

Elaine Douskey



# IOWA UNDERGROUND STORAGE TANK Financial Responsibility Program

Susan E. Voss, Chairperson

Scott M. Scheidel, Administrator

Board Members: Michael L. Fitzgerald    Jeff W. Robinson    Jacqueline A. Johnson    James M. Holcomb  
Richard A. Leopold    Nancy A. Lincoln    Douglas M. Beech

## NOTICE OF PUBLIC MEETING

A public meeting of the Iowa Comprehensive Petroleum Underground Storage Tank Fund Board has been scheduled for 10:00 a.m., Thursday, August 23, 2007. **The meeting will be held at the Iowa Insurance Division located at 330 E Maple St, Des Moines, Iowa.**

The tentative agenda for the meeting is as follows:

10:00 a.m. Call to Order

1. Approval of Prior Board Minutes
2. Closed Session – Discussion of Pending and Imminent Litigation (To adjourn by 10:30 a.m.)
3. Public Comment Period
4. Board Issues
  - A. Fiscal Year 2008 Goals
  - B. Rules for RBCA Changes Update
  - C. Loss Portfolio Transfer Review
  - D. DNR Update
  - E. Administrator's Contract Renewal – *motion approved to extend contract*
5. Approval of Program Billings
6. Monthly Activity Report and Financials Reviewed
7. Attorney General's Report – *New Judge "favoring w/ facts for Board vs last judge favored for claimant"*
8. Claim Payment Approval
9. Contracts Entered Into Since July 19, 2007 Board Meeting
10. Other Issues as Presented
11. Correspondence and Attachments

## **Approval of Prior Board Minutes**



# IOWA UNDERGROUND STORAGE TANK FUND

Susan E. Voss, Chairperson

Scott M. Scheidel, Administrator

Board Members:

Michael L. Fitzgerald ❖ Jeff W. Robinson ❖ Jacqueline A. Johnson ❖ James M. Holcomb  
Richard Leopold ❖ Nancy A. Lincoln ❖ Douglas M. Beech

## MINUTES IOWA COMPREHENSIVE PETROLEUM UNDERGROUND STORAGE TANK FUND PROGRAM

July 19, 2007

### ANNUAL STRATEGIC PLANNING SESSION DES MOINES AREA COMMUNITY COLLEGE 2006 S. ANKENY BLVD, ANKENY, IOWA

Susan Voss, Chairperson, called the Iowa UST Board meeting to order at 9:32 A.M. A quorum was present. Roll call was taken with the following Board members present:

Susan Voss  
Doug Beech  
Jim Holcomb  
Liz Christiansen (for Richard Leopold)  
Nancy Lincoln  
Jacqueline Johnson  
Jeff Robinson  
Stephen Larson (for Mike Fitzgerald)

Also present were:

David Steward, Attorney General's Office  
Timothy Benton, Attorney General's Office  
Scott Scheidel, Administrator  
James Gastineau, Program Administrator's Office  
Lacey Skalicky, Program Administrator's Office  
Rochelle Cardinale, Iowa Department of Natural Resources

### *STRATEGIC PLANNING SESSION*

Ms. Voss reviewed the agenda for the day, which included a morning session of Strategic Planning for the current fiscal year (2008) and a regular Board meeting following a break for lunch.

## **I. Evaluation of Past Program Goals and Program Status**

### **A. Current Program Status**

Mr. Scheidel reviewed with the Board the updated annual narrative that outlines the current status of the Program as well as gives a historical perspective on the origin of the Program and changes that have occurred over the life of the Program.

Mr. Scheidel outlined the legislative intent of House File 447, which was codified under Iowa Code 455G in 1989. He noted the following topics:

- “Adequate and reliable financial assurance for the costs of cleanup on pre-existing releases” has been addressed by the Remedial Program to clean up releases that occurred prior to October 26, 1990.
- The Insurance Program was designed to “create financial responsibility assurance mechanism (insurance) to pay for future releases.” This program was transferred to the private sector in 2000.
- The “Fund was designed to be an interim measure” as suggested by the sunset date scheduled for June 30, 2016. Mr. Scheidel noted the trend downward in the number of open claims as evidence of progress. suggested in only ??
- The Board has cooperated with the Department of Natural Resources to address leaking underground storage tank (LUST) sites to “minimize societal costs and environmental damage.”
- Board assistance has helped to “maintain Iowa’s rural petroleum distribution network” by providing cleanup for pre-existing conditions of petroleum contamination, as well as, enabling an ongoing financial responsibility mechanism for UST sites.

In reviewing this narrative, funding and operational issues were covered. Mr. Scheidel stated that the review was to both give a broad perspective status of the Program and to help keep the focus of the Program over its lifetime as a framework before discussing the more immediate goals.

Mr. Scheidel discussed the Remedial Program, as the heart of the program. To qualify for remedial funding, releases had to be reported to DNR between January 1985 and October of 1990, and claims had to be filed with the Board by February 1994. To date the Board had spent approximately \$175M on remedial claims, almost \$14M on retroactive claims, and \$20.5M on innocent landowner claims. Mr. Scheidel also explained that the Loan Guarantee Program was set up to provide up to a 90% guarantee to lenders to assist operators to pay for remedial expenditures and underground storage tank (UST) system upgrades. He stated that the Board ceased accepting new applications for loans effective December 31, 1999, and the two loan guarantees remaining had balances totaling \$229,799.24. Then he explained that the Insurance Program was set up to provide a financial responsibility mechanism for UST owners after the regulation date of October 26, 1990. The Board used artificial rates until 1995 when actuarially sound premiums were established. In 2000, the insurance program claims were

transferred to a not-for-profit mutual company, Petroleum Marketers Mutual Insurance Company, for the balance of the insurance fund totaling \$35,969,570.07.

Mr. Scheidel discussed the funding for the Iowa UST Board's goals, which is provided by 77% of tank management fees, which are collected by the Department of Natural Resources (DNR), as well as, \$17M from the motor vehicle use tax, which is collected by the Department of Revenue. To get the Iowa UST Programs started, the Board issued bonds, which have been re-funded and managed to date with a current annual debt service of approximately \$8.9M.

Mr. Scheidel noted that the currently-used funds for the Iowa UST Program include the Revenue Fund, which receives incoming revenues and pays out debt service; Unassigned Revenue Fund, which is used to pay the Board's monthly and regular invoices for services and money from this fund is also used to replenish the Remedial Fund when its balance is depleted. The Remedial Fund is used to pay remedial and retroactive claims; the Innocent Landowner Fund is used to pay innocent landowner and global settlement claims; and the Aboveground Storage Tank (AST) Fund was used to pay AST claims, however that program has ended and the fund will be closed out. The Loan Guarantee Fund is reserved for the payment on any loan defaults, and he explained that the Marketability Fund was established in 1995 with additional allocations from the Motor Vehicle Use Tax to provide additional funding for remedial claim payments. He noted that the Marketability Fund was most recently used to finance the AST Fund, created in FY2005 for the payment of AST claims. The Bond Funds show the distribution of debt service payments between bond series (i.e. 1997A Series bonds and 2004A Series bonds). And the Capital Reserve Fund holds a required capital reserve to maintain the bonds.

Mr. Scheidel also noted that the now defunct funds included the Comprehensive UST Fund which was funded by the Environmental Protection Charge collections of 1989 and 1990. Proceeds in the fund could be used for any Board-approved expenditure, and various licensing and copying fees were also deposited into this fund. The balance of the fund (\$20M+) was transferred into the Unassigned Revenue Fund in 1996. And the No Further Action (NFA) Fund, established in 1998 with a one-time allocation of \$10M, was used to reimburse the DNR for corrective action completed at any site previously issued a NFA certificate on or after January 31, 1997, if the high risk condition had not been caused by a subsequent release. The legislature eliminated the fund in 2000 with the balance of \$11M+ transferred into the pooled technology account for the State of Iowa. The liability for this fund was shifted to the Remedial Fund, which has made payments on 8 NFA claims to date. Mr. Scheidel stated that the 2007 legislative session had changed how the liability for a No Further Action claim would be decided. He restated the fact that the Insurance Fund was closed when all insurance claims were transferred to PMMIC in November of 2000.

Ms. Voss inquired about what would happen to any remaining fund balances at the end of the UST Program. Mr. Scheidel stated the diversion of unused funds was not addressed in the statute, however he supposed the legislature would appropriate any remaining funds into the General Fund at that time.

Next, Mr. Scheidel discussed some operational issues including prior contract approval, 28E agreements, community remediation projects, cost recovery efforts, innovative technologies, risk based corrective action (RBCA), rural distribution network, innocent landowners, privatization of the Insurance Program, technical training, owner/operator outreach, rule

review, aboveground storage tanks, and loss portfolio transfer (LPT). He noted specifically that the DNR began evaluating the RBCA process in 2006 to potentially apply the past 10 years of actual experiences at sites to the RBCA modeling software. An advisory group had provided recommendations to the DNR to recalibrate the software in May of 2007. The DNR had planned to file rule changes regarding the RBCA model in the coming months. Mr. Beech inquired whether the new model affected plastic water lines as a risk receptor. Mr. Scheidel stated that plastic water lines would be affected only to the extent of their presence within a receptor ID plume for groundwater pathways. Mr. Gastineau addressed the inquiry regarding the plastic water line permeability study at Iowa State University, which had been discussed at previous Board meetings. He explained that the study was scheduled for completion in April 2007, but was delayed until Fall 2007. He also stated that he hoped the stakeholders and the DNR might come to an agreement in the near future regarding the site specific target level set in response to the presence of plastic water lines, as the current number defaults to that of a protected groundwater source.

Ms. Christiansen inquired if the result of the plastic water line discussions would be completed timely to coincide with the filing of the rule changes regarding RBCA. The consensus was that the plastic water line research to be completed was far from finalized, outside of the ISU study, the results of which would only begin the discussion among stakeholders. Therefore, it was not expected that any rules regarding plastic water lines would be agreed upon by the time the RBCA rule changes will be filed.

Under technical training, Mr. Scheidel pointed out the use of 28E agreements with the DNR to facilitate the certification of groundwater professionals in the past and now the licensing of UST installers, inspectors, liners and testers. The Administrator's Office transferred all UST licensing files and duties to the DNR at the end of fiscal year 2007. He noted the DNR had also developed UST Compliance Inspector training and licensing to provide for the inspection of operating facilities by third parties to evaluate tank owner compliance.

Mr. Scheidel highlighted the closure of the Aboveground Storage Tank Program for which 414 claims were filed and \$11.2M in AST claim payments were made. Lastly, Mr. Scheidel discussed the completed Loss Portfolio Transfer (LPT) to PMMIC for 10 selected sites that were shared between the Fund for an old release and PMMIC for a new release. The Board had opted to transfer the Board's share of liability for the sites, upon agreement from the individual claimants, for a total of \$511,224.29. The results of the transfer included the closure of 10 UST Fund remedial/innocent landowner claims.

Tom Norris from PMMIC addressed the Board inquiring if the Board might be interested in another LPT proposal. He stated that the Board had 337 open claims on UST sites currently operating and insured by PMMIC. He explained that the number represented 28% of all open claims with the UST Program, reserve balances on all open claims (other than global settlement claims) totaled approximately \$69,300,000. He further stated that 28% of that was approximately \$19,400,000, and similarly the reserve balances on the 337 claims open and insured by PMMIC totaled approximately \$19,350,000.

Mr. Norris stated that PMMIC was seeking support from reinsurers to provide security against an adverse development. He also said that Mr. Scheidel was providing PMMIC with data to facilitate the development of a formal proposal for the Board. He explained that the claimants would benefit from the current relationship with PMMIC as their insurer, as PMMIC

inspectors visit their sites on a regular basis currently. In addition, the claimants would have third party liability protection that is not available through a UST Program claim. In his opinion the opportunity would benefit all parties. And Mr. Norris stated that once he received final data from the Administrator's Office and assurances from their reinsurers, PMMIC would be able to present the Board with a formal proposal within 45 days. Mr. Scheidel pointed out that cash flow would be a major Board concern, as the transfer amount would approximate the reserve balance of \$19.4M and the funds likely to be used to finance a transfer totaled about \$25M currently. Mr. Norris stated that PMMIC had considered the Board's cash flow concerns and would be willing to negotiate the transfer in an extended payout schedule, if necessary.

Mr. Holcomb inquired about the procedures surrounding the Board's LPT authority. Mr. Scheidel stated that anyone could approach the Board with a proposal for a transfer, and the Board could decide whether or not to pursue the transfer without bidding if it were not practicable to do so. He explained that the 10 sites previously transferred to PMMIC were shared, and a third party acquiring the Board's liability for those claims would still have shared liability with PMMIC, canceling out the benefit of one entity working the sites. The Board may consider whether or not the potential future liability at the sites with PMMIC was unique enough for the claimants that it would not be practicable to seek bids.

Mr. Norris requested that any formal bid be kept confidential in the case that the Board opts to seek additional bids for the transfer. Additionally, he stated that the Board might consider the motives of third parties, with no existing relationship to UST Fund claimants, wanting to enter into a LPT with the Board. He assured the Board that PMMIC's motivation was to protect their owners, in addition to making money on the venture.

Mr. Beech inquired if PMMIC had approached potential transfer owners about the proposal. Mr. Norris indicated that PMMIC wanted to approach the Board first to see if the Board was receptive to the idea. After brief discussion, Mr. Scheidel offered to bring extensive loss portfolio transfer information, including documentation regarding the small LPT recently completed, to the next Board meeting for discussion. Mr. Steward and Mr. Scheidel discussed the possibility of receiving the proposal in closed session, and which discussion documents would remain confidential and which would not. Mr. Scheidel requested that Mr. Norris bring to the next Board meeting some numbers regarding payment amounts on the previously transferred claims for Board reference.

*The Board took a break at 10:55 A.M.*

*The Board reconvened at 11:10 A.M.*

Mr. Scheidel walked the Board through the June Monthly Activity Report, noting that fiscal year end information was shown. He noted that almost \$600,000 was paid in fiscal year 2007 on plastic water line replacement. And highlighting the open claim information, Mr. Scheidel stated there were reserve balances of approximately \$4M for 75 open retroactive claims, \$55.5M for 955 remedial claims, \$9.7M for 255 innocent landowner claims, and \$1.6M for 267 global settlement claims. He offered to remove the AST claims section from the report since all AST claims were closed. Also, he offered to remove the number of UST licenses in force, now that the DNR had been transferred the licensing program.

Mr. Scheidel reported on the status of guaranteed loans under the Loan Guarantee Program, stating that only 2 outstanding loans remained with a balance of \$229,799, and the loans were scheduled to mature in 2012 and 2014.

Next Mr. Gastineau presented a memo regarding the remedial innovative technology (REMIT) and community remediation projects (CRP) that were either completed/terminated during fiscal year 2007 or remained open going into fiscal year 2008. He summarized the activities of each project for the Board. Highlights from the last year included the termination of projects in Climbing Hill, Sheldon, Adel, Ida Grove, and Davenport. A new project added during fiscal year 2007 was a CRP in Galva to address contamination at two high risk sites due to proximity to the former municipal water wells and a protected groundwater source. The Board members discussed at the length the fact that several counties will not implement an ordinance to restrict the placement of new drinking or non-drinking water wells. The expenditures at many projects and individual sites seemed to be directly and adversely affected by the inability to remove the potential protected groundwater source receptor by using an institutional control. Several ideas were discussed including partial ordinances and covenants. Mr. Scheidel threw out an idea of handling various sites and projects within one county as one project for a contracted consultant to pursue a county ordinance to affect all LUST sites within a county. The Board decided they would like to discuss the issue further as an agenda item in August. Mr. Gastineau explained that DNR attorney David Wornson very recently had sent a letter expressing the DNR's authority to override county sanitarians, and he requested that a site owner in Rose Hill, Iowa close his water wells or the DNR could issue an administrative order demanding compliance. Following which, Mr. Wornson contacted the owner explaining that the county could pay to close his wells. The site owner agreed and the county sanitarian closed his wells immediately. Mr. Beech expressed that he would like the Administrator's Office to pursue the use of DNR's authority in the future to eliminate water well receptors at more sites. Mr. Gastineau included a spreadsheet with the status memo that showed the expenditures of each project.

Mr. Scheidel next directed the Board's attention to a spreadsheet and series of graphs containing fiscal year end data from 1990 to 2007. Data included in the spreadsheet and in the graphs included total numbers of open claims by year and total amount of outstanding reserves by year, as well as, totals for individual claim types (remedial and ILO). Additionally, the graphs provided a comparison between the outstanding reserves of each claim type and its corresponding fund balance. Mr. Scheidel noted that the downward trend in the number of open files for each claim type in one graph. Another graph illustrated the trend in outstanding reserves showing a huge dip in reserves in 1995 and 1996 as a result of the implementation of the risk based corrective action (RBCA) evaluation of sites that lowered the projected cost of cleaning up sites based on risk to human health as opposed to simply the existence of contamination. On the same graph it was noted that reserves had been over-adjusted based on the RBCA model and the reports due by 2000 proved that slightly higher reserves would be necessary, as represented by a small spike in 1999 and 2000 followed by a steady decline in reserves through 2007 to match the slope of the open claims graph. Another graph revealed a gap of 304 potential lost LUST sites that did not have eligible UST Fund claims. Three new graphs showed the percent change from year to year of DNR's LUST numbers, the UST Fund claim count, and the UST claim reserves. The reserves graph spiked in 2005 illustrating the logging of AST claim reserves following AST legislation. Environmental Protection Charge collections and gas prices were examined on another graph.

Next Mr. Scheidel highlighted the fiscal year to date financial statement as of May 31, 2007, noting that the projected remedial and retroactive claim payments exceeded the actual remedial and retroactive claim payments by more than \$5M.

Mr. Scheidel guided the Board through another table of projected cash flows available for corrective action costs. The working document presented an income statement and balance sheet for the Fund, and showed the expected revenues, as well as, a flat amount of projected expenditures for each claim type for each year through the sunset of the Program in June 2016. Expenditures also included transfers of funds to DNR and other government diversions of funding, as well as, debt service payments. He combined the Unassigned Revenue funds with the Remedial funds to address future remedial claim payments, and he kept the other claim types within their funds for projection, rather than lumping all funds and claim payments together. The projection showed that the combined Unassigned Revenue plus Remedial funds could run out first by 2012 if the payouts go as projected. He pointed out that the new tank pull legislation had not factored into this particular table, and would be discussed as a Board issue later in the meeting.

*B. Status of 28E Agreements*

Mr. Scheidel reviewed with the Board the 28E Agreements the Board has entered into since the inception of the program, noting that 7 of the 20 agreements had expenditures in fiscal year 2007. One agreement between the Board and the DNR involved a large sum paid to the DNR from a UST Fund eligible claimant for the management of two sites, including Galva, as previously discussed.

*C. Attorney General's Report*

Dave Steward reported to the Board that his work for the Fund continued to include drafting 28E agreements. Tim Benton stated that he continued to follow up on appeal hearings for the Board. He had two scheduled for August.

*The Board took a break for lunch at 11:50 A.M.*

*The Board reconvened at 12:32 P.M.*

*D. Prior Year's Goals*

a. Remedial Program -- "Getting Sites to Closure"

Mr. Scheidel reviewed with the Board the goals set in August 2006 to continue to close UST sites. A goal of 188 claims closed was set to measure the Boards' progress for closing sites. The number was derived from DNR's goal set by the EPA to close 150 LUST sites plus 25% more sites. The goal was not achieved as only 166 claims were closed in FY07, however DNR had a backlog of 52 sites requesting NFA waiting for review. Newly hired staff had since accepted 20 of those after fiscal year end. The net claim count was reduced by 132 claims. Another numerical goal set to help achieve the previous goals was 150 corrective action meetings, and that goal was met with 159 meetings held. As a side note, he explained that the DNR hired two new project managers to pick up the back up of pending report reviews – especially for files pending no action required (NAR) classifications.

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Mr. Scheidel reviewed the small loss portfolio transfer (LPT) entered into with PMMIC for ten claimants who elected to participate out of fourteen shared sites. He stated that the Board had set a goal to evaluate risk transfer mechanisms for sites that achieve no further action (NFA) for the purpose of ensuring closure of the Board's liability and to provide confidence for the DNR staff to issue NFA certificates. A joint meeting was held to that end with the Administrator's Office and the DNR; however discussions were tabled during legislative session pending the passage of a bill with regard to NFA funding. The change in the NFA language called for direct Board involvement if a site is to be reopened after NFA. A draft agreement pursuant to the statutory change was provided to DNR in June to begin the implementation of the rule changes. He explained that the statute and the draft agreement were written in such a way to allow the Board to still pursue a risk transfer mechanism to gain certainty on their liability for NFA claims.

And Mr. Scheidel discussed the progress of the risk based corrective action (RBCA) model evaluation, as facilitated by advisory group discussions with LaDon Jones, developer of the RBCA model, based on an evaluation of data collected over the past decade. The group's final recommendations were for changes that in most instances will likely reduce the projection of plume migration. He stated DNR would implement the revisions through rule changes. Also, he explained that selective use of the model might save the Board significant money by reducing the scope of remediation or the time required to perform remediation at some sites.

b. Transfer of Installer/Inspector/Tester Licensing Program

Mr. Scheidel explained that the Board and DNR entered into an agreement to work together to effect the transfer of the Installer/Inspector Licensing Program from the Board to the DNR, and the final transfer of records occurred on June 29, 2007. He stated that the Program Administrator's staff remained available for assistance to the DNR regarding the program.

c. Complete AST Reimbursements and Close Out AST Fund

Mr. Scheidel stated to the Board that the AST claims reimbursement program had ended during fiscal year 2007 and all AST claims had been closed. The final AST claim count was 414 with \$11,217,932.11 paid.

d. Maintain Short and Long Term Solvency

Mr. Scheidel reviewed the Board's goals regarding the maintenance of short and long term solvency by addressing sites that pose actual risk before those that present a simulated or theoretical one. He reported that the DNR held business process improvement events that resulted in the evaluation and recalibration of the RBCA model, potential changes in how sites are classified, possible prioritization of sites by DNR staff to include more detail and allow for highest risk sites to move forward first and placing greater reliance the reports submitted by certified groundwater professionals. } ??

e. Legislative Initiatives

Mr. Scheidel stated that the Board didn't have any specific statutory changes to pursue for the 2007 legislative session. The Board did agree to assist DNR in their pursuit of statutory language to transfer the authority for Installer/Inspector licensing to DNR. The transfer of the

licensing program was completed. Additionally, the Board was involved in a change to NFA funding, as requested by Petroleum Marketers and Convenience Stores of Iowa (PMCI), and the language was passed with an amendment to provide express authority to the Board to reopen claims to reimburse claimants for the removal of upgraded tanks. Rules for implementation of the upgraded tank pulls would be a Board issue discussed later in the meeting. He also noted that the legislative session resulted in an additional diversion of funds totaling \$3M to the General Fund to be transferred in fiscal year 2008.

## **II. DNR Report on UST Issues**

Rochelle Cardinale from the DNR summarized the Department's activities over the past fiscal year for the Board. She explained that the legislation passed in Senate File 499 included the authority to implement provisions of the Federal Energy Policy Act including provisions for secondary containment and delivery prohibition. The rules filed to implement the statute were scheduled for public comment in hearings across the state in August.

She stated that a meeting was held with field office staff in July to discuss the third party inspection process, audits and to train staff on the new inspection database. Also, she said that training was held for another class of compliance inspectors, during which five additional individuals were certified. The installer/inspector program transfer from the Board's authority was nearly completed with a new database for tracking and all records received from the Administrator's Office. Rules were filed emergency and adopted on July 6, 2007.

Ms. Cardinale noted that the DNR was nearing their 3<sup>rd</sup> anniversary of the Kaizen event that resulted in the corrective action meeting process, and 730 meetings had been held with 373 memoranda of agreement completed. Additionally, she stated the leaking underground storage tank (LUST) risk classification statistics included 864 high risk, 465 low risk, 4,542 NAR, 72 NAR with free product, and 181 sites remained unclassified. Also, she revealed that 121 LUST sites were classified NAR so far during federal fiscal year 2007, which would end on September 30, 2007. The EPA's goal for the Iowa DNR was to clean up 130 LUST sites, with an additional goal of 15-20 more to receive more grant money (totaling approximately 150).

Lastly, Ms. Cardinale reported on ongoing DNR projects including the software investigation committee, which would continue to work on drafting rule changes to implement new RBCA software and restrictions for its use. She stated the installer/inspector licensing rules would be revised to reflect statutory changes passed in Senate File 499 and incorporate criteria for licensing people who perform UST closures. She said that DNR would be seeking stakeholder input in the future regarding an owner/operator training program, as well.

## **III. Program Goals—Fiscal Year 2008**

Mr. Scheidel noted that in the Board packets was an outline with a number of issues that the Board should consider for fiscal year 2008. These issues were as follows:

### **A. Issues from Last Year**

## **B. Remedial Program—Getting Sites to Closure**

Mr. Scheidel proposed that the Board develop goals for fiscal year 2008 through discussion again. He offered that the Board consider setting number or percentage goals for the closure of claims, as well as, setting an activity goal, process improvement goals, RBCA changes, loss portfolio transfer strategy review or risk transfer mechanisms.

Mr. Scheidel noted that the Fund had closed 166 claims; however the net number of claims closed was 132 for FY07. 1) Therefore he stated the Board could strive for the current year's net closure rate of 132 plus 25% additional claim closures totaling 165 net closures as the goal for FY08. 2) Next, he stated the Board could set a goal of 100 corrective action meetings to push remaining sites on through the process. Other areas for discussion were listed as process improvements, RBCA changes including model or receptor treatment, LPT review strategy and risk transfer mechanisms. 3) The Board set a goal to follow through with the implementation of the RBCA Tier 2 model changes and with their cooperation with DNR regarding its use. Mr. Scheidel reminded the Board that Mr. Beech had previously suggested the treatment of plastic water lines (PWL) as a receptor be reviewed and discussed. 4) Therefore, he suggested a resulting goal of the Board to be possible rule or policy changes with regard to PWL receptors by the end of FY08. 5) Also, the Board wanted to review their strategy regarding loss portfolio transfer, as scheduled for the August meeting. 6) The Board indicated they would like to follow up on risk transfer mechanism discussions. Mr. Scheidel explained that the discussions were still tabled pending DNR response to the draft agreement for NFA funding, as the Board is responsible for having funding available for the NFA claims, while the language leaves the possibility for a risk transfer mechanism. Ms. Christiansen inquired if the Board should schedule a response from the DNR by a certain date. Mr. Scheidel responded that he would like the final agreement to be executed by the end of the calendar year. Finally, he suggested another goal of the Board could involve the discussion of water well closure and the use of DNR's authority to push well closure as a receptor. 7) The Board set a goal to hold joint discussions between the Fund and the DNR by the end of calendar year 2007 to develop criteria to identify sites where it would be appropriate to use DNR's authority.

