Objection to the Denial of Excess Liability Trust Fund ELTF #201105505 / FID #2833 Bullock Oil Company 2020 OEA 74 (19-F-J-5056)

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Topics:

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328 IAC 1-1-8.3
Romney Food Mart, 2019 OEA 80
I.C. §13-23-9-1.5(a)(1)
328 IAC 1-5-1(a)
Marathon Point Service and Winamac Service, 2005 OEA 26

Presiding Environmental Law Judge: Catherine Gibbs

Party representatives:

IDEM: Julie Lang
Petitioner: David Dearing

Order issued: November 13, 2020

Index category: Land

Further case activity: Judicial review

STATE OF INDIANA	,		E INDIANA OFFICE OF ENTAL ADJUDICATION
COUNTY OF MARION)	VIROIVIVI	ENTAL ADJUDICATION
IN THE MATTER OF:)	
OBJECTION TO THE DENIAL OF)	
LIABILITY TRUST FUND CLAIN ELTF #201105505 / FID #2833	1)	CAUSE NO. 19-F-J-5056
BULLOCK OIL COMPANY)	
NEW SALISBURY, HARRISON C	COUNTY. INDIANA	()	

FINDINGS OF FACT, CONCLUSIONS OF LAW AND FINAL ORDER

The parties appeared for a final hearing in this matter on October 1, 2020. The presiding Environmental Law Judge (the ELJ), having heard the testimony and examined the evidence, now enters the following findings of fact, conclusions of law and order:

Findings of Fact

- 1. Bullock Oil Company (Petitioner) timely filed a Petition for Review on April 20, 2019 and thereafter filed a Motion for Summary Judgment on November 19, 2019. The motion was denied on February 25, 2020 as Petitioner failed to meet its burden of proving that there were no genuine issues of material fact. The final evidentiary hearing was held on October 1, 2020. Post hearing briefs were filed on October 19, 2020.
- 2. Petitioner owns the underground storage tanks (USTs) located at 1555 State Road #64, New Salisbury, Harrison County, Indiana (the Site).
- 3. A release from the USTs was reported to the Indiana Department of Environmental Management (IDEM) on May 12, 2011. IDEM assigned incident number #201105505.
- 4. Petitioner hired Shield Environmental Associates (Shield) as a consultant. Shield conducted an Initial Site Characterization (ISC) and submitted the results to IDEM on July 20, 2012.¹
- 5. On June 9, 2014, IDEM requested a Further Site Investigation (FSI)², which Petitioner then conducted.
- 6. Shield submitted the FSI on February 25, 2015. In the FSI and ISC, numerous soil borings were done, and 4 monitoring wells were installed. IDEM approved the site characterization on April 20, 2015 and requested a Corrective Action Plan (CAP).³

² Petitioner's Exhibit #6.

¹ Petitioner's Exhibit #5.

³ Petitioner's Exhibit #7

- 7. On December 4, 2015, Petitioner retained Golars LLC (Golars) as its consultant. Golars did not believe that the ISC adequately delineated the extent of the contamination, particularly because of the fractured/fissured bedrock lying underneath the Site. Golars, after identifying data gaps, submitted a CAP Data Gap Closure Plan⁴ (the Work Plan) to IDEM. IDEM approved the Work Plan on April 12, 2016 and authorized a Limited Site Investigation (LSI).⁵
- 8. Golars installed three (3) additional monitoring wells as part of the LSI⁶. On July 22, 2016, Golars submitted the LSI Report⁷ conveying the results of the Work Plan. IDEM reviewed the LSI on October 24, 2016 and requested a Further Site Investigation (FSI).⁸
- 9. The FSI was submitted on March 24, 2017⁹. Golars installed five (5) additional monitoring wells as part of the FSI¹⁰. On May 22, 2017, IDEM reviewed the FSI and requested another FSI.
- 10. Golars submitted the next FSI on December 15, 2017. Five (5) more monitoring wells were installed. 11 which required the installation of additional monitoring wells. 12
- 11. IDEM approved the site characterization on April 9, 2018. IDEM required 4 more quarters of ground water monitoring. IDEM requested that Petitioner develop a Conceptual Site Model (CSM) and a draft Environmental Restrictive Covenant at the conclusion of the quarterly monitoring.¹³
- 12. On July 13, 2018, Petitioner requested reconsideration of this determination, stating that they believed a CAP which evaluated "potential active remedial options to reduce contaminant mass, prevent further plume migration within the bedrock, and to protect human health and the environment" was appropriate. ¹⁴ IDEM addressed the request on September 30, 2019 and stated that "The additional monitoring confirms that the use of the institutional controls will be protective and that no additional measures are needed." ¹⁵ Further, IDEM stated "IDEM staff reiterates that given the site geology, age of the release, subsequent ground water data, and lines of evidence, the use of an ERC as an institutional control is an appropriate closure mechanism."
- 13. Petitioner submitted several claims for reimbursement of corrective action costs from the

