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May 2005 FRTR PBM Case Study



South Carolina's UST Program Pay for Performance Contracting

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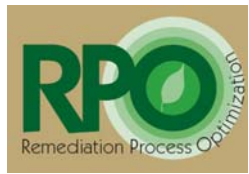
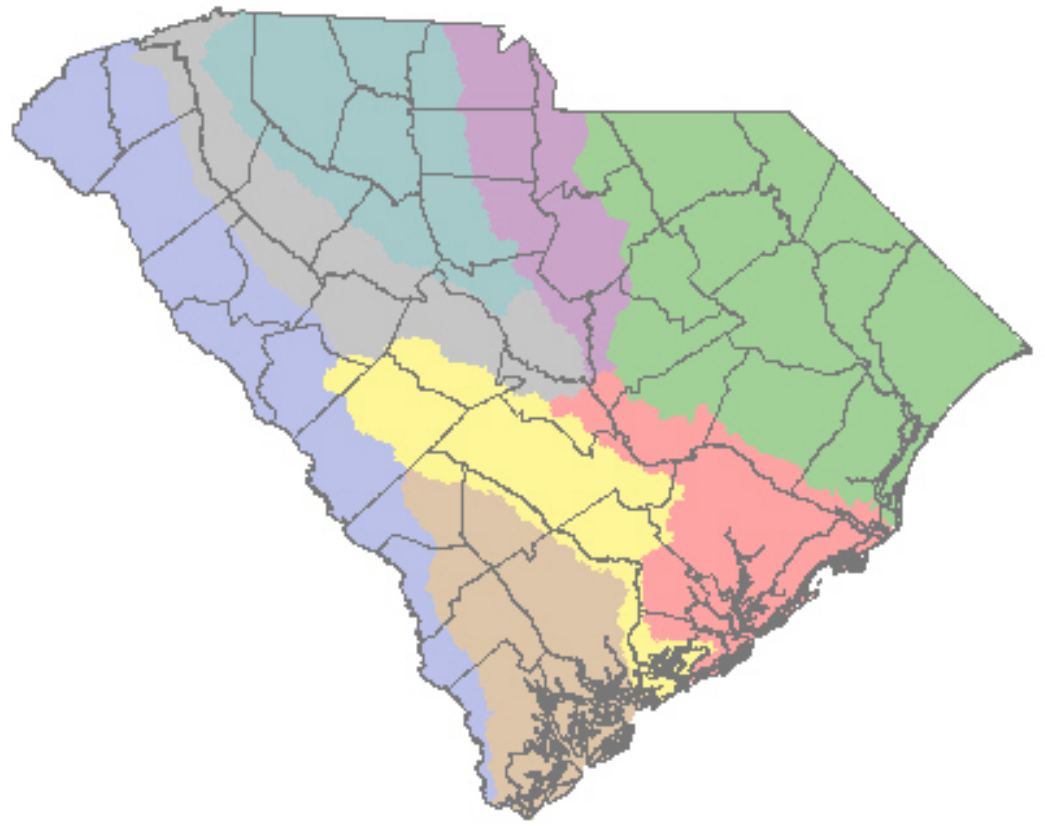


SC UST Program



Overview

- >4000 releases
- >2000 active
- About 350 in ACA
- Fund: \$12 - \$15 millions per year
- Risk-based
- About 30 tech & 20 support staff



SC UST Program

- ▶ **Tiered approach to RI**
 - **Tier I (Standard Plan)**
 - **Tier II (Site-specific)**
 - **Tier III (Detailed, if needed)**
- ▶ **Risk-based Corrective Action**
 - **Vapor, Soil, Groundwater**
 - **Modeling**



South Carolina Pay For Performance

- ▶ **Applicable To All Petroleum Releases Requiring Active Corrective Action (ACA)**
 - **Remediation of Free Product**
 - **Remediation of Soil and/or Ground Water - Replace Impacted Receptors (e.g., Water Supply Well, Utility)**



