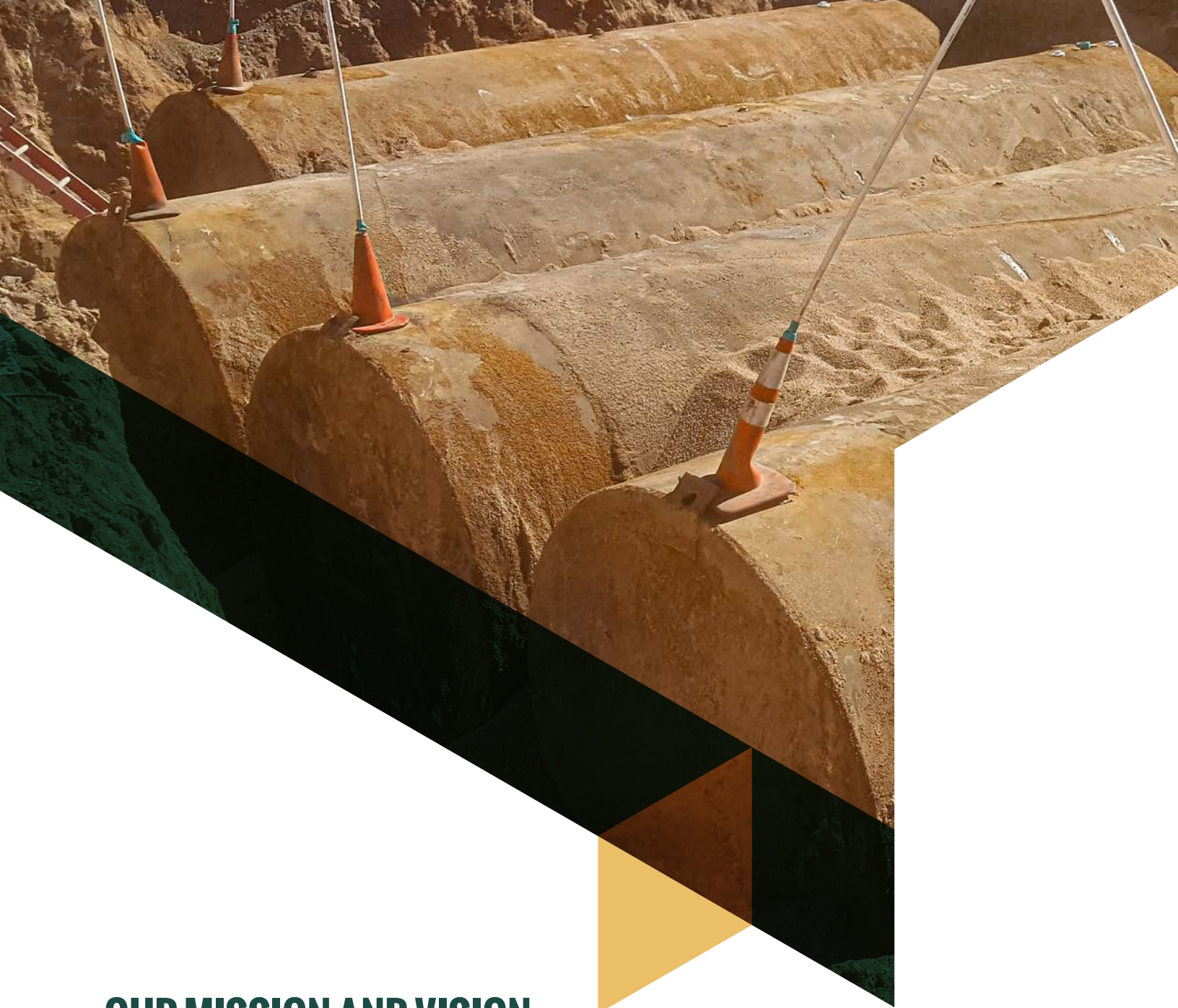


**2020
DECEMBER**



REPORT ON THE UNDERGROUND STORAGE TANK REVOLVING FUND



OUR MISSION AND VISION

The Arizona Department of Environmental Quality's (ADEQ's) mission is to protect and enhance public health and the unique environment in Arizona. To achieve this, ADEQ administers the state's environmental laws and delegated federal programs to prevent pollution of the air, water and land, and to ensure cleanup when pollution occurs.

ADEQ's vision is to be the No. 1 state in the nation in:

- Balanced, leading edge environmental protection through
- Technical and operational excellence, and
- Radical simplicity for customers and staff.

TABLE OF CONTENTS

Executive Summary	5
Key Terms	6
Overview	7
Underground Storage Tank (UST) Program	8
Tank Site Improvement Program	8
State Lead NonCorrective Actions	10
Time-Barred Claims	11
Preapproval of Corrective Action	12
State Lead Corrective Action	13
Agency-Sponsored Operator Training	14
Increased Inspection Responsibility	14
Customer Involvement	15
Enhanced Focus on Financial Responsibility and UST Insurance	16
Release Reporting and Closure	18
New Releases Reported and Closed	18
Remaining Number of Open Releases	19
Current State View	20
UST Revolving Fund Financial Information	21
Reimbursements Made Annually from the Fund	21
Number of Application or Reimbursement Denials by ADEQ	22
Liabilities Owed for the Preapproval Program	23
Projected Liabilities for the Fund	24
Projected Liabilities for State-Led Corrective Actions	24
Appendices	25
A - Statutory Requirements for the Report	26
B - Detailed Accounting of Time-Barred Claim Payments	27
C - Listing of State Lead Corrective Action Sites	27
D - List of Releases Opened Between July 1, 2017, and June 30, 2020	28
E - List of Releases Closed Between July 1, 2017, and June 30, 2020	28
F - List of Currently Open Releases	29
G - Detailed Accounting of Preapproval Program Reimbursements	29
H - Detailed Accounting of Tank Site Improvement Program Reimbursements	30

FOREWORD

Misael Cabrera, Director

To ensure Arizonans have clean water and unconstrained land for development today and for our future, the Underground Storage Tank (UST) Program provides critical leak prevention, remediation and operational compliance services to more than 2,000 UST facilities located statewide, in every county in Arizona.

The importance of environmental impacts from UST facilities, such as retail gas stations and emergency generator locations, is often overlooked because they are such a common part of our daily lives. However, according to the U.S. Environmental Protection Agency's *End of Fiscal Year 2020 Semiannual Report*, there are more than 62,000 releases from UST facilities that need to be cleaned up nationwide.

Using the Arizona Management System (AMS), ADEQ's UST Program has achieved record results. For the first time since the 1980s, we reduced our inventory of open releases to fewer than 400 at approximately 250 UST sites and thanks to support and collaboration with our customers, ADEQ:

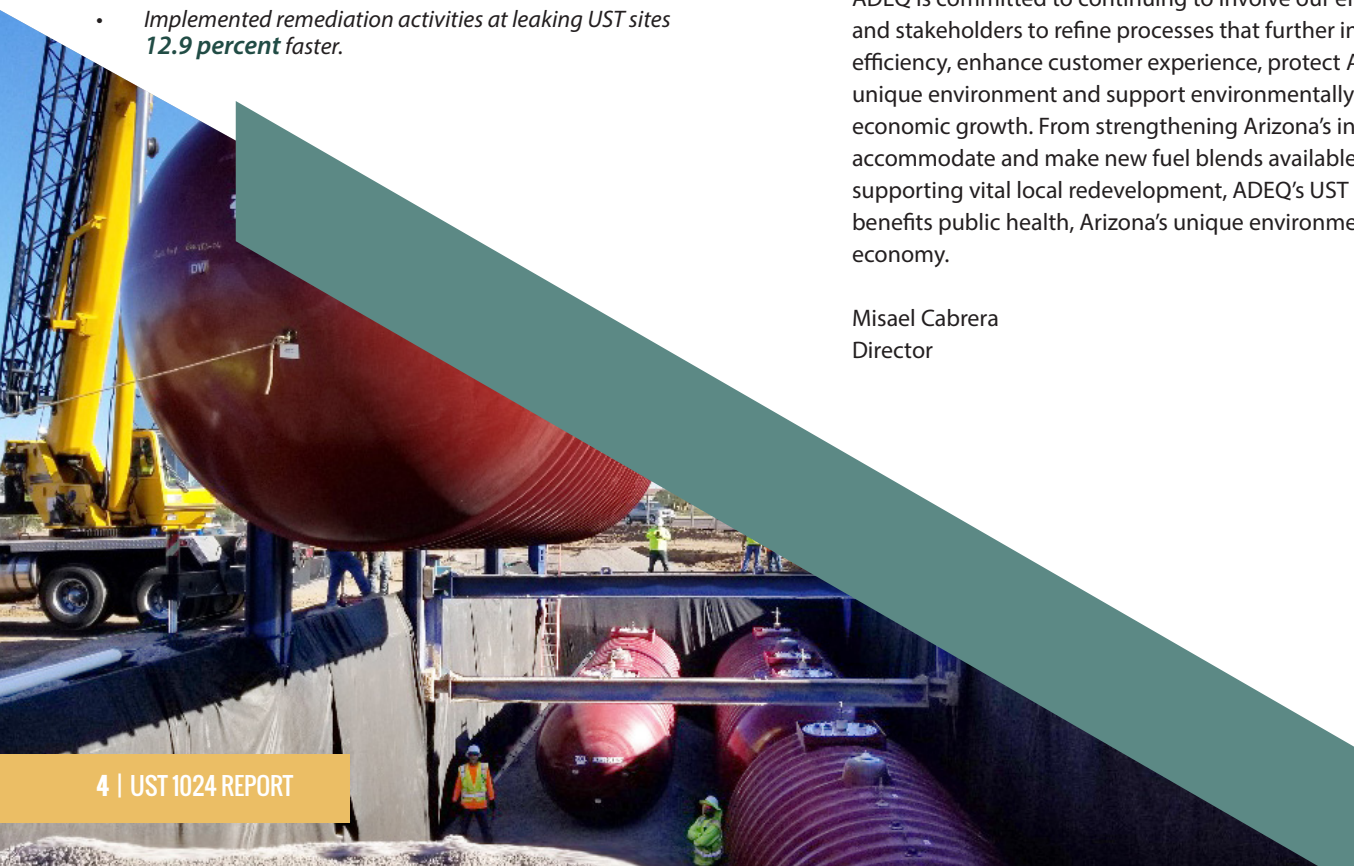
- *Increased the percentage of leaking UST sites closed throughout the history of the program to **95.8 percent**;*
- *Reduced the number of open releases at leaking UST sites by **31.8 percent**;*
- *Achieved a record high **97 percent** compliance rate for financial responsibility;*
- *Worked with customers to attain compliance with aging cases, reducing the average age of open compliance conditions by **59.5 percent**;*
- *Helped customers increase their compliance at the time of an inspection by **36.6 percent**; and*
- *Implemented remediation activities at leaking UST sites **12.9 percent** faster.*

