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PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

M E M O R A N D U M

DATE: May 8, 1980

TO: Honorable Bill Miles, Co-Chairman
House Resources Committee

FROM: Milt Barker, Fiscal Analyst MB
Legislative Finance Division

SUBJECT: Alpetco Refinery Cash Flow

Table 1 (attached) is a projection of the operating cash flow of the proposed Alpetco facility over the life of the 27-year contract with the state. It is a best guess, based on publicly available data including data released by Alpetco, yet subject to a great deal of uncertainty.

Three areas of greatest uncertainty are:

The spread between the market value of a barrel of product and the cost of a barrel of feedstock. This cash flow basically freezes this relationship as it existed in the spring of 1980 over the life of the project. Data published in "Petroleum Intelligence Weekly" seem to indicate that this spread has varied as much as $2.00 in the past two years, using contract prices for crude and spot prices to value the products. It can be calculated from Table 1 that a narrowing of this spread by $1.39 or more would eliminate entirely the pre-tax cash flow, given the assumptions used for debt service. Presumably, contract prices for products would show less variation in spread from feedstocks also costed at contract rates. However, long-term predictions about the crude and crude product markets seem very hazardous; thus, this projection expresses profound ignorance about future market relationships.

Construction costs. It uses the $1,432.0 million figure contained in the Kutak Rock & Huie letter of December 11, 1979 (attached). Yet until the engineering cost estimate is obtained, this figure cannot be presumed to be very accurate. Moreover, cost overruns for large custom projects such as this are not unknown.

Assuming no tax-exempt financing is allowed does not do great damage to the projected cash flows; debt service increases only $10 million. However, should debt financing requirements exceed $1,779.3 million (total project costs of $2,128.0),

pre-tax cash flow would fall to zero during the first 20 years. The possibility of foreign export financing mentioned at hearings would possibly decrease debt service costs.

Operating costs. Bonner and Moore estimated operating costs at $5.00 per barrel for the original Alpetco petrochemical facility. However, since Alpetco's latest product slate (Table 2) denotes a fuels refinery, operating costs were reduced to $2.00 per barrel. Bonner and Moore had estimated the operating costs for the 150,000 BPD Alaska Petroleum refinery at $1.06 per barrel.

At $2.00 per barrel of output, this would be total annual operating costs of $105 million. The Alpetco draft EIS estimates annual wage payments for operations at $18.6 million per year or 35¢ per barrel. Thus, $2.00 may be high depending on costs for maintenance, catalysts, and other items. If operating costs exceeded $3.39 per barrel, the $73.1 million annual pre-tax cash flow would be wiped out.

Other cost elements not included in the pro-forma cash flow that could be consisered part of the $2.00 operating charge are property taxes and field costs.

If the population impact on Valdez amounts to 2,124 persons as stated in Alpetco's EIS and Valdez continues to tax at the per capita maximums permitted by law, property taxes on Alpetco would come to $70.0 million or 12.7¢ per barrel.

If the Amerada-Hess case had been settled with Alpetco agreeing to pay the field costs, this would have been 47¢ per barrel of product or $24.6 million per year. The expected value of continued litigation should be around 31¢ per barrel or $16.4 million per year in field costs that Alpetco will be obligated to pay.

Tax Benefits and Rate of Return

Investment tax credits can only be carried forward seven years and may not exceed 50% of tax liability. Thus, they would be largely of no use to Alpetco given this pro-forma statement which has operating losses for the first five years. This may be one of the reasons why the project has been organized as a joint venture (a general partnership) so that the investment tax credits flow through to the partners who can use them, at least in the case of E.F. Hutton and Charter who by virtue of 100% ownership of their Alaska subsidiaries can consolidate the tax returns of partner and parent.

Thus, for computing the rate of return in one instance, the investment tax credit has been considered a reduction in the partners' capital investment.

As a partnership, the tax losses cannot be carried forward and applied to future joint-venture taxable income but must instead be flowed through to the partners in the year of the loss. Thus, depending on the partners' effective tax rate, there are additional tax benefits in the first years not reflected in the rate of return, if the partners have other income to shelter.

Finally, the rate of return does not consider any profits earned on the brokering or refining of royalty crude prior to refinery start-up.

While Alpetco will look to the rate of return on equity to evaluate its investment, potential bondholders will be looking to the operating income available to cover debt service and the amount of equity and value of assets as collateral in the event the project fails. The certainty of operating income for a facility that is to be project financed as this is becomes paramount since the parents' income and assets are not standing behind it. Without firm take or pay contracts from a creditworthy party, the operating income remains uncertain.

MB:vsw

Attachments

TABLE 1
ALPETCO
PRO FORMA OPERATING CASH FLOW
($ millions)

Year	(a) Operating Income	(b) Debt Service on Bonds	(c) Pre-Tax Cash Flow (a - b)	(d) Depreciation	(e) Payments to Principal	(f) Taxable Income (c-d+e)	(g) Income Tax (50% x f)	(h) Alaska Endowment Trust (5% x g)	After-Tax Cash Flow (c - g - h)
1983	235.1	162.0	73.1	179.0	19.4	(86.5)			73.1
1984	235.1	162.0	73.1	157.0	21.6	(62.3)			73.1
1985	235.1	162.0	73.1	137.0	24.1	(39.8)			73.1
1986	235.1	162.0	73.1	120.0	26.7	(20.2)			73.1
1987	235.1	162.0	73.1	105.0	29.8	(2.1)			73.1
1988	235.1	162.0	73.1	92.0	33.2	14.3	7.1		66.0
1989	235.1	162.0	73.1	80.0	36.9	30.0	15.0		58.1
1990	235.1	162.0	73.1	70.0	41.2	44.3	22.1		51.0
1991	235.1	162.0	73.1	62.0	45.9	57.0	28.5		44.6
1992	235.1	162.0	73.1	54.0	51.1	70.2	35.1		38.0
1993	235.1	162.0	73.1	47.0	57.0	83.1	41.6	2.1	29.4
1994	235.1	162.0	73.1	41.0	63.5	95.6	47.8	2.4	22.9
1995	235.1	162.0	73.1	36.0	70.8	107.9	53.9	2.7	16.5
1996	235.1	162.0	73.1	32.0	79.0	120.1	60.0	3.0	10.1
1997	235.1	162.0	73.1	28.0	88.2	133.3	66.7	3.3	3.1
1998	235.1	162.0	73.1	24.0	98.3	147.4	73.7	3.7	(4.3)
1999	235.1	162.0	73.1		109.8	132.9	91.4	4.6	(22.9)
2000	235.1	162.0	73.1		122.5	195.6	97.8	4.9	(29.6)
2001	235.1	162.0	73.1		136.7	209.8	104.9	5.2	(37.0)
2002	235.1	162.0	73.1		152.7	225.8	112.9	5.6	(45.4)
2003	235.1		235.1			235.1	117.6	5.9	111.6
2004	235.1		235.1			235.1	117.6	5.9	111.6
2005	235.1		235.1			235.1	117.6	5.9	111.6
TOTAL	5407.3	3240.0	2167.3	1264.0	1308.4	2211.7	1211.3	55.2	900.8

Internal Rate of Return (1) based on $348.7 million investment 15.4%

(2) based on $205.5 million investment (net of 10% investment tax credit on $1432.0 million construction cost) 32.2%

PREPARED BY:

LEGISLATIVE FINANCE DIV.
May 7, 1980

FOOTNOTES TO TABLE 1

ALPETCO
PRO FORMA OPERATING CASH FLOW
($ millions)

NOTES: (a) 143,952 BPD of products @ $40.36 (from Table 2 of this memo) less $2.00 per barrel operating costs less $2.00 per barrel transport costs less 150,000 BPD of feedstock @ $30.60 per barrel (from Table 2 of April 26, 1980 memo "Alpetco Profits prior to Refinery Start-up"). The Bonner & Moore "Evaluation of Proposals for Royalty Oil Utilization" estimated the original Alpetco petrochemical facility's operating costs at $5.00 per barrel vs. $1.06 for the Alaska Petroleum 150,000 BPD fuels refinery. Phillips Petroleum reports tanker costs for February 1980 of $1.28 from Valdez to Los Angeles; the Alpetco sales contract with Charter Oil (Alaska) provides a further charge of 50¢ per barrel may be deducted from the sales price for unleaded gasoline and diesel.

