

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

March 12, 2003

1:05 p.m.

**MEMBERS PRESENT**

Representative Mike Chenault, Co-Chair  
Representative Hugh Fate, Co-Chair  
Representative Beverly Masek, Vice Chair  
Representative Carl Gatto  
Representative Bob Lynn  
Representative Kelly Wolf  
Representative David Guttenberg  
Representative Beth Kerttula

**MEMBERS ABSENT**

Representative Cheryll Heinze

**COMMITTEE CALENDAR**

HOUSE BILL NO. 113

"An Act extending the renewal period for oil discharge prevention and contingency plans; and providing for an effective date."

- MOVED CSHB 113(O&G) OUT OF COMMITTEE

HOUSE BILL NO. 78

"An Act relating to adoption and use of a unified permit application form by the natural resource agencies; and repealing the Environmental Procedures Coordination Act."

- HEARD AND HELD

HOUSE BILL NO. 11

"An Act relating to deposits to the Alaska permanent fund from mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), federal mineral revenue sharing payments received by the state from mineral leases, and bonuses received by the state from mineral leases, and limiting deposits from those sources to the 25 percent required under art. IX, sec. 15, Constitution of the State of Alaska; and providing for an effective date."

- MOVED HB 11 OUT OF COMMITTEE

**PREVIOUS ACTION**

BILL: HB 113

SHORT TITLE:DISCHARGE PREVENTION & CONTINGENCY PLANS

SPONSOR(S): RLS BY REQUEST OF THE

Jrn-Date	Jrn-Page		Action
02/19/03	0252	(H)	READ THE FIRST TIME - REFERRALS
02/19/03	0252	(H)	O&G, RES, FIN
02/19/03	0252	(H)	FN1: ZERO(DEC)
02/19/03	0252	(H)	GOVERNOR'S TRANSMITTAL LETTER
02/27/03		(H)	O&G AT 3:15 PM CAPITOL 124
02/27/03		(H)	Moved CSHB 113(O&G) Out of Committee
03/03/03	0356	(H)	O&G RPT CS(O&G) NT 5DP
03/03/03	0356	(H)	DP: MCGUIRE, ROKEBERG, FATE, CRAWFORD,
03/03/03	0356	(H)	KOHRING
03/03/03	0357	(H)	FN1: ZERO(DEC)
03/03/03	0357	(H)	FN2: ZERO(LAW)
03/10/03		(H)	RES AT 1:00 PM CAPITOL 124
03/10/03		(H)	Heard & Held
03/12/03		(H)	RES AT 1:00 PM CAPITOL 124

BILL: HB 78

SHORT TITLE:UNIFIED PERMIT APPLICATION

SPONSOR(S): REPRESENTATIVE(S)KERTTULA

Jrn-Date	Jrn-Page		Action
02/05/03	0131	(H)	READ THE FIRST TIME - REFERRALS
02/05/03	0131	(H)	RES, FIN
02/05/03	0131	(H)	REFERRED TO RESOURCES
03/12/03		(H)	RES AT 1:00 PM CAPITOL 124

BILL: HB 11

SHORT TITLE:DEPOSITS TO THE PERMANENT FUND

SPONSOR(S): REPRESENTATIVE(S)ROKEBERG

Jrn-Date	Jrn-Page		Action
01/21/03	0033	(H)	PREFILE RELEASED (1/10/03)
01/21/03	0033	(H)	READ THE FIRST TIME - REFERRALS
01/21/03	0033	(H)	RES, FIN
03/07/03	0477	(H)	COSPONSOR(S): SEATON

**WITNESS REGISTER**

LARRY DIETRICK, Acting Director  
Division of Spill Prevention & Response  
Department of Environmental Conservation  
Juneau, Alaska

POSITION STATEMENT: Answered questions during discussion of HB 113.

MARILYN CROCKETT, Deputy Director  
Alaska Oil and Gas Association (AOGA)  
Anchorage, Alaska

POSITION STATEMENT: Encouraged passage of HB 113.

TADD OWENS, Executive Director  
Resource Development Council for Alaska, Inc.  
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 113 and HB 11.

WILLIAM (BILL) JEFFRESS, Director  
Division of Governmental Coordination (DGC)  
Office of Management & Budget  
Juneau, Alaska

POSITION STATEMENT: Commented on HB 78 and provided information on Executive Orders 106 and 107 in relation to the efforts to streamline the permitting process.

REPRESENTATIVE NORMAN ROKEBERG  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of HB 11.

BOB BARTHOLOMEW, Chief Operating Officer  
Alaska Permanent Fund Corporation (APFC)  
Department of Revenue (DOR)  
Juneau, Alaska

POSITION STATEMENT: Provided information and answered questions relating to HB 11.

CHUCK LOGSDON, Chief Petroleum Economist  
Tax Division  
Department of Revenue  
Anchorage, Alaska

POSITION STATEMENT: Provided information and answered questions relating to HB 11.

**ACTION NARRATIVE**

**TAPE 03-14, SIDE A**

Number 0001

**CO-CHAIR HUGH FATE** called the House Resources Standing Committee meeting to order at 1:05 p.m. Representatives Fate, Chenault, Masek, Gatto, Lynn, Wolf, Guttenberg, and Kerttula were present at the call to order. Representative Heinze was excused.

HB 113-DISCHARGE PREVENTION & CONTINGENCY PLANS

CO-CHAIR FATE announced that the first order of business would be HOUSE BILL NO. 113, "An Act extending the renewal period for oil discharge prevention and contingency plans; and providing for an effective date." [Before the committee was CSHB 113(O&G).]

Number 0295

REPRESENTATIVE KERTTULA talked about unannounced [oil spill response] drills and a legislative intent section in the bill that mentions the drills. She asked how unannounced drills are conducted and if many had been done. She also asked if it was the intent to include unannounced [drills] within the generic language of the bill.

Number 0370

LARRY DIETRICK, Acting Director, Division of Spill Prevention & Response, Department of Environmental Conservation, testified. Mr. Dietrick said the statute allows the department to conduct either announced or unannounced drills; the department currently conducts both types and would continue to do so under the intent language that was added to [CSHB 113(O&G)].

REPRESENTATIVE KERTTULA asked how many unannounced drills had been performed in Alaska.

MR. DIETRICK, in response, told Representative Kerttula that the department maintains a lists of drills that he could provide to her. He said the drills have a wide variety of type and there are some very mega-scale drills that are planned as far as six months in advance. In fact, he noted, there would be one done in Juneau this May. Mr. Dietrick said there are other [drills] that are short term and much more confined tests like a call

out, which are typically unannounced, although there are a variety of types and sizes and "unannounced" goes with some and not others.