Building on these achievements — made possible by House Bill 2636 — there is more work to do. The UST Program has ongoing and pressing responsibilities in our service to customers, stakeholders, Arizonans and our natural resources. While there have been significant advancements in equipment, operation and maintenance, USTs continue to pose risks to the environment and public health:

- *Even as the UST Program works diligently to close the existing 400 releases, new releases are being reported at a rate of two to three per week, higher than the historical trend. Without prompt remediation, contamination from leaking UST sites can impact groundwater, spread over time, become more costly to remediate and reduce the supply of clean and reliable water necessary to fuel Arizona's economic prosperity.*
- *Additionally, almost 35 percent of Arizona's UST infrastructure is more than 30 years old, and as such, those tanks were not designed or installed with knowledge of current fuel blends. This means an increase in potential compatibility issues between the tanks of the past and the products stored today. Removal and replacement of aging UST systems through the UST leak prevention programs continue to be effective strategies to quickly identify and address new contamination from leaking USTs, as well as resolve outstanding compliance issues.*
- *With the overwhelming success of the Tank Site Improvement Program, which reimbursed more than \$13.8 million to customers since it began in 2018, demand for the program is exceeding current levels of funding. Stakeholders are working on potentially increasing funding and seeking additional funds through legislation in 2021.*

ADEQ is committed to continuing to involve our end users and stakeholders to refine processes that further increase efficiency, enhance customer experience, protect Arizona's unique environment and support environmentally responsible economic growth. From strengthening Arizona's infrastructure to accommodate and make new fuel blends available statewide, to supporting vital local redevelopment, ADEQ's UST Program directly benefits public health, Arizona's unique environment and the economy.

Misael Cabrera
Director



EXECUTIVE SUMMARY

The Arizona Department of Environmental Quality (ADEQ) prepared this report for the underground storage tank (UST) revolving fund as directed in Arizona Revised Statutes (A.R.S.) § 49-1024 (see Appendix A for a checklist of requirements). **Data presented in this report are based on state Fiscal Years 2018, 2019 and 2020 (July 1, 2017, to June 30, 2020), unless otherwise noted.**

Why is the UST Program Important?

ADEQ's UST Program collaborates with UST owners and operators, along with interested stakeholders, to prevent, identify and clean up leaks or releases of contaminants (e.g., petroleum products) into the environment.

ADEQ's UST Program provides financial assistance to customers in the regulated community for leak prevention projects and environmental cleanup activities.



The greatest potential threat from a leaking UST is contamination of groundwater, the source of approximately 40 percent of Arizona's water use, including drinking water.



UST removal and replacement costs can negatively impact economic viability for small businesses, especially in smaller communities. Contaminated or abandoned UST sites can also stifle redevelopment and economic growth.

Accomplishments Since Publication of January 2018 Report

- Reinvested more than **\$13.8 million** in Arizona businesses and communities through the Tank Site Improvement Program reimbursements for UST infrastructure projects
- Provided more than **\$9.3 million** in financial relief to customers undertaking environmental cleanups through the Preapproval Program
- Reduced the number of open leaking UST sites to **254**, the lowest number in the past 30 years of the program
- Developed and provided UST operator training for **874** certifications, saving the regulated community more than **\$130,000**
- Achieved a record **97 percent** compliance with financial responsibility requirements — the highest in the history of the program
- Developed and implemented an expedited **Preapproval Program** to provide faster access to financial assistance for cleanup activities
- Aligned Arizona's UST rules with the federal rule revision to create a simple and consistent regulatory framework for customers
- Permanently closed **881** USTs, **59 percent** of which were more than 30 years old



Tanks older than 30 years are reported to have the highest likelihood of failure and environmental degradation issues. After 30 years, most manufacturers' warranties expire and many commercial insurance providers will either terminate coverage or only provide coverage with higher premiums and/or deductibles.

KEY TERMS

Baseline Assessment

Investigation of likely release areas to identify contamination and determine whether the operating UST system may be leaking.

Corrective Actions

Those activities required to investigate, characterize and clean up releases from UST systems.

House Bill (HB)

2015 — HB 2636

Governor Doug Ducey approved this bill to assist UST owners, operators and others with UST removal, system upgrades and release confirmation actions.

2018 — HB 2310

Governor Doug Ducey approved this bill to expand reimbursement opportunities to applicants through the Time-Barred Claims Program and expanded the eligibility criteria for the Preapproval Program.

2019 — HB 2704

Governor Doug Ducey approved this bill to increase Tank Site Improvement Program maximum reimbursable amounts and expand retroactive access to preapproval funding assistance for cleanup activities.

Noncorrective Actions

Leak prevention activities such as tank removal, baseline assessment and sampling to investigate a suspected release.

Release

When a UST leaks petroleum or hazardous substances into the soil and/or groundwater. There may be multiple releases at a single UST site.

Release Closure

When environmental contamination from a leaking UST has been remediated to appropriate corrective action standards.

Site

A property containing, or that previously contained, one or more USTs.

State Assurance Fund (SAF) (1993 - 2010)

Established by the Arizona legislature to assist UST owners, operators and others in meeting the costs of leaking UST investigations and cleanups.

Tank Closure

When a UST is either permanently closed through removal or filled with an inert solid material, or a change-in-service to storing a non-regulated substance.

Time-Barred Claims

Temporary program created to reimburse eligible UST owners and operators for corrective action costs incurred during the gap between the sunset of the SAF and the initiation of the HB 2636 programs (July 1, 2010 – Dec. 31, 2016).

Underground Storage Tank (UST)

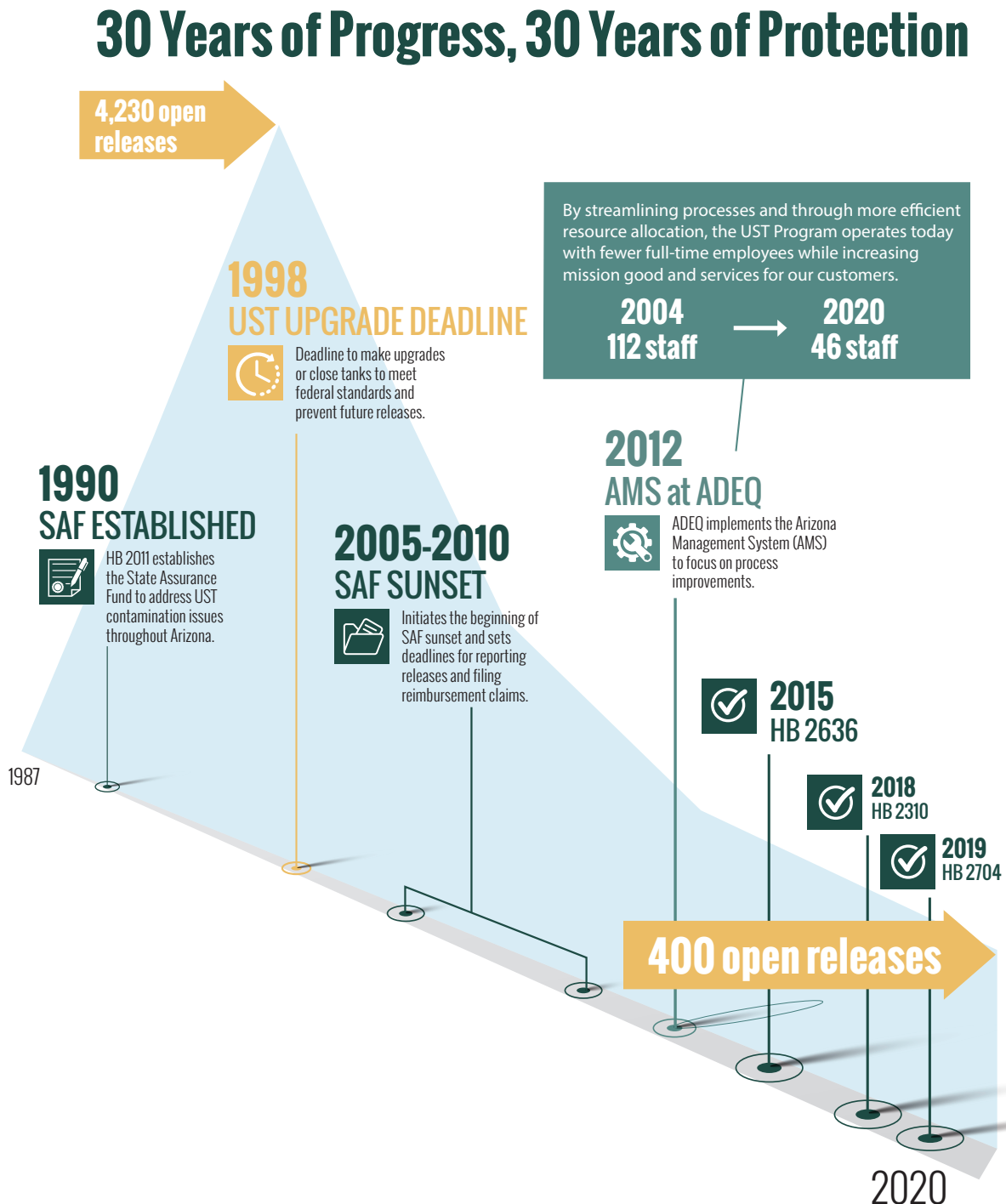
A tank or any combination of tanks, including any connected piping, that has at least 10 percent of the combined volume underground and stores either petroleum or certain hazardous substances. USTs are used by marketers, who sell fuels to customers, (e.g., gas station owners) or by non-marketers for personal use (e.g., fleet owners, hospitals with emergency generator tanks, etc.).

