

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

February 29, 2012

6:05 p.m.

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

Senator Thomas Wagoner, Co-Chair  
Senator Gary Stevens

**OTHER LEGISLATORS PRESENT**

Senator Cathy Giessel

**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  
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 02/25/12 (S) Heard & Held  
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 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) Heard & Held  
 02/28/12 (S) MINUTE(RES)  
 02/28/12 (S) RES AT 6:00 PM SENATE FINANCE 532  
 02/28/12 (S) Heard & Held  
 02/28/12 (S) MINUTE(RES)  
 02/29/12 (S) RES AT 3:30 PM BUTROVICH 205  
 02/29/12 (S) RES AT 6:00 PM BUTROVICH 205

**WITNESS REGISTER**

RALPH RENZI  
 Palmer Chamber of Commerce  
 Palmer, AK

**POSITION STATEMENT:** Asked the committee to adopt meaningful tax reform that would increase Alaska's oil production.

SKIP REIERSON, representing himself  
Seward, AK

**POSITION STATEMENT:** Opposed SB 192 and supported HB 110.

JOHN CHRISTENSEN, representing himself  
Seward, AK

**POSITION STATEMENT:** Did not support SB 192.

JOHN CALLAHAN, representing himself  
Fairbanks, AK

**POSITION STATEMENT:** Liked the current ACES tax regime.

CHUCK WIEGERS  
Fairbanks Chamber of Commerce  
Fairbanks, AK

**POSITION STATEMENT:** Urged meaningful tax reform to attract investment on the North Slope.

CORY BAGGINS, representing herself  
Sitka, AK

**POSITION STATEMENT:** Testified in support of significant tax reform saying SB 192 didn't go far enough.

CHARLIE POWERS, representing himself  
Kodiak, AK

**POSITION STATEMENT:** Supported making meaningful tax reform and wasn't sure about SB 192.

PAUL GLAVINOVICH, geologist, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Said that SB 192 doesn't accomplish the goal of increasing throughput in the TAPS, but he urged passing it to the Finance Committee for a more expanded debate.

IRA PERMAN, Chair  
Institute of the North  
Anchorage, AK

**POSITION STATEMENT:** Asked the committee to include investment incentive amendments into SB 192 to make Alaska truly competitive, align us with industry and boost our production.

DENNIS KNEBEL, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Wanted more jobs for Alaskans.

SUZANNE ARMSTRONG, President  
Associated Builders and Contractors of Alaska  
Seward, AK

**POSITION STATEMENT:** Said increased oil production should be our goal and that SB 192 will not drive commitment to the level of investment that is needed to put a single new barrel of oil in production.

PETE STOKES, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Stated that Alaska isn't competitive in attracting oil and gas investment, and progressivity is the problem. He said to reform ACES.

DICK COOSE, representing himself  
Ketchikan, AK

**POSITION STATEMENT:** Stated that the oil industry is overtaxed at the higher priced oil and that is limiting production.

ANDREW BOND, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Did not support SB 192 and supported HB 110.

JAMELIA SAIED, representing herself  
Anchorage, AK

**POSITION STATEMENT:** Said ACES is working and that oil taxes don't need to be lowered or changed. She did not support either SB 192 or HB 110.

BOB STAFFORD, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Supported SB 192 and Amendment B.14.

LEONTY WILLIAMS, representing himself  
Sitka, AK

**POSITION STATEMENT:** Applauded the Senate for taking a reasoned approach to this issue and said he supported the approach in SB 192.

LON PUTNAM, representing himself  
Bethel, AK

**POSITION STATEMENT:** Supported SB 192.

JAY QUAKENBUSH, representing himself  
Fairbanks, AK

**POSITION STATEMENT:** Said ACES is the best contract for now.

HUGH FATE, representing himself  
Fairbanks, AK

**POSITION STATEMENT:** Supported changing the oil tax regime.

KEN L. LARSON, representing himself  
Fairbanks, AK

**POSITION STATEMENT:** Said he was against changing ACES at this late date.

NORM PHILLIPS, Steering Committee member  
Make Alaska Competitive Coalition  
Fairbanks, AK

**POSITION STATEMENT:** Said many members supported HB 110 but not SB 192.

BEAU OBRIGEWITCH, representing himself  
Eagle River, AK

**POSITION STATEMENT:** Did not support SB 192.

CHANCY CROFT, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Stated he thought ACES was working.

JOHN DICKENS, representing himself  
Bethel, AK

**POSITION STATEMENT:** Said Alaska's tax system needs reform now.

AVES THOMPSON, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Supported restructuring Alaska's oil and gas tax regime making it a more attractive place to invest and therefore increase oil production. Fix progressivity.

CALEB STEWART, representing himself  
Juneau, AK

**POSITION STATEMENT:** Urged the committee to stick to its guns.

BARBARA HUFF TUCKNESS, Director  
Governmental and Legislative Affairs  
Teamsters Local 959  
Anchorage, AK

**POSITION STATEMENT:** Opposed the current draft of SB 192.

RACHEL PETRO, President and CEO  
Alaska State Chamber of Commerce  
Anchorage, AK

**POSITION STATEMENT:** Did not support SB 192. Supported HB 110, because it brings the additional \$5 billion investment.

STUART COHEN, Owner  
Invisible World Imports  
Juneau, AK

**POSITION STATEMENT:** Opposed HB 110 and advised avoiding any unilateral giveaways and untargeted cuts as they move into the amendment process on SB 192.

KIM BURROWS, representing herself  
Palmer, AK

**POSITION STATEMENT:** Agreed with the gentleman who spoke about Norway's oil tax and that there should be oil tax reform, but it should be in the form of oil companies paying corporate income taxes in the same way other businesses in Alaska do, on their earnings in Alaska.

KELLY WALTERS, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Supported keeping ACES intact and opposed HB 110.

MERRICK PIERCE, representing himself  
North Pole, AK

**POSITION STATEMENT:** Said before fixing the tax rates, fix the obvious problems the committee has heard about that limit competition and oil throughput: transparency, honest tariffs and common carrier regulations.

RENEE SCHOFIELD, representing herself  
Ketchikan  
AK

**POSITION STATEMENT:** Supported Ms. Petro's testimony opposing SB 192 and supporting HB 110.

JERRY HAUGEBERG  
Fairbanks Chamber of Commerce  
Fairbanks, AK

**POSITION STATEMENT:** Opposed SB 192.

DOUG ISAACSON, Mayor  
City of North Pole  
North Pole, AK

**POSITION STATEMENT:** Didn't support SB 192 as written.

KARM SINGH, representing himself

Fairbanks, AK

**POSITION STATEMENT:** Urged them keep ACES in place.

LISA HERBERT, Executive Director

Fairbanks Chamber of Commerce

Fairbanks, AK

**POSITION STATEMENT:** Said SB 192 doesn't go far enough to make Alaska more competitive and attractive to the oil and gas industry.

ROGER BURGGRAF, representing himself

Fairbanks, AK

**POSITION STATEMENT:** Supported restructuring the oil tax, but he had reservations about both SB 192.

KAREN GORDON, representing herself

Fairbanks, AK

**POSITION STATEMENT:** Said SB 192 has the potential of being economically suicidal to Alaska. She asked them to provide oil development friendly tax incentives.

