

S B

266

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: An Act establishing an oil spill con Agency Affected: Environmental Conservation
tainment fund to mitigate the effects, etc. BRU: Environmental Quality
Sponsor: Halford, Jones, Coghill, Eliason, Administrative Services
: etc Components: Environmental Quality
Administrative Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		740.0	740.0	740.0	740.0	740.0
TRAVEL		65.0	65.0	65.0	65.0	65.0
CONTRACTUAL		1160.0	1080.0	1080.0	1080.0	1080.0
SUPPLIES		20.0	20.0	20.0	20.0	20.0
EQUIPMENT		115.0	95.0	95.0	95.0	95.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		2100.0	2000.0	2000.0	2000.0	2000.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		2,100.0	2,000.0	2,000.0	2,000.0	2,000.0
TOTAL		2,100.0	2,000.0	2,000.0	2,000.0	2,000.0

POSITIONS:

FULL-TIME		11	11	11	11	11
PART-TIME		0	0	0	0	0
TEMPORARY		0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Dan Easton Phone: 465-2640
 Division: Environmental Quality Date: April 20, 1989

Approved by Commissioner: ADK Date: 4/20/89
 Agency: Alaska Department of Environmental Conservation

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

CSSB 266

ADMINISTER OIL SPILL EMERGENCY CONTAINMENT FUND
(\$170.0)

The Department projects the need for an accountant and an accounting technician to set up and administer the fund, and to track and approve payments from the fund (\$120.0).

The Department also foresees a need for \$50.0 in contractual funds to prepare, publish and distribute the annual report on discharges, environmental effects, the operational status of the response corps, and needed changes.

100	\$	80.0
200	\$	5.0
300	\$	60.0
400	\$	5.0
500	\$	<u>20.0</u>
Total	\$	170.0

ESTABLISH OIL SPILL CONTAINMENT STRIKE FORCE
(\$1,930.0)

The Strike Force would consist of a full-time staff of nine agency personnel: a director, six response specialists, one clerk-typist and one administrative assistant. First-year costs to establish and staff the office are estimated at \$700.0. Subsequent year costs are estimated at \$600.0. Other costs include training contracts (\$200.0), contracts with local governments (\$500.0), wages and per diem for volunteer training (\$300.0), and contracts with private response specialists (\$100.0).

100	\$	660.0
200	\$	60.0
300	\$	1100.0
400	\$	15.0
500	\$	<u>95.0</u>
Total	\$	1,930.0*

*includes \$100.0 in first-year costs

Alaska State Legislature

Senator Drue Pearce, Chair
Senator Tim Kelly
Senator Rick Halford
Senator Paul Fischer
Senator Al Adams



WHILE IN JUNEAU
P. O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4993

3111 C STREET, SUITE 150
ANCHORAGE, ALASKA 99503
(907) 561 2038

SENATE SPECIAL COMMITTEE ON OIL AND GAS

To: Members of the Senate Special
Committee on Oil and Gas

From: Committee staff

Re: SB 266, sectional analysis

Date: April 11, 1989

Section 1: Fee on Crude Oil Delivered

AS 43.59.010, Fee Levied.

A new chapter is added to Title 43, Revenue and Taxation. Chapter 59, would impose a 2 cent per barrel fee on crude oil that is transported in the marine waters of the state.

AS 43.59.020, Administration of the Fee.

The fee would be paid on the amount of oil, less royalty oil, reported by the person delivering the crude oil to the port for transportation. The person paying the fee would file a report, under oath, with the Department of Revenue. If the report is delinquent, a penalty of \$1,000 per day will be imposed. This penalty is in addition to the penalty for delinquent fees.

The department may also require the person obligated to pay the fee to furnish additional information to determine how the fee was computed. The department also is authorized to conduct hearings, compel witnesses and require the production of documents to investigate the facts supporting the reported volume of crude oil transported.

If the reported volume of crude is untrue or incorrect, or the person responsible fails to make a report, the department shall determine the correct amount of crude oil on which to base the fee.

If the fee is delinquent it will bear an interest of 12 percent. If the report is not filed, the department will examine the documents of the responsible party and compute the fee. The costs of examination will be added to any penalties accrued.

Any overpayment will be refunded. The department may adopt regulations required by this chapter. The department may also require a sufficient bond from the responsible party.

If the reports have not been filed or are insufficient, the Department of Law shall institute the necessary action to enjoin the person from continuing operations.

AS 43.59.030, Disposition of Proceeds of Fee.

The collected fees will be separately accounted for within the general fund.

AS 43.59.040, Use of Revenue Derived from Fee.

The legislature may appropriate the annual estimated balance of the account to the oil spill emergency containment fund.

AS 43.59.050, Suspension and Reimposition of the Fee.

The fee may be suspended or reimposed under varying circumstances. If the fund contains \$20,000,000 after payment of the fees and amounts expended from the fund, fee collection is suspended. When the fund dips below \$20,000,000 the fee is reimposed.

AS 43.59.060, Fee Not Imposed.

A year-long suspension will occur if the legislature fails to appropriate an amount of money from the general fund to restore the contingency fund to at least \$20,000,000.

AS 43.59.100, Definitions.

Definitions pertinent to this section.

Section 2:

AS 46.04.090, Oil Discharge Cleanup Personnel, Equipment Expenses.

This section is amended to require the department, when private contracting is not feasible, to establish and maintain at ports, harbors and other locations from which crude oil is regularly transported, cleanup personnel, equipment and supplies that are necessary to clean up oil discharges.

Section 3: Oil Spill Containment

AS 46.04.200, Oil Spill Emergency Containment Fund.

A new section creating the oil spill emergency containment fund is added to Chapter 4, Oil Pollution Control, Title 46. The fund is a nonlapsing, revolving fund within the Department of Environmental Conservation. The legislature may annually appropriate fees collected under AS 43.59.

AS 46.04.210, Duties of the Commissioner.

The commissioner of ADEC shall administer the fund; pay direct costs associated with an oil discharge; report annually regarding circumstances relating to the use of the fund to the legislature and governor; and make recommendations regarding changes necessary to the strike fund or fund itself.

AS 46.04.220, Use of Fund.

The fund may expend money from the fund when an oil discharge in excess of 100,000 barrels occurs or is imminent, or the governor declares the oil discharge an emergency.

The fund may not be used for grants or to reimburse parties for expenditures incurred without prior authorization from the commissioner.

AS 46.04.230. Oil Spill Containment Strike Force.

The commissioner shall establish an oil spill strike force comprised of oil spill specialists. The commissioner is authorized to hire directly, contract with others or do both. The fund may be used for personal services or contracts and any necessary supplies.

AS 46.04.900 Definitions.

Pertinent definitions to this section.

Section 4:

Repeals existing definition section of Chapter 4.

Section 5:

Immediate effective date.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

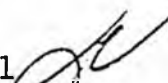
LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 6, 1989

SUBJECT: Oil spill emergency fund and response mechanism, and identification of a source of revenue for containment and cleanup -- sectional analysis (Work order 6-1180E)

TO: Senator Rick Halford

FROM: Jack Chenoweth
Legislative Counsel 

The bill title summarizes the principal provisions of this legislation, addressing, as it does

- creation of an oil spill emergency containment fund as a source of money to mitigate the effects of damages from oil spills, and setting limitations on use of money from that fund;
- establishment of a state oil spill containment strike force; and
- imposition of a 2 cent per barrel fee on oil delivered to an Alaska port for transportation from the state by marine vessel.

Bill section 1, amending AS 43, imposes the fee. In essence:

-- AS 43.59.010 levies the fee and defines its application.

-- AS 43.59.020 sets out the process of administration and collection of the fee. Patterned after similar provisions of AS 43.55, the fee is made payable quarterly, 20 days after the close of the calendar quarter, and is due and payable by the party delivering the oil for transportation.

-- AS 43.59.030 requires deposit of the fee proceeds into the general fund and requires a separate accounting of them.

-- AS 43.59.040 authorizes the legislature to appropriate the annual estimated balance of revenue obtained from payment of the fee to the oil spill emergency containment fund established later in the legislation.

-- AS 43.59.050 prescribes circumstances under which the fee may be suspended and reimposed. Payment of the fee is suspended commencing the first day of the second calendar quarter following a determination that the difference between the cumulative deposits of the fee made through the calendar quarter and amounts expended from the contingency fund equal or exceed \$20,000,000. Payment of the fee is reimposed commencing the first day of the second calendar quarter following a determination that the difference between the cumulative deposits of the fee made through the calendar quarter and amounts expended from the contingency fund are less than \$20,000,000. The section sets out a process by which these determinations are to be made.

-- AS 43.59.060 authorizes a year-long suspension of the fee payable during a state fiscal year if the legislature fails to appropriate an amount of money from the general fund to restore the contingency fund to at least \$20,000,000.

