



State of Oregon Department of Environmental Quality

Draft Fiscal Impact Statement Fuel Tank Seismic Stability Rulemaking

This is a draft fiscal impact statement developed by DEQ for the Fuel Tanks Seismic Stability Rulemaking. This document is being presented to the Rules Advisory Committee for discussion. The RAC's input will be reflected in the final version included in the public notice.

Introduction

DEQ is conducting the [Senate Bill 1567](#) mandated rulemaking to create the Fuel Tank Seismic Stability program. The new law applies to facilities in Columbia, Lane and Multnomah counties that have the capacity to store over two million gallons of fuel. The facilities are required to conduct seismic vulnerability assessments and submit those to DEQ by June 1, 2024. The risk-minimizing measures and actions and the implementation timeline will be outlined in mitigation implementation plans submitted to DEQ after the agency's review and approval of the assessments.

[ORS 183.335](#) requires that, before adopting a rule, an agency must provide advanced public notice, based on available information, that includes:

- A statement of fiscal impact:
 - Identifying state agencies, units of local government, small and large businesses, and members of the public, that the rule may economically affect, and
 - An estimate of that economic impact on state agencies, units of local government and the public.
- A projection of any significant economic impact on businesses.
- A description of the cost of compliance for affected small businesses.
- A housing cost impact statement as described in [ORS 183.534](#).

The fiscal impact analysis is limited to the analysis of the impacts the proposed rule may cause that are separate from and in addition to impacts the underlying statute causes. The statute's fiscal impact has been considered when the law was promulgated and does not need to be addressed during this rulemaking. The proposed rule clarifies the statute and is expected to have a negligible overall fiscal impact.

The Rulemaking Advisory Committee must provide recommendations on:

- Whether the rule will have a fiscal impact
- What the extent of that impact will be, and
- Whether the rule will have a significant adverse impact on small businesses

If the committee finds the rule will have a significant adverse impact on small businesses, the agency may ask for the committee's recommendations on how the agency could reduce that impact under [ORS 183.540](#) (reducing fiscal impact on small businesses).

Is the proposed rule likely to economically affect any state agencies?

DEQ is consulting with the Oregon Department of Geology and Mineral Industries, the Oregon Department of Energy and the Oregon Office of the State Fire Marshal in this rulemaking. The three state agencies are expected to provide input during the risk mitigation plans review and approval and will be economically affected. The proposed fees will reflect the impacts to the state agencies.

DOGAMI has a specified role in the assessment and mitigation plan approval process, with related fiscal impacts. Other state agencies have interests related to the work in these rules, but we assume that involvement is included in their ongoing work so does not change significantly because of this program.

The anticipated impacts to the state agencies are as follows:

- DOGAMI: \$202,000
- ODOE: negligible
- State Fire Marshal: negligible

Is the proposed rule likely to economically affect any units of local government?

Potentially, there may be economic effects to the City of Portland, the City of Eugene, the Multnomah County, the Lane County, and the Columbia County. The fiscal impacts to local governments are expected to be similar to those of other state agencies like ODOE and the State Fire Marshal.

Is the proposed rule likely to economically affect any members of the public?

The proposed rule may indirectly economically affect the members of the public through increased fuel and infrastructure costs with costs passed through to consumers as higher fuels costs.

Assuming assessment and mitigation expenses average \$15 million per facility, the total costs are \$255 million. Fuel consumption in Oregon was 983 trillion Btu in 2020¹ with a total expenditure of approximately \$12 billion. Assuming one gallon of motor gasoline equals 120,238 Btu² If costs are distributed uniformly, fuel prices could increase by about \$0.03 per gallon.

¹ US Energy Information Administration Oregon Profile Data
<https://www.eia.gov/state/data.php?sid=OR>

² Finished motor gasoline sold at retail in the United States, including fuel ethanol content
<https://www.eia.gov/energyexplained/units-and-calculators/british-thermal-units.php>

Impacts on Large Businesses – businesses with more than 100 employees

The proposed rule will have a significant economic impact on the 17 facilities subject to SB 1567. The proposed rule is likely to result in costs associated with installation, design, permitting, construction, and maintenance of seismic protection measures at existing tanks and structures or with seismic standards for new tanks and structures. These improved protections would likely reduce spills in the event of seismic activity, considering site-specific attributes such as soil properties and tsunami risk. This, in turn, reduces the risk of impacts to the environment, public health, and property that result from spills and earthquakes. In addition, the facilities subject to the rule will incur fees and cost of compliance.

The rule would result in benefits associated with:

- Improved understanding of facility vulnerability to earthquakes and other disasters, spill risk and associated prevention and preparedness needs.
- Reduced risk of accidental major spills and associated costly and lengthy cleanups.
- Prevention of secondary events such as fire and ability to contain fires that can't be prevented on the facility property.
- Reduced risk of waterways pollution.
- Improved safety of people on site and in nearby communities and environment.
- Prevention of remediation.

DEQ fees charged to the 17 regulated facilities are estimated to total \$5,270,000 over the assumed 10-year program life. Proposed fees consist of report filing fees up to \$39,000 per facility and annual compliance fees of \$29,000 per facility.

Costs facilities will directly incur due to for engineering services to develop plans for submittal to DEQ are expected to range by an order of magnitude depending on land conditions, equipment conditions and operating choices. Facility Seismic Vulnerability Assessment costs may range from a low of \$25,000 to over \$250,000. Risk Mitigation Implementation Plan development costs are assumed to have a similar range of \$25,000 to over \$250,000. Average costs are assumed to be \$150,000 per facility for each type of plan.

Risk Mitigation implementation costs for facilities are assumed to be up to two orders of magnitude greater than plan development costs, so could range between \$5,000,000 and \$50,000,000 per facility or more.

Impacts on Small Businesses – businesses with less than 100 employees

The proposed rule may indirectly economically affect the members of the public through increased fuel and infrastructure costs.

Housing Cost

The rule's impact on housing costs, affordability and housing market is expected to be negligible. As the program develops, it is DEQ's goal to minimize financial impacts and maximize the benefits of the rule.

Translation or other formats

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