## **C. Maintain Short and Long Term Solvency**

Mr. Scheidel explained that the Board could at any time between now and 2016 attempt to get additional funding from the excess road use taxes collected, however it would only make sense to attempt when the legislature was looking to re-evaluate the Road Use already. Also, he explained that the auditor's office was to implement a new Government Accounting Standards Board standards, which state that entities have to account for long term liabilities in their reporting. Going forward, the audits will show a pending deficit rather than a large surplus of monies that the Fund has not yet been able to spend, in spite of reserves. Ms. Voss suggested the Board discuss legislative issues further as the new session approaches. Also, Mr. Scheidel explained that the Fund would continue to work with DNR to coordinate efforts through monthly meetings.

## **D. Comparison of Iowa UST Program with Other States' Programs**

Mr. Scheidel noted that a general comparison to other state programs was included in the Board packets as well as the entire state fund survey from the State Administrator's Conference in June.

**E. Legislative Initiatives**

Mr. Scheidel commended the DNR on their efforts over the past year, and he expected to continue to meet with the DNR regarding their receptor authority.

**IV. UST State Fund Administrators' Conference**

Mr. Scheidel noted that the comparison tables between states' programs were included in the Board packet for their review and discussion.

**V. Summary**

Mr. Scheidel summarized the Strategic Planning Session by stating that he would list the goals set during discussion and send them electronically to Board members for review before posting the 2008 goals in the next Board packet for August.

The Strategic Planning Session ended at 1:17 P.M., and the Board moved into general Board business at that time.

*Mr. Larson exited the meeting at 1:17 P.M.*

**APPROVAL OF PRIOR BOARD MINUTES**

The minutes from the May 24, 2007 meeting were reviewed and Ms. Christiansen made a motion to approve the minutes, Mr. Holcomb seconded, and by a vote of 5-0 the minutes were approved.

**CLOSED SESSION**

Ms. Voss noted there were no matters dealing with litigation for discussion in closed session pursuant to Iowa Code Chapter 21.

**PUBLIC COMMENT**

Jeff Hove from Petroleum Marketers and Convenience Stores of Iowa (PMCI) expressed some interest regarding the rural distribution of retail sites in Iowa, explaining that a notice of rules currently before the Environmental Protection Committee involved the "red-tagging" of sites if the shutting down of retail sites would not have an adverse impact on a community. He explained that DNR had stated in the draft language that this program of closing down retail sites would not adversely affect a community. Mr. Hove inquired if the retail sites could be mapped to show current distribution. Mr. Scheidel stated he would request information from PMMIC regarding their GIS mapping of their insured sites. Also, he thought the DNR had similar information on registered UST sites.

Darren Binning from Seneca inquired about the UST closure rules and when they would be ready for filing. Mr. Scheidel responded that the rules were on the agenda under Board issues for this meeting. He explained that the rules included provisions that budgets must be pre-approved and the recipient of UST closure claim payments would have to be a responsible party.

## **BOARD ISSUES**

### **A. Fiscal 2008 Budget**

Mr. Scheidel noted changes in the 2008 budget compared with that of previous years. He stated that no Installer Licensing fees would be received in FY08 due to the transfer of the program to the DNR. He noted the AST Fund would be closed out entirely and the remaining interest transferred to the Unassigned Revenue Fund. He stated that due to the status of the Loan Guaranty Program with potential liabilities of approximately \$229,000, the Board could elect to transfer \$1M from the Loan Guarantee Fund into the Unassigned Revenue Fund. He noted the transfer of \$5M from the Unassigned Revenue Fund to the Remedial Non-Bonding Fund for the payment of claims. And he pointed out the statutory transfer of \$200,000 to the DNR from Unassigned Revenue, as well as, the payment of potentially another \$200,000 to the DNR for a 28E agreement for FY07 funding of the UST section based on milestones. Lastly, Mr. Scheidel reminded the Board that the 2006 session of the State Legislature had set to divert another \$3.5M from the Unassigned Revenue Fund to the Department of Economic Development for the Iowa Renewable Fuels Infrastructure Board, and the 2007 session of the State Legislature had set to divert \$3M from the Unassigned Revenue Fund to the State General Fund.

Mr. Holcomb made a motion to approve the fiscal year 2008 budget as presented, and Ms. Christiansen seconded the motion. Approved 5-0.

### **B. Fiscal Year 2008 Reimbursement Agreement with Attorney General's Office**

Mr. Scheidel presented to the Board the proposed reimbursement agreement for Fiscal Year 2008 with the Attorney General's Office. Mr. Scheidel noted to the Board that the Department of Justice had drafted and submitted the agreement to the Board for reimbursement of approximately \$105,000 for FY08.

Mr. Holcomb made a motion to approve the reimbursement agreement with the Attorney General's Office, and Mr. Beech seconded the motion. The agreement was approved by a vote of 5-0.

### **C. UST Fund Transfers**

Mr. Scheidel presented a memo listing the recommended fund transfers, as previously discussed during approval of the 2008 budget. He listed them including the \$5M transfer from Unassigned Revenue to Remedial Non-Bonding to pay claims, the \$1M transfer from Loan Guaranty to Unassigned Revenue, the \$102,272.55 transfer from AST to Unassigned Revenue following the closure of the AST Fund, and the transfer of the available Revenue Fund balance of \$760,211.87 to the Unassigned Revenue Fund after the semi-annual bond payment had been made.

Although included within the previously approved budget, Mr. Scheidel recommended the Board specifically approve the listed UST Fund transfers for the record. Mr. Holcomb moved to approve the entire list of transfers to be completed during FY08, and Mr. Beech seconded the motion, which was approved by a vote of 5-0.

#### **D. 12-Month Board Meeting Schedule**

Mr. Scheidel presented a memo to the Board listing the tentative dates of the next year's Board meetings. The memo contained an error for the date of next years' annual strategic planning session, which should have read "Thursday, July 17, 2008."

#### **E. Upgraded UST Closure Draft Rules**

Mr. Scheidel presented drafted copies of the Notice of Intended Action and the Adopted and Filed Emergency after Notice forms of administrative rules to be filed regarding Iowa Administrative Code (IAC) 591, Chapter 11, Claims. The new rule would facilitate the Board's authority to reimburse eligible UST Fund claimants for the removal or permanent closure of any newer or upgraded UST's. The rule was similar to a previous rule precipitated by a statute passed by the 2004 legislature for the removal of upgraded tanks as long as they were present at the time the UST claim was filed and the removal budget was approved prior to the commencement of work. Approximately, \$600,422.00 of claim payments was spent resulting from the 2004 legislation for UST removals that occurred between April 20, 2004 and December 31, 2005. The new rule stated that the UST removal must have taken place after July 1, 2007, which is when the new statute was effective. New qualifications for an eligible removal were listed within the rule including the following: 1) A budget for the entire scope of work must be submitted for any UST removal costs to be approved for reimbursement when the UST removal is part of a larger project; 2) The Board may elect to complete UST removal under a method similar to the UST closure contracts, and any co-payment shall be paid by the claimant upon the termination of the project; 3) Claimants would be responsible for ensuring that any persons performing work meet all applicable licensing or certification requirements that exist at the time of completion of the work to be reimbursed; 4) and claims made under the sub rule would be subject to co-payment requirements and cost recovery enforcement. Additionally, the new rule would delete IAC 591, Chapter 15, Installers and Inspectors from the Board's administrative authority based on the recent transfer of the Installer and Inspector Program to the DNR and the DNR's adoption of their own administrative rules for the program.

Ms. Christiansen filed a motion to approve the administrative rule draft as written, and Ms. Johnson seconded the motion. Approved 5-0.

#### **F. Reauthorization of 28E for UST Closure Contracts**

Mr. Scheidel presented the Board with a memo regarding the reauthorization of the UST closure contracts for the Eastern and Western regions of the state. Pursuant to a 28E agreement between the DNR and the Board, the Board entered into contracts in 2004 with two separate groundwater professional firms to complete UST removals and site assessments at DNR-selected sites. The term of the original agreement was for two years with the option of 4 one-year extensions. The current funding authorization for the contracts totaled \$450,000. Mr. Scheidel recommended the Board approve the 2<sup>nd</sup> extension of that agreement to continue the projects through July 15, 2008, as the DNR had additional sites to add to the project list.

Mr. Beech submitted a motion to approve the 2<sup>nd</sup> one-year extension of the agreement. Mr. Holcomb seconded the motion which passed on a vote of 4-0. Ms. Christiansen abstained from the discussion and the vote.

Additionally, Mr. Scheidel recommended the Board approve the extension of the two contracts with the groundwater professional firms for one year to complete the work authorized by the 28E agreement along with additional funding authorization totaling \$700,000. Mr. Scheidel explained that price increases submitted to the Administrator's Office by the groundwater professional firms contracted were communicated to the Board via electronic mail previously, and he recommended a 10% increase in vendor unit rates for these projects. Mr. Beech submitted a motion to approve the extension of the contracts for one year and for the additional funding authorization. Mr. Holcomb seconded the motion. The motion passed on a vote of 4-0, with Ms. Christiansen abstaining from the discussion and the vote.

**G. 28E Agreement for DNR Legal Position**

Although on the agenda for the meeting, the DNR had not yet prepared a draft 28E agreement for Iowa UST back-up funding of their new legal position, which is currently funded by federal grant money. Mr. Scheidel noted the agreement in concept had been previously approved by the Board, and he expected the draft would be presented in August.

**PROGRAM BILLINGS**

Mr. Scheidel presented the monthly billings to the Board for approval.

1. Aon Risk Services ..... \$ 118,222.00  
 Consulting Services July 2007 -- \$65,638.00  
 Claims Processing Services July 2007 -- \$52,584.00
2. Aon Risk Services ..... \$118,222.00  
 Consulting Services August 2007 -- \$65,638.00  
 Claims Processing Services August 2007 -- \$52,584.00
3. Attorney General's Office..... \$ 9,214.96  
 Services provided for Underground Storage Tank Program  
 Billing for May 2007
4. Attorney General's Office ..... \$4,990.35  
 Services provided for Underground Storage Tank Program  
 Billing for June 2007
5. Jackie Johnson ..... \$127.84  
 Reimbursement for travel to UST Board meeting in Des Moines,  
 Iowa on May 24, 2007
6. Nancy Lincoln ..... \$99.28  
 Reimbursement for travel to UST Board meeting in Des Moines,  
 Iowa on May 24, 2007
7. Office of Auditor of State..... \$4,786.13  
 Audit services provided for Underground Storage Tank Program  
 For fiscal year 2006

8. Iowa Department of Revenue ..... \$1,526.07  
Environmental Protection Charge collections  
April – June 2007

There were no billings for outside cost recovery and litigation counsel presented for this month's meeting. On a motion by Ms. Christiansen and a second by Ms. Lincoln, the billings were approved by a vote of 5-0.

### **MONTHLY ACTIVITY REPORT**

Mr. Scheidel noted that the May and June monthly activity reports, financials and opt-in reports were included in the packet for the Board to review.

### **ATTORNEY GENERAL'S REPORT**

Mr. Steward stated that his current work for the Board consisted of assisting the DNR with a draft of the 28E for the Department's legal position funding, as well as, a 28E between the DNR and the UST Board regarding no further action claims.

### **CLAIM PAYMENTS**

Mr. Gastineau summarized the claim payment reports and project change orders in the Board packet. In addition, there was one more claim payment report carried-in and handed to the Board. Mr. Gastineau presented the reports as follows:

#### **1. Site Registration 8600623 – Conoco Express Mart, Independence**

This site was classified high risk for the soil vapor to enclosed space pathway due to the persistent failure of soil vapor samples. The site was a bedrock site with no active UST's. The DNR required soil gas plume definition followed by corrective action of the soil gas plume. The preferred corrective action was soil vapor extraction/ air sparge (SVE/AS) or Biox. A pilot test was to be completed to determine if SVE/AS was feasible. Previous approval to \$75,000 had been granted, of which \$64,881.24 was spent to date. Additional authority to \$200,000 was requested for a site monitoring report (SMR) and implementation of the corrective action design report (CADR).

Motion to approve claim authority was submitted by Ms. Johnson and seconded by Ms. Christiansen. Approved 4-0.

#### **2. Site Registration 9016940 – Ivy's Real Estate Corp, Sioux City**

The site was classified as no action required with free product. The DNR had not ruled out the possibility of requiring re-evaluation of the receptor pathways due to increases in the groundwater concentrations at the site. A multi-phase extraction (MPE) system was proposed at the site to remove the free product. Previous approval to \$75,000 had been granted, of which \$57,578.12 was spent to date. Additional authority to \$300,000 was requested for free product recovery (FPR), implementation of a MPE system, and operation and maintenance.

Motion to approve claim authority was submitted by Ms. Christiansen and seconded by Ms. Johnson. Approved 4-0.

**3. CRPCA 0406-38 – Rose Hill**

This community remediation project was contracted in 2004 to address a site in Rose Hill, Iowa, that was previously assessed under the Board authorized State Lead Closure Contract project. The high risk concerns associated with the site included one plastic water line, a sanitary sewer, and two private water wells. Since the inception of the project, minimal work had been completed due to access problems and issues regarding the wells on a neighboring property. Future work may include activities to remove contaminants and/or receptors. The agreement for the project was written as a 2-yr agreement with the option of four 1-yr extensions. The current agreement term was set to expire on August 30, 2007, and the Administrator recommended a one-year extension for this project. Current contract authority for this project was \$30,898.42, and no change to the Board's funding authority limit was requested. Costs incurred to date were \$12,945.00.

Ms. Christiansen submitted a motion to extend the contract for the Rose Hill project for one year to August 30, 2008. Mr. Holcomb seconded the motion, which was approved 5-0.

**4. CRPCA 0206-28 – Walnut**

This community remediation project was contracted in 2002 to assess three sites in Walnut, Iowa. The contract for this project was amended in 2004 to allow for the implementation of the selected corrective actions, which had included the installation of dual phase extraction (DPE) system, free product recovery activities, and various Tier 3 approaches for the limiting receptors. It was anticipated that the DPE system would require 2-3 years of additional operation to meet the site specific target levels (SSTL's). Free product recovery was ongoing. The amended agreement for the project was written as a 3-yr agreement with the option of three 1-yr extensions. The current agreement term was set to expire on October 1, 2007, and the Administrator recommended a one-year extension for this project. Current contract authority for this project was \$448,014.98, and no change to the Board's funding authority limit was requested. Costs incurred to date were \$380,349.33

Mr. Holcomb submitted a motion to extend the contract for the Walnut project for one year. Mr. Beech seconded the motion, which was approved 5-0.

**5. CRPCA 9710-07 -- Akron**

This community remediation project was contracted in 1998 to assess two sites in Akron, Iowa. The contract for this project included site evaluation and the preparation of a corrective action design report. The contract was amended in 2004 to allow for the implementation of the selected corrective action plan which included the operation of a DPE system for 2 years to be followed by monitoring and a Tier 3 evaluation. The sites were now in the post-remediation monitoring phase. It was anticipated that further monitoring and/or Tier 3 evaluation activities would be necessary for 2 to 3 years. The amended agreement for the project was written as a 3-yr agreement with the option of three 1-yr extensions. The current agreement term was set to expire on October 3, 2007, and the Administrator recommended a one-year extension for this

project. Current contract authority for this project was \$442,118.94, and no change to the Board's funding authority limit was requested. Costs incurred to date were \$356,875.44.

Ms. Christiansen submitted a motion to extend the contract for the Akron project for one year. Ms. Lincoln seconded the motion, which was approved 5-0.

**6. Site Registration 8604024 – Rosco, Inc., Independence**

This was a second Board report for this bedrock site that was high risk for the groundwater ingestion and soil leaching to groundwater ingestion pathways. The remediation system (VVS) had been shut down and an excavation was to be completed. The contractor had indicated that the scope of the excavation had increased due to higher than expected soil contaminant concentrations on the sidewalls. Additional authority would be needed to cover the post-excavation monitoring and potentially some additional corrective action following stabilization of the site after the excavation has been completed. Previous approval to \$240,000 had been granted, of which \$193,020.75 was spent to date. Additional authority to \$365,000 was requested for a SMR and implementation of the excavation.

Motion to approve claim payment was submitted by Mr. Holcomb and seconded by Ms. Christiansen. Approved 5-0.

**CONTRACTS ENTERED INTO SINCE MAY 24, 2007 BOARD MEETING**

The Board had not entered into any new agreements/contracts since the May Board meeting.

**OTHER ISSUES**

The next meeting of the Board was scheduled for Thursday, August 23, 2007 at 10 A.M at the Iowa Insurance Division.

**CORRESPONDENCE AND ATTACHMENTS**

Ms. Voss noted that there was no further business, and there being none, she moved for adjournment. Mr. Holcomb seconded the motion, and on a 5-0 vote, the Board adjourned at 2:00 P.M.

Respectfully Submitted,



Scott M. Scheidel  
Administrator

## **Closed Session**

### **Discussion of Pending and Imminent Litigation**

## **Public Comment**

## **Board Issues**

## **A. Fiscal Year 2008 Goals**

## Fiscal Year 2008 Goals Summary

### Claims Closures

- Close 165 claims by the end of the fiscal year
- Have 100 Corrective Action meetings by the end of the fiscal year
- Evaluate Loss Portfolio Transfer opportunity PMMIC indicated they most likely will present to Board and review Board's LPT strategy, in general

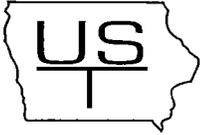
### Short/Long Term Solvency

- Coordinate with DNR for implementing Plastic Water Line policy that implements both experience in Iowa and other states, ISU Study and hopefully cost savings by the end of the fiscal year
- Coordinate with DNR to put formal guidelines on recent well closure orders from DNR legal staff by the end of the calendar year 2007.
- Follow through on completing updating of Tier 2 model with DNR.
- Enter into NFA funding agreement with DNR and evaluate risk transfer mechanism for benefit to Board's liability under agreement.

	September 07	December 07	March 08	June 08
Closed Claims				
Corrective Action Meetings				
Loss Portfolio Transfer				
Plastic Water Lines				
Well Closure				
SIC Model Update				
NFA Agreement/Risk Transfer				

## **B. Rules for RBCA Changes Update**

## **C. Loss Portfolio Transfer Review**



# IOWA UNDERGROUND STORAGE TANK FUND

Susan E. Voss, Chairperson

Scott M. Scheidel, Administrator

Board Members:

Michael L. Fitzgerald ❖ Jeff W. Robinson ❖ Jacqueline A. Johnson ❖ James M. Holcomb  
Richard Leopold ❖ Nancy A. Lincoln ❖ Douglas M. Beech

## MEMO

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**TO:** UST Board

**FROM:** Scott Scheidel

**DATE:** August 14, 2007

**RE:** Loss Portfolio Transfer Discussion

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A loss portfolio transfer (LPT) is a buyout of retained liabilities. These are often workers' compensation, general/product/professional liability, and auto liability obligations subject to loss-sensitive or self-insured programs. Other risks can also be addressed, for example incurred environmental impairment claims, similar to the Board's portfolio of claims. In exchange for relief of obligations to pay these losses over time, a client agrees to a fixed premium.

There are a myriad of benefits and trade-offs in any transaction, but in general the Board could see two major benefits traditionally considered in evaluation of such transactions. The first is the total transfer of liabilities, which in the Board's case could result in the ceasing of operations. Companies that enter for this benefit are often looking to improve their balance sheet (increase debt issuance capability, become more attractive for a merger or acquisition or remove collateral requirements). The second would be to create cost certainty. Once a transaction is agreed upon the Board has a known cost. This cost is almost always more than the reserved and planned amount, but it does create certainty.

Included with this memo for review and discussion as the Board considers any potential future transaction are the following materials:

- Documents from "mini-LPT" with PMMIC (p. 26)
  - Proposal (p. 27)
  - Agreement (p. 36)
  - Claimant Agreement, Waiver & General Release (p. 41)
  - Pros and Cons sheet (p. 44)
- Board LPT rules (p. 47)
- Marketing materials about general LPT transactions (p. 49)

**(Documents from "Mini-LPT" with PMMIC)**

**PROPOSAL FOR LOSS PORTFOLIO TRANSFER TO IOWA  
COMPREHENSIVE PETROLEUM UNDERGROUND STORAGE  
TANK FUND BOARD**

**FROM**

**PETROLEUM MARKETERS MANAGEMENT INSURANCE  
COMPANY**

**OCTOBER 26, 2006**

Pursuant to the authority granted to the board in IAC 591--9.1 (455G.6(17)), Petroleum Marketers Management Insurance Company (PMMIC) hereby proposes to enter into an agreement with the board to transfer the board's liabilities associated with 14 claims identified in Appendix 1, for a lump sum fee of \$705,085.14.

This proposal focuses on a small and unique number of claims which have been grouped together based upon the value to both the UST Fund and PMMIC to reduce overlapping oversight and administration.

PMMIC and the UST Fund have a unique relationship on each of the sites included in this proposal:

- PMMIC and the UST Fund both have open claims on each of the 14 sites.
- Each of the sites have experienced multiple petroleum releases from regulated UST systems with a commingled plume or area of impacted soil and groundwater for which a single corrective action plan has been developed to address the multiple releases.
- The sites included in this portfolio each have active UST facilities that are insured for future releases with PMMIC.
- On each site, the administrator and PMMIC have agreed to a cost share agreement in most cases based upon a third-party evaluation of the responsibility associated with the UST Fund claim and the PMMIC insurance claim.
- Detailed cost estimates have been developed for the corrective action required at each site.

These sites present a unique opportunity for the UST Fund and PMMIC to eliminate redundant administrative oversight and to streamline the corrective action process for the responsible party and the contractor conducting the corrective action. Because PMMIC maintains potential liability for third party damages resulting from the release covered by the PMMIC policy, it is logical that if only one funding source is going to manage the corrective action oversight, it should be PMMIC.

This unique overlap of corrective action responsibility, PMMIC's potential liability for third party damages related to the commingled plume, and PMMIC's ongoing insurance relationship for possible future releases, it would be inefficient for any party other than PMMIC to administer these claims, and therefore it is impractical to bid this transaction pursuant to IAC 591 – 9.5. As a result, the parties have jointly developed the corrective action plans, projected loss costs and preliminarily negotiated the value of the transfer to obtain a value that is fair to both parties.

As in any transfer of liabilities, there is uncertainty in future implementation. Although formulas are used to address corrective action costs, inflation rates and interest rates, there is no way to *prove* future costs today. The parties acknowledge that there may be excessive loss

development, changed market factors, increased service costs, regulatory changes, tax changes and other unknowns that could impact the ultimate payout. The transferring party (the UST Fund) is absolutely done for a fixed, unchanging price, but the accepting party is subject to risk. As a result of the unknown, after best efforts are applied to project future costs, a risk premium is added to address generally known, but unpredictable cost increases.

In this transaction, the parties have agreed to utilize:

- A five year payout based upon the maturation of the claims and the projected scope of work;
- An inflation factor of 1.75% annually, which was obtained from the US department of labor;
- An interest rate of 5%, to discount future cash flows which was obtained by the administrator from the Iowa Dept. of Revenue;
- A tax rate of 3.5%, based upon federal and state income tax tables;
- A risk premium of 10%. Over the past six years, the UST Fund open claims have experienced a 45% loss development rate. As part of this transaction, the parties have agreed to a 10% risk premium over the five year estimated payout. PMMIC and the administrator have conceptually agreed to this reduced rate based upon the maturity of the claims and our current oversight of the claims.
- No administrative costs have been included in the transaction.

As an added level of protection for the claimants involved, the parties agree that each claimant must become a party to the agreement and agree to have PMMIC become responsible for the UST Fund liability. If any of the claimants chose not to participate, the value of the non-participating site will be reduced from the agreement.

Ultimately, the decision to exercise board authority comes down to whether it is an appropriate settlement for the board based upon the criteria outlined in IAC 591- 9.3. We believe this proposal complies with those criteria:

1. The proposed cost is more than \$220,000 less than the reserves on these files previously projected by the board. In addition, the board will not be subject to the adverse loss development that has occurred over the last six years.
2. Based upon PMMIC's motivation to eliminate potential third party liability, and based upon PMMIC's ability to stimulate more claims activity, these sites should be closed in less time than if the claims continued to be administered jointly by the two funding sources.
3. PMMIC is qualified to manage the claims.
  - a. PMMIC has presented this transaction to the Iowa Division of Insurance who has stated no regulatory concerns with this transaction.
  - b. PMMIC has approximately 100 open claims today, PMMIC professionals previously administered the Iowa UST Fund from 1994-1999, and have experience with over 8000 environmental claims nationwide.
  - c. PMMIC had documented knowledge of Iowa's corrective action guidelines, is currently overseeing each of these claims, has staff that participated in the

Technical Advisory Committee that developed Iowa's corrective action guidelines and are currently participating in the evaluation of the corrective action models utilized by IDNR.

4. This transaction will not negatively affect other claims not included in the transaction and may free up UST fund staff to provide additional oversight to remaining UST Fund claims.
  - a. The proposed transaction amount is 4.4 % of projected expenses in the UST Fund FY 2007 budget for all claims, and would close 7.4% of the Funds target number of claims for the year.
  - b. Corrective action will be expedited on the subject sites based upon less administrative delays caused by joint oversight of the commingled plumes and should allow greater attention by UST Fund staff on the remaining open claims which should expedite additional corrective action.
  - c. These claims and the unique circumstances associated with them create the best scenario for a transfer and end to the boards' liabilities for 14 sites. This transaction will assist the board to reevaluate its remaining long-term liabilities and will allow the board to determine if this type of transaction can satisfy these criteria if applied to other sites. This transaction should not have an impact on the boards remaining liabilities.
5. Each claimant will have to agree to become a party to this transaction. Thus each claimant can determine if their rights are being protected. The oversight of the attorney general/board counsel will also assist to ensure that each claimant's statutory rights have been protected.

PMMIC appreciates the Board's consideration of this proposal.