-- Definitions pertinent to the fee are collected and set out in AS 43.59.100.

Bill section 2 amends existing AS 46.08.090(a) to require the commissioner of environmental conservation to establish and maintain, at state ports and harbors "from which crude oil is regularly transported by vessel" the necessary personnel and equipment to be able to properly address oil discharges. Authority given in current law by which the commissioner may meet this responsibility by contract is continued.

The material in article 2, added by bill section 3, establishes the oil spill emergency containment fund and defines the duties of the commissioner of environmental conservation with respect to that fund. The requirement of submission of an annual report should serve to keep the legislature apprised of the fund's ability to address oil discharge clean-up efforts. The commissioner may draw on the fund if the

Senator Rick Halford
Page 3
April 6, 1989

discharge is catastrophic or if the governor declares an emergency.

Bill section 3 also specifies that the commissioner is to establish an oil spill containment strike force, and indicates how that force may be maintained. Expenditure of money from the fund for maintenance of the task force is subject to legislative appropriation.

Article 3 bill section 3 carries forward from AS 46.04.120 the definitions applicable to this chapter (AS 46.04). The existing definitions, set out AS 46.04.120, are repealed in bill section 4. (This change effectively re-orders the definitions in order to keep them last in the chapter, following the additional material.)

The bill is given an immediate effective date by bill section 5.

JC:gc
WKG9/019

An oil cleanup barge and small skimmer boats all out the wind

Spill dooms Sound

Counting bodies is all anyone can do, state wildlife

By CRAIG MEDRED
Daily News outdoors editor

As the grimy tentacles of an 11-million-gallon oil spill spread west from Valdez to choke and drown the wildlife of primordial Prince William Sound on Monday, would-be rescuers stood powerless to act.

A body count of dead animals is about all that anyone can hope to do, said Jon Lyman, a spokesman for the Alaska Department of Fish and Game.

The wilderness that has made the Sound so rich and unique now stands as a major barrier to efforts to rescue the thousands of birds, sea otters, fish and other creatures expected to be caught in North America's largest oil spill.

Fewer than 100 animals are known to be dead so far,



but thousands are expected to die.

Officials in the state of Washington estimated that 10,000 birds perished there after a barge spilled 231,000 gallons of bunker oil off that state's southwest coast in late 1988.

Bunker oil is gooier than the North Slope crude that spilled in Prince William Sound, but the Washington spill was only about one-fiftieth the size of the spill near Valdez.

In Washington, rescuers are able to mobilize thou-

sands of volunteers who could easily get to the scene to help. That will not be the case in the Sound.

"There's just a lot of problems out there," said Pam Bergman, head of the regional response team for the Department of the Interior.

Problems cited by Bergman and others include:

- A coastline so remote that rescuers are afraid to send out volunteers for fear they might not be equipped or prepared for wilderness survival.

- Beaches so rugged that in many places it is impossible to land a boat, let alone chase down and capture oil-coated birds or wildlife.

- Distances to aid facilities so great that animals captured on the beach would likely die in captivity waiting to be tak-

en to...
• And will...
and powerful...
could be seriously...
"It's not good," Bergman said.

And as of Monday evening, it was getting worse. Strong, northwest winds were pushing the oil spill farther and farther from the rescue coordination center at Valdez.

The contamination was stretching far beyond the reach of would-be animal rescuers, Bergman said, and the winds had made it impossible to retrieve oil-soaked wildlife.

"It was tough just flying this morning," said Joe Sautner of the Alaska Department of Environmental Conservation. "There is not much that

Please see Page E-3, WILDLIFE

3-28-89

Daily News

How promises about terminal stack up to reality

The North Slope oil companies, Alyeska Pipeline Service Co. and others supporting a tidewater terminus for the Alaska Pipeline made broad promises to the people of Valdez and the rest of Alaska about their ability to operate safely and to respond effectively in the event of a major oil spill.

Here, on the left, from testimony and exhibits presented at U.S. Department of Interior hearings in 1971, are some of the promises.

In the right-hand column is the reality.

WHAT WAS SAID THEN

"From my own experience and the studies of many other workers in the pollution field, I am satisfied that tanker traffic to and from Port Valdez, and operation of an oil port there, will not cause or significant damage to the marine environment or to fisheries interests."

"The contingency plan which will be drawn up will detail methods for dealing promptly and effectively with any oil spill which may occur, so that its effect on the environment will be minimal. We have adequate knowledge for dealing with oil spills and improvements in techniques and equipment are continuing to become available through worldwide research. The best equipment, materials and expertise which will be made available as part of the oil spill contingency plan, will make operations at Port Valdez and in Prince William Sound the safest in the world."

— L.R. Baynon, head of Environmental Studies in British Petroleum's Technical Development Division, representing Alyeska Pipeline Services, 1971.

"When the maximum has been done to prevent spread of oil, the main cleanup activity should always be focused on retrieval of the spillage. . . . It is not proposed to use dispersants or oil spill cleanup in Alaska waters."

— Banyon for Alyeska

"The Port of Valdez and Prince William Sound approaches can accommodate any method of ship movement control now known to man. . . . Bridge-to-bridge and ship-to-shore voice communication systems exist today. Shipboard radar can be augmented by a shore based command center equipped with radar. . . . The few ships in the area can be stopped, backed up, moved sideways, ordered into any maneuver desired or any approach or departure mute."

— George Esley, Alaska commissioner of public works, 1971.

WHAT IS BEING SAID NOW



Steve McCall, Coast Guard captain of the Port of Valdez

"There's a lot more equipment due in overnight and tomorrow morning. The first hurdle is getting it in to Valdez and getting it from Valdez out to the site. As we know, it's a difficult, time-consuming process."

— Coast Guard Cmdr. Steve McCall on Saturday, more than a day after the Exxon Valdez spill.

"The oil spill contingency plan, we followed the plan exactly how

Please see Page E-3, NOW

ase note we don't want the
re a first name.
ns about either of these
bleshooter at 257-4343.

IN MASS MAILINGS: To
ie in the direct marketing
ng smart," says Denison
"Mailing What!, an industry
ight now include: 9-inch by
bright-colored stickers on
obile decals; free premiums
r cards (you tear off the
oil it in) and personalized
Amoco Motor Club has a
be a winner, Hatch said; it

Haunted by a question or
leshooter, P.O. Box 149001,
call 257-4343. Please include
umbers and photocopies of
swers are not possible due to
ll be edited.

GET TO SUCCESS!
NEW MEETING OF THE
LEGIE COURSE®
king, Human Relations,
rship Training
ORDIALLY INVITED
ree Preview Meeting
rch 30, at 6:29 p.m.
VING CENTER
c Blvd., Suite 104
by Jerry Hines & Associates
ons: 349-5116
p & Save

NOW: What Coast Guard, oil industry officials have to say

Continued from Page E-1

we're supposed to do it. The only deviation we had from that was the fact we had taken all this material off of the barge to be able to weld the punctures that were in the bow. And the additional response that it took was to be able to put that gear back on the barge."

— Alyeska spokesman Chuck O'Donnell, explaining that containment efforts did not begin immediately because the barge needed to carry equipment had been broken for two weeks.

"The volume of oil released in the water is for all intents and purposes beyond control by mechanical means alone."

— McCall of the Coast Guard, Sunday night.

Question from reporter: "How long will it take to clean that 240,000 barrels of oil?"

"I don't know. It's never been done before ... weeks at least."

— Frank Iarosal, president of Exxon Shipping Co., in Valdez on Sunday.

"It's a little mind-boggling to fathom the amount of oil that is in the

water. As has been stated, and most accurately so: This is the largest release of oil in the United States in the history of oil pollution response."

— McCall of the Coast Guard.

"By tomorrow we're going to be going all out, using all the tools at our disposal. ... We weren't even up and running until 12 o'clock yesterday afternoon."

— Iarosal of Exxon, three days after the spill.

"This is a unique situation in that it is a very remote area, presenting very difficult problems, and we see a potential for acute and severe impacts to the animals that use the surface of the waters, i.e. marine mammals, sea birds and inter-tidal fisheries. We're also concerned about the long-term impact for salmon, fry, herring, spawn and tanner crab."

— Spokeswoman for NOAA

Need insurance for your home, car, life, boat or RV?

Call us! We have the right coverage for all your needs.

Allstate®

Allstate Insurance Company
Allstate Life Insurance Company
Northbrook, Illinois



Steve Flascher • Jeff Schulz

Leave
it to The
Good Hands
People.

3335 E. Tudor
562-2645

Hear Carl Hatch



Sunday, April 2, 10 & 11 a.m. & 8 p.m.
Wednesday, April 5, 7:30 p.m.

