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

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

COMMISSIONER PARKER: Move the minutes, Madam Chair.

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

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

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

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

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

CHAIRWOMAN CONNELL: I will second that. All in favor?
(Ayes.)

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

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

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

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

This is the first action to implement the Act, and it transfers roughly 5,000 acres to the Federal Government, which we used for the Desert Protection Act, and transfers
roughly a million dollars to the Commission which will go
into the Land Bank Fund.

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

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

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

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

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

So, I think we’re making outstanding progress, and
I think the staff of Bob Hight is to be commended, along
with our BLM staff and with GSA, to really expedite
something that I think a lot of people didn't think would
work. And so, I'm really pleased to be here today to accept
the first million acres -- million dollars --

(Laughter.)

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

(Laughter.)

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

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

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

The revenues from the State school lands are used
to supplement the pensions of retired teachers. I thank
you. I thank the Bureau of Land Management, the Commission,
the Commission staff for the work that you have done. I
must admit I was -- just being referenced by Mr. Hastey --
as one of those who did not believe that this would happen
as fast as it has happened.
I congratulate everybody for the hard work that they’re doing. And the California Retired Teachers Association appreciates the work that the Commission has done in this area to assist them on their pensions and to improve those pensions.

Thank you very much.

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

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

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

EXECUTIVE OFFICER HIGHT: Thank you.

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

MAYOR HILLIGOSS: May I have a --

COMMISSIONER PARKER: Move adoption of the staff recommendation.
CHAIRWOMAN CONNELL: I second it. And it’s unanimous.

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

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

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

EXECUTIVE OFFICER HIGHT: Yes, Madam Chair. I’ll have Gary Gregory, who’s Chief of the Commission’s Marine
Facilities Division, amplify your summary just a little bit.

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

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

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

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

We have found, as a result of the Millicoma spill,
that the hose had been tested several months before with the
standard pressure test that's required by the Federal
Government -- it's the only test required of these hoses --
and passed the pressure test well. And less than two months
later, it failed at very low pressure during the beginning
of an oil transfer operation of gasoline.

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

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

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

So, we have a problem with incompatibility and a
problem with no regulatory regime that provides for any
testing or any safety requirements of those hoses.
What we would propose to do is have -- over the next 120 days -- facility operators put a vacuum test on these hoses.

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

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

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

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

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

CHAIRWOMAN CONNELL: It smells like gasoline.

MR. GREGORY: There are 72 facilities. Approximately 60 of them handle this product. We have the possibility of --

CHAIRWOMAN CONNELL: Maybe a hundred --

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

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

Do you anticipate that that will continue?

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

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

MR. GREGORY: Yes, Madam Chair.

CHAIRWOMAN CONNELL: -- talking about today?
MR. GREGORY: Correct.

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

Mr. Hight, did you want to say something?

EXECUTIVE OFFICER HIGHT: No.

CHAIRWOMAN CONNELL: Terry?

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

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

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

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

I don't believe there are any other items, are there, Mr. Hight, to come before the Commission --
EXECUTIVE OFFICER HIGHT: No.

CHAIRWOMAN CONNELL: -- today in open session?

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

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

Thank you for coming.

(Thereupon, the meeting was adjourned 1:50 p.m.)
CERTIFICATE OF SHORTHAND REPORTER

I, Nadine J. Parks, a shorthand reporter of the State of California, do hereby certify that I am a disinterested person herein; that the foregoing meeting was reported by me in shorthand writing, and thereafter transcribed into typewriting.

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

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

Nadine J. Parks
Shorthand Reporter