BUZ OTIS, representing himself

Fairbanks, AK

**POSITION STATEMENT:** Stated that oil prices are killing people and oil company needs to be supported; we need their business.

KIM MCDANIEL, representing herself and her family

Anchorage, AK

**POSITION STATEMENT:** Stated that Alaska is no longer competitive and something needs to be done to change that quickly.

RICHARD BALES, representing himself

Anchorage, AK

**POSITION STATEMENT:** Opposed SB 192 and said HB 110 offers meaningful reform.

STEVE ROBUSTELLINI, representing himself and his family

Port Lions, AK

**POSITION STATEMENT:** Said Alaska needs to have a globally competitive tax structure. Advised working in partnership with the oil companies.

MARK BAGGETT, representing himself

Anchorage, AK

**POSITION STATEMENT:** Stated oil companies are in business to make the most money.

MIKE KENNY, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Said he trusts what the Senate is doing with SB 192.

ALLEN DOLYNNY, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Supported lowering the tax structure, creating jobs in Alaska and creating the profits for the hundreds of companies that get spent in our state every day.

LYNN JOHNSON, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Said ACES needed to be changed in a meaningful way, particularly the progressivity; SB 192 is too little too late.

JIM DUFFIELD, representing himself and his family  
Anchorage, AK

**POSITION STATEMENT:** Said "No on SB 192."

VINCE BELTRAMI, President  
Alaska AFLCIO  
Anchorage, AK

**POSITION STATEMENT:** Said the Senate should not follow the House and pass an oil tax rollback without determining that it will truly make a difference and lead to more production.

GEOFFREY HUMPHREYS, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Said that Alaska is stuck with the risks involved in operating here and to keep those in proportion to the rewards we expect to get.

RADA KHADJINOVA, representing herself  
Anchorage, AK

**POSITION STATEMENT:** Said she has no doubt that there have to be incentives that make Alaska competitive in terms of increasing new production.

DAVID FLIPPO, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Said there needs to be significant legislative change.

EMILY CROSS, representing herself

Anchorage, AK

**POSITION STATEMENT:** Said Alaska's tax policy does have an effect on the oil and gas industry and Alaska's just isn't competitive.

JANET PLATT, representing herself

Anchorage, AK

**POSITION STATEMENT:** Said the tax regime has to have meaningful reform.

ANDY ROGERS, representing himself and his family

Anchorage, AK

**POSITION STATEMENT:** Congratulated the committee for recognizing there is a problem with the current tax structure by proposing a solution, but he didn't think SB 192 was it and didn't support it.

PEGGY SPITTLER, representing herself

Anchorage, AK

**POSITION STATEMENT:** Opposed SB 192.

CRIS OSOWSKI, representing himself

Anchorage, AK

**POSITION STATEMENT:** Supported adopting a tax policy that encourages investment.

TIMOTHY TREUER, representing himself

Anchorage, AK

**POSITION STATEMENT:** Supported SB 192 and said HB 110 was a giveaway.

BARBARA GAZAWAY, representing herself

Anchorage, AK

**POSITION STATEMENT:** Opposed HB 110.

GREGORY KUCERA, representing himself

Anchorage, AK

**POSITION STATEMENT:** Supported SB 192 saying HB 110 gives too much away.

GRANT JOHNSON, representing himself and his three children

Anchorage, AK

**POSITION STATEMENT:** Stated SB 192 is not the solution.

DEBORAH WILLIAMS, representing herself

Anchorage, AK

**POSITION STATEMENT:** Stated that the lessons the state learned from the Amerada Hess case strongly support rejecting HB 110 and pursuing SB 192.

MATT FENNEL, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Supported SB 192 and opposed HB 110.

BRIAN HOVE, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Stated the future of the state is based on oil and it's not that bright. SB 192 is a distraction and HB 110 should move forward.

PATRICK FLATLEY, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Said his testimony today would pose questions knowing that the answers will come at a later date.

DAVE METHENY, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Stated that HB 110 is very bad: SB 192 is better and the current ACES tax structure is the best.

DEBORAH BROLLINI, representing herself  
Anchorage, AK

**POSITION STATEMENT:** Supported tax reform building upon the legislation in the Senate Labor and Commerce Committee.

PAUL HOLLEY, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Supported Governor Parnell and urged providing the incentives for investing here.

RAY METCALF, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Suggested a President Reagan slogan: "Trust but verify." Offer producers \$10 per barrel to start producing the heavy oil, but pay them after they have done it and not before.

BRENT SENETTE, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Stated support for meaningful and significant oil production tax reform. That means they need to abandon work on SB 192 and move HB 110 forward.

MAYNARD GATES, President and CEO  
Alaska Steel  
Anchorage, AK

**POSITION STATEMENT:** Stated support for HB 110, not SB 192.

**ACTION NARRATIVE**

[6:05:02 PM](#)

**CO-CHAIR JOE PASKVAN** called the Senate Resources Standing Committee meeting to order at 6:05 p.m. Present at the call to order were Co-Chair Wagoner and Co-Chair Paskvan. Senator Stedman arrived during the opening remarks.

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

[6:05:53 PM](#)

**CO-CHAIR PASKVAN** stated that the purpose of this evening's meeting was to continue hearing from the public on their thoughts about SB 192. Comments on the proposed amendments were welcome. He thanked the people who testified previously and said that written testimony was welcome via email. He provided his address.

[6:07:43 PM](#)

**RALPH RENZI**, Palmer Chamber of Commerce, Palmer, AK, asked the committee to adopt meaningful tax reform that would increase Alaska's oil production. He said he had seen the results of complacency when faced with difficult decisions like this and related an example of how GE couldn't afford to keep its plant going in Schenectady, New York, because it didn't get an adjusted tax rate. As a result, the population fell by 25 percent. He said we can't continue to take some of the region's largest and most reliable employers for granted by assuming they'll stay here no matter what we throw at them. Making meaningful changes to the oil tax structure will help insure a successful future for our economy and the people of the great State of Alaska.

[6:09:34 PM](#)

**SKIP REIERSON**, representing himself, Seward, AK, opposed SB 192 and supported HB 110. He said the current oil tax structure has left Alaska in an uncompetitive position and as a result, oil companies have relocated to more competitive world class finds around the world. Canada continues to flourish, as well. He applauded the committee and DNR for their efforts in trying to better understand this problem, but they need to do something soon.

[6:12:20 PM](#)

JOHN CHRISTENSEN, representing himself, Seward, AK, did not support SB 192 and supported HB 110. The oil industry will invest more in Alaska if HB 110 is passed. He said, "If they pack it in and leave, we will lose what we've got." Taxes will diminish and we won't have the standard and quality of life people who moved here several years ago have gotten used to.

SENATOR MCGUIRE and SENATOR FRENCH joined the committee.

[6:14:26 PM](#)

JOHN CALLAHAN, representing himself, Fairbanks, AK, said he was a lifelong Alaskan and retired state highway construction engineer and did not think ACES should be changed, because it was only recently put into effect after the state had hired experts and put a lot of time and effort into it. Further, he didn't see why oil companies need subsidies so they can profit even more under "free enterprise."

He stated that the ACES tax rate is in the middle of the major producers in the world and it just doesn't make sense to push production to the maximum when considering that our grandchildren should also benefit from the state's oil reserves.

