

**ALASKA STATE LEGISLATURE**  
**SENATE RESOURCES STANDING COMMITTEE**

February 28, 2012

6:04 p.m.

**MEMBERS PRESENT**

Senator Joe Paskvan, Co-Chair  
Senator Thomas Wagoner, Co-Chair  
Senator Bill Wielechowski, Vice Chair  
Senator Bert Stedman  
Senator Lesil McGuire  
Senator Hollis French

**MEMBERS ABSENT**

Senator Gary Stevens

**OTHER LEGISLATORS PRESENT**

Senator Cathy Giessel  
Senator Dennis Egan  
Senator Johnny Ellis  
Senator Joe Thomas  
Senator Charlie Huggins

**COMMITTEE CALENDAR**

SENATE BILL NO. 192

"An Act relating to the oil and gas production tax; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 192

SHORT TITLE: OIL AND GAS PRODUCTION TAX RATES

SPONSOR(s): RESOURCES

02/08/12	(S)	READ THE FIRST TIME - REFERRALS
02/08/12	(S)	RES, FIN
02/10/12	(S)	RES AT 3:30 PM BUTROVICH 205
02/10/12	(S)	Heard & Held
02/10/12	(S)	MINUTE(RES)
02/13/12	(S)	RES AT 3:30 PM BUTROVICH 205
02/13/12	(S)	Heard & Held

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 02/24/12 (S) -- MEETING CANCELED --  
 02/24/12 (S) RES AT 3:30 PM BUTROVICH 205  
 02/24/12 (S) Heard & Held  
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 02/25/12 (S) Heard & Held  
 02/25/12 (S) MINUTE(RES)  
 02/27/12 (S) RES AT 3:30 PM BUTROVICH 205  
 02/27/12 (S) Heard & Held  
 02/27/12 (S) MINUTE(RES)  
 02/28/12 (S) RES AT 3:30 PM SENATE FINANCE 532  
 02/28/12 (S) RES AT 6:00 PM SENATE FINANCE 532

**WITNESS REGISTER**

CHARLES DAVIS, representing himself  
 Homer, Alaska

**POSITION STATEMENT:** Didn't take a position on SB 192 and suggested doing something else to increase production like changing the lease terms.

BILL WARREN, "represented Alaskans"  
Kenai, Alaska  
**POSITION STATEMENT:** Supported SB 192.

KEVIN DURLING, President  
Petroleum Equipment and Services  
Anchorage, Alaska  
**POSITION STATEMENT:** Opposed SB 192.

HARRY MCDONALD, CEO  
Carlisle Transportation  
Anchorage, Alaska  
**POSITION STATEMENT:** Opposed SB 192.

BOB STINSON, President  
Conam Construction Company  
Also representing Price Gregory  
**POSITION STATEMENT:** Agreed with Mr. McDonald's testimony, but  
didn't state a position on SB 192.

GEORGE PIERCE, representing himself  
Kasilof, Alaska  
**POSITION STATEMENT:** Supported SB 192.

SCOTT THORSON, CEO  
Everett Business Systems  
Anchorage, Alaska  
**POSITION STATEMENT:** Opposed SB 192.

ALLEN HIPPLER  
Falkner Walsh Constructors  
Anchorage, Alaska  
**POSITION STATEMENT:** Said SB 192 was not enough of a meaningful  
change.

MAYNARD TAPP, representing himself  
Anchorage, Alaska  
**POSITION STATEMENT:** Said SB 192 didn't go far enough.

MICHAEL JESPERSON, representing himself  
Anchorage, Alaska  
**POSITION STATEMENT:** Said SB 192 didn't go far enough.

LANCE ROBERTS, representing himself  
Fairbanks, Alaska  
**POSITION STATEMENT:** Opposed SB 192.

RICHARD A. WIEN  
MACC-Make Alaska Competitive  
Fairbanks, Alaska  
**POSITION STATEMENT:** Opposed SB 192.