⁴ Petitioner's Exhibit #20.

⁵ Petitioner's Exhibit #8.

⁶ Petitioner's Exhibit #21, pg. 8.

⁷ Petitioner's Exhibit #21

⁸ Petitioner's Exhibit #9.

⁹ Petitioner's Exhibit #22

¹⁰ Petitioner's Exhibit #22, pg. 7.

¹¹ Petitioner's Exhibit #23, pg. 8.

¹² Petitioner's Exhibit #10.

¹³ Petitioner's Exhibit #11.

¹⁴ Petitioner's Exhibit #12, pg. 2.

¹⁵ Petitioner's Exhibit #13, pg. 2.

¹⁶ Petitioner's Exhibit #13, pg. 2.

Excess Liability Trust Fund (ELTF). Most of the costs¹⁷ were reimbursed.

- 14. On April 27, 2018, Petitioner submitted a claim for reimbursement in the amount of \$145,345.48¹⁸. These costs were all related to work performed by Golars. On October 3, 2018, IDEM denied \$40,607.38. IDEM questioned whether the amount of time spent writing the Work Plan, LSI, and 2 FSIs was reasonable and cost effective and requested additional information on this point.
- 15. On January 11, 2019, Petitioner submitted a claim for \$40,198.27, of which \$39,555.08 was for previously denied costs. Golars included a three-page explanation of the time spent writing the reports and requested clarification from IDEM as to what would be considered sufficient¹⁹. IDEM did not consider this explanation sufficient. On April 2, 2019, IDEM again denied Petitioner reimbursement of these costs for the same reasons.²⁰ IDEM's response did not provide any further clarification regarding what information would be considered sufficient to prove that the costs were reasonable or cost effective.
- 16. The costs at issue in this case were denied because "costs for which ELTF claims may be paid must be reasonable and cost effective." IDEM requested "documentation or a demonstration regarding the reasonableness and cost effectiveness" of the number of hours claimed for each task.²¹
- 17. The costs denied were the number of hours claimed by the Project Manager for the work associated with the preparation of various reports. The following amounts were denied:
 - a. Golars Invoice No. 18-247-1R: \$3,601.25 incurred for 33.50 hours for preparation of the Corrective Action Plan Data Gap Closure Work Plan and Limited Site Investigation report.
 - b. Golars Invoice No. 18-247-2R: \$6,538.88 incurred for 54.25 hours for preparation of the LSI.
 - c. Golars Invoice No. 18-247-3R: \$1,209.38 incurred for 11.25 hours for preparation of the May 27, 2017 Further Site Investigation (FSI) report.
 - d. Golars Invoice No. 18-247-4R: \$1,290.01 incurred for 12 hours for preparation of the May 27, 2017 FSI report.
 - e. Golars Invoice No. 18-247-5R: \$5,446.37 incurred for 48 hours for preparation of the May 27, 2017 FSI report.
 - f. Golars Invoice No. 18-247-6R: \$19,602.25 incurred for 184.25 hours for preparation of the December 17, 2017 FSI report.
- 18. IDEM's guidance regarding remediation cleanup levels²² changed during the time the Site transitioned from Shield to Golars. This required Golars to amend various tables to

¹⁷ Petitioner's Exhibits #15, 16, 17.

