

HOUSE BILL REPORT

HB 1027

*As Reported By House Committee on:
Environmental Affairs
Revenue*

Title: An act relating to oil and hazardous substances.

Brief Description: Adopting oil and hazardous substance spill prevention and response provisions.

Sponsor(s): Representatives Rust, Horn, Phillips, Heavey, Anderson, Basich, Vance, Wineberry, Wilson, R. Johnson, Wang, Sprenkle, Spanel, Miller, Ogden, Jones, Prentice, Leonard, Inslee, Fraser, R. King, Nelson, Pruitt, G. Fisher, Jacobsen, R. Fisher, Valle, Roland, Hine, Winsley, Rasmussen, Appelwick and Brekke; by request of Governor Gardner.

Brief History:

Reported by House Committee on:
Environmental Affairs, March 5, 1991, DPS;
Revenue, March 10, 1991, DPS(ENA)-A.

**HOUSE COMMITTEE ON
ENVIRONMENTAL AFFAIRS**

Majority Report: *That Substitute House Bill No. 1027 be substituted therefor, and the substitute bill do pass.*
Signed by 8 members: Representatives Rust, Chair; Valle, Vice Chair; Bray; Brekke; G. Fisher; Phillips; Pruitt; and Sprenkle.

Minority Report: *Without recommendation.* Signed by 5 members: Representatives Horn, Ranking Minority Member; Edmondson, Assistant Ranking Minority Member; Neher; D. Sommers; and Van Luven.

Staff: Harry Reinert (786-7110).

Background:

Introduction.

In December, 1988, the *Nestucca* barge spilled approximately 231,000 gallons of oil near Grays Harbor. The spill affected the coasts of both Washington State and the Province of British Columbia. The owners of the *Nestucca*

have recently entered a settlement with the state to pay \$3.35 million for damage caused to the state's natural resources. This is in addition to the costs already paid for cleanup of the oil.

In response to the *Nestucca* spill, Governor Gardner and British Columbia Premier William Vander Zalm created the British Columbia/Washington Task Force on Oil Spills. After the *Exxon Valdez* spill in April 1989, Alaska, Oregon, and California joined Washington and British Columbia to form the States/B.C. Task Force. The mission of the task force was to seek ways to prevent oil spills, to review oil spill response procedures, to look at methods of determining compensation claims, and to develop a coordinated plan for preventing and responding to spills. The task force issued its final report in October 1990. The report makes 46 joint recommendations. These involve issues of vessel traffic, vessel design, personnel, enforcement, regulatory oversight, education, interstate cooperation, and future studies. In addition to the 46 joint recommendations, each of the task force members made other recommendations for adoption by the individual states. Washington made nine recommendations for state action. These included efforts to reduce navigation conflicts, use of state lease authority to regulate activity on state lands, and fees and incentives to obtain compliance with state objectives.

Congress has recently passed legislation relating to oil spill issues. Several elements of the federal Oil Pollution Act of 1990 (OPA) are similar to provisions adopted by the Legislature in 1990.

Under federal law, the Coast Guard has responsibility for marine safety and for responding to spills on the navigable waters of the United States. The Department of Ecology is the Washington State agency responsible for taking actions necessary to contain and clean up any spilled oil.

Contingency Plans.

Under Washington law, operators of tankers and barges carrying oil in bulk, cargo and passenger vessels 300 gross tons or larger, and oil processing and storage facilities located near navigable waters which receive oil from a tank vessel are required to prepare and submit to the Department of Ecology plans for the prevention, containment, and cleanup of oil spills. OPA also requires contingency plans for vessels and for an onshore or offshore facility, regardless of the size of the facility or the source of its oil.

The Department of Ecology must adopt rules for the plans by July 1, 1991.

The department will approve plans that have adequate personnel, equipment, notification procedures, and logistical arrangements. In reviewing plans, the department must consider the nature of vessel traffic and the amount of oil and hazardous substances transported in the area covered by a plan, navigational hazards, prior history of spills in the area, and the sensitivity of the environment. Plans must be reviewed and updated at least once every five years. The department will publish an index of approved contingency plans and an inventory of available spill containment and cleanup equipment.

To determine the adequacy of the plans, the department must require practice drills of those providing cleanup services. The department must prepare a report summarizing the results of these drills.

