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SENATE COMMITTEE REPORT  
FIRST COMMITTEE OF REFERRAL

DATE: 2/19/92

FURTHER: Special Comte on Fisheries  
Finance

Date of 5-Day Notice: April 2, 1992  
(in accordance with Uniform Rule 23)

DATE TURNED  
INTO OFFICE: April 23, 1992

Resources Committee considered SB 442

Relating to the authority of the commissioner of the Dept. of Natural Resources to establish water use fees or provide for the sale of water resources; efd.

and recommends:

replace with \_\_\_\_\_ CS SB442 (Res)

attaches amendment(s)

same title  
 new title  
 technical  
title change  
(HB only)

adopts \_\_\_\_\_ Letter of Intent

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

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES: Dept/Date

zero fiscal notes \_\_\_\_\_

fiscal notes DNR 1/14/92

appropriation--no fiscal note

DO PASS:

Sen. Costa  
Sen. Blum  
Rep. Halford

PREVIOUS FISCAL NOTES: Dept/Date

Governor's bill with fiscal notes:

zero fiscal notes ADF+G 2/13/92

fiscal notes DNR 1/14/92

OTHER RECOMMENDATIONS:

Sen. Blum NO R

Hay Jones (Do Pass)  
Chair: Signature and Recommendation

7-GS2047J  
Luckhaupt  
4/22/92

CS FOR SENATE BILL NO. 442 (RESOURCES)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing the commissioner of natural resources to establish a water  
2 conservation fee only for the use or sale of water in which the water is removed from  
3 the hydrologic unit from which it was appropriated and is not returned to that hydrologic  
4 unit; providing for the sale by the state of water appropriated to the state; relating to  
5 the removal or appropriation for removal of water from one hydrologic unit to another;  
6 and providing for an effective date."

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

8 \* Section 1. AS 46.15 is amended by adding new sections to read:

9           Sec. 46.15.035. APPROPRIATION OR REMOVAL OF WATER OUT OF  
10       HYDROLOGIC UNITS TO OTHER HYDROLOGIC UNITS; WATER CONSERVATION FEE.

11       (a) Water may not be removed from the hydrologic unit from which it was appropriated to  
12       another hydrologic unit, inside or outside the state, without being returned to the hydrologic unit  
13       from which it was appropriated nor may water be appropriated for removal from the hydrologic

1 unit from which the appropriation is sought to another hydrologic unit, inside or outside the state,  
2 without the water being returned to the hydrologic unit from which it is to be appropriated, unless  
3 the commissioner

4 (1) finds that the water to be removed or appropriated for removal is surplus to  
5 needs within the hydrologic unit from which the water is to be removed or appropriated for  
6 removal;

7 (2) finds that the application for removal or appropriation for removal meets the  
8 requirements of AS 46.15.080; and

9 (3) assesses a water conservation fee under (b) of this section.

10 (b) The commissioner shall establish, by regulation, a water conservation fee for a use  
11 of water in which the water is removed from the hydrologic unit from which it was appropriated  
12 to another hydrologic unit inside or outside the state, without the water being returned to the  
13 hydrologic unit from which it was appropriated. The fee established under this subsection shall  
14 be graduated to encourage the conservation of water.

15 Sec. 46.15.037. SALE OF WATER BY THE STATE. (a) The commissioner may  
16 provide for the sale of water by the state if

17 (1) the water has first been appropriated to the state in accordance with the  
18 requirements of this chapter; and

19 (2) the commissioner determines that

20 (A) the water is surplus to needs within the hydrologic unit from which  
21 it was appropriated;

22 (B) the proposed sale of the water meets the requirements of  
23 AS 46.15.080; and

24 (C) the sale price of the water is based upon the fair market value of the  
25 water.

26 (b) A purchaser of water from the state under this section shall acquire only those  
27 contractual rights to the water set out in sale documents prepared by the commissioner except  
28 that a sale of water by the state does not constitute an appropriation of water under this chapter  
29 to the purchaser.

30 (c) If water to be sold by the state under (a) of this section, is to be removed from the  
31 hydrologic unit from which it was appropriated to another hydrologic unit, inside or outside the

1 state, without being returned to the hydrologic unit from which it was appropriated, the  
2 commissioner shall, in addition to determining that the sale meets the requirements of (a)(2) of  
3 this section, assess a water conservation fee under AS 46.15.035.

4 \* Sec. 2. AS 46.15.260 is amended by adding a new paragraph to read:

5 (10) "hydrologic unit" means either a hydrologic unit or subunit established by  
6 the United States Geologic Survey on current hydrologic unit maps of the state.

7 \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

### DIVISION OF WATER

WALTER J. HICKEL, GOVERNOR

3601 C. Street  
P.O. Box 107005  
Anchorage, Alaska 99510-7005  
Phone: (907) 762-2575

April 17, 1992

Senator Lloyd Jones, Chairman  
Senate Natural Resources Committee  
Alaska State Senate  
Juneau, Alaska

Dear Senator Jones:

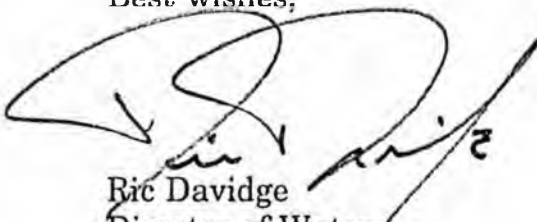
In response to our discussions and the questions and suggestions of the members of the Senate Natural Resources Committee, I have spent some time with your staff, my staff and Assistant Attorney General Rob Nauheim on Senate Bill 442. We have also reviewed and worked through the work draft provided by your legislative counsel Mr. Luckhaupt.

Enclosed for your consideration is a committee substitute that we believe meets the objectives we have agreed on. We have attempted to make the language of the bill as clear and precise as possible so that the intent of the committee is clear.

I hope you will find the product of our combined efforts acceptable and look forward to a successful hearing on Wednesday. I have forwarded copies of this letter and the attached alternative bill to the other members of the committee.

Thank you for your support and willingness to work with the administration as we attempt to deal with this complex issue.

Best wishes,



Ric Davidge  
Director of Water

cc: Members of the Senate Natural Resources Committee

SENATE BILL NO. 442

HOUSE BILL NO. 550

APRIL 17, 1992

A BILL  
FOR AN ACT ENTITLED

"An Act authorizing the commissioner of natural resources to establish a water conservation fee for the use or sale of water which is not returned to the hydrologic unit from which it was appropriated; providing for the sale of water by the state; relating to the appropriation of water from one hydrologic unit to another; and providing for an effective date."

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

\*Section 1. AS 46.15.020(a) is amended to read:

(a) The commissioner shall exercise all those powers and do all those acts necessary to carry out the provisions and objectives of this chapter. The commissioner may

(1) subject to AS 36.30 (State Procurement Code), enter into contractual agreements necessary to carry out the provisions of this chapter including agreements with federal, state, and local agencies:

(2) apply for, accept, administer, and expend grants, gifts, and loans from the federal government and any other public or private sources for the purposes of this chapter, and adopt procedures and do acts not otherwise restricted by law that [WHICH] are necessary to qualify the state to receive grants, gifts, and loans;

(3) establish a division of water in the Department of Natural Resources and assign to that division the responsibility for carrying out the provisions of this chapter;

(4) establish by regulation a graduated water conservation fee for any use of water in which the water is not returned to the hydrologic unit from which it was appropriated;

(5) provide for the sale of water resources by the department; water offered for sale by the department must first be appropriated to the department in accordance with the

requirements of this chapter;

(a) any right to water obtained by a purchaser of water offered for sale pursuant to this section shall not constitute an appropriation of water to the purchaser. A purchaser shall acquire only those contractual rights to the water set forth in sale documents to be prepared by the commissioner or his designee.