**APPENDIX 1**  
**PROPOSED LPT CALCULATIONS**

Potential LPT  
PMMIC August 2006  
NPV Calculation

<u>Equal Distribute with 1.75% Inflation</u>			
Year 1	\$ 152,195.23		
Year 2	\$ 154,858.64	Base Reserve Figure	\$ 691,796.48
Year 3	\$ 157,568.67	Risk Premium	\$ 69,179.65
Year 4	\$ 160,326.12	Total to be discounted	\$ 760,976.13
Year 5	\$ 163,131.83		10.00%
Sum of Payments	\$ 760,976.13		
Sum of Payments w/Infl	\$ 788,080.48		
<b>Net Present Value</b>	<b>\$681,241.68</b>		
One time tax	\$ 23,843.46		3.50%
Payment Including Tax	<b>\$705,085.14</b>		

<u>Site</u>	<u>Agreed Amt</u>	<u>Fund Split</u>	<u>Fund Share</u>	<u>Fund Reserve</u>	<u>Fund Paid</u>	<u>Fund O/S</u>	<u>Comments</u>
Olson 8600575			\$ 4,000.00	\$25,000.00	\$18,018.79	\$6,981.21	Well Closure
KG Waterloo 8608472	\$ 60,000		\$ 5,000.00	\$17,196.06	\$17,196.06	\$0.00	Well Closure
Honey Crk 8601754	\$ 96,316	20%	\$ 19,263.20	\$75,000.00	\$53,545.98	\$21,454.02	
KG Williams 8608193	\$ 255,725	60%	\$ 153,435.00	\$175,000.00	\$91,761.81	\$83,238.19	
Bro Afton 8604865	\$ 63,339	50%	\$ 31,669.50	\$230,000.00	\$164,013.71	\$65,986.29	
Bro W'set 8607024			\$ 17,293.91	\$60,000.00	\$42,706.09	\$17,293.91	Agree to transfer for our future monitor cost (reserve)
Stoskopf 8605816	\$ 43,500	50%	\$ 21,750.00	\$150,000.00	\$68,731.10	\$81,268.90	
Onawa 8608757	\$ 94,454	75%	\$ 70,840.67	\$175,000.00	\$56,636.32	\$118,363.68	
Buck's 9918057	\$ 102,469	50%	\$ 51,234.60	\$85,000.00	\$39,673.67	\$45,326.33	
Former IOCO 8710396	\$ 100,000	25%	\$ 25,000.00	\$45,000.00	\$34,869.81	\$19,130.19	
Nelco 8605337	\$ 174,000	45%	\$ 78,300.00	\$175,000.00	\$22,048.53	\$152,951.47	
Brooklyn 8605242	\$ 222,176	90%	\$ 199,958.40	\$300,000.00	\$41,745.31	\$258,254.69	
Dell 8608688			\$ 7,500.00	\$158,000.00	\$137,357.50	\$20,642.50	Well Closure
Reinbeck Pronto 8602082	\$ 32,756	20%	\$6,551	100,000	\$61,893.75	\$38,106.25	
Totals			\$691,796.48	\$ 1,770,196.06	\$ 850,198.43	\$928,997.63	

**APPENDIX 2**  
**OFFERORS RELEVANT EXPERIENCE**

**ENVIRONMENTAL CLAIMS MANAGEMENT**

**EXPERIENCE: OVER 8000 ENVIRONMENTAL CLAIMS**

*Petroleum Marketers Management Insurance Company (PMMIC)* staff has investigated, evaluated, and resolved environmental, (specifically UST,) claims in 46 states and Canada with over 15 years experience in handling UST claims in the State of Iowa. This experience includes addressing significant bodily injury, property damage, and corrective action claims. The staff has background in establishing and administering effective cost control measures in dealing with expenses relating to assessment and remediation of environmental damages.

Having provided the administration of state environmental programs, *PMMIC* staff has considerable experience in a large number of diverse cases. Including insurance industry experience, they have handled and or managed over 8000 cases involving environmental (UST) contamination.

*PMMIC* staff has developed and documented proven procedures specifically designed to establish and assure consistent and cost effective environmental solutions.

*PMMIC* staff has worked closely with IDNR and other regulatory representatives. They have participated with IDNR in the Kaizen and Business Improvement Process, USEPA trainers in training sessions in conjunction with state UST regulatory agencies, and worked with regulatory agencies to devise and implement new programs such as RBCA and Pay for Performance.

*PMMIC* staff has prepared cost guidelines and expense ranges for various environmental services to insure cost effectiveness is achieved in the cases they oversee and manage.

*PMMIC* staff is experienced in conducting environmental field investigations to gather relevant issues in environmental claims. This allows them to evaluate exposures and provide guidance in the implementation of assessment or remedial activities. The staff includes investigators who are 40 hour OSHA certified to perform hazardous site investigations.

*PMMIC* staff has worked with the environmental consulting industry extensively which has provided them with unique insight relating to cost control issues in environmental cases. Background in the issuance of Requests for Proposals (RFPs), environmental contracting procedures, the development and operation of a proprietary database utilized to manage and track claims, and the development and administration of a pre-budget approval processes all provide *PMMIC* with the necessary tools to maximize efficiency in managing environmental claims.

**APPENDIX 3**  
**DOCUMENTS TO BE UTILIZED FOR PROPOSED LPT**

**To**  
**Agreement and Assignment of Iowa Comprehensive Petroleum Underground Storage**  
**Tank Fund Board Claim To Petroleum Marketers Management Insurance Company for**  
**Claimant**

This Assignment Agreement ("Agreement") is entered into by and between the "claimant," as referred to by the UST Board, and Petroleum Marketers Management Insurance Company (PMMIC). The Iowa Comprehensive Petroleum Underground Storage Tank Fund Board ("Board"), an Iowa governmental agency created pursuant to Iowa Code chapter 455G, and the Petroleum Marketers Management Insurance Company ("PMMIC"), an Iowa corporation, have agreed to transfer the liabilities associated with the eligible claim described in this document with the claimant(s) listed below for an agreed upon amount. The purpose of this assignment is to provide the agreement and understanding that exists between the claimant and PMMIC.

1. **Purpose:** This Agreement is entered into because the underground storage tank site (Site) and the claimant identified in the site description of this Agreement is eligible to receive benefits from the Board, and the claimant has an eligible insurance claim with PMMIC. Because of the nature of the petroleum contamination at the Site, the Board, PMMIC, and the claimant and PMMIC have mutually agreed to have PMMIC adjust, manage, and handle the entire claim (both the amount eligible from the Board and PMMIC's applicable policy would cover) until conclusion and the No Further Action is obtained from the Iowa Department of Natural Resources for the Site.
2. **Limitations:** This agreement covers only costs that are and would be eligible and reimbursable from the Board to the claimant and costs that are covered under the applicable insurance policy providing coverage by PMMIC to the claimant. This agreement does not extend or broaden any eligibility from the Board for the eligible claim at the Site or the claimant or in any way alter or broaden any coverage applicable for the covered claim under PMMIC's applicable policy. It is understood and agreed by all parties that this Agreement documents the transfer of liabilities from the Board to PMMIC, (that is outlined under a separate agreement and attached to this document as an addendum,) to the extent the Board would be responsible and nothing in this Agreement shall be deemed or construed as an admission of liability by the claimant, the Board, or PMMIC. This Agreement shall not affect the rights and responsibilities of the claimant under Iowa Code chapter 455G and Board regulations contained in the Iowa Administrative Code to remain eligible for benefits, nor shall it affect the rights and responsibilities of the claimant under the applicable PMMIC insurance policy. This agreement covers only the Site and claims listed in the agreement.
3. **Term:** This Agreement shall remain in effect as long as corrective action are being required by law by the Iowa Department of Natural Resources, and eligible or covered

costs as would be paid by the Board at the Site, for Board eligible petroleum contamination existing at the time this Agreement was executed.

4. Funds/Liability Transfer: On the date of the execution of this agreement, the Board is transferring \$ \_\_\_\_\_ to PMMIC based on a negotiated amount reached between the Board and PMMIC, this amount may include a present value factor and other adjusting calculations. The Board is hereby released of any future financial liabilities associated with their claim and those liabilities are now transferred to PMMIC. If PMMIC cannot bring the claim that was formerly the responsibility of the Board to NFA status for the above amount, it remains the financial responsibility of PMMIC to do so. Conversely, if PMMIC brings the claim to NFA status for an amount less than transferred to the PMMIC by the Board, any excess funds remain with and become the assets of PMMIC. No reimbursement of unused or unspent Board funds will be made to the Board, the claimant, or any other party by PMMIC. The claimant agrees with the terms of this agreement, the liability transfer, the transfer amount, in its entirety.

Site name description and address

\_\_\_\_\_

Site registration number and LUST number

\_\_\_\_\_

Board Claim Number(s) \_\_\_\_\_ PMMIC Claim Number(s)

PETROLEUM MARKETERS MANAGEMENT  
INSURANCE COMPANY

\_\_\_\_\_

NAME: \_\_\_\_\_

DATE: \_\_\_\_\_

CLAIMANT(S)

NAME: \_\_\_\_\_

DATE: \_\_\_\_\_

If the "Board" claimant is different than "PMMIC" Claimant, signatures of both on this "Agreement" will serve as a full assignment of any existing eligible "Board" claim to the "PMMIC" claimant for the "Site."

## AGREEMENT

This Agreement is entered into by and between the Iowa Comprehensive Petroleum Underground Storage Tank Fund Board ("Board"), an Iowa governmental agency created pursuant to Iowa Code chapter 455G, and the Petroleum Marketers Management Insurance Company ("PMMIC"), a licensed, for-profit insurance company. This Agreement is effective as of the date it is fully executed by all parties.

WHEREAS, Iowa Code section 455G.6(17) authorizes the Board to adopt rules providing for the transfer of all or a portion of the liabilities of the Board, and the Board has adopted rules contained in 591 Iowa Admin. Code 9 providing for the transfer of the Board's liabilities to third parties ("loss portfolio transfer"); and

WHEREAS, PMMIC has requested the Board enter into a loss portfolio transfer concerning certain sites (the "Sites") for which the parties currently receiving Board benefits (the "Responsible Parties") also have eligible insurance claims with PMMIC; and

WHEREAS, the Responsible Parties have each executed separate agreements with the Board acknowledging their consent to this loss portfolio transfer, waiving any and all rights to future benefits from the Board, and releasing the Board from liability. Each of these agreements are attached hereto as Exhibits 1-10, and are for informational purposes only; and

WHEREAS, the Board evaluated PMMIC's request pursuant to the criteria contained in 591 Iowa Admin. Code 9.3, and deems the requested loss portfolio transfer to be in the best interest of the program, and

WHEREAS, the Board has considered the practicability of seeking competitive public bids pursuant to 591 Iowa Admin. Code 9.5, and determines public bidding is not practical because the Responsible Parties already have eligible insurance claims with PMMIC, PMMIC is already involved in funding a portion of the corrective actions at the Sites, a loss portfolio transfer to PMMIC will provide a single source of funding and management to the claims, and it is unlikely another party can provide as efficient and cost-effective services as PMMIC under the circumstances,

THEREFORE, in consideration of the commitments made herein, the Board and PMMIC agree as follows:

1. **Transfer of Liabilities.** PMMIC hereby assumes any and all known and unknown liabilities of the Board under Iowa Code chapter 455G to pay benefits for the Sites. PMMIC shall assume no less liability to reimburse Responsible Parties for corrective action costs at the Sites than the Board's liability as outlined in Iowa Code 455G.9 and 591 Iowa Administrative Code 11. By assuming the Board's liabilities in this paragraph, PMMIC hereby agrees to assume any and all related responsibilities and activities of the Board for the Sites, including but not limited to, project funding and management, claim adjustment, and consultation with responsible parties, contractors and the Iowa Department of Natural Resources. PMMIC's liabilities and responsibilities, however, are not subject to future amendments to Iowa Code chapter 455G or Board rules, and PMMIC is not

restricted from offering benefits in excess of the statutory and regulatory authority granted to the Board. The Board shall continue to allow PMMIC and the Responsible Parties access to, and copies of, information contained in Board documents and files related to the Sites. The Board, however, shall cease to maintain any other ongoing duty whatsoever to PMMIC or the Responsible Parties in relation to the Sites.

2. **Transfer of Funds.** Within 30 days of the effective date of this Agreement, and only upon PMMIC's satisfactory completion of the responsibilities described in paragraph 4 of this Agreement, the Fund will pay PMMIC a total of \$511,224.29 for the transfer of liabilities to PMMIC for the Sites. PMMIC agrees to accept the amounts set forth in this paragraph as the full and final payment it will receive from the Board for its assumption of the Board's liabilities. PMMIC hereby waives any and all rights it may have, or may ever have, to seek additional funds from the Board in relation to the Sites.

3. **The Sites.** This Agreement applies only to the following ten (10) Sites:

- a. KG, Former QT, Waterloo, 8608472, 8LTV62
- b. Iowa Feed and Grain, Honey Creek, 8601754, 7LTJ93
- c. KG, Williamsburg, 8608193, 7LTL53
- d. Former Stoskopf Oil/Daniel Bohr, Decorah, 8605816, 9LTA06
- e. Buck's Express, Council Bluffs, 9918057, 9LTK10
- f. Iowa Oil Company, West Dubuque, 8710396, 8LTC55
- g. Nelco/Nelson Petroleum, Clear Lake, 8605337, 8LTA80
- h. Brooklyn Service Center, 8605242, 7LTO36
- i. Phillips, Dell Oil, 8608688, 9LTD00
- j. Reinbeck Pronto Market, 8602082, 7LTO90

4. **Full Disclosure.** To protect the interests of the Responsible Parties, they shall be made fully aware of the terms and conditions of this Agreement and its impact on their benefits from the Board. To this end, the Board has informed the Responsible Parties in Exhibits 1-10 of the transfer of liabilities to PMMIC, and obtained their agreement to such transfer. Accordingly, PMMIC shall also perform the following within 30 days of the effective date of this Agreement:

- a. Provide a complete copy of this fully executed Agreement to the responsible parties;
- b. Enter into a separate agreement with each responsible party establishing his or her right to receive reimbursement for corrective action costs in accordance with the liabilities assumed by PMMIC in this Agreement. The terms of this agreement shall contain a clear disclosure regarding the applicability of Iowa Code chapter 515B in the event PMMIC becomes insolvent; and
- c. Provide the Board with a fully executed copy of the agreements discussed in subsection "b" of this paragraph.

5. **Annual Reporting.** PMMIC agrees to provide the Board with ongoing information and data for each site listed in paragraph 3 that will allow the Board to accurately determine the amounts paid by PMMIC for liabilities transferred to PMMIC under this Agreement. Such information and data shall be provided for each Site on at least an annual basis from the date of this Agreement until the Site achieves a No Further Action designation. Upon mutual agreement between PMMIC and the Board, such information and data may be shared on a more frequent or ongoing basis.

6. **General Release.** In consideration for receipt of the funds described in paragraph 2 of this Agreement, PMMIC hereby releases, acquits, and forever discharges the Board and its officers, employees, assigns, agents, and successors in interest from any and all claims, rights, demands, actions, obligations, liabilities, and causes of action of any and every kind, nature, and character whatsoever, known or unknown, whether based on federal, state, or local law, or for claims based on tort, contract (implied, oral, or written), or any other theory of recovery, and whether for compensatory or punitive damages, for any matter related to or concerning the Sites.

7. **Indemnification.** PMMIC agrees to indemnify and hold harmless the Board against any and all loss, liability, expenses and costs (including attorneys' fees, judgments, fines and amounts paid in settlement) actually and reasonably incurred by the Board in connection with any threatened, pending, completed or future action, suit, or proceeding to which the Board is, or is threatened to be, made a party arising from or related to the liabilities transferred in this Agreement.

8. **Dispute Resolution.** Notwithstanding any language in this Agreement to the contrary, PMMIC does not waive any claims or actions that specifically arise from or concern the terms of this Agreement. The parties agree that the proper venue for any lawsuit is only Polk County District Court.

9. **Addresses.** The parties' address and fax numbers for official communications and notices are:

Petroleum Marketers Management  
Insurance Company  
465 Alice's Road, Suite H  
Waukee, Iowa 50263  
(Tel.) 515-987-0061  
(Fax.) 515-987-0067

Iowa Underground Storage  
Tank Fund Board  
2700 Westown Parkway, Suite 320  
West Des Moines, IA 50266  
(Tel.) 515-225-9263  
(Fax) 515-225-9361

Either party may change their address or fax number by notifying the other party, in writing, of any change.

10. **Public Record.** The parties acknowledge this Agreement is a public record under Iowa Code chapter 22, and is available for public inspection and copying.

11. **Titles.** Paragraph titles are provided for the parties' convenience and do not limit the scope or meaning of any paragraph.

12. **Joint Drafting.** This Agreement was drafted jointly by the parties and shall not be construed in favor of, or against, either party because of which party was responsible for drafting a particular portion of the Agreement.

13. **Complete Agreement.** This Agreement reflects the parties' entire agreement on this matter and may not be altered or amended except by a subsequent written document signed by all parties to the Agreement.

14. **Authority to Sign.** The parties, and their representatives, by signing below, acknowledge that they have complied with all the legal requirements for approval of this Agreement and that their representatives are authorized to bind their respective agencies or bodies by their signatures to this contract.

15. **Applicable Law.** This Agreement shall be governed by, and construed in accordance with, Iowa law.

16. **Execution.** All parties are executing this Agreement solely in reliance upon their own knowledge, belief and judgment and not upon any representations made by any of the other parties hereto or others on their behalf.

IOWA UNDERGROUND STORAGE  
TANK FUND BOARD

By:   
Scott Scheidel, Fund Administrator

Date: 2/23/07

PETROLEUM MARKETERS  
MANAGEMENT INSURANCE COMPANY

By:   
Patrick J. Rounds, President

Date: 2/19/07

Equal Distribute with 1.75% Inflation									
Year 1	\$	110,349.65							
Year 2	\$	112,280.77		Base Reserve Figure	\$	501,589.31			
Year 3	\$	114,245.68		Risk Premium	\$	50,158.93	10.00%		
Year 4	\$	116,244.98		Total to be discounted	\$	551,748.24			
Year 5	\$	118,279.27							
Sum of Payments	\$	551,748.24							
Sum of Payments w/Infl	\$	571,400.34							
<b>Net Present Value</b>		<b>\$493,936.51</b>							
One time tax	\$	17,287.78	3.50%						
Payment Including Tax		<b>\$511,224.29</b>							
Site	Agreed Amt	Fund Split	Fund Share	Fund Reserve	Fund Paid	Fund O/S	Pd Since Agreed Amt	Updated Fund Share	Comments
Olson 8600575			\$ 4,000.00	\$25,000.00	\$18,018.79	\$6,981.21	\$ -	\$ 4,000.00	Well Closure
KG Waterloo 8608472	\$ 60,000		\$ 5,000.00	\$17,196.06	\$17,196.06	\$0.00	\$ -	\$ 5,000.00	Well Closure
Honey Crk 8601754	\$ 96,316	20%	\$ 19,263.20	\$75,000.00	\$53,545.98	\$21,454.02	\$ 1,850.01	\$ 17,413.19	
KG Williams 8608193	\$ 255,725	60%	\$ 153,435.00	\$175,000.00	\$91,761.81	\$83,238.19	\$ -	\$ 153,435.00	
Bro Afton 8604865	\$ 63,339	35%	\$ 22,168.65	\$230,000.00	\$164,013.71	\$65,986.29	\$ 2,633.00	\$ 19,535.65	
Bro W'set 8607024			\$ 17,293.91	\$60,000.00	\$42,706.09	\$17,293.91	\$ -	\$ 17,293.91	Agree to transfer for our future monitor cost (reserve)
Stoskopf 8605816	\$ 43,500	50%	\$ 21,750.00	\$150,000.00	\$68,731.10	\$81,268.90	\$ -	\$ 21,750.00	
Onawa 8608757	\$ 94,454	75%	\$ 70,840.67	\$175,000.00	\$56,636.32	\$118,363.68	\$ 627.30	\$ 70,213.37	
Buck's 9918057	\$ 102,469	50%	\$ 51,234.60	\$85,000.00	\$38,869.73	\$46,130.27	\$ 2,075.37	\$ 49,159.23	
IOCO 8710396	\$ 100,000	25%	\$ 25,000.00	\$45,000.00	\$34,508.69	\$10,491.31	\$ 933.57	\$ 24,066.43	
Nelco 8605337	\$ 174,000	45%	\$ 78,300.00	\$175,000.00	\$22,048.53	\$152,951.47	\$ 29,805.36	\$ 48,494.64	
Brooklyn 8605242	\$ 222,176	90%	\$ 199,958.40	\$300,000.00	\$41,745.31	\$258,254.69	\$ 31,738.68	\$ 188,219.72	
Dell 8608688			\$ 7,500.00	\$158,000.00	\$137,357.50	\$20,642.50	\$ -	\$ 7,500.00	Well Closure
Reinbeck 8602082	\$ 32,756	20%	\$ 6,551.10	\$100,000.00	\$61,893.75	\$38,106.25	\$ -	\$ 6,551.10	
<b>Totals</b>			\$ 682,295.53	\$ 1,670,196.06	\$787,139.62	\$ 883,056.44	\$ 69,663.29	\$ 501,589.31	
								\$ 501,589.31	
								\$ 612,632.23	
								\$ 111,042.93	

## AGREEMENT, WAIVER AND GENERAL RELEASE

This Agreement, Waiver and General Release ("Agreement") is entered into by and between the Iowa Comprehensive Petroleum Underground Storage Tank Fund Board ("Board"), an Iowa governmental agency created pursuant to Iowa Code chapter 455G, and [NAME], of [City] ("Claimant"). This Agreement is effective as of the date it is fully executed by all parties.

WHEREAS, Claimant is currently receiving benefits from the Board to reimburse corrective action costs for a site at [ADDRESS], [REG AND LUST #S], ("Site");

WHEREAS, Iowa Code section 455G.6(17) authorizes the Board to adopt rules providing for the transfer of all or a portion of the liabilities of the Board, and the Board has adopted rules contained in 591 Iowa Admin. Code 9 providing for the transfer of the Board's liabilities to third parties ("loss portfolio transfer"). Claimant acknowledges a copy of Iowa Code 455G.5(17) and 591 Iowa Admin. Code 9 have been provided with this Agreement for reference and review; and

WHEREAS, Petroleum Management Mutual Insurance Company ("PMMIC") has requested the Board enter into a loss portfolio transfer concerning the Site;

THEREFORE, in consideration of the commitments made herein, the Board and Claimant agree as follows:

1. **Consent to Transfer of Liabilities.** Claimant hereby consents to PMMIC assuming any and all liabilities of the Board under Iowa Code chapter 455G to pay benefits for the Site. Claimant understands that upon completion of the loss portfolio transfer, PMMIC shall assume any and all related responsibilities and activities of the Board for the Site, including but not limited to, project funding and management, claim adjustment, and consultation with Claimant, contractors and the Iowa Department of Natural Resources. Claimant further understands the Board shall cease to maintain any ongoing duty whatsoever to Claimant in relation to the Site, and Claimant will become ineligible to again receive benefits from the Board in relation to the Site under any circumstances.

2. **Waiver of Benefits.** In consideration for the transfer of funds described in paragraph 4 of this Agreement, Claimant hereby voluntarily waives any and all right to receive benefits pursuant to Iowa Code chapter 455G and Iowa Admin. Code chapter 591 upon completion of the loss portfolio transfer. Claimant understands that by consenting to a loss portfolio transfer to PMMIC, PMMIC shall assume all duties and liabilities of the Board to provide benefits to the claimant pursuant to a separate agreement with the Claimant.

3. **Release of Claims.** In consideration for the transfer of funds described in paragraph 4 of this Agreement, Claimant hereby releases, acquits, and forever discharges the Board and its officers, employees, assigns, agents, and successors in interest from any and all claims, rights, demands, actions, obligations, liabilities, and causes of action of any and every kind, nature, and character whatsoever, known or unknown, whether based on federal, state, or local law, or for claims

based on tort, contract (implied, oral, or written), or any other theory of recovery, and whether for compensatory or punitive damages, for any matter related to or concerning the Site.

4. **Transfer of Funds.** In consideration for Claimant's waiver of benefits and release of claims in this Agreement, the Board hereby agrees to enter into an agreement with PMMIC providing for the loss portfolio transfer and payment of a sum of money to PMMIC to be used by PMMIC to reimburse corrective action costs incurred by Claimant at the Site. The specific amount of money to be transferred to PMMIC will be separately negotiated between the Board and PMMIC in a separate agreement.

5. **No Representation of Future Right to Benefits.** Claimant understands and agrees that upon completion of a loss portfolio transfer to PMMIC, Claimant's continued eligibility to receive benefits is a matter to be determined exclusively between the Claimant and PMMIC. Claimant understands and agrees the Board has not made any representation regarding Claimant's future eligibility for benefits.

6. **Public Record.** The parties acknowledge this Agreement is a public record under Iowa Code chapter 22, and is available for public inspection and copying.

7. **Titles.** Paragraph titles are provided for the parties' convenience and do not limit the scope or meaning of any paragraph.

8. **Complete Agreement.** This Agreement reflects the parties' entire agreement on this matter and may not be altered or amended except by a subsequent written document signed by all parties to the Agreement.

9. **Authority to Sign.** The parties, and their representatives, by signing below, acknowledge that they have complied with all the legal requirements for approval of this Agreement and that their representatives are authorized to bind their respective agencies or bodies by their signatures to this contract.

10. **Applicable Law.** This Agreement shall be governed by, and construed in accordance with, Iowa law.

11. **Execution.** Claimant is executing this Agreement solely in reliance upon Claimant's own knowledge, belief and judgment and not upon any representations made by the Board or others on the Board's behalf. Furthermore, Claimant acknowledges reading this entire Agreement, understanding the Agreement constitutes a contract, and enters into this Agreement voluntarily only after being advised by the Board of the right to consult an attorney to review the Agreement and having freely exercised this right.

**PLEASE READ CAREFULLY. THIS AGREEMENT INCLUDES A WAIVER OF BENEFITS AND A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.**

\_\_\_\_\_  
Claimant's Printed Name

\_\_\_\_\_  
Scott Scheidel, Administrator  
Iowa Comprehensive Petroleum Underground  
Storage Tank Fund Board

\_\_\_\_\_  
Claimant's Signature

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

I, \_\_\_\_\_, a notary public in and for the State of Iowa, do hereby certify  
that \_\_\_\_\_ personally appeared before me this day and  
acknowledged the due execution of the foregoing instrument.

Subscribed and Sworn to before me on this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_.

\_\_\_\_\_  
Notary Public in and for the State of Iowa

My commission expires:

## LPT PROS AND CONS

The following are considerations affecting all three parties the UST Fund, (seller,) the claimant, and PMMIC (buyer) of a Loss Portfolio Transfer. These considerations are specific to the 13 claims that have been mentioned for the possible transfer at issue but would also apply in general for any such transaction:

### POTENTIAL ADVANATAGES FOR UST FUND (SELLER)

- Liabilities ended now (and claims closed) for a known amount, which eliminates uncertainty for future loss costs, future payout patterns, and interest rate risk.
- Every reduction in claim count allows incremental amount of additional time to be spent on each remaining open file. The claims in this transaction, in general, take more time than a similar claim with no split liability due to the shared decision making with PMMIC.
- Any money that is spent at sites after this transaction is being spent where it was intended (assessing and performing corrective action at eligible sites) as outlined by enabling legislation.
- Removes the possibility that the funds in the transfer could be redirected into other funding purposes through the Legislature.
- DNR regulation could change increasing the future cost of cleanups. By transferring the liability on these claims the Board eliminates that risk. An example would be DNR requires sites to address MtBE, which is now not a cost the Board incurs.

### POTENTIAL DISADVANTAGES UST FUND (SELLER)

- Payout could exceed ultimate payments made or the payout schedule could be shorter than anticipated.
- DNR regulations could change decreasing the overall cost of cleanups. A decrease would likely mean that the amount PMMIC has to expend to reach closure would be reduced, resulting in excess profit. Examples that could have this result are the recalibration of the Tier 2 model, change in treatment of receptors (PWL) or alternatives such as well replacement being easier.
- By transferring an amount of money today, that would have been spent over time the Board is forgoing any income that would have received by holding that money for the term of the activities. This is accounted for by using a discount factor, but because the rate of return is fluid an increase in said rate would result in forgone excess income.

