

2/5/75

COMMITTEE REPORT

HOUSE

Mr. Speaker:

Date 2/18

The Committee on FINANCE has had HB 31

under consideration. A Majority of the members of the Committee

() recommends it DO PASS

() recommends it DO NOT PASS

() recommends it DO PASS WITH ATTACHED AMENDMENT(S)

(X) recommends it BE REPLACED WITH CS FOR HB 31 AND THAT
CS FOR HB 31 DO PASS

() "and" recommends it BE REFERRED TO THE _____
COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

[Signature] Chairman

all

STATE OF ALASKA

JAY S. HAMMOND, Governor

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K - STATE CAPITOL
JUNEAU 99801

April 2, 1975

The Honorable Hugh Malone
Chairman
House Finance Committee
Alaska State Legislature
State Capitol, Pouch V
Juneau, Alaska 99811

Re: House Bill 81 - Supplemental Budget
Request to the Department of Law

Dear Representative Malone:

At a recent hearing on HB 81, you requested detailed information about the travel funds for the state's discovery program in the Cook Inlet Pricing Case and questioned the amount budgeted for travel. We have thoroughly analyzed our transportation and per diem needs to pursue the case and find we need approximately \$16,963. This breaks down to \$5,748 for air fares, \$1,295 for surface transportation, and \$9,920 for per diem. The following table details the basis for these numbers:

City	Single Fare from Preceding City	Stay (days)	Per Diem (\$40/day)	Cost For 2	Cabs, Buses, etc.	Total
Anchorage	--	--	--	--	--	--
San Francisco, Ca.	\$153	14	\$560	\$1,426	\$ 80	\$1,106
Bakersfield, Ca.	32	3	120	304	25	329
Anchorage	185	--	--	370	--	370
SUBTOTAL	\$370	17	\$680	\$2,100	\$105	\$2,295
Anchorage	--	--	--	--	--	--
Los Angeles, Ca.	\$173	21	\$840	\$2,026	\$115	\$2,141
Anchorage	173	--	--	346	--	346
SUBTOTAL	\$346	21	\$840	\$2,372	\$115	\$2,487
Anchorage	--	--	--	--	--	--
Denver	\$189	28	\$1,120	\$2,618	\$150	\$2,768
Anchorage	189	--	--	378	--	378
SUBTOTAL	\$378	28	\$1,120	\$2,996	\$150	\$3,146
Anchorage	--	--	--	--	--	--
Dallas	\$229	14	\$560	\$1,578	\$ 80	\$1,658
Midland, Texas	40	3	120	320	25	345
San Antonio, Texas	37	5	200	474	35	509
Anchorage	233	--	--	466	--	466
SUBTOTAL	\$539	22	\$880	\$2,838	\$140	\$3,078

The Honorable Hugh Malone
Chairman
House Finance Committee

April 2, 1975

Re: House Bill 51 - Supplemental Budget
Request to the Department of Law

<u>City</u>	<u>Single Fare from Preceding City</u>	<u>Stay (days)</u>	<u>Per Diem (\$40/day)</u>	<u>Cost For 2</u>	<u>Cabs, Buses, etc.</u>	<u>Total</u>
Anchorage	--	--	--	--	--	--
Tulsa, Okla.	\$220	7	\$280	\$1,000	\$ 45	\$1,645
Bartlesville, Okla.	--	10	400	300	160#	960
Tulsa, Okla.##	--	--	--	--	100#	100
Anchorage	220	--	--	440	--	440
SUBTOTAL	\$440	17	\$680	\$2,240	\$305	\$2,595
Anchorage	--	--	--	--	--	--
Toledo, Ohio ##	\$224	1	\$ 40	\$ 528	\$ 10	\$ 538
Findlay, Ohio	--	7	280	560	145#	705
Toledo ##	--	--	--	--	100#	100
New York, N.Y.	55	8	320	750	50	825
Anchorage	243	--	--	486	--	486
SUBTOTAL	\$522	16	\$640	\$2,324	\$305	\$2,629