\* Sec. 2 AS 46.15 is amended by adding a new section to read:

Sec. 46.15.035. APPROPRIATION OF WATER OUT OF HYDROLOGIC UNITS; SALE OF WATER. (a) The commissioner shall not approve or permit the appropriation or sale of water that will result in such water not being returned to the hydrologic unit from which the water is sought to be appropriated unless the commissioner

(1) finds that the water is surplus to current and reasonably foreseeable future needs within the hydrologic unit from which the water would be appropriated;

(2) finds that the appropriation meets the requirements of AS 46.15.080; and

(3) assesses a water conservation fee under AS 46.15.020(a)(4).

(b) Water may not be sold by the department under AS 46.15.020(c)(5) unless the commissioner determines that

(1) the water is surplus to current and reasonably foreseeable future needs within the hydrologic unit from which it would be sold;

(2) the proposed sale of the water meets the requirements of AS 46.15.080; and

(3) the sale price of the water is based upon the fair market value of the water.

\* Sec. 3. AS 46.15.260 is amended by adding a new paragraph to read:

(10) "hydrologic unit" means either a hydrologic unit or subunit established by the United States Geologic Survey on current hydrologic unit maps of the state.

\* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. CSSB 442(RES)

Revision Date: 22-Apr-92

Department Affected: Natural Resources

Title: Water Use Fees and Sale

BRU: Water Management

Components: Water Management

Sponsor: Rules Committee for Governor

Requestor: Senate Resources

COMPONENT SERIAL NO. 916

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	147.3	148.3	148.3	148.3	148.3	148.3
TRAVEL	39.0	39.0	39.0	39.0	39.0	39.0
CONTRACTUAL	91.9	47.4	47.4	47.4	47.4	47.4
SUPPLIES	11.0	11.0	11.0	11.0	11.0	11.0
EQUIPMENT	35.0	15.0	15.0	15.0	15.0	15.0
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING *	324.2	260.7	260.7	260.7	260.7	260.7

CAPITAL						
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REVENUE GF/PR						
Fnd Source: 1005	350.0	15,000.0	30,000.0	200,000.0	200,000.0	200,000.0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER GF/PR						
Fnd Source: 1005	324.2	260.7	260.7	260.7	260.7	260.7
TOTAL	324.2	260.7	260.7	260.7	260.7	260.7

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of Current year impact:

ANALYSIS: (Attach a separate page if necessary)

\* Funding needs changed per Senate Finance Committee Instructions.

Prepared by: David Orr Phone: 762-2572  
 Division: Water Management Date: 22-Apr-92  
 Approved by Commissioner: Harold C. Hein Date: 22-Apr-92  
 Agency: Department of Natural Resources

Distribution (by preparer) : Legislative Finance, legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

Additional Information  
Water Use Fees and Sale of Water Bill

Operations

- |     |                      |   |
|-----|----------------------|---|
| 100 | Personal Services -- | One Hydrologist II, Range 16, Southeast (pft) Personal Services for Director, replaces GF reduction in House Finance.   |
| 200 | Travel --            | For field work throughout Southeast on streams and other water bodies; to regional offices to update water files. Increase Director's Office Travel.              |
| 300 | Contractual          | Aircraft and boat charters, office space rent for new employee, newspaper advertising, water marketing services and analyses, etc. Director's Office Contractual. |
| 400 | Supplies --          | Misc. office supplies, small professional tools, survey supplies for field work. Director's Office Supplies.  |
| 500 | Equipment --         | Computer terminals for position to support data collection and storage; professional hydro-survey equipment.  |

Revenues:

1. Water Use Fees: Once water user records are updated, water fees from existing appropriations can be collected. New applications for 350,000 acre feet of water have been received, and we expect applications for an additional 500,000 acre feet by the end of FY 93 (for water export to California).
2. Water Sales: The sale of water for export could generate significant new revenues for the State of Alaska. Delivery and infrastructure costs are yet to be determined, but prices paid for water in California provide some indication of the potential size of water fees. The California water bank is buying water rights from agricultural sources at \$125 per acre foot. The cost of local water delivered to coastal communities of California is about \$500 per acre foot, and the price of reclaimed water is about \$1400 per acre foot. Current estimates for desalinated water are \$1800 to \$2000 per acre foot. Santa Barbara has authorized paying up to \$1960 per acre for desalinated water delivered to that county. The initial target volume for sales would be 1-2 million acre feet per year. Alaska's rivers discharge between 800 million and 1 billion acre feet into the ocean each year.

Funds collected from water fees and sales could be used to offset the cost of water management programs, increase the network of stream gages, augment the STORET water data base, and fund village safe water projects.

Position Title		Hydrologist II		No. of Positions	1	Range/Step	16A	Barg. Unit	GGU
Time Status	PFT	Staff Months	12	Location	AWA		Election District	4	
TYPE OF EXPENDITURE			Amount	Justification					
Salary		7.0	37.0	This position will inventory water resources in Southeast Alaska and collect data on water bodies, especially those that have been selected, or are highly likely to be selected, for large scale water appropriations and withdrawals.					
Benefits			14.6						
Premium Pay			-						
Other			-						
Total Personal Services			51.6						
Travel			8.0						
Contractual			20.0						
Commodities			6.0						
Equipment			35.0						
Other									
Total Cost			120.6						
FUNDING SOURCE FOR TOTAL COST									
Federal Receipts		1002							
G.F. Match		1003							
General Fund		1004	120.6						
I-A Receipts		1007							
CIP Receipts		1061							
Other									

**Request For  
New Position**

FNPW01

AGENCY Natural Resources  
BRU Water Management  
COMPONENT Water Management

Page 1 of 3

Revised Date: \_\_\_\_\_

**FY 93**

## ADJUDICATION PROCESS

Pinpoint withdrawal location  
Determine current land ownership and right-of-ways  
Notice to public, agencies and prior water rights holders  
Respond to general questions concerning notices  
Respond to objections to issuance of water rights  
Request Hydro Survey assistance - effects on prior appropriators and on water source  
Request ADF&G assistance - effects on fish and wildlife  
Hold hearing at request of objectors to water rights  
Meet with public and agencies to decide on adequate protection - conditions and stipulations  
Adjudicate associated right-of-way for a water line  
Conduct coastal zone management project reviews

## AMEND PERMIT/CERTIFICATE

Address change  
Change of use  
Change of take  
Ownership of property change  
New or additional well log data  
Director's Preliminary Decisions  
Findings of Facts  
Conclusions of Law  
Final Determinations  
Revocations of Certificates

