

HJR

75



Official Business

Alaska State Legislature
House Resources Committee

SIGN-IN

APR 2, 1984

**HJR 75
OIL EXPORT**

NAME

ADDRESS

PHONE

REPRESENTING

| NAME | ADDRESS | PHONE | REPRESENTING |
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| Bob Bessworth | | | |
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AGO 786815

Introduced: 3/28/84
Referred: Resources

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2

HOUSE JOINT RESOLUTION NO. 75

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

Relating to crude oil exports.

6

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

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WHEREAS the United States Congress has extended the life of the Export

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Administration Act (EAA) prohibiting the export of North Slope crude oil;

9

and

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WHEREAS the right of Alaska to freely enter the international trade in

11

hydrocarbons enjoyed by the other 49 states is impaired by the action of

12

the United States Congress extending the EAA; and

13

WHEREAS the export of Alaska crude oil could result in a large in-

14

crease in federal and state revenue; and

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WHEREAS the balance of trade deficit that the United States has with

16

its Pacific Rim trading partners could be significantly decreased by the

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export of Alaskan crude oil to those nations; and

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WHEREAS a majority of the Alaska Legislature's Joint Oil and Gas

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Committee endorsed on May 17, 1983, exporting Alaskan oil and natural gas;

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and

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WHEREAS the current oversupply of hydrocarbons on the West Coast will

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be further increased when the off-shore Santa Barbara oil field comes into

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production forcing Alaskan crude oil products to even more distant and less

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profitable markets on the Gulf Coast;

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BE IT RESOLVED that the Alaska State Legislature requests the Governor

26

to formally announce an intention by the state to challenge the constitu-

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tionality of the EAA by declaring Alaska's right to export on a one-time

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basis 200,000 barrels of North Slope crude oil to a buyer in a Pacific Rim

29

nation for the purpose of asserting Alaska's right to freely enter the

1 international trade in hydrocarbons that the other 49 states enjoy; and be
2 it

3 FURTHER RESOLVED that the Governor enter into contact negotiations
4 with a United States ocean shipper for the purpose of transporting the
5 200,000 barrels of crude oil from Valdez to a buyer in a Pacific Rim
6 nation; and be it

7 FURTHER RESOLVED that the Governor notify North Slope producers that
8 on a date certain the state will take delivery of 200,000 barrels of the
9 state's royalty oil for the one-time shipment to a buyer in a Pacific Rim
10 nation.

11 COPIES of this resolution shall be sent to the Honorable Ronald
12 Reagan, President of the United States; the Honorable George Bush, Vice-
13 President of the United States and President of the U.S. Senate; the Honor-
14 able Thomas P. O'Neill, Jr., Speaker of the U.S. House of Representatives;
15 the honorable Dante Fascell, chairman of the House Foreign Affairs
16 Committee; the Honorable John Heinz, the Honorable William Brockmire, the
17 Honorable John Tower, the Honorable Alan Cranston, members of the Export
18 Administration Act Conference Committee; and to the following United States
19 Congressmen, members of the U.S. House Conference Committee on the Export
20 Administration Act: the Honorables Don Bonker, Dante Fascell, Lee
21 Hamilton, Gus Yatron, Steve Solarz, Andy Ireland, Dan Mika, Michael Barnes,
22 Howard Wolpe, Sam Gejdenson, Howard Berman, Toby Ropth, Olympia Snowe,
23 Gerald Solomon, Douglas Bereuter, Ed Zschau, Sam Gibbons, Jim Jones, Bill
24 Frenzel, Beverly Byron, Earl Hutto, and Jim Courter; and to the Honorable
25 Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the
26 Honorable Don Young, U.S. Representative, members of the Alaska delegation
27 in Congress.

HJR 75

Testimony of
Rep. Bob Bettisworth
Before the House Resources Committee
April 2, 1984

I support House Joint Resolution 75. I seek your approval of the resolution.

Twice I have suggested to the Governor that he could, and should, very effectively test our STATE'S RIG'T to export crude oil to Pacific Rim nations. The Governor has ignored my suggestion. HJR 75 would re-issue the suggestion from the Legislative body. This action would be a test of Article X of the United States Constitution.