OVERVIEW

ADEQ's UST program conducts inspections to ensure facilities are in compliance with Tank Performance Standards established by the Environmental Protection Agency (EPA). Tank Performance Standards are proactive leak prevention measures designed to prevent future releases.

ADEQ also ensures that financial assurance mechanisms are in place to address releases and third-party claims, and provides mandated training at no cost to UST owners and operators.

In the event a release from an underground storage tank occurs, ADEQ oversees the cleanup work to ensure remediation standards are met to protect public health and the environment.



UST PROGRAM UPDATES

TANK SITE IMPROVEMENT PROGRAM

Reinvesting in businesses and communities for the economic and environmental future of Arizona

ADEQ provides UST owners, operators and property owners the opportunity to receive financial reimbursement for pre-approved activities, such as conducting a baseline assessment; conducting environmental sampling to confirm a suspected release; removing aging, uninsurable USTs; and conducting site activities to meet new tank performance standards.

This supports not only early identification of releases from USTs, but also promotes critical improvements to Arizona's fuel delivery infrastructure. Releases identified during UST removal often can be resolved at the time of the UST removal and replacement with over-excavation and additional sampling, which further reduces the environmental liability within the state.

Tank Site Improvement Program (TSIP) Process



In June 2020, the UST Program held a process improvement event to gather feedback from customers and streamline the Tank Site Improvement Program reimbursement process. As a result, the program achieved a 38 percent reduction in the average days to approve a reimbursement claim between FY2020 and FY2021.

The Tank Site Improvement Program has been a tremendous financial asset for our company. Without this program, we would have had to incur millions of dollars in debt to upgrade our locations. The program has been very beneficial to our company and to the environment in the communities we serve. We hope the Arizona legislature continues this program to assist all operators in the pursuit of enhancing their facilities for the benefit of the people of Arizona.

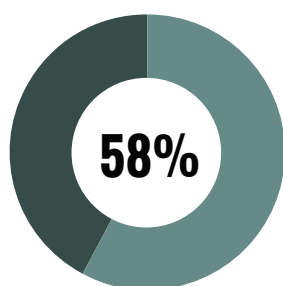
— Christopher J. Olson, CPA, President - Controller, Supermesa Fuel & Merc, LLC dba Superpumper

TANK SITE IMPROVEMENT PROGRAM CONT.

Tank Site Improvement Program (TSIP) Projects Completed by Category Since February 2018

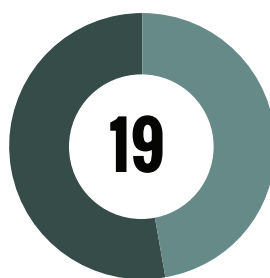


Releases Identified Through TSIP



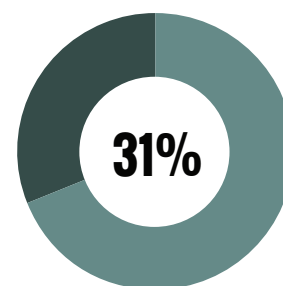
67 of 116

Financial Responsibility Compliance Cases Closed due to Noncorrective Action & TSIP Projects



9 in 2019 10 in 2020

Releases Resolved Through TSIP



52 of 76

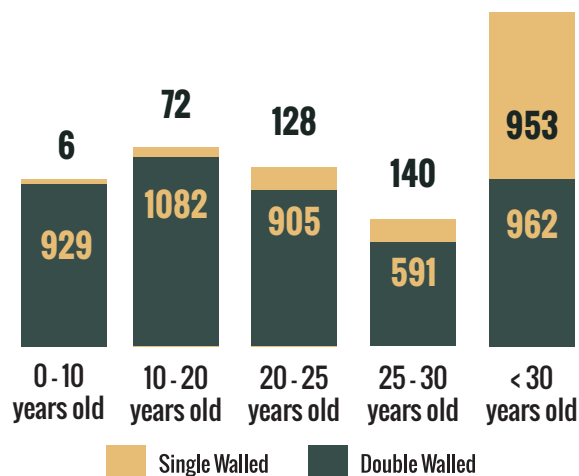
Tank Site Improvement Program Expenditures

COUNTY	AMOUNT REIMBURSED PER COUNTY	NUMBER OF FACILITIES REIMBURSED
Apache	\$40,000.00	1
Cochise	\$81,088.18	1
Coconino	\$1,846,561.29	10
La Paz	\$225,000.00	1
Maricopa	\$7,970,190.90	69
Mohave	\$1,213,032.35	8
Navajo	\$107,707.49	2
Pima	\$1,334,157.61	24
Pinal	\$218,316.27	2
Santa Cruz	\$27,336.18	1
Yavapai	\$570,570.21	3
Yuma	\$213,351.87	2

Tank Age

Currently, about 42.9 percent of the operating USTs in Arizona are 30 years or older. These tanks were not designed with current fuel blends in mind and may not be compatible. Additionally, about 22.5 percent of Arizona's inventory of operating tanks are single-walled, which are less protective than the current standard of double-walled systems.

Tank Age and Construction (as of June 30, 2020)



Number Of Facilities Participating In TSIP By Fiscal Year



STATE LEAD NONCORRECTIVE ACTION PROGRAM

ADEQ also offers UST owners, operators and property owners the option to request that ADEQ manage UST removal, environmental sampling to confirm a suspected release and baseline assessments. Costs are paid by the state and applications are prioritized based on environmental risk and applicants' available financial resources.

State Lead Noncorrective Action Projects by Category



Removals



Confirmation of Suspected Release



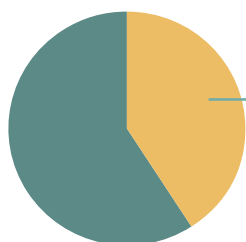
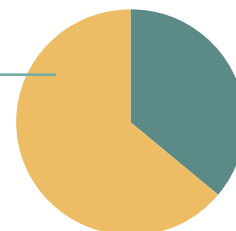
Baseline Assessments

Program Successes

Quickly identifying, characterizing and cleaning up releases from USTs is important to prevent contamination from impacting soil and groundwater. Without prompt action, contamination can spread over time and become more difficult and costly to clean up.

The State Lead Noncorrective Action Program has identified releases at UST sites that may have otherwise gone undetected. Additionally, the program has closed releases with only one mobilization, meaning all field work (UST infrastructure removal, site investigation, environmental sampling, etc.) and heavy equipment use was completed with one site visit.

64%
of State Lead Noncorrective Action
Program projects confirming a release
(44 of 69 projects)



41%
of releases confirmed were closed;
(18 of 44 releases)



I only wish there were more we could do to show just how much you've done for my family in removing these fuel tanks from our property.

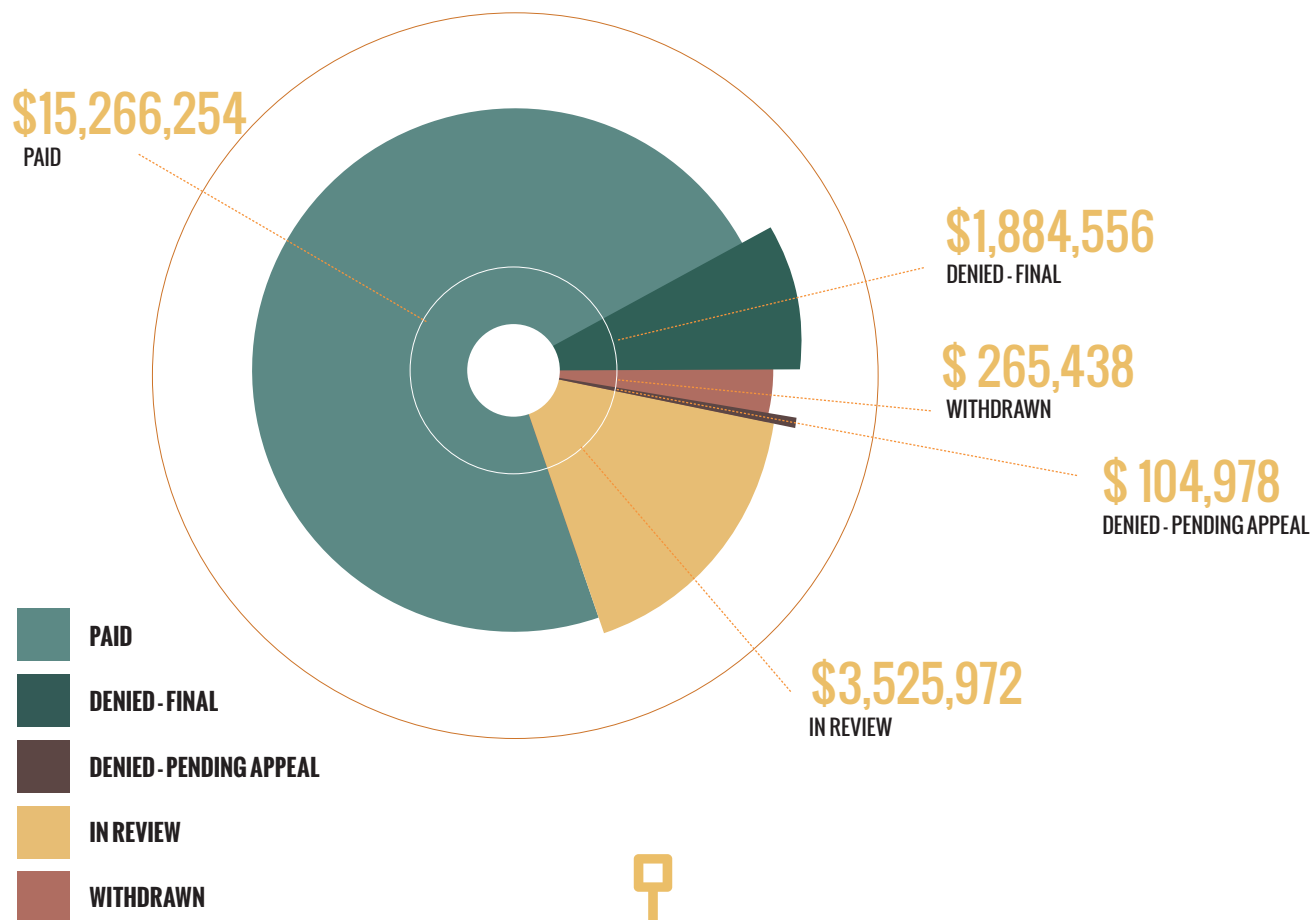
— Joe & Edie DeSoto, Owners, Kaibab Repair, Ashfork, AZ



TIME-BARRED CLAIMS

This temporary program created an opportunity for UST owners and operators, in compliance with financial responsibility requirements, to request reimbursement of eligible corrective action costs incurred during the gap between SAF and HB 2636 for work that was not covered by their financial assurance mechanism.