CHUCK WIEGERS, Fairbanks Chamber of Commerce, Fairbanks, AK, urged meaningful tax reform to attract investment on the North Slope. Failing to do so, he warned, will ensure the continued decline of throughput in the pipeline. High oil prices are masking the effects of the decline, but it will catch up with us eventually and the effects will be drastic.

[6:16:22 PM](#)

SENATOR WIELECHOWSKI joined the committee.

[6:16:32 PM](#)

CORY BAGGINS, representing herself, Sitka, AK, testified in support of significant tax reform saying SB 192 doesn't go far enough. She said her family had been in Alaska since the 1900s and she is now raising six children. She works for an Alaskan-owned and operated marine transportation company and is concerned for its future. In the past three years very little oil field cargo has passed through their terminals and in years past it was a good portion of their business.

[6:17:51 PM](#)

CHARLIE POWERS, representing himself, Kodiak, AK, supported making meaningful tax reform and wasn't sure about SB 192. He asked the committee if SB 192 in its current form would sustain the state for the next 25-50 years given the uncertainties of markets, the escalating cost of pipeline maintenance and production and the need to meet growing budgets. If the answer was no, he wanted to know the legislature's plan to deal with the "state's line of business." Like other Alaskans, he enjoyed the benefits that a lucrative oil industry brings to the communities, and in Kodiak, he has the benefit of talking to the oil and gas industry people and it sounds like the future is bleak given the decline in TAPS throughput.

MR. POWERS advised that in business you look at leading indicators for you organization's success. Management and boards work together to evaluate different scenarios in an effort to mitigate risks and assure sustainability and project growth.

[6:20:24 PM](#)

PAUL GLAVINOVICH, geologist, representing himself, Anchorage, AK, said that SB 192 doesn't accomplish the goal of increasing throughput in the TAPS. But he urged them to pass it on to the Finance Committee for a more expanded review. He said their focus must be on continued flow of oil through the TAPS. The decline is well documented, but what is missing from the discussion is the continuing increase in the state general fund spending.

[6:22:20 PM](#)

IRA PERMAN, Chair, Institute of the North, Anchorage, AK, asked them to include investment incentive amendments into SB 192 to make Alaska truly competitive, align us with industry and boost our production. He said many went to Norway this year and learned how it successfully competes for investment capital for its oil and gas development and now is the opportunity to apply what they learned.

He explained that Norway competes with Alaska for investment capital as all of the companies operating on the North Slope also invest in Norway, along with 60 other companies. Successful attraction of capital has allowed Norway to stop the decline of its oil production and they now produce three times the oil Alaska does and the oil sector employs nine times as many people. They do this while having a remarkably high tax rate. They do it by offering investment incentives that result in a predictable, fast, high rate of return.

He said Norway's tract licensing system reduces risk by providing 2D seismic data to the industry; it reduces upfront costs to industry by replacing the bonus bid system with a work plan competition that drives toward production in six years or less; they have replaced the royalty payments with equity ownership that results in more return to the industry in the short term. Importantly, Norway co-invests with industry; they provide cash for an ownership position; they take calculated risks with industry and reap the rewards alongside it. This aligns the state and industry's financial interests resulting in fields coming into production in as little as two years.

MR. PERMAN said without these investment incentives, return on investment in Alaska will be insufficient to encourage significant development of its medium-sized and smaller fields or encourage significant development of its heavy viscous and shale oil.

DENNIS KNEBEL, representing himself, Anchorage, AK, wanted more jobs for Alaskans. He was a journeyman electrician and had worked everywhere and hadn't seen as many out-of-state workers as on the North Slope.

[6:25:43 PM](#)

SUZANNE ARMSTRONG, President, Associated Builders and Contractors of Alaska, Seward, AK, said increased oil production should be our goal and that SB 192 will not drive the level of investment that is needed to put a single new barrel of oil in production. She said her members are primarily industrial commercial contractors and subcontractors, and as business owners they are keenly aware of the economic trends. One member shared that his company had not worked on a project on the North Slope in the past four years that has added or that would lead to one new barrel of oil production. Others say the industry is in a "sustain and maintain mode" and production has declined by 40 percent over the past decade. She asked that lawmakers keep their focus on the long term economic future of our state and not just on short term monetary gain.

[6:27:54 PM](#)

PETE STOKES, representing himself, Anchorage, AK, stated that Alaska isn't competitive in attracting oil and gas investment, and progressivity is the problem. Reform ACES! He said Alaska in going from ELF to PPT to ACES "overshot the sweet spot" and investment has languished, especially at high oil prices. Companies will simply not invest here if they can make better

returns in other jurisdictions. He quoted Steve Forbes: "Please let Alaska become competitive in energy. Cut tax rates."

[6:31:02 PM](#)

DICK COOSE, representing himself, Ketchikan, AK, stated that the oil industry is overtaxed at the higher priced oil and that is limiting production. Alaska has to be competitive in the world market or we're going to lose out.

[6:32:15 PM](#)

ANDREW BOND, representing himself, Anchorage, AK, opposed SB 192 and supported HB 110 that will make Alaska's fiscal policy more competitive with the Lower 48. He was an engineer with Pioneer Natural Resources and had been working in the Alaska oil industry for 25 years; he had raised his family here and calls it home. His concern was that he will not be able to stay here, because Pioneer is fighting to get investment dollars for their Alaska projects while huge amounts of money are going to developing projects in Texas. The economics of their Alaska projects are challenged compared to the Texas projects not only due to the high cost of operating in Alaska but because the progressivity takes away the upside at current prices.

He advised that the best way for new projects to occur is to maintain appropriate tax credits for new investment and reduce progressivity at current oil prices. New technology and huge shale developments are driving investment dollars into places like Texas and North Dakota. If that continues, he may be forced to move to where the work is being done. He supported the changes to ACES as outlined in HB 110 and didn't support SB 192 as introduced.

[6:34:08 PM](#)

JAMELIA SAIED, representing herself, Anchorage, AK, said the evidence is now in; ACES is working and the oil taxes don't need to be lowered or changed. She did not support SB 192 or HB 110. When oil prices are high companies do pay more in taxes, but they are also making more in profits. More exploration and development is being done in this state now than has been done in the last 25 years. The big three oil companies are trying to hold the state hostage and we should not allow that to happen. HB 110 is simply a giveaway to the oil companies and the state gets nothing in return.

[6:35:41 PM](#)

BOB STAFFORD, representing himself, Anchorage, AK, supported SB 192 and Amendment B.14. He supported Amendment B.14 for the following reasons:

1. The separate accounting method is used worldwide by a majority of the oil producing sovereigns.
2. The separate accounting method was upheld by the Alaska Supreme Court and the U.S. Supreme Court by way of denying oil companies the standing as plaintiffs.
3. Separate accounting would have captured \$13.4 billion, which went to the foreign oil industry.
4. The current method, UMWA accounting, will cause the state to lose over \$100 million when BP factors in a \$14 billion judgment for their part in the Gulf of Mexico disaster.

MR. STAFFORD said he had been an Alaskan for over a half century and his vested interest is on behalf of the three generations of Alaskans following him. He thanked them for their work and said he was grateful that someone was standing between us and special interests.