#### POTENTIAL ADVANTAGES TO OWNER-OPERATOR (CLAIMANT)

- This sale proposed is to a company (PMMIC) that currently insures the site for ongoing operations, already has a claim open for the site for the claimant or the current operator of the site.
- Having one funding source to deal with simplifies the claims and decision making process for the claimants.
- Claimant eliminates the government involvement with funding.
- The quicker these claims are addressed the less likely third party claims (not covered by the UST Fund) could be brought against the claimant.

#### POTENTIAL DISADVANTAGES TO OWNER-OPERATOR (CLAIMANT)

- Claimant loses the backing of the State of Iowa for their claim. UST Fund Claims are paid with taxing authority and after transfer any redress is lost. That portion of claim that was paid by PMMIC pre-transfer would still be covered by State Guaranty Fund, however former UST Fund portion would not have such backing.

#### POTENTIAL ADVANTAGES TO BUYER (PMMIC)

- Corrective action could be performed more quickly and/or for amounts less than anticipated to provide a fair profit to PMMIC.
- DNR regulation could change decreasing the costs of cleanup, resulting in increased profits. Examples that could have this result are the recalibration of the Tier 2 model, change in treatment of receptors (PWL) or alternatives such as well replacement being easier.
- Ability to move more quickly on sites decreasing the risk of third party claims not covered by the UST Fund.
- Owners of the company (claimants in some instances) are assured that UST Fund money is expended where intended.
- Ease in administration of these complicated claims.
- Investment income on reserved fund amounts could rise if transfer made thereby decreasing overall cost of capital and ultimately the cleanups.

- PMMIC has some leverage on claimants due to the ongoing insurance relationship for their ongoing business concerns and may be able to get claimants to move along with activities where the UST Fund cannot.
- PMMIC is able to make consultant changes on sites with greater ease. As a private entity they are not required to maintain neutrality in the selection of consulting firms

#### POTENTIAL DISADVANTAGES TO BUYER (PMMIC)

- Investment income on reserved fund amounts could fall if transfer made thereby increasing overall cost of capital and ultimately the cleanups.
- DNR regulations could change increasing the potential cost of assessment and cleanups. An example would be DNR requires sites to address MtBE, which is not a cost contemplated in estimating closure of these sites.
- Assuming ongoing liability for a fixed cost subjects PMMIC to all of the risks of change. There is no ability to realize more money for these claims if total cost increase, other than reinsuring the potential increase or raising rates on future insureds.

**(Board LPT Rules)**

CHAPTER 9  
UST FUND BOARD AUTHORITY TO TRANSFER LIABILITIES TO A THIRD PARTY  
(LOSS PORTFOLIO TRANSFERS)

**591—9.1(455G) Board authority for loss portfolio transfers.** The board may enter into a transaction with a third party to transfer a portion or all of the board's liabilities. The board maintains the sole discretion to pursue such a transaction and may elect to pursue or not to pursue such a transaction based on whether or not the board deems such a transaction to be in the best interest of the program.

**591—9.2(455G) Board liability subsequent to a loss portfolio transfer.** Once a claim is transferred as part of a loss portfolio transfer transaction, the board, pursuant to Iowa Code Supplement section 455G.6(17), shall not reimburse any further costs associated with that claim.

**591—9.3(455G) Minimum criteria to be evaluated.** In order to determine whether or not a transfer of a portion or all of its liabilities is in the best interest of the program, the board will evaluate, at a minimum, the following criteria:

**9.3(1)** Effect on overall cost to reach closure on sites.

**9.3(2)** Effect on speed with which site closure will be accomplished.

**9.3(3)** Qualifications of the potential acquiring entity, including but not limited to:

a. Financial viability.

b. Experience with environmental claims.

c. Knowledge of corrective action guidelines.

**9.3(4)** Impact on claims not included in the proposed transfer, including but not limited to:

a. Ability to timely pay ongoing claims.

b. Delays in completing corrective action.

c. Board's ability to end liability for all claims in the future.

**9.3(5)** Impact the transfer will have on the statutory rights of the claimants.

**591—9.4(455G) Proposal confidentiality.** Any proposal submitted to the board will be handled in accordance with applicable Iowa law with regard to confidentiality.

**591—9.5(455G) Requirement to seek bids.** Any agreement to transfer liabilities shall be awarded on a competitive basis to the maximum extent practical. In those situations where it is determined that public bidding is not practical, the basis for the determination of impracticability shall be documented by the board or its designee.

**591—9.6(455G) Proposal review.** The board will review and respond within a reasonable time frame to any proposal submitted seeking a transfer of liabilities. Any board decision to enter into an agreement to transfer liabilities shall be completed consistent with public meeting laws in effect at that time. Work required by the department of natural resources at the site may not be delayed pending review of a proposal. Claims will continue to be handled in accordance with board policy during any pending proposal.

These rules are intended to implement Iowa Code Supplement section 455G.6(17).

[Filed 6/4/04, Notice 4/28/04—published 6/23/04, effective 7/28/04]

**(Marketing Materials about General LPT Transactions)**

# Loss Portfolio Transfer Programs (LPTs or Buyouts)

## Overview:

When a company decides to acquire or merge with another company, the acquiring company may become liable for certain liabilities associated with the original company's past and ongoing operations. Some of these liabilities may be known or reasonably estimated at the time of acquisition, while others may not be discovered until well after the acquisition.

Instead of risk retention or self-insured programs - historically recognized as effective methods for corporations to share in and control their own cost of risk - Loss Portfolio Transfers (LPTs), or Buyouts, have been developed to offer a more efficient mechanism to control such exposures.

Structured LPTs help clients transfer the risk associated with various accrued liabilities, including:

- Workers' Compensation
- General Liability
- Auto Liability

## Customer Profile:

- An insurance captive that is being shut down or run off
- Situations involving the buying, selling, or spinning off of a business entity where the client would prefer the transaction to be free of accrued liabilities
- Most circumstances involving large dollar amounts of quantifiable accrued liabilities on the balance sheet. These programs can help clients transfer the risk associated with various accrued liabilities, including the following--Workers' Compensation --General Liability, Product Liability & Auto Liability --Medical Malpractice & Hospital Professional

## Benefits:

- Help facilitate Merger and Acquisition transactions by limiting liability valuations
- Increased debt capacity
- Reversal of deferred tax assets
- Favorable impact on net income and expenses
- Capping expenses and removing some of the uncertainties associated with losses
- The potential release of security that supports the existing self insurance which can represent substantial cost reductions to the client

## Features:

- LPTs involve the insurance and reinsurance of our clients' accrued liabilities. This can allow companies remove some of the uncertainty of loss
- Total ultimate losses and the payout pattern of those liabilities are actuarially determined and valued in terms of present-day dollars
- Premiums are established based on expected losses and an appropriate risk charge to protect the client against adverse loss development
- Additionally, we offer financing options for LPTs through the member companies of AIG.

## **Submission Requirements**

**To offer the most competitive and complete LPTs terms, the following data is needed for each underwriting year:**

- Transfer requirements and objectives
- Insurance history and program structure
- Limits of liability required (occurrence & aggregate)
- Coverage details (copy of original policy wording, special run-off, extended reporting periods, etc.)
- Summary of incurred, paid and outstanding losses, as well as reserving practices - individual large loss information
- Triangulated losses (paid, incurred & claim count) for a minimum of seven years
- Exposure base (e.g., fleet, revenues, payroll, employees)
- Plans for future claims handling

 **AMERICAN INTERNATIONAL COMPANIES®**

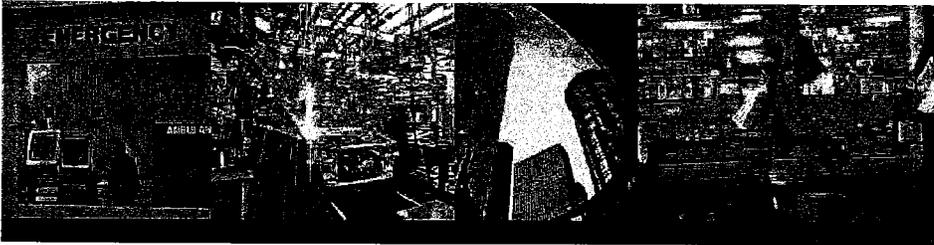
Insurance underwritten by member companies of American International Group, Inc., (AIG). The policy described may not be available in all states, and the description thereof is not a complete description or a complete list of all policy terms, conditions and exclusions. Please see the policy for a complete description of its scope and limitations of coverage.

# **LOSS PORTFOLIO TRANSFERS**

## **2002 Giro Working Party Paper**

### **Working Party Members:**

**Alessa Quane  
Andy Macnair (Chairman)  
Cheryl Russell  
Geoff Perry  
Laurence Townley  
Neil Bruce  
Richard Shaw**



## **AIG Risk Management®**

Loss Portfolio Transfer & Buyout Division

### **AIG Risk Management Loss Portfolio Transfer & Buyout Division**

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For more than 30 years, AIG Risk Management® (AIGRM®) has been known as the leading provider of sophisticated risk management programs for large commercial accounts. In keeping with this tradition, the AIGRM Loss Portfolio Transfer/Buyout (“LPT/Buyout”) Division was formed to provide creative risk management solutions for clients seeking to transfer accrued liabilities resulting from past or ongoing operations.

Under this innovative approach, the AIGRM LPT/Buyout Division will assume a client’s liabilities which may have developed over time, thereby eliminating the uncertainty of adverse loss development and enhancing the prospects for merger, acquisition or divestiture.

This LPT/Buyout program may also be combined with a spectrum of products and services available within the diverse member companies of American International Group, Inc. (AIG), in order to create a comprehensive program to meet practically all of your risk management needs.

### **Alternative Solution for Diverse Needs**

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An AIGRM LPT/Buyout program may be ideally suited for the following clients:

- Clients who maintain significant retentions
- Clients who possess large, multiple-year capitalized liabilities
- Merger, acquisition or divestiture candidates for whom a transaction free of accrued liabilities is preferred
- An insurance captive that is being shut down or run off

<b>Targeted Liability Portfolios</b>	<b>Prospect Characteristics</b>
<ul style="list-style-type: none"><li>• Workers’ Compensation</li><li>• General Liability</li><li>• Products Liability</li><li>• Automobile Liability</li></ul>	<ul style="list-style-type: none"><li>• Minimum \$2 Mill case/loss reserve</li><li>• Multiple years</li><li>• Historically retained liability (Deductible or SIR)</li></ul>






The benefits derived from utilizing an AIGRM LPT/Buyout program include:

- Mitigation of accrued liabilities
- Conversion of unknown future liabilities to a present day fixed price
- Increased debt capacity
- Reduction in previously established reserves
- Benefits realized through use of AIG Claim Services (an AIG approved TPA may also be utilized in certain instances)

## **Program Implementation Prerequisites**

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In order to ensure that the AIGRM LPT/Buyout Division provides the most competitive and complete program structure, the following data elements will be requested via a comprehensive submission form for each underwriting year:

- Lines of business to be transferred and objectives
- Program structure, limits of liability (occurrence and aggregate) and coverage details
- Scope of operations of company and exposure base
- Loss history and reserving practices
- Past TPA history and plans for future claims handling

Upon receipt of this information and the completion of underwriting and actuarial due diligence (which may require a nominal fee), the client is provided a Term Sheet which incorporates the initial pricing analysis, proposed aggregate limit, and a description of all key elements of the transaction. If the client elects to pursue the LPT/Buyout option after reviewing the Term Sheet, the AIGRM LPT/Buyout Division will conduct a claims audit for a fee in order to finalize transaction pricing. The ultimate LPT/Buyout price at binding will be credited with this non-refundable pre-paid fee.

## **The AIG Risk Management Advantage**

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As a division of the Domestic Brokerage Group of American International Group, Inc. (AIG), AIG Risk Management provides clients with comprehensive risk management programs that are backed by the financial strength and underwriting of the world's leading international insurance and financial services organization, with operations in more than 130 countries and jurisdictions.

AIG member companies serve commercial, institutional and individual customers through the most extensive worldwide property-casualty and life insurance networks of any insurer. In the United States, AIG member companies are the largest underwriters of commercial and industrial insurance. In addition, AIG companies are leading providers of retirement services, financial services and asset management around the world. AIG's common stock is listed in the U.S. on the New York Stock Exchange as well as the stock exchanges in London, Paris, Switzerland and Tokyo.

Financial strength and long-term stability are important factors when selecting an insurance carrier. With more than \$800 billion in assets and more than \$80 billion in shareholder's equity, AIG is one of the strongest and most stable insurance and financial services organizations in the world. Our strong financial resources and more than 85 years experience help ensure that clients' claims are successfully and satisfactorily handled – today and well into the future.

**To learn more, please contact your insurance broker or your local AIG Companies® representative.**

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You may also visit our website at [www.aigriskmgmt.com](http://www.aigriskmgmt.com)





## Product Sheet: Loss Portfolio Transfer

### Summary

A Loss Portfolio Transfer (LPT) can be described as the “sale” of a liability carried on the balance sheet of a company, which can be a corporation or its captive insurance company. Often this liability is the future payment obligation of a retained risk, such as workers’ compensation or general liability. The buyer of these liabilities is usually an insurer and derives pricing based upon the discounted value of the ultimate forecast of the claims with a risk charge added.

LPTs are often pursued in conjunction with significant business events such as mergers or acquisitions, a desire to eliminate loss volatility or to address corporate structure. In addition to any underlying business reason, whether an LPT makes sense is a function of cash flow.

### Benefits

The principal benefits that can be derived from an LPT are:

- Certainty of cost through the transfer of the risk of adverse deterioration of reserves
- Realization of profits if reserves can be released
- Ringfence the effect of discontinued operations
- Ability to close a captive if all its liabilities are removed
- Release of collateral requirements supporting captive or self insured programmes
- Potential for acceleration of tax relief

### Issues addressed

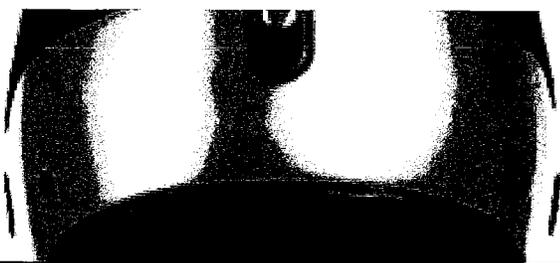
LPTs are likely to be of relevance to companies that fit some or all of the following criteria:

- A history of risk retention
- A desire to clean up its balance sheet through the removal of past liabilities
- Disposal activity that has led to liabilities from discontinued businesses
- Significant collateral requirements that may even exceed the expected value of liabilities
- Good quality data to allow detailed analysis and the negotiation of competitive pricing
- An impending merger, acquisition, or disposal where liabilities need to be capped

### About IRMG

IRMG are a global leader in delivering independent advice and solutions for complex risk problems. With more than 25 years of proven experience, IRMG’s services enable clients to identify, assess, mitigate and finance complex risks. Consultants experienced in a range of disciplines ensure that clients reduce their risk exposure through creative solutions that are not only cost-effective, but incorporate creative use of capital and other resources such as access to reinsurance markets and specialized insurance vehicles. For the best solutions to complex risk problems, turn to IRMG.

[www.irmg.com](http://www.irmg.com)



## Product Sheet: Loss Portfolio Transfer

### Key product capabilities

It is possible to transfer all or part of a historical loss portfolio depending on the objectives to be achieved, which will impact the pricing, residual risks and most appropriate structure.

The process to achieve an LPT will encompass the following stages:

- Claims audit and closure exercise to minimize costs and remove uncertainty around the ultimate loss outcome
- Identify years / risks to be transferred. An LPT could apply to all historic risks, or just certain types of risk, depending upon cost effectiveness
- Actuarial analysis and target pricing developed
- Selection of appropriate insurance markets and negotiation of terms
- Structuring, execution, documentation and ongoing monitoring

### The IRMG approach

IRMG's blend of skills allow all services necessary to design, analyze and complete an LPT to be handled by an integrated team. We also have access to specialist services in the areas of claims consulting and access to worldwide insurance markets.

We fully understand the importance of analysis and presentation in order to achieve the best results from the insurance market and we have a range of sophisticated analytical tools to facilitate this process.

An LPT is often part of an overall business re-engineering process and the wide range of IRMG's consulting skills allow consideration to be given to issues such as captive structuring and overall programme design to complement the LPT transaction.

### Contact

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## **D. DNR Update**

## **E. Administrator's Contract Renewal**

**(1<sup>st</sup> Agreement Extension)**

**FIRST EXTENSION OF  
AGREEMENT FOR THE ADMINISTRATION  
OF IOWA'S COMPREHENSIVE PETROLEUM  
UNDERGROUND STORAGE TANK FUND  
PROGRAM**

**I. PARTIES:**

Iowa Comprehensive Petroleum Underground Storage Tank Fund Board c/o Iowa Insurance Division, 330 Maple Street, Des Moines, Iowa 50319 (hereinafter referred to as "UST Fund Board"); and

Aon Risk Services, Inc. of Nebraska, 11213 Davenport Street, #201, Omaha NE 68154-2604 (hereinafter referred to as "Aon").

**II. BACKGROUND:**

On December 10, 2004, the UST Fund Board and Aon entered into an agreement for the administration of Iowa's petroleum underground storage tank fund program (hereinafter referred to as the "Agreement").

The initial term of the Agreement was from January 1, 2005 through December 31, 2006. Section 1 of the Agreement grants the UST Fund Board the option to extend the term of the Agreement for up to four terms of one (1) year each. At its regular board meeting on August 24, 2006, the UST Fund Board voted to exercise its option to extend the term of the Agreement through December 31, 2007.

**III. EXTENSION OF TERM**

Pursuant to section 1 of the Agreement, the UST Fund Board has determined to exercise its option to extend the term of the Agreement and timely gave Aon notice of its election to do so. Therefore, the parties hereby enter into this First Extension of the Agreement, and agree to extend the term of the Agreement to run through December 31, 2007, unless terminated or extended pursuant to the terms of the Agreement.

**IV. AON'S COMPENSATION**

Section 5 of the Agreement provides Aon shall be compensated for its services under the Agreement on the basis of a flat fee, subject to certain exceptions contained in section 5 of the Agreement, plus Aon's expenses incurred pursuant to its contract with GAB Robins, to be passed on to the UST Fund Board at Aon's cost. During the second year of the initial term of the Agreement, Aon's flat fee was \$57,750.00 per month.

Pursuant to Section 5 of the Agreement, Aon's compensation is to be increased by an amount equal to the fixed fee in existence at the time of the exercise of the option to extend the Agreement,

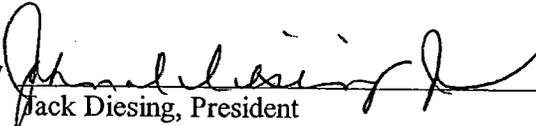
plus a five percent (5%) increase per extension or renewal. Accordingly, the Parties hereby agree that Aon's compensation for the extended term of the Agreement shall be \$60,638.00 per month, subject to the exceptions contained in section 5 of the Agreement, plus Aon's expenses incurred pursuant to its contract with GAB Robins, to be passed on to the UST Fund Board at Aon's cost.

#### V. INCORPORATION.

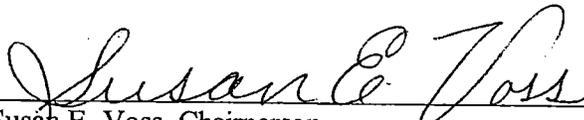
The parties agree that all provisions of the Agreement, and of this First Extension thereto, are incorporated herein as if set forth in full. The Parties also agree that terms used in this First Extension shall have the same meanings as under the Agreement, unless otherwise noted in this First Extension.

IN WITNESS WHEREOF, the UST Fund Board and Aon have executed this First Extension to the Agreement on this 28<sup>th</sup> day of August, 2006.

#### AON RISK SERVICES, INC. OF NEBRASKA

By   
Jack Diesing, President

#### IOWA COMPREHENSIVE PETROLEUM UNDERGROUND STORAGE TANK FUND BOARD

By   
Susan E. Voss, Chairperson  
Commissioner of Insurance  
for the State of Iowa

**(Original Administration Agreement)**

## ADMINISTRATION AGREEMENT

This Agreement ("Agreement") is entered into this 10 day of December between the Iowa Comprehensive Petroleum Underground Storage Tank Fund Board (hereinafter referred to as the "Board"), whose address is c/o Iowa Insurance Division, 330 East Maple Street, Des Moines, Iowa 50319, and Aon Risk Services, Inc. of Nebraska (hereinafter referred to as the "Contractor"), whose address is 11213 Davenport Street, #201, Omaha NE 68154-2604.

**WHEREAS**, the Board was established under Iowa Code chapter 455G (hereinafter referred to as "455G") to administer the Iowa Comprehensive Petroleum Underground Storage Tank Fund (hereinafter referred to as the "Fund"). The Iowa Comprehensive Petroleum Underground Storage Tank Fund Program (hereinafter referred to as the "Program") was created and operates pursuant to 455G to assist Iowa's owners and operators of petroleum underground storage tanks (hereinafter referred to as "USTs") in complying with federal environmental protection agency technical and financial responsibility regulations and to perform other functions set forth in 455G; and

**WHEREAS**, Iowa Code section 455G.9 requires the Board to establish, implement, administer, operate, and phase out a remedial claims program (the "Remedial Claims Program") to provide financial assistance to UST owners/operators to help them pay for investigation, monitoring, and remediation related to past releases of petroleum from USTs; and

**WHEREAS**, Iowa Code section 455G.21(2)(a) requires the Board to establish, implement, administer, operate, and phase out an innocent landowners fund claim program (the "Innocent Landowners Fund Claim Program") to help UST owners/operators pay for investigation, monitoring, and remediation related to past releases of petroleum from USTs; and

**WHEREAS**, The Board has established an opt-in program ("Opt-In Program") based on the Board's cost recovery program which has obtained significant amounts of money from various responsible parties through out-of-court settlements, which settlements provide that UST owners/operators who are eligible for either remedial claims benefits or innocent landowner's fund benefits should receive some of the settlement proceeds; and

**WHEREAS**, Section 455G.10 authorizes the Board to implement and operate a loan guarantee program ("Loan Guarantee Program") to provide financial assistance to certain businesses to enable them to comply with technical requirements imposed by the federal government and the State of Iowa; the initial legislation creating the Program repealed the loan guarantee program effective July 1, 1999, except as it relates to loan guarantees in existence at the time of the repeal; and

**WHEREAS**, pursuant to Iowa Code section 455G.17, the Board certifies UST liners, installers, testers, and inspectors and is required to adopt procedures and standards related to such certifications and approve curricula for training; and

WHEREAS, Contractor, in conjunction with Aon Worldwide Resources ("Worldwide"), submitted a proposal in response to the Board's RFP:ADMIN5 request for proposals (the "RFP") to serve as the Administrator of the Fund, which proposal was selected by the Board as the most advantageous to it and the Fund; and

WHEREAS, the RFP contemplated the execution of a contract for the administration of the Fund with an effective date no later than January 1, 2005; and

WHEREAS, Iowa Code section 455G.5 authorizes the Board to contract with private entities in connection with the Board's implementation and administration of the Board's programs; and

WHEREAS, pursuant to this authority, the Board desires to enter into this Agreement with Contractor to provide for the implementation, administration, operation, and phase out of the Program as specifically set forth in this Agreement.

NOW, THEREFORE, the parties hereby agree as follows:

1. Term. The term of this Agreement shall begin upon execution hereof by all parties hereto and shall run through the 31st day of December, 2006, unless otherwise terminated or extended pursuant to the terms of this Agreement.

At its sole discretion, the Board shall have the option to renew this Agreement for four (4) additional one year terms by giving Contractor notice in writing of the Board's exercise of its option at least ninety (90) days prior to the date this Agreement or the then existing optional extension shall expire. The Board's authority to exercise options under this Agreement is unilateral.

In addition to the Board's options to renew this Agreement, the Board and Contractor may mutually agree to extensions of this Agreement.

An extension of this Agreement pursuant to the terms hereof is not, itself, a contract entered into to retain a person to act as administrator of the Fund as contemplated by Iowa Code section 455G.5 and does not require public bidding.

2. Incorporation of Solicitation Documents. The RFP, its supplemental informations, Contractor's proposal, and responses to supplemental informations are incorporated into this Agreement by this reference as if fully set forth in this Agreement. The terms and conditions of the RFP, its supplemental informations, Contractor's proposal, and responses to supplemental informations are made contractual obligations of Contractor as amended by this Agreement. In case of any inconsistency or conflict between the specific provisions of this Agreement and the RFP, its supplemental informations, Contractor's proposal, and responses to supplemental informations, the inconsistency or conflict shall be resolved by first giving preference to the provisions of this Agreement, then to those provisions of the RFP and its supplemental informations, and then to those provisions of Contractor's proposal and responses to supplemental informations.

3. Contractor's Duties, Services, and Responsibilities. Contractor shall provide all services required to implement, administer, operate, and phase out the Program. Except as otherwise contemplated by this Agreement, Contractor shall assume full responsibility for administration of the Program as of January 1, 2005. Contractor's duties shall include, but are not limited to, the following:

(a) General Administration, Management, and Support Services.

(i) Financial and Accounting. Contractor shall provide all financial and accounting systems and support necessary for the implementation, administration, operation, and phase out of the Program. Contractor agrees to continue to establish and maintain an accounting system for all aspects of the Program, except those tasks performed by the Iowa Treasurer's Office, the Iowa Department of Administrative Services, and the Iowa Department of Revenue. This system shall be coordinated with these state agencies to account for all cash receipts and disbursements.

The accounting system shall have the ability to review and balance all financial information monthly, including reconciling the information generated from the Program with the information provided by the Treasurer.

The accounting system shall provide assistance to the State Auditor and to the Department of Revenue on matters related to the environmental protection charge on petroleum diminution.

The accounting system shall identify accounts payable and classify expenses.

Contractor shall assist in the coordination and development of bond funding and debt financing. These duties and responsibilities will include interaction with the Iowa Finance Authority, the State Treasurer, and the Board. Contractor shall participate and monitor the underwriting process including assistance in all activities related to the issuance of bonds.

Contractor shall establish and implement all accounting policies and procedures necessary to support the Program.

(ii) Database, Computer, and Data Processing Support. Contractor shall establish, and maintain all database, computer, and data processing support necessary or convenient to the implementation, administration, operation, and phase out of the Program. This service shall be capable of supporting each of the Fund's various programs, such as the claims programs, the licensing and education program, the community remediation program and the loan guarantee program. Contractor shall maintain a computer operating system necessary to support Contractor's functions and responsibilities under this Agreement, which shall include, but not be limited to, the UST Management System. The UST Management System shall maintain a full range of data on Iowa UST owners, operators, sites, tanks, certain geographic conditions, leak detection, underwriting, claims, loans, licensing, and all other functions of the Program. The UST

Management System shall be able to produce management information as deemed appropriate by the Board to enable the Board to monitor the cost effectiveness of corrective action activities. Contractor shall establish and maintain all database, computer, and data processing support necessary to provide all information and reports requested by the Board.

