

MEETING
BEFORE THE
STATE LANDS COMMISSION
STATE OF CALIFORNIA

STATE CAPITOL
ROOM 113
SACRAMENTO, CALIFORNIA

TUESDAY, FEBRUARY 27, 1996

1:35 P.M.

Nadine J. Parks
Shorthand Reporter

MEMBERS PRESENT

Kathleen Connell, Ph.D., State Controller, Chairwoman

Theresa Parker, Chief Deputy Director of Finance,
for the Director of Finance

Staff:

Robert Hight, Esq.
Executive Officer

Jack Rump, Esq.
Chief Counsel

Bill Morrison
Assistant Executive Officer

Dwight Sanders
Chief
Division of Environmental Planning & Management

Gary Gregory
Marine Facilities
Long Beach

Jan Stevens, Esq.
Deputy Attorney General

Sharon Shaw
Executive Secretary

Lynda Smallwood
Calendar Coordinator

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P R O C E E D I N G S

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3 CHAIRWOMAN CONNELL: I call this meeting of the
4 Lands Commission to order, and two of the three
5 representatives of the Commission are present.

6 The first item of business will be adoption of the
7 minutes of our last meeting. May I have a motion to approve
8 the minutes?

9 COMMISSIONER PARKER: Move the minutes, Madam
10 Chair.

11 CHAIRWOMAN CONNELL: I second. The minutes are
12 unanimously adopted.

13 Let's move on to the next order of business, which
14 will be the adoption of the consent calendar. And I
15 believe, Mr. Hight, there have been a couple of items which
16 you wish to remove from the consent items?

17 EXECUTIVE OFFICER HIGHT: Yes, Madam Chair. Item
18 C03, C42, C50, C63, and C20, have been removed from the
19 consent calendar and will be taken up at a later date.

20 CHAIRWOMAN CONNELL: Do I have a motion in that
21 regard?

22 COMMISSIONER PARKER: Move adoption of the consent
23 calendar as modified by the items that have been pulled.

24 CHAIRWOMAN CONNELL: I will second that. All in
25 favor?

1 (Ayes.)

2 CHAIRWOMAN CONNELL: That now takes us to the
3 regular calendar. And the first item that we'll be
4 discussing today is Item No. 82, which involves the transfer
5 of lands -- for those people in the audience who do not have
6 an agenda -- pursuant to the California Desert Protection
7 Act.

8 As this is a significant step which ultimately is
9 going to affect, I believe, over 300,000 acres under the
10 jurisdiction of the Commission within the area of the Desert
11 Act, I'm going to ask Mr. Hight to give us details of the
12 item, if you will, please, and introduce others who are
13 joining you at the desk.

14 EXECUTIVE OFFICER HIGHT: Yes. Thank you, Madam
15 Chair.

16 This is the first step in the culmination of the
17 California Desert Protection Act. At the October 17th, 1995
18 meeting, the Commission approved a memorandum of
19 understanding between the Commission, the Bureau of Land
20 Management, and the U.S. Department of General Services that
21 was an outline on how to facilitate the implementation of
22 the Act.

23 This is the first action to implement the Act, and
24 it transfers roughly 5,000 acres to the Federal Government,
25 which we used for the Desert Protection Act, and transfers

1 roughly a million dollars to the Commission which will go
2 into the Land Bank Fund.

3 I would like particularly to thank the staff of
4 the Commission who have worked diligently to push this item
5 as fast as possible, and Ed Hasteley and his staff. Ed is the
6 Director of the California Department of the Bureau of Land
7 Management.

8 CHAIRWOMAN CONNELL: Mr. Hasteley, do you want to
9 make any comments on the record?

10 MR. HASTELEY: Yeah. This is a real opportunity.
11 The Desert Protection Act, as Bob said, gave us the
12 opportunity to use federal surplus lands in California, any
13 federal surplus lands. And GSA, General Services
14 Administration, has just really been outstanding in working
15 with the State Lands Commission and BLM to expedite this.

16 And this first million dollars allows us to
17 acquire State lands in four wilderness areas, four of the
18 sixty-nine wilderness areas in Southern California.

19 We're also working on Phase 2, which will amount
20 to about \$14 million worth of land, probably 60-70,000
21 acres. That'll be part of the land in Joshua Tree National
22 Park, Death Valley National Park, East Mojave National
23 Preserve, and also some BLM wilderness.

24 So, I think we're making outstanding progress, and
25 I think the staff of Bob Hight is to be commended, along

1 with our BLM staff and with GSA, to really expedite
2 something that I think a lot of people didn't think would
3 work. And so, I'm really pleased to be here today to accept
4 the first million acres -- million dollars --

5 (Laughter.)

6 MR. HASTEY: We gave you 8 million acres to start
7 with; so, we're just getting some of that back now. But we
8 have to buy it back; that's the worst part about it.

9 (Laughter.)

10 CHAIRWOMAN CONNELL: Is there anyone in the
11 audience who wants to speak on this issue? Ms. Parker, did
12 you want to make some comments?

