

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

## I N D E X

	<u>PAGE</u>
Proceedings	1
<u>AGENDA ITEMS</u>	
I        Call to Order	1
II       Confirmation of Minutes for Meeting of December 7, 1995	1
III <u>Consent Calendar</u>	
Questions/Comments	1
Motion by Parker to Approve the Consent Calendar Items C01 through C81, with the exception of Items C03, C20, C42, C50, and C63	1
Commission Action	1, 2
IV <u>Regular Calendar</u>	
Item 82   California State Lands Commission- Bureau of Land Management-General Services Administration (Parties), <u>Approval of Transfer of Land</u>	
Introductory Remarks by Chairwoman	2
Presentation of Item by Mr. Hight	2
Ed Hastey California State Director Bureau of Land Management	3
David Walrath California Retired Teachers Assn.	4
Questions/Comments	5
Motion by Parker to Approve Staff Recommendation	5
Commission Action	6

INDEX, continued. . .	<u>PAGE</u>
Item 83 <u>Consideration of Adoption of Emergency Regulations re inspections of certain oil transfer hoses at marine terminals</u>	
Introductory Remarks by Chairwoman	6
Gary Gregory Chief Marine Facilities Division Long Beach	7
Questions/Comments	10
Motion by Parker to Approve Staff's Recommendation	11
Direction to Staff by Chairwoman	11
Adjournment	12
Certificate of Reporter	13

## P R O C E E D I N G S

--o0o--

1  
2  
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.)

11 ---o0o--

12

13

14

15

16

17

18

19

20

21

22

23

24

25

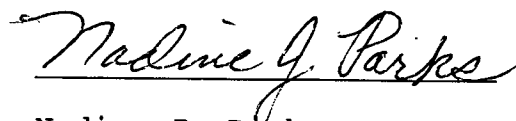


1 CERTIFICATE OF SHORTHAND REPORTER  
2  
3

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