

COMMISSION AGENDA

Item No: 6A

Meeting: 4/24/19

DATE: April 11, 2019
TO: Port Commission
FROM: John Wolfe, Chief Executive Officer
Sponsor: Jason Jordan, Director, Environmental and Planning Services
Project Manager: Rob Healy, Environmental Senior Project Manager
SUBJECT: General Business: Remediation Program Environmental Cleanup Costs

A. ACTION REQUESTED

At the request of Commissioners, Port Staff will present an overview of the Port of Tacoma's remediation program, summarizing environmental cleanup strategy, internal and external costs and total costs to date. No action is requested.

B. SYNOPSIS

The Port of Tacoma's remediation goals have been tied to the 2012 10-year strategic plan of remediating 200 acres by 2022. Six years into the plan period, the Port of Tacoma has achieved its goal. In this period six cleanup actions have been completed and two Parcels were closed without remedial action after demonstrating no current or future risks to human health and the environment on the properties. Under the 10-year strategic plan 204 acres have been remediated to date and another 50 acres are planned to be remediated.

C. REMEDIATION PROGRAM OVERVIEW

Since the early 1980s the Port of Tacoma (Port) has actively worked to remediate both industrial waterway sediment and upland properties impacted by legacy contamination. The Port's approach toward remediation interweaves three primary objectives:

- Economic – Economic interests include creating value for impacted properties and restoring them for beneficial use.
- Environmental – Environmental concerns focus on protecting the existing waterways and the natural environment while preventing recontamination of cleaned up properties.
- Financial – Financial emphasizes leveraging public dollars to offset remediation costs by obtaining state grant funding, insurance where applicable and recovering costs from potentially liable parties responsible for historical releases.

By integrating the remediation process with the preferred end use or future use of a site the Port develops a cost-effective, disciplined process. The Port's current remediation approach is designed to protect the environment while attempting to integrate future business objectives.

Specifically, the remediation process initially includes identifying the site based on environmental risk and business objectives. An initial evaluation is then performed to determine if the site needs further investigation, emergency cleanup, or no further action.

If an assessment determines that there is a risk to human health and the environment, an in-depth study (remedial investigation – RI) is conducted to determine site characteristics and the nature and extent of contamination.

A feasibility study (FS) is then completed to evaluate potential impacts on human health and the environment, establish cleanup criteria and evaluate cleanup alternatives. While the RI/FS may be conducted as two separate steps, they are often combined into one study along with a cleanup action plan (CAP) or Record of Decision (ROD), which identifies the selected method of cleanup leading to development of an engineering design (ED) report.

Following design, cleanup construction is completed where the selected remedial action is implemented to eliminate, stabilize, treat or remove a hazardous substance.

Operation, Monitoring, and Maintenance (OMM) is the final step to ensure that the cleanup or containment system is functioning properly.

D. BACKGROUND

In 1981, Commencement Bay was placed within the US Environmental Protection Agency's (EPA's) Superfund program and listed as Washington's highest priority site. A Washington State Department of Ecology (Ecology) and EPA Cooperative Agreement was developed, making Ecology the lead agency role responsible for source identification and source control while EPA handled sediment cleanup.

The Commencement Bay Nearshore/Tideflats site was officially added to the National Priorities List (NPL) in December 1983. Under Source Control, Ecology personnel identified a number of upland sources (smelters, log yards, chemical plants, foundries, metal platers, etc.) that were contributing contamination into the Commencement Bay sediments. This launched a major cleanup effort to restore the bay that continues to this day.

From the 1980s through 2012, the Port of Tacoma's in-water work included remedial dredging of three (3) industrial waterways (Hylebos, Blair, and Sitcum) and constructing two (2) confined disposal facilities (Slip 1 and APMT-Milwaukee Fill). The Port's upland remedial work included the delisting of five (5) sites and completing seven (7) remedial actions with subsequent long-term monitoring.

Since 2013, under the 10-year strategic plan, the Port has completed seven cleanup actions including; Parcel 88, Kaiser, Wypenn, the Arkema Mound, Pier 4 TBT removal, Progress Rail, and the Pier 7 TPU transformer spill. Additionally, two Parcels (4 and 119) were closed out

with Ecology utilizing third party due diligence environmental data that demonstrated no current or future risks to human health and the environment.

