

S

B

268



COMMITTEE REPORT

SENATE

*C+PS*

4/19/83

FURTHER: Finance

Date: 5-18-83

Mr. President:

The Committee on Resources has had SB 268

~~Relating to the sale of Prudhoe Bay royalty oil by the State of Alaska to the Tesoro Alaska Petroleum Company; and eff. date.~~

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- <sup>may</sup> do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for \_\_\_\_\_  same title  
 new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

*Cecil Sturgis*  
*V. King*  
*Paul Frank*  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

*Bob Mulvey* *Prokes*  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

*Lt. Governor*  
 CHAIRMAN



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

April 19, 1983

The Honorable Jalmar Kerttula  
President of the Senate  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill which provides for legislative approval of a royalty oil contract between the state and Tesoro Alaska Petroleum Company for the sale of Prudhoe Bay royalty oil.

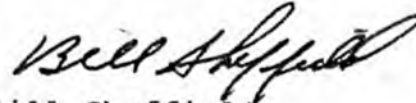
This contract is described in the findings entitled "Proposed Disposition of Royalty Oil, Tesoro Alaska Petroleum Company" issued by the Department of Natural Resources on March 16, 1983. Copies of these findings have been made available to the legislature and the public for review.

This contract is being submitted for legislative approval for two reasons. First, although this and the previous administration have consistently taken the position that the statutory requirement of legislative approval of royalty oil contracts is unconstitutional (AS 38.06.055), as a matter of comity I respect the legislature's desire to have a direct voice in major disposals of royalty oil. Therefore, this contract contains provisions requiring approval by the legislature before it becomes effective. Second, this bill would ratify the agreement for the sale of oil. This ratification would cure any procedural defect that may have occurred in the process of entering into this contract.

Although we believe that all necessary steps have been taken, the statutes and regulations governing the disposal of royalty oil represent often conflicting desires and goals, both procedural and substantive. For example, even if statutorily requiring legislative approval were constitutional, the present statutes provide, on the one hand, that the legislature is to approve the contract by enacting legislation (AS 38.06.055(a)), but, on the other

hand, they also provide that a report of the Royalty Board "shall be submitted for legislative review at the time of [sic] resolution for legislative approval of a proposed disposition of royalty oil and gas is introduced in the legislature" (AS 38.06.070(c)). Since legislative approval is required anyway as a matter of contract, I believe it only prudent to present this contract for legislative approval and ratification at this time.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Sheffield".

Bill Sheffield  
Governor

I. REQUEST

Bill/Resolution No.: SB268  
 Title: Tesoro Prudhoe Bay Unit Royalty Oil Agreement  
 Sponsor: Governor  
 Requestor: Governor

II. FISCAL DETAIL

Agency Affected: Natural Resource Mgmt.  
 Program Category Affected: Mgmt. of Energy  
 BRU, Program of Subprogram(s) Affected: Res. Oil and Gas Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
<b>TOTAL OPERATING</b>	0	0	0	0		
<b>CAPITAL</b>						
<b>REVENUE</b>						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)	0	0	0	0		

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						
	0	0	0	0		

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Mark Wittow Phone: 465-2400  
 Division: Commissioner's Office, DNR Date: 4/8/83  
 Approved By: Commissioner: Mary Johnson Date: 4/8/83  
 Department: Natural Resources

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

ALASKA STATE LEGISLATURE

..13th. Legislature .. FIRST Session

SENATE ...BILL..... NO. .268...

By THE RULES COMMITTEE BY.....  
REQUEST OF THE GOVERNOR

"An Act relating to the sale of Prudhoe Bay royalty oil by the State of Alaska to the Tesoro Alaska Petroleum Company; and providing for an effective date."

Introduced in the Senate ... 4/19., 1983.