Graph Represents 180 Time-Barred Claim Applications



REMAINING UNPAID TIME-BARRED CLAIMS

As of June 30, 2020, all applications have undergone initial review. Two applicants have applications pending an additional detailed review, and only two claims remain open due to appeal. See Appendix B.

PREAPPROVAL OF CORRECTIVE ACTIONS

ADEQ provides up to \$1 million per site to eligible owners, operators and property owners for the cleanup of UST releases not covered by their financial assurance mechanism. All work and costs require preapproval by ADEQ.

As of July 1, 2020, ADEQ has 91 facilities participating in the Preapproval Program. The corrective actions conducted on those sites include release investigation and site characterization, pilot testing of remedial technologies and operation of remediation systems. See Appendix G.

Facilities Participating in the Preapproval Program

FISCAL YEAR	NUMBER OF SITES FOR SMALL* OWNERS THAT HAD AN APPLICATION APPROVED	NUMBER OF SITES FOR OTHER OWNERS THAT HAD AN APPLICATION APPROVED	TOTAL
2017	1	0	1
2018	12	3	15
2019	34	22	56
2020	44	29	73

*Small is defined by A.R.S. § 49-1053(P) as owners with fewer than 20 UST Facilities in the state.

Preapproval Program Financial Relief

COUNTY	AMOUNT REIMBURSED	NUMBER OF SITES REIMBURSED
Cochise	\$12,360.24	2
Coconino	\$70,280.93	3
Gila	\$628,649.57	3
La Paz	\$64,699.88	1
Maricopa	\$3,194,969.64	23
Mohave	\$502,053.37	6
Navajo	\$64,215.23	1
Pima	\$553,035.14	12
Pinal	\$699,577.01	4
Santa Cruz	\$30,864.71	2
Yavapai	\$1,194,200.31	9
Yuma	\$2,323,780.57	8

Emphasizes collaboration by incorporating a kickoff meeting where ADEQ and customers arrive at a mutually agreeable plan of action.

In 2019, the UST Program held multiple voice of the customer events for the Preapproval Program to gather feedback on how to streamline and improve the application and reimbursement processes. As a result, the program achieved a 44 percent reduction in the average days to approve a reimbursement claim between FY2019 and FY2020.

STATE LEAD CORRECTIVE ACTION

The State Lead Corrective Action Program manages all phases of remediation for eligible UST sites that have contamination due to releases, focusing on sites where the responsible party is unknown or unable to manage the work themselves. This work includes source investigation, analytical testing, design and implementation of the remedial system and closure evaluation through state-approved contractors. See Appendix C.

29

New sites in the State Lead Corrective Action Program between July 1, 2017, and June 30, 2020

32

Sites where the State Lead Corrective Action Program closed releases between July 1, 2017, and June 30, 2020

40

Sites currently in the State Lead Corrective Action Program as of June 30, 2020



PROGRAM INNOVATIONS

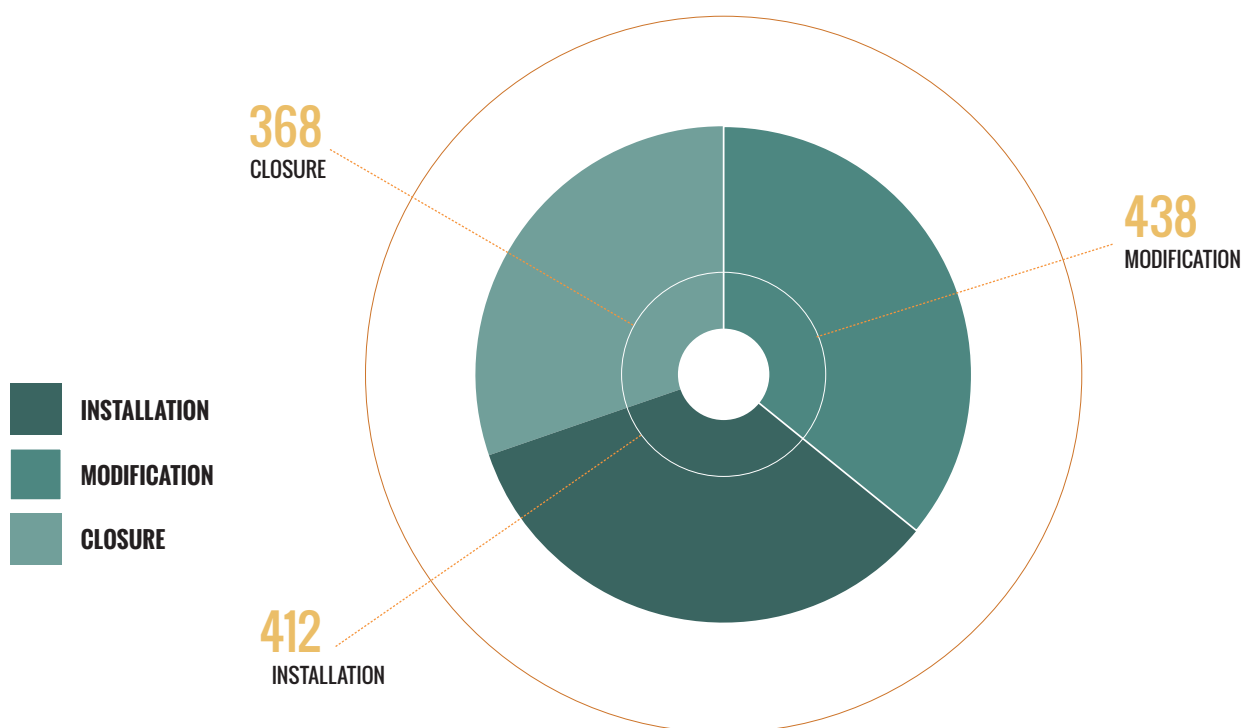
Agency-Sponsored Operator Training

The ADEQ UST Program offers operator training at no cost to UST owners and operators, helping them meet regulatory requirements, responding to releases as well as providing Arizona-specific financial responsibility information and resources about how to avoid commonly cited violations.

Comparable training costs \$150 per participant; this operator training saved the regulated community more than \$130,000

Increased Inspection Responsibility

In addition to the triennial routine inspection schedule, ADEQ staff resumed inspections of UST installations, modifications and closures, with no increase in fees to our customers, after the long-term delegation agreement with the Office of the State Fire Marshall ended in February 2017.



Customer Involvement

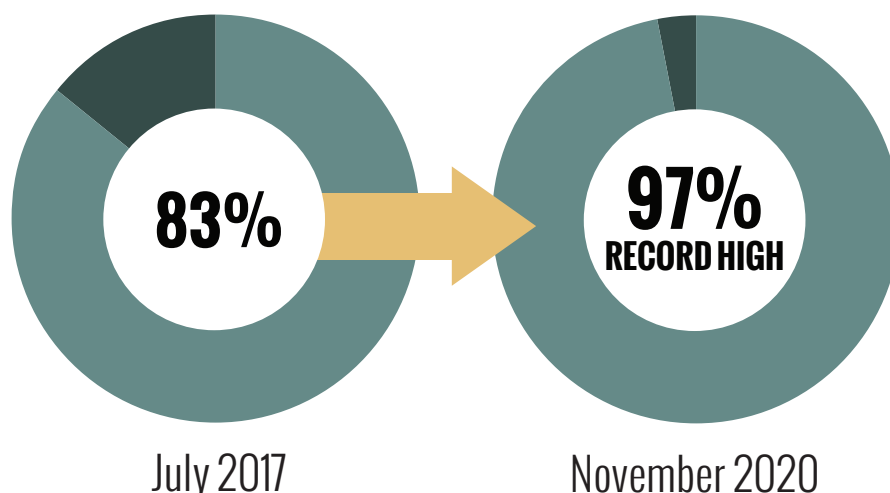
ADEQ strives to involve end users early and often when creating or improving services. ADEQ continues to encourage the regulated community to participate in process improvement of UST programs and solicits customer feedback when updating forms and applications.

ADEQ has implemented the following customer suggestions:

- **Reduced Regulatory Burden**
The Arizona Administrative Code was updated to align Arizona UST Regulations with federal regulations revised in 2015, allowing the regulated community to focus on a single set of regulations.
- **Streamlined Tank Site Improvement Program Application Requirements**
Created internal databases tracking information on service provider certifications and, infrastructure/fuel compatibility certifications and warranties from manufacturers, reducing the preparation burden on customers applying to the Tank Site Improvement Program.
- **Relieved Administrative/Reporting Burden**
ADEQ now accepts all regulatory submissions in electronic format, reducing administrative costs and time for customers and agency staff.
- **Improved Inspection Process**
Customers can now submit required record-keeping to ADEQ for review prior to routine inspections to streamline and abbreviate the onsite inspection process. ADEQ has also implemented a process for virtual inspections to promote social distancing during the COVID-19 pandemic.
- **Kickoff Meetings**
The Preapproval Program kickoff meetings have been expanded into the State Lead Corrective Action Program and on State Lead Noncorrective Action Program projects as requested. This process provides a forum for the owner, their technical professional, and ADEQ to meet and discuss a mutually agreeable work plan and technical challenges for the site.

