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"An Act relating to oil terminal facilities and the marine transportation of crude oil, refined petroleum products or their by-products; and providing for an effective date."

COMMITTEE REPORT

4/28/76

HOUSE

JUDICIARY

Mr. Speaker:

Date 5-17-76

The Committee on RESOURCES has had CS SS SB 406

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)

recommends it BE REPLACED WITH HCS FOR CS SS SB 406 AND THAT
HCS FOR CS SS SB 406 DO PASS

"and" recommends it BE REFERRED TO THE _____
COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>Walter D. Anderson</u>	<u>W. W. Thompson</u>	<u>W. W. Thompson</u>
<u>Frank P. Harrison</u>	<u>W. W. Thompson</u>	<u>W. W. Thompson</u>
<u>W. W. Thompson</u>	<u>W. W. Thompson</u>	<u>W. W. Thompson</u>
<u>W. W. Thompson</u>	<u>W. W. Thompson</u>	<u>W. W. Thompson</u>

Members NOT concurring in the Majority report:

Frank P. Harrison recommends: Do Not Pass

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

Walter D. Anderson Chairman

Madam Chairman and Members of the Committee:

My name is George Day. I have been employed by Standard Oil Company of California for 28 years and have been the Manager of my Company's refinery and oil terminal in Kenai for the past four years. I appreciate the opportunity to present my Company's views on Sponsor Substitute for Senate Bill 406 as it pertains to my Company's operations in the Cook Inlet and the Gulf of Alaska. Following my testimony, I will be available to answer any questions you may have.

My Company shares your concern for the preservation of the natural beauty and the ecological integrity of the Cook Inlet and the Alaskan sea coast. Therefore, we understand your desire to take all possible steps to assure the protection of the coastal waters. However, we emphatically do not agree with the approach taken in this legislation. We do not agree because we do not accept many of the assumptions made by the authors of the bill.

The assumptions I am referring to are first, that spills, discharges, and the escape of petroleum products have occurred frequently in the past, are occurring now, and present future threats of potentially catastrophic proportions. This is inflammatory language because it implies that oil spills occur on a regular and predictable basis. This is demonstrably not true. There have been very few oil spills and they have caused only a small amount of damage.

As an appendix to my statement, I am attaching a recap of a bulletin prepared by the State of Alaska Department of Natural Resources, Division of Oil and Gas. It is a tabulation of the volume of oil

spilled and the incidence of spills in the Cook Inlet from 1949 to August of 1975. The Bulletin specifically notes the small volume of spillage attributed to the oil industry during the past five years. Further, the data shows an almost steady decline in spill volume since 1958 and in incidence of spills since 1969. Our terminal spill record conforms to the above.

This brings us to the second assumption which is that the damage caused by oil spills is permanent and longlasting.

There have been numerous studies taken over the years to determine the after effects of oil spills, discharges, the leaks of petroleum products. Two studies are particularly noteworthy. One was undertaken in 1972 by the Gulf Universities Research Consortium (GURC) which is composed of scientists and graduate students from eleven universities and non-profit research instituties. The objective of their study was a scientific assessment of the ecological effects of offshore oil drilling and production off the coast of Lousiana. The area chosen for study was one which has been subjected to over 25 years of normal operations, as well as two recent accidental spills.

After two years of intensive investigation under the most rigid scientific conditions GURC concluded:

- (1) The area had not undergone significant ecological change as a result of petroleum drilling and production.
- (2) Every indication of good ecological health is present; the region is a highly productive one from a biological standpoint.

(3) Concentrations of all compounds which are in any way related to drilling or production are sufficiently low to present no known persistent biological hazards.

(4) Natural phenomena such as seasonality and floods have much greater impact upon the ecosystem than do petroleum drilling and production activities.

In other words, after 25 years of oil and gas drilling operations, GURC found there had been no adverse environmental/ecological impact.

The second study I would like to refer you to concerns the effects of the 1971 San Francisco oil spill on marine life. The spill occurred during the early morning hours when two vessels collided under the Golden Gate Bridge releasing 840,000 gallons of Bunker & fuel. The oil was washed up on intertidal shores throughout the San Francisco Bay Area.

