

Proposed Ethanol Alcohol Bulk Storage Fee

Industry Group Briefing

February 22, 2007

The Task

- April 25, 2006 Work Session
 - Members of City Council requested that we explore the feasibility of imposing a fee to offset the increased expenses being imposed on the City due to the introduction of Ethanol Alcohol Bulk Storage by Oil Companies.
- October 24
 - A 3.5 cent per gallon flat fee was proposed for any bulk storage terminal storing ethanol in 1000 gallon tanks or larger.
 - Matter was continued to meet with industry representatives and other interested parties.
- This presentation will provide an update and a recommendation regarding the ethanol fee proposal.

The Issue

- Ethanol Alcohol presents an entirely different flammable liquids risk to the community.
 - Ethanol burns differently.
 - Requires change and increase in the type of foam concentrate, firefighting equipment and training.
 - Alcohol and blended fuels are present throughout the major transportation corridors in the City.

The Issue

- What Does This Mean to Chesapeake?
- First Year Material and Equipment Needed:

- Purchase 4,040 gallons of Alcohol Type Foam Concentrate \$ 116,644
- 20 Thermal Imaging Cameras \$ 144,000
- (2) 550 Chassis Trucks with Tow Packages for Foam Firefighting Trailers \$ 120,000
- Total \$ 380,644

- Successful Alternative Funding Strategy:
 - Obtained a Fire Act Grant to subsidize cost of material and equipment (\$ 150,915)
 - Net Cost to City **\$ 229,729**

The Issue

- Current Cost Considerations
- Initial Capital Outlay \$229,729.
- Future Annual Program Cost Considerations
 - Training
 - Supplies
 - Equipment Maintenance
 - Vehicle and Equipment Depreciation and Replacement

Industry Representative Feedback

- Terminal representatives concerned that they are underwriting 100% of the risk even though their sites are fixed.
 - Transportation industry not affected by the proposed fee structure.
- Industry and Chamber of Commerce representatives concerned of the “loss of business” market impact that fees would have by driving bulk purchasers to areas where fees are not imposed.

The Recommendation

- Impose an annual $\frac{1}{2}$ cent (.005) per gallon of storage fee on all tanks exceeding 1,000 gallon capacity.
 - An annual “one-time” charge based upon total tank storage capacity.
 - Total estimated annual revenues: \$48,700.

The Recommendation

- Impose a “per load” fee for truck, railcar, barge and ship deliveries.

– Barge/Ship	\$50-
– Railroad Car	\$25-
– Truck	\$ 5-

- Estimated Annual Revenues

– Barge/Ship	(30 loads)	\$ 1,500-
– Railcar		\$ 0-
– Truck	(5,258 loads)	<u>\$ 27,910-</u>
– Total Estimated Revenues		\$ 29,410-

The Recommendation

- Estimated Total Revenues
 - Annual Storage Fees \$ 48,700
 - Transportation Fees \$ 29,410
 - Total Estimated Revenues \$ 78,110

The Recommendation

- Authorization contained in the Statewide Fire Prevention Code as amended.
- Fee would be:
 - Used to offset the cost of providing training, inspections, equipment and supplies needed to manage the presence of ethanol alcohol in the City.
 - Administered by the Hazardous Environmental Action Team (HEAT).

The Recommendation

- Recommended Proposed Fee be continued from the February 27, 2007 Agenda and be included in the FY08 Operating Budget to be considered by City Council during the budget adoption process.
- Updates to City Council will be provided via the City Manager as information becomes available.