12/1/08 JOINT HEARING: DNR PERMITTING ISSUES

Joint House Judiciary and Resources Committee Hearing
DNR Permitting Issues
Monday, December 01, 2008

House Judiciary Members confirmed: Rep. Ramras, Chair; Rep. Dahlstrom, Vice-Chair; Rep. Coghill; Rep. Lynn; Rep. Samuels; Rep. Gruenberg (via teleconference)

House Resources Members confirmed: Co-chairs Rep. Johnson and Rep. Gatto; Rep. Seaton; Rep. Wilson; Rep. Kawasaki (via teleconference)

Tentative format for invited testimony:

Mr. Danny Davis, Escopeta Oil Co., Ltd.

Mr. Bruce Webb, Aurora Gas

Mr. Craig Haymes, ExxonMobil Corporation

Alaska Department of Natural Resources:
Commissioner Tom Irwin
Deputy Commissioner Marty Rutherford
Director Kevin Banks, Oil & Gas Division

Debra Higgins

From: Bruce D Webb [bwebb@aurorapower.com]

Sent: Thursday, December 04, 2008 10:39 AM

To: Rep. Jay Ramras; Rep. Craig Johnson; Rep. Ralph Samuels; Rep. Nancy Dahlstrom; Rep. Paul Seaton; Rep. Bob Lynn; Rep. John Coghill; Rep. Carl Gatto; Rep. Max Gruenberg; Rep. Peggy Wilson

Cc: 'Escopeta Oil'; Vlado@Pacenergy. Com; 'Joe Kilchrist'; 'Darren Katic'; Marino, Anthony C.; nickstepo@gmail.com; stevepna@hotmail.com; resources@akrdc.org; jbrune@akrdc.org; cportman@akrdc.org; dcrockett@akrdc.org; gsmith@alaskaalliance.com; info@alaskaalliance.com; tim.bradner@alaskajournal.com; melissa.campbell@alaskajournal.com; pdougherty@adn.com; scockerham@adn.com; jwright@adn.com; dhulen@adn.com; mzencey@adn.com; fgerjevic@adn.com; rshinohara@adn.com; bwhite@adn.com; wloy@adn.com; 'Bluemink, Elizabeth'; rmauer@adn.com; ddonkel@cfl.rr.com; Rick in Fairbanks

Subject: FINALLY, the DENIAL of the Corsair Expansion

Attachments: DENIAL Corsair Appeal of unit expansion 12.03.08.pdf

Dear Representatives,

Apparently your hearing had little to effect on the Cook Inlet's ability to get a jack-up drilling rig, increase production, or supply hundreds of local jobs.

Rep. Ramrus asked Irwin "what if you had to make a decision?" Well he did. The same old story.... "NO!"

Attached is the DENIAL of the Corsair Unit Expansion Appeal that had sat on his desk for six months. If he (they) knew the answer was going to be no, why did they wait so long?

IT IS A SAD STATE OF AFFAIRS WHEN APPOINTED STATE OFFICIALS IGNOR THE VOICES OF THE PEOPLE OF ALASKA AND THEIR ELECTED REPRESENTATIVES.

Instead of just sitting there rolling their eyes and looking at the floor, they might as well have just spat in your face.

I am disgusted with this administration. It is time for a house cleaning. Seriously, as a life-long, loyal Alaskan, this makes me sick.

I hope Pacific Energy takes this to the Superior Court where they can get fair, unbiased treatment.

CORSAIR UNIT AGREEMENT

State of Alaska
Department of Natural Resources
Commissioner's Findings and Decision
Corsair Unit Expansion Application
Appeal of Director's Decision

DECEMBER 3, 2008

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I. INTRODUCTION

Pacific Energy Resources Limited (PERL), the Corsair Unit (Unit) operator, filed an application for the First Expansion of the Corsair Unit (Application) with the State of Alaska Department of Natural Resources (DNR), Division of Oil and Gas (Division), on March 26, 2008. On April 30, 2008, the Division Director denied the Application (Decision). On May 16, 2008, PERL appealed the Decision to the DNR Commissioner.

PERL asserts, among other things, that approval of the Application best serves the State's and public's interest, as well as PERL's, by preserving its ability to explore and develop the entire Unit structure as the sole working interest owner, and that "fragmentation of the Corsair structure into unitized and non-unitized parcels with different working interest owners would ultimately result in a waste of both economical and physical resources." PERL also maintains that approval of the Application and the proposed Expansion Plan of Exploration (POE) would result in the leases being drilled sooner than on a lease-by-lease basis. Finally, PERL asserts throughout its appeal that without the expansion leases, delivering a jack-up drilling rig to Cook Inlet, as required under the Unit's Initial POE, as amended, would be uneconomic.

II. SUMMARY OF DECISION

I affirm the Decision denying the Application as not in the public interest because it does not promote 1) the conservation of natural resources and 2) the prevention of economic and physical waste any more than non-unitized development of the individual leases, and 3) does not provide for the protection of all parties of interest, including the State. 11 AAC 83.303.

PERL submitted the Application just 42 days before the leases would expire, proposing expansion of the Unit as an oil play and delays to the existing work commitments. PERL states that it had not fully assessed the economic feasibility of the work commitments it agreed to when it assumed and accepted designation as Successor Unit Operator. The State's interest is not served by the unitization of soon-to-expire acreage, especially when an operator has not fulfilled its existing POE work commitments. DNR must be able to rely on commitments made by unit operators. When it assumed Unit operatorship, PERL committed to submit a jack-up rig contract to DNR by December 31, 2007, and bring a jack-up rig to Cook Inlet to drill for gas in the Unit by December 31, 2008. PERL defaulted on its rig contract deadline commitment and DNR has already extended the drilling deadline to June 30, 2009. Now, as part of the Application, PERL seeks to further delay well drilling in the Unit until December 31, 2009.

III. BACKGROUND

The Unit, formed effective January 31, 2007, is located in the center of upper Cook Inlet, approximately 12 miles southwest of North Cook Inlet Field. The existing Unit area covers approximately 10,185 acres including four State of Alaska oil and gas leases. The Unit's Initial five-year POE required Forest Oil Corporation (Forest), the original Unit

Operator, to, among other things, 1) provide a drilling rig commitment by December 31, 2007, 2) drill an exploration well by December 31, 2008, 3) seek participating area approval before January 31, 2010, 4) consider drilling a second exploration well before January 31, 2011, and 5) seek plan of operation approvals for pipeline and facilities construction, before January 31, 2012, to permit commercial gas production from the Unit.

On August 27, 2007, PERL acquired 100 percent of the working interest in the Unit leases from Forest. On November 6, 2007, the Division approved the assignment of Forest's lease interests PERL. On November 14, 2007, Forest resigned and designated PERL as Successor Unit Operator. On November 26, 2007, PERL "accept[ed] and assume[d] all rights and obligations as Successor Unit Operator . . . ." The Division approved PERL as Unit Operator on December 19, 2007.

On December 4, 2007, before the Division approved PERL as Unit Operator, PERL requested that the Division delay all the Initial POE commitments by one year, so that, for example, the drilling rig and initial exploration well commitments would be delayed to December 31, 2008, and December 31, 2009, respectively. These initial requests to delay were denied because PERL was aware of these obligations when they acquired this asset and committed to DNR that they would be able to meet the existing deadlines when they asked the Division to approve the assignments and accepted Successor Operatorship of the Corsair Unit.

PERL failed to fulfill the December 31, 2007, commitment to provide evidence satisfactory to the Commissioner of a rig contract that would enable PERL to meet the December 31, 2008, well drilling requirement set out in the Initial POE. Thus, on December 31, 2007, the Director defaulted the Unit and demanded, as a cure, that PERL provide evidence of a rig contract by April 1, 2008.

On January 4, 2008, PERL again requested that the Division delay the initial well drilling commitment by one year—until December 31, 2009.

On January 29, 2008, the Division extended the well drilling commitment by six months—until June 30, 2009, subject to PERL curing the drilling rig commitment by April 1, 2008, as set out in its December 31, 2007, default decision. PERL submitted a rig contract on March 14, 2008, thereby curing the default.

PERL filed the Application with DNR on March 26, 2008. It proposed an expansion of the Unit to include four additional State oil and gas leases, ADLs 389513, 389514, 389507, due to expire on April 30, 2008, and 389923 due to expire on December 31, 2008. The proposed expansion would add approximately 16,546 acres to the Unit. PERL holds 100 percent of the working interest in the existing Unit leases, as well as the leases proposed for expansion. The Application included a revised Plan of Exploration (Expansion POE), Exhibit G to the Corsair Unit Agreement (UA). In the Expansion POE

PERL proposed to drill three wells by December 31, 2009, and retain the other work commitments as set out in the Initial POE.

On April 1, 2008, the Division approved a rig contract submitted by PERL on the condition that, among other things, it provide a copy of a signed heavy lift vessel contract to the Division by July 31, 2008.

On April 30, 2008, the Division issued the Decision, which denied the expansion based on the following points.

1. No drilling had occurred within the primary term of the proposed expansion leases.

2. PERL will neither fulfill the Initial POE drilling work commitment by December 31, 2008, nor has it yet fulfilled the June 30, 2009, drilling commitment.

3. Unitization is meant to facilitate efficient reservoir production, not to enable warehousing of acreage. The proposed Unit expansion will not guarantee delineation and production of the identified oil prospect sooner than lease-by-lease development.

4. Unitization is not necessary to promote the development of a single resource by multiple working interest owners, because there is only one working interest owner, PERL, in the Unit and the proposed expanded Unit.

5. The Expansion POE would extend the Initial POE, as amended, June 30, 2009, drilling date until December 31, 2009. This is an unacceptable delay in drilling the Unit's prospects.

The Appeal, submitted on May 16, 2008, included supplemental confidential geophysical, geological, and engineering data. PERL did not request an extension for the submission of additional material and it did not request a stay of the Decision under 11 AAC 02.030(f). Despite the fact that it had submitted an acceptable drilling rig contract on March 14, 2008, which cured the Unit default, PERL now asserts throughout the Appeal that it would be uneconomic to deliver a jack-up rig to Cook Inlet and drill an exploration well in the Unit without the expansion leases.

On July 8, 2008, PERL requested, among other things, that the Division delay the July 31, 2008, heavy lift vessel contract deadline for sixty days.

On July 22, 2008, PERL clarified that it was seeking the heavy lift vessel contract deadline delay for the "*existing*" Unit leases.

On July 30, 2008, the Division approved, among other things, PERL's request to delay the heavy lift vessel contract deadline by sixty days. The Division approved the request because the delay would not, in its estimation, delay the June 30, 2009, drilling date deadline set out in the Initial POE, as amended. The Division also opined that it "interprets PERL's vessel contract extension request as a repudiation of its appeal argument that delivering a rig is uneconomic with the expansion leases." The Division observed that PERL provided no evidence for its assertion that the rig delivery would be uneconomic without the expansion leases.

On September 24, 2008, PERL requested a further delay, until October 31, 2008, of the heavy lift vessel contract deadline. The Division again approved extension of the heavy lift vessel contract deadline, until October 31, 2008.

On October 31, 2008, PERL submitted a heavy lift vessel contract. The Division did not accept the contract as a fulfillment of the work commitment and effective December 1, 2008, placed the Corsair Unit in default with a default cure period of ninety days.

IV. DISCUSSION of DECISION CRITERIA

The Appeal's title indicates that PERL seeks to both appeal and request reconsideration of the Decision. But, the text of the submittal refers to an appeal. Under 11 AAC 02.010(g) a person may not both appeal and request reconsideration of a decision. 11 AAC 02.010(e) applies here because the Commissioner did not sign or cosign the Decision. In a June 16, 2008, letter, DNR acknowledged acceptance of the Appeal.

AS 38.05.020(b)(4), AS 38.05.180(p), and Article 13.1 of the UA give the DNR Commissioner broad authority to consider an oil and gas unit expansion. See Exxon Corporation v. State of Alaska, 40 P.3d 786 (Alaska 2001).

I review unit expansion applications under the criteria set out in 11 AAC 83.303 (a) and (b). As set out below, I affirm the Decision denying the Application as not in the public interest because it does not promote 1) the conservation of natural resources and 2) the prevention of economic and physical waste any more than non-unitized development of the individual leases, and 3) does not provide for the protection of all parties of interest, including the State. My discussion of the subsection (b) criteria, as they apply to the Appeal, is set out directly below, followed by a discussion of the subsection (a) criteria.

A. Decision Criteria considered under 11 AAC 83.303(b)

1. The Environmental Costs and Benefits of the Expansion

Unitization is not required to drill wells, produce hydrocarbons and build infrastructure. Lease terms may be extended by production without unitization. Unitization may lessen environmental risks by reducing redundant facilities because it often unites multiple owners of a common resource and promotes the sharing of the cost and ownership of drill

rigs, facilities, and infrastructure, thereby reducing the environmental impact of redundant facilities.

PERL has proposed expanding the Unit, which was formed as a gas prospect, to include an oil prospect and to shift the primary target from gas to oil. In this case, PERL holds 100 percent of the working interest in the prospect that it now describes as an oil prospect underlying the Unit and the four leases proposed for expansion.

Expansion would probably not create an additional environmental risk because PERL would be the sole Operator on the prospect. Without approval, the proposed expansion leases expire and another lessee could obtain the acreage at the next lease sale. This would result in multiple owners of the oil prospect described by PERL. The cost of a drill rig would most likely be shared by parties interested in using it; unitization is not required for multiple owners to contract to share costs for exploring acreage. It is highly unlikely that lessees would bring multiple rigs to Cook Inlet because the redundant expense would not be in their financial interest.

2. The Geological and Engineering Characteristics of the Reservoir and Prior Exploration Activities of the Corsair Unit Area

Corsair Expansion Prospect

The January 31, 2007 approval of the formation of the Corsair Unit provides an in depth discussion of the Corsair prospect as does the Decision. Both decisions reference prior exploration activities in the area, mostly focused on the work by ARCO which referred to the greater geologic trend called Sunfish of which the Corsair prospect is a part. In considering the Corsair Unit Expansion application, DNR summarized the Corsair Unit prospects:

> The Corsair Unit as currently configured contains two types of hydrocarbon prospects. The primary target consists of Sterling and Beluga gas sands; a secondary target is the deeper Tyonek oil sands. In the acreage under consideration for expansion (both northern and southern leases) only a single hydrocarbon target is viable, the Tyonek oil sands. Maps provided by PERL show the expansion acreage underlain by oil-bearing sandstones of the Tyonek Formation. The gas cap located in the crestal region of the anticline is absent in both the northern and southern expansion acreage.

The existing unit overlies the crest of a geologic structure closed at all levels of economic interest. This is commonly referred to as the SRS structure. The expansion area is restricted to the SRS structure and adds acreage structurally low to the existing unit. A saddle exists between this structure and the North Cook Inlet structure to the northeast. Five wells have been drilled on the SRS structure by various operators from 1962 to 1993. These wells had numerous oil and gas shows throughout the Kenai Group as well as drill stem tests which recovered both oil and gas.

Under 11 AAC 83.306 (4) the applicant must provide the following in order for the division to deem an application complete:

(4) all pertinent geological, geophysical, engineering, and well data, and interpretations of those data, directly supporting the application;

The commissioner must consider the geological and engineering characteristics of the potential hydrocarbon accumulation or reservoir proposed for unitization, 11 AAC 83.303 9b) (2). The Division deemed the Application complete effective March 26, 2008.

Under 11 AAC 83.395. Definitions:

(5) "potential hydrocarbon accumulation" means any structural or stratigraphic entrapping mechanism which has been reasonably defined and delineated through geophysical, geological, or other means and which contains one or more intervals, zones, strata, or formations having the necessary physical characteristics to accumulate and prevent the escape of oil and gas;

The geological and geophysical data provided with the application, although complete, do not support the structural mapping on which the extent of the potential hydrocarbon accumulation is based. Therefore the proposed hydrocarbon accumulation has not been reasonably defined or delineated and does not justify expansion of the Corsair Unit.

3. Plan of Exploration and Development for the Proposed Expanded Corsair Unit

The Initial POE, as amended on January 29, April 1, and July 30, 2008, requires PERL to, among other things, submit a heavy lift vessel contract by September 29, 2008, deliver a jack-up rig, and drill an exploration well in Cook Inlet by June 30, 2009. This well drilling date represents a Division-approved six-month extension to the Initial POE, which required drilling by December 31, 2008. Under the Expansion POE, PERL sought a further six-month delay to the well drilling commitment until December 31, 2009. In its Appeal, PERL asserts that it is not requesting an extension of the June 30, 2009, date for the initial exploration well, but the language of the Expansion POE belies that assertion—"[b]y December 31, 2009, the Unit Operator will drill three (3) Exploration wells . . . ."

The State approved the Unit because Forest committed to deliver a jack-up drill rig to Cook Inlet and drill a well on a natural gas prospect in less than two years from the effective date of unitization. The potential benefits the State would reap from the delivery of a jack-up to Cook Inlet outweighed the risk that the operator would fail to develop the leases because of known geologic and economic risks. The Initial POE committed Forest and PERL, when it "accept[ed] and assume[d] all rights and obligations as Successor Unit Operator . . . ." on November 26, 2007, to drill by December 31, 2008, or the Unit would automatically terminate and all the leases would return to the State. Thus, the acreage, upon Unit termination, would immediately return

to the State effective January 1, 2009, well within the required time for the acreage to be listed as available in the May 2009 Cook Inlet Sale (May 2009 Sale).

The expiration date of three of the four Unit leases was April 30, 2007. If the leases had expired, rather than being extended by unitization, they would not have been available in time to be listed in the May 2007 Cook Inlet Sale, but they would have been listed in the May 2008 Cook Inlet Sale (May 2008 Sale). By approving the Unit, and extending the lease terms, the State missed the opportunity to receive bids on the leases in the May 2008 Sale, but exchanged the value of those bids for bid deferment payments set out in the Initial POE. If the Operator failed to fulfill the commitments in the Initial POE, the unit would terminate and the operator would pay a penalty per acre of expired acreage.

When PERL accepted and assumed the rights and obligations of Successor Unit Operator, it committed to fulfill the duties and obligations in the UA and the Initial POE, which contained the commitments Forest promised to uphold in exchange for the DNR approval of the Unit.

In the Expansion POE, PERL again proposes a well drilling date one year later than set out in the Initial POE, but also commits to drilling more wells and to pursue oil as a primary target instead of gas. The establishment and repeated fulfillment of work commitments by operators, as set out in POEs, establishes credibility. The Division has approved one six-month extension of the drilling date, as well as extensions of the drilling rig contract and heavy lift vessel contract deadlines. PERL now proposes yet another extension to drill for oil, not gas. PERL's commitment to drill more wells and pursue the structure's oil prospect lacks credibility based on its non-performance of existing commitments.

4. The Economic Costs and Benefits to the State and Other Relevant Factors

PERL filed an Application to expand the Unit to include leases that were not drilled during their primary terms just before they were due to expire, and seeks to further delay commitments that it accepted and assumed in the Initial POE.

The opportunity to promote exploration for gas reserves in Cook Inlet in a short time frame with a jack-up rig, which could be used in other parts of the Inlet, was valuable to the State when it approved the Unit. Having a jack-up brought to Cook Inlet was the benefit the State bargained for when it approved the Unit. The utilities serving Southcentral Alaska have not been able to contract for the supplies they need prospectively. Discovery and development of additional natural gas reserves soon provides enormous benefits and security to the residential, utility, and industrial users of natural gas in the region. PERL's Expansion POE would alter and further postpone realizing those benefits by targeting oil in addition to gas in the structure and delaying the Initial POE well drilling commitment.

PERL maintains that the optimal development path of the Corsair structure, as they describe it, is by a single owner, PERL, performing drilling and evaluation of well results

to determine the best location of the next well. PERL maintains that the optimal manner in which to test the Corsair structure, as PERL has mapped and described it, is for a single owner, PERL, to drill and evaluate the exploration prospect.

DNR is charged with, among other things, maximizing competition among parties seeking to explore and develop the resources; AS 38.05.180(a)(1)(B). Allowing PERL to retain non-producing acreage beyond its primary term, through unitization, decreases competition to explore for and develop the resource. The proposed expansion leases, without unitization, will expire and be available at the May 2009 Sale allowing for maximization of competition for the right to explore within primary term and develop the leases.

Although failure to fulfill the Initial POE, as amended, as well as the proposed Expansion POE, would result in bid deferment payments to the State, these payments are not intended to be used as a substitute for the sale process and further extension of lease terms and work commitments.

B. Decision Criteria considered under 11 AAC 83.303(a)

1. Promote the conservation of all natural resources and the prevention of economic and physical Waste

PERL asserts that "[t]he fragmentation of the Corsair structure into unitized and non-unitized parcels with different working interest owners would ultimately result in waste of both economical and physical resources." Appeal at p. 2. PERL expands on this point arguing that 1) without the jack-up rig in Cook Inlet no leases or units will be explored and produced in Cook Inlet, and 2) re-leasing the acreage would lead to "redundancy in facilities, operations and expenditures that would result in economic waste . . . . and physical waste."

Waste is generally defined as the ultimate loss of oil or gas. Conservation is generally the prevention of physical and economic waste.

PERL argues that expansion would conserve whatever oil and gas there is under the existing Unit and expansion leases more than re-leasing the acreage because there would be one set of facilities rather than two. This argument is unreasonable. First, it totally discounts the chance that PERL may get the leases in the next lease sale. PERL's arguments on this point are too speculative—it could get the leases back in the next lease sale or parties could share the cost of a jack-up rig, as PERL implies, to drill multiple reservoirs. Given the history here, the likelihood of redundant facilities is remote. Second, PERL argues, on the one hand, that if I deny expansion it will not deliver a jack-up rig and "no" units or leases will be produced in Cook Inlet, and on the other hand, re-leasing will lead to redundant facilities. Under PERL's theory, if it does not deliver a jack-up rig to Cook Inlet, there will be no additional Cook Inlet exploration and production; if there is no additional exploration, there cannot be any redundant facilities.

Third, redundant facilities may have environmental consequences, but do not necessarily lead to the ultimate loss of oil and gas.

Whether PERL re-leases the acreage or not, the cost of a jack-up drill rig will most likely be shared by parties interested in using it; unitization is not required for multiple owners to contract to share costs for exploring acreage. It would be highly unlikely that lessees would deliver multiple jack-up rigs to Cook Inlet because of the excessive expense.

I agree that without a jack-up rig in Cook Inlet, which PERL committed to deliver when it assumed and accepted its duties as Successor Unit Operator, neither the Unit nor other offshore leases in the area will be explored and produced. It is my desire that PERL fulfill its commitments to deliver a rig and a drill wells in the Unit. If PERL does not fulfill its commitments, the State will endeavor to find another lessee who will deliver a rig for use in Cook Inlet.

DNR questions the validity of any economic conclusions regarding the feasibility of pursuing the oil or gas prospect because PERL has not obtained or submitted enough data to make those conclusions. PERL first asserted that the project economics without the expansion were untenable, then asserted on July 22, 2008 that the project economics were sufficient without the expansion leases. Without additional data from a well drilled on the structure that PERL describes, DNR cannot determine conclusively whether there is resource to conserve. PERL has not obtained or submitted enough data for the DNR to concur that the structure underlies one third, all, or none of its leases.

2. Provide for the protection of all parties of interest, including the State.

The Unit formation was in the State's interest because it was based upon the Operator's (then Forest) commitment to bring a jack-up to Cook Inlet. Forest made this promise based on a gas play underlying the four Corsair leases. DNR approved the Unit, even though the leases had not been drilled during the primary term, because the operator promised to deliver a jack-up rig to Cook Inlet and drill a well less than two years from lease expiration.

PERL assumed Unit operatorship on November 26, 2007, which the Division approved on December 19, 2007. That approval obligated PERL to fulfill the duties and obligations set out in the Initial POE. That plan contained the commitments Forest had promised in exchange for the DNR approval of the Unit.

PERL submitted the Application 42 days before three of the four proposed expansion leases were due to expire. Unless the leases were included in a unit by April 30, 2008, they would return to the state under their terms. An application to expand (or form) a unit requires a 30-day public notice period, which must commence within ten days of the application being deemed complete for consideration. 11 AAC 83.311. Generally, the Division recommends a lead time of at least 100 days before lease expiration to consider a unit application.

The Application proposed, yet again, delaying the deadline for drilling a well in the Unit. PERL proposed an oil prospect underlying the expansion leases that had only been mapped the week before, according to PERL. PERL stated that "without the expansion leases, the prospect is uneconomical and PERL will not be able to justify the delivery of a jack-up drilling rig to the Cook Inlet." I agree with the Division that PERL repudiated this argument when it sought a two-month delay in the heavy lift vessel contract deadline. I, too, expect PERL to deliver a jack-up rig to the Unit in time to drill a well by June 30, 2009.

It is not in the State's interest to renegotiate a commitment and extend additional lease primary terms through unitization when no work was completed by any lessee during the lease primary terms. PERL appears to have not fully and seriously considered the commitment it assumed when it purchased Forest's working interests in Cook Inlet, accepted Forest's assignment of Successor Operator and received DNR's approval as Successor Unit Operator. It is the Operator who must prudently consider and weigh commitments before making them; it is not in the States' interest to accommodate late planning.

If the State were to approve the expansion, DNR would effectively provide PERL an advantage other nearby leaseholders do not have. The lessee must make a significant commitment of resources towards development of leases before the Division will agree to a unit expansion. Otherwise, the lessee is using the unitization process as a tool to avoid lease expiration and hold acreage out of a lease sale.

Although PERL may benefit from the extension of its lease beyond its primary term there are no additional benefits to the State. Unit expansion will not guarantee delineation and production of the prospect sooner than lease-by-lease development by any lessee. No drilling has occurred within the primary term of the proposed expansion leases. Approval of the Unit yielded a potential benefit to the State--jack-up rig delivery and a well within two years--although no wells had been drilled in the primary term.

PERL now seeks to further delay that the well drilling date without any guarantee to the State that it will fulfill this its commitment. Alternatively, the State's interest is protected by strictly enforcing the obligations under the Initial POE, as amended, with the drill date of June 30, 2009. Failure to fulfill the commitment may result in Unit termination, lease expiration, and acreage available for competitive bidding.

V. FINDINGS AND DECISION

1. No drilling or production has occurred within the primary term of the proposed expansion leases. PERL has yet to fulfill its paramount POE commitments—to deliver a rig to the Cook Inlet and drill a well by June 30, 2009.

2. PERL has not presented conclusive geological, geophysical, engineering or economic data to support its conclusions that the Corsair structure underlies the expansion

leases and that without those leases, pursued as an oil play, the economics of rig delivery are infeasible.

3. Unitization is meant to facilitate efficient reservoir production, not to enable lessees of soon-to-expire leases to propose more preferable work commitments.

4. Unitization is not necessary to allow multiple owners of leases to form contractual arrangements that provide for the sharing of costs.

5. I affirm the April 30, 2008, Director's Decision.

VI. APPEAL

This is a final administrative order and decision of the DNR for purposes of an appeal to Superior Court. An appellant affected by this final order and decision may appeal to Superior Court within 30 days in accordance with the rules of the court, and to the extent permitted by applicable law.

Thomas E. Irwin
Commissioner

12/03/08
Date

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL & GAS

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CERTIFIED MAIL
RETURN RECEIPT REQUESTED
7005 1820 0003 7408 3620

October 21, 2008

DECISION

Doyon, Limited
1 Doyon Place, Suite 300
Fairbanks, Alaska 99701-2941

Exploration License
ADL 390079

NENANA EXPLORATION LICENSE NO. 1
EXTENSION APPROVED

The State of Alaska, Department of Natural Resources, Division of Oil and Gas (Division) issued the Nenana Basin Exploration License No. 1, ADL 390079, effective October 1, 2002, with a seven-year primary term. The current licensees are Doyon, Limited (40%), Usibelli Energy, LLC (40%) and Arctic Slope Regional Corporation (20%). The license is due to expire September 30, 2009.

On June 25, 2008, Doyon, Limited, as notification lessee, requested that the license term be extended to ten years as allowed by law. The original work commitment has been met; however, due to unforeseen circumstances, the licensees were not able to accomplish additional exploration as planned.

On September 15, 2008, the Division invited public comment on the proposed license extension pursuant to public notice statutes and regulations. Comments were to be received by no later than 5:00 p.m. October 15, 2008. The Division received two comments, one from the Department of Fish and Game and the other from the Resource Development Council. Both agencies' comments were favorable to the extension.

After consideration of the case file and public comments, the Division hereby grants the three year term extension for Nenana Exploration License No. 1 with a new expiration date of September 30, 2012. The licensees must provide the Division with all data obtained to date and during the extended period. When the decision becomes final, the casefile records will be updated without further notice.

A person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of "issuance" of this decision, as defined in 11 AAC 02.040(c) and may be mailed or delivered to Tom Irwin, Commissioner, Department of Natural Resources, 550 W. 7thAvenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-

269-8918, or sent electronic mail to dnr_appeals@dnr.state.ak.us. This decision takes effect immediately. If no appeal is filed by the appeal deadline, this decision becomes a final administrative order and decision of the department on the 31st day after issuance. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Kevin R. Banks
Acting Director

cc: Arctic Slope Regional Corporation
Usibelli Energy, LLC
Alaska Department of Fish and Game
Resource Development Council
Mari Montgomery, University of Alaska
Bruce Phelps, Division of Mining, Land and Water

C. Current and Projected Uses

The Cook Inlet area's abundant moose, black and brown bear, caribou, and waterfowl, and many fish species form the resource base for subsistence, sport, commercial, personal use, and educational harvest activities, which are integral to the history and culture of the area, as well as contributing significantly to the economy. Residents and visitors use the area extensively for recreation and tourism. Other abundant natural resources support timber, agriculture, mining, and oil and gas industries.

D. Oil and Gas in Cook Inlet

The proposed Cook Inlet lease sale area has low to moderate petroleum potential, based on factors including geology, seismic data, exploration history of the area, and proximity to known hydrocarbon accumulations. Cook Inlet is a mature, producing petroleum basin, which has had extensive exploration and development over the past 40 years. The area continues to be of interest to the petroleum industry, with annual oil production of 6 million bbls (barrels) and annual gas production of 196 Bcf (billion cubic feet) in 2006.

Oil and gas activities proceed in phases; each subsequent phase's activities depend on the completion or initiation of the preceding phase. During the lease phase, the first step in the process of developing the state's oil and gas resources after the best interest finding process, the state conducts competitive areawide sales of oil and gas leases, offering for lease all available state acreage within the sale area. An oil and gas lease grants to the lessee the exclusive right to drill for, extract, remove, clean, process, and dispose of oil, gas, and associated substances; however, a plan of operations, subject to a myriad of regulatory authorities and permits, must be approved before any operations may be undertaken on or in the leased area. In the exploration phase, information is gathered about the area's petroleum potential by examining surface geology, researching data from existing wells, performing environmental assessments, conducting geophysical surveys, and drilling exploratory wells. During the development phase, operators evaluate the results of exploratory drilling and develop plans to bring the discovery into production. Production operations bring well fluids to the surface and prepare them for transport to the processing plant or refinery.

Over 5.9 million acres of state land have been leased in 52 state oil and gas lease sales in the Cook Inlet area since 1959, generating up to $67.7 million in bonuses received by the state. As of April 2008, over 1 million acres were under lease, 483,253 acres offshore and 605,144 acres onshore.

The location and nature of oil or gas deposits determine the type and extent of facilities necessary to develop and transport the resource. However, modern oil and gas transportation systems usually include the following major components: 1) pipelines; 2) marine terminals; and 3) tank vessels. Oil and gas produced in the proposed lease sale area would most likely be transported by a combination of these depending on the type, size, and location of the discovery. Because the Cook Inlet Basin has produced oil and natural gas since the 1960s, it has a well-developed infrastructure for transporting petroleum, especially in upper Cook Inlet.

The risk of a spill exists any time crude oil or petroleum products are handled. Oil spills associated with the exploration, development, production, storage, and transportation of crude oil may occur from well blowouts, or pipeline or tanker accidents. Since 1999, there have been 18 crude oil spills in the Cook Inlet area of 100 gallons or more from pipelines, platforms, onshore production facilities, storage facilities, and marine tankers. Six of these were more than 500 gallons.

E. Governmental Powers to Regulate Oil and Gas

All exploration lease activities are subject to numerous federal, state, and local laws and regulations with which the lessee is obligated to comply. These government agencies have a broad spectrum of

authorities to regulate and condition activities related to oil and gas, and their role in the oversight and regulation of oil and gas activities differ, although some agencies may have overlapping authorities. These agencies include the Alaska Departments of Natural Resources, Environmental Conservation, and Fish and Game; the Alaska Oil and Gas Conservation Commission; the U.S. Environmental Protection Agency; the U.S. Army Corp of Engineers; the U.S. Fish and Wildlife Service; and the National Marine Fisheries Service.

F. Reasonably Foreseeable Cumulative Effects of Leasing and Subsequent Activity

Potential post-lease activities that could have cumulative effects on the area's habitats, and fish and wildlife populations include seismic surveys, construction of support facilities, and drilling and production activities. Some potential cumulative effects of these activities include physical disturbances that could alter the landscape, lakes, rivers, and wetlands; habitat change; behavior changes of fish, wildlife and birds; drawdowns and contamination of groundwater; and contamination of terrestrial or freshwater habitats from discharges from well drilling and production, gas blowouts, or oil spills.

Oil and gas exploration, development, and production activities may produce emissions that have the potential to affect air quality, including carbon monoxide (CO), nitrogen oxides (NO_x), sulfur dioxide (SO_2), particulate matter-10 (PM_{10}), $PM_{2.5}$, volatile organic compounds (VOC), ozone, and greenhouse gases including carbon dioxide (CO_2), methane (CH_4), and nitrous oxide (N_2O).

Oil and gas related activities could result in increased access to hunting and fishing areas due to construction of new roads, but this could also increase competition between user groups for fish and wildlife resources. Interference with commercial fishing operations is a potential effect. A major oil spill could harm fisheries through direct lethal or sub-lethal effects to fish stocks, and could decrease resource availability and accessibility for users.

Although oil and gas activities subsequent to leasing could potentially affect habitats, fish and wildlife and their uses, subsistence, air quality, and commercial fishing, measures proposed in this preliminary best interest finding, along with regulations imposed by other state, federal, and local agencies, are expected to avoid, minimize, and mitigate those potential effects.

G. Fiscal Effects and Effects on Municipalities and Communities

Alaska's economy depends heavily on revenues related to petroleum development, which totaled $4.57 billion in fiscal year 2007. The petroleum industry is Alaska's largest industry, annually spending $2.1 billion, including $422 million on payroll and $1.7 billion on goods and services. Overall, this spending generates 33,600 jobs, $1.4 billion in payroll, and value added to the Alaska economy of $1.8 billion for total output of $3.1 billion. Oil and gas accounts for 12 percent of private sector jobs and 20 percent of private sector payroll. The oil and gas industry has the highest monthly wage in Alaska, averaging $7,754, 2.8 times higher than the statewide average of $2,798.

Demand for natural gas in the Cook Inlet area is projected to exceed supply in 2015 unless new reserves are discovered and developed, natural gas is transported to the area by a spur line from the proposed North Slope pipeline, or LNG is imported. Decreasing supplies of Cook Inlet natural gas led to the closure of the Agrium plant in 2007, resulting in the loss of 250 jobs in the Kenai Peninsula Borough. The LNG (liquid natural gas) export license and supply contracts were extended to 2011, but continued operation of the LNG plant may be jeopardized without long-term proven supplies of natural gas. Without increased Cook Inlet natural gas supplies, prices for residential and commercial natural gas and for electricity will continue to increase. Between 2000 and 2006, the

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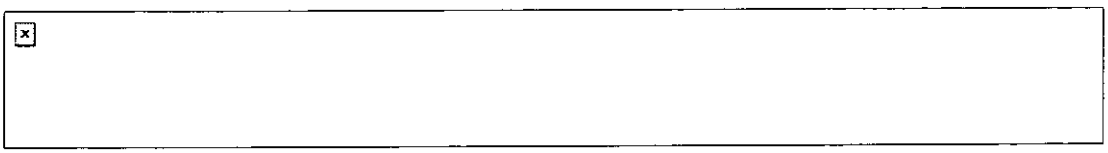

Web posted Sunday, November 23, 2008

State denies permit for Point Thomson ice road

By Tim Bradner
Alaska Journal of Commerce

The state of Alaska on Nov. 14 denied a key permit to ExxonMobil for an ice road needed for drilling it plans in the disputed Point Thomson gas and condensate field on the North Slope, upping the ante in a contentious dispute between leaseholders at Point Thomson and the state Department of Natural Resources.

A statement on the agency's decision was posted on DNR's Web site. ExxonMobil said Nov. 17 that it has yet to receive a letter from DNR giving formal notification of the decision. Other state and federal agencies have given their approvals for the ice road, the company said.

The company says it will keep working on the project in hopes of resolving a dispute with the state. The dispute with the state involves past work obligations at Point Thomson. The state alleges ExxonMobil reneged on commitments and has moved to cancel leases. The issue is now in the Alaska courts, and settlement talks are underway between the companies and the state.

"We have the right to conduct drilling activities under terms of the leases. The Point Thomson working interest owners are proceeding with the project and the drilling plan while we attempt to resolve the dispute with the state," company spokeswoman Margaret Ross said.

ExxonMobil, the operator at Point Thomson, needs a state permit to build a 50-mile ice road east from Prudhoe Bay to move a drill rig to the field. Work on the ice road needs to begin in begin in November to allow the rig to be moved in time for drilling to start in late January or early February.

If the rig move cannot be done on schedule, it may delay the project because of seasonal constraints in moving equipment on the North Slope. Heavy equipment can only be moved by land during the winter on the Slope.

The Point Thomson leaseowners, which include BP, Chevron and ConocoPhillips as well as ExxonMobil and a number of minority owners, are planning a $1.3 billion gas cycling condensate production project in the field, which is undeveloped. The well planned in January is the first of five production wells needed for the project, which is to produce 10,000 barrels per day of liquid condensates beginning in 2014.

In a press release issued Nov. 17 the state called the company's effort to get the permit "an effort to force a solution" in the current negotiations over the dispute.

"ExxonMobil has been aware for many months that the state did not approve its drilling plan. Although ExxonMobil has challenged the state's decisions in court, it is not in the state's best interests to allow them to proceed until a court determines whether or not the state's actions were proper," the press release said.

Ross said ExxonMobil believes the leases are still valid.

An estimated 9 trillion cubic feet of natural gas and 200 million barrels of condensates have been discovered at Point Thomson in exploration drilling during the 1970s and 1980s.

The field has not been developed to date because of lack of a gas pipeline and technical questions over whether liquid condensates can be produced in a gas cycling project. The current project planned by the companies is intended to resolve the technical questions, ExxonMobil has said in previous briefings.

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($ USD)
26,867 (in millions)
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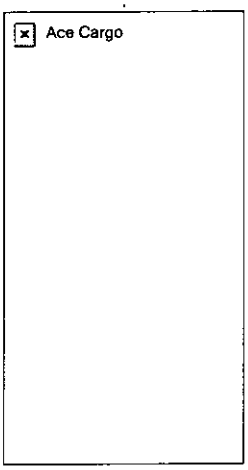

Point Thomson reservoir pressures are high, at 10,200 pounds per square inch, which complicates any development, the company has said.

Tim Bradner can be reached at tim.bradner@alaskajournal.com">tim.bradner@alaskajournal.com.

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Alaska Program

Total Acreage 129,618.8 Acres

Oil & Gas Leases	Offshore	126,736.82 Acres
Oil & Gas Leases	Onshore	2,882.0 Acres

Prospects UNRISKED

Offshore
East Kitchen
Kitchen

Probable Reserves
1.6 TCFG 457 MMBO
3.0 TCFG 625 MMBO

South Kitchen

Speculative
1.6 TCFG
100 MMBO

Prospect

Onshore
North Alexander

Reserve
.512 TCFG

Lead

SE Alexander

Speculative
.210 TCFG

Evaluation Of Alaska

ESCOPETA OIL OF ALASKA

COOK INLET BASIN – ALASKA PROGRAM

INTRODUCTION

Escopeta Oil of Alaska is the 3rd largest oil and gas leaseholder in the Cook Inlet Basin, Alaska. Escopeta has identified four prospects in its 129,618-acre position with two of these being the missing giants postulated by the U.S.G.S. in the Cook Inlet Basin, Alaska, in its Kitchen and East Kitchen prospects. Escopeta believes these two prospects will qualify for giant field status, and contain significant amounts of oil and gas.

The East Kitchen and Kitchen prospects are in 70 feet of water six miles north of the Kenai industrial complex being the oil and gas sales complex for the Cook Inlet Basin. They represent 12 years of work, including studies by geologists with extensive Cook Inlet experience and, more recently, the reprocessing of over 200 miles seismic with proprietary technology.

Escopeta began looking for opportunities in Alaska in 1993 and brought its first leases in the state in 1994. The company now owns 129,618.00 acres of state oil and gas leases in the Cook Inlet basin.

Only 4% of oil identified

U.S. Geological Survey geologists have theorized that only 4 percent of the volume of oil that theoretically generated from Cook Inlet source rock has ever been identified.

The Escopeta acreage position at Kitchen and East Kitchen (106,000-acres contiguous) is just to the east of Middle Ground Shoal and situated directly overlying the Tertiary/Mesozoic depocenter, which generates the oil for the northern part of the Cook Inlet Basin.

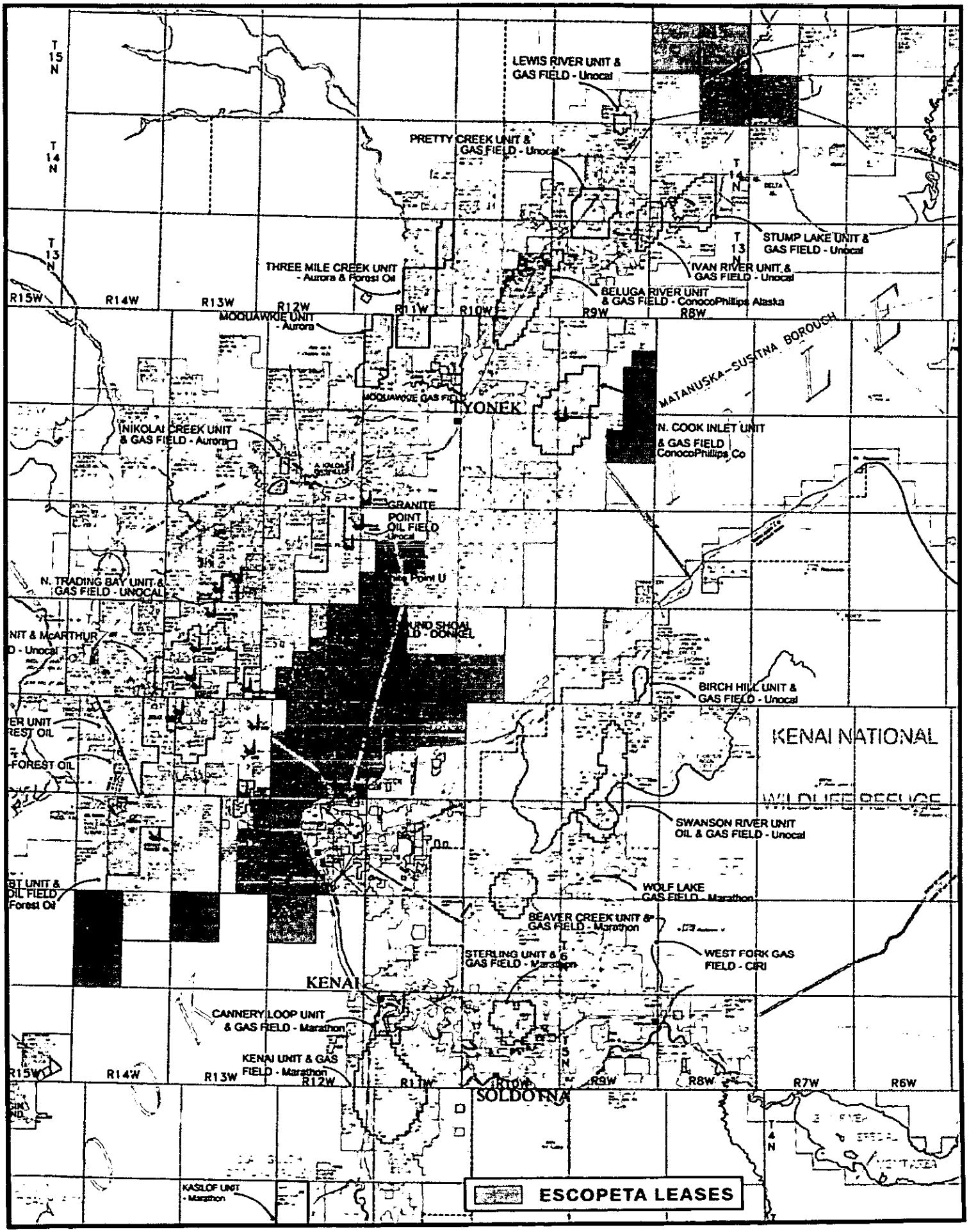
There is strong evidence from geological, geophysical and petrophysical analysis that these prospects are among the "Missing Giants" postulated by the U.S. Department of Energy in the published DOE Report on the Cook Inlet Basin, Alaska of 2004.

ESCOPETA OIL OF ALASKA

ACREAGE OWNED

COOK INLET BASIN, ALASKA

PROSPECT	BID NO.	ADL NO.	ACRES	SUBTOTAL
KITCHEN	160	389910	5632	
KITCHEN	190	389185	4655.19	
KITCHEN	191	389186	5273.07	
KITCHEN	193	390546	1640	
KITCHEN	196	390547	2560	
KITCHEN	232	389917	5760	
KITCHEN	233	389918	4419	
KITCHEN	234	389919	5586	
KITCHEN	280	389924	5660	
KITCHEN	283	389189	2560	
KITCHEN	286	389190	2560	
KITCHEN	287	389191	1920	
KITCHEN	289	389192	2560	
KITCHEN	290	389193	2560	
KITCHEN	291	389194	1280	
KITCHEN	358	390552	2560	
KITCHEN	359	390553	1280	
KITCHEN	362	390554	2536	
KITCHEN	281	389925	5682	66,683.26
EAST KITCHEN	189	389911	875.44	
EAST KITCHEN	192	389912	1335.47	
EAST KITCHEN	228	389914	5121.87	
EAST KITCHEN	229	389915	5643.46	
EAST KITCHEN	230	389916	1408.19	
EAST KITCHEN	232	389917	5760	
EAST KITCHEN	235	389920	5637.13	
EAST KITCHEN	277	390548	5752	
EAST KITCHEN	282	389926	5760	
EAST KITCHEN	199	390731	2760	40,053.56
NORTH ALEXANDER	638	389212	5689	
NORTH ALEXANDER	640	389213	5760	
NORTH ALEXANDER	641	389935	5673	
NORTH ALEXANDER	643	390586	5760	22,882.00
			TOTAL	129,618.82


LEWIS RIVER UNIT & GAS FIELD - Unocal
PRETTY CREEK UNIT & GAS FIELD - Unocal
STUMP LAKE UNIT & GAS FIELD - Unocal
IVAN RIVER UNIT & GAS FIELD - Unocal
BELUGA RIVER UNIT & GAS FIELD - ConocoPhillips Alaska
THREE MILE CREEK UNIT - Aurora & Forest Oil
MOQUAWKIE UNIT - Aurora
MOQUAWKIE GAS FIELD
TYONEK
MATANUSKA-SUSITNA BOROUGH
NIKOLAI CREEK UNIT & GAS FIELD - Aurora
N. COOK INLET UNIT & GAS FIELD ConocoPhillips Co
GRANITE POINT OIL FIELD Unocal
N. TRADING BAY UNIT & GAS FIELD - UNOCAL
BIRCH HILL UNIT & GAS FIELD - Unocal
KENAI NATIONAL WILDLIFE REFUGE
SWANSON RIVER UNIT OIL & GAS FIELD - Unocal
WOLF LAKE GAS FIELD - Marathon
BEAVER CREEK UNIT & GAS FIELD - Marathon
STERLING UNIT & GAS FIELD - Marathon
WEST FORK GAS FIELD - CIRI
KENAI
CANNERY LOOP UNIT & GAS FIELD - Marathon
KENAI UNIT & GAS FIELD - Marathon
SOLDOTNA
KASILOF UNIT - Marathon
ESCOPETA LEASES
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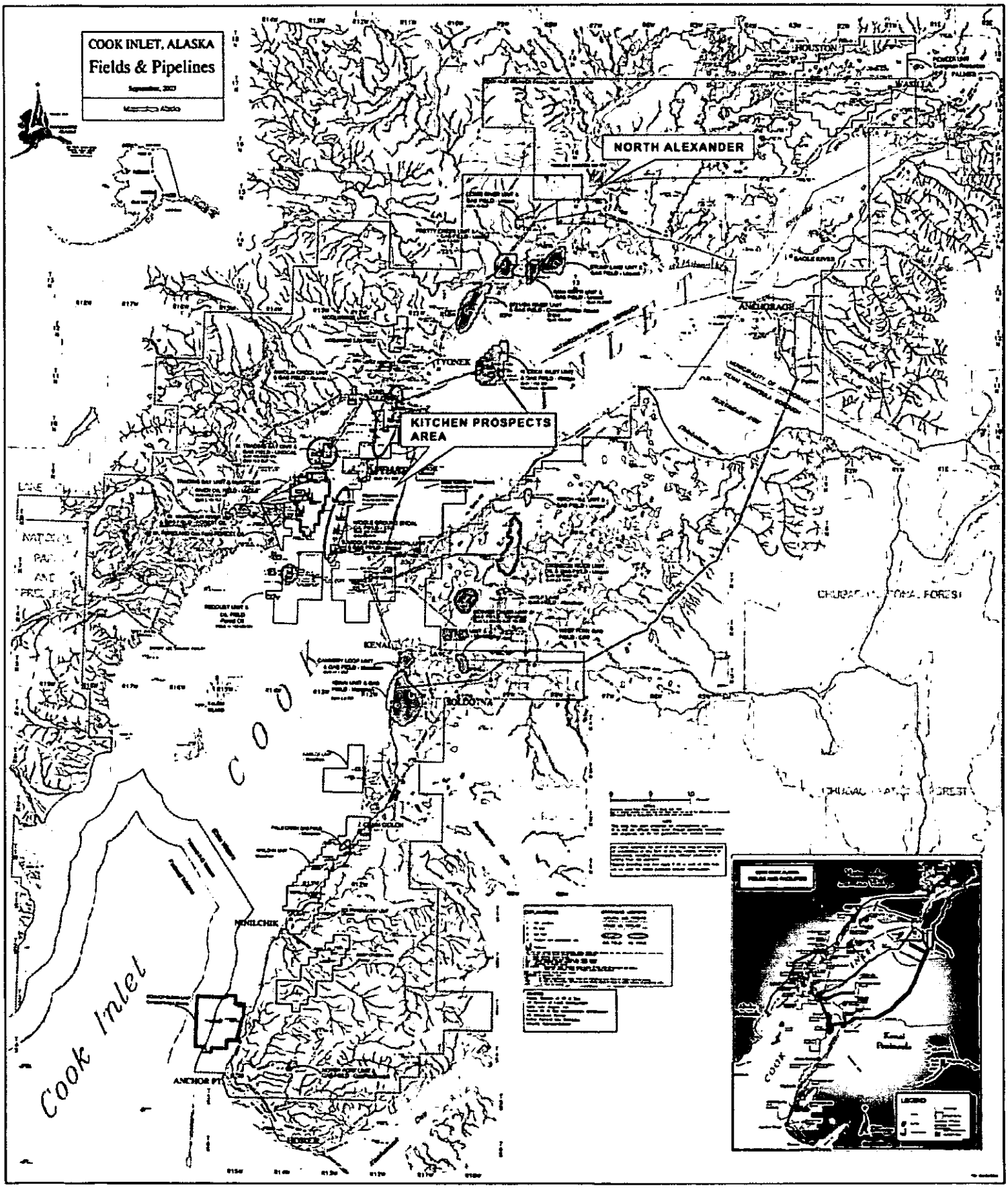
COOK INLET, ALASKA
Fields & Pipelines
NORTH ALEXANDER
KITCHEN PROSPECTS AREA
Cook Inlet
HOUSTON
ANCHORAGE
TYONEK
KENAI
SOLDOTNA
NINILCHIK
ANCHOR PT.

Webb had worked for the Departments of Fish and Game, Community and Regional Development, and Natural Resources... I did some checking and asking around, and I can't find any association with his name and corruption. I am voting for Webb, and the chance for new honest blood in Juneau.

www.oilonline.com/news/headlines/firms_faces/20080415.F - [Cached Version]
Published on: 4/15/2008 Last Visited: 4/16/2008

Fox Petroleum Inc. announced the addition of Bruce Webb as a consultant enlisted to arrange the permitting of two wells on the Catcher's Mitt prospect in Alaska's Cook Inlet.Upon permit approval, the Company plans to drill the two wells during this upcoming winter season.In consideration of the various consulting services to be provided by Mr. Webb to Fox, we agreed to pay Mr. Webb a non refundable fee of US$20,000 and issue 50,000 pre-split restricted shares of the Company's common stock upon receipt of the permitting to drill the above noted gas wells.

"Fox is eager to utilize Mr. Webb's localized knowledge and experience to permit these two wells," said Richard Moore, CEO and director of Fox.

...

Mr. Webb brings over 20 years of land negotiation, compliance and permitting experience, including 13 years with the State of Alaska's Department of Natural Resources as a Natural Resource Specialist, Permitting and Compliance and another five years with the state's Department of Community and Regional Affairs.A long-time participant in the oil and gas industry, Webb's specialty lies in his knowledge of the Alaskan permit process and in negotiating acquisitions and farm-ins.

A life-long Alaskan and well-established member of the business community, Webb is an expert on Alaskan land issues, dealing with oil and gas producers, native communities, local governments and other regulatory entities.Currently he serves as Manager of Land and Regulatory Affairs for Aurora Gas, LLC, President of Webb Petroleum and Vice President of Regulatory Affairs for Alaskan Crude Corporation.

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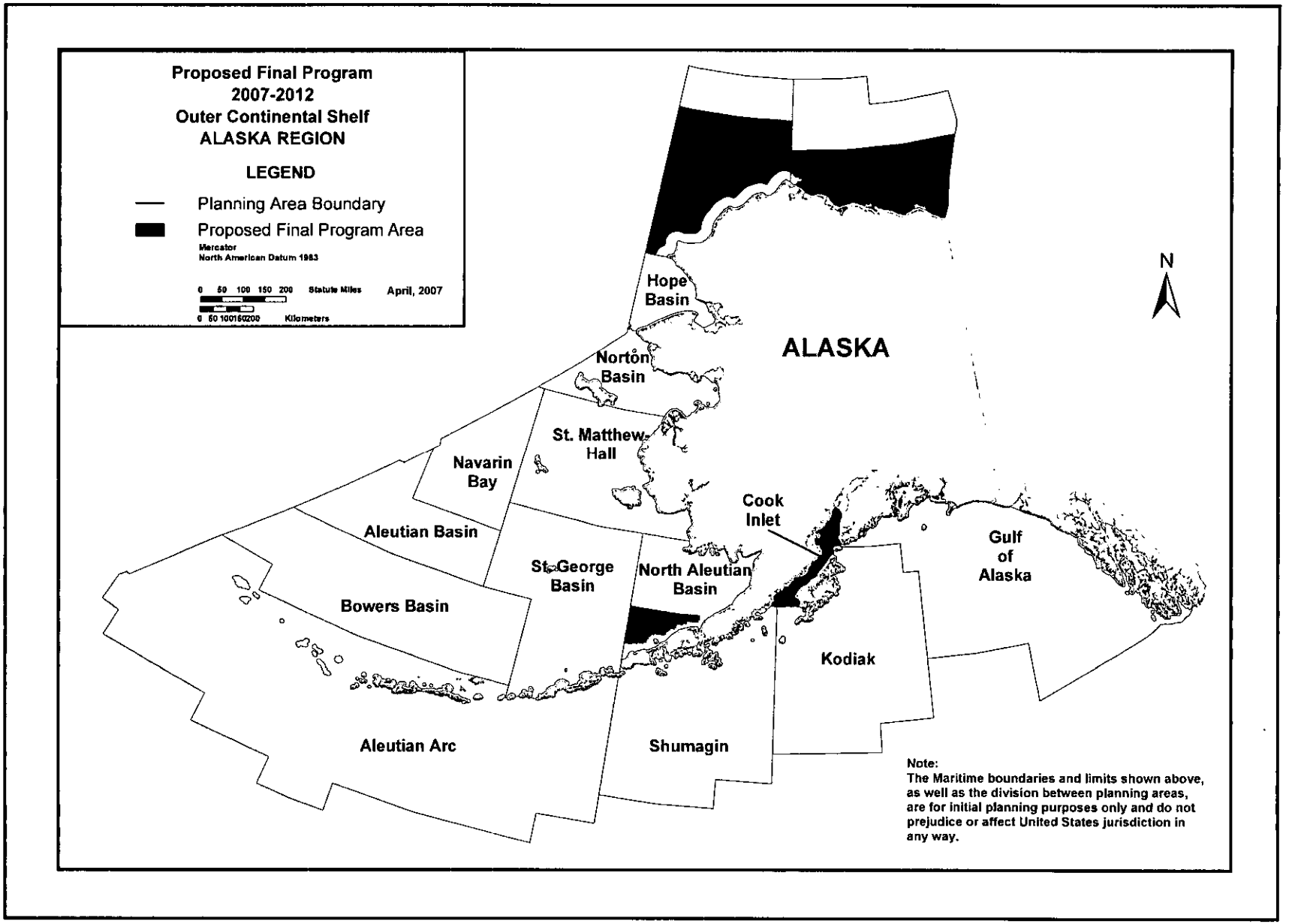
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Outer Continental Shelf
ALASKA REGION
LEGEND
Planning Area Boundary
Proposed Final Program Area
Mercator
North American Datum 1983
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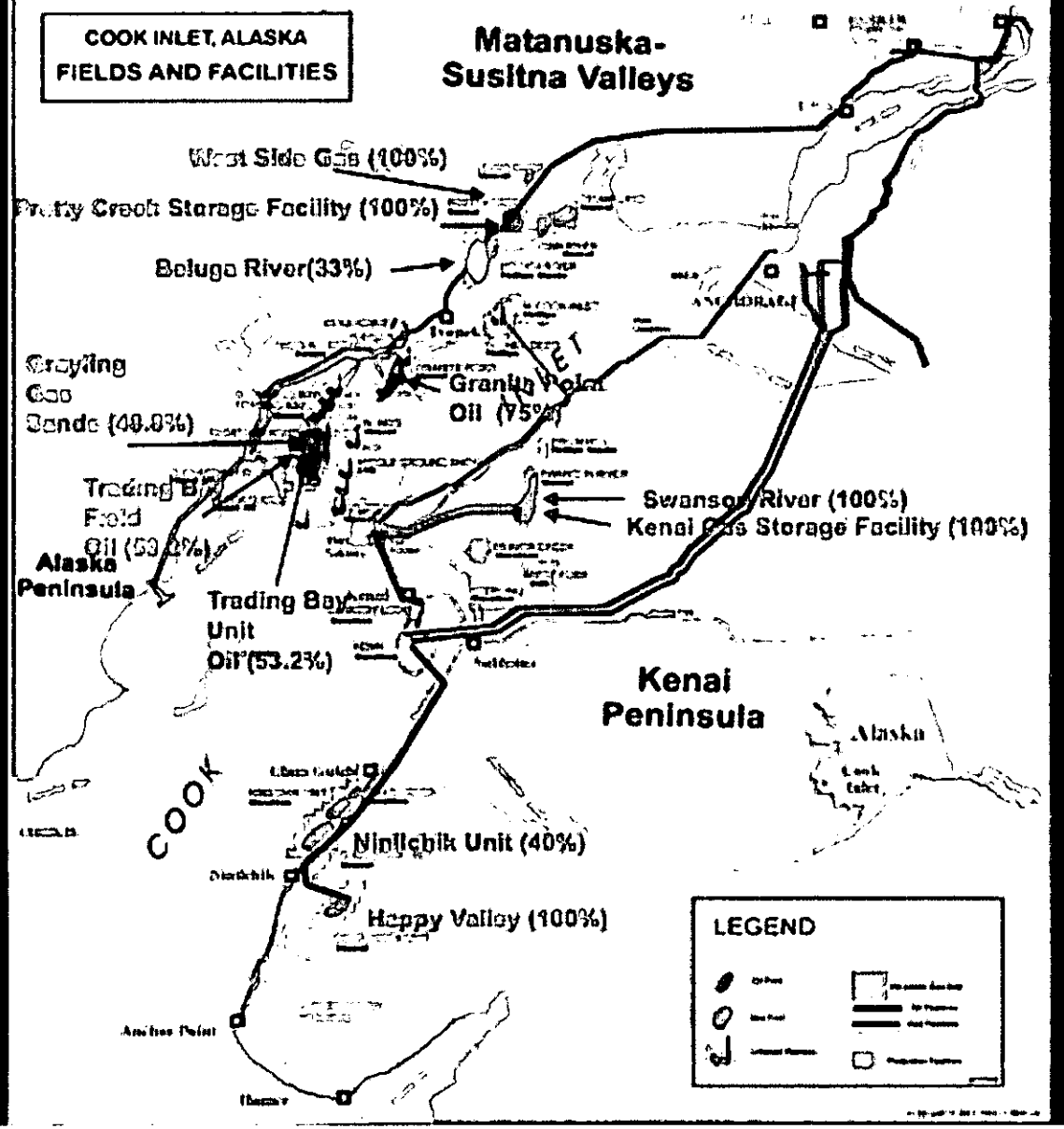
0 50 100 150 200 Kilometers
April, 2007
N
ALASKA
Hope Basin
Norton Basin
St. Matthew-Hall
Navarin Bay
Aleutian Basin
Bowers Basin
St. George Basin
North Aleutian Basin
Cook Inlet
Gulf of Alaska
Kodiak
Shumagin
Aleutian Arc
Note:
The Maritime boundaries and limits shown above, as well as the division between planning areas, are for initial planning purposes only and do not prejudice or affect United States jurisdiction in any way.

Chevron's Cook Inlet Asset Portfolio



Cook Inlet Offshore :

- 4 fields (all co-op)
- 10 Platforms
- 145 wells
- 2 onshore plants
- 42 mile PL
- 9,800 BOEPD

Cook Inlet Onshore :

- 8 fields (6 co-op)
- 60 wells
- 2 gas storage fields
- WI% in 4 pipelines
- 10,300 BOEPD

Chevron Net Production

Oil
8,500 BOPD

Gas
78 MMCFPD

= 20,100 BOEPD

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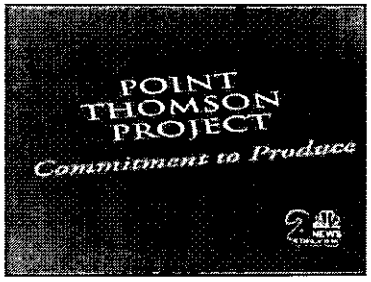
<<Back

Exxon states its case for keeping Point Thomson leases



Exxon made its case to hold onto its Point Thomson leases. (Kyle Stalder/KTUU-TV)

by Rebecca Palsha
Monday, December 1, 2008

ANCHORAGE, Alaska -- State lawmakers are asking questions about the feud between ExxonMobil and the Palin administration.

Exxon told lawmakers Monday evening that the company is trying hard to develop the Point Thomson oil and gas field.

But the governor's team says that's a pitch it's heard before.

Craig Haymes spoke on behalf of Exxon. (Kyle Stalder/KTUU-TV)

It all comes down to the Department of Natural Resources and the permits the state leases to oil companies. Part of the deal is the company has to develop its plot.

At a joint House Judiciary and Resources Committee hearing, Exxon and the oil company Escopeta gave lawmakers a sort of sales pitch.

"If these leases don't get extended, we're not going to have any legal actions, I'll just go back to Texas and drill wells there," Escopeta's Danny Davis said. "I'm not here to fight the state, I'm here to work with you guys and rebuild our industry."

Marty Ritherford, Department of Natural Resources deputy commissioner (Kyle Stalder/KTUU-TV)

Exxon wants to keep its leases at Point Thomson -- a resource-rich but long-dormant area just west of the Arctic National Wildlife Refuge.

Craig Haymes with Exxon went through photo after photo showing the work the companies have done developing the area.

"What we're saying is we know we can get a minimum of 10,000 barrels per day through the facilities," Haymes said. "We're designing it for more than that, and we're hopeful when we drill these oil wells they're successful, we'll tie them in and produce the oil as well."

Danny Davis represented Escopeta (Kyle Stalder/KTUU-TV)

But the Department of Natural Resources revoked Exxon's leases, saying the company has had chance after chance to get the job done, issuing 21 plans of operation going back to 1981.

"When people don't honor those commitments we also have to be good land managers and recognize that sometimes it's gonna be the competition that provides for a greater opportunity," said Marty Rutherford, the DNR's deputy commissioner.

Exxon isn't the only company trying to hang onto its leases.

So is Escopeta, which loses its interest at the end of the month. For the past seven years the company has had the leases six miles north of the Kenai but hasn't developed the area.

A two-year extension is all the company needs.

"The future of this country is in your hands, not mine," Davis said. "I'm just going to do the job I'm supposed to do and maybe I can contribute something. But these decisions are very important to this country."

Lawmakers can't force DNR to back off, but Rep. Jay Ramras says he feels the department is holding the state back. Gas prices are high and local communities need help to develop more.

"I'm exasperated and out of patience, and so are the people of Alaska," he said.

The state and Exxon are in litigation right now over those leases, and negotiations to try to reach a settlement are underway. A decision from the court is expected sometime in the spring.

Contact Rebecca Palsha at rpalsha@ktuu.com

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Lawmakers quiz state officials about gas leases

DISPUTES: Two firms want to start drilling but have been blocked by Alaska.

The Associated Press

(12/02/08 23:14:47)

FAIRBANKS -- State lawmakers want to understand why two energy companies ready to drill for natural gas have not received lease-related considerations from the state.

The state's Department of Natural Resources addressed the issue with two House committees on Monday.

Exxon Mobil Corp. and Escopeta Oil want to begin drilling on the North Slope and Cook Inlet, respectively, but have been blocked over lease disputes with the state.

Escopeta's leases in Cook Inlet expire in a month; meanwhile DNR terminated the Point Thomson unit operated on behalf of several partners by Exxon Mobil.

The issue: Is the state fostering development of Alaska resources, or is the agency trying to warehouse leases so it can collect more bonus payments by re-selling them to new buyers.

One lawmaker says this is in contradiction with Gov. Sarah Palin's catch phrase, "Drill, Baby, Drill."

But state officials insist Alaska's leasing program is set up to ensure the best return for Alaskans.

Members of the House Judiciary and House Resource committees quizzed officials from the state's resources department.

Majority Leader Ralph Samuels, R-Anchorage, looked to the bigger picture: what will natural gas field development mean to the state's hope for a large-diameter transcontinental gas line.

"If this state does not get a gas line, we are all so screwed and you can't get it without Point Thomson," Samuels said.

"You want Exxon and Chevron and BP and all the rest of them to put that gas into the AGIA pipeline," Samuels said. "Is that the endgame that's going on here?"

Samuels wondered whether the state seeks to leverage support for TransCanada's pipeline proposal, which was licensed under the Alaska Gasline Inducement Act.

Some say the TransCanada proposal won't succeed without the assurance of gas to come from North Slope producers Exxon Mobil, Conoco Phillips and BP PLC.

Critics also say that a producer-backed line, such as proposed by the joint venture between Conoco Phillips and BP is more likely to materialize.

DNR officials, were somewhat hamstrung because of ongoing negotiations with Exxon Mobil over the Point Thomson dispute that has led to numerous lawsuits and court filings.

"When you tell folks what you plan on doing, your leverage can evaporate," Division of Oil and Gas Director Kevin Banks said.

Banks went on to back DNR's stance of drawing the line on non-performing leaseholders such as Exxon Mobil's slowed movement on the Point Thomson fields, which hold nearly one-quarter of the North Slope's 35 trillion cubic feet of natural gas reserves.

"There comes a time when the state sometimes has to say no," he said. "We will lose control of how our land is developed."

Craig Haymes, Exxon Mobil's production manager for Alaska, told lawmakers the company is ready to move forward.

Haymes said Point Thomson gas will be "essential" to the success of any pipeline designed to carry gas to Midwest markets.

"We're working with all of the agencies," Haymes testified. "We want to work with the state of Alaska to move forward. It's in everybody's interest to drill."

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SARAH PALIN, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL AND GAS

550 WEST 7TH AVENUE, SUITE 800
ANCHORAGE, ALASKA 99501-3560
PHONE: (907) 269-8800
FAX: (907) 269-8938

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

December 1, 2008

Danny S. Davis
Escopeta Energy Company, Inc.
5005 Riverway, Suite 440
Houston, TX 77056

RE: Kitchen Unit Plan of Exploration
Request for Amendment of the Drilling Commitment Dates

Dear Mr. Davis,

In a December 31, 2007, letter the State of Alaska, Department of Natural Resources (DNR), Division of Oil and Gas (Division) notified Escopeta Oil Company, LLC (EOC), Operator of the Kitchen Unit, (KHU) that the unit was in default because EOC had failed to drill a well at the KHU no later than December 31, 2007, as required under the KHU Plan of Exploration (POE). The Division granted EOC a one year period to cure the default, until December 31, 2008, to

1. "...drill one exploration well, within the KHU:
   a. to one of the three bottomhole (BHL) locations within the KHU, as set out in Table 1, below, and;
   b. To 16000 to 20000TVD to test the sterling, Beluga, Tyonek, and Hemlock formations;

TABLE 1: PROPOSED WELL LOCATION INFORMATION

East Kitchen #1	Kitchen #1	Kitchen#2
ADL 389926	ADL 389924	ADL 389917
T 9 N., R 11 W., S.M.	T 9 N., R 11 W., S.M.	T 8 N., R 12 W., S.M.
Sect. 22	Sect. 18	Sect. 3

The cure of default period, in effect, deferred the drilling deadline by one year as requested by EOC.

On November 20, 2008, the Division received a request from EOC to amend the KHU POE. EOC submitted a draft Amended KHU POE which proposes the following summarized extensions to the December 31, 2008 drilling commitment.

1. EOC obtain all necessary regulatory permits and authorizations for the drilling of an exploration well by December 31, 2009. If EOC fails to fulfill that commitment, the KHU will automatically terminate and EOC will pay an unspecified "potential unrealized bonus payment".
2. EOC will drill a first exploration well by December 31, 2010. If EOC fails to fulfill that commitment, the KHU will automatically terminate and EOC will pay an unspecified "potential unrealized bonus payment".
3. EOC will drill a second exploration well by December 31, 2011. If EOC fails to fulfill that commitment, the KHU will automatically terminate and EOC will pay an unspecified "potential unrealized bonus payment".
4. EOC will request approval of an Initial Participating Area within the KHU by December 31, 2010.

EOC also submitted a heavy lift vessel contract signed by EOC, Pacific Energy Resources, Ltd. (PERL), and the vessel owner, a jack up rig contract signed by PERL and Blake Offshore, LLC, owner of the Blake 151 rig, and a rig sharing agreement signed by EOC and PERL. EOC requests the Division hold these documents confidential under 11 AAC 82.810.

"The unit operator may, with the approval of the commissioner, amend an approved plan of exploration" 11 AAC 83.341 (e) Plan of Exploration. EOC's request letter incorrectly cites 11 AAC 83.343(e), Plan of Development. The Division does not approve the draft Amended KHU POE because it does does not meet the criteria necessary for approval in accordance with11 AAC 83.303(1)-(3).

Approval of the Amended KHU POE will not promote conservation of an oil or gas pool, field, or like area. 11 AAC 83.395 (1) "conservation of the natural resources of all or part of an oil or gas pool, field, or like area" means maximizing the efficient recovery of oil and gas and minimizing the adverse impacts on the surface and other resources." Escopeta has not yet drilled an exploration well which would identify a reservoir as defined by 11 AAC 83.395(6), "an oil or gas accumulation which has been discovered by drilling and evaluated by testing and which is separate from any other accumulation of oil and gas." No well has ever been drilled within the boundary of the Kitchen Unit. KHU has no production of oil or gas.

Approval of the Amended KHU POE will not promote the prevention of economic and physical waste and does not provide for protection of all parties including the state. EOC describes having "expended a very significant amount of financial and physical resources" and requests approval to "protect the vested interests of both EOC and PERL". EOC successfully bid upon leases, which when issued bound EOC to certain terms and conditions including a specific primary term which gave EOC the sole right to retain that acreage for seven years, to conduct oil and gas exploration work. Term 4(b) of the Kitchen Unit leases describes the conditions under which the lease may be

extended beyond primary term by unitization. The Division approved the formation of the Kitchen Unit, despite the absence of drilling in the leases' primary term, because it relied on the future benefit provided by fulfillment of work commitments agreed upon in the KHU POE; to bring a jack-up to Cook Inlet and drill an exploration well. In exchange for the approval of the KHU and extension of the leases' primary terms, EOC agreed to bring a jack-up to Cook Inlet and drill a well. The goal of unitization and work commitments is not to protect vested interests, but to protect the interest of all parties.

EOC submitted the confidential vessel, rig, and rig sharing contracts to demonstrate progress made in fulfillment of the work commitment, to cure the default. The Division does not accept the contract submittals as demonstrating progress.

The heavy lift vessel contract is the same confidential contract submitted by PERL to fulfill the amended Corsair Unit POE October 31, 2008 work commitment. The Division did not accept that contract as a fulfillment of the work commitment set out in the amended Corsair Unit POE, and the Division does not accept that contract here for the same reasons, see attached letter from the Division to PERL, dated December 1, 2008. The Division does not accept the rig sharing contract signed by EOC and PERL for similar reasons: the rig sharing contract does not provide an effective date, (the contract does not "commence"), does not require any deposit from EOC to PERL, and does not represent a firm commitment between the parties, as stated in the agreement itself.

The draft amended KHU POE proposes that EOC will obtain all the necessary permits to drill a well by December 31, 2009. That EOC has still not yet obtained permits for the promised well, despite the extension of the drilling date by one year, does not demonstrate EOC's progress in fulfillment of the work commitment.

The extension request from EOC also discusses the potential waste of the physical resources of the state. EOC believes that if the KHU terminates, the time and effort of the state to review, adjudicate, approve and oversee the unit to date would be wasted. EOC also observes that if the unit terminates, the KHU leases would not be available for competitive bid until the May 2010 lease sale at earliest due to

> "the time necessary to approve the 2009 Cook Inlet Areawide Best Interest finding ("BIF"), the potential appeals and litigation associated with the BIF, the subsequent appeal of the KHU POE modification denial (this request), and the necessary title research and time restraints necessary to include the KHU leases in a any upcoming lease sale, ..."

Contemplating future appeals does not form a rational basis for approving extensions to work commitments.

A person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of "issuance" of this decision, as defined in 11

AAC 02.040 (c) and (d), and may be mailed or delivered to Tom Irwin, Commissioner, DNR, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918, or sent by electronic mail to dnr.appeals@alaska.gov. This decision takes effect immediately. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

If you have any questions regarding this decision, contact Temple Davidson with the Division at 907-269-8784.

Sincerely,

Kevin R. Banks
Director

cc: Jeff Landry, DOL
Julie Houle, DOL

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

SARAH PALIN, GOVERNOR

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CERTIFIED MAIL
RETURN RECEIPT REQUESTED

December 1, 2008

Vladimir Katic
Executive Chairman & Chief Operating Officer
Pacific Energy Resources Ltd.
111 West Ocean Blvd.
Suite 1240
Long Beach, CA
90802

Subject: Heavy lift vessel contract
Corsair Unit default notice and cure

Dear Mr. Katic:

On April, 1, 2008, the State of Alaska, Department of Natural Resources (DNR), Division of Oil and Gas (Division), conditionally accepted a Corsair Unit default cure provided by Pacific Energy Resources, Ltd. (PERL), Operator of the Corsair Unit. The Division established two work commitments in that letter, one due by April 30, 2008, which PERL has satisfied, and the other due by July 31, 2008.

> [B]y July 31, 2008, the Unit Operator shall provide the Division with a copy of the signed contract for the heavy lift vessel capable of transporting the Blake 151 rig to Cook Inlet Alaska and will provide evidence of payment of the 50 percent deposit required to commence that contract. That contract must specify a departure date for the heavy lift vessel with the Blake 151 rig to Cook Inlet Alaska that will allow the Unit Operator to fulfill the June 30, 2009, drilling commitment date. Upon departure, the Unit Operator shall provide the Division with an affidavit confirming the departure date.

On July 8, 2008 PERL requested that the Division approve a 60-day extension--until September 29, 2008--to the July 31, 2008 heavy lift vessel contract submittal date. PERL also requested that the

Division revise the requirement that PERL "provide evidence of payment of the 50 percent deposit required to commence the contract" to "provide evidence of the payment for contract commencement in accordance with the terms of the vessel contract."

The Division orally requested that PERL clarify whether it requested an extension to the heavy lift vessel contract submittal date based upon the existing Corsair Unit, comprised of four leases, or the previously proposed expanded Corsair Unit, comprised of eight leases.

The Commissioner is currently reviewing PERL's appeal of the Division's April 30, 2008 decision denying PERL's March 18, 2008 application to expand the Corsair Unit. As part of the appeal, PERL had maintained that without unit expansion, it would not be economic to bring the jack-up rig. In a July 22, 2008 follow-up to its July 8th letter, PERL represented that its request for an extension to the deadline for submittal of the heavy lift vessel contract applied to the "*existing* Corsair Unit." The July 22nd follow-up letter confirmed that PERL intended to fulfill the drilling commitment agreed to in the amended Corsair Unit Plan of Exploration (Corsair Unit POE), based upon the existing Corsair Unit.

On July 30, 2008, the Division approved PERL's request to delay the heavy lift vessel contract deadline by sixty days. The Division approved the request because the delay would not impact the June 30, 2009, drilling date deadline set out in the amended Corsair Unit POE. The Division also opined that it "interprets PERL's vessel contract extension request as a repudiation of its appeal argument that delivering a rig is uneconomic with the expansion leases." The Division observed that PERL provided no evidence for its assertion that the rig delivery would be uneconomic without the expansion leases.

On September 24, 2008, the Division received yet another request to extend the contract submittal date--until October 31, 2008. In a September 29, 2008 letter, the Division approved a 32-day extension of the contract deadline, until October 31, 2008. All other provisions of the Corsair Unit POE, as amended on January 29, April 1, and July 30 2008, remained unchanged.

On October 31, 2008, PERL submitted a contract and cover letter requesting various lease "extensions and/or reinstatements" (lease requests), both of which PERL requested be held confidential. On November 6, 2008, PERL clarified the request for confidentiality, citing AS 38.05.035(a)(9)(A)-(F). For the purposes of this decision, I am assuming that PERL meant to cite the relevant portions of AS 38.05.035(a)(8)(A)-(F), which provide confidential status for "cost data and financial information." *See* AS 38.05.035(a)(8)(D).

The Division does not accept the contract as a fulfillment of the work commitment set out in the amended Corsair Unit POE for the following reasons.

First, the contract's condition precedent is unacceptable to the Division. It provides that if DNR does not grant PERL's October 31, 2008 lease requests by December 31, 2008, the contract is "null and void." *See* contract Clause 29. Similarly, the contract's lead-in language provides that it "shall become effective on the occurrence of the Leases Extension Date defined in Clause 29 hereof

provided the OWNER has a suitable vessel available for transportation of the Cargo as per Clause 29 (***"Effective Date"***). If the Effective Date does not occur, this Contract shall be null and void . . . ." In other words, the contract seems to state that it does not take effect if DNR does not approve the lease requests by December 31, 2008, or the owner does not have a suitable vessel when the requests are granted.

The amended Corsair Unit POE provides, and PERL's July 22, 2008 letter confirmed, that the contract relates to the existing Corsair Unit, not to an expanded unit or to any other state leases or lands in which PERL has or had an interest.

As stated above, the Commissioner is reviewing PERL's appeal of the Division's April 30, 2008, decision denying PERL's March 18, 2008, application to expand the Corsair Unit. The other lease requests pertain to lands or leases in which PERL either has no interests (the Kitchen Unit leases and the expired exploration license) or has existing interests either with fixed, non-extendable terms (the existing exploration license) or that are subject to extension only under certain circumstances (the four individual leases). Because these other lease requests include lands and leases in which PERL either has no interests or that DNR has no current authority to extend, DNR cannot approve the requests by December 31, 2008. Thus, the contract's condition precedent prevents the contract from ever taking effect.

Second, the Contract does not "specify a departure date for the heavy lift vessel with the Blake 151 rig to Cook Inlet Alaska that will allow the Unit Operator to fulfill the June 30, 2009, drilling commitment date." *See* April 1, 2008 Division decision quoted above. Contract Clause 7.1 provides for a "Loading Window" "between March 1, 2009 and May 15, 2009." Given the transit times set out in the transport quotes that PERL submitted on July 8, 2008 (between 46 and 169 days, weather permitting), this "window" may not allow sufficient transit time to allow PERL to fulfill the June 30, 2009 drilling commitment, as set out in the amended Corsair Unit POE. *See* January 29, 2008 Division decision. If the lift vessel arrives safely, probably in Seward, and unloads the Blake 151, which is welded to the lift vessel, the rig must be prepared for drilling, moved to the drilling location in Cook Inlet, and the well drilled. The June 30, 2009 drilling commitment requires PERL to "[d]rill a well to the lower Sterling and upper Beluga gas sands . . . ." See January 29, 2008 Division decision. These operations, after arrival of the rig, could take six weeks or more to complete.

And third, while the Division approved amending the 50 percent vessel deposit requirement on July 30, 2009, it anticipated some level of deposit based on PERL's July 8, 2008, letter and attached transport quotes, which set out deposit amounts at signing of between 10 and 15 percent. Contract Clause 5, however, provides for no deposit, and in fact, there is no payment due if DNR does not grant PERL's lease requests by December 31, 2008, or if there is not a suitable vessel at that time. Paying a significant deposit at the signing of a contract establishes the credibility of the depositor to maintain their side of the deal in exchange for receiving like value from the other party. Without significant deposits it is unlikely that PERL will secure a firm departure date on the heavy lift vessel schedule. The lack of deposit erodes the likelihood that the contract will commence.

Under 11 AAC 83.374(a), "[f]ailure to comply with any of the terms of an approved unit agreement, including any plans of exploration, . . . is a default under the unit agreement." Effective December 1, 2008, the Corsair Unit is in default because PERL has not complied with the terms of the Corsair Unit POE by failing to submit an acceptable contract, as described above. The default cure period is 90 days from the date of this notice, or March 1, 2009. On or before March 1, 2009 PERL shall submit an acceptable contract, without any conditions precedent, which would enable PERL to drill a well within the Corsair Unit no later than June 30, 2009.

A person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of "issuance" of this decision, as defined in 11 AAC 02.040 (c) and (d), and may be mailed or delivered to Tom Irwin, Commissioner, DNR, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918, or sent by electronic mail to dnr.appeals@alaska.gov. This decision takes effect immediately. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

If you have any questions regarding this decision, contact Temple Davidson with the Division at 907-269-8784.

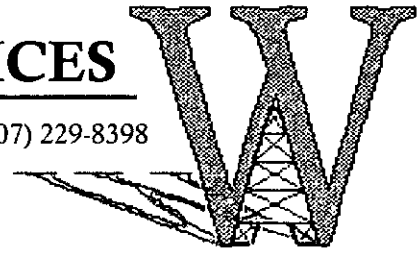
Sincerely,

Kevin R. Banks
Director

Cc: Julie Houle, DNR
Nan Thompson, DNR
Jeff Landry, DOL

WEBB PETROLEUM SERVICES

Alaskan Operations: P.O. Box 113141 ◆ (907) 229-8398
Anchorage, Alaska 99511-3141



Legislative Hearing on DNR Permitting and Unit Plans of Exploration and Development
December 1, 2008 in Anchorage, Alaska
Post-Hearing Comments

To: Representative Jay Ramrus
Representative Craig Johnson
Representative Ralph Samuels
Representative Nancy Dahlstrom
Representative Carl Gatto
Representative Max Gruenberg
Representative John Coghill, Jr.
Representative Paul Seaton
Representative Peggy Wilson
Representative Bob Lynn

Dear Representatives,

The views expressed herein are my own and may not be shared by Aurora Gas, LLC; Pacific Energy, Ltd; Escopeta Oil Company, LLC; or Fox Petroleum (Alaska), Inc.

As I stated in Monday's hearing, my name is Bruce D. Webb and I am a born and raised Alaska resident. I have worked for the State of Alaska for over 20 years, 13 of which with the Department of Natural Resources, 11 of those in the Division of Oil and Gas, as a Natural Resource Specialist specifically responsible for approving Plans of Operations, Oil and Gas Bonding, and site closures. I also worked very closely with Lease Administration and the Units Section.

I am currently the Land and Regulatory Affairs Manager for Aurora Gas, LLC, which is a small independent natural gas exploration and production company in the Cook Inlet. I also own and operate Webb Petroleum Services where I assist independent oil and gas companies with permitting, unitization and plans of exploration and development. In addition, I own Webb Exploration and Production, LLC and was the successful bidder on three offshore Cook Inlet Oil and Gas Leases; I own the Ridge Development Company, LLC which is a real estate holding and development company; and I am the owner and Broker of Executive Realty.

I was recently elected President of the Alaska chapter of the American Association of Professional Landmen (AAPL), which is a professional organization comprised primarily of oil and gas, and other resource development landmen and permitters. We focus on industry concerns and ethics.

As I stated in an earlier e-mail, I also ran for State House, loosing the Primary Election by only 61 votes.

As you can see, I have a fairly diverse background and considerable knowledge in land and permitting matters, specifically as they relate to resource development. I am not a fanatic, nor a slouch. I am not a liar either. If I say something, it will be the truth, without exception.

Unfortunately, I do tend to be sarcastic when things are to a point of being ridiculous, outrageous or nonsensical. I will try very hard to refrain from being sarcastic regarding the actions of the Department of Natural Resources and the Division of Oil and Gas. If I come across as being angry, it is because I am.

First and foremost, I have been proud to be an Alaskan, and I sincerely care about the direction our economy and attitude towards resource development is going. It actually embarrasses me as an Alaskan who knows full well the potential our great state has to offer, and at the same time is being stifled by the current administration.

I would like to offer the following post-hearing comments for the record. I encourage you to contact me directly if you would like to discuss any matter personally. My contact information will be at the end of my comments.

As I stated in the hearing, it has been 15 years since the Gilbert Rowe jack-up rig left the Cook Inlet. For the past 15 years, or longer, not one single major oil and gas company has bid on one single offshore Cook Inlet exploration lease. I say exploration lease, because I do not consider those leases either adjacent to the coast of adjacent to an existing platform as truly offshore exploration acreage. I am referring to only those leases that require an exploratory jack-up drilling rig. This statement is a matter of public record. There have been several independents and individuals bid on these leases, but not a Chevron, Marathon, ConocoPhillips, or the like.

Virtually every lease that has been issued in about two decades have resulted in the bonus bids and lease payments being nothing more than a charitable contribution to the State and a tax deduction to the lessee. These leases are absolutely worthless without a jack-up drilling rig. We now have two companies, fighting the DNR to get approval to explore a large block of offshore Cook Inlet leases, which they believe will be extremely productive, and which will require them to bring up a jack-up drilling rig. Instead of the DNR unequivocally granting them the permission and time needed, it instead only grants them portions of an approval with onerous commercial stipulations. Each time an agreement is fulfilled, the DNR changes the rules, adds additional requirements, and refuses to just let these companies give it their best shot. Why is the DNR making it so difficult on these two companies?

The DNR states that the companies are simply warehousing the leases with no real intention on exploring or developing them. Given the DNR's past decisions regarding the <u>only</u> two companies that have come forward in a decade and a half with offshore exploration plans, I submit to you that it is in fact the DNR itself who is warehousing the leases... but for whom? Certainly not the State of Alaska or the public.

The DNR has no qualms in issuing these leases to individuals and companies with no plans or ability to drill any wells, but when a company comes forward with plans, they look for reasons to say no, or burden the plans with such onerous and incremental requirements that it makes moving forward with any plans, especially financial ones, almost impossible. Instead, the DNR SHOULD BE encouraging them to try and succeed.

The DNR stated in Monday's hearing that their resource evaluation staff did not believe the resource was adequate for unitization. If that were true, why such resistance? If a company wants to come to Alaska, spend hundreds of millions of dollars drilling dry holes and employing Alaskans, why not let them? How could it possibly hurt? At least we would get a much needed and long awaited jack-up drilling rig here.

Throughout the Corsair Unit expansion request, it was painfully obvious that it was the DNR's predetermined decision to deny the request. Even at the application stage, the DNR tried to impose unnecessary and useless requirements on Pacific Energy in an apparent effort to delay the filing of the application to run the "public review clock" out of the required time needed by regulation, by its contention that the application was not complete. I had to go to Lt. Governor Parnell's office and speak to him and his Chief of Staff, Jay Pullins, about this unfair, nonsensical and prejudicial treatment. Sean's response was to wait and see if the DNR makes the deadline first, he didn't want to intervene on Irwin because he was afraid Irwin would "walk off the job again". Fortunately, the DNR issued the required notice the day before it ran out of time.

When the Denial was issued, it was clearly written several days before it was issued – on the absolute last day of the lease, not allowing Pacific Energy the right of due-process with the AOGCC for a compulsory unitization expansion request. They sat on the decision until 2:30 pm on the last day, knowing it would make the DNR Pacific's only choice for resolution. See the appeal. This was under-handed and in very bad faith.

Back on the Cook Inlet leases. The major oil and gas companies, who have the resources necessary and available to explore and develop these leases don't have to bid on them. They know the leases are worthless without a jack-up rig, and therefore not a threat to the closed-market here in the Cook Inlet. They just sit back and watch countless lessees waste their money. It is as though the DNR's goal is to warehouse these leases and inhibit their exploration and development, until a certain company comes forward and says they are ready. The problem is, the people of Alaska are screaming "We are ready", but to the deaf ears of the DNR. So if these appointed officials are not working for the State of Alaska or the people of Alaska, who are they working for?

If they contend that these leases will be better off being taken back and offered in a competitive bid – have them show you the competition. It simply does not exist. If they say it is better to deny Pacific's and Escopeta's plans to drill a well by June 2008, and instead offer the lease in the May 2008 sale.... how does that make any sense? Not only the obvious questions as to who will be bidding, what will they bring to get it done, and when.... but for God's sake, June of 2008 is only a month after May 2008 – doesn't it make more sense to just let them try first.

It is just terrible how the Division and the DNR is handling this, they keep stringing the companies along with little portions of an approval, without the actual go-ahead they need, and in doing so continually run them up against a time crunch and a bureaucratic barrier that requires them to ask for another extension. The DNR itself is creating a self-fulfilling prophecy to make sure these leases are not drilled and the company's fail.

NOW WE HAVE the next round of appeals from these two companies, in order to protect their investments and hopefully be allowed at some point in the future to prove up on their plans. I cannot believe Acting Director Banks stood before you, fully knowing that he had just denied their plans once again, and told you that he was "working with the companies", and that they "did not have a drilling rig contract or a heavy-lift vessel contract." Not only were these bold-faced lies to you and to Mr. Davis of Escopeta, but he didn't even have the professional courtesy or backbone to openly admit that he had already denied the requests. It is terribly unfortunate that these DNR representatives were not under oath.

Representative Ramrus made a comment about the Judiciary Committee needing to resolve all appeals with 6 months, or they didn't get paid. He went on to ask Commissioner Irwin what he would think about being required to answer an appeal in 6 months, and Irwin replied: "If I was forced to make a decision, I would make a decision." Why the does he need to be forced into making a timely decision? What has happened to professional courtesy? Why all the posturing and "leveraging" behind closed doors?

How can he or Acting Director Banks say that the appeals from Pacific Energy and Escopeta are not all related to the ExxonMobil Appeals? How can they say that they are "working with" these companies, when all they do is deny perfectly acceptable and entirely possible plans? If the answer to the Corsair appeal was so straight-forward and fair, why not rule on it now, or at least in a timely manner? Where has Good-Faith negotiating gone, and who the heck do these public officials really work for?

It is painfully clear that just because you can hear these officials say something, does not necessarily mean they are telling the truth. What exactly is going on behind closed doors that is motivating such a hard-line, anti-development attitude?

If you want to know the truth about the Jack-up drilling rig contract, or the heavy-lift vessel contract, certainly DO NOT believe anything Banks or the DNR says. In fact, you don't even have to believe Escopeta or Pacific Energy.... contact Paul Butler who operates the Blake Offshore Jack-Up Drilling Rig and Dagfinn Thorsen of Offshore Heavy Lift Transport who operates the vessel:

Paul Butler	Dagfinn Thorsen
Blake Offshore Drilling	Offshore Heavy Lift Transport
PButler@blakeoffshore.com	dt@oht.no
(504) 885-7449	+47 2301-1423 (Norway)

Get the facts about these contracts and the real possibility for them to be executed and Alaska getting the much needed jack-up drilling rig, directly from the horse's mouth.

Acting Director Banks said he was: "Not convinced a well will be drilled" by these two companies. Does that mean he IS convinced a well will NOT be drilled? Does that mean he is convinced someone else is going to magically appear out of no where and drill a well in these leases if he takes them away and runs these companies out of the State of Alaska, and possibly out of business? I think not. It is purely a biased, arbitrary, capricious and prejudicial personal assumption on his part, plain and simple.

If no other company is standing on the sidelines with a jack-up rig, ready to drill some exploration wells in the Cook Inlet, why not give these two companies a fair chance? As for "willy-nilly" lease terms and "loosing the ability to manage our lands" if these leases are extended, HARDLY. The DNR has extended many leases and unit plans of exploration and development a multitude of times in the past, and it has had absolutely no effect on the DNR's ability to manage **our** lands. Their arguments are lacking any factual basis.

Another point is that the Department of Energy has stated that the Cook Inlet has enormous potential and reserves that have not yet been adequately explored. There are a tone of unleased blocks of acreage available for other companies to bid on and explore. Why the urgency in taking back the Corsair and Kitchen leases – which these companies have invested hundreds of millions of dollars acquiring the leases, forming units, identifying the reservoir and making commitments to explore? How is it in the State's best interest to take their investment and offer it up to another company, who has no current stake in the game, and will simply be receiving an unfair enrichment?

In the most recent denials dated 12/1/08 of Pacific Energy's and Escopeta's plans, specifically relating to the DNR's rejection of the heavy-lift vessel contract – which Acting Director Banks testified as not existing on the very same day, the DNR makes very explicit points about the amount of the heavy-lift vessel earnest money amounts which the DNR wanted to require. Since when is it the DNR's responsibility to set the amounts of commercial contracts between two parties?

A company should be able to go out and secure the best deal they can, with the highest level of safeguards possible to protect their investment and limit their liability and exposure. Given the legacy of blatantly absurd and arbitrary denials form the DNR, wouldn't any prudent business owner try and protect themselves from an uncertain and unpredictable regulatory regime? Seriously, if you had no assurances you would be able to drill a well on your leases, just because the DNR decided to say no at the end of the day, wouldn't you want to protect your finances?

The DNR's responsibility is to lease and manage the lands and resources for development and the generation of revenue. It is not their responsibility to set commercial contract terms, or even to approve those contracts. They wanted evidence of a heavy-lift vessel contract, and they got it.

The DNR's July 30, 2008 letter which amended their April 1, 2008 Default Cure requirements for Pacific Energy's Corsair Unit stated, exactly:

The Division estimates that a 60-day extension of the vessel contract deadline will still allow time for PERL to transport the Blake 151 to Cook Inlet Alaska in time to fulfill the June 30, 2009, drilling date. Thus, the Division approves the request for a 60-extension to the July 31, 2008, work commitment date until September 29, 2008.

With its vessel deposit requirement request, PERL submitted a summary spreadsheet that lists six carriers' contract terms. Each carrier has different lump sum prices and payment terms. All carriers require a deposit less than 50 percent, due at signing, with a subsequent larger deposit due at loading. Thus, the Division approves the request to amend the vessel deposit requirement.

All other provisions of the Corsair Unit POE, as amended on January 29 and April 1, 2008, remain unchanged by the decision.

The requirements for the heavy-lift vessel contract in the 4/1/08 Default Cure from DNR required four things:

1. By July 31, 2008 (amended to September 29, 2008, further amended by DNR letter dated 9/28/08 to October 31, 2008 because the parties were still negotiating the contract) proof of a signed heavy lift vessel contract capable of transporting the Blake 151 jack-up drilling rig.

The heavy lift vessel contract was sign, sealed and delivered to the DNR on 10/31/08, as required.

2. Provide evidence of payment of the 50% deposit (now amended to "the required deposit") required to commence the contract.

The "required deposit" was 5%, which was paid and evidenced to the DNR. Additional incremental deposits are also listed in the contract, the next one being due on 1/15/09.

3. Specifics in the contract that for a departure date that will allow the rig to be delivered to the Cook Inlet to fulfill the June 30, 2009 drilling commitment.

The departure date is between March 1, 2009 and May 15, 2009. The March 1 date is four months before the drilling commitment date. Several factors effect this date, in particular, weather and sea condition. It is possible for the drilling rig to reach the Cook Inlet in as little as 46 days – as stated by the DNR, or delivered to the Cook Inlet as soon as April 16th. The DNR's denial of this contract is not based on facts, evidence, or precedence, it is merely supposition and a pre-determined attitude towards failure.

4. Affidavit to the Division upon the heavy lift vessel's departure.

This is a future requirement, not yet required.

All other arguments made by the DNR in reference to the Default Cure requirements, which have all now been met, are irrelevant and yet another attempt in adding additional onerous requirements and changing the terms of the previous agreement.

Pacific Energy requested, in writing, at the time they submitted the heavy-lift vessel contract to have a meeting with the DNR on a date after November 10, 2008. The DNR made no attempt to have such a meeting – contrary to Acting Director Banks' claims before you as "working with these companies". Instead of having a meeting, he once again waived his arbitrary and capricious heavy-hand and simply denied the contract and any opportunity for a meeting, forcing another round of Commissioner Appeals. If the DNR had heartburns about the heavy-lift vessel contract, or any terms within it, why not talk to the company first and try to come to some resolution? Pacific offered, and apparently all the DNR knows how to do is deny.

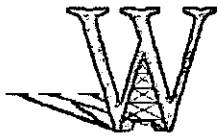
I believe in Pacific Energy and Escopeta Oil. So much so, that I spent tens of thousands of dollars acquiring three offshore Cook Inlet lease tracts. I know the management and expertise in both of these companies, and if they say they can and will bring up a jack-up rig and drill new exploration wells in the Cook Inlet, I believe them, I trust them, and I have spent my own money in support of that trust and belief. The management of DNR does not personally have a stake in this fight. They go home every night, not risking a penny, just their credibility as true public servants.

Something to note, a jack-up rig coming to the Cook Inlet is not just coming to drill the Corsair and Kitchen Units. It will be utilized by virtually every existing and new operating company offshore in the Cook Inlet. It can do step-out drilling and tie back the production to existing platforms, thereby extending their useful and economic life. Three of these platforms are currently light-housed and shut down, just sitting out in the middle of the Cook Inlet rusting – but they could be revived, creating more jobs and revenue to the State. It will bring new companies, exploration and investments to Alaska. We need this, and these two companies have tried hard and spent over a half of a billion dollars getting to where they are right now. They, and Alaska, deserve the chance to prove it.

Now, concerning ExxonMobil and their "approved permits" and subsequent denials on the next step of permits.... Dept. Commissioner Rutherford and Acting Director Banks both said that the DNR always issues "general land use permits", but would deny any "lease-specific permits". I am actually an expert on this issue, and let me say, for the record, you were fed a line of bull.

The permits that allowed ExxonMobil to add gravel to the LEASE site, drill conductor casing into the LEASE, and stage all the equipment necessary on the Lease pad to build an ice road from the Point Thomson end, was issued by the Northern Region of the Division of Mining, Land and Water. This is a Division within the DNR. It has been managed for roughly 20 years by the same gentlemen that I use to work very closely with (Gary Shultz, Leon Lynch and Larry Byrne). In reviewing this application, they would have sent it to the Division of Oil and Gas here in Anchorage – probably to Steven Schmitz, who would have reviewed it and submitted comments, concerns or objections as they would relate to Lease Operation activities.

Rutherford and Banks alluded to the possibility that this sister DNR agency lacked the expertise to adequately understand about what exactly they were approving. Again, you were deliberately being misled. These three gentlemen in the Northern Region of DNR ML&W have been doing primarily oil and gas permitting for over two decades.



They know exactly what conductor pipe is and what is will be used for in the future, the are fully aware that adding gravel to a drill site on a lease is not in any way related to the rehabilitation of a site, they are the experts for the State of Alaska concerning ice road construction and have absolutely do doubt about what equipment is necessary to build an ice road.

Now, the ice road permit that was denied..... it is a general land use permit. In fact, it is so common, that it is already categorically approved under the General Concurrences contained in the "A,B,C List" of the Alaska Coastal Management Program (ACMP) and both the DNR Division of Oil and Gas and the Division of Mining, Land and Water know this.

The fact is, simply, the DNR approved the mobilization of ice road building equipment to a Lease pad, approved the drilling and installation of well conductor casing into the Lease pad, approved the placement of camp and fuel facilities on the Lease pad, and approved the addition of gravel to the Lease pad. Now when ExxonMobil applies for a simple ice road on sea ice, it is denied. This is again, absurd. And, once again, a perfect example of bad-faith negotiating and unnecessary posturing and leveraging.

In closing, I would like to say, in my opinion, having been both on the inside and outside, that the problem with oil and gas permitting and unit actions within the State of Alaska are systemic. Certainly, a portion of the problem is inherent to the current administration and policies handed down from the Commissioner's level through the Director and onward to the staff, but is goes beyond that. Some of the problems that effect development of State resources have been being propagated for years. As just one small example, I have included my comments on the most recent Cook Inlet Areawide Best Interest Finding.

The permitting process needs to be streamlined, the bonding requirements are arbitrary and in a few cases arbitrary, capricious and prejudicial, the Cook Inlet gas market is an oligopoly, and if that isn't bad enough, the DNR itself has an anti-development mentality.

The facts are the facts:

1. There have not been any companies in Alaska over the last 15 years trying to bring up an offshore exploration drilling rig.

2. There are not any other companies sitting on the banks of the Cook Inlet yelling, "I have a drilling rig, give me the leases.

3. There has not been any interest by any company indicating that they are even contemplating coming up to this mess to try and drill and offshore Cook Inlet exploration well.

4. These two companies are promising to get a drilling rig underway to Alaska this spring, with an offshore well drilled by June 30, 2009 (a month after the next Cook Inlet lease sale).

5. The DNR is exerting tortuous interference into these two, and others, corporate business.

6. The behavior of the DNR regarding the non-issuance of the necessary permits and extensions to the Unit agreements and Plans of Exploration smacks of anti-trust, in an effort to restrict major exploration and development and keep the oligopoly and market control that currently exists with the three major producers in the Cook Inlet.

7. If no other company has, is or is willing to try and bring up a jack-up rig to the Cook Inlet, then these two companies, and the people of Alaska, deserve the chance to for them to try.

8. The appointed officials at the DNR are "public servants". I am the public, and I want some service – now, not in another 15 or 20 years.

Respectfully submitted,

Bruce Webb

-Bruce D. Webb

229-8398 cell
522-3237 home
277-1003 office

230-1323 wife's cell (Christy)
244-4548 Twin brother's cell (Brian)

Aurora Gas, LLC
www.aurorapower.com

December 1, 2008

Mr. Greg Curney
Department of Natural Resources
Division of Oil and Gas
550 W. 7th Avenue, Suite 800
Anchorage, AK 99501-3560

RE: Proposed Cook Inlet Areawide Oil and Gas Lease Sale
Preliminary Best Interest Finding of the Director
Dated September 29, 2008

Dear Mr. Curney,

Thank you for the opportunity to comment on this ten-year Best Interest Finding. Having been on both the regulatory side and the industry side of oil and gas permitting, exploration and development for over 20 years, I have identified a few areas of concern. Because the State of Alaska receives over 90% of its revenue directly and indirectly from the oil and gas industry, the permitting process associated with oil and gas exploration projects is of significant statewide importance.

First, the mitigating measures attached with the leas documents and referenced during the permitting process have ambiguities that allow individuals within governmental agencies, who have a somewhat obstructionist attitude, to interpret them in a manner that does not encourage exploration or development. It is essential that ambiguities in regulations and particularly within the lease and mitigating measures documents are replaced with concise language that does not leave the interpretation up to the individual's personal agenda.

In that regard, I will address the mitigation measures of concern first.

Chapter Nine, A. Proposed Mitigating Measures

A. 1. c) This mitigating measure restricts development with certain distances of particular rivers and water bodies. It does not take into consideration existing facilities, such as gravel pads. In this example, if a company wished to drill and exploration well from an existing gravel pad that was within the set back requirements, it would be prohibited in doing so. Despite the fact that the DNR prefers facilities to be consolidated.

This mitigating measure was used as the basis for denying Pelican Hill's exploration plans on the west side of the Cook Inlet, on an existing gravel exploration pad that was connected to the Beluga Highway by an existing gravel access road.

1400 West Benson Blvd., Suite 410 • Anchorage, AK 99503 • (907) 277-1003 • Fax: (907) 277-1006
6051 North Course Drive, Suite 200 • Houston, TX 77072 • (713) 977-5799 • Fax: (713) 977-1347

Yet, the ADF&G was successful in killing this exploration project, which lead to the company giving up on developing the State's resources and leaving. Clearly, it made more sense economically and environmentally to use an existing gravel structure, rather than impacting new environment and expending exploration funding on a location instead of an exploratory well.

In my opinion, this mitigating measure should incorporate the DNR's preference in allowing exploration on existing pads in an effort to encourage exploration and development and consolidate facilities. I suggest revising the sentence in this mitigation measure to read: **"Additionally, with the exception of proposed facilities on existing pads, to the extent practicable, the siting of facilities will be prohibited within one-half mile of..."** This will allow for the continued responsible and environmentally preferable exploration and development of the State's resources.

A. 1. f) This mitigating measure is continually abused by the ADF&G to restrict responsible exploration and development of the State's oil and gas resources. This mitigating measure was established to limit long, linear gravel roads that have a significant surface impact during exploration phases. It was meant to allow gravel pads and airstrips in the Cook Inlet, because exploration is essential to the State of Alaska and the Cook Inlet economy. Because the winter exploration season is shorter, and much more unpredictable, than the North Slope, the use of gravel pads and airstrips is also essential.

In several arguments with the ADF&G, they have erroneously asserted that " ADF&G will not authorize the use of gravel within the Susitna Flats State Game Refuge for Exploration projects." And, "Moreover, as identified in DO&G lease sale mitigating measures for activities within Special Areas, exploration activities must be supported by existing roads and/or ice roads." This has been done without an adequate statement of facts, without the necessary regulatory authority, and with a blatant abuse of power.

The ADF&G's interpretation is not only clearly wrong as to the intent of this mitigating measure, it is also wrong on the grammatical interpretation of the language. I have attached several e-mails with the ADF&G for reference, as well as two University of Alaska Professor's opinions as to what this mitigating measure actually means.

This circumstance is important because the ADF&G blatantly abused their authority by their misinterpretation of the mitigating measures to their advantage and was successful in prohibiting a summer exploration project. The project I am referring to is the Hanna #1 gas exploration well.

This well site is adjacent to the existing gravel Beluga Highway, approximately 5 miles from the coast – separated by thick forest and vegetation. The site is also bounded by the Chugach Electric High Voltage power transmission line to the east, the Enstar gas pipeline to the west, a Chevron tie-in facility to the north and the Chugach Electric power plant a short distance to the south. It is in the heart of the west side (Beluga area) industrial development. Additionally, the surface vegetation at the site is the most common and bountiful found on the west side of the Cook Inlet.

The abuse of authority of the ADF&G must end. They cannot be allowed to constantly interpret the ambiguous language within the mitigating measures, use references out of context, and curtail responsible development of the State's resources, because of their own personal agendas.

I suggest amending the language to read: **"Gravel drill pads, airstrips, and access roads between these drill pads and airstrips are allowed for exploration activities. Roads which are permitted under A. 1. e) above are allowed on a case-by-case basis. All other exploration facilities must be consolidated, temporary and not be constructed of gravel. Use of abandoned gravel structures, including those within ½ mile of the water bodies listed in A. 1. c) above, are also allowed to promote consolidation of facilities and minimize additional surface impacts."**

Chapter Seven, 2. Plan of Operations Approval

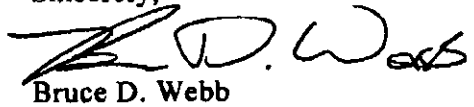
Lease Plan of Operation Approvals are administered under 11 AAC 83.158 and are suppose to regulate activities on the State of Alaska Oil and Gas leases. However, the language in the actual regulation [11 AAC 83.158 (d)(2)] is far-reaching and is used to extend the authority over the lease activity beyond the regulatory purview.

In fact, this language suggests that the Division of Oil and Gas has regulatory authority over DNR Temporary Water-use Permits, Temporary Land-use permits, and even over ADF&G Habitat and Special Areas Permits. Clearly, the expertise and regulatory purview is established within the Division of Mining, Land and Water for land-use and water-use permits, and their review and approval. Additionally, the expertise is clearly vested with the Department of Fish and Game for water withdrawal methods and quantities from anadromous streams.

The ability of the DOG to exercise its authority beyond the lease boundary is contradictory to the Statute and intent of the regulation. This has a resultant effect of unnecessary redundancy and burden on the applicant. Lease Operation Approvals should remain focused on the lease activity, and not on the other activities regulated by other governmental agencies.

Again, thank you for this opportunity to comment. Best of luck in this process.

Sincerely,



Bruce D. Webb
Manager of Land and Regulatory Affairs
Aurora Gas, LLC

Attachments:

E-mail with Valerie Blajeski (ADF&G) 1/3/07 – 1/4/07
E-mail with Mark Fink (ADF&G) 6/5/08 – 6/5/08
Letter to UAA Professor's Cason and Anderson
Opinions of Professor Jackie Cason and Professor Angela Anderson

Bruce D Webb

From: Valerie Blajeski [valerie_blajeski@fishgame.state.ak.us]
Sent: Thursday, January 04, 2007 11:43 AM
To: 'Bruce D. Webb'
Cc: mark_fink@fishgame.state.ak.us
Subject: RE: Hanna Well No. 1

Bruce,
As you know the Susitna Flats State Game Refuge (SFSGR) was established to protect fish and wildlife habitat and populations. Entry upon the SFSGR for purposes of exploration and development of oil and gas resources shall be permitted when compatible with the protection of fish and wildlife habitat. Mitigation Measure 21 states that gravel roads will not be allowed during exploration within Special Areas. Essentially if an operation has alternatives available to it that provide the most minimal impact to the Special Area that alternative is what is permitted. ADF&G is reasonably accommodating Aurora Gas LLC as there are other alternatives to using gravel that will allow the company to proceed as planned.
Based on your reply below, I take it that Aurora Gas LLC has agreed to not use gravel fill for the Hanna No. 1 Well Project.

"GRAVEL PADS & MATS"

In addition, ADF&G requires further clarification on your project summary:
Will Aurora Gas LLC be storing fuel for the drilling rig? –If so what type and how much?
Will this be water-based drilling?
Will any KCL/PHPA fluid be used and/or stored? –If so what type and how much?
How will drill cuttings be dealt with?

Under the Pelican Hill Special Area Permit FG-05-II-0004, Pelican had agreed to stipulations regarding potential project conflicts to the Beluga Pipeline Right-Of-Way. Is Aurora Gas LLC aware of this and is it working with Enstar to minimize potential conflicts?

Valerie E. Blajeski
Habitat Biologist
Alaska Department of Fish and Game
333 Raspberry Road
Anchorage, Alaska 99518
Phone: (907) 267-2300
Fax: (907) 267-2464

From: Bruce D. Webb [mailto:bwebb@aurorapower.com]
Sent: Thursday, January 04, 2007 10:02 AM
To: Valerie Blajeski
Subject: RE: Hanna Well No. 1

Thank you Valerie,

We will be sure our plan reflects your guidance on this issue.

It does seem a bit confusing to me though... I could find nothing in 5AAC95 or the Susitna Flats Management Plan that prohibits the temporary use of gravel for exploration pads. And in this case, its just the portion of the pad adjacent to the existing gravel road that we want to place temporary gravel for the ramp down to the finished ice pad level.

IN fact, 3# and #11 in the Sale 49 Mitigating Measures that were adopted and attached to the SF Management Plan, and #3 and #10 of the most recent Cook Inlet Areawide Mitigating Measures (2005), indicate **permanent** gravel use for exploration pads, airstrips and roads between pads is allowed.

Is there something I am missing somewhere that would help me better understand the ADF&G's hard-line stance on this issue? Your direction to that citing would be greatly appreciated. Don't get me wrong, I'm not arguing... we will build a 4 foot thick snow and ice ramp, and it will probably melt by September... I'm just curious how I missed the authority to prohibit temporary use of gravel after almost 20 years in oil and gas permitting and regulatory compliance.

-Bruce

-----Original Message-----
From: Valerie Blajeski [mailto:valerie_blajeski@fishgame.state.ak.us]
Sent: Thursday, January 04, 2007 8:51 AM
To: 'Bruce D. Webb'; 'Ron Stadem'
Cc: mark_fink@fishgame.state.ak.us; 'Michael S Walker'
Subject: RE: Hanna Well No. 1

Bruce,
ADF&G will not authorize the use of gravel within the Susitna Flats State Game Refuge for exploration projects. This also includes temporary uses as you have described below.

Valerie E. Blajeski
Habitat Biologist
Alaska Department of Fish and Game
333 Raspberry Road
Anchorage, Alaska 99518
Phone: (907) 267-2300
Fax: (907) 267-2464

From: Bruce D. Webb [mailto:bwebb@aurorapower.com]
Sent: Wednesday, January 03, 2007 3:33 PM
To: Valerie Blajeski; 'Ron Stadem'
Cc: mark_fink@fishgame.state.ak.us; 'Michael S Walker'
Subject: RE: Hanna Well No. 1

Hi Valerie,

Would the use of gravel include gravel temporarily placed on Geotextile fabric, over compacted snow and ice, for off road ramp access only? It would be removed with the mats at the end of the drilling program?

Let me know if the **temporary use, not in direct contact with the ground / vegetative surface** is a deal killer, we may be able to use more snow and ice under mats.

-Bruce

-----Original Message-----
From: Valerie Blajeski [mailto:valerie_blajeski@fishgame.state.ak.us]
Sent: Wednesday, January 03, 2007 3:12 PM
To: 'Bruce D. Webb'; 'Ron Stadem'
Cc: mark_fink@fishgame.state.ak.us; 'Michael S Walker'
Subject: Hanna Well No. 1

Bruce,
I am in process of reviewing/drafting Aurora Gas LLC's ADF&G Special Area Permit (SAP) and wanted to notify you that ADF&G will not be authorizing the use of gravel for exploration within Susitna Flats State Game Refuge. Pelican Hill's previous ADF&G SAP FG05-II-0004 states that there will be no gravel fills associated with the exploration project. If you can confirm that Aurora Gas LLC will in fact not be adding any addition gravel for exploration purposes I can continue to complete your ADF&G SAP and have the final product to you shortly. Please feel free to contact me at any time at the number below if you have any further questions.

-Val

Valerie E. Blajeski
Habitat Biologist
[redacted]
Alaska Department of Fish and Game
333 Raspberry Road
Anchorage, Alaska 99518
Phone: (907) 267-2300
Fax: (907) 267-2464

Bruce D Webb

From: Bruce D Webb [bwebb@aurorapower.com]

Sent: Thursday, June 05, 2008 5:51 PM

To: 'Fink, Mark J (DFG)'; 'Delgado-Plikat, Josephina L (DNR)'; 'Rader, Matthew W (DNR)'

Cc: 'G. Scott Pfoff'; 'Ed Jones'; 'pcraig@gci.net'; 'dboelens@aurorapower.com'; 'Taylor, Kenton P (DFG)'; 'Brookover, Thomas E (DFG)'

Subject: RE: Hanna Summer Exploration Drilling Program

Mark,

Thank you for the reply. As you pointed out, the DO&G Mitigating measures do say that exploration actiities must be supported by existing roads (Term #3), which this project most certainly would be. The Mitigating measures (Term #10 and #21 c), as well as the SFSGR Plan also indicate that pads as well as airstrips are permitted to be constructed out of gravel, permanently if necessary. (#10. "**With the exception** of drill pads, airstrips, and roads permitted under Term 3, exploration facilities must be consolidated, temporary and must not be constructed of gravel.") (#10 c. Gravel pads and wellheads are the only above ground structures that will be allowed within the primary waterfowl area above mean high tide within the Susitna Flats SGR...). Please note that Term #3 only discusses gravel roads, and that Term #10 does not say "With the exception of drill pads, airstrips, and roads, permitted under Term 3, ..." The use of a comma, or non-use as it were, after "roads" is significant in that it relates the roads, and not the pads or airstrips to Term #3. With the commas between pads, airstrips, and roads permitted under Term 3, it is the same as saying "with the exception of pads, and the exception of airstrips, and the exception of roads permitted under Term 3"...

Aurora is of the opinion that the activity, the drilling of an exploratory gas well is the same as previously permitted, we agree that the surface preparation being proposed is different, but not believe it is significant enough to warrant another full ACMP review. Deputy Commissioner Taylor and I had discussed this last year and were of the opinion it would be a good test project in the refuge to see if there would in-fact be any impacts to the vegetation. I will complete a new CPQ and Coastal Evaluation for the OPMP and their consideration.

Aurora would be happy to take you, as well as Mr. Rader and Ms. Plikat, on a site visit at your earliest convenience. We appreciate your consideration and willingness to consider this proposal. Thank you for your time, feel free to give me a call when you return to your office.

-Bruce

From: Fink, Mark J (DFG) [mailto:mark.fink@alaska.gov]
Sent: Thursday, June 05, 2008 4:32 PM
To: Bruce D Webb; Delgado-Plikat, Josephina L (DNR); Rader, Matthew W (DNR)
Cc: G. Scott Pfoff; Ed Jones; pcraig@gci.net; dboelens@aurorapower.com; Taylor, Kenton P (DFG); Brookover, Thomas E (DFG)
Subject: RE: Hanna Summer Exploration Drilling Program

Bruce/Jodi/Matt:

I do not consider summer drilling, including the use of a gravel pad, the same project as a winter activity on an ice pad (as was proposed by Pelican). Our coastal review considered winter activities. Moreover, as identified in DO&G lease sale mitigation measures for activities in Special Areas, exploration activities must be supported by existing roads and/or ice roads. Exploration is generally conducted in the winter months to preclude impacts to vegetation and, in primary waterfowl habitat, impacts to wildlife. Winter exploration supported by ice roads and pads has occurred in refuges in Cook Inlet. Although not conducted, the previously permitted Pelican project was a recent example of how ADF&G approaches exploration drilling in Su Flats. Another more recent example of this approach was the proposal by Escopeta for the North Alexander No. 1 Project.

Although winter exploration using ice roads and pads is the preferred approach to precluding impacts to a refuge,

we could consider the use of composite mats, on a case-by-case basis, in areas where it could be demonstrated that the vegetative layer would not be damaged. A site visit would likely be needed.

ADF&G may authorize the use of gravel for roads and/or pads in Special Areas for development and production activities; although gravel roads are precluded from certain areas.

Give me a call if you have questions (267-2338).

Mark Fink
Habitat Biologist
Alaska Department of Fish and Game
333 Raspberry Road
Anchorage, Alaska 99518
Phone 267-2338
Fax 267-2464

From: Bruce D Webb [mailto:bwebb@aurorapower.com]
Sent: Thursday, June 05, 2008 10:39 AM
To: Delgado-Plikat, Josephina L (DNR); Fink, Mark J (DFG); Rader, Matthew W (DNR)
Cc: G. Scott Pfoff; 'Ed Jones'; pcraig@gci.net; dboelens@aurorapower.com; Taylor, Kenton P (DFG)
Subject: Hanna Summer Exploration Drilling Program

Jody,

I received your voicemail regarding your discussions with Mr. Mark Fink of Fish and Game, and your collective non-objection to the summer drilling program proposed by Aurora Gas, LLC (Aurora) in the Susitna Flats State Game Refuge (SFSGR). You have requested that Aurora provide a written statement that indicates all operations as originally proposed by Pelican Hill in their Plan of Operations, as approved, will remain the same during the summer as were proposed during the winter. In the attached letter to Fish and Game, dated May 29, 2008, Aurora expressed: (page two, bottom of paragraph three)

"All procedures within the previously approved plan will be followed with the exception of a temporary gravel pad instead of an ice pad, and summer operations instead of winter operations."

I would like to take this opportunity to state for the record, as requested, that ALL drilling operations will be conducted on the summer temporary gravel pad as were proposed by Pelican Hill originally during the winter on an ice pad. The only exceptions to this will of course be summer operations instead of winter operations, and temporary gravel pad instead of ice pad. As indicated in the recently submitted plan, the gravel pad will be adjacent to the gravel road, thereby eliminating the need for any new gravel access roads.

Additionally, it was requested that in accordance with 5 AAC 95.730, the SFSGR Special Areas Permit (Permit) be issued for a period of TWO YEARS. This is requested because Aurora is currently being purchased by another company and the funding for this well, during this season, is uncertain and may be postponed until next summer. Allowing the Permit to cover a two year period would eliminate the necessity of further extensions, permit renewals or other administrative actions, thereby reducing everyone's work load. There also exists the possibility that the well could be drilled this winter season, as originally proposed for last winter. I would suggest that in the Permit, it would reflect the ability for summer or winter operations, perhaps requiring written notification by Aurora before operations commence. If this is not a viable option, please issue the Permit for the summer operations, and if winter operations become necessary, Aurora will apply for another modification at that time.

Thank you for your expedient review and response to Aurora's request. It is greatly appreciated.

Bruce D. Webb
Manager, Land and Regulatory Affairs

Aurora Gas, LLC
1400 W. Benson Blvd., Suite 410
Anchorage, AK 99503

(907) 277-1003 office
(907) 229-8398 cell
(970) 277-1006 fax

June 18, 2008

Jackie E. Cason, Ph.D.
Department of English
University of Alaska – Anchorage

Ms. Angela S. Anderson, M.A.
Department of English
University of Alaska – Anchorage

Dear Professors Cason and Anderson:

I am the Manager of Land and Regulatory Affairs for a small independent gas exploration and production company in the Cook Inlet region of Alaska. Prior to this position, I had served the State of Alaska in various positions, most recently as a Natural Resource Specialist for the Division of Oil and Gas. My primary focus was on lease administration, permitting and compliance.

Recently, I have had several discussions with former colleagues and other resource agency representatives on the interpretation of language contained in a Department of Natural Resources publication known as the Mitigating Measures. The entire document is attached for your reference.

The specific language I am concerned with is the first sentence in Term #10, below (emphasis added). Term #3 is included for your reference, as it is mentioned in Term #10. These Terms are:

3.* Onshore exploration activities must be supported by air service, an existing road system or port facility, ice roads, or by vehicles which do not cause significant damage to the ground surface or vegetation. Unrestricted surface travel may be permitted by the directors of DO&G and DL, if an emergency condition exists.

Construction of temporary roads may be allowed. Temporary means that a road must be removed to the extent that it is rendered impassable or is otherwise rehabilitated in a manner such that any placed gravel remaining approximates surrounding natural features. Construction of permanent roads will be prohibited during the exploration phase. *Exception - DL.

10.* **With the exception of drill pads, airstrips, and roads permitted under Term 3, exploration facilities must be consolidated, temporary, and must not be constructed of gravel.** Use of abandoned gravel structures may be permitted on an individual basis. *Exception - ADF&G, DL.

In your opinion on the use of the English language, grammar, composition and technical writing, what exactly does the first sentence of Term #10 say? Two opinions exist on the interpretation of this language:

1. Some argue that drill pads and airstrips and roads are only exempted if they are approved under Term #3.

2. While others argue that drill pads are exempted, airstrips are exempted, and roads that are permitted under Term #3 are exempted.

I am of the opinion that the use of the comma between "airstrips" (,) "and roads", as well as the non-use of a comma between "roads" and "permitted" separate drill pads and airstrips from the roads permitted under Term #3. This results in all drill pads and all airstrips being exempted, and not requiring permission under Term #3.

I believe if the intent was to make drill pads and airstrips exempted only if permitted under Term #3, then Term #3 would have listed drill pads and airstrips along with roads, or the first sentence in Term #10 would have read like this:

> "With the exception of drill pads, airstrips and roads, permitted under Term 3, exploration facilities must be consolidated, temporary, and must not be constructed of gravel."

This is an important question, as it effects gas exploration in the Cook Inlet region, where we are experiencing declining natural gas reserves and rising natural gas prices. I believe the intent, having worked in the State Division of Oil and Gas for over a decade, was to allow gravel drill pads and airstrips because the winter exploration season was not cold enough or long enough (as it is on the North Slope) to build and maintain ice pads. Gravel roads for exploration are discouraged because they impact a significantly greater amount of land as long linear gravel structures, and can be perceived by wildlife as barriers to migration.

So, my question to you, if you are able to offer your opinion, is whether or not gravel drill pads and airstrips are exempted in Term #10, and do not require prior permission being granted under Term #3.

I appreciate the time you have taken to read and consider this request. Your opinion will be greatly appreciated. Thank you.

Respectfully yours,

Bruce D. Webb
Manager, Land and Regulatory Affairs
Aurora Gas, LLC.

COOK INLET AREAWIDE 2008
COMPETITIVE OIL AND GAS LEASE SALE

Mitigation Measures and Lessee Advisories

Mitigation Measures

AS 38.05.035(e) and the departmental delegation of authority provide the director, Division of Oil and Gas (DO&G), with the authority to impose conditions or limitations, in addition to those imposed by statute, to ensure that a resource disposal is in the state's best interests. Consequently, to mitigate the potential adverse social and environmental effects of specific selected lease related activities, DO&G has developed mitigation measures and will condition plans of operation, exploration, or development, and other permits based on these mitigation measures.

Under AS 38.05.035(e), ADNR has authority to apply the following mitigation measures developed for this Cook Inlet Areawide lease sale, to all oil and gas activities performed to access the state's leased mineral interest, regardless of the surface ownership status of the land from which the lessee seeks access.

Lessees must obtain approval of a detailed plan of operations from the Director before conducting exploratory or development activities (11 AAC 83.158). An approved plan of operations is the authorization by which DO&G regulates exploration, development, and production activities.

A plan of operations must identify the specific measures, design criteria, and construction methods and standards to be employed to comply with the restrictions listed below. It must also address any potential geophysical hazards that may exist at the site. Plans of operation must comply with coastal zone consistency review standards and procedures established under 6 AAC 50 and 80 including coastal district plans. Applications for required state or federal agency authorizations or permits must be submitted with the plan of operations. DO&G will require, as a condition of consistency approval, such modification or terms as may be necessary to ensure consistency with the ACMP standards.

These measures were developed after considering terms imposed in other Cook Inlet region oil and gas lease sales; fish and wildlife resource and harvest data submitted by ADF&G; environmental data relating to air and water quality, solid and liquid waste disposal, and oil spills submitted by ADEC; consensus items from the Cook Inlet Areawide stakeholders process, as well as comments submitted by the public, local governments, environmental organizations, and other federal, state, and local agencies. Additional project-specific mitigation measures are imposed if and when oil and gas lessees submit proposed plans of exploration, operation, or development.

In addition to compliance with these mitigation measures, lessees must comply with all applicable local, state and federal codes, statutes and regulations, and any subsequent amendments. Lessees must also comply with all current or future ADNR area plans and recreation rivers plans; and ADF&G game refuge plans, critical habitat area plans, and sanctuary area plans within which a leased area is located. Federal, state and local government powers to regulate the oil and gas industry are discussed in the "Governmental powers to Regulate Oil and Gas Exploration, Development, Production, and Transportation" Chapter Eight of this finding. In addition, Appendix B lists federal and state statutes and regulations that apply to lease activities.

Information to lessees relevant to the lease sale is also presented in the "Lessee Advisories," section B, which contain precautions which may apply to post-lease sale activities, and reflect existing local, state, and federal law or policy at the time of the sale.

Hereafter, wherever abbreviations are used they mean: Alaska Coastal Management Program (ACMP), Alaska Department of Environmental Conservation (ADEC), Alaska Department of Fish and Game (ADF&G), Alaska Department of Natural Resources (ADNR), Alaska Oil and Gas Conservation Commission (AOGCC), Areas Meriting Special Attention (AMSA), Director (Director, Division of Oil and Gas), Division of Forestry (DOF), Division of Mining, Land and Water (DMLW), Division of Oil and Gas (DO&G), Division of Parks and Outdoor Recreation (DPOR), Kenai Peninsula Borough (KPB), Municipality of Anchorage (MOA), Matanuska-Susitna Borough (MSB), State Historic Preservation Officer (SHPO), and U.S. Fish and Wildlife Service (USF&WS).

Lessees are advised that portions of the sale area may be subject to special area permits by ADF&G to protect areas designated by the legislature as state game refuges in AS 16.20.010 -AS 16.20.080.

For those mitigation measures and lessee advisories that are within ADNR's authority, the Lessee may request, and the Director of DO&G may grant, exceptions if compliance with the mitigation measure is not feasible or prudent, or an equal or better alternative is offered. Requests and justifications for exceptions must be included in the initial Plan of Operations when one is required. The decision whether to grant an exception will be based on review of the Plan of Operations by the public and in consultation with appropriate state resource agencies. Mitigation measures subject to exceptions are noted with an asterisk (*), followed by the initials of the agency that must be consulted in any decision to grant an exception. Critical habitat areas and state game refuges are jointly managed by ADNR and ADF&G; exceptions to mitigation measures in these areas must be agreed to by both agencies. Agency abbreviations are: ADF&G (Alaska Department of Fish and Game), ADEC (Alaska Department of Environmental Conservation), DL (Division of Lands) and DOF (Division of Forestry).

Except as indicated, the restrictions listed below do not apply to geophysical activity on state land; geophysical exploration is governed by 11 AAC 96.

The following mitigation measures and advisories will be imposed on oil and gas activities in or on all Cook Inlet Areawide leased lands and waterbodies as a condition of the approval of plans of operation. If units are formed with leases issued under different mitigation measures, the most recent measures will most likely be applied to the whole unit.

General

1. Oil and hazardous substance pollution control: In addition to addressing the prevention, detection, and cleanup of releases of oil, contingency plans (C-Plans) for oil and gas extraction operations should include, but not be limited to, methods for detecting, responding to, and controlling blowouts; the location and identification of oil spill cleanup equipment; the location and availability of suitable alternative drilling equipment; and a plan of operations to mobilize and drill a relief well.

2. Use of explosives will be prohibited in open water areas of fishbearing streams and lakes. Explosives must not be detonated beneath, or in close proximity to fishbearing streams and lakes if the detonation of the explosive produces a pressure rise in the waterbody greater than 2.5 pounds per square inch (psi) unless the waterbody, including its substrate, is solidly frozen.

   Explosives must not produce a peak particle velocity greater than 0.5 inches per second (ips) in a spawning bed during the early stages of egg incubation. The minimum acceptable offset from fishbearing streams and lakes for various size buried charges is:

Charge Weight	Distance from Stream
1 pound charge	37 feet (11.2 m)
2 pound charge	52 feet (15.8 m)
5 pound charge	82 feet (25.0 m)
10 pound charge	116 feet (35.4 m)
25 pound charge	184 feet (50.1 m)
100 pound charge	368 feet (112.2 m)

   There are numerous fishbearing streams and lakes within the sale area. Specific information on the location of these waterbodies may be obtained by contacting ADF&G.

3.* Onshore exploration activities must be supported by air service, an existing road system or port facility, ice roads, or by vehicles which do not cause significant damage to the ground surface or vegetation. Unrestricted surface travel may be permitted by the directors of DO&G and DL, if an emergency condition exists.

   Construction of temporary roads may be allowed. Temporary means that a road must be removed to the extent that it is rendered impassable or is otherwise rehabilitated in a manner such that any placed gravel remaining approximates surrounding natural features. Construction of permanent roads will be prohibited during the exploration phase. *Exception - DL.

4. a. Removal of water from fishbearing rivers, streams, and natural lakes shall be subject to prior written approval by DMWM and ADF&G.

   b. Compaction or removal of snow cover overlying fishbearing waterbodies will be prohibited except for approved crossings. If ice thickness is not sufficient to facilitate a crossing, ice and/or snow bridges may be required.

5. Water intake pipes used to remove water from fishbearing waterbodies must be surrounded by a screened enclosure to prevent fish entrainment and impingement. Screen mesh size shall not exceed 0.04 inches unless another size has been approved by ADF&G. The maximum water velocity at the surface of the screen enclosure may be no greater than 0.1 foot per second.

Facilities and Structures

6. a. The siting of onshore facilities, other than docks, or road and pipeline crossings, will be prohibited within 500 feet of all fishbearing streams and lakes. Additionally, siting of facilities will be prohibited within one-half mile of the banks of Harriet, Alexander, Lake, Deep and Stariski creeks, and the Drift, Big, Kustatan, McArthur, Chuitna, Theodore, Beluga, Susitna, Little Susitna, Kenai, Kasilof, Ninilchik and Anchor rivers. New facilities may be sited within the one-half mile buffer if the lessee demonstrates that the alternate location is environmentally preferable, but in no instance will a facility be located within one-quarter mile of the river bank. ADF&G concurrence will be required for siting within the one-half mile buffer. Road and pipeline crossings must be aligned perpendicular or near perpendicular to watercourses.

   b. Lessees will minimize sight and sound impacts for new facilities sited less than one-half mile from river banks and in areas of high recreational use by (1) providing natural buffers and screening to conceal facilities; (2) conducting exploration operations between October 1 and April 30; and (3) using alternative techniques to minimize impacts.

   c. Surface entry will be prohibited in parcels that are within the Kenai River Special Management Area (KRSMA).

   d. Surface entry will be prohibited on state lands within the Kenai National Wildlife Refuge. This term does not limit surface entry on other private lands within the refuge.

   e. Lessees are prohibited from placing drilling rigs and lease-related facilities and structures within an area near the Kenai River composed of: all land within Section 36 in T6N, R11W that is located south of a line drawn from the protracted NE corner to the protracted SW corner of the section; all land within the western half of Section 31 in T6N, R10W and Section 6 in T5N, R10W; and all land within Section 1 in T5N, R11W.

   f. A fresh water aquifer monitoring well with quarterly water quality monitoring should be required down gradient of a permanent storage facility unless alternative acceptable technology is approved by ADEC.

7. The siting of new facilities in key wetlands and sensitive habitat areas should be limited to the extent possible. If facilities are to be located within these areas, the lessee should demonstrate to the satisfaction of the Director and ADF&G that impacts are minimized through appropriate mitigation measures.

8.* Measures will be required by the Director, after consultation with ADF&G and ADEC, to minimize the impact of industrial development on key wetlands. Key wetlands are those wetlands that are important to fish, waterfowl, and shorebirds because of their high value or scarcity in the region or that have been determined to function at a high level using the hydrogeomorphic approach. Lessees must identify on a map or aerial photograph the largest surface area, including reasonably foreseeable future expansion areas, within which a facility is to be sited, or an activity will occur. The map or photograph must accompany the plan of operations. DO&G will consult with ADF&G and ADEC to identify the least sensitive areas within the area of interest. To minimize impacts, the lessee must avoid siting facilities in the identified sensitive habitat areas. *Exception - ADF&G, ADEC.

9.* Impermeable lining and diking, or equivalent measures such as double-walled tanks, will be required for onshore oil storage facilities (with a total above ground storage capacity greater than 1,320 gallons, provided no single tank capacity exceeds 660 gal) and for sewage ponds. Additional site-specific measures may be required as determined by ADNR, with the concurrence of ADEC, and will be addressed in the existing review of project permits or oil spill contingency plans (C-Plans).

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Buffer zones of not less than 500 feet will be required to separate onshore oil storage facilities and sewage ponds from marine waters and freshwater supplies, streams and lakes, and key wetlands. Sumps and reserve pits must be impermeable and otherwise fully contained through diking or other means. *Exception - ADF&G, ADEC.

10.* With the exception of drill pads, airstrips, and roads permitted under Term 3, exploration facilities must be consolidated, temporary, and must not be constructed of gravel. Use of abandoned gravel structures may be permitted on an individual basis. *Exception - ADF&G, DL.

11. a. Wherever possible, onshore pipelines must utilize existing transportation corridors and be buried where soil and geophysical conditions permit. In areas where pipelines must be placed above ground, pipelines must be sited, designed and constructed to allow free movement of moose and caribou.

b. Offshore pipelines must be located and constructed to prevent obstructions to marine navigation and fishing operations.

c. Pipelines must be located upslope of roadways and construction pads and must be designed to facilitate the containment and cleanup of spilled hydrocarbons. Pipelines, flowlines, and gathering lines must be designed and constructed to assure integrity against climatic conditions, tides and currents, and other geophysical hazards.

Local Hire

12. To the extent they are available and qualified, the lessee is encouraged to employ local and Alaska residents and contractors for work performed on the leased area. Lessees shall submit, as part of the plan of operations, a proposal detailing the means by which the lessee will comply with the measure. The proposal must include a description of the operator's plans for partnering with local communities to recruit and hire local and Alaska residents and contractors. The lessee is encouraged, in formulating this proposal, to coordinate with employment services offered by the state of Alaska and local communities and to recruit employees from local communities.

Training

13. Lessee must include in any plan of exploration or plan of development, a training program for all personnel, including contractors and subcontractors, involved in any activity. The program must be designed to inform each person working on the project of environmental, social, and cultural concerns which relate to the individual's job.

The program must employ effective methods to ensure that personnel understand and use techniques necessary to preserve geological, archeological, and biological resources. In addition, the program must be designed to help personnel increase their sensitivity and understanding of community values, customs, and lifestyles in areas where they will be operating.

Access

14. a. Public access to, or use of, the leased area may not be restricted except within 1,500 feet (457 m) or less of onshore drill sites, buildings, and other related structures. Areas of restricted access must be identified in the plan of operations.

b. No lease facilities or operations may be located so as to block access to or along navigable and public waters as defined at AS 38.05.965(13) and (17).

15. Lease-related use will be restricted when the commissioner determines it is necessary to prevent unreasonable conflicts with local subsistence harvests and commercial fishing operations. In enforcing this term the division, during review of plans of operation or development, will work with other agencies and the public to assure that potential conflicts are identified and avoided. In order to avoid conflicts with fishing activities, restrictions may include alternative site selection, requiring directional drilling, seasonal drilling restrictions, subsea completion techniques, and other technologies deemed appropriate by the commissioner.

Prehistoric, Historic, and Archeological Sites

the Department of English @ UAA

UAA UNIVERSITY of ALASKA ANCHORAGE

Mission
About Us
Faculty
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Undergraduate Program
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Course Offerings

Department of English
University of Alaska Anchorage
3211 Providence Drive PSB 208
Anchorage, AK 99508-4614

(907) 786-4356
(907) 786-4356 (fax)

The Writing Center
Sigma Tau Delta | Pac-Rim
Utopian Studies

Jackie Cason

[faculty : home]

Assistant Professor
Office Location: PSB 208B
Phone: 786-4367
afjec1@uaa.alaska.edu

Jacqueline Cason received her Ph.D. in English from the University of Arkansas in Fayetteville, where her dissertation examined history of science essays by Loren Eiseley. She has taught courses in the evolution of the essay genre, nonfiction prose, public science writing, technical and scientific writing, first-year composition, persuasive writing, and advanced composition. Her research interests include the rhetoric of science in professional and public contexts, landscape writing, Canadian nonfiction writing, multimedia forms of the essay, and digital literacies in first-year composition. Cason is a UAA Technology Fellow and is currently developing a web-text on composing controversy with a radio broadcast.

Questions or Comments | Contact Us

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Bruce D Webb

From: Jacqueline Cason [jackiecason@gmail.com]
Sent: Tuesday, June 17, 2008 10:52 PM
To: Bruce D Webb
Subject: Re: Question on interpretation of written language and grammar

Dear Mr. Webb,

Few people find grammar intrinsically interesting, but many eventually discover that it can be instrumental to interpretation. I find it both interesting and instrumental, so I am intrigued by your question.

Clearly, we can say that the sentence has some ambiguity, as most language does, and the ambiguity arises from the question of what the participial phrase "permitted under Term 3" modifies. You have already identified the two possibilities. It may modify the list of three items, or it may modify only the final item in the list.

When we teach grammar and style to students, we offer two suggestions (relevant in this case) for minimizing ambiguity--1) place the modifier as close to the thing it modifies as possible, and 2) retain the comma after each item in a list, unless the writer intends the last two items to be more closely linked. In the first case, the modifier comes at the end and closest to the final item, encouraging us to see the final item as the only exemption under Term 3. In the second case, some writers see that final comma as optional, but as you've pointed out, if you leave off the comma, then the last two items become a unit rather than separate items in a list. With all commas present, we could see the final item as the only item modified.

As part of our examination, we should ask ourselves how a writer might compose that sentence to modify all three items unambiguously. The writer could have written "With the exception of **items permitted under Term 3--drill pads, airstrips, and roads**--exploration facilities must be consolidated, temporary, and must not be constructed of gravel." (Emphasis added to my change). That would have made the meaning clear in terms of the first interpretation that all items exempted must be approved under Term 3.

I tend to agree with the second interpretation of the meaning of the sentence, though my reasoning is a bit more contextual than grammatical. I know that not all writers are careful about modifier placement, even when other options are available, and that not all writers subscribe to the so-called "Oxford comma" rule. Therefore, I cannot rely strictly on grammatical analysis here and must examine the meaning of the sentence in a broader context. I therefore draw on the third item you have provided because it mentions neither airstrips nor drill pads. Rather, it focuses explicitly and exclusively on roads and purposefully defines "temporary" in relation to roads. Also, if we go back to the first part of Term 3, we read that onshore exploration *must* be supported by air service.... The whole point seems to be to minimize permanent damage and prevent further road development. Air strips and air service help minimize the permanent damage by making roads less necessary, and I don't imagine that airstrips are as likely to be temporary anyway. When roads are exempted, they need to be temporary, which is probably why ice roads are part of the list. That is why the second part of Term three focuses strongly on the definition of what "temporary" means in relation to roads. By examining Term 3 and Term 10 side by side, I would conclude that surface travel is the

most destructive in terms of permanent change to the environment. Hence, air travel and the strips that make it possible are preferable. Also, the drill pads, which are part of the exploration activity itself, are never mentioned again. I searched the remainder of the document for both airstrips and drill pads and did not find further mention. The document as a whole seems much more concerned by surface roads and seems to want to minimize any new permanent roads.

That's probably a longer explanation than you need, but you asked for some reasoning, and I thank you for offering up the context that makes such an interpretation possible. In isolation, I'd have to say the sentence is simply ambiguous and could go either way, but in context I am fairly confident that Term 3 approval applies only to roads, not airstrips or drill pads.

If you have further questions, feel free to ask.

~Jackie Cason

In your opinion on the use of the English language, grammar, composition and technical writing, what exactly does the first sentence of Term #10 say? Two opinions exist on the interpretation of this language:

1. Some argue that drill pads and airstrips and roads are only exempted if they are approved under Term #3.

2. While others argue that drill pads are exempted, airstrips are exempted, and roads that are permitted under Term #3 are exempted.

I am of the opinion that the use of the comma between "airstrips" (,) "and roads", as well as the non-use of a comma between "roads" and "permitted" separate drill pads and airstrips from the roads permitted under Term #3. This results in all drill pads and all airstrips being exempted, and not requiring permission under Term #3.

On Tue, Jun 17, 2008 at 5:32 PM, Bruce D Webb <bwebb@aurorapower.com> wrote:

Dear Dr. Cason,

Attached is a letter requesting your opinion on the meaning of a sentence contained in a technical document. Your review and opinion would be greatly appreciated. The request is attached as a MSWord document. The PDF attachment is the entire referenced technical document.

If you are willing to offer your opinion, please include a brief explanation of your reasoning. Thank you for your time and consideration.

Sincerely,

Division of Oil & Gas

Alaska Department of Natural Resources

Sale Results Summary

North Slope Areawide 2008

Date of Sale: 10/22/2008

Bidding Method: Cash Bonus Bid, Fixed Royalty

Preliminary Report

10/22/2008

Total Tracts Sold: 60

Total Acres Sold: 214,400.00

Min Bid Per Acre: $10.00

Royalty %: 12.50000%
16.66667%

Highest Bid: $783,027.20
Tract Number: 1211
Submitted By: Pioneer Natural Resources Alaska Inc

Total Number of Valid Bids: 72

Total High Bonus Bids: $6,531,488.00

Total Exposed (Sum Of All Valid Bids): $7,459,027.20

Average High Bonus Bid Per Acre: $36.49

Highest Bid/Acre: $305.87
Tract Number: 1211
Submitted By: Pioneer Natural Resources Alaska Inc

Bidder Company or Group Name	Number of Tracts Bid	Total of All Bids	Number of Tracts Won	Total of High Bids
AVCG, LLC 100.00000%	4	$128,000.00	1	$45,440.00
70 & 148, LLC 100.00000%	51	$5,470,995.20	49	$5,032,364.80
J ANDREW BACHNER 100.00000%	3	$78,873.60	2	$52,582.40
SAVANT ALASKA LLC 100.00000%	1	$27,673.60	1	$27,673.60
PIONEER NATURAL RESOURCES ALASKA INC 100.00000%	3	$1,020,441.60	1	$783,027.20
FEX L.P. 100.00000%	6	$590,400.00	6	$590,400.00
V PAUL GAVORA 50.00000%; NICK STEPOVICH 25.00000%; DANIEL R GILBERTSON 25.00000%	4	$142,643.20	0	0

Printed on 10/23/2008

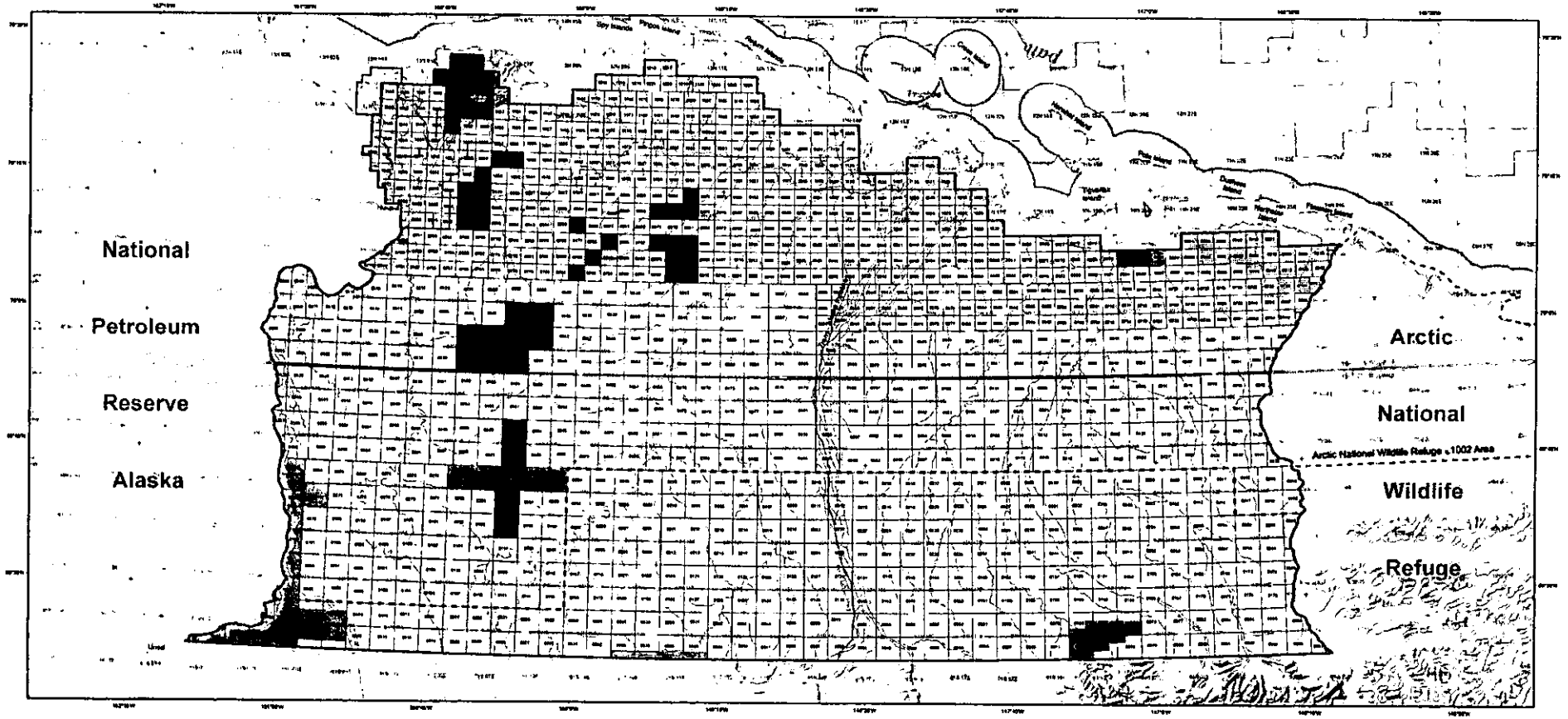
State of Alaska
Department of Natural Resources
Division of Oil & Gas

Oil and Gas Lease Sale
North Slope Areawide 2008

North Slope Areawide
Tract Map
September 05, 2008

Preliminary Sale Results

Preliminary Sale Results



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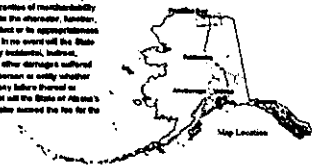


Bidders are solely responsible for determining the availability of acreage prior to submitting a bid.

Apparent High Bidders

- J Andrew Bachner
- 70 & 148, LLC
- FEX L. P.
- Savant Alaska LLC
- Pioneer Natural Resources Alaska
- AVCG, LLC

State of Alaska
Department of Natural Resources
Division of Oil and Gas

Scale 1:375,000

Preliminary Sale Results

Legend

DATA SOURCES

Base map data, including hydrologic data, village and town locations, land status and boundaries, etc. are from the State of Alaska Statewide Land Records Information Systems GIS database. Oil and gas wells are from the Alaska Division of Oil and Gas database as adapted from the Alaska Oil and Gas Conservation Commission dataset. Land status is derived from the Federal Bureau of Land Management's general land status dataset.

Information on this map is depicted only at a township or section level resolution. For detailed information regarding any specific area, interested individuals may consult the land records of one or more of the following agencies:

The State of Alaska, Dept. of Natural Resources
The Federal Bureau of Land Management
The Federal Minerals Management Service
Arctic Slope Regional Corporation

Discrepancies in boundary alignments are the result of merging multiple data sets from a number of different sources.

October 23, 2008

1876

Division of Oil & Gas

Alaska Department of Natural Resources

Sale Results Summary

Beaufort Sea Areawide 2008

Date of Sale: 10/22/2008

Bidding Method: Cash Bonus Bid, Fixed Royalty

Preliminary Report

10/22/2008

Total Tracts Sold: 32

Total Acres Sold: 99,200.00

Min Bid Per Acre: $10.00

Royalty %: 12.50000%
16.66667%

Highest Bid: $374,195.20
Tract Number: 414
Submitted By: 70 & 148, LLC

Total Number of Valid Bids: 38

Total High Bonus Bids: $2,614,784.00

Total Exposed (Sum Of All Valid Bids): $2,891,827.20

Average High Bonus Bid Per Acre: $28.97

Highest Bid/Acre: $146.17
Tract Number: 414
Submitted By: 70 & 148, LLC

Bidder Company or Group Name	Number of Tracts Bid	Total of All Bids	Number of Tracts Won	Total of High Bids
AVCG, LLC 100.00000%	4	$153,600.00	2	$83,200.00
SUN-WEST OIL & GAS, INC. 67.50000%; SHANE SPEAR 10.00000%; MICHAEL SHEARN 22.50000%	1	$52,281.60	1	$52,281.60
DANIEL K DONKEL 25.00000%; SAMUEL H CADE 75.00000%	5	$280,992.00	5	$280,992.00
70 & 148, LLC 100.00000%	20	$1,887,315.20	19	$1,861,689.60
BP EXPLORATION (ALASKA) INC 26.36056%; CONOCOPHILLIPS ALASKA, INC. 36.07675%; EXXONMOBIL ALASKA PRODUCTION INC 36.40269%; CHEVRON U.S.A. INC. 1.16000%	1	$150,048.00	1	$150,048.00
J ANDREW BACHNER 100.00000%	2	$52,582.40	2	$52,582.40
SAVANT ALASKA LLC 100.00000%	2	$55,347.20	1	$27,673.60
J ANDREW BACHNER 90.00000%; KEITH C FORSGREN 10.00000%	1	$94,796.80	0	0
CONOCOPHILLIPS ALASKA, INC. 100.00000%	1	$106,316.80	1	$106,316.80

PIONEER NATURAL RESOURCES ALASKA INC 100.00000%	1	$58,547.20	0	0

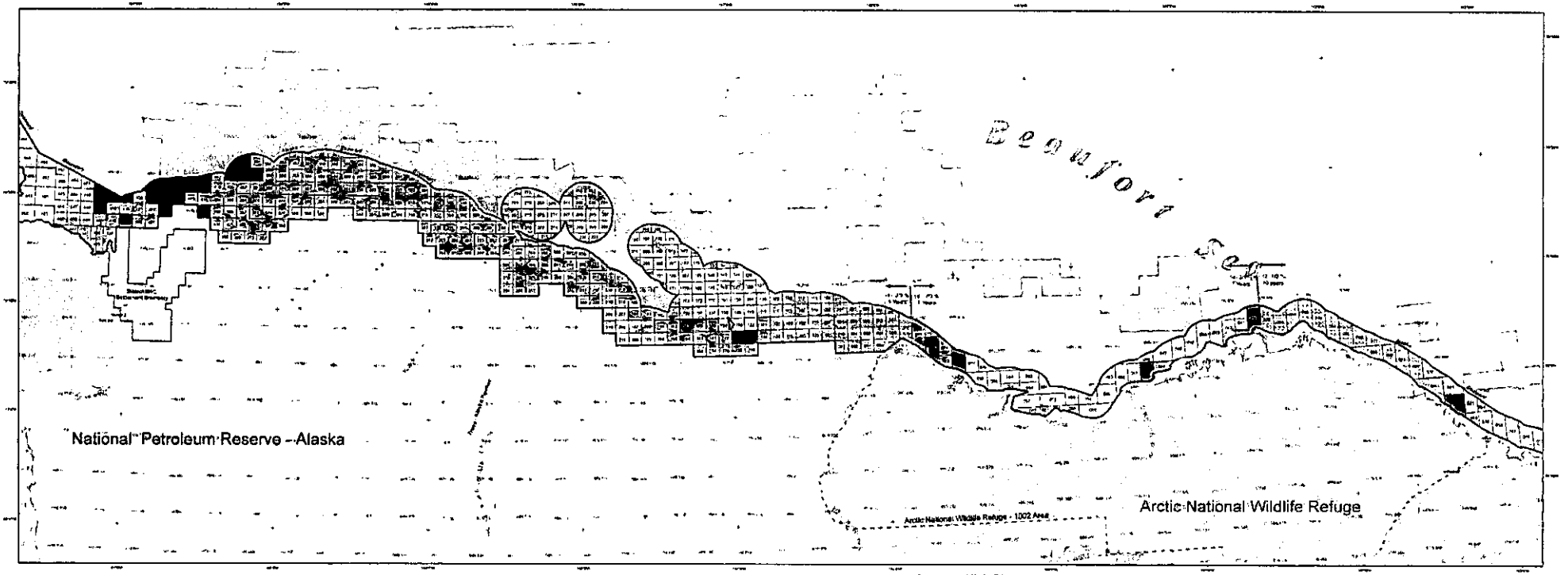
State Of Alaska
Department of Natural Resources
Division of Oil & Gas

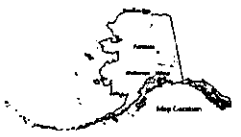
Preliminary Sale Results

Oil and Gas Lease Sale
Beaufort Sea Areawide 2008
Bids Received

Preliminary Sale Results

Beaufort Sea Areawide
Tract Map - Bids Received
September 9, 2008





Preliminary Sale Results

State of Alaska
Department of Natural Resources
Division of Oil and Gas

Scale 1:322,549

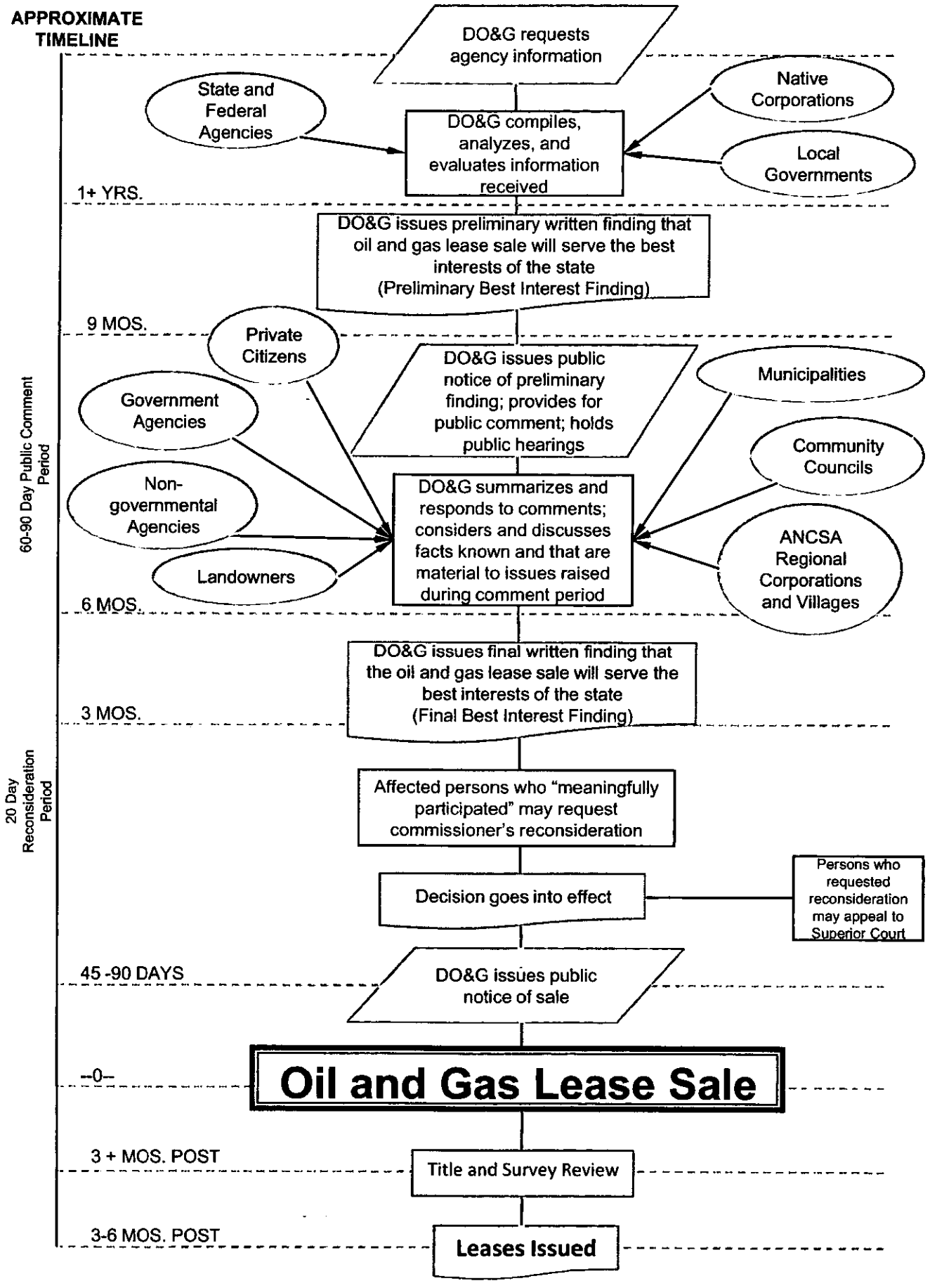
Apparent High Bidders

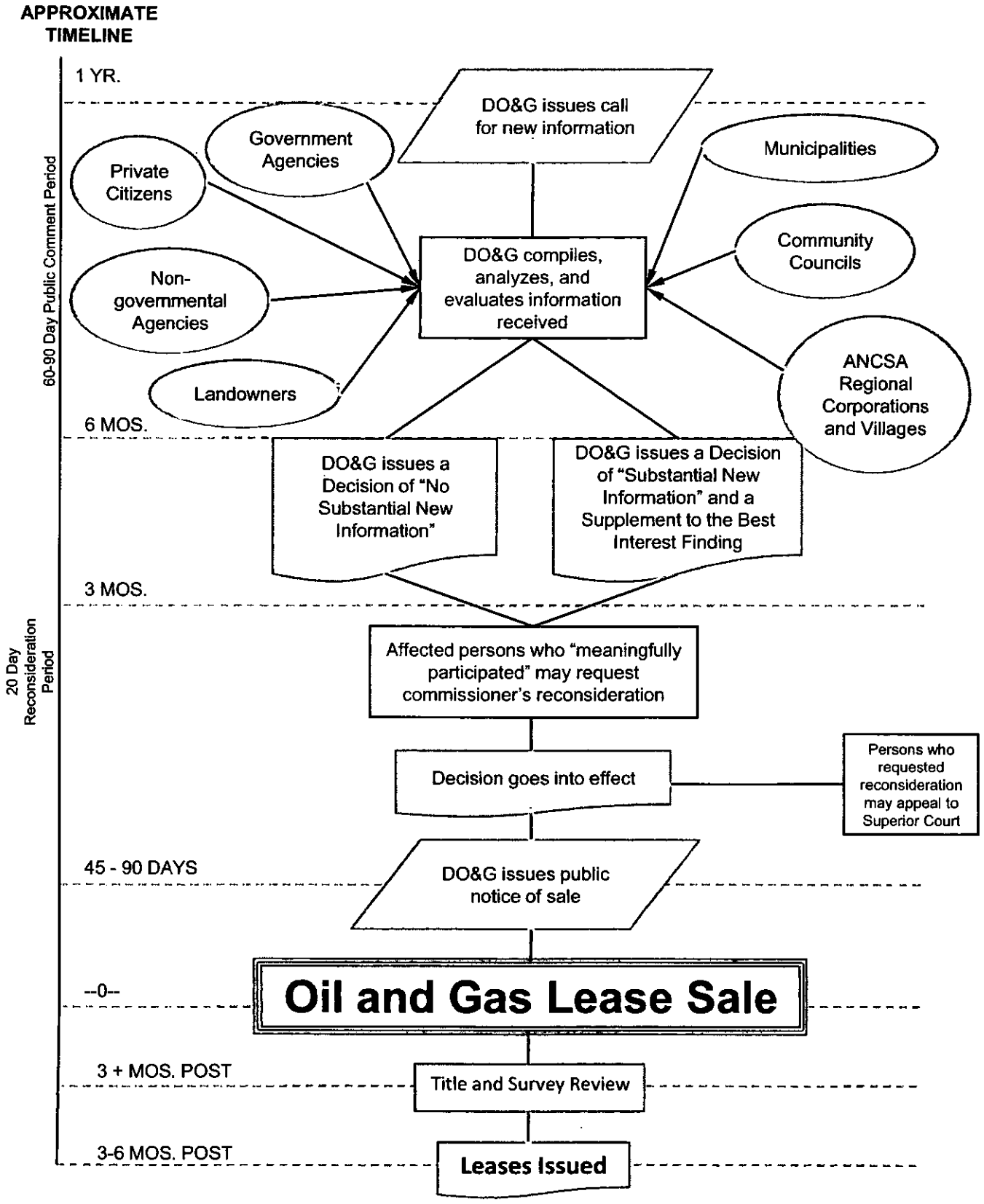
- ConocoPhillips Alaska, Inc.
- 70 & 148, LLC
- BP CP EXX CHEV
- Savant Alaska LLC
- J Andrew Bachner
- AVCG, LLC
- Daniel K Donkel
- Sun-West Oil & Gas, Inc.

Legend

Data Sources

October 23, 2008


APPROXIMATE TIMELINE
DO&G requests agency information
State and Federal Agencies
Native Corporations
DO&G compiles, analyzes, and evaluates information received
Local Governments
1+ YRS.
DO&G issues preliminary written finding that oil and gas lease sale will serve the best interests of the state (Preliminary Best Interest Finding)
9 MOS.
Private Citizens
DO&G issues public notice of preliminary finding; provides for public comment; holds public hearings
Municipalities
Government Agencies
Community Councils
Non-governmental Agencies
DO&G summarizes and responds to comments; considers and discusses facts known and that are material to issues raised during comment period
ANCSA Regional Corporations and Villages
Landowners
6 MOS.
60-90 Day Public Comment Period
DO&G issues final written finding that the oil and gas lease sale will serve the best interests of the state (Final Best Interest Finding)
3 MOS.
Affected persons who "meaningfully participated" may request commissioner's reconsideration
20 Day Reconsideration Period
Decision goes into effect
Persons who requested reconsideration may appeal to Superior Court
45 -90 DAYS
DO&G issues public notice of sale
--0--
Oil and Gas Lease Sale
3 + MOS. POST
Title and Survey Review
3-6 MOS. POST
Leases Issued


APPROXIMATE TIMELINE
1 YR.
DO&G issues call for new information
Government Agencies
Private Citizens
Municipalities
Community Councils
Non-governmental Agencies
DO&G compiles, analyzes, and evaluates information received
Landowners
ANCSA Regional Corporations and Villages
60-90 Day Public Comment Period
6 MOS.
DO&G issues a Decision of "No Substantial New Information"
DO&G issues a Decision of "Substantial New Information" and a Supplement to the Best Interest Finding
3 MOS.
20 Day Reconsideration Period
Affected persons who "meaningfully participated" may request commissioner's reconsideration
Decision goes into effect
Persons who requested reconsideration may appeal to Superior Court
45 - 90 DAYS
DO&G issues public notice of sale
--0--
Oil and Gas Lease Sale
3 + MOS. POST
Title and Survey Review
3-6 MOS. POST
Leases Issued

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF MINING, LAND AND WATER

SARAH PALIN, GOVERNOR

DIRECTOR'S OFFICE
550 W. 7th AVE., SUITE 1070
ANCHORAGE, ALASKA 99501-3579

PHONE (907) 269-8600
FAX (907) 269-8904

December 23, 2008

The Honorable Craig Johnson
Co-Chair, House Resources Committee
716 W 4th Ave
Anchorage, AK 99501

Re: ExxonMobil Land Use Permit for Point Thomson #3 pad

Dear Representative Johnson:

I understand that at the December 1 joint meeting of the House Resources and Judiciary Committees, an issue was raised concerning the Division of Mining, Land and Water's (DMLW) land use permit (LAS 26895) issued to ExxonMobil Corporation. At the December 1 hearing, Craig Haymes of ExxonMobil Corporation testified that the "drilling operations" ExxonMobil was conducting on the Point Thomson # 3 pad were authorized by a land use permit (LUP) issued by the Division of Mining, Land and Water. This is not correct.

The DMLW land use permit was issued for surface use only. DMLW does not regulate oil and gas drilling operations, including the placement of conductors. The LUP issued to ExxonMobil is for the purpose stated below:

> Staging of equipment, fuel, and camp at the Point Thomson Unit #3 Exploration Pad. The activity includes maintenance of the pad, with the possible placement of additional gravel within the existing pad footprint.

A copy of the permit is attached.

The LUP application submitted to DMLW likewise did not request approval of any drilling operations. When the permit was issued, ExxonMobil was notified that the permit was not a modification of DNR's position in the unit litigation. That notice is in the permit itself and the cover letter issued with the permit.

The Division of Mining, Land and Water does not issue any permits authorizing oil and gas drilling operations. It is the Division of Oil and Gas that has authority over all subsurface oil and gas development activity. A representative of DMLW inspected the site on December 4, 2008 to follow up on the testimony. A few violations were noted, and we are working with ExxonMobil to have those

corrected. A copy of the letter sent to ExxonMobil after the inspection is also attached.

I appreciate the opportunity to clarify the record.

Sincerely,

Dick Mylius
Director, Division of Mining, Land and Water

Cc: Tom Irwin, Commissioner, Department of Natural Resources
Marty Rutherford, Deputy Commissioner, DNR
Kevin Banks, Director, DNR Division of Oil and Gas
Craig Haymes, ExxonMobil Corporation

STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF MINING, LAND AND WATER

NORTHERN REGION
3700 AIRPORT WAY
FAIRBANKS, ALASKA 99709-4699
PHONE: (907) 451-2740
FAX: (907) 451-2751

July 7, 2008

Robert Dragnich
Exxon Mobil Corporation
PO Box 196601
Anchorage, Alaska 99503

Reference: LAS 26895
Pt. Thomson 3 Equipment Staging

Dear Mr. Dragnich:

Enclosed is your signed copy of the Land Use Permit for staging a camp, ice road construction equipment, and fuel at the Pt. Thomson 3 Pad.

Again, please note that the permit contains several conditions that are specific to the current legal issues involving Exxon Mobil and the Point Thomson Unit. These conditions are as follows:

22. Issuance of this permit does not mean DNR has changed its position on the status of the unit or leases,

23. DNR is not waiving any aspect of its PTU decisions;

24. Permittee does this work at its own risk.

If you have any questions regarding this permit, please give us a call.

Sincerely,

Gary Schultz
Natural Resource Manager

Cc: Nan Thompson, DO&G
Steve Schmitz, DO&G
Jack Winters, DNR, OHMP
Ben Greene, NSB

Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans.

STATE OF ALASKA
Department of Natural Resources
Division of Mining, Land & Water

LAND USE PERMIT
Under AS 38.05.850

PERMIT # LAS 26895

Exxon Mobil Corporation, herein known as the Permittee, is issued this permit authorizing the use of state land for storage activities, including the following location:

Section 34, Township 10 North, Range 23 East, Umiat Meridian, located in the North Slope Borough, as shown on the attached map.

This permit is effective beginning **July 1, 2008** and ending **December 31, 2009** unless sooner terminated at the state's discretion. This permit does not convey an interest in state land and as such is revocable with or without cause. No preference right for use or conveyance of the land is granted or implied by this authorization.

This permit is issued for the purpose of:

Staging of equipment, fuel, and camp at the Point Thomson Unit #3 Exploration Pad. The activity includes maintenance of the pad, with the possible placement of additional gravel within the existing pad footprint.

All activities shall be conducted in accordance with the following **General and Special Stipulations.**

General and Special Stipulations

1. **Authorized Officer.** The Authorized Officer for the Department of Natural Resources is the Regional Manager. The Authorized Officer may be contacted at 3700 Airport Way, Fairbanks, Alaska 99709 or (907) 451-2740. The Authorized Officer reserves the right to modify these stipulations or use additional stipulations as deemed necessary.

2. **Development Plan** The development of the site authorized by this permit shall be limited to the area and improvements specified in the development plan dated June 12, 2008. The permittee is responsible for accurately siting development and operations within this area. Any proposed revisions to the development plan must be approved in writing by the Authorized Officer before the change in use or development occurs.

3. **Compliance with Governmental Requirements; Recovery of Costs.** Permittee shall, at its expense, comply with all applicable laws, regulations, rules and orders, and the requirements and stipulations included in this authorization. Permittee shall ensure compliance by its employees, agents, contractors, subcontractors, licensees, or invitees.

4. **Indemnification.** Permittee assumes all responsibility, risk and liability for its activities and those of its employees, agents, contractors, subcontractors, licensees, or invitees, directly or indirectly related to this permit, including environmental and hazardous substance risk and liability, whether accruing during or after the term of this permit. Permittee shall defend, indemnify, and hold harmless the State of Alaska, its agents and employees, from and against any and all suits, claims, actions, losses, costs, penalties, and damages of whatever kind or nature, including all attorney's fees and litigation costs, arising out of, in connection with, or incident to any act or omission by Permittee, its employees, agents, contractors, subcontractors, licensees, or invitees, unless the proximate cause of the injury or damage is the sole negligence or willful misconduct of the State or a person acting on the State's behalf. Within 15 days, Permittee shall accept any such cause, action or proceeding upon tender by the State. This indemnification shall survive the termination of the permit.

5. **Valid Existing Rights.** This authorization is subject to all valid existing rights in and to the land under this authorization. The State of Alaska makes no representations or warranties whatsoever, either expressed or implied, as to the existence, number, or nature of such valid existing rights.

6. **Reservation of Rights.** The Department of Natural Resources reserves the right to grant additional authorizations to third parties for compatible uses on or adjacent to the land under this authorization which do not unreasonably interfere with Permittee's authorized uses.

7. **Performance Guaranty.** The Permittee shall provide a surety bond or other form of security acceptable to the Division in the amount of $175,000 payable to the State of Alaska. Such performance guaranty shall remain in effect for the term of this authorization and shall secure performance of the Permittee's obligations hereunder. The amount of the performance guaranty may be adjusted by the Authorized Officer upon approval of amendments to this authorization, changes in the development plan, upon any change in the activities conducted or performance of operations conducted on the premises. If Permittee fails to perform the obligations under this permit within a reasonable time, the State may perform Permittee's obligations at Permittee's expense. Permittee agrees to pay within 20 days following demand, all costs and expenses reasonably incurred by the State of Alaska as a result of the failure of the Permittee to comply with the terms of this permit. The provisions of this permit shall not prejudice the State's right to obtain a remedy under any law or regulation. If the authorized officer determines that the Permittee has satisfied the terms and conditions of this authorization the performance guaranty may be released. The performance guaranty may only be released in a writing signed by the Authorized Officer.

8. **Assignment.** This permit may be transferred or assigned with prior written approval from the Authorized Officer.

9. **Inspection.**

   a) Authorized representatives of the State of Alaska shall have reasonable access to the subject parcel for purposes of inspection.

b) The Permittee may be charged fees under 11 AAC 05.010(a)(7)(M) for reasonable routine inspections of the subject parcel, inspections concerning non-compliance, and a final close-out inspection.

10. **Violations.** This authorization is revocable immediately upon violation of any of its terms, conditions, stipulations, nonpayment of fees, or upon failure to comply with any other applicable laws, statutes and regulations (federal and state). Should any unlawful discharge, leakage, spillage, emission, or pollution of any type occur due to Permittee's, or its employees', agents', contractors', subcontractors', licensees', or invitees' act or omission, Permittee, at its expense shall be obligated to clean the area to the reasonable satisfaction of the State of Alaska.

11. **Use Fee.**

a. The permittee shall pay to the Division an annual use fee of $31,976.72 without the necessity of any billing by the Division. The use fee for the period of July 1 through December 31, 2009 may be paid on a prorated basis.

b. The use fee is due on or July 1, 2008, and annually thereafter without the necessity of any billing by the Division.

12. **Late Payment Penalty Charges.** If the required use fee is not received by the State by the 10th day of the month when due, the Permittee shall pay a late fee for any late payment. The amount of the late fee is the greater of either the fee specified in 11 AAC 05.010 or interest calculated from the due date at the rate set by AS 45.45.010(a) and will be assessed on a past-due account until payment is received by the state.

13. **Returned Check Penalty.** A returned check fee as provided in 11 AAC 05.010 will be assessed for any check on which the bank refuses payment. Late payment penalties shall continue to accumulate.

14. **Site Maintenance.** The area subject to this authorization shall be maintained in a neat, clean and safe condition, free of any solid waste, debris or litter, except containerized or otherwise legally stored.

15. **Notification.** The Permittee shall notify the Department of Natural Resources of all spills that must be reported under 18 AAC 75.300 under timelines of 18.AAC 75.300. All fires and explosions must be reported to DNR immediately. The DNR 24 hour spill report number is (907) 451-2678; the fax number is (907) 451-2751. The DEC oil spill report number is (800) 478-9300. DNR and DEC shall be supplied with all follow-up incident reports.

16. **Storage of Equipment.** The site shall be protected from leaking or dripping hazardous substances or fuel from equipment and vehicles. The Permittee shall place drip pans or other surface liners designed to catch and hold fluids under the equipment or develop an area for storage using an impermeable liner or other suitable containment mechanism.

17. **Fuel and Hazardous Substances.** Secondary containment shall be provided for fuel or hazardous substances.

a. **Container marking.** All independent fuel and hazardous substance containers shall be marked with the contents and the permittee's name using paint or a permanent label.

b. **Fuel or hazardous substance transfers.** Secondary containment or a surface liner must be placed under all container or vehicle fuel tank inlet and outlet points, hose connections, and hose ends during fuel or hazardous substance transfers. Appropriate spill response equipment must be on hand during any transfer or handling of fuel or hazardous substances to respond to a spill of up to five gallons. Transfer operations shall be attended by trained personnel at all times.

Vehicle refueling shall not occur within the annual floodplain or tidelands. This restriction does not apply to water-borne vessels provided no more than 30 gallons of fuel are transferred at any given time.

c. **Storing containers within 100 feet of waterbodies.** Containers with a total capacity larger than 55 gallons which contain fuel or hazardous substances shall not be stored within 100 feet of a waterbody.

d. **Exceptions.** The Authorized Officer may under unique or special circumstances grant exceptions to this stipulation on a case-by-case basis. Requests for exceptions should be made to the Authorized Officer.

e. **Definitions.**

"Containers" means any item which is used to hold fuel or hazardous substances. This includes tanks, drums, double-walled tanks, portable testing facilities, fuel tanks on small equipment such as light plants and generators, flow test holding tanks, slop oil tanks, bladders, and bags. Manifolded tanks or any tanks in a series must be considered as single independent containers. Vehicles, including mobile seismic tanks, are not intended to be included under this definition.

"Hazardous substances" are defined under AS 46.03.826(5) as (a) an element or compound which, when it enters the atmosphere, water, or land, presents an imminent and substantial danger to the public health or welfare, including fish, animals, or vegetation; (b) oil; or (c) a substance defined as a hazardous substance under 42 U.S.C. 9601(14).

"Secondary containment" means an impermeable diked area or portable impermeable containment structure capable of containing 110 percent of the volume of the largest independent container. Double-walled tanks do not qualify as secondary containment unless an exception is granted for a particular tank.

"Surface liner" means any safe, non-permeable container (e.g., drips pans, fold-a-tanks, etc.) designed to catch and hold fluids for the purpose of preventing spills. Surface liners should be of adequate size and volume based on worst-case spill risk.

18. **Alaska Coastal Management Program.** This project is categorically consistent with the standards of the ACMP under A-list 2a (temporary placement of camps or equipment).

19. **Site Restoration.** The site shall be restored to a condition acceptable to the Authorized Officer.

20. **Wastewater Disposal.** Disposal of wastewater from any operation associated with this authorization must satisfy the requirements of the Alaska Department of Environmental Conservation.

21. **Solid Waste.**

a. All solid waste and debris generated from the activities conducted under this authorization shall be removed to a facility approved by the ADEC prior to the expiration, completion, or termination of the authorization or activities.

b. Paper products may be burned on site provided that measures (e.g. burn barrels, clearing of burn area to mineral soil) are taken to prevent wildfires.

c. Temporary storage and accumulation of solid waste (prior to its removal) shall conform to the following:

i. solid waste shall be stored in a manner that prevents a litter violation under AS 46.06.080;

ii. putrescible wastes (material that can decompose and cause obnoxious odors) shall be stored in a manner that prevents the attraction of or access to wildlife or disease vectors; and

iii. the premises shall be maintained free of solid waste that might create a health or safety hazard.

22. Issuance of this permit does not mean DNR has changed its position on the status of the unit or leases,

23. DNR is not waiving any aspect of its PTU decisions;

24. Permittee does this work at its own risk.

I have read and understand all of the foregoing and attached stipulations. By signing this permit, I agree to conduct the authorized activity in accordance with the terms and conditions of this permit.

Signature of Permittee or Authorized Representative	Title	Date
[signature]	ALASKA PRODUCTION MANAGER	7/3/08

Permittee's Address	City	State	Zip code
P.O. Box 196601	ANCHORAGE	ALASKA	99524-1781

Home Phone	Work Phone	Contact Person
907-[illegible]-4796	907-564-3911	ROBERT DRAGNICH

Signature of Authorized State Representative	Title	Date
Gary Schultz	Natural Resource Manager	July 7, 2008

Form Date: 11/13/02

STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF MINING, LAND AND WATER

NORTHERN REGION
3700 AIRPORT WAY
FAIRBANKS, ALASKA 99709-4699
PHONE: (907) 451-2740
FAX: (907) 451-2751

December 15, 2008

Robert Dragnich
Exxon Mobil Corporation
PO Box 196601
Anchorage, Alaska 99503

Reference: LAS 26895
Pt. Thomson 3 Equipment Staging Permit

Dear Mr. Dragnich:

As you know, on December 4, 2008 I conducted an inspection of the Pt. Thomson 3 pad. ExxonMobil (XOM) is using this site to stage fuel, a camp, and ice road construction equipment under Land Use Permit LAS 26895. The purpose of this letter is to give you an overview of my observations, to identify some deficiencies, and request corrective actions.

For the most part, XOM was in compliance with the environmental stipulations of the permit. Food waste was stored inside buildings until it was incinerated. There was no food waste in dumpsters. Drums of fuel were stored in lined areas. There were no signs of spills, leaks, litter, or debris. Nearly all the fuel tanks have secondary containment. The one exception to this was a double-walled tank that had an exposed hose with connection. Fairweather believed that this type of tank does not need secondary containment. I explained that most spills are from overfilling or leaky hose connections. Therefore, DNR does require secondary containment unless the tank configuration is such that there are no exposed valves or connections. The XOM representative stated that this would be corrected promptly.

The majority of the fuel currently being stored on site was within nine fuel tankers. XOM's on site representatives believed that since the tankers are approved by DOT/PF for travel on the highways, they do not need secondary containment. However, Stipulation 17 of the land use permit states simply "Secondary containment shall be provided for fuel or hazardous substances." In this case, the tankers are being used for storage, and do need secondary containment. We appreciate that XOM did place the tankers within secondary containment. However, this containment appeared to be somewhat substandard. The liners did not appear to have good support, were pulled up in areas, pushed down by snow in other areas, and may not contain a spill if one were to happen. XOM plans to remedy this by constructing a temporary fuel storage area using four of the 400 bbl tanks that are present on site. This new temporary fuel storage area will be placed near the northeast corner of the pad. A permanent fuel storage area will then be constructed to the west of the temporary fuel area

There were some issues of non-compliance with the permit, which mostly relate to the development plan of the permit. The project description included an aerial photo (see attached) that shows the area of use to be a small area near the southwest corner of the pad for the temporary tank installation and a small area near the northwest corner of the pad to be used for

equipment staging. Thus, the permit authorizes only these small portions of the pad. Currently the entire pad is being used, and the fuel storage is not where it is shown on the plan. Another issue is the number of fuel storage tanks. The project description states that there would be 9 18,000 gallon fuel tanks on site. Instead, there are 30 400 barrel tanks on site. Thus, XOM is not in compliance with the current development plan of the permit.

To resolve this non-compliance, XOM must submit a revised development plan that reflects the current areas of use as well as any changes in the areas of use that will take place in the near future. I have included as an attachment Instructions for Completing a Development Plan for your use. Please submit the revised development plan with a $100 application fee to this office by January 9, 2009. Once we have received the plan we can start the process of project review.

One final issue is the presence of the conductors on the pad. Two conductors are present on the north side of the Pt. Thomson 3 pad. Land Use Permit LAS 26895 authorized the "staging of equipment, fuel and camp..." and other surfaces uses of the pad only. The permit did not authorize the installation of conductors, which is the first step in the drilling of the oil wells. The drilling and placement of conductors must be approved by the Division of Oil & Gas. This activity was not clearly stated in your application and was not approved. ExxonMobil may be asked to remove these conductors next summer. No additional work below the surface should be conducted without the permission of the Division of Oil and Gas.

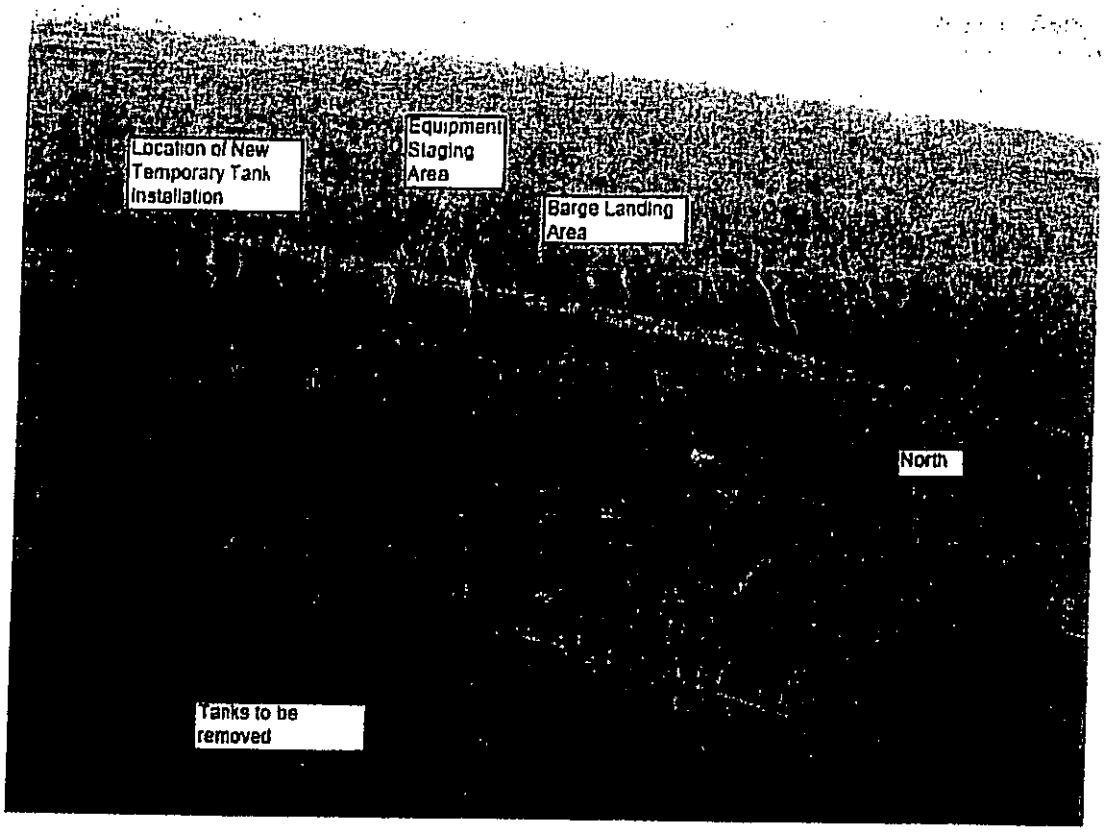
In closing, I would like to thank XOM for making arrangements to get me to this site on short notice. The XOM representatives did a good job of giving me a thorough site tour and answering all of my questions.

If you have any questions regarding this permit, please give me a call at 451-2732.

Sincerely,

Gary Schultz
Natural Resource Manager

Cc: Kevin Banks, Director, DO&G
Nan Thompson, DO&G
Steve Schmitz, DO&G
Dick Mylius, Director, DMLW
Wyn Menefee, DMLW


Location of New Temporary Tank Installation
Equipment Staging Area
Barge Landing Area
North
Tanks to be removed

December 21, 2008

Commissioner Tom Irwin
tom.irwin@alaska.gov
550 W. 7th Avenue, Suite 1400
Anchorage, Alaska 99501-3560

RE: Commissioner Irwin's Decision, dated December 3, 2008
Pacific Energy Resources, Ltd.
REQUEST FOR RECONSIDERATION of Commissioner's DENIAL of
Appeal of Division's Denial of the First Expansion of the Corsair Unit

Acting Director Banks' Decision, dated December 1, 2008
Pacific Energy Resources, Ltd.
APPEAL of Division's Decision of Non-acceptance of Heavy-Lift Contract

Dear Commissioner Irwin,

According to 11 AAC 02, a person affected by the Decisions referenced above may appeal it to you. I am an affected person by virtue of one or more of the following qualifications:

1. I am an American citizen. The approval of feasible Plans of Exploration is essential for the security, prosperity, and promotion of the nation's energy policy;

2. Alaska Statute 38.05.180 (a) states that "The Legislature finds that (1) the people of Alaska have an interest in the state's oil and gas resources..." I am an Alaska Resident and recognize the importance of oil and gas development for Alaska's economy and my financial future;

3. I am employed in Alaska. Decisions regarding the denial of oil and gas developments affect Alaska residents, Alaskan jobs, Alaskan businesses, and the ability to not pay State income taxes;

4. I receive the Alaska Permanent Fund Dividend. Decisions regarding the denial of oil and gas developments affect the value of and my ability to receive the Alaska Permanent Fund Dividend;

5. I live in the one of the rail belt communities served by Cook Inlet basin natural gas market. There is a shortage of natural gas reserves in the Cook Inlet that must be supplemented by new exploration. Denial of Plans of Exploration by independent companies in the Cook Inlet restricts competition in the industry and forces natural gas prices higher.

6. I have an interest in oil and gas leases in Alaska. Decisions regarding the denial of oil and gas developments and subsequent lease terminations may set unfair precedence's that affect all lessees.

Reference is made to that certain Kitchen Unit Agreement, that certain Corsair Unit Agreement, all related Plans of Explorations and modifications and extensions thereto, the Amended Draft Kitchen Unit Plan of Exploration Extension Application, the Application and Appeal of the First Expansion of the Corsair Unit, the Contracts commonly known as the Heavy-Lift Vessel Contract, the Jack-up Drilling Rig Contract, the rig sharing Agreement, and all related Appeals and Requests for Reconsideration by Escopeta Oil Co, LLC and Pacific Energy Resources, Ltd., together all collectively know as "The Documents". The Documents are hereby incorporated into these Appeals by reference, and made a part hereof.

At a time of historically low oil prices, the recent addition of the Beluga whale to the Endangered Species List, the critical shortage of natural gas reserves in the Cook Inlet, the lack of interest in the Cook Inlet by new, qualified exploration companies, the existing major oil and gas producers in the Cook Inlet only performing in-field drilling, and the historically low interest in offshore Cook Inlet leases at the Areawide Lease Sales, these two Appeals are of statewide significance and importance.

I request your reconsideration of your Decision dated 12/3/08 for the following reasons:

Pacific Energy Resources, Ltd. is the Unit Operator of the Corsair Unit, offshore in the Cook Inlet. They have made significant expenditures in identifying the Corsair prospect reservoir(s), which was presented to the Division of Oil and Gas' Resources Evaluation staff who concurred with the delineation of the reservoir(s) that included the expansion acreage. Division staff stated in the Decision the expansion acreage contained a viable hydrocarbon target, the Tyonek oil sands. Inclusion of the expansion acreage into the Corsair Unit is required to preserve the entire geologic structure under one contiguous tract, having consistent administrative terms, and the ability of the individual leases to be operated under a collective agreement.

Your Decision states that you have decided the expansion of the Corsair Unit was "not in the public interest." I object. I am a member of the public and I believe it is in my interest to have the expansion acreage included in the Corsair Unit so that Pacific Energy Resources, as Operator of the Corsair Unit, can develop the entire underlying reservoir(s) efficiently. Reference is made to AS 38.05.180(p).

Your Decision states that you have decided the expansion of the Corsair Unit "does not promote the conservation of natural resources and prevention or economic and physical waste..." I disagree. By removing a portion of an oil and gas deposit from the whole, it potentially separates its control by a single operator. Multiple operators developing separate portions of the same oil and gas accumulation promotes waste of the resource, duplication of facilities, and unnecessary additional environmental impact. It is unreasonable to consider that any other party would develop the non-unitized leases on their own, without having the benefit and security that unitization of the entire reservoir(s) provide. The expansion acreage should be included in the Corsair Unit so that Pacific Energy Resources, as Operator of the Corsair Unit, can develop the entire underlying reservoir(s) efficiently.

Your Decision does not provide for the protection of Pacific Energy Resources' interest, nor does it protect my interests as a resident and consumer.

Pacific Energy Resources, Ltd. has agreed to a Plan of Exploration that includes an exploratory well being drilled by June 30, 2009. You propose to take away these leases and offer them in the upcoming May 2009 lease sale, just one month prior to the drilling commitment date, and in fact, for Pacific Energy to meet this drilling date, they would have to actually be on location in May of 2009 and drilling. If Pacific Energy does not meet that drilling commitment date, then all their acreage is relinquished to the State, including any expansion acreage that may be included. It makes no sense to NOT grant this expansion, given that Pacific Energy Resources will most likely be performing drilling operations in the Corsair Unit at the time of the May 2009 lease sale.

The Division of Oil and Gas has routinely expanded unit area boundaries in the past as a matter of necessity to allow the Unit Operator control over the entire geologic structure. Such has been the case for the Point Thomson Unit, the Prudhoe Bay Unit, the Trading Bay Unit, the Colville River Unit, the Kuparuk River Unit (Tarn and W. Sak), the Nikaitchuq Unit, the Oooguruk Unit, and many others. Allowing expansions for one company or unit, and not allowing them under similar circumstances for Pacific Energy Resources is in contradiction with the Alaska Constitution, Article 8, Section 17, which states, in part: "regulations governing the use or disposal of natural resources shall apply equally to all persons similarly situated..."

Pacific Energy Resources, Ltd. purchased Forest Oil Company for one-half a billion dollars in August of 2007. They were approved by the DNR as Unit Operator at the end of November 2007, and had only 34 days to meet the prior drilling commitment (12/31/07) made by Forest Oil Company. Because 1) Pacific Energy Resources was aware that extensions to Plans of Operations to meet difficult drilling commitment dates were routinely made by the DNR, and 2) the delivery of a jack-up drilling rig to the Cook Inlet, as well as exploration of the Corsair prospect, was in the State's best interest, the DNR approved an extension of the drilling commitment date by a mere six-months.

The DNR now tries to use that approved and necessary extension as ammunition against the Corsair Unit expansion. This is unfair and unrelated to the delineation of the Corsair prospect within the expansion acreage. Besides, the Division of Oil and Gas has routinely extended Plans of Exploration in the past as a matter of necessity to allow the Unit Operator the time required to meet certain work commitments. Such has been he case for the Point Thomson Unit, the North Fork Unit, the Cosmopolitan Unit, and many others. Allowing extensions for one company or unit, and not allowing them under similar circumstances for Escopeta Oil Company is in contradiction with the Alaska Constitution, Article 8, Section 17, which states, in part: "regulations governing the use or disposal of natural resources shall apply equally to all persons similarly situated..." Extensions of Plans of Exploration are more the "norm" than the "exception."

Frankly, Pacific Energy Resources is due equal treatment under the law, plain and simple.

The Divisions contention that the subject expansion leases can be terminated and leased to another company which will develop the resources faster has no factual, historical, or rational basis. The Division has failed to ever prove this to be the case.

In fact, the continued resistance by the DNR to exploration and development plans, and forcing companies to take their plans before the Superior Court of Alaska, is actually preventing those plans to come to fruition within the timeframes requested by the companies. It is the DNR's own actions that are making the companies need further extensions. The DNR should approve the plans and give these companies the chance to perform.

A jack-up drilling rig has not been in the Cook Inlet since 1993 – 15 years ago. Approval of the expanded Corsair Unit will allow Pacific Energy Resources the control over the entire Corsair reservoir(s) and the ability to efficiently fulfill its drilling plans in conjunction with the joint efforts it is making with Escopeta Oil Company, LLC. to bring a jack-up drilling rig to the Cook Inlet.

Further, your reversal of Acting Director Banks' 12/01/2008 Decision of "not accepting" Pacific Energy Resources' and Escopeta Oil Company's heavy-lift vessel contract is requested for the following reasons:

Pacific Energy Resources and Escopeta Oil Company have submitted valid jack-up drilling rig contracts and heavy-lift vessel contracts to the State as evidence of their forward plans to explore and hopefully develop and produce offshore Cook Inlet oil and natural gas. The Division's non-acceptance of the contracts is beyond its regulatory authority and this decision is prejudicial, arbitrary and capricious.

In the Division's attempt to impose commercial terms and stipulations in the heavy-lift vessel contract, the Division did not specify an effective date. Should the Division grant the necessary Plan of Exploration and extensions, the contract would be immediately effective. The contract itself was executed by all parties concerned and is valid as a matter of law. The Division's insistence of certain financial terms or obligations to be included in third-party commercial contracts removes a company's ability to negotiate freely and jeopardizes their ability to receive "the benefit of the bargain" they are entitled to under the law.

The heavy-lift vessel clause required by the Division to deliver the jack-up drilling rig to the Cook Inlet so a well may be drilled by Pacific Energy by June 30, 2009, although unlawful, is fulfilled. The contract specifies a loading date as early as March 1, 2009.

The Division acknowledges that the trip to the Cook Inlet could take as little as 46 days, putting the Jack-up rig in the Cook Inlet by April 15, 2009, allowing two and one-half months (ten-weeks) for drilling operations. The Division acknowledges that rig preparation, setting at the drilling location and drilling of the well could take six weeks. The Division's contention that this contract does not allow sufficient time to meet the first drilling commitment date by Pacific Energy Resources is in error, faulty and not supported by a preponderance of the facts.

The heavy-lift vessel clause required by the Division to evidence the "required deposit", although unlawful, is fulfilled. The "required deposit" at the signing date of the contract is zero-dollars. A 5% deposit is required one-day after the contract's effective date, which is the date the Division grants the necessary extensions, and that date has not come yet.

The Division does not have the authority to approve a commercial contract between third parties, nor establish commercial terms or requirements in commercial contracts between third parties. The Division's non-acceptance of the heavy-lift vessel contract is not relevant nor is it backed by precedence or law. The State of Alaska is prohibited from interfering or impairing the obligation of contracts under the Alaska Constitution, Article 1, Section 15.

Alaska Statute 38.05.180 (a) states that "The Legislature finds that (2) it is in the best interests of the state (A) to encourage an assessment of its oil and gas resources and to allow the maximum flexibility in the methods of issuing to (i) recognize the many varied geographical regions of the state and the different costs of exploring oil and gas in these regions." The unusual risks and extraordinary exploration and development costs and considerations associated with offshore Cook Inlet exploration and development are further recognized under Alaska Statute 38.05.180 (f) (4 & 5).

The actions of the Division of Oil and Gas in denying feasible unit expansions and Plans of Exploration do not encourage oil and gas exploration and production companies to want to continue to "fight" the Division in allowing them to assess the state's oil and gas resources. This is contrary to the Legislatures findings.

The offshore resources of the Cook Inlet have not been explored for over 15 years. At a time of falling oil prices, increasing natural gas utility costs in the Cook Inlet, the recessing financial stability of the nation's economy and the looming failure of many businesses, it is essential to encourage exploration and development in the Cook Inlet region.

With the three major oil and gas companies currently operating in the Cook Inlet only doing infield drilling and not exploring for new reserves, it is essential that we encourage the other companies to stay in Alaska and give them the chance to have their plans come to fruition, instead of constantly looking for reasons and methods of inhibiting their plans or even forcing them out of Alaska.

The cost of drilling a well offshore and the amount of time necessary to acquire a suitable jack-up drilling rig, heavy-lift vessel and a Jones Act waiver from the U.S. Department of Homeland Security is much more substantial than an onshore well accessible by either ice roads or gravel roads. The financial considerations, logistics and planning necessary are multitudes more complicated. However, the planning and contracting are now completed and it is just a matter of delivery time and scheduling the wells in cooperation with Escopeta Oil Company's well plans.

Denial of the plans by Pacific Energy Resources and Escopeta Oil Company does not send the right message to potential oil and gas investors or potential exploration and production companies looking at Alaska, and is contrary to the intent of the Alaska Constitution, Article 8, Section 1. Further, it is an involuntary divesting of Escopeta's and Pacific Energy's vested rights, interests and investments in the leases and prospects, in violation of the Alaska Constitution, Article 8, Section 16.

Article 1 of the Alaska Constitution, Section 2 states: "All political power is inherent in the people. All government originates with the people, is founded upon their will only, and is instituted solely for the good of the people as a whole." The DNR's decisions violate my constitutional rights and the "good of the people as a whole" are not being considered or served by these prejudicial and restrictive decisions.

Please Reconsider your Decision of 12/03/08 and reverse Director Banks' Decision of 12/01/2008 regarding Pacific Energy Resources' need for the expansion of the Corsair Unit and its contract for the use of the heavy-lift vessel.

Additionally, I request that the Unit and the Leases comprising the Corsair Unit be stayed in accordance with 11 AAC 02.060 (c)(3), and not be included in any lease sale or otherwise that may affect these leases. This stay is requested to protect my interests, the public's interest, and the interests of Pacific Energy Resources, Ltd.

Forcing yet another company to take their plans before the Superior Court of Alaska does not serve the public's interest, or the best interests of the State of Alaska.

Commissioner Irwin, these two companies are the first to attempt at bringing a jack-up drilling rig to the Cook Inlet in over 15 years. They have worked hard at getting their plans together, and not only do they deserve the chance to succeed, but as a citizen, I deserve for you to give them that chance as well.

Thank you for your consideration on this issue of statewide significance and importance.

Respectfully Submitted,

/ss (submitted electronically via e-mail)

Bruce D. Webb, for:

Webb Exploration and Production, LLC, President
Webb Petroleum Services, Owner
Alaskan Crude Corporation, Vice President
The Ridge Development Company, LLC, Managing Member
Executive Realty, Broker

P.O. Box 113141
Anchorage, AK 99511

ExxonMobil Production Company
P. O. Box 196601
Anchorage, Alaska 99519-6601
907 561 5331 Telephone
907 564 3677 Facsimile

Craig A. Haymes
Alaska Production Manager
Jt. Interest U.S.

ExxonMobil
Production

December 9, 2008

The Honorable Jay Ramras
Chairman, Judiciary Committee
Alaska House of Representatives
1292 Sadler Way, Suite 325
Fairbanks, Alaska 99701

The Honorable Craig Johnson
Co-Chair, Resources Committee
Alaska House of Representatives
716West 4th Avenue, Suite 640
Anchorage, Alaska 99501-2133

The Honorable Carl Gatto
Co-Chair, Resources Committee
Alaska House of Representatives
600 East Railroad Avenue
Wasilla, Alaska 99654

Re: ExxonMobil Testimony on Point Thomson Unit, December 1, 2008

Dear Chairman Ramras, Co-Chair Johnson and Co-Chair Gatto:

Thank you for the opportunity to present an update on ExxonMobil's drilling and work activities at Point Thomson to the Joint House Judiciary and Resources Committees. ExxonMobil remains committed to working with the State to see that Point Thomson is developed in an efficient and responsible manner.

As requested by the Committee, attached is a copy of the permit application and approval issued by the Department of Natural Resources that authorized equipment staging and site preparation activities, including the drilling and setting of conductors. We also are including a copy of the permit issued by the North Slope Borough that addressed this same activity.

If you have any further questions or if I can be of further assistance please do not hesitate to call.

Very truly yours,

CAH:jpc
Attachments

xc: Representative John Coghill
Representative Nancy Dahlstrom
Representative Bryce Edgmon
Representative Anna Fairclough
Representative Max Gruenberg
Representative David Guttenberg
Representative Lindsey Holmes
Representative Scott Kawasaki
Representative Bob Lynn
Representative Bob Roses
Representative Ralph Samuels
Representative Paul Seaton

STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF MINING, LAND AND WATER

NORTHERN REGION
3700 AIRPORT WAY
FAIRBANKS, ALASKA 99709-4699
PHONE: (907) 451-2740
FAX: (907) 451-2751

July 7, 2008

Robert Dragnich
Exxon Mobil Corporation
PO Box 196601
Anchorage, Alaska 99503

Reference: LAS 26895
Pt. Thomson 3 Equipment Staging

Dear Mr. Dragnich:

Enclosed is your signed copy of the Land Use Permit for staging a camp, ice road construction equipment, and fuel at the Pt. Thomson 3 Pad.

Again, please note that the permit contains several conditions that are specific to the current legal issues involving Exxon Mobil and the Point Thomson Unit. These conditions are as follows:

22. Issuance of this permit does not mean DNR has changed its position on the status of the unit or leases,

23. DNR is not waiving any aspect of its PTU decisions;

24. Permittee does this work at its own risk.

If you have any questions regarding this permit, please give us a call.

Sincerely,

Gary Schultz
Natural Resource Manager

Cc: Nan Thompson, DO&G
Steve Schmitz, DO&G
Jack Winters, DNR, OHMP
Ben Greene, NSB

Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans.

STATE OF ALASKA
Department of Natural Resources
Division of Mining, Land & Water

LAND USE PERMIT
Under AS 38.05.850

PERMIT # LAS 26895

Exxon Mobil Corporation, herein known as the Permittee, is issued this permit authorizing the use of state land for storage activities, including the following location:

Section 34, Township 10 North, Range 23 East, Umiat Meridian, located in the North Slope Borough, as shown on the attached map.

This permit is effective beginning **July 1, 2008** and ending **December 31, 2009** unless sooner terminated at the state's discretion. This permit does not convey an interest in state land and as such is revocable with or without cause. No preference right for use or conveyance of the land is granted or implied by this authorization.

This permit is issued for the purpose of:

Staging of equipment, fuel, and camp at the Point Thomson Unit #3 Exploration Pad. The activity includes maintenance of the pad, with the possible placement of additional gravel within the existing pad footprint.

All activities shall be conducted in accordance with the following **General and Special Stipulations.**

General and Special Stipulations

1. **Authorized Officer.** The Authorized Officer for the Department of Natural Resources is the Regional Manager. The Authorized Officer may be contacted at 3700 Airport Way, Fairbanks, Alaska 99709 or (907) 451-2740. The Authorized Officer reserves the right to modify these stipulations or use additional stipulations as deemed necessary.

2. **Development Plan** The development of the site authorized by this permit shall be limited to the area and improvements specified in the development plan dated June 12, 2008. The permittee is responsible for accurately siting development and operations within this area. Any proposed revisions to the development plan must be approved in writing by the Authorized Officer before the change in use or development occurs.

3. **Compliance with Governmental Requirements; Recovery of Costs.** Permittee shall, at its expense, comply with all applicable laws, regulations, rules and orders, and the requirements and stipulations included in this authorization. Permittee shall ensure compliance by its employees, agents, contractors, subcontractors, licensees, or invitees.

4. **Indemnification.** Permittee assumes all responsibility, risk and liability for its activities and those of its employees, agents, contractors, subcontractors, licensees, or invitees, directly or indirectly related to this permit, including environmental and hazardous substance risk and liability, whether accruing during or after the term of this permit. Permittee shall defend, indemnify, and hold harmless the State of Alaska, its agents and employees, from and against any and all suits, claims, actions, losses, costs, penalties, and damages of whatever kind or nature, including all attorney's fees and litigation costs, arising out of, in connection with, or incident to any act or omission by Permittee, its employees, agents, contractors, subcontractors, licensees, or invitees, unless the proximate cause of the injury or damage is the sole negligence or willful misconduct of the State or a person acting on the State's behalf. Within 15 days, Permittee shall accept any such cause, action or proceeding upon tender by the State. This indemnification shall survive the termination of the permit.

5. **Valid Existing Rights.** This authorization is subject to all valid existing rights in and to the land under this authorization. The State of Alaska makes no representations or warranties whatsoever, either expressed or implied, as to the existence, number, or nature of such valid existing rights.

6. **Reservation of Rights.** The Department of Natural Resources reserves the right to grant additional authorizations to third parties for compatible uses on or adjacent to the land under this authorization which do not unreasonably interfere with Permittee's authorized uses.

7. **Performance Guaranty.** The Permittee shall provide a surety bond or other form of security acceptable to the Division in the amount of $175,000 payable to the State of Alaska. Such performance guaranty shall remain in effect for the term of this authorization and shall secure performance of the Permittee's obligations hereunder. The amount of the performance guaranty may be adjusted by the Authorized Officer upon approval of amendments to this authorization, changes in the development plan, upon any change in the activities conducted or performance of operations conducted on the premises. If Permittee fails to perform the obligations under this permit within a reasonable time, the State may perform Permittee's obligations at Permittee's expense. Permittee agrees to pay within 20 days following demand, all costs and expenses reasonably incurred by the State of Alaska as a result of the failure of the Permittee to comply with the terms of this permit. The provisions of this permit shall not prejudice the State's right to obtain a remedy under any law or regulation. If the authorized officer determines that the Permittee has satisfied the terms and conditions of this authorization the performance guaranty may be released. The performance guaranty may only be released in a writing signed by the Authorized Officer.

8. **Assignment.** This permit may be transferred or assigned with prior written approval from the Authorized Officer.

9. **Inspection.**

   a) Authorized representatives of the State of Alaska shall have reasonable access to the subject parcel for purposes of inspection.

b) The Permittee may be charged fees under 11 AAC 05.010(a)(7)(M) for reasonable routine inspections of the subject parcel, inspections concerning non-compliance, and a final close-out inspection.

10. **Violations.** This authorization is revocable immediately upon violation of any of its terms, conditions, stipulations, nonpayment of fees, or upon failure to comply with any other applicable laws, statutes and regulations (federal and state). Should any unlawful discharge, leakage, spillage, emission, or pollution of any type occur due to Permittee's, or its employees', agents', contractors', subcontractors', licensees', or invitees' act or omission, Permittee, at its expense shall be obligated to clean the area to the reasonable satisfaction of the State of Alaska.

11. **Use Fee.**

a. The permittee shall pay to the Division an annual use fee of $31,976.72 without the necessity of any billing by the Division. The use fee for the period of July 1 through December 31, 2009 may be paid on a prorated basis.

b. The use fee is due on or July 1, 2008, and annually thereafter without the necessity of any billing by the Division.

12. **Late Payment Penalty Charges.** If the required use fee is not received by the State by the 10th day of the month when due, the Permittee shall pay a late fee for any late payment. The amount of the late fee is the greater of either the fee specified in 11 AAC 05.010 or interest calculated from the due date at the rate set by AS 45.45.010(a) and will be assessed on a past-due account until payment is received by the state.

13. **Returned Check Penalty.** A returned check fee as provided in 11 AAC 05.010 will be assessed for any check on which the bank refuses payment. Late payment penalties shall continue to accumulate.

14. **Site Maintenance.** The area subject to this authorization shall be maintained in a neat, clean and safe condition, free of any solid waste, debris or litter, except containerized or otherwise legally stored.

15. **Notification.** The Permittee shall notify the Department of Natural Resources of all spills that must be reported under 18 AAC 75.300 under timelines of 18.AAC 75.300. All fires and explosions must be reported to DNR immediately. The DNR 24 hour spill report number is (907) 451-2678; the fax number is (907) 451-2751. The DEC oil spill report number is (800) 478-9300. DNR and DEC shall be supplied with all follow-up incident reports.

16. **Storage of Equipment.** The site shall be protected from leaking or dripping hazardous substances or fuel from equipment and vehicles. The Permittee shall place drip pans or other surface liners designed to catch and hold fluids under the equipment or develop an area for storage using an impermeable liner or other suitable containment mechanism.

17. **Fuel and Hazardous Substances.** Secondary containment shall be provided for fuel or hazardous substances.

a. **Container marking.** All independent fuel and hazardous substance containers shall be marked with the contents and the permittee's name using paint or a permanent label.

b. **Fuel or hazardous substance transfers.** Secondary containment or a surface liner must be placed under all container or vehicle fuel tank inlet and outlet points, hose connections, and hose ends during fuel or hazardous substance transfers. Appropriate spill response equipment must be on hand during any transfer or handling of fuel or hazardous substances to respond to a spill of up to five gallons. Transfer operations shall be attended by trained personnel at all times.

Vehicle refueling shall not occur within the annual floodplain or tidelands. This restriction does not apply to water-borne vessels provided no more than 30 gallons of fuel are transferred at any given time.

c. **Storing containers within 100 feet of waterbodies.** Containers with a total capacity larger than 55 gallons which contain fuel or hazardous substances shall not be stored within 100 feet of a waterbody.

d. **Exceptions.** The Authorized Officer may under unique or special circumstances grant exceptions to this stipulation on a case-by-case basis. Requests for exceptions should be made to the Authorized Officer.

e. **Definitions.**

"Containers" means any item which is used to hold fuel or hazardous substances. This includes tanks, drums, double-walled tanks, portable testing facilities, fuel tanks on small equipment such as light plants and generators, flow test holding tanks, slop oil tanks, bladders, and bags. Manifolded tanks or any tanks in a series must be considered as single independent containers. Vehicles, including mobile seismic tanks, are not intended to be included under this definition.

"Hazardous substances" are defined under AS 46.03.826(5) as (a) an element or compound which, when it enters the atmosphere, water, or land, presents an imminent and substantial danger to the public health or welfare, including fish, animals, or vegetation; (b) oil; or (c) a substance defined as a hazardous substance under 42 U.S.C. 9601(14).

"Secondary containment" means an impermeable diked area or portable impermeable containment structure capable of containing 110 percent of the volume of the largest independent container. Double-walled tanks do not qualify as secondary containment unless an exception is granted for a particular tank.

"Surface liner" means any safe, non-permeable container (e.g., drips pans, fold-a-tanks, etc.) designed to catch and hold fluids for the purpose of preventing spills. Surface liners should be of adequate size and volume based on worst-case spill risk.

18. **Alaska Coastal Management Program.** This project is categorically consistent with the standards of the ACMP under A-list 2a (temporary placement of camps or equipment).

19. **Site Restoration.** The site shall be restored to a condition acceptable to the Authorized Officer.

20. **Wastewater Disposal.** Disposal of wastewater from any operation associated with this authorization must satisfy the requirements of the Alaska Department of Environmental Conservation.

21. **Solid Waste.**

a. All solid waste and debris generated from the activities conducted under this authorization shall be removed to a facility approved by the ADEC prior to the expiration, completion, or termination of the authorization or activities.

b. Paper products may be burned on site provided that measures (e.g. burn barrels, clearing of burn area to mineral soil) are taken to prevent wildfires.

c. Temporary storage and accumulation of solid waste (prior to its removal) shall conform to the following:

i. solid waste shall be stored in a manner that prevents a litter violation under AS 46.06.080;

ii. putrescible wastes (material that can decompose and cause obnoxious odors) shall be stored in a manner that prevents the attraction of or access to wildlife or disease vectors; and

iii. the premises shall be maintained free of solid waste that might create a health or safety hazard.

22. Issuance of this permit does not mean DNR has changed its position on the status of the unit or leases,

23. DNR is not waiving any aspect of its PTU decisions;

24. Permittee does this work at its own risk.

I have read and understand all of the foregoing and attached stipulations. By signing this permit, I agree to conduct the authorized activity in accordance with the terms and conditions of this permit.

Signature of Permittee or Authorized Representative	Title	Date
[signature]	ALASKA PRODUCTION MANAGER	7/3/08

Permittee's Address	City	State	Zip code
P.O. Box 196601	ANCHORAGE	ALASKA	99524-1781

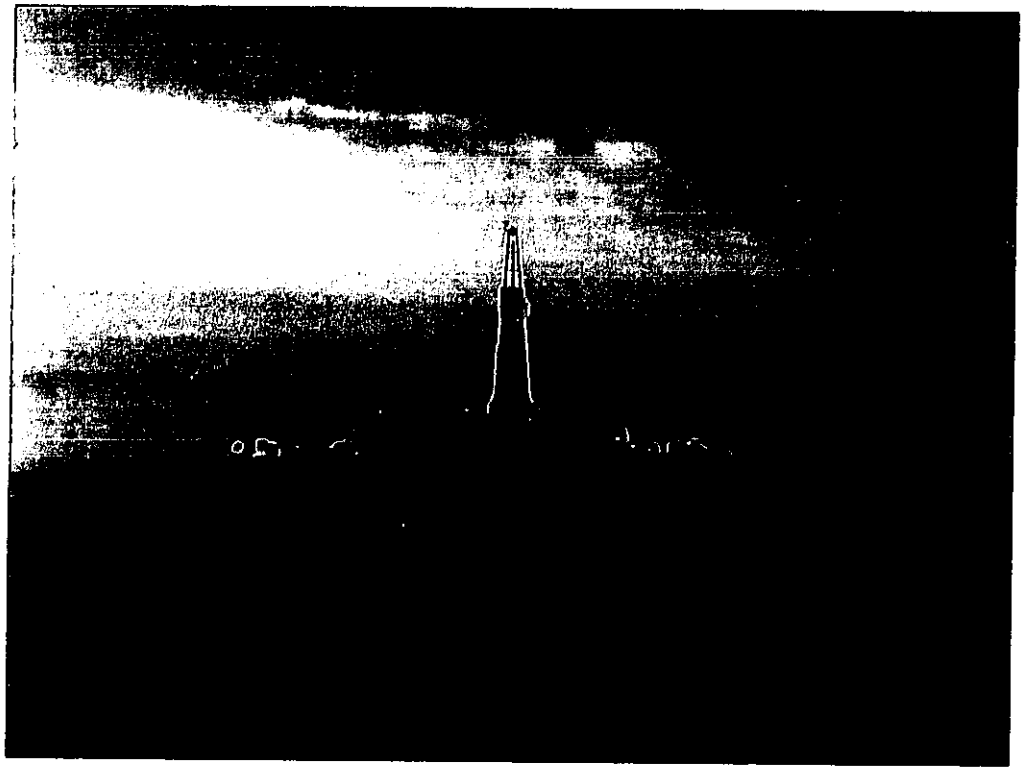
Home Phone	Work Phone	Contact Person
907-830-4796	907-564-3911	ROBERT DRAGNICH

Signature of Authorized State Representative	Title	Date
Gary Schultz	Natural Resource Manager	July 7, 2008

Form Date: 11/13/02

ExxonMobil

Point Thomson Drilling Program
Equipment Staging and Pad Preparation Project Description



Prepared: June 11, 2008

Exxon Mobil Corporation
Point Thomson Drilling Program
Equipment Staging and Site Preparation Project Description

1. Introduction and Project Overview

Exxon Mobil Corporation (ExxonMobil), as operator and on behalf of the Point Thomson leaseholders, proposes to stage equipment and fuel for use in ice road construction and other operations, and conduct site preparation work at the existing Point Thomson Unit #3 (PTU #3) gravel pad during July and August 2008 as the initial phase of drilling operations for the Point Thomson Drilling Program. The PTU #3 location lies 52 miles east of Deadhorse, Alaska along the Beaufort Sea coast. Ice road construction and actual drilling will be covered under subsequent permit submittals.

The proposed work includes facilitating removal of equipment currently stored on the pad by another operator; placement of ice road construction equipment, a 30-man construction camp, fuel storage tanks, and fuel associated with ice road construction and for use in other operations; and maintenance and site preparation of the existing pad. Additional project equipment to be staged onsite may include drilling rig components, casing and materials for drilling activities. The maintenance and site preparation work will include grading, placing additional gravel from the Prudhoe Bay area, and installation of a cellar(s) and conductor(s). Following site preparation work, a small staff may be maintained onsite for maintenance and security until ice road construction personnel mobilize to the PTU #3 location in November or December.

Permit approval for the work is being requested to allow the staging of ice road construction equipment and pad maintenance and site preparation work to be performed in an optimal manner during the summer. This also will allow greater utilization of the available winter drilling season on the PTU #3 location. Approximately three to four weeks can be added to the available drilling season time with summer staging of equipment and preparation of the site. Time savings will be realized by staging ice road construction equipment to allow construction of the sea ice road to occur from both the PTU #3 and Prudhoe Bay ends of the planned road and by having the site ready to accept ice road construction crews and the drilling rig.

2. Site Description

The existing PTU #3 gravel pad was used for the drilling of the Point Thomson Unit #3 exploratory well. Temporary fuel storage tanks (empty) as well as miscellaneous equipment and stacked well casing is being stored on the location by another operator. There is a gravel extension from the PTU #3 pad to the Beaufort Sea coastline that allows equipment from a barge to be transferred to the pad without crossing tundra. The site is largely surrounded by typical North Slope coastal tundra as shown in the attached aerial image, Figure 1.

1909

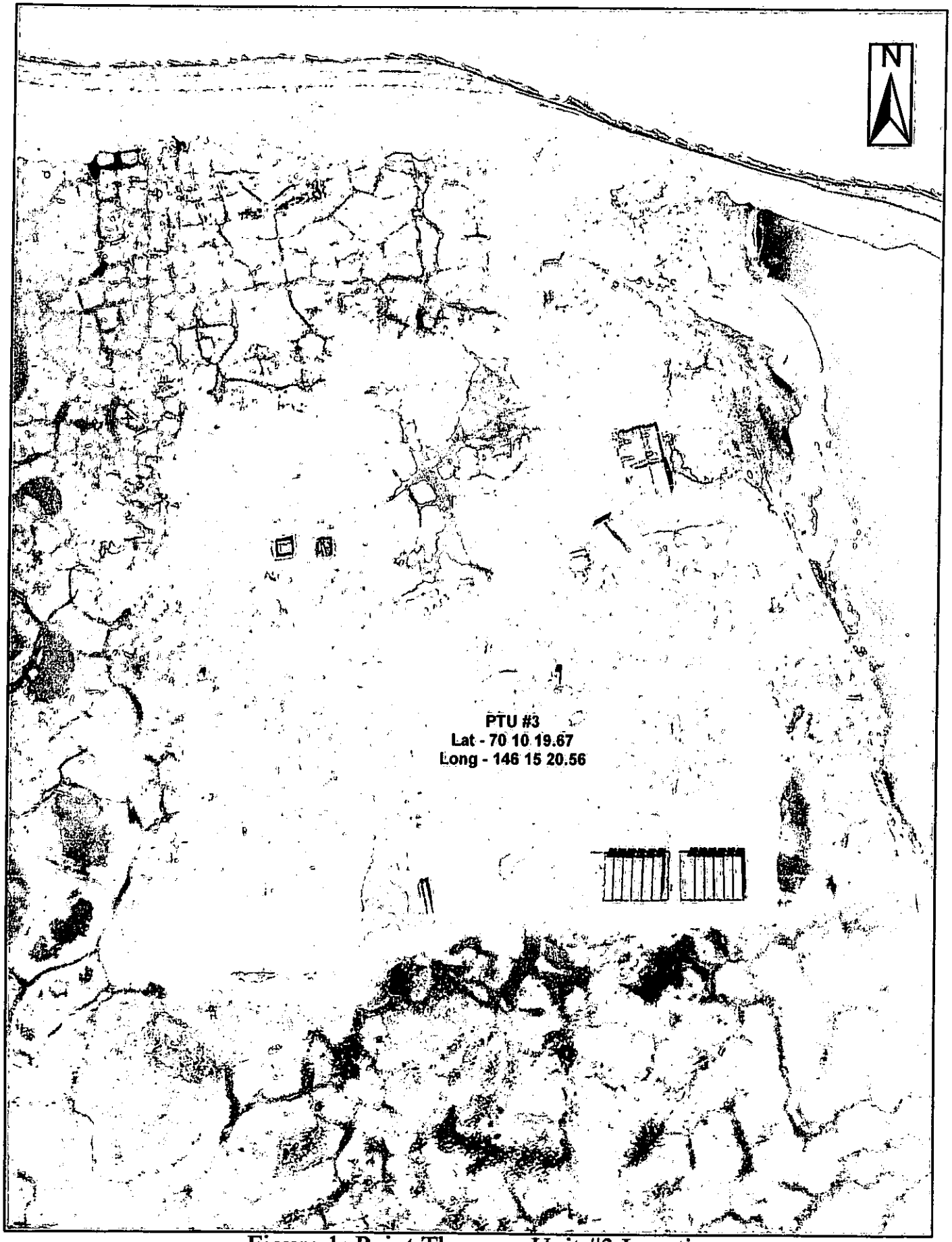


Figure 1: Point Thomson Unit #3 Location

3. Project Permitting

Permit applications and requested authorizations for the proposed activities are listed in Table 1.

Table 1: Project Permitting Requirements.

Permit Approval or Authorization	Agency
Coastal Project Questionnaire	Alaska Department of Natural Resources (ADNR)
Land Use Permit	Alaska Department of Natural Resources
Title 41/Title 16 Fish Habitat Permit	Alaska Department of Natural Resources
Development Permit	North Slope Borough Planning Department
Letter of Authorization (LOA) for the incidental taking of polar bears and Pacific walrus	U.S. Fish and Wildlife Service
Spill Prevention, Control, and Countermeasure (SPCC) Plan	U.S. Environmental Protection Agency (EPA)
Operations and Facility Response Plan	U.S. Coast Guard

Helicopter operations will be conducted consistent with ADNR's Beaufort Sea and North Slope Lease Sale Mitigation Measures, which require that helicopter operations maintain elevation of 1500' or more whenever possible and make approaches and departures from landing points in a near vertical profile when practicable.

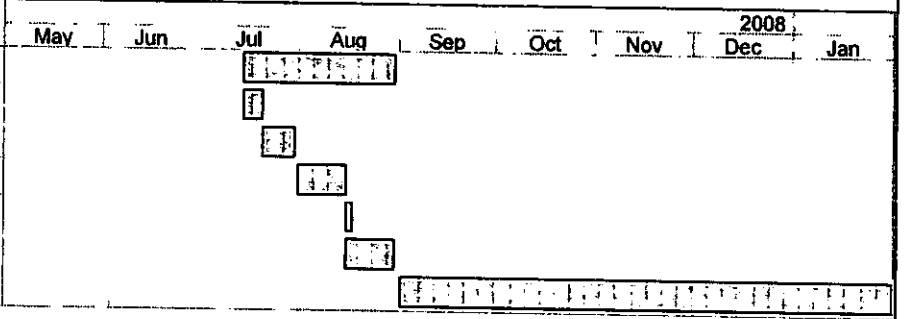
4. Summary Operations Plan

4.1 Project Schedule

The project schedule for the equipment staging and site work is shown in Figure 2. An initial site inspection and survey, on or about June 20, 2008, is planned in advance of initiating project activities. Barging of the ice road construction equipment, 30 man camp, fuel tanks and other necessary supplies would occur in mid to late July and August. Based on the results of the June survey, gravel may be barged in to provide a stable surface for placement of the rig and drilling of the well within the existing gravel footprint. Barging activities will be confined to timeframes that do not conflict with subsistence whaling activities. A small crew may remain onsite to conduct maintenance and provide security for the equipment and materials until ice road construction personnel mobilize to the location in November or December.

Figure 2
ExxonMobil
Point Thomson
Equipment Staging and Pad Preparation Project Schedule

ID	Task Name	Start	Finish
1	Barging of Equipment and Materials	7/15/08	8/30/08
2	Camp Setup	7/15/08	7/20/08
3	Gravel Hauling	7/21/08	7/30/08
4	Pad Preparation	8/1/08	8/15/08
5	Onsite Equipment Backhaul	8/16/08	8/17/08
6	Final Equipment Staging	8/16/08	8/30/08
7	Security Crew Standby	9/2/08	1/31/09



Project: Project1.mpp
Date: 6/3/08

Task
Split
Progress
Milestone
Summary
Project Summary
External Tasks
External Milestone
Deadline

4.2 Site Access

4.2.1 Helicopter Support

Access to the PTU #3 location for personnel and small freight operations will be conducted via helicopter transportation from the Deadhorse airport. A Bell 212 or 412 helicopter will be utilized for personnel movement and emergency response during the work program.

4.2.2 Barge Transportation

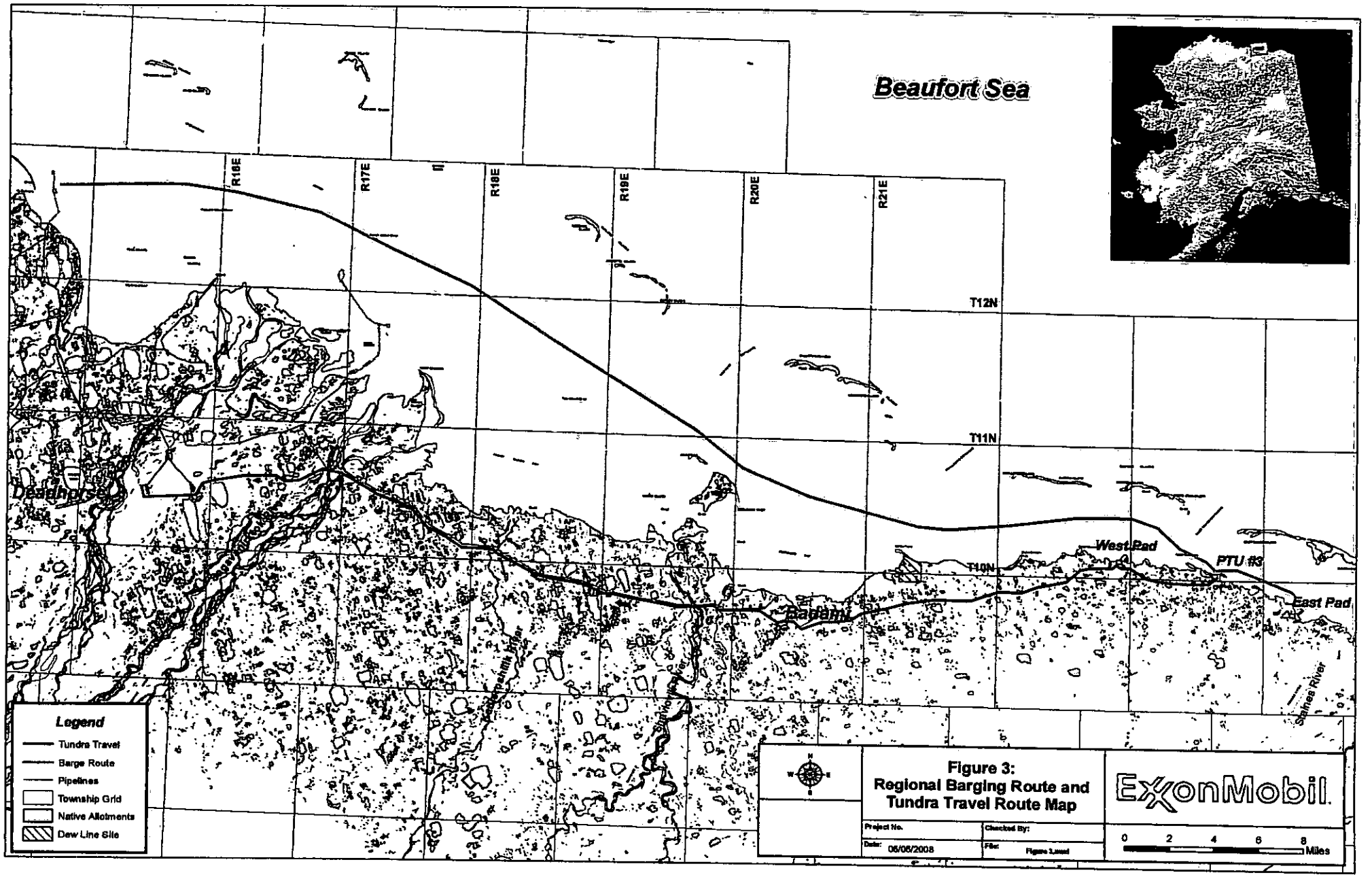
Transportation of heavy equipment and materials will be via barge transportation from the Prudhoe Bay West Dock with routing along the northern Beaufort Sea coast and off-loading on the gravel beach at the north end of the PTU #3 pad. Barge operations are anticipated to require approximately 23 round trips from West Dock for the movement of ice road construction equipment, temporary fuel storage tank facilities, work camp/crew quarters, aggregate material for pad preparation, and other necessary equipment and materials. Two deck barges (60' x 200' each) with accompanying tugs will be utilized for the marine transportation requirements.

Barge activities will be confined to timeframes that do not conflict with subsistence whaling activities. The barging schedule will be coordinated with the North Slope Borough and communities of Kaktovik and Nuiqsut to avoid subsistence conflicts. The planned barging route from West Dock to the PTU #3 location is shown in Figure 3.

Access to the PTU #3 site will be controlled by onsite personnel. General public use of the area is limited to the occasional local hunters that come through the area by boat in summer and who will be able to stop and visit the location.

4.3 Onsite Personnel

Initial survey and tank inspection will consist of up to eight (8) personnel that will commute by helicopter from the Deadhorse/Prudhoe Bay area for up to six (6) days. Remaining activities will require up to 20 personnel for equipment staging and site preparation. These personnel will be housed in the crew camp facilities that will be barged to the site during this time period.


Beaufort Sea
R16E
R17E
R18E
R19E
R20E
R21E
T12N
T11N
T10N
Deadhorse
Prudhoe Bay
Kadleroshilik River
Sagavanirktok River
Badami
West Pad
PTU #3
East Pad
Saimes River
Legend
Tundra Travel
Barge Route
Pipelines
Township Grid
Native Allotments
Dew Line Site
Figure 3:
Regional Barging Route and
Tundra Travel Route Map
Project No.
Checked By:
Date: 06/06/2008
File:
Figure 3.mxd
ExxonMobil
0 2 4 6 8
Miles

Once equipment staging, site preparation and tank installation is complete, a temporary camp for approximately two personnel will be staffed for maintenance and security purposes.

4.4 Camp Facilities

A 30 man camp will support the summer operations and will be subsequently used by the ice road construction personnel starting in November. The camp will have primary and backup generators for power of approximately 150 KW each. Fuel for these generators will be stored in the onsite fuel tanks that are to be installed and in generator day tanks. Treated camp wastewater will be discharged to the tundra in accordance with NPDES Permit No. AKG-33-0000. Sewage and sewage sludge disposition will be determined after selection of the specific camp facility by the ice road contractor. Depending on the unit selected, sludge may be incinerated on site in "Incin-o-lets" toilet units or collected and shipped offsite for disposal in the Prudhoe Bay area. Trash will be stored indoors and backhauled to Deadhorse or incinerated onsite to minimize the potential for wildlife attraction. Camp water during the summer will be delivered to the site from water sources within the Prudhoe Bay area and held in camp tanks. Resupply of the camp water will be by barge transport. Following the completion of barging, camp water will be provided by helicopter until snowmobiles are able to access water supplies at the Alaska State C-1 water pit. Water may also be taken from lakes close to the drillsite. Lake and gravel pit water usage will be less than 500 gallons/day.

4.5 Equipment Staging and Site Preparation

The anticipated equipment to be staged at the PTU #3 location is listed in Table 2. Prior to transport to the PTU #3 location, the equipment will be serviced in Deadhorse and any identified maintenance issues that could result in leaks or faulty operation will be addressed and remedied.

Table 2: Equipment to be Staged at PTU #3 Location.

Equipment	Quantity	Planned Use
Compactor	1	Gravel placement
Fuel tanks, 18,000 gallons each	9	Fuel storage
30 man camp	1	Quarters
Skid camp	1	Security crew quarters
Tucker Sno-Cat	1	Ice Road Construction
TV-145 Pumper	1	Ice Road Construction
966 Loader / Snowblower	1	Ice Road Construction
Service / Mechanic truck	1	Ice Road Construction
150 bbl water truck	1	Ice Road Construction
325 bbl water tanker	1	Ice Road Construction
Fuel truck	1	Ice Road Construction
Warehouse building	1	Maintenance, storage

Emergency shelter/oil spill container	TBD	Ice Road Construction
Light plants, heaters, other miscellaneous equipment	TBD	Ice Road Construction

Site preparation activities may include placement and compacting of approximately 2,000 cubic yards of gravel within the existing gravel footprint to provide a smooth working surface and level area for the subsequent placement of the drilling rig. Actual gravel importation quantities will be determined from site survey activities in June. Gravel will be obtained from an existing permitted pit in the Prudhoe Bay area under an existing contractor material sales contract. Additional site preparation activities include installation of temporary fuel tanks, staging of approximately 160,000 gallons of fuel, erection of a material and equipment shelter building, installation of a cellar(s) and conductor(s), and facilitate removal of existing onsite equipment. The planned location for the equipment and materials is shown in Figure 4.

4.6 Fuel and Hazardous Substances Control

Onsite equipment will use diesel fuel, hydraulic oil and lubricants for operations. Approximately 10,000 gallons of diesel fuel will be stored onsite in a tanker truck(s) to support initial site set up and preparation. An undetermined minor volume of commercial lubricants will also be located on site in secured indoor containers.

ExxonMobil plans to install temporary fuel storage tanks with an aggregate storage volume of 160,000 gallons in a lined containment area. The tanks will be double wall, API 653 certified fuel tanks. When this temporary storage facility is completed, a fuel barge will be dispatched to fill the tanks with diesel. This volume will be sufficient for the equipment staging and site preparation activities during the summer and ice construction operations in November and December 2008. After construction of the ice road, the fuel tanks will store fuel for drilling operations. The tanks will comply with ADNR, ADEC, EPA and North Slope Borough requirements. Fuel transfers from barges will comply with USCG requirements.

A Spill Prevention Control and Countermeasure (SPCC) Plan for the completed temporary tank facility and other onsite fuel storage containers will be prepared and submitted to the EPA. These temporary fuel storage facilities will also be included in the Oil Discharge Prevention and Contingency Plan (ODPCP) which will be prepared to cover the drilling activity. Containment for the temporary tank farm will consist of lined and built up cells capable of containing 110% of the storage capacity of the largest emplaced tank. The tanks will be inspected on a daily basis in accordance with the SPCC Plan requirements to verify tank integrity.

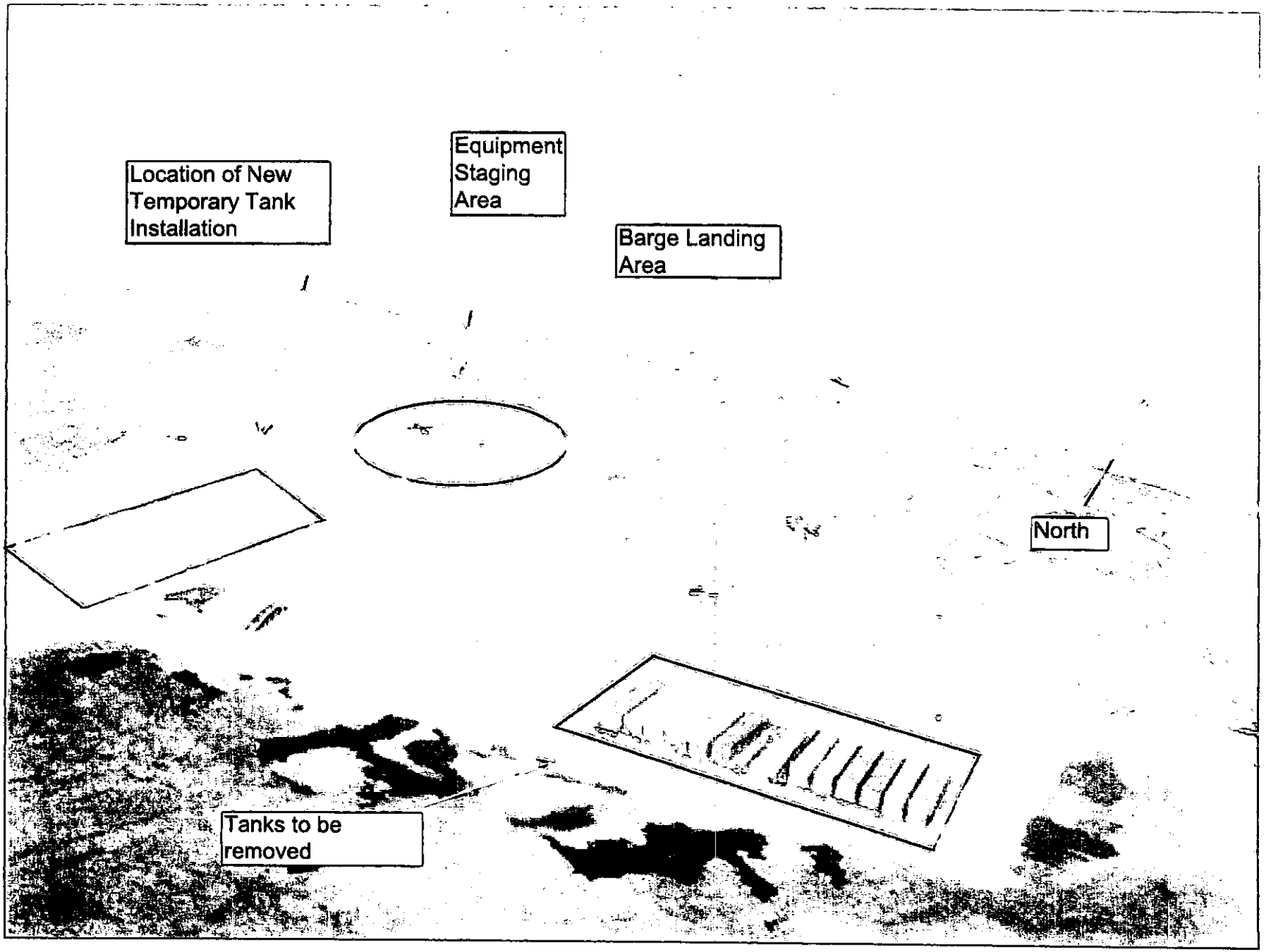


Figure 4: PTU #3 Equipment and Material Placement Areas

5. Project Representative and Contact

An ExxonMobil designated project representative will be onsite at all times during operations. Twenty-four hour phone service will be available at Deadhorse and/or the PTU #3 camp. The following persons or positions are designated contacts for the project.

Table 3 – ExxonMobil Contact Personnel

Name	Title	Phone/Email	Mobile Phone
Mike Flynn Joseph Adami	Construction Supervisors	TBD Joseph.adami@fairweather.com	 907-244-9016
William C. Pecor	Point Thomson Coordinator	907-564-3766 william.c.pecor@exxonmobil.com	
Rob Dragnich	Permitting Coordinator	907-564-3711 rob.g.dragnich@exxonmobil.com	907-830-4796

NORTH SLOPE BOROUGH
PLANNING DEPARTMENT Johnny L. Aiken, Director

P.O. Box 69
Barrow, Alaska 99723

Phone: (907) 852-2611
(907) 852-0320
Fax: (907) 852-0322

July 31, 2008

RECEIVED
AUG 7 2008
C.A. Haymes
Production Alaska

Exxon Mobil Corporation
C/O Craig A. Hayme, Alaska Production Manager
P.O.Box 196601
Anchorage, Alaska 99519-6601

RE: NSB 08-408.Conditional Use Permit, Point Thompson Equipment Staging and Site Preparation, Umiat Meridian, Point Thompson Unit #3, T10N, R23E, Section 34, Resource Development District

Dear Mr.Hayme:

We have completed our review of your request to stage equipment and fuel for use in ice road construction and other operations, associated with site preparation at the existing Point Thomson Unit #3 (PTU #3) gravel pad. This initial phase of drilling operations for the Point Thompson Drilling Program, which includes setting two conductors at the (PTU #3) pad, will take place in August and September 2008. (See attached letter).

Summer studies:

1. Bathymetry studies in the area of the proposed barge landing at the PTU #3 pad.
2. Topographic surveying of the (PTU #3) pad.
3. Geotechnical analysis (soil borings and ground penetrating radar) of the PTU #3 pad.
4. Inspection of fuel tanks and other equipment stored on the pad by another operator in preparation for removing those items.
5. Archeological studies to potential water sources along the coastline between the Prudhoe Bay area and Point Thompson area.
6. Bathymetry survey between the Endicott causeway and the PTU #3 pad.
7. Inspection of exploration drill sites in the Point Thompson area to plan well inspections and remedial work.

The project is set to commence on August 2008, with a completion date of January 31, 2009.

We have determined that your proposed activity is consistent with Title 19 and the North Slope Borough Coastal Management Program provided that you comply with the following conditions:

PROJECT SPECIFIC STIPULATIONS:

1. Exxon Mobil Corporation will submit results of any records of studies it has done on wildlife that may be affected by its activities (i.e., marine mammal observer reports) to the NSB Wildlife and Planning Departments as soon as the reports are available, but no later than July 1, 2009. This requirement does not pertain to engineering or geotechnical data not directly related to wildlife.

2. Exxon Mobil Corporation must obtain a non-objection letter from the Land Owner and must send a copy to the NSB Planning Department. To the extent the land is owned by the Alaska

Department of Natural Resources (ADNR), an ADNR permit specific to this project will suffice.

3. Permittee shall conduct activities in accordance of "economic opportunity policies" that reflects the codified section of Title 19, NSBMC 19.70.030.

4. Permittee shall consult the villages of Kaktovik and Nuiqsut regarding developments in the project, and adjust the project accordingly if need be, in response to reasonable concerns of the villages of Kaktovik and Nuiqsut. NSBMC 19.70

5. Exxon Mobil Corporation shall develop a GPS tracking system (i.e., navigation logs with coordinates in real time) for all vessels to help minimize subsistence activity conflicts. NSBMC 19.70.050 (D) (1), NSBCMP 2.4.3 (d).

6. Exxon Mobil Corporation shall have signed Conflict Avoidance Agreement (CAA) with Alaska Eskimo Whaling Commission (AEWC), the Whaling Captains of Kaktovik and Nuiqsut prior to commencement of barging activities. NSBMC 19.70.040 (E)

7. Exxon Mobil Corporation shall develop a subsistence mitigation program prior to the barging activities for the villages of Kaktovik and Nuiqsut to be implemented by the respective villages. NSBMC 19.70.050 (D) (1), (F) NSBCMP 2.4.3 (f). Exxon Mobil Corporation may satisfy this requirement by agreeing to (1) provide emergency assistance to subsistence users in the event of inclement weather; (2) assist with transportation of harvested whales to shore if required; (3) reserve 1,000 gallons of fuel for subsistence users in the event that displacement of subsistence resources requires users to travel farther in search of resources.

8. This permit shall not become effective until an ACMP review consistency determination (if required) is complete, and Alaska Department of Environmental Conservation (ADEC) approves the applicant's C-Plan (if required).

9. Exxon Mobil Corporation shall have Tribal Consultation on Regional level (with ICAS) and Tribal Entities of Kaktovik and Nuiqsut.

10. Exxon Mobil Corporation shall adhere to all conditions set forth in the July 25, 2008 Staff Recommendation.

PROJECT STIPULATIONS:

1. A Status Report for the activities conducted under this approval must be filed with the Planning Department on May 1 and January 1 each year, from the date this approval is issued and until a Completion Report is filed with the Division. Failure to file status reports or the completion report in a timely manner may result in revocation of this approval. The completion report shall contain a statement describing any clean-up activities conducted specific to the phase of activity, the method of debris disposal, and a narrative description of known incidents of surface damage.

2. The applicant shall defend, indemnify and hold the North Slope Borough harmless from any and all claims, damages, suits, losses, liabilities and expenses related to the injury to or death of persons and damage to or loss of property arising out of or in connection with the entry on and use of property within the North Slope Borough boundaries authorized under this approval by the applicant, its contractors, subcontractors and their employees.

3. Amendments and modifications to this approval require 15-day advance notice and must be approved in writing by the Land Management Administrator.

4. The applicant shall inform and insure compliance with any and all conditions of this approval by its

employees, agents and contractors, including subcontractors at any level.

5. Rehabilitation, Restoration, Remediation, and Cleanup shall be completed to the satisfaction of the Administrator.

6. Tundra travel on or across Native land claims is not authorized under this approval. The applicant shall consult Bureau of Land Management master title plats prior to any exploration or drilling to ensure surface operations do not cross or impact existing or pending native allotment claims. The purpose of this stipulation is to avoid trespass and/or damage to in-holdings on North Slope Borough-owned lands.

7. In the event of a spill, Exxon Mobil Corporation shall contact the following agencies; National Response Center (NRC): phone (800) 424-8802; ADEC – Business Hours phone (907) 451-2121, fax (907) 451-2362; ADEC –after hours and weekends call AK STATE TROOPERS (800) 478-9300; Alaska Department of Natural Resources – Oil Spill Hotline phone (907) 451-2678, fax (907) 451-2751; North Slope Borough (NSB) (907) 852-0440 (24-hour phone), fax (907) 852-5991; NSB Disaster Coordinator (Pat Patterson) phone (907) 852-2822, (907) 852-6111 (24 hours on call) fax (907) 852-2475; US Coast Guard phone (907) 271-6700, fax (907) 271-6765; US Fish and Wildlife Service (spills that may impact ANWR) phone (907) 456-0250, fax (907) 456-0248; BLM Anchorage – NPR-A phone (907) 267-1210; fax (907) 267-1304; BLM Fairbanks – NPR-A (Don Meares) phone (907) 474-2306, fax (907) 474-2386. The Northern Regional office of the Division of Mining, Land and Water shall be supplied with all follow-up incident reports.

8. The applicant shall hold well advertised meetings in Kaktovik and Nuiqsut to ensure that the activities do not conflict with subsistence uses of the area near Kaktovik and Nuiqsut. These meetings are intended to engage the subsistence hunters that use the areas that you plan to explore. If there are potential conflicts, you will develop a plan to mitigate those conflicts. Any plan must be approved by the NSB Planning Department. In the event that a meeting is not held prior to permit approval, Exxon Mobil Corporation shall provide the Planning Department (c/o Waska Williams) with an update of concerns raised by villagers, and Exxon Mobil Corporation's efforts to mitigate any conflicts.

OIL SPILL PREVENTION AND RESPONSE STIPULATIONS FOR FUEL STORAGE:

1. The permittee is reminded to conform to the provisions of NSBMC Chapter 19.70 for industrial development. The proper design, installation and operation of fuel storage, transfer and loading facilities are a condition of this permit. NSBMC 19.70.

2. Impermeable lining and diking is required for fuel storage facilities with a capacity greater than 660 gallons. The facility must be designed to hold 110% of the contents of the largest tank in the containment area, plus additional capacity to account for annual average precipitation. An engineer must certify that the lining and diking system meets these standards.

An oil spill prevention and response plan that provides for sufficient trained personnel and oil spill response equipment to respond to the worst-case discharge at this pad, must be in place prior to operating this pad.

SPILL RESPONSE TACTICS:

Compliance with the following is required:

- Place drip pans under vehicles parked over 5 minutes or during refueling
- During bulk fuel transfers, placement of vinyl liners with foam dikes with a capacity of 25 gallons under all valves or connections to diesel fuel tanks that are not within secondary containment.

Pink dye will be added to all diesel fuel prior to transporting to the field crews to aid in spill detection. All spills will be reported and cleaned up by Exxon Mobil Corporation.

HELICOPTER STIPULATIONS:

1. Exxon Mobil Corporation will communicate with the City of Kaktovik and City of Nuiqsut prior to conducting the 2008 study work in order to avoid impacting subsistence activities. NSBMC 19.70.050 (L), NSBMC 19.70.050 (J) 3.

2. Exxon Mobil Corporation shall employ subsistence representatives to assist in minimizing impacts to wildlife and local subsistence activities. Exxon Mobil Corporation is encouraged to hire its representatives from the Villages of Kaktovik and Nuiqsut (or other NSB villages if no one from Kaktovik and Nuiqsut is available). NSBMC 19.70.050 (L) 4, NSBMC 19.70.050 (J) 3.

3. Helicopter use in support of study activities shall maintain at minimum, 1,500 feet of altitude to avoid harassment over concentrations of 25 or more caribou, and over hunters in the area in of pursuit of subsistence animals, except during takeoffs and landings or as required for human safety. NSBMC 19.70.050 (L) 4, NSBMC 19.70.050 (J) 3.

4. To minimize impacts to subsistence activities, a helicopter route shall be established from routine site locations. Exxon Mobil Corporation shall not deviate from that prescribed route, unless avoidance of a large concentration of animals is occurring, or for human safety. The helicopter route for this project is limited to the study area. NSBMC 19.70.050 (L) 4, NSBMC 19.70.050 (J) 3.

5. Airports and helicopter pads are required to be sited, designed, constructed and operated in a manner that minimizes their impact upon wildlife. NSBMC 19.70.050 (L) 4, NSBMC 19.70.050 (J) 3. Vehicles, vessels, and aircraft that are likely to cause significant disturbance must avoid areas where species that are sensitive to noise or movement are concentrated at times when such species are concentrated. Concentrations may be seasonal or year-round and may be due to behavior (e.g., flocks or herds) or limited habitat (e.g., polar bear denning, seal haulouts). Horizontal and vertical buffers will be required where appropriate. Concern for human safety will be given special consideration when applying this policy. NSBMC 19.70.050 (I) 1.

SUBSISTENCE MITIGATION PROGRAM:

1. Exxon Mobil Corporation shall contact the NSB Land Management Administrator to prepare and implement a Subsistence Mitigation Program to mitigate adverse impacts to subsistence activities. Pursuant NSBMC 19.30.070 (A) (1), (2)

Exxon Mobil Corporation shall hire local subsistence representatives (preferably someone who knows the area and cabin or native allotment owners located in the general area) to work as a guide during construction and to monitor the activities of the proposed project construction.

ECONOMIC STIPULATIONS:

1. The applicant is advised that the Borough strongly encourages those seeking to do business on the North Slope to conduct their operations in a manner, that enhances locally-based economic and employment opportunities for Borough businesses and residents. In order to ensure that these goals have been considered in the design and administration of project operations the applicant shall submit an economic opportunity plan to the Land Management Administrator that outlines, in detail, how the policies outlined below and codified at **NSBMC 19.70.030** have been addressed.

Developers are encouraged to conduct operations to the extent practical and feasible:

A. Using suppliers or subcontractors from within the Borough for work, which can be accomplished competitively by local private businesses or regional or village corporations.
B. Employing local Borough residents, unless residents of the local villages express no interest in the work.
C. Utilizing flexible employment procedures, which allow the pursuit of subsistence opportunities by Borough resident employees.
D. Incorporating job-training programs targeting Borough residents.

1. The applicant shall present the economic opportunity plan to the Land Management Administrator for consideration prior to commencement of operations.

GRAVEL STIPULATIONS:

Exxon Mobil Corporation shall not expand the gravel pad already in the project area beyond its existing surface area, but may add gravel layers over the existing pad for maintenance.

The lands and facilities subject to this permit must be maintained in good condition and in conformance with the terms and conditions of this permit. You are not relieved of this requirement if you abandon the permitted activity, although you may make a good faith transfer to a third party. Should you wish to cease to maintain the authorized activity or should you desire to abandon it without a good faith transfer, you must obtain approval from the Land Management Administrator or his designated representative, which may require restoration and or re-vegetation of the area.

GENERAL STIPULATIONS

1. The permittee is reminded to conform to the provisions of NSBMC Chapters 9.08, 9.12 and 9.16 regarding solid and sanitary waste collection/disposal and potable water. The proper and lawful disposal of waste in an environmentally sound manner is a condition of this permit. If the permittee does not anticipate using facilities operated or approved by NSB, the Alaska Department of Environmental Conservation at (907) 269-7500 shall be contacted for an approved sanitary and solid waste disposal plan as well as a plan for potable water for temporary and permanent facilities described in this permit. A copy of the approved plans shall be submitted to the North Slope Borough Permitting and Zoning Division to become a part of this permit file. NSBMC 19.70.050(I)(4)&(5)

2. Should any cultural, archeological or paleontological resource materials (including, but not limited to artifacts, house mounds, grave sites, ice cellars, and fossilized animal remains) be discovered in the course of activities conducted under this permit, the site shall not be disturbed and the North Slope Borough Inupiat History, Language and Culture Commission shall be promptly notified at (907) 852-0422. NSBMC 19.70.050(E) through (G)

3. All oil and other hazardous material spills over 55 gallons shall be reported immediately to the NSB by telephoning (907) 852-0440. The follow-up written report will be faxed to the NSB Permitting and Zoning Division fax (907) 852-5991and the NSB/OSEA office at (907) 852-0327. A report of all spills shall be submitted to our office on a weekly basis. A sufficient amount of absorbent materials shall be on hand at all times in the event of any fuel, oil, or chemical spills. Spills shall be cleaned up as soon as possible. NSBMC 19.50.030(I)

4. The Land Management Administrator may require that his authorized representative be on-site during any operations conducted under this permit. NSBMC 19.30.100

5. Within the constraints of federal, state and local law, the permittee and its agents are encouraged, through a voluntary affirmative action program, to hire and train residents of the North Slope Borough.

In order to comply with this stipulation the permittee and its agents shall contact the Mayor or City Manager and the village corporation of any village most affected by this permit. In this case contact the village of Nuiqsut at (907) 480-6727 and Kuukpik Corporation at (907) 480-6220 to determine if there are qualified people available or people who could be employed for on-the-job training. NSBMC 19.70.030

6. The permittee shall comply with all local, state and federal laws and permits applicable to this project. NSBMC 19.30.100

7. This permit is valid for the duration of the existence of the development and the developer's compliance with the terms and conditions herein. This permit automatically expires within twelve months of approval if no actual development has commenced. Failure to comply with the conditions of this permit could result in immediate revocation of this permit. NSBMC 19.30.070

8. The permittee shall inform and ensure compliance with these stipulations by its agents and employees. This permit shall be posted in a conspicuous place for these individuals to see. NSBMC 19.30.100

Our review was conducted in accordance with NSBMC, Title 19. The purpose of our review is to ensure that your project achieves the goals and objectives, and implements the policies, of the Borough Comprehensive Plan, including its Coastal Management Program; to ensure that the future growth and development of the Borough is in accord with the values of its residents; to identify and secure, for present and future residents, and beneficial impacts of developments; to identify and avoid, mitigate, or prohibit the negative impacts of development; and to ensure that future development is of the proper type, design and location, and is served by a proper range of public services and facilities.

If your proposal is changed from what is represented in your application dated June 18, 2008, you must contact this office prior to the change being implemented in order to determine whether the enclosed authorization requires an amendment.

By copy of this letter, we are advising the below-listed individuals and their respective agencies that the proposal, as conditioned, complies with our District Coastal Management Program, and Comprehensive Plan.

Any aggrieved person, including the developer/applicant, may appeal the decision of the Land Management Administrator by serving written notice to the secretary of the North Slope Borough Planning Commission and the developer/applicant within 30 days of receiving this decision. The notice shall state the reasons why the appellant believes the decision of the Land Management Administrator is improper.

If you should have any questions, please contact, Waska A. Williams Jr., Land Management Specialist at (907) 852-0440 or by email at waska.williams@north-slope.org.

Sincerely,

Willard Bodfish

Paul Bodfish Sr.,
Chairman

CC: NSB Planning Commission
Craig George, NSB Wildlife (bowhead/fish)
Robert Suydam, NSB Wildlife (Birds/Bowhead/Beluga)
Harry Brower, Jr., NSB Wildlife (Subsistence/Whaling Captain)
Theresa Judkins, Director, AEWC
Doreen Lampe, Lands Officer, Planning, NSB
Linda Chrestman, Deputy Assessor, Assessing Division, NSB
Nora Jane Burns, Kaktovik Village Coordinator, NSB
Dorcas Tukle, Nuiqsut Village Coordinator, NSB
Harry Bader, AkDNR, Fairbanks

N08-408
Point Thompson Equipment Staging and Site Preparation
Exxon Mobil Corporation

Dennis Gnath, JPO Liaison, DNR, OHMP, Anchorage
Robert McLean, Area Manager, DNR, OHMP, Fairbanks
Larry Bright, USDI/F&WS, Fairbanks
Jeanne Hanson, USDI/NMFS, Anchorage
Josephina Delgado-Plikat, AkOMB/DGC, Juneau
Bill Smythe, AkDEC, Fairbanks
Mike Holley, Don Rice, US Army COE
Price Leavitt, Executive Director, Inupiat Community of the Arctic Slope
Lloyd Paningona, Realty Director, Inupiat Community of the Arctic Slope
Martha Falk, Dept. of Natural Resources, Inupiat Community of the Arctic Slope
Roberta Quintavell, President, Arctic Slope Regional Corporation
Anthony Edwardsen, President, Ukpeagvik Inupiat Corporation
Phillip Tikluk, Jr., President, Kaktovik Inupiat Corporation
Isaac Nukapigak, President, Kuukpik Village Corporation
Mike Stotts, Mayor, City of Barrow
Charles E. Hopson, EPA Program Manager Native Village of Barrow
Freddie Aishanna, Mayor, City of Kaktovik
Sam Kunaknana, Mayor, City of Nuiqsut
Katie Farley, State Pipeline Coordinators Office/ JPO, SOA
Leonard Lampe, President, Nuiqsut Tribal Council
Arctic Area Manager, USDI/BLM
Steve Schmitz, AkDNR/DO&G, Anchorage
Files

N08-408/JLA/gb/ww

Land Management Regulations Permit Application

NORTH SLOPE BOROUGH
DEPARTMENT OF PLANNING AN DCOMMUNITY SERVICES
PERMITTING AND ZONING DIVISION

Permit Number 08-408 Permit Type _____

Applicant **Exxon Mobil Corporation** Date **June 11, 2008**

Address **P.O. Box 196601** State ID _____

Anchorage, AK Phone **907-564-3711**

Contact Person **Robert G. Dragnich** Project Name **Point Thomson Equipment Staging and Site Preparation**

Location (TRS) **70° 10' 20.06"N / 146° 15' 20.62" W** Unitized Field Name

Zoning District _____ and Pad Location **Point Thomson Unit #3**

Proposed Start Date **July 15, 2008** Completion Date: **January 31, 2009**

Proposed Development **Pad preparation, equipment staging including fuel tanks and fuel for later work**

Purpose of Development **See attached Project Description.**

☐ Fill/Dredge Material _____ Acres _____

☐ Oil and Gas Wells Number of New Surface Holes: _____

☒ Temp. Water Use Source **Alaska State C-1 Gravel Pit** Access **Snowmobile**

Purpose **Fresh water for camp** Maximum Amount **<500 gpd**

☒ Off Road Travel: Period of Travel **Oct 1, 2008 – Jan 31, 2009** Equipment **Snowmobile**

Access to Site **Helicopter / Snowmobile**

☒ Fuel Storage Type **Diesel** Amount **160,000 Gallons**

Handling **Third Party Fuel Supplier. Double walled tanks in lined containment.**

☐ Hazardous Type _____ Amount _____

Materials Storage Handling _____

☒ Solid Waste Treatment **Backhaul to permitted facilities in Prudhoe Bay or incinerate on site.**

☐ Mining Mining Habitat _____

☒ Air Emissions Type **See Project Description** Amount **< 100 tons/yr**

☒ Noise/Vibrations Type **Heavy equipment, Helicopter** Amount _____

☐ Sensitive Habitat Floodplain _____ Shoreline _____

☒ Transportation Type **Helicopter, Snowmobile, Barging**

☐ Marine Tanker Facility ☐ Seismic Work ☐ Utility Development ☐ Recreational Development

☐ Causeway Construction ☐ Offshore Drilling ☐ Residential Development ☐ CD-ROM Included

☐ Airport or Helicopter Pad ☐ Oil Transport System ☐ Snow Removal

ATTACH TO THIS APPLICATION THE FOLLOWING:

-GENERAL VICINITY MAP
-SPECIFIC LOCATION MAP, INCLUDING NEARBY EXISITING DEVELOPMENT AND NATURAL FEATURES
-SITE SPECIFIC FOOTPRINT (IN ESRI SHAPE FILE FORMAT) ON A CD-ROM
-A DIGITAL GIS SHAPE FILE OR GEODATABASE OF THE PERMIT AREA WITH NO ATTRIBUTES. THE PROJECT SHOULD BE NAD 1927 ALASKA ALBERS OF GEOGRAPHIC
-DESIGN PLANS (PLOT PLAN), ELEVATIONS, CROSS SECTIONS, PROFILES, AS APPROPRIATE
-SUPPLEMENTAL INFORMATION, AERIAL PHOTOGRAPHS, STUDIES, ETC. (AS NEEDED)

SEND TO: NORTH SLOPE BOORUGH, LAND MANAGEMENT ADMINISTRATOR
PO BOX 69
BARROW, ALASKA 99723
PHONE: (907) 852-0320

I HEREBY CERTIFY THAT THE FOREGOING IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE

Authorized Signature — Date: 6/12/08

CRAIG HAYNES — Name

ALASKA PRODUCTION MANAGER — Title

FEE PAID

- ☐ SPECIAL PLANNING COMMISSION MEETING $12,000.00
- ☒ DEVELOPMENT PERMIT...$2,000 + $500 PER WELL
- ☐ ADMINISTRATIVE APPROVALS ...$1500.00
- ☒ CONDITIONAL DEVELOPMENT PERMITS...$3,000.0

AMOUNT PAID $2,000

DECISION

☐ ADMINISTRATIVELY APPROVED

This is a minor amendment to a development permit or is a use of land listed under administrative approvals for this zoning district.

☐ REZONING APPROVED

This proposed development substantially complies with the Master Plan, and a use permit is issued, conditioned on compliance with all relevant Master Plan conditions, lease stipulations and provisions of state and federal law and permits served there under.

☐ DEVELOPMENT PERMIT APPROVED

The proposed development meets all applicable mandatory Policies, represents the Developer's best efforts to implement all relevant best efforts and minimization policies, and as long as any conditions set forth in the accompanying letter are complied with, will represent a net public benefit. (See accompanying letter)

☑ CONDITIONAL DEVELOPMENT PERMIT APPROVED

This is a use of land that is listed as a conditional development for this zoning district or has been elevated by the Land Management Administrator to the Planning Commission.

☐ PERMIT DENIED

(See accompanying letter)

Land Management Administrator — Date: 6-1-08

If you wish to appeal this decision, use must submit written notice to the secretary of the Planning Commission prior to the next regularly scheduled meeting, stating the policy or policies in questions and the reason you believe the decision is incorrect.

Joint House Judiciary & Resources
Committee hearing
12-01-08

escopeta oil
Oil & Gas Development

November 19, 2008

Kevin Banks, Acting Director
State of Alaska
Division of Oil and Gas
550 W. 7th Avenue, Suite 1100
Anchorage, AK 99501-3560

Re: Kitchen Unit Plan of Exploration
Request for Amendment of the Drilling Commitment Dates

Dear Mr. Banks:

Reference is made to that certain Kitchen Unit Agreement, approved by the Department of Natural Resources ("DNR"), effective January 31, 2007. The Kitchen Unit includes two prospects known as the Kitchen Prospect and East Kitchen Prospect, which include sixteen (16) State of Alaska Oil and Gas Leases ADL-389189, ADL-389190, ADL-389191, ADL-389192, ADL-389193, ADL-389914, ADL-389915, ADL-389917, ADL-389918, ADL-389919, ADL-389924, ADL-389925, ADL-389926, ADL-390548, ADL-390554, and ADL-391106.

The Kitchen Unit Agreement ("KHU") contained work/drilling commitments detailed in Exhibit 'G', the Initial Plan of Exploration. A request for amendment to the Plan of Exploration was subsequently submitted to the DNR on September 25, 2007. This request was denied on December 31, 2007 and the DNR issued a notice of default of the KHU. The notice of default recognized that Escopeta Oil Company, LLC ("EOC") had made "significant efforts and investments to bring a jack up rig to the Cook Inlet" and provided EOC the opportunity to cure the default under 11 AAC 83.374(b) by effectively deferring the KHU drilling deadline from December 31, 2007 to December 31, 2008, as requested in EOC's September 25, 2007 letter.

As the Division of Oil and Gas is aware, EOC and Pacific Energy Resources, LTD ("PERL") have been diligently working towards the acquisition of a suitable jack-up drilling rig, as well as an acceptable heavy-lift vessel contract for the rig's delivery to the Cook Inlet. Escopeta had begun efforts to acquire and deliver a jack-up drilling rig to the Cook Inlet back in mid-2005, before the formation of the KHU. Needless to say, this endeavor has been a complicated and costly undertaking for an independent oil and gas company.

Immediately after the acquisition of the Forest Oil Company holdings in Alaska by PERL, PERL began their quest for a jack-up drilling rig to drill the Corsair Unit prospect. Because both EOC and PERL had a common goal in the acquisition and delivery of a jack-up rig to the Cook Inlet, our two companies began coordinating efforts in the search for a suitable jack-up drilling rig and heavy-lift vessel. Additionally, EOC and PERL came to a mutually beneficial arrangement and began sharing and reprocessing seismic data to better define both unit areas.

The efforts by both EOC and PERL have now come to fruition after lengthy negotiations and considerable financial expenditures and commitments. EOC recognizes and appreciates the patience and cooperation of the DNR and the conscientious attention and assistance that has been provided to both EOC and PERL throughout this significant undertaking.

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On April 30, 2008, PERL submitted to the DNR evidence of a drilling rig contract between PERL and Blake Offshore, LLC, evidence of the required down payment, and a commitment from Blake Offshore, LLC ("Blake") to provide the Blake 151 jack-up drilling rig to the Cook Inlet for drilling within the Corsair Unit no later than June 30, 2009.

On November 17, 2008, EOC and PERL entered into a rig sharing agreement for the Blake 151 offshore jack-up drilling rig. This agreement recognized the cost and risk sharing opportunities by both companies and provided for the fair and equitable sharing of the jack-up drilling rig, thereby providing for the most expedient exploration and development possible for the two companies prospects.

On October 31, 2008, PERL delivered to the DNR evidence of an executed heavy-lift vessel contract between EOC, PERL, and Offshore Heavy Transport AS ("OHT") for the use of the M/V Heavy Lift Falcon for the delivery of the Blake 151 jack-up drilling rig.

The stage has now been set by EOC and PERL for the delivery of the first jack-up drilling rig in the Cook Inlet for over two decades. This significant milestone marks the beginning of an exciting new era in offshore exploration and development in the Cook Inlet, not only for EOC and PERL, but for all offshore oil and gas lessees.

Pursuant to 11 AAC 83.343(e), EOC hereby respectfully requests the amendment of the approved KHU Plan of Exploration to allow for the successful exploration and development of the Unit. This amendment is necessary because it is impossible to drill the first exploratory well in the KHU by December 31, 2008, as indicated above. Attached and made a part hereto of the requested amendment is a draft three-year initial Plan of Exploration ("POE"). In accordance with 11 AAC 83.303, approval of this POE is in the best interests of the State of Alaska, the residents of Alaska, the energy consumers (private, commercial and industrial) in the communities along the rail-belt, all Cook Inlet offshore oil and gas lease holders, and the United States policies on domestic energy and natural resources.

Because EOC and PERL have shared their independent geologic and geophysical information and jointly developed there respective prospects within the Kitchen and Corsair units, a higher level of conservation of natural resources will occur. With both companies understanding their adjoining prospects and reservoirs, a global plan of exploration can be utilized. This "global plan" will allow both EOC and PERL to minimize economic and physical waste by the sharing of information, equipment, facilities, future infrastructure, and other mutually beneficial arrangements.

EOC has expended a very significant amount of financial and physical resources in the acquisition of the offshore leases, the acquisition and interpretation of the geologic and geophysical data, the delineation of the Kitchen and East Kitchen prospects, the four-year effort in obtaining a suitable jack-up drilling rig, the KHU formation, the multi-company negotiations and agreements, the procurement of a Jones Act Waiver, and the contract for a heavy-lift vessel. Accordingly, PERL has expended similar financial and physical resources. Approval of this requested amendment will protect the vested interests of both EOC and PERL by allowing for the execution of their plans and realization of their unwavering efforts to bring a jack-up drilling rig to the Cook Inlet.

A denial of the requested POE amendment would result in the enormous waste of financial and economic resources that has already been expended and committed by EOC, as well as by the State of Alaska in its review, adjudication, approval and oversight of the KHU and related drilling rig and heavy-lift vessel contracts.

A denial of the requested POE amendment would result in the potential waste of the physical resources of the State of Alaska. EOC has cooperated with PERL in the interpretation and development of the company's respective prospects. Another company may not be able to enjoy the

benefits of shared data and would most likely have to acquire, interpret and delineate the KHU prospect again, perhaps missing important structures or closures.

The State of Alaska's interests will be protected, as the KHU leases cannot be explored and developed faster by any other company other than EOC. The Blake 151 offshore jack-up drilling rig will not be available for any other company's use prior to the summer of 2010 because PERL will be utilizing it. There is no other drilling rig in the Cook Inlet suitable for offshore exploration of development drilling.

Should this requested POE amendment be denied and the KHU terminated, because of the time necessary to approve the 2009 Cook Inlet Areawide Best Interest Finding ("BIF"), the potential appeals and litigation associated with the BIF, the subsequent appeal of the KHU POE modification denial, and the necessary title research and time restraints necessary to include the KHU leases in a any upcoming lease sale, the KHU leases would not be available for competitive bid until the May 2010 lease sale, at the earliest. Should another company, or companies, be the successful bidder on these leases, it is unlikely the DNR would be able to issue the leases until after the 2010 offshore drilling season. Even if the leases could be immediately issued in May 2010, a new lessee, or lessees, would still have acquire and interpret the geologic and geophysical information to delineate the prospect, and would have to either acquire their own drilling rig and heavy-lift vessel, or they would need to negotiate a contract with PERL for the use of the Blake 151 jack-up drilling rig.

With all things considered, it will be impossible for any other company, or companies, to drill a well in the KHU leases during 2010, and very unlikely it would be able to occur earlier than 2012. Therefore, EOC is the only company poised to successfully drill a well in the KHU leases in 2010 or earlier, and it is in the State's best interest having EOC remain in control of the KHU leases and their exploration and development.

The environmental costs and benefits for retaining the KHU and approving the requested POE amendment to allow for the continued exploration and development of the Kitchen and East Kitchen prospects by the current Operator are significant. EOC has already completed all the necessary planning, geological and geophysical data interpretation, as well as initiating final preparation for the acquisition and delivery of the necessary offshore drilling rig. If the KHU were terminated and the leases eventually acquired by another company, or companies, duplicative environmental research and data acquisition and interpretation would have to be performed. Additionally, should multiple companies or individuals acquire the KHU leases in a subsequent lease sale, the required complex negotiations and new unit and operating agreements would delay any possible exploration. EOC as the sole Unit Operator and owner of the existing geological and geophysical data is the only company positioned to minimize additional environmental costs and maximize the benefits to the State of Alaska.

EOC already has established exploration and potential development plans for the KHU. Retaining EOC as Unit Operator by approving the requested POE amendment allows for the expedient exploration and development of the KHU oil and gas resources, thereby minimizing future economic costs to the State of Alaska and maximizing the benefits by an earlier first delivery of royalties from production. Should the requested POE amendment not be approved and the KHU terminated, a new Unit Operator would have to start from the beginning in their exploration and development plans, increasing the economic costs and delaying the delivery of first royalties to the State of Alaska.

As stated earlier, there has not been a jack-up drilling rig in the Cook Inlet for over two decades. During those two decades, not one offshore prospective oil and gas lease has been bid on by one of the three existing major oil and gas companies operating in the Cook Inlet. If one of these three existing major operators would have wanted to acquire any additional offshore oil and gas leases over the last two decades, they would have. Additional, all three of these major operators had the financial ability to also bring a jack-up drilling rig to the Cook Inlet, if they so desired, especially

during times of rising oil and gas prices. Now that the oil and gas prices are declining once again, it is unlikely these majors will express an interest. It is therefore up to the joint efforts of the independent oil and gas companies to bring such a drilling rig to the Cook Inlet.

With declining oil and gas prices and Cook Inlet oil and gas reserves, it is important that the State of Alaska foster and encourage all existing opportunities it has towards the exploration and development of its oil and gas resources. Denial of this requested POE amendment may result in the inability of the KHU resources to be timely explored and developed. In fact, a denial may have a trickle-down effect on the overall economics and justification for bringing a jack-up drilling rig to the Cook Inlet all together.

The opportunity for a jack-up drilling rig to be successfully delivered to the Cook Inlet is here, an event long overdue and a result of the diligent efforts of EOC and PERL. It is in the best interest of the State of Alaska, and its residents, to continue the good faith negotiations which will allow EOC, as well as PERL, to fulfill their exploration and development plans, thereby providing the State of Alaska royalties on the oil and gas production from the Kitchen and East Kitchen prospects at the earliest date possible.

Accompanying this request is the aforementioned Draft Revised Initial Plan of Exploration (Exhibit G to the Unit Agreement), the jack-up drilling rig contract between PERL and Blake, the rig sharing agreement between EOC and PERL, and the heavy-lift vessel contract between EOC, PERL and OHT. The drilling rig contract, rig sharing agreement and heavy-lift vessel contract are delivered under separate cover and considered commercial and proprietary in nature and are requested to be held CONFIDENTIAL under 11 AAC 82.810.

Should the Department of Natural Resources wish to discuss this request in person, prior to the issuance of a decision on the request, Escopeta Oil Company, LLC would accommodate such a request. Any such meeting would be beneficial for Pacific Energy Resources, LTD to attend as well. If you have any questions, please feel free to contact me immediately at my Houston office: (713) 623-2219, my cell phone at: (713) 828-7243, or by e-mail at escopeta@swbell.net.

Respectfully Submitted By,

Danny S. Davis
President

Attachments: Draft Revised Initial Plan of Exploration
Transmittal Letter of Confidential Information
Jack-up Drilling Rig Contract
Heavy-Lift Vessel Contract
Rig Sharing Agreement

escopeta oil

Oil & Gas Development

WORKING DRAFT - This is a working draft prepared for the State of Alaska, Dept. of Natural Resources, Division of Oil and Gas and represents no commitment.

Kitchen Unit
Revised Exhibit G, Initial Plan of Exploration

The Unit Operator, Escopeta Oil Company, LLC (EOC), shall complete an initial Three-Year Plan of Exploration for the Kitchen Unit (KHU), effective January 1, 2009 to December 31, 2011.

2009 Year-One, Obtain all permits necessary for the drilling of one exploration well within either the East Kitchen or Kitchen Prospects:

1. By December 31, 2009 EOC shall obtain all necessary regulatory permits and authorizations necessary for the drilling of an Exploration Well to either East Kitchen #1 or Kitchen #1 to a bottom hole location in either ADL #389926 or ADL# 389924, and as described in Table #1, to a minimum depth of between 16,000 feet TVD, penetrating the Sterling, Beluga, Tyonek and Hemlock formations.

2. If EOC fails to obtain the necessary permits and authorizations as described in item # 1 above by December 31, 2009, the KHU will automatically terminate, and EOC shall pay the state $ xxx *(amount to be determined and under review)* for potential unrealized bonus payments that might have been received on expired leases (11520 acres in ADL's 389189, 389190, 389191, 389192, 389193) in the KHU in the planned May, 2010 Cook Inlet lease sale.

2010 Year-Two, Drill one exploration well in either the East Kitchen or Kitchen Prospects:

1. By December 31, 2010 EOC shall drill an Exploration Well to either East Kitchen #1 or Kitchen #1 to a bottom hole location in either ADL #389926 or ADL# 389924, and as described in Table #1, to a minimum depth of between 16,000 feet TVD, penetrating the Sterling, Beluga, Tyonek and Hemlock formations.

2. If EOC fails to drill an Exploration Well as described in item # 1 above by December 31, 2010, the KHU will automatically terminate, and EOC shall pay the state $ xxx *(amount to be determined and under review)* for potential unrealized bonus payments that might have been received on expired leases (11520 acres in ADL's 389189, 389190, 389191, 389192, 389193) in the KHU in the planned May, 2011 Cook Inlet lease sale.

2011 Year-Three, Drill second exploration well in either the East Kitchen or Kitchen Prospects:

1. If the unit does not terminate in year one, by December 31, 2011 the Unit Operator shall drill a second Exploration Well to either East Kitchen #1 or Kitchen #1 to a bottom hole location in either ADL #389926 or ADL# 389924, and as described in Table #1 and to a minimum depth of between 16,000 feet TVD, penetrating the Sterling, Beluga, Tyonek and Hemlock formations.

2. If the Unit Operator fails to drill an Exploration Well as described in item # 1 above and in Table #1, by December 31, 2011, the Kitchen Unit will automatically terminate and EOC shall pay the state $ xxx *(amount to be determined and under review)* for potential unrealized bonus payments

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that might have been received on expired leases (11520 acres in ADL's 389189, 389190, 389191, 389192, 389193) in the KHU in the planned May, 2012 Cook Inlet lease sale.

TABLE 1: PROPOSED WELL LOCATION INFORMATION

East Kitchen #1	Kitchen #1	Kitchen #2
ADL 389926:	ADL 389924:	ADL 389917:
T 9 N., R 11 W., S.M.	T 9 N., R 11 W., S.M.	T 8 N., R 12 W., S.M.
Section 22	Section 18	Section 3

Additional Provisions

1) In accordance with Article 8.1.1 of the Agreement and 11 AAC 83.341, an annual report is due that describes the status of projects undertaken and the work completed during that year of the POE, as well as any proposed changes to the plan. The update to the POE must describe the applicant's proposed exploration activities, including the bottom-hole locations and depths of proposed wells, and the estimated date drilling will commence. All exploration operations must be conducted under an approved plan of exploration.

2) The Unit Operator shall submit a Second Plan of Exploration to the Commissioner at least 60 days before the POE expires. Alternatively, the Unit Operator shall request approval of the first Plan of Development, if appropriate, at least 90 days before the Initial POE expires. 11 AAC 83.341(b) and .343(c).

3) EOC shall incorporate the following terms into the next Plan of Exploration or Plan of Development: "EOC shall request approval from the Department of Natural Resources to establish an Initial Participating Area within the KHU by December 31, 2010. Any lease, or portion of a lease in the KHU not included in an approved participating area will subsequently contract out of the KHU upon approval."

Joint House Judiciary & Resources
Committee hearing
12-01-08

PACIFIC ENERGY

Lt. Governor Sean Parnell
State of Alaska
550 W. 7th Avenue. Suite 1700
Anchorage, AK 99501

May16, 2008

Commissioner Thomas Irwin
Department of Natural Resources
550 W. 7th Avenue, Suite 1400
Anchorage, AK 99501

RE: Corsair Unit Expansion Application
Appeal of Director Bank's Decision and Request for Reconsideration

Dear Lt. Governor Parnell and Commissioner Irwin:

In accordance with 11 AAC 02, Pacific Energy Alaska Operating LLC ("PEAO") and its parent, Pacific Energy Resources Ltd. ("PERL") (which companies are sometimes referred to collectively as "Pacific") hereby appeal the decisions of the Director of the Division of Oil and Gas (Division), dated April 30, 2008, regarding the Expansion Application for the Corsair Unit (Corsair) and Plan of Exploration (POE). PERL is the operator of Corsair and had requested the Expansion of the Corsair Unit, simultaneously offering an amended POE. The Director denied the request. A copy of Pacific's request to the Director and the Director's letter to Pacific denying its request are attached and incorporated into this appeal. At the time of the submission of the Corsair Unit Expansion Application, Pacific submitted extensive geological and geophysical (G&G) interpretations, structure maps, seismic data, well logs and evaluations to the Division in support of the Application. This G&G information is held confidentially by the Department of Natural Resources (DNR), pursuant to AS 38.05.035, and is hereby incorporated into this appeal by reference. Pacific hereby requests that all previous confidential data submitted to the Division concerning the Corsair structure remain confidential.

The subject leases of the existing Corsair Unit are ADL's 389196, 389197, 389198 and 389515, totaling approximately 10,185 acres. The requested northern expansion leases are ADL's 389513 and 389514, totaling approximately 5,082 acres. The requested southern expansion leases are ADL's 389507 and 389923, totaling approximately 11,464 acres.

The main points, among others, for this Appeal are as follows:

1. The Division did not fully consider the merits the Unit Expansion Application and the benefits to the State of Alaska and the public in its negotiations. Such actions by the Division severely prejudiced Pacific Operating Alaska, LLC and Pacific Energy Resources, Ltd.

2. The determination by the Division that the Proposed Amended POE was an "unacceptable delay" in the drilling of the unit's resources is erroneous. Rather, the Proposed Amended POE represents an acceleration in the drilling of the unit's resources.

3. The assumptions and conclusions made by the Division regarding the "warehousing" of leases are incorrect. The prejudicial and predetermined nature of the Division's Decision did not allow for the full consideration of the Expansion Application and appeared to have been written for the sole purpose of using the Decision to fortify its position taken in other pending litigation.

4. The determination by the Division that having the subject expansion leases available in the May 2009 lease sale would allow the leases to be drilled sooner and thereby conserve resources is incorrect. Rather, it would be impossible for the subject acreage to be drilled sooner on a lease-by-lease basis. The more prudent approach would be to permit the unitization of the total Corsair structure and resource, thus allowing all acreage to be made a part of a comprehensive exploration and development plan.

5. The Division's failure to unitize the entire reservoir works against the primary goal of conservation of all or part of an oil and gas resource. The fragmentation of the Corsair structure into unitized and non-unitized parcels with different working interest owners would ultimately result in a waste of both economical and physical resources.

6. The Division's conclusion that the State's and public's best interest would be served by having the expansion leases expire and become available for releasing by any potential high bidder, rather than preserving the Corsair structure and resource as a whole, operated by a single working interest owner is erroneous.

7. The Division failed to fully consider the protection of all parties of interest, including that of Pacific and the south central natural gas consumer, especially as it relates to the overall economics of bringing a jack-up drilling rig into the Cook Inlet for not only exploration of the Corsair structure, but the exploration of other offshore prospects and the step-out development drilling of the existing offshore platforms and their respective declining production and reserves.

8. The Division's Decision overlooks the technical, geological and geophysical information, as verified and supported by the Division's Resource Evaluation staff, as well as the economical and commercial aspects of the proposed Corsair exploration and development plans.

9. Denial of the Corsair Unit expansion is not in the best interest of the State and damages Pacific's capital investment in the Unit and the interpretation, evaluation and delineation of the Corsair resource.

10. The only possible parties who would benefit from the denial of the expansion application would be the existing major Cook Inlet producers. By the Division's denial of the expansion application, it is limiting competition and allowing the continued control of the market by the major Cook Inlet producers.

11. The Division's failure to adequately evaluate the expansion application in accordance with the provisions of 11 AAC 83.303 severely jeopardizes PERL's ability to economically explore and develop the Corsair prospect. The Division's failure to fully consider the merits of application prejudices and damages PERL.

These points, as well as others, are discussed in further detail, and are elaborated on as they relate to their occurrence in the aforementioned Director's Decision.

I. DECISION SUMMARY, paragraph two, finding No. 1: Does not promote the conservation of natural resources. (page 3)

The Corsair structure, as delineated and presented to the Division's Resource Evaluation staff, indicated several intervals of productive hydrocarbon sands within the Sterling, Beluga, Tyonek and Hemlock formations. Unitization of the entire reservoir, especially by a single operator, will insure the most efficient exploration and production of the resources, and the greatest ultimate recovery from the Corsair reservoirs.

Without unitization of the entire Corsair structure, the resource could be fragmented into unitized and non-unitized parcels by multiple working interest owners, requiring needless negotiations, duplication of effort, and waste. Should the subject leases be acquired by another lessee, there is no assurance that that operator will have the necessary financial capabilities or access to the required offshore drilling equipment to explore and produce those portions of the reservoir, thereby wasting the natural resources.

As the Division is aware, unitization of leases ideally encompasses the minimum area necessary to encompass the entire geologic structure or reservoirs. By denying the proposed unitization of the subject leases, the DNR effectively promotes the waste of natural resources. Therefore, Pacific maintains that the Division erred in its finding that unitization of an entire geologic structure does not promote the conservation of natural resources.

I. DECISION SUMMARY, paragraph two, finding No. 2: Does not promote the prevention of economic and physical waste any more than non-unitized development of the individual leases. (page 3)

The proposed unitization of the expansion acreage into the Corsair Unit would guarantee the efficient exploration and evaluation of the entire Corsair structure. A single operator would then be able to drill and evaluate each well and determine the optimum location of each subsequent well.

Moreover, a single operator of the entire Corsair structure can develop the resource systematically, using the same offshore drilling structure and technologies without the duplication of facilities and processes.

Should the expansion leases be acquired by another lessee on a lease-by-lease basis rather than as part of a unit, that lessee would be required to have its own offshore drilling equipment, drilling schedule, plans of exploration and development plans separate and apart from those of the Corsair Unit operator. This would result in the duplication of resources - staff, and production and transportation facilities. There is no assurance that such lessee's plans would either compliment or conflict with those plans of the Corsair Unit Operator.

The Division evaluated of the benefits and the shortcomings associated by non-unitization, as stated on page 5, paragraph three, of the Decision, and recognized that:

> *"[u]nitization may lessen environmental risks by reducing redundant facilities. Lessees operate under a unit agreement that includes a plan of exploration or development covering the entire unit area rather than individual leases."*

Non-unitized development would result in duplicative facilities and the unorganized development of the Corsair reservoirs. Without the unitization of the entire Corsair structure, by a single operator, the amount of economic and physical waste would be immense. Pacific maintains that the Division erred in its finding that unitization of an entire geologic structure does not promote the prevention of economic and physical waste, any more than non-unitized development (associated with unitized development) on the individual leases.

I. DECISION SUMMARY, paragraph two, finding No. 3: Does not provide for the protection of all parties of interest, including the state. (page 3)

At present, there are only two parties having a direct interest in the existing and the proposed expanded Corsair Unit: the State of Alaska and Pacific Energy Alaska Operating LLC, as lessee (Pacific Energy Resources Ltd., as unit operator). Other associated parties of interest include the public, the south central Alaska natural gas and gas-generated electrical consumers, adjacent lessees, and existing offshore oil and gas producers.

Pacific maintains that the Division did not adequately consider the protection of Pacific's interest. Pacific has expended approximately $500,000,000 to acquire the assets of Forest Oil Corporation (Forest), preserving the Corsair leases, evaluating and mapping the Corsair reservoirs, and the acquisition of a suitable offshore drilling structure. Without the expansion acreage, Pacific loses the economic advantage, as well as the benefit of the bargain, that they purchased from Forest and acquired through its own diligence. Moreover, Pacific loses approximately two-thirds (2/3rds) of the Corsair structure and any potential revenue derived from the production of those resources.

Denying the expansion of the Corsair Unit to encompass the entire geologic structure and all potential reservoirs severely prejudices and damages the economic investment and proprietary position that Pacific has endeavored to gain. The denial of the Corsair Unit expansion and the DNR's proposed offering of the Corsair leases that contain approximately two-thirds (2/3rds) of the Corsair structure amounts to nothing less than a taking by the DNR, and the ultimate waste of hundreds of millions of dollars of investment by Pacific.

The State of Alaska places the interests of its citizens and other directly interested parties at risk as well. In denying the Corsair expansion application, the DNR jeopardizes the economic feasibility of the Corsair prospect as well as Pacific's ability to justify the delivery of the jack-up drilling rig to the Cook Inlet. If Pacific is only left with control of approximately one-third (1/3rd) of the Corsair structure, it may not be economically feasible or prudent to invest the additional tens of millions of dollars required to secure and deliver the jack-up drilling rig to the Cook Inlet. Moreover, the State of Alaska and the south central consumers are damaged if the Corsair structure is not explored by Pacific. The State loses royalty and tax income, citizens lose potential jobs, and consumers may face higher natural gas prices. Unlike potential lessees who would not acquire leases until a lease sale could be completed, Pacific is immediately positioned and best suited to explore and develop the Corsair structure.

Any disruption of PERL's ability to deliver the contracted jack-up drilling rig to the Cook Inlet jeopardizes not only the exploration and production of the Corsair Unit structure. Such disruption threatens the exploration and production of the Kitchen Unit, the East Kitchen Unit, step-out development drilling for the existing Cook Inlet Platforms and associated reservoirs, and any new potential offshore exploration prospects.

The Decision recognizes that the Cook Inlet has not had a mobile offshore drilling structure in its waters for almost two decades. As a result, existing production from offshore platforms has declined dramatically, and offshore exploration has become stagnant. Portions of existing reservoirs currently served by existing offshore platforms are either unreachable by directional drilling or there is not sufficient space in the platform's legs to accommodate additional wells. A jack-up drilling rig could access these unreachable portions of the existing reservoirs and tie their production back to the existing platforms, thereby extending economic life of those platforms and providing the opportunity for greater recovery of the associated resources.

Without the inclusion of the Corsair expansion acreage and subsequent delivery of a jack-up drilling rig, as proposed by Pacific, the existing production from offshore platforms in the Cook Inlet will continue its decline to a point where it is uneconomical to continue operating the platforms, and those platforms will immediately become an economic and environmental liability to the State of Alaska. Additionally, without the inclusion of the Corsair expansion acreage and subsequent delivery of a jack-up drilling rig, there will be no offshore exploration or additional offshore production for what may be decades to come, resulting in continued decreased oil and gas reserves, gas shortages and higher consumer prices.

It is unlikely that another company, including the major operators in the Cook Inlet, will bring a jack-up drilling rig into the Cook Inlet in the near future. This is evidenced by both the recent history and lack of such an attempt by the majors in the past. The Division itself acknowledges this fact as follows:

> *Due to the significant capital investment required to bring a jack-up rig to the Cook Inlet, and the long lead time for scheduling a suitable heavy lift vessel for transport of the rig, it is unlikely that multiple jack-up rigs would be delivered to the Cook Inlet. Indeed there has not been a jack-up drilling rig in the Cook Inlet since the early 1990's. (Decision, page 5, paragraph 4.)*

By the denial of the Corsair expansion application, the State of Alaska risks the loss of potentially billions of dollars in royalties and taxes, increased employment opportunities, trickle-down income to hundreds of other Alaskan business, and other types of income and income-generating opportunities. The State would also incur the continued decline in production and eventual shut-down of the existing offshore production platforms and increased economic and environmental liabilities. This decision is surely not in the best interests of the State of Alaska, the existing offshore producers, the Cook Inlet natural gas industrial users and consumers, and the people of Alaska in general.

In summary, the denial of the Corsair Unit Expansion Application results in 1) the waste of natural resources in general, not confined to only the Corsair prospect; and 2) the specific economical and physical waste of the Corsair resources as well as others. Moreover, it jeopardizes the interests of PERL, the other offshore producers, the State of Alaska, the Cook Inlet gas industrial users, the south central and rail belt natural gas and natural gas-generated electrical consumers, and the people of Alaska in general.

IV. DISCUSSION OF DESIGN CRITERIA, A., 1. Environmental Costs and Benefits of the Expansion, paragraph four, which reads: (page 5)

> *In order to drill any exploratory wells in the existing unit or the proposed expansion area PERL must use a rig capable of drilling offshore without a platform, i.e. a so-called jack-up rig. Under the Initial POE, PERL has committed to drill a well by June 30, 2009 within the existing Corsair Unit regardless of unit expansion. Unit expansion will not decrease the need for such a drill rig.*

The Initial POE was negotiated by PERL's predecessor Forest Oil Corporation (Forest). Upon acquisition of Forest's assets and associated contractual obligations, it became clear to PERL that Forest did not adequately interpret the Corsair structure, did not make any efforts in obtaining a jack-up drilling rig, and therefore could not have met the pre-existing obligation of drilling a well by December 31, 2008. PERL's first priority was to evaluate the reality of having a drilling rig delivered to the Cook Inlet and the earliest date that a well could subsequently be drilled. This was the basis for requesting that the Division revise the drill-by date to June 30, 2009.

The second priority was to fully examine, delineate and evaluate the Corsair Structure and the economics of bringing a jack-up drilling rig to the Cook Inlet. It became apparent to PERL that the reason Forest did not make any attempts to acquire or deliver a drilling rig to the Cook Inlet was because the existing reservoir, as they knew it, was not adequate to support the economics of rig acquisition and delivery.

With the acquisition of additional seismic data and further interpretation and evaluation, PERL determined that the Corsair structure, having multiple reservoirs, extended considerably further than the existing unit boundaries. After this evaluation by PERL (which was not completed until after the renegotiation of the aforementioned drill-by date), PERL determined that the economics for obtaining a jack-up drilling rig were sufficient if the entire Corsair structure was included in the exploration and development.

Although unit expansion will not decrease the need for a jack-up drilling rig to meet the contractual obligations of the June 30, 2009 POE drill-by date, PERL maintains that without the inclusion of the expansion acreage it is uneconomical to acquire and deliver the drilling rig. PERL agrees with the Division's determination that unit expansion will not decrease the need for such a drilling rig [for the entire Cook Inlet, in general]. However, the Division's denial of the Corsair Unit Expansion jeopardizes PERL's ability to acquire and deliver such a drilling rig. That Decision not only purposefully forces the ultimate default of the Corsair Unit, but delays any near-future offshore exploration or development throughout the Cook Inlet. The Division offers no viable economic alternative to get the Corsair acreage drilled by an party other than PERL.

Therefore, PERL maintains that the Division's determination that the approval of the Corsair Unit Expansion Application has no additional benefits is contradictory and flawed.

IV. DISCUSSION OF DESIGN CRITERIA, A., 2. The Geologic and Engineering Characteristics of the Reservoir and Prior Exploration Activities of the Corsair Unit Area; Corsair Expansion Prospect, which reads, in part: (page 7)

"The Corsair prospect is the large NNE-SSW trending doubling plunging, SRS anticline with four-way dip closure. ... The structure is approximately 2.5 miles wide and 9 miles long. ... The seismic data over the Corsair Prospect demonstrates four way closure through the entire Tertiary section.

The Corsair Unit as currently configured contains two types of hydrocarbon prospects. The primary target consists of Sterling and Beluga sands; a secondary target is the deeper Tyonek Oil Sands. In the acreage under consideration for expansion (both northern and southern leases) only a single hydrocarbon target is viable, the Tyonek oil sands. Maps provided by PERL show the expansion acreage underlain by oil-bearing sandstones of the Tyonek Formation. ..."

According to the Division's Resource Evaluation staff, PERL is correct in its assertion that the Corsair structure extends beyond the existing boundaries of the Corsair Unit. Indeed, it is agreed that the structure is 2.5 miles wide and 9 miles long, extending into both the northern and southern expansion acreages. In PERL's interpretation and evaluation of the structure and the multiple reservoirs, it was determined that it was the deeper Tyonek oil-bearing sandstones that made the prospect economically viable to drill. PERL also believes that there are potential gas traps in the expansion acreage as well, not indicated by the Resource Evaluation staff. Confirmation of either the existence or the absence of additional gas resources in the expansion acreage cannot be determined until after actual wells are drilled in that acreage.

Additional evaluations have recently been completed on the Corsair Prospect which further quantifies the value of the expansion acreage, relative to the entire Corsair prospects economic viability. The Corsair Structure Resource Evaluation prepared by Gaffney, Cline & Associates, Inc., renowned internationally recognized technical and management advisors to the petroleum industry, was completed on May 7, 2008 for PERL. This Evaluation is attached for your review and is requested to be held confidentially, pursuant to AS 38.05.035.

Review of the aforementioned Evaluation agrees with the determination of the Division's Resources Evaluation staff: it is the larger Tyonek reservoir that determines the Corsair prospects' economically viability. Without the expansion acreage, containing approximately two-thirds (2/3rds) of the Tyonek reservoir, PERL believes the Corsair prospect will not be economically viable and will likely not be able to justify the acquisition and delivery of the jack-up drilling rig to the Cook Inlet. Without the jack-up drilling rig, the Corsair Prospect, as well as many others, will not be explored or produced. Neither PERL nor the State will benefit if this happens.

It is curious that notwithstanding its Decision to the contrary, the Division has supported PERL's conclusion that the geologic and engineering characteristics of the Corsair structure extend into the Corsair Expansion leases, and without those expansion leases a significant portion of the Corsair prospect will be lost.

IV. DISCUSSION OF DESIGN CRITERIA, A., 3. Plan of Exploration and Development for the Proposed Expanded Corsair Unit, paragraph one, which reads, in part: (page 7)

The Corsair Unit Initial POE required, among other things, that PERL submit a satisfactory drilling rig contract by December 31, 2007(attachment 5). PERL did not fulfill this commitment. On December 31, 2007, the Division notified PERL that the unit was in default and granted PERL a 90-day period, until April 1, 2008, to cure the default or the Unit would terminate. Effective April 1, 2008, the Division approved PERL's default cure, subject to the conditions set out in the Division's April 1, 2008, default cure decision. (Attachment 4). On January 29, 2008, the Division also granted PERL a six-month extension, until June 30, 2009...

PERL did not acquire the Corsair leases until August 2007. The DNR did not approve PERL as the Successor Unit Operator to Forest until November 27, 2007. This gave PERL only 34 days to meet the obligations of December 31, 2007, as stated above. To characterize this as situation of not fulfilling the obligation that PERL inherited from Forest is unfair and displays an unfavorable attitude and biased opinion towards PERL by the Division, which is prejudicial and unjustified.

Prior to the Division's issuance of the Notice of Default, mentioned above, PERL had several lengthy conversations and meetings with the Division, explaining the hardship of meeting those commitments in just 34 days after being recognized as Operator of the Corsair Unit. PERL offered a variety of options and alternatives to prevent the default of the Unit. The Division denied all proactive attempts by PERL to keep the unit out of default, and instead issued the Notice of Default with proposed cures that were essentially the same as those offered by PERL in advance of the Default.

As soon as was practical, PERL fulfilled all the requirements of the POE, the requirements to cure the Notice of Default, and all requirements due to date in the amendments or extensions to the POE. PERL has acted with only the highest regard of the Division, has always negotiated in good faith, and has fulfilled all its obligations to date. All requested amendments, extensions and expansions requested have been justified as a matter of necessity in relation to the timing of the acquisition of Forest, its data and interpretations, and the Corsair Unit POE work commitments.

IV. DISCUSSION OF DESIGN CRITERIA, A., 3. Plan of Exploration and Development for the Proposed Expanded Corsair Unit, paragraph two, which reads, in part: (page 7 to 8)

"PERL has proposed a Revised Initial POE (Attachment 3) as part of the Application, which provides for work commitments similar to those in effect under the Initial POE, as amended by the Division's decisions, but proposes extensions to the work commitment dates.

In the Revised Initial POE, PERL proposes drilling three wells by December 31, 2009, extending the current June 30, 2009, requirement for the first well by six months. PERL neither requests an extension nor provides discussion of the justification to extend that requirement to December 31, 2009."

PERL did not specifically request an extension of the June 30, 2009 drilling commitment of the first well. Instead, PERL offered the drilling of an additional two wells within the same year. The proposed extension of the drilling date to December 31, 2009 is necessary to accommodate the time required to demobilize from the first well, move the rig to the second well location, rig-up and drill the second well, demobilize from the second well, move the rig to the third well location, and rig-up and drill the third well.

PERL was remiss in not adequately explaining the time required to drill the two additional wells and the additional time mandated by the addition of that work commitment. PERL anticipated that the Division staff would be knowledgeable of the drilling process and associated time involved. The six month extension to the 2nd year work commitment (within the same calendar year) is merely needed to allow for the drilling of two additional wells. Because of the time needed to drill and mobilize the jack-up drilling rig, it would be mandatory to have the first well drilled by June 30, 2009, in order to have the next two wells drilled and tested by December 31st of that same year.

A primary consideration in the extension of the drilling commitment date to December 31st is to allow PERL to utilize the entire drilling season. The Cook Inlet experiences ice-free periods from about April through November. Offshore exploration, due to the structural integrity of the jack-up rig's legs, must be limited to periods of ice-free water to avoid the possibility of damage. Utilizing the entire open water 2009 ice-free exploration window by PERL allows the opportunity for the jack-up drilling rig to become available for contracting out to other operators during the entire 2010 ice-free exploration window.