Plans approved by the department are binding on the persons submitting them. The department may obtain court orders to enforce the plans. Approval of a plan by the department does not guarantee the adequacy of the plan and is not a defense against liability for damages caused by a spill.

Pollution Liability.

State law makes it illegal for any person to pollute state waters. A person who pollutes state waters may be subject to both criminal and civil penalties. The person is also liable for any damage to the environment, including the cost of restoring damaged natural resources and the lost value of those resources until they are restored.

A person who spills oil in Washington waters and fails to immediately collect the oil is responsible for the state's expenses in cleaning up the spill. The state imposes strict liability for damages on the person owning the oil or having control over the oil. Strict liability may be avoided if the person can demonstrate that the spill was caused by an act of war or by negligence on the part of the state or the United States.

A person responding to an oil spill is partially immune from liability for necessary expenses and property damage caused by a person responding to an oil spill is provided. The state, local governments, volunteers, and qualified cleanup contractors responding to a spill are liable only for damage caused by actions taken in bad faith or with gross negligence.

A person who spills oil is liable for a civil penalty of up to \$20,000 each day that the spill poses a risk to the environment. If the spill was caused by willful or reckless conduct, the penalty may be up to \$100,000 for each day that the risk continues.

Standards for Tow Lines and Bunkering Activities.

The Department of Ecology is directed to develop standards for the use of tow lines by barges carrying oil or hazardous substances and to develop a program for voluntary compliance with those standards. The department is also directed to study state authority to impose the standards and report the results of its study to the Legislature by July 1, 1991.

Any person conducting refuelling, bunkering, or lightering operations is required to have containment and recovery equipment available. Persons involved in the transfer operations must be trained in the use of oil spill containment and recovery equipment. The department may adopt rules for bunkering and refuelling operations and the lightering of petroleum products.

Financial Responsibility.

Washington currently requires inland barges carrying oil or hazardous substances and oil tankers to maintain financial responsibility of at least \$1. OPA requires all tank vessels to maintain financial responsibility of \$1,200 per gross ton. Other vessels are required to have \$600 per gross ton.

Pilots.

The state Board of Pilotage Commissioners is responsible for licensing pilots in Washington state waters. The board sets standards for testing and may fine, suspend, or revoke the license of a pilot who violates board rules or causes an accident resulting in damage to or loss of a vessel. The board is chaired by the assistant secretary of the marine division of the Department of Transportation. There are six additional members appointed by the governor, representing the pilots, the shipping industry, and the public with experience in maritime industry.

The board is required to hold pilot examinations every two years and to have a statutorily established number of grading sheets for the two pilotage districts. The board may require a pilot applicant and a pilot subject to sanctions by the board to take vessel simulator training. The board is required to establish rules for the size and type of vessels new pilots may pilot. The rules are

required to apply to the first three years in which a pilot is employed.

Pilots are required to report to the board four times a year on the fees received for piloting and information about the vessels to which the pilot has been assigned. The master of a vessel which employs a pilot must certify on a form developed by the board that the vessel complies with federal safety requirements and international safety and equipment requirements.

Maritime Commission.

In 1990, the Legislature established the Maritime Commission to develop an emergency response system for vessels which have not made arrangements with clean-up contractors prior to entry into Washington waters. Six members of the commission are elected by the shipping industry and its chairperson is selected by the members of the commission. Two members are appointed by the governor. The commission may assess a fee against vessels which have not made arrangements with a cleanup contractor.

Resource Damage Assessments.

There are two separate provisions governing resource damage assessments. One provision applies to any violation of Washington's clean water laws. This general provision requires the responsible party to pay for restoration costs or lost value of the resource. The second provision applies specifically to spills of oil. The departments of Ecology, Fisheries, Wildlife, and Natural Resources are required to develop a compensation table for spills of oil. The table shall provide for compensation of not less than \$5 a gallon and not more than \$50 a gallon spilled. Prior to using the table, the Department of Ecology must convene a committee to determine whether the table should be used or whether another method of assessing damages should be used. Any money recovered under either of these provisions is placed in the Coastal Protection Fund, together with any penalties, fees, or damages. The fund may be used to pay for agency expenses under the spill response provisions, except for permanent employees for routine operational support.

Summary of Substitute Bill:

Office of Marine Safety.

An Office of Marine Safety is created. The administrator of the office is appointed by the governor. The office has authority for marine safety issues in this state. Duties of the Department of Ecology relating to vessel response plans,

barge cable standards, and bunkering operations are transferred to the office. The Department of Ecology retains authority over facilities and the response to spills.

