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March 21, 2006

Governor Jennifer M. Granholm  
P.O. Box 30013  
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Senate Majority Leader Ken Sikkema  
P.O. Box 30014  
Lansing, Michigan 48909

Speaker of the House Craig DeRoche  
P.O. Box 30014  
Lansing, Michigan 48909

Re: **Refined Petroleum Cleanup Advisory Council Draft Legislation**

Dear Governor Granholm, Senator Sikkema, and Representative DeRoche:

By letter dated June 7, 2005, the Refined Petroleum Cleanup Advisory Council (the "Council") submitted its first set of recommendations pursuant to MCLA 324.21552(9). Those recommendations related to how the money initially transferred into the Refined Petroleum Fund should be expended. The recommendations were adopted by the legislature as reflected in the fiscal year 2006 budget, which contained various appropriations (totaling approximately \$60,000,000) that were conditioned upon being spent in accordance with the Council's June 7, 2005 recommendations.

For the past several months, the Council and MDEQ have been working cooperatively to prepare draft amendments to the Refined Petroleum Fund statute (Part 215 of the Natural Resources and Environmental Protection Act) to implement the Council's recommendations. Attached to this letter are those proposed amendments, which were approved unanimously by those Council members in attendance at the Council's March 14, 2006 meeting. It is the Council's hope that these amendments will be introduced and passed as soon as possible, so that the initial reimbursement program embodied in these amendments can be implemented during the 2006 construction season.

It has been the Council's pleasure to assist you in developing this initial program. We are confident that these proposed amendments, if passed, will provide a significant incentive to owners and operators of sites contaminated by leaking underground storage tanks to implement cleanup activities that may not have otherwise occurred due to lack of funding. The

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proposed program will also help to reduce some of the perceived unfairness to former MUSTFA claimants resulting from the insolvency of the MUSTFA. Lastly, the program will supply much needed funding to MDEQ to implement cleanup activities at so-called "orphan sites," where there is no financially viable liable party to perform cleanup. In sum, the program is good for Michigan's environment and good for Michigan business.

The Council will now be returning its focus to finalizing its recommendations pursuant to MCLA 324.21552(10) for a more long term cleanup program. Those recommendations will probably be completed within the next few months. While the Council reached tentative agreement on the overall concept for a final program several months ago, the MDEQ has recently expressed some concern regarding the overall funding requirements for the final program. There is also growing concern among the regulated community and within the Council over the repeated diversion of Refined Petroleum Fund revenues to other programs in the 2004, 2005 and 2006 budgets. In order to implement a meaningful long term program, it will be essential that all revenues generated by the Refined Petroleum regulatory fee be available for that program.

Very truly yours,

Kenneth W. Vermeulen, Chair

KWV/dlm 1250586-1

cc. Steven Chester, Director MDEQ ✓