The study was sponsored by the College of Marine School District Board of Trustees. Conducted in 1972 and 1973, it found no lingering effects of the oil spill in any of the marine species throughout the intertidal transect sites. In fact, in a few instances, it was found that the marine organisms on the reef transects previously covered by oil had surpassed pre-oil population levels.

Thus, I believe it is reasonable to state that oil spills are of short-term duration and, secondarily, that a long-term effect is not measurable.

Now, the third assumption which I would like to discuss is the one that the present capability of personnel, equipment, and supplies are not adequate in the event of an oil spill. On the basis of this assumption, Section 30.25.110 of the bill would permit the state to establish and maintain at ports, harbors, or other locations throughout the state personnel, equipment and supplies to combat oil spills. This would be an extremely costly and unnecessary step for the State of Alaska to take.

The highly efficient natural dispersion of the Cook Inlet and ocean waters is one of the most effective means of combating oil spills. Additionally, professional contractors and oil spill cooperatives are rapidly approaching the capability to deal with spills, leaks, and discharges of petroleum products. The privately-financed programs include the Cook Inlet Oil Spill Cooperative ready now with equipment. A production cooperative in the Gulf of Alaska is in the process of purchasing equipment in preparation for oil and gas drilling there. Similarly, Alyeska Pipeline Company is developing its own oil spill cleanup capability at Valdez. In any event, the U.S. Coast Guard is charged, by law, with the responsibility for cleaning up oil spills and its record for doing so is an excellent one.

There are several other instances where this bill requires action by the state in areas now regulated by federal authorities.

Section 30.25.040 would require a Certificate of Insurance as a condition of operation for a terminal facility or a vessel engaged in the transportation of petroleum products. Such a certificate

could or be obtained upon submission of satisfactory evidence that the applicant has, or is in the process of, implementing state and federal plans and regulations for the control and abatement of oil pollution. Section 30.25.010(d)(4), declares it to be a purpose of the act to establish a fund for the inspection and supervision of oil transfer activities. These two provisions would be duplicative of authority already granted under federal law.

The U.S. Coast Guard, acting under the authority of the Federal Water Pollution Control Act Amendments of 1972, regularly inspects and monitors all oil transfer facilities.

It may suspend operations at any time in the event a threat of a discharge is found to exist. In addition, the operator of each transfer facility is required to prepare and submit an Operations Manual describing the procedures followed to meet specified operating rules and equipment requirements. These include ready access to oil containment material and equipment, licensing of tanker employees and certification of terminal employees involved in oil transfer activities. Forming a State force to duplicate what is now being satisfactorily done by the Coast Guard would be a wasteful expenditure of the consumers dollar.

Another example of duplication is the requirement of EPA for the preparation of Spill Prevention and Countermeasure Plans for refineries and storage terminals. A further example is Section 30.25.010(d)(1) which confers upon the Department of Conservation

the authority to deal with the potential danger posed by the transfer of petroleum products through the exercise of the police power of the State. Again, the U.S. Coast Guard is required, by law, to exercise all the police powers stated herein for the navigable waters of the United States. In this regard, if a terminal fails to clean up a spill, the Coast Guard is required to do so and then to obtain reimbursement from the terminal.

The final point I would like to mention today regards the establishment by the state of a fund to guarantee the prompt payment of reasonable damages resulting from oil spills. It is my hope that the Congress will move very shortly to enact legislation which would establish a fund to cover claims for oil spill damages; create a uniform nationwide system of strict liability for oil spill damages and settlement of claims; and implement two international conventions dealing with oil pollution caused by tankers on the high seas. The purpose of the federal bill, known as the Comprehensive Oil Pollution Liability and Compensation Act of 1975, is to insure that any damaged party will be compensated regardless of the source of the oil spill. Secondly, its purpose is to clearly fix responsibility and liability for an oil spill. To meet these objectives, the bill specifies the types of damages that would be recognized and the procedures to be followed in obtaining recovery. Rather than a patchwork of differing and often conflicting laws providing compensation for damages, here is an opportunity to centralize the whole funding and recovery procedure. I urge this committee to consider the merits of the federal legislation and in so doing, defer taking action until the Federal Government has had an opportunity to act on its program.

