

**South Dakota Petroleum Release Compensation Fund  
Annual Soundness Review  
Fiscal Year 2018**

**February 19, 2019**

**Observations**

**Revised April 29, 2019**

The U. S. Environmental Protection Agency (EPA) annually reviews and assesses the soundness of state cleanup funds established to fulfill the federal financial responsibility requirements for owners and/or operators of federally regulated underground storage tanks (USTs). The EPA's fiscal year (FY) 2018 annual review and assessment of the South Dakota Petroleum Release Compensation Fund (South Dakota State Fund) follows below. The 2018 review is limited in scope and provides observations only.

The South Dakota State Fund Soundness Workbook Charts displaying the data the EPA has considered are in Appendix 1 and are based on South Dakota's fiscal year July 1, 2017, through June 30, 2018.

**Summary of Findings**

The data presented in the *South Dakota FY 2018 Fund Soundness Workbook* did not raise any concerns about the South Dakota State Fund during FY 18. The data trends analyzed by the EPA from 2012-2017 showed that South Dakota was making progress in reducing its backlog of open releases and decreasing the time to clean up releases. In FY 18, there were 31 new releases, 23 federally regulated fund-eligible (FRFE) cleanups, and 7 FRFE cleanups that never received a payment from the Fund, resulting in a net increase of one open FRFE case. The median age of FRFE cleanups remained the same as last year at five months.

**2018 Comments and Observations**

**Findings and Next Steps**

In 2018, the number of FRFE USTs decreased from 2,977 tanks to 2,964 tanks. There were 67 open releases from all federally regulated USTs, and 35 of these were fund-eligible cleanups. At the end of FY 18, South Dakota reported payments on 32 FRFE releases.

In FY 17 and FY 18, the EPA replaced the Cleanup Pipeline chart with two new charts. The first, Chart 5a (line 29 of workbook), is the median age of FRFE cleanups *started* in the current year. This measure provides a sense of how quickly the South Dakota State Fund addresses *new* releases. The second chart, 5b (line 30 of the workbook), is the median age of FRFE cleanups *completed* this year. This measure provides a sense of how quickly the South Dakota State Fund has completed cleanups that started *years* ago. Line 30 shows that the median age of FRFE cleanups completed in FY 18 was only five months. The median cost of South Dakota State Fund financed FRFE release cleanups that were closed in FY 18 was \$7,722.

In FY 18, South Dakota commissioned an actuary report of the South Dakota State Fund.<sup>1</sup> The actuary report included several recommendations that the EPA endorses, including;

### **1. Connection to Tanks Database**

The actuary report states that:

*“At multiple points in our analysis, it became useful to link remediation projects tracked by the PRCF to facilities tracked within the DENR tanks database. However, there is currently no easy method of linking the two databases. A facility number links more recent remediation projects to their associated facilities within the tanks database, but historical remediations cannot easily be tracked to the tanks where the leaks occurred. For this purpose, we made extensive use of the latitude and longitude tracked by the PRCF database and the tanks database, and in many cases, this was sufficient to link the two. However, such matching is not universally possible (due to missing data) or does not always produce reasonable matches. **We would recommend that a systematic effort be undertaken to link historical releases treated by the PRCF to the associated facilities tracked in the tanks database.**”*

**Action:** The EPA and the South Dakota State Fund have discussed this issue in the past and raised the issue with the South Dakota Department of Environment and Natural Resources Storage Tanks program. We would like to discuss future efforts to reconcile and link the two databases during South Dakota and EPA Region 8’s 2018 end-of-year review.

### **2. Tanks Database Missing Elements**

The actuary report states that:

*“In many cases, the tanks currently eligible for coverage by the PRCF are not well-documented in the tanks database. As of April 30, 2018, the following items are not known:*

***Item***  
***Records Missing from Active***  
***Tanks***  
***(Out of 6,149 Records Total)***  
***Address 45***  
***Tank Capacity 14***  
***Installation Year 122***  
***Product Stored 121***  
***Tank Construction 63***  
***Piping Material 232***  
***Piping Type 1,755***

*Tracking these items (and connecting this database to petroleum release events) would help in determining whether tank systems or fuel types were particularly prone to releases. As*