JON COOKSEY, CFO  
Beaufort Airport Equipment Rental  
Fairbanks, Alaska  
**POSITION STATEMENT:** Opposed SB 192.

JIM PLAQUET, Advocate  
Operating Engineers Local 302  
Fairbanks, Alaska  
**POSITION STATEMENT:** Opposed SB 192.

JAMES GARHART, representing himself  
Four Corners, Alaska  
**POSITION STATEMENT:** Favored SB 192.

JIM SYKES, representing himself  
Lazy Mountain, Alaska  
**POSITION STATEMENT:** Supported SB 192.

LAURA MEKETA, representing herself and her family  
Eagle Estates, Alaska  
**POSITION STATEMENT:** Opposed SB 192.

REED CHRISTENSEN, Vice President and General Manager  
Dowland-Bach Corp.  
Anchorage, Alaska  
**POSITION STATEMENT:** Opposed SB 192.

KRISTA GONDER, Senior Vice President  
Northern Industrial Training  
Palmer, Alaska  
**POSITION STATEMENT:** Opposed SB 192.

SCOTT STEWART, President  
Artic Controls  
Anchorage, Alaska  
**POSITION STATEMENT:** Opposed SB 192.

BRYAN CLEMENZ, representing himself  
Anchorage, Alaska  
**POSITION STATEMENT:** Opposed SB 192.

THOMAS MALONEY, testified on behalf of his son, Sam

Anchorage, Alaska

**POSITION STATEMENT:** Opposed SB 192.

GENY DEL ROSARIO, representing herself, families and small  
business owners

Juneau, Alaska

**POSITION STATEMENT:** Did not state a position on SB 192.

KEN CARON, representing himself

Anchorage, Alaska

**POSITION STATEMENT:** Did not state a position on SB 192.

JIM WANAMAKER, representing himself

Anchorage, Alaska

**POSITION STATEMENT:** Supported SB 192.

JERRY MCCUTCHEON, representing himself

Anchorage, Alaska

**POSITION STATEMENT:** Supported SB 192.

THOMAS LAKOSH, representing himself

Anchorage, Alaska

**POSITION STATEMENT:** Supported SB 192.

KEITH SILVER, representing himself

Anchorage, Alaska

**POSITION STATEMENT:** Said SB 192 does not move the bar far enough  
to be considered competitive.

DAVE STIEREN, representing himself

Anchorage, Alaska

**POSITION STATEMENT:** Opposed SB 192.

DUANE MORAN, President

Anchorage Council of Education

Alaska Public Employee Association

Anchorage, Alaska

**POSITION STATEMENT:** Did not give a position on SB 192.

JOE MATHIS, Vice President

External Affairs

NANA Development Corp.

Anchorage, Alaska

**POSITION STATEMENT:** Opposed SB 192.

HAL GAZAWAY, representing himself

Anchorage, Alaska

**POSITION STATEMENT:** Supported SB 192.

JERRY AHWINONA, Chairman  
Republican Party-Anchorage  
Anchorage, Alaska

**POSITION STATEMENT:** Did not state a position on SB 192.

BEN MOHR, representing himself  
Eagle River, Alaska

**POSITION STATEMENT:** Opposed SB 192.

PETER MACKSEY  
Steelfab Fabrication Company  
Anchorage, Alaska

**POSITION STATEMENT:** Opposed SB 192.

SAMI GLASCOTT, President  
Anchorage Chamber of Commerce  
Anchorage, Alaska

**POSITION STATEMENT:** Opposed SB 192.

DEANTHA CROCKETT, representing herself  
Anchorage, Alaska

**POSITION STATEMENT:** Opposed SB 192.

MARLEANNA HALL, representing herself  
Anchorage, Alaska

**POSITION STATEMENT:** Opposed SB 192.

JOELLE HALL, representing herself  
Chugiak, Alaska

**POSITION STATEMENT:** Said she hadn't formulated an opinion on SB 192, yet.

KATI CAPOZZI, representing herself  
Eagle River, Alaska

**POSITION STATEMENT:** Opposed SB 192 and CSSB 192 ( ).

LYNNETTE MORENO HINZ, representing herself  
Anchorage, Alaska

**POSITION STATEMENT:** Opposed SB 192.

BARBARA WINKLEY, representing herself  
Anchorage, Alaska

**POSITION STATEMENT:** Did not state a position on SB 192.

## **ACTION NARRATIVE**

[6:04:52 PM](#)

**CO-CHAIR JOE PASKVAN** called the Senate Resources Standing Committee meeting to order at 6:04 p.m. Present at the call to order were Senators French, Stedman and Co-Chair Paskvan.