In addition I would like to remind you of the two existing funds established voluntarily by tanker owners and cargo owners. The first program is the Tanker Owners Voluntary Agreement Concerning Liability for Oil Pollution (TOVALOP), which provides that, irrespective of liability, participating tanker owners may claim reimbursement for costs incurred in voluntarily cleaning up oil spills. The second program is the Contract Regarding an Interim Supplement to Tanker Liability (CRISTAL), which was developed by oil cargo owners to provide additional protection -- for private citizens as well as for governments -- by extending the limit for each incident up to as much as \$30 million.

The broad industry coverage under these programs provides sound protection in the event of a spill and encourages ship owners to take prompt remedial action.

In conclusion, we believe that the protection now available to the State as outlined above is entirely adequate to the task of monitoring and inspecting petroleum product transfer operations. What is more, the equipment, supplies, and personnel provided by private cooperatives, contractors, and the Coast Guard is similarly adequate to protect the waters of the State from untimely leaks, discharges and spills of petroleum products. Hence, no further legislation is necessary, particularly legislation as costly to the taxpayers of the State as this bill will be while yielding a correspondingly low level of return.

I hope the views I have presented will be helpful to you and I respectfully urge that you consider them and reject this bill.

Thank you for permitting me to speak with you this afternoon. I will be happy to answer any questions you may have.

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS
3001 PORCUPINE DR. ANCHORAGE, ALASKA 99501

JAY S. HAMMOND, GOVERNOR
BULLETIN
FEBRUARY 1976

GUY R MARTIN: COMMISSIONER O.K. GILBRETH JR., DIRECTOR
CIL SPILLS IN COOK INLET

A tabulation has been prepared showing oil spill volumes and incidence of spills in the Cook Inlet. The data were obtained from the EPA and Coast Guard.

The spills are broken down into three categories: (1) oil industry related; (2) non-oil industry related and; (3) unknown sources. This is the first time to our knowledge that a breakdown such as this has been reported. It should be noted that there are no volumes reported with the unknown source spills because the small volumes could not be determined.

The non-oil industry related spills are those that would have occurred even if there was no oil industry activity in the Inlet, e.g., a fuel oil spill from a tanker bringing fuel to Anchorage for domestic use.

It is interesting to note the small volume of spillage attributed to the oil industry during the last 5 years, namely a total of 145 barrels.

It has been the practice in the past for persons making E.I.S. or environmental assessment studies to take data from one area and use for extrapolating in other areas of producing oil industry, this distorted picture could be compounded by trying to apply this data to other areas being evaluated for potential impact of oil industry activity.

YEAR	<u>OIL INDUSTRY</u>		<u>OTHER SOURCES</u>		<u>UNKNOWN</u>
	<u>SPILL VOLUME</u> BBLs	<u>INCIDENTS</u>	<u>SPILL VOLUME</u> BBLs	<u>INCIDENTS</u>	<u>SOURCE</u> <u>INCIDENTS</u>
1949			30	1	0
1962	No data	1			0
1964			No data	1	0
1965	160	1			0
1966	4,855	28	30	2	13
1967	1,824	47	10,000	1	26
1968	1,070	49	389	17	18
1969	918	21	6,243	10	12
1970	1,039	23	3,984	9	31
1971	72	12	1,794	6	15
1972	19	8	32	7	1
1973	24	6	29	8	1
1974	19	25	268	7	4
1975*	11	2	18	4	3
	10,011	223	22,817	73	124
				(Total incidents = 420)	

*through 8/21/75

	<u>OIL INDUSTRY</u>	<u>OTHER SOURCES</u>
OVERALL AVERAGE SIZE OF SPILL	45 bbls	313 bbls
AVERAGE SIZE OF SPILL LAST 5 YRS.	3 bbls	67 bbls
TOTAL VOLUME SPILLED LAST 5 yrs.	145 bbls	2,141 bbls

STATE OF ALASKA

rec'd 5/12
JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

POUCH D — JUNEAU 99811

May 12, 1976

House of Representatives
Resources Committee
In Session
Juneau, Alaska

Attention: The Honorable Nels Anderson, Chairman

Re: Senate Bill 406

At your session on Monday, May 10th, on the occasion of my testifying as to the insurance aspects of the Tanker Bill, I was asked to investigate the costs of Pollution Liability Insurance for the oil terminal facilities in the bush areas of Alaska.