Number 0488

REPRESENTATIVE GATTO asked Mr. Dietrick if drills include actual oil discharge or whether a substitution is used.

MR. DIETRICK said oil is not used in drills done in Alaska, and he couldn't think of an instance in the Lower 48. He said [using oil during a drill] is a fairly controversial issue, but Norway has done it on occasion.

Number 0531

REPRESENTATIVE GATTO asked if drill participants are subjected to random occurrences such as bad weather or whether drills are canceled in those instances.

MR. DIETRICK, in response, said some drills are actually conducted in worst-case situations. For example, he said, a fairly large-scale field deployment drill was conducted in broken ice in the Beaufort Sea a couple of years ago. He said the precise objective was to test equipment in pretty harsh conditions. Mr. Dietrick said safety is a priority and a safety officer is present during the drills. He said if the proposed test objectives put people above a threshold that is deemed safe by the people playing a safety role in the drill, then the drill would not move forward.

REPRESENTATIVE GATTO asked if the participants know when an unannounced drill will be conducted.

MR. DIETRICK said participants have no prior warning in an unannounced drill.

Number 0668

REPRESENTATIVE GUTTENBERG asked about the components of a contingency plan and how it goes through the approval process.

MR. DIETRICK said changes were made in the contingency plan in 1990. For example, he said, prevention was added to the traditional oil spill response contingency plan and is one whole part of the plan that deals with prevention measures at the facility; there's a response-action plan and supplemental

information about the facility itself. The response-action plan has a variety of parts to it, which is the part of a contingency plan in which response strategies, tactics, equipment, personnel resources, logistics, communications plans, safety issues, and other related items are shown.

Number 0744

REPRESENTATIVE GUTTENBERG asked if the approval [of a plan] is a public process.

MR. DIETRICK said the formal review and approval of a plan requires a 30-day public review and comment period.

REPRESENTATIVE GUTTENBERG asked if the plans can be amended or altered if discoveries are made or other situations come into play before the end of the five-year renewal period.

MR. DIETRICK said yes; the statute has an "evergreen process." A number of requirements exist in law that require an operator to immediately notify the department with a notification of nonreadiness if he or she is, at any time, outside of the terms of his or her plan. He explained that anytime the operator changes resources or alters his or her response capability in any way, there is a burden on that person to immediately notify the department, and there are also provisions whereby if it's discovered, the department can also take actions. He said corrections to a change in the plan are managed through an amendment process. Anytime a change comes up during a renewal cycle, it has a change in the nature of the operation that drives a change in the response capability. He said that is dealt with at that time through an amendment process, so it's virtually a continuous process. Mr. Dietrick said if what was originally approved changes in any way, there is a requirement to immediately make the changes to the plan.

REPRESENTATIVE GATTO asked if drills are evaluated by an agency outside of the group organizing the drill.

MR. DIETRICK explained that drills have a very large range of participants in them. He talked about Alaskan contractors that have experience in this process, and he said these "term contractors" test objectives and do quality control. Term contractors also measure the performance during the drills to see if the objectives are being met. He said because of the cost of the drills, all drills related to oil spills are virtually coordinated ahead of time with the federal

requirements; thus the U.S. Coast Guard or the Environmental Protection Agency would be involved. He said the drill conducted in May will involve state agencies such as the Department of Public Safety, the Alaska State Troopers, and the Alaska Department of Fish and Game. He said it can be any one of a number of agencies, so a quality control mechanism is built into the drill and, depending on the drill's design, will have any one of a number of different independent observers recording things.

Number 1005

REPRESENTATIVE GATTO remarked, "In this day and age of homeland security, this could lead to ... a worst-case scenario where everything is intentional and coordinated." He asked if the department was prepared to deal with something of that magnitude.

MR. DIETRICK said the department is integrating with new efforts to build homeland security response programs for Alaska, which is being led by the Department of Military and Veteran's Affairs. He said in homeland security planning, DEC would deal with the "consequence end of the spectrum." He said the Department of Military and Veteran's Affairs is dealing up front with identifying the critical assets and their vulnerability, and doing an assessment on how to set up security plans; it is very much on the front end with regard to the intelligence to prevent an incident from occurring. He said should that analysis and those systems fail and an oil spill result, then the oil spill plans commence in response to the consequence of that attack. Mr. Dietrick said the department feels it is in good shape to deal with a spill because it builds realistic maximum oil-discharge scenarios. He said regardless of whether it is a terrorist that causes the incident, the department has a lot of systems in place that can be used for homeland response, which is why DEC is working to integrate those things.

Number 1135

REPRESENTATIVE GUTTENBERG asked how extensive or encompassing the contingency plans are with respect to a catastrophic loss on the Beaufort Sea ice and how that is planned for.

MR. DIETRICK said when the legislature passed HB 567 in 1990, it had a very intense debate about whether spill planning should be designed to [handle] a worst-case spill or something less. He said the resulting statute calls for a realistic maximum oil

discharge, which is not a true worst-case scenario and is designed to [handle] something less than that. For example, the Prince William Sound [spill response] has the ability to contain or control 300,000 barrels [of oil] in 72 hours. He said currently, the largest vessel in Prince William Sound hauls roughly 1 million barrels, so it's about a third of that. He indicated that the volume specified in the realistic maximum oil discharge then becomes the size of the event that the response capabilities have to be planned to. Mr. Dietrick said that [determines] how much equipment is required, and the law requires that [operators] have the equipment to meet that volume in-region. He said, for example, in Prince William Sound the equipment has to be [located] in Prince William Sound and is sized to a 300,000-barrel volume response, even though there is the potential for a worst-case [scenario] of a million-barrel [spill]. He said in the case that a spill is worse than that, the statute provides for importing equipment from out-of-region outside Prince William Sound to handle the additional volume spilled. He noted that it is a two-part system with an in-region requirement and out-of-region requirement.

REPRESENTATIVE GATTO reported that he heard from a North Slope worker that one of the drill rigs that was being transported over the ice fell through in five feet of water. He asked Mr. Dietrick if he had heard anything about it.

MR. DIETRICK said no, and if it did, it apparently would not have spilled any oil or the department should have been notified.