(b) Assumes $450.0 million in tax-exempt bonds at 9% for 20 years plus $858.6 million in taxable bonds at 12% for 20 years, a total of $1308.6 million indebtedness as shown on attached Alpetco pro-forma construction funds flow statement from December 11, 1979 Kutak Rock & Huie letter. Tax-exempt bonds are reduced to $450 million based on Alpetco's oral testimony that this is the amount they are sure will qualify for tax-exempt status.

(d) Double declining balance method over 16 years as in the Bonner and Moore report for $1,432.0 million in construction cost as estimated on the Alpetco pro-forma statement.

TABLE 2

ALPETCO

Value per Barrel of Output

Product Slate	Output BPD	Price $/B
Unleaded Gasoline	45,056	42.00
Jet Fuel	40,018	37.00
Diesel	33,396	33.50
Benzene	2,545	72.45
Toluene	5,635	56.70
Xylene	6,172	56.28
Naphtha	11,130	42.00
Total	143,952	
Weighted Average Price per Barrel		40.36

NOTES:

1. April 9, 1980 revised product slate of Alpetco; uses average percent of total products where a range of output is given.

2. Recent prices for Benzene, Toluene and Xylene from "Chemical Marketing Reporter"; other prices from "Platt's Oilgram Price Report."

PREPARED BY:

LEGISLATIVE FINANCE DIV.
May 7, 1980

Exhibit J

THE ALPETCO COMPANY

December 12, 1979

Pro Forma Funds Flow Statement
($Millions)

Sources	1977 to 3rd Qtr, 1979	1979 4th Qtr.	1980 1st	1980 2nd	1980 3rd	1980 4th	1981 1st	1981 2nd	1981 3rd	1981 4th	1982 1st	1982 2nd	1982 3rd	1982 4th	Total
Equity:															
Charter Oil (Alaska), Inc.	-0-	5.0	6.0	60.2	13.5	-0-	12.1	13.4	14.6	13.0	14.5	13.2	6.4	73.4	244.2
Alaska Petrochemical Company	7.0	-0-	-0-	17.0	4.5	-0-	4.0	4.5	4.9	4.4	4.8	14.4	2.2	20.5	81.5
E.F. Hutton (Alaska), Inc.	-0-	-0-	-0-	4.8	1.3	-0-	1.2	1.2	1.4	1.2	1.4	1.2	.6	6.9	23.0
Total Equity	7.0	5.0	6.0	82.0	19.3	-0-	17.3	19.1	20.9	18.6	20.7	18.8	9.2	104.8	348.7
Debt:															
Supplier Credits-Takedown (1)	-0-	-0-	-0-	-0-	-0-	-0-	43.5	78.1	86.1	87.6	88.8	92.5	88.6	170.5	735.7
Tax Exempt Bonds-Use (2)	-0-	-0-	-0-	-0-	-0-	-0-	60.2	75.4	76.9	78.6	92.0	89.0	92.8	-0-	572.9
Interim Financing-Takedown (3)	-0-	-0-	-0-	-0-	-0-	43.5	78.1	86.1	87.6	88.8	92.5	88.6	84.0	-0-	--
Interim Financing-Payback	-0-	-0-	-0-	-0-	-0-	-0-	(43.5)	(78.1)	(86.1)	(87.6)	(88.8)	(92.5)	(88.6)	(84.0)	--
Total Debt	-0-	-0-	-0-	-0-	-0-	43.5	146.3	161.5	164.5	167.4	184.6	177.5	176.8	86.5	1308.6
Total Sources	7.0	5.0	6.0	82.0	19.3	43.5	163.6	180.6	185.4	186.0	205.3	196.3	186.0	191.3	1657.3
Uses															
Development Cost	7.0	5.0	6.0	7.0	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	25.0
Construction Cost	-0-	-0-	-0-	75.0	18.3	39.1	154.4	168.2	171.1	166.1	177.8	163.8	149.1	149.1	1432.0
Interest Expense	-0-	-0-	-0-	-0-	-0-	2.6	3.5	6.0	7.5	12.1	13.5	18.0	21.9	26.3	111.4
Taxes & Insurance	-0-	-0-	-0-	-0-	1.0	1.0	2.0	2.7	3.1	4.0	4.5	5.0	5.5	6.5	35.4
Training & Misc.	-0-	-0-	-0-	-0	-0-	.8	3.7	3.7	3.7	3.8	9.5	9.5	9.5	9.4	51.6
Total Uses	7.0	5.0	6.0	82.0	19.3	43.5	163.6	180.6	185.4	186.0	205.3	196.3	186.0	191.3	1657.3
Cumulative Totals	7.0	12.0	18.0	100.0	119.3	162.3	326.4	507.0	692.4	878.4	1083.7	1280.0	1466.0	1657.3	

(1) Takedown of supplier credits occurs on the first day of each quarter according to the amounts expended during the preceding quarter.

(2) Tax-exempt bonds are syndicated prior to December 18, 1980 and sold and drawn down in three equal amounts of $191.0 million each beginning January 1, 1981.

(3) Interim construction financing is used to bridge the takedown of supplier credits.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

OPEC reaches major crossroads in Vienna

3/19/82 D. News

By STEVEN RATTNER
The New York Times

VIENNA — A meeting of OPEC oil ministers here Friday is enveloped in a pervasive uncertainty about whether the group can find a way to prevent the worldwide abundance of oil from forcing a general reduction in prices.

Such a price cut would be the first by the Organization of Petroleum Exporting Countries, and thus many consider the hastily called meeting to be one of the group's most critical.

"OPEC has never witnessed such a crisis since it was created over 20 years ago," said Sheik Mani Said Otaiba, the oil minister of the United Arab Emirates and president of OPEC. "This is the real test for OPEC, and the challenge for OPEC to prove its solidarity and to prove to everyone in the outside world that OPEC is a useful organization."

That concern, and the apparent lack of a prearranged strategy, was reflected in the attitudes of the arriving ministers and in the reclusiveness of several who have often been among the most voluble. Few expressed substantial optimism that the group would be able to reach an agreement on oil production cuts sufficiently tough and specific to remove enough oil from the market to bolster the softening prices.

"I don't believe we can make a formal decision about production levels," said Humberto Calderon Berti, the Venezuelan minister of energy. Earlier this week, Sheik Ahmed Zaki Yamani, the Saudi Arabian oil minister, reportedly told a confidant, "This will be the most difficult meeting I've attended."

