

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

March 27, 2017

3:30 p.m.

**MEMBERS PRESENT**

Senator Cathy Giessel, Chair  
Senator John Coghill, Vice Chair  
Senator Bert Stedman  
Senator Shelley Hughes  
Senator Kevin Meyer  
Senator Bill Wielechowski

**MEMBERS ABSENT**

Senator Natasha von Imhof

**COMMITTEE CALENDAR**

CONFIRMATION HEARING: BOARD OF GAME

- HEARD

CONFIRMATION HEARING: ALASKA GASLINE DEVELOPMENT CORPORATION

- HEARD

SENATE BILL NO. 92

"An Act relating to abandoned and derelict vessels; relating to the registration of vessels; relating to certificates of title for vessels; relating to the duties of the Department of Administration; relating to the duties of the Department of Natural Resources; establishing the derelict vessel prevention program; establishing the derelict vessel prevention program fund; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 92

SHORT TITLE: VESSELS: REGISTRATION/TITLES; DERELICTS

SPONSOR(S): SENATOR(S) MICCICHE

03/10/17 (S) READ THE FIRST TIME - REFERRALS

03/10/17 (S) RES, FIN  
03/27/17 (S) RES AT 3:30 PM BUTROVICH 205

**WITNESS REGISTER**

STANLEY "STOSH" HOFFMAN  
Bethel, Alaska

**POSITION STATEMENT:** Appointee to the Board of Game.

SAM ROHRER, President  
Alaska Professional Hunters Association (APHA)  
Kodiak, Alaska

**POSITION STATEMENT:** Supported Mr. Hoffman's appointment to the Board of Game.

NICOLE BORROMEO, Executive Vice President and General Counsel  
Alaska Federation of Natives  
Anchorage, Alaska

**POSITION STATEMENT:** Supported Mr. Hoffman's appointment to the Board of Game.

WARREN CHRISTIAN  
North Pole, Alaska

**POSITION STATEMENT:** Appointee to the Alaska Gasline Development Corporation (AGDC) Board.

DAVID WIGHT  
Anchorage, Alaska

**POSITION STATEMENT:** Appointee to the Alaska Gasline Development Corporation (AGDC) Board.

HUGH SHORT, Vice Chair  
Alaska Gasline Development Corporation (AGDC) Board  
Girdwood, Alaska

**POSITION STATEMENT:** Re-appointee to the Alaska Gasline Development Corporation (AGDC) Board.

PAUL KENDALL, representing himself  
Anchorage, Alaska

**POSITION STATEMENT:** Asked question of AGDC appointees.

SENATOR MICCICHE  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Sponsor of SB 92.

RACHEL LORD, Coordinator

Statewide Alaska Clean Harbors Program  
Department of Natural Resources (DNR)  
Homer, Alaska

**POSITION STATEMENT:** Provided supportive background for SB 92.

RACHEL HANKE, staff to Senator Micciche  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided a sectional analysis of SB 92.

LINDA BRUCE, Attorney  
Legislative Legal  
Alaska State Legislature

**POSITION STATEMENT:** Answered questions related to SB 92.

BRYAN HAWKINS, Harbormaster  
Alaska Association of Harbormasters & Port Administrators  
City of Homer, Alaska

**POSITION STATEMENT:** Commented on SB 92.

JOE MCCULLOUGH  
Office of Boating Safety  
Department of Natural Resources (DNR)  
Anchorage, Alaska

**POSITION STATEMENT:** Commented on SB 92.

#### **ACTION NARRATIVE**

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**CHAIR CATHY GIESSEL** called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Meyer, Stedman, Hughes, Wielechowski, and Chair Giessel.

#### **Confirmation Hearing: Board of Game**

CHAIR GIESSEL announced the confirmation hearing for the Board of Game (BOG) and invited Mr. Hoffman, who is being reappointed to a third term, to tell the committee why he would like to remain on the board.

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STANLEY "STOSH" HOFFMAN, Bethel, Alaska, said he works for the Yukon Kuskokwim Health Corporation and has been raising a family in Bethel for the last 20 years. Prior to that, he lived in McGrath for about 20 years. Both towns are on the Kuskokwim River in western Alaska.

MR. HOFFMAN said he was first appointed to the BOG in 2008 by Governor Palin and is happy to be part of the process that ensures that Alaska has fish and game forever. He enjoys the work and appreciates the opportunity to serve again.

CHAIR GIESSEL asked what big issues the BOG is facing.

MR. HOFFMAN answered they are currently dealing with "Unit 13" issues in the Ahtna area on the highway system; the caribou in northern Alaska and Dall sheep issue is also hot on the agenda. Locally, the board has received a lot of testimony about an escalating bear population.

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CHAIR GIESSEL found no questions from committee members and opened public comment.