**TOTAL FOR DISCOVERY
BY THE STATE** \$2,595 121 \$4,840 \$14,870 \$1,120 \$15,990

<u>City</u>	<u>Single Fare from Preceding City</u>	<u>Stay (days)</u>	<u>Per Diem (\$40/day)</u>	<u>Cost For 1</u>	<u>Cabs, Buses, etc.</u>	<u>Total</u>
Anchorage	--	--	--	--	--	--
San Francisco, Ca.	\$153	3	\$120	\$273	\$ 25	\$ 298
Anchorage	153	--	--	153	--	153
SUBTOTAL	\$306	3	\$120	\$426	\$ 25	\$ 451
Anchorage	--	--	--	--	--	--
Woodburn, Oregon	\$126	3	\$120	\$246	\$150***	\$ 396
Anchorage	126	--	--	126	--	126
SUBTOTAL	\$252	3	\$120	\$372	\$150	\$ 522

**TOTAL FOR DISCOVERY
BY OTHER PARTIES** \$558 6 \$240 \$798 \$175 \$ 973

**GRAND TOTAL -- ALL
DISCOVERY** \$3,153 127 \$5,080 \$15,668 \$1,295 \$16,963

- * Includes \$100 car rental, assuming rental of \$25/day, \$0.25/mile and \$25 drop-off fee for driving one way, one day, 200 miles.
- ** City en route to another where there is either a change in transportation mode (i.e., rented car to airplane or vice versa) or an
- *** Includes \$150 car rental, assuming rental of \$50/day and \$0.25/mile for driving round trip, three days, 400 miles.

The Honorable Hugh Malone
Chairman
House Finance Committee

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April 2, 1975

Re: House Bill 81 - Supplemental Budget
Request to the Department of Law

In addition, please disregard Commissioner of Administration Warwick's memorandum of February 13, 1975, which requested \$54,100 for a billing from the law firm of Ferguson and Burdell. A settlement has been made in the State of Alaska, et al v. Chevron Asphalt Company case and all fees due Ferguson and Burdell will be paid from the settlement as set forth in the contract between them and the State of Alaska.

Sincerely,

WILSON L. CONDON
DEPUTY ATTORNEY GENERAL

By *Robert F. Schroeder*
Robert F. Schroeder
Legal Administrator

WLC:RFS:pg

Re: HB 81

STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K - STATE CAPITOL
JUNEAU 99801

March 13, 1975

The Honorable Hugh Malone
Chairman
House Finance Committee
Pouch V
Juneau, Alaska 99811

Dear Mr. Malone:

The Attorney General has requested me to answer your letter of February 25, 1975, concerning House Bill 81, because he represented three of the parties opposing the State in the Cook Inlet Pricing Case before assuming his present duties with the State and has, therefore, disqualified himself from participation in matters pertaining to that case.

The Cook Inlet Pricing Case involves three major issues of dispute between the State and the eleven oil producers in Cook Inlet: First, what is the value, for purposes of production tax (AS 42.55.010) and the State's royalty share when taken in cash, of the crude oil when it is metered into the facilities of the common carrier pipelines serving the Cook Inlet area? In the past companies owning interests in oil coming from the same well have reported to the State as many as six different values for a barrel of that oil.

Second, should royalty and production tax payments be made using that oil value at the meter into the common carrier pipeline, or should a deduction be allowed for the costs of moving the oil to shore in order to net the value back to the offshore platform? In 1967 the Director of Lands purportedly okayed the net-back approach for royalties; in 1969 this position was reversed by the Commissioner of Natural Resources, and that attempt to reverse the policy precipitated the litigation.

Third, if a charge for moving the oil from platform-to-shore is to be allowed for either royalty in value or the percentage-of-value production tax, how should that deduction be computed. In the past, the oil companies have claimed platform-to-shore charges ranging from 4.41 cents per barrel to \$1.67 per barrel; further, as many as three different charges are being simultaneously claimed by different companies for oil from the same leases moving to shore through the same pipelines.