One subject that did not appear to be on the agenda was the level of official OPEC prices, which are based on the $34-a-barrel rate set in December for Saudi Arabia's Arab Light crude. The OPEC delegates appeared determined to refrain from a general price reduction as long as possible.

The meeting called here is a consultative one, and thus need not lead to formal price or production decisions. However, by unanimous vote, the talks could be given decision-making status.

"We have to stick to it at present," said Otaiba, referring to the $34 price. Regarding the possibility of a price cut, he said, "I don't think this is the ideal way to solve the market problem at present."

The opposition to a price reduction stems not just from a reluctance by OPEC members to lose revenues, but from a widespread belief that a price reduction would have no substantial effect on the oversupply.

Despite the uncertainty, unusual even by OPEC standards, the most likely outcome appeared to be a restatement of a commitment to holding production by the 13 countries to the 18.5-million-barrel-a-day level agreed on by key members in Doha, Qatar, 10 days ago.

That an OPEC meeting, even a consultative one, has been called specifically to discuss production represents a change for the group, which has never been able to make production a formal part of its agenda. But experts wondered whether the conference would be able to reach agreement on specific country limits, and if it did, whether the limit would be sufficiently low and could be enforced.

In part, the OPEC members appear to believe, or at least hope, that production of 18.5 million barrels a day is sufficiently low to reverse the price slide.

That belief is conditioned largely on a view by some analysts that consumers are drawing several million barrels a day from oil inventories, and that an economic recovery will raise demand. Other experts believe that any current drawing on inventories is so small and any impending economic recovery so modest that OPEC will have to cut production by substantially more to balance the market.

Confusion over the numbers was even evident among the ministers: Calderon Berti argued that 18.5 million barrels would be enough, while Otaiba said further cuts would be necessary.

As usual, the key will almost certainly be Saudi Arabia, whose production has fallen to an estimated 7.5 million barrels a day this month.

MEMORANDUM

State of Alaska

TO: Members of the Alaska
State Legislature

DATE: September 14, 1981

FILE NO:

TELEPHONE NO:

FROM: John W. Katz, Commissioner
Dept. of Natural Resources

SUBJECT: Response of Royalty
Oil Proposals

The Department of Natural Resources' recent amended solicitation for royalty oil proposals brought 27 responses. Enclosed is a summary of the responses. Copies of the 27 proposals are also available from my office upon request.

Also attached is a description of the process which the Department intends to follow for the negotiated royalty oil sale. If you have any questions, please call me or Deputy Commissioner Jeff Haynes.

Enclosures

Negotiated Royalty Oil Sale Procedures

The Department of Natural Resources process that will be followed for the proposals received as a result of the original and amended solicitations is detailed below. The process involves the use of an interagency review and outside expertise as well as extensive use of various DNR personnel.

The Department will also work with the Alaska Royalty Oil and Gas Development Advisory Board throughout the process. The Commissioner will meet with the Board several times during the process, providing them with status reports as appropriate.

The royalty oil available is 85% of the State's royalty share from Prudhoe Bay production, approximately 159,000 barrels per day at this time. The proposed date of delivery to any prospective buyers would be July 1, 1982.

Proposed Procedures and Timeline

September	Provide Royalty Board and others with information on proposals received. DNR/Law meetings to initiate review of proposals and solidify work timeline. Notify proposal respondents of receipt of proposals and set up first meeting with each.
	Development of standard language for appropriate sections of contract.
October	Initial meeting with each respondent during first week of October.
	Written notice given to respondents, if any, rejected in first round of review.
	Royalty Board notified, pursuant to statutes, of proposals not accepted to date, if any.
	Status report, if appropriate, provided to Royalty Board and others.
	Written notice provided to remaining respondents and schedules arranged for subsequent negotiating sessions.
	Further negotiating sessions with remaining respondents, if timely.
November	Further negotiating sessions with remaining respondents.

Written notice given to respondents, if any, rejected in second round of review.

Royalty Board notified, pursuant to statutes, of proposals not accepted to date, if any.

Status report, if appropriate, provided to Royalty Board and others.

December

Further negotiating sessions with remaining respondents, if necessary.

Finalization of proposed contracts.

Draft written findings of best interest determination, in-kind taking, non-competitive sale, if appropriate.

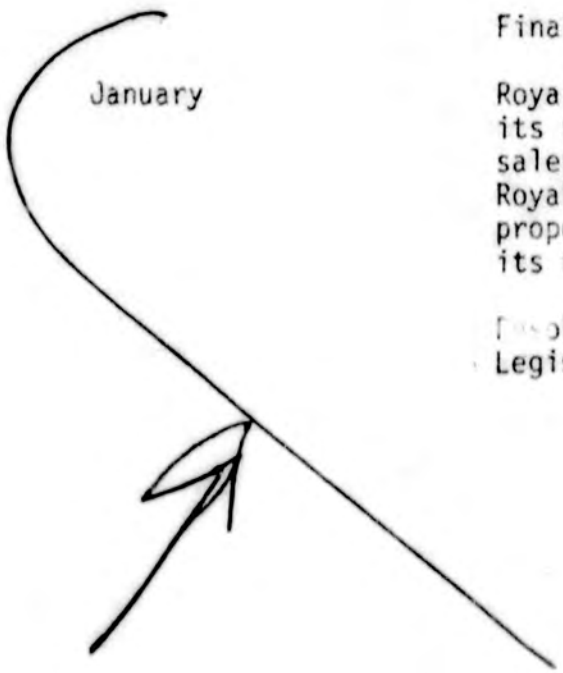
Royalty Board holds statutorily required public hearings on proposed sales. DNR submits proposed written findings and contracts to Board.

Finalization of written findings.

January

Royalty Board meets and could make decision on its recommendations regarding the proposed sales contracts. State statute requires the Royalty Board to give its recommendations on proposed royalty sales to the Legislature for its review.

[illegible]olution and contracts introduced into Legislature.



SUMMARY OF RESPONSES TO ROYALTY OIL SOLICITATION
September 1, 1981

Company	B/d; Term; Price	Description
A Ruddy Petina Oil Company	159,000 b/d; term and price not stated	Propose new in-state refinery at undetermined location; 4 sites to be studied. Arranging for engineering study.
Alaska Interior Resources Company	10,000 b/d; term and price not stated	Propose new Interior facility for thermihol (heavy ends plus methanol) production. Would use coal, return oil and methanol for export product, and use desulfinated return oil, methanol and stabilizing agent for "blended hydrocarbon fuels" product. Propose interim taking of crude, beginning mid-to-late 1982, to secure market position or longterm feedstock arrangements from existing or proposed Alaskan refineries. Feasibility study underway.
Alaska Oil Company	100,000 b/d; term and price not stated	Propose new Valdez refinery to produce gasoline and middle distillate fuels (jet fuel, arctic diesel, diesel #2) for Alaska and West Coast markets. Completed configuration and preliminary engineering; have obtained all major environmental permits; and have 99 year ground lease for refinery site. Initial site preparation work done.
Alaska Pacific Oil and Refining Co.	Barrels/day, term and price not stated	Propose new repetitive refining procedure, using topping units to produce middle distillates for instate markets. Feasibility studies not complete. Propose turning refinery(s) over to State following amortization of capital investment, with company managing refining and product sales program for a fee. Do not seek oil prior to capital commitments and commencement of operations.
Amerada Hess	Minimum 25,000 b/d; minimum price of invalue; term not determined	Offer to buy minimum 25,000 b/d for export at minimum price equal to invalue price, with taking of crude to begin July, 1982 or earlier.