That Article, the "States' Rights Amendment", reads: POWERS RESERVED TO STATES OR PEOPLE. The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people."

Alaska is the only state in America that is prohibited from exporting crude oil. That is unfair. It is an infringement of our basic State's Rights concept. Eastern seaboard Congressmen and Senators and special interest maritime forces have successfully extended the life of the Export Administration Act which prohibits Alaska from exporting its crude.

This resolution before you simply asks the Governor of Alaska to step out boldly and test Alaska's right to sell and transport 200,000 bbl of North Slope crude oil to a willing buyer in Japan, Korea or Taiwan.

The resolution asks the governor to notify the producers that on a date certain he expects to take delivery of 200,000 barrels of crude at Valdez. It also asks the governor to enter into negotiations with a competent American shipper to transport the 200,000 barrels to the willing buyer in one of the Pacific Rim nations.

This enterprise is one time only. A test, if you will.

Admittedly, this would be a bold move. However, it would be a message that the Congress and the constitutional adherents would receive with clarity. That message is simply: It is unconstitutional to prohibit Alaska from entering the free market of the world.

It is ironic that North Slope oil and gas come up out of the same holes in the ground, and we are allowed to export gas but we are not allowed to export oil.

ARTICLE X.

Powers reserved to states or people. The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people.¹⁸

ARTICLE XI.

Restriction of judicial power. The judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by citizens of another state, or by citizens or subjects of any foreign state.¹⁹

ARTICLE XII.

Election of President and Vice President. The electors shall meet in their respective states, and vote by ballot for President and Vice President, one of whom, at least, shall not be an inhabitant of the same state with themselves; they shall name in their ballots the person voted for as President, and in distinct ballots the person voted for as Vice President, and they shall make distinct lists of all persons voted for as President, and of all persons voted for as Vice President, and of the number of votes for each, which lists they shall sign and certify, and transmit sealed to the seat of the government of the United States, directed to the President of the Senate; -- The President of the Senate shall, in presence of the Senate and House of Representatives, open all the certificates and the votes shall then be counted; -- The person having the greatest number of votes for President, shall be the President, if such number be a majority of the whole number of electors appointed; and if no person have such majority, then from the persons having the highest numbers not exceeding three on the list of those voted for as President, the House of Representatives shall choose immediately, by ballot, the President. But in choosing the President, the votes shall be taken by states, the representation from each state having one vote; a quorum for this purpose shall consist of a member or members from two thirds of the states, and a majority of all the states shall be necessary to a choice. And if the House of Representatives shall not choose a President whenever the right of choice shall devolve upon them, before the fourth day of March next following, then the Vice President shall act as President, as in the case of the death or other constitutional disability of the President. The

18. Proposed by Congress on September 25, 1789, and declared ratified on December 15, 1791.

19. Proposed by Congress on March 4, 1794, and declared ratified on January 8, 1798.

Alaska State Legislature

Sen. Bettye Fahrenkamp,
Co-Chairman
Sen. Vic Fischer
Sen. Don Bennett



Rep. John J. Cowdery,
Co-Chairman
Rep. Mike Davis
Rep. Joe Hayes
Rep. John Ringstad
Rep. Mike Szymanski
Rep. Rick Uehling
Rep. Anthony N. Vaska

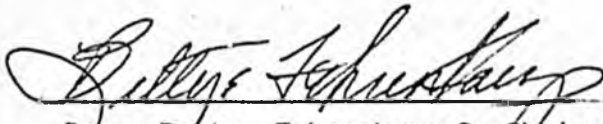
Joint Committee on Oil and Gas

REVIEW & COMMENT

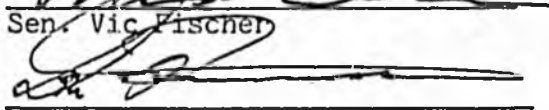
ON RESOLUTIONS IN SUPPORT OF EXPORTING ALASKAN NATURAL RESOURCES

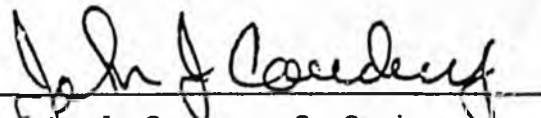
DATE: 17 May, 1983

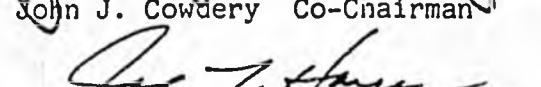
The Joint Committee on Oil & Gas has reviewed the issue of exporting Alaskan crude oil and natural gas, and unanimously supports the adopting of joint resolutions encouraging enactment of such provisions of law that will permit the export of Alaska's natural resources, and improve relations with our Pacific Rim Allies.