I am happy to give you the following report which is, at this time, sketchy but I hope will prove helpful.

Perhaps the most helpful source of information has been Mr. William Beaton, Senior Insurance Analyst for Standard Oil of California. Mr. Beaton is responsible for the insurance placement requirements for all of the oil distribution facilities in the western states including Alaska which includes arranging for the insurance for all bush oil terminal facilities. I would suggest that if further detailed information is required that Mr. Beaton should be contacted directly.

In our conversation, Mr. Beaton advised that Standard Oil Company of California owns all of the physical plants at each of the oil terminal facilities. With respect to all of the facilities in Alaska except three, Standard Oil enters into a contractual relationship with the distributor, which amounts to the lease of the premises and an operations agreement which includes the provisions for the purchase and distribution of Standard Oil products and the requirements for proper operation of the facility.

Included is the requirement that the distributor purchase and maintain adequate limits of liability insurance. The distributor is free to purchase his liability insurance from any source, however, Standard Oil makes available an insurance program in which the distributor has the option to participate which has been arranged by Standard Oil with the Hartford Insurance Company. Under this program Hartford provides Bodily Injury

May 12, 1976

Liability protection up to limits of \$100,000/300,000 and includes a pollution endorsement for both intentional and accidental damages up to \$25,000. This policy has a specially arranged premium of 70¢ per 1,000 gallons of capacity at the oil terminal facility. For example, the village facilities which were included on a list given me by Representative Huntington, had an average gallon capacity of about 300,000 gallons. A 300,000 gallon facility would have a premium of \$210.00 per year.

This is an extremely favorable rate and is perhaps available because of the program being arranged and probably subsidized by Standard Oil although this last point is speculation on my part.

Mr. Beaton advises and I believe his information to be correct, that a distributor would be unable to purchase Pollution Liability Insurance on his own from any other source.

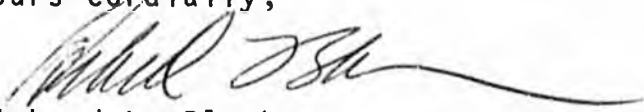
I am aware of the fact that some carriers have announced policies of not covering pollution liability and currently are endorsing all of the liability policies accordingly. It is my conclusion that it would be a very difficult requirement to impose upon the small village distributor operated facilities, to ask that they purchase \$1,000,000 of Pollution Liability Insurance. I should point out that the oil terminal facilities handle refined products, fuel oil, gasoline, and so forth.

It was my understanding originally that the oil terminal facilities which were the target of the Tanker Bill were those handling the exportation of crude oil and it perhaps would be desirable for the committee to consider limiting the application of the Tanker Bill to those facilities.

Mr. Beaton indicated that while he could not remember which were the three facilities which were not operated by distributors, I would suspect that they do handle crude and because they are owned and operated by Standard Oil, may be covered under the International Consortium, known as CRISTAL.

If I can be of further assistance, please advise.

Yours cordially,



Richard L. Block
Director

May 14, 1976

Memo to: Guy Van Doren

From: Norman Gorsuch

Re: HCS CSSSSB 406

Page 20, Line 10

Strike lines 10 through 20 and replace with the following language:

(ii) partial, complete or defensively placed segregated ballast systems;

(iii) a double bottom of a minimum height of one-fifteenth of the beam or two meters, whichever is the greater, or a double hull throughout the cargo-carrying length or compartments of the tank vessel of a minimum of two meters;

Purpose:

(1) sets forth clear statutory criteria that can be used by DEC in setting risk certificate premiums - avoids arbitrary rate setting

(2) recognizes that segregated ballast systems on tankers are safer than single hull vessels - arguably, double hulls would be even safer. Allows some recognition in premium rates of difference between rate for single hull vs. segregated ballast tankers.

Failed →

Joan Ray called: May 12, 4:00 p.m.

Regarding insurance for the villages, it is very difficult to find any company that will insure the bulk storage at all.

Rates are: \$2.00 per hundred for gross receipts, on liability.

3% to 8% or more of the value of the facility plus the contents for fire insurance.