Since 1970 the State has taken over 33,000,000 barrels of royalty oil in kind and sold them to Tesoro-Alaskan Petroleum Corporation; cumulative production from offshore Cook Inlet leases is several hundred million barrels. Approximately one eighth of those barrels are the State's outright; the remainder are all subject to production tax. These prodigious volumes necessarily make large the dollars-and-cents per barrel. Our latest estimate suggests that the State could win as much as \$9.7 million dollars in back royalties and production taxes if it won on all issues and stands to lose something over \$4 million if it lost on everything. Moreover, because an adverse adjudication of the State's royalty rights could set a precedent for North Slope leases, hundreds of millions of dollars in future royalties could be affected.

Because the Cook Inlet Pricing Case is important to the State, an active program of discovery from the other parties has been undertaken to ascertain, in preparation for trial, what happened as the seeds of the litigation were planted. In the first phase of that program, the State propounded to the eleven producer companies over eleven hundred pages, total, of interrogatories and requests for the production of documents regarding their treatment of the oil for income tax purposes and for internal accounting, regarding their transactions between and among each other, and regarding their involvement in various historical events that now have significance in determining the outcome of the litigation.

During the preparation of these massive interrogatories and requests for documents, it became apparent that depositions from an average of six or seven persons in each company should be taken in preparation for trial. Because of the long history before and since this dispute has arisen, nearly all of these people are outside Alaska--in San Francisco, Los Angeles, Denver, Dallas, Houston, San Antonio, Midland (Texas), Tulsa, Bartlesville (Oklahoma), Findlay (Ohio) and New York City, where the companies maintain their regional and national headquarters.

The request for a supplemental appropriation contemplated the possibility that some or all of the companies would elect, as is their privilege, to make the documents that we requested available for our inspection in their various offices around the country. Since literally thousands of documents were requested from each company, the election by the companies to make the documents available for our inspection and copying at their many offices would require that considerable time be spent in each of the cities mentioned above in order to inspect and copy all those documents. Most of the proposed depositions would cover matters that the documents would also shed light on, so that it would be impractical and unwise to attempt to depose eighty people without having the documentary background to take an effective deposition.

Rather than make two trips through all those cities--one trip for document inspection and copying and another to take depositions after the documentary materials have been analyzed and evaluated--it was decided that one trip should be attempted to achieve both purposes. Since the documents would include tax records, purchase and sale materials, etc., which might prove quite time-consuming to go through, we conservatively estimated the rate at which depositions could be prepared for and taken by a two-attorney team. While time consumed by the whole program could be as much as eighty man-weeks, we expect that the events will show transportation costs to places as far as New York City to be major factors in the overall cost of the deposition program.

Transcripts of all the depositions will be necessary to prepare for trial. Court reporting services were consulted about the cost of transcription Outside. The estimates we received were about \$300 for a half-to-full-day deposition, which we expect will be the average length of the proposed depositions. If we need a transcript prepared on a rush basis, a \$500 figure was given. We assumed that no transcripts would have to be rush jobs.

Our estimate of the total cost of the deposition program is \$67,000. This is derived as follows: transportation to nearly a dozen cities across the country and per diem, \$40,000 (based on the Department's experience with past trips Outside); transcripts, \$24,000 (eighty at \$300 each); and rental of Xerox machines, \$3,500.

The remainder of the \$107,900 requested for the Pricing Case is based on estimates of \$14,000 for services of experts to assist in trial preparation and to testify at trial; \$17,100 to supplement the present secretarial staff; \$6,500 for increased office expenses such as phone calls, postage and office machine rental; \$1,500 for consumable office supplies; \$1,000 for Outside travel already taken in FY 75; and \$300 for a typist's desk and chair.

I should also bring to your attention the fact that settlement possibilities among some or all of the parties are being actively explored. At present several companies do not feel inclined to settle, and we expect to go all the way to trial with these companies. On the other hand, if a settlement can be achieved with the other parties, the case would be simplified considerably and its concomitant costs reduced. I would welcome the opportunity to meet with your committee, should you so desire, to discuss further the present posture of the case.

In addition, you have requested us to explain the \$54,100 in additional monies which Commissioner of Administration, Andrew Warwick, requested in his letter of February 28, 1975. As he stated in his letter, these funds were requested to pay the bill of the law firm of Ferguson & Burdell for expenses incurred in representing the State of Alaska in State of Alaska et al. v Chevron Asphalt Company et al. This case is an anti-trust case in which the State of Alaska and 5 Alaskan municipalities, (Anchorage, Ketchikan, Fairbanks and Fairbanks North Star Borough) have joined 4 other States, (Washington, Oregon, California, and Arizona) in a suit against approximately 10 oil companies for conspiring to fix the price of asphalt from 1960 to 1969.

