

HB

704

HOUSE  
COMMITTEE REPORT

4/14

(9)

Date referred: 4/1/86

FURTHER REFERRALS: FINANCE

DATE: 4/14/86

The RESOURCES Committee has considered HB 704

"An Act relating to the disposal of state materials."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with \_\_\_\_\_  same title
- new title

and recommends \_\_\_\_\_

further referral to the \_\_\_\_\_ Committee

- and attaches:
- letter of intent
  - first fiscal note
  - new fiscal note
  - zero fiscal note

SIGNING DO PASS:

Shultz Dick Shultz

Cato Bette Cato

Pearce Dave Pearce

Sund Paul Sund

Thompson David W. Thompson

Miller(NP) M.W. Miller

SIGNING OTHER RECOMMENDATIONS:

F. Kay Wallis No Rec  
Wallis

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Dick Shultz  
Co-Chairman

Shultz  
Shultz

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: \_\_\_\_\_

## REQUEST

Bill/Resolution No.: HB 704  
 Title: Disposal of State Materials  
 \_\_\_\_\_  
 \_\_\_\_\_  
 Sponsor: House Resources  
 Requestor: House Resources  
 Date of Request: April 14, 1986

## FISCAL DETAIL

Agency Affected: Natural Resources  
 BRU: Land and Water Management  
 \_\_\_\_\_  
 \_\_\_\_\_  
 Components: Land and Water Public  
Use  
 \_\_\_\_\_  
 \_\_\_\_\_

### EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		-0-	-0-	-0-	-0-	-0-
TRAVEL		-0-	-0-	-0-	-0-	-0-
CONTRACTUAL		-0-	-0-	-0-	-0-	-0-
SUPPLIES		-0-	-0-	-0-	-0-	-0-
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-

CAPITAL		-0-	-0-	-0-	-0-	-0-
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REVENUE		-0-	-0-	-0-	-0-	-0-
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### FUNDING : (Thousands of Dollars)

GENERAL FUND		-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL		-0-	-0-	-0-	-0-	-0-

### POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

No Fiscal Impact

Prepared by: Mike Vediner  
 Division: Land and Water Management

Phone: 465-2400  
 Date: April 14, 1986

Approved by Commissioner: *Arms D. Jensen, Deputy*  
 Agency: Natural Resources

Date: April 14, 1986

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)



# Alaska State Legislature

## House

Official Business

Pouch V  
State Capitol  
Juneau, Alaska 99811

TO: House Resources Committee      DATE: April 11, 1986  
members

FROM: Rep. Sam Cotten                      RE: HB 704

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Background for proposed amendments to AS 38.05.115 and AS 38.35

Sec 1- Amendments to AS 38.05.115

- 1) There has never been competitive bidding on material sales to AS 38.35 (pipeline right of way) lessees. DNR holds an auction with one bidder present and bidding. In most cases the lessee is the only party in a position to use the materials so located.
- 2) This amendment will result in some savings, perhaps a few thousand dollars, in notice, publication and staff costs.
- 3) Sales of materials will be able to be expedited by approximately 60 days, which will result in better service to the lessees.
- 4) The ability to negotiate sales of material up to 100,000 cubic yards is consistent with the actual needs of pipeline lessees. It will enable such lessees to more adequately plan and prepare for major renovation and rehabilitation.
- 5) Policy is consistent with other statutes that allow negotiations for lessees providing a public service--public utilities under AS 38.05.810 and AS 38.05.075; those provisions allow for less than fair market value in addition to the ability to negotiate, while this proposal requires fair market value payment.

Sec 2 Amendment to AS 38.35

In an emergency situation, this section allows materials to be used to prevent resource damage in situations where there is not adequate time to comply with sale procedures. If oil were leaking into a stream, any prudent official would authorize the use of state material to prevent damage to state resources, even if it meant violating procedures. Legally the approach is sound as 1) The material would still be state property until the sale was completed and 2) the material, once removed from the ground, is personal property, not real property.