### **SB 192-OIL AND GAS PRODUCTION TAX RATES**

[6:06:02 PM](#)

**CO-CHAIR PASKVAN** announced the continued consideration of SB 192 and that tonight's committee meeting would consist of public testimony.

[6:06:53 PM](#)

**CHARLES DAVIS**, representing himself, Homer, Alaska, said he been in the oil business all his life. He didn't take a position on SB 192, but said if they change the tax system to remember that Alaska is an owner state, which is different than any other state in the union. His oil businesses in Texas and Oklahoma get "way better deals" dealing with these same oil companies than what the State of Alaska gets. His leases use three years and he suggested that the state change the terms of its leases the state to require production within five years of anything commercial that is found. You just can't shut the well in or not produce it for years. And if the state is contributing so much to the drilling programs, maybe it should have a joint venture with the oil companies instead. He ended by thanking them for the great work they are doing in protecting all Alaskans.

[6:07:34 PM](#)

**SENATOR WIELECHOWSKI** joined the committee.

[6:10:06 PM](#)

**BILL WARREN**, in his words represented Alaskans, Kenai, Alaska, said he had welded on TAPS and was now retired from Pipefitters Local 367. He thanked the committee for breaking the industry's "code of silence" and getting truthful testimony on relevant information to even work a tax deal. He supported SB 192. He supported having a gasline for years, because having one goes hand in hand with oil and gas exploration. He said that oil companies "grunted" when Cook Inlet ran out of gas and had to bring independents in and they grunted over the out-of-state workers; they grunt over just about everything. He was sick and tired of voting for gas development mandates and having it displaced for a decade. He believed the committee brought out the truth that Exxon is using Alaska as a cash cow, and the

State of Alaska is young and needs to use that cash for its own project developments.

[6:12:40 PM](#)

KEVIN DURLING, President, Petroleum Equipment and Services, Anchorage, Alaska, opposed SB 192. He said his company is a 30-year old oil and gas service company that brings specialty products to Alaska that may not otherwise be available because of the small size of our oil and gas industry. { He said most of industry changes are out of the state's control due to market forces, but this is the first time he had seen such a dramatic reduction in activity on the North Slope. In 2008 one North Slope operator had 10 rigs working and as of this morning they had 4 full-time and 1 part-time rig working.

He said that the ACES tax credits have helped the industry and they will make a big difference in the oil shale opportunities 15 years down the road, but for an immediate increase in production, a reasonable tax environment is needed. He advised the committee to compare oil taxes and bracketing with their personal income taxes and remarked if people were told they would be taxed on their top dollar every year versus a bracketed system, there would be a revolt in the nation.

[6:15:34 PM](#)

CO-CHAIR WAGONER joined the committee.

[6:16:31 PM](#)

HARRY MCDONALD, CEO, Carlisle Transportation, Anchorage, Alaska, said they are a 30-plus year trucking company with 650 employees, 500 of which work in Alaska. Half of their work is directly related to the North Slope. He opposed SB 192 saying that it's obvious that investment in the legacy field is not happening. And while the credits are creating a lot of activity for the long term, industry needs lower taxes to get field production in the legacy field up in the short term.