The office is directed to review the federal vessel inspection program. If it determines the federal program does not adequately protect the state's waters, the office shall develop a state tank vessel inspection program.

The office shall establish at least two regional marine safety committees: one for the Puget Sound/Strait of Juan de Fuca and one for the Pacific Coast. The office is also directed to work with Oregon to establish a committee for the Columbia River. Six members of the public representing a cross section of interests shall be appointed by the administrator to the committees. The committees shall prepare regional plans governing vessel traffic, including consideration of when tug escorts should be required, speed limits, navigation aids, vessel conflicts, environmentally sensitive areas, and the Coast Guard's Vessel Traffic System. The plans shall be submitted to the Office for approval. The office is responsible for implementing those recommendations over which the state has authority. The committees are also directed to review federal standards for barge tow cables and report to the office on whether state standards should be adopted.

The office shall also establish an emergency response system for the Strait of Juan de Fuca by July 1, 1992, based on recommendations from the regional marine safety committees.

Those involved in refuelling, bunkering, or lightering operations must deploy containment and recovery equipment in accordance with standards adopted by the office.

Prevention and Contingency Plans.

All facilities located on or near the navigable waters of the state which store, handle, or transport oil are required to prepare and submit contingency plans.

Vessels and facilities are required to prepare prevention plans in addition to contingency plans. The Department of Ecology is responsible for reviewing and approving facility plans, the Office of Marine Safety has this responsibility for vessel plans. A prevention plan must disclose the measures that the vessel and facility operators have taken to reduce the likelihood of a spill. In addition, a facility must describe measures the facility will take during the period covered by the plan to further reduce the likelihood of a spill.

The Department of Ecology shall develop certification procedures for key facility personnel and shall require facilities to have an operations manual. The department shall also adopt standards for the transfer and handling of oil at onshore and offshore facilities.

The director of the Department of Ecology is the head of the state incident command system.

The maximum penalty for negligently discharging oil into the water is increased to \$100,000. The maximum penalty for an intentional or reckless discharge of oil is increased to \$1 million.

Marine Oversight Board.

A five member marine oversight board is established to review the activities of the federal government, industry, and state agencies in spill prevention and response. The board will make appropriate recommendations for corrective action to the governor, the Legislature, federal agencies, and state agencies.

Criminal Penalties.

A person who, with criminal negligence and while operating, navigating, or piloting a cargo or passenger vessel or a tank vessel causes the vessel to spill oil is guilty of a class C felony. The same offense committed with criminal recklessness is a class B felony. Operation of a cargo or passenger vessel or a tank vessel while intoxicated or under the influence of drugs is a class C felony.

Financial Responsibility.

The minimum level of financial responsibility for tank vessels carrying oil is increased to \$500 million. The administrator of the Office of Marine Safety may set a lower level of financial responsibility for barges of under 3,000 gross tons. All other vessels over 300 gross tons must have financial responsibility of at least \$500,000 or \$600 per gross ton. Onshore and offshore facilities must maintain financial responsibility in an amount determined by the Department of Ecology.

Funding.

A tax is imposed on oil delivered at marine terminals within the state. The tax is not applicable to oil or other petroleum products which are subsequently exported.

The money raised by the tax shall be deposited into the oil spill prevention and response fund. Until the fund reaches a predetermined level, 75 percent of the amount raised shall be deposited in an oil spill response account and 25 percent in an oil spill administration account. The administration fund may be used for administrative expenses incurred in carrying out the oil spill prevention and response program. The response fund may be used to defray state agency costs in responding to spills where the expense is expected to exceed \$25,000.

Resource Damage Assessments.

The departments of Ecology, Fisheries, Wildlife, and Natural Resources are directed to develop a compensation table for spills of hazardous substances. All spills which damage resources shall be reviewed to determine whether the compensation table should be used, or whether another method of determining damages should be used.

Pilots.

The administrator of the Office of Marine Safety is added as a member of the Board of Pilotage Commissioners. One member of the board must be a representative of an environmental organization.

The board may hold examinations for pilots when necessary. The board is not required to develop any specific number of examination sheets. The board shall require a pilot against whom sanctions have been imposed to take vessel simulator training. A pilot in his or her first year of active duty and every five years thereafter must take vessel simulator training. The board may require additional training for pilots applicants unable to become active pilots upon licensing.