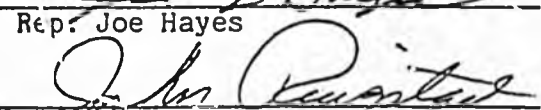

Sen. Bettye Fahrenkamp Co-Chairman


Sen. Vic Fischer

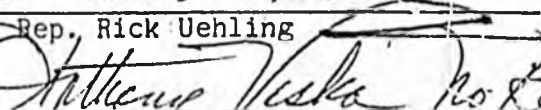

Sen. Don Bennett

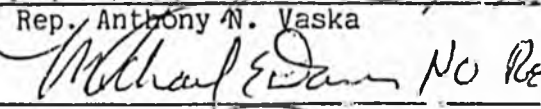

John J. Cowdery Co-Chairman

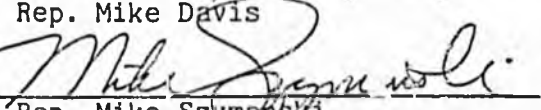

Rep. Joe Hayes


Rep. John Ringstad


Rep. Rick Uehling


Rep. Anthony N. Vaska


Rep. Mike Davis


Rep. Mike Szymanski

State cruise sought

By JOHN LINDBACK
Daily News reporter

JUNEAU — Gov. Bill Sheffield is asking the legislature for as much as \$750,000 for a Pacific Rim trade conference slated to include a cruise through Alaska waters.

The governor would like to hold at least part of the conference in an "enclosed environment" — possibly on a cruise ship — where the participants' attention would be exclusively focused on Alaska trade, said Pete Spivey, Sheffield's press secretary.

The conference is intended to "encourage participation of key industry and government leaders from Korea, Taiwan, the Philippines and the Lower 48," according to an administration budget request.

Commissioner of Commerce and Economic Development Dick Lyon said Wednesday the state would ask conference participants to pay most of the costs of items such as the cruise, which would stop at Alaska ports that hold investment potential. Stops may include Ketchikan, Sitka, Whittier, Seaward and Valdez, he said.

"We'd like to find some way to expose the participants of the conference to several places in Alaska," Lyon said. Plans call for conference participants to visit other regions of the state such as Prudhoe Bay and the Red Dog zinc mine near Kotzebue, he said.

The public funds are needed to pay the costs of setting up the conference and to help defray some costs to the participants, Lyon said.

The conference is in the planning stages, so the budget and portions of the conference

Moslems feel the Christians have disproportionate representation.

- Assurance of the security of southern Lebanon, the Saudi formulation for insuring the security of northern Israel through controls against guerrilla infiltration.

- Replacement of the multinational peacekeeping force of American, French, Italian and British troops by a United Nations force.

Conference

Continued from Page A 1.

such as the cruise are subject to change, Lyon said.

The conference is viewed as a follow-up to Sheffield's trip to Korea and Japan in October. The administration will focus the participants' attention on Alaska's fish, timber, mining, tourism, oil, natural gas and agricultural resources, Lyon said.

"One of the things this will say to our Asian neighbors is that Governor Sheffield and the State of Alaska want them here," Lyon said.

To hold part of the conference on a cruise ship the administration will have to get federal permission to board the passengers in Alaska, Lyon said. The federal Jones Act prohibits ships registered in foreign countries from such activities without permission.

If a Jones Act waiver can't be obtained the administration may explore the possibility of holding the conference on a state ferry, Lyon said.

Washington Watch

Robert D. Hershey Jr.