PERL believes the justification for the December 31, 2009 drilling commitment date was self evident. Moreover, the Division receives the benefit of data obtained from drilling two additional wells within the same year. Adding two additional wells accelerates the drilling and prospect delineation schedule. Each well will cost approximately $20,000,000 to mobilize, drill, test, suspend and demobilize. The additional two wells bring approximately forty-million dollars more of activity and income to the State in the form of jobs and personal wages, supplies, taxes, income to support industry operations, and trickle-down revenue to hundreds of business.

IV. DISCUSSION OF DESIGN CRITERIA, A., 3. Plan of Exploration and Development for the Proposed Expanded Corsair Unit, paragraph two and three, which reads: (page 8)

PERL proposes submitting an application for an initial participating area (PA) by December 31, 2010 – eleven months later than the submittal date, January 31, 2010, set out in the Initial POE.

The Initial POE proposed the drilling of a second exploration well during the fourth year of the POE, by January 31, 2011. The Revised POE, which proposes to drill three wells by December 31, 2009, proposes a drilling commitment date of December 31, 2011 for a fourth well. In both POE's, PERL commits to submit the necessary applications to obtain approvals to allow construction of pipelines and infrastructure to permit commercial production from the PA. Initial POE requires the submittals by January 31, 2010, the Revised Initial POE delays the submittal date to December 31, 2010.

As the Division has reiterated above, PERL proposed to drill the second well in the same year as the first well (year two) – instead of waiting until the fourth year to drill the second well. PERL had also proposed to drill a third well in that same year as well (year two). PERL had proposed the drilling of the fourth well in the fourth year, rather than just a second well in the fourth year.

PERL had extended that drill date eleven months to accommodate the additional time needed to evaluate the results of three wells instead of only one well (the addition of well #2 and well #3) drilled in the second year, and to plan for the most optimum location of the fourth well. The additional 11 months of time would also allow for any seismic verifications and re-evaluation in conjunction with the new well data that may be necessary after the drilling of those first three wells. For this same reason, stated above, the submission of the application for the initial PA and the construction of pipelines and infrastructure would also be needed to be extended eleven months, for evaluation and planning purposes.

In its proposed Revised Initial POE, PERL had committed to three wells in the second year - instead of only one, and a fourth well in the fourth year – instead of only a second well in the fourth year. This can in no way be construed as a delay in the development of the Corsair. The additional information to be gained by these two additional wells (which would be made available to the State), the increased activity in the Cook Inlet, the income to individuals and other business derived from this activity, and the overall benefits to the State and the people of Alaska must certainly justify and offset a delay in submitting PA and construction applications by only eleven months.

IV. DISCUSSION OF DESIGN CRITERIA, A., 3. Plan of Exploration and Development for the Proposed Expanded Corsair Unit, last paragraph, which reads, in part: (page 8)

> *PERL proposes that the promise to drill multiple wells on the expansion leases justifies the expansion of the existing unit area and the extension of these leases beyond the primary term. The Operator has yet to drill the original Corsair Unit leases within the leases' primary terms. Approval of this proposed expansion, extending the primary term of the proposed expansion leases, amounts to warehousing of the proposed expansion lease acreage. ... The prospect described by PERL in the Application underlies the existing Corsair Unit as well as the proposed expansion leases. Delineation and production of the existing current leases is dependent upon fulfillment of the Initial POE obligations, securing contracts for the use and mobilization of a suitable rig, not upon unitization.* (emphasis added)

The Operator, as stated by the Division staff above, has not drilled the original Corsair Unit leases within the leases' primary terms because the primary terms of those leases will not allow adequate time for PERL to contract and deliver a jack-up drilling rig to the Cook Inlet, let alone the actual time necessary for the drilling of the well.

That commitment was made before PERL acquired those leases from Forest. It was simply impossible for PERL to have acquired and delivered a jack-up drilling rig to the Cook Inlet before it had ownership of the leases. The Division had approved the extension of the original drilling commitment, made by Forest, for reasonable and just cause. For the Division to now use this as criteria to discredit the Operator is unfair and discriminatory.

The Division met with PERL several times throughout this process, and seemingly understood the dilemma the PERL was in upon its acquisition of Forest Alaska Operating LLC and the associated work commitments. The Division was receptive to PERL's suggested amendments and extensions to the work commitments in order to have a jack-up drilling rig delivered to the Cook Inlet which would renew the stagnant offshore exploration there. The Division approved, through whichever means deemed appropriate by the Division, all amendments and extensions necessary to allow PERL to timely explore and develop the Corsair prospect.

It is neither fair nor appropriate for the Division to use its own approvals of the modifications and extensions of the Corsair Unit work commitments as justification for denying the Expansion Application. Nor is it fair or appropriate for the Division to use its approvals in a derogatory manner against PERL's reputation and ability to perform as an Operator.
As stated in IV. DISCUSSION OF DESIGN CRITERIA, A., 3. Plan of Exploration and Development for the Proposed Expanded Corsair Unit, fourth paragraph, which reads, in part: (page 8)

> *The Initial POE approved with the Corsair Unit Formation Decision committed the Operator to drill a well within twenty three months after unit formation, by December 31, 2008. The state exchanged the value of re-leasing the soon to expire acreage for a promise that the original Corsair Unit Leases would be drilled within two years. Given the prolonged contracting and scheduling efforts required to bring a jack-up to the Cook Inlet, utilizing the leases under an approved Initial POE would result in production of a commercial resource, if found, sooner than allowing the leases to expire.*

The criteria and rational used by the Division to make the above determination for the formation of the Corsair Unit on January 31, 2007, makes the best case today for the inclusion of the expansion leases. With the inclusion of the expansion leases, the State obtains a promise to drill those leases within only 20 months of its proposed approval date of April 30, 2008. The original Corsair Unit required the leases to be drilled within 23 months of the unit approval, the expansion application provides an acceleration of that requirement by three months for the same number of wells.

The Division also recognized that the inclusion of leases under an approved POE would result in the commercial production of the resource sooner than if the leases were to expire and be re-leased. Further, even if the subject leases were re-leased in any upcoming leases sale, there is no greater guarantee that the leases would be drilled by another prospective lessee on a lease-by-lease basis, than the one that PERL is presently offering on a unitized basis.

The use of the term "warehousing" of leases is apparently being used as justification to support other actions that the DNR currently has pending before the Superior Court in the ExxonMobil appeal of the termination of the Point Thomson Unit and leases. PERL maintains that the actions of Exxon vis-à-vis the Point Thomson Unit and the situation faced by PERL regarding the Corsair Unit are readily distinguishable.

Exxon and the other working interest owners monopolized the Point Thomson leases for decades without fulfilling a single work commitment. The working interest owners had local access to the necessary drilling equipment throughout the entire term of the Point Thomson Unit. Exxon has received Division approvals for more than twenty amendments to its POE / POD.

PERL has had control of the Corsair leases for only five (5) months. There is no locally available drilling rig equipped to drill offshore in Alaska. Moreover, PERL has received only one extension to its POE and is requesting the expansion leases to be included in the Corsair Unit to allow PERL to exercise a reasonable and justified opportunity to explore and develop the entire Corsair structure.

The term "warehousing of leases" is used to describe a process whereby a lessee holds acreage for an indefinite amount of time for some unknown future exploration or development activity. PERL intends to drill these expansion leases next year. This commitment is not warehousing. The expansion leases are necessary to make the exploration of the entire structure economically feasible.

Unlike the persistent inactions of the Exxon working interest owners, PERL's actions and requests have been credible and in good faith. PERL has not endeavored to delay the efficient reservoir production. Since it acquired ownership of the former Forest leases and since its approval as Successor Operator of the Corsair Unit, PERL has made a diligent and sincere progress in its efforts to insure to the State practical and efficient reservoir production.

Further, unlike Commissioner Menge's finding in the Exxon case, there has not been an unreasonable amount of time squandered in PERL's actions to go forward with drilling activates in the Corsair Unit.

Inclusion of the expansion leases into the Corsair Unit is not a warehousing of leases. It is the prudent and reasonable addition of all leases that have the underlying contiguous Corsair structure to the existing Corsair Unit. For the Division to label this proposed action as warehousing is unjustified and prejudicial.

The only purpose that can possibly be served by the Division for making such a determination, is the Division's ability to benefit from it as an example of alleged consistent behavior in other administrative proceedings.

As the Division has stated above, the Corsair prospect also underlies the expansion acreage. As with the existing leases, delineation and production of the expansion leases is dependent on the fulfillment of the proposed POE and securing the same contract for the use and mobilization of a suitable rig. PERL maintains that the delineation and production of the expansion leases is, therefore, dependent upon unit formation. Additionally, the economic viability of the existing current leases within the approved Corsair Unit is also dependent on the unitization of the expansion leases. Without the inclusion of the expansion leases in the Unit, the prospect will not be economical.

IV. DISCUSSION OF DESIGN CRITERIA, A., 3. Plan of Exploration and Development for the Proposed Expanded Corsair Unit, second paragraph, which reads, in part: (page 9)

If the expansion is not approved, the leases will expire and the acreage will be available in the May 2009 Cook Inlet Areawide Lease Sale. Provided PERL fulfills the commitment in the Initial POE, a jack-up rig will be working in the Cook Inlet by June 30, 2008. At that time PERL or any other successful bidder will have the opportunity to contract for the rig and conduct exploration and delineation drilling on any offshore lease. If the rig does not arrive, then no drilling by any party will occur on any offshore leases, regardless of unitization.

The assumption and determination by the Division that should the leases expire they will be available in the May 2009 lease sale is erroneous for two reasons:

Firstly, the upcoming May 2009 Cook Inlet Areawide Lease Sale requires a new ten-year Best Interest Finding (BIF). This process is cumbersome and often fraught with delays. In fact, the ten-year Preliminary BIF for the North Slope Areawide Lease Sale was due March 2008, and it is still pending. Once the Preliminary BIF is issued, it requires a 90-day public noticing period and an additional 30 days for information requests and responses. The Final BIF must be approved and issued 90 days prior to any lease sale date.

This entire process takes a minimum of seven-months to complete after the Preliminary BIF is drafted and published. The Preliminary Cook Inlet BIF is scheduled for July 1, 2008 in order to make the May 2009 Lease sale date. It is very likely the Final BIF will not be issued in time for the May 2009 lease sale. Once the Preliminary BIF is issued, litigation by special interest groups and obstructionist organizations often follows in attempts to stall the process. This is not an unusual occurrence in the BIF process. For these reasons, the May 2009 lease sale will likely be postponed.

Secondly, it has historically taken as long as a year to issue the leases after a lease sale. This lag time is due to the Division's work load and decision to do the necessary title work on the leases only after an acceptable bid has been received. As a result, even if the expansion acreage were to expire and be available in the May 2009 lease sale, further assuming it was held on schedule, the leases would likely not be issued until April of 2010.

Given the amount of time it would take to then evaluate and select a drilling location, formulate a drilling plan, and obtain permits, drilling in these leases would not occur until sometime in 2012. This would be a year after PERL's current proposal to have a fourth well drilled.

PERL reminds the Division that even if the May 2009 lease sale were held on schedule and the Unit expansion were approved, if PERL did not supply the Division with a signed contract for the heavy lift vessel to transport the jack-up rig to the Cook Inlet by July 31, 2008, as required in the Corsair Unit Default Cure approved by the Division, the Unit would be in default and the leases would terminate and be available in time for the proposed May 2009 lease sale.

Therefore, the State would be in no better position in denying the expansion and having the leases expire than it would be in if it approves the leases and the unit POE is ruled in default on August 1, 2008 and the leases terminate. The ONLY difference to the State is that with the denial of the Unit expansion, the acreage becomes in an un-leased condition for twelve (12) months, instead of only nine (9) months with the expansion approval and default. In either scenario, the State would collect a penalty from PERL in the amount equal to $35.00 per acre.

On the other hand, if the Expansion Application were to be approved and the July 31, 2008 commitment is met, the delivery of a jack-up drilling rig to the Cook Inlet would almost be a certainty, barring any unforeseen force-majeure situations. In this scenario, the State, PERL, the other offshore oil and gas producers and the south central Alaskan gas consumers would be the beneficiaries.

PERL maintains that the State has not convincingly demonstrated any damages or reasonable harm in an Approval of the Expansion Application and giving PERL their earned right to explore and develop those leases.

Without the expansion acreage, it is unlikely that PERL will be able to economically justify the delivery of a jack-up rig to the Cook Inlet. Although, for the sake of argument, assuming the Expansion Application denial is upheld, and the leases expire, and PERL does bring a jack-up rig to the Cook Inlet, the Division's assumption that *"any other successful bidder will have the opportunity to contract for the rig and conduct exploration and delineation drilling of any offshore lease"* is in error and has no basis in fact. Should PERL bring a jack-up rig to the Cook Inlet, there is absolutely no guarantee that this rig will be available to any other operator other than PERL. In addition, there are no U.S. registered heavy-lift vessels capable of transporting a jack-up rig, so a foreign vessel must be utilized, requiring a Jones Act Waiver from the Dept. of Homeland Security. With the current war, upcoming change of Administration and lead time necessary, it is very unlikely another company could obtain such a waiver for several years to come, thereby not being able to deliver their own drilling rig.

The Division is correct in its statement that "If the rig does not arrive, then no drilling by any party will occur on any leases, regardless of unitization." This is exactly what the Division risks for the entire State by not approving the Expansion Application.

IV. DISCUSSION OF DESIGN CRITERIA, A., 3. Plan of Exploration and Development for the Proposed Expanded Corsair Unit, third paragraph, which reads, in part: (page 9)

PERL acquired interest in the Corsair Unit with full understanding of the commitments and agreed to the terms and conditions of the Unit Agreement, which includes the initial POE, upon their acceptance of designation by Forest as the Successor Unit Operator, on November 27, 2007.

PERL acknowledges that this statement is true with the following caveat: PERL also recognized that the commitments contained in the Initial POE were in-fact impossible to meet and intended to request appropriate amendments to make such work commitments practical and feasible that once it acquired the Forest assets.

Upon the approval by the Division of PERL as Successor Operator of the Corsair Unit, the Division was also fully aware that the work commitments contained in the Initial POE were impossible to meet. The Division knew or had a reasonable certainty of knowing that PERL would apply for such amendments to allow for the successful execution of the work commitments. The Division approved those reasonable and appropriate amendments through the use of Default Cures and Extensions with full understanding that it was in the State's best interest to allow PERL a fair and just opportunity to fulfill those commitments.

The Division has been a willing participant as the land owner and regulatory authority governing leases, lessees, and unit operations, during the entire process from the acquisition of the Forest assets to this application for this Unit Expansion. For the Division to now use PERL's acceptance as Successor Unit Operator and the Division's own approval of such designation as reason for denial of the Unit Expansion Application is neither fair nor consistent treatment of PERL by the Division.

IV. DISCUSSION OF DESIGN CRITERIA, A., 3. Plan of Exploration and Development for the Proposed Expanded Corsair Unit, fourth paragraph, which reads: (page 9)

The Division has already granted a six month extension for the first well drilling commitment, which is now due on June 30, 2009. PERL must drill that well in Tract 1 or 3, which are in the original unit area. PERL now proposes to postpone that commitment by an additional six months, until December 31, 2009, and commits to drill two additional wells in the proposed expansion area, Tracts 6 and 7, within the same timeframe. The Division's April 1, 2008, decision imposed additional obligations on PERL, including obligations pertaining to the rig contract, which must be met by April 30, 2008, or the unit terminates and obligations pertaining to a heavy lift vessel, which must be met by July 31, 2008, or the unit terminates.

As previously stated, the Division's approval of the six-month extension for the first well drilling commitment of June 30, 2009 was appropriate and justified. The Division consciously approved that extension with the full knowledge that it was essential for any chance of getting a jack-up drilling rig delivered to the Cook Inlet and having the well drilled. The only stipulation made by the Division in the extension approval was that PERL cure the April 1, 2008 default, which PERL did cure on March 14, 2008 with the Division's acceptance.

The commitment in the Initial POE, as extended, requires PERL to drill a well in either Tracts 1 or 3 by June 30, 2008. The Division is in error in the instant Decision concerning PERL's request of an additional six months extension to the commitment to drill the first well. The Division has misconstrued PERL's proposed commitment to drill an additional two wells by December 31, 2009 – within the same timeframe as the first well, as it pertains to the overall year-two work commitment – as an additional six-month extension to the original first well.

The date of the Director's Decision denying the Expansion Application is April 30, 2008. However, the Division uses the language "*including obligations pertaining to the rig contract, which must be met by April 30, 2008, or the unit terminates*". In fact, PERL had fulfilled that obligation on April 24, 2008, with the payment of the required non-refundable deposit of $100,000 to Blake Offshore, LLC, which was followed up with an e-mail confirmation to the Division on April 25, 2008. The use of this language clearly after the fact of the fulfilled obligation indicates that the Decision was written several days in advance of its execution and relied on the assumption that such obligation would not be met.

There are two basic flaws apparent in this section of the Decision. First, since it is obvious that the Decision was written several days in advance of its issuance, the Division had adequate time to notify the applicant of its pending Decision and its rationale for denial. Such notice would have allowed PERL the opportunity to agree to any revision that might have made either the Expansion Application or the Revised Initial POE acceptable to the Division. Second, the Division's assumption that a work commitment would not be met and having written the Decision days in advance is arbitrary and not fair to PERL.

It is clear that the Division had no intention of approving the application soon after its submittal. This position taken by the Division prejudiced PERL by not allowing for either the fair and just evaluation of the Expansion Application, the non-biased, full consideration of the proposed work commitments, or the opportunity for PERL to discuss any alleged deficiencies with the Division prior to the Denial Decision. Further, by not informing the Applicant until the day of the leases' expiration, the Division effectively made it impossible for PERL to petition the Alaska Oil and Gas Conservation Commission (AOGCC) for compulsory unitization. PERL's right was only viable as long as the leases were in force. The Division could have in good faith notified PERL in advance of the April 30, 2008 issuance date that it intended to deny the Expansion Application, allowing PERL its right to timely petition the AOGCC for a satisfactory decision. The Division's deliberate delay in notifying PERL took away important rights, including the right to due process, and prejudiced and damaged PERL.

IV. DISCUSSION OF DESIGN CRITERIA, A., 4. The Economic Costs and Benefits to the State and Other Relevant Factors, which reads: (page 9)

> *Approval of the unit expansion as proposed postpones current commitments and delays development. Denial of the unit expansion application will result in the expiration of the leases. The leases will be available at the May 2009 Cook Inlet Sale. The competitive lease sale program provides opportunity to all potential lessees to acquire interest in acreage and to explore that acreage within the primary term of the lease.*

As demonstrated above, the Division has made an erroneous determination that the approval of the expansion application will postpone commitments and delay development. To the contrary, PERL's Revised Initial POE accelerates the drilling of the Corsair resources by adding two additional wells within the same year work commitment which in-fact expedites the development. The denial of the Expansion Application actually postpones the drilling of additional wells in the expansion acreage and delays the development, if not cancelling it all together, within the Corsair prospect.

To reiterate, the expired leases may or may not be available in May 2009 for a lease sale. By allowing the expiration of the Corsair expansion leases, and having them available to any potential lessee (other than PERL), the Division essentially gives that potential lessee an unearned interest in the Corsair reservoir, for nothing more than the highest bonus bid. This would be an unfair advantage propagated by the Division in favor of the new lessee and at the expense of and to the detriment of PERL. Should another lessee acquire these expired leases in any subsequent lease sale, there is absolutely no guarantee that that lessee will be able to either deliver its own jack-up rig to the Cook Inlet or contract for PERL's jack-up rig, if any, within the primary term of their leases. This is an erroneous assumption on the part of the Division.

By requiring PERL to competitively bid on acreage in which it has already demonstrated a hydrocarbon prospect, the State would receive an unjustified windfall in bonus bid revenue in order to insure PERL obtains such leases back. This forced re-leasing requirement is an unfair enrichment of the Division. The Division is charged with acting in the best interests of the State, the public and the Alaskan businesses, including PERL. The denial of the Corsair Unit Expansion and the resultant expiration of the leases is a taking by the Division and severely prejudices and damages PERL.

Further, the ability of the Division to "take back" the leases proposed for the unit expansion because it has the ability to re-lease the leases in a subsequent lease sale and provide an opportunity for other potential lessees to acquire those leases is not a justifiable reason for denying the unit expansion and facilitating the expiration of leases that contribute to an identified hydrocarbon deposit. In doing so, the Division is displaying blatant prejudicial treatment against PERL, and is ignoring standard leasing and unitization processes which have been established and employed industry-wide throughout the State's oil and gas leasing history.

IV. DISCUSSION OF DESIGN CRITERIA, B., 1. Promote the Conservation of All Natural Resources. (page 10)

PERL has demonstrated repeatedly that the unitization of the expansion leases will promote the conservation of not only the Corsair resources, but virtually all of the Cook Inlet offshore resources. Without the inclusion of the expansion leases, which contain approximately two-thirds (2/3rds) of the Corsair structure, it is not economically feasible for PERL to bring a jack-up rig to the Cook Inlet. Without a jack-up drilling rig, none of the Corsair leases, as well as other leases, units and existing productive reservoirs, will be explored, produced, or enabled to have step-out development drilling. The Denial Decision actually causes a waste of natural resources and forces production from the existing offshore platforms to continue to decline and stagnate.

Further, the Division has not proven that the unitized operation of the Corsair expansion leases would in any way detract form the conservation of all natural resources. Accordingly, without substantial proof to the contrary, the Division must allow PERL the benefit of the doubt in its assertion that unitization of the Expansion acreage will promote the conservation of natural resources. Therefore, the Corsair Unit Expansion, in and of itself, promotes the conservation of ALL hydrocarbon resources in the offshore area of the Cook Inlet.

V. DISCUSSION OF DESIGN CRITERIA, B., 2. The Prevention of Economic and Physical Waste. (page 10)

PERL has expended several millions of dollars in the acquisition and interpretation of the resource delineated under the existing Corsair Unit and the Expansion Area Leases. The Division's Resource Evaluation Staff has repeatedly acknowledged that the Corsair Structure extends under the existing Corsair Unit and the Expansion Area Leases. Unitization of the expansion leases insures a single unified reservoir management plan and the maximum ultimate recovery of the Corsair resource.

There have been several wells drilled in the past by other operators that were used to assist in the interpretation of seismic data and to evaluate and delineate the Corsair structure. Should the Expansion Leases remain expired and be re-leased by another operator, that operator would have to re-evaluate any available seismic data and well logs, identify their prospect, prepare their own exploration and development plan, drill its own wells and establish its own production and transportation facilities. This would clearly and ultimately result in a redundancy in facilities, operations and expenditures that would result in economic waste.

Further, separate management plans and facilities by different operators would result in poor exploration and ultimate recovery of the Corsair structure, resulting in poor reservoir management and a physical waste of the resource. Without a unified exploration and reservoir management plan, there is no way for multiple operators to insure the maximum ultimate recovery from the entire resource.

Fulfillment of the first well commitment by June 30, 2009 is in fact dependent upon approval of the proposed unit expansion. Without those expansion leases, which have been identified to contain approximately two-thirds (2/3rds) of the Corsair Structure, the existing Corsair Unit is uneconomical to explore and produce.

PERL should not be forced into reacquiring the expired leases in any future lease sale. PERL has demonstrated that the Expansion Leases contain a significant portion of the Corsair Structure, which when combined with the existing Corsair Unit leases, make the entire Corsair prospect economical. PERL has already expended enormous amounts of capital and company resources in the delineation of the Corsair Structure. Requiring PERL to bid on the acreage that it has already proven to contain a significant portion of the Corsair structure only facilitates economic waste and is prejudicial and damaging to PERL.

It is in the State's best interest for PERL to expend these monies on exploration and development, rather than the wasteful and unnecessary re-leasing of its prospect acreage.

VI. DISCUSSION OF DESIGN CRITERIA, B., 3. The Protection of All Parties of Interest, including the State. (page 10)

PERL is not at fault for not drilling either the existing Unit leases or the Proposed Expansion Unit leases. PERL did not acquire the leases until August of 2007, and did not obtain approval from the Division as Successor Operator until late November of 2007. Holding PERL responsible for its inability to drilling the leases during the leases' primary terms is unreasonable and unfair. PERL has made every diligent effort necessary, and continues to do so, in an effort to adequately explore and hopefully produce the Corsair resource, ultimately providing additional royalties and taxes to the State.

PERL is NOT using the unitization process to merely extend the primary term and "warehouse" the leases as contended by the Division. This assumption, given the amount of information and data supplied to the Division, is grossly inaccurate and puts the exploration and development of the Corsair resources, as well as the exploration and development of other prospects, at risk. It is in the best interest of the State to approve the Proposed Unit Expansion, as the expansion acreage is critical to the economical exploration and development of the Corsair resources. Without the expansion leases, the prospect is uneconomical and PERL will not be able to justify the delivery of a jack-up drilling rig to the Cook Inlet.

If the DNR approves the proposed unit expansion, the State receives the opportunity of significantly greater revenues than it would from the releasing of the expansion acreage. Increased revenue is in the best interest of the State and the people of Alaska. Should the DNR require PERL to compete for the leases it has already acquired and paid for from Forest, it would severely jeopardize the financial position of PERL in the Corsair prospect. By the Division's denial of the Proposed Corsair Expansion, the Division essentially eliminates PERL's benefit of the bargain it obtained in the acquisition of those leases.

The State's interest is best served by promoting competition for acreage offered in lease sales. However, neither the interests of the State, nor PERL are served by removing significant portions of a prospect from the whole and making the entire prospect uneconomical or functionally difficult to explore and develop. It is in the State's best interest to keep a hydrocarbon prospect intact and undivided.

In the above-referenced section, the Division uses derogatory language inferring that PERL's performance has not been adequate, which is unfair and unwarranted:

> *"- promises given by a lessee that has not timely fulfilled its existing commitments."*

This statement may indeed be applicable to Exxon and perhaps PERL's predecessor Forest , but it is not indicative of PERL's performance and pursuit of the economical and reasonable exploration and development of the Corsair prospect, over which PERL has only had control during the past five (5) months.

It is in the best interest of the public to expand the Corsair Unit, making the entire prospect and identified structure economical to explore and produce. PERL is not requesting the Division to extend these leases beyond their primary term based solely on promises to drill two wells, *despite the fact* that the Division approved the Existing Corsair Unit based solely on the promises to drill two wells. PERL had requested the Division to extend the leases beyond their primary term because those leases contained a significant portion of the Corsair structure, as identified and agreed upon by the Division's Resource Evaluation staff, which would provide for the ultimate economical viability of the entire prospect.

Again, in this section, the Division uses derogatory language unjustifiably stating that PERL's performance has not been adequate, which is unfair and unwarranted:

> *"... when PERL did not meet its drilling rig contract commitment and will not meet its original drilling commitment."*

This statement exhibits little forethought and lacks any rational deliberation as to its basis. The ability to meet the drilling rig contract commitment within only thirty-four (34) days of being approved as the Successor Operator was an impossibility, a fact recognized by the Division in its proposed cure for the Unit default. Not being able to meet the original drilling commitment of December 31, 2008 was also recognized as an impossibility by both PERL and the Division, as evidenced by the Division's approval of the six-month extension to June 30, 2009. These extensions to the work commitments as approved by the Division were necessary and appropriate for the realistic acquisition and delivery of a jack-up rig and a manageable exploration schedule. The Division was fully aware of all the circumstances and contractual difficulties involved in obtaining those POE modifications and extensions, and approved them accordingly. Since the extensions were approved by the Division, the Division is precluded from using the former commitments as justification in its denial of the expansion application.

Therefore, these comments serve no purpose other than an attempt by their author to discredit PERL as a responsible Cook Inlet Operator. These statements are prejudicial and damaging to PERL's reputation and intentions.

As was identified in a previous sections above, the Division states:

> *In addition, it is not in the public interest to expand the Corsair Unit now, given the unit could terminate automatically on April 30 or July 31, 2008, or on June 30, 2009, if PERL fails to meet it [s] current obligation under the Initial POE, as amended by the Division's January 29 and April 1, 2008, decisions.*

The fulfillment of the April 30th commitment was met on April 24th, with the payment of the required non-refundable deposit of $100,000 to the Blake Offshore, LLC. The fact suggests that the Decision was written several days before it was rendered and delivered to PERL. This apparent delay in informing PERL of its pending Decision severely prejudiced PERL and unjustly took away PERL's ability to seek due process from the AOGCC.

The Division cannot use the suspected failure of an event yet to happen in the future as a basis for denying an action in the present. The Division was in error in its conclusion that it was not in the public's interest to expand the Corsair Unit, given that certain obligations in the future may not be met. The Division does not possess the ability to predict the future, nor the authority to make determinations based on the outcome of obligations yet to be known. This determination and conclusion by the Division is both arbitrary and capricious, and exhibits a unquestionable prejudice towards PERL as an Operator and PEAO as lessee.

The Division failed to adequately consider the protection of all parties of interest including PERL, Escopeta Oil Company, LLC, Chevron Oil Company, and ConocoPhillips. By denying the Proposed Corsair Unit Expansion, the Division jeopardizes the economic viability of the exploration and development of the Corsair prospect, as well as many others.

The economic viability of the Corsair prospect is essential for PERL's ability to acquire and deliver a jack-up drilling rig to the Cook Inlet, in the near future. Without this jack-up rig, the exploration and production from the Kitchen and East Kitchen units become at risk. Without this jack-up rig, further step-out development drilling from the existing platforms become at risk as well as the continued acceleration towards the end of the economic life of those platforms. This is not in the best interest of any lessee or Operator in the Cook Inlet.

The Division also failed to adequately consider the protection of another party in interest, Renaissance Oil Company (Renaissance). Renaissance contends and alleges that their adjoining acreage to the expansion leases may hold resources that are in communication with the Corsair prospect. Although this allegation has no basis of fact or relevance according to PERL's interpretation because any communication of resources has yet to be determined, the Division none the less has removed Renaissance's ability to pursue unit negotiations with PERL for inclusion in the Corsair Unit. This is not in the best interest of Renaissance.

The Division failed to adequately consider the protection of all interested parties, including the public, more specifically, the south central Alaskan consumers. With the denial of the expansion acreage, the Division jeopardizes the economic viability of the Corsair prospect. If the Corsair prospect is not economically viable, PERL will be unable to acquire and deliver the jack-up drilling rig to the Cook Inlet. Offshore exploration has been at a virtual stand still for the last two decades. Onshore exploration has declined significantly over the past three decades. As a result of this lack of exploration, no new reservoirs of any significant size have been discovered and the existing reservoirs are in a steep decline in production and reserves. The resultant lack of natural gas reserves has increased the cost of gas dramatically in the Cook Inlet, especially over the last five years. This cost increase has been absorbed by the south central consumer in the form of higher natural gas costs and higher natural gas-generated electricity costs.

Without the arrival of the jack-up rig in the Cook Inlet, no additional offshore exploration and no additional step-out development drilling from the existing platforms will occur. This will only contribute to the acceleration of higher natural gas costs and higher natural gas-generated electricity costs. This is not in the public's interest, nor in the south central Alaskan consumer's interest. By denying the Corsair Expansion Application, the Division is facilitating the increase in natural gas related costs in the Cook Inlet.

V. FINDINGS AND DECISION (page 11)

1. No Drilling has occurred within the primary term of the proposed expansion leases.

PERL did not have the ability to contract for a drilling rig, arrange for delivery of the drilling rig to the Cook Inlet nor drill the wells in either the Corsair Unit or the proposed expansion leases until after November 27, 2007, when the Division approved PERL as the Successor Unit Operator of the Corsair Unit. Both the Division and PERL recognized the onerous commitment requirements and unfortunate inability to meet those work commitments in just thirty-four (34) days. The Division rightfully and properly approved the appropriate extensions of those commitments to allow for an adequate opportunity to reasonably fulfill those commitments. Accordingly, without the reasonable ability to fulfill the requirements of the existing Corsair Unit POE, it was impossible for PERL to drill the expansion acreage within their primary terms either.

The Division's Finding that the expansion leases were not drilled during their primary term is irrelevant. The fact remains that the Corsair structure extends under the expansion acreage. Further, the Division justified the creation of the Corsair Unit with the promise to deliver a jack-up drilling rig to the Cook Inlet and drill two wells within the first twenty-three (23) months of the Division's approval. Denying the unit expansion with a continued promise to deliver a jack-up drilling rig to the Cook Inlet and a promise to drill two additional wells within the first twenty (20) months is not a consistent evaluation and application of the Division's standards.

2. ***PERL neither fulfilled the initial POE drilling work commitment by December 31, 2008, nor has it yet fulfilled the June 30, 2009, drilling commitment.***

PERL received the Division's appropriate, necessary and rightful extension of the December 31, 2008 drilling work commitment to June 30, 2009. The Division willfully and knowingly approved that extension as an adequate measure to allow PERL the reasonable and realistic opportunity to meet the overall intent of the Corsair Unit formation and POE work commitments. The Division has been an active participant in the Corsair Unit negotiations from the date PERL fist acquired the Forest assets in August 2007. The Division seemingly understood the economical and logistical obstacles involved in meeting the onerous work commitment dates that PERL inherited from Forest. The Division acted accordingly in its approval of the necessary modifications and extensions to the original POE. The Division is barred from using its own approval of those modifications and extensions by operation of its responsibilities as the landowner and its regulatory authority over leases and units.

Neither the December 31, 2008 nor the June 30, 2009 drilling work commitment dates have passed. The Division cannot use the suspected failure of an event yet to happen in the future as a basis for denying an action in the present. Any speculation at all, especially concerning the June 30, 2009 drilling work commitment date, is inappropriate. The Division neither possesses the ability to see into the future, nor has the authority to make determinations and decisions on suppositions for activities and events that have yet to transpire.

The Division's Finding that PERL has not met either the December 31, 2008 or the June 30, 2009, drilling work commitments is correct, albeit irrelevant and inappropriate to use as justification for the denial of the Proposed Corsair Unit Expansion.

3. ***Unitization is meant to facilitate efficient reservoir production, not enable warehousing of acreage. Given the Unit's recent history, Corsair Unit expansion will not guarantee delineation and production of the prospect sooner than lease-by-lease development by any lessee.***

The Division states in the fourth paragraph on page 8 of the Decision: *"The initial POE required the Operator to timely conduct exploration, evaluation and development activities that would result in production, if a commercial resource were found, sooner than if the unit were not formed and sooner than would occur under any individual lease exploration effort."* This evaluation and prudent determination, used to justify the original Corsair Unit and POE, holds true today for the Corsair Unit Expansion and Revised POE.

Without the inclusion of the expansion leases, the Corsair prospect becomes uneconomical. Even if the existing Corsair Unit were economic, the removal of the expansion leases would result in a variety of economic and physical wastes due to the lack of efficient reservoir management and production as well as the duplication of facilities, transportation mechanisms and redundant operations.

To reiterate, there is no intention by PERL to use the unitization process as a means to warehouse acreage, as Exxon and others have done in the past with the Point Thomson acreage. Neither is there just cause for the Division to allege PERL is merely trying to warehouse acreage. PERL has made every prudent and reasonable effort to diligently interpret and evaluate the Corsair structure and to commit to realistic work commitments. PERL intends to drill the expansion leases in the next year, not to warehouse them for an indefinite amount of time for some undetermined future exploration or development. PERL's plans and intentions are definite and backed by realistic commitments in the very near future.

The Division is in error in its determination, findings and inferences that PERL is using the unitization of the expansion acreage for no other purpose than to warehouse acreage. The Divisions repeated statements regarding the alleged warehousing of leases and acreage by PERL displays a biased and prejudicial attitude towards PERL and is without any factual basis. Safeguards are built into the Corsair POE to avoid the warehousing of leases.

The Director states that, *"Given the unit's recent history ... "*. This statement implies that the unit's recent history has been unacceptable. It should be noted that the unit's recent history had only been in the control of PERL for four months at the time the Expansion Application was submitted (five months to date).

The simple fact is: The recent history of the Corsair Unit comprised a period of only four months, in which Pacific has been the Operator. This recent history reveals the ONLY concerted effort that has been made to diligently move forward towards the exploration and development of the Corsair Unit since the inception of the leases. So, to say, "given the unit's recent history" in a derogative manner as justification for denying the Corsair Unit expansion is nonsensical. Further, all circumstances concerning the Corsair Unit and the POE during its past history were known by both PERL and the Division at the time of the Division's approval of Pacific as the Successor Operator. The Division has, in fact, been an active and contributing party in both the unit's past and recent history.

The Division has been an active participant in all recent events that have transpired concerning the Corsair Unit since PERL secured the operations and responsibilities of the unit. The Division knew, or should have reasonably known, as an oil and gas lease and unit administrator, at the time of the Successor Operator approval that the existing work commitments were impossible to be met. Accordingly, the Division approved the modifications and extensions to the POE work commitments to enable PERL to have a realistic opportunity to meet those commitments. To do otherwise, the Division would not have been acting in good faith in the public's interest

Because the Division was an active participant and ultimately had control of the unit's recent history, it is inappropriate for the Division to now use any inference as to unacceptable behavior on the part of PERL during that period, given the Division's approval of those plans.

Further, the Division is remiss in its acknowledgement that it was a party to the unit's recent history and any circumstance or event that transpired during that time which was negotiated and approved by itself.

The Division erred in its determination and finding that there is no guarantee the delineation and production from the unit, if expanded, will occur sooner than on a lease-by-lease basis by any lessee. Without the expansion acreage, the economic viability of the entire Corsair prospect is at risk. Should PERL determine that the existing Corsair Unit is uneconomical on its own, without the expansion leases which contain approximately two-thirds (2/3rds) of the structure, PERL will not be able to commit to the delivery of a jack-up drilling rig to the Cook Inlet.

Without the jack-up drilling rig, not only will PERL not be able to delineate and produce the Corsair Unit, but all other potential lessees will not be able to delineate or produce any offshore leases including the expired Corsair expansion leases. To justify the cost of bringing a jack-up drilling rig to the Cook Inlet, the prospect size must be quite large

The acquisition, delivery and operation of the jack-up drilling rig is a commercial issue solely in the control of PERL. It is incumbent upon PERL to make the prudent decision to now contract a heavy lift vessel and deliver the jack-up drilling rig to the Cook Inlet.

If PERL, on its own accord and by its own evaluation, determines that the Corsair prospect is uneconomical as only the existing Unit, it will opt to not deliver the jack-up rig to the Cook Inlet and cut its losses. Additionally, even if PERL did determine the existing Corsair Unit was economic on a stand-alone basis and delivered the jack-up rig to the Cook Inlet, there is absolutely no guarantee that the rig would become available to any lessee for the development of any offshore leases.

With the inclusion of the expansion leases to the existing Corsair Unit, PERL is able to guarantee, in as much as it is able, and far beyond the ability of any other prospective lessee, that the delineation and production of the Corsair Unit and the expansion leases will occur sooner as a contiguous unit development than as would occur on a fragmented lease-by-lease development.

Further, if the expansion acreage is not included in the Corsair Unit, there will exist an almost certainty that no development on a leases-by-lease basis, as well as by a unitized basis will occur.

The Division erred in its determination and finding that the unitization of the expansion acreage will not facilitate efficient reservoir production and guarantee the delineation and production of those leases sooner than on a lease-by-lease basis. The Division did not adequately evaluate and fully consider the geological, technical, contractual, and economical implications of its denial of the Corsair Unit Expansion application. The Division offers no economically viable alternative to expansion of the unit.

4. ***Unitization is not necessary to promote the development of a single resource by multiple working interest owners, as there is only one working interest owner, PERL, in the existing Corsair Unit and the proposed expanded Corsair Unit.***

Even if this contention by the Division were true, by denying the Corsair Unit Expansion, the Division opens the door for the infusion of other, perhaps less motivated or capable, lessees, who will undoubtedly request the expired Corsair acreage to be included into the Corsair Unit, just as PERL is requesting now. In fact, by the Division's denial, the Division in and of itself becomes responsible for creating new working interest owners – thereby making unitization necessary. The Division's denial of the Corsair expansion on the grounds the unitization is not necessary because there is only one working interest owner, establishes the necessity of unitization by creating new working interest owners by its own actions.

Staggered lease terms and multiple working interest owners impede exploration and consolidation of facilities, not encourage it.

Therefore, the Division cannot validly use this argument as a reason for denying the Corsair Unit expansion. If the Division would allow the expansion acreage to be unitized in the future, it has no reason not to unitize the acreage now.

Given the enormous capital investment that PERL has expended to acquire Forest's assets, including the Corsair Unit, combined with the recent costs associated with the seismic interpretations and structure evaluations as well as the costs of the POE commitments, allowing the opportunity for another working interest owner to possibly gain an unearned economic position in the Corsair Unit gives the prospective new working interest owner an unfair advantage and does not promote the development of a single resource.

FURTHER, Pacific Energy Resources, Ltd. requests the Lt. Governor and the Commissioner to consideration on the following points:

1. The request for the Corsair Unit Expansion is not unusual, unreasonable or out of the ordinary. During the course of a unit's life, the requirement or necessity to either contract or expand a unit is a matter of continual consideration, irrespective of any subject lease's expiration date. It has been common practice for the Division since the leasing of State lands for oil and gas exploration to approve the expansion (or contraction) of unit areas as a matter of necessity to allow the unit boundaries to encompass the entire underlying reservoir.

   Additionally, it has been common practice for the Division in its leasing of State lands for oil and gas exploration to approve certain other unit actions, including Plan of Exploration amendments and expansions, as a matter of necessity to allow certain unit activities to adequately and efficiently manage or produce the unit's underlying reservoir.

In fact, albeit inappropriate and erroneous, the Division has either acquiesced in the administration of its authority or approved such amendments and extensions for Exxon's Point Thomson Unit over the past two decades. Now that the Division has decided to right that wrong with Exxon, they are apparently attempting to use the same heavy-hand inappropriately on PERL.

This is neither fair nor justified. As stated several times, and as a matter of record, PERL had only been the Operator of the Corsair Unit for four months, not thirty years, and it has only requested a couple of amendments or extensions, not dozens. To hold PERL to a higher standard than that which has been used for Exxon or any other Operator in the State of Alaska is unjust, unfair, inappropriate, prejudicial, biased, and does not afford PERL equal treatment under the law.

2. It is in the State's best interest to have a jack-up drilling rig in the Cook Inlet to put an end to the decades of non-exploration offshore. Since PERL's acquisition of Forest Oil Corporation for more than $440,000,000, PERL has endeavored to negotiate acceptable Unit agreements and Plans of Exploration and Development for its fields and prospects.

   Since the capital expenditure of more than 440 million dollars, PERL has diligently pursued the acquisition and delivery of a jack-up drilling rig to the Cook Inlet by not only accepting the additional requirements and stipulations imposed by the Division for the Corsair development, but by the following additional commitments:

   a) a $100,000 non-refundable deposit to Blake Offshore, LLC as an additional requirement to the drilling rig contract that was signed on March 7, 2008;

   b) a commitment of $12,000,000 as a drilling rig mobilization fee to Blake Offshore, LLC;

   c) a commitment of $125,000 PER DAY rig operating rate for the 1st year to Blake Offshore, LLC;

   d) a commitment of $135,000 PER DAY rig operating rate for the 2nd and 3rd years to Blake Offshore, LLC;

   e) a future commitment of at least $7,700,000 for a heavy lift vessel; and

   f) a commitment to Escopeta Oil Company, LLC for the use of its Jones Act waiver to operate the foreign heavy lift vessel in U.S. Waters.

   Because of the oceanic route that the heavy lift vessel must take to reach Alaska (around the tip of South America), and the inclement weather in the winter of the southern hemisphere, the earliest the jack-up drilling rig would be able to leave the Gulf of Mexico is late-December of 2008. It will take approximately 50 days to transport the drilling rig to the Cook Inlet, putting the drilling rig's arrival date at late February, at the earliest.

An 18,000 foot well in the Cook Inlet is estimated to require approximately six weeks, including mobilization, rig-up, drilling, testing, suspending, rig-down, and demobilization time. Accordingly, a well of this nature will cost approximately $5.25 million dollars in daily rig rates and another 14.75 million dollars in supplies and materials, putting the total well cost at approximately $20,000,000.

Therefore, the total cost to PERL to acquire, mobilize, deliver and drill the first well in the Cook Inlet will be in the neighborhood of $40,000,000, not including lease and permitting costs. PERL does not take this commitment lightly, nor should the DNR with the potential benefits that could be attributed to the State.

3. If the Division was not satisfied with PERL's proposal for the expansion of the Corsair Unit and the associated proposed Revised Plan of Exploration, given the expansion leases pending expiration, the Division could have, at any time prior to the lease's expiration, suspended operations as allowed under the lease agreement, to allow adequate time to negotiate an acceptable Unit expansion agreement and Revised Plan of Exploration, suitable to both the Division and PERL.

   The Division had other options available during the Public Review period that would have also afforded PERL the opportunity to agree to the terms and conditions necessary to make the Expansion Application and Revised Plan of Exploration acceptable to the Division.

   The Division's failure to give PERL the opportunity to accept terms for the unit expansion and Plan of Exploration, and come to a meeting of the minds, was not negotiating in good faith by the Division, and did not afford PERL its earned right as Operator and lessee to due process. Moreover, the Division denied PERL the ability to agree to terms that would have been acceptable to the Division. This questionable negotiating has severely prejudiced and damaged PERL.

4. PERL began good faith negotiations with the Division for a realistic and acceptable Plan of Exploration immediately after becoming approved by the Division as the successor Operator of the Corsair Unit. Throughout the negotiations with the Division regarding the Corsair Unit and the Plan of Exploration, and subsequent default cures, acceptance of additional stipulations, conditions, obligations and commitments by PERL, and acceptance of the default cures and extension approval, the Division has appeared, although resistant and apprehensive in many instances, to ultimately support PERL's diligent effort to meet the work commitments.

   PERL has devoted considerable financial and company resources in an effort to bring a jack-up drilling rig to the Cook Inlet to explore and produce the Corsair prospect. The Division has imposed stringent requirements and commitments on PERL to insure, to its satisfaction, that PERL will follow through with its plans to acquire and deliver a jack-up drilling rig to the Cook Inlet and explore and produce the Corsair prospect.

Now that virtually all the commitments and requirements imposed on PERL by the Division have been met, and PERL has completely interpreted the data necessary to delineate the entire Corsair structure, which indicates the primary oil targets underlie the expansion leases, and on the cusp of having the jack-up drilling rig on its way to the Cook Inlet, the Division makes an unwarranted, prejudicial and extremely damaging Decision not allowing PERL to include the leases that contain two-thirds (2/3rds) of the primary oil reservoir into the Corsair Unit.

In essence, the Division misled PERL, imposing onerous conditions and stipulations, including the required submission of a non-refundable $100,000 deposit. The Division allowed PERL to believe it would be able to explore and develop the entire Corsair prospect, and then took away two-thirds (2/3rds) of the structure which included the primary oil drilling targets. These actions and the Division's Decision to deny PERL the unit expansion are nothing less than reprehensible.

5. After spending over a half of a Billion dollars to gain the Alaskan assets and evaluate the prospects, and having only been an operating company in Alaska for eight (8) months, PERL has earned the right to prove up on its investment. The denial of the Corsair Unit expansion and the Division's preference to have the expansion leases expire are unfair takings of PERL's investment and proprietary information. To further willfully take this investment and offer it to another party with no compensation to PERL whatsoever is nothing less than constructive theft by the Division.

6. PERL is a real company with an Alaskan office and presence, it has invested real money in Alaska's economy, and has on-going operations and concerns that continue to provide revenue to the State and local businesses. It is not Exxon. The Division should be the State's advocate for responsible development of its oil and gas resources, not an agency with an adversarial role.

   When a viable and energetic company comes to the Division with a prudent and reasonable plan for <u>any</u> exploration or development activity that will enhance the current exploration and development in the State of Alaska, the Division should say: "Welcome to Alaska, how we can help you develop our resources?" Instead, in the case of PERL and the Corsair Unit, the Division appears to have more the attitude of: "Here comes another company, how can we make their efforts difficult, and how can we find a reason to say no to their plans?"

   Quite simply, this is not good business practice for the State and it DOES NOT encourage exploration and development.

7. Because the Division did not give its full and unbiased consideration of PERL's Unit Expansion Application and proposed Revised Initial Plan of Exploration; and because the Division failed to adequately consider all the aspects of PERL's proposed unit expansion and Plan of Exploration as it relates to the conservation of resources or the economical and physical waste or resources; and because the Division failed to adequately consider what

was actually in the best interest of the State, the public, and PERL; and because the Division did not adequately consider and fully evaluate the implications of its Decision; and for all of the other reasons identified throughout this Appeal; the Division's Decision to deny the Expansion of the Corsair Unit and the denial of the proposed Revised Initial Plan of Exploration is erroneous, unjustified, unwarranted, prejudicial, damaging, arbitrary and capricious, and should be reversed.

"Balance of Hardships" Test

Case law exists relative to the situations presented in this Appeal. The present matter focuses upon the Division's Denial of PERL's Application for the First Expansion of the Corsair Unit, a situation in which the Division cannot demonstrate any damages to the Department of Natural Resources or the State of Alaska if the Application were approved. Conversely, PERL can show significant damages if it is forced to relinquish the expansion acreage and the underlying resources. An appellant rule applies where the party seeking the appeal stands to suffer irreparable harm and where, at the same time, the opposing party can be protected from injury. This rule was set out by the United States Supreme Court in *Ohio Oil Co v. Conway*, 279 U.S. 813, 49 S.Ct. 256, 73 L.Ed. 972 (1929) and has been expanded by both federal and state courts in later jurisprudence:

> *Where the matters presented by an appellant for an appeal are grave, and the injury to the Appellant will be certain and irreparable if the appeal is not granted, while if the appeal is granted the injury to the opposing part will be inconsiderable, or may be adequately indemnified by a bond, the appeal usually will prevail. Id.*

This approach requires balancing the hardships by weighing the harm that will be suffered by the appellant if an appeal is not granted, against the harm that will be imposed upon the opposing party by the granting of an appeal.[1]

In this matter, an appeal pursuant to 11 AAC 83.02 of the Director's Decision to Deny the Application for the First Expansion of the Corsair Unit – ultimately resulting in the loss of a portion of PERL's oil and gas prospect to which it has devoted significant amounts of financial, tangible and intangible resources to acquire – must be granted because such a Decision will not cause either the Department of Natural Resources or State of Alaska irreparable harm. However, PERL will suffer irreparable injury and financial losses if PERL is denied the Expansion of the Corsair Unit, loses the expansion leases and the underlying resources.

Regardless of the outcome of this Appeal, the State of Alaska retains its royalty interest in the underlying resources and therefore is not at risk of any damages related to the entity that has the care, custody and control over those leases (whether the underlying resource remains in the control of PERL or any other potential lessee or Operator).

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[1] *A.J. Industries, Inc. v. Alaska Public Service Commission*, 470 P.2d 537, 540 (Alaska 1970)(citations omitted).

Because of the reasons stated elsewhere in this Appeal, it is highly unlikely and perhaps impossible that (1) the expansion leases subject to this Appeal could be explored and produced faster by another Lessee or Operator, and (2) the resource underlying the expansion leases could be produced faster on a lease-by-lease basis than it could be produced under unitization. Therefore, the State of Alaska is at no risk of damages whatsoever should the leases remain in the control of PERL.

If PERL loses its expansion leases, it will lose the underlying resources which it has endeavored to identify and any potential revenue that might be derived from that resource. These damages speak for themselves. Further, should the leases expire and become available in any subsequent lease sale, in order for PERL to reacquire those leases it will have to be the highest bidder in a competitive lease sale, likely spending hundreds of thousands of dollars reacquiring the leases because the industry is generally aware of the underlying resources contained in these leases. This is money that PERL would not have otherwise had to spend should the leases not expire.

The State of Alaska will also suffer damage if the leases are left to expire, as fragmented lease-by-lease development will delay the time it will take to produce the leases, and will also result in a waste of economical and physical resources.

Losing the expansion leases and the underlying resources will be a grave injustice and will result in irreparable injury to PERL. Therefore, PERL urges the Lt. Governor and the Commissioner of Natural Resources to grant the Appeal and approve the Application of the First Expansion of the Corsair Unit for the reasons stated above.

IT IS THEREFORE REQUESTED by Pacific Energy Alaska Operating Ltd., as the lessee, and Pacific Energy Resources Ltd., as the Corsair Unit Operator, that the Lt. Governor of Alaska and the Commissioner of Natural Resources issue a Decision that the Application for the First Expansion of the Corsair Unit and the accompanying Revised Initial Plan of Exploration, dated March 18, 2008, is in the best interest of the State of Alaska.

IT IS FURTHER REQUESTED by Pacific Energy Operating Alaska Ltd., as the lessee, and Pacific Energy Resources Ltd. , as the Corsair Unit Operator, that the Lt. Governor of Alaska and the Commissioner of Natural Resources Approve the Application for the First Expansion of the Corsair Unit and the accompanying Revised Initial Plan of Exploration, dated March 18, 2008.

This DECISION and APPROVAL will support and allow for the prudent and responsible exploration and development of the Corsair Structure in a timely and efficient manner, it will also support and encourage PERL's efforts to bring the desperately needed jack-up drilling rig into the waters of the State of Alaska and renew the stagnated exploration and development of the Cook Inlet Basin and possibly other offshore basins throughout Alaska.

This DECISION and APPROVAL will not prejudice nor damage the State of Alaska in any manner, either administratively, procedurally or financially.

Your time and consideration of this Appeal is greatly appreciated. We look forward to discussing our plans and these issues with you, if necessary.

Respectfully Submitted,

PACIFIC ENERGY ALASKA OPERATING LLC

By: _____
Vladimir Katic
Executive Chairman & Chief Operating Officer

Cc: Kevin Banks, Acting Director
State of Alaska
Department of Natural Resources
Division of Oil and Gas
550 W. 7th Avenue, Suite 1100
Anchorage, AK 99501-3560

Attachments: Application for the Approval of the First Expansion of the Corsair Unit
Revised Exhibit "A" to the Corsair Unit Agreement
Revised Exhibit "B" to the Corsair Unit Agreement
Revised Exhibit "G" to the Corsair Unit Agreement
(Revised Initial Unit Plan of Exploration)
Attachment No. 1 to the Revised Initial Unit Plan of Exploration

DENIAL of the Application for the First Expansion Corsair Unit

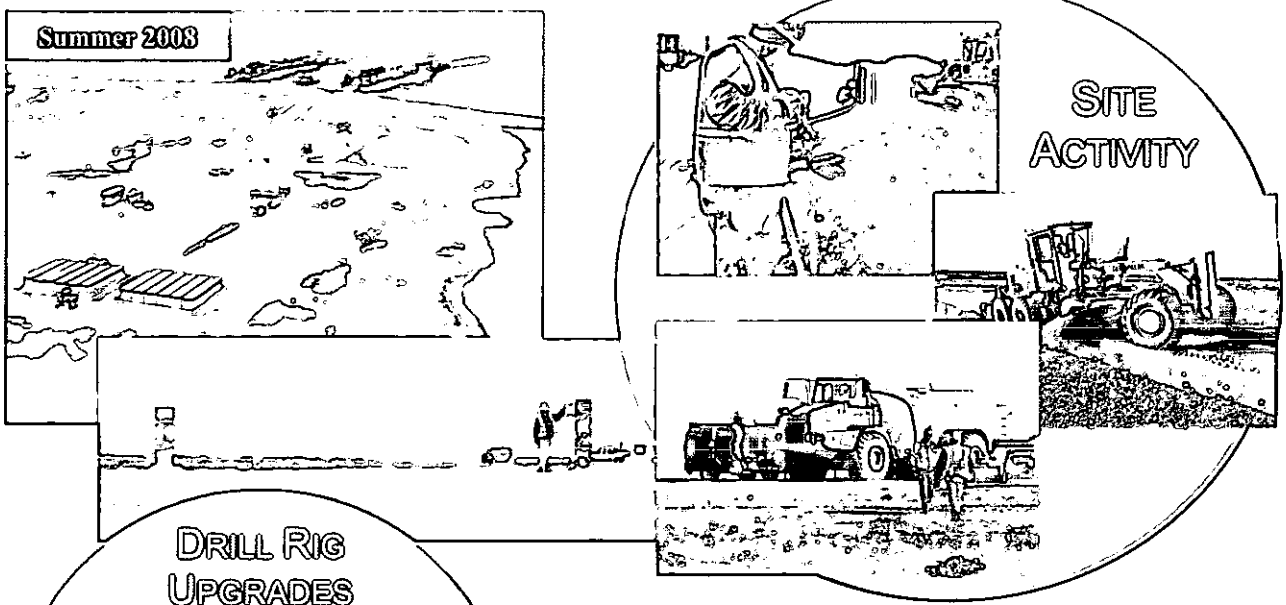
Acceptance as Successor Unit Operator for the Corsair Unit
Corsair Unit Default Cure
Offshore Daywork Drilling Contract with Blake Offshore, LLC
Confirmation of $100,000 Deposit to Blake Offshore, LLC

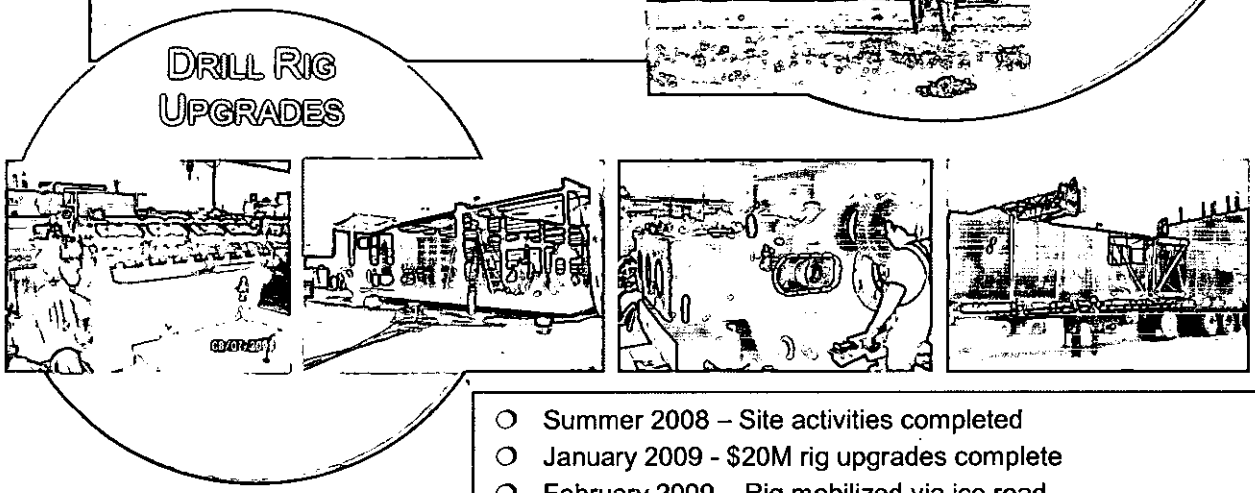
Resource Development Council Letter regarding Exxon / Pt. Thomson

The following are requested to be held confidential under AS. 38.05.035:

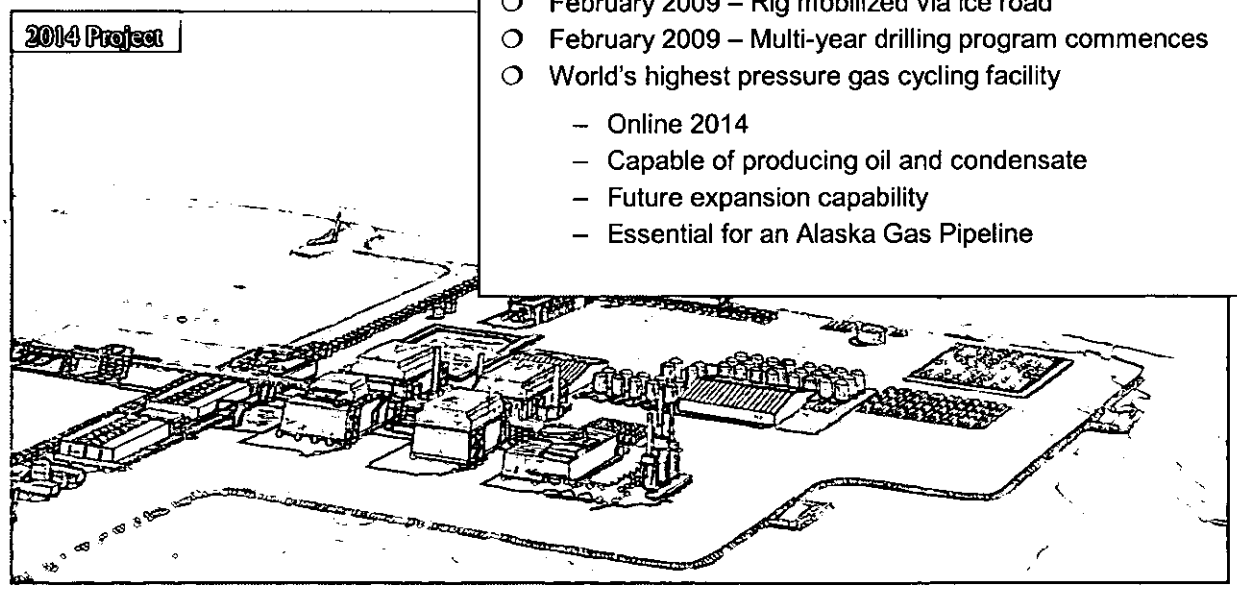
Geophysical Report for the Corsair Unit
Corsair Structure Resource Evaluation

Point Thomson Project

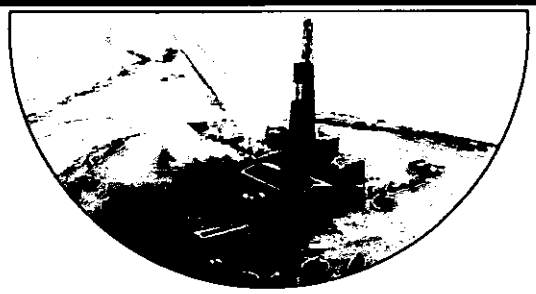




- Summer 2008 – Site activities completed
- January 2009 - $20M rig upgrades complete
- February 2009 – Rig mobilized via ice road
- February 2009 – Multi-year drilling program commences
- World's highest pressure gas cycling facility
  - Online 2014
  - Capable of producing oil and condensate
  - Future expansion capability
  - Essential for an Alaska Gas Pipeline



Progress Report: Point Thomson



The Point Thomson working interest owners are proceeding with the drilling program at the Point Thomson Unit, with drilling to commence in February 2009.

Point Thomson will be the highest pressure gas cycling project in the world, employing world-class drill wells. This project is an investment of approximately $1.3 billion, including a multi-year development and delineation drilling program.

With the arrival of equipment and materials by barge at the drilling site, the Point Thomson owners are moving forward with essential site preparation tasks to be ready to accept the upgraded drilling rig.

ExxonMobil and the other 26 Point Thomson owners wish to publically thank the more than 150 people from more than 30 companies in Alaska who are working to progress these development activities.

ExxonMobil

Taking on the world's toughest energy challenges.™

Thanks to the many Alaska companies and hundreds of employees working on Point Thomson.

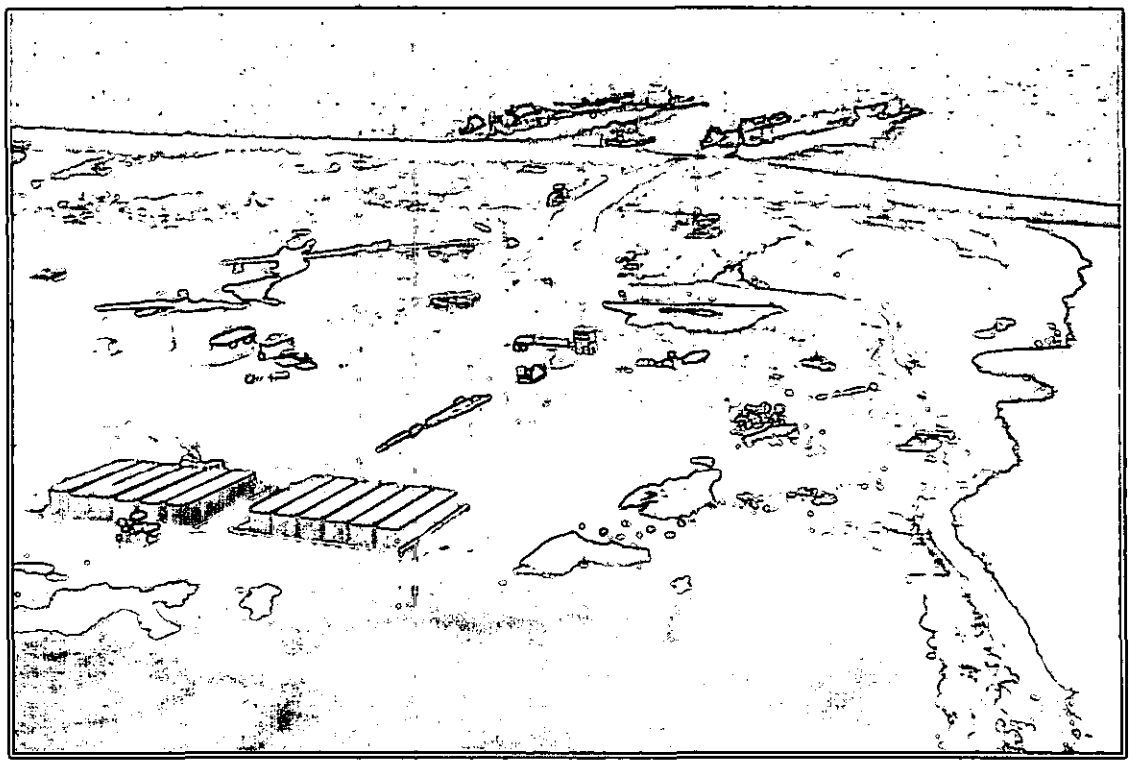
Air Logistics of Alaska, Inc.
Alaska Clean Seas
Alaska Industrial, LLC
Atigun Incorporated
Aurora Automotive, Welding and Fabrication
F Robert Bell & Associates
Brooks Range Supply, Inc./ Colville, Incorporated
Cameron
Carlile Transportation Systems
Cellar Tech
Chiniak Environmental Consulting
Crowley Alaska, Inc.
Delta Leasing, Inc.
Doyon Universal Services, LLC
Duane Miller & Assoc.
ENTRIX Environmental Consultants, Inc.
Epoch Well Services, Inc.
ERA Helicopters, Inc.
Fairweather E&P
Fairweather, Inc.
W.W. Grainger, Inc.
Halliburton
Hydril Pressure Control, a GE Oil & Gas business
Lewellen Arctic Research, Inc.
Marsh Creek, LLC
MI SWACO
MRO Sales, Inc.
Nabors Alaska Drilling, Inc.
National Oilwell Varco
Northland Wood Products, Inc.
Quadco, Inc.
SLR
Schlumberger
TerraSond Limited
Udelhoven Oilfield System Services
Frontier Alaska

POINT THOMSON PROJECT

Commitment to Produce

Point Thomson Project - Progress Update

POINT THOMSON PROJECT



December 1, 2008
House Resources and House Judiciary Joint Committee

Craig A. Haymes
ExxonMobil Alaska Production Manager

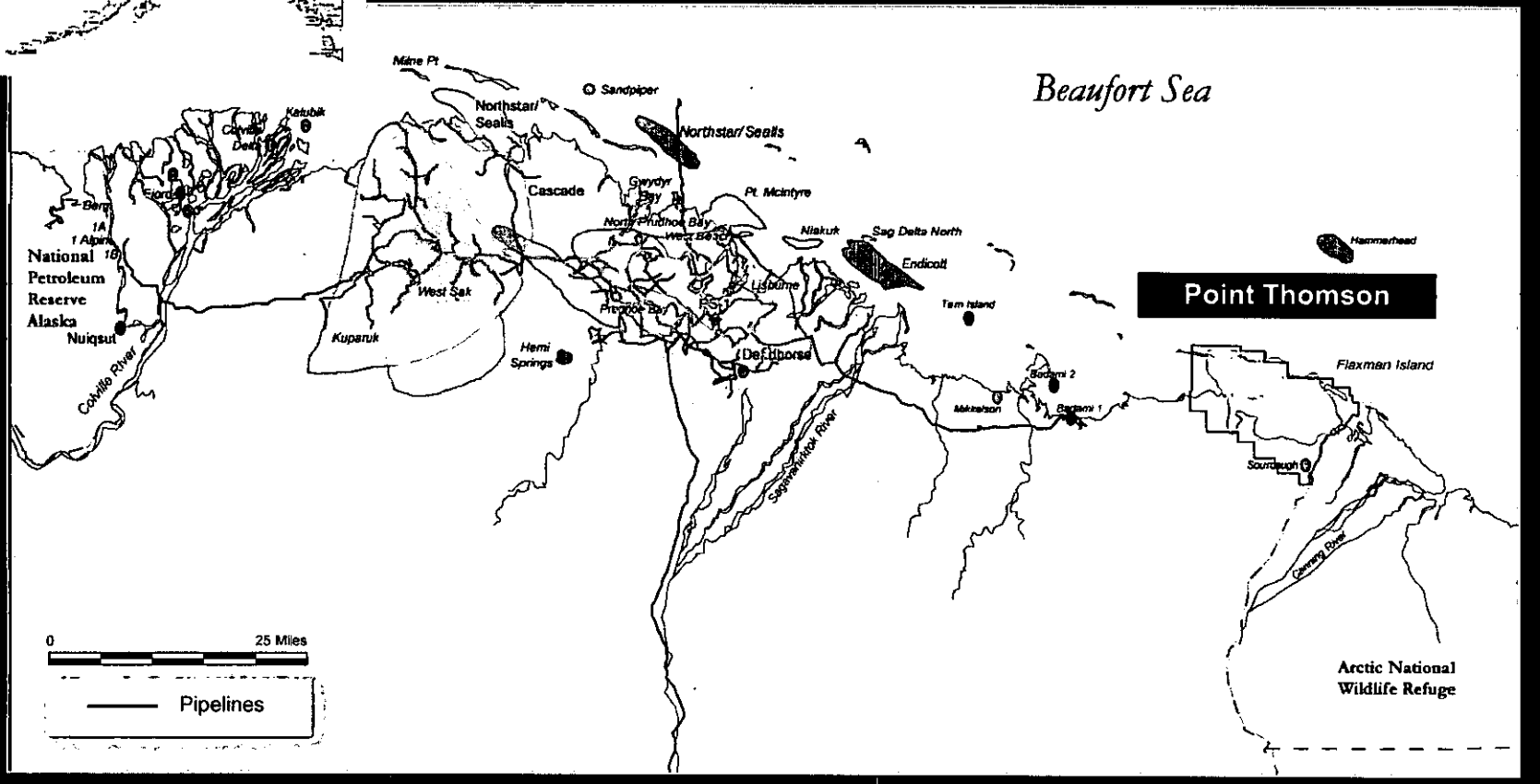
ExxonMobil

1971

Point Thomson – Isolated from Rest of North Slope

POINT THOMSON PROJECT

- Located in remote and environmentally sensitive area
- 60 miles east of Prudhoe Bay and TransAlaska Pipeline
- 22 miles east of Badami



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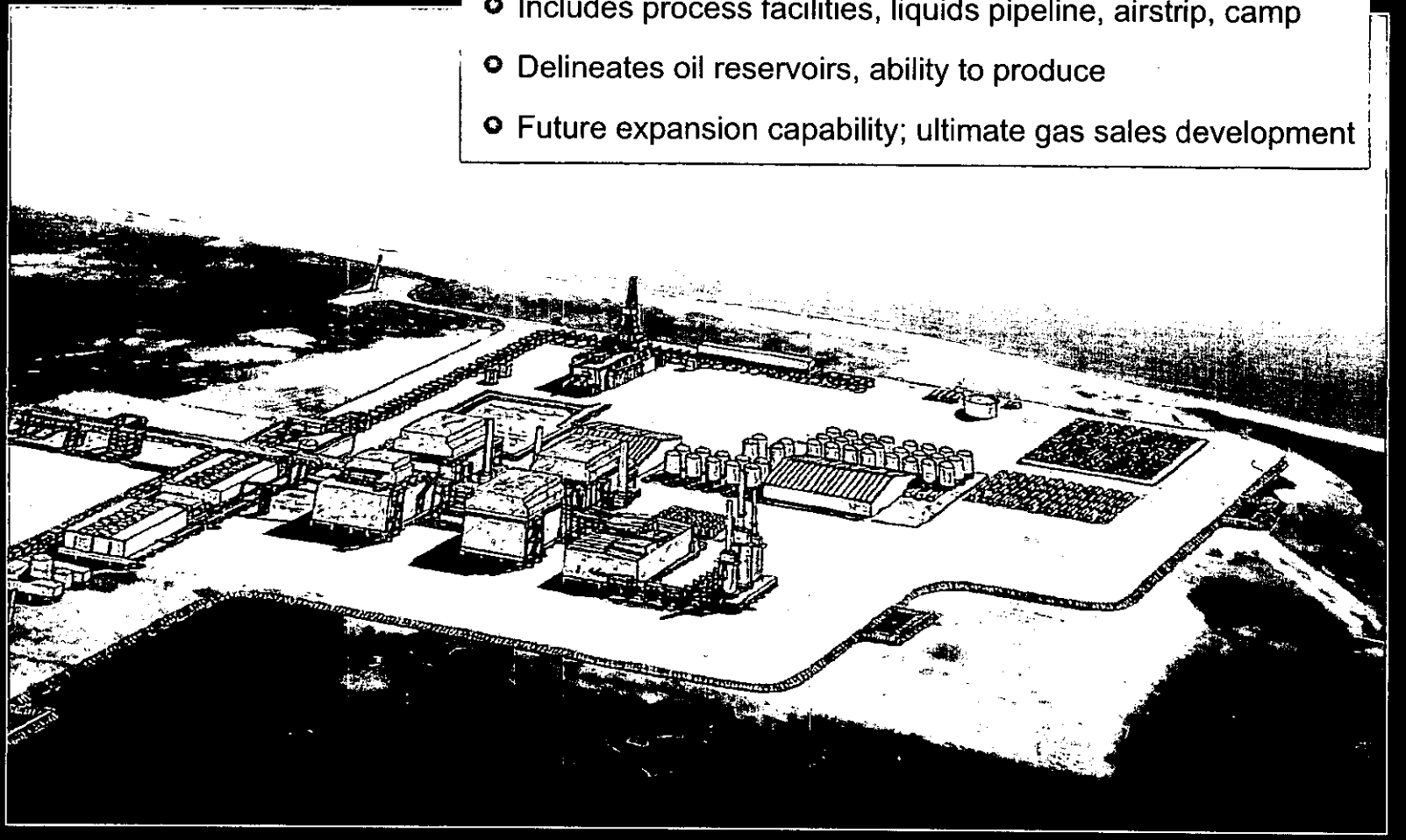
Point Thomson Project – Initial Development Phase

POINT THOMSON PROJECT

Project Illustration

- Production by YE 2014: 10,000 BPD, inject remaining gas
- Includes process facilities, liquids pipeline, airstrip, camp
- Delineates oil reservoirs, ability to produce
- Future expansion capability; ultimate gas sales development



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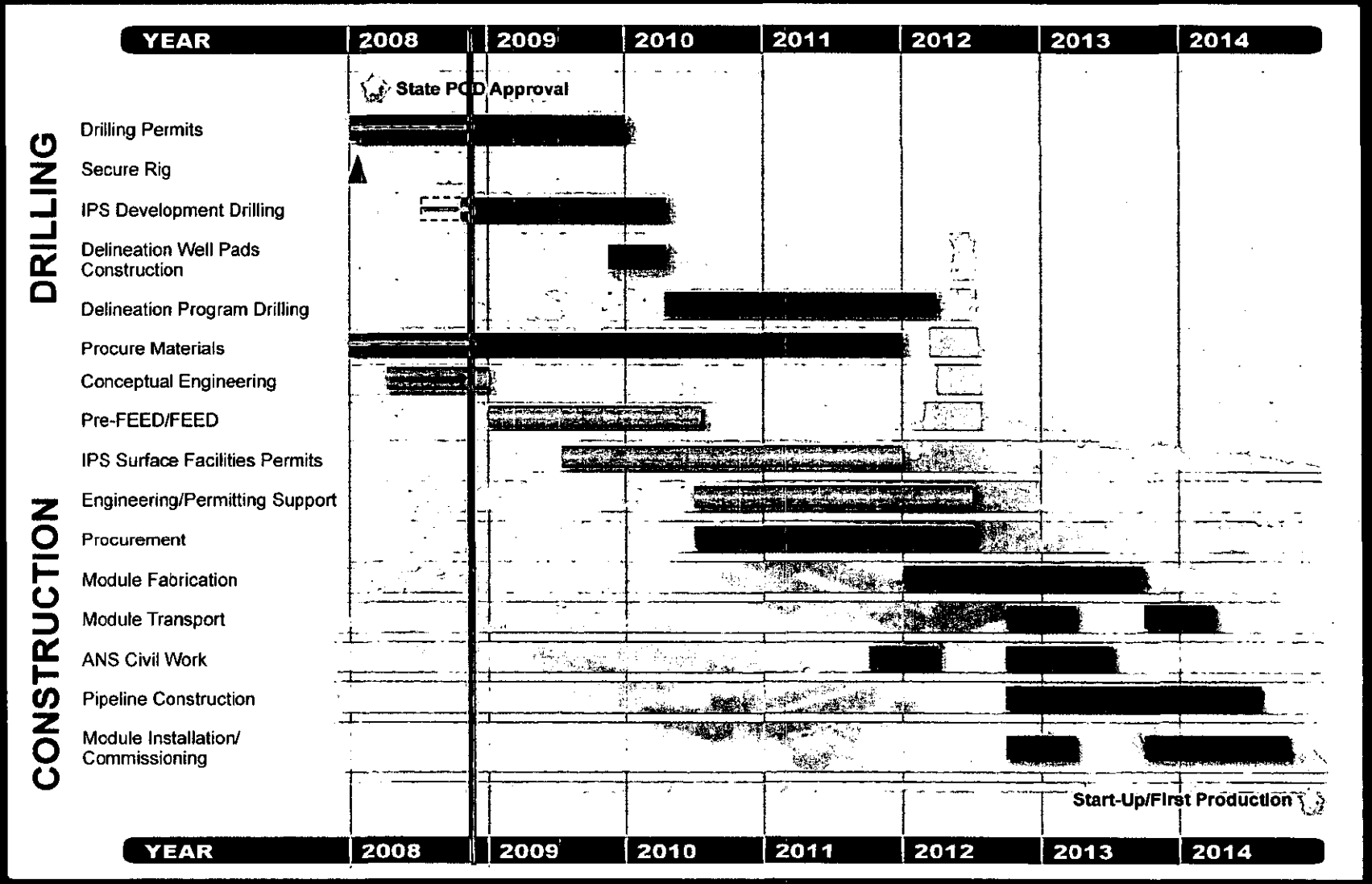
Point Thomson Project - Clear & Committed Timeline

POINT THOMSON PROJECT



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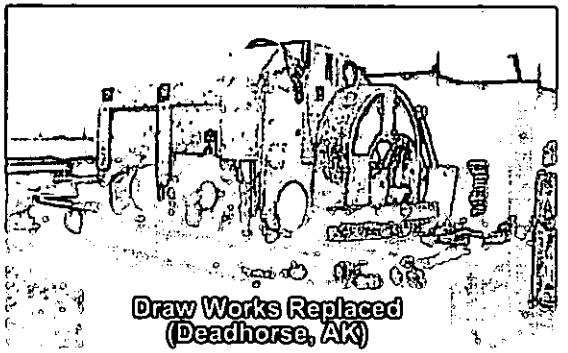
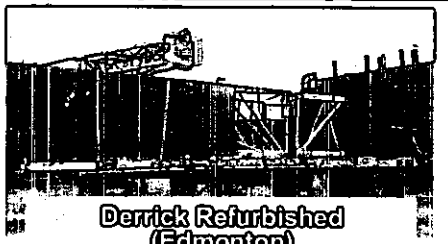
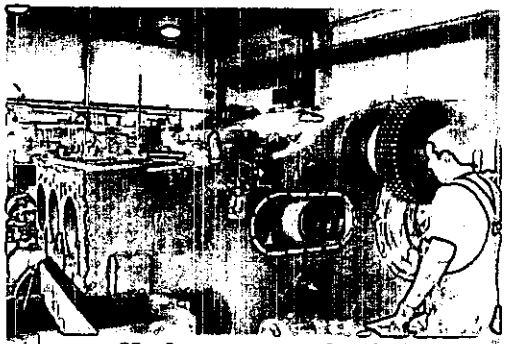
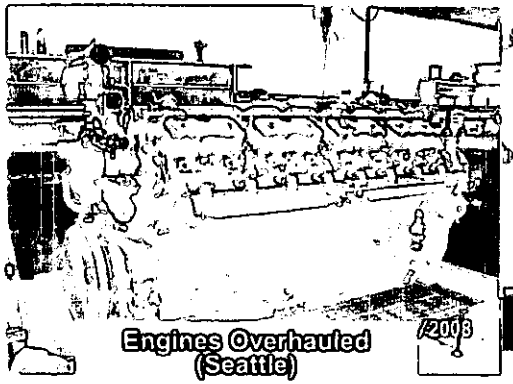
Point Thomson Project – Nabors 27E Drill Rig Upgrade

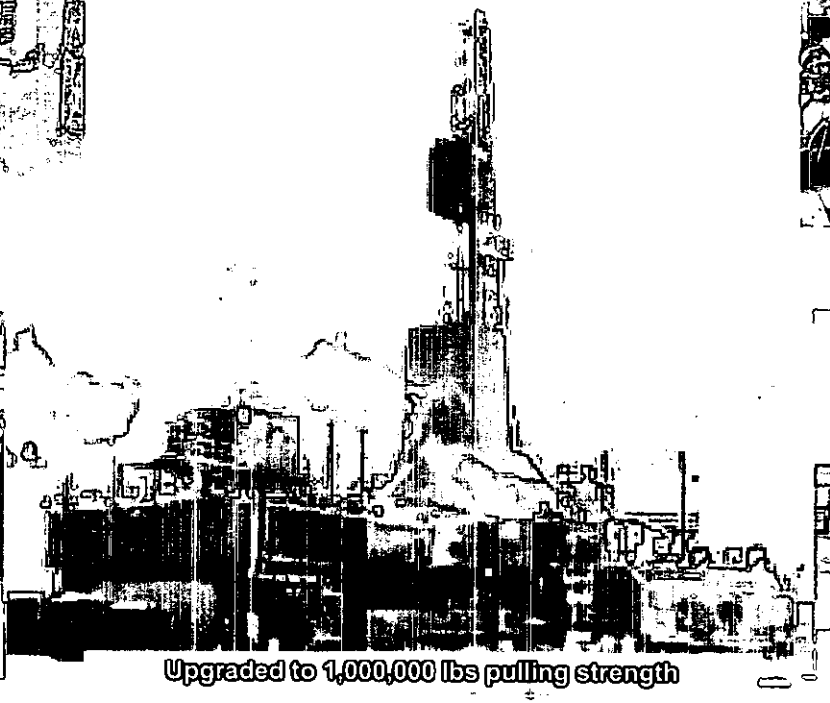
POINT THOMSON PROJECT

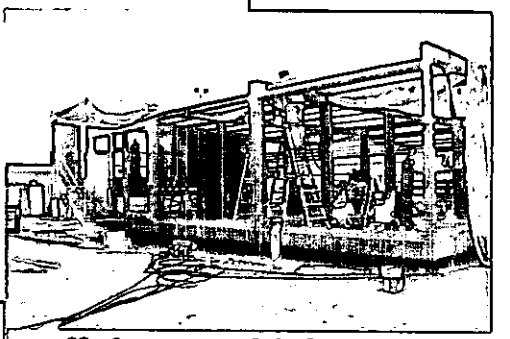

Draw Works Replaced
(Deadhorse, AK)


Derrick Refurbished
(Edmonton)


Mud pumps overhauled
(National Oilwell, Anchorage)


Engines Overhauled
(Seattle)


Upgraded to 1,000,000 lbs pulling strength


Mud pump module fabrication
(Aurora, Anchorage)

- $20M rig upgrades on schedule - completion January 2009
- Rig mobilized to Point Thomson site in February 2009
- Multi-year drilling program commences February 2009

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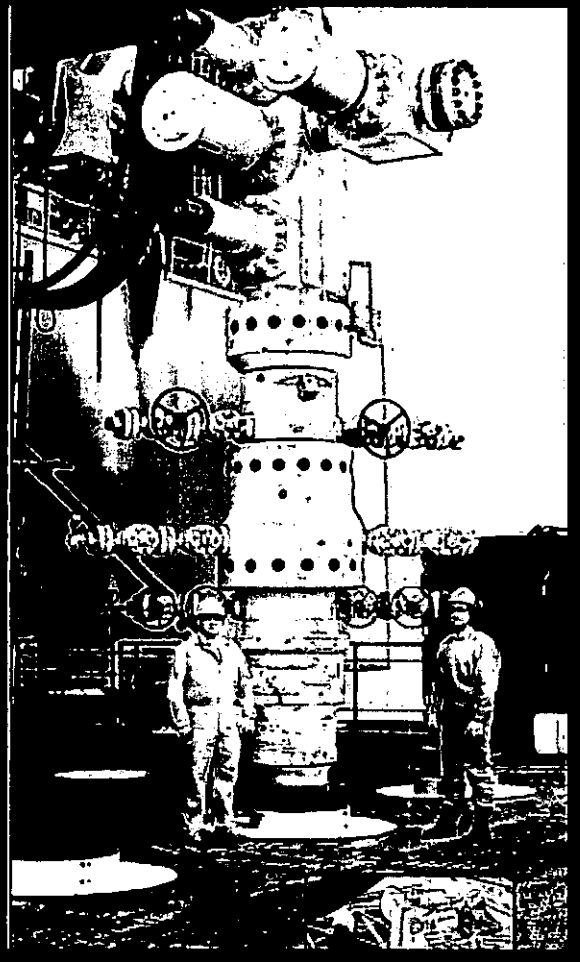
Wells Required for High-Pressure Operations

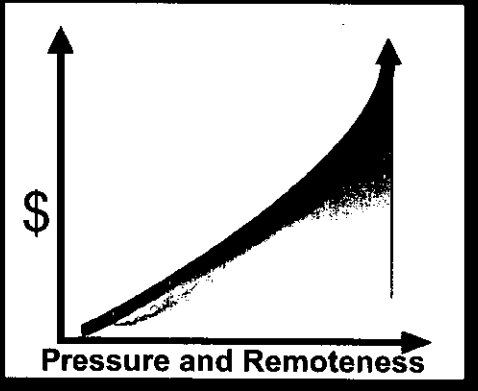
POINT THOMSON PROJECT

15 kpsi Wellhead



Point Thomson Drilling

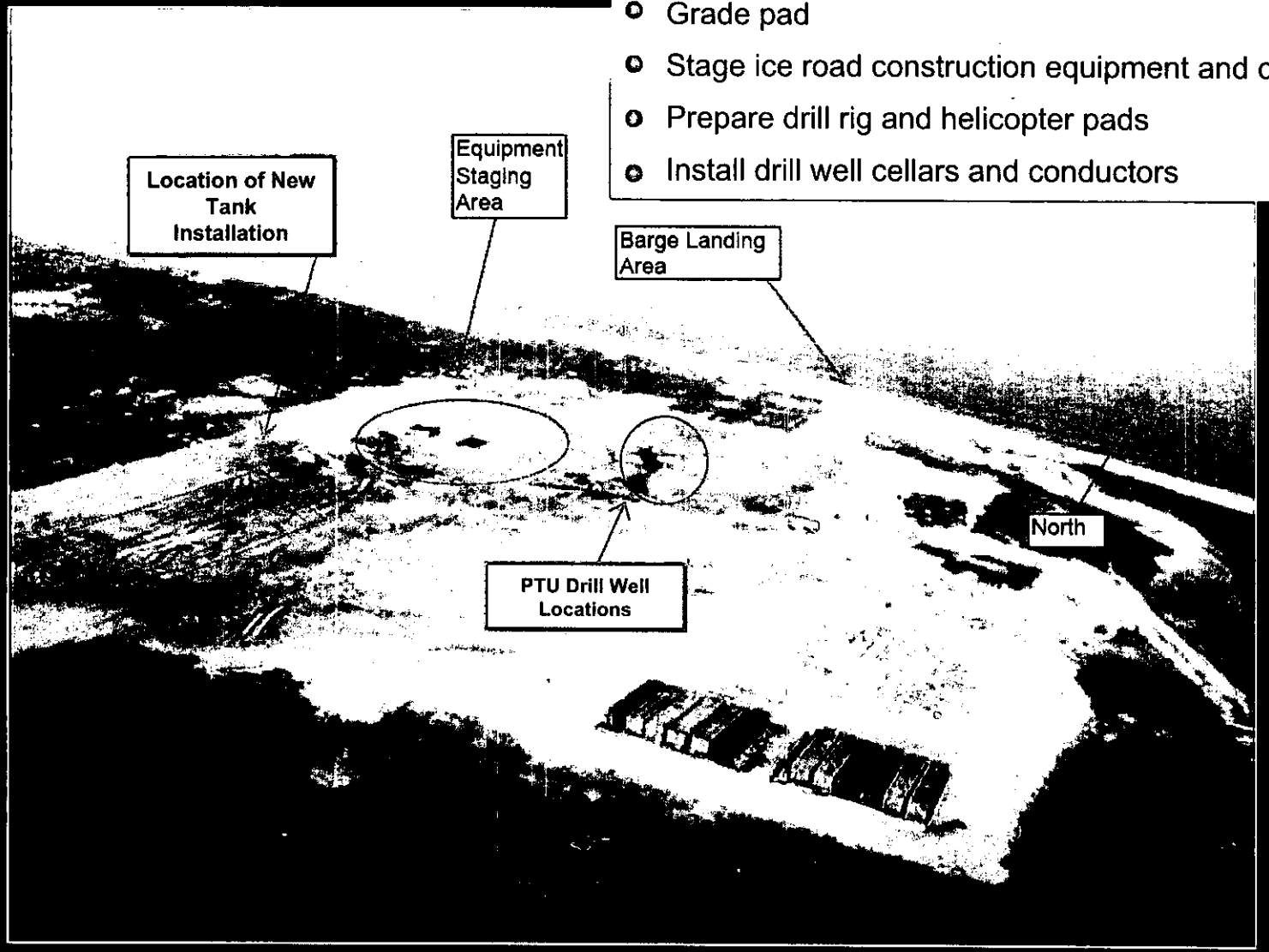
- Abnormal pressure
- Extended reach
- Heavy mud
- World class wells



Point Thomson Project – Site Activity

POINT THOMSON PROJECT

- Grade pad
- Stage ice road construction equipment and camp
- Prepare drill rig and helicopter pads
- Install drill well cellars and conductors



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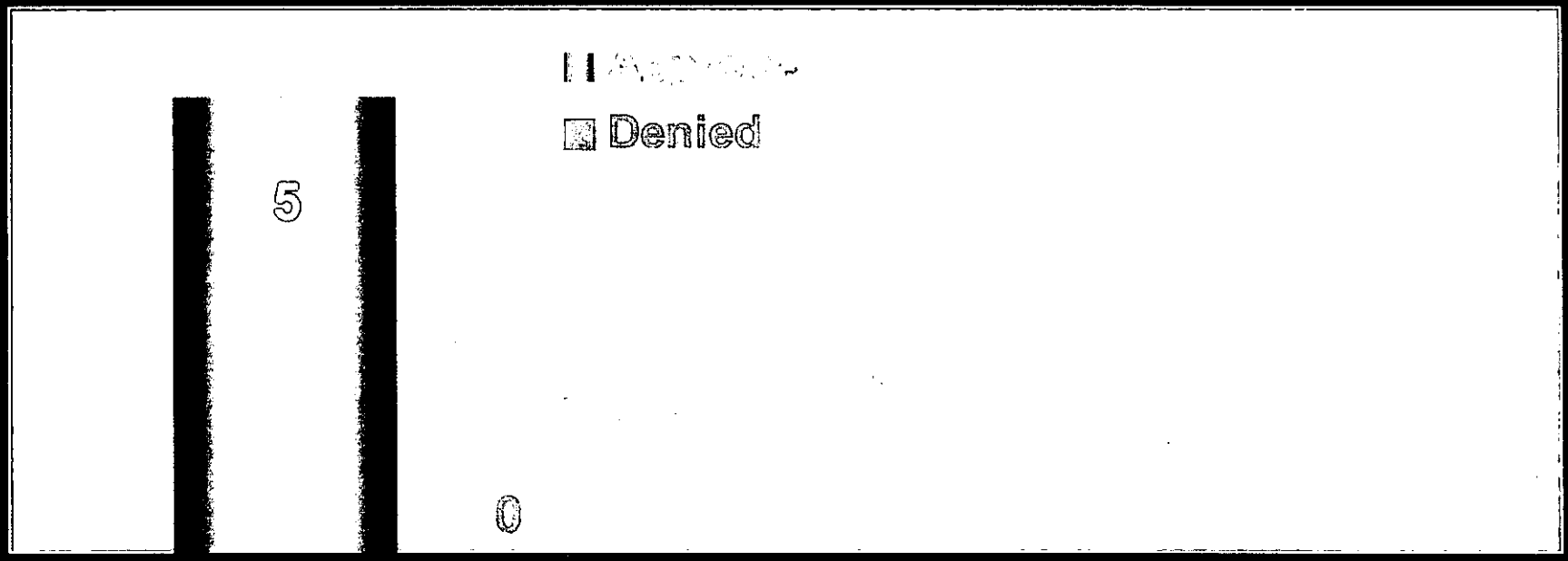
Point Thomson Project – Permits

POINT THOMSON PROJECT



Summer Work

- Summer permits requested June 2008
- All 5 permits approved Jul / Aug
  - DNR, ADFG, NSB, AEWC, USFWS
- Working with state, federal, and local agencies

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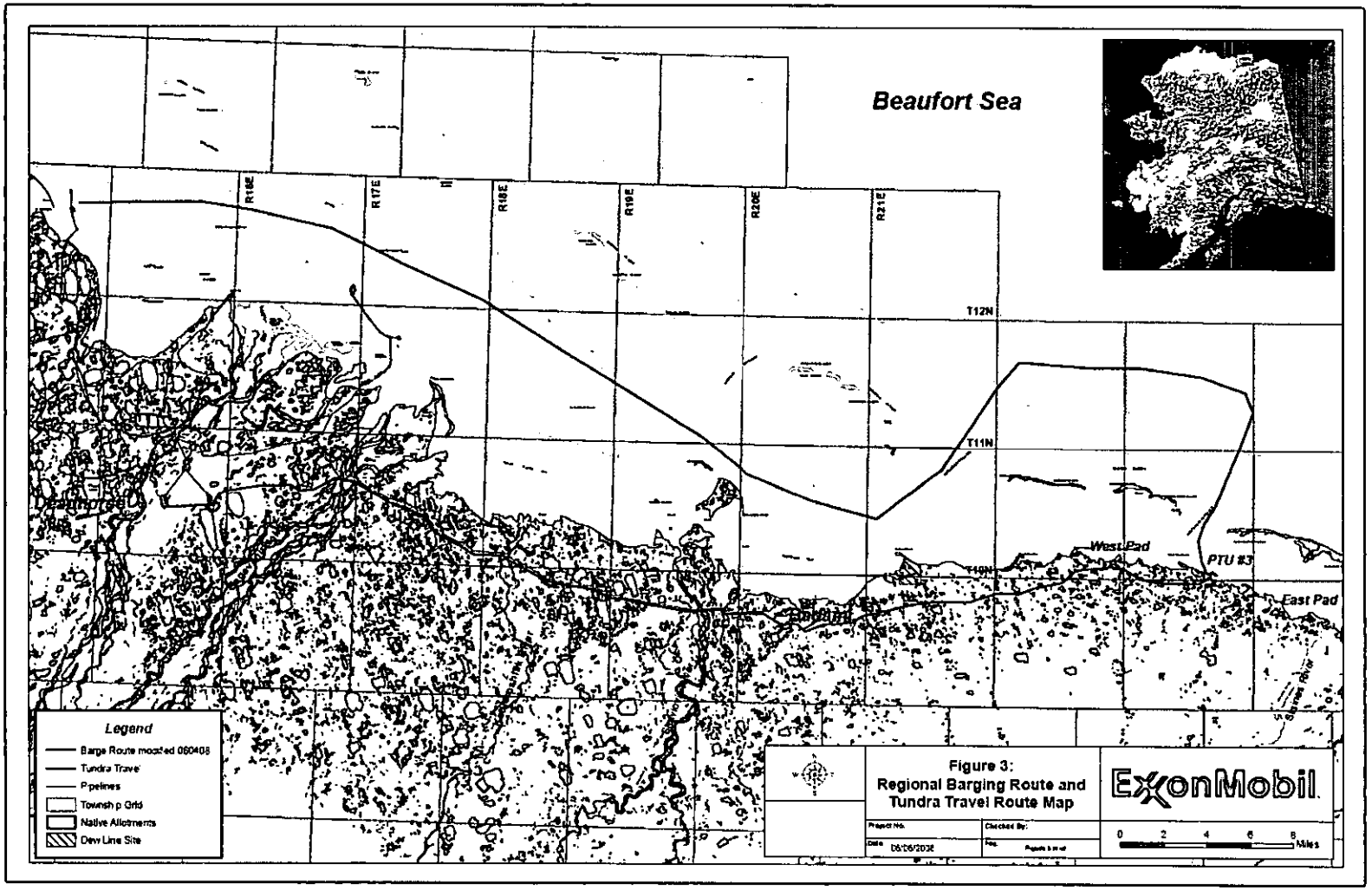
Point Thomson Project – Barge Route

POINT THOMSON PROJECT



- 60 miles from Prudhoe Bay dock to Point Thomson site
- Working with North Slope Borough, villages, and AK Eskimo Whaling Commission
- Modified route to address subsistence concerns

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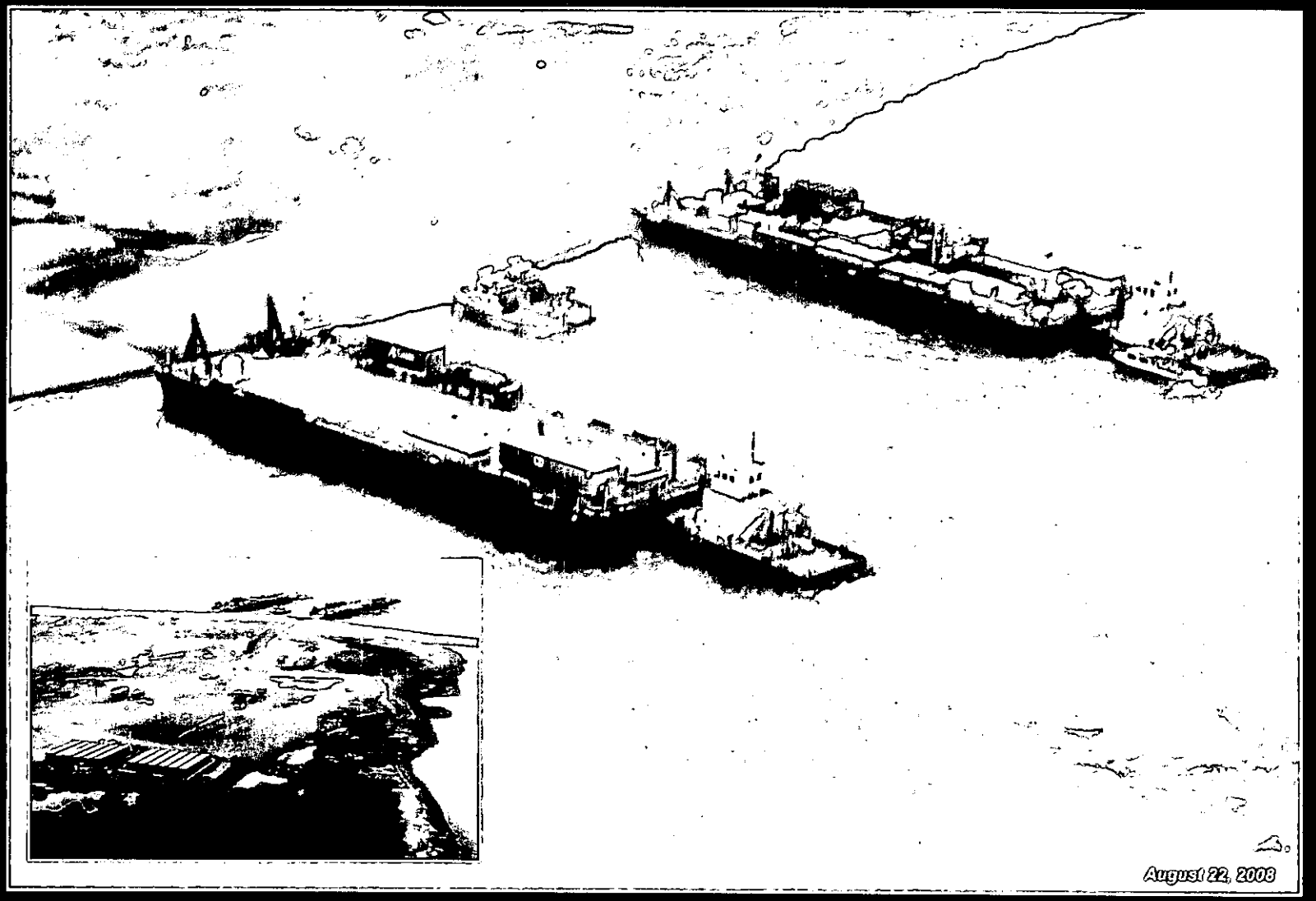
Point Thomson Project – First Barges Arrive at Site

POINT THOMSON PROJECT



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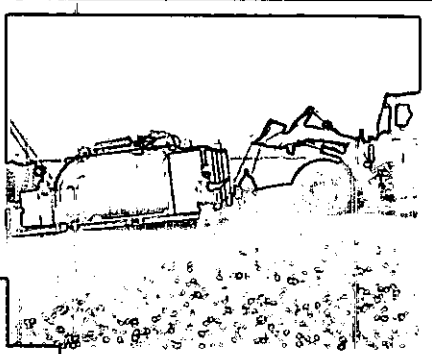
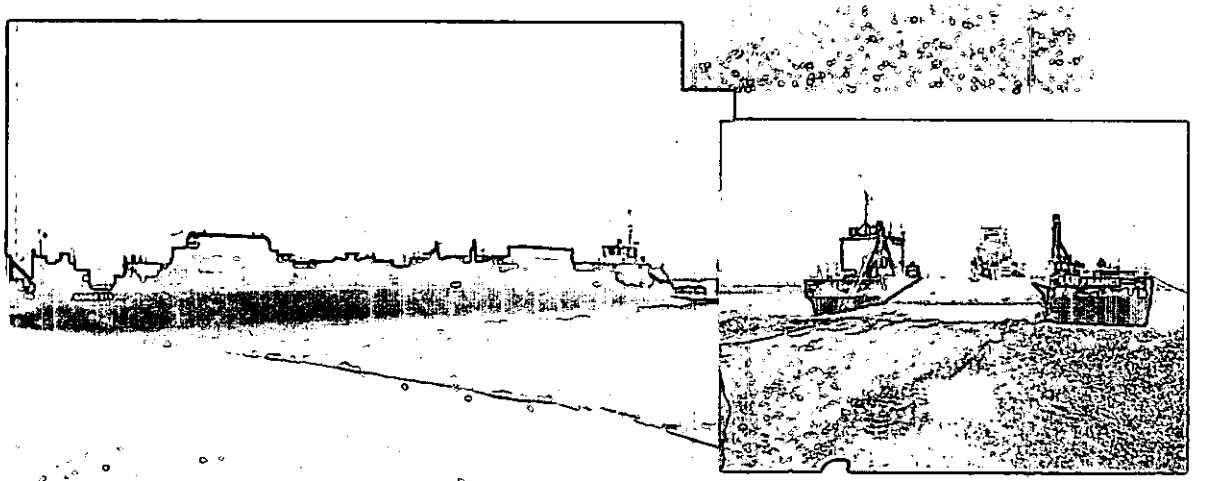
Point Thomson Project – Barges Offload

POINT THOMSON PROJECT





Two 200 x 60 ft barges arrive at site

Onsite Safety Briefing

- 700 tons of equipment and material

Offloading barge

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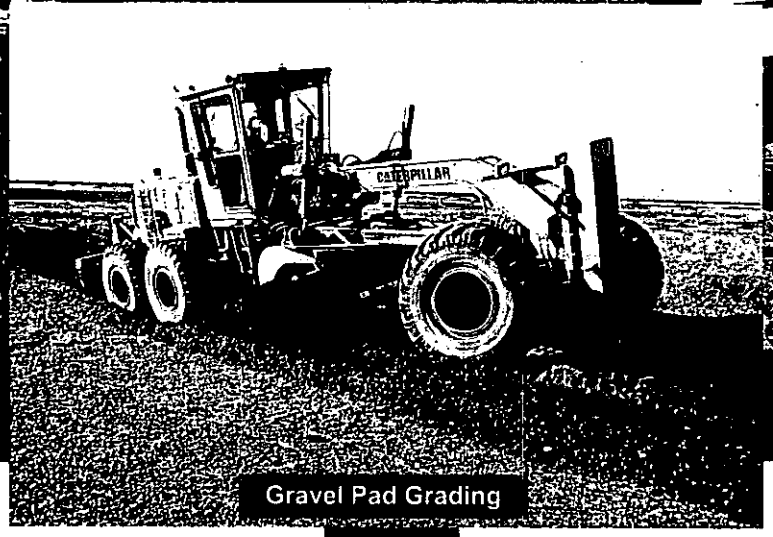
Point Thomson Project – Site Activity

POINT THOMSON PROJECT

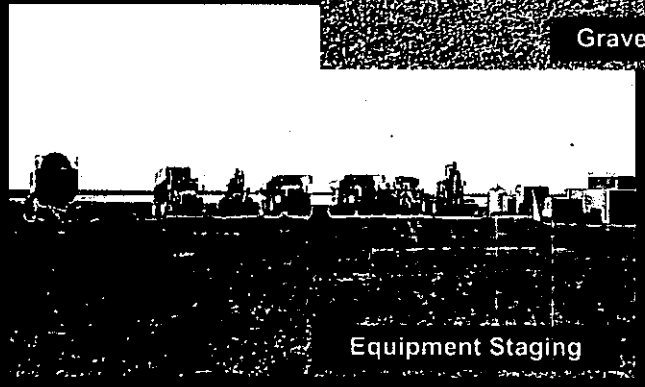
Water Truck for Winter Construction

Site Survey



Gravel Pad Grading

Crew Changeout


Equipment Staging

Onsite Camps

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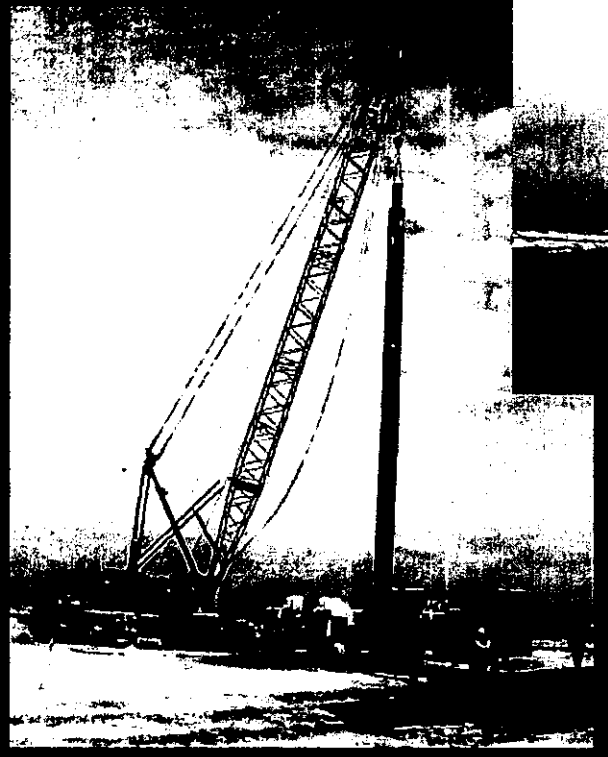
1982

Point Thomson Project – Well Conductors

POINT THOMSON PROJECT



- Two well conductors drilled to ~120 ft
- Additional well conductors to be set with 27E drilling rig
- Initial conductors to support ~$500M multi well program

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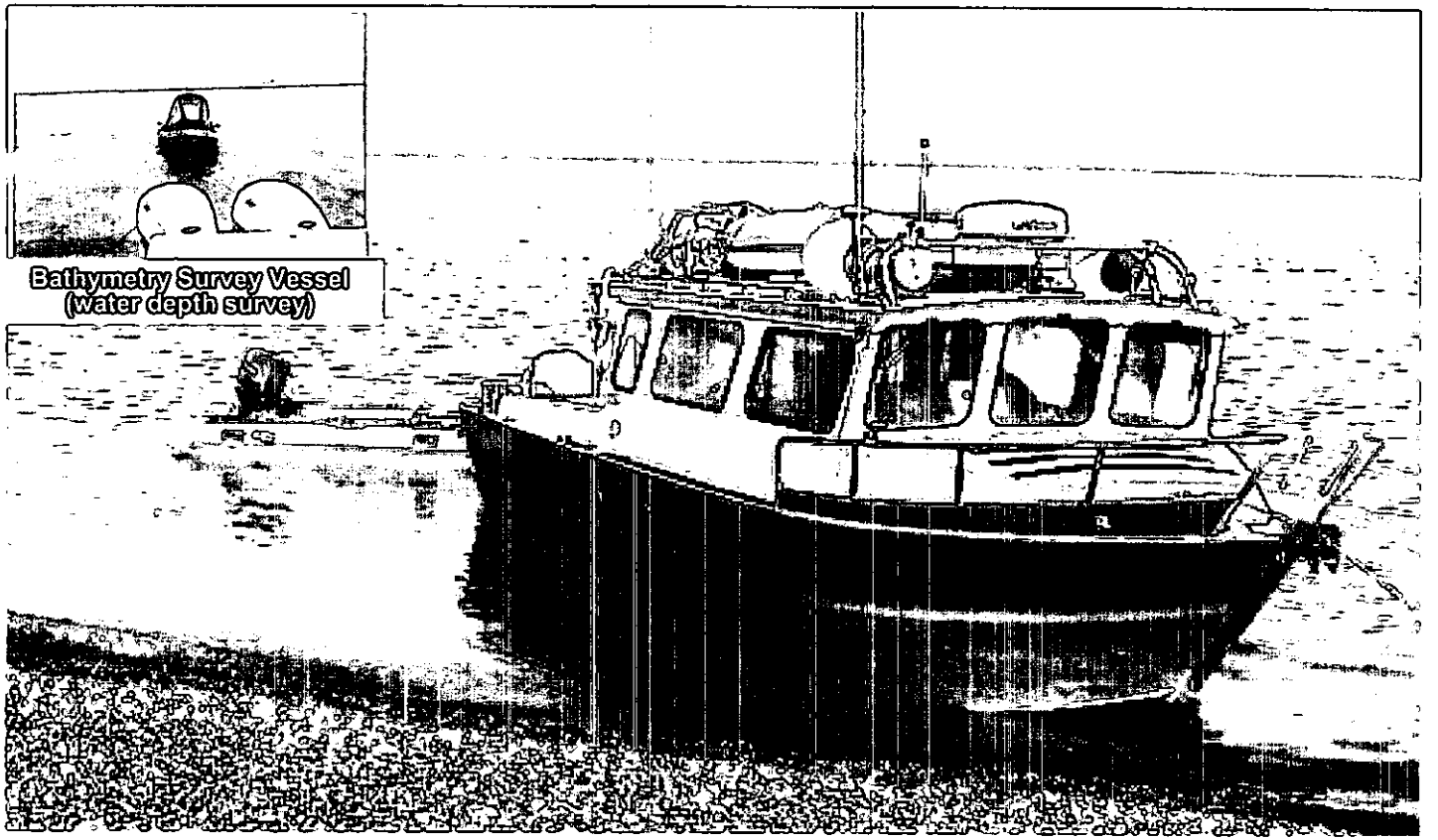
Point Thomson Project – Bathymetry Survey

POINT THOMSON PROJECT



- Water depth survey completed Sep 2008 for ice road
- 32 foot vessel with three person crew
- Conventional depth finder to map water depths
- Survey near shoreline, targeting 3 to 5 foot water depths

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1984

Point Thomson Project – Current Status

POINT THOMSON PROJECT

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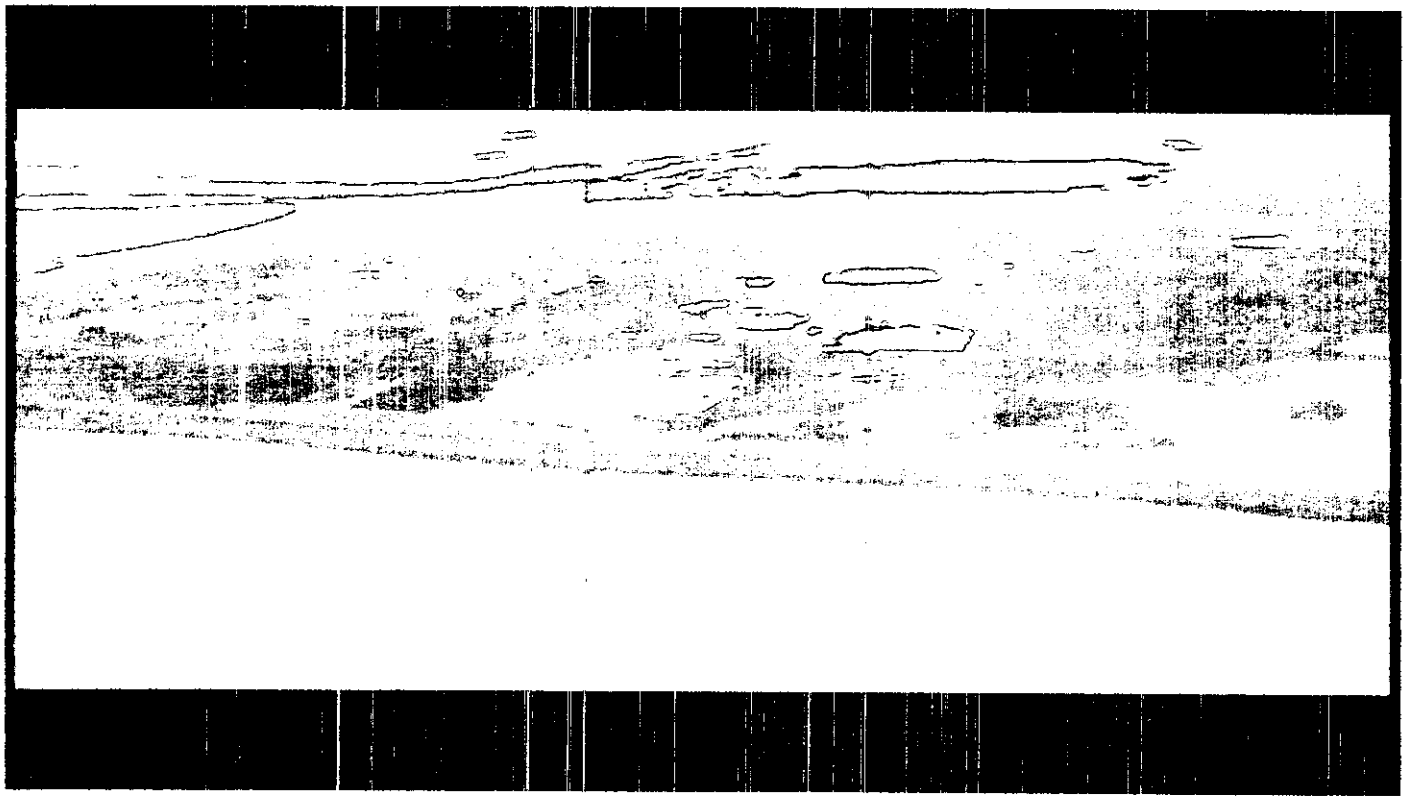
Point Thomson Project – Current Status

POINT THOMSON PROJECT



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1986

Point Thomson Project - Contributing Companies

POINT THOMSON PROJECT

Thanks to the many Alaska companies and hundreds of employees working on Point Thomson.

Air Logistics of Alaska, Inc.

Alaska Clean Seas

Alaska Industrial, LLC

Atigun, Incorporated

Aurora Automotive, Welding and Fabrication

F Robert Bell & Associates

Brooks Range Supply, Inc./ Colville, Incorporated

Cameron

Carlile Transportation Systems

Cellar Tech

Chiniak Environmental Consulting

Crowley Alaska, Inc.

Delta Leasing LLC

Doyon Universal Services, LLC

Duane Miller & Assoc.

ENTRIX Environmental Consultants, Inc.

Epoch Well Services, Inc.

ERA Helicopters, Inc.

Fairweather E&P

Fairweather, Inc.

W.W. Grainger, Inc.

Halliburton

Hydril Pressure Control a GE Oil & Gas business

Lewellen Arctic Research, Inc.

Marsh Creek, LLC

M-I SWACO

MRO Sales, Inc.

Nabors Alaska Drilling, Inc.

National Oilwell Varco

Northland Wood Products, Inc.

Quadco, Inc.

SLR

Schlumberger

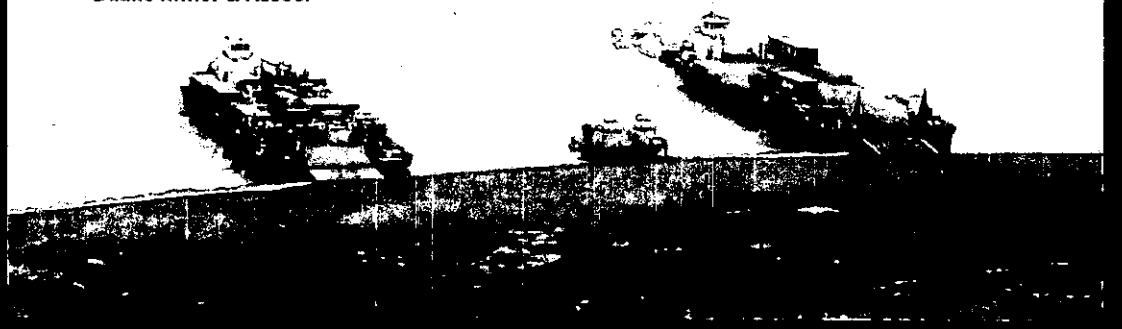
TerraSond Limited

Udelhoven Oilfield System Services

Frontier Alaska

POINT THOMSON PROJECT

Commitment to Produce



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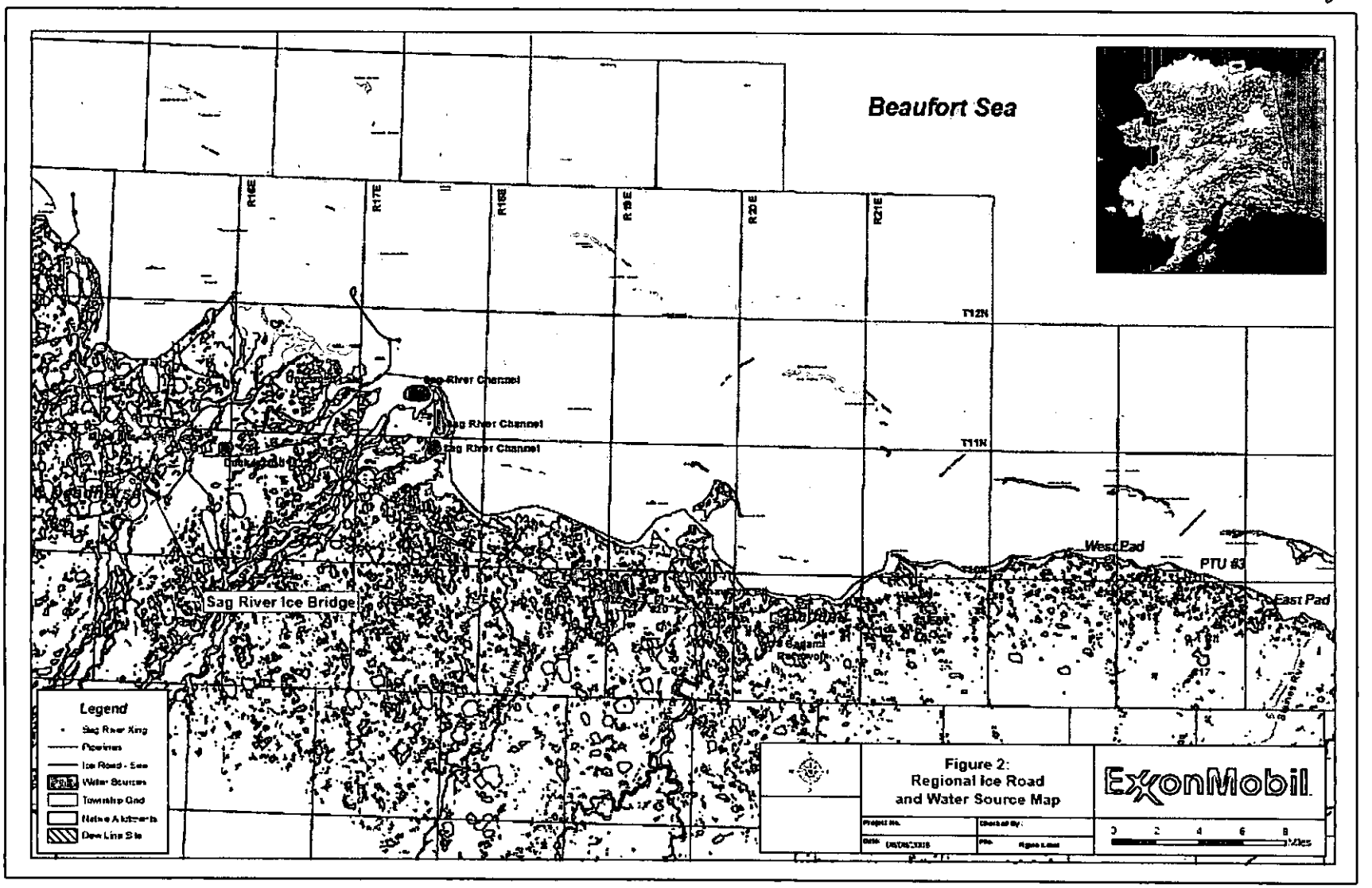
1987

Point Thomson Project – 50 mile Sea Ice Road

POINT THOMSON PROJECT



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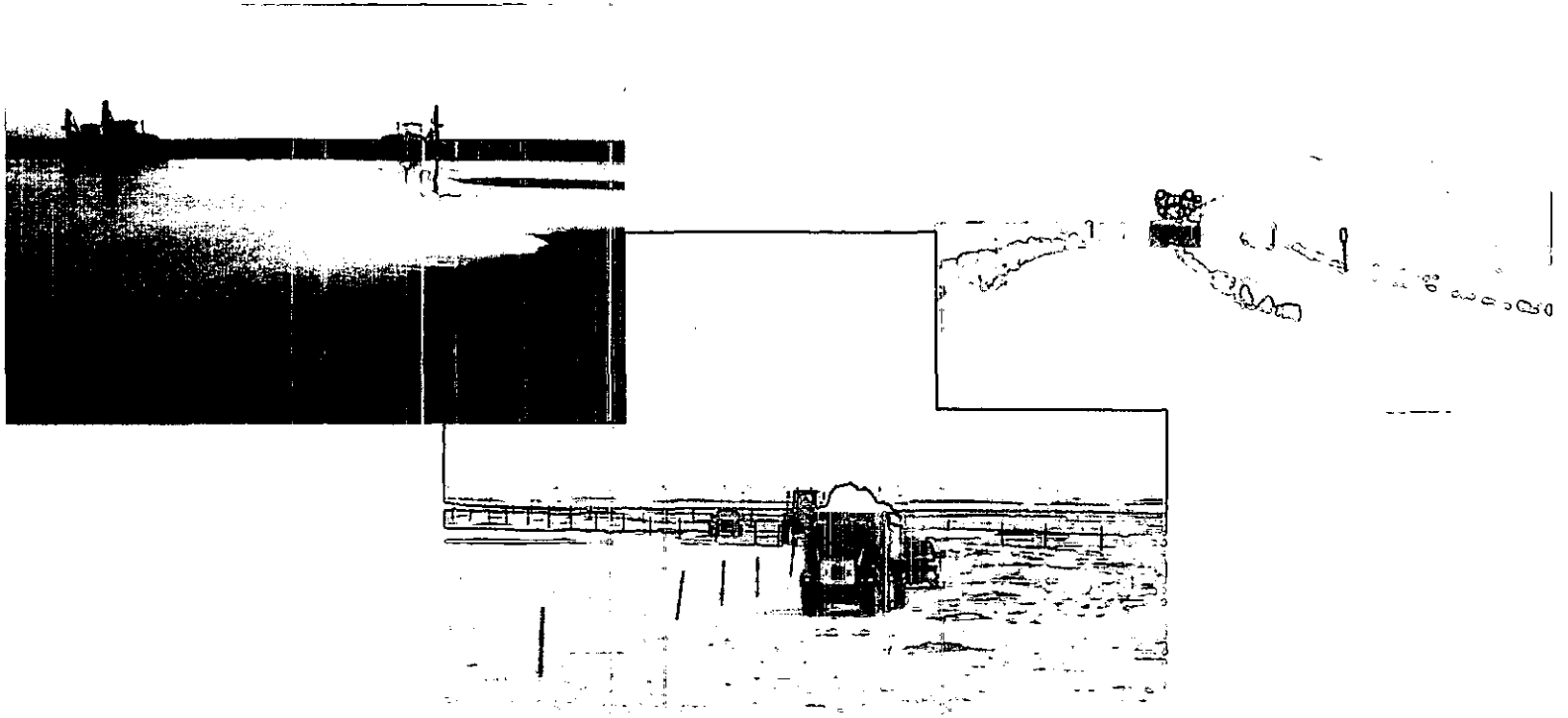
Point Thomson Project – Sea Ice Road & Runway

POINT THOMSON PROJECT



- Construction of 50 mile ice road will commence by Dec 2008 (depends on weather)
- One mile ice runway to support large aircraft (including Hercules)
- Ice road will requires >50 tons of equipment to build
- Ice road built on frozen ocean, thickness increased with water and ice
- Mobilize drilling rig February 2009
- Ice road will support other Alaska North Slope operations

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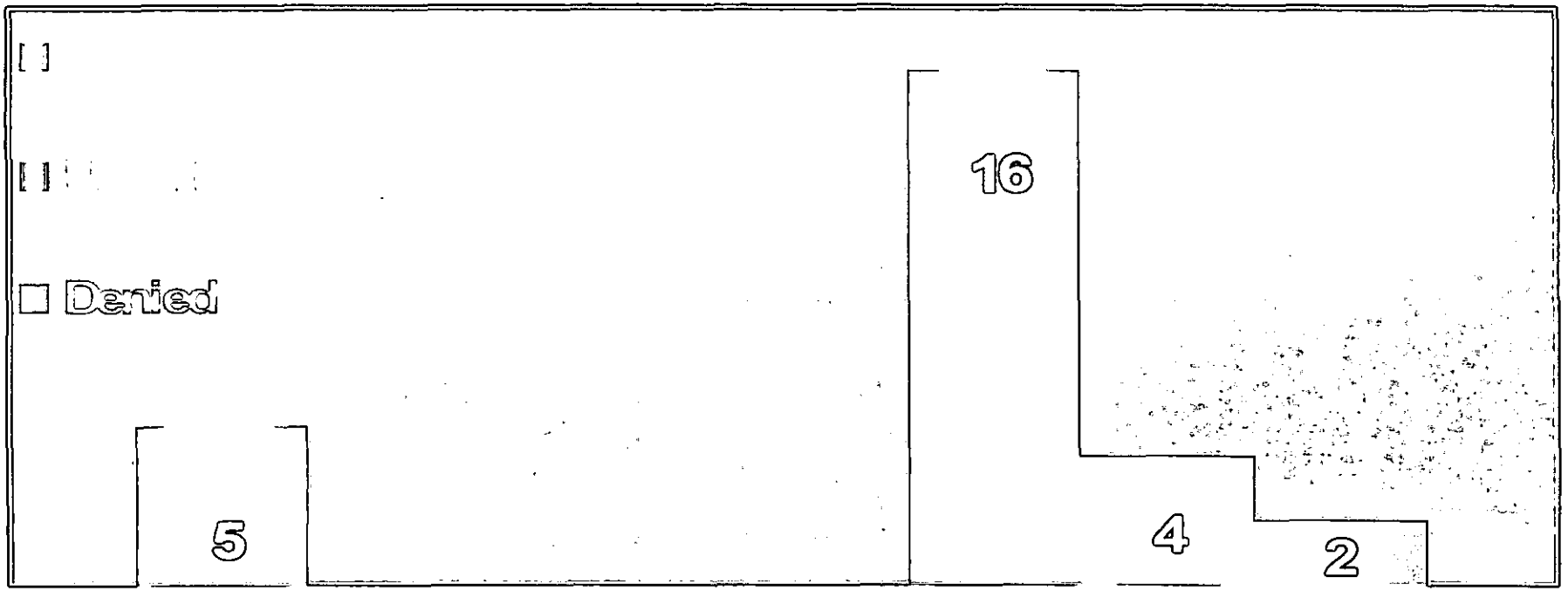
Point Thomson Project – Permits

POINT THOMSON PROJECT



- 22 permits required for ice road and drilling
- 16 permits received or being processed
  - Working with state, federal, and local agencies
- 6 permits denied/uncertain - critical for drilling and ice road
  - Ice Road : DNR – Land Use, Temporary Water Use
  - Drilling : DNR – Plan of Operations, Consistency Review, Geophysical; AOGCC Drilling

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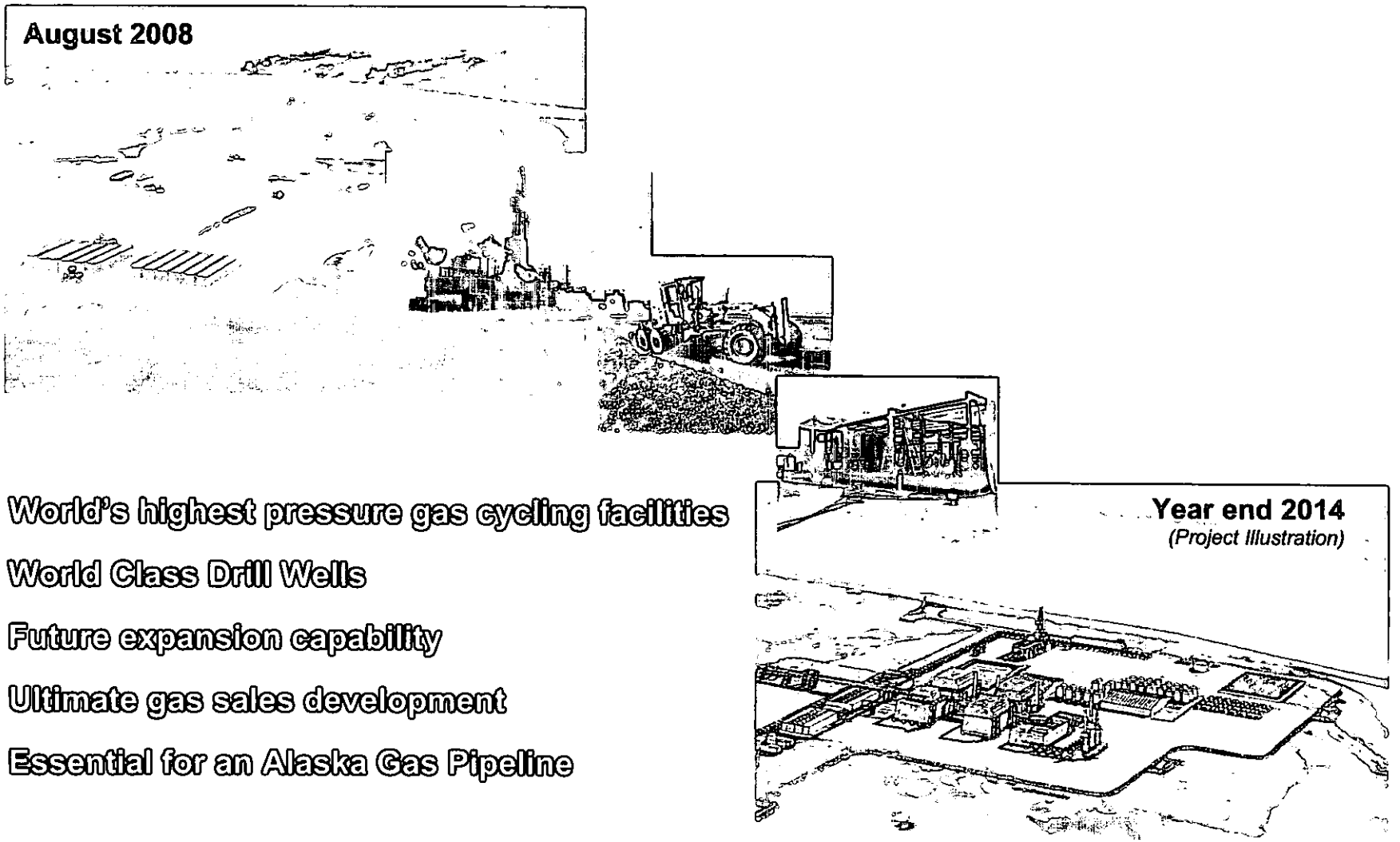
Point Thomson Project – Drilling, Developing, Producing

POINT THOMSON PROJECT



- World's highest pressure gas cycling facilities
- World Class Drill Wells
- Future expansion capability
- Ultimate gas sales development
- Essential for an Alaska Gas Pipeline

ExxonMobil

1991

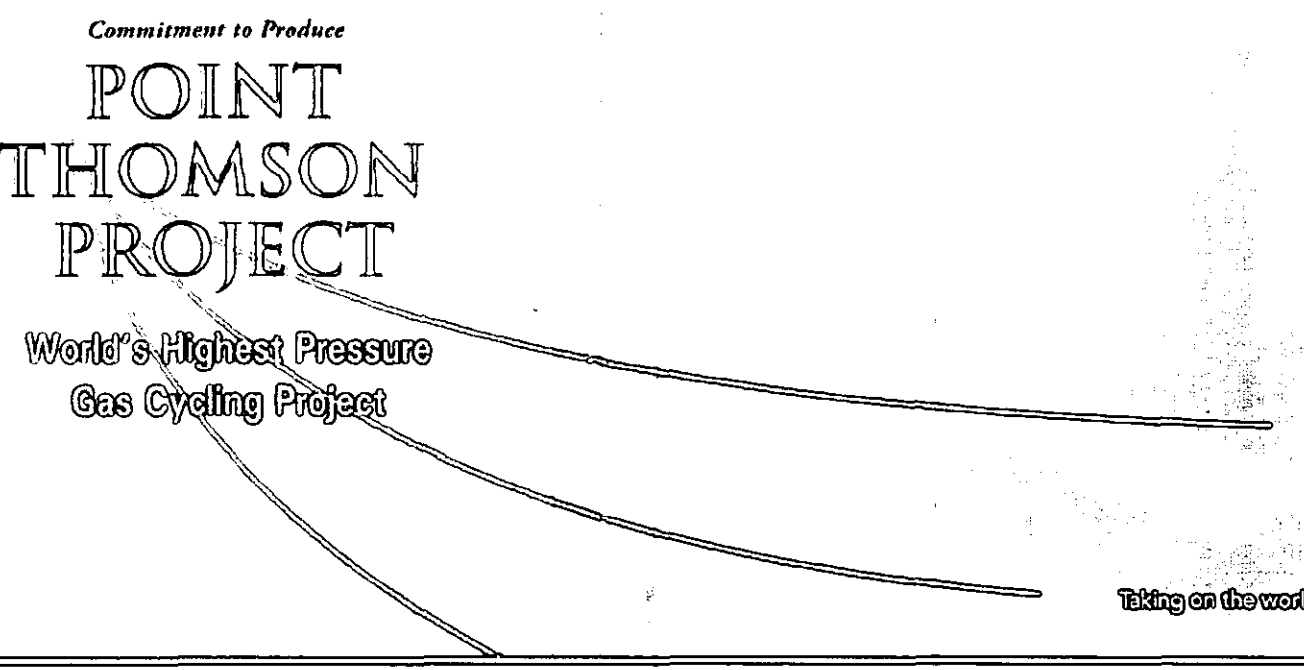
Point Thomson Project – World Class Development

POINT THOMSON PROJECT

Commitment to Produce

POINT THOMSON PROJECT

World's Highest Pressure Gas Cycling Project



Challenges and Risks

- 10,000 psi injection pressures
  - Over twice as high as Prudhoe Bay
  - 3,000 psi separator pressure
- Extended reach, abnormal pressure drilling
  - World class combination of mud weight and departure

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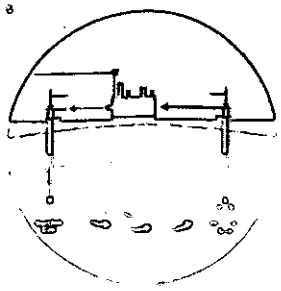
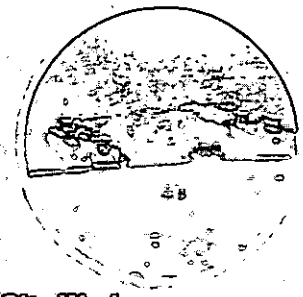
Taking on the world's toughest energy challenges®

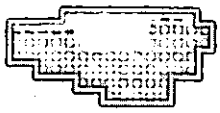
ExxonMobil



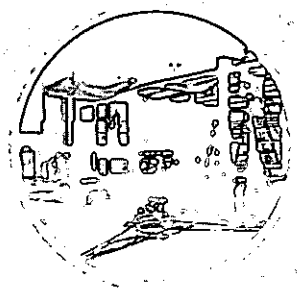
Produce Condensate by Cycling Gas



Site Work Underway



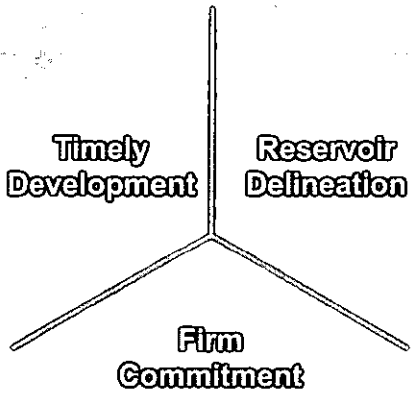
Point Thomson Unit



Drill Rig Upgrades

Key Goals

- Bring PTU into Production
- Prudently Manages Risk- Reservoir and Technology
- Future Expandability
- Positions PTU for Gas Sales
- Greater Ultimate Recovery



ges and Risks

ighest pressure gas cycling project

0 psi injection pressures

twice as high as Prudhoe Bay

eparator pressure

reach, abnormal pressure drilling

d class combination of mud weight departure

eservoir rock quality

ermafrost thickness

s project in a remote environment

Phased Approach

$1.3 Billion Projected Investment by Owners

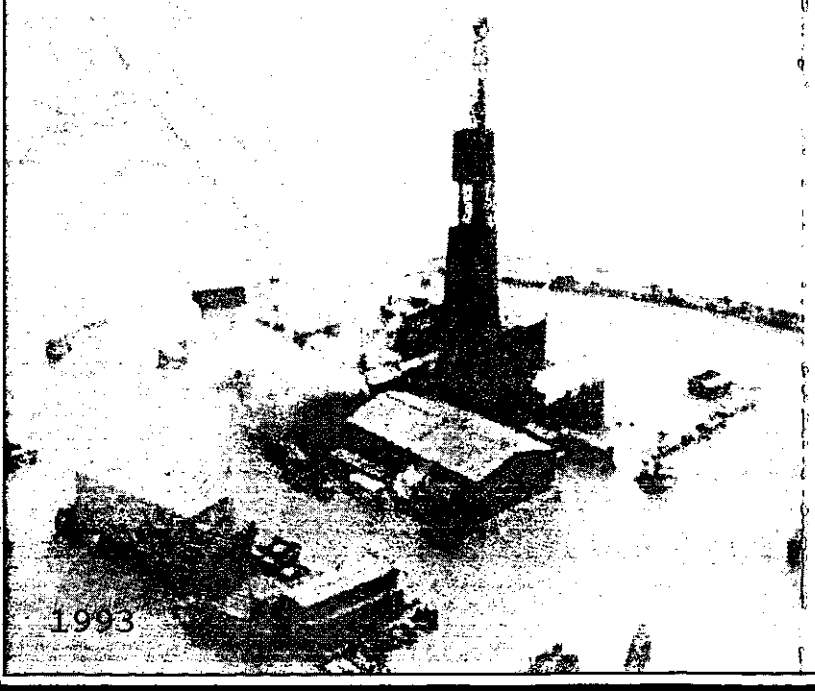
- Owners Support Assured by Senior Corporate Executives
- Already Secured Drilling Rig and Long Lead Materials
- Scheduled Milestones for State to Monitor Progress
- Agreed to Unit Termination if Milestones Not Met

Point Thomson

1992

POINT THOMSON PROJECT

Commitment to Produce



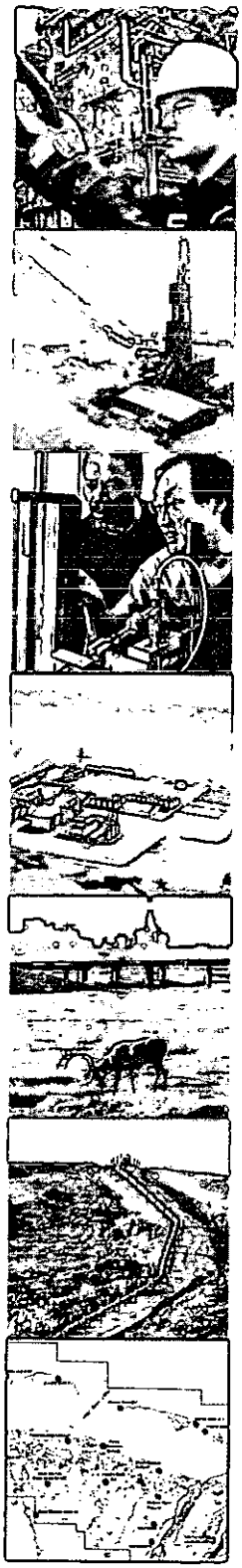
1993

POINT THOMSON PROJECT

Exxon

Taking on the world's toughest energy

Plan of Development



Provides for Production
- Commence Engineering 2008
- Commence Drilling Program Winter '08-'09
- Provides Jobs to Over 200 People Next Winter
- 10,000 Barrels Condensate Per Day - 2014

Further Delineates Reservoirs
- Producer and Injector Wells
- Western Delineation Well
- Eastern Delineation Well
- 5th Delineation Well (East or West)

Prudently Manages Risks
- Phased Approach
- Reservoir Quality and Performance
- Drilling, Facilities, and Technology

Minimizes Environmental Impacts
- IPS Utilizes Existing Gravel Pad
- Offshore Drilling from Onshore Pad
- Utilization of Ice Roads

Conservation
- Cycling Enhances Resource Recovery

Expandability
- Cycling, Oil Production, and Major Gas Sales

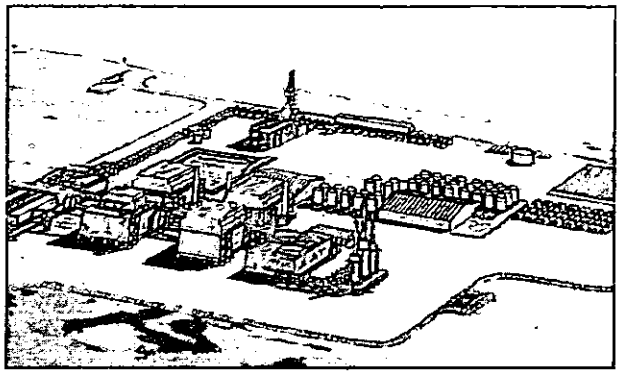
Over $800 Million Spent to Date
- 19 Wells Drilled
- Eight 3-D Seismic Surveys

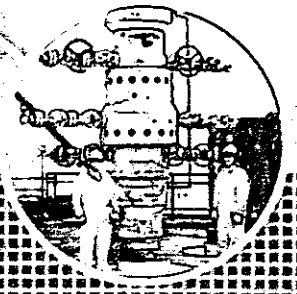
Mobil
challenges

1994

Development

Plan to Develop and Delineate

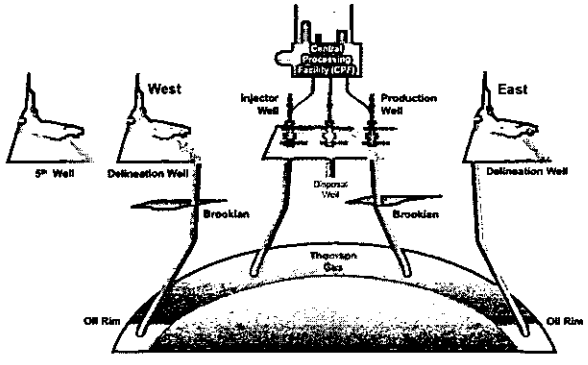


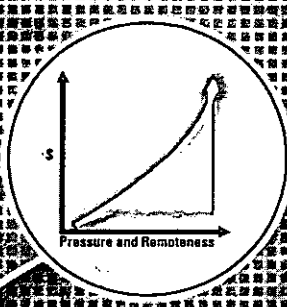


High Pressure Wells

Production

Plan to Produce Condensate





Remote High Cost Environment

Challen

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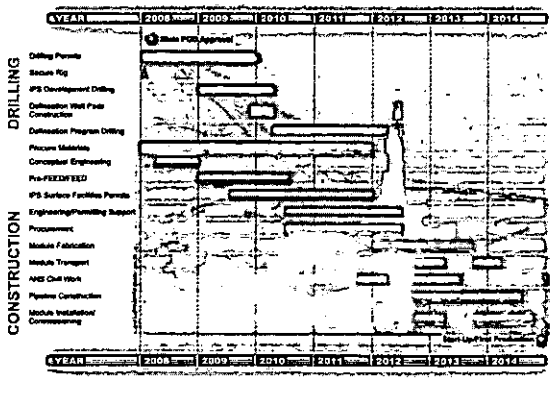
Commitment

Clear and Committed Timeline

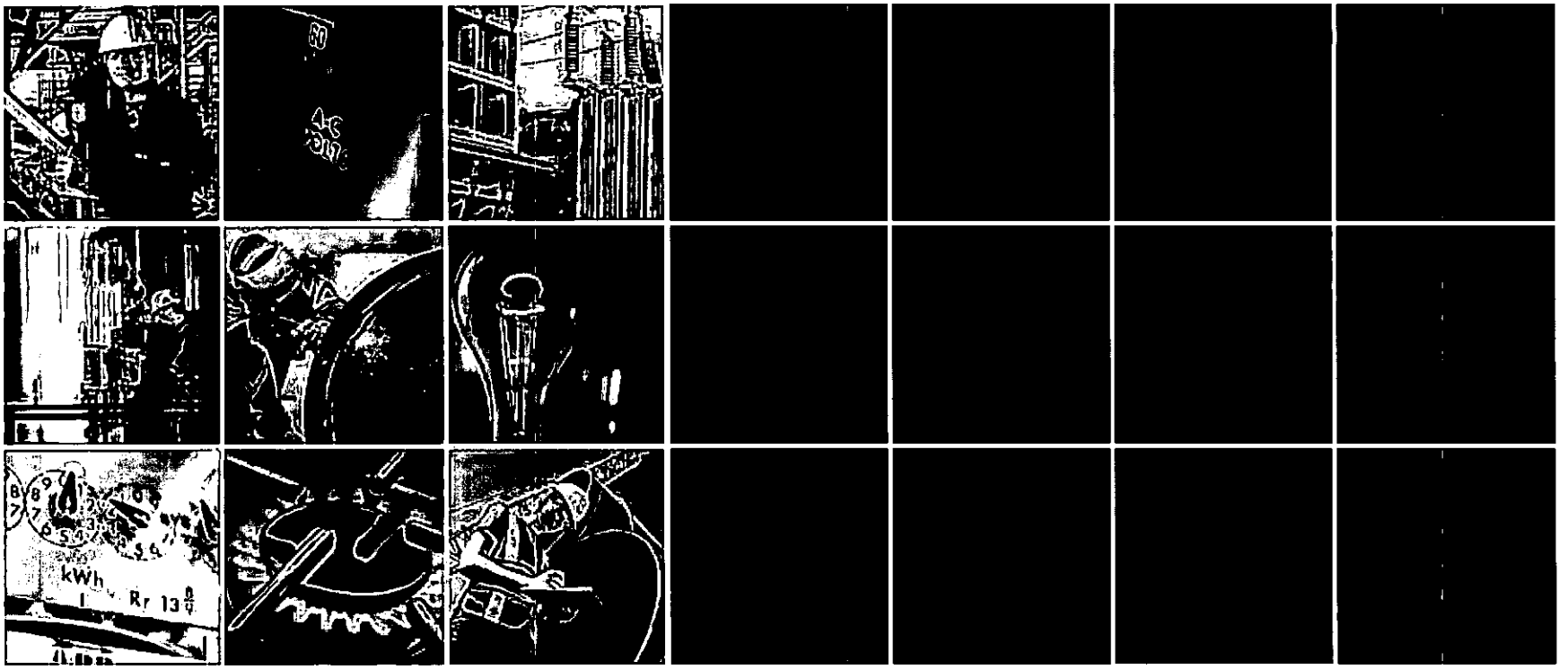


1995

1/26/09 PRESENTATION BY TRANSCANADA: AK GAS PIPELINE

1996

1997



TransCanada's Alaska Pipeline Project
House / Senate Resources Committees

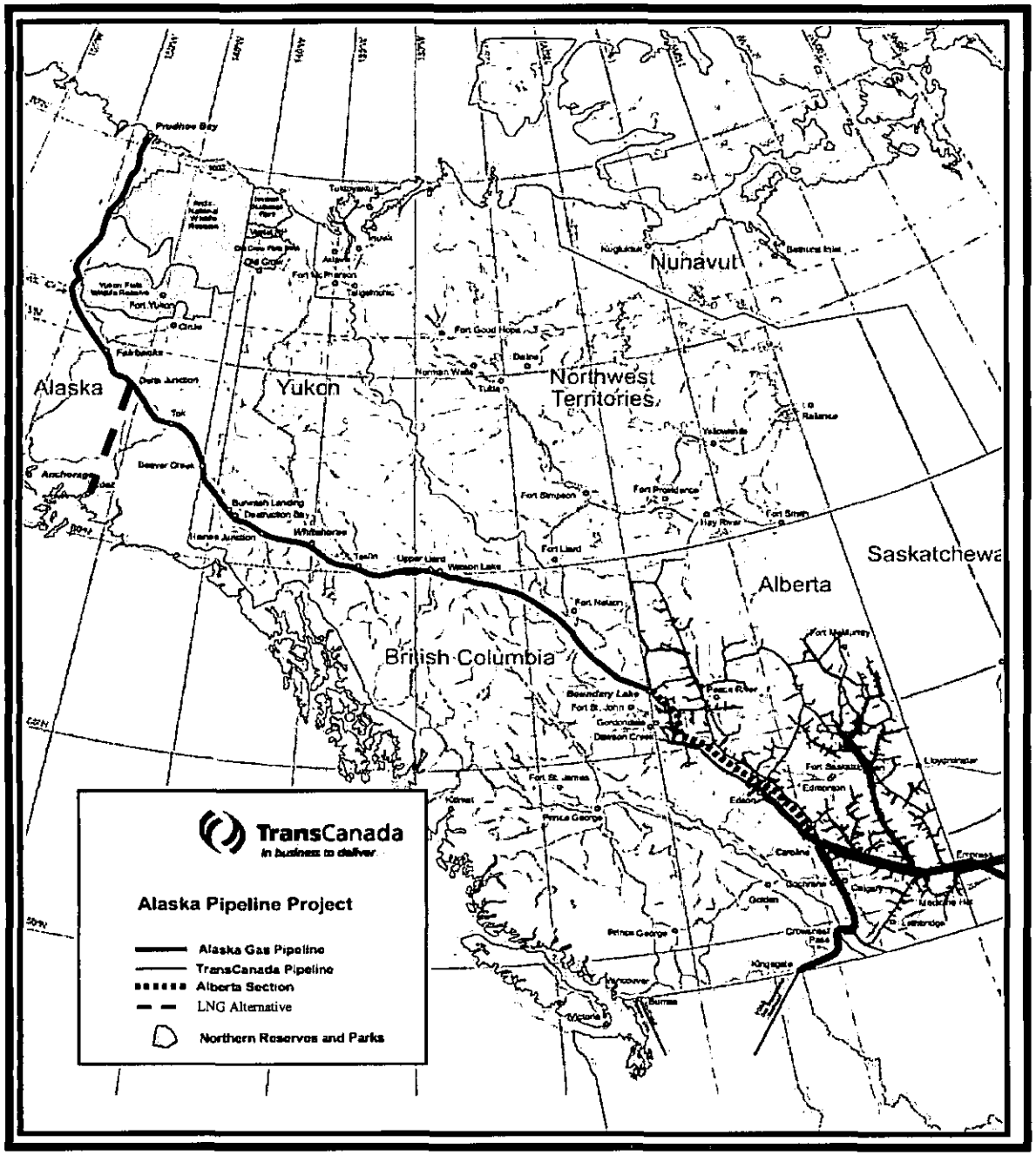
Juneau, Alaska

January 26, 2009

TransCanada

In business to deliver

1998



TransCanada's Alaska Pipeline Project

1999

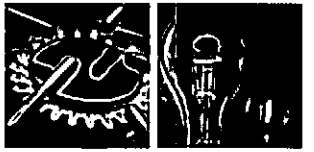
Elements of a Successful Project

- **Attractive project economics**
  - Natural gas prices are volatile and difficult to forecast
  - Conventional Lower 48 and WCSB, LNG, shale and coalbed methane all competing for market share
  - Project supporters must focus on factors that affect tolls
    - Commercial terms
    - Commercial and regulatory risk management
    - Schedule
    - Cost control
  - Current toll estimate of $US 2.76/MMBTU in 2018 to Alberta Hub
    - Important to keep tolls under $3/MMBTU (incl. fuel)

TransCanada

2000

Elements of a Successful Project



- **Government and community support**
  - U.S. / Canada
  - Alaska / Yukon / B.C. / Alberta
  - Alaska Natives and Canadian First Nations
  - Landowners
  - Other stakeholders

- **Commercial contracts with Shippers**
  - Long-term firm agreements
  - Creditworthy parties

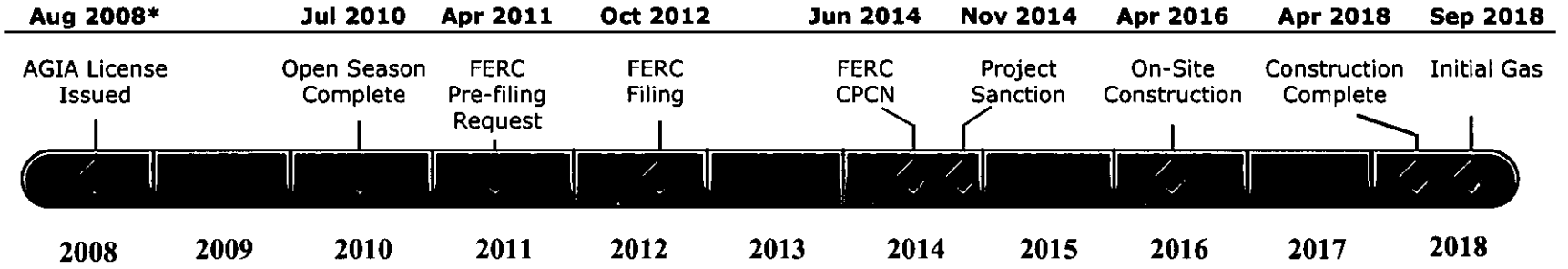
TransCanada

Elements of a Successful Project

- **Project execution**
  - Measured and focused project planning, structure and performance
  - Proven project developer
    - TransCanada has 50 year successful track record as developer of long-distance multi-jurisdictional pipeline projects

TransCanada

Project Schedule



* AGIA license assumed to be issued in August 2008 – actual date December 5, 2008

TransCanada

2003

Open Season Phase 2008 to July 2010

Key Objectives:

- Develop Class IV cost estimate to support Open Season
- Identify pipeline routing within study corridor to guide stakeholder and public engagement
- Execute preliminary environmental activities to prepare for pre-filing requirements and to develop permitting plan
- Conduct successful Open Season

TransCanada

2004

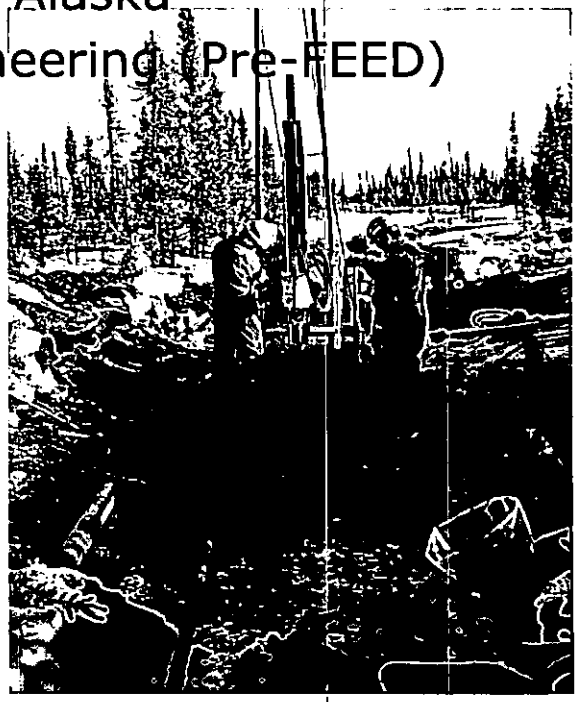
Project Status – Engineering

August 2008 – January 2009

- Developed detailed plans for technology development, engineering, construction infrastructure, logistics and cost estimating
- Aerial photography for Alaska, including LNG alternative
- Commenced terrain mapping for Alaska
- Completed 360° video in Canada
- Planned winter geotechnical field program
- Collected arctic engineering test data and research on frost heave

Outlook – Q1 & Q2 2009

- Complete terrain mapping and winter geotechnical field program in Alaska
- Continue route reconnaissance and corridor selection in Alaska
- Begin engineering (Pre-FEED) for GTP

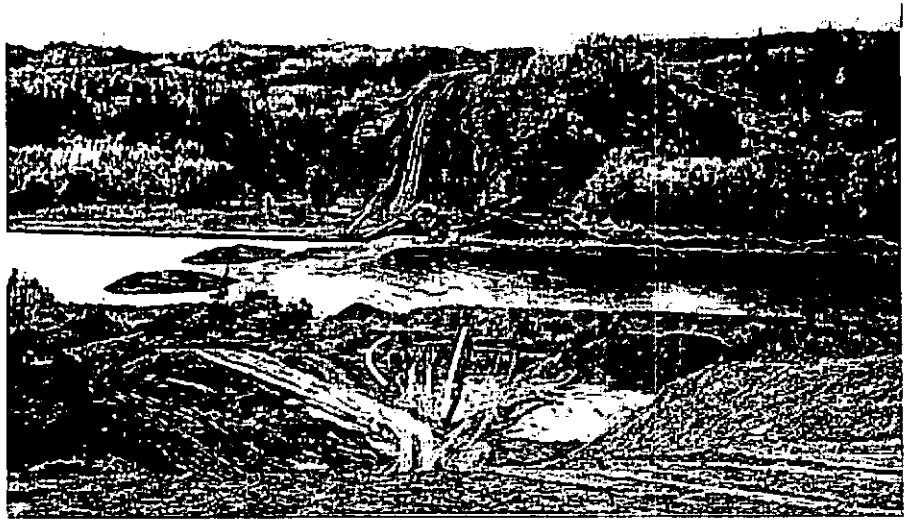


2005

Project Status - Environmental

August 2008 – January 2009

- Established GIS needs to support environmental planning and permitting
- Completed preliminary environmental constraints report for Alaska routing
- Completed initial route update review in Canada



Outlook – Q1 & Q2 2009

- Complete environmental information needs analysis with regulatory agencies
- Commence development of RFP for TransCanada environmental contractor – issuance in Q3 2009

Project Status – Regulatory / Permitting

August 2008 – January 2009

- Preliminary environmental permitting strategy for Alaska and Canada
- Submitted all permit applications to support winter geotechnical program North Slope Borough, ADNR, AF&G, USF&WS, USDOI (BLM), USACE, as well as referral to SHPO

Outlook – Q1 & Q2 2009

- Complete permitting for winter geotechnical field program
- Continue FERC discussions
- Commence discussions with individual agencies to update Environmental Information Needs Analysis

TransCanada

Project Status – Regulatory / Permitting (cont'd)

August 2008 – January 2009

- U.S. multi-agency meetings:
  - January 5 – FERC
  - January 6 – in D.C.; Office of Federal Coordinator, Departments of Defense, Energy, Homeland Security, Interior, Transportation, Commerce, State, Treasury, Advisory Council on Historic Preservation, Environmental Protection Agency, FERC, Council on Environmental Quality, Office of Management & Budget
  - January 14/15 – in Anchorage/Fairbanks; JPO/SPCO, ADNR, ADOT, ADF&G, SHPO, ADEC, NOAA, EPA, DOI (BLM), OFC, USFWS & University of Alaska Fairbanks

TransCanada

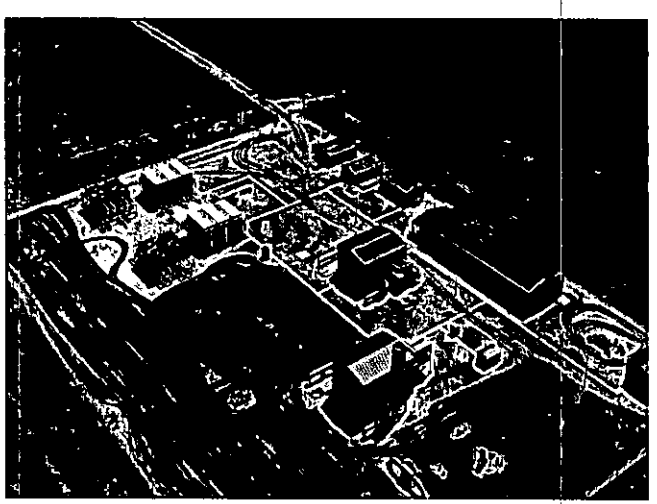
Project Status - Commercial

August 2008 – January 2009

- Continued discussions with potential shippers

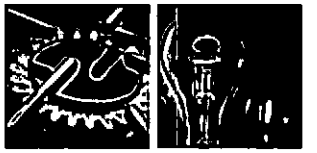
Outlook – Q1 & Q2 2009

- Select contractor for In-State Gas Study
- Continue discussions with potential shippers
- Continue to develop plans for Open Season



TransCanada

Project Status - Administrative



August 2008 – January 2009

- Office
  - Dec. 1, 2008 lease for Anchorage office
  - Dedicated project office space in Calgary
- Reimbursement
  - Initial discussions with Administration regarding AGIA reimbursement process and mechanics
  - Initiated required cost reimbursement agreements with State of Alaska and BLM for Open Season field activities including winter 2009 geotech program

Outlook – Q1 & Q2 2009

- Office
  - Anchorage Office Manager in place by early February
- Reimbursement
  - Finalize discussions with State on AGIA reimbursement details
  - Finalize reimbursement agreements with BLM and DNR (for access and permits)

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Project Status – Alaska Contractors

- Aerial Photography – Aero-Metric Inc., Anchorage
  - Sub-contractor - Lounsbury & Associates Inc., Anchorage
- Terrain Mapping – R&M Consultants Inc., Anchorage
- Geotechnical fieldwork – Golder Associates Inc., Anchorage,
  - Sub-contractor – Discovery Drilling Inc., Anchorage
- Environmental Planning and Permitting – ENSR AECOM, Anchorage
  - Sub-contract with Clarus Technologies LLC, Eagle River for SHPO submission
- Geothermal Modeling and Support – Northern Engineering and Scientific, Anchorage
- External relations – Jade North, Anchorage

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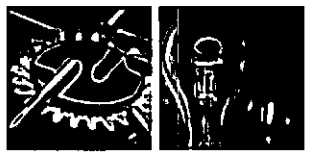
Project Status – Alignment Meetings



- Alyeska, ANGDA, ENSTAR
- DOT (Alaska)
  - Alaska / Yukon Infrastructure Improvements workshop
  - State Infrastructure Conference
- Department of Labor (Alaska)
  - AGIA Training Strategic Plan Steering and Implementation Committee
  - Alaska Pipeline Trades Academy Dedication & Tour
  - Alaska Workforce Investment Board
- Alaska Natives / Socio-Economic
  - Outreach and meetings with Regional Corporations, Village Corporations and Tribal Entities that are stakeholders

TransCanada

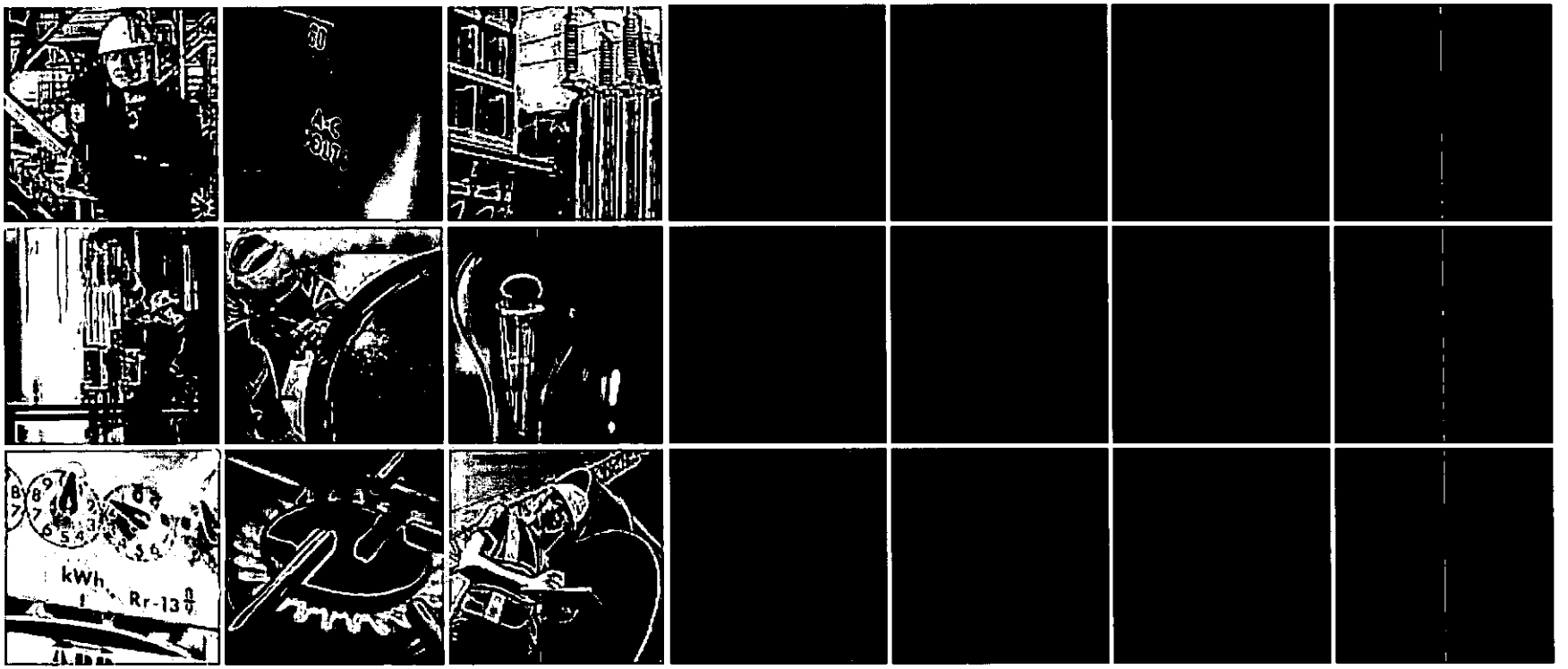
2012

Summary

- AGIA Bill approved and License issued
- Significant work underway – Engineering / Cost Estimation, Environmental, Administrative, etc.
- Commercial and Regulatory engagement commencing
- Alaska contractors retained
- Anchorage office in-place
- Target to conclude Open Season by summer 2010
- TransCanada will continue to focus on costs, schedule and attracting customers.

TransCanada

2013



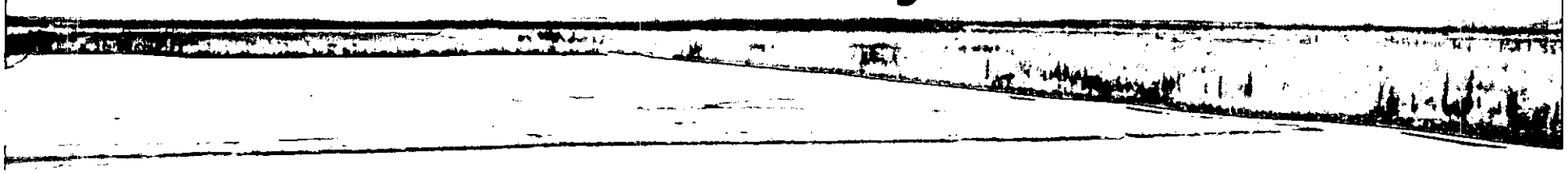
Thank You

TransCanada
In business to deliver

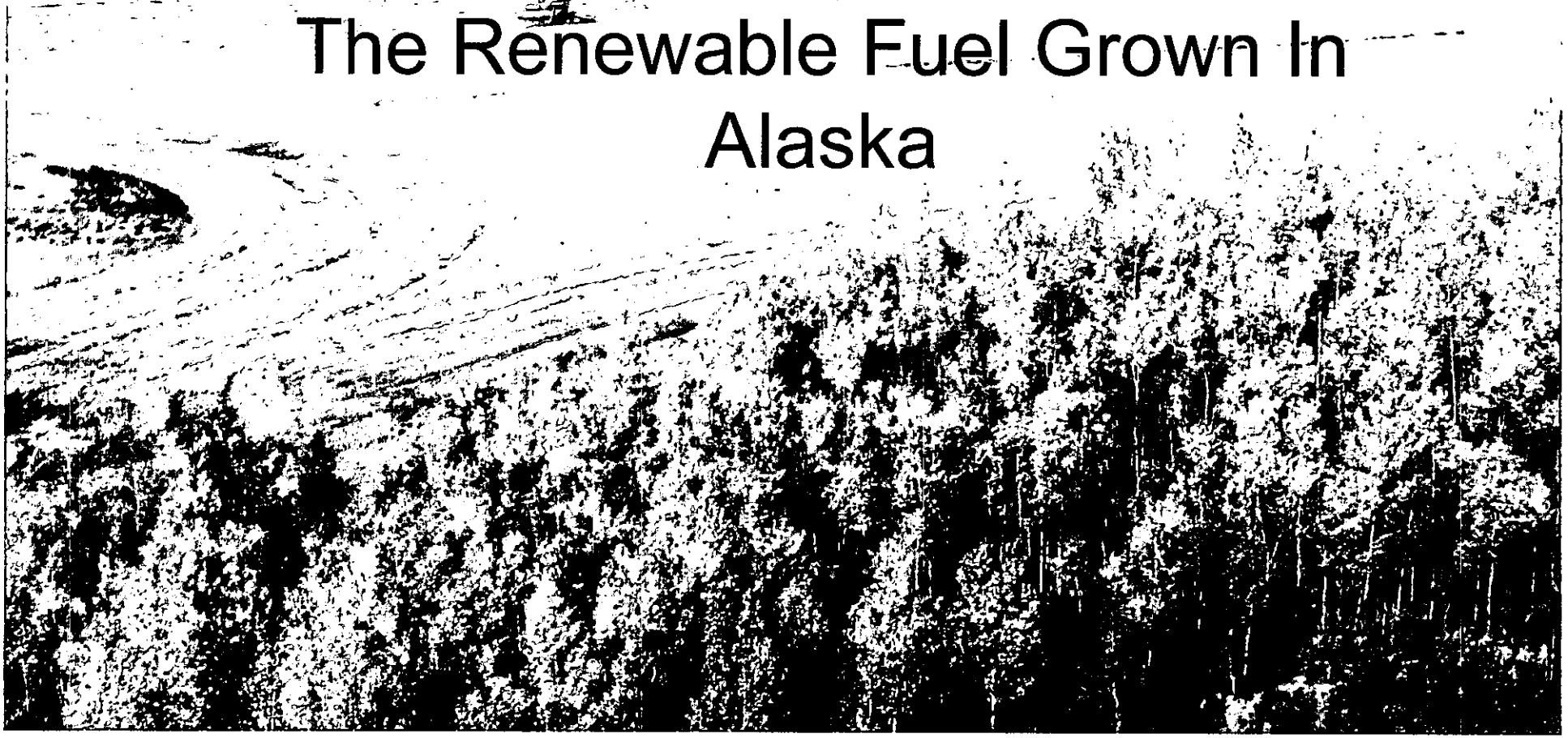
2/18/09 PRESENTATION: BARLEY FOR FUEL

2015

Barley



The Renewable Fuel Grown In Alaska

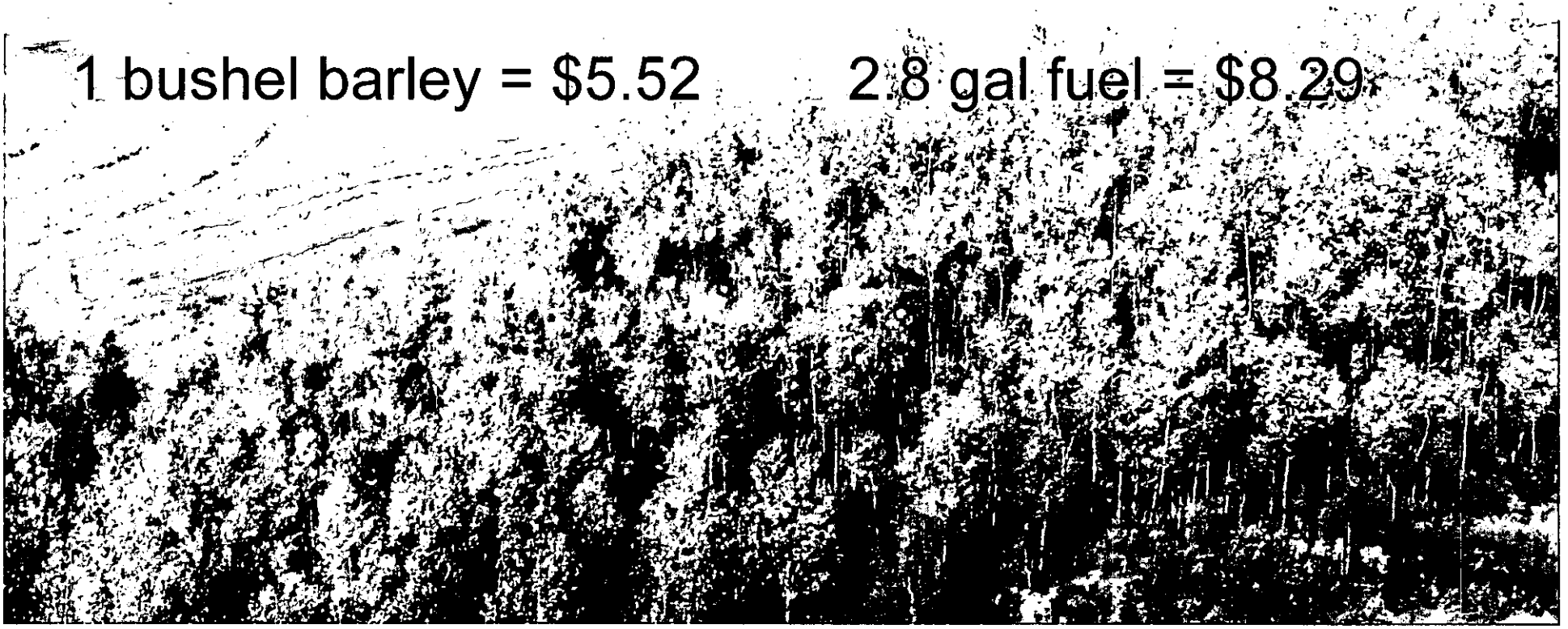


Economics

Cost comparison with fuel oil

1 bushel barley = 2.8 gallons fuel oil

1 bushel barley = $5.52 2.8 gal fuel = $8.29



Economics

Cost per million BTU

1,000,000 / 393,600 x $5.52 / .85 = $16.50 (barley)

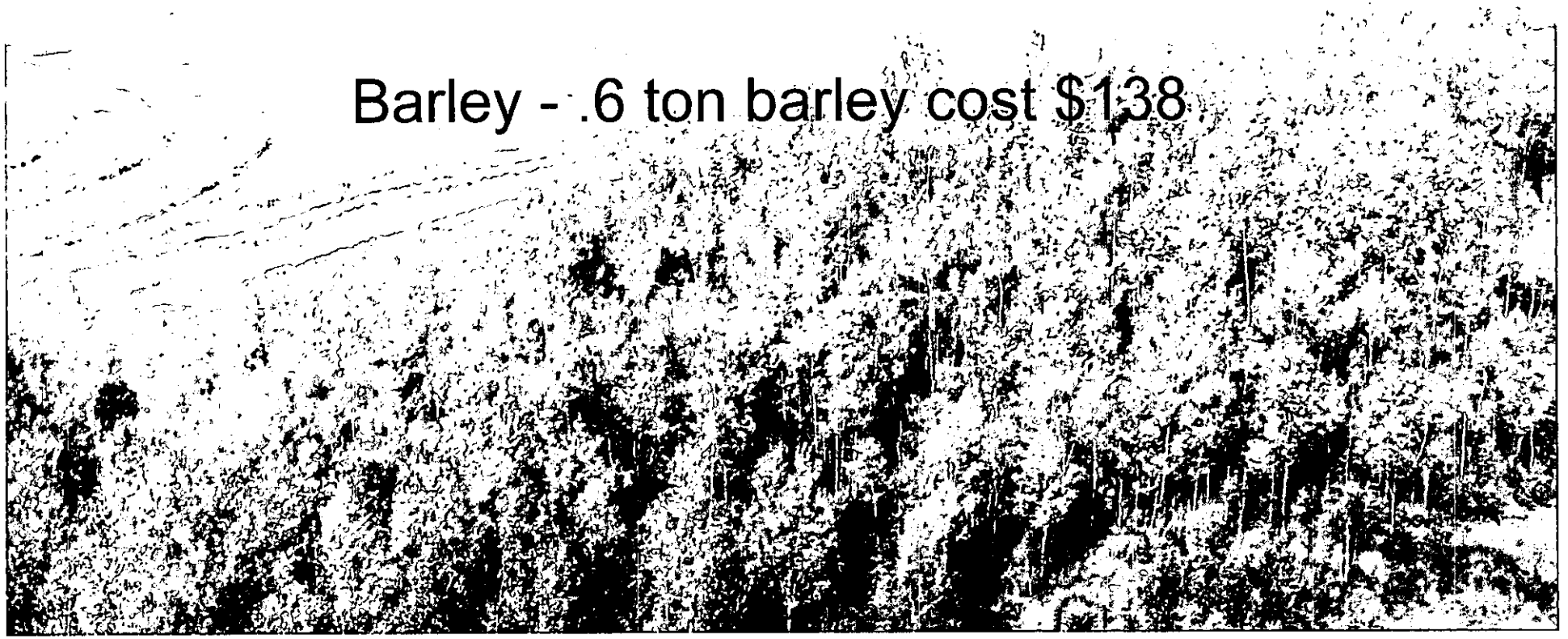
1,000,000 / 142,393 x $2.96 / .85 = $24.46 (fuel oil)

Economics

Monthly consumption

Fuel oil - 100 gal cost $296

Barley - .6 ton barley cost $138



Benefits of Barley Fuel

- 1 year harvest cycle vs. 100 years for wood and 40 million years for oil
- Most renewable resource grown in Alaska
- Low particulate levels
- Environmentally safer to ship and store
- Dollars from ag receipts stay in Alaska
- Reduce dependence on foreign oil

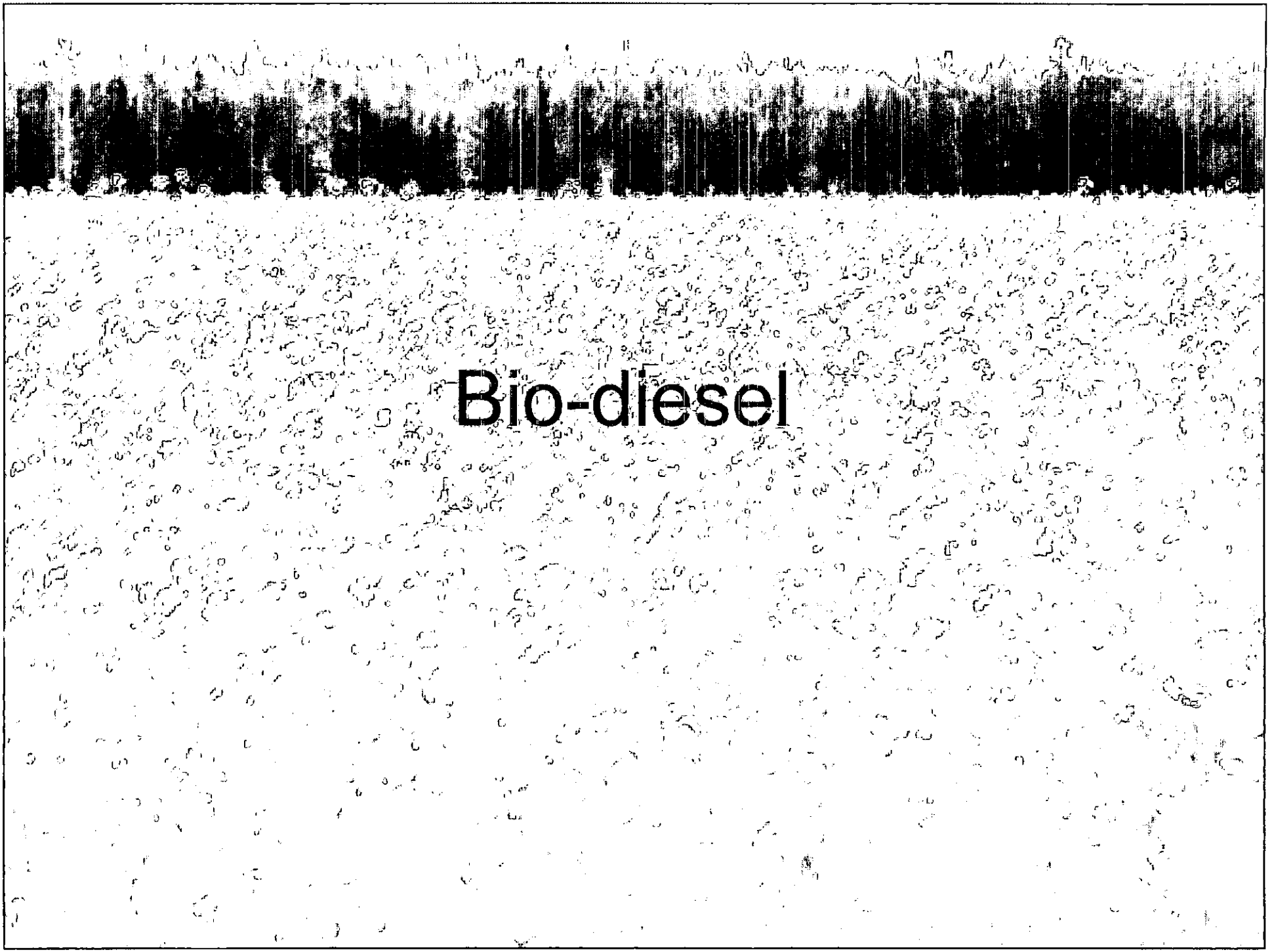
Current Production Capability

- Markets are the limiting factor to grain production in Alaska
- ~4,000 acres of barley grown in Delta last year
- 18,000 acres in Delta in < 2 years
- 25,000 acres < 3 years
- 50,000 acres is possible by 2015

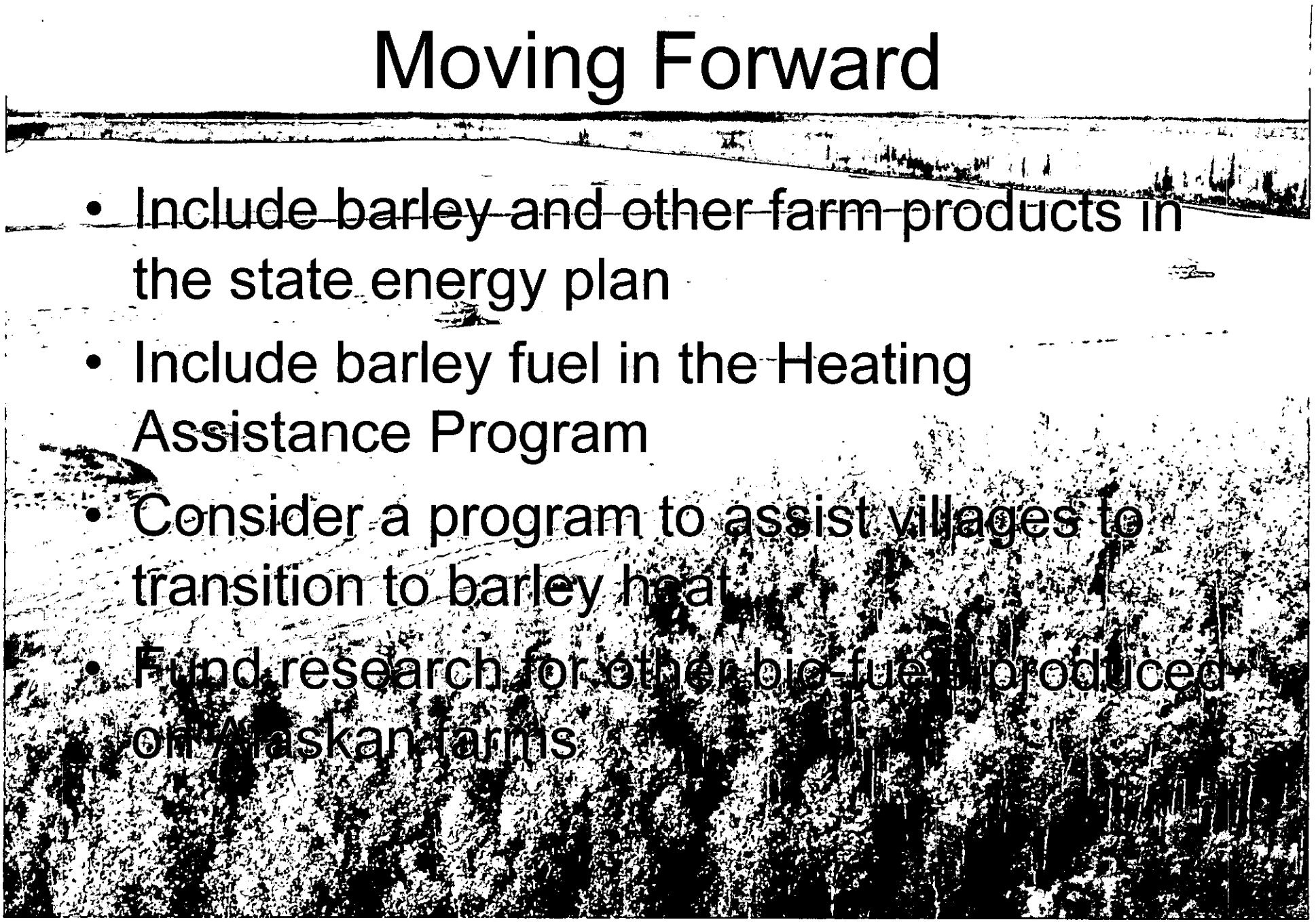
Potential Production

- 8.9-18.5 million acres in Alaska suitable for agriculture
- 500,000 acres for grain production
- 25,000 acres = ~1,000,000 bushels
- 1,000,000 bushel will heat 5,000 homes
- 500,000 acres will heat about 100,000 homes.

2022



Moving Forward



- Include barley and other farm products in the state energy plan
- Include barley fuel in the Heating Assistance Program
- Consider a program to assist villages to transition to barley heat
- Fund research for other bio-fuels produced on Alaskan farms

Questions

- Is it ethical to use feed for fuel?
- Is there be enough barley to meet feeding needs and also burn?

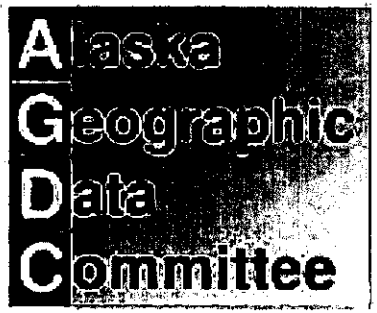
2/23/09 PRESENTATION: CRITICAL TERRAIN DATA REQUIRE...

HOUSE RESOURCES COMMITTEE PACKET

February 23, 2009

1	*Presentation: Critical Terrain Data Requirements for Resource Development in Alaska*
2	*HJR 7 Endorsing ANWR Leasing By Rep. Millett*
3	*HJR 18 Opposing ANWR Wilderness Designation*
4	
5	
6	
7	

2027

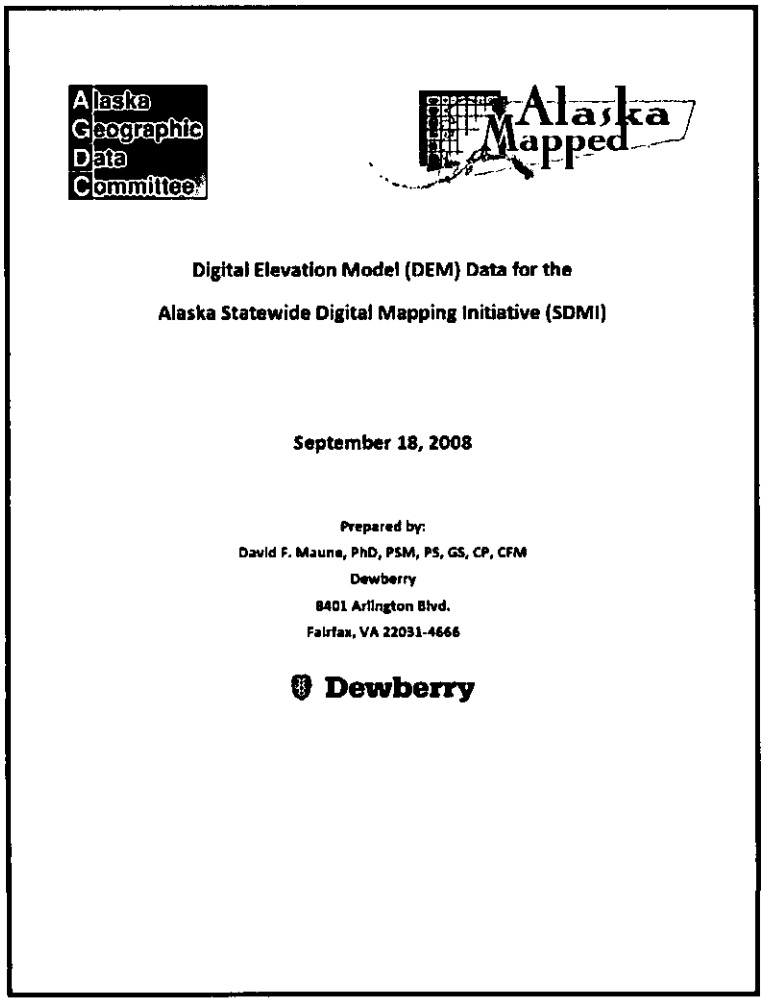


USGS Task Order, Alaska DEM – Phase II
Alaska DEM Funding and Implementation Plan

Critical Terrain Data Requirements for Resource Development In Alaska

David F. Maune, Ph.D., PSM, PS, GS, CP, CFM
Dewberry
8401 Arlington Blvd.
Fairfax, VA 22031
Tel: (703) 849-0396
Email: dmaune@dewberry.com

Alaska DEM Whitepaper



Alaska Geographic Data Committee

Alaska Mapped

Digital Elevation Model (DEM) Data for the

Alaska Statewide Digital Mapping Initiative (SDMI)

September 18, 2008

Prepared by:
David F. Maune, PhD, PSM, PS, GS, CP, CFM
Dewberry
8401 Arlington Blvd.
Fairfax, VA 22031-4666

Dewberry

- Statewide need for DEMs (DTMs & DSMs) with vertical accuracy equiv. to 20-ft contours, based on needs for aviation — safety & other user applications (e.g. orthos)
- Airborne IFSAR = most cost-effective & timely solution for DEMs & geoid model statewide

Other Alaska DEM User Applications

Environmental Assessments

- Coastal erosion
- Wildfire modeling
- Watershed management
- Floodplain management
- Tidal inundation
- Sea level change
- Natural disasters
- Search & rescue

Resources Development

- Mining & timber
- Oil & gas exploration
- Pipeline construction
- Fisheries & wildlife
- Navigable streams & waterways
- Pre-engineering assessments
- Claims mitigation

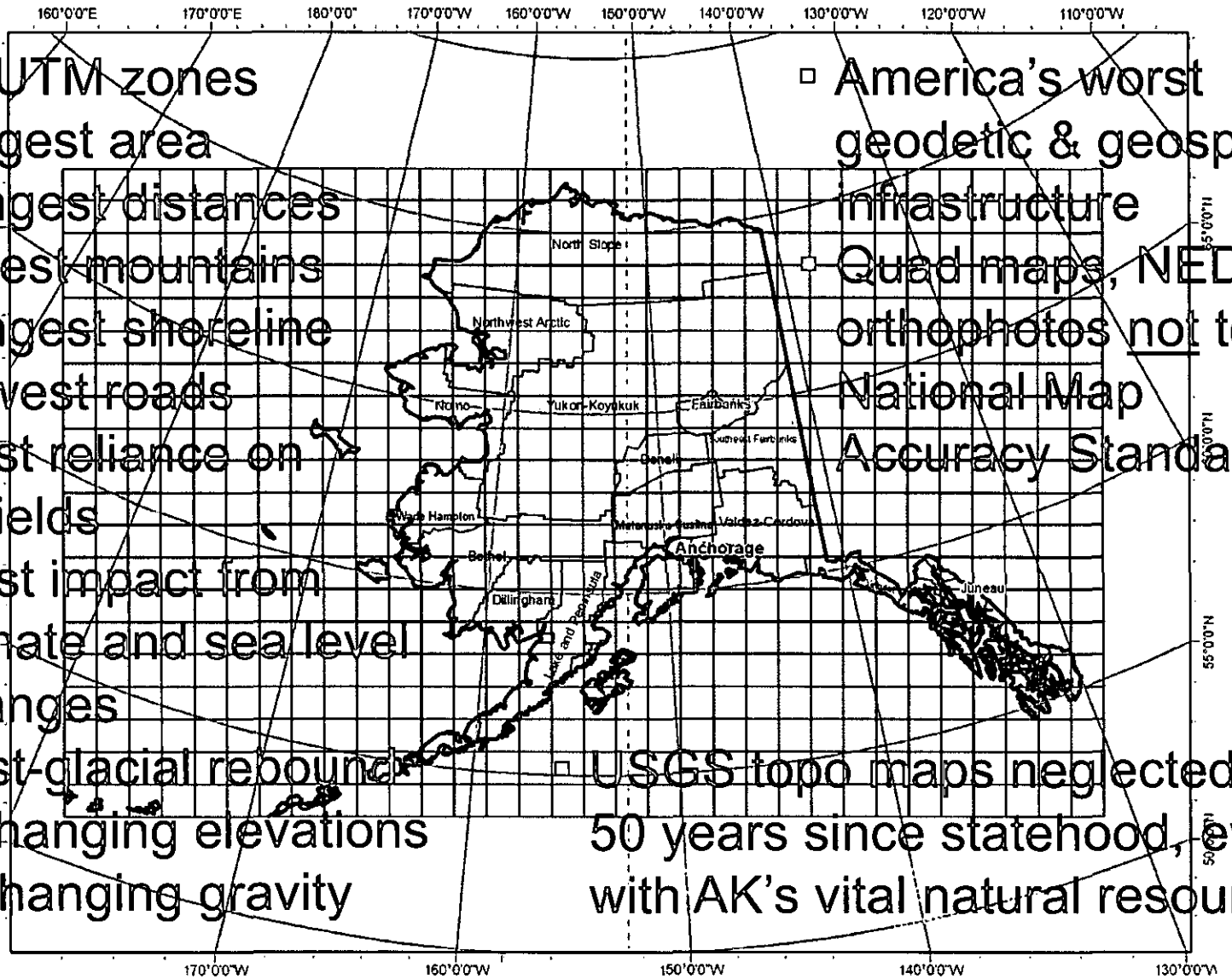
asprs
THE IMAGING & GEOSPATIAL INFORMATION SOCIETY

2nd Edition, 2007

1. Introduction to DEMs, 3-D Surface Modeling, Tides
2. Vertical Datums
3. Accuracy Standards
4. National Elevation Dataset
5. Photogrammetry
6. IFSAR
7. Topographic & Terrestrial Lidar
8. Airborne Lidar Bathymetry
9. Sonar
10. Enabling Technologies
11. DEM User Applications
12. DEM Quality Assessment
13. DEM User Requirements
14. Lidar Processing & Software
15. Sample Elevation Datasets

Why Alaska is Different and Changing

Ships can now transit N. Atlantic ↔ N. Pacific around N. Slope



- 10 UTM zones
- Largest area
- Longest distances
- Tallest mountains
- Longest shoreline
- Fewest roads
- Most reliance on airfields
- Most impact from climate and sea level changes
- Post-glacial rebound = changing elevations & changing gravity

- America's worst geodetic & geospatial infrastructure
- Quad maps, NED, orthophotos not to National Map Accuracy Standards
- USGS topo maps neglected for 50 years since statehood, even with AK's vital natural resources

Alaska Geoid errors ≈ 2 meters
(All other states: ± 2 cm)

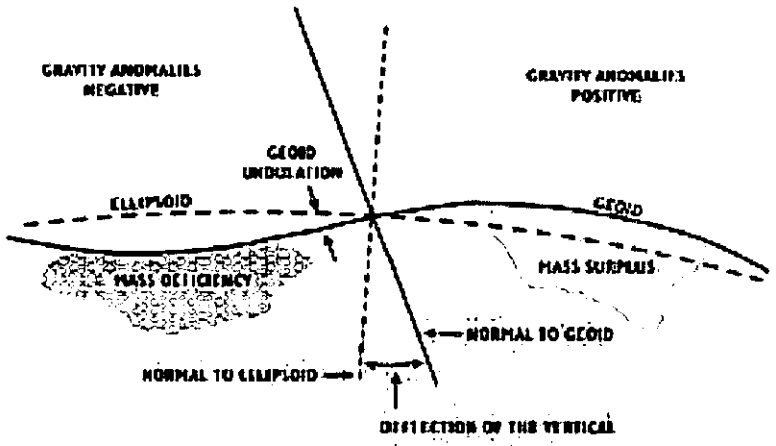


Figure 3. Ellipsoid, geoid, and geoid undulation (geoid height).

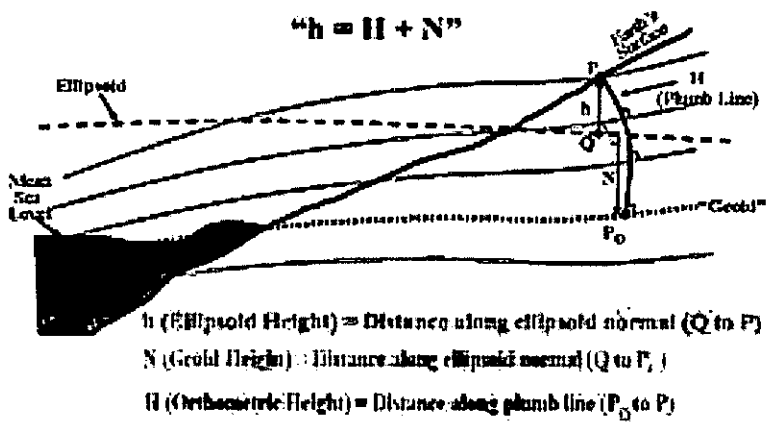


Figure 4. Geodetic formula for conversions between ellipsoid heights and orthometric heights.

Campaign I: High-Resolution Snapshot of Gravity

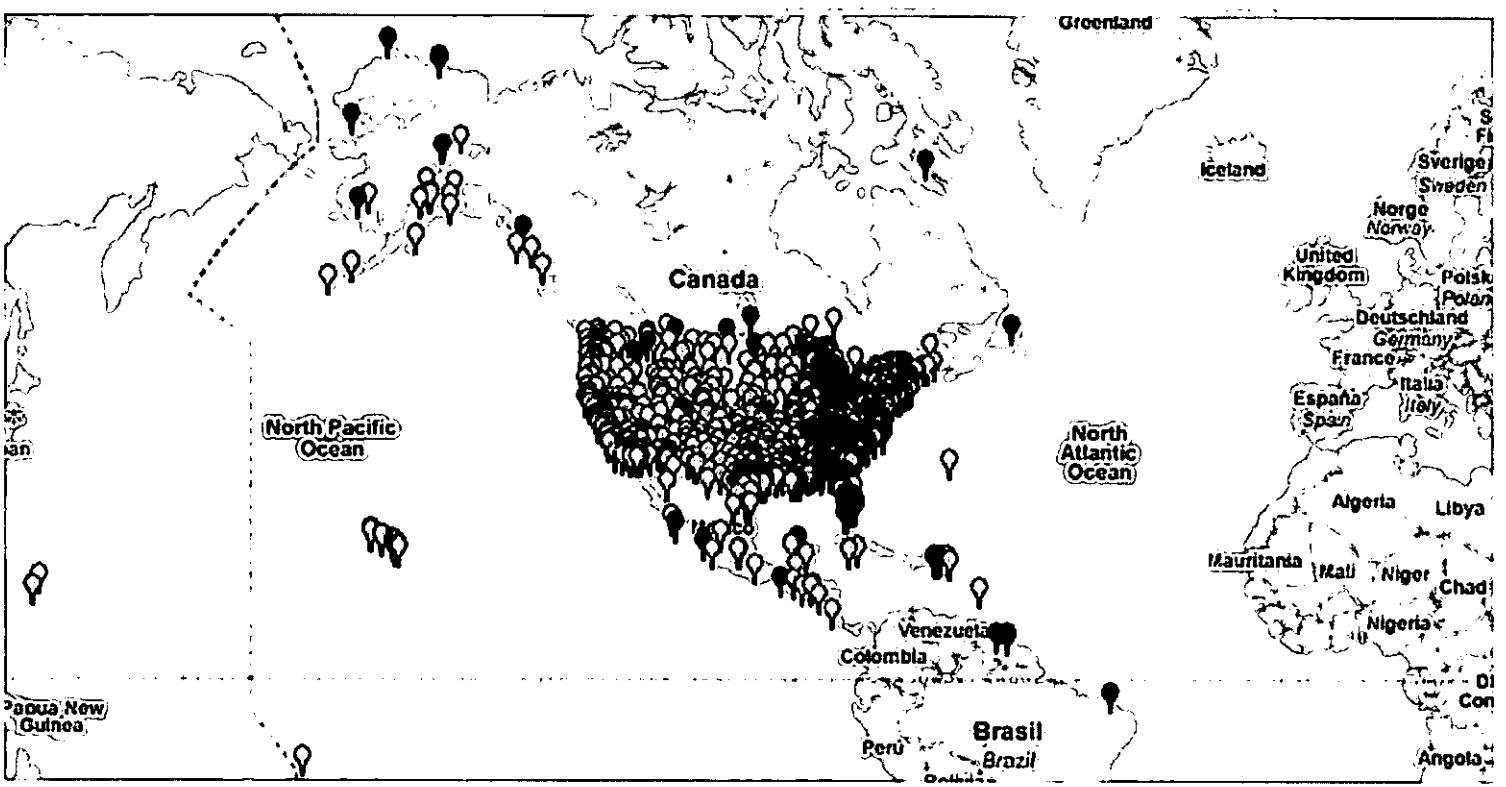
Phase I: Testing

Phase II: Operational Data Collection

1. Alaskan littoral regions excluding Aleutians
2. Southern Alaska
3. CONUS littoral regions
4. Hawaii & Aleutians
5. Inland CONUS
6. Northern Alaska

NO DEDICATED FUNDING

Sparse CORS Network in Alaska



Receiver Sampling Rate

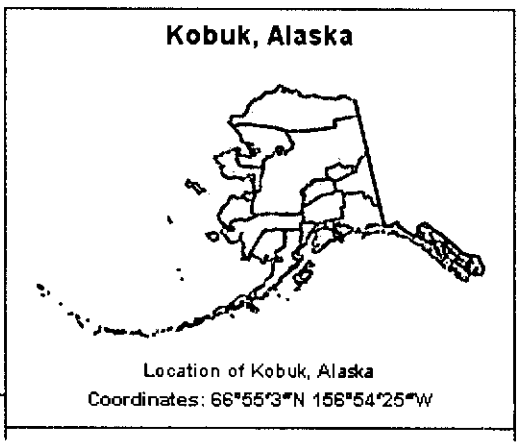
1 sec | 5 sec | 10 sec | 15 sec | 30 sec | Show All | Show Decommissioned Sites

Alaska compared with other States

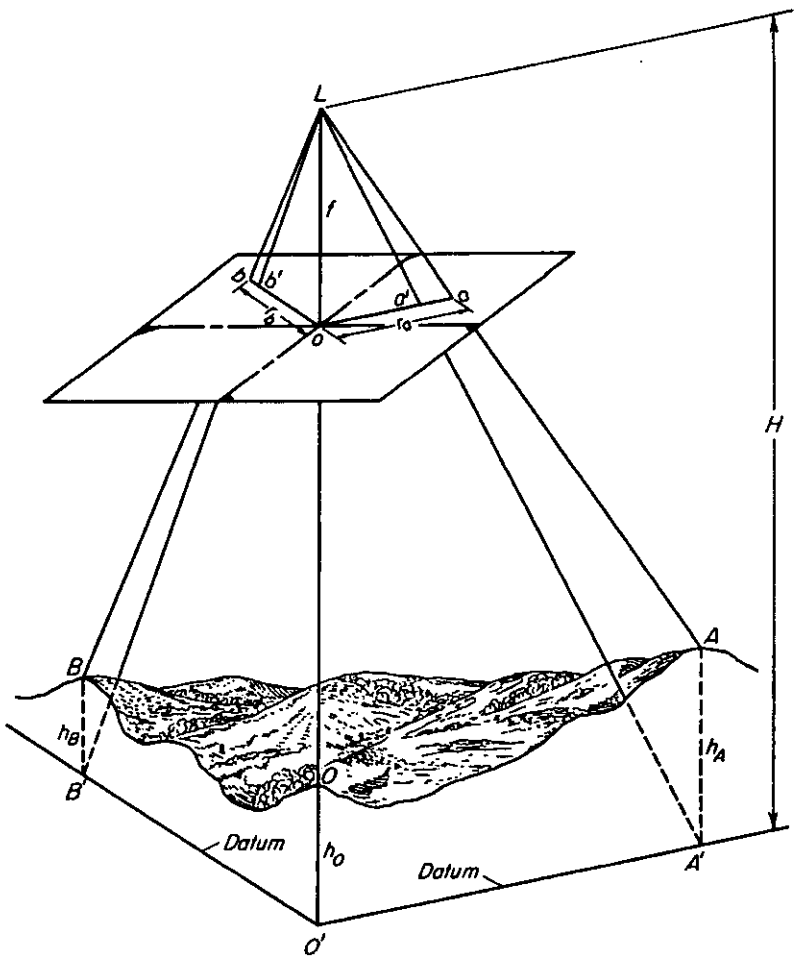
- Smaller scale (1:63,360) topographic quads in Alaska, and many do not satisfy National Map Accuracy Standards (NMAS)
- National Elevation Dataset (NED) has huge errors:
  - **Horizontal errors: several miles in some places (errors are 100 times larger than per NMAS)**
  - **Vertical errors: hundreds of meters too low**
- Few roads; rely on air transportation; even the state capitol, Juneau, is not accessible by road.
- Aeronautical charts, DEMs and eTOD data are critical to all aviators, including DOD and DHS statewide.
- Cannot accurately orthorectify images using the NED

Quotes from experienced pilot who lost many pilot friends in Alaska aviation accidents

- "On the track from Fairbanks to Kobuk, there is a mountain that is 3,000 feet higher than in the sectional aeronautical map … absolutely certain it is more than two miles displaced. It was very impressive, if flying IFR and trusting the map we would have flown right into it."
- "You'll find most mountains 300 feet too small."
- "Wolverine Mountain and Angutikada Peak are 'way off' in the sectionals."
- Appendix B in whitepaper provides many other examples.

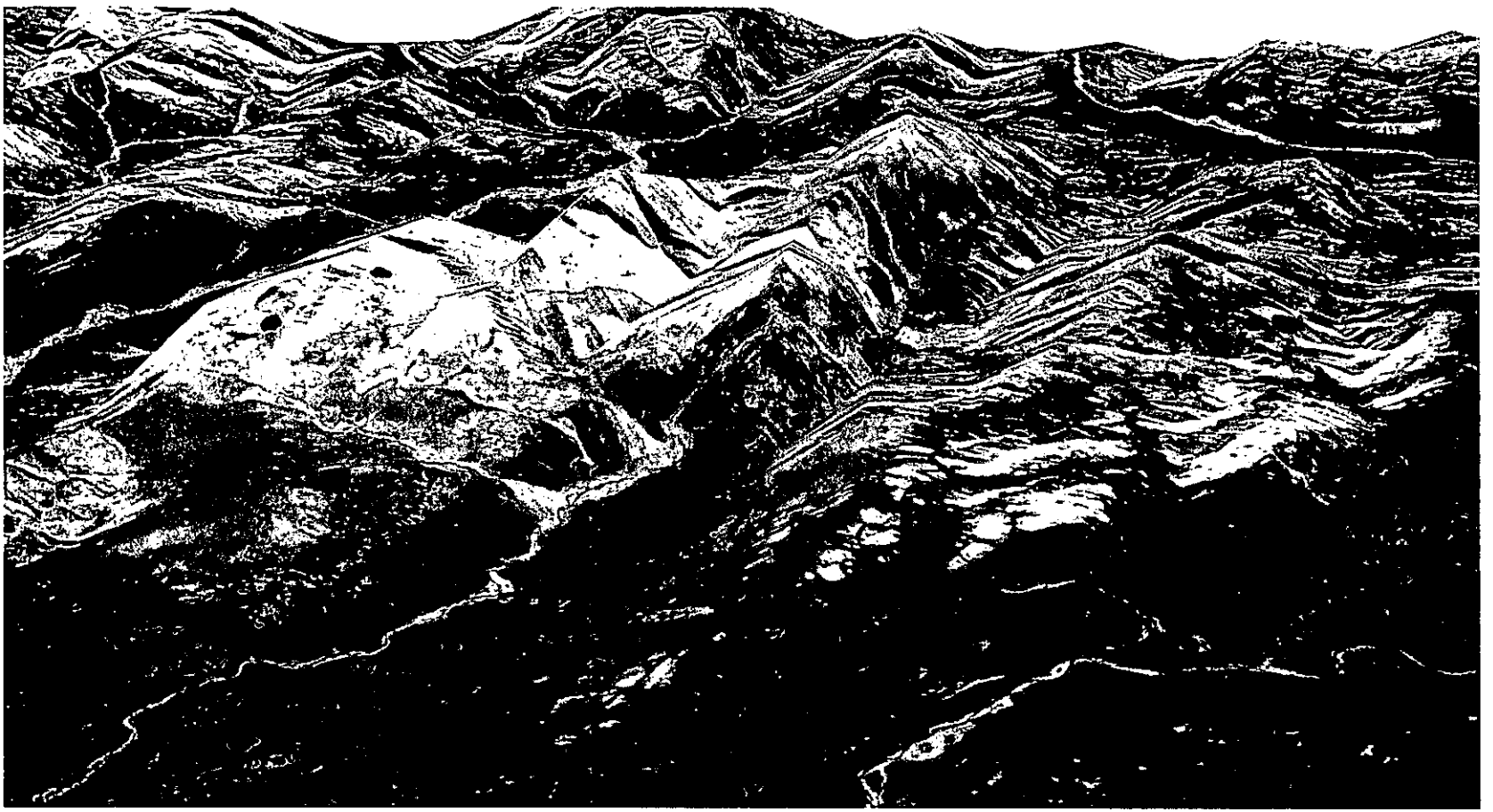


Alaska orthorectification problems



- Normally images can be "draped" over a DEM from the NED for orthorectification
- Won't work in Alaska when NED errors are:
  - 100's of meters vertical
  - 1,000's of meters horizontal
- Need to first correct Alaska NED …

… to avoid this kind of problem (Western Alaska)



Kevin Engle – UAF GINA: http://www.gina.alaska.edu

User Group 1: Aviation Safety

Interviewed

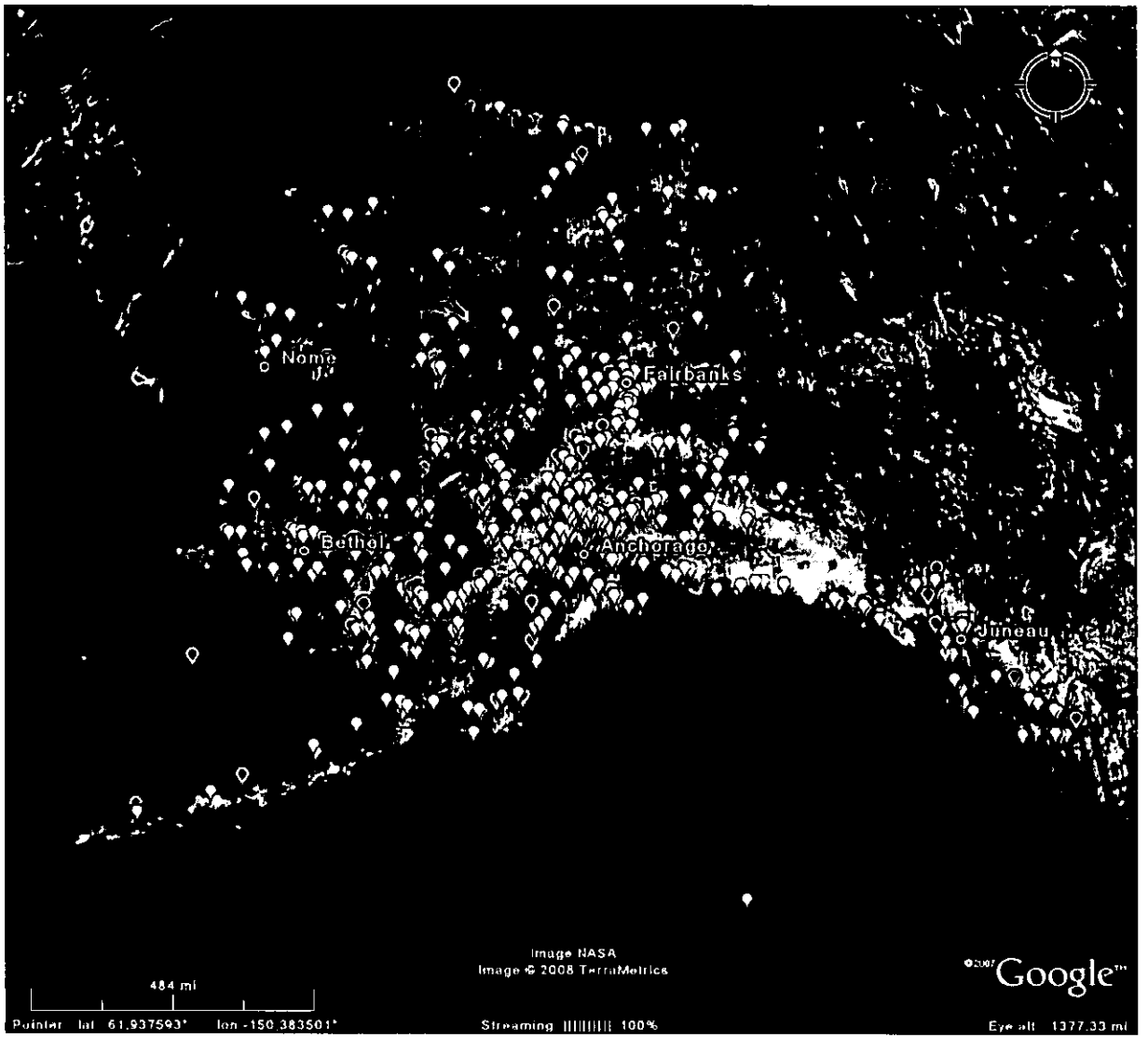
- Steve Colligan
- Lars Gleitsmann
- Nick Mastrodicasa
- George Sempeles (FAA)

Mid-accuracy (20-ft) equivalent contour accuracy is required for Alaska Area 2 IFR sites

Alaska Applications/Benefits

- FAA compliant Electronic Terrain and Obstacle Database (eTOD) required for navigation in Alaska during extensive periods of limited visibility where Instrument Flight Rules (IFR) are used.
- 20- ft contour accuracy DSMs and DTMs needed for Aviation Safety in Area 2 terminal control areas for airfields throughout Alaska
- 200-ft contour accuracy (or better) DSMs and DTMs statewide for Area 1 requirements
- Terrain avoidance; mountain passes, float plane needs are unique for Alaska

Fatal (red) & non-fatal accidents (2001-2005)



ICAO Area 1 and Area 2 standards

Because the Shuttle Radar Topography Mission (SRTM) did not collect elevation data north of 60° north latitude, and because of the major known horizontal and vertical errors in the NED, the U.S. currently does not satisfy the relatively simple Area 1 standard in Alaska (equivalent to 200-ft contour accuracy).[1] Neither is the U.S. prepared to satisfy the more-demanding Area 2 standard in Alaska (equivalent to 20-ft contour accuracy) which pertains to IFR site terminal control areas (circles with radius of 45 Km).

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[1]During user interview on August 5, 2008, Mr. George P. Sempeles, FAA ATOR-R, Aeronautical Information Services, Cartographic Standards, stated that there is a serious lack of reliable elevation data in Alaska and that he agreed with the concerns raised by the Alaska aviation community. He stated that the area of Alaska north of 60° north latitude does not comply with ICAO Area 1 standards and that elevation data equivalent to airborne IFSAR statewide would be needed to bring Alaska into conformance with Area 2 standards, stating that it makes no sense to have high accuracy elevation data within those circles and low accuracy elevation data elsewhere.

ASTER GDEM may satisfy "Area 1" but not "Area 2" requirements.

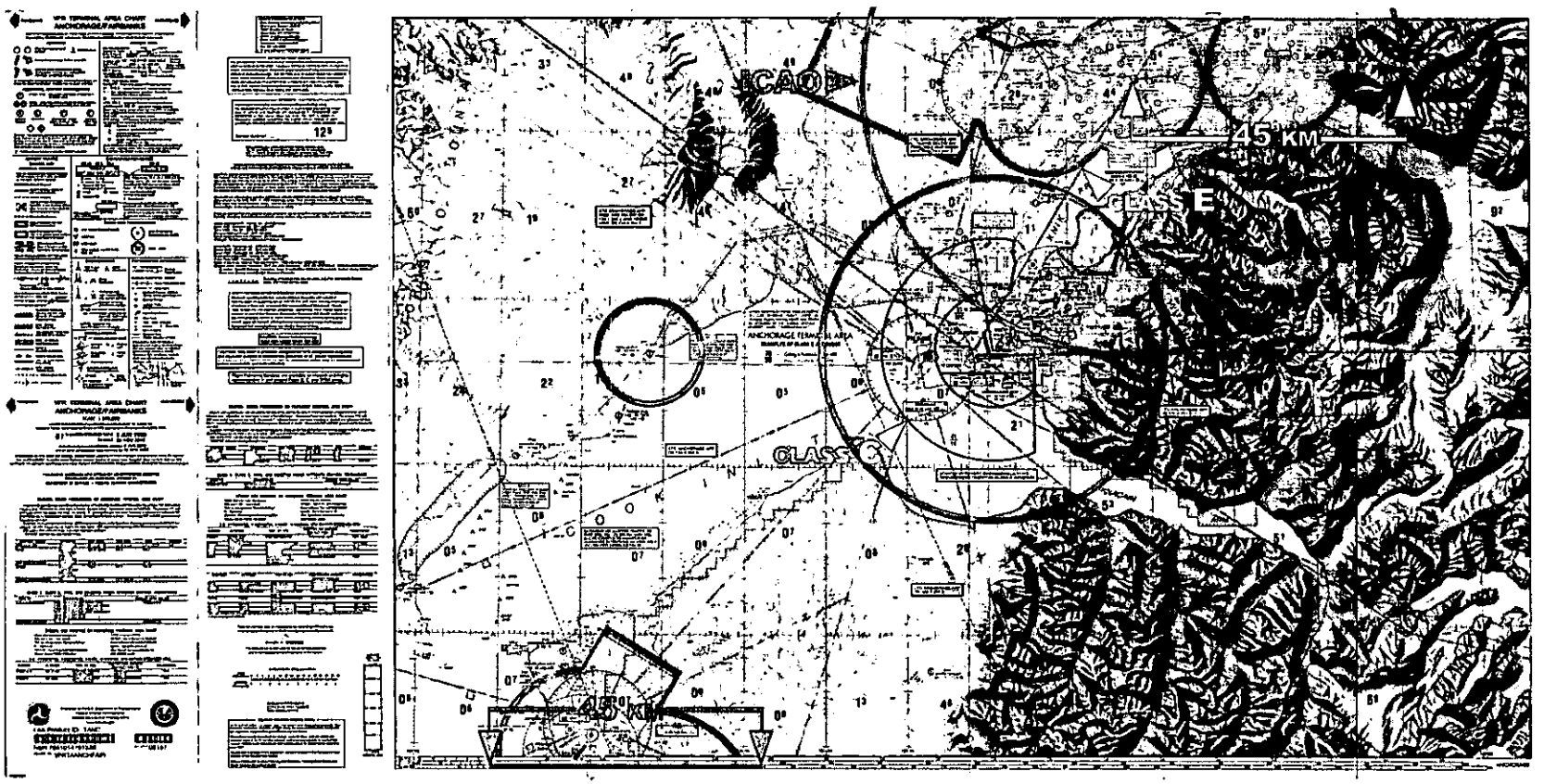
Alaska satisfies neither Area 1 nor Area 2

To satisfy identified user requirements for eTOD data, while taking into account cost-effectiveness, acquisition methods and data availability, the data are to be provided according to four basic coverage areas:

- Area 1 has a coverage over the whole territory of a state or country, including aerodromes/heliports.
- Area 2 covers the established terminal control areas, not exceeding a 45 km radius from the aerodrome reference point (ARP), to coincide with the existing specification for the provision of topographical information on the Aerodrome Obstacle Chart.
- Area 3 covers the area which is within the specified distances from the edges of a defined aerodrome or heliport surface movement area.
- Area 4 is restricted for use only for those runways where precision approach Category II or III operations have been established.

ICAO Doc 9881 provides the minimum user requirements applicable to the origination and publication of terrain data from creation through the entire life cycle of the data. It provides a minimum list of attributes associated with the terrain data and a description of associated errors that may need to be addressed. Any data processing must be accomplished in accordance with known and established quality processes and procedures.

VFR Terminal Area Chart showing red circle within which DEM w/20-ft contour accuracy would be required when landing under IFR conditions at the Wasilla Airport



What is the eTOD?

The Electronic Terrain and Obstacle Database (eTOD) is an internationally agreed-on standard to provide a accurate terrain database for safe flying and navigation under Instrument Meteorological Conditions (IMC) when pilots cannot see the terrain at all due to night and clouds or other weather such as heavy rain and snowfall.

When Visual Flight Rules (VFR) cannot be safely followed, and especially during emergency air evacuations at remote villages, aviators then operate under Instrument Flight Rules (IFR) designed to keep aircraft from unintentionally flying into obstacles due to navigation errors.

The need for elevation data to create a reliable and compliant FAA eTOD for navigation in Alaska, during periods of limited visibility, has never been greater. IMC flying conditions have to be coped with in Alaska on a regular basis for airfields throughout the state, even for airfields that are not part of the FAA's 148 IFR sites. Accurate DEMs are vital for flight planning, terrain avoidance, transiting through mountain passes, and landing of float planes on rivers and other water bodies. DEMs are also used for pilot training and simulators.

Goal: To minimize Controlled Flight Into Terrain (CFIT), a serious problem in Alaska.

Terrain data for eTOD

Note: Obstacles require "boots on the ground" surveys

Guidelines for Electronic Terrain, Obstacle and Aerodrome Mapping Information (Doc 9881)

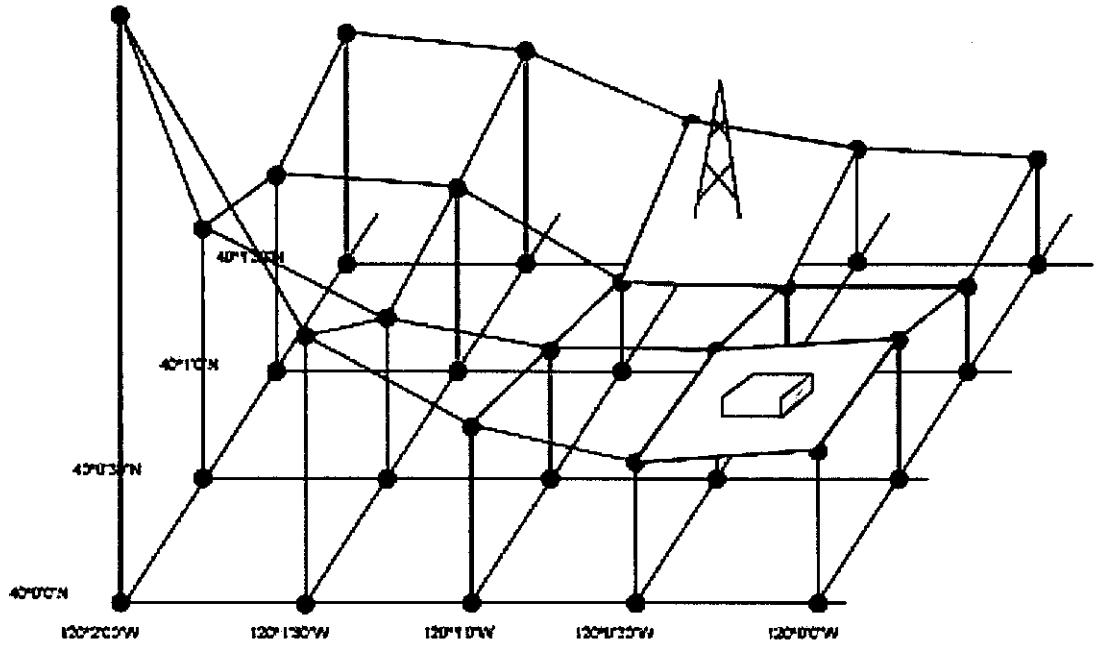


Table 2. ICAO DEM Requirements

ICAO	Area 1 Standards	Area 2 Standards
Post Spacing	3-arc-seconds (≈90 meters)	1-arc-second (≈30 meters)
Vertical Accuracy (LE90)	30 meters	3 meters
Equivalent Contour Interval	60 meters (200 ft)	6 meters (20 ft)
Vertical Resolution	1 meter	0.1 meter
Horizontal Accuracy (CE90)	50 meters	5 meters
Confidence Level	90%	90%
Compliance Date	November 20, 2008	November 20, 2010

In addition to SRTM (south of 60° north latitude) entire world may satisfy this Area 1 requirement when ASTER GDEM data is available

But what about Area 2 requirements in 2010?

ICAO Area 2 vs. DTED Level 2

- I asked George Sempeles of FAA to explain ICAO Area 2 requirements — compared with DTED Level 2 that NGA provides for airfields worldwide

Response from George Sempeles, FAA

- The Standard & Recommended Practices (SARPS) recorded in the Annexes to the ICAO convention are designed to be minimum civil aviation safety standards the world *should* adhere to. *Should* means the Annexes are not binding on any signatory State (country), and States have the option to file SARP differences with ICAO and advertise those differences in the States' Aeronautical Information Publication (AIP).

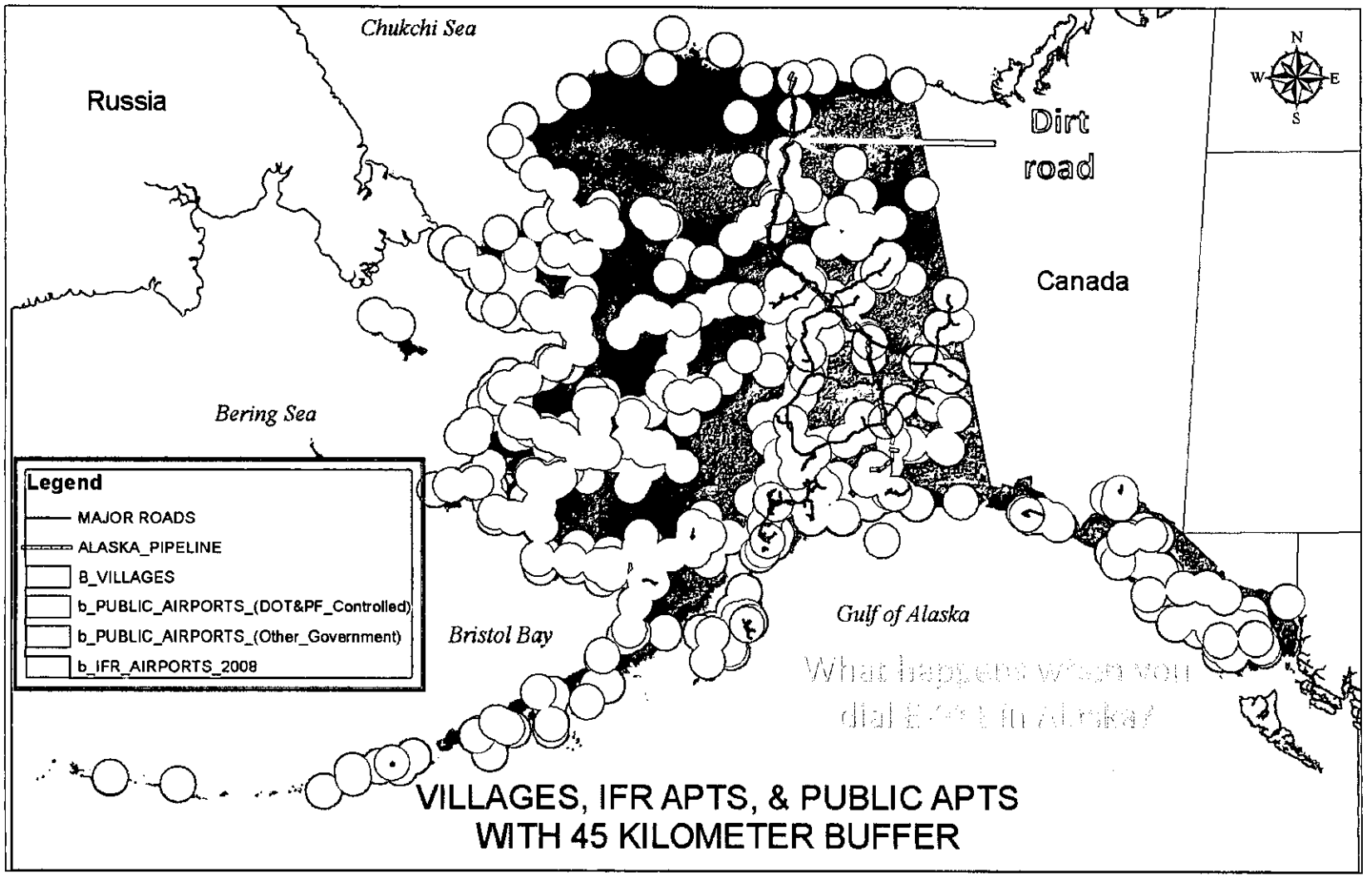
FAA comments (continued)

- (Q) Why are the Area 2 terrain accuracy requirements so accurate compared to DTED level 2?
- (A) The answer lies with the intention of Area 2. Area 2 is defined as the Terminal Control Area (TCA) of an aerodrome ... where aircraft are rapidly approaching the surface of the earth and man made obstacles, requiring greater detail of both features in order to develop Instrument Approach Procedures (IAP). Greater detail in the TCA is also required to develop missed approach, One Engine Inoperative (OEI) contingency planning, Standard Instrument Departure (SID), and Standard Terminal Arrival (STAR) procedures. According to FAA airport obstruction survey specifications, data contained in DTED level 2 would be considered not accurate enough to develop US civil procedures.

FAA comments (continued)

- In the lower 48 States, the majority of the US low altitude airspace is legally terminal airspace. So, to satisfy the ICAO SARPS, all of CONUS should be surveyed to at least Area 2 accuracies.
- As of today, the ICAO SARPs are written to include Area 2 requirements at aerodromes with IFR operations. Outside those areas, Area 1 data is required which represents the minimum requirements collectively. I tried that logic in the lower 48 and found it's more expensive to survey the IFR airports individually verses surveying the entire continental US. Judging by the distribution of IFR aerodromes in Alaska, I believe the same holds true in Alaska. I would ask InterMap and find out the price for surveying 148 widely dispersed 45 kilometer circles verses the entire state. I think you'll find it less expensive to collect it all.

148 IFR Airfields plus emergency sites



Vertical Accuracy Requirements

DEM User Groups	High-accuracy 10' and better contour accuracy (Airborne LiDAR)	Mid-accuracy 20' to 30' contour accuracy (Airborne IFSAR)	Low-accuracy 40' and worse contour accuracy (Satellite Sensors)
Alaska Aviation		20' contour accuracy ICAO Area 2 standard	200' contour accuracy ICAO Area 1 standard
Alaska DCCED	2' contour accuracy		
Alaska DGGS	2' & 10' contour accuracy		50' & 100' contour accuracy
Alaska DNR			40' contour accuracy
Alaska DOT	4' & 10' contour accuracy		
Alaska University Users	2' & 10' contour accuracy	30' contour accuracy	50' contour accuracy
BLM		20' contour accuracy	
DOD		20' contour accuracy	
NGA			50' contour accuracy
NOAA[8]	2' contour accuracy	20' contour accuracy	40' contour accuracy
NPS			40' contour accuracy
NRCS			40' contour accuracy
USFS		20' contour accuracy	
USGS	10' contour accuracy ("ideal")	20' contour accuracy ("preferred")	40' contour accuracy ("acceptable")

NRCS & USFS (Alaska) DEM Uses

- **Natural Resources Conservation Service (NRCS)**: Ted Cox. DEMs are used for orthorectification of digital imagery and for analyses of slope and aspect for the following applications: soil surveys, landscape modeling of geomorphic land forms, natural resources inventories, and engineering applications such as emergency watershed analyses. NRCS requirements can be satisfied with elevation data equivalent to 40-foot contours. NRCS Soil Survey Areas and Areas of primary interest within Roaded Corridors would be very useful to have DTM with a 5-10 meter posting. Remainder of State – a 20 meter DSM suitable for ortho-rectification to NMAS 24k.
- **U. S. Forest Service (USFS)**: Mark Riley, Jim Schramek, Joe Calderwood. DEMs are used for orthorectification of digital imagery, for hydrology, and for diverse forestry analyses to include slope and aspect, study of forest health (e.g., causes of yellow cedar decline), for determination of tree heights (DSM elevations minus DTM elevations), biomass and wildfire modeling. USFS requirements for DSMs and DTMs can be satisfied with elevation data from airborne IFSAR, i.e., equivalent to 20-foot contours.

Vertical Accuracy of Airborne IFSAR Options

Competing Airborne IFSAR Systems	Slope: 0° to 10° (Accuracy$_z$ at 95% confidence level)	Slope: 10° to 20° (Accuracy$_z$ at 95% confidence level)	Slope: 20° to 30° (Accuracy$_z$ at 95% confidence level)
Intermap's STAR-3/4/5/6			
Type III DSM	6 m ≈33-ft contour accuracy	9 m ≈50-ft contour accuracy	12 m ≈66-ft contour accuracy
Type II DSM	1.8 m ≈10-ft contour accuracy	3 m ≈17-ft contour accuracy	4 m ≈22-ft contour accuracy
Type II DTM (untested, assumed equal to DSM)	1.8 m ≈10-ft contour accuracy	3 m ≈17-ft contour accuracy	4 m ≈22-ft contour accuracy
	Flat Terrain Yahoo County, MS	**Moderate Terrain Southern California**	**Rolling Terrain Southeast Asia**
Fugro EarthData's GeoSAR X-band DSM	1.8 m ≈10-ft contour accuracy	1.86 m ≈10-ft contour accuracy	8.78 m ≈49-ft contour accuracy
P-band DTM	≈10-ft contour accuracy	≈10-ft contour accuracy	≈49-ft contour accuracy
	P-band foliage penetration (10-20m typical) is slope and foliage dependent		

Vertical Accuracy of Satellite Options

Competing Satellite Sensor Systems with contour interval (CI) accuracy	Slope: 0° to 20° Accuracy$_z$ at 95% confidence level and equivalent CI	Slope: 20° to 40° Accuracy$_z$ at 95% confidence level and equivalent CI	Slope: >40° Accuracy$_z$ at 95% confidence level and equivalent CI
ASTER Global DEM	20m (110-ft CI)	Unavailable	Unavailable
GeoEye's IKONOS, 1-arc-sec w/o GCPs **0.2-arc-sec w/1 GCP per stereo model**	24 m (132-ft CI) 16.7 m (92-ft CI)	Unavailable	Unavailable
Digital Globe's WorldView-1, w/o GCPs	8 m (44 ft CI)	Unavailable	Unavailable
Spot Image Corp's SPOT-5, w/o GCPs	11.9 m (66-ft CI)	21.4 m (118-ft CI)	35.7 m (197-ft CI)
ASRC's Cartosat-1 w/9 GCPs/scene	6-9 m (33-50 ft CI)	10-20 m (55-110 ft CI)	Unavailable
MDA's Radarsat-2, w/minimal GCPs (see mode explanations below)	**Slope: 0° to 20°**	**Slope: 20° to 40°**	**Slope: >40°**
— Multi-Look Fine (MLF) beam mode	0-10°: 8m (44-ft CI) 11-20°: 12m (66-ft CI)	21-30°: 15m (83-ft CI) 31-40°:17m (94-ft CI)	20m (110-ft CI)
— Ultra Fine (UF) beam mode	0-10°: 6m (33-ft CI) 11-20°: 8m (44-ft CI)	21-30°: 11m (61-ft CI) 31-40°: 12m (66-ft CI)	15m (83-ft CI)

ASTER GDEM now being evaluated but won't satisfy 20-ft CI need

Strengths/Weaknesses of Optical Imagery

- Neither day/night nor all-weather
- Photogrammetry produces both orthophotos and DEMs
  - DSMs produced by automated image correlation
  - DTMs produced by manual compilation, more expensive
- Difficult to accurately maps glaciers and mountains with perpetual snow cover.
- Airborne imagery: With good base/height ratio, DTM vertical accuracy comparable to 1-ft to 20-ft contours, but expensive
- Satellite imagery: Most options are DSMs only and not DTMs. Vertical accuracy comparable to 50-ft contours (very expensive, with lots of GCPs) to 200-ft contours (less expensive, w/o GCPs).

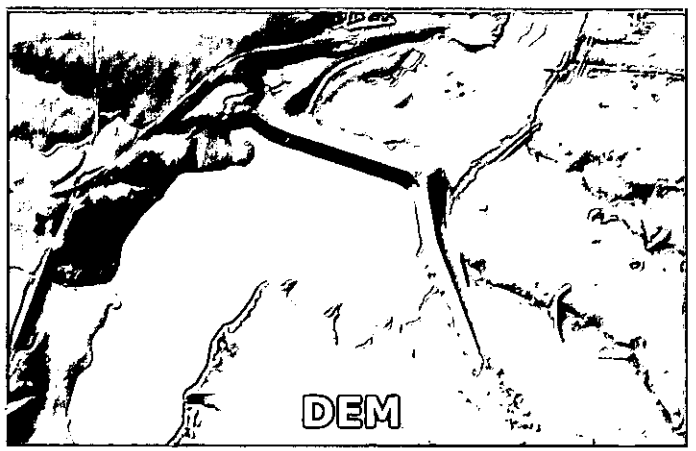
Strengths/Weaknesses of LiDAR

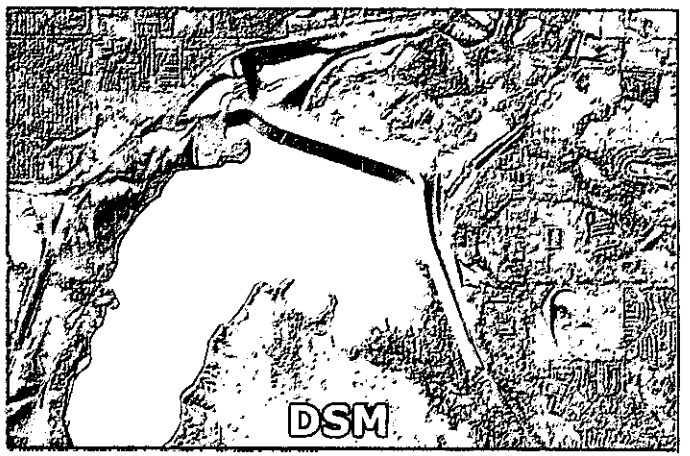
- Day/night, but not all-weather; must be cloud free
- Single laser pulses penetrate through or between trees
- Most accurate option for DTMs in dense forests and vegetation
- Most accurate elevation differences between DSM and DTM for forestry applications.
- Ideal for 1-ft to 2-ft contour accuracy requirements
- Can accurately map mountains with perpetual snow cover; tested in Greenland
- May be unaffordable statewide; but Government (NASA) may fly Alaska's major shorelines to satisfy topo/bathy needs.

Strengths/Weaknesses of IFSAR

- Both day/night and all-weather
- Flies at 35,000 to 40,000 feet AGL, perfect for GRAV-D
- Ortho-rectified radar images (ORI), plus DSMs and DTM, ideal for 10-ft to 20-ft contour accuracy
- Intermap produces DTMs by editing of DSM; Fugro EarthData produces DTMs from P-band IFSAR
- Intermap may have licensing issues; no Fugro issues
- Significantly less expensive than either airborne LiDAR or airborne imagery solutions
- Radarsat-2 has the least expensive option, but the DSM combined accuracy is equivalent to 83-ft contours
- Maps glaciers and mountains with perpetual snow cover

IFSAR DTM, DSM, ORI





- Assume Alaska orthos will be color (RGB) or 4-band
- Could register satellite imagery to ORI to improve positional accuracy with minimal GCPs

Airborne IFSAR Considerations

In addition to satisfying all statewide requirements, because their aircraft fly at altitudes between 35,000 and 40,000 feet, IFSAR aircraft could potentially be fitted to accommodate the National Geodetic Survey's GRAV-D sensor and operator in order to simultaneously collect gravity data for improving the geoid height model so desperately needed in Alaska.

- Intermap Technologies appears to have a competitive advantage by having more flexibility with a larger fleet of aircraft, and it has proven experience for large, successful projects in production of NEXTMap USA, NEXTMap Britain, and NEXTMap Europe.
- Fugro EarthData appears to have a competitive advantage because of GeoSAR's X-band and P-band sensors that may be superior for accurate mapping of both the DSM and DTM in forested regions, and images the terrain with about 4x redundancy from multiple look directions to minimize shadow & layover.

Airborne IFSAR Conclusion

An IFSAR hybrid IFSAR solution should be considered in order to benefit from the advantages of both Intermap and Fugro EarthData. Discriminating factors should include:

- Comparative costs, including licensing
- Technical advantages of X-band and P-band for different areas
- Plans to minimize and mitigate artifacts from layover/shadow
- Past performance (satisfied clients?)
- Whether or not the IFSAR aircraft could simultaneously accommodate a NGS gravimeter and operator in order to also support the GRAV-D program by collecting gravity data along the same flight lines, etc. as the IFSAR data collection.

Who Owns/Manages Alaska?

Russian traders arrived in Alaska in the mid-1700's and established small, scattered trading posts and settlements. Alaska Natives (the Eskimo, Indian, and Aleut peoples) continued as the primary landowners during that period of Russian occupation. On October 18, 1867, Russia sold Alaska to the United States government. As a result, the federal government owned the Alaska Territory, approximately 373 million acres -about one-fifth the size of the rest of the U.S.

State of Alaska - 89.8 million acres

Under the terms of the Alaska Statehood Act of 1958, the federal government granted the new state 28% ownership of its total area. Approximately 103,350,000 acres were to be selected under three types of grants:

1) Community - 400,000 acres

2) National Forest Community - 400,000 acres

3) General - 102,500,000 acres.

Additional land/water grants, for schools, university and mental health trust lands, totaling 1.7 million acres were confirmed with statehood.

All grants combined gave the State of Alaska approximately 105 million acres. To date, 89.8 million acres has been granted, with the balance expected to be granted by 2008.

ANCSA Native Corporation (Private) 39.3 million acres

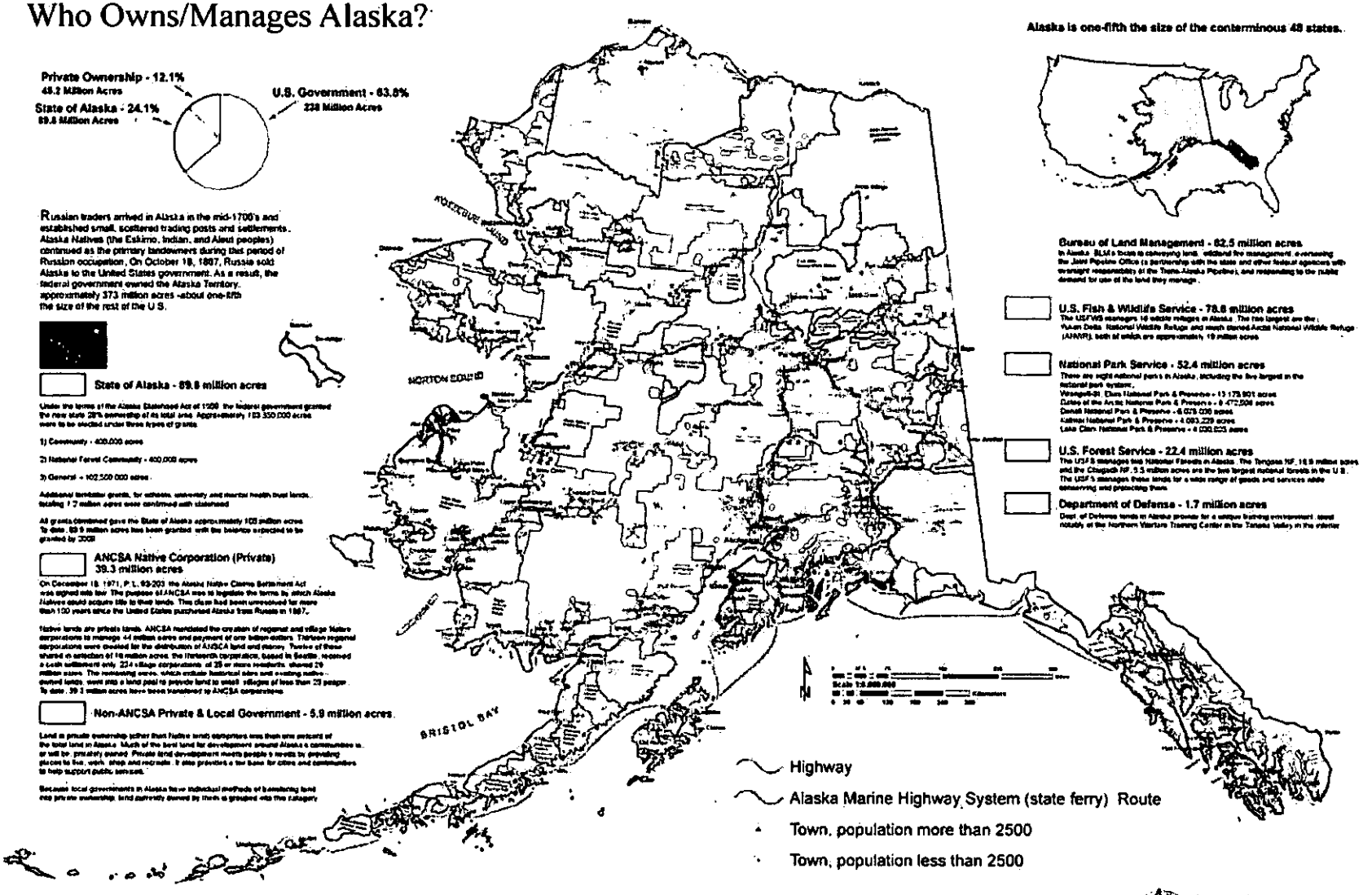
On December 18, 1971, P.L. 92-203, the Alaska Native Claims Settlement Act was signed into law. The purpose of ANCSA was to legislate the terms by which Alaska Natives would acquire title to their lands. This claim had been unresolved for more than 100 years since the United States purchased Alaska from Russia in 1867.

Native lands are private lands. ANCSA mandated the creation of regional and village Native corporations to manage 44 million acres and payment of one billion dollars. Thirteen regional corporations were created for the distribution of ANCSA land and money. Twelve of these shared in selection of 16 million acres; the thirteenth corporation, based in Seattle, received a cash settlement only. 224 village corporations, of 25 or more residents, shared 28 million acres. The remaining acres, which include historical sites and existing native-owned lands, went into a land pool to provide land to small villages of less than 25 people. To date, 39.3 million acres have been transferred to ANCSA corporations.

Non-ANCSA Private & Local Government - 5.9 million acres.

Land in private ownership (other than Native lands) comprises less than one percent of the total land in Alaska. Much of the best land for development around Alaska's communities is, or will be, privately owned. Private land development meets people's needs by providing places to live, work, shop and recreate. It also provides a tax base for cities and communities to help support public services.

Because local governments in Alaska have individual methods of transferring land into private ownership, land currently owned by them is grouped into this category.



Alaska is one-fifth the size of the conterminous 48 states.

Bureau of Land Management - 82.5 million acres

In Alaska, BLM's focus is conveying lands, wildland fire management, overseeing the Joint Pipeline Office (in partnership with the state and other federal agencies with oversight responsibility of the Trans-Alaska Pipeline), and responding to the public demand for use of the land they manage.

U.S. Fish & Wildlife Service - 76.6 million acres

The USFWS manages 16 wildlife refuges in Alaska. The two largest are the Yukon Delta National Wildlife Refuge and mesh-shaped Arctic National Wildlife Refuge (ANWR), both of which are approximately 19 million acres.

National Park Service - 52.4 million acres

There are eight national parks in Alaska, including the five largest in the national park system:

Wrangell-St. Elias National Park & Preserve - 13,175,801 acres
Gates of the Arctic National Park & Preserve - 8,472,506 acres
Denali National Park & Preserve - 6,075,028 acres
Katmai National Park & Preserve - 4,093,229 acres
Lake Clark National Park & Preserve - 4,030,033 acres

U.S. Forest Service - 22.4 million acres

The USFS manages two National Forests in Alaska. The Tongass NF, 16.9 million acres, and the Chugach NF, 5.5 million acres are the two largest national forests in the U.S. The USFS manages these lands for a wide range of goods and services while conserving and protecting them.

Department of Defense - 1.7 million acres

Dept. of Defense lands in Alaska provide for a unique training environment, used notably at the Northern Warfare Training Center in the Tanana Valley in the interior.

Maps produced by the
Alaska Dept of Natural Resources
Division of Forestry

Alaska Upland Land Ownership/Management (Statewide total ≈ 1.8 million Km^2)

Whose problem is it?

All of us; we need funding partners

	Million acres	Km^2	% of total
State of Alaska	89.8	363,408	24.1
BLM	82.5	333,866	22.1
USF&WS	78.8	318,892	21.1
NPS	52.4	212,055	14.1
ANCSA	39.3	159,041	10.5
USFS	22.4	90,650	6.0
Other private	5.9	23,876	1.6
DoD	1.7	6,880	0.5
TOTALS	**372.8**	**1,508,668**	**100.0**

Met with NDOP and NDEP in August

An additional 65 million acres of Tide and Submerged Lands are mapped for offshore drilling activities and sea ice monitoring.

Consensus points from NDOP & NDEP

We have no time to waste

- ICAO Area 1 Requirements: 11/20/2008
- ICAO Area 2 Requirements: 11/20/2010
- Other statewide user requirements: Immediate
- Alaska's mapping needs have been neglected for 50 years; unmet needs in Alaska are dire, especially aviation safety

We must remain true to Alaska's requirements

- 20' contour accuracy or better
- Both DSM and DTM, especially mountain peaks, ridgelines and hydrology
- Technology that overcomes adverse weather conditions
- Technology that maps snow-capped mountains & glaciers
- Technology that is cost-effective

We must find timely, cost-effective solution

- Only airborne mapping options can satisfy AK's technical and accuracy requirements
- Airborne IFSAR costs are significantly less than airborne LiDAR or photogrammetry
- Multiple contracting options are available to obtain the most cost-effective solution for timely delivery of quality products
- Need both federal and state funding

Other points not time-critical

We have time to reach consensus elsewhere	What other requirements should be satisfied? How? By whom?	We must find cost-effective solution
• Data acquisition and post-processing can proceed if we choose ellipsoid heights and Alaska Albers, for example, knowing that NED will be provided as geographic coordinates in ESRI grid format • Other issues can be resolved while data are being acquired and processed	• Will GINA serve multiple datasets to the public? • Will GINA provide orthometric heights that change with new geoid models? • Will GINA provide GeoTiff and/or other file formats • Who will perform hydro-enforcement of DTM? How? Who pays? • Who will filter DTM so roads are smooth on orthophotos? How? Who pays?	• Answers to these questions may depend on available funds and contract costs for data acquisition & processing • If available funds are inadequate to pay for everything as part of major contract, get data acquired and DSM/DTM delivered ASAP; then determine if those responsible for land management pay for hydro-enforcement, etc. if needed for their areas of responsibility.

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USGS Task Order:
Alaska DEM Initiative – Phase II

Alaska DEM Funding & Implementation Plan

- Executive Summary
- Agency Executive Leadership Communications, incl. DOI (USGS, BLM, NPS, F&WS, BIA); DOD (NGA); DHS; NGS; FAA; USDA (USFS, NRCS, FSA); State of Alaska
- Initiative Plan, incl. FGDC coordination and Agency Executive Leadership coordination
- Brief 2/27/09 at Alaska Mapping Conference

Need Funding Partners to solve a common need

Department of Interior (DOI)

- On January 27, 2009, Dave Maune and Phil Thiel met with and briefed Karen Siderelis, Associate Director for Geospatial Information and Chief Information Officer for DOI, and Kenneth Shaffer, Deputy Staff Director of the Federal Geographic Data Committee (FGDC), to discuss DOI funding support for the Alaska DEM.
- Ken arranged for Dave to brief the FGDC Coordinating Committee on February 3, 2009.
- Karen arranged for Dave to brief the national geospatial coordinators from all the DOI Bureaus plus other key personnel on February 19, 2009.

FGDC Coordination Committee Attendees

Ivan DeLoatch - FGDC	Don Buhler - BLM
Ken Shaffer - FGDC	Jeff Booth - DHS
John Mahoney - FGDC	David LaBranche - DOD
Lew Sanford - FGDC	David Morehouse - DOE
Milo Robinson - FGDC	Rani Balasubramanyam - DOJ
Pat Phillips - FGDC	Wendy Blake Coleman - EPA
Vaishal Sheth - FGDC	Donald Draper Campbell - FCC
Wonkus Baek - FGDC	Doug Vandegraft - FWS
Bonnie Gallahan - FGDC	Bill Wilen - FWS
Gita Urban Mathieux - FGDC	Bill Burgess - NSGIC
Vicki Lukas - USGS	Rhett Rebold – OSD/DISDI
Carol Giffin - USGS	Trisha Christian - SBA
Charles Hickman - USGS	Randy Fusaro - USCB
Rob Dollison - USGS	Shirley Hall - USDA
Mike Lee – USGS/DHS	Dennis Crow - USDA
Catherine Nolan – Grant Thornton	Marissa Capriotti - USDA
Phil Thiel - Dewberry	Ralph Crawford - USFS

Don Campbell has thousands of tower sites in AK with coordinates for QA/QC

U.S. Geological Survey (USGS)

- On February 5, 2009, Dave Maune met with and briefed Kari Craun, Director, National Geospatial Technical Operations Center (NGTOC)
- On February 4, 2009, Kari Craun gave a briefing on The National Map to Dave Maune and other members of the National Geospatial Advisory Committee (NGAC).

The National Map FY08 Data Partnerships

	NGP Partnership and Mapping Contracts Funding	Partner Funding	Total Project Cost	Leveraging Ratio
Imagery	$1,596,902	$30,440,552	$32,037,454	20.1
Elevation	$2,239,364	$21,326,959	$23,566,322	10.3
Hydrography	$423,766	$1,033,766	$1,457,532	3.4
Names	$253,749	$253,749	$378,749	1.5
Transportation	$512,758	$6,559,542	$7,072,300	13.8
Structures	$329,528	$319,295	$648,823	2.0
Boundaries	$20,000	$20,000	$40,000	2.0
[redacted]	$311,845	$414,359	$726,204	2.3
TOTAL	$5,687,912	$60,368,222	$65,927,384	11.6

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John Wesley Powell, 2nd Director of USGS

Testimony to Congress on December 5, 1884

"A Government cannot do any scientific work of more value to the people at large, than by causing the construction of proper topographic maps of the country"

This statement remains true today in Alaska where resource management and development are critical

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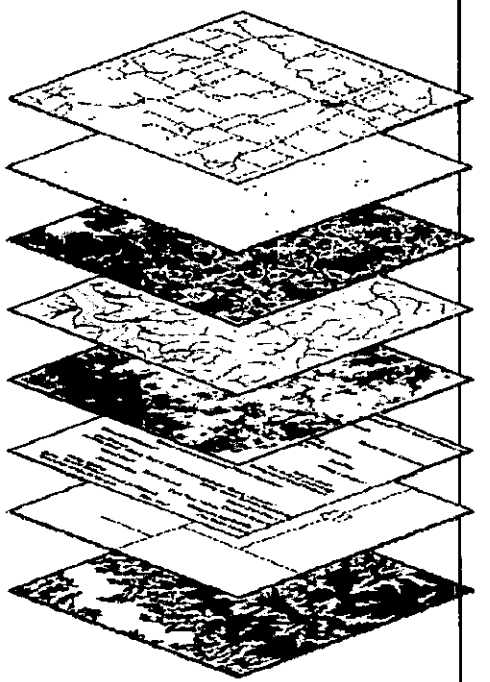
The National Map

The National Map is a collaborative effort to deliver topographic information for the nation

The goal of *The National Map* is to be the nation's source for trusted topographic data and maps online and in print

The National Map

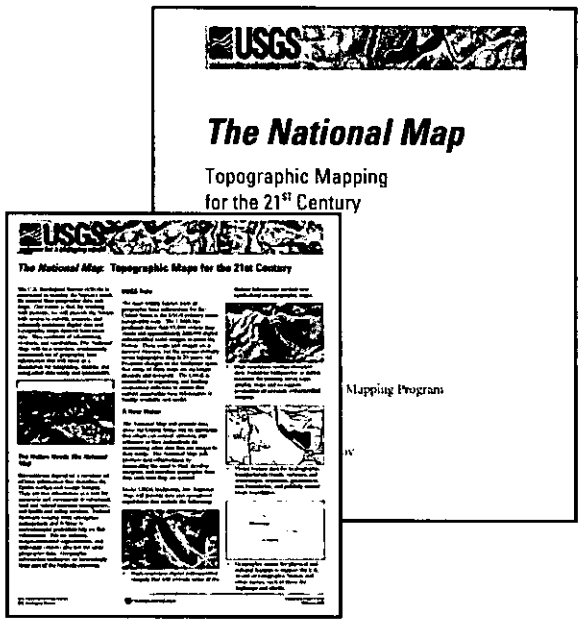
- *The National Map* contributes to the NSDI
- *The National Map* includes eight data layers: orthoimagery, elevation, hydrography, land cover, geographic names, transportation, structures, and boundaries
- Public domain data to support
  - USGS topographic maps at 1:24,000-scale
  - Products and services at multiple scales and resolutions
  - Analysis, modeling and other applications at multiple scales and resolutions
- *The National Map* is built on partnerships and standards

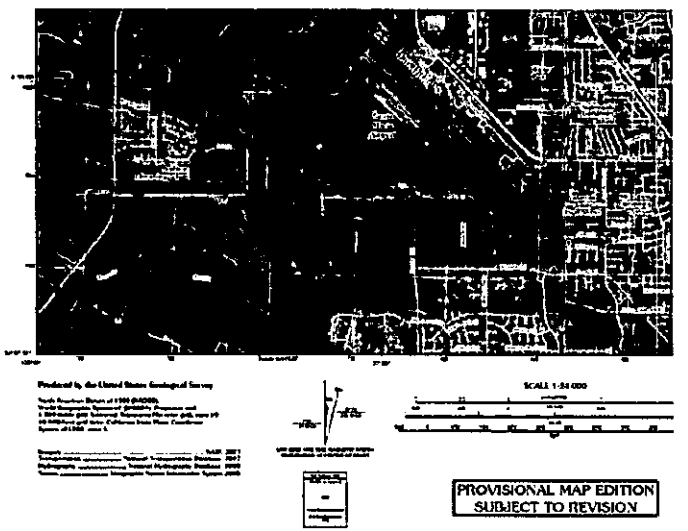


The National Map

The National Map

- Seamless, continuously maintained, nationally consistent base topographic data
- Developed and maintained through partnerships
- Available on-line
- Source for products and services
- e-Topo Image Map





Overall Strategy

- Create next-generation USGS topographic maps
- 3 year revision cycle following NAIP
- Source data from *The National Map* databases
  - National Transportation Dataset (from Census initially)
  - Names (GNIS, NHD)
  - Cartographic features (Grids, quad level metadata)
- Initial product will be basic e-Topo Image Map content
  - Image background
  - Roads
  - Names
  - 1:24,000-scale layout
- Map Product evolution
  - Data layers will be added as they become available and technical processes are in place
  - Elevation data (contours) and Hydrography highest priority

2076

Product Characteristics
(It's not your grandfather's topographic map)

- The product is a plottable digital image. It is neither a GIS dataset nor a traditional paper map, but a new kind of hybrid.
- The physical format is GeoPDF, an unpublished and proprietary format that can only be read by specific proprietary software.
- The PDF is layered and georeferenced, giving the dataset some limited GIS characteristics.

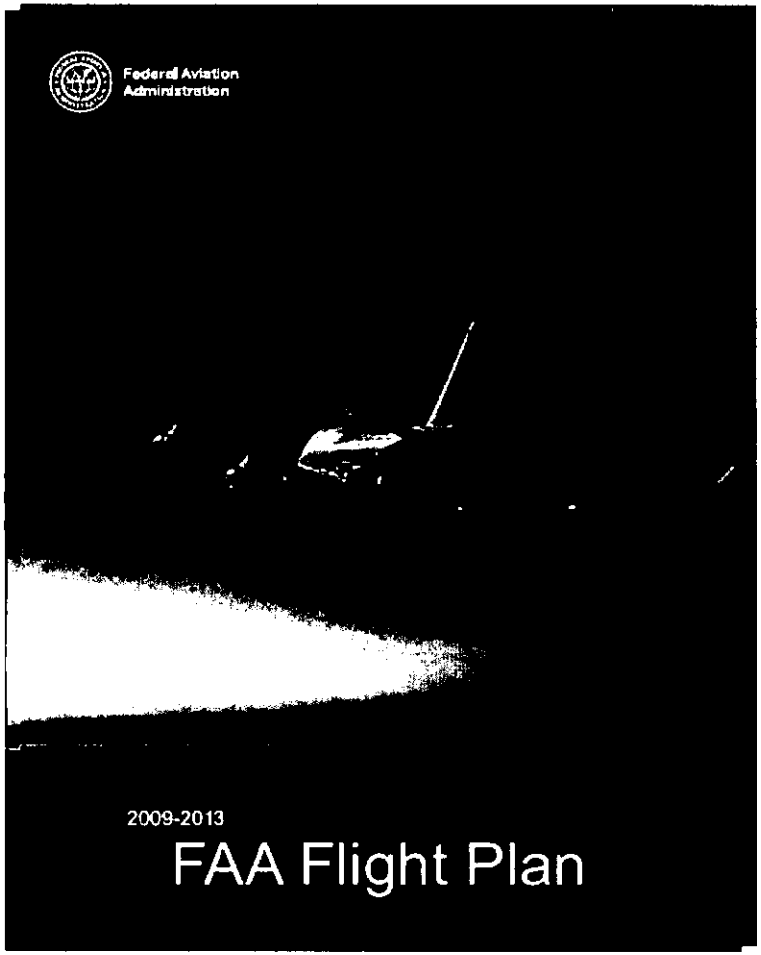
Federal Aviation Administration (FAA)

On February 11, 2009, Dave and Phil met with and briefed:

- Dick Powell, Manager, Aeronautical Information Services, FAA
- Mark Howard, Manager, Aeronautical Survey Program, NOAA
- George Sempeles, Aeronautical Information Management Quality Assurance, FAA
- Christopher Criswell, Cartographer, Aeronautical Information Services, FAA
- Adam Edmondson, Cartographer, NACO, FAA
- Nathaniel Hersh, Cartographer, NACO, FAA

FAA's Strategic Plan

Alaska is listed 8 times; no other state is listed



INCREASED SAFETY

Our goal is to achieve the lowest possible accident rate and constantly improve safety.

Our first commitment is to safety. The proof of our ability to maintain that focus is in the actual safety record itself. In fiscal years 2007 and 2008, there were no commercial passenger fatalities on commercial flights in the U.S. Knowing this, the issue facing FAA comes in the form of a simple question with an exceedingly complex answer: When a system is so safe, how do you know where to place your focus to keep it that way? With more passengers flying than ever, and fuel prices forcing airlines to look for ways to save money, the test has never been more daunting.

To address this challenge, we're moving away from the anecdotal approach to safety and instead using data-analysis to prevent accidents before they happen. Safety Management Systems (SMS) are being put in place that allow us to examine the data of what's actually happening in the system. With SMS, we examine that data to isolate the trends that very well could become the precursors to accidents themselves. Three of the agency's largest lines of business—Air Traffic, Aviation Safety and Airports—have these programs under way.

These efforts complement other areas of focus, such as the "Call to Action" we placed to industry regarding runway safety. We used the data that had been accumulated with our Safety Management System to isolate trends. With that information, we met with chief pilots, put new technology in place, and revamped airport signage to increase the levels of safety on the runway.

Even though commercial aviation draws most of the headlines, we remain diligent in our efforts to work with the pilots who form the backbone of General Aviation (GA). We work jointly with the Alaska aviation community through a number of organizations and safety programs such as: the Medallion Foundation, Alaska Air Carriers Association, Alaska Airman's Association, FAA Safety Team, and Circle of Safety. In addition to these training and education efforts, we're using new technology in Alaska, such as the satellite-based Capstone navigation and terrain awareness avionics. We're also installing 221 additional weather cameras throughout the state. These weather cameras prove that a picture that is indeed worth a thousand words and are a real-time depiction of what's happening throughout the state. The Alaskan pilot now has go/no go information that was previously unavailable.

In addition, we're using ADS-B to solidify the use of satellite surveillance in Alaska. The breadth of the geography there makes the use of radar virtually impossible. Satellites aren't encumbered by terrain. The situational awareness benefits provided by the improved surveillance, broadcast services, and improved avionics has proven to be a great success; preliminary data indicates a projected 47 percent drop in the fatal accident rate for aircraft equipped with ADS-B in Southwest Alaska.

As a result of that success, we are transferring the lessons learned in Alaska to the Gulf of Mexico, another location in which radar coverage is limited. We are increasing our outreach and training to general aviation pilots to increase their skills and awareness.

We're making similar advances to air traffic control safety. The establishment of "proximity events" last year was a recognition that our focus should be on the more serious operational errors and not on those that present little or no safety risk. Training programs and better information will help us meet our goal in FY 2009.

The section that follows identifies the measures and initiatives we have in place to improve safety. Because we always look toward continuous improvement, we have updated our safety measures and initiatives. For example, we've put in place a new metric to collect and share information from multiple programs, including the Aviation Safety Information Analysis and Sharing (ASIAS) program and the new Air Traffic Safety Action Program. We're spreading safety data as far and wide as we can. There can be no secrets in safety, and everyone including and especially the passenger, benefits with this approach.

We accelerated the expansion of the Air Transport Oversight System (ATOS) for the airlines. We're blending the oversight data ATOS is providing with our other data sources to enhance our ability to detect nationwide trends and provide a better perspective on the health and safety of the aviation system.

It is not a coincidence that we are in the safest period in the history of aviation. It took a lot of hard work and dedication from our employees, the aviation industry and external stakeholders to get us here. The system is the safest it has ever been, and we will continue to work to keep it that way.

Even though commercial aviation draws most of the headlines, we remain diligent in our efforts to work with the pilots who form the backbone of General Aviation (GA). The FAA continues to work jointly with the Alaska aviation community through a number of organizations and safety programs such as: the Medallion Foundation, Alaska Air Carriers Association, Alaska Airman's Association, FAA Safety Team, and Circle of Safety. In addition to these training and education efforts, we're using new technology in Alaska, such as the satellite-based Capstone navigation and terrain awareness avionics. We're also installing 221 additional weather cameras throughout the state. These weather cameras prove that a picture that is indeed worth a thousand words and are a real-time depiction of what's happening throughout the state. The Alaskan pilot now has go/no go information that was previously unavailable.

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OBJECTIVE 1

Reduce commercial air carrier fatalities.

OBJECTIVE 2

Reduce general aviation fatalities.

Performance Targets

- Reduce the fatal accident rate per 100,000 flight hours by 10 percent over a 10-year period (2009-2018).

- By the end of FY 2009, reduce accidents in Alaska for general aviation and all Part 135 operations from the 2000-2002 average of 130 accidents per year to no more than 99 accidents per year. This measure will be converted from a number to a rate at the beginning of FY 2010.

Again, only Alaska is mentioned by FAA

Strategy

Expand and accelerate implementing safety and air navigation improvement programs in Alaska.

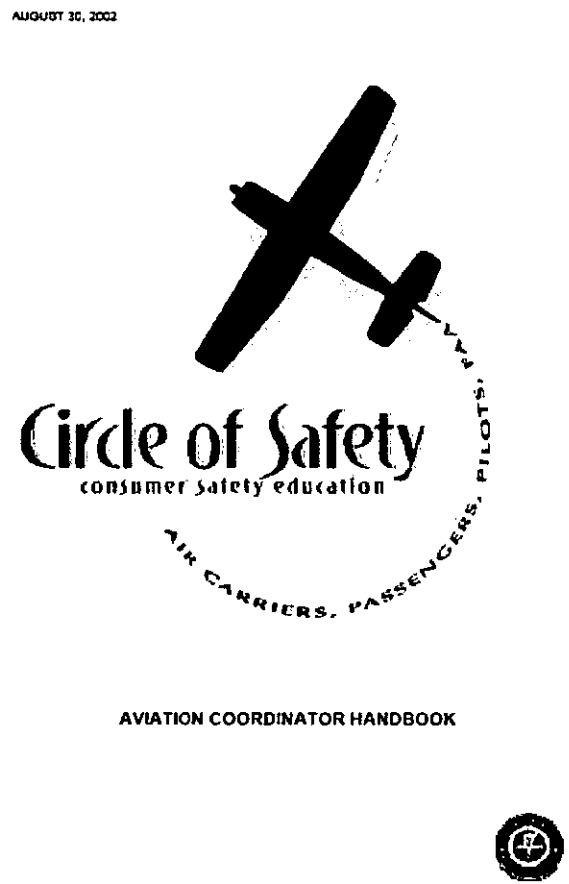
Initiatives

- Achieve full operational capability of WAAS by completing all hardware and software changes needed to complete the system.

- Continue to optimize weather camera benefits and explore alternative technologies.

- Support the Medallion, Circle of Safety, and Alaska Flight Service Safety programs.

Circle of Safety Handbook



- "According to 'Alaska CFIT Accidents'[3] between 1990 and 1998 aviation accidents in Alaska caused 100 occupational pilot deaths. This is equivalent to an occupational fatality rate of 430/100,000/year, approximately 86 times the occupational fatality rate for all workers in the United States[4] and nearly five times the national fatality rate for all commercial pilots.[5] Additionally, this is almost 24 times the rate for other Alaskan workers,[6] making flying the highest-risk occupation in Alaska."

Circle of Safety
Appendix F

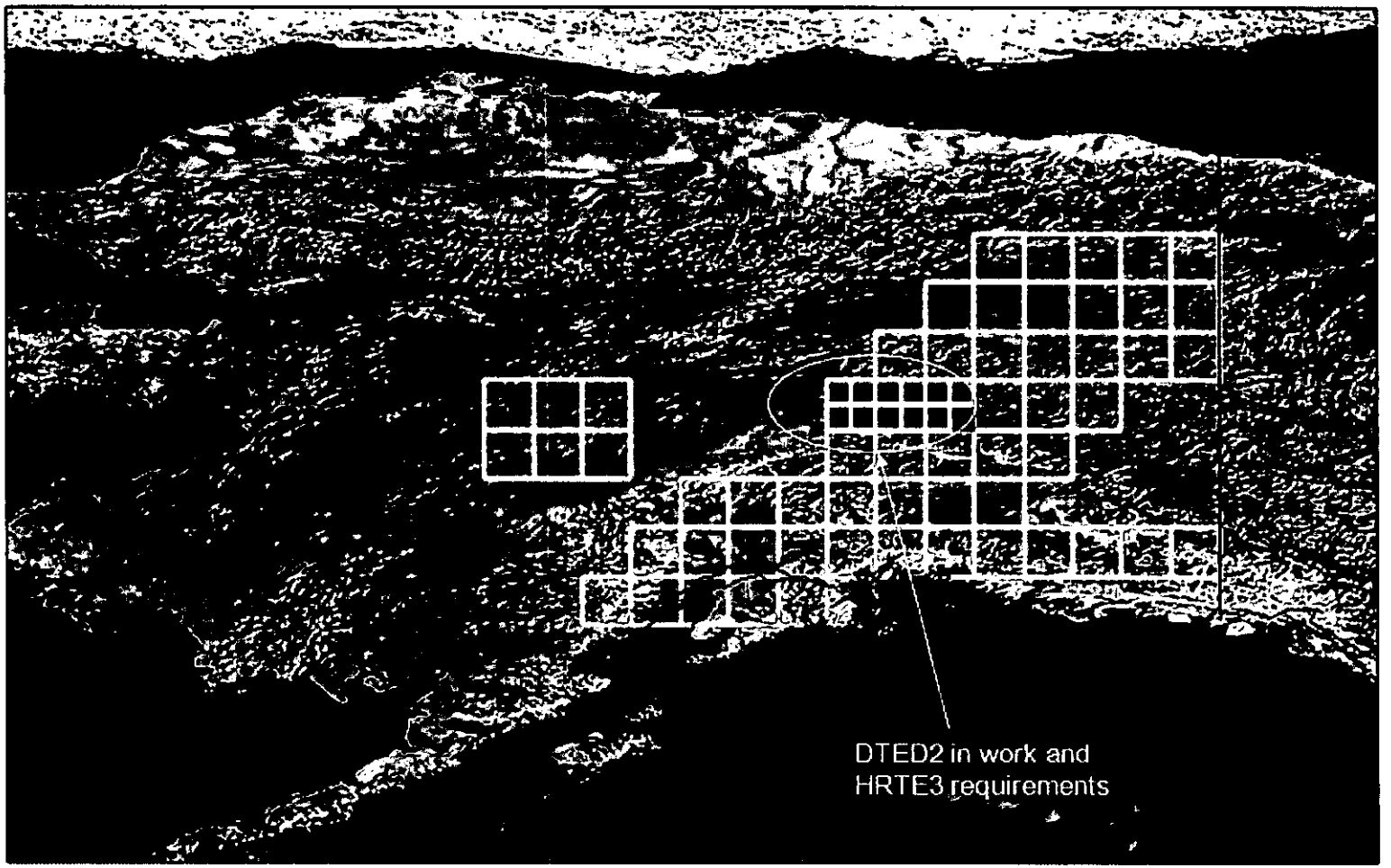
- "The high occupational pilot fatality rate in Alaska and the high fatality rate associated with CFIT crashes reinforce the importance of addressing this type of crash and examining the associated risk factors. Understanding all the factors that result in a pilot flying a properly functioning aircraft into terrain could help in the design of appropriate interventions at multiple levels within aviation and ultimately result in the reduction of commercial aviation fatalities. "
- "Most CFIT crashes are attributed to "pilot error" ... These crashes occur when failures occur at all levels, and backup safeguards are inadequate, resulting in the pilot flying the aircraft into a situation in which he is not aware of his surroundings."
- **ICAO Area 1 and Area 2 eTOD standards were developed to minimize the risk of CFIT crashes, and Alaska is the only state currently in non- compliance with these ICAO requirements.**

National Geospatial-Intelligence Agency (NGA)

On February 11, 2009, Dave and Phil met with and briefed:

- Steve Wallach, Technical Executive
- Scott Robertson, Chief of Staff, Technical Executive
- William Mullen, Staff Officer, Office of the Technical Executive
- Laura Wright Hall, Staff Officer, Office of the Technical Executive
- Jane Dickerson, Deputy Director, Office of Americas
- Barry Heady, Source Assessment & Global Foundation Group
- Joseph Purk, Deputy Director, Aeronautical Services
- Kraig Harms, SRTM DTED Program Manager
- Dale Hutchinson, NORTHCOM

DTED2 Requirements: NORTHCOM, Army and Air Force



ICAO Area 2 Requirements Compared with DTED Level 2

	ICAO Area 2 Standards	DTED Level 2
Post Spacing	1-arc-second (≈30 meters) latitude & longitude	1-arc-second (latitude) 2-4 arc-seconds (longitude)[1]
Vertical Accuracy (LE90)	3 meters	18 meters
Equivalent Contour Interval	6 meters (20 ft)	36 meters (118 ft)
Vertical Resolution	0.1 meter	1 meter
Horizontal Accuracy (CE90)	5 meters	23 meters
Confidence Level	90%	90%

[1] DTED2 has variable post spacing north of 50° North Latitude

[2] NGA states that accuracy values listed for DTED1, DTED2 and DETE3 are specification accuracy. The actual absolute accuracy varies, based on when it was produced and the source/method used. For example, the absolute vertical accuracy of DTED2 ranges from 8-34 meters (LE90), compared with 18 meter specification accuracy for DTED2. DTED2 produced from good stereo imagery is believed to be nearer the better end of the range specified here, i.e., closer to an LE90 of 8 meters (16 meter or 50-foot contour accuracy)

Take Aways

- **Wide variety of DTED – Levels 1 and 2 data available over Alaska**
  - Various sources
  - Working with USGS to ensure best data is made available
- **Limited NGA requirements for DTED over Alaska**
  - 54 DTED 2 cells
  - 12 DTED 3 quarter cells
  - Working to produce through contract production
- **Initial results show artifacts in Aster DEM data**
  - Working with USGS, evaluating 270+ cells OCONUS
  - Still early in evaluation

NGA Comments

- NGA indicated that they are trying to make as much of their Alaska DTED as possible available to all users, not just the military. However, they indicated that there are some issues in NGA's DTED production from commercial satellite and/or airborne imagery that sometimes have licensing restrictions. NGA supported the idea of simultaneous acquisition of airborne IFSAR and gravity data and NGA has a desire for improved gravity data over parts of Alaska. NGA stated that they would consider partnering (pooling resources) to acquire higher resolution/accuracy DEMs and gravity data, if it did not cost more and would not delay the production and delivery of required DTED data to US Northern Command.

National Geodetic Survey (NGS)

On February 12, 2009, Dave and Phil met with and briefed:

- Juliana Blackwell, Director, NGS
- Vicki Childers, GRAV-D Project Manager (PM)
- Daniel Roman, GRAV-D/Geoid Team Lead
- Renee Shields, National Height Modernization Program PM
- Chris Parrish, Remote Sensing, Physical Scientist
- Mark Howard, Aeronautical Survey PM

The GRAV-D Project

Phase I: Testing

Phase II: Operational Data Collection

1. Alaskan littoral regions excluding Aleutians
2. Southern Alaska
3. CONUS littoral regions
4. Hawaii & Aleutians
5. Inland CONUS
6. Northern Alaska

Current budget request: $37M over 10 years

GRAV-D Gravity Collection Priorities

- Flying height: 35-40,000' AMT
- Flightline spacing: 10 Km
- Speed: 280 knots
- Acquire gravity an additional 150-200 Km beyond the shoreline

- Acquisition of gravity on the same aircraft as the IFSAR acquisition avoids the need for duplicate flights and saves considerable costs

U.S. Department of Agriculture (USDA)

On February 17, 2009, Dave and Phil met with and briefed:

- William Belton, USFS, Asst. Remote Sensing Program Manager
- Tommie Parham, NRCS, Director, Resources Inventory & Assessment Division
- Shirley Hall, FSA, GIS Program Manager
- Jeff Bloomquist, FSA, GIS Coordinator

USDA will attempt to obtain $3.6M in funding over 2-3 years, but would prefer 5 years.

They expect to have difficulty getting approval within USDA unless they can certify that USGS, BLM, FWS, NPS, FAA, DOD, NOAA, etc. are agreeing to fund specific amounts.

Department of Homeland Security (DHS)

On February 18, 2009, Dave Maune had a discussion with Jeff Booth, Director, Geospatial Management Office, Office of the CIO, Applied Technology, DHS who had previously seen Dave's presentation. Jeff had sent information to DHS agencies:

- Customs and Border Patrol (CBP): Alaska not an issue
- U.S. Coast Guard: Coastal areas could be of interest
- FEMA Mitigation: IFSAR has been used elsewhere for flood studies in remote areas
- Doubtful that DHS would support financially

Department of Interior (DOI)

Enterprise Geographic Information Management (EGIM)

On February 19, 2009, briefed EGIM team:

- Bob Pierce, DOI & USGS, Washington, DC
- Lee Fahrner, EGIM PMP, Washington, DC
- Lorri Peltz-Lewis, DOI & BOR, Sacramento, CA
- Jacque Fahsholtz, USGS, Boise, ID
- Debra Dinville, BLM, Denver, CO
- Tom Chatfield, BLM, Denver, CO
- David Duran, NPS, Denver, CO
- Lenny Coates, MMS, New Orleans, LA
- Chris Lett, USFWS, Denver, CO

Alaska DEM, "shovel-ready"

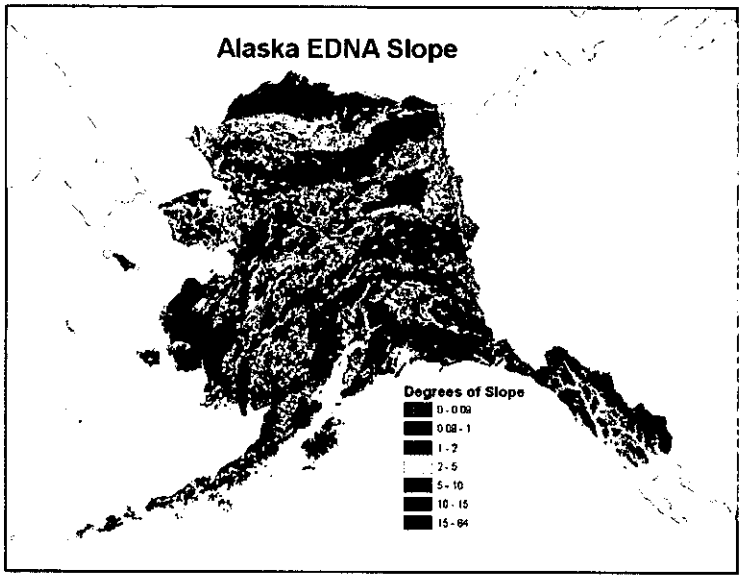
Obama eyes 'shovel-ready' fixes in a long recovery

Updated 12/8/2008 1:15 AM | Comments 2,455 | Recommend 58 E-mail | Save | Print | Reprints &

By Fredreka Schouten, USA TODAY

WASHINGTON — President-elect Barack Obama said Sunday that the nation's economic troubles likely will deepen, but he promised to deliver a vast government spending program to spur growth.

"Things are going to get worse before they get better," Obama said on NBC's *Meet the Press*.



2/25/09 ANNUAL MINING INDUSTRY UPDATE BRIEFING

ALASKA MINERS ASSOCIATION, INC.

Joint Senate & House Resources Committee

Annual Mining Industry Update Briefing
3 p.m., Wed, February 25, 2009

Introduction - Steve Borell

The Economic Benefits of Alaska's Mining Industry - Jim Calvin, McDowell Group

Update briefing - Steve Borell

Operating Mines

- Placer mines
- Usibelli Coal Mine
- Greens Creek
- Red Dog
- Fort Knox
- Pogo

Mines Currently in Idle Status

- Nixon Fork
- Rock Creek
- Kensington

Major Projects

- Chuitna Coal
- Donlin Creek
- Pebble

Other Projects of Note

- Livengood
- Niblack
- Lucky Shot

ALASKA MINERS ASSOCIATION, INC.

Issues of Concern to the Alaska Mining Industry for 2009

Actions needed by the Administration and/or the Legislature: January 2009

INTEGRITY OF PERMITTING PROCESS

Statewide Initiatives - Ensure the requirements for the ballot initiative process are open, transparent and hold proponents accountable.

State Permitting System - Support the integrity of the current, very rigorous, science-based state permitting process.

Water Quality – Support ADEC implementation of the new approved APDES program.

Water Quality Standards - Continue to revise water quality standards to ensure: 1) availability of mixing zones, 2) standards are scientifically supportable and developed using Alaska-specific criteria, and 3) are sufficient to protect water quality.

Air Quality Program - The Administration contract with air permitting experts to recommend changes that will improve DEC permit review time and address the other challenges faced by this program.

Non-Profit Foundation Money - Enact legislation to require disclosure whenever funds from 501(c)(3) non-profit foundations are involved, to include name of the source, amounts and purpose for which the moneys are given.

Wetlands - Petition the federal government to develop regulations that strictly follow the U.S. Supreme Court decisions in SWANCC, Rapanos, etc.

FISCAL ISSUES

Taxation - Maintain an equitable and stable tax structure at state and local government levels to ensure Alaska industry remains world competitive.

State Agency Funding - Provide sufficient funding for the minerals and permitting functions of the Departments of Natural Resources; Commerce, Community & Economic Development; Fish & Game; and Environmental Conservation.

Permitting Agencies - Increase salary and benefits for state agency personnel involved in minerals permitting and management so they are competitive with industry.

State Fiscal Policy - Adopt a long range fiscal plan.

State Land Entitlement - Support continued funding for DNR to process final transfer of lands from BLM.

Annual Airborne Geophysical Mapping Program - Accelerate the extremely effective program of State investment in airborne geophysical mapping along with baseline water quality mapping.

Mineral Education - Continue to support mining engineering and geological engineering, geology, the Mining and Petroleum Training Service (MAPTS), and the Delta Mine Training Center (DMTC) at levels that will ensure continued accreditation and continue funding the State's share of AMEREF (Alaska Mineral & Energy Resources Education Fund).

LAND MANAGEMENT ISSUES

State Lands - Ensure no net loss of multiple use lands and require that additions to any state parks, refuges, critical habitat areas, marine restricted areas, or any other restricted-use areas, be made only if an equal acreage of other lands already having the same designation is released and the new area being designated is first evaluated for mineral potential.

Land Transfers - Prior to any state land transfers to boroughs, land disposals/sales, or leases not required for resource development, require a detailed mineral evaluation, to include airborne geophysical surveys,

be completed to help ensure that mineralized lands or key access routes are not transferred.

Outdated Federal Withdrawals - Pursue removal of old federal land withdrawals (where purpose for withdrawal has expired) which are blocking land transfers to the State, such as PLO 5150, the outer pipeline corridor. Encourage BLM to remove such PLOs and open the lands through its land planning process.

New Federal Withdrawals - Oppose all new federal land withdrawals, roadless initiatives, marine restricted areas, Antiquities Act designations, BLM wilderness studies, etc. and fight vigorously against additional buffers or other restrictions to multiple use of federal lands in Alaska. The Alaska National Interest Lands Conservation Act (ANILCA) provides that "no more" federal land will be withdrawn for parks, preserves, monuments, wilderness designations, wild & scenic river designations, etc.

International Heritage & Biosphere Designations - Oppose establishment of international parks, biosphere reserves, and world heritage sites, such as the so-called Beringia (over the Seward Peninsula & Bering Sea), NPRA, or ANWR. International designations would - 1) surrender partial sovereignty to the United Nations, and 2) eliminate access across the affected lands and waters.

Federal Mining Law Issues - Continue to oppose changes to federal law and regulations that would be adverse to Alaska miners.

ACCESS ISSUES

Interties, Roads, Railroads, Ports - Continue investing in development of infrastructure that will help diversify the economy and encourage private investment that would benefit from such facilities.

RS-2477 Rights-of-Way - Continue to systematically and aggressively pursue the rights of the State of Alaska regarding RS-2477 rights-of-way, both administratively and in the courts. Without RS-2477s much of Alaska public lands will never have overland access.

Navigability - Continue to systematically and aggressively pursue recognition of State ownership of and authority over all navigable waters granted under the Statehood Act.

OTHER ISSUES

NEPA - The Administration develop an MOU with the Corps of Engineers to ensure timely coordination of future Environmental Impact Statements.

Energy Plan - Develop a state energy plan that addresses both local and regional needs that considers all energy sources.

Coal Development - Encourage utilization of coal liquefaction and gasification technologies for Alaska's vast coal resources.

Climate Change - Support federal actions only if they are based on sound, peer-reviewed science.

Jones Act - Because Jones Act vessels for bulk mineral shipments are not available, petition Congress to amend the Jones Act to allow use of non-Jones Act vessels for shipment of "non-petroleum bulk natural resources from Alaska".

Endangered Species Act/Essential Fish Habitat - Petition the federal government to develop new ESA and EFH regulations that strictly follow the original intent of these laws.

For further information on the above issues or for information regarding exploration and mining in Alaska please contact:

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907-563-9229 Ofc
907-563-9225 Fax
sborell@alaska.net
www.alaskaminers.org

Today's Agenda

- The Economic Benefits of Alaska's Mining Industry – Jim Calvin, McDowell Group

- Review of Major Mines and Projects
  – Steve Borell, Alaska Miners Association

2100

Annual Mining Industry Briefing

Joint Senate/House Resources Committees

February 25, 2009

2101

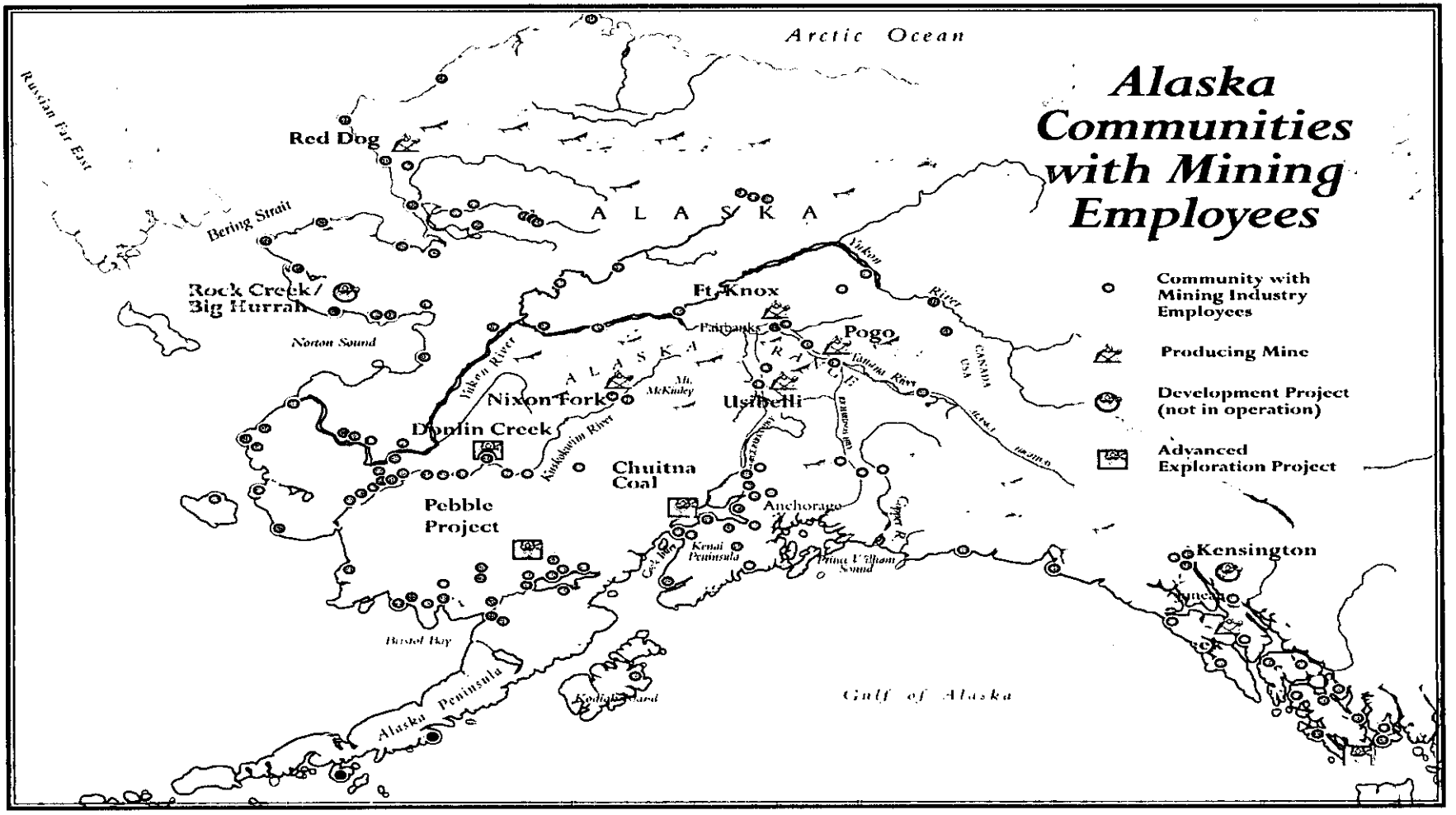
The Economic Benefits of Alaska's Mining Industry in 2008

Presented by:
Jim Calvin, Principal
McDowell Group, Inc.
Anchorage • Juneau

Statewide Employment Impacts, 2008 Estimates

- 3,500 direct jobs
- 5,500 total jobs
- $350 million total payroll
- $82,600 average industry wage

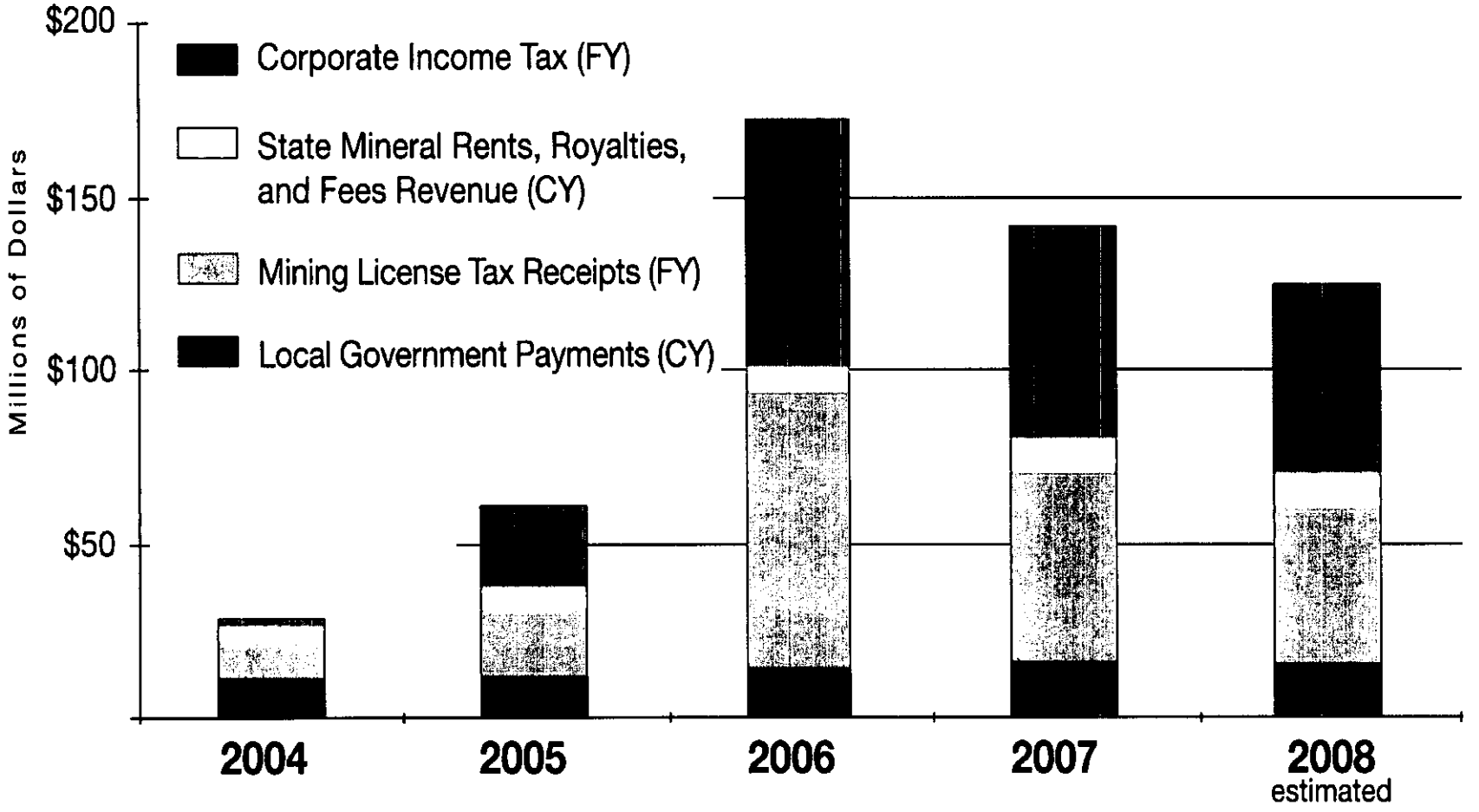
Alaska Communities with Mining Employees



Largest Producing Mines
State and Local Government Tax Obligations

	Land Status	State Royalty Payments	Mining License Tax	Local Govt Payments
Usibelli Coal	State	√	√	√
Greens Creek	Private		√	√
Red Dog	Private		√	√
Fort Knox	State/Mental Health Trust	√	√	√
Pogo	State	√	√	√

State and Local Government Revenue Impact



Payments to Local Government

- $15.6 million to local governments in 2008
  - $11.0 million in PILT to NWAB (Red Dog)
  - $2.8 million in property taxes to FNSB (Fort Knox)
  - $1.3 million in property taxes to CBJ (Greens Creek and Kensington)
  - $500,000 in PILT to City of Delta Junction (Pogo)
  - Additional tax payments to Denali Borough, City of Nome and others

Payments to State Government

- $105 million in *estimated* 2008 state revenue
  - $55 million in mining license tax, rents, royalties, fees and other payments
  - $50 million in corporate income taxes

PLUS…

- $18.5 million to the Alaska Railroad Corporation for moving coal, sand and gravel
- $22 million to AIDEA for use of state-owned facilities (Skagway Ore Terminal and Delong Trans. System)
- $1.6 million to the Alaska Mental Health Trust for rents and royalty payments, and material sales

2108

Annual Mining Industry Briefing

Joint Senate/House Resources Committees

February 25, 2009

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Presented by:
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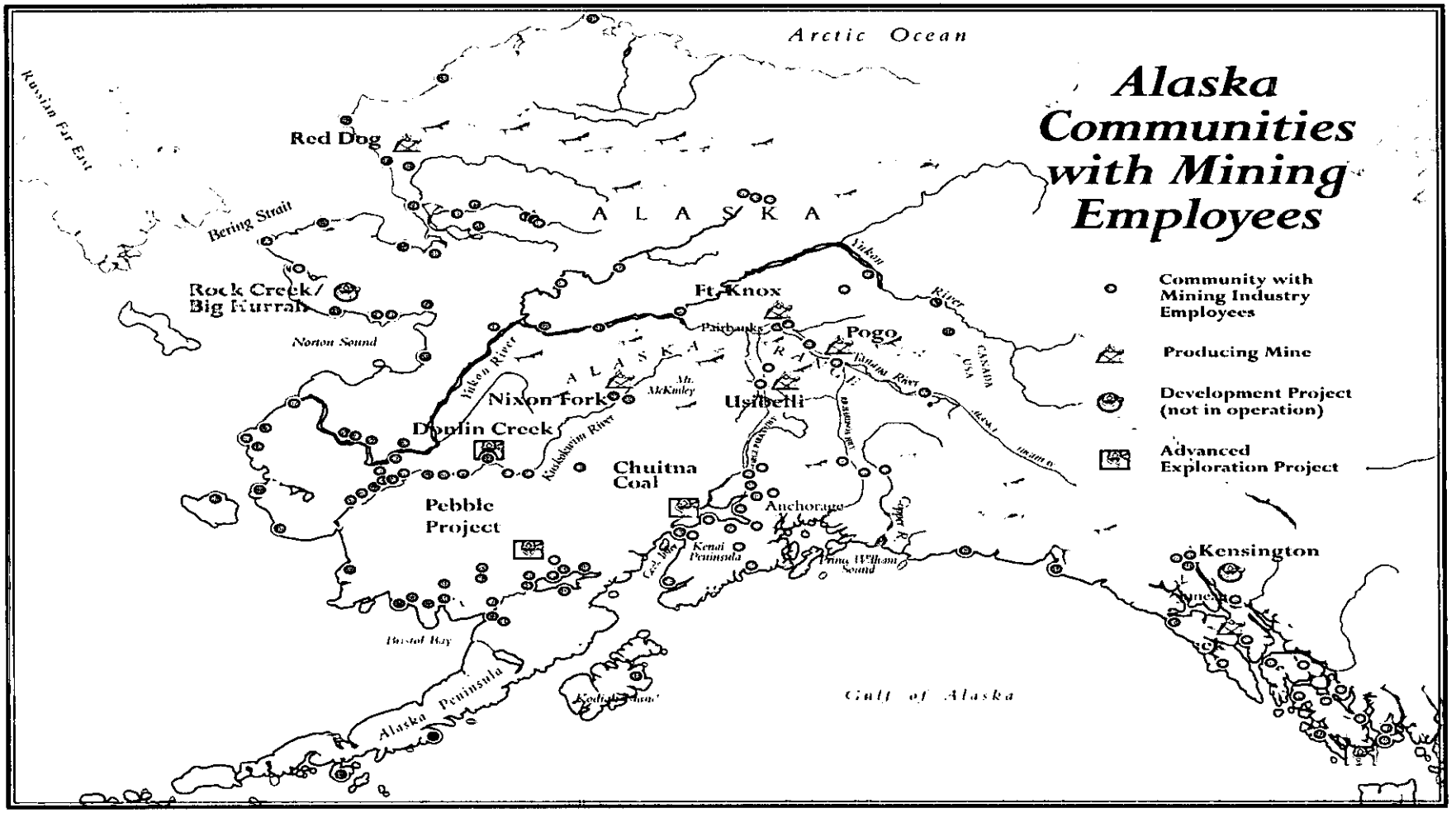

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Pogo	State	√	√	√

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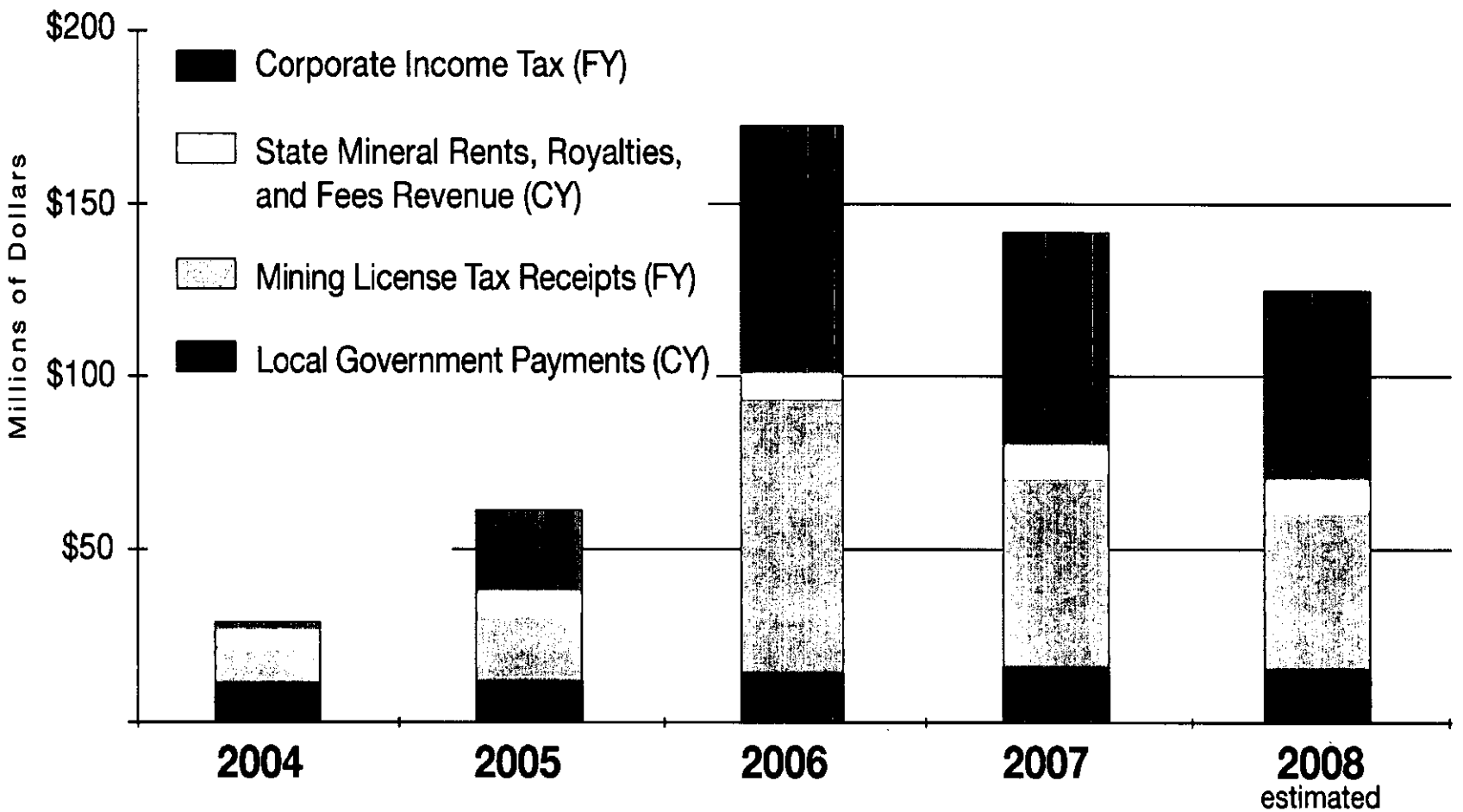

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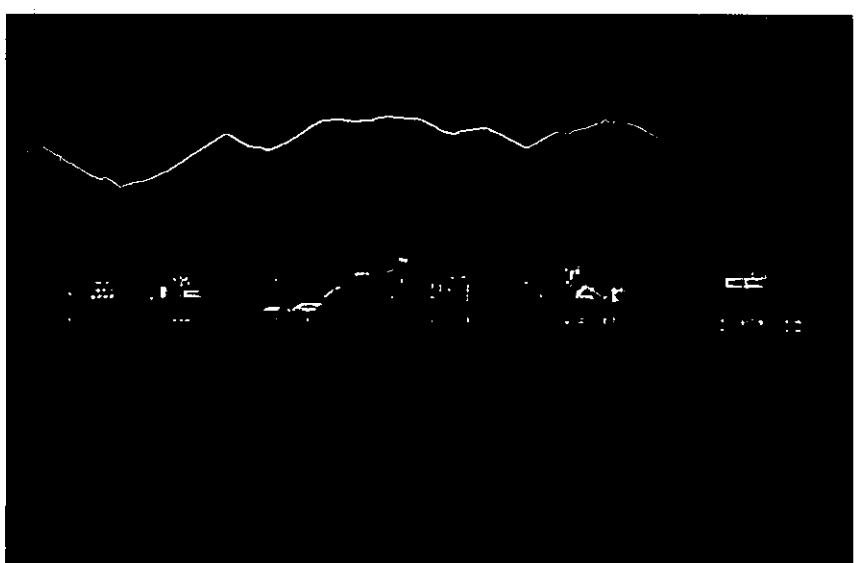
PLUS…

- $18.5 million to the Alaska Railroad Corporation for moving coal, sand and gravel
- $22 million to AIDEA for use of state-owned facilities (Skagway Ore Terminal and Delong Trans. System)
- $1.6 million to the Alaska Mental Health Trust for rents and royalty payments, and material sales

Rural and Native Benefits



Royalties....