The board's rules shall establish a five-year period during which new pilots will be allowed to progressively handle larger and different types of vessels.

The pilot's report submitted to the board shall include a statement of any accidents or near miss incidents which occurred while the pilot was on duty. The information shall be forwarded to the Office of Marine Safety. Information in the report may not be used for imposition of any penalties or sanctions.

The certification required of a master of a vessel shall include a statement that the vessel complies with the federal Oil Pollution Act of 1990.

Maritime Commission.

The Maritime Commission is renamed the Marine Spill Response Commission. The members of the commission are appointed by the governor. The administrator of the Office of Marine Safety has oversight of the commission and must approve any fees proposed by the commission. The commission is directed to report to the governor, the Office of Marine Safety, and the Legislature annually on its work and on recommendations for improvement in the marine transportation system.

Miscellaneous provisions.

The Department of Natural Resources shall include in its leases provisions requiring onshore and offshore facilities to comply with the spill prevention and response provisions. The leases shall also provide that failure to comply with these provisions is grounds for termination of the lease.

The Department of Ecology, the Office of Marine Safety, and the Marine Oversight Board shall study issues relating to the transportation and storage of hazardous substances on and near the state's waters. An interim report shall be made to the Legislature by December 1, 1991, and a final report by November 1, 1992. The Department of Ecology shall report on the implementation of the spill prevention and response provisions and its coordination with federal law.

Substitute Bill Compared to Original Bill: The original bill regulated the marine transportation of both oil and hazardous substances. The substitute regulates only oil. The substitute directs the Department of Ecology and the Office of Marine Safety to study hazardous substance transportation issues. The substitute bill clarifies and modifies a number of definitions.

The original bill placed all oil spill prevention and response provisions within the Department of Ecology. The substitute establishes an independent Office of Marine Safety to regulate marine transportation prevention and response measures.

The original bill provided for a tank inspection program for all covered vessels. The substitute requires the program only to examine tank vessels. The original bill directed the Department of Ecology to adopt standards for tow cables. The substitute directs a study of existing standards and allows the Office of Marine Safety to adopt standards if necessary. The original bill required two tug escorts for certain tankers in Puget Sound and on the Columbia River. The substitute leaves these decisions to the Regional Marine Safety Committees and the Office of Marine Safety.

The original bill required the creation of a pilotage district for the Columbia River and the use of a Washington or Oregon licensed pilot on the Columbia River. The substitute requires only that a licensed pilot be used on the Columbia River. No Washington pilotage district on the Columbia River would be established.

The original bill made substantial modifications to the duties and authority of the Maritime Commission. The substitute restores many of the current provisions governing the commission. The substitute changes the name of the commission to the Marine Spill Response Commission. The substitute provides for governor appointment of the commission members, rather than election. The substitute removes provisions providing for sunset review of the commission.

Fiscal Note: Available. Fiscal note on substitute requested March 8, 1991.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: The States/B.C. Task Force concluded that prevention of oil spills is the only way to really protect the state's natural resources. The bill gives the state the authority it needs to assure that those involved in the transfer, handling, and storing of oil on the state's waters will take actions necessary to protect the state's waters. Because of inadequate federal resources devoted to prevention measures, the state needs to take action to protect its own resources.

Testimony Against: The bill could affect maritime trade, making it too expensive for shippers in the state.

Witnesses: Chris Gregoire, Director of Ecology (pro); Curt Smitch, Director of Wildlife (pro); Joe Blum, Director of Fisheries (pro); Bob Nichols, Office of Financial Management (pro); Capt. Rene Roussel, United States Coast Guard (with concerns); Darlene Madenwald, Washington Environmental Council and Maritime Commission (pro, with concerns); Llewelyn Mathews, Northwest Pulp and Paper Association (with concerns on original bill); Joan Crooks, on behalf of Pat Coburn (pro); Eric Johnson and Ken O'Halloren, Washington Public Ports Association (with concerns on original bill); Bruce Wishart, Sierra Club (pro); Homer Frazier, Olympic Peninsula Audubon (pro); David Waldschmidt and Tom Kilbane, Pacific Northern Oil (with concerns); Fred Felleman, American Oceans Campaign (pro); Joe Macri, Washington State Pilotage Commission (no position); Randy Ray, PSSOA/WWTBA (with concerns); Charlie Noleen, Crowley Maritime (with