[6:18:14 PM](#)

BOB STINSON, President, Conam Construction Company, said he also represents a sister company, Price Gregory, and they have been serving the oil and gas industry in Alaska since 1975. Agreeing with Mr. McDonald, he said their business is directly related to new production and right now it is the lowest it has ever been and it has been hard to find a reasonable investment strategy to renew his fleet on the North Slope. He hadn't bought any assets for two years and he used to spend \$4 million to \$5 million per year. Luckily, he has recently benefited from the Cook Inlet tax

credits by building pipelines for Buccaneer and CINGSA gas storage.

[6:21:26 PM](#)

GEORGE PIERCE, representing himself, Kasilof, Alaska, said he supported SB 192. He thanked them for trying to save people from the "ridiculous" House takeover. People should have learned from Norway's system of either paying the 78 percent tax or not getting in. He reminded the committee that all three of the major in Alaska are also over there paying that 78 percent.

He reminded them that judge for the Amerada Hess Case accused the state of inexcusable trustfulness in dealing with oil companies which he found were guilty of falsification in computing the taxes paid to Alaska for its royalty oil from 1977 to 1992. He said this resource belongs to Alaskans, not the oil companies.

[6:22:36 PM](#)

SENATOR MCGUIRE joined the meeting.

[6:25:33 PM](#)

SCOTT THORSON, CEO, Everett Business Systems, Anchorage, Alaska, opposed SB 192. He said it's clear that investment in Prudhoe Bay is "down big." It takes a lot of investment to get oil to come out of these mature fields and if you have high taxes and no production, you've got nothing. And that's the direction we're headed. Alaska needs to become competitive for oil companies to invest.

[6:27:25 PM](#)

ALLEN HIPPLER, Falkner Walsh Constructors, Anchorage, Alaska, said they do business in Bethel. In order for his children to decide that Alaska is the best place for them, it needs to have a vibrant economy. The oil industry drives the economy in Alaska and now we are strangling it. He said SB 192 was not enough of a meaningful change and that taxes need to be lowered in order for it to be competitive with other oil provinces in this part of the world.

[6:29:45 PM](#)

MAYNARD TAPP, representing himself, Anchorage, Alaska, said SB 192 didn't go far enough. He proposed immediately killing ACES because it is what has killed production. Even that may not be enough to stop the decline. Our "great partners" have invested billions of dollars year after year to extract that resource and a tax regime needs to be identified that will achieve the

governor's goal of 1 million barrels per day throughput in TAPS. Oil is valueless in the ground, he said, and thanked them for their dedicated service to the state.

[6:31:47 PM](#)

MICHAEL JESPERSON, representing himself, Anchorage, Alaska, said SB 192 didn't go far enough. He and his wife want their three kids to stay here when they get out of school. Under the current tax system, the oil companies won't produce "hardly a thing" by the time his oldest hits college let alone his youngest. He advised going back to HB 110.

[6:32:59 PM](#)

LANCE ROBERTS, representing himself, Fairbanks, Alaska, opposed SB 192 saying according to the Department of Revenue report this bill wouldn't get us very far in producing more oil and he opined that more incentive was needed. He asked them to look at capping things off at an earlier point and urged the Senate to have hearings on HB 110.

[6:34:44 PM](#)

RICHARD A. WIEN, MACC-Make Alaska Competitive, Fairbanks, Alaska, opposed SB 192 saying the community is beginning to suffer from the lack of action over the ACES tax issue. He was against the ACES regime to begin with and supported HB 110. He didn't know how they would deal with all the nuances of a net value tax.

MR. WIEN said on top of ACES, Fairbanks has high energy costs. Customers at his retail flooring business say they can't do business with him and still fill their fuel tanks and pay their electric bills.

[6:37:16 PM](#)

JON COOKSEY, CFO, Beaufort Airport Equipment Rental, Fairbanks, Alaska, opposed SB 192. He said they are the largest heavy equipment rental company in the State of Alaska. Since the winter of 2009, their North Slope revenues have declined from 50 percent to 60 percent and they see a direct relationship between implementation of ACES and that reduction. For the last four years their capital budget ranged between \$25 million and \$45 million per year, and this year there will be no capital investment in Dead Horse other than that required for safety and the environment. There won't be more investment until policies are established to encourage projects to meet their rates of return.