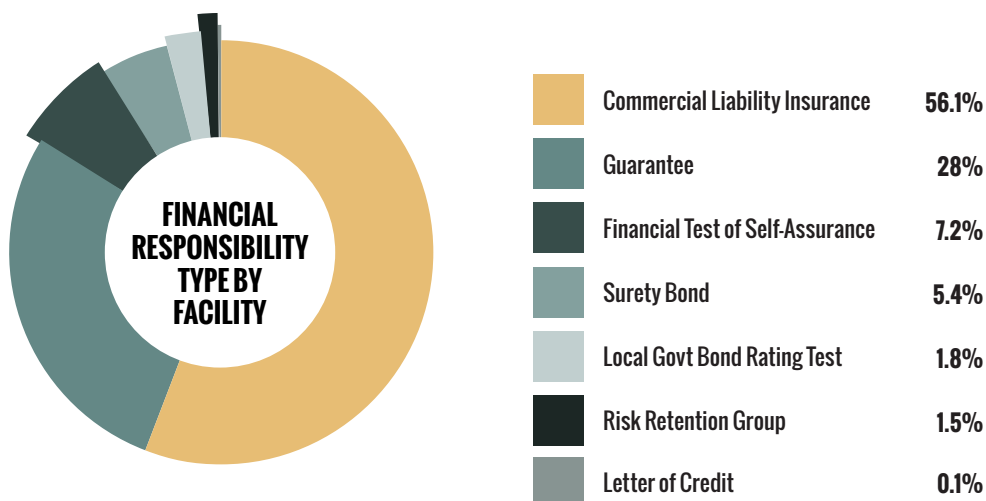
Outreach Increases Financial Responsibility Compliance

Due to increased outreach and successes from the State Lead Noncorrective Action and Tank Site Improvement Programs, there has been a marked increase in compliance with financial responsibility requirements. Following ADEQ notifications to customers about the pending expiration of their financial assurance mechanism, compliance rates have increased from 83 percent in July 2017 to 97 percent in November 2020.

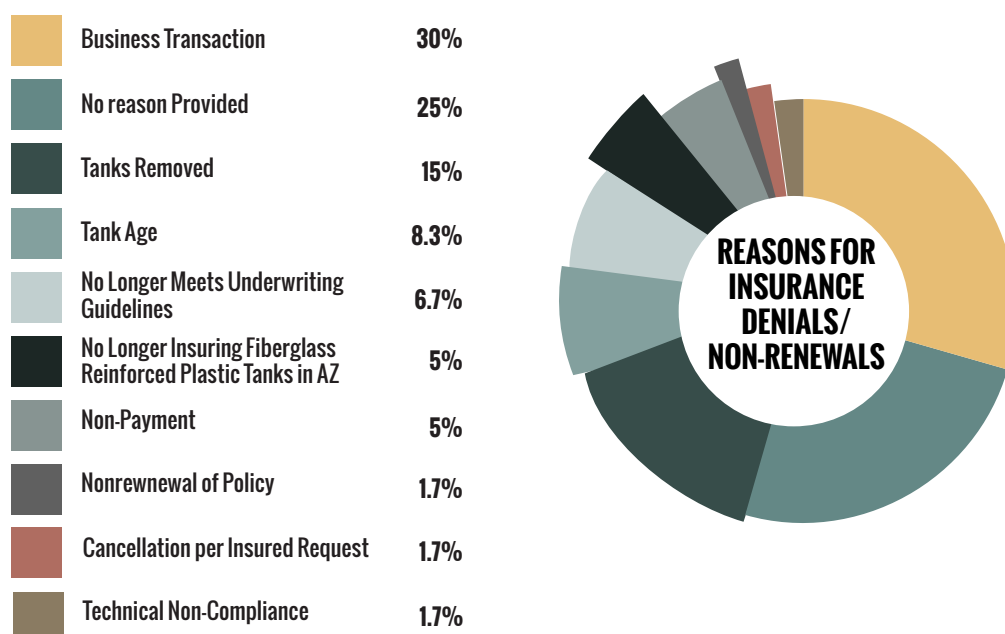


Enhanced Focus on Financial Responsibility and UST Insurance

Starting in 1989, federal and state regulations require UST owners and operators to have financial responsibility. This requirement was designed to protect both the environment and our customers by ensuring adequate and readily available funding for prompt cleanup of releases from USTs; as well as, compensate third parties for any injuries or damages associated with the releases. There are several mechanisms available to demonstrate compliance with financial responsibility; however, in Arizona, 56 percent of UST owners and operators rely on commercial UST insurance as of June 30, 2020.



HB 2636 included provisions to evaluate the insurability of Arizona's UST infrastructure. Specifically, it created requirements for UST owners and operators to report to ADEQ if their insurance provider denied a claim for coverage. It also requires UST insurance providers to notify ADEQ of coverage termination or non-renewal. Since the implementation of HB 2636, 41 owners have reported to ADEQ that their commercial liability insurance policies were canceled or not renewed for 59 sites.



WE SAID WE DID

In 2018, when the last report on the underground storage tank revolving fund was published, the UST Program identified several items for implementation and investigation.

Collecting data from a corrosion study of 79 tanks at 35 school facilities and providing assistance for tank replacement



Assisted 14 schools with removal and/or replacement of aging USTs

Number of Schools	Activity
7	UST removal and replacement completed
1	UST removal and replacement pending
4	UST removal completed
1	UST removal pending
1	UST replacement completed

Using data from the corrosion study to proactively identify small owners/operators who may need assistance for tank closure, assessments and upgrades



Conducted an outreach campaign for sites with tanks more than 30 years old including postcards/ mailers, phone calls, compliance assistance visits, presentations and email notifications

Providing tank closure, assessment and upgrade assistance through the new Tank Site Improvement Program, which was created based on customer feedback and lessons learned from existing programs



- TSIP launched in February 2018, and the first application was received Feb. 18, 2018
- Received 459 applications since inception
- In 2019, through HB 2704, maximum amounts available for assistance increased

Identifying small owners with tanks that are uninsurable and providing assistance through baseline assessment or older tank replacement with new USTs



19 financial responsibility compliance cases were resolved through noncorrective action & TSIP projects

Tracking compliance assistance to determine the most impactful outreach methods



Used vacant positions within the UST Program to hire an outreach coordinator and a compliance assistance coordinator to provide support to customers

WHAT'S NEXT?

- Evaluating data on links between UST system infrastructure component material and product storage to improve understanding of release potential from existing and new fuel blends entering the Arizona market
- Creating an online portal for customers to submit UST notifications and facility information, simplifying several required reporting processes for customers
- Continuing to assess the availability and affordability of UST insurance; as well as, whether policies provide sufficient coverage for cleanup efforts and whether current insurance notification processes provide enough data for evaluation
- Using Arizona Management System principles to improve processes and enhance customer service to ultimately reduce the costs of remediation and UST program administration, and to increase funds available for future corrective action and leak prevention efforts.