Company	B/d; Term; Price	Description
American Mexican Petroleum Corp.	40,000 b/d; term not stated; price equal to reasonable market value	Offer to buy 40,000 b/d at reasonable market price for export, subject to American Mexican's commitment to opening and operating major coal mining and export project in Matanuska Valley. Royalty crude to be used to insure financial structure of coal export project.
American Mining & Manufacturing Corp.	45,000 b/d, with additional bid on another 39,000 b/d, if available; take from July 1982 to 1986; price no less than invalue, with possible bonus	Propose new instate refinery at undetermined site for production of middle distillates. Price term of no less than invalue, with bonus of either 1/16 of production or as a joint venture 1/2 of all profits accrued. Propose interim taking of crude, 45,000 b/d commencing July 1982 through 1986, and an additional 39,000 b/d starting July 1983.
Amoco Supply and Trading Company	10,000 to 20,000 b/d; indeterminate term but not less than 3 years; pricing formula (see description)	Offer to buy 10,000 barrels/day for export, commencing July, 1982 and escalating to 20,000 b/d by 1985. Suggest price be tied by formula to official FOB price for Arabian Light; value of royalty crude would be the equal of Arabian Light value minus $4.30/b. Would consider deferred payment plan with payment of interest, if attractive to State.
Arco Petroleum Products Company	B/d, term and price not stated	Offer to buy undetermined amount for export, commencing July 1982, with quantity and price to be negotiated.
Ashland Petroleum Company	B/d and term not stated; pricing formula (see description)	Offer to buy undetermined amount for export, commencing July 1982. Propose price in excess of invalue, with actual price based on posted prices for Eastern U.S. crudes, with adjustment for quality and West Coast delivery.

Company	B/d; Term; Price	Description
Chevron U.S.A.	45,000 b/d; 15 year term; invalue price	Propose expansion of existing Nikiski refinery to 100% North Slope crude, using 30,000 b/d for production of heating fuel, diesel and jet fuel. Construction of expanded facilities to begin summer 1982, with facilities to be in operation by July 1983. Balance of 15,000 b/d to be run in Chevron's California refineries to produce refined products to import or exchange for products to be imported into Alaska. Propose interim taking of all 45,000 b/d prior to expanded operation of Nikiski refinery in 1983.
Dow Chemical Company	Up to 30,000 b/d; term not stated; price equal to fair market value	Offer to buy up to 30,000 b/d on a longterm contract, with sale contingent upon Dow investing in petrochemical facility in Alaska. Sale to commence July, 1982 or earlier with purchase to be discontinued if Dow does not investment in petrochemical plants in Alaska.
Doyon Limited	58,000 b/d; term long enough to amortize capital investment; invalue price	Propose new facility for instate use of royalty oil; details not given.
Exxon Company	B/d not stated;term not stated; price equal to Exxon's reported Prudhoe Bay price	Offer to buy undetermined amount for export on a longterm basis. Price equal to the price reported on Exxon's report to the State during the applicable month for royalty taken invalue by the State.
Koniag, Inc.	25,000 b/d; term not stated; price equal to invalue plus premium	Offer to buy 25,000 b/d for export on a longterm basis. Price equal to invalue price plus a premium of certain lands owned by Koniag, Inc., suitable for park and recreation purposes.

Company	B/d; Term; Price	Description
Mapco Alaska	Withdrew earlier proposal	Although Mapco Alaska withdrew its proposal, it suggests the State set aside a total of 70,000 b/d to meet Mapco-North Pole's possible future crude requirements prior to entering into longterm commitments with other parties.
Northwest Holdings	B/d not stated; term of not less than 20 years; price not stated	Propose to buy existing instate refinery and convert it to process North Slope crude for middle distillates and gasolines. Also propose construction of a new refinery for middle distillates and gasolines.
Nikiski Offshore, Inc.	35,000 b/d; term not stated; price not stated	Propose crude oil-slurry system utilizing coal from Beluga, Healy and Lower Cook Inlet fields.
Provident/Kodiak Industries Corp.	50,000 b/d; term not stated; price equal to invalue price plus sum based on refinery's profitability	Offer to buy 50,000 b/d for export to new Arizona refinery owned jointly by Provident Refining and Kodiak Industries, a subsidiary of Koniag. Feasibility studies made. Delivery commencing at refinery startup, scheduled for 1984, and continuing on longterm basis; would take crude on interim basis if State desires. Price would be equal to the invalue price plus an annual premium calculated on the refinery's yearly profitability.
Sealaska Corp.	20,000 b/d; 23 year term; Exhibit B price as a base	Propose to construct a new refinery in Southeast Alaska for production of residual and distillate fuel products (jet fuel, diesel, space heating oil and residual fuel). Would undertake two-phase market and detailed feasibility study, with refinery construction to start in 1982 and startup taking place in 1985. Propose interim taking for processing by another refinery with products returned to Southeast.

Company	B/d; Term; Price	Description
Shell Chemical Company	B/d, term and price not stated	Offer to buy royalty crude on a longterm basis for use in Shell refineries in Lower 48. Suggest possibility of Shell providing Alaska with product needs. Suggest State use royalty oil to encourage petrochemical development.
Sohio Alaska Petroleum Co.	B/d and term not stated; price equal to Sohio's average Prudhoe Bay pump station no. 1 netback price	Offer to buy all or part of royalty crude on a longterm basis at Sohio's average Pump Station No. 1 netback amount. Also offer to negotiate provisions under which Sohio would provide North Slope crude to instate refiners capable of processing it; the amount and term of such sales would be governed by the refiner's crude needs, and the volume and term of the royalty oil sold to Sohio.
Suneel Alaska, Inc.	15,000 b/d; ten year term; price not stated	Offer to buy 15,000 b/d of royalty crude commencing July, 1982, to use as an exchange for petroleum coke needed to blend with Alaskan coal before coal export. Suneel has entered contractual arrangements with Usibelli Coal Mine and the Alaska Railroad, with coal shipment scheduled to begin in summer, 1982. Fuel-grade petroleum coke is needed to blend with the Alaskan coal for the coal to be utilized in Korean and other markets.
Tanana Valley Refining Company	14,000 b/d; ten year minimum term; price equal to inkind well head value	Propose to construct new Interior alcohol-petroleum refinery at $27.2 million cost. Using crude and barley as feedstock, facility would produce gasohol, kerosene, diesel, return oil, and anhydrous ethyl alcohol. Construction and startup dates for facility not stated.
Tesoro Petroleum Company	Two contracts, each 35,000 b/d, long term basis at invalue price	Propose to buy 70,000 b/d under two separate contracts for 35,000 b/d each. First contract would call for crude commencing July, 1982, to be used as exchange for crude to be processed in Kenai refinery. Second contract would call for crude upon completion of further expansion of refinery.

Company	B/d; Term; Price	Description
Tosco Corporation	B/d and term not stated; reasonable price	Offer to buy royalty crude for export to Tosco's California refinery on a longterm basis.
Union Oil Company	15,000 b/d or more; one year or longer term; price equal to Exhibit B plus a bonus equal to 2.5% of the Exhibit B price	Offer to buy royalty crude for export for one year or longer. Union will pay the Exhibit B price plus a bonus equal to 2.5% of the Exhibit B price. Also Union will sell gasoline, No. 2 fuel oil, diesel fuel, aviation gasoline and asphalt to Alaskan customers in volumes at least equal to 1980 volumes.