¹⁸ Petitioner's Exhibit #1.

¹⁹ Petitioner's Exhibit #3, page 37.

²⁰ Petitioner's Exhibit #4.

²¹ Exhibit A to Petition for Review filed on April 10, 2019.

²² Risk Integrated System of Closure to Remediation Closure Guide.

reflect the new calculations. Further, the reports had to be amended to reflect the new data collected and the associated analysis. However, Golars failed to present evidence of how much time was attributable to each of these tasks.

- 19. Prior to the denial at issue here, IDEM reimbursed most of the reporting writing costs done by the Golars Project Manager for quarterly monitoring reports (QMR). An example²³ of the description for this work under the heading "remediation work plan and technical document preparation" is "2Q2017QMR"²⁴. No further details were provided. This type of description was deemed sufficient for reimbursement in Petitioner's Exhibits 16 and 17 also.
- 20. Karla McDonald testified for Petitioner as an expert. Katie Blackburn testified as a fact witness for IDEM; John Morris testified as an expert for IDEM.
- 21. At the hearing, IDEM admitted that the amount of time spent on drafting the Work Plan²⁵ was questionable but still fell within a reasonable range.²⁶
- 22. IDEM also testified that some portion of the reports are duplicative of previous reports, specifically pointing to the data in QMRs that would have been duplicated in the FSIs.
- 23. IDEM offered no objective data comparing this site to other comparable sites. Nor did IDEM offer a range of the number of hours that would be considered reasonable considering the complexity of this Site. IDEM did not offer any rule or non-rule policy document in support of its contention that the costs were excessive.
- 24. Ms. McDonald is in management at Golars. She did not perform or directly supervise any of the work which was denied. She had no personal knowledge of the work performed. No one who performed this work testified. Golars did not present any firsthand evidence regarding which specific activities the project managers engaged in for any of the hours generally billed for writing the reports. Golars did not present any firsthand information regarding the reasonableness of the hours spent other than a statement regarding the Site's complexity.

Conclusions of Law

- 1. The Office of Environmental Adjudication ("OEA") has jurisdiction over the decisions of the Commissioner of the Indiana Department of Environmental Management ("IDEM") and the parties to this controversy pursuant to Ind. Code § 4-21.5-7, et seq.
- 2. Findings of Fact that may be construed as Conclusions of Law and Conclusions of Law that may be construed as Findings of Fact are so deemed.

²³ Petitioner's Exhibit #15, page 14.

²⁴ This references the quarterly monitoring report for the second quarter of 2017.

²⁵ Golars Invoice No. 18-247-1R.

²⁶ Tr. 236, lines 21-23, Tr. 237, lines 1-3.