# MEMORANDUM

State of Alaska

TO: AS 38.35 File

DATE: 3/13/86

FILE NO:

TELEPHONE NO:

FROM: Frank G. Mielke *FGM*  
Division of Land & Water Mgmt.

SUBJECT: Materials, Major 38.35 lessees

Attached are a report on material used by Alyeska Pipeline Service Co., a lessee of state land under AS 38.35. as well as sample maps showing material sites, and a letter outlining some problems with the exostomg 25,000 cubic yard limit.

The Operations Material Site Accounting Report, under the column "Total Contract Quantity", indicates numerous sales in excess of 25,000 cubic yards. Such sales occurring on state land must be done through competitive bidding, The requirements of AS38.05.115 which require additional notice, advertising and quction expense and time, even though only one party, Alyeska, has ever bid on the materials sold in these cases.

In February and March of 1985, pipeline subsidence in the vicinity of Milepost 200 required 75,000 cubic yards of material to prevent severe environmental damage and flow disruption. The pipe had subsided to a dangerous point, and the time delays imposed by statute increased the danger.

The federal government has no such requirement for the sale of materials on federal land. As more of the land is conveyed to the State, the state requirements become more critical.

# Alyeska pipeline

SERVICE COMPANY 1835 SOUTH BRAGAW STREET, ANCHORAGE, ALASKA 99512, TELEPHONE (907) 278 1611, TELEX 090 25 127

June 27, 1983

Letter No. 83-2098

State of Alaska  
Department of Natural Resources  
Division of Land and  
Water Management  
4420 Airport Way  
Fairbanks, Alaska 99701

Attn: Jerry L. Brossia  
District Manager

Re: ADL 408894  
Operations Material Site 53-2

Gentlemen:

Alyeska Pipeline Service Company, Agent for the Lessees of the Trans Alaska Pipeline System, entered into negotiated Material Sale Contract ADL 403564 for 25,000 cubic yards of gravel on August 31, 1981, 25,000 cubic yards being the maximum quantity allowable under a negotiated sale to a single purchaser in any twelve-month period.

In August 1982 Alyeska's field personnel reported that the 25,000 cubic yards purchased under ADL 403564 would be insufficient to complete the pipeline workpad repair project between the Salcha River and Shaw Creek, and they estimated that an additional 9,000 cubic yards would be required. This amount was requested under a non-advertised negotiated sale, and Material Sale Contract ADL 408894 for 9,000 cubic yards was issued September 15, 1982, leaving 16,000 cubic yards available for negotiated sale to Alyeska during the twelve-month period from September 15, 1982 to September 15, 1983.

As the workpad repair project neared completion in the fall of 1982, it appeared evident that the 9,000 cubic yards would not be sufficient to complete the job. Due to the relatively short construction "window" in this area and the high mobilization costs, it was decided to finish the repair project and then make a final accounting of material used. At that time it was estimated no more than an additional 16,000 cubic yards would be required. This decision was supported by the State Pipeline Coordinator's office.

Final survey cross sections of the material site indicate that 47,391 cubic yards were removed and used in the workpad repair project. An additional 5,940 cubic yards remain stockpiled in the material site, giving a grand total of 53,331 cubic yards mined. When these figures were received and discussed with the State Pipeline Coordinator's representative, it was decided to take the following steps to "balance the books:"

Letter No. 83-2098

June 27, 1983

Page Two

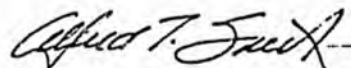
1. Submit a final accounting voucher for ADL 403564 indicating that the entire contract quantity (25,000 c.y.) had been mined, include the necessary payment, and request close-out of the contract.
2. Upon receipt of notification that ADL 403564 had been closed out, file a request to amend ADL 408894 by increasing the contract quantity to 25,000 cubic yards, the maximum allowable under a non-advertised negotiated sale.
3. After approval of the contract amendment was received, submit a final accounting voucher reporting a total of 28,331 cubic yards ultimately removed under ADL 408894. The 3,331 cubic yard overrun would be accepted as a reasonable margin of error in field quantity accounting. Payment for the 28,331 cubic yards would be made at the contract unit price and the contract closed out.