*"Once an Alcoholic
"Now one of America's most outstanding speakers
"Has appeared on many TV talk shows
"Inherited a million dollars and gave it away*

Anchorage Baptist Temple

6401 E. Northern Lights/333-6535

Limited-Time Edition by Robert Bateman!



**MIDNIGHT-
BLACK WOLF**

\$325

**Order Deadline:
May 22, 1989**

**Image Size 23 X 30½
\$50 Deposit-Will Hold Until
Christmas-**

**GIANT PEUGEOT
SALE!!!
SAVE
\$2000-\$5000**



IN THE FOUR
Seton Hall,
Michigan win

SPORTS

NINTENDO
Game-maker
plays for keeps

BUSINESS

ZOO DEBATE
Refuge or prison
for the animals?

PARADE



Anchorage Daily News

VOL. XLIV, NO. 85 330 PAGES

ANCHORAGE, ALASKA, SUNDAY, MARCH 26, 1989

PRICE 50 CENTS

Oil keeps spreading in Sound

State says Alyeska's cleanup effort inadequate, slow

INSIDE

PLAN OF ATTACK: Despite opposition from environmentalists and fishermen, oil company officials intend to drop chemical dispersants on some of the oil to dilute it. A-6



EARLY WARNINGS: The prospect of an oil spill in the Sound was an issue even before the pipeline was built. A-6

By LARRY CAMPBELL
Daily News reporter

VALDEZ — State, federal and oil company officials ended Saturday as they had begun it, no closer to a solution to the problems posed by more than 11 million gallons of North Slope crude oil washing around the fish-

and-wildlife-rich, enclosed waters of Prince William Sound.

But while the oil of the nation's largest spill was left mostly unmolested, the chief of the state Department of Environmental Conservation assailed the Alyeska Pipeline Service Co. for

its failure to respond quickly to the disaster.

DEC Commissioner Dennis Kelso called Alyeska's response "inadequate and slow," and said the company failed to fulfill its obligations under the state-approved contingency plan Alyeska itself had written.

The accusations came in a letter to the Alaska Regional Response Team, a joint federal-state group charged with overseeing oil spill cleanups. The DEC is a member of the team.

In response, Alyeska ter-

Please see Back Page, OIL

By '84 QUAKE
Lessons For Anchorage?

A CITY ON THE EDGE

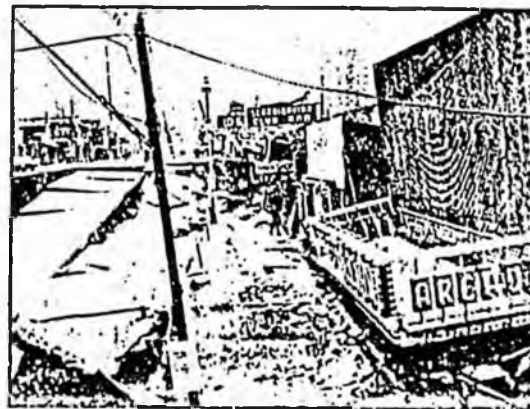


Photo by Steve McClellan
Fourth Avenue was hit hard by the 1964 earthquake.

Captain gets drug, alcohol test in Valdez

Two crewmen also tested;
mechanical failure ruled out

By DAVID HULEN
Daily News reporter

VALDEZ — The Coast Guard has given drug and alcohol tests to the captain and two members of the crew of the grounded tanker Exxon Valdez, and a team from the National Transportation Safety Board is scheduled to arrive here today to find out why the accident that caused the nation's largest oil spill happened.

The head of Exxon Shipping Co., which owns the tanker, said his company's invest-

THE BACK PAGE

OIL SPILL: State says Alyeska's response slow and inadequate

Continued from Page A-1

minal superintendent Chuck O'Donnell said Kelso was right.

"This one time, I'd have to say, yes," O'Donnell said. "We were behind."

The spill occurred about 12:30 a.m. Friday, when the tanker Exxon Valdez ran aground on Bligh Reef, about 25 miles southwest of here. The accident punctured at least eight of the ship's tanks, spewing crude oil into the Sound. The tanker was well outside the normal shipping lanes when it hit the well-marked and well-charted reef.

Alyeska's plan calls for, among other things, a response within five hours that would have brought containment booms and oil skimmers to the spill site.

But the equipment sat idle for five hours because the barge that carries it was down for repairs. Since reaching the scene late, the equipment has not made much headway against the spill. Kelso said Saturday that he still considered the company's efforts inadequate.

The plan also requires Alyeska to call on local boat owners to haul materials to the spill. Lots of local boat owners say they never heard from the company, but O'Donnell said his company did ask for private help.

The shifting answers and vague information about the accident and the ineffective containment and clean-up effort is creating lots of frustration among Prince William Sound fishermen and local residents. These people see their livelihoods endangered, both from the spilled oil and from the chemical dispersants that may finally be used to solve the problem.

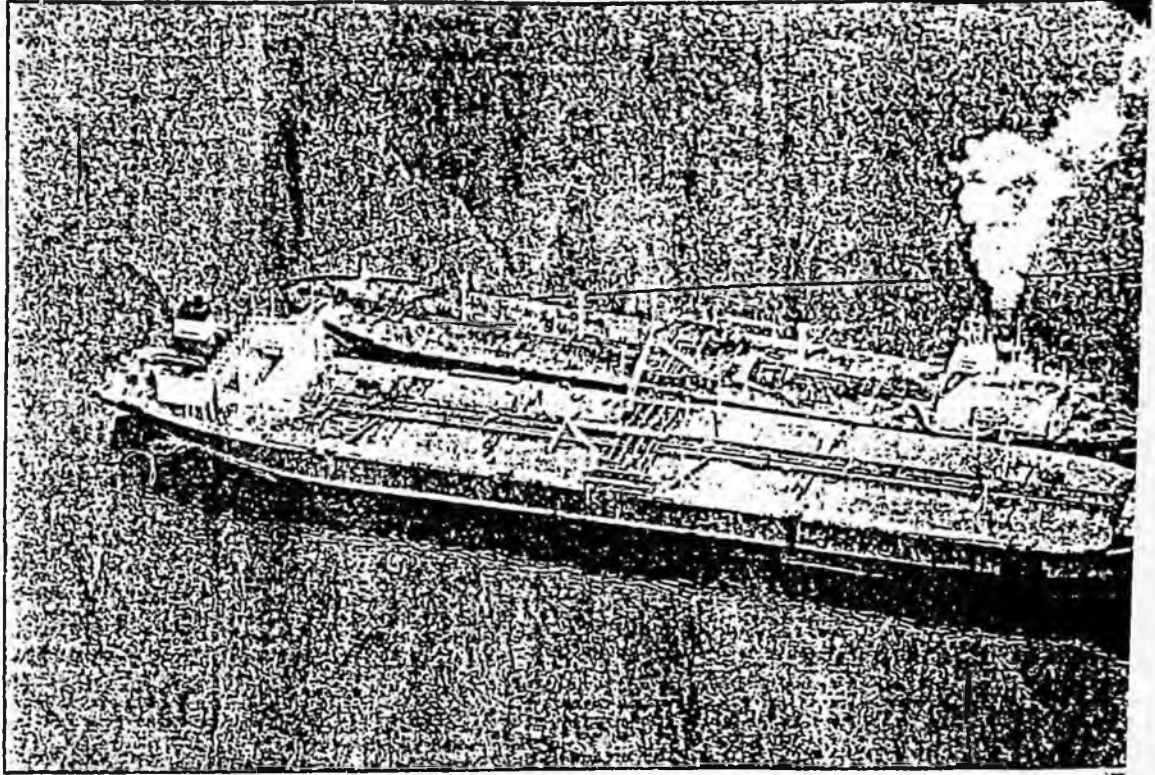
"Am I angry? Angry's not the word for it," said Sandra Cesarini, who owns the Sea Hawk Seafoods processing plant with her husband, Ray. "I'm beside myself."

Environmentalists are equally critical. In Anchorage, the environmental law firm Trustees for Alaska urged the state to mount its own cleanup effort "to prevent any more destruction to the marine resources." The state could pay for that with more than \$17 million in oil-spill penalties the law allows it to collect from Exxon, said Randall Weiner, the group's executive director.