South Carolina Pay For Performance



- ▶ **Contractor Proposes and Controls the Clean-up:**
 - **The Technology**
 - **The Schedule**
 - **The Cost**
- ▶ **Payment is Based on Documented Progress**



South Carolina Pay For Performance

- ▶ **Award Price Is the Low Bid**
- ▶ **Award Price Is a “Firm Fixed Price” Unless the Department Agrees:**
 - **The Assessment Had Major Errors or Omissions**
 - **New Petroleum Release**
 - **Initial Concentrations Have Dramatically Increased**



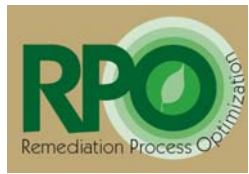
South Carolina Pay For Performance



Example for \$100,000 Award

Goals

Base Concentration: 11,000 ppb
Clean-up Goal: - 1,000 ppb
Clean-up Mass: 10,000 ppb



South Carolina Pay For Performance



Example for \$100,000 Award Cont'd

Payment Schedule

40% Initial Money:	\$40,000 for System Startup
10% for 1/4 Reduction:	\$10,000 for Reaching 8,500 ppb
10% for 1/2 Reduction:	\$10,000 for Reaching 6,000 ppb
15% for 3/4 Reduction:	\$15,000 for Reaching 3,500 ppb
25% Completion:	\$25,000 for Obtaining 1,000 ppb



South Carolina Pay For Performance

► To Ensure Quality:

- Complete Site Assessment With Accurate Corrective Action Goals
- Verification Monitoring Wells
- Performance Bonds/Letter of Credit
- Inspect Well and Equipment Installations
- Quarterly Monitoring Reports
- Split Samples Verify Progress



► **Immediate Benefits:**

- **Completion Times Below Estimates**
- **Cost Less Than 1/2 of Time and Materials**
- **Total Corrective Action Cost is Fixed “Up Front” for Budget Planning**
- **No Equipment Hassles (e.g., Inventory, Reuse, Repair, Replacement, ...)**
- **Simplified, Timely Payment (Average 2 Days)**

South Carolina Pay For Performance



- ▶ **“Firm Fixed Price” but Pay Contractors in a Timely Manner**
- ▶ **Avoid Cost Change Orders (Unfair to Second Lowest Bidder)**
- ▶ **Assist Environmental Contractors**
 - **Streamlined Permitting Process**
 - **Assist With Off-site Access**



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The State and Owner Must Ensure That:

- ▶ **The Contractor Does Not Take Short Cuts**
 - **The Technology Is Effective**
 - **Inferior Materials and Methods Are Not Used**
 - **The Entire Plume Is Addressed**
- ▶ **The Contractor Does Not Stop Before Goals Are Met**



South Carolina A Step Beyond

- ▶ All corrective actions began to be bid out in 1997 under Pay For Performance Practices.



Costs

▶ Time and Material Average Cost

Initial System & Startup	\$150,000
O&M 5 years @ \$35,000/year	\$175,000
Total	\$325,000

ACA Costs

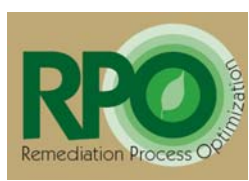
Year	# Cleanups	Average Bid Cost
1997	16	\$128,396
1998	68	\$154,880
1999	43	\$112,404
2000	25	\$103,411
2001	47	\$138,758
2002	62	\$84,187
2003	48	\$102,208
2004	52	\$102,520