The Director for (Aneca)??called her from Seattle. He is very concerned with the bill. It would hit their villages very hard. They now have \$300,000 per facility for liability. It would be impossible to handle \$1,000,000.

I told Joan about the 25,000 barrel suggestion. She feels that would probably take care of the villages except for Barrow, which owns all of its facilities. Barrow is calling her this afternoon to let her know what their insurance costs and situation is.

Joan will call you again tomorrow.

ra

P.S. Joan definitely feels that the best answer would be to separate out the crude oil from the rest of the products.



BERING STRAITS NATIVE CORPORATION

P.O. BOX 1008 · NOME, ALASKA 99762 · (907) 443-5252

May 4, 1976

*rec'd
5/6*

House Resource Committee
Nels Anderson, Chairman
Pouch V
Juneau, Alaska

Dear Mr. Anderson:

The Bering Straits Native Corporation Office received a copy of Senate Bill No. 406. Under this bill, if passed, tighter restrictions would be put on tanker vessels and storage facilities. In the original bill, under Section 30.25.060 - Exemptions, any marina which stores less than 20,000 gallons and any facility which stores less than 105,000 gallons are exempt from the proposed regulations. In the Bering Straits Region, we have (3) three, possibly (4) four villages that would fall under the new regulations. Those villages, under the new regulations, would have an added financial strain to meet those requirements. The fuel that they purchase and store is also sold to other villages nearby when shortages occur. If they are to take the time and money to meet the new requirements, less fuel will be purchased because monies were or will be used to upgrade their facilities; creating more of a shortage next year. It's bad enough already.

The Bering Straits Native Corporation supports the Alaska Energy Office in increasing the figure in Section 30.25.060 from 105,000 gallons to 400,000 gallons for on-shore facilities; thus creating a less hardship on the villages in this region.

Sincerely,

Isaac Piscoya

Isaac Piscoya
Assistant Vice President
Village Affairs

IP/sw

cc: Governor Jay Hammond

5-5-76 HB 872 - C555513 406

Milton Lipton - HB 872 - Amends Leasing Act. Feb 1970

- #1 Royalty fixed - specified % of gross value
- #2 Net Profit Interest - Royalty - NOT Gross value but of profits.

Suggestion: Instead of 12% or 30% - Royalty "not less" unless the commissioner feels in certain cases it should be less.

- #3 New concept - Pays bonus and offers the highest bid on net profit

on non-productive leases

- 1-2 Risk on the oil co.s - state gets larger share
- 3 - State taking a portion of the risk. Small fixed bonus - would offer more in terms of the net profit. STATE foregoes the competitive share of Bonus w/o Risk

- 4. Interesting alternative - Fixed cash bonus - + Companies bid on royalty - on how much they will offer for royalty - Cost of operating. Could be uneconomical esp when oil starts to peter out - Too soon abandonment of well - Public hearing justification to legislature why this was taken. Only if it was a highly productive field

(b) Specification of how Net profits will be calculated.

Primary term.

p13 - lease specified - 5yr. lease to do production 18,00 per year 3rd year - Difficult areas 11yr. Primary term.

page 2

. No monies payed for 4 years. Is this too long?

(e) + (f) discretion to Commissioner - part of existing Statute - Personally feels ambiguity in (e) + (f)

pg 4

a lot of power + authority -

Sec 184. Whole New Concept.

Companies will bid for the right to explore. State is providing only an exploration contract. What they bid is for what the state will give to the companies. Bid for what reward they want from the state - (Lowest bid)

(b) Very different than competitive bidding - If unsuccessful you loose all you've put in the exploration process.

How do you determine how much oil you've found. Periodically. State must access what was found at request of company - Contractors can ask to reaccess the pool - at contractor expense.

If higher the state pays. If lower, the state cannot collect what they have paid.

Ambiguities - Not specified at what point in time when exploration contract comes to an end. ^{1st} Successful well? Not stating how much work must be done. Not clear at what rate the state must pay. See clause (f)

If successful contractor - state is obligated to pay problem with where the discovery is. Especially if in outlying area + cannot be developed. - Doesn't say how the state would develop the the discovery + bring it into ~~business~~ production.