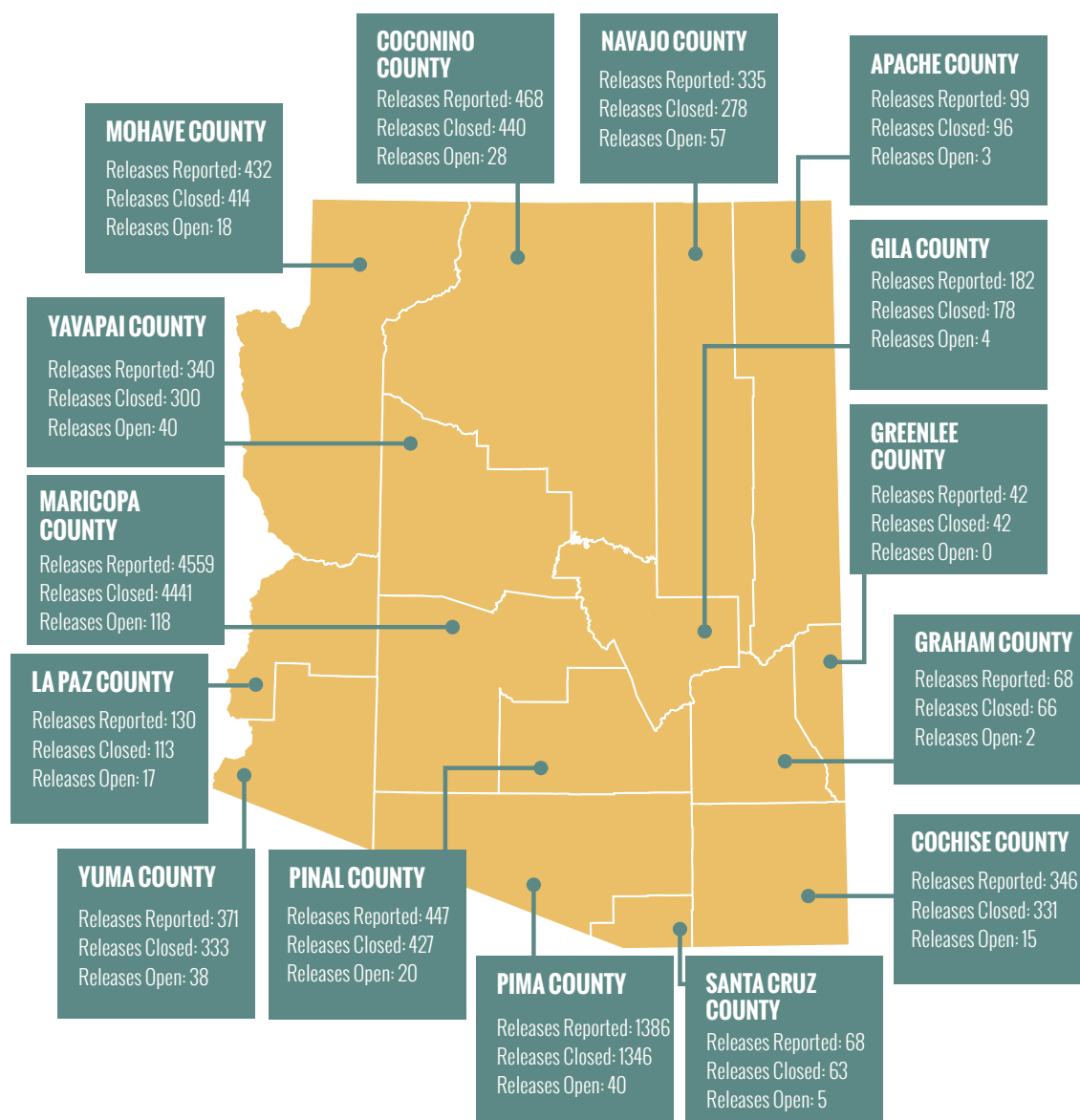
RELEASE REPORTING AND CLOSURE

NEW RELEASES REPORTED AND CLOSED

The UST Program continues to close more releases than reported, which is steadily decreasing the overall inventory of open releases. For details on the releases opened and closed between July 1, 2017, and June 30, 2020, see Appendices D and E.

Release Inventory by County (1986 - 2020)

Contamination from releases at UST sites is a statewide issue that ADEQ continues to address using state and federal funding.

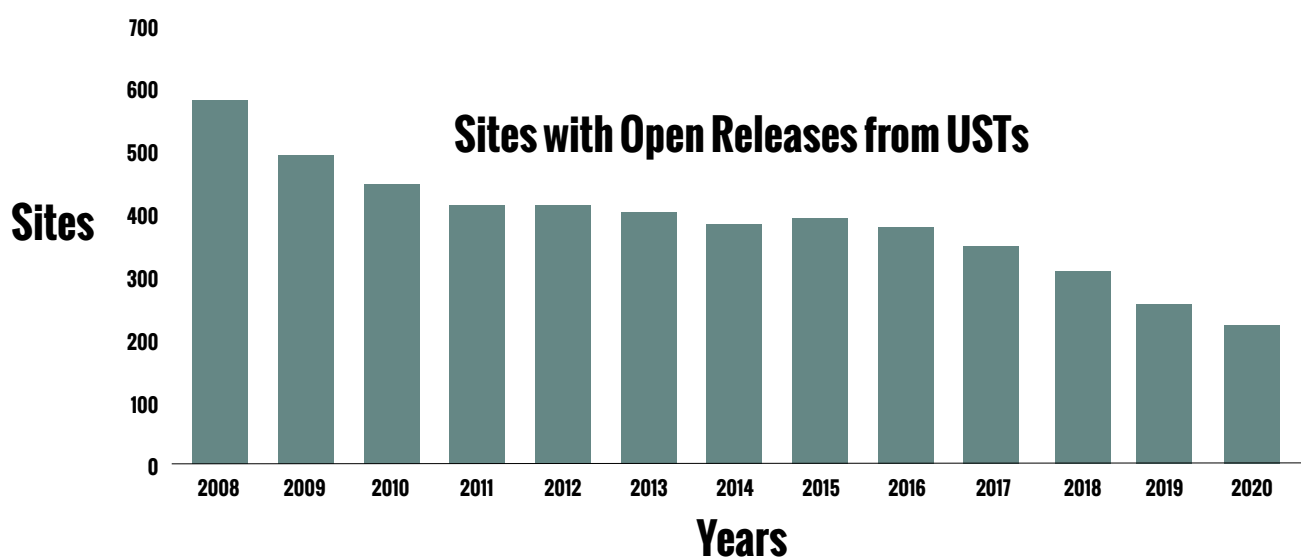


Remaining Number of Open Releases

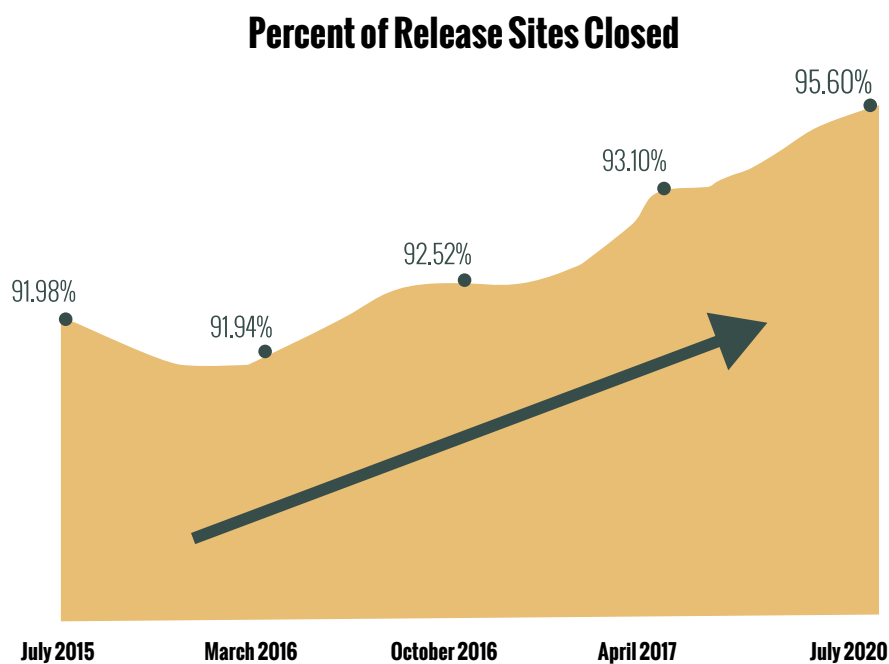
The UST Program has set an aggressive goal to close new releases within three years of release confirmation. Several strategies helping to reach this goal include:

- Frequently meeting with owners, operators and their technical professionals to develop remedial work plans and closure options
- Continuing use of site-specific risk-based criteria for release closure
- Encouraging the collection of additional soil samples at multiple-depths during all field sampling activities to increase site information provided per mobilization
- Investigating and cleaning up existing releases during tank closure events, when feasible
- Evaluating causes and ways to identify obstacles to cleanup efforts on open release cases for more proactive case management

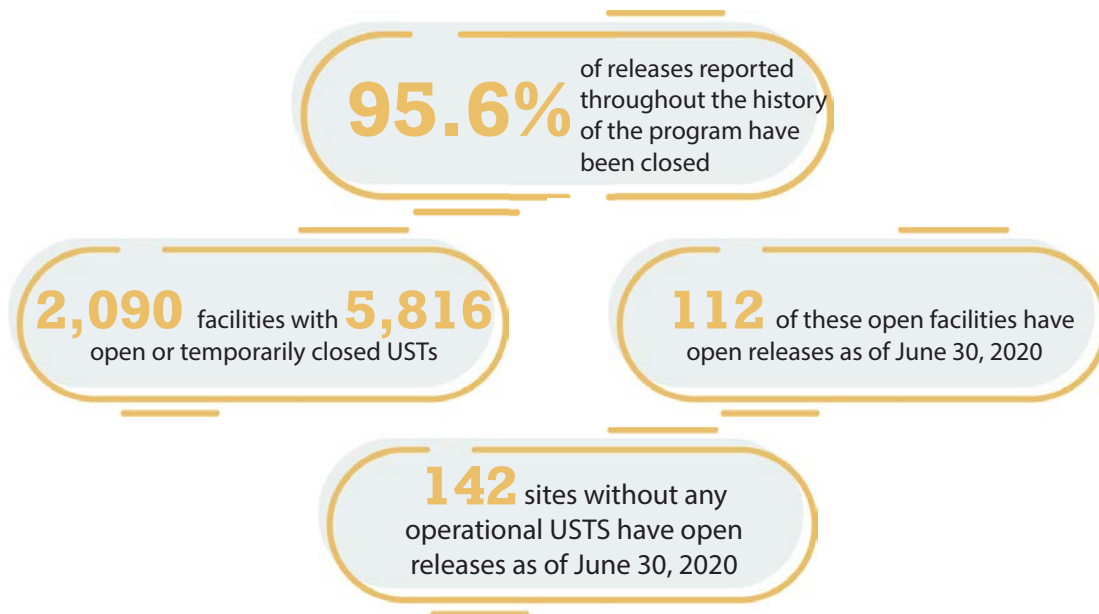
See Appendix F for listing of open releases as of June 30, 2020.



Over the history of the UST program, 9,273 releases have been reported and 8,868 of these have been closed. This translates to a 95.6 percent closure rate by ADEQ.