[6:37:38 PM](#)

LEONTY WILLIAMS, representing himself, Sitka, AK, applauded the Senate for taking a reasoned approach to this issue and said he supported the approach in SB 192. He was a student at UAS working on a business degree and intends to run his own business in Sitka.

MR. WILLIAMS noted that much had been said about the decisions made today impacting the next generation of Alaskans, but little has been said about what the next generation of Alaskans thinks about it. He attended the Conference of Young Alaskans in January this year in which 55 people came to Juneau to discuss critical issues facing Alaska; one of them was oil taxes. Ninety-six percent of the delegates voted that changes to the oil tax structure should be based on research and knowledge.

He said HB 110 would give away billions of dollars to the oil industry when the research hadn't shown definitively at what point the current system is broken. The next generations of Alaskans want increased production to sustain the state's economy and simply giving away billions without any guarantees

will hurt us the most. He said to keep up the good work and asked them to please not give away their future.

6:39:38 PM

LON PUTNAM, representing himself, Bethel, AK, supported SB 192. He said his fuel bill "just about broke my heart this last winter." When oil companies are making record high profits and at the same time trying to get Alaska to bribe them to take its oil, SB 192 at least has a reasoned approach and provides some guarantees in return for some incentives. He couldn't see handing the oil industry "bunches of money" on the hopes that they might do something, because their track record has not been extremely good in keeping any type of promises or commitments. People are still trying to get some compensation for an oil spill many years after the fact.

6:41:27 PM

JAY QUAKENBUSH, representing himself, Fairbanks, AK, said ACES is the best contract for now. He thanked each legislator who had looked at the governor's tax legislation and said "not so fast." Giving large tax breaks to oil companies will not maximize the benefits to the people of Alaska as the Constitution states. The governor's bill uses hope as a strategy to increase the flow of oil in the pipeline and he prefers staying with ACES.

6:43:48 PM

HUGH FATE, representing himself, Fairbanks, AK, supported changing the oil tax regime. Any tax regime in Alaska must be more than competitive, he said. Alaska has high costs, tremendously difficult logistics, land acquisition problems, seasonal delays and regulatory problems that are mitigated in the Lower 48 states. He said changing the tax regime is going to be difficult, but it must be done.

He recalled 11 other sedimentary basins besides Cook Inlet and the North Slope that hadn't been mentioned much, but if they chase industry away today because of being uncompetitive, what makes us think they'll come back to help develop those other 11 basins in the future? He thanked them for their work and said "God speed in your deliberations."

6:45:26 PM

KEN L. LARSON, representing himself, Fairbanks, AK, said he is a retired engineer and was against changing ACES at this late date. He described his high heating and utility bills saying he is one of many Alaskans who feel disenfranchised and totally at the mercy of big oil and their various lobbyists and shills who

work for and with them and some elected officials in Juneau and Washington, D.C. He said the high fuel price at the pump is not due to any oil shortages, but to big oil's speculation caused by Iran's threatened current status in the straits.

MR. LARSON added that ACES was strongly debated and analyzed by the Palin administration and he thought the bills before them now should be withdrawn. To make Alaska more competitive, he suggested getting the north coast drilling restrictions removed and getting ANWR, Prudhoe Bay and other known deposits going. He said their time would be better spent on getting a natural gas bullet line to Fairbanks and Valdez.

[6:47:44 PM](#)

NORM PHILLIPS, Steering Committee member, Make Alaska Competitive Coalition, Fairbanks, AK, did not support SB 192. He stated that the Coalition was created because of their concern about the potentially serious consequences of declining oil production on both the state economy and the state operating and capital budget. They believe the best way to reduce the decline or reverse it is to reduce the state's share of the taxes on the oil industry to the point that it encourages the large amount of private investment that is necessary to achieve that objective; many of the members support HB 110.

[6:50:15 PM](#)

BEAU OBRIGEWITCH, representing himself, Eagle River, AK, did not support SB 192. He said most people don't realize that once TAPS is shut down the party is over. It doesn't matter how high oil and gas go; TAPS will be gone and Alaska's oil and gas will be stranded forever. He said lawmakers were elected "to lead and make tough decisions and not be the harbingers of bad news." He will leave when it no longer makes financial sense to live here.

[6:52:45 PM](#)

CHANCY CROFT, representing himself, Anchorage, AK, said he thought ACES was working. He said he was a member of the legislature in 1969 to 1978 when the basic structure and all of the existing programs were established. He observed that the State of Alaska has benefited whenever it stood up to the oil industry and that you don't have to go much further than the first rule of negotiation, which is "if you have something concrete, do not give it up for a promise."

MR. CROFT said ACES is a fair plan and it has not resulted in any reduction in production or in competition. If they are going to engage in meaningful reform, he urged them to adopt separate

accounting; that would ensure what the state receives is measured by the oil companies' actual profit.

MR. CROFT said the reason new companies are not interested in coming to Alaska is because in the 1980s the state created a monopoly with ConocoPhillips, ExxonMobil and British Petroleum.

[6:55:57 PM](#)

JOHN DICKENS, representing himself, Bethel, AK, said Alaska's tax system needs reform now. The State of Alaska warned in its most recent forecast that half of the revenue stream in 2020 will depend on oil industry investments that have yet to be made. The bottom line is that people invest capital to get a return on it, and Alaska is known throughout the world as the land of the "raw deal."

[6:58:18 PM](#)

AVES THOMPSON, Executive Director, Alaska Trucking Association, representing himself, Anchorage, AK, supported restructuring the oil and gas tax regime with the intent of making Alaska a more attractive place to invest in order to increase oil production. TAPS could be nonfunctional within five to ten years with the current decline rate, he said, and while lower tax rates could reduce revenue flowing into state coffers in the short term, in the long term this reduction will make the state a more attractive place in which to invest and ultimately lead to higher revenues. He said progressivity must be fixed.

MR. THOMPSON said two of the oil producers announced they would invest \$5 billion if the production taxes were reduced. This looks like a fair trade off since that level of investment will produce thousands of good paying, private sector jobs.

[7:00:33 PM](#)

CALEB STEWART, representing himself, Juneau, AK, urged the committee to stick to its guns. He said he had been here all his life and the tax rate hasn't changed oil production. It's been high, low, good and bad, but here we are! The Big Three haven't developed a single new stand-alone field since 1977. No matter how much we give them, it won't affect their behavior.

[7:01:56 PM](#)

BARBARA HUFF TUCKNESS, Director, Governmental and Legislative Affairs, Teamsters Local 959, Anchorage, AK, opposed the current draft of SB 192. She commended the committee for the time and effort they have put in on this issue. She said she represents members in every single industry within the State of Alaska with

the exception of fishing: mining, telecommunication, hospitals, railroad workers, water carriers and truck drivers. They are all touched by the ultimate decisions made by this committee and other committees as this bill moves through.

MS. TUCKNESS said they believe this bill doesn't create any new production, and that is exactly what is needed. Alaska needs the smaller companies that are coming into the state to stay in the state and also produce. Exploration is going on, but long term commitments aren't being made.

She stated that this bill doesn't create new jobs either and part of her job is representing employees. During the pipeline days, the Teamsters had 25,000 members working on in. Today their numbers are in the hundreds. She urged that they continue their due diligence and hopefully come up with a bill that promotes job stability in the industry and long term financial viability for the State of Alaska.