Number 1322

MARILYN CROCKETT, Deputy Director, Alaska Oil and Gas Association (AOGA), testified. She suggested that the bill will result in considerable time and resource savings on the part of not only the oil and gas industry, but the agency itself in the amount of time and resources that are needed to review and approve a contingency plan, and also for members of the public and the various "NGOs" [nongovernmental organizations] who review those plans. She said the [plans] are large, complicated documents, and experience has shown that the renewal costs can run from \$60,000 to \$100,000 per plan in some cases. In cases under the current structure of having the plan renewed every three years, she said, some operators have had to begin that renewal process 180 days in advance of the exploration date and then had the plan held over. She said the end result has been

that oftentimes at about the time the renewal is complete, the plan holder is beginning the next renewal cycle.

MS. CROCKETT said expanding this timeframe from three to five years brings it in line with the federal government and other West Coast and oil producing states. She said it in no way reduces the requirements for companies to respond to an event, and it serves as the "blueprint" for how a company will respond. She said the proof of the effectiveness of that plan is in the drills and the exercises that Mr. Dietrick discussed. Ms. Crockett said these plans are not prepared and put on a shelf until the next renewal cycle; there are requirements in place, and it is to the operator's advantage to ensure that the plans and the staff listings in them are up to date. She said any amendments to either the operation of the particular company or the response readiness itself has to go through an amendment process through the plan. Ms. Crockett stated that AOGA is in support of the bill.

Number 1514

REPRESENTATIVE KERTTULA asked how the department would require the industry to obtain changes in technology that are discovered to be a huge benefit [for spill response] before the end of a renewal period.

MR. DIETRICK said the best available technology (BAT) analysis is required to be performed in the plan, which is a theoretical analysis and determination of what the technology that is the best available for that facility should incorporate. He said this allows that capability to be tested, and if the analysis is flawed, then the department can seek correction and updating of that through the amendment process on a real-time basis.

Number 1595

TADD OWENS, Executive Director, Resource Development Council for Alaska, Inc. (RDC), testified. He informed members that RDC is a private nonprofit trade association representing individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries. Mr. Owen said RDC's members support [CSHB 113(O&G)]. He suggested that a simple change from a three-year to a five-year renewal process on contingency plans is good move in terms of efficiencies for both DEC and for RDC's member organizations. He said based on members' experiences, a three-year renewal cycle often does not result in meaningful improvements in environmental protection or regulatory

compliance, and increasing the time between renewals would bring the program's benefits in line with its costs. Mr. Owens said DEC is currently responsible for more than 125 contingency plans in Alaska, and he suggested that allowing agency staff additional time in the field will provide them with a more thorough understanding of and familiarization with industry operations and the contingency plans that they are enforcing.

MR. OWENS said by utilizing the information that staff gains in the field, RDC believes subsequent plan renewals will have better oversight, will incorporate more high value improvements, and will be less vulnerable to legal challenges. Mr. Owens suggested that the industry will be able to shift its resources away from the largely administrative exercise of the renewal process itself and will be able to emphasis more prevention specific activities on the ground. He said improved networking and communication between industry and agency staff will further enhance the quality of the plan renewals. He said a five-year renewal cycle mirrors the federal requirement and would allow industry the option of consolidating its review process.

MR. OWENS said it is important to note that this bill does not affect the federal requirement for a three-year spill drill or change the annual federal review requirements. Furthermore, he said, it does not change the requirement of contingency plan holders to submit plan amendments to DEC for approval whenever a change to an existing contingency plan is made.

Number 1754

REPRESENTATIVE GATTO moved to report CSHB 113(O&G) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 113(O&G) was reported from the House Resources Standing Committee.

HB 78-UNIFIED PERMIT APPLICATION

CO-CHAIR FATE announced that the next order of business would be HOUSE BILL NO. 78, "An Act relating to adoption and use of a unified permit application form by the natural resource agencies; and repealing the Environmental Procedures Coordination Act."

CO-CHAIR FATE noted the bill would be held in committee at the request of the sponsor.

Number 1821

REPRESENTATIVE KERTTULA, speaking as sponsor, characterized HB 78 as a one of the first important steps in an [effort] to start streamlining the resource permitting process in Alaska. She suggested the way to [obtain] economic stability in Alaska and get out of the state's current economic problem is [through] strong, stable, well-managed resource development. She said oil funds 85 percent of the budget, but there are other resources in Alaska that are worth developing. She said a clean, easy to use, fair process is needed, and some good processes are in place, but she thought the [legislature] should spend its time arguing about substantive or scientific issues - things that really matter, not about the process. She said permitting issues are really dry and can be very boring, but the process drives the outcome. She talked about her love for permitting issues and offered some of her previous employment experience working in resource issues such as working in the attorney general's office on issues such as coastal zone management and outer continental lease sales.

Number 1996

REPRESENTATIVE KERTTULA said the bill would create a single application process for projects that require permits for more than one state resource agency. She said [HB 78] requires a single permit application form and establishes a permit application clearinghouse in the Office of the Governor. She said HB 78 also sets up very tight deadlines and requires agencies to collaborate on the permit process, and the bill also repeals the Environmental Procedures Coordination Act. She remarked, "Maybe I'm the only one that could get away with repealing that without someone questioning my motives." Representative Kerttula suggested that the [Environmental Procedures Coordination Act] provides an out-of-date process, and in her experience had only been used once, ineffectively. She suggested the process is redundant, and she said the bill does not change the permits themselves or any statutory duties that the agencies have.

REPRESENTATIVE KERTTULA said overall, comments made on the bill have suggested that the bill doesn't go far enough, so there will be some legislation from both the governor and the minority [caucus] that goes a whole lot further. She said another comment she'd received is the bill goes too far and is duplicative. She said the bill is not duplicative; however, the coastal policy questionnaire, which gets used in coastal zone management issues, does exist and is similar. She suggested

creating a subcommittee to work out the issues because all of the different pieces [of legislation] will have to be balanced and coordinated. Representative Kerttula said if the bill is duplicative, it might be with things that are "coming down the line," and she suggested that the question of where to locate the clearinghouse would have to be worked out with impending legislation "that's coming our way." She mentioned that there is a move to put a lot of functions of permitting into the Department of Natural Resources.

Number 2067

REPRESENTATIVE KERTTULA said this bill would keep the clearinghouse in the governor's office, and it has been her experience that it's important for the governor to have easy access to information about permitting. She said this is a policy call and something that can be discussed later.

REPRESENTATIVE WOLF told Representative Kerttula that she had just described the Kenai River Center. In response to a comment made by Representative Kerttula, he said U.S. Senator Ted Stevens offered support for the Kenai River Center and it doesn't work.

REPRESENTATIVE KERTTULA said she would like to talk with him about why it doesn't work.

REPRESENTATIVE WOLF indicated that obtaining a restoration permit can be very time consuming and involve multiple agencies.