SAM ROHRER, President, Alaska Professional Hunters Association (APHA), Kodiak, Alaska, supported Mr. Hoffman's confirmation to the Board of Game. He brings a unique perspective from western Alaska, and while he is extremely knowledgeable on subsistence issues, that one issue does not define him. He supports wide uses of the resources provided they can be done in a sustainable way. He approaches issues with an open mind and is always willing to consider other viewpoints. He is widely respected, knowledgeable on the issues, and most importantly, he is willing to serve.

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NICOLE BORROMEO, Executive Vice President and General Counsel, Alaska Federation of Natives, Anchorage, Alaska, offered "full support" for Mr. Hoffman's confirmation. He is knowledgeable about subsistence and commercial issues and brings a balanced approach to game management.

CHAIR GIESSEL, finding no further comments, closed public testimony.

SENATOR HUGHES said it didn't relate to his appointment, but she was looking at some pictures from the mid-80s when her family lived in Bethel and realized he was about the age of her son, and asked if he went to high school with him.

MR. HOFFMAN answered no; he attended McGrath High School and didn't leave McGrath until 1992.

SENATOR HUGHES thanked him for serving.

**Confirmation Hearing: Alaska Gasline Development Corporation**

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CHAIR GIESSEL announced the confirmation hearings for three appointments to the Alaska Gasline Development Corporation (AGDC). She said this board was formed in 2014 because of SB 138. In the years since, the project personnel and board composition have experienced some dynamic turnover. So, they have the latest two new individuals up for confirmation and one who is up for reappointment. She welcomed Mr. Christian to the table to tell them why he is interested in serving on this board.

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WARREN CHRISTIAN, appointee to the Alaska Gasline Development Corporation (AGDC) Board, North Pole, Alaska, said he has lived in Alaska for over 40 years and worked in the oil and gas industry for over 30 years, specializing in Arctic pipeline construction. He started as a welder helper and worked his way through the company and finally became president. For the last 10 years he has been president of Doyon, Associated, a partnership between Doyon Limited and Associated Pipeline Company. Over the years he has had the great opportunity to be part of the planning and development of many pipeline projects including Alpine, Badami, Northstar, Tarn, Melt Water, ExxonMobil's Point Thomson project, and ConocoPhillips CD-5 project.

MR. CHRISTIAN said he is currently president of the North Slope Contractors Association, president of the Mechanical Contractors of Fairbanks, and past president of the TAPS Contractors Association. He is familiar with negotiating labor agreements with the unions and construction agreements with the majors. He has also been involved in the training of Alaskans and is a trustee of the Joint Apprenticeship Training Committee for the Plumbers and Pipefitters. He is also a trustee for the Fairbanks Pipeline Training Center. He is a member of the Alliance, the RDC, and the Fairbanks Chamber of Commerce; he is a certified project management professional and a certified welding inspector. He serves on the AGDC Technical Committee where he has been actively engaged with the management team.

MR. CHRISTIAN said he believes his experience and history will help and bring some valuable Alaska Arctic knowledge to the team and he is very willing to serve.

CHAIR GIESSEL thanked him and asked when he was first appointed.

MR. CHRISTIAN answered he was appointed in September and his first meeting was in October.

CHAIR GIESSEL asked how he feels the project is progressing.

MR. CHRISTIAN replied that they had just received the update and he has had to go through a "massive amount" of information. He believes the project is heading in the direction that the Wood-MacKenzie reported when the majors figured the project wasn't commercial with the way it was structured. It recommended a possibility of making it commercial and those were the third-party tolling and third-party finance, along with the federal tax exemption. Now the project is heading in that direction and is progressing the FERC process. He is very involved, because it could add costs to the project by adding stipulations to the permits. They will file for FERC ahead of the June scheduling.

CHAIR GIESSEL asked if he had ever been involved in a FERC permit process before.

MR. CHRISTIAN answered that he had been involved in certain aspects of it and had to provide information such as air quality and construction information, but he has not dealt directly with the FERC agency. It's always been through the producers.

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CHAIR GIESSEL noted that he projects that the application process will be completed in the next three months.

MR. CHRISTIAN responded that they will start by filing a formal application to FERC.

CHAIR GIESSEL asked how many questions he had to answer related to the initial filing.

MR. CHRISTIAN replied about 3,000 questions, but they won't all be answered at that point. The questions have been separated into different categories: questions that can't be answered until FEED (front end engineering and design), questions that will be answered during the 18-month FERC process, and some questions that will be answered in the beginning.

CHAIR GIESSEL asked who is answering those questions.

MR. CHRISTIAN replied that a technical team within AGDC and some third-party contractors are answering those questions.

CHAIR GIESSEL asked if he had ever worked with any of those third-parties before.

MR. CHRISTIAN answered that he hadn't worked with the third-party contractor, but he had worked with some of the members of the AGDC team in the past.

CHAIR GIESSEL asked if he knows how firm the plans are to purchase the ConocoPhillips export facility in Nikiski.

MR. CHRISTIAN answered at this point the AGDC is not going to put a bid in for the ConocoPhillips' AKLNG plant.