He said there has been an uptick in exploration and maintenance work, but it will not make up for the decline in construction revenues associated with large projects, and have the added benefit of increasing production through TAPS. He added that they had been redeploying assets off the North Slope down to the Kenai Peninsula and he applauded lawmakers for enacting policies that encouraged exploration and production there.

[6:40:23 PM](#)

JIM PLAQUET, Advocate, Operating Engineers Local 302, Fairbanks, Alaska, opposed SB 192. He said Alaskans should be looking for ways to make development of oil and gas more economical rather than seeking ways to thwart further development. Alaska should be open and ready for business and willing to provide a regulatory and tax climate in which the industry can reinvest. He said North Slope producers have already pledged at least \$5 billion in new investments in return for lowering taxes and we will likely see billions more. The governor's bill is the only legislation to this point that moves the needle in attracting major new investments.

[6:43:33 PM](#)

JAMES GARHART, representing himself, Four Corners, Alaska, favored SB 192. The problem as he saw it was that some are not willing to take less in taxes without guarantees of production increases. "Call their bluff," he said. Let them do what they are going to do and when they achieve production increases, give them a rebate. No one has to guarantee anything; when you achieve it, you get your reduction. He suggested a quarter billion dollar rebate for raising production to 650,000 barrels and a \$2 billion rebate for 1 million barrels per day.

[6:46:16 PM](#)

JIM SYKES, representing himself, Lazy Mountain, Alaska, supported SB 192. He thanked them for examining the tax situation closely and looking into some of the details that have been glossed over. He said most people agree on wanting more oil in the pipeline, but there is still a lack of competition. He sensed that new production was being "road blocked," because of pipeline capacity access issues.

As a small business man, Mr. Sykes said he was troubled that the ACES tax scheme hadn't gone through a complete audit and didn't think the state should change the tax regime until it knows exactly what it is doing. The worst that could happen is that the state would continue to collect taxes under what seems to be a fair regime for everybody.

MR. SYKES said everyone understands that the oil industry is in business to make maximum profits and if they can persuade the legislature to take less money, they will get more for themselves. It's pretty simple, and they don't have to do a lot of work for it. One of the problems is that the older profitable wells around Prudhoe Bay are producing less, but new oil takes a capital expenditure and more activity. If a company simply waits for the new guys to come in, it can collect extra processing fees or perhaps become partners or even take over the leases.

6:49:21 PM

LAURA MEKETA, representing herself and her family, Eagle Estates, Alaska, opposed SB 192 saying that she felt compelled to "just jump in and start fighting for my boys' jobs." She related how she and her husband started their business in a camper and now can afford to send their son to a private school. And it's all because of the blessing of oil in Alaska.

She related how their family construction business went from employing 70 Valley families to a hand full. They have been driven to North Dakota. She urged them to address the progressivity in the ACES tax scheme, because her research showed that was what caused the decline. Essentially there is no incentive now for companies to reinvest in Alaska.

6:52:40 PM

REED CHRISTENSEN, Vice President and General Manager, Dowland-Bach Corp., Anchorage, Alaska, opposed SB 192. He explained that his company started manufacturing wellhead control panels, instrumentation systems and stainless steel fabrication for oil fields in 1975 and since ACES passed in 2008, his sales had gone down by 40 percent. He related that people in the service industry had been thrust into a "high stakes poker game" between the state and industry and they feel the pain. He said the change in SB 192 was not enough to move the needle to change the focus to production and he urged them to switch from high stakes poker to high volume production.

KRISTA GONDER, Senior Vice President, Northern Industrial Training, Palmer, Alaska, opposed SB 192 saying since they began in 2003 their business provided health, safety and environmental training, hands-on truck driving and heavy equipment operating, pipefitting and welding training. She said that TAPS fed her and her four brothers and she wants the same opportunities for her three nieces and the children she doesn't have yet. She didn't think that ACES was not a competitive tax structure and that SB

192 spurred enough investment to increase production. She asked them to reconsider HB 110 and allow the market to work.

