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To: Veldran, Katherine KatherineVeldran@gov.sc.gov

Date: 3/19/2014 2:10:56 PM

Subject: SUPERB

Attachments: SUPERB Talking Points.docx

UST REG for costs.docx

HiottBLErates.pdf

BLE - AFVR Bid.pdf

Katherine,

Last August, we notified the Underground Storage Tank owners and contractors that we were changing the maximum allowable rates based on the 65th percentile method we've been using since 1994 (new rates started in November). An example of the 65th percentile method is on the SUPERB Talking Points sheet. But basically, there are two type of contractors that get reimbursed from the SUPERB fund. owner/operators= those who the gas station chooses; state lead= gas station doesn't feel like dealing with it and allows DHEC to manage the clean up. The state lead is absolute lowest bidder. the owner/operator gets reimbursed the 65th percentile of all state lead bids. In the past, whenever costs went up for certain line items, we'd adjust up. When they went down (because of new technologies, etc.), we would keep them the same rather than adjusting down. It caused an artificial inflation for rates that we are paying (with taxpayer/gas tax dollars).

After PMA asked for a 30 million appropriation to the SUPERB fund at our budget subcommittee last year, we started looking closely at the SUPERB fund. This is when we discovered that we could true up the rates to what the market can handle and save 2.5 to 3 million dollars a year that would go right back up into cleaning up the environment. The outcry is from a handful of contractors who are members of PMA's supplier group. Work continues to get done. In fact, other contractors asked for leads in case the one's complaining follow through and quit doing work. In other words, there is a market. All work must meet the same standards.

The reg tells us to look at "DHEC experience and Industry Costs" to determine the rates. We have asked industry to prove to us that we fall short. They refuse to give us their costs citing the information as "proprietary." In fact, Rep. Hiott asked them for their costs and they came back with the attached sheet that says "acceptable costs". As you can see, it just restates the old rates in most instances. On effluent disposal, BLE says they need 44 cents a gallon. But if you look at their attached bid from just 2 years ago, they bid 18 cents a gallon! We continue to say, show us your costs if you think we should pay you more and continue to be told no.

Please call me if you have any questions.

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