## FILE UPDATE

Address correction  
Meter records  
Change legal text due to resubdivisions  
Update well log information on computer records to AHS & USGS  
Clean up customer and legal description records on computer

## PUBLIC ASSISTANCE

General questions  
Specific questions, i.e. locating other water right holders  
Well log locations, copy  
Fill out water right applications  
Quantification of rights  
Respond to complaints  
Review projects that do not require a water permit

**SENATE BILL NO. 442**  
**HOUSE BILL NO. 550**  
**ADMINISTRATION RECOMMENDATIONS**  
**APRIL 8, 1992**

**A BILL**  
**FOR AN ACT ENTITLED**

**"An Act relating to the authority of the commissioner of natural resources to establish water use fees or provide for the lease or sale of water resources; relating to the appropriation of water from one hydrologic unit to another; and providing for an effective date."**

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

**\* Section 1.** AS 46.15.020(a) is amended to read:

(a) The commissioner shall exercise all those powers and do all those acts necessary to carry out the provisions and objectives of this chapter. The commissioner may

(1) subject to AS 36.30 (State Procurement Code), enter into contractual agreements necessary to carry out the provisions of this chapter including agreements with federal, state, and local agencies;

(2) apply for, accept, administer, and expend grants, gifts, and loans from the federal government and any other public or private sources for the purposes of this chapter, and adopt procedures and do acts not otherwise restricted by law that [WHICH] are necessary to qualify the state to receive grants, gifts, and loans;

(3) establish a division of water in the Department of Natural Resources and assign to that division the responsibility for carrying out the provisions of this chapter;

(4) establish, by regulation, water use and water conservation fees, and provide for the sale or lease of water resources; regulations adopted under this paragraph must include a provision that

(A) a water use fee may not exceed \$1 per acre foot per year for appropriations of 50 acre feet or more per year, provided that the water is used in or returned to the hydrologic unit from which it has been appropriated; if the commissioner determines that water is returned to the hydrologic unit from which it was appropriated in a condition cleaner than when it was appropriated, the commissioner may provide a credit to that water user; credits available under this paragraph may not exceed the amount otherwise due for a particular appropriation;

(B) in addition to the water use fee, a water conservation fee may be assessed for a use of water in which the water is not returned to the hydrological unit from which it has been appropriated;

(C) water offered for sale or lease by the state must first be appropriated to the department in accordance with the requirements of this chapter; water rights appropriated to the state for the purpose of lease or sale are not transferable;

(D) a water use fee may not be charged to a state agency, nonprofit organization, municipally-owned or operated hydropower generation facility, or a user appropriating less than 50 acre feet of water per year, provided that non-profit organizations or municipally-owned or operated hydropower facilities do not engage in the sale or lease of water to another party.

\* Sec. 2 AS 46.15 is amended by adding a new section to read:

Sec. 46.15.035. APPROPRIATION OF WATER OUT OF HYDROLOGIC UNITS.

(a) The commissioner may allow the removal of water from a hydrologic unit within the state to another unit, inside or outside the state, if the appropriation is for less than 50 acre feet per year or if the commissioner

(1) finds that the water for which the permit is sought is surplus to current and reasonably foreseeable future needs within the hydrologic unit from which the water is to be appropriated;

(2) finds that the application meets the requirements of AS 46.15.080; and

(3) assesses a water conservation fee under AS 46.15.020(c)(4) and, if the water is to be sold or leased by the department, assures that the sale or lease price is based on the fair market value of the water.

\* **Sec. 3.** AS 46.15.260 is amended by adding a new paragraph to read:

(10) "hydrologic unit" means either a hydrologic unit or subunit established by the United States Geologic Survey on current hydrologic unit maps of the state.

\* **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).

(This alternative prepared by the Division of Water, Department of Natural Resources, State of Alaska.)

## WATER MANAGEMENT FEES

### WHY A WATER MANAGEMENT FEE ?

The State of Alaska is considering a water management fee for a number of reasons, not the least being a method for the state to recover the cost of managing Alaska's water resources from the users of that resource. A water management fee has a few other benefits that the Department feels make the overall management fee proposal a complete management package. The management fee concept in addition to management cost recovery, promotes the idea that water is a valuable natural resource that is required by all Alaskans to fulfill their basic needs, such as for drinking and bathing, but is also used for the generation of power (hydroelectric, natural gas and oil), food (agriculture, seafood and other processing), timber, other petroleum products, mining, and many other products and services used on a day-to-day basis. These same water resources are used in their natural state to protect fish and wildlife and their habitat, recreation, transportation and water quality. The management fee concept may also promote water conservation. There are a number of studies that show, as the cost of water increases, the use of water decreases. The management of Alaska's water resource will also benefit the state's water rights program by providing the opportunity to update many of its water right files by eliminating those water rights no longer in use or by decreasing those water rights where the total quantity of water is no longer being used. The holders of these water rights will let the Department of Natural Resources know when they stopped using water or are using less water than what was originally granted to them when they receive their management fee notice each year. The updating of the water rights system will help the water manager better understand the water use requirements for specific commercial and industrial water users, sources of water in specific areas, where water is used and what it's used for.

### WHO PAYS ?

Individuals and commercial and/or industrial businesses who use Alaska's water resources. In reality, it's not cost effective or feasible to charge all water users a fee. It has been estimated to cost the state \$50.00 to send and receipt a bill, so the lower limit of a management fee would have to be \$50.00. If the management fee is set at \$1.00 per acre foot of water used, no water user using less than 50 acre feet per year would be charged. 50 acre feet of water is equal to about 44,600 gallons of water per day. The homeowner using an individual water system (well, stream, or lake), most small businesses, community water systems (serving less than 90 homes), and placer miners using a suction dredge smaller than 6 inches would not be subject to a management fee. The larger water users (50 acre feet per year or more) would be subject to the management fee. These could include commercial and industrial businesses, seafood processors, public water supply, agriculture, mining, pulp mills, oil and gas development, oil and gas processing and other large water users.

## **WOULD THE AVERAGE HOMEOWNER BE AFFECTED BY THE MANAGEMENT FEE**

No, a homeowner using a well, spring, stream or lake for his water supply would not be affected by the management fee. The management fee would only apply to those water users using a quantity of water equal to or greater than 50 acre feet of water per year. A typical single family home uses about 500 gallons of water per day or 0.6 acre feet per year.

## **WHAT WILL THE FEES BE USED FOR ?**

Our State Constitution does not allow the revenue generated from the management fee to be dedicated for a specific purpose. The Department of Natural Resources would account for these revenues under a separate accounting system and would request the legislature to appropriate these revenues each year to the Department for the purpose of managing the state's water resources. The yearly revenues would be used to collect, analyze and distribute water resource data, administer the water rights program, water resource planning, enforcement and compliance, and public education. Any revenues generated in excess of those necessary for management purposes can be used to strengthen the state's stream gaging network, establishment of instream flow reservations, and to provide funds to improve or construct remote water systems for towns and villages.