REPRESENTATIVE KERTTULA told Representative Wolf that she would talk more with him about that because she doesn't know that much about the Kenai River Center, but she wanted to learn more about it and why it isn't working. She said her assumption is that it probably involves federal issues. This effort, she said, is about making [the process] work and about applicants that have to [obtain multiple] permits, particularly, smaller applicants. So, she said, [under this bill] the applicant can go to one place, use one application, and get help [with the application process].

REPRESENTATIVE WOLF suggested that because of the way the [process] is set up, it is impossible to go to one agency. He said there are federal, state, and local issues, which require several agencies [to be involved in the process]. He remarked, "You cannot do this."

Number 2268

REPRESENTATIVE GATTO turned attention to a handout in the committee packet. He said the example of the small project specifies that the U.S. Army Corps of Engineers requires both a Section 404 permit and a Section 10 permit. However, he said, a large project only requires a Section 404 permit and eliminates the requirement for the Section 10 permit. He said this would lead him to believe that if the project were big enough, the U.S. Army Corps of Engineers would not be needed. Representative Gatto asked if it is accurate that permits are deleted as the project size increases.

REPRESENTATIVE KERTTULA said the examples are actual projects and [represent] the permits that are required. She said permit requirements are based on the specifics of the project and because of differences in the two projects, the U.S. Army Corps of Engineers has different requirements.

REPRESENTATIVE GATTO said it's not really an [accurate] comparison if totally different kinds of projects are used in the example.

REPRESENTATIVE KERTTULA offered to provide examples that specify the differences. She said the [handout] was an effort to show how many permits are required, even in the case of a very small project. She said the [handout] was not intended to compare the [the differences in permit requirements for small and large projects].

Number 2366

WILLIAM (BILL) JEFFRESS, Director, Division of Governmental Coordination (DGC), Office of Management & Budget, testified. Mr. Jeffress said along parallel paths with HB 78, the administration has already gone quite a ways in developing and streamlining the permitting process. He said EO [Executive Order] 106 moves DGC and the ACMP [Alaska Coastal Management Program] into DNR, which is part of the overall plan to streamline permitting. He talked about moving the Division of Habitat and Restoration to DNR's Office of Habitat Management and Permitting. He said the effort is to reorganize the permitting structure, and with current legislation that was introduced earlier in the day, DNR would be the lead permitting agency for all resource permits issued in Alaska.

MR. JEFFRESS said under this scenario the Office of Habitat Management and Permitting and the Office of Project Management and Permitting would be created; the ACMP would be a section and a another section would be the large-project permitting coordination team. He talked about small, everyday permits that are issued, and he said [the department] wants to ensure that there is as seamless a transition as possible and "none of those fall through the cracks." He indicated a clearinghouse is envisioned that will sort small projects [and direct them] to the appropriate agency. He said large projects would be coordinated by a strong team manager that would select from the different resource agencies involved and would [require] a multi-agency [effort]. He explained that the expertise that's needed will be pulled from different agencies to permit those projects and move them forward.

MR. JEFFRESS indicated [those involved in the effort] are still working through the "nuts and bolts" and that some of the issues are under the [legislature's] control, which will shape the final direction of this. He said he applauds Representative Kerttula's efforts in putting forth HB 78 and that he thinks the focus is on the same end result of streamlining permitting and making it easy and as undaunting a process as possible. He said he'd mentioned to Representative Kerttula earlier that neither the federal government nor the state has been able to quantify how many opportunities have been missed, because a lot of people look at the permitting process, which is so cumbersome and scary that they decide to do something else.

MR. JEFFRESS suggested the more user-friendly the process is, the better off [the state] is going to be. He said in coming from the regulatory community, he knows that there are a lot of resources available to draw on, and he hopes everybody has patience with him because he will probably be asking a lot of questions and getting ideas on how to streamline this process. He said a good team is currently set up that represents both the experience in DGC and within DNR, including the different divisions and the permitting functions that DNR has implemented over the years.

Number 2588

CO-CHAIR FATE talked about holding the bill to see how it will mesh with the governor's proposed legislation, and he asked whether any effort toward a [creating] a fiscal note would be made if this is merged with other efforts to streamline the permitting process.

REPRESENTATIVE KERTTULA suggested putting all of the bills into a subcommittee, and she said she assumed that the best ideas would be put forward in the end. She said she would work toward a fiscal note, but in the end she thought it would be subsumed.

REPRESENTATIVE WOLF suggested that moving the Office of Habitat and Restoration from ADF&G to DNR will make [the permitting process] more user-friendly.

Number 2657

CO-CHAIR FATE indicated that HB 78 would be held for further consideration.

HB 11-DEPOSITS TO THE PERMANENT FUND

Number 2671

CO-CHAIR FATE announced that the final order of business would be HOUSE BILL NO. 11, "An Act relating to deposits to the Alaska permanent fund from mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), federal mineral revenue sharing payments received by the state from mineral leases, and bonuses received by the state from mineral leases, and limiting deposits from those sources to the 25 percent required under art. IX, sec. 15, Constitution of the State of Alaska; and providing for an effective date."

Number 2690

REPRESENTATIVE NORMAN ROKEBERG, Alaska State Legislature, speaking as the sponsor of HB 11, told the committee that the bill had been "around forever" - "past life" permutations of HB 96 and HB 3 had the previous distinction of having passed the House on two occasions, but languished and "died a quiet death" in the Senate. He explained that HB 11 returns the percentage of all mineral lease royalties and bonuses deposited into the permanent fund to the constitutionally mandated 25 percent. He turned attention to Article IX, Section 15, of the state constitution, which read:

**SECTION 15. Alaska Permanent Fund.** At least twenty-five per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be

placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

REPRESENTATIVE ROKEBERG said in 1980, the legislature recognized the great benefits from the commencement of transportation of oil through [Trans-Alaska Pipeline System (TAPS)]. Representative Rokeberg explained that in 1980, when this bill passed, the general fund budget was \$4.07 billion. He said it was an enormous amount of money that was available for the general fund. He said it was clear to him that the legislature, in its wisdom at this time, made a statutory change to redirect a substantial portion of new leases entered into after 1980. He said 50 percent of those were royalties and proceeds [put] into the permanent fund, away from the general fund. He suggested it was an extraordinarily prudent idea for the simple reason that it kept politicians' hands off the money. Representative Rokeberg said he liked it at that time and thought it was a brilliant idea, and very prudent financial management.