- 3. This office must apply a *de novo* standard of review to this proceeding when determining the facts at issue. *Indiana Dept. of Natural Resources v. United Refuse Co., Inc.*, 615 N.E.2d 100 (Ind. 1993). Findings of fact must be based exclusively on the evidence presented to the ELJ, and deference to the agency's initial factual determination is not allowed. *Id.*; I.C. 4-21.5-3-27(d). "*De novo* review" means that "all issues are to be determined anew, based solely upon the evidence adduced at that hearing and independent of any previous findings. *Grisell v. Consol. City of Indianapolis*, 425 N.E.2d 247 (Ind. Ct. App. 1981).
- 4. The Petitioner has the burden of proof in this matter. Pursuant to I.C. § 4-21.5-3-14(c) and I.C. § 4-21.5-3-27(d), the person seeking review has the burden of persuasion by presenting substantial and reliable evidence proving that the IDEM improperly denied reimbursement.
- 5. OEA is required to base its factual findings on substantial evidence. Huffman v. Office of Envtl. Adjud., 811 N.E.2d 806, 809 (Ind. 2004) (appeal of OEA review of NPDES permit); see also I.C. § 4-21.5-3-27(d). "Standard of proof generally has been described as a continuum with levels ranging from a "preponderance of the evidence test" to a "beyond a reasonable doubt" test. The "clear and convincing evidence" test is the intermediate standard, although many varying descriptions may be associated with the definition of this intermediate test." Matter of Moore, 453 N.E.2d 971, 972, n. 2. (Ind. 1983). The "substantial evidence" standard requires a lower burden of proof than the preponderance test, yet more than the scintilla of the evidence test. Burke v. City of Anderson, 612 N.E.2d 559,565, n.1 (Ind. Ct. App. 1993). GasAmerica #47, 2004 OEA 123, 129. See also Blue River Valley, 2005 OEA 1, 11-12. Objection to the Denial of Excess Liability Trust Fund Claim Marathon Point Service, ELF # 9810570/FID #1054, New Castle, Henry County, Indiana; Winamac Service, ELF #9609539/FID #14748, Winamac, Pulaski County, Indiana; HydroTech Consulting and Engineering, Inc. (04-F-J-3338), 2005 OEA 26, 41.
- 6. Each party's position is summarized as follows:
 - Petitioner argues that USTA²⁷ requires IDEM to issue rules specifying what constitutes "reasonable" and "cost effective". Further, Petitioner argues that without written rules (ascertainable standards) specifying how many hours can be spent on a task, IDEM must pay however many hours a claimant claims to have worked.
 - IDEM, on the other hand, seems to think that, without providing any guidance, they can deny excessive costs as not being reasonable until the claimant can provide sufficient justification. IDEM doesn't believe that they need to give the claimant any standards by which they will judge the claim.
- 7. The Excess Liability Trust Fund (the ELTF) was established by I.C. §13-23-7-1(a)(2)²⁸,

²⁷ Underground Storage Tank Act, I.C. §13-23.

²⁸ As added by P.L.1-1996, SEC.13. Amended by P.L.9-1996, SEC.5; P.L.14-2001, SEC.4; P.L.114-2008, SEC.23; P.L.105-2011, SEC.2; P.L.96-2016, SEC.12.

in pertinent part, "to provide a source of money to satisfy liabilities for corrective action." I.C. §13-23-9-1.5(a)(1)²⁹ states that the administrator of ELTF "may pay ELTF claims only for costs that: (1) are reasonable and cost effective". The OEA has recognized, "The public has a strong interest both in preserving the moneys in the Excess Liability Trust Fund and in fully and fairly compensating people who perform eligible work under the fund."³⁰

- 8. I.C. §13-23-11-7(a)(1)(c) states that the Financial Assurance Board (FAB) "shall ... [e]stablish standards for determining the reasonableness and cost effectiveness of corrective action for purposes of reimbursement from the ELTF under IC 13-23-9-1.5(a)(1).³¹
- 9. In furtherance of the goals stated above, the FAB promulgated regulations under Title 328 of the Indiana Administrative Code. The rules set the hourly rate a consultant can charge for specified activities³². However, there are no rules for how much time is considered reasonable for the specified activities.
- 10. "Reasonable" is defined under 328 IAC 1-1-8.3 as:

"Reasonable" means that the site characterization and corrective action are:

- (1) appropriate and performed only as necessary to meet the cleanup objectives for the site; and
- (2) consistent with the requirements of:
 - (A) 329 IAC 9;
 - (B) 328 IAC 1-3-5(b) through 328 IAC 1-3-5(e); and
 - (C) other applicable state and federal laws and regulations
- 11. IDEM asserts that some of the costs are not reasonable or cost effective and requested additional information in support of these costs. The issue of whether IDEM could request justification was addressed in *Romney Food Mart*, 2019 OEA 80 (*Romney*). The presiding ELJ concluded that IDEM could ask for additional information pursuant to I.C. §13-23-9-1.5(a)(1) and 328 IAC 1-5-1(a) in support of the conclusion that the corrective action and the associated costs were not reasonable or cost effective. Further, the ELJ concluded that the definition of "reasonable" in 328 IAC 1-1-8.3 provided an ascertainable standard. The ELJ also concluded that IDEM could rely on IDEM staff's experience and expertise to determine whether work is reasonable and cost effective. Petitioner asks the presiding ELJ to revisit these conclusions. Petitioner's arguments are not persuasive. *Romney* stands and is applicable to this case.