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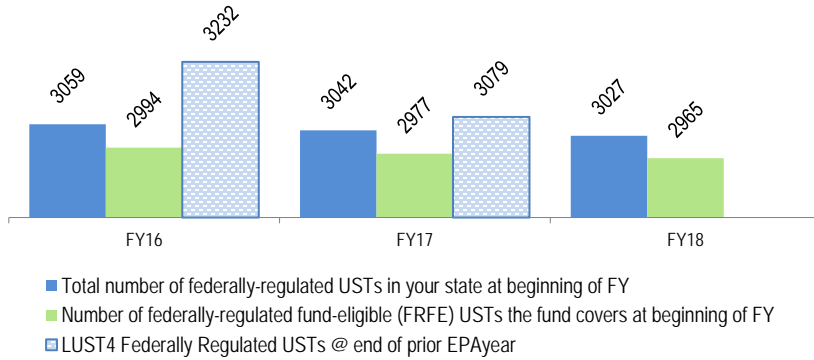
<sup>1</sup> South Dakota Petroleum Release Compensation Fund Loss and Loss Adjustment Expense Reserve Analysis as of April 30, 2018, Projected to June 30, 2018. Prepared by Taylor & Mulder Property and Casualty Consulting Actuaries.

*an example, some states have questioned whether ultra-low-sulfur gasoline and diesel products can be safely stored in fiberglass reinforced plastic tanks, or whether this poses a higher risk of tank failure. However, the risks relevant to one state are often not relevant to another state due to differences in tank demographics or for soil composition or geological reasons. **Therefore, it may be useful for the PRCF to collect this data independently so that this could be studied further.***”

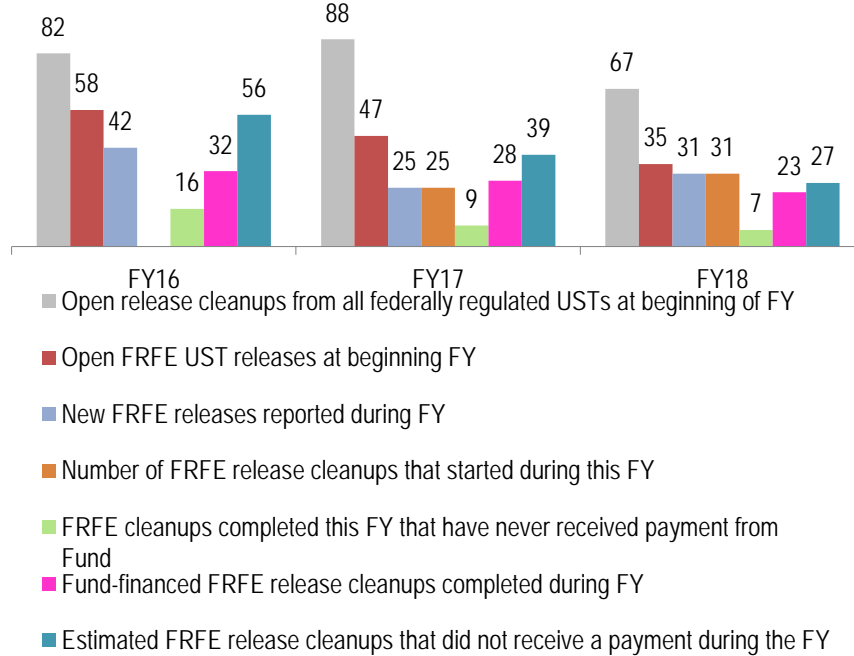
**Action:** The EPA concurs with this recommendation and would like to discuss how we can support efforts to determine the relative risks of South Dakota’s tank systems and/or fuel types. The EPA has supported this effort in other states in Region 8. We would like to discuss this issue during South Dakota’s and EPA Region 8’s 2018 end-of-year review.