Number 2840

REPRESENTATIVE ROKEBERG said that time has passed, and the financial situation of the [state] today is much different than it was 23 years ago when this bill was first implemented. He asked for the committee's support in repealing that particular portion of the statute. He referred to information in the committee packet, and he said over the next seven years, it would average approximately \$43.3 million dollars that would be available to the general fund. He told the committee that the very low estimate of \$23.25 [for Alaska North Slope (ANS), West Coast price] for FY '04 [fiscal year 2004] would yield \$54.1 million to the general fund. He said what's unique about this situation is that it calls back the mantra of "no decline after '99," and that the petroleum industry in Alaska has actually been able to achieve that in large part.

REPRESENTATIVE ROKEBERG said currently, [the state's] production and throughput of the TAPS is approximately 1 million barrels per day. He said projections for the last two years and for several coming years are for a level amount of production. In large part, he said, it is because the petroleum industry has developed a "string of pearls" or satellite fields in the North Slope area, which had been able to offset the substantial

declines from the "elephant fields" of Prudhoe Bay and Kuparuk [River Unit]. He explained that the Kuparuk [River Unit] and Prudhoe Bay contribute 75 percent of the royalty income to the general fund and 25 percent to the principal or corpus to the permanent fund. However, he said, the new fields that are on line now and producing with an increased or steady amount of throughput to the pipeline, such as Northstar and Alpine, are contributing 50 percent of their royalty income to the permanent fund and 50 percent to the general fund.

REPRESENTATIVE ROKEBERG suggested [the state] is not really replacing the cash flow from new discoveries and is basically saving 25 percent extra from [the state's] new discoveries vis-à-vis the older discoveries. He remarked, "We're not replacing dollar-for-dollar, barrel-for-barrel ...." Representative Rokeberg mentioned the governor's desire to implement a new direction in the state with natural resource development centered upon new lifts of oil and gas, and expanding proven reserves to help generate income. Representative Rokeberg indicated that if this law is not changed, it will restrict the state's ability to try to meet the cash flow requirements. He suggested this is the reason for the state's fiscal gap.

**TAPE 03-14, SIDE B**  
Number 3004

REPRESENTATIVE ROKEBERG suggested the [state] is trying to save its way into poverty, and he drew an analogy comparing the situation to personal household finances. He indicated that a higher income allows for more savings, and that the State of Alaska had a higher income in the 1980s and therefore was able to save more money.

Number 2986

REPRESENTATIVE ROKEBERG suggested that this [situation] is not analogous to the federal government, but that state governments throughout the country have to balance their budgets. He suggested [the state] needs to follow basic, very simplistic financial management rules in an endeavor to pay the bills. He said [the state] has had the luxury of the CBR [Constitutional Budget Reserve] for years, but is running out of that with time. He suggested that the [state] needs a prudent, incremental approach to solving this problem so it doesn't have a negative impact on the economy and that should be the basic [principle] right now in financial policy making. He remarked, "Let's do the least harm to the economy; let us not run us off a cliff, in

forced taxes and substantial takes on the earnings reserves or any other savings we might have, which are now diminished." He suggested those things shouldn't be done in such a manner that it creates a death spiral in the economy.

REPRESENTATIVE ROKEBERG suggested doing things in small steps in an effort to reach a goal that all can agree with. He said one of the primary criticisms of this bill is that it is tinkering with or taking from the permanent fund, but he maintained that it's nothing of the kind. How can not depositing something in the bank be taking something out of it, he asked.

REPRESENTATIVE ROKEBERG suggested that the fiscal notes [reflect] that the impacts on the [permanent fund dividend(PFD)] are very small. He said he's had several reports done. He directed attention to the fiscal note from the Department of Revenue (DOR) dated 3/11/03, and he said page 2 shows the status quo and projections for the [PFD] at \$719 in '05. He indicated that under HB 11 the loss to the '04 dividend would be zero; in '05 it would be \$1; in '06, \$2; in '07, \$4; in '08, \$7; in '09, \$10; and then \$14 and \$17 and up. He said 10 years from now, [HB 11] would have a \$20 potential impact. He suggested these are relatively optimistic projections on returns of the [PFD] and what it might be, given the [vagaries] of the market in the last couple years. He suggested it would have much less of an impact and that the biggest fear about the nature or amount of the [PFD] should be with regard to what's going to happen in the marketplace. He said he was proud to be part of the legislature when it moved direct appropriations from the "earnings reserve surplus capital" into the "corpus percent of the fund." He said almost 50 percent of those particular funds have been because of actions of the legislature.

REPRESENTATIVE ROKEBERG said he is proud [to] be a the protector of the permanent fund. He suggested that these statistics and the analysis of it show that this is a cash-management issue and will be good for the State of Alaska. He said it does not take away from the economy; it actually takes away from Wall Street. He said a fiscal plan or fiscal policy that redirects money that would otherwise go into portfolio investments and puts it in the pockets of the citizens of Alaska or into the CBR is a very good policy.

Number 2717

REPRESENTATIVE LYNN asked if [the bill] could be structured so deposits to the PFD could be tied to the yearly average price of oil.

REPRESENTATIVE ROKEBERG said that's the current plan; royalties and other bonuses increase and decrease "to a percentage" because [deposits to the permanent fund are] 25 percent in the constitution and 50 percent in current statute for new leases, which dictates the phenomenal dollar deposit. As the price of oil goes up, he said, deposits will go up.

REPRESENTATIVE LYNN asked if [the bill] could be structured so that the percentage changes as conditions change.

REPRESENTATIVE ROKEBERG indicated another royalty scheme could be created, but he advised against it. He mentioned HB 28 and talked about a formula that got so complicated that nobody could figure out how to use. He indicated he would prefer to keep it simple.

Number 2633

REPRESENTATIVE MASEK asked what negative impacts it would have on permanent fund earnings if the bill were passed and [the state] were to revert back to the 25 percent rent and royalty contribution.

REPRESENTATIVE ROKEBERG said it will have some impact because the total gross dollars in the corpus would be somewhat diminished by prospective future deposits, which would only be an impact on the future growth of the earnings of the fund. He said it doesn't impact the "nominal value or the notional value" of the fund as it exists today.

REPRESENTATIVE MASEK asked what adverse impacts this reduction would have on the recipients of the PFD.

REPRESENTATIVE ROKEBERG suggested [the bill] would have almost no impact whatsoever. He said he thinks the biggest fear is the impacts of the stock market, bond markets, and the various equity markets on the performance of the fund. As shown in the fiscal note, this is really very small, he suggested. He said he thought the projections that are used are relatively optimistic in terms of returns. Representative Rokeberg said the [state's] earnings reserve accounts have been wiped out and [the state] is in deficit positions this fiscal year. The [state] has lost well over \$6 billion in earnings, he suggested.