HISTORY IN THE SENATE

1983	Read first time and referred to Committee on <i>CLER added</i>												
4 19	Resources and Finance												
519	Reported back with <i>Finance</i> recommendation that <i>4 do pass, /no rec to CLER</i>												
	Read second time and												
	Read third time and												
	<table border="0"> <tr><td>PASS</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Absent</td><td>Absent</td></tr> <tr><td>Excused</td><td>Excused</td></tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused		
PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
	<table border="0"> <tr><td>Reconsider</td><td></td></tr> <tr><td>PASS</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Absent</td><td>Absent</td></tr> <tr><td>Excused</td><td>Excused</td></tr> </table>	Reconsider		PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
Reconsider													
PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
	Reported correctly engrossed Signed by President Sent to House												
SECRETARY OF THE SENATE													

HISTORY IN THE HOUSE

19	Read first time and referred to Committee on												
	Reported back with recommendation that												
	Read second time and												
	Read third time and												
	<table border="0"> <tr><td>PASS</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Absent</td><td>Absent</td></tr> <tr><td>Excused</td><td>Excused</td></tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused		
PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
	<table border="0"> <tr><td>Reconsideration</td><td></td></tr> <tr><td>PASS</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Absent</td><td>Absent</td></tr> <tr><td>Excused</td><td>Excused</td></tr> </table>	Reconsideration		PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
Reconsideration													
PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
	Reported correctly engrossed Signed by Speaker Returned to Senate												
CHIEF CLERK OF THE HOUSE													

HISTORY IN THE SENATE

19	Received from House
	To enrolling
	Reported correctly enrolled
	Sent to Governor
	..... by Governor
	Filed with Lt. Governor
	Chapter No. ....

Senator Frank Ferguson

APR 17 1984

From Rep. Cassidy

C-12 The Anchorage Times, Monday, April 16, 1984

## Debt-plagued Charter to sell insurance company

Associated Press

Miami — Charter Co. announced it secured a New York investment banking firm to sell its insurance company, with the proceeds going to help pay debts of the the Jacksonville-based conglomerate, officials said.

Company spokeswoman Joanne Stone said Donaldson, Lufkin & Jenrette Inc. would assist in selling the insurance operation to a third party.

"The purpose is ... to protect Charter Security Life (Insurance Co.) and its policyholders from negative publicity directed at Charter, and to use the pro-

ceeds of the sale to reduce existing indebtedness of Charter," Stone said.

Charter Security Life policyholder accounts are unaffected by the action, she said.

A Tennessee newspaper, in its Sunday editions, reported that Charter also planned to sell its oil company to raise cash.

The Nashville Tennessean quoted sources close to the company as saying that the business is planning to adjust financial statements to reflect losses of up to \$30 million over the last three years.

Charter on Friday asked the New York Stock Exchange to suspend trading of its stock after more than 266,000 shares changed hands. The last trade was at \$5.375, off \$1 from Thursday.

The unusual volume of trading was caused by "insiders" who are familiar with alleged problems at Charter, The Tennessean said.

Charter is the controlling stockholder of Nashville's McDowell Enterprises. McDowell earlier this month announced 1983 losses of \$2.1 million, or 89 cents per share, compared with \$1.1 million, or 47 cents per share, lost in 1982.

Kenneth L. Fisher, a money manager in Burlingame, Calif., who owns about 1 percent of the company's stock, said the reason for the trading halt could be the possible sale of Charter's oil refinery in the Bahamas. But another reason might be the reporting of a first-quarter loss in excess of \$4.5 million, Fisher said.

The company blamed reduced earnings from its insurance subsidiary operation for most of the deficit. Charter Security Life two weeks ago announced that redemptions in mid-March outnumbered sales of annuities by 10-to-1.

Charter also Sunday reported that its subsidiary oil operations have experienced an "unanticipated and severe" loss of trade credit during the last two weeks. The company is currently discussing with its lenders means by which the lost trade credit could be replaced.

The Charter Oil Group alone is losing approximately \$25 million per quarter, the newspaper said.

A minority stockholder from Key Biscayne has filed a class action suit in Jacksonville alleging the company attempted to conceal adverse information about Charter's financial condition.