- Red Dog paid royalties of $212 million to NANA in 2008
  - $122 million redistributed to other ANCSA regional and village corporations

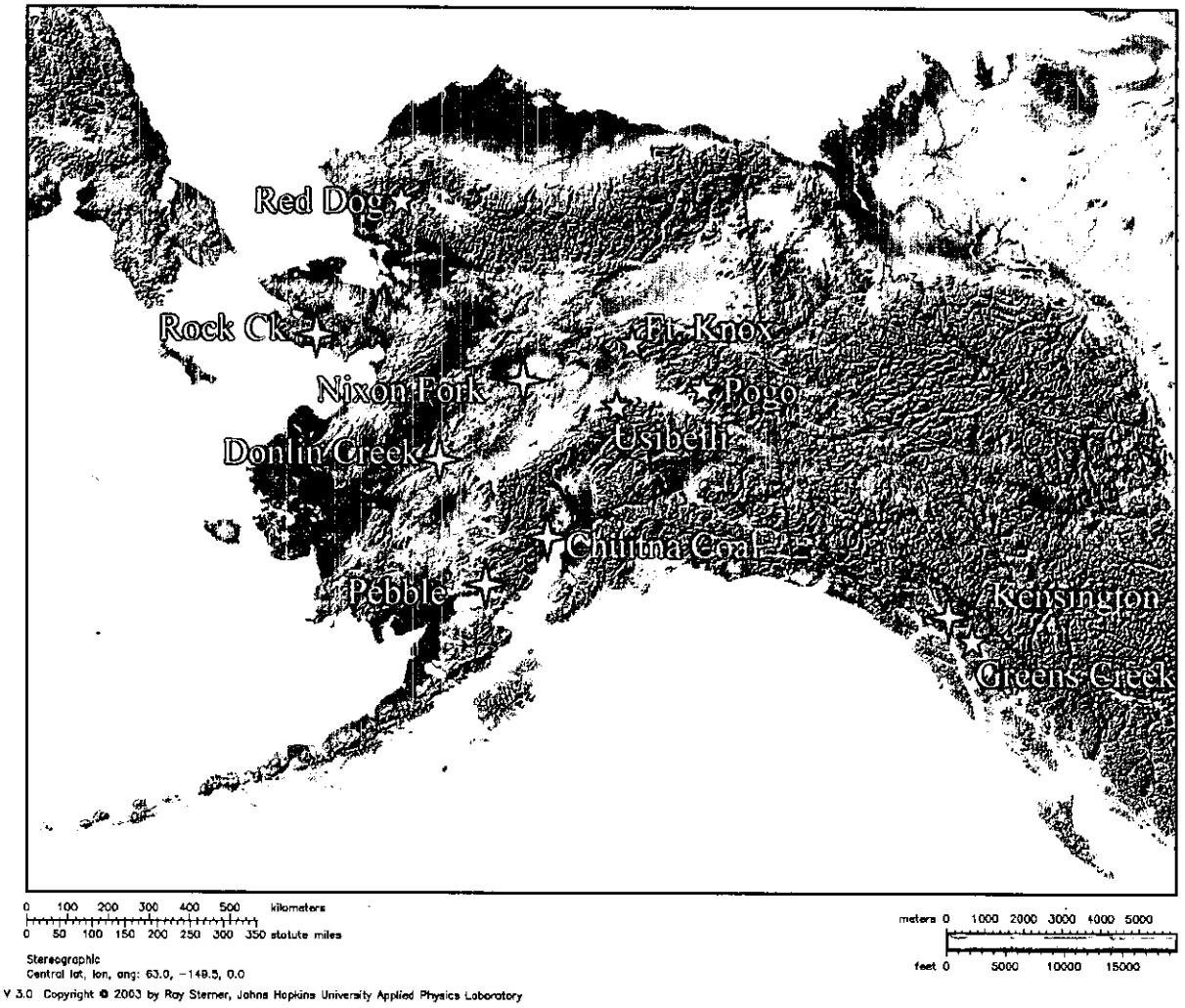
Employment....

- 56% of Red Dog's 485 jobs held by NANA shareholders
- 86% of Donlin Creek's 210 jobs held by Calista shareholders

Alaska Major Mines and Projects

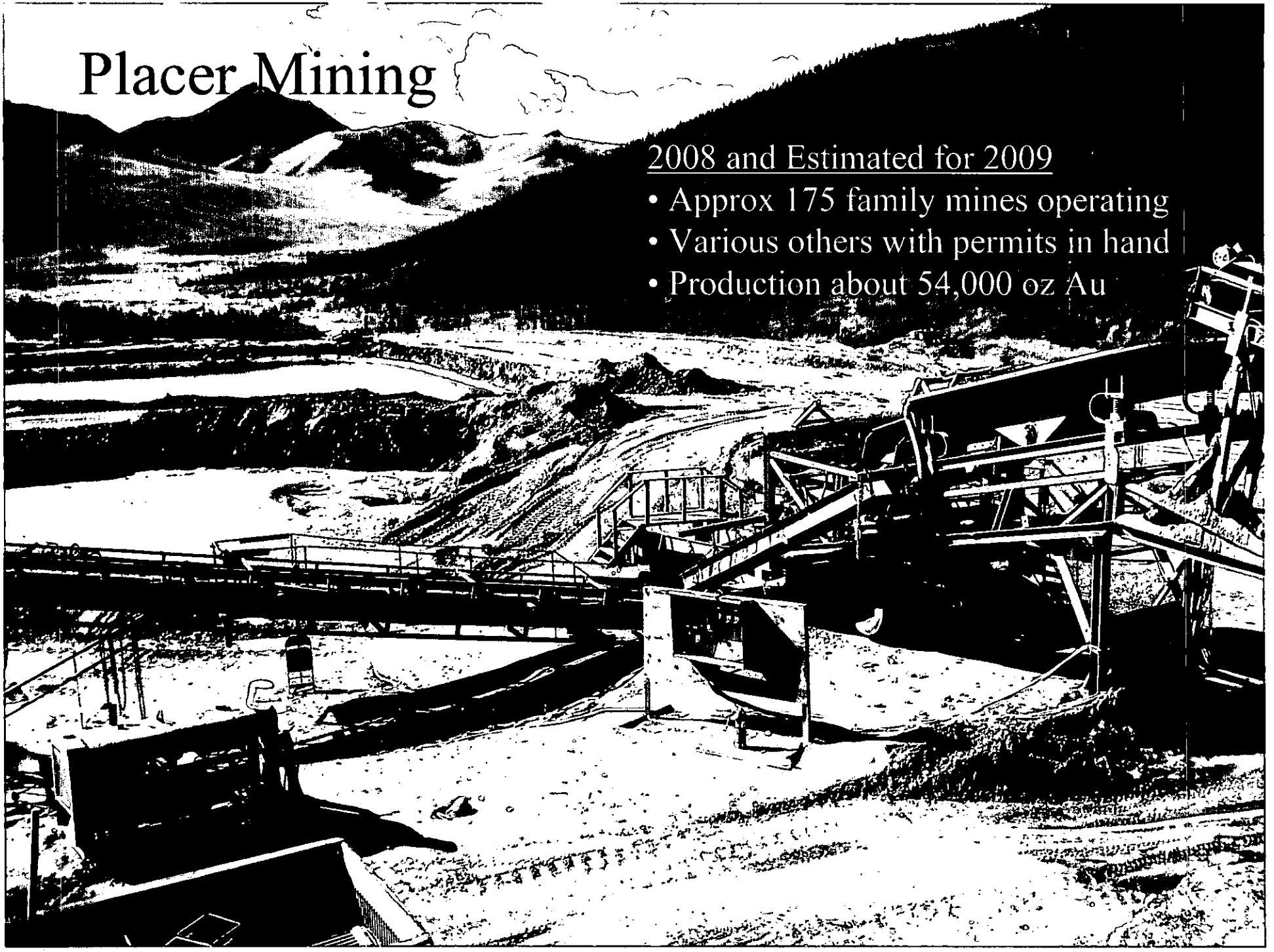
☆ **Producing mine**

✧ **Developing and major exploration projects**



Map by Ray Sterner, John Hopkins Applied Physics Laboratory, licensed to North Star Science and Technology, LLC

Placer Mining

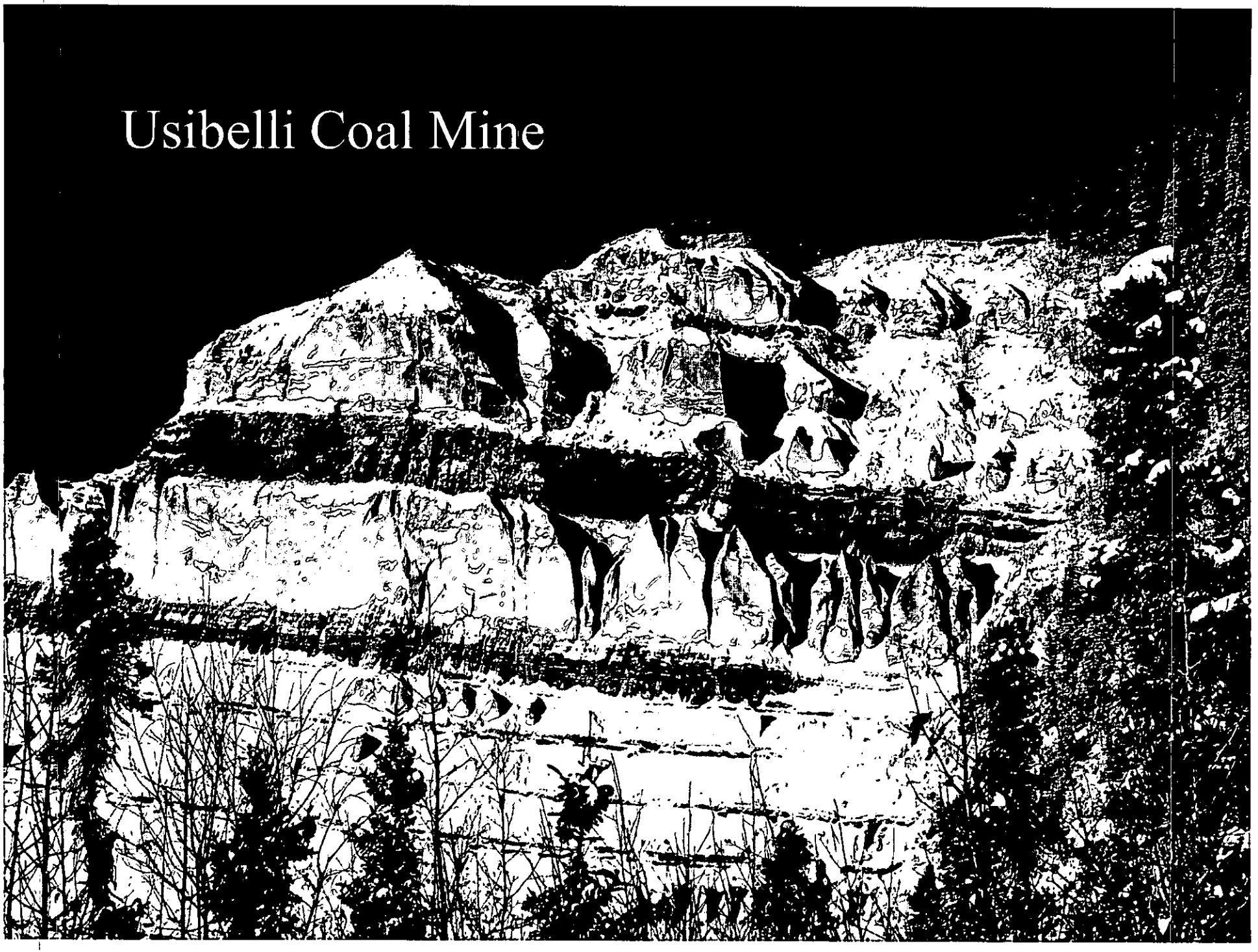


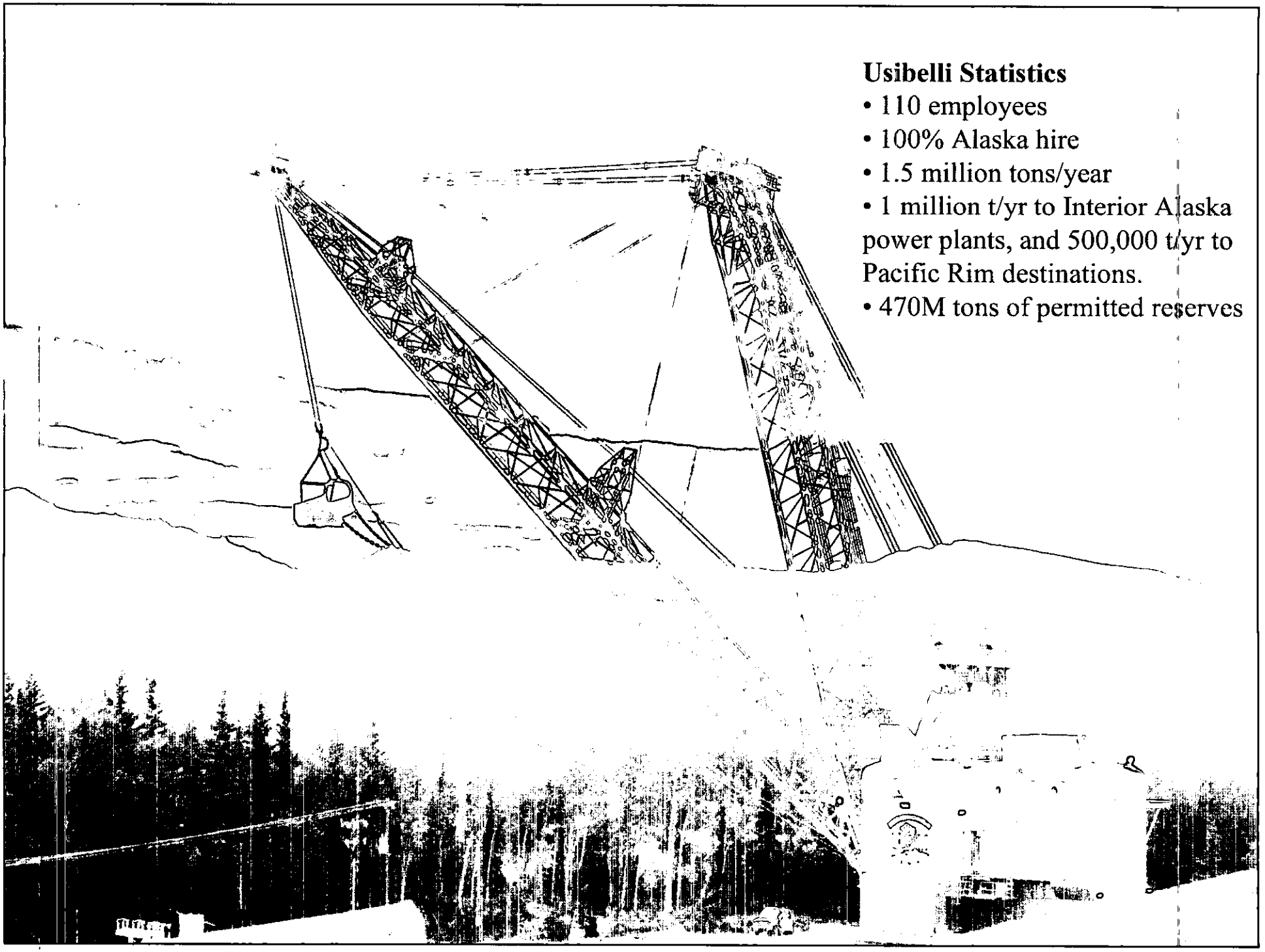
2008 and Estimated for 2009

- Approx 175 family mines operating
- Various others with permits in hand
- Production about 54,000 oz Au

Large Operating Mines

1.	Two Bull Ridge	Usibelli Coal Mine
2.	Greens Creek	Hecla
3.	Red Dog	Teck
4.	Fort Knox	Kinross Gold
5.	Pogo	Teck Pogo

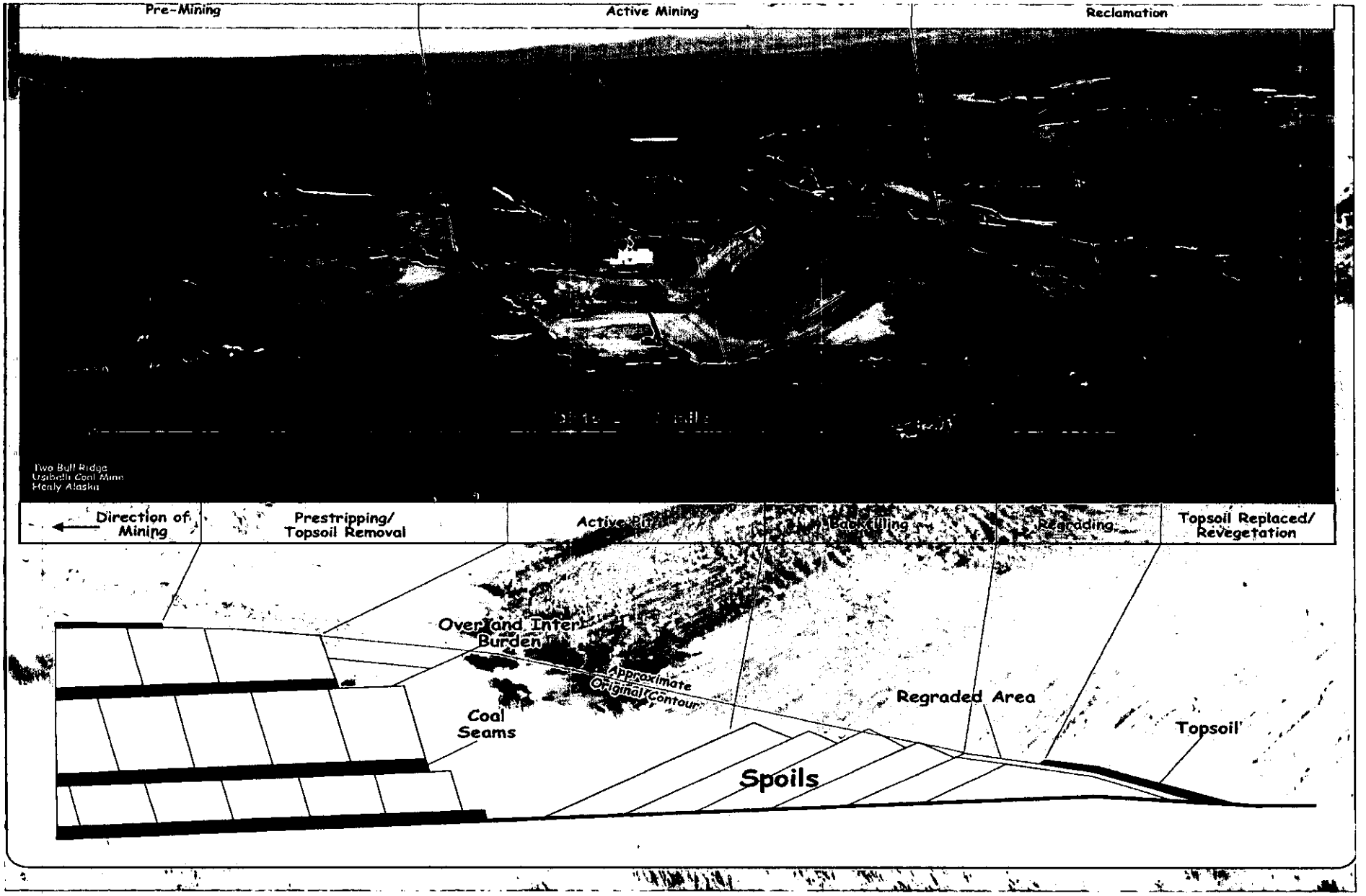

Usibelli Coal Mine



Usibelli Statistics

- 110 employees
- 100% Alaska hire
- 1.5 million tons/year
- 1 million t/yr to Interior Alaska power plants, and 500,000 t/yr to Pacific Rim destinations.
- 470M tons of permitted reserves

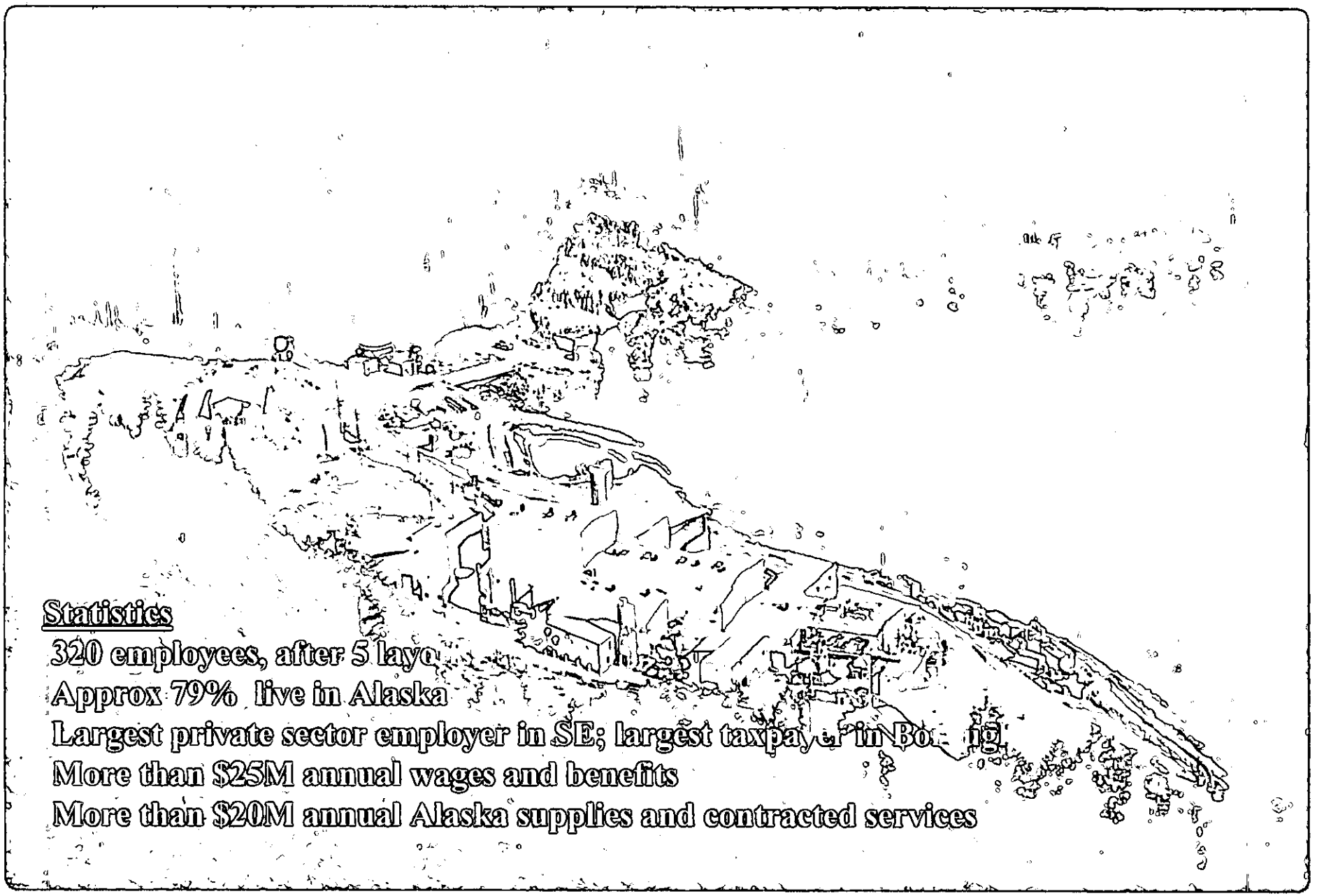
Usibelli Coal Mine



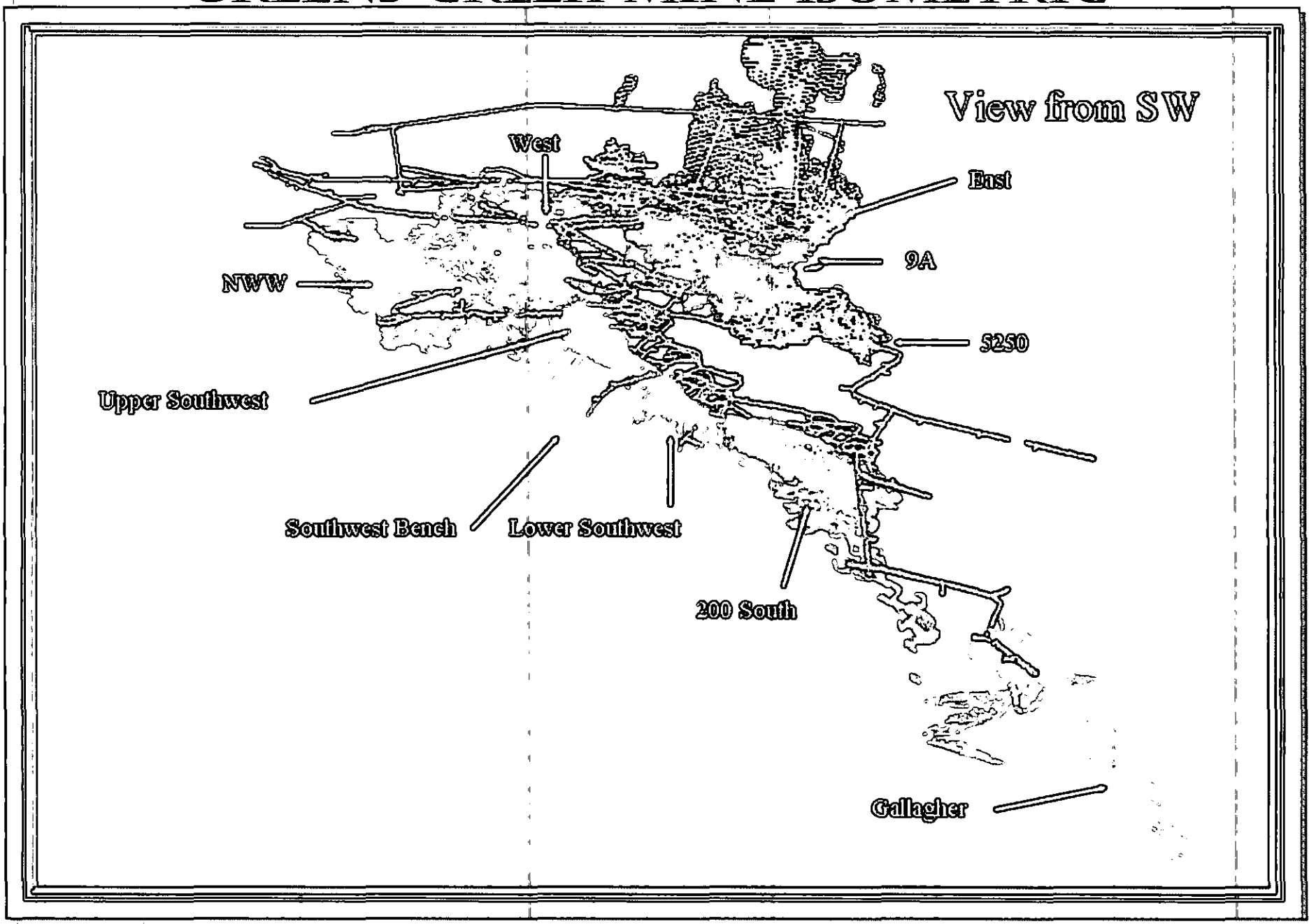
World Wide Economic Downturn - Challenges for 2009

- metal prices now down to levels last seen 5 years ago
- costs still much higher than 5 years ago
- fuel purchased at the peak in July 2008 for the following year

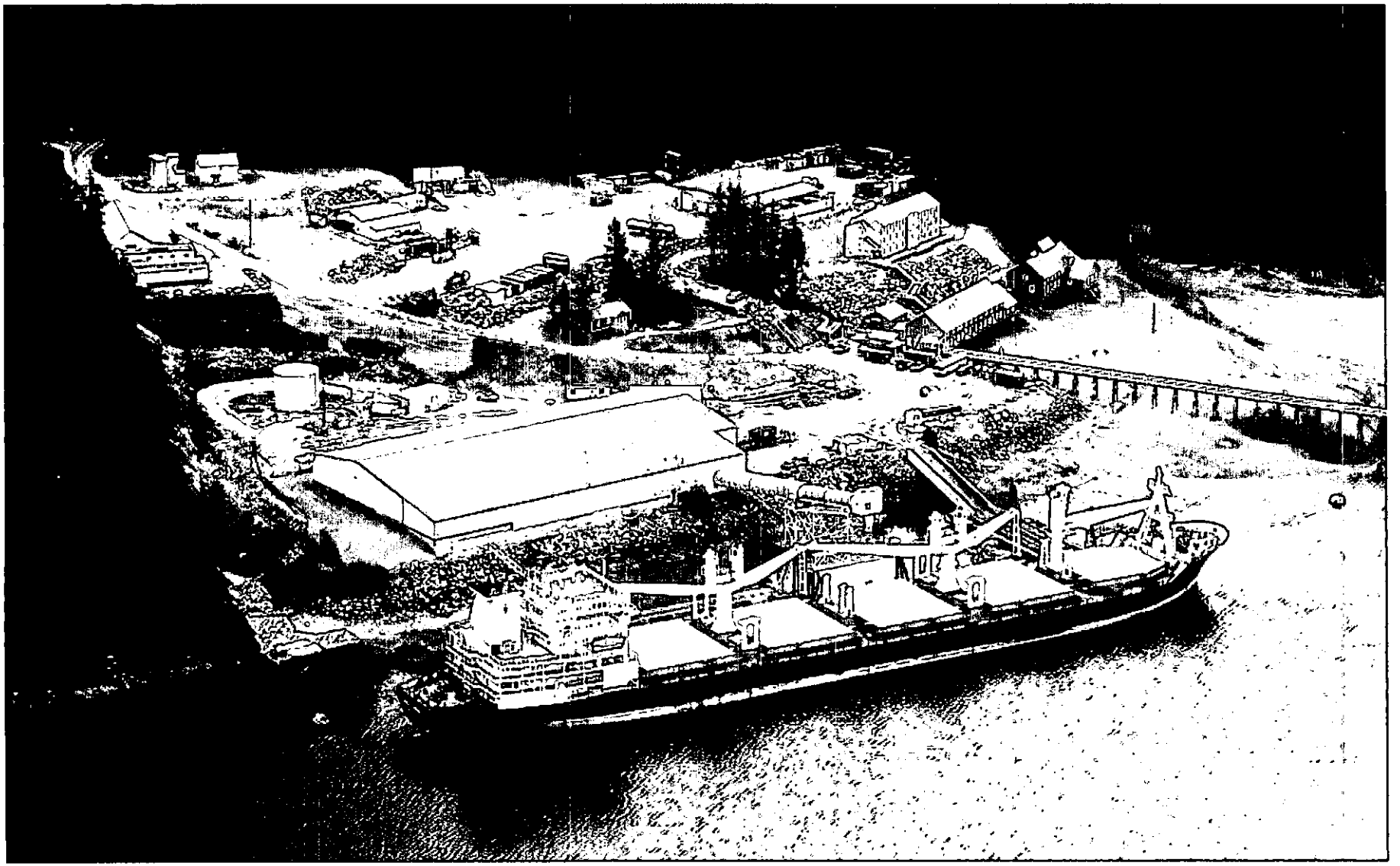
Greens Creek Mine

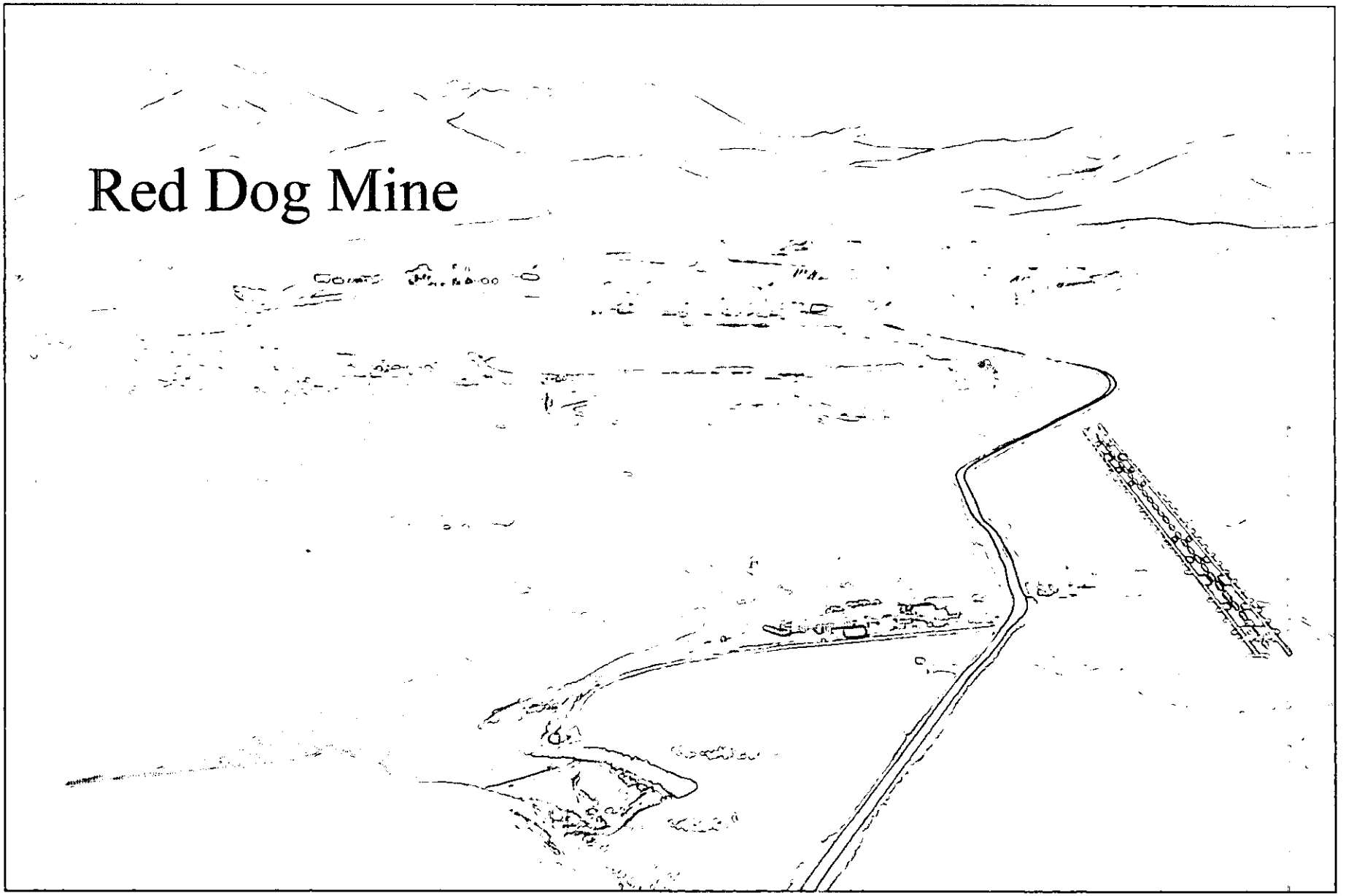


GREENS CREEK MINE ISOMETRIC

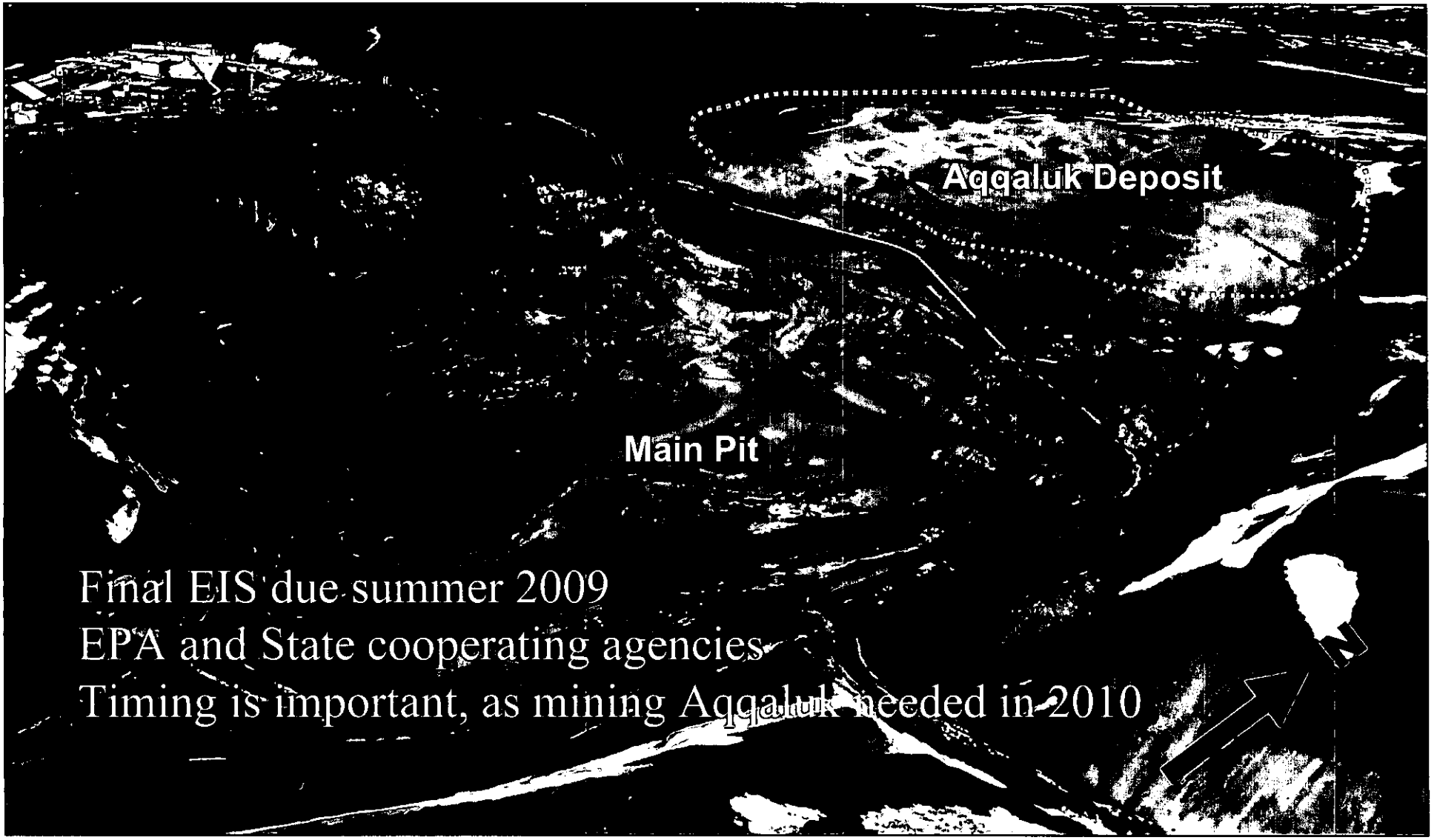


Greens Creek Ship Loading Facilities

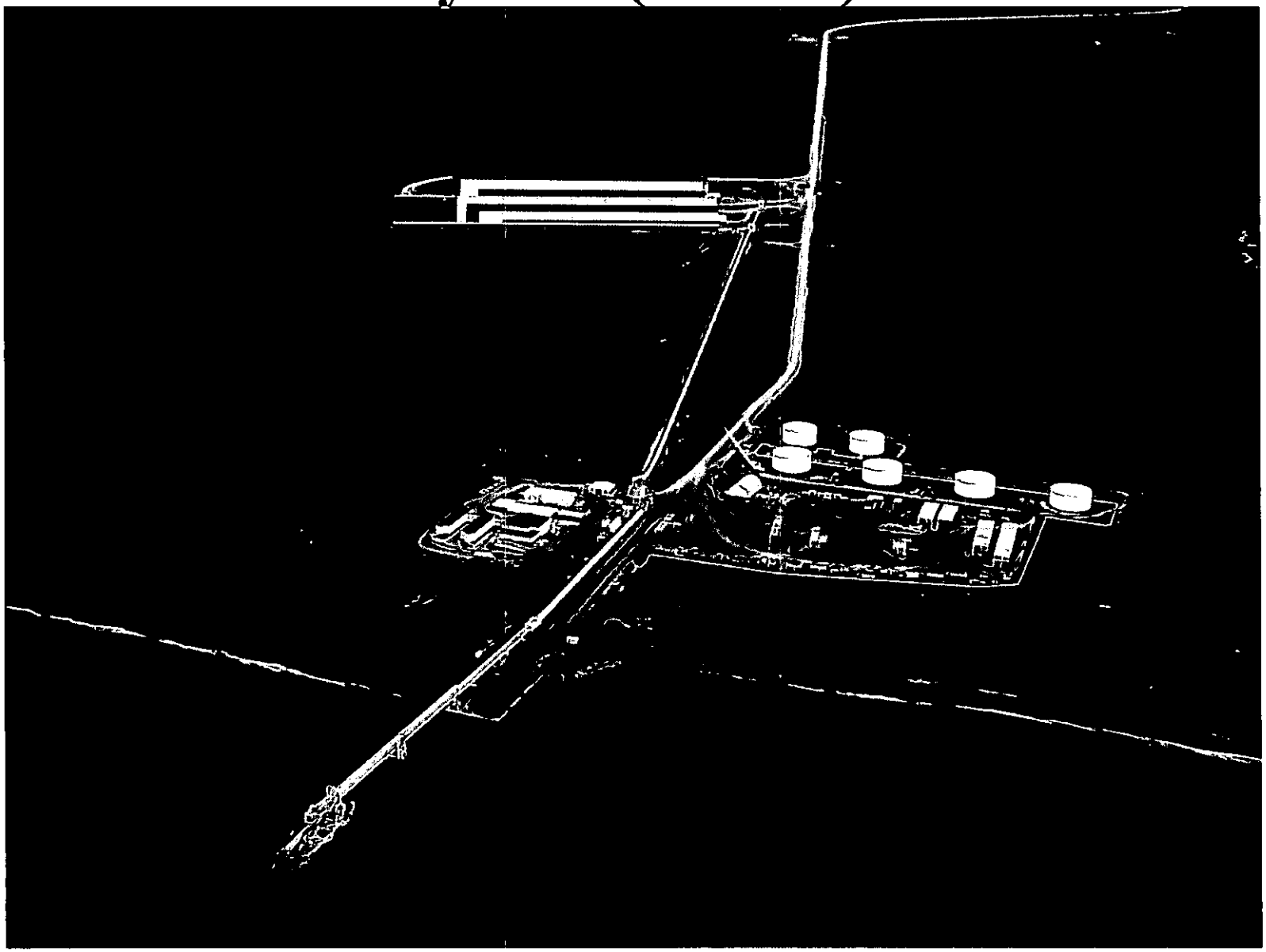



Red Dog Mine

Supplemental Environmental Impact Statement
EPA studying last 20 and next 20 years operations

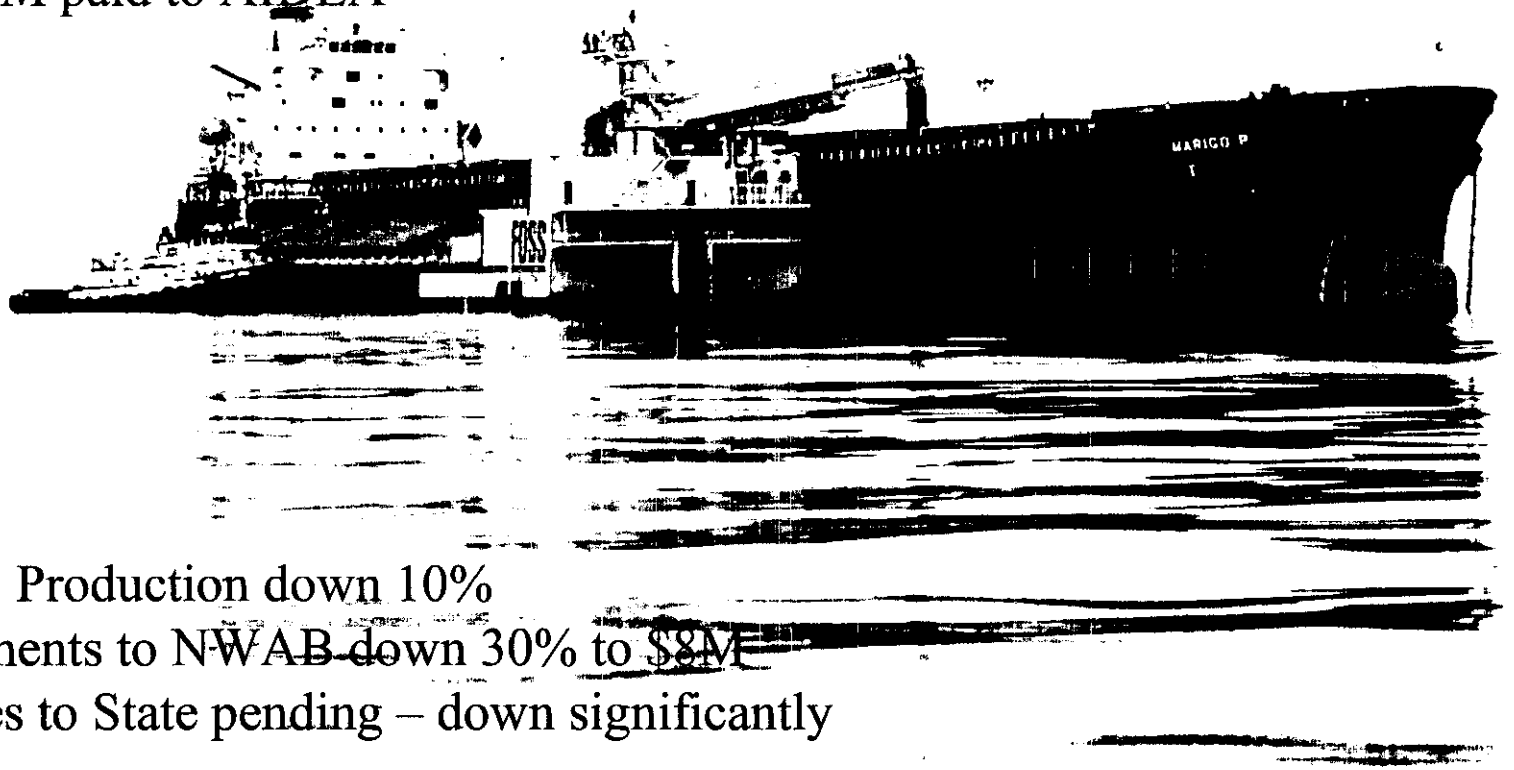


Red Dog Port Site – Delong Mts. Transportation System (DMTS)



Red Dog Statistics

- 485 employees and full time contractors, no layoffs expected
- Improvements in safety
- 57% NANA shareholder hire
- $50M annual mine wages & benefits
- $110M with NANA JV companies
- $10.8M spent to date on search for Natural Gas
- $22.5M paid to AIDEA



- 2008 Production down 10%
- Payments to NWAB down 30% to $8M
- Taxes to State pending – down significantly

2010 Winter Olympics

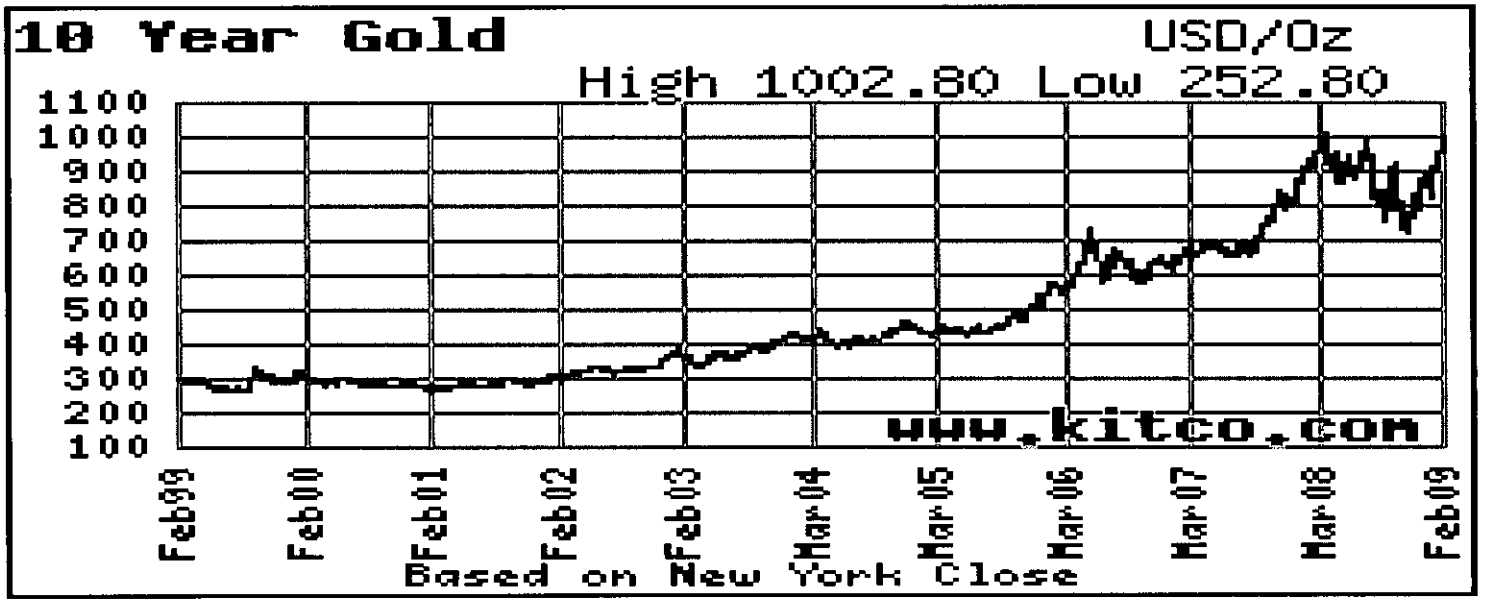
Precious Medals:
The Source of Inspiration

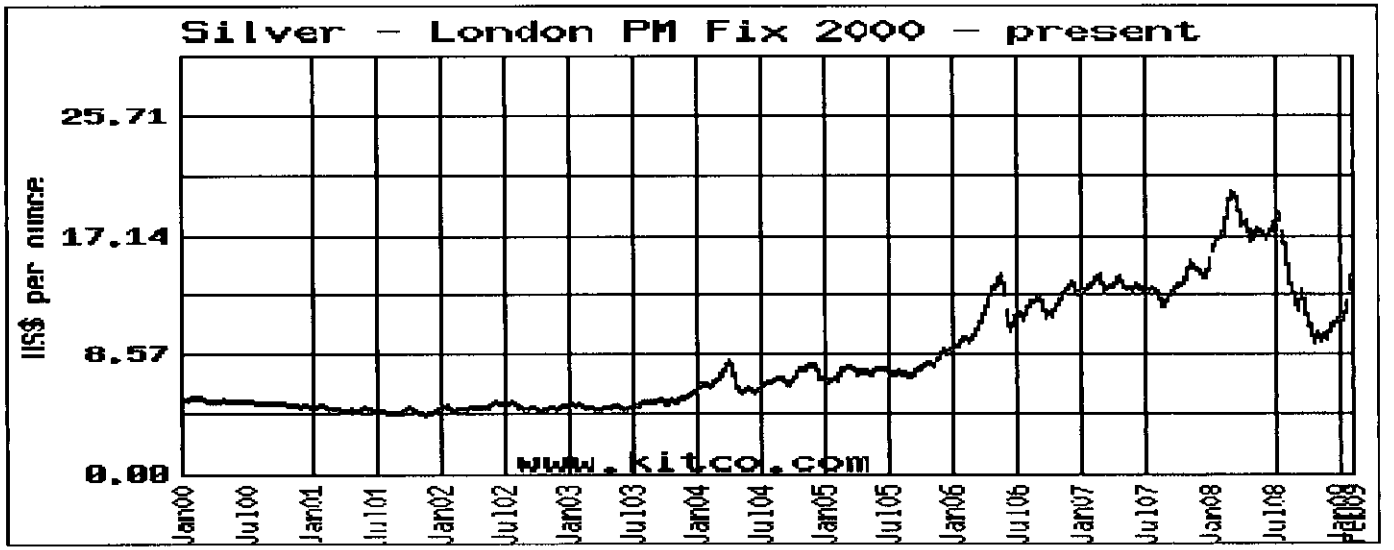
VANCOUVER 2010

teckcominco

OFFICIAL SUPPORTER

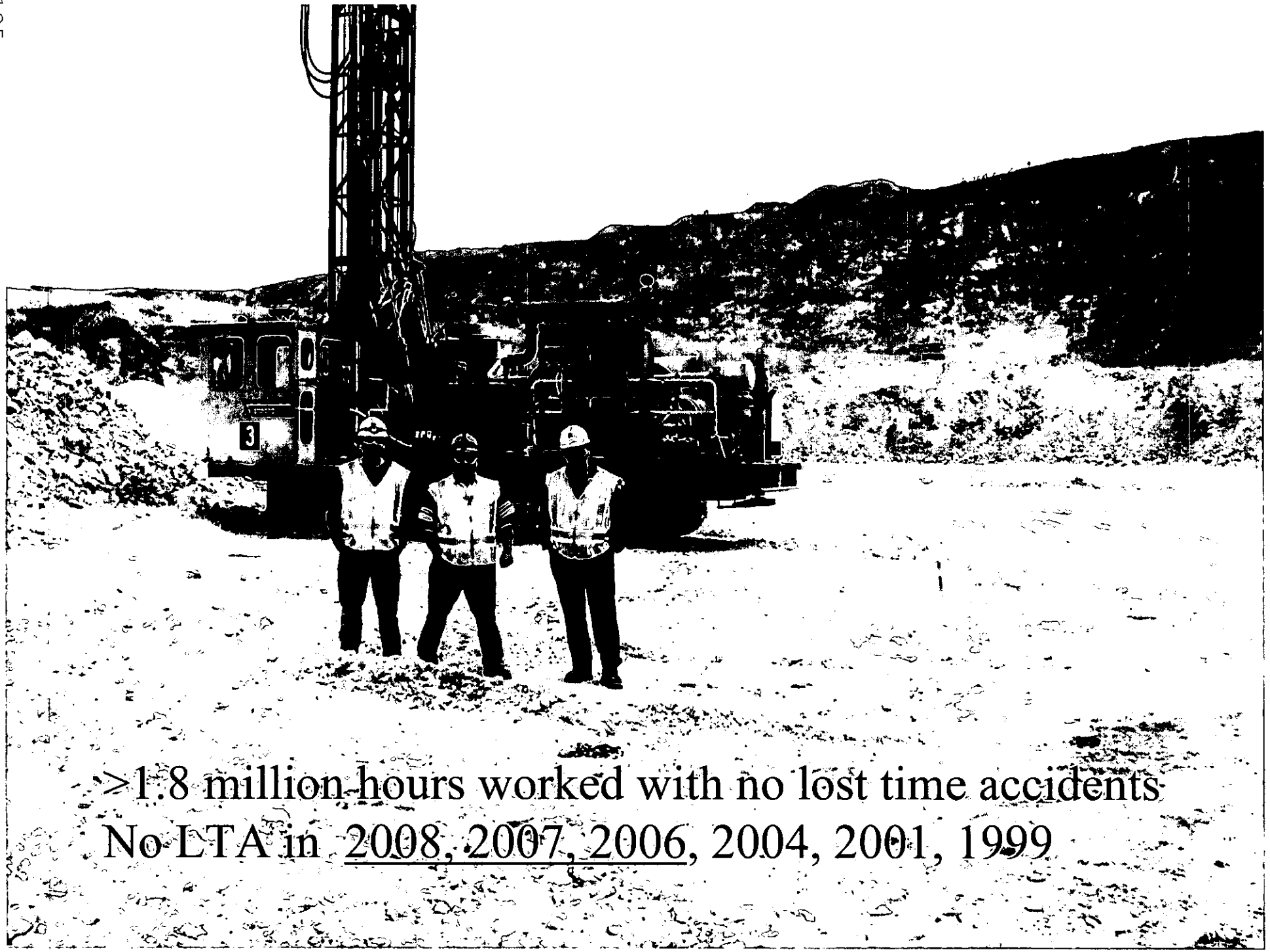
Gold & Silver Prices for Past 10 years





Fort Knox Statistics 2008

- 450 employees + 30 full time contractors
- $38M annual wages & benefits
- $28M/yr for electricity
- $15M/yr for fuel



>1.8 million hours worked with no lost time accidents

No LTA in 2008, 2007, 2006, 2004, 2001, 1999

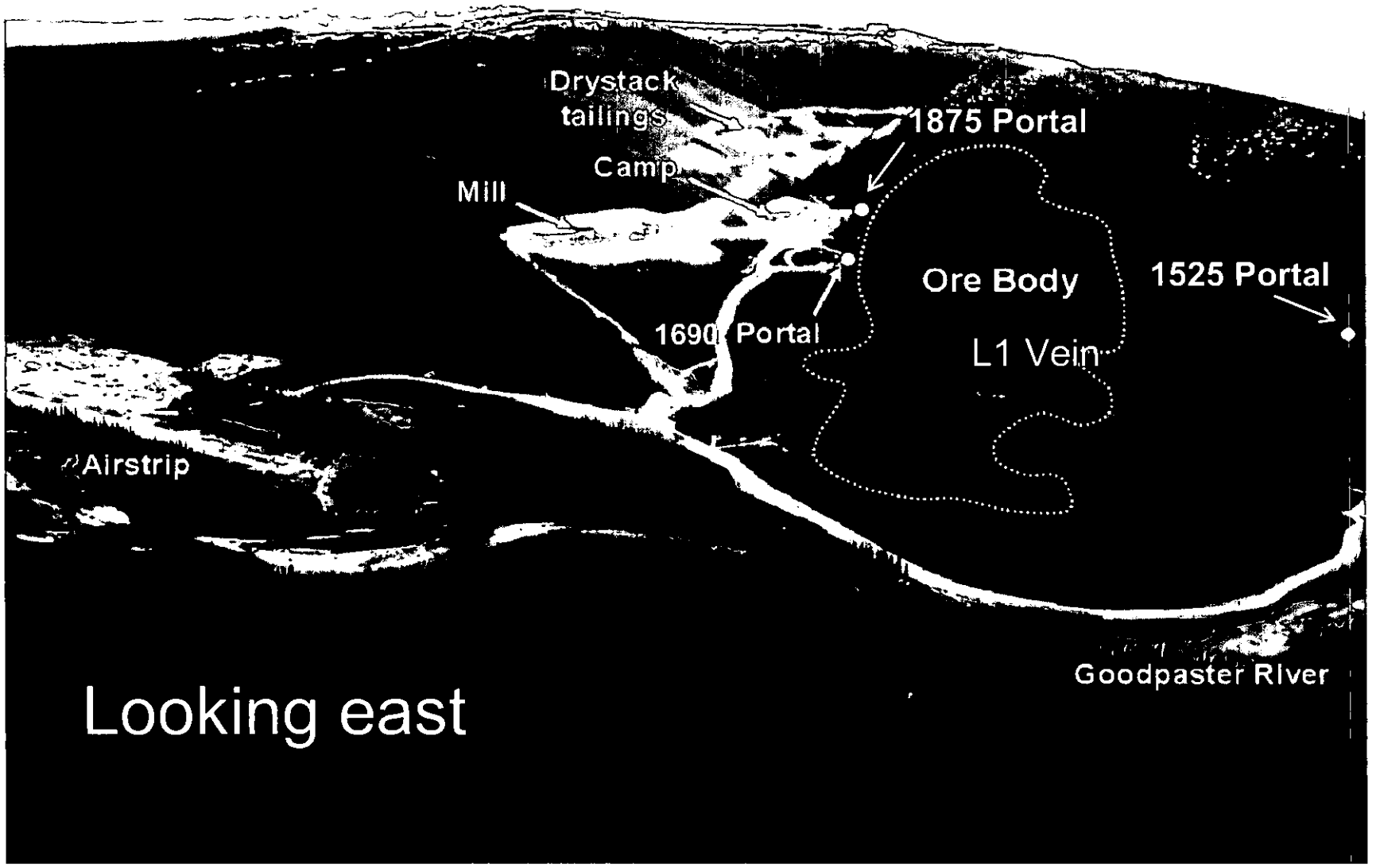
KINROSS

Fort Knox Mine

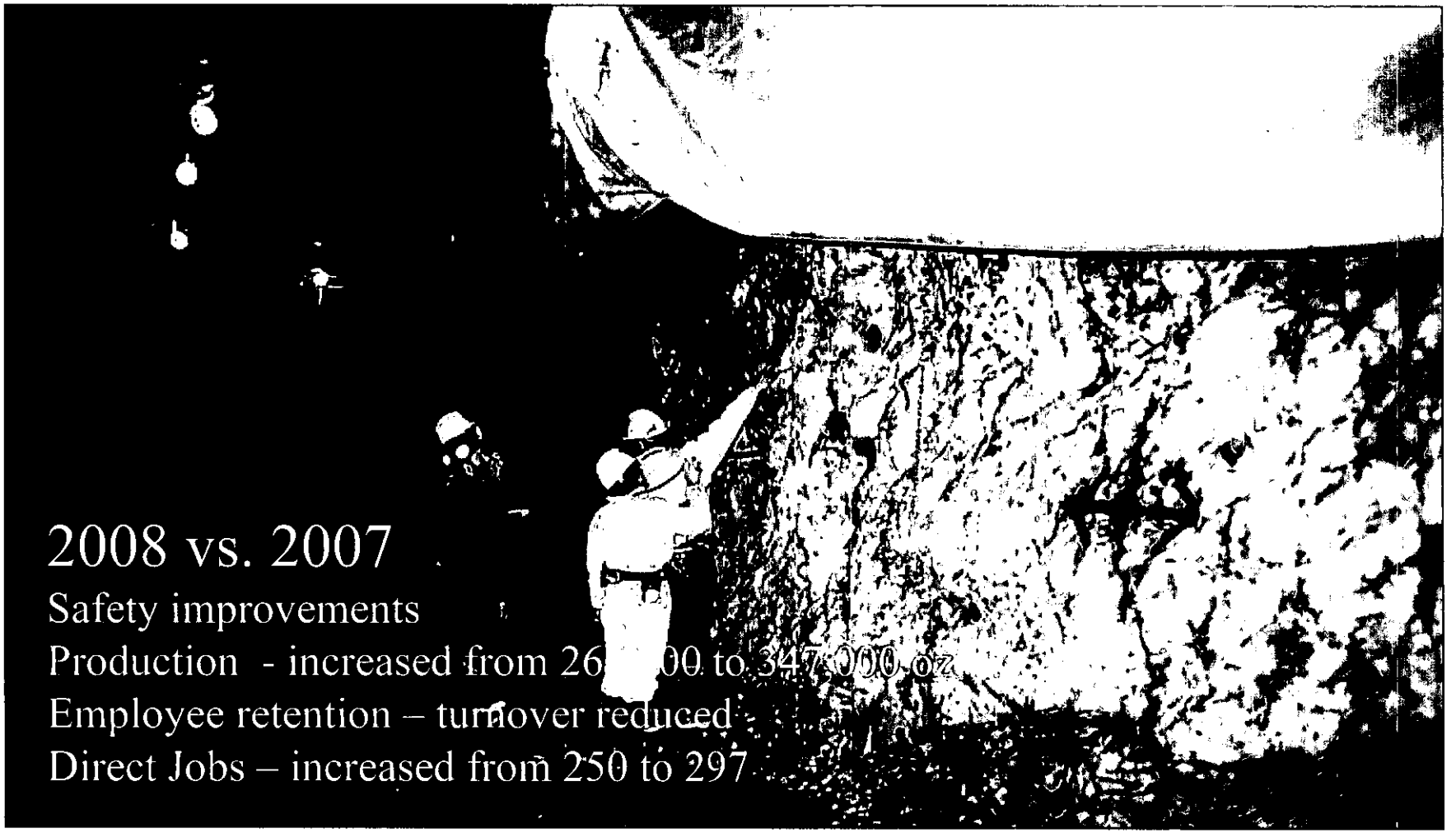
2009 Status and Plans

- Production: Approx 330,000 oz
- Heap leach facility under construction
- Phase 7 pit expansion – began Oct. 2008
- Continue exploration/drilling for potential Phase 8
- Mine life extended to 2014

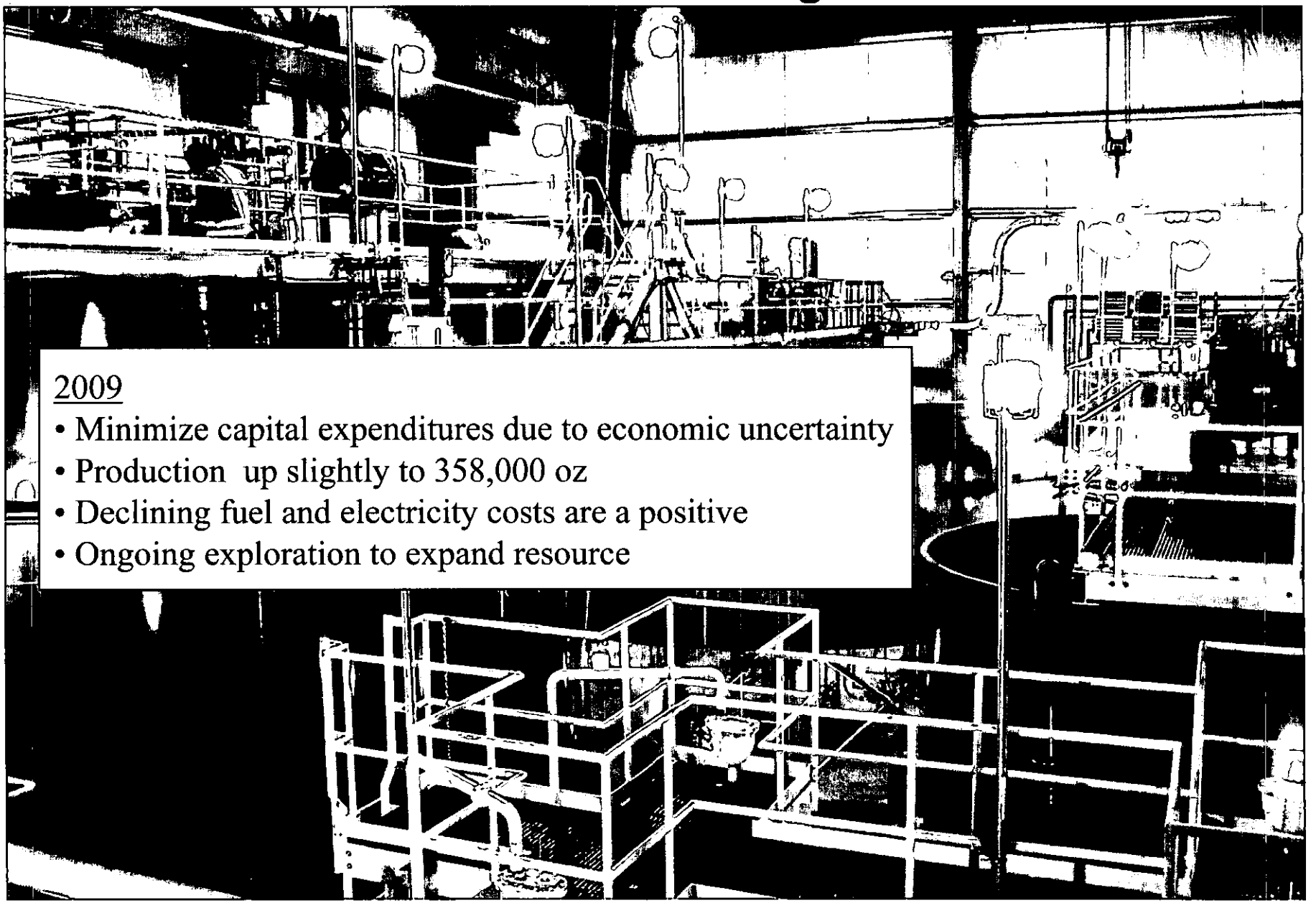
Pogo Surface Facilities & Underground Orebody



Pogo 2008 Highlights
Major Operational Improvements



Pogo Water Treatment Plant treats mine water before discharge



2009

- Minimize capital expenditures due to economic uncertainty
- Production up slightly to 358,000 oz
- Declining fuel and electricity costs are a positive
- Ongoing exploration to expand resource

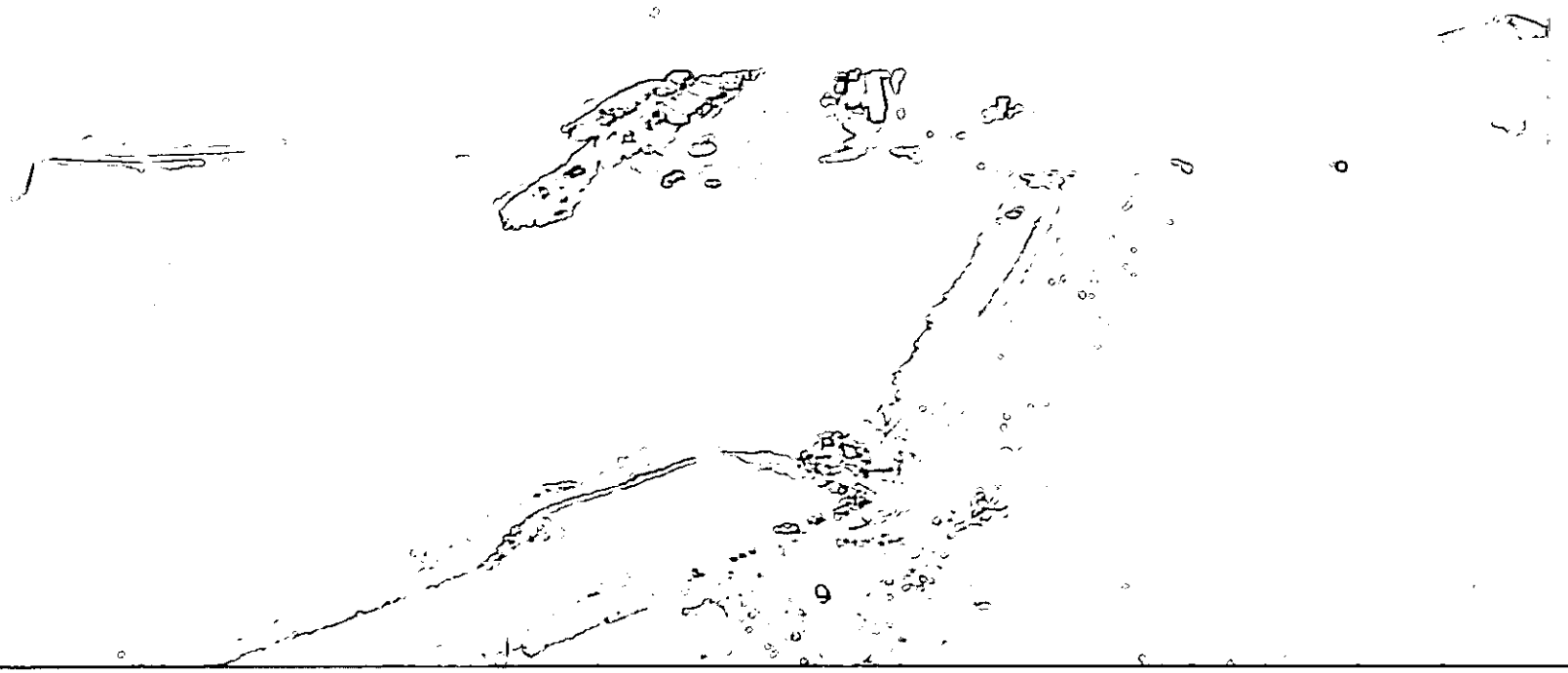
Mines Currently in Idle Status

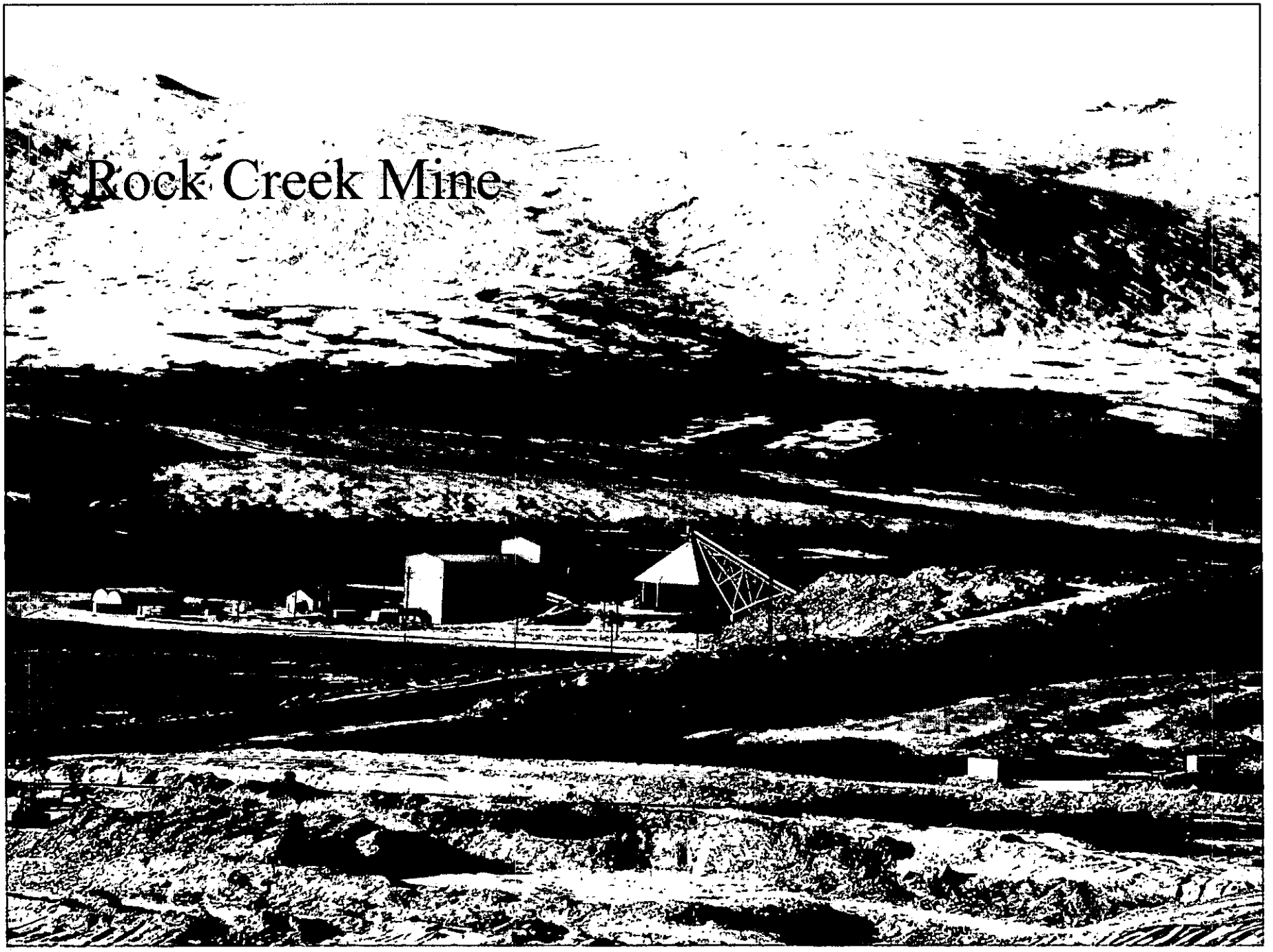
1.	Nixon Fork	Pacific North West Capital
2.	Rock Creek	Alaska Gold/NovaGold
3.	Kensington	Coeur Alaska

Nixon Fork Mine

2009

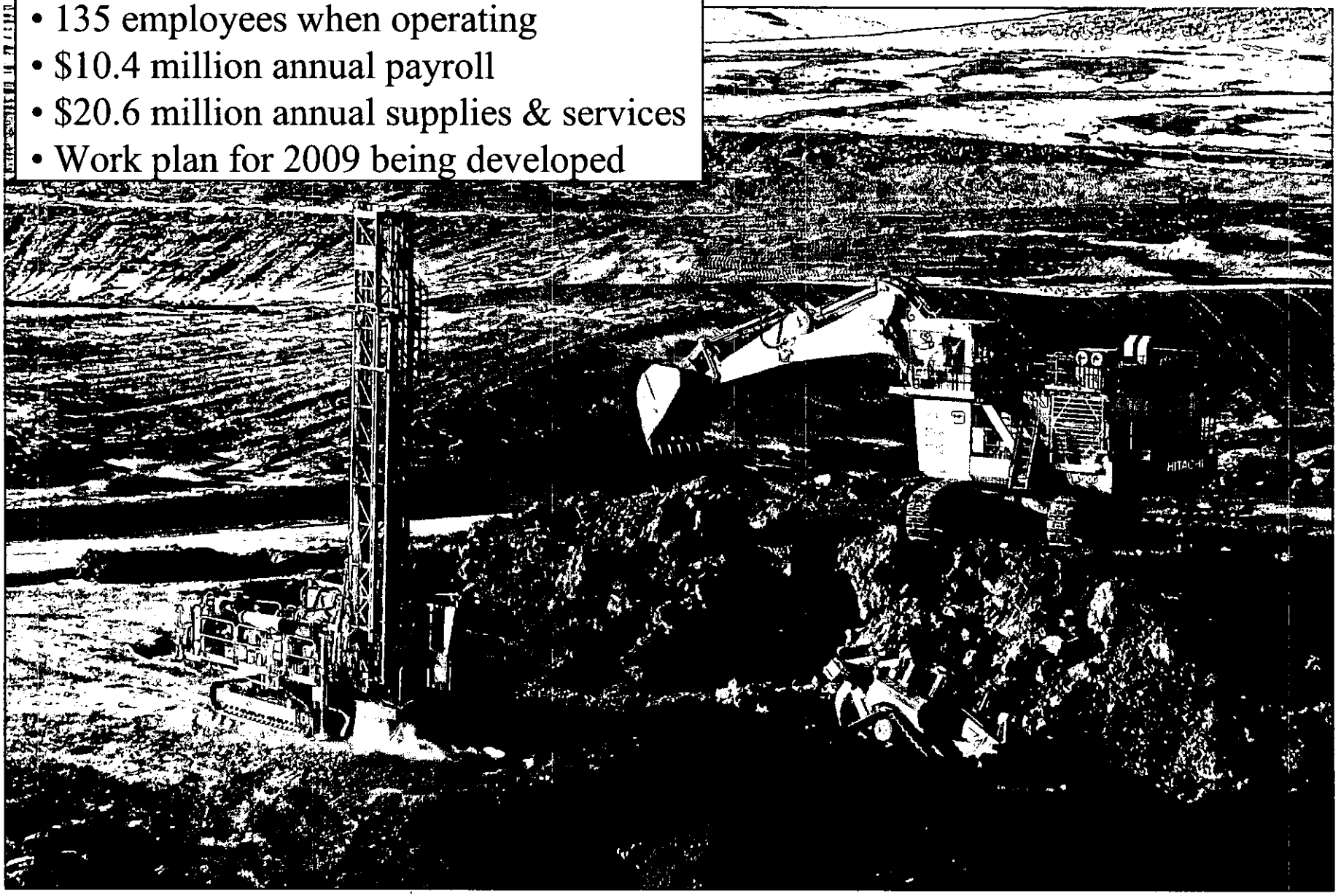
- Purchased by Pacific North West Capital
- Work plan being developed
- Next production planned in 2 years

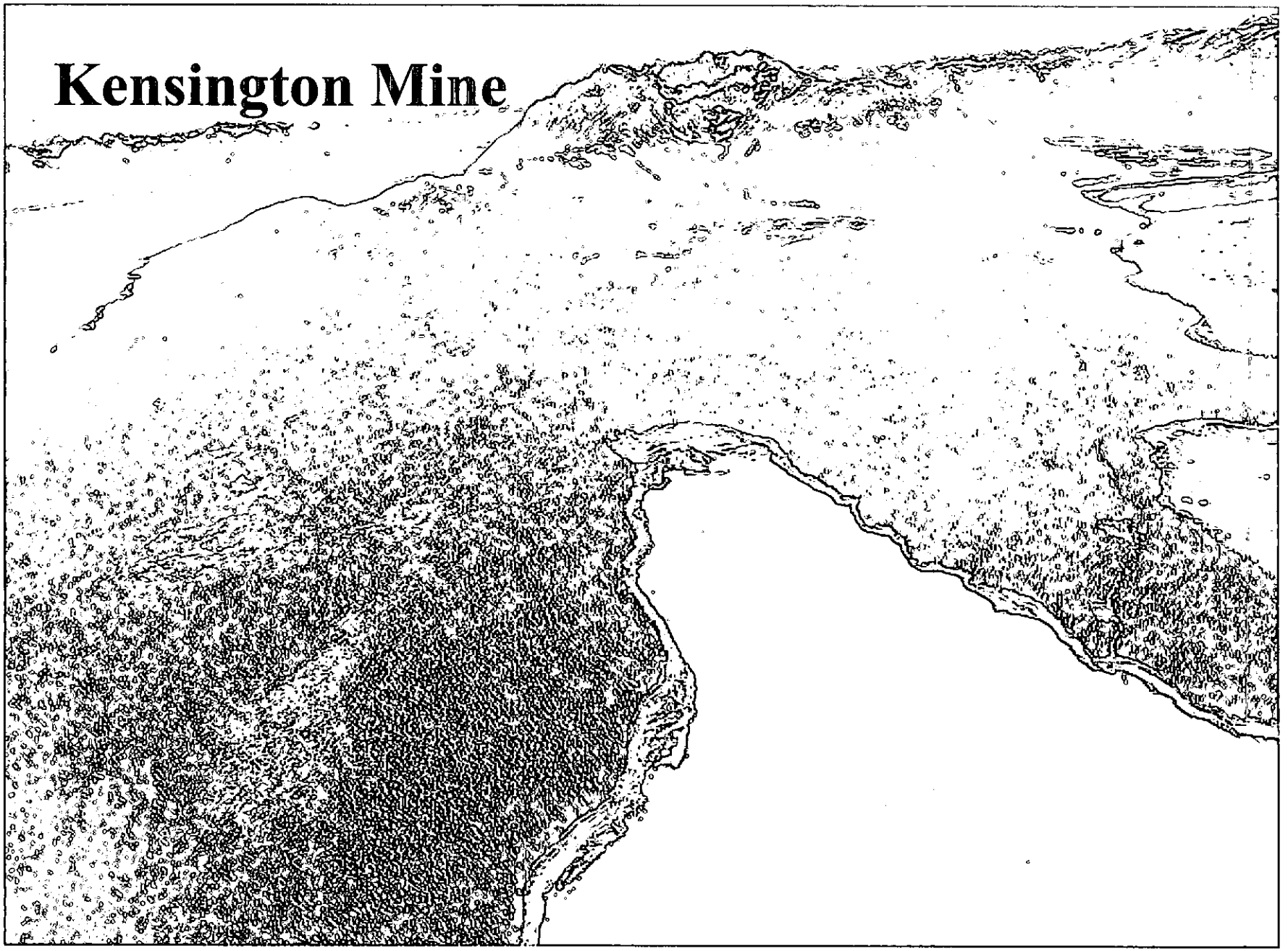


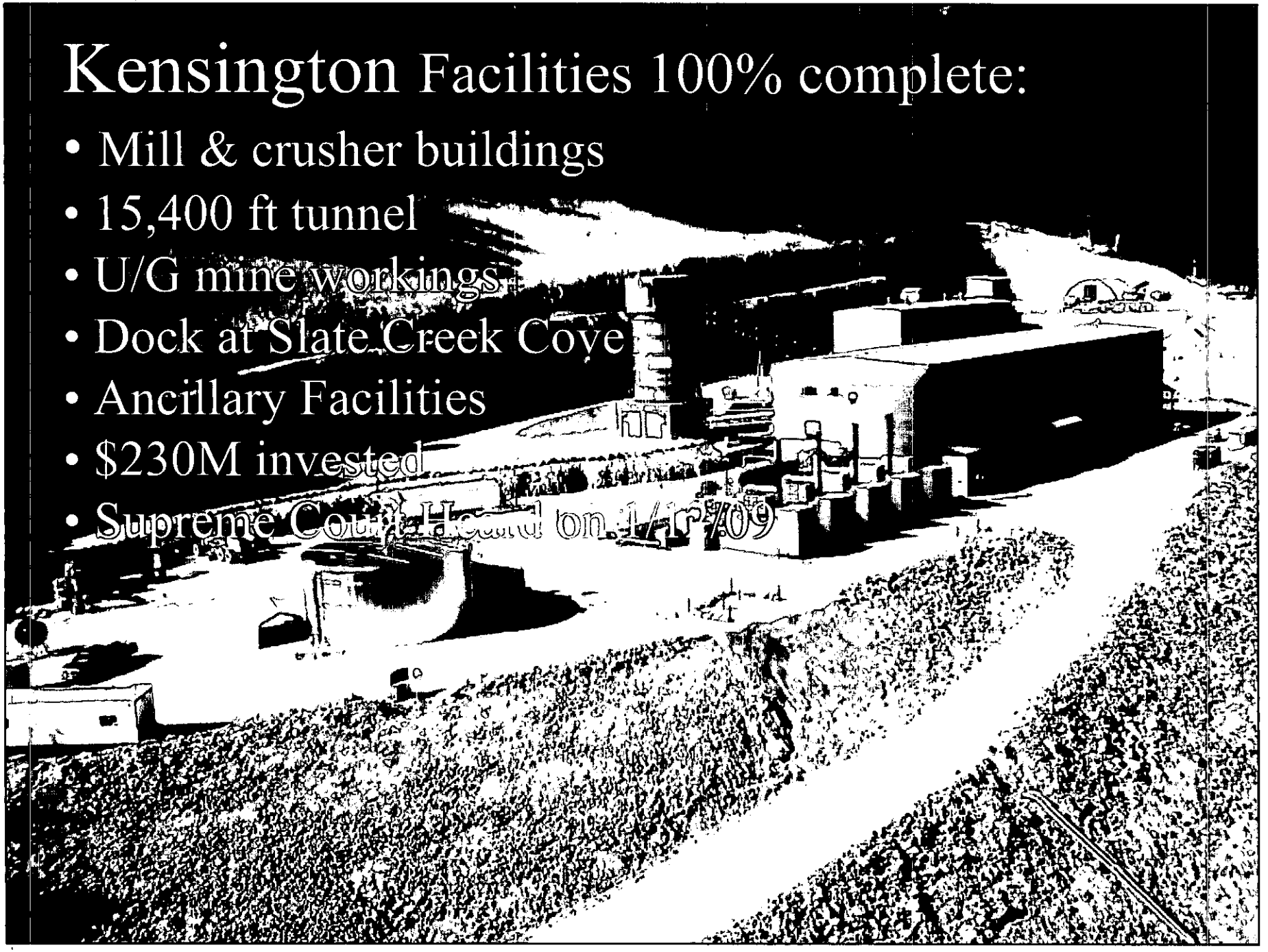

Rock Creek Mine

Rock Creek Statistics

- 135 employees when operating
- $10.4 million annual payroll
- $20.6 million annual supplies & services
- Work plan for 2009 being developed




Kensington Mine


Kensington Facilities 100% complete:
• Mill & crusher buildings
• 15,400 ft tunnel
• U/G mine workings
• Dock at Slate Creek Cove
• Ancillary Facilities
• $230M invested
• Supreme Court Heard on 1/r/09

Projects in Advanced Exploration and Permitting

Advanced Permitting:

1. Chuitna Coal PACRIM Coal

Advanced Exploration/Pre-permitting:

2. Donlin Creek Barrick/NovaGold JV
3. Pebble Partnership NDM/Anglo American JV

Chuitna Coal Project

Management transition in 2008

Project Statistics

- Total Investment +$600M
- 350 full-time jobs

Chuitna Coal Mine

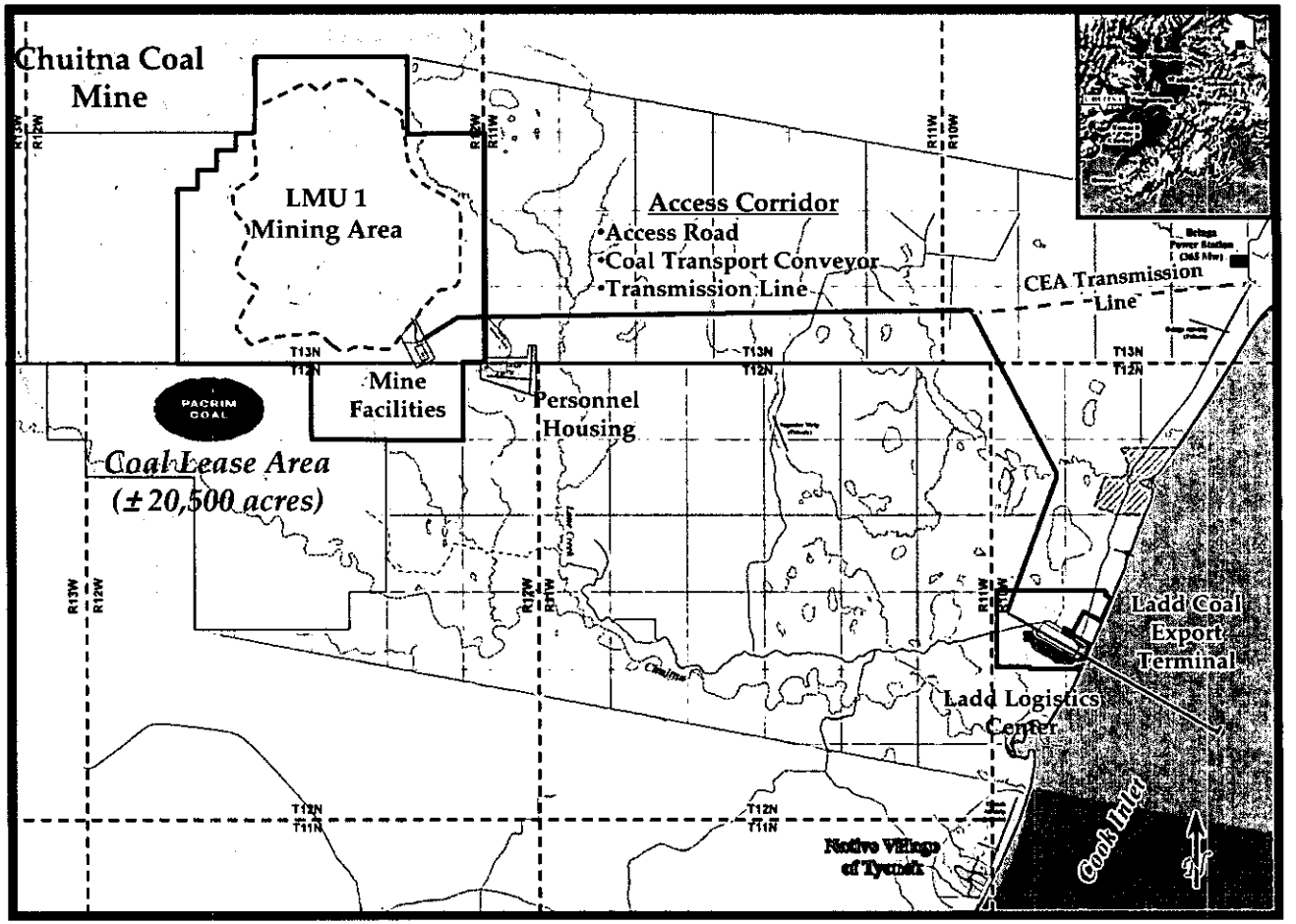
- 12MMTpy design capacity
- 300MMT mineable (LMU1)

Infrastructure

- 9 to 12 mile Access road & coal conveyor (alternatives under review)
- 138 Kv power line
- Personnel housing & airstrip

Ladd Landing

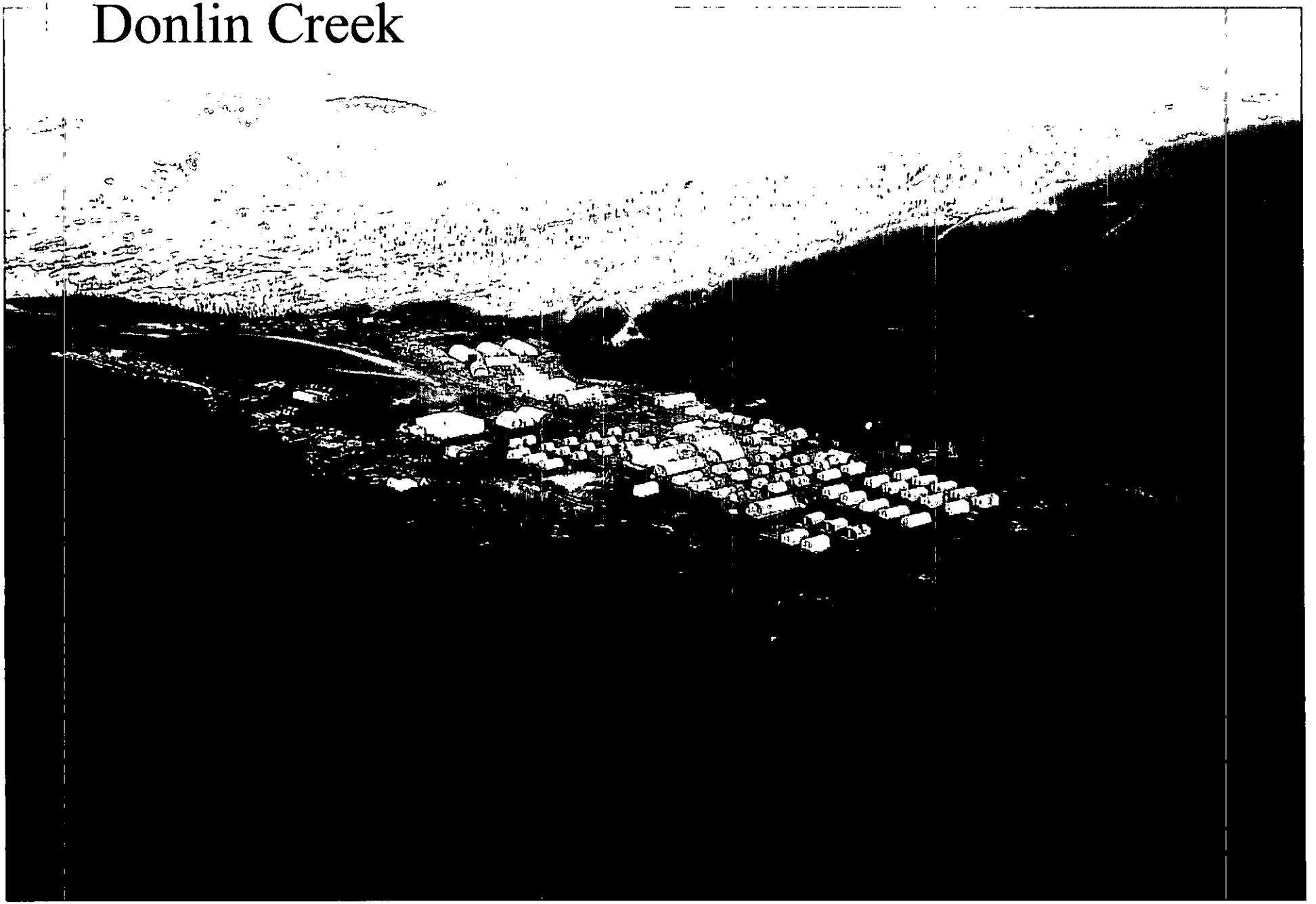
- Logistics center
- Export terminal
- Cape Class vessels 60ft draft



Permit Status

- ASCMCRA permit applications filed, public review process projected 4th Qtr 2009
- Draft SEIS in process, anticipate public review process 4th Qtr 2009
- Projected approval anticipated for late 2010

Donlin Creek



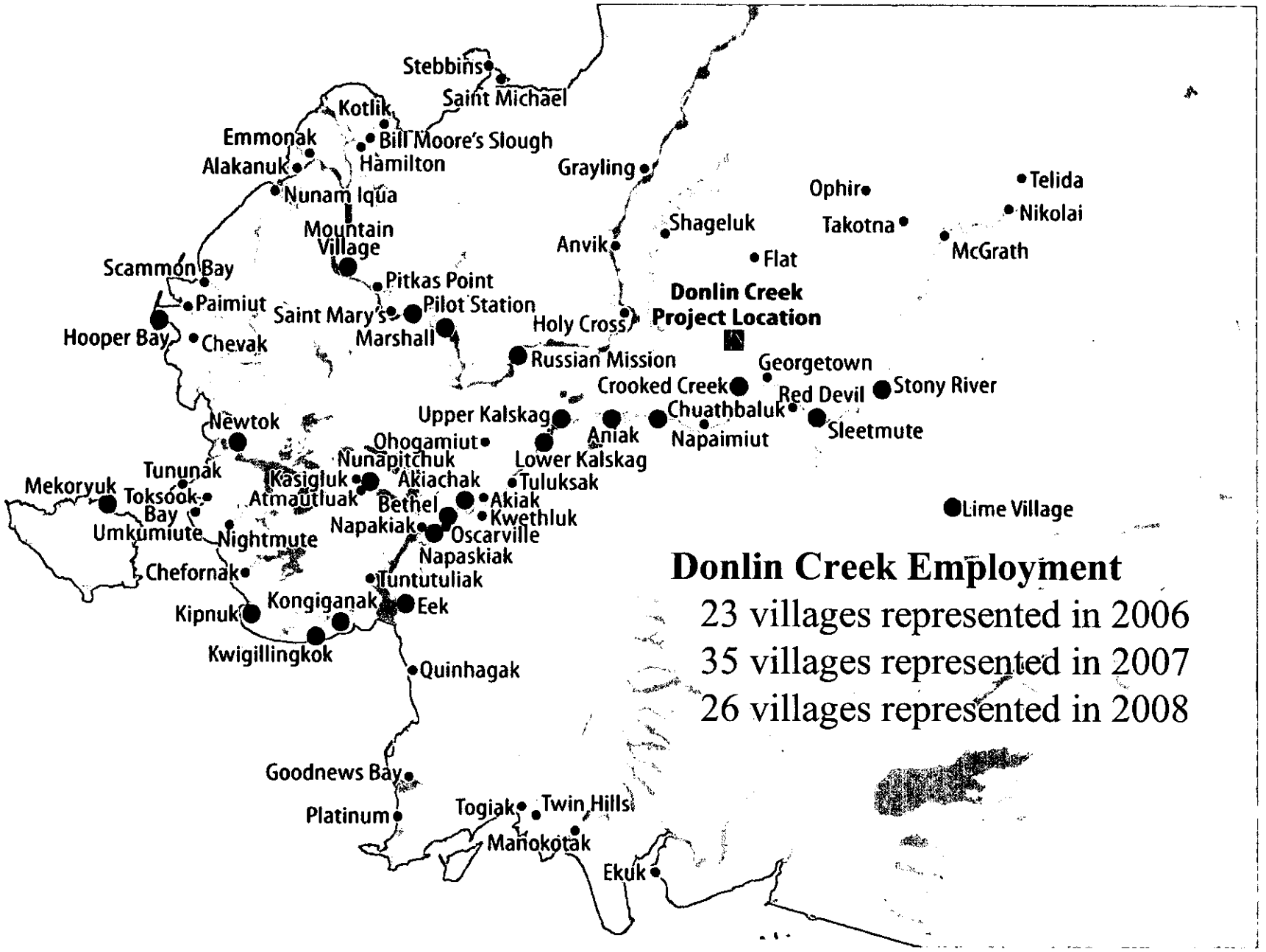
Donlin Creek Update

2008

- Completed 33,500 m of drilling
- 138 employees representing 26 Y-K villages
- Advanced project engineering and baseline environmental studies

2009

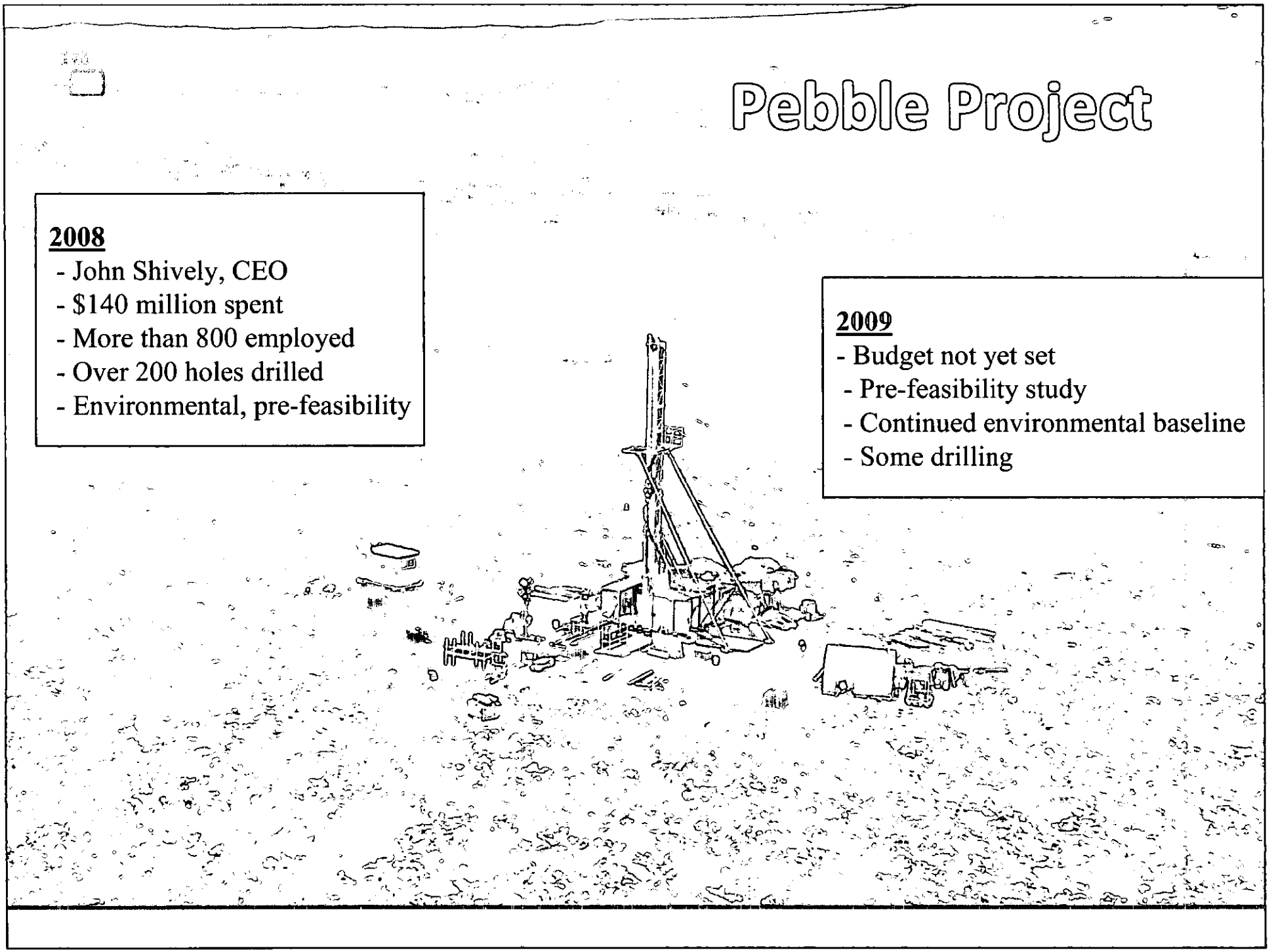
- Finalize the project feasibility study
- Submit permit applications for the project
- Conduct pre-permitting meetings with Y-K region stakeholders
  - Meetings held with representatives of 35 villages to date
  - Scheduled to meet with remaining Y-K villages in March
  - Feedback will be incorporated into permit application documents and plans


Stebbins
Saint Michael
Kotlik
Emmonak
Bill Moore's Slough
Alakanuk
Hamilton
Nunam Iqua
Mountain Village
Scammon Bay
Pitkas Point
Paimiut
Saint Mary's
Pilot Station
Hooper Bay
Chevak
Marshall
Grayling
Anvik
Shageluk
Ophir
Telida
Takotna
Nikolai
McGrath
Flat
Donlin Creek Project Location
Holy Cross
Russian Mission
Georgetown
Crooked Creek
Red Devil
Stony River
Chuathbaluk
Sleetmute
Napaimiut
Upper Kalskag
Aniak
Lower Kalskag
Ohogamiut
Nunapitchuk
Newtok
Tununak
Kasigluk
Akiachak
Tuluksak
Mekoryuk
Toksook Bay
Atmautluak
Bethel
Akiak
Kwethluk
Napakiak
Oscarville
Umkumiute
Nightmute
Napaskiak
Lime Village
Chefornak
Tuntutuliak
Kongiganak
Eek
Kipnuk
Kwigillingkok
Quinhagak
Goodnews Bay
Platinum
Togiak
Twin Hills
Manokotak
Ekuk
Donlin Creek Employment
23 villages represented in 2006
35 villages represented in 2007
26 villages represented in 2008

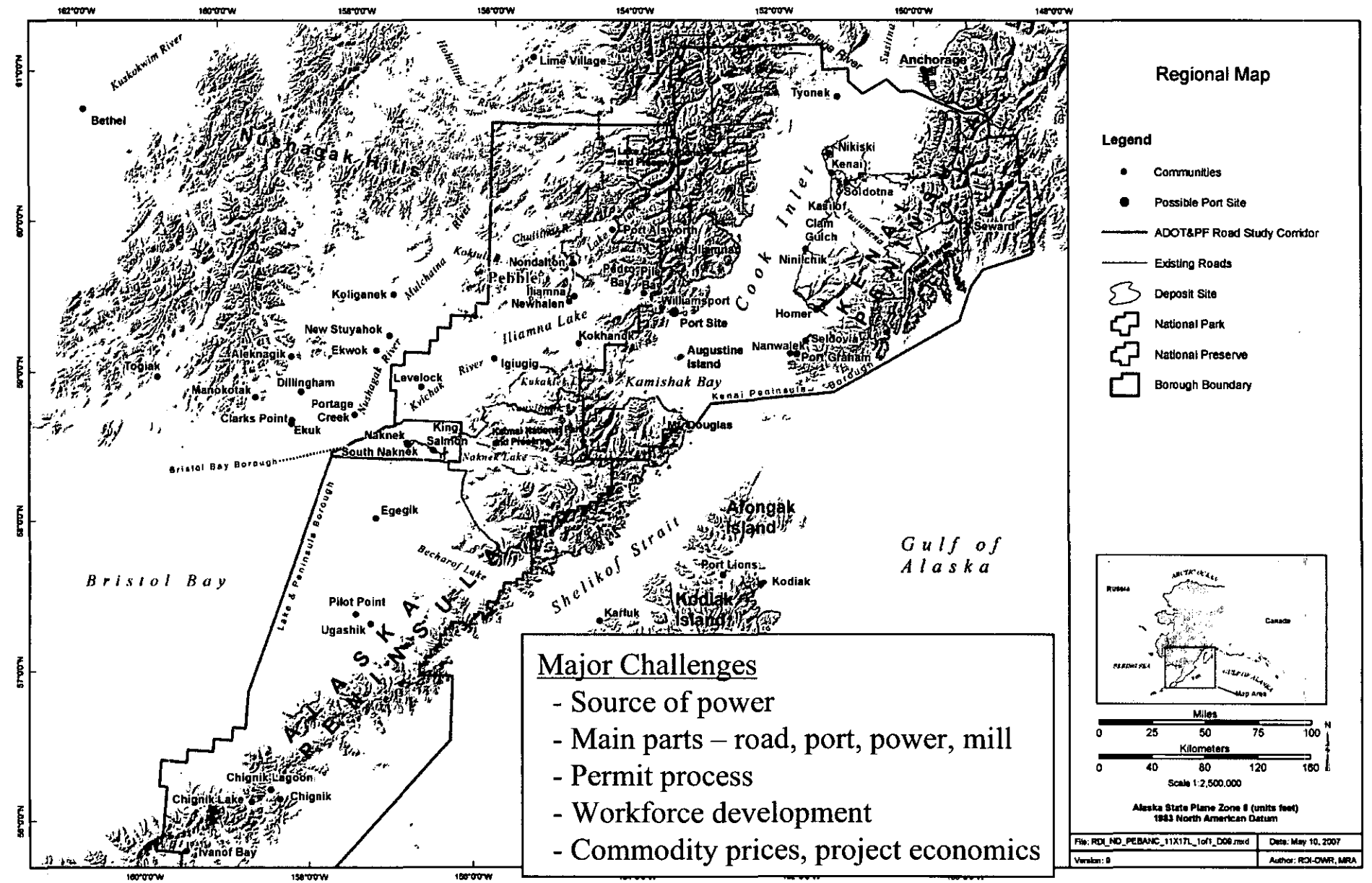
Pebble Project

2008
- John Shively, CEO
- $140 million spent
- More than 800 employed
- Over 200 holes drilled
- Environmental, pre-feasibility

2009
- Budget not yet set
- Pre-feasibility study
- Continued environmental baseline
- Some drilling



THE pebble PARTNERSHIP



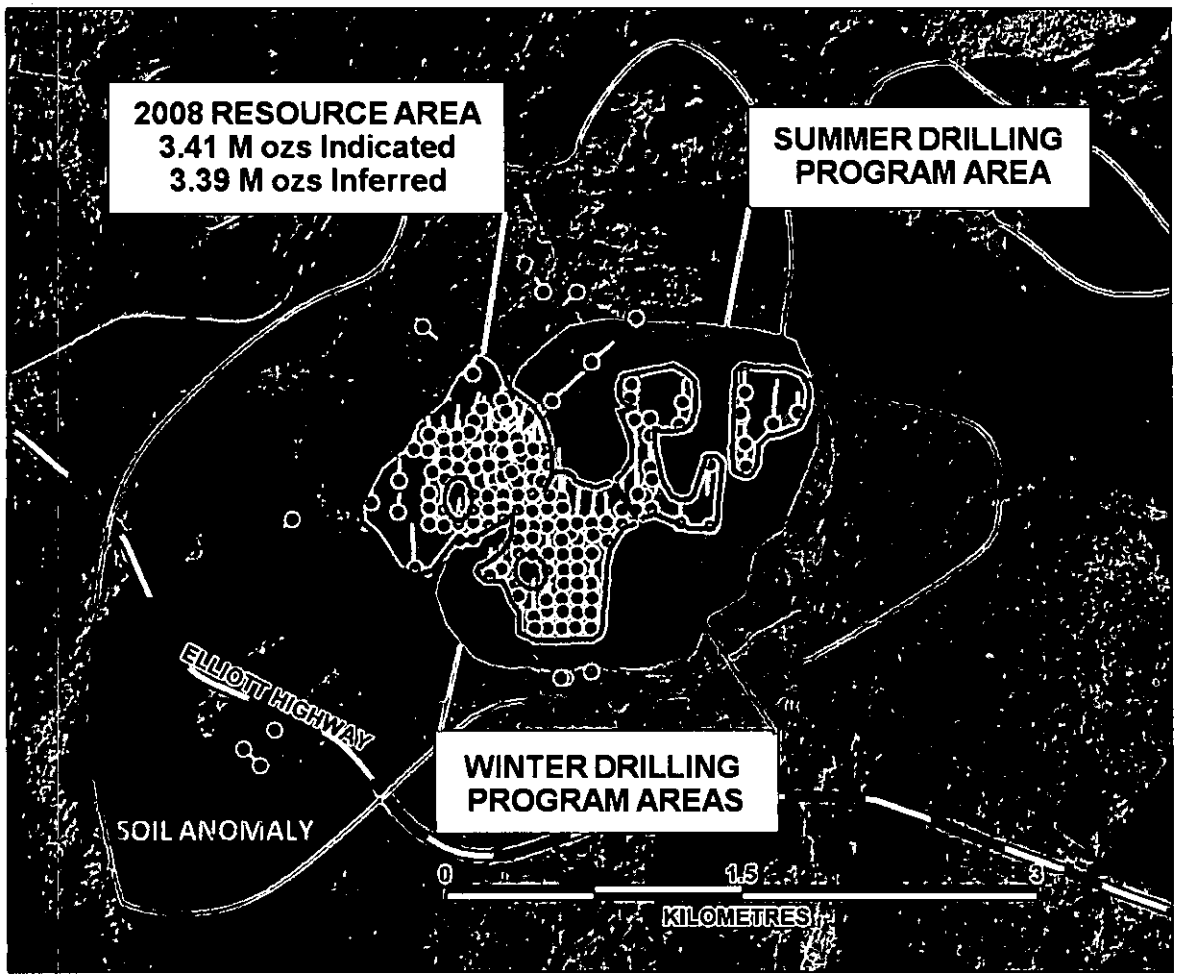
Grassroots (early stage) Exploration

- 30 projects spent >$1 million each in 2008
- Expect fewer in 2009

Examples

- International Tower Hill Mines - Livengood
- Committee Bay Resources - Niblack
- Full Metal Minerals – Lucky Shot

International Tower Hill
Livengood, Money Knob Project



Money Knob Project

Phase I & II drilling - 2008

Phase III drilling - Winter 2009

Phase IV drilling – 2009

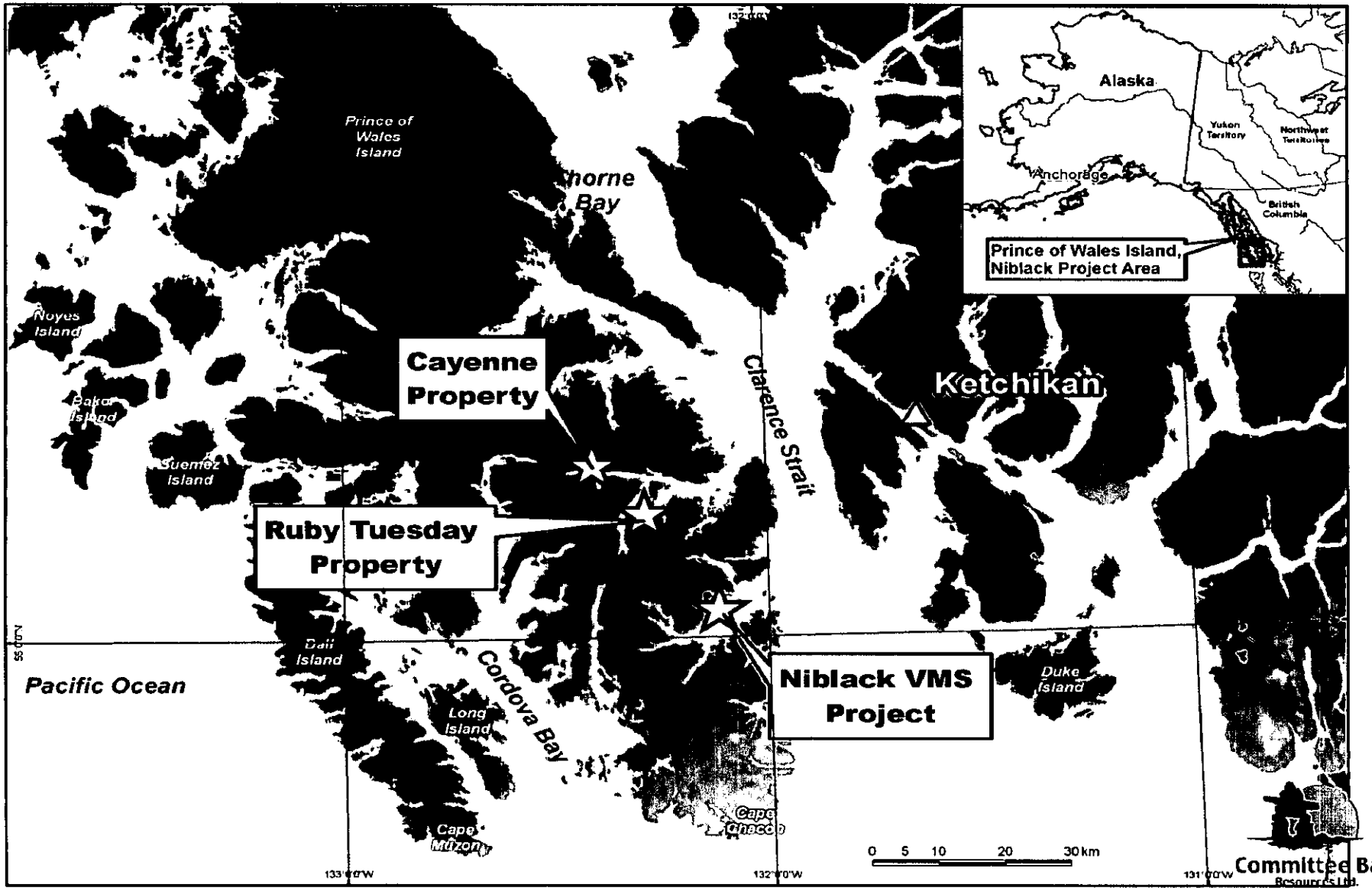
2009 Budget = $8.5 million ($8m in 2008)

45 employees (42 in 2008)

Other Alaska Projects

$1.5m in 2009 (($2m in 2008)

Committee Bay Resources
Niblack Project



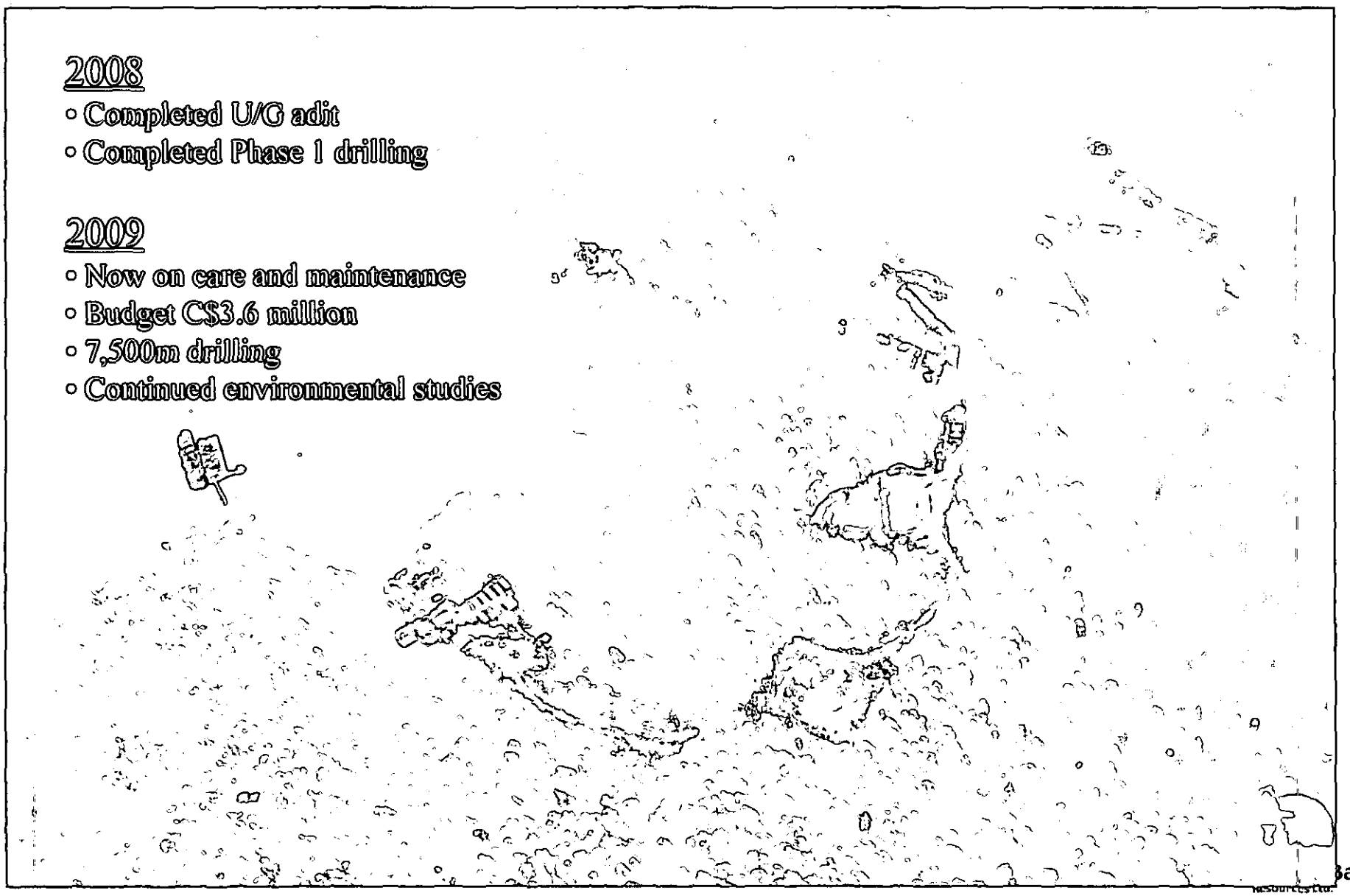
Niblack Project

2008

- Completed U/G adit
- Completed Phase 1 drilling

2009

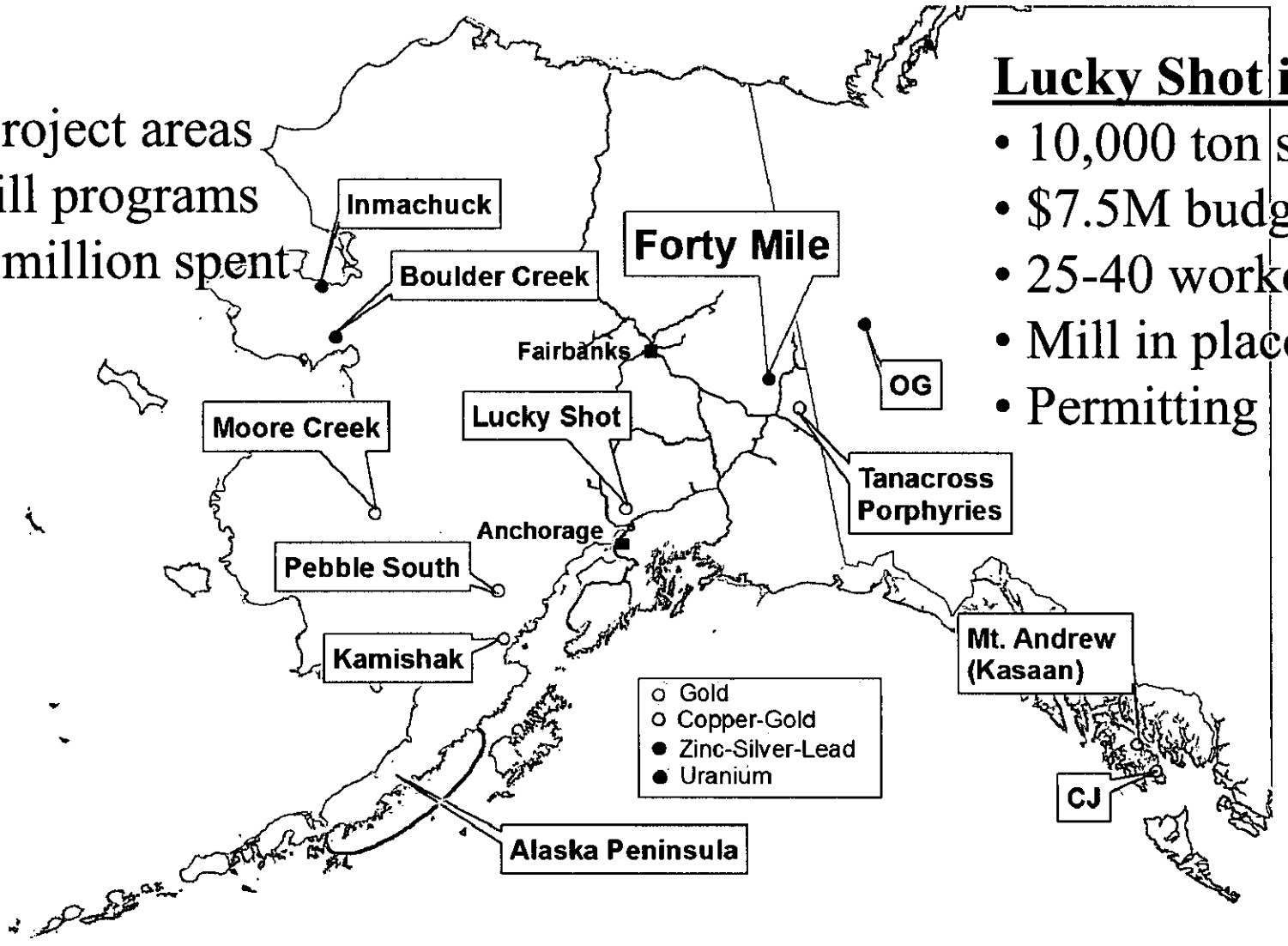
- Now on care and maintenance
- Budget C$3.6 million
- 7,500m drilling
- Continued environmental studies



Full Metal Minerals

2008

- 11 project areas
- 5 drill programs
- $21 million spent



Lucky Shot in 2009

- 10,000 ton sample
- $7.5M budgeted
- 25-40 workers
- Mill in place
- Permitting

The Economic Benefits of Alaska's Mining Industry

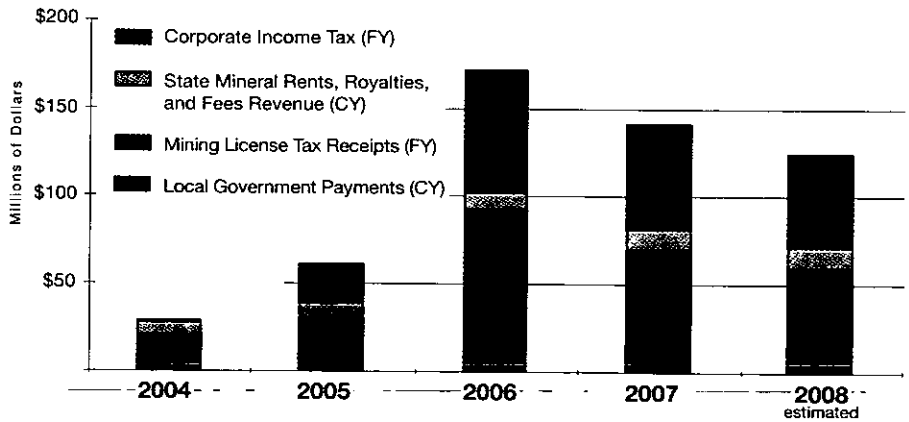
Mining is a growing force in Alaska's economy, providing jobs for thousands of Alaskans and millions of dollars of personal income throughout Alaska. Alaska's mining industry includes exploration, mine development, and mineral production. Alaska's mines produce zinc, lead, gold, silver, coal, as well as construction materials, such as sand, gravel, and rock.

2008 Economic Benefits *estimated*

In 2008, Alaska's mining industry provided:

- **3,500 direct** mining **jobs** in Alaska.
- **5,500 total** direct and indirect **jobs** attributed to Alaska mining industry.
- **$350 million** in direct and indirect **payroll**.
- Some of Alaska's highest paying jobs with an estimated **average annual wage of $82,600**, 90% higher than the state average for all sectors of the economy, second highest after oil and gas sector wages.
- **$15.6 million** in **local** government **revenue** through property taxes and payments in lieu of taxes, down 1% from 2007.
- **$105 million** to the **state** government through rents, royalties, fees, and taxes, down 17% from 2007.
- **$212 million** in payments to **Alaska Native corporations** (FY08) up 266% from FY07.
- **Jobs** for residents of more than 120 communities throughout Alaska– mostly year-round, and often in **rural areas**, where few other jobs are available.

State and Local Government Revenue Impact



Exploration

- **$293 million** spent on exploration, **down 8%** from 2007.
- **59 exploration projects** spending more than **$100,000**, of which 30 exploration projects spent **more than $1 million.**

Development

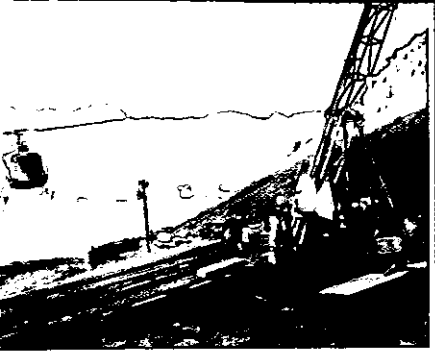
- **$331 million** spent on mine construction, up 7% from 2007, on at least 7 developing and existing mines.

Production

- **$2.4 billion** in **gross mineral production value** from Usibelli Coal, Greens Creek, Red Dog, Fort Knox, and Pogo mines, placer mines, and rock, sand, and gravel operations, down 27% from 2007.
- More than **175 placer mines** produced **54,000 ounces of gold**.
- **$102 million** in production value from more than **117 active rock quarries, and sand and gravel operations.**

Exports (2007)

- **$1.3 billion** in mining exports, or **34% of Alaska's total exports.**



Usibelli Coal Mine

Coal

- Alaska's only operating coal mine, exporting a third of its production in 2008
- Fuels 40% of Interior Alaska's electricity
- Founded in 1943
- 110 employees

Greens Creek Mine

Silver, zinc, gold, and lead

- One of the largest silver producers in North America
- Largest taxpayer in the City & Borough of Juneau
- Discovered in 1979, producing from 1989 to 1993, and since 1996
- 320 employees

Red Dog Mine

Zinc, lead, and silver

- World's largest zinc concentrate producer
- Largest taxpayer in the Northwest Arctic Borough
- Discovered in 1968, producing since 1989
- 390 employees, plus 95 full-time contractors in 2008

Fort Knox Mine

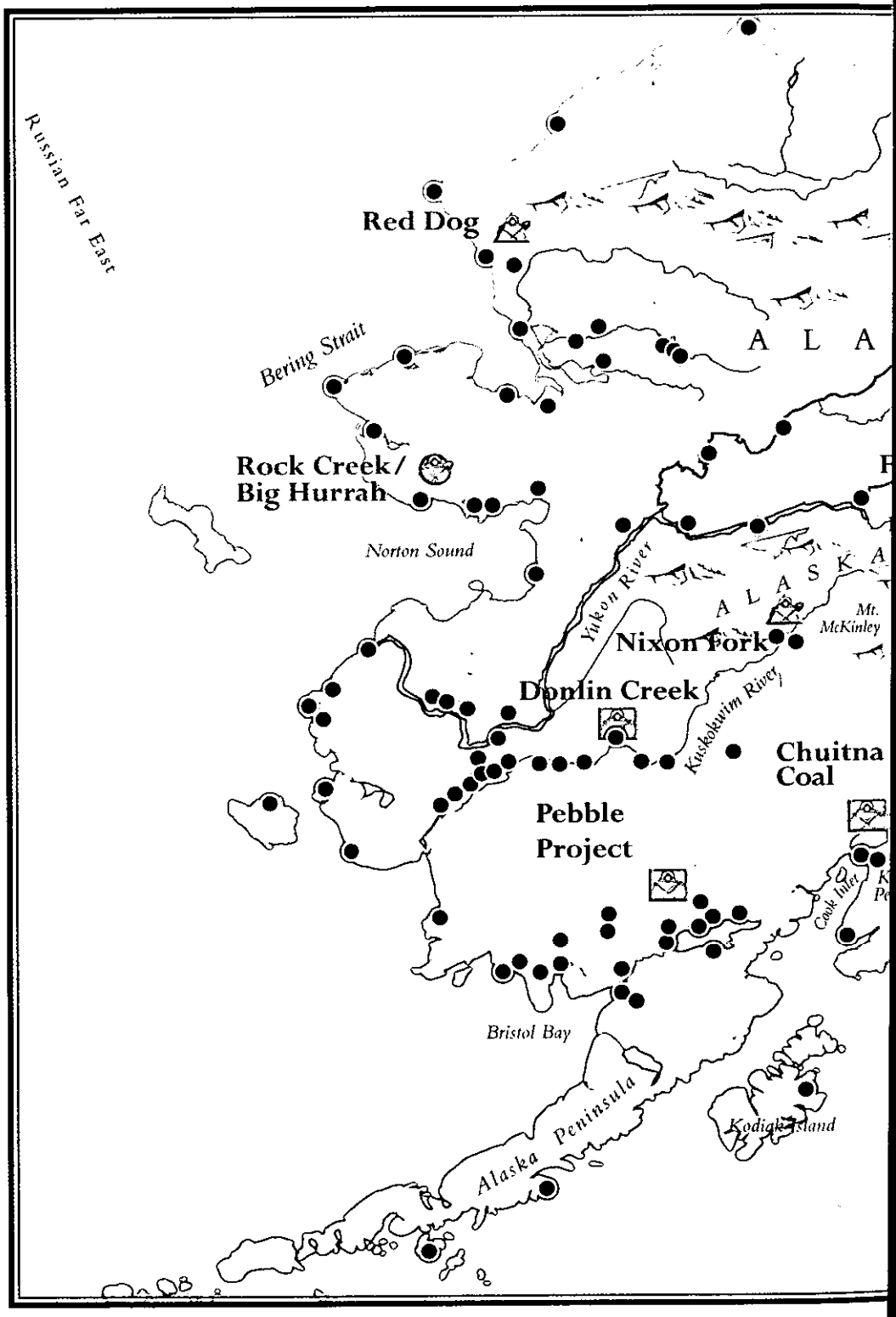
Gold

- Alaska's largest surface gold mine
- Largest single property taxpayer in the Fairbanks North Star Borough
- Discovered in 1984, producing since 1996
- 450 employees, plus 30 full-time contractors in 2008

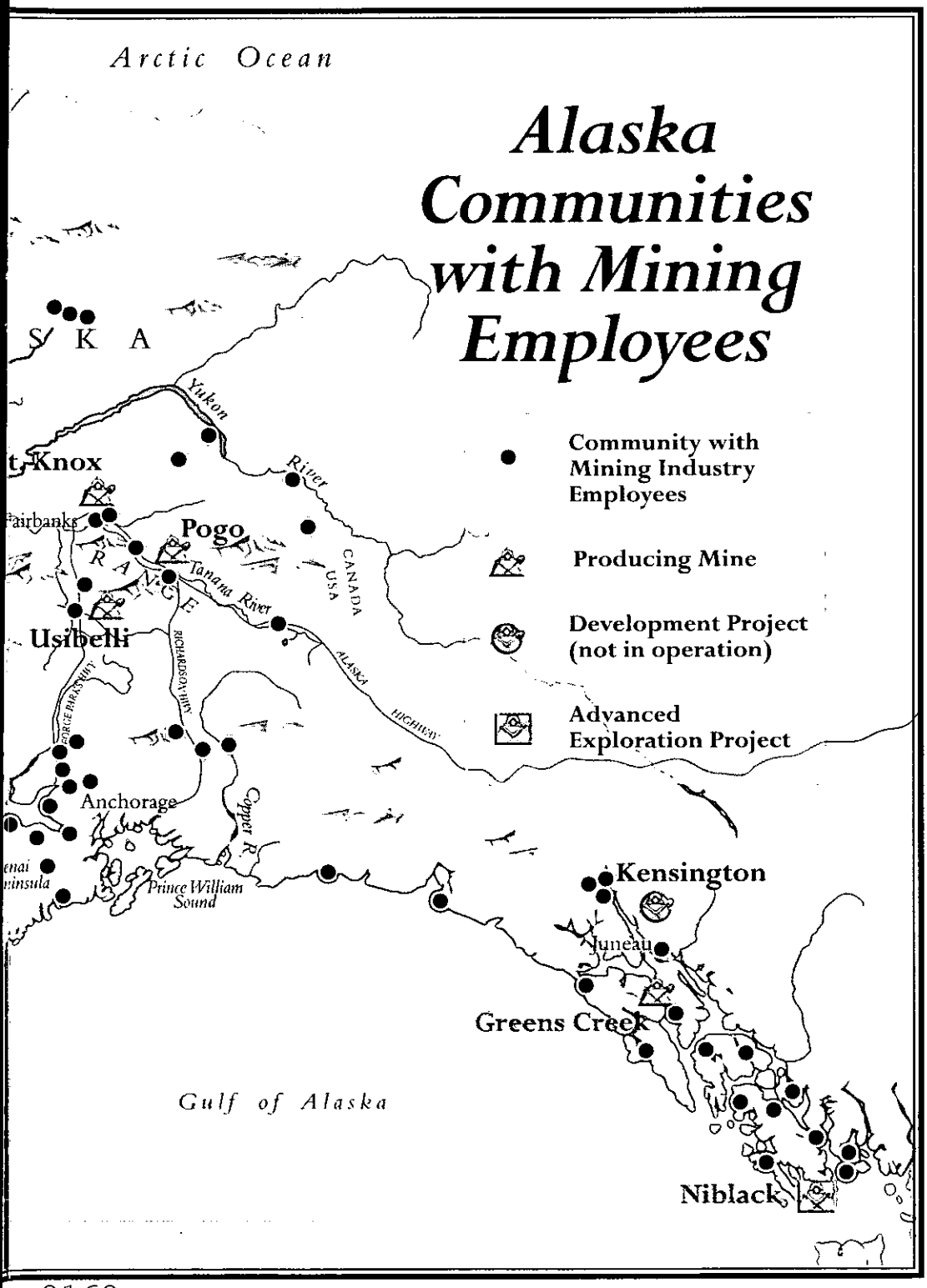
Pogo Mine

Gold

- Approximately 700,000 ounces produced 2006 through 2008
- Significant private sector payments to the City of Delta Junction
- Discovered in 1994, producing since 2006
- 280 employees, plus 60 full-time contractors in 2008



Alaska Communities with Mining Employees



Nixon Fork

Gold and copper

- Discovered in 1917, intermittent exploration since 1920s
- Production suspended in 2007 for additional drilling
- 75 potential production jobs

Rock Creek/Big Hurrah

Gold

- Started and suspended production in 2008
- $156 million invested through 2008
- 135 potential production jobs

Kensington

Gold

- $238 million invested through 2008
- 200 potential production jobs

Chuitna Coal

Coal

- Currently in the permitting process
- 300-350 potential production jobs

Donlin Creek

Gold

- Discovered in 1988, ongoing exploration since 1995
- 210 exploration jobs in 2008, 86% Calista shareholder hire
- 500-600 potential production jobs

Niblack

Gold, silver, copper, and zinc

- Ongoing exploration for more than 10 years
- Over $20 million invested through 2008

Pebble Project

Copper, gold, and molybdenum

- Discovered in 1987, ongoing exploration and environmental studies since 2002
- Over $300 million invested through 2008
- Over 1,000 potential production jobs

Alaska Miners Association, Inc. • 3305 Arctic Blvd., #105 • Anchorage, Alaska 99503
TEL: 907.563.9229 • FAX: 907.563.9225
WEB: www.alaskaminers.org

Strengthening Government and Communities

Mining companies strengthen Alaska's local economies by employing Alaska residents from more than 120 Alaska communities, and purchasing supplies and services from hundreds of Alaska businesses.

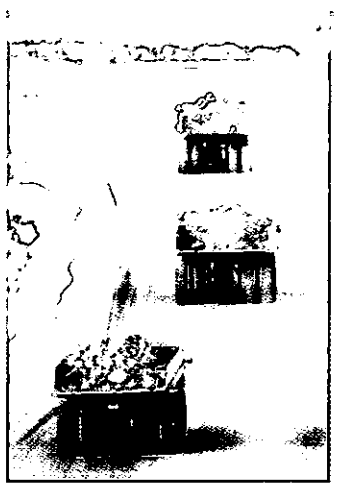
These mining companies are also an important source of stable revenue for local governments, as well as significant state government revenue. In 2008, Alaska's mining industry paid:

An estimated total of **$15.6 million** to **local governments**, including:

- **$11 million** in payment in lieu of taxes (PILT) by Red Dog to the Northwest Arctic Borough.
- **$2.8 million** in property taxes paid by Fort Knox to the Fairbanks North Star Borough.
- Over **$1 million** in property taxes paid by Greens Creek to the City and Borough of Juneau.
- **$500,000** in PILT paid by Pogo to the City of Delta Junction (FY08).
- **$295,400** in property taxes paid by Kensington to the City and Borough of Juneau. Once in production, the mine will be the largest taxpayer in Juneau.
- Tax payments to other local governments, including Denali Borough, City of Nome, and others.
- Mining industry employees also pay local property and sales taxes.

Largest Producing Mines State and Local Government Tax Obligations

	Land Status	State Royalty Payments	Mining License Tax	Local Govt Payments
Usibelli Coal	State	√	√	√
Greens Creek	Private		√	√
Red Dog	Private		√	√
Fort Knox	State/Mental Health Trust	√	√	√
Pogo	State	√	√	√



An estimated **$105 million to state government** in rents, royalties, fees, and taxes, including:

- **$55 million** in mining license tax, rents, royalties, fees, and other payments.
- **$50 million** in corporate income tax, making mining **Alaska's second highest corporate income tax paying sector** after the petroleum sector.

Over **$42.1 million in other state government-related revenues**, including:

- **$18.5 million** to the Alaska Railroad Corporation – $11.2 million for moving coal and $7.3 million for moving sand and gravel.
- **$22.0 million** to Alaska Industrial Development & Export Authority for the use of state-owned facilities.
- **$1.6 million** to the Alaska Mental Health Trust for rents and royalty payments, and construction material sales.

Partnering with Alaska Native Corporations

All Alaska Native corporations benefit from mining industry activity – in 7(i) and (j) **royalty sharing payments**, in **jobs** for shareholders, or through **business partnerships**.

- **$212 million** in royalties paid by Red Dog to NANA; of which $122 million was redistributed to other Alaska Native regional and village corporations
- 56% of the 485 year-round jobs at Red Dog are filled by NANA shareholders, including Teck Cominco, NANA Lynden and NANA Management Services jobs.
- Calista Corporation anticipates $700,000 in royalties for mineral agreements, including lode exploration, placer gold production, and construction material sales.
- 86% of the 210 jobs at Donlin Creek Project filled by Calista shareholders.

Projects with near-term potential will directly benefit Bering Straits Native Corporation and Sitnasuak Native Corporation (Rock Creek), as well as Goldbelt, Inc., Klukwan, Inc., and Kake Tribal Corporation (Kensington).

Special thanks to Rich Hughes, Minerals Development Specialist, Alaska Department of Commerce, Community and Economic Development, and Dave Szumigala, Senior Minerals Geologist, Alaska Department of Natural Resources for their assistance. Other sources used in this report include: State of Alaska Departments of Commerce, Community and Economic Development, Labor and Workforce Development, Natural Resources, and Revenue, Alaska Railroad Corporation, Alaska Industrial Development & Export Authority, various local and borough governments, and mining companies. Prepared by McDowell Group, Inc.

3/9/09 PRESENTATION BY ARMSTRONG OIL & GAS

The Armstrong Companies

The Armstrong Companies began 23 years ago with the creation of Armstrong Oil & Gas, Inc. ("AOG"), which continues to be the primary driver for the Armstrong Companies. AOG is a privately held company with the main principal being Mr. William D. Armstrong and it is the cornerstone for all other Armstrong companies ("Armstrong"). Mr. Armstrong was one of the youngest professionals to be inaugurated into the prestigious All American Wildcatters organization. Armstrong specializes in oil and gas exploration and production and maintains its headquarters in Denver, Colorado.

The primary focus of Armstrong is to generate, assemble and drill large, company impact, opportunities. Primary areas of activity to date have been located within the United States including: North Slope and Cook Inlet of Alaska, Overthrust Belt of Wyoming/Utah, San Joaquin Basin, Southern Louisiana, South Texas, Gulf of Mexico and numerous other basins within the Rocky Mountain region.

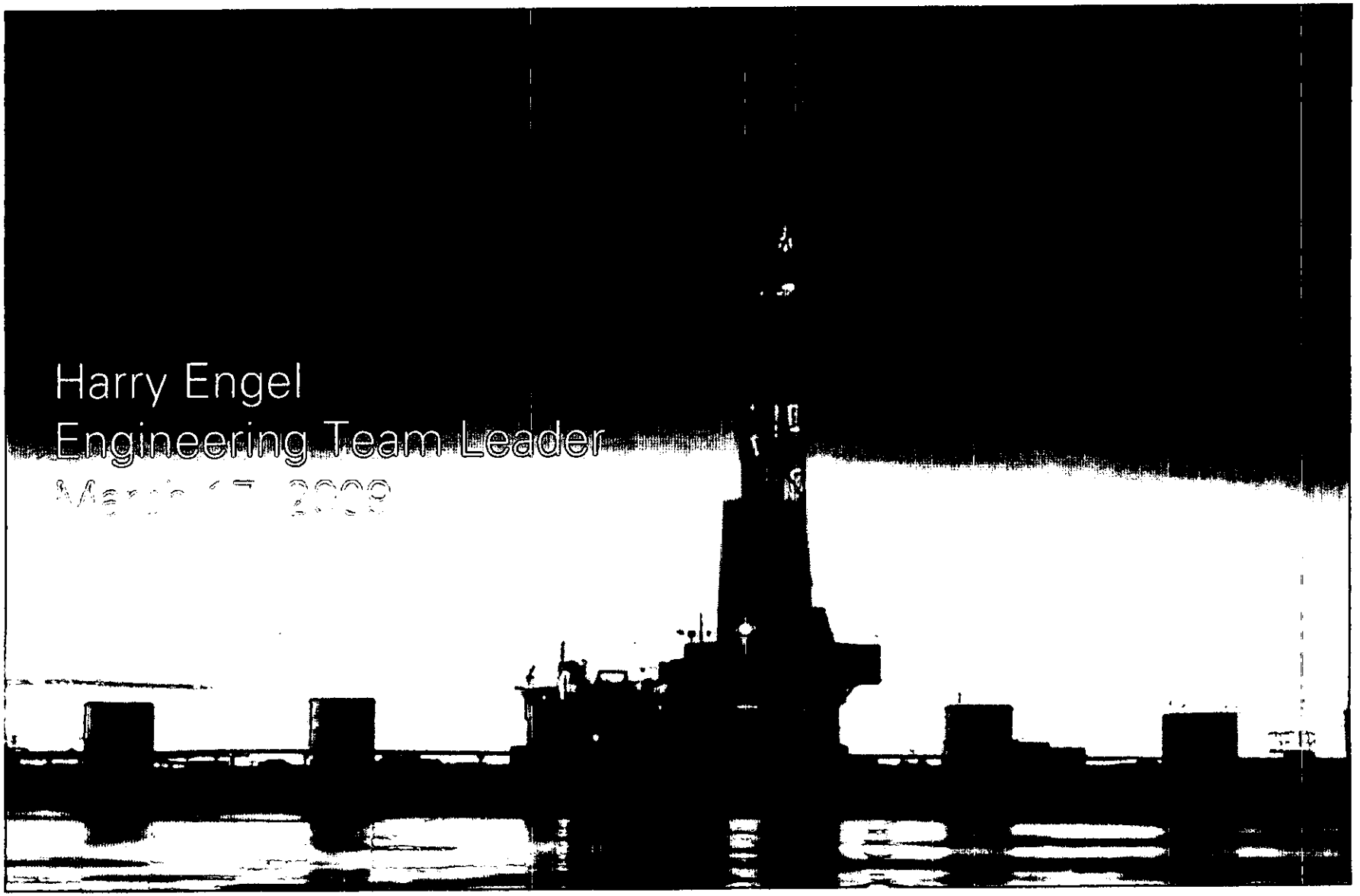
Armstrong has pushed the limits of oil and gas industry by setting new records for the deepest production within the state of California when the Bellview 1-17 well blew out at approximately 250mmcfpd in 1997. Armstrong was the first independent to generate and cause oil production to flow from the North Slope of Alaska with its Oooguruk project flowing first oil in 2008 and its Nikaitchuq project which is scheduled for first production in 2010. Armstrong has also set records for the deepest production in the Rocky Mountain Region.

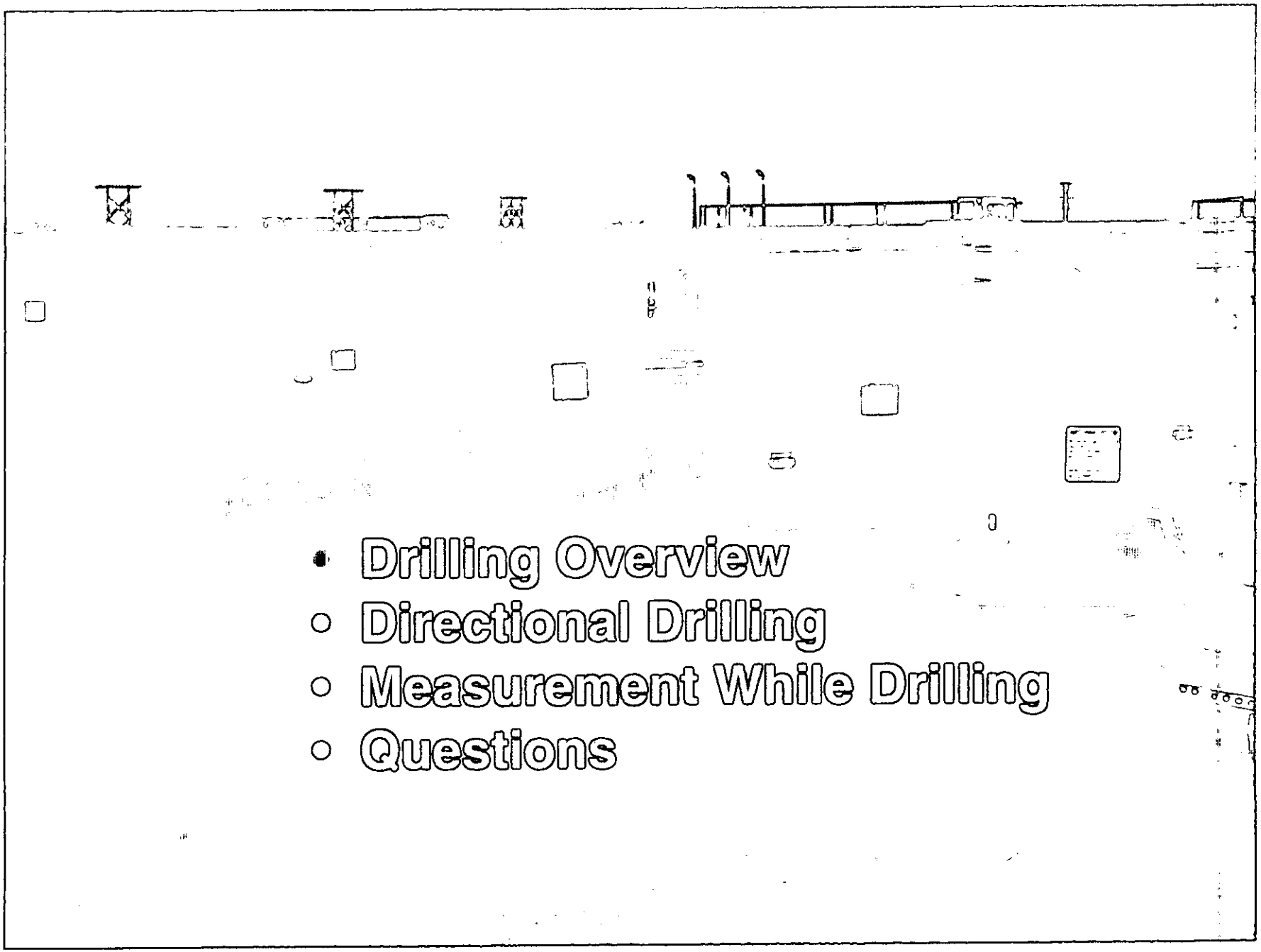
The basis for Armstrong's success has come in large part due to Mr. Armstrong's hand in selecting the best personnel out of major companies from across the globe and applying their talents in those areas that have the potential to become world class oil and gas fields. Armstrong has a history of being able to consummate transactions with the companies and government agencies it deals with, especially under difficult and problematic situations. Mr. Armstrong has a strict discipline of only applying resources in those areas that have a fiscal environment that provides for a reasonable return on capital under a stable government. This combination has allowed Armstrong to perform both in the good times as well as the difficult ones.

During the past 23 years Armstrong has drilled wells and/or developed fields with many partners, including: Anadarko Petroleum, British Petroleum, Burlington Resources, ChevronTexaco, ConocoPhillips, El Paso Corp., ExxonMobil Corp., ENI Petroleum Exploration Co., Encana, EOG Resources, Kerr-McGee Corp., Occidental Petroleum Corp., Pioneer Natural Resources, Shell Oil Company, St. Mary Land, Stone Energy Corp. and many other smaller companies.

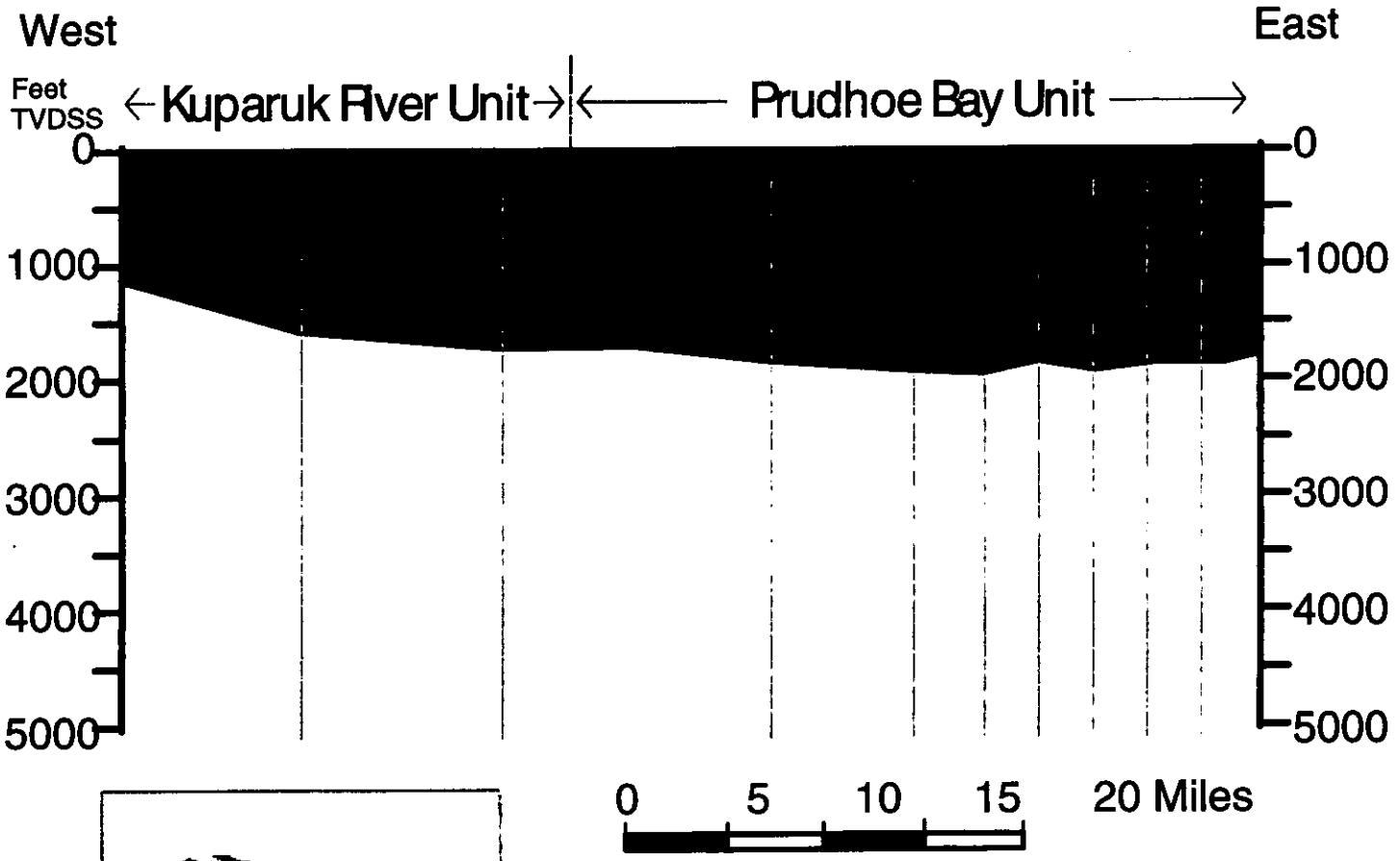
3/17/09 LUNCH & LEARN: DIRECTION-AL DRILLING

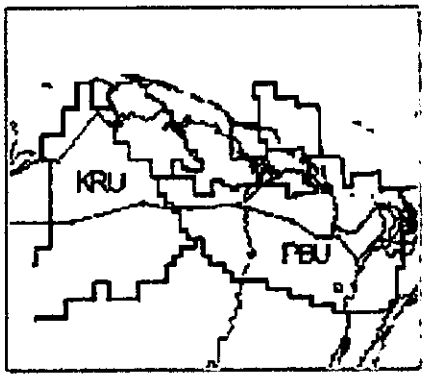
2167



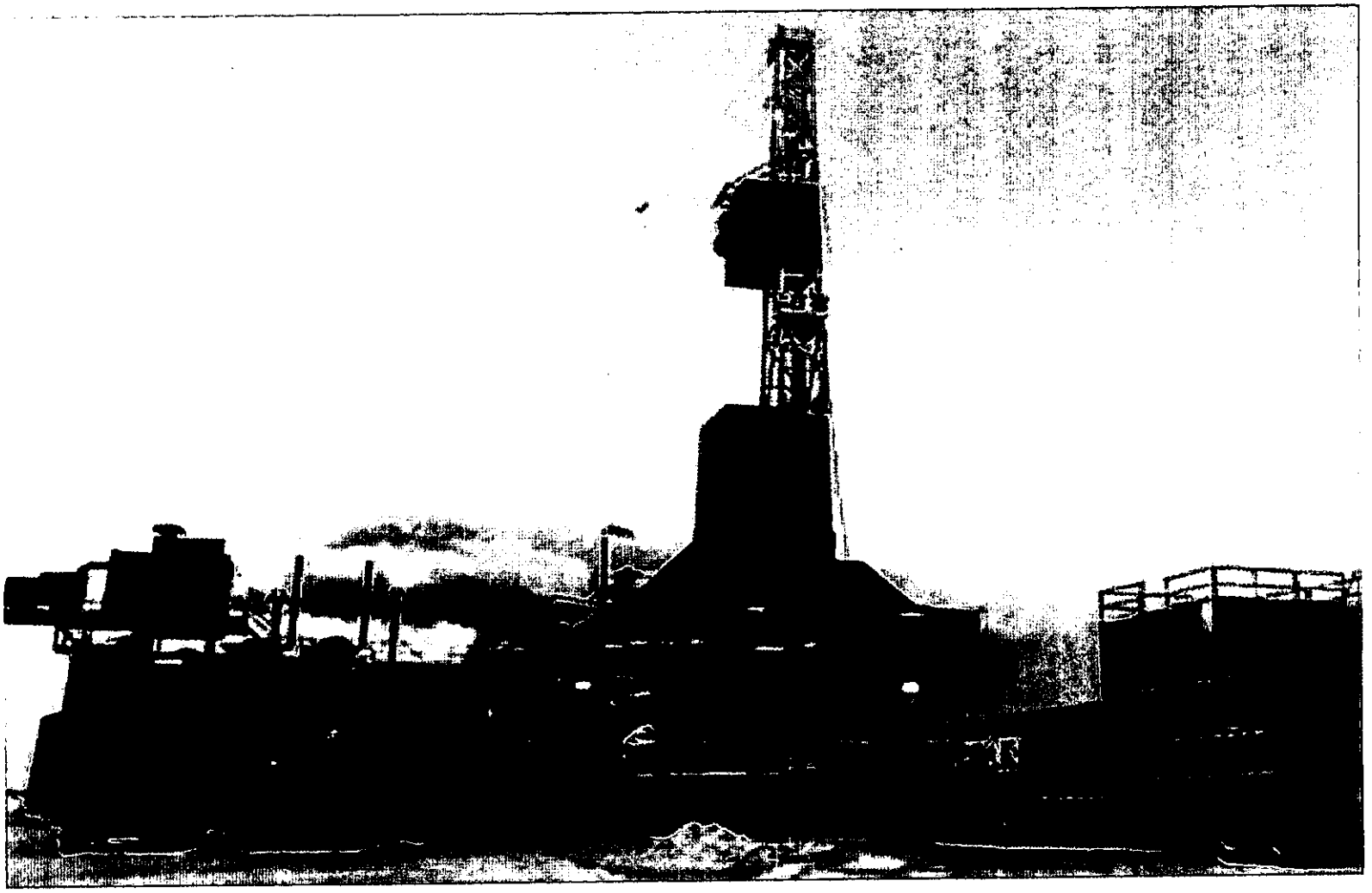

Drilling Overview
Directional Drilling
Measurement While Drilling
Questions

North Slope Permafrost

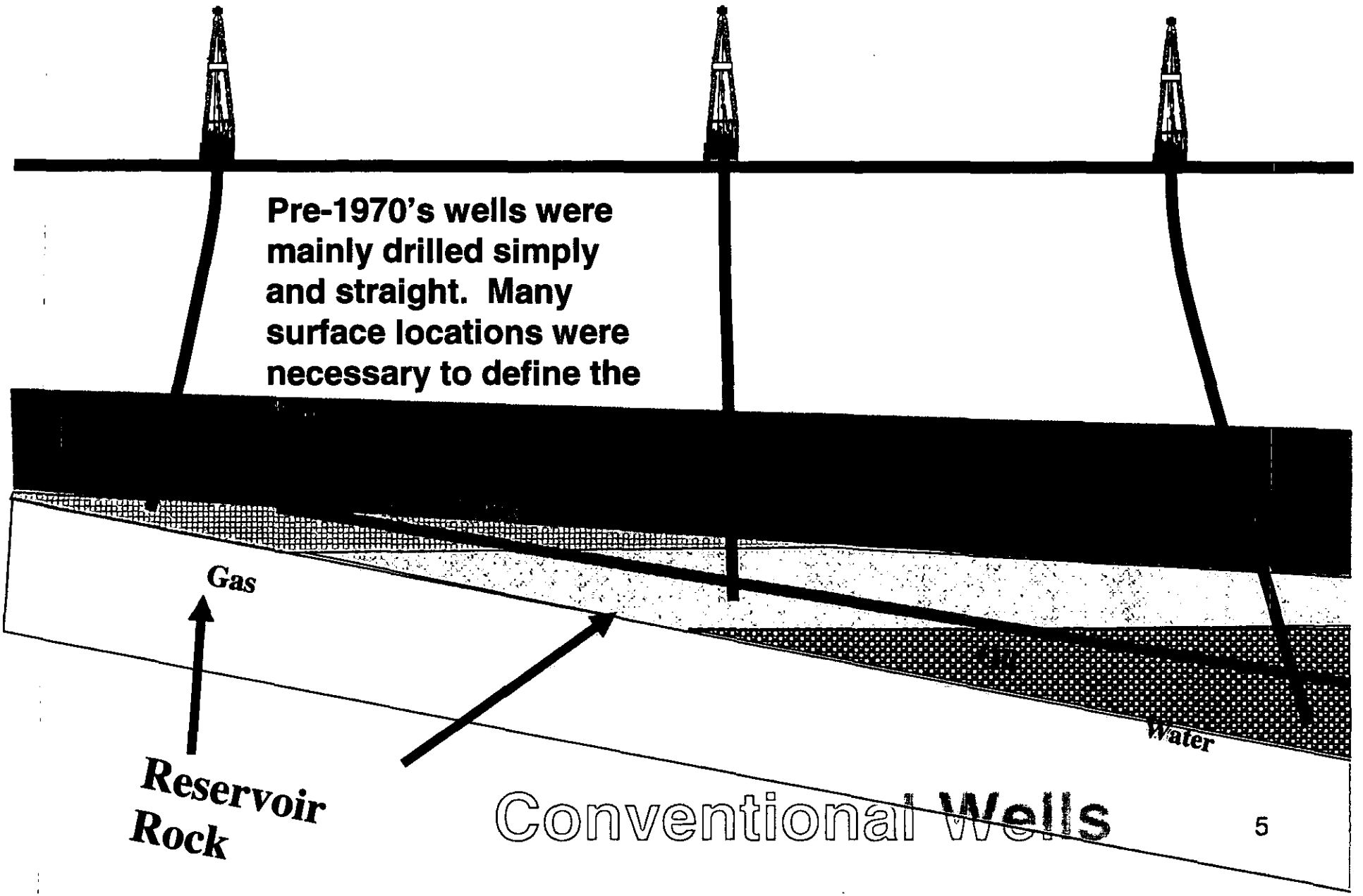




Typical Rotary Drilling Rig

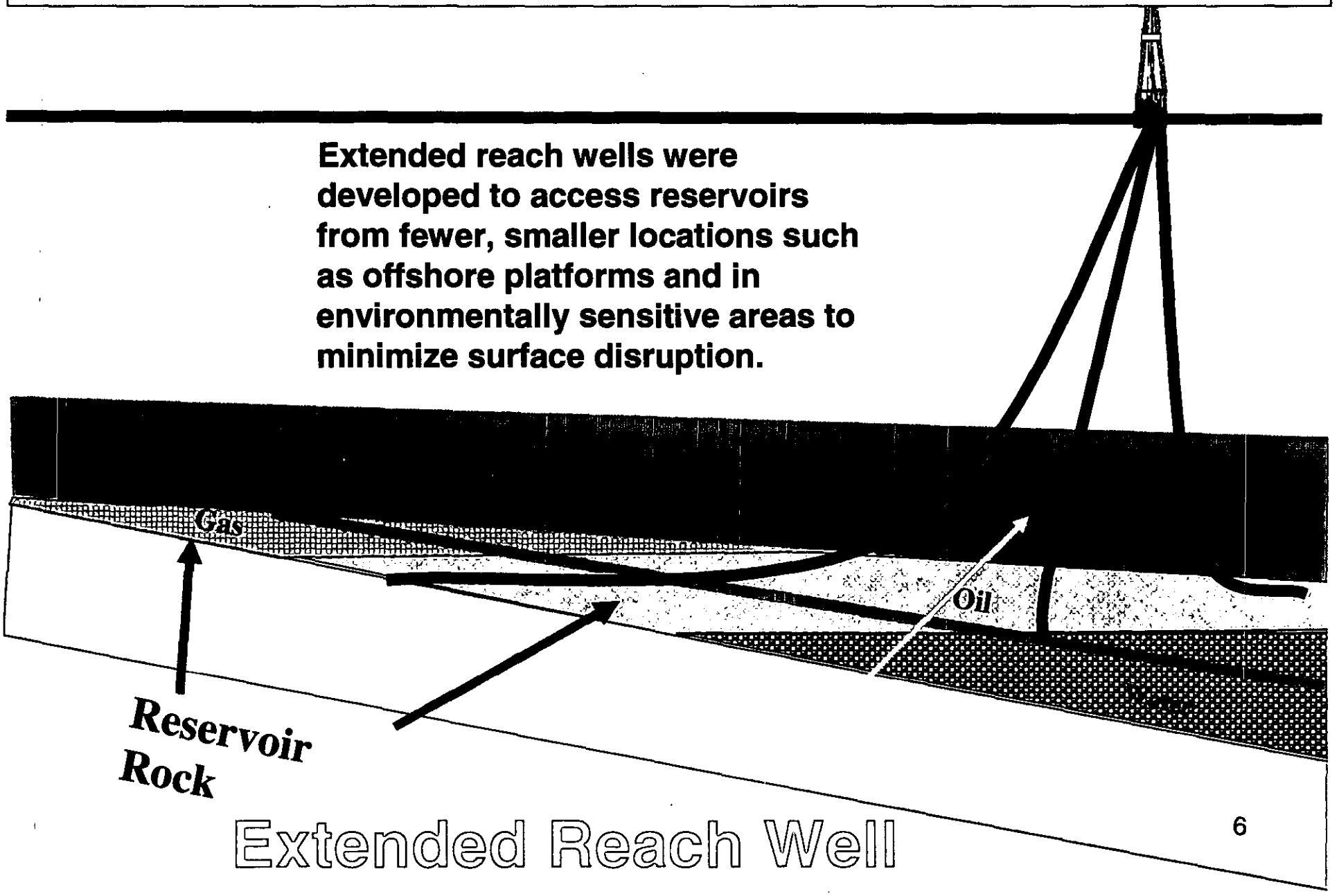


WELL CONSTRUCTION



WELL CONSTRUCTION

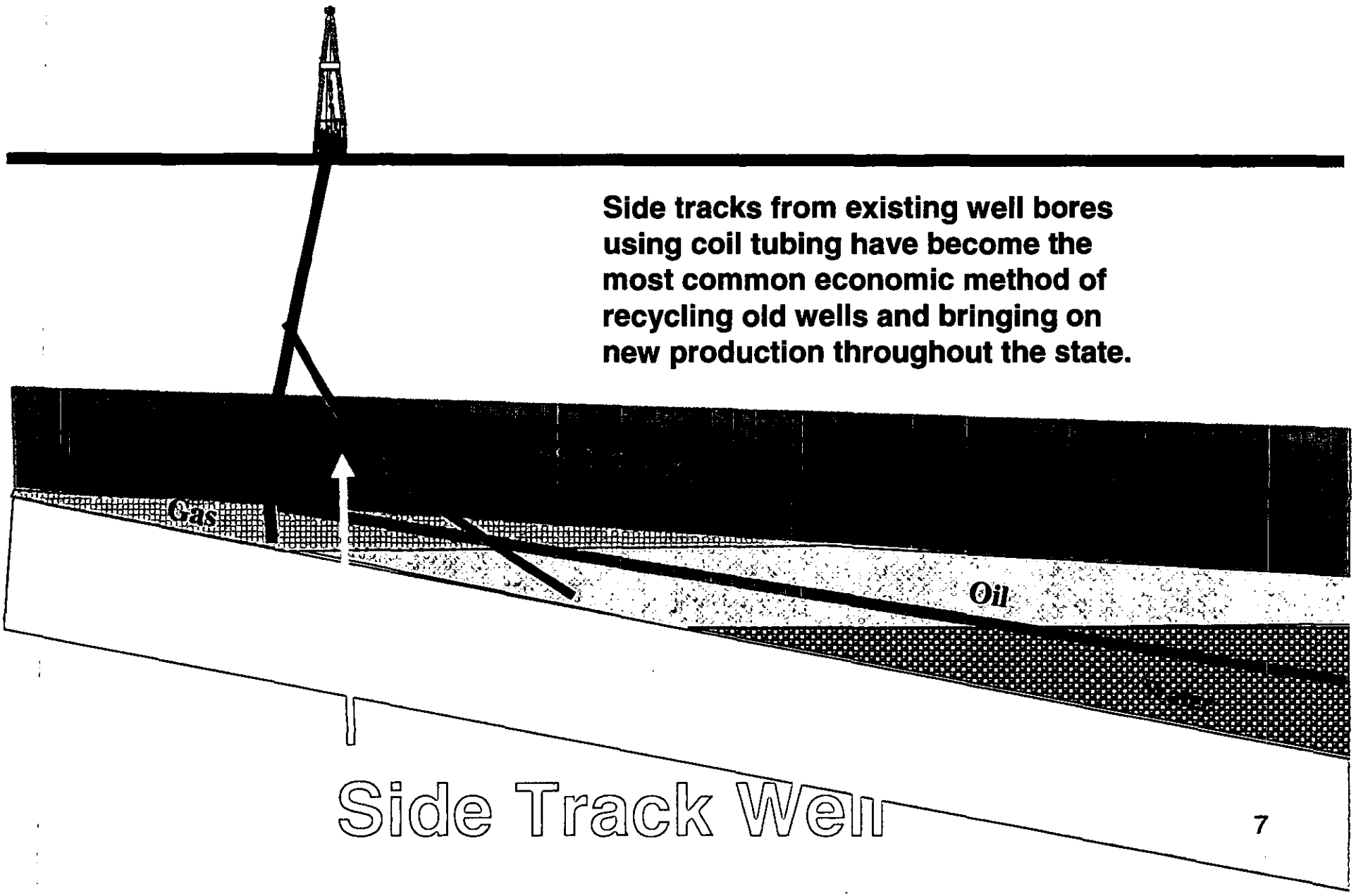
Extended reach wells were developed to access reservoirs from fewer, smaller locations such as offshore platforms and in environmentally sensitive areas to minimize surface disruption.



Extended Reach Well

WELL CONSTRUCTION

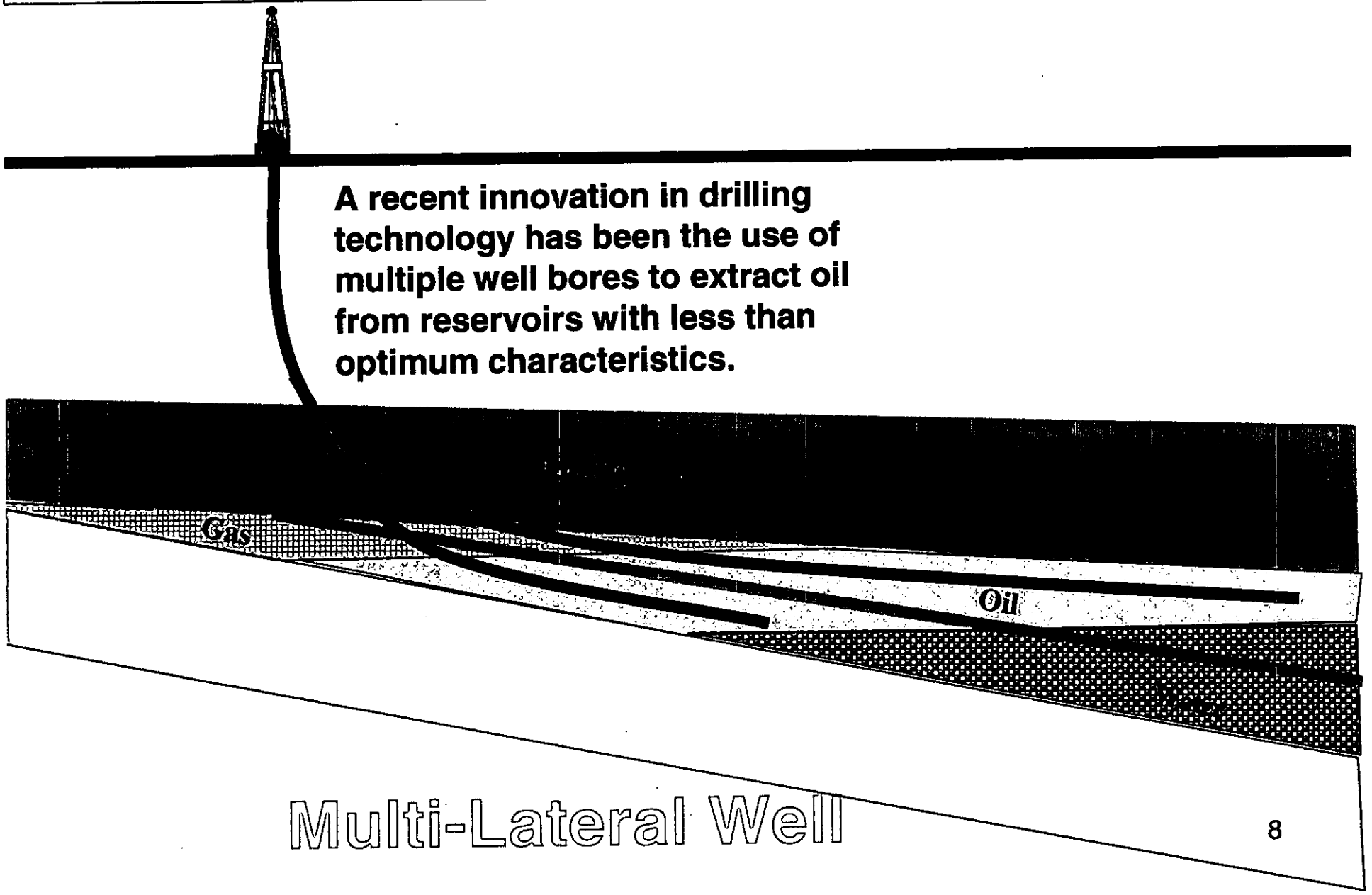
Side tracks from existing well bores using coil tubing have become the most common economic method of recycling old wells and bringing on new production throughout the state.



Side Track Well

WELL CONSTRUCTION

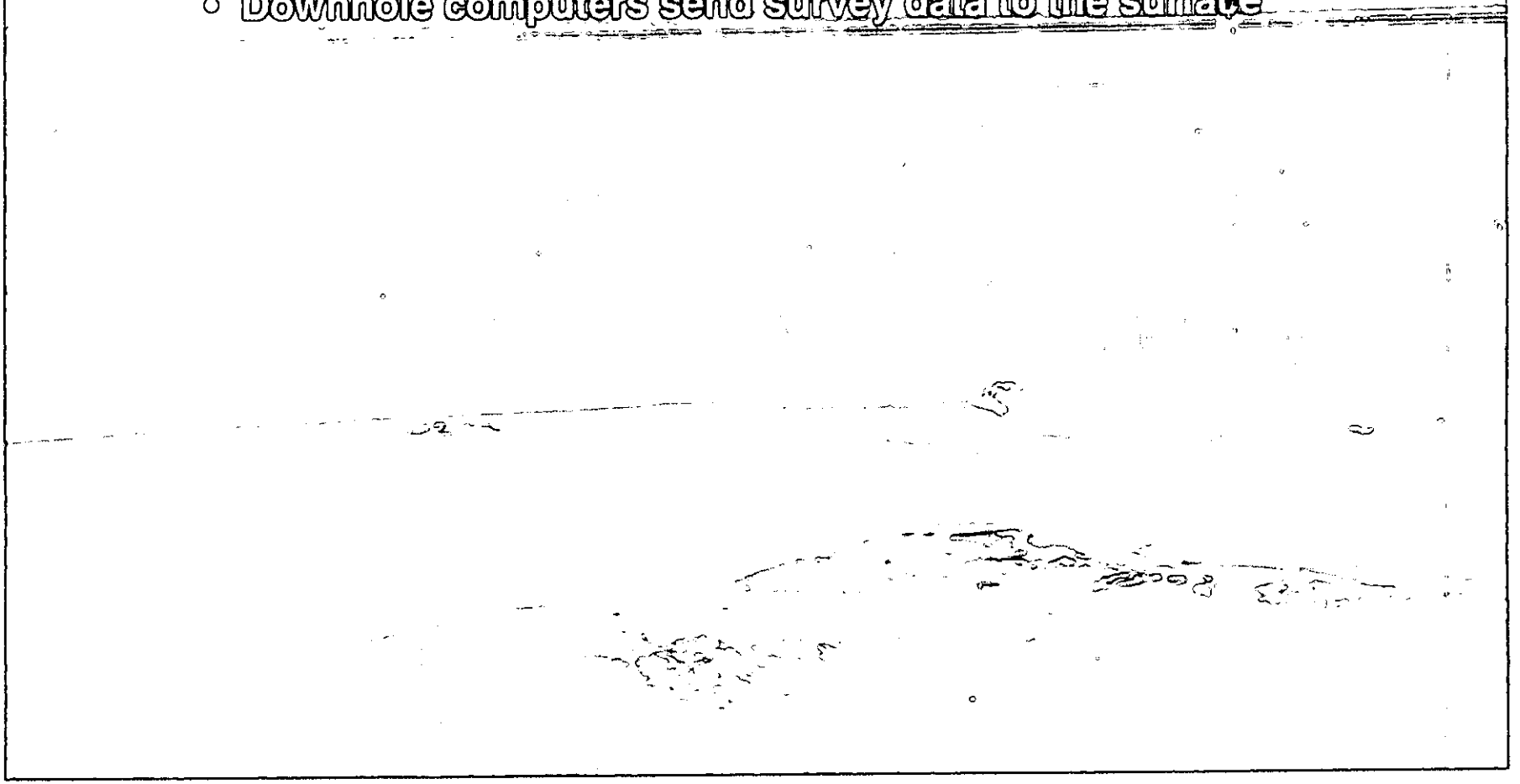
A recent innovation in drilling technology has been the use of multiple well bores to extract oil from reservoirs with less than optimum characteristics.



Multi-Lateral Well

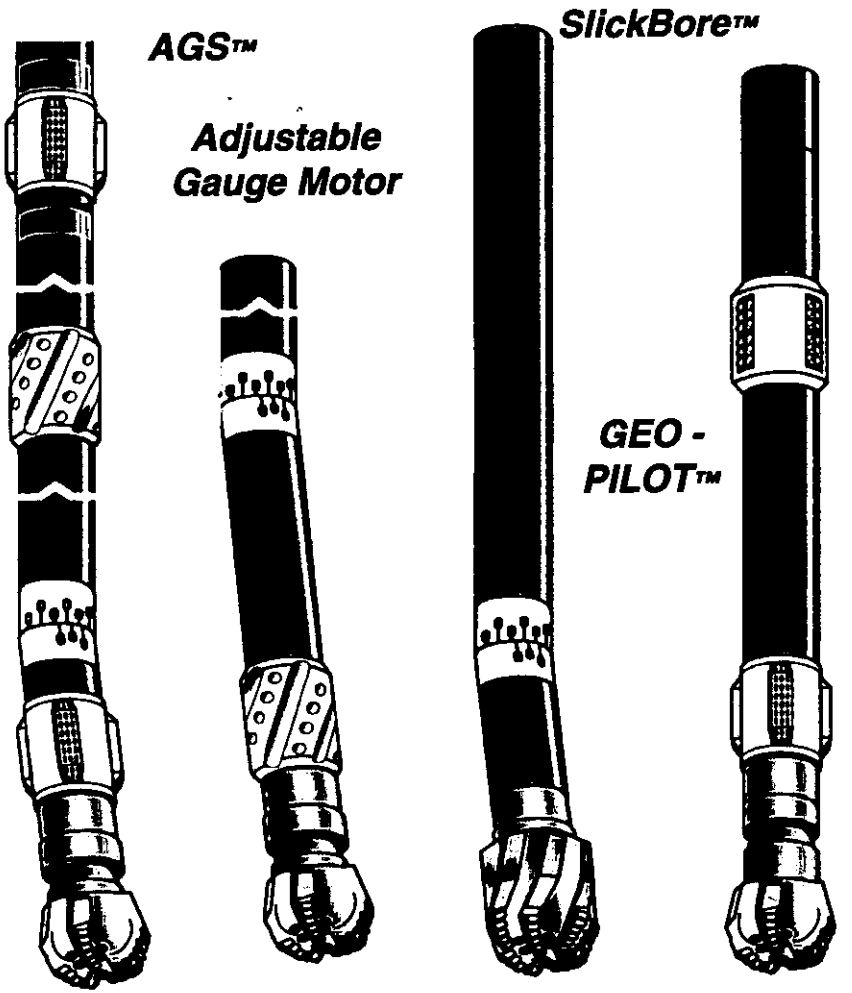
Directional Drilling

- Technology allows efficient resource development
- Minimize surface foot print
- Pinpoint reservoir target
- Surveying underground...angle, direction and distance
- Downhole computers send survey data to the surface



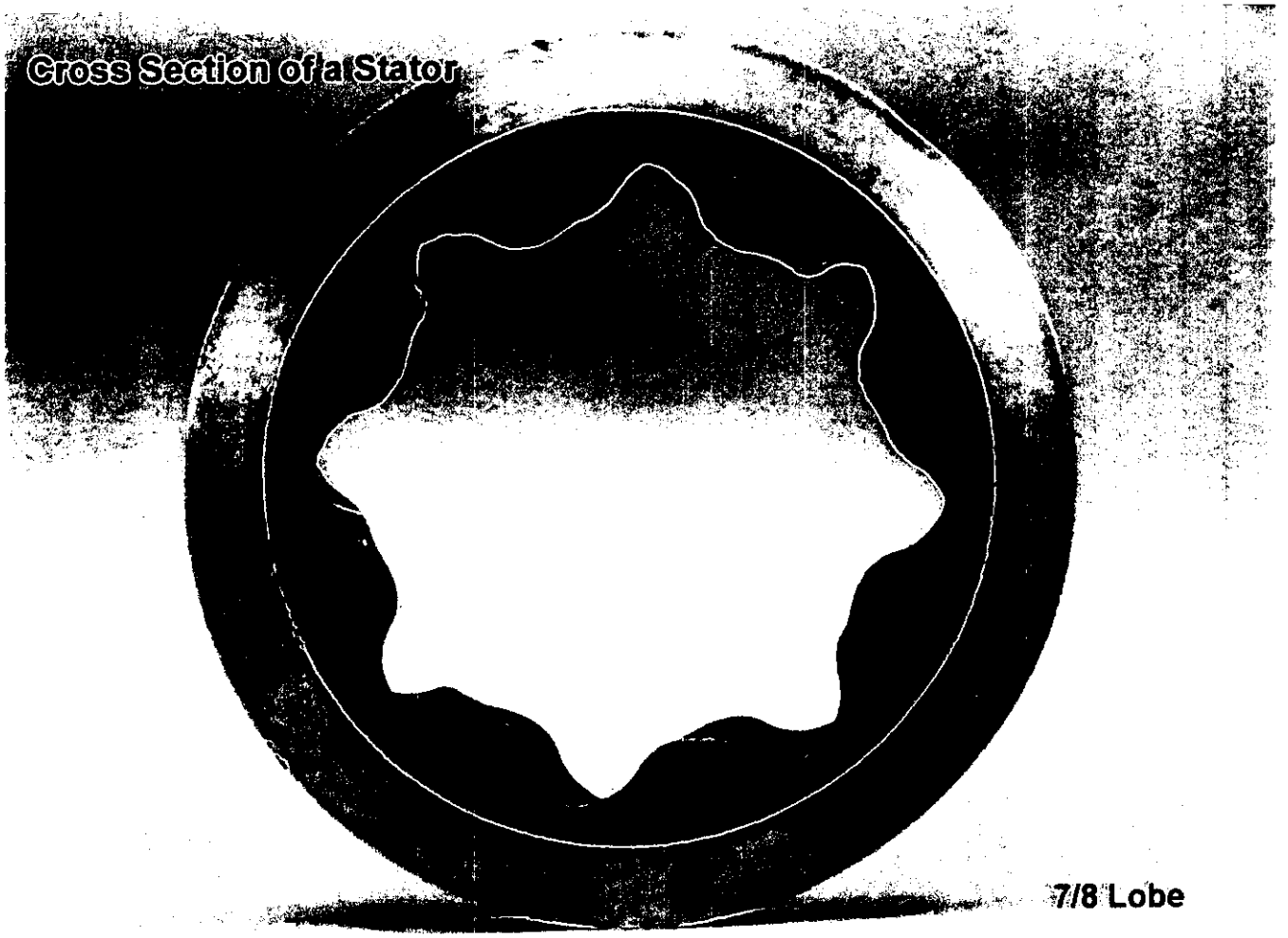
How do we "Directionally Drill"?

- Directional Drilling Systems
  - Mud Motors
  - Rotary Steerable Tools

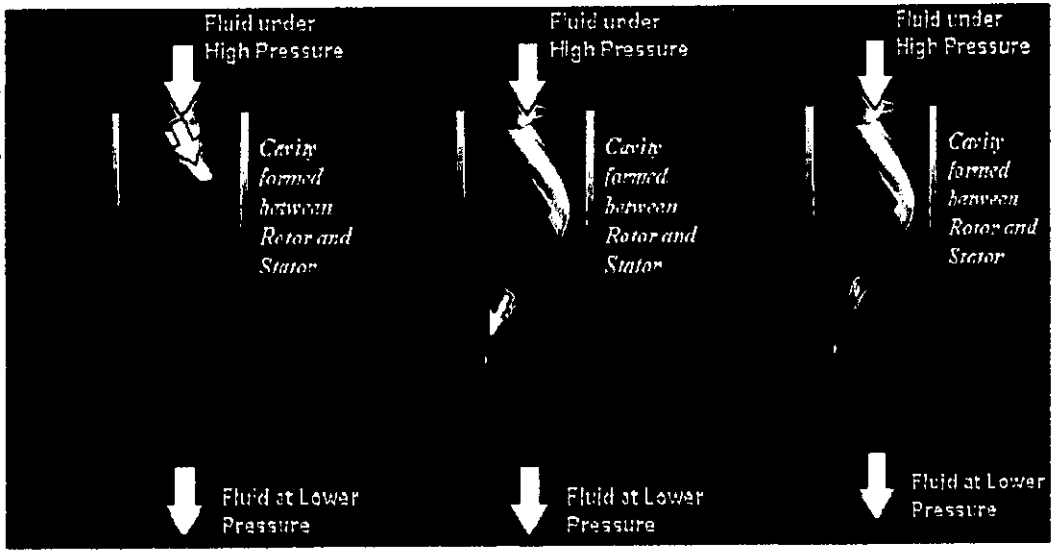


Mud Motor - Rotor

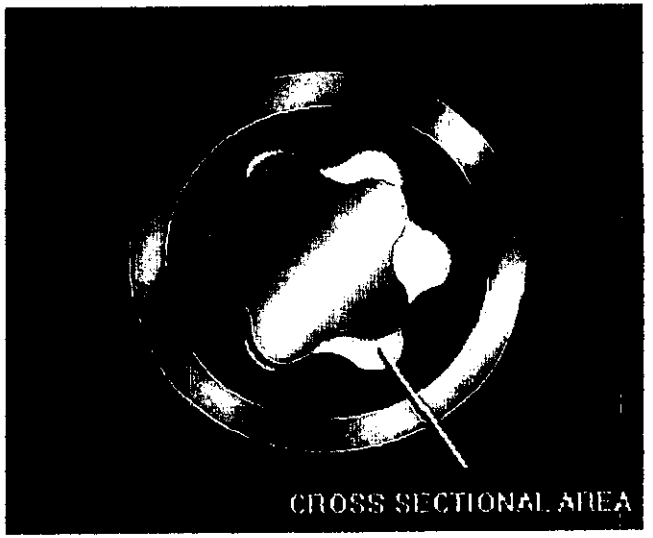
Mud Motor – Stator Cross Section



How the Motor Works?

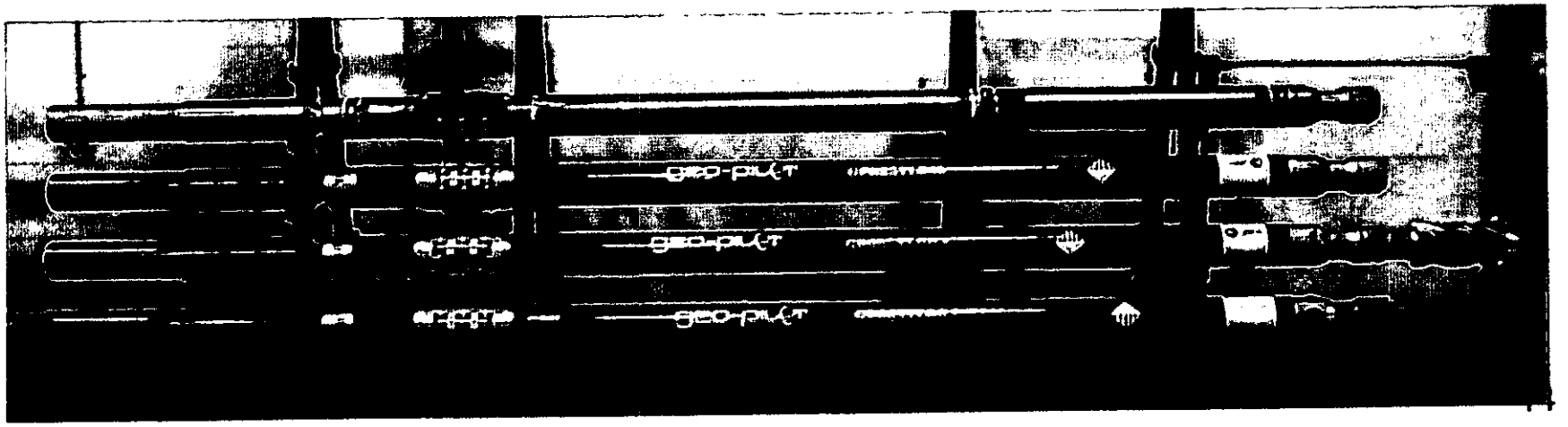


The differential pressure causes drilling fluid to enter the cavities at the top of the motor. As it moves through the motor, the fluid pushes on the rotor causing it to rotate.

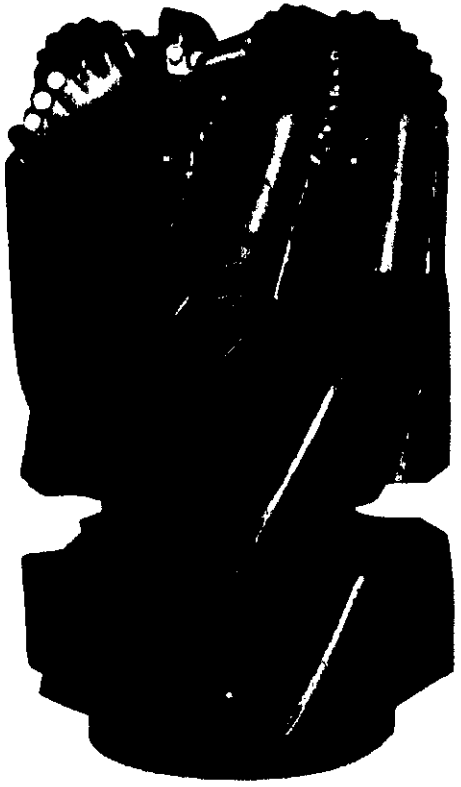


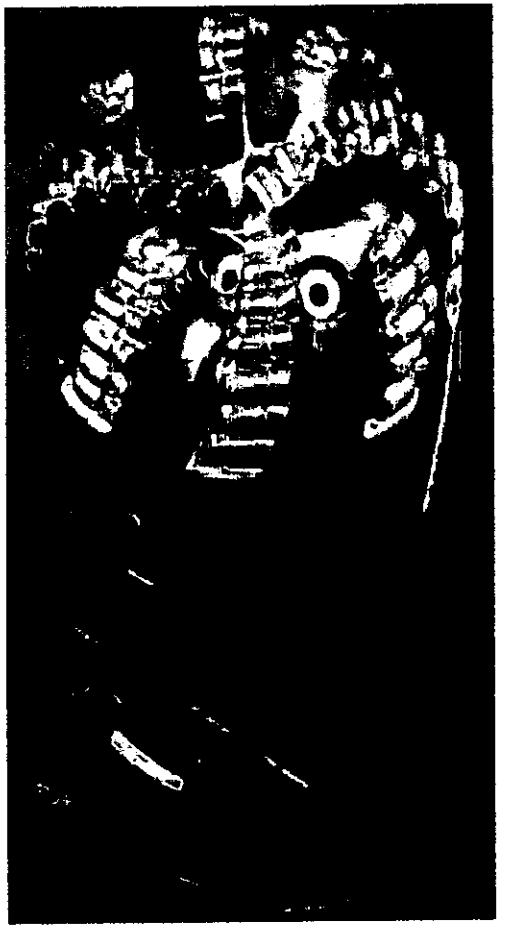
Rotary Steerable System

- Rotation comes from the rig at surface
- Drill Faster – Higher Overall Rate of Penetration due to:
  - Less friction, lower drag due to rotating 100% of the time
  - Less time spent cleaning hole
  - Fewer sticking pipe incidences
- Drill Farther – Beyond the technical limit of Mud Motors



Rotory Steerable Bits – Long Gauge





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Measurement While Drilling (MWD)

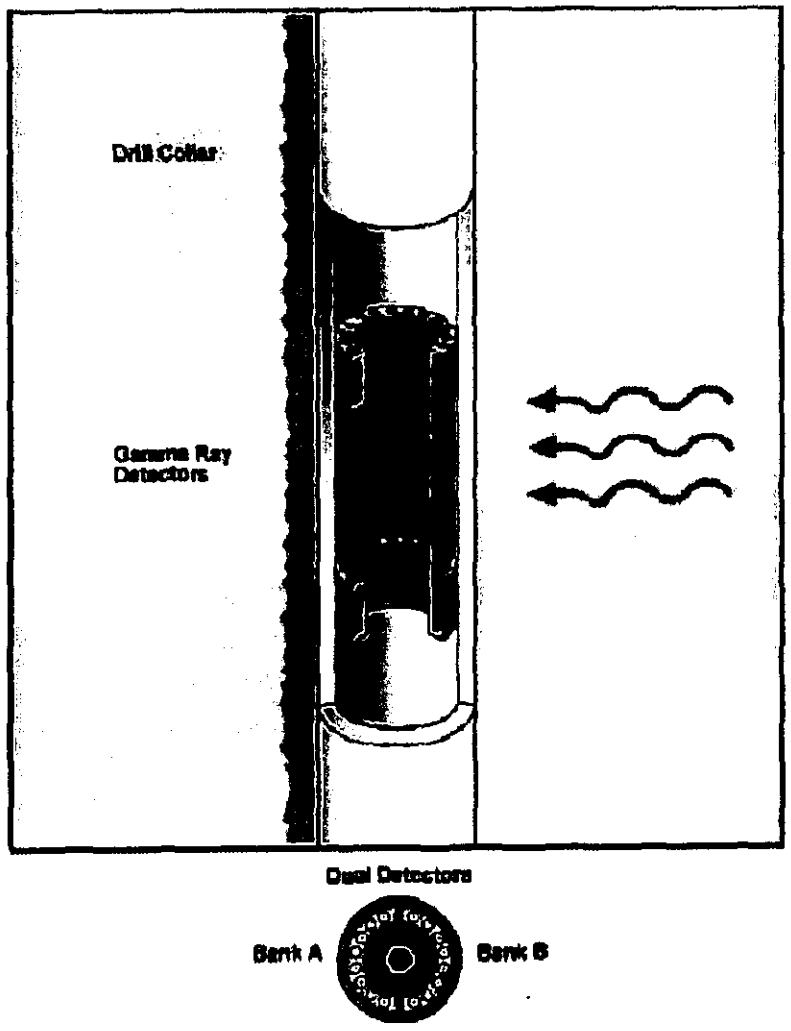
How do we know what is happening 2 miles below ground?

Basic MWD sensors and Mud Pulse Telemetry

- Gamma Ray Sensor
- Resistivity Sensor
- MWD Pulser

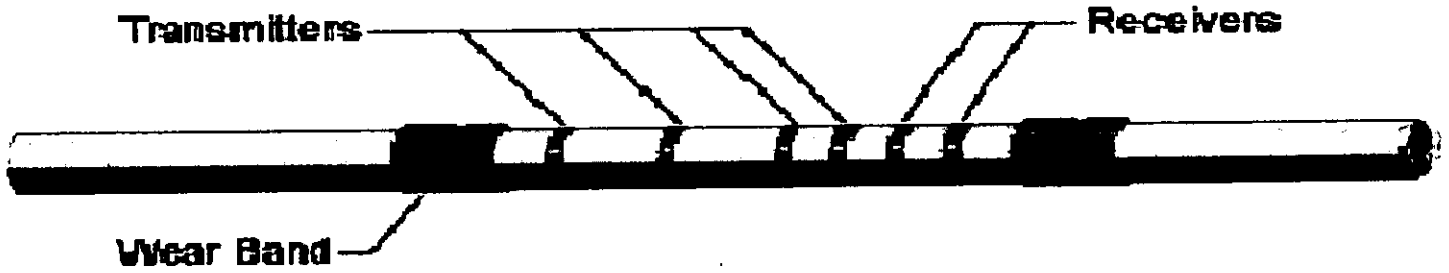
Gamma Ray Tool

- Measure background Gamma Radiation
- Lets you know if you drilling in a shale or sand
- Does not tell you if your in a oil bearing sand – Other tools are used in conjunction to answer that



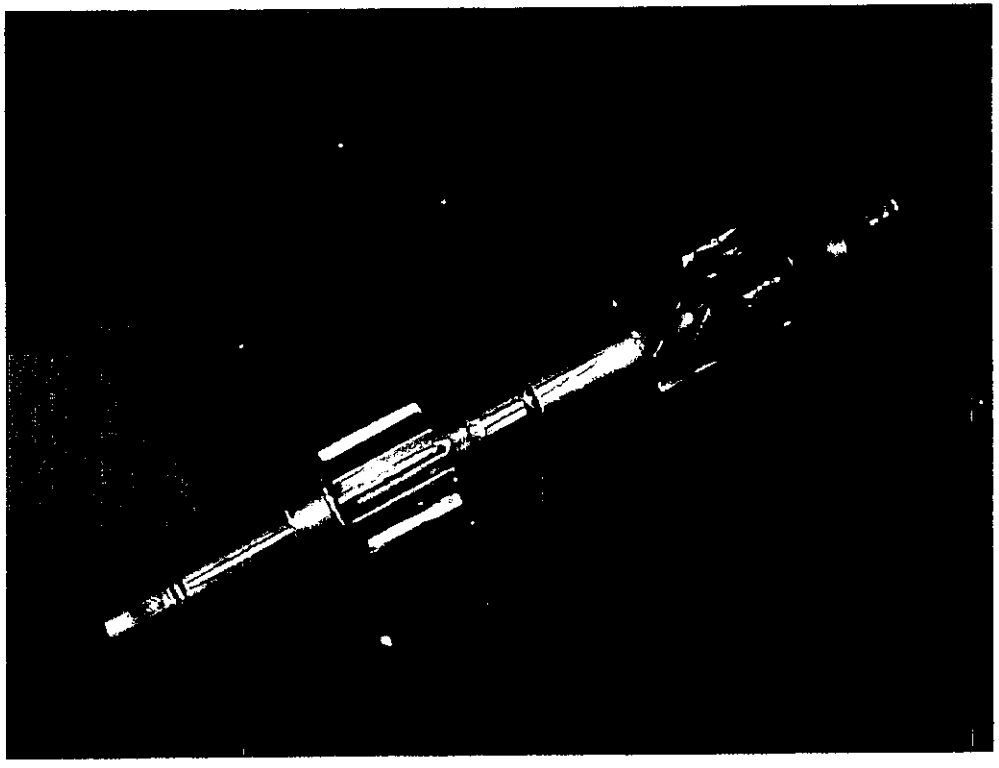
Resistivity Tool

- Tell you if your drilling through a formation with electrically conductive or insulating substance
  - Oil does not conduct electricity – High Resistivity readings
  - Water conducts electricity – Low Resistivity readings
- Think of it as sending out radio waves with receivers set at different distances



MWD Pulser

- Electrical Generator
  - Supplies Power to all MWD tools below ground
- Transfers all the data to the surface

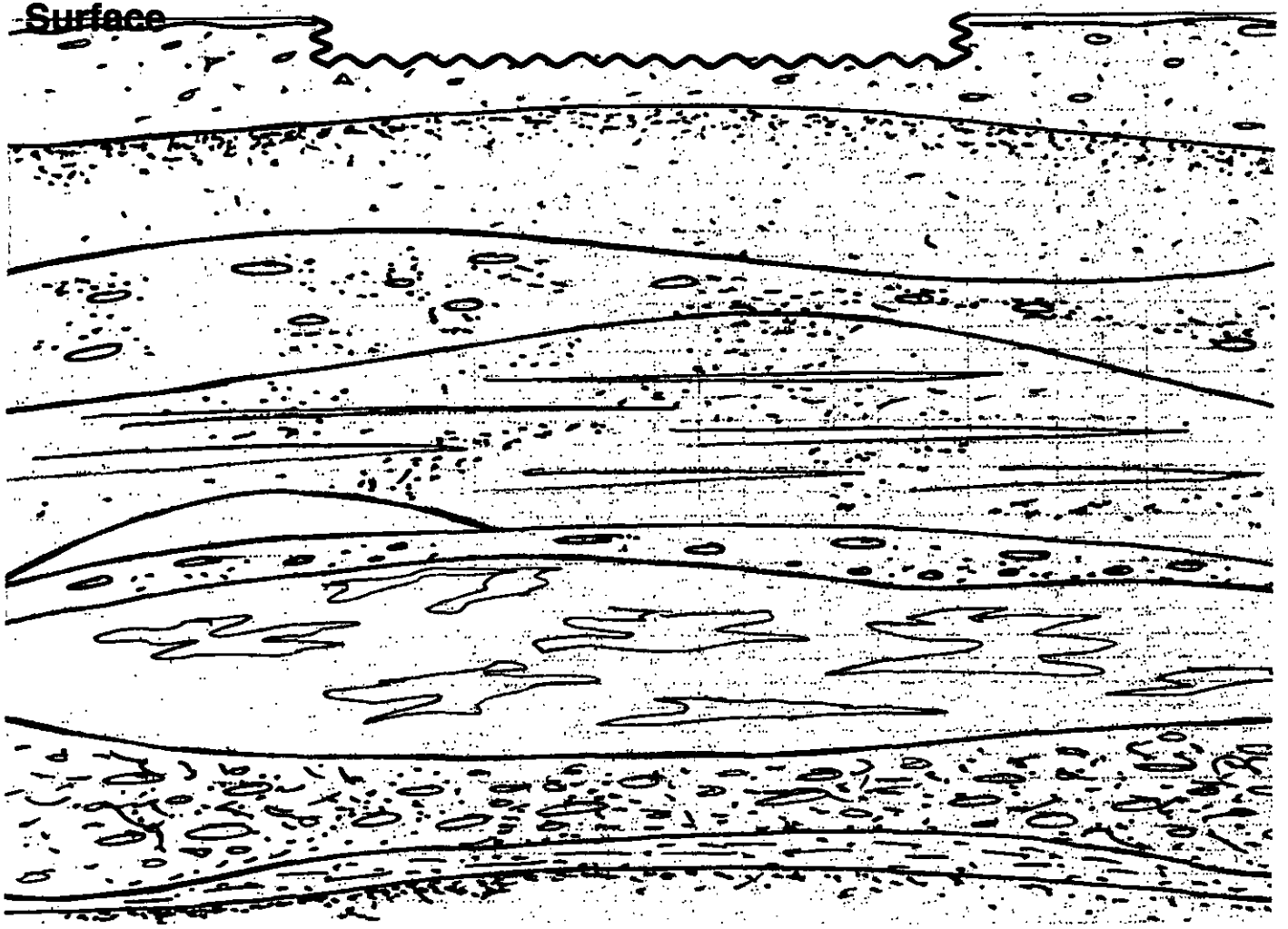


Main steps to drill a well

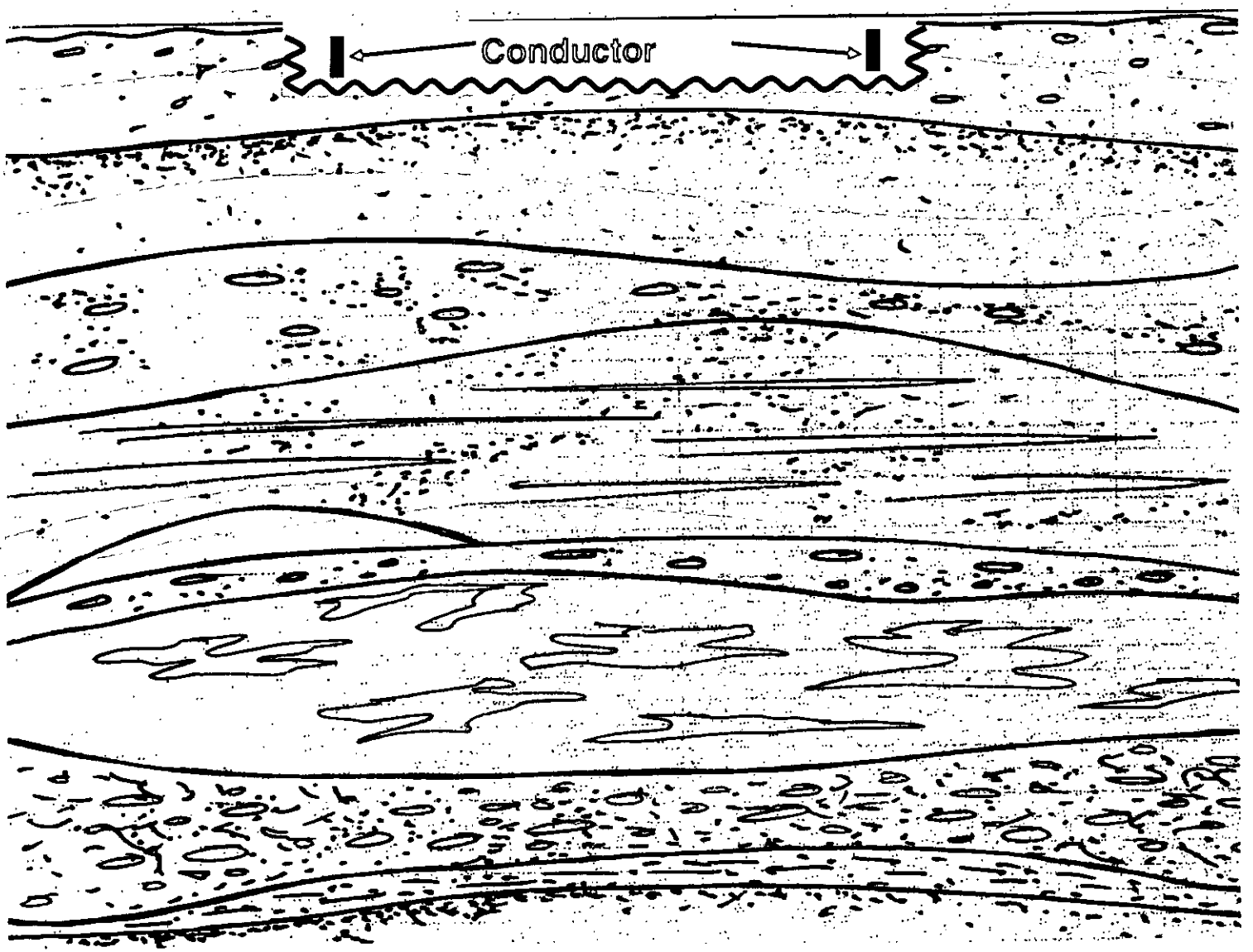
- Drill the interval of interest.
- Acquire geological and reservoir information.
- Run casing over the interval.
- Cement the interval.
- Pressure test the cemented casing.
- Start over again...

WELL CONSTRUCTION

CONDUCTOR HOLE DRILLED

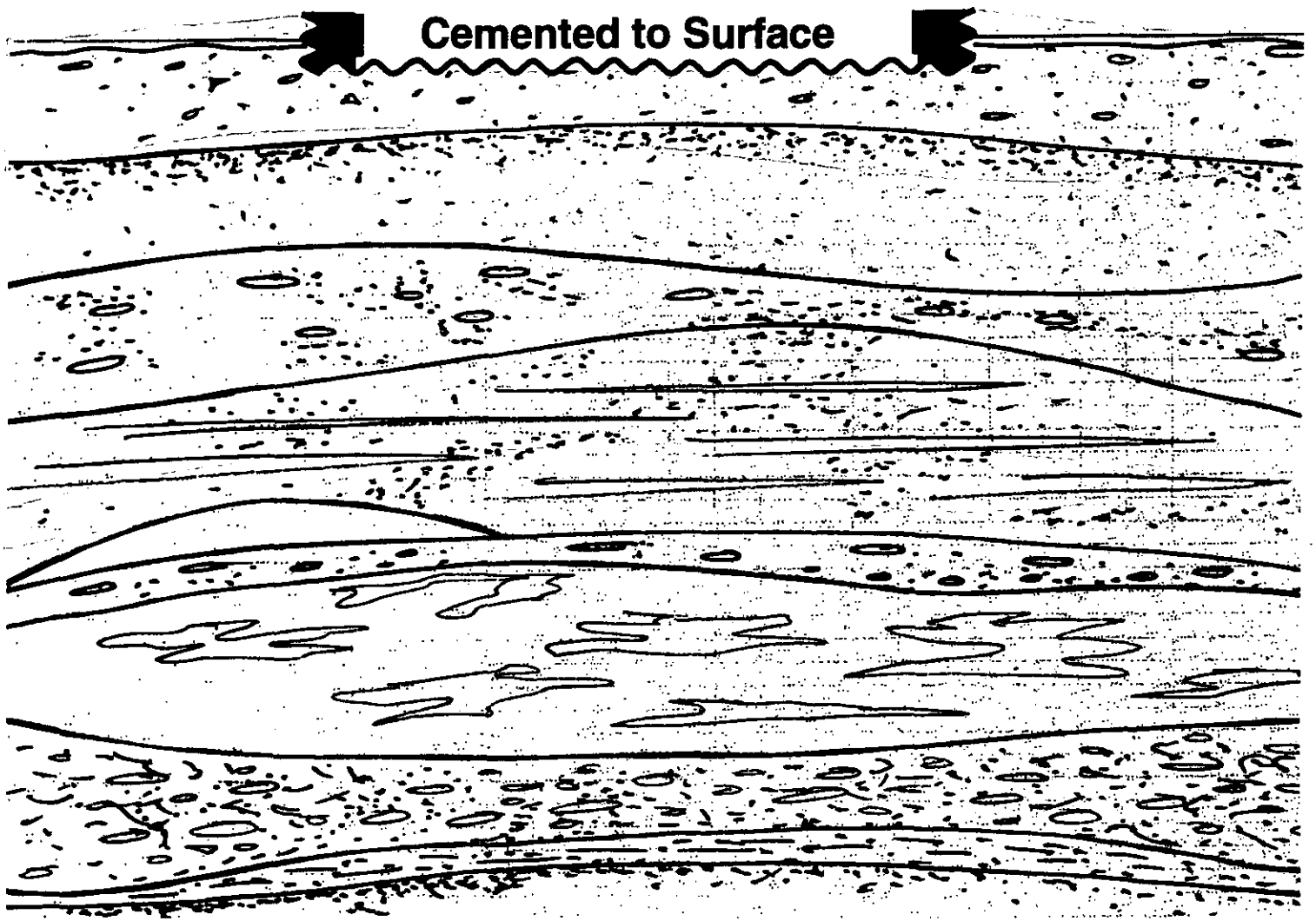


WELL CONSTRUCTION

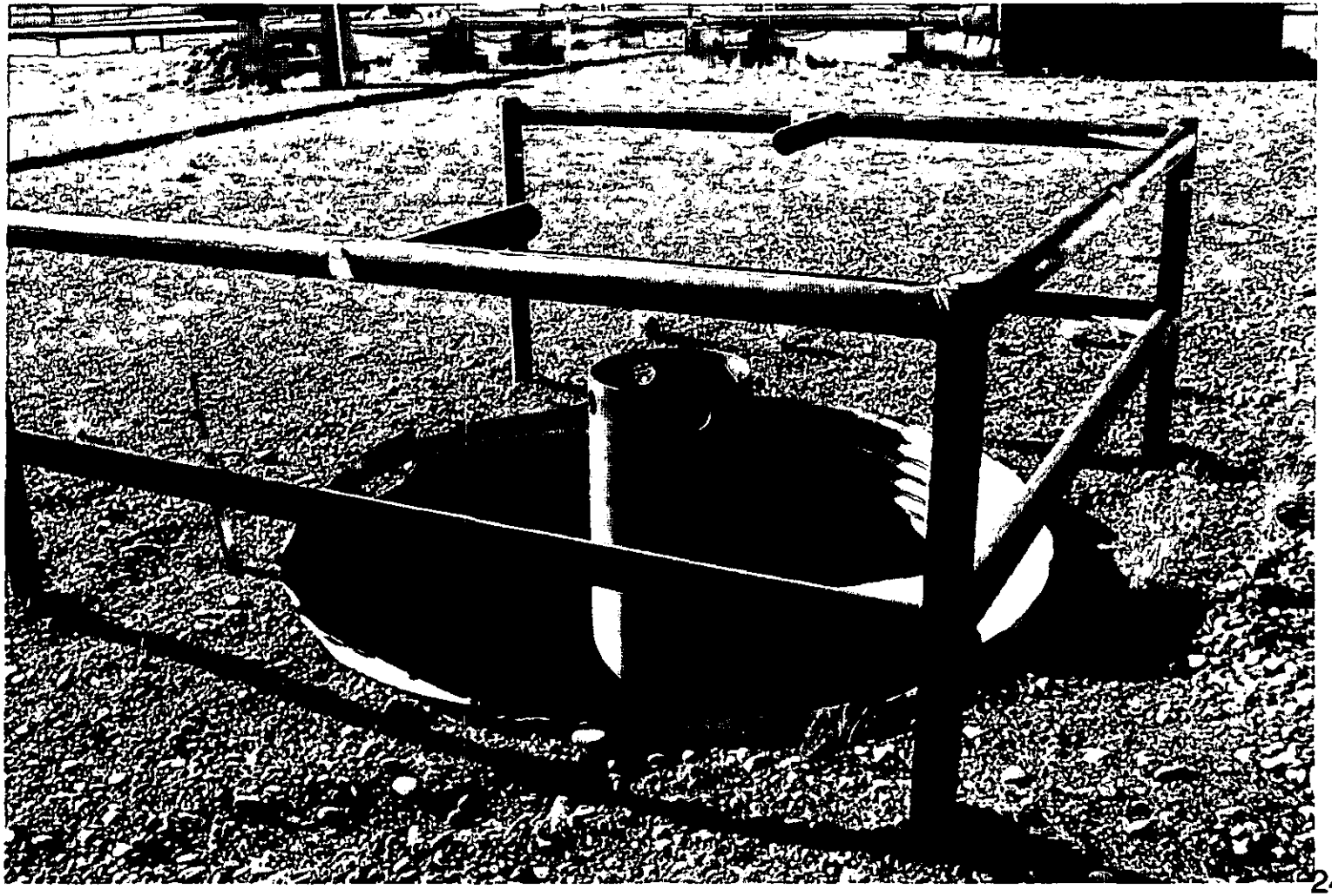


WELL CONSTRUCTION

CONDUCTOR PIPE CEMENTED

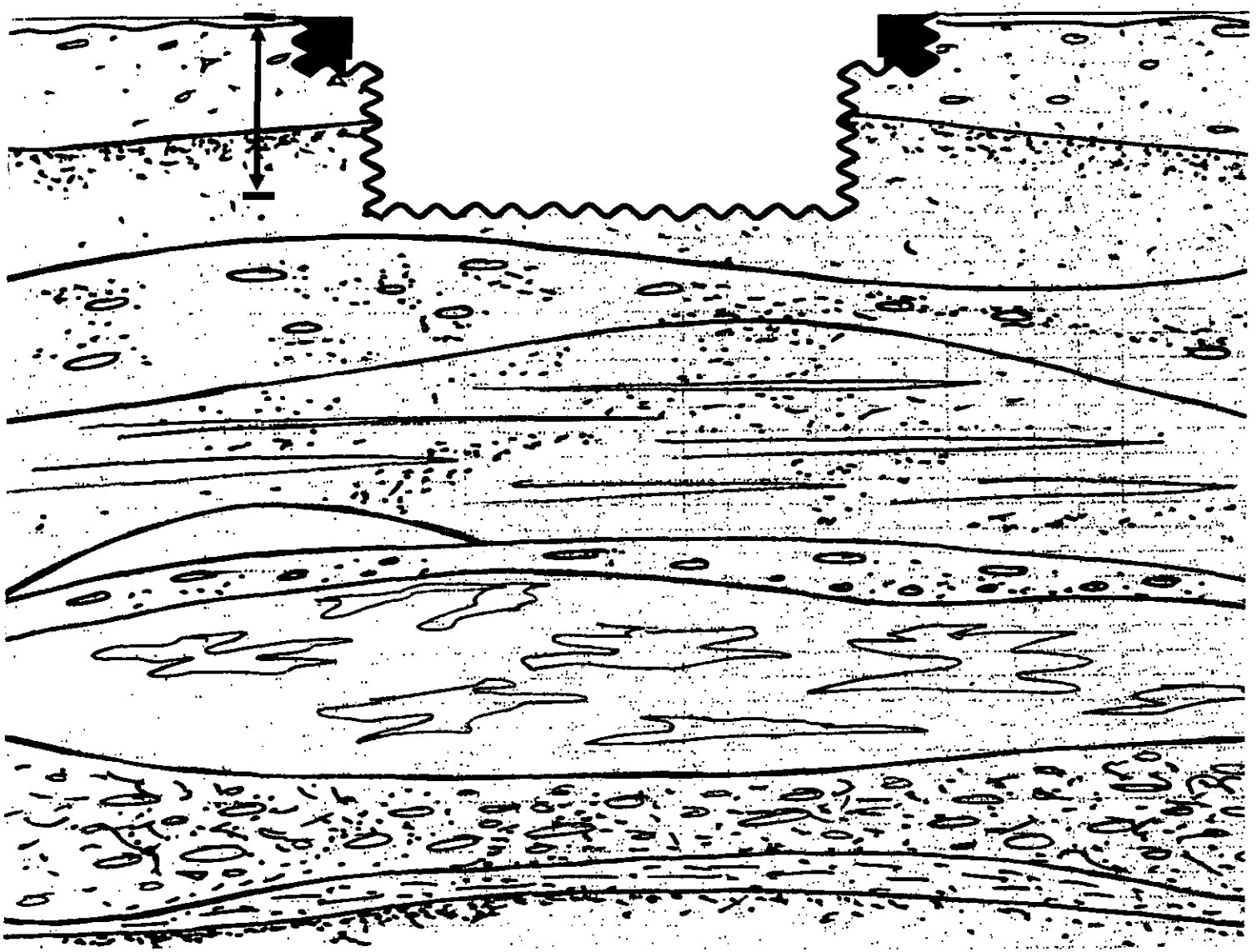


WELL CONSTRUCTION



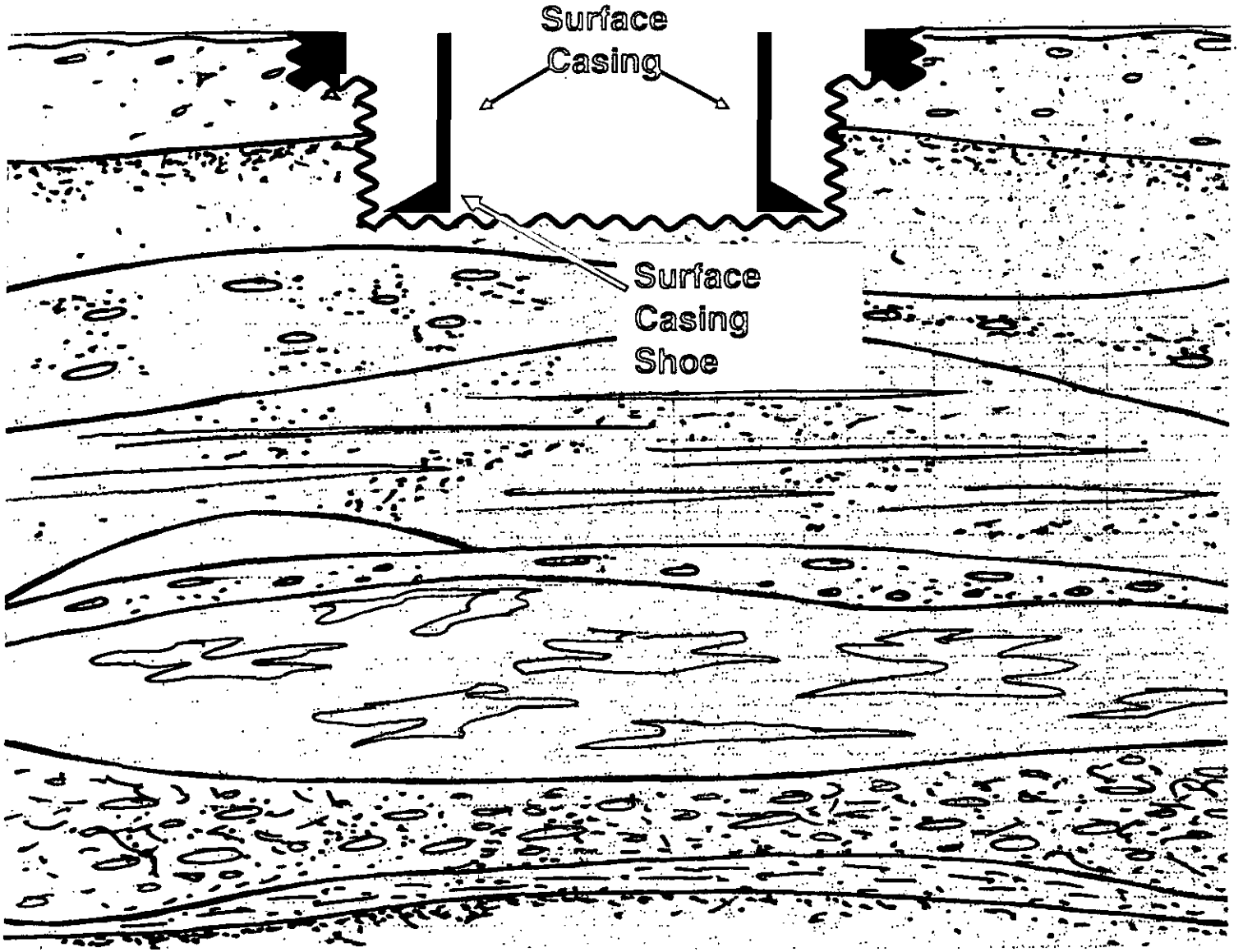
WELL CONSTRUCTION

SURFACE HOLE DRILLED



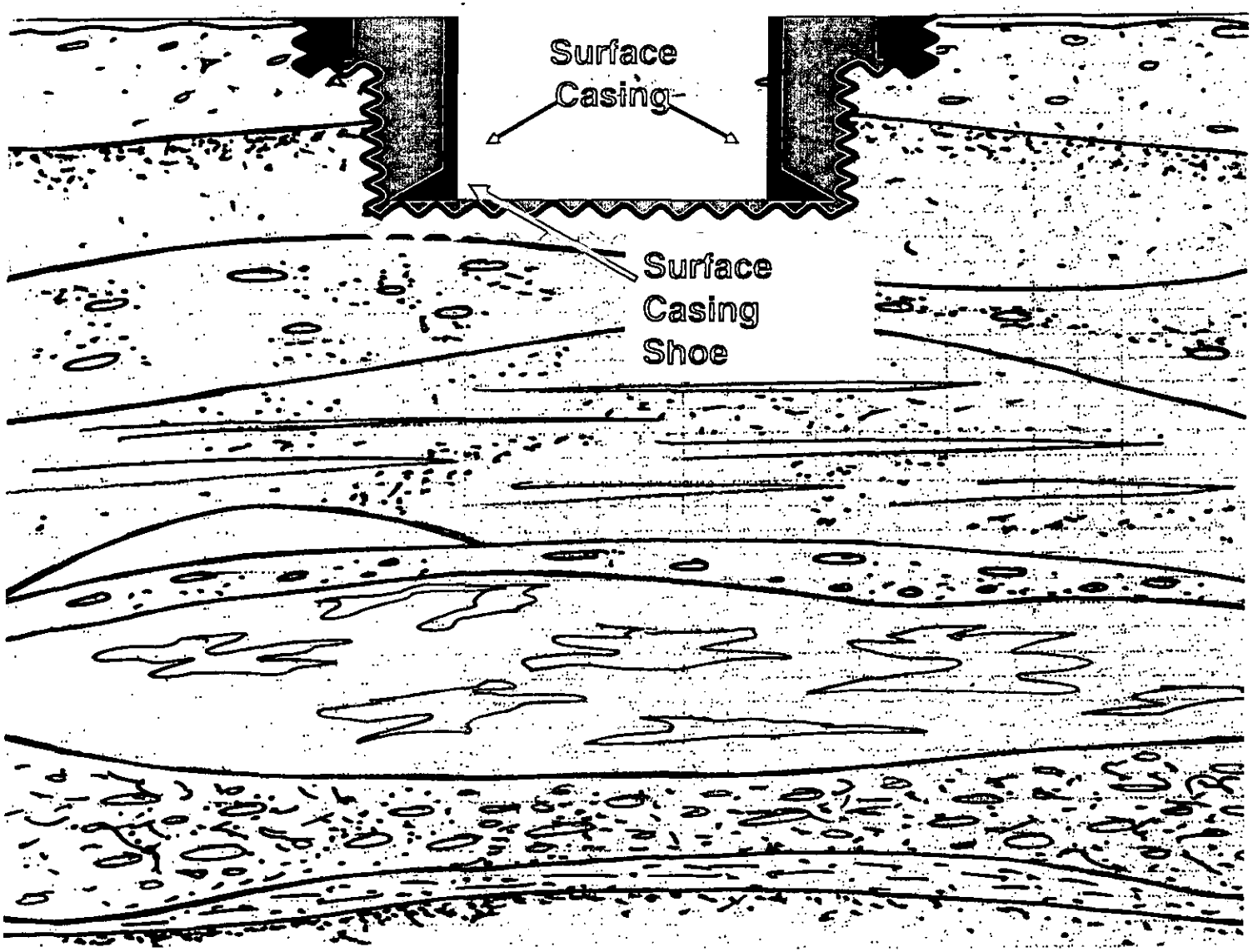
WELL CONSTRUCTION

SURFACE CASING RUN



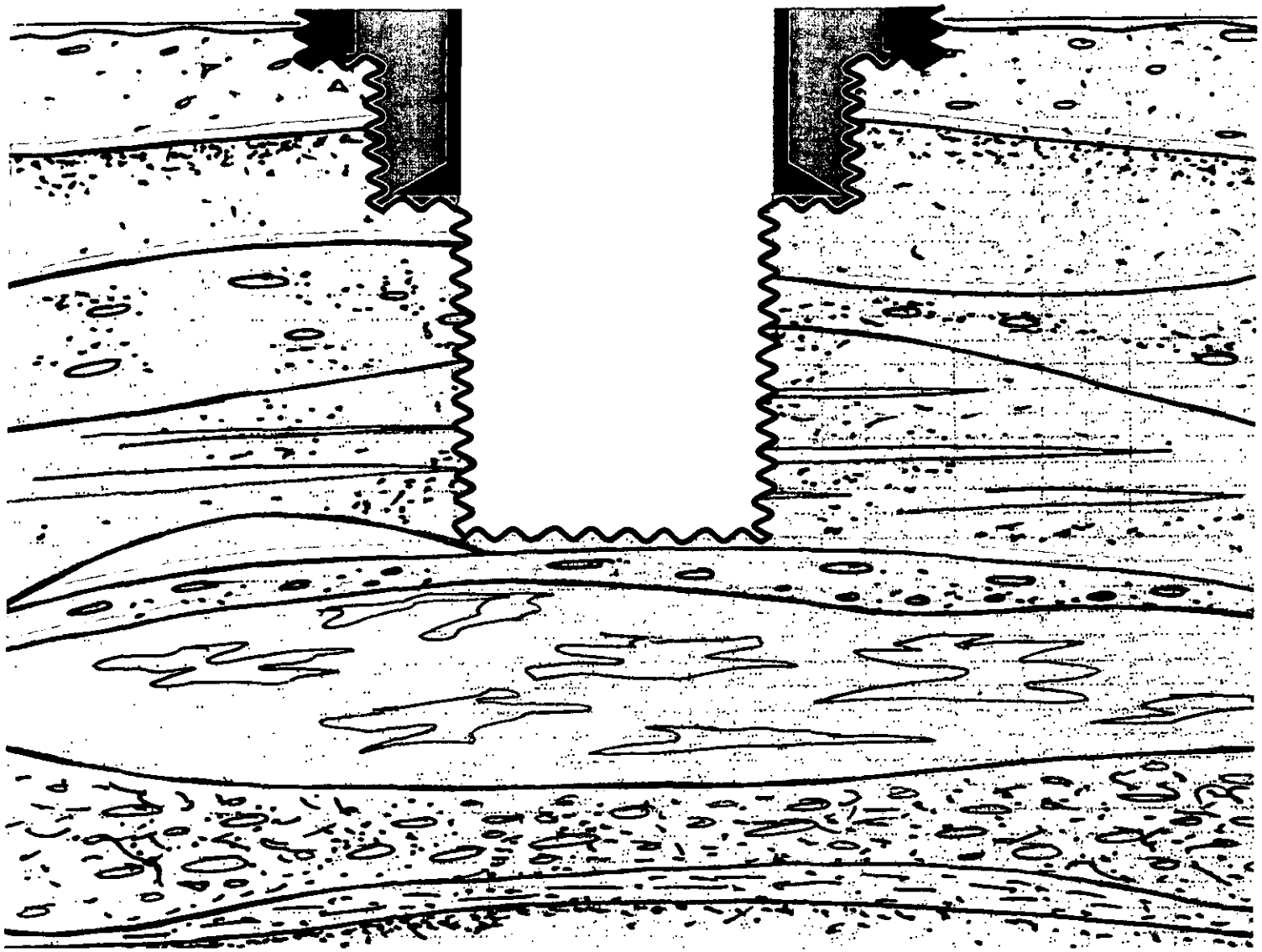
WELL CONSTRUCTION

SURFACE CASING CEMENTED TO SURFACE



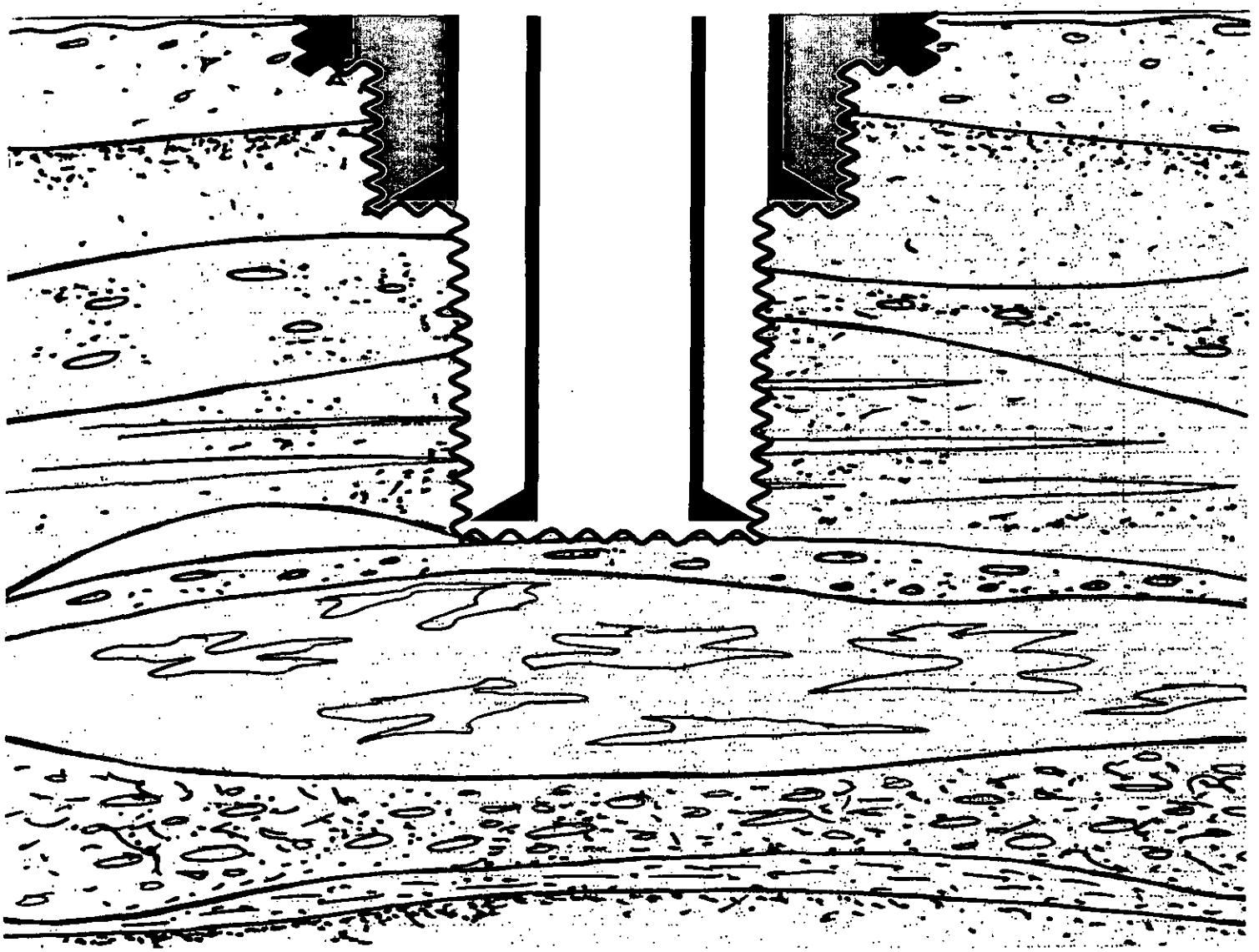
WELL CONSTRUCTION

REMAINDER OF INTERMEDIATE HOLE DRILLED



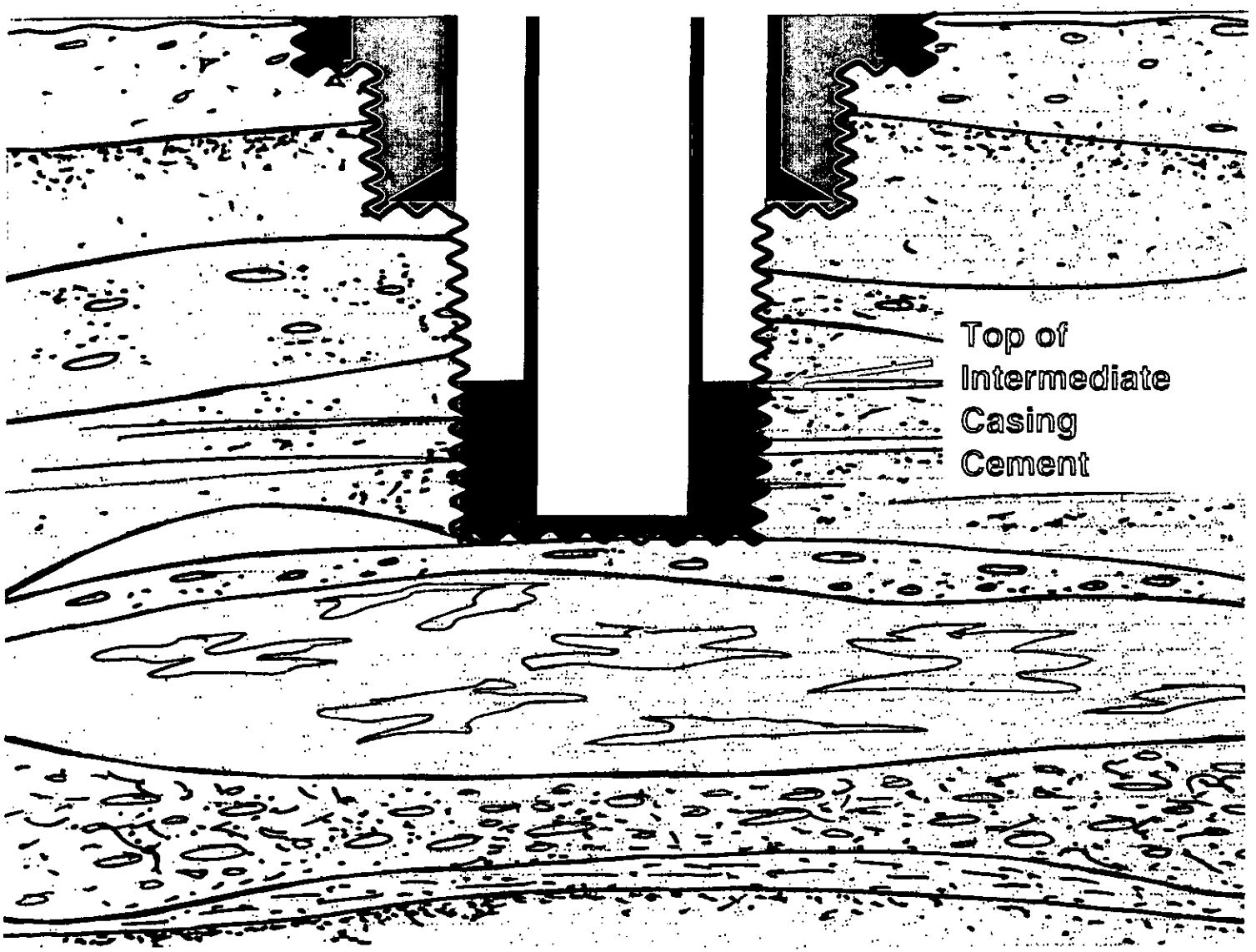
WELL CONSTRUCTION

INTERMEDIATE CASING RUN



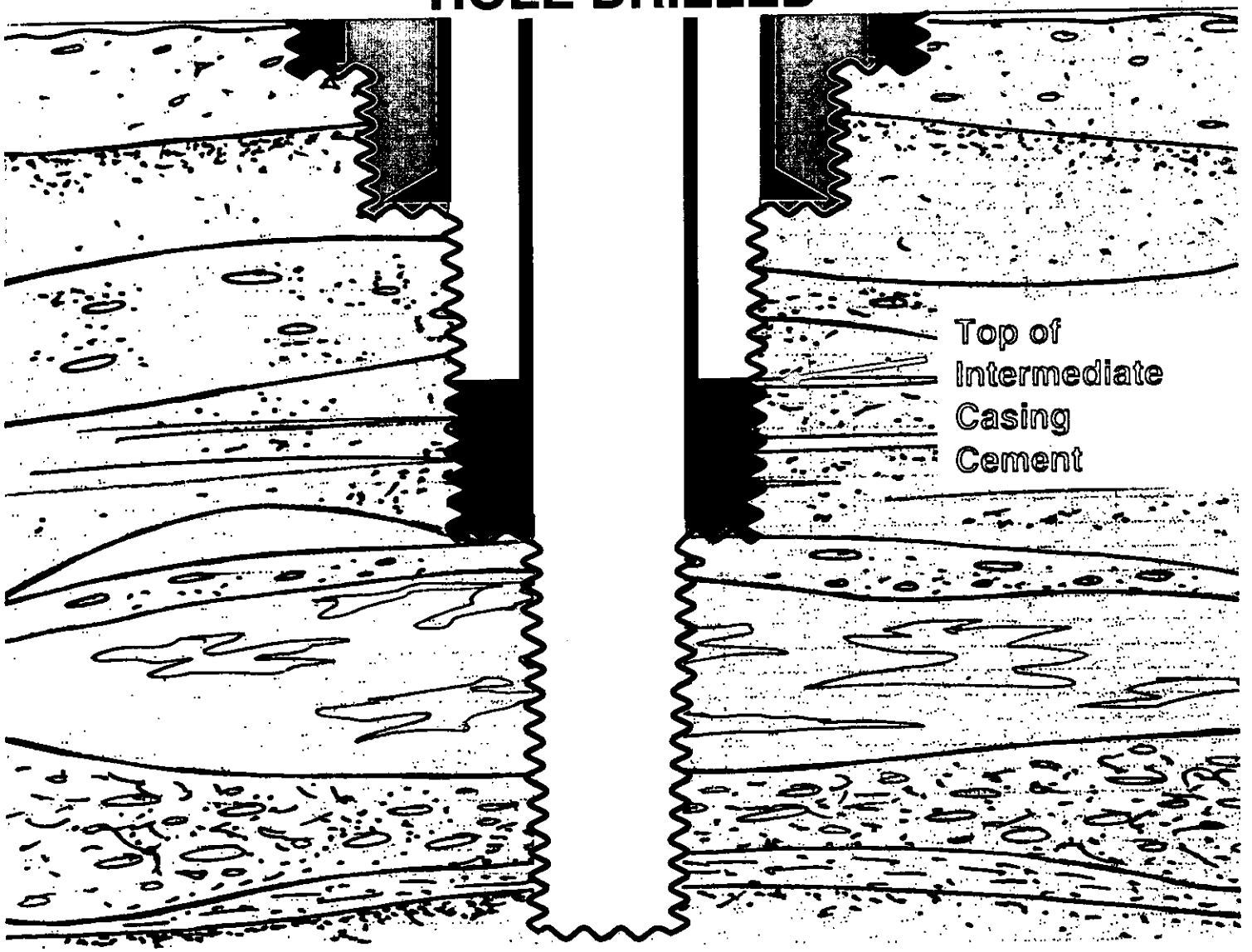
WELL CONSTRUCTION

INTERMEDIATE CASING CEMENTED



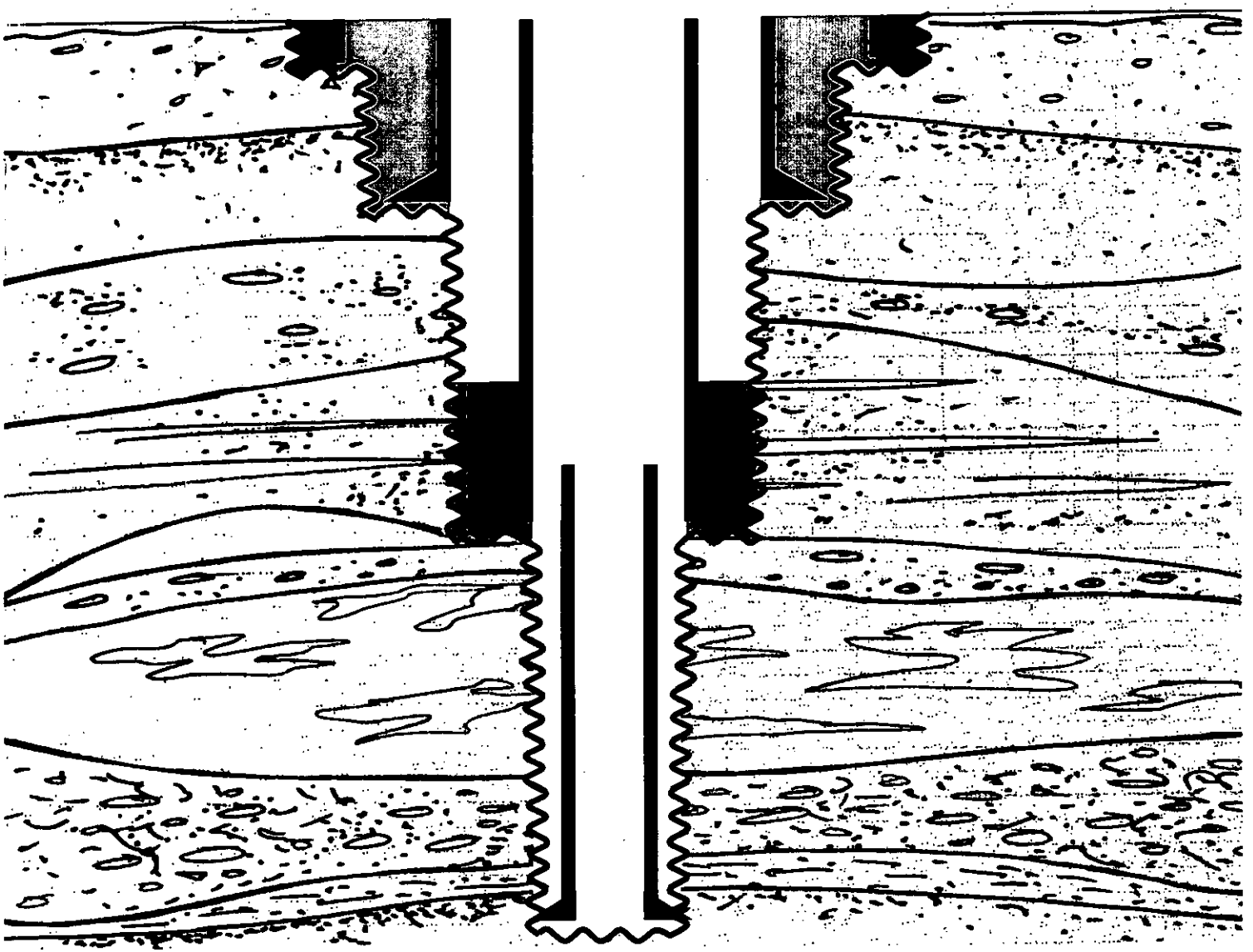
WELL CONSTRUCTION

REMAINDER OF PRODUCTION HOLE DRILLED



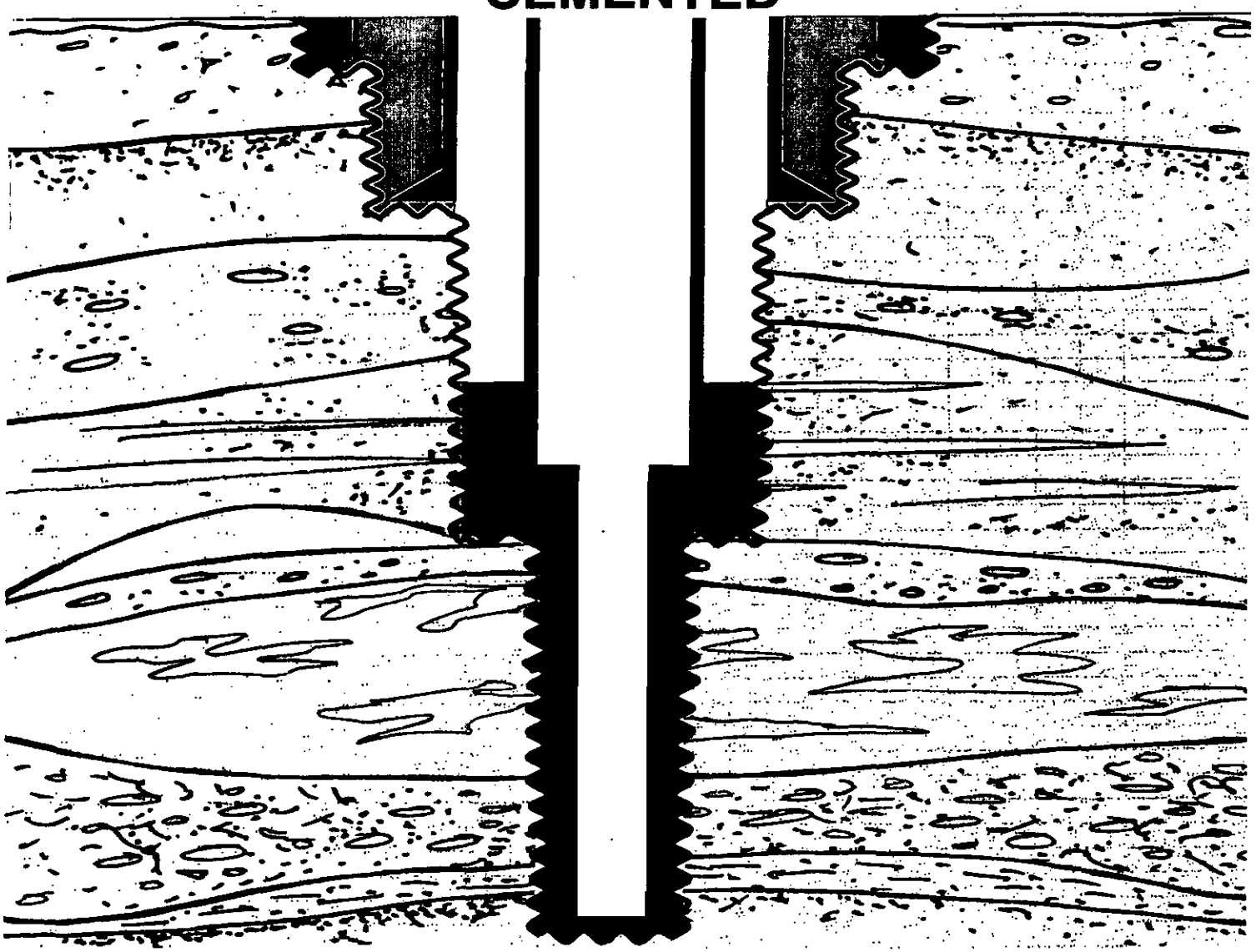
WELL CONSTRUCTION

RUN PRODUCTION LINER



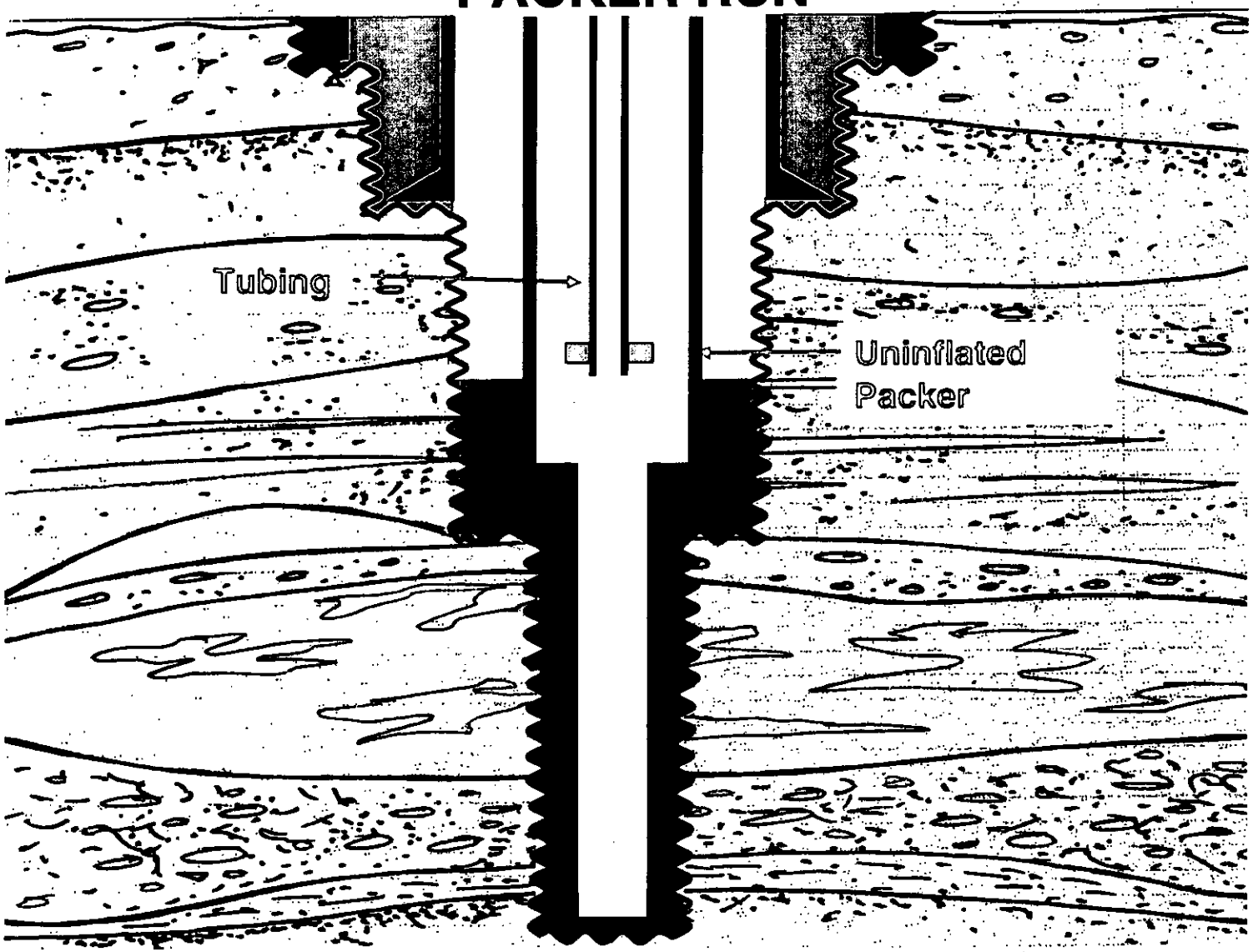
WELL CONSTRUCTION

PRODUCTION LINER
CEMENTED



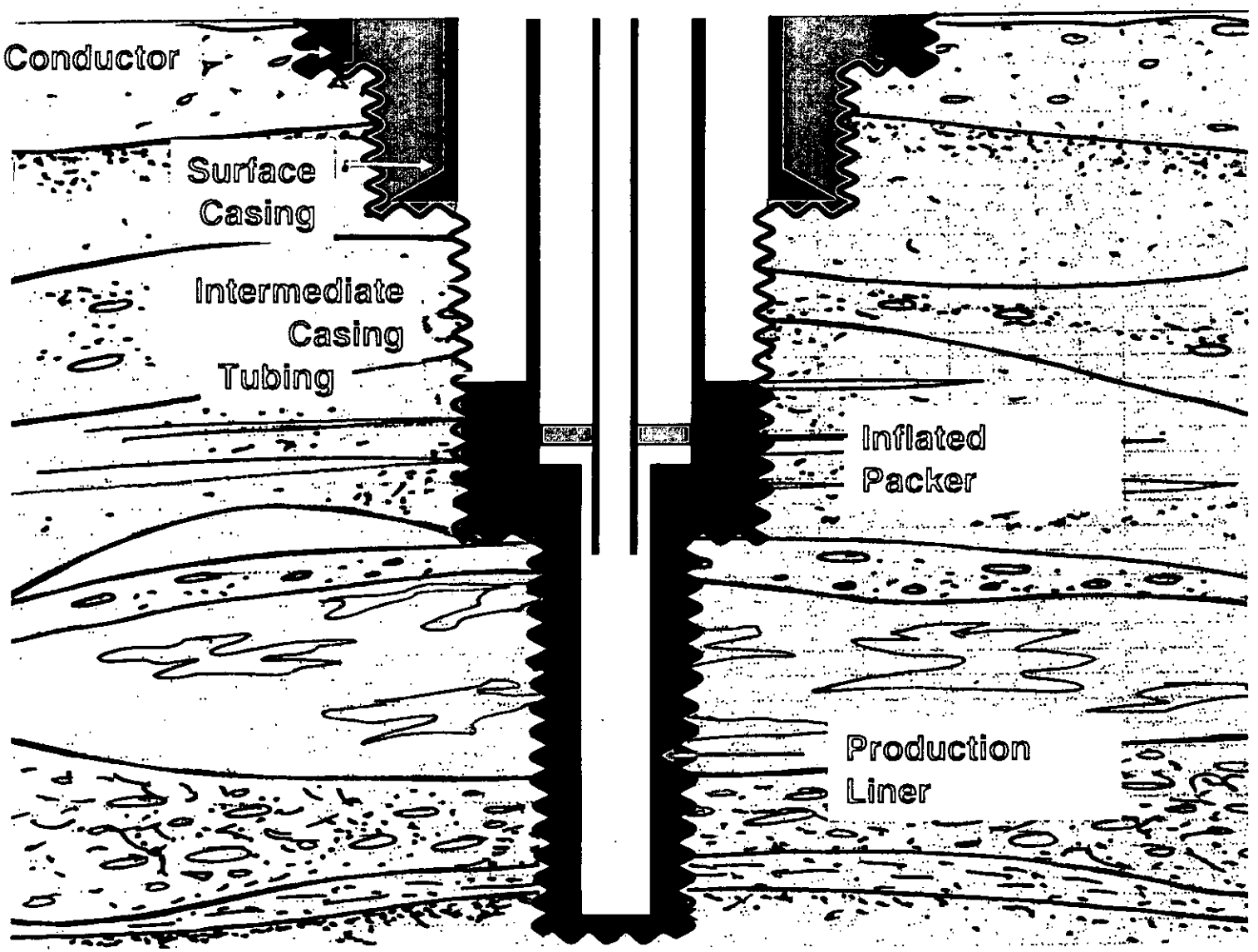
WELL CONSTRUCTION

PRODUCTION TUBING & PACKER RUN

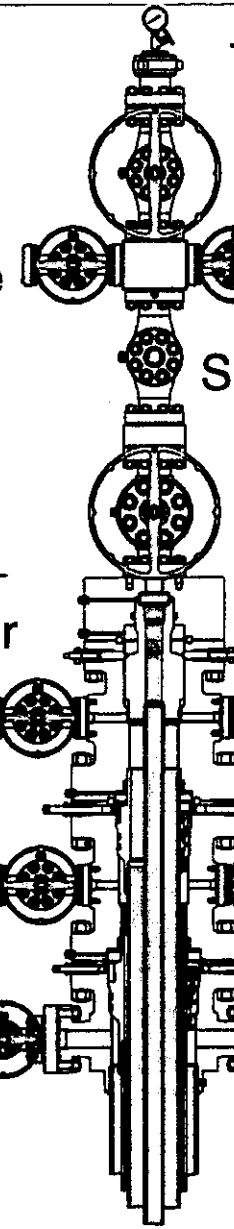


WELL CONSTRUCTION

PACKER SET



WELL CONSTRUCTION



Tree Cap

Swab Valve

Companion Valve

Wing Valve

Surface Safety Valve (SSV)

Master Valve

Christmas Tree

Tubing Head Adapter

IA Valve

Tubing Spool

OA Valve

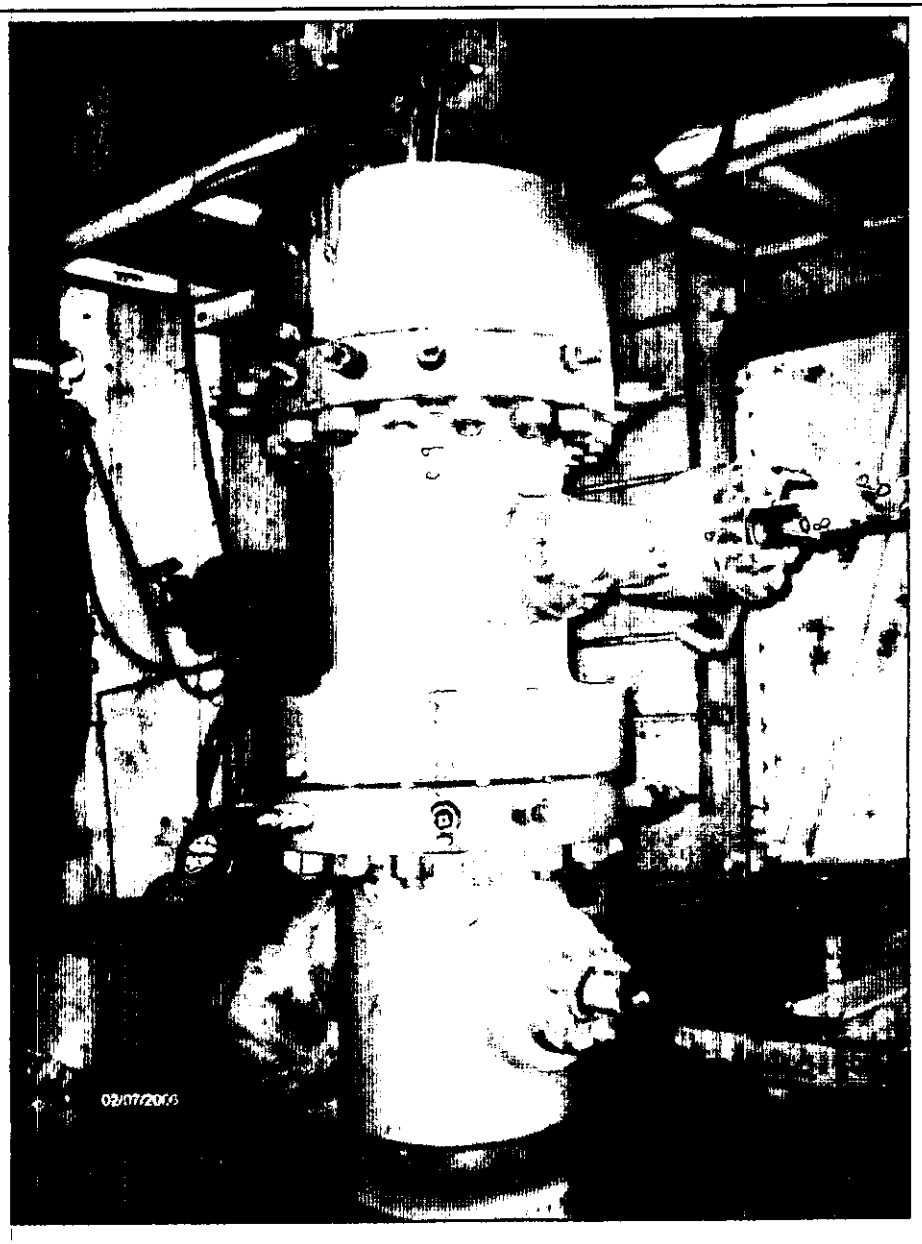
Casing Spool

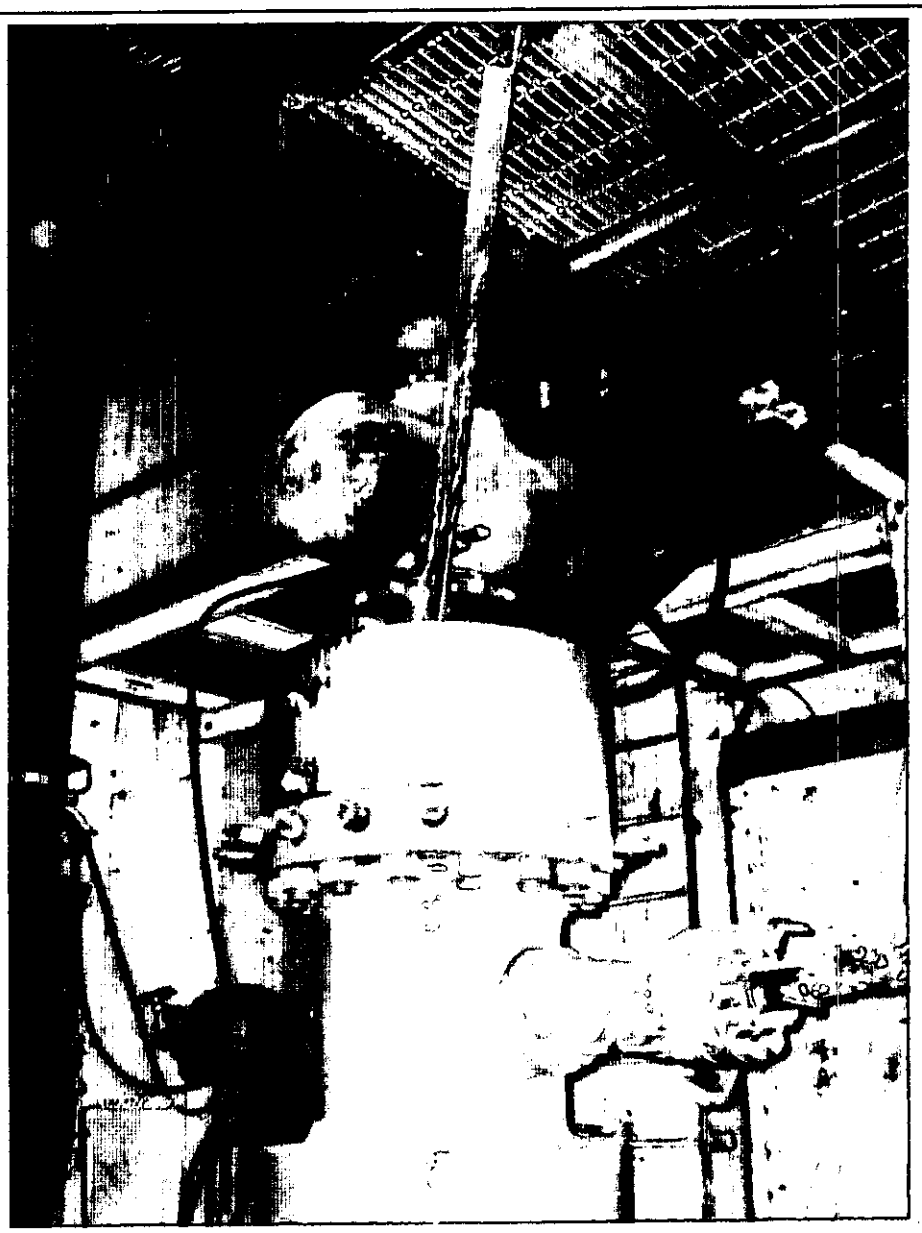
OOA Valve

Starting Head

Wellhead

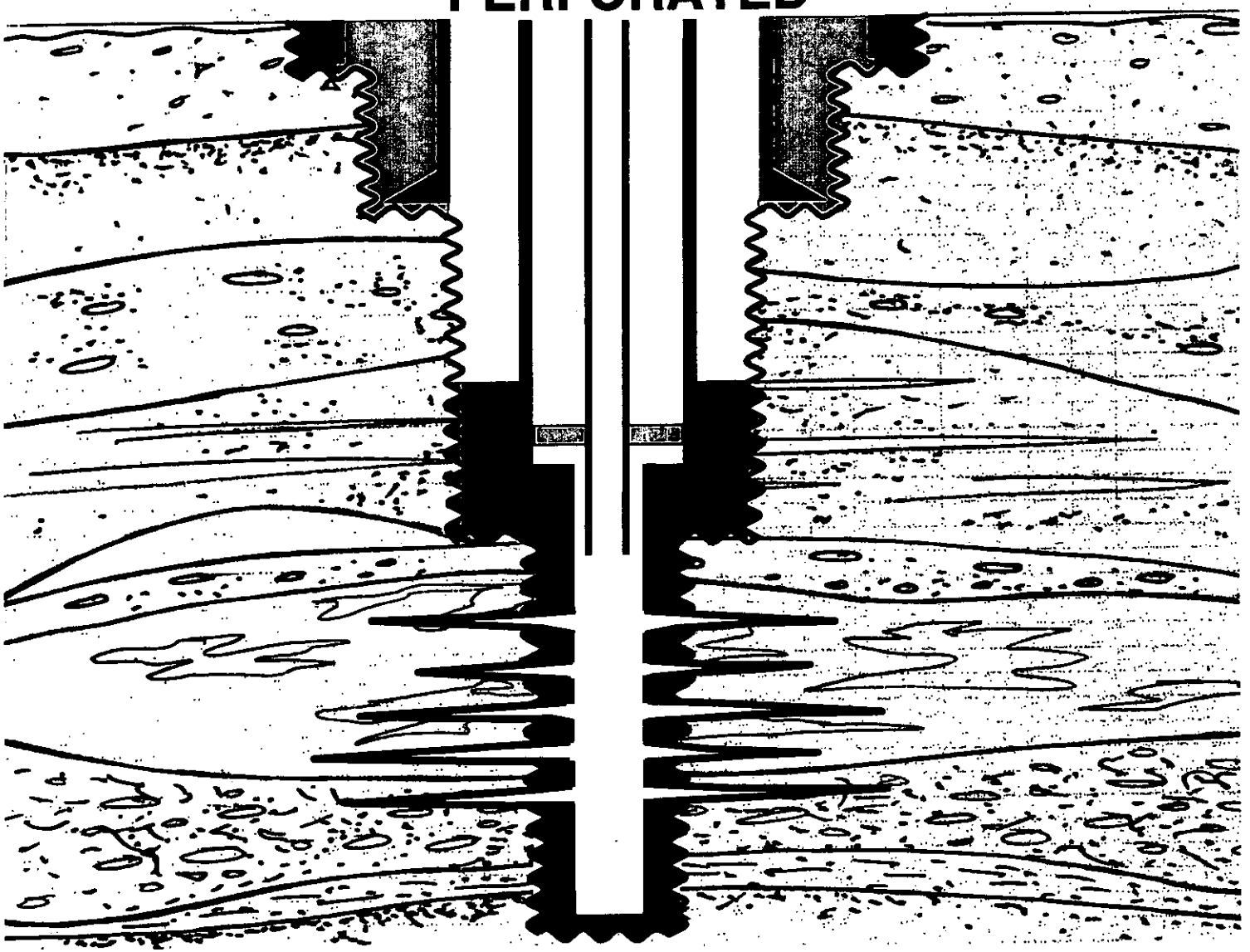
WELL CONSTRUCTION



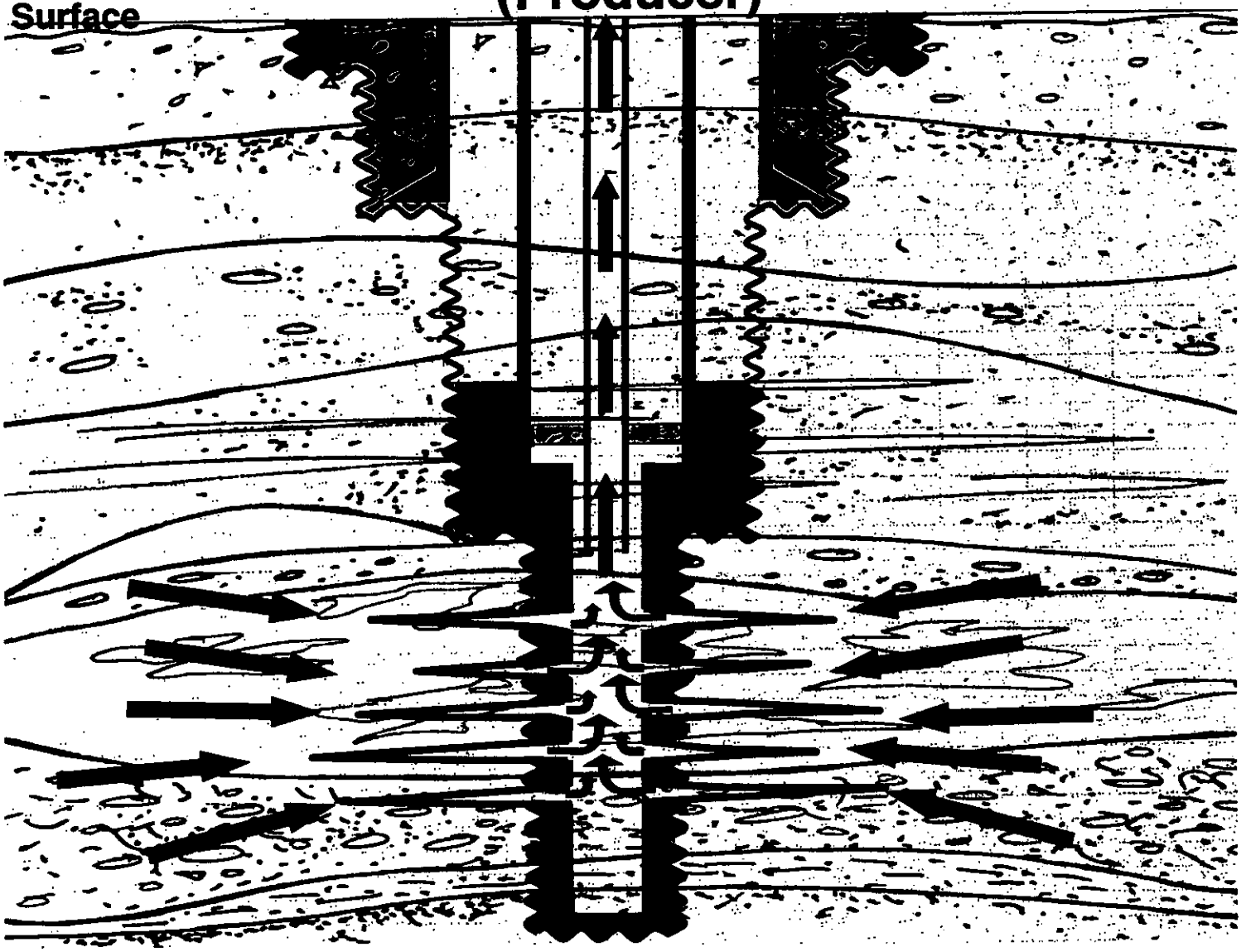


WELL CONSTRUCTION

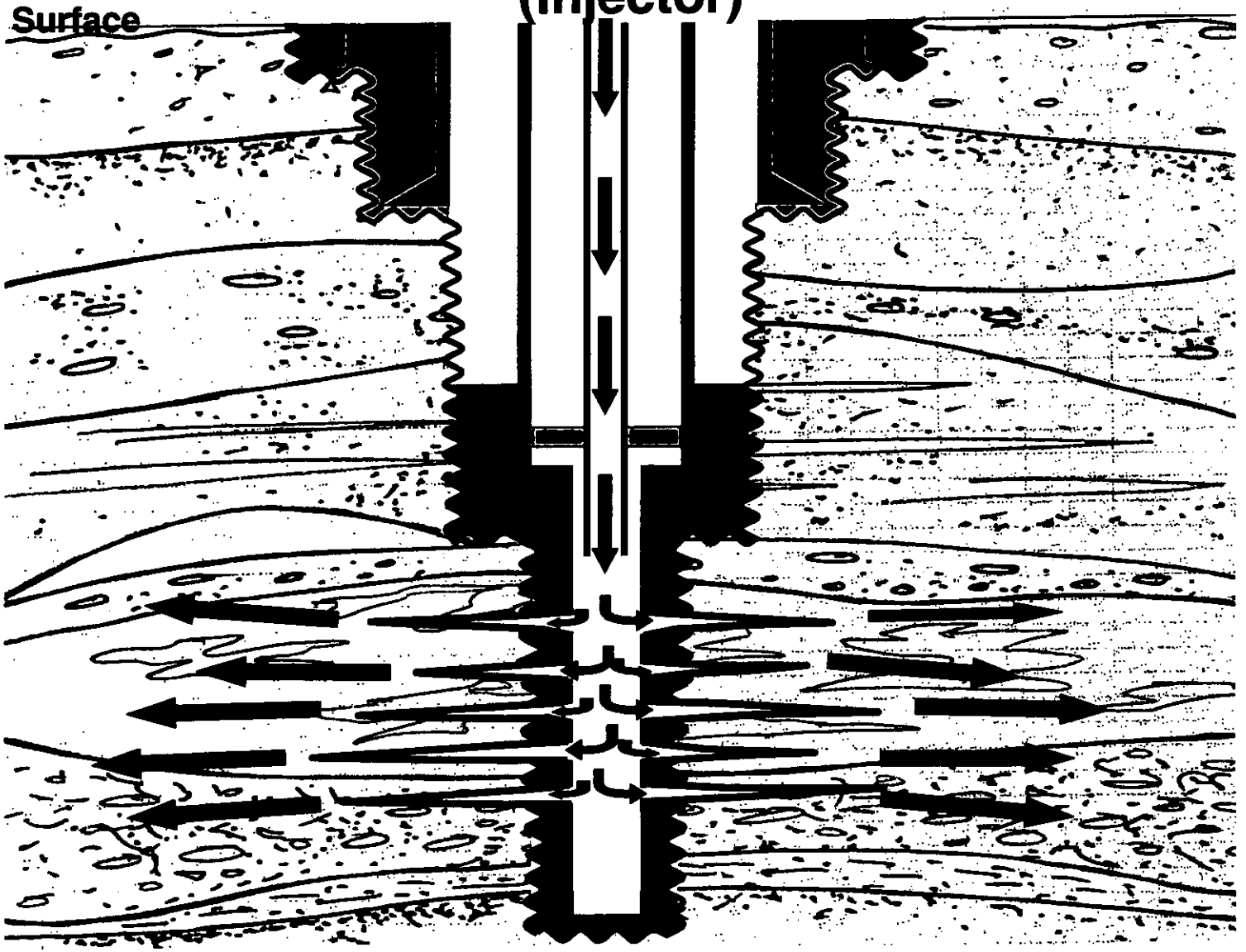
RESERVOIR INTERVAL PERFORATED



FLOWING WELL
(Producer)

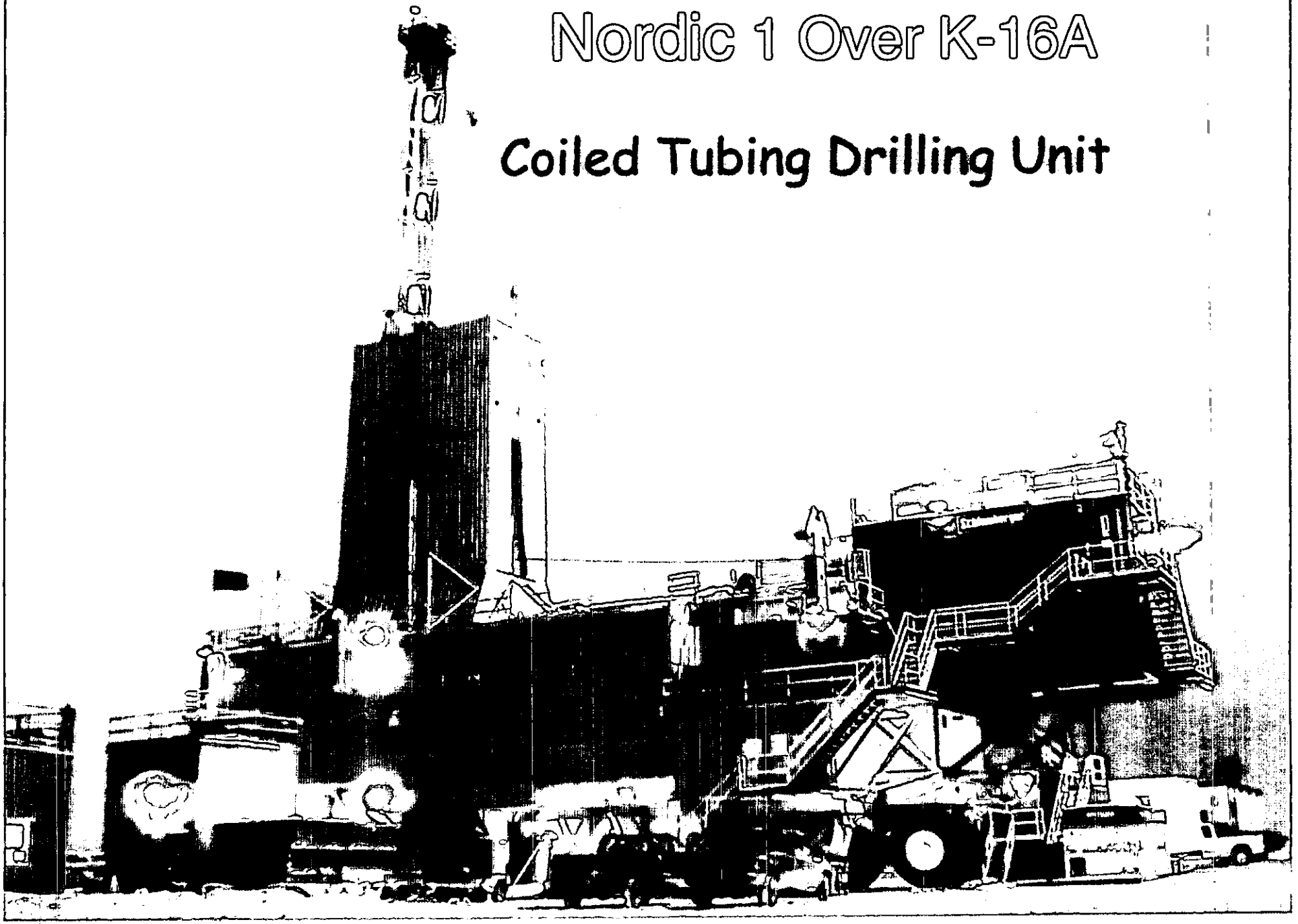


WELL ON INJECTION
(Injector)



Nordic 1 Over K-16A

Coiled Tubing Drilling Unit



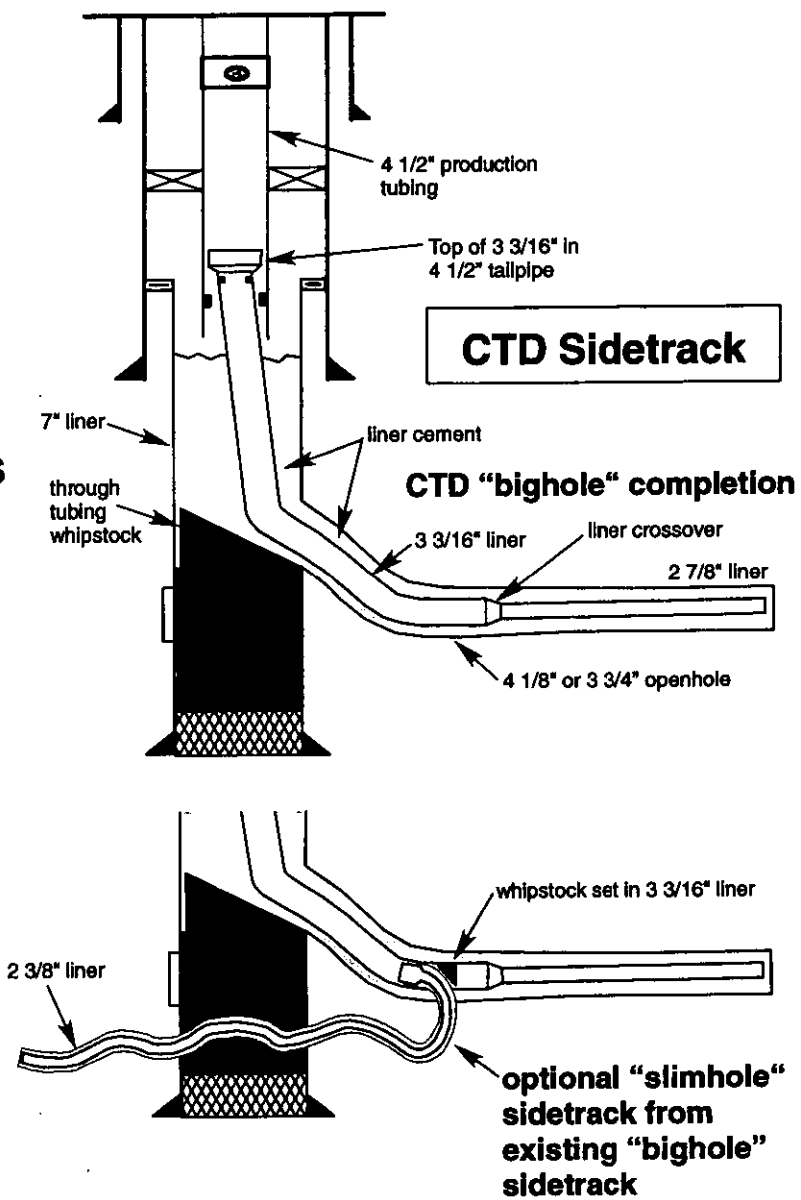
The Basic Sidetrack

Parent - 4 ½" production tubing
- 7" liner

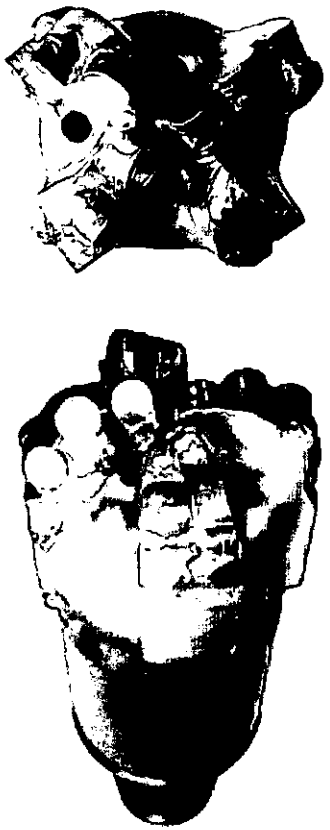
<u>Pre rig</u>
- Set whipstock
- Squeeze cement to abandon perfs

<u>CTD</u>
- Mill window
- Drill - 3 3/4" or 4 1/8" bicenter
  - 45° DLS common
  - Xanthan drilling fluid
- Run 3 3/16" x 2 7/8" liner & cmt
- Log CNL & Perforate

2 ¾" slimhole option → increases candidates



build section
3 ¾" x 4 ¼"
bicenter



lateral section
3 ¾"

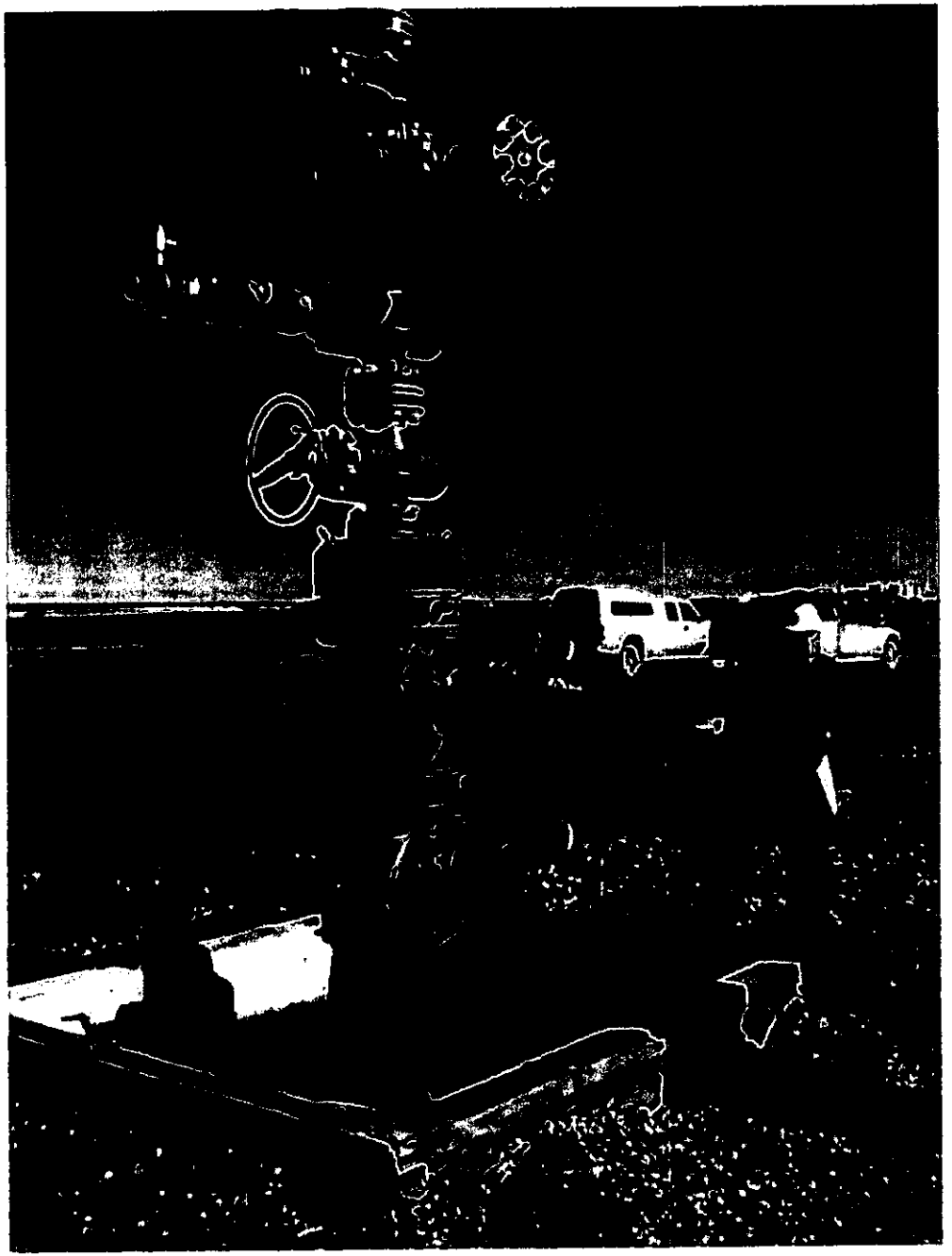
conglomerate
3 ¾"

Lisburne carbonate

openhole sidetrack

hard streak carbonate

size



Questions...