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SENATOR COGHILL joined the committee.

CHAIR GIESSEL asked Mr. Christian if he had looked over the "bullet line" (ASAP) plans.

MR. CHRISTIAN answered yes; he had looked at the design basis, the cost estimates, and the assumptions around that line, along with the AKLNG project.

CHAIR GIESSEL asked Mr. Christian if, based on his experience with gas pipelines, he thinks it is a viable project.

MR. CHRISTIAN replied that he believes that only one pipeline will be built. They have looked at the evaluation of the different size pipes - the 48-inch pipe, the 42-inch pipe, and the ASAP 36-inch pipe with multiple trains - to see which would bring the most return. In doing so, they had to normalize some things from the ASAP pipeline to the AKLNG pipeline, such as its termination point, and looked at additional demands above what Cook Inlet can supply. He didn't believe those demands are high at this point, because infrastructure is not in place, but if they built the ASAP line as currently designed that project would have to be subsidized. He added that both projects complement each other. The Supplemental Environmental Impact Statement (SEIS) for the ASAP will also benefit the AKLNG project, so the market will determine the final pipe size.

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DAVID WIGHT, Alaska Gasline Development Corporation (AGDC) Board appointee, Anchorage, Alaska, related that he had lived in

Alaska since 2000 and he has a 41-year background in petroleum engineering and management for two major companies: Amoco and BP. He has some Alaska experience involving Amoco engineering activities in the Cook Inlet between 1975 and 1979. From 2000 until the end of 2005 he had responsibility for Alyeska Pipeline Service Company as the CEO and president. About half of his industry career has been involved in gas, gas development, gas processing, and facilitating development of LNG and pipelines to monetize gas resources.

MR. WIGHT said he feels his most pertinent experience relative to what they are doing in Alaska now is his eight years in Trinidad and Tobago where he was one of two parties that initiated discussions with the government and market for LNG development. He led the team that negotiated the commercial terms, both with the government and with the market, and lead the team that developed and built the first LNG plant in Trinidad and Tobago. He also managed and led the team for the second and third LNG trains in Trinidad and Tobago before he moved to Alaska to be involved with the TAPS pipeline.

The reason he wants to be involved in this project is because he has a life-long interest in resource development. He thinks gas development comes with its own challenges and his experience and interest is there. And as an Alaskan, he truly believes the gas resources need to be monetized while we still have the benefit of substantial infrastructure related to the oil production.

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CHAIR GIESSEL asked if he thinks this is a viable project.

MR. WIGHT answered that the project can be viable, but it's not a given. It has significant market and cost challenges, but the state and the AGDC has put together the right group of people with the benefit of years of study and technical and engineering work by the major companies. He said the cost structure of this project will be a challenge as well as finding the market and the financing, but there are possibilities.

CHAIR GIESSEL asked if the state project and the three producer projects are competing with each other.

MR. WIGHT replied that is an interesting question, and the four participants will have to figure out how to work together. All of the gas has to be sold in the marketplace together and there are several dozen other projects trying to get to the same market.

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CHAIR GIESSEL said in the original legislation that created this project AGDC named the Department of Natural Resources (DNR) as the marketing lead and asked how much interaction he, as a board member, has had with a marketing team from the DNR.

MR. WIGHT replied that he is fairly new to the board and hasn't personally had any interaction with a DNR marketing team and can't address the status of that interface.

CHAIR GIESSEL thanked him and invited Mr. Short to the table. She said it is his third appointment to the board.

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HUGH SHORT, Vice Chair, Alaska Gasline Development Corporation (AGDC) Board, Girdwood, Alaska, said it is an honor to serve in this role. He related that he had attended ME school in Bethel, referencing Senator Hughes earlier remark. He has worked in finance for most of his career. He was at Alaska Growth Capital for seven years, five of which he was president and CEO. He made investments across the four major sectors in the economy in Alaska. He spent three years as chairman of the board for the Alaska Industrial Development and Export Authority (AIDEA) and the Alaska Energy Authority (AEA). In 2013, he left Alaska Growth Capital and started PT Capital and raised an initial \$125 million in private equity funding. Currently PT Capital has investments in Alaska, as well as Iceland, and is very interested in furthering the deployment of their capital.

He said his role on the board for the last couple of years has been somewhat of a moving target. When he first arrived, there was a whole slew of new board members, save for Dave Cruz, who was from the initial board, and they worked closely to maintain the continuity both of the project and the personnel, ensuring that they abide by SB 138 and move the project forward.

MR. SHORT speculated that no one in 2015 expected the extended period of low commodity prices. Over that period of time, the project partners - ExxonMobil, ConocoPhillips, and BP - made decisions based on their own financial and strategic direction to not move forward with a FEED decision.