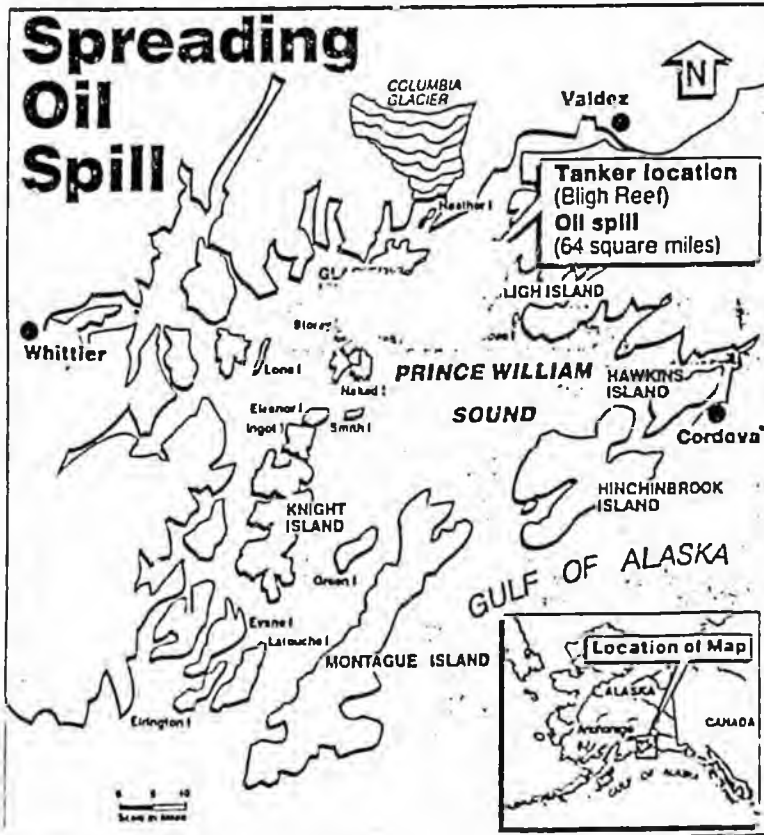
In Juneau, David Ramseur, Gov. Steve Cowper's press secretary, said that despite DEC's criticism of Alyeska, the state has no plans for its own cleanup. "I'm not sure we are equipped to do that, or if it would help at this point," he said.

For whatever else it might be worth, with 11 million gallons of crude oil strung out over a 64-square-mile area, O'Donnell's admission didn't do much to solve the growing problem.

As of Saturday evening, the oil slick had extended 10 miles to the west from its original 30-square-mile area, and those current-driven streams were turning south. Oil sheen surrounded tiny Reef Island and was lapping at Bligh



The Exxon Baton Rouge, the smaller ship at top, moves alongside the Exxon Valdez, bottom, in an attempt to offload oil from the Valdez.



the tanker's 13 cargo holds are damaged, including, "six to eight openings large enough for a man to swim through, and a number of open seams, one to two inches wide," he said. Still of concern is what the broken ship will do once its cargo is unloaded. If the ship floats, it may also list and capsize or break apart.

an armed security guard, wearing a yellow hard hat, at the door. "I think he'd just ask you to please not enter," said Exxon spokesman Tom Cirigliano, acknowledging the guard. "We just can't have all kinds of people trying to get in." While a legion of state, federal and oil officials

have to take a look at everything. By late Saturday night, however, Exxon had completed preparations to bomb the slick with the dispersant Corexit 9527 delivered by aircraft. Dispersants are controversial. The chemicals are intended to bond with the oil, break it into small pieces, and cause it to mix with the

AGROUND: Capt. tested for drugs, alcohol

Continued from Page A-

be available for questioning, a Coast Guard spokesman said.

The three men were ordered by a pilot investigator to give blood samples Friday morning, according to Todd Nevo's spokesman. The samples were sent to a lab to be analyzed for both alcohol and drugs.

Coast Guard officials would not say the tests are known. Under federal regulations, the Coast Guard is required of all crewmen "directly involved in marine accidents."

Farossi said two Exxon lawyers boarded the ship about 25 miles south of Valdez Saturday and began interviewing crew members.

According to the Coast Guard, the ship left the Alyeska tanker terminal Thursday night and steamed on a route that passed through the three-quarter-mile-long Narrows. The ship's bow pilot and the harbor pilot and the Gulf of Alaska.

The ship "ran across ice after dark," Farossi said, "and in the process the vessel's course changed and had turned toward the reef when it grounded."

The ship is sitting between one and two miles from the regular tanker shipping lanes, its bow facing the reef.

Exxon officials can still not explain why the ship was outside the lanes, or why crew members did not see the reef, which local boaters consider one of the most hazardous in Prince William Sound. The Coast Guard routinely monitors the area from the Alyeska port, using surveillance vessels. But the Valdez was on the reef, and that can be monitored by radar, and the ship was not being monitored because ships in the area and there was no collision.

The NTSB's involvement in the investigation is unusual, according to a safety board spokesman.

"The safety board is charged with investigating aviation, highway, railroad, marine and other accidents," said Terry J. Armentrout, director of Accident Investigations.

"Since this is a U.S. flag ship, we have jurisdiction," he said, adding that the NTSB has been involved in 23 marine accidents last year. "We are the agency that makes and enforces the rules. The team is being headed by Bill Armentrout. The team is composed of investigators and a 'human performance' investigator described as a person who looks into such things as fatigue and

THEY...
Ray. "I'm beside myself."

Environmentalists are equally critical. In Anchorage, the environmental law firm Trustees for Alaska urged the state to mount its own cleanup effort "to prevent any more destruction to the marine resources." The state could pay for that with more than \$17 million in oil-spill penalties the law allows it to collect from Exxon, said Randall Weiner, the group's executive director.

In Juneau, David Ramseur, Gov. Steve Cowper's press secretary, said that despite DEC's criticism of Alyeska, the state has no plans for its own cleanup. "I'm not sure we are equipped to do that, or if it would help at this point," he said.

For whatever else it might be worth, with 11 million gallons of crude oil strung out over a 64-square-mile area, O'Donnell's admission didn't do much to solve the growing problem.

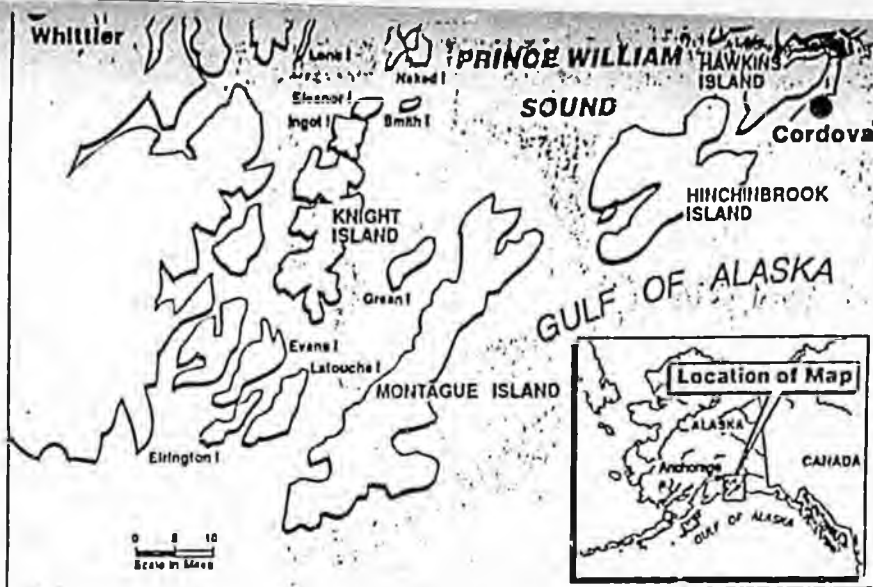
As of Saturday evening, the oil slick had extended fingers 10 miles to the west from its original 30-square-mile area, and those current-driven streams were turning south. Oil sheen surrounded tiny Reef Island and was lapping at Bligh Island, both on the east shore of the Sound.

Exxon officials say about 50 sea lions could be affected by the oil and some birds have been killed, but that no major fish and wildlife destruction has yet been caused.

Efforts to pump oil from the damaged tanker into another, the Exxon Baton Rouge, have been stymied since they began late Friday night. First, a defective hose had to be replaced. When that was fixed, the transfer had to be stopped when a new leak developed. Officials did not know where the new oil was coming from, maybe from a loose connection, maybe from beneath the vessel.

Divers swam beneath the Valdez in the blackness of early morning Saturday. According to Exxon Shipping Co. President Frank Iarossi, they found the ship in a more precarious position than they first thought.

The vessel is actually balanced on a ridge of rock, with deeper water beneath its bow and stern. Eight of



Anchorage Daily News / Ron Engstrom

the tanker's 13 cargo holds are damaged, including, "six to eight openings large enough for a man to swim through, and a number of open seams, one to two inches wide," he said.

Still of concern is what the broken ship will do once its cargo is unloaded. If the ship floats, it may also list and capsize or break apart.

That was why the company had a number of crewmen taken off the Valdez Saturday, and everyone left on board, including a DEC observer, were wearing cold water survival suits.

The sense of concern was obvious early Saturday morning when DEC regional supervisor, Dan Lawn, talked to Joe LeBenu, his man aboard the Valdez, by marine telephone.