Reviving Plan To Export Oil

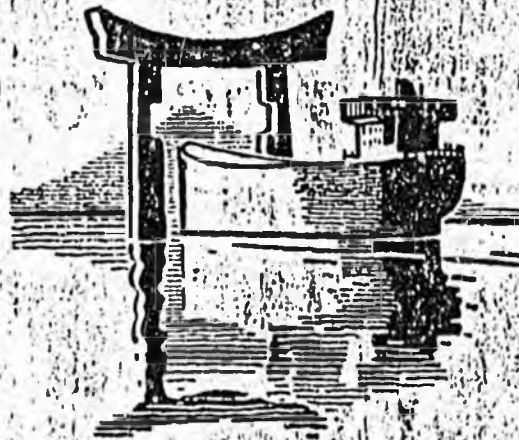
SENATOR Frank H. Murkowski, a Republican from Alaska who sits on the Energy Committee, has dusted off and modified a long-dormant plan to authorize the export of Alaskan oil to Japan. He plans to offer it as an amendment to the Export Administration Act when it comes up for renewal later this month.

Some Capitol aides think the measure could pass this time around. But the maritime industry, which has been the biggest stumbling block, says it remains adamantly opposed to the plan. The export of American crude, except for barrel-for-barrel swaps with Canada, is forbidden by law.

According to Senator Murkowski, Alaska's output could increase as much as 200,000 barrels a day, an increment that he would make available for export. He contends that the plan would reduce the nation's trade deficit with Japan by \$2 billion a year and raise \$133 million for the Treasury in "windfall profits" taxes.

The Senator has attempted to overcome the opposition of the American marine industry, which now transports Alaskan oil to West Coast and Gulf of Mexico ports, by stipulating that all vessels carrying exports would be repaired only in United States shipyards. In addition, the amendment provides that the President could cancel export contracts for reasons of a national emergency.

Vice President George Bush has told Senator Murkowski that the changes should make it acceptable to the opponents. However, Jesse M. Calhoun, president of the National Marine Engineers' Bene-



David Futler

ficial Association, wrote to all Senators last week to insist that the union "firmly and unequivocally" opposes the plan.

A Congressman Starts Over

After 20 years in Congress and eight years as minority leader on the House Ways and Means Committee, Representative Barber B. Conable Jr., a New York Republican, has decided it is time to do something else. But what?

According to Mr. Conable's longtime chief of staff, Harry Nicholas, the Congressman is thinking about teaching a course in government, writing and practicing law — perhaps back home in Rochester.

But there is speculation on Capitol Hill that Mr. Conable, who will be 64 on Election Day, might be Secretary of the Treasury in a second Reagan Administration and manage the tax-revision proposals the President has promised for 1985.

When asked the other day if he might accept a

job in the Administration, Mr. Nicholas said, Mr. Conable replied that it would have to be "a very attractive offer." In Washington, that kind of maybe is heard as a yes.

Making Noise at the Fed

Preston Martin, vice chairman of the Federal Reserve Board, has raised eyebrows by calling attention to the lone dissenting vote he cast at the December meeting of the Federal Open Market Committee.

Mr. Martin, appointed by President Reagan as heir-apparent to Paul A. Volcker, the chairman, last week distributed a copy of the F.O.M.C. policy actions at the session, with a note directing attention to page 14, where his dissent to the 11-1 majority was described. The dissent stated that Mr. Martin was concerned that "any tightening of reserve conditions" would raise interest rates and thereby threaten the economic recovery.

One analyst, terming it "highly unusual" for a board member to call attention to himself in such fashion, noted that the Fed official was evidently "trying to keep his reputation with the Administration intact."

Briefcases:

¶The Transportation Department proposes for security reasons to bar helicopter flights over the nation's nine nuclear weapons facilities. Flights by fixed-wing craft would be prohibited below specified altitudes, generally 3,000 feet.

¶The International Monetary Fund's policy-making Interim Committee, which had thought about skipping its regular spring meeting this year has decided to hold it on April 12.

¶Two Jersey's Democratic Senators, Bill Bradley and Frank R. Lautenberg, seek an investigation into why the price of home heating oil in the state has risen 20 cents a gallon.

RECEIVED
1984
BUDGET/AUDIT
COMMITTEE

Bill Sheffield

Free Alaska's Oil

American energy consumers have a large stake in the existing restrictions on the export of Alaska crude oil. Because Congress must soon act on an extension of the ban, its rationale and costs deserve scrutiny. I share the considered opinion of most economists and of the federal Department of Energy that the United States would produce more oil at lower prices if the export restrictions were lifted.