ACA Costs

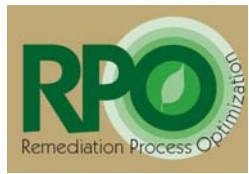
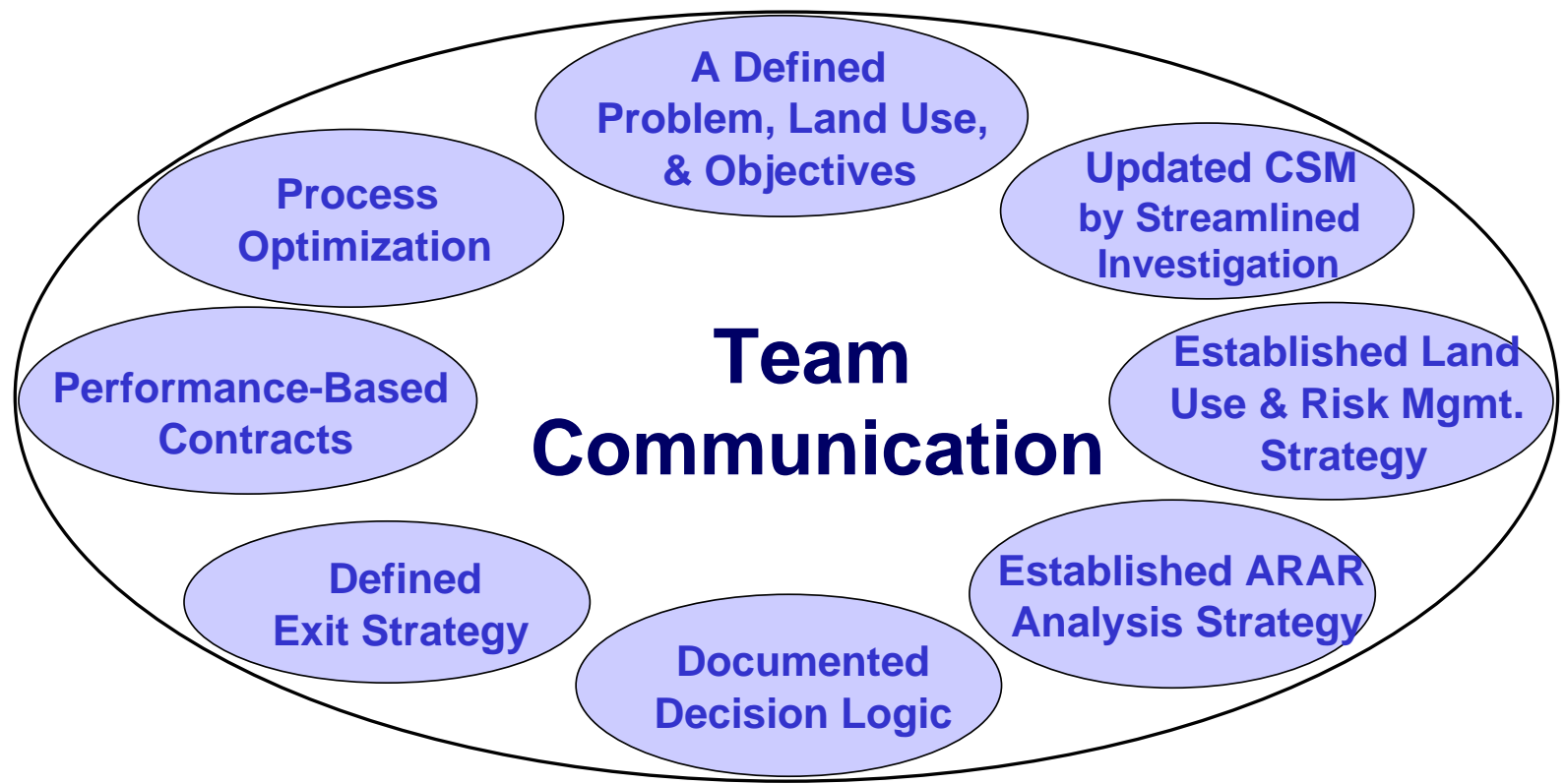


Total ACA Savings
1997-2004

\$75,341,783



Performance Based Management



Contact Information



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