CS SSHB 830 (Fin) The question being: "Shall CS SSHB 830 (Finance) pass the House?" The roll was taken with the following result:

Yeas:	32	Akers, Anderson, Bearne, Bennett, Bradley, Brown, Buchholdt, Carpenter, Chatterton, Cotten, Cowper, Duncan, Freeman, Gardiner, Gruening, Guy, Haugen, Lovseth, McKinnon, Malone, Meekins, Miles, Miller, Nakak, Osterback, Parr, Phillips, Rhode, Rudd, Smith, Snider, Urion.
Nays:	6	Dankworth, Eliason, Hayes, Kelly, Lethin, Swanson.
Excused:	2	Ose, Schaeffer.

And so, CS SSHB 830 (Finance) passed the House.

Mr. Miller moved and asked unanimous consent that the roll call on the passage of CS SSHB 830 (Finance) be considered the roll call on the effective date clause. There being no objection, it was so ordered.

CS SSHB 830 (Finance) was referred to the Chief Clerk for engrossment.

CSHB 807 Mr. Kelly asked to take up the reconsideration of the vote on COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 807 (special appropriation, Department of Fish and Game, division of sport fish; effective date) at this time.

Mr. Miller moved and asked unanimous consent that CSHB 807 be placed at the end of today's calendar. There being no objection, it was so ordered.

CITATIONS

Legislative Citation Saluting Alaska Participants, 1978 Arctic Winter Games, by Senators Colletta and Bradley and all other members of the Senate, was read.

Mr. Miller moved and asked unanimous consent that the Citation be approved. The House approved the Citation unanimously and it was referred to the Chief Clerk for return to the Senate.

SECOND READING OF HOUSE RESOLUTIONS

HCR 112 HOUSE CONCURRENT RESOLUTION NO. 112 (approving the sale of royalty oil to Alaska Petrochemical Company) which had been held over until today's calendar on reconsideration of the vote (p. 1039, 1978 journal) was read the second time.

Amendment No. 1 by Gardiner: HCR 112

Page 1, line 5: Insert "Conditionally" before "Approving."

Page 2, between lines 10 and 11:

Insert the following language:

WHEREAS the legislature finds that the provisions of the Agreement which allow Alaska Petrochemical Company to export crude oil from the state are not in the best interests of the State of Alaska and its citizens; and

Page 2, line 11:

After "to be" insert "otherwise"

Page 2, line 18:

After "approved" insert the following language:

"provided that the Agreement is amended so that the total amount of crude oil deliverable under the Agreement may not exceed the amount Alaska Petrochemical Company uses or causes to be used within the State of Alaska as petrochemical or refining feedstock."

TO THE AGREEMENT FOR THE SALE AND PURCHASE OF STATE ROYALTY OIL BETWEEN THE STATE OF ALASKA AND THE ALASKA PETROCHEMICAL COMPANY, dated February 22, 1978.

In Article 2.1 of the Agreement, at page 5, line 1, after "in kind" add the following language:

"Seller shall not be required under any provision of this Agreement to deliver to Buyer any amount of crude oil in excess of the amount Buyer uses or causes to be used within the State of Alaska as petrochemical or refining feedstock."

Mr. Gardiner moved that amendment No. 1 be adopted.

Mr. Dankworth objected.

The question being: "Shall amendment No. 1 be adopted?" The roll was taken with the following result:

Yeas:	20	Bradley, Brown, Buchholdt, Chatterton, Cotten, Cowper, Eliason, Gardiner, Gruening, McKinnon, Malone, Meekins, Miles, Miller, Nakak, Parr, Rudd, Schaeffer, Smith, Snider.

HCR 112

Nays: 19 Akers, Anderson, Beirne, Bennett, Carpenter, Dankworth, Duncan, Freeman, Guy, Haugen, Hayes, Kelly, Lethin, Lovseth, Osterback, Phillips, Rhode, Swanson, Urion.

Excused: 1 Ose.

Mr. Chatterton changed his vote from nay to yea.

HCR 112 am

And so, amendment No. 1 was adopted.

Mr. Urion announced a Republican caucus upon recess.

Mr. Miles announced a Democratic caucus upon recess.

Mr. Miller requested a call of the House.

Mr. Miller moved and asked unanimous consent that the House stand in recess to a call of the Chair for the purpose of party caucuses. There being no objection, the House recessed at 1:02 p.m.

AFTER RECESS

The House was called to order at 2:20 p.m.

The Speaker stated the call of the House had been satisfied.

Mr. Urion moved that the House rescind its previous action taken in adopting amendment No. 1.

Mr. Gardiner objected.

The question being: "Shall the House rescind its previous action taken in adopting amendment No. 1?" The roll was taken with the following result:

Yeas: 19 Akers, Anderson, Beirne, Bennett, Carpenter, Dankworth, Duncan, Freeman, Guy, Haugen, Hayes, Kelly, Lethin, Lovseth, Osterback, Phillips, Rhode, Swanson, Urion.

Nays: 20 Bradley, Brown, Buchholdt, Chatterton, Cotten, Cowper, Eliason, Gardiner, Gruening, McKinnon, Malone, Meekins, Miles, Miller, Nakak, Parr, Rudd, Schaeffer, Smith, Snider.

Excused: 1 Ose.

And so, the motion failed.

The question to be reconsidered is: "Shall HCR 112 am pass the House?" The roll was taken with the following result: HCR 112 am

Yeas: 32 Akers, Anderson, Beirne, Bennett, Bradley, Brown, Buchholdt, Carpenter, Cotten, Cowper, Dankworth, Duncan, Freeman, Gruening, Guy, Haugen, Hayes, Kelly, Lethin, Lovseth, McKinnon, Malone, Miles, Miller, Osterback, Parr, Phillips, Rhode, Schaeffer, Snider, Swanson, Urion.

Nays: 7 Chatterton, Eliason, Gardiner, Meekins, Nakak, Rudd, Smith.

Excused: 1 Ose.

And so, HCR 112 am passed the House on reconsideration of the vote and was referred to the Chief Clerk for engrossment.

THIRD READING OF HOUSE BILLS

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 807 (special appropriation, Department of Fish and Game, division of sport fish; effective date) which had been placed at the end of today's calendar in third reading (page 1108, 1978 journal) was automatically in third reading at this time and was read the third time. CSHB 807

The question to be reconsidered is: "Shall CSHB 807 pass the House?" The roll was taken with the following result:

Yeas: 38 Akers, Anderson, Beirne, Bennett, Bradley, Brown, Buchholdt, Carpenter, Chatterton, Cotten, Cowper, Dankworth, Duncan, Eliason, Freeman, Gardiner, Gruening, Guy, Haugen, Hayes, Kelly, Lethin, Lovseth, McKinnon, Malone, Meekins, Miles, Miller, Nakak, Osterback, Parr, Phillips, Rhode, Rudd, Schaeffer, Smith, Swanson, Urion.

Nays: 1 Snider.

Excused: 1 Ose.

And so, CSHB 807 passed the House on reconsideration of the vote.

Mr. Miller moved and asked unanimous consent that the roll call on the passage of CSHB 807 be considered the roll call on the effective date clause. There being no objection, it was so ordered and CSHB 807 was referred to the Chief Clerk for engrossment.