The final accounting voucher for ADL 403564, including the required payment, was submitted to your office in January 1983; however, despite repeated follow-ups by our office and the State Pipeline Coordinator's office, formal notification of close-out of ADL 403564 has not been forthcoming. Because of the requirement to submit an accounting voucher for ADL 408894 by June 30, we have now run out of time for processing an amendment to the contract and are therefore proceeding directly from Step 1 to Step 3 as outlined above.

Accordingly, transmitted herewith is a final accounting voucher for ADL 408894 indicating a total of 28,331 cubic yards mined, along with a check in the amount of \$13,265.50 which represents the total amount mined at the contract unit price of \$0.50, less the \$900.00 initial deposit. Please advise if further will be required from Alyeska in this matter.

Very truly yours,

ALYESKA PIPELINE SERVICE COMPANY



Alfred T. Smith  
Associate General Counsel

ATS:RGB:sks

cc: Bruce Stafford ✓

OPERATIONS MATERIAL SITE ACCOUNTING REPORT

Report Date: 1/20/86  
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ONS	JURISDICTION	SERIAL NUMBER	CONTRACT EXPIRATION DATE	UNIT PRICE	TOTAL CONTRACT QUANTITY	QUANTITY PAID FOR TO DATE (FED)	QUANTITY MINED TO DATE	REMARKS
3-1.1	State	ADL-202838	08-31-90	\$0.50	11,000			
3-2	State	ADL-202839	08-31-90	0.65	22,000			
5-2	S	ADL-202840	08-31-90	0.50	22,000			
7-1M	S	ADL-202841	08-31-90	0.50	22,000		9,000	
7-2M	S	ADL-202842	08-31-90	0.50	5,500			
9-3.1	Federal	AA-37877	01-29-86	0.55	5,500	5,500		
9-3.2	Federal	AA-47886	05-18-84	0.55	10,000	10,000	1,500	Paid - Expired
9-4R	F	AA-37878	01-29-86	0.55	22,000	22,000		
13-3.1	F	AA-37879	01-29-86	0.55	21,000	21,000	16,815	
14-0	F	AA-37880	01-29-86	0.55	22,000	22,000		
14-1.1	F	AA-37881	01-29-85	0.55	22,000	22,000		Paid - Expired
15-1R	F	AA-37882	01-29-85	0.55	11,000	11,000	2,500	Paid - Expired
16-3M	F	AA-37883	01-29-85	0.55	22,000	22,000		Paid - Expired
19-2.1	S	ADL-202843	08-31-85	0.90	11,000			Expired - Applied to U of A for new contract
20-1	private	N/A	09-28-88	0.75	2,000		740	Ahtna, Inc.
22-1	private	N/A	05-18-89	0.80	3,000			Ahtna, Inc.

OPERATIONS MATERIAL SITE ACCOUNTING REPORT

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OMS	JURISDICTION	SERIAL NUMBER	CONTRACT EXPIRATION DATE	UNIT PRICE	TOTAL CONTRACT QUANTITY	QUANTITY PAID FOR TO DATE (FED)	QUANTITY MINED TO DATE	REMARKS
24-1	P	N/A	06-10-87	0.55	5,000		4,300	Ahtna, Inc.
27-3N	F	AA-37884	01-29-86	0.55	22,000	22,000		
30-0	F	AA-37885	01-29-86	0.55	30,000	30,000	25,670	
30-3N	F	AA-37886	01-29-85	0.55	11,000	11,000		Paid - Expired
32-0.0	F	AA-37887	01-29-86	0.55	22,000	22,000		
33-1.1	S	ADL-202844	08-31-85	0.50	8,250			Terminated
35-1.2	S	ADL-202845	08-31-90	0.55	11,000			
35-2	F	AA-37888	01-29-85	0.55	22,000	22,000		Paid - Expired
37-0	F	AA-37889	01-29-86	0.55	49,500	49,500	4,950	
38-1R	F	F-60946	01-29-86	0.55	22,000	22,000		
38-2	F	F-60947	01-29-85	0.55	22,000	22,000		Paid - Expired
39-1.1	F	F-60948	01-29-86	0.55	82,000	82,000	12,387	
39-4	F	F-60949	01-29-86	0.55	11,000	11,000		
41-1R	S	ADL-403913	12-31-90	0.35	11,000		770	
42-3N	F	F-60950	01-29-86	0.55	11,000	11,000	3,630	
44-1R	F	F-60951	01-29-86	0.55	41,000	41,000	13,580	
49-3	S	ADL-402446	12-31-90	0.35	50,000		16,890	
53-2	S	ADL-408894	09-15-83	0.50		53,331	53,331	