At that point, AGDC and the state started a conversation with each of the three parties to be able to put together transition agreements and started taking a "hard look" at the third-party tolling approach in the Wood MacKenzie study. It is a different

approach than the equity model that had previously been implemented. The major difference between the two is the equity model generally has each equity participant finance their portion of the project and contribute that money to the project. This means they may have debt or may have all equity, but it's essentially their contribution. In a third-party tolling situation, the whole project bears the cost of the debt and the cost of the overall structure. The one benefit with a third-party model is that with the entrance of infrastructure investors, a reduced hurdle rate on the return on equity, as well as any potential benefits that may occur from tax exempt status reduces the overall tariff and makes the project more economic for the long term. As they move through 2017, probably the biggest question he has to answer as a board member is the economic feasibility of that model.

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On the other side of the deal is the cost of project. It is not feasible at a \$45-65 billion build; that cost must come down substantially. The team has been working very diligently to try to do that.

The other piece of this is the FERC filing. For background he said, in 2011 he was appointed to the Alaska Energy Authority Board (AEA) and became chairman. At that point, Governor Parnell and the legislature supported the FERC filing and the construction of the Susitna Watana hydroelectric project. Over the course of three years, \$170 million was spent in that process. A new governor came and the project was defunded and they stopped just short of a FERC filing. If a license would have been issued, it would have been a marketable asset that the state could have recouped some expenses on. It was shortsighted to not complete the process and get the value out of that FERC license. He hopes that AGDC is successful in finding buyers working with the project partners in building this, but at the very least the FERC license is a piece of paper and a document that is a very important asset for the project.

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SENATOR COGHILL asked with the major oil companies stepping back and the state taking the lead, if he thought the state has the capacity to look at it like a big buyer would for an LNG facility and get good numbers for the cost of money for both sides, or: "Are we going to fool ourselves with hardware costs, basically?"

MR. SHORT answered those numbers could be squeezed into something unrealistic, and that would affect the financing plan. AGDC's strategy is twofold: one is in order to get the best cost estimate and to move this project towards a feasible build size, bringing on board an Engineering, Procurement, and Construction (EPC) contractor who has experience in the construction of these types of projects and sitting alongside is an important role. They are currently working on identifying an EPC contractor to play that role to ensure they are looking at realistic numbers, focused on reducing costs but without being foolhardy.

He believes there is a strategy for ASAP, but the issue there is the less gas you put through the more expensive it is per unit, and it's highly likely that at 42-inch pipe is the most feasible. The question then becomes is there a way to scale into a 42-inch build that reduces your costs but as you get more gas increases the flow. Creative solutions are being considered such as starting the LNG facility with one train, very little compression, and being able to somehow get the Gas Treatment Plant (GTP) to a more efficient and less cumbersome build. A lot more work needs to be done on that to come up with the correct answer.

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SENATOR COGHILL said it's important to watch that, but it also looks like one of the cornerstones is the ability to get federal tax relief for the project. It's a commercial project performed by a government and he wanted to know how they would explain to the public that this is for state use but we're really selling it commercially (which would void that tax exemption). And is the tax exemption something that is even realistic?

MR. SHORT replied that there are two key levers in the financing strategy. The first lever gets more bang for your buck and is the third-party tolling infrastructure financing. That allows you to bring down the overall hurdle rate for an investor. That is where you will get most of your drive versus an equity model where one partner may have a 13 percent hurdle rate, another partner may have a 15 percent hurdle rate, and another partner might have a 12 percent hurdle rate, but at the end of the day those have to be blended together to get to a feasible project where everyone hits the green light.

He explained further that one gets the most bang by being able to finance this project from those various hurdle rates down to a hurdle rate where investors want to invest and get an infrastructure rate of return.

The second driver, which is less of a reduction in tariff is the tax exempt status on federal income. That requires an IRS (Internal Revenue Service) private letter ruling, which requires a finance plan to be fully baked and fully put together, and that has not occurred yet. So, it's very important to get the project infrastructure financing. It's secondarily important for them to achieve a tax-exempt status if feasible, but if it is not possible to qualify, we need to take that into account on the finance package side. They don't have a clear answer on that right now, but hopefully they will soon.

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CHAIR GIESSEL said she heard that they will be applying for a FERC license in June and the AGDC president said by the end of this year the economics and viability of this project will be known, and yet Mr. Short hadn't applied for the IRS private letter ruling yet, because the financial plan is not in place. She asked what the chances are of achieving that end-of-year deadline for project viability.

MR. SHORT replied that the submission date for the FERC permit is actually April. It has been moved up, and there is some optimism about the focus on infrastructure and energy of the new administration in D.C. The private letter ruling for the tax-exempt status is important for the project financing. If it doesn't happen, it increases the tariff and that has to be dealt with somehow. If they had to choose between the two, they could probably live without the tax-exempt status.

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CHAIR GIESSEL said her district wants to know how much the citizens of Alaska will have to pay to see this pipeline come to fruition.

MR. SHORT said that answer is being put together now. There are two options to consider:

1. Establish an amount of equity necessary to be able to finance the project out of the state's accounts. Where that is has not been determined, and it is premature to answer that.
2. The state of Alaska could bond for an equity portion of the pipeline construction, but that scenario is not ready to roll out to the legislature.