# Appendix 1: Data and Charts from South Dakota State Fund Updated for 2018

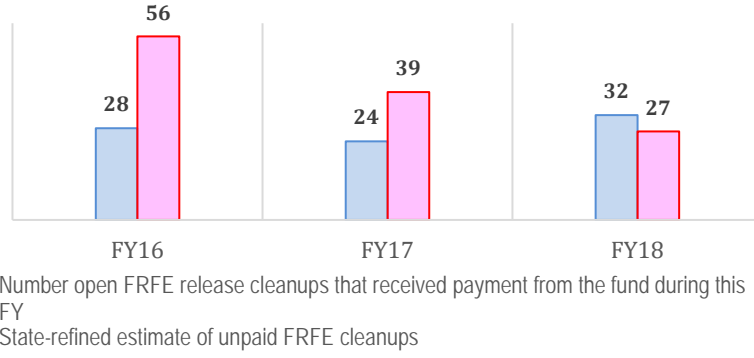
## 1. USTs Covered By The Fund



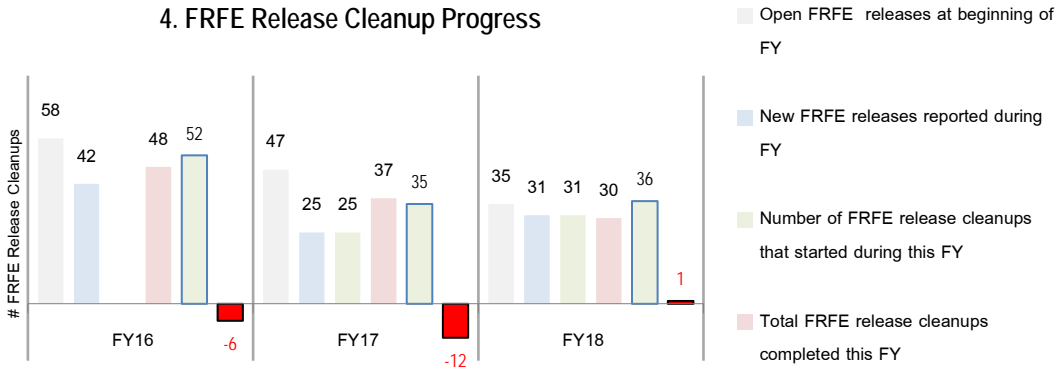
## 2. Fund's Share Of All Open FRFE UST Release Cleanups



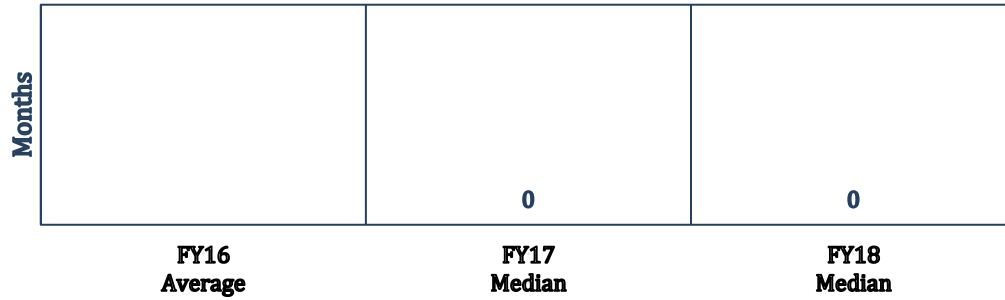
### 3. Paid & Estimated Unpaid FRFE UST Release Cleanups



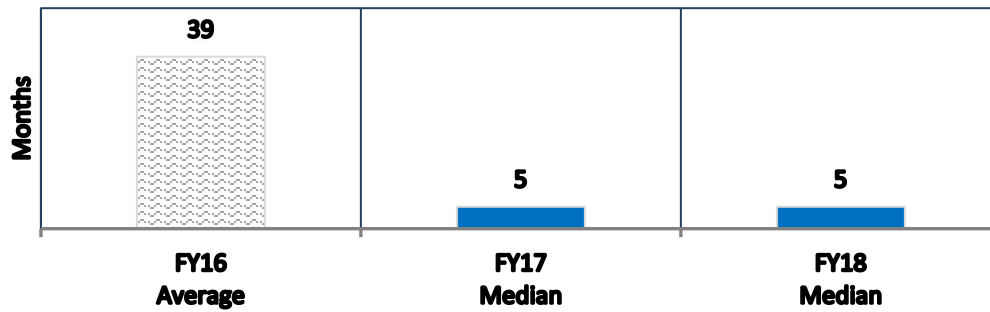
### 4. FRFE Release Cleanup Progress



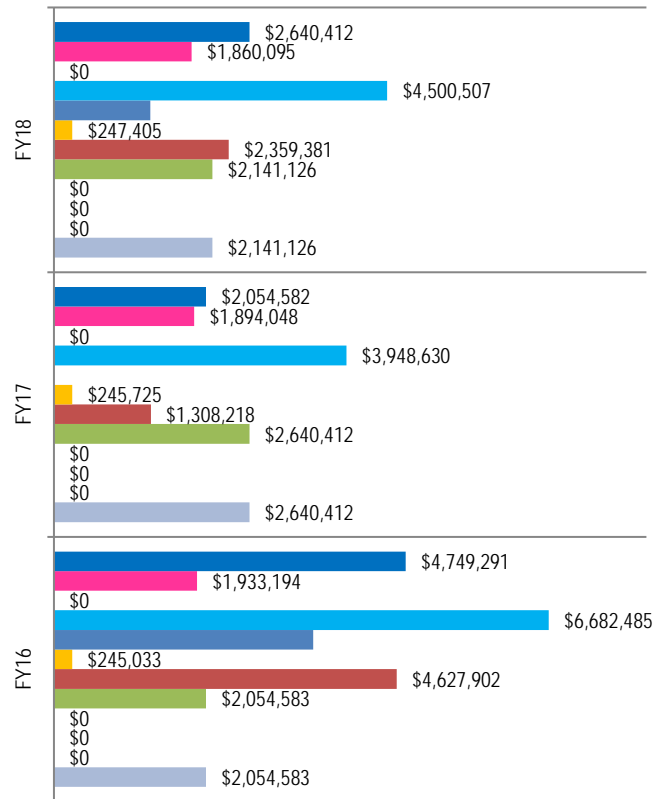
**5a. Time to Start New FRFE Cleanups**  
**Median months from release report to new remediation start**