[7:04:31 PM](#)

RACHEL PETRO, President and CEO, Alaska State Chamber of Commerce, Anchorage, AK, said they do not support SB 192. They support HB 110, because it brings an additional \$5 billion investment. She said each fall Alaska Chamber members gather during their legislative policy forum to decide priorities for the upcoming session; this year less than 7 percent of the members participating in the forum were companies with any direct ties or relationship with the oil and gas industry. Despite this, they overwhelmingly prioritized reforming oil tax policy to encourage new production.

CSSB 192 does little to fundamentally change the investment climate in Alaska and change is needed, she said. As an owner state, Alaska has the responsibility to properly market its resources and receive a fair return. Marketing includes being competitive and for Alaska that means being a trustworthy business partner and providing an environment that invites investment.

She said there has been discussion about an oil tax reduction bankrupting the state in a few years, but the reality is without increasing production, diversifying the economy and reigning in government expenditures, we're going to be in fiscal hot water in a matter of time. You have to spend money to make money and this involves calculated risk for calculated potential return. There are no guarantees. She concluded: "Making and keeping

Alaska competitive nationally and globally is simply an investment in Alaska's long term sustainability."

[7:07:11 PM](#)

STUART COHEN, Owner, Invisible World Imports, Juneau, AK, advised that as they move into the amendment process on SB 192, to avoid any unilateral giveaways and untargeted cuts; and he opposed HB 110. He agreed with all the testimony today: oil is our life blood and he wanted his children to have a job in the state, but the question they are looking at is how to increase production and maximize benefits to the people of Alaska. HB 110 certainly does not do that. All the tax cuts in it are "untargeted." If they want to develop new fields and felt taxes were the problem, they could conceivably cut taxes for production in those new undeveloped fields, which is what some of the proposed amendments to SB 192 suggest."

But the governor's bill cuts taxes on Prudhoe Bay, a field that is already mature and in which there won't be new discoveries no matter how low taxes go. It rewards oil companies not for exploring but for sitting back and milking Prudhoe Bay. His second problem with the governor's bill was that it gives away a huge amount without getting anything in return. It would cut the state's revenue from ACES by 37 percent, but nothing in it says any oil company will do any new exploration, drill a single well or create a single job. As a citizen, he was incredulous that anyone would propose a plan that would cut the state's income by nearly \$2 billion. The jobs and infrastructure that would be lost by the cut would not be worth whatever hypothetical jobs might be picked up on the North Slope.

MR. COHEN said the Department of Labor and Workforce Development's (DOLWD) own documents say that oil field employment is at an all-time high and more new wells are being drilled next year than in the last decade; and Alaska is still very profitable. As they move into the amendment process on SB 192, he asked them to avoid any unilateral giveaways and untargeted cuts.

[7:09:56 PM](#)

KIM BURROWS, representing herself, Palmer, AK, agreed with the gentleman who spoke about Norway's oil tax and that there should be oil tax reform, but it should be in the form of oil companies paying corporate income taxes in the same way other businesses in Alaska do - on their earnings in Alaska. Norway has high taxes and the oil companies are still making billions of dollars. They don't have to reinvent the wheel. The state should

also have guarantees of more oil production, more investment on the North Slope and more jobs for Alaskans.

7:11:31 PM

KELLY WALTERS, representing himself, Anchorage, AK, supported keeping ACES intact. He thanked the Senate bi-partisan coalition for their great efforts in protecting Alaska's interests and fulfilling their constitutional duty to secure the maximum benefit of our resources for all Alaskans. Maybe an argument could be made to tweak progressivity, but if they do that, he agreed with Lazy Mountain Jim who talked about a rebate program yesterday that would provide tax incentives as the pipeline incremental production targets were hit. "The governor's plan, HB 110, is a one-sided entitlement program for the oil industry, and, as I see it, nothing in it for Alaskans."

He said while the oil companies are good partners in our state and necessary, and we all benefit from development of our resources, they have not been the most trustworthy business partners. You only need to look back to 2006 and the scandal that landed some of their colleagues in jail as well as the Amerada Hess case from 1977 to 1992 in which oil companies were found guilty of deliberate falsification in computing the price paid to Alaska for its royalty oil. At the time, the judge said "the state was guilty of inexcusable trustfulness in dealing with the oil companies."

7:14:32 PM

MERRICK PIERCE, representing himself, North Pole, AK, said before fixing the tax rates, fix the obvious problems the committee has heard about that limit competition and oil throughput: transparency, honest tariffs and common carrier regulations. He thanked them for working so hard to really understand oil taxation saying that HB 110 is a terrible bill and neither the House nor the administration did their due diligence on it. He thanked some of them individually.

MR. PIERCE said with a conservative TAPS throughput of 600,000 barrels per day and current ANS price of \$125 per barrel, the gross value of oil leaving Alaska per year is about \$27 billion. From that \$27 billion, the multinationals will take about \$20 billion and Alaskans, the owners of the oil, will only take about \$7 billion. Yet some believe we should give away even more.

He said that more transparency is critically needed for the public and the legislators, so everyone can make informed

decisions. At all costs, they need to prevent inflated and fraudulent tariffs in TAPS and a common carrier type regulation of oil field infrastructure and gathering facilities to ensure independents are not shut out and to build a large diameter gas line, which helps oil explorers monetize the gas they find. That could be paid for with the \$2 billion a year that HB 110 would have given away.

[7:16:35 PM](#)

RENEE SCHOFIELD, representing herself, Ketchikan, AK, supported Ms. Petro's testimony opposed to SB 192 and supporting HB 110. MS. SCHOFIELD said she is a small business owner, and while her company doesn't provide direct services to the oil industry, it provides services to agencies that benefit from the direct funding in the state budget. It's extremely important to keep oil in the pipeline; something is needed that will increase throughput significantly and quickly.

[7:17:59 PM](#)

JERRY HAUGEBOG, Fairbanks Chamber of Commerce, Fairbanks, AK, opposed SB 192. He supported modifying ACES saying that the current tax structure inhibits development and new production on the North Slope. They should do whatever they can to remove those restrictions this session.

[7:19:57 PM](#)

DOUG ISAACSON, Mayor, City of North Pole, North Pole, AK, didn't support SB 192 as written. He said last march the North Pole City Council passed a resolution urging the legislature to protect jobs in Alaska, ensure longer life of the TAPS and decrease refining costs in Alaska by making Alaska more competitive for oil exploration, development, production and instate refining. He commended the committee for its diligence in working to define a balance between profits coming into the state and incentivizing production.

MR. ISAACSON said he testified earlier on the negative impacts the high cost of energy and, now, how the possible loss of more than 1,500 immediate jobs and Eielson Air Force Base will impact Interior Alaska. He said much of the non-government workforce is oil refining and oil field related. He said North Pole is also host to the state's largest instate refiner of royalty oil, and while he didn't support SB 192 as presently written, several proposed amendments should have greater consideration, including the bracket provisions for progressivity, because it de-incentivizes production when the price of oil increases.