No Rights to oil for the company - state has title to proven reserves under the surface -

page 3

(1) Conventional leases. No provision for work that must be done. No obligations to do the work. Work obligation should be in law

→ every lease should require minimal work to be done
Lease - holding does not bring in any money to state. Commissioner should set minimum dollar amount of work to be done. Exploration work may be allowed to use in-lieu of Rents. (credit)
State also will learn from the work obligation - Useful contribution to the state.

INITIAL Round. (2) checkboarding but ^{does} not mean that. Any ^{lease} ~~assignment~~ must allow enough acreage for the companies to explore especially in the 1st Round.

Should be in. Shape of basin - Commissioner offers reasonable amount but not all, but save some for future bids which might be valuable -

General Obligations.

XXXX No indication here what is really in the mind of the legislature. No guidelines for Commissioner. Nothing which says "Why" the Commissioner would go for Competitive Contract Exploration. 64,000 acres - (High potential) OR way out areas. Should be a reason for choosing that alternative. What circumstances would dictate Exploration.

Rhode: Parallel to taking states assets - Really going into oil business? YES. Nothing in the bill says what the state is going to do after exploration esp. if Reserves are found. No reassessment after 10 years have passed. Bill implies that the state will do something with the land w/in 10 yrs.

See HB 60

add
language
from
1/1/68 -

Huntington - Has this been tried before? NO

pg 7 (g)

pg 5 (K) Provision addressing "checkerboard"

Minimum Work Requirements on leases

(e) pg 3

discretion or authority of Commissioner

(f) pg 4

after
Rental
payments
pg 3

Companies must know before lease are offered the minimum work requirements. Companies can charge to lease rental. abandon lease before, monies go to the state. Commission shall set minimum work requirements.

Net profits should not be on a month to month basis

CSSSB406

Ken Showalter SOTH

Adequate Equip
Financial Obligation
immediate removal.

Unlimited quantity of Monies in the fund.

2 other voluntary funds for cleanup

Valdez - California 100, Million fund 5¢ assessment per bl.

Required by federal law

Not clear that the state assumes clean-up v

undue burden on shipping companies

Oil Amendment #1 20 million limit - Cease assessment
unless fund dropped below 15 million dollars. Would
also provide for new entry requirement by assessment

→ Fund not intended to settle 3rd party liability.

Oil Amendment #3 Double bottom

#2 +

oil Amendment #4 Year to Year accumulation of Monies.

2+4 would take care of this

line 8 pg 29

Amendment #5

Objective of the bill is to provide safe ships.
Better to use #6 - Everyone should pay for
their own clean-up costs. 1:30

Gene Wildes - Social

on shore terminal facilities

Before being issued the permit (certificate) insurance
equipment, financial responsibility - THEN YOU MUST
BE IN THE FUND.

Undue burden on small operators

ANC - NIKISKI - NOME KOTZ - BETT. Valdez
Dutch Harbor, KETCHIKAN 90,000 bbls or greater.

30 - 90 - (11) Cold Bay Cord. DLG. ANC Apt.
Kudink - NAKNAN ST. MICHA SKAG
Term. SKAG Ferry Terminal

↑
10 - 30 - (11) Homer, Seward, Sitka, Galena,
Seldovia, Haines, Annett Isl. FT Yuk. Petersburg
Nunavut, Yakutat.

2 - 10. (8) CRAIG, PELICAN, ST. MARY, WAINWELL
Holy Cross, KENAI, PLATINUM,

3 MARINAS - 2 are over 2,000 ELKILCOVE
False Pass -
1 Under 2,000 JUNEAU, MARINA.

additional fuel costs to people in the area.

Figures on how much it will cost the consumer.

Joan Ray - FS through-put included.

Doug
Bailey -

Marathon oil. for figures.

8:00 A.M. FRI Morning -

tax on value of the field
take out credit for corporation income tax

additional language including gas.

pg 25 (c) If can tax the oil do so.

No state has been able to tax the companies adequately

John

pg 3 line 3) no costs which have already been included deduction
may be deducted under this act.

In the bill dry holes are treated the same as good holes

3-26 Cow and Platforms are not depreciated.

