

HOUSE BILL REPORT

HB 2872

As Reported by House Committee On:

Environment
Appropriations

Title: An act relating to the sustainability of the residential home heating oil program.

Brief Description: Concerning pollution liability insurance for heating oil tanks.

Sponsors: Representatives Peterson, Young and Ortiz-Self.

Brief History:

Committee Activity:

Environment: 1/29/18, 2/1/18 [DPS];

Appropriations: 2/5/18, 2/6/18 [DPS(ENVI)].

Brief Summary of Substitute Bill

- Establishes an aggregate limit of \$15 million per calendar year for pollution liability direct insurance provided by the Pollution Liability Insurance Agency.

HOUSE COMMITTEE ON ENVIRONMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Fitzgibbon, Chair; Peterson, Vice Chair; Taylor, Ranking Minority Member; Maycumber, Assistant Ranking Minority Member; Buys, Dye, Fey, Kagi and McBride.

Staff: Robert Hatfield (786-7117).

Background:

Pollution Liability Insurance Agency.

The Pollution Liability Insurance Agency (PLIA) provides a government funding model to help owners and operators meet their financial responsibility and environmental cleanup requirements for underground storage tanks.

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.

The PLIA provides multiple services related to heating oil tanks and other petroleum storage tank systems, including direct insurance coverage of up to \$60,000 per occurrence for cleanup of contamination from heating oil tanks. The direct insurance program is funded by heating oil dealer fees and by the petroleum products tax. Direct insurance coverage is provided by the PLIA out of the Pollution Liability Insurance Program Trust Account, with reinsurance coverage provided by a private insurer.

Summary of Substitute Bill:

An annual aggregate limit of pollution liability direct insurance coverage for cleanup of contamination from heating oil tanks is established at \$15 million per calendar year.

Substitute Bill Compared to Original Bill:

The annual aggregate limit of pollution liability direct insurance coverage for cleanup of contamination from heating oil tanks is changed from \$11 million per calendar year to \$15 million per calendar year.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Some municipalities are encouraging the conversion of heating oil systems to other heat sources. This could lead to a scenario similar to a run on the bank, or a run on the PLIA insurance program. Under current law, the PLIA has to insure all heating oil tanks within the program, so a run could bankrupt the program. This could then lead to some people being uninsured, which could then create cleanup sites subject to the Model Toxics Control Act. An annual cap on payouts under the PLIA insurance program, that was sustainable over time, would address that problem.

(Opposed) None.

(Other) The PLIA insures approximately 57,000 heating oil tanks. The PLIA insurance program often represents the difference between solvency and insolvency for property owners who have a cleanup site on their property. Claims under the PLIA insurance program have never exceeded \$7.5 million over a one-year span since 1995. There has not been a dramatic shift in the overall value of claims from one year to the next. It is important to ensure that there is coverage available to the homeowners to whom the state has made a commitment. This bill allows insurance coverage to continue into the future. Heating oil

fees represent about \$250,000 per year in revenues to the PLIA, and the balance of the revenues come from the petroleum tax. Without the bill, if there were a run on the program, it could lead to the PLIA having to come back to the Legislature for a fix.

Persons Testifying: (In support) Representative Peterson, prime sponsor; and Dave Ducharme, Washington Oil Marketers Association.

(Other) Russ Olsen, Washington State Pollution Liability Insurance Agency.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Environment be substituted therefor and the substitute bill do pass. Signed by 32 members: Representatives Ormsby, Chair; Robinson, Vice Chair; Chandler, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Stokesbary, Assistant Ranking Minority Member; Bergquist, Buys, Caldier, Cody, Condotta, Fitzgibbon, Graves, Haler, Hansen, Harris, Hudgins, Jinkins, Kagi, Lytton, Manweller, Pettigrew, Pollet, Sawyer, Schmick, Senn, Stanford, Sullivan, Taylor, Tharinger, Vick, Volz and Wilcox.

Staff: Meghan Morris (786-7119).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Environment:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This bill responds to the possibility that one of the larger cities in Washington may pursue a program to convert home heating oil tanks to other types of heating systems. If this were to occur, there could be a large number of heating oil tank claims at the same time, similar to a run on a bank, which could lead the PLIA's heating oil insurance program to run out of money. An annual cap on claim payouts would manage any sudden increase in the number of claims.

(Opposed) None.

(Other) The highest number of heating oil tank claim payouts in a single year since 1995 has been \$7.5 million. The \$15 million cap would only come into play if there was a significant

policy change at the local level. This bill is a housekeeping policy that would ensure the longevity of the PLIA's heating oil insurance program.

Persons Testifying: (In support) David Ducharme, Washington Oil Marketers Association.

(Other) Russel Olsen, Pollution Liability Insurance Agency.

Persons Signed In To Testify But Not Testifying: None.