**5b. Time to Complete Ongoing Cleanups**  
**Median months from release report to cleanup closure.**

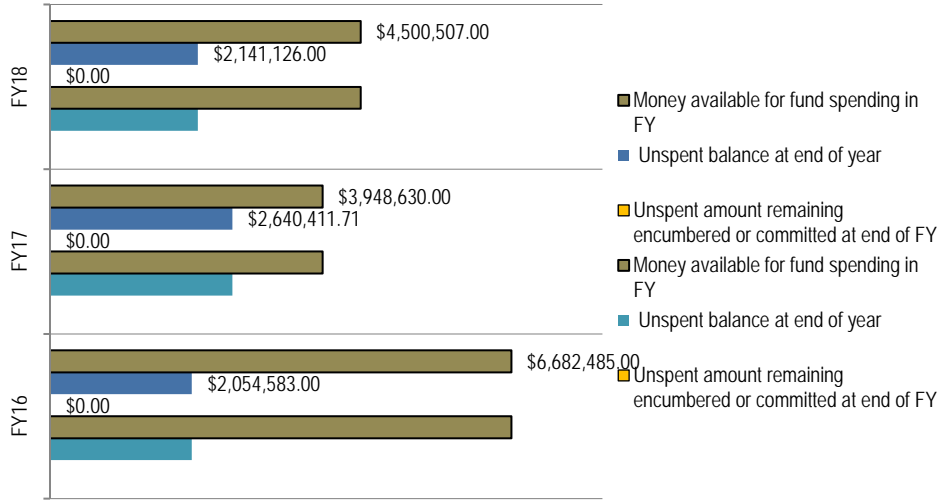


**Chart 6. Balance, Income and Spending**

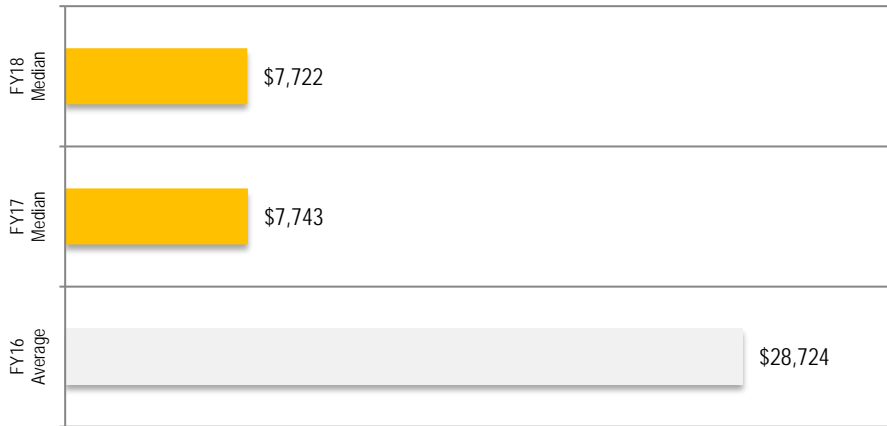


- Cash balance at beginning of year
- Total fund income
- Total dollar value of controls on fund spending during this FY
- Money available for fund spending in FY
- Transfers out of the fund during this FY
- FRFE cleanup reimbursements and direct payments to FRFE cleanup contractors
- Total spending
- Unspent balance at end of year
- Unspent amount remaining encumbered or committed at end of FY
- Additions to end of year balance
- Reductions to end of year balance
- Adjusted end of year balance

**7. Money Available for Spending, Unspent Balance at EOY and Unspent Amount Remaining Encumbered at EOY**



**7a. Median cost of fund-financed FRFE release cleanups completed this FY**



**8. EOY Cash Balance And Unpaid Claims**