45

3/24/09 LUNCH & LEARN: REFINING FUNDAMENTALS

TESORO

REFINING FUNDAMENTALS

Presentation Outline

- **Crude Oil Characteristics**
- **Refining Processes**
- **Refining Economics**

Crude Oil Characteristics

Crude oil quality & price is determined by 2 primary characteristics:

- Gravity (density)
  - The lighter (less dense) the crude the more desirable components it naturally contains
    - Refineries have less chemical work to do
    - Less sophisticated refineries are needed
  - Measured in units called degrees API
    - Light Crude = generally above 30 degrees API
    - Heavy Crude = generally below 30 degrees API
  - Examples
    - Tar – Gravity of about 8
    - Motor Oil – Gravity of about 40

Crude Oil Characteristics

Crude oil quality & price is determined by 2 primary characteristics:

- Sulfur Content
  - Sulfur poisons the catalysts used in refinery chemical processes/automobile catalytic converters
  - When burned, it forms sulfur dioxide- sulfuric acid
    - Corrodes engines/ boilers
    - Acid rain
  - Measured in weight percent
    - Sweet Crude = generally below 1%
    - Sour Crude = generally above 1%

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Crude Oil Characteristics

Crude oil quality & price is determined by 2 primary characteristics:

- Examples – marker crudes (large volume, pricing bases)

Crude	Gravity	Sulfur	Price(2005)
WTI (West Texas Intermediate)	39.6	0.24	$56.43
Brent (North Sea Crude)	38.3	0.37	$54.72
ANS (Alaska North Slope)	30.0	1.09	$53.35
Maya (Mexico)	21.8	3.33	$40.40

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Crude Oil Characteristics

Miscellaneous:

- Other Crude Characteristics
  - Metals- Nickel/Vanadium- poisons
  - Acid- TAN (Total Acid Number)
  - Distillation- what % boils off at each temperature
- Crude/Refining measure volume in barrels = 42 gallons
- Crude is made up of hundreds of chemical components
  - Most products produced are not pure components, but a range molecular sizes (boiling points)

    Gasoline – 100 - 400 degrees F
    Jet Fuel – 300 - 550
    Diesel – 350 - 650

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Presentation Outline

- **Crude Oil Characteristics**
- **Refining Processes**
- **Refining Economics**

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Refining Processes

Every refinery is different in terms of what units it has and how big each unit is

- Determined by crudes to be run & products to be produced
  - Far East refineries run light crude to produce distillates
  - East Coast refineries must produce home heating oil
  - Rocky Mountain refineries have limited crude access
  - West Coast refineries run heavy crude to make gasoline
- Major Groups: margin vs investment
  - Topping plants- mostly distillation
  - Cracking plants- contain cracking units to make gasoline
  - Coking plants- contain cokers to run heavy crude

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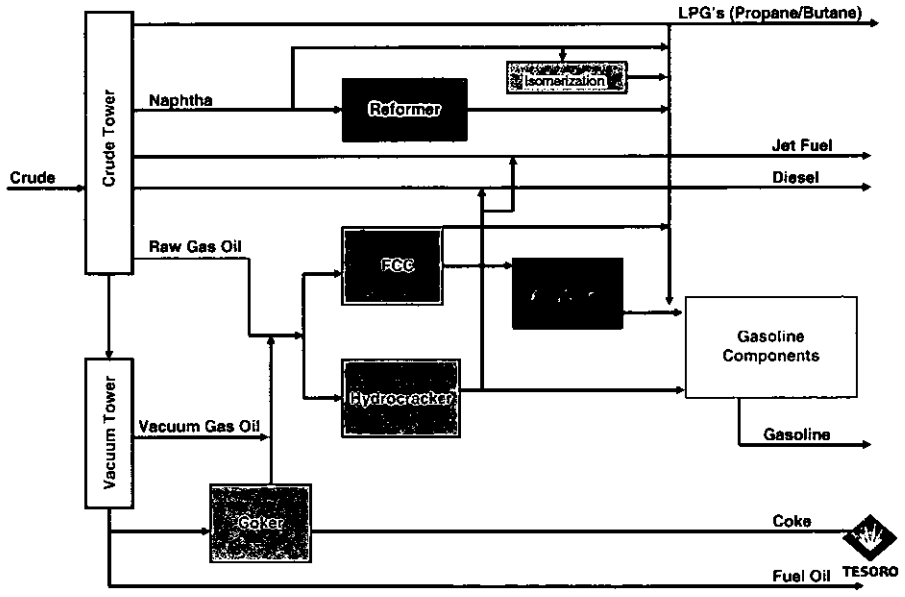
Refining Processes



Refinery Processes

- Refinery processes generally fall into one of three categories:

  - Distillation

  - Conversion

  - De-Sulfurization

Refining Processes

- **Distillation**

  – Separation of components by boiling point-does not change the chemical nature of the components

  – First process in refining- separates crude oil into groups of components to be directed to other processes

  – Used throughout refining for separation/purification

Refining Processes

- **Distillation (continued)**
  - Refinery Products in Order of Distillation-boiling point
    - Natural Gas- methane
    - LPG's- propane/butane
    - Jet Fuel
    - Gasoline Components
    - Diesel Fuel
    - Fuel Oil

Lighter, less dense

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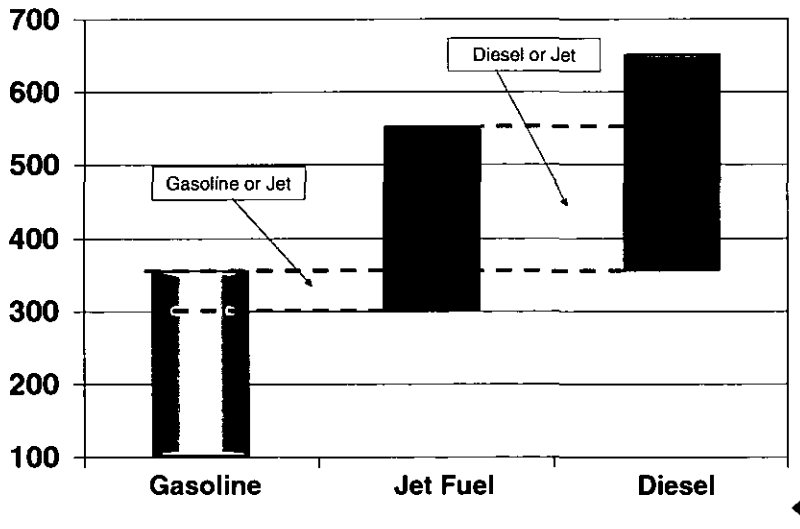
Initial Crude Yields

Boiling Range Degrees Fahrenheit

There is some interchangability between products



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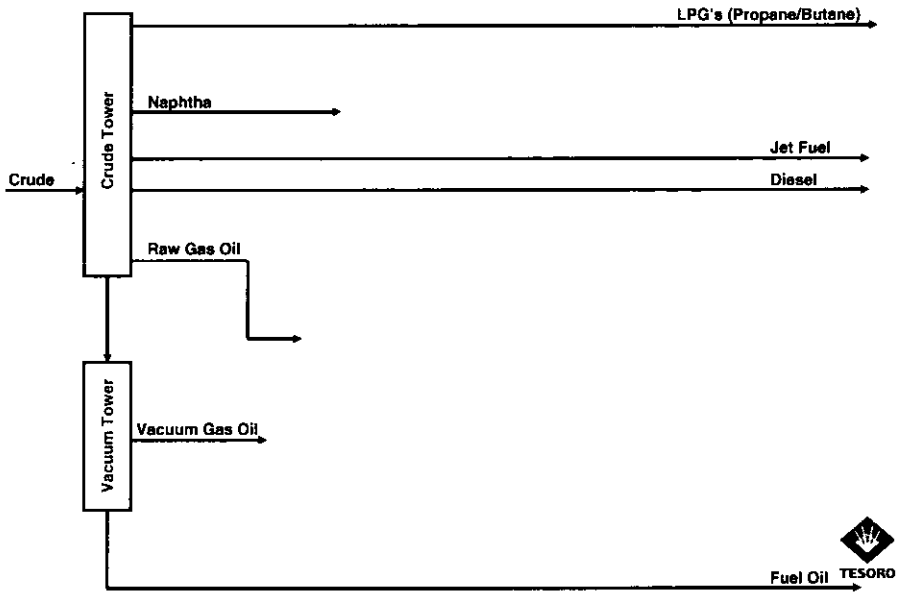
Refining Processes



Refining Processes

- **Conversion**
  - Changes the chemical nature of the components
  - Generally require catalysts
  - Generally directed at producing gasoline components
    - Jet/Diesel occur naturally in crude-need separation
    - Gasoline is a blended product (3-8 components)
      - Heavy components are made lighter
      - Light components are made heavier
      - Natural components are changed to improve octane

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Refining Processes

- **Conversion (continued)**

  Heavy components are made lighter

  - Coking- high temperature & pressure to breakup the heaviest components of crude- no catalyst
  - Hydrocracking- high pressure hydrogen/catalysts breakup the next heaviest components
  - FCC- fluidized catalytic cracking- uses catalysts to breakup diesel quality components

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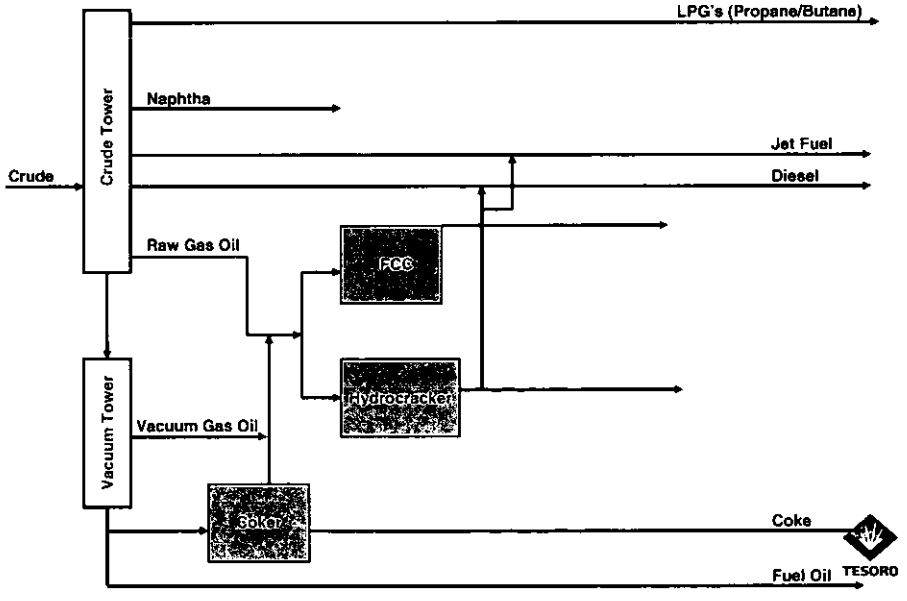
Refining Processes



Refining Processes

- **Conversion (continued)**

Light components are made heavier

- Alkylation
  - light ends from crude combined with by products from FCC
  - catalyst is either sulfuric acid or hydrofluoric acid

- Other older process- polymerization

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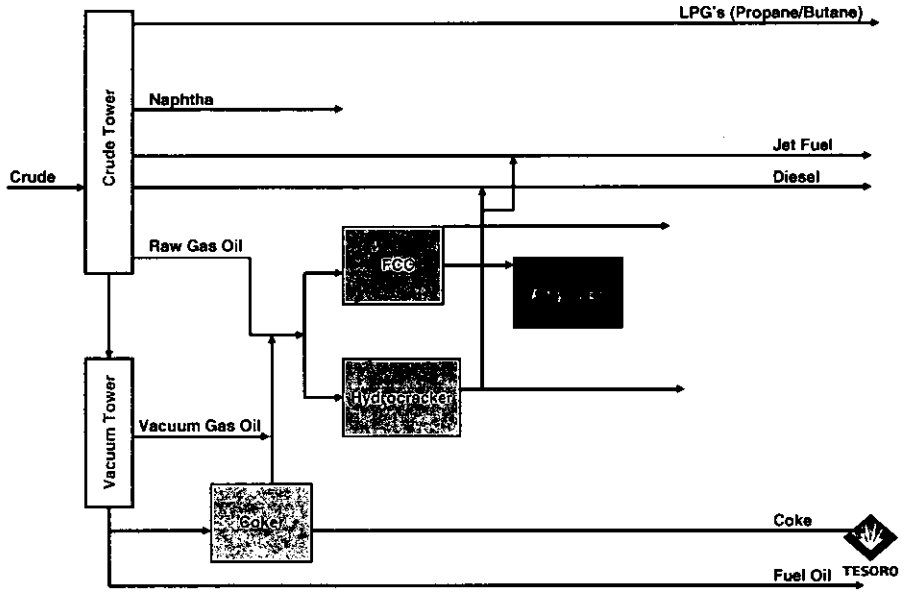
Refining Processes



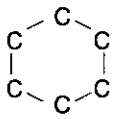
Refining Processes

- **Conversion (continued)**

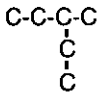
Natural components are changed to improve octane

- Straight chained molecules have low octane C- C- C- C- C- C

- Reforming- changes straight chains to rings



- Isomerization- changes straight chains to branches



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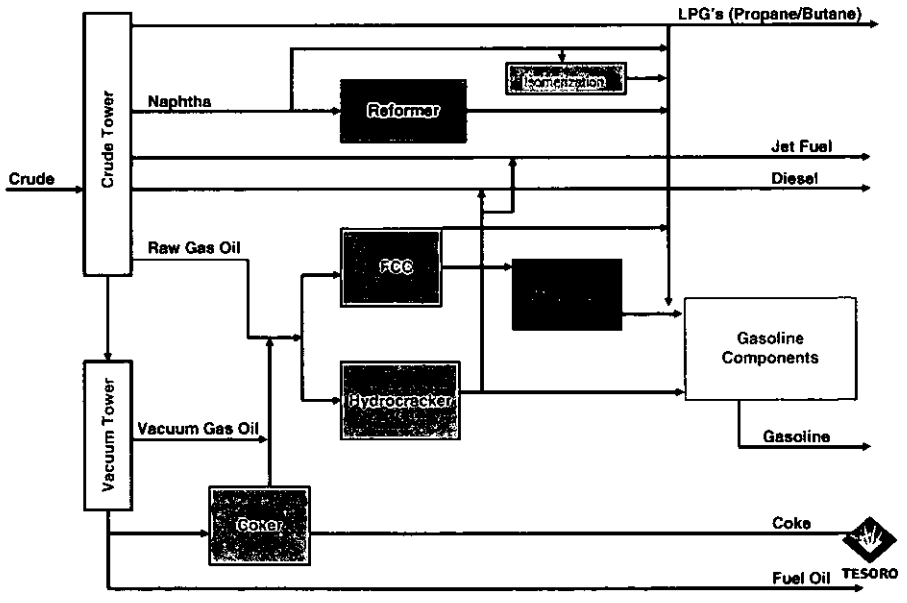
Refining Processes



Refining Processes

- **De-Sulfurization**

  Removes sulfur using catalysts and pressurized hydrogen

  - Low pressure - 600-800 psi -reduce to 500 ppm
  - Medium pressure - 800- 1200 psi-reduce to 50 ppm
  - High pressure -1200-1800 psi- reduce to 5 ppm

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Presentation Outline

- **Crude Oil Characteristics**
- **Refining Processes**
- **Refining Economics**

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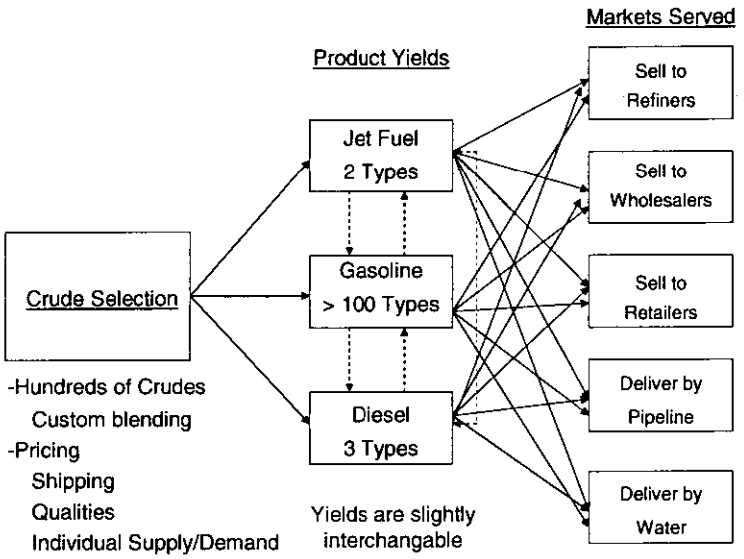
Refining Economics



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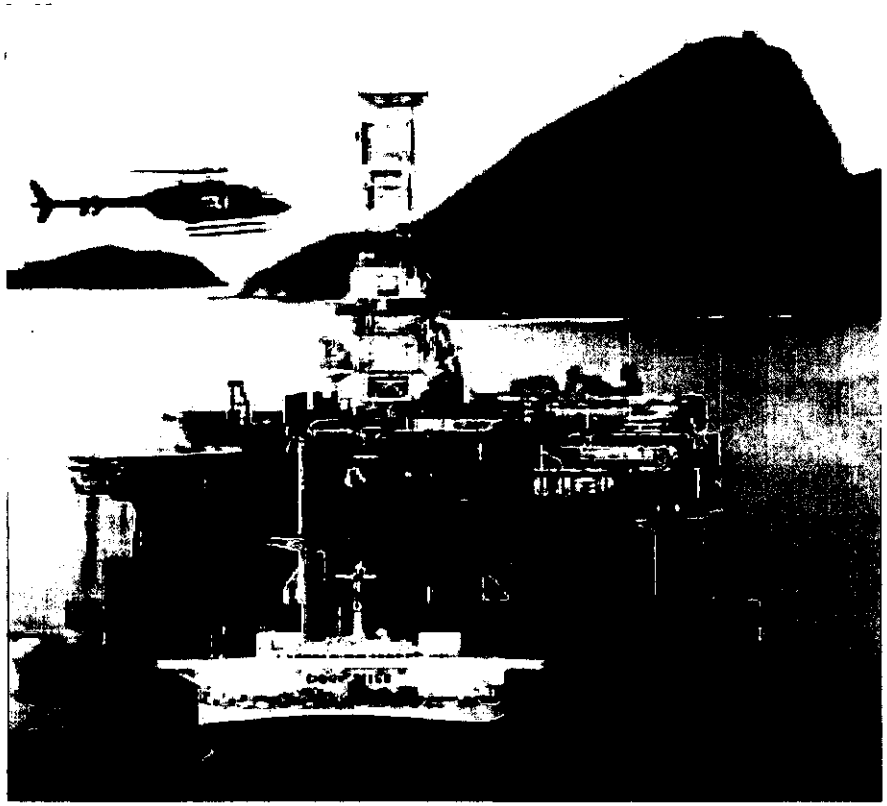
3/27/09

OVERVIEW: PETROLEUM SYSTEMS INTEGRITY OFFICE AND AK RISK...

Petroleum Systems Integrity Office

May, 2000 Petrobras 36

World's largest floating oil platform off the coast of Brazil



(www.rootcauselive.com/files)

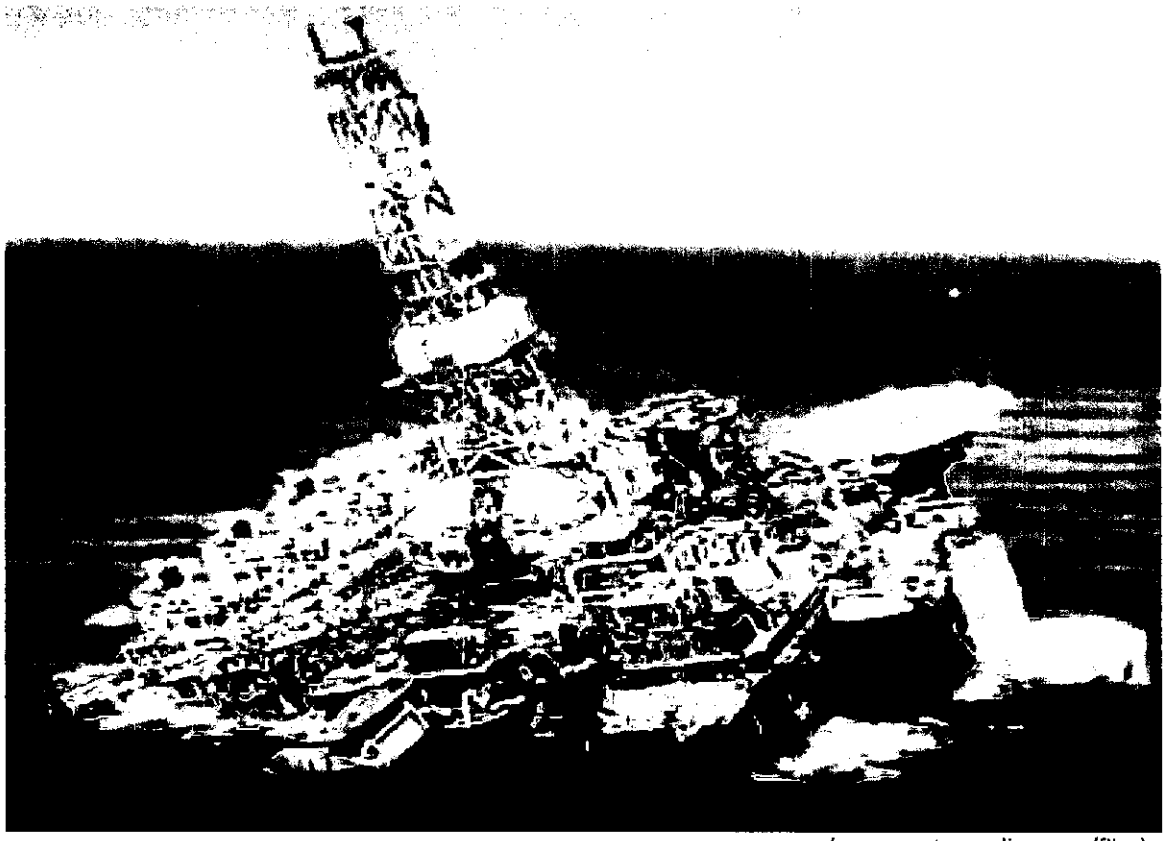
Speech on the new platform design
by a Petrobras executive

"Petrobras has established new global benchmarks for the generation of exceptional shareholder wealth through an aggressive and innovative programme of cost cutting on its P36 production facility. Conventional constraints have been successfully challenged and replaced with new paradigms appropriate to the globalised corporate market place.

Through an integrated network of facilitated workshops, the project successfully rejected the established constricting and negative influences of prescriptive engineering, onerous quality requirements, and outdated concepts of inspection and client control.

Elimination of these unnecessary straitjackets has empowered the project's suppliers and contractors to propose highly economical solutions, with the win-win bonus of enhanced profitability margins for themselves. The P36 platform shows the shape of things to come in the unregulated global market economy of the 21st Century."

March 15, 2001 Petrobras 36



(www.rootcauselive.com/files)

On March 15, 2001, the Petrobras 36 platform in the Roncador Field, Campos Basin, experienced an explosion during drainage operations. The operations were immediately suspended, and emergency trained crew attempted to put out the fire. Shortly later, a second explosion occurred, killing 11 of the 175 people onboard.

In May 2007, a federal judge ruled that Petrobras had to pay a fine of BRL100 million ($50.8 million) for environmental damages caused when the P-36 sank.

Inadequate safety inspections and virtually no quality assurance were blamed for the incident.

PSIO

- Established in April 2007 by Administrative Order 234
- Primary tasks:
  - Coordinate state, federal and local agencies
  - Incident investigation
  - Gap/Overlap Analysis
  - Quality Management

Designated Liaison Agencies

- Department of Environmental Conservation
- Department of Fish and Game
- Department of Public Safety
- Department of Revenue
- Department of Transportation and Public Facilities
- Department of Labor and Workforce Development
- Department of Law
- Department of Natural Resources
- Alaska Oil and Gas Conservation Commission
- Governor's Washington, D.C. Office

Coordinated Efforts Among Agencies

- Event notification and coordination of investigations
- Circulation of employee/public concerns
- Regular liaison interaction
- Regular contact with local, state and federal entities
- Combat the “silo effect”

Recent Coordinated Incident Investigations/Activities

- September 2008 Y-Pad artificial lift gasline rupture
- January 2009 Pump Station 1 pigging incident

Gap Analysis

The Goal of the Gap Analysis is to provide a **comprehensive and cost-effective approach to state oversight** of oil and natural gas facilities, equipment, infrastructure, and activities on state oil and natural gas units and leases.

Process

In coordination with Liaison Officers:

- Identify statutory and regulatory authorities;
- Identify how these authorities are implemented;
- Identify any gaps and overlaps;
- Assess risks associated with any gaps and overlaps;
- Coordinate the review of gaps, overlaps and risks;
- Provide recommendations to DNR Commissioner and Resources Subcabinet

Schedule

- Arcadis hired to do detailed analysis of statutory and regulatory gaps and overlaps
- Data compilation in progress – will begin meeting with PSIO liaisons soon
- Results expected August 2009

PSIO's Gap Analysis & DEC's Alaska Risk Assessment

- The Risk Assessment and Gap Analysis documents will serve as tools in determining how best to coordinate agency efforts to provide a comprehensive and cost-effective approach to oil and gas oversight activities
- Where high risks exist in areas of little or no oversight, those gaps will likely need to be filled.
- Where low risks exist in areas of duplicative oversight, those overlaps will likely need to be removed.

Quality Program

Designated agencies, to the extent authorized through existing legal authorities, shall require the industry businesses to provide a comprehensive description of current practices that includes the quality control, quality assurance, monitoring, inspection, and other practices the business uses to ensure the integrity and reliability of oil and natural gas facilities, equipment, infrastructure, and activities.

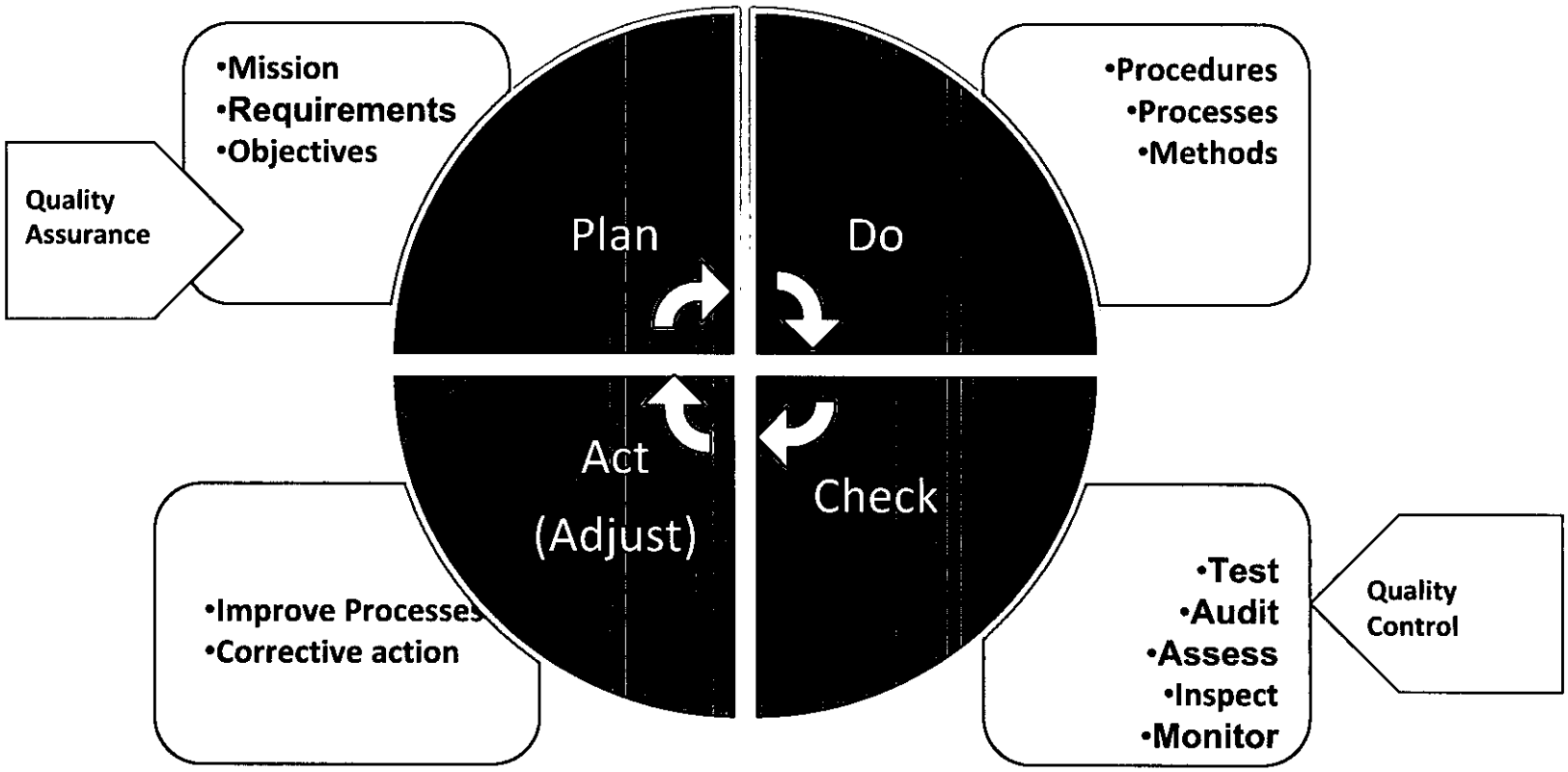
What is Quality Assurance?

- Quality assurance is any systematic process of determining if a product or service meets the mutually agreed upon characteristics and expectations for performance
- Establishes rules and methods (the process) to achieve expected results and conformance to requirements
- The "Plan" component of a quality management system
- Often confused with quality control

What is Quality Control?

- The process steps, procedures and activities employed to measure or test physical characteristics and performance requirements against predetermined criteria
- Is concerned with the product or service
- The "Check" element of a quality management system
- Should not, but is often confused with quality assurance

PDCA Cycle


•Mission
•Requirements
•Objectives
Quality Assurance
Plan
Do
•Procedures
•Processes
•Methods
Act
(Adjust)
Check
•Improve Processes
•Corrective action
•Test
•Audit
•Assess
•Inspect
•Monitor
Quality Control

Quality Management Systems

Fundamentals:

- Quality control;
- Quality assurance;
- Monitoring;
- Inspection; and
- Other practices used to ensure the integrity and reliability of facilities, equipment and infrastructure

Agency Expectations of PSIO

- Help agency personnel become knowledgeable of the elements of quality management systems in order to maintain the integrity and reliability of:
  - Oil and natural gas facilities
  - Equipment
  - Infrastructure
- Understand the benefits of:
  - Plan, Do, Check (Study), Act
  - Performance measurement
  - Continuous Improvement

PSIO Expectations of Agencies

- Document evaluations of oil and gas facilities, equipment, infrastructure, work activities and where applicable in the context of quality management
- Effectively communicate results to industry
- Work with the PSIO Coordinator to coordinate review of evaluations, identify gaps, and seek remedial action.

PSIO Expectations of Petroleum Industry

Provide evidence that management systems or processes for quality control, quality assurance, monitoring, inspection and other programs are implemented, effective, and periodically evaluated by upper management.

Petroleum Systems Integrity Office (PSIO)

Administrative Order 234 issued April 18, 2007 established PSIO and outlined its three primary tasks:

1. **Coordinate state, federal and local agencies**
2. **Gap Analysis**
3. **Quality Management**

1. Coordinate state, federal and local agencies

The PSIO is an umbrella agency overseeing all oil and gas infrastructure statewide, coordinating all oil and gas activities from government agencies, so that agencies impacted by any activity are aware and informed.

Coordinated efforts among agencies

- Incident notification and coordination of investigations
- Circulation of employee/public concerns
- Regular liaison interaction
- Regular contact with local, state and federal entities
- Break down the barriers to effective communication that exist between agencies, between agencies and industry, and within agencies.

Designated liaison agencies:

- Department of Environmental Conservation
- Department of Fish and Game
- Department of Public Safety
- Department of Revenue
- Department of Transportation and Public Facilities
- Department of Labor and Workforce Development
- Department of Law
- Department of Natural Resources
- Alaska Oil and Gas Conservation Commission
- Governor's Washington, D.C. office

---

2. Gap/Overlap Analysis

The goal of the gap analysis is to provide a **comprehensive and cost-effective approach to state oversight** of oil and natural gas facilities, equipment, infrastructure, and activities on state oil and natural gas units and leases.

Process

In coordination with liaison officers from other government agencies:

- Identify statutory and regulatory authorities and practices
- Identify any gaps and overlaps
- Assess risks associated with any gaps
- Coordinate the review of gaps, overlaps and risks
- Provide recommendations to DNR Commissioner and Resources Subcabinet.

Definitions

A gap is:

- A mismatch (i.e. clarifying roles and responsibilities or definitions); or
- A lack of current jurisdictional authorities.

An overlap is:

- an authority/program with an area or range in common with another authority/program

PSIO's Gap Analysis & DEC's Alaska Risk Assessment

- The Risk Assessment and Gap Analysis documents will serve as tools in determining how best to coordinate agency efforts to provide a comprehensive and cost-effective approach to oil and gas oversight activities
- Where high risks exist in areas of little or no oversight, those gaps will likely need to be filled.
- Where low risks exist in areas of duplicative oversight, those overlaps will likely need to be removed.

Sample Gaps and Overlaps

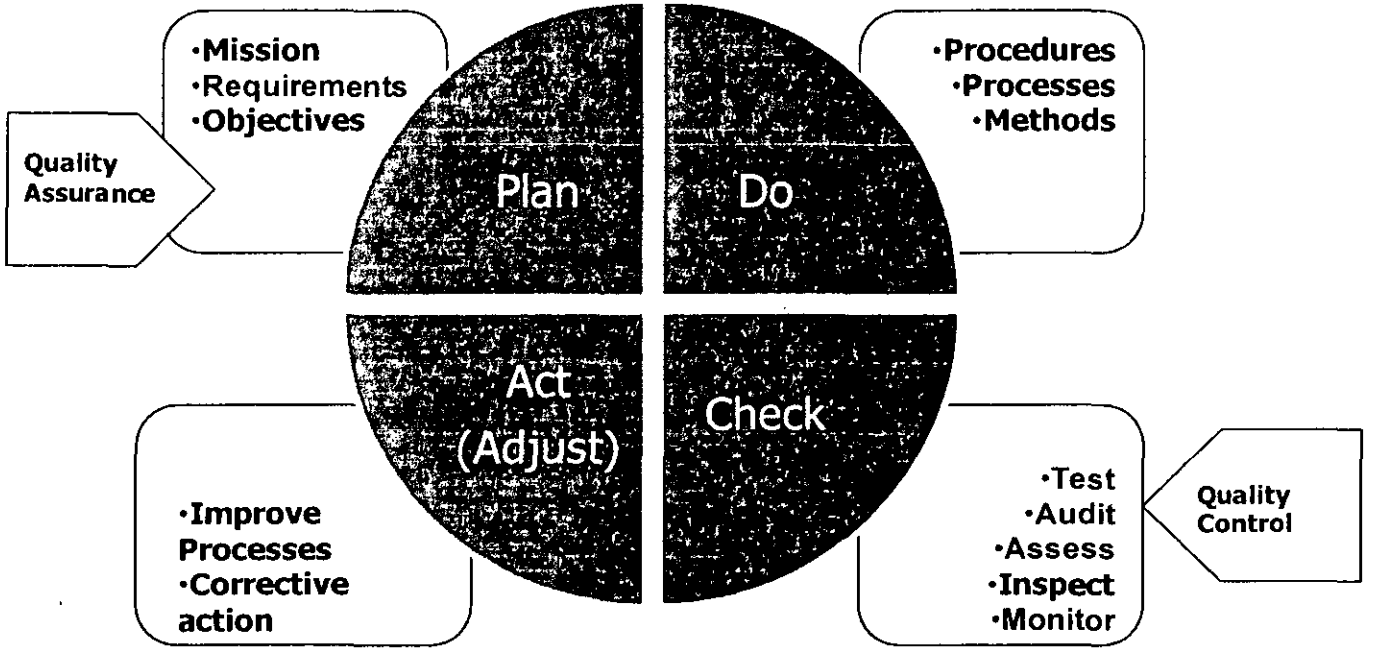
- Unclear understanding of another agency's activities/ jurisdiction
- Actual oversight vs. statutory/regulatory authorities
- Communication between state oversight agencies regarding oversight programs, activities, and investigations
- State agency knowledge of quality management programs
- Training availability and requirements for state personnel

3. Quality Management

Quality Program

Designated agencies, to the extent authorized through existing legal authorities, shall require the industry business to provide a comprehensive description of current practices that includes the quality control, quality assurance, monitoring, inspection, and other practices the business uses to ensure the integrity and reliability of oil and natural gas facilities, equipment, infrastructure, and activities.

Plan-Do-Check-Act Cycle: The Fundamentals of any Quality Management System



Agency Expectations of PSIO

Help agency personnel

- become knowledgeable of the elements of quality management systems in order to maintain the integrity and reliability of:
  - » Oil and natural gas facilities
  - » Equipment
  - » Infrastructure
- understand the benefits of
  - » Plan, Do, Check (Study), Act
  - » Performance Measurement
  - » Continuous Improvement

PSIO Expectations of Agencies

- Document evaluations of oil and gas facilities, equipment, infrastructure, work activities and where applicable in the context of quality management
- Effectively communicate results to industry
- Work with the PSIO to coordinate review of evaluations, identify gaps, and seek remedial action

PSIO Expectations of Petroleum Industry

- Document evaluations of oil and gas facilities, equipment, infrastructure, work activities and where applicable in the context of quality management
- Work with the PSIO to coordinate review of evaluations, identify gaps, and seek remedial action.

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PSIO Quality Specialist
Mike Engblom-Bradley
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Natural Resource Specialist III
Darcy Bromley-Harris

Natural Resource Specialist IV
Steve Schmitz
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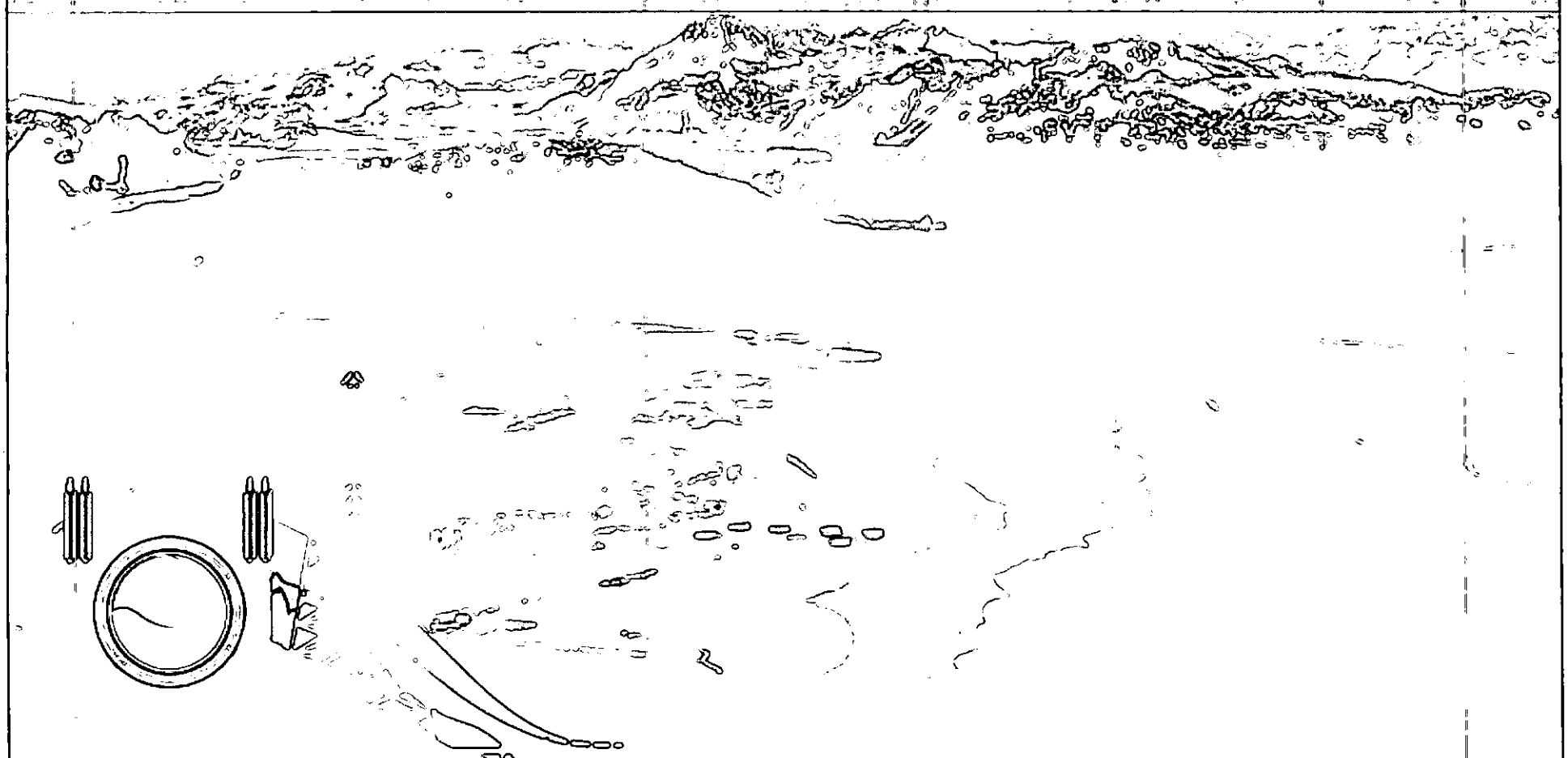
Alaska Risk Assessment of Oil & Gas Infrastructure



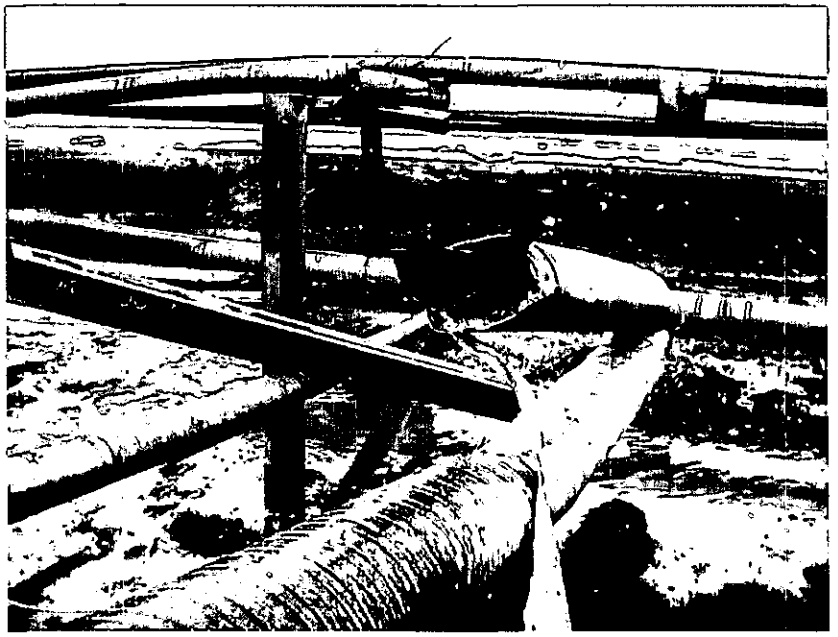
Project Objectives

- Assess the current state of infrastructure & systems in place to operate it.
- Identify and rank areas of greatest risk.
- Present findings.

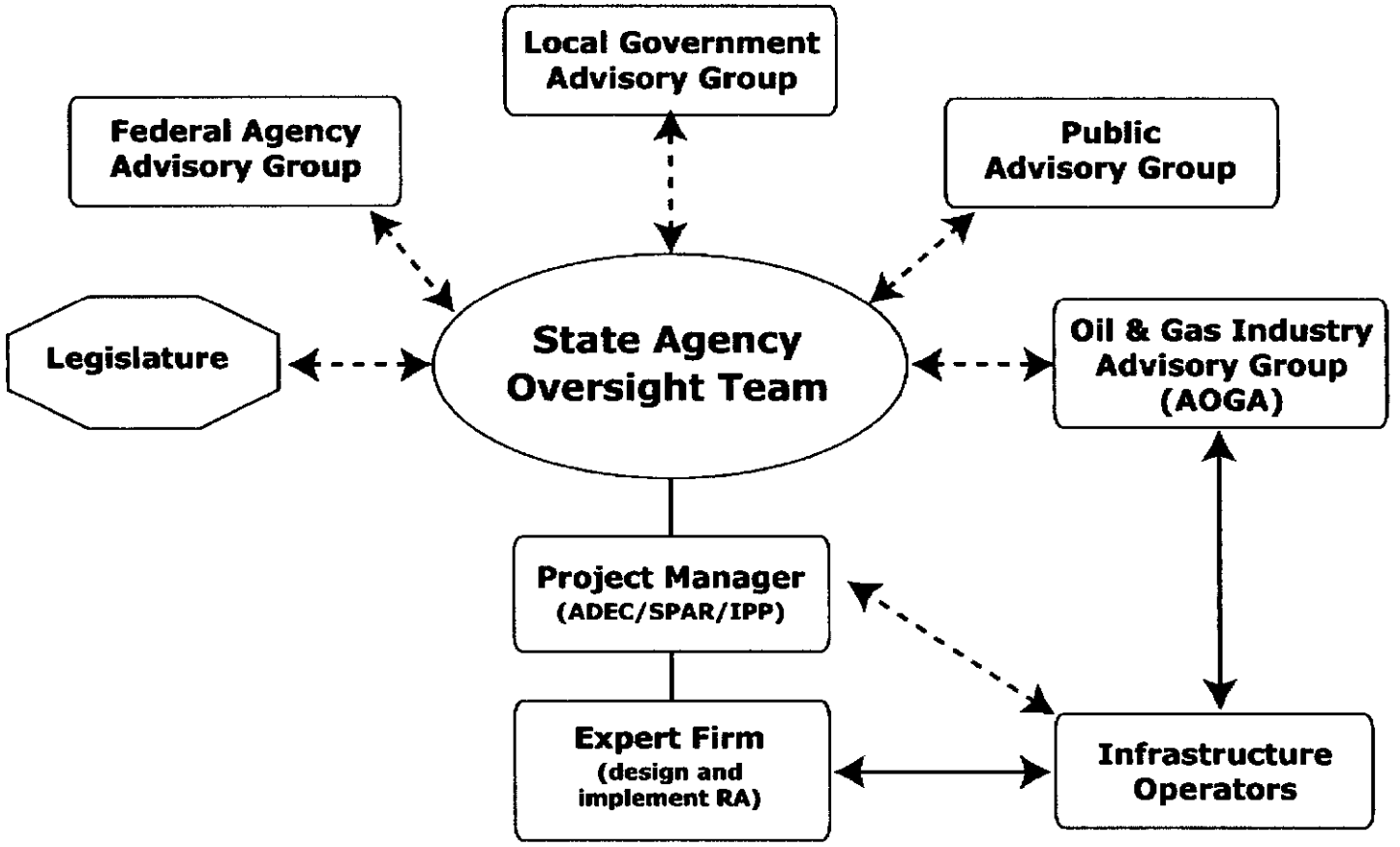
Project Background

- Parts of Alaska's complex oil and gas infrastructure have been in place since the early 1960s, and in some cases have already exceeded their original engineered lifespan.

- In 2006, North Slope oil production was interrupted with a failure in one component of the system.



Project Organizational Structure

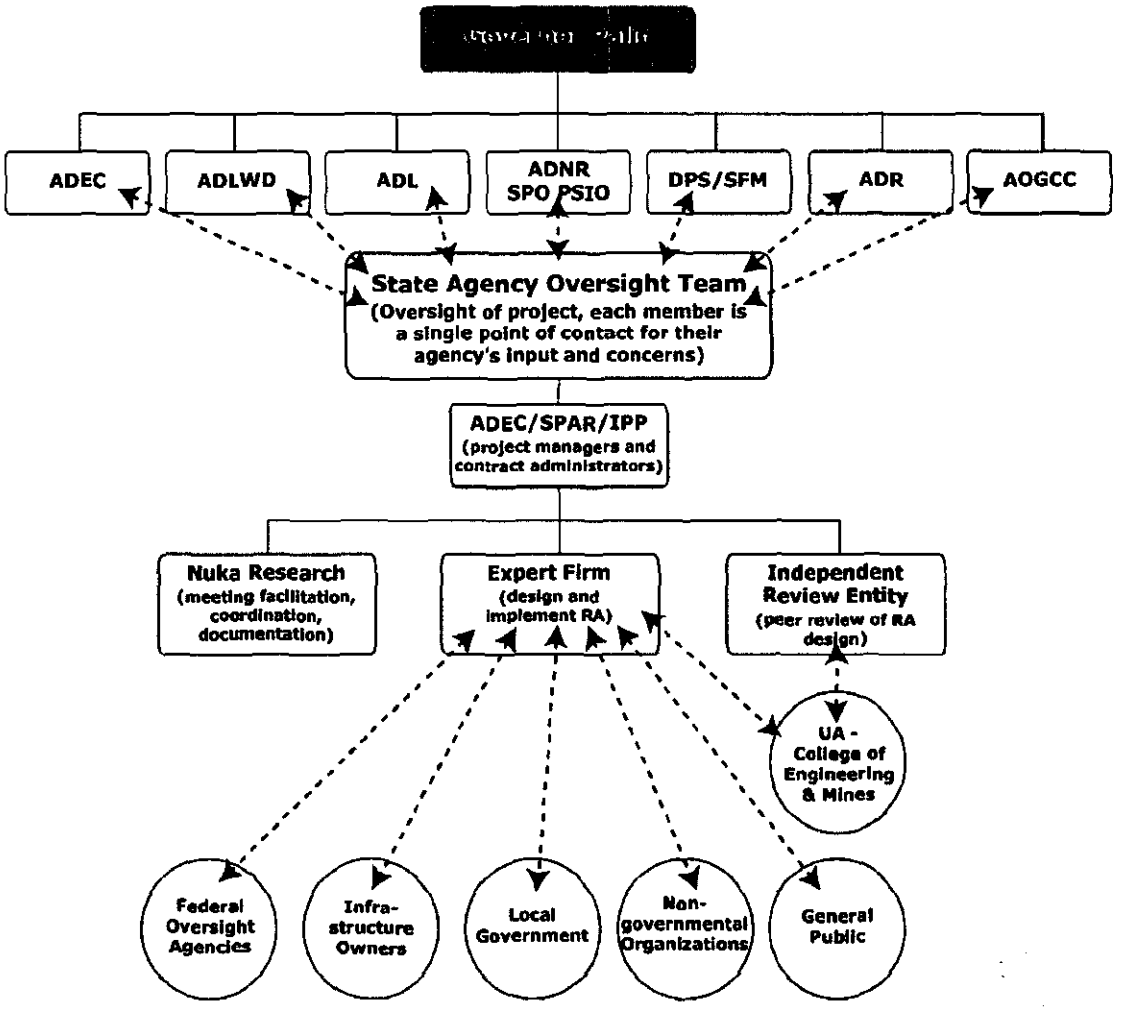


Project Organizational Structure

State Agency Oversight Team:

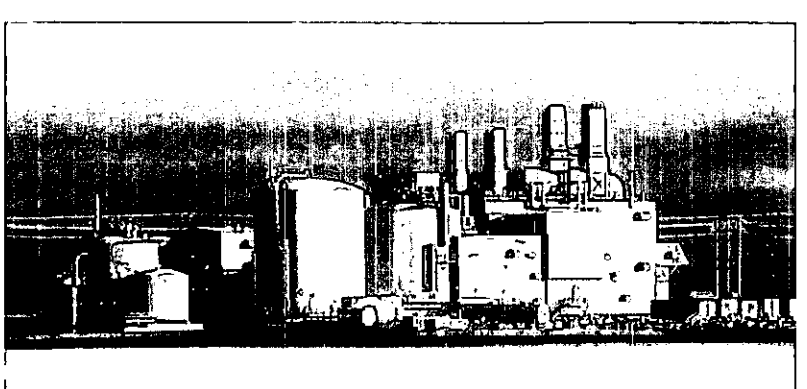
- Alaska Department of Environmental Conservation (ADEC)
- Alaska Department of Labor and Workforce Development (ADLWD)
- Alaska Department of Law (ADL)
- Alaska Department of Natural Resources (ADNR)
  - State Pipeline Office (SPO)
  - Petroleum Systems Integrity Office (PSIO)
- Alaska Department of Public Safety, State Fire Marshall (DPS/SFM)
- Alaska Department of Revenue (ADR)
- Alaska Oil & Gas Conservation Commission (AOGCC)

Alaska Oil & Gas Infrastructure Risk Assessment
Organizational Chart



Project Purpose

- **Outcome of the Risk Assessment**
  - "Picture" of the system as it stands today, highlighting the infrastructure components with the highest relative risk of a potential significant event.
  - Provide information to State agencies that is necessary for them to perform their mandated duties to oversee the steady flow of oil and gas without unplanned interruptions, while protecting the public's safety and the environment.



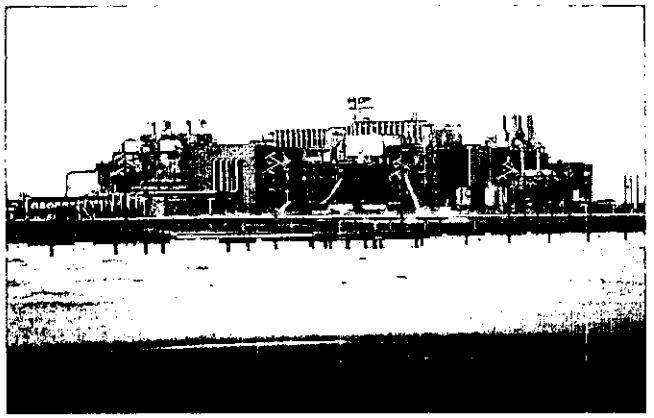
What is a Risk Assessment?

- Organized and systematic effort to identify and analyze hazardous scenarios;
- Starts with answering the question "What can go wrong?"
- Evaluate "how likely" it is that a significant event will occur;
- Evaluate "how damaging" the event would be to people, the environment, or production and state revenue if the event were to occur; and
- Combine the factors to determine an objective risk level.

Three Step Process

Step 1

- Define the significant events
- Design the risk assessment



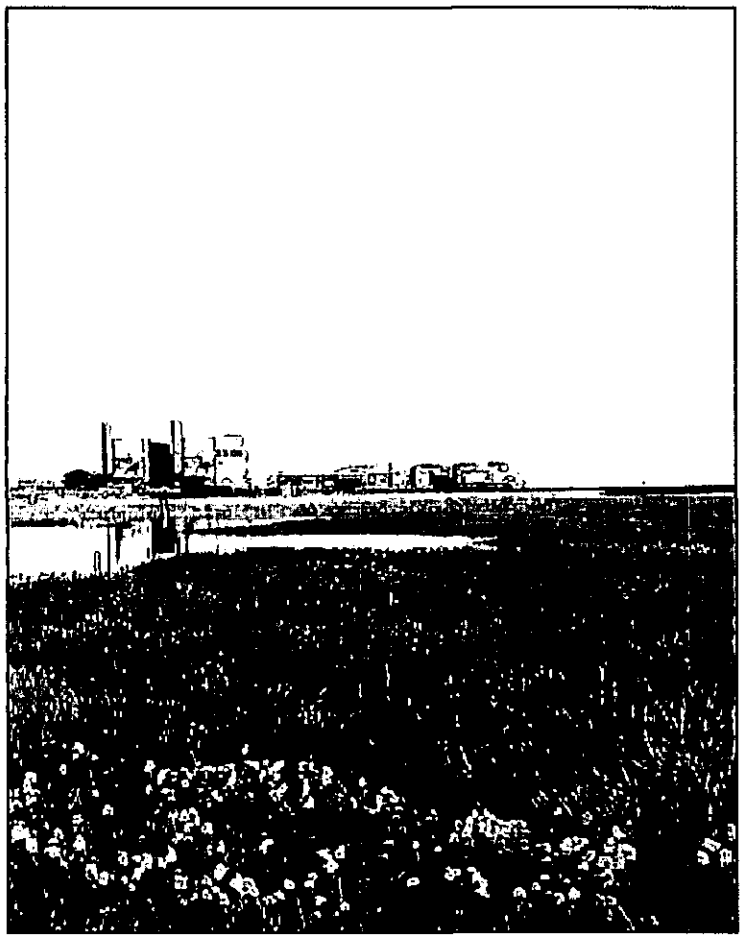
Step 2

- Conduct the risk assessment

Step 3

- Analyze the results
- Develop risk mitigation recommendations

Potential Recommendations



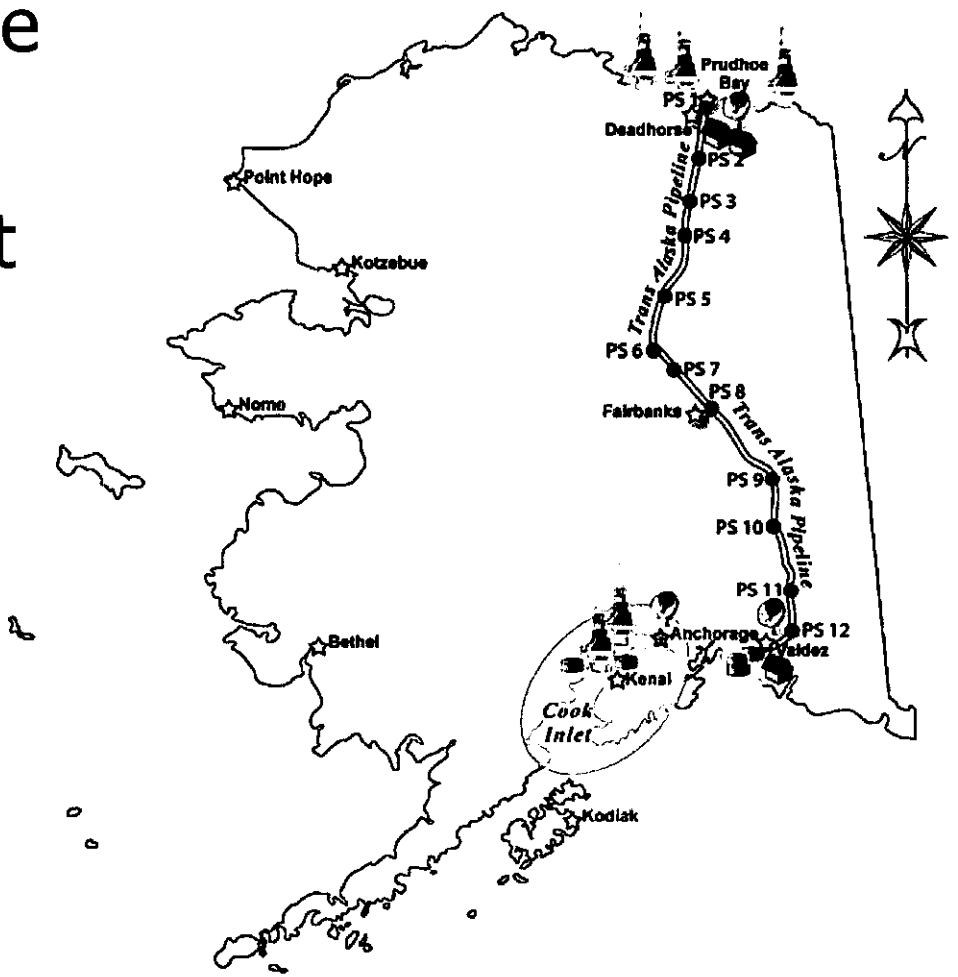
- Physical changes to infrastructure
- Changes to policies, procedures, standards, or regulations
- Changes to infrastructure audits, management, or oversight

General Project Scope

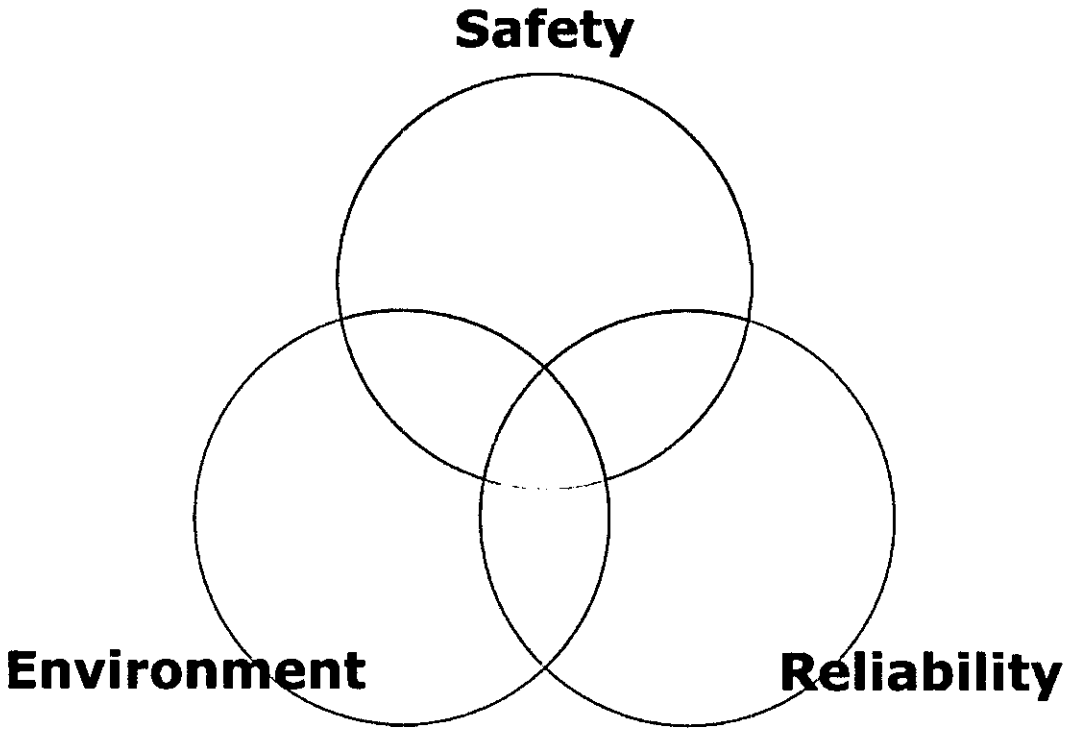
North Slope

TAPS

Cook Inlet



Areas of Interest



Schedule

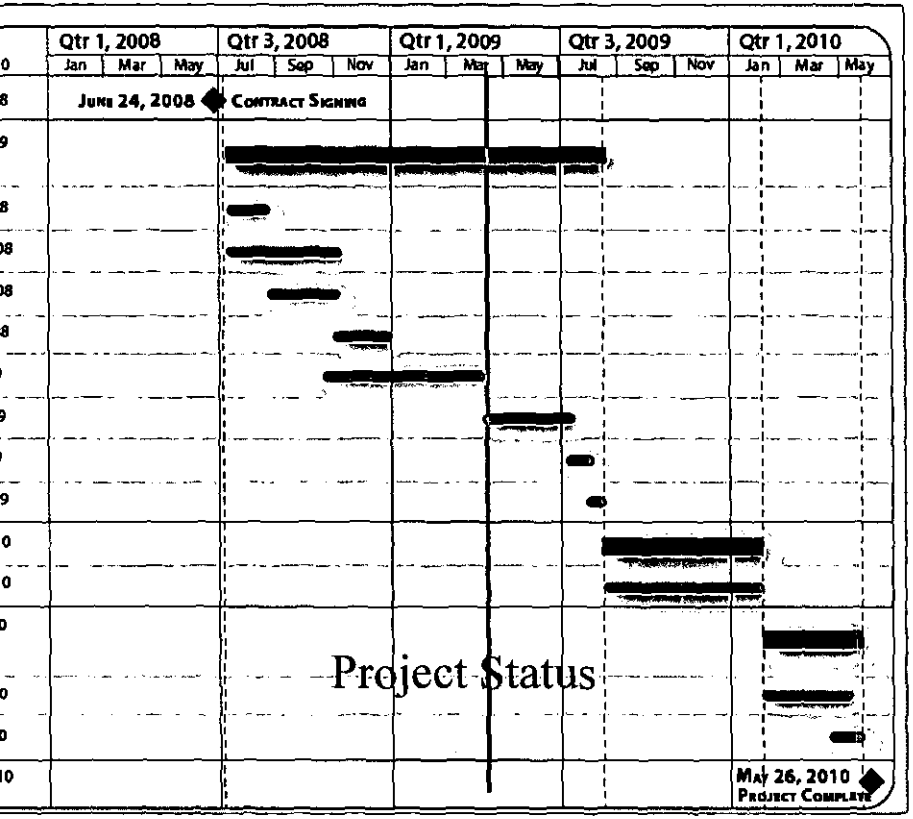
Phase 1:
Risk Assessment
Methodology Design
June 2008 – Aug 2009

Phase 2:
Risk Assessment
Implementation
Aug 2009 – Feb 2010

Phase 3:
Analysis & Final Report
Feb 2010 – May 2010

Status

STATE OF ALASKA OIL & GAS INFRASTRUCTURE RISK ASSESSMENT	DURATION (in months)	START	FINISH
	22.14	Tue 6/24/08	Wed 5/26/10
CONTRACT SIGNING	0 days	Tue 6/24/08	Tue 6/24/08
PHASE I: DESIGN RISK ASSESSMENT (RA) METHODOLOGY	13.5	Wed 6/25/08	Tue 8/25/09
Task 1a - Project Plan	1.14	Wed 6/25/08	Tue 7/29/08
Task 1b - Stakeholder Consulation	4.55	Wed 6/25/08	Tue 11/11/08
Task 1c - Existing Data/Information Review	3.41	Wed 7/30/08	Tue 11/11/08
Task 1d - Interim Report	1.25	Wed 11/12/08	Fri 12/19/08
Task 2 - Proposed RA Design	4.55	Wed 10/8/08	Fri 3/6/09
Task 3 - Evaluate RA Design	4.09	Mon 3/9/09	Fri 7/10/09
Task 4 - Proposed Final RA Design	1.14	Tue 7/6/09	Fri 8/7/09
Task 5 - Final RA Design	.55	Mon 8/10/09	Tue 8/25/09
PHASE 2: IMPLEMENT RA METHODOLOGY	5.23	Wed 8/26/09	Thu 2/11/10
Task 6 - Implement RA	5.23	Wed 8/26/09	Thu 2/11/10
PHASE 3: ANALYSIS, RECOMMENDATIONS, AND REPORT	3.23	Fri 2/12/10	Fri 5/21/10
Task 7 - Produce Draft Report	2.73	Fri 2/12/10	Thu 5/6/10
Task 8 - Produce Final Report & Presentation	0.73	Fri 4/30/10	Fri 5/21/10
PROJECT COMPLETE	0 days	Wed 5/26/10	Wed 5/26/10



Draft Methodology Report

STATE OF ALASKA
DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Press Release — COMMISSIONER'S OFFICE

FOR IMMEDIATE RELEASE

New step in study of Alaska's oil and gas infrastructure

State invites public comment on risk assessment methodology; National Academy of Sciences also to review approach

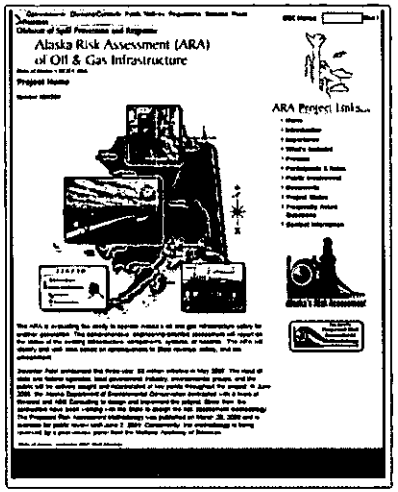
Contact: Ira Rosen, DEC project manager, (907) 465-5219

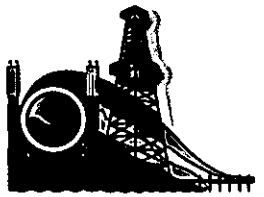
(Juneau – March 24, 2009) Members of the public now can comment on the approach developed to assess the health of the state's oil and gas infrastructure. Public meetings are planned for Anchorage, Fairbanks, Kenai, Barrow and Valdez to present the approach and answer questions. The comment period will end June 2.

Development of the methodology—a mathematical model to quantify risks—is the focus of the first phase of the Alaska Risk Assessment, a three-year, $5 million initiative to evaluate Alaska's oil and gas infrastructure. The study is an outcome of the spills, leaks and corrosion discovered on the North Slope in recent years. When complete, the assessment will report on the status of the existing infrastructure, components, systems and hazards. It will identify and rank risks based on consequences to state revenue, safety and the environment and will assist the state in making mitigation recommendations. The Alaska Department of Environmental Conservation (ADEC), working in cooperation with the Petroleum Systems Integrity Office (PSIO), is leading the risk assessment project.

"Finalizing the method we use to evaluate the condition of Alaska's oil and gas infrastructure is a key step in the overall assessment of this complex system," said Larry Dietrick, ADEC director of Spill Prevention and Response.

As part of the project, the State gathered input from government agencies, industry and the public in 2008. Those ideas helped shape the design of the risk assessment model. "Stakeholders now have a chance to confirm issues and concerns they identified have been included in our approach," said Ira Rosen, DEC project manager.





Comprehensive Evaluation and Risk Assessment of Alaska's Oil and Gas Infrastructure

Proposed Risk Assessment Methodology

–Revision 1–

March 20, 2009

Prepared By

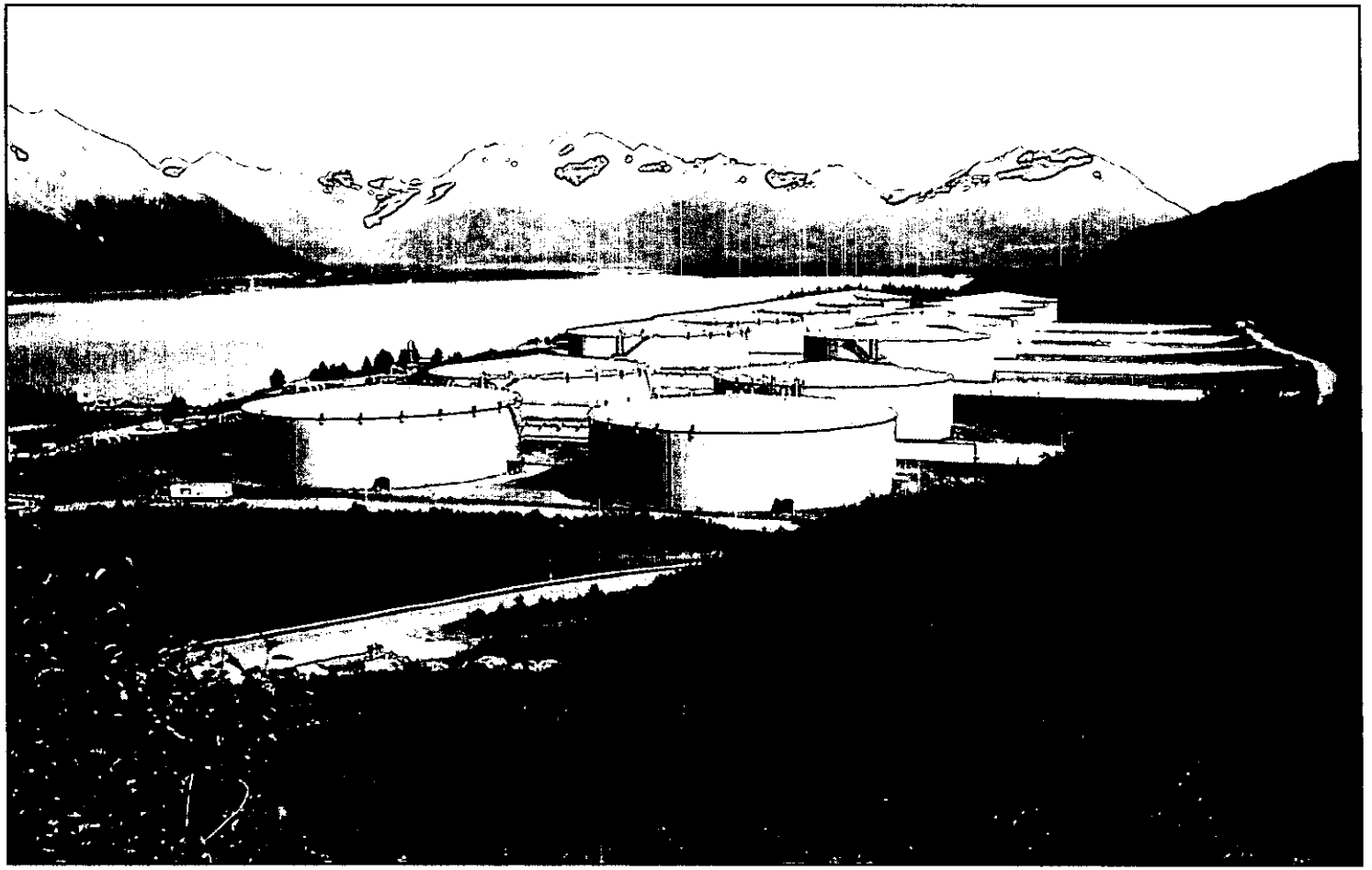
DOYONEMERALD PEOPLE ENERGY & ICE AS

ABS Consulting

Press Release announces availability of the Draft Methodology Report

Project Results

- Provide risk profile of infrastructure.
- Provide input for risk management decisions by Industry and the State.



Methods

Risk Analysis

Screening

Reliability

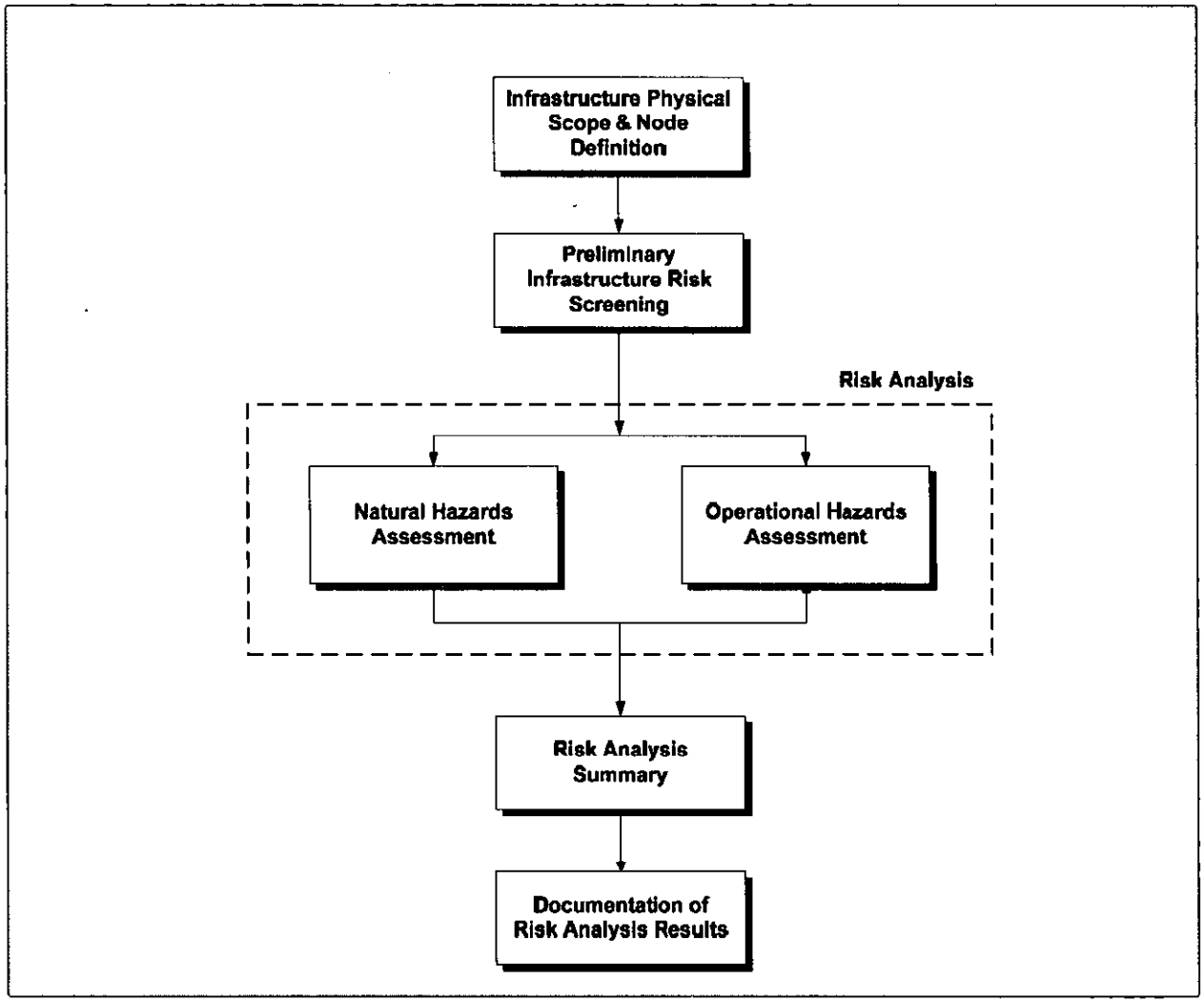
Environmental Spill Calculations

Environmental Consequences

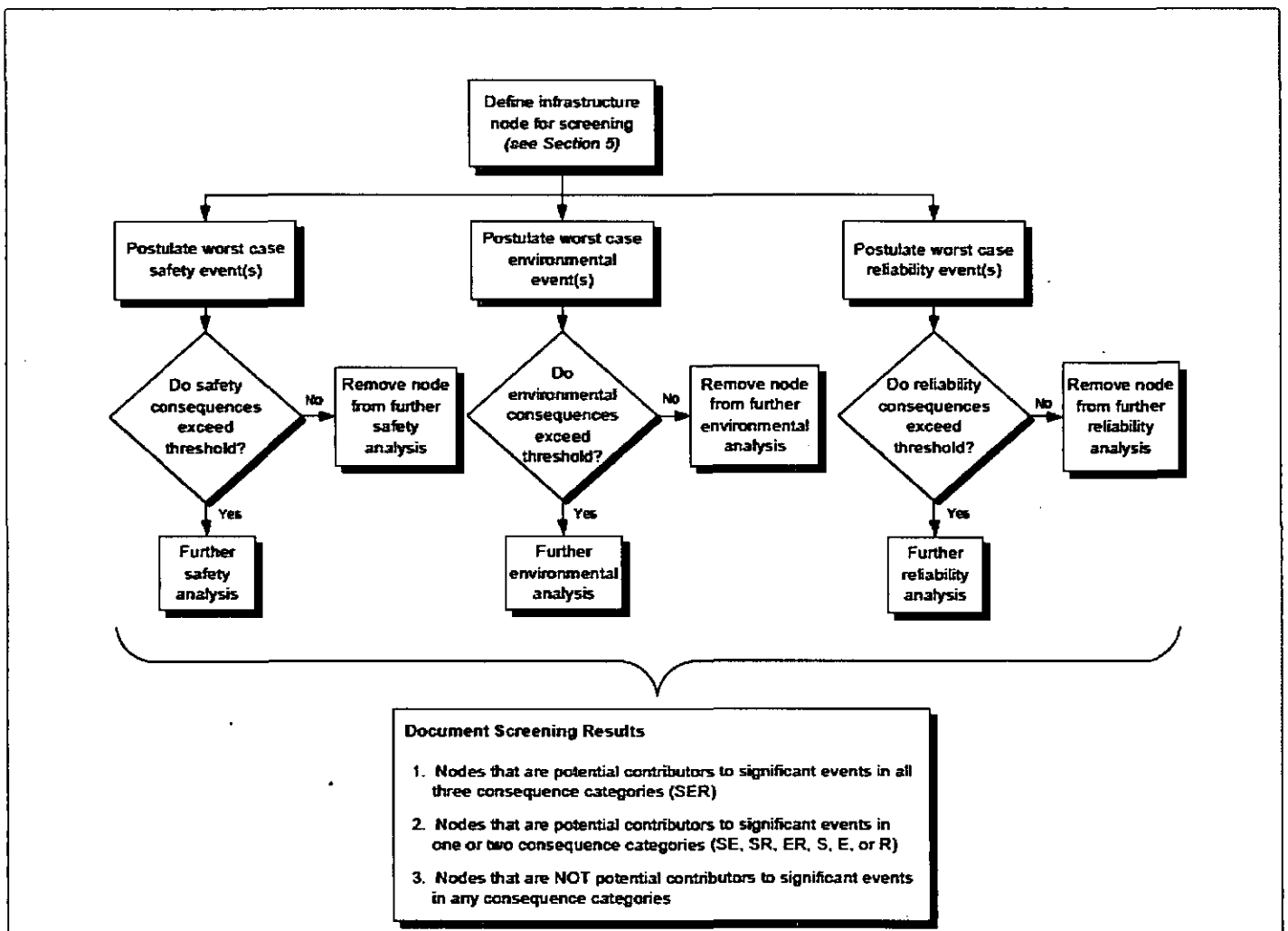
Operational Hazards

Safety

Risk Analysis



Screening


Define infrastructure node for screening (see Section 5)
Postulate worst case safety event(s)
Postulate worst case environmental event(s)
Postulate worst case reliability event(s)
Do safety consequences exceed threshold?
No
Remove node from further safety analysis
Yes
Further safety analysis
Do environmental consequences exceed threshold?
No
Remove node from further environmental analysis
Yes
Further environmental analysis
Do reliability consequences exceed threshold?
No
Remove node from further reliability analysis
Yes
Further reliability analysis
Document Screening Results
1. Nodes that are potential contributors to significant events in all three consequence categories (SER)
2. Nodes that are potential contributors to significant events in one or two consequence categories (SE, SR, ER, S, E, or R)
3. Nodes that are NOT potential contributors to significant events in any consequence categories

Reliability

Table 6-3 Reliability Consequence Levels for Preliminary Risk Screening

Category	Category Production Loss Boundaries	Explanation (see Note)
3	>42,000,000 bbls	Corresponds to about a two month full outage for TAPS
2	4,200,000 to 42,000,000 bbls	Corresponds to an outage range which includes an approximate 30 day outage for TAPS or a two week outage for a production source that is half of the TAPS throughput
1	<4,200,000 bbls	Corresponds to less than a week outage for TAPS or a 60 day outage for a production source that is 10% of the TAPS throughput.

Note: Outages assume 700,000 barrels per day TAPS throughput

Environmental Spill Calculations

Table 7-3 Release Quantity Categories

Release Quantity	Category Index Number	Explanation
Large release (>10,000 barrels)	6	Release quantities will be assessed based on normal process flow, the nature of the worst-case release considered, and the expected detection and isolation time.
Medium Release (1,001 to 10,000 barrels)	5	
Small Release (10 to 1,000 barrels)	4	

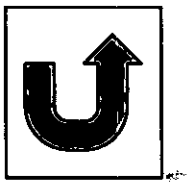
Note: The release quantity categories are assigned numbers from 4 to 6 in order to reflect the overall importance of the spill size compared to the other contributing categories (i.e., release quantity is more heavily weighted than the other factor categories, which have an index range from 1 to 3). This also allows the environmental impact to reflect an approach that adjusts spill size by expected recoverability (i.e., subtracting the recoverability category from the release quantity category) to represent the impact of the material which may actually remain in the environment long term.

Table 7-4 Release Recovery/Remediation Factor Category

Recovery/Remediation Capabilities	Category Index Number	Explanation
Little to no ability to recover/remediate this type of release	1	This category includes: • Direct spills to moving bodies of water other than contained entirely on ice (such as ocean/sea, river systems, and tributaries) • Spills to subsurface areas • Other situations assessed as difficult to recover (including requiring input from State and remediation experts
Limited to moderate capability to recover/remediate this type of release	2	This category includes: • Spills to land and tundra in other than frozen conditions • Spills to unprepared surfaces (i.e., prepared surfaces include gravel pads which have been laid for remediation ease) • Other situations assessed as limited to moderate to recover (including requiring input from State and remediation experts)
Very effective capability to recover/remediate this type of release	3	This category includes: • Spills in winter conditions contained on ice or recovered from frozen land or tundra (i.e., limited migration) • Spills to gravel pads or other prepared surfaces where recovery can be accomplished by direct removal of contaminated materials.

Table 7-5 Local Environment Sensitivity Categories

Type of Environment	Category Index Number	Type of Environment
Waterways	3	This category includes: • Waterways or direct pollution routes to waterways that support commercial fishing, aquaculture, or subsistence activities
Sensitive Lands (including surface and subsurface areas)	2	This category includes: • A land area that supports unique flora and fauna or wildlife breeding and migratory areas, which may support subsistence hunting activities (e.g. tundra or wetlands) • An area that encompasses a cultural or historical site • A Recreational Area (defined as an area that supports hunting, fishing, hiking or other outdoor recreational activities) • Areas that have been branded based on pristine conditions and which support tourism activities
Other Lands	1	This category includes: • A land area (surface or subsurface) not defined as "sensitive" in Category 2 above.



Environmental Consequences

Calculating Environmental Consequence Categories

An environmental consequence score will be calculated for each of the release events that are considered, based on the index values that are assigned in each of the above contributing factor categories. The overall environmental consequence score will be calculated using Equation 7-2:

$$\mathcal{N}_i = M_i * (Q_i - R_i) * S_i$$

Equation 7-2 Environmental Consequence Scoring Calculation

Where:

$\mathcal{N}_i$ = Event i Calculated Environmental Consequence Score (1 to 45)

$\mathcal{M}_i$ = Event i Material Composition Index (1 to 3)

Q_i = Event i Release Quantity Index (4 to 6)

R_i = Event i Recoverability/Remediation Index (1 to 3)

S_i = Event i Environmental Sensitivity Category Index Number (1 to 3)

Example calculation:

A significant release of crude oil (M = 3) that is 2,000 barrels in size (Q = 5) in an area of very high sensitivity (S = 3), but where recovery and remediation efforts can be highly effective (R= 3), would be scored as:

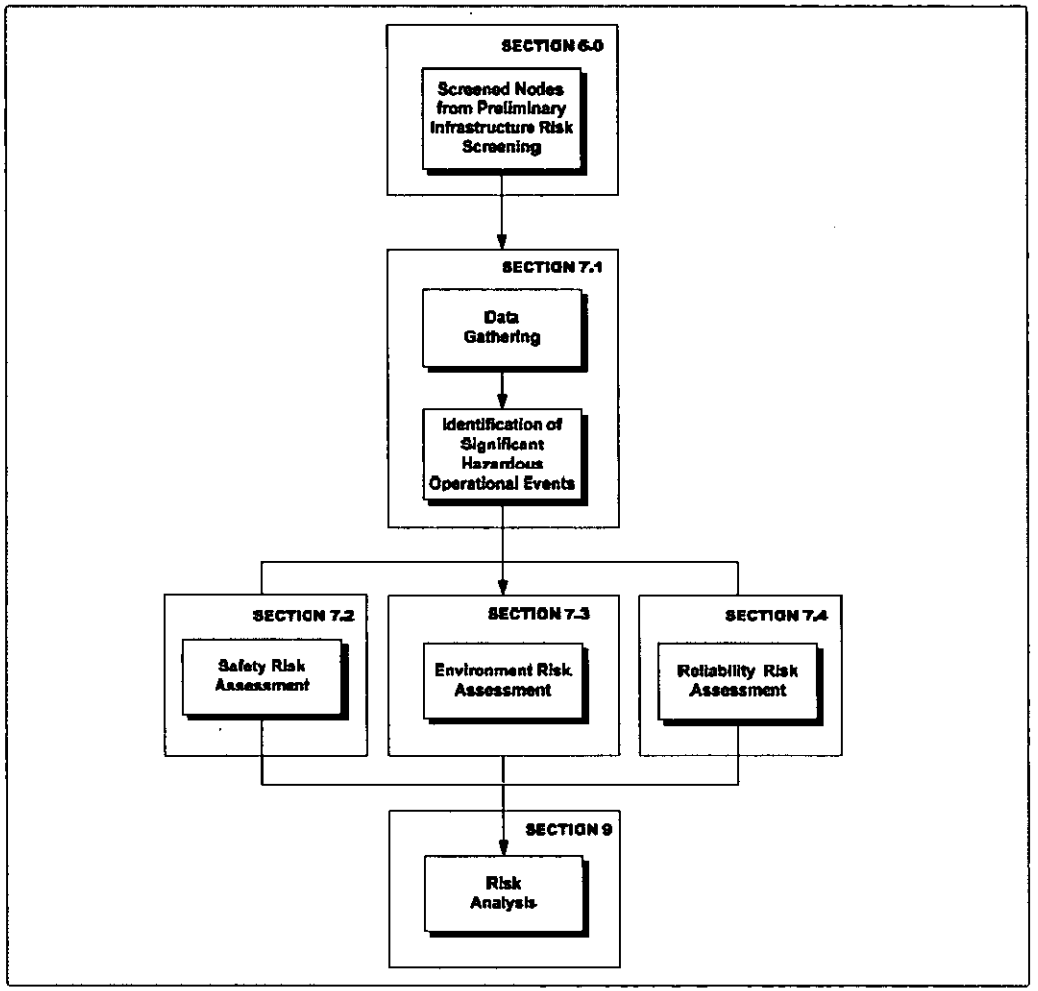
$\mathcal{N}_i = 3 \times (5-3) \times 3 = 18$

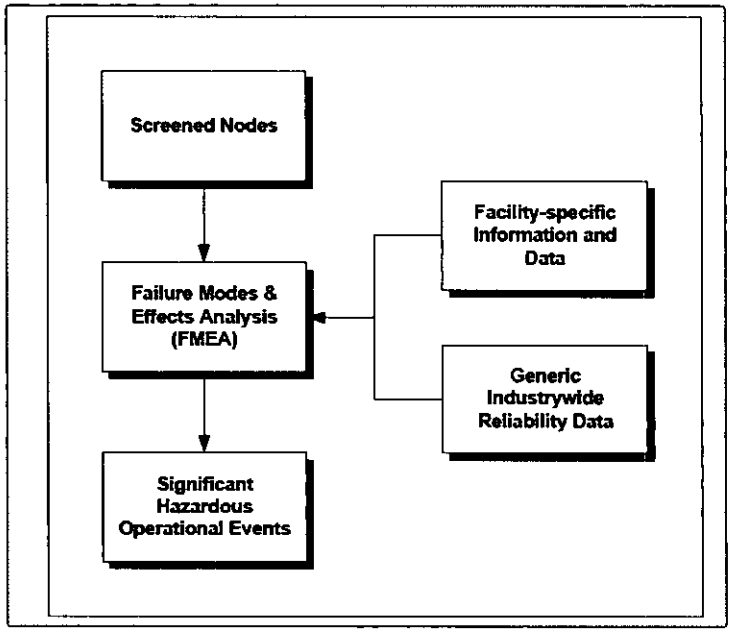
This approach represents a relative ranking of releases; it cannot be correlated to any physical meaning based on the absolute value of the numbers or index that is assigned to each factor. The value of the overall environmental consequence score can range from 1 to 45, depending on the assigned values of the contributing factor categories. Ranges of the environmental consequence score will then be used to categorize the relative environmental impacts of the potential release scenarios. See Appendix G for example scenarios that have been processed through this model.

Table 7-6 presents preliminary values that will be used for assigning the environmental consequences to each of the potential release events. The definitions and descriptions for the qualitative range of significant environmental consequences for this project in Table 7-6 were derived from input from the stakeholder consultation process that was executed at the commencement of the project.

Category Number	Environmental Impacts	Consequences Score
3	**Catastrophic** – A significant release to an area of extremely high environmental consequence that causes large-scale, widespread, non-recoverable, irreversible, and long-term damage that is severe. The damage would be considered to be extensive enough that the area would be considered unusable for the foreseeable future. The loss would prevent a return to normal life support and access for the conduct of normal activities that were once supported by the area's resources.	Greater than or equal to 30
2	**Challenging** – A significant release to an area of high environmental consequence that causes widespread and persistent damage to the area, which would cause a disruption in life support and would limit normal use and activities in the area for some time. Remediation would be required and some damage to the area may be irreversible.	Greater than 15, but less than 30
1	**Manageable** – A release to an area of some environmental consequence that results in localized and reversible effects on the environment. Results in some initial disruption of activities in the area, but normal usage can resume in a very short time frame once remediation/recovery activities have been completed.	Less than or equal to 15

Operational Hazards





Safety

After the incident scenarios for each node have been identified, the safety risk calculation will entail three major tasks:

1. Consequence Analysis – Evaluation of physical effects of incidents on people
2. Likelihood Analysis – Estimation of incident frequencies
3. Risk Calculation – Calculation of risks, which are a combination of likelihood and consequences/impacts, and presentation of results

Risk is then calculated using the "risk triplet" model, shown in Equation 7-1:

$$\mathcal{R} \equiv \langle \mathcal{E}_i, C_i, \mathcal{L}_i \rangle_n$$

Equation 7-1 Risk Triplet Model

Where:

$\mathcal{R}$ = Calculated risk

$\mathcal{E}_i$ = Significant Incident Scenario i (from the FMEA Hazard Events Identification process)

C_i = Event i consequence (from the Consequence Analysis)

$\mathcal{L}_i$ = Event i Likelihood (from the Likelihood Analysis)

n = Number of significant incident scenarios

3/31/09 LUNCH & LEARN: S.E. AK'S TIMBER INDUSTRY

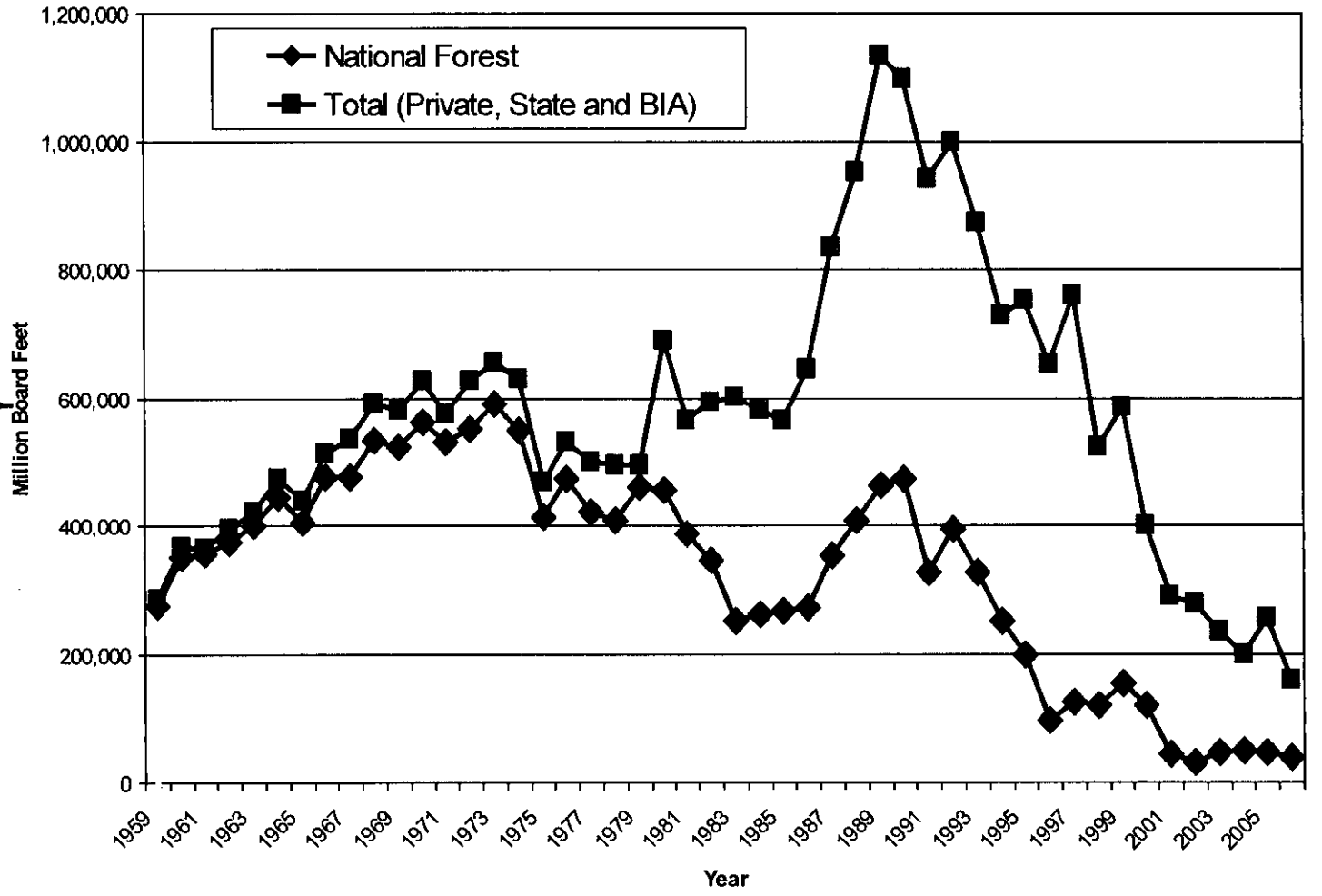
Resource Development Council Legislative Lunch 'n Learn

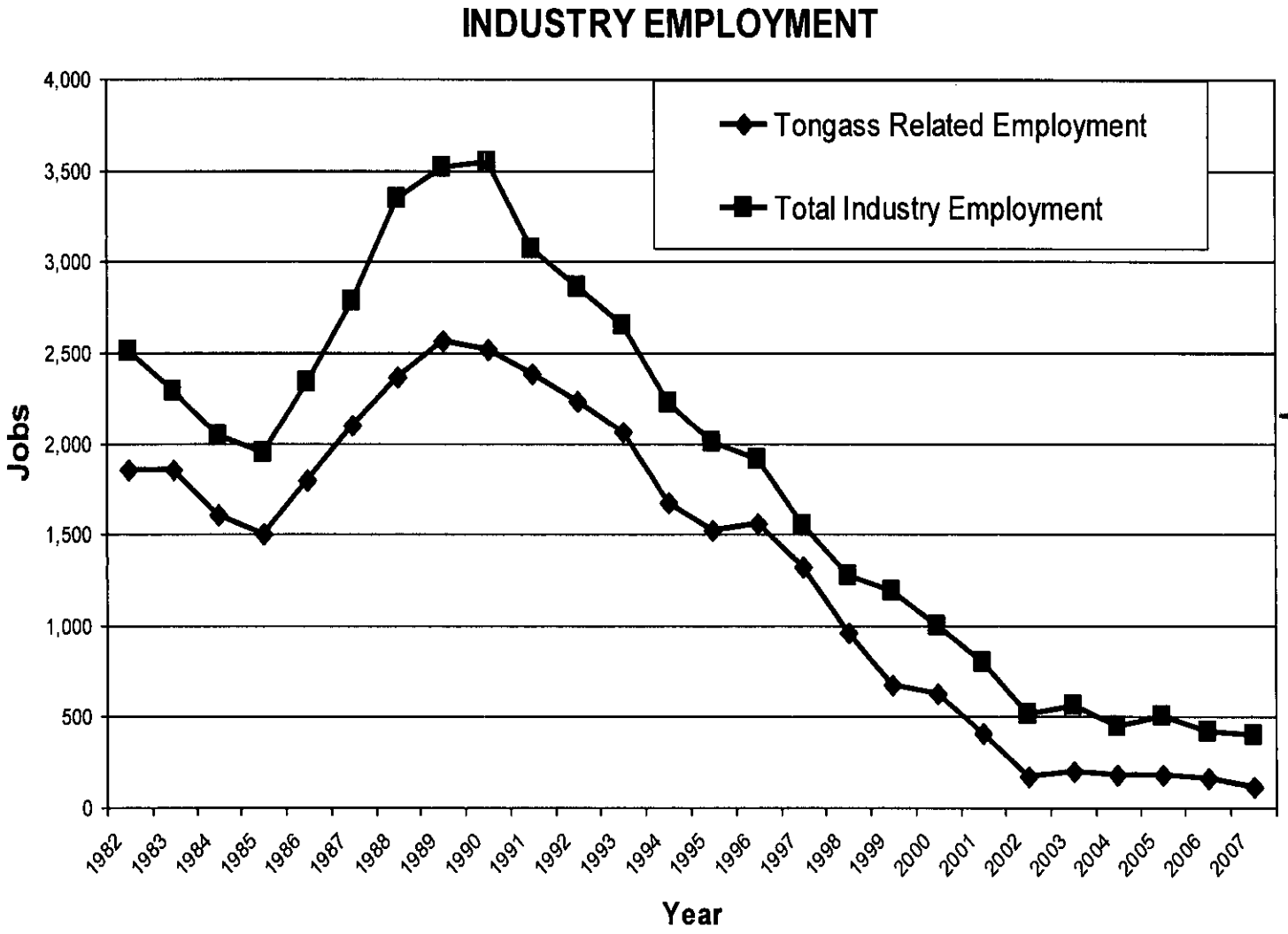
"Southeast Alaska's Timber Industry"

Rick Harris, Sealaska Executive Vice President
Ron Wolfe, Natural Resource Manager
March 31, 2009

Alaska Timber Harvest for Private and Public Lands

(Pacific Northwest Research Station)




INDUSTRY EMPLOYMENT
Tongass Related Employment
Total Industry Employment
Jobs
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
Year

Today's Timber Harvest

- 20 to 30 mmbf per year Tongass National Forest – Future?
- 50 mmbf per year for 3 - 5 years Sealaska
- 15 mmbf for per year 2 years Haida Corp.

Markets for SE Alaska Logs and Lumber

- Markets are global
- Products are varied
  - Fine finish wood, musical instruments, fencing, construction lumber to pallets, shipping containers and paper
  - New products may include use of milling and logging residues for bio-energy products

Sealaska Log Products

Species	Sales mmbf	Value
Hemlock	16.9	$14.5 million
Red Cedar	11.5	$14.1 million
Spruce	22.9	$26.6 million
Yellow Cedar	1.7	$1.9 million
Total	53.0	$57.1 million

Sealaska Log Markets

Market	% of Volume	% of Value
Japan	45%	47%
Korea	25%	21%
USA	12%	12%
Taiwan	6%	7%
Pakistan	1%	1%
Net	53 mmbf	$57 million

Comparison of Log and Lumber Jobs

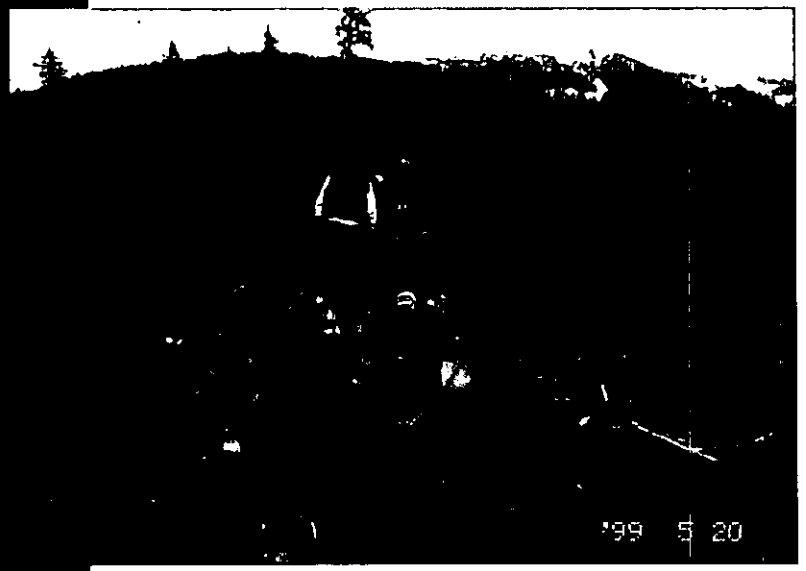
According to McDowell 2005 Report

- 4.5 logging and sawmill jobs created from Tongass National Forest
- 4.3 logging and stevedoring jobs created from Sealaska harvest

Even Aged Harvested Acres

- 430,000 acres Tongass National Forest
- 80,000 acres Sealaska
- 160,000 to 180,00 acres (estimated) for the Southeast 10 Village and Urban Corporations combined
- 680,000 acres total approximately

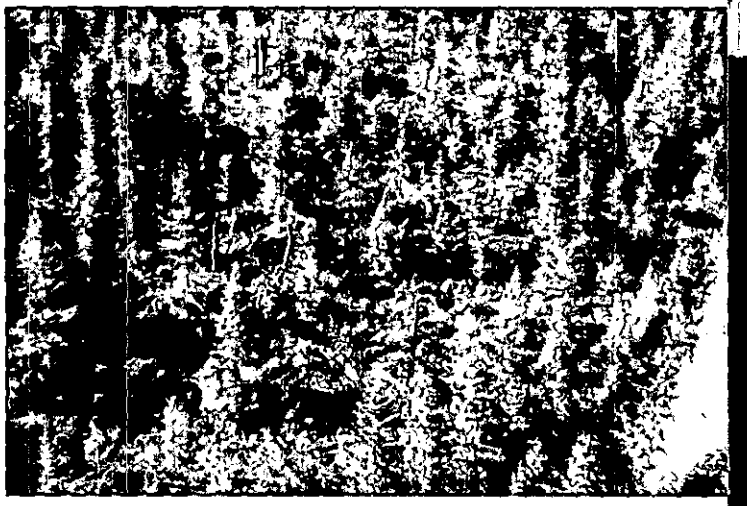
Tree Planting



Tree Planting

- Benefits
  - Ensures forest regeneration
  - Impact species composition
  - Shorten rotation
  - Mostly on the northern end of the Tongass
  - Provides local employment
- How many acres?
  - Sealaska has planted 8,000 acres
  - Tongass ?

Tree Thinning



Thinning

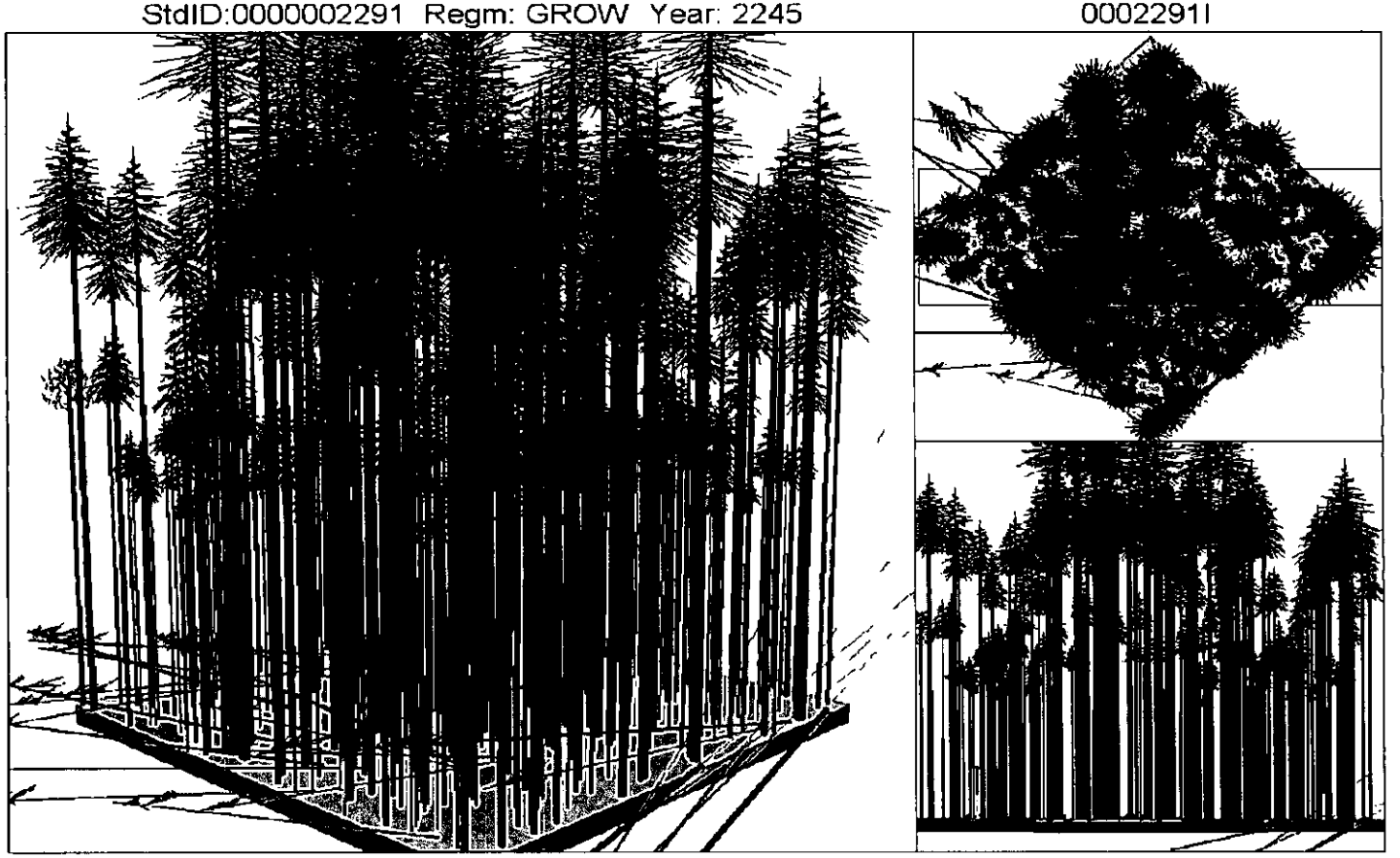
- Precommercial thinning
- Benefits
  - Wildlife
  - Species composition
  - Shorten rotation
- How many acres?
  - 160,000 acres Tongass National Forest
  - 31,320 acres for Sealaska
  - 20,000 acres for Village and Urban combined

Thinning

- Commercial Thinning
  - Product recovery
  - Restoration opportunity treat forests not precommercially thinned
  - Wildlife
  - Species composition
  - Larger sawtimber at harvest
- Opportunity
  - ~ 200,000 acres Tongass
  - ~ 100,000 acres Village and Urban Corporations
  - More with out precommercial thinning

Unmanaged Stand age 240 yrs

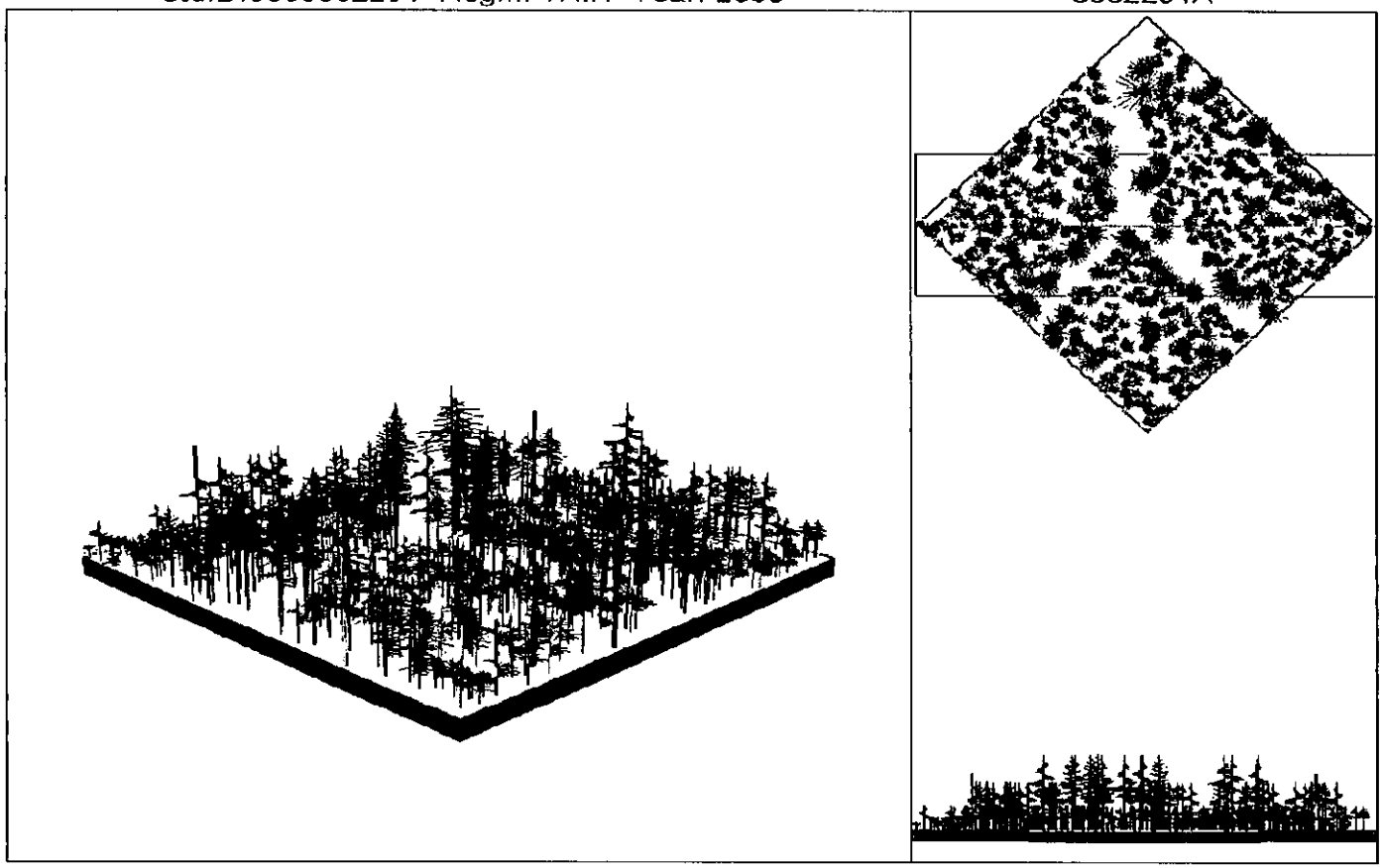
Unmanaged forest – 240 Years after harvest –
Average diameter = 14" – Stand is ready for harvest – 38 MBF/Acre



Young Stand

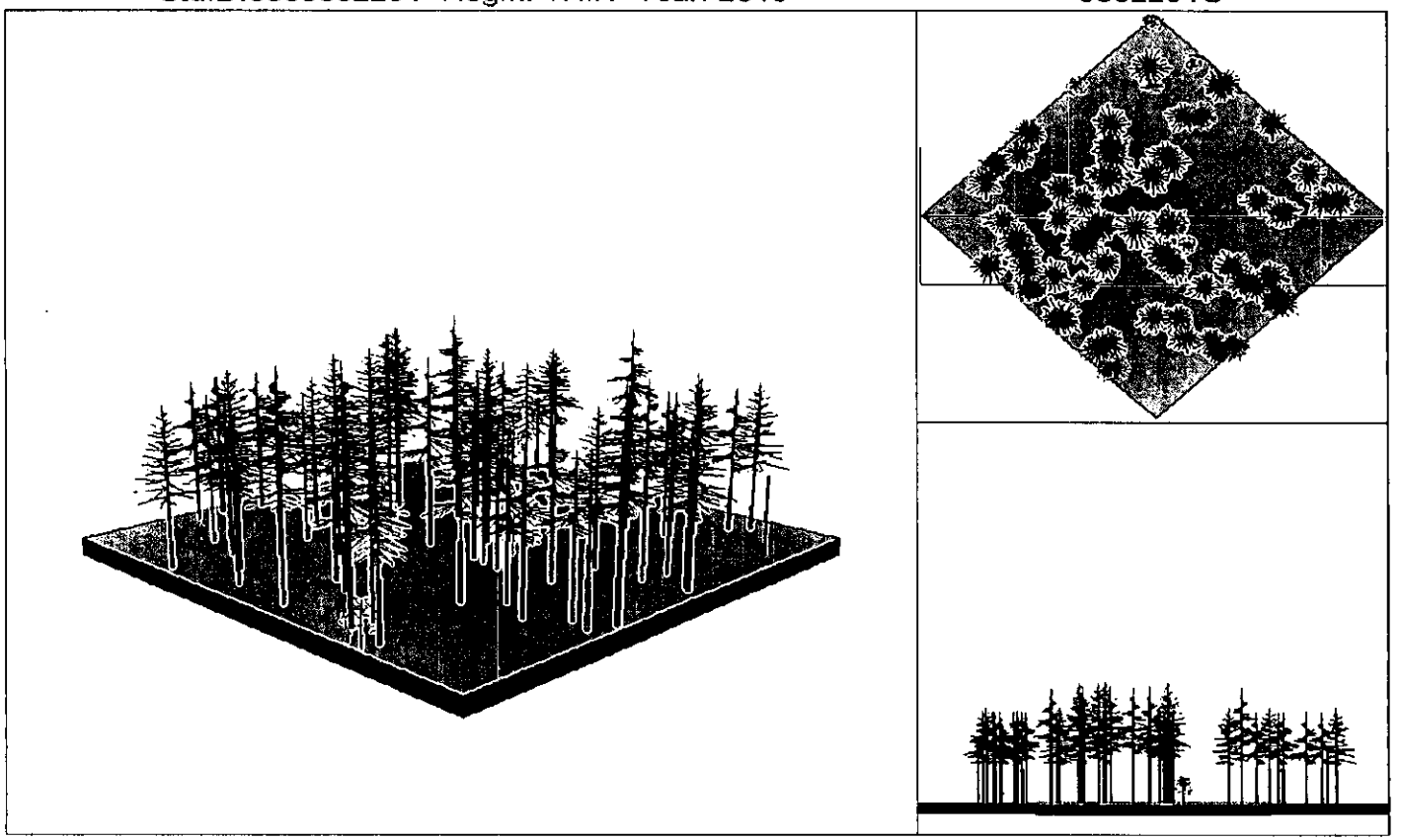
Year of timber harvest - Forest not yet managed

StdID:0000002291 Regm: THIN Year: 2005 0002291A



Precommercial Thinning age 15 – 20 yrs

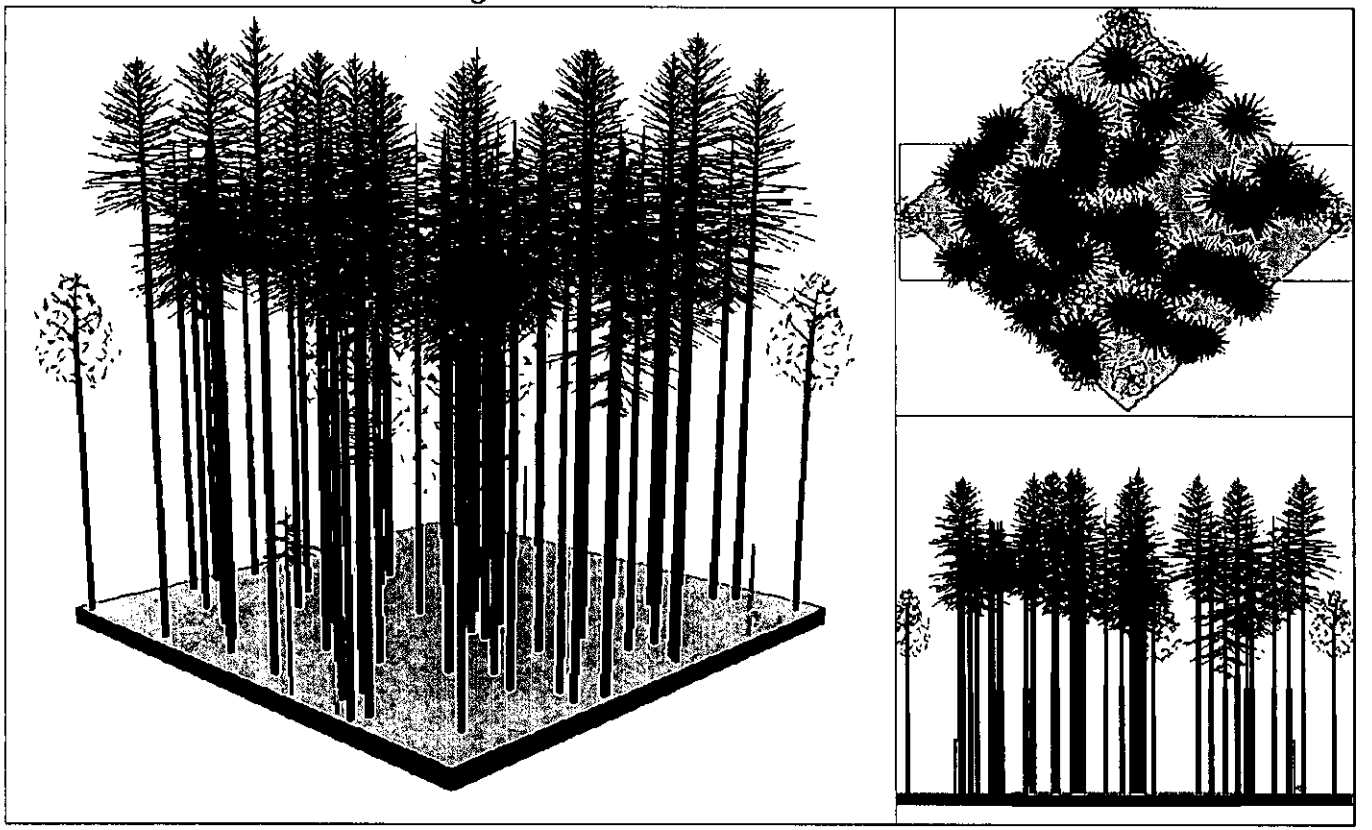
Forest 15 years after harvest – **Year of Management**



Managed Stand at age 80 yrs

Managed forest 85 years after harvest – 70 years after management
Average Diameter = 14" – Ready for harvest – 39 MBF/Acre

StdID:0000002291 Regm: THIN Year: 2085 0002291J

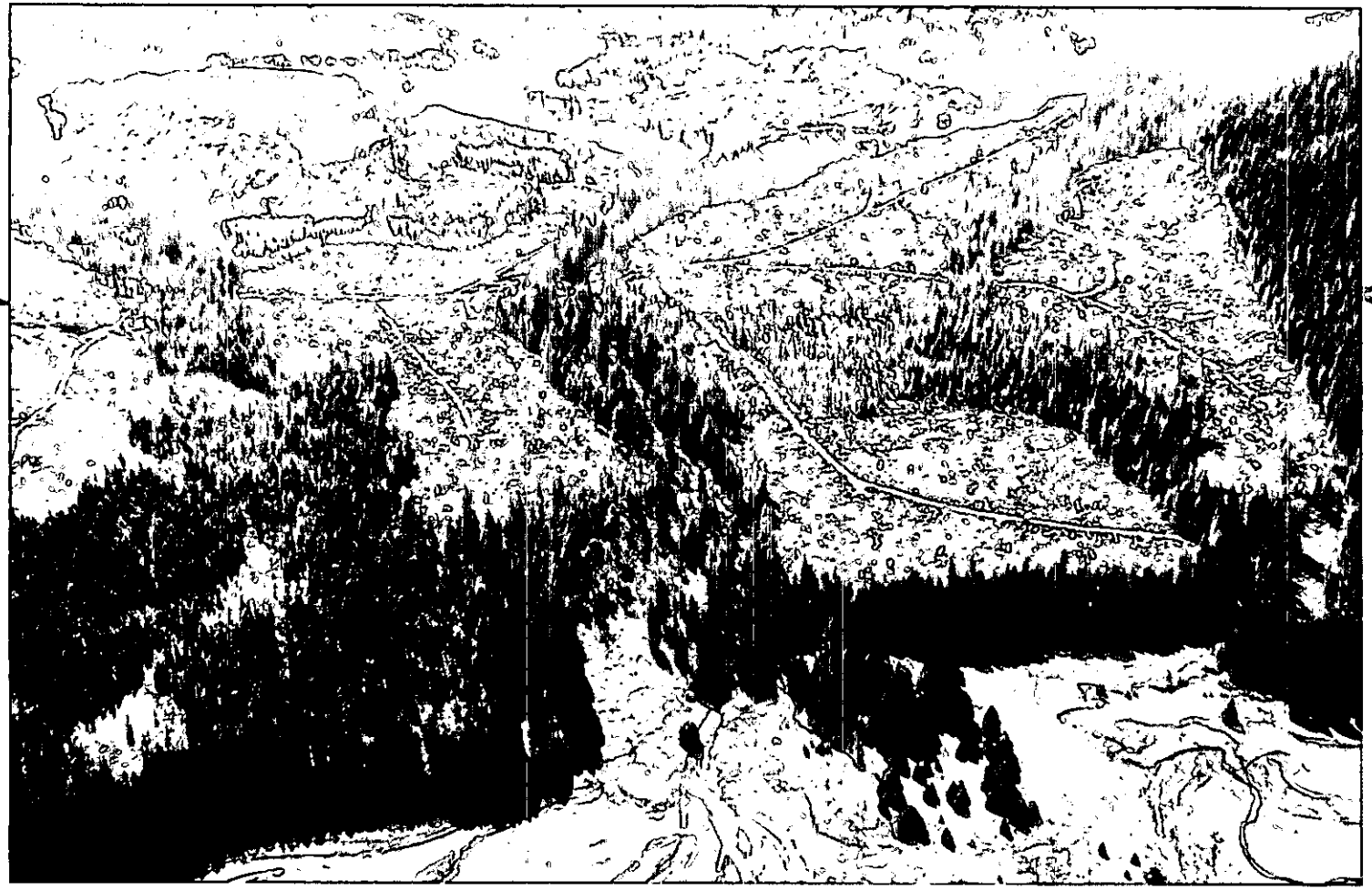


Tree Pruning

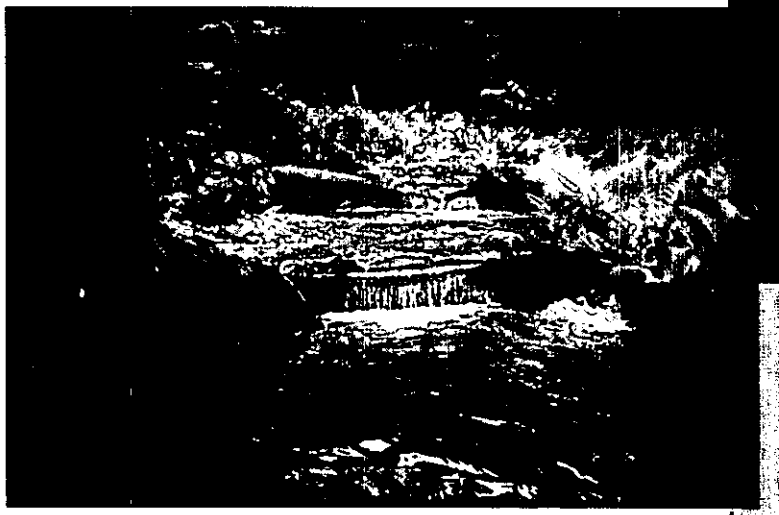
Basal Pruning

- Benefits
  - Wildlife
  - Promote higher value product – clear lumber
- 1,100 acres of Sealaska's forests

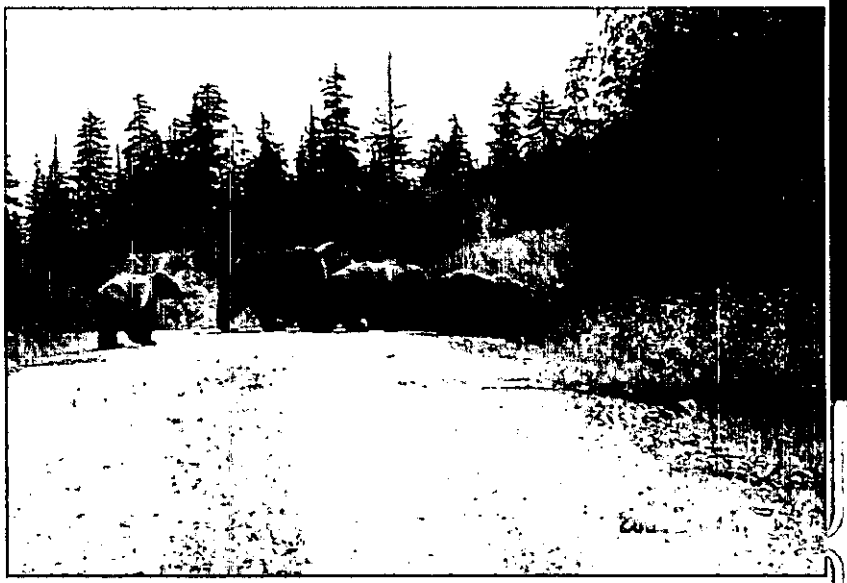
Alaska FOREST and Resources PRACTICES ACT

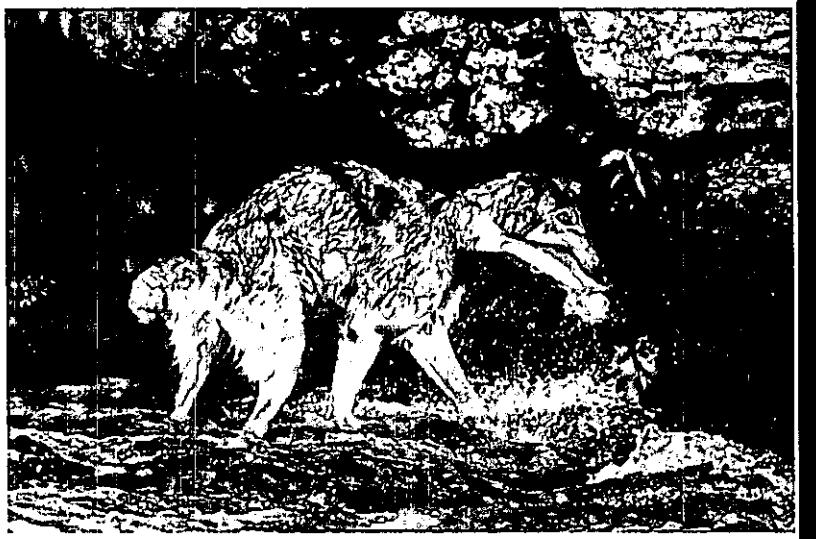


Effectiveness Monitoring



Wildlife Studies





4/7/09 LUNCH & LEARN: UNDER-GROUND MINING

Council of Alaska Producers Introduction to Underground Mining

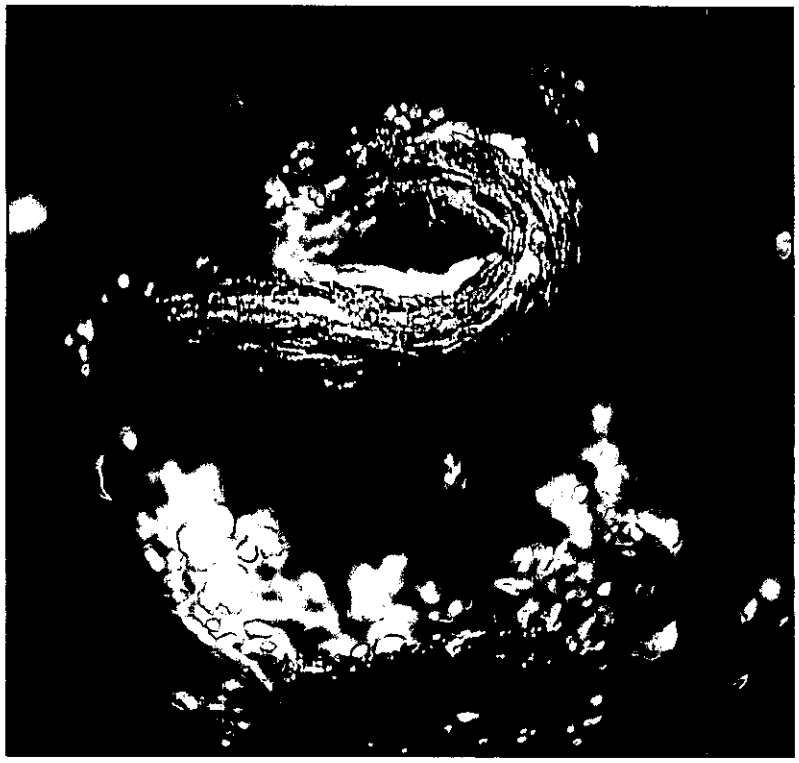
House Resources Committee
Lunch and Learn
April 7, 2009

Underground Miners, c. 1900

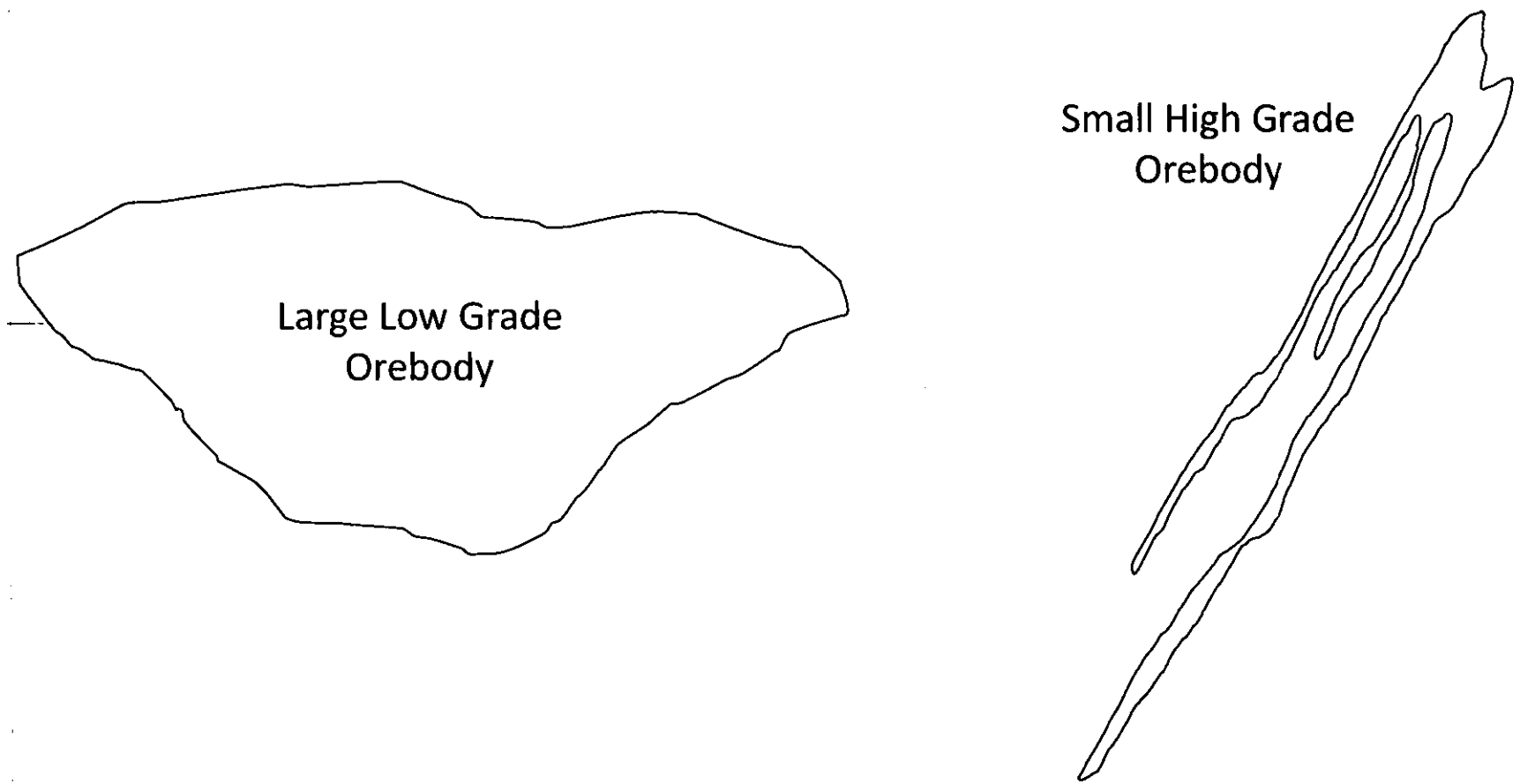
Underground Miner 2009

Mining Method Selection

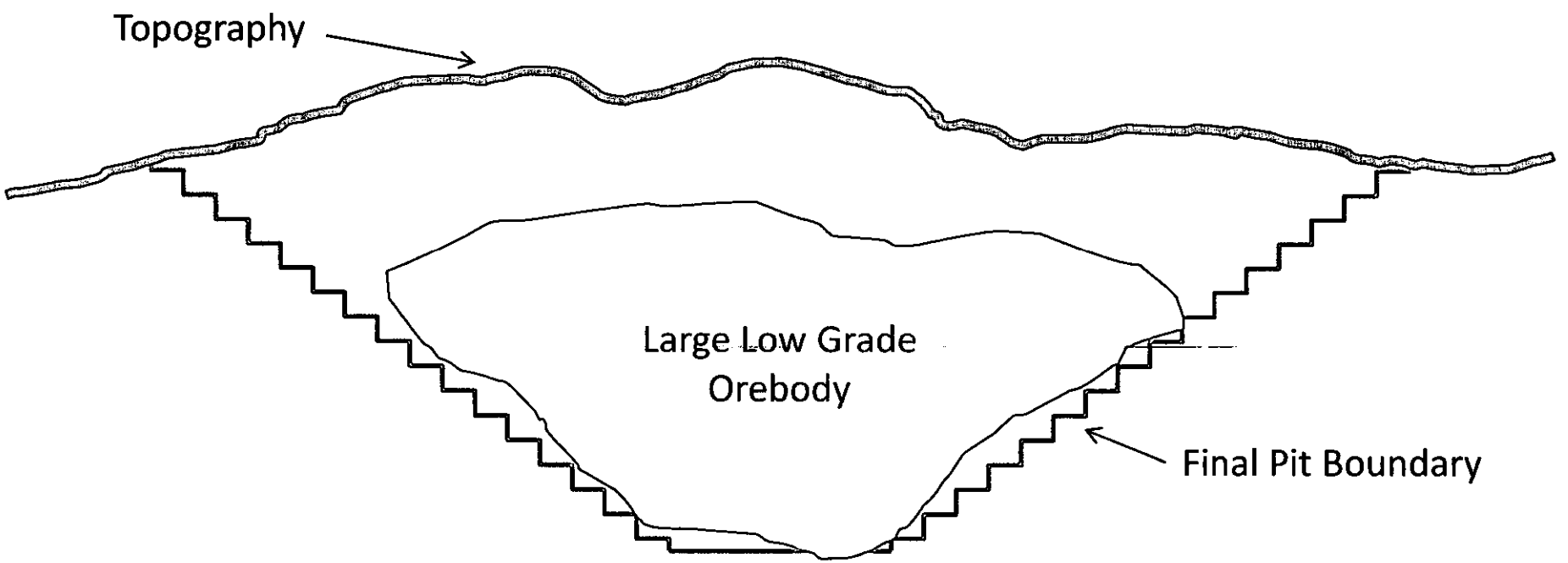
- Deposit Type
- Deposit Size
- Deposit Location
- Advances in Technology
- Regulatory Requirements



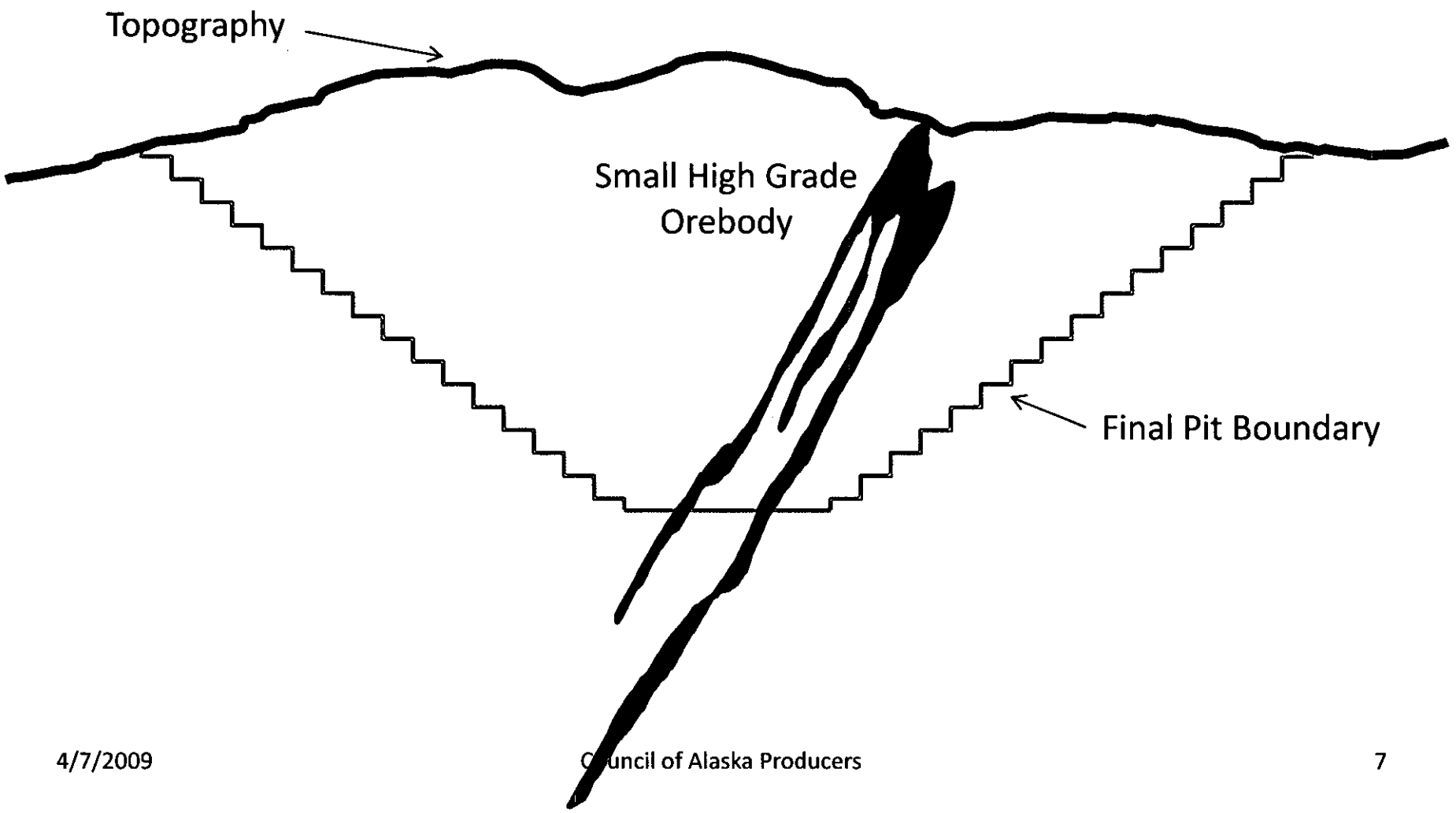
Open Pit or Underground?



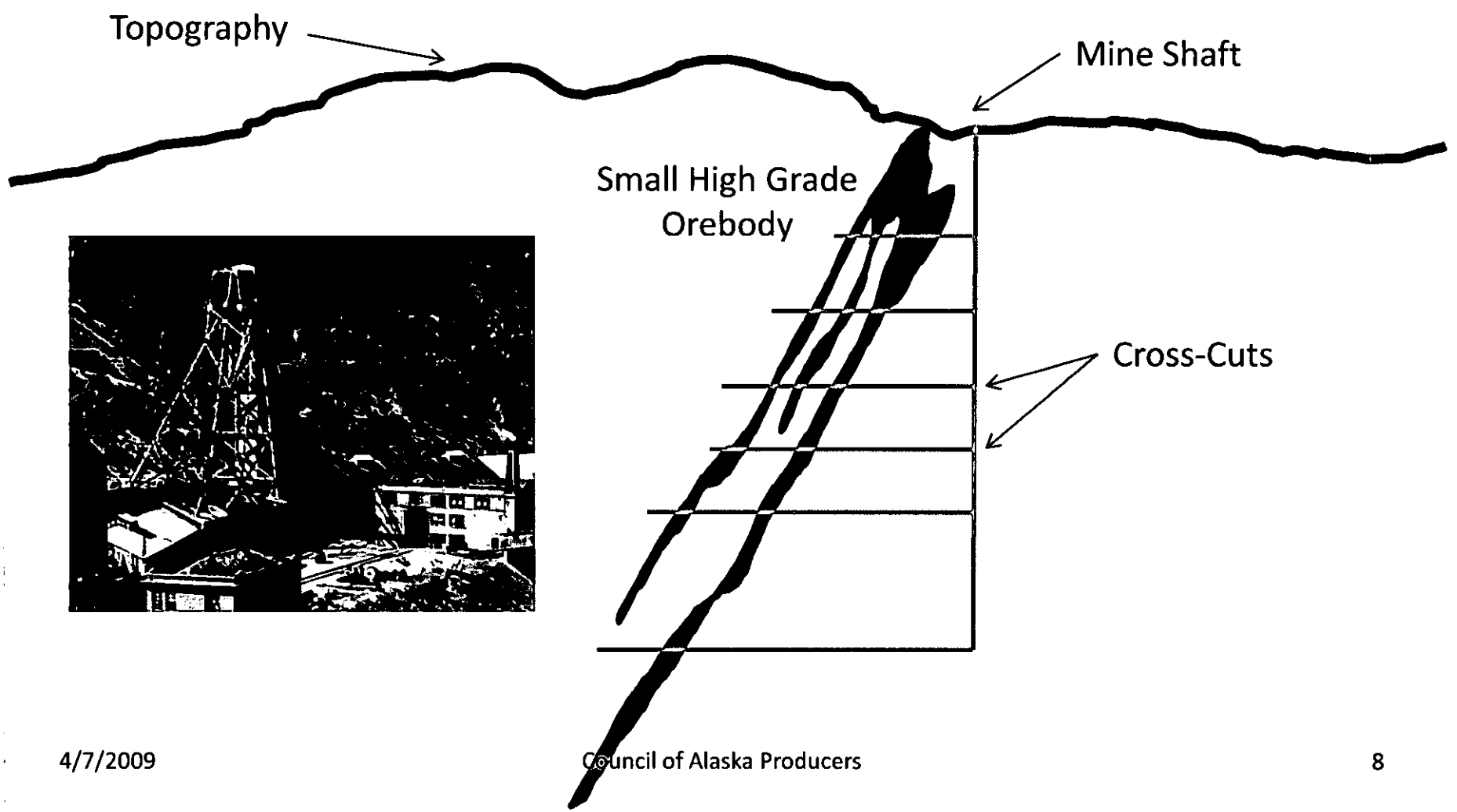
Open Pit



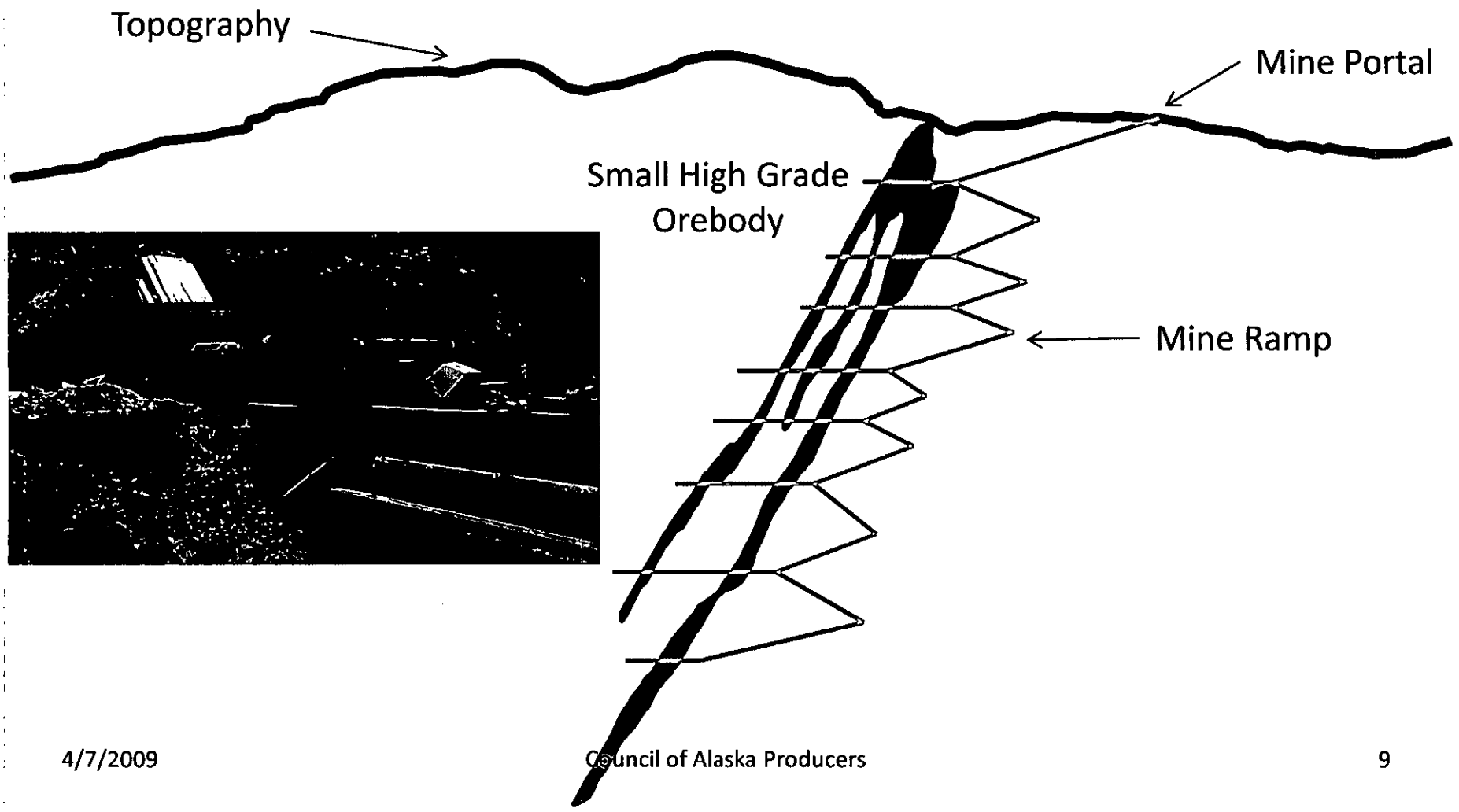
Open Pit?



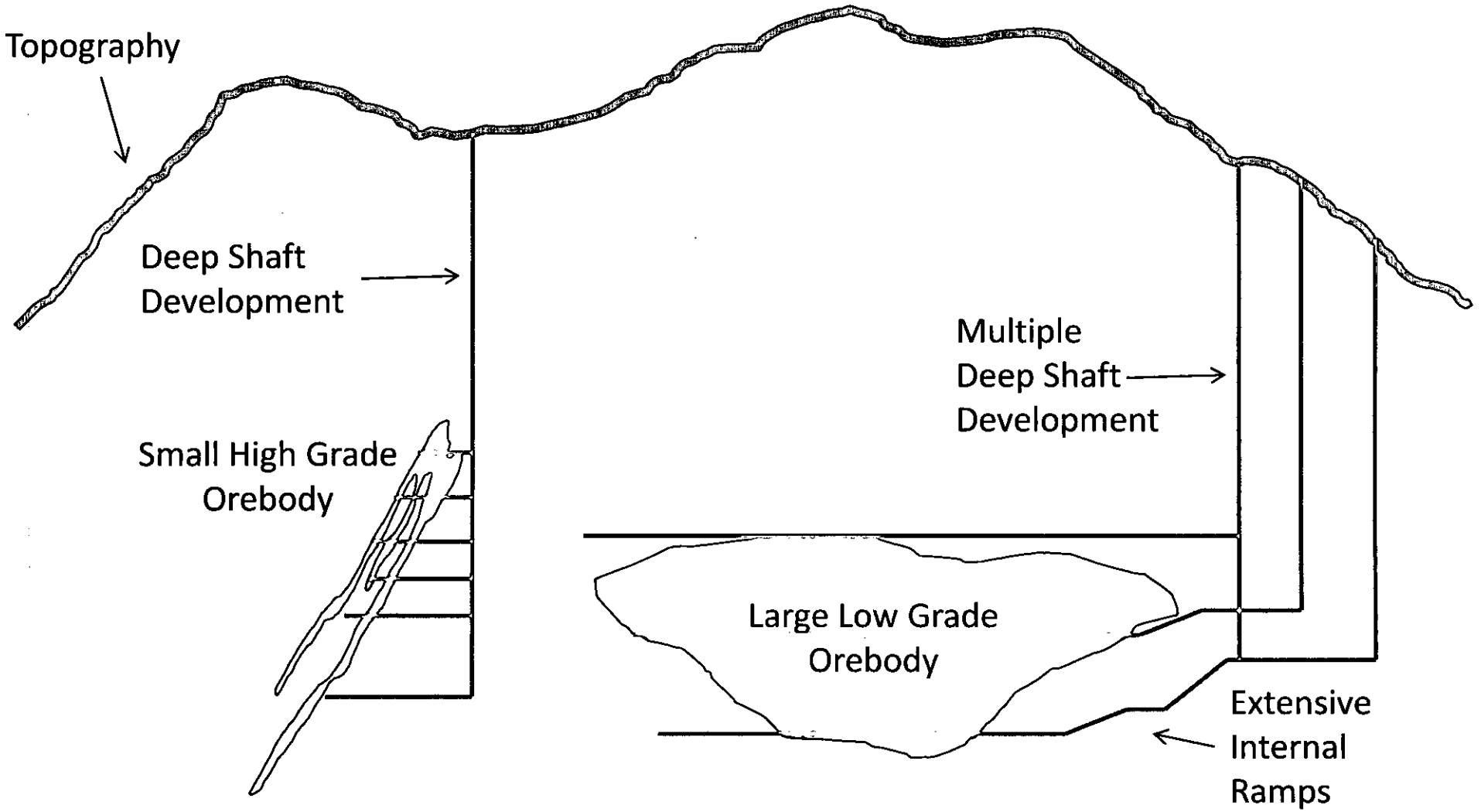
Underground Mine – Shaft Access



Underground Mine – Portal Access



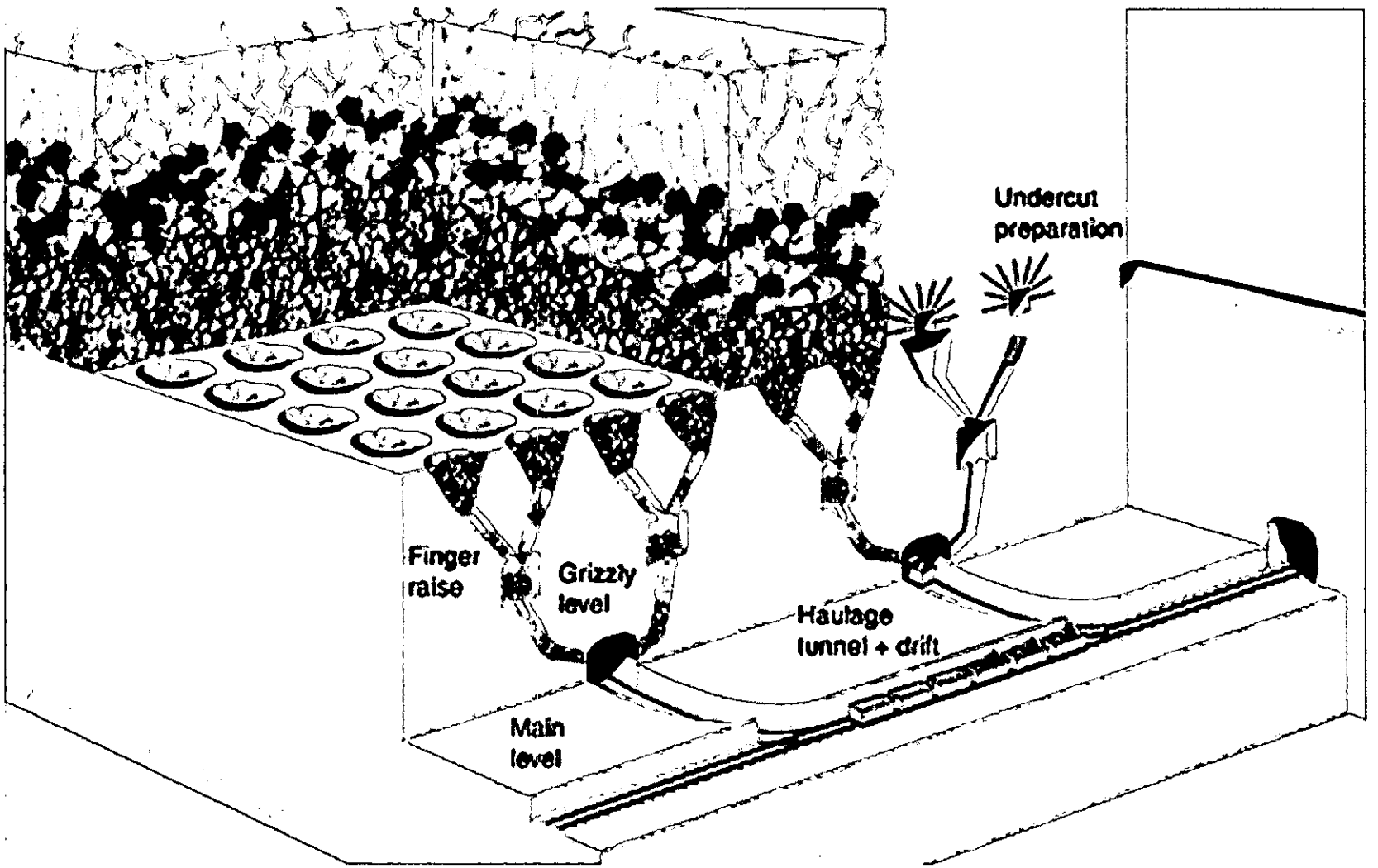
Underground Mine?



Underground Mining Methods

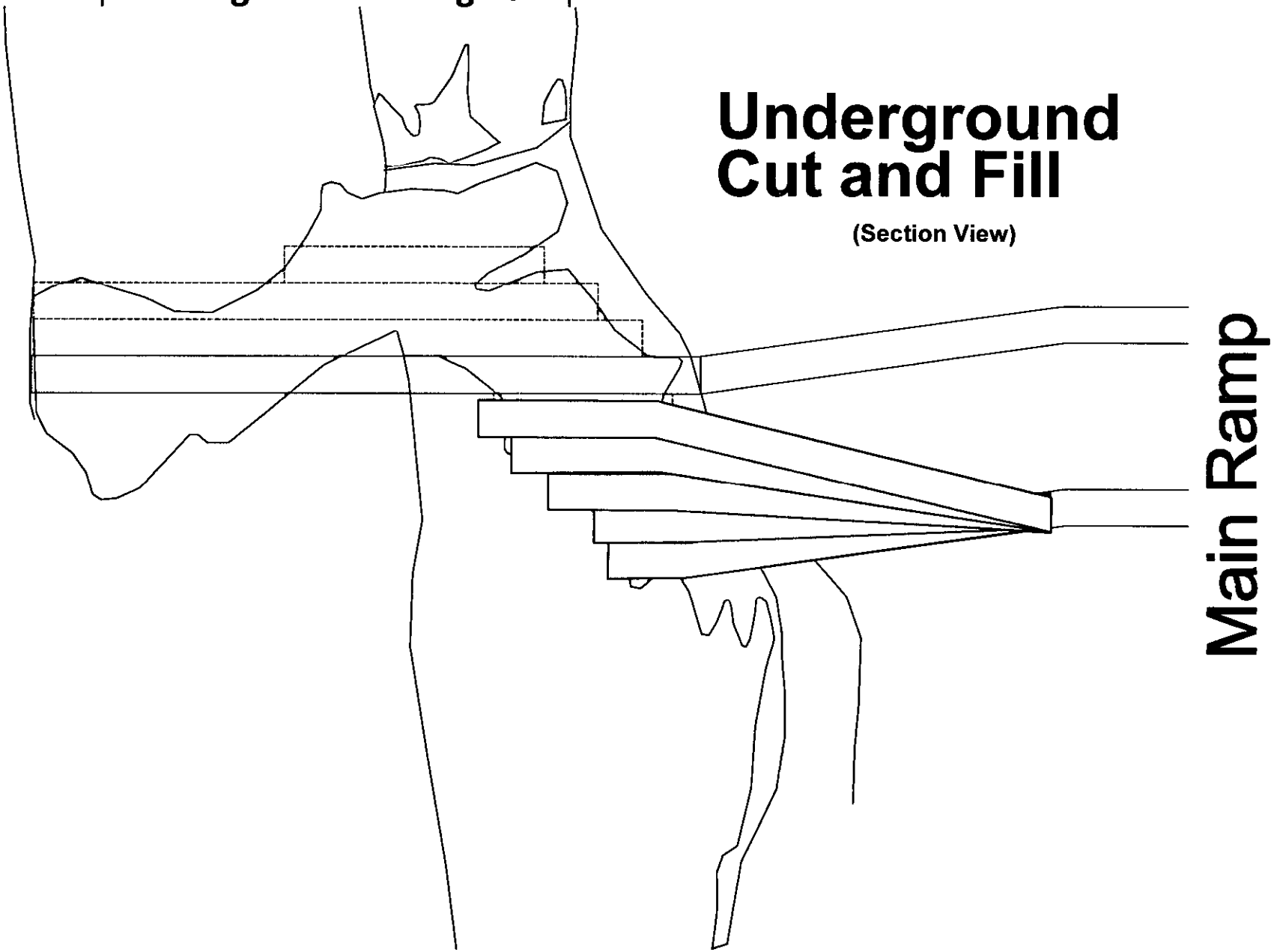
- Matched to Deposit Type
- Maximize Ore Extraction
- Minimize Capital
- Engineering Requirements
- Regulatory Requirements

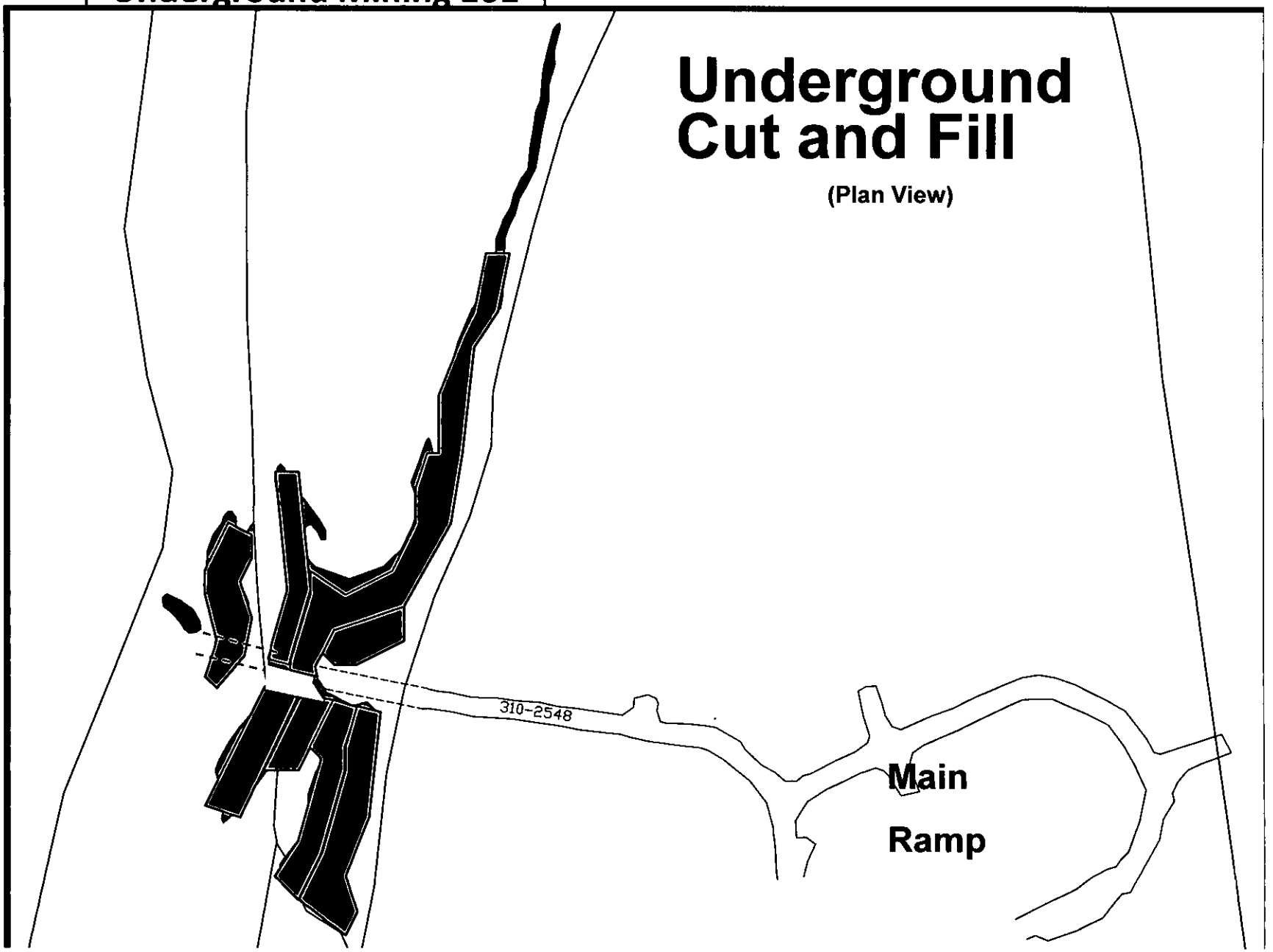
Underground Block Cave



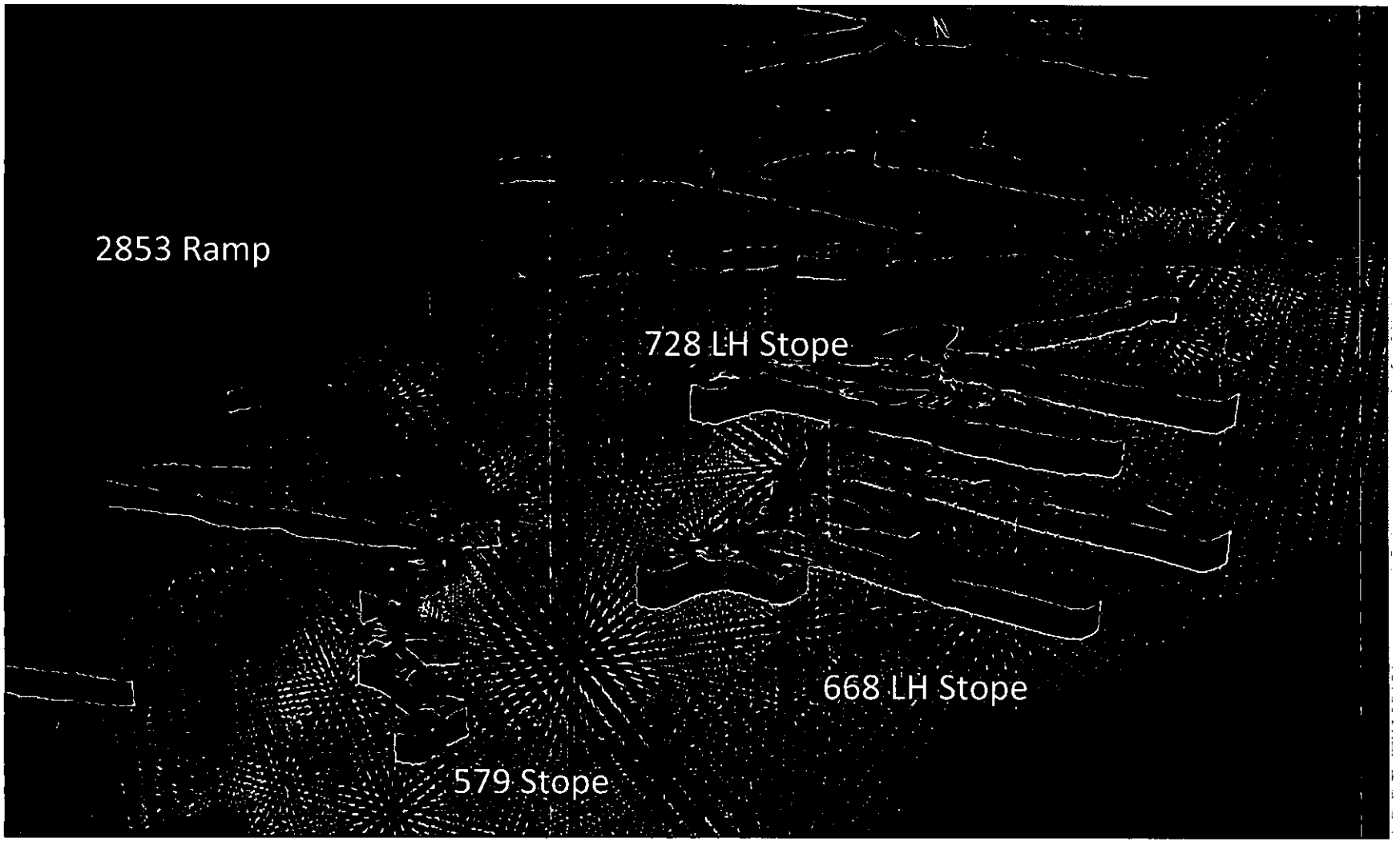
Underground Cut and Fill

(Section View)

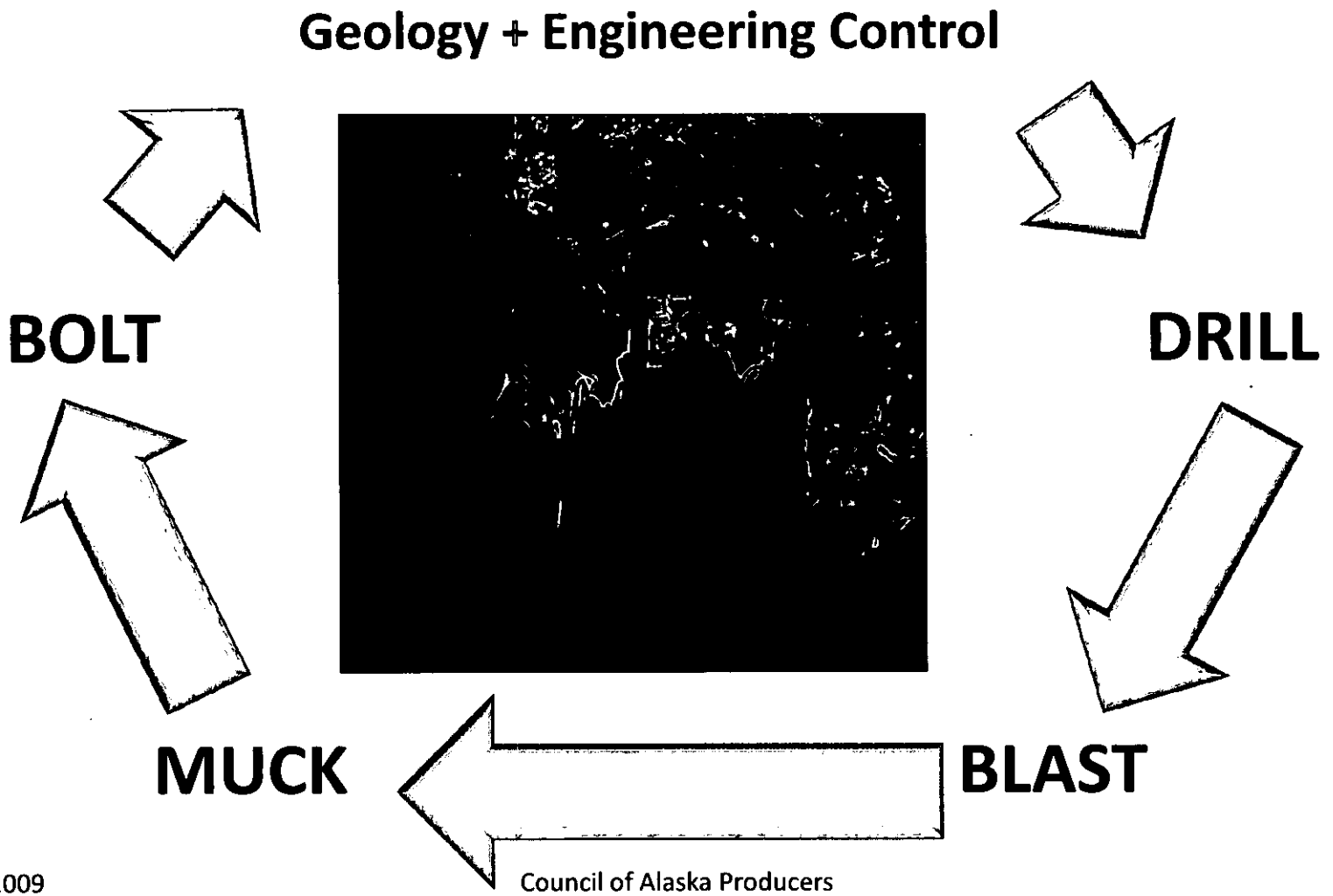



Underground
Cut and Fill
(Plan View)
310-2548
Main
Ramp

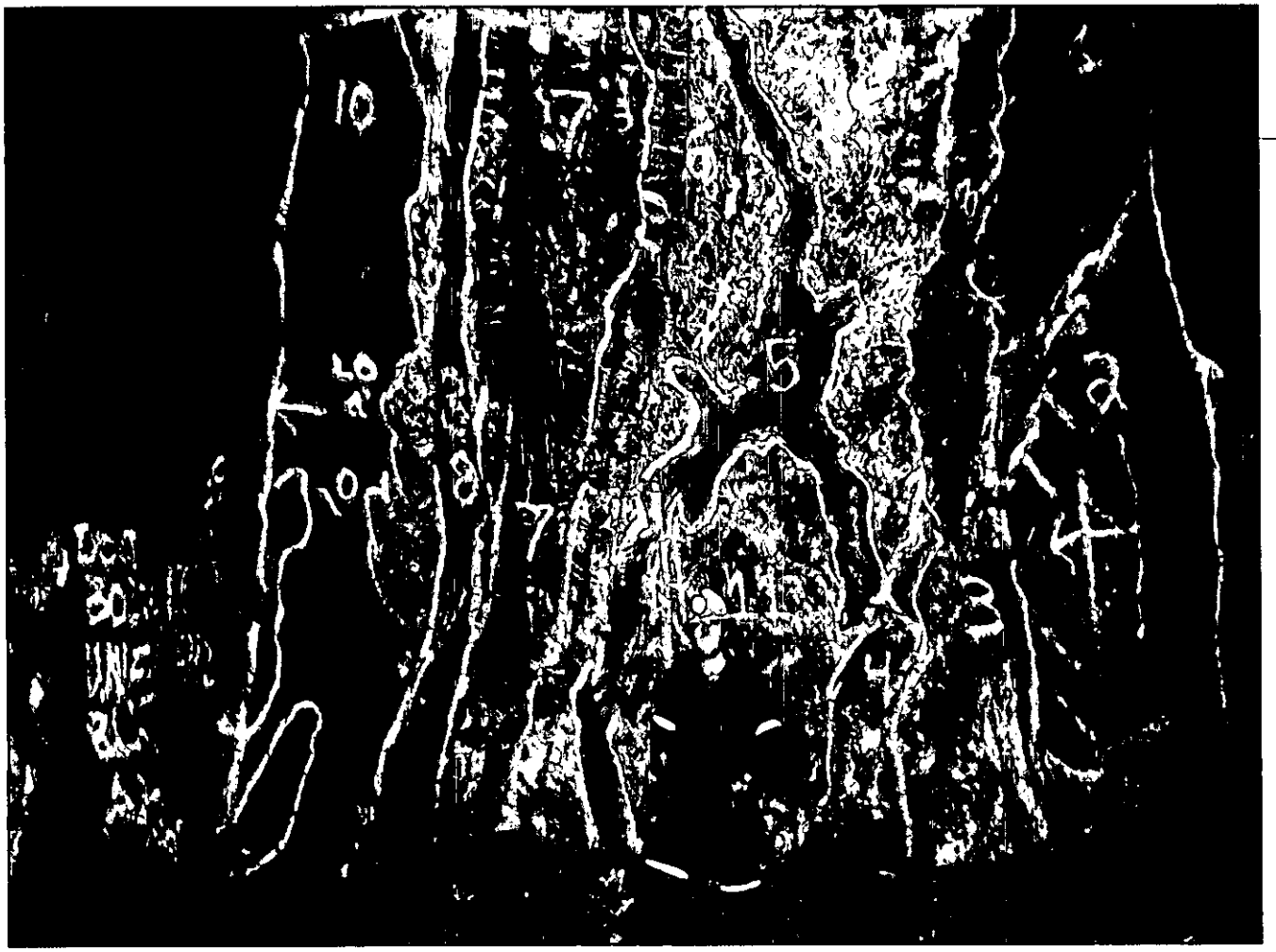
Underground Longhole



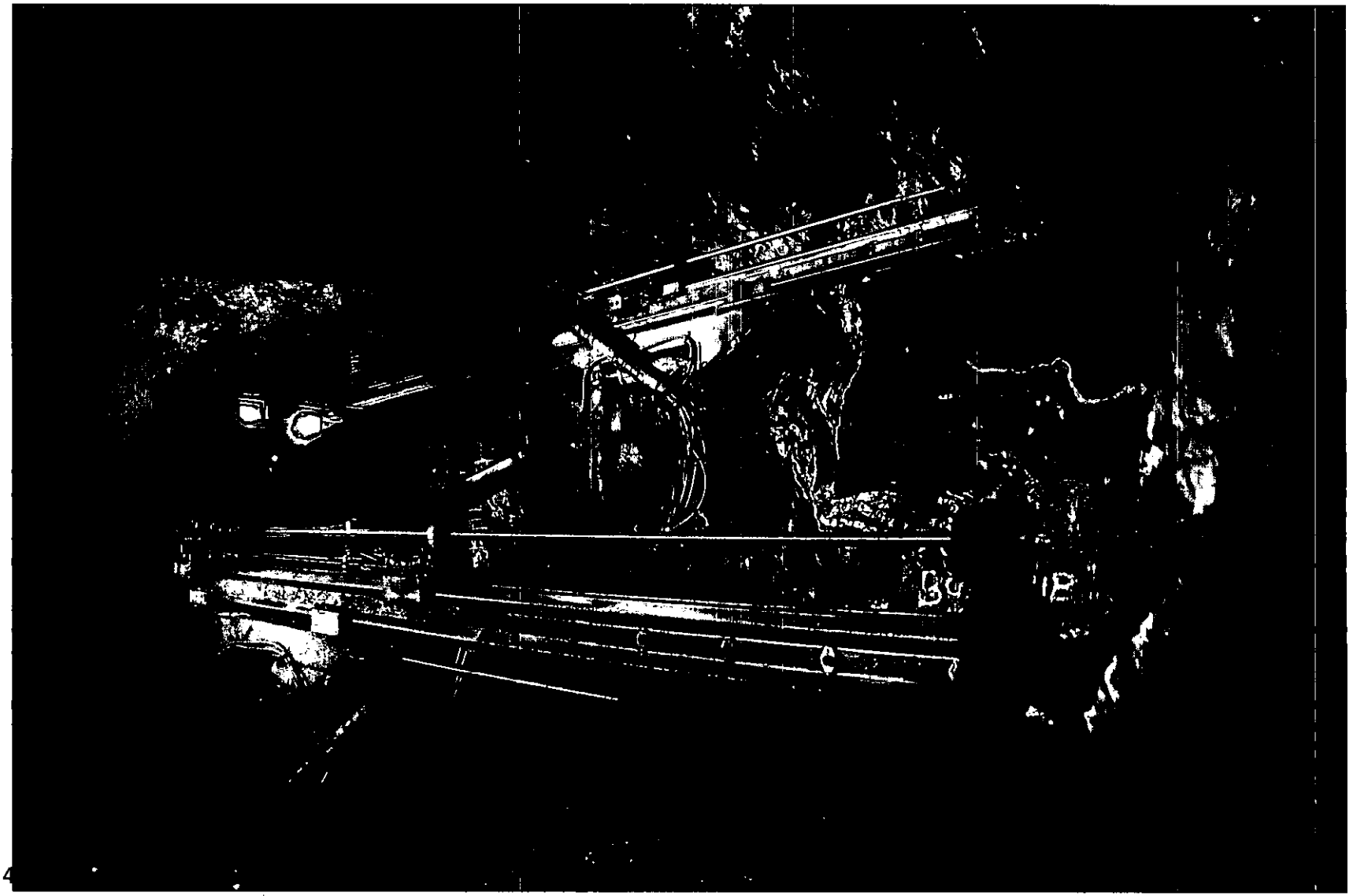
Basic Underground Mining Cycle



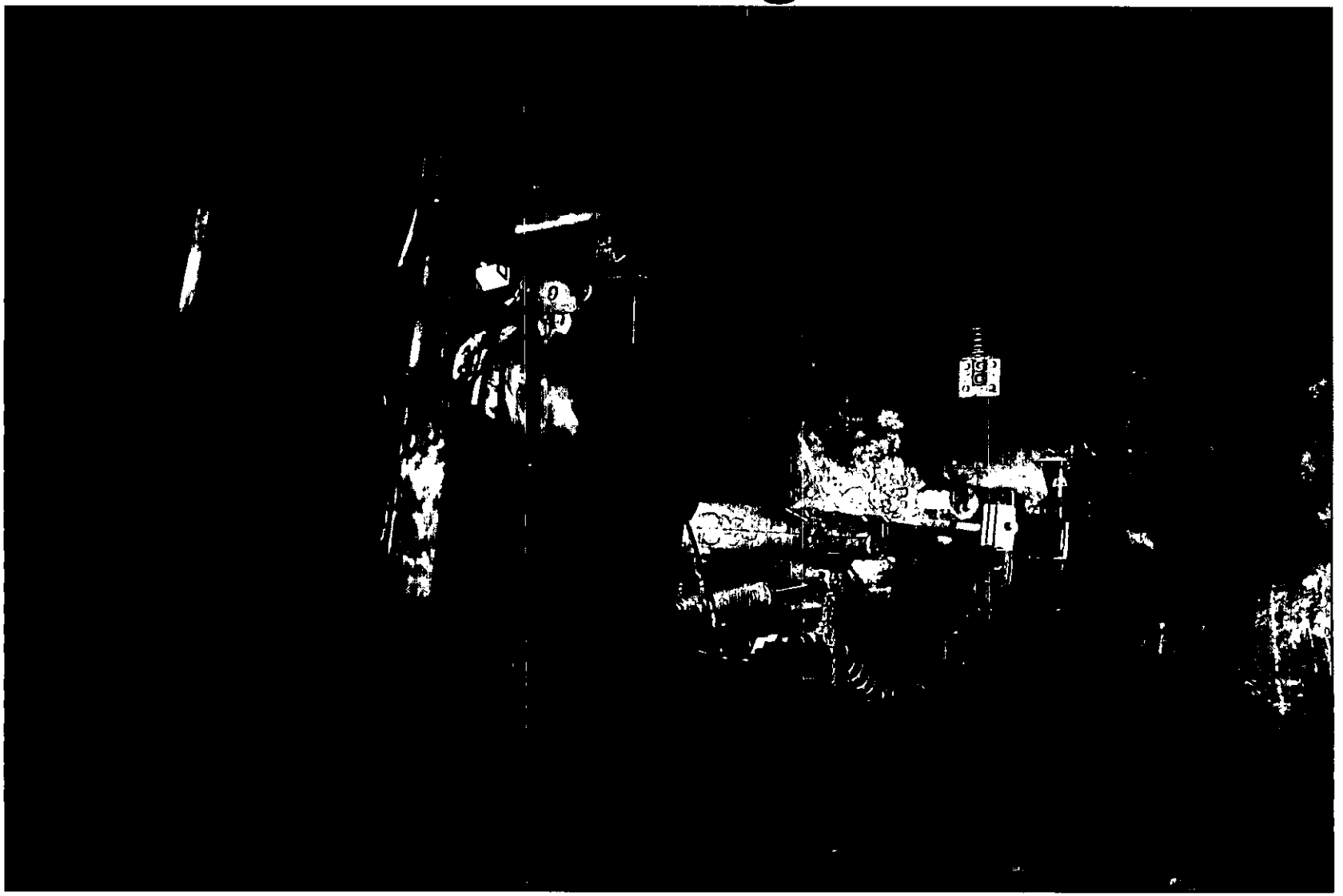
Geology and Engineering Control



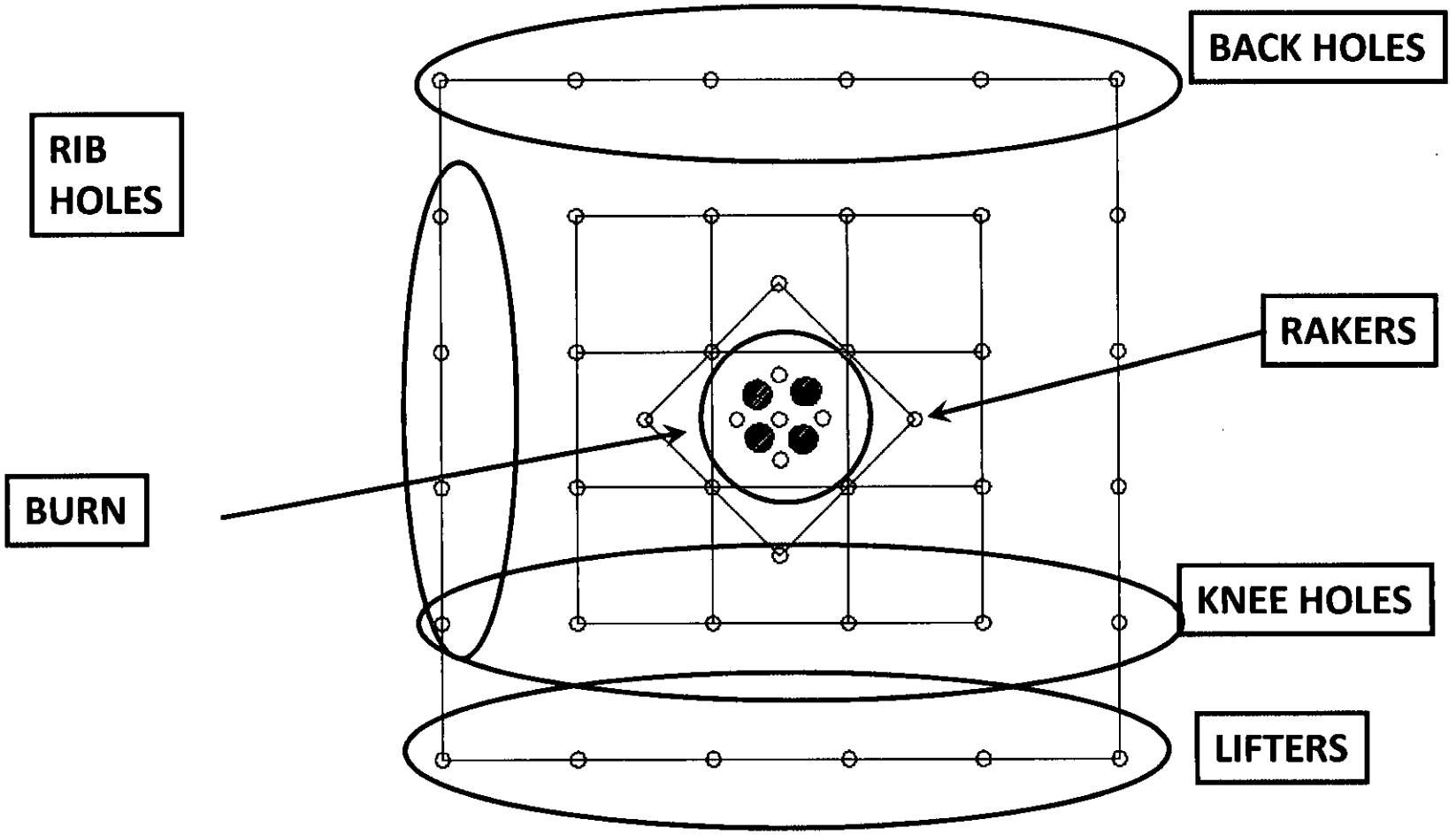
Drilling



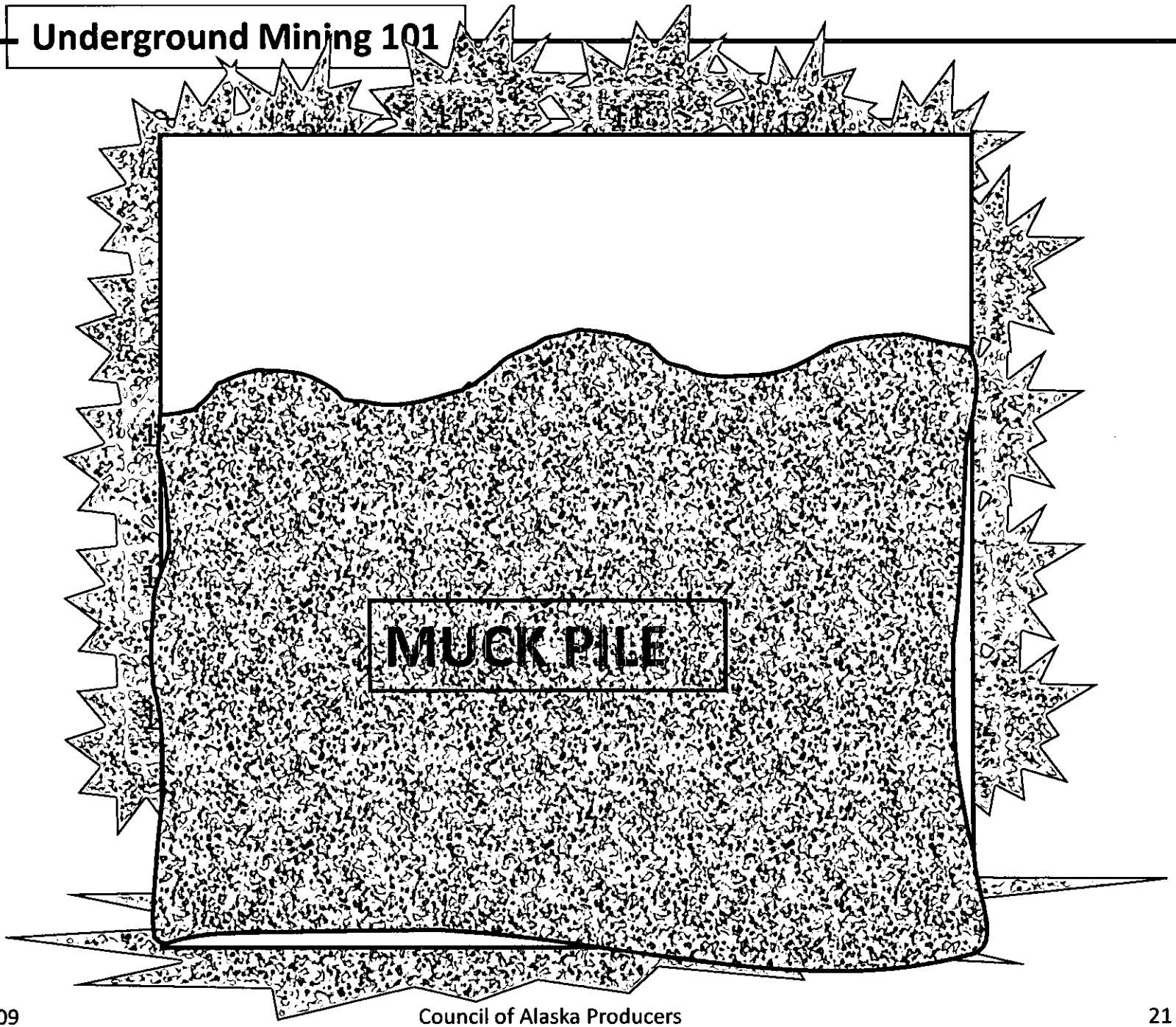
Drilling



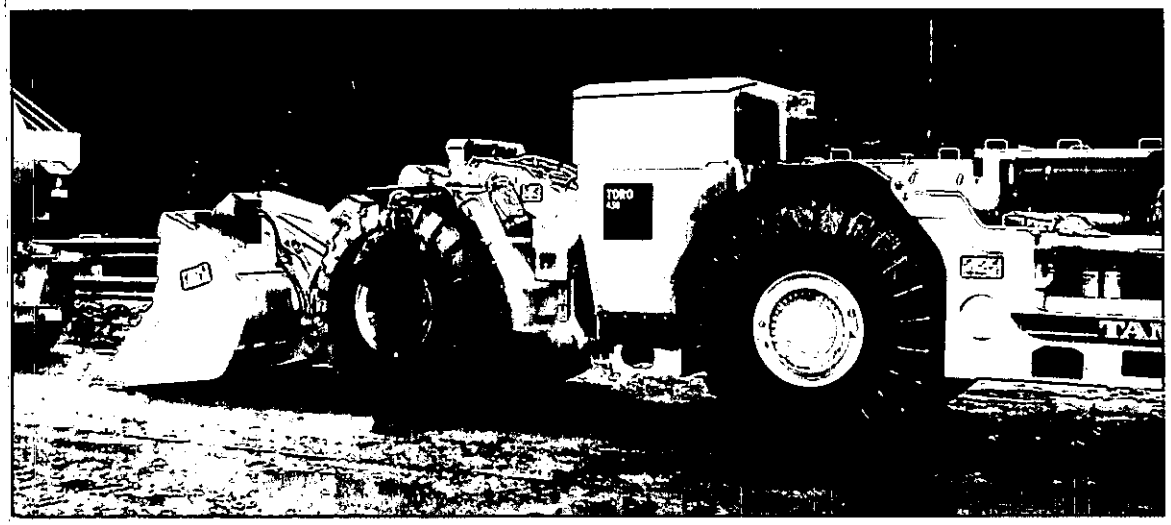
Drill Pattern



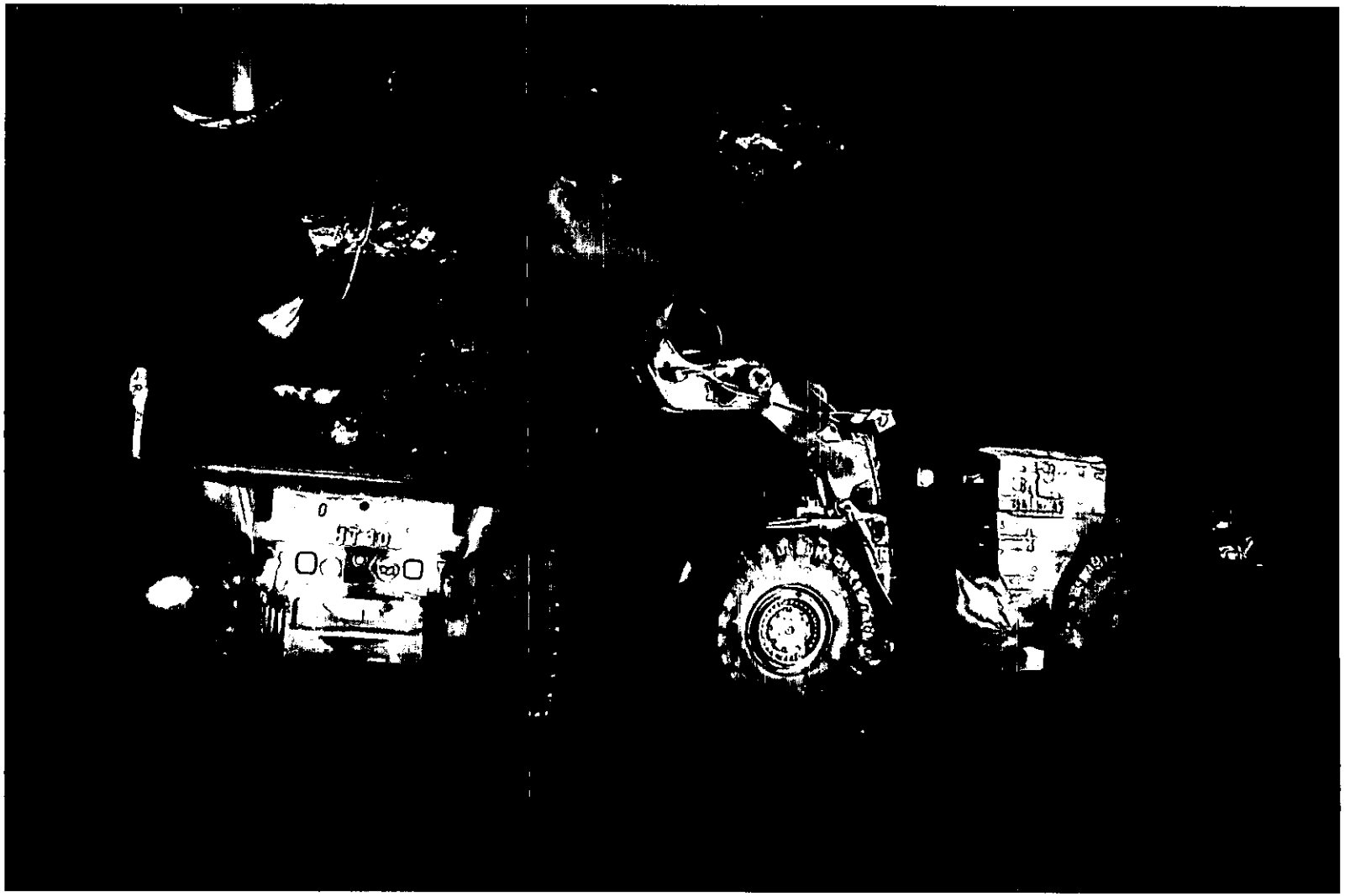
Underground Mining 101



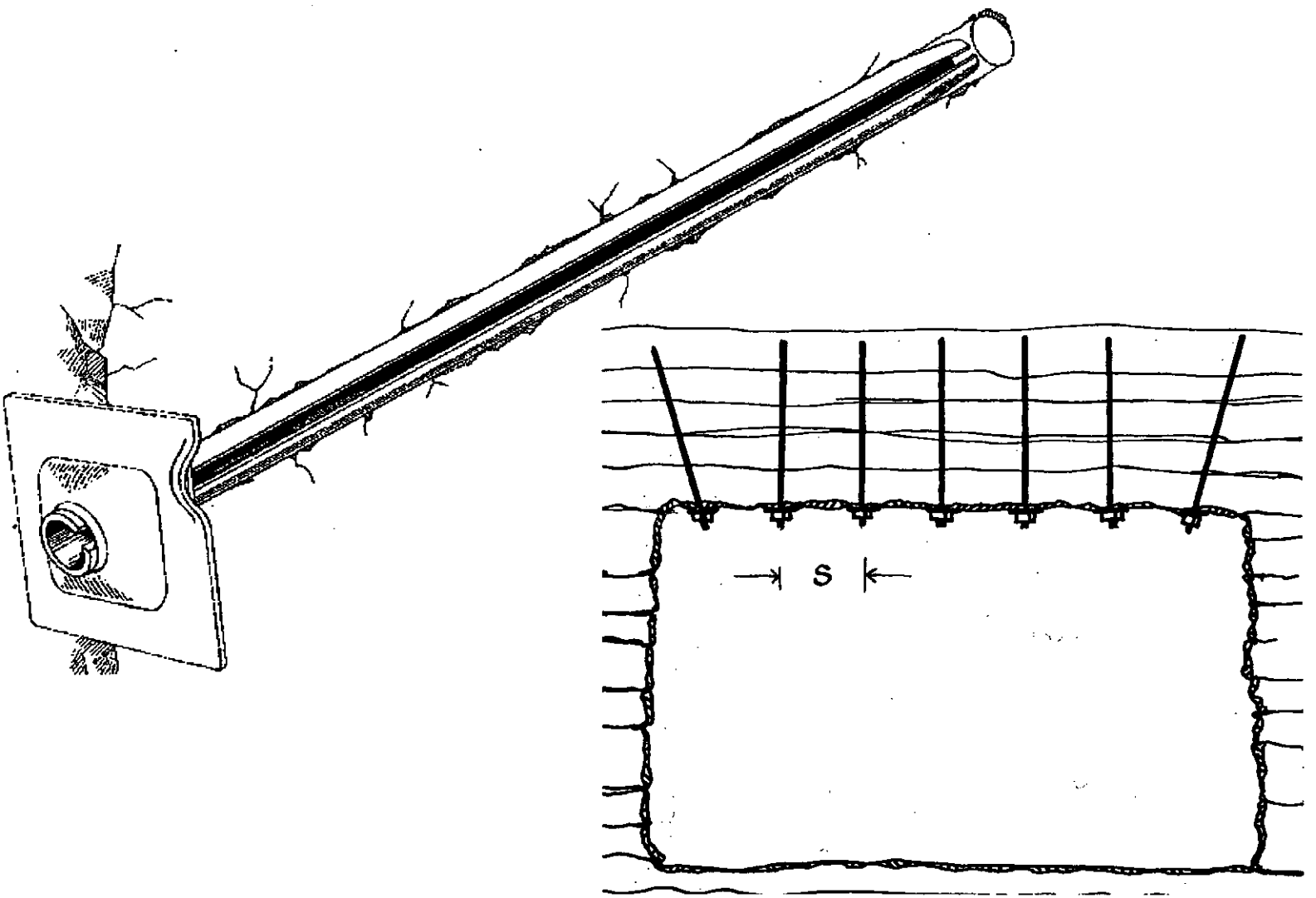
Mucking



Mucking



Bolting



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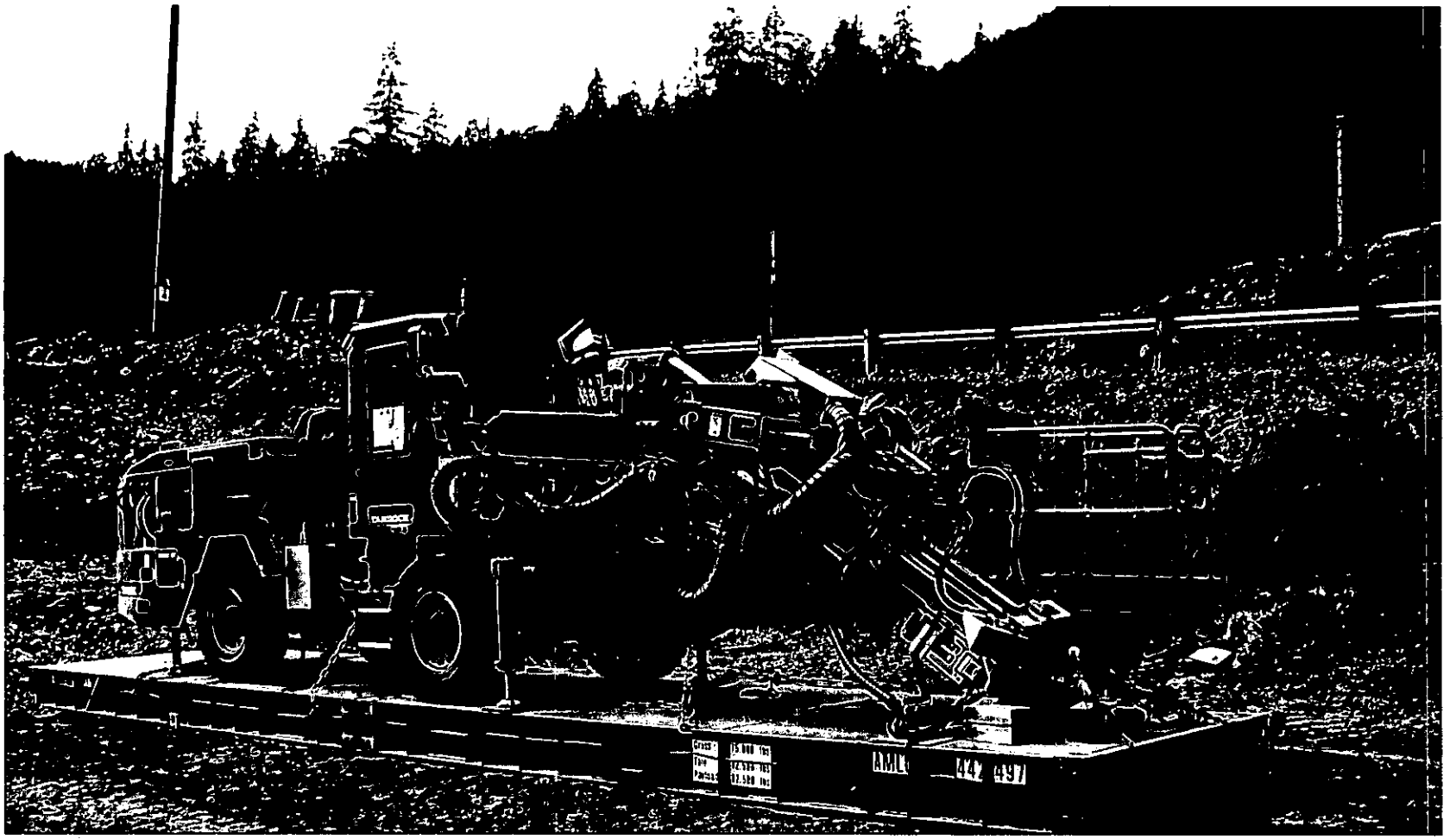
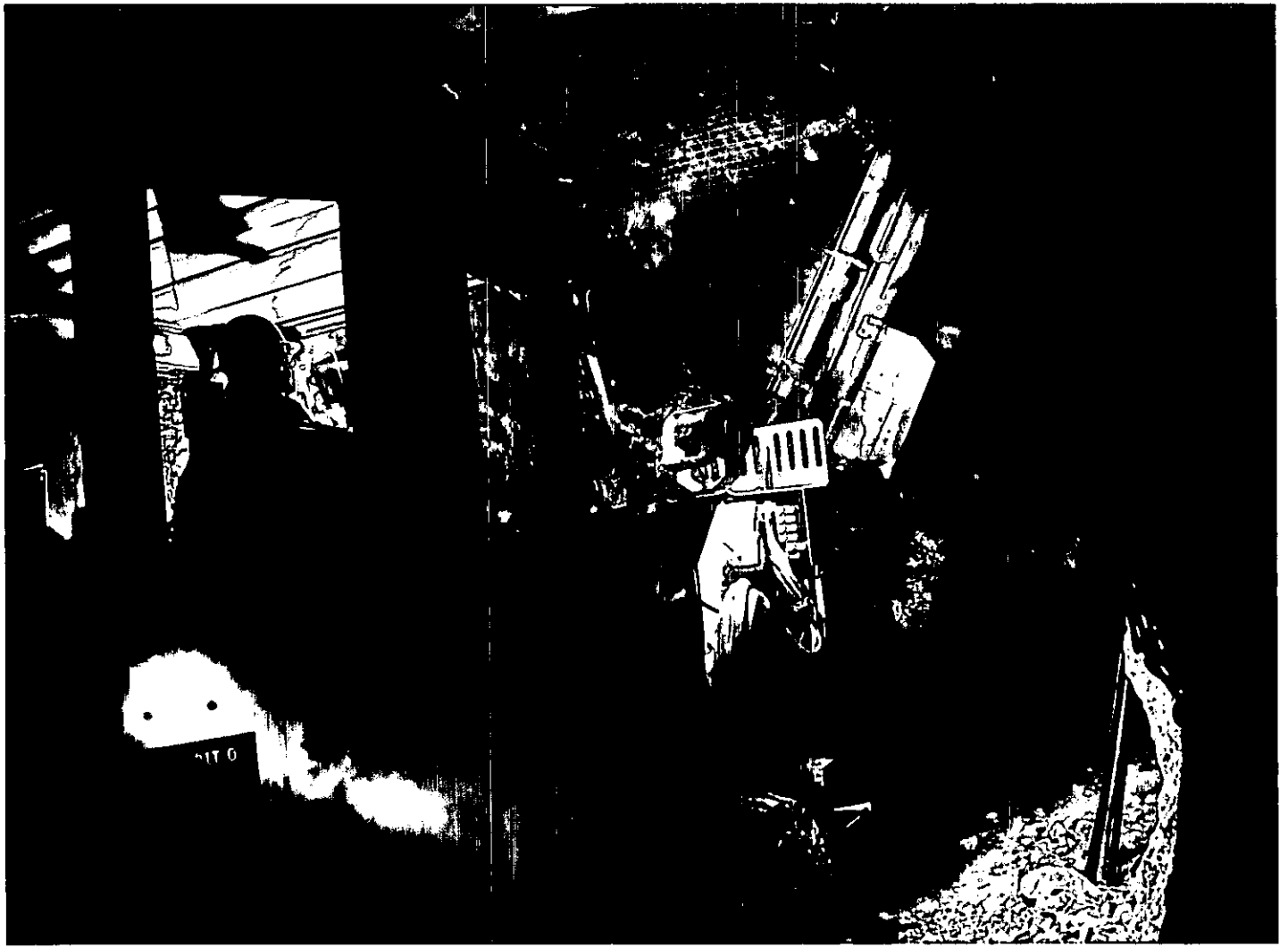
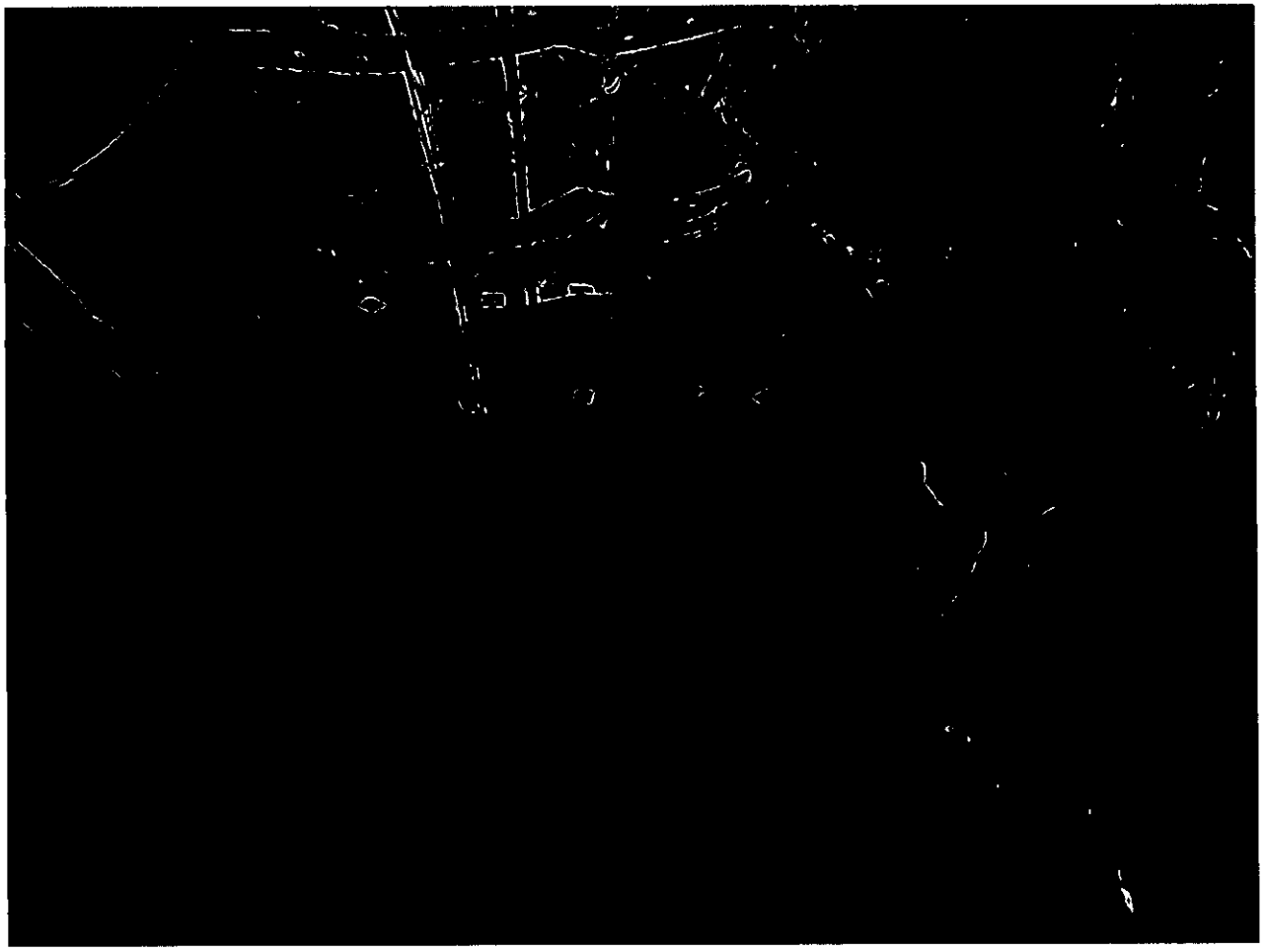


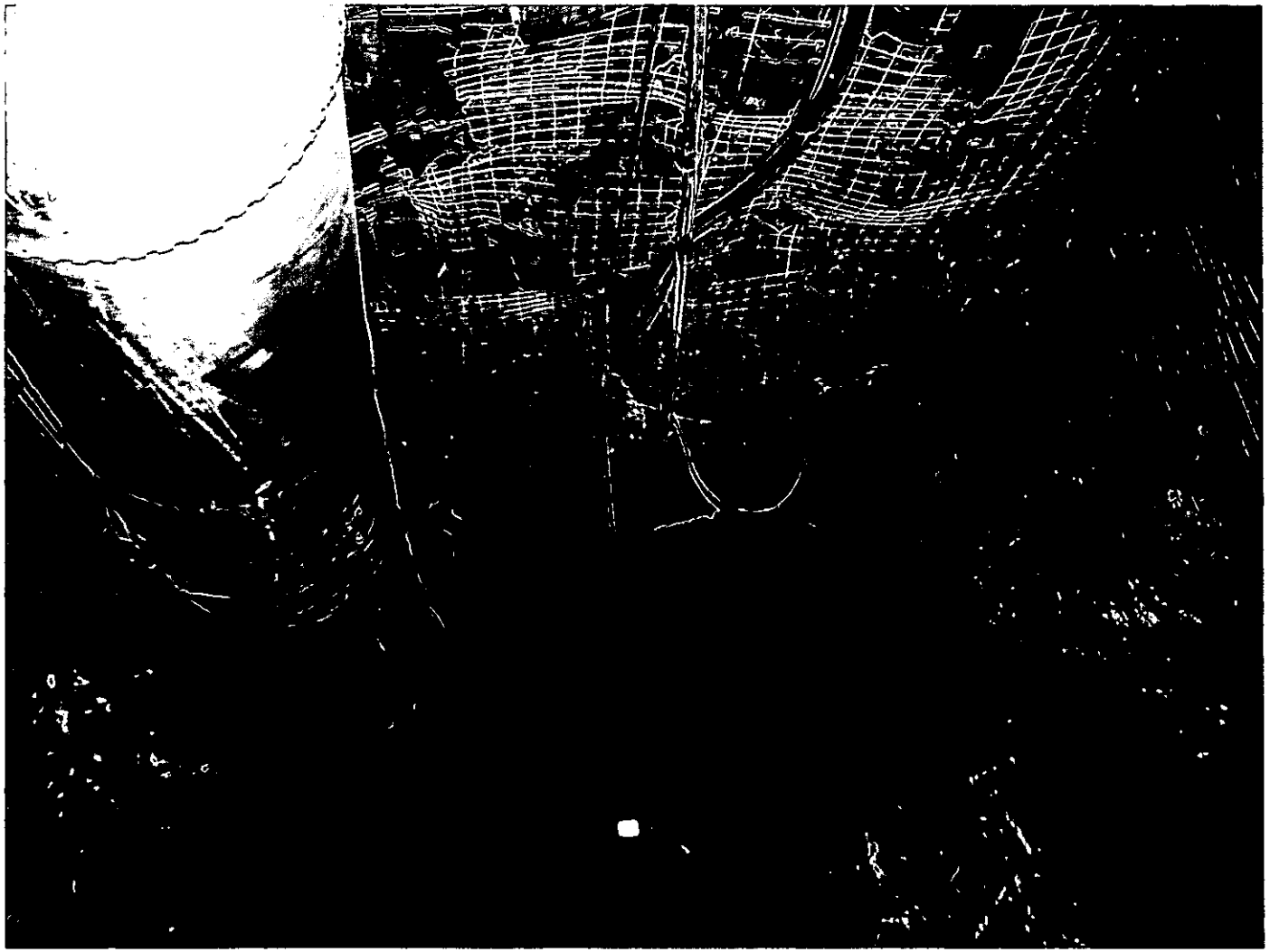
Bolting



Ground Control

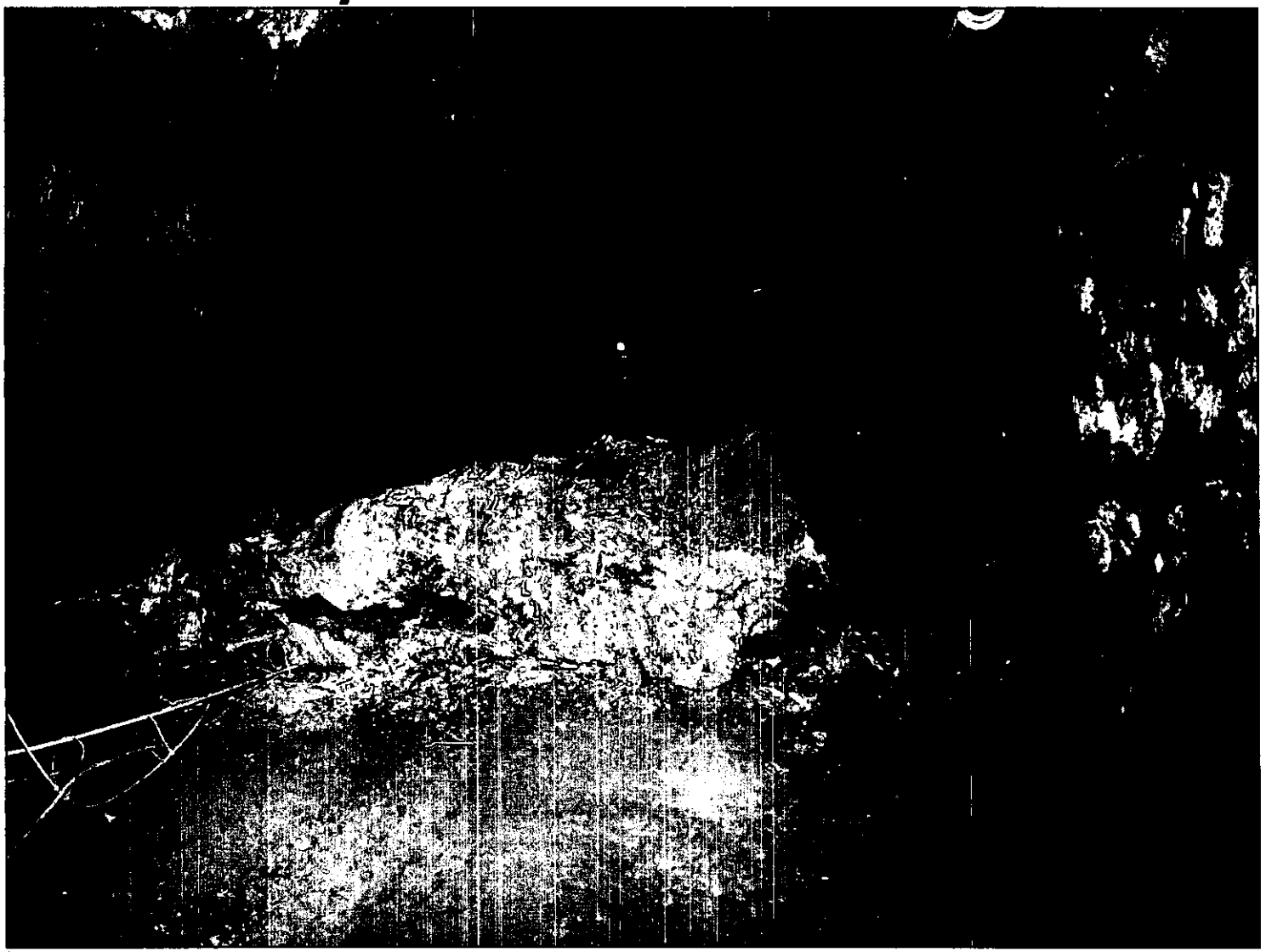


Ground Control



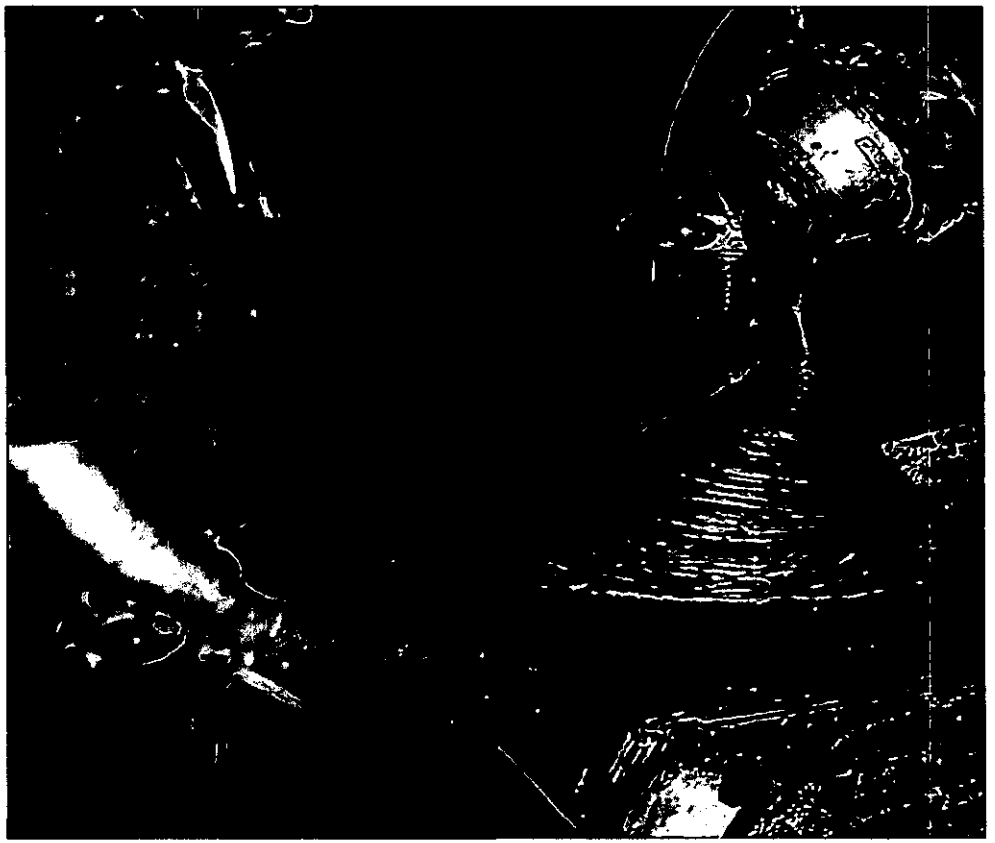
Ground Control

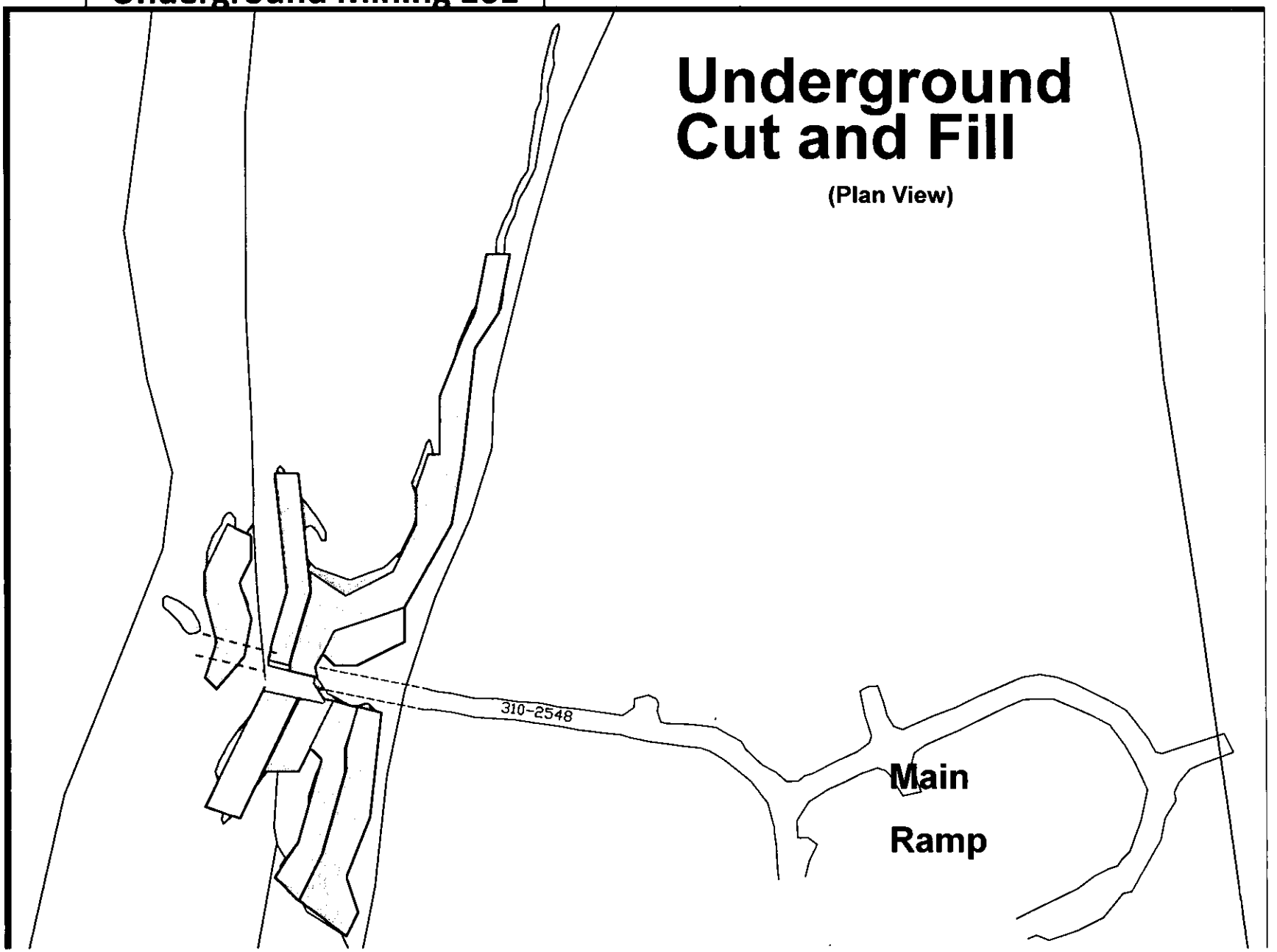
Why Ground Control?



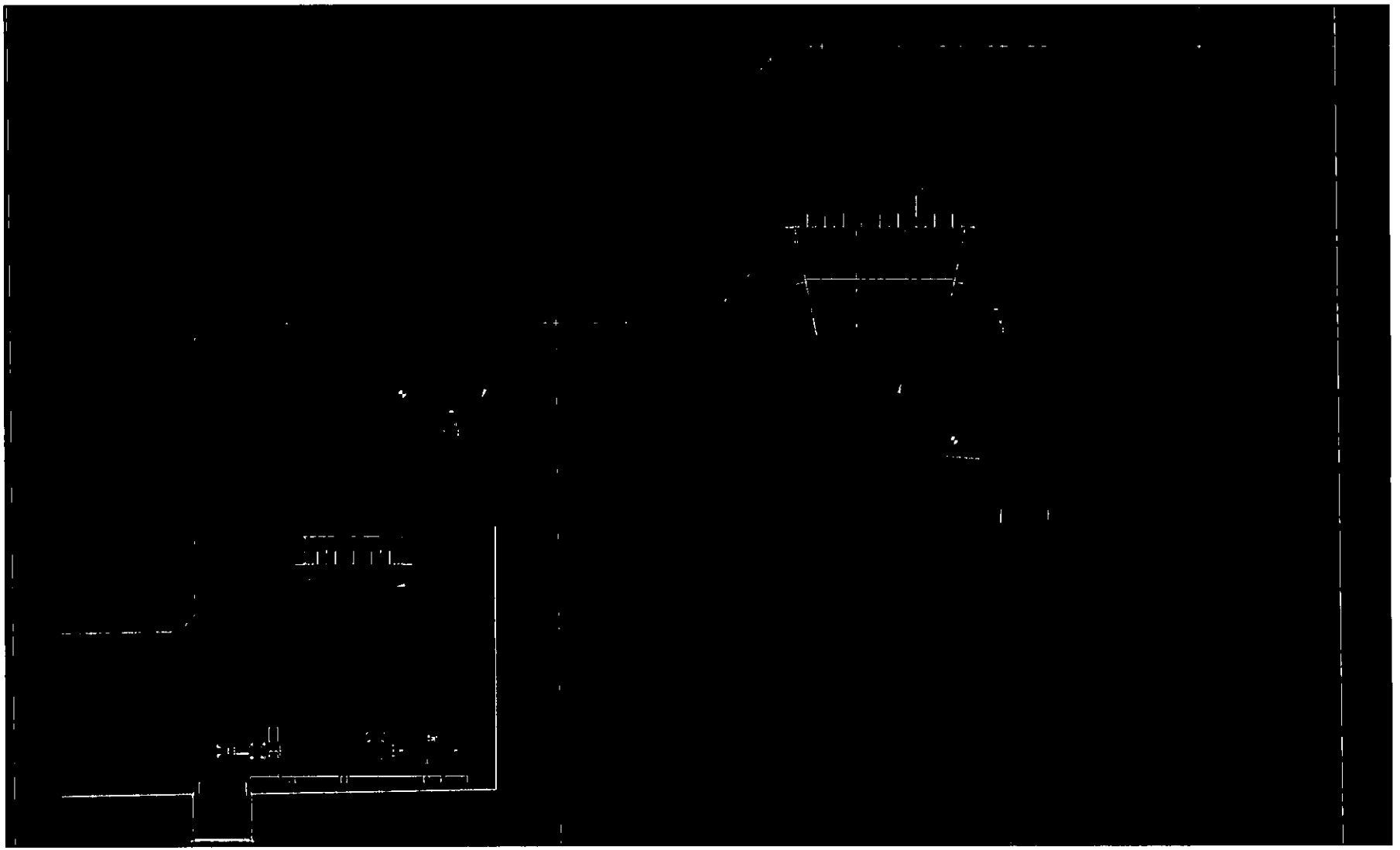
Backfill

- Waste Fill
- Conventional Fill
- Paste Fill



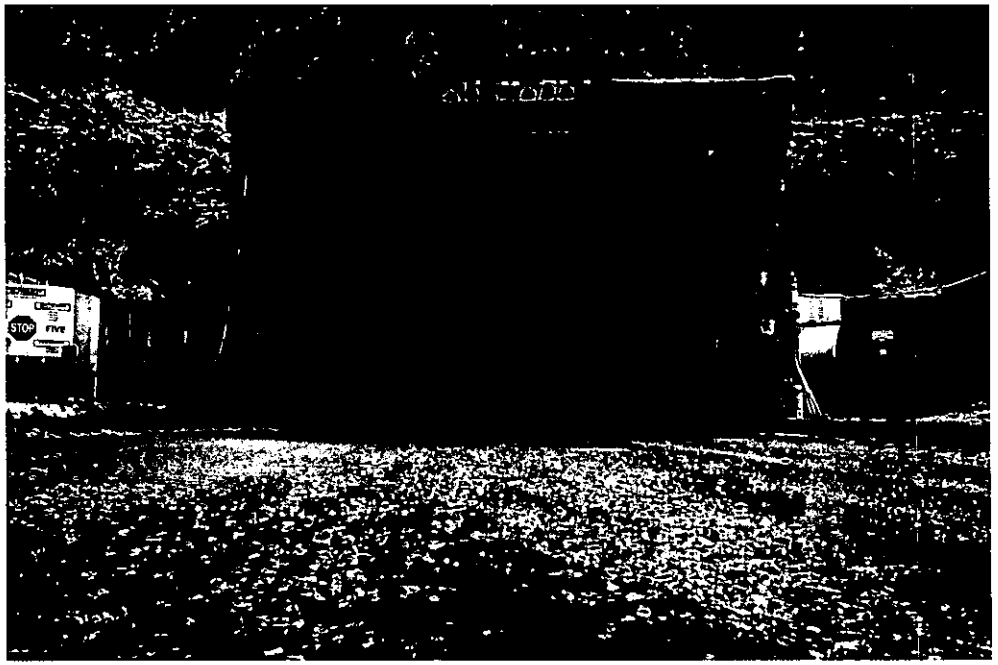

Underground
Cut and Fill
(Plan View)
310-2548
Main
Ramp

Paste Fill Plant



Underground Mining

- Alaska has a history of underground mining.
- Mining method determined by deposit type.
- Modern mining methods require a highly skilled workforce.



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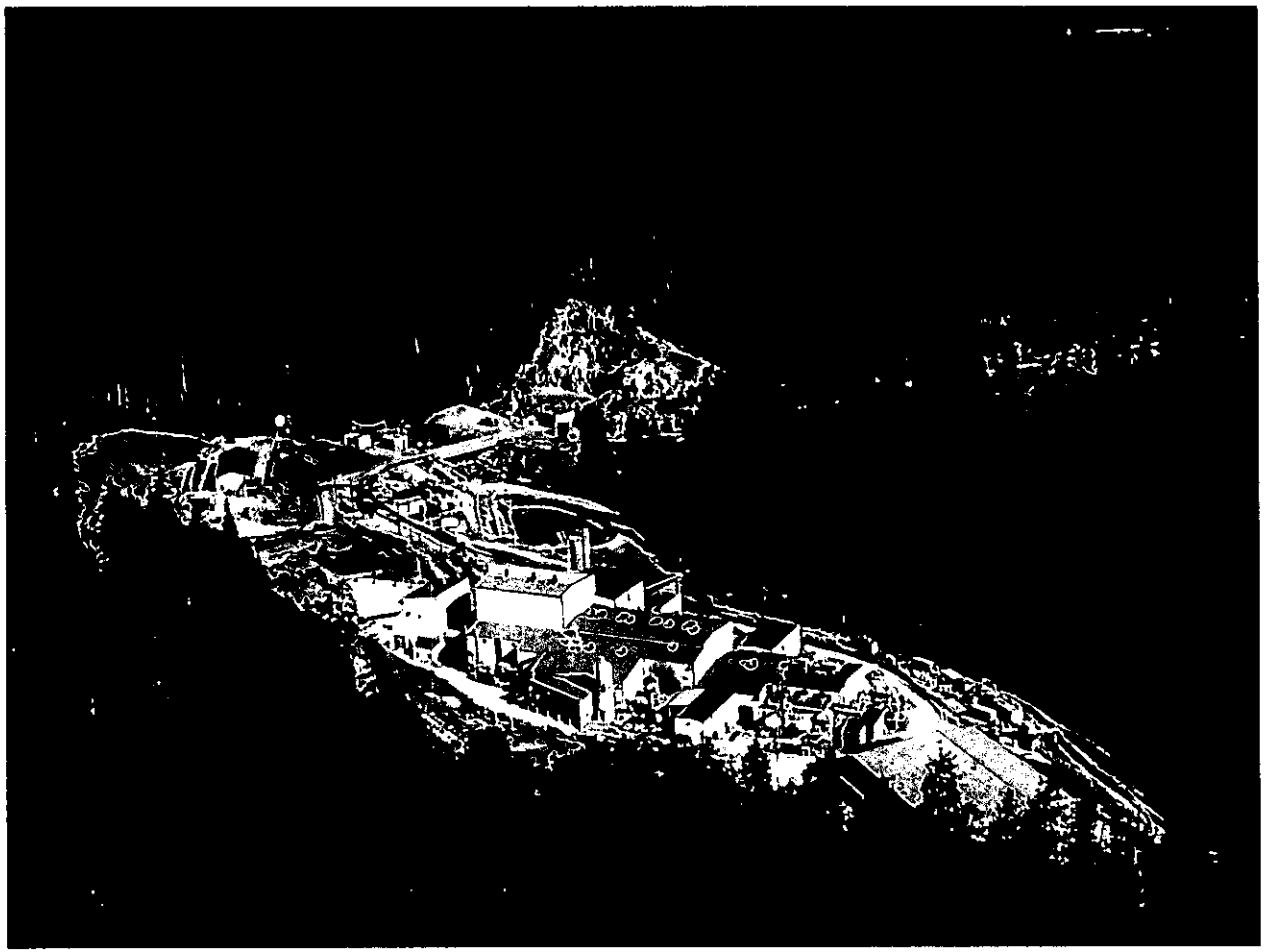


4/8/09 PRESENTATION: ALASKA'S NATURAL GAS & SHALE GAS

PORTER BENNETT

BENTEK Energy, LLC, 32045 Castle Court, Ste. 200, Evergreen, CO 80439
303-988-1320 • pbennett@bentekenergy.com

Porter Bennett is founder, president and CEO of BENTEK Energy. Founded in 1985, BENTEK is a leading analytics firm specializing in the US natural gas market.

Mr. Bennett is

- Chairman of Natural Gas Committee and a Director of the Independent Producers Association of Mountain States Natural Gas Committee, and
- Observer with the Potential Gas Committee and member of the Colorado Oil and Gas Association.
- Mr. Bennett is the author of various articles in the Oil & Gas Journal, American Oil Reporter and other publications. He is also a frequent speaker at GasMart and other natural gas industry forums.

Today BENTEK serves over 210 of top firms and over 5,000 traders in the energy industry, including majors, independent producers, pipeline companies, utilities, as well as the largest energy hedge funds, financial institutions and industry regulators.

EDUCATION

M.S., Colorado School of Mines, Golden, CO
Major: Mineral Economics

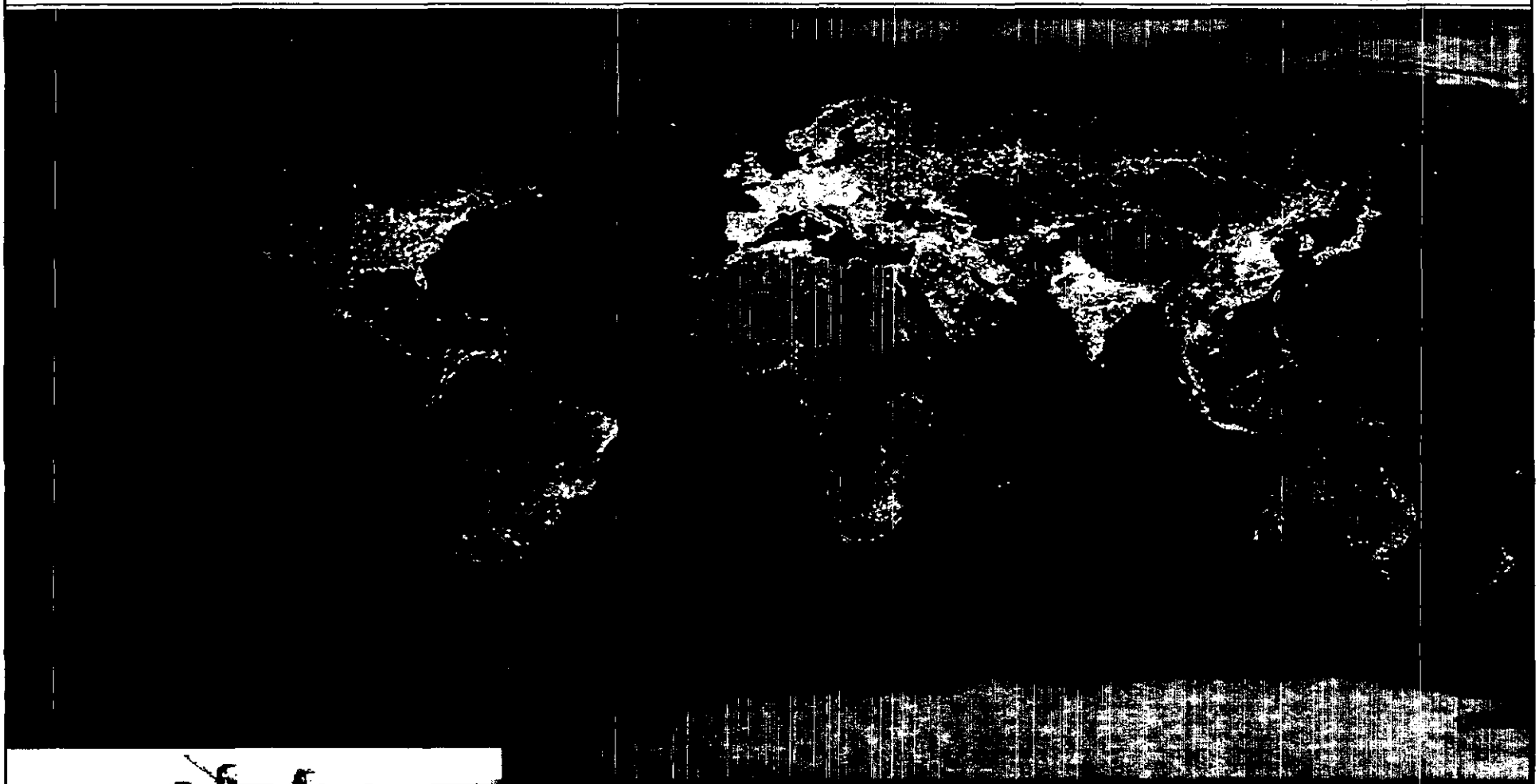
M.A., Columbia University, New York, NY
Major: International Affairs

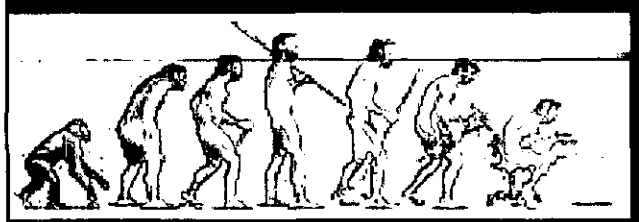
B.A., Lewis and Clark College, Portland, OR
Major: History

Alaska's Natural Gas – Needed or Not? What About Shale Gas and Carbon Regulation?

AGIA

The Alaska Gasline Inducement Act





Dr. Mark Myers

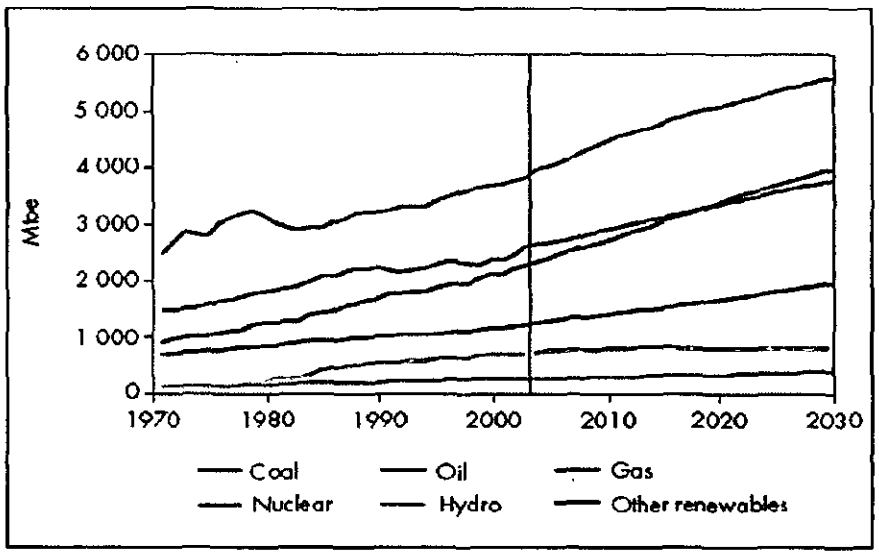
April 8, 2009

Alaska's Natural Gas is America's Resource For Enhancing Economic, Environmental and National Security

AGIA
The Alaska Gasline Inducement Act

- Global competition for imported energy
- Growing population, long term economic growth heighten worldwide demand
- Environmental consequences of development, extraction, and use of other resources

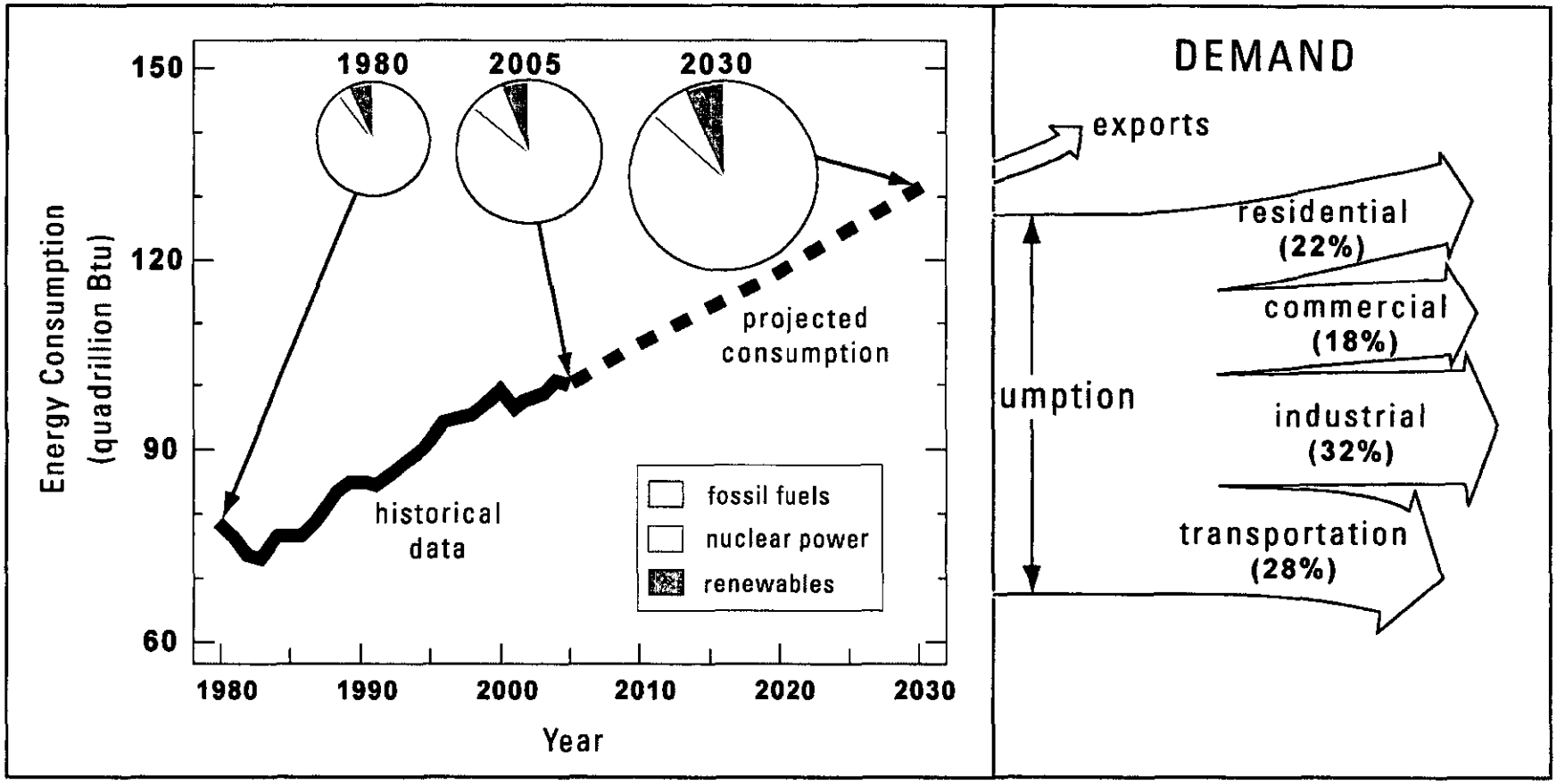
World Energy Consumption by Source



IEA

The Energy Mix for the United States

AGIA
The Alaska Gasline Inducement Act

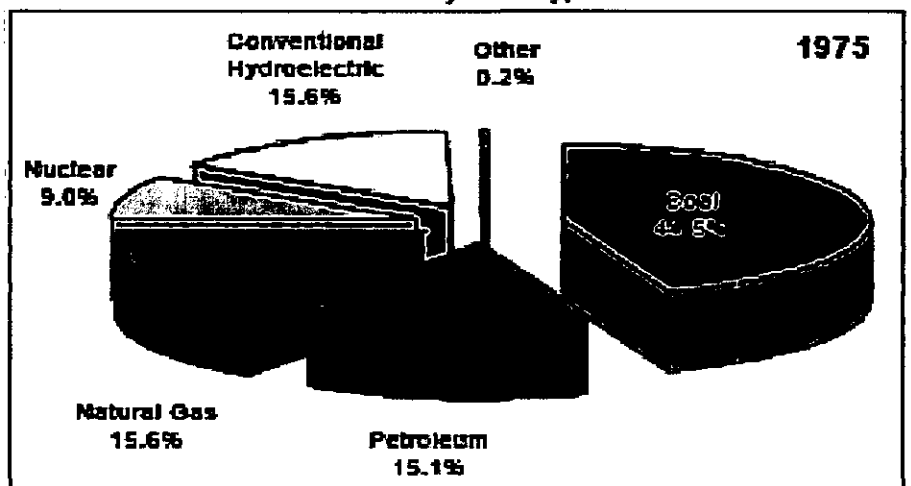


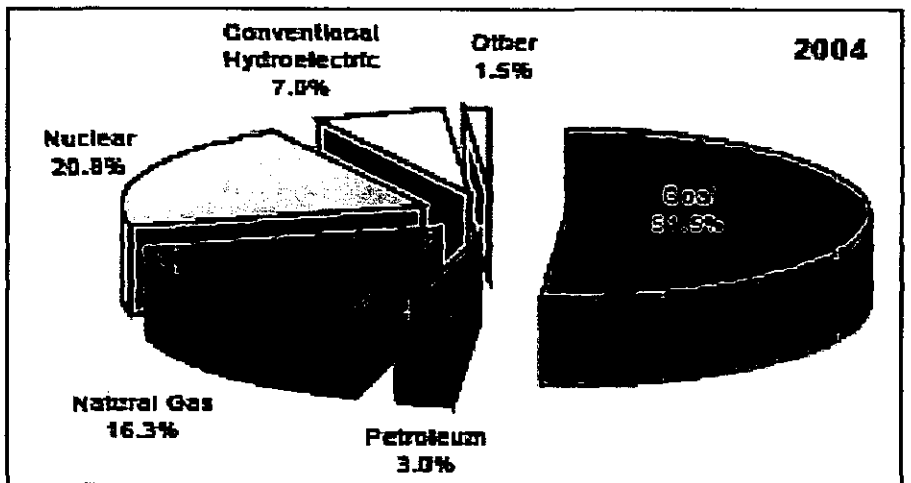
EIA

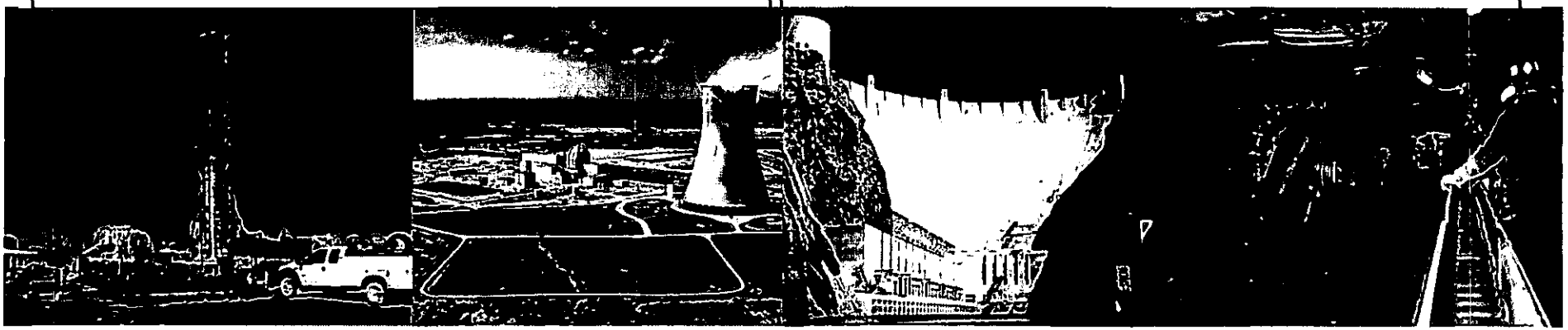
Large Changes Have Occurred In Fuel Sources

AGIA
The Alaska Gasline Inducement Act

U.S. Electric Power Generation by Fuel Type - Years 1975 and 2004







USGS/EIA

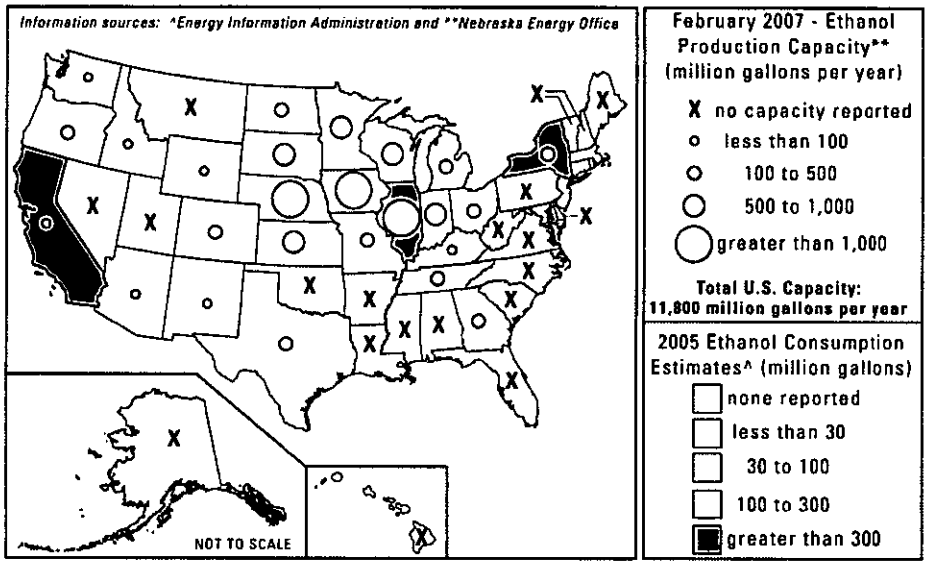
Change in Fuel Type for Electrical Generation Over Three Decades

No Free Lunch: All New Sources of Energy Have Their Own Unique Environmental Challenges: Biomass/Water

AGIA

The Alaska Gasline Inducement Act

USGS/EIA



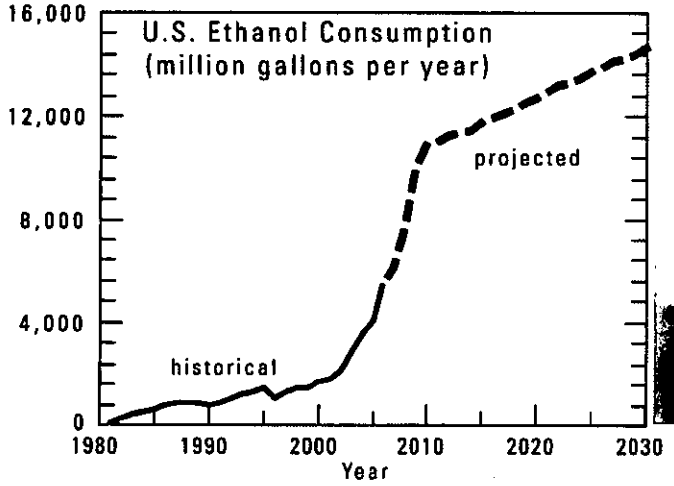
February 2007 - Ethanol Production Capacity** (million gallons per year)

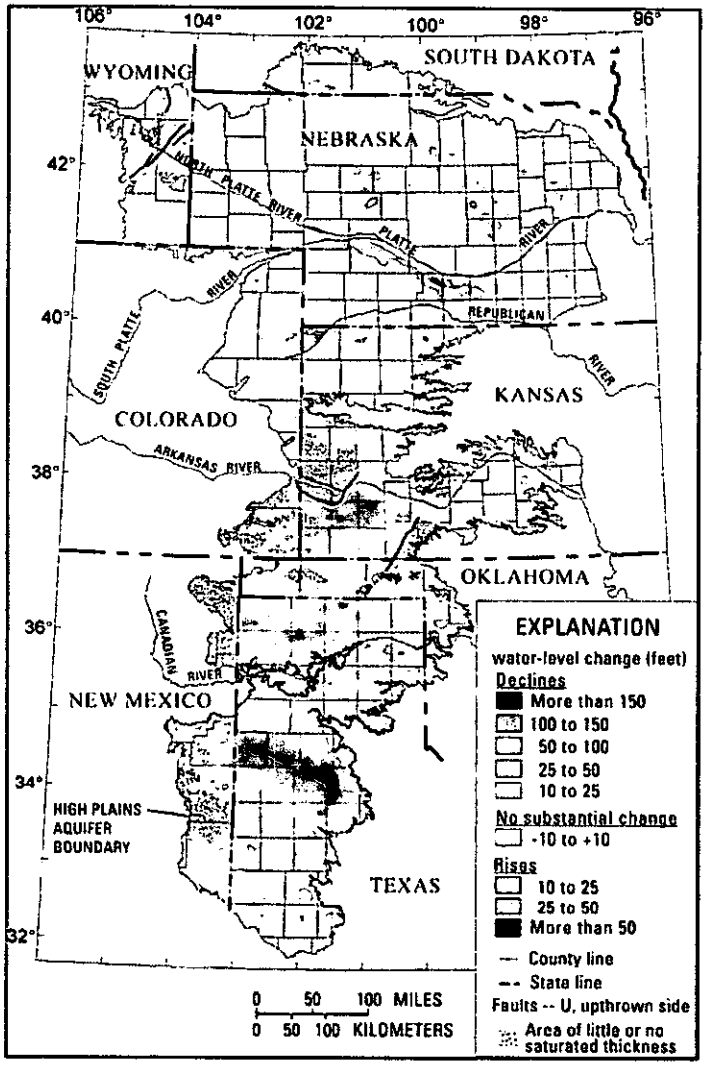
- X no capacity reported
- less than 100
- 100 to 500
- 500 to 1,000
- greater than 1,000

Total U.S. Capacity: 11,800 million gallons per year

2005 Ethanol Consumption Estimates^ (million gallons)

- none reported
- less than 30
- 30 to 100
- 100 to 300
- greater than 300





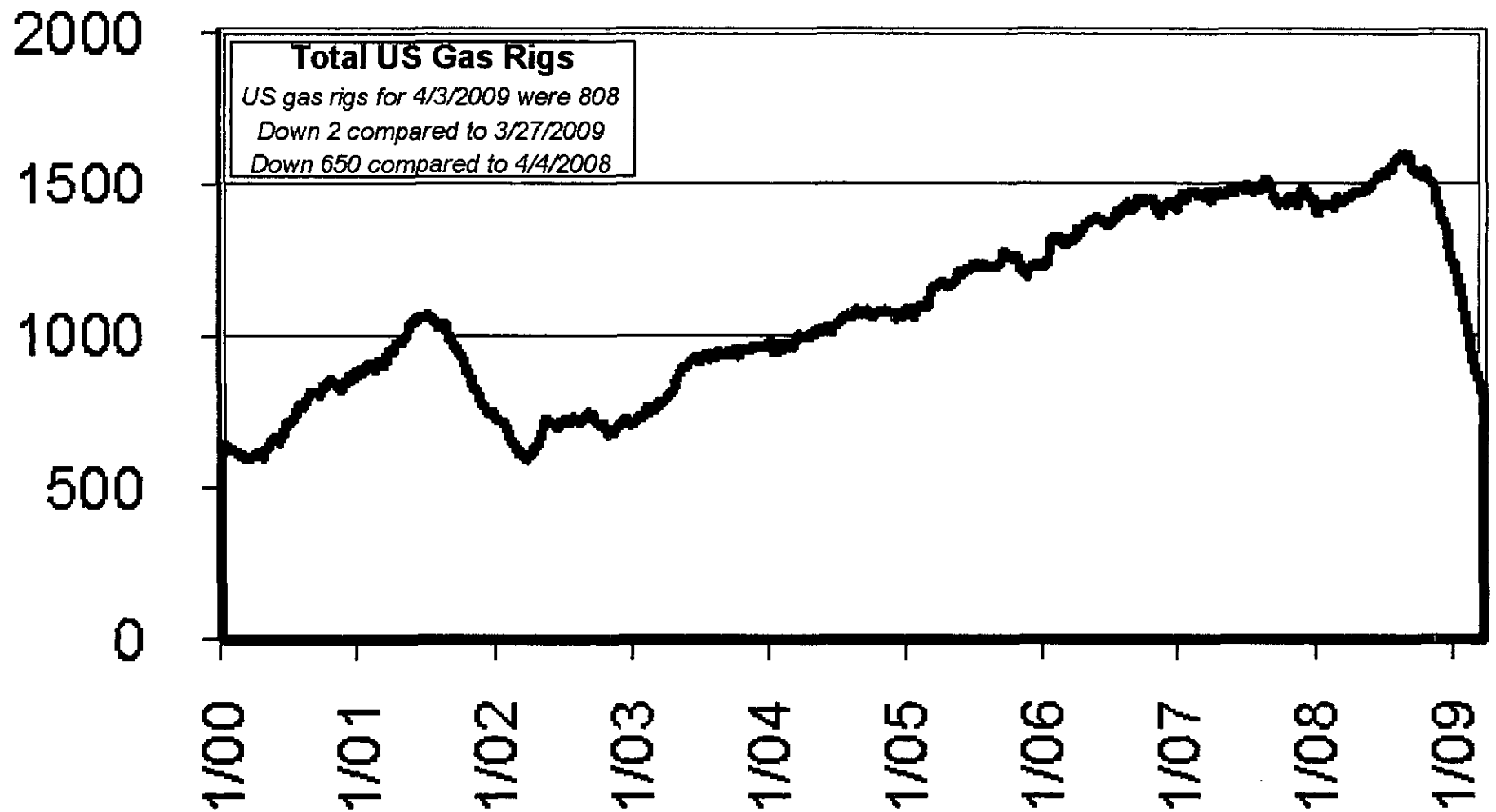
The USA Today

AGIA
The Alaska Gasline Inducement Act

- How have things changed since the legislature approved the AGIA license?
  - Global economic downturn with associated rapid decline in oil and gas prices
  - Rapid expansion of unconventional (shale) gas supplies in USA
  - Policy shift limiting access to lower 48 federal lands for non-renewable energy production?
  - First authoritative Arctic oil and gas assessment
  - Increased likelihood of carbon regulation

U.S. Gas Well Drilling down 45% in Last Year

AGIA
The Alaska Gasline Inducement Act



Source: Baker Hughes

Economic 'Recession' AGIA

The Alaska Gasline Inducement Act

Jim Mulva, Chairman and CEO ConocoPhillips,
March 13, 2009 - *Petroleumworld.com*

"Costs are coming down pretty dramatically," (Mulva) said. "When we say defer, we're not talking years, we're talking months, quarters, maybe up to a year."

Speaking about the Denali Alaska gas pipeline project, proposed last June by ConocoPhillips and BP, Mulva said President Barack Obama has identified the 4 Bcf/d project as a means of reducing US dependence on foreign oil.

The pipeline would bring North Slope gas down to a pipeline in Alberta for transport to the Lower 48 states. "We know it's going to get far more federal attention," he said. "Obviously, Alaska would like to see it go."

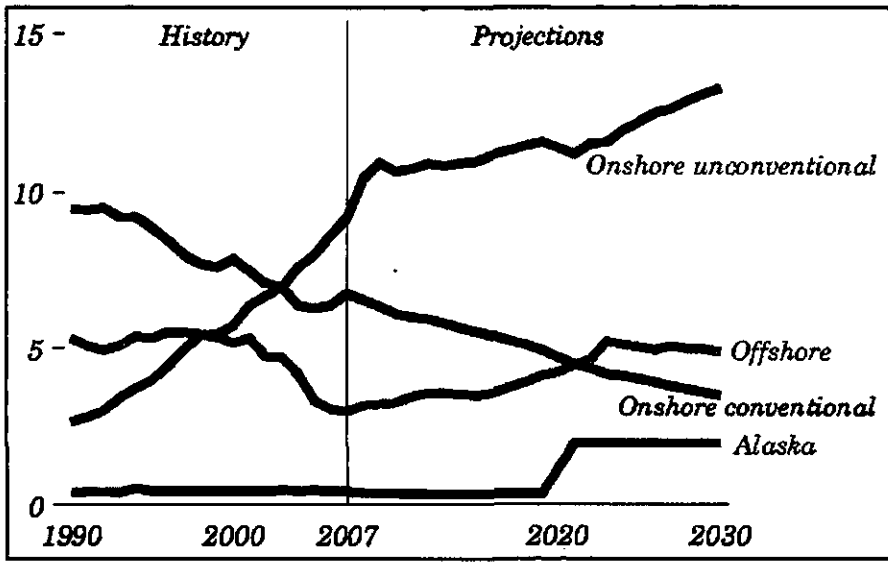
Mulva repeated the partners plan a 2010 open season for gas deliveries; first gas deliveries are eyed for 2019.

While current gas prices have led ConocoPhillips to cut back on its Canadian operations, Mulva discounted the low prices as a roadblock to the pipeline project's development.

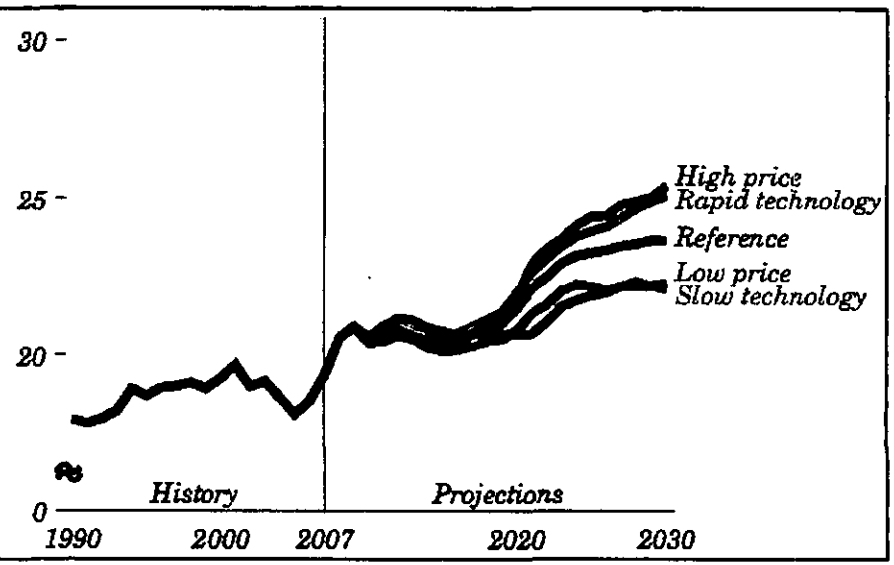
"You can't look at gas prices today," he said. "You have to look at prices 10 years from now."

Both Lower 48 Unconventional and Alaska North Slope Gas are Needed for America's Future

AGIA
The Alaska Gasline Inducement Act



Natural gas production by source, (1990-2030 9trillion cubic feet)



Total U.S. natural gas production in five cases, 1990-2030 (trillion cubic feet)

Source: EIA Annual Energy Outlook 2009

2009 EIA Forecasts for Natural Gas Prices Accounts for Growth of Unconventional Gas Resources

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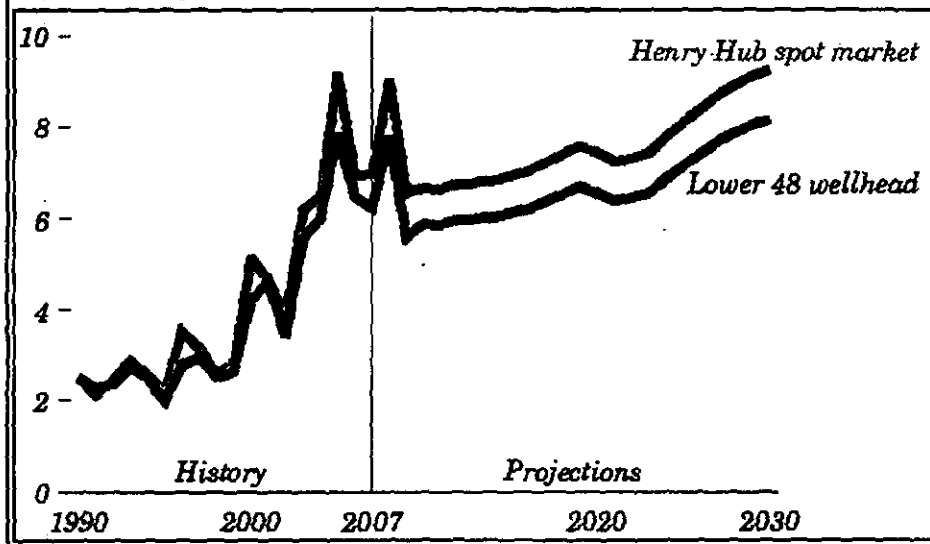
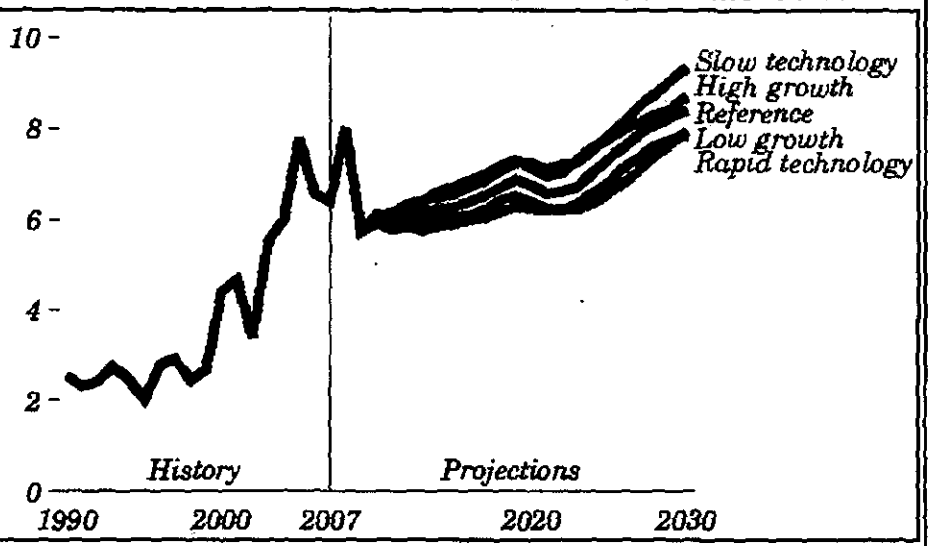


Lower 48 wellhead and Henry Hub Spot market prices for natural gas, 1990-2030 (2007 dollars per million Btu)



Lower 48 wellhead natural gas prices in five cases, 1990-2030 (2007 dollars per thousand cubic feet)

Source: EIA Annual Energy Outlook 2009

Development of New Unconventional Gas Resources

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"Declines [in North America] are expected to accelerate after 2030 coinciding with the increase in LNG import volumes. Black & Veatch expects near-term production growth in the Rockies and shale plays to offset declines in the Gulf Coast and other Lower 48 production basins."

- AGIA Findings and Determination; Appendix G1 – *AGIA NPV Report*

Shale Gas Provides About 5% of Domestic Production

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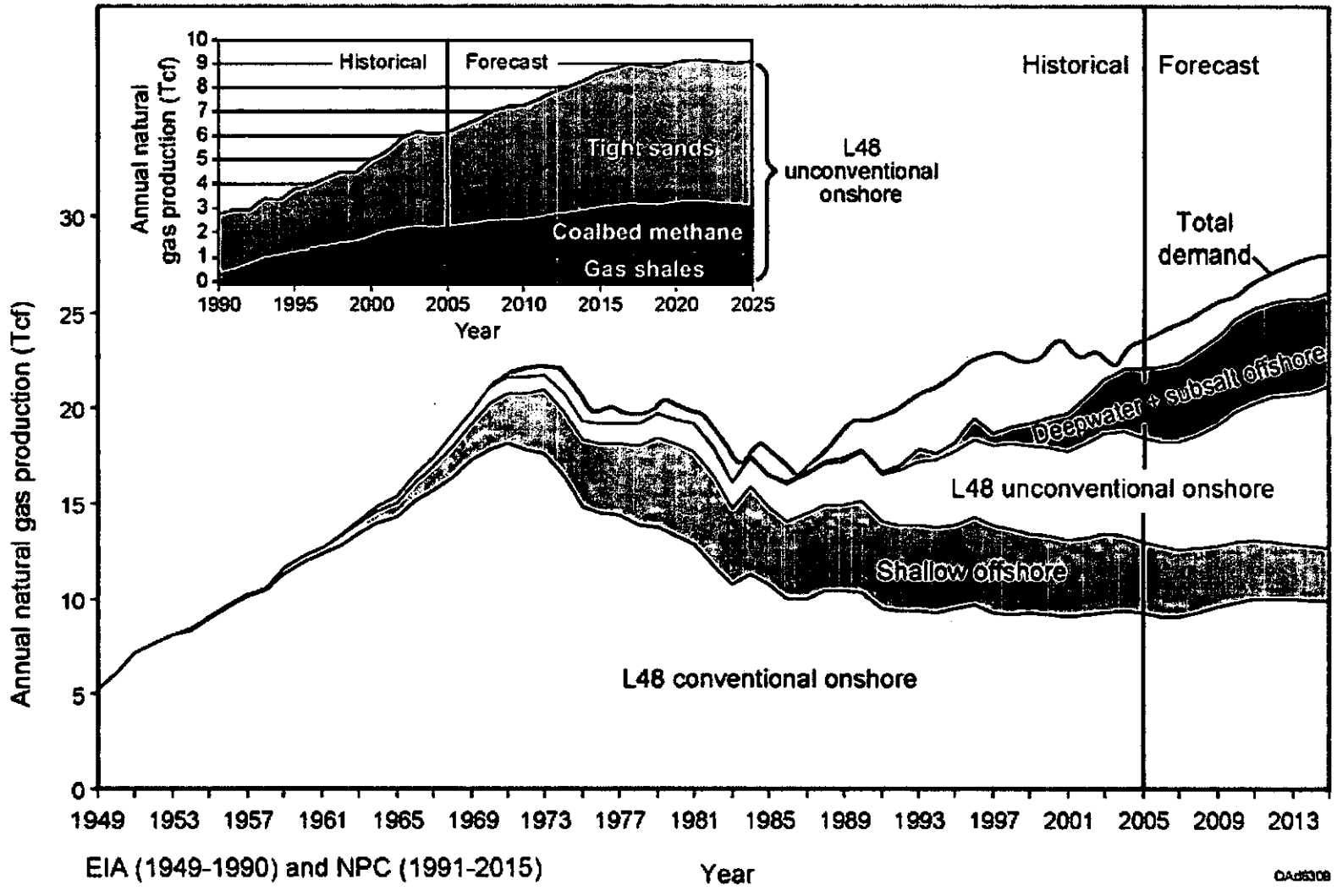

Wyoming Gas Reserves & Production History

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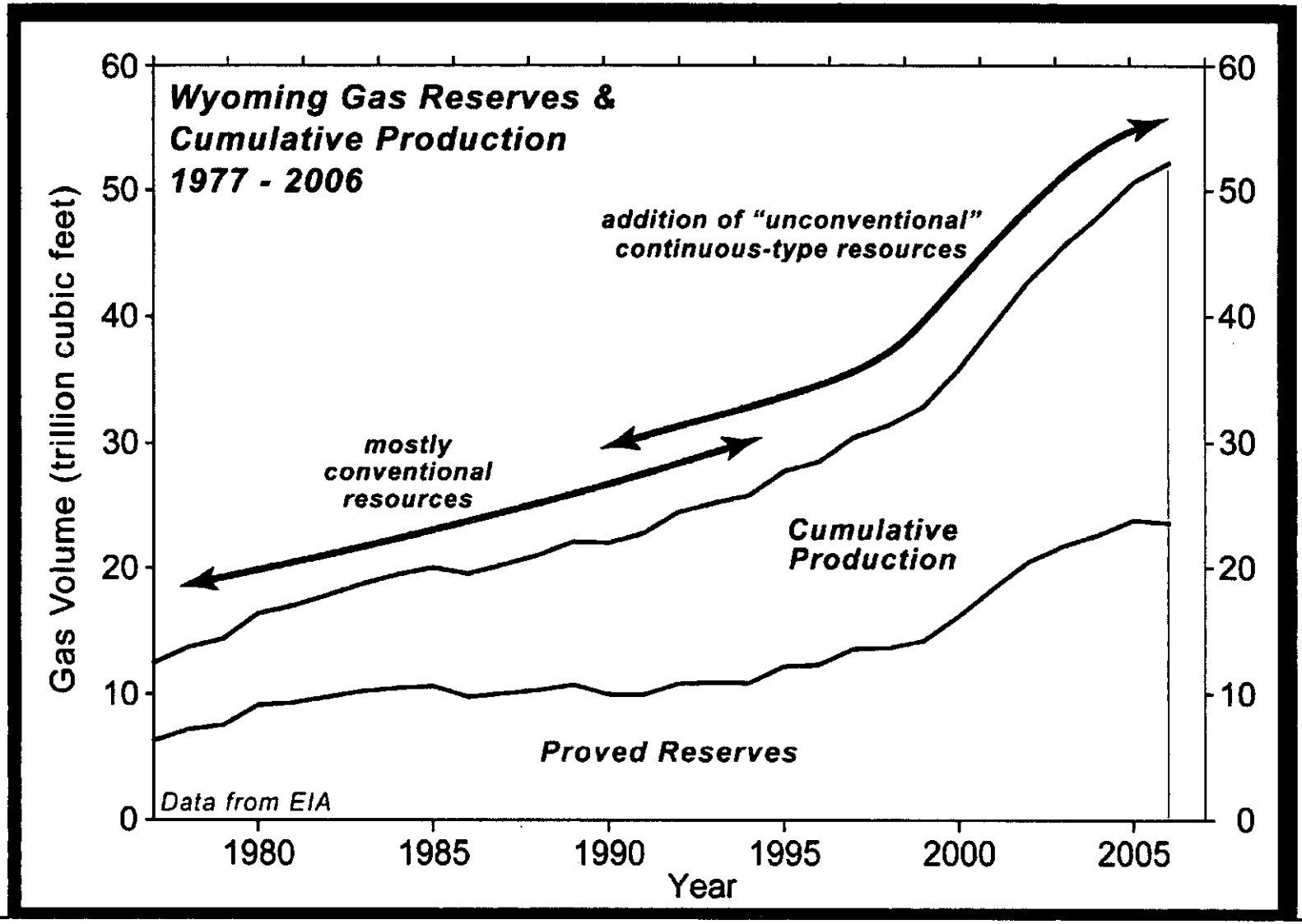
Courtesy of USGS



Lower 48 Shale Gas Plays

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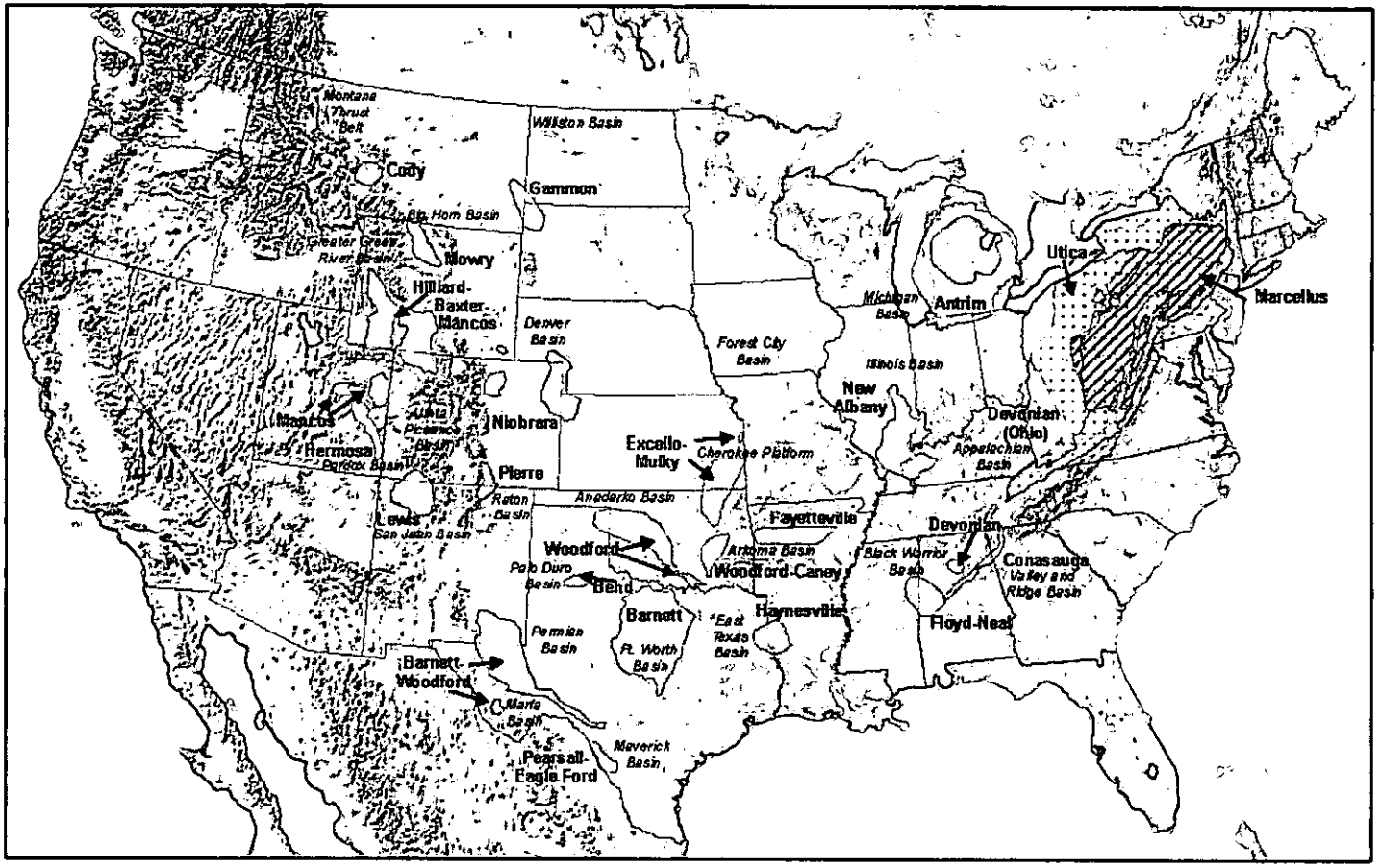

United States Shale Gas Plays

www.eia.doe.gov
Energy Information Administration
Office of Oil and Gas

Shale Gas Plays
Basins

Stacked Appalachian Plays
Marcellus
Utica
Devonian (OH shale)

November 2008
Miles
0 150 300 600

N

Estimated Break-Even Costs for Lower 48 Shale Gas and Alaska North Slope Onshore Gas

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- Onshore North Slope Gas (at AECO Hub)
  - $3.00 - $4.25
  - (USGS, AGIA Finding)
- Lower 48 Shale Gas (NYMEX)
  - Lowest - $4.20
  - Medium - $6.64
  - Highest - $11.50
  - (Bank of America)
- Today's lower drilling and steel costs and future technological development enhance economics of BOTH

Source: Bank of America, USGS and AGIA Finding

Arctic Alaska and Russia at the Top

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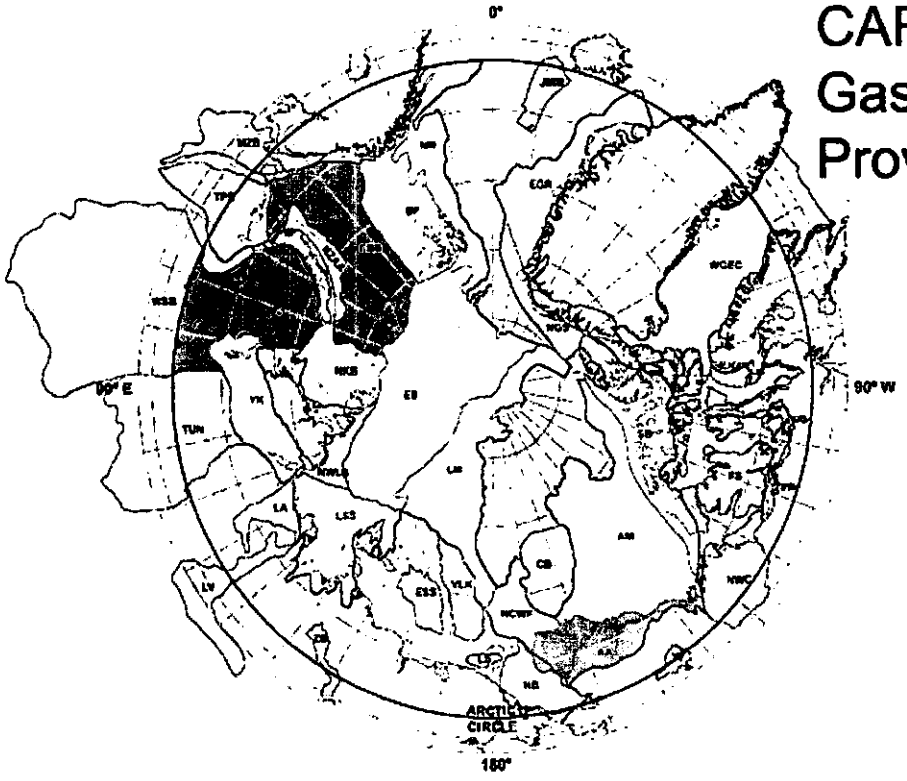
UNDISCOVERED GAS
(trillion cubic feet)

- >100
- 6–100
- <6
- Area not quantitatively assessed
- Area of low petroleum potential



CARA Gas Provinces

Province Code	Province	Oil (MMBO)	Total Gas (BCFG)	NGL (MMBNGL)	BOE (MMBOE)
WSB	West Siberian Basin	5,039.80	631,409.60	20,229.59	132,571.66
AA	Arctic Alaska	29,960.94	221,397.60	5,904.97	72,765.52
EBB	East Barents Basin	7,406.49	317,552.07	14,498.60	81,755.10
EGR	East Greenland Rift Basins	8,902.13	86,180.06	8,121.57	31,387.04
YK	Yenisey-Khatanga Basin	5,583.74	99,964.26	2,675.15	24,919.61
AM	Amerasia Basin	9,723.58	56,891.21	541.69	19,747.14
WGEC	West Greenland-East Canada	7,274.40	51,818.16	1,152.59	17,063.35
	a Shelf	3,115.57	32,562.84	867.16	9,409.87
	n Margin	1,437.29	32,281.01	504.73	7,322.19
	latform	2,055.51	26,218.67	278.71	6,704.00
	asin	1,342.15	19,475.43	520.26	5,108.31
	Basins and Platforms	1,807.26	14,973.58	390.22	4,693.07
	chora Basin	1,667.21	9,062.59	202.80	3,380.44
	enland Sheared Margin	1,349.80	10,207.24	273.09	3,324.09
	v-Makarov	1,106.78	7,156.25	191.55	2,491.04
	Basin	851.11	8,596.36	191.20	2,475.04
	bar Basin	1,912.89	2,108.75	56.41	2,320.43
	ıkchi-Wrangel Foreland	85.99	8,065.76	106.57	1,203.52
	lasin	98.03	5,741.87	101.63	1,156.63
	t Laptev Sea Shelf	172.24	4,488.12	119.63	1,039.90
	ji Basin	376.86	1,335.20	35.66	635.06
	Basin	47.82	1,505.99	40.14	338.95
	ian Sea Basin	19.73	618.83	10.91	133.78
	in	2.47	648.17	11.37	121.87
	t Canada Interior Basins	23.34	305.34	15.24	89.47
	asin	NQA	NQA	NQA	NQA
	mlya Basins and Admiralty	NQA	NQA	NQA	NQA
	Basin	NQA	NQA	NQA	NQA
	lorderland	NQA	NQA	NQA	NQA
	ts (part of Central Alaska ce)	NQA	NQA	NQA	NQA
	it	NQA	NQA	NQA	NQA
	n Microcontinent	NQA	NQA	NQA	NQA
	n Shelf	NQA	NQA	NQA	NQA
		89,983.21	1,668,657.84	44,064.24	412,157.09

Source: USGS Fact Sheet 2008-3049

Undiscovered, Conventional Gas Resources of the U.S.

Alaska resources = 36% of national total

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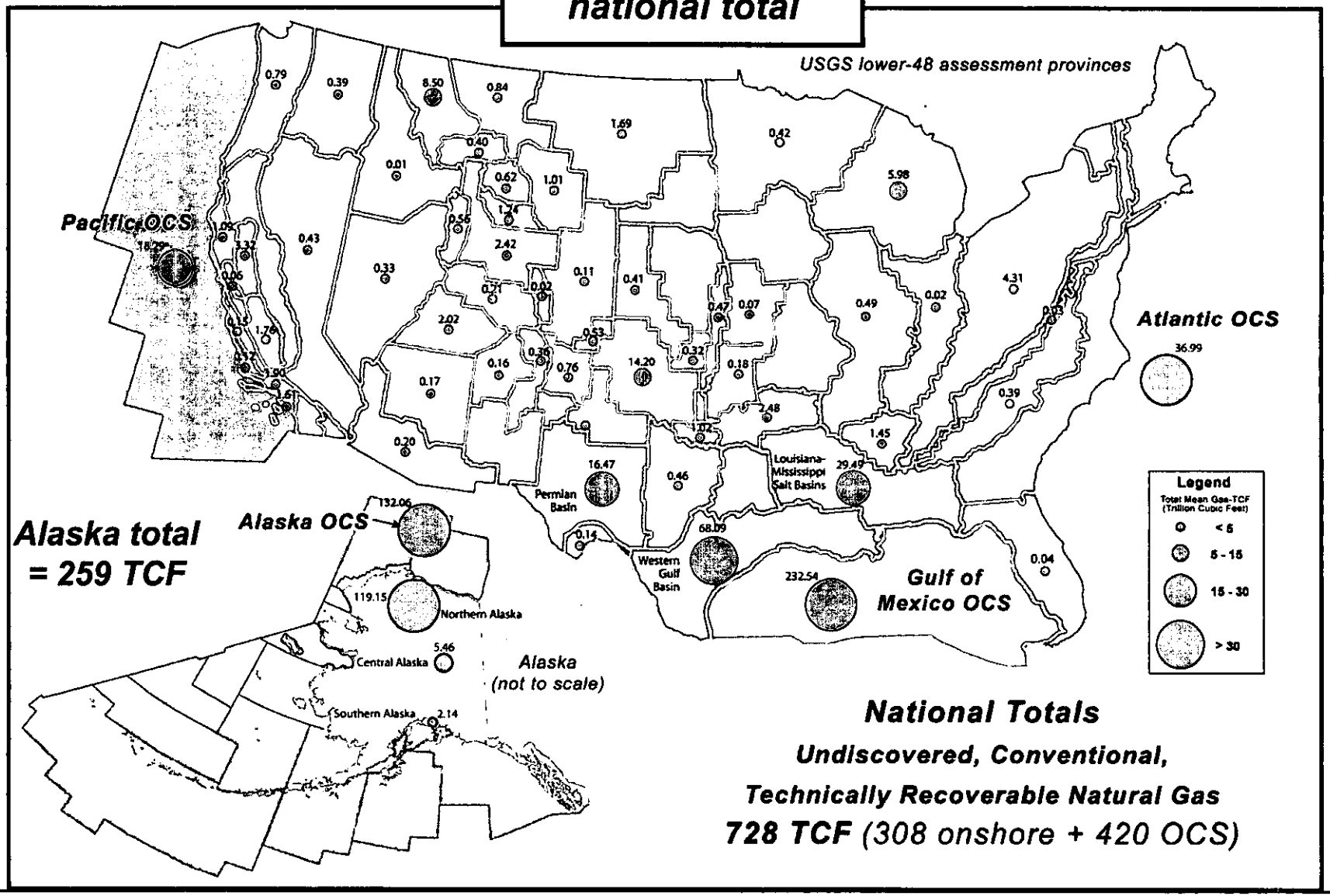
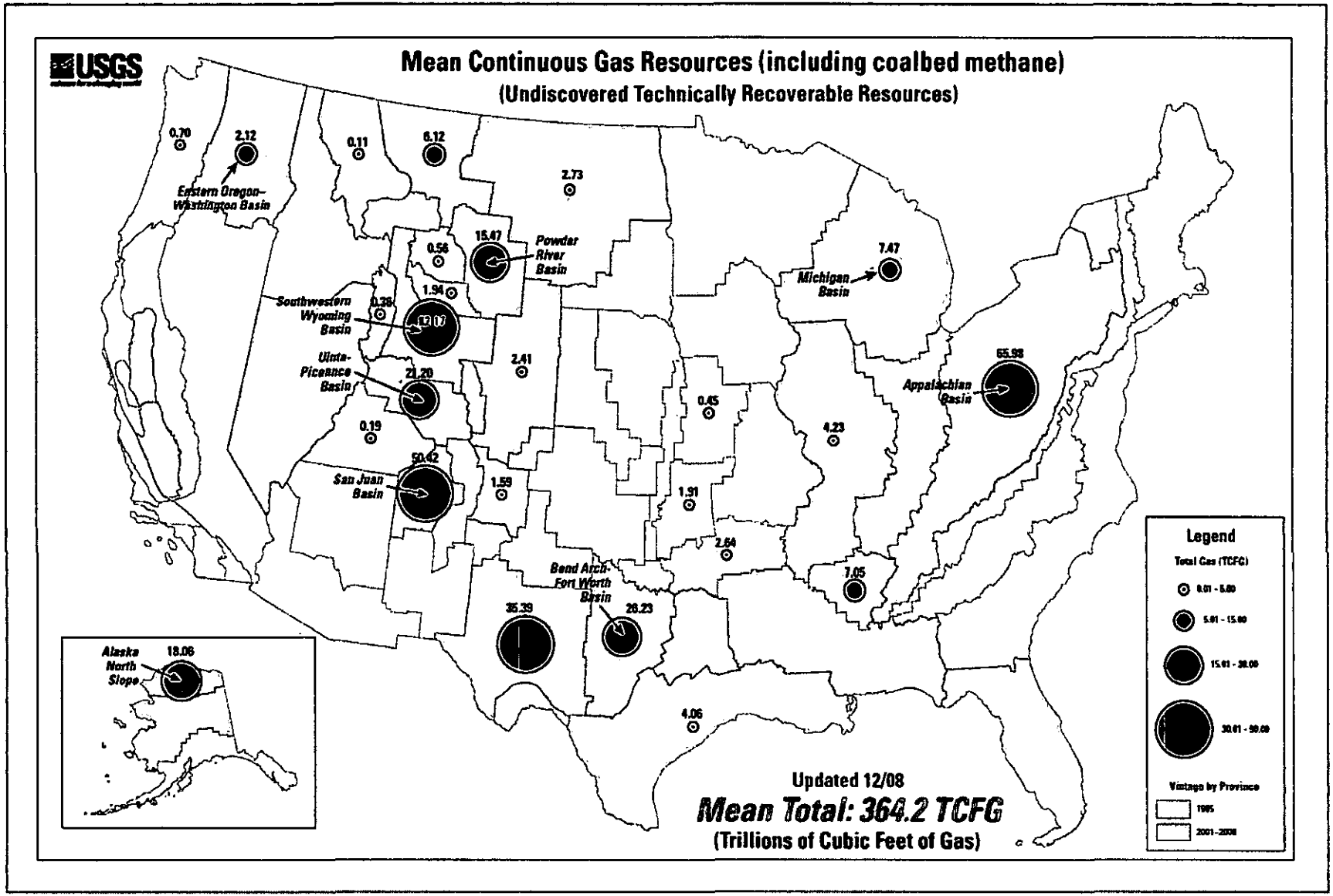
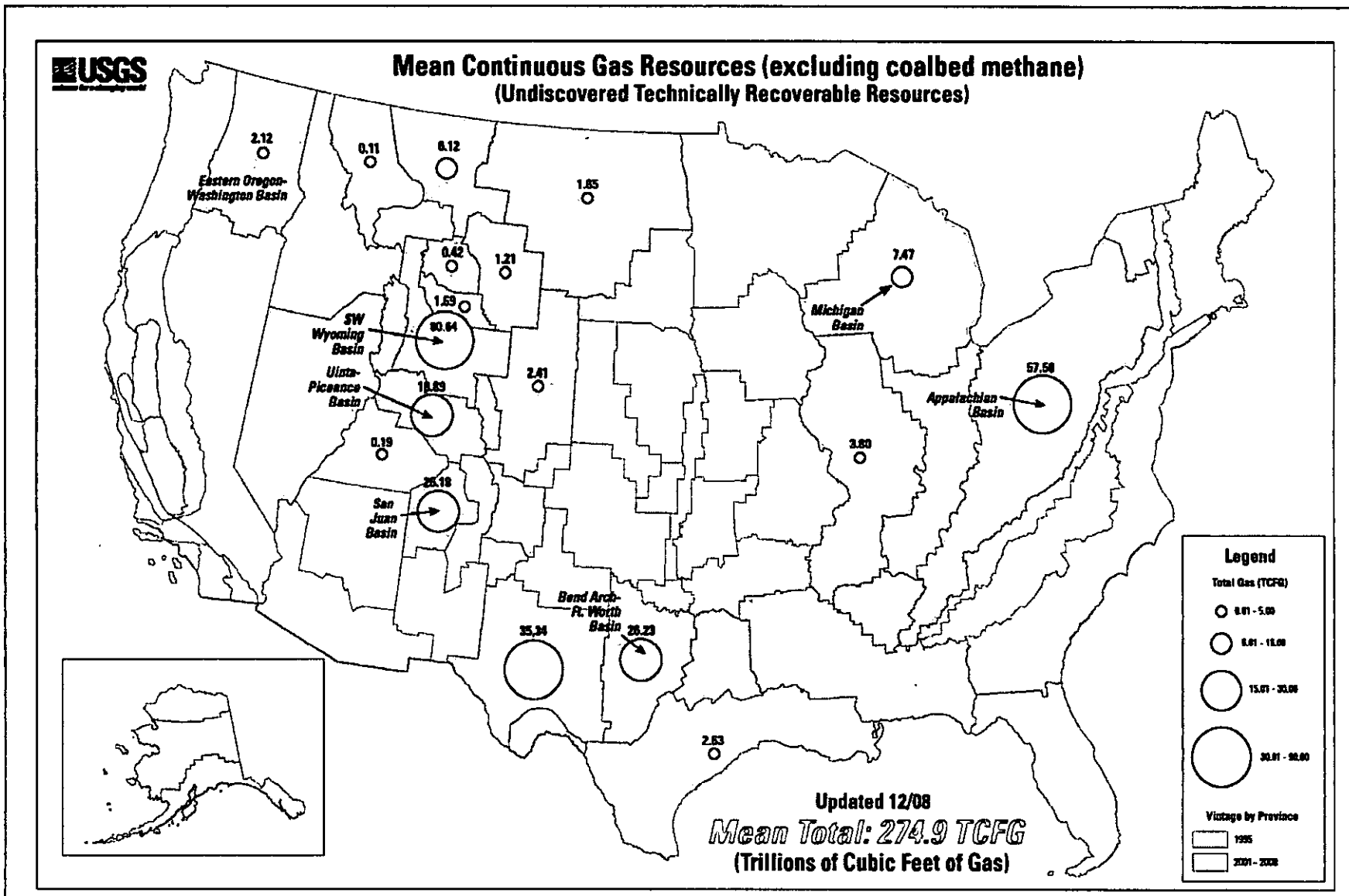


National Totals

Undiscovered, Conventional, Technically Recoverable Natural Gas

728 TCF *(308 onshore + 420 OCS)*


USGS
Mean Continuous Gas Resources (including coalbed methane)
(Undiscovered Technically Recoverable Resources)
0.70
2.12
Eastern Oregon–Washington Basin
0.11
6.12
2.73
15.47
Powder River Basin
0.56
7.47
Michigan Basin
1.94
Southwestern Wyoming Basin
0.28
12.07
Uinta-Piceance Basin
21.20
2.41
65.98
Appalachian Basin
0.45
4.23
0.19
50.42
San Juan Basin
1.59
1.91
2.64
Bend Arch-Fort Worth Basin
7.05
35.39
28.23
Alaska North Slope
18.06
4.06
Updated 12/08
Mean Total: 364.2 TCFG
(Trillions of Cubic Feet of Gas)
Legend
Total Gas (TCFG)
0.01 - 5.00
5.01 - 15.00
15.01 - 30.00
30.01 - 90.00
Vintage by Province
1995
2001-2008


USGS
Mean Continuous Gas Resources (excluding coalbed methane)
(Undiscovered Technically Recoverable Resources)
2.12
Eastern Oregon-Washington Basin
0.11
6.12
1.85
0.42
1.21
1.69
SW Wyoming Basin
30.64
Uinta-Piceance Basin
18.89
2.61
7.47
Michigan Basin
57.58
Appalachian Basin
3.80
0.19
25.18
San Juan Basin
Bend Arch-Ft. Worth Basin
35.34
26.23
2.63
Legend
Total Gas (TCFG)
0.01 - 5.00
5.01 - 15.00
15.01 - 30.00
30.01 - 50.00
Vintage by Province
1995
2001 - 2008
Updated 12/08
Mean Total: 274.9 TCFG
(Trillions of Cubic Feet of Gas)

Undiscovered Conventional Gas Potential

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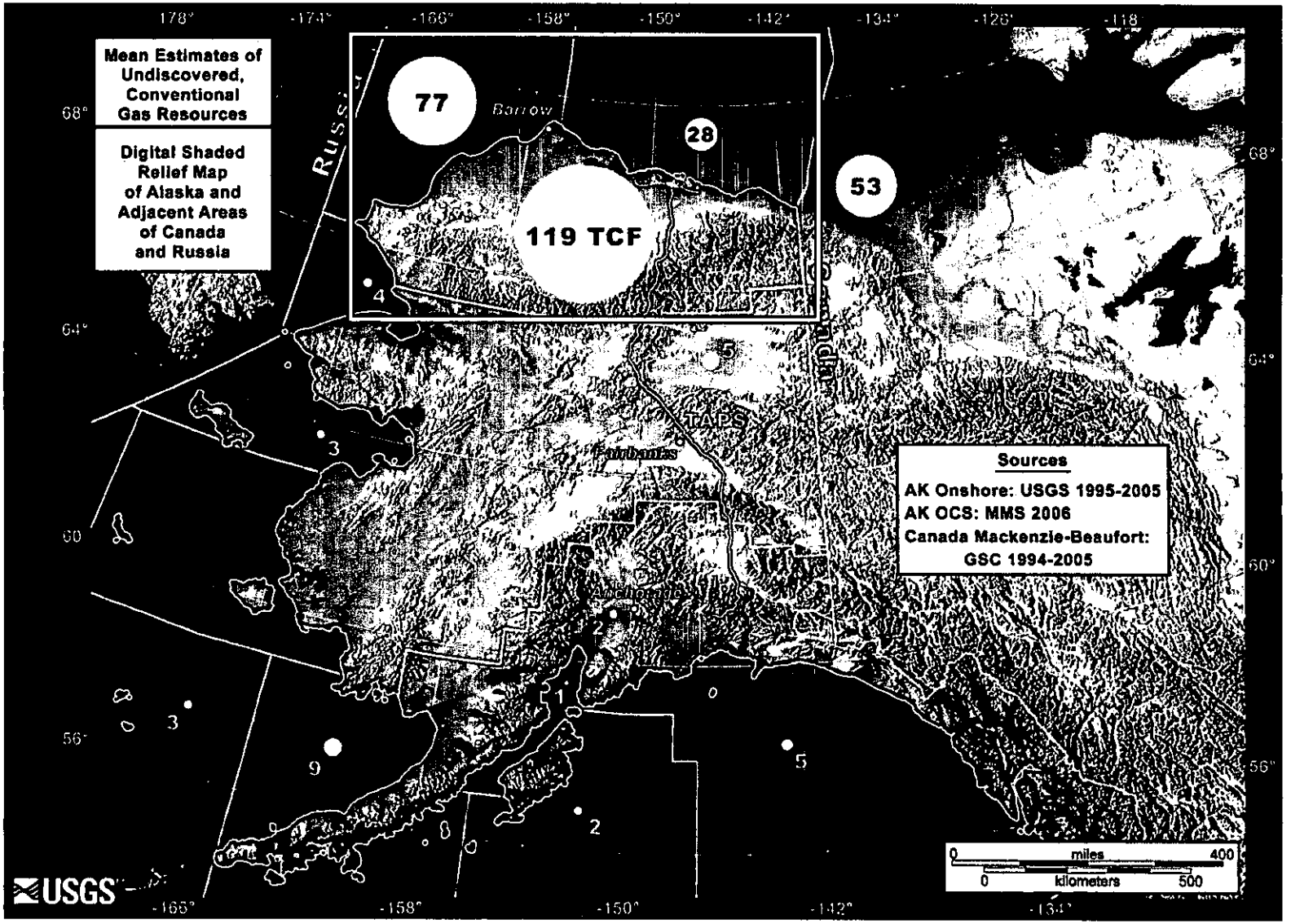
- The Alaska Gasline Inducement Act -



Potential for Undiscovered Petroleum in Arctic Alaska

USGS-/MMS

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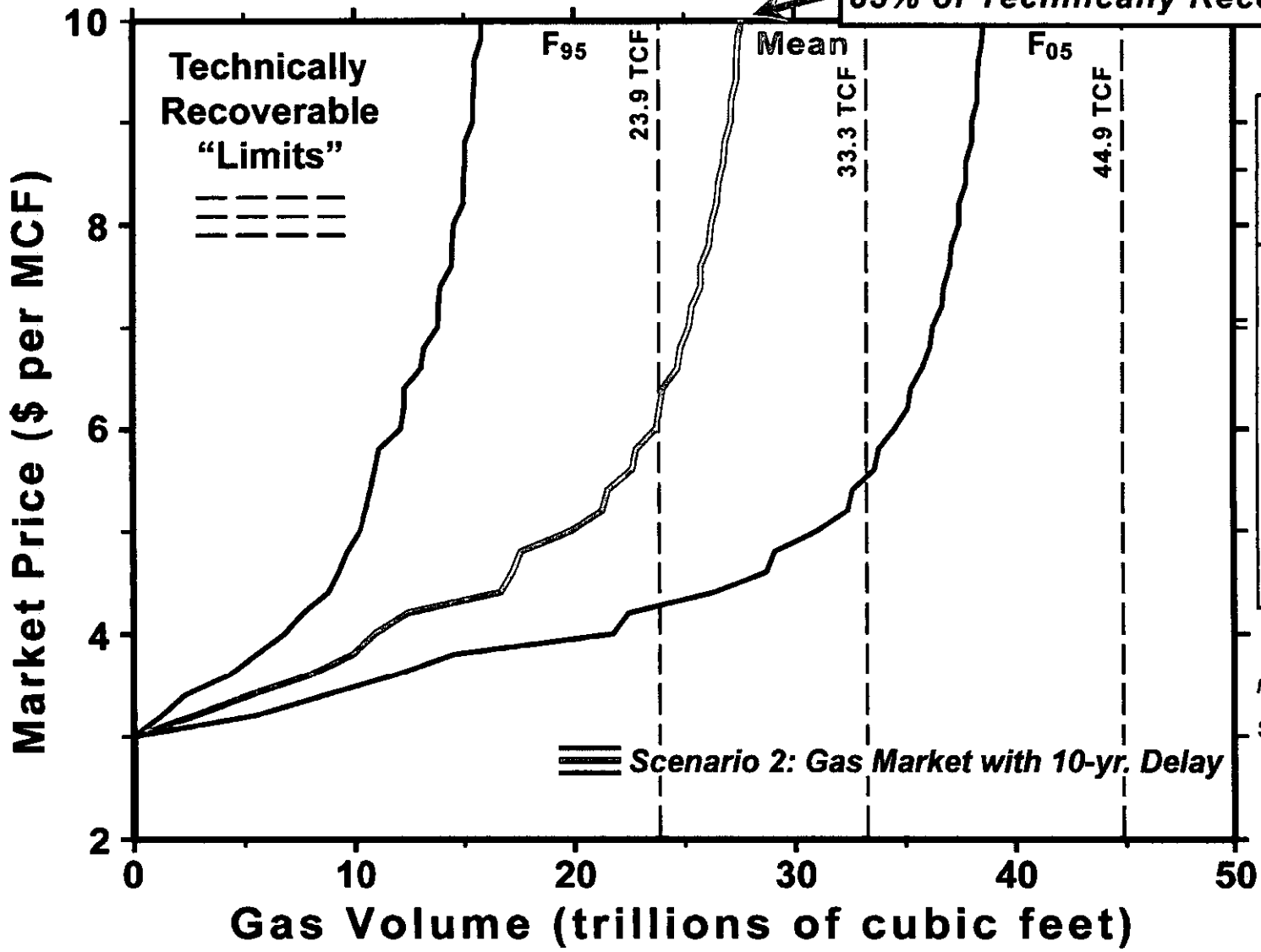
Mean Estimates of Undiscovered, *Conventional* Natural Gas in Arctic Alaska (trillion cubic feet)

	Non-Associated Gas	Associated Gas	Total Gas
Onshore & State Offshore Areas (USGS estimates)			
NPRA	61.35	11.68	73.03
Central North Slope	33.32	4.20	37.52
ANWR, 1002 Area	3.84	4.76	8.60
Subtotal	*98.51*	*20.64*	*119.15*
Federal Offshore Areas (MMS estimates)			
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Central North Slope Economically Recoverable Gas

USGS

AGIA



Market Price ($/MCF)	Economically Recoverable Gas (trillion cubic feet) Sc. 2
2	0
3	0
4	10.9
5	19.9
6	23.7
7	25.2
8	26.2
9	27.1
10	27.6

Based on mean estimates of technically recoverable oil resources

Scenario 1 - No Gas Market

North Slope Gas Potential

DOE

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Location	Estimate of undiscovered technically recoverable conventional natural gas (Trillion Cubic Feet) Mean	Estimate of economically recoverable* natural gas reserves (Trillion Cubic Feet) Mean
National Petroleum Reserve, Alaska	73.0	31.0
Central North Slope, State Lands	37.5	33.3
ANWR 1002 area	8.6	1.0
TOTAL Onshore Potential	119 TCF	66.3 TCF
Chukchi Sea	76.8	50.0
Beaufort Sea	27.7	21.0
Hope Basin ?	3.8	
TOTAL Offshore Potential	108 TCF	71.0 TCF
TOTAL TCF	227 TCF	137.3

Data Sources: Regional Resource Assessments from the U.S. Geological Survey, http://energy.usgs.gov/alaska/ and Minerals Management Service http://www.mms.gov/alaska/re/reports/2006Asmt/

*NETL This study did not include Hope Basin.

pd08

Alaska's North Slope is Very Under-Explored

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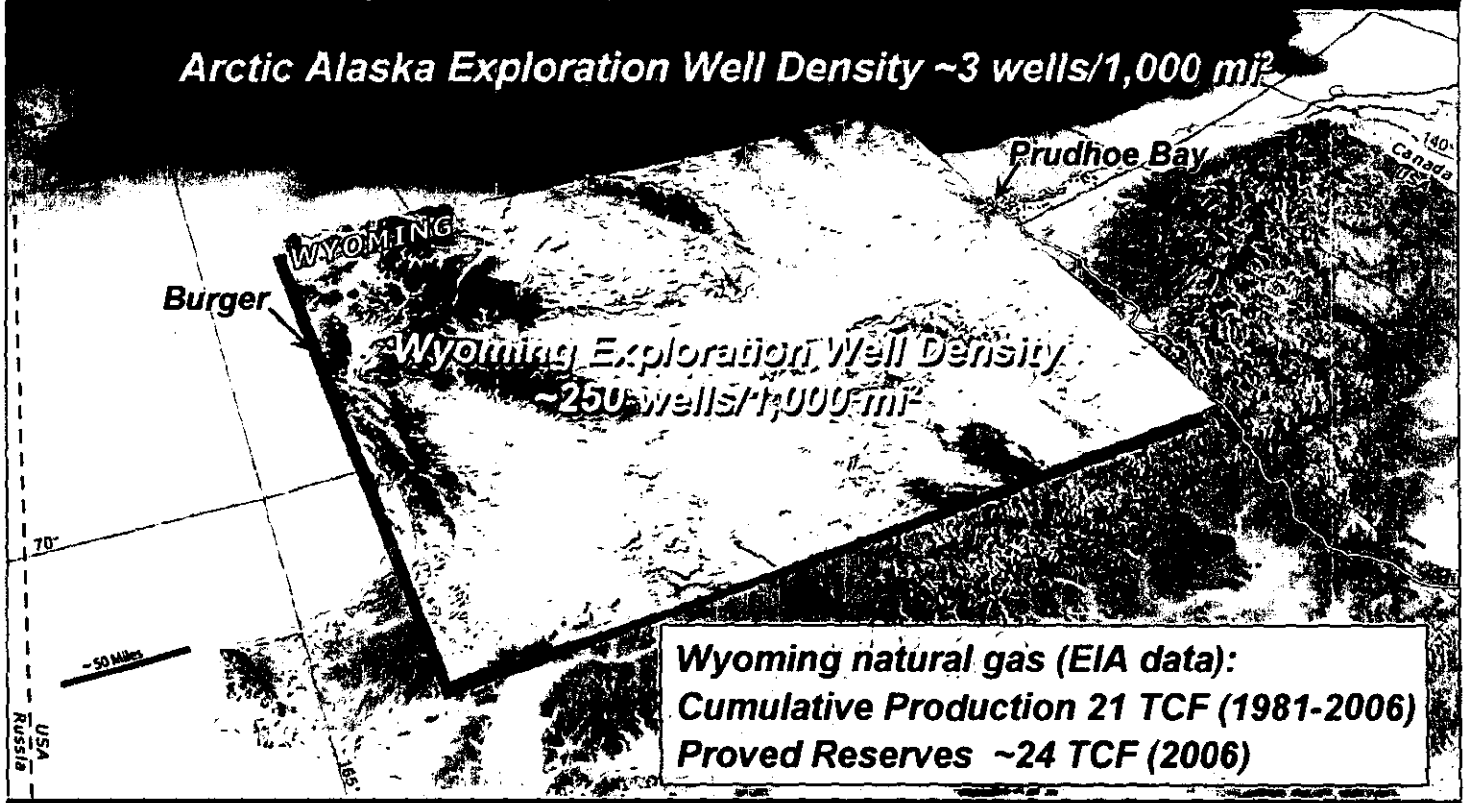
Arctic Alaska Exploration Maturity

- Prospective area onshore & offshore shelves ~ 150,000 mi² (~400,000 km²)
- Fewer than 500 exploration wells (red dots)



- Entire state of Wyoming ~100,000 mi² (~250,000 km²)
- Petroleum-prospective area ~75,000 mi² (~250,000 km²)
- ~19,371 exploration wells

14

Courtesy of USGS

Unconventional Gas Resources (continuous resources)

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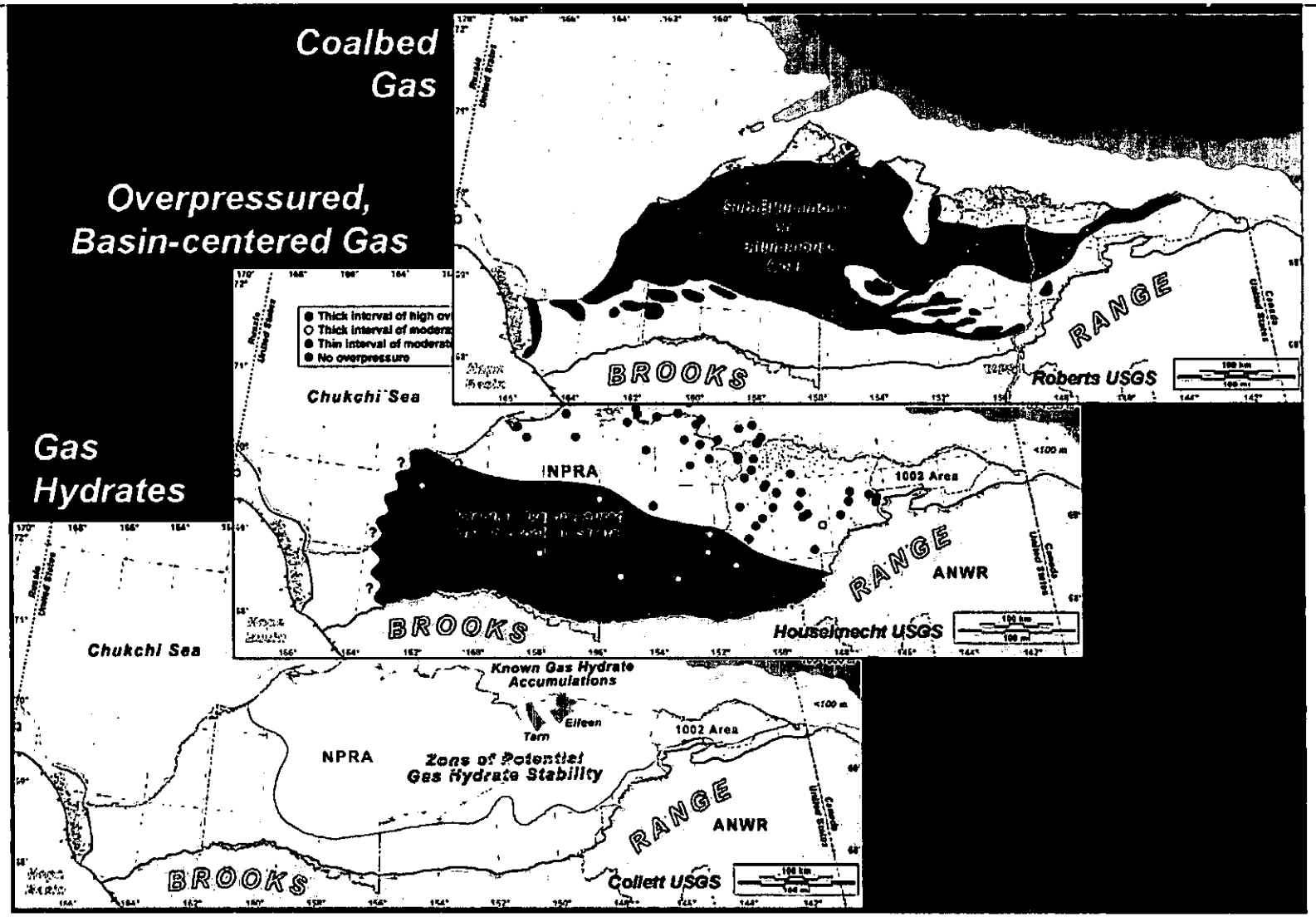

Alaska North Slope Natural Gas Hydrate Assessment Results

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[BCFG, billion cubic feet of gas. MMBNGL, million barrels of natural gas liquids. Results shown are fully risked estimates. F95 represents a 95-percent chance of at least the amount tabulated; other fractiles are defined similarly. Fractiles are additive, assuming perfect positive correlations. NGL, natural gas liquids; TPS, total petroleum system; AU, assessment unit.]