Current State View & Program Status



UST REVOLVING FUND FINANCIAL INFORMATION

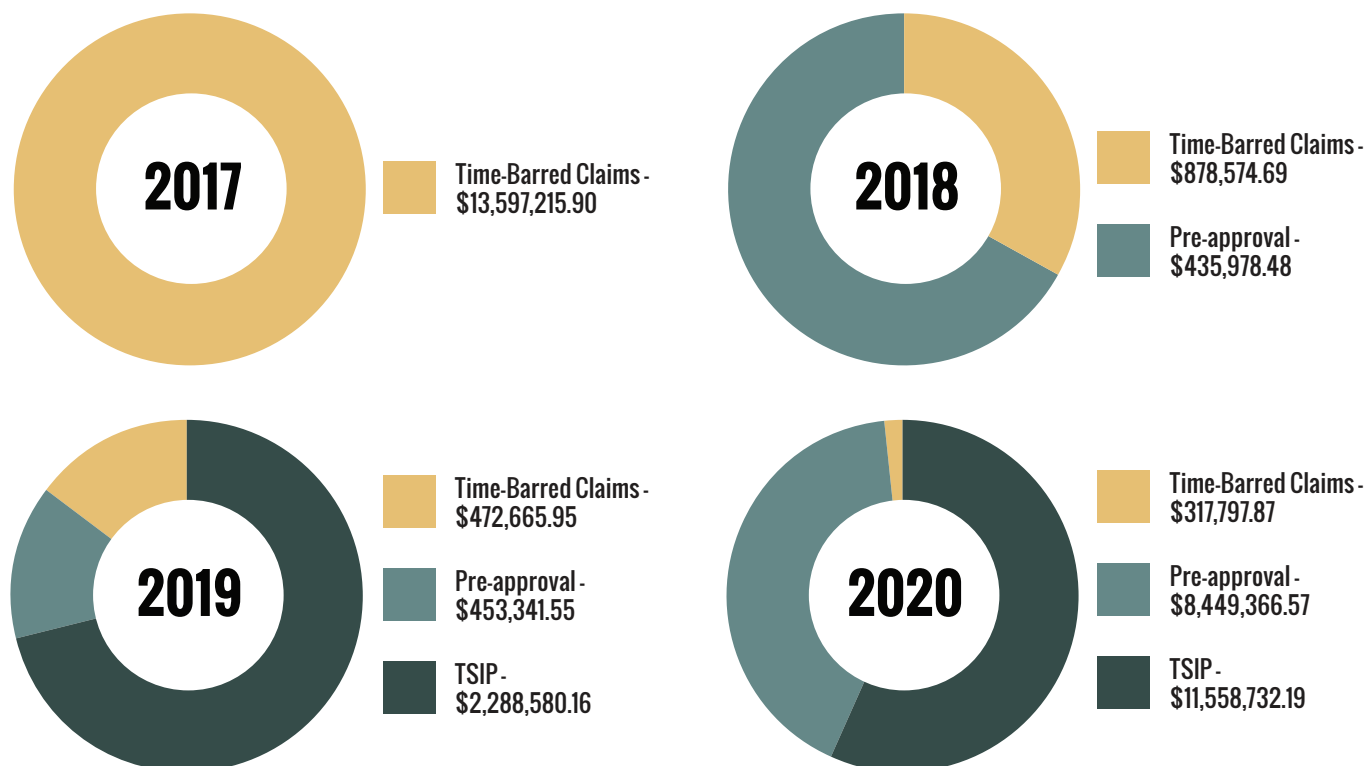
The following table shows a summary of cash flows to and from the UST Revolving Fund. State fiscal years begin on July 1 and end on June 30.

UST REVOLVING FUND FINANCIAL SUMMARY AS OF JUNE 30, 2020 (DOLLARS IN THOUSANDS)					
	FY 2018 ACTUAL	FY 2019 ACTUAL	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 ESTIMATE
End of FY Balance	71,674.5	75,535.3	75,104.4	57,185.2	38,168.9
Revenue	34,857.4	35,133.3	34,104.0	29,402.9	27,488.7
Total Available	106,531.9	110,668.6	109,208.4	86,588.1	65,657.6
Total Appropriated Disbursements	13,200.0	11,400.0	5,000.0	0	160.8
Total Non-Appropriated Disbursements	17,796.6	24,164.2	47,023.2	48,419.2	51,201.7

*FY21 estimates reflect actuals and forecasts in FY21. FY22 estimates reflect ADEQ's FY22 EBR submission.

REIMBURSEMENTS MADE ANNUALLY FROM THE FUND

ADEQ reimbursement programs include: Time-Barred Claims (Appendix B) and the Preapproval Program (Appendix G) for cleanup activities, and the Tank Site Improvement Program for leak prevention projects (Appendix H).



NUMBER OF APPLICATION OR REIMBURSEMENT DENIALS BY ADEQ

The majority of denials were due to the inability to provide sufficient documentation of compliant financial responsibility, proof of payment for requested costs or proof a timely claim was filed with the insurance provider. The summary below does not include information on Time-Barred Claims and Preapproval Applications that were approved in full.

PROGRAM	NUMBER OF APPLICATIONS AFFECTED FROM JULY 1, 2017 TO JUNE 30, 2020	OUTCOME
Time-Barred Claims	5	Partial reimbursement
Time-Barred Claims	22	No costs eligible for reimbursement
Preapproval Applications	3	Applications were not able to demonstrate eligibility
Preapproval J Claims*	19	Partial reimbursement

*Reimbursement claims submitted per A.R.S. §49-1051(J); all 19 claims with partial reimbursement also requested informal appeals

Preapproval Reimbursements:

CATEGORY	PARTIAL DENIAL	COST SHARE	BOTH	FULL DENIAL	TOTAL
ARS §49-1051(A)	66	1	3		70
ARS §49-1051(J)	28	11	32	1	72
Total	94	12	35	1	142

Partial Denial - Made payment, but some costs were ineligible and/or some costs applied to cost share under ARS §49-1006.02(B)

Cost Share - Made no payment; all costs found to be eligible and applied to cost share under ARS §49-1006.02(B)

Full Denial - Made no payment, found no eligible costs within the reimbursement request

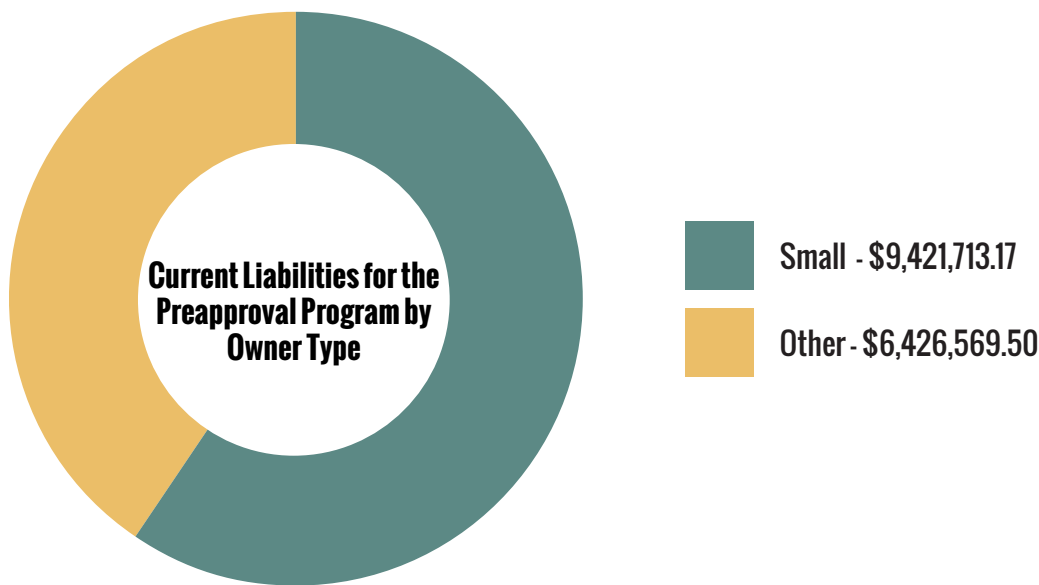
TSIP Applications and Reimbursements:

CATEGORY	PARTIAL DENIAL	FULL DENIAL	INFORMAL APPEALS*
Applications	22	15	2
Reimbursement Requests	15	0	2
Total	37	15	4

*For the applications, both were withdrawn after informal appeal meeting. For the reimbursement requests, one appeal was withdrawn after the informal appeal meeting and one received additional payment.

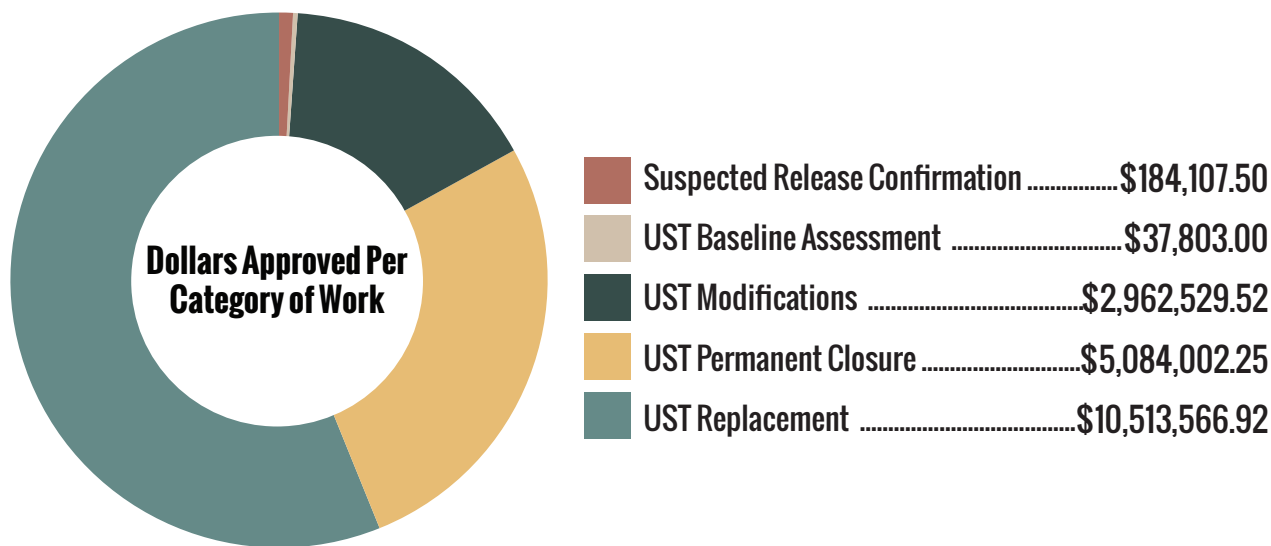
LISTING OF LIABILITIES OWED TO SMALL OWNERS AND OTHER OWNERS FOR PREAPPROVAL PROGRAM

The liabilities owed for the Preapproval Program are determined by the amount of funds that are reserved for approved work plans but not yet reimbursed. Once a work plan is approved, the associated funds are encumbered for each specific site, and reimbursements are deducted as claims are submitted and reviewed. See Appendix G.