MR. SHORT said the board had spent eight months negotiating transition agreements from point A to point B and it's been a frustrating process, because a lot of the work has been done in executive session. They are now at point B and the team is working long hours to come up with good answers to these questions.

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SENATOR MEYER asked if it wouldn't make sense to have a legislator on the board, even as an ex-officio member, to help sell the project to the legislature.

MR. SHORT noted that he had appreciated Senator Giessel attending all or most their meetings; it has been very helpful from a communication standpoint. But he, as a board member and appointee of the governor, has a specific job to do and didn't have an opinion as to whether it is good or bad idea to do that.

CHAIR GIESSEL, finding no further questions, opened public comment on the three AGDC appointees.

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PAUL KENDALL, representing himself, Anchorage, Alaska, said he called to ask one of the appointees where he could find the main line data that includes material and labor. He wanted to look at those numbers, because he just didn't see this gas pipeline going forward. The first thing that comes to his mind is will that pipeline carry hydrogen, and if it won't, the whole project will have to be reconsidered.

CHAIR GIESSEL, finding no further comments, closed public testimony and said in accordance with AS 39.05.080, the Resources Committee reviewed the following and recommends the appointments be forwarded to a joint session for consideration: Board of Game - Stosh Hoffman, Bethel; Alaska Gasline Development Corporation - David Wight, Anchorage; Hugh Short, Girdwood; and Warren Christian, North Pole. This does not reflect an intent by any of the members to vote for or against the confirmation of the individuals during any further sessions.

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At ease

**SB 92-VESSELS: REGISTRATION/TITLES; DERELICTS**

[4:25:29 PM](#)

CHAIR GIESSEL announced consideration of SB 92 offered by Senator Micciche. She said Alaska's coastal highways have turnouts that have become ship graveyards, and hundreds of derelict vessels pose public safety, environmental, and economic burdens. Finding the right balance between the public interest, rights of property owners, and the balance sheets of communities in the state are addressed by this legislation.

SENATOR MICCICHE, Alaska State Legislature, Juneau, Alaska, said SB 92 is really that simple. He said his staff would provide an overview and Ms. Lord would provide a presentation that would reveal the reason for this legislation.

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RACHEL LORD, Coordinator, Statewide Alaska Clean Harbors Program, Homer, Alaska, provided supportive background for SB 92. She said that this program is now run through the Marine Exchange in Juneau and through it, she worked for years with harbormasters around the state and with the Alaska Association of Harbormasters and Port Administrators.

She started off with a story about two vessels - the F/V Leading Lady and the F/V Kupreanof - that had been kicked out of Kodiak and denied entrance to several other ports. This led to both vessels sinking in Kachemak Bay on state tideland waters where they were anchored, which left a sheen of oil in close proximity to commercial oyster farms.

On January 18, the Coast Guard raised the vessels and removed pollutants with their authority ending at that point. When it became clear that the owner and responsible party was not going to remove the vessels themselves, DNR impounded the vessels and moved them to Homer. One was demolished; the other was returned to the owner after payment of \$11,500 to DNR even though the price tag was at least \$40,000 for DNR and \$400,000 for the Coast Guard; and she didn't know the cost for DEC.

This is not a singular story, Ms. Lord said. Alaska has an aging fleet of vessels and outdated statutes. By 2025 the Alaska fleet will include roughly 3,100 vessels between 28 and 59 feet that are more than 45 years old. The Alaska fleet also includes 75 passenger vessels, tugs, and barges over 50 years old. A 2014 McDowell Group Report on trends and opportunities in the maritime sector considered it a positive highlight for ship building opportunities, but an excerpt from the executive summary paints a different picture of derelict vessels.

MS. LORD said the F/V Leading Lady and F/V Kupreanof are classic examples of boats across Alaska. The current reality is one in which it is all too easy to pass on an expensive and aging boat. And the cost of maintaining a boat only increases over time. With the help from the Derelict Vessel Task Force, DNR has begun a derelict vessel data base of 200 vessels, but it isn't complete. Case studies have shown that agencies and municipalities are hamstrung to effectively prevent and manage derelict vessel, and the public ultimately pays the price in money, environmental damage, navigational hazards and loss of aesthetics. Alaska's waters are too often a default dumping ground.

An incident in 2012 catalyzed the formation of an ad hoc Abandoned Ad Derelict Vessel Task Force for the state that identified major barriers and solutions to improving derelict vessel prevention and management in Alaska and these are all captured within SB 92. Participation in the Derelict Vessel Task Force was open to anyone interested she said and presented a list of agencies at the table. The municipal law firm of Birch, Horton, Bitner, and Cherot provided pro bono legal assistance for this effort. They represent Kodiak, Cordova, Homer, and other communities and have spent significant time on derelict vessel cases and ordinances to protect their communities. Their help, along with the work of all the other people at the table, and substantial research from other states was instrumental to navigating potential solutions for the myriad of problems raised by derelict vessels around Alaska.