Total Petroleum System and Assessment Unit	Field Type	*Total Undiscovered Resources*							
		Gas (BCFG)				*NGL (MMBNGL)*			
		F95	F50	F5	Mean	F95	F50	F5	Mean
Northern Alaska Gas Hydrate TPS									
Sagavanirktok Formation Gas Hydrate AU	*Gas*	6,285	19,490	37,791	20,567	0	0	0	0
Tuluvak-Schrader Bluff-Prince Creek Formations Gas Hydrate AU	*Gas*	8,173	26,532	51,814	28,003	0	0	0	0
Nanushuk Formation Gas Hydrate AU	*Gas*	10,775	35,008	68,226	36,857	0	0	0	0
Total Undiscovered Resources		**25,233**	**81,030**	**157,831**	**85,427**	**0**	**0**	**0**	**0**

Source: USGS Fact Sheet 2008-3073

Alaska's Arctic Natural Gas: Critical Bridge to a Sustainable Future

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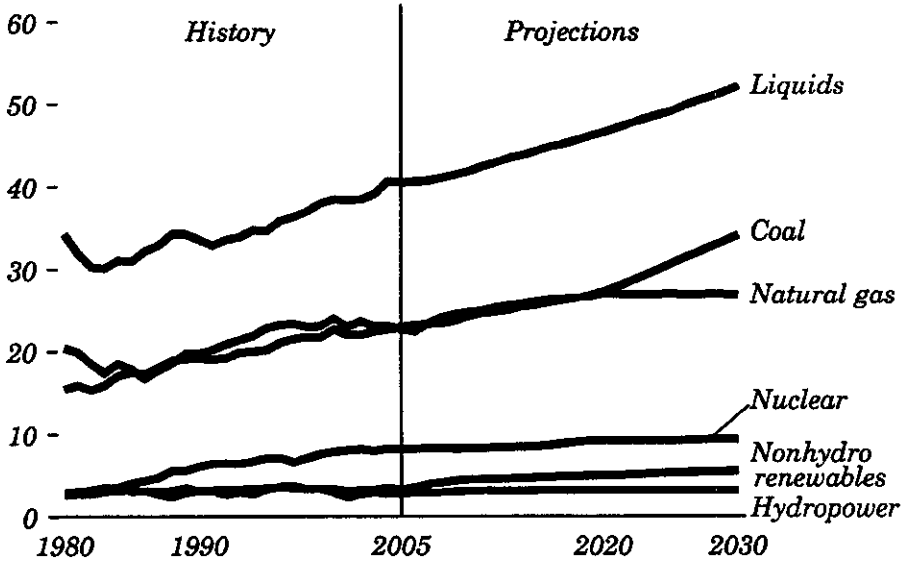
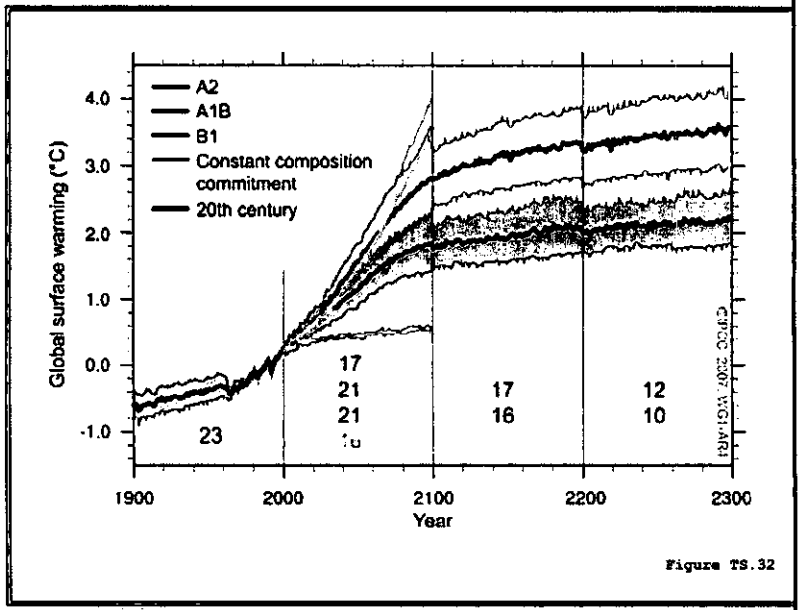
United States Energy Consumption by Fuel



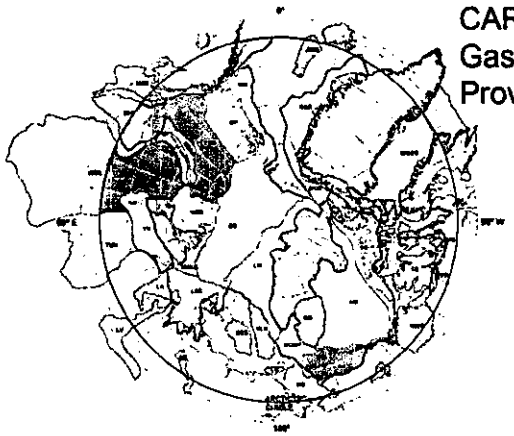
EIA

USGS

Carbon Emissions



IPCC 2007: WG1-AR4



CARA Gas Provinces

Impact of Carbon Regulation on Natural Gas Demand

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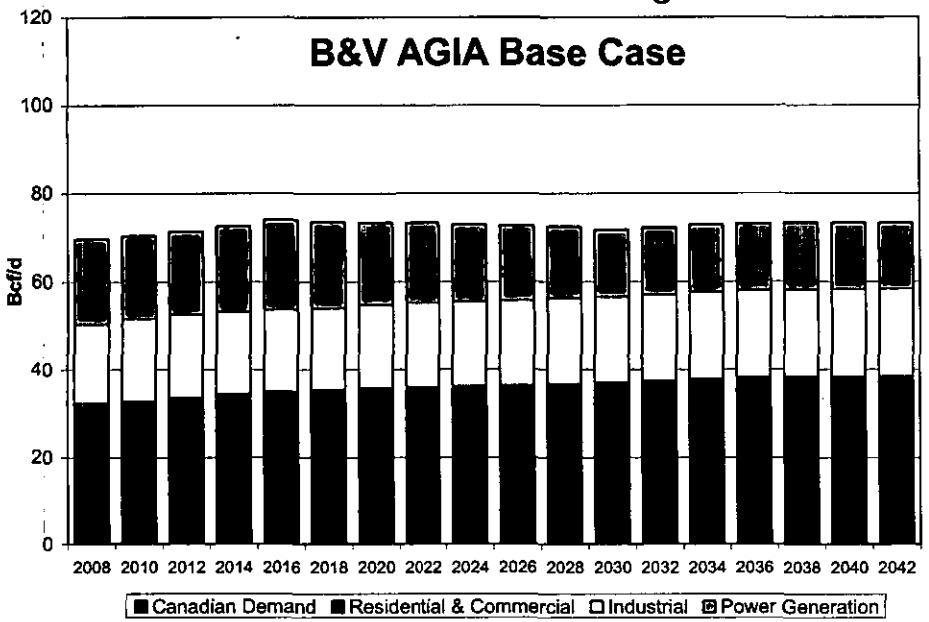
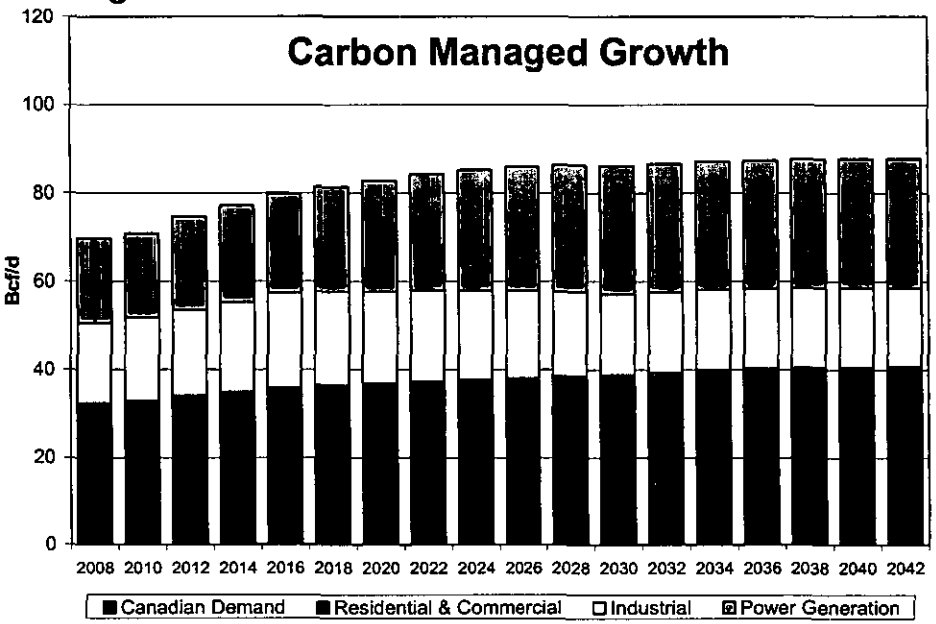
In a Carbon Managed Growth case, demand is 14 Bcf/d more than the B&V AGIA Base Case

- Policies and legislations designed to curb Green House Gas could reduce dispatch and construction of coal-fired generation facilities in favor of natural gas fired facilities, resulting in demand increase from the power sector in the US
- All resources, including renewables, nuclear and IGCC with CCS and gas fired combined cycles are all needed to meet electric demand growth. Gas demand from the power sector will grow from 19 Bcf/d in 2008 to 29 Bcf/d by 2030, with a CAGR of 2%
- Total demand in US lower 48 states is 12.1 Bcf/d higher than BV's AGIA Base Case by 2042. Canada demand is 2.3 Bcf/d higher in the Carbon Managed Growth case





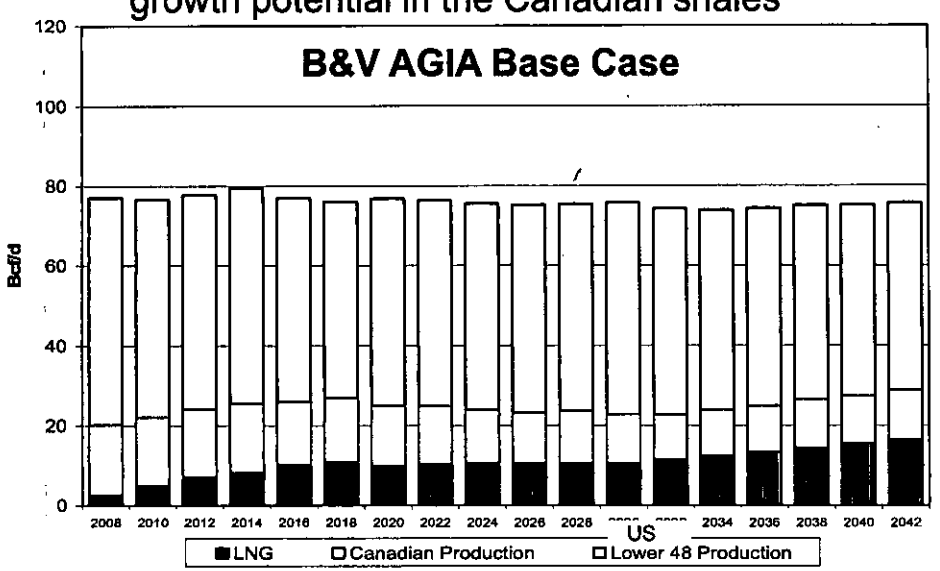
Source: Black & Veatch Analysis

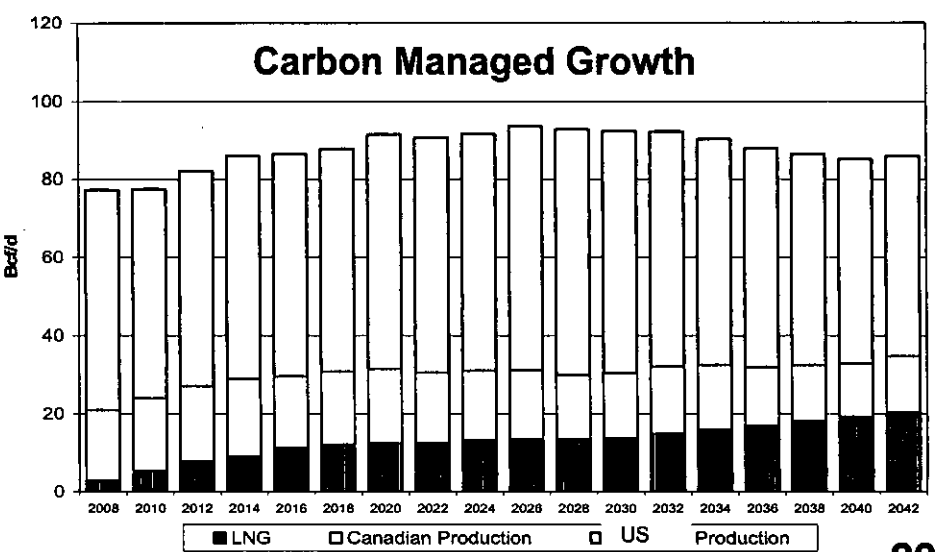
Multiple Different Sources of Natural Gas will be Needed to Meet Lower 48 Demand Growth

AGIA
The Alaska Gasline Inducement Act

Additional LNG imports and more unconventional productions from the US is necessary in order to meet the lower 48 demand growth

- Additional LNG imports will be needed to meet the demand growth; 6.4 Bcf/d by 2042 in the Carbon Managed Growth scenario
- US Production will average 58.3 Bcf/d from 2022-2042 in the Carbon Managed Growth case, which will be 7.8 Bcf/d higher than the B&V AGIA Base Case. Recent developments in shale discoveries in Haynesville and Marcellus indicate greater production potentials from these unconventional resources. The production growth can be considered as a proxy.
- Canadian production continues to decline in both cases. In the Carbon Managed Growth case, Canadian production is 3.7 Bcf/d higher than in the B&V AGIA Base Case, which may approximately reflect the growth potential in the Canadian shales



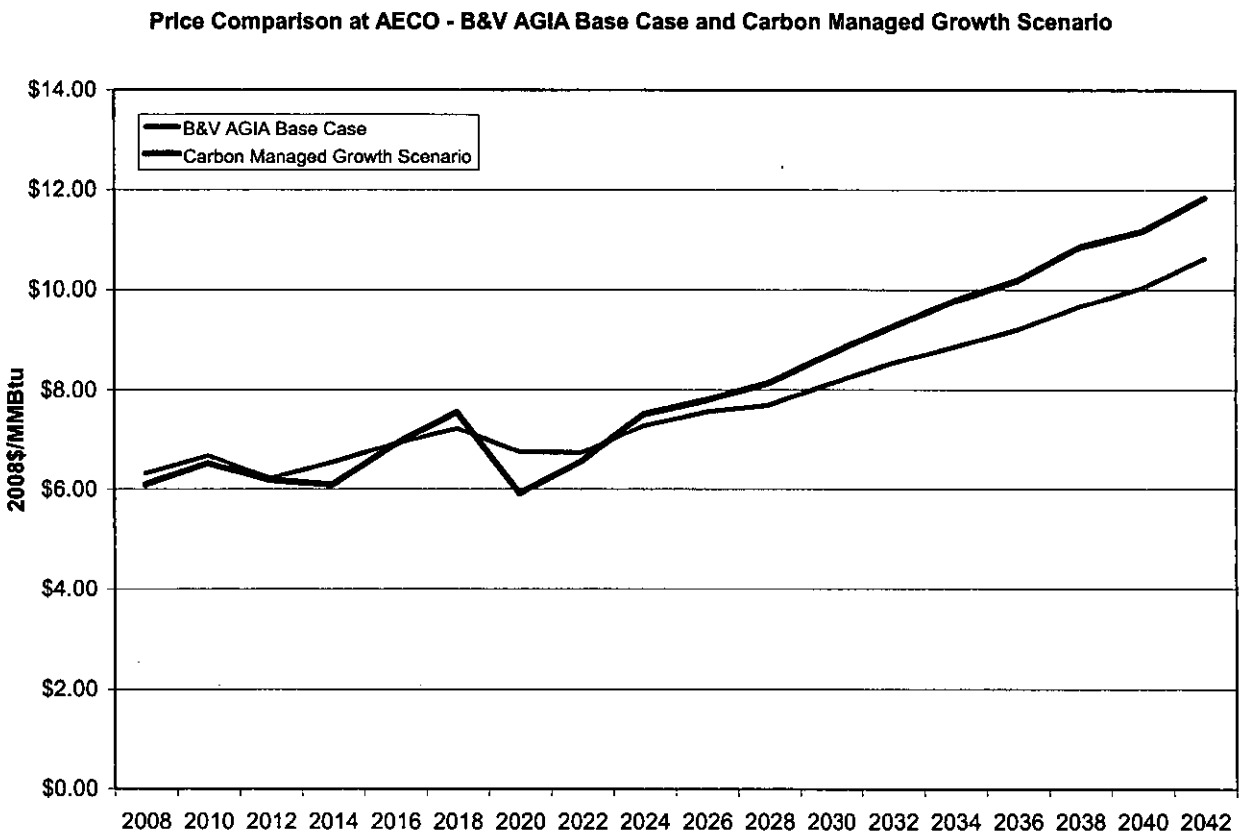


Source: Black & Veatch Analysis

Impact of Carbon Regulation on AECO Price Forecasts

AGIA
The Alaska Gasline Inducement Act

- The Carbon Managed Growth case has sufficient supplies from North America to meet the high demand from both unconventional production and slightly higher additional LNG volumes
- North American gas price is projected to have a higher price path than in the AGIA base case



Source: Black & Veatch Analysis

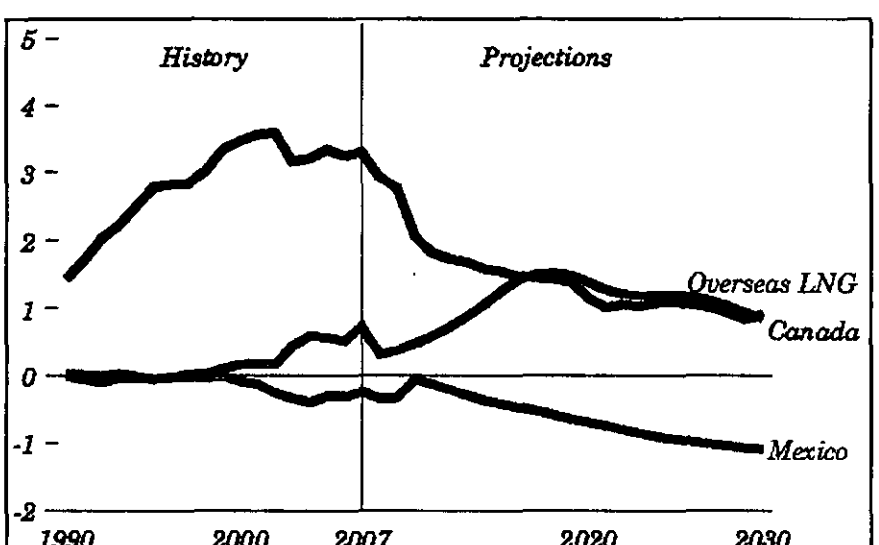
Liquid Natural Gas (LNG) Imports Current and Forecast Volumes

AGIA
The Alaska Gasline Inducement Act

LNG import volumes have experienced little net change since the legislature approved the AGIA license

Total US LNG Import Volumes

July 2008:	31,019 mmcf
December 2008:	30,708 mmcf



Net U.S. imports of natural gas by source, 1990-2030 (trillion cubic feet)

Source: EIA Annual Energy Outlook 2009

More Recent EIA Price Forecasts for Gas Predict Higher Long-term Prices for Natural Gas in the U.S.

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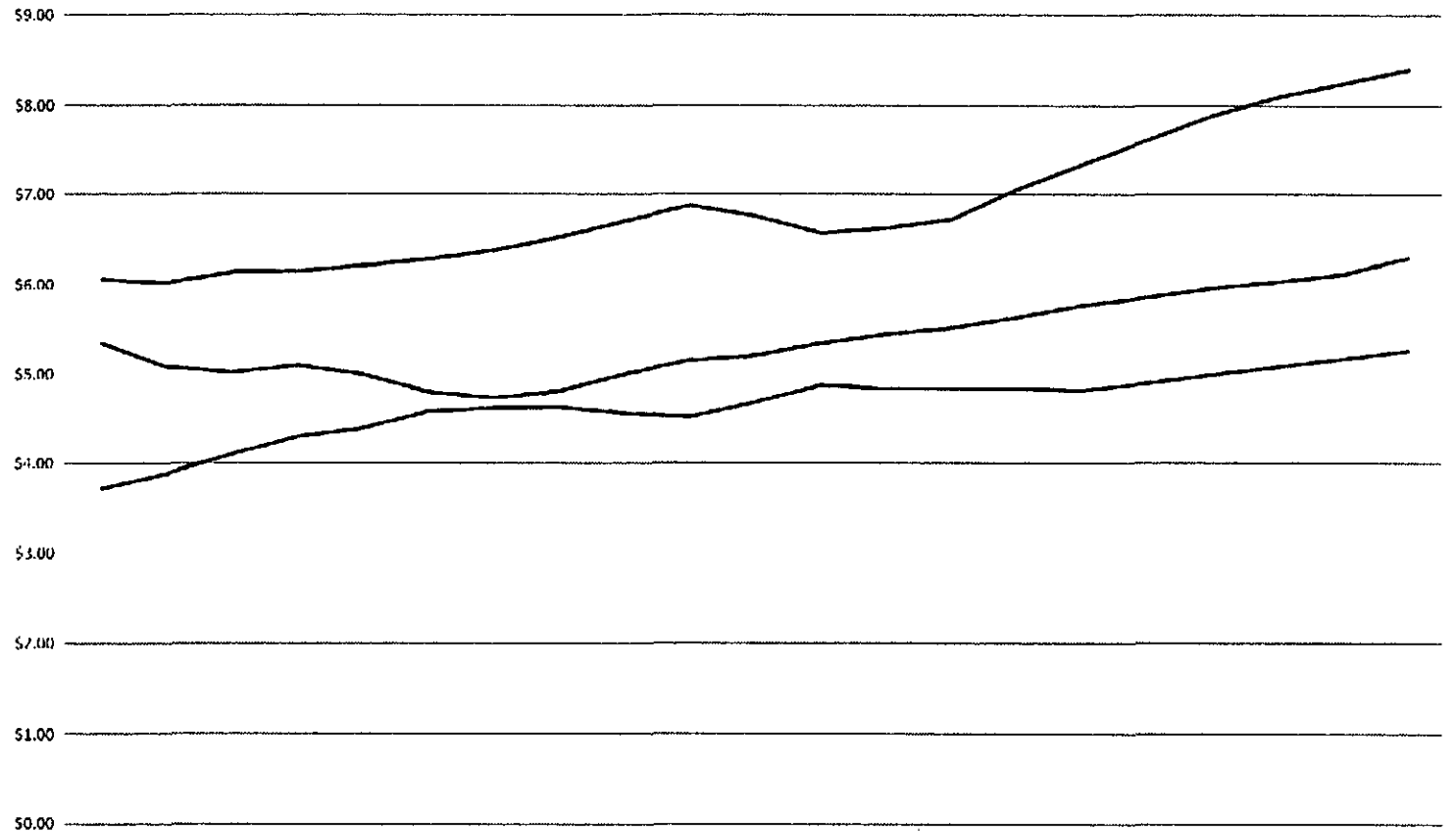
EIA FORECASTED NATURAL GAS PRICES



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
2004 EIA FORECAST (IN 2007 DOLLARS)	$3.72	$3.89	$4.10	$4.30	$4.39	$4.58	$4.62	$4.63	$4.56	$4.52	$4.68	$4.87	$4.84	$4.84	$4.84	$4.81	$4.90	$4.99	$5.08	$5.17	$5.26
2006 EIA FORECAST (IN 2007 DOLLARS)	$5.34	$5.08	$5.01	$5.10	$5.00	$4.80	$4.74	$4.81	$5.00	$5.15	$5.21	$5.34	$5.44	$5.51	$5.63	$5.77	$5.85	$5.96	$6.02	$6.11	$6.29
2009 EIA FORECAST (IN 2007 DOLLARS)	$6.05	$6.01	$6.13	$6.14	$6.20	$6.27	$6.37	$6.52	$6.70	$6.87	$6.75	$6.56	$6.62	$6.72	$7.05	$7.33	$7.61	$7.88	$8.09	$8.25	$8.40

YEAR

—2004 EIA FORECAST (IN 2007 DOLLARS) —2006 EIA FORECAST (IN 2007 DOLLARS) —2009 EIA FORECAST (IN 2007 DOLLARS)

Atigun Gorge North Slope Alaska – Along the Gasline Route

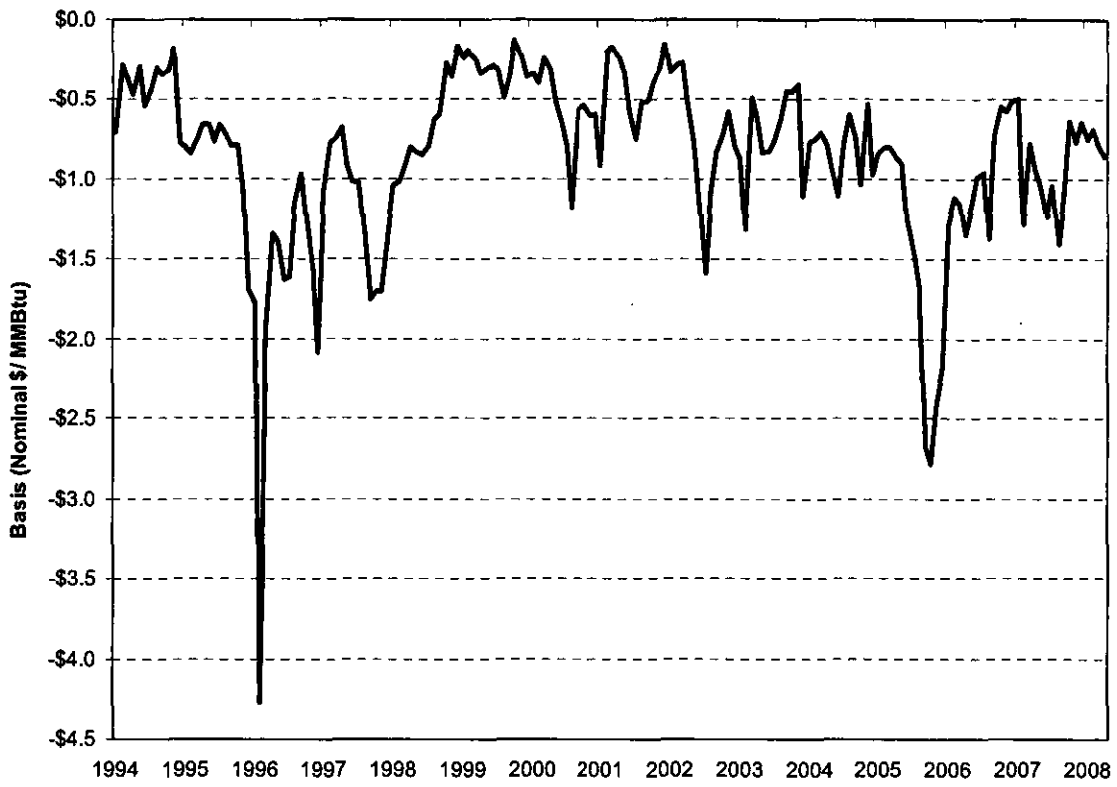
Photo taken by David Houseknecht USGS

AGIA

The Alaska Gasline Inducement Act

Historic AECO Basis to Henry Hub (Monthly Averages)

AGIA
The Alaska Gasline Inducement Act



Source: AGIA Finding

2368

How Horizontal Drilling & Fracturing Technologies Are Changing Natural Gas Markets

Presented to:

Senate & House Resources and EDT Joint Committee Meeting

State of Alaska

April 8, 2009

BENTEK Energy LLC

32045 Castle Court, Suite 200
Evergreen, Colorado 80439
(888) 257- 4398
www.bentekenergy.com

Key Points

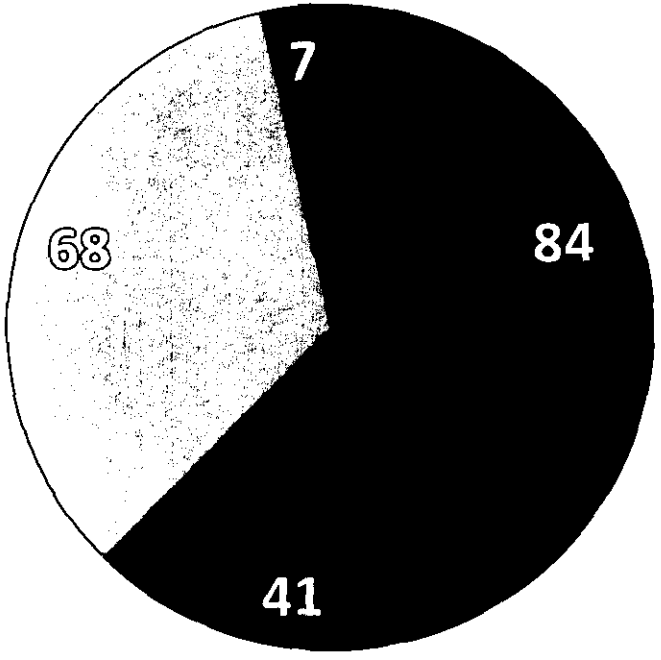
- The Energy World has changed. Technology has unlocked unconventional gas resources.
- Natural gas should no longer be viewed as unavailable, unreliable or too expensive.
- Due to unconventional gas production, the US has become supply long, prices are falling and consumers will benefit.
- Burgeoning supplies are overwhelming the nation's pipeline capacity, driving prices even lower.
- The production growth creates an historic opportunity to use gas to quickly and significantly reduce our GHGs and reduce our consumption of oil and other high emission fuels.

Presentation Outline

- US Supply Explodes: What happened in 2008
- Why It Happened: Impact of technology innovation
- What are the Impacts?
- Recent Activity
- Conclusions and Implications

Who Is BENTEK?

Distribution of Customers



- Majors, Producers, Mktrs, Industrials
- Pipelines, Utilities, Midstream
- Financial and Hedge
- Government, Associations, Consultants

- BENTEK is the leading energy analytics firm
- We provide:
  - Daily assessments of the US natural gas market fundamentals
  - Analysis of major market developments
  - Near real-time Market Fundamentals Data
  - Consulting and Advisory Services
- Over 200 clients include producers, marketers pipelines, banks, LDCs and end users
  - FERC
  - MMS
  - State PUCs via NARUC

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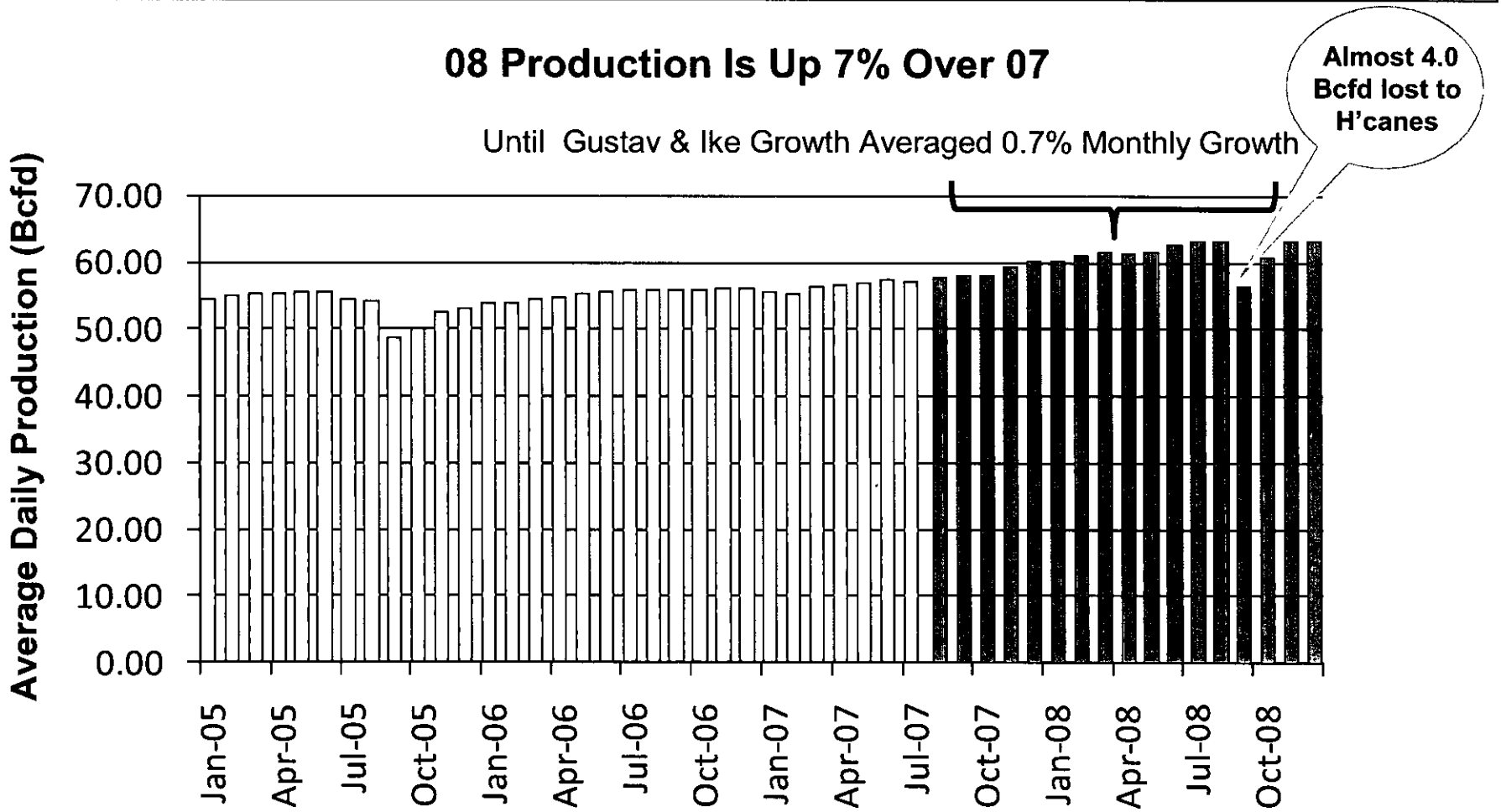
Production Grew In 2008 By 4 Bcfd



Source: EIA 914 Report
(Gross Withdrawals)

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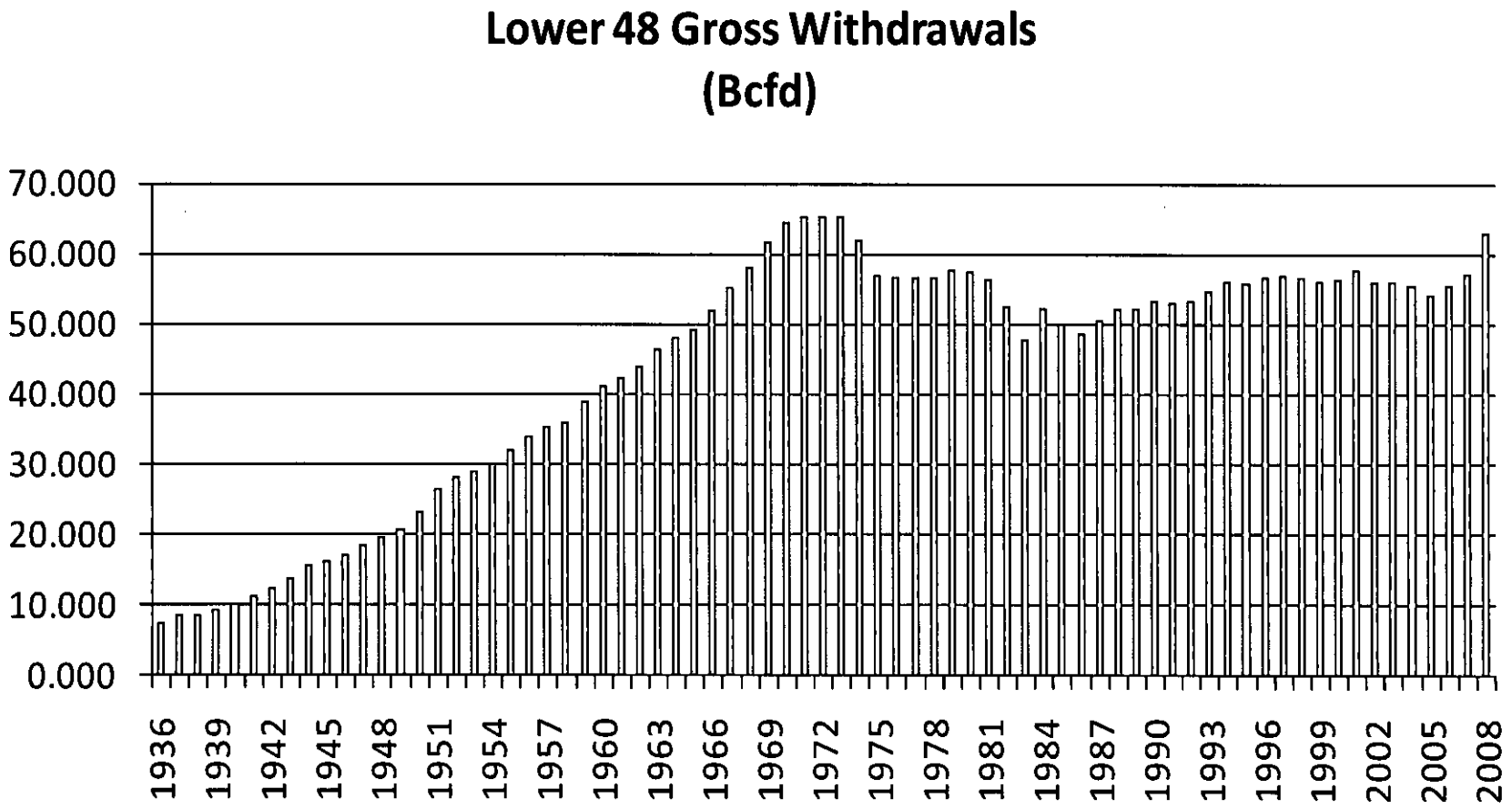
Production Is Nearing Historic Highs



Source: EIA, BENTEK

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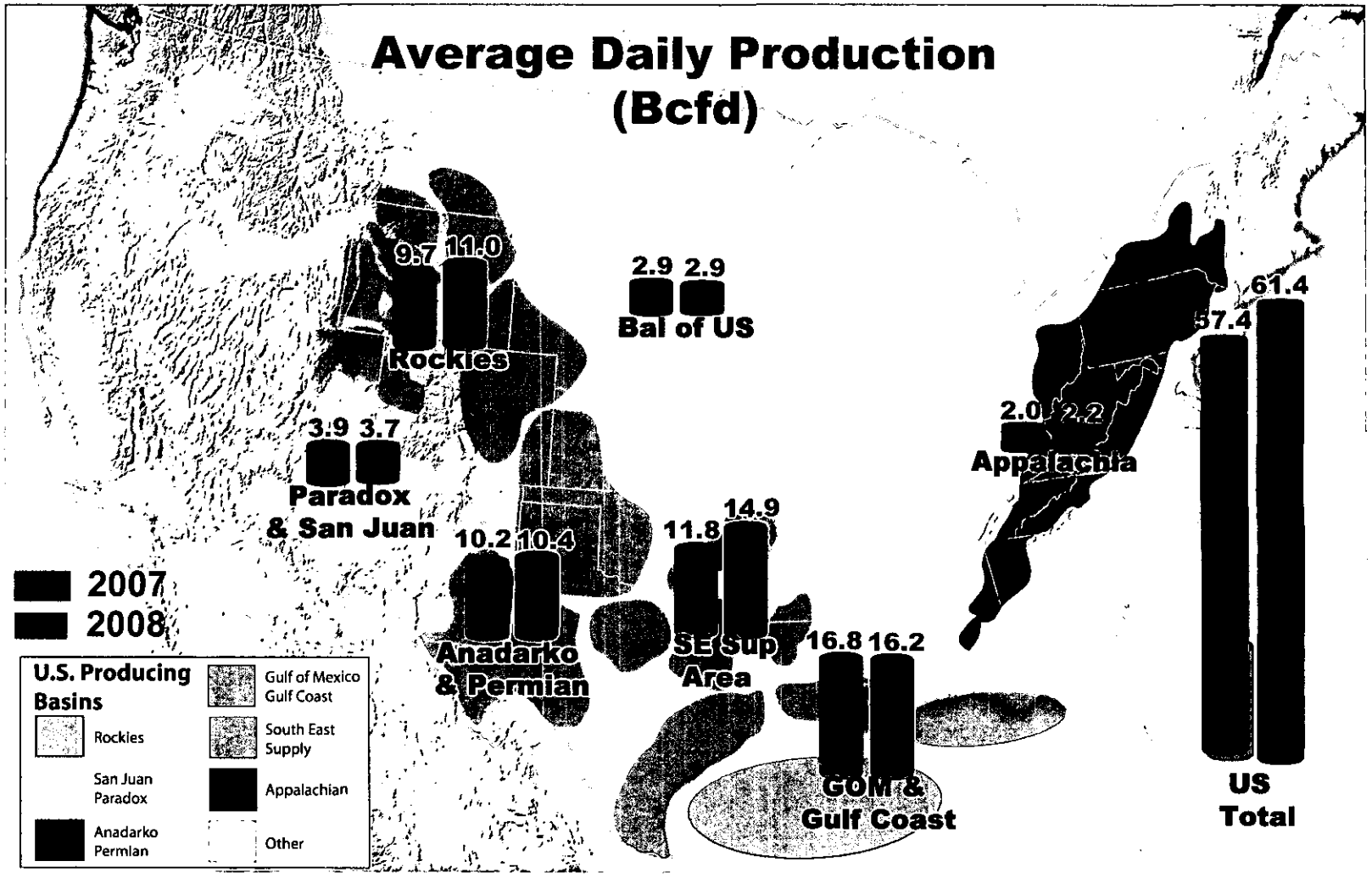
Growth Was Greatest In The Non-Conventional Supply Regions



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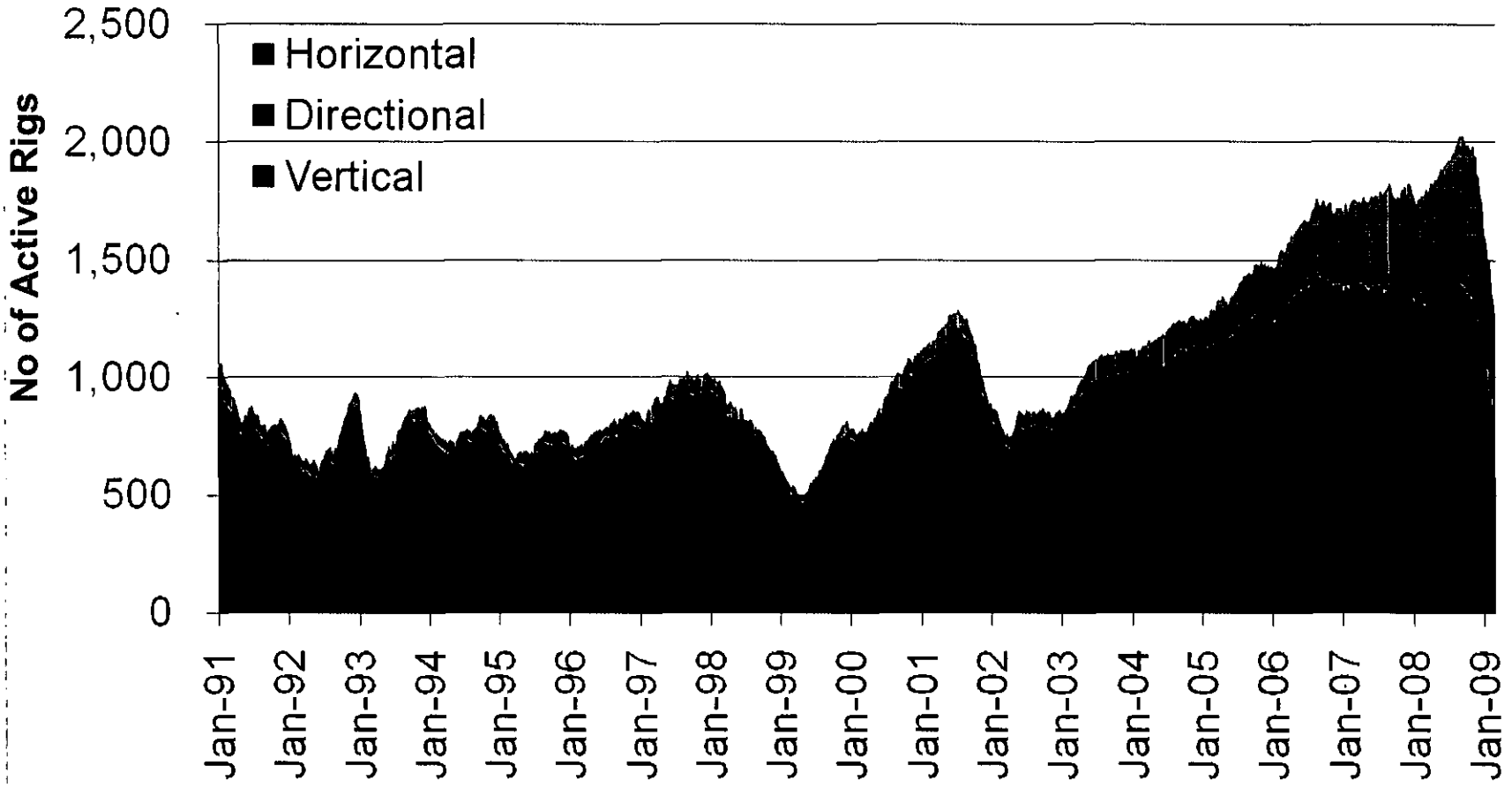
Drilling Reflects The Shift To Unconventional Production



Source: Baker Hughes Direct

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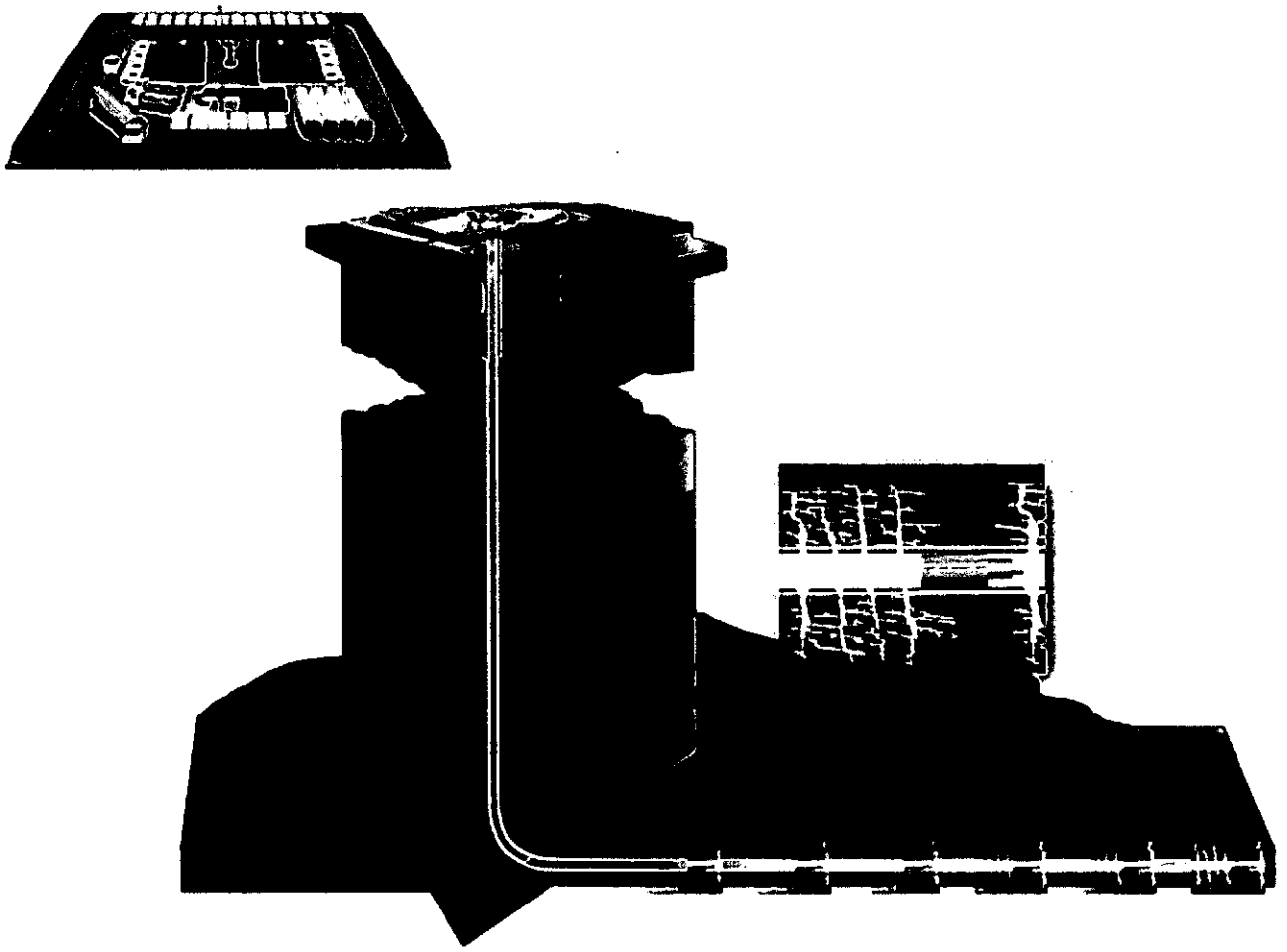
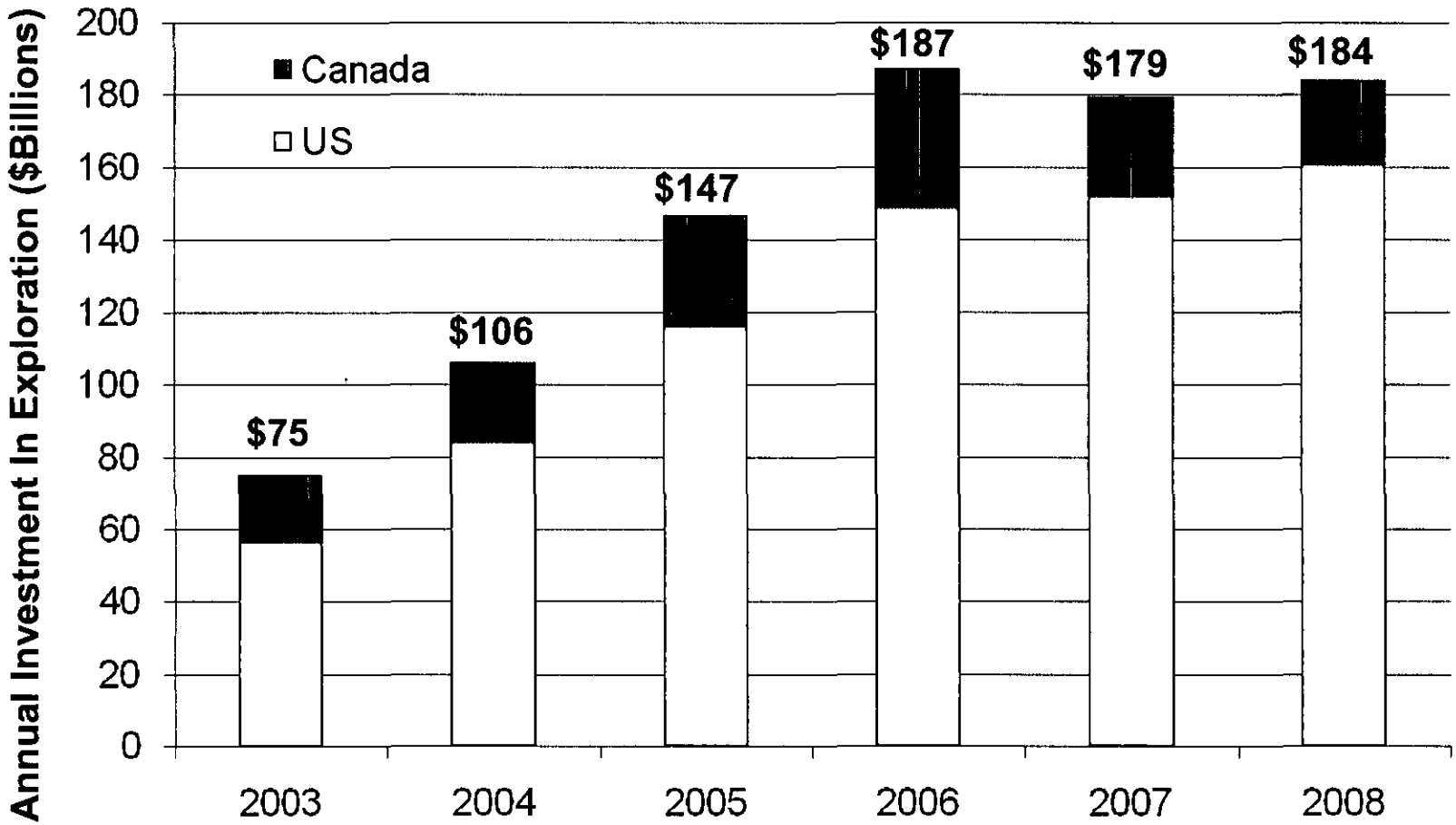
Innovative Fracing Technology Is Driving The Growth



Source: *Hydraulic Fracturing Factsheet,* prepared by Chesapeake Energy, February 2009

Producers Have Invested Nearly $1 Trillion On Exploration Since 03



Source: Oil and Gas Journal, Penwell Publications

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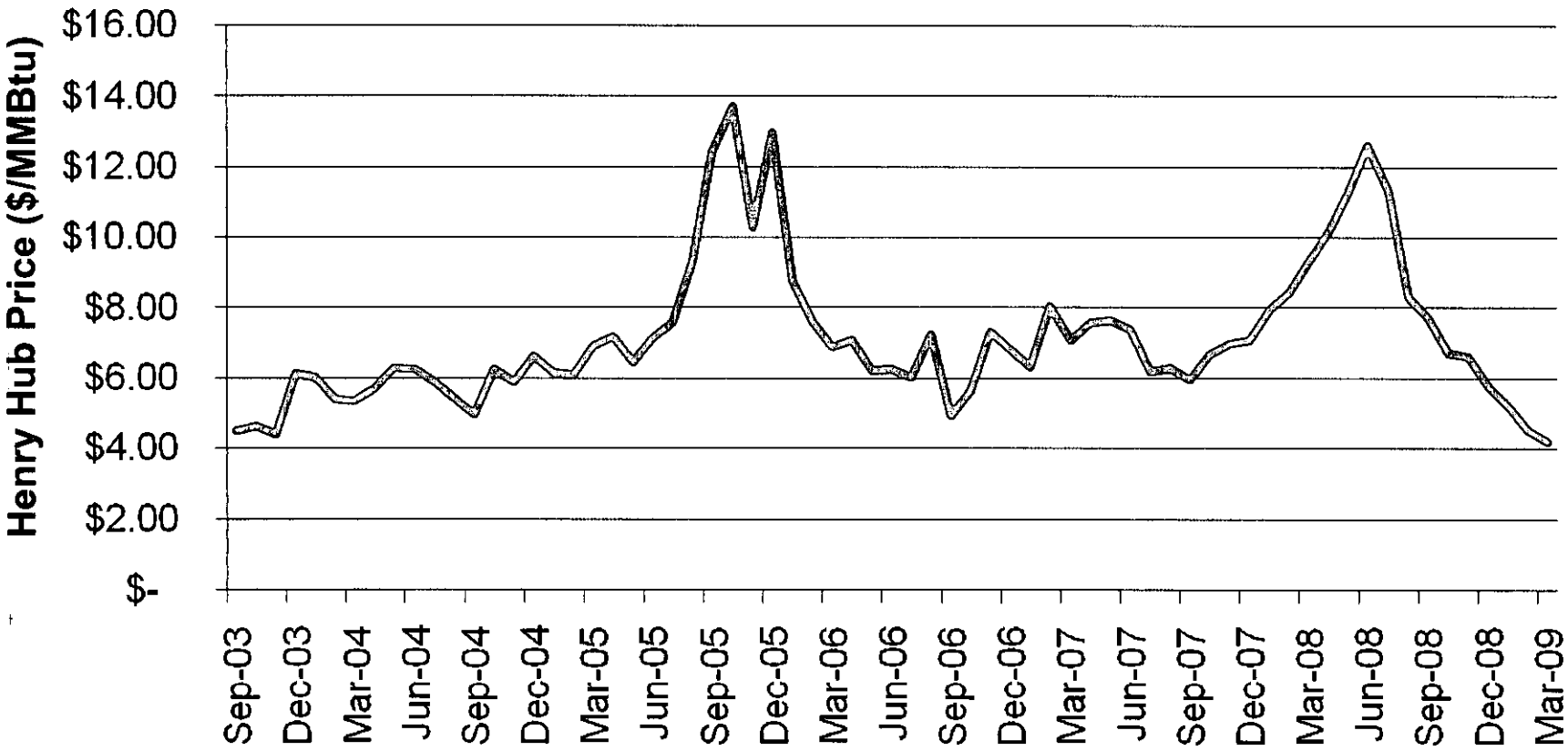
Natural Gas Prices Are Falling Precipitously



Source: ICE

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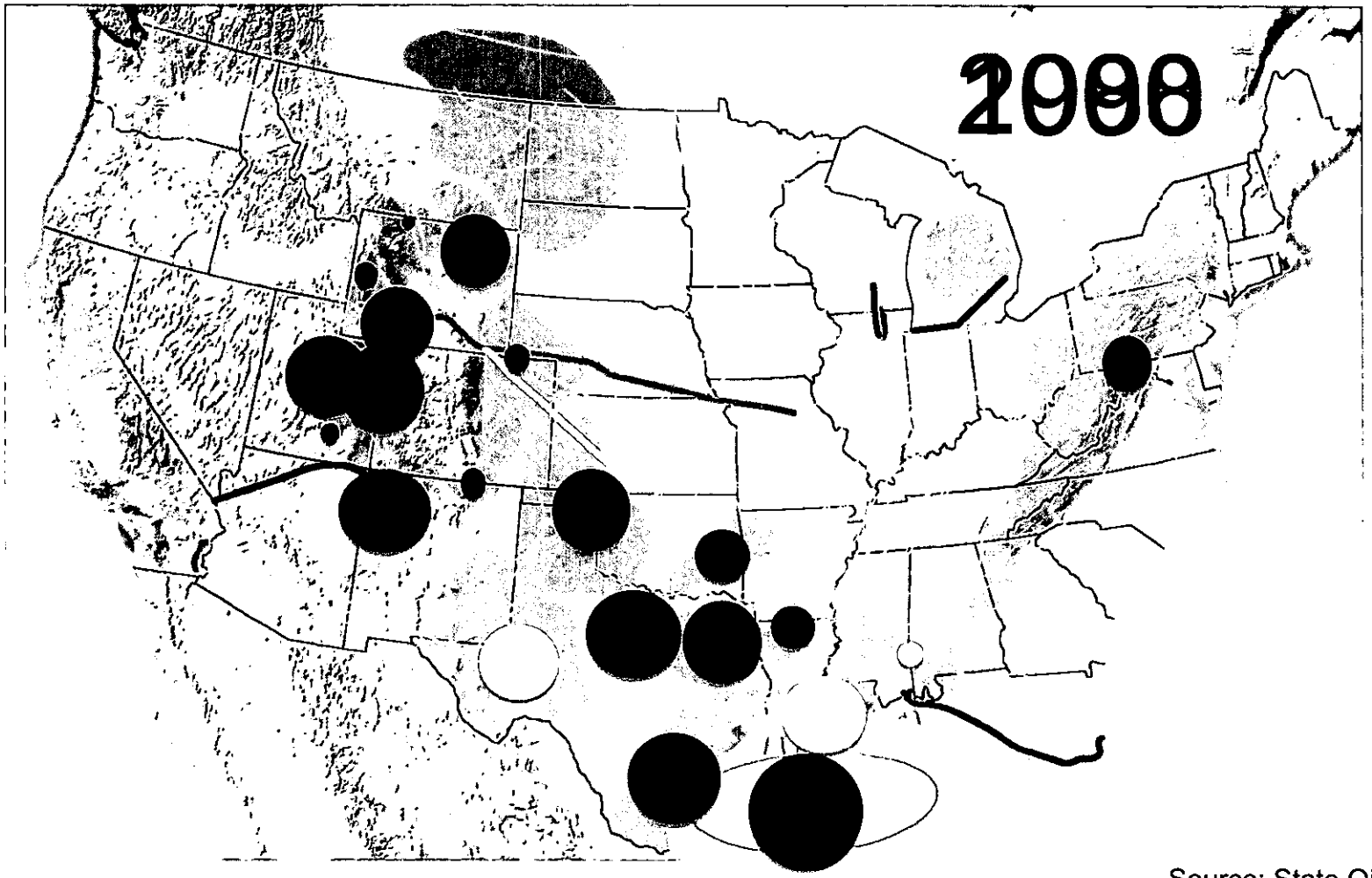
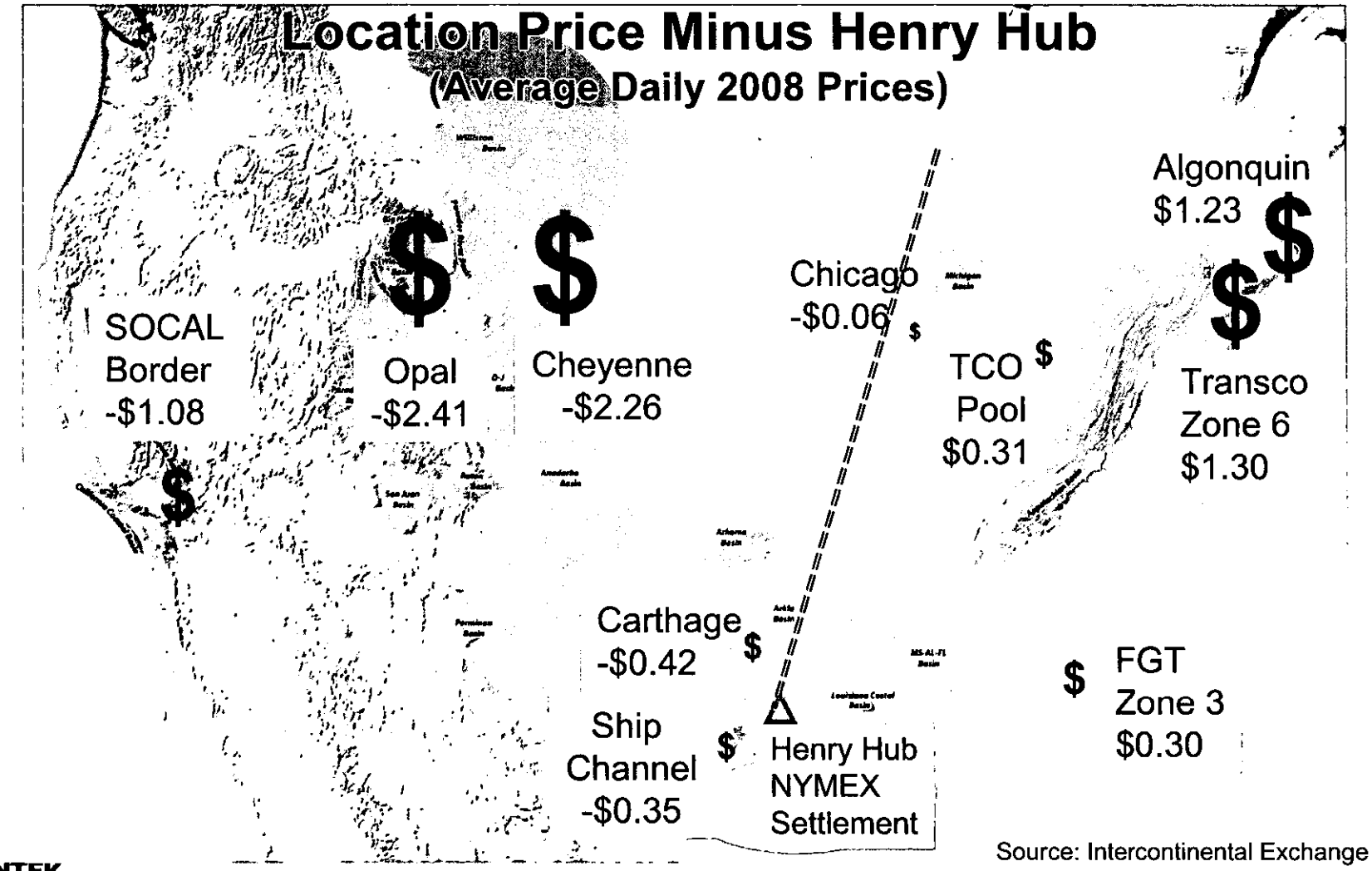
The Geography of Production Is Changing



Source: State Oil & Gas Commission Reports

Pipeline Constraints Create Price Anomalies



Source: Intercontinental Exchange

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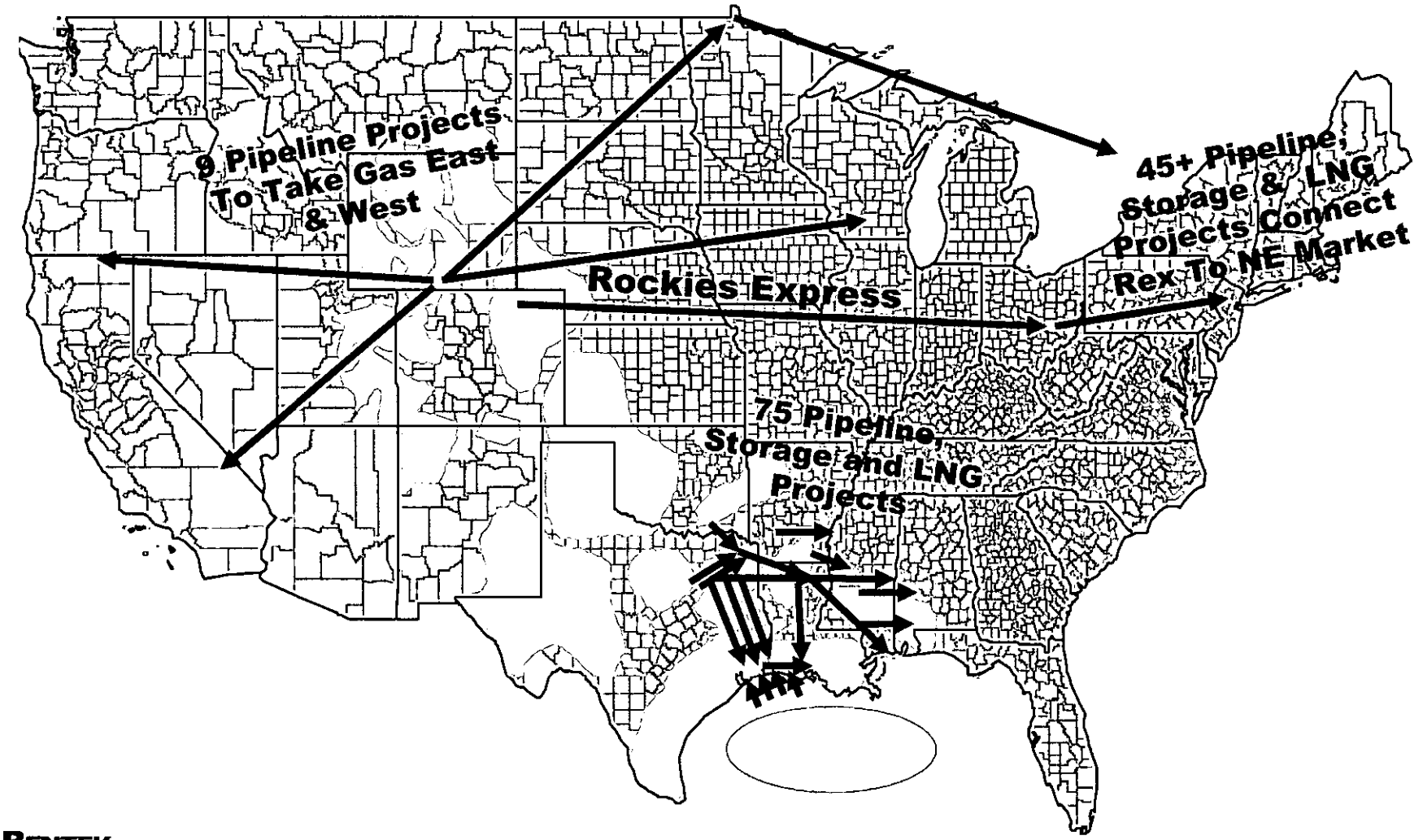
Billions Are Being Invested To Connect New Production



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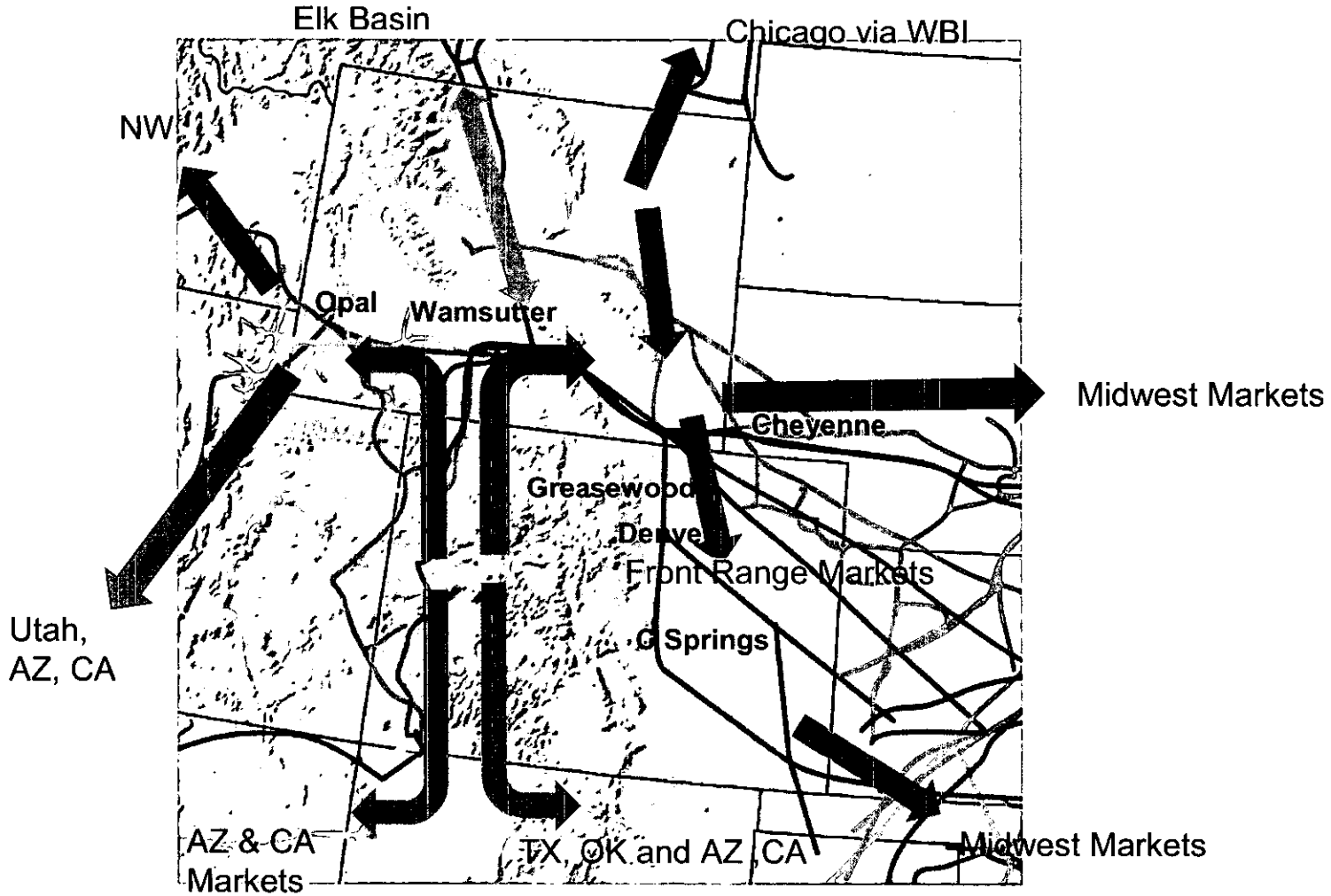
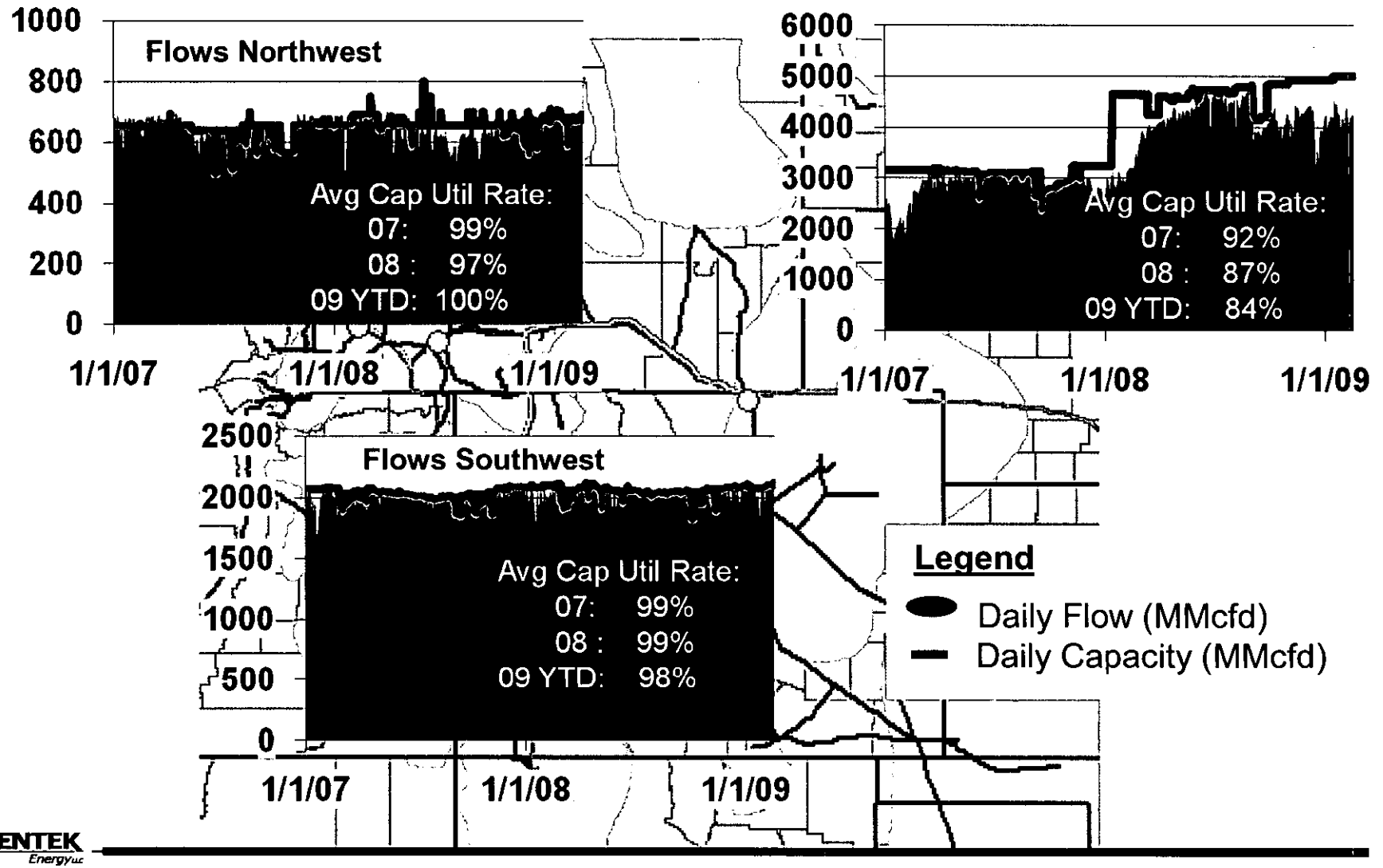
Rockies Gas Is Mostly For Export



All Rockies Export Outlets Are Constrained



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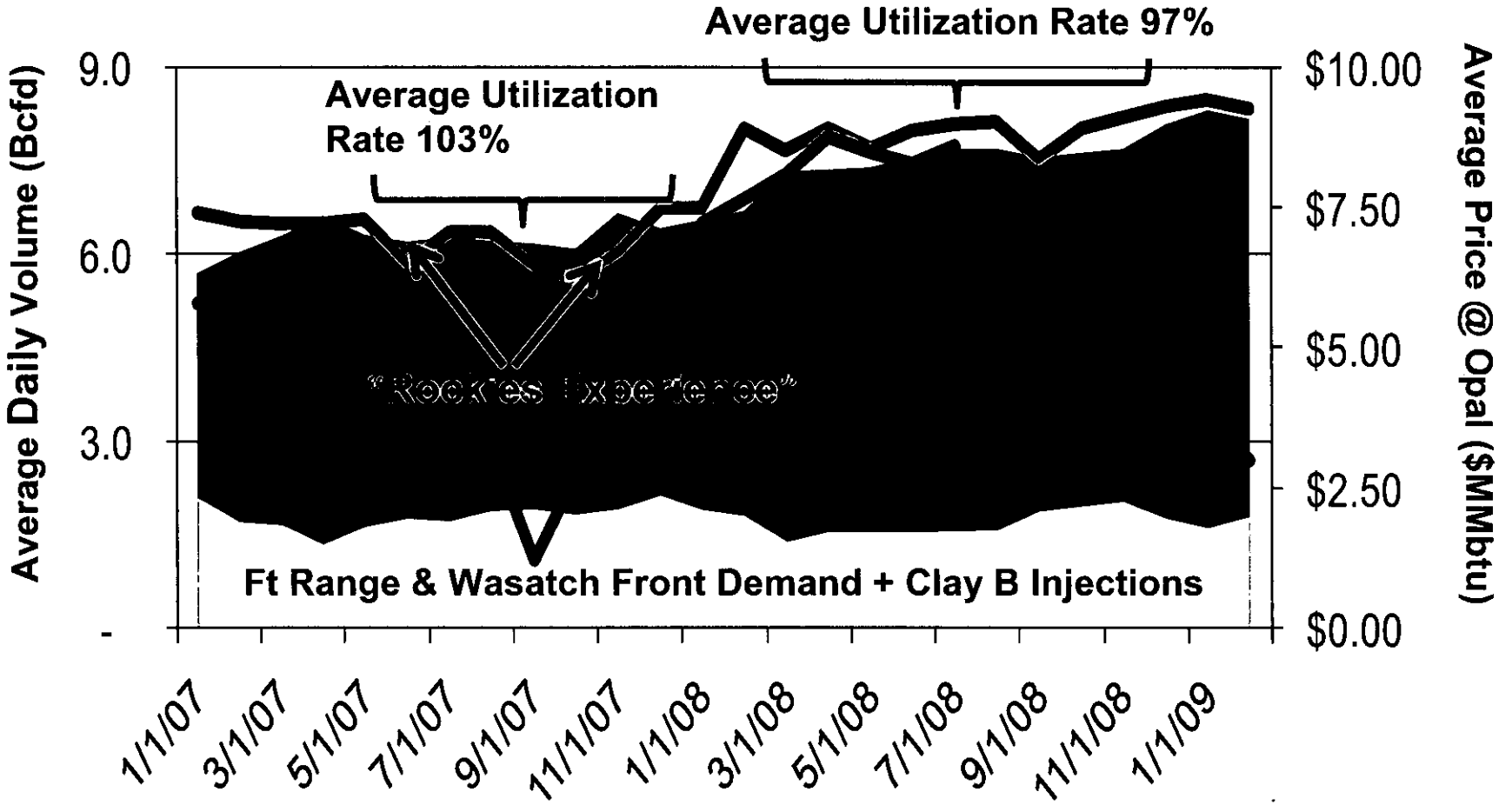
When Capacity Is Tight, Prices Fall



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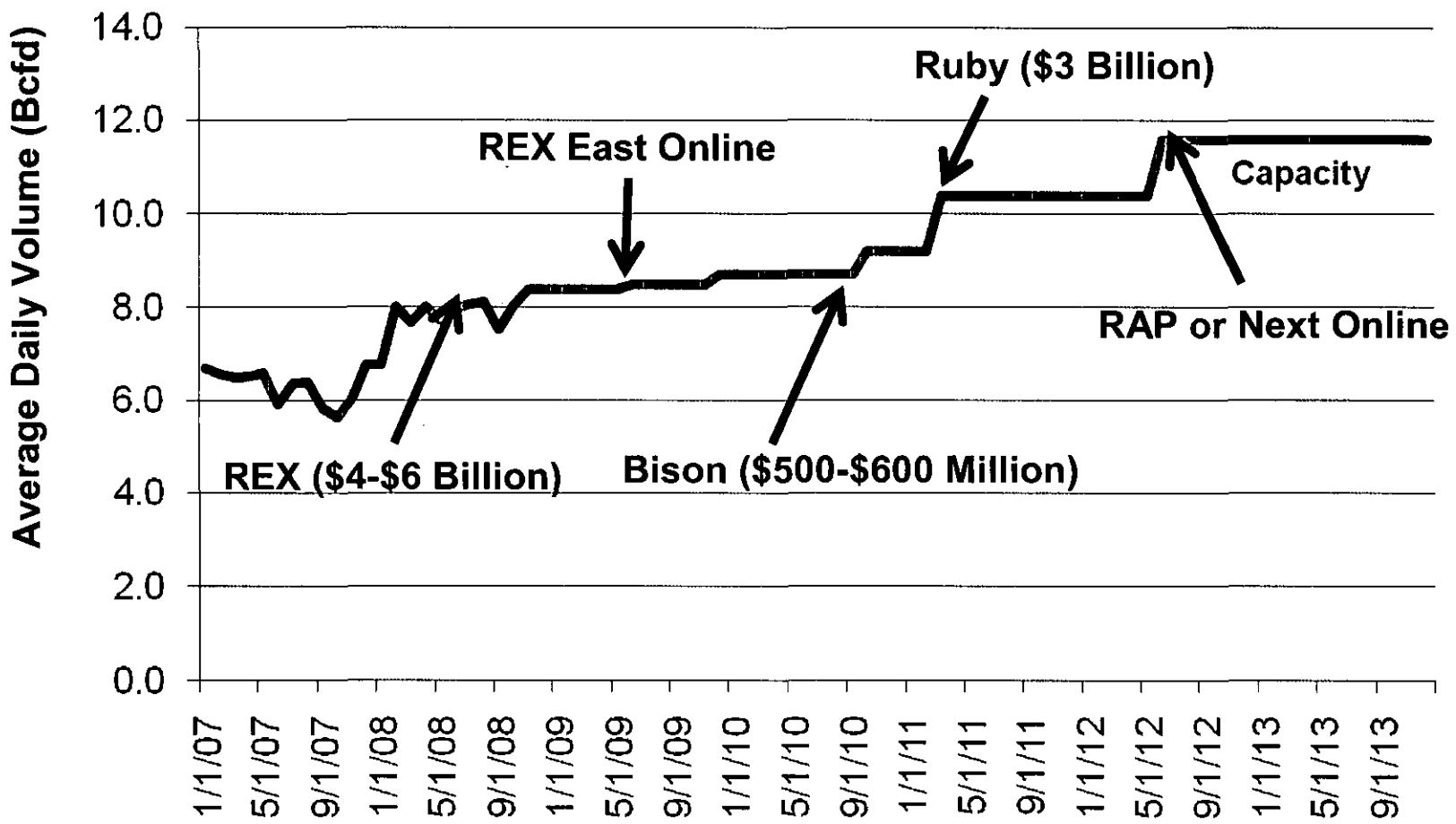
Rockies Capacity Additions



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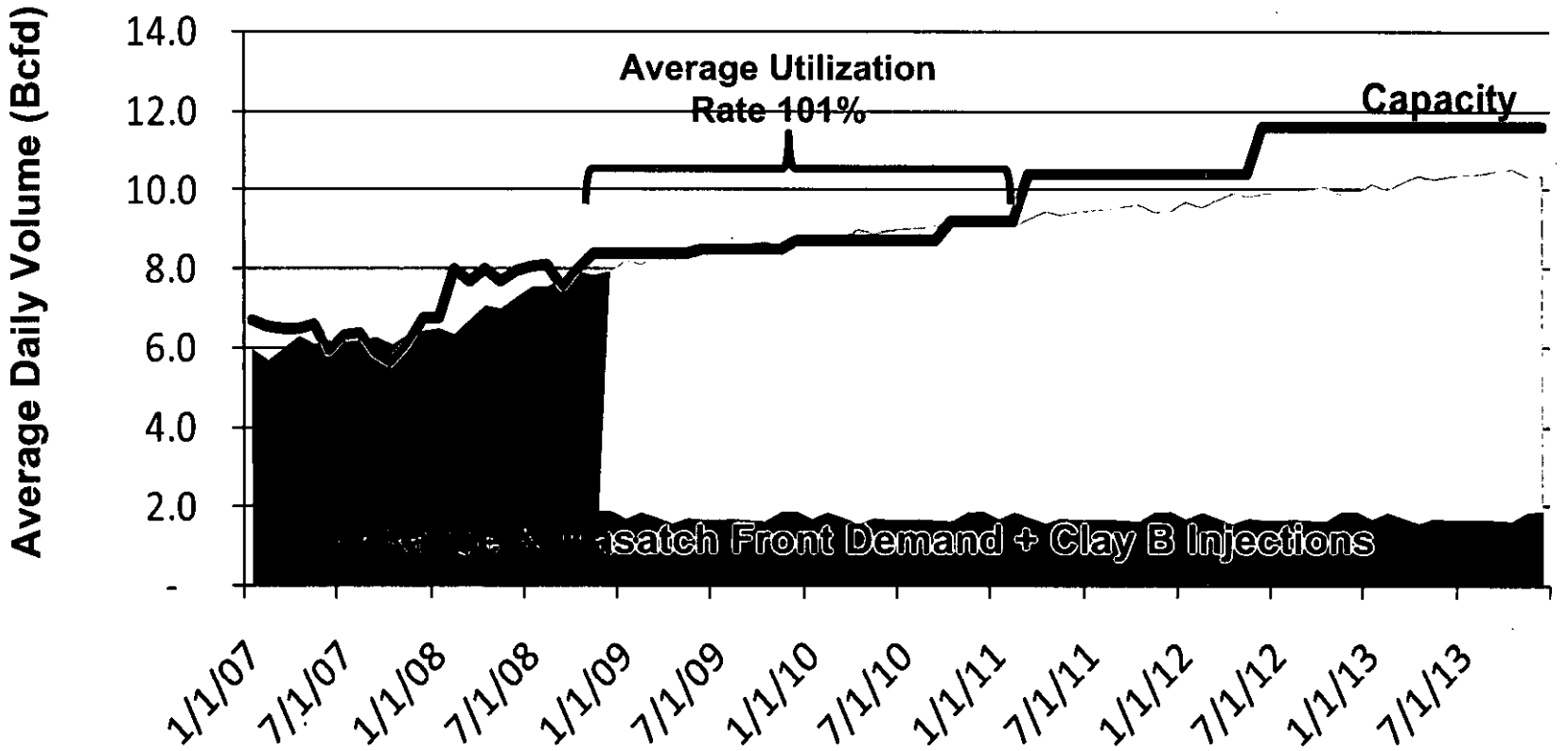
Business As Usual – Prices Too Low To Support Drilling

Assumes Drilling Remains Constant At Dec 08 Rate



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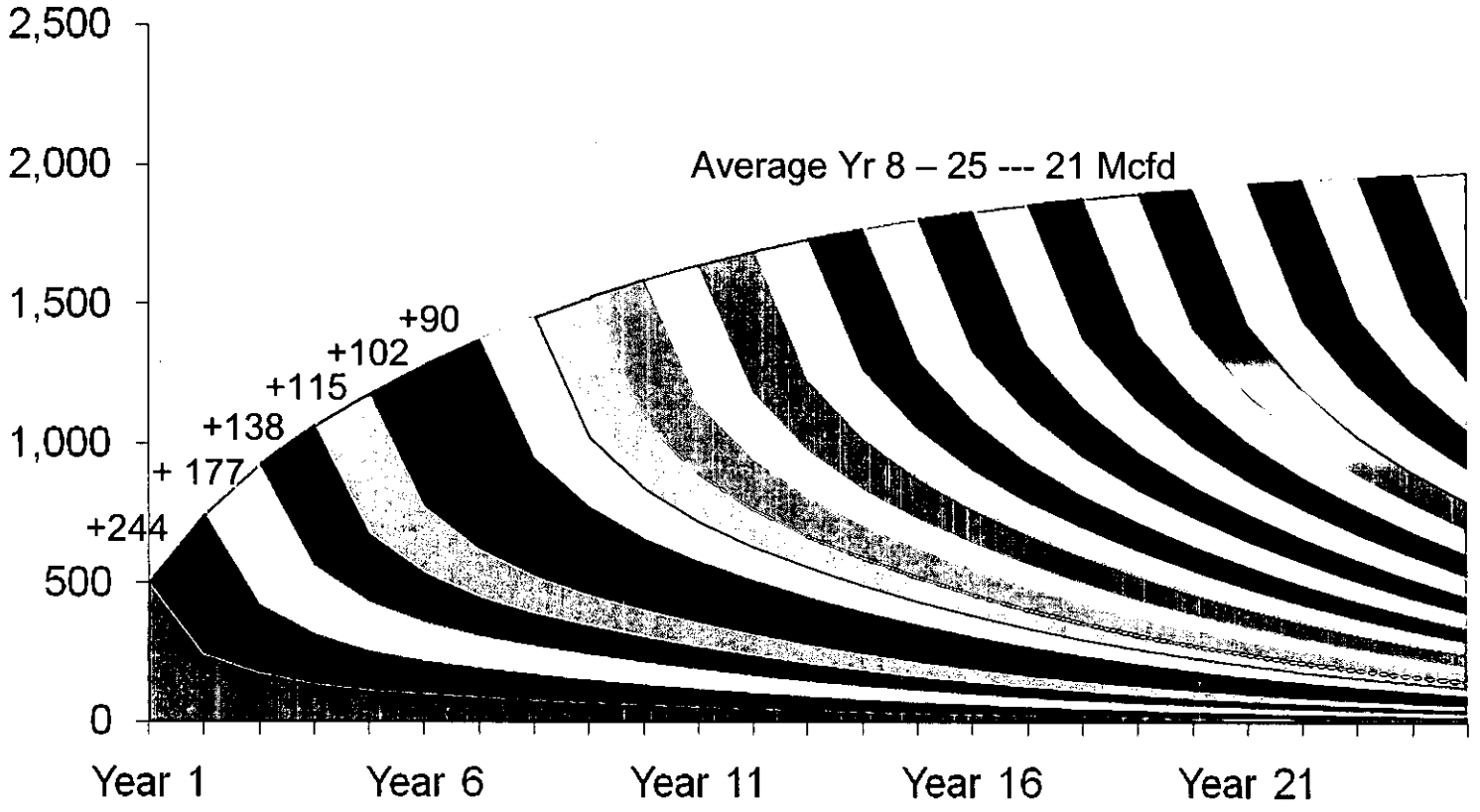
Steep Decline Rates Mean That Each Well Adds Less Incremental Volume

Average Daily Production From A Mamm Cr Well, Piceance Basin (Mcfd)



Assumes one well drilled per year

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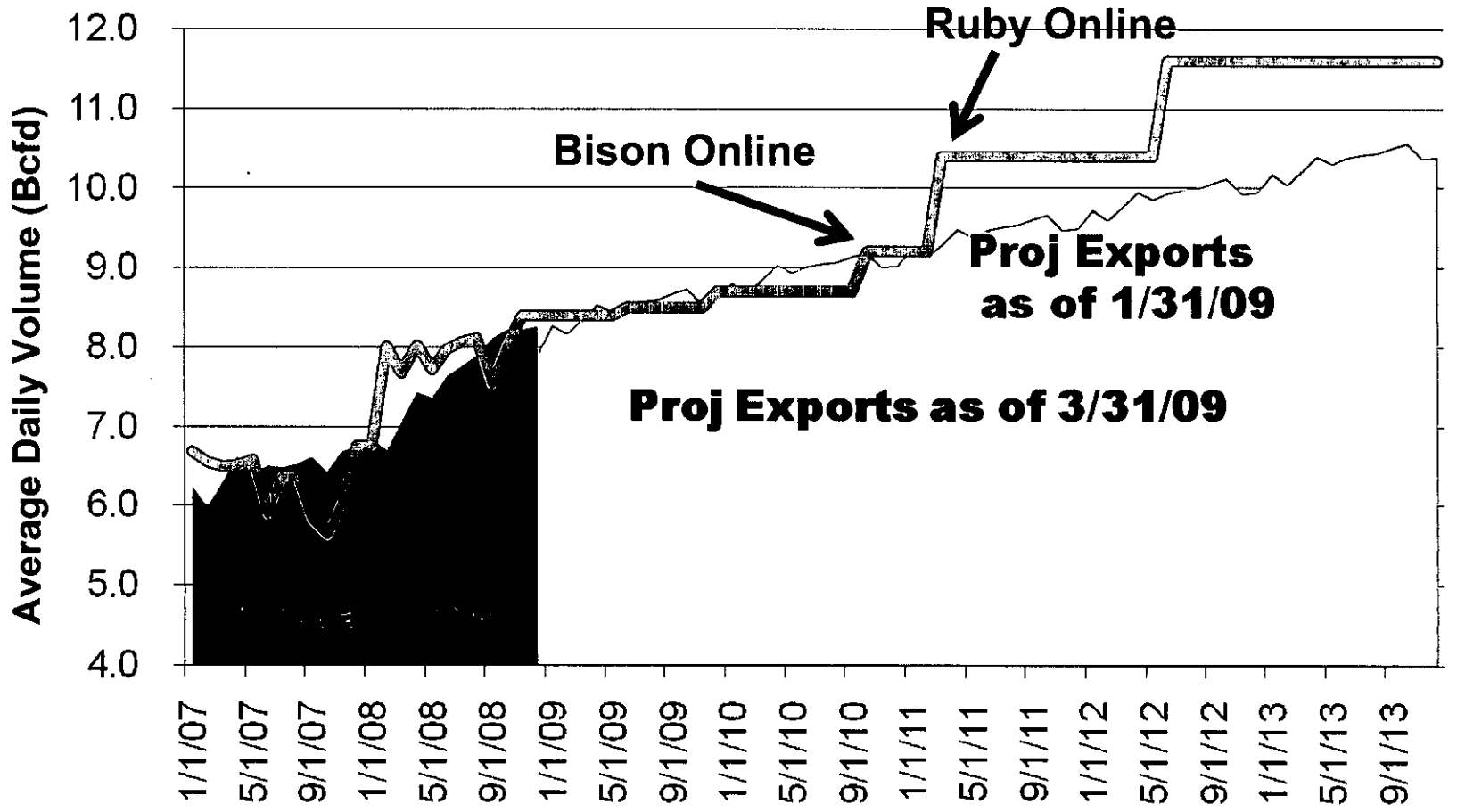
Drilling Slowdowns Are Aligning Production & Capacity



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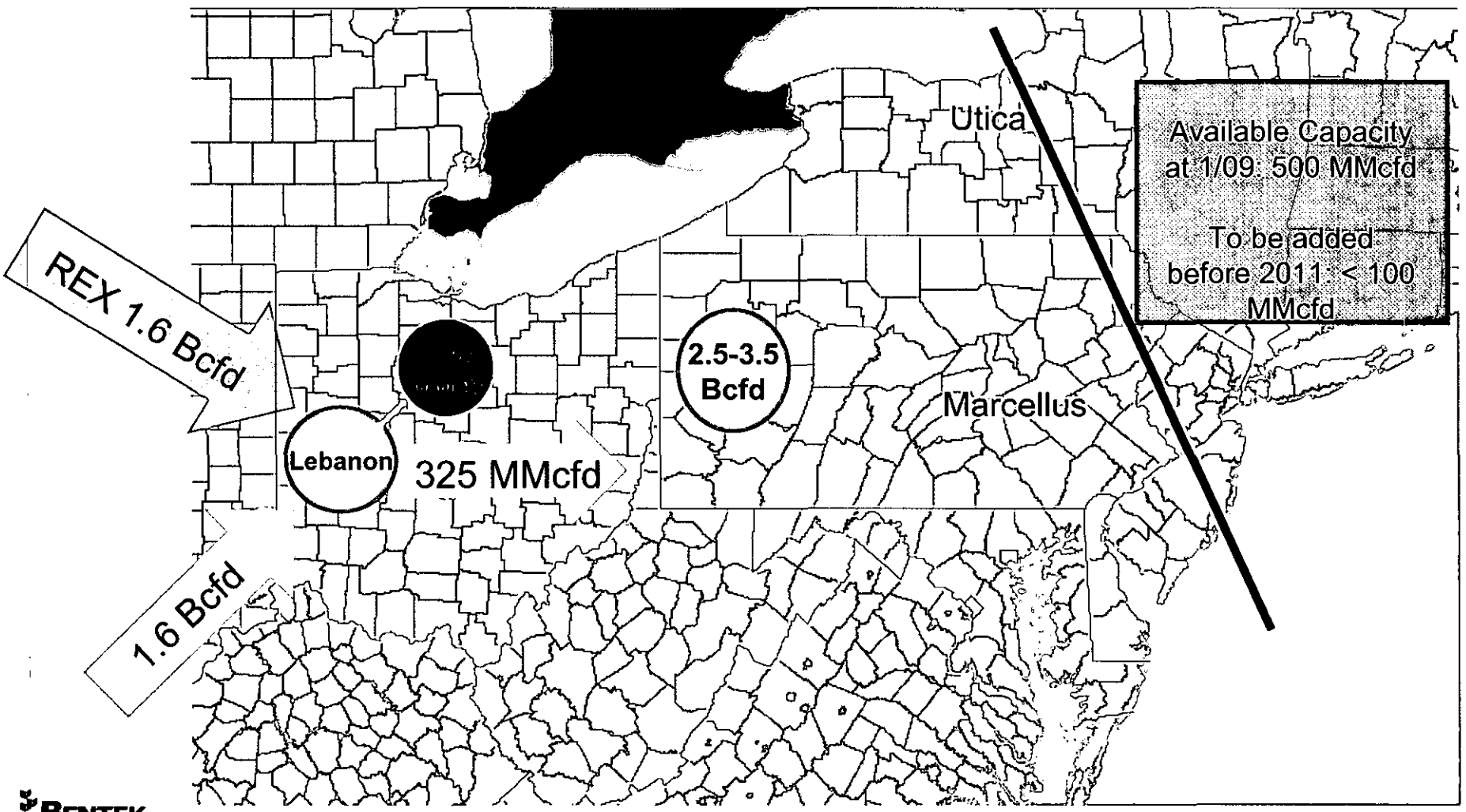
Constraints Are Developing In The Appalachia Market



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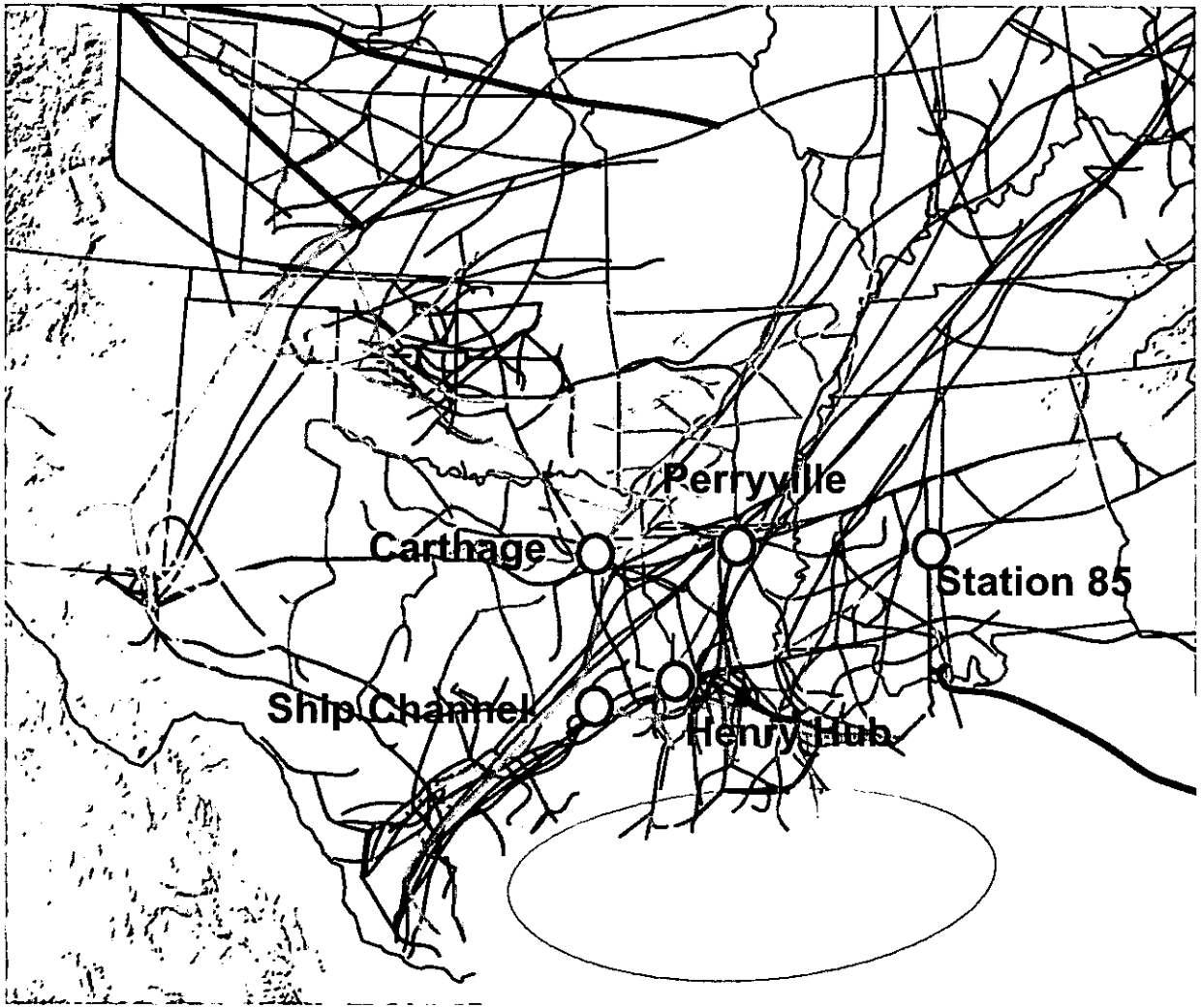
The Southeast Supply Area Is Complex



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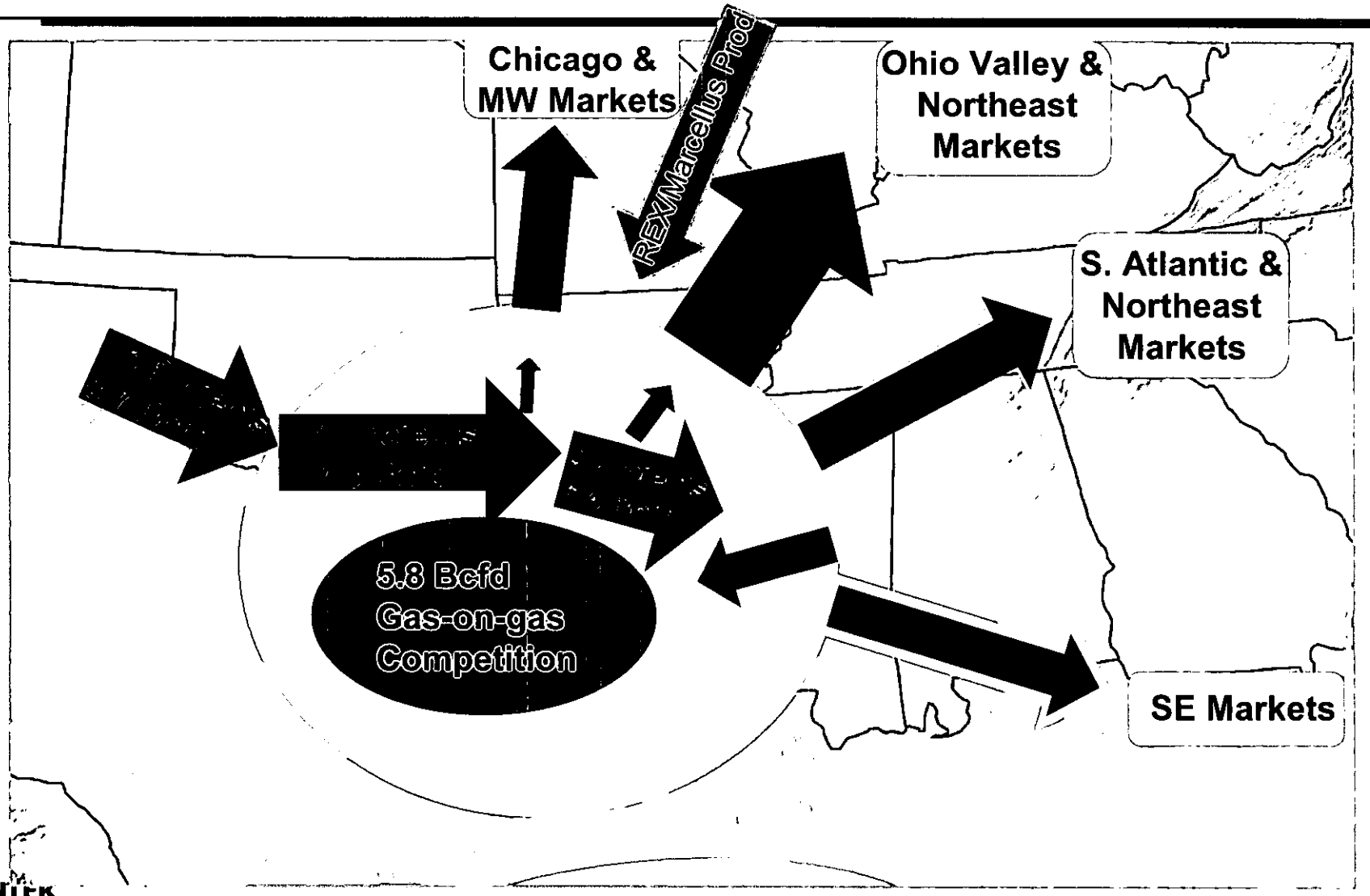
Pipeline Constraints Will Impact The SE Supply Area As Well



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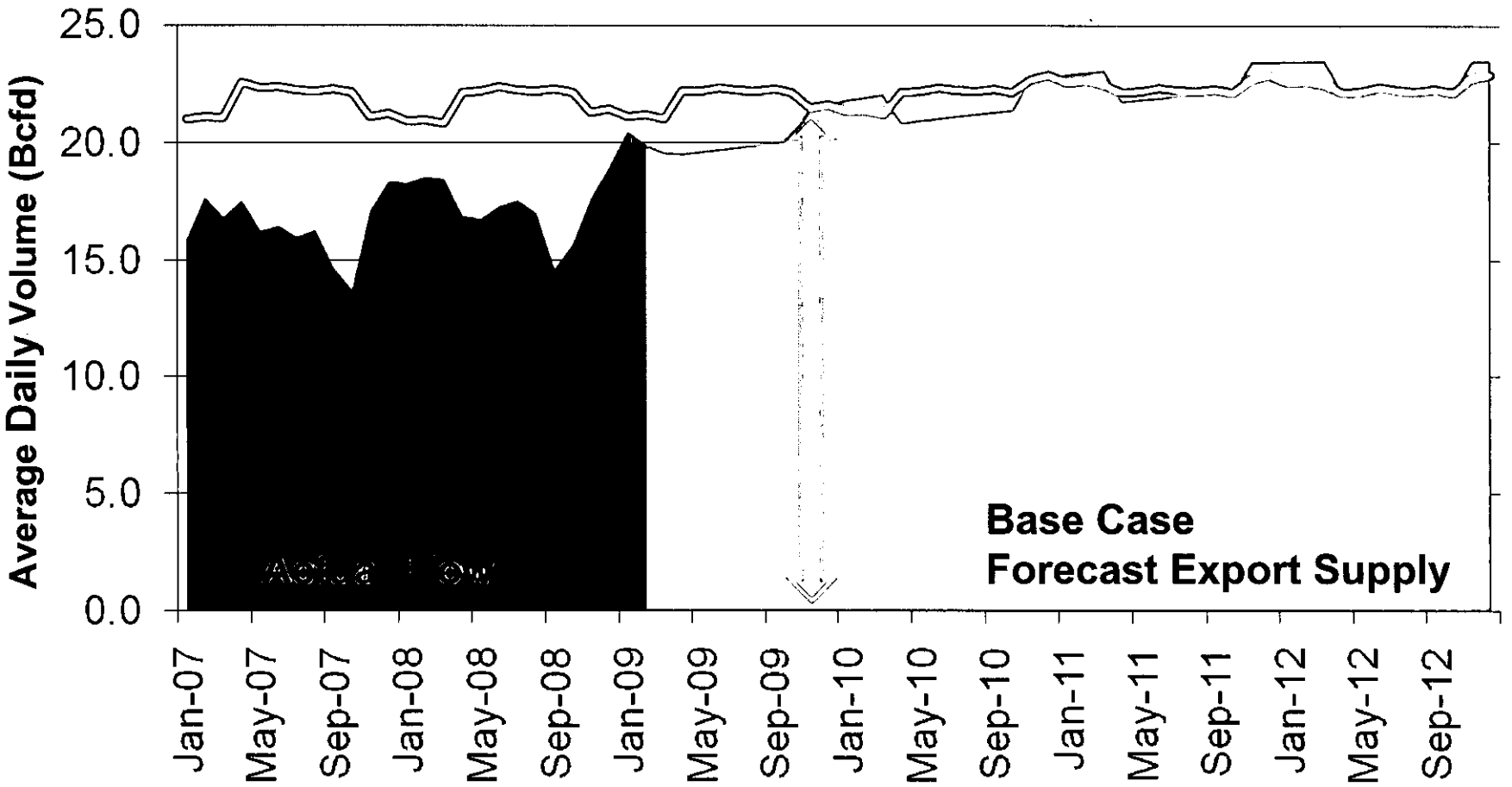
Drilling May Fall Off Further In The SESA As Well



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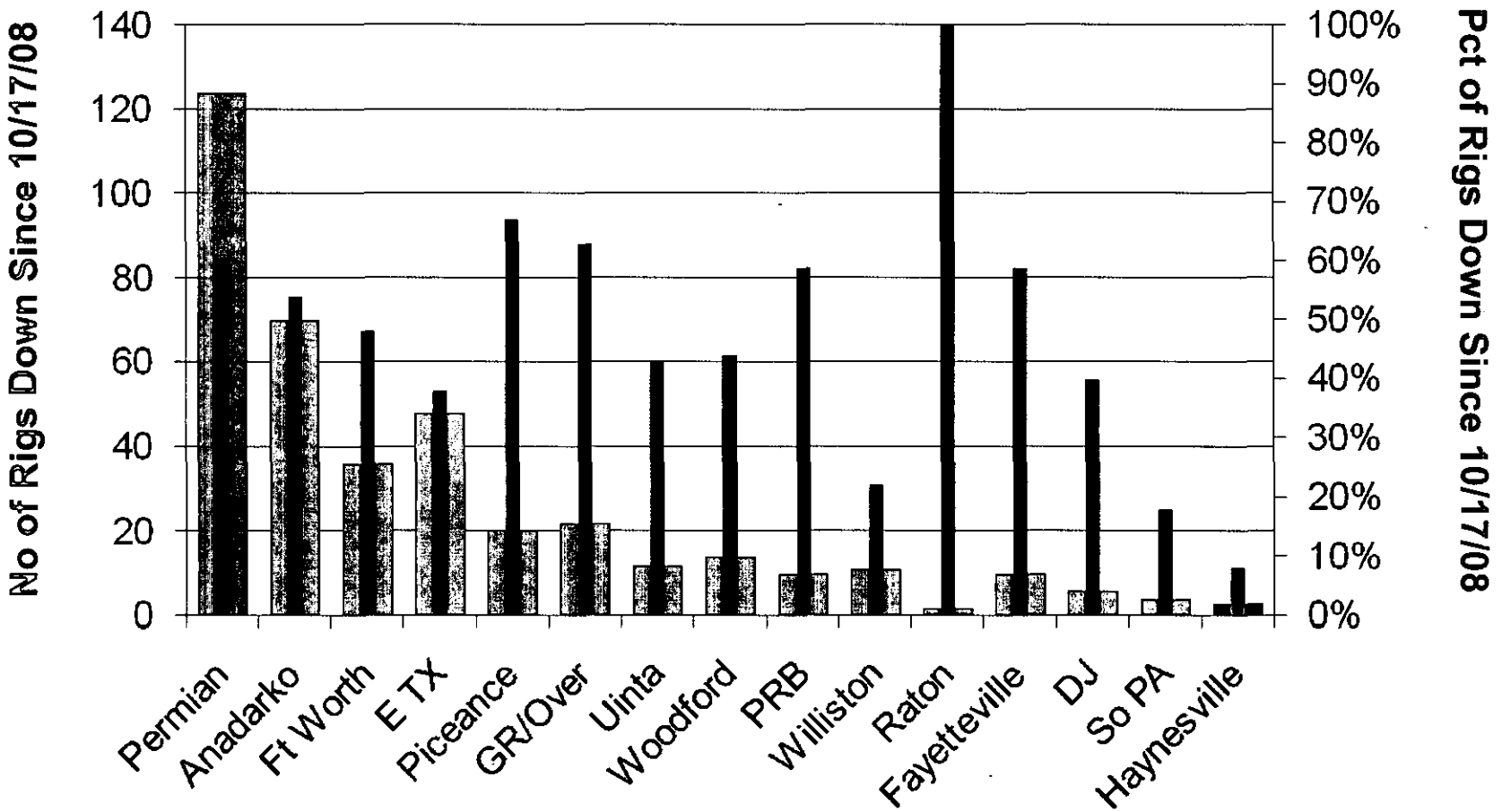
Drilling Is Off Across The Country



Drilling Data Thru 3/25/2009

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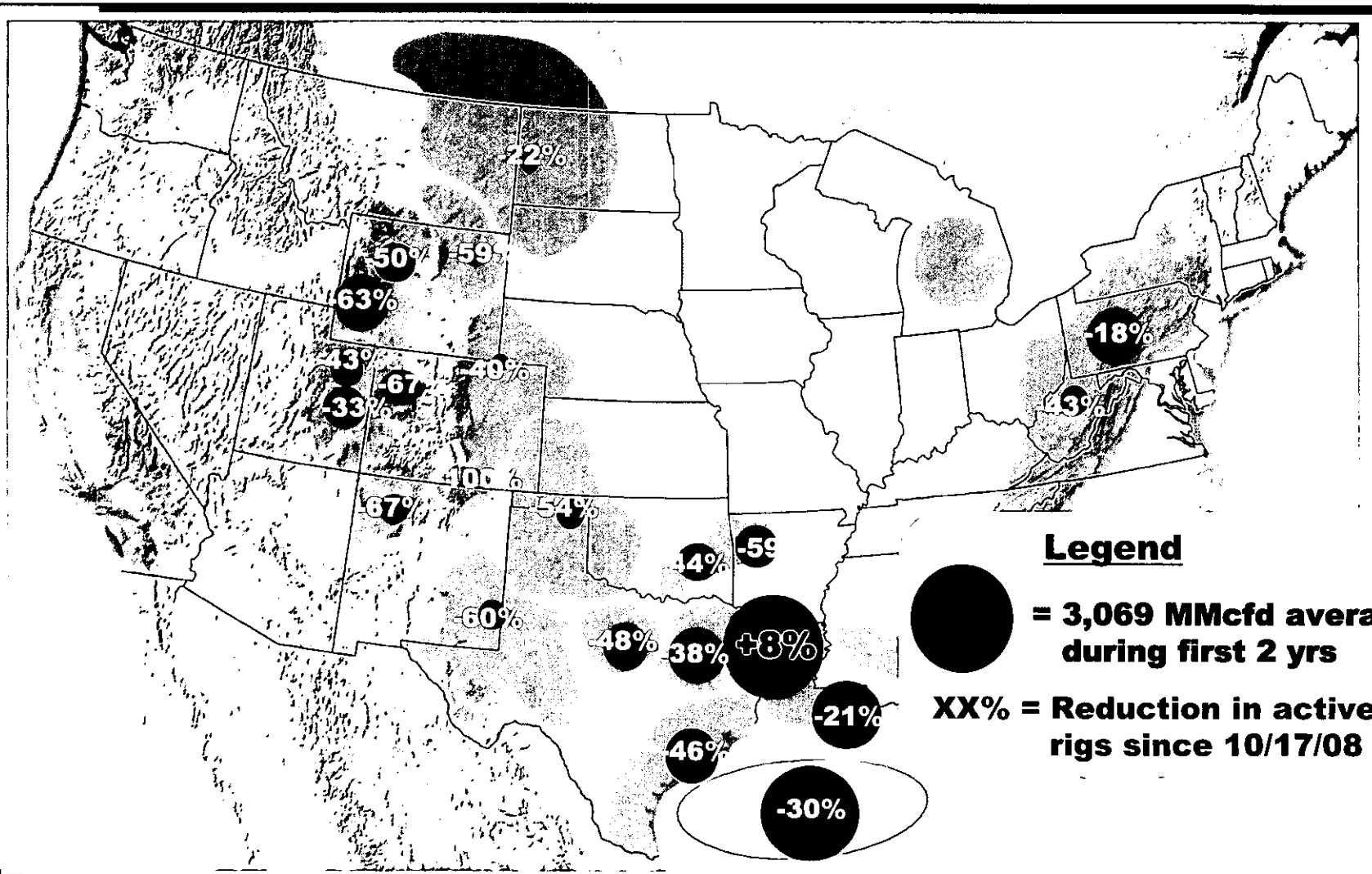
Exploration Is Concentrating In The Most Productive Basins



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Conclusions

- Natural gas is the GOOD energy news for consumers.
- 2008 belied the notion that the US is running out of natural gas. Prices will continue to fall and may stay in the $3 to $6 range for many years.
- On our current pace:
  - Exploration activity will fall dramatically in 2009 from 2008 levels.
  - 2009 drilling declines will arrest production growth.
  - Because of technology and pipeline constraints, prices will continue to be volatile, but corrections will happen more quickly and the range narrower.
  - Additional pipe capacity is needed but increased demand must come first .

Implications

- The low cost of natural gas will make alternatives economically less competitive .
- We are faced with an historic opportunity: US gas supplies are sufficient to play the central role in our nation's energy policy:
  - It is abundant in the US
  - It is relatively cheap
  - It is relatively clean
  - It is N. American – it provides jobs and tax base
  - Its consumption technologies are proven
- State, local and federal government policy is critical to realizing this fragile opportunity.
- Government policy – whether state, federal or local – needs a feedback loop to accommodate market changes. Ultimately markets prevail.

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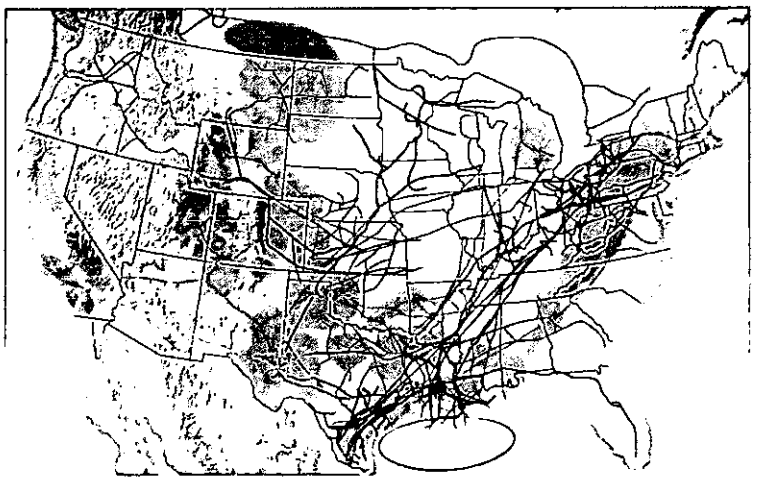


BENTEK Energy

4/8/2009

/31

4/10/09 PRESENTATION: ALASKA FISCHER-TROPSCH SYNTHETIC..

2400

Defense Logistics Agency

DEFENSE ENERGY SUPPORT CENTER

Defense Energy Support Center

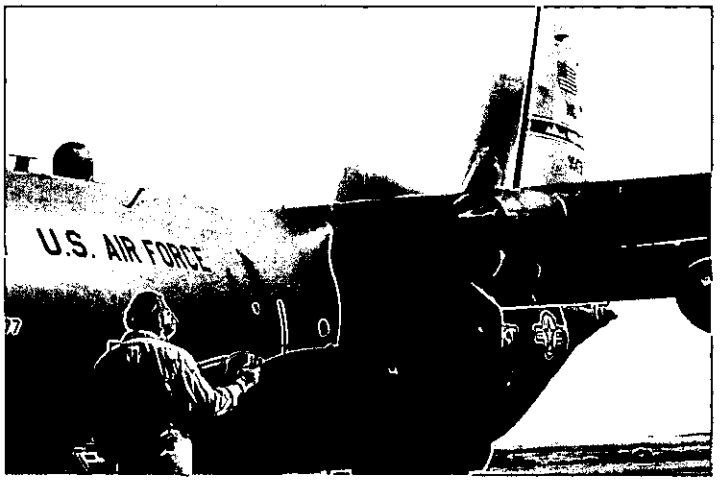
Defense Energy Support Center

Mission: To Provide the Department of Defense and Other Government Agencies with Comprehensive Energy Solutions in the Most Efficient and Economical Manner Possible!

Vision: Our Customers First Choice for Energy Solutions

Values:

- People
- Service
- Excellence
- Innovation
- Trust



Enterprise

Military Fuel FY08

- Inventory 59.5M barrels
- Storage locations 632
- Transactions 23.6M
- Barrels sold 132.5M
- Fuel Cards $230M
- Aerospace Energy Sales $54M

Petroleum Sales

- FY05 Net Sales 132.5M barrels - $ 8.5B
- FY06 Net Sales 133.9M barrels - $12.7B
- FY07 Net Sales 132.4M barrels - $12.6B
- FY08 Net Sales 132.5M barrels - $17.5B
- FY09 Projection 130.0M barrels - $15.0B

Foreign Military Sales

- FY08 Net Sales 4M barrels - $512.1M

Expanding Energy Solutions

- $489.6M Natural Gas Business
- $477.5M Electricity Business
- $73.7M Coal Business
- $2.9M Renewables
- $706M Estimated Utility Privatization Awards (multi year awards)

Forward Presence FY08

- HQC – Co-located w/ 3 Service Control Points
  - Approx 750 personnel
- 4 Geographic Regions
  - Approx 225 personnel

Personnel On Board FY08

- Civilians 921
- Military 61

Defense Logistics Agency

Defense Energy Support Center

Alaska Fischer-Tropsch Synthetic Fuels Pilot Program

Mr. Mark K. Iden
Deputy Director Operations

Agenda Items

First Day:

- Alaska Pilot Program Overview
- DESC Fuel Support in Alaska: Current & Future
- Contracting Issues
- Proposal, Procurement and Negotiation Processes
- Pricing / Financial Issues
- Quality / Environmental Considerations

Second Day:

- Break Out and One-on-One Sessions

Alaska F-T Synthetic Fuels Pilot Program

- Location/Fuel Type
  - State of Alaska (JP8, and possibly other jet/diesel requirements?)
- Multi-Year Contract
  - Minimum of 5 years
- Synthetic Fuel (Fischer-Tropsch Process)
  - Feedstock neutral
- 50:50 Blend
  - Require blended fuel as contract deliverable
- Competitively Priced
- Complies with Environmental Standards
  - Section 526 Life-cycle Green House Gas Requirements

Defense Logistics Agency

Defense Energy Support Center

Background

- DoD level program focusing on alternative/renewable fuels
- DESC/military service coordinated approach on Alaska F-T synthetic fuels pilot program
  - USAF previously identified goals
    - Certify all platforms by 2011
    - 50% of the domestic aviation fuel requirement using 50:50 blend by 2016
- DESC has conducted two Requests for Information (RFI) with Industry
  - May 2006 (28 responses received)
  - Sep 2007 (9 responses received)

Background (Cont'd)

- DESC short term acquisition (certification/testing)
  - Shell Malaysia contract (GTL Syn Fuel)
    - Jun 2006 – 315k USG
  - Two SASOL contracts (CTL Syn Fuel)
    - Jun 2008 60k USG
    - Jul 2008 335k USG
- DESC long term acquisition strategy (sustainment)
  - First step is Alaska pilot program
  - Domestic production capability
  - Expansion to CONUS requirements

Defense Logistics Agency

Defense Energy Support Center

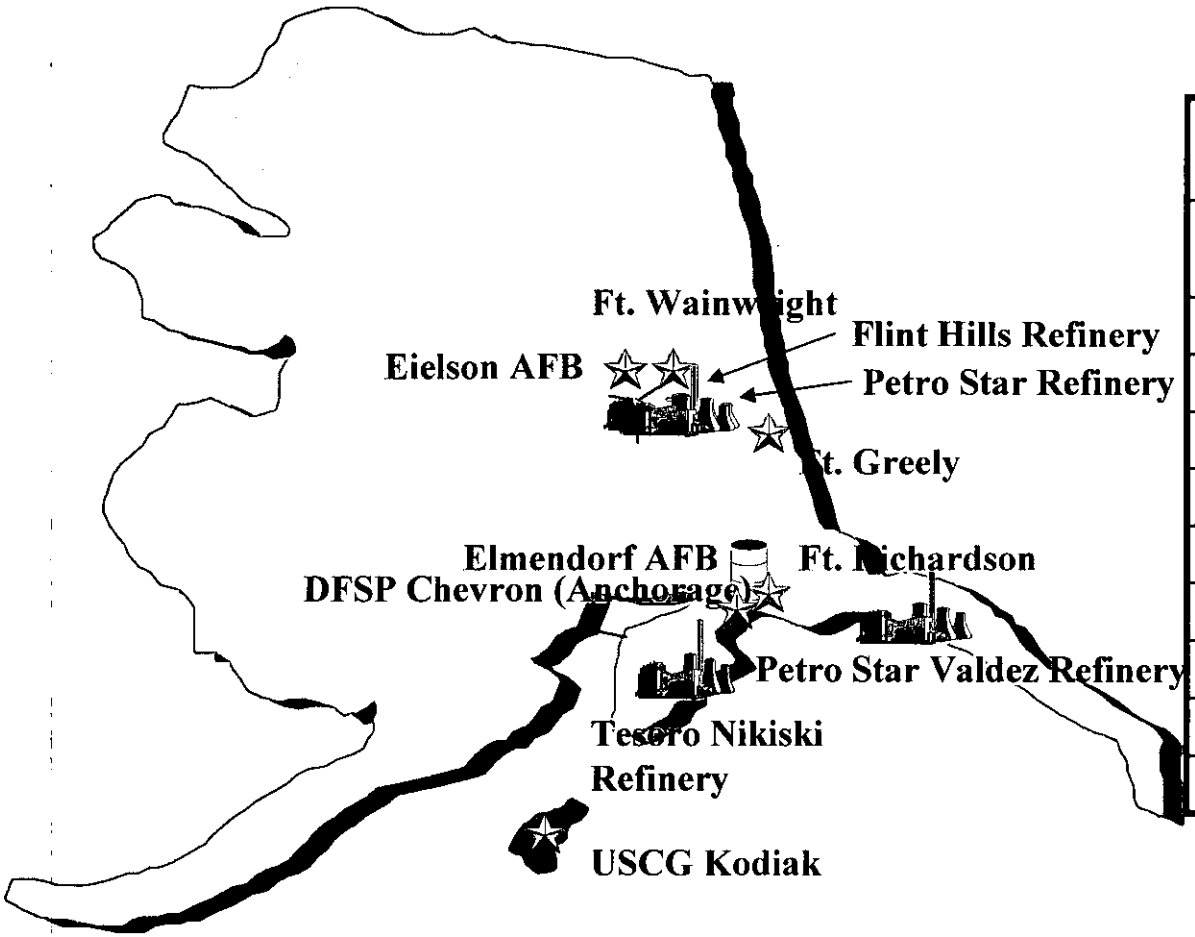
Why Do This?

- Driven by energy security concerns
- Utilization of domestic resources
- Environmental considerations
- Get ahead of customer requirements

Who Could Do This?

- Existing suppliers
- New synthetic fuel production suppliers
- Partnerships

Requirements



Bulk Fuel Annual Requirements

Location	Product	Volume (gallons)
ANG Kulis Fld (Anchorage)	JP8	2,500,000
Eielson AFB	JP4	50,000
(*)	JP8	22,000,000
Elmendorf AFB	JP8	42,000,000
Fort Greeley	JP4	500,000
Fort Richardson	JP4	200,000
	JP8	200,000
Fort Wainwright	JP4	1,000,000
	JP8	300,000
USCG Kodiak	JP5	3,800,000

(*) Requirements currently under separate Eielson AFB Coal-To-Liquid Initiative

Next Steps

- Alaska F-T Synthetic Fuels Industry Summit
  - Explain pilot program approach
  - Solicit input / comments
- Refine acquisition strategy
  - Finalize acquisition approach
  - Finalize acquisition timelines
- Issue solicitation (RFP)
- Evaluate offers
- Award contract
- Timeline for product delivery

Notional Timeline

Issue Solicitation	June 1, 2009
Close Solicitation	July 30, 2009
Initial Evaluation	August 1, 2009 – August 30, 2009
Negotiations Close	September 15, 2009 – October 30, 2009
Final Evaluations Complete	November 30, 2009
Contract Award	December 30, 2009
First Delivery	December 2014

Industry Summit Summation

Purpose of Conference Achieved!

- Gather DoD, Industry, and State/Local Political Officials to Discuss DESC Alaska Synthetic Fuel Initiative
  - 90+ Attendees the first day
  - 45+ Attendees the second day
- Solicit Feedback on DESC Planned Approach
  - 10 Take Away Issues in 3 Broad Categories
- Follow-On Session with Alaska State Legislators
- Follow-On Coordination Between DESC and USAF
- Refine Acquisition Strategy and Plot Course Ahead

Take-Away Issues

- Defining the Requirement
  - Quantity/Location
  - Commercial Sector Requirements
  - Feedstock Source/Plant Location Restrictions
  - Eielson AFB Requirements
- Structuring the RFP for Success
  - Section 526 Model
  - Quality/Technical Criteria
  - Contract Length
  - Contract Pricing Structure
- How to Proceed
  - Establish Timeline for Acquisition
  - Pre-Feasibility/Down Select Process

Areas for State Assistance

- Financial Incentives to Industry to Participate
  - Tax Credits/Incentives
  - Loan Guarantees

- Encouragement to Commercial Aviation Industry
  - Incentives for Participation
  - Price Considerations

- Streamlining Regulatory Requirements
  - Permitting/Easements
  - Environmental Standards

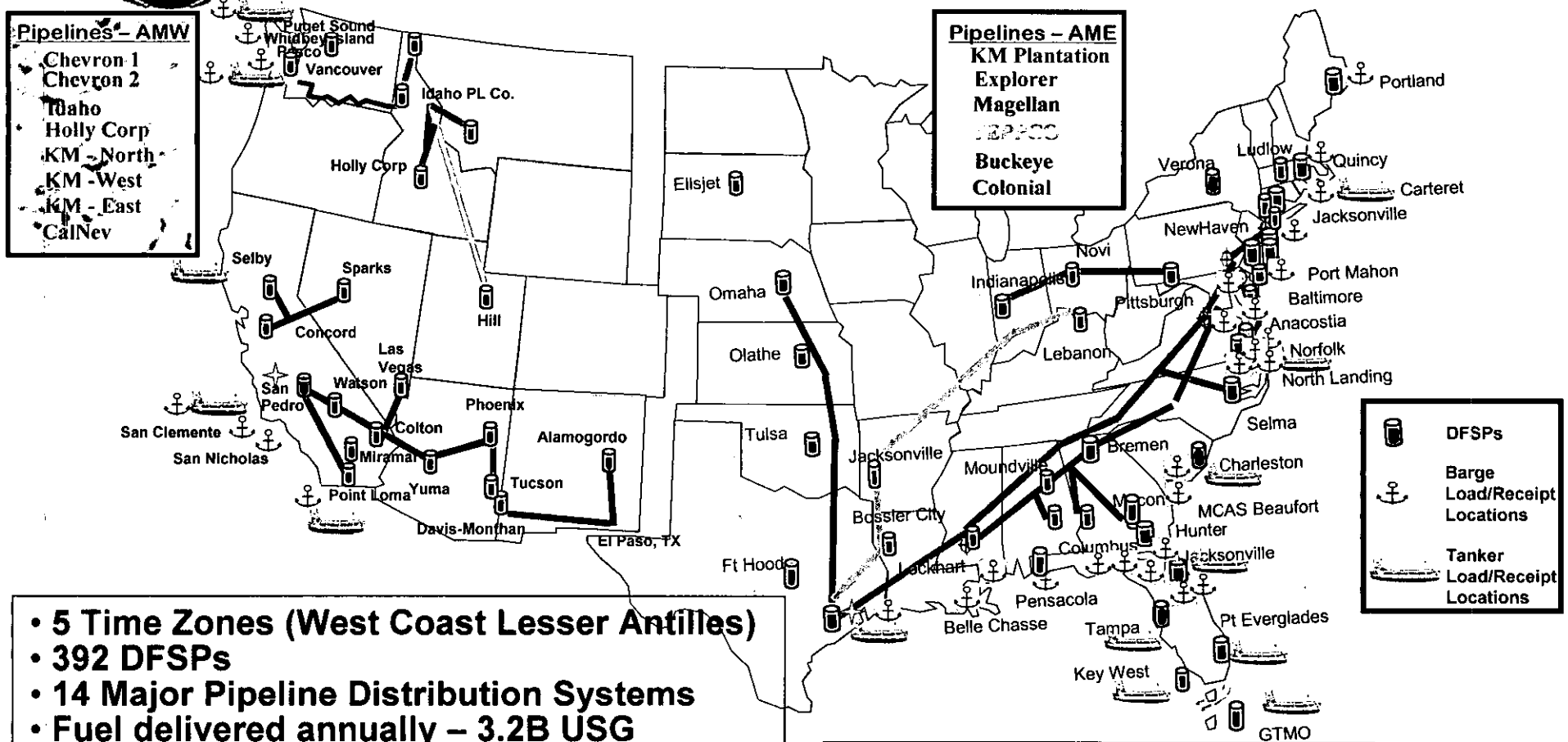
Back-Up Charts

Bulk Fuel Overview

Major Programs

- Inland/East/Gulf Coast (IEG)
  - One-year contract cycles: Apr-Mar
  - Approx. 1.7B USG
  - Approximately $3.6B
- Rocky Mountain/West (RM/W)
  - One-year contract cycles: Oct-Sep
  - Approx. 1B USG
  - Approximately $2.7B
- Western Pacific (WESTPAC)
  - One-year contract cycles: Jan-Dec
  - Approx. 1B USG
  - Approx. $4.3B
- Atlantic/European/Mediterranean (AEM)
  - One-year contract cycles: Jul-Jun
  - Approx. 491M USG
  - Approx. $1.3B

DESC Americas



- 5 Time Zones (West Coast Lesser Antilles)
- 392 DFSPs
- 14 Major Pipeline Distribution Systems
- Fuel delivered annually – 3.2B USG
- 38/38 - Suppliers / Contracts (FY08)
- $4.9 Billion - Value of Contracts (FY08)
- 2,045 – Accounts
- 9,000 to 11,000 - Movements/Month
- 400,000 to 550,000 - Transactions/Month

Latin America
DFSP Locations: 4
Forward Operating Locations: 4
Bunker Locations: 35
Into-Plane Locations: 38

Environmental Considerations

- Energy Independence and Security Act
  - Section 526
    - No Federal agency shall enter into a contract for procurement of an alternative or synthetic fuel, including a fuel produced from nonconventional petroleum sources, for any mobility-related use, other than for research or testing, unless the contract specifies that the lifecycle greenhouse gas emissions associated with the production and combustion of the fuel supplied under the contract must, on an ongoing basis, be less than or equal to such emissions from the equivalent conventional fuel produced from conventional petroleum sources.

Comments / Questions

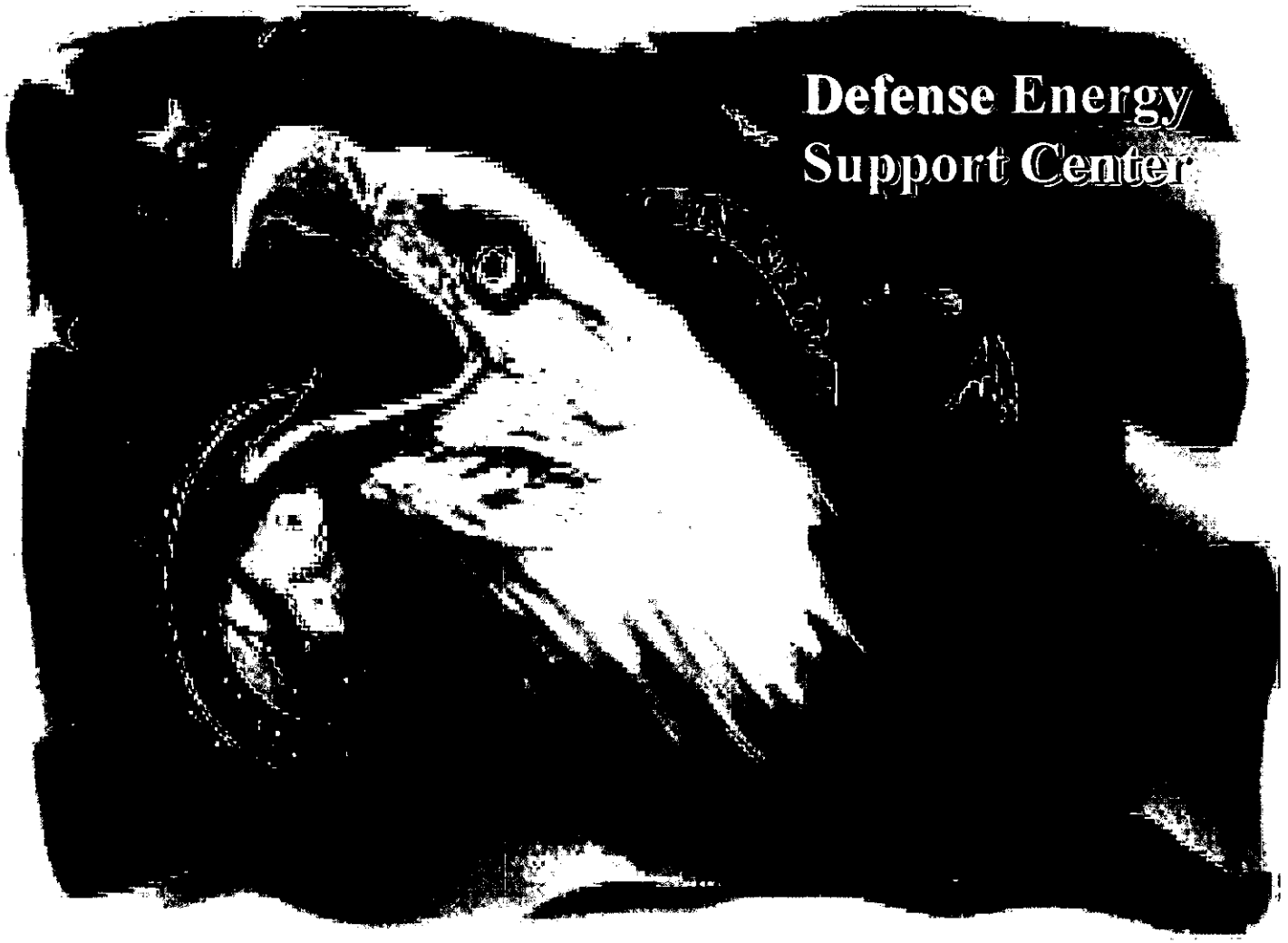


TABLE 2. Chemical and physical requirements and test methods for JP-8 with up to 50 percent SPK blend component

Property	Min	Max	Test Methods ASTM Standards
Color, Saybolt [1]			D 156 [2] or D 6045
Total acid number, mg KOH/gm		0.015	D 3242
Aromatics, vol percent	8.0	25.0	D 1319
Olefins, vol percent		5.0	D 1319
Sulfur, total, mass percent		0.30	D 129, D 1266, D 2622, D 3120, D 4294 [2], or D 5453
Sulfur mercaptan, mass percent or		0.002	D 3227
Doctor test		negative	D 4952
Distillation temperature, °C [3]			D 86
Initial boiling point [1]			
10 percent recovered (T10)	157	205	
20 percent recovered [1]			
50 percent recovered (T50)	168	229	
90 percent recovered (T90)	183	262	
Final boiling point		300	
T50 – T10	15		
T90 – T10	40		
Residue, vol percent		1.5	
Loss, vol percent		1.5	
Flash point, °C [4]	38	68	D 56, D 93 [2], or D 3828
Density			D 1298 or D 4052 [2]
Density, kg/L at 15°C or	0.775	0.840	
Gravity, API at 60°F	37.0	51.0	
Freezing point, °C		-47	D 2386 [2], D 5972, D 7153, or D 7154
Viscosity, at -20°C, mm^2/s		8.0	D 445
Net heat of combustion, MJ/kg	42.8		D 3338, D 4529, or D 4809 [2]
Hydrogen content, mass percent	13.4		D 3343 or D 3701 [2]
Smoke point, mm, or	25.0		D 1322
Smoke point, mm, and	19.0		D 1322
Naphthalenes, vol percent		3.0	D 1840
Calculated cetane index [1]			D 976 [5] or D 4737
Copper strip corrosion, 2 hr at 100°C (212°F)		No. 1	D 130
Thermal stability			D 3241 [6]
change in pressure drop, mm Hg		25	
heater tube deposit, visual rating		<3 [7]	

TABLE 2. Chemical and physical requirements and test methods for JP-8 with up to 50 percent SPK blend component – Continued

Property	Min	Max	Test Methods ASTM Standards
Existent gum, mg/100 mL		7.0	D 381
Particulate matter, mg/L [8]		1.0	D 2276 or D 5452 [2]
Filtration time, minutes [8]		15	
Water reaction interface rating		1 b	D 1094
Water separation index [9]			D 3948 or D 7224 [2]
Fuel system icing inhibitor, vol percent	0.10	0.15	D 5006 [10]
Fuel electrical conductivity, pS/m [11]			D 2624
Lubricity, wear scar diameter, mm		0.85	D 5001

NOTES:

1. To be reported – not limited.
2. Referee Test Method.
3. A condenser temperature of 0° to 4°C (32° to 40°F) shall be used for the distillation by ASTM D 86.
4. ASTM D 56 may give results up to 1°C (2°F) below the ASTM D 93 results. ASTM D 3828 may give results up to 1.7°C (3°F) below the ASTM D 93 results. Method IP170 is also permitted.
5. Mid-boiling temperature may be obtained by ASTM D 86 to perform the cetane index calculation. ASTM D 86 values should be corrected to standard barometric pressure.
6. See 4.5.3 for ASTM D 3241 test conditions and test limitations.
7. Peacock or Abnormal color deposits result in a failure.
8. A minimum sample size of 3.79 liters (1 gallon) shall be filtered. Filtration time will be determined in accordance with procedure in Appendix B. This procedure may also be used for the determination of particulate matter as an alternate to ASTM D 2276 or ASTM D 5452.
9. The minimum microseparometer rating using a Micro-Separometer (MSEP) shall be as follows:

JP-8 Additives	MSEP Rating, min.
Antioxidant (AO)*, Metal Deactivator (MDA)*	90
AO*, MDA*, and Fuel System Icing Inhibitor (FSII)	85
AO*, MDA*, and Corrosion Inhibitor/Lubricity Improver (CI/LI)	80
AO*, MDA*, FSII and CI/LI)	70

*Even though the presence or absence does not change these limits, samples submitted for specification or conformance testing shall contain the same additives present in the refinery batch. Regardless of which minimum the refiner selects to meet, the refiner shall report the MSEP rating on a laboratory hand blend of the fuel with all additives required by the specification.

10. Test shall be performed in accordance with ASTM D 5006 using the DiEGME scale of the refractometer.
11. The conductivity must be between 150 and 600 pS/m for F-34 (JP-8) and between 50 and 600 pS/m for F-35, at ambient temperature or 29.4°C (85°F), whichever is lower, unless otherwise directed by the procuring activity. In the case of JP-8+100, JP-8 with the thermal stability improver additive (see 3.3.6), the conductivity limit must be between 150 to 700 pS/m at ambient temperature or 29.4°C (85°F), whichever is lower, unless otherwise directed by the procuring activity.

3.3.5 Fuel system icing inhibitor. The use of a fuel system icing inhibitor shall be mandatory for JP-8 and shall conform to MIL-DTL-85470. The point of injection of the additive for JP-8 shall be determined by agreement between the purchasing authority and the supplier. The fuel system icing inhibitor is not to be added to NATO F-35 unless so directed by the purchasing authority.

MIL-DTL-83133F
APPENDIX A

SYNTHETIC PARAFFINIC KEROSENE (SPK)

A.1 SCOPE

A.1.1 Scope. This Appendix addresses 100 percent SPK derived from manufactured products of a Fischer-Tropsch process (identified in 3.1.1). This Appendix is a mandatory part of the specification. The information contained herein is intended for compliance.

A.2 REQUIREMENTS

A.2.1 Chemical and physical requirements. The chemical and physical requirements of the SPK shall conform to those specified in Table A-I.

A.2.2 Additives.

A.2.2.1 Antioxidants. Addition of antioxidants shall adhere to the criteria specified in 3.3.1.

A.2.2.2 Static dissipater additive (SDA). If SPK is to be transported prior to blending with refined hydrocarbon distillate fuel, static dissipater additive shall be injected in sufficient concentration to increase the conductivity of the fuel to within the range specified in Table A-I. The point of injection of the additive shall be determined by agreement between the purchasing authority and the supplier. The following electrical conductivity additive is approved: Stadis® 450 marketed by Innospec Fuel Specialties LLC (formerly Octel Starreon LLC), Newark, DE 19702.

TABLE A-I. Chemical and physical requirements and test methods for 100 percent SPK.

Property	Min	Max	Test Method
Aromatics, vol percent		1	D 5186
Sulfur, total, mass percent		0.0015	D 2622, D 3120, or D 5453 [1]
Distillation temperature, °C			D 86
Initial boiling point [2]			
10 percent recovered	157	205	
20 percent recovered [2]			
50 percent recovered	168	229	
90 percent recovered	183	262	
Final boiling point		300	
Residue, vol percent		1.5	
Loss, vol percent		1.5	
Flash point, °C	38	68	D 56, D 93 [1], or D 3828
Density			D 1298 or D 4052 [1]
Density, kg/L at 15°C or	0.751	0.840	
Gravity, API at 60°F	37.0	57.0	

TABLE A-I. Chemical and physical requirements and test methods for 100 percent SPK - Continued.

Property	Min	Max	Test Method
Freezing point, °C		-47	D 2386 [1] or D 5972
Viscosity at -20°C, mm^2/s		8.0	D 445
Viscosity at 40°C, mm^2/s [2]			D 445
Net heat of combustion, MJ/kg	42.8		D 3338 or D 4809 [1]
Calculated cetane index [2]			D 976 [3] or D 4737
Naphthalenes, vol percent		0.1	D 1840
Thermal stability			D 3241
change in pressure drop, mm Hg		25	
heater tube deposit, visual rating		<3 [4]	
Particulate matter, mg/L [5]		1.0	D 2276 or D 5452 [1]
Filtration time, minutes [5]		15	
Water separation index			D 3948 or D 7224 [1]
With SDA	70		
Without SDA	85		
Electrical conductivity, pS/m [6]	150	450	D 2624

NOTES:
1. Referee Test Method.
2. To be reported – not limited.
3. Mid-boiling temperature may be obtained by ASTM D 86 to perform the cetane index calculation. ASTM D 86 values should be corrected to standard barometric pressure.
4. Peacock or Abnormal color deposits result in a failure.
5. A minimum sample size of 3.79 liters (1 gallon) shall be filtered. Filtration time will be determined in accordance with procedure in Appendix B. This procedure may also be used for the determination of particulate matter as an alternate to ASTM D 2276 or ASTM D 5452.
6. Electrical Conductivity when required per A.2.2.2 shall be determined at ambient temperature or 29.4°C (85°F), whichever is lower, unless otherwise directed by the procuring activity.

Over 80 questions were recorded during the 10 through 12 March, 2009 Alaskan Synthetic Fuels Summit. We've attempted to answer all the questions to include those which were answered during the conference, or in separate meetings. Answers to recorded questions are provided in a consolidated paragraph following the presentation format. If you find that your questions have not been answered, or that you have additional questions pls forward those to Ms Kelly Widner at kelly.widner@dla.mil.

Response to Questions from Mark Iden's presentation

Defining the Requirement

The State of Alaska has been identified as the location for the pilot program for the Fischer-Tropsch (F-T) Synthetic Fuels initiative by the Defense Energy Support Center (DESC). Alaska was chosen since it was determined the State has the necessary feedstocks (Coal and/or Natural Gas) to support such an initiative. In addition, it was determined that the somewhat isolated distribution system for DESC's customers in Alaska would support a full-scale pilot program for all of the potential customers. At this point, the Department of Defense's (DoD) current JP8 requirements supplied under DESC's Rocky Mountain/West Bulk Purchase Program will be the target for this initiative. Those combined JP8 requirements for the USAF and Army equate to approximately 67 million USG on an annual basis.

DESC will continue to review/consider additional requirements in order to bolster the overall size of the fuel requirement to support this pilot program. It is possible that additional jet fuel/ground fuel requirements for both DoD and some Federal Civilian Agencies within the State of Alaska could be added to this pilot program. Based upon feedback from the Industry Summit, DESC is also going to consider DoD fuel requirements on the West Coast of the United States.

Commercial Sector Requirements:

During the Industry Summit, commercial aviation requirements at both Anchorage and Fairbanks airports were identified to be approximately 900 million USG on an annual basis. This ratio of commercial industry requirements to DoD requirements of a 90:10 level (approximate) is typical of scenarios throughout the United States. DoD, while considered a relatively large requirement, typically only represents 10% of the overall aviation fuel marketplace. Accordingly, the ability to attract commercial sector requirements is key to enlarging the overall size of an initiative of this nature. DESC will continue dialogue with both the commercial aviation sector and with the Legislative branches of the local governments to determine the ability/interest level in increasing the requirements for this initiative.

Feedstock Source/Plant Location Restrictions:

DESC's F-T Synthetic Fuels Pilot Program within the State of Alaska is taking a feedstock neutral approach. Rather than dictating the type of feedstock a potential offeror

should use, DESC is leaving it to the commercial sector to determine the best solution regarding the type of feedstock and the location of their plant(s). The only restriction DESC will impose is a domestic source (US only) for the synthetic fuel facility. When taking into account transportation costs and the requirement to comply with Section 526 Greenhouse Gas emission limitations, economic considerations will determine the location of the plant and choice of feedstock. We feel the industry will come up with the best business case solutions on both an economic and environmental basis to offer the most competitive proposals possible.

Eielson AFB Requirements:

A separate Coal-to-Liquid Enhanced Use Lease initiative is currently underway involving Eielson AFB. That initiative is running concurrent, but separately, from the DESC F-T Synthetic Fuels Pilot Program within the State of Alaska. DESC continues to work with USAF officials to clarify whether the actual fuel requirements for Eielson AFB (approximately 22 million USG annually) can be included in the DESC program. It is expected this issue will be clarified by the end of April 2009.

Response to Questions from Kathryn Fantasia's presentation

Procurement & Solicitation Processes

Notional Acquisition Timeline:

DESC developed a notional acquisition timeline for procurement and delivery of a 50:50 blend of synthetic fuel and petroleum meeting the JP8 specification. The timeline conceived is notional, however, it is based on our experience with acquiring petroleum related services and goods at DESC. Most of the questions fell into two areas: (1) 60 days was not long enough to develop and prepare a proposal in response to the solicitation and (2) the date for delivery of finished, blended product to the customer was unrealistic.

DESC continues to research the complexity involved with developing a proposal and the timelines associated with the development. Given the complex nature of the requirement, the offeror will be required to demonstrate how it plans to meet the requirement in several areas. The financial responsibility aspect appeared troublesome to many attendees. DESC recognizes that due to the expense involved in constructing a facility, offerors will need to demonstrate their ability to either finance or offer contingent financing arrangements that demonstrate financial capability to perform. Given a 60-day timeline for proposal response, many attendees felt this timeframe was too short. As we refine our methodology to evaluate financial arrangements, we will revisit the timeframe for receipt of offers and anticipate the time allowed may be longer. The date and time for receipt of offers will be clearly spelled out in the Request for Proposals, and in the event

an offeror requires more time, he may request that of the contracting officer. The offeror will be notified of the contracting officer's decision to either grant or deny the extension.

The second concern centered on the date of first delivery of finished project. Again, the December 2014 date is notional and is based on DESC's estimate of the time required for the acquisition process as well as construction of a synthetic fuel production facility. Included in the Request for Proposals will be a requirement to clearly define project goals and milestones. Proposed completion dates will be evaluated as a part of the best value process and considered when making an award. Offerors are advised to give their best proposal, to include completion dates.

Down Select Process:

DESC is considering many approaches to the source selection process. We recognize that the cost and work involved with proposal preparation will be substantial and the suggestion was made to solicit the requirement in two phases. The first phase would require limited, conceptual approaches be submitted to DESC for consideration and evaluation. The second phase would be to "down select" and to negotiate with only those proposals that were highly rated. Because we believe that the group of offerors will be limited, and as a result of the number of responses received in response to two requests for information, we will conduct a full and open competition without the down select process.

Response to Questions from Kay Bushman's presentation

Pricing & Financial Issues

Contract length:

From previous industry feedback, DESC was advised that a long term contract would be necessary for purchasing synthetic fuel. The longest contract DESC can award is for five years with options for an additional five years, so that the term does not exceed 10 years. There have been various proposals in Congress to allow the government to award longer term contracts for the purchase of synthetic fuel but none have become law. If DESC were to receive long term contracting authority, DESC would likely solicit for the longest contract term permitted by law.

Contract pricing structure:

The goal is to purchase a substitute fuel for jet aviation at a competitive price based on the jet aviation market. DESC presented a contract pricing structure which was based on the jet aviation market. The contract prices would be tied to market based price indices and would change weekly based on the market. The prices DESC pays for jet aviation fuel in Alaska and elsewhere are available through the price adjustment tab by contract

number on the DESC web site at http://desc.dla.mil. DoD is not willing to pay a premium for the fuel. The expectation was that the costs of the facility would be amortized over each gallon of fuel and that DESC would purchase the fuel on a price per gallon basis. Payments would only begin with the first delivery. DESC did not expect to provide any contract pricing.

There were a number of questions raised about providing a different pricing structure which would include floor prices for the fuel, having the price be tied to either the natural gas or coal markets, or tied to a cost of living escalator. The concern was that too much risk would be borne by the private sector. There were also questions about pricing in today's market for a product that would not be delivered until 3-5 years out. DESC is reviewing all of these concerns and will determine if a different cost structure should be considered.

One question asked whether this could be a cost contract. No cost contract is contemplated.

Could the contract be conditioned on obtaining financing? Yes. The contract could contain a term that if specified financing is not obtained within a set time frame, that the contract would be terminated at no cost to either party.

If the government cancelled a contract, can the contract contain negotiated cancellation fees? Yes.

Financial incentives: DESC will not be offering any financial incentives. DESC is not aware of any specific incentives tied to this pilot program. There may be financial incentives available at the state level and at the financial level but interested suppliers would need to separately pursue those incentives. We are also not aware of whether there would be tax credits associated with the fuel.

Response to Questions from Pam Serino's presentation

Quality & Environmental Considerations

Lifecycle analysis:

The Air Force, EPA, FAA, DOE and DESC-Q are participating in the Interagency Working Group for Alternative Fuels Lifecycle Analysis. The group aims to develop a greenhouse gas emissions baseline for aviation fuel derived from conventional petroleum and a model to use for evaluating the greenhouse gas footprint of alternative fuels in comparison with this baseline. The EPA and DOE will ultimately decide on the model used to determine if any proposals meet the requirements of section 526. As a result any fuel procured must fall under this baseline and will therefore have less lifecycle greenhouse gas emissions than fuels derived from conventional petroleum.

Fischer Tropsch specification:

Fischer Tropsch (F-T) synthetic fuel blends procured by DESC will conform to Table 2 in MIL-DTL-83133F in order to meet Air Force requirements. Additionally, the product shall be a 50:50 blend (with a +/- blending range agreed upon by the services) of F-T synthetic fuel conforming to Appendix A of MIL-DTL-83133F and conventionally refined commercial jet fuel. Discussion is still taking place on how to effectively measure the ratio of F-T derived synthetic fuel to conventionally refined commercial jet fuel in a final blended product.

Properties of F-T synthetic fuel which may impact equipment are low aromatics (seal swelling), sulfur, lubricity and density. In order to offset any potential issues the conventionally refined commercial jet fuel blend component will have appropriate fuel properties to make up for these concerns.

Commercial applications:

DESC, the Services, and commercial industry are all participants in the Commercial Aviation Alternative Fuels Initiative (CAAFI). This organization aims to promote the development of alternative fuel options and is working to establish a commercial specification through ASTM to include F-T synthetic fuels. The next vote for the approval of a commercial F-T synthetic fuels specification by ASTM will be held in June. Regarding commercial certification, once the Air Force has certified all of their platforms and equipment then requirements for commercial certification will be satisfied.

Cost effectiveness:

DESC is looking to expand requirements in order to make F-T synthetic fuels more cost effective. Additionally, there is added value from increased energy independence and the potential for decreased lifecycle greenhouse gas emissions by procuring these fuels.

Alternative and synthetic fuels:

DESC has kept abreast of the latest developments in a variety of alternative and synthetic fuels in order to increase energy independence and decrease our carbon footprint. Currently, DESC is working with the services as they move forward to certify their platforms and equipment to use hydro-treated renewable jet and other alternative fuels derived from fats and oils.

6/5/09 PRESENTATION: TOSHIBA/ WESTINGHOUSE 4S REACTOR

24 30

AS-2009-000036 Rev.1
PSN-2009-0563

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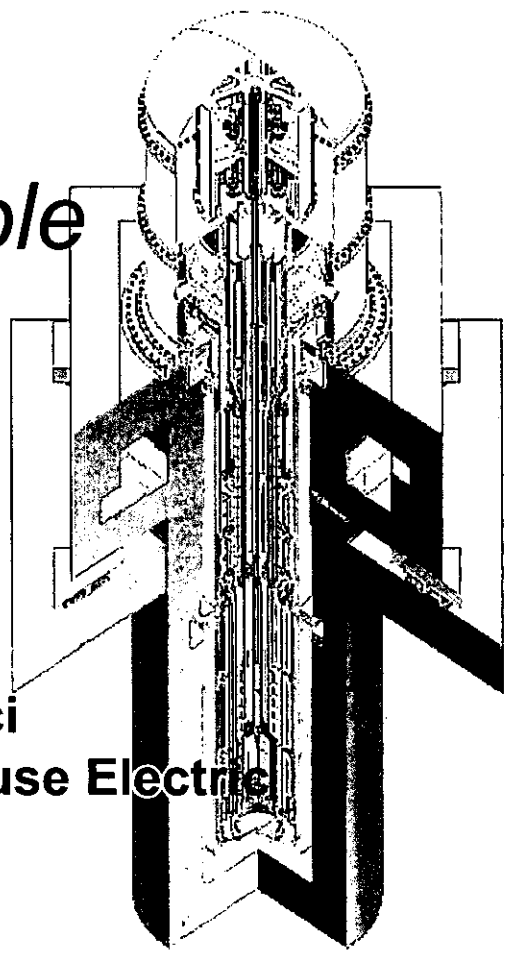
4S Reactor
Super-Safe, Small and Simple



June 2009

Kazuo Arie
Toshiba Corporation

Tony Grenci
Westinghouse Electric Company

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4S Presentation

- Introduction – Marvin Yoder
- 4S Overview – Kazuo Arie, Toshiba
- 4S Design - Tony Grenci, Westinghouse
- Licensing Status – Tony Grenci, Westinghouse
- Questions

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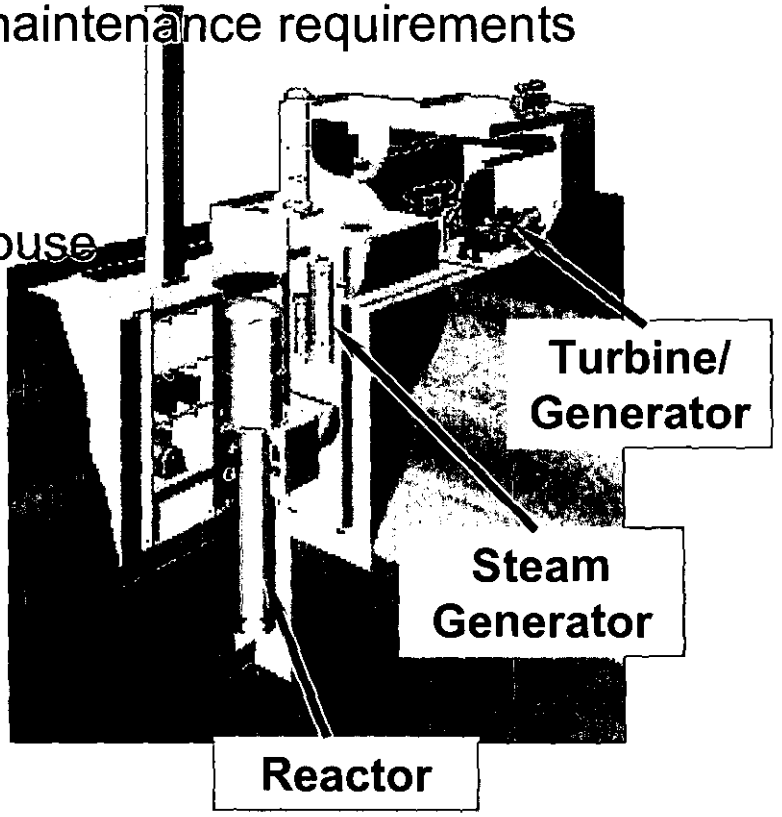
Overview

- **Goals**
  - Provide safe, clean, reliable, grid-appropriate power
  - Minimize security and proliferation risks
  - Minimize infrastructure, operation & maintenance requirements
- **Sodium cooled fast reactor**
  - Co-developer: CRIEPI
  - Developing Partners: ANL, Westinghouse
- **30 MWt (10MWe)**
  - (Initial Configuration)
- **Main features**
  - Passive safety
  - No onsite refueling for 30 years
  - Low maintenance requirements
  - High inherent security



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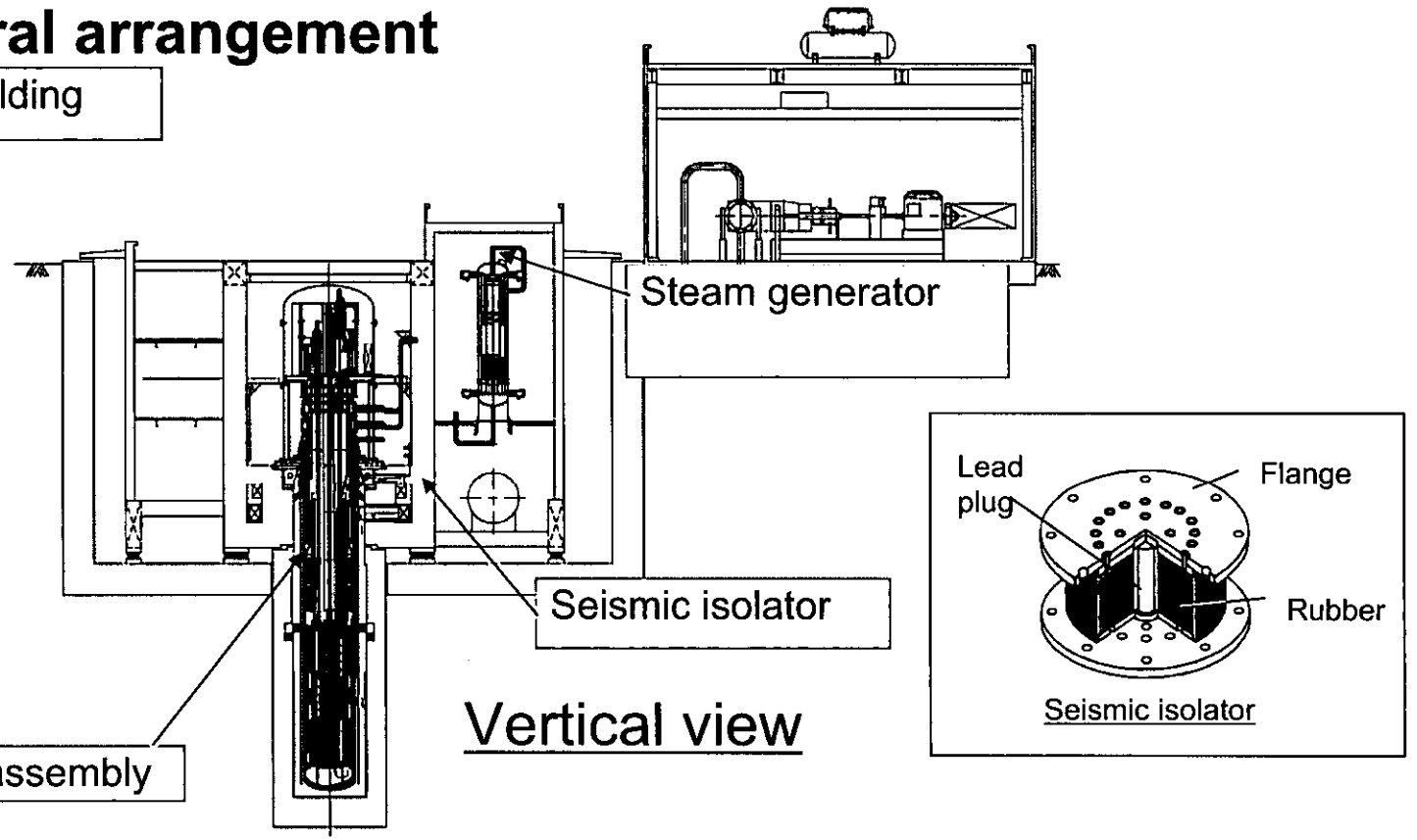
Plant Description

▫ General arrangement



– Seismic isolation is provided for the reactor building.
– Reactor building is below grade.

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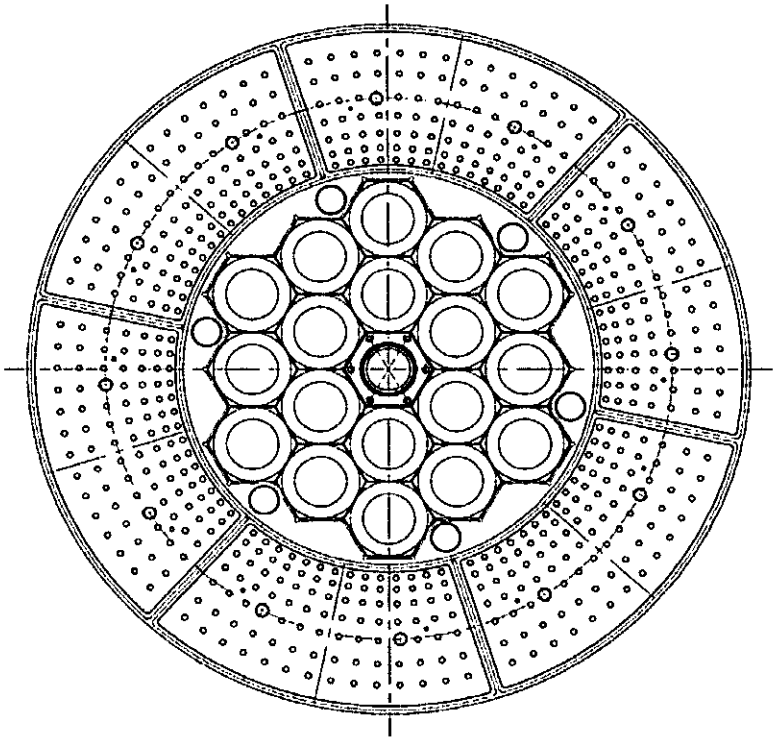
4S Advantages - Economy

- Diesel fuel prices are high and unpredictable.
- Long refueling interval (10-30 years) front-loads the fuel costs.



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4S Advantages - Operations

- Small operations and security force
  - Simplified operations, load changes accomplished using turbine bypass
  - Automatic burnup compensation
  - Passive safety systems
  - Small plant footprint

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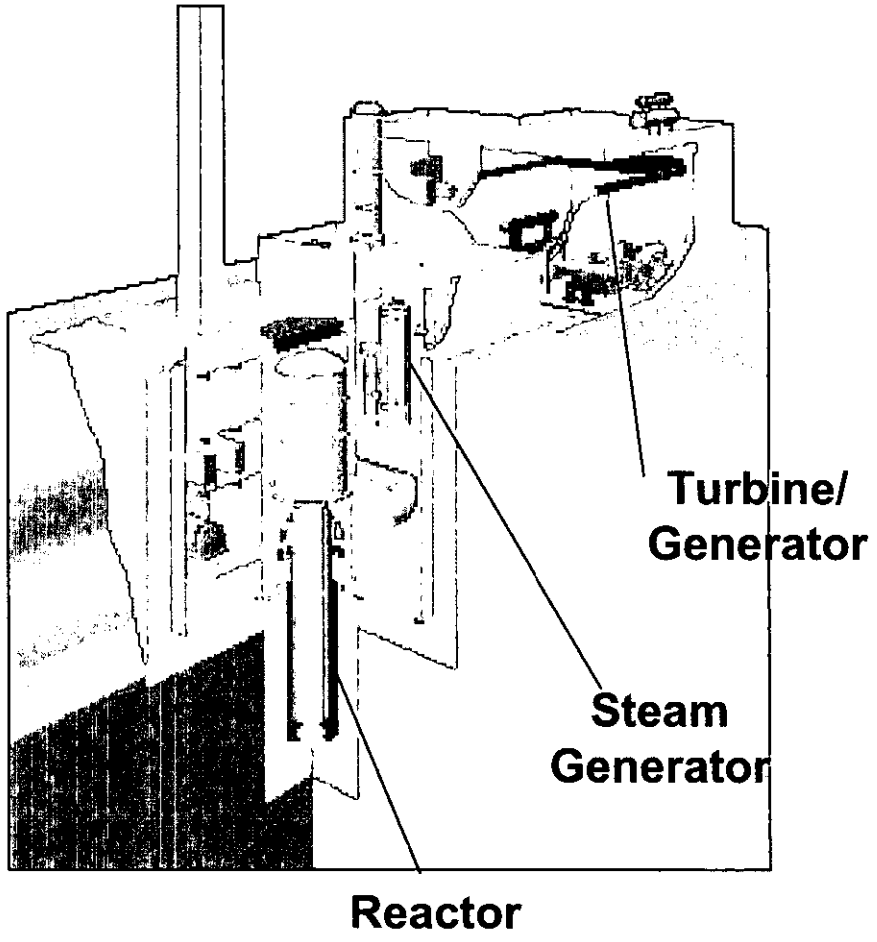
4S Advantages- High Inherent Security

- Below-grade siting to protect from missile or airplane impact.
- No onsite fuel storage (10 MWe).
- Sealed Reactor Vessel.
- Heavy Lifting and Fuel Handling Equipment removed from site.
- Fuel enrichment below proliferation grade.



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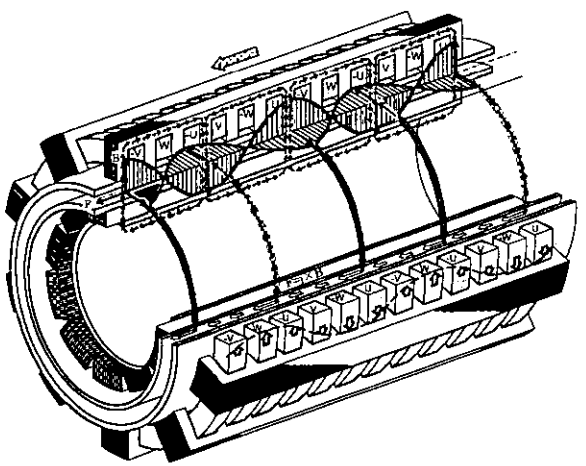
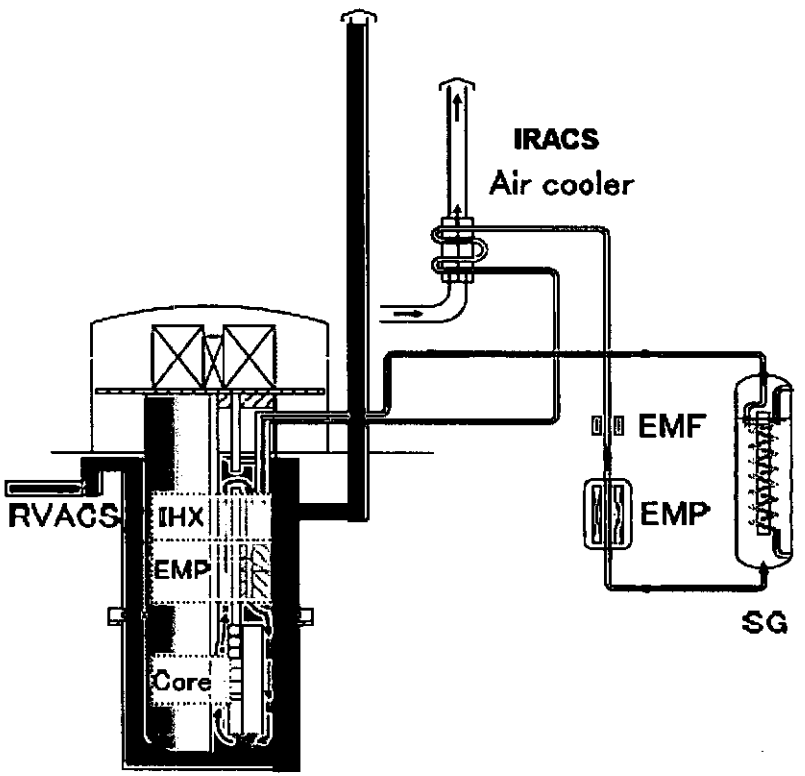
4S Advantages - Maintenance

- Passive systems
- Materials compatibility
- Minimal moving parts
  - EM Pumps





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4S Versions

- Two versions being designed simultaneously.
  - 10 MWe version
  - 50 MWe Version
- Rx Vessel, Rx Building identical for both versions.

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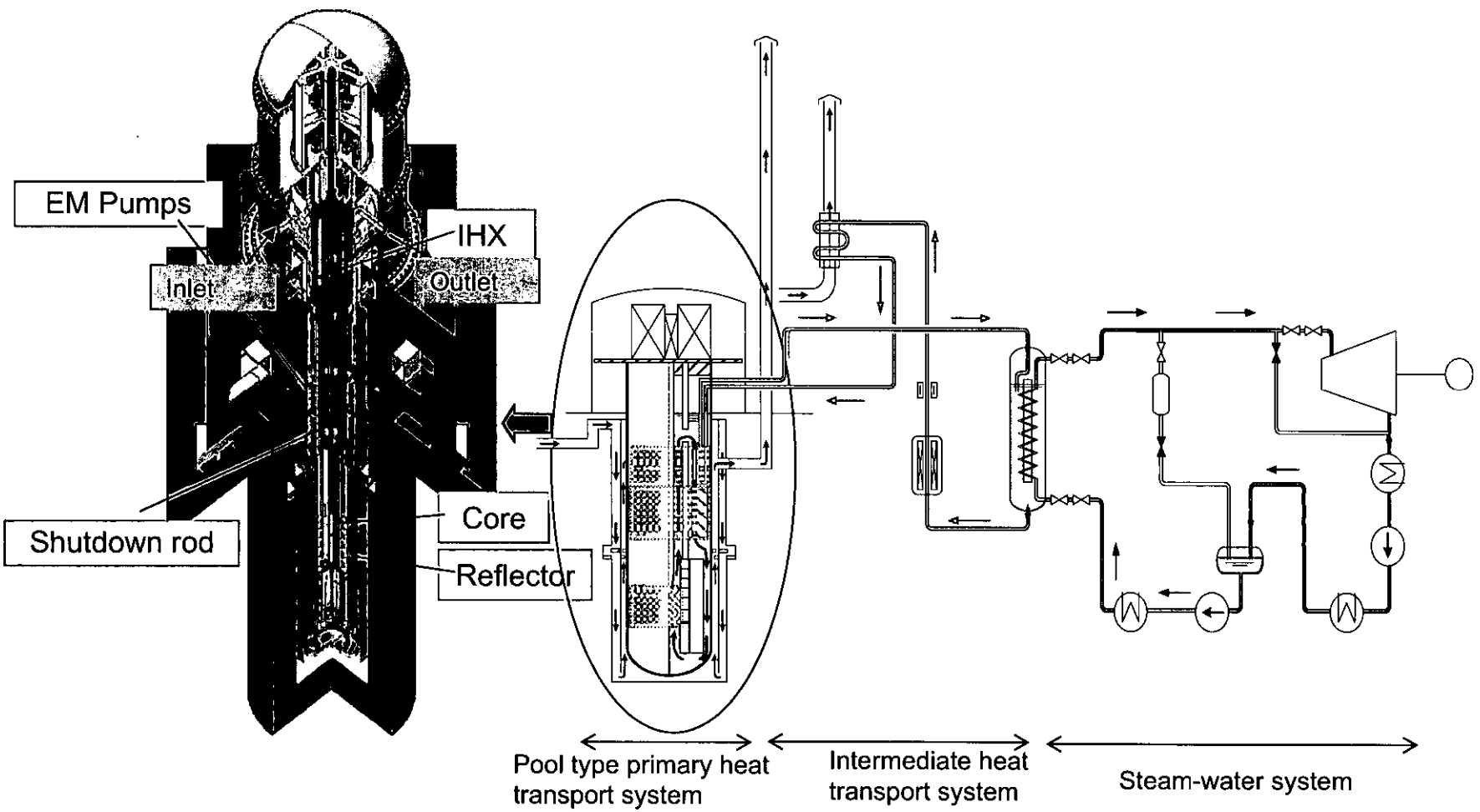
4S System Configuration



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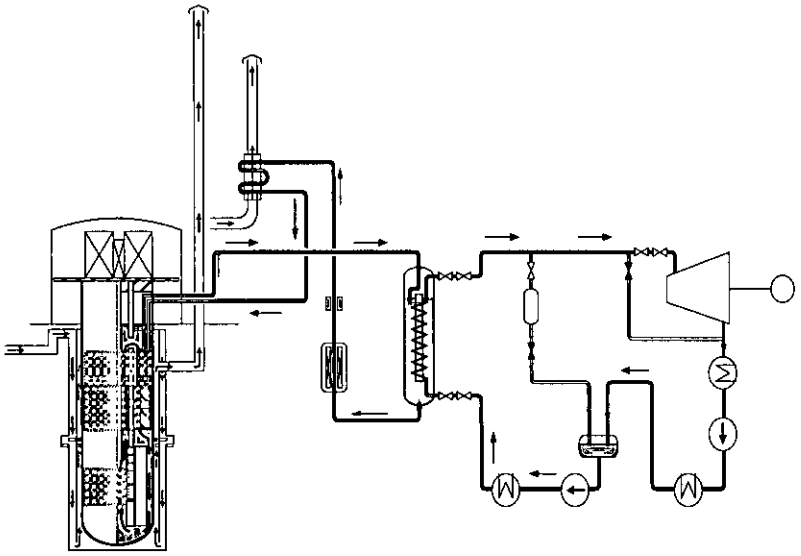
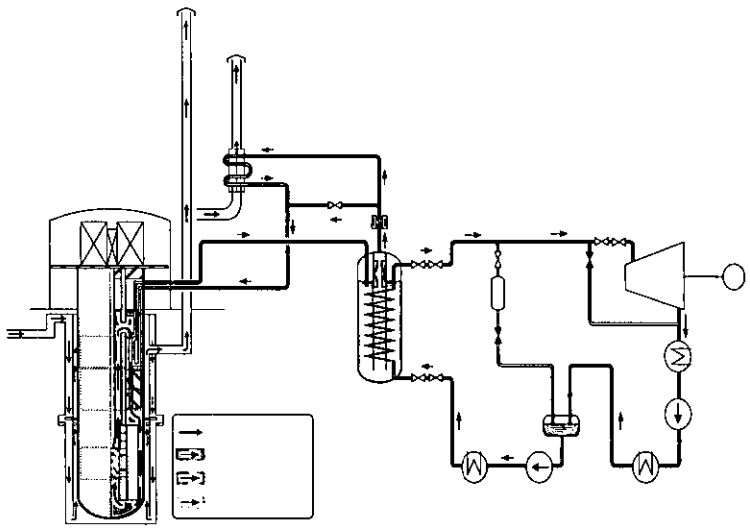
4S Versions

- Steam Generator, IHX, Air Cooler sizing
- IRACS operation



10MWe



50MWe

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Plant Design Parameters

Reactor Core

Core Height	2.50 m	**(8.2 ft)**
Equivalent Core Diameter	0.95 m	**(3.1 ft)**
Fuel / Clad Material	U-10%Zr / HT-9 steel	
235U Enrichment (inner / outer)	**17 / 19 %**	
Average Burn-up	34,000 MWd/t	

Reactor Vessel

Design Pressure	0.3 MPa	**(44 psi)**
Design Temperature	550 deg.C	(1022 deg.F)
Inner Diameter / Thickness	3.5 m / 25 mm	(12 ft / 1.0 inch)
Total Height	24 m	(79 ft)
Material	Type 304 stainless steel	

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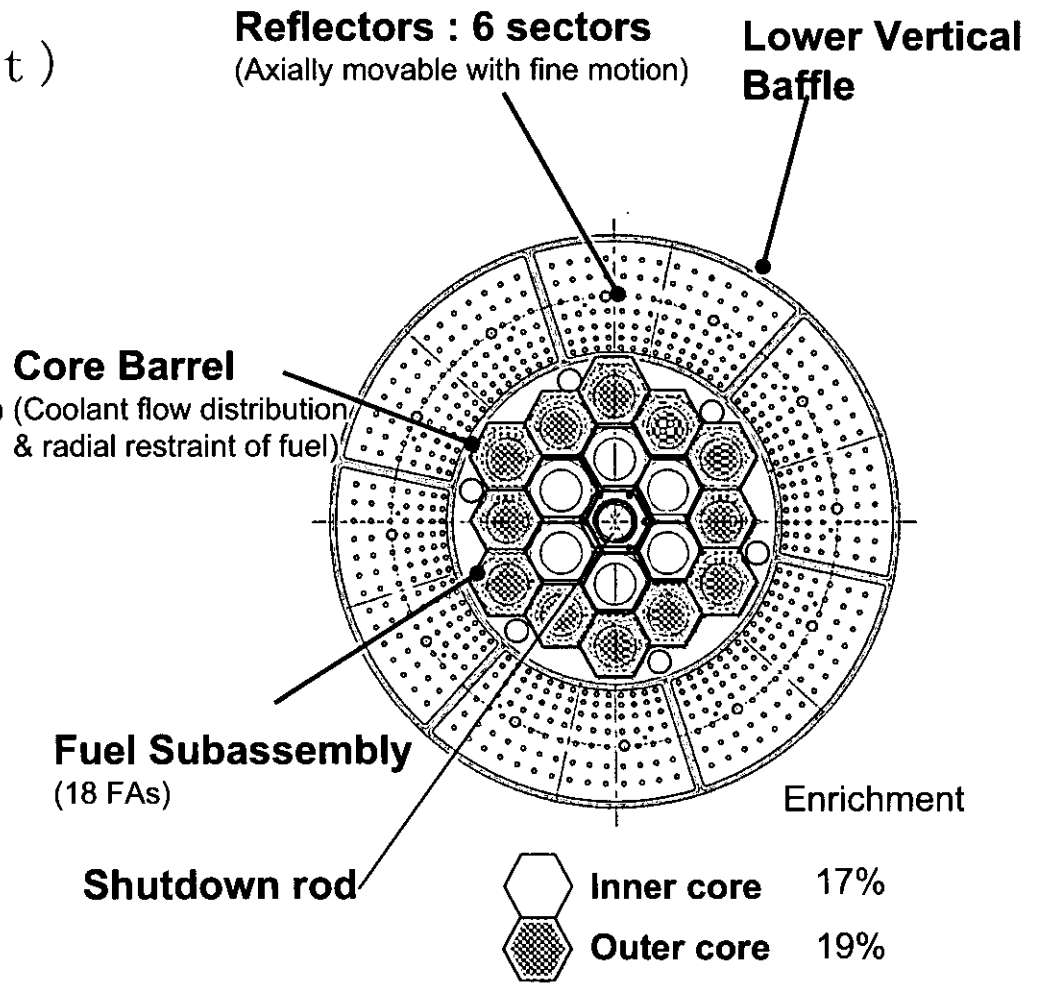
Core Design

- Core
  - Core height 2.5m (8.2 f t)
  - Equivalent core diameter 0.95m (3.1ft)
  - Fuel subassembly number 18
  - Enrichment (Inner/outer) 17/19%
- Reflector control
  - Movable annular reflector
  - Material: Mod9Cr1Mo
  - Size Thickness 38cm (1.2ft)
  - Height 2.7m (8.8ft)



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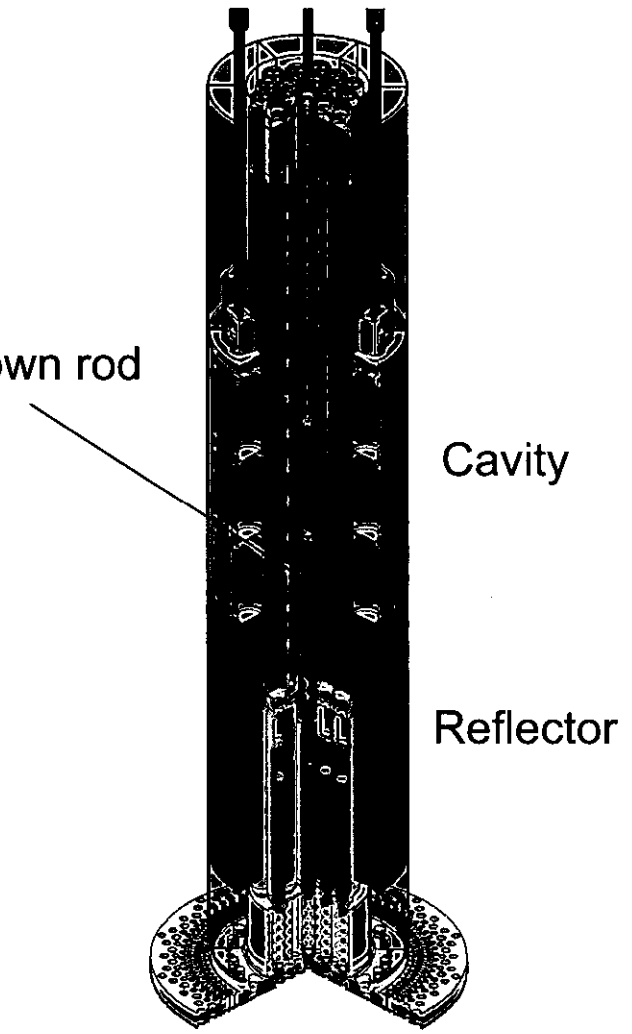
Reactivity Control System

■Reflector	
Number	6
Reflector stroke	2.7m (8.8ft)
Scram	gravity

■Shutdown rod	
Number	1
Rod stroke	2.5m (8.2ft)
Absorber material	B4C
Scram	gravity Insertion

■Fixed absorber	
Number	6
Absorber stroke	2.7m (8.8ft)
Absorber material	Hf



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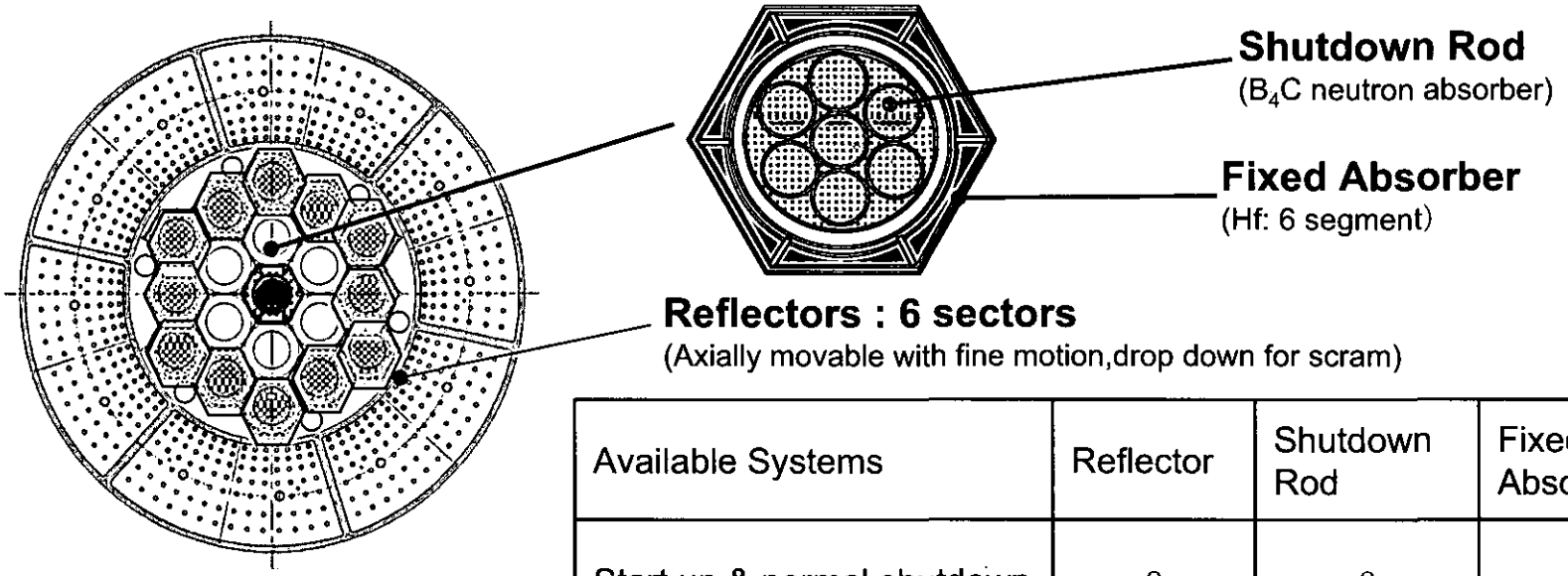
Reactivity Control



Available Systems	Reflector	Shutdown Rod	Fixed Absorber
Start up & normal shutdown	0	0	-
Burn-up compensation	0	–	0
Scram	Δ*	Δ	-

O – Needed

Δ – Redundant and diverse

* - Provides one reflector stuck margin

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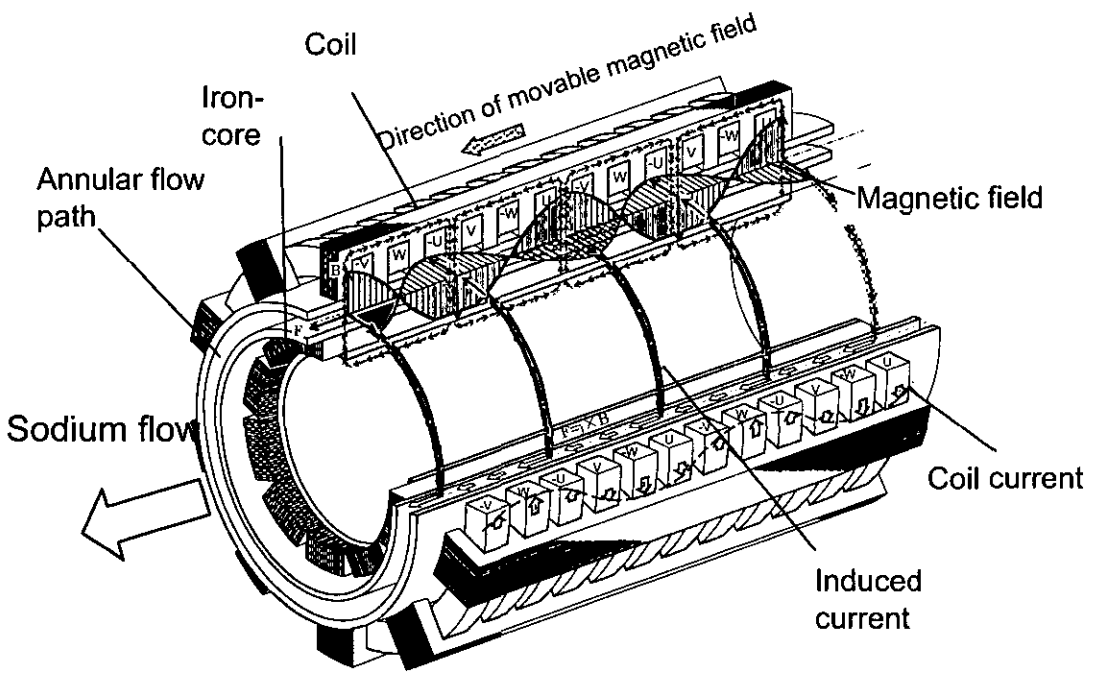
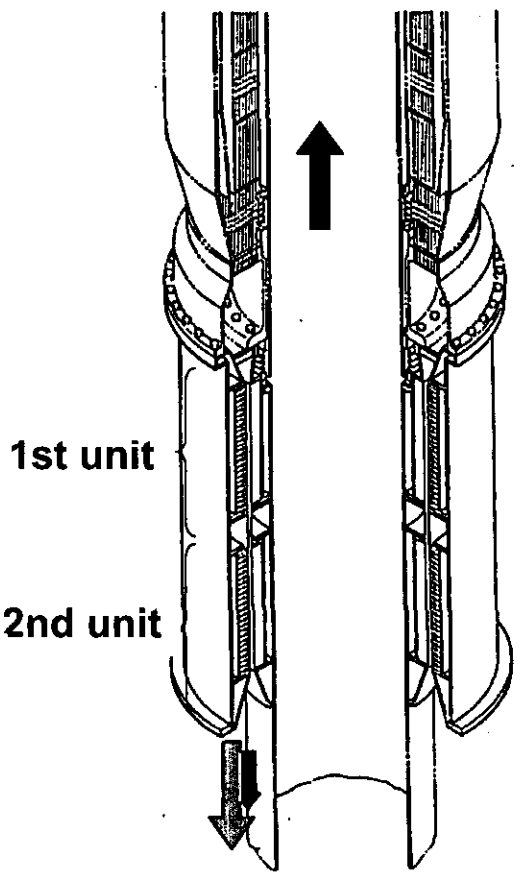
Primary EM pumps

- **Two pumps in series**
- **No moving parts**





EM pumps in series

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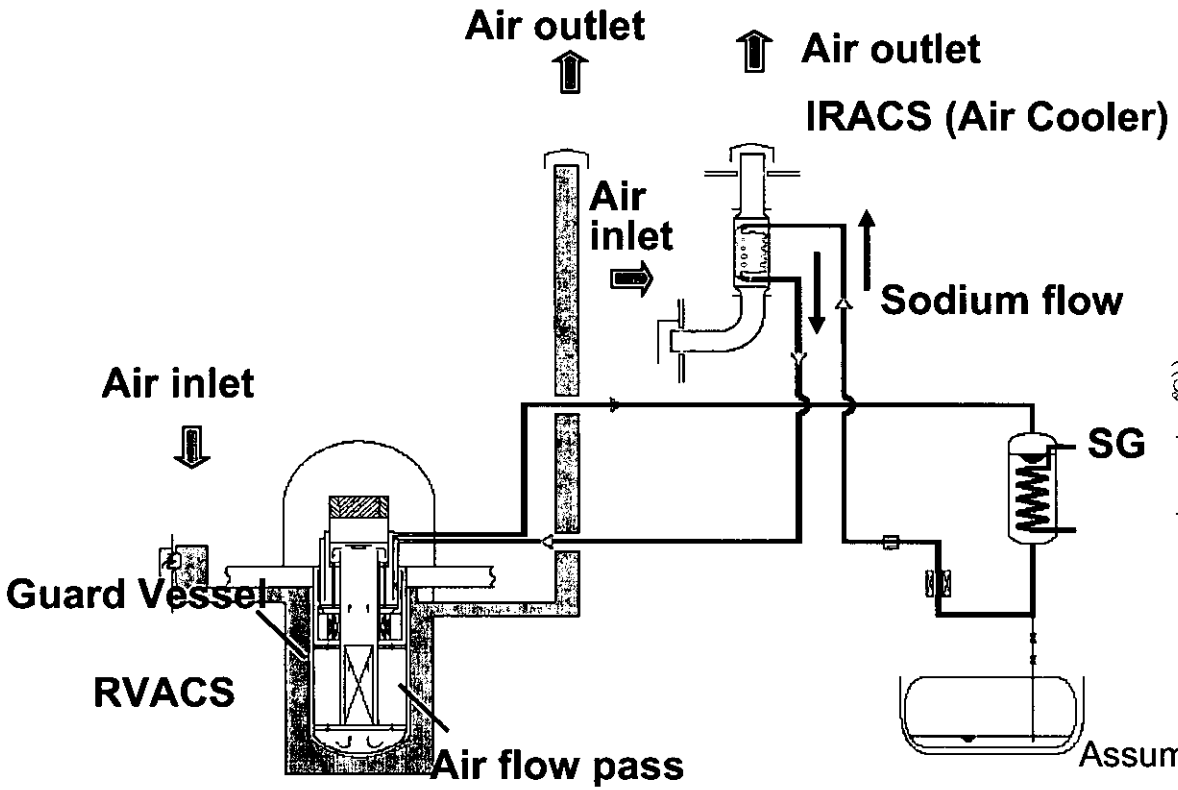
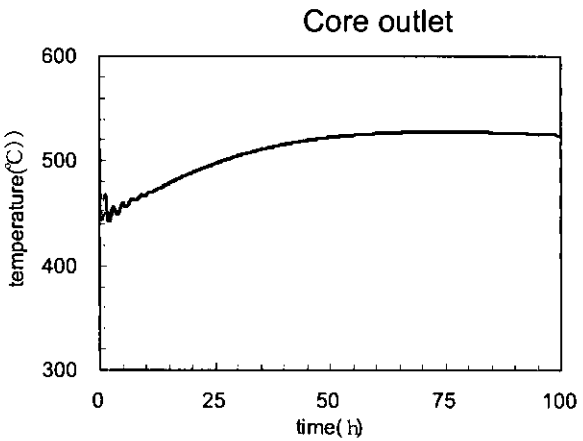
Passive Decay Heat Removal

- **Heat removal by natural circulation & natural air draft**
  - Redundant and diverse residual heat removal
  - RVACS: Natural air draft outside the guard vessel
    - Sufficient cooling capacity by only RVACS
  - IRACS: Natural circulation of sodium and air draft of air cooler





Loss of offsite power
Assumption : Heat removal by only RVACS

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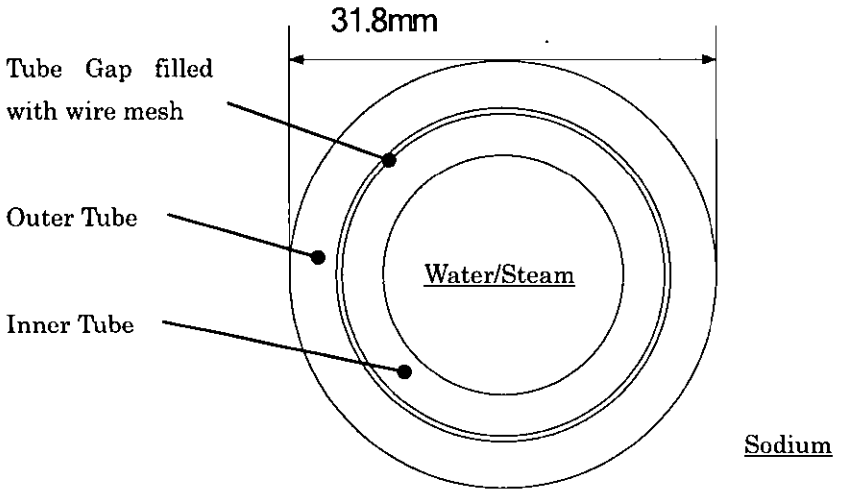
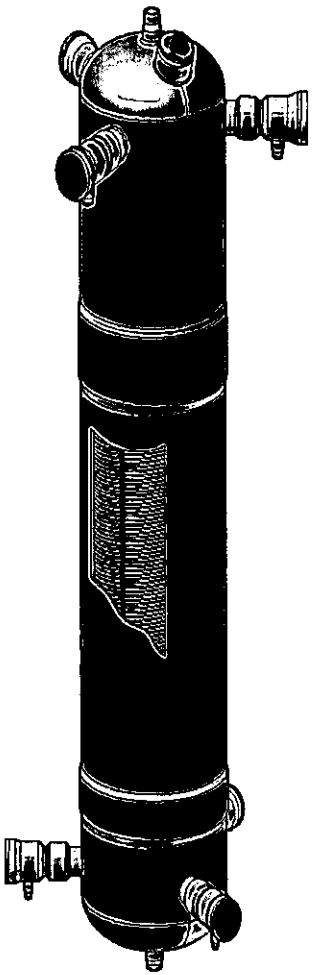
Steam Generator

- **Double wall tube steam generator**
  - Minimizes potential for sodium-water reaction





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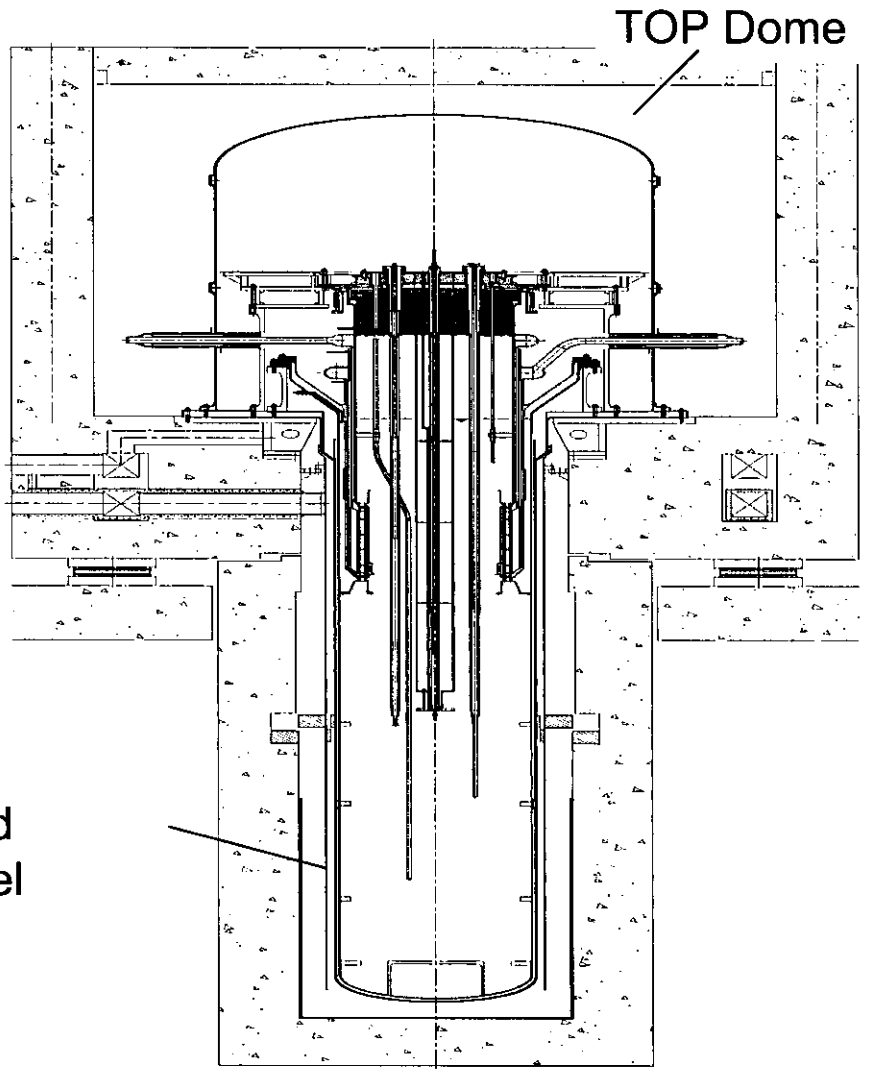
Containment

- **Guard vessel**
  - **Material:** **2 1/4Cr-1Mo**
  - **Diameter:** **3.65m**
- **Top dome**
  - **Material:** **2 1/4Cr-1Mo**
  - **Diameter:** **8m**
- **Passive heat removal system**



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Safety Features of 4S

- **Source term reduction**
  - Low power results in low fission product inventory
  - Sodium affinity for fission products minimizes release
  - No significant release to containment due to absence of energetic and pressurization events
- **Radioactive release reduction**
  - Sealed reactor vessel and containment
  - Minimize penetrations and isolation valves
  - Threat to containment integrity is minimal due to absence of damaging phenomena (direct containment heating, steam explosion, hydrogen burning or detonation, missiles)

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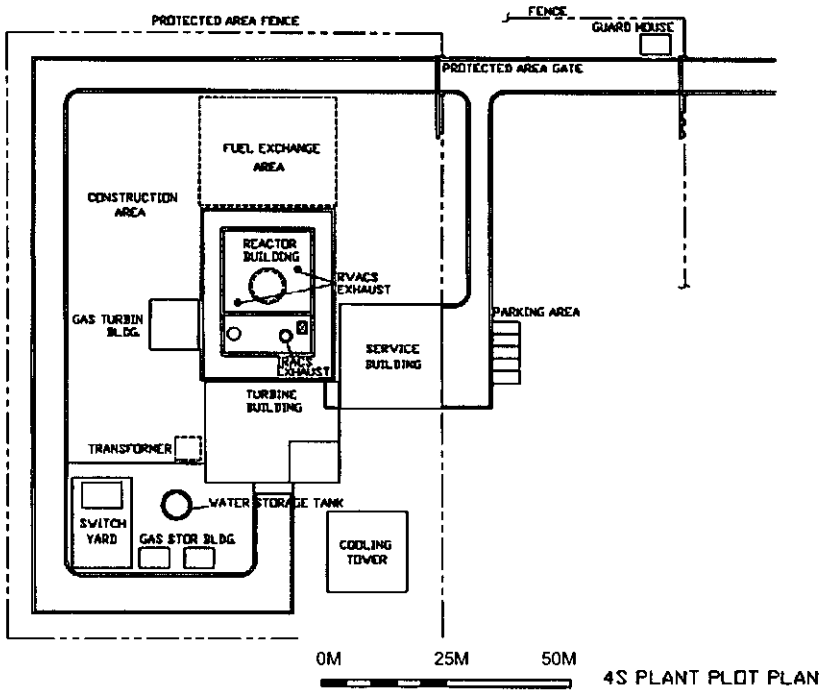
Safety Analysis Results

- **Large margin to acceptance criteria for site suitability and emergency planning**

Distance (m)	50
EAB (rem)	0.004
LPZ (rem)	0.2
Acceptance dose criteria (rem)	25

TEDE: Total equivalent dose
EAB: Exclusion area boundary
LPZ: Low population zone



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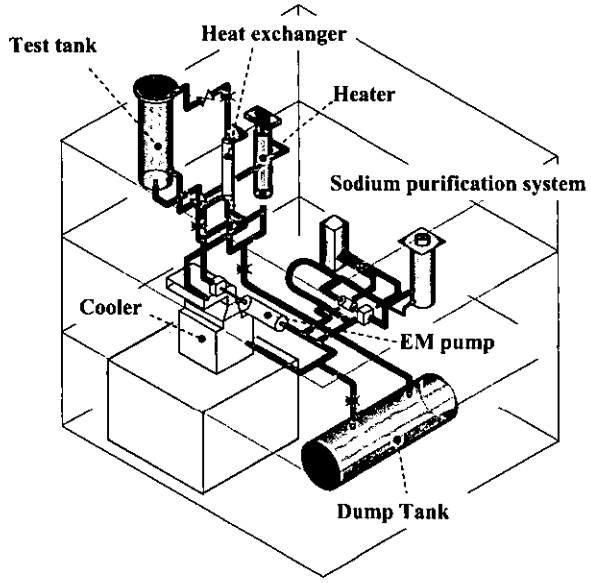
Test Facility for Further Tests

▫ TOSHIBA Sodium Component Test Facility

- Facility completed December 2008.
- Functional testing begun January 2009.
- Planned tests
  - Demonstration of large-scale EM pump.
  - Verification of leak detection system for a steam generator outer tube failure.



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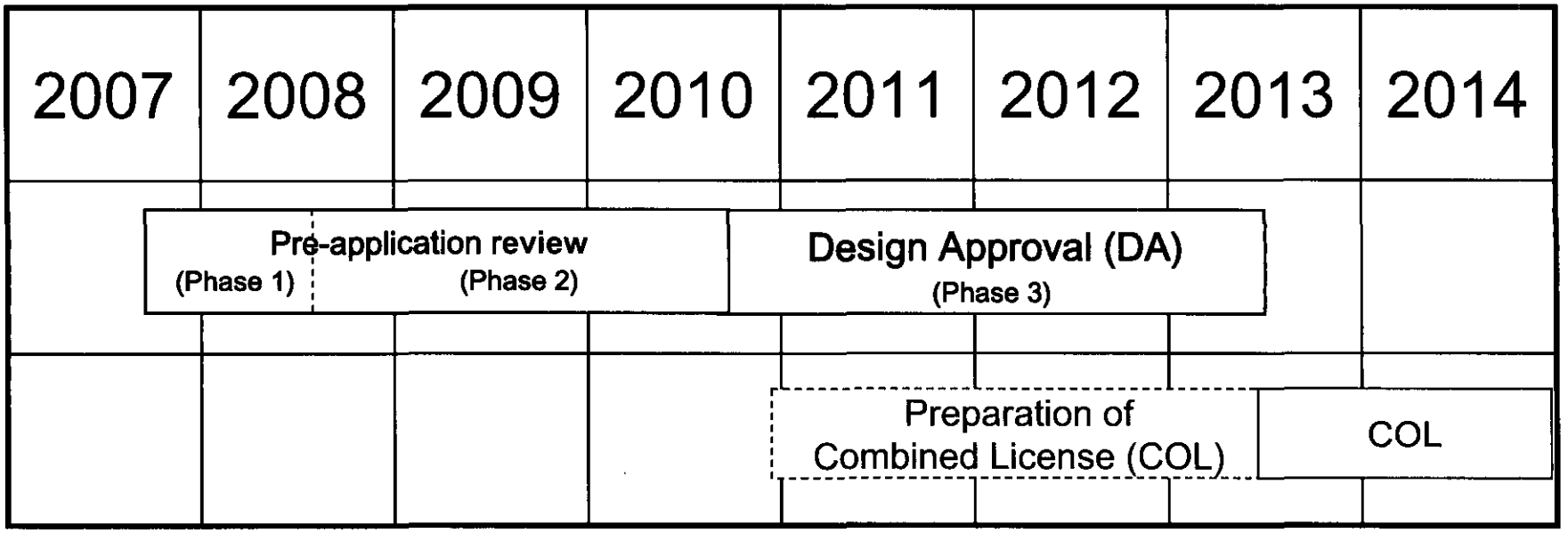
Current Licensing Schedule

- **Submit Design Approval application on October, 2010**
  - **Phase 1:** Complete a series of meetings with NRC to identify issues to be addressed before Design Approval application
  - **Phase 2:** Submit technical reports and obtain NRC feedback to address the issues identified in Phase 1
  - **Phase 3:** Submit Design Approval application and obtain SER



The licensing activity is been conducted in cooperation with CRIEPI, ANL and WEC.

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Conclusions

- **4S is a mature technology that is ready for regulatory review and commercialization.**
  - Preliminary systems design complete and detailed design in progress
  - Significant body of test data to support key components
  - Proven and tested fuel experience to support the 30-year core lifetime
- **4S U.S. licensing process has begun.**
  - Pre-application review meetings & technical reports
  - Target for FDA - 2013

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Region	City of	Population[iii]	(MWe) Net Capacity[iv]	Type[v]
Aleutians	Unalaska	4,388	29.5	IC
Bering St	Unalakleet	741	4.1	IC
Bristol Bay	Diilingham	2,373	17.5	IC
	Naknek		20.1	IC
Interior	Tok		11.6	IC
Kodiak	Kodiak	6,138	41.6	IC, 91.9 HY
Kuskokwim	Bethel	5,899	41.2	IC
M Yukon	Galena	763	9.4	IC
NW Arctic	Kotzebue	3,076	20.9	IC
S Central	Copper Valley		16.6	IC, 50.8HY, 22.5GT
	Cordova	2,372	20.8	IC, 2.9 HY
Southeast	Yakutat	691		IC
Seward P	Nome	3,448	27.8	IC

CHUGACH

RESOLUTION

RESOLUTION IN SUPPORT OF ALTERNATIVE ENERGY IN ALASKA

WHEREAS, Chugach Electric is currently 90% dependent on natural gas for its existing electric generation and produces just 10% of its energy with hydroelectric power;

WHEREAS, Chugach Electric has a goal to reduce its dependence on fossil fuels and transition to 90% dependence on renewable sources in the future; and therefore we adopt the 90/10 to 10/90 concept as a long-term goal.

WHEREAS, Chugach recognizes that our intermediate goals may best be meet with alternative energy sources and as such, these potential sources must be considered to help diversify our energy resources and limit price volatility for any one energy commodity.

WHEREAS, Chugach Electric strongly supports the current review and analysis of a Susitna hydroelectric generation project,

WHERAS, Chugach Electric supports continued development of additional reserves and gas storage in Cook Inlet, and the study of a natural gas bullet line from the Alaska North Slope to assure availability of natural gas for local needs;

WHEREAS, the Alaska Energy Authority (AEA) is currently undertaking a 50-year Integrated Resource Plan (IRP) and Chugach encourages AEA to analyze all alternative energy generation technologies on a level playing field of consideration to include economic, environmental, political and longevity criteria, so that we and/or the State of Alaska may construct a portfolio of alternative electric generation capabilities to meet the needs of all electric consumers in Alaska;

WHEREAS, alternative energy generation technologies include but are not limited to the following: hydroelectric, coal to liquids, coal gasification, gas to liquids, nuclear, geothermal, biomass, conservation and efficiency measures, incineration of municipal waste, tidal, wind, or solar;

WHEREAS, there are provisions in existing state law currently that limit the ability of the State of Alaska, any electric utility, any set of electric utilities, or any private entity from consideration and development of some forms of alternative energy, for example current prohibitions against nuclear energy;

NOW, THEREFORE BE IT RESOLVED that Chugach Electric Association, Inc. adopts a 90/10 to 10/90 strategy to transition away from fossil fuels to renewable energy sources and supports the evaluation by AEA of all possible potential alternative electric generation technologies to reduce our current dependence on natural gas;

CHUGACH

BE IT FURTHER RESOLVED that The Chugach Board of Directors support the immediate repeal of relevant portions of Alaska Statutes that currently prohibit development or funding of any alternative energy solution in the State of Alaska.

CERTIFICATION

I, Alex Gimarc, do hereby certify that I am the Secretary of Chugach Electric Association, Inc., an electric non-profit cooperative membership corporation organized and existing under the laws of the State of Alaska: that the foregoing is a complete and correct copy of a resolution adopted at a meeting of the Board of Directors of this corporation, duly and properly called and held on the 20th day of November, 2008; that a quorum was present at the meeting; that the resolution is set forth in the minutes of the meeting and has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of this corporation the 20th day of November, 2008.

_____

Secretary

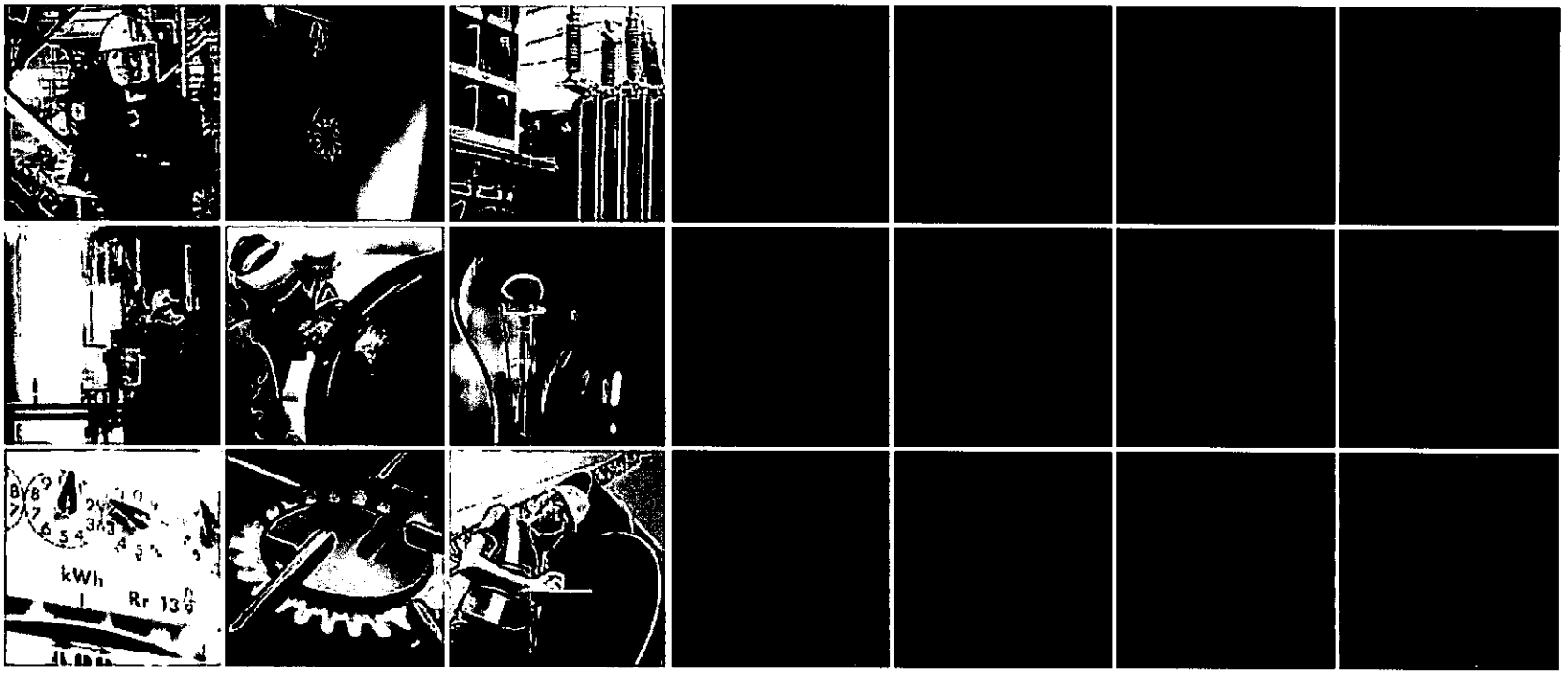
6/23/09 TRANS-CANADA/ EXXON-MOBIL AGREE-MENT...

House Resources Committee and House Energy Special Committee

TransCanada/ExxonMobil Agreement Hearing
Tuesday, June 23, 2009
9:00am – 1:00pm
Anchorage LIO, Room 220

AGENDA

9:00-10:30	TransCanada, Tony Palmer Exxon/Mobil, Marty Massey
10:30-11:00	State of Alaska – AGIA Pipeline team
11:00-11:10	Break
11:10-12:00	Denali Pipeline Project, Bud Fackrell
12:00-12:20	BP LLC, Claire Fitzpatrick
12:30-12:45	ConocoPhillips, Wendy King



TransCanada's Alaska Pipeline Project

Senate/House Committees- Alignment with ExxonMobil

June 23, 2009

TransCanada
In business to deliver

Overview

- TransCanada (TC) and ExxonMobil (EM) have reached agreement to work together to progress TransCanada's Alaska Pipeline Project
  - Immediate EM participation and project support
  - TC / EM will jointly advance all aspects of the project – technical, commercial, regulatory, financial, etc.
  - EM contributing prior study results, existing Alaska ROW data
- TC Alaska and Foothills remain the AGIA Licensees
  - AGIA rights / obligations are unchanged and remain with Licensees
  - EM is ready to work with the State to enable full participation in the AGIA license
- Project Schedule unchanged
  - Initial Open Season target completion by July 2010

TransCanada

Overview (cont')

- AGIA Project Scope unchanged
  - GTP and pipeline from Prudhoe Bay to Alaska delivery points, LNG via Valdez, or Lower 48 markets via Alberta Hub
  - TC / EM will also advance an upstream gas transmission pipeline from Point Thomson to GTP to be included in the Open Season
    - Outside of AGIA project and ineligible for AGIA reimbursement
- Current TC / EM alignment not contingent on any commitments by State
- TC can progress project independently, if it so elects, using all jointly developed assets / information

TransCanada

Overview (cont'd)

- Legislation / Regulatory
  - Utilize ANGPA (Alaska Natural Gas Pipeline Act) in Alaska and NPA (Northern Pipeline Act) in Canada
- Upfront spending increased to $150 million through Open Season
  - Additional front-end spending reflects increased emphasis on early execution/construction planning, additional efforts in regulatory, environmental and land areas, as well as size, complexity and execution challenges of GTP
- Development costs will be shared by TC / EM
  - TC retains majority interest
  - No change to State's total reimbursement contribution of $500 million

TransCanada

Overview (cont'd)

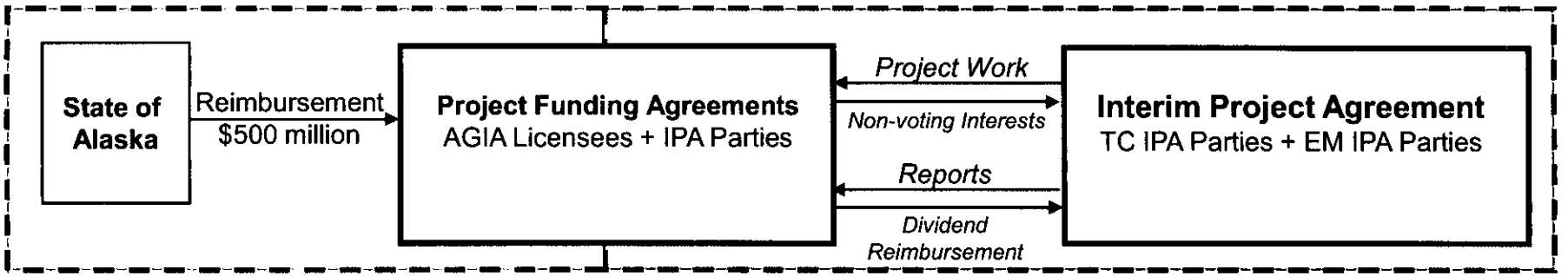
- In early May, TC provided State Administration with full disclosure of proposed TC / EM arrangement
  - State has reviewed the TC / EM arrangement and has determined that no action is needed by the State as a result of the arrangement
  - State administration supports TC / EM alignment
- Bottom Line
  - Real progress to align all essential parties necessary for successful project
  - Combination of TC and EM brings unrivaled expertise and experience to the project
  - TC / EM share a common goal – realization of an Alaska pipeline project

TransCanada

Project Framework

Objectives

- Perform work necessary to facilitate completion by TC Licensees of Open Seasons in US and Canada by July 2010 target
- Pursue required regulatory authorizations for pipeline construction



	AGIA Licensees	IPA Parties
US PFA	• TransCanada Alaska Company, LLC	• TransCanada Alaska Development Inc. • ExxonMobil Alaska Midstream Gas Investments, LLC
Canada PFA	• Foothills Pipe Lines (North B.C.) Ltd. • Foothills Pipe Lines (South Yukon) Ltd.	• TransCanada PipeLines Limited • ExxonMobil Canada Resources Company

TransCanada

Project Framework (cont'd)

- Interim Project Agreement (IPA) establishes basis under which TC / EM work together
- Project Funding Agreements (PFA) are companion agreements to IPA
  - Executed simultaneously with IPA; separate PFA for US and Canada
  - Provides "bridge" between TC Licensees and IPA parties
- TC Licensees maintain interface with the State of Alaska and retain AGIA obligations
- TC Licensees maintain sole discretion over request for State reimbursement for qualified expenditures

TransCanada

Project Framework (cont'd)

- TC Licensees have right to all work provided to them by IPA parties for purposes of meeting TC AGIA obligations
- All major project components, including regulatory filings and Open Season contracts, will be made or entered into in the name of and on behalf of the AGIA Licensees
- TC Licensees have the right, at all times, to progress the project alone, if they so choose.
  - If TC Licensees elect to do so, they have the right to all jointly-developed work product; and both parties will retain rights to project information
  - Parties have agreed to a reasonable transition to sole management by TC in the event of a termination
- During the term of PFA, the IPA parties will earn non-voting interests in the TC Licensees, upon transfer of work product

TransCanada

Project Framework (cont'd)

- When EM becomes a participant in TC Licensees, the non-voting interests will convert to voting interests in AGIA Licensees
- State reimbursements to TC Licensees will be distributed to IPA parties in proportion to their participating interests in the IPA
- IPA includes typical joint venture terms
- The project is managed by a Management Committee, with TC as chair (Tony Palmer)
- Fully-integrated project team staffed at all levels by personnel of both TC / EM
- EM is IPA lead and TC is the sub-IPA lead for the Canadian portion of the project. Through Open Season, TC remains primarily responsible for the overall pipeline / compression work and EM primarily responsible for the GTP work.
- Project costs are jointly funded based on the parties' proportionate shares.

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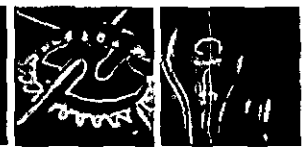
Benefits of Alignment with ExxonMobil



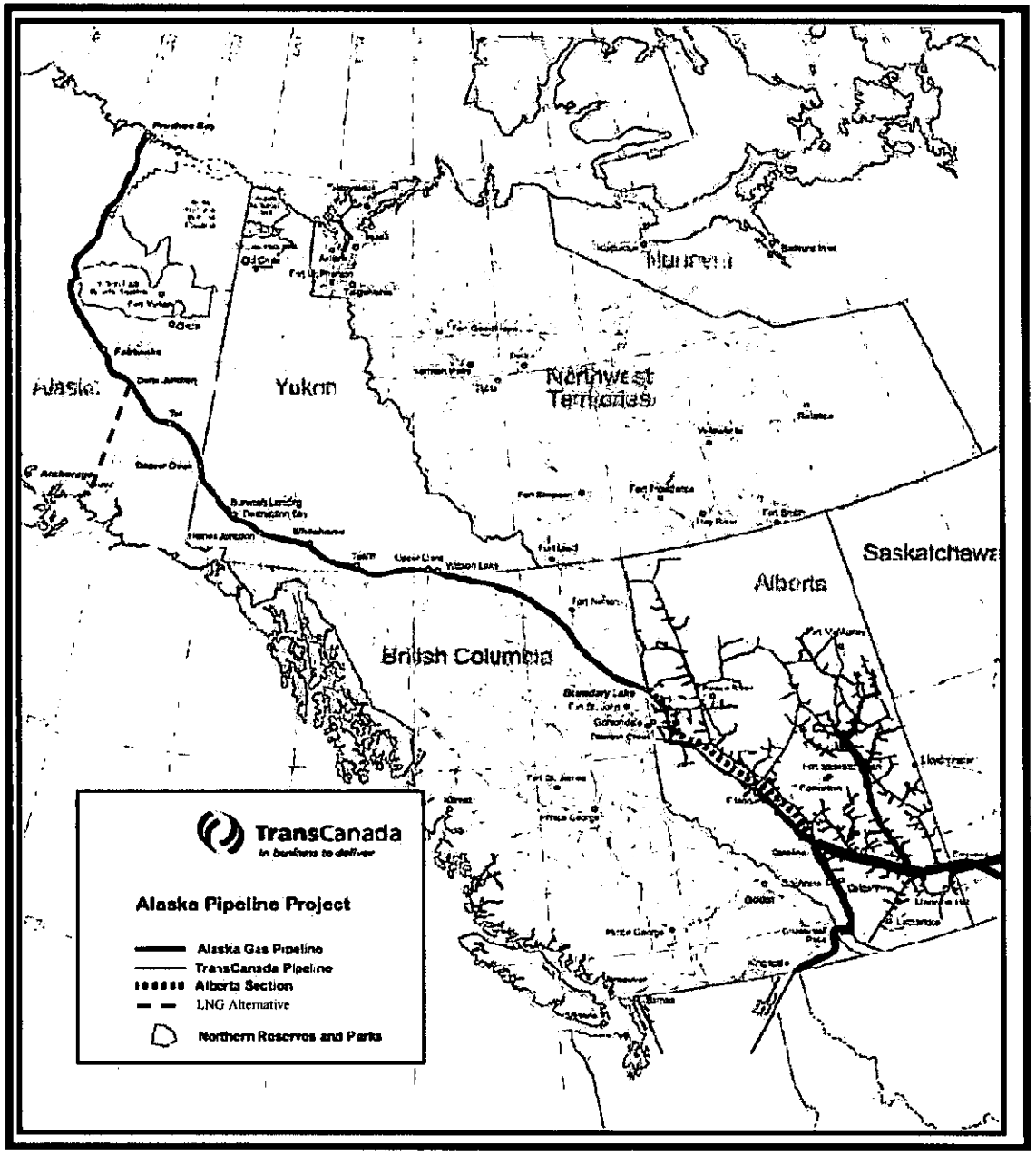
- Represents real progress to align all essential parties necessary for successful project
  - TC/State alignment under AGIA License in 2008
  - EM supports progress of TransCanada's Alaska Pipeline Project under AGIA
  - EM ready to work with State of Alaska and TC to become a full participant in AGIA Licensees
- Combination of TC and EM brings unrivaled expertise and experience to the project
  - TransCanada
    - TC has in-house expertise and experience to develop top quality CAPEX and rate estimates for the initial Open Season
    - 2000+ employees responsible for transporting 20% of North American gas
    - Recipient of the 2008 Global Pipeline Award for leading-edge technology
    - Current North American pipeline projects: $12 B Keystone Project under construction, North Central Corridor Project in Alberta under construction, Bison and Guadalajara pipelines in application/approval stages

TransCanada

Benefits of Alignment with ExxonMobil (cont'd)

- ExxonMobil
  - Global financial and project management strength
  - Recognized industry leader in execution of large complex projects
  - Substantial financial resources
  - Largest holder of discovered Alaska North Slope natural gas resources
  - Gas treatment plant technology/expertise, as well as pipeline systems
  - Decades of Alaska experience
  - Access to 2001 ANS Producer Study and TAPS information
  - Committed to timely development of Alaska's gas resources
- Combination will deliver excellence in project execution
- TC/ EM share a common goal – realization of an Alaska pipeline project constructed under AGIA
  - Need full support of State of Alaska, US/Canadian governments, North Slope producers, including ConocoPhillips and BP, and other interested parties

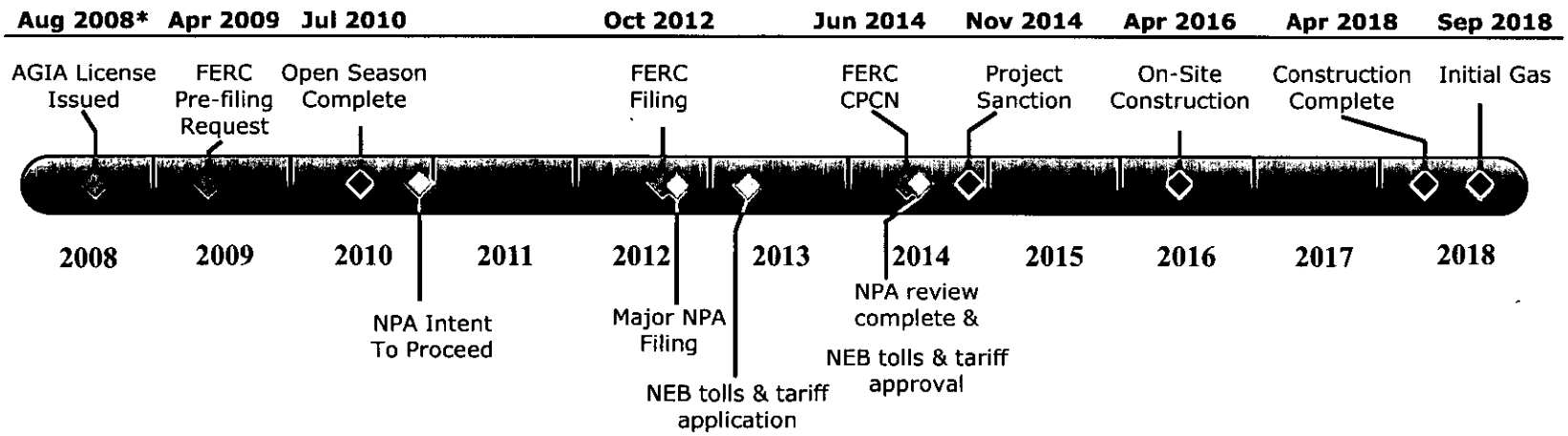
TransCanada



TransCanada's Alaska Pipeline Project

TransCanada

Project Schedule



◆ Common project activities

◇ Alaska-specific activities

◇ Canada-specific activities

* AGIA license assumed to be issued in August 2008 – actual date December 5, 2008

TransCanada

TC Project Accomplishments Since June 2008

- TC/State alignment under AGIA License
  - TC Application reviewed and License approved by Legislature
  - AGIA License issued on December 5, 2008
  - AGIA Coordinator appointed
- Alignment with ExxonMobil
  - Achieves real progress toward broader alignment
- Capital Cost Estimate – engineering, environmental, limited field work, etc.
  - Extensive work underway since August 2008
  - Project team in place
  - Pre-FEED contractors retained – significant Alaska players engaged
  - Bringing EM personnel onboard broadens the expertise and experience of TC's project team and enhances credibility with potential customers

TransCanada

TC Project Accomplishments Since June 2008 (cont'd)

- Attracting Customers
  - Ongoing discussions with potential customers for deliveries in Alaska, LNG via Valdez and to Lower 48 markets via Alberta Hub
  - Drafting of commercial terms for Open Season underway
  - EM alignment improves likelihood of success
- LNG
  - Cost estimation and commercial terms drafting underway
  - Discussions with potential customers resulted in 3.0 Bcf/d design
  - Potential customers can select Valdez as delivery point in initial Open Season

TransCanada

TC Project Accomplishments Since June 2008 (cont'd)

- Canada Regulatory
  - EM reviewed / endorsed NPA as the Canadian regulatory model for project
  - Re-staffing of Northern Pipeline Agency underway
  - Northern Pipeline Agency coordinating project within Government of Canada, and with Canadian provinces
    - Multi-department meetings completed with federal agencies, BC and Yukon
    - Individual agency meetings underway
- U.S. Regulatory
  - FERC Pre-file
    - April 2009, two years earlier than TC's approved AGIA schedule
    - Progressing communications with FERC project staff
  - Multi-agency meetings complete, individual meetings underway
  - Ongoing discussions with Federal and State coordinating agencies

TransCanada

TC Project Accomplishments Since June 2008 (cont'd)

- Canadian First Nations
  - TC has contacted all Right-of-Way First Nations and offered to negotiate Participation Agreements
  - 5 of 8 Yukon First Nations ready to discuss
  - Negotiations have commenced with some parties
- ANNGTC Withdrawn Partners
  - ANNGTC Partnership in dissolution
  - Full mutual releases in hand from all but one Withdrawn Partner
- Fort Nelson Upside
  - NEB decision approving Federal regulation for TC Alberta System improves chance of achieving Fort Nelson upside
  - TC also proposing Groundbirch and Horn River pipelines into North BC

TransCanada

TC Project Accomplishments Since June 2008 (cont'd)

- In-State Gas Study
  - Contract awarded to Northern Economics
- Anchorage Office
  - Open in early 2009
  - Expansion planned later this summer

TransCanada

Next Steps Through Open Season to July 2010

- Complete cost estimate
  - Engineering, environmental, field work, etc.
- Finalize Commercial Terms and Precedent Agreements
- Advance Canadian First Nations Participation Agreements and Fort Nelson issue
- Complete In-State Gas Study
- Ongoing discussions with potential customers
- State/EM dialogue on issues to achieve successful initial Open Season
- File Open Season package with FERC and obtain approval
- Conduct Open Season

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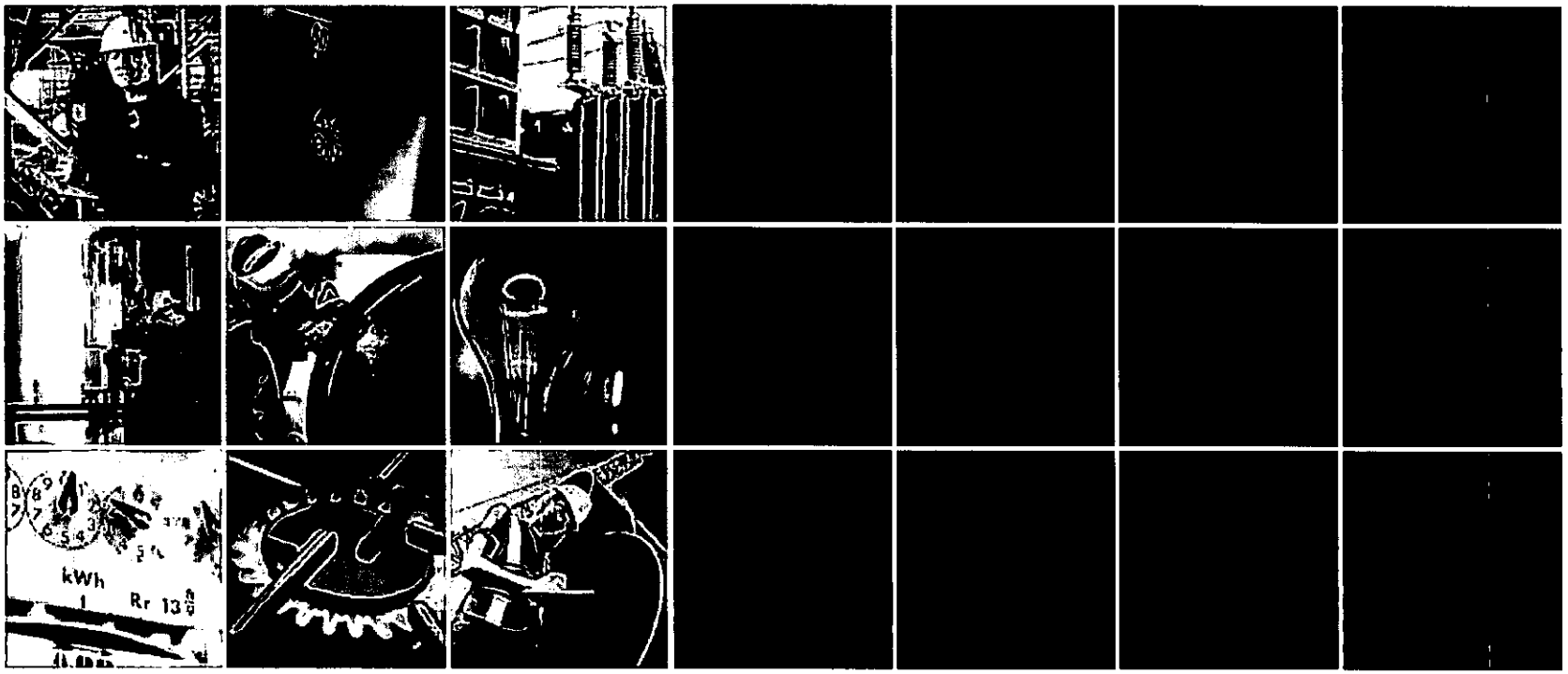


Thank You

TransCanada
In business to deliver

STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES & DEPARTMENT OF REVENUE

ALASKA GASLINE INDUCEMENT ACT

For Immediate Release - On Thursday June 11, the Governor's Gasline Team Lead, Marty Rutherford, issued a letter to TransCanada's Tony Palmer stating that the proposed project agreement between TransCanada Corporation and ExxonMobil would not require state approval as an amendment or modification of the license issued under the Alaska Gasline Inducement Act (AGIA).

Under the agreement, ExxonMobil will work with Alaska's project licensee, TransCanada Alaska (TC Alaska), to progress the AGIA licensed gas pipeline project. TC Alaska's obligations under the AGIA license will not be impacted by the new partnership, nor is Exxon's participation contingent upon any action or concession from the State. "The partnership is an exciting step forward," said Commissioner Tom Irwin. "It demonstrates just the type of commercial alignment which AGIA was designed to encourage."

By adopting the AGIA process, the legislature established a clear set of commercial terms for developing a pipeline to commercialize Alaska's North Slope natural gas resources. Through an open and transparent bidding process, TC Alaska was awarded the state's AGIA license. Under the license, TC Alaska has committed to advance a gas pipeline project to the point of securing a certificate of public convenience and necessity (CPCN) from the Federal Energy Regulatory Commission (FERC). In addition, the AGIA license ensures that the pipeline will be operated to provide low cost tariffs and open access for new gas shippers. In exchange for those commitments, the state will invest up to $500 million in the development of the project, and provide certain tax and royalty terms for gas which is committed during the initial Open Season.

Under the agreement, the project schedule will remain unchanged. An initial Open Season will be completed in July 2010, during which potential shippers will be provided an opportunity to make shipping commitments for capacity in the pipeline, either to Alberta and into the North American gas pipeline network, or to Valdez for liquefaction and shipment as LNG.

ExxonMobil's actions show that they believe that working with TransCanada and the state through AGIA is the best opportunity for aligning the parties to move this project forward. They bring world-class expertise to the project in construction planning, regulatory and environmental work, as well as technical capability and prior study information that will enhance development of the Gas Treatment Plant. Their early collaboration with TC Alaska will accelerate pre-Open Season spending to roughly $150 million, and will help to ensure a project design that is tailored to meet the technical needs of potential gas shippers.

The Commissioners indicated that there will be additional opportunities to enhance stakeholder alignment. "This new partnership is further confirmation of the project's commercial viability" said Commissioner Pat Galvin. "This event continues the undeniable progress in this long lead-time project. An AGIA gasline provides Alaskans with a source of careers, affordable energy, and secure state revenue. Producers and new explorers in the state will benefit from an affordable and accessible means of monetizing Alaska's vast natural gas resources. Americans will receive a plentiful and reliable source of clean energy, and a step towards energy independence."

For supporting documents and further information please visit http://www.gov.state.ak.us/agia/

###

ALIGNMENT SUMMARY

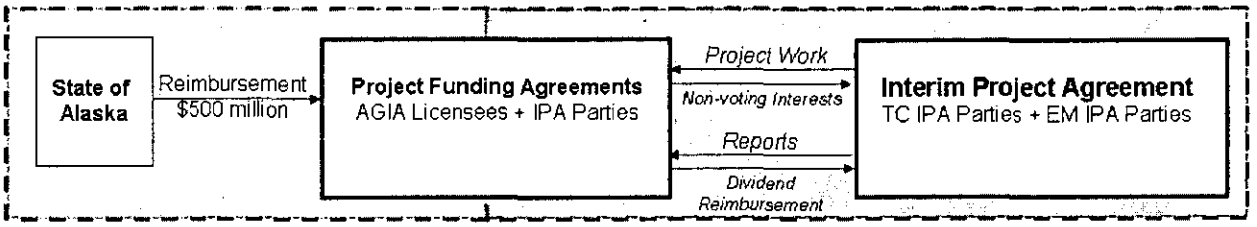
TransCanada's Alaska Pipeline Project – Alignment with ExxonMobil
June 11, 2009

- TransCanada (TC) and ExxonMobil (EM) have reached agreement to work together to progress TransCanada's Alaska Pipeline Project (details on Page 2)
- TC / EM will jointly advance all aspects of the project – technical, commercial, regulatory, financial, etc.
- TC Alaska and Foothills remain the AGIA Licensees; AGIA rights / obligations are unchanged and remain with Licensees; EM is ready to work with the State to enable full participation in the AGIA license
- Project Schedule unchanged – initial Open Season target completion by July 2010
- AGIA Project Scope unchanged – Gas Treating Plant (GTP) and pipeline from Prudhoe Bay to Alaska delivery points, LNG via Valdez, or Lower 48 markets via Alberta Hub
- Current TC / EM alignment not contingent on any commitments by State
- TC can progress project independently if it so elects, using all jointly developed assets / information
- Legislation / Regulatory – utilize ANGPA (Alaska Natural Gas Pipeline Act) in Alaska and NPA (Northern Pipeline Act) in Canada
- Upfront spending increased to $150 million through Open Season – emphasis on early execution / construction planning, regulatory, environmental, land and GTP
- Development costs will be shared by TC / EM
  - TC retains majority interest
  - No change to State's total reimbursement contribution of $500 million
- In early May, TC provided State Administration with full disclosure of proposed TC / EM arrangement
  - State has reviewed the TC / EM arrangement and has determined that no action is needed by the State as a results of the arrangement
  - State administration supports TC / EM alignment

Bottom Line Benefits

- Real progress to align all essential parties necessary for successful project
  - Need full support of State of Alaska, US / Canadian governments, North Slope producers, and other interested parties
- Combination of TC and EM brings unrivaled expertise and experience to the project
- TC / EM share a common goal – realization of an Alaska pipeline project

Project Framework



	AGIA Licensees	IPA Parties
US PFA	• TransCanada Alaska Company, LLC	• TransCanada Alaska Development Inc. • ExxonMobil Alaska Midstream Gas Investments, LLC
Canada PFA	• Foothills Pipe Lines (North B.C.) Ltd. • Foothills Pipe Lines (South Yukon) Ltd.	• TransCanada PipeLines Ltd. • ExxonMobil Canada Resources Company

- Objective is to perform work necessary to facilitate completion by TC Licensees of Open Seasons in US and Canada by target of July 2010 and pursue required regulatory authorizations for pipeline construction
- Interim Project Agreement (IPA) establishes basis under which TC / EM work together
- Project Funding Agreements (PFA) are companion agreements to IPA
  - Executed simultaneously with IPA; a separate PFA for US and Canada
  - Provides "bridge" between TC Licensees and IPA parties
- TC Licensees maintain interface with the State of Alaska and retain AGIA obligations
- TC Licensees maintain sole discretion over request for State reimbursement for qualified expenditures
- TC Licensees have right to use all work provided to them by the IPA parties for the purposes of meeting the TC AGIA obligations
- All major project components, including regulatory filings and open season contracts, will be made or entered into in the name of and on behalf of the AGIA Licensees
- TC Licensees have the right, at all times, to progress the project alone, if they so choose
  - If TC Licensees elect to do so, they have the right to all jointly developed work product and both parties will retain rights to project information
  - Parties have agreed to a reasonable transition to sole management by TC in the event of a termination

- During the term of the PFA, the IPA parties will earn non-voting interests in the TC Licensees, upon the transfer of work product
- At the time EM becomes a participant in the TC Licensees, the non-voting interests will convert to voting interests in the AGIA Licensees
- State reimbursements to TC Licensees will be distributed to the IPA parties through dividends, in proportion to their participating interests in the IPA
- IPA includes typical joint venture terms
- The project is managed by a Management Committee, with TC as chair (Tony Palmer)
- Fully-integrated project team staffed at all levels by personnel of both TC / EM
- EM is IPA lead and TC is the sub-IPA lead for the Canadian portion of the project; through Open Season, TC remains primarily responsible for the overall pipeline / compression work and EM primarily responsible for the GTP work
- Project costs are jointly funded based on the parties' proportionate shares

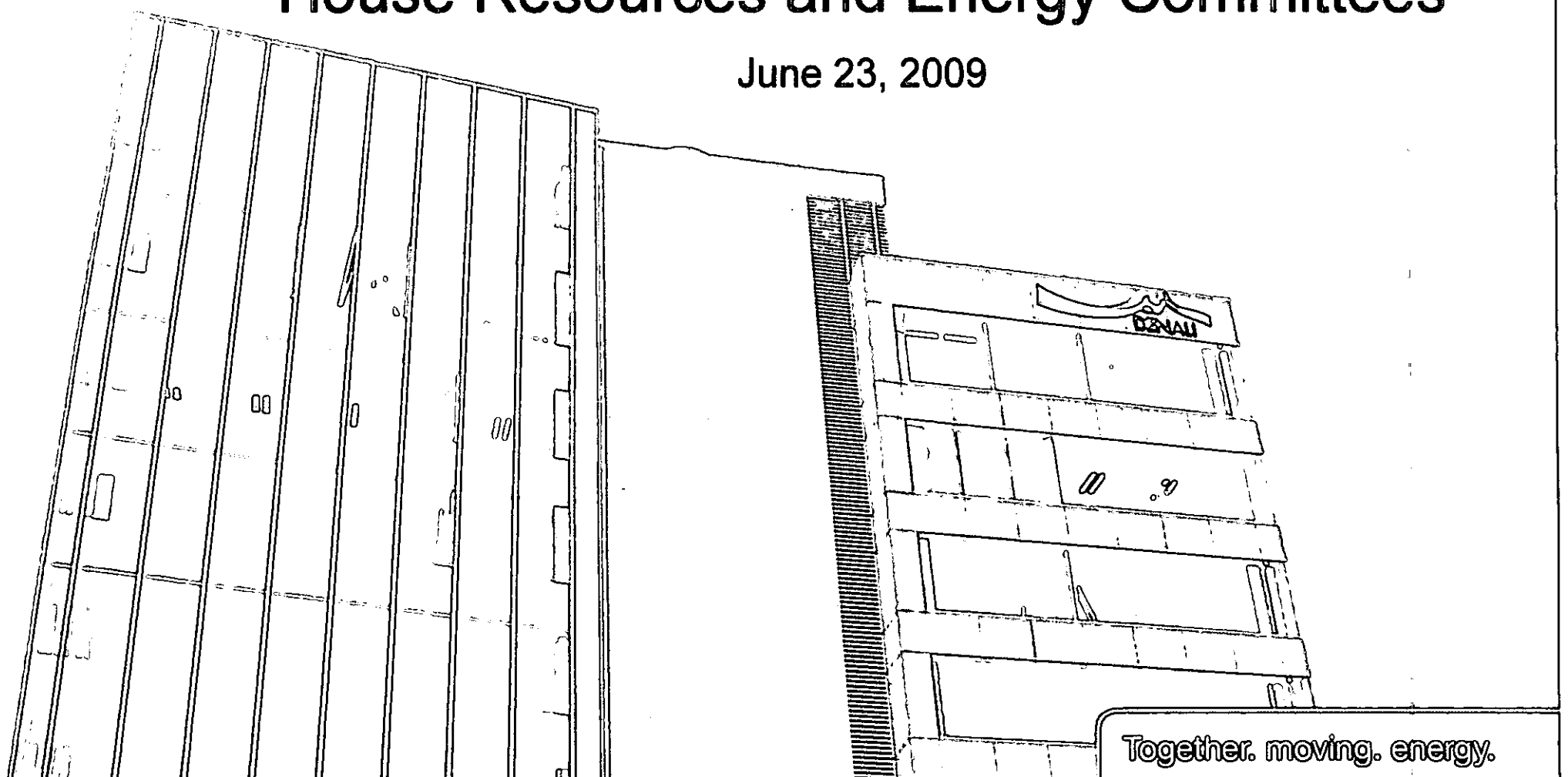
DENALI

the alaska gas pipeline

www.denalipipeline.com

Project Update
House Resources and Energy Committees

June 23, 2009



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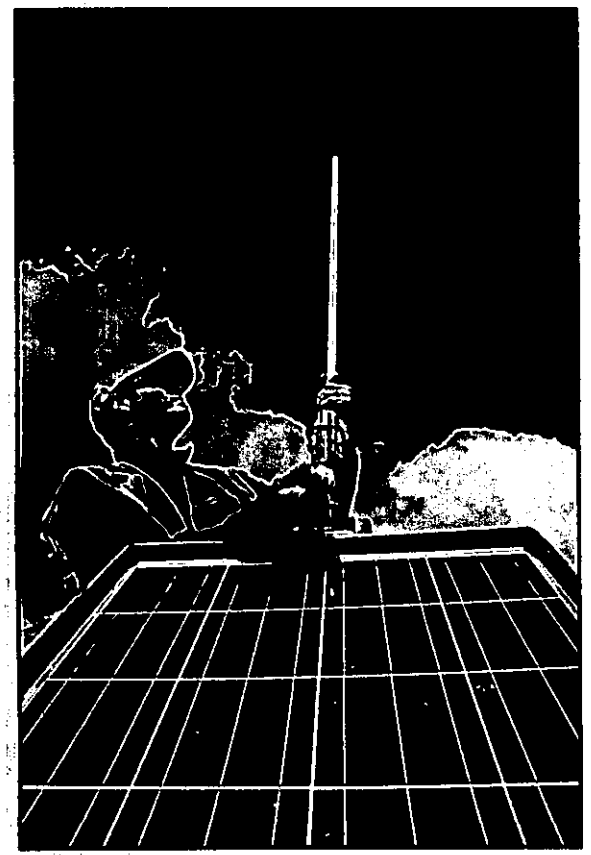
Denali - The Alaska Gas Pipeline



Moving Forward -

- BP and ConocoPhillips formed Denali to build the Alaska Gas Pipeline
- Denali is uniquely qualified to deliver this gigantic, complex project
  - Unparalleled experience in North Slope operations and project construction
  - Worldwide experience in constructing and operating mega projects
  - Strong balance sheets
- Denali remains on track to conduct an Open Season in 2010
- Positioned for a superior commercial offering
- The economy has not changed our focus

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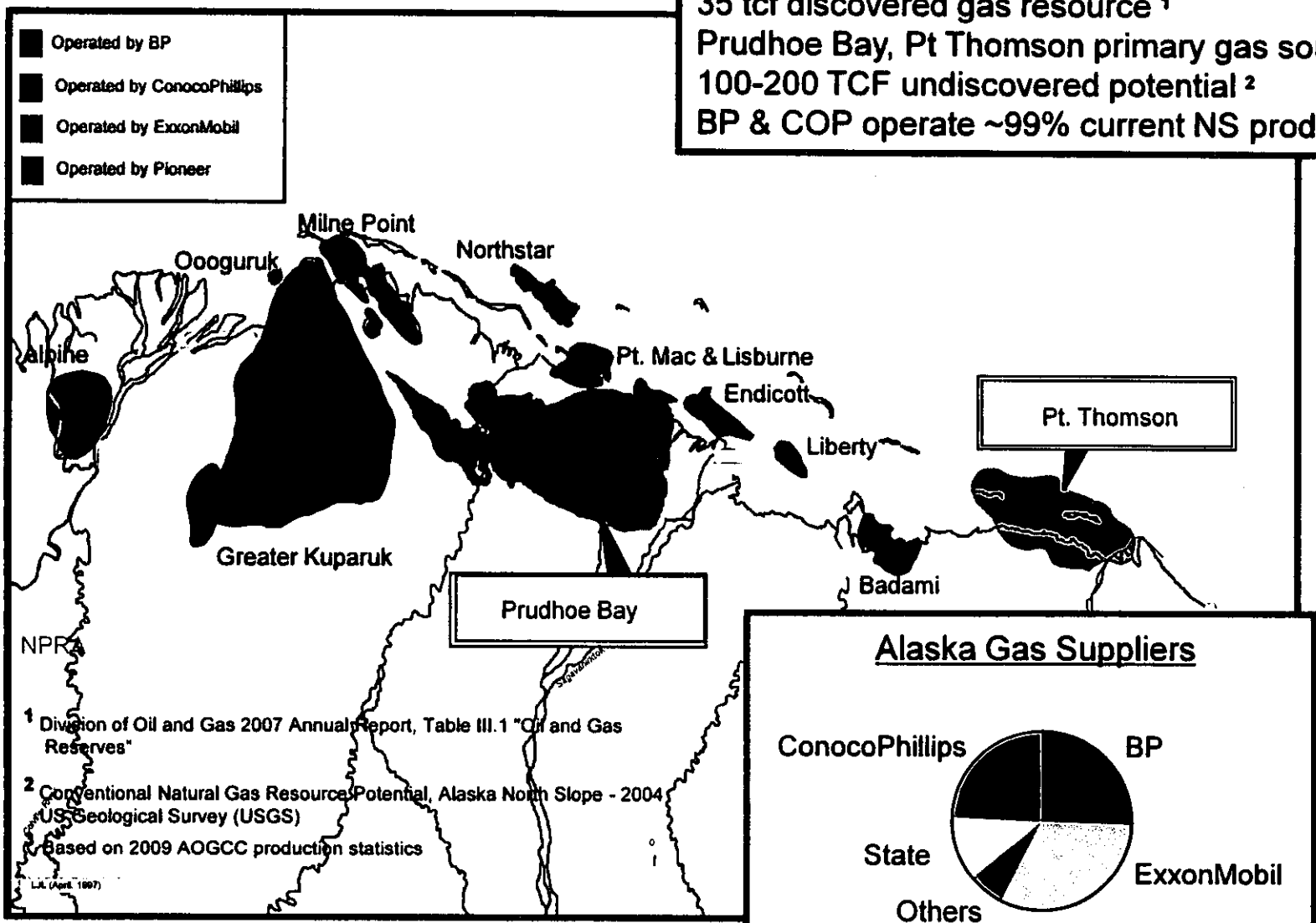
North Slope Oil and Gas Fields

35 tcf discovered gas resource [1]
Prudhoe Bay, Pt Thomson primary gas sources
100-200 TCF undiscovered potential [2]
BP & COP operate ~99% current NS production[3]



1 Division of Oil and Gas 2007 Annual Report, Table III.1 "Oil and Gas Reserves"

2 Conventional Natural Gas Resource Potential, Alaska North Slope - 2004 US Geological Survey (USGS)

3 Based on 2009 AOGCC production statistics

Alaska Gas Suppliers

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Regulatory Frameworks – U.S. and Canada

U.S.

- The Federal Energy Regulatory Commission (FERC) is responsible for authorizing and ***regulating*** the project
- The Alaska Gasline Inducement Act (AGIA) is not an exclusive license to build a pipeline. Denali can proceed outside of AGIA

Canada

- Denali will use the National Energy Board (NEB) process which incorporates all of the modern environmental regulations and is open to any project proponent
- The NEB and FERC have a history of working together to approve cross-border energy projects

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Denali Terms of Service

- Denali is an Open Access pipeline – *It's the law*
  - *"People have open access to the pipeline, not just the producers."* (FERC testimony to Joint AGIA Committee, June 16, 2008)
- Will include the gas treatment plant
- Distance sensitive transportation rates for local use
- Will use FERC mandated rolled in rates
- Design will provide for efficient expandability
- Solicit shippers every two years regarding expansion
- Will provide at least five offtake points within Alaska
- Will provide offtake points in Canada if warranted

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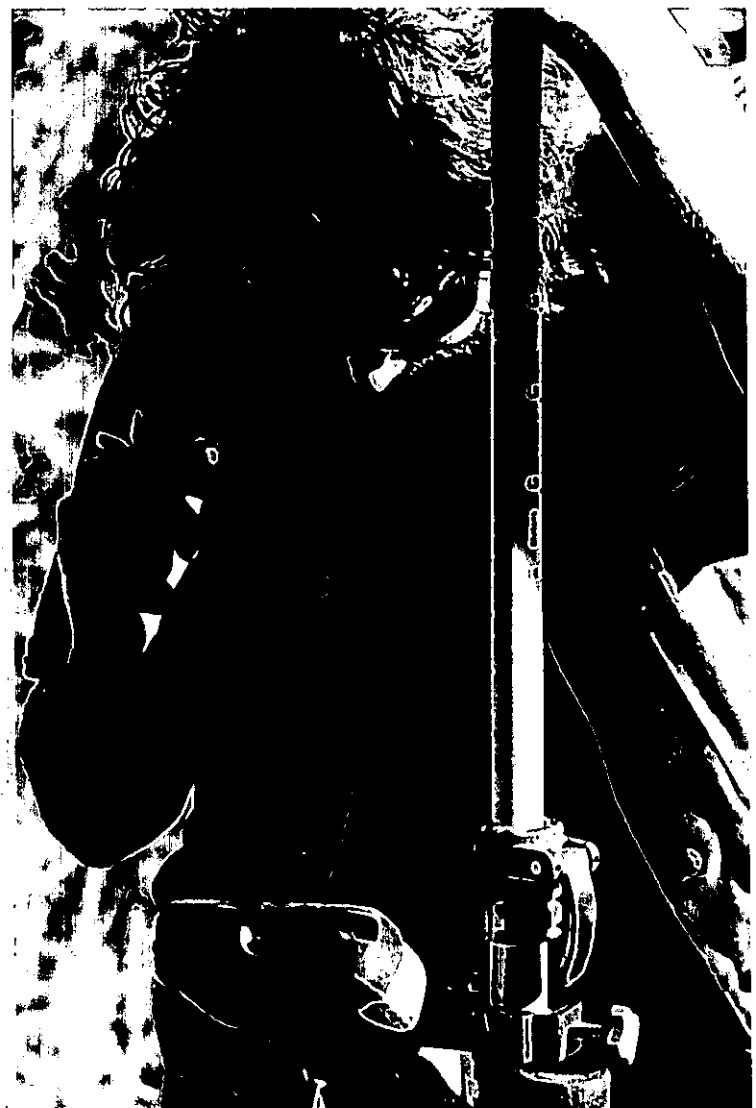
Denali Progress – Key Accomplishments



Spent ~$100 million in the past year

- Project Team mobilized
- Core team of 80 to 90 people with Anchorage and Canadian Headquarters
- FERC pre-filing request approved
- Filed Right of Way on federal lands with Bureau of Land Management
- Successful 2008 summer field program
- Community outreach meetings in Alaska and Canada
- Advanced workforce development
- Met with Alaska, U.S. and Canadian government officials
- Awarded contracts for multi-million dollar Gas Treatment Plant and Pipeline preliminary engineering

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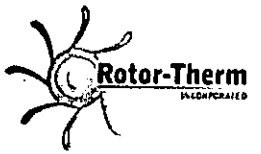
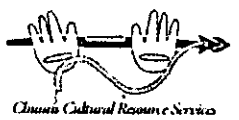
Denali has a core team of 80-90 people and dozens of contractor companies supporting its work





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2009 Plans Focused on Open Season

- Broader work program will result in updated cost estimate – necessary for 2010 open season
- Ongoing work with DNR, FERC, NEB, OFC, BLM
- Continue to meet FERC prefiling requirements and engage FERC 3rd Party Contractor
- Work with AK DOTPF to advise on infrastructure requirements
- Field work program focused on Canada
- Workforce Development (UAF, AKDOL, survey crew training)
- Stakeholder engagement in Alaska and Canada
- Progress commercial work for open season

Fluor / WorleyParsons
ARCTIC SOLUTIONS

BECHTEL

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Denali is on track and moving ahead

- Focus on 2010 Open Season
- Cost estimate will provide confidence to shippers
- Denali positioned for a superior commercial offering
- Denali does not require state funding to move forward
- The economy and competition has not changed our focus

10/9/09 OVERVIEW: COOK INLET REGIONAL INC. NEW ENERGY...

COOK INLET REGION INC.

An **Alaska Native** corporation

Energy Briefing

October 9, 2009

COOK INLET REGION INC.

An **Alaska Native** corporation

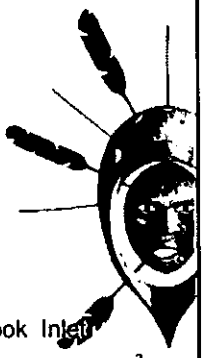
1

About CIRI

CIRI (Cook Inlet Region Inc.) is an Alaska Native corporation

Key Facts:

- One of 12 Alaska-based regional corporations established by the Alaska Native Claims Settlement Act of 1971 to benefit Alaska Natives who had ties to the Cook Inlet region
- Owned by more than 7,500 Alaska Native shareholders of Athabascan and Southeast Indian, Inupiat and Yup'ik Eskimo, Alutiiq and Aleut descent
- Based in Anchorage and has interests across Alaska, the United States and abroad
- Overall portfolio: tourism, real estate, wireless communications, traditional and alternative energy
- Substantial ownership of surface and subsurface land around cook Inlet and Southcentral Alaska



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Need for new energy

- Southcentral Alaska faces imminent shortages of local natural gas for heat and electricity
- CIRI is developing diverse, environmentally-responsible energy solutions
- Underground coal gasification (UCG) is a timely and local energy solution

3

CIRI's project

4

CIRI's UCG project

- Underground coal gasification (UCG) project sized to fuel a new 100-MW combined-cycle power plant
- Located on CIRI lands on the west side of Cook Inlet
- Create syngas (also know as a synthesis gas), which can be used to generate electricity or upgraded to synthetic natural gas or clean liquid fuels
- Committed to carbon capture and sequestration by way of enhanced oil recovery
- Integrated carbon capture and sequestration (UCG + CCS is a world-first project)

5

CIRI project area

- CIRI has substantial land holdings on the west side of Cook Inlet, in Alaska
- CIRI is evaluating UCG development sites near Beluga area natural gas fields and infrastructure
- Area is remote and largely unpopulated near existing infrastructure and development

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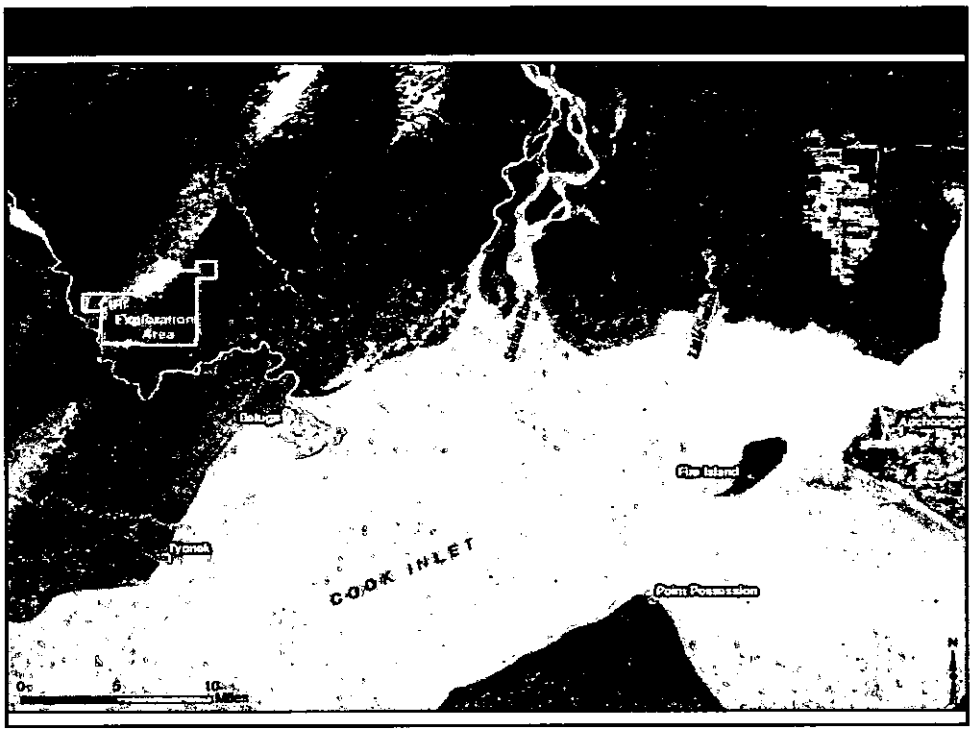
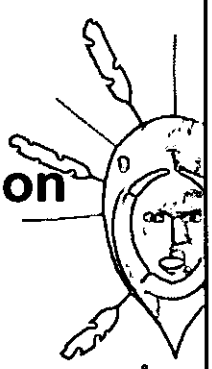


Underground Coal Gasification



What is Underground Coal Gasification (UCG)?

UCG is a proven technological process that harnesses the energy potential of coal in the ground without mining

- Coal + H_20 + O_2 + heat = H_2 + CO + CO_2 + methane gases
- Product is "syngas," also known as a synthesis gas
- Process occurs deep underground without mining

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Syngas

UCG produces 'syngas' (or synthesis gas)

This energy-rich gas product can be:

- Handled and used like natural gas
- Used to fuel a turbine to generate electricity
- Upgraded or converted to make synthetic natural gas or liquid fuels

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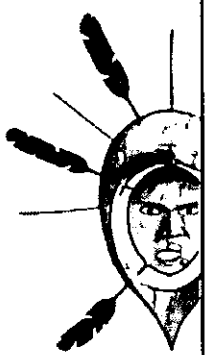
As clean as natural gas

UCG-produced syngas using pre-combustion carbon capture:

- Can result in lower CO_2 emissions than a combined-cycle natural gas power plant
- Has emissions of other tracked compounds (SO_x, NO_x, etc.) comparable to natural gas



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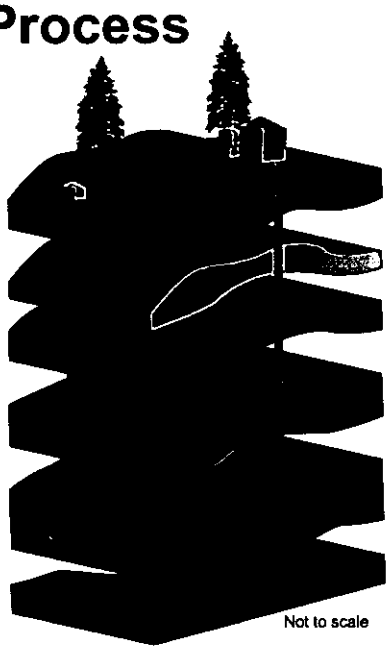
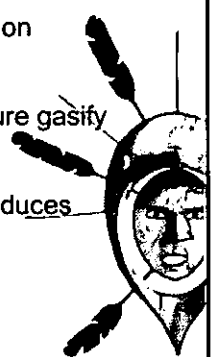
The Process



- Drill two wells and create a connection between the wells
- At one well, inject an oxidant such as air
- Start a combustion reaction
- Heat and pressure gasify the coal
- Second well produces gas to surface



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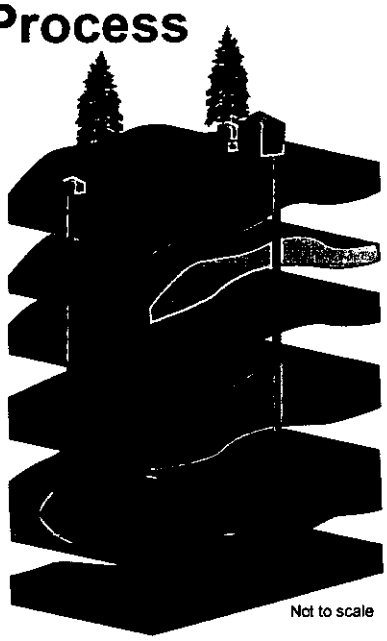
The Process



- Ash and other byproducts remain underground
- Processing and clean-up at the surface prepares gas for near-site use or transport
- Carbon capture and sequestration

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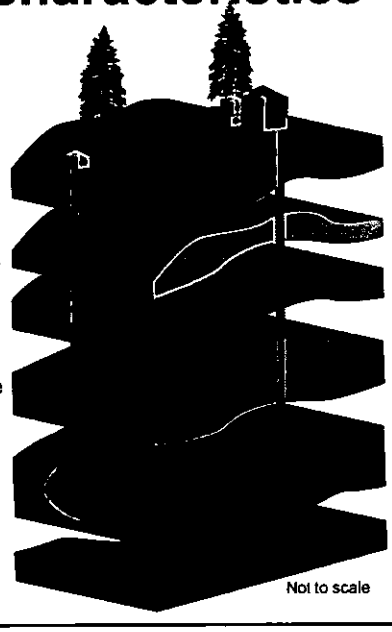
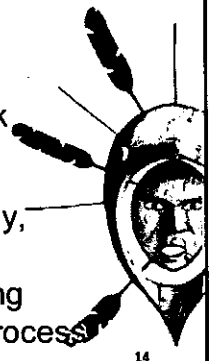
Site characteristics



- More than 650 feet deep
- Below and isolated from the fresh water aquifer
- Strong and impermeable overlying rock layers
- Ongoing study, testing and monitoring throughout process



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Mitigating Hazards

•Manage surface subsidence and groundwater contamination with careful site selection, site characterization, project design and operation, and subsequent monitoring

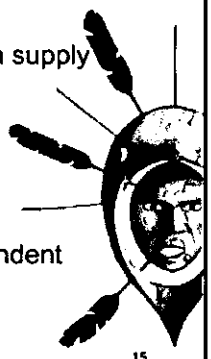
•Process pressure is carefully managed to contain contaminates in the process cavity

•Operators control or halt the process by managing oxygen supply

•Natural water influx quenches the reaction, eliminating the possibility of unwanted coal-seam fires

•Technology provider has a proven track record

•Lawrence Livermore National Laboratory is CIRI's independent technology consultant



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Why UCG?

16

Practical, reliable energy

- Proven energy technology to access an abundant local resource
- Produces syngas (synthesis gas) that can generate electricity or be converted to other products such as synthetic natural gas
- Provides a secure domestic energy supply and a bridge fuel for the future
- Very efficient process

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Safe and proven

- The reaction is controlled and can be stopped at any time
- Risks are mitigated by careful site selection and characterization, project design and operation, and ongoing monitoring
- More than 50 test and commercial projects completed worldwide
- A "here-now" technology that responsibly harnesses an abundant energy resource

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Environmental Benefits

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Low-impact energy production

- Requires minimal surface infrastructure
- Eliminates environmental risks/problems associated with coal mining, handling, transport and waste
- Leaves most coal byproducts safely contained deep underground
- Enables carbon capture and sequestration (CCS)
- Highly efficient at producing energy content of coal resource

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Enables CCS

- UCG process produces syngas at temperatures and pressures that allow relatively easy, low-cost carbon removal at the surface, prior to burning
- UCG with carbon capture and sequestration leaves a carbon footprint that is far smaller than coal and similar to natural gas
- CO_2 is easily separated from syngas using existing scrubbing technologies for underground sequestration
- Commercial-scale carbon capture has successfully removed CO_2 at surface coal gasification plants

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Enhanced Oil Recovery (EOR)

- Proven method of carbon sequestration
- Economically-preferred method of sequestration
- Extends productive life of existing oil fields

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Environmental benefits of EOR

- Maximizes use of existing oilfield infrastructure
- Environmental impact of development already realized by legacy oil development
- Reduces pressure to explore and develop additional areas

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UCG is not coal mining

•No open pits, mountaintop removal or tailing piles

•No surface water pollution or impact

•Reduces or eliminates pollutants that accompany coal mining

•No surface ash and slag waste handling

•Project site is small and easily restored upon project completion

•Not coal bed methane extraction

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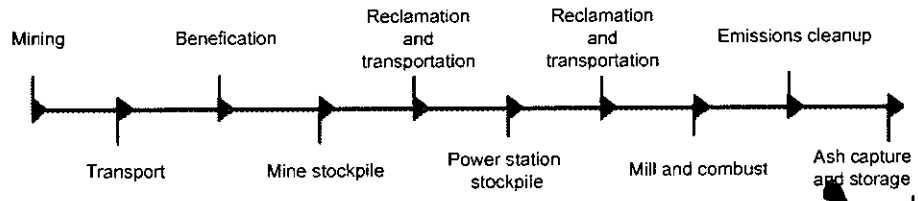
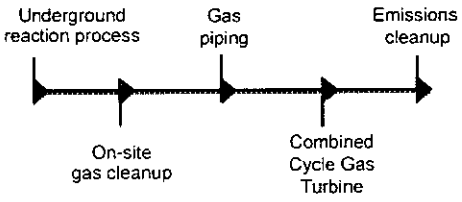
UCG is not coal mining





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CIRI's commitment

CIRI will only begin building a UCG facility after a deliberate, thoughtful process

- Performing all necessary due diligence, Environmental Impact Statement (EIS) and securing all necessary permits
- Reaching agreements with world-class technology partners
- Evaluating input from local and national stakeholders

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Timeline

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Preliminary timeline

Dec. 2009: Resource Assessment drilling begins

Feb. 2010: Preliminary Resource Assessment results; Preliminary site selection

Mar. 2010: Pre-feasibility drilling begins

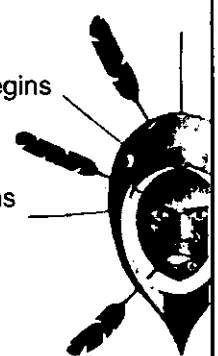
Aug. 2010: Site characterization drilling begins

Nov. 2010: Project permit application preparation begins

Nov. 2012: Project permits received

Jan. 2013: Above-ground project construction begins

Jan. 2014: Commercial operations begin



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CIRI

What is Underground Coal Gasification?

Underground Coal Gasification (UCG) is a technology that harnesses the energy potential of coal in the ground without mining. The gasification process takes place deep underground within the coal seam. Air is injected into the coal through one well. The coal is then synthesized into a product called syngas, also known as synthesis gas, and produced from a second well. UCG uses reactions between the coal, oxygen from the injected air and water that is in the coal seam to produce hydrogen, carbon monoxide and methane. The syngas can be handled and used much like natural gas. It can, for example, be piped, stored and used to fuel a turbine to generate electricity. Syngas can also be upgraded with methanation into synthetic natural gas.

The gasification process occurs underground ("in-situ"), foregoing most of the dangerous, dirty and destructive effects of coal mining. UCG requires minimal infrastructure and involves very little physical disruption to the natural area above the coal seam. There are wells, pipelines, compressors and some gas processing equipment at the production site.

UCG represents a dramatic shift in the method of accessing and unlocking the energy potential of an abundant domestic natural resource. When combined with carbon capture and sequestration, the UCG process of producing, transporting and using coal energy leaves about the same carbon footprint as traditional natural gas.

UCG: How it works

Responsible UCG projects require careful site selection and evaluation to identify deep coal seams that are typically at least 650 feet below the surface, below the water table and contained by strong, impermeable layers of rock.

After appropriate site selection and evaluation, the process typically begins by drilling two well holes into the coal seam a few hundred feet apart. Operators inject air (for the oxygen) into one of the wells and then start a carefully-controlled combustion reaction. The heat and pressure created by the reaction converts the coal into syngas. The gas moves through a permeable path that has been created in the coal where the second well vents it to the surface. Only syngas is removed, leaving ash and most other byproducts deep underground. Following some surface processing, the gas is ready for near-site use or transport. The operation can be expanded by drilling additional process wells. Some of the coal is left in place to prevent subsidence (unintentional settling).

The UCG process is controlled from the surface by managing the injection of the oxygen. Operators can quickly halt the process at any time by cutting the oxygen supply or flooding the well with water. Natural water influx will quench the reactions, eliminating any potential for unwanted coal-seam fires.

Why consider UCG?

Commercial-scale UCG projects have been used to gasify coal for more than 50 years. There have been more than 50 test and commercial UCG projects worldwide, including in the United States. Numerous commercial operations are currently in various stages of design, development, scale-up or operation. Recent investment and scientific study have led to a better scientific understanding of the UCG process.

Commercial-scale carbon capture technologies are mature and have been successfully used for years to remove carbon dioxide from syngas produced at surface coal-gasification plants. UCG lends itself easily to carbon capture and sequestration. The UCG process also produces syngas at temperatures, pressures and CO_2 concentrations that enable relatively simple, low-cost carbon removal, prior to use. The syngas is then burned to create clean energy with a carbon emission footprint similar to that of natural gas and far below that of coal mining and combustion.

UCG with CCS eliminates most of the environmental and safety issues associated with coal mining and energy generation, including mine safety, surface disfiguration, coal dust, surface water contamination and other pollutants including carbon dioxide, nitrogen oxide, sulfur dioxide, ash, mercury, arsenic, sulfur and tar. UCG's biggest environmental concerns involve subsidence and underground residues that can be managed with careful project site selection and evaluation, design and operation.

UCG with carbon capture is clean, economical and safe. It has a small carbon and environmental footprint. UCG with CCS can become a bridge technology that will help our nation move toward domestically produced, sustainable energy resources and away from its dependence on imported oil.

Key Facts

- UCG harnesses the energy potential of coal underneath the ground—without conventional mining
- UCG produces syngas, which can be burned directly for heat or electricity, or converted to other products such as synthetic natural gas, hydrogen, methanol or hydrocarbon liquids
- UCG works well in conjunction with carbon capture and sequestration (CCS)
- UCG with CCS can provide clean, reliable and competitively-priced power to meet today's energy needs
- UCG uses coal that is otherwise not economically recoverable
- UCG is a safe technology that has been used commercially for more than 50 years
- Careful site selection and process operation assure minimal environmental impacts
- UCG with carbon capture is a bridge technology that can help Alaska and the United States move toward energy independence

CIRI

Environmental Benefits of UCG

Underground coal gasification (UCG) is a proven technology that harnesses the energy potential of coal in the ground while avoiding the environmental risks and hazards of coal mining. It represents a promising opportunity to meet our energy needs using coal, one of our most abundant natural resources, in a responsible manner. UCG offers many environmental benefits over conventional coal mining and natural gas extraction, including a lower carbon footprint and options for carbon capture and sequestration (CCS). UCG combined with carbon capture could become an important bridge technology that can help the United States transition from its unsustainable high-carbon economy based on imported oil to a more sustainable economy that relies on domestic energy resources, and ultimately to a clean renewable energy future.

Underground coal gasification represents a drastic shift away from conventional coal mining.

With UCG, coal is gasified through a controlled process that requires a series of wells drilled several hundred feet apart. Site operators inject air into one set of the wells and start a carefully- controlled combustion reaction that converts into syngas that is produced through a second set of wells. The above-ground landscape remains largely untouched. There are no open pits, mountaintop removal or tailing piles because there is no conventional mining and the environmental and health hazards associated with mining are virtually eliminated. Because little above-ground infrastructure is needed, the natural landscape is easily restored upon project completion.

UCG has a smaller carbon footprint.

With UCG, syngas is synthesized from the coal and can be used for power generation or piped to nearby locations, reducing the carbon and other emissions from handling, transportation and waste management associated with coal mining beyond extraction and burning. UCG eliminates the need for miles of conveyor belts pulling coal to rail or shipping lines. There are no clouds of coal dust polluting the environment. UCG produces clean, local, reliable energy.

The UCG process leaves most pollutants underground where they belong.

According to the Lawrence Livermore National Laboratory, UCG results in no production of criteria pollutants including SO_X and NO_X. Many other pollutants, including mercury, particulates and sulfur species, are greatly reduced and easier to handle. Likewise, UCG leaves the coal ash and other process wastes deep underground, eliminating the cost and risk of handling and disposing of dirty surface ash.

UCG syngas burns more cleanly than coal and even natural gas.

Burning UCG-produced syngas with pre-combustion carbon capture can result in lower CO_2 emissions than a combined-cycle natural gas power plant, the cleanest of all fossil fuel plants. UCG-produced syngas also significantly reduces or eliminates SO_X, NO_X, mercury, particulates, coal ash and other pollutants.

UCG lends itself easily to carbon capture and sequestration.

The UCG process also produces syngas at temperatures, pressures and CO_2 concentrations that enable relatively simple, low-cost carbon removal, prior to use.

There are well-established scientific methods for dealing with the remaining environmental risks of UCG syngas production.

The two main environmental risks associated with UCG–surface subsidence and groundwater contamination-are easily managed by careful site selection, project design and project monitoring. Subsidence is a downward shift in the earth's surface into the cavity created in the reactor zone. UCG operations cause less subsidence than underground mining, and this subsidence can be minimized or even eliminated with proper site selection, reactor zone pressure and temperature management. Likewise, the risk of groundwater contamination can be virtually eliminated by selecting a site well below the fresh-water aquifer and with the proper type of impermeable overburden strata. The process chamber pressure is carefully managed to keep it below the hydrostatic pressure in the coal seam to keep water in flux and pollutants in the process cavity.

CIRI

Frequently Asked Questions

Why is CIRI looking at Underground Coal Gasification (UCG)?

CIRI is investing in innovation, technology and a diverse portfolio of clean, dependable and economical energy sources that are critical to the future of Alaska. In addition to our interest in UCG, CIRI's energy projects and investments involve wind, biofuels, and traditional oil and gas operations. Energy is a critical part of CIRI's business and we take seriously the responsibility of providing diversified energy solutions while respecting Alaska's natural environment and cultural traditions.

What is UCG?

UCG is a technological process that harnesses the power of abundant and previously untapped underground coal resources to create cleaner energy without the environmental hazards of coal mining. Read What is UCG? for more detailed information.

Is UCG a proven technology?

Yes. Lawrence Livermore National Laboratories, a research institute funded by the U.S. Department of Energy and home to some of the nation's best minds on energy technology and security, developed UCG best practices based on factual and reliable scientific evidence. Commercial-scale UCG projects have been used to gasify coal for more than 50 years. There have been more than 50 test and commercial UCG projects worldwide, including in the United States. Numerous commercial operations are currently in various stages of design, development, scale-up or operation. Recent investment and scientific studies have led to numerous refinements that make the UCG process safer and cleaner. Several projects have demonstrated that UCG works well with carbon capture and sequestration (CCS) technologies.

How does UCG work?

UCG facilities involve wells drilled into carefully selected deep coal seams that are well below the fresh-water aquifer and contained by overlying, strong impermeable layers of rock. Site operators inject air into one set of wells and start a carefully controlled combustion reaction to convert the coal into syngas that is produced through a second set of wells. The process is designed so that operators can effectively control the oxygen supply and, thereby, combustion from the surface. The process can be stopped at any time for any reason. Read What is UCG? for more detailed information.

How is UCG different from conventional coal mining?

The environmental footprint of UCG is much smaller than both underground and surface coal mining. UCG is conducted completely underground and UCG-produced syngas extracted from the coal can be utilized near-site for power production or efficiently shipped by pipeline to other destinations. The aboveground landscape remains largely untouched. There are no open pits, mountaintop removal or tailing piles. Minimal infrastructure is needed aboveground, and the surface landscape is easily restored upon project completion. Read our Environmental Benefits for more information.

What is syngas?

Synthesis gas, or syngas, is an energy-rich product created by gasifying the carbon found in coal, petroleum-based materials or other sources that would be rejected as waste. Once created, it can be piped, stored or used to fuel a turbine to generate electricity; handled and used like natural gas; or upgraded or converted to make synthetic natural gas or other liquid fuels.

How much energy can UCG produce?

According to Lawrence Livermore National Laboratory, UCG provides the potential for an increase of 300-400 percent in recoverable coal reserves in the United States alone. These coal reserves represent an outstanding opportunity to harness the power of coal without the hazards of coal mining. For CIRI to proceed with a UCG project, we would need a project that is environmentally and economically viable from site selection to syngas production. An initial project that provides enough syngas to power a 100-megawatt combined-cycle power plant may be an economically viable option.

How does UCG compare to other energy sources?

UCG syngas burns more cleanly than coal and is comparable to natural gas. Burning UCG-produced syngas using carbon capture results in even lower emissions than a combined-cycle natural gas power plant, the cleanest of all fossil fuel plants. UCG-produced syngas also significantly reduces or eliminates pollutants including nitrogen (NO_X) and sulfur oxides (SO_X), mercury, particulates and coal ash.

How will UCG benefit Alaska?

Developing UCG facilities in Alaska will not require large public subsidies and will be faster and more economical than building a bullet line to ship natural gas from the North Slope to Southcentral Alaska. UCG with carbon capture can be a bridge technology that can help reduce our reliance on diminishing oil and to cleaner, domestic energy resources that can help Alaska regain its position as a world-class energy provider and innovator. The result is a much-needed reliable and homegrown source of clean energy for Alaska.

When will CIRI begin production?

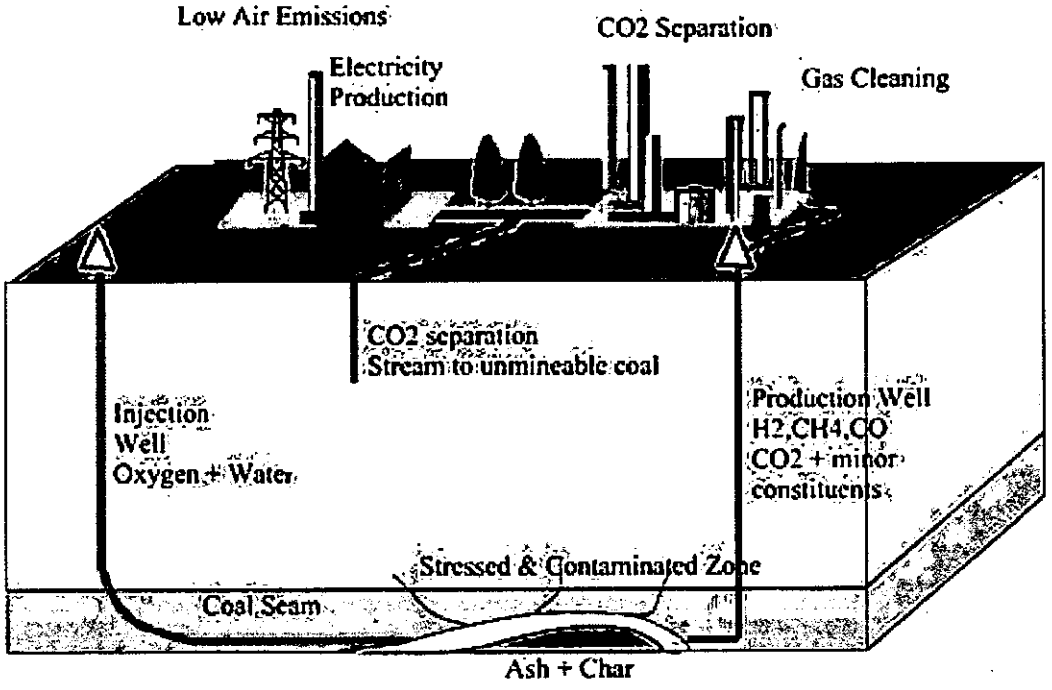
CIRI would only begin building a UCG facility for syngas production after completing an Environmental Impact Statement, securing all necessary permits, reaching agreements with world-class technology partners and evaluating input from local and national stakeholders.

Where will CIRI's facility be located?

CIRI is evaluating its privately-owned land on the west side of Cook Inlet to identify a site with the right characteristics for a UCG development. The site will have a large and productive deeply-buried coal seam overlain by a strong and impermeable layer of rock. The site will be selected for geology and hydrogeology that would minimize any risk of environmental contamination. The site will be near existing power and natural gas infrastructure but away from any populated communities.

ScienceInsider
Breaking news and analysis from the world of science policy

September 21, 2009



Should the U.S. Build Its Next Coal Plants Underground?

By: Eli Kintisch

Might burning coal thousands of feet below the surface be the secret to making coal climate friendly?

That's what fans of underground coal gasification will be saying this week at several sessions and in the keynote speech at the International Pittsburgh Coal Conference, which goes through Wednesday. Momentum is growing worldwide to look closely at the idea, a 150-year-old technique of igniting seams of coal deep under the ground to produce electrical power or chemicals. It's a proven technology: Joseph Stalin launched the first national research program into the idea in 1928 and the Soviets used it for 40 years to produce power. Since then, cheap natural gas and shallow, easy-to-mine coal burned in traditional power plants have prevented the technique from taking off. (graphic courtesy Lawrence Livermore National Laboratory)

But gasifying coal underground is now a hot topic among power companies and scientists, with at least 10 pilot projects around the world planned or underway. The cost benefits and climate advantages are among the reasons that five countries run national research programs on the technique; is the United States falling behind on the next big fossil fuel technology?

Yes, says the nonprofit Clean Air Task Force, a well-respected public health and environment advocacy group, in a report issued last week.

Recent studies suggest that energy obtained using the technique would be cheaper than more popular methods of getting low emissions coal power, like so-called Integrated Gasification Combined Cycle (IGCC), which involves gasifying coal above ground in facilities like the FutureGen project, which the Bush Administration proposed and then killed. The idea would also eliminate the need for strip mining, which is environmentally harmful, or carbon intensive shipping of mined coal.

"The enormous potential of underground coal gasification to meet rising energy demand in a CO_2-constrained world warrants a high priority effort by the United States government to speed commercialization," the Task Force study said.