LISTING OF LIABILITIES OWED TO CUSTOMERS THROUGH TSIP

The liabilities owed for the TSIP are determined by the amount of funds that are reserved for approved applications but not yet reimbursed. Once an application is approved, the associated funds are encumbered for the leak prevention project, and reimbursement is made after the work is completed. See Appendix H.



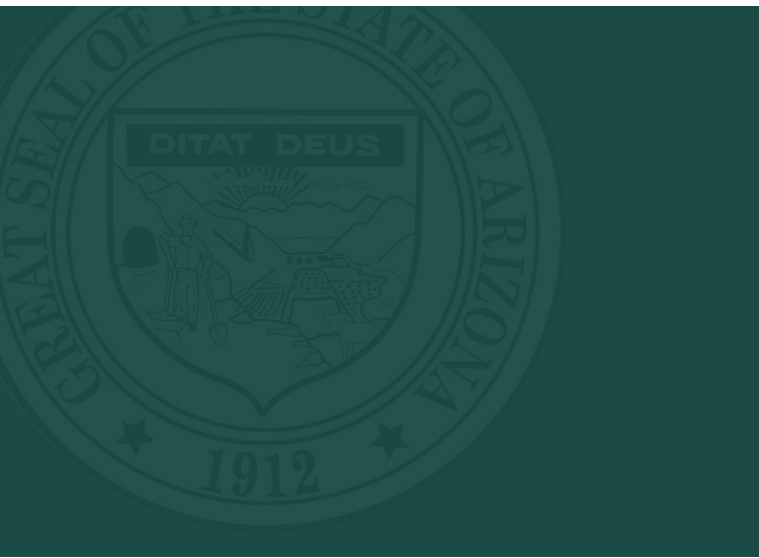
PROJECTED LIABILITIES FOR THE FUND THROUGH THE TERMINATION OF THE PROGRAM

Projected liability is based on the weighted average of program life cycle costs to close releases and an estimate of how many releases would be reported through the end of the program. The last date to file for reimbursement under the Preapproval Program is Dec. 31, 2030, and ADEQ projects that it may require up to an additional 18 months to resolve all of the outstanding claims submitted. Based on \$95,734 as the weighted average of program costs to close a release, coupled with an estimate of 1,373 releases currently open and projected to be reported, the projected liability of the fund is \$136.20 million through 2030.

PROJECTED LIABILITIES FOR STATE-LED CORRECTIVE ACTIONS THROUGH THE TERMINATION OF THE PROGRAM

Liabilities to State Lead accrue as applications are accepted and access to the site is granted. While we are unable to project how many new sites will be coming into the program, ADEQ expects an increase of new sites as the program matures. Recently, the State Lead Corrective Action Program has focused on accepting UST sites into the program where there are aging, previously stalled remediation projects, which tend to be more costly to complete. Over the past three fiscal years, State Lead Corrective Action expenditures have averaged approximately \$5.4 million per year, with an average cost per site in inventory of \$108,022.





APPENDICES



APPENDIX A

STATUTORY REQUIREMENTS FOR THE REPORT

49-1024. Report; underground storage tank revolving fund program

The department shall compile a report on the underground storage tank revolving fund program on or before December 31, 2017, and on or before December 31 every three years thereafter. The department shall submit the report to the governor, the president of the senate and the speaker of the house of representatives and provide a copy of each report to the secretary of state. The department shall post each report on an accessible, public web page on the department's website. The report shall contain the department's findings and shall include the following information:

[azleg.gov/viewdocument/?docName=https://www.azleg.gov/ars/49/01024.htm](https://www.azleg.gov/viewdocument/?docName=https://www.azleg.gov/ars/49/01024.htm)

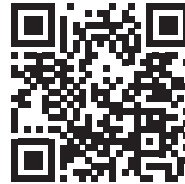
STATUTORY CITATION	STATUTORY REQUIREMENT	WHERE TO FIND THE INFORMATION
ARS §49-1024(1)	Underground storage tank revolving fund financial information, including revenues, expenditures and current account balances	Page 21
ARS §49-1024(2)	The amount of any remaining unpaid time-barred claims	Page 11
ARS §49-1024(3)	A description of the work completed for each program grant component	Page 9
ARS §49-1024(4)	The amount of reimbursements made annually from the fund	Page 21
ARS §49-1024(5)	A listing of new releases reported and sites closed	Appendices D, E
ARS §49-1024(5)	A listing of liabilities owed to small owners and other owners	Page 23
ARS §49-1024(5)	The projected liabilities for the fund through the termination of the program	Page 24
ARS §49-1024(6)	A description of any state-led corrective actions, including the number of new sites, the number of new releases reported, the number of sites closed	Page 12, Appendix C
ARS §49-1024(6)	The average cost of corrective action for state-led corrective actions through the termination of the program	Page 24
ARS §49-1024(6)	The projected liabilities for state-led corrective actions through the termination of the program	Page 24
ARS §49-1024(7)	The total number of open releases that are cleaned to closure	Page 19
ARS §49-1024(7)	The remaining number of open releases	Page 18, 19 Appendix F
ARS §49-1024(7)	The number of application or reimbursement denials by the department	Page 22
ARS §49-1024(7)	The number of preapproval appeals	Page 22

APPENDIX B

DETAILED ACCOUNTING OF TIME-BARRED CLAIM PAYMENTS

For the full list, visit:

static.azdeq.gov/ust/20report_appb.pdf



static.azdeq.gov/ust/20report_appb.xlsx



APPENDIX C

LIST OF STATE LEAD SITES

For the full list, visit:

static.azdeq.gov/ust/20report_appc.pdf



static.azdeq.gov/ust/20report_appc.xlsx



*Data presented
are based on state
Fiscal Years 2018,
2019 and 2020
(July 1, 2017, to
June 30, 2020).*

APPENDIX D

LIST OF RELEASES OPENED

For the full list, visit:

static.azdeq.gov/ust/20report_appd.pdf



static.azdeq.gov/ust/20report_appd.xlsx



APPENDIX E

LIST OF RELEASES CLOSED

For the full list, visit:

static.azdeq.gov/ust/20report_appe.pdf



static.azdeq.gov/ust/20report_appe.xlsx



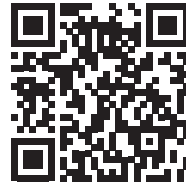
*Data presented
are based on state
Fiscal Years 2018,
2019 and 2020
(July 1, 2017, to
June 30, 2020).*

APPENDIX F

LIST OF CURRENTLY OPEN RELEASES

For the full list, visit:

static.azdeq.gov/ust/20report_appf.pdf



static.azdeq.gov/ust/20report_appf.xlsx



APPENDIX G

DETAILED ACCOUNTING OF PREAPPROVAL PROGRAM

For the full list, visit:

static.azdeq.gov/ust/20report_appg.pdf



static.azdeq.gov/ust/20report_appg.xlsx



*Data presented
are based on state
Fiscal Years 2018,
2019 and 2020
(July 1, 2017, to
June 30, 2020).*

APPENDIX H

DETAILED ACCOUNTING OF TANK SITE IMPROVEMENT PROGRAM

For the full list, visit:

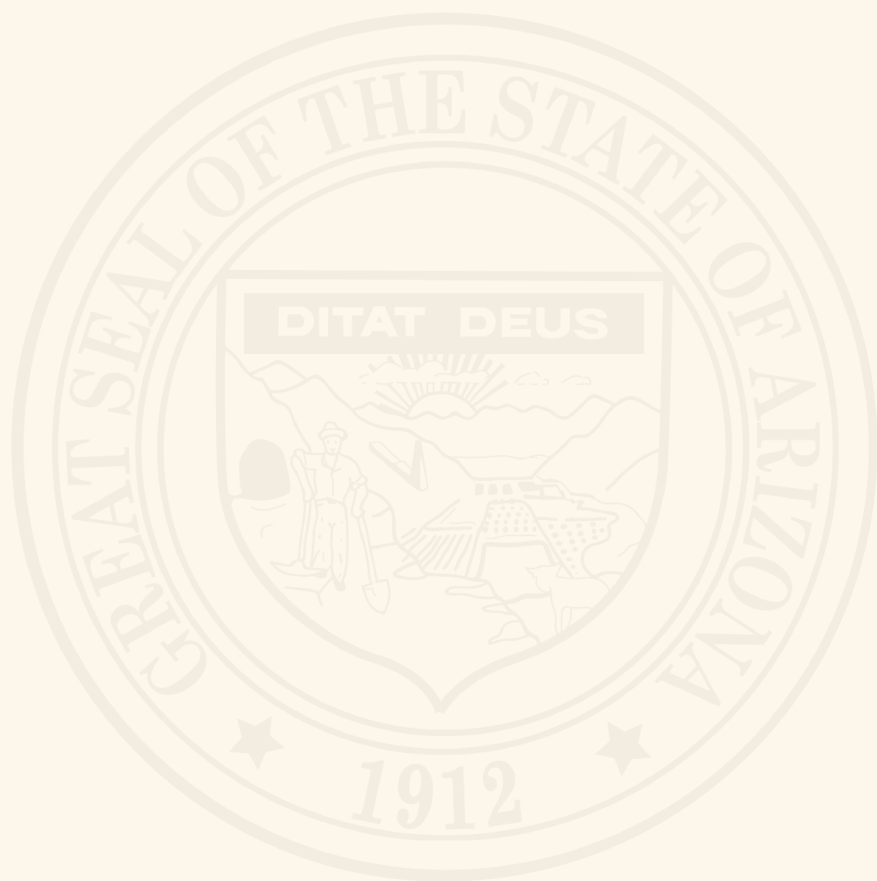
static.azdeq.gov/ust/20report_apph.pdf



static.azdeq.gov/ust/20report_apph.xlsx



*Data presented
are based on state
Fiscal Years 2018,
2019 and 2020
(July 1, 2017, to
June 30, 2020).*



Publication Number: EQR-20-20