fuel oil storage within the District.