## **HOW MUCH REVENUE CAN BE GENERATED ?**

Currently there are about 12,000 active water right files in the state. Those water users with a Permit to Appropriate Water or a Certificate of Appropriation would be subject to management fees if their use of water is 50 acre feet per year or more. Of the 12,000 active files less than 1265 use a quantity of water equal to or greater than 50 acre feet per year. The quantity of water associated with these 1400 water right files is about 16,720,000 acre feet per year. The largest single category of water user, if you include pending water right applications, is for fish and wildlife conservation. There are 43 files in this category with a total quantity of 9,780,000 acre feet or 58% of the total quantity associated with the 1265 water right files. The water in this category is proposed for use, or is used, for instream flow reservations, fish ladders, and habitat enhancement projects. Of the 43 water rights in this category, 42 belong to the Alaska Department of Fish and Game. It is the intent of the department to exempt state agencies and non-profit organizations from the management fee. If the water used by these exempted agencies and organizations are subtracted from the total quantity of water (16,720,000 acre feet), the quantity subject to management fees would total 3,400,000 acre feet. Assuming the management fee was set at \$1.00 per acre foot per year, the revenues generated could total as much as 3.4 million dollars a year. As the state grows and water appropriations increase accordingly, the revenues would also increase.

**NOTE:** These revenue figures are subject to the review and updating of the estimated 1265 water right files in which water use of 50 acre feet a year or more is on record.

## Selected Water Uses and Hypothetical Annual Fees

(Averages of selected examples from "Water Management Fee Impact" paper)

Water Use	Average (gal/day)	Average (Acre Ft/Yr)	Average Fees
Single Family Domestic (Fully Plumbed)	500	.6	None
Seafood Processing	1,060,000	1,187.5	1,187
Wood Fiber (Alaska Pulp Co. & Ketchikan Pulp Corp.)	49,000,000	55,510	55,510
Placer Mining (small to medium size)	11,470,000	12,153	3038
Bottled Water (Alaska Pure Mountain Spring Water, Juneau)	55,000	61.6	61
Oil & Gas	115,295	969.7	970
Hydro Electric	144,000,000	161,260	40,315
Public Water Supply	4,200,000	4,707	4,707

## LARGEUSE.XLS

WATER APPROPRIATIONS 50 ACRE-FT. PER YEAR OR GREATER			
Type of Use	No. of Large Users	Ave. Acre-Ft Per User	Total Acre-Ft per Year
Cash Grains	2	405	810
Potatoes	1	100	100
Field Crops	12	145	1744
Farms-general	31	1584	49099
Animals-noncommercial	1	123	123
Lawn and Garden	5	266	1331
FinFish Fishing	1	5000	5000
Fish Hatcherles	79	4478	353736
Lode Gold	11	861	9472
Placer Gold	896	2130	1908270
Molybdenum Mining	1	1447	1447
Metal Mining	5	678	3389
Coal Mining	1	281	281
Crude Petroleum	2	1253	2505
Sand and Gravel	1	539	539
Aggregate Wash	2	328	657
Highway Construction	2	1202	2403
Frt. Trucking Terminal	1	484	484
Meat Packing	2	1086	2171
Seafood Canned	8	2874	22993
Seafood Fresh	1	81	81
Pulp Mills	1	5415	5415
Urea and Fertilizer	4	1149	4597
Petroleum Refining	1	855	855
Electric Power Generation	21	81983	1721650
Hydro Power Generation	72	35577	2561528
Public Supply	42	6531	274303
Sanitary and Waste	1	1954	1954
Steam Supply	3	67	202
Construction Material Whsl.	1	4000	4000
Office Building	1	61	61
Golf Course	2	60	120
Rec. Services	6	519	3115
Colleges	2	175	351
Wildlife Conservation	43	227537	9784083
Total	1265		16728869

\* Does not include applications accepted, and pending.

## **WATER MANAGEMENT FEE IMPACTS**

The impacts addressed by this paper are related to costs to specific water users within an industry and not the industry in general. Each water user may be charged a management fee based on its Certificate of Appropriation (water right). If the water user has a Permit to Appropriate Water, the quantity of water actually being used, based on records of that use, may be used to determine the annual fee. If no records exist, the fees may be based on the quantity granted by the Permit to Appropriate Water. If a water right holder is no longer using the quantity of water granted under the Certificate of Appropriation, the water right holder may relinquish the unused water in accordance with AS 46.15.140.

This paper will use examples of water use from the following industries: seafood processing, lumber/pulp mills, hydroelectric (private and federal), placer mining, coal mining, bottled water, oil and gas production, community water supply and public water supply. The Division of Water has over 15,800 active water rights files of which about 1300 use 50 acre feet of water or more a year. Only these 1300 water users will be subject to the management fee.

The fee, for the purpose of this paper, will be \$1.00 per acre foot (AF) of water used, except for those non-consumptive water uses associated with placer (gold) mining and hydroelectric power generation, which will be .25 cents per AF. Fees will not be charged to other state agencies or to nonprofit organizations.

### **SEAFOOD PROCESSING**

The seafood processing industry includes the processing of any type of seafood in cans, frozen or shipped fresh. Water use in this industry varies depending on the type of processing, final product and the age of the facility. Water use also varies by season, and is sometimes used year round or for only a few months during the summer. Examples of water use in this industry are as follows: Trident Seafoods (Akutan), 193 AF/Y or 62,889,243 gallons per year; Trident Seafoods (Sand Point), 806 AF/Y or 262,635,900 gallons per year; Peter Pan Seafoods (Dillingham), 1,034 AF/Y or 336,929,900 gallons per year; Peter Pan Seafoods (Unimak), 1,613 AF/Y; Aleutian Dragon Fisheries (Chignik), 3,298 AF/Y (includes small hydro plant); Inlet Fisheries (Kenai), 76.8 AF/Y; Northern Victor Partnership (west of Unalaska); 672 AF/Y; Seasonal Seafoods (Kenai), 278.8 AF/Y; Alaska Packers Association (South Naknek); 3,226 AF/Y, and Alaska Packers Association (Ugashik River), 677.5 AF/Y.

### **WOOD FIBER**

Our records only show one lumber mill now operating in the state that has its own water right. There are other mills in operation but they use water supplied to them by public water systems. There may also be other plants in operation that have never applied for water rights. The one lumber plant we know of is Chilkoot Lumber Company located in Haines. and it uses 78.7 AF/Y. There are two pulp mills

operating in Alaska, which are located in Sitka and Ketchikan. Sitka Pulp uses 56,119 AF/Y or 18,286,000,000 gallons per year and Ketchikan Pulp uses 54,900 AF/Y. These are the two largest water users in the state not counting hydroelectric power plants. These pulp mills each use twice the quantity of water that the Municipality of Anchorage uses in a year.

## **MINING**

Of the estimated 1300 water rights in the State using 50 AF/Y or more, 800 of them are in the mining industry. There are about 200 placer miners in the State that on the average hold 4 water rights. Placer mining in general is done two ways. 1. A suction dredge takes the water, uses it and returns it to the original source in a short period of time. 2. A sluice box or wash plant is used allowing the water to be held in a settling pond and recycled. The quantity of water used depends on the type of equipment used, size of settling ponds, material being processed, topography, and many other factors which may effect the quantity and how water is used. The water used in this process is eventually returned to the stream from which it was taken. Some examples of water use by mining are: Alaska Gold Company (Anvil Creek), 2,353 AF/Y or 766,727,400 gallons per year; Keith Tryck (Ophir Creek), 1,647 AF/Y, Chomco Mining (unnamed creek in the interior); 1,412 AF/Y, Valdez Creek Mine, the largest placer mine in North America uses 46,000 AF/Y or 1,498,900,000 gallons per year and Greens Creek Mine (Southeast Alaska), 1145 AF/Y. Note: the quantities for placer mining were based on a 12 hour work day for 200 days a year.