(iii) Technical Environmental Support. Contractor shall provide all technical environmental support the Board deems necessary or convenient for the Program, including, but not limited to, the following:

- Support capable of analyzing proposals and all other activities of consultants to assure technically effective and cost effective corrective action, including proposals and corrective action employing innovative technologies. This support shall provide all necessary technical oversight for all claims, community remediation projects, and any other Program applications which have technical environmental aspects;
- Technical support the Board deems necessary or convenient to support the Program's cost recovery program. This support shall be capable of performing necessary environmental technical services for cost recovery support, including, but not limited to, case selection, case preparation, case discovery including depositions, trial preparation and trial testimony.

In the event the Board determines additional technical environmental support is necessary, Contractor shall provide such support without additional compensation under this Agreement, which is based on a fixed fee; provided, however, that in the event the provision of such additional technical environmental support constitutes a material change in the scope of Contractor's duties and responsibilities, Contractor's compensation shall be adjusted pursuant to the provisions of Section 6 hereof. In the event the Board determines that it is necessary to use resources from the Iowa Attorney General's Office to perform technical environmental support services, Contractor shall pay for such services.

Environmental technical support personnel are key personnel governed by section 4 of this Agreement.

(iv) Cost Control. Contractor shall provide all services necessary to implement and administer the cost control mechanisms mandated by Iowa Code section 455G.12A. Contractor shall establish, implement, administer, and operate policies and procedures that result in effective cost control within the authority of the Program, especially as it relates to costs for corrective action.

Contractor shall analyze, assess and monitor innovative technologies for purposes of developing more cost effective corrective actions.

(v) Rulemaking. Contractor shall provide all services necessary for Program rulemaking. Contractor shall identify policy issues which should be incorporated into the Program's

rules. Contractor shall research and draft policy issue papers on such issues, as necessary, for Board review and discussion. Contractor shall draft and distribute rules, hold public hearings, meet with interest groups, meet with the legislative rules review committee, and perform all tasks necessary to formulate and adopt rules necessary to the operation of the Program.

(vi) Lobbying. Contractor shall provide all services necessary for lobbying concerning the Program. Contractor shall consider legislative issues which may impact the Program and review such issues with the Board. Contractor shall establish economic positions and develop impact studies on such issues.

Contractor shall meet with legislators, legislative committees, and affected parties to discuss legislative issues and their impact on the Program. Contractor shall actively lobby on behalf of the Board on legislative issues proposed, endorsed, or opposed by the Board.

(vii) Clerical Support. Contractor shall provide all clerical support necessary or convenient for the implementation, administration, operation, and phase out of the Program. Contractor shall prepare and distribute all written materials requested by the Board or which are necessary to perform the functions of administrator for the Program, including, but not limited to, agendas, minutes of meetings, annual budgets, periodic reports to the Board on the activities of the administrator, quarterly and annual management overview reports as requested, and any other reports necessary to respond to reasonable requests from the Board.

(viii) General Support Services. Contractor shall provide all other general support services incidental to and necessary or convenient for the implementation, administration, operation, and phase out of the Program. General support services include, but are not limited to, the following:

- Providing toll free telephone numbers for Program support;
- Reporting to the Board;
- Day to day administration;
- Handling all incoming and outgoing mail and telephone calls;
- Handling all technical support for the Program;
- Monitoring compliance with the applicable laws;
- Making recommendations with respect to policy, administration and compliance with applicable laws;
- Coordinating administrative functions with the Board;
- Establishing a contact person to act as the head of the administration of the Program;
- Negotiating and administering contracts on behalf of the Program and UST owners/operators;
- Negotiating and administering settlements on behalf of the Program;
- Assisting the Board in short and long term planning;
- Providing the Board with data and analysis of such data;

- The development, preparation, and layout of support material, application forms, and supporting documentation;
- Participating in educational seminars for groundwater professionals and Program participants;
- Representing the Program at regional and national USEPA and ASTSWMO meetings;
- Dealing with the public and press on matters of public interest;
- Handling public records requests submitted to the Board.

(b) UST Fund Claims Programs Services.

(i) Scope of Services. Contractor shall provide all services necessary for the implementation, administration, and operation, and phase out of the Program's claims programs, including, but not limited to, the Remedial Claims Program, Innocent Landowners Fund Claim Program, and the Opt-In Program.

Contractor shall provide all services the Board deems necessary or convenient for the implementation, administration, operation, and phase out of all UST Fund claims programs.

Contractor shall provide claims professionals, administrative assistants and such other support as is necessary for the UST Fund claims programs. Claims professionals must have environmental project management experience or claims adjudication experience with an environmental background.

During the term of this Agreement, open claims files shall be maintained in the greater Des Moines, Iowa area, and the majority of Program claims activities will be performed in the greater Des Moines, Iowa area.

Claims professionals are key personnel governed by the provisions of this Agreement applicable to key personnel.

(ii) Claims Processing Services. Contractor shall provide all services necessary to implement, administer, operate, and phase out the UST Fund claims programs, including, but not limited to, the following:

- A. Administering, handling, and adjusting remedial account and innocent landowners fund claims. These duties and responsibilities include, but are not limited to:
  - Establishing a claim file upon an owner's submission of a claim;
  - Investigating and determining if the claim is eligible for benefits;
  - Establishing a reserve on eligible claims;

- Calculating Program co-payments and processing submitted corrective action invoices for payment of eligible claims. Invoices submitted are to be reviewed, evaluated, and accepted as submitted, rejected in total, or partially approved prior to the calculation of co-payments;
- Establishing, implementing, and operating the Program's cost control authority as it relates to claims;
- Identifying claims with cost recovery potential for referral to the Attorney General's office;
- Responding to the Attorney General's or regional counsel's request for data on claims or additional investigations;
- Communicating with UST owners/operators in writing on all budgets accepted, with copies to IDNR and consultant;
- Communicating with owners and operators on all invoices submitted that are not approved in total;
- Responding to all inquiries from owners and operators and their consultants with questions concerning claims procedures, etc.;
- Reviewing consultant's reports for additional evaluation of claims with respect to reserves, eligibility, cost recovery, and documentation of budgeted work completed;
- Negotiating settlements and agreements;
- Maintaining close liaison with counsel and technical environmental support staff and with IDNR;
- Participating in, and cooperating with, IDNR business process improvement efforts;
- Reviewing and approving budgets for work that is to be paid, in part, from the claims accounts;
- Providing technical assistance required in conjunction with the claims programs;
- Providing appropriate environmental technical support required in conjunction with the claims programs;
- Establishing, maintaining, and operating claims procedures;
- Establishing, maintaining, and implementing claims payment criteria, procedures, and policies;
- Establishing claim priorities;
- Establishing and maintaining a database required to support the claims programs;
- Maintaining claim file records;
- Setting, reviewing, and approving payments, reserves, and other adjusting standards;
- Outlining claims specifics, such as cause of loss;
- Obtaining documentation of the site both prior to and at the time of remediation;

- Determining if other coverage exists;
- Identifying any third-party recovery source;
- Ascertaining whether any third-party liability exists;
- Recommending reserve changes and payments;
- Preparing monthly summary reports, claims summaries, paid loss summaries, trend analysis reporting, and such other claims related reports as are requested by the Board.

B. The major factors in the evaluation and handling of claims are:

- Determining if the claim is for corrective action as defined by Iowa Code chapter 455G;
- Determining if the claim involves a regulated UST;
- Determining if costs are necessary or if the action is necessary and required by IDNR;
- Determining if the cost is reasonable;
- Ensuring prior budget approval was obtained.

C. In addition to the requirements set forth in subsections A-B, above, which apply to opt-in claims, Contractor shall also, with regard to opt-in claims, do the following:

- Assist owners and operators to determine whether they qualify for benefits;
- Determine the status of the sites;
- Determine the amount of opt-in benefits available;
- Communicate with claimants regarding their claims;
- Provide for payment or credit of applicable benefits.

(c) Loan Guarantee Program. Until the Loan Guarantee Program is concluded and no guaranteed loans are outstanding, Contractor shall provide all services necessary to administer, operate, and phase out the Loan Guarantee Program. Contractor's duties and responsibilities shall include, but shall not be limited to, the following:

- Setting and monitoring loan loss reserves;
- Paying guarantees, where necessary;
- Establishing and implementing necessary procedures, guidelines, forms, and policies regarding loan guarantees, including those related to default and payment;
- Educating and providing information to UST owners and operators regarding the Loan Guarantee Program;
- Annually reviewing all loan files for compliance with loan agreements;

- Reviewing financial statements and tax returns of the borrowers and analyzing them for negative financial trends;

(d) Certification and Education of Liners, Installers, Testers and Inspectors. Contractor shall provide all services necessary to implement, administer, operate, and phase out the program for certifying and educating UST liners, installers, testers, and inspectors. Contractor shall annually review applications for compliance with education and field experience requirements which shall include, but shall not be limited to, ensuring applicants complete the educational requirements, have passed the Iowa exam, have the required amount of installation/inspection experience, and have pollution liability policies in effect, if required. Contractor shall provide facilities and proctoring for certification testing. Contractor will coordinate and participate in training schools for installers and inspectors, and maintain certification procedures and standards therefor. Contractor will determine that sufficient education programs exist for individuals wishing to obtain certification.

(e) Community Remediation Projects. Contractor shall provide all services necessary to implement, administer, operate, and phase out the Program's community remediation (as defined in section 455G.2(5)) project program. Contractor's duties and responsibilities shall include, but shall not be limited to, the following:

- Identifying sites where a project for a CRPCA appears appropriate;
- Identifying all UST Fund eligible parties in a project for a CRPCA;
- Identifying all parties affected by a project for a CRPCA;
- Determining the ability to pay of each of the owners and operators affected by a project for a CRPCA;
- Obtaining Board approval to initiate a project for a CRPCA;
- Preparation of appropriate RFP documents, including the scope of work;
- Providing public notice of a project;
- Responding to RFP questions;
- The review and award of a contract for a project for a CRPCA;
- Project management, including ongoing contact with participants through direct contact, mailing, press releases and other reporting requirements;
- Maintaining communications with appropriate government entities, including appropriate public officials, utility managers, and safety professionals;
- Negotiating contracts for approval by the Board;
- Providing day-to-day oversight and administration of a contract through completion of the project;
- Reviewing change order requests for appropriateness and providing them to the Board for review and approval.

4. Key Personnel. Contractor acknowledges that various unique and highly specialized services are required under this Agreement. Contractor shall provide those services through the commitment of highly trained and qualified personnel. Contractor further agrees the UST Fund Program cannot be efficiently and effectively implemented, administered, operated and phased out

without the commitment of such highly trained and qualified personnel. For purposes of this Agreement, such personnel are considered key personnel.

The following personnel are key personnel for purposes of this Agreement:

(a) The following persons:

Scott Scheidel; and  
James Gastineau

(b) Any person filling an employment position identified in this Agreement as being an employment position requiring key personnel; and

(c) Any person replacing a person in an employment position identified in this Agreement as being an employment position requiring key personnel; and

(d) Any person added to an employment position identified as an employment position requiring key personnel; and

(e) Any person replacing key personnel.

It is agreed that should any key personnel be replaced or any key personnel position be filled, Contractor will seek the Board's approval. In seeking the Board's approval of key personnel, Contractor will provide the Board with the information related to the individual's training, education and work experience necessary for the Board to make a decision on whether to grant its approval. The Board's approval of key personnel shall not be unreasonably withheld. If the Board does not approve the personnel whom Contractor offers for the replacement of key personnel or as filling a key personnel position, Contractor will obtain alternative personnel who are acceptable to the Board pursuant to this paragraph.

Should Contractor fail to obtain key personnel who are necessary to the implementation, administration, operation and phase-out of the Program who are approved by the Board, notwithstanding Sections 12 and 13, in addition to any other remedies available to the Board, the Board may treat such failure as a breach of a material term of this Agreement, allowing the Board to terminate this Agreement and make alternative arrangements for the administration of the Program.

Contractor agrees the position of Administrator is a unique and critical function to the overall Program and the position requires key personnel. In conjunction with its responsibility for the day-to-day operation of the Program, Contractor agrees that Mr. Scott Scheidel shall act as the Administrator of the Program. Mr. Scheidel shall be provided offices in the Contractor's Des

Moines, Iowa area office, attend all Board meetings and be Contractor's primary contact person with the Board.

Contractor and the Board agree that, in the provision of Administrator services, a majority of Mr. Scheidel's professional time shall be required to fulfill Contractor's duties and responsibilities under this Agreement. However, during periods of time when all Mr. Scheidel's professional time is not required, the Board agrees that Mr. Scheidel may perform other duties for Contractor so long as those other duties do not pose a conflict with or in any other manner adversely affect his Administrator duties and responsibilities under this Agreement.

Should Mr. Scheidel's employment with Contractor terminate, or otherwise cease to be available to the Program under this Agreement, it is agreed the Board shall at its sole discretion have the option of obtaining such services from a party or parties outside of Contractor. Should the Board elect to exercise this option, it is agreed that the value of these services amount to ten thousand dollars (\$10,000.00) per month and payments to Contractor for its services under this Agreement shall be reduced by that amount. Contractor agrees to work with, and follow the directions of, such outside party selected by the Board.

5. Contractor's Compensation. During the term of this Agreement, Contractor shall be compensated for its services under this Agreement on the basis of a flat fee of \$55,000.00 per month for the first year of this Agreement (calendar year 2005) and a flat fee of \$57,750.00 per month for the second year of this Agreement (calendar year 2006). In addition to said flat fee, Contractor shall bill the Board, at cost, its expenses incurred pursuant to its subcontract with GAB Robins (the "GAB Costs"). The GAB Costs shall not exceed \$47,695.58 per month for the first year of this Agreement and shall not exceed \$50,080.33 for the second year of this Agreement. The flat fee shall include compensation for Contractor's ordinary expenses, such as, but not limited to, printing, telephone long distance costs, postage, internet service fees, and travel expenses; provided, however, that extraordinary expenses, as determined by the Board, such as, but not limited to, facilities rental fees and catering expenses associated with the Board's annual strategic planning session or other special meetings, shall be billed by Contractor at cost and paid by the Board. Except as otherwise specifically set forth in this Agreement, the flat rate fee shall include all services provided by Contractor under this Agreement, with the exception of community remediation projects which shall be compensated at the rate of \$3,000.00 per community remediation project initiated after the term of this Agreement begins.

In the event the Board exercises its options to renew or the Board and Contractor agree to other extensions to this Agreement, Contractor shall be compensated for its services under this Agreement on this basis of the fixed fee in existence at the time of the exercise of the option or the mutually agreed extension plus a five percent (5%) increase per extension or renewal. Unless the parties mutually agree to the contrary, the compensation for services excepted from the fixed fee as set forth above is not subject to the 5% increase.

Contractor's compensation at any time during this Agreement is subject to the other provisions of this Agreement including, but not limited to, those provisions relating to material changes.

Payment for Contractor's services under this Agreement shall be made from funds appropriated for such purposes by the Board from the UST Fund or from such other sources as are legally available to the Board. Payment shall be made monthly unless otherwise agreed in writing between the parties.

On a monthly basis Contractor shall provide a management report to the Board. This management report shall identify the number of claims outstanding, number of claim payments made, number of claims closed, new claims opened, number of groundwater professional applications received, number of groundwater professional licenses issued, number of renewal applications received, number of renewal licenses issued, number of installer/inspector applications received, number of installer/inspector licenses issued, number of exams proctored, number of community remediation RFPs initiated, number of community remediation contracts let, and the number of site inspections performed. In addition, in response to any reasonable request by the Board, Contractor will provide the Board with additional documentation which supports Contractor's provision of services under this Agreement to be used by the Board when approving compensation of Contractor under this Agreement. Contractor specifically agrees it will provide any and all information and documentation requested by the Board.

6. Material Changes in the Scope of Duties and Responsibilities. The parties recognize that the scope of duties and responsibilities related to the administration of the Program may experience material changes during the term of this Agreement. In the event that during the term of this Agreement, including any extensions to the term of this Agreement, there is a material change in the scope of Contractor's duties and responsibilities, the parties shall redefine the terms of Contractor's duties, responsibilities, and compensation under this Agreement. If in such situations the parties cannot agree on the redefinition, notwithstanding any other provisions of this Agreement, in addition to any other remedies available to the Board, the Board may immediately treat such failure to agree as a breach of a material term of this Agreement, terminate this Agreement, and make alternative arrangements for the administration of the Program.

(a) A material change during the first two (2) years shall include, but not be limited to the elimination of a claims program or new legislation establishing a new program. For material changes consisting of the elimination of a claims program, the compensation paid Contractor shall be reducing by a sum mutually agreed upon by the Contractor and the Board effective in the month following the elimination of the program.

(b) During the term of this Agreement, including any extensions to the term of this Agreement, one or more of the programs set forth below may be eliminated. For such changes, the compensation paid Contractor shall be adjusted by reducing the payment of the appropriate line item, as set forth below, effective in the month following the elimination of the service. The line items identified below, as reflected in Exhibit A of Contractor's proposal, shall be eliminated as follows:

elimination of the entire licensing program:  
Licensing and Registration 100%

elimination of the entire guaranteed loan program:  
Loan Guarantee Program 100%

(c) If at any time following January 1, 2007, the number of open claims in any of the claims programs are reduced by fifty percent (50%) or more from their January 1, 2005 level, the fee for administering such claims program(s) shall be renegotiated. The parties to the Agreement shall consider the level of activity reported in Contractor's asset allocation reports when negotiating the compensation for the reduced number of claims. Such re-negotiation shall occur each time the claims are reduced by fifty percent (50%) or more from the previous extension.

(d) In the event Contractor determines that one or more reductions in its fees pursuant to one or more of subsections (a) through (c), above has resulted in a compensation rate which is unreasonably low, the parties shall confer in good faith, and if it is mutually determined that the reduced rates are inequitable, the parties shall in good faith negotiate new rates.

(e) At least quarterly, and at such other times as the Board may request, Contractor will provide the Board with an assets allocation report (hereinafter "AAR"). For the quarterly reports, the time frame for the AAR shall be three (3) months. At any other time the Board requests an AAR, the Board will specify the time period that report is to cover.

Contractor shall set forth in the AAR the amount of money the Board paid Contractor for services provided under this Agreement during the relevant time period. Using a format similar to Contractor's Supplemental Cost Detail to Exhibit A of Contractor's proposal (hereinafter referred to as "Contractor's Supplement") and acceptable to the Board, Contractor will identify all persons providing services to the Board under this Agreement for the time period and allocate the percentage of each person's time to the various categories set forth in Contractor's Supplement, providing the percentage of the person's time allocated to that category during the time period. If there was no service performed for a category during the time period, Contractor shall so indicate in the AAR. If services were provided for a category which is not contained in Contractor's Supplement, Contractor shall indicate the new category in the AAR and allocate personnel time to this new category in the same manner Contractor does for categories which are contained in Contractor's Supplement. In a like manner, Contractor shall allocate the money the Board paid to Contractor for services performed under this Agreement during the time period among the various categories set forth in Contractor's Supplement, plus any new categories.

(f) In the event any new programs are established by the Board, Contractor's fee shall be negotiated by the parties based on the services to be provided, or the Board may, in its discretion, issue a request for proposals. The extension of the AST claims program beyond the provisions contained in HF 2401 (2004) will qualify the AST claims program as a "new program" pursuant to this subsection.

7. Contractor's Responsibilities For Performance of Services. The services under this Agreement shall be performed by Contractor, its partners, agents, subcontractors, affiliates, and employees and other parties selected and paid by Contractor. The obligations of such persons shall be undertaken and performed in the interest of Contractor. Nothing herein shall create any contractual relationship between such partners, agents, subcontractors, employees or other parties and the Board. Contractor shall be responsible to, and shall indemnify, the Board for acts and omissions of Contractor's partners, agents, subcontractors, employees and parties in privity of contract with Contractor to perform any portion of the services under this Agreement.

8. Entire Agreement. This Agreement memorializes all elements of the agreement between the parties hereto and, except as specifically set forth herein, supersedes any previous agreements and negotiations, whether written or oral. Contractor agrees there are no implied contracts of any nature between the parties to this Agreement.

9. Assignment and Subcontracting. This Agreement may not be assigned by either party. Contractor may subcontract for the performance of certain services hereunder without being in violation of this provision; however, no portion of the services hereunder may be subcontracted without the prior written approval of the Board.

10. Events of Default; Remedies.

(a) Any of the following events shall constitute cause for the Board to declare Contractor in default of its obligations under this Agreement: (i) non-performance of this Agreement or any portion hereof; (ii) failure of Contractor to make substantial and timely progress toward performance of this Agreement or any portion thereof; (iii) a failure of Contractor's work product to conform with any specifications noted herein or any reasonable direction given or reasonable standard employed by the Board; (iv) a breach of any term of this Agreement; or (v) the occurrence of any of the events specified in section 14 (b) of this Agreement.

(b) In the event of a default by Contractor, the Board shall issue a written notice of default by facsimile and certified mail identifying the default and providing for a 10-day period in which Contractor shall have an opportunity to cure; provided however, if the default stated in the notice cannot be corrected within the 10-day period, the Board will not unreasonably withhold its consent to an extension of time to cure such default for up to an additional 30 days if Contractor demonstrates to the satisfaction of the Board that the default can and will be cured within such thirty day period, and corrective action is instituted by Contractor within the 10-day period and diligently pursued until the default is cured. Time allowed for cure of a default shall not diminish or eliminate Contractor's liability, if any, for damages.

(c) If, after an opportunity to cure, the default remains, the Board may do one or more of the following: (i) exercise any remedy provided at law or in equity; (ii) terminate this Agreement; (iii) seek damages from Contractor; and (iv) submit the dispute to arbitration pursuant to section 11(b) of this Agreement.

(d) Neither party shall be liable to the other for any delay or failure to perform hereunder, which delay or failure is due to circumstances or events which are beyond the control of, and which occur without the fault or negligence of, the party whose performance is delayed or prevented, such as, but not limited to: acts of God; acts of the public enemy; acts of the United States of America; fire; flood; riot; epidemic; quarantine restrictions; or strikes or freight embargoes.

(e) The fact that delay resulted from the conduct, negligence or failure to perform of a partner, employee, subcontractor, agent, or affiliate of Contractor shall not excuse Contractor from performance under the provisions of this Agreement.

(f) Should the Board obtain a money judgment against Contractor as a result of a breach of this Agreement, Contractor consents to such judgment being set off against any monies owed Contractor by the Board; provided however, if any such judgment is being appealed by Contractor, no such set off shall be made if during such appeal Contractor posts a bond which satisfies the requirements of Iowa Rule of Appellate Procedure 7.

(g) In the event of a material failure to perform hereunder by the Board, Contractor shall issue a written notice of default by facsimile and certified mail identifying the default and providing for a 10-day period in which the Board shall have an opportunity to cure; provided however, if the default stated in the notice cannot be corrected within the 10-day period, Contractor shall not unreasonably withhold its consent to an extension of time to cure such default for up to an additional 30 days if the Board demonstrates that the default can and will be cured within such thirty day period, and corrective action is instituted by the Board within the 10-day period and diligently pursued until the default is cured. Time allowed for cure of a default shall not diminish or eliminate the Board's liability, if any, for damages.

#### 11. Alternative Dispute Resolution.

(a) *Dispute Resolution.* Unless otherwise provided in this Agreement, all controversies or claims arising out of or relating to this Agreement or any breach of this Agreement shall be decided, if possible, by mutual agreement. Each such dispute shall be communicated in writing to the other party within a reasonable time after initial observation or discovery of such dispute by the initiating party. Such written notice of dispute shall be as comprehensive as possible, setting forth in detail the facts and contentions of the initiating party so that the resolution process may be more expeditious and the issues clear. The parties agree that time is of the essence in the resolution of all disputes through negotiations, meetings, observations or such other method(s) as the parties may agree upon. Unless otherwise provided in this Agreement, any disputes which cannot be successfully resolved by mutual agreement shall be resolved by initiation of an arbitration proceeding pursuant to the terms of subsection 11 (b), below.

(b) *Arbitration.* Unless otherwise provided in this Agreement or mutually agreed in writing by the parties, any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration submitted to one arbitrator mutually agreed upon by

the parties. Such arbitration shall be administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, including the Emergency Interim Relief Procedures. Any award rendered by the arbitrator may be confirmed in any court having jurisdiction thereof and judgment entered thereon. If the Parties cannot agree upon an arbitrator, each party shall appoint one arbitrator. The arbitrators so appointed shall then jointly choose a third arbitrator, which third arbitrator shall alone hear the arbitration and render an award.

12. Termination Due to Lack of Funds, Non-appropriation, Discontinuance or Material Alteration.

Notwithstanding any other provision of this Agreement, if funds anticipated for the continued fulfillment of this Agreement are at any time not forthcoming or insufficient, either through the failure of the Fund to provide sufficient funds for the payments hereunder, the failure of the State of Iowa to appropriate sufficient funds for the payment hereunder, or discontinuance or material alteration of the program for which funds were provided, either party hereto shall have the right to terminate this Agreement without penalty by giving not less than thirty (30) days written notice documenting the lack of funding, discontinuance or program alteration, as the case may be. Unless otherwise agreed by the parties, this Agreement shall become null and void on the last day of the fiscal year for which sufficient funds or appropriations were received or during which the discontinuance or material alteration of the program occurred, except that in the case of termination of this Agreement because of non-appropriation, if an appropriation sufficient to cover the costs of this Agreement becomes available within sixty (60) days subsequent to termination under this clause, the Board agrees to re-enter a contract with Contractor under the same provisions, terms and conditions as provided herein. Notwithstanding anything to the contrary set forth herein, in the event Contractor gives notice pursuant to this section, the Board may immediately reinstate this Agreement by providing Contractor with written assurance that funds are available with which to pay Contractor.

13. Remedies of Contractor in Event of Lack of Nonappropriation, Discontinuance or Material Alteration.

In the event of termination of this Agreement due to lack of funds, non-appropriation or discontinuance or material alteration of the program, the exclusive, sole and complete remedy of Contractor shall be payment for services completed prior to termination.

14. Insolvency or Bankruptcy.

(a) Contractor shall notify the Board in writing in the event of any of the following: (i) if Contractor files a voluntary petition in bankruptcy, a voluntary petition to reorganize its business, a voluntary petition to effect a plan or other arrangement with creditors; (ii) if an involuntary bankruptcy petition is filed against Contractor; (iii) if Contractor is adjudicated bankrupt, makes an assignment for the benefit of creditors, applies for or consents to the appointment of a receiver or trustee for all or any part of its property; (iv) if Contractor institutes dissolution or liquidation proceedings with respect to its business; (v) if an order is entered approving an involuntary petition to reorganize the business of Contractor for all or part of its property; or (vi) if a writ or warrant of attachment, execution, distraint, levy, possession or any similar process is issued by any court or administrative agency against all or any material portion of Contractor's property.

(b) In the event that Contractor files a voluntary petition in bankruptcy, a voluntary petition to reorganize its business, a voluntary petition to effect a plan or other arrangement with creditors; or if an involuntary bankruptcy petition is filed against Contractor and is not dismissed within ninety (90) days of filing, or if a writ or warrant of attachment, execution, distraint, levy, possession or any similar process is issued by any court or administrative agency against all or any material portion of Contractor's property, the Board may deem Contractor to be in default and terminate this Agreement.