The origins of the oil export ban lie in the December 1973 authorization for construction of the Trans-Alaska Pipeline System, a project that currently carries some 20 percent of U.S. oil production. Energy security concerns became paramount in the wake of the October 1973 OPEC embargo, and Congress chose to restrict the destination of oil shipped through the pipeline. At that time, when U.S. ability to obtain any imported oil was in question, the restrictions made political sense.

The energy supply picture for the United States has changed during the past 10 years, however. About half of Alaska's oil production of 1.6 million barrels a day is in excess of West Coast needs. As a result, this oil must move to the larger market of the Gulf of Mexico and the East Coast. Unfortunately, this journey is an expensive one, costing four times as much as the tanker run to California. This additional transportation cost means reduced federal tax revenues and reduced incentives for expanding Alaska oil production. Higher trade deficits and diminished national security also result from the ban on our allies.

America's Pacific Rim allies, in close proximity to Alaska, would very much like to purchase this surplus oil to diversify their sources away from the Middle East, but are prohibited from doing so by federal law. The ban is particularly unfair because no other U.S. oil production is barred from export, and the United States currently ships overseas in excess of 701,000 barrels a day of domestically produced refined petroleum products.

Along with Alaska's congressional delegation, I have proposed that Congress relax the existing export ban on Alaska oil to allow 200,000 barrels a day to be shipped to Japan on U.S.-flag tankers. Most knowledgeable observers agree that the federal government and energy consumers in the United States would experience significant benefits from the adoption of this proposal:

- The federal Treasury would realize almost \$200 million per year in increased tax revenues as a result of the higher value of oil shipped to the Pacific Rim.

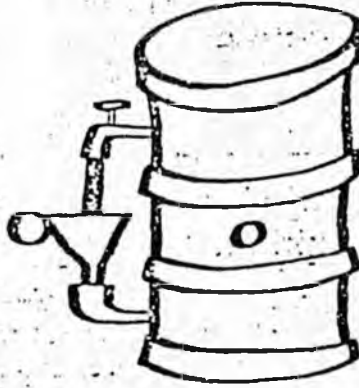
- The oil industry would have a greater incentive to develop currently marginal fields on Alaska's high-cost North Slope and to explore for addi-

tional oil and gas in northern Alaska.

- The pricing power of OPEC would be moderated by the entry of Alaskan oil into Asian markets.

- U.S. national security interests would be protected by diversifying the energy supply of key U.S. allies who currently must seek energy from OPEC and Russia.

- The existing trade deficit with Japan would be reduced while the United States



By Zarko Karabatic

would gain a bargaining tool to use on other trade issues.

- Opportunities for financially troubled countries, such as Venezuela and Mexico, to sell oil to the United States would be expanded by providing possibilities for cost-efficient oil exchanges.

In light of these convincing arguments, why does the export ban remain in effect? The Alaska oil trade currently supports a substantial portion of the U.S. merchant marine fleet. Any action that reduces the amount of time Alaska oil must spend in U.S. tankers is therefore fiercely opposed by the owners and workers supported by these ships. To accommodate their concerns, the proposal I am making would sharply limit exports, and would require the use of U.S.-flag tankers manned by American seamen and maintained in American shipyards.

Those of us who live in Alaska strongly believe in the importance of a healthy merchant marine, given our heavy reliance on waterborne commerce. Nevertheless, the Alaska oil export ban is an expensive and ineffective means of achieving it. In a recent draft report, the U.S. Department of Energy said most of the problems likely to confront the U.S. tanker fleet in the future will occur whether or not export restrictions are eased. To forgo substantial federal tax revenues, national trade benefits, improved national security and increased oil production primarily to protect narrow merchant marine interests is not sound public policy.

The writer is governor of Alaska.

Washington Watch

Robert D. Hershey Jr.

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New York Times 2/23/84

Let Alaska's Oil Flow Naturally

By law — indeed, five laws — the United States prohibits exports of Alaskan oil. The nominal reason is national security. The controlling reason is protectionist politics. The ban should be repealed.