There is only one coal mining operation in Alaska, the Usibelli Mine at Healy. The mine has water rights to only 8000 gallons per day, which is equal to only 9 AF/Y and not subject to a management fee. Permits to Appropriate Water have been issued to Diamond Shatmr Chuit Coal, Cook Inlet area, and to Idimitsu, for the Wishbone Hill mine, Sutton. These coal mines have not been developed and no water is being used.

## **BOTTLED WATER**

There is only one water bottling company that has a Permit to Appropriate Water, Alaska Pure Mountain Spring Water in Juneau uses 80.6 AF/Y or 28,218,696 gallons per year. WETCO, the largest water bottling company in Alaska purchases its water from the Municipality of Anchorage. In addition to bottling water for export WETCO also distills vodka and sells water in bulk to a company in Japan, where the water is used for making perfume.

## **OIL AND GAS**

The oil and gas companies in Alaska use water for many purpose including exploration, production and processing. Most of the fresh water used on the North Slope by the major oil companies is used for exploration. This includes the building of ice roads, drilling pads and in the drilling process. The water authorized for use is normally issued under a temporary water use permit for short periods of time and

for quantities less than 40,000 gallons per day. The water used for production is normally salt water or water extracted from the oil as it is produced from the well. This water is reinjected to facilitate oil production. Processing the oil to make a product such as gasoline or chemicals requires a large quantity of water. Unocal Chemical (Kenai), uses 2800 AF/Y; Tesoro Petroleum (Kenai), 425.7 AF/Y; Phillips Petroleum (Kenai), 854.8 AF/Y; and Chevron USA (Kenai), 566.6 AF/Y. The Alyeska Pipeline terminal site in Valdez uses 201.6 AF/Y.

## **HYDROELECTRIC**

The use of water to produce power through hydroelectric facilities is the state's largest water user. Many of these large hydroelectric projects are state owned and include the Terror Lake, Bradley Lake, Swan Lake, and Tyee Hydroelectric projects. There are many other hydroelectric projects which are either privately owned or owned by the federal government. As stated previously, state agencies would be exempted from paying a management fee. The federal government and private owners would pay a fee of .25 cent per AF. The water used for power production at some of these private and federal projects is as follows: The Alaska Power Administration, owns the Snettlesham and Eklutna Hydroelectric projects. The federal Snettlesham project uses 350,000 AF/Y or 114,050,000,000 gallons per year and might be subject to a management fee of \$87,500, the Eklutna project uses 240,000 AF/Y. Private hydroelectric projects include, the City of Sitka's Blue Lake and Green Lake projects. The Blue Lake project uses 214,395 AF/Y and might be subject to a management fee of \$53,599, Green Lake uses 224,414 AF/Y and might be subject to a management fee of \$56,104. Chugach Electric Association owns the Cooper Lake Hydroelectric project, which uses 90,600 AF/Y. Smaller projects include Focus Energy's project in Ouzinkie, which uses 5,067 AF/Y and Earle Ausman's project in Palmer, which uses 4,342 AF/Y. There are many micro hydro projects owned by individuals for their personal use or for small business that also use over 50 AF/Y.

## **PUBLIC WATER SUPPLIES**

There are thousands of public and community water supply systems operating in the state. Only those systems using over 50 AF/Y or 44,600 gallons per day would be subject to a management fee. This means that most towns, communities and villages serving less than 1000 people or 150 fully plumbed homes, would not be subject to a management fee unless the community or public water system is serving a large water user such as a seafood processor. Examples of water use by communities and public water systems are: Norfolk Utility (Eagle River), 150 AF/Y, Eklutna Utilities Inc. (Eagle River), 277 AF/Y, Settlers Bay (Knik) 560 AF/Y, Municipality of Anchorage, 26,000 AF/Y or 8,472,126,000 gallons per year, City of Fairbanks, 6,504 AF/Y, City and Borough of Juneau, 4,599 AF/Y, City of Sitka, 3,536 AF/Y, City of Palmer, 672 AF/Y and Port Graham, 67 AF/Y. The export of water from the State of Alaska to areas outside of Alaska is likely. The total quantity of water associated with these exports is unknown, but it could become one of Alaska's largest water user industries.

# WATER FEES LEGISLATION

The Commissioner may "establish, by regulation, in appropriate circumstances, water use fees or provide for the sale of water resources." (HB550 and SB442)

The water resources of Alaska, according to our State Constitution, are owned by the people of Alaska. The State of Alaska "manages" this common property resource in a trust relationship and it must do so "consistent with the public interest". In response to this trust relationship, the State believes it appropriate that those who use very large volumes of Alaska's water should help pay for the cost of managing that resource. The State also believes that large withdrawals of water from a hydrologic unit should be assessed a fee commensurate to the cost of managing the impact on the ecosystem and the value of the resource. Additionally our water has been harvested and exported without any compensation for some time.

Alaska is now facing even greater demands for water, and the cost of water resource inventory and management continues to go up. Even though Alaska has over 40% of our nation's fresh water resources, not including ice and snow, and in parts of our State this resource is replenished by up to 400+ inches of precipitation a year, we have the smallest management team of any state. This is because we have a huge water resource, in most of Alaska, and the conflicts over water have been few. But in the face of growing populations, in urban and rural areas, and in light of the increasing demand for water in and outside of Alaska, we need to be smart in our water management. This costs money, and with declining oil revenues we need to look creatively and responsibly at how we will pay for smart water management and encourage conservation.

So the question before the legislature today is not whether the State will appropriate large quantities of water for instate or interstate use, it already is. The question is should the people of Alaska, receive appropriate compensation for these large commercial uses of their water resources?

There are some legal parameters that restrict how we approach this issue. In 1982, in *Sporhase v. Nebraska*, the U.S. Supreme Court held that the notion that water is "owned" by a state is a legal fiction. The Court found that water is a commodity in interstate commerce. Therefore, stated very simply, any law that discriminates against the interstate commerce of water is unconstitutional. Or, said another way, a state cannot pass a law that prohibits water exports just because the state may be opposed to the export of water, nor can a state structure water fees that are discriminatory.

As I have pointed out, Alaska is exporting water and glacial ice. These exports have been authorized in bulk and in added value products. In either case the State is allowing the exploitation of a common property natural resource without compensation. If this were allowed for any other commodity, it would be considered a clear violation of the public trust.

With the creation of the new Division of Water, we were faced with some decisions that had essentially been made by prior administrations. This is not to judge those decisions one-way-or-another, but to place them in the proper context. The State has permitted 26 firms to harvest and export glacial ice. This unique commodity is valued at \$500 per ton wholesale, without any compensation to the people of Alaska. The State has also permitted the export of large volumes of water. Most recently 52 million gallons of water a year from Burnett Inlet in Southeast. The owner of a local hatchery developed a scheme to export Alaska water to a firm in Monterey, California for bottling. The hatchery owner plans to charge the California company 1 cent per gallon. However the people of Alaska receive no compensation.