OPERATIONS MATERIAL SITE ACCOUNTING REPORT

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OMS	JURISDICTION	SERIAL NUMBER	CONTRACT EXPIRATION DATE	UNIT PRICE	TOTAL CONTRACT QUANTITY	QUANTITY PAID FOR TO DATE (FED)	QUANTITY MINED TO DATE	REMARKS
55-1	S	ADL-403918	12-31-90	0.35	33,000		16,995	
57-2	P	N/A	01-03-89	0.25	15,000		130	Casperson
63-1	S	ADL-403919	12-31-90	0.35	33,000			
64-2	F	F-60952	01-29-86	0.55	27,500	27,500	2,750	
64-1H	F	F-80459	09-01-84	0.55	7,000	7,000	6,900	
66-1R	F (S)	F-60953	01-29-86	0.55	11,000	11,000		
68-1	F (S)	F-60954	01-29-86	0.55	82,500	82,500	7,393	
68-4	F (S)	F-60955	01-29-86	0.55	11,000	11,000	3,300	
69-1R	F (S)	F-60956	01-29-86	0.55	11,000	11,000	3,200	
70-0.1	F (S)	F-60957	01-29-85	0.55	16,500	16,500		Paid - Expired
71-0	F (S)	F-60958	01-29-86	0.55	11,000	11,000		
71-1HR	F (S)	F-60959	01-29-86	0.55	11,000	11,000	6,190	
72-2	F (S)	F-60960	01-29-85	0.55	27,500	27,500		Paid - Expired
73-1R	F (S)	F-60961	01-29-86	0.55	27,500	27,500	2,870	
74-2HR	F	F-60962	01-29-86	0.55	27,500	27,500		
75-1R	F (S)	F-60963	01-29-86	0.55	22,000	22,000		
76-2.1	I (S)	F-60964	01-29-86	0.55	33,000	33,000		

OPERATIONS MATERIAL SITE ACCOUNTING REPORT

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ONS	JURISDICTION	SERIAL NUMBER	CONTRACT EXPIRATION DATE	UNIT PRICE	TOTAL CONTRACT QUANTITY	QUANTITY PAID FOR TO DATE (FED)	QUANTITY MINED TO DATE	REMARKS
78-1	F	F-60965	01-29-86	0.55	11,000	11,000	9,362	
79-2	F	F-60966	01-29-86	0.55	22,000	22,000	19,307	
82-0	F	F-60967	01-29-86	0.55	16,500	16,500	2,120	
83-1	F	F-60968	01-29-86	0.55	16,500	16,500	2,953	
83-2	F	F-60969	01-29-86	0.55	11,000	11,000	10,270	
86-2	F	F-60970	01-29-86	0.55	22,000	22,000	20,230	
88-3	F	F-60971	01-29-86	0.55	11,000	11,600	11,569	
89-3	F	F-60972	01-29-86	0.55	11,000	11,000	11,000	
91-3.1	F	F-60973	01-29-86	0.55	16,500	16,500	13,290	
92-3.1	F	F-60974	01-29-86	0.55	109,500	109,500	60,763	
95-1.0	F	F-60975	01-29-86	0.55	11,000	11,000	5,754	
96-1	F	F-60976	01-29-86	0.55	11,000	11,000	7,998	
98-0.2	F	F-60977	01-29-85	0.55	16,500	16,500		Paid - Expired
98-3.1	F	F-60978	01-29-86	0.55	22,000	22,000	4,953	
100-1.2	F	F-60979	01-29-86	0.55	11,000	11,000	2,850	
100-2.1	F	F-60980	01-29-86	0.55	33,000	33,000		
102-1	F	F-60981	01-29-86	0.55	88,000	88,000	2,410	

