

## 2011 SUPERB Allowable Rates – Q&A

The South Carolina Department of Health & Environmental Control (SCDHEC or the Department) is charged with the oversight of cleanup for releases from regulated underground storage tanks. The Department also has a fiduciary responsibility to the taxpayers of the State of South Carolina to manage the SUPERB Account in such a way that expenditure of funds results in the maximum productivity obtainable. The Department is well aware that those cleanups do not occur without the environmental contractors, and that those contractors need to be compensated to continue performing UST site rehabilitation. For the last 17 years the Department has used a free market approach to achieve the balance between contractor profitability and fund productivity.

Since certification of UST Site Rehabilitation contractors was initiated in 1997, the number of certified contractors in South Carolina has grown steadily. Currently there are over 225 certified contractors. Eighteen of the first 25 contractors certified since 1997 are still certified. The proposed SUPERB allowable rates have been derived from bids provided by contractors through the UST procurement process for tasks associated with assessment and site rehabilitation for last 17 years. Because the rate data was provided through a competitive bidding process, the data is indicative of conditions in the free market. In other words, the contractor community, not the SCDHEC, plays a vital role in establishing the proposed SUPERB allowable rates.

The following process was used to establish the proposed allowable rates:

Using standard rate-setting practices, the 65<sup>th</sup> percentile of the bid population was calculated to establish the proposed allowable rate. Since a percentile was used, rather than averaging, the state contract rate did not directly affect the proposed allowable rate.

The proposed allowable rates were compared to rates from other state programs in the Southeast and to the current SUPERB allowable rates. This comparison indicated that the proposed SUPERB allowable rates were lower or comparable to rates in other states; therefore, management of the SUPERB program decided that no rates would be lowered below the 2006 levels. Where the proposed rate was less than the current rate, the allowable rate has remained unchanged. Where the proposed rate was greater than the current rate, the established rate has been increased. (NOTE: Over 60 percent of the rates calculated for the 65<sup>th</sup> percentile were lower than the current SUPERB rates but have remained unchanged.)

The following examples are provided to illustrate this process:

Component	2006 Allowable Cost/Unit	2011 65 <sup>th</sup> Percentile	Percent Differential	2011 Proposed Allowable Cost
Analysis-Groundwater (8260B)	\$100.00/analysis	\$69.70	-30.30%	\$100.00
Soil Treatment/Disposal	\$50.00/ton	\$72.50	+45.00%	\$72.50

The following responses address specific comments that were provided:

- 1) Most of the rates, with a few glaring exceptions, remain unchanged while the amount of work required by contractors to comply with the proposed QAPP has increased significantly.

**See the explanation provided above. Note that the rates were increased, as deemed necessary, in categories where additional work was anticipated to meet requirements of the UST programmatic QAPP affective as of July 1, 2011.**

- 2) The mobilization rates have been reduced back to 2006 rates. This may be an oversight due to the draft rates document being a copy of the allowable rates document that was issued on February 1, 2006 (as documented by the header on pages 2-11).

**There were a few errors in the draft rates published that will be corrected to reflect an increase or to remain the same (i.e., no proposed allowable rates have been lowered below 2006 levels).**

- 3) The draft rate for analysis of groundwater for BTEXNM is currently \$100 per analysis. The draft rate adds the 8 oxygenates, 1,2-DCA, and ethanol without raising the rate. Currently, SUPERB rates are \$195.75 without analysis for ethanol. This draft rate is extremely worrisome if SCDHEC expects all of these analyses to be supplied for a fee of \$100 per analyses. Please advise us if all of these analyses will be expected to be provided for the proposed \$100 rate.

**All of the listed parameters are derived from the same analytical method (5030B with 8260B); therefore, it is reasonable to combine these parameters. A review of rates provided by analytical laboratories indicated that this analysis is available for a cost less than \$100.00.**

- 4) The cost for a grain size with hydrometer was increased by \$24. It has been difficult to find firms willing to provide this analysis at the current rate so this increase would be very appreciated.

**Please see the explanation above for how the proposed allowable rates were derived.**

- 5) Off gas treatment with a carbon vessel dropped from \$280 for an 8 hour event (currently \$35 per hour) to the proposed of \$150 per AFVR event. After having been at \$280 for many years, it is unfair to reduce payment since costs and inflation have gone up.

**There were a few errors in the draft rates published that will be corrected to reflect an increase or to remain the same (i.e., no proposed allowable rates have been lowered below 2006 levels).**

- 6) Other than the addition of a rate for the preparation of the QAPP Appendix B, there is not a mechanism to be paid for the amount of additional work required to comply with the QAPP. While I applaud the UST Program for trying to normalize the quality of the work product that is received, the fact that there is virtually no payment mechanism for the additional work required

by contractors. I propose that the percentage for “Report Preparation and Project Coordination” be raised to 18 or 20% to account for the increased work required by the QAPP.