MS. LORD said it was an honor to work with these people and facilitate their work. The task force met for nine full-day meetings over the course of two years and identified major problems that were addressed by SB 92.

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A major barrier to effectively dealing with derelict vessels is a lack of clarity in current law. The course of action is different if one declares a vessel derelict versus abandoned and the impoundment hearing processes are not clear nor are the notice requirements. The definition of the vessel owner also leaves ambiguity. SB 92 addresses these issues and provides much more clarity in AS 30.30, the derelict vessel statutes.

Current statutes restrict enforcement of derelict vessel laws. One of DNR's biggest tools is to write trespass notices and those are clearly not enough enforcement. The current penalty of \$500 is both not enough and not enforceable.

MS. LORD said she has noticed news articles on derelict vessel cases and that the comments are resoundingly in support of response efforts and often ask why state laws aren't more stringent and they clamor for owner liability.

In 2015 representatives from DNR and DEC participated in a nationwide derelict vessel workshop held by National Oceanic and Atmospheric Administration (NOAA). They noted that everyone around the country agreed: there is never going to be enough money to remove all derelict vessels. The investment in a point person or program alone is proving to be instrumental in making progress on preventing and better managing derelicts. As a facilitator, every few months she gets a phone call from a community or village somewhere in Alaska asking for advice and assistance on a derelict vessel case. Alaska agency employees are doing this work in different offices around the state with varying levels of familiarity with derelict vessel laws and background. SB 92 proposes establishing a derelict vessel program at DNR allowing for the streamlining of derelict vessel work around the state to improve efficacy and reduce overall costs. She believes this will be a big step forward for Alaska to curb the dumping of vessels in our waters.

Vessel disposal must be addressed at some point, Ms. Lord said, and while this isn't necessarily the job of the state it would be beneficial to start looking for vessel disposal options and solutions including conversations with the private sector and municipalities. In other states, people are seeing that it is far cheaper to remove a vessel from the water before it sinks. This could be different in Alaska; however, any sunken and abandoned vessel in Alaska is going to be enormously costly.

MS. LORD explained that under the proposed derelict vessel prevention program, the state will have some opportunity to begin asking these questions and considering a suite of possible solutions. Without insurance, when a vessel is abandoned or left to sink on state waters, it can be impossible to find a responsible party. A few harbors around the state are beginning to require insurance of some kind and many others are considering it.

Under SB 92, a vessel over 30 feet that is engaged in commercial activity and on the water for more than 90 days would be required to carry a marine insurance policy. If someone is considering a long-term commercial venture on the water and insurance policy will protect the public in the event the

commercial endeavor does not work out as planned. This happens often unfortunately.

Finally, one of the hurdles to holding vessel owners responsible is establishing ownership. With the Challenger, a 70-year old 96-foot long tugboat that sank in Gastineau Channel in 2015 the bill of sale was written up, but the current and former owners disagreed on who actually owned the vessel. While that will be up to the Coast Guard to deal with, they carried a nearly \$2 million bill for dealing with that case. Our agencies and harbors face this run-around on a regular basis. SB 92 proposes establishing more universal registration requirements and a titling system for vessels similar to motor vehicles. Done in other states, these are some common-sense solutions to help improve accountability.

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MS. LORD said just looking at the Challenger case that happened in Juneau, an excerpt from an Empire indicated that "gosh we really need to do something." It went through some ideas like requiring vessel registration and insurance. At the very least DNR could be granted the simple authority to levy fines on those who pollute Alaska's waters. SB 92 proposes addressing these matters.

She said in 2013 a Washington State official said, "We need to find a way to keep these vessels from being abandoned in our waterways, and that means holding owners accountable. Too many people get in over their heads, and their dreams of ship renovation or making money from scrap become a nightmare of the citizens of this state and the marine environment."

The quote concludes saying. "A hole in the water into which you pour your money is a famous definition of a boat. To the maximum extent possible, we must ensure the taxpayers are not the ones doing the pouring."

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MS. LORD said the 16th Legislature knew this was a problem and passed HCR 53 in 1990 saying that many abandoned vessels are grounded on the coast of Alaska and they are a problem that the state doesn't have the financial or statutory resources to deal with, and that communities around the state are also suffering from widespread abandoned vessels. The resolution concludes by requesting that the problems posed by abandoned vessels be studied with recommendations brought forth to the 17th

Legislature for legislation necessary to remedy existing problems and prevent future ones.

Today she finds herself with the 30th Legislature and SB 92 is necessary to move forward on better managing and preventing derelict vessels around Alaska and she looks forward to their conversation and forward movement on this bill.

[4:39:50 PM](#)

RACHEL HANKE, staff to Senator Micciche, Alaska State Legislature, Juneau, Alaska, provided a sectional analysis of SB 92.