The technology works by drilling two holes on either side of an underground layer of coal. If the layer is not porous, engineers drill horizontally to connect them, allowing gas to flow between the pipes. Then air or oxygen is added to one pipe and the coal ignited underground. There, the coal is partially oxidized; the gas which escapes from the second pipe is a mixture of syngas (carbon monoxide and hydrogen) and carbon dioxide and a little methane. On the surface, the hydrogen is cleanly burned in a turbine to produce electricity and the carbon dioxide, as well as processed carbon monoxide, is liquefied for underground storage.

The advantages of the techniques are myriad, says the Task Force, starting with the fact that it's a cleaner version of "clean coal" than other techniques:

> *[D]uring gasification, roughly half of the sulfur, mercury, arsenic, tar, ash, and particulates from the used coal remain in the subsurface, and any sulfur or metals that reach the surface arrive in a chemically reduced state, making them relatively simple to remove.*

The carbon dioxide that comes out of the ground is at high pressure, saving energy that in IGCC would be required to compress it for underground storage. The coal doesn't have to be mined; the facilities on the ground are much smaller than traditional coal plants with boilers or IGCC plants. The trick is to use the ground itself as a gasifier instead of having to gassify the coal in a vessel—which can cost billions.

The Task Force thinks that the technology could compete economically a natural gas plan that sequesters its carbon. That's a claim most advocates of other coal technologies cannot make. And a study that the task force cited suggested that underground gasification with the carbon capture for storage would cost a quarter as much as IGCC.

Traditionally, the coal industry looks for thick layers of coal near the surface so it can mine them relatively easily. With underground gasification, geologists would scope out thinner but broader layers of coal found much deeper. The idea would be to produce power right above those seams. So, the report argues, underground gasification makes sense for new power plants in coal rich states, say in the U.S. midwest. A report by Purdue University scientists in March, in fact, found five promising sites state in Indiana where facilities could be built.

So if underground coal gasification is so great, why are commercial projects exploiting the method so few and far in between? Up till now, the reason is the availability of cheap energy using other means, author Julio Friedmann of the Lawrence Livermore National Laboratory in California tells *Science*Insider. During the late '70s energy crisis, the technology got several demonstrations in the United States, but the coal industry stuck with the methods it liked, especially because they owned rights for coal close to the surface. Plentiful and cheap natural gas was a further disincentive.

Now though, with natural gas prices rising and climate a central concern, Australia, Canada, China, New Zealand, and South Africa all have government-funded R&D projects in this area. "China has minted 100 Ph.D.'s in this area," says John Thompson, director of the Task Force's project on coal transformation. "We are losing."

The United States, he says, has little expertise comparatively, and the clean coal programs funded by the U.S. Department of Energy all but ignore the underground gasification technique. (One earmarked research effort in Utah is examining it.) "It's just not on our radar screen," says DOE Technology Development Manager Gary Stiegel, who says that funding limitations are the main reason that the government has not looked into the technology. He says the cost advantages to the technique might one day prove accurate, but in the meantime, "Nobody's built any so how do you know?"

For its part, the report suggests DOE spend more than $100 million over the next 4 years on science, development, and demonstration efforts to try to catch up.

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10/12/09 HOUSE RESOURCES COMMITTEE MEETING IN BETHEL

House Resources Committee Hearing
October 12, 2009
Bethel, Alaska

Committee Members' Itinerary

7:00am	Depart Anchorage to Bethel on Alaska Airlines Flight# 41
8:00am	Arrive Bethel, Transportation provided
9:00am	KYUK Radio news interview with Committee Co-Chairs
10:00am	US Fish & Wildlife Refuge Headquarters Tour
10:45am	Community Tour
11:30am	Lunch hosted by Yukon Kuskokwim Health Corporation, Gene Peltola – President/CEO, at YKHC Board Room with Yukon Kuskokwim Regional Leaders
12:30pm	Transportation to Bethel Council Chambers

1:00pm to 5:00pm

Location: Bethel City Council Chambers
Bethel City Hall @ 300 Chief Eddie Hoffman Highway

Agenda **1) The current health of the Arctic/Yukon/Kuskokwim (AYK) Salmon Fisheries Re: Chinook, Chum, Coho, fall Chum**

a) Overall management
b) Sonar equipment
c) Test fisheries
d) Subsistence
e) Tribes' inclusion

Invited to Testify from the YK Region:

Robert Nick
Myron Naneng, AVCP President
Dr. John White
Karen Gillis
Jack Schultheis
Fran Thomson, St Marys
Nick Andrew, Marshall
Nick Tucker, Emmonak
Martin B. Moore, Emmonak
Gene Peltola Jr, USFW - Bethel

Also Invited:

Governor Parnell's office
Alaska Department of Fish & Game
Alaska Congressional Delegation
Kawerak, Inc

Tanana Chiefs Conference
Bristol Bay Native Association

Agenda **2)** **Informational Hearing - House Bill 227, introduced by Representative Bob Herron, "An Act establishing state fish and game reserves; creating the Holitna River Basin Hunting, Fishing, and Trapping Reserve; and providing for an effective date."**

Invited to Testify:
Greg Roczicka, Orutsararmiut Native Council, Bethel
Lamont Albertson, Aniak/Bethel
Grant Fairbanks, Holitna
Sleetmute Traditional Council

Agenda **3)** **Energy Issues including transportation corridor to/from Paimuit/Kalskag.**

Invited to testify:
Mike Hoffman, AVCP Vice-President

5:00pm End of Hearing

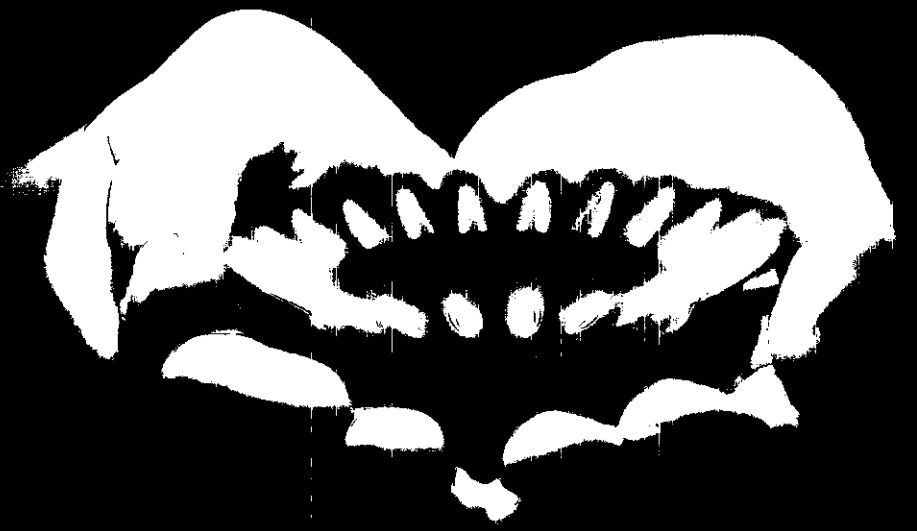
7:30pm Transportation to Airport

8:45pm Depart for Anchorage on Alaska Airlines Flight #46

9:45pm Arrive Anchorage

12/15/09 PRESENTATION: ALASKA INSTATE GAS PIPELINE PROJECT

ALASKA
IN-STATE GAS PIPELINE PROJECT



PRESENTATION TO THE ALASKA STATE LEGISLATURE

BRIEFING 3

DECEMBER 15, 2009

Purpose:

Review Status of In-State Gas Program

- Work Completed to Date
- Activities Planned in Future

State's Approach

- Intent of Effort is to Encourage the Development of a In-State Gas Pipeline
- By Reducing Risk to a Future Pipeline Developer

State's Approach

The Program was set-up to Reduce Risk by:

- Defining Costs
- Acquiring Major Permits
- Letters of Intent
  - Bring Buyer/Sellers together
  - Let the market place decide scope and timing

Work Completed

- Route Alternative Analysis - Parks and Richardson Highway routes:
  - Associated comparative cost estimates
- Project Description (for permitting)
- Initial Review of ENSTAR Capital Cost Estimate – Pipeline
- Preparation of Major Permit Applications
- Request to FERC for Jurisdictional Determination
- Set Compression Station Locations (for permitting)

Major Cost Issues That Have Come From This Work

- Cost of Gas Conditioning on the North Slope
- Marketability of NGL's if Sold at Tidewater in Cook Inlet Region

Schedule

- Complete "Cost of Transport" Estimates – Early Summer 2010
- Updated "Cost of Transport" Estimates after Field Season, November 2010
- Complete Initial Permitting Effort – February 2011
- Sell State Package – April 2011 (Bidding Process)
- Project is Currently on Track for 2015-2016 Start-up

Schedule of Permitting

▫End of Scoping Meetings	February 5, 2009
▫Scoping Report Released	March 2010
▫Draft EIS Released	July 2010
▫Public Hearings on Draft EIS	August 2010
▫Comment Analysis Report Available	October 2010
▫Final EIS Released	January 2011
▫ **Record of Decision Issued**	**February 2011**

Ongoing Engineering Work Plan

Purpose: Develop Cost of Transport

- Identify Facilities and Update Pipeline Design
- Cost of Facilities and Pipeline
- Increase Level of Confidence in System Cost Estimates
- Cost of Transport for Various Scenarios
- Identify Potentially Viable Project Configurations
- Provide Documentation to Interested Parties

Cost of Transport

Two Phase Development

- Early summer 2010 Cost of Transport delivery Focused on:
  - Facility Costs
  - Incorporating newly available Legacy Data
- Late 2010 Cost of Transport Delivery Focused on:
  - Incorporating Field Program Data
  - Update of Pipeline cost

Facilities Scenarios Identified

- CGF Residue Gas only, North Slope Gas Conditioning, Cook Inlet NGL Extraction
- CGF Residue Gas only, Cook Inlet Gas Conditioning and NGL Extraction
- CGF Residue Gas Only, North Slope Gas Conditioning, North Slope NGL Extraction
- CGF Residue Gas spiked with CGF Stabilizer Overhead Gas, North Slope Gas Conditioning, Cook Inlet NGL Extraction

Each scenario evaluated at 250, 500, 750 and 1000 MMscfd

Facilities Work Plan

Develop Schematic Flow Diagrams and Cost estimates

- Process Flow Simulations
- Generate Process Flow Diagrams (PFD) with Major Equipment for Cost Estimation
- Cost Estimate by Component
- Component by Component Basis
  - Conditioning train
  - NGL train
  - NGL fractionation and storage

Pipeline Work Plan

- Investigate Cost Reduction Opportunities
- Conduct Field Verification Investigation
- Develop more Detailed Design Basis
- Prepare Detailed Design Criteria and Procedures
- Documentation

Pipeline Work Plan

- Investigate Cost Reduction Opportunities
  - Improve Route Constructability
  - Optimize Pipeline Hydraulics
  - Length Reduction
  - Reduce ROW preparation and reclamation work
  - Investigate replacing compressor station refrigeration with air coolers
- Refine Mile-by-Mile Geotechnical Characterization of Pipeline

Pipeline Work Plan

Field Investigation

- River Crossing Assessment and Verification
- Geotechnical Borehole Program
- Material Site Program
  - Collaborate with ADOT&PF
  - Assess current sites
  - Identify and verify new sites
- Characterize Active Fault Crossings
- Constructability Assessment
- Characterize Roads, Camps, Storage Yards

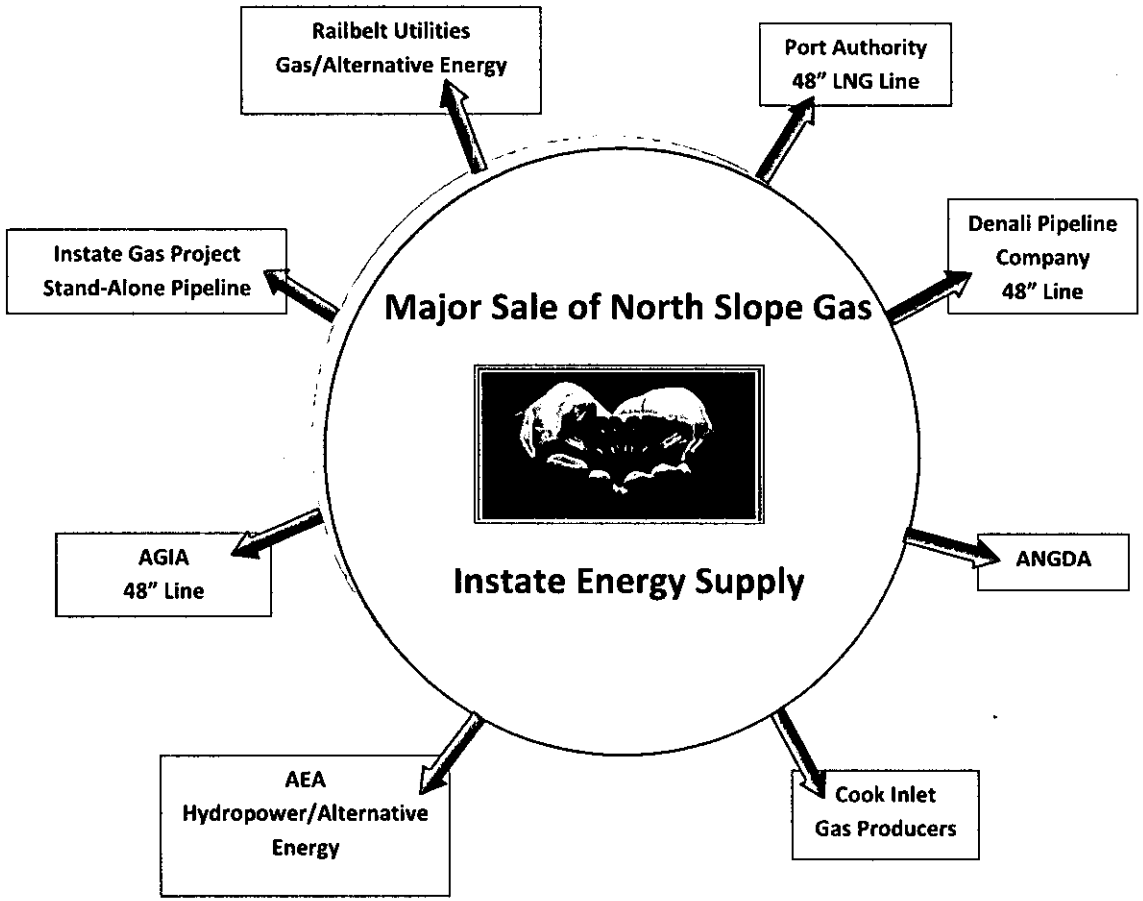
Project Documentation

- Design Basis
- Design Criteria & Procedures
- Technical Description of Pipeline and Facilities
- Updated Construction and Logistics Plan
- Cost Estimate
- Alignment Sheet Series (GIS)

Issues:

- Alaska Economy Headed for Difficult Times in Next 10Years
  - Significant Decline in Oil Flow through TAPS (Revenue)
  - Loss of Federal Dollars
- No Long Term Affordable Energy Source for Fairbanks Railbelt and Western Alaska

ENERGY TUG-OF-WAR



Define Specific Plan

Time to Make Decisions

Open Season

- Will the 48-inch Pipeline Move Forward in a Timely Manner?
- Can We Make the Open Season Work?
- Is Alaska Going to Address Fiscal Certainty?
- What is the Risk of Waiting Until 2015 to Know the Big Pipeline is Moving Forward?

Determine Back-up Plan

- Renewable Energy (major source)
- In-State Gas Pipeline

Specific Tasks to be Accomplished in Next Six Months

- "For Backup Plan"

  1. Request of AOGCC how much gas and NGL's are available for multiple projects from Prudhoe Bay.
  2. Prepare cost comparison between different backup options of renewable energy and in-state pipeline

Establish a Schedule for an Energy Project Alaska can Control

- Put the Backup Plan on a Specific Schedule!
  - Milestone

(Can always slow down if the large 48" gas line project goes forward to the lower 48 states)

Recommendations

- Define a Plan
  - Clarify fiscal certainty for open season
    - If open season is not clear – Move on
- Determine Back-up Plan
- Put Back-up Plan on a Specific Schedule
- Let Market Determine Success

Alaska In-State Gas Pipeline Project

- November Expenditures

Administrative	$ 36,184.61	$ 36,184.61
baker	$ 220,142.62	$ 220,142.62
ASRC	$ 122,455.72	$ 122,455.72
BLM	$ 100,000.00	$ 100,000.00
Total	$ 478,782.95	**$ 478,782.95**
Total Year to DATE		**$ 2,305,641.58**

- Year-to -Date Expenditures

Jan - May 09 Total	*$*	*115,802.58*
June-09	$	19,419.00
July-09	$	371,010.47
August-09	$	475,293.82
September-09	$	445,364.35
October-09	$	399,968.41
November-09	$	478,782.95
YTD	**$**	**2,305,641.58**

1/26/10 LUNCH & LEARN: WOOD RESIDUE GREEN ENERGY

2548

VENTEK ENERGY SYSTEMS INC.
Bio Energy Solutions

A NATIVE CORPORATION SEALASKA

Wood Residue Green Energy

For SE Alaska

VENTEK/SEALASKA

Peter Brand
January 26, 2010
pbrandd@me.com

VENTEK ENERGY SYSTEMS INC.
Bio Energy Solutions

A NATIVE CORPORATION SEALASKA

Overview

- Introduction and why are we here....
- Biomass overview
- Trends in Europe and N America
- Northern Examples – Yukon, NWT, and BC
- Opportunities for Alaska

VENTEK ENERGY SYSTEMS INC.
Bio Energy Solutions

A NATIVE CORPORATION SEALASKA

Introduction – Peter Brand

- 27 year career in the electrical business with **BC Hydro**, primarily distribution engineering, remote area and district management.
- 11 years with **Pinnacle Pellet** in Quesnel BC as Partner, Vice – President, Marketing and Business Development.
- Instrumental in growing Pinnacle's annual sales from less that 20,000 tonnes in 1999 to over 700,000 tones in 2008. Increased production plants from one to five. Currently #2 in world production.
- Since retirement from Pinnacle, bioenergy consultant, with clients such as **Yukon Government, Ventek Energy, Sealaska, NWT Government, Zilkha Bioenergy (Texas) and Prairie Green Renewable Energy (Sask).**

ENERGY SYSTEMS INC.
Bio Energy Solutions

A NATIVE CORPORATION
SEALASKA

Introduction

Ventek Energy Systems

Rod Graham and Markku Riionheimo

Viessmann North America

Simon Koeb

Sealaska Corp

Rick Harris, Wade Zammit, Ron Wolfe, Nathan Soboleff

VENTEK ENERGY SYSTEMS INC.
Bio Energy Solutions

Why are we here....

A NATIVE CORPORATION SEALASKA

"Press Release, Dec. 2009

Sealaska to Convert Plaza to Biomass Fuel

Juneau, Alaska— In 2010, Sealaska Corporation's corporate headquarters in Juneau will become the first commercial building in Alaska to convert to renewable bio-energy. Sealaska will convert its corporate headquarters to a wood pellet fired boiler system. The Sealaska Plaza is currently heated by over **35,000 gallons** of heating oil per year. Sealaska's goal is to establish a green energy model that can be applied throughout Southeast Alaska. The effort is one element of Sealaska's green initiatives to build sustainable Southeast Alaska economies. We believe this project will show that conversion to biomass can save money, reduce hydrocarbon-based footprints and create anchor demand for resources that can be manufactured within the region."

Savings will be approx. 8400 tons CO2 over 25 yrs and over $1m in energy costs.

VENTEK ENERGY SYSTEMS INC.
Bio Energy Solutions

Why are we here....

A NATIVE CORPORATION SEALASKA

Sealaska Energy Initiative

- Reduce CO^2
- Reduce Energy Costs
- Create local jobs in SE Alaska
- Start by setting an example with Sealaska Plaza

2554

ENERGY SYSTEMS INC.

Bio Energy Solutions

Why are we here....

A NATIVE CORPORATION

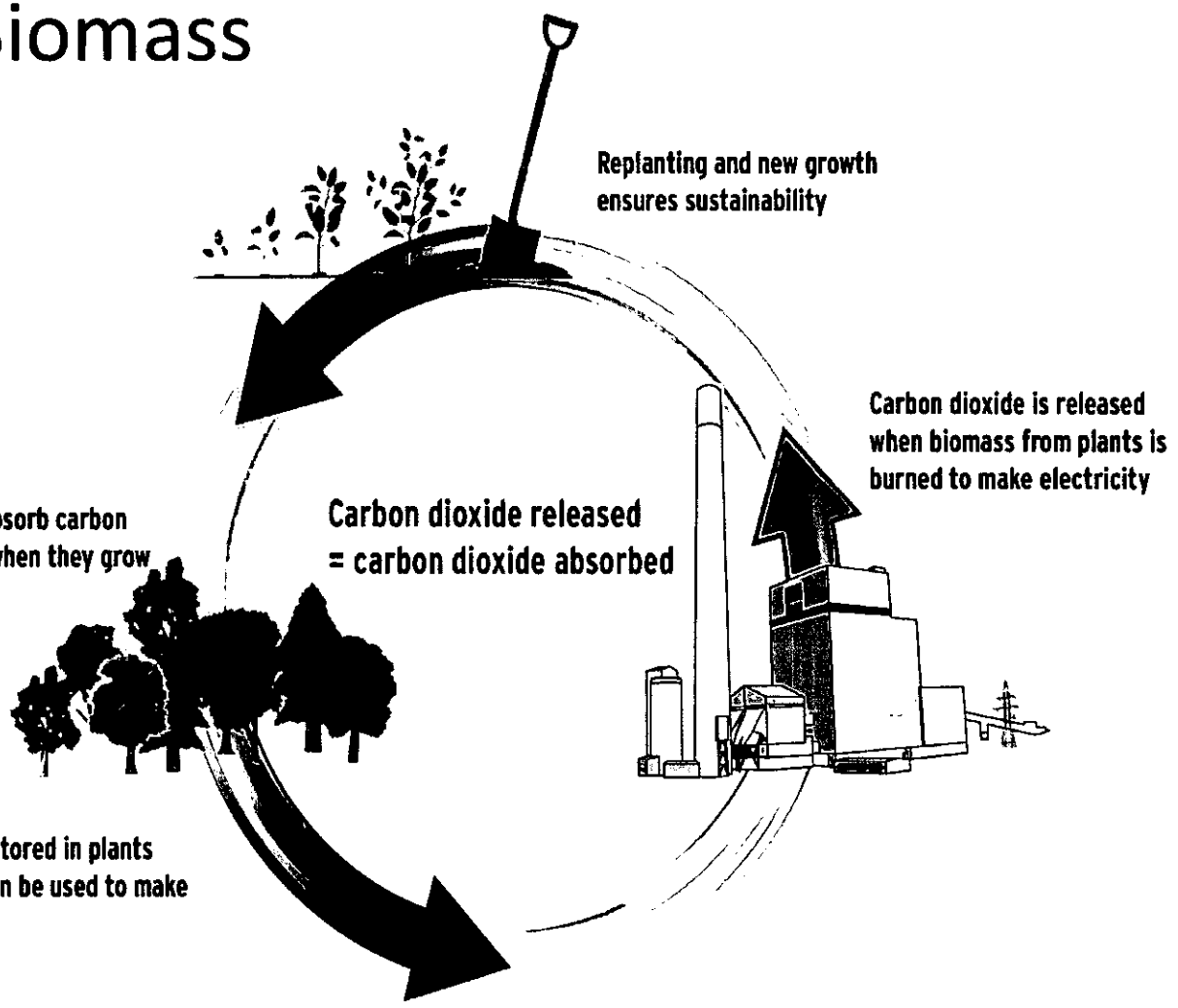
SEALASKA

ENERGY SYSTEMS INC.
Bio Energy Solutions

A NATIVE CORPORATION
SEALASKA

Concepts of Biomass

No new CO2 added to the environment.



As plants grow they absorb carbon dioxide, a greenhouse gas that contributes to climate change, from the atmosphere. When they are used to make electricity the carbon dioxide stored by the biomass is released. No new net greenhouse gases are produced making biomass fuel 'carbon neutral' - better than fossil fuels which are major contributors to climate change

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Bio Energy Solutions

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Concepts of Biomass

- Wood Pellets are "Carbon Neutral" and "Sustainable"
- Jobs and profits are local
- Energy savings are real, 30-50%
- Public is demanding reductions in carbon output
- Local impacts of climate change are very evident
- Europeans are much further ahead than N America

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Bio Energy Solutions

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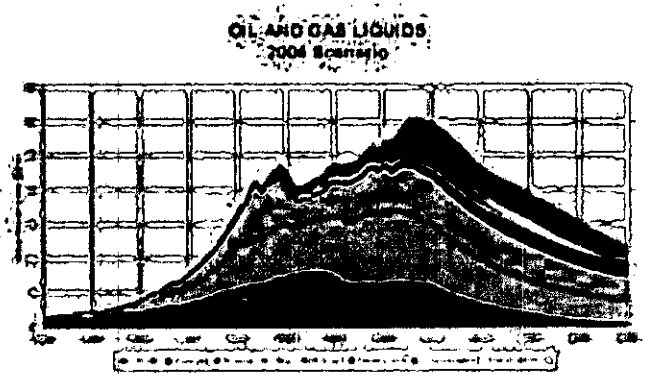
Concepts of Biomass

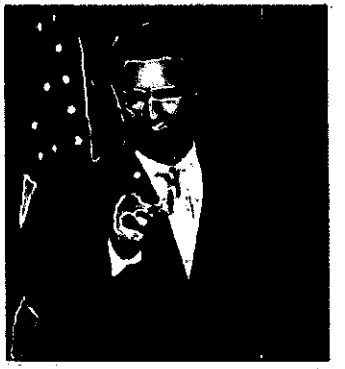
- Boiler technology is just recently being transferred from Europe
- Government incentives/penalties are just being launched
- There are many other proposed "green" solutions, such as:
  - Tidal, Micro (or small) Hydro
  - Wind and Solar
  - Geo Thermal
  - Ethanol
  - Other Biomass (Wood chips, olive pits, energy crops, etc.)
  - Controversial options such as nuclear and "clean" coal
  - Conservation…. Perhaps the biggest and most cost effective

Strong Clean Energy Market Fundamentals



- Oil & Gas peak & price
- Energy security

- Global warming & environment
- Public awareness
- Rush to benefit



(GE sales of "green" products and services now $12b/yr)

Chrysalix

VENTEK ENERGY SYSTEMS INC.
Bio Energy Solutions

Concept of "Peak Oil", Hubbert Chart

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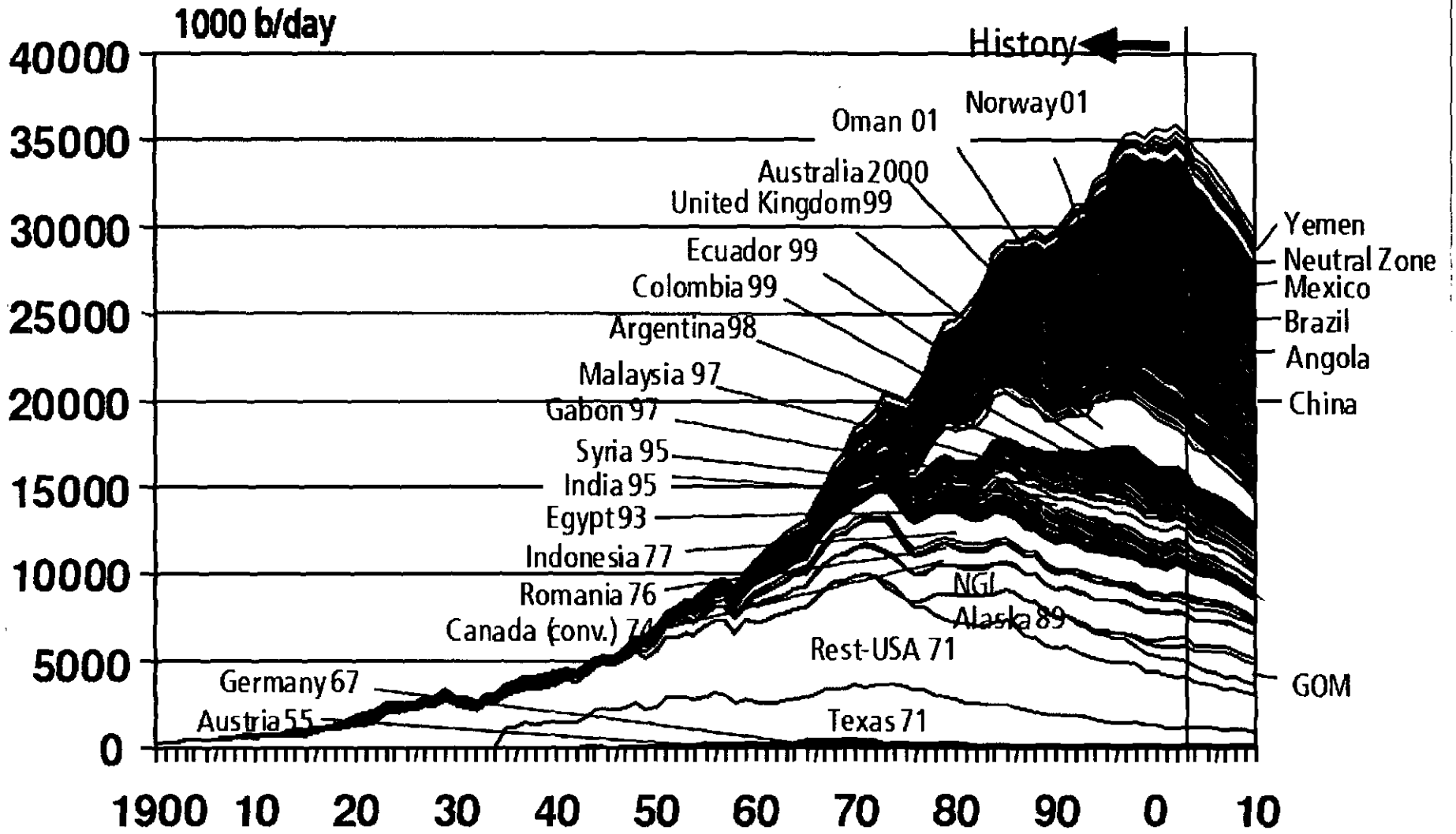
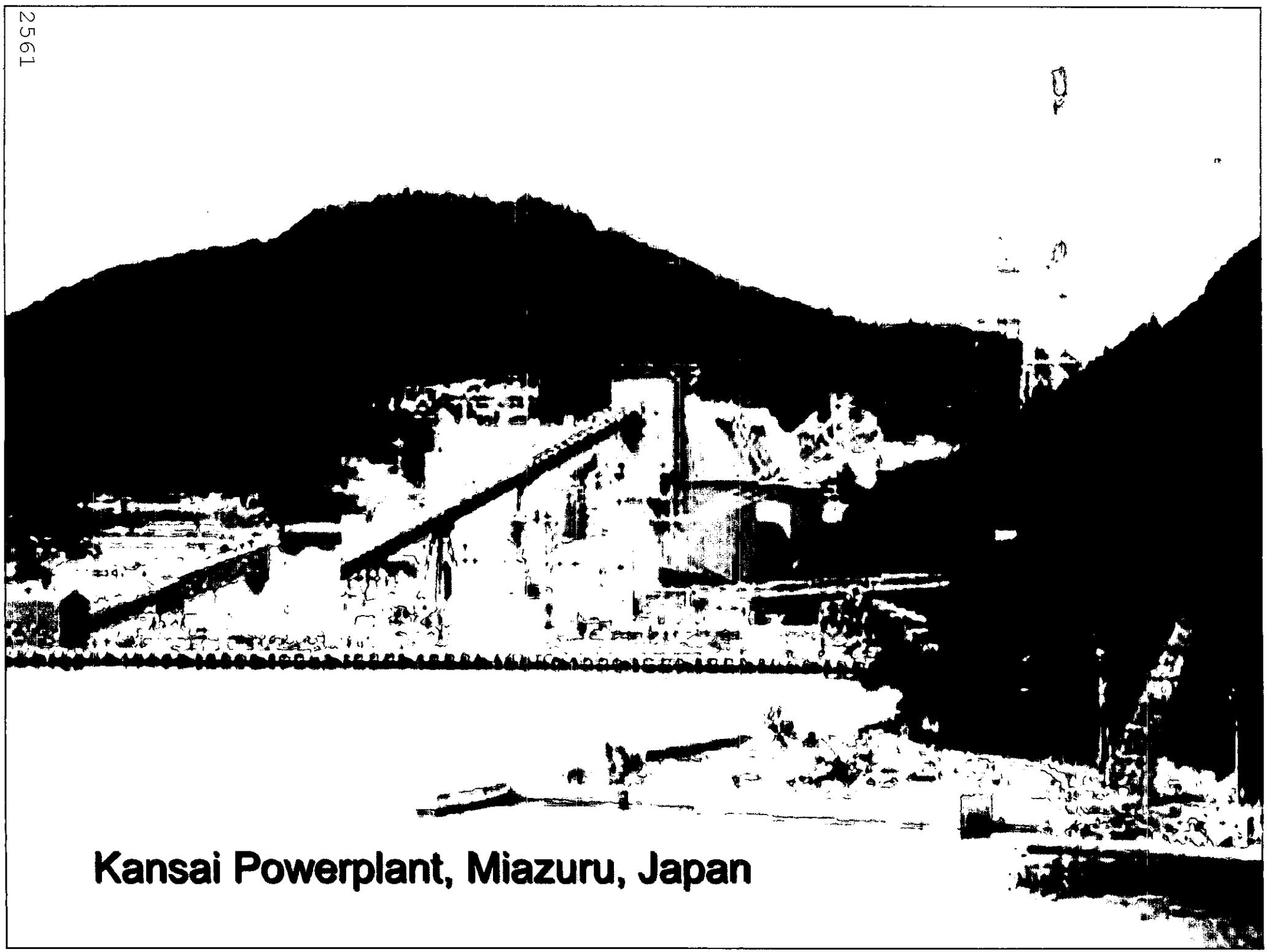


Source: Industry database, 2003 (IHS 2003)
OGJ, 9 Feb 2004 (Jan-Nov 2003)

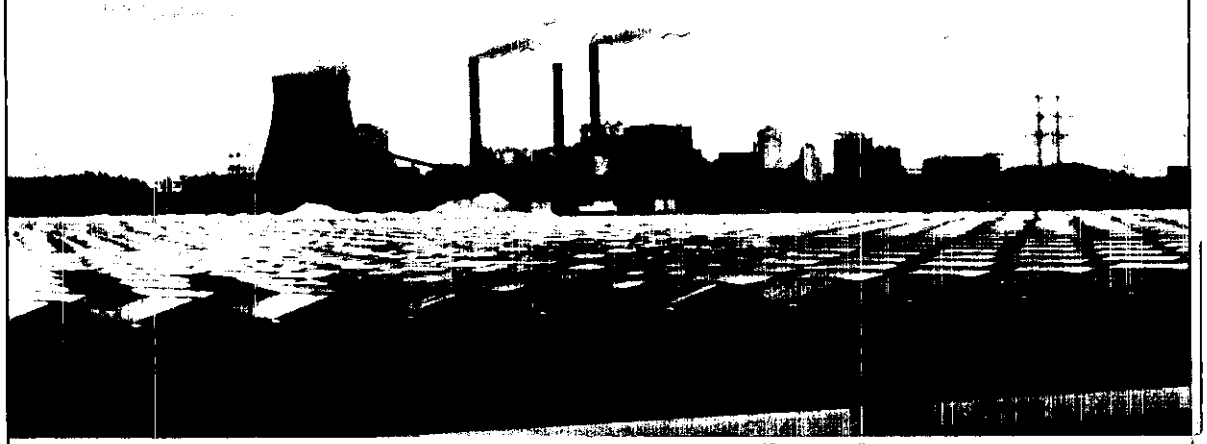
North American energy plant

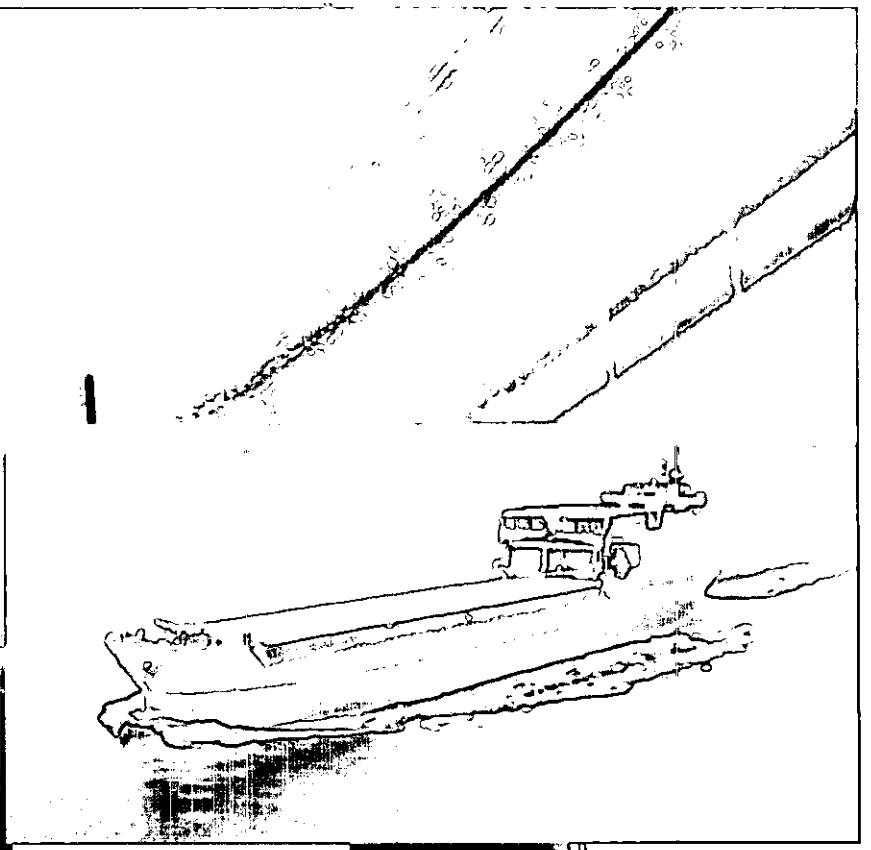
2561



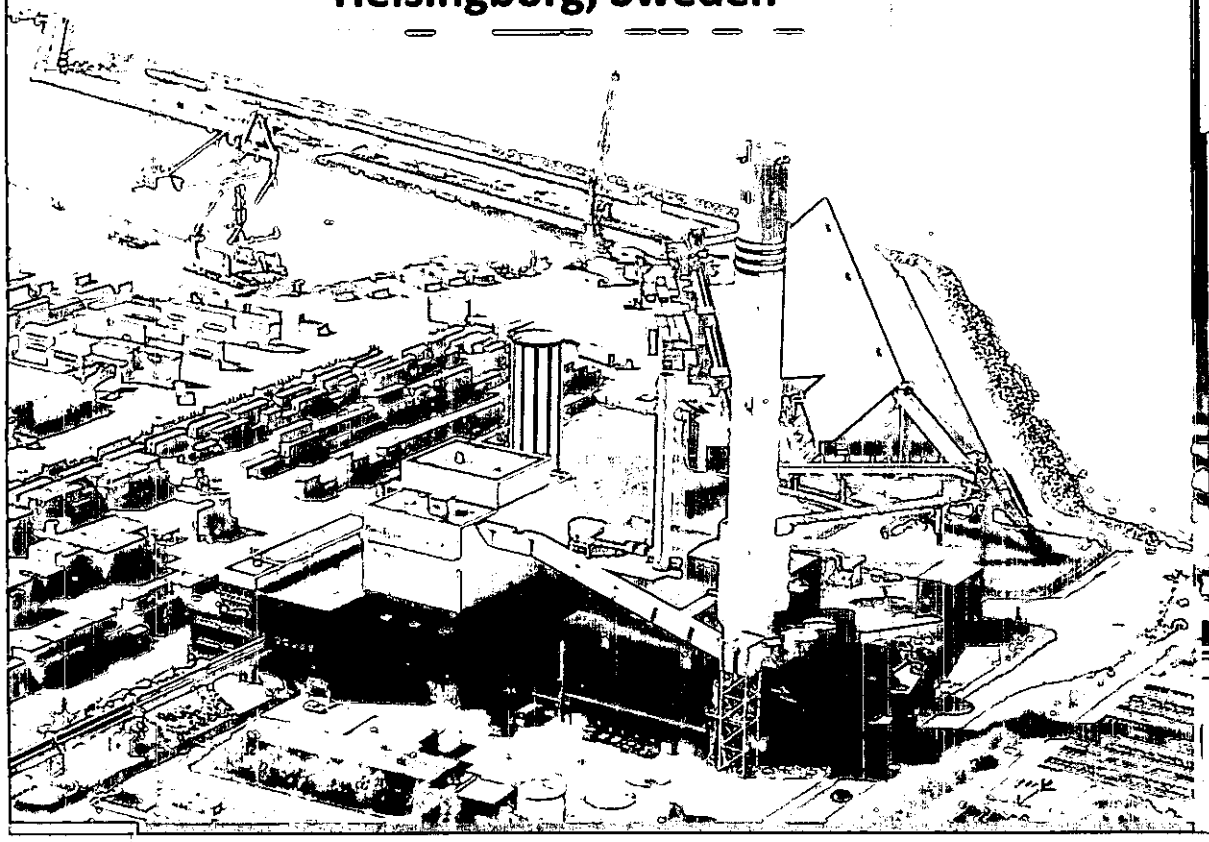
Kansai Powerplant, Miazuru, Japan

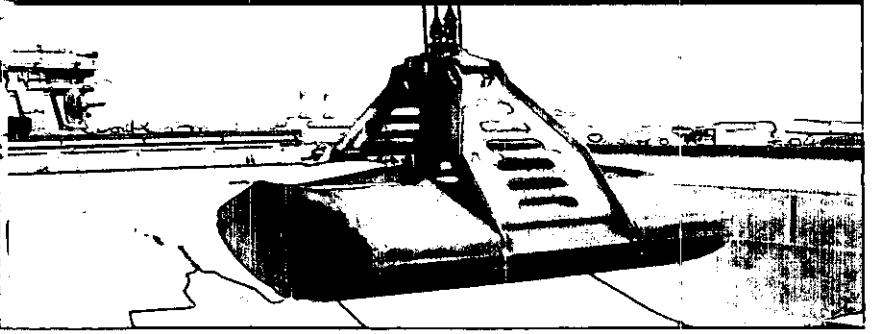
Geertruidenberg, Netherlands





Helsingborg, Sweden





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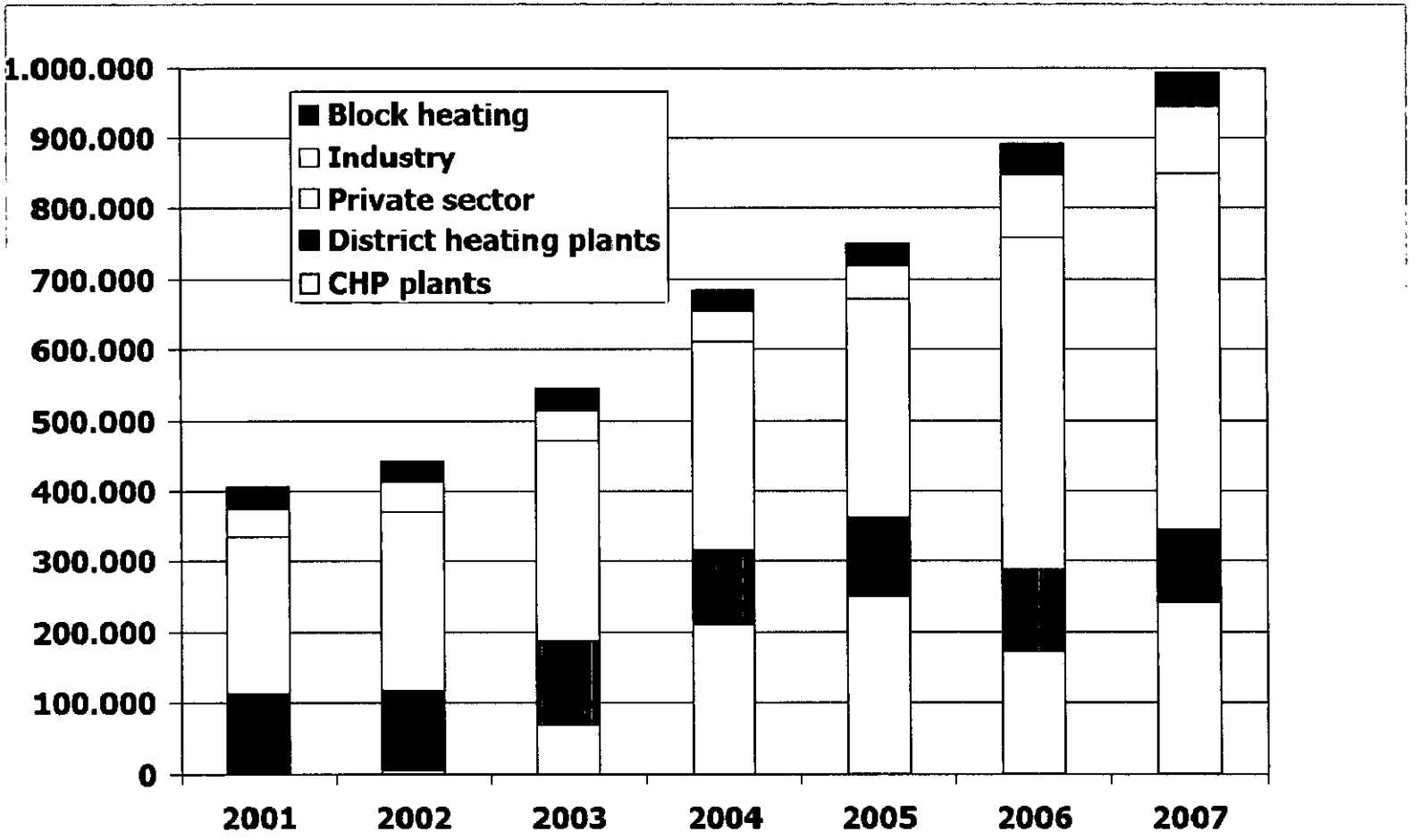
Danish pellet market



Source: Hansen, Force, Wels 2009

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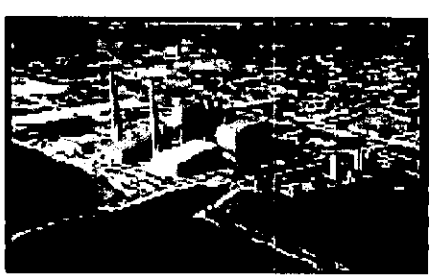
Future Pellet Market in Denmark

- Residential market: increase expected
- District heating market: decrease expected
- Large CHP market: large increase expected
  - DONG Energy
    - 400,000 tonnes at Avedøre II in 2009
  - Vattenfall
    - 100,000 tonnes straw pellets and 250,000 tonnes wood pellets at refurbished Amager plant
    - MaxBio plan on replacing 724,000 tonnes of coal with biomass



- Danish pellet market could double in 5 years!

Source: Hansen, Force, Wels 2009

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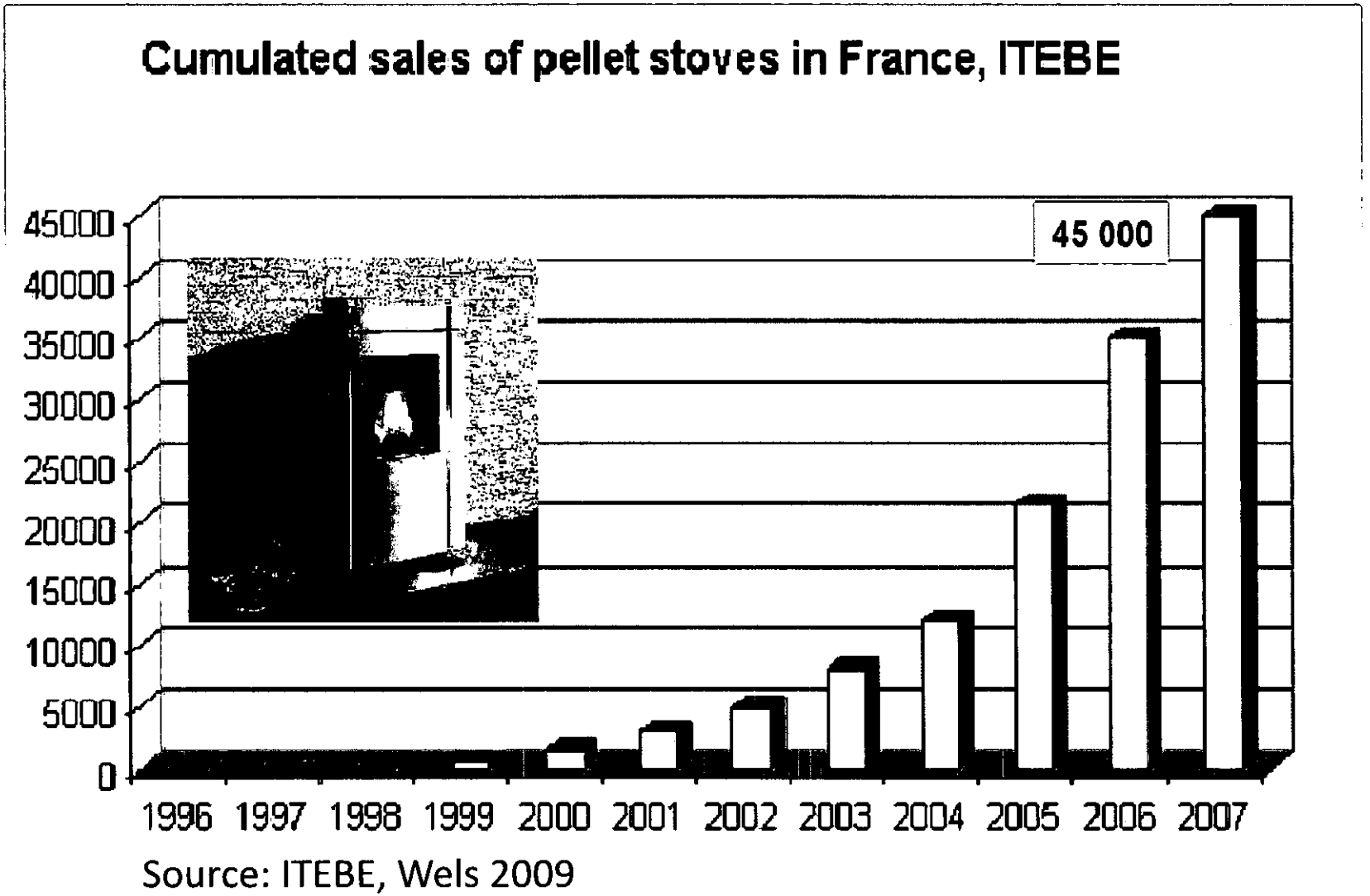
Pellet stoves in France



Source: ITEBE, Wels 2009

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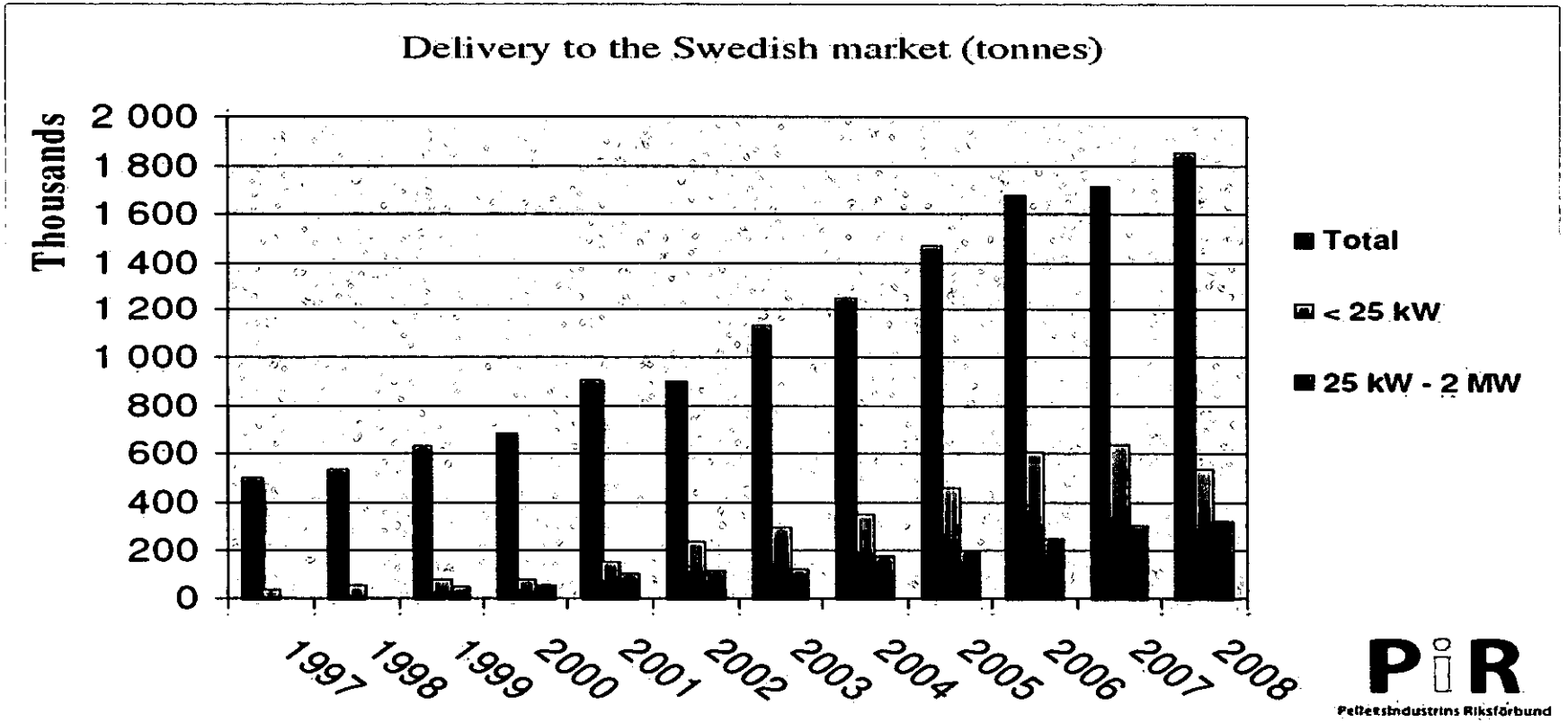
Swedish pellet market



Source: Höglund, PiR, Wels 2009

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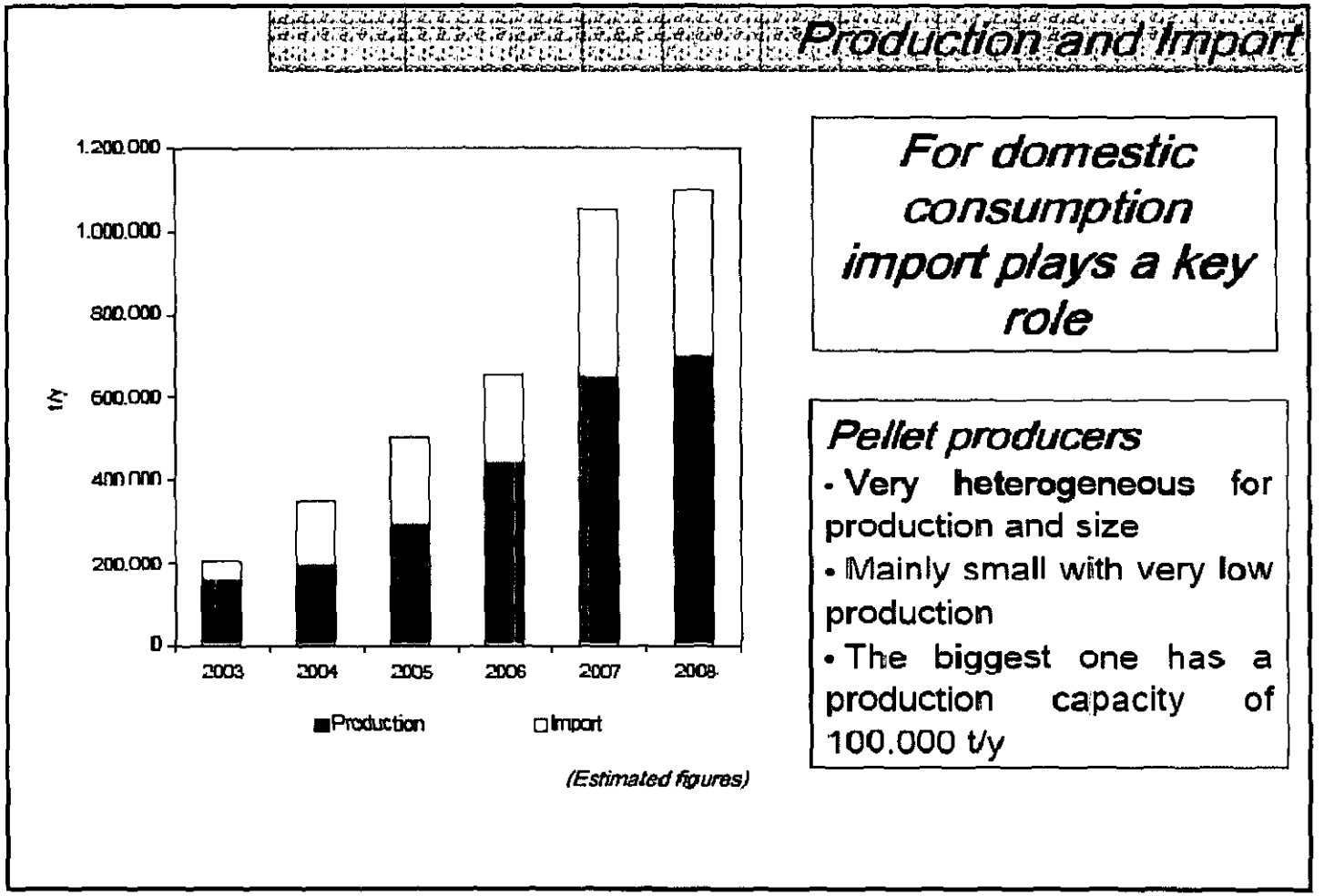
Production and import of pellets in Italy



For domestic consumption import plays a key role

Pellet producers

- Very heterogeneous for production and size
- Mainly small with very low production
- The biggest one has a production capacity of 100.000 t/y

Source: Paniz, AIEL, Wels 2009

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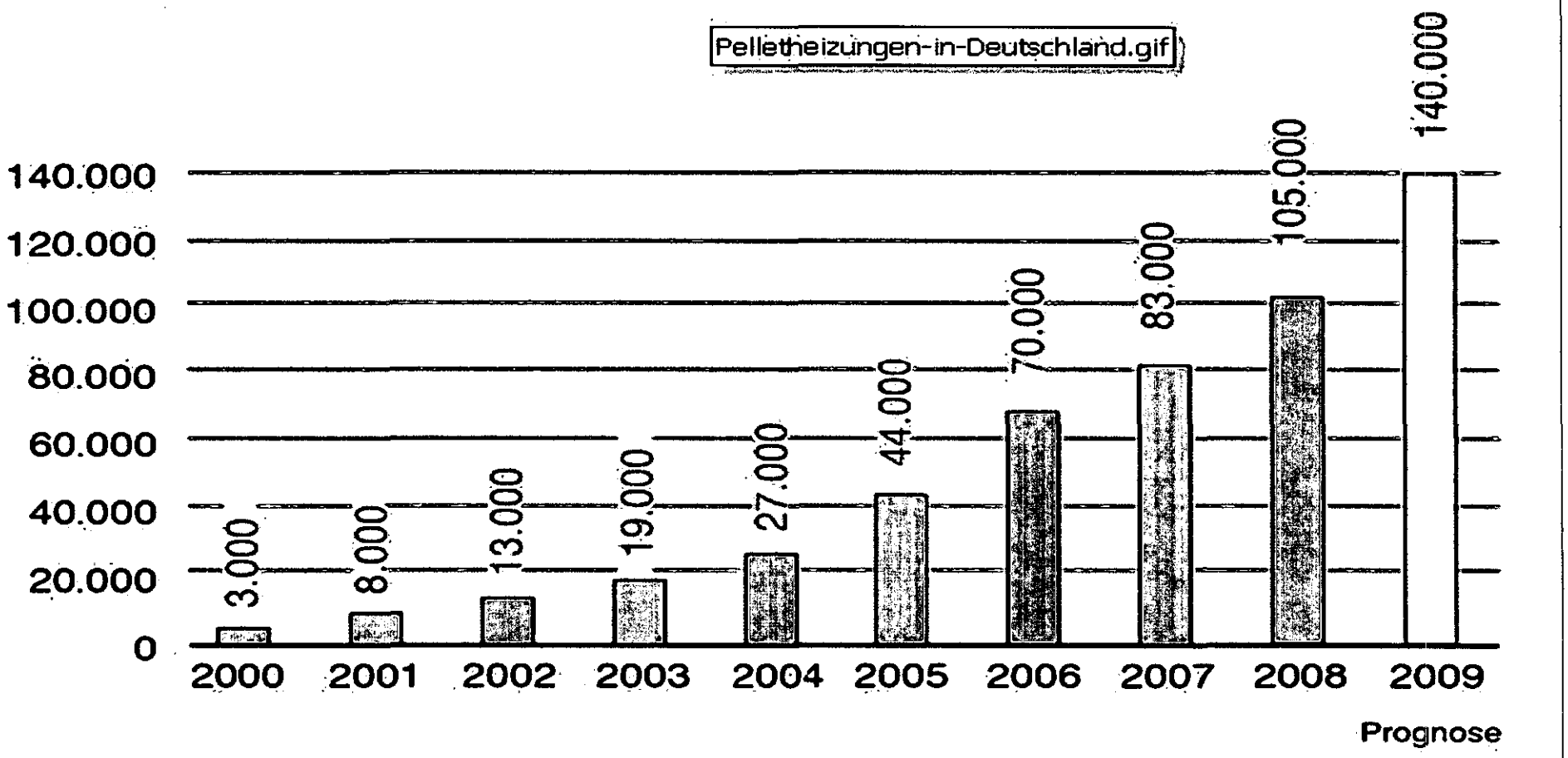
Residential pellet boilers in Germany



Source: Proske, DEPI, Wels 2009

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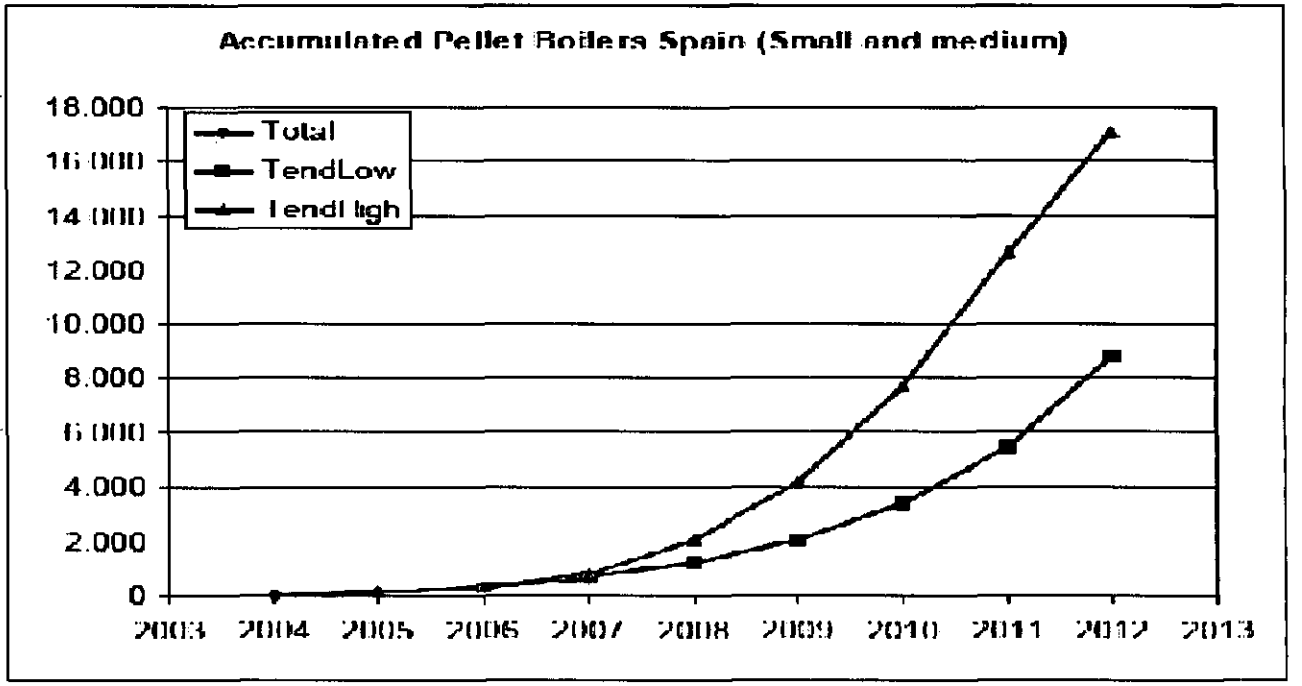
Projected sales of pellet boilers in Spain

Total pellet boilers installed:

1.000 Units

54 MWt



Source: Puente-Salve, Escan, Wels 2009

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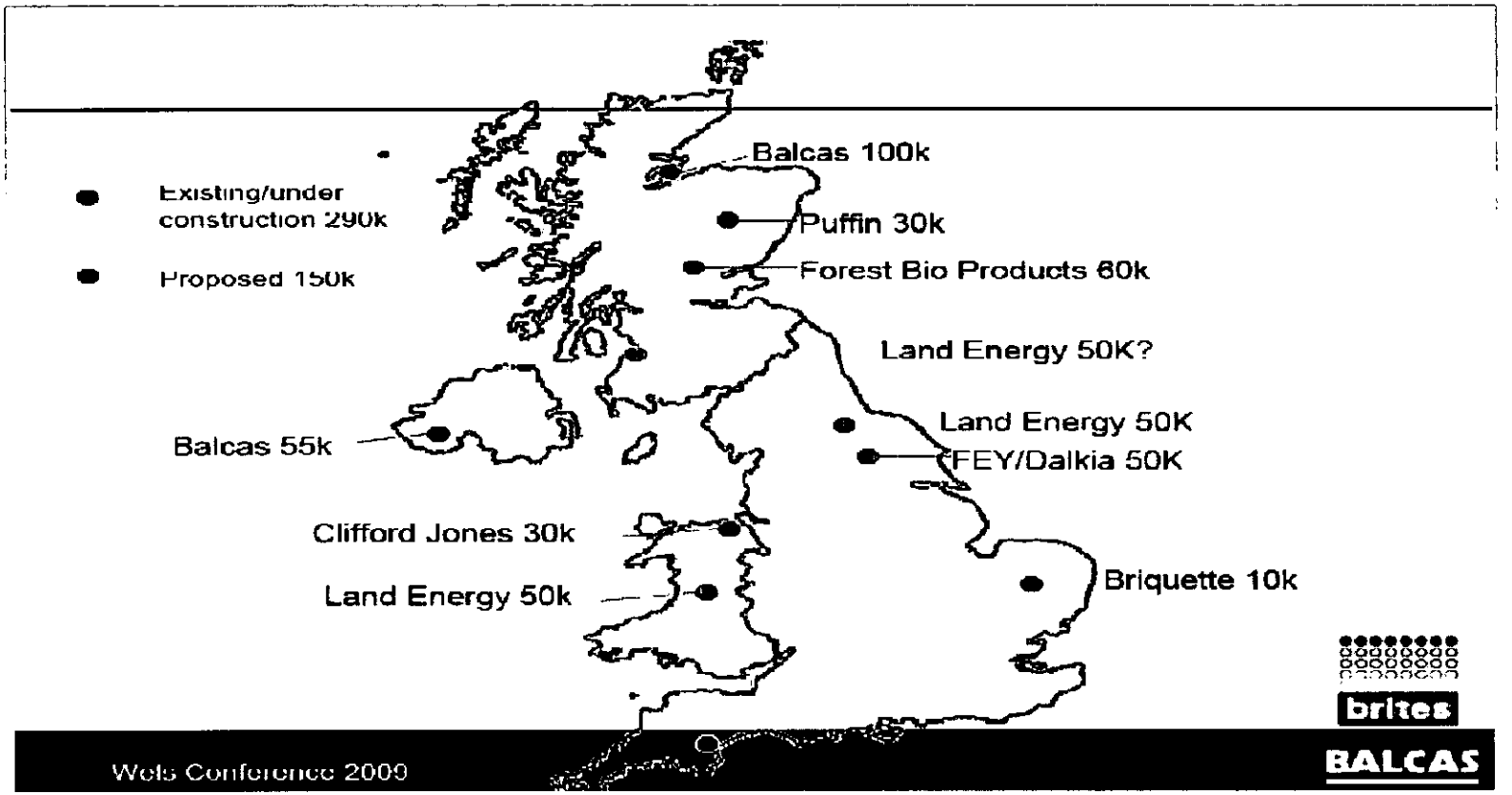
Development of pellet production in the UK



Balcas, Wels 2009

2571

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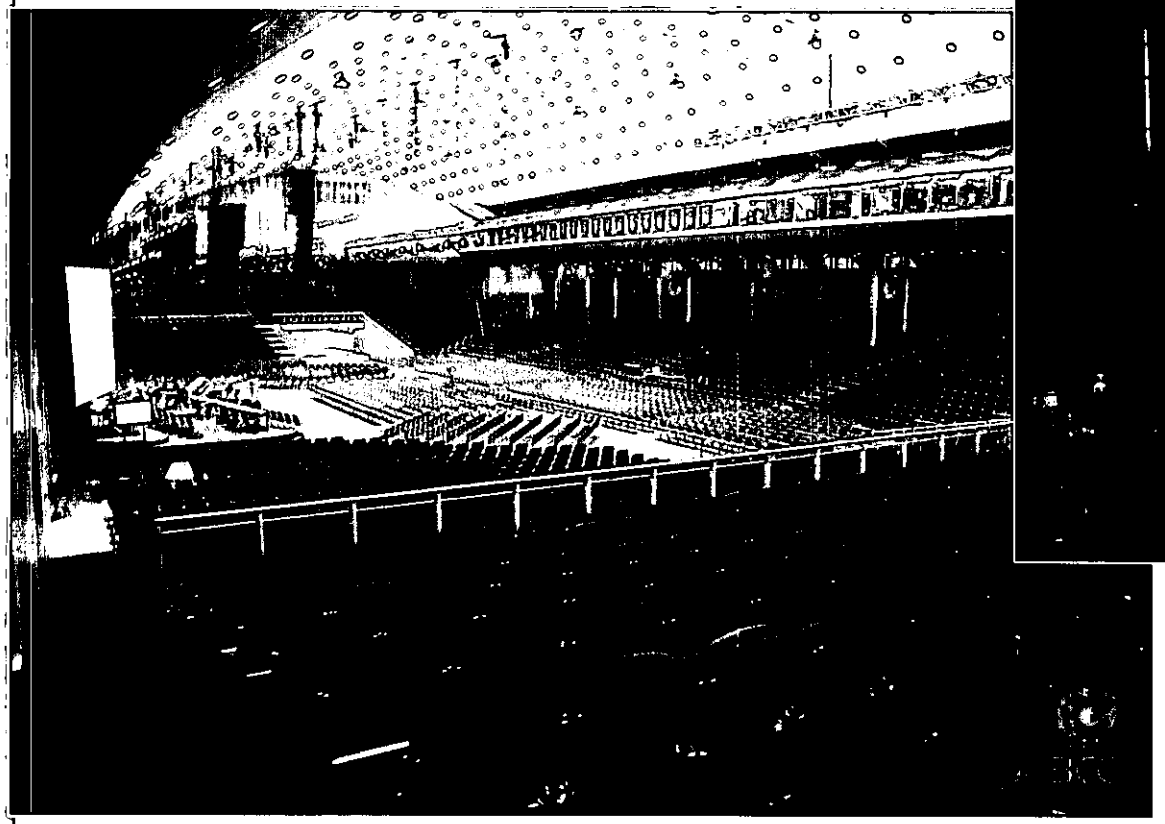
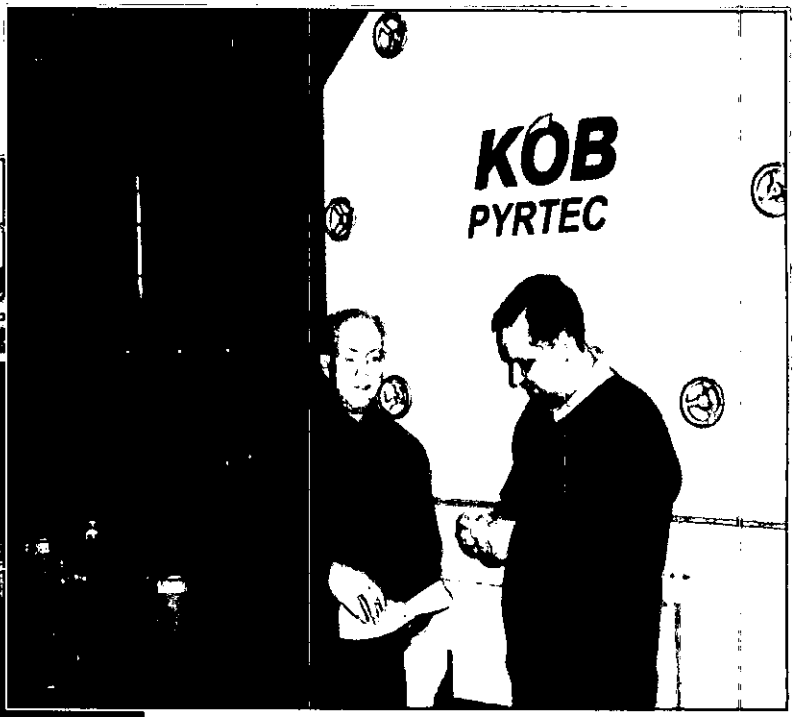
Two boiler KOB system Brunstad Congress center (Norway)





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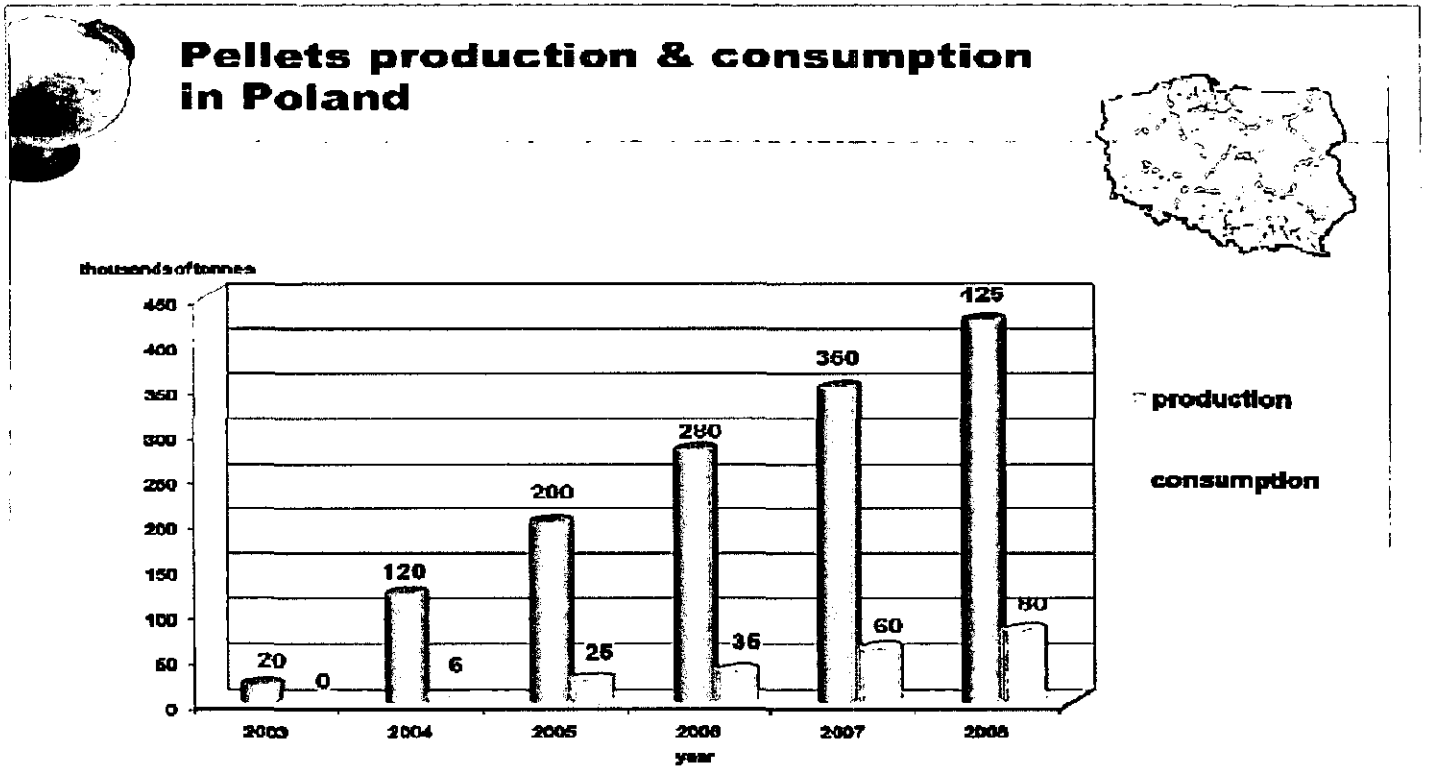
Pellet production and consumption in Poland



Wach, Energy and Environmental Conservation, Wels 2009

ENERGY SYSTEMS INC.

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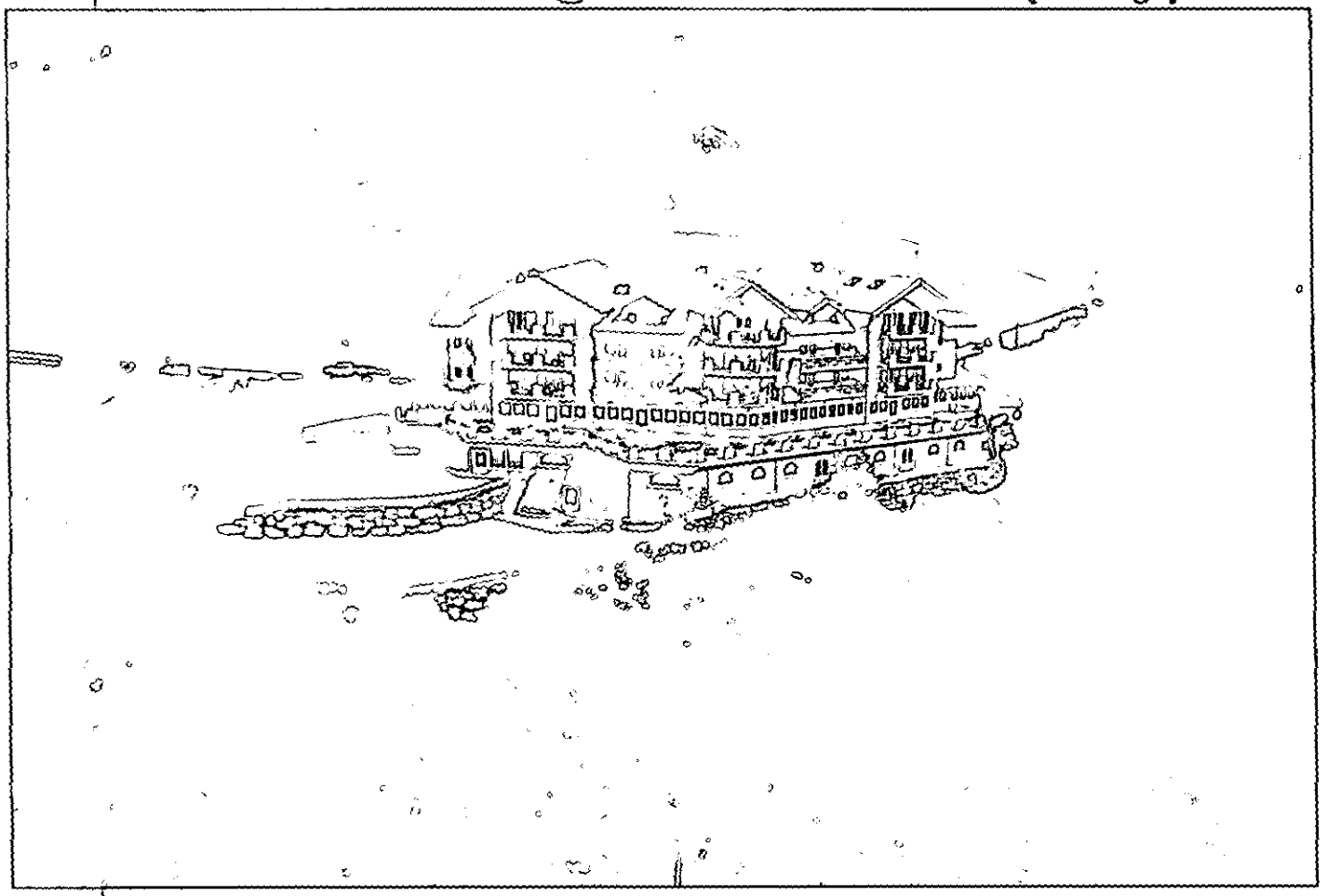
KOB heated Hotel
Lagorai Cavalese (Italy)



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KOB heated
3 Apartment Buildings Skien, Norway

VENTEK ENERGY SYSTEMS INC.
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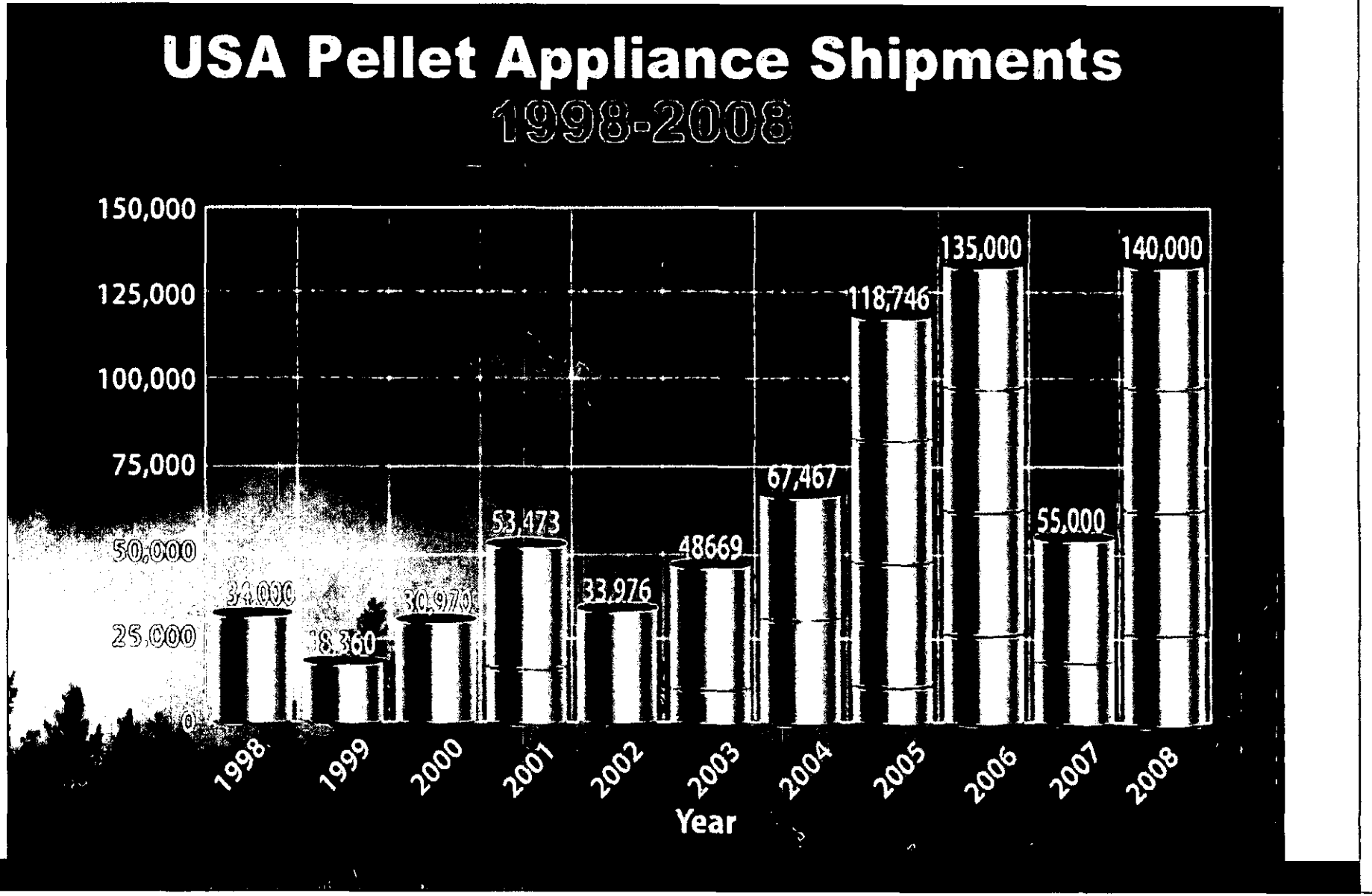
USA: Development of pellet stove sales



2576

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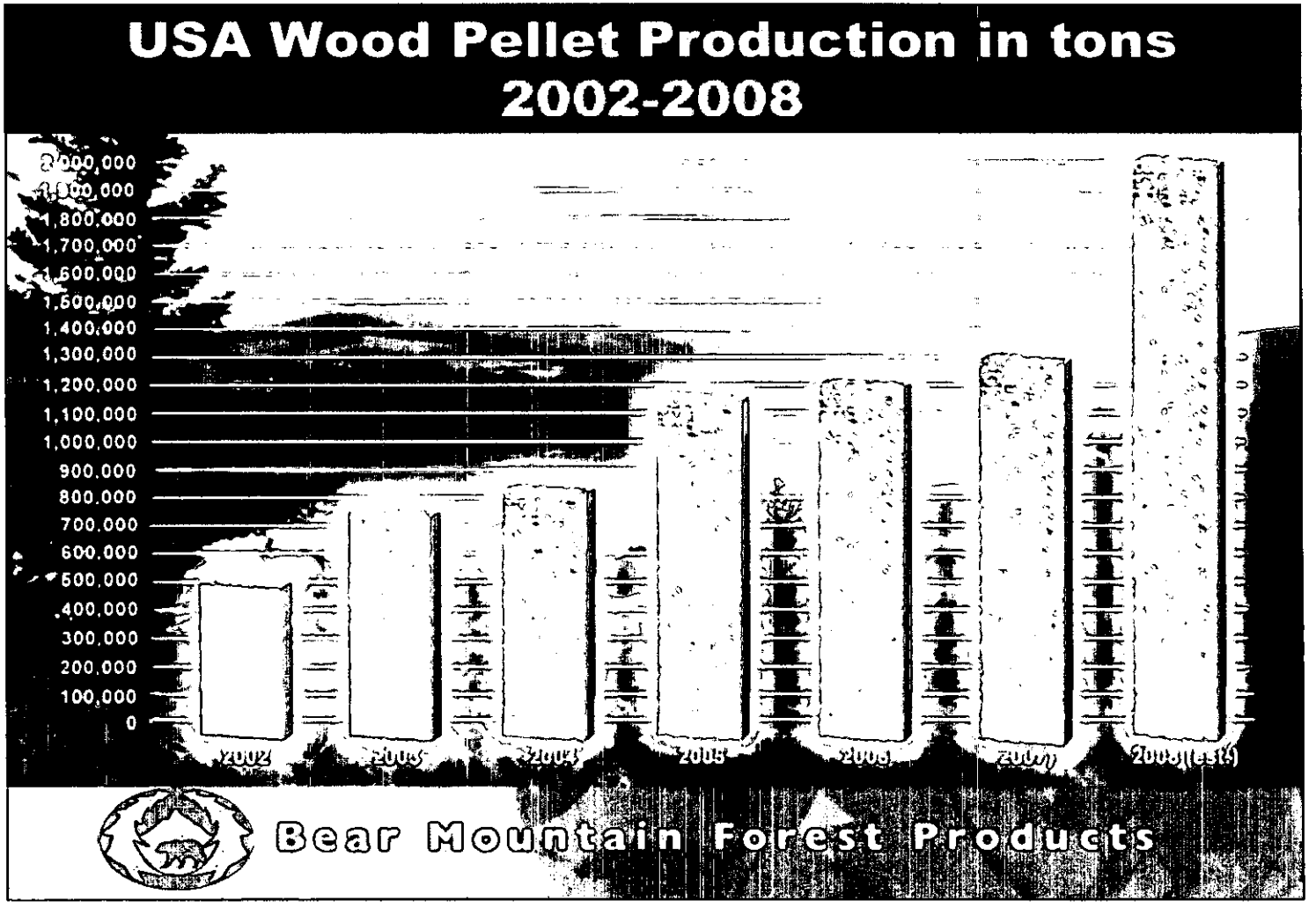
USA Wood Pellet Production



Source: Staff Pillion, Wels 2009

2577

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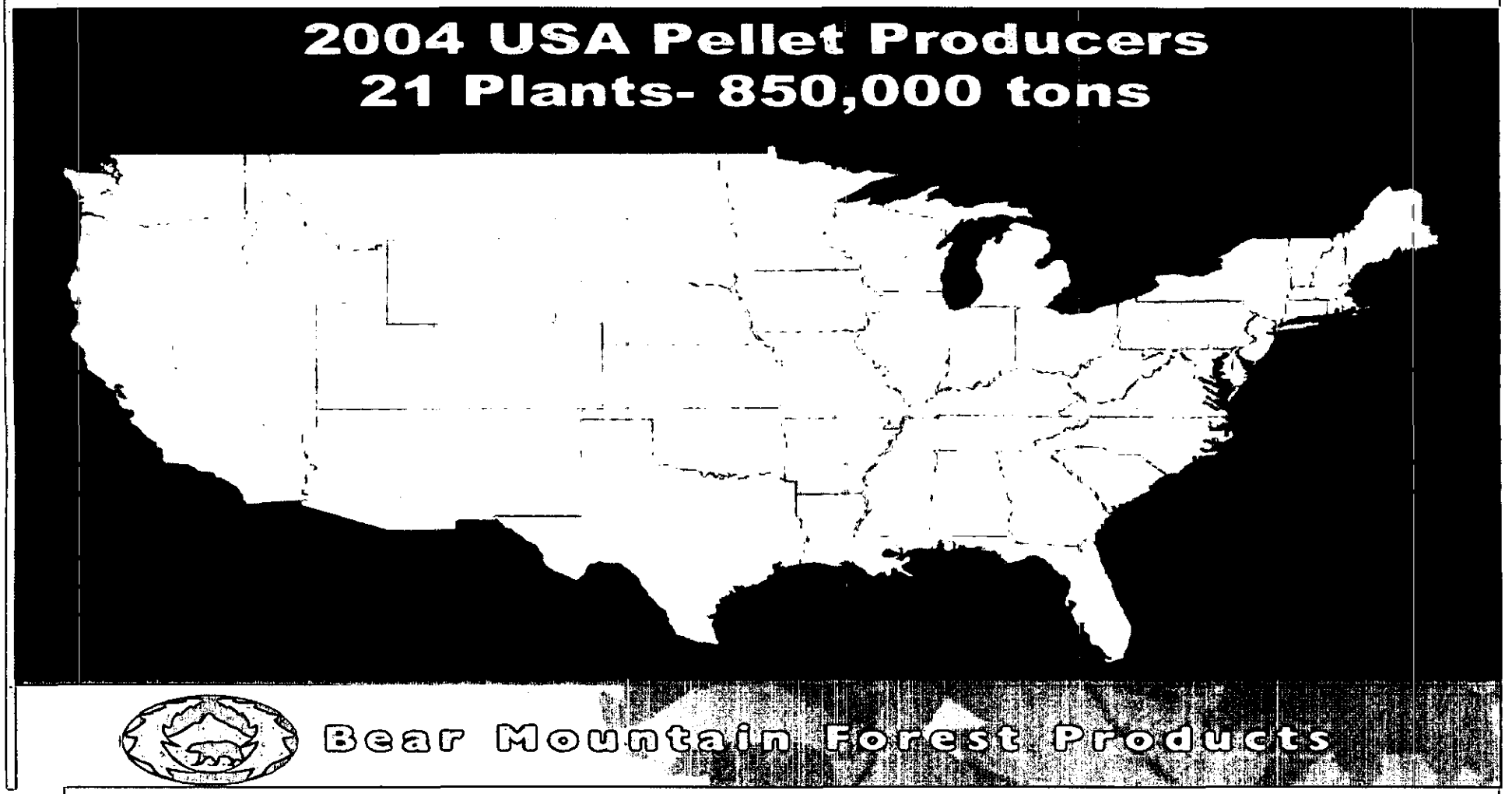
2004 US Pellet Producers



Source: Stan Elliot, Wels 2009

2578

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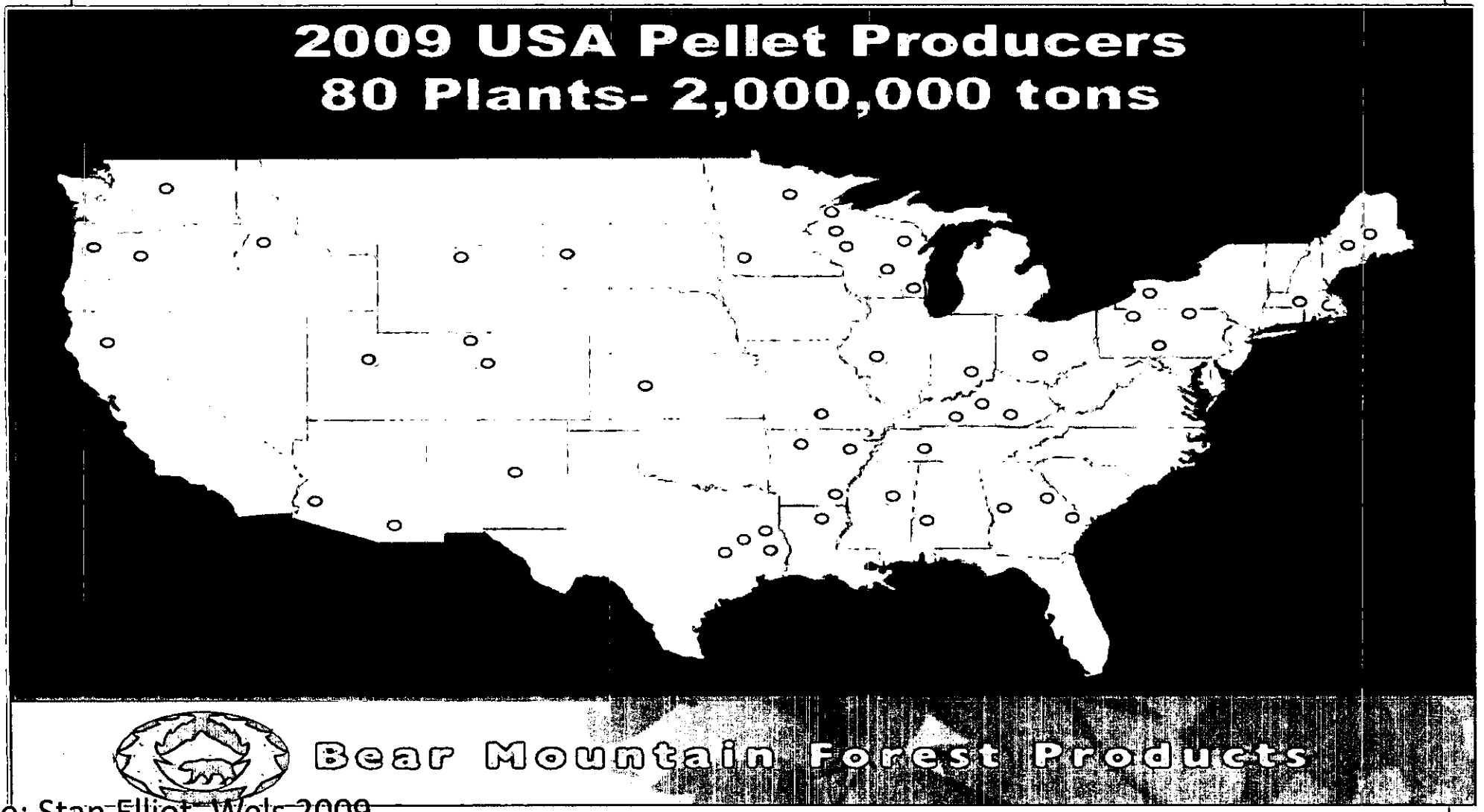
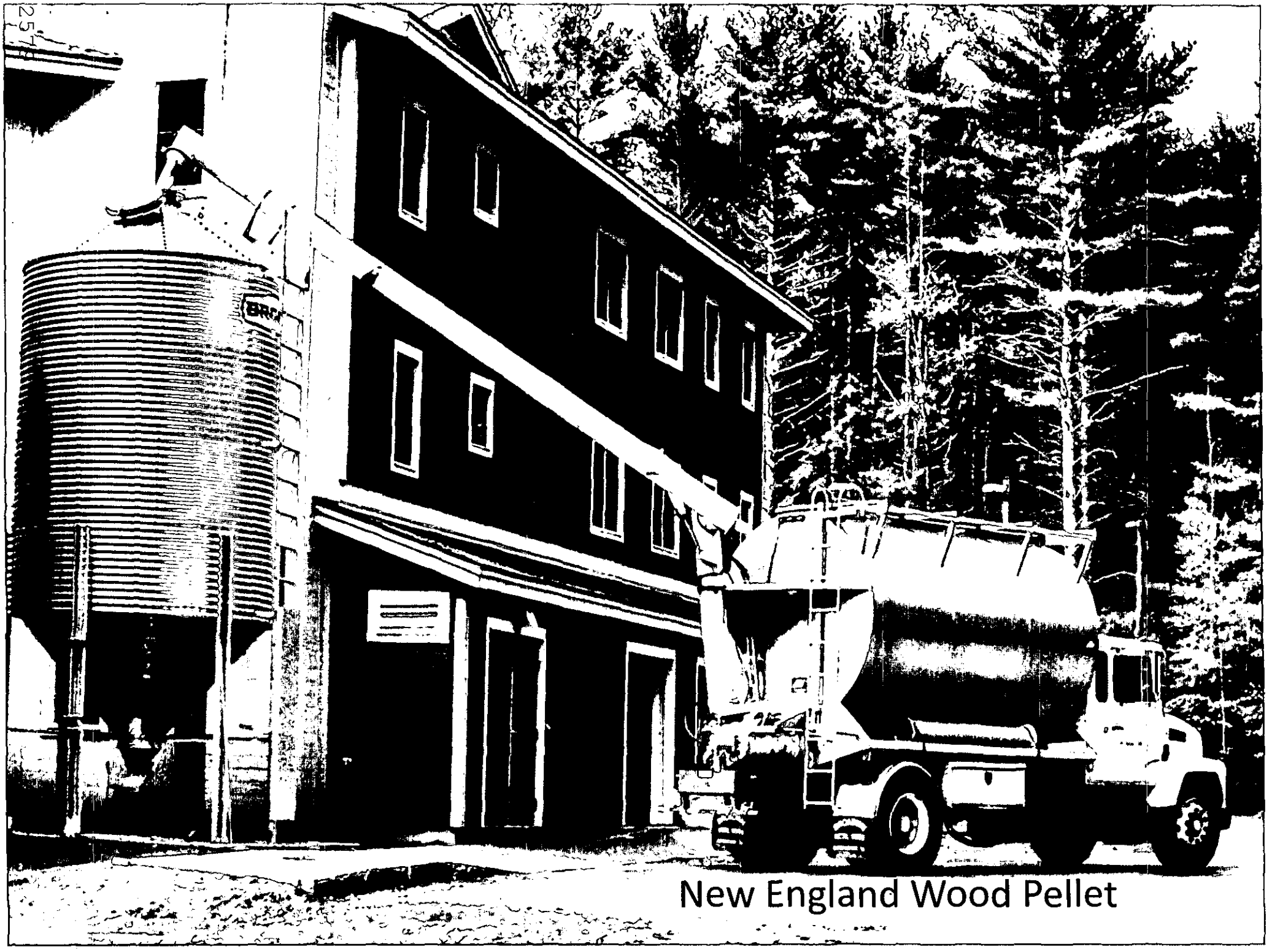
2009 US Pellet Producers



rce: Stan Elliot, Wels 2009


New England Wood Pellet

2580

VENTEK ENERGY SYSTEMS INC.
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Approx. 30 Viessmann/KOB Boiler systems now installed in N America

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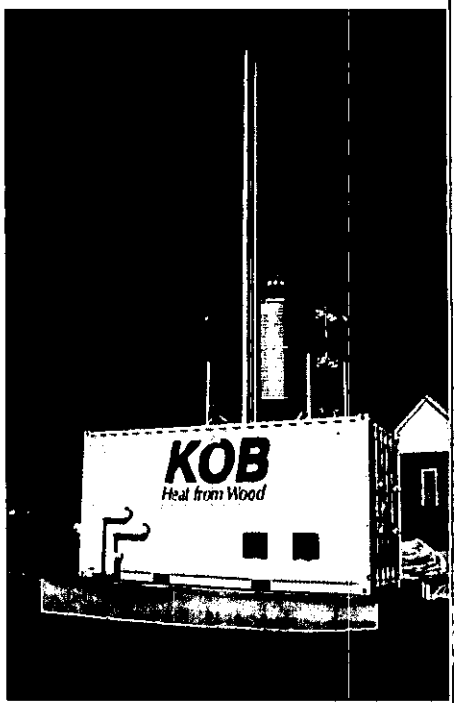
Harney District Hospital, Burns OR
Container System



2581

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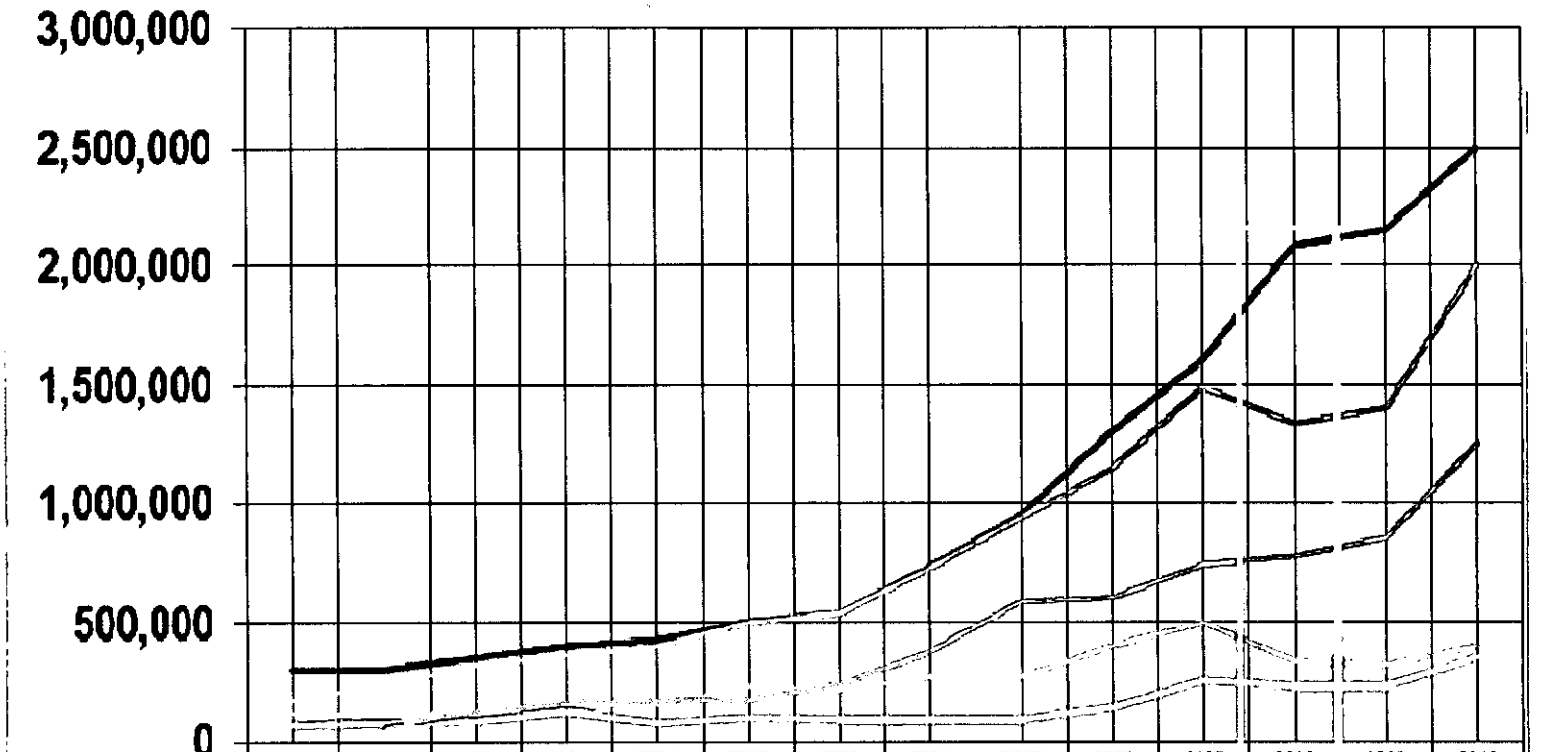
Canadian pellet production



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production Capacity	300,000	300,000	350,000	400,000	420,000	500,000	540,000	730,000	950,000	1,330,000	1,600,000	2,085,000	2,150,000	2,500,000
Actual Production	173,000	237,000	314,000	355,000	401,000	499,000	533,000	727,000	935,000	1,145,000	1,485,000	1,335,000	1,400,000	2,000,000
Domestic Sales	63,000	72,000	79,000	125,000	76,000	99,000	88,000	87,000	88,000	135,000	250,000	230,000	230,000	350,000
US Sales	110,000	105,000	115,000	155,000	155,000	230,000	210,000	265,000	255,000	400,000	495,000	335,000	320,000	400,000
Overseas		50,000	120,000	150,000	170,000	170,000	235,000	375,000	582,500	600,000	740,000	770,000	850,000	1,250,000

WOOD PELLET

2582

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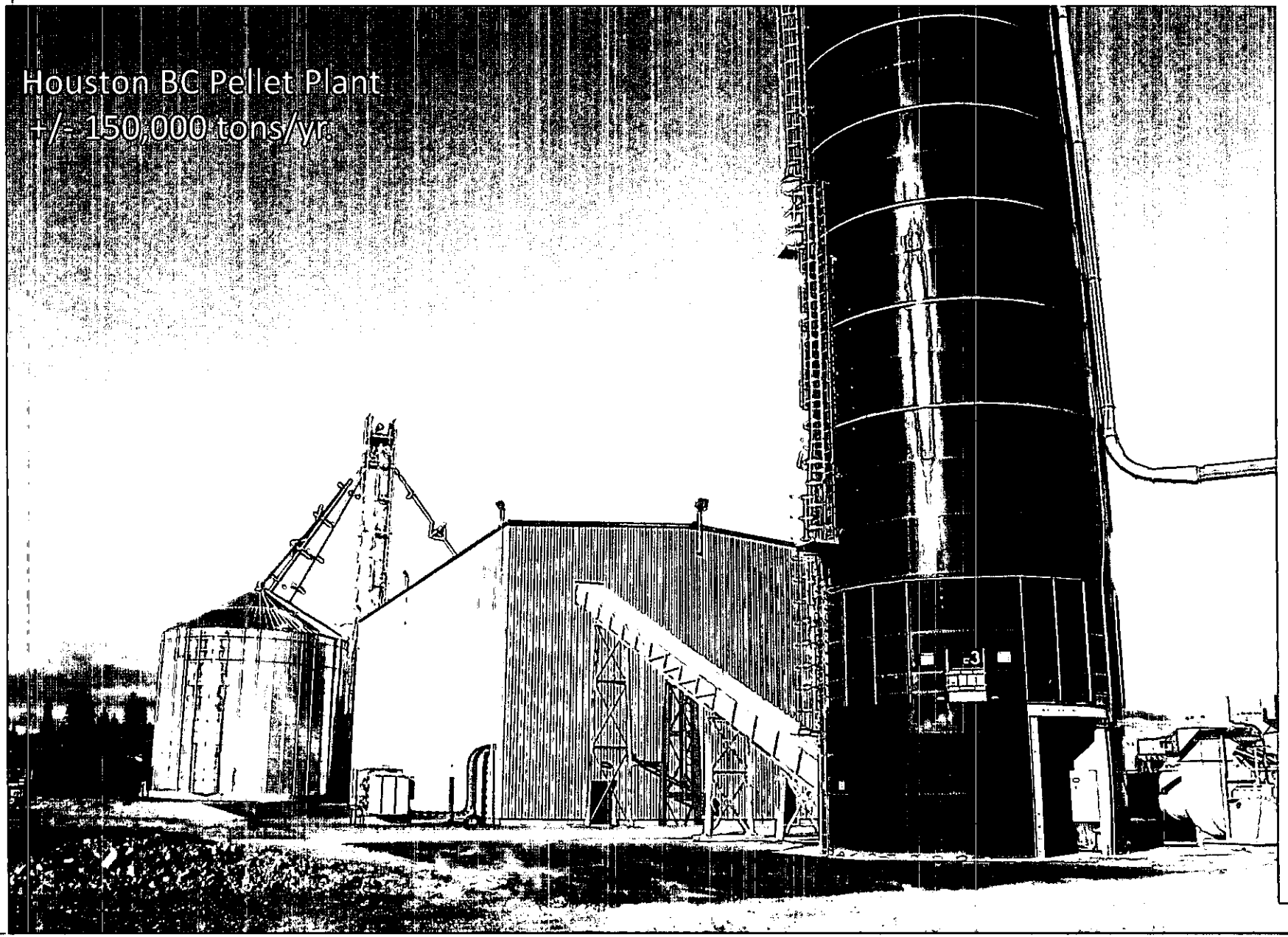

2583

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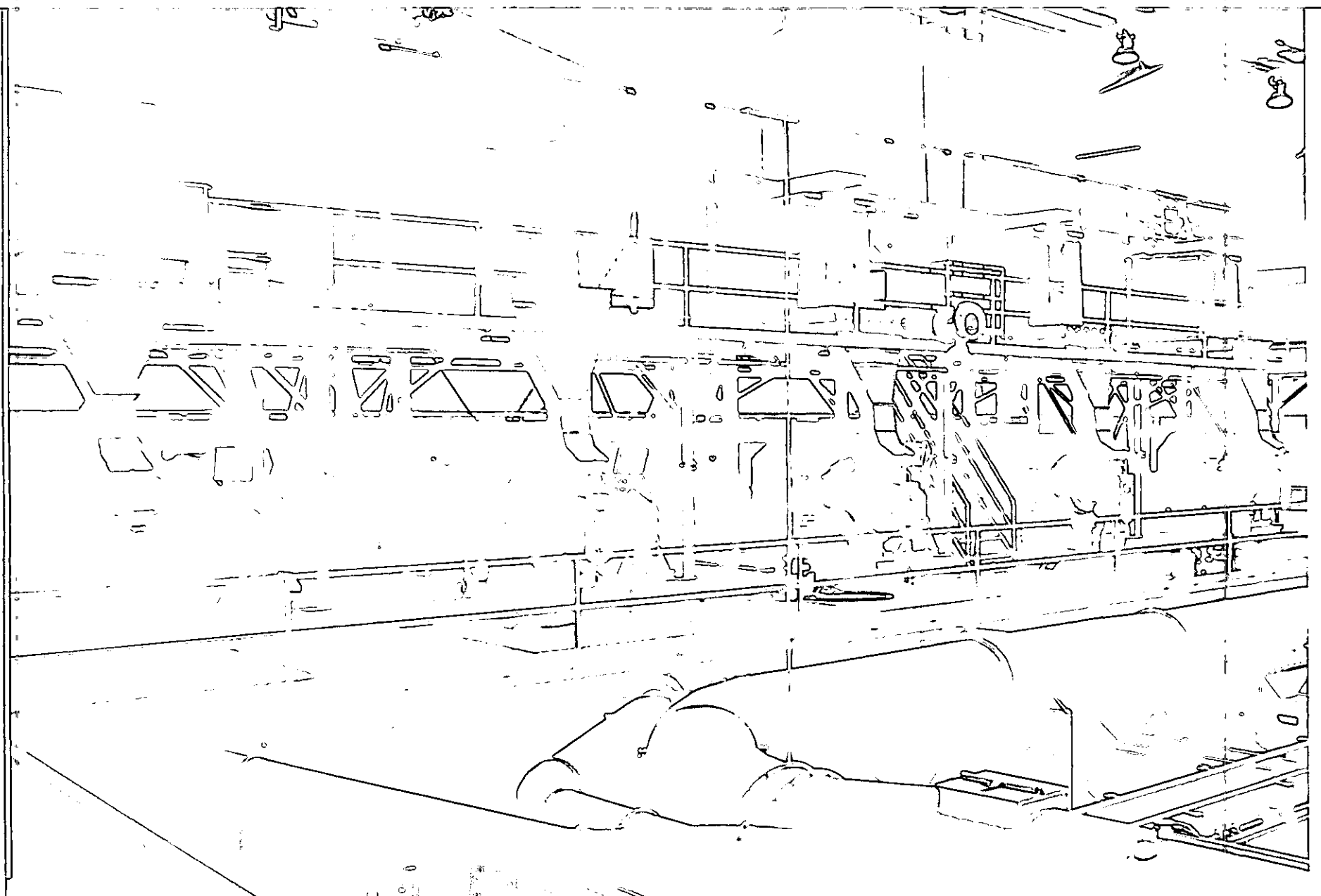

2584

VENTEK
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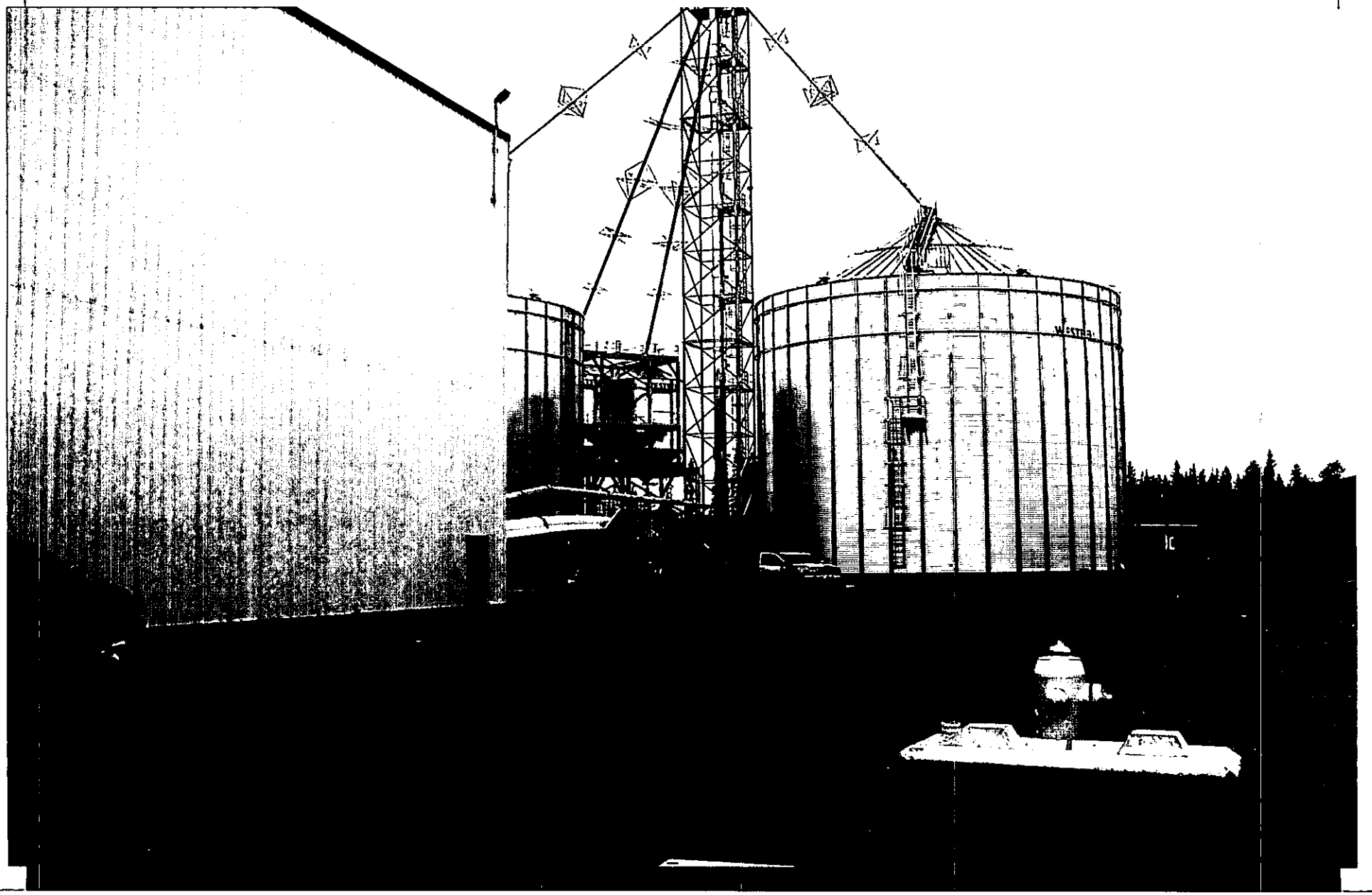

2585

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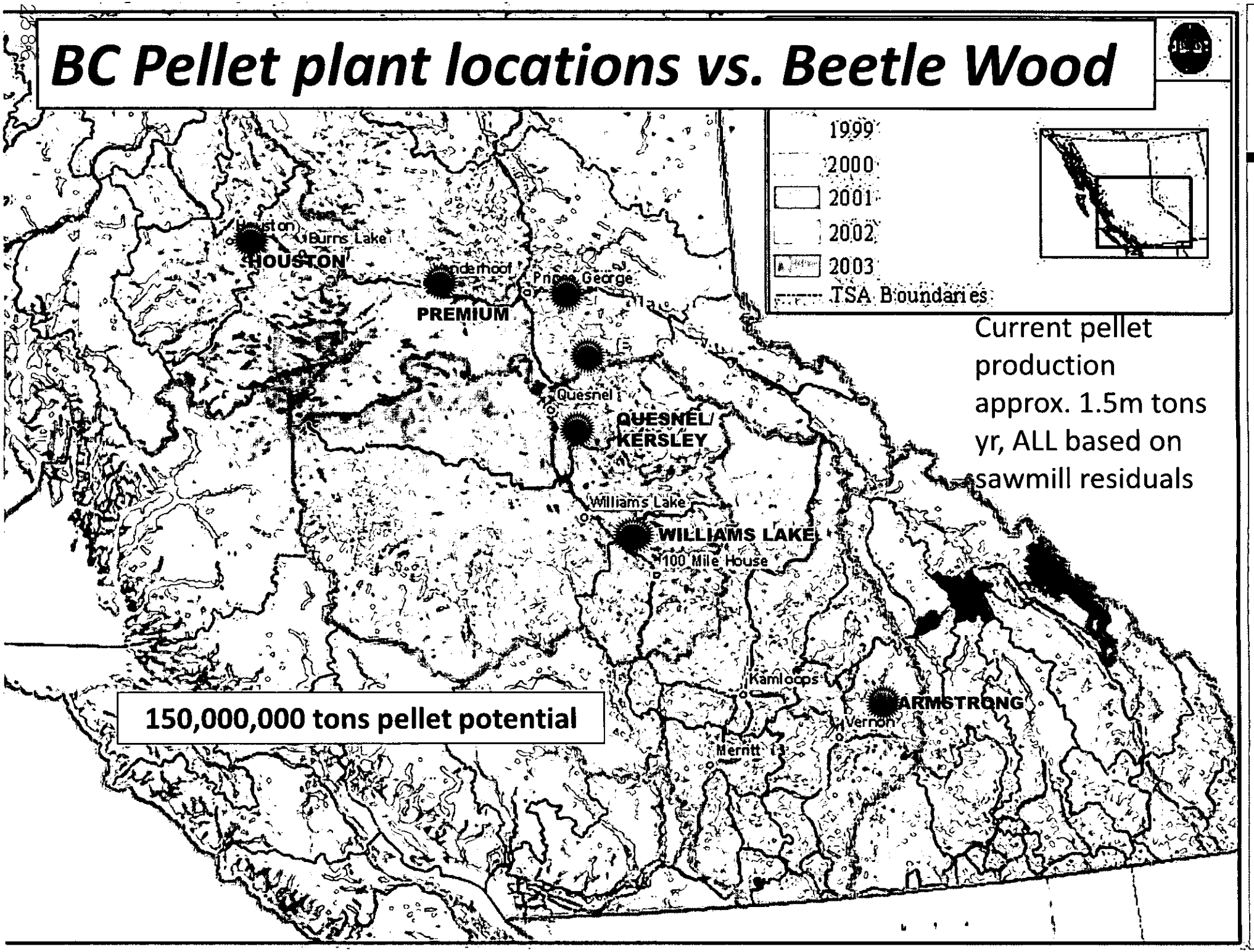
BC Pellet plant locations vs. Beetle Wood



2587

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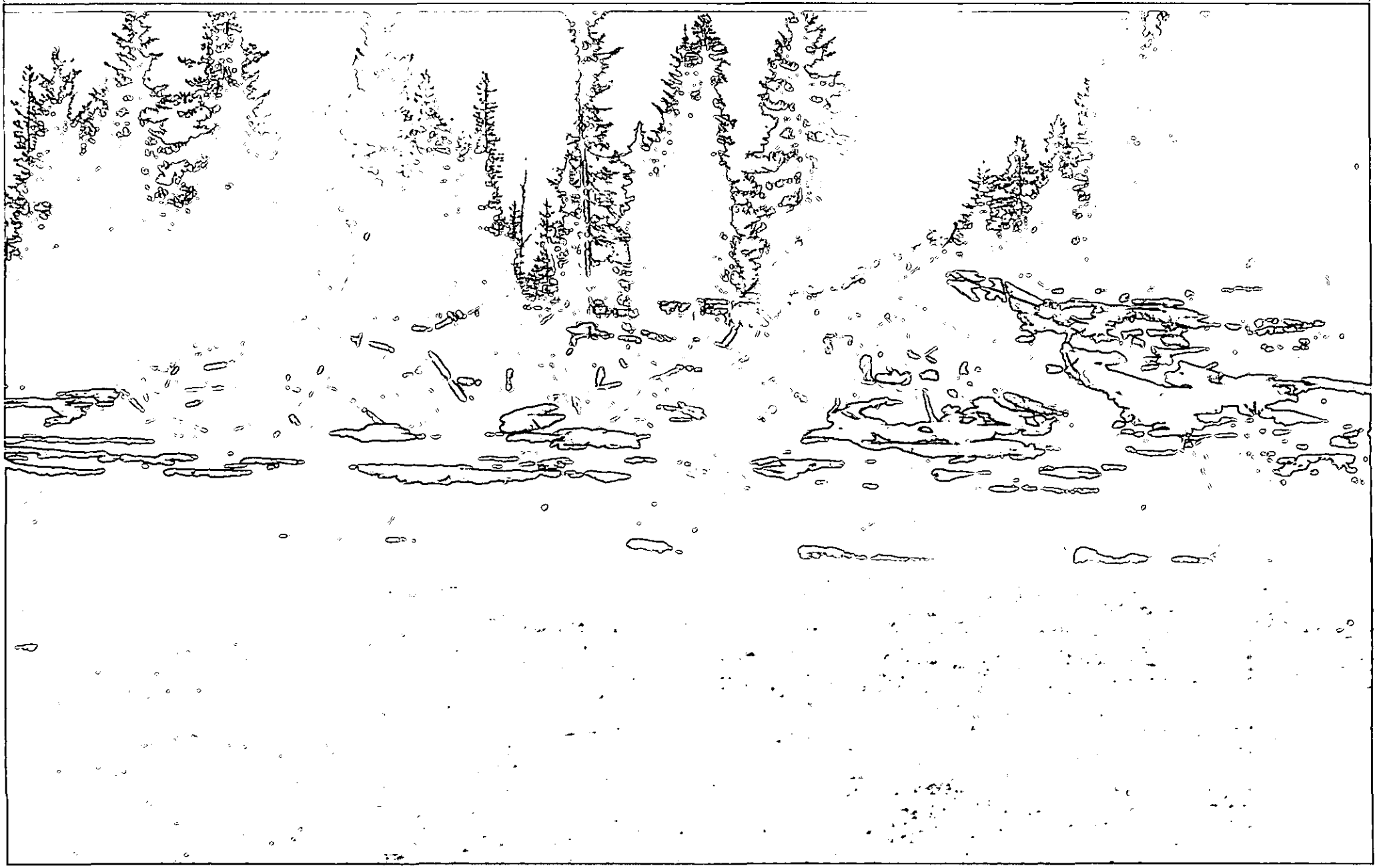

2588

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WESTERN INDUSTRIAL
CONTRACTORS LTD.
250-962-6811
www.wicltd.com

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BC Carbon Tax

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Type of Fuel	Rate as of July 1, 2008	Rate as of July 1, 2012
Gasoline	2.41 cents/litre	7.24 cents/litre **(USD 0.26/Gal)**
Diesel Fuel	2.76 cents/litre	8.27 cents/litre **($0.30/Gal)**
Natural Gas	49.88 cents/GJ	149.64 cents/GJ **($141.84 per MMBH)**
Light Fuel Oil	2.76 cents/litre	8.27 cents/litre **($0.30/Gal)**
Canadian bituminous coal	$20.79/tonne	$62.36/tonne **($53.85/Ton)**
Sub-bituminous coal	$17.72/tonne	$53.15/tonne **($45.90/Ton)**
Propane	1.54 cents/litre	4.62 cents/litre **($0.17/Gal)**

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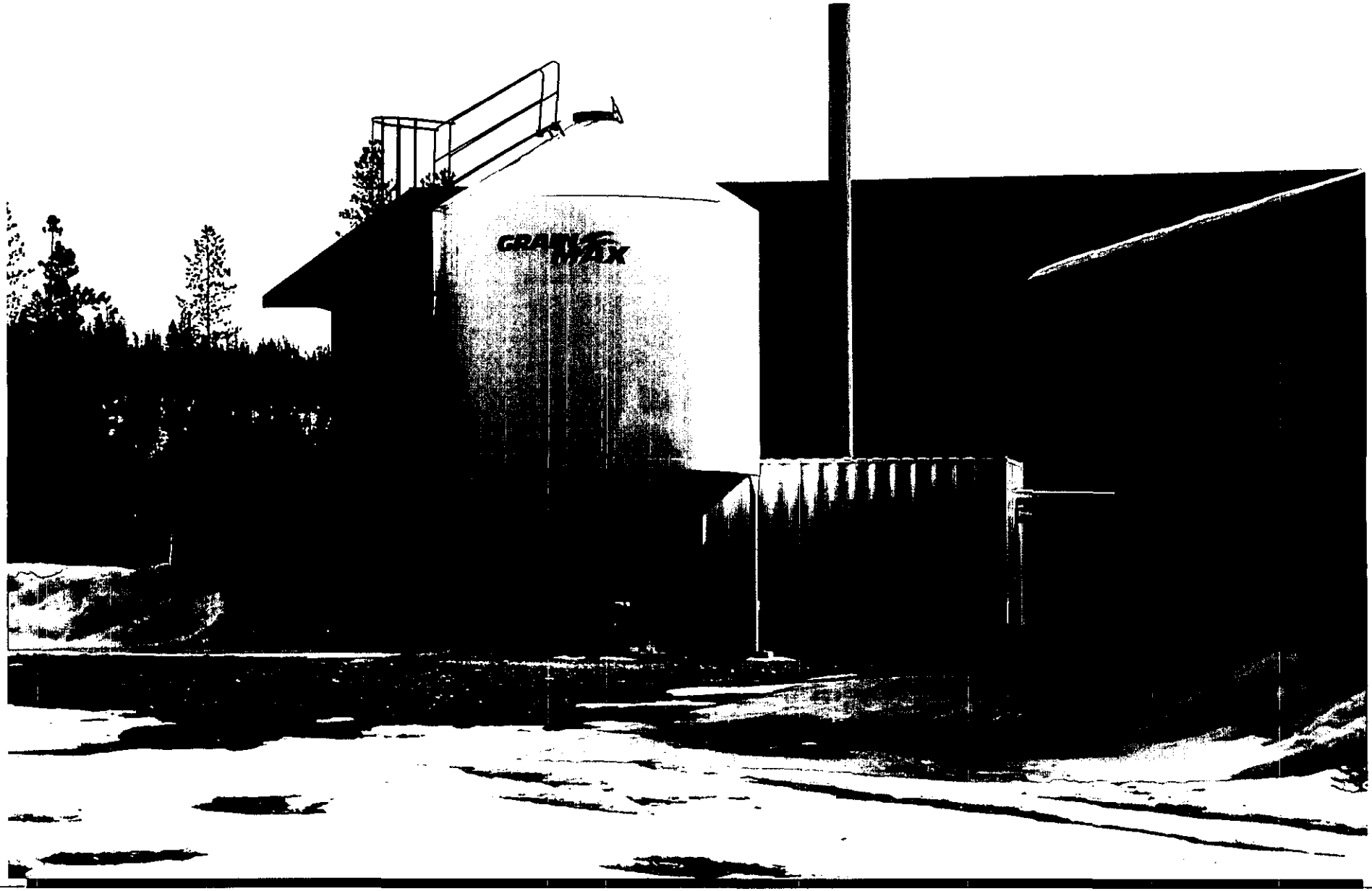

VENTEK ENERGY SYSTEMS INC.
Bio Energy Solutions

Nazko School Summary

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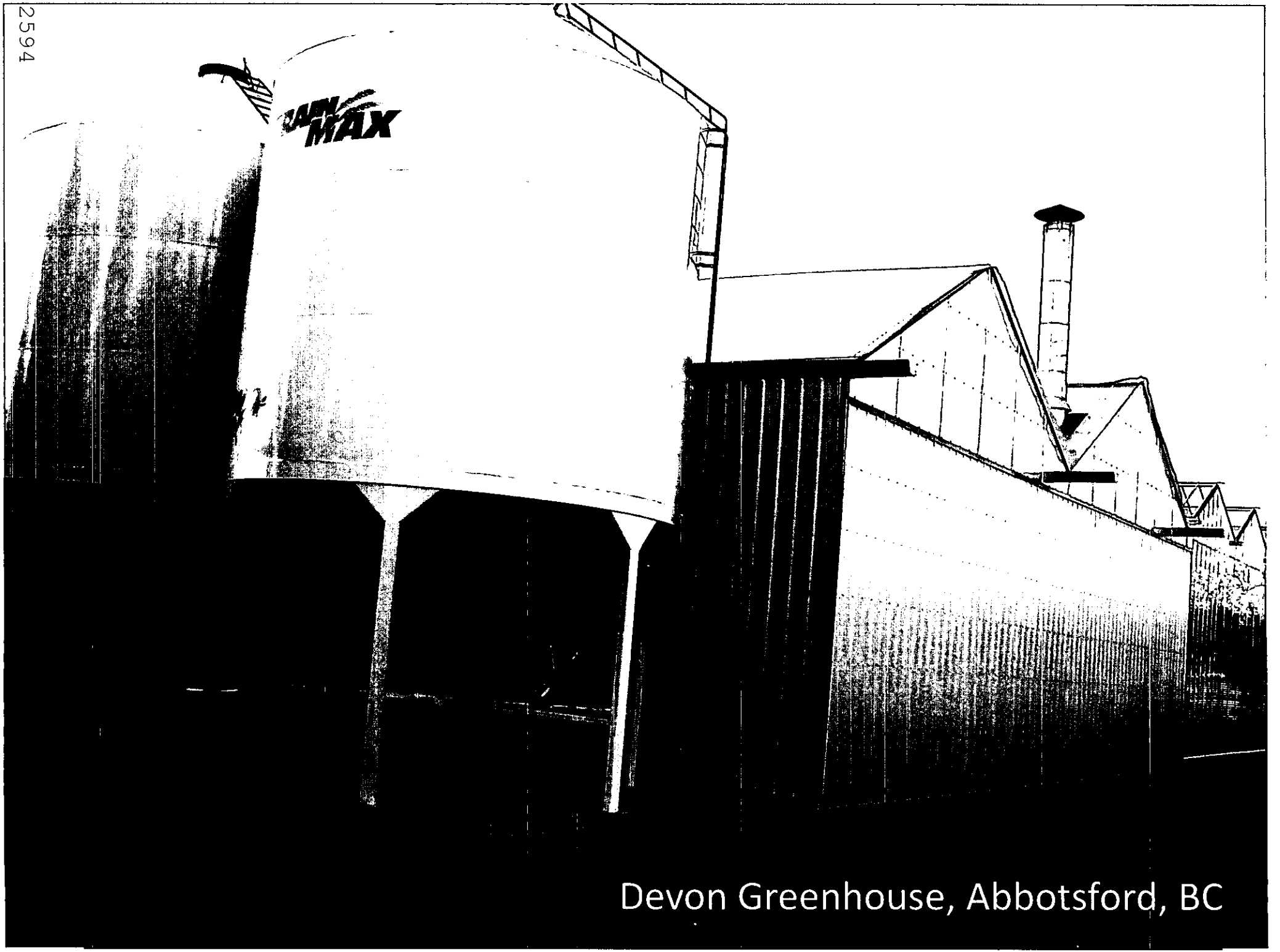
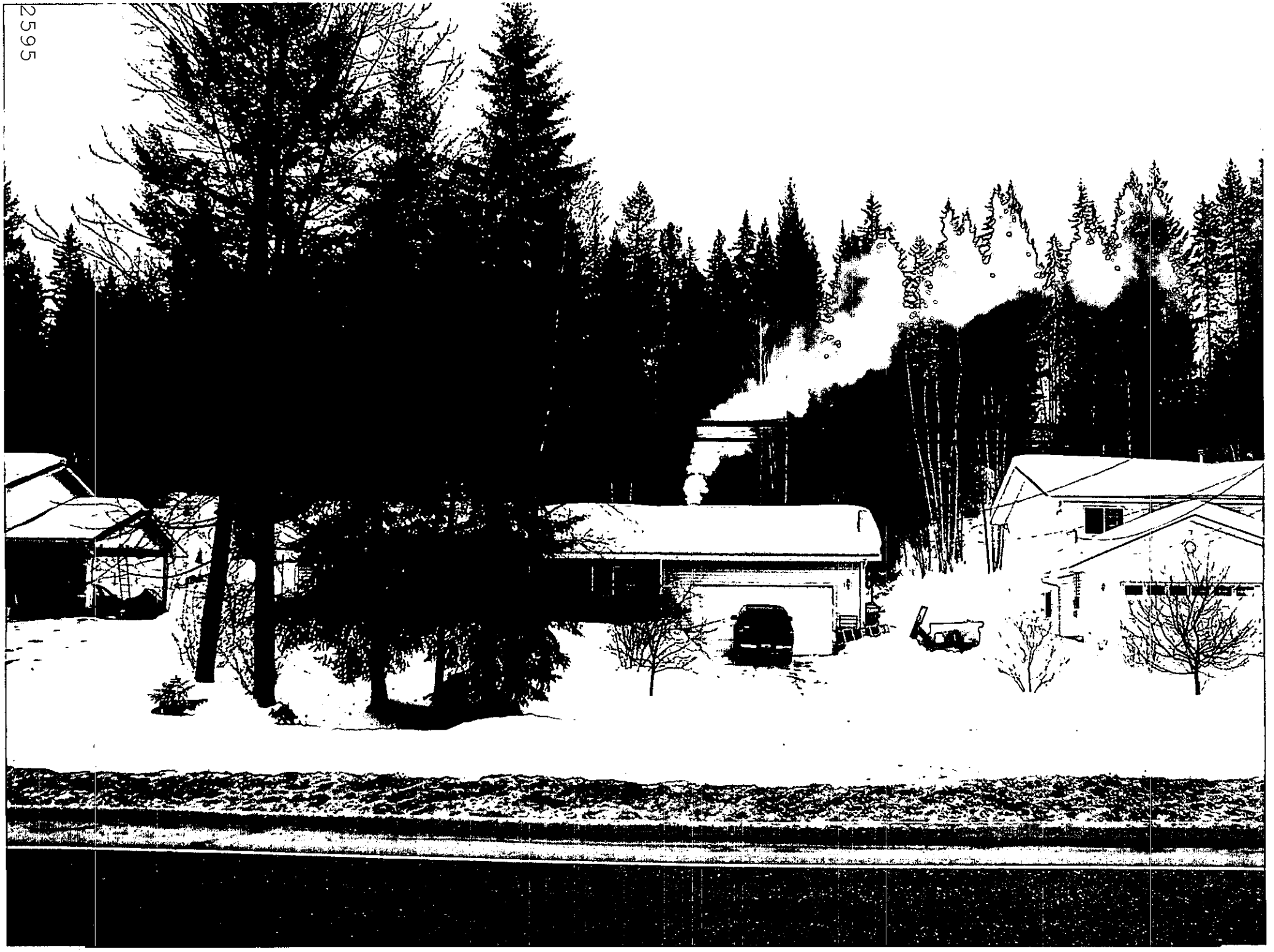
- One of the first schools in Canada with 100% biomass heating – virtually 100% carbon neutral
- Net CO2 savings of 60 tons per year
- Displaces 8500 gallons of propane/yr.
- Fuel cost savings starting at $10,000/yr - year one
- A model for the community, staff and students
- Local resource, local jobs, local suppliers (Pinnacle, Ventek)
- Eliminates $1500/yr BC Carbon Tax (2012 onward)



Devon Greenhouse, Abbotsford, BC

2595



2597

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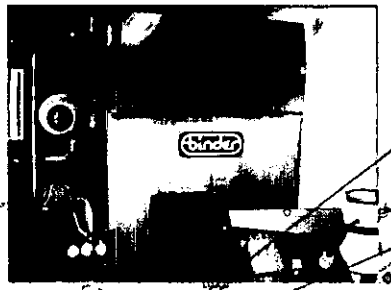
BIOMASS HEATING SYSTEMS FOR GNWT BUILDINGS

INSTALLED AND PLANNED WOOD PELLET BOILERS

OCTOBER 2009

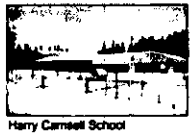


Chief Jimmy Bruneau School, Behchoko
- One KOB 750 kW wood pellet boiler
- Expected fuel oil reduction of 155,000 litres per year
- Expected GHG reduction of 410 tonnes per year
- Installation completed in October 2009

Highways Maintenance Garage, Hay River
- One KOB 200 kW wood pellet boiler
- Fuel oil reduction of 100,000 litres per year
- Expected GHG reduction of 270 tonnes per year
- Installation to be completed in 2010

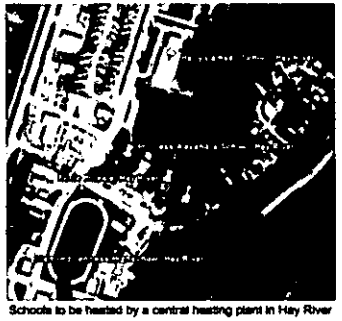
Diamond Jenness School

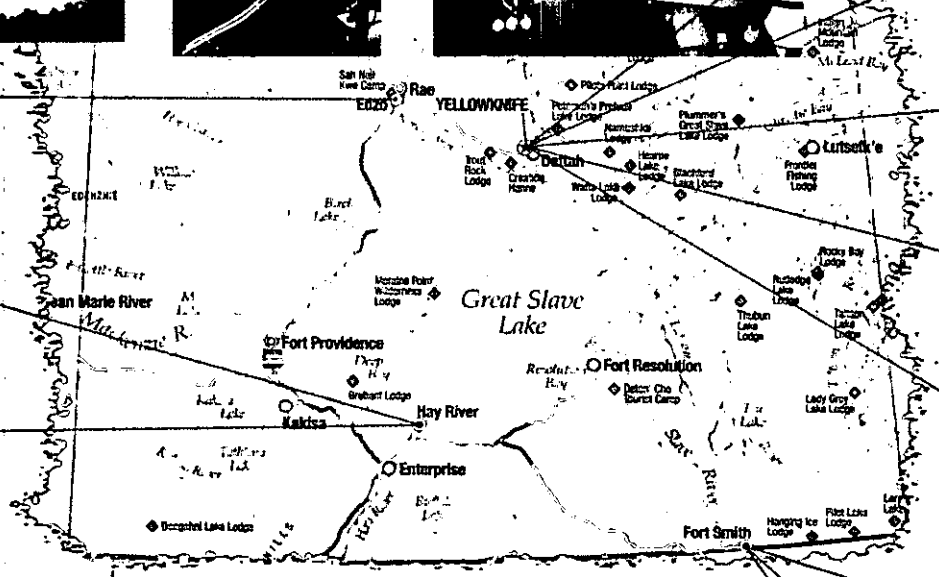
Central Heating Plant Serving Four Schools, Hay River
- One KOB 1 MW wood pellet boiler
- Expected fuel oil and propane reduction equivalent to 318,000 litres of fuel oil per year
- Expected GHG reduction of 850 tonnes per year
- Installation to be completed in 2010
- Diamond Jenness School & new Tradeshop
- Harry Camsell School
- Ecole Boreale
- Princess Alexandra School


Harry Camsell School

Ecole Boreale

Princess Alexandra School


Schools to be heated by a central heating plant in Hay River



A BRIEF HISTORY

The first wood pellet boilers for a Territorial Government building were installed at the North Slave Correctional Centre in 2006. Arctic Green Energy (AGE) owns and installed the boiler, and sells heat to the Government of the NWT (GNWT). Thanks to the success of that project, the GNWT is now investing in its own wood pellet boilers for other facilities, where economically viable.

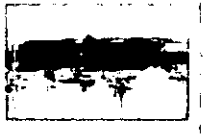
Since the cost to transport wood pellets is higher than that of other fuels, the most viable locations for wood pellet boilers are those closest to the source of wood pellets. Currently, that source is in La Crete in northern Alberta. Therefore, the GNWT is investing in wood pellet boilers in communities on the road network in the South and North Slave regions.

Kalemi Dene School, N'Dilo
- Three Bosch MESys 23 kW wood pellet boilers
- Expected fuel oil reduction of 30,000 litres per year
- Expected GHG reduction of 80 tonnes
- Installation completed in September 2009

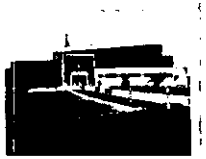
North Slave Correctional Facility, Yellowknife
- Two BINDER 750 kW wood pellet boilers
- Fuel oil reduction of 587,000 litres in 2008
- GHG reduction of 1,580 tonnes in 2008
- Installation completed in November 2006

Legislative Assembly Building, Yellowknife
- One BINDER 300 kW wood pellet boiler
- Expected fuel oil reduction of 83,000 litres per year
- Expected GHG reduction of 220 tonnes per year
- Installation to be completed in 2009/10

École St Joseph School, Yellowknife
- One KOB 540 kW wood pellet boiler
- Expected fuel reduction of 102,000 litres per year
- Expected GHG reduction of 270 tonnes per year
- Installation completed in October 2009



Sir John Franklin School, Yellowknife
- One BINDER 750 kW wood pellet boiler
- Expected fuel reduction of 142,900 litres per year
- Expected GHG reduction of 380 tonnes per year
- Installation completed in February 2008



PWK School & Recreation Complex, Fort Smith
- One KOB 750 kW wood pellet boiler
- Expected fuel oil reduction of 200,000 litres per year
- Expected GHG reduction of 530 tonnes per year
- Installation to be completed in 2010

Thebacha College, Fort Smith
- One KOB 750 kW wood pellet boiler
- Expected fuel oil reduction of 200,000 litres per year
- Expected GHG reduction of 530 tonnes per year
- Installation to be completed in 2010

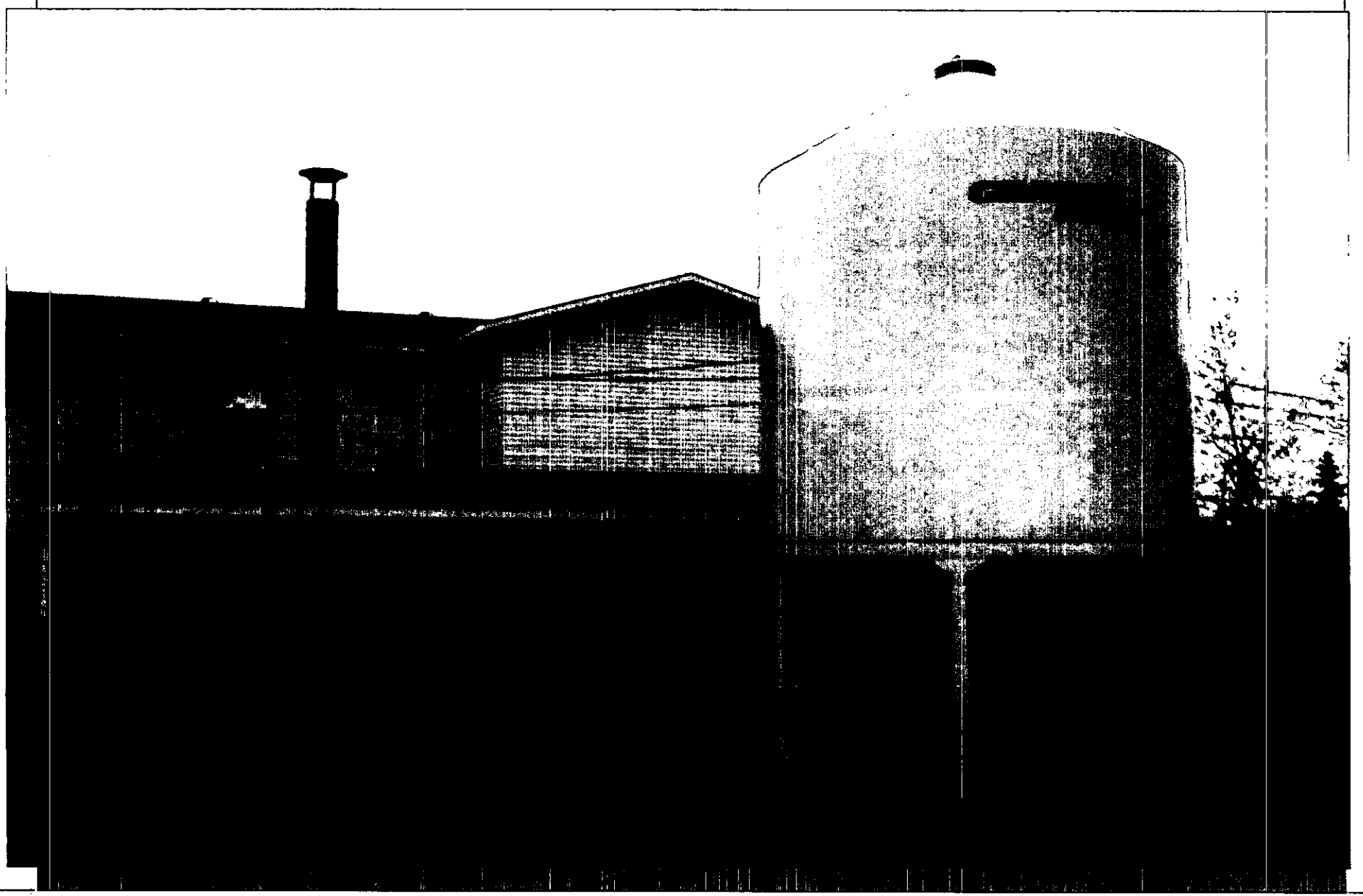
Health Centre, Fort Smith
- One KOB 750 kW wood pellet boiler
- Expected fuel oil reduction of 200,000 litres per year
- Expected GHG reduction of 530 tonnes per year
- Installation to be completed in 2010

2600

VENTEK
ENERGY SYSTEMS INC.
Bio Energy Solutions

Yellowknife Apartment System

A NATIVE CORPORATION
SEALASKA



2601

VENTEK
ENERGY SYSTEMS INC.
Bio Energy Solutions

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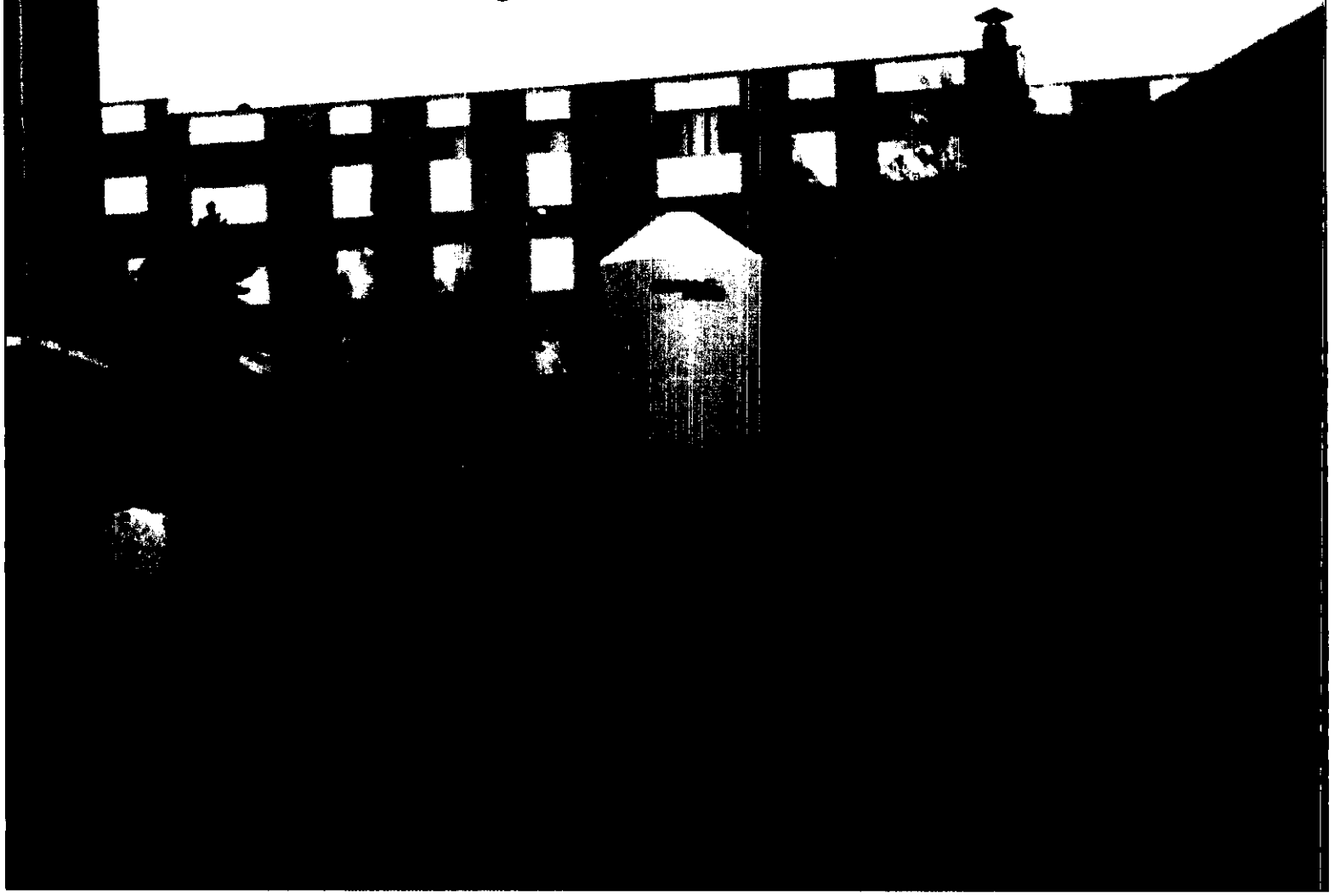
SEALASKA

Yellowknife Apartments, Boiler and Storage



2602

VENTEK
ENERGY SYSTEMS INC.
Bio Energy Solutions

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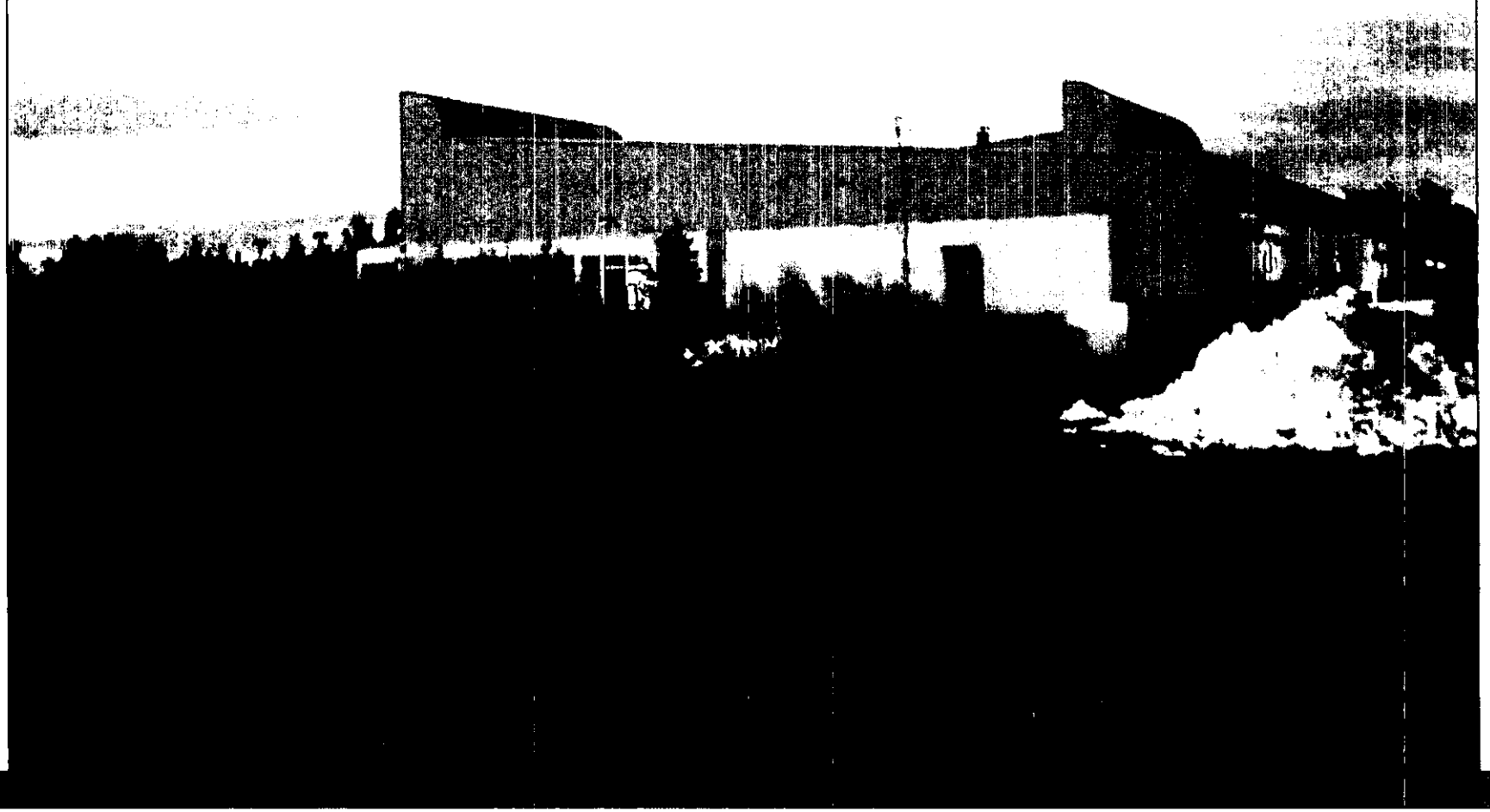
SEALASKA

Yellowknife Swimming Pool, District Heating



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ENERGY SYSTEMS INC.
Bio Energy Solutions

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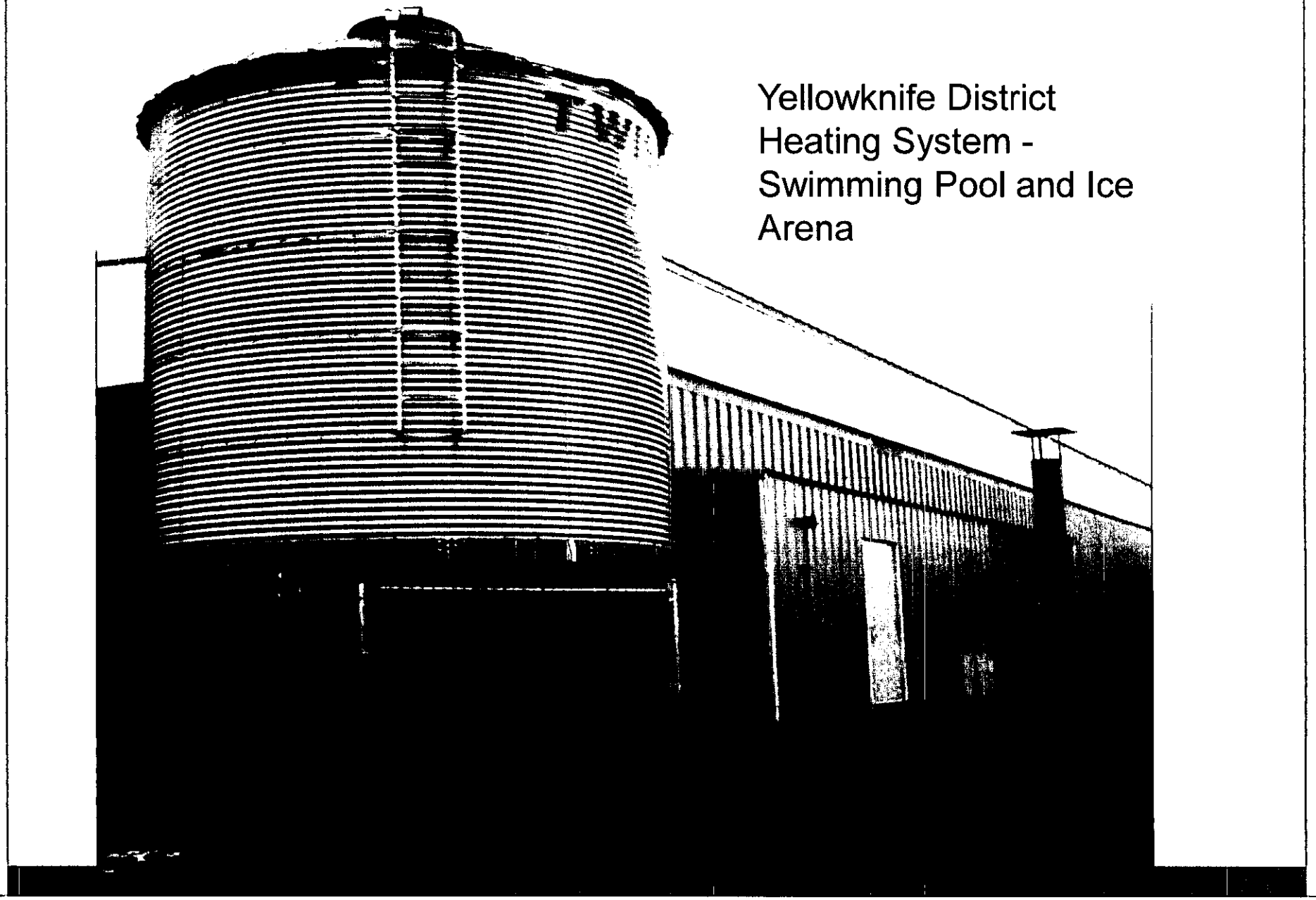
SEALASKA

Yellowknife District Heating System - Swimming Pool and Ice Arena



2604

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Bio Energy Solutions

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SEALASKA

New School Installation being completed in Yellowknife

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NWT Legislative Building
Being converted to wood
pellet heating system

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Northwest Territory Summary:

425,000 sq/mi – 35,000 residents

(vs Alaska 586,000 sq/mi, +/- 600,000 residents)

- Approx. 15 commercial biomass boiler installations
- Many residential wood pellet stoves (up to 50% fuel savings vs oil/propane).
- **12,000 tons/yr** of pellet consumption, for a population base of 35,000, in just 4 years!

2607

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ENERGY SYSTEMS INC.
Bio Energy Solutions

Yukon Summary:

186,000 sq/mi – 33,500 residents

(vs Alaska 586,000 sq/mi, +/- 600,000 residents)

Enough dead trees from forest wild fires annually to supply 600,000 tons of wood pellets/yr (10% would supply the entire thermal needs of every Yukon building!

- Approx. 6 commercial biomass boiler installations in planning stage, including Dawson City and Yukon Corrections Facility

- Growing number of residential wood pellet stoves, up to 50% fuel savings vs oil/propane.

- **1,000 tons/yr** of pellet consumption, (want to catch-up to NWT!)

2608

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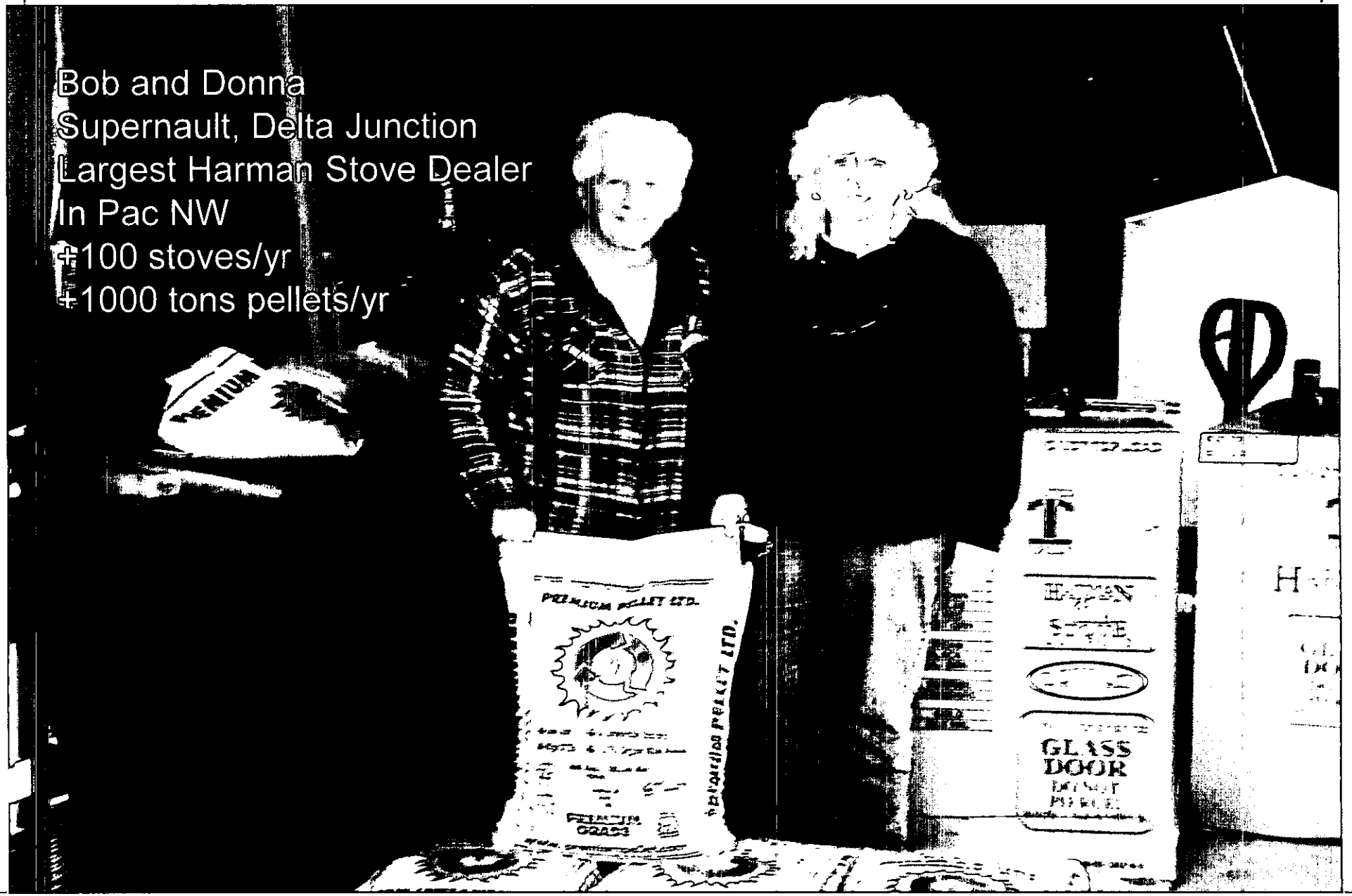

2609

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Typical Pellet Stove,
Residential Installation
Harman Stove

Current US Federal Tax
Credit, 30% up to
$1500 per installation

2610

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New Superior Pellet Plant, Fairbanks
10,000 tons production, up to 60,000
Start-up, summer 2010

VIENTEK ENERGY SYSTEMS INC.
Bio Energy Solutions

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Pellet Opportunity for SE...

Wood pellet fuel = 30% saving for the average heating bill, based on today's price of oil

(does anyone expect oil prices to decrease?)

VIKING ENERGY SYSTEMS INC.
Bio Energy Solutions

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SEALASKA

Pellet Opportunity for SE...

30% saving for the average heating bill, based on import wood pellets

Viking Lumber planning 15,000 ton/yr pellet plant, currently seeking equipment and funding.

Viking Lumber currently has approx. 10,000 tons/yr of residual waste

ENERGY SYSTEMS INC.
Bio Energy Solutions

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Pellet Opportunity for SE…

Wood pellet stoves, commercial sized boilers and distribution is now readily available.

There is no plan to harvest the Tongass for biomass – thinning and residuals would provide enough feedstock.

Imports will continue to be available as necessary.

2614

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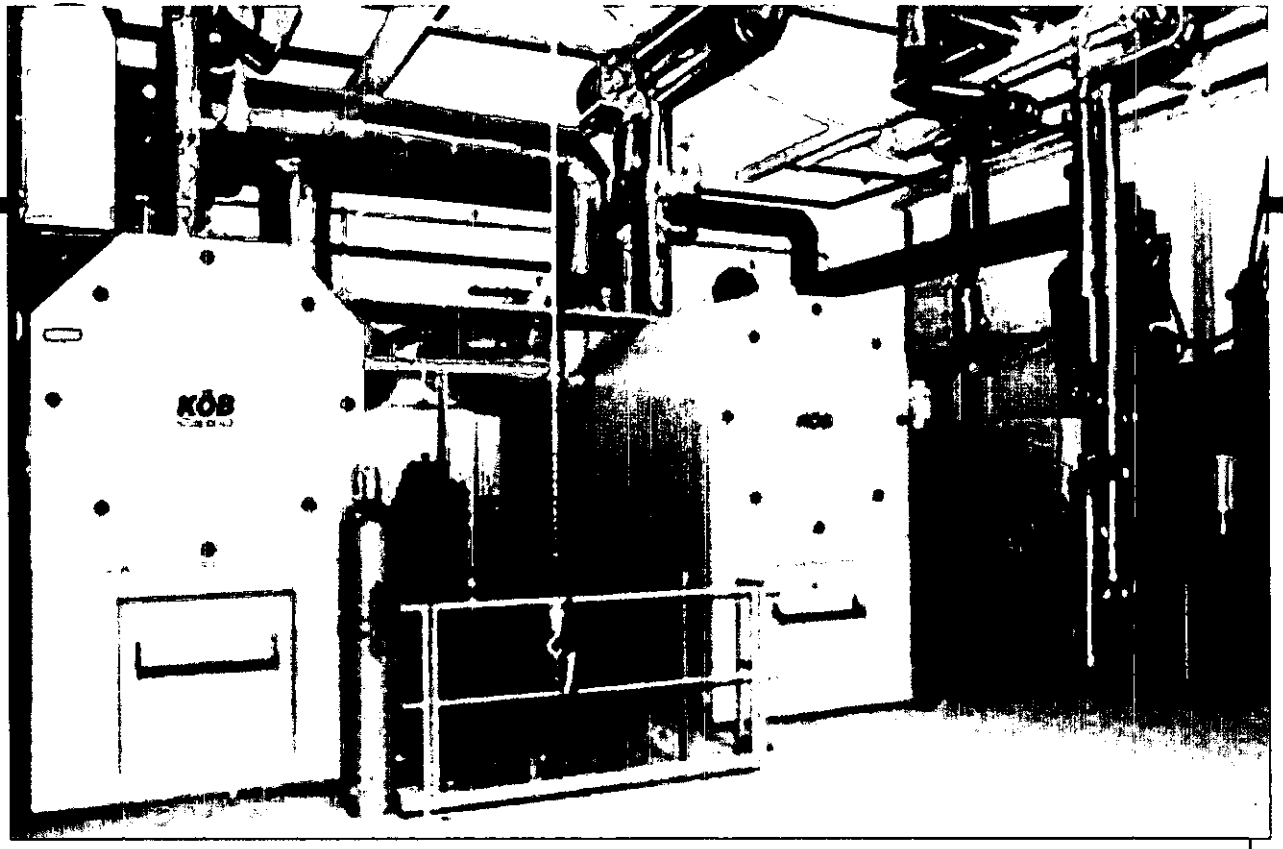
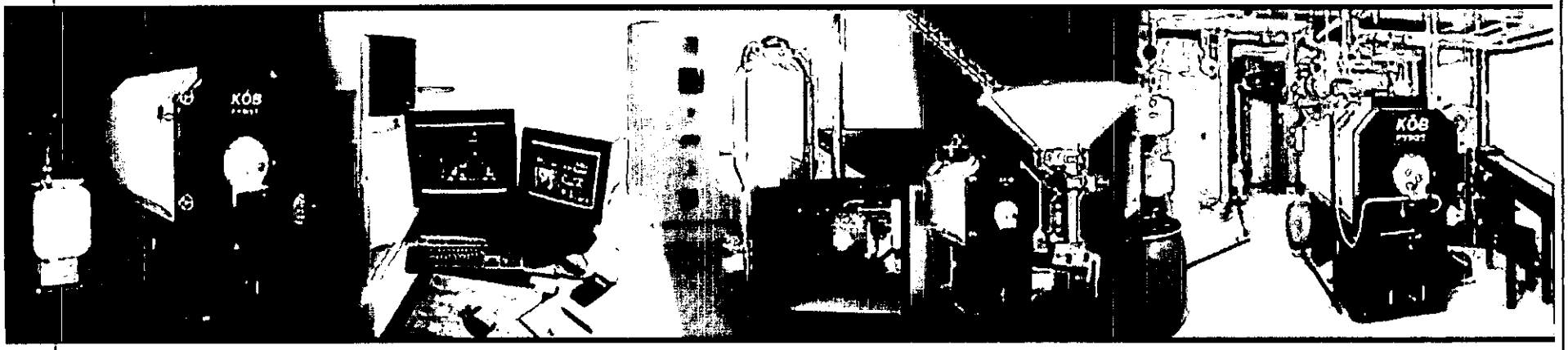
ENERGY SYSTEMS INC.
Bio Energy Solutions



- KOB Boilers – 30 years in Austria
- Now part of Viessmann, excellent reputation globally (33 countries, 6800 employees)



2615

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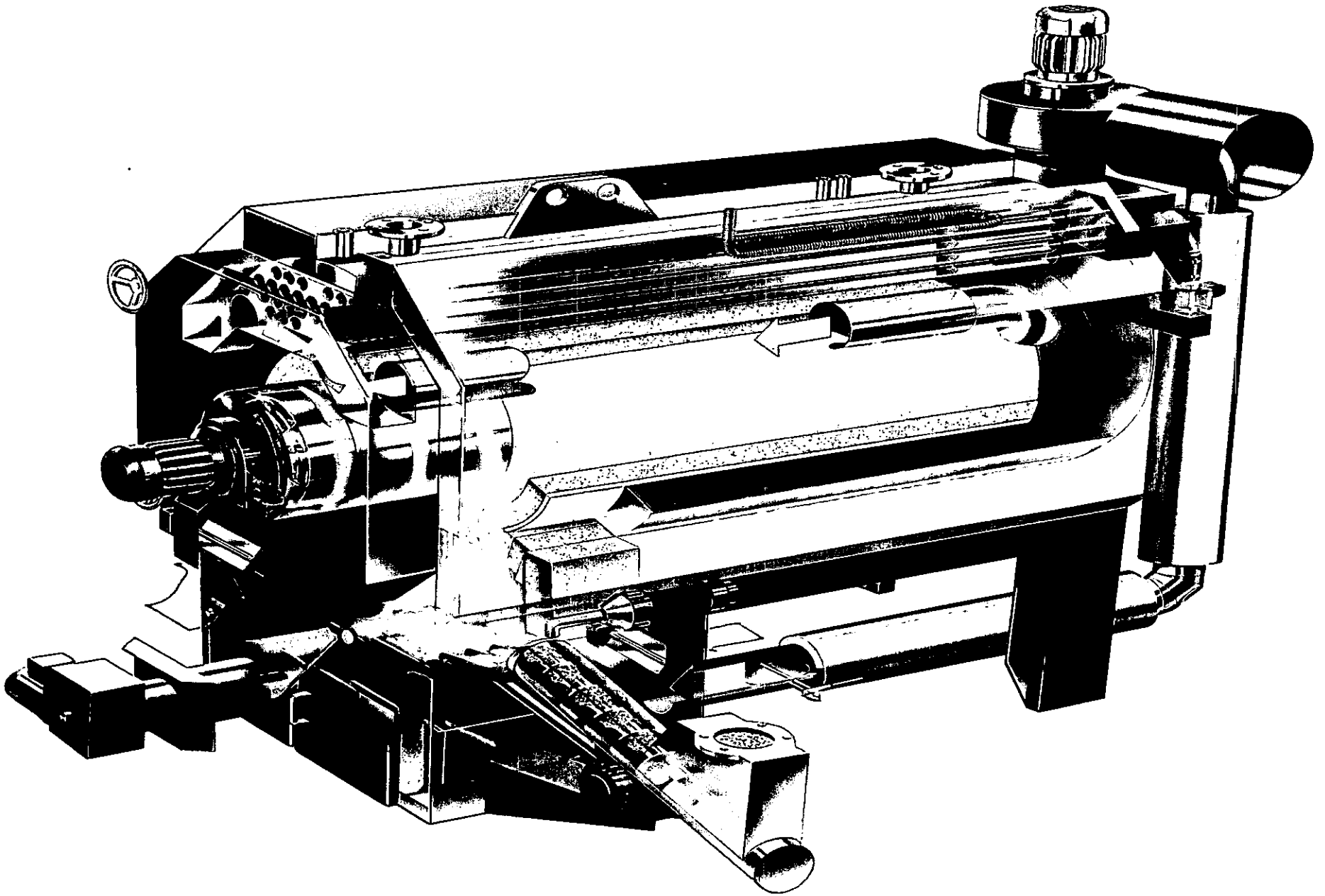
ENERGY SYSTEMS INC.
Bio Energy Solutions

KOB/Viessmann Boiler



VENTEK ENERGY SYSTEMS INC.
Bio Energy Solutions

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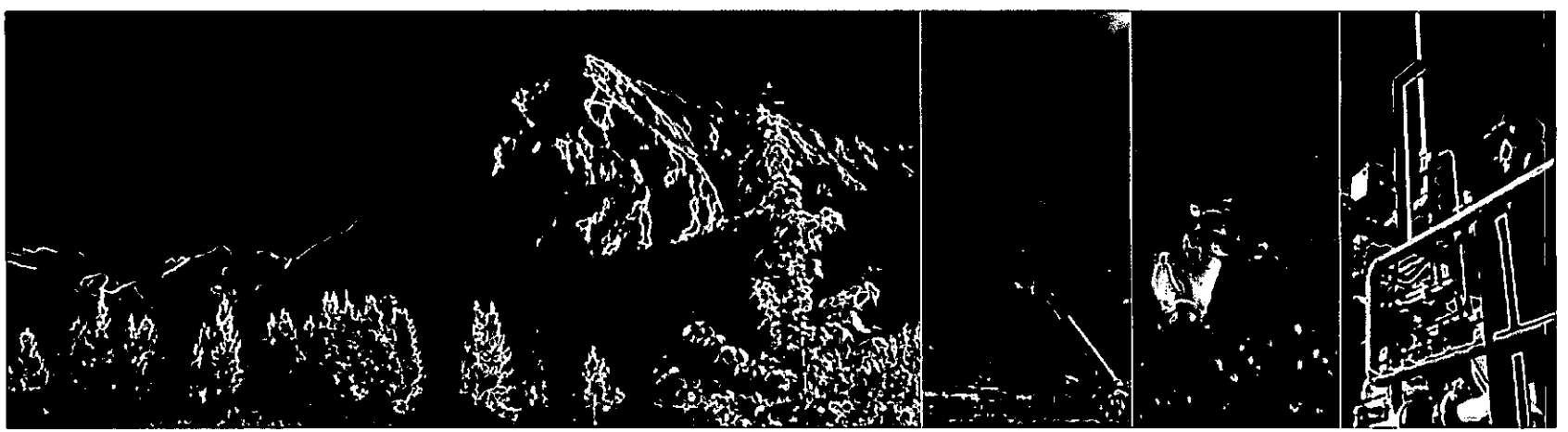
SUMMARY

- Wood pellet demand, as a preferred "green" fuel in N America, is expected to grow dramatically in the future.
- Prices will remain stable as the market matures, compared to the volatility of fossil fuels.
- There is an abundance of raw material in N America.
- Developing wood pellet applications in Alaska will create jobs, reduce carbon emissions, save money, and....

"It's the right thing to do!"

2/1/10 & 2/3/10 OVERVIEW: AGIA UPDATE/ OPEN SEASON

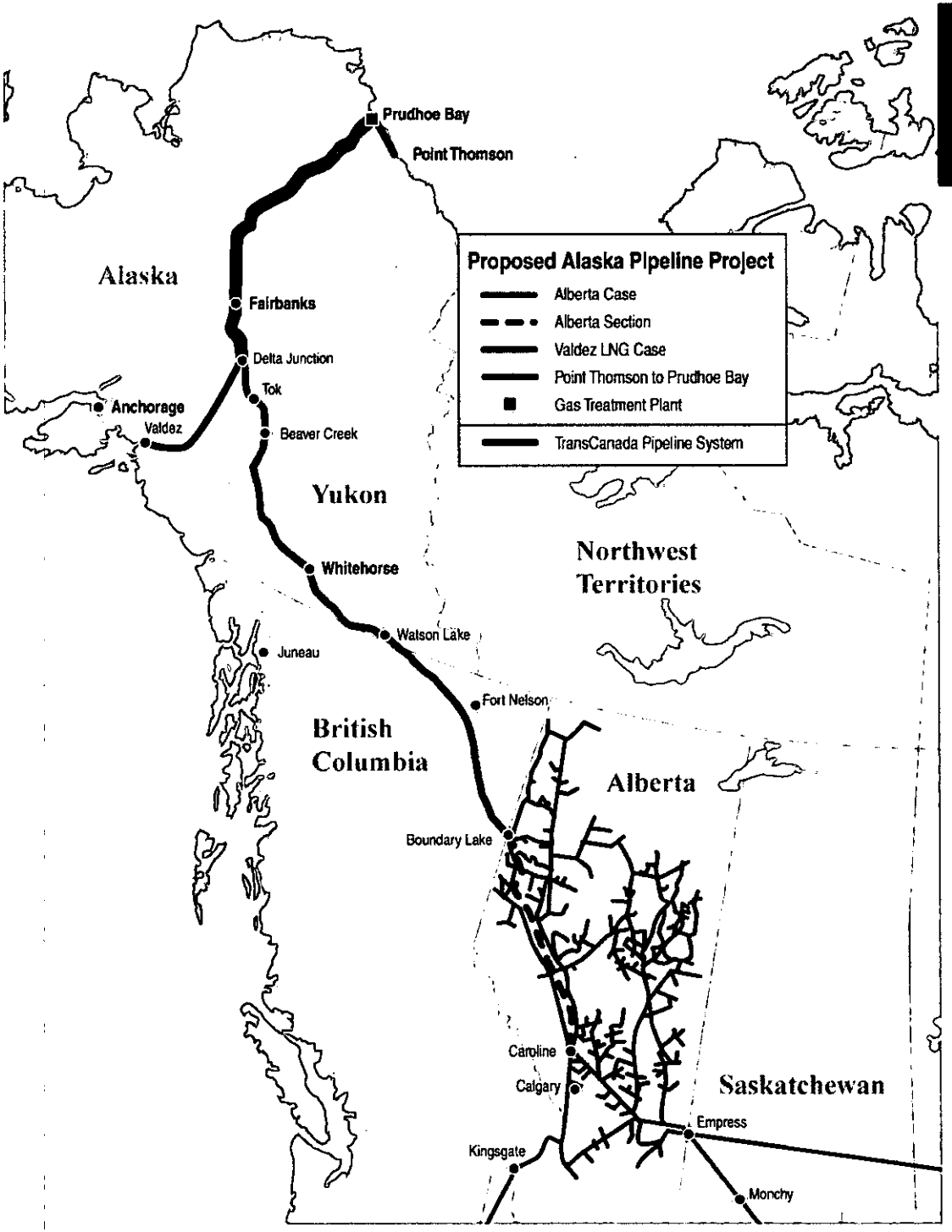
ALASKA
PipelineProject



Alaska Legislature
Senate/House Resources & Energy Committees

February 2010

TransCanada ExxonMobil

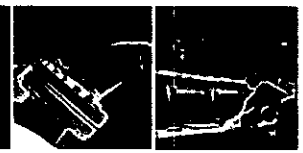


First Open Season for North Slope Gas

- On January 29, the Alaska Pipeline Project (APP) filed its plan with FERC to implement the first Open Season in history of North Slope natural gas.
- In an Open Season, the pipeline company provides potential shippers with an engineering design, commercial terms and an estimate of project costs, tariffs and timelines.
- The pipeline company is seeking shippers' contractual support for the project through executed precedent agreements.
- APP's initial Open Season offers service to potential shippers for markets in:
  - Alaska
  - Lower 48 via Alberta
  - U.S./international via Valdez

ALASKA PipelineProject

Path to In-service



- **Large pipeline projects undergo a lengthy development stage, and if successful, then move to construction and operations**
- **APP's development stage is scheduled to run through 2014**
  - Prior to Open Season – through April 2010
  - Open Season – May to July 2010
  - Post Open Season – August 2010 through 2014
- **All stakeholders in the Alaska gas pipeline have important initiatives underway to advance the project**
  - Alaska Pipeline Project, Producers / Shippers, Governments, others
  - To successfully move the Alaska Pipeline Project from the development stage onwards to the construction stage, all parties need to achieve commercial and regulatory breakthroughs

APP Development Stage – Prior to Open Season

Achievements to Date

- Producers / Shippers
  - Explored / developed gas reserves; reviewed transportation alternatives; researched potential natural gas markets
- State of Alaska
  - Established State's requirements in AGIA; granted AGIA License; finalizing royalty regulations under AGIA
- U.S. Government / FERC
  - Established legislative/regulatory structure (ANGPA); Federal Loan Guarantee; set FERC regulatory process
- Canadian Government
  - Established legislative / regulatory structure (Northern Pipeline Act); TransCanada's Right-of-Way through Yukon

APP Development Stage – Prior to Open Season

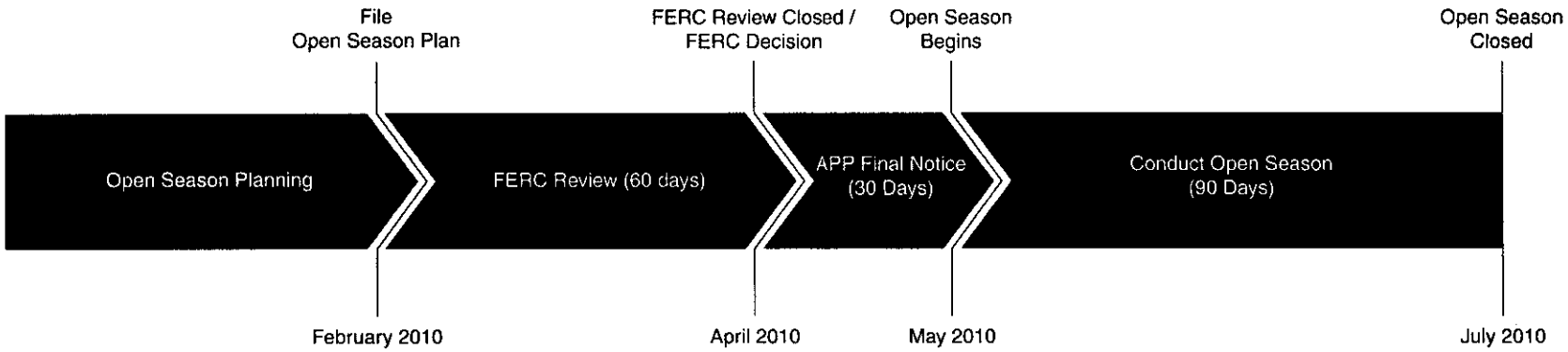
Achievements to Date

- APP
  - Alignment of key stakeholders
    - TransCanada / State of Alaska via AGIA License in 2008
    - TransCanada / ExxonMobil in 2009
    - Continue to offer equity participation to BP / ConocoPhillips
  - Initiated FERC (NEPA) pre-filing process in U.S.; Continuing interface with Northern Pipeline Agency (NPA) in Canada
  - First Nations negotiations in Canada; Interfaces with Alaska Native groups and communities along the project corridor in Alaska
  - Resolved claims on previous projects
  - Developed comprehensive Alberta and LNG alternatives – technical scope, cost estimates, schedules
  - Filed Open Season Plan with FERC
  - In-state Gas Study
    - Technical Conference in Anchorage on February 4 at 2:00 p.m.

APP Development Stage - Open Season

Timeline

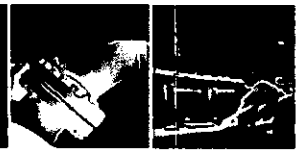
- **Filing begins 60-day FERC review for U.S. section**
- **If FERC approves plan, conduct Open Season from May-July 2010**
  - Concurrent Canadian Open Seasons for Alberta option
- **Expect APP / Shipper follow-up negotiations to resolve conditioned bids (typical situation)**
- **Final Open Season results targeted by year-end 2010**
  - Contingent on satisfactory resolution of Shippers' conditions precedent



Open Season Plan

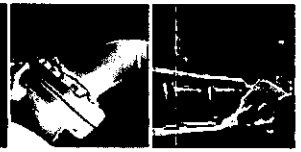
- **Comprehensive, credible and competitive Open Season plan**
  - TransCanada and ExxonMobil have unparalleled expertise / experience in interstate/inter-provincial gas pipelines and gas treatment plants
  - Over one-quarter million hours of engineering, regulatory, technical, environmental, commercial, legal and project management work
  - Builds on significant base from past initiatives for Alaska gas
- **Joint project work has provided improved understanding of scope, costs, complexities and risk for this large, complex project**

Open Season Plan



- **APP offering better commercial terms / access than in AGIA Application**
  - Available to Shippers in APP's initial Open Season
  - Comprehensive Alberta and Valdez options
    - Responsive to Shipper discussions
    - 48 inch 3.0 Bcf/d pipeline to Valdez
    - Access to other pipelines upstream of Alberta Hub
    - 20-year minimum contract term for firm service
    - Interruptible, overrun and park-and-loan services
    - Shared development costs
  - Better commercial terms reduces tolls by $500 million/year
    - 12% ROE
    - 80% capital recovery over initial contract term
    - 70/30 debt/equity ratio for expansions

Project Scope



Two pipeline options for Shipper assessment in the APP Open Season

Option One: Pipeline from Alaska's North Slope to Alberta

- 4.5 Bcf/d; approx. 1,700 miles (2,737 km); 48 inch
- Gas delivered to pipeline systems serving major North American markets

Option Two: Pipeline from the North Slope to Valdez, Alaska

- 3.0 Bcf/d; approx. 800 miles (1,287 km); 48 inch
- Converted to liquefied natural gas (LNG) in a facility to be built by others and delivered by ship to U.S. and international markets

Both options include:

- Opportunity for Alaska communities to acquire natural gas from the pipeline
    - Minimum 5 off-takes in Alaska
- A world-class natural gas treatment plant, to be located adjacent to the North Slope's Prudhoe Bay facilities
    - One of the largest facilities of its kind that would treat the gas to remove CO^2/impurities
- An approx. 58-mile (93-kilometer) transmission pipeline connecting natural gas supplies from Point Thomson field to the plant

Project Cost Estimates and Indicative Tolls

Note: All numbers 2009$US

Option One: Pipeline from Alaska's North Slope to Alberta

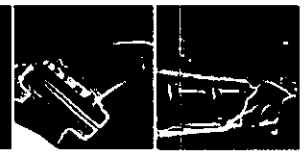
- Capital cost range $32B-$41 B
- Target in-service 2020
- Tariff range (incl. fuel)* $2.80-$3.50 / MMBtu (from GTP to Alberta Hub)
- Alberta Hub gas price** $6.25-$7.65 / MMBtu

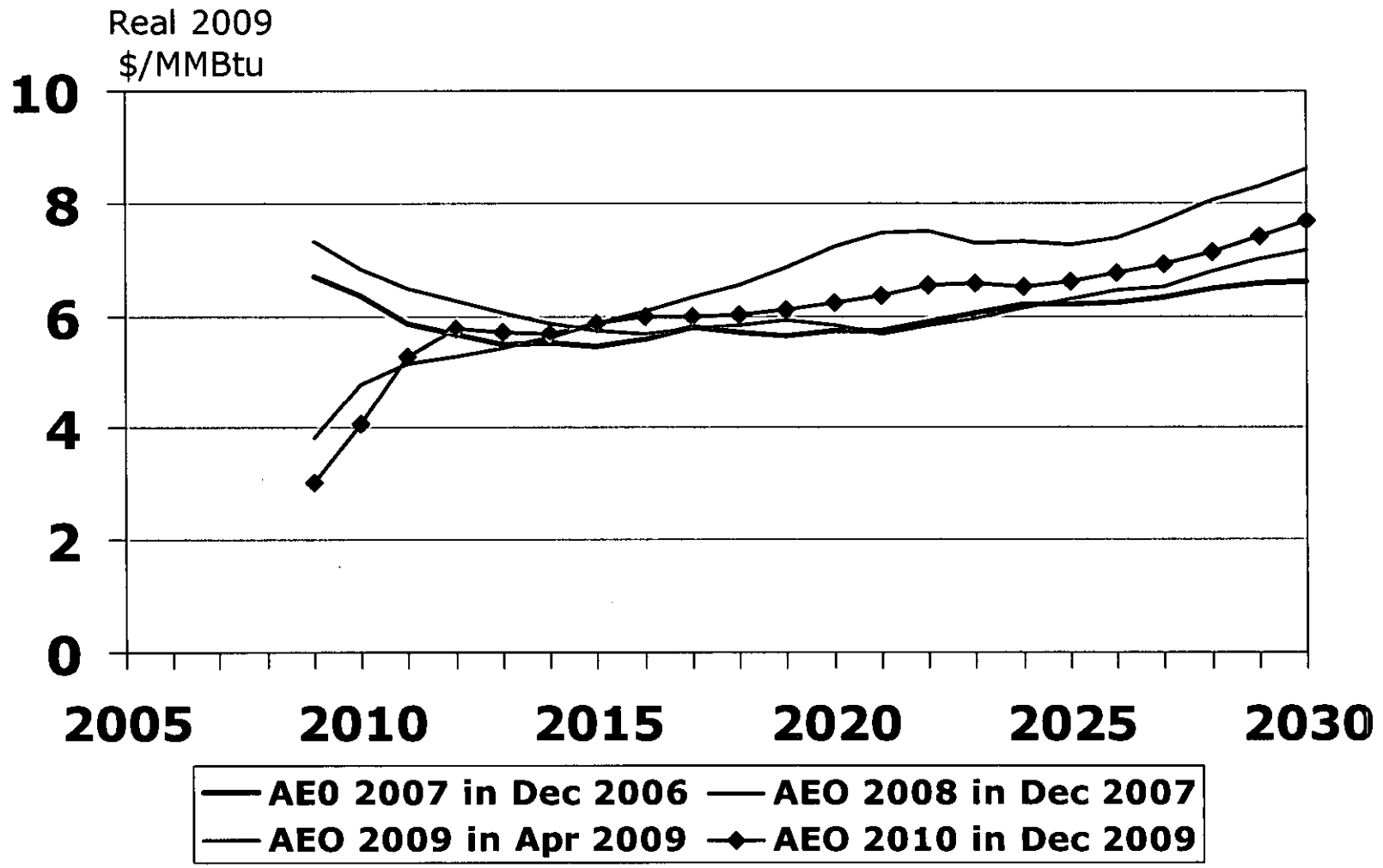
Both the Alberta and Valdez options are technically and commercially viable based on current project costs and natural gas/oil price forecasts

* Prudhoe Bay to Alberta Hub (25-yr contract term). Add $0.15-0.20 / MMBtu for Pt. Thomson line

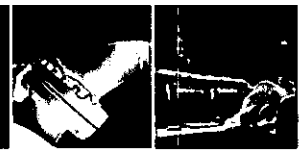
** Source: U.S. Dept. of Energy 2010 Annual Energy Outlook for the years 2020-2030

Comparison of Recent US DOE Annual Energy Outlooks for Alberta Hub Natural Gas Prices





Project Cost Estimates and Indicative Tolls



Note: All numbers 2009$US

Option Two: Pipeline from the North Slope to Valdez, Alaska

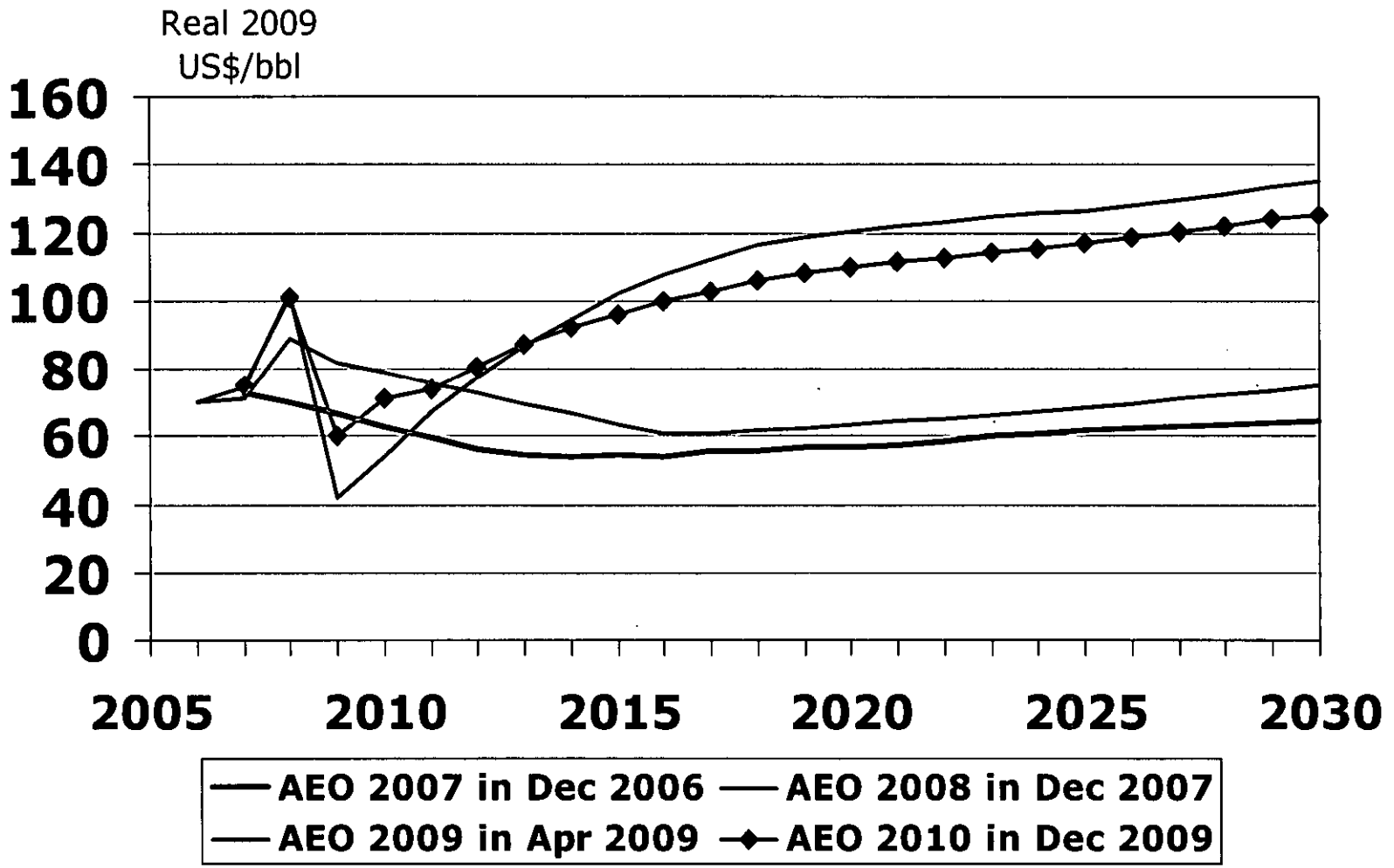
- Capital cost range $20B-$26 B
- Target In-service 2020
- Tariff range (incl. fuel)* $2.45-$3.15 / MMBtu (from GTP to Valdez)
- Henry Hub gas price** $6.75-$8.15 / MMBtu
- Oil prices** $110-$125 / bbl

Both the Alberta and Valdez options are technically and commercially viable based on current project costs and natural gas/oil price forecasts

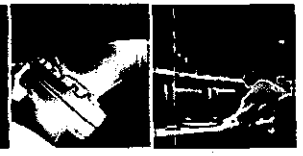
* Prudhoe Bay to Valdez (25-year contract term). Add $0.15-0.20/MMBtu for Pt. Thomson line

** Source: U.S. Dept. of Energy 2010 Annual Energy Outlook for the years 2020-2030

Comparison of Recent US DOE Annual Energy Outlooks for Light Sweet Imported Oil Prices



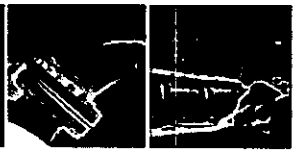
APP Development Stage – Post Open Season



Commercial / Regulatory Milestones

- APP
  - Resolve conditions precedent with Producers / Shippers
  - Progress engineering, environmental (including field work), and other work to prepare for major U.S. / Canadian permitting
    - Recent environmental contracts awarded to URS / AECOM for Alaska fieldwork commencing spring 2010
    - Canadian section awarded to TERA / Stantec
  - Meet AGIA obligations (including FERC Application in 2012)
  - Advance project in-step with commercial and regulatory breakthroughs
  - Continue to seek alignment with BP / ConocoPhillips

Post Open Season



Commercial / Regulatory Milestones

- Producers / Shippers
  - Resolve conditions precedent with APP
  - Resolve upstream fiscal / production levels at Prudhoe Bay, Point Thomson, other fields with State / AOGCC
  - Arrange downstream transportation; secure final gas markets and export permits (LNG option)
- State of Alaska
  - Resolve any upstream tax or production issues with Producers / Shippers
  - Facilitate project permitting
- U.S. Government / FERC
  - Establish Federal Loan Guarantee levels, terms and conditions
  - Facilitate project permitting
- Government of Canada / Alaska Natives / Canadian First Nations
  - Facilitate project permitting and alignment

Summary

APP Open Season May-July 2010 if FERC approves APP's plan

APP offering improved commercial terms vs. AGIA

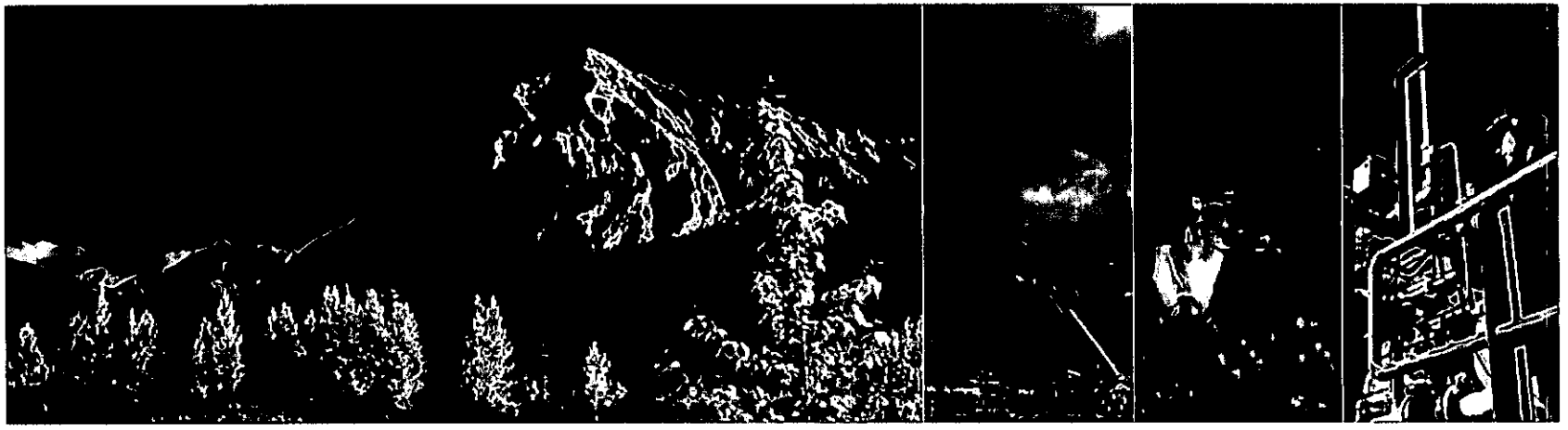
Alberta / Valdez options both viable

Regulatory / commercial breakthroughs required by APP, Producers-Shippers, and Governments

TransCanada / ExxonMobil / State working together through AGIA structure provides best opportunity to:

- Align all stakeholders
- Achieve project benefits for Alaskans and other parties

ALASKA
PipelineProject



Thank You

Note: APP's Open Season plan is available at www.thealaskapipelineproject.com or on the FERC website

TransCanada ExxonMobil

2/2/10 LUNCH & LEARN: SCIENCE OF WASTE-WATER DISCHARGE

Available online at www.sciencedirect.com
SCIENCE DIRECT
Marine Pollution Bulletin 52 (2006) 681–688
MARINE POLLUTION BULLETIN
www.elsevier.com/locate/marpolbul

The significance of dilution in evaluating possible impacts of wastewater discharges from large cruise ships

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Abstract

In response to public concerns about discharges from large cruise ships, Alaska's Department of Environmental Conservation (ADEC) sampled numerous effluents in the summer of 2000. The data showed that basic marine sanitation device (MSD) technology for black water (sewage) was not performing as expected. Untreated gray water had high levels of conventional pollutants and surprisingly high levels of bacteria. Both black water and gray water discharges sometimes exceeded state water quality standards for toxicants. The state convened a Science Advisory Panel (the Panel) to evaluate impacts associated with cruise ship wastewater discharges. The effluent data received wide media coverage and increased public concerns. Consequently, legislative decisions were made at the State and Federal level, and regulations were imposed before the Panel completed its evaluation. The Panel demonstrated that following the rapid dilution from moving cruise ships, the effluent data from the Summer of 2000 would not have exceeded water quality standards, and environmental effects were not expected.
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Keywords: Cruise ships; Wastewater; Dilution; Sewage; Black water; Gray water; Pollution

1. Introduction

The study of effluent characteristics, by itself, is not sufficient to evaluate exposure and ecological/health risks associated with any wastewater discharge and especially a discharge from a large, moving ship. An understanding of dilution in the context of a vessel moving and generating a propeller mixed wake during discharge is essential. The Science Advisory Panel (the Panel), convened by the State of Alaska, undertook a number of efforts with the goal of developing a simple method of estimating wastewater dilution in the wake of a moving large cruise ship.[2] Starting in February 2001 and continuing through September 2002 the Panel

- reviewed several published wake-mixing studies (Colonell et al., 2000; Katz et al., 2003; Csanady, 1980; Kim, 2000; ESL, 2000) and

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[1] Although released by NOAA, the information in this paper does not reflect, represent, or form any part of the support of the policies of NOAA or the Department of Commerce. Further, release by NOAA does not imply that NOAA or the Department of Commerce agree with the information contained herein.

[2] A large cruise ship is defined in Alaska Statute 46.03.490 as a commercial passenger vessel that provides overnight accommodation for 250 or more passengers for hire, determined with reference to the number of lower berths. Federal regulations written specifically for cruise ships operating in Alaska waters (33 CFR159, Subpart E) apply to vessels with accommodations for 500 or more passengers. In this document, we are using the State definition of large cruise ship.

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doi:10.1016/j.marpolbul.2005.10.021

- developed a preliminary conservative mixing equation to describe wastewater dispersion behind large moving cruise ships (Science Advisory Panel 2001). The preliminary mixing equation assumed that complete mixing of a discharge occurred in a volume of water described by the width and depth of the vessel, the distance traveled by the vessel, and the rate of discharge to the volume of the receiving water. Because the preliminary equation was thought to be overly conservative, dye dispersion studies were needed to refine the equation.
- The preliminary mixing calculations were used to evaluate an extensive data set from 21 cruise ships obtained by Alaska's Department of Environmental Conservation (ADEC) in the summer of 2000 (Science Advisory Panel 2001).
- Five large cruise ships were visited in order to review how they managed their various waste streams.
- Direct observations of the depth and width of turbulence behind several moving cruise ships were made (Loehr et al., 2001).
- One member observed dye dispersion studies conducted by US EPA's Office of Water for four cruise ships off Miami, Florida.
- Studies conducted by the US Navy behind a frigate that measured and modeled dilution of a pulped waste paper discharge (Katz et al., 2003) were reviewed.
- A draft copy of US EPA's final report on the Miami cruise ship dye studies (US EPA, 2002) was reviewed.

2. Dilution following discharges from large cruise ships

The initial dilution following the discharge of wastewater from a moving large cruise ship is a function of the beam (width), the draft (depth), the speed of the vessel and the rate of effluent discharge. A moving ship displaces a volume of water that is refilled immediately as the ship passes, creating mixing astern of the ship. The ship represents a moving cross-sectional area, the larger it is and the faster it moves, the higher the dilution.

The dye studies conducted by US EPA (2002) were compared to the preliminary mixing equation that the Panel had developed in 2001. The results of the dye studies, and the direct observation of wake turbulence in the water column behind several moving cruise ships demonstrated that the preliminary mixing from the Panel's equation could be increased, resulting in the following equation which calculates the dilution factor for a discharge from a large cruise ship.

2.1. Large cruise ship

$$\text{Dilution factor} = 4 \times (\text{ship width} \times \text{ship draft} \times \text{ship speed}) / (\text{volume discharge rate})$$

$$= 4 \times (___\text{m} \times __\text{m} \times ___\text{m s}^{-1}) / (__\text{m}^3\,\text{s}^{-1})$$

The mixing equation is quite straightforward. A ship with a large cross-sectional area (draft and width) will create more mixing than a smaller ship. A ship moving faster will discharge less effluent per meter traveled than a ship moving at a lesser rate. A ship discharging at a slower rate will also discharge less effluent per meter traveled. Decreased effluent discharged per meter traveled leads to greater dilution.

Vigorous mixing occurs in the turbulent wake and extends horizontally beyond the beam (or width) and vertically below the draft (or depth) of the vessel. As time passes behind the vessel, the bubbles mixed into the water rise and spread horizontally, adding to the effective mixing. For a large cruise ship discharging at a high rate of 200 cubic meters per hour and traveling at 6 knots, the dilution factor will be greater than 50,000. (Note that industrial and municipal continuous point source discharges in the United States typically have much lower dilution factors, generally in the range of less than 10 and up to 500.) Because large cruise ships often discharge at higher speeds, and at lesser discharge rates, the initial dilution factor of 50,000 is a reasonable worst case (i.e. least dilution). Both the passage of the hull through the water and the agitation caused by the propellers assure that the mixing occurs very rapidly.

The strength of the mixing equation is best illustrated by comparing its calculations with the dilutions determined by US EPA's dye dispersion studies in the wakes of four large cruise ships. A draft report of US EPA's studies was released to the Panel in July 2002 (US EPA, 2002). Because US EPA's observations were of actual cruise ship wastewater discharges, the dye studies provided the best reference for establishing the factor in the Panel's recommended mixing equation.

Three of the large cruise ships used in the dye studies (*M/V Majesty*, *M/V Paradise and M/V Fascination*) had conventional twin propeller arrangements while one (*M/V Explorer*) had a dual azipod propulsion system (external electric motors and propellers with a shroud around them). All four vessels discharged laterally through the side of the hull (rather than downward through the bottom of the hull). The point of discharge was typically around 6 meters below the surface.

The US EPA reported measured and calculated dilution factors. The *M/V Explorer's* measured dilution factor was substantially less than the other vessels. However, the calculated dilution factors for all the vessels were similar. For both the measured and calculated dilution factors, the *M/V Paradise* had the highest dilution factors.

The Panel initially thought that the azipod propulsion may have explained the lower measured dilution factor for the *M/V Explorer*. Closer examination of the draft US EPA report lead the Panel to conclude that the dye in the wastewater tank on the *M/V Explorer* could not have been completely mixed and must have initially discharged at a much higher concentration than was intended. The Panel's analysis was based on a mass-balance calculation comparing the amount of dye discharged per meter traveled (based on the wastewater discharge rate and assuming the dye in

Table 1
Dilution comparisons for four large cruise ships

		Majesty	Explorer	Paradise	Fascination
Width	m	32.6	38.6	31.4	31.4
Depth	m	7.7	8.8	7.75	7.75
Speed	m/sec	8.96	9.78	7.72	4.68
Discharge rate	m^3/h	112	56	68	72
Discharge rate	m^3/s	0.031	0.016	0.019	0.020
US EPA "measured" dilution[a]	Factor	386,057	195,322	643,810	288,412
US EPA "calculated" dilution[a]	Factor	342,123	907,547	666,667	255,449
Panel's "equation" dilution[b]	Factor	289,031	854,309	397,918	227,992
US EPA "measured" dilution divided by US EPA's "calculated" dilution	Ratio	1.12	0.21	0.96	1.13
US EPA "measured" dilution divided by the Panel's "equation" dilution	Ratio	1.3	0.2	1.6	1.3
US EPA "calculated" dilution divided by the Panel's "equation" dilution	Ratio	1.2	1.1	1.7	1.1

[a] From US EPA (2002).
[b] Dilution factor = 4 × (ship width × ship draft × ship speed)/(volume discharge rate).

the tank was completely mixed) to the amount of dye in the water after the ship passed. At the rate of discharge of the effluent, such high dye concentrations as observed would not have been possible had the dye been fully mixed within the tank. When the area in which dye was detected was considered in the later transects behind the ships, bearing in mind that there is quite a variation for each cruise ship, the dilution achieved behind the *M/V Explorer* was reasonably close to that observed for two of the other ships. The measured dilutions assumed a uniform dye concentration in the discharge, and for the *M/V Explorer*, that clearly was not the case. Therefore, for the *M/V Explorer*, only the calculated dilution and not the measured dilution was considered in the Panel's final analysis. Erik Heinen of the US EPA presented the results of US EPA's dye studies at the Oceans 2003 conference in San Diego, California in September, 2003 and agreed that the measured dilution for the *M/V Explorer* should not be used.

Table 1 provides the width, depth, speed and discharge rate of the four cruise ships, followed by the dilution factors determined three different ways. The first two are from US EPA's dye studies (US EPA, 2002) and were reported as measured dilutions and calculated dilutions. The third set of dilution factors were determined from the Panel's mixing equation (Science Advisory Panel 2001), using the actual width, depth, speed and discharge rates. The table then presents three different comparisons of the methods. The first comparison divides the US EPA measured dilutions by the US EPA calculated dilutions. The ratios for three of the ships were 1.12, 0.96 and 1.13 showing fairly good agreement between the two US EPA methods. The ratio for the fourth vessel, the M/V Explorer was 0.21, indicating a significant difference. The second comparison presented in the table is between the US EPA measured dilutions and the dilutions from the Panel's mixing equation. The ratios for three ships were greater than 1 (1.3, 1.6, and 1.3) while the ratio for one ship, the *M/V Explorer*, was only 0.2 (see above). The final comparison in the table is the US EPA's calculated dilution factors divided by the dilutions from the Panel's mixing equation. These ratios are all greater than 1 (1.2, 1.1, 1.7, and 1.1). The table illustrates how the Panel's formula for calculating dilution is conservative when compared to the actual observations by US EPA.

In a short study of opportunity of three cruise ships near Juneau, Alaska (Loehr et al., 2001), the Panel used a fathometer to make simple but detailed observations of the depth and width of turbulent water in the wakes of three cruise ships. The cross-sectional area of turbulence was more than four times the cross-sectional area defined by the draft and beam of the vessels at the water line, providing additional physical evidence supporting the Panel's dilution equation for large cruise ships.

As is evident from the US EPA dye studies, the Panel's recommended dilution equation provides a good agreement with observations in which both the speed (4.7–9.8 m/s or 9–18.8 knots), and the discharge rates (56–112 m^3/h) of the vessels varied by a factor of 2.

3. Alaska's discharge standards for large cruise ships

Under Alaska cruise ship discharge regulations, fecal coliform densities in gray water and black water discharges from large ships may not exceed 200 per 100 mL and total suspended solids may not exceed 150 mg/L. Discharge is only allowed while the vessel is traveling at a minimum speed of 6 knots and is at least 1 nautical mile from shore (Alaska Statute 46.03.463(b) and (c)). A large cruise ship may discharge at any speed and location if they meet much more stringent federal effluent standards.[3] A large cruise ship, not able to meet the above standards, may elect to

[3] The standards established by US Title XIV—Certain Alaska Cruise Ship Operations 1404(c) require that ships must meet the following effluent discharge standards in order to discharge continuously: (1) the discharge satisfies the minimum level of effluent quality specified in 40 CFR 133.102; (2) the geometric mean of the samples from the discharge during any 30-day period does not exceed 20 fecal coliform/100 mL and not more than 10% of the samples exceed 40 fecal coliform/100 mL; (3) concentrations of total residual chlorine may not exceed 10 mg/L. The Act establishing the federal law actually states that chlorine residual cannot exceed 10 μg/L not mg/L. There apparently was a transcription error from the Act to the law that carried forward to the regulations. US EPA and the Coast Guard are in the process of reversing the typo.

hold its wastewaters and discharge them when more than 3 nautical miles from land. Since 2003, more than half of large cruise ships have installed new wastewater treatment technologies that allow them to discharge wastewater continuously in Alaska while the rest have elected to discharge outside of both State (3 miles offshore) and Federal waters (12 miles offshore).

4. Far field dispersion

Depending on the level of treatment, large cruise ships in Alaska may be discharging continuously, or at least one nautical mile from shore, or at least three nautical miles from shore. For those discharging offshore, additional mixing and dispersion following the initial dilution occurs before any effluent reaches the shore. Generally, currents flow parallel to the shoreline and onshore winds are necessary to produce onshore movement of surface waters. The shoreline is the area of most concern for bacterial contamination of shellfish. Under the least favorable conditions, the Panel estimated an additional dilution factor of 100 by the time any of the mixed water might reach the shore (Science Advisory Panel 2001), thus diluting the effluent of a vessel discharging at 200 m^3/h and traveling at 6 knots by a dilution factor of 50,000 × 100 or 5,000,000.

5. Small passenger vessel[4] dilution

The Panel reviewed two studies of smaller ships (Csanady, 1980 and Katz et al., 2003). The Csanady 1980 study was of discharges from towed barges, and the Katz et al., 2003 study was of a Navy frigate with a single propeller. Based on those studies the Panel adjusted the large ship formula by reducing the factor to 3 to create a small ship formula. The following is recommended for calculating dilution for discharges from small commercial passenger vessels:

5.1. Small cruise ship

$$\text{Dilution factor} = 3 \times (\text{ship width} \times \text{ship draft} \times \text{ship speed}) / (\text{volume discharge rate})$$

$$= 3 \times (___\text{m} \times ___\text{m} \times ___\text{m s}^{-1}) / (___\text{m}^3\ \text{s}^{-1})$$

Most of the smaller cruise ships do not have holding tanks, so they are essentially continuous dischargers. Mixing when discharging at anchor or a pier would be considerably reduced and such discharges could be a concern in some areas. Ship discharges differ from land-based point source discharges in that they are mobile, so releases to any particular area are brief, rather than continuous. Because small cruise ships have smaller releases, when their MSD is functioning properly, fecal coliform bacteria or pathogens are unlikely to be a problem, but the Panel recommended they not anchor near any shellfish harvest areas. ADEC has determined that most small ships' MSDs do not function properly on a consistent basis (see Table 14 in ADEC, 2004).

[4] AS 46.03.490 defines a small commercial passenger vessel as one that carries between 50 and 249 passengers for hire with reference to the number of lower berths. This category captures both small cruise ships and some ferries.

6. Dilution and toxicant data

Priority pollutant data were collected in the summer of 2000 from 21 cruise ships. Samples were from black water, gray water and combined discharges. Gray water discharges included many different specific types of wastes such as galley wastes, butcher shop wastes, laundry wastes, showers and sinks. The data set was from before Alaska and Federal legislation imposed additional treatment requirements on the industry and a time period before many of the cruise ships had installed advanced wastewater treatment systems. This data set is therefore appropriate for evaluating the possible impacts associated with discharges of the time, and also for evaluating the benefit of the requirements imposed by the State and Federal governments. The data set for the summer of 2000 and for samples collected in 2001 is presented in Appendix 6 of the Panel's *The Impact of Cruise Ship Wastewater Discharge on Alaska Waters* report (Science Advisory Panel and ADEC 2002). The 2000 data set clearly showed that a number of toxicants in the wastewater discharges exceeded Alaska's water quality standards. Effluent bacteria data from the same time period were also shown to greatly exceed Alaska's water quality standards (Discussed Further in Section 8). Taken together, the bacteria and toxicant data stirred public outrage, media coverage and governmental responses.

The Panel examined how the initial rapid dilution changes the evaluation of the toxicant data compared to directly comparing the effluent concentrations to the water quality criteria. Rapid dilution is relevant to considering actual potential exposures for aquatic life. Both US EPA and all 50 States typically allow the use of mixing zones in the evaluation and permitting of point source dischargers. Alaska's water quality standards are based on US EPA's recommended water quality criteria. The water quality criteria include a duration component. Acute criteria generally are based on organisms not receiving more than a one-hour exposure to levels above the criteria more than once every three years. Chronic criteria are generally based on organisms not receiving more than a four-day exposure to levels above the criteria more than once every three years. Both US EPA and Alaska specifically acknowledge a way to consider duration of exposure for acute mixing zones.

US EPA (1991) describes how an acute mixing zone should be established to prevent lethality to passing organisms. The guidance recognizes that the water quality criteria include duration of exposure considerations. Specifically, US EPA allows that a drifting organism

should not be exposed to 1-h average concentrations exceeding the acute criteria, and that if travel time for a drifting organism through the acute mixing zone is less than 15 min, then a 1-h average exposure would not be expected to exceed the acute criterion. The same demonstration is allowed for in Alaska's Water Quality Standards at 18 AAC 70.255(d). The Panel views the rapid initial dilution calculated from the recommended mixing equation as occurring within 15 min following the discharge.

Appendix 2 in the Panel's report (Science Advisory Panel and ADEC 2002) presented a table that showed for each priority pollutant from the Summer 2000 data set the number of samples analyzed; the number of samples with detections; the detection limits; the maximum concentrations detected in gray water, black water and/or combined discharges; the average concentrations in the data set; the waste concentrations after an initial dilution factor of 50,000; and the applicable State criteria for marine waters. A condensed version, showing only the maximum concentrations detected, for those priority pollutants where there were detections, and where there was a state water quality standard for comparison is presented in Table 2. The table shows the pollutant, the state water quality standard, the maximum concentration detected, and the concentration after a minimum dilution factor of 50,000.

The Summer 2000 data set represented discharges before Alaska and the Federal Government imposed new treatment requirements or discharge restrictions. After consideration of the initial rapid dilution, no large cruise ship discharge from the Summer 2000 data set resulted in an exceedance of any of the State toxicant water quality standards during underway discharge. However, many of the same discharges would have presented water quality problems if they occurred while the vessel was stationary, because the dilution benefit would be greatly reduced.

The list of priority pollutants is an old list and there are new chemicals used throughout the world that may be more important even though there are no current water quality criteria for them. In Section 8 of the Panel's report (Science Advisory Panel and ADEC 2002), the Panel noted there were numerous studies mostly in freshwaters that were partially fed either by wastewater from treatment plants or runoff from confined animal feeding operations that detected a large number of different compounds at trace (parts per trillion) levels. The most frequently detected groups of these non-traditional pollutants were steroids, nonprescription drugs, insect repellant (DEET), and detergent metabolites. In terms of highest concentrations noted in most studies of publicly owned treatment works (POTW) wastes, detergent metabolites, steroids

Table 2
Maximum observed priority pollutant data from large cruise ships during the summer of 2000, compared to water quality criteria before and after a minimal dilution factor of 50,000

Priority pollutant	Alaska Marine Water Quality Standard (μg/L)	Maximum observed effluent concentration (μg/L)	Concentration after dilution factor of 50,000 (μg/L)
Carbon tetrachloride	50,000 (acute)	27	Negligible
1,2-Dichloroethane	113,000 (acute)	1.9	Negligible
Toluene	5000 (chronic)	5.1	Negligible
Tetrachloroethene	450 (chronic)	740	Negligible
Dibromochloromethane	6400 (chronic)	93	Negligible
Ethylbenzene	430 (acute)	4.7	Negligible
Bromoform	3600 (h.health)	170	0.004
Phenol	5800 (acute)	250	0.005
1,3-Dichlorobenzene	1970 (acute)	380	0.008
1,4-Dihlorobenzene	1970 (acute)	350	0.007
1,2-Dichlorobenzene	1970 (acute)	390	0.008
2-Nitrophenol	4850 (acute)	5.4	Negligible
Naphthalene	2350 (acute)	3.0	Negligible
2,4,6-Trichlorophenol	65 (h. health)	3.2	Negligible
Dimethylphthalate	3.4 (chronic)	1.1	Negligible
Acenaphthene	710 (chronic)	7.7	Negligible
4-Nitrophenol	4850 (acute)	8.0	Negligible
Diethylphthalate	3.4 (chronic)	27	0.0005
Di-*n*-butylphthalate	3.4(chronic)	20	0.0004
Fluoranthene	16 (chronic)	1.2	Negligible
Cadmium	9.3 (chronic)	0.35	Negligible
Chromium (total)	50 (chronic for hexavalent)	53	0.001
Copper	2.9 (acute)	7100	0.14
Nickel	8.3 (chronic)	630	0.01
Zinc	86 (chronic)	1800	0.036
Lead	5.6 (chronic)	250	0.005
Mercury	0.025 (chronic)	0.67	0.00001
Silver	2.3 (acute)	7.5	0.0001
Cyanide	1.0 (chronic)	73	0.005

and plasticizers were the three categories that stood out from the others. Cruise ship wastewaters may be expected to contain the same non-traditional compounds as POTWs, but compared to POTWs on a mass-balance basis, the contributions of these chemicals to the environment by cruise ships has to be relatively minor in extent. The Panel also understood that the mixing behind moving cruise ships was much greater than for POTWs and other sources discharging to freshwater streams and rivers.

7. Dilution and whole effluent toxicity test results

There was a request from a member of the public to the ADEC to evaluate the toxicity of cruise ship effluents by the use of bioassay testing. The Panel recognized that because of the rapid dilution, such tests probably were not needed, but still recommended a limited testing program in order to answer the concern.

The use of bioassays in testing effluents is called whole effluent toxicity (WET) testing. WET testing typically involves acute and chronic bioassays conducted with a dilution series, to calculate either a no observed effects concentration (NOEC) or a point estimate of an effect such as a lethal concentration to 50% of tested organisms (LC_{50}). Dilution series for land-based point sources typically look at a progression that decreases by a factor of 2, such as 50%, 25%, 12.5%, 6.25% and 3.125% effluent. Because moving cruise ships have much greater initial dilution, the Panel recommended a dilution series that decreased by a factor of 10 (50%, 5%, 0.5%, 0.05%, 0.005% and 0.0005% effluent). Acute marine bioassays were run using mysids (shrimp) and topsmelt (fish). Chronic bioassays were run using a bivalve larvae test and an echinoderm fertilization test. A review of the 2002 WET testing data was presented as Appendix 8 in the Panel's report (Science Advisory Panel and ADEC 2002).

The WET test results were interesting. One sample came from a vessel that used a reverse osmosis treatment system, and there were no acute or chronic effects at the highest effluent concentration tested (50%). Another sample was a black water sample from a small cruise ship that used a macerator/chlorinator system that was obviously not working at the time the sample was drawn. That sample also exhibited no acute or chronic effects at the highest effluent concentration tested (50%). Other test results had acute NOECs varying from 50% to 0.5% effluent and chronic NOECs varying from 5% to 0.05%. The lowest chronic NOEC was equivalent to an effluent after a dilution factor of 2000.

Excessive residual chlorine concentrations (16,200 μg/L and 30,300 μg/L) in two of the effluents appeared to explain the WET results for the samples that exhibited the most toxicity.

Acute or chronic toxic effects on marine organisms are not expected at the high dilutions that occur when vessels are underway. ADEC designed the 2003 WET tests to determine if there were any negative effects to the marine environment during stationary discharges when the dilution factor would be low. The effluent concentrations used for the 2003 WET tests decreased step-wise by a factor of 2, similar to concentrations typically used for land-based point sources. ADEC calculated stationary dilution factors for each ship during a worst case neap tide (lowest tidal range and tidal currents) scenario. The acute NOECs ranged from 50% to 12.5% effluent. The chronic NOECs ranged from 50% to less than 1.5%. The large cruise ship specific dilution factors indicate that large cruise ships' wastewater effluent will not cause toxicity in receiving waters even during stationary discharge. Stationary wastewater discharge from small cruise ships may cause toxicity.

8. Dilution and bacteria

Section 3 of the Panel's report (Science Advisory Panel and ADEC 2002) evaluated bacteria data. The relevant scenarios of exposure to large cruise ship discharges include secondary contact recreation by fishermen, kayakers, and motor powered watercraft, such as jet skis crossing a cruise ship wake shortly after passage of the cruise ship, and raw shellfish consumers harvesting shellfish along the shoreline. The applicable standards for these two situations include the following:

- Secondary recreation, defined in Alaska water quality regulations as recreation activities in which water use is incidental, accidental, or sensory, including fishing, boating, camping, hunting, and hiking. The applicable bacteria standard is 200 fecal coliform (FC) per 100 mL as a geometric mean for samples over a 30-day period with no more than 10% of the samples exceeding 400 FC/100 mL.
- For harvesting of raw mollusks or other raw aquatic life for human consumption the applicable standard is based on a 5-tube decimal dilution test, the median most probable number (MPN) may not exceed 14 FC/100 mL, and not more than 10% of the samples may exceed a median MPN of 43 FC/100 mL.

During the Summer 2000 monitoring season, 94 black water, 81 gray water and 11 combined black and gray water samples taken from 21 different large cruise ships were analyzed for fecal coliform bacteria. The geometric mean of the effluent data was 5460 FC/100 mL, the median was 27,500 FC/100 mL and the range of values was from less than 2 to more than 32,000,000 FC/100 mL. Gray water bacteria levels were often as high as black water.

Appendix 7 of the Panel's report included a spreadsheet with all the bacteria data, showing the effluent concentrations, and the concentrations after dilution factors of 50,000, 500,000 and 5,000,000. A dilution factor of 50,000 is considered to be a minimal dilution to which someone might be exposed when engaged in secondary recreation activities in the wake of a cruise ship that was discharging. A dilution factor of 5,000,000 is considered to be a minimal dilution by the time any effluent discharged

more than a nautical mile from land might approach the nearest shore when onshore winds existed. The Panel concluded that the dilution factor of 5,000,000 was conservative for bacteria since a number of other processes also affected bacterial numbers (e.g. consumption or die-off, in the water column). Table 3 presents a summary of the bacteria data information (geomean, median, % greater than 400 and % greater than 43) of the Summer 2000 data for comparison to the applicable standards.

The available data coupled with the relevant dilutions, indicate that violations of the applicable bacterial water quality standards were not predicted to occur for any of the relevant exposure scenarios from the summer 2000 bacteria data set.

The State of Alaska and the Federal Government have established new regulatory limits for bacteria in gray water and black water discharges from large cruise ships equal to the secondary contact recreation standard. These regulations also require that a vessel must be at least one nautical mile from shore and travel at 6 knots or greater (unless they have a very high level of treatment in which case they may discharge continuously, even in port) In 2004, Alaska changed its approach to small passenger vessel wastewater effluent management. Emphasis has moved away from adherence with bacteria limits to Best Management Practices that eliminate or reduce stationary wastewater discharge (2004 Alaska House Bill 522).

Data from the summer 2001 involved fewer large cruise ships (11) and fewer samples. Twelve of the combined black and gray water samples from 2001 were from ships providing new advanced treatment and four were from an MSD system. The summer 2001 data set had a geometric mean of 1.6 FC/100 mL, a median of 1 FC/100 mL and less than 10% exceeded 43 FC/100 mL. Hence without dilution, the tested combined black and gray water effluents met the most stringent bacteria water quality standard. In compliance with the state's requirements, no vessels discharged untreated black water in the state's waters, and either provided advanced treatment or discharged more than 3 nautical miles offshore. The gray water tested in the summer of 2001 did not yet require advanced treatment and bacterial levels observed were similar to gray water from the summer of 2000.

The regulatory limit is applied directly to the large cruise ship discharge, without any consideration of the dilution attained by the 6 knot—1 nautical mile distance requirement. The Panel's evaluation of the Summer 2000 data set was based on the mixing conditions that occur under the same minimal constraints of discharge at 6 knots and one nautical mile from shore as required in the new regulations. The technology forcing standard was imposed before the Panel's report was completed. The analysis by the Panel shows that as long as discharges were at speeds greater than or equal to 6 knots and at least 1 nautical mile from the shore, the water quality standards were met and there was not a water quality reason to impose the Alaskan technology standard for bacteria.

Cruise ship discharges of bacteria should be considered within the context of a background of fecal coliform from all land-based sources. There will be a number of different sources to the nearshore bacteria that will produce significant exceedances of the standards, and the focus on offshore discharges from cruise ships does not address the real problems.

Table 3
Summary statistics for all bacteria data from Summer 2000 after applying dilution factors (DF)

	Geomean	Median	%>400	%>43
DF 50,000	5.46	27.5	2	20
DF 500,000	0.55	2.75	0	2
DF 5,000,000	0.05	0.28	0	0

Geometric mean and median values are in FC/100 mL.
Alaska's standard for secondary contact recreation was met with the dilution factor of 50,000. Alaska's raw shellfish consumption standard was met with a dilution factor of 500,000.

9. Dilution and nutrients

The limiting nutrient for phytoplankton growth in Southeast Alaska marine waters is dissolved nitrogen. From effluent nutrient data collected in the summers of 2000 and 2001, the maximum mean total nitrogen concentration in large cruise ship wastewater discharges was estimated to be 5 mmols (5 mM) or 0.07 mg/L. By applying a minimum mixing factor of 50,000, the wastewater total nitrogen concentrations after the initial rapid mixing are one-tenth to one-hundredth of the lowest Alaska marine water background concentration, or about 0.1 μmol (μM). This amount of nitrogen can be converted to a very small amount of phytoplankton over the next several days, approximately 0.03 μg of chlorophyll per liter. This amount of chlorophyll is only a hundredth to a thousandth of the naturally existing phytoplankton, and for computational purposes, is treated as if it stayed in the relatively small volume of water of initial mixing. The computation does not mean that there would be an increase of 0.03 μg per liter of chlorophyll to all the surface waters. Essentially, given the initial rapid dilution, and subsequent dilution, the discharged water will have little impact on the natural nutrient cycle.

10. Summary

The following simple equations may be used to conservatively describe dilution of wastewater discharges from moving large and small cruise ships.

10.1. Large cruise ship

$$\text{Dilution factor} = 4 \times (\text{ship width} \times \text{ship draft} \times \text{ship speed}) / (\text{volume discharge rate})$$

$$= 4 \times (___\text{m} \times ___\text{m} \times ___\text{m s}^{-1}) / (___\text{m}^3\ \text{s}^{-1})$$

10.2. Small cruise ship

Dilution factor = 3 × (ship width × ship draft × ship speed)
/(volume discharge rate)
= 3 × (___m × ___m × ___m s^{-1})/(___m^3 s^{-1})

The effects of dilution on toxicant data, whole effluent toxicity test results, bacteria data and nutrient data based on effluent data obtained before the vessels came under the new Alaska discharge standards for cruise ships, demonstrated that black water and gray water discharges from cruise ships would not have resulted in exceedances of water quality standards, provided the ships were traveling at speeds of 6 knots or greater, and were at least 1 nautical mile from shore. The Panel's final report[5] is available online.

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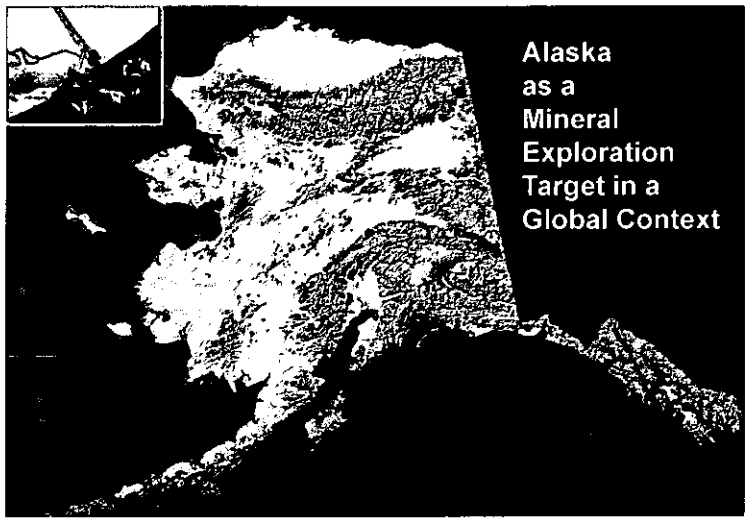
US EPA, 2002. Cruise Ship Plume Tracking Survey Report. EPA 842-R-02-001, Office of Water, Washington, DC. Available from: <http://www.epa.gov/owow/oceans/cruise_ships/>.

[5] Science Advisory Panel and ADEC 2002.

2/9/10 LUNCH & LEARN: ALASKA AS A MINERAL EXPLORA-TION...


Alaska
as a
Mineral
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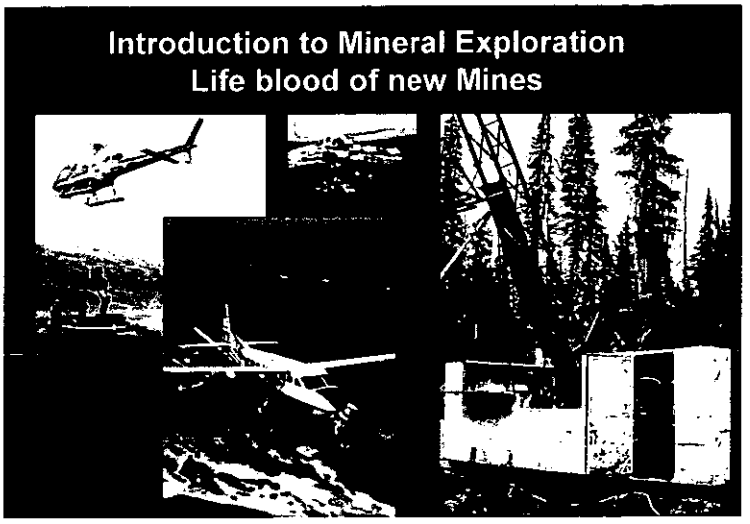
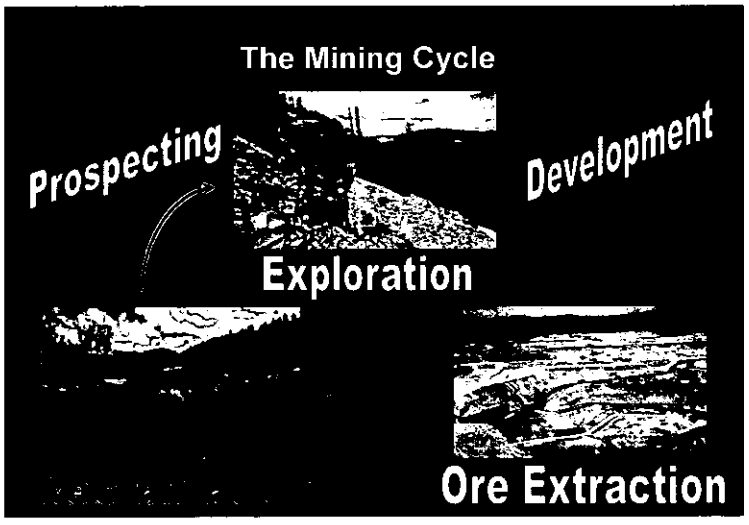
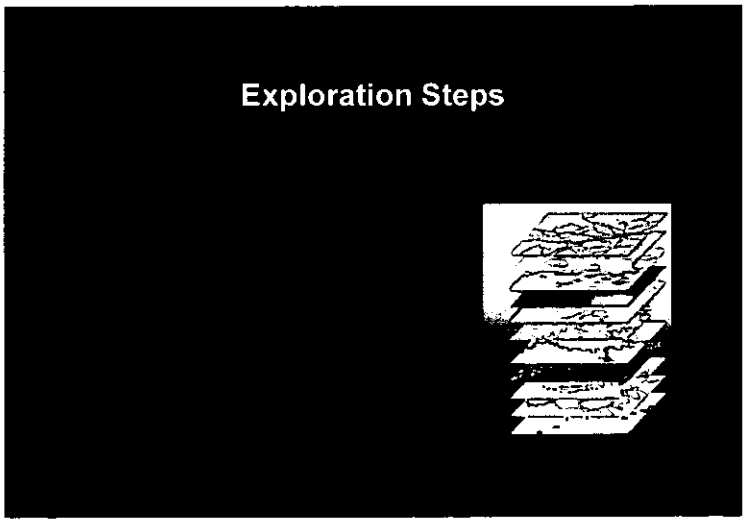
Target in a
Global Context


Introduction to Mineral Exploration
Life blood of new Mines


The Mining Cycle
Prospecting
Development
Exploration
Ore Extraction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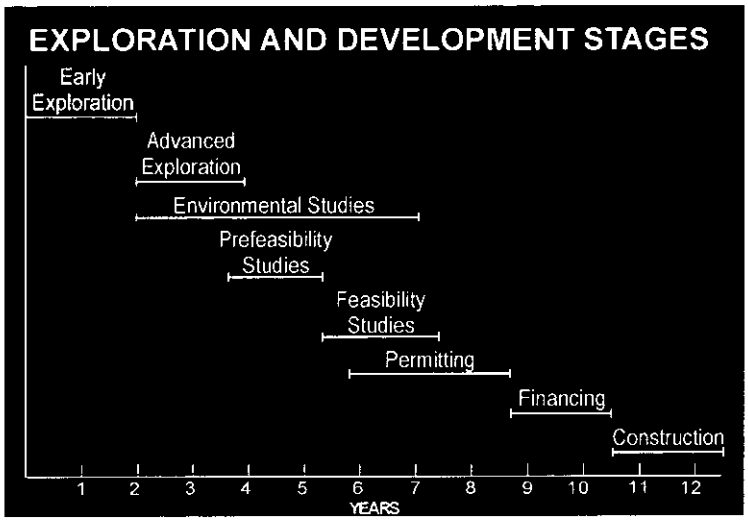
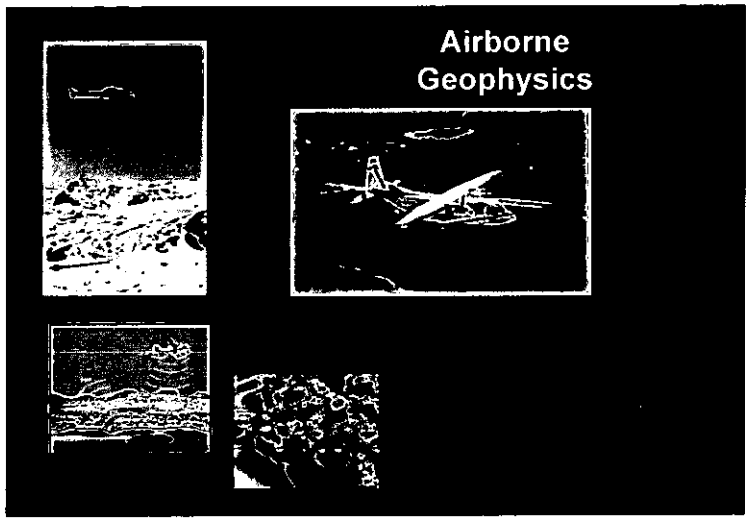

EXPLORATION AND DEVELOPMENT STAGES
Early Exploration
Advanced Exploration
Environmental Studies
Prefeasibility Studies
Feasibility Studies
Permitting
Financing
Construction
1 2 3 4 5 6 7 8 9 10 11 12
YEARS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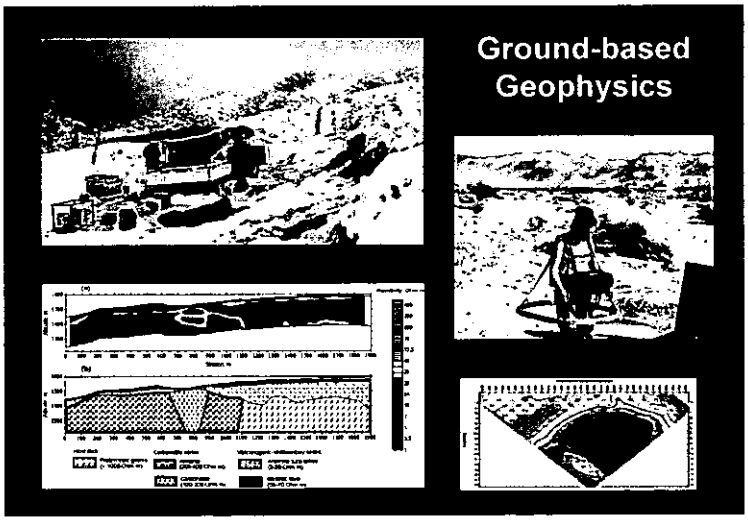
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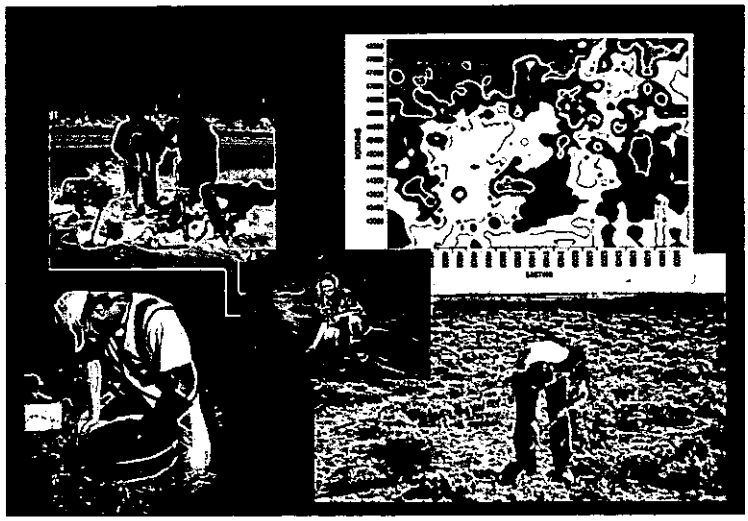

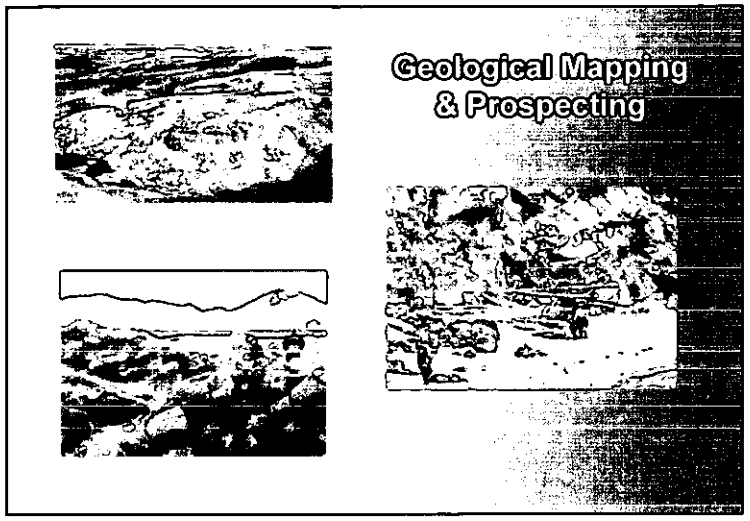

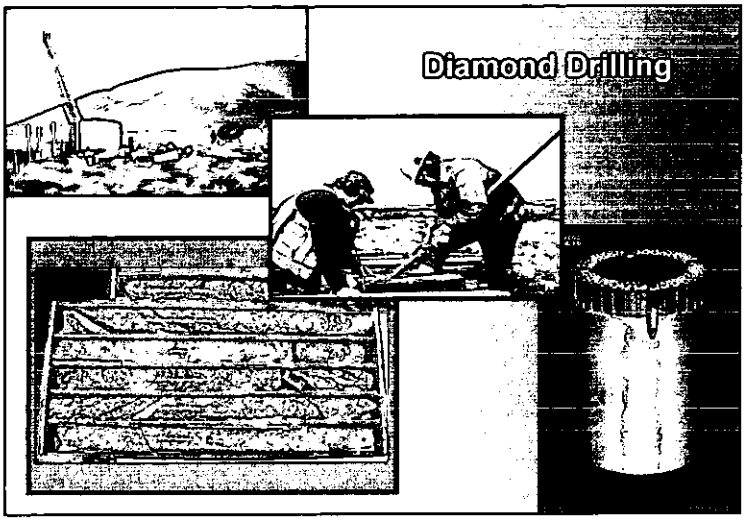

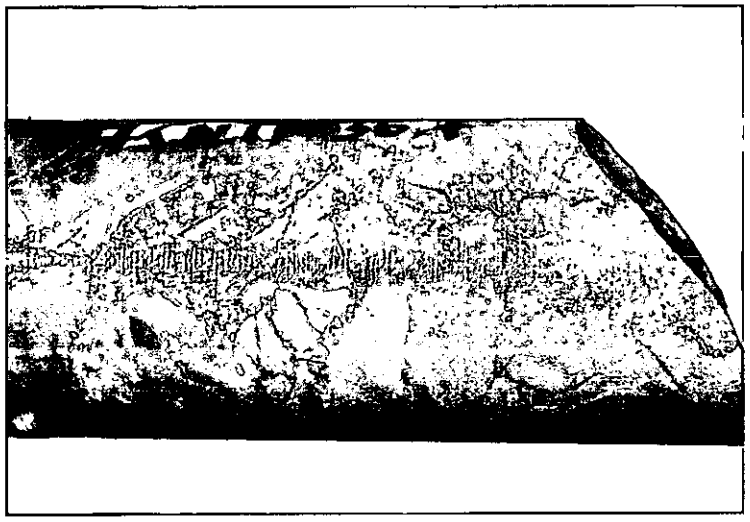

Alaska as an Exploration Target In a Global Context

- Geological Potential
- Degree of Previous Exploration
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- Accessibility
- Investment Climate – Political Risk
- Taxation
- Regulatory
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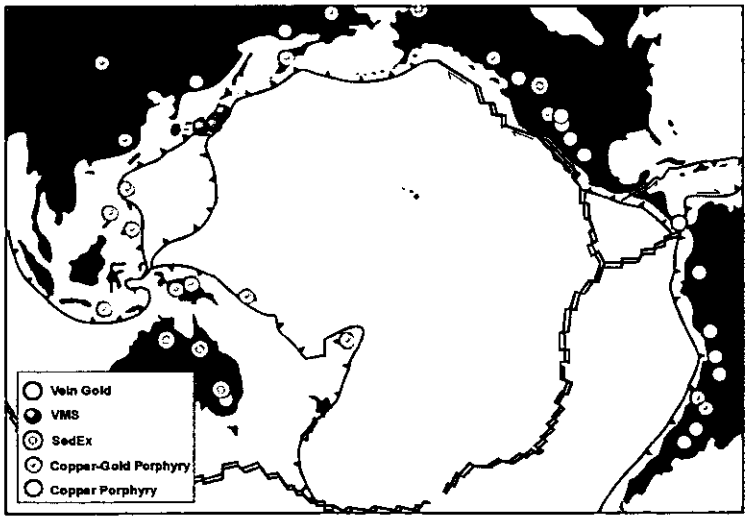

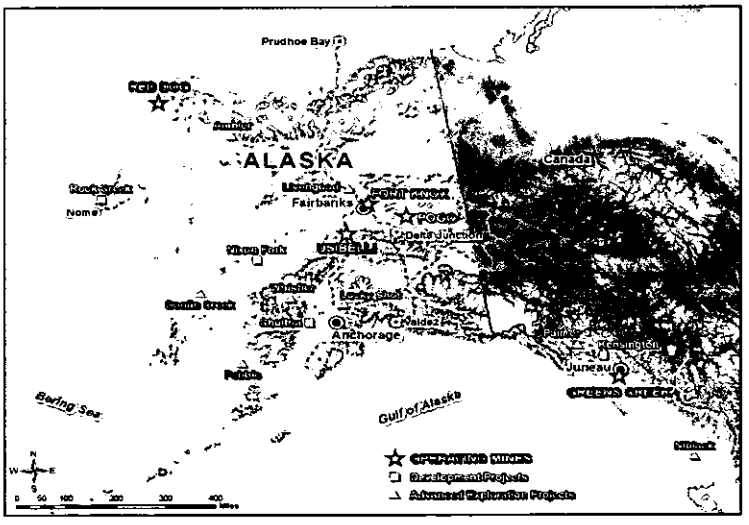

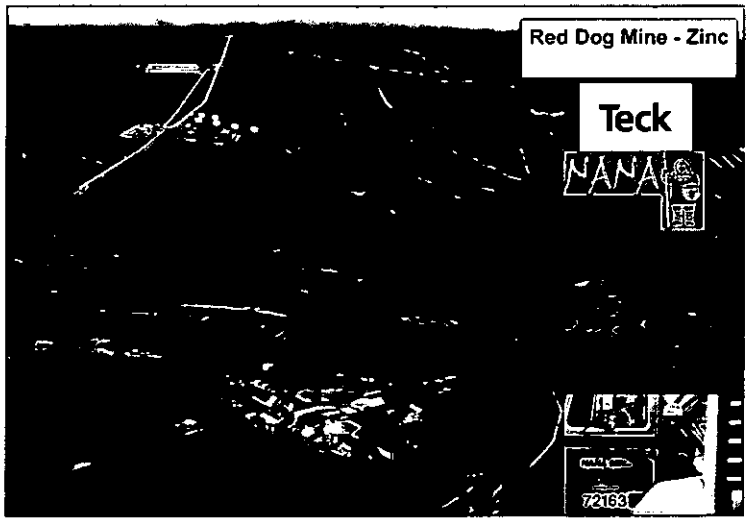
Red Dog Mine - Zinc
Teck
NANA
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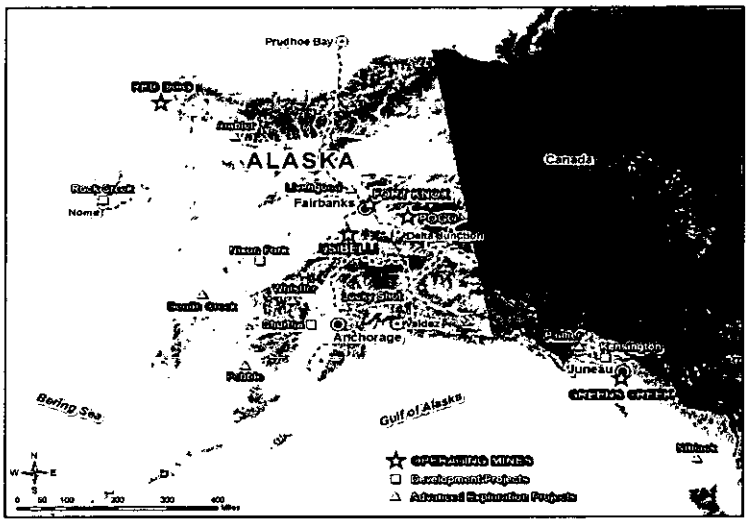
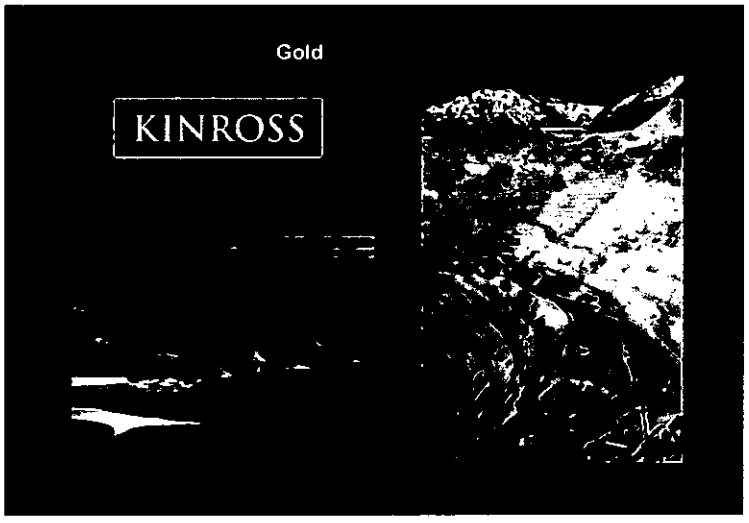

Prudhoe Bay
RED DOG
ALASKA
Canada
Nome
Fairbanks
Fort Knox
Pogo
Delta Junction
Willow
Anchorage
Valdez
Juneau
Kensington
GREENS CREEK
Bering Sea
Gulf of Alaska
OPERATING MINES
Development Projects
Advanced Exploration Projects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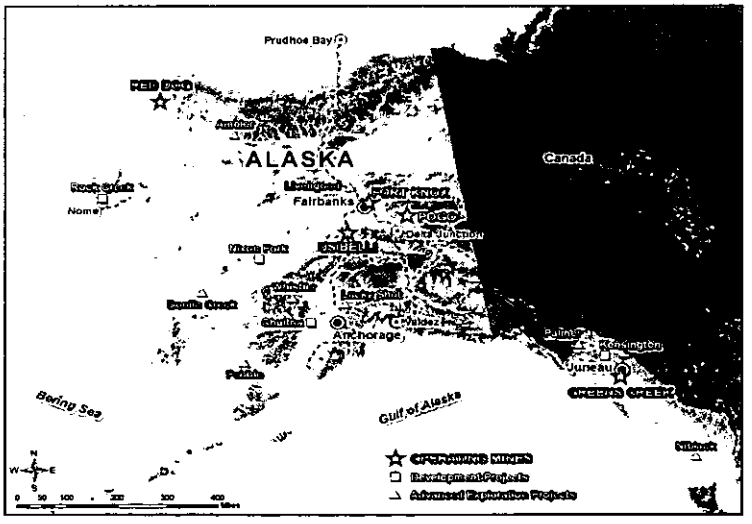
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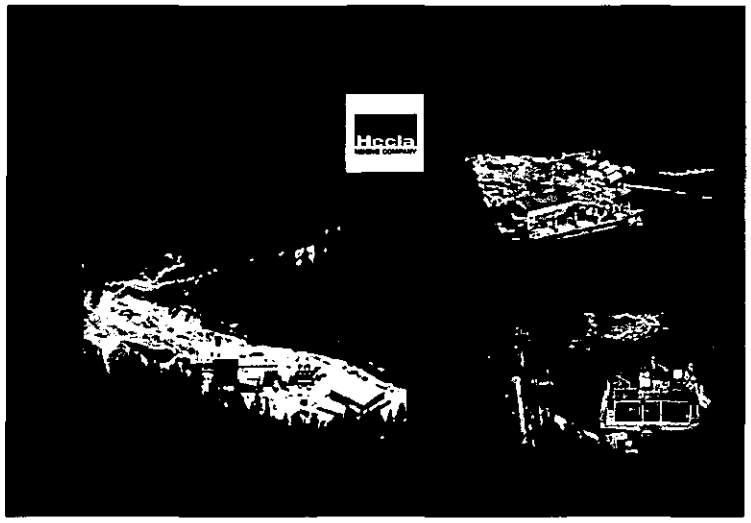
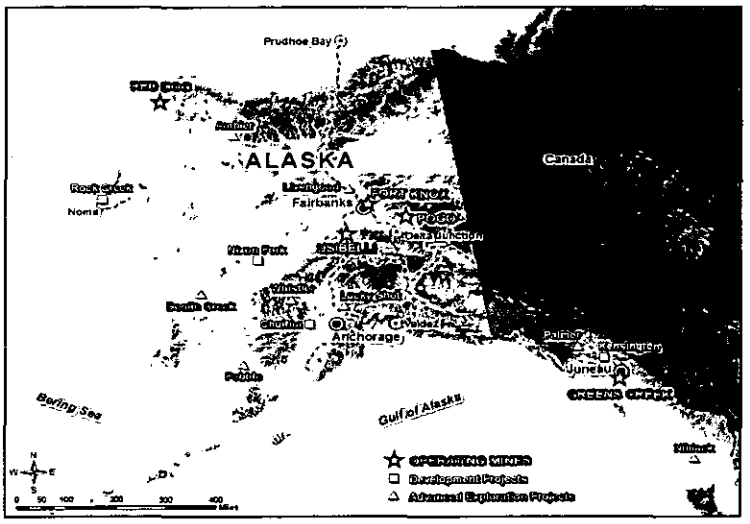

Hecla
MINING COMPANY


Prudhoe Bay
RED DOG
ALASKA
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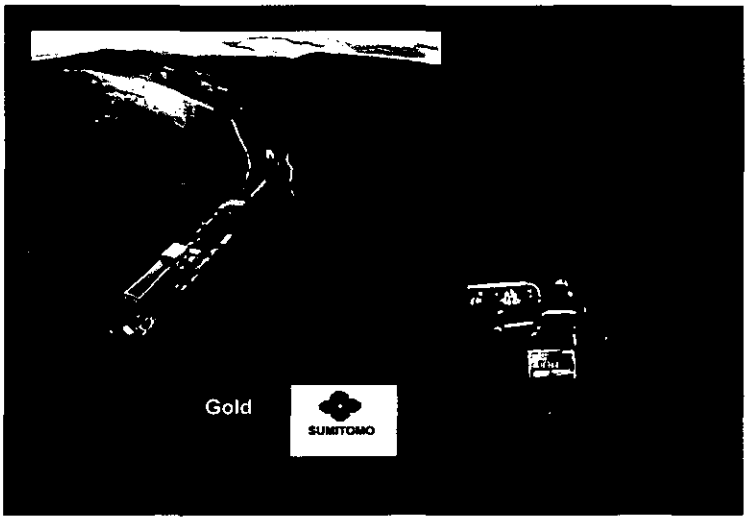
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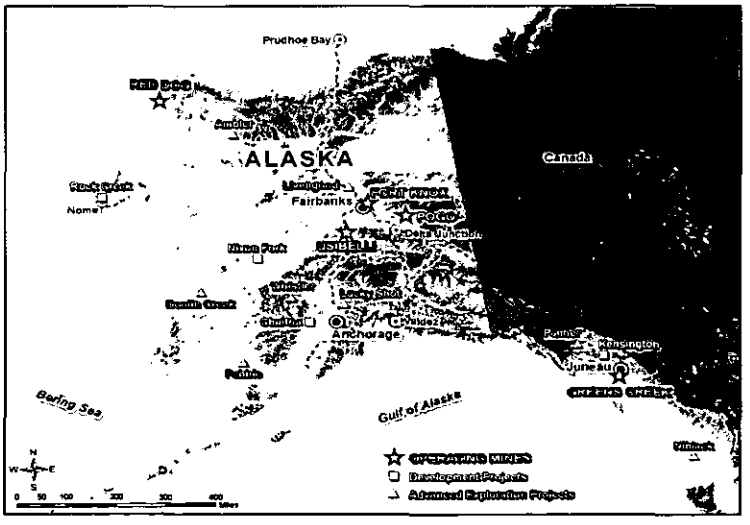
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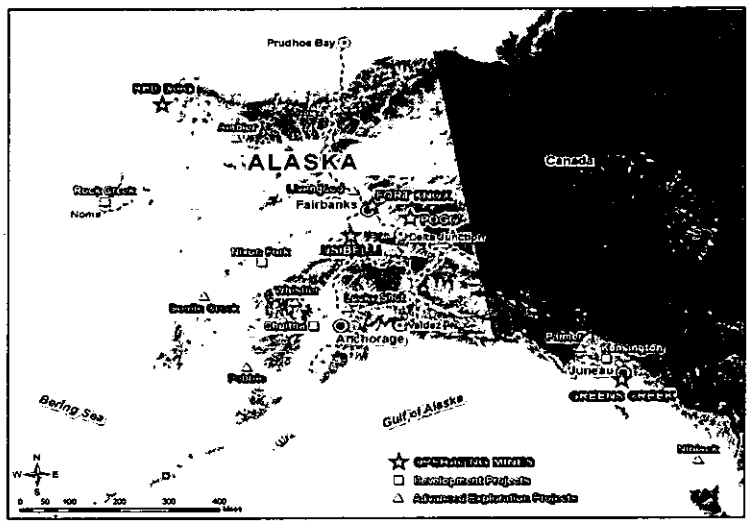
UGM


Prudhoe Bay
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Kantishna
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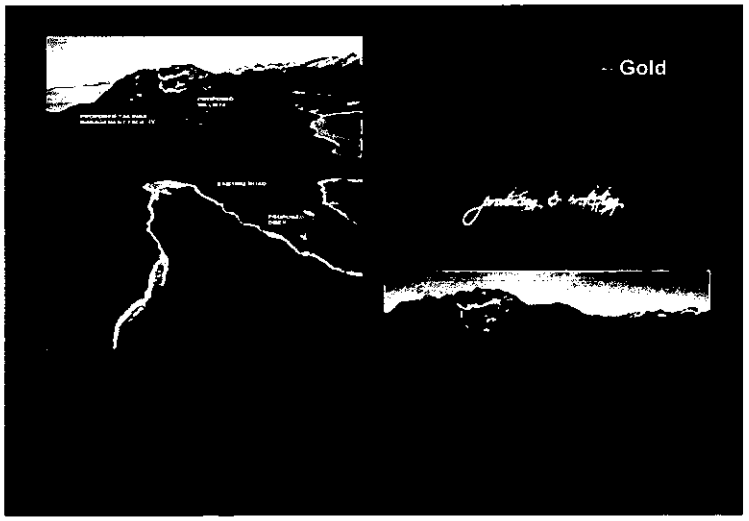
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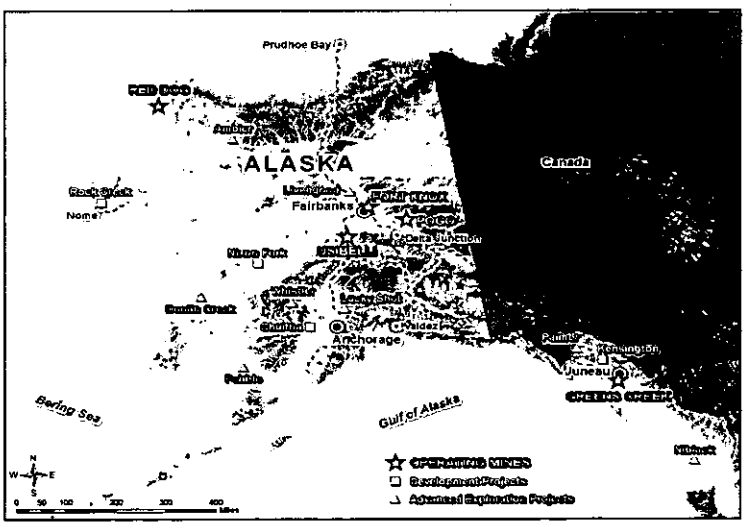
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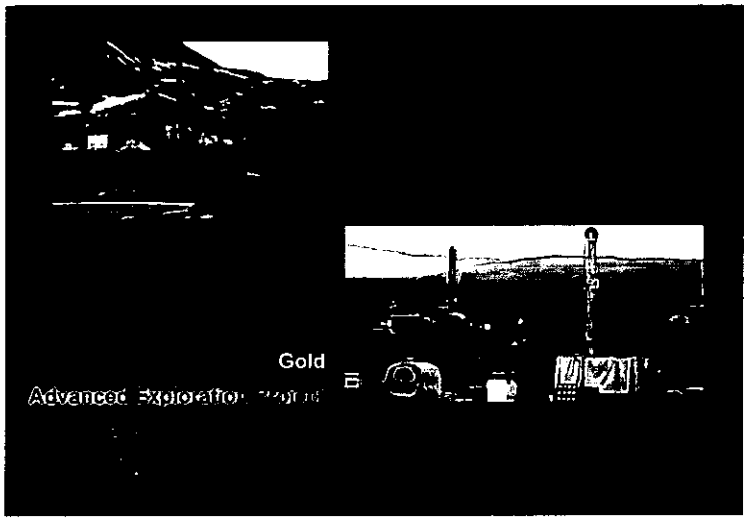

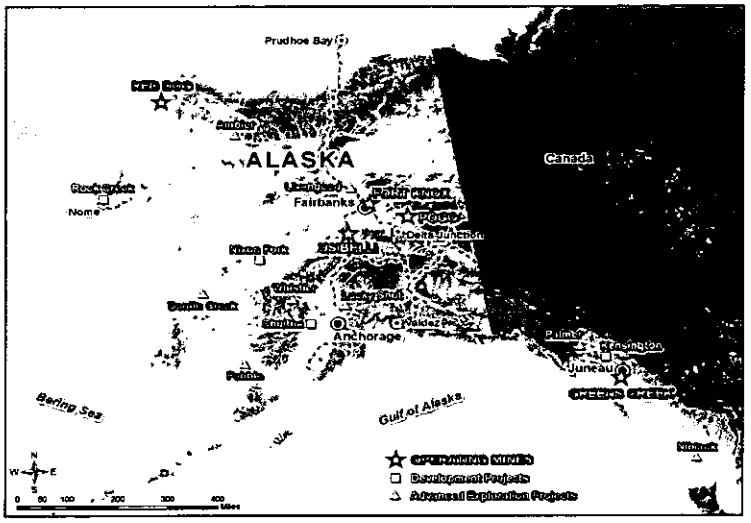

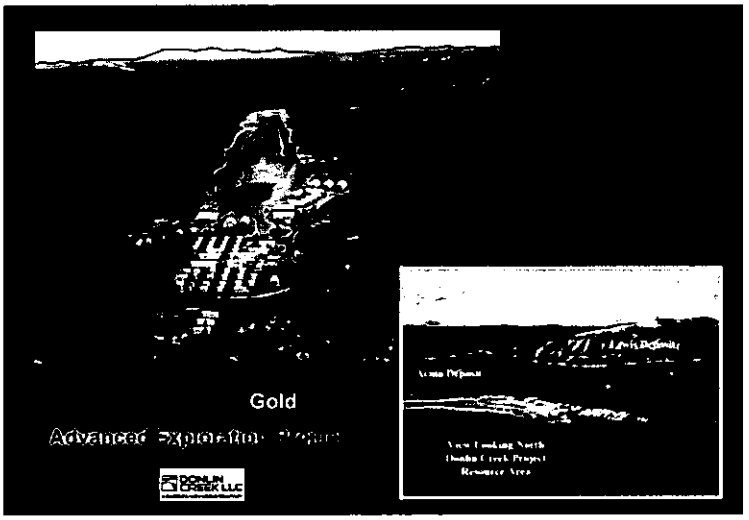

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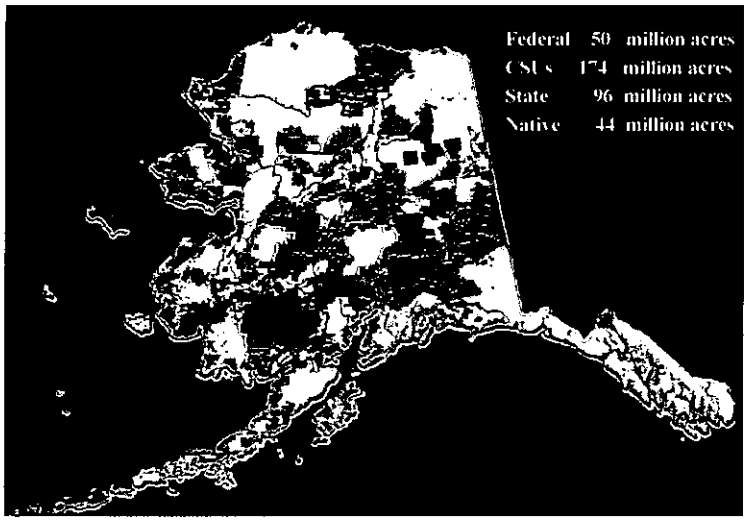

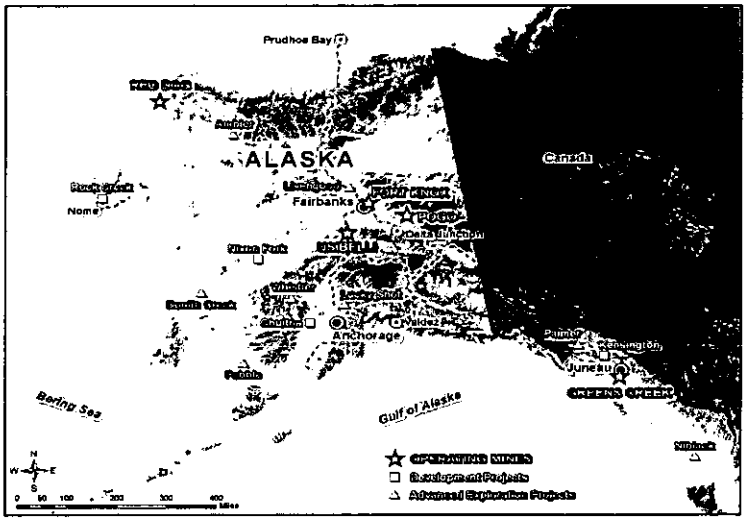

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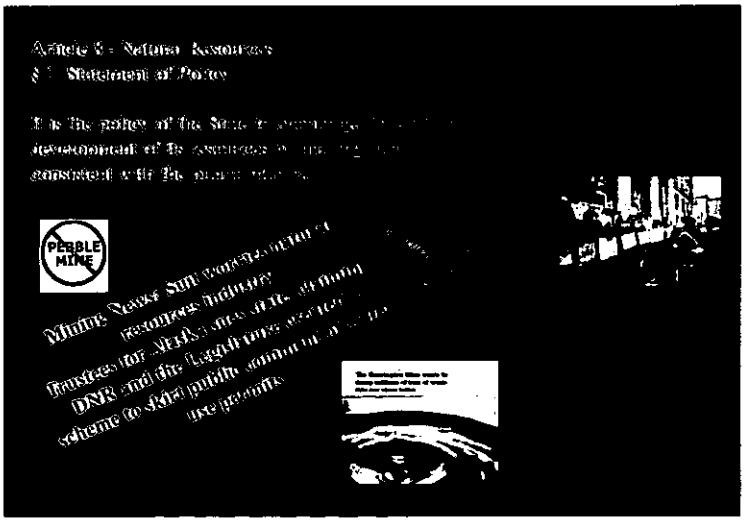

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Mineral Exploration and Development Financing

Anglo American Britain – South Africa
Anglo Gold Ashanti – South Africa
Kinross – Canada
Rio Tinto – Britain
Teck – Canada
Barrick - Canada
Hecla – USA
BHP - Australia
Couer – USA
Newont – USA
Sumitomo - Japan
Usibelli – USA (Alaska)

Mineral Exploration and Development Financing

NovaGold – Canada
International Tower Hill – Canada (USA)
Full Metal Minerals – Canada
Northern Dynasty Mines - Canada
Quaterra – Canada (USA)
Millrock – Canada (USA)
Kiska – Canada
U-Core – Canada
International Freegold – Canada
Fire River – Canada

Extensive, constantly changing list

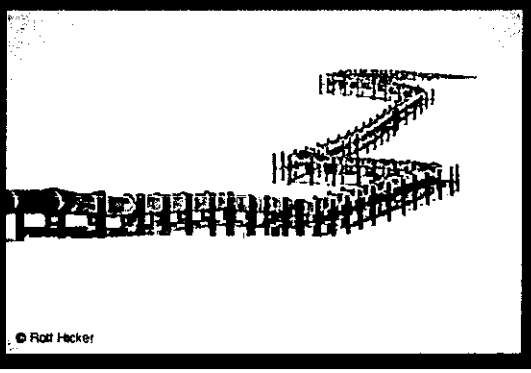
Mineral Exploration and Mine Financing Centers

Growth through discovery of high value metallic mineral deposits in Alaska and Arizona

MILLROCK RESOURCES INC

TSXV – MRO
www.millrockresources.com

Why Should Alaska Look for Mines?



Mines will not replace oil

Mines can be a major contributor – see AMA pamphlet

Exploration is the life blood for new mines

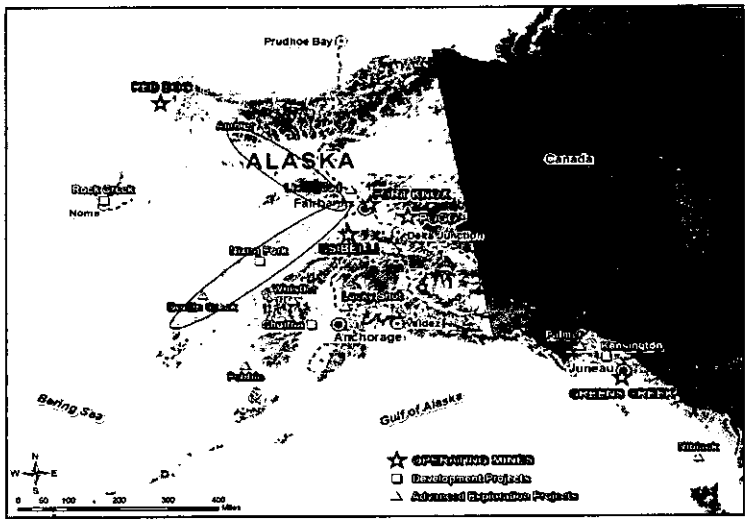
Mineral Exploration Expenditures 2009: 160 million
2008: 240 million

There could be a lot more mines if exploration stimulated

Cyclic business
Market dependent
Perception dependent - open for business?

Marketing
Send a message

Alaska Minerals Commission Recommendations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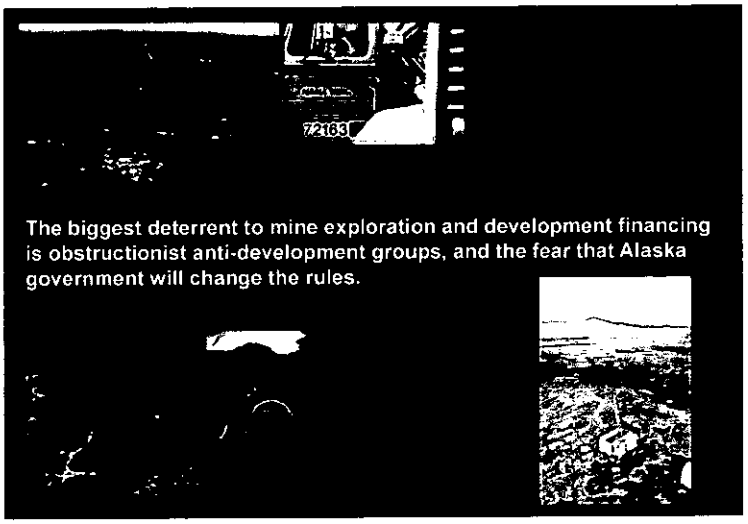
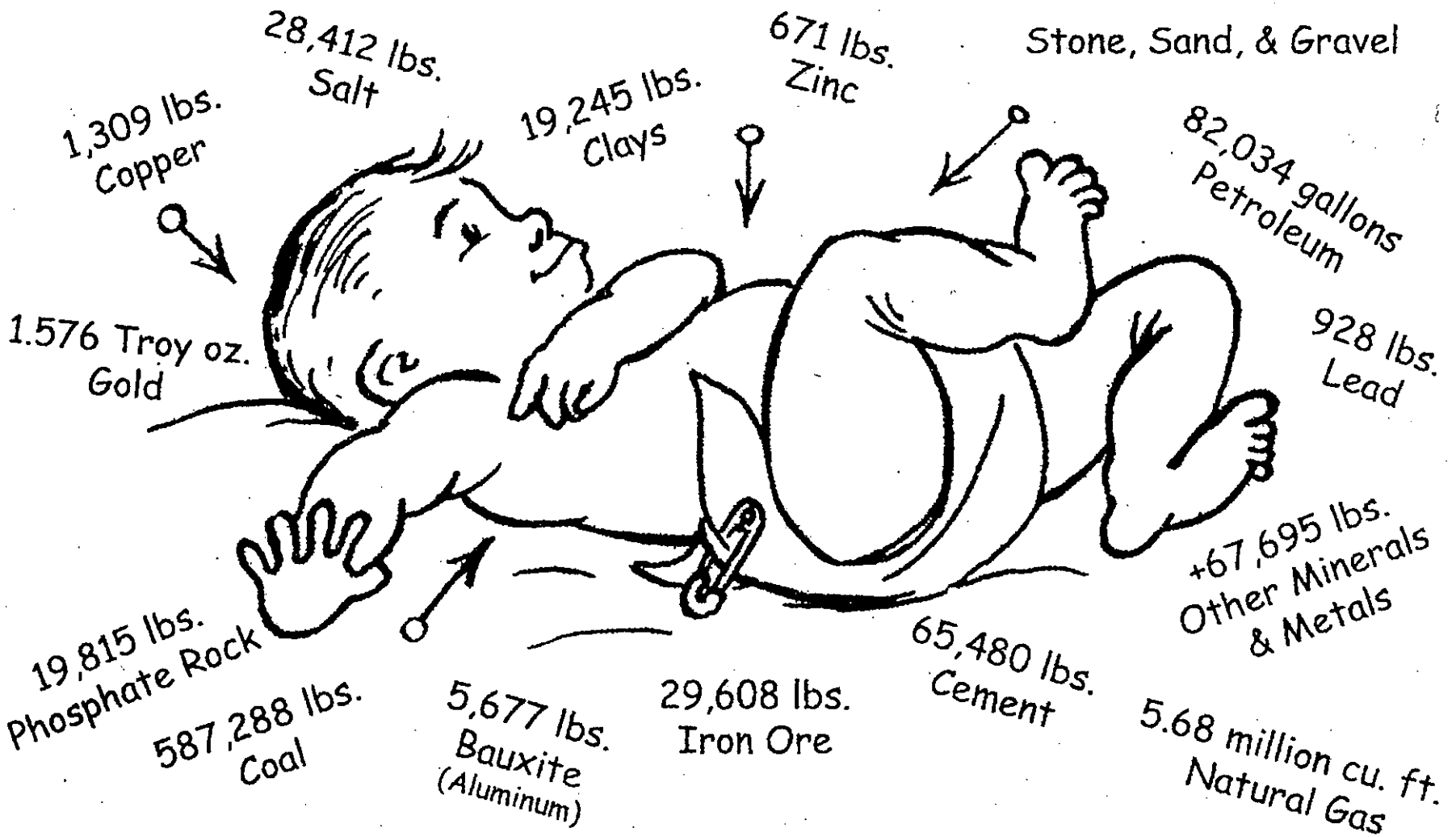

The biggest deterrent to mine exploration and development financing is obstructionist anti-development groups, and the fear that Alaska government will change the rules.



3.6 million pounds of minerals, metals, and fuels in their lifetime

© 2008, Mineral Information Institute

www.mii.org

2/16/10 LUNCH & LEARN: HEAVY OIL VS. LIGHT OIL

bp

Heavy Oil vs. Light Oil

Legislative Brown bag

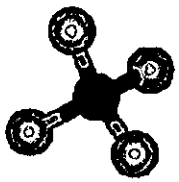
February 2010 Juneau

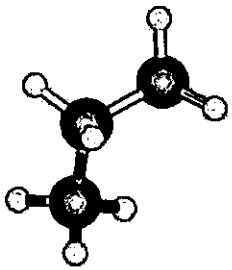
Heavy Oil – Key Properties

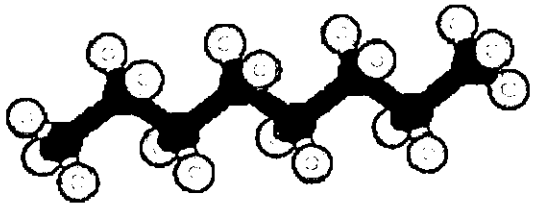
- Viscosity (Physical Property)
  - Flows through a reservoir very slowly: wells produce at lower rates than light oil wells
  - Heavy oil developments involve lots of wells
  - Waterflooding (EOR) is not viable due to the viscosity contrast between heavy oil and water
  - Thermal techniques (e.g. steam) can be effective in increasing recovery but energy balance is an issue and conditions must be just right in the reservoir
- Hydrogen Content (Chemical Property)
  - Heavy oil is depleted in hydrogen relative to light oil
  - Fewer refined products are derived from heavy oil
  - Heavy oil fetches a lower price on the market

What is heavy oil?

Light End Molecules





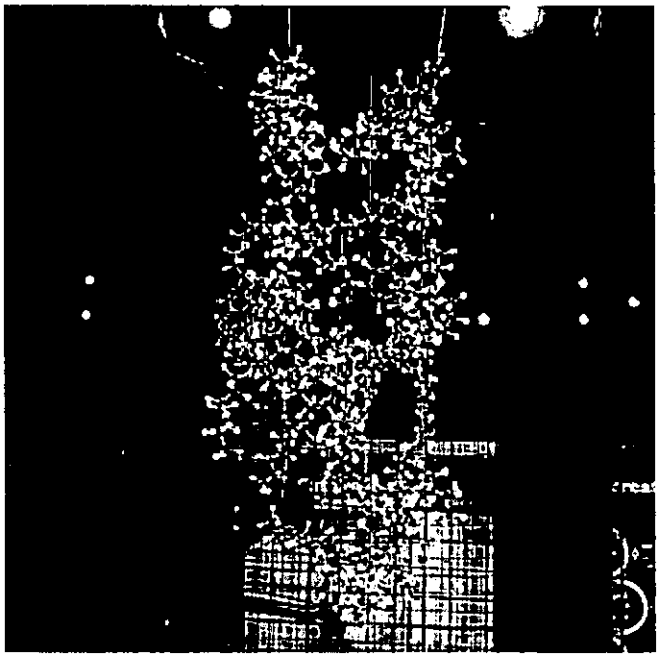


North Slope Heavy oil is a residue formed from light oil that has lost the small (light) molecules leaving the heavy ones. These form hydrocarbon compounds characterized by long, very complex molecules.

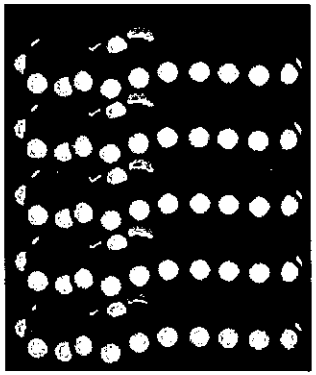
Most of the hydrogen is in the light ends so heavy oil is depleted in hydrogen.

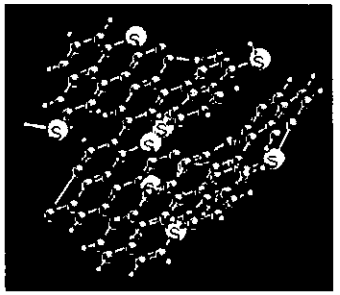
The long molecules of heavy oil impart high internal friction resulting in high viscosity.

Heavy End Molecules



A heavy oil model in a Calgary museum



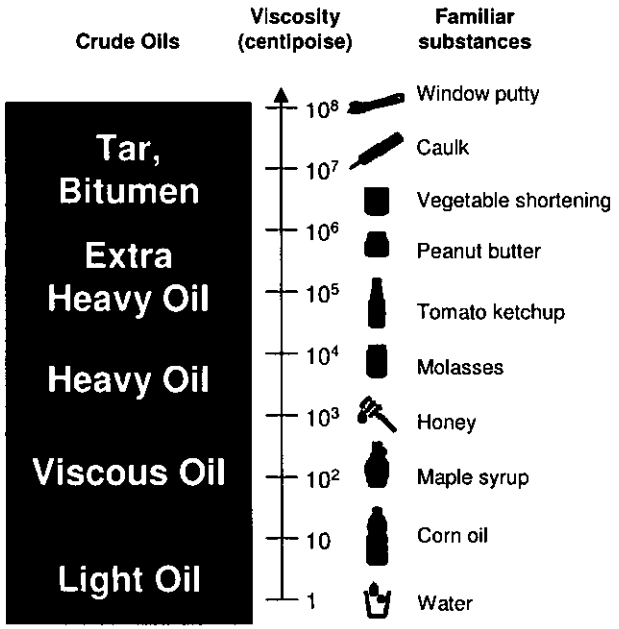


API Gravity of some standard crudes

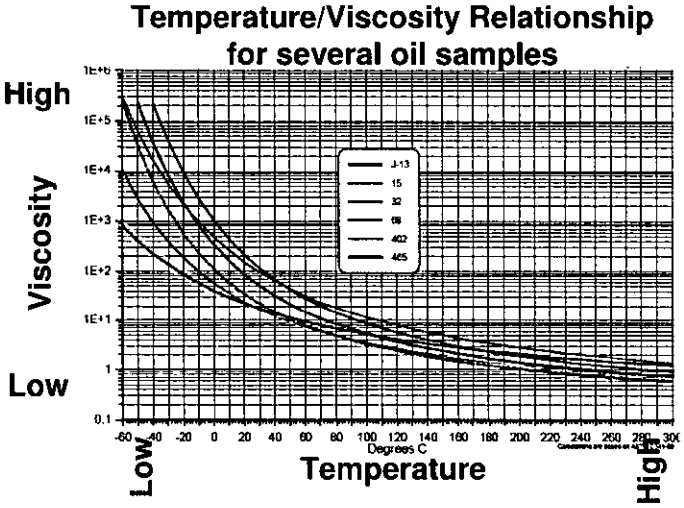
	Gravity	API Definition
• West Texas Intermediate	40	Light
• Canadian Syn-crude	33	
• Arab Light	32	
• Alaska NS Crude	29	Medium
• Arab Heavy	27	
• Alaska Viscous	16 to 24	Heavy
• Alaska Heavy (Ugnu)	8 to 14	
• Water	10	Extra Heavy
• Venezuela (Orinoco)	10	
• Canadian Lloydminster	9 to 18	
• Canadian Athabasca	6 to 10	

Gravity ≠ Viscosity
The term "Heavy Oil" is a reference to the high density (API Gravity) of those oils. The measurement that we care most about today is viscosity since that is the property which governs well productivity. Viscosity is not synonymous with Gravity. There is a positive, but very loose correlation between gravity and viscosity that is specific to a given oilfield - but any quantitative transform from API Gravity to Viscosity is a rough approximation at best and there are no transforms or rules of thumb for oils in general.

Viscosity



- Viscosity is the resistance a material has to change in form. It is commonly described as internal friction.
- Viscosity reduction
  - Heat
  - Dilution (Diluent)

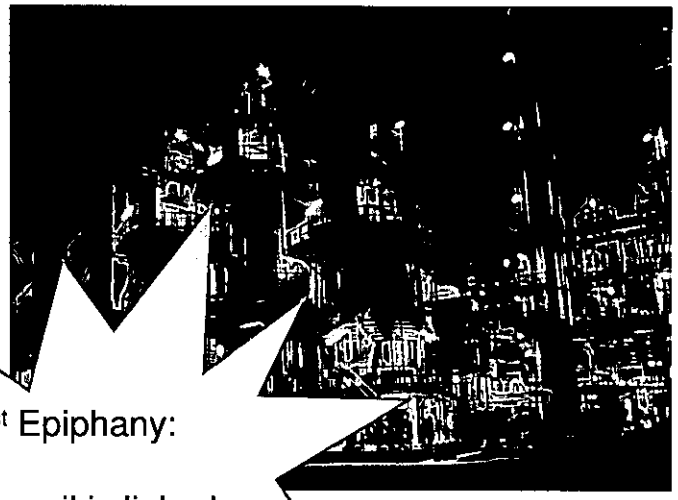


HOT

Heavy Oil Export Options

bp

- [x] Change physical properties – Upgrade
- [x] Add heat to TAPS
- [x] Dilute heavy oil with light oil



1st Epiphany:

Heavy oil is linked to light oil by Diluent

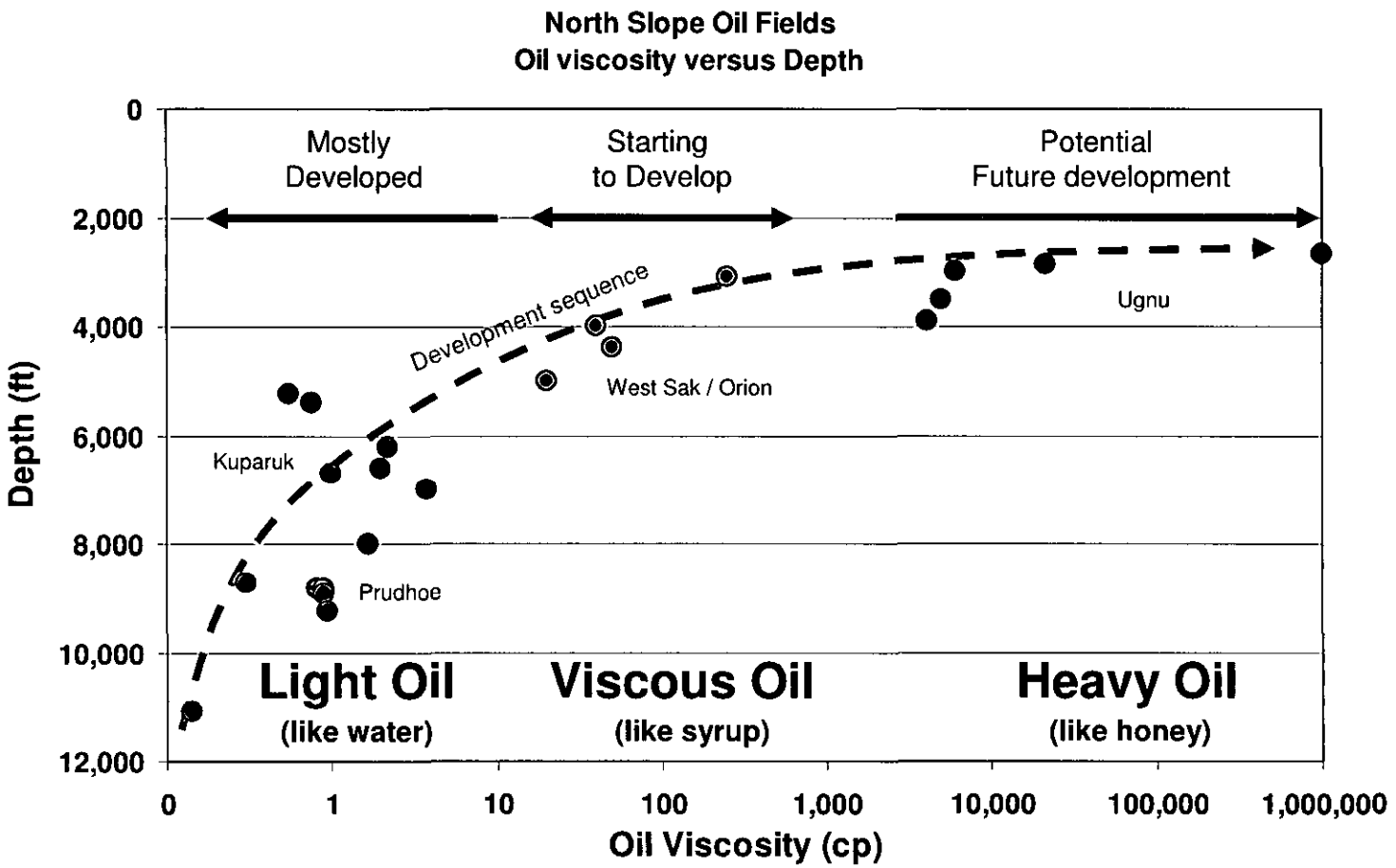
2nd Epiphany:

Given that linkage, we need to figure out heavy oil NOW - not <u>after</u> light oil

HOT

Alaska Fluid Viscosity

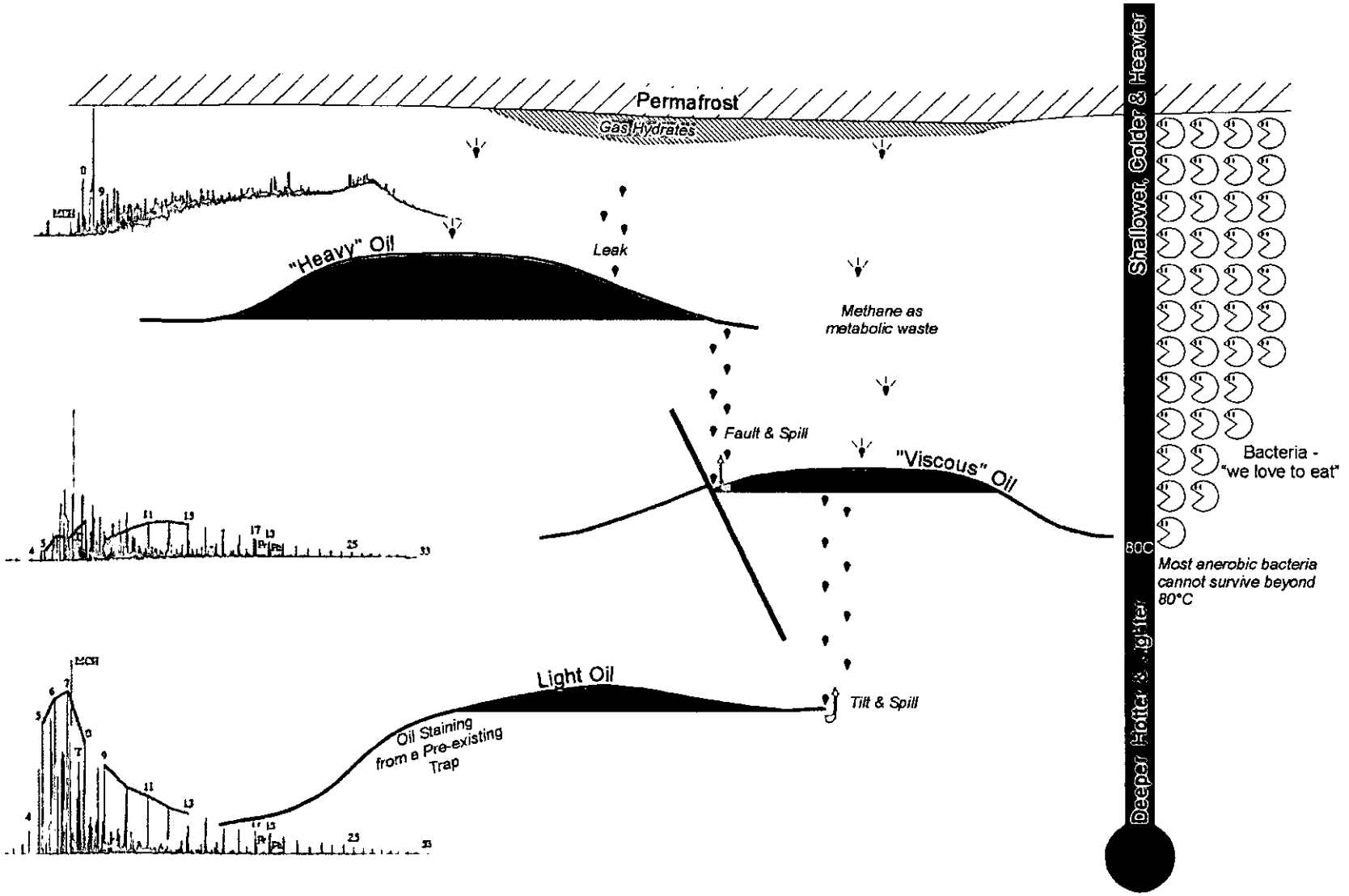
Alaska fluids range over a continuum of viscosities



The term "Viscous Oil" is a home grown, Alaska term. You won't find it defined in the literature or used outside of Alaska. What we term Viscous Oil in Alaska is referred to as Heavy Oil in the industry.

HOT

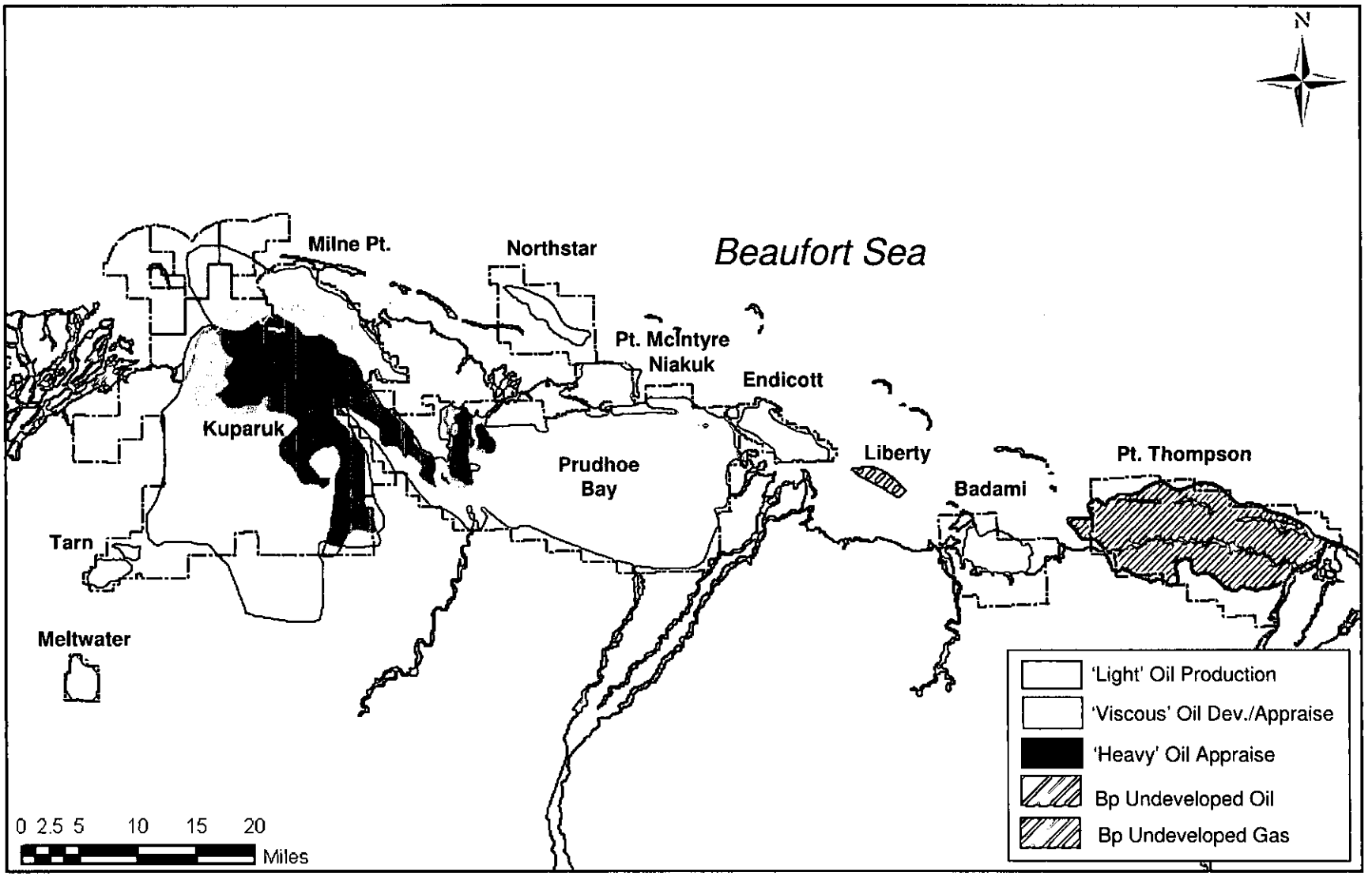
Oil vs. Bacteria



HOT

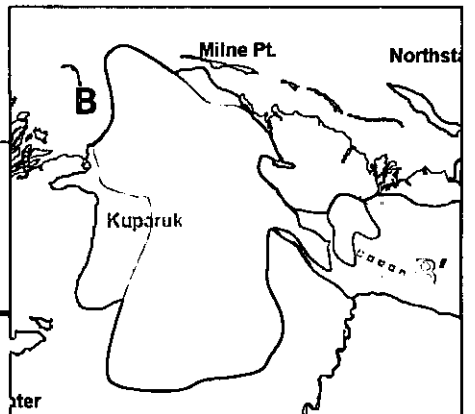
Alaska Viscous and Heavy Oil

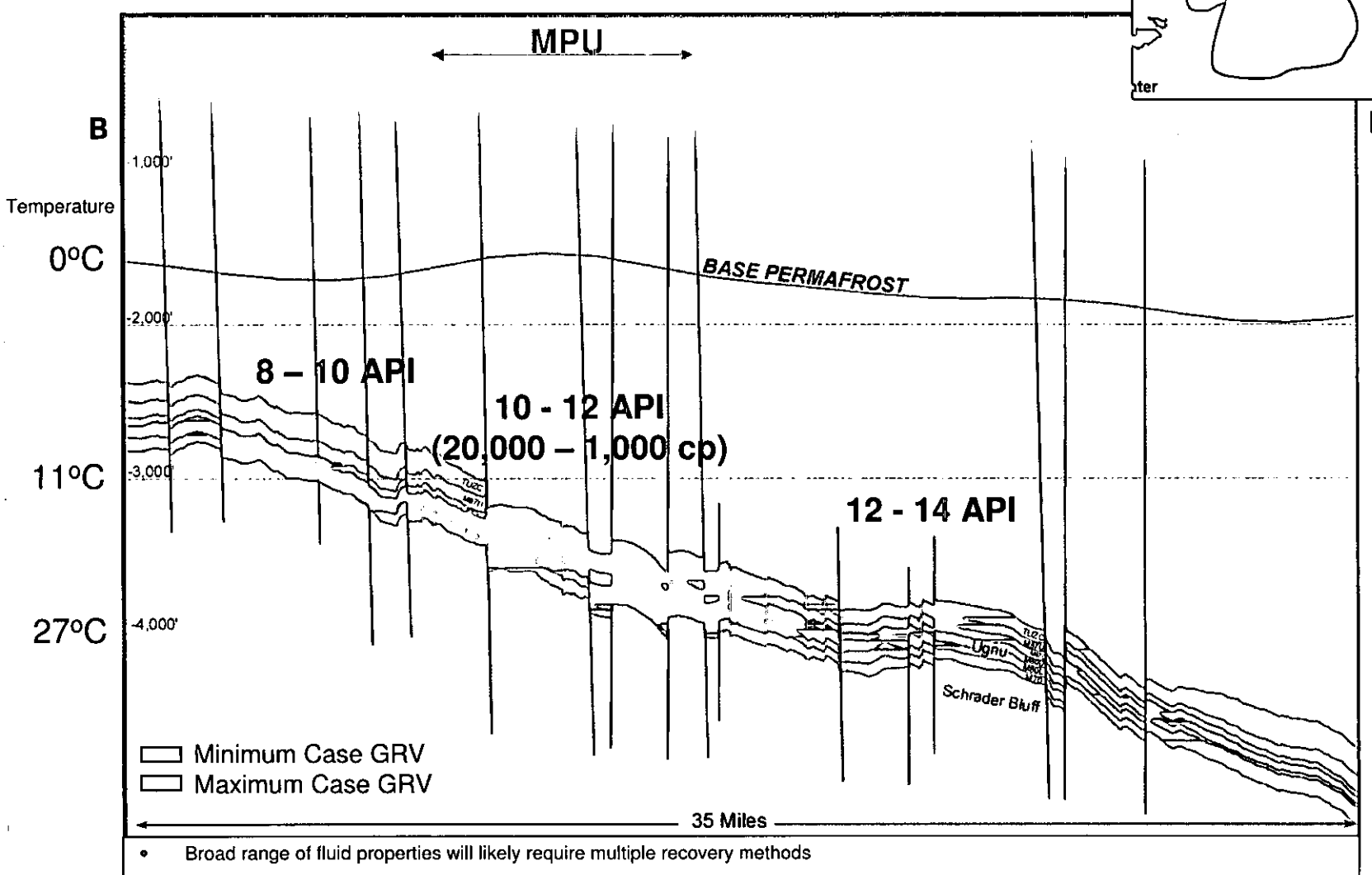
Geographic coincidence is no coincidence



CONFIDENTIAL AND PROPRIETARY DATA OF BP EXPLORATION (ALASKA) INC. DO NOT DISCLOSE WITHOUT BP'S CONSENT.

