
Business & Financial Services Committee

HB 2590

Brief Description: Extending the expiration of the pollution liability insurance agency's authority and its funding source.

Sponsors: Representatives Bailey and Buys; by request of Pollution Liability Insurance Agency.

Brief Summary of Bill

- Delays the expiration dates for various aspects of the Pollution Liability Insurance Agency until July 1, 2020.
- Provides a manner in which the wholesale value of petroleum products is determined and lowers the rate of the tax.

Hearing Date: 1/23/12

Staff: Jon Hedegard (786-7127).

Background:

The Washington Pollution Liability Insurance Agency (PLIA) was created in 1989 to make pollution liability insurance available and affordable to the owners and operators of regulated underground petroleum storage tanks. An underground storage tank (UST) is a commercial tank or a combination of tanks used to store an accumulation of petroleum. The PLIA provides secondary insurance to insurance companies that insure owners and operators of UST and heating oil tanks.

In 1991 the PLIA was directed to provide grants to owners of USTs at remote and rural gas stations to upgrade their tanks. In 2005 the Legislature directed the PLIA to provide an additional \$1 million for these grants.

In 1995 the PLIA's duties were expanded to include assisting owners and operators of heating oil tanks by offering reinsurance services to the insurance industry. A heating oil tank is a tank for space heating of a home or working space. The PLIA offers this program to provide up to

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\$60,000 of insurance coverage for cleanup of contamination from active heating oil tanks that are registered in the program prior to the contamination occurring. There is no cost to the homeowner for this coverage.

The PLIA also provides financial assistance to public and private owners and operators of UST that are certified as meeting vital local government public health and safety needs. Financial assistance may only be provided to owners and operators who demonstrate serious financial hardship. The financial assistance may be used only for clean-ups and upgrades after a clean-up plan is filed with the Department of Ecology.

In 2007 the Legislature required the PLIA to identify design criteria for heating oil tanks that provide superior protection than standard steel tank designs against future leaks. The PLIA must reimburse an owner or operator the difference in price between a standard steel heating tank and a new tank if the owner or operator is participating in the PLIA program; experienced an occurrence or remedial action; and chose, or was required, to replace an existing tank at the time of the action with a new tank that satisfies the PLIA design standards. Any new heating oil tank reimbursement provided under this section must be funded within the statutory \$60,000 per occurrence coverage limit.

The PLIA and its programs do not receive state general funds. Funding comes from two sources: (1) a pollution liability fee imposed on dealers making sales of heating oil to a homeowner or a consumer which is deposited into the Heating Oil Pollution Liability Trust Account; and (2) an excise tax on the wholesale value of petroleum which is deposited into the Pollution Liability Insurance Program Trust Account (PLT Account). The amount of the excise tax is 0.5 percent multiplied by the wholesale value of the petroleum product. The excise tax includes a trigger mechanism based on the amount of funds in the PLT Account. The tax will only be imposed for a succeeding calendar quarter if the tax was levied the prior quarter and the account balance is less than \$15 million.

In 2006 the Legislature extended expiration dates associated with the PLIA to July 1, 2013.

Summary of Bill:

Several new definitions are added. "Rack" is defined as "a mechanism for delivering petroleum products from a refinery or terminal into a truck, trailer, railcar, or other means of non-bulk transfer."

The rate of the tax is lowered to 0.3 percent. The wholesale value is determined at the time the petroleum product is removed at the rack unless the removal is to a licensed exporter for direct delivery to a destination outside of the state. In all other circumstances, the wholesale value is determined upon first possession in the state.

The expiration dates for various aspects of the PLIA program are extended from until July 1, 2013, to until July 1, 2020. This includes: the PLT Account; the chapter dealing with the underground petroleum tank portion of the PLIA program; the chapter dealing with the home heating oil portion of the PLIA program; and the chapter dealing with the tax on petroleum products.

Appropriation: None.

Fiscal Note: Requested on January 18, 2012.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.