## OPERATIONS MATERIAL SITE ACCOUNTING REPORT

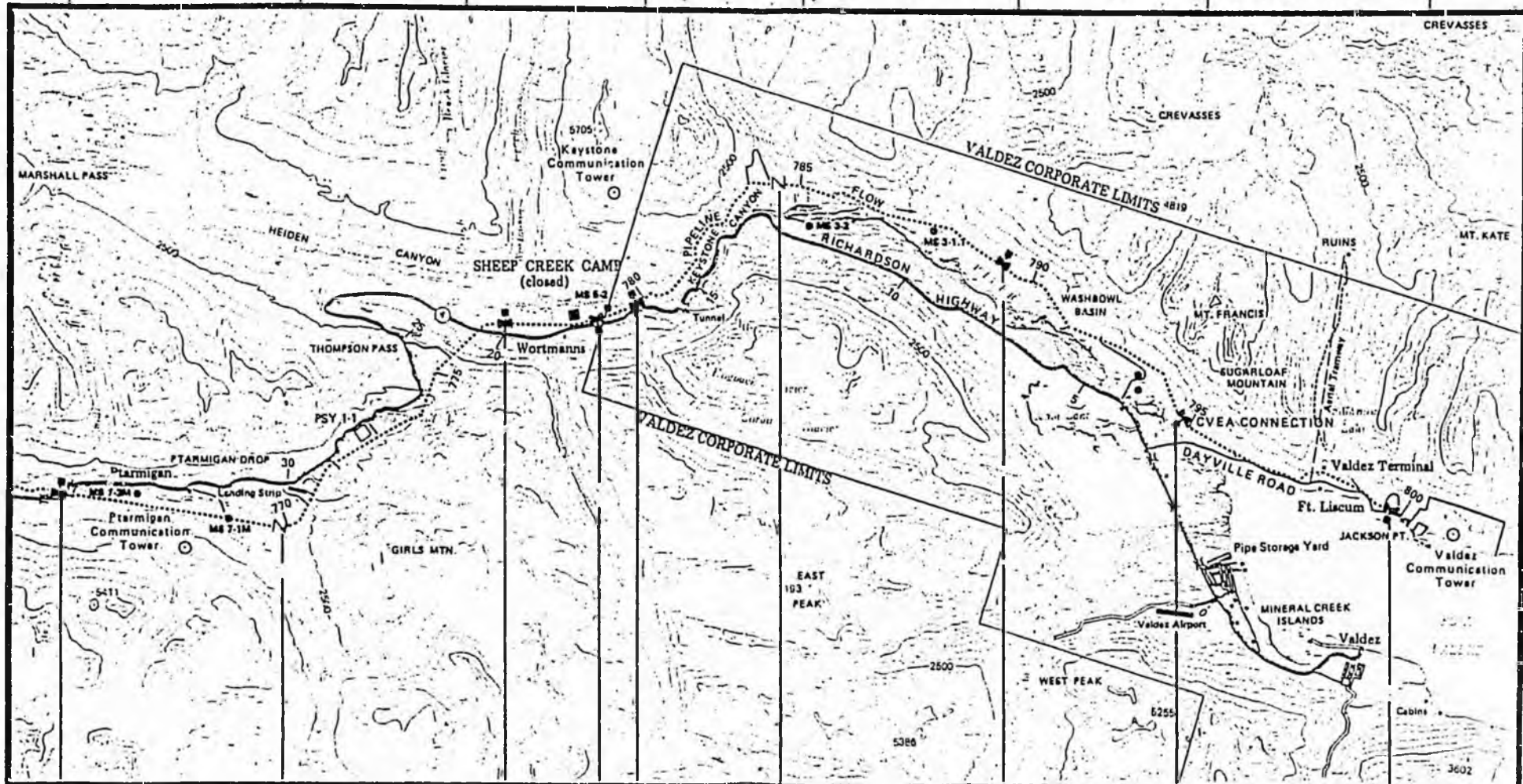
Report Date: 1/20/86  
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ONS	JURISDICTION	SERIAL NUMBER	CONTRACT EXPIRATION DATE	UNIT PRICE	TOTAL CONTRACT QUANTITY	QUANTITY PAID FOR TO DATE (FED)	QUANTITY MINED TO DATE	REMARKS
105-1	F	F-60982	01-29-86	0.55	11,000	11,000	3,860	
105-1.1	F	F-84579	12-24-86	0.60	60,000	60,000	15,840	
106-1	F	F-84709	03-20-88	0.60	50,000	50,000	50,000	
106-1.1	F	F-60983	01-29-85	0.55	25,000	25,000	21,486	Paid - Expired
106-2	F	F-60984	01-29-85	0.55	11,000	11,000	600	Paid - Expired
109-4	F	F-60985	01-29-85	0.55	20,000	20,000	10,580	Paid - Expired
111-2	F	F-60986	01-29-86	0.55	16,500	16,500		
112-3.1	F	F-60987	01-29-86	0.55	88,000	88,000		
114-1	F	F-60988	01-29-85	0.55	11,000	11,000		Paid - Expired
115-1	F	F-60989	01-29-85	0.55	11,000	11,000		Paid - Expired
116-2	F	F-60990	01-29-85	0.55	11,000	11,000		Paid - Expired
117-2	F	F-60991	01-29-86	0.55	22,000	22,000	3,280	
119-4	F	F-60992	01-29-86	0.55	50,132	50,132	50,132	
120-1	F	F-60993	01-29-85	0.55	22,000	22,000		Paid - Expired
122-3h	F	F-84977	07-16-88	0.55	30,000	30,000	29,920	
122-4	F	F-60994	01-29-85	0.55	11,000	11,000		Paid - Expired
125-3	F	F-60995	01-29-85	0.55	22,000	22,000	12,075	Paid - Expired