CSHB 25 (Fin)

Yeas: 23 Akers, Anderson, Beirne, Bradley, Brown, Buchholdt, Cowper, Dankworth, Duncan, Eliason, Freeman, Gardiner, Guy, McKinnon, Malone, Meekins, Miller, Nakak, Osterback, Parr, Schaeffer, Smith, Snider, Urion.

Nays: 14 Buchhodlt, Carpenter, Chatterton, Cotten, Haugen, Hayes, Kelly, Lethin, Lovseth, Miles, Ose, Phillips, Rhode, Rudd.

Excused: 3 Bennett, Gruening, Swanson.

Mr. Dankworth changed his vote from nay to yea.

FCCS SCS CSHB 25 And so, the House adopted the report, thus adopting FREE CONFERENCE COMMITTEE SUBSTITUTE FOR SENATE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 25 (An Act relating to state officers, state employees, and teachers; and providing for an effective date.)

Mr. Miller moved adoption of the effective date clause on FCCS SCS CSHB 25.

The question being: "Shall the effective date clause be adopted on FCCS SCS CSHB 25?" The roll was taken with the following result:

Yeas: 36 Akers, Anderson, Beirne, Bradley, Brown, Buchholdt, Carpenter, Chatterton, Cotten, Cowper, Dankworth, Duncan, Eliason, Freeman, Gardiner, Guy, Haugen, Hayes, Kelly, Lovseth, McKinnon, Malone, Meekins, Miles, Miller, Nakak, Ose, Osterback, Parr Phillips, Rhode, Rudd, Schaeffer, Smith, Snider, Urion.

Nays: 1 Lethin.

Excused: 3 Bennett, Gruening, Swanson.

And so, the effective date clause was adopted.

The Chief Clerk was instructed to so notify the Senate.

FCCS SCS CSHB 25 was referred to the Chief Clerk for engrossment and enrollment.

HCR 112 am (conditionally approving the sale of royalty oil to Alaska Petrochemical Company) and the Senate amendment, namely, SCS HCR 112 (Approving the sale of royalty oil to Alaska Petrochemical Company) (page 1702, 1978 journal) were before the House. HCR 112 am

Mr. Urion moved that the House concur in the Senate amendment to HCR 112 am.

Mr. Urion stated a majority vote of members present was needed to concur, and asked for a ruling of the Chair.

Mr. Miller moved and asked unanimous consent that the House stand in recess until 4:15 p.m. There being no objection, the House recessed at 4:00 p.m.

AFTER RECESS

The House was called to order at 5:00 p.m.

Mr. Urion renewed his request for a ruling by the Chair.

The Speaker ruled that a majority vote of the House was needed (21 votes) and cited AS 38.06.055(a).

The question being: "Shall the House concur in the Senate amendment to HCR 112 am?" The roll was taken with the following result:

Yeas: 18 Akers, Anderson, Beirne, Carpenter, Cowper, Dankworth, Duncan, Kelly, Lethin, Lovseth, Osterback, Phillips, Rhode, Snider, Urion.

Nays: 18 Bradley, Brown, Chatterton, Cotten, Eliason, Freeman, Gardiner, McKinnon, Malone, Meekins, Miles, Miller, Nakak, Ose, Parr, Rudd, Schaeffer, Smith.

Excused: 4 Bennett, Buchholdt, Gruening, Swanson.

Mr. Ose changed his vote from yea to nay.

And so, the House failed to concur.

The Chief Clerk was instructed to so notify the Senate and respectfully request it to recede from its amendment.

In the event the House fails to recede from its amendment the Speaker has appointed the following members to a Conference Committee with powers of Free Conference to meet with a like committee from the Senate to consider the above bills:

Representative Miles, Chairman
Representative Chatterton
Representative Urion

The Chief Clerk was instructed to so notify the Senate.

Mr. Miller placed a call on the House on every motion made.

The Speaker stated that while the call is being satisfied the House will proceed with other business.

HB 953

The Free Conference Committee report on HB 953 and SCS HB 953 (p. 1757 of the journal) was before the House.

Mr. Miller moved that the Free Conference Committee report on the above bills be adopted.

The question being: "Shall the Free Conference Committee report on the above bills be adopted?" The roll was taken with the following result:

Yeas: 36 Akers, Anderson, Beirne, Bradley, Brown, Buchholdt, Carpenter, Chatterton, Cotten, Cowper, Dankworth, Duncan, Eliason, Freeman, Gardiner, Guy, Haugen, Hayes, Kelly, Lethin, Lovseth, McKinnon, Malone, Meekins, Miles, Miller, Nakak, Osterback, Parr, Phillips, Rhode, Rudd, Schaeffer, Smith, Snider, Urion.

Nays: 0

Excused: 4 Bennett, Gruening, Ose, Swanson.

FCCS SCS HB 953

And so, the House adopted the report, thus adopting FREE CONFERENCE COMMITTEE SUBSTITUTE FOR SENATE COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 953 (authorizing the Dept. of Administration to made advances to the U of A; effective date).

The Chief Clerk was instructed to so notify the Senate.

HCS CSSB 388

The Free Conference Committee report on CSSB 388 and HCS CSSB 388 (p. 1757 of the journal) was before the House.

Mr. Miller moved that the Free Conference Committee report on the above bills be adopted.

The question being: "Shall the Free Conference Committee report on the above bills be adopted?" The roll was taken with the following result:

Yeas: 24 Akers, Anderson, Bradley, Brown, Chatterton, Cotten, Cowper, Duncan, Freeman, Gardiner, Guy, McKinnon, Malone, Meekins, Miles, Miller, Nakak, Osterback, Parr, Phillips, Rhode, Rudd, Smith, Snider

Nays: 12 Beirne, Buchholdt, Carpenter, Dankworth, Eliason, Haugen, Hayes, Kelly, Lethin, Lovseth, Schaeffer, Urion.

Excused: 4 Bennett, Gruening, Ose, Swanson.

HCS CSSB 388

Mr. Schaeffer changed his vote from yea to nay.

FCCS HCS CSSB 388

And so, the House adopted the report, thus adopting FREE CONFERENCE COMMITTEE SUBSTITUTE FOR HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 388 (state's coastal management program; eff. date).

The Chief Clerk was instructed to so notify the Senate.

HCS CSSB 81

The Free Conference Committee report on CSSB 81 and HCS CS SB 81 (p. 1748 of the journal) was before the House.

Mr. Miller moved that the Free Conference Committee report on the above bills be adopted.

The question being: "Shall the Free Conference Committee report on the above bills be adopted?" The roll was taken with the following result:

Yeas: 33 Akers, Anderson, Beirne, Bradley, Buchholdt, Carpenter, Chatterton, Cotten, Cowper, Dankworth, Duncan, Eliason, Freeman, Gardiner, Guy, Haugen, Hayes, Kelly, Lethin, Lovseth, McKinnon, Malone, Meekins, Miles, Miller, Osterback, Parr, Phillips, Rhode, Rudd, Schaeffer, Smith, Urion.

Nays: 3 Brown, Nakak, Snider.

Excused: 4 Bennett, Gruening, Ose, Swanson.

Mr. Snider changed his vote from yea to nay.

Mr. Brown changed his vote from yea to nay.

FCCS HCS CSSB 81

And so, the House adopted the report, thus adopting FREE CONFERENCE COMMITTEE SUBSTITUTE FOR HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 81 (special appropriations to the New Capital Site Planning Commission; effective date).

The Chief Clerk was instructed to so notify the Senate.