Alaska's Senators, Frank Murkowski and Ted Stevens, want to amend the Export Administration Act to authorize at least some sales abroad. To win votes, they've conceded too much to protectionism. Nonetheless, because the House has already voted to extend this senseless embargo, their amendment offers the only hope for reducing its harm.

Alaska currently pumps out 1.8 million barrels a day. The idea behind the ban was that it's more efficient — and serves the national interest — to direct that oil to West Coast refineries, a short run down the coast. In fact, those refineries have been able to use only half of it. The rest goes through the Panama Canal and a Panama pipeline to refineries on the Gulf of Mexico, or all the way around South America to the Virgin Islands. What a waste, and discouragement, to Alaska's oil development.

The cost of the long-distance transportation runs as high as \$3.25 a barrel. Shipment to the logical buyers in the Pacific basin — Japan, South Korea and Taiwan — would cost \$1 or less.

The benefit would be twofold. Gulf and Caribbean refineries could get their crude oil at lesser cost from Mexico, Venezuela and Nigeria. And Alaskan oil across the Pacific would become more

competitive, and thus stimulate more exploration.

What about national security? It is said that the Arab oil embargo and resulting escalation of oil prices proved the value of holding on to every drop of American oil. So why let others buy it?

The question turns the issue upside down. Exporting Alaska's oil would enhance national security, not hurt it. The countries that would buy this oil are important allies whose access to oil is vital to American security interests. They have no oil of their own. An assured supply is especially necessary for Japan. By reducing Japanese dependence on the Middle East and also stimulating more production in Alaska, two important interests would be served.

The Murkowski-Stevens amendment would permit exports of 200,000 barrels a day and let the President stop all exports if ever the oil is needed in the United States. That's a reasonable concession to get the amendment approved but of no realistic consequence. If cut off by the Persian Gulf, Japan is not likely to be cut off also by America.

What is objectionable is the Murkowski-Stevens requirement that all exports be shipped in American vessels and that the vessels be maintained and repaired in American shipyards. These concessions, to win over the maritime unions, would increase the cost of shifting transportation patterns and reduce their value. But the ban offends economics in larger ways and violates security. Even at that price, it's worth relaxing.

NY Times 2/23/84

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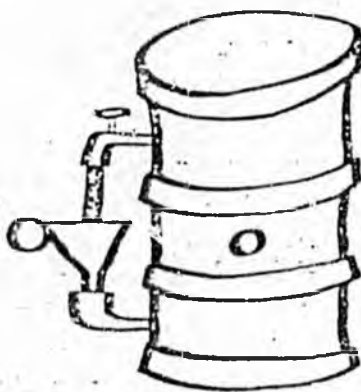
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would gain a bargaining tool to use on other trade issues.

- Opportunities for financially troubled countries, such as Venezuela and Mexico, to sell oil to the United States would be expanded by providing possibilities for cost-efficient oil exchanges.

In light of these convincing arguments, why does the export ban remain in effect? The Alaska oil trade currently supports a substantial portion of the U.S. merchant marine fleet. Any action that reduces the amount of time Alaska oil must spend in U.S. tankers is therefore fiercely opposed by the owners and workers supported by these ships. To accommodate their concerns, the proposal I am making would sharply limit exports, and would require the use of U.S.-flag tankers manned by American seamen and maintained in American shipyards.

Those of us who live in Alaska strongly believe in the importance of a healthy merchant marine, given our heavy reliance on waterborne commerce. Nevertheless, the Alaska oil export ban is an expensive and ineffective means of achieving it. In a recent draft report, the U.S. Department of Energy said most of the problems likely to confront the U.S. tanker fleet in the future will occur whether or not export restrictions are eased. To forgo substantial federal tax revenues, national trade benefits, improved national security and increased oil production primarily to protect narrow merchant marine interests is not sound public policy.

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Foes cite expense and time

Oil export study panel runs into trouble

by DAVID RAMSEUR
News-Miner Bureau

WASHINGTON—A presidential study commission Alaska lawmakers managed to salvage from their overwhelming defeat early this month on efforts to lift the ban on Alaska oil exports appears in trouble.

The maritime industry is gearing up for a lobbying campaign to delete the study and the majority of House and Senate members selected to put final touches on the measure are firmly against Alaska oil exports.