Alaska's suit is against Chevron Asphalt, a subsidiary of Standard Oil of California, and Union Oil Company. The State and five Alaska cities are represented by Ferguson & Burdell of Seattle which also represents the State and many municipalities of Washington. Ferguson & Burdell are regarded by the plaintiff and defense attorneys in this case as perhaps the most competent and experienced attorneys on the West Coast in the field of plaintiffs' anti-trust litigation.

In 1971 Alaska's Attorney General entered into an agreement with Ferguson & Burdell which provided for the then three plaintiff States to share expenses to be incurred in discovery and trial preparation which they determined would benefit all plaintiffs equally.

This agreement contains a formula for apportioning the expenses among the plaintiff States according to the proportion of each State's damage claims to the total damages claims of all plaintiffs which are parties to the expense sharing agreement. Alaska's proportion of the expenses as determined by this formula is approximately 9% of the total amount spent during the term of the recent billing.

Because of the relationship between the Attorney General's staff attorney working with Ferguson & Burdell on this case and the relationship between Ferguson & Burdell and the other plaintiff's attorneys who are parties to the expense sharing agreement, it is not possible for the Attorney General to demand the current balance of Alaska's share of the expenses except at times mutually agreed to by the other plaintiffs steering committee attorneys.

In view of this awkward billing schedule, the Attorney General has asked Ferguson & Burdell to estimate these expenses for the next fiscal year.

It is probable that Alaska's case will be concluded by spring of 1976, but whether by trial or settlement is not known at present.

March 13, 1975

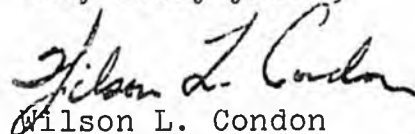
To date the State has received a settlement offer of approximately \$1,500,000 to which we have responded with a counter offer of \$3,100,000.

Presently the case is very active. The State of California and the cities and counties in its case will begin trial of their unit of cases on March 17, 1975. This trial is expected to last approximately six months. It involves claims against several asphalt producing oil companies for a total of \$29,000,000.

Alaska's attorneys, Ferguson & Burdell, are assisting the California Attorney General's office in the trial of this case and concurrently continuing trial preparation and settlement negotiations on Alaska's case. This accelerated, concentrated activity in what has been an arduous five years of discovery and trial preparation may conclude this case within the next six months.

It should be emphasized that Ferguson & Burdell's representation of the State in these cases has produced a great deal of value compared to the costs, particularly in view of the complexity and required expertise inherent in large anti-trust cases.

Very truly yours,



Wilson L. Condon
Deputy Attorney General

WLC:jeh

TERRY GARDINER
P. O. Box 1092
KETCHIKAN, ALASKA 99901

Phone 225-3551

Alaska State Legislature



House

POUCH V
JUNEAU, ALASKA 99801

February 4, 1975

Rep. Hugh Malone
Chairman
House Finance

Dear Rep. Malone:

Although the House Judiciary Committee passed HB 81 as amended on February 3, 1975, the Committee stipulated that the following be submitted to the Finance Committee for their consideration:

Testimony of Mr. Bob Shroedor, Department of Law, indicated that part of the request, \$107,900, is for continued funding of the Cook Inlet Oil Pricing case. It would cover expenses necessary to bring this case to an end and would cover funding that extended past FY 75 into FY 76. It would appear improper for a supplemental request to extend past the current fiscal year.

In addition, the catch all phrase, "and for specialized legal services" was removed and language changed (see amendment) to limit the appropriation to the Cook Inlet Oil Pricing case and the late billing charge of \$12,400. Mr. Shroedor stated that HB 81 was to cover these cases specifically.

Sincerely,

A handwritten signature in cursive script that reads "Terry Gardiner".