13 COMMISSIONER PARKER: I would not want to upstage
14 Mr. Walrath if he wanted to make some comments, Madam Chair.
15 I'll just make a comment at the end.

16 MR. WALRATH: Madam Chair, Deputy Director Parker,
17 thank you for the kindness. Dave Walrath, representing
18 California Retired Teachers Association.

19 The revenues from the State school lands are used
20 to supplement the pensions of retired teachers. I thank
21 you. I thank the Bureau of Land Management, the Commission,
22 the Commission staff for the work that you have done. I
23 must admit I was -- just being referenced by Mr. HasteY --
24 as one of those who did not believe that this would happen
25 as fast as it has happened.

1 I congratulate everybody for the hard work that
2 they're doing. And the California Retired Teachers
3 Association appreciates the work that the Commission has
4 done in this area to assist them on their pensions and to
5 improve those pensions.

6 Thank you very much.

7 CHAIRWOMAN CONNELL: So, a win for everyone here
8 today. Terry, did you wish to make some comments?

9 COMMISSIONER PARKER: Actually, my comments are
10 really a followup to what Dave was saying. This is
11 obviously something, since we both have the opportunity to
12 sit on the STRS Pension Fund -- I represent teachers in that
13 fiduciary duty as well as our responsibilities on State
14 Lands -- that I think it's to really commend the work of the
15 State Lands staff and also the STRS staff working with the
16 Federal staff on the accomplishment of this.

17 It's really a benefit, not only from an
18 environmental standpoint, but for the teachers, too. It is
19 a major win-win.

20 EXECUTIVE OFFICER HIGHT: Thank you.

21 CHAIRWOMAN CONNELL: Thank you for being here
22 today, both of you gentlemen.

23 MAYOR HILLIGOSS: May I have a --

24 COMMISSIONER PARKER: Move adoption of the staff
25 recommendation.

1 CHAIRWOMAN CONNELL: I second it. And it's
2 unanimous.

3 Let us move on to Item No. 83. This concerns the
4 adoption of emergency regulations requiring the testing of
5 oil transfer hoses at marine terminals. And, as the
6 Commission is always concerned -- as it should be -- with
7 the highest possible level of safety at our facilities, I
8 have asked the staff to give us details of this
9 presentation. And, more importantly, I've asked them to
10 bring us hoses, both good and bad hoses; so that, as we get
11 into this discussion, we can really have a better
12 understanding of the problem that we need to address here.

13 My understanding is -- and please correct me, Mr.
14 Hight, if I'm incorrect -- that the problem with the hoses
15 is really one that stems from the gasoline passing through
16 the hoses and the additional gasoline additive -- now, we
17 were just discussing how to say all the words -- methyl
18 tertiary butyl ether, or MTBE additive problem, which is
19 causing the interior of the hoses to basically collapse and
20 then potentially causing, at some point, a potential leak.

21 So, that's the issue that we're discussing from
22 the viewpoint of the audience. And, Bob, do you want to
23 give us some staff comments?

24 EXECUTIVE OFFICER HIGHT: Yes, Madam Chair. I'll
25 have Gary Gregory, who's Chief of the Commission's Marine

1 Facilities Division, amplify your summary just a little bit.

2 MR. GREGORY: Thank you. Under the Lempert-
3 Keene-Seastrand Oil Spill Prevention and Response Act, the
4 Commission has the authority and, in fact, the
5 responsibility to adopt requirements to provide the best
6 achievable protection of the public safety and health and of
7 the environment.

8 One of these issues happens to be these hoses that
9 are being used at marine oil terminals today. We are asking
10 you to adopt emergency regulations that would require
11 testing of certain of these hoses in the next 120 days.

12 We need to determine which hoses have problems,
13 which hoses are possibly prone to failure and remove those
14 hoses from service. We first learned in May of 1995, with a
15 failure of a hose on the barge Millicoma that perhaps some
16 of these high aromatics gasoline, reformulated gasoline, and
17 the MTBE, the methyl tertiary butyl ether, was creating
18 problems with the linings of these hoses.

19 It's a problem with compatibility, whether it's
20 the correct lining being used where the material is passing
21 through the hose. And these are commonly nitrile lined, as
22 is this example here, and are being used commonly in barge
23 service and marine oil terminal service throughout the
24 State.

25 We have found, as a result of the Millicoma spill,

1 that the hose had been tested several months before with the
2 standard pressure test that's required by the Federal
3 Government -- it's the only test required of these hoses --
4 and passed the pressure test well. And less than two months
5 later, it failed at very low pressure during the beginning
6 of an oil transfer operation of gasoline.

7 It was clear after an investigation -- the hose
8 was taken apart by a firm and studied in a laboratory --
9 that the lining of the hose had failed and material had been
10 allowed to get into the carcass of the hose, the body of the
11 hose, the strength member of the hose and caused it to fail
12 at very low pressure.