We now have applications from another California company which plans to eventually export up to 500,000 acre feet (163 billion gallons) of water a year. Under the law, if these applications meet the requirements of our statutes and regulations and the water can be taken without harming the public interest (fish, wildlife, recreation, water quality, etc.) the permit "shall" be issued. We will of course place responsible stipulations on such permits to ensure the public interest is protected.

Is it not appropriate for the state to seek some compensation for the exploitation of the people's resource? Additionally, should not the state seek to recover the extraordinary administrative costs associated with large appropriations of water? In our opinion, it is irresponsible for the State not to seek at least some compensation for the exploitation of our resources.

We have introduced legislation that would allow the state to begin to recover some compensation from the very large users of the people's water. The bill is drafted in broad terms. It would expressly authorize the Commissioner of Natural Resources to charge water use fees or sell water resources to the extent permissible under the Alaska and Federal Constitutions. Remember, we cannot discriminate, even in our fees schedule, against interstate commerce. So a fee would have to apply to in-state and interstate uses.

Water is a basic commodity in a wide range of resource development and manufacturing industries in Alaska. These include the more exotic bottled water industries which also sell water in bulk to manufacturing firms, wood fibre processing, fish hatcheries and fish processing, mining, oil and gas development, construction, agriculture, fertilizer production, recreation and conservation, and power generation to name a few. Some of these uses are considered to be

consumptive while others are believed to be non-consumptive. In either case the cost of water resource management is the same. In almost every case these industries use Alaska water to acquire or add value to their products. To say that the State is subsidizing some industries by allowing them to use Alaska water without cost may be too harsh, but none-the-less true.

To provide a revenue stream for state water management programs, as well as encourage water conservation in those industries that use very large volumes of water, and to further encourage conservation when water is removed from a hydrological unit of the state, we have suggested, as an example, the following approach: The State would assess a flat fee of \$1.00 per acre foot for any use of 50 acre-feet per year (44,640 gallons per day) or more. In the case of a transfer of water out of a hydrological unit, an additional conservation fee of \$5 per acre-foot would be assessed. We also propose that this conservation fee escalate with the cumulative amount of water removed from the hydrological unit by a user. This conservation fee, depending on the amount removed from the hydrological unit, could yield \$10 million a year, or more, to the people of Alaska. It should be noted, however, that any fee structure would be fleshed out by regulation and public hearings.

What is a hydrological unit? A hydrological unit is the scientific delineation of a large drainage or combination of drainages that function in a related manner. This delineation is made by the U.S. Geological Survey. Many hydrological units in Alaska are larger than many states east of the Mississippi River. For example, Southeast Alaska is one hydrological unit.

The hypothetical assessment of a \$1.00 per acre-foot water management fee for any use of water 50 acre-feet per year or more, means that most Alaskans would not pay a fee for the use of water, but large industries that use significant volumes would. No single family home with a well uses this amount of water. Consumptive and non-consumptive beneficial uses of water could also be reviewed to structure a fee schedule reflective of those differences. But such a fee would create, based on existing appropriations of water, about \$3.4 million in new revenue to the State. Future uses of water taken from a hydrological unit may exceed \$10 million a year. Currently the budget of the Division of Water is about \$2.6 million of which \$1.9 million is from the General Fund. This example is meant to serve as an illustration of the kind of approach that could be implemented through regulation.

In addition to covering the cost of water management, what would these revenues be used for? Our State Constitution does not allow revenue to be dedicated for a specific purpose. The Department of Natural Resources would account for these revenues under a separate accounting system and would request the legislature to appropriate them to the Department for the purpose of managing the state's water resources. The revenues would be used to collect, analyze and distribute water resource data, administer the water rights program, water resource planning, enforcement and

compliance, and public education. Revenues generated in excess of those necessary for management purposes should be used to strengthen the state's stream gaging network, adjudicate instream reservations in critical areas, and improve or construct remote water systems for towns and villages without safe drinking water.

But, would such a fee cause economic harm to Alaskan industries? You be the judge.

Under the hypothetical approach already mentioned, the Ketchikan Pulp Mill, one of the largest users of water in the state (17.9 billion gallons per year) would only pay \$54,900 based on their permit. If they used less water than allowed by their permit, which is generally the case, they could pay less. How about the largest placer mine in North America, the Valdez Creek Mine? Even with all uses of water (consumptive and non-consumptive) included for this massive operation, the total bill would be \$46,000 or less. Small placer operators generally do not use more than 50 acre-feet a year and many are, by regulatory definition, non-consumptive uses.

Based on applications for beneficial uses of water, the Kensington Mine, near Juneau, would pay about \$8,000 a year, the AJ Mine withdrawal from Gold Creek would require no more than about \$14,000 a year. And the Usibelli Coal Mine would pay nothing each year as they do not use 50 acre-feet per year. And so it goes.

Let's look at public water supplies. How much would the Municipality of Anchorage pay? Based on current use, \$26,000 a year. Fairbanks would pay \$6,504; Juneau would pay \$4,599; and Sitka \$3,536 each year. These are not significant amounts for municipalities to pay in the face of the revenues they already collect. But why should a municipality pay if a state agency does not? Many municipalities sell or charge for water used by industry. For example an Anchorage brewery pays about \$79,000 a year to the Municipality of Anchorage. The Hilton Hotel pays over \$60,000 a year and the Sheraton almost \$34,000. BP main office pays the municipality over \$41,000 a year. The Northway Mall pays over \$10,000 a year and the Dimond Center, not including Safeway, Pay & Save and Lamonts, pays over \$71,000 a year. WETCO, a bottled water company that also makes vodka and exports bulk water to Japan as a base for perfumes, buys 1.6 million gallons of water a year from the Municipality of Anchorage. Juneau sells water to the cruise ships while they are in port. Other than the pulp mill most local industries in Ketchikan are connected to the public water supply.

And what about the commercial fishing industry? Peter Pan Seafoods in Dillingham, would pay about \$1,034; Trident Seafoods in Sand Point about \$806; Inlet Fisheries in Kenai, only \$76; and Aleutian Dragon Fisheries in Chignik, about \$1,344 a year. Is this a significant economic burden on these industries?

But wait, what about things like fish hatcheries and hydroelectric projects? After all they use a lot of water. We have proposed, from the beginning, that nonprofit users

of water would not be required to pay under regulations to be adopted pursuant to this act. To our knowledge all of the fish hatcheries that use fresh water are either owned by the state or operated as nonprofit corporations, and it really doesn't make much sense for one state agency to pay another for water. Most large hydroelectric projects would also be exempt and any that pay (private or federal projects) would only pay, possibly \$.25 per acre foot a year, for the water they use not the water stored in their reservoir.

One notion, that has been suggested, is that industries that discharge water that is cleaner than what they took should receive a credit against the annual fee. Why not? This certainly provides an economic incentive to clean up their discharge without more costly regulation.