²⁹ As added by P.L.96-2016, SEC.33. Amended by P.L.200-2017, SEC.15.

³⁰ Marathon Point Service and Winamac Service, 2005 OEA 26, 41.

³¹ This was deemed admitted in the Order Continuing Final Hearing and Granting Motion to Deem Request Admitted issued on August 11, 2020.

³² There is no argument that the hours were not billed at the appropriate rate.

- 12. However, this case can be distinguished on the facts from *Romney*. In *Romney*, the petitioner had not resubmitted the denied costs to IDEM. The *Romney* case rested on the argument that IDEM did not have the authority to ask for additional information in support of whether the costs were reasonable. In this case, Bullock's first application was denied. Bullock then resubmitted the application with the justification. IDEM then deemed this justification insufficient. However, IDEM failed to provide any further guidance on what information would have been considered sufficient.
- 13. Most of the work, such as soil borings, well installations, ground water monitoring, sampling, and lab analysis, conducted under the ISC, FSIs and Work Plan, was considered necessary and approved by IDEM. This work was consistent with 329 IAC 9³³ and IDEM reimbursed Golars for the associated costs. However, IDEM questioned the amount of time that Golars spent writing the various reports.
- 14. Golars spent more time (348.37 hours)³⁴ on writing the 4 reports³⁵ than all of Shield's work, including the field work (241.25)³⁶ for the 3 reports. This could support the conclusion that these costs were not reasonable or cost effective.
- 15. It is obviously not good public policy to reimburse however many hours a consultant claims to have worked on a task. IDEM must have some flexibility to deny costs which it considers excessive.
- 16. IDEM has not approved any portion of the disputed costs. It is logical that some portion of these costs should be reimbursed. Mr. Morris specifically mentioned that he thought the amount of time spent on the Work Plan was questionable but reasonable. IDEM compared Shield's hours to Golars while admitting that Golars did a significant amount of work. Merely stating that the costs appear excessive is not enough. There must be some discernable measure.³⁷
- 17. The presiding ELJ previously denied summary judgment in this case because there were genuine issues of material fact. IDEM, in its post-hearing brief, cites to the ELJ's conclusion that the 3-page document submitted in support of the claim was not sufficient to justify the number of hours spent on these tasks. However, such an argument is not persuasive as that conclusion was made in the context of determining whether *summary judgment* was appropriate. Summary judgment is appropriate only when there are no genuine issues of material fact. At hearing, IDEM focused on whether its stated reason for denial was appropriate, which the ELJ already determined in IDEM's favor on summary judgment. The point of this hearing was to determine whether the costs were reasonable and cost effective.

³³See 328 IAC 1-1-8.3(2)(A).

³⁴ IDEM Exhibit I.

³⁵ Work Plan, LSI, 2 FSIs.

³⁶ IDEM Exhibit I.

³⁷ IDEM's suggestion that Golars could resubmit the claims for a third time is not an efficient method of resolving this dispute.