13 We were lucky, in that it was a small leak, only a
14 few gallons of oil got into the water, and there were more
15 gallons of gasoline on the deck of the barge. But the hose
16 could have failed catastrophically and could have, in fact,
17 been quite a nasty spill.

18 These hoses are also used in black oil service on
19 many barges, and they have been used in the service of MTBE
20 in gasoline that would weaken, and then when we're putting
21 black oil through at high pressures, the possibility of
22 failure and a major spill is possible there.

23 So, we have a problem with incompatibility and a
24 problem with no regulatory regime that provides for any
25 testing or any safety requirements of those hoses.

1 What we would propose to do is have -- over the
2 next 120 days -- facility operators put a vacuum test on
3 these hoses.

4 The hoses are made of three parts -- the outer
5 covering (demonstrating with a length of hose), the inner
6 body, and a liner on the inside. The liner itself peels
7 away -- can peel away with this pressure test. If it peels
8 away, we'll know that the hose is dangerous and is bad. and
9 should be taken out of service.

10 We did notify the maritime industry of this
11 problem in November of '95, and later in December and
12 January -- I'm sorry -- November and January at our regular
13 public service meetings.

14 We also provided information as to these failures
15 in the past. The population of hoses is relatively small.
16 Hoses that have had MTBE through them, gasoline through
17 them, we're estimating from industry sources that maybe two
18 to three hoses per facility. Many of the facilities are
19 already testing; particularly, the larger oil companies
20 focused on this problem early on. But we need to ensure
21 that all of the hoses are tested.

22 What we have here is a section of a slightly
23 larger hose. This is an eight-inch hose. That's a ten-inch
24 hose that has been used in black oil service. You can see
25 that it's not quite as clean and much more difficult to see

1 the quality of the interior of that hose.

2 (Thereupon, the above-described hose was
3 exhibited to the Commissioners.)

4 CHAIRWOMAN CONNELL: It smells like gasoline.

5 MR. GREGORY: There are 72 facilities.

6 Approximately 60 of them handle this product. We have the
7 possibility of --

8 CHAIRWOMAN CONNELL: Maybe a hundred --

9 MR. GREGORY: -- a hundred or so hoses. But many
10 of those hoses have already been tested by the major oil
11 companies. This is to clean up and make sure that the
12 smaller operators particularly check these hoses out.

13 CHAIRWOMAN CONNELL: And I believe in your
14 briefing of the Commission prior to this meeting, that you
15 indicated we are getting excellent cooperation from the
16 industry in regards to this inspection.

17 Do you anticipate that that will continue?

18 MR. GREGORY: We don't anticipate any problems at
19 all. We think that this is something that they'd like to
20 have it required before they spend the money -- some of the
21 companies -- and this is the way to obtain it.

22 CHAIRWOMAN CONNELL: And it is only a
23 hundred-twenty-day time period that we're --

24 MR. GREGORY: Yes, Madam Chair.

25 CHAIRWOMAN CONNELL: -- talking about today?

1 MR. GREGORY: Correct.

2 CHAIRWOMAN CONNELL: Are there business/industry
3 representatives present here that want to address the
4 Commission on this?

5 Mr. Hight, did you want to say something?

6 EXECUTIVE OFFICER HIGHT: No.

7 CHAIRWOMAN CONNELL: Terry?

8 COMMISSIONER PARKER: No. I think this sounds
9 like a very measured response from the standpoint of the
10 industry, and certainly the impact to business of having
11 these hoses fail and have to do cleanup is a significant
12 fiscal impact to these obviously vital industries in
13 California.

14 So, Madam Chair, I would basically recommend that
15 we -- or make a motion that we adopt the staff
16 recommendation.

17 CHAIRWOMAN CONNELL: I will second that, and
18 that's a unanimous vote.

19 And could you please give us a report back at the
20 end of the 120 days as to what your findings have indicated.
21 That would be good for us to always have feedback as to the
22 inspection programs of the Commission.

23 I don't believe there are any other items, are
24 there, Mr. Hight, to come before the Commission --

25

1 EXECUTIVE OFFICER HIGHT: No.

2 CHAIRWOMAN CONNELL: -- today in open session?

3 If not, then I will close the open session of the
4 State Lands Commission, and we will now adjourn into closed
5 session.

6 And I will give us a five-minute break to allow
7 members of the audience to depart.

8 Thank you for coming.

9 (Thereupon, the meeting was adjourned
10 1:50 p.m.)

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1 CERTIFICATE OF SHORTHAND REPORTER
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4 I, Nadine J. Parks, a shorthand reporter of the
5 State of California, do hereby certify that I am a
6 disinterested person herein; that the foregoing meeting was
7 reported by me in shorthand writing, and thereafter
8 transcribed into typewriting.

9 I further certify that I am not of counsel or
10 attorney for any of the parties to said meeting, nor am I
11 interested in the outcome of said meeting.

12 In witness whereof, I have hereunto set my hand
13 this 29th day of February, 1996.

14
15 

16 Nadine J. Parks

17 Shorthand Reporter
18
19