→ Maximum of simplicity: Handle program how Dept of Revenue handles
income tax

→ Set up categories of deductions and definitions of same
* operating costs - Capital recovery - Depreciation ^{costs} ~~costs~~
allow Dept of Revenue to come up with Regs

Carry over costs -

Direct accounting -

pg 4-20. Before production and at the start and towards the end

pg 5-2 Does not deal w/ state royalty oil -
Native argument.

pg 5 11. Value at the well head.

Look into Senate Bill

S.S. 503 620

SB 747

do not call excess profit -
purpose should state taxation of ^{on a non-}
renewable resource - you must point out where it is different.
Determine net proceeds - oil + gas.
deductions allowed for - operating ^{expense} costs - within 5% more of
money spent in the state.

Must amend Chapter 20 income tax.

income tax year 1976 effect would be confined to these

congress in Cook 2nd Pa. Clear up problems - Constitutional
questions can be circumvented - different philosophy of legislature

Fear of endangering the compact. Administrative problems
would ^{factor} ~~would~~ be to disadvantage to Alaska.

Alaska income tax alone not taking in construction
world wide factor.

Sales & employment figures do favor Alaska - property values
may help.

Return of property will be great enough. 8% rental rate or
initial acquisition price. Acquisition cost not applicable
because of the cost level in 1960 (date)

The way to get tax base from apportionment -
world wide value of property vs value of Alaska
property. take that fraction and apply to
world wide profits.

Only two million dollars from income tax to for
socially that some would raise seven million.

Corporate income tax hit the Regional Corporations
harder than if the bill passed. This is because oil
companies can use apportionment throughout the world.

Reform directed at the multi-state companies

Industry productivity 70% of the go that you do
Japan - 30% come from the cost out.

Ambridge Mutual has said they were going to
be about 9 years.

Copy of letter from Alaska Pipeline
October 10, 1975.

Homer Electric - out in at the time.

History of who was at the meeting.

Copy of the minutes of the meeting.

Came to agreement about three or four weeks ago.

Alaska Pipeline - Ambridge - Kenai

CSSSB 406 - Gene Wilds

Relation to Shaming
of financial responsibility - 1 million dollar

Investment policy 150,000 per year 100,000

defensible -

Committee members - 4 million dollar budget

to administer the provisions of the bill.

Eliminate equipment market 1 - 2 million

dollar for equipment.

286,000 bts capacity
Dale Walker

320,000
Ambridge &

800,000
Kenai Pipe Line

134,000
Be the

Swanson: Ireland Area all not at budget to spend on
the cost of area

Swanson: Ambridge will only receive
up to the March end insurance rate will go up.

Even after suggested change many villages would be affected.

850,000 gallons in Barrow village owned insured now.

Pt Hope 350,000 gallons Pt. Hope

150,000 Savonga, Hamble and Ading

AVEC over 200,000 gallons in many villages.

Brown 2 Bills one dealing w/ Crude oil & one dealing with Refined products.

LARRY

Vauber 0 Increased Costs Transportation & Ship regulation - Elimination of Refined Products

MAY 10, 1976 - SB406 - HCR142

Commissioner Martin: A.G.'s office that the
Legislative review of the Royalty Statute is
unconstitutional

Craig Erickson: In general there is nothing
in the contract adverse to the people of the state.

Smith: Moved to adopt Resolve clause
as written by Erickson - adopted.

Contract to be ~~be~~ included.

TANKER Bill CSSSB 406

MR. Block - STATE director of Insurance.

2 Items -

Financial Resources

Cost distribution Mechanism - TANKER Most likely
to cause a spill will pay more than TANKERS w/
safety factor.

Coastal Protection fund - ~~Monies~~ Monies from
assessment - Distribution based on problem tankers.

→ on going fund

Administrative funds will come out of the fund.
Torrey Canyon - about 14 million for clean-up.

~~By enactment of this law.~~

Coastal Protection Fund - Exists to help clean up a spill.
Scaling how much liability vs. the amount of fuel.

1 Bill, but dealing with crude & refined
products Separately -

Brown: Upper limit on the fund. Support some sort of
limit - New Entrants would have to pay a certain

~~50,000,000~~
~~9,000,000~~
42 million

people under the Hartford plan
have liability for pollution only
up to \$25,000 maximum

Crystal covers the Standard oil facility liability.