He offered his belief that the Alaska Permanent Fund Corporation has done a wonderful, prudent job of managing its money, given the market conditions. He said those types of impacts are much more serious and much more volatile than a very small lack of redirection. If the state gets a 1 percent boost in yield from its investment policies, it would probably quadruple any impact this bill might have on the corpus of the fund, and that's really the issue, he suggested.

REPRESENTATIVE MASEK asked Representative Rokeberg if he felt the administration's effort to reduce permitting delays would bring more oil down the pipeline and increase the royalty contributions to the state.

Number 2474

REPRESENTATIVE ROKEBERG said he thought that was the objective of the governor, which he supported, but he suggested it would take a substantial amount of time to reach that point. He suggested that permitting is one small step in that direction. He remarked, "The relationship between this bill is that any of those new fields that are brought on line under the current statutory situation would be what I call 50 percent field, instead of the 75 percent field." He said 25 percent more of them would have to be discovered just to get even with the losses and declines from Prudhoe Bay. He remarked, "We have to make 125 percent or whatever the number would be to replace 100 percent of the Prudhoe Bay decline, because of the statutes."

Number 2417

REPRESENTATIVE MASEK, citing the administration's current effort to enhance revenues through other means, asked why the bill should move forward at this time.

REPRESENTATIVE ROKEBERG suggested it is an opportunity to provide what the governor has called for, in terms of an Alaskan "Gramm-Rudman" style of financial planning. He suggested that if the [legislature] doesn't agree or disagree with some of [the governor's] reductions, eliminations, or increases, it can use this particular vehicle to offset some of those from the policy-making basis. For example, he said, if [the legislature] wishes to increase educational spending, back to the current fiscal year's, it could take half the proceeds of this bill and do so. He remarked, "I would say that even given the draconian suggestions of the governor under review now by the legislature, that we're only a [part] of the way there, even

if we adopted 100 percent of his proposals." He suggested \$400 million would be drawn from the CBR this year, and even under the [governor's] best scenario, the state would still have a huge fiscal gap.

Number 2307

REPRESENTATIVE MASEK noted that the permanent fund has suffered major losses as a result of the market conditions. She asked Representative Rokeberg if he feels reducing the royalty contribution to 25 percent is a prudent thing to do in light of the overall stability of the market.

REPRESENTATIVE ROKEBERG answered in the affirmative.

REPRESENTATIVE WOLF suggested that the decline in the stock market had done far more to reduce the PFD than this plan of reducing the deposit from 50 percent to 25 percent could do over 10 years. He asked if he was looking at this correctly.

REPRESENTATIVE ROKEBERG, in response, said absolutely and deferred the question to Mr. Bartholomew.

Number 2269

BOB BARTHOLOMEW, Chief Operating Officer, Alaska Permanent Fund Corporation (APFC), Department of Revenue, testified. He said the change in the oil revenues is a number that one could determine, as represented in the bill, as far as the amount of reduced deposits that would go into the permanent fund and the increased deposits that would go into the general fund. He explained that the effect on those is shown in the dividend and starts out at one dollar a year and works up. Mr. Bartholomew said the dividend or the amount of money available from the permanent fund is projected this year to be under a billion dollars. He said one year it had \$2.5 billion dollars available, so the market has extreme variations.

REPRESENTATIVE WOLF noted that the legislature had the opportunity to see the budget cuts that the governor proposed. He said as a freshman legislator, he was shocked to see 173 programs that had been started in the last 10 years [being cut], and one of those programs [being cut] was the longevity bonus. He said this [bill] seems like a fair way to continue funding some of those programs that "we're never going to be able to get cut because there's too many lobbyists that want those."

REPRESENTATIVE ROKEBERG said the bill has been portrayed in the newspapers as some kind of a spending bill, and that's really not what this is; it's a cash-flow bill, but it could be used to offset some other programs in terms of [the legislature's] policy making. He said he would suspect the new OMB [Office of Management and Budget] might be a little more mature next year when doing the next budget writing and will have a little running start at it, so that it might be a little bit different. He said his rationale for introducing this is to close the gap and lighten the load on the CBR, not to spend more money.

Number 2053

REPRESENTATIVE GATTO asked if the [Alaska] Permanent Fund Corporation (APFC) would still generate some amount of cash from leases and dividends if the stock market was flat and didn't change in the next 10 years.

MR. BARTHOLOMEW said currently, the money that gets deposited into the permanent fund is invested in three primary areas: both domestic and international bonds that pay interest; stocks that have dividend payments, which is cash coming in, and then it has the market movement up and down and the price of stocks goes up and down; and real estate investments from which the cash flow or the rental income, after expenses, goes into the permanent fund. He noted that there is an assortment of cash.

Number 2004

REPRESENTATIVE GATTO suggested that even with a totally flat market, the permanent fund still makes earnings. He said if the market remains flat, the earnings available in Representative Rokeberg's plan would probably amount to how much money would be available under the plan. He remarked, "Suggesting there was some number, but would that number have any influence, depending on stocks, to rise."

MR. BARTHOLOMEW remarked:

It's a perspective. Right now, the permanent fund has \$22 billion dollars in it. ... That \$22 billion is invested, and our long-term forecasts say that that will earn 8 percent a year. We know some years we lose money; some years we've made 15 percent, but the long-term average is 8 percent. So, we know we have \$22 billion dollars; if stocks are going to stay flat,

we're probably not going to earn 8 percent; it's going to be a lot less than that.

When you ask what's the effect of this bill on a 10-year projection, we would look at it, kind of in averages; it's about ... \$43 million dollars a year; over 10 years you're going to lose - and that would go into the general fund - you're going to lose the earnings, whatever that is, whether it's 8 percent, if you get your long-term average or if stocks are flat, ... you're going to earn less than that. ... Cumulatively, you're going to lose 8 percent a year on however much less you deposit. So, it's ... a small piece of a big fund, and you can look at it either way: you can say it's a small piece of a little fund, or you can say a big fund was built with a lot of small pieces ....

Number 1875

MR. BARTHOLOMEW, in response to a question from Representative Gatto, remarked:

Again, I think you could just look at the fiscal note that Representative [Rokeberg] spoke to on ... these numbers. ... If you're saying that the effect of this bill ranges from \$1 in the first year on the dividend to \$20 in 2012, and you say that our earnings ... estimate is double what it should be, we're only going to earn half of what we really earned. You would just cut all of these estimates in half and say instead of it having a \$20 dollar effect on the dividend, it's going to be \$10. ...