15. Contractor's Additional Duties.

(a) All records of Contractor relating to this Agreement shall be retained for five (5) years following the date of final payment.

(b) Contractor agrees that at such times and for such purposes as the Board determines is reasonable and necessary, the Board, the Auditor of the State of Iowa or any authorized representative of the Board, and where federal funds are involved, the Comptroller General of the United States or any other representative of the United States Government, shall have access to and the right to examine, audit, excerpt and transcribe any books, documents, papers, and records of Contractor.

(c) Contractor warrants that no person or selling agency has been employed or retained to solicit and secure this Agreement upon an agreement or understanding for commission, percentage, brokerage or contingency excepting bona fide employees or selling agents maintained for the purpose of securing business.

(d) Contractor shall provide and pay for all labor, materials, equipment, tools, and storage of same, water, heat, utilities, transportation, and other facilities and services necessary for the proper execution and completion of this Agreement, whether temporary or permanent and whether or not incorporated or to be incorporated in the work product of Contractor.

(e) Some data, and information provided to Contractor by the Board may be identified as confidential by the Board or Contractor and Contractor shall preserve the confidentiality of such data, and information unless otherwise directed by the Board or if required to be made available to the public based upon the Freedom of Information Act, public records laws, or open meeting laws of the State of Iowa or the United States. In addition, Contractor shall not release or distribute data, or information that it believes is or could be confidential even if not identified as such by the Board or Contractor, without the approval of the Board. Contractor shall maintain procedures for safeguarding such confidentiality. In the event of breach of this provision, the Board may terminate this Agreement immediately, without notice of default and opportunity to cure, as provided in this Agreement and pursue any remedy provided by law or in equity, notwithstanding any other provision of this Agreement to the contrary.

(f) Contractor covenants that during the term of this Agreement it will keep current on environmental matters and increase its capabilities and expertise in environmental programs, regulations and requirements relating to USTs and the programs of the Board.

16. Board Duties. The Board covenants to proceed in due course with reasonable speed to establish such policies, adopt such procedures, and make such decisions as are necessary to fulfill its obligations under the Program.

17. Indemnification.

(a) *By Contractor.* Contractor shall defend, indemnify, and hold the Fund, and the Board harmless from any and all liabilities, damages, settlements, judgments, costs, claims, causes of action, and expenses related to or arising out of (i) Contractor's breach of this Agreement; (ii) any negligent acts or omissions of Contractor; (iii) Contractor's performance or attempted performance of this Agreement; (iv) any failure by Contractor to comply with all local, state, and federal laws and regulations; or (v) any infringement by Contractor or one of its subcontractors of any copyright, trademark, patent, or other intellectual property.

(b) *By the Board.* To the extent possible consistent with Article VII, Section 1 of the Iowa Constitution and Iowa Code chapter 669, the Board shall defend, indemnify, and hold Contractor harmless from any and all liabilities, damages, settlements, judgments, costs, claims, causes of action, and expenses related to or arising out of (i) the Board's breach of this Agreement; (ii) any negligent acts or omissions of the Board; (iii) the Board's performance or attempted performance of this Agreement; (iv) any failure by the Board to comply with all local, state, and federal laws and regulations; or (v) any infringement by the Board of any copyright, trademark, patent, or other intellectual property.

Contractor shall be responsible for all damages to persons or property that occurs as a result of Contractor's gross negligence, bad faith, fraud, intentional torts, or other wrongful acts in the performance of this Agreement.

18. Insurance.

(a) Contractor shall maintain (i) workers' compensation insurance as required by law, (ii) insurance, reasonably satisfactory to the Board, covering errors and omissions of its partners, employees and agents in an amount of at least \$2,000,000, and (iii) insurance, reasonably satisfactory to the Board, against loss or damage by fire and against loss or damage by other risks now or hereafter embraced by full extended coverage insurance which covers the full replacement cost of any and all personal property, supplies and equipment owned or maintained for or on behalf of the Board.

(b) A certificate of insurance showing such coverage shall be provided to the Board prior to execution of this Agreement. Additionally, if requested following a loss or potential loss for which the Board may desire to assert a claim, copies of such policies shall be provided to the Board. The Board's acceptance of such certificates of insurance or policies shall not act to relieve Contractor of any obligation under this Agreement. All insurance policies and certificates shall be issued only by companies authorized to do business in the State of Iowa. In the case of insurance required by

section 18 (a)(iii), above, each such policy shall list the Board as an additional insured, as its interest may appear. It shall be Contractor's responsibility to keep the respective insurance policies and coverages current and in force for the life of this Agreement.

(c) Contractor shall not commence work under this Agreement until all the insurance required under this section has been obtained and certificates filed with the Board.

19. Notices. All notices required or permitted to be given by either party to the other in accordance with the terms of this Agreement shall, unless otherwise required by this Agreement, be delivered by regular U.S. mail or by facsimile and shall be directed as follows:

If to the Board:

UST Fund Board:  
c/o Therese Vaughan  
UST Fund Board Chairperson  
330 East Maple Street  
Des Moines, IA 50319  
FAX: (515) 281-3059

With a copy to:

David S. Steward  
Iowa Attorney General's Office  
Lucas State Office Building, Rm. 18  
Des Moines, IA 50319  
FAX: (515) 242-6072

If to Contractor:

Aon Risk Services, Inc. of NE, Inc.  
c/o Scott Scheidel  
11213 Davenport Street, Suite 201  
P.O. Box 3307  
Omaha, NE 68103-3307  
FAX: (402) 697-1594

With a copy to:

Rex Kidder, Esq.  
Aon Corp.,  
200 E. Randolph  
Chicago, IL 60601  
FAX: (312) 381-5120

20. Performance Evaluation; Default. The Board will evaluate the performance of Contractor during the second year of this Agreement. The Board may evaluate the performance of Contractor

hereunder during the first year of this Agreement, during any extensions of this Agreement, or at the request of Contractor. Such evaluation may include an assessment of Contractor's success in achieving the long and short range goals and objectives of the Board, complying with the terms and provisions of this Agreement, following the directions of the Board, and administering the UST Fund in a satisfactory manner. In part, this evaluation may be based on information, reports, and analysis Contractor is obligated to provide the Board under the terms of this Agreement. The Board will review the results of its evaluation with Contractor and, if it determines that Contractor has failed to perform in a satisfactory manner, may issue a written notice of default in accordance with the provisions of this Agreement. The Board may request information and reports it deems necessary for the evaluation of Contractor. Contractor is required to provide the information and reports that respond to any reasonable request by the UST Fund Board in its evaluation of Contractor. The Board evaluation during the second year of this Agreement will be provided to Contractor at least 120 days prior to the end of the second year of this Agreement. For all other evaluations under this paragraph, the Board will attempt to provide Contractor with the evaluation at least 120 days prior to the end of the first year of this Agreement or at least 120 days prior to the date this Agreement or the then existing extension of this Agreement expires.

21. Miscellaneous.

(a) The parties hereto shall comply with all applicable federal, state, and local laws, rules, ordinances, regulations and orders when performing under this Agreement, including, without limitation, all laws applicable to the prevention of discrimination in employment and the use of targeted small businesses as subcontractors or suppliers. The Board may consider the violation of any state or federal law or regulation by Contractor or its parent company, Aon Risk Services, a material breach of this Agreement. Contractor declares that it has complied with all federal, state, and local laws regarding the business permits and licenses that may be required to carry out the work to be performed under this Agreement.

(b) This Agreement shall be interpreted in accordance with the laws of the State of Iowa, and any action relating to the contract shall only be commenced in the Polk County, Iowa, District Court or the United States District Court for the Southern District of Iowa. This provision shall not be construed as waiving any immunity to suit or liability which may be available to the State of Iowa or the Board.

(c) The paragraph headings or captions contained in this Agreement are for identification purposes only and do not limit, qualify, modify, or construe the contents of the paragraphs.

(d) Nothing in this Agreement shall be construed as creating or constituting the relationship of a partnership, joint venture (or other association of any kind or agent and principal relationship) between the parties hereto. Each party shall be deemed to be an independent contractor contracting for services and acting for the mutual benefits expected to be derived herefrom.

(e) The various rights, powers, options, elections, and remedies of any party provided in this Agreement, shall be construed as cumulative and not one of them is exclusive of all others or

exclusive of any rights, remedies, or priorities allowed either party by law, and in no way shall affect or impair the right of any party to pursue any other equitable or legal remedy to which either party may be entitled as long as any default remains in any way unremedied, unsatisfied, or undischarged.

(f) Time is of the essence with respect to the performance of the terms of this Agreement.

(g) Each party to this Agreement represents and warrants to the other party that (i) it has the right, power, and authority to enter into and perform its obligations under this Agreement; (ii) it has taken all requisite action (corporate, statutory, and otherwise) to approve execution, delivery, and performance of this Agreement, (iii) this Agreement constitutes a legal, valid, and binding obligation in accordance with its terms; and (iv) the individuals executing this Agreement have the full power and authority to bind their respective entities to the terms hereof and have been authorized to do so.

(h) Failure or delay on the part of either party hereto to exercise any right, power or privilege hereunder shall not operate as a waiver thereof. A waiver of one obligation hereunder shall not operate as a waiver of any other obligation. A waiver of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

(i) The parties agree to execute any additional documents necessary to effectuate this Agreement.

(j) All terms, provisions, and conditions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, and legal representatives.

(k) Each party hereto may acquire and hold real, personal, and intellectual property necessary or desirable for the performance hereof and such property shall be held by or on behalf of the Board. Upon termination or expiration of this Agreement all property held by either party hereto by or on behalf of the Board or in connection with the performance of this Agreement (including, but not limited to, supplies, computer equipment, computer software or hardware, data bases, proprietary procedures, work products, reports and program system) shall be delivered to or at the direction of the Board for disposition as determined by the Board. Notwithstanding the foregoing, Contractor may, at its own expense, retain additional copies for its records.

(l) If any term, covenant, or condition of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant, or condition of the Agreement shall be valid and be enforced to the fullest extent permitted by law. All obligations and duties which by their nature extend beyond the expiration or termination of this Agreement shall survive and remain in effect beyond any expiration or termination.

(m) In the event of litigation between the parties arising out of or relating to this Agreement, the prevailing party shall be entitled to all costs incurred in connection with resolving the dispute, including reasonable attorney fees.

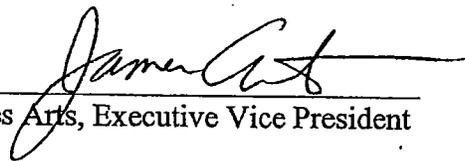
(n) This Agreement may be executed in counterparts, and each of such counterparts shall, for all purposes, be deemed to be an original but altogether only one (1) Agreement.

IN WITNESS WHEREOF, the Board and Contractor have executed this Agreement all as of the date first above written.

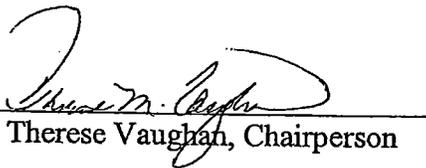
AON RISK SERVICES, INC. OF  
NEBRASKA

IOWA COMPREHENSIVE PETROLEUM  
UNDERGROUND STORAGE TANK  
FUND BOARD

By:

  
James Arts, Executive Vice President

By:

  
Therese Vaughan, Chairperson

## **Approval of Program Billings**



# IOWA UNDERGROUND STORAGE TANK

## Financial Responsibility Program

Susan E. Voss, *Chairperson*

Scott M. Scheidel, *Administrator*

Board Members: Michael L. Fitzgerald

Jeff W. Robinson

Jacqueline A. Johnson

James M. Holcomb

Richard A. Leopold

Nancy A. Lincoln

Douglas M. Beech

### MEMORANDUM

TO: UST Board Members  
FROM: Scott Scheidel  
DATE: August 16, 2007  
SUBJECT: Summary of Bills for Payment

#### \*NOTICE\*

The following is a summary of UST bills requiring Board approval for payment:

1. Aon Risk Services .....(\$1,102.00)  
Consulting Services August 2007 credit
2. Aon Risk Services .....\$118,222.00  
Consulting Services September 2007 -- \$65,638.00  
Claim Processing Services September 2007 -- \$52,584.00
3. Aon Risk Services .....(\$1,102.00)  
Consulting Services September 2007 credit
4. Aon Risk Services .....\$107.94  
Reimbursement for HyVee lunch for Annual Strategic Planning Session  
July 19, 2007
5. Iowa Dept of Inspections and Appeals .....\$1,002.00  
Administrative Hearings on behalf of the Iowa UST Program  
April – June 2007

## Iowa Comprehensive Petroleum

Invoice No. 9500000058040

Iowa Comprehensive Petroleum  
Underground Storage Tank Fund  
2700 Westown Pkwy, #320  
West Des Moines IA 50266

Aon Risk Services, Inc. of Nebraska  
Insurance Services CA License No OE16975  
2700 Westown Parkway  
Suite 320  
West Des Moines IA 50266  
(515) 267-9101 FAX (515) 267-9045

Client Account No.	Invoice Date	Currency	Relationship Manager
10756349	Aug-07-2007	US DOLLAR	Scott Scheidel

Named Insured	Service Term	Trans. Eff. Date	Description	Amount
Iowa Comprehensive Petroleum	Jan-01-2007 - Jan-01-2008	Aug-01-2007	Renewal - Service Fee	
<b>Comments</b>			Service Fee	(1,102.00)
Installment 1 of 5 Transferred Licensing program to Iowa DNR effective 7/1/07				
<b>TOTAL INVOICE AMOUNT DUE</b>				<b>(1,102.00)</b>

Please see reverse side for statement regarding Aon compensation.

Page 1 of 1

Please detach here. Top portion is for your records, bottom portion to be returned with your payment.

Client Account No.	Invoice No.	Invoice Date	Currency	Amount Due
10756349	9500000058040	Aug-07-2007	US DOLLAR	(1,102.00)

Iowa Comprehensive Petroleum  
Underground Storage Tank Fund  
2700 Westown Pkwy, #320  
West Des Moines IA 50266

## Send remittance to:

Aon Risk Services, Inc. of Nebraska  
Aon Risk Services Companies, Inc.  
75 Remittance Drive - Suite 1943  
Chicago IL 60675-1943

## Iowa Comprehensive Petroleum

Invoice No. 9500000057866

Iowa Comprehensive Petroleum  
Underground Storage Tank Fund  
2700 Westown Pkwy, #320  
West Des Moines IA 50266

Aon Risk Services, Inc. of Nebraska  
Insurance Services CA License No OE16975  
2700 Westown Parkway  
Suite 320  
West Des Moines IA 50266  
(515) 267-9101 FAX (515) 267-9045

Client Account No.	Invoice Date	Currency	Relationship Manager
10756349	Aug-01-2007	US DOLLAR	Scott Scheidel

Named Insured	Service Term	Trans Eff Date	Description	Amount
Iowa Comprehensive Petroleum	Jan-01-2007 - Jan-01-2008	Sep-01-2007	Renewal - Service Fee	
			Service Fee	60,638.00
			Consulting Expense	5,000.00
<b>TOTAL INVOICE AMOUNT DUE</b>				<b>65,638.00</b>

## Comments

Installment 9 of 12

**TO AVOID POTENTIAL DISRUPTION IN COVERAGE, PLEASE PAY IMMEDIATELY.**  
For Wire instructions, contact your Relationship Manager.



Please see reverse side for statement regarding Aon compensation.

Page 1 of 1

Please detach here. Top portion is for your records, bottom portion to be returned with your payment.

Client Account No.	Invoice No.	Invoice Date	Currency	Amount Due
10756349	9500000057866	Aug-01-2007	US DOLLAR	65,638.00

Iowa Comprehensive Petroleum  
Underground Storage Tank Fund  
2700 Westown Pkwy, #320  
West Des Moines IA 50266

## Send remittance to:

Aon Risk Services, Inc. of Nebraska  
Aon Risk Services Companies, Inc.  
75 Remittance Drive - Suite 1943  
Chicago IL 60675-1943

## Iowa Comprehensive Petroleum

Invoice No. 9500000057867

Iowa Comprehensive Petroleum  
Underground Storage Tank Fund  
2700 Westown Pkwy, #320  
West Des Moines IA 50266

Aon Risk Services, Inc. of Nebraska  
Insurance Services CA License No OE16975  
2700 Westown Parkway  
Suite 320  
West Des Moines IA 50266  
(515) 267-9101 FAX (515) 267-9045

Client Account No.	Invoice Date	Currency	Relationship Manager
10756349	Aug-01-2007	US DOLLAR	Scott Scheidel

Named Insured	Service Term	Trans. Eff. Date	Description	Amount
Iowa Comprehensive Petroleum	Jan-01-2007 - Jan-01-2008	Sep-01-2007	Renewal - Service Fee	
			Service Fee	0.00
			Consulting Expense	52,584.00
<b>TOTAL INVOICE AMOUNT DUE</b>				<b>52,584.00</b>

**Comments**

Installment 9 of 12  
GAB Robins Monthly Claims Service  
Payment due within 20 days of Transaction Effective Date

**TO AVOID POTENTIAL DISRUPTION IN COVERAGE, PLEASE PAY IMMEDIATELY.**  
For Wire instructions, contact your Relationship Manager.

*Please see reverse side for statement regarding Aon compensation.*

Page 1 of 1

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Client Account No.	Invoice No.	Invoice Date	Currency	Amount Due
10756349	9500000057867	Aug-01-2007	US DOLLAR	52,584.00

Iowa Comprehensive Petroleum  
Underground Storage Tank Fund  
2700 Westown Pkwy, #320  
West Des Moines IA 50266

**Send remittance to:**

Aon Risk Services, Inc. of Nebraska  
Aon Risk Services Companies, Inc.  
75 Remittance Drive - Suite 1943  
Chicago IL 60675-1943

## Iowa Comprehensive Petroleum

Invoice No. 9500000058041

Iowa Comprehensive Petroleum  
Underground Storage Tank Fund  
2700 Westown Pkwy, #320  
West Des Moines IA 50266

Aon Risk Services, Inc. of Nebraska  
Insurance Services CA License No OE16975  
2700 Westown Parkway  
Suite 320  
West Des Moines IA 50266  
(515) 267-9101 FAX (515) 267-9045

Client Account No.	Invoice Date	Currency	Relationship Manager
10756349	Aug-07-2007	US DOLLAR	Scott Scheidel

Named Insured	Service Term	Trans. Eff. Date	Description	Amount
Iowa Comprehensive Petroleum	Jan-01-2007 - Jan-01-2008	Sep-01-2007	Renewal - Service Fee  Service Fee	(1,102.00)
<b>Comments</b> Installment 2 of 5				
			<b>TOTAL INVOICE AMOUNT DUE</b>	<b>(1,102.00)</b>

Please see reverse side for statement regarding Aon compensation.

Page 1 of 1

Please detach here. Top portion is for your records, bottom portion to be returned with your payment.

Client Account No.	Invoice No.	Invoice Date	Currency	Amount Due
10756349	9500000058041	Aug-07-2007	US DOLLAR	(1,102.00)

Iowa Comprehensive Petroleum  
Underground Storage Tank Fund  
2700 Westown Pkwy, #320  
West Des Moines IA 50266

## Send remittance to:

Aon Risk Services, Inc. of Nebraska  
Aon Risk Services Companies, Inc.  
75 Remittance Drive - Suite 1943  
Chicago IL 60675-1943

**Iowa Comprehensive Petroleum**

Invoice No. 9500000058121

Iowa Comprehensive Petroleum  
Underground Storage Tank Fund  
2700 Westown Pkwy, #320  
West Des Moines IA 50266

Aon Risk Services, Inc. of Nebraska  
Insurance Services CA License No OE16975  
2700 Westown Parkway  
Suite 320  
West Des Moines IA 50266  
(515) 267-9101 FAX (515) 267-9045

Client Account No.	Invoice Date	Currency	Relationship Manager
10756349	Aug-14-2007	US DOLLAR	Scott Scheidel

Named Insured	Service Term	Trans. Eff. Date	Description	Amount
Iowa Comprehensive Petroleum	Jan-01-2007 - Jan-01-2008	Jul-19-2007	Renewal - Service Fee	
<b>Comments</b>			Service Fee	0.00
Reimbursement of food for the 2007 Annual Strategic Planning Session			Consulting Expense	107.94
<b>TOTAL INVOICE AMOUNT DUE</b>				<b>107.94</b>

**TO AVOID POTENTIAL DISRUPTION IN COVERAGE, PLEASE PAY IMMEDIATELY.**  
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*Please see reverse side for statement regarding Aon compensation.*

Page 1 of 1

Please detach here. Top portion is for your records, bottom portion to be returned with your payment.

Client Account No.	Invoice No.	Invoice Date	Currency	Amount Due
10756349	9500000058121	Aug-14-2007	US DOLLAR	107.94

Iowa Comprehensive Petroleum  
Underground Storage Tank Fund  
2700 Westown Pkwy, #320  
West Des Moines IA 50266

**Send remittance to:**

Aon Risk Services, Inc. of Nebraska  
Aon Risk Services Companies, Inc.  
75 Remittance Drive - Suite 1943  
Chicago IL 60675-1943

**INSPECTIONS & APPEALS**

CHESTER J. CULVER  
GOVERNOR

DEAN A. LERNER, DIRECTOR

PATTY JUDGE  
LT. GOVERNOR

**INVOICE**

**Invoice Date:** 07/19/07

**Buyer:** Iowa UST Financial Responsibility Program  
Attn: Scott Scheider, Administrator  
2700 Westown Pkwy, Ste 320  
West Des Moines, IA 50266

**Seller:** Department of Inspections and Appeals  
Lucas State Office Building  
Des Moines, IA 50319

**Services For:** Administrative Hearings on behalf of the Iowa UST Financial Program  
**Period of Service:** April – June 2007



Please use the following accounting information for IET transfer/payment:

Document number	Fund	Agency	Org	Rev Source	Sub Rev	Hours	Amount
427JJ100109	0001	427	3101	0301		12.00	\$1,002.00

This billing is in accordance with Section 10A.107, Code of Iowa, 2007.

Please direct questions to Julie Jones at (515) 281-6459.

DEPT OF NATURAL RESOURCES - UNDERGROUND STORAGE TANKS

PAY PERIOD	HOURS	CASE NUMBER	CASE NAME	ALJ
3/23-4/5/07	2.50	07UST001	PELLETT CHEMICAL	MAGGIE LAMARCHE
4/20 - 5/3/07	7.50	07UST001	B&B GAS	MAGGIE LAMARCHE
	1.00	07UST002	PELLETT CHEMICAL	MAGGIE LAMARCHE
5/4 - 5/17/07	0.75	07UST002	PELLETT	MAGGIE LAMARCHE
6/15 - 6/28/07	0.25	07UST002	PELLETT	MAGGIE LAMARCHE
TOTAL	<u>12.00</u>			

## **Monthly Activity Report and Financials Reviewed**

## **A. July Activity Report**

Iowa UST Fund  
Monthly Activities Report

July 2007

	Open Claims	Open & Closed	Open Claims	Open & Closed
Claims	June Ending	Monthly Net Changes	July Ending	Totals since Inception

RETROACTIVE				
number	75	(1)	74	443
reserve	\$4,057,632.35	(\$57,435.76)	\$4,000,196.59	\$4,000,196.59
paid	\$8,054,104.18	(\$56,064.24)	\$7,998,039.94	\$14,048,316.46
total	\$12,111,736.53	(\$113,500.00)	\$11,998,236.53	\$18,048,513.05

REMEDIAL				
number	955	(5)	950	4,434
reserve	\$55,589,061.69	(\$753,812.71)	\$54,835,248.98	\$54,835,248.98
paid	\$93,132,527.52	(\$50,176.96)	\$93,082,350.56	\$175,145,713.32
total	\$148,721,589.21	(\$803,989.67)	\$147,917,599.54	\$229,980,962.30

INNOCENT LANDOWNER				
number	255	(3)	252	1,034
reserve	\$9,669,816.17	(\$38,189.83)	\$9,631,626.34	\$9,631,626.34
paid	\$11,991,854.95	(\$114,810.17)	\$11,877,044.78	\$20,560,434.38
total	\$21,661,671.12	(\$153,000.00)	\$21,508,671.12	\$30,192,060.72

GLOBAL OPT-IN				
number	267	1	268	1,245
reserve	\$1,617,161.69	\$26,701.94	\$1,643,863.63	\$1,643,863.63
paid	\$2,068,431.11	(\$9,506.19)	\$2,058,924.92	\$8,608,209.82
total	\$3,685,592.80	\$17,195.75	\$3,702,788.55	\$10,252,073.45

UNASSIGNED PROJECTS				
number	20	0	20	176
reserve	\$234,930.10	\$7,285.00	\$242,215.10	\$242,215.10
paid	\$265,069.90	\$12,715.00	\$277,784.90	\$2,604,261.13
total	\$500,000.00	\$20,000.00	\$520,000.00	\$2,846,476.23

RT Claims	#
New	0
Reopened	0
Closed	1

RM Claims	#
New	2
Reopened	0
Closed	7

ILO Claims	#
New	0
Reopened	0
Closed	3

GS Claims	#
New	3
Reopened	4
Closed	6

PROJ Clms	#
New	0
Reopened	0
Closed	0

Invoice Type Totals	July	FYTD	Program to Date
American Soils	\$0	\$0	\$5,678,423
AST Removal	\$0	\$0	\$2,121,490
AST Upgrade	\$0	\$0	\$5,460,479
CADR Charges	\$2,175	\$2,175	\$4,290,269
Corrective Action	\$27,839	\$27,839	\$48,592,077
Free Prod Recover	\$77,540	\$77,540	\$6,642,542
Monitoring	\$112,993	\$112,993	\$17,185,246
New UST Pull 2004	\$0	\$0	\$600,422
Operations/Maint	\$62,203	\$62,203	\$6,115,689
Over-excavation	\$248,833	\$248,833	\$20,050,039
Plastic Water Lines	\$20,185	\$20,185	\$1,356,413
Post RBCA Evals	\$2,522	\$2,522	\$104,151
RBCA	\$26,082	\$26,082	\$24,324,097
Remed Imp/Const.	\$90,766	\$90,766	\$21,887,266
SCR Charges	\$0	\$0	\$54,138,816
Site Check	\$0	\$0	\$121,816
Soil Disposal	\$0	\$0	\$607,332
Tank (UST) Pull	\$6,503	\$6,503	\$4,866,860
Tank (UST) Upgrade	\$0	\$0	\$5,883,408
Tier III	\$3,571	\$3,571	\$1,057,187
Utilities	\$23,265	\$23,265	\$584,520
Well Closure	\$16,209	\$16,209	\$2,214,795
<b>Total Invoice Types</b>	<b>\$720,685</b>	<b>\$720,685</b>	<b>\$233,883,336</b>

Budgets Approved to Date		
July	2	\$38,460
Trailing 12 mos	76	\$4,721,055
Prev Trail 12 mos	119	\$5,746,996
<b>Total Since Jan 2003</b>	<b>864</b>	<b>\$31,507,217</b>

Project Claims	Open	Closed	Pending
CRP's	32	61	0
Tank Closure	2	3	0
Plastic Water Line	2	0	0