He urged the committee to remember that revenue sharing to municipalities is very beneficial, and they don't want it to stop. Production decline can be arrested by implementing four more of their discussion points:

1. Implement a new licensing system that attracts new capital for developing new fields or when expanding existing fields and is taxed according to the product whether heavy oil, shale or the like.
2. The State of Alaska should conduct the initial 2D seismic and make the results available to the public.
3. Restrict leases to a six-year license that requires a work plan and active development. Don't allow any company to sit on a lease indefinitely.
4. The total marginal take should not exceed that of our northern competitors. Currently, Alberta is at 55 percent and Norway is at 78 percent, and Alaska exceeds both.

[7:22:38 PM](#)

KARM SINGH, representing himself, Fairbanks, AK, urged them keep ACES in place. The extra taxes we get from ACES should be invested in state infrastructure for cheap energy like a bullet line and the Susitna dam. This is the only way we will be able to break away from the oil companies with cheap energy and develop our mining, and then smelting and manufacturing to be shipped off to the Far East and the West Coast of the U.S., Canada and Mexico. He said the oil companies already get a \$40 billion tax benefit from the federal government; they are the most profitable companies in the world. He said no one offers him breaks for the high cost of heating and lighting his house.

[7:24:29 PM](#)

LISA HERBERT, Executive Director, Fairbanks Chamber of Commerce, Fairbanks, AK, said SB 192 doesn't go far enough to make Alaska more competitive and attractive to the oil and gas industry. She said she works for the business community of Fairbanks, many of which are directly and indirectly supported by the oil industry.

[7:26:01 PM](#)

ROGER BURGGRAF, representing himself, Fairbanks, AK, supported restructuring the oil tax, but he had reservations about both SB 192 and HB 110. He said Prudhoe Bay is running out of easy oil and while it has a lot of heavy oil, getting it out is going to cost a lot of money. He thought the oil companies need a break because they go wherever they can make the most money.

[7:27:26 PM](#)

KAREN GORDON, representing herself, Fairbanks, AK, said SB 192 has the potential of being economically suicidal for Alaska. Instead of encouraging investment, SB 192 could send the oil companies packing. They need to create incentives to encourage development and attract investments that feed our economy and contribute to the powerful economic multiplier and jobs that capital investments provide. Alaska's economic independence rides on Alaska's ability to compete with other cheaper oil fields.

[7:28:18 PM](#)

BUZ OTIS, representing himself, Fairbanks, AK, stated that oil prices are killing people and that oil companies need to be supported; we need their business. In 1976, he started Great Northwest with \$7,000 and a dream and he has reinvested everything he has made back into Fairbanks.

[7:29:52 PM](#)

KIM MCDANIEL, representing herself and her family, Anchorage, AK, stated Alaska is no longer competitive and something needs to be done to change that quickly. She has been in Alaska her whole life and her husband has worked in the oil industry for 33 years. Most of the people who work for her husband's company live in-state; they are local high school, UAA and UAF graduates.

She related that a news article about how oil booms are happening in west Texas and production is predicted to double within five to seven years. It says that similar booms are happening in south Texas, North Dakota, Montana and western Alberta, Canada. But Alaska's headlines tell about how our state has declining revenues; the North Slope production declined by 6.3 percent last year with a 4.7 percent decrease predicted for this year.

MS. MCDANIEL said the governor's approval rating is at 75 percent and that is saying we trust him and approve of what he is doing. He is trying to increase Alaska's oil production.

[7:31:09 PM](#)

RICHARD BALES, representing himself, Anchorage, AK, opposed SB 192 and said HB 110 offers meaningful reform. He had been in Alaska for 38 years; he is a small business owner, father, husband, grandfather and soon to be a great grandfather and they have all chosen to stay in Alaska. He likened this issue to a high stakes poker game that we can ill afford to lose. Fix ACES now, he said, or the state will be forced into a recession like

nothing we have ever seen before. He thanked them for their service to Alaskans and for taking this important matter up for consideration.

[7:32:32 PM](#)

STEVE ROBUSTELLINI, representing himself and his family, Port Lions, AK, said people are leaving Alaska and this doesn't have to happen. Alaska needs to have a globally competitive tax structure and to work in partnership with the oil companies.

MR. ROBUSTELLINI related how 12 years ago he came from California where his family worked in the timber industry, but it was a dying industry. His work went from harvesting timber in the forests to moving from one bankrupt mill to another on the verge of closing. He said oil fuels the Alaska economy and he is now seeing a lot of the same things happen here. His friends, fellow workers and neighbors are leaving Alaska for jobs in other areas. But this does not have to happen. Alaska is competing globally for investment dollars and it needs a globally competitive tax structure. More investment will result in more production, which equals more oil to tax rather than less oil to tax with higher tax rates. He thanked them for their efforts in addressing this issue.

[7:34:22 PM](#)

MARK BAGGETT, representing himself, Anchorage, AK, stated oil companies are in business to make the most money. He said he is a contractor from Port Arthur, Texas, where 6,000 jobs were created through incentives for the refineries. He said one of the oil companies brought him up here to do repairs, because he was told it didn't have the money for upgrades. He likes it here and actually bought a place and a car. He had \$8,500 in receipts with him and if he leaves he would take it with him. Oil companies are in the business of making money; they have shareholders and if they don't make money, the shareholders aren't going to keep them.

[7:35:40 PM](#)

MIKE KENNY, representing himself, Anchorage, AK, said he trusts what the Senate is doing with SB 192. He had been living, working and raising his family in Alaska for over 42 years; he has worked in the oil fields and in executive boardrooms and met a lot of fine oil company men in Alaska. He recalled the recent scandals involving Veco and the Corrupt Bastards Club saying there was no trust in anything the oil companies had to say. They heard the same arguments during the PPT debates as they are hearing now.

MR. KENNY said he spoke against the Bipartisan Working Group in 2006 when he thought it wouldn't work and would just be more of the same, but he was wrong. He trusts what they are doing with SB 192 and if it needs tweaking at the higher levels, that's okay with him. He said the oil companies had not earned their trust.

[7:37:40 PM](#)

ALLEN DOLYNNY, representing himself, Anchorage, AK, supported lowering the tax structure, creating jobs in Alaska and creating the profits for the hundreds of companies that get spent in our state every day. He said he's an oil engineer and president of Nannawilli Parsons and that producing oil is hard. Producing oil is not equal to taxes; investment is equal to taxes. So, Alaska needs to have a climate that encourages investment in new production, like North Dakota and Alberta.

[7:39:02 PM](#)

LYNN JOHNSON, representing himself, Anchorage, AK, said ACES needed to be changed in a meaningful way, particularly the progressivity; SB 192 is too little too late. He said he was president of Dowland-Bach Corporation, a 37 year-old manufacturing business. The environment currently is not healthy for businesses in Alaska that support the major production companies. If things don't change, that unhealthy trend will migrate to most sectors of Alaska's economy including real estate, hotels, restaurants and banking.

He said Alaska's cost structure just isn't competitive with other basins in the Lower 48, like North Dakota and Texas. He said the weather or distance to market can't be changed for those firms producing our oil, but we can and should change the tax regimes to compete favorably for capital investment dollars.

[7:41:03 PM](#)

JIM DUFFIELD, representing himself and his family, Anchorage, AK, said "No on SB 192." He was a small business owner in Kenai and Soldotna, chair of the Anchorage Alaska Miners' Association and on a number of resource development groups. He was "blown away" that they would even consider something like this. He chastised the committee for not listening to a word Pedro van Meurs said. He laid out an entire plan with a structure and rates that could be tweaked for all types of production. Tax dollars were spent paying for his advice.