Ugnu Structure & Fluid Quality

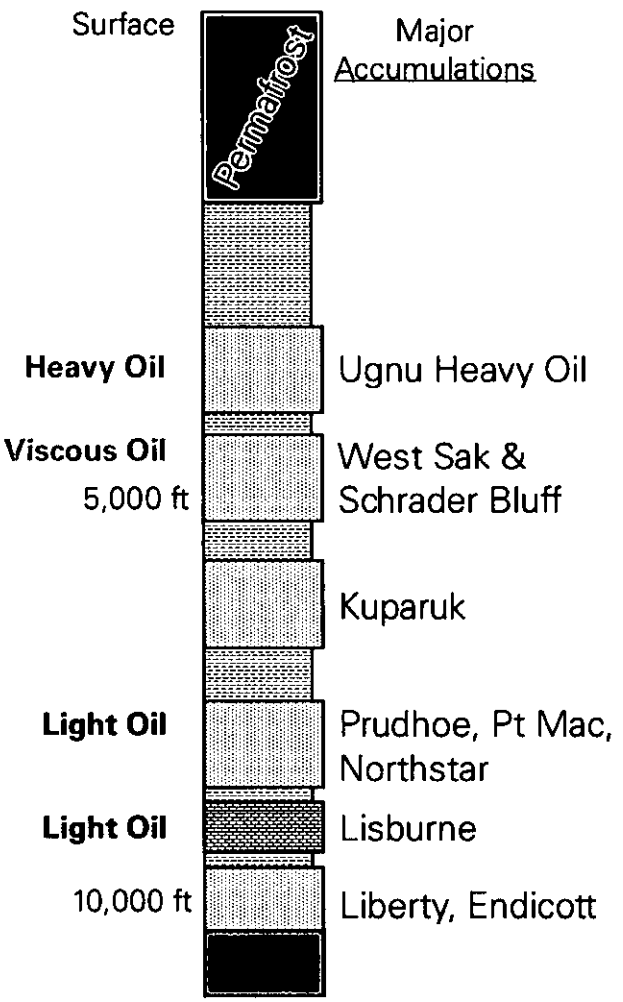




HOT

Stratigraphic and Volumetric Distribution

Heavy oil is found in the shallowest reservoirs (Ugnu), light oil in the deepest



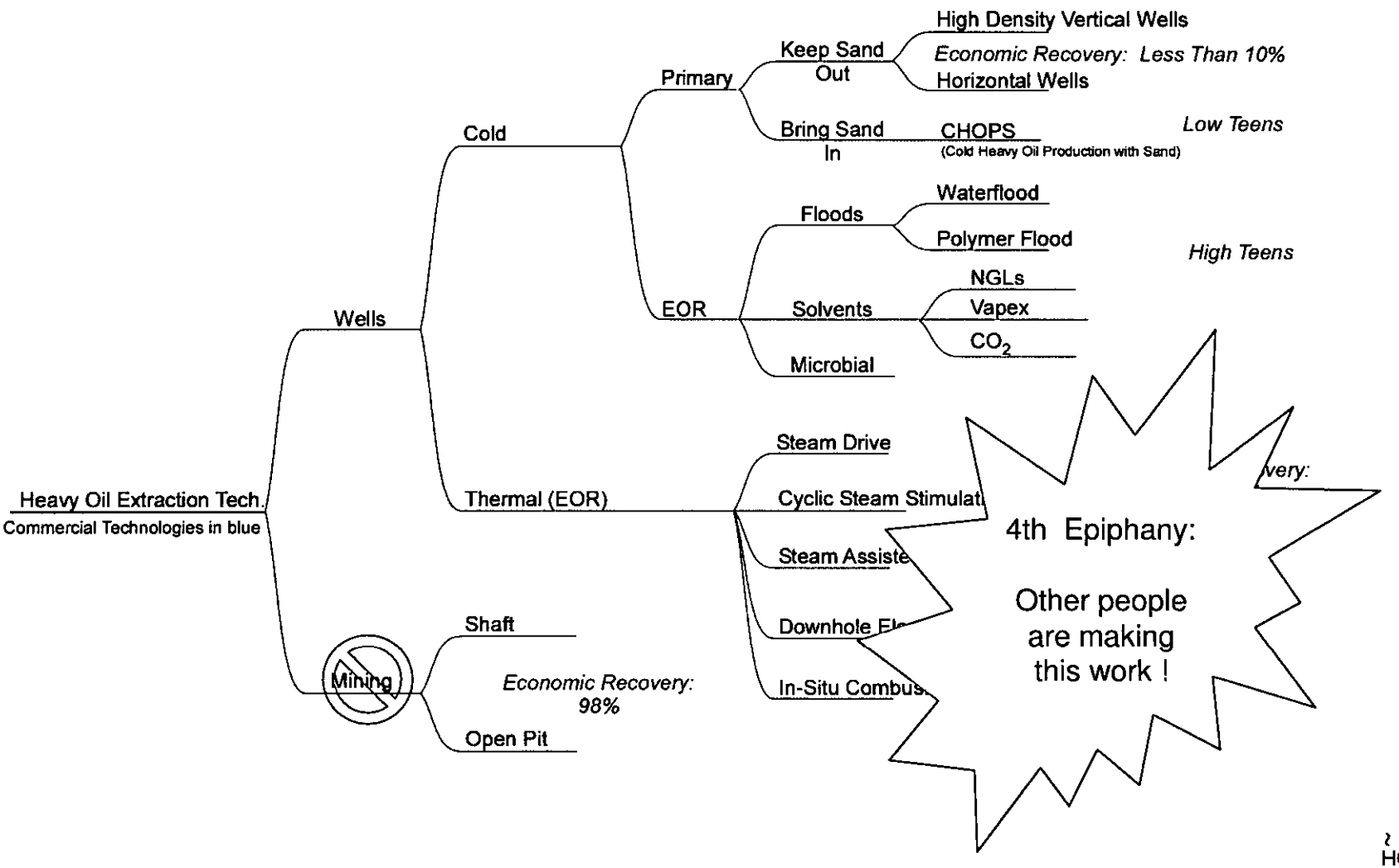
	OOIP	Produced
Ugnu Heavy Oil	13 to 21 Billion	0
West Sak & Schrader Bluff	5 to 6 Billion	150 Million
Kuparuk, Prudhoe, Pt Mac, Northstar, Lisburne, Liberty, Endicott	18 to 27 Billion	150 Millio

3rd Epiphany:

Wow – this could be really big !

HOT

Heavy Oil Depletion Technology

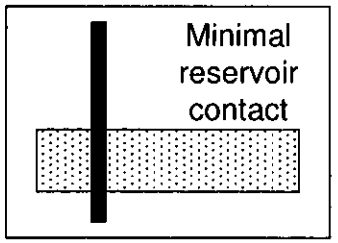


HOT

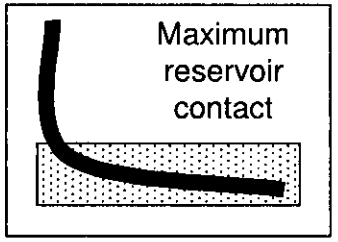
Horizontal Wells & Motherbores

The horizontal well concept is to maximize contact with the reservoir. Horizontal wells are operationally simple as they keep sand out, but recovery factor is likely low and well density must be high to compensate

Vertical Wells



Horizontal Wells

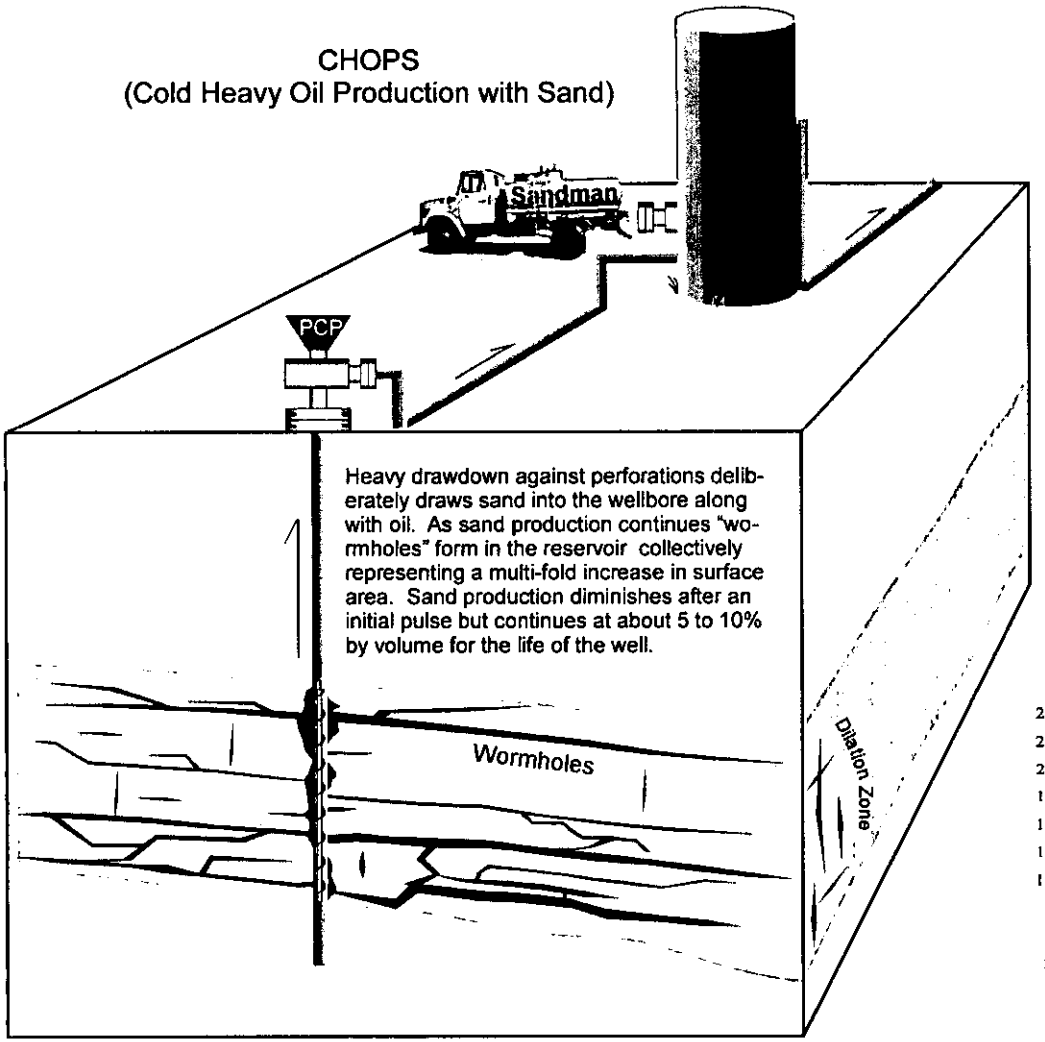


Piloting at S-Pad

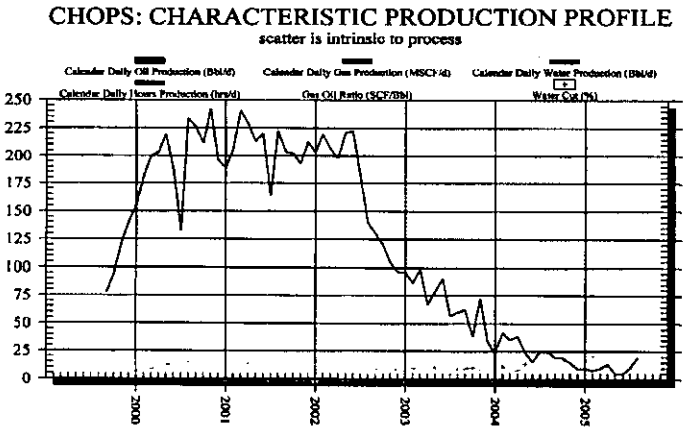
Motherbores - Many Horizontal laterals in one well

HOT

CHOPS Elements

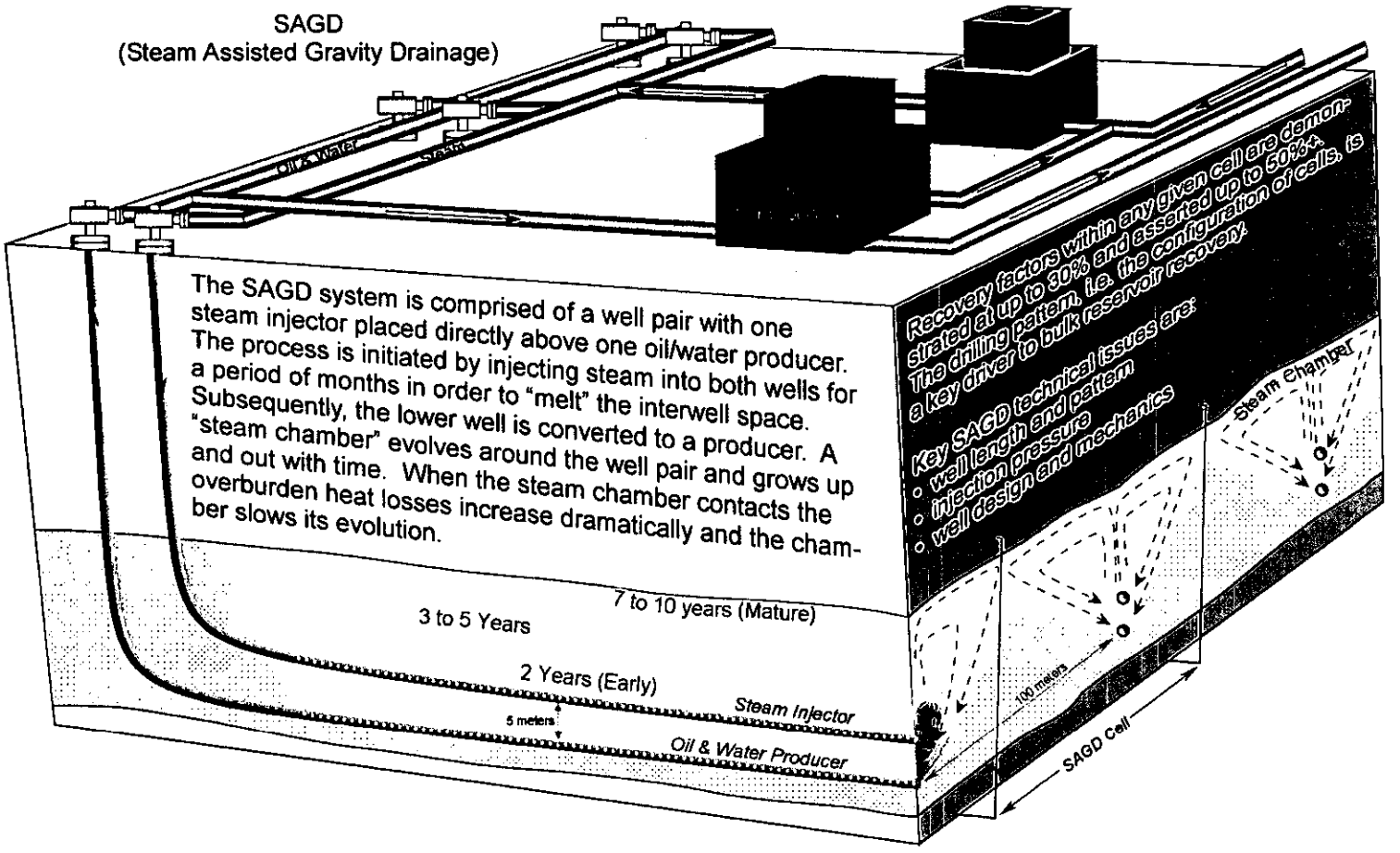


- Unconsolidated rocks
- PCP Pump
- Surface Drive
- Heated Separation Tank
- Sand Disposal

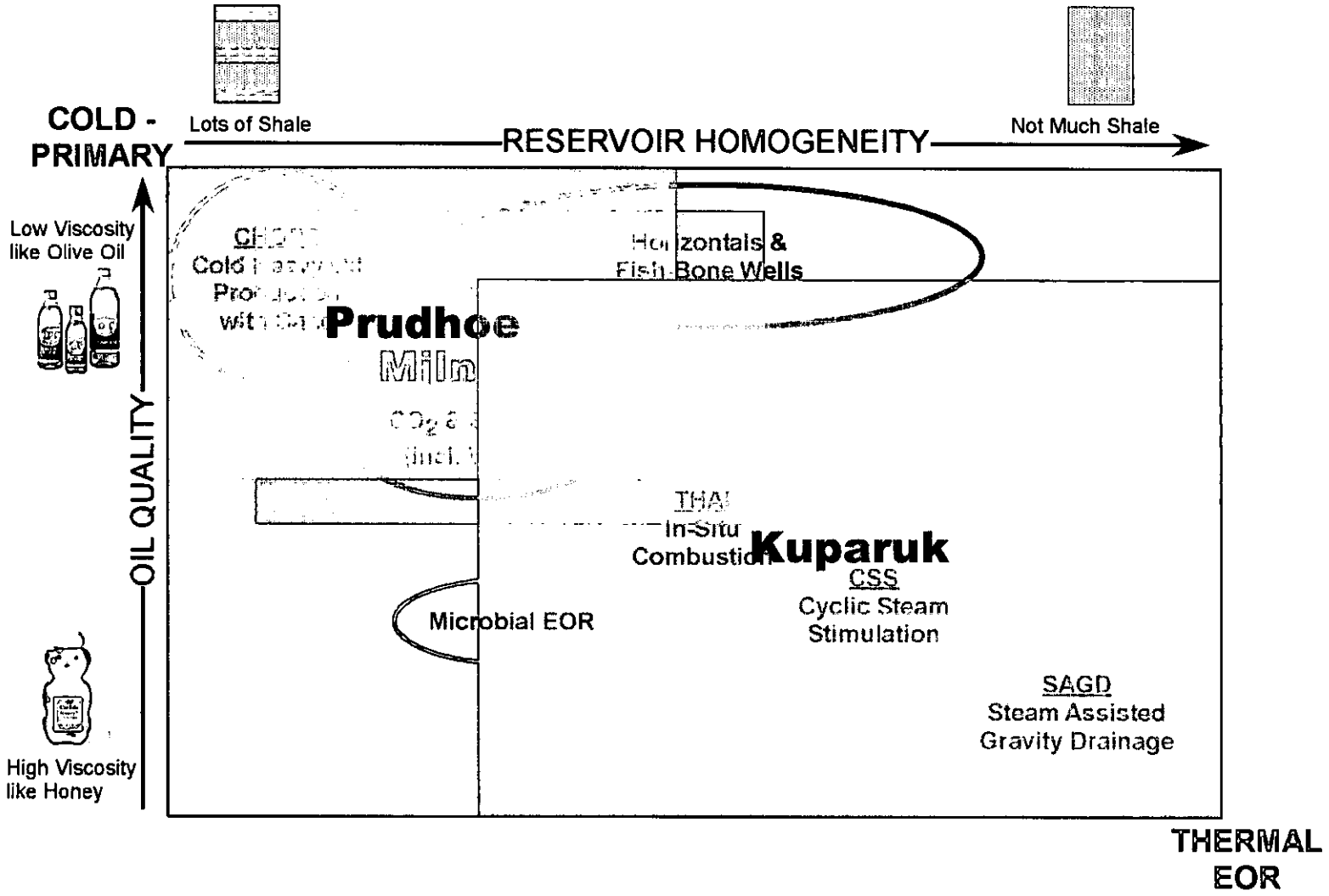


HOT

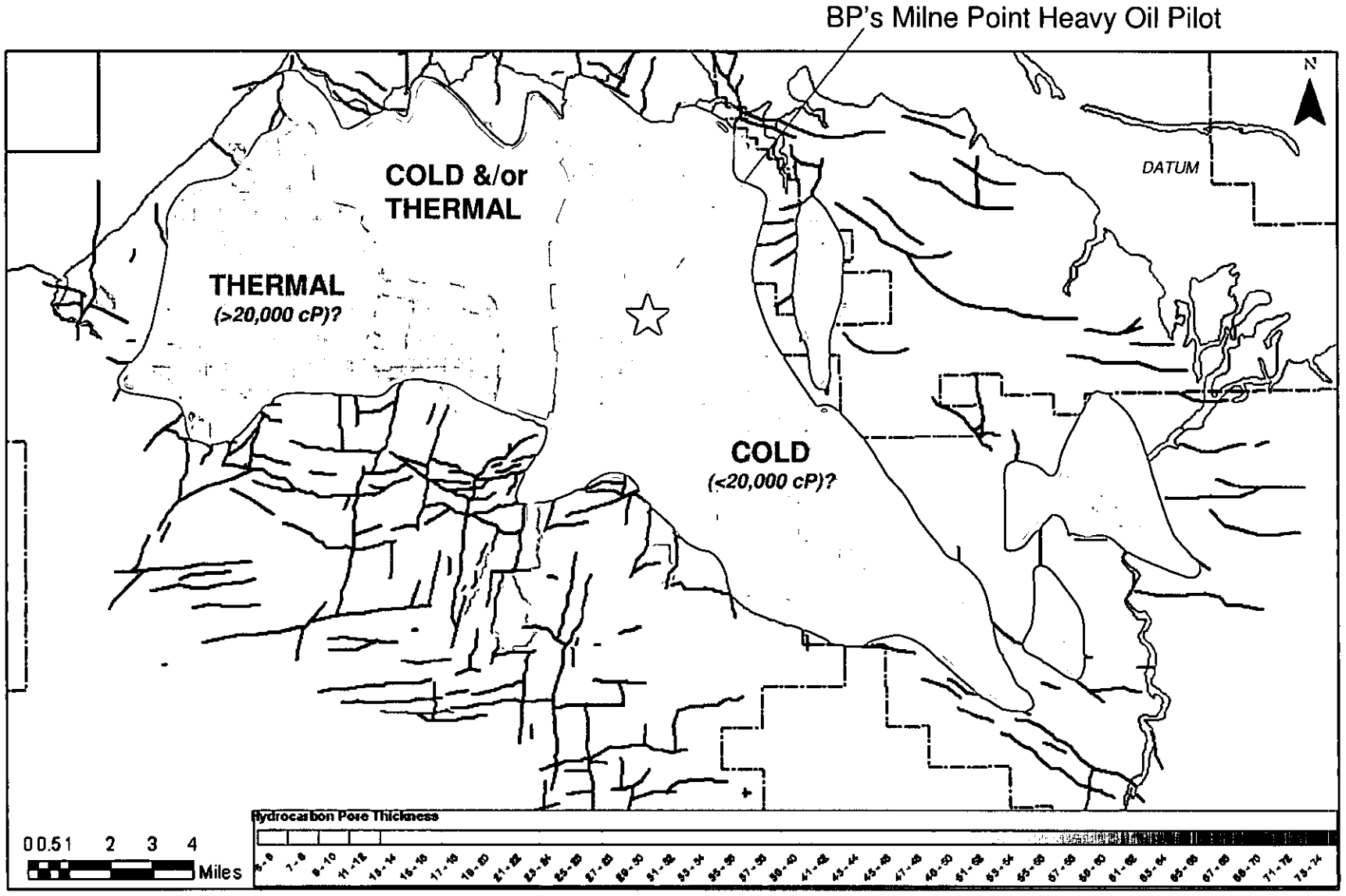
SAGD (Steam Assisted Gravity Drainage)



Recovery Methods



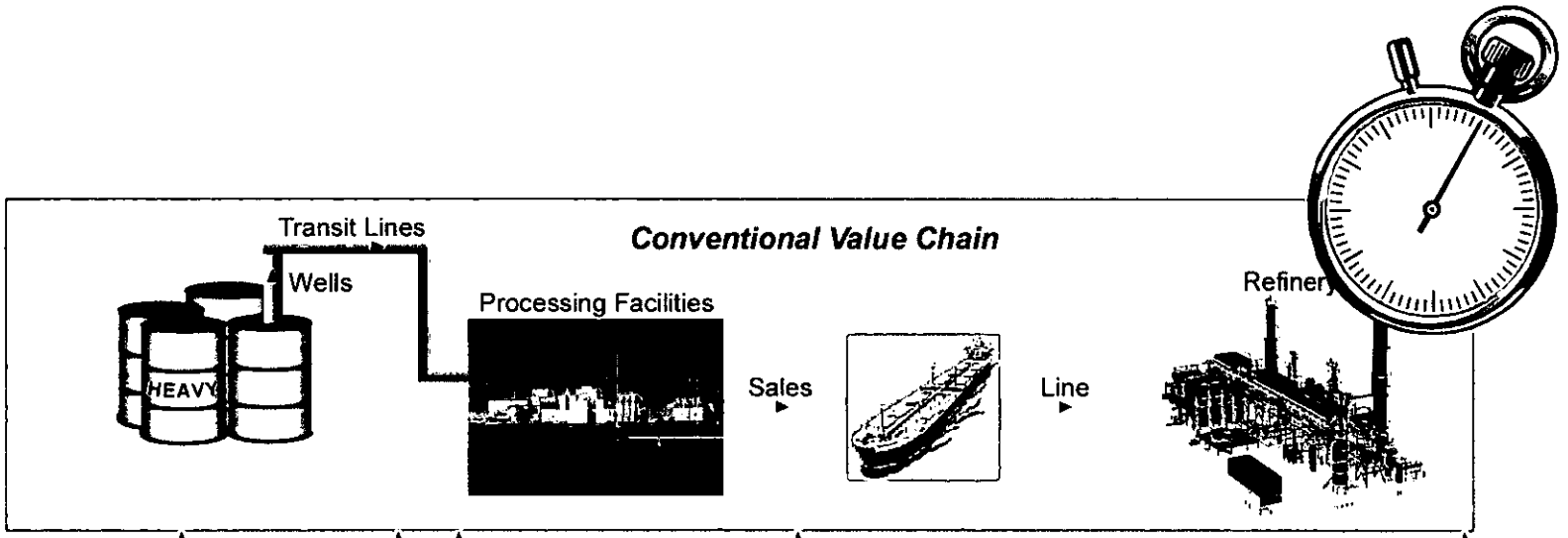
North Slope Heavy Oil Accumulation

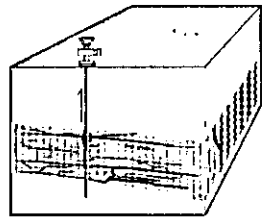


Heavy Oil Value Chain

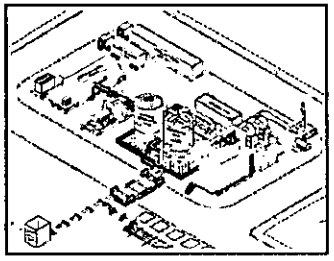
Time dependency given viability/longevity of existing architecture is driver of pace

bp

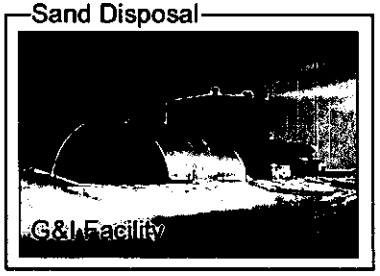




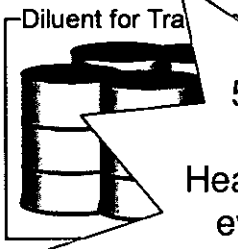
New Technology
LOTS of Wells
PCP Pumps
LOTS of well interventions



Pre-processing Kit
- Tanks
- Heaters
- Associated pumps & piping



Multiple facilities will be required



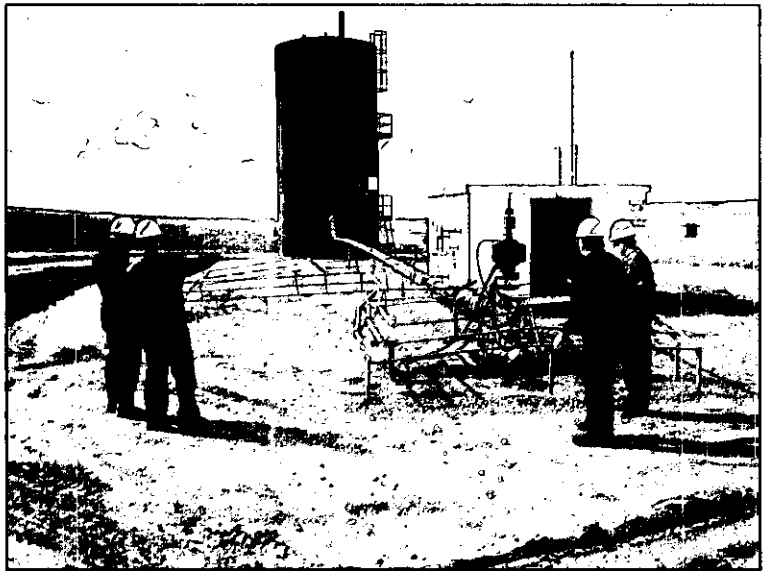
Cold
added to

5th Epiphany:

Heavy oil is unlikely ever to be more economic than light oil

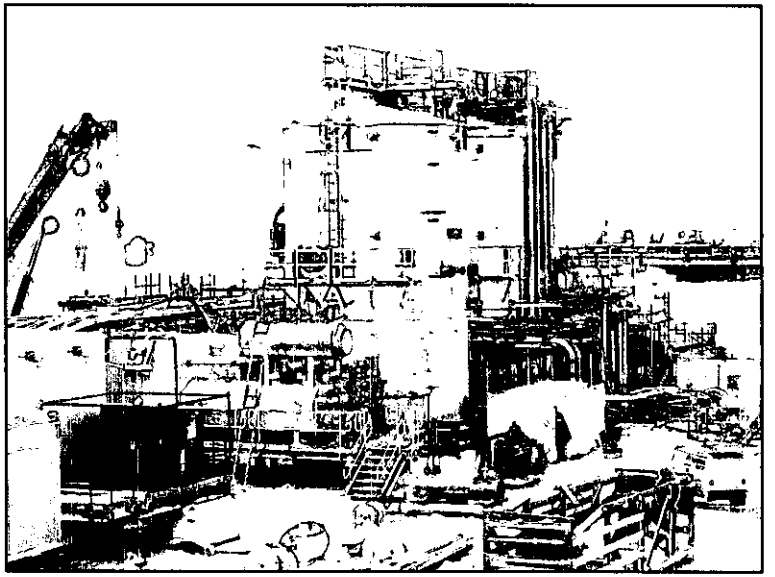
HOT

Vision vs. Reality



Canadian Design

- Single well tank battery
- Oil, water and solids trucked separately
- Gas burned or vented
- Direct fired heater
- 20+ years experience

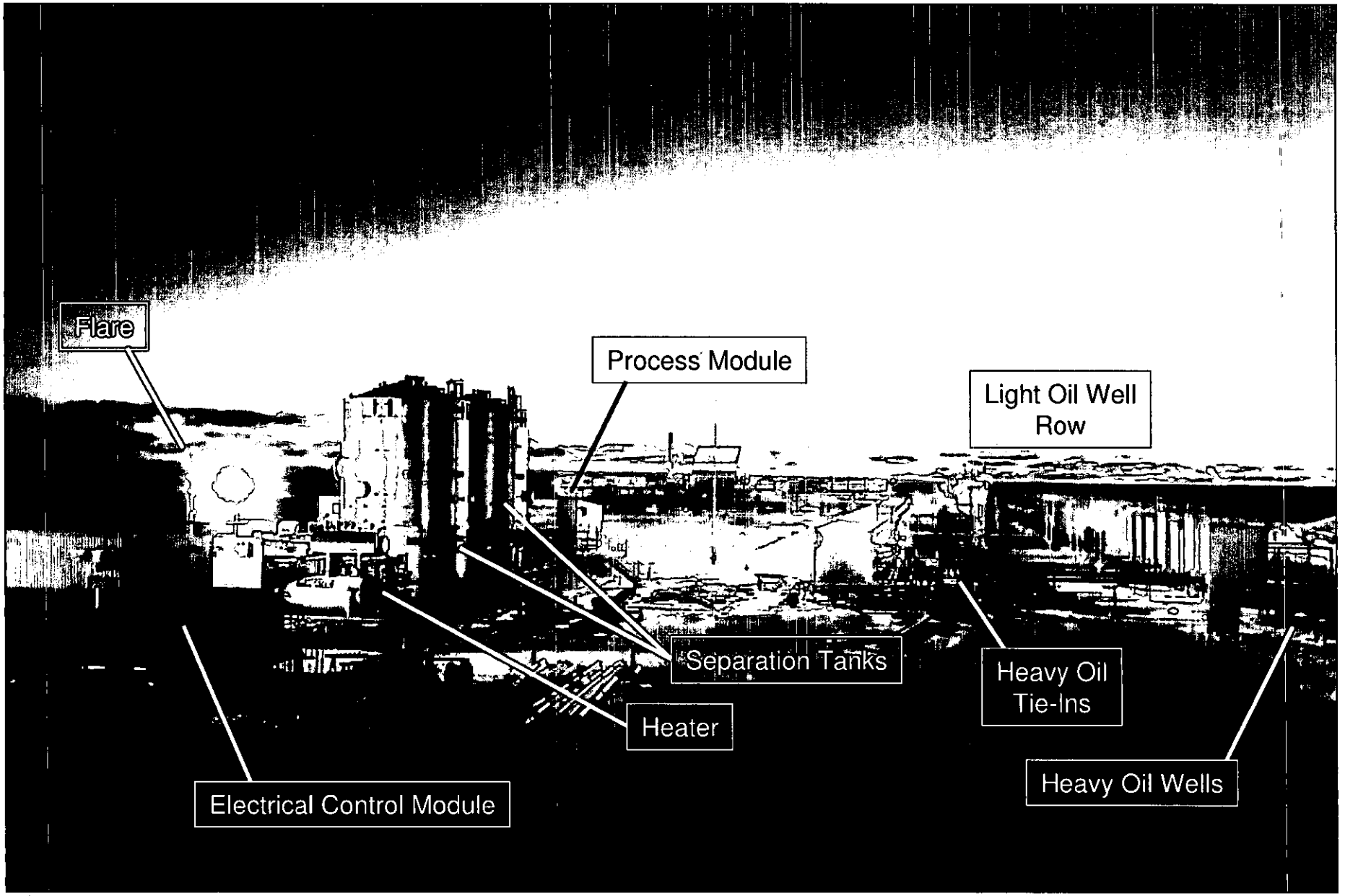


Alaska Design

- Safety & environmental constraints
  - No direct fired heaters in tanks
  - No venting of gas
  - No spills
  - Operate safely over a multi-year period
- Unknown fluid properties and behavior
- First of its kind in Alaska

HOT

New BP Heavy Oil Pilot Project, Milne Point Alaska



Take Away Messages

- Heavy oil is a world scale resource base that is intrinsic to the BP Alaska strategy
- The time for heavy oil is now due to light oil linkage through diluent and infrastructure
- Heavy oil is a different commodity than light oil with respect to extraction techniques, technical challenges, understanding, environmental challenges and market
- The technical viability of this Alaska Heavy Oil is unknown, so commercial outcome remains large range - must answer technical viability question first
- BP's Milne S-Pad pilot is an experiment and its design and appearance do not necessarily reflect what a development will look like

2/23/10 LUNCH & LEARN: MODERN MINE RECLAMA-TION...

Alaska Legislative Lunch and Learn

Modern Mine Reclamation
A Case Study
Fort Knox Mine
Concurrent Reclamation

Bill Jeffress, SRK Consulting (U.S.) Inc.
Delbert Parr, Kinross Gold
Lorna Shaw, Kinross Gold

February 23, 2010

Juneau, Alaska

KINROSS Fort Knox

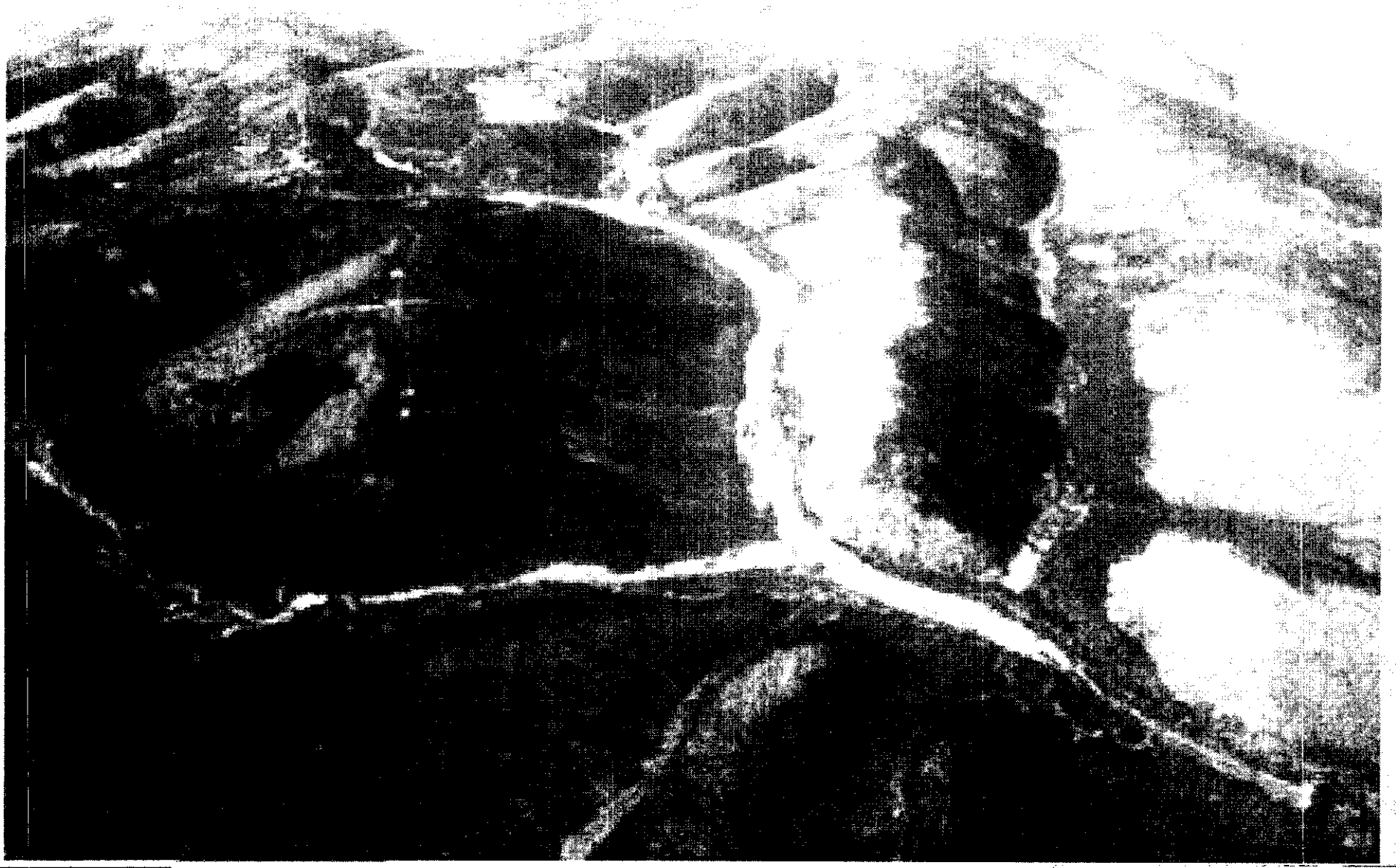
SRK Consulting (US) Inc.
Engineers and Scientists

Reclamation & Closure

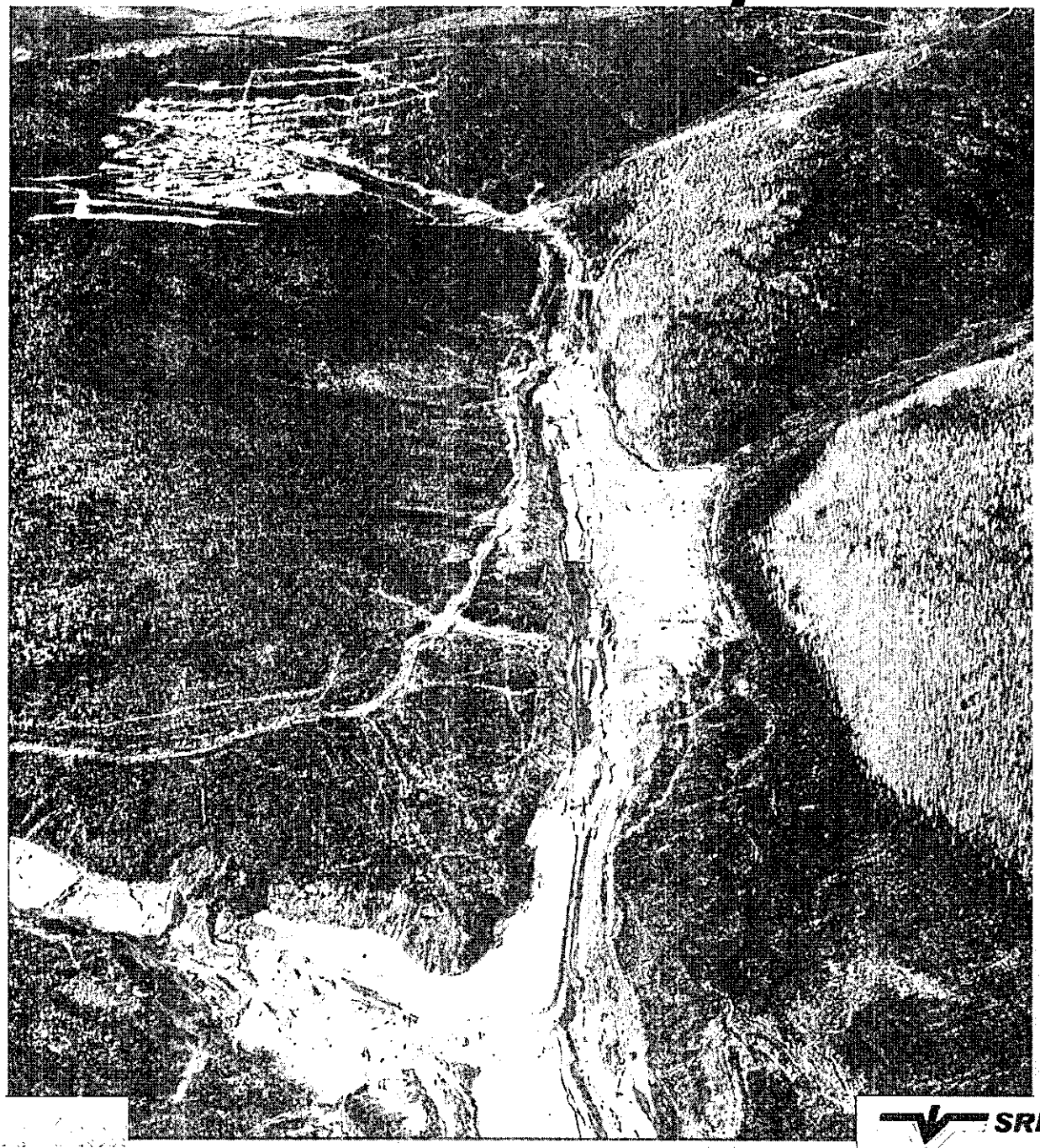
Reclamation and closure of mining projects falls under the jurisdiction of:

- **The Alaska Reclamation Act (Alaska Statute AS 27.19) administered by the Alaska Department of Natural Resources – Division of Mining, Land, and Water Management (11AAC 97) applies to state, federal, municipal and private land and water subject to mining operations.**
- **The Alaska Department of Environmental Conservation [AS 46.03.100(F), 18 AAC 15.090(3), and 18 AAC 60.265];**
- **The U.S. Army Corps of Engineers;**
- **The U.S. Environmental Protection Agency; and**
- **Federal Land Management Agencies**

Design for Closure & Concurrent Reclamation



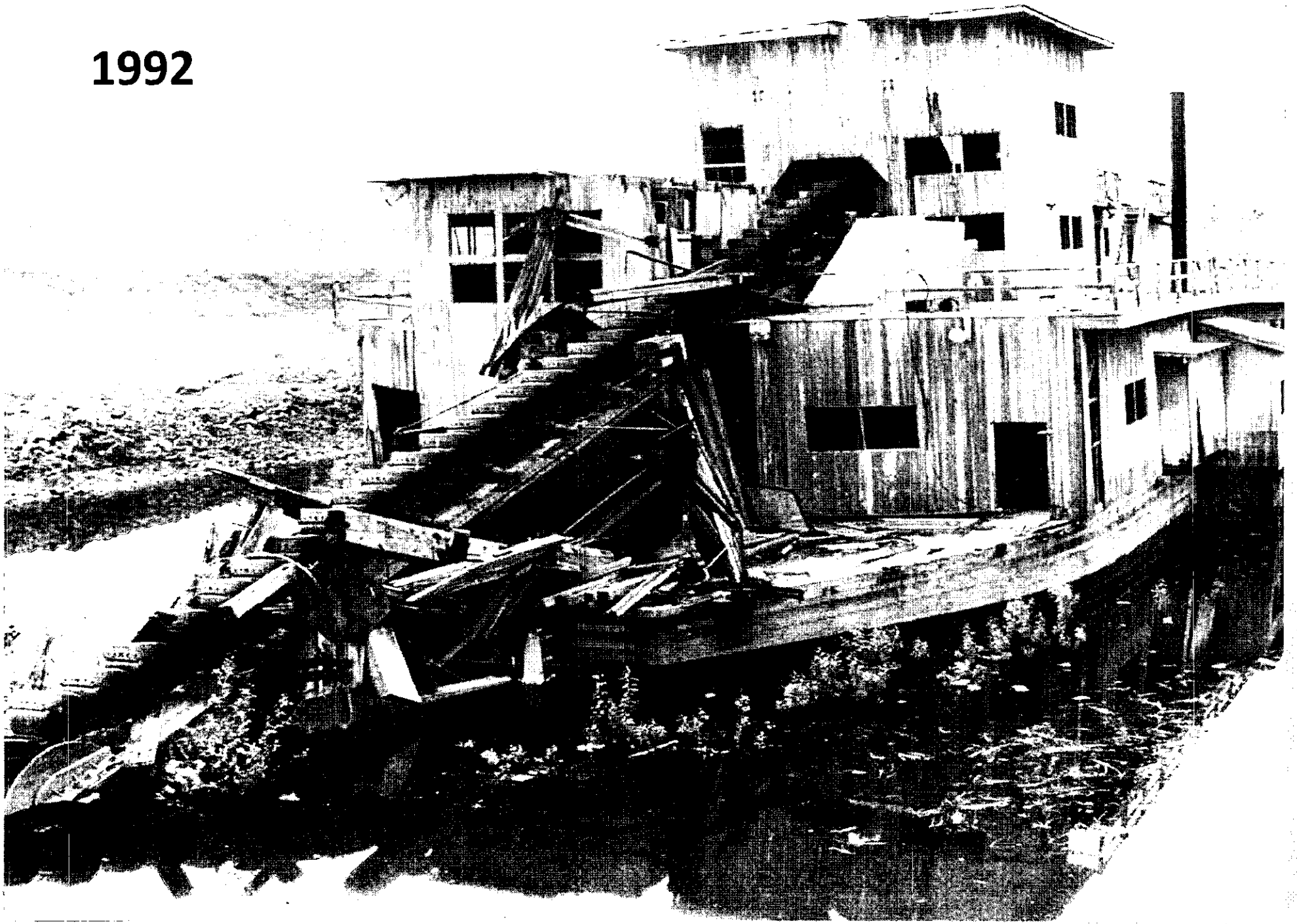
Fish Creek Valley 1992



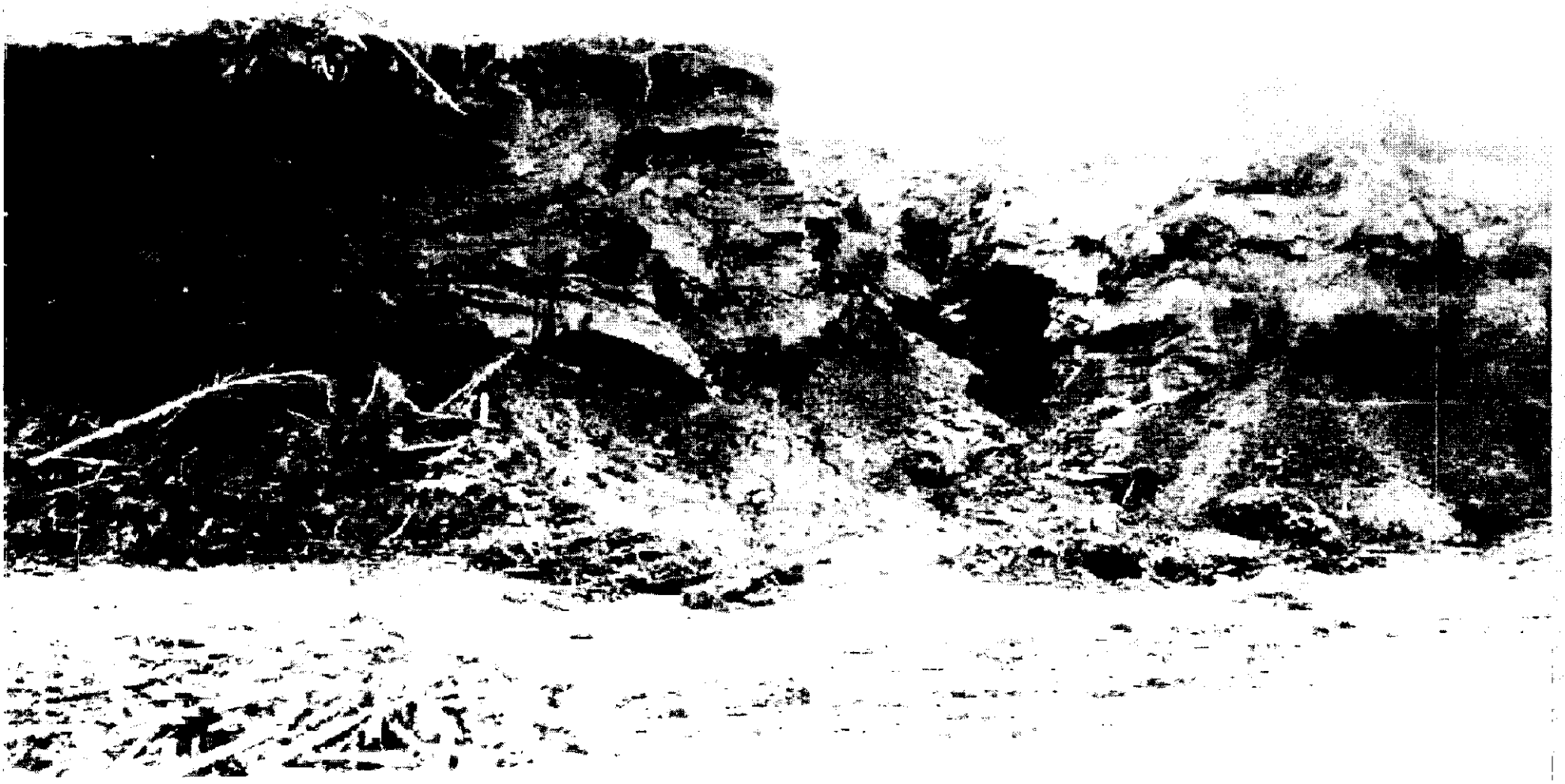
Initial Site Reconnaissance

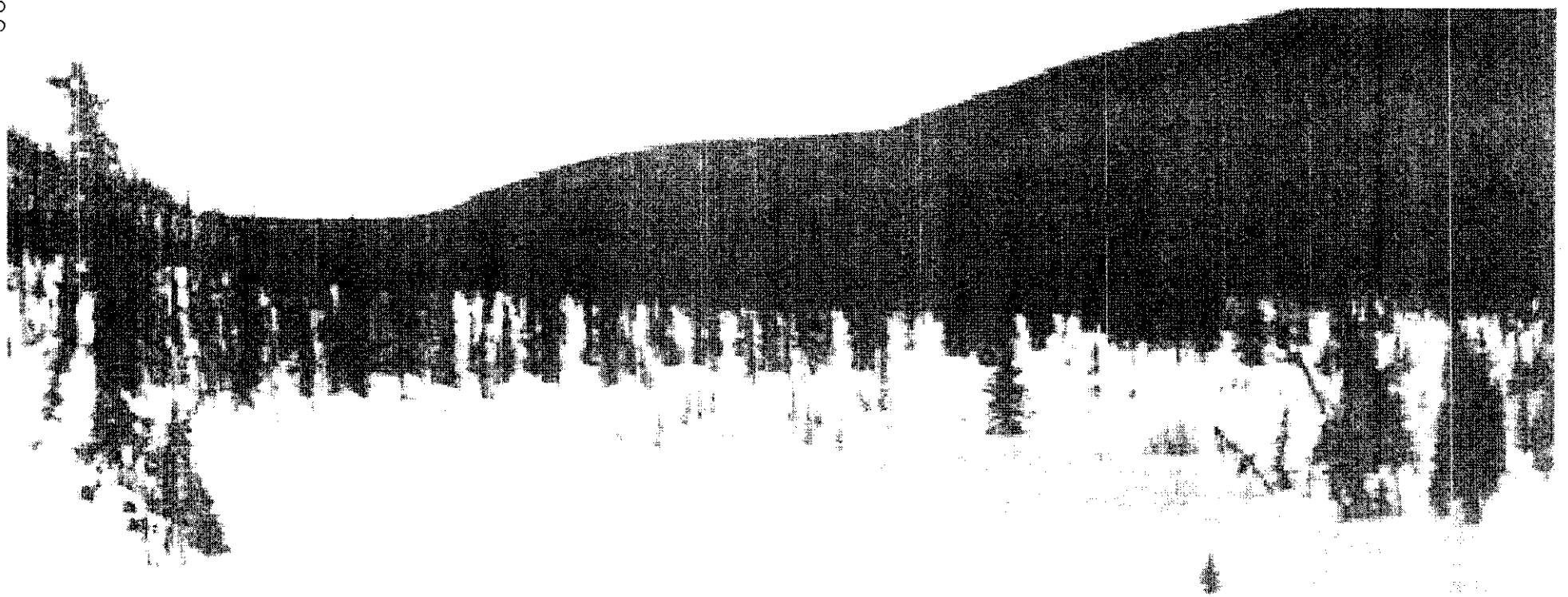
- Historic Placer Mining Disturbance
- Current Placer Mining Activities
- Flora and Fauna Survey Results
- Existing Aquatic Habitat
- Cultural and Historic Artifacts
- "Aufeis" areas
- Fish Creek Listed as Impaired Waterbody by State and EPA

1992



1992





Aufeis on Solo Creek

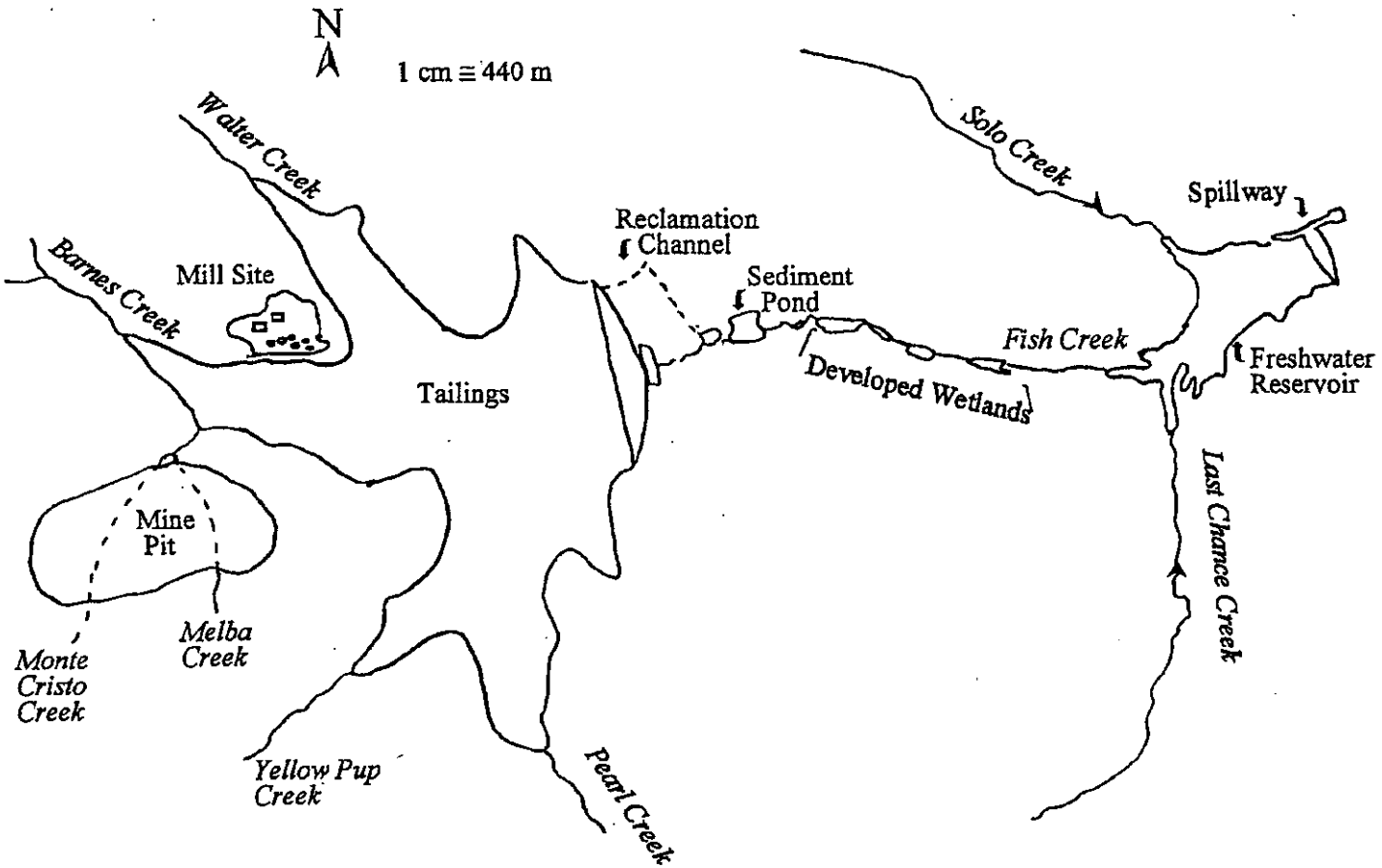
Identified Agencies and Stakeholders

- Alaska Departments of Natural Resources, Environmental Conservation, Fish and Game
- Local Residents and Recreational Users
- Northern Alaska Environmental Center, Common Ground, and Sierra Club Legal Defense

Considerations for the Proposed Reclamation and Closure Plan

- Consistent with Tanana Basin Area Plan
- Assumed reclamation responsibility for previous placer miners disturbance
- Include mitigation options for wetlands disturbance
- Determine the functional value of existing wetlands and aquatic habitats

Conceptual Drawing of Developed Wetlands Area



Project Design and Construction Sequencing

- Incorporated Placer Settling Ponds and Berms into Water Supply Reservoir and Developed Wetlands
- Strategic Placement of Large Boulders for Burbot Spawning
- Established Best Management Practices (BMPs) that were incorporated into final reclamation

Stabilize and Reclaim Water Supply Reservoir (WRS) Area

- Immediate area below WRS Spillway
- Solo Creek Dump - Ice rich material excavate from WSR dam

2695

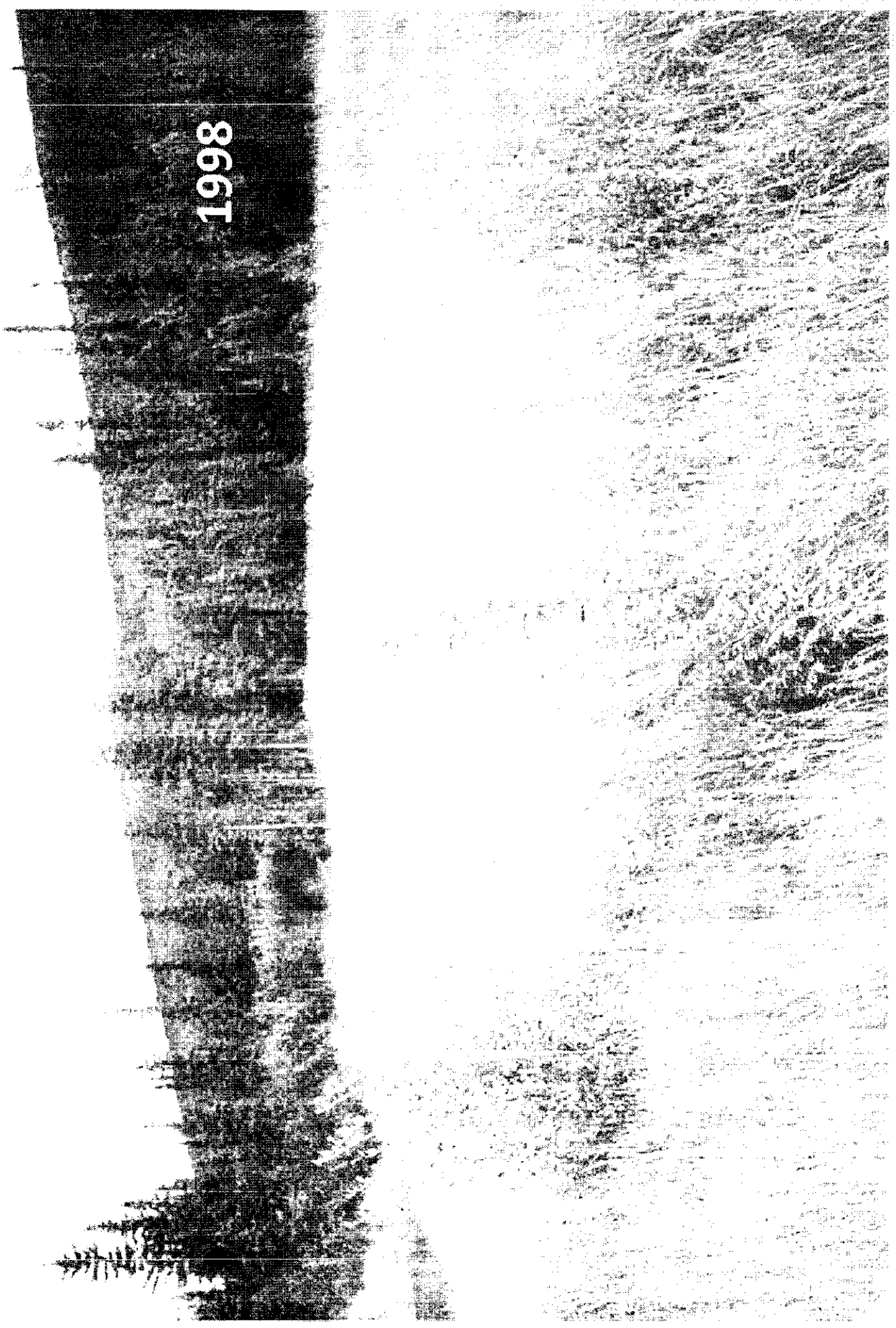
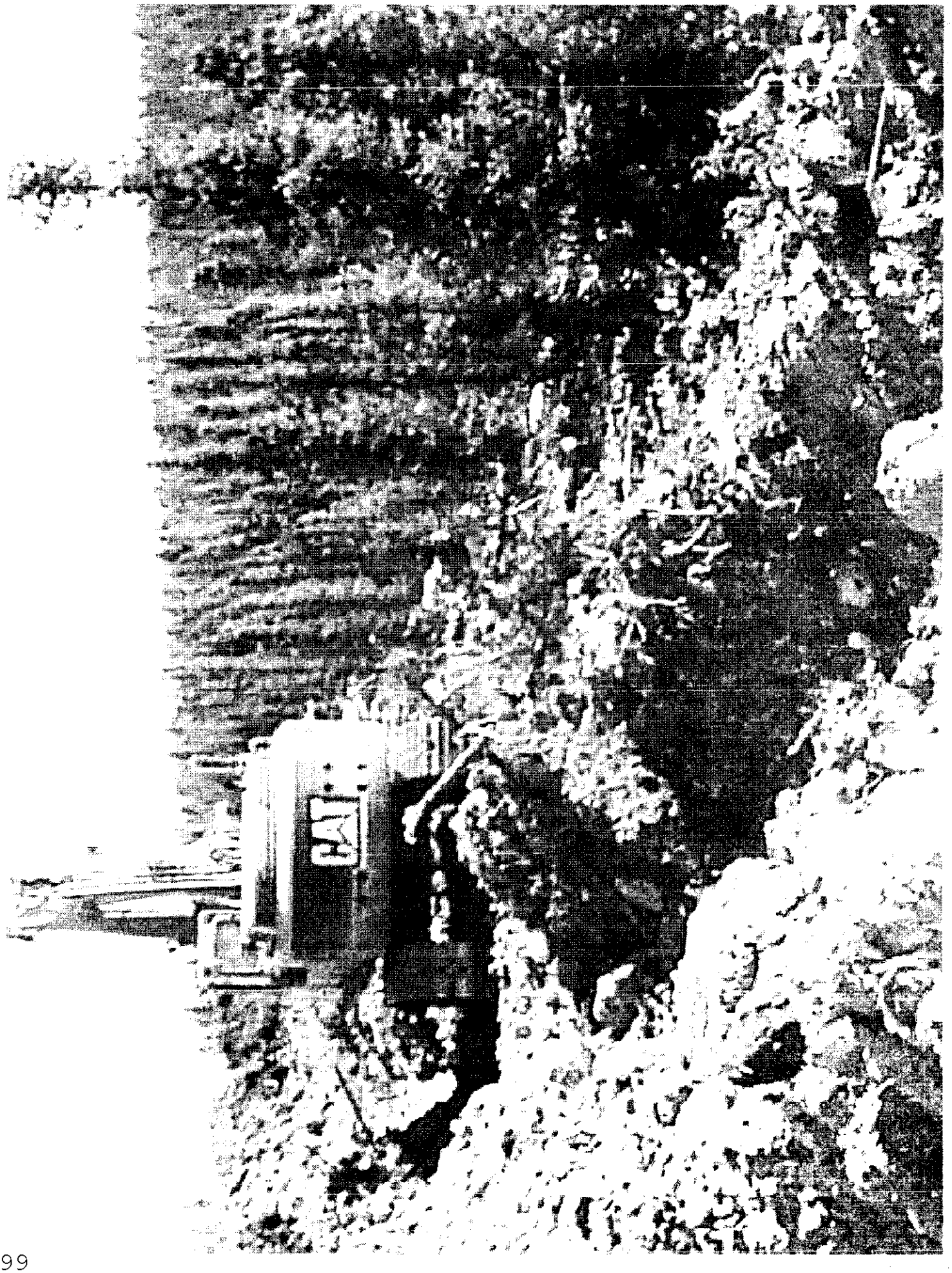
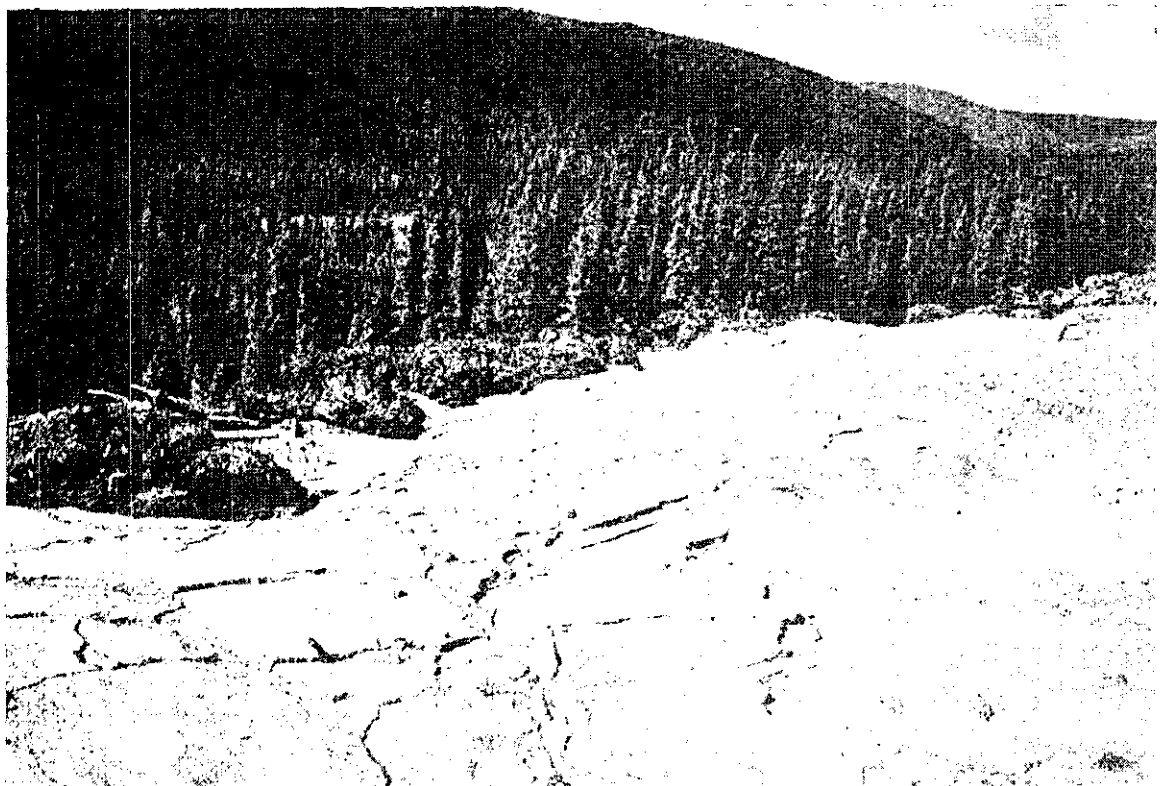

1998

Figure 1

1998



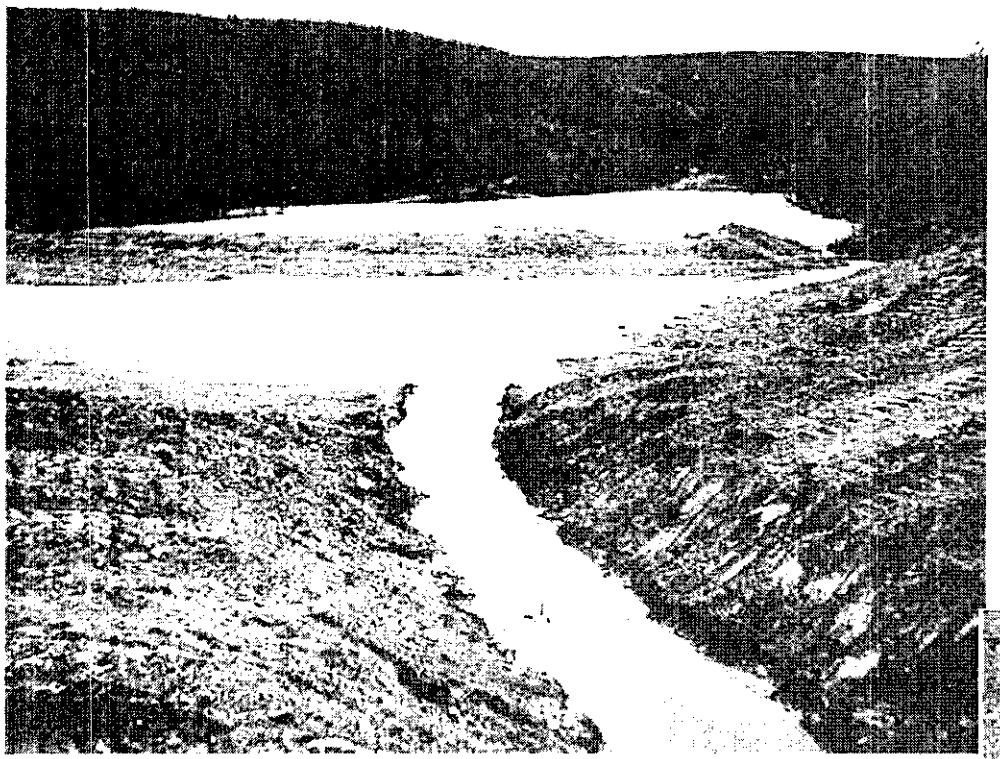


Solo Creek Dump
Ice rich waste material
from Water Supply
Reservoir Dam Excavation
July 1995

Natural revegetation evident
July 1995

2004

1996



Established Fish Passage Channel into Lower Last Chance Ponds and WSR 1996

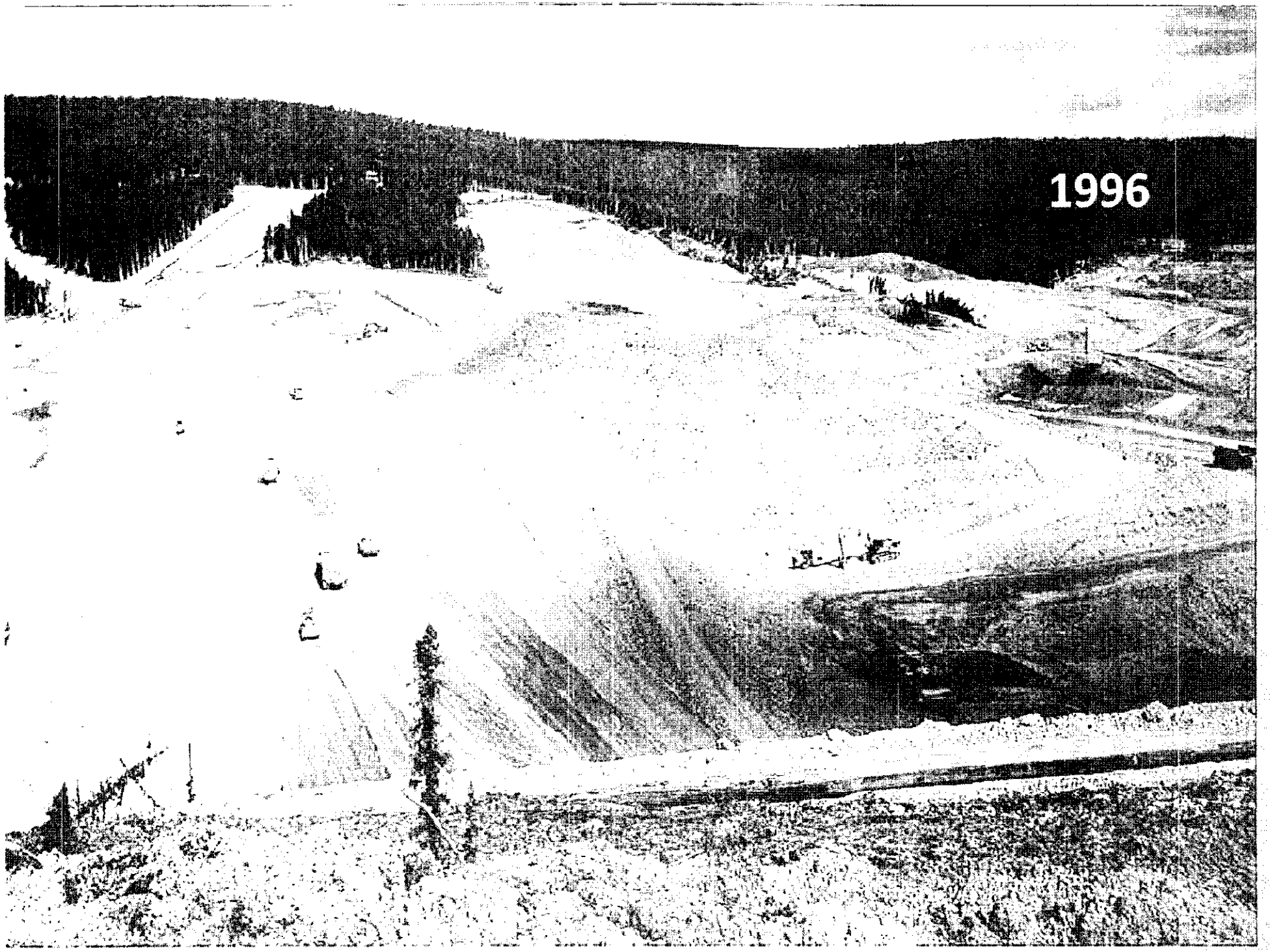
Additional Fish Passage Channel along Last Chance Creek

2004

2706

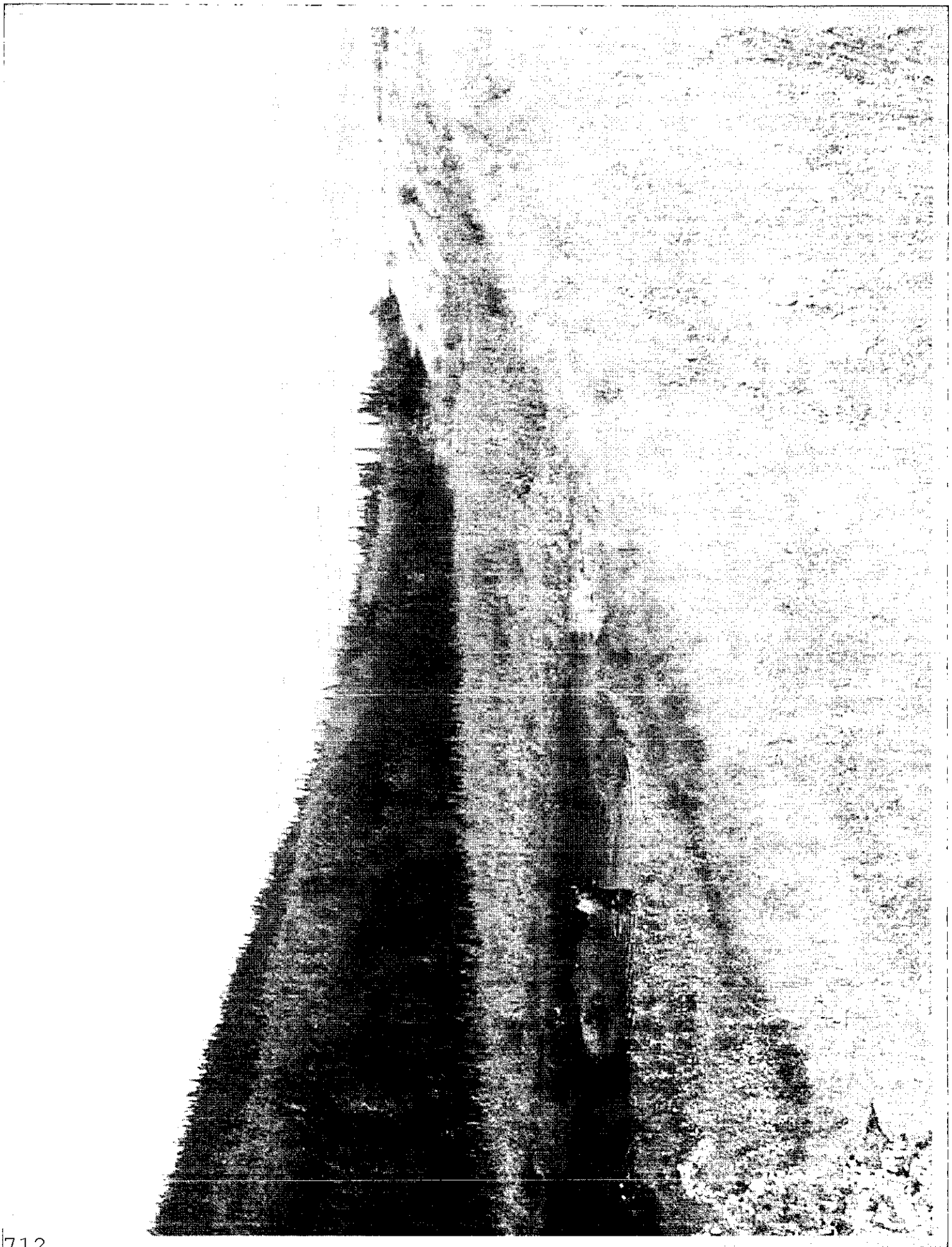
Stabilize and Reclaim Area Below Tailing Storage Facility (TSF)

- Immediate area below TSF seepage collection system
- Placer mining disturbance between TSF and WSR (developed riparian and wetlands complex)


1996

1997

1992

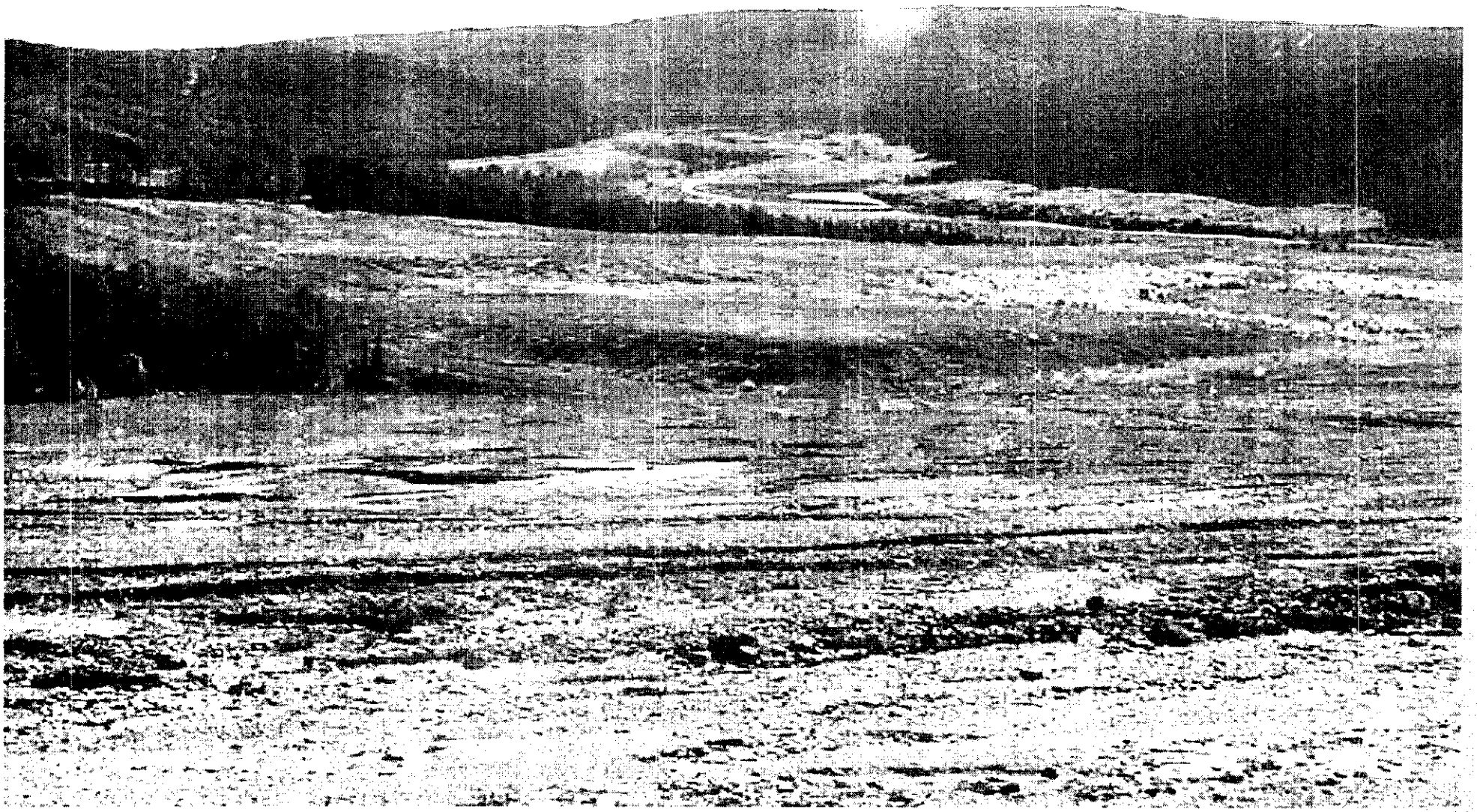


1997 - PLANTED ORTICA WETLANDS

2008

1997 CONCURRENT RECLAMTION

(Re-sloping and Re-vegetation)

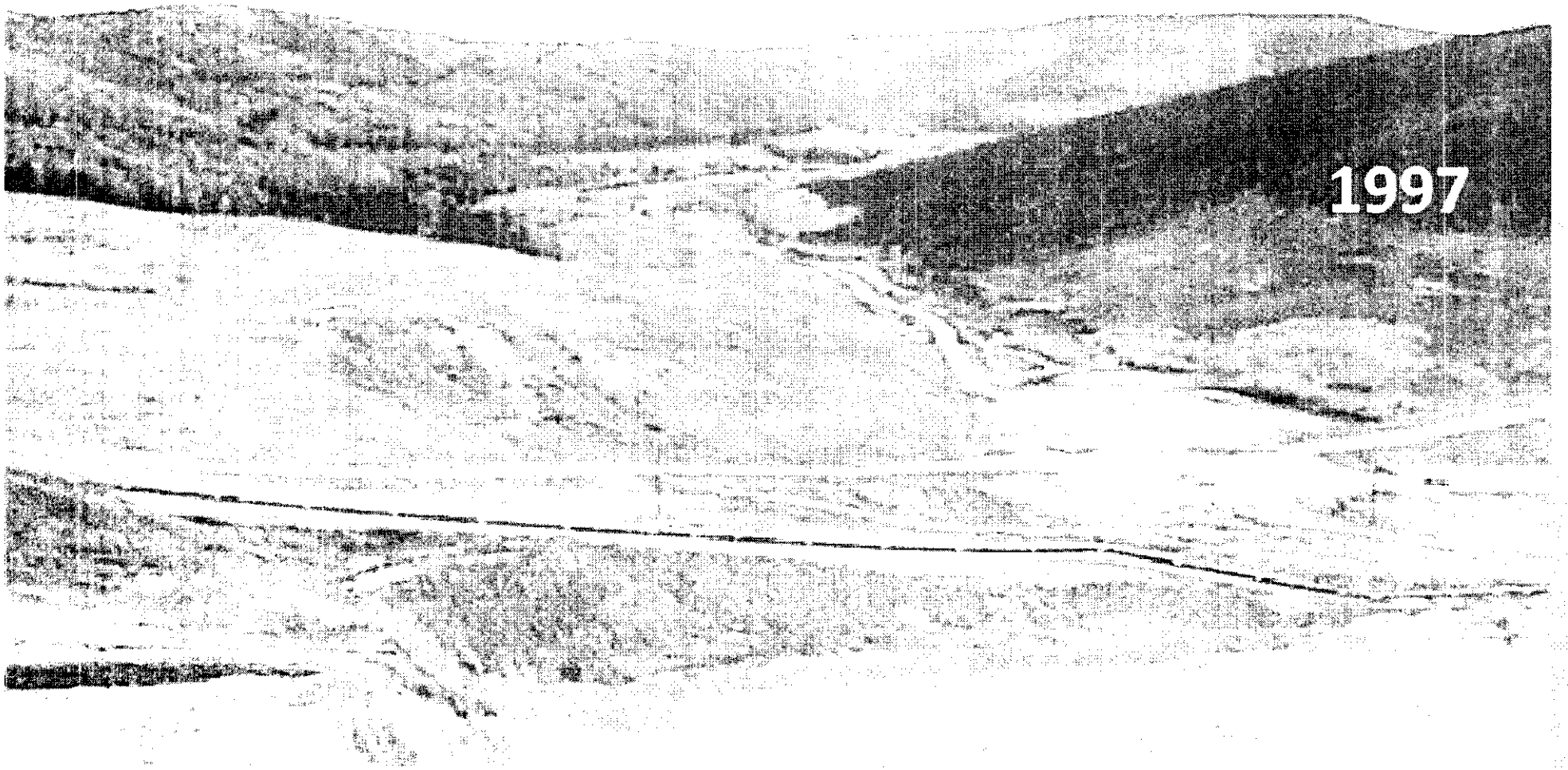


1997

1997

2009

2722


1997

2009

2726

Reclamation Seed Mixes Determined in Cooperation with ADNR's Plant Material Center and On-site Experience

Original Seed Mix 1994

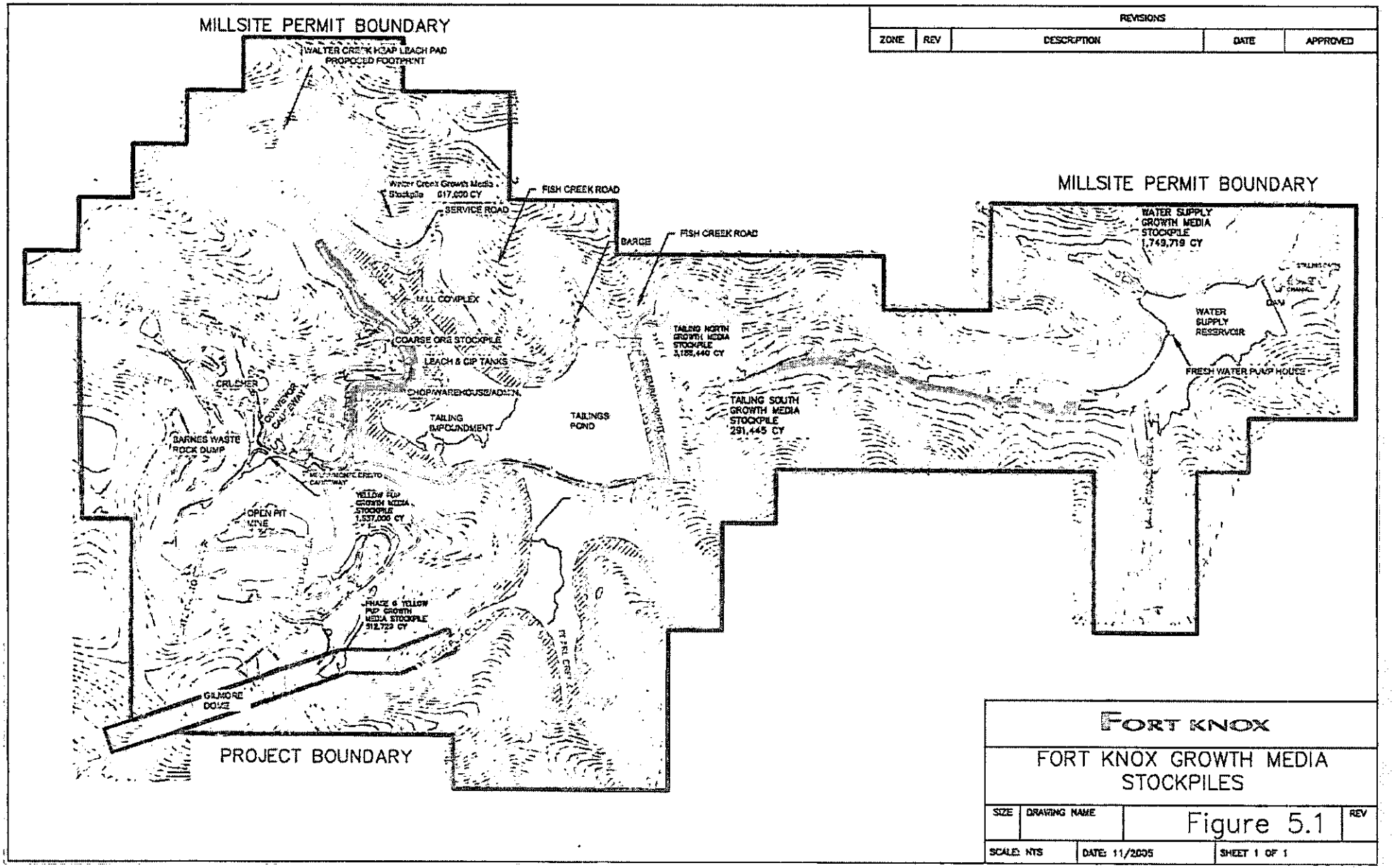
Gruening Alpine Bluegrass	40%
Arctared Red Fescue	30%
Tundra Glaucous Bluegrass	25%
Alyeska Polargrass	5%

Rate 22-33 pounds of pure live seed per acre

Revised Seed Mix 2008

Arctared Red Fescue	50%
Gruening Alpine Bluegrass	20%
Tundra Glaucous Bluegrass	20%
Nortran Tufted Hairgrass	10%

Rate 11-18 pounds of pure live seed per acre



REVISIONS				
ZONE	REV	DESCRIPTION	DATE	APPROVED

FORT KNOX

FORT KNOX GROWTH MEDIA STOCKPILES

SIZE	DRAWING NAME	Figure 5.1	REV
SCALE: NTS	DATE: 11/2005	SHEET 1 OF 1	

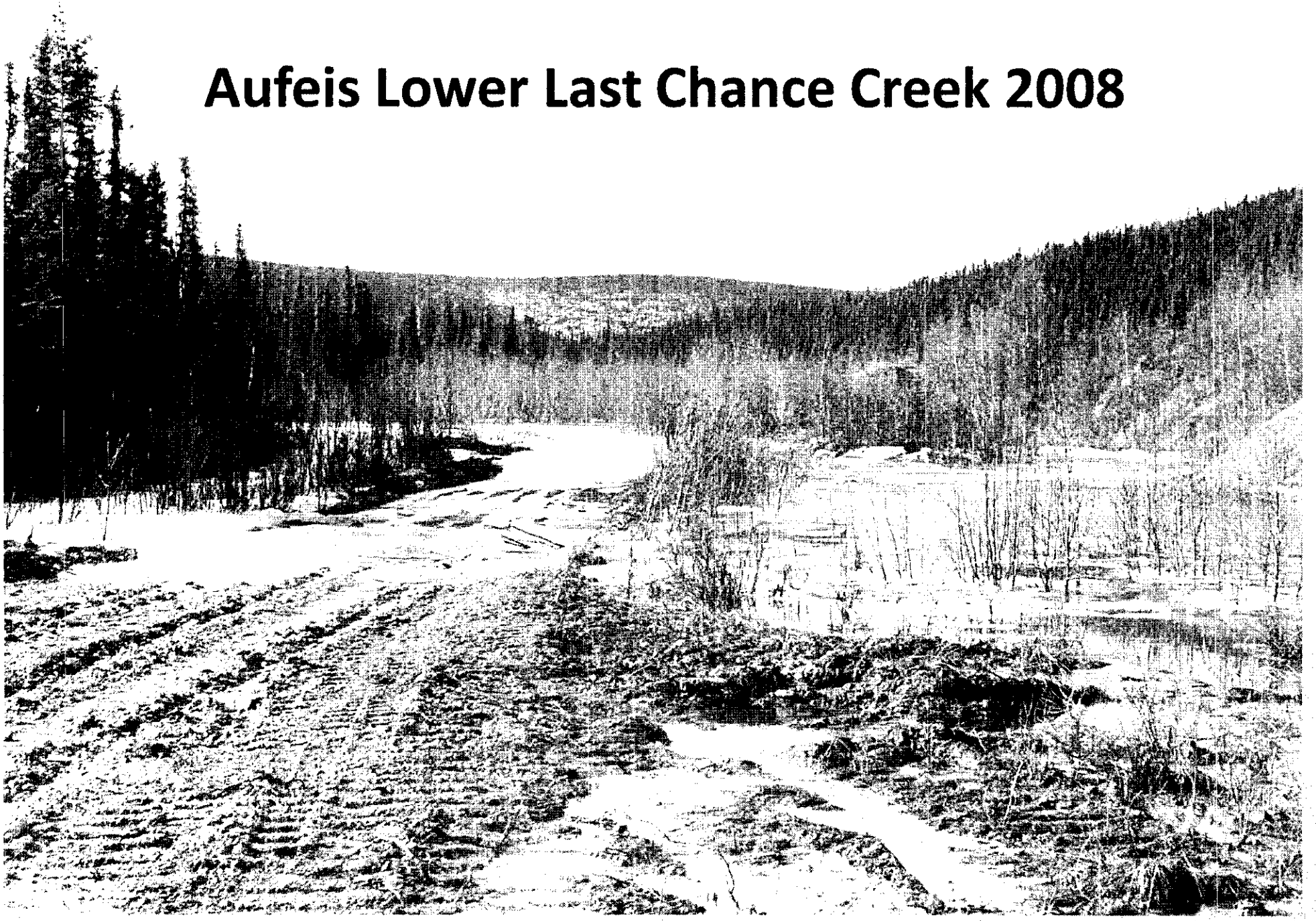
KINROSS

SRK Consulting (US) Inc.
Engineers and Scientists

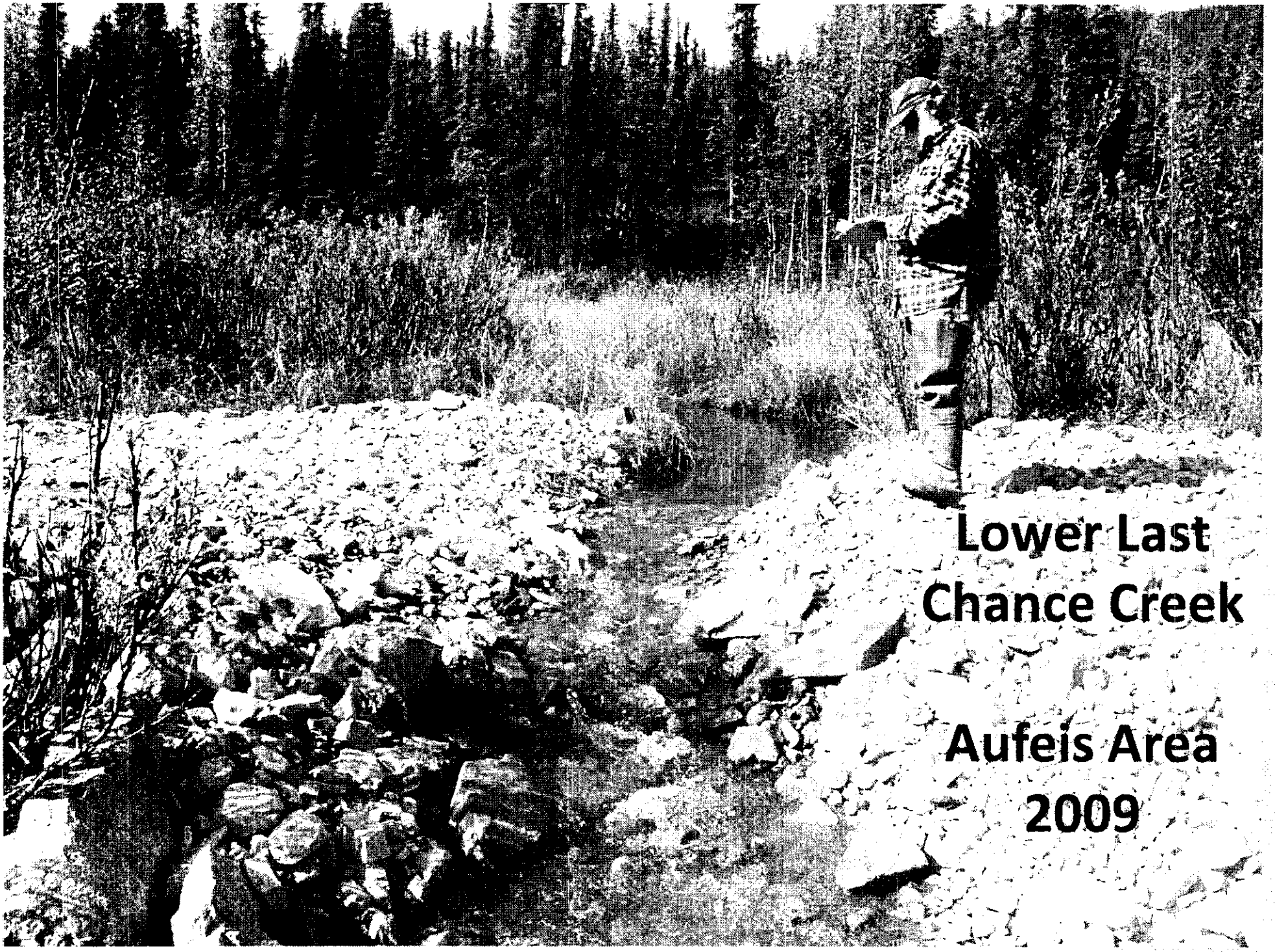
Established Brush Berms During Construction

Reclamation Along Main Access Road 1996

Aufeis Lower Last Chance Creek 2008



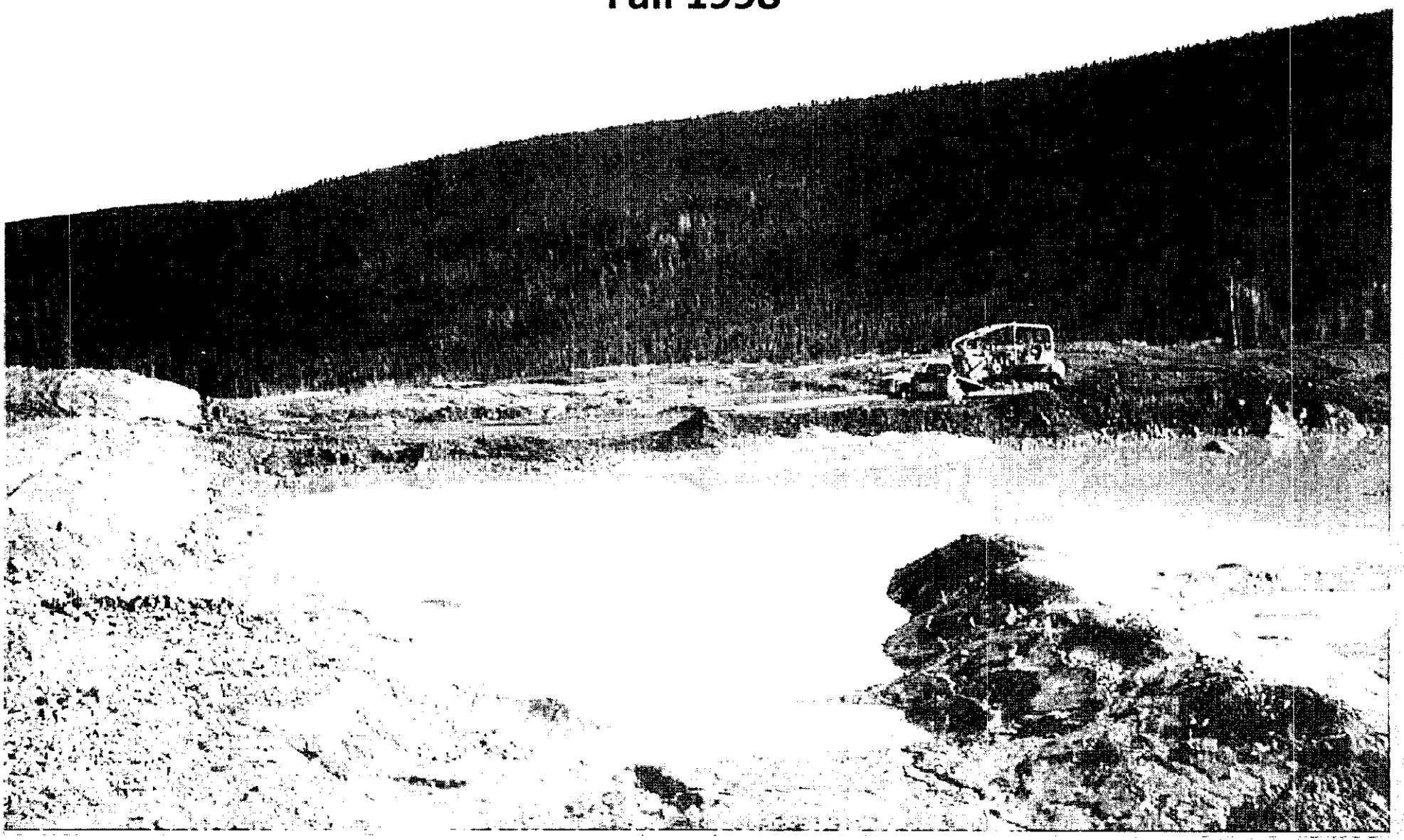
Overlook Creek



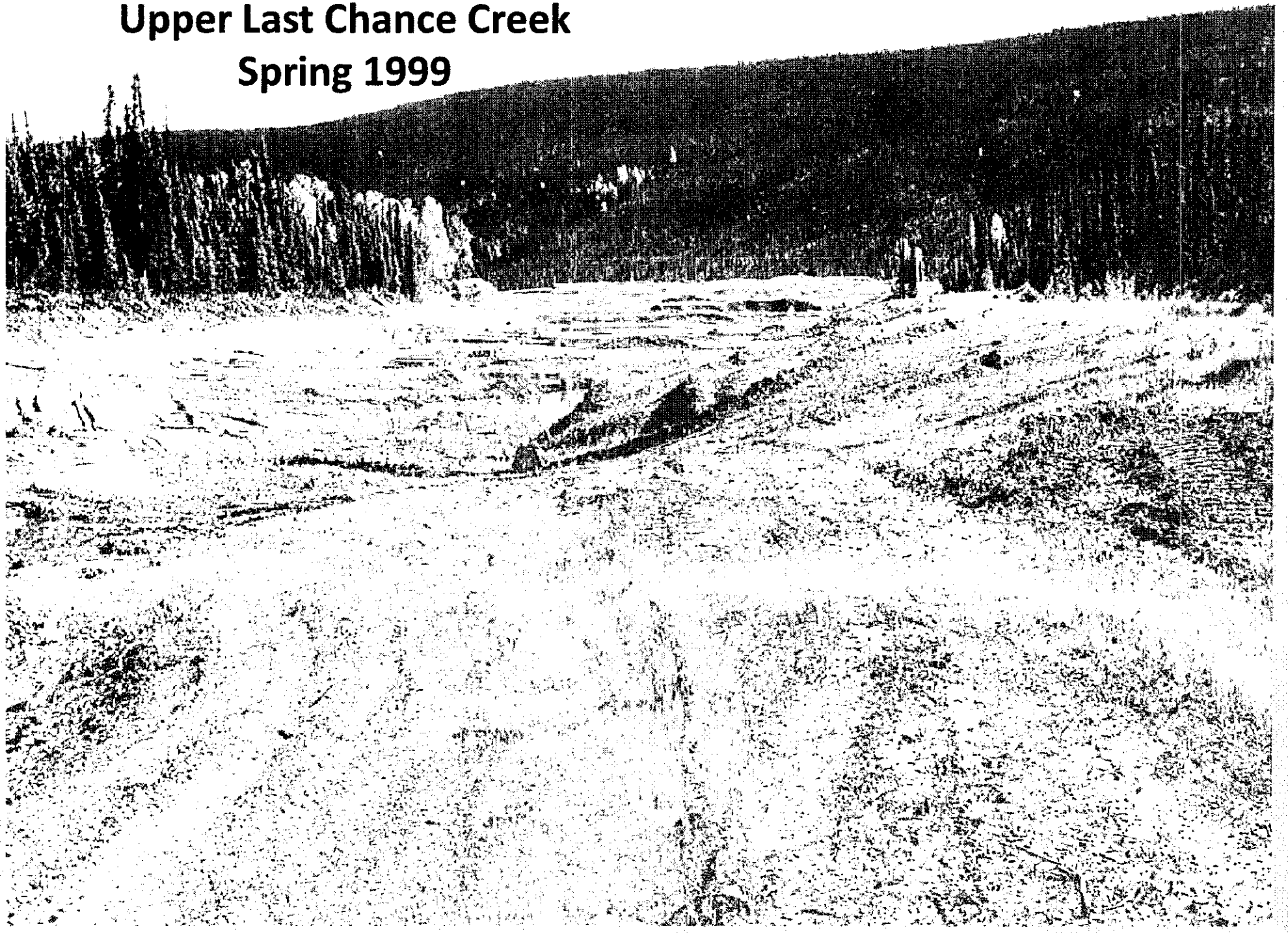
Lower Last Chance Creek

Aufeis Area 2009

Reclamation of Placer Operation on Upper Last Chance Creek
Fall 1998



Upper Last Chance Creek
Spring 1999



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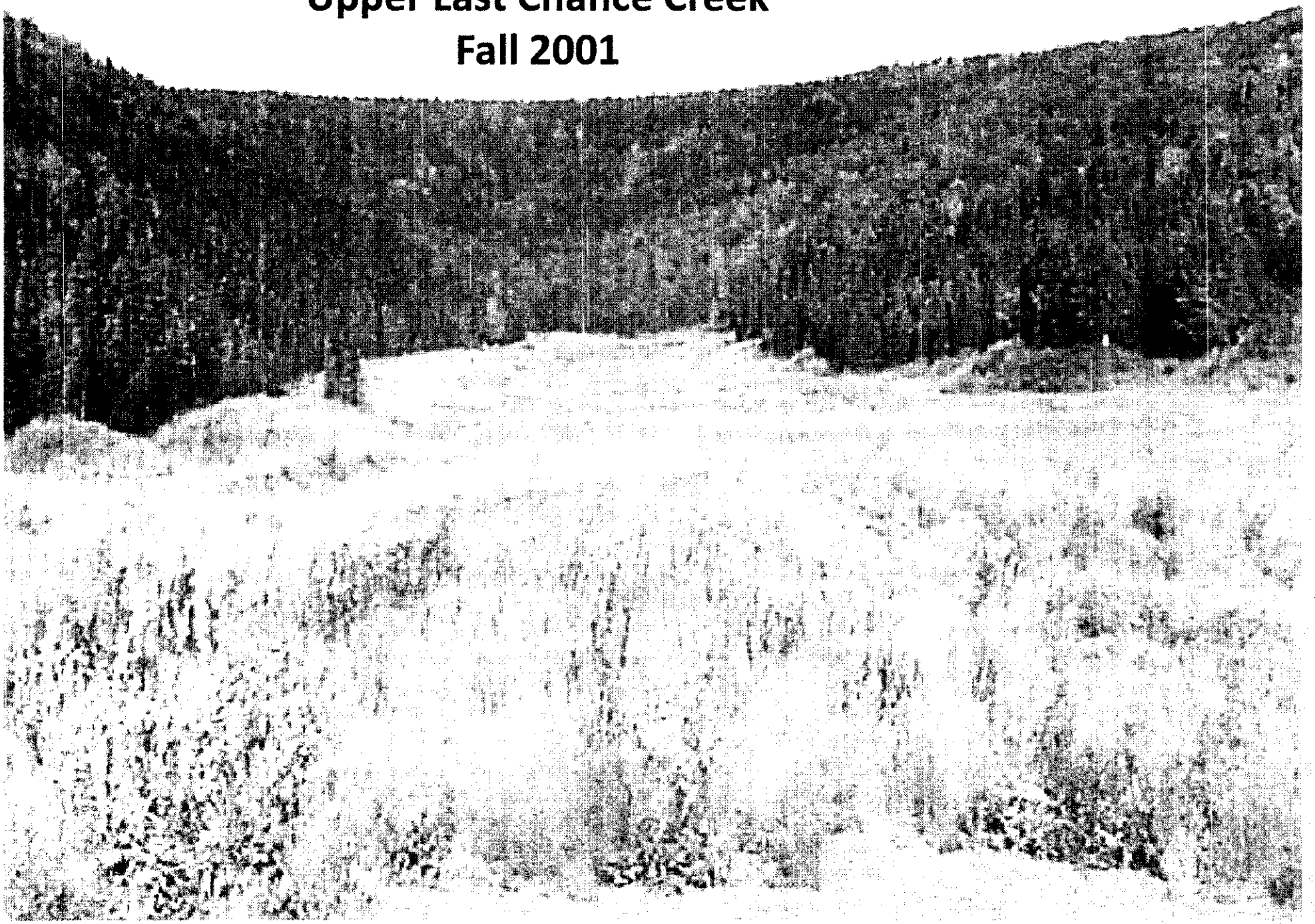
Upper Last Chance Creek
Fall 2001



Last Chance Creek
Fall 2001

Upper Last Chance Creek
Fall 2001

Looking West
Photographed In 1999
Looking West
Photographed In 1992

2/24/10 OVERVIEW: ALASKA MINING INDUSTRY ISSUES 2010

ALASKA MINERS ASSOCIATION, INC.

Issues of Concern for the Alaska Mining Industry for 2010

Actions needed by the Administration and/or the Legislature: January 2010

CRITICAL ITEMS: INFRASTRUCTURE - ENERGY - PERMITTING INTEGRITY - ESA

Infrastructure - Advocate for and fund infrastructure that will provide access to remote areas of Alaska so natural resource projects can be developed.

- Select a route from the Parks Hwy to Nome and commence development.
- Establish an effective construction standard for pioneer roads.
- Construct roads between communities.

Energy - Advocate and adopt a state energy plan and fund interties, pipelines, hydroelectric, etc. to provide energy for resource development and communities.

- Ensure that Healy Plant #2 comes on line at the earliest possible date.
- Rationalize the management and control of the railbelt electrical intertie system.
- Fund and construct an intertie between the railbelt intertie and Bethel.
- Select, fund and design a major hydroelectric project in Southcentral Alaska.

Integrity of Permitting System - Ensure the integrity of the current, very rigorous, science-based state permitting process and fund it at a level that will ensure its integrity.

- Provide sufficient staff and funding for the minerals and permitting functions of the Departments of Natural Resources, Fish & Game and Environmental Conservation.
- Increase salary and benefits for state agency personnel involved in minerals permitting and management so they are competitive with the private sector.

Endangered Species Act/Essential Fish Habitat - Aggressively oppose ESA listings in the courts. Petition the federal government to develop ESA and EFH regulations that strictly follow the original intent of these laws.

PERMITTING PROCESS

Statewide Initiatives - Correct the ballot initiative process to ensure it is open, transparent, and holds proponents accountable.

Water Quality Standards - Continue to revise water quality standards to ensure standards are scientifically supportable and developed using Alaska-specific criteria. Ensure continued availability of mixing zones.

Non-Profit Foundation Money - Enact legislation to require public disclosure whenever funds from 501(c)(3) non-profit foundations are used to affect public policy; disclosure to include name of the source, amounts and purpose for which the moneys are given.

Financial Assurance - Ensure that financial assurance (bonding) requirements for environmental compliance are managed exclusively by the State.

FISCAL ISSUES

Taxation - Maintain an equitable and stable tax structure at state and local government levels to ensure Alaska industry remains competitive.

State Fiscal Policy - Adopt a long range fiscal plan.

Annual Airborne Geophysical Mapping Program - Increase funding for the extremely effective airborne geophysical mapping program; initiate statewide baseline water quality mapping.

Mineral Education & Training - Continue to support mining and geological engineering, geology, the Mining and Petroleum Training Service (MAPTS), and the Delta Mine Training Center (DMTC) at levels that will ensure a trained workforce; continue funding the State's share of Alaska Resources Education (formerly AMEREF).

LAND MANAGEMENT ISSUES

State Authorities - Ensure development of state-owned natural resources is not compromised by municipal or borough regulations or taxation.

Land Management Philosophy - Ensure that uses of land are not mutually exclusive - resource development and recreation; mining and fish; oil and caribou; resource development and subsistence.

Wetlands Mitigation & Banking - Ensure that mitigation or banking are not required so long as less than 1% of Alaska's wetlands are undisturbed. ANILCA guarantees most of Alaska wetlands will never be affected.

State Lands - Ensure no net loss of multiple use lands. *Oppose* additions to any state parks, refuges, critical habitat areas, marine restricted areas, or any other restricted-use areas, *unless* an equal acreage of other lands already having the same designation is released and the new area being designated is first evaluated for mineral potential.

Land Transfers - Prior to any state land transfers to boroughs, land disposals/sales, or leases not required for resource development, require a detailed mineral evaluation, to include airborne geophysical surveys, be completed to help ensure that mineralized lands or key access routes are not transferred.

Outdated Federal Withdrawals - Pursue removal of old federal land withdrawals (where purpose for withdrawal has expired) which are blocking land transfers to the State, such as PLO 5150, the outer pipeline corridor. Encourage BLM to remove such PLOs and open the lands through its land planning process.

New Federal Withdrawals - Oppose all new federal land withdrawals, roadless initiatives, marine restricted areas, Antiquities Act designations, BLM wilderness studies, etc. and fight vigorously against additional buffers or other restrictions to multiple use of federal lands in Alaska. The Alaska National Interest Lands Conservation Act (ANILCA) provides that "no more" federal land will be withdrawn for parks, preserves, monuments, wilderness designations, wild & scenic river designations, etc.

International Heritage & Biosphere Designations - Oppose establishment of international parks, biosphere reserves, and world heritage sites, such as the so-called Beringia (over the Seward Peninsula & Bering Sea), NPRA, or ANWR. International designations would - 1) surrender partial sovereignty to the United Nations, and 2) eliminate access across the affected lands and waters.

Federal Mining Law - Continue to oppose changes to federal law and regulations that would be adverse to Alaska miners.

ACCESS ISSUES

RS-2477 Rights-of-Way - Continue to systematically and aggressively pursue State rights to RS-2477 rights-of-way, both administratively and in the courts. Without RS-2477s much of Alaska public lands will never have overland access.

Navigability - Continue to systematically and aggressively pursue recognition of State ownership of and authority over all navigable waters granted under the Statehood Act.

OTHER ISSUES

NEPA - The Administration develop an MOU with the Corps of Engineers to ensure timely coordination of future Environmental Impact Statements.

Coal Development - Encourage utilization of coal liquefaction and gasification technologies for Alaska's vast coal resources.

Climate Change - Oppose all federal actions unless they are based on sound data and peer-reviewed science.

Jones Act - Because Jones Act vessels for bulk mineral shipments are not available, petition Congress to amend the Jones Act to allow use of non-Jones Act vessels for shipment of "non-petroleum bulk natural resources within or from Alaska or intra-Alaska shipments of petroleum".

For further information on the above issues or for information regarding exploration and mining in Alaska please contact:

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Teck

RED DOG MINE

NANA REGIONAL CORPORATION, INC.

Status of the permit appeal

On Dec. 15, 2009, the State of Alaska issued a certification of Red Dog's National Pollutant Discharge Elimination System (NPDES) Permit, the mine's water discharge permit. On Jan. 8, the EPA approved the SEIS for the Aqqaluk Deposit and simultaneously issued a renewal of the NPDES permit.

On Jan. 15, two non-profit law firms representing local tribal and environmental groups filed an appeal of the certification asserting that certain provisions do not comply with the Clean Water Act. This action was taken by the Anchorage-based Trustees for Alaska on behalf of the Native Village of Point Hope IRA Council, the Northern Alaska Environmental Center and the Alaska Community Action on Toxics. The San Francisco-based Center on Race, Poverty and the Environment (CRPE), a national environmental justice legal organization, took this action on behalf of the Native Village of Kivalina IRA Council and the following Kivalina residents: Enoch Adams, Jr., Leroy Adams, Andrew Koenig, Jerry Norton and Joseph Swan, Sr.

The appeal claims that several parts of the permit do not comply with the Clean Water Act, even though the State certified the permit was compliant. The specific issues being appealed are mixing zones, effluent limitations, anti-backsliding (changed limits), anti-degradation and the treatment technology (appeal asserts treatment should include an ocean discharge pipeline).

On Feb. 16, the same groups appealed EPA's issuance of the mine's renewed National Pollution Discharge Elimination System (NPDES) permit which was due to come into effect on March 1st. Until EPA issues a notice clarifying which provisions of the permit are subject to appeal and consequently stayed, the entire new permit is stayed. The notice is usually issued by EPA within 30 days of the appeal. The unstayed provisions would then come into effect 30 days after the notice. The corresponding provisions of Red Dog's existing permit would remain in effect for any stayed provisions.

Until EPA issues the notice, Teck will not know whether and to what extent access to Aqqaluk, the next deposit to be mined at Red Dog, will be affected by the appeal. The current operating plan calls for continuing to mine the Main Deposit under existing permits until mid 2011. However, in order to maintain efficient production rates, Main Deposit ore will eventually need to be supplemented with ore from Aqqaluk. If permit delays extend beyond May 2010, the transition plan will be affected and production at Red Dog would likely be curtailed in October, 2010. Production would not be expected to resume until the appeal is resolved and the mine can be restarted, which could take up 18 months unless the appeal is withdrawn.

Other State and local permits required for the development of Aqqaluk were received in December, 2009. The appeal period for those permits has expired. A wetlands permit from the Army Corp of Engineers is the only outstanding agency authorization. This permit is undergoing final agency review. There is no specific period established for an appeal of this permit. An appeal of the Supplemental Environmental Impact Statement (SEIS) or wetlands permit could also delay access to the Aqqaluk deposit.

Teck

RED DOG MINE

NANA REGIONAL CORPORATION, INC.

Permit delays could halt Red Dog production

A key water discharge permit being sought by the Red Dog Mine has been appealed. If permit delays extend beyond May of 2010, production at Red Dog would likely be curtailed in October, 2010.

Permit timeline and status

2009

Dec. 2	State of Alaska approves Reclamation and Closure Plan and Waste Management Permit to authorize Aqqaluk extension
Dec. 10	Northwest Arctic Borough approves Aqqaluk extension
Dec. 15	State of Alaska issues 401 certifications of NPDES and 404 permits

2010

Jan. 8	EPA approves SEIS and issues Record of Decision and NPDES permit
Jan. 14	Kivalina and Point Hope IRA Councils appeal State 401 certification of NPDES permit
Jan. 30	Teck places $305M letter of credit as financial assurance for reclamation
Feb. 16	Kivalina and Point Hope IRA Councils appeal NPDES permit
October	Production would likely be curtailed as Main Deposit nears completion

What is at stake?

Red Dog is the economic engine for the Northwest Arctic Borough. The mine currently provides 525 good jobs in rural Alaska, 304 of which are held by NANA shareholders. Wages for 2009 topped $50 million. These year-round jobs provide critical support for families and economic stability for entire communities.

As the landowner, NANA Regional Corporation receives 25 percent of the net revenue from Red Dog. Since 2006, this has amounted to $428M. Through the revenue sharing requirements of the 7(i) provision of the Alaska Native Claims Settlement Act, NANA shares 62 percent of the revenue with other Native corporations throughout Alaska.

Red Dog is the sole private taxpayer in the Northwest Arctic Borough. Since 2006, Red Dog has paid $34M to the borough. These payments help support schools in the region as well as approximately 60 percent of the monies needed to fund other essential local government services. In addition, since 2006 Red Dog has paid $250M in state taxes, and last year alone, payments to Alaska vendors totaled $217 million.

Twenty years of data documented by the U.S. Environmental Protection Agency (EPA) in the Supplemental Environmental Impact Statement (SEIS) show ***the ecosystem downstream from the mine is healthy and productive. A permit appeal will NOT benefit the environment at Red Dog.*** An appeal does not change the fact that snowmelt and precipitation will continue to fall on-site and must be responsibly treated and discharged in order to manage water levels in the tailings pond.

There is no appeal that justifies placing the livelihood of hundreds of families at risk.

January 2010

The Economic Benefits of Alaska's

Mining Industry

Mining is an important part of Alaska's economy . . . providing jobs for thousands of Alaskans and millions of dollars of personal income throughout Alaska. Alaska's mining industry includes exploration, mine development, and mineral production. Alaska's mines produce zinc, lead, gold, silver, coal, as well as construction materials, such as sand, gravel, and rock.

In 2009, Alaska's mining industry provided:

- **3,300 direct** mining **jobs** in Alaska.
- **5,200 total** direct and indirect **jobs** attributed to Alaska mining industry.
- **$320 million** in total direct and indirect **payroll**.
- Some of Alaska's highest paying jobs with an estimated **average annual wage of $83,000**, 85% higher than the state average for all sectors of the economy, second after oil and gas sector wages.
- **$12.3 million** in **local government revenue** through property taxes and payments in lieu of taxes.
- **$35 million** in **state government revenue** through rents, royalties, fees, and taxes.
- **$39.8 million** in payments to **Alaska Native corporations** (FY09).
- **Jobs for residents** of more than **120 communities** throughout Alaska–mostly year-round, and often in rural areas, where few other jobs are available.

LARGEST PRODUCING MINES
State and Local Government Tax Obligations

	Land Status	State Royalty Payments	Mining License Tax	Local Govt Payments
Usibelli Coal	State	√	√	√
Greens Creek	Private		√	√
Red Dog	Private		√	√
Fort Knox	State/Mental Health Trust	√	√	√
Pogo	State	√	√	
Kensington	Private/State Federal	√	√	√

2009 Economic Benefits
estimated

Exploration

- **$160 million** spent on exploration, down 54% from 2008.
- **39 exploration projects** spending more than $100,000, of which 17 exploration projects spent more than $1 million.
- **$2 billion** spent on exploration since 1981.

Development

- **$262 million** spent on **mine construction,** down 34% from 2008, on at least 6 developing and existing mines.

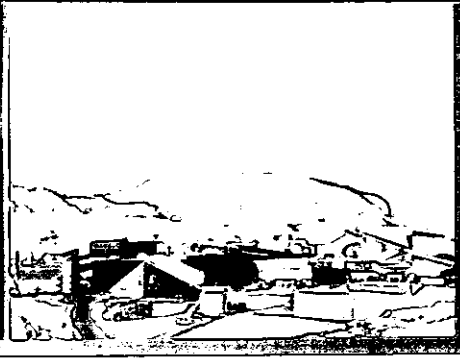
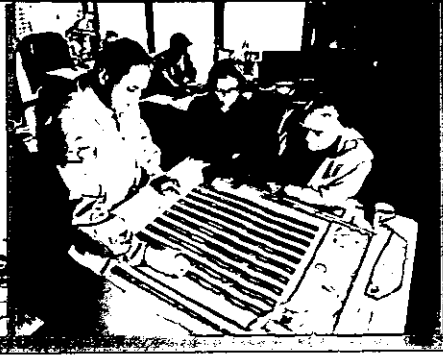
Production

- **$2.4 billion** in **gross mineral production value** from Red Dog, Greens Creek, Fort Knox, Pogo, and Usibelli Coal mines, placer mines, and rock, sand, and gravel operations, down 2% from 2008.
- More than **175 placer mines** produced **54,000 ounces** of gold.
- **$106 million in production value** from more than 120 active rock quarries, and sand and gravel operations.

Exports

- **$750 million in mining exports,** or 21% of Alaska's total exports.

2746

Mining Activ

Usibelli Coal Mine
Coal
- Alaska's only operating coal mine, exporting 40% of its production in 2009
- Fuels 40% of Interior Alaska's electricity
- Producing an all-time high of 1.8 million tons in 2009
- Founded in 1943
- 125 employees in 2009

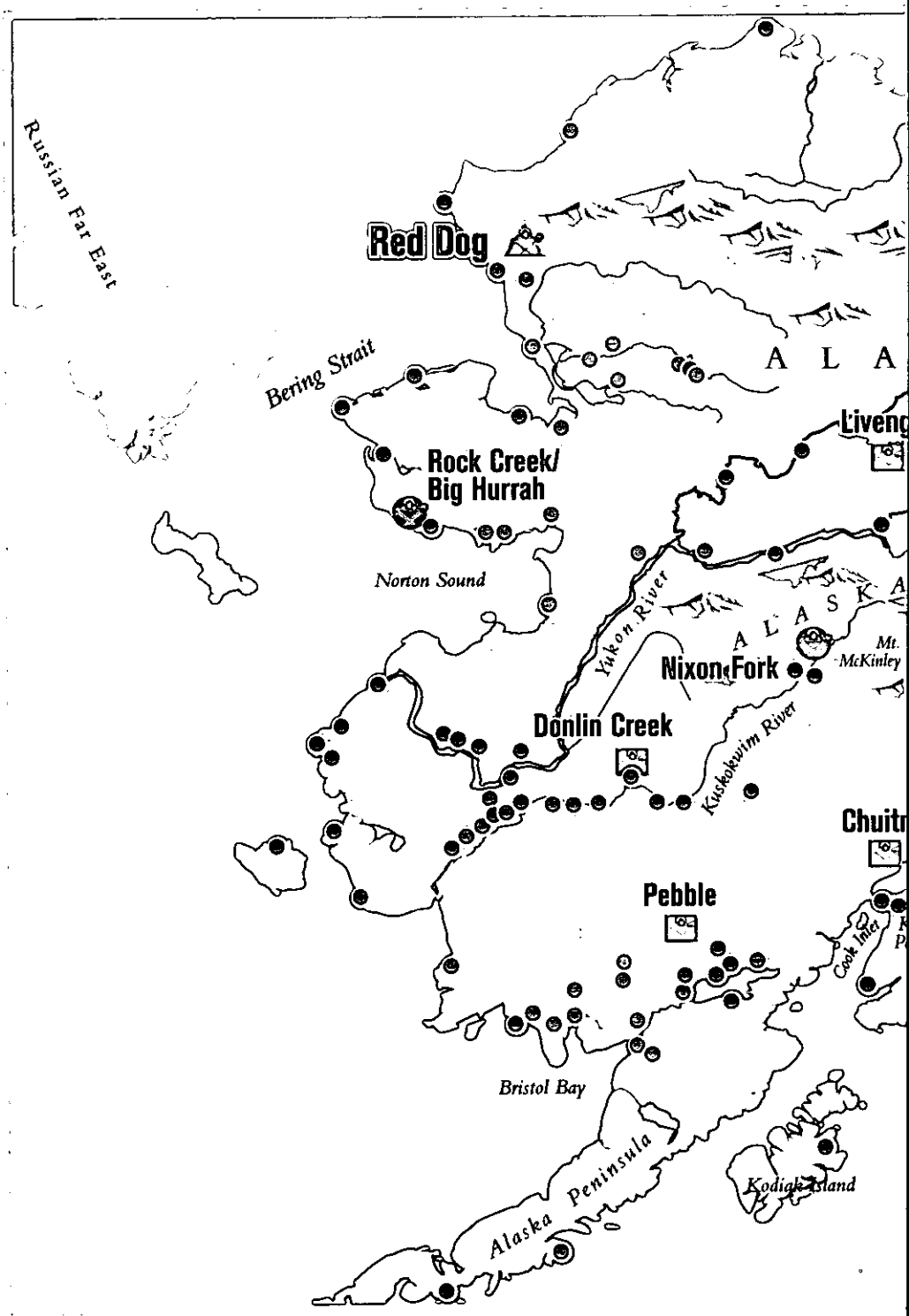
Greens Creek Mine
Silver, zinc, gold, and lead
- Largest silver producer in the US
- Largest Southeast Alaska for-profit employer, in terms of payroll
- Largest taxpayer in the City & Borough of Juneau
- Discovered in 1975, producing from 1989 to 1993, and since 1996
- 330 employees, plus 12 full-time contractors in 2009

Red Dog Mine
Zinc, lead, and silver
- One of the world's largest zinc concentrate producers
- Only taxpayer in the Northwest Arctic Borough
- Discovered in 1968, producing since 1989
- 390 employees, plus 95 full-time contractors in 2009

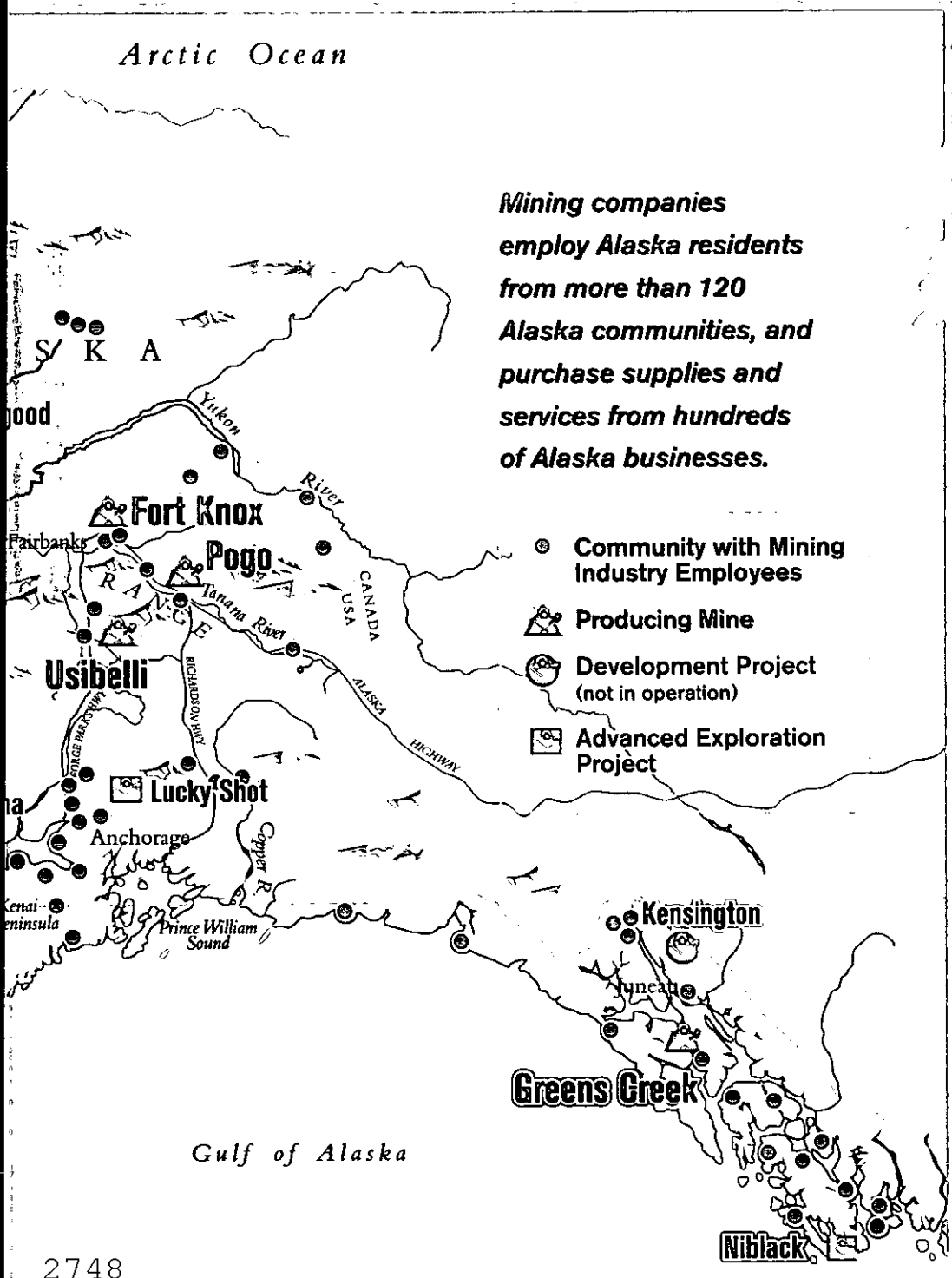
Fort Knox Mine
Gold
- More than 4.5 million ounces produced
- Largest single property taxpayer in the Fairbanks North Star Borough
- Discovered in 1984, producing since 1996
- 500 employees, plus 350 contractors in 2009

Pogo Mine
Gold
- Discovered in 1994, producing since 2006
- Reached a production milestone of a million ounces of gold in 2009
- 297 full-time employees and 97 full-time contractors in 2009
- Paid over $29 million in wages in 2009

Kensington
Gold
- 2010 expected production start date
- More than $330 million invested through 2009
- 200 expected production jobs



vity in Alaska



Rock Creek/Big Hurrah
Gold
- Started and suspended production in 2008
- $250 million invested through 2009
- 135 potential production jobs

Nixon Fork
Gold and copper
- Discovered in 1917, intermittent exploration and production since 1920s
- Production suspended in 2007 for additional drilling
- 75 potential production jobs

Chuitna
Coal
- Currently in advanced permitting stage
- 300-350 expected production jobs

Lucky Shot
Gold and copper
- Underground bulk sample planned for early 2010
- $20 million invested through 2009
- 40-50 potential production jobs

Donlin Creek
Gold
- Discovered in 1988, continued exploration since 1995
- 28 exploration jobs in 2009
- 93% Calista shareholder hire
- 600 expected production jobs

Livengood
Gold
- Discovered in 2007
- $35 million invested through 2009
- 450-500 potential production jobs

Pebble
Copper, gold, and molybdenum
- Discovered in 1987, ongoing exploration and environmental studies since 2002
- Over $400 million invested through 2009
- Over 1,000 potential production jobs

Niblack
Gold, silver, copper, and zinc
- Ongoing exploration for more than 10 years
- $38 million invested through 2009

Alaska Miners Association, Inc. • 3305 Arctic Blvd., #105 • Anchorage, Alaska 99503
TEL: 907.563.9229 • FAX: 907.563.9225
www.alaskaminers.org

Strengthening Government and Communities

In 2009, Alaska's mining industry paid:

An estimated total of **$12.3 million** to local governments, including:

- **$7.8 million in payment in lieu of taxes** (PILT) by Red Dog to the Northwest Arctic Borough, representing 100% of the Borough's tax revenue.
- **$2.8 million in property taxes** paid by Fort Knox to the Fairbanks North Star Borough.
- **$1.4 million in property taxes** paid by Greens Creek to the City & Borough of Juneau.
- **$325,550 in property taxes** paid by Kensington to the City & Borough of Juneau. Once in production, the mine will be the largest taxpayer in Juneau.
- **Tax payments to other local governments**, including Denali Borough, City of Nome and others.
- Mining industry employees also pay local property and sales taxes.

An estimated **$35 million to state government** in royalties, rents, fees, and taxes, including:

- **$22 million** in **mining license taxes, rents** and **royalties**, and other fees, payments, and taxes.
- **$13 million in corporate income tax**, making the mining sector Alaska's fifth highest corporate income tax payer after the petroleum, tourism, oil and gas services, and finance sectors.

Over **$48.9 million** in other **state government-related revenues**, including:

- **$22.6 million to the Alaska Railroad Corporation** – $16.2 million for moving coal and $6.4 million for moving sand and gravel.
- **$25.1 million to Alaska Industrial Development & Export Authority** for the use of state-owned facilities.
- **$1.2 million to the Alaska Mental Health Trust** for rents and royalty payments, and construction material sales.

Partnering with Alaska Native Corporations

All Alaska Native corporations benefit from mining industry activity – in 7(i) and (j) **royalty sharing payments**, in **jobs** for shareholders, or **through business partnerships.**

- **$38.8 million in royalties** paid by Red Dog to NANA; of which $23.0 million was redistributed to other Alaska Native regional and village corporations.
- **56%** of the **485 year-round jobs** at Red Dog are filled by **NANA shareholders**, including Teck, NANA Lynden and NANA Management Services jobs.
- Calista Corporation anticipates **$980,000 in royalties for mineral agreements**, including lode exploration, placer gold production, and construction material sales.
- **93%** of the 28 jobs at Donlin Creek filled by **Calista shareholders.**

Projects with near-term potential will directly benefit Bering Straits Native Corporation and Sitnasuak Native Corporation (Rock Creek), as well as Goldbelt, Inc., Klukwan, Inc., and Kake Tribal Corporation (Kensington).

Special thanks to Rich Hughes, Minerals Development Specialist, Alaska Department of Commerce, Community and Economic Development, and Dave Szumigala, Senior Minerals Geologist, Alaska Department of Natural Resources for their assistance. Other sources used in this report include: State of Alaska Departments of Commerce, Community and Economic Development, Labor and Workforce Development, Natural Resources, and Revenue, Alaska Railroad Corporation, Alaska Industrial Development & Export Authority, various local and borough governments, and mining companies. Prepared by McDowell Group, Inc.

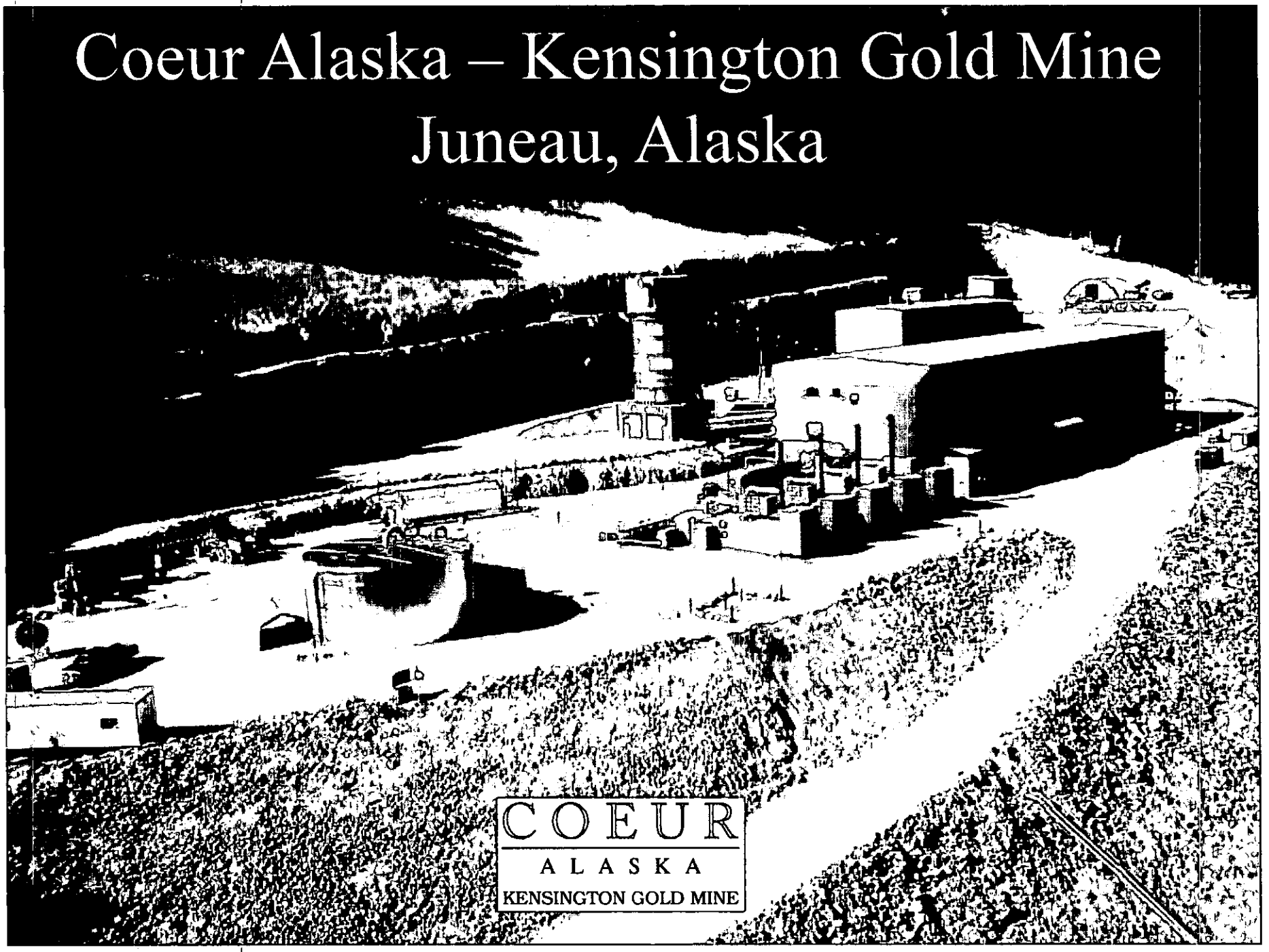
Recent Mine Permitting Experiences in Alaska

February 24, 2010

Joint House & Senate Resources Committees

cap
Council of
Alaska Producers

Coeur Alaska – Kensington Gold Mine
Juneau, Alaska



PERMITTING TIMELINE

- 1992 to 1998 – Project permitted for a 4,000 TPD operation and tailings facility
- 1998 to 2001 – Permitting process for a 4,000 TPD operation with dry stack tailings facility
- 2001 to 2009– Amended Plan of Operations submitted for a 1,250 TPD operation at Jualin with subaqueous tailings disposal

1ST PERMITTING PHASE (1992-1998)

- EIS and favorable Record of Decision in 1992
- Environmental groups appeal EIS findings and lose
- Corps willing to issue 404 for tailings dam & wetlands
- EPA-required Technical Assistance Report issued 1995, required changes to permit
- Permits finally received in 1998
- Declining gold prices and higher operating costs due to revisions keep project on hold

2ND PERMITTING PHASE (1998-2001)

- Coeur needed to improve economics of project
- Proposed submarine tailings disposal
- Entered into MOU with agencies for setting timelines for Permitting
- EPA would not approve tailings plan
- NO PERMIT ISSUED

3RD PERMITTING PHASE (2001-2009)

- Scaled down mine plan, project economics
- Moved proposed operations from Comet to Jualin Valley
- Proposed use of Lower Slate Lake – filed Amended Plan of Operations in 2001
  - EPA takes approximately 18 months to review
  - EPA Water Administrator advises lake could be used ('02 Regas Memo)

EPA issues NPDES in 2005, COE issues 404 Permit in 2005

3RD PERMITTING PHASE (2001-2009)

- Conservation groups file lawsuit against COE and US Forest Service
- Injunction on tailings facility construction
- Eventually through appeals, case reaches US Supreme Court
- State of Alaska and Goldbelt intervene on behalf of Coeur Alaska
- June 22, 2009: US Supreme Court upholds COE 404 Permit and US Forest Service Plan of Operations as granted in 2005

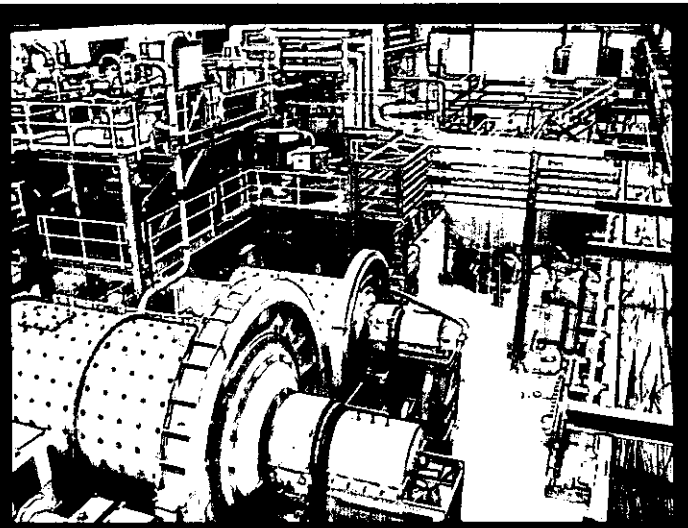
Coeur Alaska and supporters thank Juneau community, including too many businesses and individuals to name here, some of those instrumental in these efforts include:

The Governor's Office	Goldbelt	Southeast Conference
Alaska Congressional Delegation	Kake Tribal	JEDC
Alaska State Legislature	Klukwan	Juneau Chamber of Commerce
Alaska Dept. of Labor	Kootznoowoo	Haines Borough Chamber
CCTHITA	Huna Totem	Alaska State Chamber

THANK YOU for the many times you unanimously supported Kensington!

Underground BBQ to celebrate Safety Milestone of 1,000 Days without a Lost Time Accident – more than 429,150 manhours

Exploration program discovered a new high-grade vein system found between mill & Kensington ore body



Mill and crusher are complete and are being commissioned

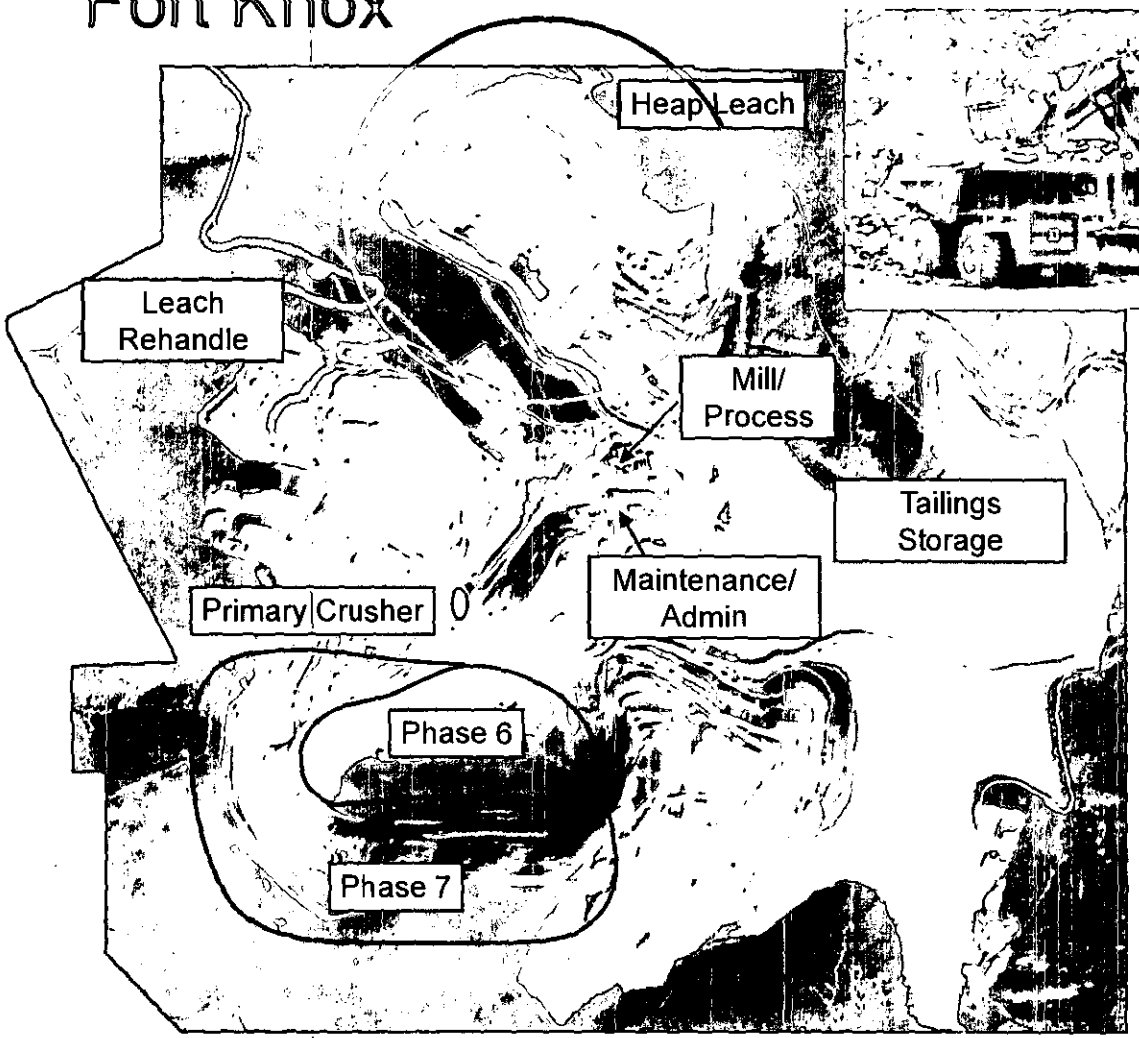
Construction camp is being installed

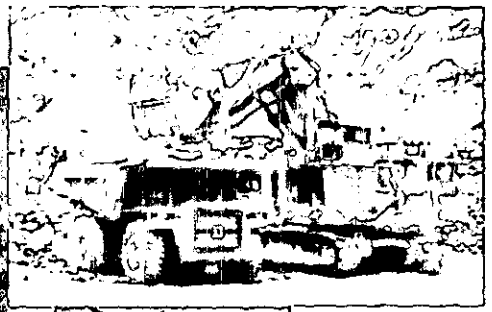
Tailings treatment facility near completion and tailings pipeline under construction

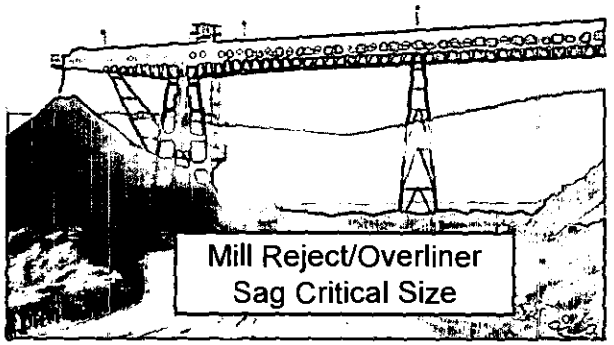
Fort Knox Mine
Walter Creek Heap Leach
Fairbanks, Alaska

KINROSS Fort Knox

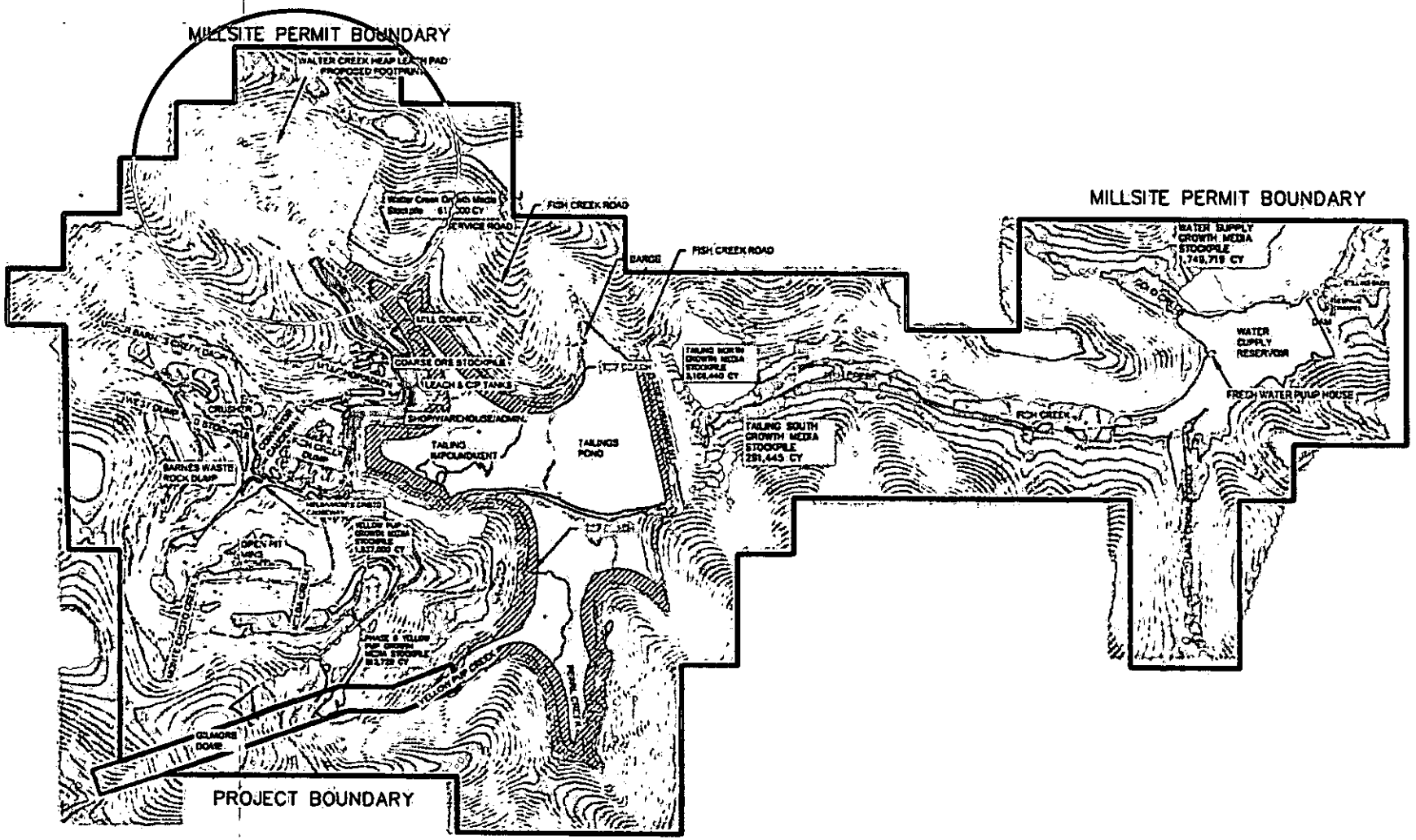
Fort Knox







KINROSS



KINROSS

Alaska Forum on the Environment
February 8, 2010

Timeline

- 1982 – Deposit discovered
- 1992 – Permitting process began
- 1994 – Mine permits issued
- 1995 – Mine construction
- 1996 – First gold produced
- 1997 – Commercial production achieved
- 2006 – Heap leach permitting process began
- 2007 – Heap leach permits issued
- 2009 – Heap leach commissioned, first gold produced

People

- 500 full time jobs
- 300 contractors
- 3 years no lost time incidents
- 10% female and 90% male workforce

KINROSS

Business in Alaska

- $174 million annual operating budget
- Work with more than 500 Fairbanks businesses
- Work with more than 700 Alaska businesses
- $61 million on wages and benefits
- $31 million on electricity
  - 1¢ per kwh savings for <u>every</u> GVEA customer
- $23 million on fuel
- $2.8 million on property taxes

NORCON Inc., General Contractor

FRONTIER PLUMBING SUPPLY INC.

NC MACHINERY CAT

FAIRBANKS Urgent Care Center

LYNDEN TRANSPORT

GVEA

ACS Alaska Communications Systems

DENALI INDUSTRIAL SUPPLY, INC.

PETRO STAR INC.

Arctic Office Products

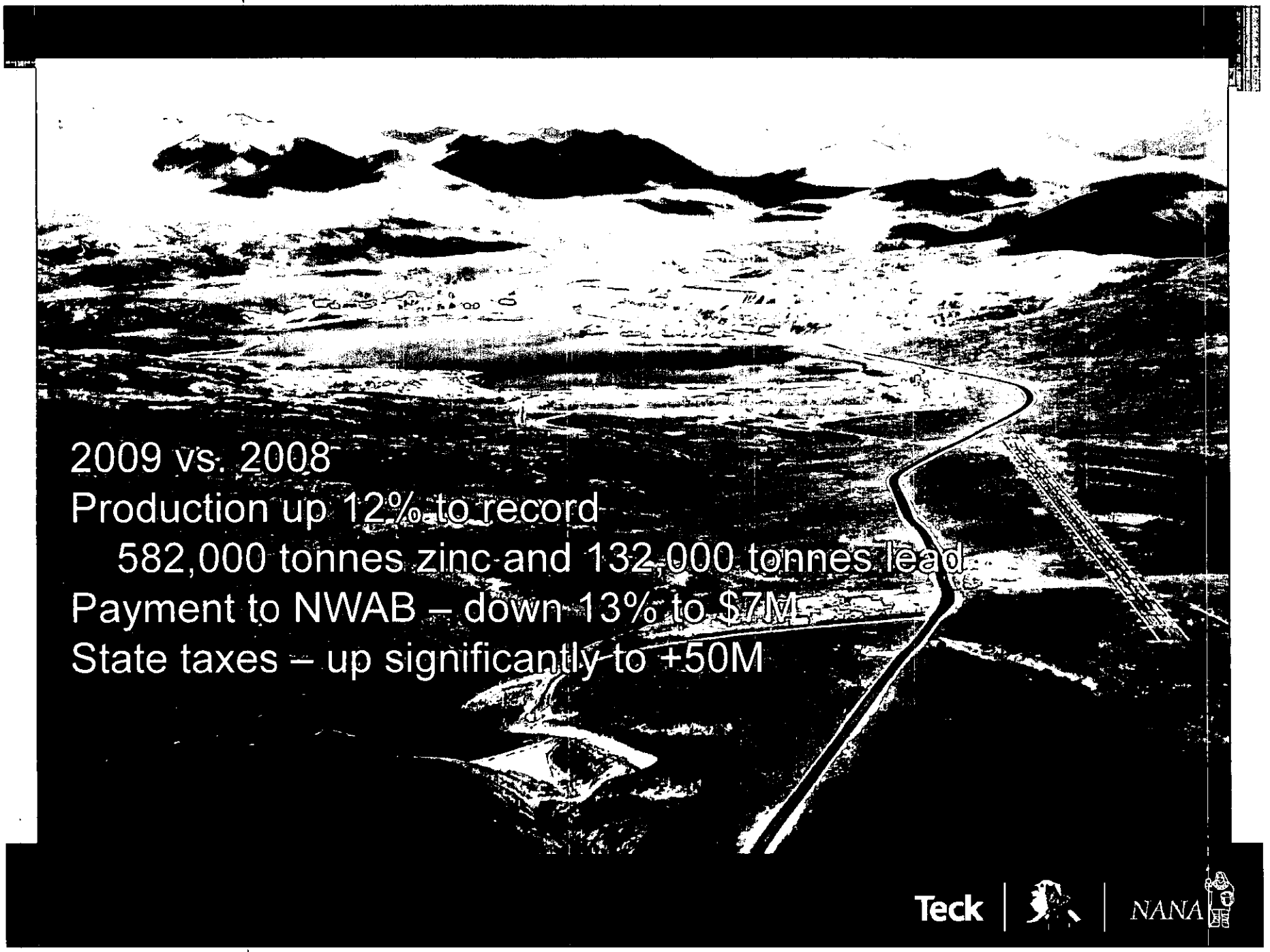
PERSONNEL PLUS

KINROSS

Red Dog Overview

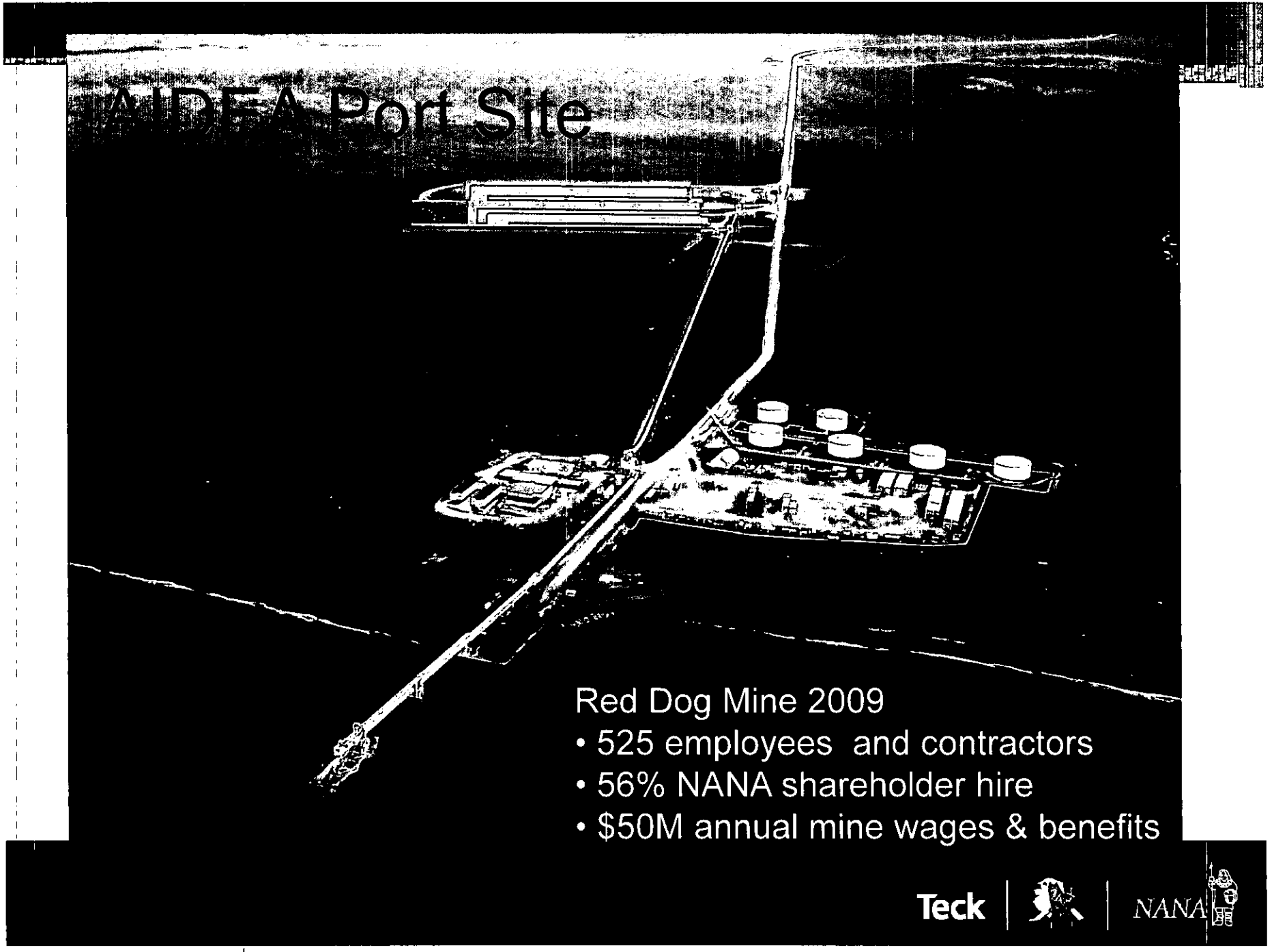
- One of the worlds largest producers of zinc concentrate
  - Important producer of lead concentrate
- NANA Regional Corporation
  - Landowner
- Teck Alaska Incorporated
  - Operator
- Production began November 1989
  - Known reserves sufficient for operation to 2031

Teck | NANA

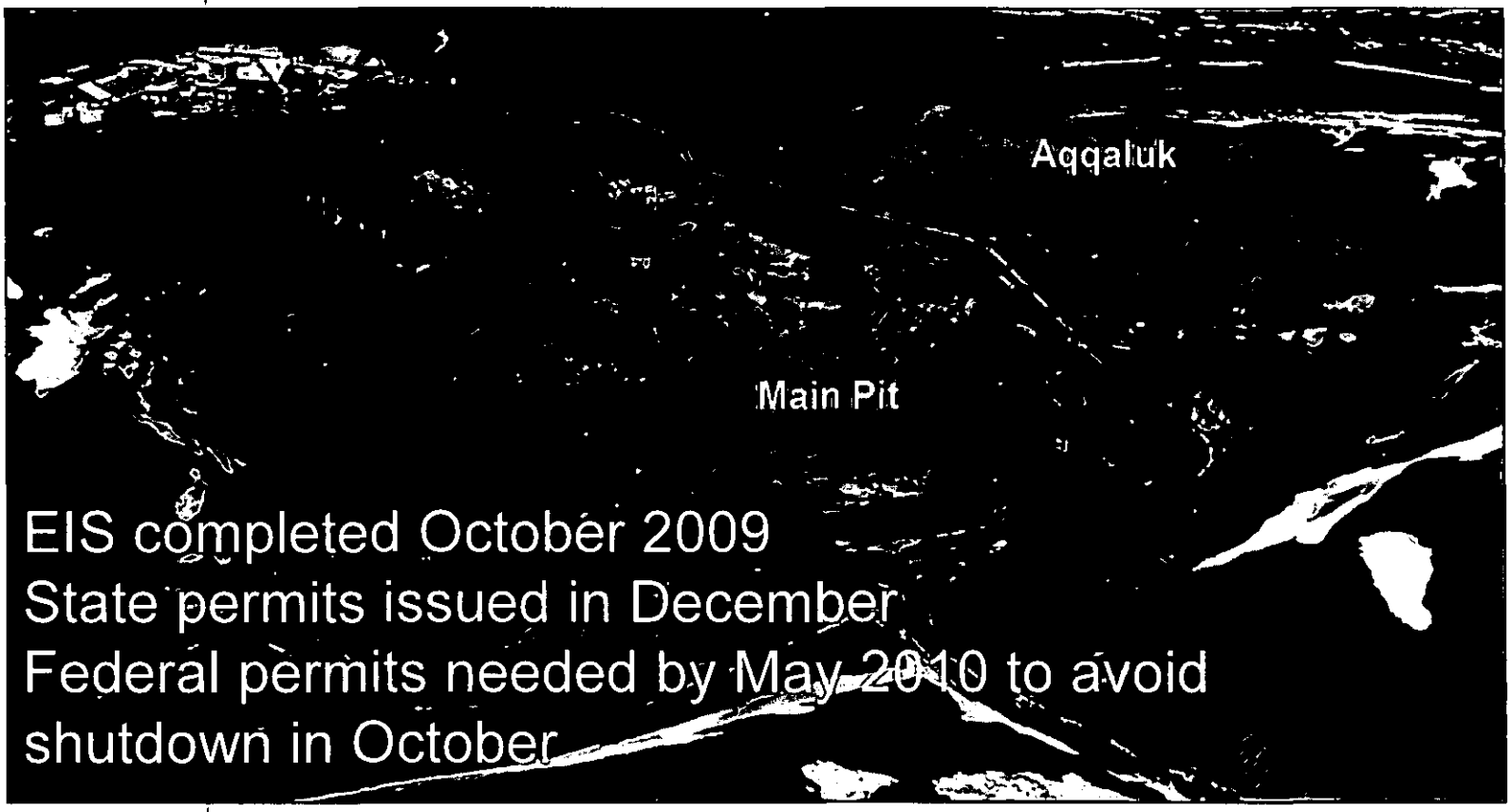

2009 vs. 2008
Production up 12% to record
582,000 tonnes zinc and 132,000 tonnes lead
Payment to NWAB – down 13% to $7M
State taxes – up significantly to +50M
Teck
NANA

Zinc and Lead price recovery

State taxes and NANA royalty have rebounded


AIDEA Port Site
Red Dog Mine 2009
• 525 employees and contractors
• 56% NANA shareholder hire
• $50M annual mine wages & benefits
Teck
NANA

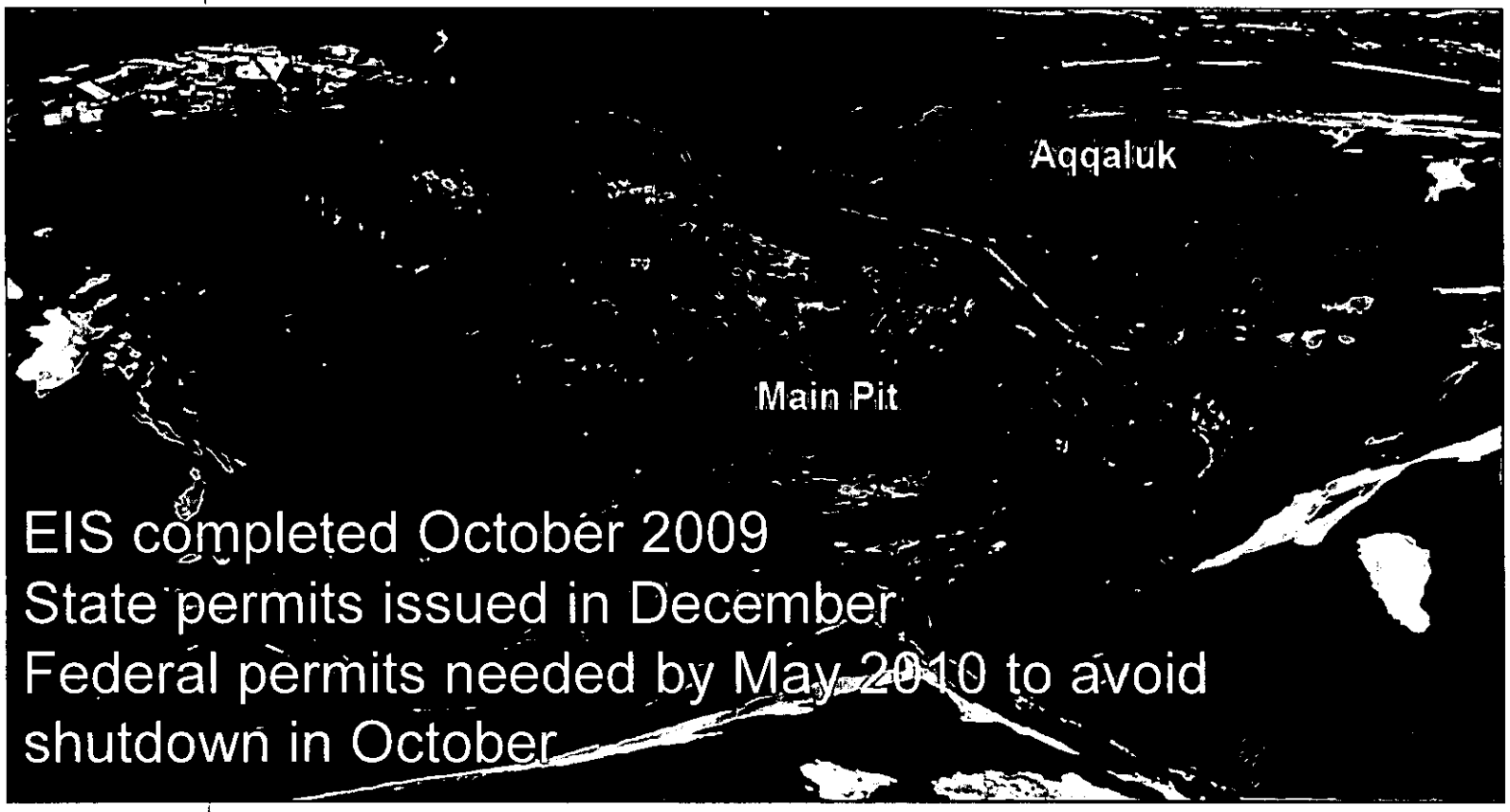
Red Dog Future - Aqqaluk Deposit



EIS completed October 2009
State permits issued in December
Federal permits needed by May 2010 to avoid shutdown in October

Teck | NANA

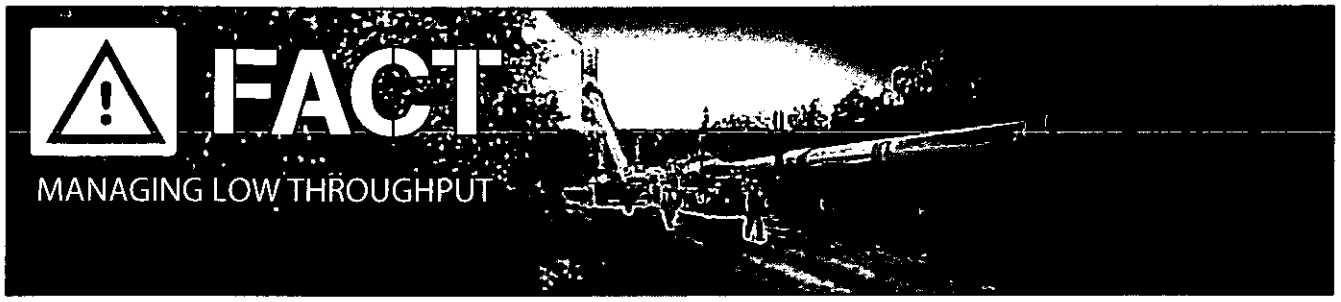
Red Dog Future - Aqqaluk Deposit



EIS completed October 2009
State permits issued in December
Federal permits needed by May 2010 to avoid shutdown in October

Teck | NANA

3/9/10 LUNCH & LEARN: DECLINING THROUGH-PUT ON TAPS

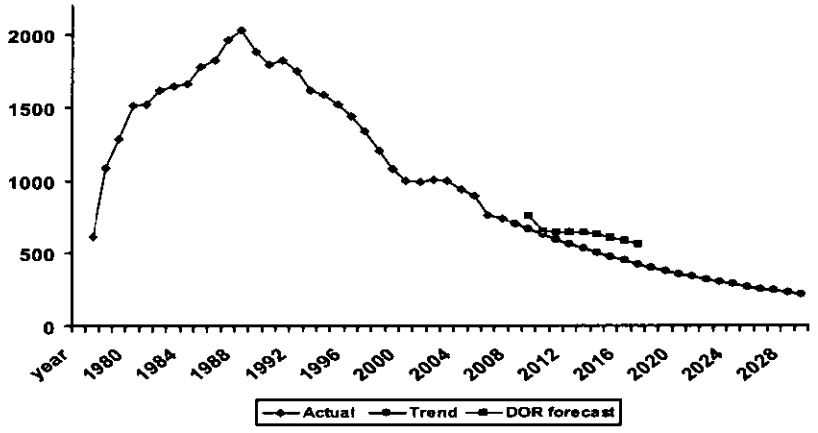


DATE 02/10

DECLINING THROUGHPUT ON TAPS

TAPS' throughput peaked in 1988 at 2.1 million barrels a day. Today, throughput is less than 700,000 barrels a day, declining about 5 percent a year. Lower throughput amounts to slower-moving oil that takes longer to get to the Valdez terminal, and is colder when it arrives. The colder, slower oil also has more water drop out and wax build up. This amounts to technical challenges and higher operating costs on TAPS. Alyeska is amid a $10 million low-flow study to determine the best future actions to keep TAPS viable for years to come. That way, TAPS can maintain its critical and iconic role in Alaska's economy.

This graph shows the predicted decline of oil without further development, according to TAPS and the Department of Revenue. TAPS could fall below 500,000 barrels a day by 2014.



FACTS ABOUT LOW FLOW

* Today, daily throughput is just under 700,000 barrels a day. Throughput is typically lower in summer months.

* The lower the throughput, the slower the oil moves. It once took oil four days to get to Valdez. Now it takes about 13.

* TAPS was designed for warm oil. Today, oil is 110 degrees entering the pipeline and around 40 degrees on reaching Valdez.

* The colder oil temperatures results in water separating and settling, leaving potential for ice formation.

* When throughput drops below 500,000 barrels a day -- potentially as early as 2014 -- oil temperature could fall below 32 degrees before reaching Valdez.

* These conditions are creating challenges today for those that operate and maintain TAPS.

PREPARING FOR AND UNDERSTANDING LOW FLOW ON TAPS

COOPERATION: Alyeska leadership is collaborating with the TAPS owners to determine the best steps to keep the pipeline viable in the future.

RESEARCH: An ongoing low flow study is analyzing implications of lower throughput, and determining potential steps for the future.

MAINTENANCE: As throughput decreases and oil cools more rapidly in transit to Valdez, there is potential for more wax to deposit on the pipeline's interior walls. Alyeska runs cleaning pigs every 10-14 days. Alyeska also continues to use smart pig technology to monitor and maintain integrity. In summer 2009, crews installed an instrument pig launcher at Pump Station 8 in order to send instrument pigs down the southern end of the line.

NEW PUMPS: Alyeska reconfigured several pump stations for today's lower flow rates. The new pump stations can also be modified to accommodate increase in throughput in the future.

INTERNAL INITIATIVES: TAPS employees are working internally to become more efficient and prepare the company for future operations.

⚠ FACT

KEEPING TAPS VIABLE: WHY IT MATTERS TO ALASKA

TAPS is facing significant technical challenges associated with lower flows, while also meeting economic challenges from declining throughput. Alyeska is committed to the long-term life of TAPS, while maintaining a commitment to safety, integrity and the environment that has earned the industry's highest honor. Alyeska is simplifying business, and reviewing its current workforce, contracts, and facilities, so that TAPS can preserve its strong role in Alaska's economy. Essential to all of this is understanding the impacts of low flow on the pipeline. The Low Flow Study is expected to substantially conclude in 2010.

POTENTIAL CHALLENGES DUE TO LOW THROUGHPUT

* Water separation and accumulation during flowing conditions

* Ice formation in the flowing crude

* Water accululation and freezing at low points during extended winter shutdowns

* Increased solids deposition in pipeline and storage tanks

* Inability to obtain continuous data from instrumented pigs

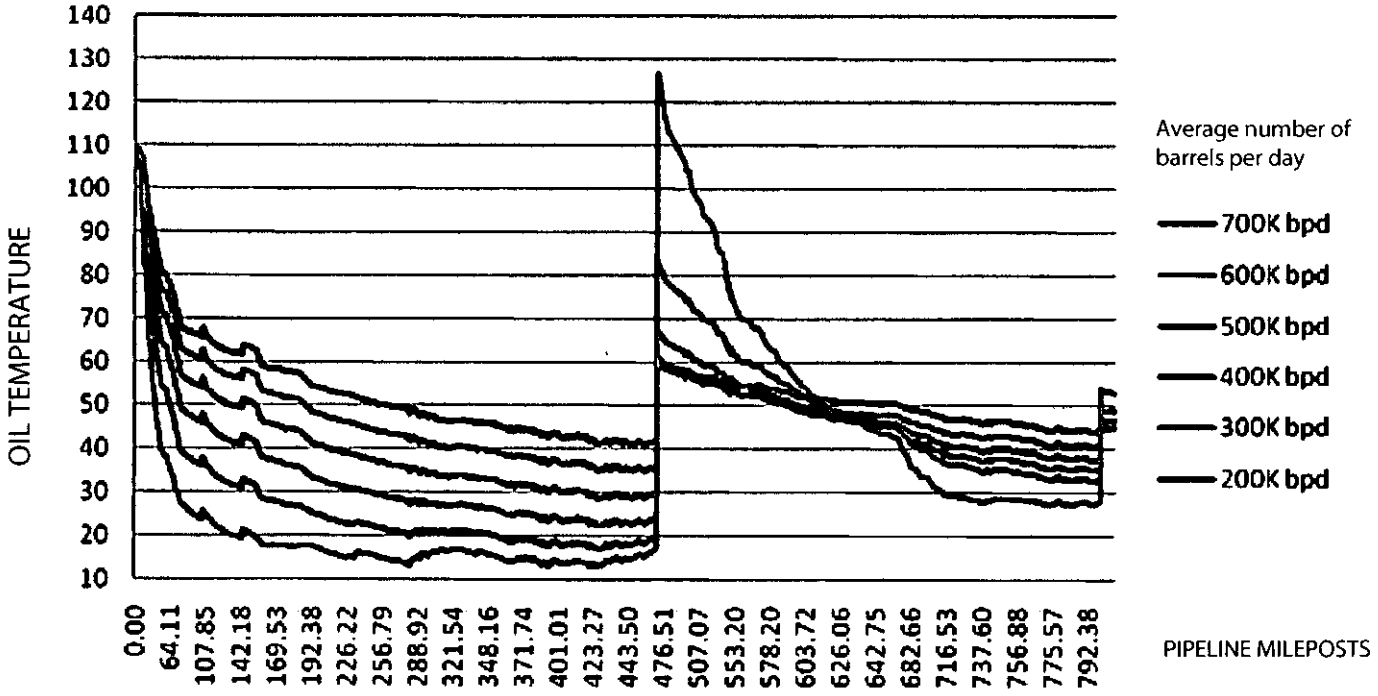
* Challenge of restarting TAPS after a prolonged winter shutdown due to gelled crude oil

* Increased potential for internal corrosion with wax deposits

* Increased wax received with scraper pigs

* Potential for frost heaves as soils refreeze

JANUARY TEMPERATURE PROFILE: A SNAPSHOT OF OIL TEMPERATURE AS IT TRAVELS THE PIPELINE



This graph illustrates how oil cools on its roughly 13-day journey to the Valdez Marine Terminal. The temperature spike near milepost 476 is where the pipeline is reinjected with warm oil from the Flint Hills Refinery.

3/16/10 LUNCH & LEARN: BRIEFING ON ENVIRON-MENTAL...

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Pebble Prospect

Jane Whitsett, Manager Environmental Studies

March 2010

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The Pebble Partnership

A Shared Commitment to Sustainable Development
and Social and Community Responsibility.

Northern Dynasty has delineated one of the world's great orebodies, assembling one of the most extensive environmental databases in the history of resource development.

Anglo American US brings a depth of corporate resources and a successful track record of global leadership in modern mining practices.

www.pebblepartnership.com

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The Pebble Partnership

will be guided by five core principles:

- Pebble will benefit Alaskans
- Pebble will co-exist with healthy fish, wildlife and other valued natural resources
- Pebble will apply the world's best and most advanced science
- Pebble will help build sustainable communities
- At Pebble, we will listen before we act.

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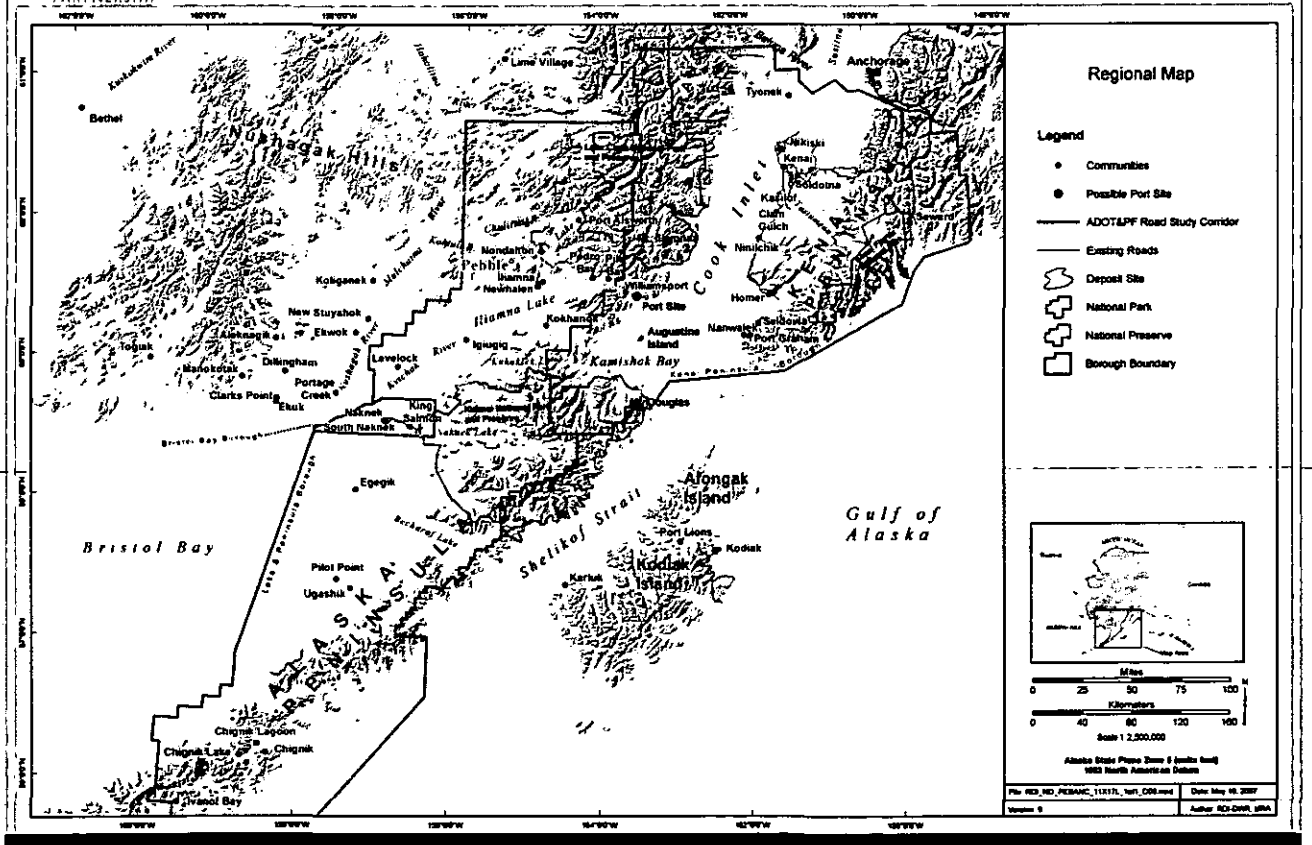
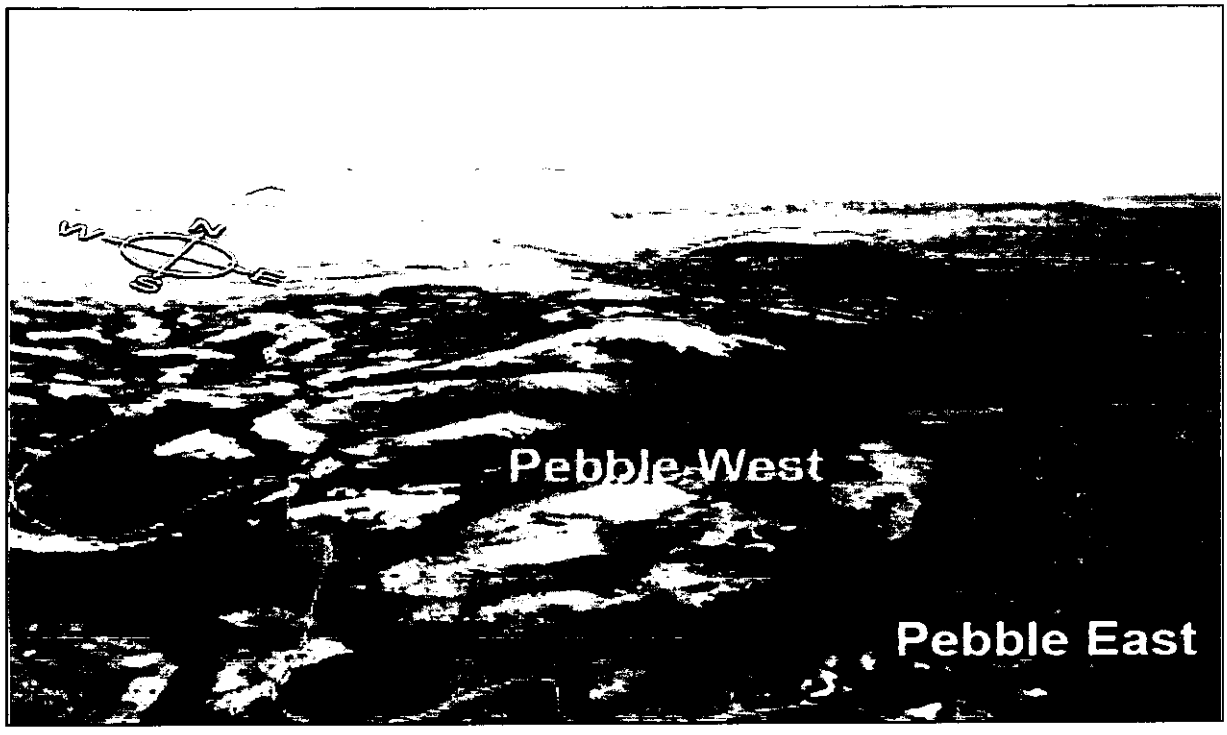
Prospect Location

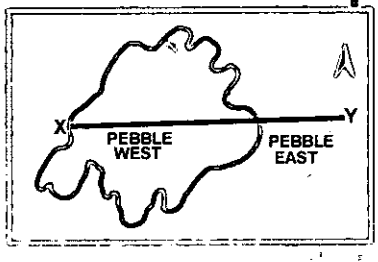


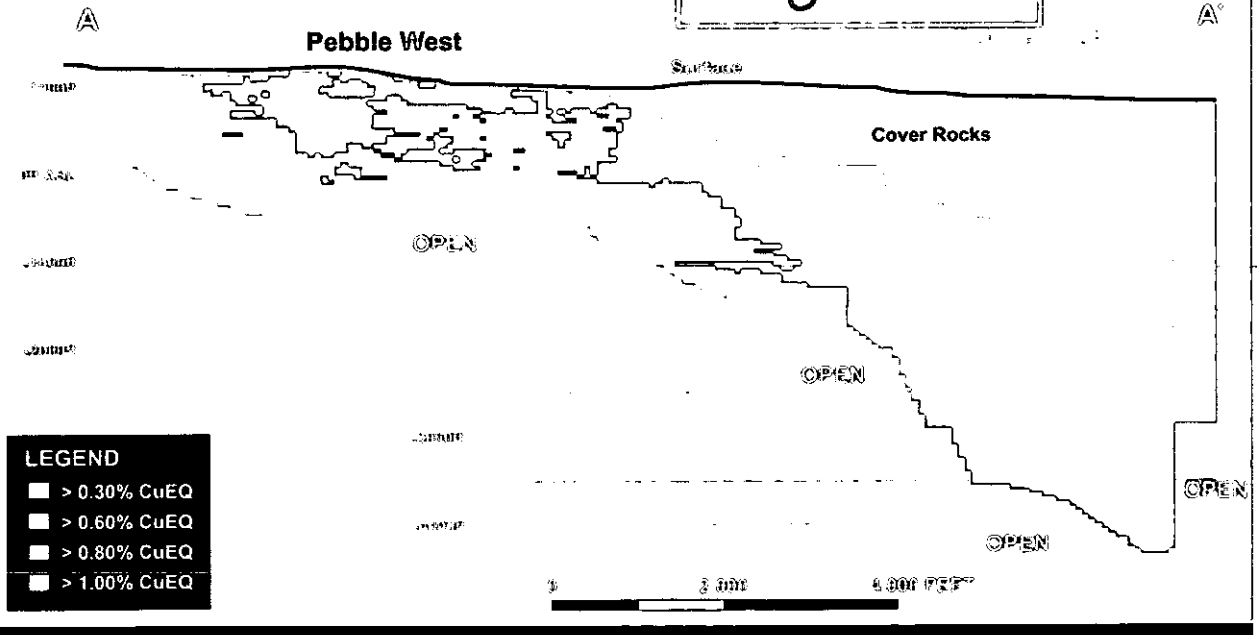
Pebble Prospect – Deposit Topography



Pebble Deposit

Total In-Situ Resource: 72B lbs Copper,
94M ounces Gold &
4.8B lbs Molybdenum.





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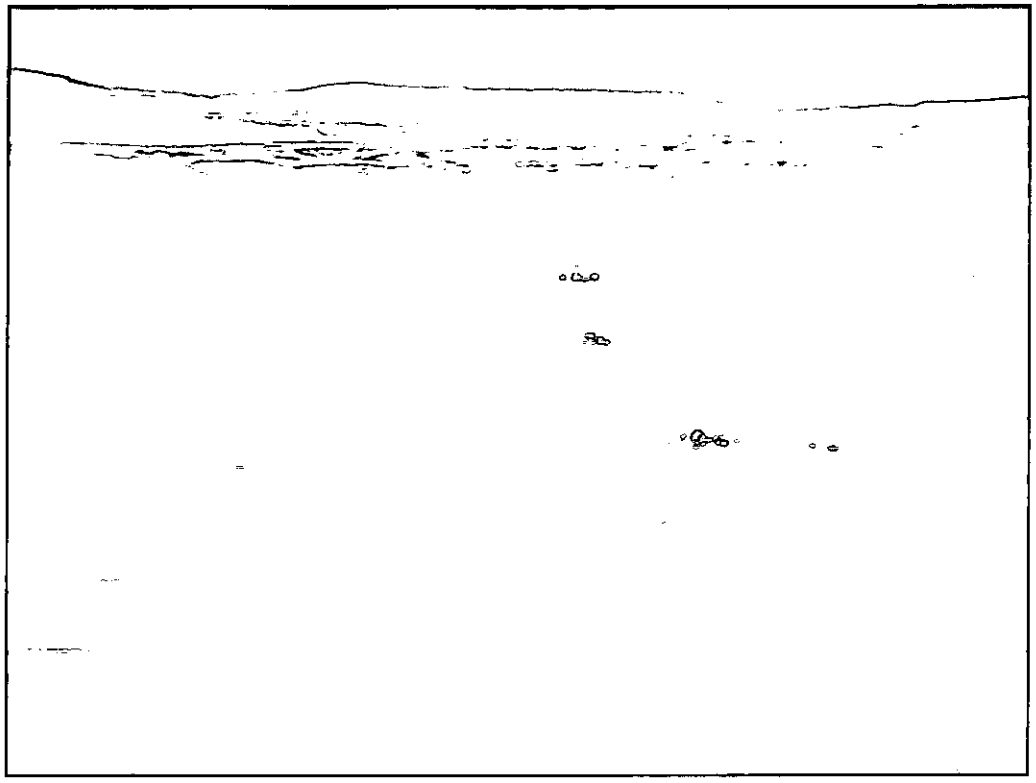
Low Footprint Exploration



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Environmental Baseline Study Objectives

- Characterization of baseline conditions before project initiation

- Input for project engineering and design

- A basis for impact assessment during the National Environmental Policy Act (NEPA) and permitting processes

- A basis for long term monitoring

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Permitting

Agencies involved in permitting large hard rock mines in Alaska:

- AK Department of Natural Resources (lead agency)
- AK Department of Environmental Conservation
- AK Department of Fish and Game
- AK Department of Transportation & Public Facilities
- AK Department of Commerce, Community and Economic Development
- AK Department of Law
- US Environmental Protection Agency
- US Army Corps of Engineers
- US Fish and Wildlife Service
- US National Marine Fisheries Service
- US Bureau of Land Management
- US Forest Service

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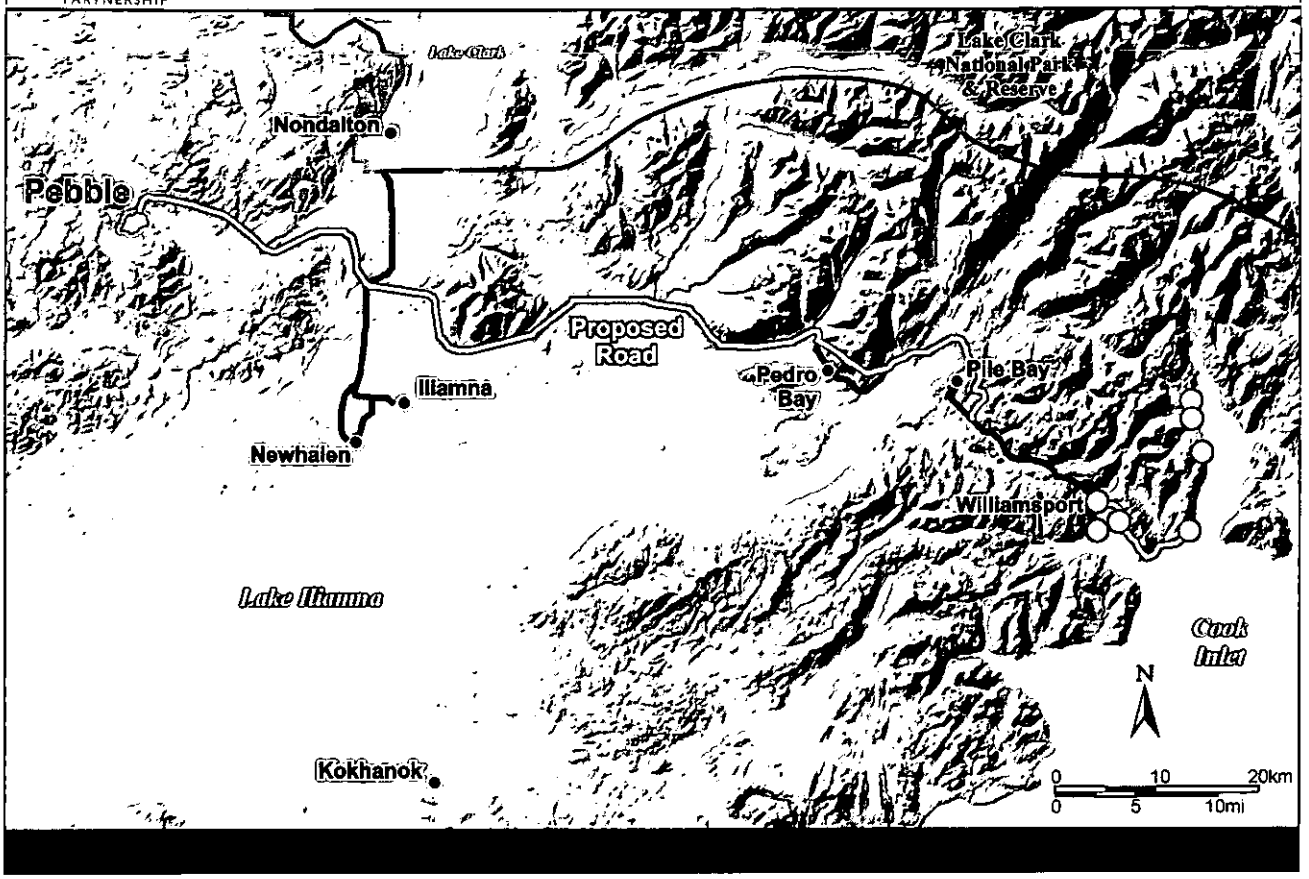
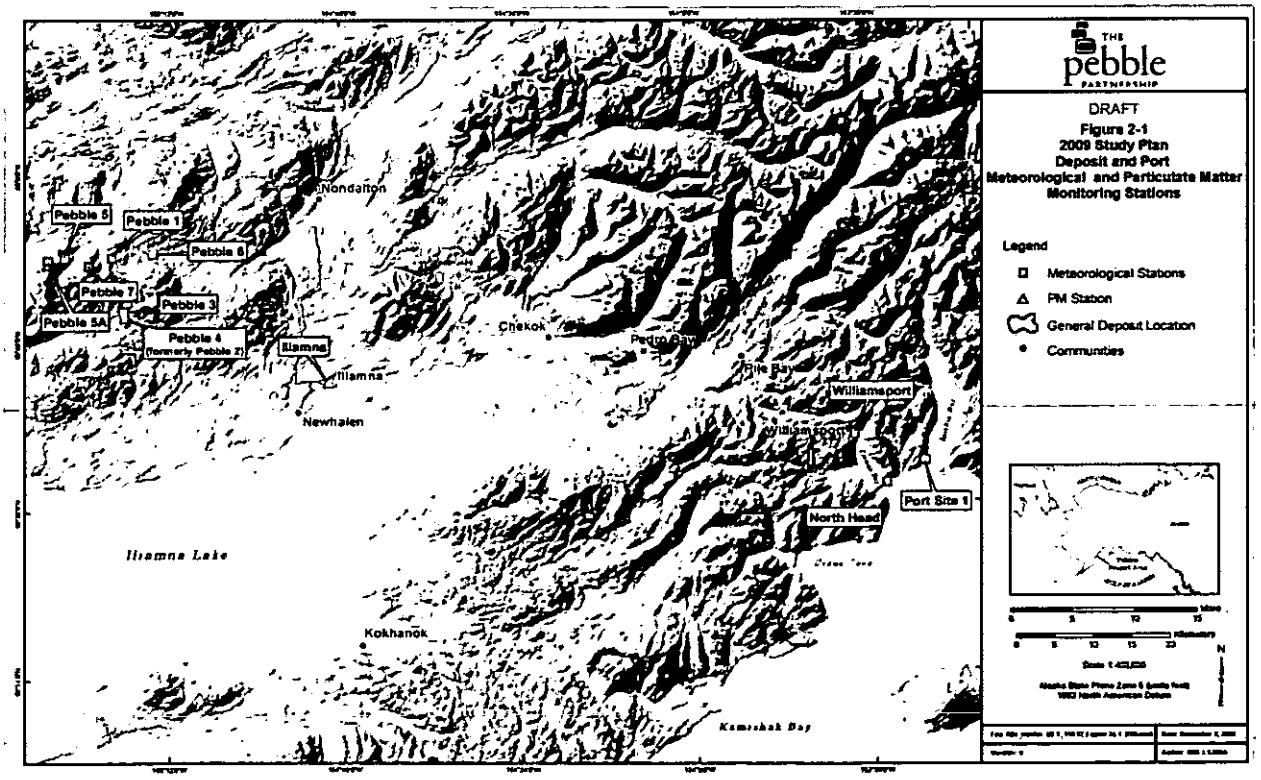
Environmental Baseline Studies

- Surface Water
- Water Quality
- Groundwater
- Geochemistry
- Snow Surveys
- Analytical QA/QC
- Fish & Aquatic Resources
- Macroinvertebrates
- Wetlands
- Trace Elements
- Flow Habitat Study
- Iliamna Lake Study
- Marine
- Wildlife
- Air Quality
- Noise
- Cultural Resources
- Subsistence
- Land Use
- Recreation
- Socioeconomics
- Visual Aesthetics
- Impact assessment & management
- Mine closure & reclamation

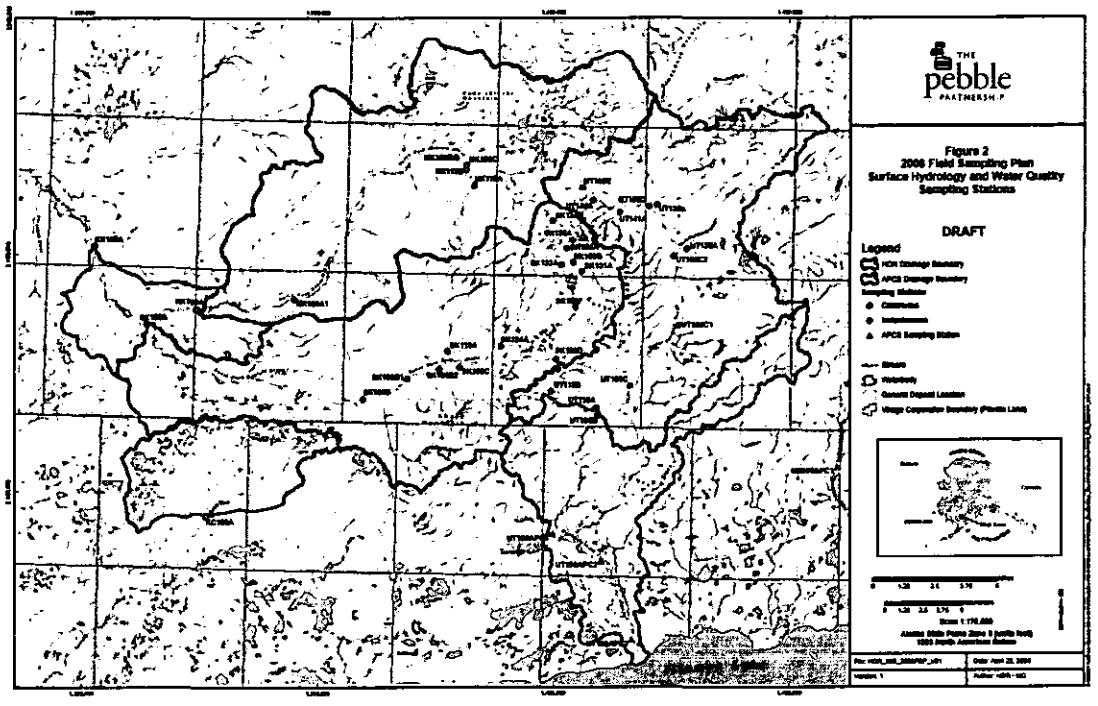
Environmental Baseline Studies Areas



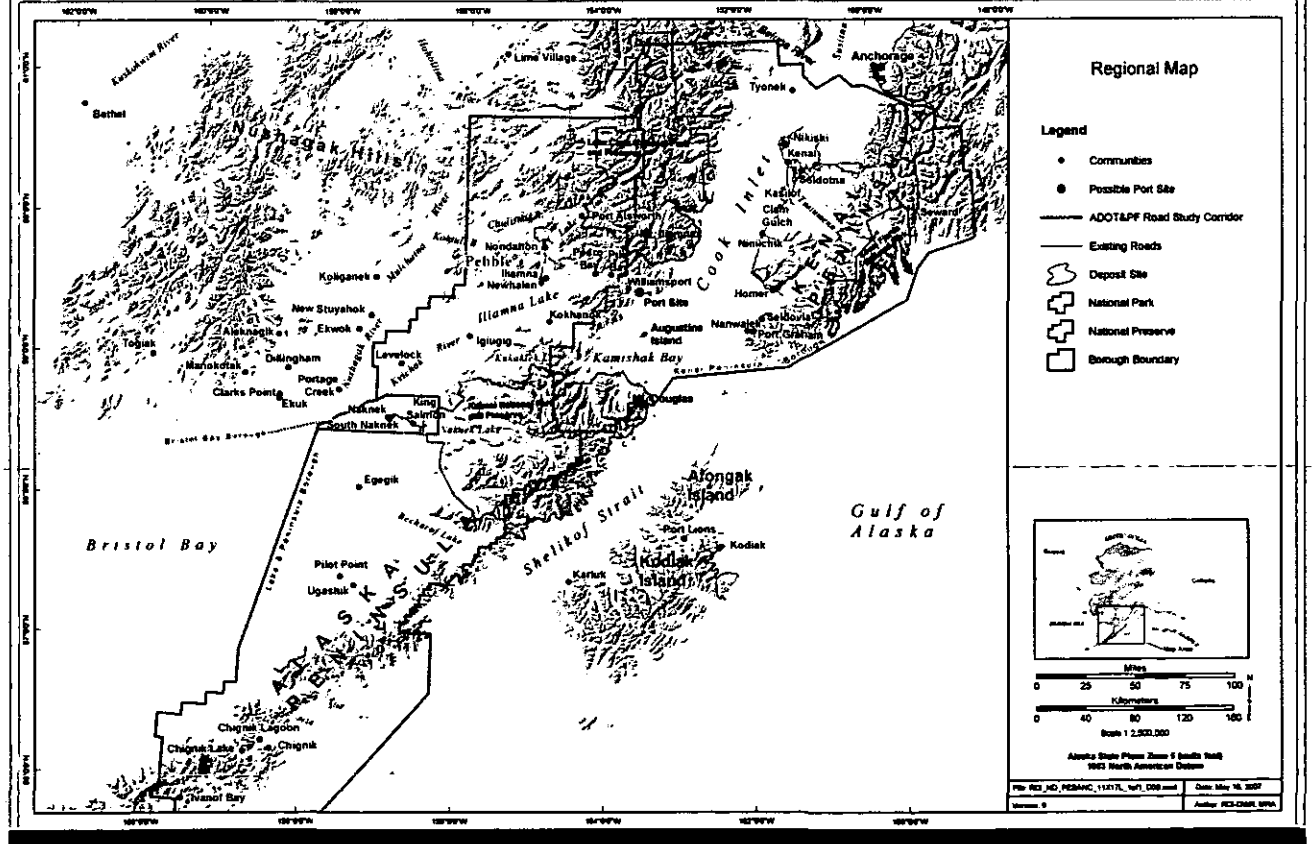
Meteorological/Air Quality Station Locations



Surface Water Quality Sampling



Prospect Location



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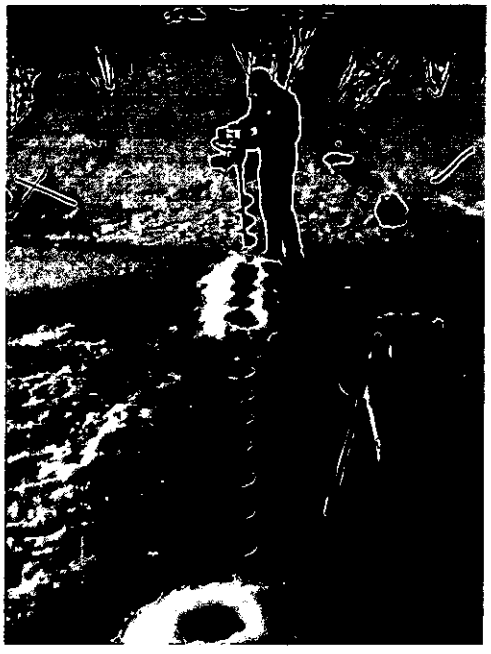
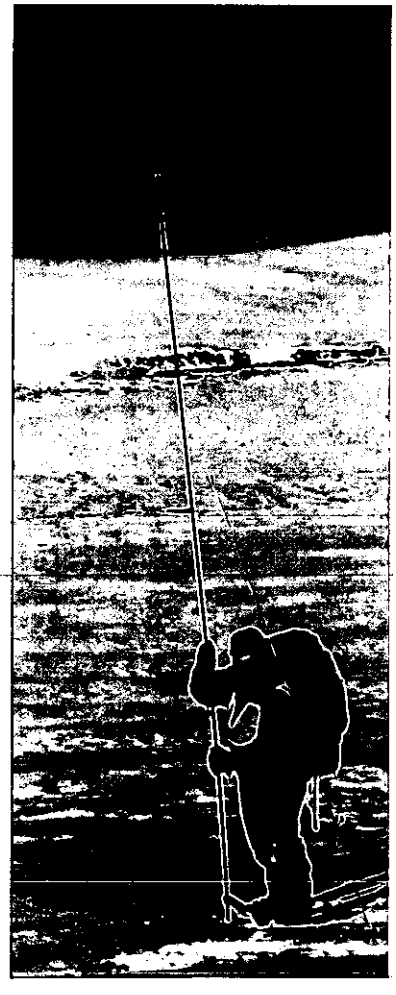
Hydrologic Studies



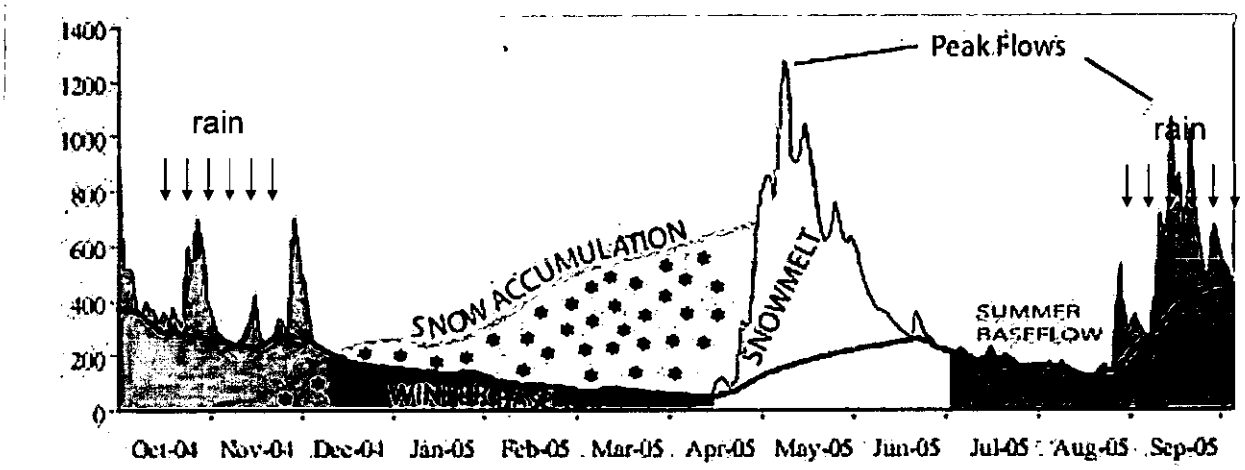


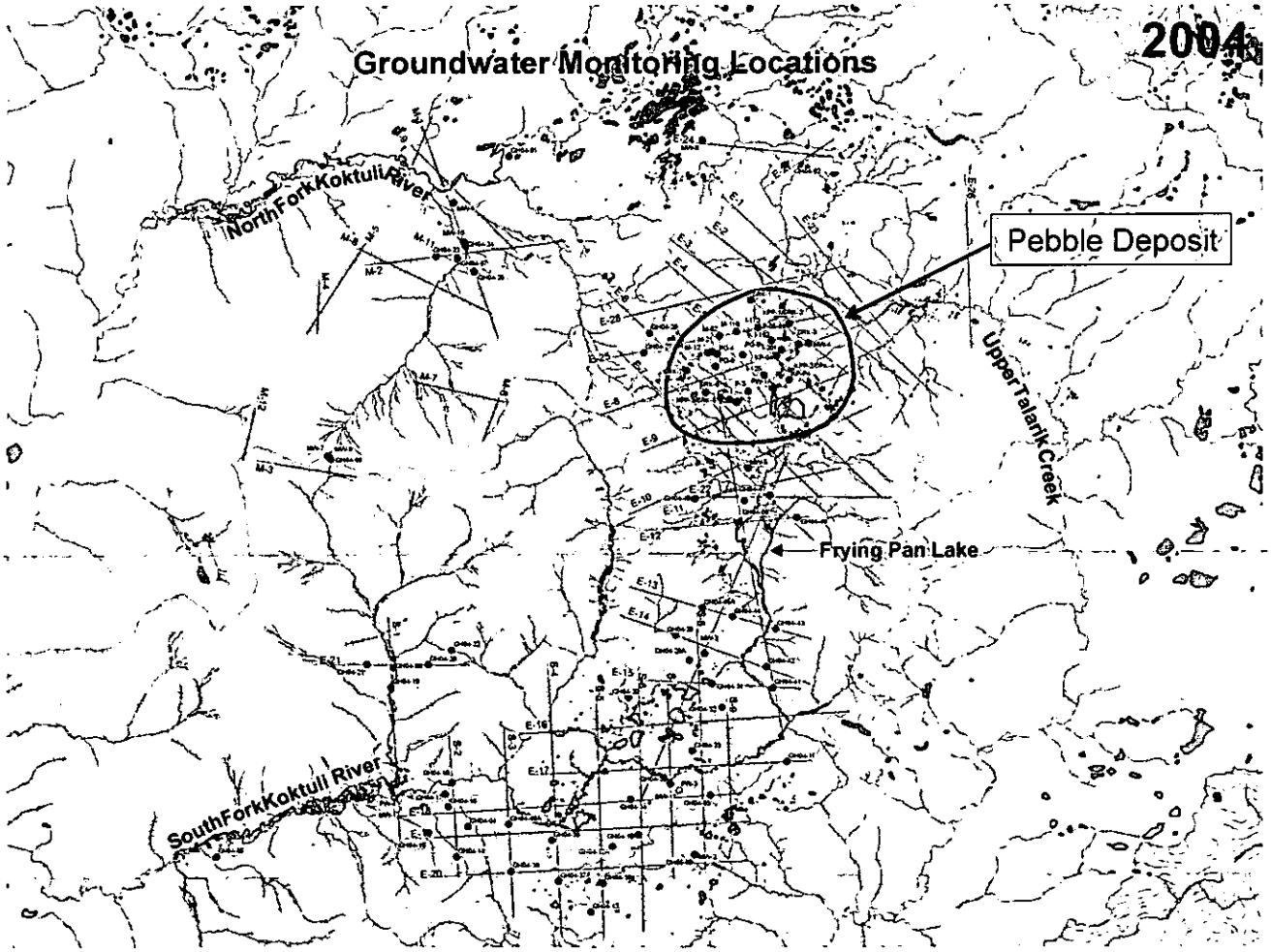
Snow Surveys 2004–2008

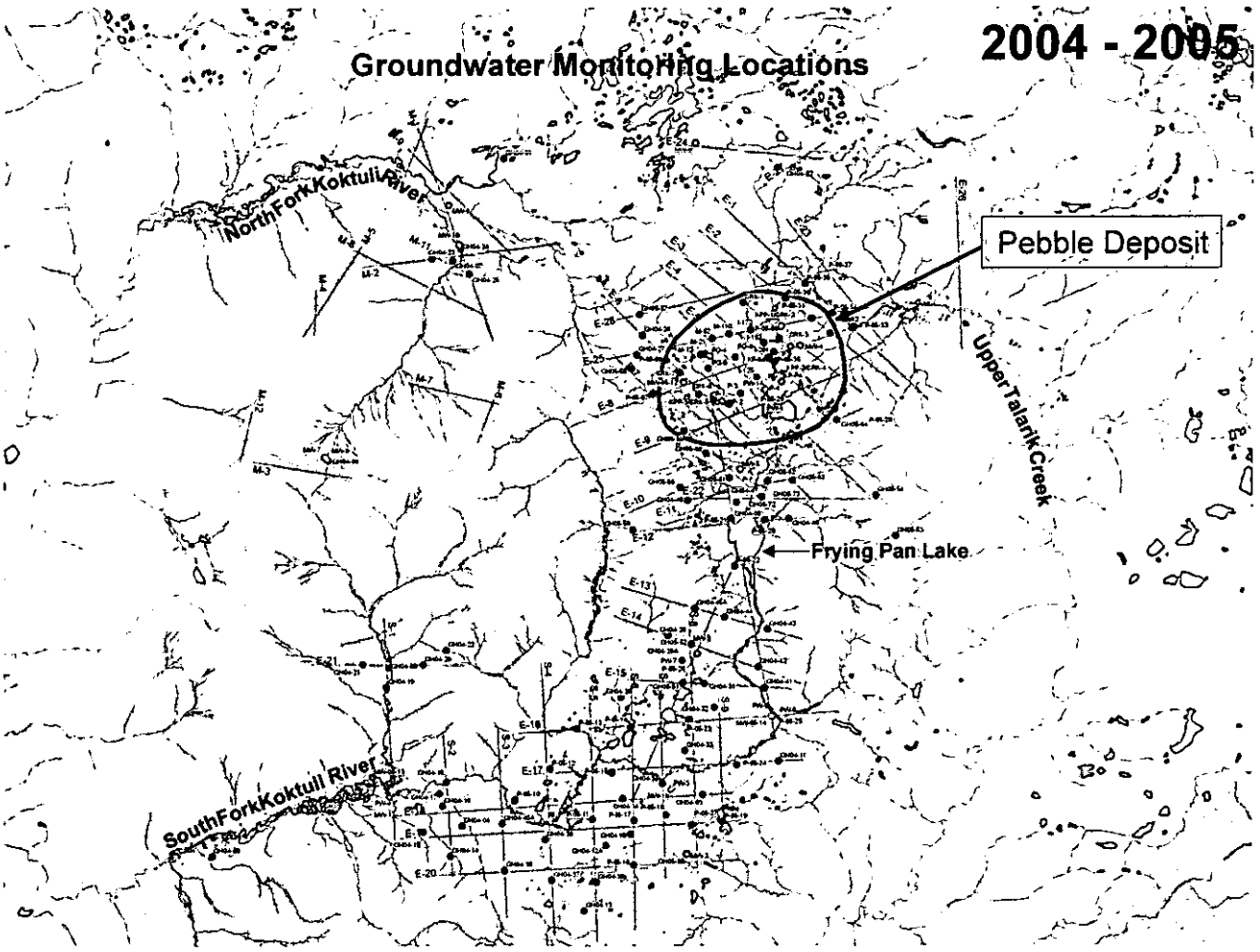
- Critical component for water balance modeling
- Snow cores up to 120 inches extracted and weighed, with snow-water equivalent as high as 46 inches.

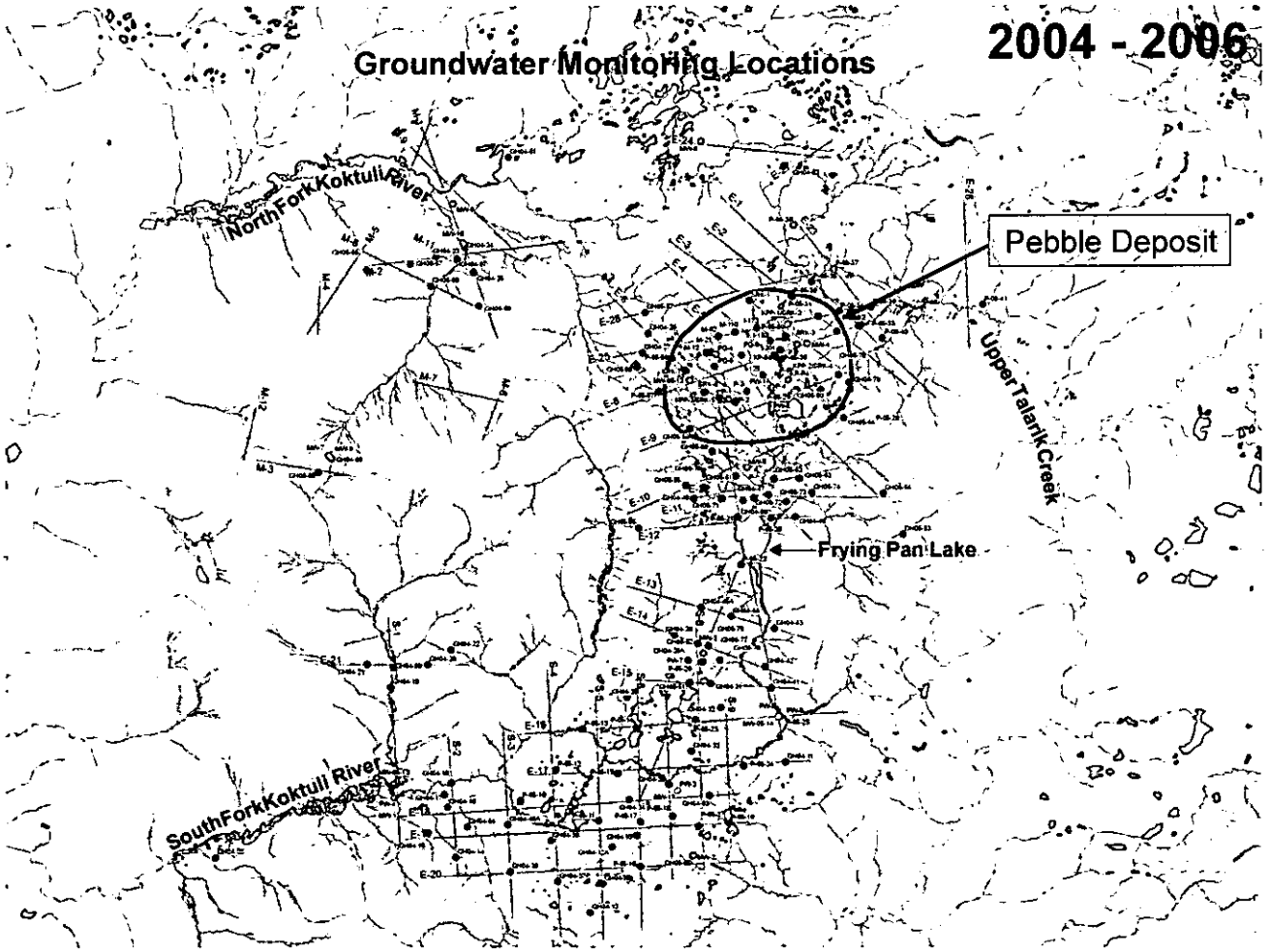
Baseflow Fieldwork

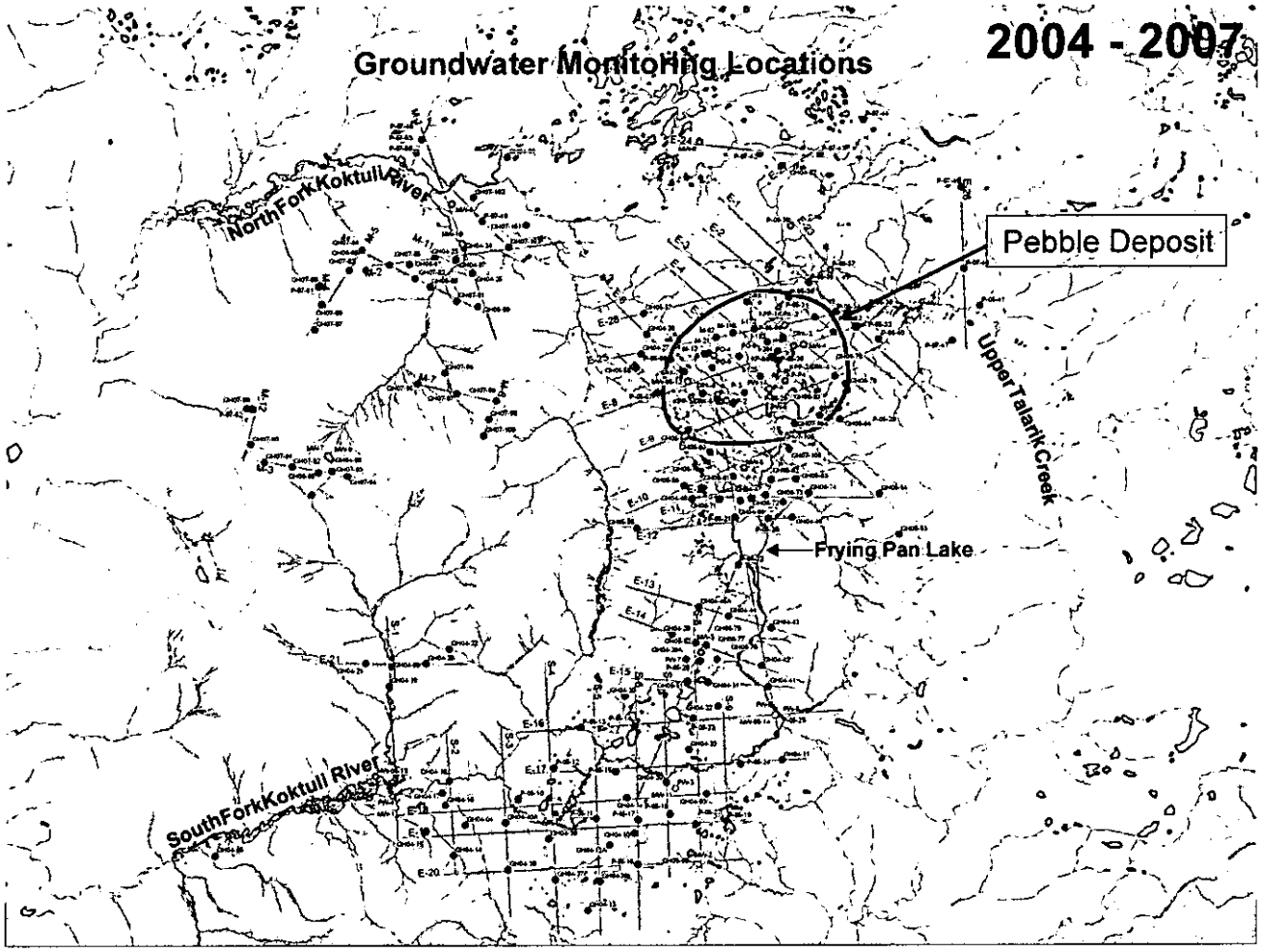
- 41 Stations
- Instantaneous Measurements

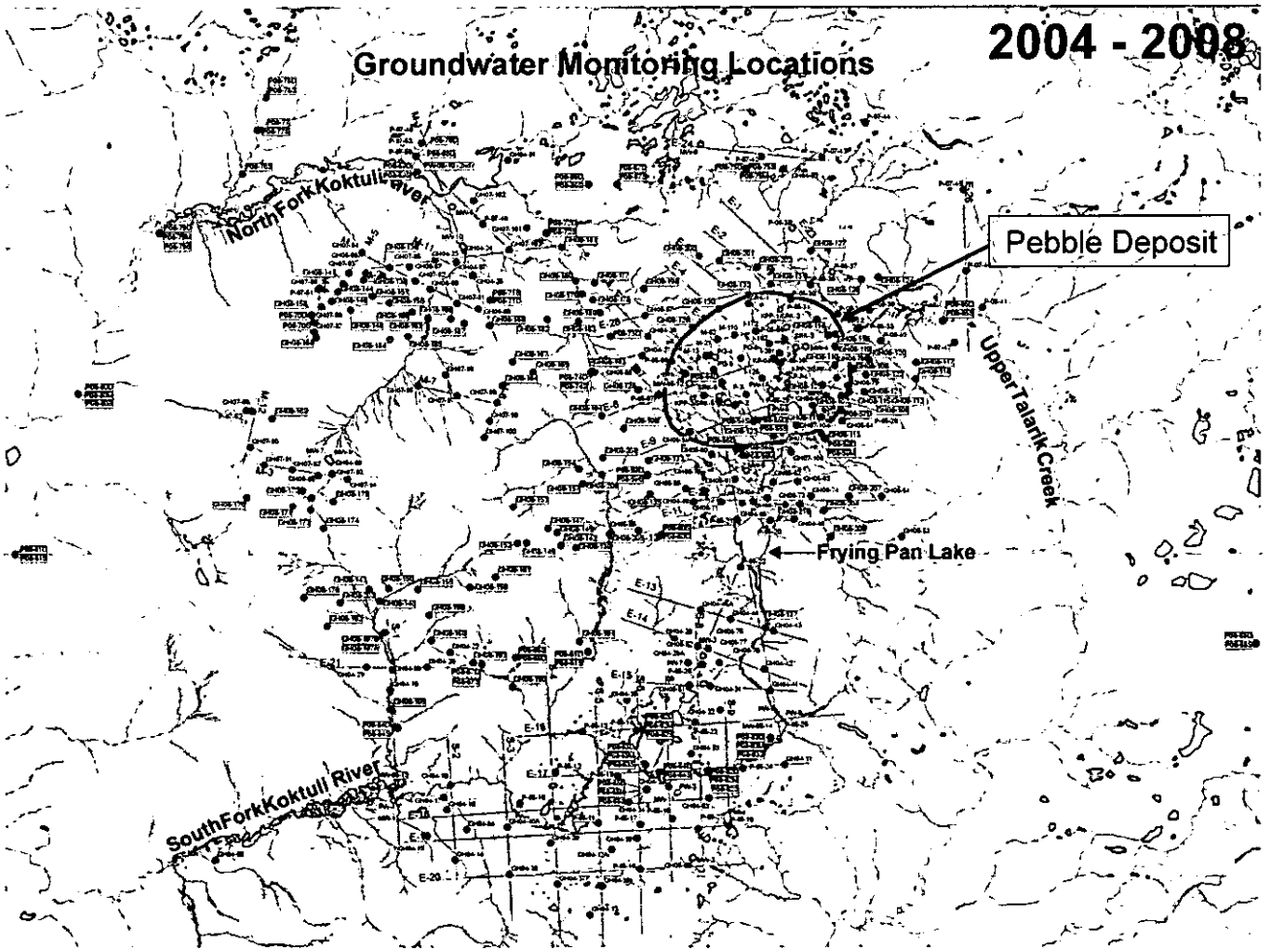





Groundwater Monitoring Locations
2004 - 2005
North Fork Koktuli River
Pebble Deposit
Upper Talarik Creek
Frying Pan Lake
South Fork Koktuli River


Groundwater Monitoring Locations
2004 - 2006
North Fork Koktuli River
Pebble Deposit
Upper Talarik Creek
Frying Pan Lake
South Fork Koktuli River


Groundwater Monitoring Locations
2004 - 2007
North Fork Koktuli River
Pebble Deposit
Upper Talarik Creek
Frying Pan Lake
South Fork Koktuli River


Groundwater Monitoring Locations
2004 - 2008
North Fork Koktuli River
Pebble Deposit
Upper Talarik Creek
Frying Pan Lake
South Fork Koktuli River

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Fish Studies

A wide variety of fish studies are employed to assess:

- Species diversity
- Relative abundance
- Distribution
- Spawning
- Rearing
- Migration
- Escapement
- Habitat use

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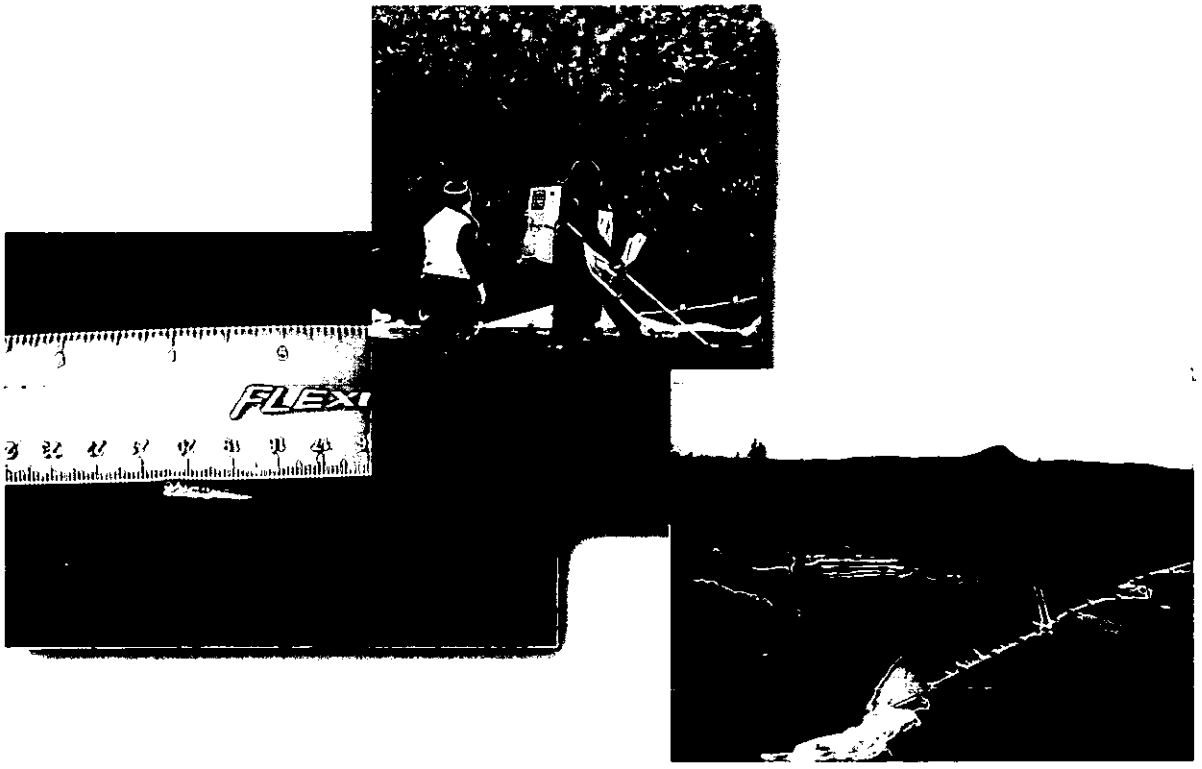
Relative Fish Abundance Surveys



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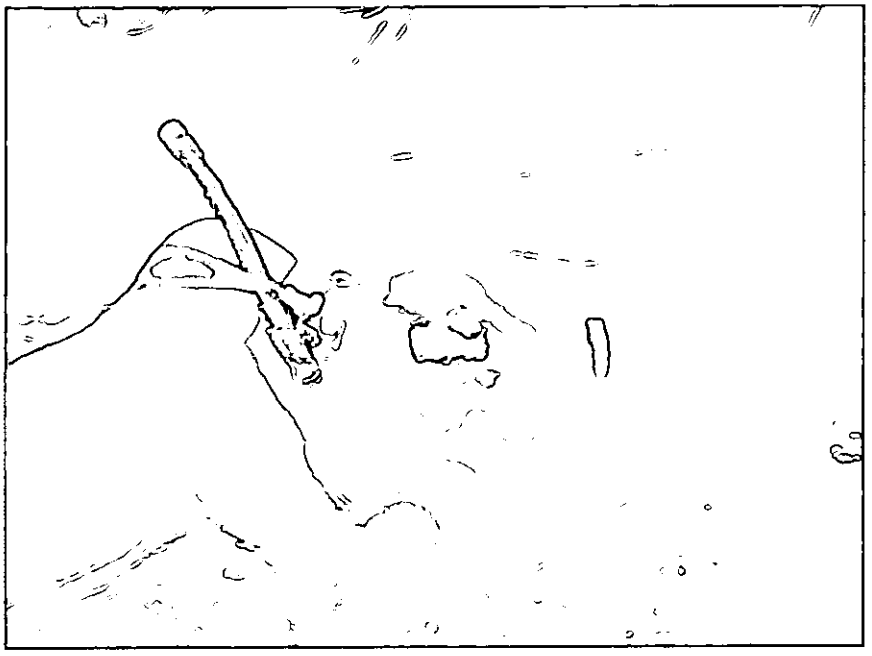
Relative Abundance of Fish Videotaping



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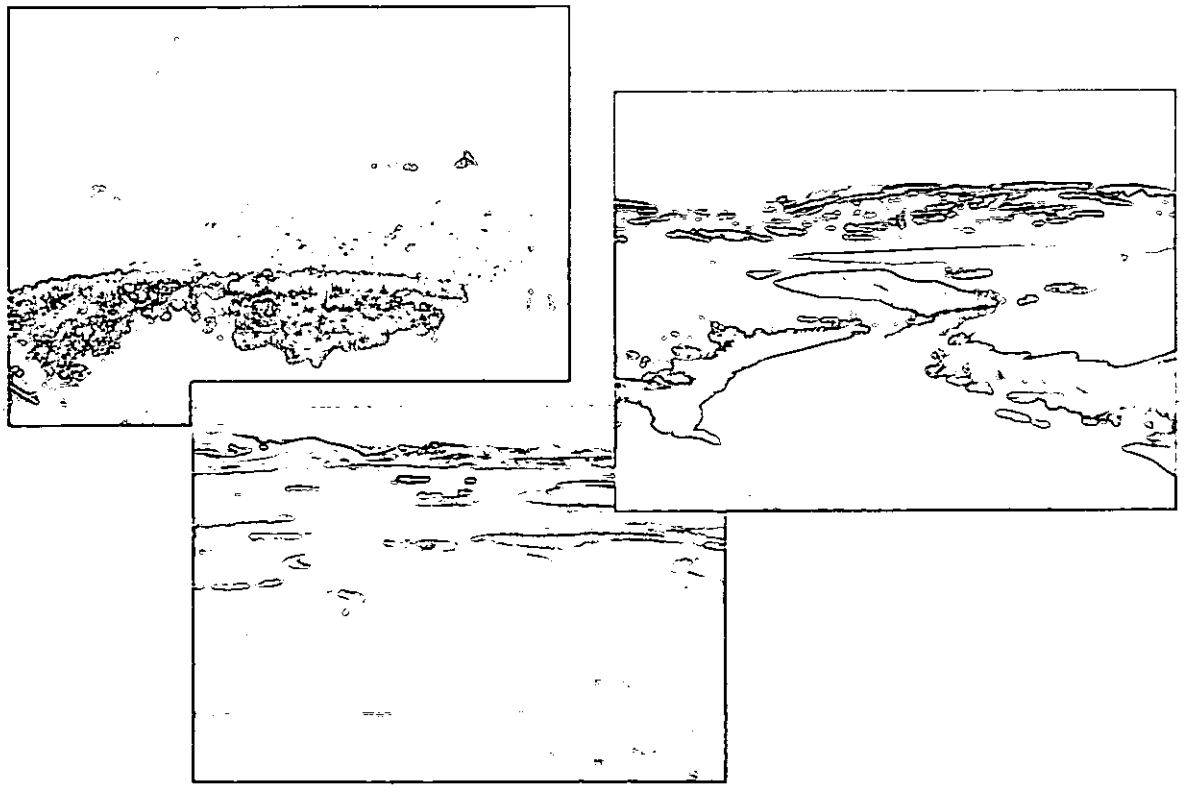
Aerial Spawning Surveys



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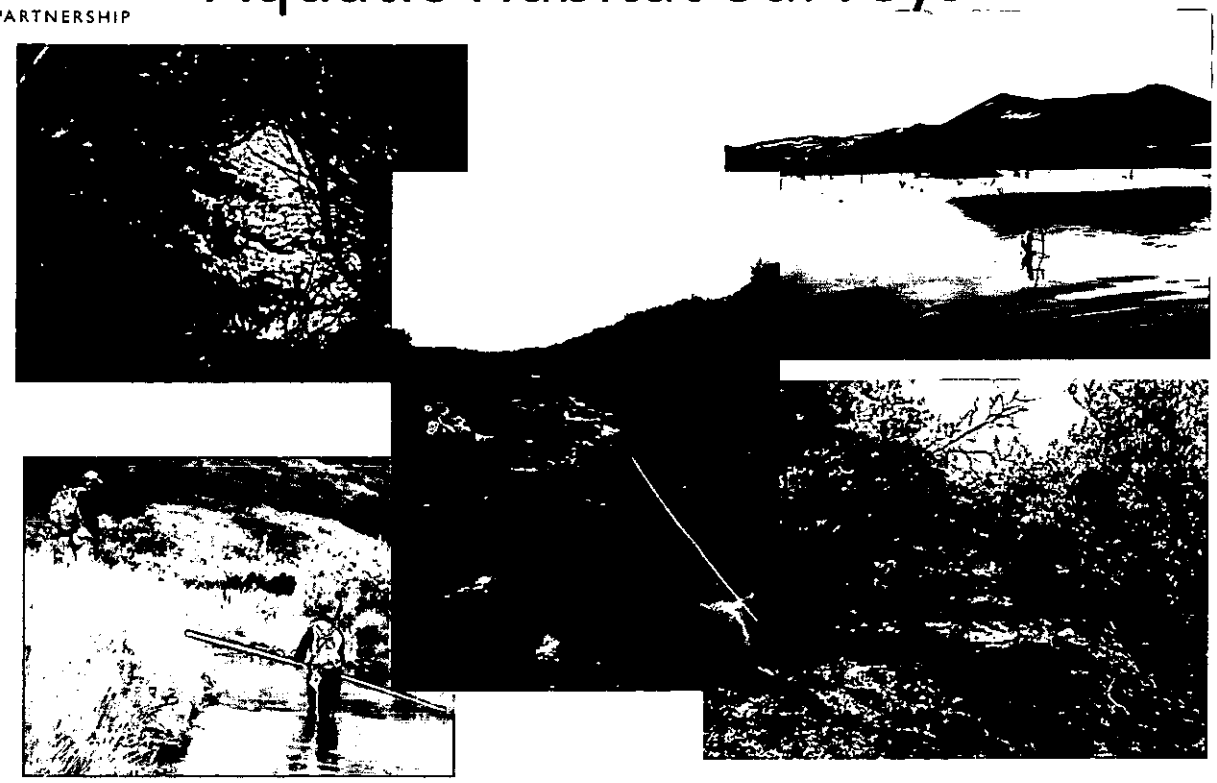
Aquatic Habitat Surveys



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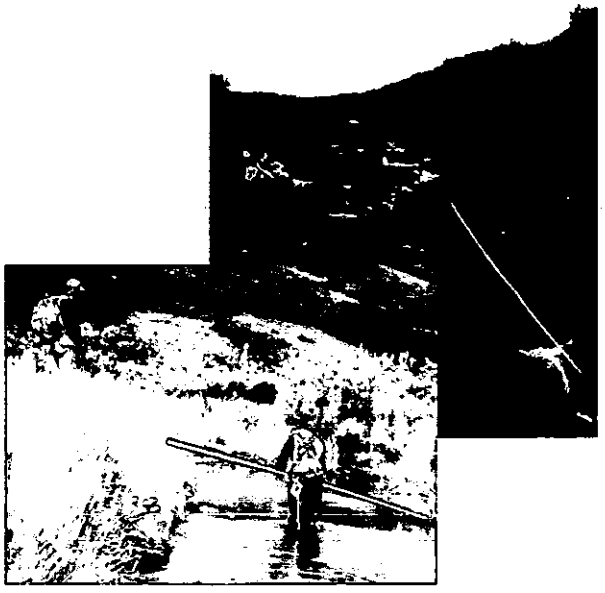
Instream Flow Habitat Modeling

Models include factors such as:

- Water surface elevations
- Water depth
- Discharge
- Velocity
- Substrate
- Channel geometry
- Cover
- Fish presence
- Habitat type:
  - Glide, run, riffle, pool, cascade, island complex



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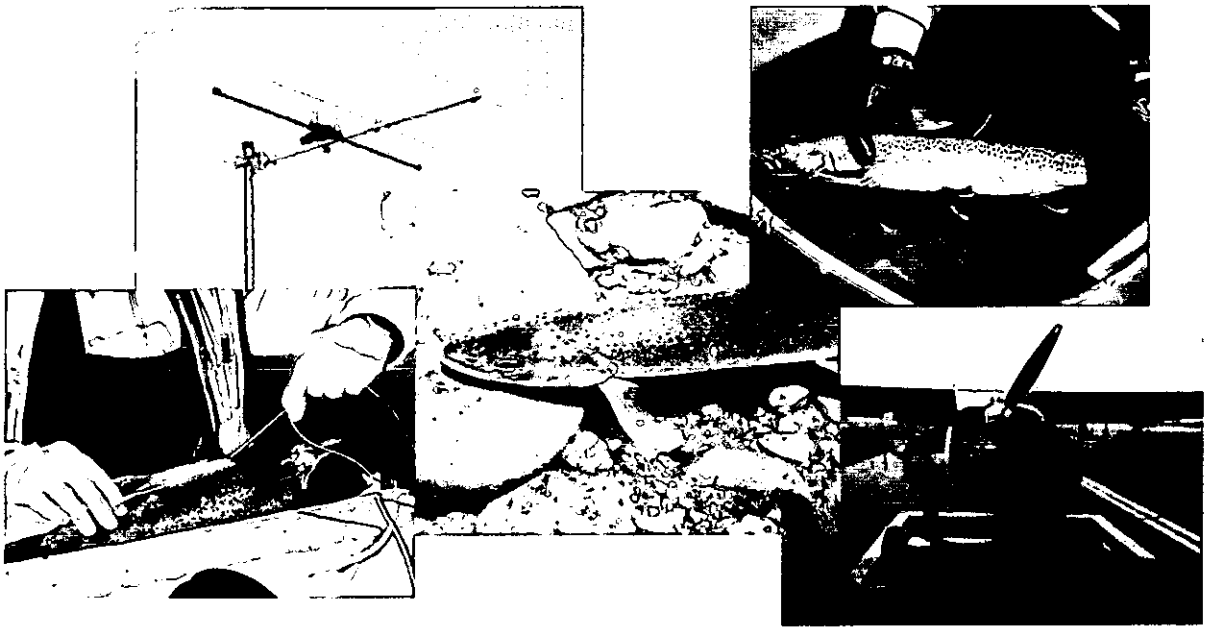
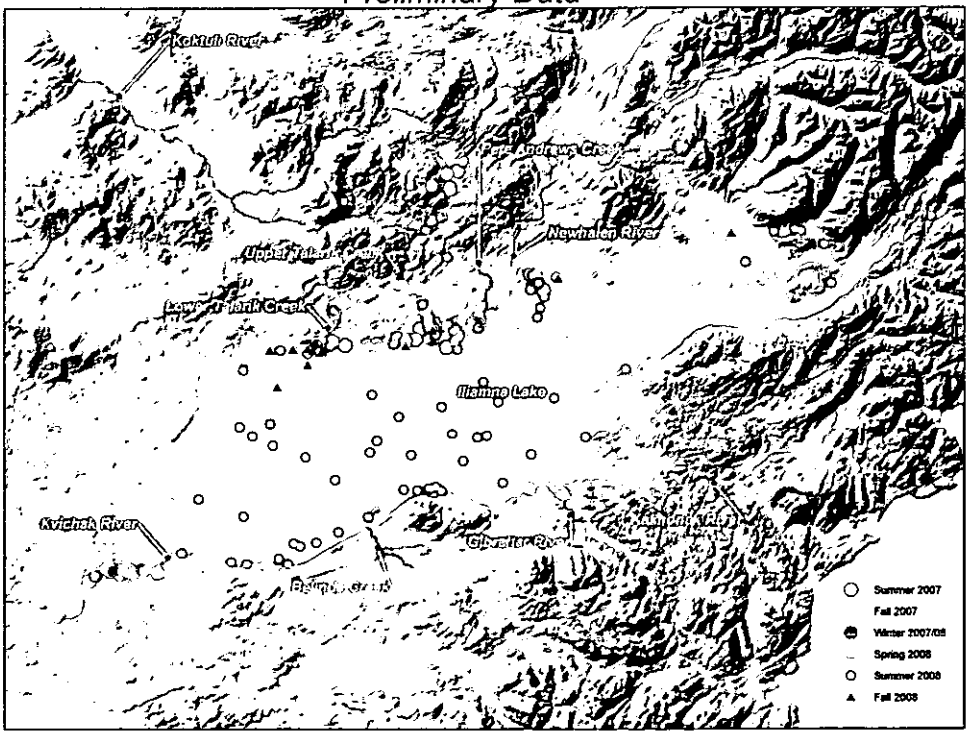
Telemetry Studies



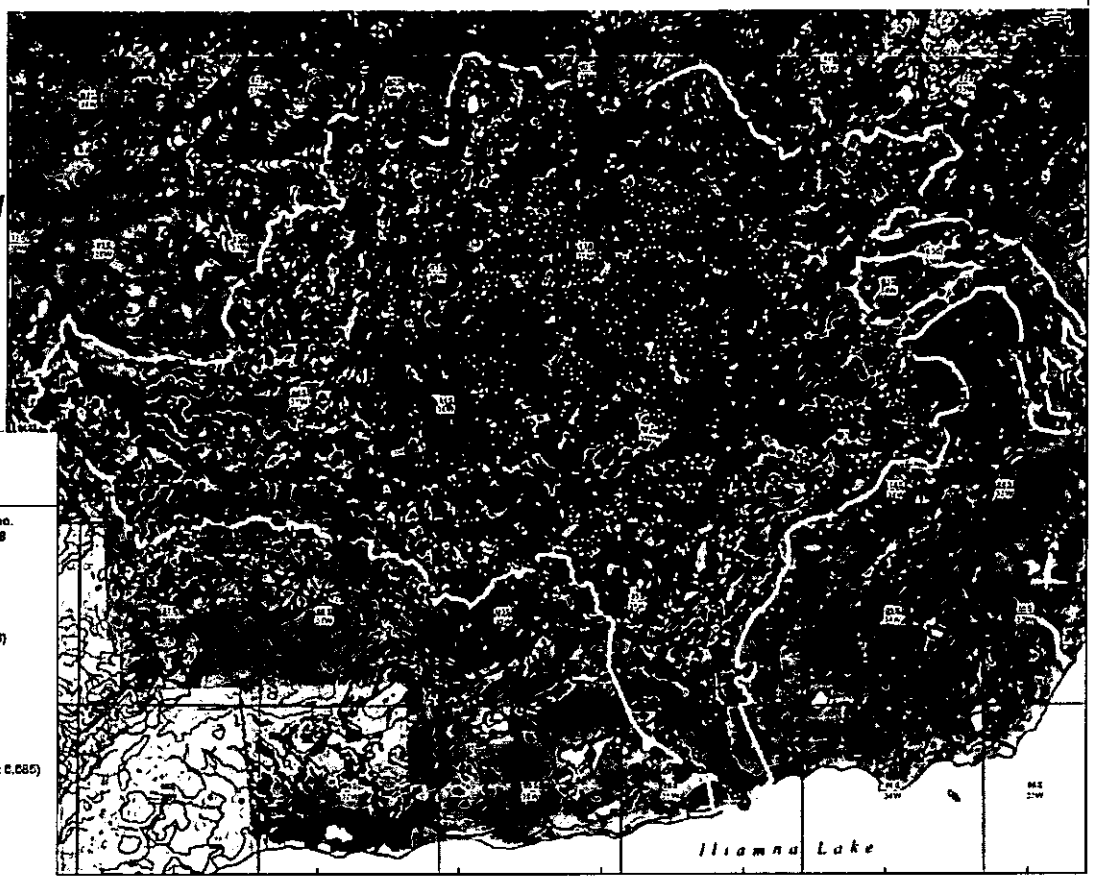
Late Summer 2007 Tag Group

Preliminary Data



WETLANDS FIELD SURVEYS

17,000 field plot surveys completed in project area



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Three Parameters Plus, Inc.
3PPI and HDR 2004 - 2008
Field Plot Locations
DRAFT

Legend

3PPI and HDR 2004 - 2008
Field Plot Locations (10/28/2008)

- JD (Count 4,594)
- SH (Count 2,467)
- FA (Count 932)
- SC (Count 1,570)
- WB (Count 2,237)
- Other Photo Points (Count 6,685)

2008 3PPI Study Area

General Deposit Location

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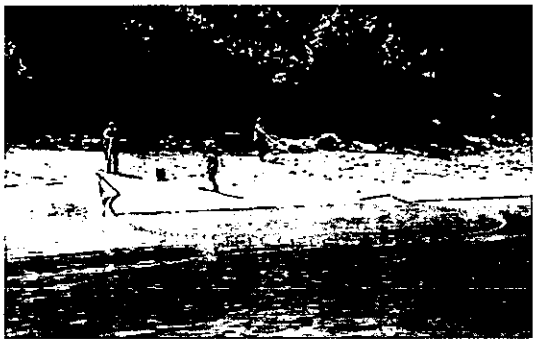
Marine Fish Studies

Trawl Net Sampling

Beach Seine Sampling



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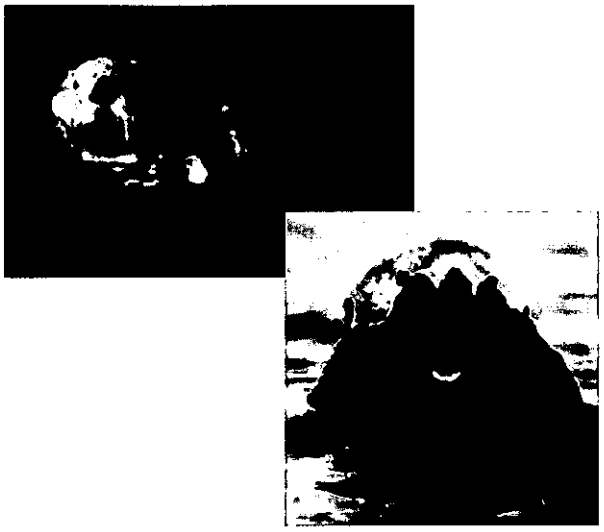
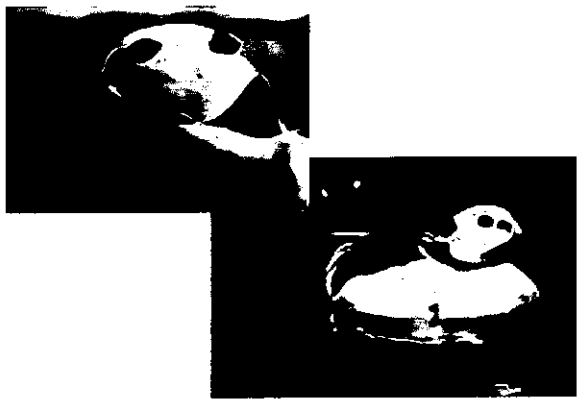
Marine Studies

Monthly aerial surveys for Otters and Steller's Eiders in support of Section 7 Consultation for Threatened & Endangered Species





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Wildlife Studies

Species dependent on wetlands and waterbodies are important components of wetland mitigation

Migration and other factors affect timing of the field survey

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Wildlife Studies

- mapping habitats
- estimating population densities
- species diversity
- distribution
- seasonal use

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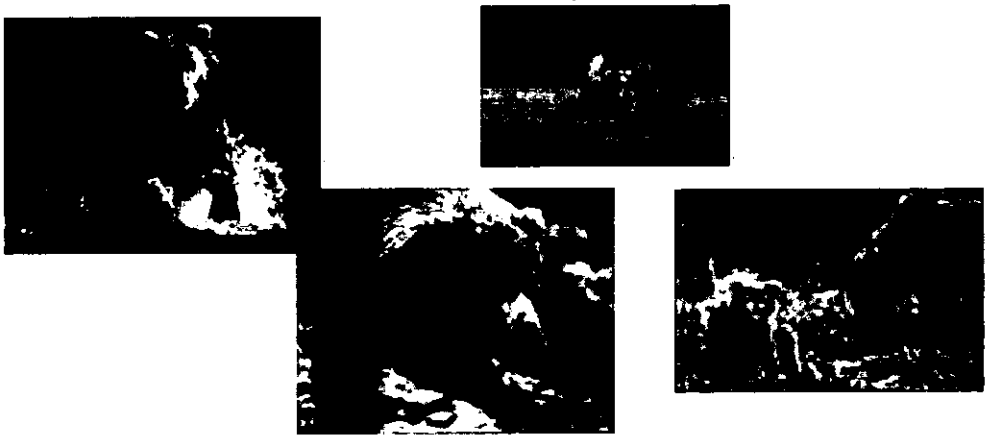
Mammal Studies in Cooperation with ADFG

Aerial Brown Bear Surveys



THE pebble PARTNERSHIP

Prospect Benefits

- Multi-billion capital investment
- 2,000 construction jobs
- 20 – ? year life
- Hundreds of millions dollars annual operating expenditures
- Local and state taxes
- 1,000 plus operating jobs
- Supply/service contracts & other project spinoffs

Pebble Prospect

www.pebblepartnership.com

THE pebble PARTNERSHIP

Environmental Studies

JUNE 2009 BACKGROUNDER

To the end of 2008, the Pebble Partnership has invested more than $100 million on environmental and socioeconomic studies to guide the development of a comprehensive mine plan. According to the Partnership's current schedule, the plan will be submitted for public and government review in 2010. To support this goal, the Pebble Partnership has retained leading Alaskan experts and consultants to help design a mine that can operate safely while preserving healthy fisheries, wildlife, water quality, and other valued natural resources.

Environmental baseline studies are the cornerstone of environmental planning at the Pebble Project. Data collected from these rigorous studies provide the basis for understanding how the natural environment in the project area works, and why it works the way it does. This baseline knowledge is essential to determine how the project can be responsibly developed and managed.

Sediment sampling at the Pebble Project.

The company began its environmental programs while still in the early stages of exploration at the Pebble Project. The first step has been to collect the environmental baseline data necessary to develop a detailed description of the environment surrounding the project – including water quality, wildlife and fisheries, climate, air quality, land use, and subsistence resources.

The baseline data have four important uses.:

1) To help Pebble Project regulators, stakeholders and the public understand the environment in and around the proposed project area.
2) To provide environmental input for the design process and ensure that the project will meet the requirements of state and federal regulators.
3) Baseline data are required as the basis for the environmental impact statement (EIS), mandated under the Federal National Environmental Policy Act (NEPA) as the process to identify and assess potential environmental and social issues related to the proposed project before it is built.
4) The data will also support all permitting efforts and provide the basis for a long-term monitoring plan.

While no project as important and complex as Pebble can reasonably be expected to operate without altering or affecting the environment at the mine site and associated infrastructure to some extent, the Pebble Partnership will avoid, minimize and mitigate for such effects where necessary. Protecting Bristol Bay fisheries is a primary objective. In pursuing development of the Pebble Project, the Pebble Partnership is guided by five core principles which include applying the world's best, most advanced science and co-existing with healthy fish, wildlife and other natural resources. An important requirement is to ensure that all water leaving the site during operations and post-mine closure meets water quality standards.

The Pebble Project is situated on state land designated for mineral resource development, but this status does not ensure project approval. The Pebble Partnership must first finalize its planning for the Pebble Project and submit the description of the project with its permit applications. These applications will then proceed through a rigorous review process involving 11 state and federal agencies and the citizens of Alaska. A major component of this review will be preparation (by federal agencies) of the EIS under NEPA, for which the Partnership must provide the data collected under its environmental baseline program. Only after receiving a positive result from that review will state and federal agencies grant the more than 60 permits required to construct and operate the mine. The combined review and permitting process is expected to take several years to complete.

"Tread Lightly" Program

The Pebble Partnership has adopted a number of initiatives to minimize the environmental impacts of drilling programs and other exploration activities at the Pebble Project site.

This includes ensuring that exploration activities do not disturb wildlife. The company also enforces a "no hunting, fishing or gathering" policy for employees and consultants. Disturbed surface areas, including drill sites, are reclaimed as quickly as possible in the exploration and development phase.

Environmental Baseline Studies

The Pebble Partnership has invested more than $100 million to conduct detailed multi-disciplinary environmental studies since 2004, with the assistance of some 50 independent consulting firms and 500 people, including a significant number of Alaskans. The studies are rigorous and designed to encompass all of the most important environmental and cultural values in the region.

A consultant measures low flow conditions at a stream near the Pebble Project.

- **Fisheries, and Aquatic and Marine Habitat** – Detailed studies in these areas are top priorities to ensure conservation of the fisheries. The scope of these studies includes identifying opportunities to increase the productive capacity for fish in three watersheds near the Pebble site, an activity that extends beyond regulatory requirements.
- **Surface and Groundwater Quality** – These studies are extensive and ongoing. Assessment is critical as use of water requires various permits, including special permits for any activities involving fish-bearing waters. The studies will help ensure that surface and groundwater relationships are fully understood in order to protect important resources through project design.
- **Terrestrial Wildlife/Habitat** – Assessments and ongoing studies will help protect wildlife and their habitat, and include measures to conserve and maintain resources that are important to local communities. Another goal is to ensure that subsistence users are accommodated as development proceeds.
- **Wetlands** – Detailed assessment is needed as activities within wetlands require special permits and are closely monitored by government agencies. Wetlands information is being fed into the design process to help identify the best locations for mill and tailings-storage facilities, roads and infrastructure.
- **Meteorology and Air Quality** – Studies to establish a baseline are necessary before proposing any facilities that may affect air quality.
- **Soil and Rock Geochemistry and Trace Elements** – Mineral deposits have a unique geochemical (natural chemistry) signature that must be measured and analyzed to help understand how they can be responsibly developed.
- **Socioeconomic considerations, including Recreation, Subsistence, and Cultural Resources** – The data collected by these rigorous studies are critical to designing a project that protects subsistence and recreational resources, cultural features, and environmental and community values.

Information generated by environmental baseline studies is being fed directly into the project design process, allowing Pebble's engineers and planners to respond to input from biologists and other environmental specialists. This "environmentally driven" process fosters greater cooperation among disciplines and helps engineers determine the best options for mining, milling, tailings disposal, mine-related infrastructure and water management. An important goal is to protect fisheries, wildlife and other valued natural resources while maximizing economic and social benefits for all Alaskans.

In May 2008, as part of its commitment to full and open disclosure, the Pebble Partnership initiated the release of environmental and socio-economic baseline data collected in support of the project to state and federal agencies, project stakeholders and the general public prior to project permitting. The reports, titled the *Pre-Permitting Environmental & Socio-economic Data Report Series* are publicly available on the Pebble Partnership website at www.pebblepartnership.com.

Data from environmental studies are fed into the project design process.

Documenting fish habitat on video near the site.

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THE pebble PARTNERSHIP

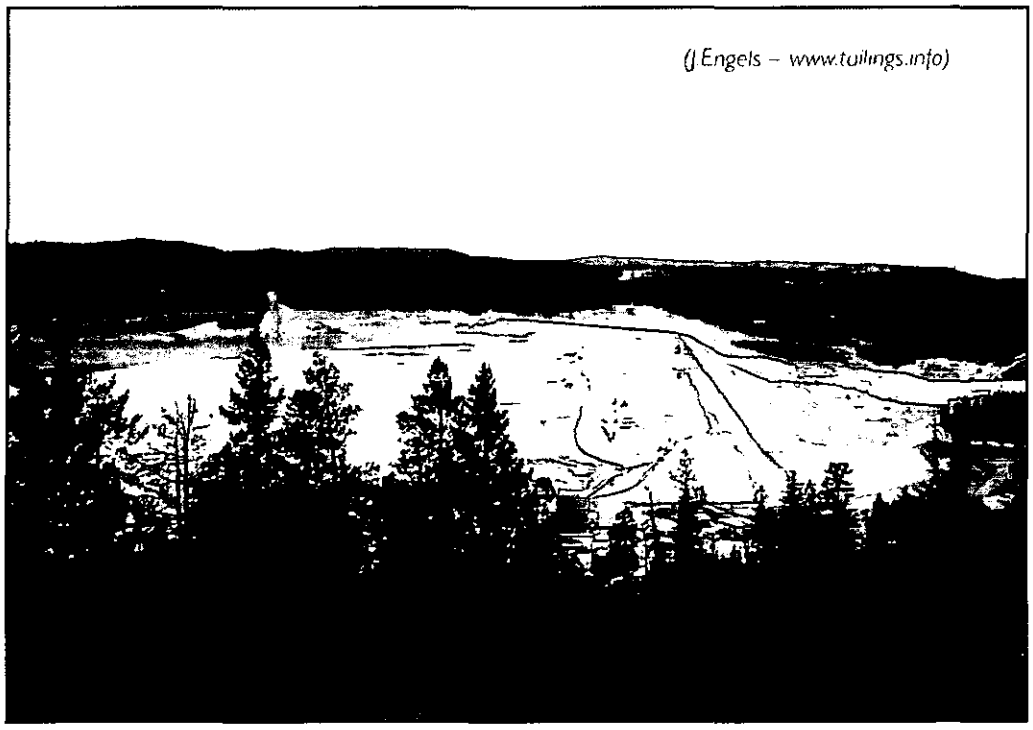
Tailings and Tailings Management

JUNE 2009 BACKGROUNDER

Building and operating a mine is a complex business. It takes rigorous study and careful planning to ensure that the mine is safe, that the environment is protected, and that the interests of local people are met.

One of the most prominent features of an open-pit or underground mine is its tailings storage area. Providing for the safe, permanent storage of tailings is important because tailings material that is not properly contained can have undesirable effects on the local environment.

This backgrounder is intended to provide Pebble Project stakeholders with an understanding of the issues and considerations for tailings management.



A tailings storage facility at the Highland Valley Mine in British Columbia.

What are tailings?

There are five different kinds of material found at a mine. Each is managed differently. They are:

1. **Overburden** is made up of soil, gravel, and other loose materials that cover the surface of a mine site. It is often used as a construction material during mine development or may be stored in large piles and used after mining is complete to restore natural conditions.
2. **Ore** is rock that contains high concentrations of minerals – such as copper, gold, molybdenum and silver. Once ore is mined and removed, it is crushed and processed in an on-site milling facility.
3. **Mine rock** is solid material removed from an open-pit or underground mine that does not contain enough minerals to be considered ore. It is stored on site and may be used to construct mine facilities – such as roads and embankments. Some mine rock can be potentially reactive, which means it produces a mild acid when exposed to air and water. Look for a future back-grounder on the presence of potentially reactive mine rock at the proposed Pebble mine, and how it will be safely managed.

Once processed at the on-site mill, ore is separated into two materials. They are:

4. **Mineral concentrate** is a mixture of water and finely ground rock that usually contains about 80 to 90 percent of the economic minerals present in ore. Once excess water is removed, mineral concentrate is transported from the mine site for further processing.
5. **Tailings** are a mixture of water and finely ground rock that is left over once mineral concentrate is removed. They are permanently stored in a secure facility at the mine site. Tailings usually contain about 10 to 20 percent of the economic minerals that could not be recovered from the ore.

Look for a future backgrounder on the milling process to be used at the proposed Pebble mine.

How are tailings managed?

Once valuable minerals have been separated from ore, the remaining tailings are sent through a pipeline to a storage facility.

A tailings facility is a large storage area that is typically located and constructed in a hollow or valley in order to take advantage of natural barriers and provide multiple layers of environmental protection. In many cases, a tailings embankment – or barrier – built of rock and other natural materials is constructed at the low end of the valley to contain the tailings material.

Once placed in a storage facility, the finely ground rock and water that together make up tailings will separate. The heavier solids will settle to the bottom of the tailings embankments for additional stability. The remaining water will accumulate at the surface to form a shallow tailings pond.

Tailings ponds provide an important water source for mine operations. Tailings water is usually pumped back to the mill to be reused in the milling process. In this way, mine water is recycled over and over again, significantly reducing the amount of water that must be taken from the environment.

What issues are raised by tailings management?

The first issue is to ensure that tailings storage areas are properly located. Extensive studies are done in an effort to select sites for tailings storage facilities away from sensitive environmental areas – such as lakes and streams, wetlands, fishing and hunting areas – to the greatest extent possible.

Secondly, care must be taken to ensure that tailings material is as environmentally friendly as possible. This can be achieved by designing a milling process that captures the vast majority of the minerals present in ore, and by ensuring that the chemicals present in tailings are kept at predictable and manageable levels.

Finally, tailings storage areas must provide for the safe and permanent storage of tailings material. This is achieved by designing tailings embankments to withstand potential catastrophic events, and by controlling the seepage of tailings water. Through modern advances in engineering and construction, it is possible to design and build permanent tailings facilities that are able to withstand severe earthquakes, floods and other catastrophic events.

The goal of the Pebble Partnership and its consultants is to design and construct a tailings facility at the Pebble Project that can operate safely and protect the environment, including downstream water quality and fisheries in the region.

What approach to tailings management will be used at the proposed Pebble mine?

The Pebble Partnership and its consultants have conducted extensive studies to determine the best design options and site locations for proposed tailings facilities at the Pebble Project.

The Partnership will apply modern engineering practices and build its facilities to meet exacting standards and safety requirements enforced by state and federal agencies. The location and footprint of the tailings storage area will be determined prior to the submission of a comprehensive mine plan for the Pebble Project targeted for 2010.

A range of options are currently being examined as part of the development of a proposed mine plan for Pebble, including a conventional open pit, an underground block caving operation, or a combination of both.

A significant portion of the material to be mined at Pebble is considered ore, which contains valuable minerals that will be extracted through the milling process. The remainder will be overburden and mine rock. Once the ore is crushed, watered and put through an on-site mill, it will be separated into mineral concentrate and tailings. Most of the total volume of processed ore will end up as tailings; the remainder will be mineral concentrates containing copper, gold, silver and molybdenum.

The Pebble Partnership will continue technical and environmental studies to refine its plans for the proposed tailings facility at the Pebble Project. Once complete, the proposed tailings facility will include embankments designed to withstand seismic events larger than could actually occur in the project area.

The final proposal for tailings management at Pebble will be included in the mine plan targeted for completion in 2010. This proposal will be subject to an exhaustive regulatory review and permitting process involving state and federal agencies and the people of Alaska that is expected to take three years to complete.

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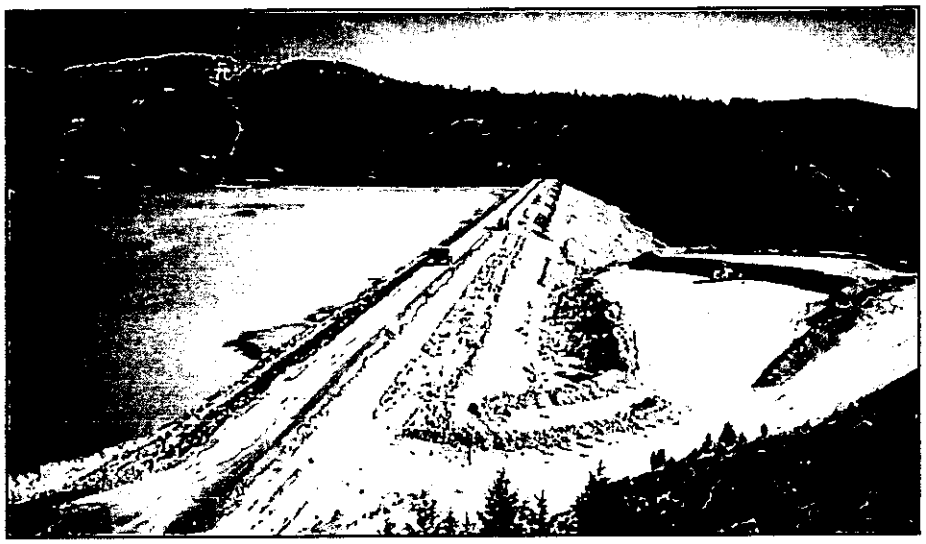
How are tailings embankments built?

Once the best possible site has been chosen for a tailings storage facility, a plan must be developed to ensure it can safely and permanently store all of the tailings produced over the life of a mine. This usually means an embankment is built at the low end of the area selected for tailings storage, and that a pipeline is constructed to carry tailings from the mill to the top of the embankment.

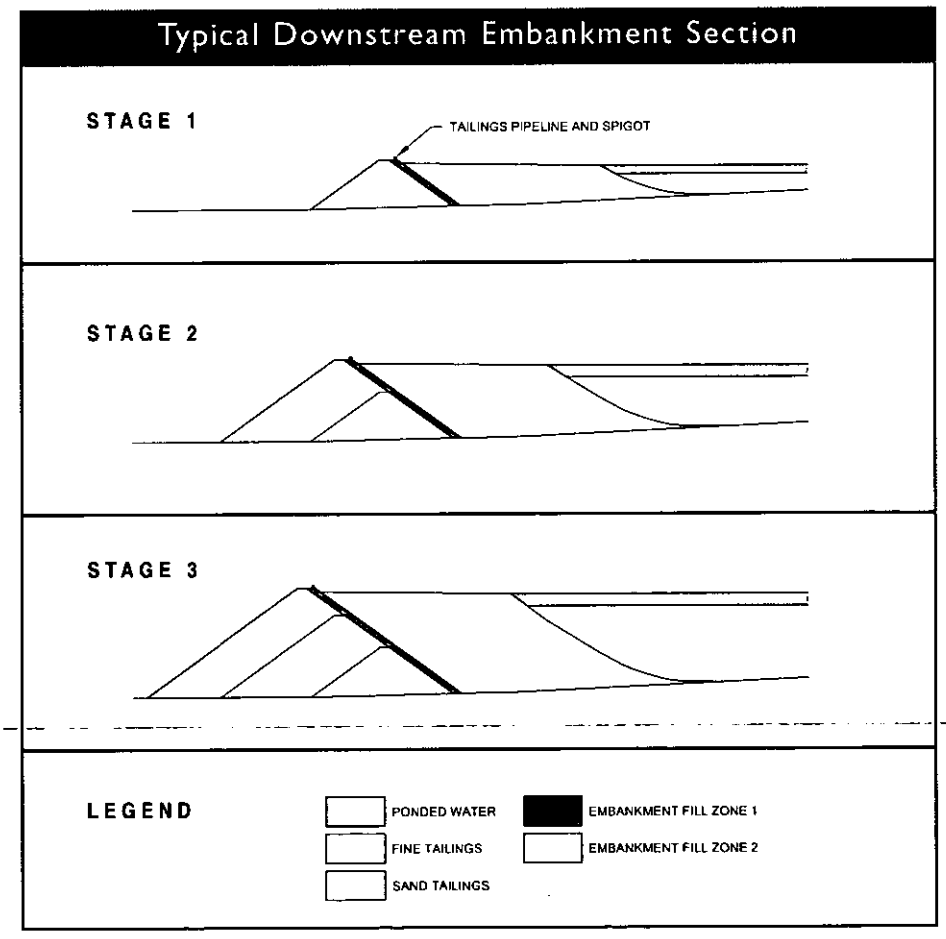
Unlike water dams, tailings embankments are made of rock and sand, and have a very wide base. They are engineered structures built to withstand earthquakes, floods, and other catastrophic events. They are designed and built to exacting standards enforced by state and federal government experts. They also employ modern engineering practices and technology from around the world.

As the volume of tailings material contained in the storage area grows, so too must the height of the tailings embankment and the elevation of the tailings pipeline. Each stage of the process is carefully planned, highly engineered and carefully scrutinized by state and federal experts.

Tailings material – water and ground rock – is transported from the mill to the tailings storage area via pipeline.



A tailings embankment – or barrier – is usually built at the low end of a valley to contain tailings material. (A tailings embankment near Jefferson City, Montana.)



As the volume of tailings material contained in the storage area grows, so must the height of the tailings embankment and the elevation of the tailings pipeline.

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How do you make sure that mine tailings do not harm the environment?

The first step to effective tailings management is to design a milling process that produces tailings that are as 'clean' as possible. This means that the mineral content is low, and that chemicals are kept at manageable and predictable levels.

The second priority is to ensure that tailings material remains safely stored. This is achieved by building an embankment capable of retaining all of the tailings material generated over the life of a mine. Tailings embankments are engineered to be permanent structures.

Over time, the sand and silt-sized particles within tailings will accumulate at the bottom of the storage facility to form a dense layer that is highly resistant to water movement. This natural barrier will become several hundred feet thick over the life of a mine – considerably deeper than the relatively shallow pool of water it contains.

The separation of tailings solids and tailings water is an important safeguard for the environment. Not only do tailings solids help contain the tailings pond, they also attract and accumulate the mineral content that exists in tailings water. Over time, these minerals will stabilize in the tailings solids and safely settle in the dense layer that forms at the bottom of the storage facility.

Another design feature of tailings facilities is the incorporation of seepage control and collection measures to ensure no impairment of the groundwater surrounding a mine site. This issue is managed differently at different mines.

In some cases, waterproof liners may be used in combination with water collection systems to control and manage seepage that occurs from storage areas. In other cases, water collection systems are used to ensure that any water that seeps from a tailings storage area is collected and recycled. This approach has been proven to achieve 100% recovery of tailings water at other mines.

The final design feature to be considered in tailings management relates to the control of tailings dust dispersal. This dispersal can be managed by keeping the tailings material saturated at all times.

What happens when mining is complete?

Mining companies are required to design and build permanent tailings storage facilities. But some important changes are made when mining is complete.

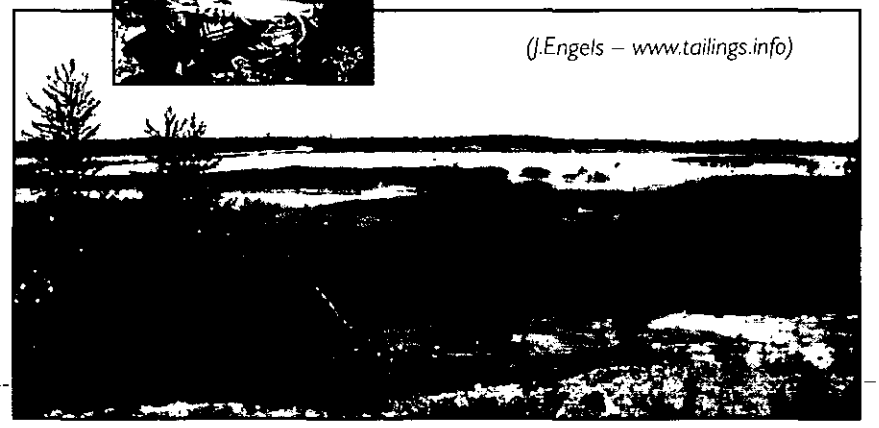
Of course, the pipelines and equipment required to transport tailings to the storage area and water to the mill are removed. The water collection system is operated until monitoring shows that water in the tailings pond is entirely safe. This may occur naturally at some mine sites, usually within five years. Ongoing water treatment may be required in some cases.

Additionally, after mining is complete, tailings storage areas are reclaimed – or returned to a natural-like condition. This means that the area is recontoured to blend into the surrounding environment. Soil and other overburden are replaced and native vegetation is re-established.

Once water in the tailings pond is safe, it can be reconnected to the natural water system through a series of channels and streams. In this way, water balance in the area can be re-established. Depending on environmental conditions before development, former tailings ponds can become lakes capable of supporting fish populations. Land areas become revegetated and provide habitat for local wildlife.

A trophy rainbow trout fishery has been established at a reclaimed tailings pond at the Highland Valley Mine in British Columbia, Canada.

(J.Engels – www.tailings.info)



A reclaimed tailings pond in Sudbury, Ontario, Canada.

In all cases, state and federal laws require that mining companies post a financial surety before any areas can be disturbed for mine construction or operations. This ensures that enough money is always available to restore disturbed areas to a natural-like condition.

3/23/10 LUNCH & LEARN: EMERGING COAL MARKETS & TECH...

Usibelli Coal Mine, Inc.

Emerging Coal Markets and Technologies

Alaska Capitol Building
Lunch and Learn Program
March 23, 2010
Steve Denton, VP Business Development

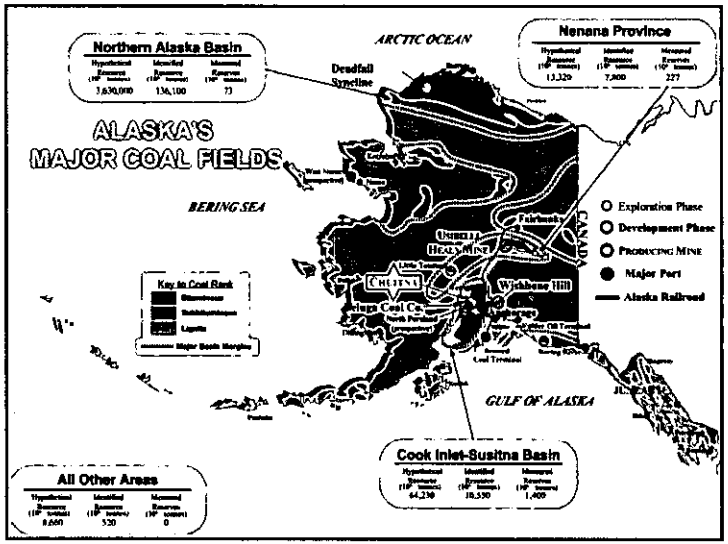
Emerging Coal Markets and Technologies

- Coal Formation and Rank
- Alaska's Coal Resources & Markets
- Alaska's Export Infrastructure
- Export Markets
- Combustion Technologies
- Coal Gasification

Coal Rank

Today → 300 million Years

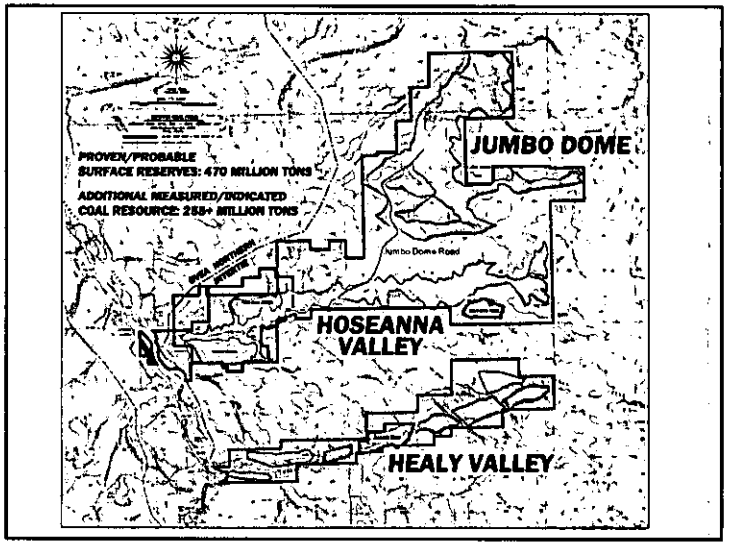
Usibelli Coal – Sub-bituminous
About 20 million years old



Alaska Coal Deposits With Export Potential

Deposit	Coal Rank	Million Short Tons	
		Reserves	Resources
Nenana (Healy)	Sub-Bituminous	500	7,000
Wishbone Hill	HV Bituminous	20	52
Cook Inlet	Sub-Bituminous	1,400	10,000
Deadfall Syncline	HV Bituminous	30	100+
Bering River	LV Bituminous	35	60

1 billion tons coal ~ 15 – 25 tcf natural gas

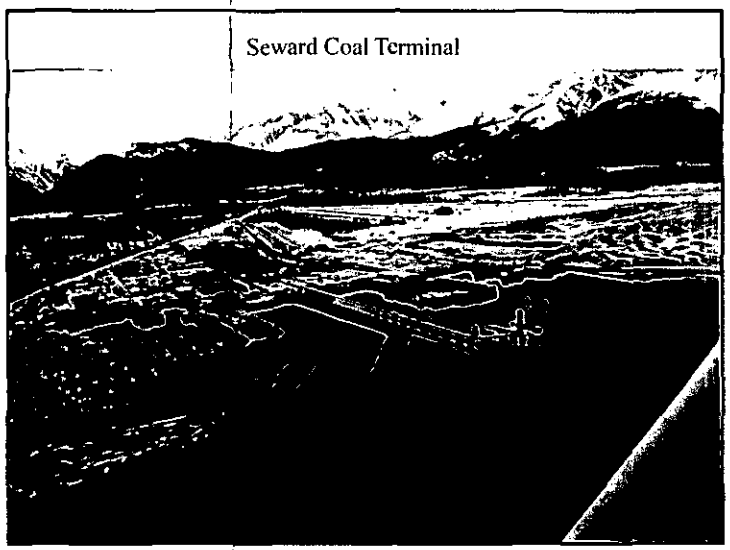


Alaska Coal Markets

- 2009 Alaska consumption – 975,578 tons
  Total for 2009 – 1,861,714 tons.
- Existing Customers
  - 5 cogeneration plants. Clear, Wainwright, Eielson, Aurora, University
  - GVEA Unit 1 mine mouth plant in Healy
  - North Pole Coal, residential/commercial space heating
  - Seward Terminal, residential/commercial space heating
- Potential new markets.
  - Healy Clean Coal Project
  - Railbelt power generation
  - Synthetic fuel production

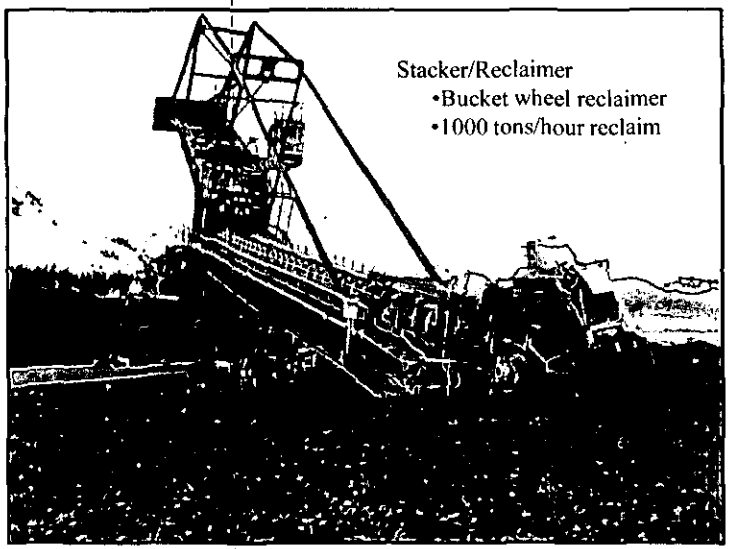
Alaska Railroad Corporation

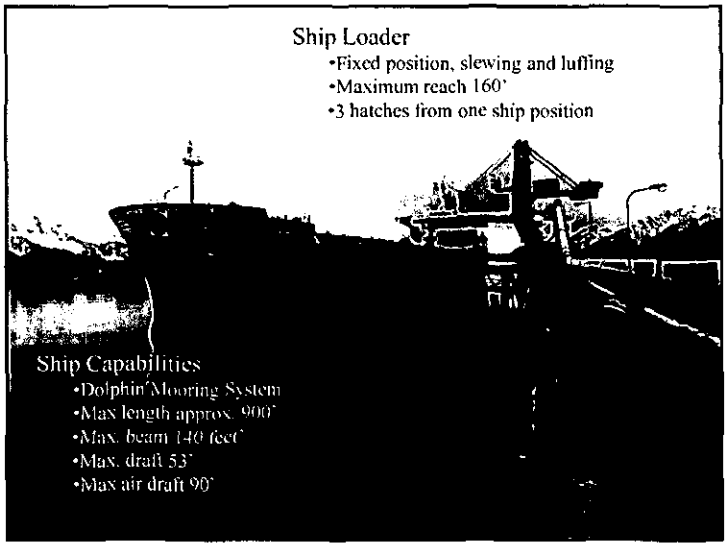
- Owned by State of Alaska
- Fairbanks to Seward – 470 miles
- Healy to Seward – 358 miles
- Mostly single line
- Severe grades and corner radius areas
- Summer traffic congestion
- Maximum 80 car unit train to Seward

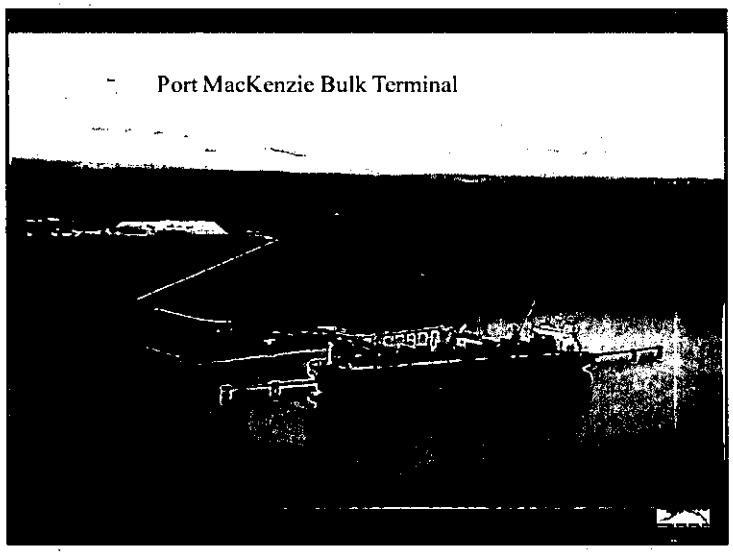


SEWARD COAL TERMINAL

- 1.5 million mt/year capacity
- 12,000 to 16,000 mt/day loading rate
- 120,000 mt stockpile capacity
- 16 meter draft (53 feet)
- 90,000 ton maximum ship size
- Owned by the Alaska Railroad Corp.
- Operated by Aurora Energy Services, LLC, affiliate of Usibelli Coal Mine, Inc.







Port MacKenzie

- Located about 150 miles closer by rail, 2-3 days longer for bulk carriers.
- Currently no rail service, 43 miles new track required.
- Cape class draft, high tide departure due to shoals.
- Extreme tide range – 35 feet
- Currents to 5 knots at angle to dock
- 9 – 10 month ice free season
- Fixed loading arm
- Currently loading wood chips and gravel

World Coal Production

EIA Preliminary 2007 Data
(million short tons)

North America	1,234
Central/South America	92
Europe	814
Eurasia	537
Middle East	1.4
Africa	289
Asia & Oceania	4,069
Total	7,036

PacRim Coal Importers

EIA Preliminary 2007 Data
(million short tons)

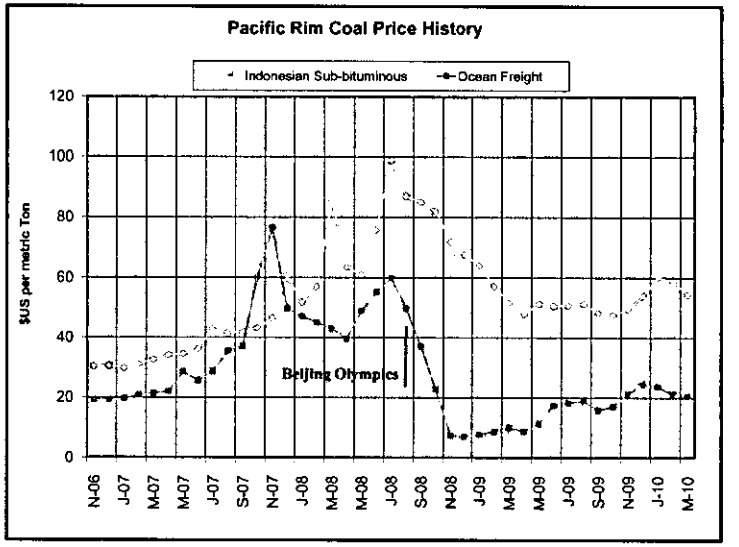
	Production	Consumption	Imports
Japan	0	207	207
South Korea	3	106	103
China/Hong Kong	2,804	2,904	100
India	528	579	51
Taiwan	0	73	73
Thailand	20	36	16
Malaysia	1	12	11
Mexico	12	19	7
Chile	1	6	5

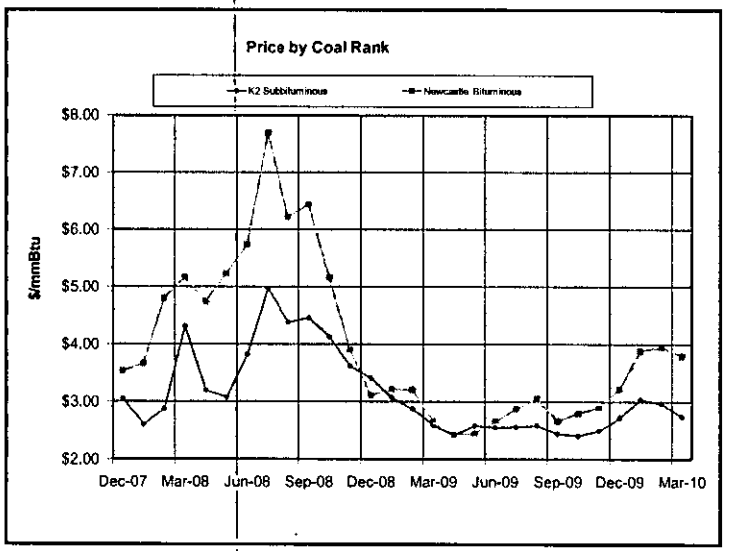
PacRim Coal Exporters

EIA Preliminary 2007 Data
(million short tons)

	Production	Consumption	Net Export
Australia	428	146	282
Indonesia	180	50	130
Russia	347	261	86
South Africa	283	203	80
Vietnam	44	19	25
USA	1,146	1,129	17
Canada	76	62	14

Approximate Total Seaborne Coal Trade – 750 million metric tons





Expanding Coal Demand

Platts International Coal Report, March 22, 2010

- Seaborne demand up by 300 million tons by 2015
  - India – 125 million
  - China – 45 million
  - Japan – 25 million
  - S. Korea – 15 million
  - Taiwan – 10 million
  - Remaining Pacific – 30 million
  - Atlantic – 45 million
- New power plant construction
  - India – 55,000 megawatts under construction
  - China – 55,000 megawatts in 2010
  - Around 1 billion tons new demand by 2015

Key Players - Demand

- India
  - Swing buyer –both Pacific and Atlantic sources
  - Committed to major coal generation expansion
  - Supply shortages from domestic producers
- China
  - Continued high growth rate.
  - Internal transportation infrastrucuture challenged
  - Large coal reserves
- South East Asia
  - High growth rate and internal consumption
  - Primarily Australia/Indonesia sources

Key Players - Supply

- Australia -Largest export supplier
  - Port and Rail limitations (50+ queue at Newcastle)
  - Large bituminous reserves
- Indonesia
  - Predominant supplier of sub-bituminous
  - High internal demand growth
- South Africa - Pacific and Atlantic supply source
- Colombia
  - Potential source for India
  - Aggressive expansion plans
- Russia
  - Both Atlantic and Pacific ports
  - Long rail transport distances

Alaska Export Opportunities

- Currently approximately 5,000 megawatts of generation can use 10 - 50% Alaska coal.
- Chile – Plans to add approximately 7000 megawatts by 2017, mostly coal.
- Japan /China/Korea – High demand growth from India and South East Asia will stress supply for North Pacific consumers.
- South Africa– Increased demand from India and SE Asia will create increased demand for Colombian coal in Europe.
- Colombia – Less attractive source for Chile due to high Europe demand.

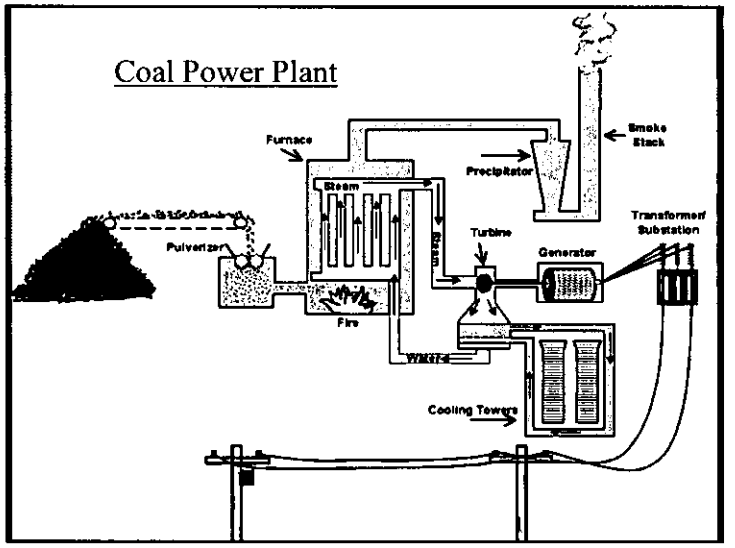
Usibelli Coal Exports

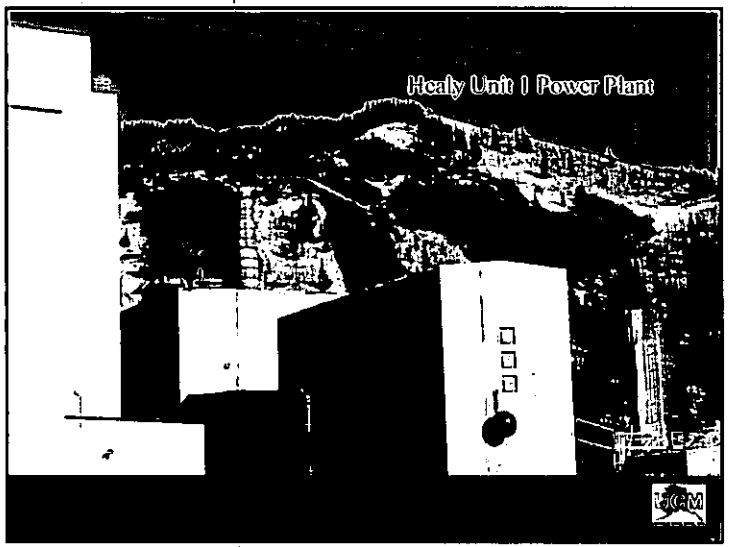
- Up to 723,000 mt to Asia 1985 - 2003
- Recent years (metric tons):

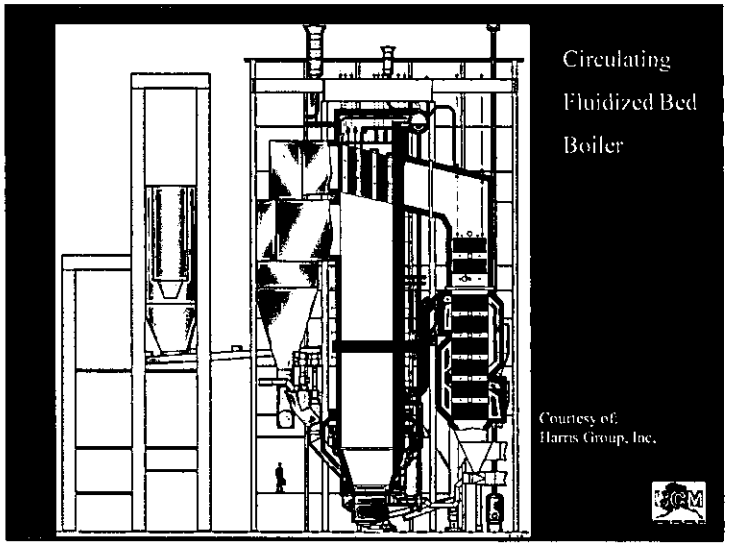
	Asia	Chile	Total
2004	408,840	86,110	494,950
2005	362,660	93,360	456,020
2006	319,610	73,170	392,780
2007	0	279,624	279,624
2008	157,582	364,994	521,000
2009	336,843	466,908	803,751

Power Generation Options

- Traveling Grate Stoker - Fairbanks
- Conventional PC Power Plant – Healy 1
- Circulating Fluid Bed – fuel diversity
- Super and Ultra Supercritical PC
  - Better efficiency and modest cost
- IGCC – high cost and high efficiency
- Gasification for polygeneration
  - Electricity plus liquid fuel or chemicals



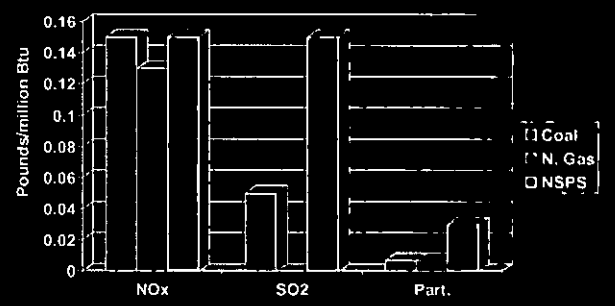




Coal
A Safe & Clean Energy Choice

- Safe to transport. Non-toxic if spilled
- Low combustion potential.
- Useful by products from ash.
- Clean burning with modern technology.
- New plants will employ pollution controls for all pollutants, including mercury.
- Mine lands reclaimed and returned to productive use.