Terry Gardiner
Chairman, House Judiciary Committee

MEMORANDUM

State of Alaska

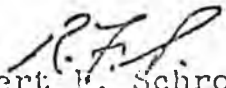
MB 81

TO: V. Kent Dawson, Director
Division of Budget & Management
Department of Administration

DATE: January 29, 1975

FILE NO:

TELEPHONE NO:

FROM: 
Robert P. Schroeder
Legal Administrator
Department of Law

SUBJECT: FY75 Supplemental Budget
Request - Cook Inlet Pricing
Case Litigation

The Department of Law requests a supplemental appropriation of \$107,900 to the FY75 Legal Services operating appropriation. The funds requested are for costs expected to materialize during the remainder of conducting the state's portion of the Cook Inlet Pricing case. (A period including FY75, and in all likelihood, the first half of FY76). The Department does not have sufficient funds available in its FY75 budgets to cover these costs. Neither are those costs expected to occur in FY76 reflected in the FY76 budget request.

The Cook Inlet Pricing Case is a case involving disputes between the state and eleven oil companies and the purchaser of the state's royalty oil. The matters involved in the lawsuit are complex, but essentially the case involves the price of oil upon which both royalties and taxes are to be calculated, and whether certain deductions from this price are allowable in computing the state's royalty and taxes.

This case has reached a critical stage in which it is necessary to incur additional costs to complete the state's discovery of important documents and information. These costs are compounded by the fact that the case covers events extending back into the early 1960's and involves persons and businesses situated throughout the United States.

The \$107,900 requested is composed of \$17,100 for personal services, \$41,000 for travel, \$48,000 for contractual services, \$1,500 for commodities and \$300 for equipment.

Personal Services

This case currently requires full time attention by two attorneys and part time attention by another attorney in addition to most of the time of one legal secretary. All are on the Department's present staff. For the duration of the case, including the impending trial in the state Superior Court in Anchorage, this same level of personal services will be needed. In addition to the present commitment of personnel, the Department estimates that, with twelve other parties opposing the state, an overwhelming amount of legal documents and written communications between the state and the opposition will necessitate the hiring of another legal secretary on a permanent full time basis for the duration of the case and a temporary clerk typist for six months on an as needed basis.

V. Kent Dawson, Director
Department of Administration

January 29, 1975

- 2 -

Travel

During the course of taking depositions essential to the state's case, it will be necessary for the state's attorneys to travel to the locations of pertinent persons and businesses, and almost all of these are outside of Alaska. Based upon past experiences with cases of similar nature, the department estimates 30 weeks of travel will be necessary at an average cost of \$500 per week. This amount includes transportation and per diem.

Contractual Services

The amount requested here is to pay for approximately eighty depositions and transcripts at \$300 each - \$24,000; anticipated costs of Services of experts - \$14,000; cost to produce necessary copies of pertinent documents - \$3500. Cost of communication services, postage, office rent and office machines rent - \$6,500.

Commodities

Consumable office supplies - stationary, etc.

Equipment

Typist desk and chair.

RFS:jdg

MEMORANDUM

State of Alaska

TO: Ron Lind, Deputy Director
Division of Budget and Management
Department of Administration

DATE: December 10, 1974

FILE NO:

TELEPHONE NO.

R.F.S.
FROM: Robert F. Schroeder
Legal Administrator
Department of Law

SUBJECT: 1975 Miscellaneous Claims

Attached are three statements from the law firm of Baker and Botts for the contracted services of Thomas M. Phillips, attorney consultant in the Lower Cook Inlet case. These are for services from December 1973 through June 30, 1974. Because we did not lapse sufficient funds in Contractual Services in the Legal Services Program for FY 1974, we are asking that the statements, totaling \$12,350.00, be included in the Miscellaneous Claims.

Enclosed is a copy of a letter from former Attorney General, Norman C. Gorsuch to Mr. Phillips and his reply. This is the culmination of our long drawn out effort to get periodical billings from Baker and Botts so that payments can be made in compliance with state fiscal periods. The attached billings are the first positive results we have achieved even though they are not timely.

This case has been proceeding for a few years with this firm representing the state. We have passed the point of terminating their services without seriously jeopardizing the outcome of the case but we will make every other effort to obtain timely billings from them for the duration of this case.