[7:42:37 PM](#)

VINCE BELTRAMI, President, Alaska AFLCIO, Anchorage, AK, said the Senate should not follow the House and pass an oil tax rollback without determining that it would truly make a difference and lead to more production. He related Linda Lake polling information commissioned by the Standup Alaska Coalition made with 505 voters earlier this month. The following statements were made to poll participants:

1. Some people say the reality is that we need the oil companies to do business here and we need tax reform that keeps us competitive. But this bill is the wrong way to do it, because it is a giveaway with no guarantees. We can't just trust oil companies to invest here and create good paying jobs here. We have to hold them accountable. The job of oil companies is to make more money; it is the job of our laws to make sure that people of Alaska get our fair share, that the jobs are created here and that we just don't hand a \$2 billion windfall to oil companies.

2. Others say we can't keep overtaxing and driving away oil producers. Alaska has some of the highest production costs and oil taxes in the world. Oil companies go where they can be profitable and are taking our good paying jobs with them. Over half of Alaskan jobs are related to oil production. This reform will create Alaskan jobs and put oil in the pipeline by reducing the tax burden on production. If the oil companies go elsewhere, we'll have no oil revenues to share now or in the future.

He summarized that 63 percent of those polled thought that statement 1 was closer to their view and only 27 percent said statement 2 was closer to their view. The bottom line was that HB 110 was the first offer from the governor and the oil companies, and any professional negotiator knows that on one ever takes the first offer, ever. The Senate should not follow the House and pass an oil tax rollback without determining that it will truly make a difference and lead to more production. He concluded with the slogan: no reduction without more production.

[7:44:38 PM](#)

GEOFFREY HUMPHREYS, representing himself, Anchorage, AK, said "As a state we are stuck with the risks involved in operating in Alaska and we should bear them in direct first order linear proportion to the rewards we expect." For the past year the general trend in oil consumption in the U.S. has been downward

as natural gas production and gas production expand. At the same time, oil exports have been increasing, but the increase in exports has not kept pace with the reduction in consumption.

7:45:28 PM

RADA KHADJINOVA, representing herself, Anchorage, AK, said she was from Russia and attending UAA while working for an engineering company. She had no doubt that incentives would make Alaska more competitive in terms of increasing new production. She said Russia did it and built a gas pipeline in her hometown of Sakhalin.

7:47:02 PM

DAVID FLIPPO, representing himself, Anchorage, AK, said there needs to be significant legislative change. He was a retired military officer out of Eielson Air Force Base and after deciding to stay here, he got hired by BP. But one son, who graduated magna cum laude from UAA, could not get a job as a process technology operator and has taken a job in the Lower 48. His other son, a seven-time state curling champion who has represented the state in U.S. nationals is currently attending UAA and looking for a job, but can't find one either. He has had interviews in North Dakota and will probably go there, too. His sons are gone and he is trying to convince his wife to stay here, but it won't happen. Things need to be changed.

7:48:28 PM

EMILY CROSS, representing herself, Anchorage, AK, said Alaska's tax policy does have an effect on the oil and gas industry and Alaska's just isn't competitive. She related that she is an Inupiat Eskimo and a Nenana Regional shareholder. Currently, she is the community relations manager for CH2M HILL in Alaskan. It is employee owned and one of the top private employers of the state with over 2,500 employees. One of their main focuses is to train Alaskans from throughout the state in future resource jobs. It takes many years to train and develop people for these future work opportunities with private employers like CH2M HILL; it can only happen if the opportunities exist.

Local businesses are not the only ones that benefit from the oil and gas resources of Alaska she said. Major Alaskan-based nonprofits' largest source of funds comes from private industry like oil and gas. Without future development, the charities, volunteerism and advocacy will suffer greatly and thereby affecting those Alaskans who need it the most.

7:50:07 PM

JANET PLATT, representing herself, Anchorage, AK, said the tax regime has to have meaningful reform. She said she is an environmental scientist and has worked for BP for 29 years, but that was not why she was testifying. She has four children; three in college as engineering students and they would like to come back to Alaska to work. She was speaking, because she wants them to have jobs in the future and that won't happen without meaningful tax reform.

She said Alaska is blessed with a large known resource on the North Slope, but the remaining resource is viscous and heavy oil that is incredibly costly to develop and get out of the ground. Future development has potential, but it won't become a reality unless it can be profitable and compete for capital with other world class projects. She urged them to look beyond high short term revenue grabs to a longer more sustainable development future that benefits all Alaskans.

[7:51:52 PM](#)

ANDY ROGERS, representing himself and his family, Anchorage, AK, congratulated the committee for recognizing the problem with the current tax structure and proposing a solution, but he was a little disappointed in SB 192 as well as the array of amendments that may or may not be incorporated. He watched them take testimony from industry stalwarts like Pedro van Meurs, Dave Cruise and Doug Smith, and it gave him hope to see the legislature "perk up" and "lean forward" and ask really intelligent questions, but he was baffled that the testimony that interested them so much didn't make it into the bill. He thanked them for their dedicated service to the state.

[7:53:46 PM](#)

PEGGY SPITTLER, representing herself, Anchorage, AK, opposed SB 192. She said her husband had been working in the industry for 38 years and helped build TAPS; they both love Alaska. Right now they just talk about selling their home, because they are concerned about the future. They are perplexed that many of their elected representatives seem to not listen to them. They want to spend more, fund more projects, but where is the money going to come from? Little effort is made to collaborate with the industry that pays our bills, underwrites the arts and supports so many programs and other projects throughout Alaska. She said, "The industry is me; it's my husband; it's our friends. We're not big, bad evil people; we're hard working people and we're your neighbors." They both supported HB 110, but she said "CSSB 192 is a slap in the face," and the status quo is certain death for Alaska's economy.

[7:55:22 PM](#)

CRIS OSOWSKI, representing himself, Anchorage, AK, supported adopting a tax policy that encourages investment. He said he is an employee of ConocoPhillips and that he appreciated them taking up this issue. Adopting tax policies that encourage development is a crucial investment to make in their children's future. His family was here well before the pipeline was built and he recalled clearly the difference it made in their lives.

He said ACES has proven that tax incentives do work. They have brought new companies to Alaska that are exploring all across the North Slope, but the progressivity piece has stymied his company and the producers. The producers need to be allowed to participate in bringing new production on line similar to the way the other companies were incentivized. He asked them to remember that the new companies wouldn't have a chance on the Slope he first came to or have even tried to make their way here without the infrastructure the producers have invested in for so many years. He said he appreciated them looking out for the state's interests on all sides of the equation.

[7:58:06 PM](#)

TIMOTHY TREUER, representing himself, Anchorage, AK, supported SB 192, whereas he said HB 110 was a giveaway. He said is he a life-long Alaskan and grew up in Anchorage. This past January he was a delegate for the Conference of Young Alaskans in Juneau where 55 people between the ages of 16 and 25 came together to discussion their vision for the state. They talked a lot about oil taxation, but in the end they voted 96 percent in favor of not changing the current oil tax structure except in minor ways based on good research and knowledge. He supported the Senate's approach of only acting when the facts show something must be done.