In the meantime, Gov. Bill Sheffield has stepped up his lobbying on the issue. He has sent a packet of materials to the lawmakers involved and a state-hired lobbyist is making the rounds to convince congressmen in person.

Although Alaska Sen. Frank Murkowski remains optimistic the commission will eventually become law, others aren't so sure.

"So far there is certainly support for deleting the study altogether or delaying the due date," said Howard Marlowe, head of the Coalition to Keep Alaska Oil.

Admits a state official: "It's going to be an uphill battle to keep it in,"

At issue is a seven-member presidential commission Murkowski attached to the Export Administration Act after the Senate defeated 70-20 his proposal to permit the export of some types of Alaska oil.

The study commission, charged with reviewing the merits of Alaska oil exports, was the best Murkowski could do in the face of overwhelming

Senate opposition to selling Alaska oil abroad.

The commission, which was given an open budget, is to report its findings next January. Proponents of Alaska oil exports hope those findings will strengthen their case for lifting the federal ban on exporting Alaska oil.

But opponents point to a handful of government and private studies on

the issue conducted in the last year alone and say the time and expense of another is hard to justify.

"We're not hysterically opposed like the administration is to some of our projects but we're going to fight it," said an aide to Rep. Don Bonker, a Washington Democrat heading up the House opposition.

A panel of members of both the House and Senate have been

appointed to work out the differences in the two versions of the bill. The Senate version contains the Alaska oil export study but the House version does not.

Of the 16 House conferees, nine are co-sponsors of a measure to permanently ban Alaska oil exports. On the five-member Senate panel, only Sen. John Tower, R-Texas, voted to permit Alaska oil exports.

Town chiefs cite state threats over hydro project

By MARK BAUMGARTNER
Associated Press Writer

JUNEAU—Gov. Bill Sheffield, two of his cabinet members and a state senator have threatened to withhold capital projects from a Southeast Alaska town in effort to coerce its municipal officials in a signing contracts to buy power from a state hydroelectric plant, according to participants in the negotiations.

Sheffield in November told negotiators from Petersburg that their town could be deprived of state dollars, particularly money the community wants so it can repair and improve its high school, if they didn't agree to buy power from the Tyee Lake hydro project, said Mayor Don Koenigs.

Commerce and Economic Development Commissioner Dick Lyon, Office of Management and Budget Director Robert Stewart

board of directors, and Faiks sits on the Senate Finance Committee.

Petersburg City Manager Rich Underkofler and Lin Wilson, a consultant hired to help the town in negotiations with the Alaska Power Authority, said they are aware of the threats.

But a spokesman for Sheffield said what Petersburg officials perceive as threats are in reality blunt warnings of likely legislative reaction to the extended deadlock.

"I suppose there's a thin line between a threat and a warning," said Sheffield Press Secretary Pete Spivey.

"All I've heard is the governor saying good luck getting the Legislature to act on your projects if the state has to eat" the money it has sunk into the Tyee project, Spivey said. "I don't think that's far off base."

Legislators could be faced with

which he says depends on signed power sales agreements.

A legislator who has followed the negotiations, Rep. Ron Wendte of Ketchikan, said he heard Lyon make some "off the wall" comments to representatives from Petersburg, hinting that they would pay a price if they held out on signing contracts to buy Tyee power.

At one point, Lyon suggested ferry service in Southeast Alaska could suffer if representatives of the municipal utilities didn't cooperate, Wendte said.

Sheffield overheard Lyon's comments and told the commissioner he was out of line, Koenigs said.

"I've never threatened Petersburg," Lyon said. It's Koenig's "paranoia" that causes him to see threats in the commissioner's explanation of political realities, Lyon said.

deal possible, Lyon said.

Threatening to withhold capital project money is just one negotiating tactic employed against representatives of utilities in the four dam pool, according to Koenigs.

A memorandum written by Wilson, a consultant hired from a Bellevue, Wash., engineering firm to help Petersburg in its negotiations with APA, outlines the frustrations and pressures felt by Petersburg officials. Koenigs said.

"APA's conduct of the negotiations, whether deliberately manipulative, politically motivated, or merely heavy handed through inexperience, tends to color any evaluation of the merits of what is offered," Wilson said.

In his critique of APA's negotiating style, Wilson said the state power authority has tried to

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