**Without specification of the “additional work” referred to, it is difficult to respond to this comment. Please see the explanation above for how the proposed allowable rates were derived.**

7) Two areas of contention with me (and many others whom I've spoken to about this) are that there isn't an established rate for acquisition of offsite access and no established rate for having a geologist or staff scientist on-site to log soils during the installation of borings of any type. While I fully understand that acquisition of offsite access is part of the “15%”, I believe that far too many tasks are included in this “15%”. For example, we recently had a project where we spent over 56 hours to obtain the necessary right of entry to adjacent properties to the site at a cost to ##### of \$4,847.49 (does not include postage). The total “15%” for the project was \$4,831.58. The preparation of the report and managing of the project was therefore done for free. While this was an extreme case due to the involvement of several lawyers of adjacent property owners, it is not uncommon for much of the 15% to be spent acquiring access to properties during assessment phases of work. As far as having a geologist or staff scientist on-site to log soils during the installation of borings goes, drillers know what the SUPERB rates are, what the cost of their materials are, and what the cost of their labor is which leaves very little wiggle room for the contractor to negotiate a rate that includes leftover money to pay their on-site staff. I've personally conducted LUST fund work in 7 other States and the SUPERB Fund is the only LUST Fund that I have worked under that has neither a fee for right of entry acquisition or logging of borings. Most programs had established fees for both tasks. I respectfully request that these two line items be considered for establishment of a SUPERB Allowable Rate.

**The amount of effort required to obtain offsite access varies greatly from site to site. It is therefore impossible to define a unit for establishment of a single rate for this activity that would be reasonable in most cases. The use of hourly rates was discontinued in 1994 due to difficulties with documentation and verification of actual time expended.**

**On-site logging of soil borings and monitoring wells has been part of the unit definition and has been incorporated into the unit rate since the SUPERB allowable rates were first established in 1994.**

8) Disposal of drummed soils and purge water has been completely removed from the draft SUPERB rates. Please advise us if the removal of these rates were an error. Containerizing waste for disposal in 55-gallon drums is standard industry practice.

**Rates for disposal of contaminated soil and wastewater have been standardized based upon weight and volume to eliminate an identified problem presented by drums that were only partially filled but were billed at the rate established for a full drum. By basing payment on actual weight or volume, the contractor is free to choose the containment method that they find most efficient.**

9) There were nine increased SUPERB rates. Three of these increases (33% of the total) pertain to GAC systems and another was a small increase for additional copies of Reports. As I stated previously, the proposed rate changes offer very little change in rates whatsoever. Therefore, what little margin there was previously for profit is eroded even further or possibly eliminated completely.

**See the explanation provided above. As stated above, over 60 percent of the rates calculated at the 65<sup>th</sup> percentile were lower than the current SUPERB rates but have remained unchanged.**

10) Since the QAPP requires daily supervision of all data collection personnel in the field will additional personnel mobilizations be allowed to satisfy this requirement?

**No. The following excerpt from the definition of Personnel Mobilization is provided: “Personnel includes all personnel, travel time, per diem, . . . costs associated with completion of site activities . . .” Activities such as oversight of field personnel should already be an integral part of a contractor’s standard operating procedures. As such, these activities constitute a normal function of project management.**

11) Licensed surveyors typically charge a lot more than \$1,000 to survey all of the required UST program’s survey elements for an area of 5+ acres. How was this cost determined?

**Please see the explanation above for how the proposed allowable rates were derived.**

12) Since all wells will require additional purging to satisfy the post-sampling indicator parameters, additional costs should be allowed for no purge wells to satisfy the new sampling requirements.

**While the Quality Assurance Program Plan does require the analysis of additional samples (duplicates, trip blank, etc.), there are no requirements for additional purging of all wells. Well purging and field parameter requirements are unchanged; therefore, additional costs beyond sample collection and analysis are unwarranted.**

13) How was the cost determined for the QAPP plan preparation?

**The QAPP addendum was combined with the plan preparation task. The rate was computed as explained above.**

14) Will the QAPP Plan preparation cost apply for all follow-up, required plan modifications when unforeseen site conditions or field-activities necessitate a modification to the plan?

**No. Just as no additional assessment plan preparation costs are billed for modifications to an approved assessment plan, modifications to the QAPP Addendum, when needed, are covered by the initial cost.**

15) I wanted to comment on the draft SUPERB rates prior to the deadline tomorrow. We have not seen a significant rate increase in over 10 years and it would be nice to get a “raise” at

some point but I know times are tight and we all have to tighten our belts. Perhaps in the future when the program is once again flush there could be a discussion about rate increases as my employees expect raises each year but prices do not increase on the final end which just squeezes the owners. I urge you to reconsider the proposed rates in each category as these changes will threaten to shut down the current environmental industry in South Carolina. If that is the goal of the SCDHEC then it would be helpful to know that so we can plan for the future, but these rates do not make this industry sustainable which will affect all of the geologists, engineers, and technicians the UST program currently supports. Without profit there will be no industry to perform the work.

**As explained above, rates have remained fixed for the SUPERB Account due to a conscious decision by SCDHEC UST program management not to lower any rates despite the fact that market rates indicate that costs are actually going down. As indicated above, the SUPERB Account Allowable Costs are established by free market input from the contractor community.**