Mr. Miller moved and asked unanimous consent that the House revert to Messages from the Senate. There being no objection, it was so ordered.

Message dated June 17, 1978 was read stating that the Senate has adopted the Free Conference Committee Report on CSSB 98 am and HCS CSSB 98 (Commerce) am H , thus adopting:

HCS CSSB 98 (Com) am H

FREE CONFERENCE CS FOR HOUSE CS FOR CS FOR SENATE BILL NO. 98
(banks and other financial institutions)

HCR 112 am

Message dated June 17, 1978 was read stating the Senate has failed to recede from its amendment to HCR 112 am (conditionally approving the sale of royalty oil to Alaska Petrochemical Company, namely, SCS HCR 112 (approving the sale of royalty oil to Alaska Petrochemical Company).

The President has appointed the following memmbers to a Free Conference Committee to meet with the like committee from the House to consider the above bills:

Senator Colletta, Chairman
Senator Sumner
Senator Poland

FCCS SCS CSHB 10

Message dated June 17, 1978 was read stating the Senate has adopted the Free Conference Committee report on CSHB 10 and SCS CSHB 10 (Finance), thus adopting:

FREE CONFERENCE CS FOR SENATE CS FOR CS FOR HOUSE BILL NO. 10
(public employees' retirement system and the teachers' retirement system; eff. date)

CSHB 442 (2d Fin)

Message dated June 17, 1978 was read stating the Senate has passed COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 442 (2d Finance) (Alaska Power Authority; eff. date) with the following amendment:

SENATE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 442 (same title)

and transmitting same for consideration.

CSHB 720 (Fin)

Message dated June 17, 1978 was read stating the President has appointed the following members to a Free Conference Committee to meet with the like committee from the House to consider CSHB 720 (Finance) (state land), and SCS HB 720 (same title):

Senator Poland, Chairman
Senator Tillion
Senator Summer

HB 933 am

Message dated June 17, 1978 was read stating the Senate has passed HOUSE BILL NO. 933 am (compensation for state employees not covered by a collective bargaining agreement,

eff. date) with the following amendment:

SENATE COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 933 (Rules) (compensation for certain state officers and employees; eff. date)

and transmitting same for consideration.

Message dated June 17, 1978 was read stating the Senate has adopted the Free Conference Committee report on SCS CSHB 953 and HB 953, thus adopting:

FREE CONFERENCE CS FOR SENATE CS FOR HOUSE BILL NO. 953
(authorizing the Dept. of Administration to make advances to the University of Alaska; eff. date)

Message dated June 17, 1978 was read stating the Senate has passed COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 960 (Finance) amended (fish and game management) with the following amendment:

SENATE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 960 amended Senate (same title)

and transmitting same for consideration.

Message dated June 19, 1978 was read stating the Senate has passed HOUSE BILL NO. 986 (collective bargaining by the University of Alaska; eff. date) with the following amendment:

Page 2, line 11: Add new Sections 2,3 and 4:

Sec. 2. AS 1412 is amended by adding a new section to read:

Sec. 14.12.115. INDEMNIFICATION. A school board shall insure or indemnify and protect the board, any member of the board, or any agent, employee, teacher, student teacher, officer or member of the supervisory or administrative staff of the school district against financial loss and expense, including reasonable legal fees and costs arising out of any claim, demand, suit or judgment by reason of alleged negligence, alleged violation of civil rights or alleged wrongful act resulting in death or bodily injury to any person or accidental damage to or destruction of property, inside or outside the school premises, if the board member, agent, employee, teacher, student teacher, officer or member of the supervisory or administrative staff, at the time of the occurrence was acting under the direction of the school board within the course or scope of his duties.

Mr. Eliason changed his vote from yea to nay.

And so, the House receded from its amendment, thus adopting CSSB 471 (Fin) amended. CSSB 471 (Fin) am

The Chief Clerk was instructed to so notify the Senate.

SCR 112 am (conditionally approving the sale of royalty oil to Alaska Petrochemical Company) and the Senate amendment, namely, SCS HCR 112 (approving the sale of royalty oil to Alaska Petrochemical Company) were before the House. HCR 112 am

Mr. Orion moved that the House concur in the Senate amendment to HCR 112 am.

The question being: "Shall the House concur in the Senate amendment to HCR 112 am?" The roll was taken with the following result:

Yeas:	23	~~Akers~~, Anderson, Beirne, ~~Bennett~~, ~~Bradley~~, Buchholdt, ~~Carpenter~~, Cotten, ~~Cowper~~, ~~Dankworth~~, Duncan, Guy, Haugen, Hayes, ~~Kelly~~, ~~Lethin~~, ~~Lovseth~~, Osterback, Phillips, ~~Rhode~~, ~~Snider~~, ~~Swanson~~, ~~Urion.~~
Nays:	15	Brown, Chatterton, Eliason, Gardiner, McKinnon, Malone, Meekins, Miles, Miller, ~~Nakak~~, ~~Ose~~, Parr, ~~Rudd~~, Schaeffer, Smith.
Excused:	2	Freeman, ~~Gruening.~~

Mr. Bradley changed his vote from nay to yea.

And so, the House concurred in the Senate amendment to HCR 112 am, thus adopting SCS HCR 112. SCS HCR 112

The Chief Clerk was instructed to so notify the Senate.

The resolution was signed by the Speaker and Chief Clerk and referred to the Chief Clerk for enrollment.

The Speaker stated that without objection, the House would revert to Messages from the Senate.

MESSAGES FROM THE SENATE

Message dated June 18, 1978 was read stating the Senate has failed to adopt the Free Conference Committee report on HOUSE BILL NO. 855 am (public corporations or other municipal instrumentalities) and HOUSE BILL NO 855 amended Senate (same title) thus failing to adopt HB 855

FREE CONFERENCE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 855
(planning for & development of the New Alaska Capital, including incorporation of a new capital city; effective date)

The President discharged the 1st Free Conference Committee members considering the above bills and has appointed a 2d Free Conference Committee consisting of the following members:

The House was called to order at 11:16 a.m.

CONSIDERATION OF THE DAILY CALENDAR

SECOND READING OF HOUSE RESOLUTIONS

HCR 112 HOUSE CONCURRENT RESOLUTION NO. 112 (Approving the sale of royalty oil to Alaska Petrochemical Company) was read the second time with the Special Committee on Oil and Gas report (page 990 of the journal).

Mr. Anderson stated that he had a conflict of interest on this resolution and asked that he be permitted to abstain from voting. Objection was noted. The Speaker stated unanimous consent of the membership was required to abstain and therefore Mr. Anderson would be required to vote.

The question being: "Shall HCR 112 pass the House?" The roll was taken with the following result:

Yeas:	21	Akers, Anderson, Beirne, Bennett, Bradley, Carpenter, Cotten, Cowper, Dankworth, Duncan, Freeman, Guy, Haugen, Hayes, Kelly, Lethin, Lovseth, Osterback, Phillips, Schaeffer, Urion.
Nays:	17	Brown, Buchholdt, Chatterton, Eliason, Gardiner, Gruening, McKinnon, Malone, Meekins, Miles, Miller, Nakak, Ose, Parr, Rudd, Smith, Snider.
Excused:	2	Rhoda, Swanson.

Mr. Schaeffer changed his vote from nay to yea.

And so, HCR 112 passed the House.

Mr. Bradley gave notice of reconsideration of his vote on HCR 112 on the next legislative day.