"They're afraid she (the Valdez) may turn turtle on 'em," Lawn said, hunched over his office phone. "There's gonna be no more people on board."

More experts are on shore in Valdez than on the tanker Valdez. Exxon officials, environmental officials from other states and Canada, and spill experts from around the world continued to arrive in town Saturday, most of them gathering at the Westmark Hotel, overlooking the small boat harbor.

Also at the Westmark, Exxon has set up its command headquarters, complete with a telephone bank in a second-floor room and

an armed security guard, wearing a yellow hard hat, at the door.

"I think he'd just ask you to please not enter," said Exxon spokesman Tom Cirigliano, acknowledging the guard. "We just can't have all kinds of people trying to get in."

While a legion of state, federal and oil officials spoke about options in cleaning up the spill, it seemed the final solution was in black and white all the time. In the Alyeska Oil Spill Contingency Plan, chemical treatment is continually mentioned as the best possible option.

The portion of the plan dealing with the Prince William Sound includes a scenario for dealing with a hypothetical, 200,000-barrel spill. Such a spill is termed in the plan as "catastrophical."

The plan concludes: "In reviewing the aspects of this size spill it becomes very apparent how important it is to have dispersants approved so that they can be used very effectively to prevent the continuing input of oil..."

Yet, all day Saturday, in press conferences and private interviews, state, federal and oil company officials remained adamant that other options were open.

"I don't think that means that dispersants are the only solution," Kelso said. "We

have to take a look at everything."

By late Saturday night, however, Exxon had completed preparations to bomb the slick with the dispersant Corexit 9527 delivered by aircraft.

Dispersants are controversial. The chemicals are intended to bond with the oil, break it into small pieces, and cause it to mix with the water. Environmentalists say that just spreads the oil through the water from top to bottom, endangering many different life forms. Fishermen fear the oil will harm salmon, bottomfish and crustaceans.

Late Friday and again Saturday, Alyeska and Exxon officials tried spreading dispersant in a small test. The test failed, because calm seas didn't produce the agitation needed to mix the chemicals with the oil.

Iarossi said a burn test might also be conducted, but that had not been done by late evening Saturday. That would involve corralling a portion of the spill and setting it afire.

The officials say they are taking the cautious approach. But folks in Valdez are growing increasingly impatient.

"We've put our blood into this operation, and now, no one can tell us what's going to happen," Cesarini said. "What am I going to tell my employees? What am I going to tell my fishermen?"

tanker, about 25 miles south of Valdez near Bligh Island, on Saturday and began interviewing crew members.

According to the Coast Guard and Exxon officials, the ship left the Alyeska tanker terminal near Valdez on Thursday night and steamed on a routine 10 miles. After it passed through the three-quarter-mile wide Valdez Narrows, it dropped off the harbor pilot and continued south toward the Gulf of Alaska.

The ship "ran across ice after dropping off the pilot," Iarossi said, "and in the process the vessel made a series of course changes and had turned toward the ... ship lane when it grounded."

The ship is sitting between one and two miles east of the regular tanker shipping lanes, its bow pointed west toward the shipping lanes.

Exxon officials can still not explain why the ship veered so far outside the lanes, or why crew members failed to avoid the reef, which local boaters describe as one of the best-known hazards in Prince William Sound.

The Coast Guard routinely monitors tankers coming and going from the Alyeska port, using radar to track the vessels. But the Valdez was on the outer edge of the area that can be monitored by radar, and a spokesman said the ship was not being monitored because there were no other ships in the area and there was no danger of a ship to ship collision.

The NTSB's involvement in the investigation is not unusual, according to a safety board official in Washington, D.C.

"The safety board is charged with investigation of all aviation, highway, railroad, marine and pipeline accidents," said Terry J. Armentrout, director of the agency's Bureau of Accident Investigations.

"Since this is a U.S. flag ship, we have investigative authority," he said, adding that the board looked into about 30 marine accident last year. "We are not the Coast Guard that makes and enforces the rules."

The team is being headed by Bill Woody, a marine safety investigator. The team is composed of three marine investigators and a "human performance investigator," whom Armentrout described as a person trained in psychology to look into such things as fatigue and substance abuse.

□ Daily News reporter David Whitney in Washington, D.C., contributed to this story.

WARNINGS: Sounded years ago

Continued from Page A-6

Prince William Sound. The Sound's fjord-like topography means that the effects of an oil spill there might be magnified many times.

Contamination will be widespread and the oil's residence time can be very high because it will become entrapped," said M.P. "Pat" Wennekens, an oceanographer with the state's Arctic Environmental Information and Data Center, who spoke at a conference at Cordova in April 1977.

Chancy Croft, an Alaska state senator, told the conference: "Some time there's going to be an oil spill" in Prince William Sound. The only questions, he said, are how soon and what size.

The fishermen and state

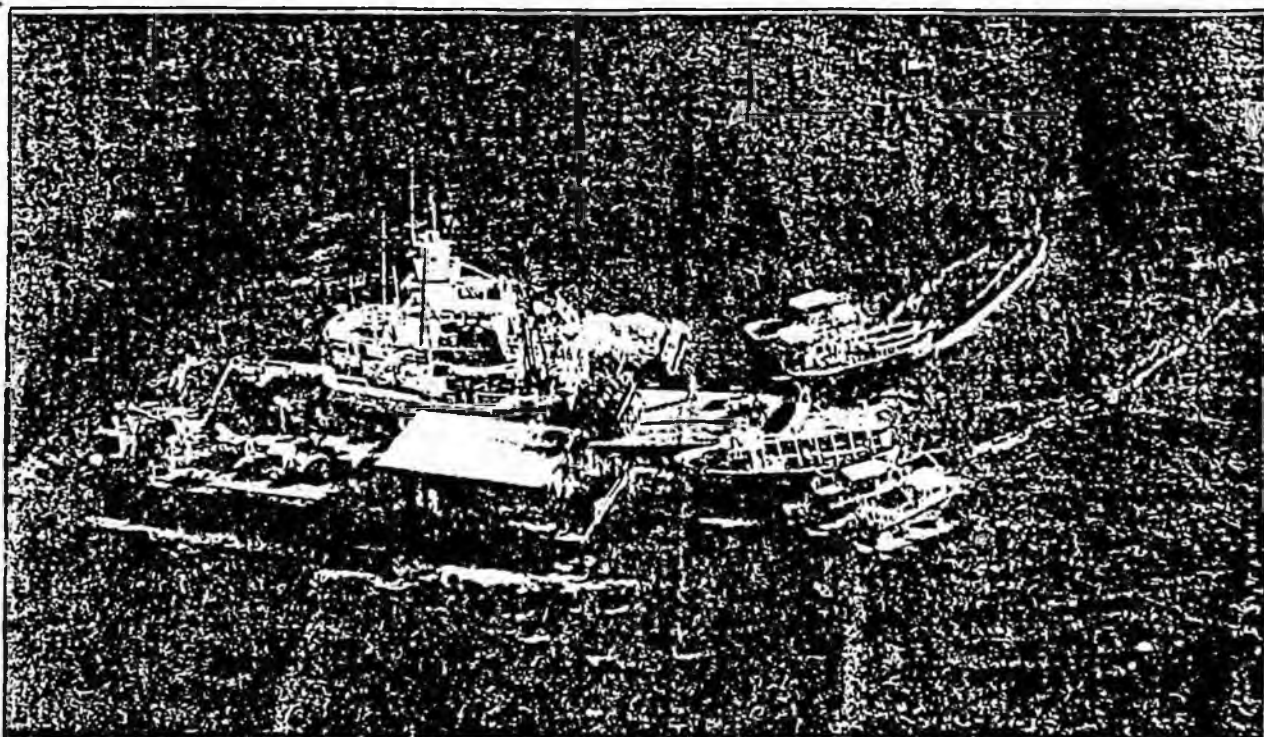
officials argued that because of the remote area's logistics problems, oil skimmers and oil-containment booms should be located at specially designated areas on islands in the sound.

"In most cases, equipment coming from Port Valdez will arrive too late to contain a spill in Prince William Sound before it reaches shore," said a 1977 report on Alyeska's contingency planning for an oil spill by the Alaska Department of Fish and Game.

Coast Guard officials admitted that an oil spill in the Sound would be difficult to deal with. "It could take two days, two weeks or two months, depending on the weather, before we could get our equipment in," one officer said.

METRO

TUESDAY
SECTION E March 28, 1989



Anchorage Daily News/ENR 113

An oil cleanup barge and smaller skimmer boats sit out the wind and rough seas near Bligh Reel on Monday, unable to do their work.

Spill dooms Sound animals

Counting bodies is all anyone can do, state wildlife official says

By CRAIG MEDRED
Daily News outdoors editor

As the grimy tentacles of an 11-million-gallon oil spill spread west from Valdez to choke and drown the wildlife of primordial Prince William Sound on Monday, would-be rescuers stood powerless to act.