RFS:jdj

Attachments

12,400

83,900

BAKER & BOTTS
ATTORNEYS AT LAW
ONE SHELL PLAZA
HOUSTON, TEXAS 77002

November 27, 1974

State of Alaska
Attn.: Attorney General Norman Gorsuch
Pouch K
Juneau, Alaska 99801

Re: United States of America v. State of Alaska

To fee for services rendered from December 1, 1973 through December 31, 1973, including: long distance conferences with Bradley and thereafter with Cranston; continued study of Government's brief; study of record, revised draft of supplemental brief; work on brief; long distance calls to printer and Clerk in California; letter to Cranston recommending preparation and filing of supplemental brief; extended long distance conference with Cranston; agreed to take responsibility for preparing final draft of supplemental brief; study of material from Cranston for incorporation in supplemental brief; study of all briefs filed thus far in this matter; drafting, revising and drawing final draft of motion for leave to file supplemental brief; work on draft of brief; completed final draft of supplemental brief; long distance calls to printer and Clerk; letters to Cranston, Bradley and Gorsuch; letter to printer, review of supplemental brief.

39 Hours

\$3,900 00

BAKER & BOTTS
ATTORNEYS AT LAW
ONE SHELL PLAZA
HOUSTON, TEXAS 77002

November 27, 1974

State of Alaska
Attn.: Attorney General Norman Gorsuch
Pouch K
Juneau, Alaska 99801

Re: United States of America v. State of Alaska

To fee for services rendered from January 1, 1974 through March 31, 1974, including: long distance conference with Clerk in California re filing of brief; correspondence on same; long distance telephone call to Clerk re receipt of motion for leave to file supplemental brief; letter on same; review all briefs filed in trial court and Court of Appeals preparatory to arguing case in Ninth Circuit; long distance conference with Cranston re presentation of oral arguments in Court of Appeals; legal research between difference between "acquiescence" and "tolerate"; preparation for oral argument; January 12 through January 14 in San Francisco; in further preparation for oral argument conferred with Cranston and coordinated our arguments; appeared in Ninth Circuit Court on submission of case and made Appellee's opening argument; returned to Houston; review of Master's Report filed by Federal Government; long distance conference with Stockwell re status of Louisiana tidelands case; correspondence with Cranston; letter to Olive Stone; study legislative history; telephone conference with Oliver Stone; memorandum to file; letter to Stone; study of Court of Appeals' Opinion; letters to Cranston and Stone.

49.5 Hours

\$4,950 00

BAKER & BOTTS
ATTORNEYS AT LAW
ONE SHELL PLAZA
HOUSTON, TEXAS 77002

November 27, 1974

State of Alaska
Attn.: Attorney General Norman Gorsuch
Pouch K
Juneau, Alaska 99801

Re: United States of America v. State of Alaska

To fee for services rendered from April 1, 1974 through June 30, 1974, including: long distance conference with Cranston re proposed meetings with Department of Interior personnel in Washington; calls, conferences and correspondence with our Washington office re making appointment for conference; long distance conference with Bradley; call to Department of Interior and made appointment with Solicitor Frizzell; long distance conference with Attorney General Gorsuch; outlined presentation to be made to Solicitor Frizzell; study of file and completing arrangements and plans for presentation to Solicitor Frizzell; April 21 through April 22, in Washington, D. C.; there conferred with Solicitor Frizzell and Deputy Solicitor Lindgren; letter to Attorney General Gorsuch reporting results of conference with Dept. of Interior personnel; letter to Frizzell, Solicitor; long distance conference with Cranston re preparation of brief in opposition to petition for writ of certiorari; began study of petition for writ of certiorari; began draft of opposition brief to petition for writ of certiorari with review of file and briefs.

35 Hours

\$3,500 00

3500
11/20
2900
11-20

November 21, 1974

Mr. Thomas W. Phillips
Attorney at Law
Taker & Potts
One Shell Plaza
Houston, Texas 77002

Re: Billing in Cook Inlet Case

Dear Tom:

Before delving into the subject matter of this letter, I want to once again acknowledge the State's appreciation for the unique and invaluable work you have performed in the Cook Inlet Case. The State's favorable posture in the case at this moment is directly related to your efforts.

