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March 24, 2015

Hon. Mark Neuman
Hon. Steve Thompson
Co-chairs, House Finance Committee

Re: HB 158, Position of Prince William Sound Regional Citizens Advisory Council

Dear Representatives:

Please accept these comments on behalf of my client, the Prince William Sound Citizens Advisory Council, on House Bill 158, which comes before your committee tomorrow.

The RCAC was founded in the wake of the Exxon Valdez spill as a preeminent source of expertise on oil spill prevention and response. The primary lessons learned from that spill are

1) Prevention is the most important single step in avoiding damage and large spill response costs; and 2) if a spill is not contained within 72 hours, very little will be recovered. So we must have a robust prevention program and be prepared to respond to spills immediately and with full vigor.

When the current laws were passed and improved on after the Exxon Valdez, the easiest solution seemed to be to put the burden entirely on the crude oil industry. Almost all of us have come to recognize that it would be fairer to spread the burden among all entities who have a role in created spill expenses, both the crude oil producers and the refined product producers and transporters. It makes sense to spread the burden among all who handle products that may be spilled.

Prevention is cheap insurance. The Exxon Valdez spill cost Exxon over \$2.5 billion, and today many spillers are either not insured, are underinsured, or cannot be found. Having a sound prevention system and a sensible response capacity are protections for the state treasury.

We support this bill, but note the one thing that is lacking. The bill would increase revenue available to the prevention efforts of ADEC, but would do nothing for the response program. The response fund is now capped at \$50 million, i.e., the surcharge no longer is collected after the fund reaches that amount. But \$50 million in 1991 dollars is roughly the equivalent of \$32 million today, due to inflation. So in essence we have fewer real dollars available to respond to spills today than we did twenty-five years ago. We recommend that an inflation adjustment be added to the response account or that the \$50 million cap be expanded to \$75 million to make up for inflation. The funds will be available for the immediate response that is critical to prevent greater damage and higher costs.

With that suggestion, we support HB 158 and urge its passage.

Sincerely,

A handwritten signature in black ink, appearing to read "Douglas K. Mertz". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Douglas K Mertz
For the Prince William Sound RCAC