Section 1 requires that a boat placed on state waters must be titled as well as registered and numbered as required in this chapter.

Section 2 removes Coast Guard certificate exception and adds language that requires certificate of number on a barge that operated on water for more than 60 consecutive days.

SENATOR STEDMAN asked how a documented and an undocumented vessel are going to be treated differently, referring to language on page 1, line 8.

MS. HANKE said some vessels are documented with the Coast Guard and it is the intention that those be documented with the state as well.

MS. LORD added that was true and that 26 other states require all documented vessels to be registered with the state DMV, as well. Washington is one of those states. Given the size of the problem they suggest expanding the registration requirement to include documented boats, because that will help the state better identify ownership when a boat is abandoned on state lands or municipal harbors.

SENATOR STEDMAN said that documentation database is already available and suggested getting more information before increasing regulatory burdens unnecessarily.

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MS. HANKE said section 3 states that a boat is exempt from this title if it operates in the state for less than 90 consecutive days and has a valid certificate of number; barges that operate for less than 60 days with a valid certificate of number are also exempt.

Section 4 adds a new section which directs the Department of Administration (DOA) to adopt regulations and create a system for certification of titles. An individual who purchases an undocumented boat is required to apply for a certificate of title within 30 days.

Section 5 adds cross-references.

Section 6 increases motorized boat registration for a three-year period from \$24 to \$30, adds a barge registration fee of \$75 for a three-year period, and adds a boat title fee of \$20.

Sections 7 & 8 add definitions.

SENATOR STEDMAN remarked that this bill has some issues.

CHAIR GIESSEL agreed and added that they would be addressing it for quite a while.

SENATOR STEDMAN said language on page 4, line 6, talks about a barge and asked if that is a freight barge and if it would include a fuel barge.

MS. LORD said the intention is to include all barges.

MS. HANKE said sections 9 & 10 clarify and simplify existing statute.

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Section 11 provides that a person found guilty of abandoning a vessel is guilty of a class B misdemeanor that is punishable by one or more of the following: a fine of no less than \$5,000 and no more than \$10,000, up to 90 days in jail, or forfeiture of the vessel.

SENATOR STEDMAN asked her to elaborate on who would be exposed to the classification of misdemeanor and the fine.

MS. LORD replied it would expose the person who violates the statute.

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LINDA BRUCE, Legislative Legal, Alaska State Legislature, clarified that a person could be found guilty of violating this section if they store or leave a derelict vessel on the waters of the state (section 9) without the consent of the state agency

or municipality or dock at any private property without consent of the owner.

SENATOR STEDMAN said all submerged lands are owned by the state and are its navigable waters. He said the curious issue is that some people own derelict vessels and let them sink in the harbor or take them out and let them sink on the beach, and they don't have \$5,000. One of the biggest challenges is that a boat ends up going to the lowest economic common denominator in its final days.

SENATOR MICCICHE said reminded the committee that this section is amended, but it was always a misdemeanor that was punishable by a fine of not less than \$500 or more than six months, or by both. It was changed to a higher fine, but a lower time. They don't want to be the heavy hand of law, but the spirit of the bill is to make someone accountable other than the municipality or state for a vessel sinking in one of our harbors.

MS. HANKE said section 12 allows the department or a municipality to report violations to the Attorney General for enforcement.

Section 13 adds new a section which allows an aggrieved person to file a civil injunction. Civil penalties of not more than \$1,000 can be imposed for each violation. Each day a violation occurs constitutes a separate violation.

Section 14 allows the department to provide written authorization for a vessel to be left within 30 days and clarifies language.

Section 15 states that at least 30 days before impounding a vessel, the impounding authority shall post a notice on the vessel, and on the state's or municipality's website. It adds language to allow use of an address on file with the Coast Guard or Department of Administration and moves notice specifications to section (b).

Section 16 adds new subsections that establish notice specifications and defines the procedure for pre-impoundment hearings. The owner can file within 15 days after the post-marked date of the notice.

Section 17 adds a new section to establish notice of a disposition procedure.

Section 18 provides clear guidelines for dealing with a vessel after being impounded by the state or a municipality.

Section 19 removes the requirement that an interested party taking possession of a vessel pay expenses incurred and post security.

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SENATOR STEDMAN said the 30-day notification in Section 18 seems short for finding someone, and asked why it is so short.

SENATOR MICCICHE answered that this bill was processed by a large stakeholder group that deals with these issues all the time, and if those timelines are not appropriate it's in the members' hands, but he hoped they would allow a stakeholder explanation.

BRYAN HAWKINS, Harbormaster, Alaska Association of Harbormasters & Port Administrators, City of Homer, Alaska, said the timeline for impoundment was thoroughly researched by the attorneys that provided the pro bono help for this task force. It's a 30-day notice of intent of impoundment and then another 30 days takes place before the second notice of impoundment is delivered.

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MS. HANKE said section 20 establishes the procedure for the immediate impoundment of derelict vessels that pose an imminent threat to safety.