A body count of dead animals is about all that anyone can hope to do, said Jon Lyman, a spokesman for the Alaska Department of Fish and Game.

The wilderness that has made the Sound so rich and unique now stands as a major barrier to efforts to rescue the thousands of birds, sea otters, fish and other creatures expected to be caught in North America's largest oil spill.

Fewer than 100 animals are known to be dead so far,



but thousands are expected to die.

Officials in the state of Washington estimated that 10,000 birds perished there after a barge spilled 231,000 gallons of bunker oil off that state's southwest coast in late 1988.

Bunker oil is gooier than the North Slope crude that spilled in Prince William Sound, but the Washington spill was only about one-fiftieth the size of the spill near Valdez.

In Washington, rescuers were able to mobilize thou-

sands of volunteers who could easily get to the scene to help. That will not be the case in the Sound.

"There's just a lot of problems out there," said Pam Bergman, head of the regional response team for the Department of the Interior.

Problems cited by Bergman and others include:

- A coastline so remote that rescuers are afraid to send out volunteers for fear they might not be equipped or prepared for wilderness survival.

- Beaches so rugged that in many places it is impossible to land a boat, let alone chase down and capture oil-coated birds or wildlife.

- Distances to aid facilities so great that animals captured on the beach would likely die in captivity waiting to be tak-

en to a hospital.

- And wild animals so large and powerful that rescuers could be seriously injured.

"It's not good," Bergman said.

And as of Monday evening, it was getting worse. Strong, northwest winds were pushing the oil spill farther and farther from the rescue coordination center at Valdez.

The contamination was stretching far beyond the reach of would-be animal rescuers, Bergman said, and the winds had made it impossible to retrieve oil-soaked wildlife.

"It was tough just flying this morning," said Joe Sautner of the Alaska Department of Environmental Conservation. "There is not much that

SHOOTER

A MYSTERY: I'm wri-
tional, a coupon brokering
ticket to Dallas and never
ny had closed down. Then
men. I went to the office
but never found anyone
owner or find out about
I would know better how
y back or at least a ticket.

mend you ask the state to
and proof of payment to
ion, P.O. Box C, Juneau
to contact the owner; he's
discuss his business or
recall, Adventure Interna-
ned by Robert Merry, an
al Facility. When the firm
Schmidt, the institution's
not against prison regula-
and supervise a business

id the firm would reopen,
was wrong. Corrections
prisoners from operating
the state would be respon-
according to Deputy Correc-
Prewitt. He said Merry
business by phone. He also
e if it is liable for losses
ers.

the answer should be, and
seem to get any further
on. I always seem to be
the right contact or who is
for a pronouncement: Get

Troubleshooter is looking
ple of things. The first is a
"Success With House
reader who wants it. H.S.
ouse plants that arrives in
ow assembled. She needs a
firm that offers it.
bly an illusion. A reader is
full-sized, souvenir Alaska
have a friend's eight-letter
n't think such plates exist;
and souvenir suppliers say
thing. But maybe someone
ase note we don't want the
a first name

In a bullish market.

"A market that was al-
ready poised to trade up a
little was set on fire," said
Madison Galbraith, senior
energy specialist with Mer-

change trading. Prices for
subsequent months also rose
sharply.

It was the highest near-
month closing price for the
key grade since Aug. 14,

delivered to Gulf of Mexico
refineries, soared 95 cents a
barrel to close at \$19.40.

The price surge was
sparked by the oil spill off
the port of Valdez, where an

futures.

"The market's reaction
was a little overdone" de-
spite the interruption in
North Slope supplies, Gal-
braith said.

WILDLIFE: Spill holds would-be rescuers powerless

Continued from Page E-1

can be done now ... under
these conditions."

Sautner reported surf
pounding oil onto beaches at
a half-dozen islands. The far-
thest of those was 75 miles
by airplane from Valdez.

The spill is already
threatening thousands of ani-
mals and more are arriving
daily as northward migra-
tions of birds, sea mammals
and fish begin.

Bergman said some
thought had been given to
setting up an animal rescue
facility closer to that west-
ward spreading oil, but
there is simply no place to
put such a facility.

There are no communities
in the southwest portion of
the Sound. It is an area of
rocky reefs and tree-studded
islands, of wilderness and
wildlife. It is a land few
people call home.

"There are few good
beaches in many of the ar-
eas," Bergman said. "A lot
of the beaches that are there
are small."

None of them would work
well for catching birds, she
said, and catching birds
from boats is out for safety
reasons.

"Nobody wants anybody
getting hurt capturing wild-
life," she said.

Bergman has recent expe-
rience in bird rescues. She
was in Dutch Harbor in the

Aleutians only a few weeks
ago trying to catch oil-fouled
sea birds.

At Dutch Harbor, she
said, volunteers were able to
drive to a long, sandy beach
perfect for captures. They
still only caught 28 birds,
and they were able to save
only eight.

"It's difficult, even in a
good situation," Bergman
said.

"It's real hard to sneak up
on (birds)," she said. "You
end up racing the birds
down the beach with a net
trying to catch them. Once
you capture an oiled bird,
you can't leave it in a box
for 12 hours."

The bird must go almost
immediately to a rehabilita-
tion center where it can be
fed, de-oiled and dried. That
is its only hope. And nobody
has come up with a good
way to get oiled birds from
the western Sound to a facil-
ity in any community.

"Could you airlift birds
out?" Bergman asked. "Is
that the reasonable and best
use of helicopters? There are
a finite number of helicop-
ters available here. As far as
I know, no one is talking
about doing that."

Sea otters present even
bigger problems, she added.
People need a lot of training
and a fair amount of experi-
ence to learn how to handle
them safely.

"They're a potential dan-

ger," she said. "They look
sweet and cuddly and won-
derful, but they got sharp
teeth and claws."

A lot of people want to
help. Bergman said she's
been talking to groups orga-
nizing volunteers. But rescue
coordinators aren't sure
what volunteers could do.

They might be able to
help, but they might also do
harm.

"You don't want a bunch
of these boats going out
there and getting oily and
spreading oil elsewhere,"
Bergman said.

A bird and animal clean-
up after the Washington
spill didn't really get going
for a week or more and then
lasted about six weeks.

Two thousand volunteers
worked the beaches of Wash-
ington, according to Pam
Miller, ocean issues coordi-
nator for the Washington
State Department of Ecolo-
gy. They found 8,000 dead
birds, and 3,000 oiled birds
that were still alive. Only
1,000 of the oiled birds ever
made it back to the wild, she
added.

Murres, a cousin of the
puffin, seemed to have the
best chances of survival,
Miller said. Other birds,
among them loons, often
died from shock as soon as
they were picked up.

Ken Pritchard, an activist
with Adopt-A-Beach, a non-
profit organization involved

in Washington state oil
clean-ups, said any rescue
effort requires a lot of plan-
ning.

Rescuers must find some-
where to set up a roomy bird
hospital, he said. The facili-
ty has to have lots of hot
water and access to volun-
teers. Few such sites are
available anywhere in Alas-
ka.

Pritchard recommended
Anchorage as the best possi-
bility. It might be far from
the oil spill, but it is closer
to the thousands of volun-
teers that would be needed,
he said.

Pritchard was not opti-
mistic about the chances for
the birds that could be
rounded up. Many of the
birds brought to the hospital
probably would be killed by
lethal injection because of
their slim chance of surviv-
al, he said.

The rest would be tube-
fed pureed food until their
health stabilized. Then, they
would be rinsed or washed
in soapy water. Eventually,
he said, some would be re-
leased back into the wild.

Environmental groups in
Anchorage have begun orga-
nizing volunteers should
their help become needed.
Bergman has asked that vol-
unteers not come to Valdez.

There is no place to stay,
no boats to take people out,
no equipment to work with,
and nothing to do, she said.

NOW: What Coast Guard, oil industry officials have to say

Guard engineer, holds a...
n the spill of the Exxon Valdez. plane at the Valdez airport. The detergent will be used to clean oil-soaked birds.

Officials hope dispersants will dilute the spill

Daily News 3-26-89

Warnings of tanker spill's likelihood go back a long way

By LARRY PRYOR
Los Angeles Times

Throughout the mid-1970s, as the trans-Alaska Pipeline System was being planned and debated, the pipeline's builders said that chances of an oil spill in Prince William Sound were extremely remote. The normal safety precautions used in domestic tanker trade would provide sufficient protection to coastal waters.

But environmentalists and Alaska state officials strenuously argued that a tanker accident there was inevitable. They said that the fleet designated to carry the North Slope oil should be specially designed to be maneuverable in the close confines of the sound and have special ballast tanks and double bottoms to limit leakage if a tanker had an accident.

Until Friday, the oil industry had won the argument.

