

# FINAL BILL REPORT

## SHB 2590

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Synopsis as Enacted

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

**Sponsors:** House Committee on Business & Financial Services (originally sponsored by Representatives Bailey and Buys; by request of Pollution Liability Insurance Agency).

**House Committee on Business & Financial Services**  
**House Committee on Ways & Means**  
**Senate Committee on Ways & Means**

### **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 USTs 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 legislation was enacted directing 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 a program to provide up to \$60,000 of insurance coverage for clean-up 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 USTs that are certified as meeting vital local government public health and safety needs. Financial assistance may be provided only 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.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

In 2007 legislation was enacted requiring the PLIA to identify design criteria for heating oil tanks that provide superior protection than standard steel tank designs provide against future leaks. Any new heating oil tank reimbursement provided under this provision 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 when the PLT Account balance is less than \$7.5 million.

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

**Summary:**

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 the first nonbulk 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 UST 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.

**Votes on Final Passage:**

House 97 1

First Special Session

House 93 1

Senate 40 0

**Effective:** July 10, 2012