UNFINISHED BUSINESS

Mr. Miller moved and asked unanimous consent that Mr. Meekins be excused from a call of the House on May 5, 1978. There being no objection, it was so ordered.

Mr. Urion moved and asked unanimous consent that Mr. Carpenter be excused from a call of the House on May 5 through May 8, 1978. There being no objection, it was so ordered.

May 2, 1978

ENG

Reconsideration of th
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the Speaker and Chief
for consideration:

CSHB 885 S

The following was enr
Chief Clerk, Presiden
the engrossed and enr
Office of the Governo

CSHB 642
(Finance)

Resources
HB 960,674

Finance
HB 815, SSHB 830,
HB 854; and other
land disposal
matters

HESS
HB 950,945,934,
714, HCR 128

Judiciary
HB 921,664,837

Meeting Cancelled

Southcentral Caucus
Capital Move Issu
All interested
legislators in-
vited

Commerce
HB 670,827,937,
CSSB 326(Fin)

CARA
HCR 125

Basketball Game
Legislators v.
Lobbyists

NOTE REGARDING THE FOLLOWING FRAME ON MICROFILM:

COMPLETE DOCUMENT IS AVAILABLE IN ORIGINAL FILES IN ALASKA STATE ARCHIVES. TITLE PAGE ONLY HAS BEEN FILMED.

HOUSE JOURNAL

ALASKA STATE LEGISLATURE

ELEVENTH LEGISLATURE - SECOND SESSION

Juneau, Alaska | Wednesday | June 4, 1980

One hundred forty-third Day

Pursuant to adjournment the House was called to order at 10:20 a.m. by Speaker Gardiner.

Roll call showed all members present except Representative Hayes, who had been previously excused from a call of the House; and Representative Meekins.

The prayer was offered by the Chaplain, Pastor Milton S. Hunt of the Resurrection Lutheran Church. Representative Malone moved and asked unanimous consent that the prayer be spread on the journal. There being no objection, it was so ordered and the prayer appears as follows:

> "Gracious God, we rejoice in all Your many blessings, and particularly this marvelous weather in our Capital City.
>
> We are approaching the conclusion of this Legislative Session and we request that You help all our citizens of this Great Land to appreciate the limits of our human endeavors.
>
> We recognize that not all things are possible in one legislative session, nor by any single human agency, even government. Although some voters may find themselves disappointed, make them aware that the Alaska government cannot establish Paradise, perfect for all. Give them insights to reasonable expectations of equal protection under written law and an opportunity of justice for all.

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l to the develop-
portions of the

of these provi-
marcial timber
to guide the pre-
tal resource dis-
nancial support,

lature approves
olicy Council on
overnor on May 9,
paragraphs of
ska Coastal Policy
AC 80.100(b)(3);

STATE OF ALASKA

THE LEGISLATURE

1978

Source	Legislative Resolve No.
SCSHCR 112	42

Approving the sale of royalty oil to Alaska Petrochemical Company.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS the State of Alaska has the right under AS 38.05.-180 and its oil and gas leases to take its royalty of crude oil production removed or sold from these leases either in value (money) or in kind (oil); and

WHEREAS the legislature has, by enactment of AS 38.06 and AS 38.05.182, established a policy favoring the taking of that royalty in kind (referred to as "royalty oil"); and

WHEREAS, under his statutory authority as set out in AS 38.05 and 38.06, the commissioner of natural resources has negotiated an agreement entitled "AGREEMENT FOR THE SALE AND PURCHASE OF STATE ROYALTY OIL" ("Agreement") for the sale and purchase of royalty oil with Alaska Petrochemical Company; and

WHEREAS, under its duties and powers as set out in AS 38.06, the Alaska Royalty Oil and Gas Development Advisory Board has considered and, on February 22, 1978, approved the Agreement; and

WHEREAS the commissioner of natural resources has fulfilled the statutory prerequisites necessary to selling the royalty oil which is the subject of the Agreement and has obtained approvals from the Alaska Royalty Oil and Gas Development Advisory Board, to the extent required under AS 38.05 and 38.06; and

WHEREAS the Agreement contains a provision stating that it takes effect on the date on which it has been approved by a concurrent resolution of a majority of each house of the Tenth Alaska State Legislature; and

WHEREAS, under AS 38.06.055(a), no sale of royalty oil may be made by the commissioner of natural resources without the prior approval of the legislature by a concurrent resolution concurred in by a majority of the members of each house; and

WHEREAS the commissioner of natural resources submitted the Agreement to the legislature for consideration and approval; and

WHEREAS the legislature has reviewed and evaluated the Agreement, and has conducted public hearings and otherwise received background information, expert advice, and expressions of public opinion sufficient to make a reasoned determination with respect to the Agreement; and

WHEREAS the commissioner of natural resources and Alaska Petrochemical Company have negotiated certain amendments to the Agreement, dated May 17, 1978; and

WHEREAS the Royalty Oil and Gas Development Advisory Board has considered and, on May 19, 1978, approved those amendments; and

WHEREAS the legislature finds the Agreement, as amended, to be in the best interest of the State of Alaska and its citizens, and further finds that the Agreement, as amended, is in compliance with all applicable constitutional directives and requirements of law;

BE IT RESOLVED by the Alaska State Legislature that the agreement entitled "AGREEMENT FOR THE SALE AND PURCHASE OF STATE ROYALTY OIL," as amended, between the State of Alaska, acting through its commissioner of natural resources, and Alaska Petrochemical Company, is hereby approved.

STATE OF A

THE LEGISL

1978

Source

HCSSCR 102

Relating to a direct investment by
natural gas pipeline project.

BE IT RESOLVED BY THE LEGISLATUR

WHEREAS Northwest Alaskan Pip
selected by the President and the
to construct a pipeline to transpo
Prudhoe Bay to markets in the lowe

WHEREAS the cost of the proje
billion dollars, 3.7 billion dolla
construct over 700 miles of pipeli

WHEREAS timely completion of
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WHEREAS construction of the p
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WHEREAS Northwest Alaskan Pi
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WHEREAS Northwest Alaskan Pi
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HB12

March 6, 1978

The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, Alaska Constitution, I am transmitting a concurrent resolution providing for legislative approval of the proposed contract between the State of Alaska and Alaska Petrochemical Company.

The contract with Alaska Petrochemical Company provides for the sale and purchase of up to 150,000 barrels per day of state royalty oil. In exchange for the oil, Alaska Petrochemical Company guarantees that it will pay the state the sum the state would have received from the producers if royalty were paid in value. Alaska Petrochemical Company also promises to construct a petrochemical facility in Alaska, with the capacity to produce 30,000 barrels per day of energy fuels for instate use. If Alaska Petrochemical Company fails to proceed with construction of the facility according to a timetable set out in the contract, the agreement will automatically terminate. A copy of the contract document is attached.

This resolution is being concurrently submitted to both the Senate and House in order to expedite consideration.

In the past, there have been questions raised over the constitutionality of the legislature's approval of an executive act by the means of a concurrent resolution. In an effort to avoid raising that issue by submitting this contract for approval, I insisted that a clause requiring legislative approval be placed in the contract itself. I did so to insure that legislative approval in this instance could be sustained on the basis of a contractual provision rather than raise a constitutional debate over legislative power to require such approval.

I hope that you agree that this sale is in the best interest of all Alaskans, and I urge your prompt approval.

Sincerely,

S/JSH

Jay S. Hammond
Governor