Three Standard oil facilities.

Bill Beaton:

70¢ per 1000
 $\frac{70}{1000}$
7000.00

whole program

Amendments

406

- CS pg 14 - delete #6 Mag Card Mistake.
- pg 13 line 15
- pg 13 line 19 } Processing Ships who
incidentally fuel fishing boats when
pg 28 line 17 } necessary - ~~INSERT~~
- pg 31 line 17 See INSERT

CROFT - Proposed House Committee Sub.
Fishing vessels are exempt
Tugs + Barges are exempt.

Mueller

Double Hull Configuration is NOT safety factor in ramming.
But it is in grounding.

Review limit for fund every 5 yrs or so.

20,000,000 - upper limit.

Well head value effect.

— Deep water Ports referral Delete
all of these.

PASS Bill OUT OF Committee

DO PASS 5

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE
 Second Session - Ninth Legislature

I. REQUEST

Bill No. SB 406
 Title: Oil Terminal Facilities and Marine Transportation
 Requested by: Croft et. al. Date: April 23, 1976
 Return Date Requested: ASAP
 Agency: Environ. Conservation Program: Water Programs

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Water Programs, Field Ops & Mgmt. Svcs.

A. EXPENDITURES: (Thousands of dollars)

* No inflation projected

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES		50.1	145.7	145.7	145.7	145.7
200 TRAVEL		8.0	38.0	38.0	38.0	38.0
300 CONTRACTUAL		38.4	815.4	815.4	815.4	815.4
400 COMMODITIES		.5	2.0	2.0	2.0	2.0
500 EQUIPMENT		2.0	3.5	3.5	3.5	3.5
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		99.0	1004.6	1004.6	1004.6	1004.6

B. FUNDING: (Thousands of dollars)

GENERAL FUND		99.0				
FEDERAL FUNDS						
OTHER			1004.6	1004.6	1004.6	1004.6

C. POSITIONS:


PERMANENT/TEMPORARY	/	2/	6/	6/	6/	6/
MAN MONTHS (P./T.)	/	24/	72/	72/	72/	72/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

SEE ATTACHED

IV. ATTACHMENTS

Analysis

V. DATE: April 23, 1976 PREPARED BY: 

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Once the program is established and operating, an additional cost is incurred. However, this cost would be borne totally by the revolving fund and supported by the risk charges. As envisioned by the Department, the annual costs would be composed of the existing program staff, field inspection and enforcement personnel, and the actual contingency fund for oil spill cleanup. If satisfactory contractual arrangements can be made, it is probable that actual oil spill cleanup activity would be contracted to a firm specializing in these activities. The annual costs would be:

I.	Existing program staff.	99.0
II.	One Range 17 Field Officer each in; Anchorage, Valdez, and Southeast Alaska and an Accounting Clerk II to handle the revolving fund and miscellaneous program support cost.	155.6
III.	Contingency Fund from risk charges to cleanup oil spills. If oil spills are voluntarily cleaned up by industry, or if no spills occur, no costs are incurred by the fund.	750.0

It is the desire of the House Resources Committee to include the contract for the sale and purchase of state-owned royalty gas from the North Cook Inlet Gas Field with Alaska Pipeline Company, in the Committee Report and have the contract printed in the Journal.

Nels A. Anderson, Jr., Chairman

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

POUCH Y, STATE CAPITOL
JUNEAU, ALASKA 99811
465-3800

MEMORANDUM

17 May 1976

SUBJECT: House CS for CS for Sponsor Substitute for
Senate Bill 406 ("The Tanker Bill")

TO : Rep. Nels Anderson, Jr., Chairman
House Resources Committee

FROM : Stuart C. Hall, ^{Just} Senior Legislative Counsel

In the House CS which you directed this office to prepare incorporating various amendments adopted by the House Resources Committee, we edited the language of proposed AS 30.25.250(d)-(f), found on page 21, lines 14-29, inclusive, and on page 22, lines 1-4, inclusive, to conform it to the Legislative Drafting Manual and to the style adhered to by this office contained in Dickerson, The Fundamentals of Legal Drafting (1965) and to eliminate excess verbiage and redundancy. This editing makes no substantive change in the amendments adopted by the committee or in the bill.