Corrective Action Meetings
Scheduled:
Completed:
MOA's

## **B. July Financial Report**

**IOWA COMPREHENSIVE PETROLEUM UNDERGROUND STORAGE TANK FUND  
STATEMENT OF FUND BALANCES  
FOR THE MONTH ENDING JULY 31, 2007**

**0471 - UST REVENUE FUND (Bonding)**

<b>Balance of Fund, July 1, 2007</b>		<b>\$8,930,000.00</b>
<b>Receipts:</b>		
Tank Management Fees	\$0.00	
Motor Vehicle Use Tax	\$0.00	
Intra State Fund Transfers Received	\$0.00	
Interest Income	\$0.00	
Interest Income - Capital Reserve Fund	\$0.00	
		<b>\$0.00</b>
<b>Disbursements:</b>		
Bond Interest Payment	\$924,788.13	
Bond Principal Payment	\$7,245,000.00	
Transfer to Unassigned Revenue Fund	\$0.00	
		<b>\$8,169,788.13</b>
<b>Balance of Fund, July 31, 2007</b>		<b>\$760,211.87</b>

**0450 - UST UNASSIGNED REVENUE FUND (Non-Bonding)**

<b>Balance of Fund, July 1, 2007</b>		<b>\$17,075,662.99</b>
<b>Receipts:</b>		
Installer's License Fees	\$0.00	
Request for Proposal Fees	\$0.00	
Copying/Filing Fees	\$0.00	
Fines & Penalties	\$0.00	
Refund/Overpayment	\$0.00	
Transfer From UST Revenue Fund	\$0.00	
Intra State Fund Transfers Received - DNR	\$0.00	
Compensation for Pooled Money Investments	\$0.00	
Amort / Accretion	\$4,284.57	
Buys/ Sells	(\$10,553.06)	
Interest Income	\$415,068.01	
		<b>\$408,799.52</b>
<b>Disbursements:</b>		
UST Administrator's Fees	\$0.00	
Attorney General's Fees	\$0.00	
Attorney's Fees: Cost-Recovery Administration	\$0.00	
Cost Recovery Expense (Lien Filing)	\$0.00	
Actuarial Fees	\$0.00	
Auditor of the State Fees	\$0.00	
Bond Trustee Fees - Bankers Trust	\$0.00	
Custodial Fees - BONY	\$0.00	
Department of Revenue EPC Collection Fees	\$0.00	
Environmental Protection Charge Refunds	\$0.00	
Inspection & Appeals Service Fees	\$0.00	
Installers/Inspectors/ Testers Licensing Refunds	\$0.00	

**IOWA COMPREHENSIVE PETROLEUM UNDERGROUND STORAGE TANK FUND  
STATEMENT OF FUND BALANCES  
FOR THE MONTH ENDING JULY 31, 2007**

Legal and Professional Fees	\$0.00	
Postage / Printing / Miscellaneous	\$0.00	
Professional Administrative Services (Investments)	\$0.00	
Rebate	\$0.00	
Tank Closure Claims & Plastic Waterline Claims	\$12,715.00	
Travel Expenses-UST Board Members	\$0.00	
Warrant Float Expense	(\$129.81)	
Transfer to Remedial Non-Bonding Fund	\$0.00	
Transfer to Innocent Landowner Fund	\$0.00	
28E Agreement - RBCA (DNR Staff Training & Development)	\$0.00	
28E Agreement - DNR UST Section Funding - FY06	\$0.00	
28E Agreement - DNR 4 Temporary FTE's - FY06 & FY07	\$0.00	
28E Agreement - DNR UST Section Funding - FY07	\$0.00	
Statutory Transfer to DNR - FY07	\$0.00	
Statutory Transfer to DED - FY07	\$0.00	
	\$12,585.19	
<b>Balance of Fund, July 31, 2007</b>		<b>\$17,471,877.32</b>

**0208 - UST REMEDIAL NON-BONDING FUND**

<b>Balance of Fund, July 1, 2007</b>		\$6,753,532.72
<b>Receipts:</b>		
Remedial Refunds	\$733.60	
Misc. Income (i.e. eligibility settlements)	\$0.00	
Interest Income	\$0.00	
Transfer Received from Unassigned Revenue Fund	\$0.00	
		\$733.60
<b>Disbursements:</b>		
Retroactive Claims	\$55,132.98	
Remedial Claims	\$581,006.80	
Balance of Outdated Warrants	(\$8,037.95)	
	\$628,101.83	
<b>Balance of Fund, July 31, 2007</b>		<b>\$6,126,164.49</b>

**0478 - UST MARKETABILITY FUND**

<b>Balance of Fund, July 1, 2007</b>		\$2,246,390.04
<b>Receipts:</b>		
Interest	\$178,180.50	
Use Tax	\$0.00	
	\$178,180.50	
<b>Disbursements:</b>		
Transfer to Aboveground Storage Tank Fund	\$0.00	
		\$0.00
<b>Balance of Fund, July 31, 2007</b>		<b>\$2,424,570.54</b>

**IOWA COMPREHENSIVE PETROLEUM UNDERGROUND STORAGE TANK FUND  
STATEMENT OF FUND BALANCES  
FOR THE MONTH ENDING JULY 31, 2007**

**0485 - UST INNOCENT LANDOWNERS FUND**

<b>Balance of Fund, July 1, 2007</b>		<b>\$21,354,512.83</b>
<b>Receipts:</b>		
Cost Recovery (i.e. lien settlements)	\$0.00	
ILO Refunds	\$1,100.40	
Intra State Fund Transfers Received	\$0.00	
Miscellaneous Income	\$0.00	
	\$1,100.40	\$1,100.40
<b>Disbursements:</b>		
Other Contractual Services	\$0.00	
Global Settlement Claims	\$28,310.77	
Innocent Landowner Claims	\$54,944.75	
Balance of Outdated Warrants	\$0.00	
	\$83,255.52	\$83,255.52
<b>Balance of Fund, July 31, 2007</b>		<b>\$21,272,357.71</b>

**0455 - ABOVEGROUND STORAGE TANK FUND**

<b>Balance of Fund July 1, 2007</b>		<b>\$102,443.17</b>
<b>Receipts:</b>		
Interest Income	\$740.73	
Canceled Warrants/ Corrected Warrants	\$0.00	
Transfer from Marketability Fund	\$0.00	
Transfer from Unassigned Revenue Fund	\$0.00	
	\$740.73	\$740.73
<b>Disbursements:</b>		
AST Claims	\$0.00	
	\$0.00	\$0.00
<b>Balance of Fund on July 31, 2007</b>		<b>\$103,183.90</b>

**0238 - UST LOAN GUARANTEE FUND (Non-Bonding)**

<b>Balance of Fund, July 1, 2007</b>		<b>\$1,228,506.44</b>
<b>Receipts:</b>		
Interest Income	\$8,899.96	
	\$8,899.96	\$8,899.96
<b>Disbursements:</b>		
Payments on Loan Losses	\$0.00	
	\$0.00	\$0.00
<b>Balance of Fund, July 31, 2007</b>		<b>\$1,237,406.40</b>

**IOWA COMPREHENSIVE PETROLEUM UNDERGROUND STORAGE TANK FUND  
STATEMENT OF FUND BALANCES  
FOR THE MONTH ENDING JULY 31, 2007**

**UST BOND FUND (Bonding)**

**Series 1997 A Revenue Refunding Bonds**

**Balance of Fund, July 1, 2007** \$0.00

**Receipts:**

Transfer From/(To) UST Revenue Fund	\$6,092,700.63
Transfer From/(To) UST Unassigned Revenue Fund	\$0.00
Accrued Interest From Bonds	\$0.00
Interest Income	\$0.00
	\$6,092,700.63

\$6,092,700.63

**Disbursements:**

Principal Payments to Bondholders	\$5,510,000.00
Interest Payments to Bondholders	\$582,700.63
Trustee Fee to Bankers Trust	\$0.00
	\$6,092,700.63

\$6,092,700.63

**Balance of Fund, July 31, 2007** \$0.00

**Series 2004 Cost of Issuance Bonds**

**Balance of Fund, July 1, 2007** \$0.00

**Receipts:**

Transfer From/(To) UST Revenue Fund	\$0.00
Transfer From/(To) UST Unassigned Revenue Fund	\$0.00
Accrued Interest From Bonds	\$0.00
Interest Income	\$0.00
	\$0.00

\$0.00

**Disbursements:**

Principal Payments to Bondholders	\$0.00
Interest Payments to Bondholders	\$0.00
Trustee Fee to Bankers Trust	\$0.00
	\$0.00

\$0.00

**Balance of Fund, July 31, 2007** \$0.00

**Series 2004 A Revenue Refunding Bonds**

**Balance of Fund, July 1, 2007** \$0.00

**Receipts:**

Transfer From/(To) UST Revenue Fund	\$2,077,087.50
Transfer From/(To) UST Unassigned Revenue Fund	\$0.00
Accrued Interest From Bonds	\$0.00
Interest Income	\$0.00
	\$2,077,087.50

\$2,077,087.50

**Disbursements:**

Principal Payments to Bondholders	\$1,735,000.00
Interest Payments to Bondholders	\$342,087.50
Trustee Fee to Bankers Trust	\$0.00
	\$2,077,087.50

\$2,077,087.50

**Balance of Fund, July 31, 2007** \$0.00

**Combined UST Bond Fund Balances, July 31, 2007** \$0.00

**IOWA COMPREHENSIVE PETROLEUM UNDERGROUND STORAGE TANK FUND  
STATEMENT OF FUND BALANCES  
FOR THE MONTH ENDING JULY 31, 2007**

**0614 - UST CAPITAL RESERVE FUNDS (Bonding)**

---

**Series 1990 A**

<b>Balance of Fund, July 1, 2007</b>	\$3,990,710.18
<b>Receipts:</b>	
Proceeds From Issuance of Bonds	\$0.00
<b>Disbursements:</b>	
Transfer Interest to Revenue Fund	\$0.00
<b>Balance of Fund, July 31, 2007</b>	\$3,990,710.18

**Series 1991 A**

<b>Balance of Fund, July 1, 2007</b>	\$2,641,220.03
<b>Receipts:</b>	
Proceeds From Issuance of Bonds	\$0.00
<b>Disbursements:</b>	
Transfer to Cost of Issuance Fund	\$0.00
<b>Balance of Fund, July 31, 2007</b>	\$2,641,220.03

**Series 1994 A**

<b>Balance of Fund, July 1, 2007</b>	(\$394,430.21)
<b>Receipts:</b>	
Proceeds From Issuance of Bonds	\$0.00
<b>Disbursements:</b>	
Debt Service for Issuance of Bonds	\$0.00
<b>Balance of Fund, July 31, 2007</b>	(\$394,430.21)

<b>Combined UST Capital Reserve Fund Balances, July 31, 2007</b>	\$6,237,500.00
--	----------------

<b>TOTAL FUND BALANCES, July 31, 2007</b>	\$55,633,272.23
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**FOOTNOTES:**

Note 1: Funds labeled "Bonding" were created as a result of the issuance of UST Revenue Bonds. Disbursements from these funds are restricted by the Revenue Bond indenture.  
Funds labeled "Non-Bonding" are funds not restricted as to use by the Revenue Bond indenture.

**C. Year-to-Date Financial Report  
as of July 31, 2007**

**IOWA COMPREHENSIVE PETROLEUM UNDERGROUND STORAGE TANK FUND  
STATEMENT OF FUND BALANCES  
FISCAL YEAR TO DATE ENDING JULY 31, 2007**

		<b>FISCAL 2008 BUDGET</b>
<b>0471 - UST REVENUE FUND (Bonding)</b>		
<b>Balance of Fund, July 1, 2007</b>	\$8,930,000.00	\$8,930,000.00
<b>Receipts:</b>		
Tank Management Fees	\$0.00	\$400,000.00
Motor Vehicle Use Tax	\$0.00	\$17,000,000.00
Intra State Fund Transfers Received	\$0.00	
Interest Income	\$0.00	
Interest Income - Capital Reserve Fund	\$0.00	
	\$0.00	\$17,400,000.00
<b>Disbursements:</b>		
Bond Interest Payment	\$924,788.13	\$1,698,403.75
Bond Principal Payment	\$7,245,000.00	\$7,245,000.00
Transfer to Unassigned Revenue Fund	\$0.00	\$8,456,596.25
	\$8,169,788.13	\$17,400,000.00
<b>Balance of Fund, July 31, 2007</b>	\$760,211.87	\$8,930,000.00
<b>0450 - UST UNASSIGNED REVENUE FUND (Non-Bonding)</b>		
<b>Balance of Fund, July 1, 2007</b>	\$17,075,662.99	\$17,075,662.99
<b>Receipts:</b>		
Installer's License Fees	\$0.00	\$0.00
Request for Proposal Fees	\$0.00	
Copying/Filing Fees	\$0.00	
Fines & Penalties	\$0.00	\$10,000.00
Refund/Overpayment	\$0.00	\$815.52
Transfer From UST Revenue Fund	\$0.00	\$8,456,596.25
Intra State Fund Transfers Received	\$0.00	\$1,102,272.55
Compensation for Pooled Money Investments	\$0.00	
Amort / Accretion	\$4,284.57	(\$70,000.00)
Buys/ Sells	(\$10,553.06)	(\$75,000.00)
Interest Income	\$415,068.01	\$1,800,000.00
	\$408,799.52	\$11,224,684.32
<b>Disbursements:</b>		
UST Administrator's Fees	\$0.00	\$1,418,664.00
Attorney General's Fees	\$0.00	\$105,000.00
Attorney's Fees: Cost-Recovery Administration	\$0.00	
Cost Recovery Expense (Lien Filing)	\$0.00	\$120.00
Actuarial Fees	\$0.00	
Auditor of the State Fees	\$0.00	\$4,786.13
Bond Trustee's Fees - Bankers Trust	\$0.00	\$1,500.00
Custodial Fees - BONY	\$0.00	\$1,000.00
Department of Revenue EPC Collection Fees	\$0.00	\$8,800.00
Environmental Protection Charge Refunds	\$0.00	\$1,500.00
Inspection & Appeals Service Fees	\$0.00	\$2,000.00
Installers/Inspectors/Testers Licensing Refunds	\$0.00	

**IOWA COMPREHENSIVE PETROLEUM UNDERGROUND STORAGE TANK FUND  
STATEMENT OF FUND BALANCES  
FISCAL YEAR TO DATE ENDING JULY 31, 2007**

		<b>FISCAL 2008 BUDGET</b>
Legal and Professional Fees	\$0.00	\$5,000.00
Postage / Printing / Miscellaneous	\$0.00	
Professional Admin Services (Investments)	\$0.00	\$50,000.00
Rebate	\$0.00	
Tank Closure Claims and Plastic Waterline Claims	\$12,715.00	\$200,000.00
Travel Expenses-UST Board Members	\$0.00	\$500.00
Warrant Float Expense	(\$129.81)	
Transfer to Remedial Non-Bonding Fund	\$0.00	\$5,000,000.00
Transfer to Innocent Landowner Fund	\$0.00	
28E Agreement - RBCA (DNR Staff Training & Development)	\$0.00	
28E Agreement - DNR UST Section Funding - FY07	\$0.00	\$200,000.00
Statutory Transfer to DNR - FY08	\$0.00	\$200,000.00
Statutory Transfer to DED - FY08	\$0.00	\$3,500,000.00
Statutory Transfer to General Fund - FY08	\$0.00	\$3,000,000.00
	\$12,585.19	\$13,698,870.13
<b>Balance of Fund, July 31, 2007</b>	<b>\$17,471,877.32</b>	<b>\$14,601,477.18</b>
<b>0208 - UST REMEDIAL NON-BONDING FUND</b>		
<b>Balance of Fund, July 1, 2007</b>	<b>\$6,753,532.72</b>	<b>\$6,753,532.72</b>
<b>Receipts:</b>		
Remedial Refunds	\$733.60	\$10,000.00
Misc. Income (i.e. eligibility settlements)	\$0.00	
Interest Income	\$0.00	
Transfer Received from Unassigned Revenue	\$0.00	\$5,000,000.00
	\$733.60	\$5,010,000.00
<b>Disbursements:</b>		
Retroactive Claims	\$55,132.98	\$600,000.00
Remedial Claims	\$581,006.80	\$11,000,000.00
Balance of Outdated Warrants	(\$8,037.95)	
	\$628,101.83	\$11,600,000.00
<b>Balance of Fund, July 31, 2007</b>	<b>\$6,126,164.49</b>	<b>\$163,532.72</b>
<b>0478 - UST MARKETABILITY FUND</b>		
<b>Balance of Fund, July 1, 2007</b>	<b>\$2,246,390.04</b>	<b>\$2,246,390.04</b>
<b>Receipts:</b>		
Interest	\$178,180.50	\$1,500,000.00
Use Tax	\$0.00	
	\$178,180.50	\$1,500,000.00
<b>Disbursements:</b>		
Transfer to Aboveground Storage Tank Fund	\$0.00	
	\$0.00	\$0.00
<b>Balance of Fund, July 31, 2007</b>	<b>\$2,424,570.54</b>	<b>\$3,746,390.04</b>

**IOWA COMPREHENSIVE PETROLEUM UNDERGROUND STORAGE TANK FUND  
STATEMENT OF FUND BALANCES  
FISCAL YEAR TO DATE ENDING JULY 31, 2007**

		<b>FISCAL 2008 BUDGET</b>
<b>0485 - UST INNOCENT LANDOWNERS FUND</b>		
<b>Balance of Fund, July 1, 2007</b>		\$21,354,512.83
<b>Receipts:</b>		
Cost Recovery (i.e. lien settlements)	\$0.00	
ILO Refunds	\$1,100.40	
Intra State Fund Transfers Received	\$0.00	
Miscellaneous Income	\$0.00	
	<u>\$1,100.40</u>	
<b>Disbursements:</b>		
Other Contractual Services	\$0.00	
Global Settlement Claims	\$28,310.77	
Innocent Landowner Claims	\$54,944.75	
Balance of Outdated Warrants	\$0.00	
	<u>\$83,255.52</u>	
<b>Balance of Fund, July 31, 2007</b>		<u>\$21,272,357.71</u>
		<u>\$18,864,512.83</u>
<b>0455 - ABOVEGROUND STORAGE TANK FUND</b>		
<b>Balance of Fund July 1, 2007</b>		\$102,443.17
<b>Receipts:</b>		
Interest Income	\$740.73	
Canceled warrants/Corrected warrants	\$0.00	
Transfer from Marketability Fund	\$0.00	
Transfer from Unassigned Revenue Fund	\$0.00	
	<u>\$740.73</u>	
<b>Disbursements:</b>		
Transfer to Unassigned Revenue Fund	\$0.00	
	<u>\$0.00</u>	
<b>Balance of Fund on July 31, 2007</b>		<u>\$103,183.90</u>
		<u>\$170.62</u>
<b>0238 - UST LOAN GUARANTEE FUND (Non-Bonding)</b>		
<b>Balance of Fund, July 1, 2007</b>		\$1,228,506.44
<b>Receipts:</b>		
Interest Income	\$8,899.96	
	<u>\$8,899.96</u>	
<b>Disbursements:</b>		
Payments on Loan Losses	\$0.00	
Transfer to Unassigned Revenue Fund	\$0.00	
	<u>\$0.00</u>	
<b>Balance of Fund, July 31, 2007</b>		<u>\$1,237,406.40</u>
		<u>\$288,506.44</u>

**IOWA COMPREHENSIVE PETROLEUM UNDERGROUND STORAGE TANK FUND  
STATEMENT OF FUND BALANCES  
FISCAL YEAR TO DATE ENDING JULY 31, 2007**

		FISCAL 2008 BUDGET
<b>UST BOND FUND (Bonding)</b>		
<b>Series 1997 A Revenue Refunding Bonds</b>		
Balance of Fund, July 1, 2007	\$0.00	\$0.00
<b>Receipts:</b>		
Transfer From/(To) UST Revenue Fund	\$6,092,700.63	\$6,545,916.25
Transfer From/(To) UST Unassigned Revenue Fund	\$0.00	
Accrued Interest From Bonds	\$0.00	
Interest Income	\$0.00	
	\$6,092,700.63	\$6,545,916.25
<b>Disbursements:</b>		
Principal Payments to Bondholders	\$5,510,000.00	\$5,510,000.00
Interest Payments to Bondholders	\$582,700.63	\$1,035,916.25
Trustee Fee to Bankers Trust	\$0.00	
	\$6,092,700.63	\$6,545,916.25
<b>Balance of Fund, July 31, 2007</b>	\$0.00	\$0.00
<b>Series 2004 Cost of Issuance Bonds</b>		
Balance of Fund, July 1, 2007	\$0.00	\$0.00
<b>Receipts:</b>		
Transfer From/(To) UST Revenue Fund	\$0.00	\$0.00
Transfer From/(To) UST Unassigned Revenue Fund	\$0.00	
Accrued Interest From Bonds	\$0.00	
Interest Income	\$0.00	
	\$0.00	\$0.00
<b>Disbursements:</b>		
Principal Payments to Bondholders	\$0.00	\$0.00
Interest Payments to Bondholders	\$0.00	\$0.00
Trustee Fee to Bankers Trust	\$0.00	
	\$0.00	\$0.00
<b>Balance of Fund, July 31, 2007</b>	\$0.00	\$0.00
<b>Series 2004 A Revenue Refunding Bonds</b>		
Balance of Fund, July 1, 2007	\$0.00	\$0.00
<b>Receipts:</b>		
Transfer From/(To) UST Revenue Fund	\$2,077,087.50	\$2,397,487.50
Transfer From/(To) UST Unassigned Revenue Fund	\$0.00	
Accrued Interest From Bonds	\$0.00	
Interest Income	\$0.00	
	\$2,077,087.50	\$2,397,487.50
<b>Disbursements:</b>		
Principal Payments to Bondholders	\$1,735,000.00	\$1,735,000.00
Interest Payments to Bondholders	\$342,087.50	\$662,487.50
Trustee Fee to Bankers Trust	\$0.00	
	\$2,077,087.50	\$2,397,487.50
<b>Balance of Fund, July 31, 2007</b>	\$0.00	\$0.00
<b>Combined UST Bond Fund Balances, July 31, 2007</b>	<b>\$0.00</b>	<b>\$0.00</b>

**IOWA COMPREHENSIVE PETROLEUM UNDERGROUND STORAGE TANK FUND  
STATEMENT OF FUND BALANCES  
FISCAL YEAR TO DATE ENDING JULY 31, 2007**

		<b>FISCAL 2008 BUDGET</b>
<b>0614 - UST CAPITAL RESERVE FUNDS (Bonding)</b>		
<b>Series 1990 A</b>		
Balance of Fund, July 1, 2007	\$3,990,710.18	\$3,990,710.18
<b>Receipts:</b>		
Proceeds From Issuance of Bonds	\$0.00	
<b>Disbursements:</b>		
Transfer Interest to Revenue Fund	\$0.00	
Balance of Fund, July 31, 2007	<u>\$3,990,710.18</u>	<u>\$3,990,710.18</u>
<b>Series 1991 A</b>		
Balance of Fund, July 1, 2007	\$2,641,220.03	\$2,641,220.03
<b>Receipts:</b>		
Proceeds From Issuance of Bonds	\$0.00	
<b>Disbursements:</b>		
Transfer to Cost of Issuance Fund	\$0.00	
Balance of Fund, July 31, 2007	<u>\$2,641,220.03</u>	<u>\$2,641,220.03</u>
<b>Series 1994 A</b>		
Balance of Fund, July 1, 2007	(\$394,430.21)	(\$394,430.21)
<b>Receipts:</b>		
Proceeds From Issuance of Bonds	\$0.00	
<b>Disbursements:</b>		
Debt Service for Issuance of Bonds	\$0.00	
Balance of Fund, July 31, 2007	<u>(\$394,430.21)</u>	<u>(\$394,430.21)</u>
<b>Combined UST Capital Reserve Fund Balances, July 31, 2007</b>	<u>\$6,237,500.00</u>	<u>\$6,237,500.00</u>
<b>TOTAL FUND BALANCES, July 31, 2007</b>	<u>\$55,633,272.23</u>	<u>\$52,832,089.83</u>

**FOOTNOTES:**

Note 1: Funds labeled "Bonding" were created as a result of the issuance of UST Revenue Bonds. Disbursements from funds are restricted by the Revenue Bond indenture.

Funds labeled "Non-Bonding" are funds not restricted as to use by the Revenue Bond indenture.

## **D. July Opt-In Report**

**OPT-IN PROGRAM SUMMARY REPORT**

**August 23, 2007**

**For the Period July 1 to July 31, 2007**

**GENERAL PROGRAM SUMMARY:**

Notices to potential claimants:	0
Eligible claims referred to GAB this period:	4
Number of 90-Day Notices sent this period:	5
Settlement Agreements outstanding at major oil company for execution:	2
Settlement Agreements forwarded to GAB for processing warrants or co-payment credit:	3
Number of claimants receiving warrants or co-payment credit this period:	15
Number of 1st Party Affidavits received in lieu of supporting docs (# this month/# Total to date):	0/88

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**WARRANTS MAILED THIS PERIOD SUMMARY:**

	Number		Total
First Warrant	0	\$	-
Additional Warrants	15	\$	6,308.45
Co-Payment Credit	0	\$	-
<b>TOTALS:</b>	<b>15</b>	<b>\$</b>	<b>6,308.45</b>

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**PROGRAM PAYMENT DISBURSEMENT TO DATE:**

Oil Company	Total Claims to Date	New Claims this Period	Payments Made to Date	Payments Made this Period
ARCO	55	0	\$ 410,206.42	\$ 2,010.42
PHILLIPS	262	0	\$ 1,703,710.95	\$ 126.74
AMOCO	305	0	\$ 2,228,943.36	\$ 176.04
CONOCO	110	0	\$ 686,237.12	\$ 1,628.28
SOUTHLAND	18	0	\$ 89,796.04	\$ -
FINA	12	0	\$ 96,427.59	\$ -
SUN/SUNOCO	177	0	\$ 1,195,612.65	\$ 1,518.64
TEXACO	154	0	\$ 1,044,391.91	\$ -
CHAMPLIN	23	0	\$ 124,016.74	\$ 343.88
KERR-McGEE	78	0	\$ 526,446.62	\$ 342.45
CHEVRON	24	0	\$ 165,567.64	\$ -
OXY	0	0	\$ -	\$ -
T.P.I. INC.	15	0	\$ 129,666.46	\$ 162.00
<b>TOTAL:</b>	<b>1233</b>	<b>0</b>	<b>\$ 8,401,023.50</b>	<b>\$ 6,308.45</b>

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**ADDITIONAL WARRANT SUMMARY:**

Arco	\$ 2,010.42	Sunoco	\$ 1,518.64
Phillips	\$ 126.74	Texaco	\$ -
Amoco	\$ 176.04	Champlin	\$ 343.88
Conoco	\$ 1,628.28	Chevron	\$ -
Southland	\$ -	Kerr-McGee	\$ 342.45
Fina	\$ -	TPI, Inc.	\$ 162.00

## **Attorney General's Report**

## **Claim Payment Approval**

**Claim Payment Authority Reports**

	<u>Site #</u>	<u>Site Name</u>	<u>1st Bd Rpt</u>	<u>2nd Bd Rpt</u>	<u>3rd Bd Rpt</u>	<u>4th Bd Rpt</u>	<u>Paid to Date</u>	<u>Recommended Authority</u>	<u>Approved Authority</u>	<u>Last Bd Report</u>	<u>Comments</u>
1	8600894	Casey's Marketing Co	08/23/07				\$76,963	\$200,000			
2	9016721	Kutcher Welding	08/23/07				\$88,191	\$120,000			
3	8604079	Bluff Service Center	08/23/07				\$74,357	\$210,000			
4	8607462	Daniel Grothus	08/23/07				\$84,481	\$150,000			dww in Scott Cty
5	8603249	Al's Corner Oil Co	08/23/07				\$82,813	\$75,500			
6	8607406	Messer Oil Co	08/23/07				\$82,763	\$130,000			
7	8608909	Jerry Roney	08/23/07				\$83,068	\$225,000			potential groundwater source
8											
9											
10											
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TVB

**IOWA UNDERGROUND STORAGE TANK PROGRAM  
FIRST BOARD REPORT  
JUNE 27, 2007  
CASEY'S MARKETING CO  
5090 LOMBARD AVE  
CLARENCE  
SITE REGISTRATION NUMBER: 8600894  
LUST NUMBER: 7LTR07**

**RISK CLASSIFICATION:**

HIGH

LOW

UNDETERMINED

**PRESENT CLAIM RESERVE:**

\$ 175,000.00

**ELIGIBILITY:** The contamination was discovered and reported to the IDNR on August 9, 1990. A timely claim was filed. This is an eligible remedial claim.