Section 21 adds new a section that states the individual who owns an impounded vessel is responsible for all costs incurred in the process.

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Section 22 adds a section that will require insurance for commercial vessels over 30 feet in length and are operating on state waters or docked at state or municipal harbors for more than 90 days.

SENATOR STEDMAN said in trying to deal with the expense of derelict vessels in the harbor, harbormasters have indicated that insurance companies require a survey every few years to get coverage. If the boat can't pass the survey, the insurance company won't insure it. All that's required is a requirement that the vessel in the harbor has to show proof of insurance. The issue then becomes where they go when they go out of the harbor.

The requirement for the insurance policy to show cost of removal needs to be looked at, he said, because that could possibly start incurring additional insurance costs to the boat owners. For instance, the Juneau Harbor Department requires him to have insurance, and if he doesn't it would put him into another fee structure. If the boat isn't insurable that would tip them off to a problem.

SENATOR MICCICHE said one can look at the bill as a snapshot in time today or one can look at it as a comprehensive plan for vessels that are 100 percent shiny off-the-line with the thought of when they become derelict vessels, which is where the exposure lies for municipalities and the state. That is when they want them dealt with.

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MS. HANKE said section 23 simplifies the guidelines for identifying a derelict vessel.

Section 24 directs the department to establish and administer a derelict vessel prevention program. It establishes the duties and powers of the department and establishes a program fund.

Section 25 adds "floating facility" to the definition of vessel.

Section 26 adds definitions.

Section 27 names this chapter the "Derelict Vessels Act."

Sections 28 & 29 add sections to Title 37, which allow for registration and titling receipts, civil penalties, money received from sales, donations, and other receipts to be deposited into the Derelict Vessels Program Fund.

Section 30 removes repealed sections, which will allow the fund to remain without federal funding.

Section 31 repeals sections.

Section 32 directs the Department of Natural Resources and the Department of Administration to adopt necessary regulations, and these regulations take affect under the Administrative Procedure Act.

[4:59:52 PM](#)

Section 33 requests the revisor of statutes to change two headings.

Sections 34-37 establishes effective dates.

SENATOR STEDMAN asked if "floating facilities" on page 14, line 15, include float houses.

[5:00:23 PM](#)

MS. BRUCE answered that "floating facility" is broad enough to encompass float houses.

[5:00:59 PM](#)

MS. LORD commented that the term "floating facility" is used in DNR's management area plans. Those plans include float houses, float camps, floating structures within that floating facility. It is important that float houses are explicitly covered under this bill and if the definition of floating facility does not fully cover that, then an expanded definition should be found.

SENATOR STEDMAN asked how section 22 requiring insurance interplays with float houses.

[5:02:28 PM](#)

JOE MCCULLOUGH, Office of Boating Safety, Department of Natural Resources (DNR), Anchorage, Alaska, answered the didn't know how they intersect, but the definition of "vessel" is anything used for transportation on the water. He didn't know that a float house would necessarily meet that unless it was moving around on the water. If it's anchored up and people are just living in it, and it's not used for transportation, it's not going to be a boat or a vessel.

SENATOR STEDMAN said line 15 on page 14 changes the definition of "vessel."

CHAIR GIESSEL said she was certain that the bill sponsor and Senator Stedman would be in touch with him.

SENATOR MICCICHE said the numbering and registration provisions have an exemption for a boat that is not equipped with mechanical propulsion and then it would have to be 30 feet or longer to be in the insurance section. It would have to be engaged in commercial activity. So, he thinks there are a couple of ways that float houses are left out of the bill, but that could be clarified.

[5:05:21 PM](#)

SENATOR HUGHES said she lives in a district where one might think derelict vessels are not an issue: Chugiak and Palmer. However, a ship built in 1912 in Seattle was brought up to Ketchikan and used as a fish tender there and in Port Graham. After the earthquake, it was used to rescue 43 individuals on Kodiak Island when there was concern about a tsunami. Then sometime in the 80s, Till Wallace from Chugiak saw it in Homer. Even though it was quite old at the time, he brought it into Chugiak where it now resides along the old Glenn Highway between the Birch Wood exists. It's become somewhat of an icon and a place where folks take photographs. She asked if they should be concerned about if a community really wants a derelict vessel or will someone be fined \$5,000.

SENATOR MICCICHE said it sounds like that vessel is on private property and this bill does not deal with vessels on private property.

SENATOR HUGHES responded that it was recently moved to property owned by the volunteer fire and rescue department, and therefore may be on public land. If it is, would it then apply?

SENATOR MICCICHE said he would do further research, although he was comfortable with "no." The intent is to protect our waterways from state and municipal expense in removing derelict vessels.

SENATOR HUGHES said she would like to reassure her community.

CHAIR GIESSEL found no further questions for the bill's sponsor and held SB 92 in committee.

[5:08:27 PM](#)

CHAIR GIESSEL adjourned the Senate Resources Committee meeting at 5:08 p.m.