[7:59:55 PM](#)

BARBARA GAZAWAY, representing herself, Anchorage, AK, said she was against HB 110. She thanked the members of the majority coalition for waiting to get all the facts and standing up for Alaskans. She related an anecdotal story about how she banded together with schoolmates to take back a school playground from bullies.

[8:02:46 PM](#)

GREGORY KUCERA, representing himself, Anchorage, AK, supported SB 192 saying HB 110 gives too much away. Basically, he said the idea behind SB 192 is "show me first: production and

exploration." He said he was a member of the Alaskan Ironworkers and complimented the Senate on gathering this testimony.

GRANT JOHNSON, representing himself and his three children, Anchorage, AK, stated SB 192 is not the solution. Alaska must be competitive with other oil regions around the world or the oil will stay in the ground. He said, "If our government take continues to be so high that it inhibits us from providing for tomorrow, then ours will be the first generation in the history of this state to leave our children and grandchildren in an Alaska that is worse off than the one that was handed to us."

[8:06:15 PM](#)

DEBORAH WILLIAMS, representing herself, Anchorage, AK, stated that the lessons the state learned from the Amerada Hess case strongly support rejecting HB 110 and support pursuing SB 192. A number of decision makers, including Senator Gary Stevens, had pointed to the Amerada Hess litigation, in which the state sued the producers for underreporting royalty, in the context of the current oil and gas debates. As one of the attorneys who represented the State of Alaska in that case, she agreed that this lengthy historic litigation provides numerous important insights into the action and decision making processes of the oil and gas industry and the needed actions of the State of Alaska going forward. The lessons the state learned from Amerada Hess strongly support rejecting HB 110 and support pursuing SB 192.

MS. WILLIAMS explained that shortly after production began in 1977, the State of Alaska sued all of the oil and gas producers on the North Slope for significant underreporting of royalty. The case was exhaustive, expensive and enlightening and lasted from 1977 to 1992. Ultimately, understanding the strength of the state's case, all of the oil companies paid the state meaningful sums, hundreds of millions of dollars, in overdue royalty payments. The bottom line is that "under numerous administrations, both Republican and Democratic, we stood strong, prevailed and benefited Alaskans by insisting on our fair share," she said. The state cannot afford to be naïve or rely on "trustfulness" at this time. "Above all, we need to insist upon fair payment for our resources under our constitution and not play high risk giveaway games with industry and with our future..."

MS. WILLIAMS concluded by saying the only thing that has made her mad in the testimony today is the suggestion that they as Senators had done anything other than protect the state's best

interests. They have worked hard and diligently and she encouraged them to continue.

[8:08:54 PM](#)

MATT FENNEL, representing himself, Anchorage, AK, supported SB 192 and opposed HB 110. He said we need to continue investing in Alaska's future and that doesn't mean big tax giveaways to the oil companies.

[8:09:32 PM](#)

BRIAN HOVE, representing himself, Anchorage, AK, stated the future of the state is based on oil and it's not that bright. SB 192 is a distraction and HB 110 should move forward. He first acknowledged that he "has a sizeable financial conflict of interest here," adding that since 1982 he had received a dividend from the state and also doesn't pay state income tax. He also pointed out that in calendar year end 2010, 620,000 barrels a day were being pumped through TAPS and now it's down to 583,000 barrels. A year from now it will be less than 550,000 barrels. He said these are mathematical facts. Another fact is that public tax policy does impact private sector investment decisions.

[8:11:22 PM](#)

PATRICK FLATLEY, representing himself, Anchorage, AK, said his testimony today would pose questions knowing that their answers will come at a later date. When referring to the decline of crude oil, he said, everyone often refers to the pipeline as being half or one-third full and that is misleading. A 48-inch pipe needs to be full in order move the oil. It's the speed at which the oil travels that determines how much crude oil arrives in Valdez each day. He has been told the oil has abrasives in it, which raises his questions:

1. Is the miles per hour of oil flow a factor in seeing to it that the pipeline lasts as long as possible?
2. Have our oil engineers told us what that optimum speed is and is there any chance to that 600,000 barrels a day is where they want it to be today?

[8:13:22 PM](#)

DAVE METHENY, representing himself,, Anchorage, AK, stated that HB 110 is very bad, SB 192 is better and the current ACES tax structure is the best. He calculated that dividing the \$8 billion tax reduction in HB 110 and by the 2010 Alaska census figure results in \$11,268 per person. He said each one of the representatives who voted to pass HB 110 gave away \$200 million of their constituents' money and he hoped they asked those

people if it was okay to do that. He summarized that it's our oil and it's our money.

8:14:36 PM

DEBORAH BROLLINI, representing herself, Anchorage, AK, supported building upon the "shelved" legislation in the Senate Labor and Commerce Committee. She said Alaska has the highest taxation rate of any oil region in North America and many of her friends are moving equipment and personnel to other regions. She grew up with oil and lived through Alaska's economic crash of 1986 when she was laid off along with 800 other employees in one day. Home foreclosures happened for five years. She said her circle of friends who are running Alaska's largest companies are scared and they are not interested in reliving another painful economic downturn with their children.

8:15:48 PM

PAUL HOLLEY, representing himself, Anchorage, AK, supported Governor Parnell and providing incentives for investment here. He said he worked in the Alaska oil industry for over 30 years and is a partner in a small business. He complimented them on their "stewardship" and all the work they had been doing on solving this issue, but really the issue is the declining throughput in TAPS. Without increased investment, that decline won't stop. He thought having the best tax structure would be the greatest incentive for companies to come here and invest. If that doesn't work, they can go back to ACES.

8:17:39 PM

RAY METCALF, representing himself, Anchorage, AK, suggested a President Reagan slogan "trust but verify." He explained that there are 30 billion barrels of heavy oil on the North Slope; it has the consistency of peanut butter full of sand. The oil companies have been producing the "sweet spot oil" for 30 years without touching the heavy oil, but the Oil and Gas Conservation Commission should have never let that happen. Heavy oil needs to be produced while there is still enough light oil to flush it down the pipeline he reasoned. He suggested offering producers \$10 per barrel to start producing the heavy oil, but pay them after they have done it and not before. When they reach 550,000 barrels a day more than they are producing now, that would equal Governor Parnell's \$2 billion. A guarantee is the way to do it.

8:19:22 PM

BRENT SENETTE, representing himself, Anchorage, AK, stated support for meaningful and significant oil production tax reform. That means they need to abandon work on SB 192 and move

HB 110 forward. He said he is a 25-year Alaska resident and works for CH2M HILL. Right now, state and federal taxes create a combined oil tax rate of greater than 80 percent at today's oil and gas prices. The majority of that is state mandated. He asked, "If you wanted to start a business and 80 percent of what you made was going to go to somebody else, would that be an incentive to you?"

[8:21:19 PM](#)

MAYNARD GATES, President and CEO, Alaska Steel, Anchorage, AK, stated support for HB 110, not SB 192. He urged them to trust the business leaders when they say the current tax structure isn't working.

CO-CHAIR PASKVAN closed public testimony saying the committee had heard from more than 80 people this evening. He thanked everyone for taking the time.

[8:24:01 PM](#)

There being no further business to come before the committee, Co-Chair Paskvan adjourned the Senate Resources Standing Committee meeting at 8:24 p.m.