An important concern is the question of environmental protection. Do we have sufficient laws and regulations to ensure the protection of our fish, wildlife and recreational uses of water? As most Alaskans know, our State Constitution is unique in that it has a section on natural resource management and requires that fish and wildlife be protected. In addition to the protection outlined in our constitution we have a number of statutes which we have reviewed. It is our conclusion that Alaska has three basic laws that ensure environmental protection. The State Water Use Act requires that any significant appropriation of water be in the public interest. This requires consideration of eight different criteria including fish and wildlife, recreation, and water quality. In addition, recent amendments to the Water Use Act, known as the instream flow section, ensures that if any person, including the Department of Fish and Game, believes a water appropriation may harm environmental concerns, they can request an instream reservation to protect those uses. Finally, Title 16, one of the basic permitting laws in the Department of Fish and Game, ensures that any activity within a stream or lake that would impact fish and wildlife must be permitted by Fish and Game.

In addition to these laws, the Division of Water has made it clear to any who have requested applications for water, especially with the intention of large scale export, that we cannot permit an appropriation of water that we believe harmful to the environment.

It is important to understand the scale within which water exports are being considered. As I pointed out earlier, Alaska has, according to the U.S. Geological Survey, over 40% of our nation's fresh water resources. Alaska discharges about 1 billion acre-feet or 326 trillion gallons of water per year into the ocean. Remember one acre foot of water equals 325,851 gallons. In those areas of export interest the annual precipitation is between 150 to 400 and more inches a year. In fact the precipitation is so high and the topography of much of Southeastern so dramatic, that it is often said that the rain hits the mountains and falls into the ocean.

So much for general discussion, let's look at a specific application for export. Sun Belt Water, Inc. of California has applied for water from the Snettisham Hydroelectric Facility located just south of Juneau. This project draws water from Long Lake and Crater Lake and uses an average of over 350,000 acre feet (115 billion gallons) per year. Long Lake alone has a drainage area of over 32.5 square miles from which it collects water. The annual precipitation in these drainages range from 190 to 260 inches a year. We have 34 years of flow records on this lake system. The proposed water withdrawal point for Sun Belt is the tailrace of the dam which is located at tide water. There is a small fish hatchery there which is operated by the Department of Fish and Game and already has a water permit that would not be impacted by the Sun Belt application.

How much water can be responsibly "taken" from this discharge point for export? Sun Belt has requested 150,000 acre-feet per year. Over a dozen state and federal agencies have begun an intense review of this application and will provide their comments and concerns to us. I should point out that Sun Belt is required to obtain a number of other state and federal permits for this venture before any water is taken. I should also point out that if the water fee legislation is not passed and the permits are issued, the people of Alaska will not receive any compensation.

We have dozens of sites similar to Long Lake in southeastern Alaska. The Division of Water has begun its own internal study of potential sources so that the State has a better understanding of the scope and potential for this new industry. In order to provide even greater protection of the State's interest the State may decide to reserve through legislation or itself apply for water rights to high quality sources of water. This would be done through the normal water appropriation and adjudication process as prescribed by law. The State could then offer the specific amounts of water it wishes to export on a contractual rather than a permit basis. In this way the State of Alaska, not an outside interest, could better control the water by determining if the contract should be extended at the end of each contract. For foreign exports this approach may be very appropriate and necessary. This is why we have included the notion of the state selling water in the legislation. It is important to note that any person, not just residents of Alaska, any person, foreign or domestic, may apply for an appropriation of Alaskan water. Once a certificate is issued the holder of that "usufructuary" right can use it forever, provided the use remains the same and it is not abandoned.

Remember, the question is not if the State will appropriate large quantities of water, it is and will continue to do so consistent with law. The question is can the people of Alaska recover reasonable compensation for the exploitation of this resource? We believe we have crafted a legally defensible approach that allows the State to do just that without causing economic harm to Alaskan industries while providing a new revenue stream that can support other water based public policy objectives.

# WATER FEES

(Hypothetical Fee Schedule)

The following table is a suggestion of how such fees could be assessed to large users of water.

<u>Quantity Acre Feet Per Year</u>	<u>Water Stays Within a Hydrologic Sub-unit</u>		<u>Water Transferred Out of a Hydrologic Sub-unit</u>	
	<u>Low Range</u>	<u>High Range</u>	<u>Low Range</u>	<u>High Range</u>
+50 - 25,000	\$0.25	\$1.00	\$5.00	\$10.00
25,000 - 50,000	\$0.25	\$1.00	\$10.00	\$25.00
50,000 - 100,000	\$0.25	\$1.00	\$20.00	\$50.00
100,000 - 200,000	\$0.25	\$1.00	\$30.00	\$75.00
200,000 - 500,000	\$0.25	\$1.00	\$50.00	\$100.00
500,000 - 1,000,000	\$0.25	\$1.00	\$75.00	\$200.00
1,000,000 - 2,000,000	\$0.25	\$1.00	\$100.00	\$400.00

A Hydrologic Unit or Sub-unit - As established by the U.S. Geological Survey on current Hydrologic Unit Maps of the State of Alaska

No one party or group of related parties may cumulatively control an appropriation of water in excess of the amounts listed in the table without being assessed a water fee representative of their total cumulative appropriation level.

It is the intention of the Division of Water to develop a water fee schedule through a public scoping process, draft regulations, and public hearings.

DRAFT

(This material prepared by the Division of Water, State of Alaska)

WALTER J. HICKEL  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

442

February 19, 1992

The Honorable Richard I. Eliason  
President of the Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear Senator Eliason:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to specifically authorize the Commissioner of the Department of Natural Resources to establish water use fees or provide for the sale of water resources.

The bill is designed to provide for the recovery of the market value of water resources conveyed by the state, particularly under circumstances involving the conveyance of rights to consumptive uses of large quantities of water.

Regulations developed with public involvement will spell out the details of who will be charged for water, but we estimate that only those who use 50 or more acre feet per year (approximately 45,000 gallons a day) will be affected. State agencies, nonprofit groups, such as hatcheries, single family domestic users, and other water users to be identified during the legislation and regulation writing process would not be subject to the fee.

Water revenues can be used to support a wide variety of water-related programs, including safe drinking water, water quality and water flow measurements.

The waters of the State of Alaska are an important and extremely valuable natural resource. The state has an important interest in recovering, for the benefit of the people of Alaska, the real value of the state's water and the real costs of managing and conserving water resources. I urge your early and favorable consideration of this bill.

Sincerely,

A handwritten signature in cursive script that reads "Walter J. Hickel".