[7:00:12 PM](#)

At ease 7:00:12 p.m. to 7:00:34 p.m.

[7:01:02 PM](#)

SCOTT STEWART, President, Artic Controls, Anchorage, Alaska, said he didn't support SB 192 because it wouldn't add to the state's oil production, but he thought HB 110 would. He didn't know if it would be as much as is needed.

[7:01:37 PM](#)

BRYAN CLEMENZ, representing himself, Anchorage, Alaska, said he worked at CH2M Hill, an engineering services company, and opposed SB 192. Prompted by high oil prices and the promise of a very bright economic future, he said the company boasted more than 350 employees and was growing in 2007. He and his senior managers were developing a very aggressive 2008 strategic plan and budget. After ACES passed it took them months to understand its impact on them. By April the writing was on the wall and the company proceeded into a spiraling decline that left them with less than 120 employees by the end of the year.

MR. CLEMENZ said the state treasury and economy is still heavily dependent on the oil and gas sector and a sharp down turn in the oil and gas market would be disastrous. A diversified economy would mitigate these risks and if that's what they want, they should completely eliminate progressivity in the oil and gas tax scheme. He envisioned Alaska becoming "the crown jewel of the Union."

[7:05:11 PM](#)

THOMAS MALONEY Anchorage, Alaska, testified on behalf of his son, Sam in opposition to SB 192. He related how his son has 11 welding certifications and has two potential job possibilities for this summer: one is in Alberta and one is in North Dakota. His bottom line was seeing more production in TAPS, more royalties for the state, bigger permanent fund checks and being able to live in Alaska and work on big production projects.

[7:07:51 PM](#)

GENY DEL ROSARIO, representing herself, families and small business owners, Juneau, Alaska, did not state a position on SB 192. She said they are thankful the legislature is doing its job. If big companies don't do their job, then give those opportunities to other companies that will. She said Alaska's

greatest resources are underwater and underground, but they don't want to wait until the end to see that they don't have any services and support for the families. She asked everyone to be reasonable, factual and open-minded.

7:11:00 PM

KEN CARON, representing himself, Anchorage, Alaska, did not state a position on SB 192. He pointed out that both SB 192 and HB 110 talk about production being lost, but he asked if taxes on oil were lowered and production did increase, how much it would have to increase to equal the revenue the state gets today.

7:12:50 PM

JIM WANAMAKER, representing himself, Anchorage, Alaska, supported SB 192. He served as an Alaska District Court judge, but is fully retired now. His first point was to preserve ACES, because its' a fair and appropriate oil tax. If it is repealed or weakened, the state will never get it back. His next point was that HB 110 is not needed, because the big three have found and developed a big oil field that is now in a harvest mode. The companies will complete the harvest without any subsidy. HB 110 is simply an effort by the big three to increase their profits at the expense of Alaskans.

His next point was that exploration is already happening. Numerous small oil companies are exploring right now without any increase in tax incentives. Also, new oil is not needed for TAPS to operate; it's not about to shut down for lack of oil. Judge Gleason found in recent litigation over TAPS property taxes that based on current circumstances, TAPS can operate down to 100,000 barrels per day and will have an operational lifetime through 2065. Then there's federal oil.

MR. WANAMAKER said that lastly, he hoped the legislature and the state would follow Norway's example of saving oil wealth for future generations by acquiring and preserving expertise and participating in oil lease development as an owner.

7:15:42 PM

JERRY MCCUTCHEON, representing himself, Anchorage, Alaska, supported SB 192. He said don't fix what isn't broken. "The oil companies may lie, cheat and steal, but they're not stupid," he said. The reason ConocoPhillips withheld production information requested by the legislature during the ACES debate is that it would have led them to increase oil taxes. He said the legislature needs to understand that the North Slope is no

longer "elephant country." The elephants were all found decades ago and it is long past time for the elephant hunters - BP, ExxonMobil, and ConocoPhillips and Chevron - to go.