We hate to just focus on the dividend, so I would raise that up and say, when you look at the total fund, generally, the dividend's half of what our earning stream is; that's what goes off to the dividend program. So, when you're talking about the earnings potential of the fund, it's a little bit larger than just the effect on the dividend, but we'll give you that mid-case scenario of 8 percent a year; if you think it's going to be 4 percent, you cut those projections in half ....

REPRESENTATIVE ROKEBERG remarked:

If you want to do a calculation, you could do a run-up there where you come up with a prospective deferred amount of income to the fund, but I would posit that - and I think I could get the corporation to agree to it - whatever you came up with, ... that means \$43 million times 10 years would be 430 [million dollars] ; give it a projection of 8 percent; use the rule of 79; you could almost double it in that period of time, but then ... I would say that you have to do a present-value discount to it, because you're not going to be having the funds available to spend at that time; ... you need to discount it backwards, so it's a lot less than that ....

Number 1749

MR. BARTHOLOMEW replied:

I would always keep it simple; in other words ... investments, our percentages, might be a little high, but three years ago we were getting kind of beat up because they were too low. ... When the stock market's running, we'll be below it, and when the stock market's tanking, we'll be above it .... That's why I think when you're talking out 10 years; I think it's dangerous to get away from ... those midterm projections and ... make assumptions, because over 10 years you're probably going to revert to the mean and you're going to be somewhere in the middle. ... Each individual can make their own decision on how much to move up or down those numbers, but 10 years is a long time, and the chances are, you're going to hit your averages more times than not.

Number 1703

CO-CHAIR FATE suggested the public's major concern is what that's going to do to the dividend. He offered his belief that the change in the corpus will be less because there is not as much [money] coming in and that it won't affect the dividend itself, as a percentage of that, as much. He asked if he was correct.

MR. BARTHOLOMEW answered in the affirmative, and he said if there are less deposits into the fund, there will be less money earning revenue. He referred to page 2 of the fiscal note for that information.

REPRESENTATIVE ROKEBERG remarked, "I was part of a group of folks that stopped this when we realized, after a account associate's presentation about six years ago, that if we didn't stop putting it away and not leaving any earnings reserve, we wouldn't have had enough money to pay the dividend last year." He said the press and public do not really understand, and it's a shame because the legislature should be given a pat on the back for what it's done. He said the [legislature] has made the additional deposits and has appropriated money for inflation-proofing on an annual basis in the budget.

Number 1569

REPRESENTATIVE ROKEBERG remarked, "It passed this very bill that we're trying to repeal when it was the right thing to do." He offered his belief that it is time to change the policy and that there's a possibility, given the nature of the market right now, that there would be no money in the earnings reserve to even pay a dividend this year. The people in the Alaska need to recognize that, he stated. He remarked, "That has nothing to do with bills or notions like this; it has to do with the market and what's happening out there." Representative Rokeberg said he thought there was a big story missing and that it's something that the newer members of this committee and legislature need to understand. He remarked, "We've made some very prudent steps in the past, and I think it's time to take another one."

Number 1501

REPRESENTATIVE MASEK asked if the money was going to come from the income or the principal.

MR. BARTHOLOMEW remarked:

The mechanics, it's two steps: ... the deposits that first come in, if they come from mineral revenue, which this bill is addressing, ... the first step would be, there would be less deposits into the principal .... When you say what's the effect of the bill, there's two effects: you have less deposits coming in, and then every year after that, since there's less money being deposited, there'll be less earnings than there would have been if you had deposited it. So, it does affect both the principal and the earnings, and anything you do with the permanent fund will have two effects: it will affect

the principal fund, and then anything that raises or decreases the size of the fund is going to affect the size of the earnings.

REPRESENTATIVE MASEK turned attention to the fiscal note, and she suggested [the bill] would have a negative impact on the people who get [PFD] checks. She said if this bill were to pass, there would be less money to invest and fewer investment earnings to distribute, so the permanent fund would go down. She asked if that was correct.

Number 1397

MR. BARTHOLOMEW answered in the affirmative, and he explained that the DOR fiscal note is projecting the financial effect of the dividend payout.

REPRESENTATIVE ROKEBERG said the actual amount is very small. He suggested that the legislature is going to have to take a hard look at the state's budget this year when it comes around to funding inflation proofing. He said he suspects that [the legislature] may have a tough decision about whether to put more money into the corpus, and he reminded the committee about that possible pending vote.

CO-CHAIR FATE indicated there would be no dividend issued if there is no surplus to get a dividend from. He explained that the [dividend] is dependant on the market, and if the market's doing well, then a dividend would be given, but it might be somewhat less than if the other 25 percent had been put into the corpus.

Number 1248

REPRESENTATIVE GATTO asked if money had ever been taken out of the permanent fund.

MR. BARTHOLOMEW responded in the affirmative.

REPRESENTATIVE GATTO asked what the purpose was.

MR. BARTHOLOMEW said to pay [PFDs] every year.

REPRESENTATIVE GATTO offered his understanding that [PFDs] come from the earnings of the permanent fund.

MR. BARTHOLOMEW said no money is taken out of the corpus of the fund.

REPRESENTATIVE GATTO asked if this bill would take any money out of the corpus of the permanent fund.

MR. BARTHOLOMEW answered no.

Number 1191

REPRESENTATIVE KERTTULA, referring to the bill packet, said one of the questions that Representative Rokeberg's staff posed to DOR was how much oil would have to be discovered or pumped in order to generate \$54.1 million or the average of the \$43.3 million over the years. She said [Larry Persily, Deputy Director, Department of Revenue] personally responded and said one of the problems with figuring that out was, because of ELF [economic limit factor], the production tax rates are different. Representative Kerttula asked if changing the production rates had been [considered] and what would have to be done to come up with the same amount of money that would be gained by the bill.

Number 1077

CHUCK LOGSDON, Chief Petroleum Economist, Tax Division, Department of Revenue, testified. He responded to Representative Kerttula's question by saying [changing the production rates] could be done, but some decisions would have to be made, and that increasing just tax rates would affect different fields differently. He told the committee that he didn't have that analysis prepared today and that without his calculator, he would be reluctant to try to make a quick estimate of what would have to be done even for increasing taxes 1 percent on the severance tax. He said the general fund can be increased by increasing tax rates, but he didn't have the volumetric numbers. The only volumetric number he did have that he thought the committee would be interested in, he said, is that currently about roughly 20 percent of the barrels coming down the pipeline today are paying the 50 percent contribution to the permanent fund. He said that simply underpins Representative Rokeberg's comment that [the state] is bringing on barrels that are not contributing the same amount [of money] into the general fund, which was the case earlier when [the state] was relying heavily on older leases such as in Prudhoe Bay and Kuparuk [River Unit].