However, your billing practices are creating extreme problems for the Department of Law. The department operates on a fiscal year basis beginning July 1 and ending on the following June 30. As you know, your contract running from July 1, 1973 to June 30, 1974, requires billing on a monthly basis. The July 1, 1974 to June 30, 1975 contract requires billing on a calendar quarter. The purpose of such billing provisions is to insure that all charges attributable to a particular fiscal year are presented to the department during that fiscal year. The department does not have the latitude to intermingle funds of different fiscal years. For FY '74, this department lapsed about approximately \$10,000. If your billing for services rendered in FY '74 had been timely presented, the lapsed \$10,000 would have been used to pay your bill. Further, in FY '73, your bill for services rendered in that fiscal year was not presented in time to encumber FY '73 monies. As a result, some \$13,000 which the department had allocated to your contract lapsed. The department was able to pay the FY '73 bills with FY '74 monies. However, in order to do so, the department went through some very tense belt-tightening (which involved a reduction in both the quantity and quality of our services to the citizens of Alaska) and for awhile, the department anticipated a FY '74 deficit.

In accord with the above, the department is returning your November 8, 1974 billing in the amount of \$10,021.53 and requesting that the charges contained in this billing be separated out on a calendar quarter basis. This will result in

BAKER & BOTTS

ONE SHELL PLAZA
HOUSTON, TEXAS 77002

TELEPHONE (713) 229-1234
CABLE: BOTTBHOVE - TELE: 76-2770

1701 PENNSYLVANIA AVE., N.W.
WASHINGTON, D. C. 20006
TELEPHONE (202) 337-4000

ASSOCIATED OFFICES

PASEO DE LA REFORMA 76
MEXICO D. F. MEXICO

21 AVENUE GEORGE V, 5E ETAGE
PARIS 8, FRANCE

G-24,363
United States of America v.
State of Alaska
(Cook Inlet)

November 29, 1974

RECEIVED
Department of Law

The Honorable Norman C. Gorsuch
Attorney General, State of Alaska
Pouch K - State Capitol
Juneau, Alaska 99801

DEC 6 1974

AM
VIS: 0:00:00:1:0:0:4:5:0 PM

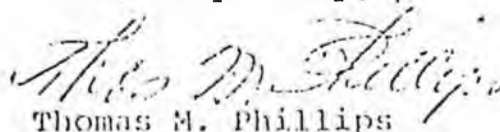
Dear General:

I thank you for your letter of November 21st concerning our previous statement. First, let me express my appreciation for the confidence you have expressed with regard to our work. This case, as you know, has been a fascinating experience, although it has not been financially rewarding to my firm. Secondly, I regret that our business practices have caused you to suffer problems. I simply was unaware (or forgot) that you were having these problems. I offer no excuses, but by way of explanation I might state that in working on this case my attention was more closely focused on obtaining a victorious result for the State.

I have complied with your request and am submitting our bill, broken down into the periods you suggested. The enclosed and revised statement is for \$18,900. From this you will observe that we have done practically no work in this case since the close of September, 1974.

I trust that the enclosed statement will meet with your approval and again apologize for the problem that our billing practices have caused you. With warm esteem and personal regards.

Yours very truly,


Thomas M. Phillips

TMP: 34
Encl.

Mr. Thomas W. Phillips
Houston, Texas

November 21, 1974

- 2 -

separate amounts for the hours you worked on the case and expenses incurred for the periods of December 1, 1973 through December 31, 1973, January 1, 1974 through March 31, 1974, April 1, 1974 through June 30, 1974, July 1, 1974 through September 30, 1974, and October 1, 1974 through December 31, 1974. (The Department realizes that your November 4, 1974 billing includes October 1974 and not November and December. I recommend that those charges incurred in October be removed from the billing and become an ingredient of your October, November, December bill.)

In the long run, it is hoped that the above procedures will permit the State to provide timely compensation for your services and not excessively inconvenience you. Your cooperation in this matter will be appreciated.

Sincerely yours,

Norman C. Gorsuch
Attorney General

WCC:cjs