7:16:03 PM

MR. MCCUTCHEON said the legislature does not know who got the \$4 billion in tax credits and that is what is broken. Legislation is needed requiring the oil companies to pay their oil taxes and when those are settled, then the companies can apply for tax credits.

7:18:52 PM

THOMAS LAKOSH, representing himself, Anchorage, Alaska, supported SB 192. He was a 29-year retired journeyman carpenter. He said it's quite obvious that our hungry children need the money much more than the oil companies. He thought they should actually raise taxes given that the oil companies are now going to have to dodge Iranian missiles to get their oil to market.

He said that all legislators are sworn by our constitution to provide the maximum benefit to the people and the Department of Revenue has made it quite clear that this reduces our revenue, not increase it. The world oil markets are changing and that makes Alaska a much more favorable oil development market.

7:21:16 PM

KEITH SILVER, representing himself, Anchorage, Alaska said SB 192 does not move the bar far enough for Alaska to be considered competitive. He said as a victim of ACES, he had to start a new career at age 56, and now as a business owner he was very concerned about declining oil production. The progressivity formula in ACES must be declared a failure and a more competitive solution must be found.

MR. SILVER said Alaska's oil production tax was designed to make it competitive for investment when oil was at \$60 to \$80 a barrel, not above that, and at current prices, it is the highest among all oil producing regions in the western hemisphere. In 2007, just weeks after ACES passed, the state predicted oil production would be 674,000 barrels per day in 2011; the actual production turned out to be approximately 603,000 barrels. Their prediction said that Alaska's daily oil production level wouldn't fall to its current level until 2022. The decline curve projections were 10 years off. The situation has become dire and they need to act now to correct the mistake made in 2007. More study is not needed.

[7:23:25 PM](#)

DAVE STIEREN, representing himself, Anchorage, Alaska, opposed SB 192. He recalled the governor announcing his 10-year goal of one million barrels of TAPS throughput a year ago at a downtown luncheon. However, the decline curve has continued while other legacy producing regions, such as Texas, have plateaued or even increased their production in light of record-high oil prices. He thought HB 110 was a better bill.

[7:25:31 PM](#)

DUANE MORAN, President, Anchorage Council of Education Alaska Public Employee Association, Anchorage, Alaska, did not state a position on SB 192. He said most Alaskans agree that having more oil in the pipeline is a good thing, but getting there is the challenge. Changes made to the tax code should have a direct linkage to additional oil production and just making Alaska a more "attractive investment climate" is not a sufficient commitment to justify reducing taxes.

[7:26:38 PM](#)

JOE MATHIS, Vice President, External Affairs, NANA Development Corp., Anchorage, Alaska, opposed SB 192 saying it time to significantly ease the burden on the oil industry. He said more investment will come with less costly tax rates and that will, in turn, lead to more production. The current oil production tax is not competitive compared to other areas in the United States. He related how NANA invested in Louisiana and services over 700 platforms in the Gulf of Mexico; that region is now booming with activity in large part because of its tax structure.

[7:29:23 PM](#)

HAL GAZAWAY, representing himself, Anchorage, Alaska, supported SB 192 and thanked them for not getting "stampeded" into adopting HB 110 saying "that would be a "giveaway of unparalleled proportions."

He related that he was just a boy when Bob Bartlett, a constitutional delegate, warned them of "just such days as these" when oil and other resource extraction industries would not want to pay an adequate amount for the resource they took from Alaska. The Constitutional Convention listened to him and adopted Article 8, Section 2, which requires the legislature to provide for "the utilization, development, and conservation of all natural resources for the maximum benefit of Alaska's people." He said oil companies do business here because they make more money here than they will someplace else. BP has gone

from the 13th to the 3rd largest oil producing company since it started doing business in Alaska.

[7:32:35 PM](#)

JERRY AHWINONA, Chairman, Republican Party-Anchorage, Anchorage, Alaska, did not state a position on SB 192 saying ACES passed following a constitutional process.

