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## Environment & Energy Committee

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### HB 2424

**Brief Description:** Concerning the heating oil insurance program.

**Sponsors:** Representatives Fitzgibbon, DeBolt, Peterson, Young and Doglio; by request of Pollution Liability Insurance Agency.

#### Brief Summary of Bill

- Directs the Pollution Liability Insurance Agency (PLIA) to design and implement a process to close out existing claims under the Heating Oil Pollution Liability Insurance Program.
- Prohibits the Heating Oil Pollution Liability Insurance Program from registering heating oil tanks for coverage after July 1, 2020.
- States the intent of the Legislature that the Underground Storage Tank Revolving Loan and Grant Program be used to assist owners and operators of heating oil tanks to remediate past releases and prevent future releases.
- Modifies the circumstances in which the State Treasurer may transfer funds from the Pollution Liability Insurance Program Trust Account into the PLIA Underground Storage Tank Revolving Account.

**Hearing Date:** 1/20/20

**Staff:** Robert Hatfield (786-7117).

#### **Background:**

##### The 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 tanks. Funding for the PLIA comes from reinsurance premiums, which are deposited into the Pollution Liability Insurance Program Trust Account, and from heating oil

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dealer fees and fees for advice and technical assistance, which are deposited into the Heating Oil Pollution Liability Trust Account.

Services provided by the PLIA include:

- reinsurance of pollution liability insurance policies for the owners and operators of underground petroleum storage tanks;
- direct insurance coverage of up to \$60,000 for cleanup of contamination from certain heating oil tanks;
- technical assistance to owners and operators of heating oil tanks if contamination from a release is suspected; and
- written opinions on results of testing to evaluate whether contamination from a heating oil release appears to be a threat to human health and the environment.

The PLIA may provide capital financial assistance to owners and operators of petroleum underground storage tanks who wish to replace or upgrade aged fuel systems, clean up past contamination caused by an underground storage tank release, and upgrade infrastructure to dispense alternative fuels. The PLIA partners with the Department of Health for some portions of the program.

#### The Pollution Liability Insurance Agency Underground Storage Tank Revolving Loan and Grant Program.

The PLIA is directed to establish a program to issue grants and revolving loans to underground storage tank (UST) owners or operators. An underground storage tank system is defined as an underground storage tank, connected underground piping, underground ancillary equipment, and containment system, if any, and includes any aboveground ancillary equipment connected to the underground storage tank or piping, such as dispensers. Grants or loans may not exceed \$2 million per UST facility. Grants or loans must be used for projects that develop and acquire assets with a useful life of at least 13 years. Grants and loans may be used for:

- remedial actions at UST facilities consistent with Model Toxics Control Act (MTCA) requirements, so long as at least one of the releases or threatened releases of hazardous substances involves petroleum release; and
- upgrading, replacing, or closing a UST used to store petroleum.

The Underground Storage Tank Revolving Loan and Grant Program is funded from the Pollution Liability Insurance Program Trust Account, which in turn is funded by a tax of 0.3 percent of the wholesale value of refined petroleum products. The tax temporarily ceases to be imposed when the Pollution Liability Insurance Program Trust Account balance exceeds \$15 million in the previous calendar quarter and is reimposed when the Pollution Liability Insurance Program Trust Account balance falls below \$7.5 million in the most recent calendar quarter. On July 1, 2017, and every two years thereafter at the start of each successive biennium, if the cash balance amount in the Pollution Liability Insurance Program Trust Account exceeds \$7.5 million, the State Treasurer is required to transfer the amount exceeding \$7.5 million, after excluding certain reserves, up to a transfer of \$20 million, from the Pollution Liability Insurance Program Trust Account into the PLIA Underground Storage Tank Revolving Account.

#### **Summary of Bill:**

The Pollution Liability Insurance Agency (PLIA) is directed to close out existing claims under the Heating Oil Pollution Liability Insurance Program. Claims received under the existing policy of insurance that would result in payment of more than \$15 million in a calendar year may be paid out during the next calendar year. The PLIA is prohibited from registering heating oil tanks for coverage under the Heating Oil Pollution Liability Insurance Program after July 1, 2020.

In order to ensure that the adoption of rules does not delay the PLIA's process of closing out existing claims under the Heating Oil Pollution Liability Insurance Program, the PLIA is authorized to process claims through interpretive guidance pending the adoption of rules.

It is stated as the intent of the Legislature for the PLIA Grant and Revolving Loan Program to be used to assist owners and operators of heating oil tanks to remediate past releases and prevent future releases by upgrading, replacing, or removing heating oil systems.

A definition of "heating oil tank" is added to the chapter of the Revised Code of Washington that governs the PLIA Underground Storage Tank Revolving Loan and Grant Program. A heating oil tank is defined as a tank and its connecting pipes, whether above or below ground, or in a basement, with pipes connected to the tank for space-heating of human living or working space on the premises where the tank is located.

The actions that the PLIA may take in order to administer the Underground Storage Tank Revolving Loan and Grant Program are modified to add the prevention of future releases by upgrading, replacing, or removing a heating oil tank.

The maximum amount that the PLIA may loan or grant under the program for a single heating oil tank is \$75,000.

The scope of the report on the Underground Storage Tank Revolving Loan and Grant Program that the PLIA must provide to the Legislature and to the Office of Financial Management every other year is modified. The report must now include the number of heating oil tanks upgraded during the previous biennium. For loans and grants awarded for heating oil tanks, only the general location, status, amount loaned, and amount repaid must be provided.

The State Treasurer is authorized upon the request of the PLIA, rather than being automatically required by statutory mandate, to transfer the amount in the Pollution Liability Insurance Program Trust Account that exceeds \$7.5 million, up to a transfer of \$20 million, into the Pollution Liability Insurance Agency Underground Storage Tank Revolving Account. The PLIA may request transfers only as needed to maximize the amount in a fiscal biennium from the Pollution Liability Insurance Program Trust Account to the PLIA Underground Storage Tank Revolving Account.

**Appropriation:** None.

**Fiscal Note:** Requested on January 15, 2020.

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