Walter J. Hickel  
Governor

FISCAL NOTE

No. 1

II Version: SB 442

(S) Publish Date: 2-19-92

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL

Revision Date: \_\_\_\_\_ Department Affected: Natural Resources  
 Title: Water Use fees and Sale BRU: Water Management  
 of Water \_\_\_\_\_ Components: Water Management  
 Sponsor: Rules Committee  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 916

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	150.9	110.3	110.3	110.3	110.3	110.3
TRAVEL	8.0	8.0	8.0	8.0	8.0	8.0
CONTRACTUAL	88.5	44.0	44.0	44.0	44.0	44.0
SUPPLIES	6.0	6.0	6.0	6.0	6.0	6.0
EQUIPMENT	45.0	15.0	15.0	15.0	15.0	15.0
LAND&STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	298.4	183.3	183.3	183.3	183.3	183.3

CAPITAL						
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REVENUE: Prog Rec						
Funding Source: 1005	800.0	2,500.0	3,000.0	3,250.0	3,500.0	3,500.0

FUNDING: (Thousands of Dollars)

GENERAL FUND	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
FEDERAL FUNDS						
OTHER: Prog Receipt						
Funding Source: 1005	298.4	183.3	183.3	183.3	183.3	183.3
TOTAL	298.4	183.3	183.3	183.3	183.3	183.3

POSITIONS:

FULL-TIME	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PART-TIME						
TEMPORARY	1.0					

Estimate of Current year impact:

ANALYSIS: (Attach a separate page if necessary)  
 See Attached

Prepared by: David Orr Phone: 762-2572  
 Division: Water Management Date: 14-Jan-92

Approved by Commissioner: HB Harold C. Heinze HCHeinze 1/14/92 Date: 14-Jan-92  
 Agency: Department of Natural Resources

Distribution (by preparer) : Legislative Finance, legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

Additional Information  
Water Use Fees and Sale of Water Bill

Operations

- 100 Personal -- One Hydrologist II, Range 16, Southeast (pft)  
Services One NRM I, Range 18, Southeast (pft)  
One NRT II, Range 12, Southcentral (temp. -- update of  
water records during 1 year period)
- 200 Travel -- For field work throughout Southeast on streams and  
other water bodies; to regional offices to update water  
files
- 300 Contractual Aircraft and boat charters, office space rent for two  
new employees, newspaper advertising, water marketing  
services and analyses, etc.
- 400 Supplies -- Misc. office supplies, small professional tools, survey  
supplies for field work
- 500 Equipment -- Computer terminals for two positions to support data  
collection and storage; professional hydro-survey  
equipment

Requested funds would be used to process and administer large scale water appropriations, assess and collect water user fees, and market water and ice resources.

Revenues:

1. Water Use Fees: Once water user records are updated, water fees from existing appropriations can be collected. New applications for 350,000 acre feet of water have been received, and we expect applications for an additional 500,000 acre feet by the end of FY 93 (for water export to California).
2. Water Sales: The sale of water for export could generate significant new revenues for the State of Alaska. Delivery and infrastructure costs are yet to be determined, but prices paid for water in California provide some indication of the potential size of water fees. The California water bank is buying water rights from agricultural sources at \$125 per acre foot. The cost of local water delivered to coastal communities of California is about \$500 per acre foot, and the price of reclaimed water is about \$1400 per acre foot. Current estimates for desalinated water are \$1800 to \$2000 per acre foot. Santa Barbara has authorized paying up to \$1960 per acre for desalinated water delivered to that county. The initial target volume for sales would be 1-2 million acre feet per year. Alaska's rivers discharge between 800 million and 1 billion acre feet into the ocean each year.

Funds collected from water fees and sales could be used to offset the cost of water management programs, increase the network of stream gages, augment the STORET water data base, and fund village safe water projects.

Position Title		Hydrologist II		No. of Positions	1	Range/Step	16A	Barg. Unit	GGU
Time Status	PFT	Staff Months	12	Location	AWA		Election District	4	
TYPE OF EXPENDITURE			Amount	Justification This position will inventory water resources in Southeast Alaska and collect data on waterbodies, especially those that have been selected, or are highly likely to be selected, for large scale water appropriations and withdrawals.					
Salary		7.0	37.0						
Benefits			14.6						
Premium Pay			-						
Other			-						
Total Personal Services			51.6						
Travel			2.5						
Contractual			20.0						
Commodities			3.0						
Equipment			35.0						
Other									
Total Cost			112.1						
FUNDING SOURCE FOR TOTAL COST									
Federal Receipts		1002							
G.F. Match		1003							
General Fund		1004	112.1						
I-A Receipts		1007							
CIP Receipts		1061							
Other									

**Request For  
New Position**  
FNPW01

AGENCY Natural Resources  
BRU Water Management  
COMPONENT Water Management

Page 3 of 5  
Revised Date: \_\_\_\_\_

**FY 93**

Position Title Natural Resources Manager I		No. of Positions 1	Range/Step 18A	Barg. Unit GGU
Time Status PFT	Staff Months 12	Location AWA		Election District 4
TYPE OF EXPENDITURE		Amount	Justification  The adjudication of water rights facility . Large scale water extraction in Southeast Alaska for intake and out of state use and the administration of water management (user) fee program for the Southeast region. This includes coordination of the project permitting process through the Alaska Coastal Management Program, and specific permitting requirement under AS 46.15 and other State and federal permits.	
Salary		42.6		
Benefits		16.1		
Premium Pay		0.0		
Other		0.0		
Total Personal Services		58.7		
Travel		2.5		
Contractual		9.25		
Commodities		1.5		
Equipment		10.0		
Other				
Total Cost		81.95		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004 *	81.95		
I-A Receipts	1007			
CIP Receipts	1061			
Other				

**Request For  
New Position**  
RNPW02

AGENCY Natural Resources  
BRU Water Management  
COMPONENT Water Management

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Revised Date: \_\_\_\_\_

**FY 93**

Position Title Natural Resources Tech. II		No. of Positions 1	Range/Step 12A	Barg. Unit GGU
Time Status Temp FT	Staff Months 12	Location EBA		Election District 99 (Statewide)
TYPE OF EXPENDITURE		Amount	Justification  This position will be a one (1) year temporary assigned the task of updating up to 10,000 water right files on the DNR, Land Administration System (LAS) computer system. The updated information will be needed in order to implement the water management user fee program through the State's Revenue and Billing System within the Division of Management.	
Salary		28.3		
Benefits		12.3		
Premium Pay		0.0		
Other		0.0		
Total Personal Services		40.6		
Travel		3.0		
Contractual		9.25		
Commodities		1.5		
Equipment		0.0		
Other				
Total Cost		54.35		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts	1002			
G:F. Match	1003			
General Fund	1004	54.35		
I-A Receipts	1007			
CIP Receipts	1061			
Other				

**Request For  
New Position**  
FNPW03

AGENCY Natural Resources  
BRU Water Management  
COMPONENT Water Management

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Revised Date: \_\_\_\_\_

**FY 93**

FISCAL NOTE

Version: SB 442  
 (S) Publish Date: 2-19-92

STATE OF ALASKA  
 1992 LEGISLATIVE SESSION

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

Department Affected: Fish and Game

Title: Water Use Fees

BRU: Habitat

Component: Habitat

Sponsor: Governor by Rules Committee

Requestor: Governor Hickel

COMPONENT SERIAL NO. 

	4	8	6
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

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

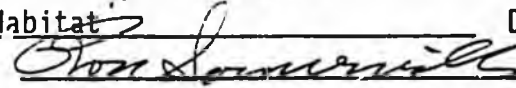
Estimate of current year impact: No impact on current year.

ANALYSIS: (Attach a separate page if necessary.)

Assuming there is no cost to the state for hatcheries and instream flow reservations there will be no fiscal impact.

Prepared By: Frank Rue, Director  Phone: 465-4105

Division: Division of Habitat Date: 2/13/92

Approved by Commissioner:  Date: 2/13/92

Agency: Department of Fish and Game Date: 2/13/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. OSC., & Impacted Agency(ies).