[7:34:35 PM](#)

BEN MOHR, representing himself, Eagle River, Alaska, opposed SB 192 and encouraged them to keep the owner state principle in mind as they consider making needed changes to ACES that seeks short term gains at the expense of long term prosperity. He said the change needs to be significant and meaningful, and it needs to happen sooner rather than later. He said that according to DOR revenue forecasts, SB 192 doesn't do enough.

[7:36:46 PM](#)

PETER MACKSEY, representing Steelfab, Anchorage, Alaska, opposed SB 192 and said he was amazed that the current level of taxation was passed in less than a month with little or no input from the consultants and research that they now seem to require to turn it back. He supported going back to the regime that existed three years ago and starting a new round of research.

[7:38:49 PM](#)

SAMI GLASCOTT, President, Anchorage Chamber of Commerce, Anchorage, Alaska, opposed SB 192 saying the Chamber favored lower taxes to encourage industry reinvestment. She said Anchorage has a vital economy and a good quality of life, and the oil and gas industry that contributes 90 percent to the state's economy is the foundation of this success. She said knowing this, we must understand that none of these qualities are sustainable without attracting and securing a pipeline of successful resource development projects now. Currently there are no major projects for resource development in the works.

She said that people must realize that doing business in Alaska is challenged because it is remote and has extreme conditions and there is a high probability for litigation and permitting delays. She summarized that increasing oil production is a top priority for the Anchorage Chamber for this session and that SB 192 does not make significant enough changes to Alaska's current oil and gas production tax.

[7:40:46 PM](#)

DEANTHA CROCKETT, representing herself, Anchorage, Alaska, opposed SB 192, because it doesn't make significant changes in investment and won't fill the pipeline. Production decline is undeniable and we needed to act like yesterday to change the decline.

[7:41:28 PM](#)

MARLEANNA HALL, representing herself, Anchorage, Alaska, opposed SB 192. She was born and raised in Alaska, has a family and a job here. She was educated in the Nome and Eagle River public schools and attended and received a bachelor's degree from the University of Alaska. Her son attends a public school that is subsidized by oil taxes and his future education will be subsidized by his Permanent Fund dividend. To keep the doors of locally owned businesses open and the economy going she urged them to end progressivity and to consider the long term over the short term in encouraging investment in development of Alaska's natural resources.

[7:42:45 PM](#)

JOELLE HALL, representing herself, Chugiak, Alaska, said she hadn't formulated an opinion on SB 192, yet. She said she was a veteran, a wife and a mother of two school age children. She thanked the Senate for taking the time to ask the hard questions and for standing up for what is right. Everyone has the same goal - more production and more oil flowing through the pipeline. The governor's idea is to give the oil companies money and then rely on their promises that it will be put to good use, but promises are not good enough. Alaskans deserve real commitments - in writing - for jobs and investments.

[7:44:07 PM](#)

KATI CAPOZZI, representing herself, Eagle River, Alaska, opposed SB 192, because it doesn't do enough to incent the type of investment needed to not only stem the accelerated decline of oil in the pipeline or to encourage new production. According the DOR, half of the state's revenue stream in 15 years will depend on oil industry investments that have yet to be made. Alaska is not competitive under ACES or CSSB 192, and those investments it is depending on are being made in a lot of other places. She asked them to be more aggressive in their efforts to ensure the state's future economic health.

[7:45:16 PM](#)

LYNNETTE MORENO HINZ, representing herself, Anchorage, Alaska, opposed SB 192; she was also against HB 110.

[7:49:12 PM](#)

BARBARA WINKLEY, representing herself, Anchorage, Alaska, did not state a position on SB 192. She urged legislators to put any surplus oil revenues into an untouchable fund like Norway has. Alaska won't get a second chance to conserve its "nest egg" and operate off the interest.

CO-CHAIR PASKVAN said SB 192 would be held in committee for further testimony.

[7:50:01 PM](#)

Finding no further business to come before the Senate Resources Standing Committee, Co-Chair Paskvan adjourned the meeting at 7:50 p.m.