- 18. In *Marathon Point Service and Winamac Service*, 2005 OEA 26, IDEM denied reimbursement for corrective action costs as not being reasonable or cost effective. After hearing the evidence, Chief ELJ Davidsen found in Petitioner's favor and stated "IDEM's evaluation and denial of Hydrotech's resubmitted claims for Marathon and Winamac demonstrate that while IDEM correctly began its evaluation of whether the work performed was not reasonable and cost effective, *after determining that the cost exceeded unpromulgated standards and relative cost comparisons*, IDEM did not sufficiently evaluate the work's reasonableness and cost effectiveness." (emphasis added) *Marathon Point Service and Winamac Service*, 2005 OEA 26, 44. In *Marathon*, the petitioners provided specific information relating to the costs expended and IDEM failed to sufficiently rebut that evidence. This case can be distinguished in that Golars failed to provide specific firsthand evidence regarding the hours at issue in this case.
- 19. IDEM can initially deny claims that appear excessive (not reasonable or cost effective). However, at some point, IDEM must decide what is reasonable and convey that to a claimant. It must provide the claimant with some guidance on what it considers to be reasonable. IDEM cannot simply rely on its self-serving assertions that the costs were unreasonable. OEA will not defer to IDEM's conclusions. It must present proof of how many of these hours were reasonable and present evidence of how it reached this conclusion. IDEM did not do this. Instead, IDEM relies on 2 factors: (1) the fact that Golars expended significantly more time on the Site and related reports than the previous consultant for essentially the same type of work (2) the amount of duplication in the various reports submitted.
- 20. Neither party presented specific evidence regarding the hours as issue here. While Golars presented evidence that the hours were justified because of the complexity of the Site, they did not provide evidence as to what tasks corresponded to the hours claimed. Nor did they submit firsthand testimony from the persons who performed the work. IDEM denied reimbursement for specific hours of work. Specific evidence regarding these hours was needed to substantiate Golars' claim that these hours were for work that was reasonable and cost effective.
- 21. Golars provided no significant evidence regarding what activities were conducted for the hours spent on each task. Golars did not meet its burden of proof. It presented no firsthand evidence of the hours worked. While Ms. McDonald's expertise in this field is impressive, her opinion should not receive greater weight than IDEM's because of her financial interest in the outcome and because IDEM has as much if not more expertise in this subject matter.
- 22. In her rebuttal testimony, Ms. McDonald testified to the difficulties of stating the specifics of the work in sufficient detail to satisfy IDEM's requirements. However, a consultant must be prepared to demonstrate that its work is reasonable if it is seeking reimbursement from the ELTF. IDEM may not need the details that Golars thinks, but Golars must be prepared to submit more detail than just a general statement regarding the complexity of the site.

- 23. These hours, on a superficial level, seem clearly excessive. BUT it is also clear that some of these hours must be reimbursed. The ELJ will not defer to IDEM's conclusions that the hours were excessive. IDEM presented evidence that it felt the hours were excessive, but there was no analysis of what number of hours would have been considered reasonable.
- 24. This matter is before this judge to determine the actual amount of reimbursement. Petitioner did not provide sufficient reliable evidence to shift the burden to IDEM that the hours spent on the reports were reasonable, cost effective and necessary. IDEM presented sufficient evidence that some portion of these costs were excessive.
- 25. IDEM admitted that the work performed for the Work Plan was reasonable. Therefore, the costs claimed in Golars Invoice No. 18-247-1R, \$3,601.25 incurred for 33.50 hours should be reimbursed.
- 26. IDEM shall reimburse Petitioner the sum of \$3,601.25. Golars may resubmit the remainder of the denied costs to IDEM for reimbursement pursuant to 328 IAC 1-5-1(d).
- 27. Golars requests extraordinary relief that "the OEA require the agency to review and pay all similarly denied claims based upon its arbitrary, capricious, and unlawful application of standards other than those established by the FAB." It has been concluded that (1) IDEM has the authority to deny costs that are not reasonable and cost effective and (2) this matter was decided on the basis of the evidence presented for this particular Site and the reimbursement claims associated with it. Because no conclusion has been made that IDEM's application of standards is unlawful, arbitrary or capricious, it would be inappropriate to order IDEM to "review and pay all similarly denied claims based upon its arbitrary, capricious, and unlawful application of standards other than those established by the FAB" as requested by Petitioner. Further, it is not within OEA's authority to order IDEM to act any on matters not before the OEA. The request for extraordinary relief is **DENIED.**

Final Order

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED that judgement is entered in favor of Petitioner in the amount of \$3,601.25 to be paid within sixty (60) days of effective date of this Order.

You are further notified that pursuant to provisions of I.C. § 4-21.5-7-5, the Office of Environmental Adjudication serves as the ultimate authority in administrative review of decisions of the Commissioner of the Indiana Department of Environmental Management. This is a Final Order subject to Judicial Review consistent with applicable provisions of I.C. § 4-21.5-5, et seq. Pursuant to I.C. § 4-21.5-5-5, a Petition for Judicial Review of a Final Order is timely only if filed with a civil court of competent jurisdiction within thirty (30) days after the date this notice is served.

IT IS SO ORDERED this 13th day of November 2020 in Indianapolis, IN.

Hon. Catherine Gibbs Environmental Law Judge