concerns); Bob Bohlman, Norton Lilly; Scott Jones, Gen Steamship (with concerns); Stan Biles, Department of Natural Resources (pro, with amendments); Tom Mullen, BP America; Jerry Asplund, ARCO (with concerns); Ron Wagner, Puget Sound Pilots, Columbia River Pilots, Black Ball Transport (pro with amendments); Terry McCarthy, WSDOT (concerns); Jeff Parsons, National Audubon Society (pro); Dick Sande, Pacific County Commissioner (pro); T.K. Bentler, Puget Sound District Council Longshore/Ferry Worker (concerns); Otto Jensen, Washington State Fire Chiefs (pro); Norma Turner, No Oilport!; J.C. Scoworo, Schwobe, Williamson, Wyatt (con); and Bill Walker, Maritime Commission; and Hal Schlomann, N.W. Marine Trades Association (with concerns).

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *The substitute bill by Committee on Environmental Affairs be substituted therefor and the substitute bill as amended by Committee on Revenue do pass.* Signed by 13 members: Representatives Wang, Chair; Fraser, Vice Chair; Holland, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Appelwick; Belcher; Brumsickle; Day; Leonard; Morris; Phillips; Rust; and Van Luvan.

Minority Report: *Do not pass.* Signed by 2 members: Representatives Morton; and Silver.

Staff: Robin Appleford (786-7093).

Summary of Recommendation of Committee on Revenue Compared to Recommendation of Committee on Environmental Affairs:
The intent statement that state law is to be interpreted and implemented consistently with federal law is clarified. The definition of oil is changed to specifically exclude hazardous substances. The current requirement that inland barges carrying hazardous materials maintain financial responsibility is restored. The responsibility for resource damage assessments is transferred from the Department of Ecology to the appropriate natural resource trustee agency only for oil spills in the navigable waters of the state. Local governments may participate in resource damage assessment studies and suits for compensation for lost resources. Provisions relating to the election of officers of the Marine Spill Response Commission are repealed.

Various changes are made to the penalty structure. The application of penalties is made consistent with penalties applied by the Department of Ecology in other cases, and the maximum civil penalty for intentional or reckless discharge

of oil is reduced from \$1 million to \$500,000. The penalties for reckless operation and negligent operation of a tank vessel are lowered to a Class C felony and a gross misdemeanor, respectively.

The tax to fund the program is changed and clarified. The rate is set at five cents per barrel of petroleum product or crude oil delivered to a marine terminal or facility. Revenues from the tax are deposited in one account, the oil spill administration and response account, rather than two accounts. Expenditures for payment of administrative costs may be made only after legislative appropriation. No appropriation is required for costs associated with responding to oil spills. A floor and ceiling for the account balance are established. The Department of Revenue must cease collection of the tax when the account balance exceeds \$33 million, and recommence collection when the balance drops below \$17 million. The sum of \$8,160,000 is appropriated for the 1991-1993 biennium to the departments of Ecology, Wildlife, Community Development, Fisheries, Natural Resources, Revenue, and the Office of Marine Safety, the State Parks and Recreation Commission, and the University of Washington to implement the act.

Fiscal Note: Available.

Appropriation: Yes.

Effective Date of Substitute Bill as Amended: The bill contains an emergency clause and takes effect immediately, except for sections 801 through 805 which take effect October 1, 1991.

Testimony For: Same as committee on Environmental Affairs. In addition, concerns were expressed about: 1) the Department of Ecology and the Office of Marine Safety being able to hire staff with the appropriate expertise; 2) appropriate controls over expenditures for contingency response purposes; 3) being able to prevent small spills; and 4) compensation for local as well as state government for oil spill damages.

Testimony Against: None.

Witnesses: Edward Wenk (pro); Jeff Parsons, National Audubon Society (pro); Hal Schlomann, Northwest Marine Trade Association (pro); Ralph Mackey, Washington Environmental Council (pro); Wayne Ostermiller, Kalama Chemical Inc. (neutral); Ron Wagner, Columbia River Pilots (pro with amendments); Chris Platt, Sierra Club (pro); Dave Williams, Interclub (pro); Vern Lindskog, WSPA (pro with concerns); Randy Ray, PSSOA (pro with concerns); Bob Nichols (pro with

concerns); Steve Hunter (pro with concerns); and Paul Parker, Washington State Association of Counties (pro with concerns).