The debate over threats of oil spills from the fleet of the trans-

Alaska Pipeline System fleet, or TAPS, as it became known, began almost from the day in 1968 when Atlantic Richfield and Humble Oil and Refining (now Exxon USA) discovered the Prudhoe Bay oil field and planning began for the 800-mile pipeline, its terminus at Valdez and the transportation fleet.

The pipeline's marine leg was the first movement of large amounts of domestic crude oil by means other than large pipelines.

Some members of Congress sought a study of the feasibility of bringing the oil by pipeline through Canada, but that idea was cut off even before the planning stage. A bitter Rep. Morris Udall, D-Ariz., said at that time: "The saga of the trans-Alaska pipeline is at once one of the most remarkable and regrettable of the decade."

In order to shortcut the review process required by the National Environmental Policy Act, Secre-

tary of Interior Rogers Morton and Alyeska Pipeline Service Co., the consortium of eight oil companies building the pipeline, in 1972 testified that the TAPS fleet would "set new and exacting standards to govern the marine transportation of American oil."

Morton testified before a congressional committee that "newly constructed American flag vessels carrying oil from Port Valdez to the United States ports will be required to have segregated ballast systems incorporating a double bottom ..."

The environmental impact statement on the project made repeated references to the "modern Alyeska tanker system," and Alyeska published a brochure promising that its fleet of tankers would be "thoroughly modern and unique" and would be "precedent-setting in the petroleum and marine industries."

Alaska regulators and environmental groups opposed to the pipe-

line interpreted those promises as meaning that the ships entering Prince William Sound would be a specially dedicated fleet with segregated ballast to be used as defensive space, with double bottoms and added maneuvering systems, such as double screw and bow thrusters.

However, as the pipeline drew close to being finished in August 1977, it became clear that only a handful of the ships that would carry the North Slope oil would have double bottoms. Because of a series of decisions by the U.S. Coast Guard and the oil companies, most innovations in tankers did not apply to the TAPS fleet.

Moreover, the 500-member Cordova District Fisheries Union, as well as Alaska officials and scientists, urged Alyeska and the Coast Guard to take special precautions in case of a tanker accident in

Please see Back Page, WARNINGS

more toxic compound in the water," said Rick Steiner, a biologist who heads the University of Alaska marine advisory program in Cordova.

Hydrogen and oxygen atoms in the normally harmless water could bond with chemicals in dispersants to create new and harmful chemicals, he said, or chemical reactions between the water and the dispersants could release heavy metals or other toxics formerly locked up in hydrocarbon compounds.

Most of the dangerous

that inhabits the surface and the wildlife in the water column and on the floor."

An oil company executive said that was not the case. Dispersants would help more than hurt, insisted Don Cornett, Alaska coordinator for Exxon USA. He said dispersants could prevent oil from reaching sensitive beaches and the shallow water where herring are beginning to spawn.

"We believe we can substantially limit the damage done to the shoreline," Cornett said.

it to be a cure-all.

"To the common layman, you'd think: 'Blast it with this stuff, and it will go away, and it's cheaper.' But it's not quite that simple," he said.

He noted a long list of potential problems:

- The dispersants have only limited effectiveness. Lautenberger said the success rate ranges from 0 to 80 percent. He expected a 30 percent success rate in the Sound. Trial use early Saturday failed because there wasn't enough wind and tide to agitate the chemicals, the

- No one is certain what dissolved oil, or even the dispersant, will do to marine life in the long term.

"It might not cause absolute, acute mortality," Steiner said, but it could still cause plenty of damage. The fisheries of the Sound are particularly vulnerable at this time of year, he said.

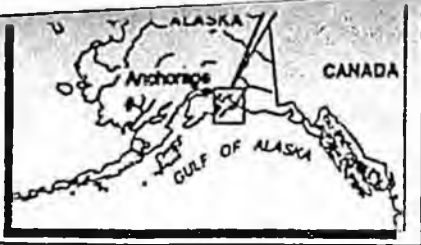
Young salmon emerging from their natal streams depend on adequate supplies of plankton, which could fall victim to dispersed oil. Larval crabs, clams and herring eggs are sensitive as well.

Herring eggs exposed to

agency agrees the best way to clean up the oil is to skim it off the surface mechanically, Lautenberger said.

But, realistically, this spill is so big and the equipment on scene so limited that dispersants might be one of the best options available, Lautenberger said.

Others options have, however, been discussed, including burning the oil or dumping sand on it. The sand would bond to the oil, and together they would sink to the bottom. Steiner said Cordova fishermen are backing that idea, but environmental



Anchorage Daily News / Ron Engstrom

... which local boaters describe as one of the best-known hazards in Prince William Sound.

The Coast Guard routinely monitors tankers coming and going from the Alyeska port, using radar to track the vessels. But the Valdez was on the outer edge of the area that can be monitored by radar, and a spokesman said the ship was not being monitored because there were no other ships in the area and there was no danger of a ship to ship collision.

The NTSB's involvement in the investigation is not unusual, according to a safety board official in Washington, D.C.

"The safety board is charged with investigation of all aviation, highway, railroad, marine and pipeline accidents," said Terry J. Armentrout, director of the agency's Bureau of Accident Investigations.

"Since this is a U.S. flag ship, we have investigative authority," he said, adding that the board looked into about 30 marine accident last year. "We are not the Coast Guard that makes and enforces the rules."

The team is being headed by Bill Woody, a marine safety investigator. The team is composed of three marine investigators and a "human performance investigator," whom Armentrout described as a person trained in psychology to look into such things as fatigue and substance abuse.

Daily News reporter David Whitney in Washington, D.C., contributed to this story.

WARNINGS: Sounded years ago

Continued from Page A-6

Prince William Sound. The Sound's fjord-like topography means that the effects of an oil spill there might be magnified many times.

"The contamination will be widespread and the oil's residence time can be very high because it will become entrapped," said M.P. "Pat" Wennekens, an oceanographer with the state's Arctic Environmental Information and Data Center, who spoke at a conference at Cordova in April 1977.

Chancy Croft, an Alaska state senator, told the conference: "Some time there's going to be an oil spill" in Prince William Sound. The only questions, he said, are how soon and what size.

The fishermen and state

officials argued that because of the remote area's logistics problems, oil skimmers and oil-containment booms should be located at specially designated areas on islands in the sound.

"In most cases, equipment coming from Port Valdez will arrive too late to contain a spill in Prince William Sound before it reaches shore," said a 1977 report on Alyeska's contingency planning for an oil spill by the Alaska Department of Fish and Game.

Coast Guard officials admitted that an oil spill in the Sound would be difficult to deal with. "It could take two days, two weeks or two months, depending on the weather, before we could get our equipment in," one officer said.

rd, have to take a look at every-
nat, thing."

By late Saturday night, however, Exxon had completed preparations to bomb the slick with the dispersant Corexit 9527 delivered by aircraft.

Dispersants are controversial. The chemicals are intended to bond with the oil, break it into small pieces, and cause it to mix with the water. Environmentalists say that just spreads the oil through the water from top to bottom, endangering many different life forms. Fishermen fear the oil will harm salmon, bottomfish and crustaceans.

Late Friday and again Saturday, Alyeska and Exxon officials tried spreading dispersant in a small test. The test failed, because calm seas didn't produce the agitation needed to mix the chemicals with the oil.

Tarossi said a burn test might also be conducted, but that had not been done by late evening Saturday. That would involve corralling a portion of the spill and setting it afire.

The officials say they are taking the cautious approach. But folks in Valdez are growing increasingly impatient.

"We've put our blood into this operation, and now, no one can tell us what's going to happen," Cesarini said. "What am I going to tell my employees? What am I going to tell my fishermen?"

Original sponsors: Halford, Jones,
Coghill, et al.

1 IN THE SENATE

*Shapiro alternate
Jenssen
measures*

2 CS FOR SENATE BILL NO. 266 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act imposing a nickel-per-barrel fee on crude oil
7 and providing for suspension and reimposition of the
8 fee under certain conditions; authorizing the appro-
9 priation of the proceeds of the fee to the oil and
10 hazardous substance release response fund; and pro-
11 viding for an effective date."

12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

13 * Section 1. FINDINGS AND PURPOSE. (a) The legislature finds that the
14 March 24, 1989, oil spill disaster in Prince William Sound demonstrates a
15 need for the state to have an independent spill containment and cleanup
16 capability in the event of future discharges of oil or a hazardous sub-
17 stance.

18 (b) It is the purpose of this Act to provide assurance to the people
19 of the state that their health, safety, and well-being will be protected
20 from the adverse consequences of oil and hazardous substance releases of a
21 magnitude that presents a grave and substantial threat to the economy and
22 the environment of the state.