In 2019 the Port of Tacoma is actively managing:

- Four (4) Agreed Orders (AOs) to develop a Cleanup Action Plan – Arkema Manufacturing, Portac, Thermafiber/US Gypsum, and Parcel 2
- Three (3) Voluntary Cleanup Program (VCP) Sites – PQ, TruGrit/CanAm, and Tote property USTs
- Two (2) Consent Decrees to monitor sediment quality – Mouth and Head of Hylebos Waterway
- One (1) Consent Decree to complete remedial design and remedial action at the Earley Business Center
- Ten (10) upland Long-term Monitoring Sites – five former log yards, two confined disposal facilities, a former railyard, and Maytown

Also, in 2019 the Port is negotiating with Ecology to enter into an AO to develop a Cleanup Action plan for the former Sound Mattress Site in accordance with the Wyeth Cost-Sharing Agreement.

E. FINANCIAL SUMMARY OF HISTORICAL REMEDIATION COSTS

In 2018, Port staff worked to assemble an environmental cost database, consisting of 32 years of project costs to more accurately reflect historical spending. The effort consisted of combining two separate accounting systems, evaluating approximately 300 Master Identification Numbers and adding categories for remediation, mitigation, and stormwater investments. The effort resulted in an estimated gross investment by the Port of Tacoma in Commencement Bay of over \$275M between 1987 through 2018. The Port has been able to offset those costs by \$97M through Ecology grant reimbursements, insurance recoveries, and settlements. As a component of the Port's Commencement Bay investment, spending on in-water and upland remediation projects over the 32-year period is estimated at \$209M.

To evaluate Commissioner questions on remediation spending, the environmental cost database was revisited. Specific questions on remediation phasing and internal versus external costs were evaluated by focusing on data from the current accounting system, as the effort required to evaluate data generated from the older accounting system would be time prohibitive. Remediation subcategories were added to create a remediation cost database representing the period of September 2009 through December 2018.

Multiple queries of the remediation cost database were completed and are presented in the attached Exhibit 1. Graphical representations of the queries are presented in the computer slide presentation. Highlights on remediation spending since 2009 are as follows:

- \$61.7M have been spent on remediation projects, of which 88% was spent on outside good and services and 12% on internal costs including maintenance and administrative staff.

- Spending by remediation's three phases include 17% for Remedial Investigation and Feasibility Study activities, 73% for Remedial Design and Remediation Action activities, and 11% for long-term operations maintenance and monitoring activities.
- The spending by Parcel query indicates the highest spending occurred on three Port properties; \$16.8M at Parcel 27 (the Pier 4 Phase 1 emergency removal action), \$11.6M at Parcel 77 (Former Kaiser Aluminum Smelter), and \$13.2M at Parcel 99 (Former Arkema Properties). See the accompanying presentation for further information on each Parcel.

F. CIP REMEDIATION BUDGET REVIEW

In addition to reviewing post 2009 historical costs, the Capital Investment Plan (CIP) budget information on remediation projects was compiled from 2013 to correspond with the 2012 10-year strategic plan.

- From 2013 to 2018 total remediation spending was \$50.3M. The Port was able to recover \$25.2M through Ecology grants and Settlements with responsible parties, resulting in net cumulative spend of \$25.1M.
- Looking ahead, the 2019 to 2023 CIP projects total remediation spending of \$50M. Future recoveries through potential grants, reimbursements, or settlements cannot be estimated at this time.

G. SOURCE OF FUNDS

Environmental cleanup projects are funded by the Port through general funds and the tax levy. In addition, there are supplementary external sources of funding, including the following:

- Cash from third parties – Payment from cost-sharing or contribution agreements with other potentially liable parties (PLPs), where either port functions as a funding conduit for the other PLPs and holds contracts on behalf of these other PLPs.
- Litigation settlements with other PLPs
- Allocation settlements with other PLPs
- Insurance recoveries from both the ports' insurers and other PLPs' insurers
- Department of Ecology grants

H. ECONOMIC INVESTMENT/JOB CREATION

Remediation projects facilitate property redevelopment and return to productive use. Employment opportunities will arise during remediation, construction of future improvements and long-term leasing of the property.

I. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.