**COST INCURRED TO DATE:**

1. Site assessment and clean-up reports	\$ 29,028.85
2. Tank pull	3,334.19
3. American Soils	15,970.23
4. RBCA Tier II report	15,298.76
5. Site monitoring reports	13,080.92
6. RBCA Tier III work plan	<u>250.00</u>
TOTAL COSTS INCURRED TO DATE:	\$ 76,962.95

**PROJECTED COSTS:**

<input type="checkbox"/> Risked Based Corrective Action Tier I & II Report	<input type="checkbox"/> Tank Pull/Up-Grade.
<input checked="" type="checkbox"/> Site Monitoring Report (SMR)	<input type="checkbox"/> Free Product Recovery (FPR)
<input type="checkbox"/> Corrective Action Design Report (CADR)	<input checked="" type="checkbox"/> Implementation of PVC replacement

**TOTAL PROJECTED COSTS:**

\$ 85,000 to 150,000.00 +

*approved*

**TOTAL AUTHORITY RECOMMENDED:**

**COMMENTS:** The site is high risk for the groundwater to plastic waterline pathway. There are no low risk pathways. An investigation will be completed to confirm the existence and quantity of plastic waterline within the actual and modeled plumes. The replacement of PVC within the modeled plume will allow for the reclassification of the site to no further action.

*( No discussion !! )*

**IOWA UNDERGROUND STORAGE TANK PROGRAM  
 FIRST BOARD REPORT  
 AUGUST 10, 2007  
 KUTCHER WELDING  
 132 AUGUSTA AVE  
 OXFORD  
 SITE REGISTRATION NUMBER: 9016721  
 LUST NUMBER: 7LTT89**

TV7

**RISK CLASSIFICATION:**

HIGH

LOW

UNDETERMINED

**PRESENT CLAIM RESERVE:**

\$ 110,000.00

**ELIGIBILITY:** The contamination was discovered and reported to the IDNR during tank removal activities on September 12, 1990. A timely claim was filed. This is an eligible remedial claim.

**COST INCURRED TO DATE:**

1. RBCA Tier II report	\$ 14,155.90
2. Tank Pull	368.80
3. Site monitoring reports	9,131.00
4. Remedial implementation & construction	24,443.83
5. Over-excavation	38,712.20
6. Plastic water lines	<u>1,379.00</u>
TOTAL COSTS INCURRED TO DATE:	\$ 88,190.73

**PROJECTED COSTS:**

<input type="checkbox"/> Risked Based Corrective Action Tier I & II Report	<input type="checkbox"/> Tank Pull/Up-Grade.
<input checked="" type="checkbox"/> Site Monitoring Report (SMR)	<input type="checkbox"/> Free Product Recovery (FPR)
<input type="checkbox"/> Corrective Action Design Report (CADR)	<input checked="" type="checkbox"/> Implementation of OE(concrete and well replacement)

TOTAL PROJECTED COSTS:

\$ 20,000 to 40,000.00

*Approved*

**TOTAL AUTHORITY RECOMMENDED:**

\$ 120,000.00

**COMMENTS:** The groundwater professional has recommended reclassification to low risk. This request is pending IDNR review. If accepted, this site will be low risk for the groundwater to protected groundwater source pathway and low risk for the potential vapor pathways. Annual monitoring will continue until the target levels and exit criteria are met.

**IOWA UNDERGROUND STORAGE TANK PROGRAM  
 FIRST BOARD REPORT  
 AUGUST 10, 2007  
 BLUFF SERVICE CENTER  
 1641 S BLUFF BLVD  
 CLINTON  
 SITE REGISTRATION NUMBER: 8604079  
 LUST NUMBER: 8LTL45**

VKS

**RISK CLASSIFICATION:**

HIGH                       LOW                       UNDETERMINED

**PRESENT CLAIM RESERVE:**                      \$ 185,000.00

**ELIGIBILITY:** The contamination was discovered and reported to the IDNR during a site check on October 9, 1990. A timely claim was filed. This is an eligible remedial claim.

**COST INCURRED TO DATE:**

1. Site check and clean-up reports	\$ 24,483.40
2. Tank pull	7,819.90
3. RBCA Tier II report	7,683.08
4. Site monitoring reports	18,951.58
5. Over-excavation	8,282.13
6. Post RBCA Tier II evaluation	1,000.00
7. Corrective action design report	<u>6,136.45</u>

TOTAL COSTS INCURRED TO DATE:                      \$ 74,356.54

**PROJECTED COSTS:**

<input type="checkbox"/> Risked Based Corrective Action Tier I & II Report	<input type="checkbox"/> Tank Pull/Up-Grade.
<input checked="" type="checkbox"/> Site Monitoring Report (SMR)	<input type="checkbox"/> Free Product Recovery (FPR)
<input type="checkbox"/> Corrective Action Design Report (CADR)	<input checked="" type="checkbox"/> Implementation of SVE

**TOTAL PROJECTED COSTS:**                      \$ 100,000.00 to 170,000.00

*Approved*

**TOTAL AUTHORITY RECOMMENDED:**

\$ 210,000.00

**COMMENTS:** The site is high risk for the groundwater vapor pathway for three residential sewers. Vapor sampling has failed, and the IDNR is requiring corrective action. An SVE system is recommended.

**IOWA UNDERGROUND STORAGE TANK PROGRAM  
 FIRST BOARD REPORT  
 AUGUST 10, 2007  
 DANIEL GROTHUS  
 4200 STATE ST  
 BETTENDORF  
 SITE REGISTRATION NUMBER: 8607462  
 LUST NUMBER: 7LTV53**

TJB

**RISK CLASSIFICATION:**

HIGH

LOW

UNDETERMINED

**PRESENT CLAIM RESERVE:**

\$ 135,000.00

**ELIGIBILITY:** The contamination was reported to the IDNR on September 21, 1990. This is an eligible remedial claim filed October 11, 1990.

**COST INCURRED TO DATE:**

1. Site check and clean-up reports	\$ 13,634.28
2. Free product recovery	31,342.00
3. Over excavation & closure of drinking water well	3,517.00
4. RBCA Tier II report	15,675.00
5. Site monitoring reports	<u>20,313.00</u>
TOTAL COSTS INCURRED TO DATE:	\$ 84,481.28

**PROJECTED COSTS:**

<input type="checkbox"/> Risked Based Corrective Action Tier III Report	<input type="checkbox"/> Tank Pull/Up-Grade.
<input checked="" type="checkbox"/> Site Monitoring Report (SMR)	<input checked="" type="checkbox"/> Free Product Recovery (FPR)
<input type="checkbox"/> Corrective Action Design Report (CADR)	<input type="checkbox"/> Implementation of OE

**TOTAL PROJECTED COSTS:**

\$ 40,000 to 200,000.00 +

*Approved*

**TOTAL AUTHORITY RECOMMENDED:**

**\$ 150,000.00**

**COMMENTS:** This was a non-granular bedrock low risk site with free product. Another drinking water well was identified in the 2006 site monitoring report. It is less than 1,000 feet away and will result in a reclassification to high risk after IDNR reviews. We hope a RBCA Tier III will be acceptable.

*It will bring into on well (newly found, or installed) next month*

**IOWA UNDERGROUND STORAGE TANK PROGRAM  
 FIRST BOARD REPORT  
 AUGUST 10, 2007  
 AL'S CORNER OIL COMPANY  
 HWY 141 & 25  
 BAYARD  
 SITE REGISTRATION NUMBER: 8603249  
 LUST NUMBER: 7LTV66**

VKS

**RISK CLASSIFICATION:**

HIGH                       LOW                       NFA

**PRESENT CLAIM RESERVE:**                      \$ 75,500.00

**ELIGIBILITY:** The contamination was discovered with the tank pull August 29, 1990, and reported to the IDNR September 14, 1990. This is an eligible remedial claim.

**COST INCURRED TO DATE:**

- |                            |                  |
|----------------------------|------------------|
| 1. Site clean-up report    | \$ 19,658.21     |
| 2. Tank pull               | 6,027.45         |
| 3. Pre-RBCA CADR           | 2,310.00         |
| 4. RBCA Tier II report     | 5,225.00         |
| 5. Site monitoring reports | 21,501.00        |
| 6. Replace PVC Main        | <u>28,091.00</u> |

TOTAL COSTS INCURRED TO DATE:                      \$ 82,812.66

**PROJECTED COSTS:**

- |   |  |
|---|--|
| <input type="checkbox"/> Risked Based Corrective<br>Action Tier I & II Report | <input checked="" type="checkbox"/> Monitoring well<br>abandonment |
| <input type="checkbox"/> Site Monitoring Report<br>(SMR)                      | <input type="checkbox"/> Free Product Recovery<br>(FPR)            |
| <input type="checkbox"/> Corrective Action Design Report<br>(CADR)            | <input type="checkbox"/> Implementation of<br>OE                   |

**TOTAL PROJECTED COSTS:**                      \$ 86,300.00

*approved*

**TOTAL AUTHORITY RECOMMENDED:**

\$ 75,500.00

**COMMENTS:** Site is no further action. Board authority needed to abandon monitoring wells.

IOWA UNDERGROUND STORAGE TANK PROGRAM  
FIRST BOARD REPORT

AUGUST 10, 2007

MESSER OIL CO

122 DEVOE ST

LONE TREE

SITE REGISTRATION NUMBER: 8607406

LUST NUMBER: 7LTT32

TVB

**RISK CLASSIFICATION:**

HIGH

LOW

UNDETERMINED

**PRESENT CLAIM RESERVE:**

\$ 100,000.00

**ELIGIBILITY:** The contamination was detected with the insurance site check and reported to the IDNR August 10, 1990. This is an eligible remedial claim.

**COST INCURRED TO DATE:**

- |                                   |                  |
|-----------------------------------|------------------|
| 1. Site check and clean-up report | \$ 23,227.60     |
| 2. Tank pull and upgrade          | 14,195.12        |
| 3. RBCA Tier II report            | 9,339.76         |
| 4. Free product recovery          | 22,999.00        |
| 5. Site monitoring reports        | <u>13,001.15</u> |

TOTAL COSTS INCURRED TO DATE: \$ 82,762.63

**PROJECTED COSTS:**

- |  |   |
|--|---|
| <input type="checkbox"/> Risked Based Corrective Action Tier I & II Report | <input type="checkbox"/> Tank Pull/Up-Grade.                    |
| <input checked="" type="checkbox"/> Site Monitoring Report (SMR)           | <input checked="" type="checkbox"/> Free Product Recovery (FPR) |
| <input type="checkbox"/> Corrective Action Design Report (CADR)            | <input type="checkbox"/> Implementation of OE                   |

TOTAL PROJECTED COSTS:

\$ 15,000 to 50,000.00

**TOTAL AUTHORITY RECOMMENDED:**

**\$ 130,000.00**

**COMMENTS:** Site is low risk with free product.

*approved*

IOWA UNDERGROUND STORAGE TANK PROGRAM  
FIRST BOARD REPORT

AUGUST 10, 2007

JERRY RONEY

310 N HWY 69

HUXLEY

SITE REGISTRATION NUMBER: 8608909

LUST NUMBER: 8LTF04

KKL

**RISK CLASSIFICATION:**

HIGH

LOW

UNDETERMINED

**PRESENT CLAIM RESERVE:**

\$ 200,000.00

**ELIGIBILITY:** The contamination was discovered with an insurance site check and reported to the IDNR on October 25, 1990. The claim was filed on October 26, 1990. This is an eligible remedial claim.

**COST INCURRED TO DATE:**

1. Site check and clean-up reports	\$ 27,363.83
2. Pre-RBCA CADR	12,661.80
3. Free product recovery	8,658.50
4. Tank pull	5,966.50
5. RBCA Tier II report	22,965.00
3. Site monitoring reports	<u>5,452.70</u>
TOTAL COSTS INCURRED TO DATE:	\$ 83,068.33

**PROJECTED COSTS:**

<input type="checkbox"/> Risked Based Corrective Action Tier I & II Report	<input type="checkbox"/> Tank Pull/Up-Grade.
<input checked="" type="checkbox"/> Site Monitoring Report (SMR)	<input checked="" type="checkbox"/> Free Product Recovery (FPR)
<input type="checkbox"/> Corrective Action Design Report (CADR)	<input type="checkbox"/> Implementation of CADR

**TOTAL PROJECTED COSTS:**

\$ 35,000 to 150,000.00 +

*approved*

**TOTAL AUTHORITY RECOMMENDED:**

\$ 225,000.00

**COMMENTS:** The site is high risk for groundwater vapors and low risk for groundwater ingestion to potential groundwater source.

*End FP letter sent May 07 (monitor 2008)  
or OE?*

**IOWA UNDERGROUND STORAGE TANK PROGRAM  
SECOND BOARD REPORT  
AUGUST 21, 2007**

**IOWA DEPARTMENT OF TRANSPORTATION  
N. ALLAMAKEE  
WAUKON**

*Walk In*

**SITE REGISTRATION NUMBER: 8609364  
LUST NUMBER: 7LTJ32**

*RC*

**RISK CLASSIFICATION:**

**HIGH**

**LOW**

**UNDETERMINED**

PRESENT CLAIM RESERVE: \$ 350,000.00

PREVIOUS BOARD APPROVAL: \$ 175,000.00

Number and Date of each previous Board Report: 1st: June 6, 2003

PREVIOUS COSTS INCURRED: \$ 85,441.93

COSTS INCURRED SINCE LAST BOARD APPROVAL:

1. Site monitoring report 31,493.75

TOTAL COSTS INCURRED TO DATE: \$ 116,935.68

PROJECTED COSTS:

- |                                     |  |                                     |   |
|-------------------------------------|--|-------------------------------------|---|
| <input type="checkbox"/>            | Risked Based Corrective<br>Action Tier II Report | <input type="checkbox"/>            | Tank Pull/Up-Grade.                       |
| <input checked="" type="checkbox"/> | Site Monitoring Report<br>(SMR)                  | <input type="checkbox"/>            | Free Product Recovery<br>(FPR)            |
| <input type="checkbox"/>            | Corrective Action Design Report<br>(CADR)        | <input checked="" type="checkbox"/> | Implementation of<br>over-excavation plus |

TOTAL PROJECTED COSTS: \$ 150,000.00 to 900,000.00++ *approved*

ADDITIONAL AUTHORITY RECOMMENDED:

TOTAL AUTHORITY:\* \$ 350,000.00

**COMMENTS:** This was a high-risk monitor only site following Tier III, when the last board report was submitted. In the most recent site monitoring report, a down gradient well that had been non-detect had a hit. This well is at the edge of the property with the city of Waukon city well field across the street. The municipal wells are deep, however, the integrity of the well casing is in question. Additional drilling has identified soil contamination. This must be removed on a non-granular bedrock site. We want to proceed with the first step, which will be to excavate the contaminated soil. It is probable more will be required by the IDNR.

\*Previous approval + additional recommended

*• 1899 well - appears to be failing  
• DNR is looking directing to look at SRF  
• Susen questioned why state agency using funds  
(not active in rule)*

**Contracts Entered Into  
Since July 19, 2007 Board Meeting**



# IOWA UNDERGROUND STORAGE TANK

## *Financial Responsibility Program*

Susan E. Voss, *Chairperson*

Scott M. Scheidel, *Administrator*

*Board Members:* Michael L. Fitzgerald

Jeff W. Robinson

Jacqueline A. Johnson

James M. Holcomb

Richard A. Leopold

Nancy A. Lincoln

Douglas M. Beech

### Φ Φ Φ *MEMO* Φ Φ Φ

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**TO:** UST Board

**FROM:** Scott Scheidel

**DATE:** August 14, 2007

**RE:** Contracts Entered Into Since July 19, 2007

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Since the July 19, 2007 Board meeting, the Board has entered into the following contracts or agreements:

- 1) Reimbursement agreement with Attorney General's Office for FY08
- 2) 28E agreement addendum with DNR for UST Closure Contracts for one year
- 3) Contract addendum with MSA Professionals for east region UST closures for one year
- 4) Contract addendum with GeoTek Engineering for west region UST closures for one year
- 5) Contract addendum with Apex Companies LLC for Rose Hill CRP for one year
- 6) Contract addendum with GeoTek Engineering for Walnut CRP for one year
- 7) Contract addendum with Seneca Environmental for Akron CRP for one year

## **Other Issues as Presented**

## **Correspondence and Attachments**



Ida County  
 Courier  
 Ida Grove, IA  
 Circ. 2438  
 From Page:  
 3  
 7/18/2007  
 45853



## Galva council okays street closing, seeding

*DOP*

The Galva City Council approved a street closing resolution, a seeding bid and additional insurance coverage during its meeting July 9.

The Galva Restaurant and Lounge's application to close Second Street from Main to Crawford on Sept. 1 for a beer garden and street dance was approved.

A \$450 bid to seed and level both lots on West County Road was approved.

The Galva Booster Club's request to have the Easter egg hunt covered under the city's insurance policy was approved.

Ray Widder was present to talk with the council about drilling petroleum test wells near G & C's Full Service Station. After Widder's presentation,

the council approved the Geode Access Agreement.

Janet Graybill, Phyllis Hustedt, Larry Frahm and Rod Brosamle were present to discuss the utility billing at the Galva Development Apartments. Following a discussion, the council voted to table this until the August meeting.

Julie Sorensen and Julie Kell were present to discuss the yard at 309 West County Road. Following discussion, this matter will be followed up on.

The council discussed and approved Ross Graybill's building permit application to build a 12-foot by 31-foot lean-to onto his garage.

The clerk was instructed to get bids to re-route the storm sewer on West First Street.

The council approved purchasing a four-drawer fire proof legal file from Buena Vista Stationery for \$1,536 and replacing the two welcome banners that match the flags.

Sheriff Wade Harriman told the council about the recent happenings in his department.

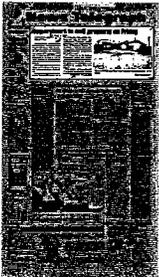
The council decided to send requests for park improvement proposals in December for the 2008 construction period.

Grundman Hicks' \$8,978 bid to replace the trickle filter arms was not accepted. The council will seek other bids.

None of the council is able to attend the League Conference.

In other business, the council discussed redwood stain, white paint, dogs and nuisance sidewalks.

Atlantic News-  
Telegraph  
Atlantic, IA  
Circ. 2999  
From Page: 1  
6/26/2007  
45455



## Supervisors to sell property on Friday

10-51-2A  
WJP  
BY LAURA4 BACON  
NT Staff Writer

The Cass County Supervisors plan to sell the former Massena Quick Stop property, currently owned by the county, during their meeting on Friday, June 29. The supervisors will begin their final meeting of the fiscal year at 7:45 a.m. on Friday and then will recess at about 8:30 a.m. to travel to Massena where they plan to reconvene at the site, and sell the property via auction at 9:30 a.m.

After the sale they will travel back to Atlantic and reconvene in the supervisors' chambers to continue their meeting.

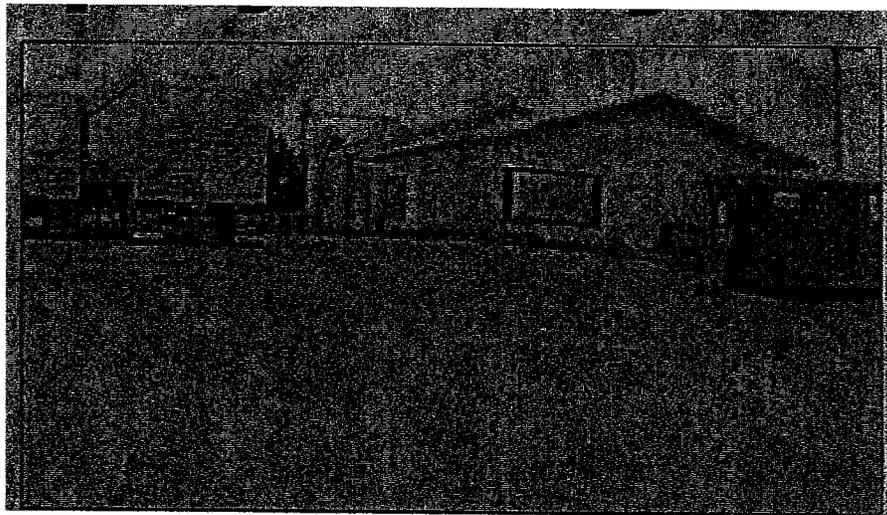
The supervisors approved selling the property at a meeting in May, and at

that meeting Cass County Auditor Dale Sunderman said the county had acquired the old "Quick Stop" property in a tax sale in 1991. Located between the city of Massena and Highway 92, the property is about one acre in size, and is just east of the location of the former Snack Shack at the top of the hill, Sunderman said.

The property is in the Leaking Underground Storage Tank (LUST) clean up program because of a contamination issue, and at the May meeting, the supervisors discussed how water pipes near the property have been replaced.

DNR officials had been concerned about ground contamination leeching

**Property See page 10**

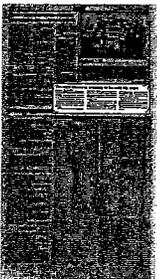


The former Massena Quick Stop property will be auctioned off on Friday.

Photo by Laura Bacon



Atlantic News-  
 Telegraph  
 Atlantic, IA  
 Circ. 2999  
 From Page:  
 10  
 6/26/2007  
 45455



**County's Massena property to be sold this week**

**County Property** *From page one*

to plastic water supply lines especially since a Rural Water line on the north side of Hwy. 92 used plastic pipe, and the contamination plume appeared to be moving that direction. The plastic pipes have been replaced with pipes that would prevent leeching.

The DNR has reclassified the property

to low risk and the supervisors discussed the fact that DNR monitoring of the property would continue and that the buyer of the property would be made aware of the contamination.

Another issue about the property that came up at the May meeting was city sewer service. Cass County Supervisor Charles Rieken noted that the property does not have city sewer service, and sewer drainage can't be run through the contamination field. "Putting in a septic system may require getting easements from the neighbors," he said.

Terms of the sale are 20 percent down on the day of the sale, with the balance due on the delivery of the quit claim deed. The auctioneer will be Mark Venteicher and the auction is expected to last about 15 minutes.

*x 120p-51*  
**Environmental Protection Commission to consider rule changes at upcoming meeting**

Tama News-Herald  
 Tama, IA  
 Circ. 2194  
 From Page: 5  
 6/28/2007  
 43306



DES MOINES - The Environmental Protection Commission will decide on two rule changes pertaining to ethanol production facilities and underground storage tank inspections at its meeting July 2. With commission approval, the DNR would adopt new federal rules that affect permitting activities for ethanol production facilities. Air permitting thresholds under the Prevention of Significant Deterioration (PSD) permitting program for air pollutants emitted from ethanol production facilities would increase from 100 tons per year to 250 tons per year. Fugitive emissions, or emissions that do not come from process stacks or vents, would not be considered in determining applicability to the PSD program for ethanol production facilities. The rule changes would become effective Sept. 5, 2007, if approved. Commissioners will consider an emergency rule to transfer licensing for groundwater professionals and underground storage tank (UST) inspectors. Administration of the licensing program would move from the UST board to the Environmental Protection Commission due to changes in state law. Two contracts with the University of Iowa Hygienic Laboratory totaling over \$1.3 million will also be up for the commission's consideration. If approved, the laboratory would monitor water quality in Iowa's streams, lakes and wetlands. The meeting begins at 10 a.m., with public comments scheduled for 10:30 a.m. The meeting will be held at the DNR Air Quality Building,

7900 Hickman Road, in Urbandale. EPC meetings are regularly scheduled on the first Tuesday of every month, but will take place on a Monday due to the Fourth of July holiday.

The complete agenda follows:

- \* Approval of Agenda
- \* Approval of Minutes
- \* Director's Remarks
- \* Contract - Iowa State University - Wetland Performance Monitoring
  - \* Contract - University of Iowa Hygienic Laboratory - 2007 Ambient Monitoring and Laboratory Services
  - \* Contract - University of Iowa Hygienic Laboratory - 2007 Ambient Biological Monitoring and Laboratory Services
    - \* Contract - United States Geological Survey - Stream Flow Estimation
    - \* Contract - United States Geological Survey - Water Level Measurements
    - \* Contract - Iowa State University - Evaluation of On-Road and Laboratory Engine Dynamometer Emission Tests to Compare the Emission Reduction Potential of Different Biodiesel Blends
    - \* Contract - Iowa Waste Exchange Database Enhancements - Quality Consulting, Inc.
    - \* Final Rule - Water Supply Chapters 40 and 43: Minor Water Main Construction Permit
    - \* Emergency Rule - Amendments to Chapter 134, Certification of Groundwater Professionals and Underground Storage Tank (UST)

Compliance Inspectors

- \* Notice of Intended Action - Amendments to Chapter 135, Technical Standards and Corrective Action Requirements for Owners and Operators of Underground Storage Tanks
- \* Final Rule Without Notice and Notice of Intended Action:
  - Chapters 22 and 33, Air Quality Program Rules - Prevention of Significant Deterioration (PSD) and Title V rules for Ethanol Production facilities
  - \* Notice of Intended Action - Chapter 34: Administrative amendments to the Clean Air Interstate Rule (CAIR) and Clean Air Mercury Rule (CAMR) provisions
  - \* Presentation on Air Quality Permitting of Grain Elevators
  - \* 2007 Environmental Enforcement Report
  - \* Household Hazardous Materials Program Presentation
  - \* Use Assessment and Use Attainability Analyses (UA/UAA) Update