23 * Sec. 2. AS 43 is amended by adding a new chapter to read:

24 CHAPTER 59. FEE ON CRUDE OIL.

25 Sec. 43.59.010. FEE LEVIED. Every person who delivers crude oil
26 to a port for transportation by a vessel that transits the navigable
27 waters of the state shall pay a fee of \$.05 per barrel of the crude
28 oil delivered, less royalty oil the ownership or right to which is
29 exempt from taxation under this title.

1 Sec. 43.59.020. ADMINISTRATION OF THE FEE. (a) The fee on
2 crude oil shall be paid quarterly. The fee is due on the 20th day of
3 the month following the close of the calendar quarter on crude oil
4 delivered to the port during the preceding calendar quarter. If the
5 fee is not paid before the end of the month in which it becomes due,
6 the fee becomes delinquent.

7 (b) The fee shall be paid by the person delivering the crude oil
8 to the port for transportation.

9 (c) In making settlement with the royalty owner the person
10 paying the fee may deduct the amount of the fee paid on royalty oil,
11 or may at the time the fee becomes due deduct royalty oil equivalent
12 in value to the amount of the fee paid.

13 (d) The fee shall be paid to the department, and the person
14 required to pay the fee shall file with the department at the time the
15 fee is required to be paid a report, under oath, on forms prescribed
16 by or acceptable to the department, giving with other information
17 required, the following:

18 (1) the name of the person paying the fee;

19 (2) the total volume of the crude oil delivered for trans-
20 portation; and

21 (3) the name of the first purchaser and the price received
22 for the crude oil if sold in the state.

23 (e) Reports by or on behalf of the person required to report
24 under (d) of this section are delinquent the first day following the
25 day the fee is due. Each person required to report under (d) of this
26 section is subject to a penalty of \$1,000 a day for each day during
27 which the report is not filed. The penalty for failure to file a
28 report is in addition to the penalty for delinquent fees under (h) of
29 this section, and is a lien against the assets of the person required

1 to report under (d) of this section.

2 (f) The department may

3 (1) require a person who is obligated to pay the fee due
4 under this chapter, the agent or employee of the person, or the owner
5 or former owner of a royalty interest in crude oil, to furnish addi-
6 tional information that is considered by the department as necessary
7 to compute the amount of the fee;

8 (2) examine the books, records, and files of a person
9 identified in (1) of this subsection;

10 (3) conduct hearings and compel the attendance of witnesses
11 and the production of books, records, and papers of any person identi-
12 fied in (1) of this subsection; and

13 (4) make an investigation or hold an inquiry that is cor-
14 sidered necessary to a disclosure of the facts as to the volume of
15 crude oil transported.

16 (g) The department may determine whether or not a report re-
17 quired under this chapter is correct. If a person makes an untrue or
18 incorrect report, or fails or refuses to make a report, the department
19 shall, under regulations prescribed by it, determine the correct
20 amount of crude oil on which the fee is payable and compute the fee.

21 (h) When the fee provided for in this chapter becomes delin-
22 quent, it bears interest at the rate prescribed in AS 43.05.225. If a
23 person fails to make a report required by this chapter within the time
24 prescribed by law for the report, the department shall examine the
25 books, records, and files of the person to determine the amount and
26 value of the crude oil delivered to compute the fee, and the depart-
27 ment shall add to the fee the cost of the examination, together with
28 any penalties accrued.

29 (i) In case of overpayment, duplicate payment, or payment made

1 in error, the department may issue a certificate stating the facts and
2 the amount of the refund to which the person required to pay the fee
3 is entitled. Upon presentation of the certificate to the Department
4 of Administration, the Department of Administration shall issue a
5 warrant for the refund.

6 (j) The department may adopt regulations for the purpose of
7 making and filing reports required by this chapter and otherwise
8 necessary to the enforcement of this chapter. The department may
9 require a sufficient bond from every person charged with the making
10 and filing of reports and the payment of the fee. The bond shall run
11 to the state and shall be conditioned upon the making and filing of
12 reports as required by law, upon compliance with the regulations of
13 the department, and for the prompt payment, by the principal on the
14 bond, of all fees due the state by virtue of this chapter.

15 (k) If reports required have not been filed or are insufficient
16 to furnish the information required by the department, the Department
17 of Law shall institute, in the name of the state upon relation of the
18 department, the necessary action or proceedings to enjoin the person
19 from continuing operations until the reports are filed.

20 Sec. 43.59.030. DISPOSITION OF PROCEEDS OF FEE. (a) The com-
21 missioner shall deposit the proceeds of the fee into the general fund.

22 (b) The commissioner of administration shall separately account
23 for all proceeds of the fee deposited into the general fund.

24 Sec. 43.59.040. USE OF REVENUE DERIVED FROM FEE. The legisla-
25 ture may appropriate the annual estimated balance of the account
26 established under AS 43.59.030 to the oil and hazardous substance
27 release response fund established by AS 46.08.010.

28 Sec. 43.59.050. SUSPENSION AND REIMPOSITION OF THE FEE. (a)
29 Not later than 30 days after the end of each calendar quarter, the

1 commissioner of administration shall determine the cumulative total of
2 money

3 (1) that has been deposited through that calendar quarter
4 into the general fund under AS 43.59.030;

5 (2) expended through that calendar quarter from the oil and
6 hazardous substance release response fund established in AS 46.08.010.

7 (b) Within 15 days after making the determinations required by
8 (a) of this section, the commissioner of administration shall report
9 to the commissioner the difference between the amount determined under
10 (a)(1) of this section and amount determined under (a)(2) of this
11 section.

12 (c) If the commissioner of administration reports that the
13 difference determined under (b) of this section equals or exceeds
14 \$20,000,000, the commissioner of revenue shall suspend imposition and
15 collection of the fee levied and collected under AS 43.59.010. Sus-
16 pension of the imposition and collection of the fee begins on the
17 first day of the calendar quarter next following the commissioner's
18 receipt of the commissioner of administration's report under (b) of
19 this section. Before the first day of a suspension authorized by this
20 subsection, the commissioner shall make a reasonable effort to notify
21 all persons who are known to the department to be paying the fee under
22 this chapter that the fee will be suspended.

23 (d) Except as provided in AS 43.59.060, if the commissioner of
24 administration reports that the difference determined under (b) of
25 this section is less than \$20,000,000, the commissioner of revenue
26 shall require imposition and collection of the fee authorized under
27 AS 43.59.010. Reimposition of the fee begins on the first day of the
28 calendar quarter next following the commissioner's receipt of the
29 commissioner of administration's report under (b) of this section.

1 Before the first day of reimposition of the fee authorized by this
2 subsection, the commissioner shall make a reasonable effort to notify
3 all persons who are known to the department to be required to pay the
4 fee under this chapter that the fee will be reimposed.

5 Sec. 43.59.060. FEE NOT IMPOSED. The fee authorized by this
6 chapter is not levied during any fiscal year for which the estimated
7 revenue from the fee would be sufficient to restore the balance of the
8 oil spill emergency containment fund on the first day of the fiscal
9 year to at least \$20,000,000, and the legislature does not, during the
10 regular legislative session preceding the first day of the fiscal
11 year, appropriate money from the general fund to the oil spill emer-
12 gency containment fund sufficient to restore the balance of the oil
13 spill emergency containment fund on the first day of the fiscal year
14 to at least \$20,000,000.

15 Sec. 43.59.100. DEFINITIONS. In this chapter

16 (1) "barrel of oil" has the meaning given in AS 43.55.140;

17 (2) "fee" means the fee levied by AS 43.59.010;

18 (3) "navigable waters" has the meaning given in AS 38.05.-
19 965;

20 (4) "oil" has the meaning given in AS 43.55.140;

21 (5) "ownership or right to which is exempt from taxation"
22 has the meaning given in AS 43.55.140;

23 (6) "vessel" has the meaning given in AS 46.04.120.

24 * Sec. 3. APPLICATION OF AS 43.59.060. (a) AS 43.59.060, added by
25 sec. 2 of this Act, does not apply to prevent the levy and collection of
26 the fee imposed by AS 43.59 until the first day of the fiscal year next
27 following the day on which the balance of the oil and hazardous substance
28 release response fund first exceeds \$20,000,000.

29 (b) The commissioner of administration shall certify to the
CSSB 266()

1 commissioner of environmental conservation, the commissioner of revenue,
2 and the division of legislative finance the date on which the balance of
3 the oil and hazardous substance release response fund first exceeds
4 \$20,000,000.

5 * Sec. 4. APPLICABILITY OF ACT. This Act does not relieve a person
6 responsible for an oil terminal facility, offshore exploration or produc-
7 tion facility, or a vessel that transports crude oil, or a person who has
8 control of a hazardous substance, from the responsibility for containing
9 and cleaning up a discharge of oil or the hazardous substance as required
10 by law.

11 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29