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OMS	JURISDICTION	SERIAL NUMBER	CONTRACT EXPIRATION DATE	UNIT PRICE	TOTAL CONTRACT QUANTITY	QUANTITY PAID FOR TO DATE (FED)	QUANTITY MINED TO DATE	REMARKS
125-1	F	F-60996	01-29-85	0.55	22,000	22,000		Paid - Expired
129-1A	S	ADL-407665	06-03-87	0.542 (C)	150,000		104,917	
129-2	S	ADL-403920	12-31-85	0.35	11,000			Will Not Mine
133-2A	S	ADL-411902	10-15-90	0.60	50,000			
134-3	S	ADL-403922	12-31-85	0.35	22,000		17,000	Will Not Mine



119  
REMOTE VALVE  
40401+88

120  
CHECK VALVE  
40846+81

121A  
REMOTE VALVE  
41117+37

121  
REMOTE VALVE  
41007+64

T88  
REMOTE VALVE  
42232+87

122  
CHECK VALVE  
41171+89

123  
REMOTE VALVE  
41400+48

124  
REMOTE VALVE  
41849+28

125  
REMOTE VALVE  
41933+87

Material Sales

61

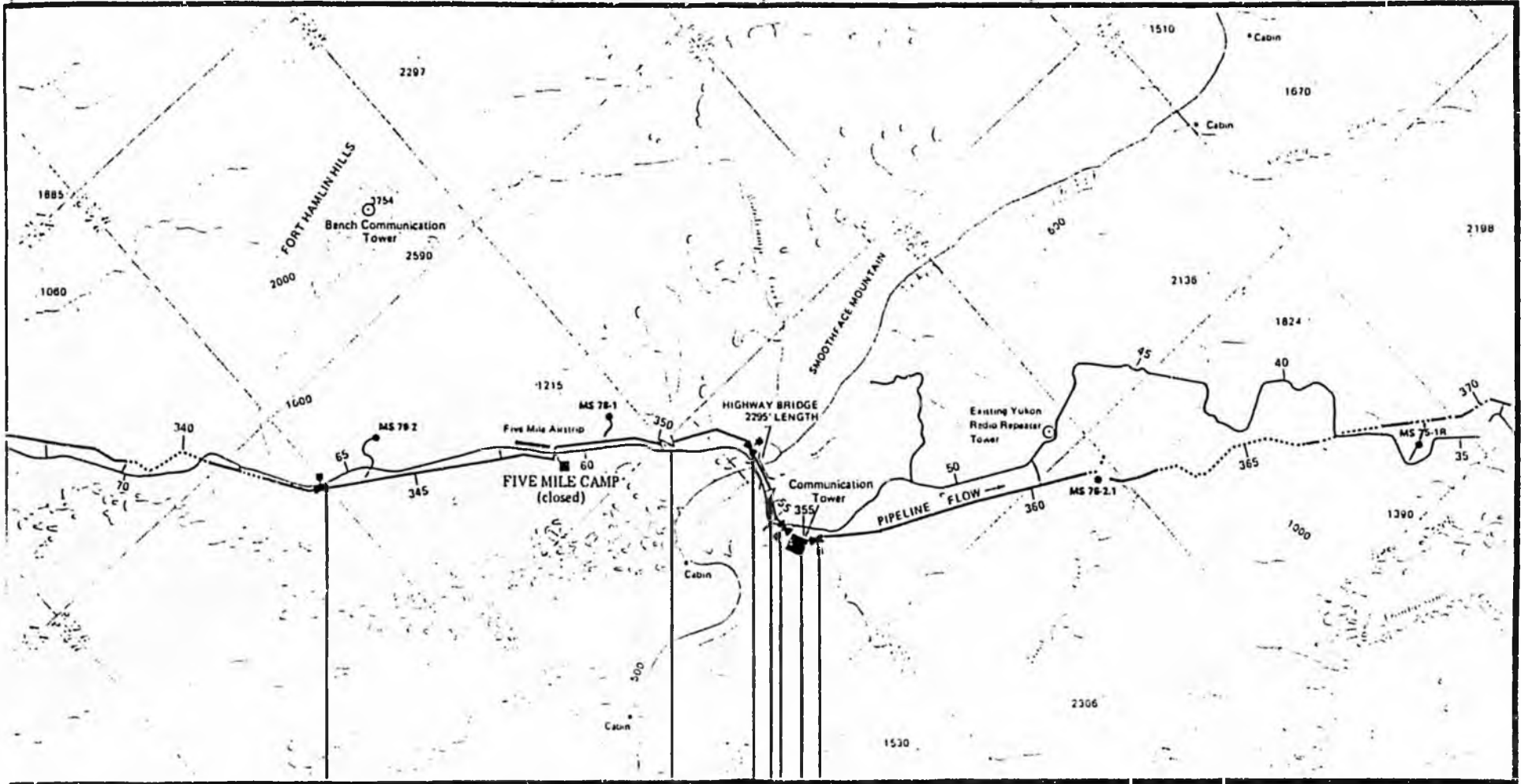
Pipeline Alignment Sheet No. 62

63

64

65

66



59  
REMOTE VALVE  
18110-64

59A  
CHECK VALVE  
18512-17

60  
REMOTE VALVE  
18512-16

60A  
CHECK VALVE  
18680-72

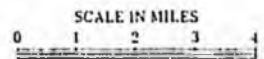
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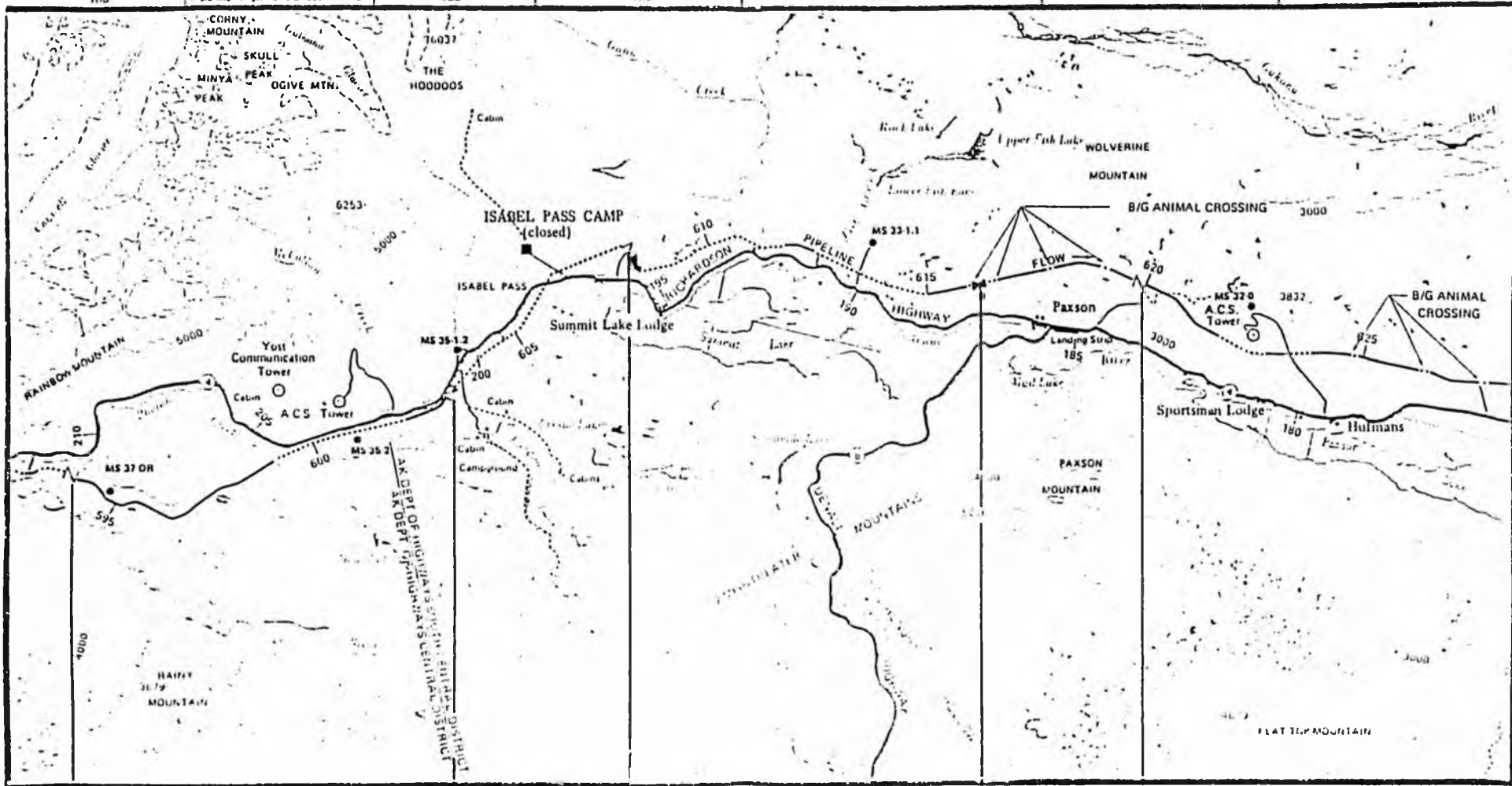
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PUMP STATION 6  
M.P. 355.0

Material Sites

Origin of land grid shown is Fairbanks Meridian





22 CHECK VALVE 31348-91

93 CHECK VALVE 31854-56

94 CHECK VALVE 32124-24  
MANUAL VALVE 32124-24

95 REMOTE VALVE 32535-48

95A CHECK VALVE 32728-84

Material Sites