Number 0932

REPRESENTATIVE KERTTULA asked how many fields aren't paying any production tax.

MR. LOGSDON, in response, said it was probably in excess of 10 fields that probably account for maybe a little bit more than 15 percent of the total volume in the pipeline. He said [the state] still relies very heavily on the bigger fields; the two new fields, Alpine and Northstar, have very high rates per well, and Northstar pays the highest severance tax rate on the Slope. He told Representative Kerttula that she was correct that there are a lot of fields on the North Slope that pay very low or no severance taxes right now because the tax rate is designed to go down as fields deplete and to give a tax break to smaller fields.

REPRESENTATIVE ROKEBERG said Representative Kerttula brought up a good point that there is about 15 percent of production that pays no taxes. He asked Mr. Logsdon to explain, as it relates to wellhead prices, why that occurs.

MR. LOGSDON, in response, said the oil production tax - the severance tax - has sort of traditionally been one of the other big pieces of the [state's] oil fiscal system and is currently designed to provide a schedule of tax rates, which is dependent on the size of the field and how productive the wells in the field are. The way it's set up, it tends to provide for close to the highest nominal rates for the biggest, most productive fields and then scale down to the very small fields or fields that have [low] production. He said if [the company] had production that was less than around 15,000 barrels a day or had wells that produce less than 300 barrels per day, it would pay no severance tax at all. Mr. Logsdon explained that the price of oil is part of calculating what that tax rate is applied to, but if the severance tax rate is zero, it really doesn't matter what the value of the oil production is; the tax will be zero.

REPRESENTATIVE ROKEBERG asked if [Badami] paid any kind of royalty or if because of the low wellhead price it is excluded from that.

MR. LOGSDON answered in the affirmative and he said Badami will pay a royalty.

Number 0779

MR. LOGSDON, in response to a question from Representative Kerttula, said the tax base for the production tax is the value or the price of oil [multiplied] by the number of barrels produced. If the tax rate is zero because of the economic limit factor, then no severance tax would be paid, he explained.

REPRESENTATIVE KERTTULA asked how much the royalty rates are on the smaller [oil] fields.

MR. LOGSDON said the royalty rates depend on the terms when leases were issued. He said although he wouldn't refer to it as a small field, the Northstar field pays 20 percent. Originally, he said, it was a net-profit-share field, but the rate was negotiated up to a fixed 20 percent with an escalator that takes that rate up in excess of 25 percent in the event of high oil prices. Another example is the Alpine field, he explained, which is not totally on state lands, so the royalty share from Alpine is somewhat lower than what one might expect; it averages just under 10 percent. Those are about 50 percent contributors to the permanent fund, he explained. Most of the older leases are at 12 1/2 percent. He pointed out that many of the fields that are producing now are collections of new and old leases. For instance, he said, even the Kuparuk field has at least one lease in it that is a new lease and would contribute to the permanent fund at a 50 percent rate.

MR. LOGSDON said there are only a few fields that are composed of new leases. He said royalty rates can vary between 12 1/2 percent up to 20 percent. In fact, he said, [royalty rates] might be anywhere in between because one might find leases in a field that carry different royalty rates. Generally, he explained, those fields with different royalty rates often are associated with new leases, because when [the state] issued some of those new leases, something other than the standard 12 1/2 percent that was sort of the going lease term was used. Mr. Logsdon said it would be safe to say that most of leases are going out at 12 1/2 percent and there may be some at 15 2/3 [percent], but these are probably questions that would be better [answered] by someone with the Department of Natural Resources.

Number 0340

REPRESENTATIVE GUTTENBERG said the hardest thing to explain to people is that the state has encouraged production in oil fields and has a severance tax on them, but they pay nothing regardless of what the price of oil is. He said he had talked with people that think [the state should be making a lot of money] and they

don't understand. He asked if there was some tax regime that [the state] should be changing to reflect a better market share.

MR. LOGSDON said there are other systems but he was not prepared to recommend any at this time. He said incorporating price sensitivities is one alternative for addressing the fiscal system.

REPRESENTATIVE ROKEBERG referred to a memorandum from Mr. Persily about what Representative Kerttula had brought up about the size of the fields generating \$54 million or the average of \$43 million that was projected. He remarked, "He came up with a field between 50 and 120 barrels of daily production or about 150 to 200 million barrels of oil." Representative Rokeberg asked if that was consistent and would mean that another Northstar or Alpine would have to be discovered. How do you compare that, he asked.

MR. LOGSDON remarked:

It's probably not so good, depending on if oil prices are really high or really low, but you can often count on generating - under the current system - about \$100 million dollars a year for every 100,000 barrels. So, with that rule of thumb, it would suggest you'd need something in the neighborhood of 40,000-plus a day, which - we're talking about finding another ... Northstar - would be ... a good example of what you'd need.

Number 0095

REPRESENTATIVE KERTTULA asked if that was at the current rate using ELF and everything [the state] has in place.

MR. LOGSDON answered in the affirmative.

REPRESENTATIVE ROKEBERG asked how many barrels have proven in the Northstar [field].

MR. LOGSDON estimated that Northstar has in excess of 140 million barrels.

REPRESENTATIVE ROKEBERG asked if that was high in the hierarchy of North American fields.

MR. LOGSDON said he didn't think there were any fields like that except [in] the deep-water Gulf of Mexico.

**TAPE 03-15, SIDE A**

Number 0016

TADD OWENS, Executive Director, Resource Development Council (RDC), testified. He complimented Representative Rokeberg for a very eloquent presentation of the bill, and he said RDC has supported this bill in its previous iterations in the last two legislatures. He said [RDC's] members believe [HB 11] is a very sound public resource policy, and he recommended that the committee move [the bill] forward.

The committee took an at-ease from 2:40 p.m. to 2:45 p.m.

[Due to a technical difficulty, a brief portion of the meeting was not recorded.]

Number 0276

CO-CHAIR CHENAULT moved to report HB 11 out of committee with individual recommendations and the accompanying fiscal notes.

Number 0293

REPRESENTATIVE MASEK objected. She said she felt things were shaping up in Juneau and with the stock market, and that she had grave reservations with the bill. Representative Masek stated that she didn't support the bill, but said she was not going to hold it up.

Number 0351

REPRESENTATIVE MASEK removed her objection.

Number 0369

CO-CHAIR FATE asked if there was any objection. There being no objection, HB 11 was reported from the House Resources Standing Committee.

**ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:49 p.m.