

S

B

2

85

ALASKA STATE LEGISLATURE

1983 Legislature .. 1st Session

SENATE NO. 285

By BY
REQUEST OF THE GOVERNOR

"An Act relating to the sale of Cook Inlet property to the State of Alaska to the Tesoro Alaska Petroleum Company; and providing for an effective date."

Introduced in the Senate ... 4/28/83, 1983.

HISTORY IN THE SENATE

1983	Read first time and referred to Committee on <i>Energy and Resources</i>												
5 2 4 31	Reported back with <i>Revised</i> recommendation that <i>5 do pass, in accordance to C42A</i>												
5 19													
	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 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.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

SB285

April 29, 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 Cook Inlet royalty oil.

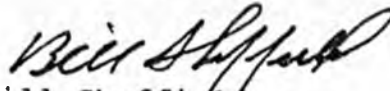
This contract is described in the findings entitled "Proposed Disposition of Royalty Oil, Tesoro Alaska Petroleum Company" issued by the Department of Natural Resources on February 22, 1983. Copies of these findings have been made available to the legislature and the public for review.

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.: SB285
 Title: Approving Cook Inlet royalty oil agreement
 Sponsor: Governor
 Requestor: Governor

II. FISCAL DETAIL

Agency Affected: Natural Resources
 Program Category Affected: Mgmt. of Energy
 BRU, Program of Subprogram(s) Affected: Oil & Gas Mgmt.

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						
	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 *Mark Wittow* Phone: 465-2400
 Division: Commissioner's Office, DNR Date: 3/30/83
 Approved Commissioner: Maury Zellman Date: 3/30/83
 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)

MAR 14 1984

EXECUTIVE SUITE

BEHIND THE BREAKUP AT CHARTER

Since its birth in the 1960s, Charter Co. has tried its hand at oil, land development, banking, insurance, and even operating the now-defunct *Philadelphia Bulletin*. The resulting mishmash of operations—and confusing financial reporting practices—bewildered Wall Street analysts and scared off big institutional investors. Charter stock now trades at a low price-earnings ratio of 7 and at a 61% discount to the company's \$29 book value.

Now, Charter has announced that it will split itself into separate energy and insurance companies, gambling that investors will find a better-focused approach more appealing.

"Our insurance company happened to be in a business with negative publicity that has hurt the oil company, and the oil operations have confused people who try to look at us as an insurer," says Chief Executive Raymond K. Mason. "This spinoff should end the confusion."

'A REAL TOBOGGAN.' The bid for respectability on Wall Street could backfire on the \$5.7 billion Jacksonville (Fla.) company. Without its large and profitable insurance operations, the parent—to be renamed Charter Oil Co.—will have nowhere to hide should its volatile, low-margin crude-oil marketing and refining businesses run into earnings trouble.

"With today's excess refining capacity, any independent refiner that doesn't have its own crude-oil supplies is not going to be able to sustain good margins," warns Dillard P. Spriggs, president of Petroleum Analysis Ltd. in New York. "Refining, for an independent, can be a real toboggan," Spriggs says.

Under the proposed breakup, holders of each of Charter's 22.8 million shares will receive one share of Charter Financial Co. later this spring. Charter Finan-

cial will own Charter's three insurance units, including the No. 1 issuer of single premium deferred annuities (SPDAs)—annuities that allow purchasers to place lump-sum investments in high-yielding accounts free of taxes until withdrawal. The newly independent Charter Financial will have \$4.5 billion of policies in force and no long-term debt but will issue \$129 million in preferred stock to Charter Oil. The oil company hopes to sell the stock later. Also, about \$100 million in Charter Co. assets will be put on the block prior to restructuring.

After the breakup, it is doubtful whether the "new" Charters will be managed differently than they are now. The companies will share the same three top managers, with Mason continuing as chief executive of both. And investors may not be thrilled with their clearer view of the Charter progeny.

In the wake of the financial collapse of SPDA giant Baldwin United Corp. and concern over Charter Security Life Insurance Co.'s investment portfolio (BW—Nov. 21), Mason says that worried customers have cashed in approximately \$700 million of Charter SPDAs. While the redemption stampede has subsided, new annuity sales are sluggish, and Charter Financial officials concede that the company may never replicate the insurance units' spectacular 540% asset growth since 1980.

ADVERSE PUBLICITY. Charter's core energy business has been a lackluster performer. Last year the energy operations recorded operating profits of \$21 million after write-downs, far short of the heady days of the late 1970s, when Charter earned roughly \$1 million a day on the strength of its huge Bahamian refinery alone. Last year, however, the refinery, owned jointly with Standard Oil Co. of California, operated at only 20% of capacity.

Much of the oil operation's woes had been overshadowed by hefty profits at the insurance units, which earned \$107.3 million in 1983, despite adverse publicity in the latter part of the year. And parent Charter Co.'s 1983 net income of \$61.7 million included \$80.8 million in nonrecurring gains from contract settlements, stock swaps, and inventory adjustments.

Observers agree the future profitability of Charter Oil hinges on how quickly Mason can steer the company from the depressed refining business, which currently accounts for 35% of sales. An energy-related acquisition, possibly financed with proceeds of the planned sale of Charter Financial preferred shares, may be Mason's most expeditious solution. "The oil company will surprise everybody," Mason insists. Given the stiff competition and slim margins for both marketing and refining on the East Coast, Mason will have to be right. (9)

BUSINESSWEEK/MARCH 5, 1984 37

38 BUSINESSWEEK/MARCH 5, 1984

Rep. [unclear]