Coal and Natural Gas
Emission Comparison



Gasification
Coal's Future?

New Life For An Old Technology

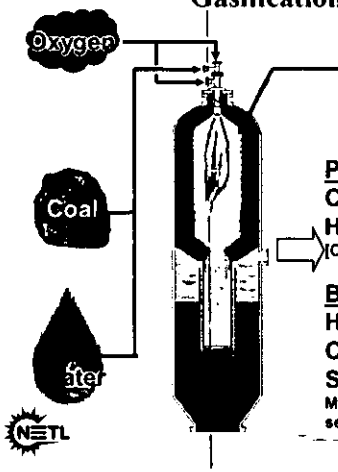
- Integrated Gasification Combined Cycle (IGCC)
- Fischer-Tropsch (FT) Fuel
- Fertilizer/Ammonia
- Petrochemicals

Gasification Process

Organic material (C + H) + Water + *Not Enough* (O_2)
+ little heat
Results in gasification:
Some Heat + Carbon Monoxide (CO)
+ Hydrogen (H_2) + ash + pollutants

- **Can convert almost any organic material into heat and a combustible gas**
- **Typically the organic material is coal or pet coke, but biomass, municipal waste, natural gas, etc. will all work (pet coke is refinery waste)**

Gasification Process #2



Extreme Conditions:
- up to 1,000 psig
- 2,600 °F
- Corrosive slag (molten rock)

Products (syngas)

CO (Carbon Monoxide)

H_2 (Hydrogen)

[CO/H_2 ratio can be adjusted]

By-products

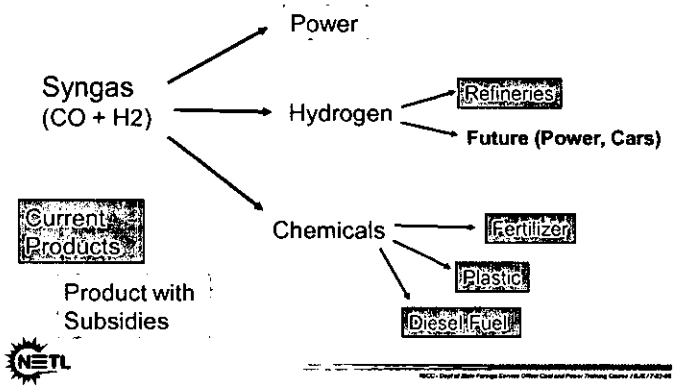
H_2S (Hydrogen Sulfide)

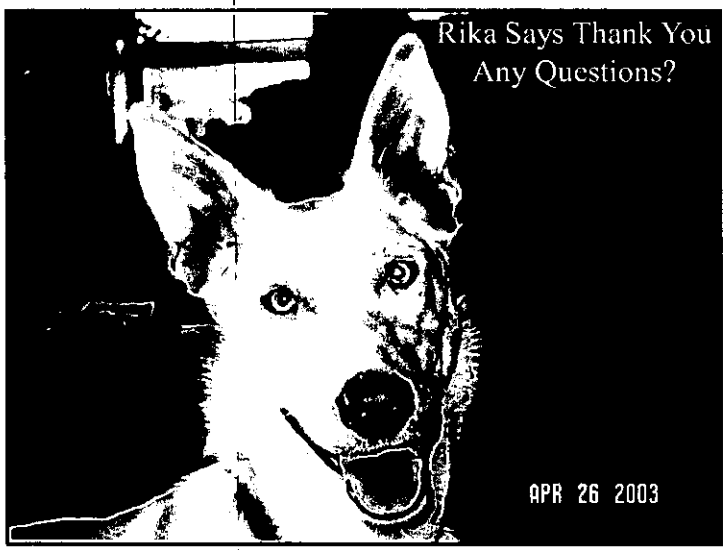
CO_2 (Carbon Dioxide)

Slag (Minerals from Coal)

Mercury, arsenic, cadmium, selenium…

Gasification Syngas Possibilities





Useful Web Sites

- www.eia.doe.gov
  - Extensive data on all types of energy
- www.teachcoal.org
  - American Coal Foundation site with lots of information for those wanting to teach or learn about coal.
- www.uky.edu/KGS/coal
  - University of Kentucky – Kentucky Geological Survey web site.

3/30/10 LUNCH & LEARN: ALASKA'S OFFSHORE, MEGA PROMISE...

2812

Alaska's Offshore

Mega Promise
Mega Uncertainty

House Resources - Lunch & Learn
March 30, 2010

Cam Toohey, Shell
Alaska Government Affairs Manager

2813

Draft Proposed Program
2007 - 2012

Outer Continental Shelf Alaska Planning Areas

LEGEND

Planning Area Boundary

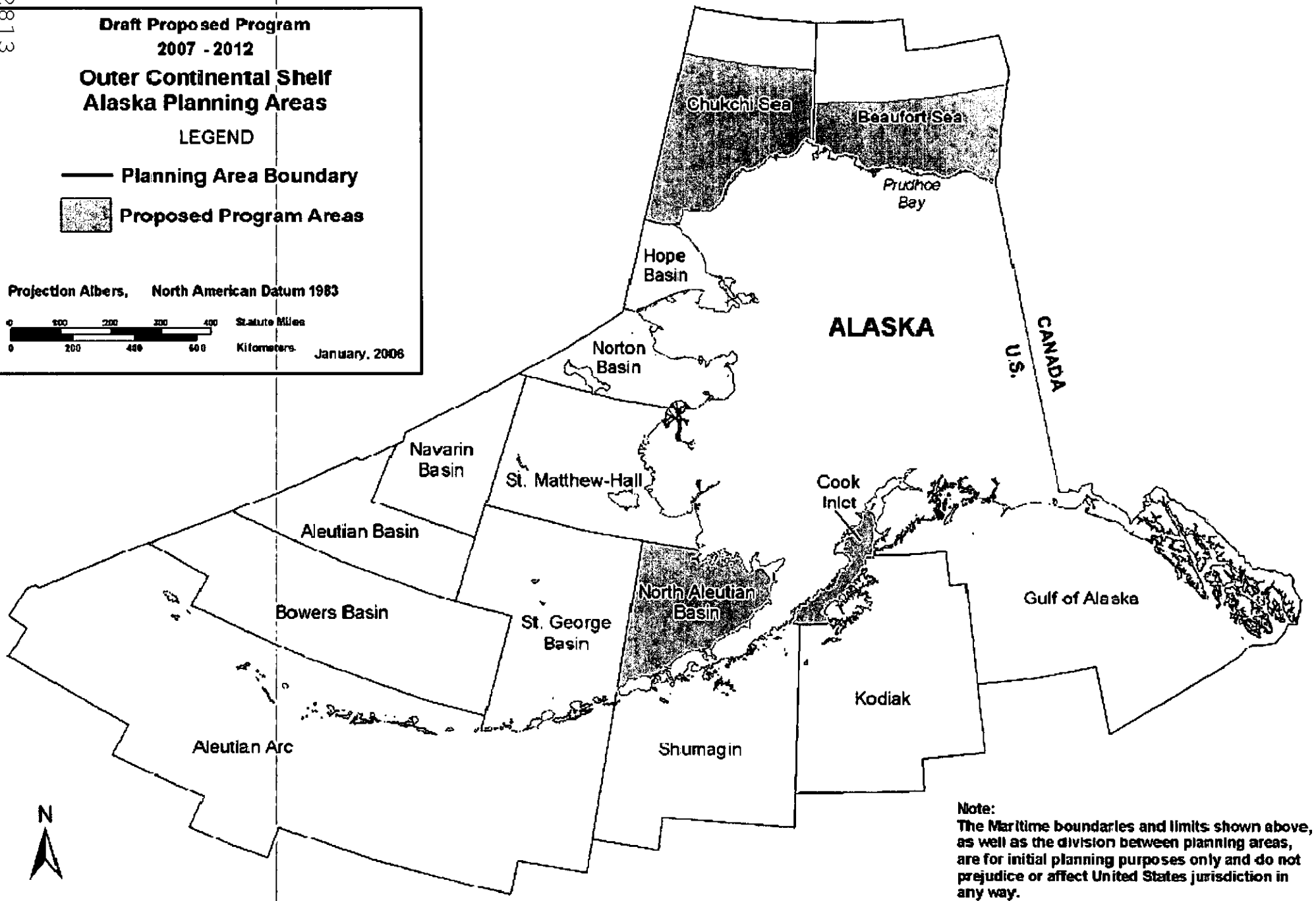
Proposed Program Areas

Projection Albers, North American Datum 1983

0 100 200 300 400 Statute Miles

0 200 400 600 Kilometers

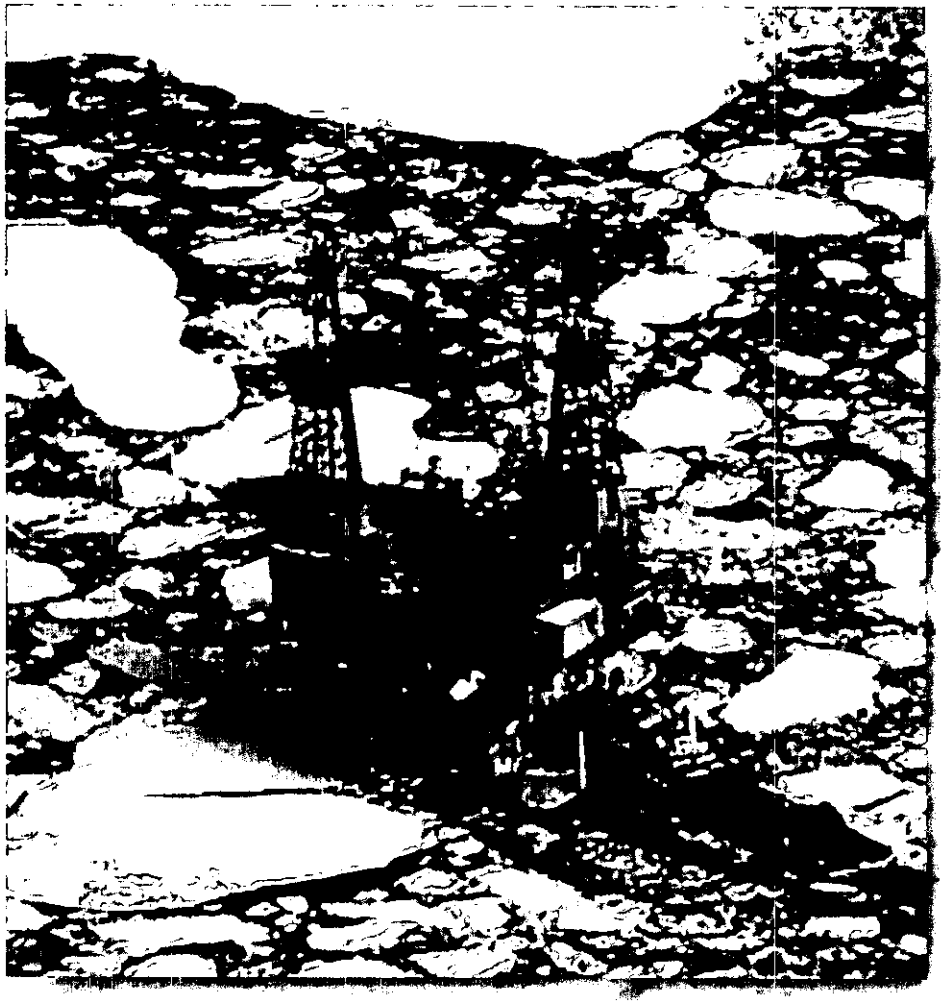
January, 2006



Note:
The Maritime boundaries and limits shown above, as well as the division between planning areas, are for initial planning purposes only and do not prejudice or affect United States jurisdiction in any way.

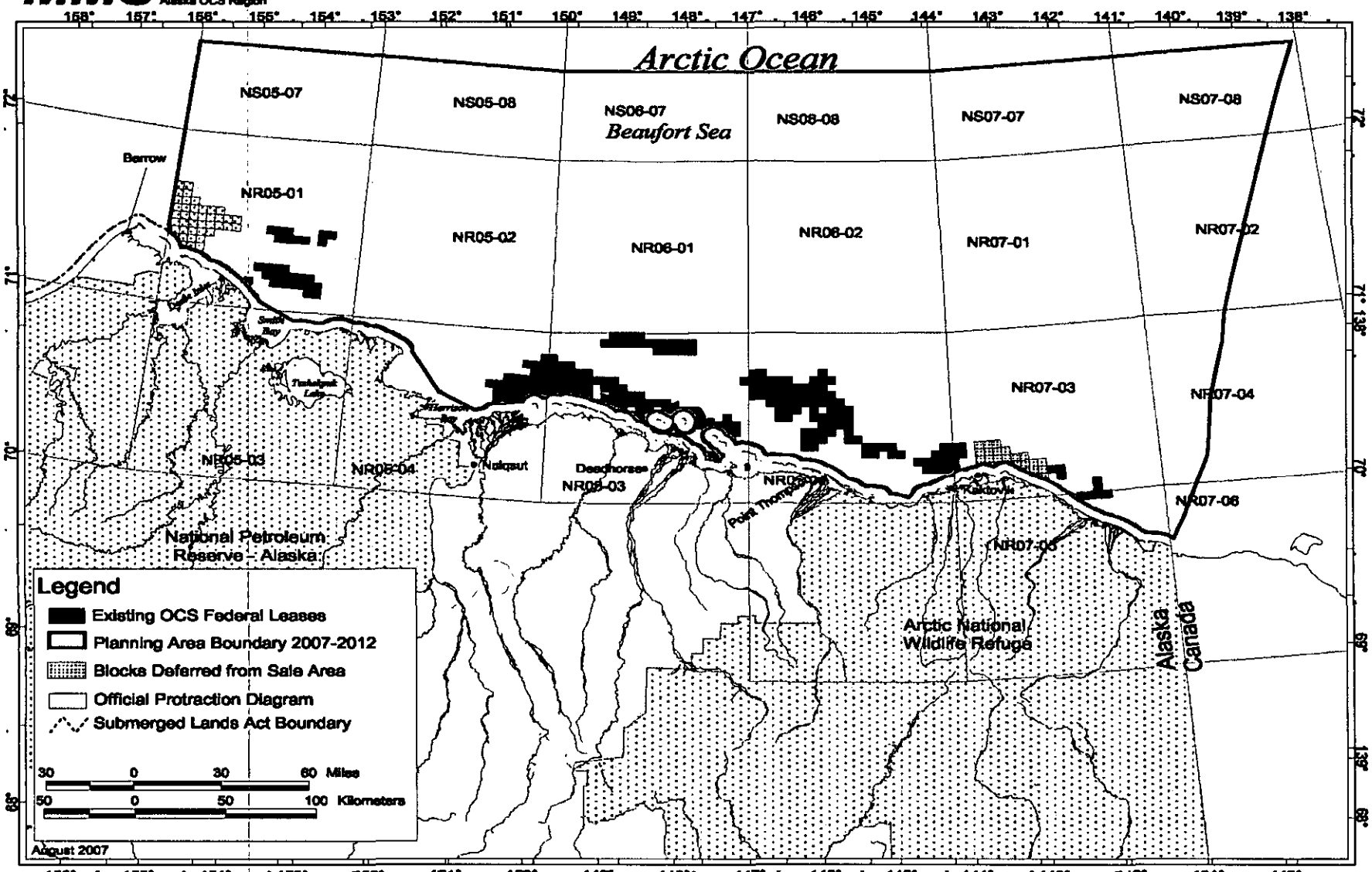
Alaska Offshore: Mega Potential

- 25 Billion barrels of Oil – 120 TCF Natural Gas*
- Successor to North Slope Production
- US Imports 60% of oil and 20% Natural Gas

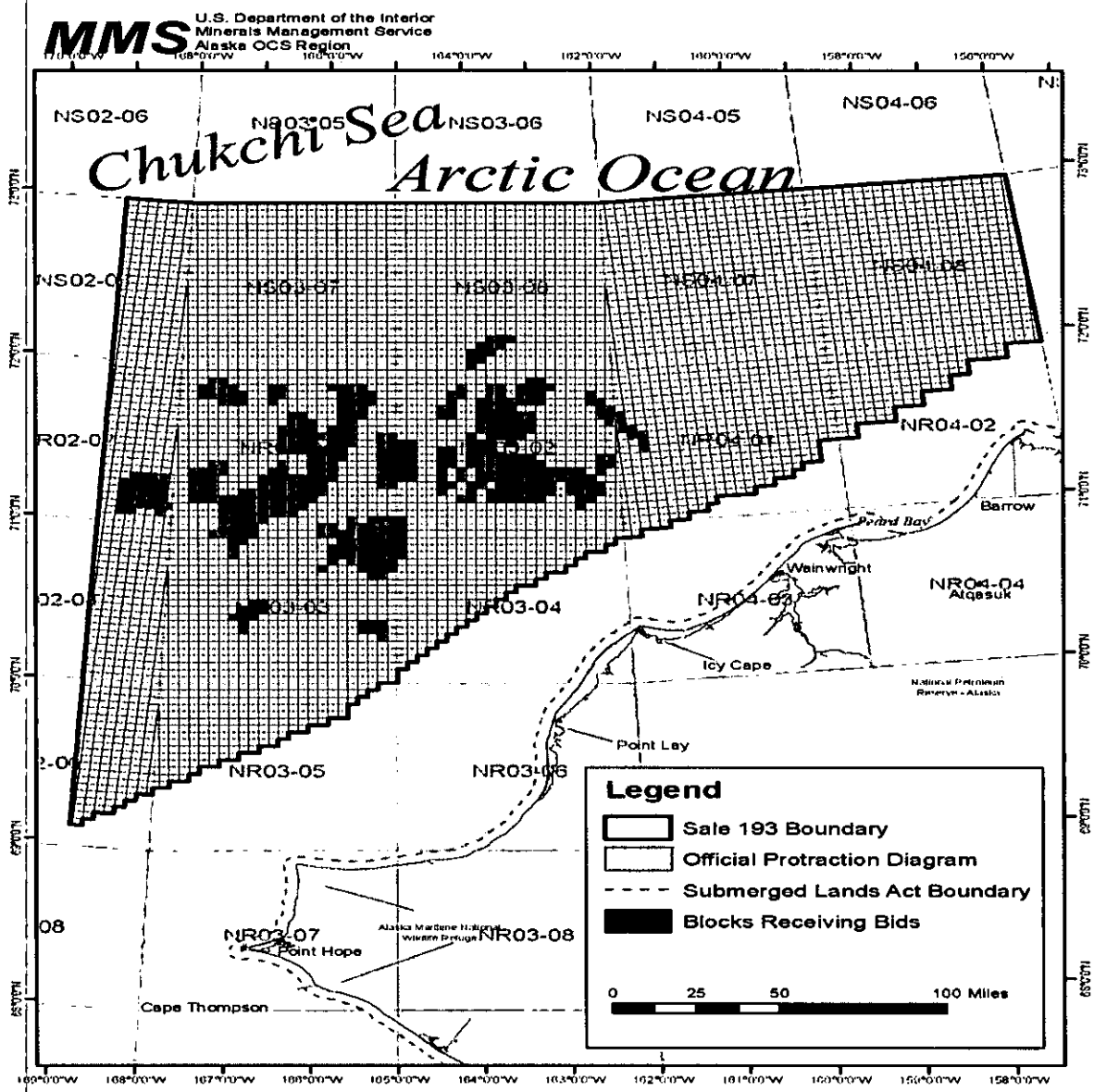


*Numbers for Chukchi and Beaufort are based on MMS mean estimates.

Beaufort Sea



Chukchi Sea


MMS
U.S. Department of the Interior
Minerals Management Service
Alaska OCS Region
Chukchi Sea
Arctic Ocean
NS02-06
NS03-05
NS03-06
NS04-05
NS04-06
NS03-07
NS03-08
NS04-07
NS04-08
NR04-02
NR04-01
NR03-04
NR04-03
NR04-04
Atqasuk
Barrow
Peard Bay
Wainwright
Icy Cape
National Petroleum Reserve - Alaska
Point Lay
NR03-05
NR03-06
NR03-07
Point Hope
NR03-08
Alaska Maritime National Wildlife Refuge
Cape Thompson
Legend
Sale 193 Boundary
Official Protraction Diagram
Submerged Lands Act Boundary
Blocks Receiving Bids
0
25
50
100 Miles

Mega Benefits to Alaska & Nation

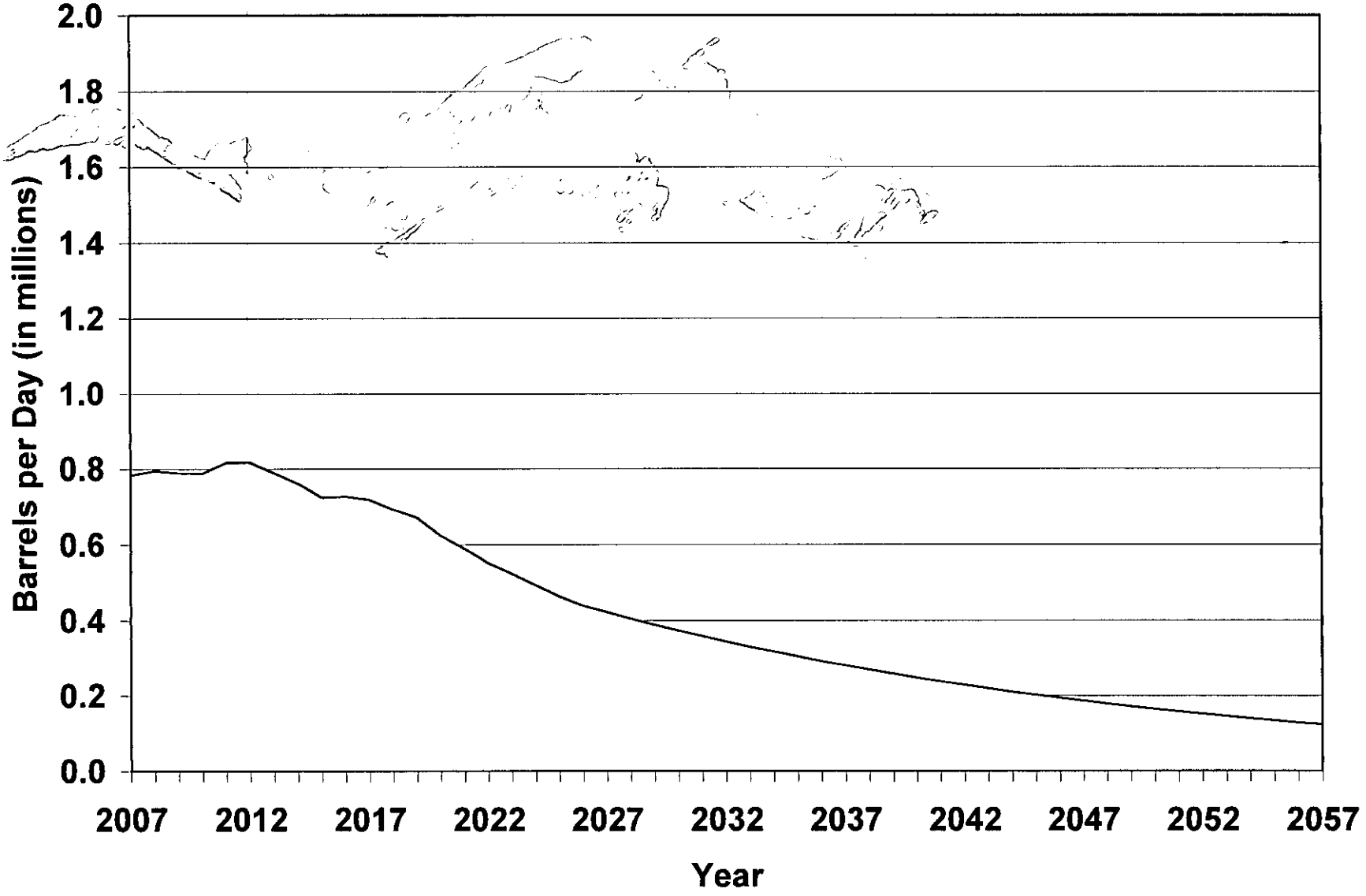
ISER & Northern Economics 2009 Findings:

- 35,000 jobs over project life
- Extend the life for Trans-Alaska Pipeline
- Gas reserves for Gasline to Lower 48 States
- Domestic energy security

Alaska's Future with OCS: Mega Findings

- Jobs represent a total **payroll of $72 billion** (2007$) over the 50-year period.
- Provides **$5.8 billion** direct to State and local government
- **Reduces pipeline tariffs** for onshore production and enables development of marginal oil and gas fields
- Underpin **success of the natural gas pipeline** project

North Slope Oil Production Without OCS



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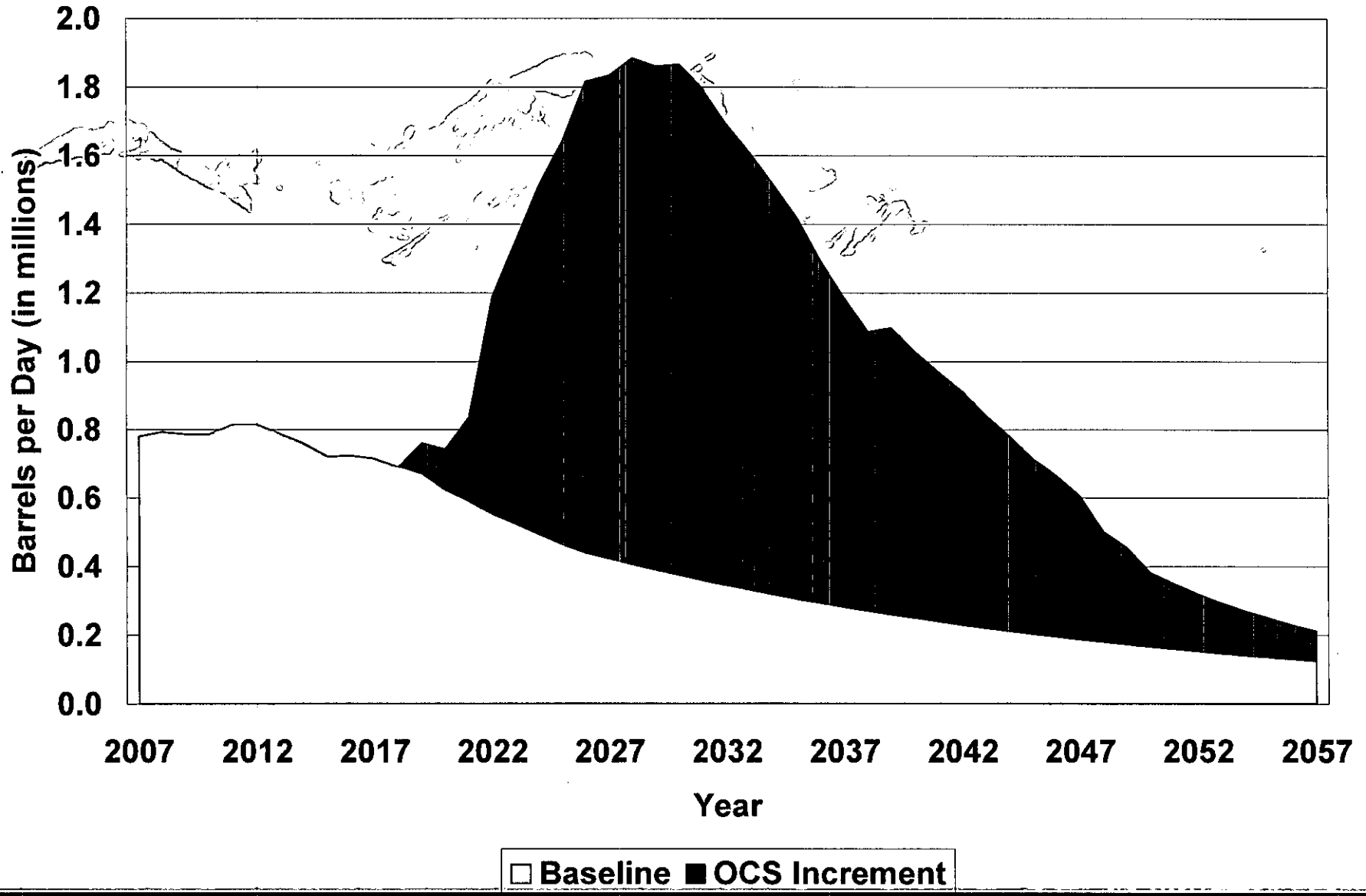
North Slope Oil Production With OCS



2821

Alaska's OCS: Mega Responsibility

Onshore

Vessels

- Landing craft and utility vessels

Booms

Misc Equipment

- Storage and tools

Near shore

Vessels

- Barge
- Work boats
- Skimming vessel
- Mini barges

Skimmers & Pumps

Booms

Misc Equipment

- Decon connex
- Workshop/Tool connex

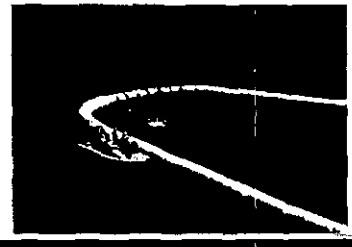
Offshore

Vessels

- OSRV (Nanuq)
- Arctic Tanker
- Work boats
- Vessel of Opportunity

Skimmers & Pumps

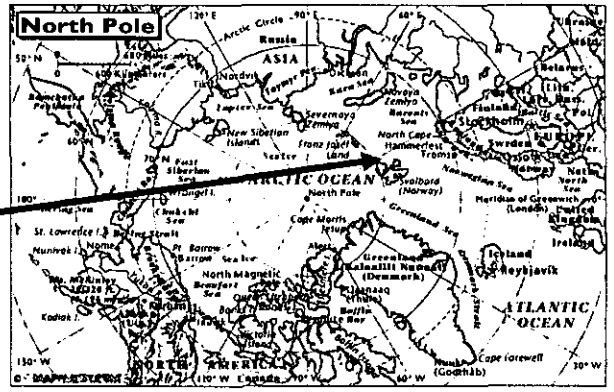
Booms



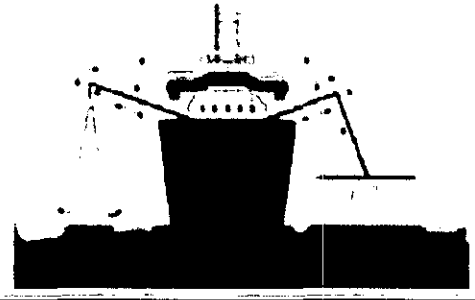
Alaska's OCS: Mega Study & Research

SINTEF

- Full-scale field experiment took place in Barents Sea May 9th – May 25th 2009
- 11 different tests



- A total release of crude oil of over 5000 bls. Treated by burning, mechanical and dispersants.
- Studies of oil slick drift, tests of new mechanical recovery equipment, in-situ burning of oil in broken ice, use of oil spill dispersants on oil weathered in high ice concentrations, and remote sensing systems for monitoring of oil



SINTEF Highlights

- The released oil was **effectively recovered and treated** by combining different response technologies in different ice conditions.

- **Ice can assist** in confining a spill and reduce further spreading and weathering of oil

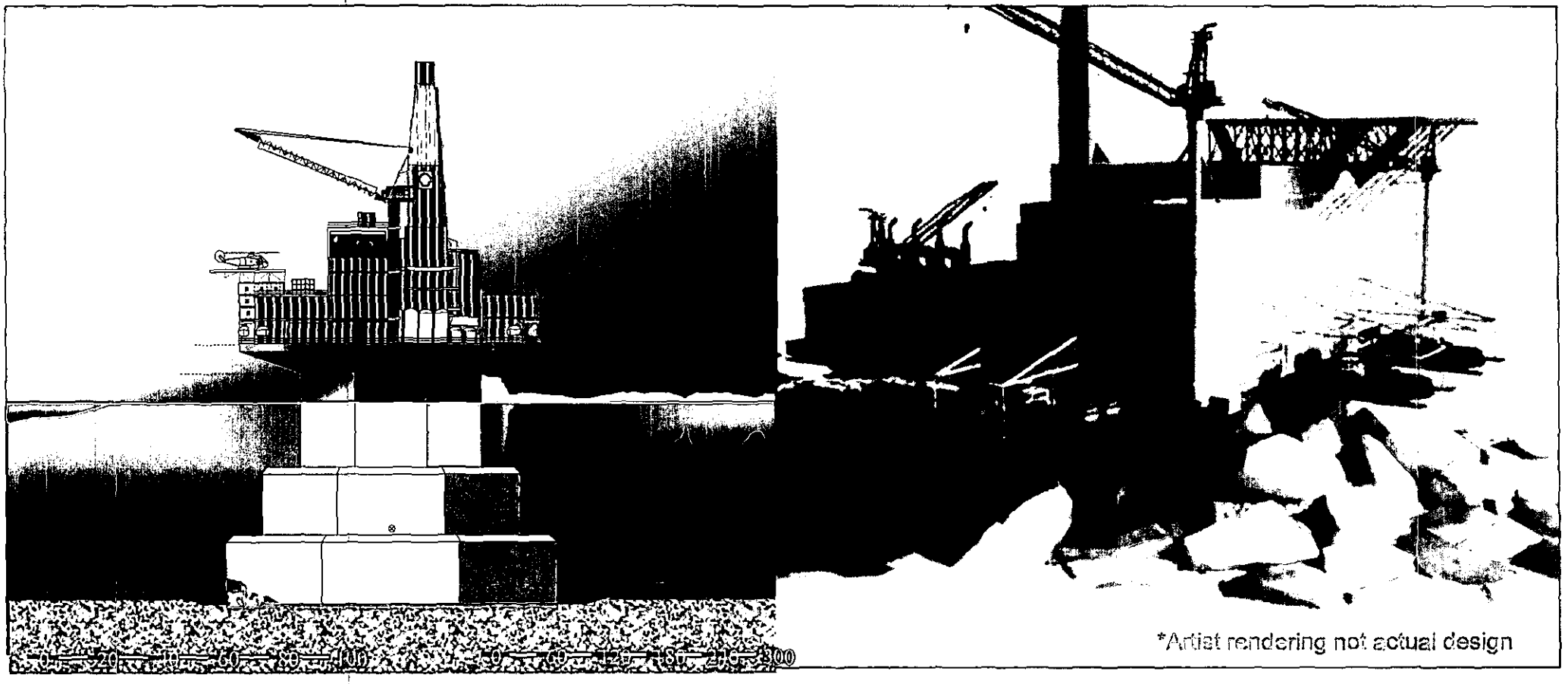
- Confirmed a longer **"window of opportunity"** i.e. the time the different clean-up technologies can be used effectively.

Technical Solutions

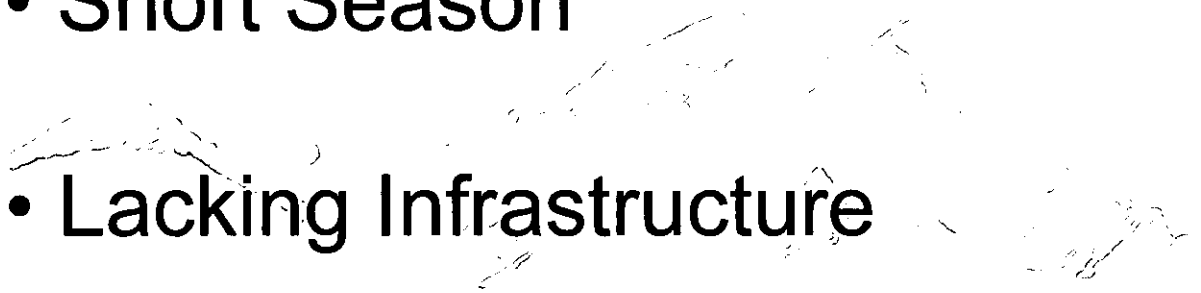
- Ice – Cold - Remote

Arctic Class Platforms

- Pack Ice Pressure

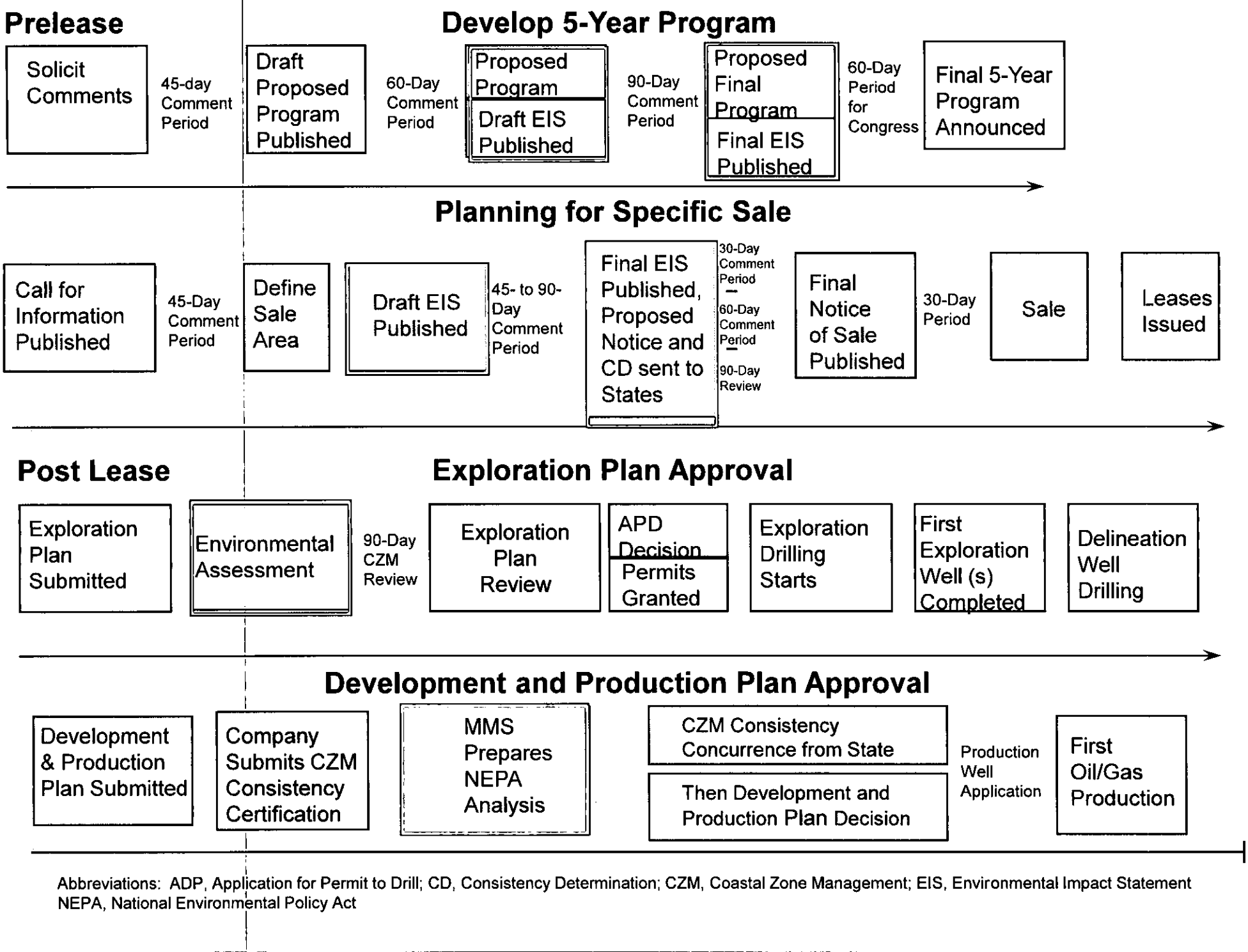


Alaska's OCS: Mega Challenges & Risk



- Short Season
- Lacking Infrastructure
- Logistics
- Ice Class Vessels & Drill Ships
- Investment in Baseline Data
- Permits/Litigation

The OCS Leasing, Exploration, and Development Process



Abbreviations: ADP, Application for Permit to Drill; CD, Consistency Determination; CZM, Coastal Zone Management; EIS, Environmental Impact Statement NEPA, National Environmental Policy Act

2827

Mega Regulatory Challenges - Permits

- Regulation has several layers
  - Federal
  - State
  - Local
- 37 Permits/10 Major
- Regulatory Capacity
- Invites Court action

National Marine Fisheries Service

Minerals Management Service

Environmental Protection Agency

Fish and Wildlife Service

Alaska Dept. of Environmental Conservation

North Slope Borough

Northwest Arctic Borough

Alaska Eskimo Whaling Commission

AOGA

Mega Stakeholders

- Finding common ground with the people of Alaska
- Hundreds of meetings with stakeholders
- Incorporating feedback
- Revised program

Mega Legal Challenges

- D.C. Circuit Court Remands 5-year Leasing Plan (Chukchi leases)
- Beaufort and Chukchi Exploration Approvals Challenged in the 9th Circuit Court
- Total of 6 Active Legal Challenges

2830

Drilling Should be Allowed

Baseline Science

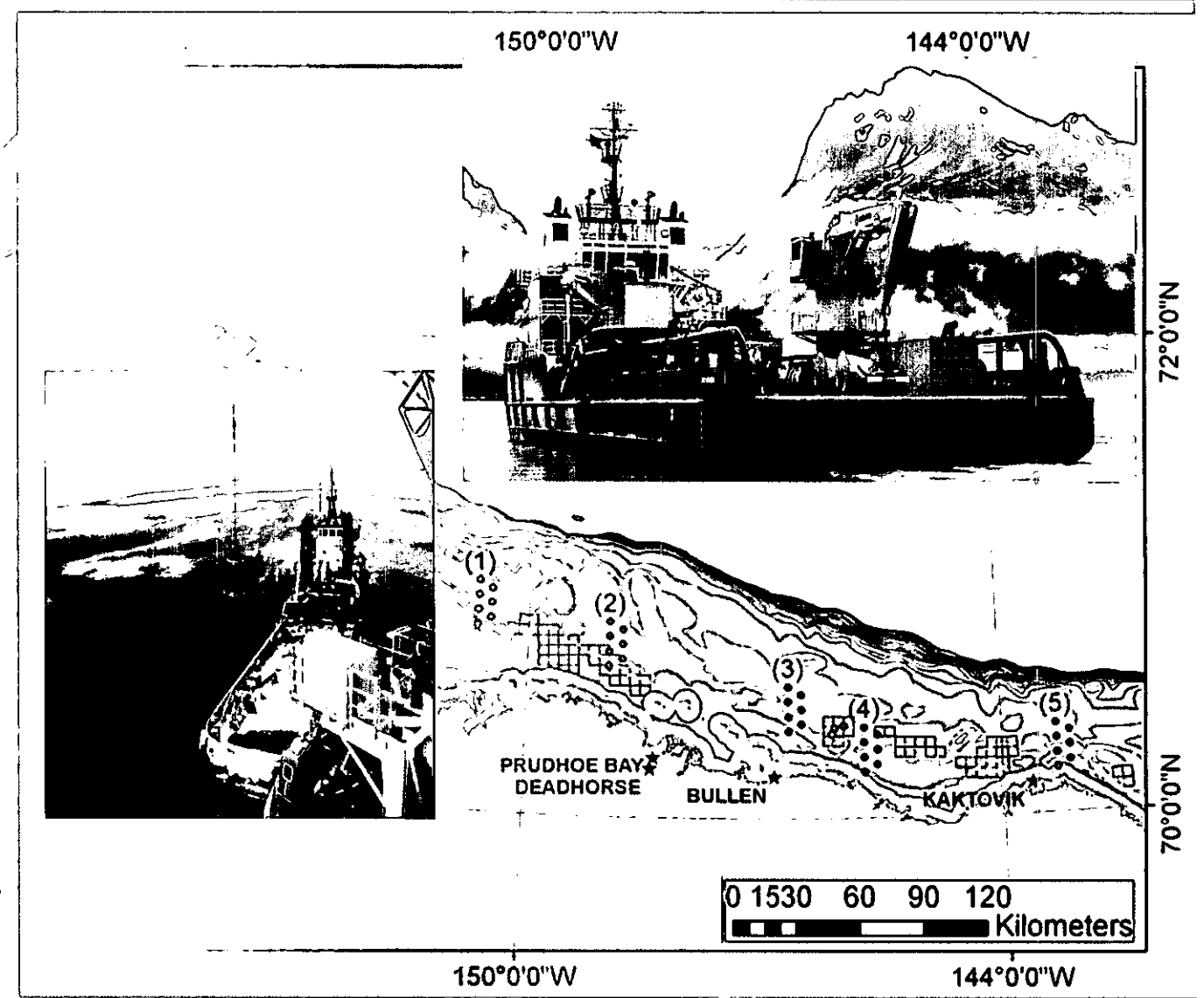
- $500 Million and growing

Oil Spill Response

- World-Class Contingency Plan

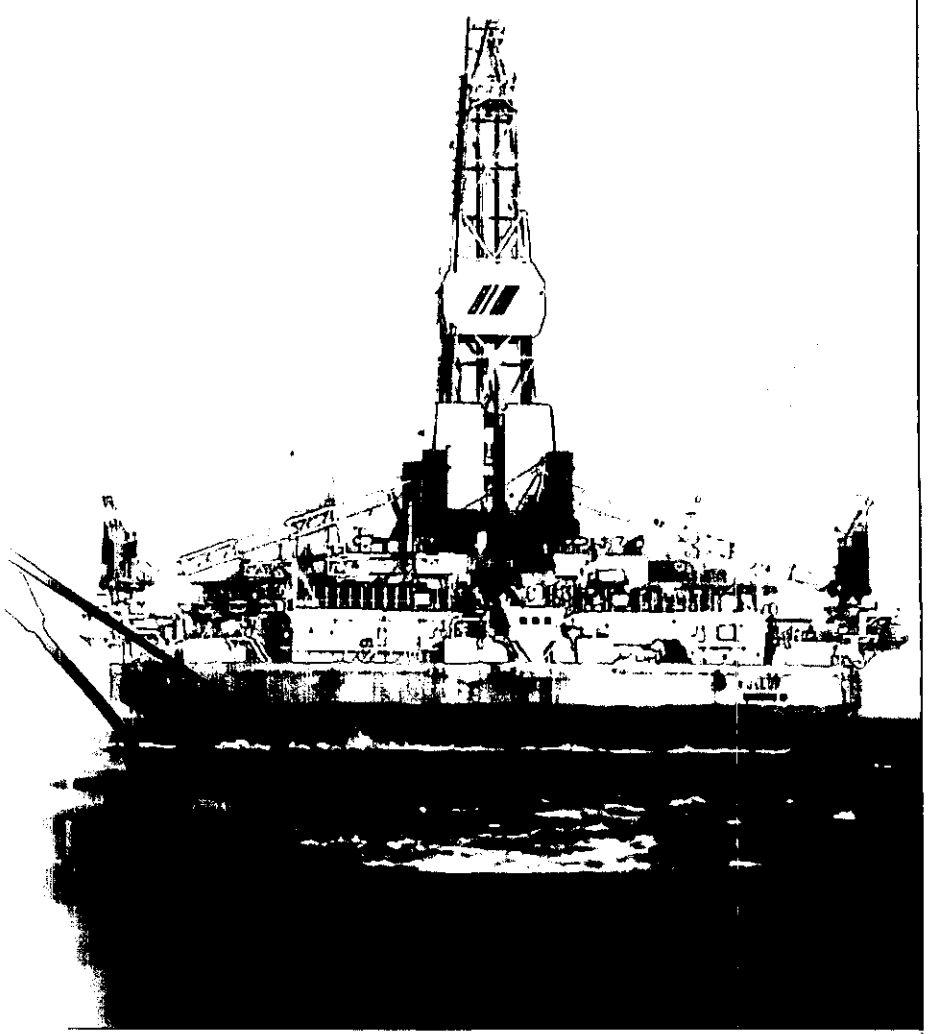
Experience

- Pioneering Alaska Offshore

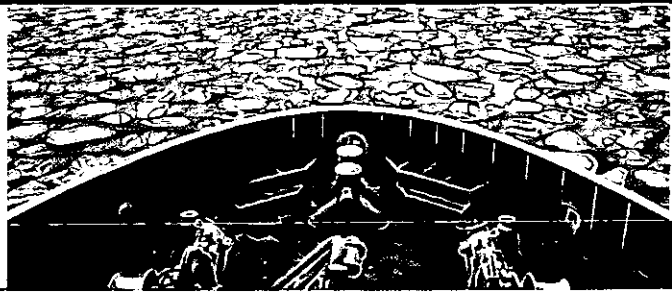


Alaska's Offshore: Mega Promise

- Alaska offshore resources are significant
- Federal lease sales have been held – $ billions collected
- "Shovel ready" since 2007 but de facto moratoria blocks drilling



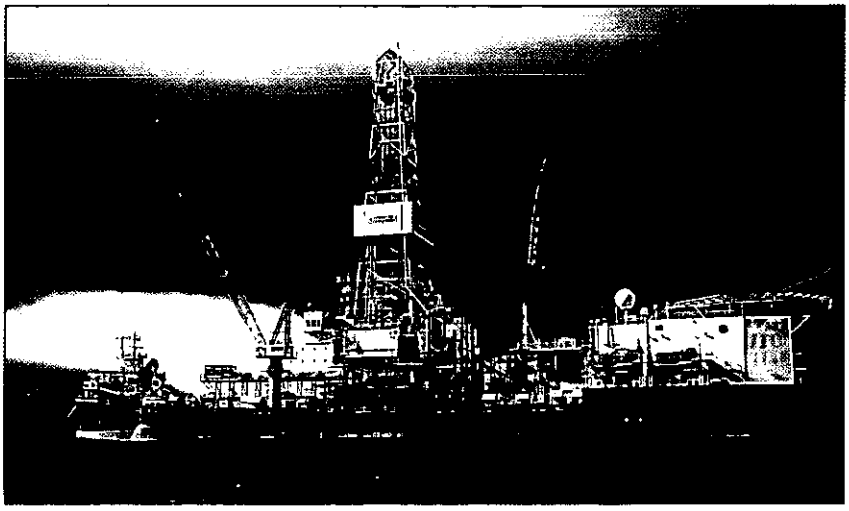
OCS yes



Alaska Oil and Gas Association

Special Edition - Offshore Drilling

Alaska's Offshore: The Next Prudhoe Bay



Nearly four decades after oil was discovered on the North Slope, Alaskans are on the leading edge of a new frontier of oil and gas development that could be as large as the first.

Beneath the water and seafloor that cover Alaska's offshore, known as the Outer Continental Shelf, or "OCS", the most promising undeveloped hydrocarbon basins in North America are believed to exist. In addition to providing thousands of jobs for Alaskans, exploration and development of Alaska's Chukchi, Beaufort and North Aleutian basins could underpin Alaska's economy and provide energy security for a nation desperate for domestic supplies of hydrocarbons.

The US Minerals Management Services conservatively estimates the federal waters adjacent to the State of Alaska contain 25 billion barrels of oil and 122 trillion cubic feet of natural gas More than a dozen companies have invested over $3 billion in recent years on Alaska OCS leases. They hope to replace declining global oil reserves by utilizing the latest technology and world class experience.

With global demand for oil & natural gas expected to increase 50 percent by 2030 it's critical that energy companies have access to domestic hydrocarbons – including Alaska's OCS where known

(continued on page 2)

In This Issue:

The Next Prudhoe Bay 1

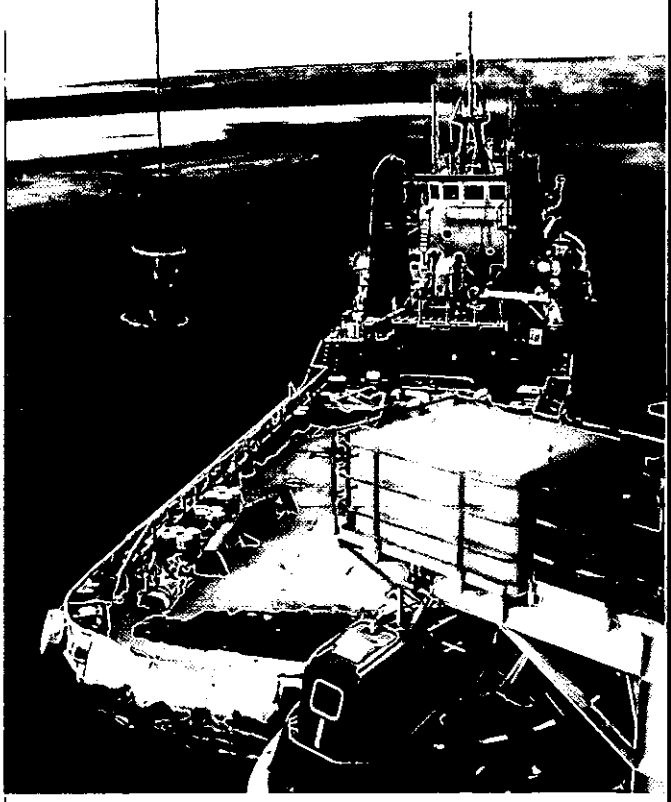
OCS Revenue 2

What's in it for Alaska? 3

Spill Response..... 4

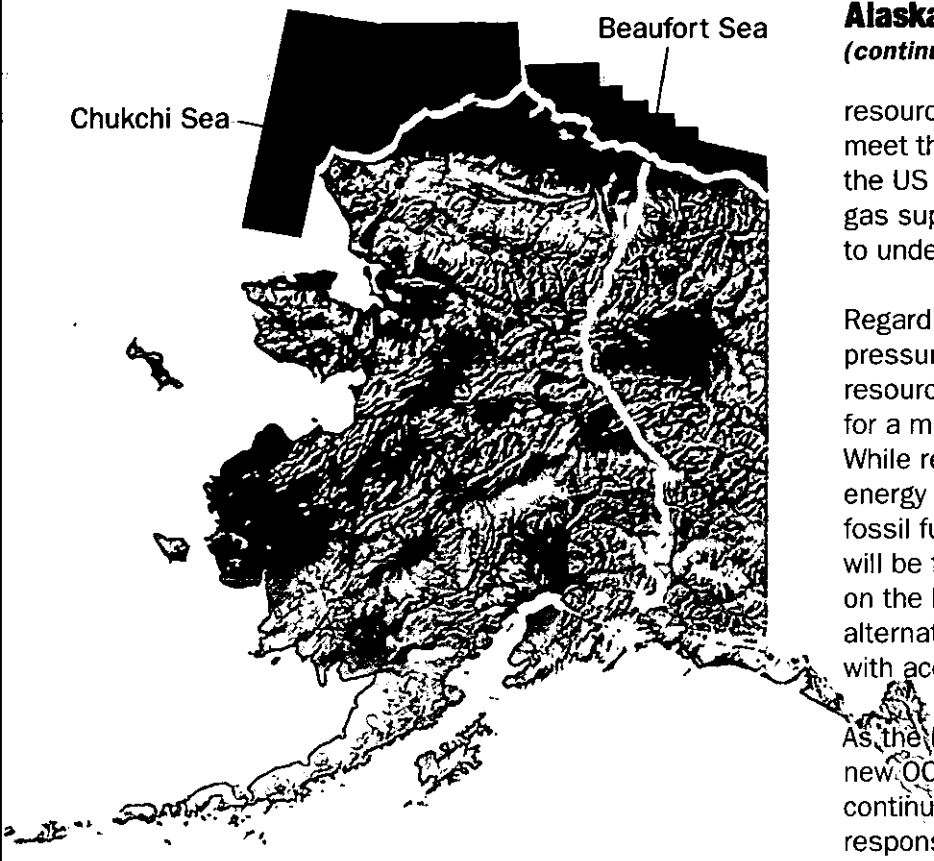
Timeline of Development..... 5

Attend the OCS Hearing..... 6



Top left: Drill Ship "Frontier Discovery" – one of the few drill ships ready to work in the Arctic. Above: Killabuk support Vessel.

2832



Alaska's Offshore: The Next Prudhoe Bay

(continued from page 1)

resources can play a crucial role in helping the U.S. meet the energy challenge. Today, about 65 percent of the US oil supply and nearly 20 percent of its natural gas supply are imported. The current trend threatens to undermine our economy and national security.

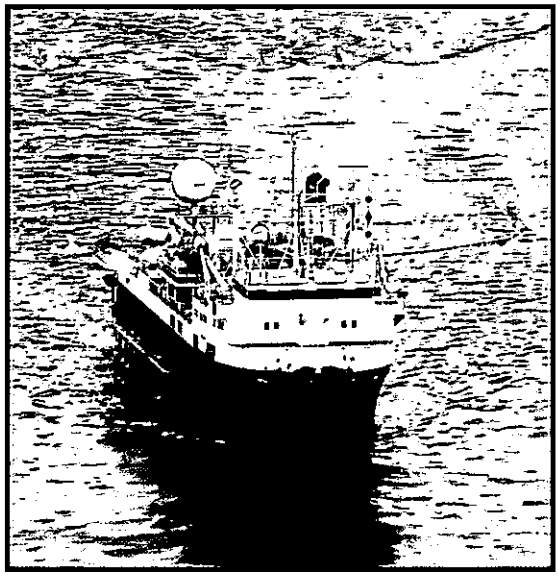
Regardless of the current world economic crisis, the pressure is very much on to develop new energy resources to meet the growing global energy demand for a more technology dependent world population. While renewable energy will be a part of the world's energy supply in the 21st Century, the hard truth is fossil fuels are at the heart of our energy system and will be for the foreseeable future. Those willing to take on the huge risks in developing both conventional and alternative development projects should be rewarded with access to new reserves in the OCS.

As the Department of Interior considers opening up new OCS areas to leasing, it's critical that Alaskans continue to demonstrate their strong support for responsible development of our offshore resources. The offshore is Alaska's next Prudhoe Bay.

Offshore Update

Alaska Already Receiving Revenue From Offshore Activity

Although the state of Alaska does not receive direct tax revenue from development of its offshore resources in the Outer Continental Shelf (OCS), the state does receive federal funds through a program called the Coastal Impact Assistance Program (CIAP). This program is implemented by the Department of Interior's Minerals Management Service (MMS) and is one of the many benefits from offshore development including local job development and indirect tax revenue (See "OCS Development: What's in it for Alaska").



"MV Gilavar" – shooting seismic in the Chukchi Sea.

Due to the successful Chukchi Sea lease sale this past February, these funds have been increased from $2.5 million each of the last two years, to between $29 million and $41.2 million in 2009 and 2010."Alaska plays a vital role in supporting our nation's offshore energy program," said former MMS Director Randall Luthi. "The CIAP program provides a means of sharing oil and gas revenues with local communities that are engaged in the hard work of supplying America's energy needs."

The CIAP was established as part of the Energy Policy Act in 2005 to distribute $250 million annually to six states. In addition to Alaska, Alabama, California, Louisiana, Mississippi and Texas also receive a portion of the funds.

(continued on page 4)

Economic Spotlight

OCS Development: What's In It For Alaska?

Recently, a landmark study was completed that has for the fist time quantified the economic benefits to the state of Alaska from potential development of Alaska's Outer Continental Shelf (OCS). The report, ***"Economic Analysis of Future Offshore Oil and Gas Development"*** was just released by the University of Alaska's Institute of Social and Economic Research (ISER) and Northern Economics. Both respected research organizations teamed up to detail the direct and indirect benefits OCS development could have on Alaska and local communities.

The report estimates the exploration and development of oil and natural gas in the Chukchi Sea, Beaufort Sea, and the North Aleutian Basin would benefit Alaska to the tune of billions of dollars. Just as importantly, offshore activity is expected to create an annual average of 35,000 new jobs with roughly $72 billion in total payroll over the 50-year life of the projects.

OCS oil and gas development could also benefit the state by lowering tariffs for users of the Trans-Alaska Pipeline System (TAPS) in addition to extending the life of TAPS well beyond the date it would be considered unviable using only onshore reserves. Additionally, with some of the largest untapped reserves of natural gas, Alaska's OCS could also play a critical role in making the Alaskan Gasline a reality.

Above right: Oil spill response crews training in Valdez.

Patrick Burden, President of Northern Economics, summed up the study's findings by comparing development of Alaska's three untapped basins as having an economic impact similar to Prudhoe Bay. While there are a great number of uncertainties in an economic study projecting out 50 years, both ISER and Northern Economics conservatively assessed these future opportunities against estimated oil and gas reserves put forward by the Minerals Management Service.

Because of the logistical barriers that need to be overcome (some leases are over 60 miles offshore) the pure cost of developing Alaska's resources requires that hydrocarbon pools be significant in size. The result would be a limited number of platforms using directional drilling to ensure the smallest possible footprint.

However the numbers pencil out over the next decade, it is clear activity in Alaska's offshore would provide a much-needed boon to the Alaska economy.

To find out about the full economic benefits of OCS development for Alaska, go to www.northerneconomics.com.

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Development – Past, Present & Future

The Process to Developing Alaska's Offshore

The Minerals Management Service (MMS) implements a comprehensive series of processes for development of the nation's Outer Continental Shelf (OCS). In Alaska this often takes much longer than other areas of the nation. A very abbreviated description of the process is below.

So – how does it all begin? Individual lease sales cannot be held unless they are included in a 5-year program. Development of the 5-year plan involves preparing a draft and final Environmental Impact Statement (EIS), in preparation of releasing a final program; all the while soliciting public comment a minimum of four different times.

After the 5-year leasing program is adopted, planning begins for individual sales. In preparing for a lease sale, another draft and final EIS is completed, and the area for the sale is defined and published. Again, there are multiple opportunities to comment during this process. Finally, the lease sale is held, followed by the formal issuance of the leases.

Typically the process of developing a 5-year program and planning for a specific lease sale takes approximately 3 years, but in Alaska it has taken much longer. For example, the initial planning for the recent Chukchi Sea lease sale started in 2000, and the lease sale was held in 2008. The process for the North Aleutian Basin lease sale began in 2005, and the lease sale is scheduled for 2011.

Timeline of Chukchi Sea Lease Sale:

1) Develop 5-Year Program
2000 – Planning for Chukchi Sea Began

2) Plan for Specific Lease Sale
2008 – Chukchi Sea Lease Sale Held

3) Exploration Plan Approval
2010 – First Exploration Well in Chukchi Scheduled for Completion*

4) Development & Production Plan Approval
2020 – Estimated First Oil/Gas Production in Chukchi Sea*

*Assuming all legal and permitting challenges are resolved.

After the leases are awarded, companies then begin obtaining approval of their exploration plans. This requires another environmental assessment, solicitation of public comment, plan review, and the issuance of multiple permits. Once that process is completed, the first exploration well can be drilled. The approval of Alaska's exploration plans continue to be severely hampered by challenges to permits and various lawsuits. Assuming these legal challenges can be resolved, the first exploration well will be completed in the Chukchi Sea in 2010.

After the exploration well is completed, and assuming the results are positive, the final component in this process is obtaining approval of the development and production plans. Another round of rigorous permitting occurs at this stage with additional opportunities for public comment. Once all of that has been completed, oil and gas production can begin.

A Long History – A Promising Future

OCS development in Alaska is not "uncharted waters." In fact, lease sale activity and exploration drilling have been occurring since the early 1970's. A total of 84 exploratory wells have been drilled in federal OCS waters offshore of Alaska.

In the Beaufort Sea, ten OCS lease sales have been held and 31 exploratory wells have been drilled.

Prior to last year's record-breaking lease sale in the Chukchi Sea which generated $2.7 billion in bonus bids, MMS conducted four lease sales, and five large prospects were drilled. During those years, over 100,000 line-miles of seismic data were collected.

Details on the history of activity on the Alaska OCS, as well as information on the comprehensive environmental studies program managed by the MMS can be found on the Alaska section of the MMS website at: www.mms.gov/alaska.

In the case of the Chukchi Sea, it is estimated it will take approximately ten years between the completion of the first exploration well, and first production.

So – long story short – the federal government does not rush into lease sales, and it does not just hand over leases to be developed overnight. It could take almost twenty years from the initial planning phase to first production for the Chukchi Sea. This long lead time demonstrates the importance of maintaining schedule certainty.

Currently, Alaska is operating under the 2007-2012 leasing program. To ensure a seamless transition, it is vital that the federal government continue its work on the next 5-year program.

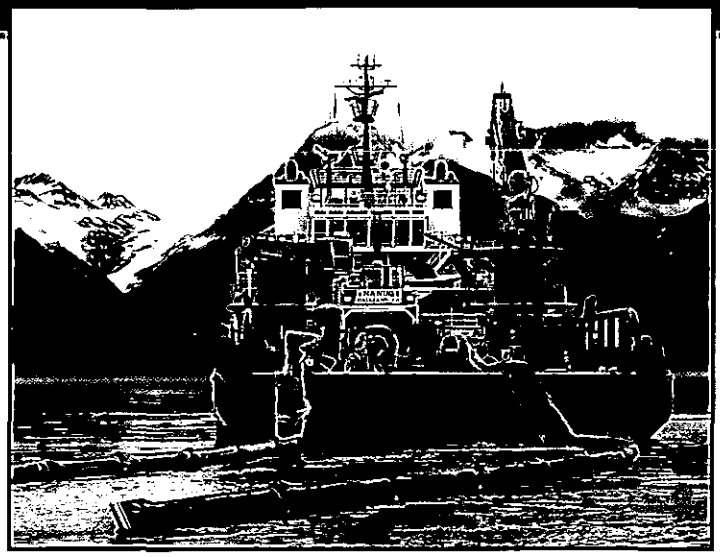
Technology Spotlight

Offshore Oil Spill Response Starts with Prevention

The history of offshore exploration and production operations around the world confirms that large spills are extremely rare events. In 2003 the National Academy of Sciences reported that less than 1 percent of the oil discharges in North American waters are related to the extraction of petroleum, and only a fraction of those are from drilling operations. There has never been an oil spill caused by a blowout from offshore exploration and production drilling in state and federal waters off Alaska or in the Canadian Arctic. According to U.S. Coast Guard classification, there have been no major spills from U.S. exploration or production platforms since 1973. **This is not by luck.** Offshore oil companies have employed the best technology and best practices from around the world to ensure their offshore operations are safe and environmentally responsible.

In the unlikely event of a spill, several response techniques are typically employed. They include mechanical recovery, dispersants (chemical agents used to reduce the effect of oil spills by changing the chemical and physical properties of the oil), and controlled in-situ burning (ignition and burning of an oil spill on the surface of the water). Detection and monitoring of oil spills are important components of spill response.

Tracking an oil spill can be accomplished through airplane and helicopter surveys, Forward Looking Infrared Radar (FLIR) systems, Global Positioning Systems (GPS), digital cameras, etc. In addition, tracking buoys and various types of radar reflectors can be launched from vessels on location at the beginning of a spill and at appropriate intervals thereafter to help track the oil. Specialized ice-strengthened beacons have been used successfully for many years to track ice movements over an entire winter season throughout the polar basin.



"Nanuq" - an ice class vessel built specifically for spill response in the Arctic.

Techniques for detecting and tracking oil under ice include drilling holes and trenches in ice, using Autonomous Underwater Vehicles (AUVs), or surface-operated, portable Ground Penetrating Radar (GPR). Off-the-shelf GPR systems are capable of airborne (helicopter) mapping of oil on the ice surface buried under snow. Alaska Clean Seas (ACS) recently acquired a GPR system to deal with the potential for pipeline spills under the snow in Prudhoe Bay fields.

Industry continues to fund projects that improve the ability to detect oil under ice. The most recent project aims at evaluating a feasibility of Nuclear Magnetic Resonance (NMR) for oil detection under ice. NMR has been used to characterize ground-water aquifers for well logging and reservoir rock core analysis in the oil industry. For applications in oil spill detection, a very important aspect of NMR is that the presence of snow or ice does not interfere with detection, and gives a promise of successful detection of oil under ice.

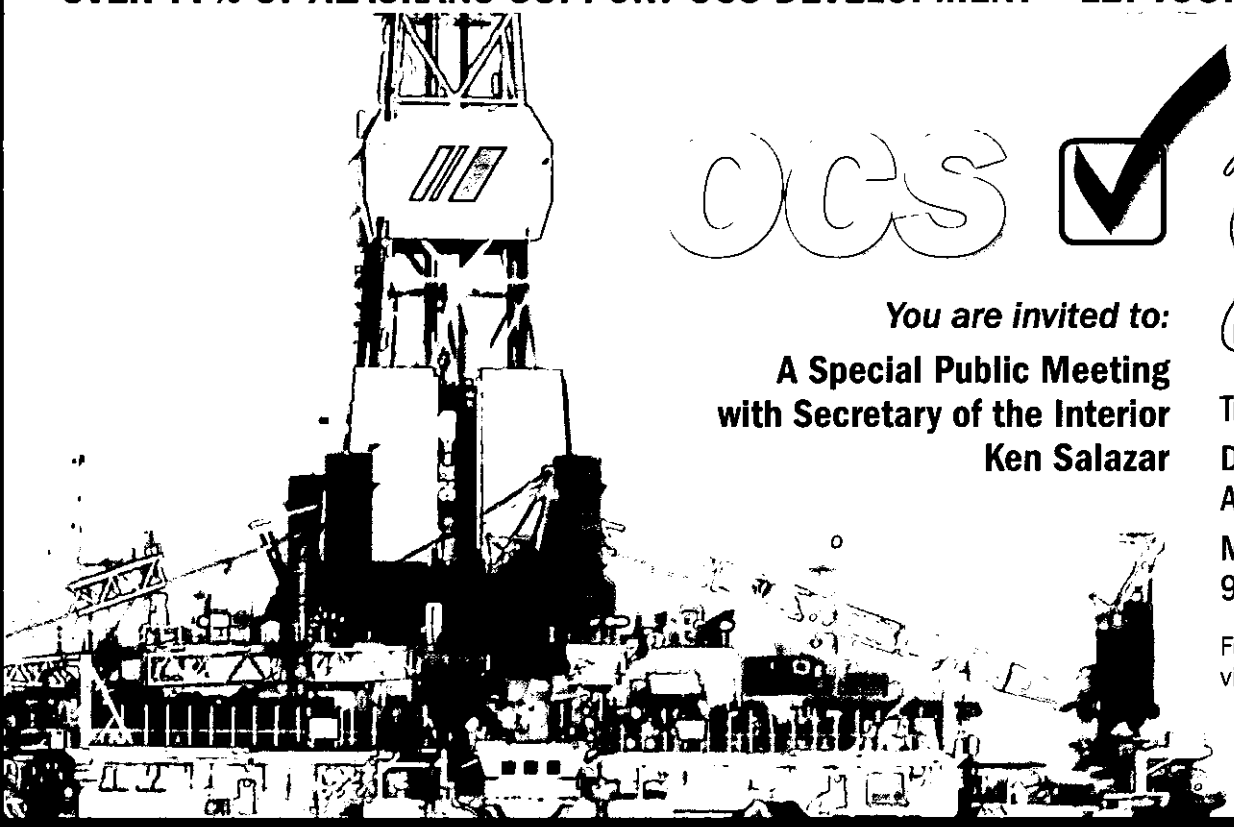
(Offshore Update continued from page 2)

The Act requires that all CIAP funding be used for projects and activities for the conservation, protection, or restoration of coastal areas. The funding for Alaska will be shared between the state and eight eligible boroughs, with 65 percent going to the state and the remaining 35 percent going to the boroughs.

"The development of oil and gas resources in the federal waters off the shores of Alaska can contribute greatly to the energy supplies of this nation," Governor Sarah Palin said. "The CIAP funding will provide for important projects benefiting the environment."

By increasing the CIAP allocation to the state of Alaska, the Federal Government is recognizing the significant contribution Alaska makes to our nation's energy supply and security. This may be the first step in a process that eventually leads to Alaska achieving full revenue sharing status.

OVER 77% OF ALASKANS SUPPORT OCS DEVELOPMENT – LET YOUR VOICE BE HEARD!



ocs ✓ yes

You are invited to:

A Special Public Meeting with Secretary of the Interior Ken Salazar

Tuesday, April 14, 2009

Dena'ina Center – Anchorage, AK

Meeting begins at 9:00 AM

For more information, visit www.aoga.org

straight talk

www.aoga.org

AOGA

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January 2010
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eni.com

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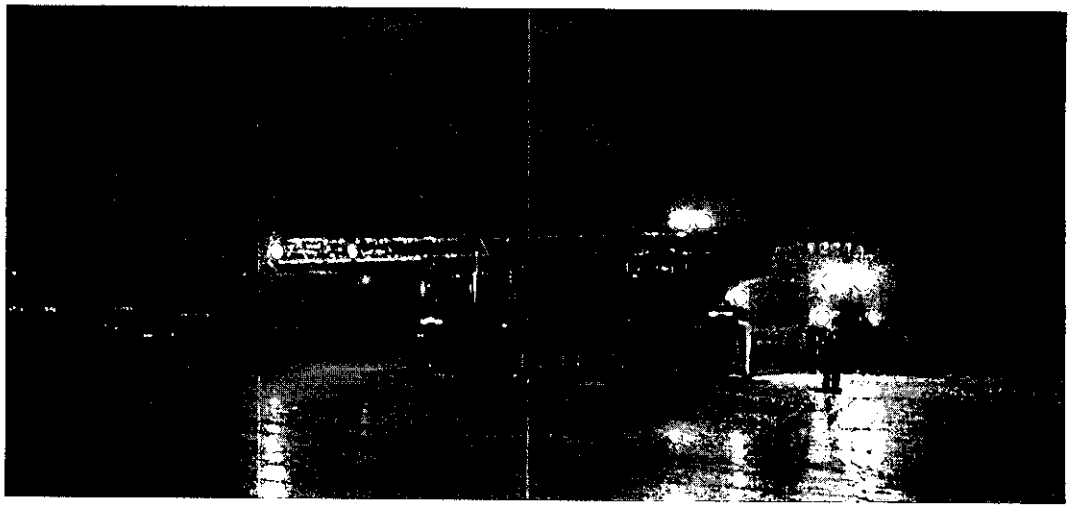


exploration and production

67/68

First period of eni exploration in the US.

79/81

Opening of new eni exploration & production offices in New York. Start of activity after farm-in with Texaco on California and Texas onshore acreage (1979).
Transfer of the exploration & production offices to Houston and subsequent increase of eni's activity by acquiring exploration leases offshore Texas and Louisiana (1981).

91/93

Acquisition of 5 fields (3 operated) from Freeport McMoRan (1991).
Sale of all onshore assets.
eni fully concentrates its activity on offshore (1993).

94/96

Start-up of Grand Isle 102 field (1994).
Start-up of East Breaks 112 field (1996).

99/00

Key milestones resulting from focusing on the Gulf of Mexico (GoM) deep waters:

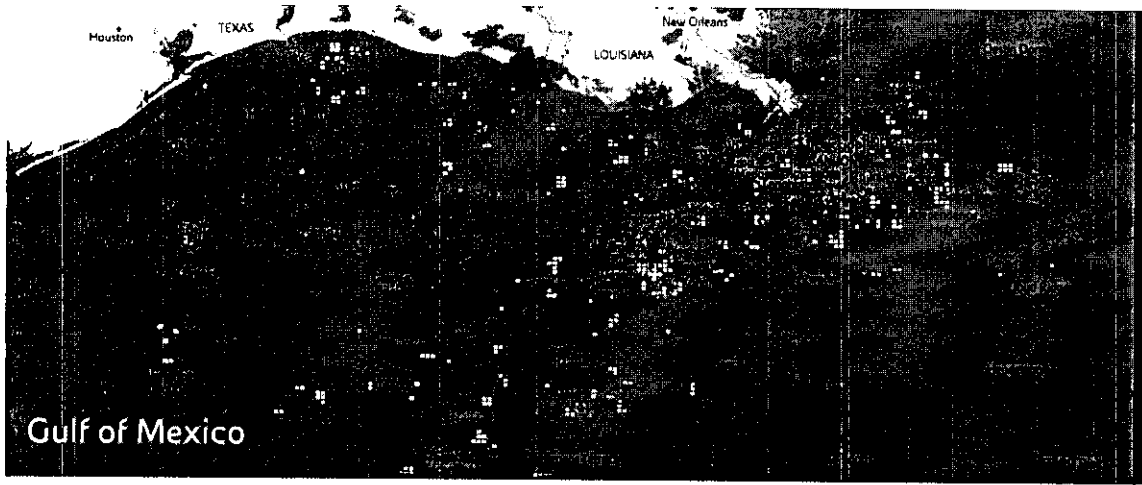
- Acquisition of Working interests in the Macaroni and Europa fields (1999) with first production in 3Q 1999 and 1Q 2000 respectively.
- Acquisition of British Borneo (2000), including operatorship of the Allegheny and Morpeth deepwater fields (100%) and an exploration lease portfolio of over 100 blocks.
- Partnering with ExxonMobil and Texaco to explore over 300 leases.

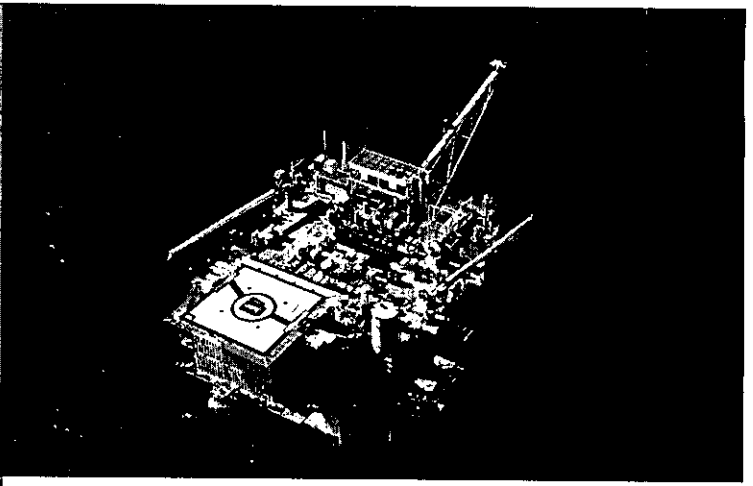
02/03

Start-up of operated production in King Kong and Yosemite gas fields which are tied-back to Allegheny TLP.
Start-up of the Medusa field (eni 25%).

04

eni makes 3 commercial discoveries: Allegheny South (operated), Ulysses and North Black Widow, all developed on a fast track basis.





eni leasehold
eni operated
eni non-operated

Deepwater Fields
Oil
Gas

09

Alaska

- Commenced production from the Oooguruk field (30%).
- eni sanctions the development, commenced development drilling and acquires 3-D seismic (OBC) for development optimization at the Nikaitchuq field (operated 100%) located on the North Slope. Nikaitchuq is the first development project operated by eni in Alaska.
- eni acquired 18 leases in the Chukchi Sea Federal Lease Sale (4 operated 100%, 14 non-operated 40%).

eni production capacity in the US amounts to 120,000 boe/day with 80% in Deepwater GoM, 15% in Shelf GoM, 3% in Barnett Shale and 2% in Alaska. eni operates over 55% of its equity production.

GoM

- eni owns interests in 369 leases in GoM of which 269 in Deepwater and 100 on Shelf.
- eni upgrades the Crystal Platform and renames it Corral Platform (75% operated) and commences production from Longhorn and Longhorn Phase II (both 75% operated). During development drilling eni discovers deeper Longhorn field pays.
- Appaloosa development is progressing timely for production in 2010.
- Production starts-up at the Thunderhawk field (eni 25%)
- eni participates in discoveries at Heidelberg (12.50%) and appraisal wells at Hadrian and Kodiak (25%).
- eni takes delivery of the newbuild Ensco 8500 rig.
- Participation in St. Malo to be developed as Jack/St. Malo project.
- Beginning of initial well under Exploration Participation Agreement with Ecopetrol.
- GoM joint venture with GdF Suez.

Alaska

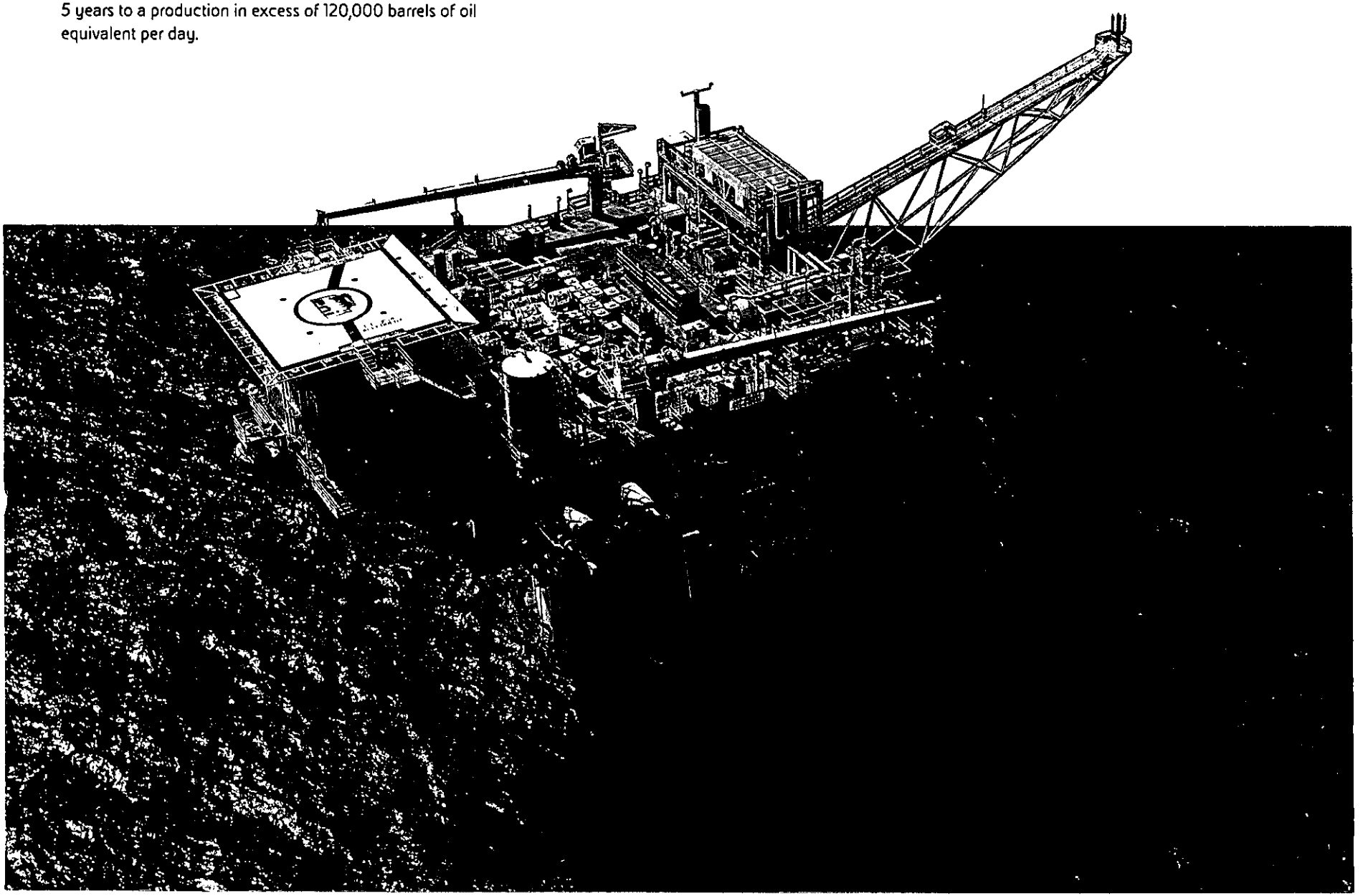
- eni owns interests in 172 leases in Alaska, of which 89 located in Federal offshore waters of the Beaufort Sea and Chukchi Sea and 83 being State onshore leases.
- Continued development drilling at Oooguruk field (30%).
- Ongoing activities concerned the phased development plan of the Nikaitchuq field (eni's interest 100%) located on the North Slope, Alaska.

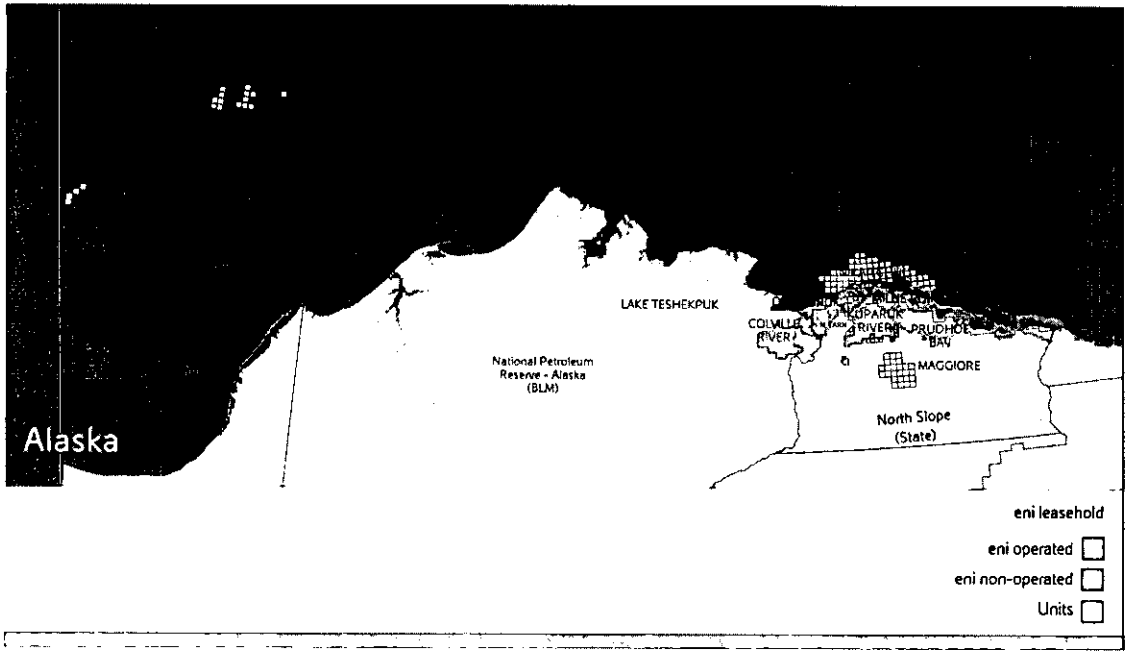
Barnett Shale - Onshore Texas

- eni acquires a 27.5% interest in the Alliance area, in the Fort Worth basin in Texas from Quicksilver Resources Inc.
- Alliance marks eni's entry into its first onshore US unconventional gas play.

eni has been operating in the US since the late 1960's, and carries out oil and natural gas exploration and production under the name of **eni petroleum**.
eni petroleum has offices in Houston and Fort Worth (TX), New Orleans (LA) and Anchorage (AK), shore-bases in Port Fourchon and Cameron, Louisiana and interests in numerous shelf and deepwater fields in the Gulf of Mexico (GoM). Net hydrocarbon production has grown significantly over the last 5 years to a production in excess of 120,000 barrels of oil equivalent per day.

eni petroleum is committed to achieving a safe and healthy incident-free workplace and protecting the environment. Since it commenced operations in the US, **eni** has had no significant environmental events.
In addition, **eni**'s management system has been certified in accordance with an internationally recognized environmental management system standard (ISO 14001), one of the first such awards in the upstream energy sector in the US.





2005

eni acquires 103 leases from Armstrong Oil & Gas in the North Slope of Alaska.
The portfolio comprises exploration leases and 2 projects at pre-development stage. In the GoM, production start-up of the K2 (operated) and Ulysses fields.

2006

Production start-up from the Allegheny South (operated) and North Black Widow Discoveries.

- New gas discoveries, Longhorn and Longhorn North (operated), in Central Mississippi Canyon area.
- Start of the exploration campaign in Alaska in the central part of the onshore North Slope region.
- Progress in development activity in the North Slope of Alaska: sanctioned the development of the Oooguruk field (eni 30%) and start-up of the appraisal phase of the Nikaitchuq field (eni 30%).

2007

- eni acquires all GoM assets of Dominion and reaches a net production of approximately 110,000 boe/d (60% operated). The main producing fields acquired are Devil's Tower, Triton and Goldfinger (75% operated) and Front Runner (37.5%).
- eni is now among the leading GoM producers.
- Extensive lease portfolio with a participating interest in approximately 400 leases in the GoM and 150 leases in Alaska.
- eni acquires an additional 70% stake and operatorship of Nikaitchuq project in Alaska from Anadarko.
- Start-up of 3 gas fields connected to Independence Hub: San Jacinto (53.3% operated), Spiderman (36.7%) and Q (50%).
- Sanctioned the development of Longhorn (75% operated) and Pegasus Field (58% operated).
- eni petroleum opens a new office in New Orleans and manages its activity from offices in Houston, New Orleans and Anchorage.
  A new organization is created consisting of eni and former Dominion staff.

2008

GoM

- GoM Lease Sales:
  eni participates in 5 different lease sale partnership arrangements, acquiring 37 leases total, all operated.
- eni sanctions the development of the Appaloosa (operated 100%) and Longhorn Phase II (operated 75%) in the Greater Longhorn Area. eni acquires the Crystal Platform as "host" for the Longhorn and Appaloosa projects.
- eni started production at Pegasus (operated 58%); tied into Allegheny TLP (100%).
- eni participates in discoveries at Kodiak (25%) and Stones (15%).
- eni executed an Exploration Participation Agreement with Ecopetrol, the state-controlled oil company of Colombia, to assign interests in at least 5 wells within 2012.

eni is a major integrated energy company, committed to growth in the activities of finding, producing, transporting, transforming and marketing oil and gas. The company has global operations in more than 70 countries and employs more than 78,000 people.

It has adopted a model of sustainability focused on the enhancement and safety of its employees and of the communities it works with, on environmental protection, on technological innovation and research, on fighting climate change and on energy efficiency.

eni has been included in the Dow Jones Sustainability Index World and in the STOXX also for the year 2009 confirming its commitment for a sustainable management at an international level for the third year in a row. Since 2007, eni has been included also in the prestigious index FTSE4Good.

eni's activities

eni's activities comprise five businesses:
exploration & production, gas & power, refining & marketing, engineering & construction and petrochemicals.

exploration & production
eni explores and produces oil and natural gas in Italy, North and West Africa, the North Sea, the Gulf of Mexico, Latin America, Australia and in high potential areas such as the Caspian Sea, the Middle and Far East, India, Russia and Alaska.
In the first half of 2009 hydrocarbon production averaged the level of 1.756 million boe/day.
Proved hydrocarbon reserves at December 31, 2008 totalled 6.6 billion boe (Russian assets at 30%), with a life index of 10 years.

gas & power
eni operates in the supply, transport, regasification, distribution and marketing of natural gas and in electricity generation and sales in Italy and abroad.
In the first half of 2009 overall sales amounted to 52.81 billion cubic meters of natural gas and 15.4 terawatthours of electricity.

refining & marketing
eni operates in oil product refining and marketing mainly in Italy and Europe. With the eni and agip brands, it is the Italian market leader in the distribution sector.
In the first half of 2009 overall sales totalled 22.13 million tons of refined products.

engineering & construction
saipem (42.9% owned by eni) is a leader in the provision of engineering, procurement, project management and construction services for the oil & gas industry, with unique capabilities in designing and executing large scale offshore and onshore projects. saipem has extensive expertise in operating in conventional and deep offshore as well as in remote areas. Order backlog was €19,015 million at June 30, 2009.

petrochemicals
polimeri europa (eni 100%) operates in the production and sale of a wide portfolio of petrochemicals and holds a significant market share in Europe where it has state-of-the-art plants all equipped with innovative technology. It also makes use of an efficient distribution network worldwide. In the first half of 2009 production amounted to 3,254 thousand tons.

eni spa
Piazzale Enrico Mattei, 1
00144 Rome - Italy
Ph.: +39.06.598.21 - Fax: +39.06.598.221.41
eni.com

eni petroleum co. inc.
1201 Louisiana Street, Suite 3500
Houston - Texas 77002 - USA
Ph.: +1.713.393.610.0 - Fax: +1.713.393.620.5

2843

2009 CONFIRMA-TIONS

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
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Official Business

REFERRAL FOR CONFIRMATION

Date Referred: February 4, 2009

Committee: **Resources**

Big Game Commercial Services Board
Paul E. Johnson – Elfin Cove
Appointed: 7/24/2005
Reappointed: 3/1/2009 Term Expires: 3/1/2013

Action Date: 04/01/09
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

2845

CONFIRMATION COMMITTEE REPORT

Action date: 04/01/09

The **Resources Committee** has reviewed the qualifications of the following Governor's appointee(s) as shown on the attached Referral for Confirmation forms(s) and recommends that the name(s) be forwarded to a joint session for consideration:

This does not reflect intent by any of the members to vote for or against this individual during any further sessions for the purposes of confirmation.

Signatures:	Printed Last Name
Doug Edgmon	Edgmon
Paul R Seaton	SEATON
Peggy Wilson	WILSON
Co-Chair:	
Co-Chair: Craig Johnson	Johnson

Please attach appointee Referral for Confirmation form(s) and return to the Chief Clerk's office.

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REFERRAL FOR CONFIRMATION

Date Referred: February 4, 2009

Committee: **Resources**

Big Game Commercial Services Board
Dirk Nickisch – Coldfoot
Appointed: 11/19/2008 Term Expires: 3/1/2009
Reappointed: 3/1/2009 Term Expires: 3/1/2013

Action Date: 04/01/09
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

CONFIRMATION COMMITTEE REPORT

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Signature:	Printed Last Name
	Edgmon
	GUTTENBERG
	KAWASAKI
	WILSON
	SEATON
Co-Chair	
Co-Chair:	Johnson

Please attach appointee Referral for Confirmation form(s) and return to the Chief Clerk's office.

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REFERRAL FOR CONFIRMATION

Date Referred: February 4, 2009

Committee: **Resources**

Big Game Commercial Services Board
Betty Jo "BJ" Schmitz – North Pole
Appointed: 7/24/2005
Reappointed: 3/1/2009 Term Expires: 3/1/2013

Action Date: 04/01/09
(Same date as on the accompanying signature page)

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Signature:	Printed Last Name
Bob Edgmon	Edgmon
	Ellis Rosenberg
	Ivy
Paul Seaton	SEATON
Peggy Wilson	WILSON
Co-Chair	
Co-Chair: Craig Johnson	Johnson

Please attach appointee Referral for Confirmation form(s) and return to the Chief Clerk's office.

House Resources
April 03, 2009
BOF Confirmation Hearing

Good afternoon, Chairman Neuman, and members of the House Resources Committee. My name is Paul Shadura, I am the Executive Director for the Kenai Peninsula Fishermen's Association, KPFA is a non profit, 501C association. We are the largest set net representation group in the Cook Inlet area; there are approximately 745 set net permit fishing families within our South Central region. Our Association has been a voice for commercial fisheries for over 50 years.
Today we would like to offer our advisement for confirmation of Board Member Karl Johnstone. Each Board Member is appointed on the basis of interest in public affairs, good judgment, knowledge… providing diversity of interest and points of view... In addition they shall be appointed without regard to political affiliation or geographical location. Mr. Johnstone has been a limited entry permit holder for 10 years. This would include salmon set net, herring roe, salmon drift, in areas such as Bristol Bay, Southeast, Prince William Sound and Cook Inlet. We have observed Judge Johnstone in action in the last few BOF meetings. We find his inquisitive nature as refreshing and positive in giving all interests a fair and impartial decision on matters before the Board. We have high hopes that in the future Mr. Johnstone will continue to seek the truth and will not polarize the users with his decisions.

Thank you.

Paul A. Shadura II

Alaska State Legislature

House of Representatives

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REFERRAL FOR CONFIRMATION

Date Referred: April 2, 2009

Committee: **Resources**

Board of Fisheries
Judge Karl S. Johnstone (Retired) – Anchorage
Appointed: 12/5/2008 Term Expires 6/30/2009
Reappointed: 7/1/2009 Term Expires 6/30/2012

Action Date: 04/03/09
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

2852

CONFIRMATION COMMITTEE REPORT

Action date: 04/03/09

The **Resources Committee** has reviewed the qualifications of the following Governor's appointee(s) as shown on the attached Referral for Confirmation form(s) and recommends that the name(s) be forwarded to a joint session for consideration:

This does not reflect intent by any of the members to vote for or against this individual during any further sessions for the purposes of confirmation.

Signature:	Printed Last Name
Tim Ivey	Tuck
Paul Seaton	Seaton
Peggy Wilson	WILSON
Skye Edgmon	Edgmon
Co-Chair	
Co-Chair:	

Please attach appointee Referral for Confirmation form(s) and return to the Chief Clerk's office.

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REFERRAL FOR CONFIRMATION

Date Referred: February 4, 2009

Committee: **Resources**

Board of Game
Cliff Judkins – Wasilla
Appointed: 1/21/2003 Reappointed: 3/3/2006
Reappointed: 3/1/2009 Term Expires: 6/30/2012

Action Date: 04/03/09
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

2854

CONFIRMATION COMMITTEE REPORT

Action date: 04/03/09

The **Resources Committee** has reviewed the qualifications of the following Governor's appointee(s) as shown on the attached Referral for Confirmation forms(s) and recommends that the name(s) be forwarded to a joint session for consideration:

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Signature:	**Printed Last Name**
Paul R Seaton	SEATON
Peggy Wilson	
Bryce Edgmon	Edgmon
Co-Chair:	
Co-Chair:	

Please attach appointee Referral for Confirmation form(s) and return to the Chief Clerk's office.

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REFERRAL FOR CONFIRMATION

Date Referred: February 4, 2009

Committee: **Resources**

Board of Game
Teresa Sager-Albaugh – Mentasta Pass
Appointed: 3/1/2009 Term Expires: 6/30/2012

Action Date: 04/03/09
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

2856

CONFIRMATION COMMITTEE REPORT

Action date: 04/03/09

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Signature:	Printed Last Name
Paul Seaton	SEATON
Peggy Wilson	WILSON
Sya Edgmon	Edgmon
Co-Chair:	
Co-Chair:	

Please attach appointee Referral for Confirmation form(s) and return to the Chief Clerk's office.

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REFERRAL FOR CONFIRMATION

Date Referred: January 21, 2009

Committee: **Resources**

Board of Game
Stanley "Stosh" Hoffman Jr.
Appointed: 11/13/2008 Term Expires: 6/30/2011

Action Date: 04/03/09
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

2858

CONFIRMATION COMMITTEE REPORT

Action date: 04/03/09

The **Resources Committee** has reviewed the qualifications of the following Governor's appointee(s) as shown on the attached Referral for Confirmation forms(s) and recommends that the name(s) be forwarded to a joint session for consideration:

This does not reflect intent by any of the members to vote for or against this individual during any further sessions for the purposes of confirmation.

Signature:	Printed Last Name
Chris Tuck	Tuck
Paul R Seaton	SEATON
Peggy Wilson	
Sue Edgmon	Edgmon
Co-Chair:	
Co-Chair:	

Please attach appointee Referral for Confirmation form(s) and return to the Chief Clerk's office.

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

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State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

REFERRAL FOR CONFIRMATION

Date Referred: April 2, 2009

Committee: **Resources**

Board of Fisheries
Judge Karl S. Johnstone (Retired) – Anchorage
Appointed: 12/5/2008 Term Expires 6/30/2009
Reappointed: 7/1/2009 Term Expires 6/30/2012

Action Date: _____
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

2860

Johnstone Fisheries

Resume

Name:	Karl S. Johnstone
Address:	18618 Snowy Plover Cir Anchorage, Alaska 99516
Time in Alaska:	1967 to present
Date of Birth:	07/25/1941
Health:	Perfect
Education:	Bachelor's degree in Business, 1964 U. of Arizona Juris Doctor in Law, 1967 U. of Arizona
Work Experience:	Private Practice of Law 1968 through 1978 Superior Court Judge 1979 through July 1996 Part time mediator/arbitrator and limited practice 1997 through present
Position applying for:	Member of North Pacific Fishery Management Council or Alaska Fish Board
Related Experience:	Owned and fished Limited entry permits for set net and drift net salmon fishing in Bristol Bay from 1984 through 1988. Owned and fished Limited entry permits for gillnet herring in S.E. Alaska and Prince William Sound from 1984 through 1988. Have been an active sport fisherman through out Alaska since 1967 to present.
Other activities:	Golf, flying, building aircraft, fishing, reading.

Contact information: email: Johnstone@alaska.net Phone 928-541-1378

Employment Applicant Profile

Personal Information

First Name: karl Middle Initial: (Optional) Last Name: johnstone

Mailing Address: 18618 snowy plover cir

City: anch State: ak Zip Code: 99516 Country: U.S.

Email: (Optional) johnstone@alaska.net

Are you currently an Alaska Resident? yes Yes No

Since 03/67 (mm/yy)

Do you have a legal right to accept employment in the United States? yes Yes No

Are you related to any person currently working for the State of Alaska? Yes no No

If Yes, please list their name(s), their Departments(s), and your relationship(s):

Have you ever been convicted of a felony? Yes no No
Have you been convicted of a misdemeanor within the past five years? Yes no No

If you answered Yes to either of the above questions, please explain below:

Note: If you have been convicted of a felony, you will be required to provide a copy of your judgment if chosen for an interview.

Education & Training
Education: Check highest level attained

High School
Some High School
HS Graduate or GED

Post Secondary
Some College
Associate's Degree
Bachelor's Degree
Master's Degree
J.D. Doctorate

School Name U. of Arizona
School Location Tucson, Ariz.
Areas of Study Law
Degrees obtained J.D.

School Name
School Location
Areas of Study
Degrees obtained

School Name
School Location
Areas of Study
Degrees obtained

School Name
School Location
Areas of Study
Degrees obtained

Certifications, licenses and date obtained.
Inactive member of Ariz. and Ak. Bar Associations

Career-specific, job-related training and skills.
Legal

Experience:
Work History: List up to four employers.
Name of employer and location: Self mployed as a lawyer
Start Date:
(Month/Day/Year) march, 1968
Ending Date:
(Month/Day/Year) Nov, 1979
Job Title:
Supervisor's Name:
Supervisor's Phone
Number:
Employment Type: Full-Time Part-Time
Hours/Week worked:
Salary: (Monthly)
Description. Please describe your duties.
practice of law in business and labor fields

Name of employer and location: Stat of Alaska
Start Date:
(Month/Day/Year) Nov 1978
Ending Date:
(Month/Day/Year) July 25, 1996
Job Title: superior court judge
Supervisor's Name:
Supervisor's Phone
Number:

Employment Type: Full-Time Part-Time
Hours/Week worked:
Salary: (Monthly)
Description. Please describe your duties.

Name of employer and location:
Start Date:
(Month/Day/Year)
Ending Date:
(Month/Day/Year)
Job Title:
Supervisor's Name:
Supervisor's Phone
Number:
Employment Type: Full-Time Part-Time
Hours/Week worked:
Salary: (Monthly)
Description. Please describe your duties.

Name of employer and location:
Start Date:
(Month/Day/Year)
Ending Date:
(Month/Day/Year)

Job Title:
Supervisor's Name:
Supervisor's Phone
Number:
Employment Type: Full-Time Part-Time
Hours/Week worked:
Salary: (Monthly)
Description. Please describe your duties.

Veterans'/National Guard Preference
Are you a veteran or a member of the Alaska National Guard? If no, you may proceed to the Optional State of Alaska Equal Employment Opportunity Questionnaire below.

Are you a veteran who served on active duty (not active duty for training) in the United States Armed Forces and did you receive an honorable or general discharge? Yes No

If Yes:

Did you serve during a war* **OR** during the period beginning April 28, 1952, and ending July 1, 1955?
OR

Did you serve for more than 180 consecutive days, any part of which occurred during the following periods:

- After November 11, 1918, and before December 2, 1919;
- After September 15, 1940, and before December 7, a941;
- After December 31, 1946, and before January 1, 1948;
- After June 26, 1950, and before April 18, 1952;
- After January 31, 1955, and before October 15, 1976; or
- In the Alaska Territorial Guard?

Did you serve during the Gulf War period beginning August 2, 1990, and ending January 2, 1992? AND If you originally enlisted after September 7, 1980, or entered on active duty on or after October 14, 1982, without having previously completed 24 months of continuos active duty, did you serve continuously for 24 months or the full period called or ordered to active duty? **OR**

Were you awarded a campaign or expedition medal or an award or decoration for heroism or gallantry in action? AND if you originally enlisted after September 7, 1980, or entered on active duty on or after October 14, 1982, without having previously completed 24 months of continuous active duty, did you serve continuously for more than 180 days or the full period called or ordered to active duty?

Yes No

OR

Are you currently a member of the Alaska National Guard and have you served for eight (8) years or longer? Yes No

*Under Title 5 Section 2108 of the United States Code the following time periods are considered periods of war.

- World War I Between April 6, 1917, and November 11, 1918, inclusive Unless service was with the United States military forces in Russia, then the ending date is April 1, 1920. Service after November 11, 1918, and before July 2, 1921, is considered World War I service if time was served in the active military, naval, or air service after April 5, 1917, and before November 12, 1918.
- World War II: Between December 7, 1941, and December 31, 1946. If in service on December 31, 1946, continuous service before July 26, 1947, is also considered World War II service.

Are you entitled to disability compensation, disability retirement benefits, or disability pension under laws administered by the United States Department of Veterans Affairs or a military department? **OR**

Were you honorably discharged and awarded the Purple Heart? Yes No

The State of Alaska complies with Title I of the Americans with Disabilities Act (ADA). Individuals with disabilities who require special accommodation, auxiliary aides or services, or alternative communication formats call 465-3897 in Juneau or (907) 465-3514 TTY.

We are an equal opportunity employer and support workplace diversity.

Please read carefully before submitting this profile: I certify the information I have entered on this form is true to the best of my knowledge. I understand if I conceal or enter false information this form, my name may be removed from consideration for a job, or I may be removed from my job, if hired. I understand the information in this profile may be released in an authorized legal investigation; and before I am hired I will be required to sign an official State Form certifying these statements are true. I agree that the State of Alaska, or its agents, may contact current or former employers or other persons who know me in order to obtain additional information.

Applicant's Signature: Karl J Schultz

Committee Members,

My name is Stan Malcom. I own and operate a sportfishing charter service here in Peter currently the President of the Petersburg Charter Boat Association and will be testifying support of Mr. Karl Johnstone's appointment to the Board of Fisheries.

I had the opportunity to attend both the S.E. Shellfish and the S.E. Finfish meetings hel year.

At both meetings, I was impressed by Mr. Johnstone's questions, comments and ultimat expressing a strong commitment to maintaining Alaska's fishery resources.

While I did not agree with every position taken by Mr. Johnstone, I didn't see any bias f any particular user group, and his decisions seemed to be based on the facts and science him. He was readily availability to the public and that along with his interaction with the staff indicated to me an interest in fully understanding the issues.

I think Mr. Johnstone's background will allow him to become a valuable asset to the bo and I urge you to support his confirmation.

Thank you for the opportunity to comment.

Stan Malcom
President
Petersburg Charter Boat Association
907-772-9255

4 3 2009

Territorial Sportsmen INC.

Post Office Box 20761 • Juneau, Alaska 99802
Telephone: (907) 789-2399 • Fax: (907) 586-6020

April 3, 2009

Representative Craig Johnson
Alaska House of Representatives
Capitol Building Room 126
Juneau, Alaska 99801

Representative Mark Neuman
Alaska House of Representatives
Capitol Building Room 126
Juneau, Alaska 99801

Dear Co Chairs Johnson and Neuman:

The Territorial Sportsmen, Inc. (TSI) strongly supports the appointments of Teresa Sager Albaugh and Stosh Hoffman Jr. and the reappointment of Cliff Judkins to the Board of Game. We urge you confirm their appointments.

Mr. Judkins has served on the board for several years and has a proven record of good decisions regarding game management. He consistently makes fair and equitable decisions regarding allocations among the various user groups.

Ms. Albaugh has lived in rural Alaska for many years and understands the need for good wildlife management. She also has experience working for the legislature and understands the importance of effective game management. We are confident she will be an effective member of the Board of Game.

Mr Hoffman has a thorough knowledge of wildlife issues in southwest Alaska and we believe he will be an effective member of the Board of Game.

TSI supports the reappointment of Karl Johnstone to the Board of Fisheries (BOF). Mr. Johnstone has a proven record of making fair and impartial decisions regarding the allocation of fish among the various user groups.

TSI has grave concerns about the appointment of Brent Johnson to the Board of Fisheries. With the appointment of Mr. Johnson, the BOF will have four members from the Cook Inlet area or with close ties to the commercial fishery in the Cook Inlet. If Johnson's appointment is confirmed, none of the members of the BOF will reside north of Wasilla. It is not wise to leave the entire northern part of the State with representation

on the Board. Also, the addition of a set net fisherman from Cook Inlet swings the balance far toward the commercial fishing interests.

Due to these concerns, TSI does not support the appointment of Brent Johnson and urges the legislature to NOT confirm his appointment.

Territorial Sportsmen Inc. is a Juneau based organization that advocates for the rights of hunters, sport fishermen and trappers. TSI has been in existence since 1948 and currently has 1800 members.

Sincerely,

Wayne Regelin

Wayne Regelin
President, TSI

Cc: Representative Beth Kurttula
Representative Kathy Munoz

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

Official Business

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

REFERRAL FOR CONFIRMATION

Date Referred: February 4, 2009

Committee: **Resources**

Board of Game
Cliff Judkins – Wasilla
Appointed: 1/21/2003 Reappointed: 3/3/2006
Reappointed: 3/1/2009 Term Expires: 6/30/2012

Action Date: _____
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

2872

Judkins
Game

STATE OF ALASKA
OFFICE OF THE GOVERNOR
P.O. Box 110001, Juneau, AK 99811-0001
Phone: (907) 465-3500 Fax: (907) 465-3532

BOARDS AND COMMISSIONS APPLICATION/RESUME FORM

INSTRUCTIONS

A separate application is required for each position for which you apply. Complete and specific answers will aid in rapid and accurate processing of your resumé. Please type or print legibly in ink. Forward to the above address. Be sure your answers are true. A willfully false answer may result in your disqualification or removal from office if you are appointed.

Board or Commission for which I am applying: BOARD OF GAME

Please list any other State Boards or Commissions on which you currently or previously have served:

ALASKA BOATING SAFETY COUNCIL

Name: Cliff Judkins

Mailing Address: POB 874124

Residence Address: 2471 DAVIS RD

City, State and Zip Code: WASILLA ALASKA 99687

Home Telephone: ___ Business or Message Telephone: 907-376-6183

Fax Number: 907 373-3592 Cell Phone: ___

Email address : CDUDKINS@CUSTOMCPU.COM

AS 39.05.100 requires that a person appointed to a state board or commission be a registered voter prior to the last general election:

Are you a registered voter? YES X NO ___

Voter Registration Number (Optional): ___ Social Security Number (Optional): ___

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years?

YES ___ NO X If "YES", explain the circumstances on a separate sheet of paper and attach it to this application. A conviction is not necessarily grounds for disqualification. The number of convictions, nature, recentness, and relationship to the board position applied for will be evaluated and a determination will be made after a review of all relevant facts.

CONFLICTS OF INTEREST: Certain boards and commissions require full disclosure of personal financial data under AS 39.50.010. If required for the board or commission for which you are applying, are you willing to do so?
YES ___ NO X

Could you or any member of your family be affected financially by decisions to be made by the board or commission for which you have applied? YES ___ NO X

If "YES", explain:

TRAINING AND EXPERIENCE: (If resumé attached, it is not necessary to complete items A-D)

A. List any professional licenses, certifications, or registrations and dates obtained that may be used as qualifying criteria:

B. List both formal and informal education and training experiences: (Use additional paper if necessary)

B.S. DEGREE - WILDLIFE MGMT

C. List any community service, municipal government, and state positions held, and any awards received. Include both compensated and uncompensated positions (such as president of a service organization or a mayor). Include length of time served. Director Anch. Boro Dept of Environmental Quality 1990-1994
member - Seward Ftc Advisory committee 1976-1984
member/Chairman: Matanuska-Susitna F+C Advisory Committee 1991- Present
president - AK Boating Assoc - 1998 - present

D. Employment work history - paid, unpaid or voluntary: (Use additional paper if necessary)

The Office of the Governor and the State of Alaska have an Affirmative Action Equal Employment Opportunity Program. To assist in the program, you are asked to voluntarily answer the following questions to provide the information necessary for reporting purposes. Under State and Federal law, the information you provide will not be used to illegally discriminate against you.

DATE OF BIRTH:_____

SEX: Male X Female _____

ETHNICITY: Alaska Native___ American Indian___ Asian or Pacific Islander___ Black___ Hispanic___ White X

MILITARY SERVICE (if applicable, give dates): USAF June 1954 - DEC 1957

CERTIFICATION: I swear the information I have entered on this form is true to the best of my knowledge. I understand that if I deliberately conceal or enter false information on the form my application may be rejected, I may be removed from the list of eligible candidates, or I may be removed from the position. I agree that the Office of the Governor may contact present or former employees or other persons who know me to obtain additional information about my skills and abilities. I understand that the information on this application is public information and may be released through a legal request for such information.

Signature (in ink): [signature] Date: 12/23/02

Resume
Clifford P. Judkins
P.O.Box 874124
Wasilla, Alaska
99687
Work Experience:

Sept. 1998 to Present

Retired-Performing volunteer functions. Five year Member of the Matanuska-Susitna Fish and Game Advisory Committee. The last year as Chairman. Prepared and presented testimony the to Boards of Game and Fish. Served on Joint Boards task force charged with exploring the make up and function of the states Advisory Committee system,

Served as the President of the Alaska Boating Association since 1998. The ABA is a 1200 member statewide association of boaters that use their boats to hunt and fish. The association is dedicated to maintaining a high degree of access to state waters for hunting and fishing. The president serves as the legislative liaison for the association.

1987-1998-Owner operator of Wasilla Mini-Storage. Responsibilities included construction and maintenance of 35,000 Square Foot self-storage facility.

1973-1986 BUILDER, OWNER, OPERATOR
Judkins Crown Point Lodge
Moose Pass, Alaska

Constructed a major tourist accommodation including lounge, restaurant, grocery store, motel, gas station, shop, RV hookups and a residence. Accomplished all phases of construction including electrical, central air heating, plumbing and installation of on site sewer and water system including tank installation. Operated complete facility with my family after construction. Operated and maintained a backhoe excavating business throughout the area.

1983 - 1986 GENERAL CONTRACTOR
moose Pass, Alaska

During the last few years that I owned and operated Crown Point Lodge, I also operated a small construction company. Developed general contracting firm performing all phases of residential construction, light excavating work and light commercial concrete construction. Responsible for bidding jobs, hiring and supervising up to ten employees, maintaining records, handling accounts receivable and preparing payroll.

Resume
Clifford P. Judkins
P.0. Box 874124
Wasilla, Alaska

Work Experience (Cont)

June-1969 –Nov 1974- Director of the Greater Anchorage Area Borough Department of Environmental Quality. Responsible for the Administration of the Boroughs total Environmental Quality Program. The Department provided Food Sanitation and Epidemiology, Water Supply and Waste Disposal, Solid Waste control, Parks and Recreation, Air Pollution Control and a variety of Environmental Health related programs. This was a newly create Department developed to provide a total community wide Environmental Health Program. My responsibility was to take the Boroughs Division of Environmental Health from the Health Department and bring it to a Department level service. The end result was a 76-position department providing oversight of the community's environmental health needs.

Jan.1964- June 1969 Greater Anchorage Area Borough Health Department. Served in progressively responsible positions in the Environmental Health and Public Health fields. Final position was Administrative Director of the Department.

April 1 1963-Nov.1 1963 Biologist- Alaska Department of Fish and Game. Performed the duties of an entry-level biologist.

Jan. 1963 to March 1963 Sanitarian – Greater Anchorage Area Health District. Performed various health inspections in an assigned district within the Greater Anchorage Area

Feb. 1962-Oct. 1962. California Department of Water Resources. Special Project assignment to determine the impact of certain water diversion devices on the recreational activities (boat movement) in an assigned district of the Sacramento River Delta System.

Sept 1960-Jan. 1962 Humboldt State College, Arcata Ca.- Bachelor of Science Degree in Wildlife Management

1958-1960- Santa Rosa California Junior College- Transferred to Humboldt State.

WORKSHOPS AND SEMINARS

1966	Air Pollution Control Assoc. Educational Conference, San Francisco
1966	Radiological monitoring, 69 hours, University of Alaska, Federal Aviation Agency
1967	Air Pollution Control Assoc. Educational Conference, Cleveland
1968	American Medical Assoc. Air Pollution Res. Conference, Denver Air Pollution Control Assoc. Educational Conference, Saint Paul Elements of Solid Waste Management, US Public Health Service
1969	Design and management of sewage treatment for small federal installations. Federal Water Pollution Control Administration/Air pollution Control Assoc. Educational Conference, Vancouver, BC
1972	Workshop in Environmental Assessments, US Civil Service Commission Regional Training Center
1987	Nevada Environmental Health Association Bubonic Plague - 8 hrs.
1987	Emergency Medical Personel Radiological Seminar 8 hrs.
1987	National Environmental Health Association Home Study Course - Toxicology Home Study Course - Hazardous Materials Management Home Study Course - Hazardous Materials Incident Response
1987	University of Nevada - Las Vegas "Hazardous/Toxic Waste Management" 13 hrs.
1987	Environmental Hazards Institute OSHA 1910-120 Standard 8 hrs.
1987	Hazardous Waste Management Institute "Hazardous Materials Chemistry" 8 hrs.

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WORKSHOPS AND SEMINARS - cont'd

1987	Environmental Hazardous Waste Management Institute, "Risk Assessment", 8 hrs.
1987	Environmental Hazardous Waste Management Institute "Containment of Hazardous Materials Seminar"
1987	Commercial Pesticide Applicators Certification School, Nv. Div of Agriculture, 30 hrs.
1987	Investigative Techniques and legal aspects course of Hazard Waste regulation enforcement. 24 hrs.
	EPA Western States Hazardous Materials project, Salt Lake City, Utah
1988	Federal and State Laws governing Industrial activities in Hazardous waste, Long Beach, CA. 16 hrs.
	Hazardous and Infections Materials Handling in Health Care - Medical Safety Consultants, Long Beach, CA.,16 hrs.
1989	IBM AT/Lotus 1-2-3 Course, Clark County Community College, 30 hrs.
1989	OSHA Hazardous Chemicals Health and Safety Course-Certified Industrial Hygene Inc./Western Technologies Inc.,L.V., NV., 40 hrs.
1989	EPA Hazardous Waste Spill Site Risk Assesment workshop, 16 hrs.

Workshops and Seminars

1989	USPA-Risk Management and Decision Making at Hazmat sites
1990	University of Wisconsin Liquid UST Installation
1990	Hazmat Chemical Identification
1990	Hazmat waste workers Training Course
1990	Aids Infection Control and Management of Medical Waste Sites
1990	University of Wisconsin UST Leak Detection
1990	Pesticide Contaminated Hazardous Waste Sites
1991	Hazardous Materials and Waste Workshop
1991	Hazardous Waste Site Personnel
2002	American Home Inspectors Training Institute 8/day home inspectors master course

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BOARDS AND COMMISSIONS

Member of Alaska Air Pollution Control Commission 1970 - 1973

Director, Cook Inlet Air Resource Management District Commission 1967-1973

President, Alaska Environmental Health Assoc. 1968 - 1969

President, Alaska Public Health Association, 1970

Chairman, Greater Anchorage Borough, Parks and Recreation Commission 1970 - 1973

Chairman, Greater Anchorage Health Planning Council, 1970 - 1973

App/Game/040

BOARDS &

DEC 27 2002

State of Alaska
Office of the Governor
P.O.Box 110001, Juneau, AK. 99811-0001

Re: Application for the Board of Game

Dear Governor Murkowski

I would like to be considered for appointment to the Board of Game. I came to Alaska in 1962 after graduating from Humboldt State College in Northern Ca. with a Bachelors Degree in Wildlife Management. I worked for the Greater Anchorage Borough Health Departments and Environmental Quality Departments until Nov. of 1974. I was the Director of the Department of Environmental Quality when I left to build and operate Crown Point Lodge near Moose Pass. The lodge was damaged by a chemical accident in 1986. I moved to Wasilla and purchased Wasilla Mini-Storage, which I sold in 1998 and retired in the Wasilla area. While in Moose Pass I served on the Seward Fish and Game Advisory Committee. I am now the Chairman of the Matanuska-Susitna Fish and Game Advisory Committee. I have attended and testified for the AC at numerous Board of Game and Board of Fish meetings. I am an avid outdoor person and have fed my family moose, caribou and fish for forty years. My basic philosophy concerning wildlife management is that the State should work to provide an abundance of wildlife to provide for the needs of all Alaskans. Where shortages of wildlife for food occur the state should apply management techniques that assure customary users have the opportunity to harvest game for food. I would appreciate your consideration of my application for the Board of Game.

Sincerely Cliff Judkins

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

Official Business

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

REFERRAL FOR CONFIRMATION

Date Referred: February 4, 2009

Committee: **Resources**

Board of Game
Teresa Sager-Albaugh – Mentasta Pass
Appointed: 3/1/2009 Term Expires: 6/30/2012

Action Date: _____
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

2882

Game

Teresa Sager Albaugh
HC 72 Box 835
Tok, Alaska 99780

I am a lifelong Alaskan, raised in Fairbanks, and a 23 year resident of the Tok / Mentasta area. I have a strong personal interest and family background in hunting, fishing and trapping, and support sound scientific, sustained yield management of Alaska's renewable resources. I also support the tenets of our state constitution guaranteeing all residents equal access to fish and game.

WORK HISTORY

1996 – Present
Summit Consulting Services, Inc., Tok, Alaska
(Remote Project Construction Management & Design Services)
Personnel Management • Proposal Development • Internal Operations Management

1983 – 1995
Alaska State Legislature

- 1995: Senate Rules Committee Aide • Senator Mike Miller, Chair
- 1993 – 1994: Senate Resources Committee Aide • Senator Mike Miller, Chair
- 1985 – 1992: Legislative Aide • Representative / Senator Steve Frank
- 1984: Interim Legislative Aide • Representative Dick Shultz
- 1984: House C&RA Committee Secretary • Representative Mike Miller, Chair
- 1983: Legislative Secretary • Representative John Ringstad

1981 – 1982
Fairbanks North Star Borough Transit System
Clerk / Revenue Collections

EDUCATION

Graduate, Monroe Catholic High School • Fairbanks

VOLUNTEER / NON-PROFIT POSITIONS

Alaska Outdoor Council
- President (2005 – 2007)
- Board Member (1986 – 1990 and 2004 – 2007)

Alaska Division of Elections • District R / 36 – Mentasta Precinct
- Chair / Volunteer Poll Worker Coordinator (1998 – Present)

Slana Alaskans Unite • Secretary (1998 – Present)

MEMBERSHIPS

Alaska Outdoor Council
Slana Alaskans Unite
National Rifle Association
Focus on the Family

PERSONAL BACKGROUND

I grew up in a family where being outdoors - well out of town and away from the crowds – was considered a great thing. As a child, my five siblings and I spent summers with our mother, father, aunt, uncle and grandparents at the family cabin, where we literally got our feet wet, our faces dirty, and our hearts and minds filled with a deep appreciation for "the woods." We learned to fish with a rod and reel, handle firearms, and to clean and eat what we killed. As adults, we have continued these traditions and we have the pleasure of now passing them on to our children, nieces and nephews.

I personally have had the good fortune of many wonderful hunting opportunities for moose, caribou, sheep, bear, and deer, as well as ducks, ptarmigan and grouse. My husband, Bill, runs a trapline in the winter and as often as possible I join him to learn from and share the experience. We live in a log home, haul water, run a propane cook stove and lights, and provide our own part-time power system. Much of our diet comes from the wild food we harvest and each year's bounty from the garden.

I have no formal or professional training in wildlife management. My experience comes from a combination of personal field observation spending time in the natural environment, and a layman's study of applicable state and federal fish and game laws.

In part because of my personal interest in the outdoors, my work as a legislative aide often involved resource issues, which allowed me to hear many hours of testimony from Alaskans who expressed their perspectives and strong opinions on a wide range of fish and wildlife issues. I was also fortunate to have worked toward the passage of laws that have benefited hunters and trappers. My service on the board of directors of the Alaska Outdoor Council, including two years as president, has further broadened my understanding and appreciation of how important wildlife and the outdoors are to the people of the state. I have attended local Advisory Committee meetings, offered testimony to the Game Board, and provided public comments to the National Park Service on proposals of impact to the people, land, fish and game of my area.

Enabling present and future Alaskans to be responsible stewards of the resource, and to continue building and strengthening our outdoor heritage by assuring opportunity, are objectives I consider very meaningful and important. I believe they are goals that can be pursued and achieved through the efforts of the Board of Game, and I would be grateful for the opportunity to serve in that capacity.

Alaska State Legislature

Official Business

House of Representatives

Office of the Chief Clerk

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

REFERRAL FOR CONFIRMATION

Date Referred: January 21, 2009

Committee: **Resources**

Board of Game
Stanley "Stosh" Hoffman Jr.
Appointed: 11/13/2008 Term Expires: 6/30/2011

Action Date: _____
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

2885

Stanley (Stosh) Hoffman, Jr.

PO Box 2374
Bethel, AK 99559
(907) 543-2850 H
(907) 544-4238 Cell
(907) 543-6202 W

Objective: *Interested in serving on the State of Alaska Board of Game*

Personal Information

Date of Birth: 09/10/70 *Race*: Yupik Eskimo

Summary of Qualifications

- Lifelong Alaskan
- Very Familiar with Hunting, Guiding, Subsistence Activities
- Experienced Assistant Guide, License #3951 (Big Game) Issued 8/12/97
- Commercial Fisherman, 21 Years, Captain 10 Years
- Familiar with City, State and Federal Agencies and Regulations
- Familiar with Alaska Native Cultures and Languages
- Self-Motivated

Owner & Business Manager:
S & A Rentals, Nunapik Dish Network,
Tundra Fencing

Work History

Employment Duties	*Position*	*Employer/Address*	*Reason for Leaving*
1/07 – Present	Director of Corporate Facilities	Yukon-Kuskokwim Health Corporation PO Box 528 Bethel, AK 99559	N/A
7/98 – 1/07	Projects/Safety Manager; Assist Director of Public Works; Project Supervisor; Port Supervisor; Construction Project Foreman Supervisor:	City of Bethel PO Box 388 Bethel, AK 99559	Accepted Position with YKHC

10/92-7/98	Driver: Operate fuel truck, deliver bulk fuel.	Hoffman Fuel Service PO Box 406 Bethel, AK 99559	Left while employed w/ summer jobs
1992 – 1998	various seasonal construction jobs in the Bethel area.		

Education History

High School:	McGrath High School	McGrath, Alaska 1985 – 1989
Degree/Diploma:	High School Diploma - Salutatorian	
College:	University of Alaska Anchorage	1989-1991 General Courses

References

Peter Shephard 661 Diamondback Dr Spring Creek, NV 89815 (775)753-4218	Frank Neitz PO Box 907 Bethel, AK 99559 (907) 543-5906	Jason Evans 1130 Jackson Drive Anchorage, AK 99518 (907) 230-9099

Sec. ⏩16.05.221⏪. Boards of fisheries and game.

(a) For purposes of the conservation and development of the fishery resources of the state, there is created the Board of Fisheries composed of seven members appointed by the governor, subject to confirmation by a majority of the members of the legislature in joint session. The governor shall appoint each member on the basis of interest in public affairs, good judgment, knowledge, and ability in the field of action of the board, and with a view to providing diversity of interest and points of view in the membership. The appointed members shall be residents of the state and shall be appointed without regard to political affiliation or geographical location of residence. The commissioner is not a member of the Board of Fisheries, but shall be ex officio secretary.

(b) For purposes of the conservation and development of the game resources of the state, there is created a Board of Game composed of seven members appointed by the governor, subject to confirmation by a majority of the members of the legislature in joint session. The governor shall appoint each member on the basis of interest in public affairs, good judgment, knowledge, and ability in the field of action of the board, and with a view to providing diversity of interest and points of view in the membership. The appointed members shall be residents of the state and shall be appointed without regard to political affiliation or geographical location of residence. The commissioner is not a member of the Board of Game, but shall be ex officio secretary.

(c) Members of the Board of Game serve staggered terms of three years. The terms of the members of the board begin on July 1. Notwithstanding AS 39.05.080 (1), by April 1 of the calendar year in which the term expires, the governor shall appoint a person to fill the vacancy that will arise on the board because of the expiration of the term of a member of the board and submit the name of the person to the legislature for confirmation. If a vacancy arises on the board, the governor shall, within 30 days after the vacancy arises, appoint a person to serve the balance of the unexpired term and submit the name of the person to the legislature for confirmation. A person appointed to fill the balance of an unexpired term shall serve on the board from the date of appointment until the earlier of the expiration of the term or the failure of the legislature to confirm the person under AS 39.05.080.

(d) Members of the Board of Fisheries serve staggered terms of three years. The terms of members of the board begin on July 1. Notwithstanding AS 39.05.080 (1), by April 1 of the calendar year in which the term expires, the governor shall appoint a person to fill the vacancy that will arise on the board due to expiration of the term of a member of the board and submit the name of the person to the legislature for confirmation. If a vacancy arises on the board, the governor shall, within 30 days after the vacancy arises, appoint a person to serve the balance of the unexpired term and submit the name of the person to the legislature for confirmation. A person appointed to fill the balance of an unexpired term shall serve on the board from the date of appointment until the earlier of the expiration of the term or the failure of the legislature to confirm the person under AS 39.05.080.

House Resources
April 03, 2009
BOF Confirmation Hearing

Good afternoon, Chairman Neumann, and members of the House Resources Committee. My name is Paul Shadura, I am the Executive Director for the Kenai Peninsula Fishermen's Association, KPFA is a non profit, 501C association. We are the largest set net representation group in the Cook Inlet area; there are approximately 745 set net permit fishing families within our South Central region. Our Association has been a voice for commercial fisheries for over 50 years.

Today we would like to offer our advisement for confirmation of Board Member Karl Johnstone. Each Board Member is appointed on the basis of interest in public affairs, good judgment, knowledge. Providing diversity of interest and points of view. In addition they shall be appointed without regard to political affiliation or geographical location. Mr. Johnstone has been a limited entry permit holder for 10 years. This would include salmon set net, herring roe, salmon drift, in areas such as Bristol Bay, southeast, Prince William Sound and Cook Inlet. We have observed Judge Johnstone in action in the last few BOF meetings. we find this inquisitive nature as refreshing and positive in giving all interests a fair and impartial decision on matters before the Board. We have high hopes that in the future Mr. Johnstone will continue to seek the truth and will not polarize the users with his decisions.

Thank you.

Paul A. Shadura II

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

Official Business

REFERRAL FOR CONFIRMATION

Date Referred: February 4, 2009

Committee: **Resources**

Alaska Commercial Fisheries Entry Commission (CFEC)
Judge Peter Froehlich – Juneau
Appointed: 8/2/2005
Reappointed: 3/1/2009 Term Expires: 3/1/2013

Action Date: April 11, 2009
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

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CONFIRMATION COMMITTEE REPORT

Action date: April 11, 2009

The **Resources Committee** has reviewed the qualifications of the following Governor's appointee(s) as shown on the attached Referral for Confirmation forms(s) and recommends that the name(s) be forwarded to a joint session for consideration:

This does not reflect intent by any of the members to vote for or against this individual during any further sessions for the purposes of confirmation.

Signature:	Printed Last Name
	OLSON
	Edgmon
	GUTTENBERG
	Tuck
	WILSON
	KAWASAKI
	SEATON
Co-Chair:	Johnson
Co-Chair:	

Please attach appointee Referral for Confirmation form(s) and return to the Chief Clerk's office.

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

Official Business

REFERRAL FOR CONFIRMATION

Date Referred: February 4, 2009

Committee: **Resources**

Alaska Oil and Gas Conservation Commission
John K. Norman – Anchorage
Appointed: 1/23/2004
Reappointed: 3/1/2009 Term Expires: 3/1/2015

Action Date: April 11, 2009
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

2892

CONFIRMATION COMMITTEE REPORT

Action date: April 11, 2009

The **Resources Committee** has reviewed the qualifications of the following Governor's appointee(s) as shown on the attached Referral for Confirmation forms(s) and recommends that the name(s) be forwarded to a joint session for consideration:

This does not reflect intent by any of the members to vote for or against this individual during any further sessions for the purposes of confirmation.

Signature:	Printed Last Name
	OLSON
Joe Edgmon	EDGMON
Dave Thomas	THOMAS
Tuck	TUCK
	KAWASAKI
Paul R. Seaton	SEATON
Peggy Wilson	WILSON
Co-Chair: Craig Johnson	JOHNSON
Co-Chair:	NEUMAN

Please attach appointee Referral for Confirmation form(s) and return to the Chief Clerk's office.

Alaska State Legislature

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REFERRAL FOR CONFIRMATION

Date Referred: February 4, 2009

Committee: **Resources**

Alaska Oil and Gas Conservation Commission
John K. Norman – Anchorage
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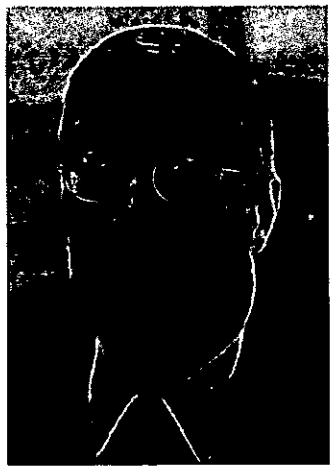
Action Date: _____
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

2894

Norman
046

BIOGRAPHICAL INFORMATION



John K. Norman, Commissioner
State of Alaska
Oil & Gas Conservation Commission
333 W. 7th Avenue, Suite 100
www.aogcc.alaska.gov
Anchorage, AK 99501
Alaska Bar Association Member #6911041

Telephone: (907) 793-1221
Facsimile: (907) 276-7542
Email: John.Norman@alaska.gov

Current Position: Commissioner, Alaska Oil & Gas Conservation Commission (Chair, 2004-2008)

Other Positions Held: Founding Partner and Managing Shareholder, Hartig Rhodes Hoge & Lekisch, P.C.; Assistant Attorney General, State of Alaska, Department of Law, Natural Resources Section; Exploration Representative, Skelly Oil Company, Texas and Alaska; 1st Lt., United States Army, 3rd Armored Division, Friedberg, Germany.

Education: University of Missouri (J.D.; A.B. (Geology)).

Admitted to Bar: Alaska; Missouri; U.S. District Court, District of Alaska; U.S. Court of Appeals, Ninth Circuit; U.S. Supreme Court.

Professional Recognition: Listed in Chambers USA, America's Leading Business Lawyers (2004); Outstanding Lawyers of America (2003); The Best Lawyers in America (2004);

Memberships: American Bar Association, Member, Environment, Energy and Resources Section; State Chairman, Committee on Environmental Quality, Young Lawyers Section, (1971-1973); Greater Anchorage Area Board of Health (1973-1975); State Division of Lands Advisory Committee (1976-1977); Trustee, Iditarod Trail Race Foundation (1976-present); Alaska Bar Association, Chair, Environmental and Natural Resource Law Committee (1977-79), Fee Arbitration Panel (1977-1981), Environmental/Natural Resource Law Section (1980-present), Discipline Hearing Committee (1983-1987); President, Common Sense for Alaska, Inc. (1981-1982); Chair, Commonwealth North, Hartig Research Fellowship Trust (1981-2006); Federal Bureau of Land Management Advisory Council (1982-1985); Vice President, Anchorage Chamber of Commerce (1983-1985); Board of Directors, Resource Development Council (1988-2004); U.S. Department of Commerce, Alaska District Export Council (1992-present); adopted member Tlingit Deisheetaan Klan, Angoon (1998); American Institute of Professional Geologists (2003-present); Official Alaska Representative and National Vice Chairman, Interstate Oil and Gas Compact Commission (2004-2007); Co-Chair IOGCC-NARUC Special Task Force on Long-Term Gas Contracting (2006-2007); Chairman, IOGCC Legal & Regulatory Affairs Committee, (2006-2008); Board of Directors, Groundwater Protection Council (2008-Present).

Publications: Section Line Dedications for Construction of Highways," Alaska Law Journal (Feb. 1970); "Production, Conservation and Utilization of Natural Gas in Alaska," Natural Resources Lawyer (Nov. 1970); "Alaska's D-2 Lands," Alaska Mineral Development Institute Paper No. 5, Rocky Mountain Mineral Law Foundation (Aug. 1978); "Legal Considerations When Entering the Alaska Energy Market," IBC Global Conferences (Sept. 2002); Alaska Oil & Gas Law Reporter, Rocky Mountain Mineral Law Newsletter (1984-2004). Alaska's Oil & Gas Legal Framework, Alaska Oil and Gas Symposium, American Conference Institute (Sept. 2008).

Alaska State Legislature

Official Business

House of Representatives

Office of the Chief Clerk

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

REFERRAL FOR CONFIRMATION

Date Referred: February 4, 2009

Committee: **Resources**

Alaska Commercial Fisheries Entry Commission (CFEC)
Judge Peter Froehlich – Juneau
Appointed: 8/2/2005
Reappointed: 3/1/2009 Term Expires: 3/1/2013

Action Date: _____
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

2896

Resume Of

Peter B. Froehlich
1785 Evergreen Avenue
Juneau, Alaska 99801
Phone: (907) 586-2806

Residence: Alaska residence since February 1970

Experience: *August 2005 - Present*: Commissioner, Commercial Fisheries Entry Commission, Juneau, Alaska

August 1989 - January 2005: District Court Judge for Juneau, Alaska

December 1981 - July 1989: Assistant Attorney General, Juneau, Alaska. Split position in both Legislation and Regulations Section and Commercial Section

July 1979 - November 1981: Salmon hand trolling (seasonal); part-time, private law practice including work for Alaska Legislature

January 1976 - June 1979: Assistant Attorney General, Juneau, Alaska, Natural Resources Section

September 1975 - December 1975: Legal intern, U.S. Attorney's Office, Portland, Oregon

May 1975 - September 1975: Legal Assistant, District Attorney's Office, Ketchikan, Alaska

December 1973 - January 1974: Legal Assistant, Attorney General's Office, Juneau, Alaska

August 1970 - November 1972: Crewman on fishing vessel involved in King and Tanner Crabbing, and Salmon Tendering

Education: *November 2002*: National Judicial College, ABA/UNR (Civil Mediation Certificate): (Also five other courses 1990 - 1998)

June - July 1995: University of Oxford, England, Legal Heritage Program

August 1973 - December 1975: Willamette University College of Law, Salem, Oregon (Juris Doctorate)

June 1974 - September 1974: University of Washington, School of Law, Seattle, Washington (summer session)

January 1972 - May 1972: University of Alaska, Anchorage, Alaska (graduate courses)

September 1965 - May 1969: Marquette University, Milwaukee, Wisconsin (B.S. in Economics, minor in accounting)

Professional Organizations:

Alaska and Juneau Bar Associations, 1976-Present. National Judicial College, Faculty Moderator, 1997-2007. Jury Subcommittee of Supreme Court Fairness and Access Committee, 1996-1997. Conference of Alaska Judges, 1990-1994. President, Board Member, Alaska Bar Association Ethics Committee, 1991-1994. Code Revision Commission, 1986-1990. Alaska Bar Association Discipline Committee, 1983-1988.

Current Service Organizations:

Partners for Progress Advisory Council. Jensen-Olsen Arboretum Board. Big Brothers/Big Sisters mentor. Alaska Native Sisterhood, Camp 2. Friends of Dzantik'i Heeni.

Former Service Organizations:

Mayor's Task Force on Youth. Boys & Girls Club Board. Youth Court Board. Kids Voting Board. Healthy Nations Central Circle. Mayors Task Force on Sobriety. ALSC Pro Bono Program. United Way of Southeast Board. Big Brothers & Big Sisters, President.

Awards: Youth program volunteer of the year (2002). Making a Difference Award, NCAAD (1997).

Special Interests:

Family, sports (especially basketball), coaching, fishing, hiking, biking, and travel.

Froelich
CFEC

Resume Of

Peter B. Froehlich
1785 Evergreen Avenue
Juneau, Alaska 99801
Phone: (907) 586-2806

Residence: Alaska resident since February 1970

Experience: *August 1989 – Present:* District Court Judge for Juneau, Alaska

December 1981 – July 1989: Assistant Attorney General, Juneau, Alaska. Split position in both Legislation and Regulations Section and Commercial Section

July 1979 – November 1981: Salmon hand trolling on my own boat (seasonal); part-time, private law practice including work for Alaska Legislature

January 1976 – June 1979: Assistant Attorney General in Juneau, Natural Resources Section

September 1975 – December 1975: Legal intern, U. S. Attorney's Office, Portland Oregon

May 1975 – September 1975: Legal Assistant, District Attorney's Office, Ketchikan, Alaska

December 1973 – January 1974: Legal Assistant, Attorney General's Office, Juneau, Alaska

August 1970 – November 1972: King crabbing, Tanner Crabbing and Salmon Tendering

Education: *November 2002:* National Judicial College, ABA/UNR (Civil Medication Certificate). (Also five other courses 1990 – 1998.)

June – July 1995: Oxford University, Legal Heritage Program

August 1973 – December 1975: Willamette University, College of Law, Salem, Oregon (Juris Doctorate)

June 1974 – September 1974: University of Washington, School of Law, Seattle, Washington (summer session)

January 1972 – May 1972: University of Alaska, Anchorage, Alaska (graduate courses)

September 1965 – May 1969: Marquette University, Milwaukee, Wisconsin (B.S. in Economics, minor in accounting)

Professional Organizations:

Alaska and Juneau Bar Associations, 1976 - Present. National Judicial College, Faculty Moderator, 1997. Jury Subcommittee to Fairness and Access Committee, 1996-1997. Conference of Alaska Judges, 1990-1994. President, Board Member, Alaska Bar Association Ethics Committee, 1991-1994. Code Revision Commission, 1986-1990. Alaska Bar Association Area Discipline Committee, 1983 – 1988.

Current Service Organizations:

Mayor's Task Force on Youth. Boys & Girls Club Board. Big Brothers/Big Sisters mentor. Youth Court Board. Alaska Native Sisterhood, Camp 2.

Former Service Organizations:

Kids Voting Board. Healthy Nations Central Circle. Mayors Task Force on Sobriety. ALSC Pro Bono Program. United Way of Southeast Board. Big Brothers & Big Sisters, President

Awards: Youth program volunteer of the year (2002). Making a Difference Award, NCAAD (1997)

Special Interests:

Family, sports (especially basketball), coaching, fishing, hiking, biking, and travel

STATE OF ALASKA
COMMERCIAL FISHERIES ENTRY COMMISSION

SARAH PALIN, GOVERNOR
8800 GLACIER HWY, #109
P.O. Box 110302
JUNEAU, AK 99811-0302

(907) 789-6150 Licensing Calls
(907) 789-6160 Other Business
(907) 789-6170 FAX
(907) 789-6180 BBS

INTERNET: www.cfec.state.ak.us

February 26, 2009

The Honorable Bryce Edgmon
Chair House Fisheries Committee
Representative_Bryce_Edgmon@legis.state.ak.us

Dear Chairman Edgmon:

I am writing to follow-up my responses to some of the questions raised Tuesday at my confirmation hearing before your committee.

One of the subjects addressed was the relative distribution of entry permits between Alaska residents and non-residents. Over the years, many permit holders have migrated inside and outside of Alaska with their permits, and many permit holders have transferred their entry permits. By 2008 year end, 829 more permits had moved out of Alaska with their former Alaska resident permit holders than moved into the state. However, during the same time period, Alaska residents gained 152 more permits by transfer than did nonresidents.

These trends are included in our annual permit transfer study entitled "Changes in the Distribution of Alaska Commercial Fisheries Entry Permits". An executive summary is always provided to the legislature and both versions are available on our website (www.cfec.state.ak.us). We expect the 2009 edition to be completed before the end of the fiscal year.

On the subject of the difficulties encountered by young fishermen who want to start fishing careers, I mentioned that the Division of Investments provides loan programs to help finance purchase of vessels and permits. In fact, the Division even has a special program designed for local communities to help their residents acquire limited entry permits. I want to add that the Alaska Commercial Fishing and Agriculture Bank (CFAB) does the same, as do some Alaska Native Corporations. Most importantly, I want to add that, in addition to entry level limited fisheries, there are over 100 non-limited fisheries. Young fishermen can gain experience in these fisheries without buying an expensive limited entry permit. The University of Alaska Sea Grant Program also assists young Alaskans with information about the various options and opportunities for launching a career in commercial fishing.

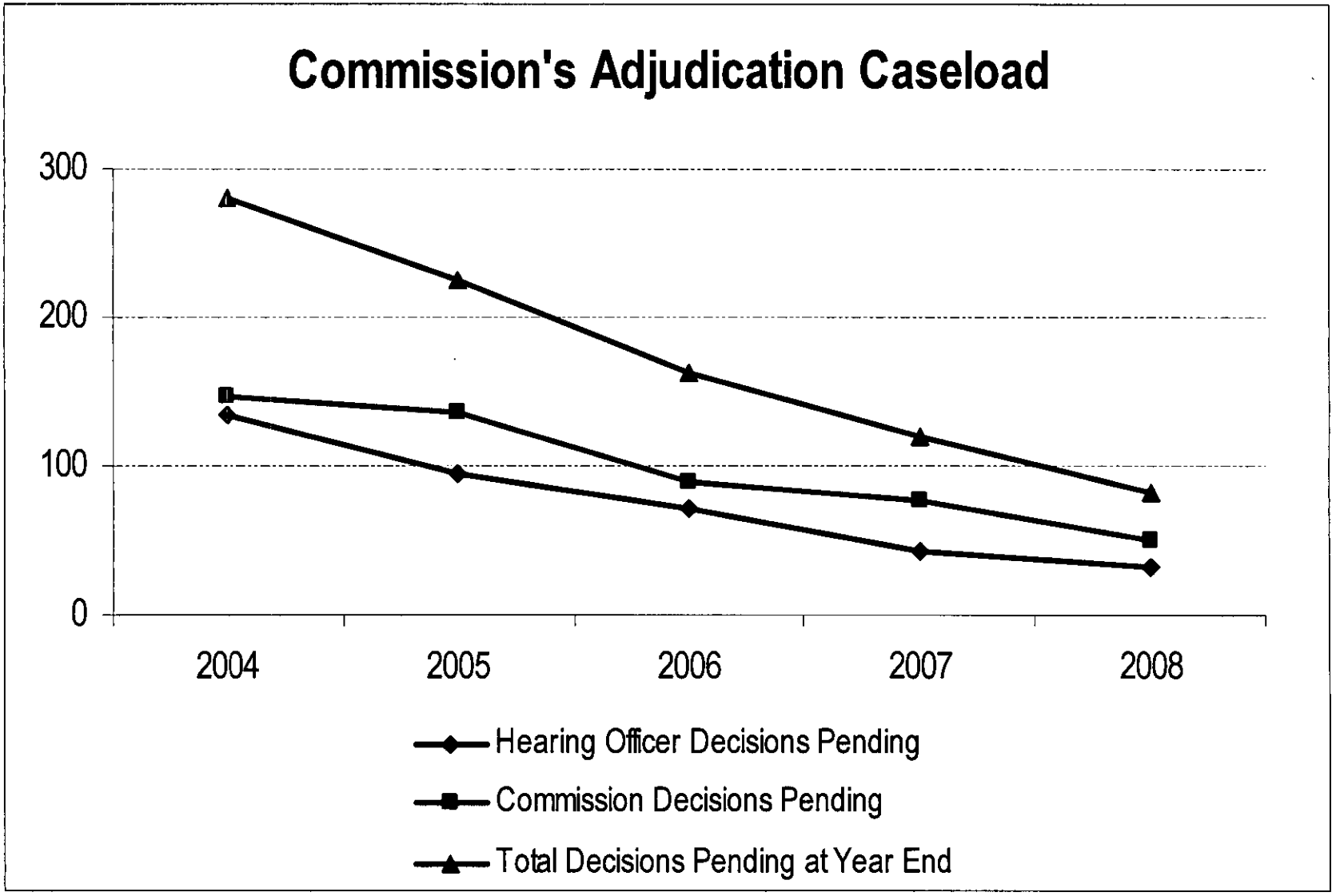
I hope this clarifies and supplements my responses. I would be pleased to provide any further information you or the committee members may want on these or other aspects of the Commercial Fisheries Entry Commission.

Thank you for your time and consideration.

Sincerely,

Peter Froehlich
Commissioner

cc: Committee Members


Commission's Adjudication Caseload
300
200
100
0
2004
2005
2006
2007
2008
Hearing Officer Decisions Pending
Commission Decisions Pending
Total Decisions Pending at Year End

www.cfec.state.ak.us

Commercial Fisheries Entry Commission

ON-LINE LICENSING IS NOW AVAILABLE

You can renew permits and/or vessels that you held in the previous year as well as purchase a new interim-use permit or license a new vessel.

User kiosks are available at the following Alaska Department of Fish & Game offices throughout the State of Alaska:

Anchorage	Cordova
Homer	Kodiak
Sitka	

NEW On-Line Renewal

WELCOME

The Alaska Commercial Fisheries Entry Commission (CFEC) helps to conserve and maintain the economic

Highlights

- 2009 Permit Fees
- Permit Holder Database
- Bristol Bay
- Public Notices & News Releases
- Commission Presentations
- Kodiak Dual Permit Information

Permits

- Forms
- Search Permit Database
- Permit Value
- Demerit Points
- On-Line Renewal NEW!

Fishery Statistics

- Fishery Participation & Earnings
- Permits & Permit Holders
- Commercial Vessels
- Fishery Codes

Transfers

- Forms
- Permanent Transfer
- Emergency Transfer
- Estate Information
- Intent to Transfer List
- Intent to Transfer Database

Vessels

- Forms
- Commercial Vessel Database
- Sport Vessel Database
- On-Line Renewal NEW!

Adjudications

- Limited Entry Fishery Status Reports
- Carlson Address Change Form
- Commission Decisions & Judicial Appeals

UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110
Juneau, Alaska 99801-1172
(907) 586-2820
(907) 463-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

April 11, 2009

Representative Craig Johnson, Co-Chair
Representative Mark Neuman, Co-Chair
House Resources Committee
Alaska State Legislature
State Capitol (Mail stop 3100)
Juneau AK 99811-0001

RE: Support for Confirmation of Peter Froehlich as C.F.E.C. Commissioner

Dear Representative Johnson and Committee members,

United Fishermen of Alaska (UFA) is the largest statewide commercial fishing trade association, representing 37 member organizations from fisheries throughout Alaska and its offshore waters.

UFA supports the legislative confirmation of Commissioner Peter Froehlich for continued service to the Alaska Commercial Fisheries Entry Commission (C.F.E.C.). Mr. Froehlich has helped the Commission reduce the backlog of adjudication in permit disputes, and has shown dedication and willingness to work with fisheries groups and fishermen in the administration of Alaska's limited entry program.

Thank you for your consideration,

Mark Vinsel
Executive Director

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

Official Business

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

REFERRAL FOR CONFIRMATION

Date Referred: April 2, 2009

Committee: **Resources**

Board of Fisheries
Brent G. Johnson – Clam Gulch
Appointed: 7/1/2009 Term Expires: 6/30/2012

Action Date: _____
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

2905

Johnson
Fisherie.

Brent G. Johnson
resumé for application to Alaska Board of Fisheries.

Fisheries experience:
· Cook Inlet setnetter since 1962. My wife, Judy, and I have owned our own setnet site since 1977. Together with my mother and our children we currently fish 11 permits, one of the largest operations in Cook Inlet. We have developed a way to put all our fish into slush ice at the point of harvest (in the skiffs).
·Crewed on a Prince William Sound salmon seiner several times, most recently in 2008. I typically do this after the Cook Inlet setnet season has closed.
·Seined and setnet for herring in Cook Inlet.
·Crewed on Cook Inlet halibut longline vessels.
·Drafted Shore Fisheries Diagrams for clients in Cook Inlet, Kodiak, Area M and Bristol Bay.

Public service organization experience:
·Served on the Kenai-Soldotna Fish & Game Advisory Committee for about 15 years, including terms as secretary and as chairman. Last service there was about 5 years ago.
·Served on the Cook Inlet Aquaculture Association Board of Directors for about 15 years. Currently serving as president of that organization.
·Served on the Kenai Peninsula Fishermen's Association Board of Directors for about 20 years, including several terms as president. Last term as president ended in the spring of 2008. At that time I retired from the KPFA Board of Directors, though I'm still a member of the organization.
·Served as an alternate to the Cook Inlet Salmon Brand (Kenai Wild) Board of Directors.
· Served on the Kenai Peninsula Borough Planning Commission for about 12 years. This is a paid position and I continue to serve there.
·Served on the Kasilof Regional Historical Association for about 4 years. Currently president of that organization.
·Elected president of the Kenai Peninsula Historical Association in May 2008 and continue to serve in that capacity.

Education:
Graduated from Ninilchik High School in 1973.
Numerous classes for personal development from U of A, Kenai River Branch.

Pertinent family ties:
·My brother-in-law, Doug Blossom, owns the setnet site adjacent to ours. He is also Chairman of the District 34 Republican Party.
·Two of my nephews work in the sport fish guiding industry and one of my nieces is married to a Cook Inlet salmon drift fisherman.
· My 89-year-old mother has been in Alaska since 1942.

Work:
· I worked for years for my father who was a private land surveyor. My brother has taken over his business and I've physically surveyed numerous Shore Fishery Leases for them.

STATE OF ALASKA
OFFICE OF THE GOVERNOR
P.O. Box 110001, Juneau, AK 99811-0001
Phone: (907) 465-3500 Fax: (907) 465-3532

BOARDS AND COMMISSIONS APPLICATION FORM

INSTRUCTIONS

A separate application is required for each position for which you apply. Complete and specific answers will aid in rapid and accurate processing of your resume. Please type or print legibly in ink. Forward to the above address. Be sure your answers are true. A willfully false answer may result in your disqualification or removal from office if you are appointed.

Board or Commission and seat for which I am applying: Board of Fisheries
(For example, Board of Agriculture, public seat)

Please list any other State Boards or Commissions on which you currently or previously have served:

Name: Brent G. Johnson

Mailing Address: 20773 Porcupine Ln.

Residence Address: 20773 Porcupine Ln.

City, State and Zip Code: Clam Gulch, AK 99568

Home or Message Telephone: 262-4763 Business Telephone: 262-4763

Fax Number: 260-5367 Cell Phone: _____

Email address: nagweb@gci.net

AS 39-05-100 requires that a person appointed to a state board or commission be a registered voter prior to the last general election:

Are you a registered voter: YES X NO _____ Voter Registration Number (Optional): _____

Social Security Number (Optional, required if appointed for travel, reimbursement etc.):

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years?

YES _____ NO X if "YES", explain the circumstances on a separate sheet of paper and attach it to this application. A conviction is not necessarily grounds for disqualification. The number of convictions, nature, recentness, and relationship to the board position applied for, will be evaluated and a determination will be made after a review of all relevant facts.

CONFLICTS OF INTEREST: Certain boards and commissions require full disclosure of personal financial data under AS 39.50.010. If required for the board or commission for which you are applying, are you willing to do so?
YES X NO _____

Could you or any member of your family be affected financially by decisions to be made by the board or commission for which you have applied? YES X NO _____

If "YES", explain: My family & I setnet in Cook Inlet

TRAINING AND EXPERIENCE: (If resume attached, it is not necessary to complete items A-D)

A. List any professional licenses, certifications, or registrations and dates obtained that may be used as qualifying criteria:

B. List both formal and informal education and training experiences: (Use additional paper if necessary).
Graduated from Nikiltchik High School, 1973

C. List any community service, municipal government, and state positions held, and any awards received. Include both compensated and uncompensated positions (such as president of a service organization or a mayor). Include length of time serviced. Kenai-Soldotna F&G Advisory Committee, Served about 15 years including terms as secretary & Chairman. Cook Inlet Aquaculture Assoc., served about 15 years, currently President. Kenai Peninsula Planning Commission

D. Employment work history – paid, unpaid or voluntary: (Use additional paper of necessary).

The Office of the Governor and the State of Alaska have an Affirmative Action Equal Employment Opportunity Program. To assist in the program, you are asked to voluntarily answer the following questions to provide the information necessary for reporting purposes. Under State and Federal law, the information you provide will not be used to illegally discriminate against you.

DATE OF BIRTH: SEX: FEMALE _____ MALE X

ETHNICITY:
Alaska Native ___ American Indian ___ Asian or Pacific Islander ___ Black ___ Hispanic ___ White X

MILITARY SERVICE (if applicable, give dates): _____

CERTIFICATION: I swear the information I have entered on this form is true to the best of my knowledge. I understand that if I deliberately conceal or enter false information on the form my application may be rejected, I may be removed from the list of eligible candidates, or I may be removed from the position. I agree that the Office of the Governor may contact present or former employees or other persons who know me to obtain an additional information about my skills and abilities. I understand that the information on this application is public information and may be released through a legal request for such information.

Signature (in ink): Brent Johnson Date: 11-21-08

Please attach a current resume with your application.

STATE OF ALASKA
OFFICE OF THE GOVERNOR

BOARDS AND COMMISSIONS

Name: Brent G. Johnson Date: 11-21-08

(Indicate top three boards/commissions of interest by number with #1 as your preference)

	Accounting Board
	Aerospace Development Corporation
	Aging Commission
	Agriculture & Conservation
	Alaska Juvenile Justice Advisory Committee
	Alaska Retirement Management Board
	Alaska Statehood Celebration Commission
	Alaska-Alberta Bilateral Council
	Alcohol/Drug Abuse
	Alcoholic Beverage Control
	Architects/Engineers/ Land Surveyors
	Arts Council
	Assessment Review Board
	Aviation Advisory Board
	Bald Eagle Preserve
	Bar Association
	Barbers & Hairdressers
	Bering Sea Fishery Advisory Board
	Big Game Commercial Services
	Boating Safety Council
	Broadcasting Commission
	Children's Trust Board
	Chiropractic Examiners
	Clemency Advisory Committee
	Commemorative Coin Commission
	Commercial Fisheries Entry
	Commercial Fishing/ Agriculture Bank
	Community Service Commission
	Denali Access System Advisory Committee
	Dental Examiners
	Disabilities/Special Education
	Domestic Violence/Sexual Assault
	Education & Early Development
	Education Commission/States
	Emergency Medical Services
	Emergency Response Commission
	Employment of People with Disabilities
	Exxon Valdez Oil Spill Trustee
	Faith-Based & Community Initiatives Council
	Fire Standards Council
	Fisheries

	Fisherman's Fund Advisory & Appeals
	Forestry
	Game
	Health Council
	Historical Commission
	Historical Records Advisory
	Homeless Council
	Housing Finance Corporation
	Human Rights
	Humanities Forum
	Independent Living Council
	Industrial Development/Export Authority
	Interstate Oil & Gas Compact
	Judicial Conduct
	Judicial Council
	Knik Arm Bridge
	Labor Relations Agency
	Libraries Advisory
	Local Boundary Commission
	Marine Pilots
	Marine Transportation Advisory Board
	Marital & Family Therapy
	Medical Board
	Mental Health Board
	Mental Health Trust Authority
	Midwives
	Minerals Commission
	Municipal Bond Bank
	Natural Gas Authority
	Natural Gas Pipeline Corporation
	Natural Resources Conservation Dev
	North Pacific Anadromous Fish
	North Pacific Fisheries Management Council
	North Pacific Research Board
	Nursing
	Occupational Safety
	Oil & Gas Conservation Commission
	Optometry
	Pacific Marine Fisheries Commission
	Pacific Salmon Commission-Commissioners
	Pacific Salmon Commission- Northern Panel

	Pacific Salmon Commission-Transboundary Panel
	Parole Board
	Permanent Fund
	Pharmacy Board
	Physical/Occupational Therapy
	Pioneer's Home Advisory
	Police Standards Council
	Postsecondary Education
	Professional Counselors
	Professional Teaching Practices
	Psychologist/ Psychological assoc.
	Public Offices Commission
	PWS Oil Spill Recovery Institute
	Railroad Corporation
	Real Estate Appraisers
	Real Estate Commission
	Regents
	Regulatory Commission (RCA)
	Royalty Oil & Gas Development
	Safety Advisory Council
	Seafood Marketing Institute
	Seismic Hazards Safety Commission
	Social Work Examiners
	Student Loan Corporation
	Subsistence Resource Commissions
	Suicide Prevention Council
	Telecommunications
	Uniform State Laws
	Veterans Advisory Council
	Veterinary Examiners
	Violent Crimes Compensation
	Water and Wastewater Works
	Western Interstate Comm/Higher Educ
	Wood-Tikchik State Park
	Worker's compensation
	Worker's Compensation Appeals Commission
	Workforce Investment Board
	Yukon River Panel

2909

If appointed, a press release will be issued announcing your appointment pending the completion of the appointment process with the Governor's office. Please supply our office with the following information that will be included in the press release.

(Name): Brent Johnson (Age): 53 of (Hometown): Clam Gulch
is (Job title/Place of employment): Cook Inlet Setnetter.
(Name) holds (Listing of earned degrees like bachelor's, master's, ect.): Brent Johnson is President of Cook Inlet Aquaculture Associatio
(Or list relevant experience to the position you are being appointed to)
And has more than 40 years of experience setnetting
Examples: in Cook Inlet.

John A. Doe, 38 of Soldotna, is Director of T-Shirts & Co. Doe holds a bachelor's degree in business administration from X University and a master's degree in communications from X University.

John A. Doe, 38 of Palmer, is the owner and operator of Doe and Associates, Inc. Doe previously served as division manager at X, Inc. Doe is a certified personnel consultant.

Jon Bittner

From: mtrotter [mtrotter@flyfishalaska.com]
Sent: Tuesday, April 14, 2009 7:41 AM
To: Rep. Craig Johnson
Subject: Please oppose Brent Johnson ADF&G board

Dear Representative Johnson,

I am writing to ask you to oppose the appointment of Brent Johnson to the Alaska Board of Fisheries (BOF).

By nominating Mr. Johnson to replace Bonnie Williams on the BOF, Governor Palin would remove the only subsistence/personal use and Fairbanks representation from the BOF. If confirmed, Mr. Johnson will tip the balance on the BOF overwhelmingly towards commercial fishermen at the expense of native, subsistence, and sport fishing interests.

The BOF already has ample representation of commercial fisheries interests. Replacing an up-river user on the Board with a Cook Inlet salmon setnetter will erode public confidence in the BOF process. Mr. Johnson is past president of Kenai Peninsula Fishermen's Association (KPFA), a set netter trade association of Cook Inlet commercial fishing interests. He has consistently claimed commercial priority rights to the public fisheries of the region. Mr. Johnson has shown in his past interactions with the Board that he has not taken a fair and balanced approach to fish allocation decisions.

Mr. Johnson's confirmation would leave the BOF without Alaska Native or female representation in the management of Alaska's subsistence, sport, personal use, and commercial fisheries. The nomination of Mr. Johnson leaves the Interior of Alaska without representation on the Board and does not correct the current lack of Alaska Native representation on the BOF.

The Governor needs to reach out and find a Board of Fisheries appointee familiar with interior fisheries issues and who will provide a fair and balanced approach to governance.

Sincerely,

Mike & Sally Trotter
BARANOF WILDERNESS LODGE
P.O. Box 2187
Sitka, AK 99835

Mike & Sally Trotter
P.O. Box 2187
Sitka, Alaska 99835
800-613-6551
mtrotter@flyfishalaska.com

Debra Higgins

From: sean-michael dunham [s-mrd@hotmail.com]

Sent: Tuesday, April 14, 2009 1:21 PM

To: Rep. Alan Austerman; Rep. Bob Buch; Rep. Mike Chenault; Rep. Sharon Cissna; Rep. John Coghill; Rep. Harry Crawford; Rep. Nancy Dahlstrom; Rep. Mike Doogan; Rep. Bryce Edgmon; Rep. Anna Fairclough; Rep. Richard Foster; Rep. Les Gara; Rep. Berta Gardner; Rep. Carl Gatto; Rep. Max Gruenberg; Rep. David Guttenberg; Rep. John Harris; Rep. Mike Hawker; Rep. Bob Herron; Rep. Lindsey Holmes; Rep. Kyle Johansen; Rep. Craig Johnson; Rep. Reggie Joule; Rep. Scott Kawasaki; Rep. Wes Keller; Rep. Mike Kelly; Rep. Beth Kerttula; Rep. Bob Lynn; Rep. Charisse Millett; Rep. Cathy Munoz; Rep. Mark Neuman; Rep. Kurt Olson; Rep. Pete Petersen; Rep. Jay Ramras; Rep. Woodie Salmon; Rep. Paul Seaton; Rep. Bill Stoltze; Rep. Bill Thomas; Rep. Chris Tuck; Rep. Peggy Wilson; Sen. Con Bunde; Sen. Bettye Davis; Sen. Fred Dyson; Sen. Johnny Ellis; Sen. Kim Elton; Sen. Hollis French; Sen. Lyman Hoffman; Sen. Charlie Huggins; Sen. Albert Kookesh

Subject: Brent Johnson and the Board of Fisheries

It has come to my attention that Brent Johnson favors commercial fisheries over personal use. I think that most Alaskans would disagree with this position. This would negatively affect my ability to feed my family. In these hard times I don't want to rely on Fred Meyer for the fish we eat. Also consider that when the individual harvests fish, money is being spent in local economies. Please consider anyone else who will stand up for the majority of Alaskans.
Thank you,
Sean-Michael Dunham and Family

Express your personality in color! Preview and select themes for Hotmail®. See how.

Debra Higgins

From: Ellen Hampton [lzpooh71@msn.com]
Sent: Tuesday, April 14, 2009 12:54 PM
To: Rep. Alan Austerman; Rep. Bob Buch; Rep. Mike Chenault; Rep. Sharon Cissna; Rep. John Coghill; Rep. Harry Crawford; Rep. Nancy Dahlstrom; Rep. Mike Doogan; Rep. Bryce Edgmon; Rep. Anna Fairclough; Rep. Richard Foster; Rep. Les Gara; Rep. Berta Gardner; Rep. Carl Gatto; Rep. Max Gruenberg; Rep. David Guttenberg; Rep. John Harris; Rep. Mike Hawker; Rep. Bob Herron; Rep. Lindsey Holmes; Rep. Kyle Johansen; Rep. Craig Johnson; Rep. Reggie Joule; Rep. Scott Kawasaki; Rep. Wes Keller; Rep. Mike Kelly; Rep. Beth Kerttula; Rep. Bob Lynn; Rep. Charisse Millett; Rep. Cathy Munoz; Rep. Mark Neuman; Rep. Pete Petersen; Rep. Jay Ramras; Rep. Woodie Salmon; Rep. Paul Seaton; Rep. Bill Stoltze; Rep. Bill Thomas; Rep. Chris Tuck; Rep. Peggy Wilson
Subject: PLEASE VOTE NO on Brent Johnson's appointment!

You would be doing your fellow Alaskans a disservice by voting to appoint Brent Johnson to the Alaska Board of Fisheries. You will be "taking the food out of babies mouths" literally. As a resident of Kenai, I along with my children fish the Kenai River Dipnet Fishery every year. What I'm able to harvest feeds my family for a year not to mention I'm able to share with those less fortunate than me and help them each year. The Kenai area has suffered tremendously this past year with the Agrium closing and people loosing their jobs left and right. People here depend on this fishing opportunity to be able to eat, survive and provide proper nutrition for their children.

Please vote NO!

Thank you,

Ellen Hampton

Ellen

Quick access to Windows Live and your favorite MSN content with Internet Explorer 8.

Jon Bittner

From: Matt [mattmichetti@gmail.com]
Sent: Tuesday, April 14, 2009 10:51 AM
To: Senator_lesil_mcquire@legis.state.ak.us; Rep. Craig Johnson
Subject: Please Do Not Confirm Brent Johnson to the Fisheries Board

Dear Senator McGuire and Representative Johnson,

I do not think that Brent Johnson is a good choice for the Board of Fisheries.

Please do not vote to confirm him.

Sincerely,

Matthew Michetti

Jon Bittner

From: Brooks Areson [brooksareson@yahoo.com]

Sent: Tuesday, April 14, 2009 9:59 AM

To: Sen. Bert Stedman; Sen. Kim Elton; Sen. Albert Kookesh; Sen. Joe Thomas; Senator_Gary_Wilken@legis.state.ak.us; Sen. Gene Therriault; Senator_Lyda_Green@legis.state.ak.us; Sen. Charlie Huggins; Sen. Fred Dyson; Sen. Bill Wielechowski; Sen. Bettye Davis; Sen. Johnny Ellis; Sen. Hollis French; Sen. Lesil McGuire; Senator_John_Cowdery@legis.state.ak.us; Sen. Con Bunde; Sen. Tom Wagoner; Sen. Gary Stevens; Sen. Lyman Hoffman; Sen. Donny Olson; Rep. Bob Buch; Rep. Mike Chenault; Rep. Sharon Cissna; Rep. Harry Crawford; Rep. John Coghill; Rep. Nancy Dahlstrom; Rep. Kyle Johansen; Rep. Mark Neuman; Rep. Craig Johnson; Rep_Andrea_Doll@legis.state.ak.us; Rep. Mike Doogan; Rep. Bryce Edgmon; Rep. Anna Fairclough; Rep. Richard Foster; Rep. Les Gara; Rep. Berta Gardner; Rep. Carl Gatto; Rep. Max Gruenberg; Rep. David Guttenberg; Rep. John Harris; Rep. Mike Hawker; Rep. Lindsey Holmes; Rep. Reggie Joule; Rep. Scott Kawasaki; Rep. Wes Keller; Rep. Mike Kelly; Rep. Beth Kerttula; Rep_Gabrielle_LeDoux@legis.state.ak.us; Rep. Bob Lynn; Sen. Kevin Meyer; Rep_Mary_Nelson@legis.state.ak.us; Rep. Kurt Olson; Rep. Jay Ramras; Rep_Bob_Roses@legis.state.ak.us; Rep. Woodie Salmon; Rep_Ralph_Samuels@legis.state.ak.us; Rep. Paul Seaton; Rep. Bill Stoltze; Rep. Bill Thomas; Rep. Peggy Wilson; governor@alaska.gov; ecampaign@gop.com; zaboroskied@residentialmtg.com

Subject: Board of Fish appointee concerns

As an Alaskan resident and concerned fisherman I write to voice my opposition of Governor Palin's appointment of Brent Johnson to the Board of Fish. Given the current makeup of the board, I firmly believe that this appointee should have experience with, and represent the interest of, interior and subsistence fisheries. I do not know Mr. Johnson personally, however his work experience and public comment on prior issues clearly indicate to me that he is not an appropriate choice for this position.

I support the content of the letter below and ask that you not confirm the appointment of Brent Johnson to the BOF

Respectfully,

Brooks Areson

April 10, 2009

The Honorable Sarah Palin
Governor, State of Alaska
State Capitol, Room 300
Juneau, AK 99801

Dear Governor Palin,

We commend the vetting process of members of state boards and commissions conducted by the Governor. We are confident the appointees are individuals of honesty, integrity and merit and we applaud their willingness to serve the people of Alaska. It is important for the Board of Fisheries to consist of members who are knowledgeable, honest and objective in their consideration of Alaska's fishery concerns.

It is crucial for board members to be true to the interests of all Alaskans. Appointees should have concern for those who depend on local fishing sources. Board members should be able to look at all sides of an issue without any preconceived notions. They should impartially evaluate the concerns and interests of the various groups and regions. They should also have the education to make well-studies, science-based decisions. In this sense, fairness and objectivity are essential modes of consideration and evaluation.

The Board of Fisheries should have a wide breadth of knowledge of fisheries issues across the state. It is safe to assume that each member is an expert of the issues in their residential region. A Juneau resident is familiar with the needs of Southeast commercial and sports fishermen. A Cook Inlet resident understands the needs of dipnetters and halibut fishermen. A resident of the Yukon-Kuskokwim region values the importance of fishing for personal use. A Board member from the Fairbanks area would have a profound understanding of fishing for personal use. The Chitina personal use fishery in the Copper River illustrates an Interior concern. The geographical location of Fairbanks is influential in its proximity to rural Alaska and its stature as the second largest city in the state. The Interior is largely dependent on the many services Fairbanks has to offer, particularly as a hub of economic stimulus and development for those who travel to the region to fish.

It is imperative for Board appointments to represent each unique region of our state. It is questionable whether members of the Board of Fisheries who are commercial and sports fishermen south of the Alaska Range are in tune to the needs of Interior and Native Alaskans that depend on fish for subsistence. There would be an unfair disparity among regional appointments if the Interior no longer has a representative on the Board. If the Interior goes unrepresented on the Board, this means a region that encompasses over half the state, including the Yukon River and its salmon concerns, would lack a residential voice familiar with the region and its issues and people. While current members of the Board undoubtedly serve Alaska's fisheries to the best of their abilities and knowledge, there is not a current member who is Native or resides north of Big Lake.

Given these concerns and issues, the Interior Delegation respectfully requests the Governor to appoint to the Board of Fisheries a resident from the Interior. We hope that you weigh these considerations carefully and understand the interests of this vast region of our state. While we have the utmost respect and no disregard for your appointee, the Interior Delegation feels that a representative of our region should be on the Board of Fisheries.

Thank you for your time and consideration of these important concerns expressed by our constituents. We have confidence you will consider the issues that are close to the hearts of Alaskans across the state. We appreciate your taking valuable time to find the most suitable and knowledgeable individuals to sit on the state's boards and commissions. Please feel free to contact member of the Interior Delegation if you have any questions, comments or concerns.

Respectfully,

1.] **Representative** Scott Kawasaki
House District 9 Fairbanks

2.] **Representative** John Coghill
Interior Delegation Chairman
House District 11 , Fairbanks

3.] **Representative** David Guttenberg
House District 8 Fairbanks

4.] **Representative** John Harris
House District 12 Valdez

5.] **Representative** Mike Kelly
House District 7 Fairbanks

6.] **Representative** Jay Ramras
House District 10 Fairbanks

7.] **Representative** Woodie Salmon
House District 6 Chalkyitsik

8.] **Senator** Gene Therriault
Senate District F North Pole

9.] **Senator** Joe Thomas
Senate District D Fairbanks

10.] **Senator** Albert Kookesh
Senate District C Angoon

11.] **Senator** Joe Paskvan
Senate District E Fairbanks

This draft letter has been circulated in an attempt to generate support for its content. The persons who's names appear at the bottom of the letter have not officially signed it yet and the letter has not been sent to the Governor's office yet.

The person's names listed below have offically signed this letter.

1.] Don Johnson
P.O. Box 876
Soldotna, Alaska 99669

2.] Brooks Areosn
P.O. Box 1356
Sitka, AK 99835

Jon Bittner

From: rcpenney@aol.com

Sent: Tuesday, April 14, 2009 9:44 AM

To: Rep. Alan Austerman; Rep. Bob Buch; Rep. Mike Chenault; Rep. Sharon Cissna; Rep. John Coghill; Rep. Harry Crawford; Rep. Nancy Dahlstrom; Rep. Mike Doogan; Rep. Bryce Edgmon; Rep. Anna Fairclough; Rep. Richard Foster; Rep. Les Gara; Rep. Berta Gardner; Rep. Carl Gatto; Rep. Max Gruenberg; Rep. David Guttenberg; Rep. John Harris; Rep. Mike Hawker; Rep. Bob Herron; Rep. Lindsey Holmes; Rep. Kyle Johansen; Rep. Craig Johnson; Rep. Reggie Joule; Rep. Scott Kawasaki; Rep. Wes Keller; Rep. Mike Kelly; Rep. Beth Kerttula; Rep. Bob Lynn; Rep. Charisse Millett; Rep. Cathy Munoz; Rep. Mark Neuman; Rep. Kurt Olson; Rep. Pete Petersen; Rep. Jay Ramras; Rep. Woodie Salmon; Rep. Paul Seaton; Rep. Bill Stoltze; Rep. Bill Thomas; Rep. Chris Tuck; Rep. Peggy Wilson; Sen. Con Bunde; Sen. Bettye Davis; Sen. Fred Dyson; Sen. Johnny Ellis; Sen. Kim Elton; Sen. Hollis French; Sen. Lyman Hoffman; Sen. Charlie Huggins; Sen. Albert Kookesh; Sen. Lesil McGuire; Sen. Linda Menard; Sen. Kevin Meyer; Sen. Donny Olson; Sen. Joe Paskvan; Sen. Bert Stedman; Sen. Gary Stevens; Sen. Gene Therriault; Sen. Joe Thomas; Sen. Tom Wagoner; Sen. Bill Wielechowski

Subject: Email from Bob Penney

Attachments: sport v commercial graph.xls

Dear Legislator,

Our Family thanks you very much for serving us in Juneau.

We are a sport fishing family who supplements or winter food with the salmon we catch.

Please do not all the Board of Ficheries to become slanted against sportsman by allowing Brent Johnson to be confirmed. Please represent the overwhelming majority in your district by voting "NO" on Brent Johnson's nomination.

Thank you much, we look forward to your vote.

Bob Penney
Soldotna

Get the scoop on the live music scene in your area and hit a show tonight. Check out TourTracker.com!

Jon Bittner

From: ccpwow@gci.net on behalf of ccpwow [ccpwow@gci.net]
Sent: Tuesday, April 14, 2009 3:22 AM
To: ;
Subject: Brent Johnson On Our Alaska Board of Fish?

Dear Representative,

Brent Johnson believes that Cook Inlet Commercial fishermen have gotten a raw deal because Alaska's governor's appear to resist appointing Cook Inlet commercial fisherman to the Alaska Board of Fish. Johnson does much research within his below article, **"Something's fishy on the Board of Fish"** but he somehow forgets to reference the many decades our BOF was totally controlled statewide by his commercial fishing interests. It did not seem to matter where the commercial seats were from back then, they always voted in favor of allocating 98% of our fisheries to the commercial fishermen in Alaska.

Now that our BOF has a more even seat ratio, we are seeing up to 5 - 10 % of our fisheries being allocated to common users. It is this 10% of the fisheries pie which is upsetting Brent Johnson and the rest of the commercial fishing industry here in Alaska. I claim this is the primary reason Johnson has attempted to be placed on our BOF.

Johnson's below letter plainly claim that he is very interested in Cook Inlet achieving commercial user representation on the BOF. He states that the current 2008 BOF is "not legitimate" as he labels it a "kangaroo court", which will attempt to destroy Cook Inlet commercial fishing, thus "make commercial fishing in Cook Inlet a memory". This is a statement coming from a person who believes that the lack of a Cook Inlet Board of Fish member, will in fact lead to the destruction of Cook Inlet commercial fishing. Brent Johnson is making this statement even as he know perfectly well that any BOF member coming from Cook Inlet commercial would legally be required to recuse himself from most deliberations involving Cook Inlet commercial issues because of their conflict of interests.

A person then must ask themselves why would any person desire that a Cook Inlet commercial fisherman be on the BOF, when they would not be able to vote on Cook Inlet issues? Johnson is claiming that the situation is "rotten" since Cook Inlet lacks commercial representation on the BOF but if he got that representation, they would not be able to vote on Cook Inlet commercial issues? Johnson is claiming that Cook Inlet commercial fishers cannot get a "fair shake" without a Cook Inlet commercial fisher on the BOF, so how does a Cook Inlet commercial fisher acquire a "fair shake" with a Cook Inlet commercial fisher on the BOF, when that member would be forced to not participate in Cook Inlet issues?

Obviously there is more going on here than just seating a Cook Inlet Board Member. It is no big secret that BOF members do effect each other in a very substantial way by just talking to other BOF members. Right now it is also very obvious that Brent Johnson's commercial fishing industry is very intensely pushing our legislature to reduce or eliminate recusals for conflict of interest.

Johnson states that our BOF is unfair without a Cook Inlet commercial fisher presents but even if he had that presents, it would not be able to represent Cook Inlet commercial interests. Most people would call that a nonfunctional "catch 22 situation" but not Johnson, while commercial fishing interests lobby our legislature to reduce or eliminate recusals for conflict of interest...

The only thing Brent Johnson would "legitimately" be able to effect is fisheries issues outside Cook Inlet commercial fisheries. So why would Johnson claim that a Cook Inlet

commercial fisher on the BOF would give Cook Inlet commercial fishers a fair shake? There can only be two possible answers to this question.

1.] Johnson has an illegal agenda which seeks to correct Cook Inlet fisheries issues with a Cook Inlet commercial fisher BOF member.
2.] Johnson does not fully understand that a Cook Inlet commercial fisher board member would not be able to legally address the commercial fishing issues he is referring to.

Both of the above choices reveal that Johnson has a distorted view of what BOF members can and cannot legally do. There are no other choices within this issue. Johnson clearly states that he seeks Cook Inlet fisheries control by obtaining a Cook Inlet commercial seat on the BOF. It is common knowledge that you cannot legally obtain this kind of control over fisheries you have a conflict of interest within. So what could Johnson's agenda be?

The below article was not a slip of the lip by Johnson, I have know Brent Johnson for 30 years and over that time period I have watched him put forth at least a dozen major fisheries proposals which on the surface appeared to make no real sense. In each of these cases the reason the proposals did not make sense was because he can only process information in a way which benefits the commercial fishing industry. This would be like asking a communist to flip over and become a capitalist over night. A life-time of pushing the commercial fisheries agenda has left him with a real inability to see the "big picture" with regard to Alaska fisheries.

I claim that Johnson's agenda is one where he plans to either "knowingly or unknowingly" inappropriately influence BOF decisions over Cook Inlet issues. He has plainly stated this goal within his below article if you read between the lines.

For this reason I request that you NOT CONFIRM Brent Johnson to the Alaska Board of Fisheries.

Thank you.

Don Johnson
ccpwow@gci.net
907 262 7893

Letter to the Editor
Web posted Wednesday, January 30, 2008

Something's fishy on the Board of Fish
Letter to the Editor

Here's what's going down. The state Board of Fisheries (BOF) is going to hold a February meeting, put on a **kangaroo court** and enact regulations that **will likely make commercial fishing in Cook Inlet a memory**. Here's why: governors Palin, Murkowski, Knowles, Hickel, Cowper and Sheffield didn't appoint a single Cook Inlet commercial fisher to the BOF. Gov. Jay Hammond was the last to do that, with the appointment of Dannie Garroutte, a drift fisher from Ninilchik (served 1975-80).

Isn't that odd? The Cook Inlet basin includes Anchorage, has the bulk of the state's population and many Cook Inlet commercial fishers, and yet six governors chanced to not appoint a single one. In that same span (since 1979), 12 Cook Inlet basin sportfishers have served on the BOF. They are: Calvin Fair of Soldotna (1977-79), Russ Dunn of Anchorage (1975-80), Bix Bonney (Kenai River

guide, 1983-87), Bud Hodson of Anchorage (1986-93), Mike Chihuly (Ninilchik saltwater guide 1988-93), Irv Carlisle of Soldotna (1990-93), Tom Elias (president of the Alaska Sport Fishing Association 1991-93), Larry Engel (former Fish and Game sportfish biologist, 1993-2003), Dr. Dick Bower of Soldotna (1993-96), Dan Coffey (Anchorage attorney who crafted the "fish initiative," 1997-2002), Ed Dersham (Anchor Point guide, 1997-2005) and Howard Delo (Wasilla sportfisher critical of drifters 2007-).

To his credit, Gov. Steve Cowper appointed Mike Haggren, a Kodiak resident who drifted in the inlet. Before Haggren had the opportunity to actually sit at a BOF meeting, however, he was cited for a commercial fishing violation. Cowper had the courage and good sense to give his resignation. The same can't be said of current board member Jeremiah Campbell, a Murkowski appointment from Seward. Campbell, who has a guide business, was cited for a Fish and Game violation, but he will be in full participation at the upcoming BOF meeting because the same governor who criticized the Murkowski machine for dishonesty in oil and gas issues is unwilling to clean up her own administration.

Why can't Cook Inlet commercial fishers get a fair shake? I don't know, but I have an idea there's "**something rotten in Denmark**," and it comes from politics, not salmon.

Brent Johnson

Clam Gulch
http://www.peninsulaclarion.com/stories/013008/letters_3801.shtml

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Jon Bittner

From: southeastsportfishing@gmail.com on behalf of Jim Moody [info@southeastsportfishing.com]
Sent: Monday, April 13, 2009 9:58 PM
To: Rep. Craig Johnson
Subject: Brent Johnson

Dear Representative,

This letter regards the appointment of **Brent Johnson**, by our Governor, to Alaska's Board of Fisheries.

I am a 25 year resident of Alaska and I am requesting that you **NOT CONFIRM** Brent Johnson to the Alaska Board of Fish for two reasons.
1.] The first reason is because it would leave interior Alaska and subsistence/ personal use residents without a voice on our BOF.
2.] The second reason is that we need people on our BOF who are able to see the big fisheries picture regarding our many fisheries USES here in Alaska. I have know Brent Johnson for 30 years and I personally know that he only carries a SINGLE picture in his head with regard to Alaska's fisheries. That perspective is one which enforces by regulation that commercial fishermen are allocated 98% of Alaska's fisheries and common users are given the left-overs. I believe this ratio should be the other way around, with our common users receiving priority access to our fisheries and commercial users receiving any harvestable excess, which the public cannot use.
Governor Palin has made a very poor choice with this BOF appointment of Johnson.

Thank you.
Jim Moody
247 1643
info@southeastsportfishing.com

Jon Bittner

From: ccpwow@gci.net on behalf of ccpwow [ccpwow@gci.net]
Sent: Monday, April 13, 2009 8:49 PM
To: ;
Subject: Alaska Board of Fish - Brent Johnson being the 4th commercial seat

Dear Representative,

Our Alaska Board of Fish is currently proportioned with a 3 sport, 3 commercial, 1 subsistence/person use, seat ratio. This mix of board users seats was arrived at in an attempt to bring some resemblance of peace to the "All Out Fish War" which had historically been inflicted on our BOF meetings. We must all remember that we had confrontational and unproductive BOF meetings before we arrived at our current BOF seat ratio. If you as our representative cannot remember how our BOF meetings used to not function, you will be doom to repeat that mistake. This is our BOF history, for 20 years we had haphazard BOF meetings, which resulted in the bulk of user efforts spent with user groups butting heads. These meetings bordered on being more of a circus than a BOF meeting. This is our history, when we had a majority of commercial fisherman stacked on our BOF. To repeat this kind of insanity is moving backward in time. Can you remember these meetings? They were a waste of our time.
We have not seen that circus for a while, but now with Brent Johnson being the 4th commercial seat on the Board, we will be force to begin them all over again for sure.
We constructed a [3 sport, 3 commercial, 1 subsistence/person use] seat ratio to give peace to these meetings. If Brent Johnson were added to this Board, it would cause us to go back to a commercial majority and I will guarantee you that our previous " Fish War ", will again return.
Is this what you are looking for? If people fail to remember our historic fisheries management mistakes, they are doomed to repeat those mistakes into the future.
Please DO NOT CONFIRM Brent Johnson to the Alaska Board of Fish.

Thank you.

Don Johnson
ccpwow@gci.net
907 262 7893

Jon Bittner

From: Joseph Amarok [jamarok@yahoo.com]
Sent: Monday, April 13, 2009 8:41 PM
To: Rep. Craig Johnson
Subject: vote

Craig
Please vote **"NO"** on confirmation of Brent Johnson to the Board of Fish.
It is an unfair advantage to the majority of Alaska who are not commercial fisherman to have him on the Board of Fisheries.
Thank you
Joseph S. Amarok
221 Pettis Road
Anchorage, Alaska 99515

Jon Bittner

From: grady brown [arcticwolf@alaska.net]
Sent: Monday, April 13, 2009 8:08 PM
To: Rep. Craig Johnson
Subject: Brent Johnson

April 13, 2009

To Whom It May Concern,

I and my family do not support the appointment of Brent Johnson to the Alaska Board of Fisheries for the following reasons:

We feel all user groups deserve a fair hearing in front of the Board of Fisheries. The Board make-up should not be over balanced in favor of one user group. Brent's appointment does just that - overweight the board representation with commercial fishing interest, with four of seven seats. The current chair John Jensen and vice-chair Vince Webster of the BOF both have commercial fishing permits, and former chair Mel Morris is employed in seafood marketing.

Brent Johnson does not have the support or trust of statewide user groups except for the commercial fishing industry. (Upper Cook Inlet Drifters Assn, (UCIDA drift netters) Kenai Peninsula Fishermen's Assn (KPFA set netters) Kenai Area Fishermen's Coalition (Commercial Joe Fisherman) and the United Fishermen of Alaska (UFA) have all come out in full support of his nomination. However, he is facing statewide opposition from all other user groups. Sport anglers, personal use dip netters, and subsistence users. Residents from around the state = Fairbanks, the Bush, Anchorage, Mat-Su, Kenai, Juneau, Sitka and Petersburg - have all expressed opposition to this appointment.

One of his main support groups, UCIDA, is advocating federal preemption of state managed salmon fisheries and seeking to outlaw the resident-only dip net fisheries, all in the name of discrimination against their non-resident membership. The suit wants the Feds to manage our salmon fisheries and ban our opportunity to go dip netting in the Copper, Kenai and Kasilof Rivers.

Based on past performance, I don't believe he will make impartial decisions on fishery conservation and allocation decisions. I don't think he will properly balance the needs of all user groups instead of just putting a priority on commercial fishing above all others

a . On fishery conservation issues, I witnessed that at the last BOF meeting for the Upper Cook Inlet, Brent argued against the need to put in place a stock of concern (SOC) status for northern district salmon.

Due to chronic failures to make minimum escapements, the BOF did make a SOC finding in the northern district. I don't think this would of happened if Brent was on the BOF.

b. Brent opposed the development and use of a peer-reviewed fisheries model developed in the 1990's and updated with more recent ADFG data to examine possible outcomes for various fishery management strategies. Risk assessment models are used by professional fisheries managers across the country, especially in salmon management. I don't want a person on the BOF who does not want fishery managers top use important tools for sustainable fish management.

c. For allocation decisions, in light of past problems with stacking the advisory committee with members of one user group reforms had to be put in place after Brent's tenure as the AC chair. There are now policies in place to have a fair and balanced representation from all user groups on the local Kenai-Soldotna AC.

With Brent's appointment, there will be No representation from the Interior or non-coastal areas of Alaska. He is being appointed to a seat that had traditionally seen representation from the Fairbanks area. Who will represent US. Next year the BOF will be making some very important decisions for the A-K-Y region of the Interior. Due to the outrageous by-catch rates of Chinook salmon in the Bering Sea Pollock Trawl Fisheries. In-river commercial, subsistence and sport users will see severe reductions in their harvest. The Interior would be best served with a person from this area on the Board who could assist in navigating what is surely to be a very contentious process next year.

The Board will not have any representation from the Alaska Native community. There are many qualified Alaska Native candidates from the interior who could serve proudly and ably

on the BOF. We encourage the Governor to seek out these qualified candidates to serve on the BOF in place of Brent Johnson.

Sincerely,

Brady, Dana and Jeff Brown
Fairbanks, Ak

Jon Bittner

From: Yancey Thompson [yancey42@gmail.com]
Sent: Monday, April 13, 2009 6:29 PM
To: Rep. Craig Johnson; Sen. Lesil McGuire
Subject: Dipnetting and appointment of Brent Johnson

Hello Lesil and Craig,
I live in your district, and I am a registered Independent. I believe in voting for the best person for the job regardless of party affiliation. I have been dipnetting for many years both on the Kenai River and on the Copper River, along with sport fishing all over our state. I feel that the appointment of Brent Johnson - A Cook Inlet Set-netter to the Alaska Board of Fisheries will jeopardize my ability and the ability of over 100,000 Alaskan families from the railbelt to feed our family's. We depend on Dipnetting as a source of food for our families. We, also, spend much of our summers sport fishing. By confirming Brent Johnson, you are giving the Alaska Board of Fisheries over to the commercial fishermen and basically killing both dippnetting and sport fishing in our state. With Sarah's appointment, the Board will be controlled by commercial fishermen and the voice of dippneters and sport fishermen will be gone. I would have trouble voting for anyone that is willing to give all of Alaska's fish to commercial fishermen at the expense of dippneters and sport fishermen. I hope we can keep the Alaska Board of Fisheries balanced, so that all Alaskans can use our fish resources, both commercial fishermen, dippneters and sport fishermen alike.
Thank you, for your time,
--
Yancey Thompson

"Common sense is not so common."
- Voltaire, Philosophical Dictionary, 1764

Jon Bittner

From: ccpwow@gci.net on behalf of ccpwow [ccpwow@gci.net]
Sent: Monday, April 13, 2009 5:12 PM
To: ;
Subject: Re: letter regarding the appointment of Brent Johnson, to Alaska's Board of Fisheries

Dear Representative,

The below draft letter has been circulated in an attempt to generate support for its content.
The persons who's names appear at the bottom of the letter have not officially signed it yet and the letter has not been sent to the Governor's office yet.
Any member of the legislature wishing to have their name added to this letter should contact Representative Scott Kawasaki, House District 9 Fairbanks, as soon as possible.
Representative_Scott_Kawasaki@legis.state.ak.us

Thank you.

Don Johnson
ccpwow@gci.net

----- Original Message -----
From: ccpwow
Sent: Monday, April 13, 2009 5:18 AM
Subject: letter regarding the appointment of Brent Johnson, to Alaska's Board of Fisheries

Dear Representative,

This letter regards the appointment of **Brent Johnson**, by our Governor, to Alaska's Board of Fisheries.
The below letter was generated and signed by 11 Alaskan Representatives and Senators.
I agree with the content of this letter so I am now sending it to you and Governor Palin.
A final legislative confirmation vote for this BOF position will happen within 5 days, **ON APRIL 17, 2009.**

I am a 30 year resident of Alaska and I am requesting that you **NOT CONFIRM** Brent Johnson to the Alaska Board of Fish for two reasons.
1.] The first reason is because it would leave interior Alaska and subsistence/ personal use residents without a voice on our BOF.
2.] The second reason is that we need people on our BOF who are able to see the big fisheries picture regarding our many fisheries USES here in Alaska. I have know Brent Johnson for 30 years and I personally know that he only carries a SINGLE picture in his head with regard to Alaska's fisheries. That perspective is one which enforces by regulation that commercial fishermen are allocated 98% of Alaska's fisheries and common users are given the left-overs. I believe this ratio should be the other way around, with our common users receiving priority access to our fisheries and commercial users receiving any harvestable excess, which the public cannot use.
Governor Palin has made a very poor choice with this BOF appointment of Johnson.

Thank you.

Don Johnson
907 262 7893
ccpwow@gci.net

Thank you.

April 10, 2009

The Honorable Sarah Palin
Governor, State of Alaska
State Capitol, Room 300
Juneau, AK 99801

Dear Governor Palin,

We commend the vetting process of members of state boards and commissions conducted by the Governor. We are confident the appointees are individuals of honesty, integrity and merit and we applaud their willingness to serve the people of Alaska. It is important for the Board of Fisheries to consist of members who are knowledgeable, honest and objective in their consideration of Alaska's fishery concerns.

It is crucial for board members to be true to the interests of all Alaskans. Appointees should have concern for those who depend on local fishing sources. Board members should be able to look at all sides of an issue without any preconceived notions. They should impartially evaluate the concerns and interests of the various groups and regions. They should also have the education to make well-studies, science-based decisions. In this sense, fairness and objectivity are essential modes of consideration and evaluation.

The Board of Fisheries should have a wide breadth of knowledge of fisheries issues across the state. It is safe to assume that each member is an expert of the issues in their residential region. A Juneau resident is familiar with the needs of Southeast commercial and sports fishermen. A Cook Inlet resident understands the needs of dipnetters and halibut fishermen. A resident of the Yukon-Kuskokwim region values the importance of fishing for personal use. A Board member from the Fairbanks area would have a profound understanding of fishing for personal use. The Chitina personal use fishery in the Copper River illustrates an Interior concern. The geographical location of Fairbanks is influential in its proximity to rural Alaska and its stature as the second largest city in the state. The Interior is largely dependent on the many services Fairbanks has to offer, particularly as a hub of economic stimulus and development for those who travel to the region to fish.

It is imperative for Board appointments to represent each unique region of our state. It is questionable whether members of the Board of Fisheries who are commercial and sports fishermen south of the Alaska Range are in tune to the needs of Interior and Native Alaskans that depend on fish for subsistence. There would be an unfair disparity among regional appointments if the Interior no longer has a representative on the Board. If the Interior goes unrepresented on the Board, this means a region that encompasses over half the state, including the Yukon River and its salmon concerns, would lack a

residential voice familiar with the region and its issues and people. While current members of the Board undoubtedly serve Alaska's fisheries to the best of their abilities and knowledge, there is not a current member who is Native or resides north of Big Lake.

Given these concerns and issues, the Interior Delegation respectfully requests the Governor to appoint to the Board of Fisheries a resident from the Interior. We hope that you weigh these considerations carefully and understand the interests of this vast region of our state. While we have the utmost respect and no disregard for your appointee, the Interior Delegation feels that a representative of our region should be on the Board of Fisheries.

Thank you for your time and consideration of these important concerns expressed by our constituents. We have confidence you will consider the issues that are close to the hearts of Alaskans across the state. We appreciate your taking valuable time to find the most suitable and knowledgeable individuals to sit on the state's boards and commissions. Please feel free to contact member of the Interior Delegation if you have any questions, comments or concerns.

Respectfully,

1.] **Representative** Scott Kawasaki
House District 9 Fairbanks

2.] **Representative** John Coghill
Interior Delegation Chairman
House District 11 , Fairbanks

3.] **Representative** David Guttenberg
House District 8 Fairbanks

4.] **Representative** John Harris
House District 12 Valdez

5.] **Representative** Mike Kelly
House District 7 Fairbanks

6.] **Representative** Jay Ramras
House District 10 Fairbanks

7.] **Representative** Woodie Salmon
House District 6 Chalkyitsik

8.] **Senator** Gene Therriault
Senate District F North Pole

9.] **Senator** Joe Thomas
Senate District D Fairbanks

10.] **Senator** Albert Kookesh
Senate District C Angoon

11.] **Senator** Joe Paskvan
Senate District E Fairbanks

12.] Don Johnson
P.O. Box 876
Soldotna, Alaska 99669

Jon Bittner

From: George Veney [gveney@vcn.com]
Sent: Monday, April 13, 2009 9:42 AM
To: Rep. Craig Johnson
Subject: Board of Fisheries Vote

Dear Legislator:

I am opposed to the appointment of Brent Johnson to the Alaska Board of Fisheries and ask you to please not vote to confirm his appointment. Thank you for your support in this matter.

George Veney

Sport Fisherman

PO Box 39598

Ninilchik, AK 99639

907-252-0946

Jon Bittner

From: RichardErkeneff@aol.com
Sent: Monday, April 13, 2009 9:28 AM
To: Rep. Craig Johnson
Subject: Nomination of Brent Johnson to the Board of Fish

I am writing this E-mail in regard to the nomination of Brent Johnson to the Board of Fish.

I am Richard Erkeneff, a resident of the Kenai Peninsula Borough and the owner of a Lodge and a Fishing and RV Camp on the Kenai River. I have been a resident of Alaska for approximately five years. The success of many of Alaska's small businesses and the well being of many our citizens depend upon Fish for all User Groups.

Its all about Fish! Whether your interest is Commercial, Sport, Personal Use or Subsistence, you need sustainable fisheries for **all Users**. I want to emphasize the word **ALL**. The BOF is an elite group of seven, who makes decisions regarding hundreds of proposals from all user groups. After public testimony, it is these seven members that deliberate and finally decide on issues regarding the regulations of the fisheries.

If all User groups are going to get a fair shake during these private deliberations, the board make up should not be over balanced in favor of one user group. I believe that this nomination does overweight the board representation with commercial fisherman interests to four of seven. If approved, Mr. Johnson will be the second commercial set netter (Vince Webster is the first). The Chairman of the BOF, Mr. Jensen, a commercial fisherman, and Mr. Morris, a seafood sales expeditor, the Past Chairman, support commercial fisherman interests.

During a past BOF nomination process, Mr. Johnson argued that the BOF members should have an extensive background in diverse fisheries. What does Mr. Johnson know that isn't duplicated by the abundant knowledge of Messrs. Jensen, Morris or Webster?

Additionally, one of his main support groups, Upper Cook Inlet Drifters Association (UCIDA), is advocating federal preemption of state management of salmon fisheries and seeking to outlaw the resident-only dip net fishery, in favor of non-resident commercial fishermen.

The Board will not have any representative for the Interior or non-coastal areas of Alaska if Mr. Johnson is approved.

For reasons noted above, I do not support the nomination of Mr. Johnson. I am hopeful that you will have a "nay" vote on Mr. Johnson's nomination.

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Jon Bittner

From: Dennis Gease [dgease@alaska.net]
Sent: Sunday, April 12, 2009 1:16 PM
To: Rep. Craig Johnson
Subject: Opposition to Brent Johnson on Board of Fish

April 12, 2009

Dear Legislator:
I am writing to you to ask that you oppose the appointment of Brent Johnson to the Alaska Board of Fisheries, because I don't think he can be fair towards other user groups besides commercial fishing. I sport fish on the Kenai River regularly during the summer months, and also make use of the Kenai dip net fishery. I also assist my daughter-in-law fish at the Kenaitze Indian Tribe's educational fishery on the Kenai beach. I helped start a new group representing dip netters – the Southcentral Alaska Dipnetters Association (SCADA), of which I am the vice president. I also served on the board of directors of the Kenai Watershed Forum for six years, and the Kenai – Soldotna AC for two years.
As a past member of the Kenai – Soldotna AC, I can say that having fair and balanced representation is important on the BOF and the local ADFG Advisory Committees. I served on the Kenai – Soldotna AC in 2006 and 2007. During this time we had an equal representation of three members active in the commercial fishing industry, and three members active in the sport guide charters. We also had a wide range of members from the general public, with representation in hunting, trapping, subsistence, personal use, and at-large.
During this time I can say I felt comfortable that the fish and game proposals we reviewed received fair and balanced treatment, with no one user group's viewpoint controlling the process. I feel we made valuable contributions through our comments and actions to both the BOF and the BOG. I feel our comments were welcomed and seen in a positive manner in the overall board processes.
I feel fortunate to have served on the Kenai – Soldotna AC when I did, because I understand that our local AC was not always viewed in such a positive light. I understand that the policy to have balanced representation from commercial and sport users on the Kenai – Soldotna AC came about *after* the tenure of Brent Johnson as the local AC Chair – because past AC's got stacked with commercial fishing interests and did not provide fair, balanced comments on fisheries proposals. From people I talked to, other user groups felt intimidated by the AC and did not feel their input was valued or wanted. There was a feeling that proposals from other user groups did not receive impartial judgments under his tenure.
I think all user groups deserve a fair shake at the BOF. As with my experience on a fair and balanced local AC, the BOF make-up should not be over balanced in favor of one user group. The appointment of Brent Johnson *does* overweight board representation to the commercial fishing industry, with four of seven seats. As such, I am afraid that other user groups will once again find problems getting fair hearing at the BOF.
What is also troubling to me is that much of Brent's support for his appointment comes from commercial fishing interests in Cook Inlet that are leading the attack on my right to dip net, something that I care very passionately about. I understand UCIDA has come out in full support of Brent's appointment, which is not surprising because he serves on the board of director of Cook Inlet Aquaculture Association with many of them.

UCIDA recently filed a Federal lawsuit wanting to ban dip netting on the Kenai, as does a similar lawsuit from other Cook Inlet commercial fishing interests. Why? Because resident only fisheries discriminate against UCIDA's non-resident members. I have seen the number of fish that non-resident drifters bring in from a day's fishing on the Inlet – many times more than the household limit I am allowed to bring back to my freezer for food. They are allowed to take home an unlimited number for home pack, and now my right to dip net is being attacked by them. This is an insult and outrage at its most basic level. Is this what I can expect from the BOF with Brent on board?

I also find it illuminating and troubling that as president of Kenai Peninsula Fishermen's Association (KPFA), Brent called for UCIDA's executive director, Roland Maw, to be the Commissioner of Fish and Game, or at the very least appointed to the BOF. I remember when the joint boards of Fish and Game refused to pass on the name Roland Maw as a qualified candidate for Commissioner. That should tell you something about how these boards felt about Roland Maw's qualifications. I was thankful of that because I witnessed more than once at Kenai – Soldotna AC meetings and BOF meetings where Roland Maw stretched, manipulated and just plain lied about the facts on proposals under consideration. The support between UCIDA and KPFA seems to be - I will scratch your back if you will scratch mine.

We don't need to stack the BOF with one user group over all others. The appointment of Brent Johnson does just that – we have seen that this approach does not work in the past – why would we expect it to work any better in the future. Please vote no on his confirmation.

Respectfully,

Dennis Gease
PO Box 2451, Kenai, AK 99611
(907) 252-9291

Jon Bittner

From: Alaska River Adventures [info@AlaskaRiverAdventures.com]
Sent: Sunday, April 12, 2009 12:06 PM
To: Rep. Craig Johnson
Subject: Brent Johnson's appointment to the BOF

Dear Representative Johnson-
I am writing to oppose the appointment of Brent Johnson to the Board of Fish. I know that you care greatly about the natural resources of our state since you have chosen to sit on the committees that protect them and I hope you want to protect the concept that they be accessible to all the citizens of the state... after all our constitution pretty much mandates that.

The appointment of Mr. Johnson is very likely to unbalance the Fish Board since he will be the 4th commercial fisherman on the board and the 4th to represent Cook Inlet... no one on the board will represent subsistence and personal use for the first time in something like 20 years, no one on the board will represent Alaskan Natives and no one will represent the Interior.

Mr. Johnson has been part of the commercial fishing leadership which has filed lawsuits that would have them "own" all of the salmon. It is his opinion that any fish that gets upriver over and above minimum escapement is a "wasted fish". He is a participant in current lawsuits that are attempting to usurp the powers of the Board of Fish (how ironic) and that are seeking to eliminate the popular personal use fisheries taking fish from all Alaskans to give them to the commercial fleet.

One of the main problems for the Cook Inlet commercial fishery is that you have one out of eight commercial fishermen in Alaska fishing there and they historically get only 2% of the commercially caught salmon in the state. Of course, this means higher costs and lower yields for each permit.

The answer according the commercial guys is to let them catch more fish by re-allocating more of the runs to the commercial fleet. Given that they already harvest over 80% of the fish taken, there is a very limited up side to this approach.

So, please make sure that someone more balanced is appointed to the open seat on the BOF. It will be in the best interests of the resource and the people.

Sincerely,
George Heim
Cooper Landing

Jon Bittner

From: Gloria Self [gjself@ak.net]
Sent: Sunday, April 12, 2009 10:28 AM
To: Rep. Craig Johnson
Subject: Brent Johnson Confirmation

Gloria Self
9125 Emerald
Anchorage, AK 99502-5134

April 12, 2009

The Honorable Craig W. Johnson
Alaska House of Representatives
State Capitol
Juneau, AK 99801-1182

Dear Representative Johnson:

I strongly oppose the appointment of Brent Johnson to the Alaska Board of Fish and ask you to vote NO on his confirmation.

Sincerely,

Gloria Self
274-4324

Jon Bittner

From: George Alexion [galexion@att.net]
Sent: Sunday, April 12, 2009 9:50 AM
To: Rep. Craig Johnson
Subject: I strongly oppose the appointment of Brent Johnson to the Alaska State Board of Fish.

George Alexion
2730 S. Saindon St
Wasilla, AK 99654-9400

April 12, 2009

The Honorable Craig W. Johnson
Alaska House of Representatives
State Capitol
Juneau, AK 99801-1182

Dear Representative Johnson:

I strongly oppose the appointment of Brent Johnson to the Alaska State Board of Fish.

Sincerely,

George Alexion
907-301-6524

Jon Bittner

From: Rey, Karen [Karen.Rey@sjmneuro.com]
Sent: Saturday, April 11, 2009 10:45 PM
To: Rep. Craig Johnson
Subject: Board of Fisheries Brent Johnson Opposition

Dear Legislator;

I am writing to ask you to vote against the appointment of Brent Johnson to the Board of Fisheries. I've been an Alaska resident since 1982 and an avid outdoors person, including hunting and fishing. I oppose Governor Palin's appointment for the following reasons:

- Brent Johnson appointment takes a seat from the Fairbanks / Interior area, negating an important and broad geographical region from the Board, especially in light of the upcoming 2009 / 2010 board meeting for Arctic – Yukon – Kuskokwim Finfish.
- Brent would be the fourth appointment to the board from the Southcentral / Cook Inlet region, and would leave the board without an Alaska Native or subsistence / personal use representative.
- Brent Johnson appointment puts a Cook Inlet set netter on the board, which would be the Governor's fourth appointment of commercial fishing orientation and second set netter.
- Brent Johnson is in the leadership of the Cook Inlet commercial fisheries, which has supported state lawsuits seeking to give commercial fishing permit holders private property rights to our public fishery resources. These past lawsuits failed in state court.

I do support Governor Palin's other Board appointment of Karl Johnstone. He has broad sport and commercial experience and has a good reputation with both entities. I'd like to see either a woman on the Board, or native representation. I'd ask that other nominee's be considered, like Mike Smith with Tanana Chiefs who would be fair representation of the interior Alaska as well as a Native Alaskan representation.

Please oppose the appointment of Brent Johnson to the Board of Fisheries. Thank you.

Karen Rey, RN
907-830-6048

644 West 11th Ave
Anchorage, Alaska 99501

Debra Higgins

From: ccpwow@gci.net on behalf of ccpwow [ccpwow@gci.net]
Sent: Monday, April 13, 2009 5:18 AM
To: ;
Subject: letter regarding the appointment of Brent Johnson, to Alaska's Board of Fisheries

Dear Representative,

This letter regards the appointment of **Brent Johnson**, by our Governor, to Alaska's Board of Fisheries.
The below letter was generated and signed by 11 Alaskan Representatives and Senators.
I agree with the content of this letter so I am now sending it to you and Governor Palin.
A final legislative confirmation vote for this BOF position will happen within 5 days, **ON APRIL 17, 2009.**

I am a 30 year resident of Alaska and I am requesting that you **NOT CONFIRM** Brent Johnson
to the Alaska Board of Fish for two reasons.
1.] The first reason is because it would leave interior Alaska and subsistence/ personal use
residents without a voice on our BOF.
2.] The second reason is that we need people on our BOF who are able to see the
big fisheries picture regarding our many fisheries USES here in Alaska. I have know
Brent Johnson for 30 years and I personally know that he only carries a SINGLE
picture in his head with regard to Alaska's fisheries. That perspective is one
which enforces by regulation that commercial fishermen are allocated 98% of Alaska's
fisheries and common users are given the left-overs. I believe this ratio should be the other
way around, with our common users receiving priority access to our fisheries and commercial
u[redacted]receiving any harvestable excess, which the public cannot use.
Governor Palin has made a very poor choice with this BOF appointment of Johnson.

Thank you.

Don Johnson
907 262 7893
ccpwow@gci.net

Thank you.

--

April 10, 2009

The Honorable Sarah Palin
Governor, State of Alaska
State Capitol, Room 300
Juneau, AK 99801

Dear Governor Palin,

[redacted]ommend the vetting process of members of state boards and commissions conducted by the Governor. We are confident the appointees are individuals of honesty, integrity and merit and we applaud their willingness to serve the people of Alaska. It is important for the Board of Fisheries to consist of members who are knowledgeable, honest and objective in their consideration of Alaska's fishery concerns.

It is crucial for board members to be true to the interests of all Alaskans. Appointees should have concern for those who depend on local fishing sources. Board members should be able to look at all sides of an issue without any preconceived notions. They should impartially evaluate the concerns and interests of the various groups and regions. They should also have the education to make well-studies, science-based decisions. In this sense, fairness and objectivity are essential modes of consideration and evaluation.

The Board of Fisheries should have a wide breadth of knowledge of fisheries issues across the state. It is safe to assume that each member is an expert of the issues in their residential region. A Juneau resident is familiar with the needs of Southeast commercial and sports fishermen. A Cook Inlet resident understands the needs of dipnetters and halibut fishermen. A resident of the Yukon-Kuskokwim region values the importance of fishing for personal use. A Board member from the Fairbanks area would have a profound understanding of fishing for personal use. The Chitina personal use fishery in the Copper River illustrates an Interior concern. The geographical location of Fairbanks is influential in its proximity to rural Alaska and its stature as the second largest city in the state. The Interior is largely dependent on the many services Fairbanks has to offer, particularly as a hub of economic stimulus and development for those who travel to the region to fish.

It is imperative for Board appointments to represent each unique region of our state. It is questionable whether members of the Board of Fisheries who are commercial and sports fishermen south of the Alaska Range are in tune to the needs of Interior and Native Alaskans that depend on fish for subsistence. There would be an unfair disparity among regional appointments if the Interior no longer has a representative on the Board. If the Interior goes unrepresented on the Board, this means a region that encompasses over half the state, including the Yukon River and its salmon concerns, would lack a residential voice familiar with the region and its issues and people. While current members of the Board undoubtedly serve Alaska's fisheries to the best of their abilities and knowledge, there is not a current member who is Native or resides north of Big Lake.

Given these concerns and issues, the Interior Delegation respectfully requests the Governor to appoint to the Board of Fisheries a resident from the Interior. We hope that you weigh these considerations carefully and understand the interests of this vast region of our state. While we have the utmost respect and no disregard for your appointee, the Interior Delegation feels that a representative of our region should be on the Board of Fisheries.

Thank you for your time and consideration of these important concerns expressed by our constituents. We have confidence you will consider the issues that are close to the hearts of Alaskans across the state. We appreciate your taking valuable time to find the most suitable and knowledgeable individuals to sit on the state's boards and commissions. Please feel free to contact member of the Interior Delegation if you have any questions, comments or concerns.

Respectfully,

1.] **Representative** Scott Kawasaki
House District 9 Fairbanks

2.] **Representative** John Coghill
Interior Delegation Chairman
House District 11 , Fairbanks

3.] **Representative** David Guttenberg
House District 8 Fairbanks

4.] **Representative** John Harris
House District 12 Valdez

5.] **Representative** Mike Kelly
House District 7 Fairbanks

6.] **Representative** Jay Ramras
House District 10 Fairbanks

7.] **Representative** Woodie Salmon
House District 6 Chalkyitsik

8.] **Senator** Gene Therriault
Senate District F North Pole

9.] **Senator** Joe Thomas
Senate District D Fairbanks

10.] **Senator** Albert Kookesh
Senate District C Angoon

11.] **Senator** Joe Paskvan
Senate District E Fairbanks

12.] Don Johnson
P.O. Box 876
Soldotna, Alaska 99669

Jon Bittner

From: Ronald Rainey [Ronaklo@worldnet.att.net]
Sent: Saturday, April 11, 2009 2:50 PM
To: Rep. Craig Johnson
Subject: Oppose Brent Johnson for BOF

Dear Legislator

The following are key points why Brent Johnson should not be appointed to the Board of Fish. This is not just a Cook Inlet issue but one that would affect all areas of Alaska.

This is not personal or one sided as all user groups deserve a fair shake at the BOF. The board make-up should not be over weighted in favor of one user group. This appointment does overweight board representation with commercial fishing interest with a 4of 7 majority voice. He will not have the support or trust of statewide user groups except for commercial fishing.

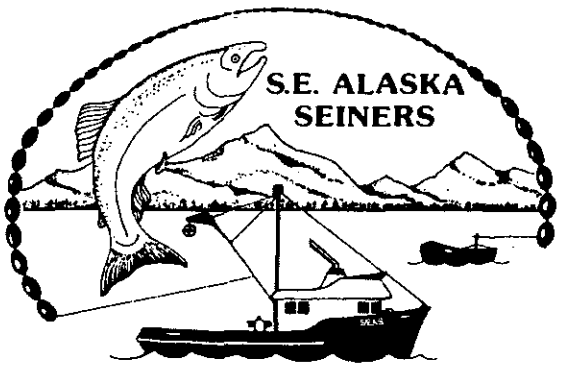
One of his main support groups, Upper Cook Inlet Drifters Association (UCIDA), is advocating federal preemption of state management of salmon fisheries and seeking to illegal the resident-only dip net fishery, in favor of non-resident commercial fisherman.

Based on past performance, I do not believe he will make balanced and impartial decisions that address the needs of various user groups. In addition, this appointment will leave the interior non-coastal area without a voice. Also, this will leave the Alaska Native community without a representative.

I strongly urge you not to confirm Brent Johnson to the BOF.

Sincerely,

Ron Rainey
Box 2004
Kenai, Ak 99611
907-953-8588



11 April 2009

Representative Craig W. Johnson
Alaska State Legislature
State Capitol, Room 126
Juneau AK 99801

Dear Representative Johnson,

Let me begin by saying that the Southeast Alaska Seiners Association would like to comment on the recent "UCIDA" resolution. For the record, we are opposed to any activities and actions, legal or otherwise, that might jeopardize state control and state management of our fisheries. We never want to see the day in which return to a Washington D.C. based Federal management scheme; one that we fought against so hard the first half of last century and finally dissolved with statehood in 1959. To that end, we oppose any and all such transfers of autonomy and authority. And to this end, we proudly support the spirit and intent of such legislative resolutions with regard to maintaining state of Alaska management authority and the ability of Alaskan residents to access the fisheries resources of this great state of ours.

Certainly the focus on the resolution could be narrowed to include those issues that are material and relevant to the real problem of the proposed legal action. We might add that there are 3 legal actions to which SEAS is opposed: the aforementioned UCIDA action, the AOC Chitina dipnet court action, and the Herb Jensen/Prince William Sound lawsuit. SEAS believes that these are all misguided and that the disposition in favor of the plaintiffs would ultimately change and usurp the management authority of the state of Alaska over its fisheries resources.

This is why we are also very interested in the recent appointments by Governor Palin to the Board of Fisheries. For while the Board of Fish is an imperfect process, we are convinced that it is the best process and if we need to refine it we are ready to rise to that occasion. The Board and its attendant processes are where we deal with the management and allocation of our fisheries resource, not at some judge's bench.

¤ PO Box 23081, Juneau, AK 99802 ¤ 907-463-5030 ¤ Fax: 907-463-5083 ¤

And not in the Alaska State Legislature *(while certainly we support any legislator's prerogative to be involved in aspects of the process of fisheries management and allocation resolution, the Alaska state legislature itself was not formed and established for this purpose).*

As such, both the balance and the talent on the Board at this time are of great importance. One of the major issues, and in many quarters, THE major issue confronting the state's salmon fisheries management is the resolution of a longer term approach to returning the Mat-Su drainages to healthy and productive conditions.

Mr. Johnstone, with his legal background, will provide structure and leadership on this board in dealing with these stock rebuilding issues. Mr. Johnson, as President of Cook Inlet Aquaculture Association and with his background in land use and planning, will inevitably be in a great position to help with any enhancement and rehabilitation of the Mat-Su salmon stocks and the attendant habitat issues. His commitment to the sustainability of the salmon resource is first and foremost and we have been told by his own fishing partners to be prepared for an objective approach to fishery management across the state of Alaska. The fish will come first and the fishermen, be they commercial or sport, will come second.

This is why we support the appointments of BOTH Mr. Johnstone AND Mr. Johnson to the Alaska State Board of Fisheries. They are the right men for the right job at the right time.

In recent days there has been talk about lack of native Alaskan representation. Western Alaska has always had one seat at the table of the seven. For a short time that representation was a native Alaskan. Many prominent and wise native leaders have served on the board over the years. A longtime past Board of Fisheries member, the late Joe Demmert, was one of our finest Southeast Tlingit leaders as well as a founder, in 1968, of our organization, the Southeast Alaska Seiners Association (SEAS).

But aside from Robert Heyano, there has not been a native Alaskan on the Board of Fisheries since Tony Knowles took office in 1994 and after all these years we have not heard any murmurs about the lack of native participation during either the Murkowski or the Knowles administrations. (And let us remember that it was Murkowski who put a native Alaskan, Robert Heyano, back on the Board of Fish). Vince Webster is the current Board member representing Western Alaska right now. Sometimes this seat migrates north to Bethel (or even further north), but right now it is in Bristol Bay. Mr. Webster has lived in western Alaska long enough to appreciate western Alaskan values and he is a main conduit through which western Alaskans can access the Board of Fisheries.

Since 1992, Fairbanks has had a seat at the table. This seems a fair shake for the Interior region- 17 years with a specific seat at the table. **It is our belief that although Mr. Delo (of Big Lake) and Mr. Johnstone (of Anchorage) do not reside in the Interior, they**

certainly can be very approachable board members for the Interior's access to the Board of Fish process and deliberations. While we sincerely feel the pain of Fairbanks folks, one should can recognize the irony of the Southcentral Alaska sports groups' concern for the lack of a Fairbanks seat when they failed to support the prior Fairbanks board member, Mrs. Bonnie Williams. We fully expected her to return and had seen her mature and grow a great deal in the 3 years she served on the Board. **Commercial fishing groups did not oppose her reappointment, even though she has never been a commercial user. Likewise, we do not oppose the reappointment of Mr. Johnstone,** even though he is widely considered to be a sport user at this time.

Let me now turn to the Cook Inlet commercial fishermen. While Fairbanks has had a seat on the Board for 17 consecutive years, **Cook Inlet commercial fishermen,** with well over 1500-2000 "boots-on" fishermen, providing direct and indirect jobs for many thousands more, **have been without a seat at the table for 31 years, since 1978.** *So while it may seem unfair to Fairbanks, what was fair about the way Cook Inlet commercial fishermen have been treated for these past 31 years? Over a dozen Cook Inlet sport seats were placed on the Board of Fisheries during this prolonged absence.* **We have a Governor who has the political will and courage to face the public opposition she knew could potentially result from this decision from sectors of Anchorage, Fairbanks and particularly her own Valley. We are hopeful that the legislature sees the wisdom in this very balanced choice of Mr. Johnstone and Mr. Johnson, regardless of their zip codes.**

We applaud the Governor's wise choice at this time and we remain unconvinced that just because past Board of Fisheries members Dr. Bouse, Mrs. Williams or Mr. Umphanauer will not be at the table that somehow Fairbanks and the Interior will be shortchanged.

Likewise, we find it disingenuous that certain sport-oriented groups would complain and portend to speak about the lack of native participation on the Board of Fisheries while the last Alaskan native on the Board (Robert Heyano, of Dillingham, whose seat was up two years ago) heartily endorsed Mr. Brent Johnson at the House Fisheries Committee last Thursday. And Mr. Johnson is not a native Alaskan----although, Mr. Johnson is a lifelong Alaskan whose family first made their home in Chugiak, where they were the 2nd family to settle in 1947, then Seldovia and, finally, Clam Gulch.

Lastly, it is amazing how fate intercedes in our lives, our careers, and our geographic locations. Today Alaskans have a much broader spectrum of life experiences and cultural differences than we did at statehood. When my great grandfather first came to Petersburg in 1903 and moved there permanently in 1910, when Anchorage hadn't even yet been founded. *Some of the old timers joke that when they came to Petersburg shortly thereafter they found no Caucasians living there----only us Norwegians and our good friends the Tlingit people.* The Valley was a very sparsely settled area for another half century.

¤ PO Box 23081, Juneau, AK 99802 ¤ 907-463-5030 ¤ Fax: 907-463-5083 ¤

Many more of us now live in cities and suburbs and these populations tend to grow at much more accelerated rates than do the smaller, rural communities. But even in our more remote areas and villages where there has been little changed over thousands of years, the transportation, energy and infrastructure base is becoming modernized and this will have profound impacts on our access and allocation of fisheries resources. Had Brent Johnson's family stayed in Chugiak, he would perhaps had chosen a different profession and his opposition ironically would have perhaps come from the very neighbors on the Peninsula where he resides.

During a meeting in 1998, a hard-working former Senator and Representative from the Valley told a large group of us commercial fishermen that he had recently had a vision. And that vision was that someday we would all get along.... Commercial, sport, personal use, guided charter and subsistence users.... and that we would work on putting the fish first and setting aside our differences to do the best for the resource -and thereby it's users- as one large happy family.

While we have not yet had the pleasure to experience what the standard bearer from the Valley experienced in real terms, we share the hope that he had and will endeavor to work together with all the fish resource users to promote the best possible outcome for all users.

Together.

We need to get along here and while we fully understand the local nature of the disappointment of some of the Southcentral and Fairbanks constituent groups with Mr. Brent Johnson's appointment, we remain unconvinced that this is such a radical departure from good Board of Fish balance. One shot in 31 years and if he isn't just about perfectly balanced in his decisions, you can rest assured that it will be another 31 years before Cook Inlet Commercial fishermen get another crack at a seat on this board.

Sincerely

Robert M. Thorstenson, Jr.

Executive Director, SEAS

¤ PO Box 23081, Juneau, AK 99802 ¤ 907-463-5030 ¤ Fax: 907-463-5083 ¤

Jon Bittner

From: Ron Long [ron@tmtalaska.com]
Sent: Saturday, April 11, 2009 2:10 PM
To: Rep. Bryce Edgmon; Rep. Craig Johnson; Rep. Wes Keller; Rep. Bob Buch; Rep. Scott Kawasaki
Cc: rlms@ptialaska.net
Subject: BOF appointment

Honorable Members of the House Special Committee on Fisheries,

I write to recommend your support for the nomination of Brent Johnson to the Board of Fish. I have had the opportunity to see firsthand Mr. Johnson's involvement in the community, and the characterization by his detractors as a one trick pony bent on supporting commercial fisheries a the expense of all others is erroneous and intentionally misleading.

Like most of us, Mr. Johnson's character is defined by a variety of diverse interests and activities beyond our "day job". In this case the common thread running through what I've seen of his involvement as a community historian, Planning Commission member, habitat advocate, and supporter of schools and education has been an open mind, a willingness to listen and learn, and an insistence on fair treatment for all concerned.

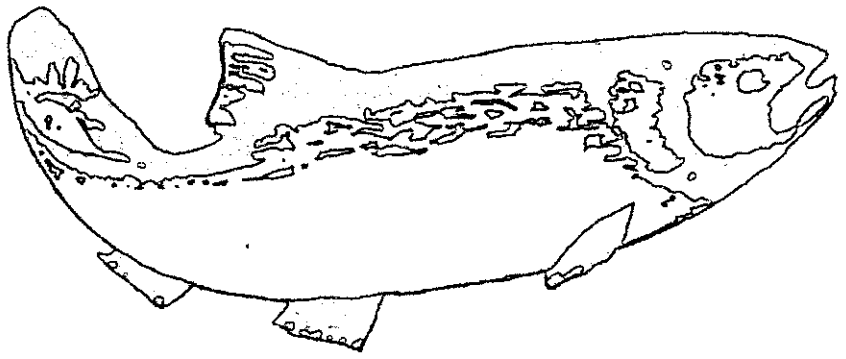
I am sure that if appointed Mr. Johnson will bring those same traits to the Board's deliberations, and all the different user groups can be assured that the resource and habitat protection will be paramount, and access to the resource will be fair and evenhanded. Those who would have you believe that his only goal as a Board member would be to feather his own nest and deny them access insult the Committee's intelligence, and do a disservice to those they purport to represent.

Thank you for the opportunity to comment.

Sincerely,

Ron Long
P.O. Box 2464
Seward, Alaska 99664
907-224-5391 Office
907-224-5900 FAX
Ron@TMTalaska.com
rlms@ptialaska.net

NORTHERN DISTRICT SET NETTERS ASSOCIATION OF COOK INLET
Est.1954
P.O. Box 101480 ◆ Anchorage, Alaska 99510-1480



10 April 2009

Senator Bill Wielechowski, Co-Chair
Senate Resources
State Capitol, Rm. 115
Juneau, AK 99801-1182

Representative Craig Johnson
House Resources
State Capitol, Rm. 126
Juneau, AK 99801-1182

Re: Support of Brent Johnson, Board of Fisheries

Senator Wielechowski and Representative Johnson,

On behalf of the Northern District Set Netters Association of Cook Inlet, I writing in support of Brent Johnson as a Board of Fisheries Member.

Brent is an active commercial set netter in Upper Cook Inlet, and he has participated in several other fisheries including salmon seining, herring seining, and halibut longlining.

I have known Brent as a member of the Kenai Peninsula Fishermen's Association (KPFA), as Board Member on the Cook Inlet Aquaculture Association (CIAA), as a representative of the Kenai/Soldotna Fish & Game Advisory Committee, and as a shore fishery surveyor and plat preparer. I have found him to always be pleasant, objective, curious for accurate information, thoughtful, loyal to public process, fair, and willing to spend inordinate amounts of time on fisheries issues. These are all qualities that would serve him, and the public, by confirming his appointment to the Board of Fisheries.

I believe that based on Brent's long experience in and knowledge of fisheries, his willingness to listen and consider all sides of an issue, his pleasant and thoughtful manner, his constant seeking of additional information, and his tireless participation in the public process will help him serve on the Board of Fisheries.

Please work to confirm his appointment.

Thank you.

Sincerely,

Stephen R. Braund
President

April 13, 2009
Senate Resources

Senator Wielechowski, committee members,

My name is Christine Brandt, today I represent myself and the women that I will speak about. We support Brent Johnson, and believe that he will represent any group whether they are a minority or not, with integrity, respect and honesty.

Recently I reviewed a document that was sent out by Ricky Gease that refers to letters written to our Honorable Governor, Sarah Palin. It was with disbelief and shock that someone would take a letter written by our elderly pioneering women and manipulate the content to benefit their own needs leaving out pertinent information. These are women who have homesteaded in Alaska, have toiled, while raising families, to make a living the honest way. Women who are still active in their communities. If you have come in contact with these abbreviated letters, it is my hope that you will disregard them; they are truly not relevant to the task at hand.

Balance to the current Board of Fisheries is; more than what someone does for a living, more than where someone lives, more than what someone's political affiliations are. It should be someone who is; open-minded, approachable to the public, who is willing to learn and understand different cultures and values, to be considerate, respectful, and have regard for the principles of being fair and equitable.

Let us not confuse the issue. Our Governor, Sarah Palin is not appointing any fishing group or specific type of fishery to the Board of Fish. FACT, she is appointing an active member in the community, a person involved in raising a family, that has historical roots within the Anchorage, Seldovia, and the greater Kenai Peninsula. A person that has respect for those that have worked hard to preserve this great State.

I believe Brent Johnson will be an asset to all Alaskans when he is appointed to the Board of Fish.

Christine Brandt
P.O. Box 504
Soldotna, AK 99669
(907) 252-1080

April 13, 2009
Senate Resources

Senator Wielechowski, committee members,

My name is Paul Shadura, I am the Executive Director of Kenai Peninsula Fishermen's Association (KPFA), I am also the Cook Inlet Region Incorporated representative, on the Cook Inlet Aquaculture Association Board, but today I am speaking on my own behalf.

I am a third generation commercial set net fisherman in Cook Inlet. My grandfather, a Russian priest, started fishing in and around the early 1900"s to provide for his families and others less fortunate. My father was Chief Russian Bear of the Kenaitze Indian Tribe. I am of Aleut descent. My great grandfather fought in the civil war, arrived in Alaska, shipped wrecked on the US Torrent off of English Bay with a group of soldiers and settles in the 1860's. Our President Kenny Rodgers is of Alaskan Native descent, he also is a commercial fisherman, he also can hunt and fish for subsistence.

It is a fact that many set net families within the State are commercial fishing and subsistence fishing people as well. Commercial fishing to many, as was with my family was a means to survive in Alaska, a way to feed and raise your family. Many pioneering families look at the progression of commercial fishing as an advance in what was traditional trade and barter.

Some interesting CFEC limited entry facts; there are 20,501 CFEC permits issued. 10,424 are limited o salmon. 4,038 or 40% of these are S04 or set net permits, the largest salmon group holders. 1,823 or 45% of these represent set net fishing families from the Kuskokwim, Norton Sound, Kotzebue, Lower Yukon and Upper Yukon.

Many Alaskans to this day whether they live in rural, roadless Alaska or urban areas look seaward for the perpetual return of salmon. Whether it be to feed their families, the community or the world. All users should have a reasonable opportunity to access the many bountiful resources Alaska provides to all its residents.

Brent Johnson as a past Board Member of KPFA has always strived to be fair and balanced in his approach to problem solving. He is considerate and would be a great asset to the people of the State.

Finally I would like to stress again that KPFA is not a direct participant in any lawsuit that denies the right to access natural resources.

Thank you,
Paul A. Shadura II
P.O. Box 1632
Kenai, AK 99669
(907) 262-1771

Jon Bittner

From: Mike woolcock [mrwoolcock@alaska.net]
Sent: Friday, April 10, 2009 5:53 PM
To: Rep. Craig Johnson
Subject: alaska fisheries board

Mike woolcock
3144 seaport circle
anchorage, AK 99515-2740

April 10, 2009

The Honorable Craig W. Johnson
Alaska House of Representatives
State Capitol
Juneau, AK 99801-1182

Dear Representative Johnson:

Please vote against the appointment of Brad Johnson to the Alaska fisheries board. thank you

Sincerely,

Mike woolcock
907-244-0120

Debra Higgins

From: KPFA [kpfa@alaska.net]
Sent: Friday, April 10, 2009 2:56 PM
To: Rep. Craig Johnson
Subject: Support for Brent Johnson, BOF

TO: Senator Bill Wielechowski
Representative Craig Johnson
Timothy Clark

We wish to express our enthusiastic support for Brent Johnson's appointment to the Board of Fish. We have known both Brent and his entire family for many years. His father and subsequently his brother have periodically accomplished various survey jobs for us. We have worked with Brent and have watched him chair various meetings and have found him to be very fair and willing to look at all points of view and is especially knowledgeable about fishing matters. He has tremendous energy and is always seeking to avail himself of the latest information about fishing as well as seeking to insure that the data is properly interpreted. He would be a solid addition to the Board of Fish. We ask that you will give him your favorable consideration.
Pat and Ed Barber

Jon Bittner

From: chris worley [worleyanalytical@hotmail.com]
Sent: Friday, April 10, 2009 5:32 AM
To: Rep. Craig Johnson
Subject: Please Support Brent Johnson for BOF.

Hello Representative Johnson,

My Name is Chris Worley. I'm a drift gillnet fisherman from Kenai.

Want to hear a good joke? I'm a drift gillnet fisherman from Kenai. A limited entry permit holder getting my ass kicked by an unlimited mob of sport and personal use fishing interests. I feel as doomed as a dinosaur, as doomed as the river itself. Every year another section of riparian habitat gets blacktopped and another McMansion pops up along the river. Every year, there's more Crocodile Dundee-hatted sportfish guides and plastic outhouses to accomodate the dipnetters. They still defecate in the parking lots and along the banks.

I don't oppose the sport and personal use fisheries. I oppose their numbers, the obscene crowding.

Entry into Cook Inlet's commercial salmon fisheries was limited over 30 years ago. It's time for the other user groups to share the burden in conserving the watersheds and fishery resources.

Please help even up the balance of power in the Board of Fish and appoint Brent Johnson.

Thanks.

Quick access to your favorite MSN content and Windows Live with Internet Explorer 8. Download FREE now!

Windows Live™: Keep your life in sync. Check it out.

Rediscover Hotmail®: Get e-mail storage that grows with you. Check it out.

Rediscover Hotmail®: Get e-mail storage that grows with you. Check it out.

Rediscover Hotmail®: Get quick friend updates right in your inbox. Check it out.

April 06, 2009

Senate President
Senator Gary Stevens
State Capitol, Rm. 111
Juneau, AK 99801-1182
(800) 821-4925
(907) 465-4925
(907) 465-3517 FAX
Sen.Gary.Stevens@legis.state.ak.us

Speaker of the House
Representative Mike Chenault
State Capitol, Rm. 208
Juneau, AK 99801-1182
(800) 469-3779
(907) 465-3779
(907) 465-2833 FAX
Rep.Mike.Chenault@legis.state.ak.us

Re: Support of Brent Johnson, Board of Fisheries

Senator Stevens and Representative Chenault,

My name is Ted Crookston. I am writing to urge your support of the Gov. Palin's nominee Brent Johnson for the board of fish. I have known Mr. Johnson for many years and have high respect for his integrity and judgment. He will be an excellent member of the Board.

His experience and work ethic will serve the people of Alaska well on this important State Board.

Respectfully,

Ted Crookston
42321 N Cook Inlet REM
Kenai, AK 99611

907-283-6480
tedcrookston@me.com

Jon Bittner

From: Steve Runyan [steverunyan@yahoo.com]
Sent: Thursday, April 09, 2009 10:43 PM
To: Rep. Bob Buch; Rep. Bryce Edgmon; Rep. Mark Neuman; Rep. Craig Johnson; Rep. Scott Kawasaki; Jeff Turner; Rep. Cathy Munoz; steverunyan@yahoo.com; bruce knowles
Subject: BOF appointee Brent Johnson

Dear Representative,

I am Steve Runyan, chair of the Susitna Advisory Committee. I testified today via telephone, and would just like to re-iterate my opposition to Brent Johnson to the Board.

These are my main talking points: We already have 3 commercial fishermen holding seats- Mel Morris, John Jenkins, and Vince Webster. We have 3 Southcentral seats- Morris, Delo and Johnstone. Both areas are already over represented, so to add a fourth Southcentral and commercial seat to the Board would not be in the best interests of the state. There are zero sport fish guide, personal, subsistence, or interior seats currently. Please reject the Brent Johnson nomination and look for a representative who will add balance to the Board, not further polarization. Ideally, it will be an interior person well versed in the state's subsistence, sportfish guide, and/or personal use and sport fish issues.

Mr. Johnson's history as AC chair, and as a representative for various commercial fishing organizations before the Board of Fish has been very consistently in opposition to sport and personal use fishing proposals, and very supportive of proposals shifting allocation toward commercial interests. Based on his history, on record in Advisory Committee and Board of Fish meetings, it would be akin to asking a leopard to change his spots to ask Mr. Johnson to rule objectively on the divisive allocation and conservation issues a Board of Fish member must rule on.

Thank you for your service to our state, and for your work on this committee.

Sincerely,
Steve Runyan

Jon Bittner

From: bluenose-snowplow@attalascom.net
Sent: Thursday, April 09, 2009 8:03 PM
To: Sen. Lesil McGuire; Rep. Craig Johnson
Subject: Brent Johnson BOF Support

Representative Craig Johnson,

Senator Lesil McGuire,

You are my Legislators in Juneau. My name is Joel Doner and I am a member of the Anchorage Fish & Game Advisory Committee. This morning I listened to the Resource Hearing teleconference regarding the Board of Fisheries appointment of Brent Johnson. During that teleconference the chair of the Anchorage AC mentioned that our committee "adamantly opposes this appointment". I believe that statement to be at best, a misrepresentation of the Anchorage Advisory Committee's position and at worst an outright lie. At the AC meeting in which our position was voted on, there were several members that did not support the Committee's opposition to Brent's appointment. The chair of the AC may "adamantly" oppose this appointment, but I assure you that the Anchorage Advisory Committee has a mix of positions on this matter. Personally, I feel that Brent is great choice for the Board of Fish. He is intelligent, friendly, open minded, and very adept at bringing opposing ideas to a solution. As for "Balance" on the Board, there currently are south-central sport fishermen sitting on the Board and recently have been south-central sport fishing guides sitting on the Board, but NEVER has there been a Cook Inlet Set net fisherman on the Board. We need that Balance. Brent Johnson has the experience of working as Cook inlet Aquaculture Board member and member of the Kenai/Soldotna Advisory committee. I hope you will consider his appointment to the BOF as a great thing for Alaska.

Joel Doner
Member Anchorage Fish & Game Advisory Committee
345-7262
Bluenose-Snowplow@attalascom.net

Alaska State Legislature

Please enter into the record my testimony to the House Special Committee on Fisheries
committee name

Committee on Confirmation of Brent Johnson, dated 3-9-09
bill # / subject

April 9, 2009, 2pm

I support the confirmation of Brent Johnson to the Alaska Board of Fisheries.

Mr. Johnson brings a great deal of experience in the Alaska Board of Fish/Advisory Committee and Fish & Game Management System to the table.

His track record over the years proves that he will be studious and fair minded in all decisions regarding fish and game while serving on the Board of Fisheries.

Sincerely,

Thank you
Richard Curran

Signed: Rich Curran
Testifier

Self
Representing (optional)

PO 608 Etolin St. Sitka Alaska 99835
Address

907-747-6094
Phone number

Debra Higgins

From: Timothy Clark
Sent: Thursday, April 09, 2009 12:48 PM
To: Debra Higgins
Subject: FW: Brent Johnson to BOF
Follow Up Flag: Follow up
Flag Status: Red

Hi Debbie,

Just as Brent Johnson's name has been forwarded to House Resources Committee, so I forward the message below, which arrived too late to get onto the record for today's Fisheries hearing.

One more to follow.

Thanks,

Tim

Tim Clark, Legislative Aide
Office of Representative Bryce Edgmon
907-465-4451
1-800-898-4451
FAX: 907-465-3445
Timothy.Clark@legis.state.ak.us

From: Pat & Kristi Zurfluh [mailto:zurfluh@acsalaska.net]
Sent: Thursday, April 09, 2009 10:14 AM
To: Timothy Clark
Subject: Brent Johnson to BOF

Dear Tim,
Please support the local community and help us get a good person on the Board of Fish. As a 47 year resident of the Kenai Peninsula, I am proud to support Brent Johnson and am asking for a fair process and support from the Legislature to confirm Brent to the BOF. Brent has been active in the fisheries for many years and would be a good knowledgeable asset to the board. Brent would be a very good choice! Please vote yes for this very important appointment.
Thanks,
Pat R. Zurfluh
36030 Reef Dr.
Kenai, AK. 9961

Debra Higgins

From: Timothy Clark
Sent: Thursday, April 09, 2009 12:48 PM
To: Debra Higgins
Subject: FW: recommendation for Brent Johnson
Follow Up Flag: Follow up
Flag Status: Red

Another lately arrived message regarding Brent Johnson.

Tim Clark, Legislative Aide
Office of Representative Bryce Edgmon
907-465-4451
1-800-898-4451
FAX: 907-465-3445
Timothy.Clark@legis.state.ak.us

From: Heidi Wong [mailto:heidiwong@hughes.net]
Sent: Thursday, April 09, 2009 12:17 PM
To: Timothy Clark
Subject: recommendation for Brent Johnson

To whom it may concern,

I just wanted to offer my recommendation of Brent Johnson to the State of Alaska Board of Fisheries. I've known Brent for about 6 years now and know he will do a great job. He has high ethics, is a hard worker and a good example to all of u[redacted]he community. I am a commercial fisherman and business owner of a B & B in Clam Gulch Alaska. Brent is very knowledgeable about current events. He takes an interest in the community and the quality of Alaska Seafood. He has been an advocate for our fisheries. He has volunteered his time to help the Cook Inlet Aquaculture and our local KPFA (Kenai Peninsula Fisherman's Association). Not only does Brent support one of Alaska's greatest resources, but he also has great judgment and is fair to all sides. He would make a great addition to the State of Alaska Board of Fisheries. If I can help any further please don't hesitate to call me at 907-260-8037. Thank you!

Heidi Wong
Commercial Fisherman

MARK L. KOZAK
PO BOX 2684 • KODIAK, ALASKA 99615
907-486-4167

DATE: April 9, 2009

TO: Members of the Alaska Legislature

FROM: Mark Kozak

SUBJ: Board of Fish Appointment

I have lived in Alaska all of my life and have hunted and fished since I was a small child. I am active in the sport fisheries and I depend on the ability to use my rod and reel to catch salmon for my dinner table and to share with others.

Most of the time I don't get involved with making recommendations on Board of Fish appointments and I can honestly say that no board decision has ever harmed my ability to continue sport fishing and putting fish in the freezer.

While I respect those who do get involved in order to voice their opinion, what I can't respect is underhanded tactics.

Last evening I received a phone call from an automated polling service telling me that I was about to receive an important message for sports fishermen and dipnetters. The voice went on to say that the governor had appointed yet another commercial fisherman to the Board of Fish and they wanted me to participate in a two-question poll.

The first question asked me to press #1 on my phone if I believed that the board should be controlled by commercial fishing interests and just to see what the second question was, I pressed #1 on my phone. The call was immediately disconnected. I never did hear the second question.

The reason for my letter to you is to alert you that you may hear from some group about the "poll" they bought to prove their point. I believe that whatever type of poll they were trying, it wasn't legitimate and they were simply trying to cheat in order to get the results they wanted. Obviously, you won't be making your confirmation decisions based on some phony poll, but I thought it was important to let you know about my experience.

I don't know Brent Johnson, but have heard that he is a decent and honorable person and I believe that he is qualified to serve on the Board of Fisheries.

Thank you for taking the time to review my concerns about someone or some group that seems to be attempting to bolster their position with a poll that isn't legitimate.

Debra Higgins

From: Timothy Clark
Sent: Thursday, April 09, 2009 1:00 PM
To: Debra Higgins
Subject: FW: BOF Brent Johnson Confirmation
Attachments: Board of Fish Controversy Letter.doc

Tim Clark, Legislative Aide
Office of Representative Bryce Edgmon
907-465-4451
1-800-898-4451
FAX: 907-465-3445
Timothy.Clark@legis.state.ak.us

Dear Rep. Edgmon,

I have been asked to forward you a copy of a letter to the editor that I authored and it ran in the Peninsula Clarion today. It pretty much sums up the reasons Mr. Johnson would be a good choice for the position and the ethical problems that have plagued the BOF process for the last 10-12 years.

Thank you for listening. Please feel free to share this letter with any other legislators.

Dwight Kramer
K[redacted]
28[redacted]1054

Board of Fisheries Controversy

Last week Governor Palin appointed Kasilof commercial fisherman, Brent Johnson, to a seat on the BOF. Mr. Johnson has been involved in fishery issues and the BOF process for many years and is very qualified for this position. He is well respected in our community and knowledgeable in all aspects of fishery management and process.

His appointment has brought out some big hitters from the sport fishing industry rallying against him. Bob Penney's group, The Cook Inlet Caucus, bought a half page add in the AND, and Kenai River Sport Fishing Assn. issued a statewide press release suggesting he would be unfriendly toward sport fishing and personal use issues. However, the real thing that bothers them most about Mr. Johnson is that they know he is an extremely honest individual with too much integrity for them to be able to ply for their agenda. They are so used to being able to sway board members with their power, money and influence that they can't stand the thought of an appointee beyond their reach. All of the lavish dinners, drinks and expense paid fishing trips will be of no use with this candidate.

Everyone that has attended the last few Cook Inlet BOF meetings has been painfully aware of the ethical lapse that shadows this process. I am a private angler (Joe Fisherman) and I applaud Governor Palin for trying to move beyond the past by appointing people like Mr. Johnson. This is an important juncture in time where government bodies like the BOF need to foster a new ethical platform whereby powerful lobbying groups can no longer control the process.

Dwight Kramer
Kenai

Debra Higgins

From: Timothy Clark
Sent: Thursday, April 09, 2009 12:59 PM
To: Debra Higgins
Subject: FW: Board of Fisheries appointment

Tim Clark, Legislative Aide
Office of Representative Bryce Edgmon
907-465-4451
1-800-898-4451
FAX: 907-465-3445
Timothy.Clark@legis.state.ak.us

Dear Reprentative Edgmon,

I am writing to ask you to oppose the appointment of Brent Johnson to the Alaska Board of Fisheries (BOF).

By nominating Mr. Johnson to replace Bonnie Williams on the BOF, Governor Palin would remove the only subsistence/personal use and Fairbanks representation from the BOF. If confirmed, Mr. Johnson will tip the balance on the BOF overwhelmingly towards commercial fishermen at the expense of native, subsistence, and sport fishing interests.

The BOF already has ample representation of commercial fisheries interests. Replacing an up-river user on the Board with a Cook Inlet salmon setnetter will erode public confidence in the BOF process. Mr. Johnson is past president of Kenai Peninsula Fishermen's Association (KPFA), a set netter trade association of Cook Inlet commercial fishing interests. He has consistently claimed commercial priority rights to the public fisheries of the region. Mr. Johnson has shown in his past interactions with the Board that he has not taken a fair and balanced approach to fish allocation decisions.

Mr. Johnson's confirmation would leave the BOF without Alaska Native or female representation in the management of Alaska's subsistence, sport, personal use, and commercial fisheries. The nomination of Mr. Johnson leaves the Interior of Alaska without representation on the Board and does not correct the current lack of Alaska Native representation on the BOF.

The Governor needs to reach out and find a Board of Fisheries appointee familiar with interior fisheries issues and who will provide a fair and balanced approach to governance.

Thank you,

Seth Bone
P.O. Box 1781
Sitka, AK 99835

Jon Bittner

From: spotsboy@gci.net on behalf of Dale Pedersen [spotsboy@gci.net]
Sent: Thursday, April 09, 2009 12:04 PM
To: Rep. Craig Johnson
Cc: ufa@ufa1-fish.org
Subject: Brent Johnson

Dear Representative Johnson, I am writing in support of Governor Palin's choice of Brent Johnson to the Board of Fish. Thank you. Dale Pedersen

SEWARD FISHERIES
division of
ICICLE SEAFOODS, INC.
P.O. BOX 8
SEWARD, ALASKA 99664
(907) 224-3381
Fax (907) 224-3285

ICICLE.

April 7, 2009

Representative Craig Johnson
Representative Mark Neuman
House Resources Committee
Alaska State Legislature
120 4th Street, State Capitol, Room 3
Juneau, Alaska 99801-1182

Dear Co-chairs Johnson and Neuman,

As an Alaskan and person who has been in the seafood industry for 28 years, I support the confirmation of Brent Johnson to the Alaska Board of Fisheries.

Mr. Brent Johnson is an experienced Cook Inlet and Prince William Sound commercial fisherman. Each summer he produces high quality salmon at his Upper Cook Inlet set net site by bleeding and icing all of his catch. I believe that this conscientiousness for quality workmanship will carry over to the job he will do for the Alaska Board of Fisheries. The fact that he has his own ice machine proves that he goes out of his way to do the best job he can.

Brent has served on many boards and committees, devoting countless hours to understanding the issues faced by the multiple user groups of the resource. His sense of commitment and experience will be well used as a Board member.

Thank you for your time and consideration in the support of the confirmation of Brent Johnson to the Alaska Board of Fisheries.

Sincerely,

Charles McEldowney
Seward Fisheries Plant Manager

ICICLE
SEAFOODS, INC.

Seward Fisheries
P. O. Box 8 Seward, AK 99664
907-224-3381
907-224-3285, fax

Facsimile Transmission Cover Sheet

Date 4/7/09

To Representative Craig Johnson Fax No. 465-3872

Fr Charles McElwaney No. Pages including cover 2

Please accept the ATTACHED Letter of Request to Confirm Brent Johnson to the Alaska Board of Fisheries. Please forward this Letter to any other members of the House of Resources Committee as you feel Appropriate.

Charles McElwaney

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

Official Business

REFERRAL FOR CONFIRMATION

Date Referred: April 2, 2009

Committee: **Resources**

Board of Fisheries
Brent G. Johnson – Clam Gulch
Appointed: 7/1/2009 Term Expires: 6/30/2012

Action Date: 15 Apr 2009
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

2968

CONFIRMATION COMMITTEE REPORT

Action date: 15 Apr 2009

The **Resources Committee** has reviewed the qualifications of the following Governor's appointee(s) as shown on the attached Referral for Confirmation forms(s) and recommends that the name(s) be forwarded to a joint session for consideration:

This does not reflect intent by any of the members to vote for or against this individual during any further sessions for the purposes of confirmation.

Signature:	Printed Last Name
	Olson
Peggy Wilson	WILSON
Co-Chair:	
Co-Chair:	Johnson

Please attach appointee Referral for Confirmation form(s) and return to the Chief Clerk's office.

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

Official Business

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

MEMORANDUM

Date: April 2, 2009

To: Representative Johnson, Co-Chair
Representative Neuman, Co-Chair
Resources Committee

From: Suzi Lowell
Chief Clerk

Subject: Governor's Appointment(s)

The Speaker referred the following Governor's appointment(s) to the Resources Committee and the House Special Committee on Fisheries:

Board of Fisheries
Brent G. Johnson – Clam Gulch
Appointed: 7/1/2009 Term Expires: 6/30/2012

The Speaker referred the following Governor's appointment(s) to the Resources Committee:

Board of Fisheries
Judge Karl S. Johnstone (Retired) – Anchorage
Appointed: 12/5/2008 Term Expires 6/30/2009
Reappointed: 7/1/2009 Term Expires 6/30/2012

Judge Johnstone was previously referred to your committee for the term expiring June 30, 2009. He has been reappointed for the term beginning July 1, 2009 and expiring June 30, 2012. These dates have been combined on the new Referral for Confirmation page.

The Referral for Confirmation page(s), resume(s), and a signature page are attached for your use.

Attachments as noted

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

Official Business

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

REFERRAL FOR CONFIRMATION

Date Referred: April 2, 2009

Committee: **Resources**

Board of Fisheries
Brent G. Johnson – Clam Gulch
Appointed: 7/1/2009 Term Expires: 6/30/2012

Action Date: _____
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

Johnson Fisheries

Brent G. Johnson
resumé for application to Alaska Board of Fisheries.

Fisheries experience:
• Cook Inlet setnetter since 1962. My wife, Judy, and I have owned our own setnet site since 1977. Together with my mother and our children we currently fish 11 permits, one of the largest operations in Cook Inlet. We have developed a way to put all our fish into slush ice at the point of harvest (in the skiffs).
•Crewed on a Prince William Sound salmon seiner several times, most recently in 2008. I typically do this after the Cook Inlet setnet season has closed.
•Seined and setnet for herring in Cook Inlet.
•Crewed on Cook Inlet halibut longline vessels.
•Drafted Shore Fisheries Diagrams for clients in Cook Inlet, Kodiak, Area M and Bristol Bay.

Public service organization experience:
•Served on the Kenai-Soldotna Fish & Game Advisory Committee for about 15 years, including terms as secretary and as chairman. Last service there was about 5 years ago.
•Served on the Cook Inlet Aquaculture Association Board of Directors for about 15 years. Currently serving as president of that organization.
•Served on the Kenai Peninsula Fishermen's Association Board of Directors for about 20 years, including several terms as president. Last term as president ended in the spring of 2008. At that time I retired from the KPFA Board of Directors, though I'm still a member of the organization.
•Served as an alternate to the Cook Inlet Salmon Brand (Kenai Wild) Board of Directors.
•Served on the Kenai Peninsula Borough Planning Commission for about 12 years. This is a paid position and I continue to serve there.
•Served on the Kasilof Regional Historical Association for about 4 years. Currently president of that organization.
•Elected president of the Kenai Peninsula Historical Association in May 2008 and continue to serve in that capacity.

Education:
Graduated from Ninilchik High School in 1973.
Numerous classes for personal development from U of A, Kenai River Branch.

Pertinent family ties:
•My brother-in-law, Doug Blossom, owns the setnet site adjacent to ours. He is also Chairman of the District 34 Republican Party.
•Two of my nephews work in the sport fish guiding industry and one of my nieces is married to a Cook Inlet salmon drift fisherman.
•My 89-year-old mother has been in Alaska since 1942.

Work:
• I worked for years for my father who was a private land surveyor. My brother has taken over his business and I've physically surveyed numerous Shore Fishery Leases for them.

STATE OF ALASKA
OFFICE OF THE GOVERNOR
P.O. Box 110001, Juneau, AK 99811-0001
Phone: (907) 465-3500 Fax: (907) 465-3532

BOARDS AND COMMISSIONS APPLICATION FORM

INSTRUCTIONS

A separate application is required for each position for which you apply. Complete and specific answers will aid in rapid and accurate processing of your resume. Please type or print legibly in ink. Forward to the above address. Be sure your answers are true. A willfully false answer may result in your disqualification or removal from office if you are appointed.

Board or Commission and seat for which I am applying: Board of Fisheries
(For example, Board of Agriculture, public seat)

Please list any other State Boards or Commissions on which you currently or previously have served:

Name: Brent G. Johnson

Mailing Address: 20773 Porcupine Ln.

Residence Address: 20773 Porcupine Ln.

City, State and Zip Code: Clam Gulch, AK 99568

Home or Message Telephone: 262-4763 Business Telephone: 262-4763

Fax Number: 260-5367 Cell Phone: _____

Email address: ragweb@gci.net

AS 39-05-100 requires that a person appointed to a state board or commission be a registered voter prior to the last general election:

Are you a registered voter: YES X NO _____ Voter Registration Number (Optional): _____

Social Security Number (Optional, required if appointed for travel, reimbursement etc.):

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years?

YES _____ NO X if "YES", explain the circumstances on a separate sheet of paper and attach it to this application. A conviction is not necessarily grounds for disqualification. The number of convictions, nature, recentness, and relationship to the board position applied for, will be evaluated and a determination will be made after a review of all relevant facts.

CONFLICTS OF INTEREST: Certain boards and commissions require full disclosure of personal financial data under AS 39.50.010. If required for the board or commission for which you are applying, are you willing to do so?
YES X NO _____

Could you or any member of your family be affected financially by decisions to be made by the board or commission for which you have applied? YES X NO _____

If "YES", explain: My family & I setnet in Cook Inlet

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TRAINING AND EXPERIENCE: (If resume attached, it is not necessary to complete items A-D)

A. List any professional licenses, certifications, or registrations and dates obtained that may be used as qualifying criteria:

B. List both formal and informal education and training experiences: (Use additional paper if necessary).
Graduated from Nanilchik High School, 1973

C. List any community service, municipal government, and state positions held, and any awards received. Include both compensated and uncompensated positions (such as president of a service organization or a mayor). Include length of time serviced. Kenai-Soldotna F&G Advisory Committee, Served about 15 years including terms as secretary & chairman. Cook Inlet Aquaculture Assoc., served about 15 years, currently President. Kenai Peninsula Planning Commission

D. Employment work history – paid, unpaid or voluntary: (Use additional paper of necessary).

The Office of the Governor and the State of Alaska have an Affirmative Action Equal Employment Opportunity Program. To assist in the program, you are asked to voluntarily answer the following questions to provide the information necessary for reporting purposes. Under State and Federal law, the information you provide will not be used to illegally discriminate against you.

DATE OF BIRTH: SEX: FEMALE _____ MALE X

ETHNICITY:
Alaska Native ___ American Indian ___ Asian or Pacific Islander ___ Black ___ Hispanic ___ White X

MILITARY SERVICE (if applicable, give dates): _____

CERTIFICATION: I swear the information I have entered on this form is true to the best of my knowledge. I understand that if I deliberately conceal or enter false information on the form my application may be rejected, I may be removed from the list of eligible candidates, or I may be removed from the position. I agree that the Office of the Governor may contact present or former employees or other persons who know me to obtain an additional information about my skills and abilities. I understand that the information on this application is public information and may be released through a legal request for such information.

Signature (in ink): Brent Johnson Date: 11-21-08

Please attach a current resume with your application.

STATE OF ALASKA
OFFICE OF THE GOVERNOR

BOARDS AND COMMISSIONS

Name: Brent G. Johnson Date: 11-21-08

(Indicate top three boards/commissions of interest by number with #1 as your preference)

	Accounting Board
	Aerospace Development Corporation
	Aging Commission
	Agriculture & Conservation
	Alaska Juvenile Justice Advisory Committee
	Alaska Retirement Management Board
	Alaska Statehood Celebration Commission
	Alaska-Alberta Bilateral Council
	Alcohol/Drug Abuse
	Alcoholic Beverage Control
	Architects/Engineers/ Land Surveyors
	Arts Council
	Assessment Review Board
	Aviation Advisory Board
	Bald Eagle Preserve
	Bar Association
	Barbers & Hairdressers
	Bering Sea Fishery Advisory Board
	Big Game Commercial Services
	Boating Safety Council
	Broadcasting Commission
	Children's Trust Board
	Chiropractic Examiners
	Clemency Advisory Committee
	Commemorative Coin Commission
	Commercial Fisheries Entry
	Commercial Fishing/ Agriculture Bank
	Community Service Commission
	Denali Access System Advisory Committee
	Dental Examiners
	Disabilities/Special Education
	Domestic Violence/Sexual Assault
	Education & Early Development
	Education Commission/States
	Emergency Medical Services
	Emergency Response Commission
	Employment of People with Disabilities
	Exxon Valdez Oil Spill Trustee
	Faith-Based & Community Initiatives Council
	Fire Standards Council
1	Fisheries

	Fisherman's Fund Advisory & Appeals
	Forestry
	Game
	Health Council
	Historical Commission
	Historical Records Advisory
	Homeless Council
	Housing Finance Corporation
	Human Rights
	Humanities Forum
	Independent Living Council
	Industrial Development/Export Authority
	Interstate Oil & Gas Compact
	Judicial Conduct
	Judicial Council
	Knik Arm Bridge
	Labor Relations Agency
	Libraries Advisory
	Local Boundary Commission
	Marine Pilots
	Marine Transportation Advisory Board
	Marital & Family Therapy
	Medical Board
	Mental Health Board
	Mental Health Trust Authority
	Midwives
	Minerals Commission
	Municipal Bond Bank
	Natural Gas Authority
	Natural Gas Pipeline Corporation
	Natural Resources Conservation Dev
	North Pacific Anadromous Fish
	North Pacific Fisheries Management Council
	North Pacific Research Board
	Nursing
	Occupational Safety
	Oil & Gas Conservation Commission
	Optometry
	Pacific Marine Fisheries Commission
	Pacific Salmon Commission-Commissioners
	Pacific Salmon Commission- Northern Panel

	Pacific Salmon Commission-Transboundary Panel
	Parole Board
	Permanent Fund
	Pharmacy Board
	Physical/Occupational Therapy
	Pioneer's Home Advisory
	Police Standards Council
	Postsecondary Education
	Professional Counselors
	Professional Teaching Practices
	Psychologist/ Psychological assoc.
	Public Offices Commission
	PWS Oil Spill Recovery Institute
	Railroad Corporation
	Real Estate Appraisers
	Real Estate Commission
	Regents
	Regulatory Commission (RCA)
	Royalty Oil & Gas Development
	Safety Advisory Council
	Seafood Marketing Institute
	Seismic Hazards Safety Commission
	Social Work Examiners
	Student Loan Corporation
	Subsistence Resource Commissions
	Suicide Prevention Council
	Telecommunications
	Uniform State Laws
	Veterans Advisory Council
	Veterinary Examiners
	Violent Crimes Compensation
	Water and Wastewater Works
	Western Interstate Comm/Higher Educ
	Wood-Tikchik State Park
	Worker's compensation
	Worker's Compensation Appeals Commission
	Workforce Investment Board
	Yukon River Panel

If appointed, a press release will be issued announcing your appointment pending the completion of the appointment process with the Governor's office. Please supply our office with the following information that will be included in the press release.

(Name): Brent Johnson (Age): 53 of (Hometown): Clam Gulch
is (Job title/Place of employment): Cook Inlet Setnetter.
(Name) holds (Listing of earned degrees like bachelor's, master's, ect.): Brent Johnson is Presidnt of Cook Inlet Aquaculture Associatio
(Or list relevant experience to the position you are being appointed to)
And has more than 40 years of experience setnetting in Cook Inlet.

Examples:

John A. Doe, 38 of Soldotna, is Director of T-Shirts & Co. Doe holds a bachelor's degree in business administration from X University and a master's degree in communications from X University.

John A. Doe, 38 of Palmer, is the owner and operator of Doe and Associates, Inc. Doe previously served as division manager at X, Inc. Doe is a certified personnel consultant.

2010 CONFIRMA-TIONS

CONFIRMATION COMMITTEE REPORT

Action date: 4/05/10

The **Resources Committee** has reviewed the qualifications of the following Governor's appointee(s) as shown on the attached Referral for Confirmation form(s) and recommends that the name(s) be forwarded to a joint session for consideration:

This does not reflect intent by any of the members to vote for or against this individual during any further sessions for the purposes of confirmation.

Signature:	Printed Last Name
Paul R Seaton	SEATON
Peggy Wilson	WILSON
	TUCK
Bryce Edgmon	Edgmon
Co-Chair	Johnson
Co-Chair:	

Please attach appointee Referral for Confirmation form(s) and return to the Chief Clerk's office.

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

Official Business

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

REFERRAL FOR CONFIRMATION

Date Referred: March 31, 2010

Committee: Resources

Board of Fisheries

Claude "Vince" Webster – King Salmon
Appointed: 7/1/2007
Reappointed: 3/30/2010 Term Expires: 6/30/2013

Action Date: 4/05/10
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

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Alaska State Legislature

House of Representatives

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Official Business

REFERRAL FOR CONFIRMATION

Date Referred: March 31, 2010

Committee: Resources

Board of Fisheries
Thomas G. Kluberton – Talkeetna
Appointed: 3/30/2010 Term Expires: 6/30/2013

Action Date: 4/05/10
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

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CONFIRMATION COMMITTEE REPORT

Action date: 4/05/10

The **Resources Committee** has reviewed the qualifications of the following Governor's appointee(s) as shown on the attached Referral for Confirmation forms(s) and recommends that the name(s) be forwarded to a joint session for consideration:

This does not reflect intent by any of the members to vote for or against this individual during any further sessions for the purposes of confirmation.

Signature:	Printed Last Name
	Edgmon
	Tuck
	Seaton
	WILSON
	GUTTENBERG
Co-Chair:	
Co-Chair:	Johnson

Please attach appointee Referral for Confirmation form(s) and return to the Chief Clerk's office.

Alaska State Legislature

House of Representatives

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Official Business

REFERRAL FOR CONFIRMATION

Date Referred: February 3, 2010

Committee: Resources

Alaska Commercial Fisheries Entry Commission (CFEC)
Bruce C. Twomley – Juneau
Appointed: 8/2/2005 Reappointed: 3/1/2006
Reappointed: 3/1/2010 Term Expires: 3/1/2014

Action Date: 4/05/10
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

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Alaska State Legislature

House of Representatives

Office of the Chief Clerk

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Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

Official Business

REFERRAL FOR CONFIRMATION

Date Referred: February 3, 2010

Committee: Resources

Big Game Commercial Services Board
Robert D. Mumford – Anchorage
Appointed: 3/3/2006
Reappointed: 3/1/2010 Term Expires: 3/1/2014

Action Date: 4/05/10
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

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Alaska State Legislature

House of Representatives

Office of the Chief Clerk

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

Official Business

REFERRAL FOR CONFIRMATION

Date Referred: February 3, 2010

Committee: Resources

Board of Game

Ben Grussendorf – Sitka
Appointed: 1/31/2001 Reappointed: 3/1/2007
Reappointed: 3/1/2010 Term Expires: 6/30/2013

Action Date: 4/05/10
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

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Alaska State Legislature

House of Representatives

Office of the Chief Clerk

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

Official Business

REFERRAL FOR CONFIRMATION

Date Referred: February 3, 2010

Committee: Resources

Board of Game
Allen F. Barrette – Fairbanks
Appointed: 3/1/2010 Term Expires: 6/30/2013

Action Date: 4/05/10
(Same date as on the accompanying signature page)

Note: Attach to a signature page and return to the Chief Clerk's office.

Alaska State Legislature

House of Representatives

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Official Business

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MEMORANDUM

Date: February 5, 2010

To: Representative Johnson, Co-Chair
Representative Neuman, Co-Chair
Resources Committee

From: Suzi Lowell
Chief Clerk

Subject: Governor's Appointment(s)

The Speaker referred the following Governor's appointment(s) to the Resources Committee and the House Special Committee on Fisheries:

Alaska Commercial Fisheries Entry Commission (CFEC)
Bruce C. Twomley – Juneau
Appointed: 8/2/2005 Reappointed: 3/1/2006
Reappointed: 3/1/2010 Term Expires: 3/1/2014

The Speaker referred the following Governor's appointment(s) to the Resources Committee:

Big Game Commercial Services Board
Robert D. Mumford – Anchorage
Appointed: 3/3/2006
Reappointed: 3/1/2010 Term Expires: 3/1/2014

Board of Game
Allen F. Barrette – Fairbanks
Appointed: 3/1/2010 Term Expires: 6/30/2013

Ben Grussendorf – Sitka
Appointed: 1/31/2001 Reappointed: 3/1/2007
Reappointed: 3/1/2010 Term Expires: 6/30/2013

The Referral for Confirmation page(s), resume(s), and a signature page are attached for your use. In addition, copies of the resume(s) are also being sent electronically.

Attachments as noted

RESUME
(December 2009)

of

BRUCE TWOMLEY
P.O. Box 020972
Juneau, AK 99802-0972
Work Phone: (907) 790-6944
Home Phone: (907) 586-3251
bruce.twomley@alaska.gov

Marital Status:	Married to Sara Minton
Children:	Christopher (20) Jonathan (18)
WORK EXPERIENCE:	Starting with Governor Jay Hammond, appointed by 6 succeeding Governors to the Alaska Commercial Fisheries Entry Commission (CFEC).
	Commissioner, CFEC. 1982 to present. Chairman, CFEC. 1983 to 2005. Member, Governor's Fisheries Cabinet. 1983 to 1990. Attorney, Alaska Legal Services. 1973 - 1982. VISTA Volunteer. 1972 - 1973. Legal Research for San Francisco Neighborhood Legal Assistance Foundation (as a law student). Indigent Adult Criminal Appeals (as a law student). Legal research for Professor Roscoe T. Steffen and private attorneys (as a law student).
POST LAW SCHOOL:	National Judicial College, University of Nevada, Administrative Law: Advanced Course (recruited to serve as a group discussion leader). 1988. National Judicial College, University of Nevada, Administrative Law: Fair Hearing. 1983.
LAW SCHOOL:	Hastings College of Law, San Francisco, California. 1967 - 1970. Graduated with J.D. in upper 15% of the class.
EDUCATION:	Northwestern University, Evanston, Illinois. 1963 - 1967. Graduated with A.B. in upper quarter of the class. Elgin High School, Elgin, Illinois. 1960 - 1963.
BAR MEMBERSHIPS:	Alaska State Bar California State Bar (inactive) United States District Court for the District of Alaska United States Court of Appeals for the Ninth Circuit

HONORS:

President's Volunteer Service Award. 2005
Alaska Legal Services Award. 1992.
Martindale-Hubbell highest (a v) lawyer rating. 1983
Alaska Legal Services Distinguished Service Award. 1983
Elected to Senior Men's Honorary, Northwestern (Deru).
Elected to Junior Men's Honorary, Northwestern (Norleggama).
Illinois State Scholarship Winner.
Elected Most Outstanding Male Graduate (Marie K. Ekvall Award), Elgin High School (student body: 2,000).

SELECTED PRESENTATIONS, PUBLICATIONS, AND PROJECTS:

2009 Advocacy: Served as a witness and consultant for the Office of Public Advocacy and Alaska Legal Services to ensure that applicants for Medicaid and SSI Disability were not unfairly denied benefits because they held an Alaska limited entry permit.

From 2006-2008, served on the **Guided Sportfish Task Force** (sponsored by the Sport Fish Division of the Alaska Department of Fish and Game).

In 2008, prepared and submitted a report on the status of permit adjudications for the **Alaska Department of Fish and Game's Northern Southeast Inside sablefish fishery industry meeting**.

In 2007, prepared and submitted a report to the **Southeast Alaska King and Tanner Crab Task Force** on the status of commission adjudications.

Throughout 2007, served on the advisory panel to a study commissioned by the **Bristol Bay Economic Development Corporation** to explore means to increase the number of limited entry permits held by local Bristol Bay residents.

Appointed by the U.S. Secretary of the Treasury to the **National Taxpayer Advocacy Panel** (served from 2002 through 2006; elected Chairman of the Multi-lingual Initiative Committee; worked to ensure that remedies provided for taxpayers under the 1998 IRS Reform Act continued to be available and known to Alaska commercial fishermen and other taxpayers).

Salmon Consolidation: Are Co-ops Dead Or Is Buyback Ahead? (panel presentation, Pacific Marine Expo, Seattle, November 2005).

Contributor and Editor of **Charting New Courses for Alaska Salmon Fisheries: The Legal Waters** (published by the University of Alaska Marine Advisory Program in November of 2003).

License Limitation in Alaska's Commercial Fisheries [at the request of former Governor Walter J. Hickel and the Institute of the North, wrote and presented a paper to the first Alaska meeting of the International Association for the Study of Common Property (IASCP), which has published the paper. August 2003].

Member, Advisory Panel for **An Analysis of Options to Restructure the Bristol Bay Salmon Fishery** (an independent study funded and published by the Bristol Bay Economic Development Corporation March 2003).

Status of Limited Entry Permits in Southeast Alaska Native Communities (presentation to the **Salmon for Success Summit in Juneau** sponsored by the Central Council of Tlingit and Haida Indians of Alaska. February 2003).

Presentation of Legal Issues in **A Workshop on Options for Restructuring Alaska's Salmon Fisheries at the University of Alaska in Anchorage** (sponsored by the Institute for Social and Economic Research, the University of Alaska Marine Advisory Program, and the Washington Sea Grant Program as part of the "Tools for the Salmon Industry Initiative." October 2002).

Commercial Fishing License Limitation in the State of Alaska: A Controversial System of Grandfather Rights (paper presented to and subsequently published by the International Institute of Fisheries Economics and Trade, Oregon State University, July 2000).

Fleet Reduction in Alaskan Salmon Fisheries (panel presentation, Alaska Salmon Forum '99, Anchorage).

Fleet Reduction in Bristol Bay Salmon Fisheries (panel presentation, Bristol Bay Native Association Forum, Anchorage, 1999).

Consolidating Salmon Fleets: Is Fewer Better than More? Different Alternatives to Managing Salmon (panel presentation, Fish Expo Seattle, 1999).

Coauthor, **Outline of Options for Fleet Consolidation in Alaska's Salmon Fisheries** (CFEC December 1998).

Contributor, **Limiting Access to Marine Fisheries: Keeping the Focus on Conservation**. Center for Marine Conservation and World Wildlife Fund U.S. 1994.

License Limitation in Alaskan Salmon Fisheries. Paper and panel presentation to Conference on Managing Marine Fisheries by Limited Access sponsored by World Wildlife Fund and Center for Marine Conservation. Annapolis, MD. 1992.

Getting and Keeping Alaska Limited Entry Permits in Local Rural Communities.

- Bristol Bay Native Association, Bristol Bay Fisheries Conference, Dillingham, 1992.
- Southeast Alaska ANCSA Economic Summit. Saxman, 1991.
- AFN Convention. Anchorage, 1991.

The IRS and Alaska Limited Entry Permits, University of Alaska Commercial Fishing Business Seminar, Federal Tax Impact on Commercial Fishermen. Anchorage, 1987.

Parental Involvement, Local Control, and Quality of Education, Alaska Native Education Association. Anchorage, 1981.

Alaska Native Control of Local Village Secondary School Programs, Lawyers Clinic on Parental Liberty in Education. Washington, D.C. December 1978.

SELECTED CASES, AND DECISIONS:

Simpson v. State, CFEC, 101 P.3d 650 (Alaska 2004).
The Alaska Supreme Court affirmed the commission's optimum number decision for the Northern Southeast Inside sablefish fishery.

Crivello v. State, CFEC, 59 P.3d 741 (Alaska 2002). The Alaska Supreme Court affirmed a CFEC decision that advanced commission adjudications by limiting the extent to which the commission was required to grant additional hearings under *Forquer v. State*, CFEC, 677 P.2d 1236 (Alaska 1984).

In re Francis S. Carle, CFEC 96-003-P (1996). In the face of a demand by the Internal Revenue Service to force the transfer of a Southeast salmon herring seine permit held by a 61-year-old resident of Hydaburg, the commission (in a 96 page decision, including exhibits) declined to transfer the permit.

Wilson v. Watt, 703 F.2d 395 (9th Cir. 1983). Class action with co-counsel Kathleen Strasbaugh, sought preliminary injunction against Secretary of Interior James Watt to restore BIA general assistance payments to Alaska Natives.

Fairbanks Correctional Center Inmates v. Williamson, 600 P.2d 743 (Ak. Sup. Ct. 1979).

Ferdinand v. City of Fairbanks, 599 P.2d 122 (Ak. Sup. Ct. 1979).

Co-counsel for plaintiff class of 2,667 Alaska Native secondary school age children in *Tobeluk v. Lind* (known as the Molly Hootch case), 589 P.2d 873 (Ak. Sup. Ct. 1979), which by consent decree established the entitlement of Alaska Native children in 126 villages throughout the state to attend secondary school in their home villages and further required the state to expend more than $158-million for the construction of local secondary facilities.

Horton v. Horton, 519 P.2d 1131 (Ak. Sup. Ct. 1974).

Attorney for plaintiff class of Alaska Native women and minor children in *Finnesand v. Kleppe*, No. A75-42 Civ. (U.S. District Court Alaska), which by consent decree abolished a discriminatory eligibility standard for BIA General Assistance.

Represented more than 100 Alaska Native Allotment applicants before the Department of Interior. 1972-1982.

Attorney for the Akiak Indian Reorganization Act Council and parents of grade school children in *Akiak v. Lind*, No. 4BR 8-39 Civ.

Amicus Curiae (in cooperation with the Office for Civil Rights) in *The Matter of Alaska State Department of Education and Twenty-One Regional Educational Attendance Area School Districts* S-134, a proceeding before the Department of Health, Education and Welfare, to enforce Title VI of the 1964 Civil Rights Act on behalf of Alaska Native school children.

SUBJECT OF BIOGRAPHICAL NOTICE:
Who's Who in the World (17th Ed. 2000)
Who's Who in America (53rd Ed. 1999)
Who's Who in the West (28th Ed. 2000)
Who's Who in Society (1988)
Who's Who of Emerging Leaders in America (1st Ed. 1987)
The Dictionary of International Biography, Vol. XX. (Cambridge, England 1986)

ACTIVITIES:
Appointed by the U.S. Treasury Secretary to the National Taxpayer Advocacy Panel and elected Chairman of the Panel's Multilingual Initiative (2002-2006))
Secretary, Juneau Youth Football League Board of Directors (2002-2003)
Member, Bristol Bay Native Association Blue Ribbon Commission on Limited Entry (1994)
Member, Alaska Child Support Enforcement Division Rural Task Force (1995)
Member, Alaska Federation of Natives Task Force on IRS and Alaska Native Fishermen (1994)
Reading, Skiing, Hiking, Kayaking
Juneau Racquet Club Advisory Board (1989)
Guest Chef, Summit Restaurant (1987)
International Law Club, Hastings
President, Interfraternity Council, Northwestern
Kappa Sigma Fraternity, Northwestern
President, Student Council, E.H.S.

REFERENCES:
Will be furnished upon request.

Robert Don Mumford
13391 Baywind Drive
Anchorage, AK 99516
907-345-7269, mumford@acsalaska.net

Date of Birth:	*October 29, 1954*	Age: *55*
Place of Birth:	*Alhambra, California*	:
Marital Status:	*Married, one child*	Citizenship: *American*

Education:

State of Alaska Department of Public Safety Training Academy: *Commissioned Alaska State Trooper, January 1982, 525 class hours.*

Sheldon Jackson Community College: *1982, 24 credit hours*

University of Alaska Anchorage: *Algebra, Landscapes & Resources of Alaska, and Conservation of Natural Resources. Spring 1977 and Fall 1978. Certified flight instructor spring 2004, 13 credit hours.*

U.S. Air Force School of Applied Aerospace Sciences: *Computer Operations, Shepard AFB Oct. / Nov. 1975.*

Laguna Beach High School: *1968 thru 1972, received diploma June 1972.*

Employment History: (All listed supervisors may be contacted)

Doyon Universal Services
701 West 8th Ave., Suite 500, Anchorage AK 99501.
Supervisor: Bob Kean, 907-522-1300
Job Description: Armed Security, Port of Anchorage.
Dates: July 2004 to July 2005.
Salary $15.61 per hour, 84 hours per month.
Kuparuk Field, 12/19/2009 to present.

Sportsman's Warehouse,
8681 Old Seward Highway, Anchorage Alaska 99515.
Supervisor: Josh Nelson, 907-644-1400
Job Description: Retail sales of firearms and hunting equipment.
Dates: January 23, thru April 3, 2004.
Salary $9.00 per hour, 80 hours per month.

Katmai Guide Service,
P.O. Box 313 King Salmon, AK
May 2002, Pilot-Assistant Hunting Guide
Supervisor: Joe Klutsch, 907-246-3030.

Alaska State Troopers, Division of Fish & Wildlife Protection,
January 1982 thru January 200, Full time, 40+ hours weekly.
Retired 2/1/02 as **Lieutenant, Deputy Detachment Commander**
Supervisor: Colonel Joel Hard (ret.)
Superintendent Lake Clark National Park, 907-745-8399.

United States Air Force
September 1975 thru June 1979; Elmendorf A.F.B. Computer Operator
Special Background Investigation, **Top Secret Clearance**
Honorable Discharge: *June 29, 1979.*
Received Commendation Medal for Meritorious Service
Supervisor: Michael Wann, Chief Master Sergeant (ret.) 907-345-6497

Character References:

Joe Klutsch, 907-246-3030
P.O.Box 313 King Salmon Ak. 99613
OwnerKatmai Guide Service/President Alaska Professional Hunter Association

Richard A. Guthrie, 907-243-7766
P.O.Box 220949, Anchorage, Alaska 99522
Owner/Chief Pilot, Arctic Air Transport, Master Guide/Outfitter

Joel L. Hard, 907-745-8399
P.O. Box 388 Palmer Ak.99645
Superintendent, Lake Clark National Park

Specialized Experience:

I am a commercial pilot, single engine land and sea. Instrument rated with over 2670 hours total time, 2500 PIC, over 513 hours on floats, 1900 hours on conventional gear, and over 2500 hours in Alaska. I have 1533+ hours of cross-country flight time, much of which is in remote areas of Alaska and 75 hours night flight. I have federal OAS-AMD authorization for low level operations and off airport landings.

I have strived to consistently continue with flight training by taking recurrent training and participating in the F.A.A. "Wings Program". I have completed phase 11 of this program. I am a current member of the Medallion Foundation.

I have participated in several Department of Public Safety sponsored training courses on winter survival and wilderness survival. I participated in water egress training sponsored by the F.A.A. on April 21, 2006.

I have an Advanced Police Certificate and 20 years experience in Alaska law enforcement of which 18 years were in fish and wildlife enforcement.

I am an avid sportsman, hunter, fisherman and wildlife photographer, and have done many solo hunting and camping trips. I am very comfortable in a wilderness setting.

I have lived in Alaska continuously for over thirty four years.

I have been trained in Emergency Trauma Training (E.T.T.) and C.P.R.

I am experienced at report writing and documentation sufficient for presentation in courts of law.

I have responded to several fatal aircraft accidents in my Trooper career. This has strongly reinforced my commitment to aviation safety.

After retiring from Public Safety I was employed by Master Guide Joe Klutsch of King Salmon Alaska, flying under Part 91 as an Assistant guide

on the Alaska Peninsula. Much of this work was low level and off-airport operations in support of a remote hunting camp.

Specialized Experience, continued:

I have always maintained an excellent safety record and was a F.A.A. volunteer Aviation Safety Counselor during my time in Coldfoot.

I have over seven years experience as a captain or crewmember of patrol boats working coastal Alaska from Kodiak Island to Bristol Bay. These boats were mostly 32' LOA but ranged up to 156' LOA. During this time I operated many kinds of smaller skiffs and inflatable boats while on duty. All of this experience was in the performance of enforcement of natural resource laws and regulations. During this time I performed most of the maintenance required for the smaller vessels and motors.

I have experience in smaller skiffs and river boats in the interior of Alaska and have operated my own 18' boat on various rivers and lakes.

I have operated four-wheeled A.T.V.'s and snow machines for much of my Trooper career, safely and prudently with respect to their environmental impact.

I have been certified as a firearms instructor by the Alaska State Troopers and maintain expert marksmanship skills. I have a perfect safety record in this area.

I have been involved in numerous search and rescue operations on both land and sea. I have coordinated many of these as incident commander or as the only searcher involved. I was awarded a medal of Bravery for the recovery of a suicidal person in Sand Point and have received letters of recognition for other search efforts.

Prior to becoming a trooper I was a member of "Dogs Organized for Ground Search" an Anchorage based Search and Rescue unit. I assisted in the training of dogs for Avalanche and ground searches and was successful in the recovery of one avalanche victim in Turnagain Pass.

In March 2006 I was appointed by Governor Murkowski to a four year term on the Big Game Commercial Services Board. This board regulates the Big Game Guides and Transporter industries. I am the Board appointed liaison with the Department of Public Safety. I have been instrumental in writing ethical standards for Big Game Guides and Transporters that have become regulation. I have an excellent attendance record and work well with the guide/transporter industries and with State and Federal agency personnel. My knowledge of fish and wildlife related laws has been an asset to this Board.

I

Grussendorf
Game

Grussendorf, Ben
Game, Board of

Ben Grussendorf
1221 Halibut Point Road
Sitka, AK 99835

Personal:

Date of Birth: February 23, 1942 (Grand Rapids, Minnesota)
Spouse: Karen
Children: Tim and Karla

Education:

High School: Grand Rapids Minnesota.
College: Bachelor of Arts degree from University of Minnesota,
Master of Arts degree from University of Minnesota
Post-graduate work with Washington State University

Governing Experience:

Served in the Alaska House of Representatives from 1980-00, in various capacities including: Speaker of the House (1985-87, 1987-88, 1991-92); Chair of the Rules Committee, member of the Finance Committee, and the Special Committee on Fisheries.

Also served two terms as Mayor of the City and Borough of Sitka, and two terms as Sitka City and Borough Assembly Member.

Served as a member of the Alaska Municipal League Legislative Committee; President of the Alaska Conference of Mayors; Chair of the Municipal Finance and Utility Committee; Chair of the Sitka Charter Commission; and member of the National Education Association.

Teaching Experience:

Teacher and instructor in national, state and local government/social sciences at Sitka High School and Sitka Community College.

Service Organizations and Membership:

Lions Club, Sitka Chamber of Commerce, Alaska Native Brotherhood, Elks, Moose, Pioneers of Alaska, Sons of Norway.

Special Interests:

Hunting, fishing, wildlife viewing, exploring with the hound, public service.

Game, Board of — **Allen Franices Barrette**

General Information

Board/Commission and seat you are seeking:
Game, Board of, Appointed

Additional Boards/Commissions of interest:
1) Agriculture and Conservation, Board of
2) Big Game Commercial Services Board
3) Fisheries, Board of

State Boards/Commissions on which you have served
none

First	*Middlename*	*Last Name*
Allen	**Franices**	**Barrette**
Mailing Address	*City*	*State & ZIP*
380 Peger Rd	**Fairbanks**	**AK 99709**
Home/Message Phone	*Business Phone*	*Cell Phone*
(907)457-3863	**(907)452-6047**	
Email Address	*Are you a registered voter?*	
	Yes	

Date of Birth	*Ethnicity*
Gender	
Military Service	
1983-1993	

Conflict of Interest

Certain boards and commissions require full disclosure of personal financial data under AS 39.50.010. If required for the board or commission for which you are applying, are you willing to do so?
Yes

Could you or any member of your family be affected financially by decisions to be made by the board or commission for which you are applying?
No

Please explain the potential financial benefit

Employment History

Employment work history including paid, unpaid or voluntary.
Owner/Operator of Fairbanks Fur Tannery for the past 17 years.

Education, Training, Experience & Qualifications

List both formal and informal education and training experiences:
1983 was certified in artificial insemination,1984 graduated high school,1992 completed apprenticeship program for heavy duty diesel mechanic,4 credit hours left on a associates degree automotive technician.

List any professional licenses, certifications, or registrations and dates obtained that may be used as qualifying criteria:
Business license, Fur Tannery/Taxidermy License, Class A assistant guide Licence, Importer/Exporter License, All Licenses listed are current.

List any community service, municipal government, and state positions held, and any awards received.
2005 Was elected to the Fairbanks Fish and game Advisory Committee and appointed chairman of the trapping subcommittee. Still hold that same seat currently.

Conviction Record

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years?
No

Conviction Circumstances

Certification of Accuracy & Completeness

By submitting this online application, I swear the information I have entered on this form is true to the best of my knowledge. I understand that if I deliberately conceal or enter false information on the form my application may be rejected, I may be removed from the list of eligible candidates, or I may be removed from the position. I agree that the Office of the Governor may contact present or former employees or other persons who know me to obtain an additional information about my skills and abilities. I understand that the information on this application is public information and may be released through a legal request for such information.

Type "I certify"
"i certify"

Resumé Addendum
Allen F Barrette
380 Peger Rd.
Fairbanks, Ak. 99709
907-452-6047
barrette@gci.net

I and my family have been Alaskan Residents for 21yrs. Since we chose to move to Alaska we've never thought of living anywhere else. This is the greatest state in the union. We have enjoyed all that Alaska has to offer. From the greatest hunting, fishing, and trapping opportunities, too some of the greatest sights known to the world. I and my family have always been consumptive users of most of Alaskan resources. We count it a blessing everyday that we manage its resources for the maximum benefit of its people and for its conservation. I believe its my time to step up if the honor be bestowed to me. To serve at the highest level of public participation, The Board of Game. I will bring my vast knowledge of conservation of wildlife my understanding of urban and rural social issues, my ability to listen and learn about issues that will come up that I have no or little experience with. I am able to understand and use The Alaska Fish & Game Law and Regulations to resolve situations. I'm a very pro predator management and believe the Department of Fish & Game should have all the tools necessary to manage predator and ungulates alike for sustained yield. We should be wise stewards of all our resources. As our local Department of Fish & Game can attest I'm very interested in why, how, or their ideology on management of Fish & Game.
If afforded this opportunity I would continue to what I believe is the best public process of regulating and managing users and game for the state for all current users and the future generations.

Family- Married wife Laura in 1987 (22 years), Raising 3 children all born in Fairbanks Jacob 17, Mickinze 14, Ashley 10,

Education- 1983 was certified in artificial insemination,1984 graduated high school,1992 completed apprenticeship program for heavy duty diesel mechanic,4 credit hours left on a associates degree automotive technician.

History-
Born 1965 Dollar Bay Michigan (43yrs)
Native American, Keweenan Bay Indian Community
1979 hire as dairy farm hired hand
1982 promoted to dairy herdsman
1984
1983 Joined the US Army as a vehicle mechanic, served in Washington state, South Carolina, Germany and Alaska was my last duty station.
1987 Reenlisted to be stationed in Alaska
1993 Was honorably discharged from an injury
1993 Became a disabled vet
1993 Started and operated Fairbanks Fur Tannery, 1st commercial tannery in the interior which I still continue
1995 Became involved in making proposals and learning the B.O.G process
1995 seriously started supplementing our family income from trapping
2002 Purchased the Alaskan No. 9 trap Co. And continue to manufacture the Alaskan wolf trap
2005 Was elected to the Fairbanks Fish and game Advisory Committee and appointed chairman of the trapping subcommittee. Still hold that same seat currently.
2006 Received first gunners permit in the predator control program.
2007 Became a class A Big Game Guide.

Interest-

• Educating preservationist and less educated persons on why and how come I do what I do or the science or biology behind what the State or I do.
•Showing my family how to handle fish and game properly and only take what your going to use not necessarily the limit that is afforded to us, being good stewards of the land
•Educating young and inexperienced trappers to all facets of trapping
•Thinking outside the box when persistent or longtime dilemmas exist. i.e. social or urban/rural subsistence allocations
•Learning how biology works in conjunction with the management of game
•Trying to introduce ideas to our legislators pertaining to Fish and Game
•How to reduce regulations pertaining to Fish and Game when applicable
•Big game Guiding
•Taxidermy
•Trapping
•Hunting
•Fishing
•Camping and wildlife photography

Life Memberships-
•Alaska Trapping Association A.T.C,
•The National Rifle Association N.R.A

Press Release Wording

{Allen Barrette}, {44} of {Elkhart Lake, Wisconsin}, is {Owner of Fairbanks Fur Tannery}

Submitted: 01/03/10 at 8:30 pm from 24.237.153.36

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

Official Business

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

MEMORANDUM

Date: March 31, 2010

To: Representative Johnson, Co-Chair ✓
Representative Neuman, Co-Chair
Resources Committee

From: Suzi Lowell
Chief Clerk

Subject: Governor's Appointment(s)

The Speaker referred the following Governor's appointment(s) to the Resources Committee and the House Special Committee on Fisheries:

Board of Fisheries

Thomas G. Kluberton – Talkeetna
Appointed: 3/30/2010 Term Expires: 6/30/2013

Claude "Vince" Webster – King Salmon
Appointed: 7/1/2007
Reappointed: 3/30/2010 Term Expires: 6/30/2013

The Referral for Confirmation page(s), resume(s), and a signature page are attached for your use. In addition, copies of the resume(s) are also being sent electronically.

Attachments as noted

Claude Vincent Webster (Vince)
P.O. Box 121
King Salmon, AK 99613
(907) 246-6659

Background:
I was raised on a farm in Indiana. My life dream was to go to Alaska. I joined the Air Force to support my family and was rewarded by a transfer to King Salmon, Alaska in 1978. There I was introduced to the commercial fishing in Bristol Bay and the greatest Rainbow Trout fishing in the world. I was transferred to Elmendorf Air Force Base from 1979 to 1982 where I continued to enjoy the great outdoors. I was offered a job in the maritime ship yards, on the west coast from 1982-1988. I purchased my first Bristol Bay Setnet permit in 1984. My wife (Sheryl) and I moved our family (Troy and Derek) back to King Salmon in 1989 for a more intimate education. Our sons went on to graduate from Eastern Connecticut State and Yale University with honors. We continue to reside in King Salmon and enjoy sharing our fishing operation with our sons and grandchildren every summer.

Work Experience:
1984-Present...Set gillnet operator in the Naknek/Kvichak District of Bristol Bay.
2004-Present...Drift gillnet operator in the Naknek/Kvichak District of Bristol Bay.
2008-Present...Engineering Heavy Equipment & Barge Operator at Katmai National Park.
2000-2008...Facilities & Maintenance Director for Lake & Peninsula School District.
1997-2000...Maintenance & Construction for Katmai National Park.
1989-1990...Cannery Construction for BKR & Associates at Cordova, Kodiak, Petersburg and Naknek, Alaska.
1982-1988...Ship Repair Coordinator & Branch Manager for Donco Inc. in California and Washington.
1975-1982...US Air Force.
1978...Managed Air Force boat dock & operated an Air Force charter boat at King Salmon.

Other Fisheries Experience:
Togiak Herring, Cinder River Salmon, Chignik Salmon, Bristol Bay Halibut and numerous sport fisheries throughout the state.

Community Service & State Positions Held:
Presently serve on the Alaska Board of Fisheries.
Served on the Naknek/Kvichak Fish and Game Advisory Committee for over 15 years.
Set on numerous fish committees & task forces.

Education & Training:
Graduated Jennings County High School, Indiana 1974.
Versailles Vocational School, Indiana 1973.
Air Force Aircraft Weapons Release Systems Tech School 1976.
USCG Merchant Mariner Credential, 100 Ton Master

Thomas G. Kluberton
P.O. Box 200
Talkeetna, AK 99676
(907)733-1457

Career Synopsis:

Tom was elected to the Mat-Su Borough Assembly in October 2006 after serving two years on the Mat-Su Planning Commission. While on the Assembly, Tom Chaired the Mayor's Blue Ribbon Sportsman's Committee, and contributed his knowledge of the Department of Transportation and Public Facilities as a member of the Mayor's Blue Ribbon Road Service Area Task Force.

Alongside positions in local government, Tom owns and operates the Fireweed Station Inn at Sunshine, south of Talkeetna, with his wife. Originally built in 1946, their Inn is listed on the National Historic Register and was thoroughly reconstructed under Tom's direction between 1993 and 2003 when it opened.

He also served as financial and part-time operating partner in an equipment rental, greenhouse/nursery, and dirt-work business with his brother in the Talkeetna area from 1998 – 2000.

Since 1973 Tom has been handed complex business challenges, analyzed their component issues, spelled-out alternatives to management for resolving those issues, guided the team responsible for resolving the challenge to consensus in choosing the best alternative, and, managed numerous such projects to completion.

In April,1994 he joined a team of eight people with a good idea to create a network simulation and management software package. By August 1996, Netsys Technologies Inc. was selling a million dollars worth of software a month throughout the world. The company was sold to Cisco in Nov. '96 for $85M.

In 1991 as Director of Information Systems at the Alaska DOT&PF, Tom was responsible for implementing the State of Alaska's first Internet-like computer network interconnecting fourteen local networks in three Alaskan Cities. This implementation was designed and modeled on a computer before being implemented to ensure success.

As a consultant with Alaska's Department of Administration Information Resource Management Division Tom was involved in hundreds of information technology and networking projects in all aspects from technical and administrative reviews, to conducting full RFP procesess and project management.

Independent Consultant – dba Denali SoftWorks (1995 - 2003)

• Assisted GCI with Cable Modem product launch, analyzing the multitude of issues surrounding integration of broadband internet into their Cable TV organization
• Sat on Technical Advisory Board of Palo Alto based software development company that developed and sold large scale internetwork management and simulation software.
• Prepared initial U.S. Patent document for internetwork management and simulation software package
• Assisted AIDEA in for with various computing-related projects
* Performed Process Review of technology acquisition cycle for ARCO Alaska Inc

NETSYS Technologies Inc. (3/94 - 8-95)
Director, Market Research & Third Party Vendor Relationships

* Responsible for establishing strategic relationships with Third Party consulting firms selected for demonstrated expertise in computer network
* Provided product requirements input to software development team based on experiences delivering client server applications and via research into market demand and trends.

Alaska Department of Transportation and Public Facilities (1987 - 1989)
Director, Information Systems (& '91 - '93)

* Implemented statewide Management Reporting system including the state's first Internet-type TCP/IP network
* Performed initial analysis, conducted RFP process and managed contractor's development of Billing System for $200 million/yr Federal Aid highways program.
* Managed RFP process and managed implementation of department wide Asset Management Application to manage maintenance of two international airports and state equipment fleet of 6800+ vehicles.

Unisys Corporation (1989 - 1991)
Sr. Account Representative

* Drove sales effort to broaden State of Alaska IBM Mainframe network (SNA/SDLC) capabilities to Open Networking (TCP/IP). Presented concepts to all levels of government from cabinet to network technicians in effort to raise awareness of the need to move from outdated technology.
* Managed accounts for all public sector customers in Alaska.

Alaska Department of Administration (1984 - 1987)
Manager, Data Center Customer Services

* Managed all customer interface requirements for large IBM Mainframe center including implementation of chargeback system, planning and microcomputer acquisition process.
* Sat on committee in review of all State of Alaska technology acquisitions.
* Managed all end-user computing support staff.
* Provided consulting services to all State of Alaska agencies as needed on computer projects, primarily project management and acquisition issues.

Crown Zellerbach Inc. (1980 - 1984)
Wilson Foods Inc. (1978 - 1980)
Continental Oil Co. (CONOCO) (1973 - 1978)
IBM Mainframe Application Development and Systems Programming

* Implemented Stock Transfer system at CONOCO, first U.S. Corp. to be its own Transfer Agent.
* Supported Order Entry and Invoicing applications
* Performed all aspects of Systems Programming: SNA network and operating system support
* Application analysis, programming and project management

Education

Bachelor of Business Administration - University of Oklahoma, 1973

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

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Phone: (907) 465-3725
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MEMORANDUM

Date: 2009

To: All Committees

From: Suzi Lowell
Chief Clerk

Subject: Confirmation Committee Report (Signature Page) for Governor's Appointments

The attached Confirmation Committee Report (signature page) should be used in conjunction with the Referral for Confirmation form for the Governor's appointments to boards and commissions requiring legislative confirmation. After a committee has reviewed the qualifications of the appointee(s), the Referral for Confirmation form(s) should be dated and attached to a signature page. Have members sign the signature page and return the confirmation packet to the Chief Clerk's office.

Please use a single signature page for multiple appointees if the names of all members signing the report are the same for each attached referral. This change allows members to sign once for multiple appointments.

Attached are several signature pages for your use. We used colored paper to make them easier to identify. If you anticipate needing more forms or need assistance, please call Nancy McMullen at 6809.

Note: A separate report, including the signatures, will be used for department commissioners.

Attachments

MESSAGES FROM THE GOVERNOR

Board of Fisheries

Judge Karl S. Johnstone (Retired) – Anchorage ~~FSH~~, RES
Appointed: 12/5/2008 Term Expires: 6/30/2012
Reappointed: 7/1/2009

Brent G. Johnson – Clam Gulch
Appointed: 7/1/2009 Term Expires: 6/30/2012 FSH RES

University of Alaska Board of Regents

Ashton M. Compton – Fairbanks EDC
Student Representative
Appointed: 6/1/2009 Term Expires: 5/31/2011

The resumes for these appointees have been submitted to the offices of the Senate Secretary and the Chief Clerk.

FIRST READING AND REFERENCE OF SENATE BILLS

SB 24
SENATE BILL NO. 24 by Senator Stedman, entitled:

"An Act naming the bridge over Hammer Slough on Nordic Drive in Petersburg the Louis Miller Bridge."

was read the first time and referred to the Transportation and Finance Committees.

SB 142
SENATE BILL NO. 142 by Senator Paskvan, entitled:

"An Act authorizing the conveyance of certain land of the Alaska Railroad Corporation to the Department of Transportation and Public Facilities; and providing for an effective date."

was read the first time and referred to the Transportation Committee.

Alaska State Legislature

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MEMORANDUM

Date: April 2, 2009

To: Representative Johnson, Co-Chair ✓
Representative Neuman, Co-Chair
Resources Committee

From: Suzi Lowell
Chief Clerk

Subject: Governor's Appointment(s)

The Speaker referred the following Governor's appointment(s) to the Resources Committee and the House Special Committee on Fisheries:

Board of Fisheries
Brent G. Johnson – Clam Gulch
Appointed: 7/1/2009 Term Expires: 6/30/2012

The Speaker referred the following Governor's appointment(s) to the Resources Committee:

Board of Fisheries
Judge Karl S. Johnstone (Retired) – Anchorage
Appointed: 12/5/2008 Term Expires 6/30/2009
Reappointed: 7/1/2009 Term Expires 6/30/2012

Judge Johnstone was previously referred to your committee for the term expiring June 30, 2009. He has been reappointed for the term beginning July 1, 2009 and expiring June 30, 2012. These dates have been combined on the new Referral for Confirmation page.

The Referral for Confirmation page(s), resume(s), and a signature page are attached for your use.

Attachments as noted

MESSAGES FROM THE GOVERNOR

Board of Fisheries FSH, RES
Judge Karl S. Johnstone (Retired)
Appointed: 12/5/2008 Term Expires: 6/30/2009

Board of Game RES
Stanley "Stosh" Hoffman Jr. 6/30/11
Appointed: 11/13/2008 Term Expires: 3/1/2011

Resumes for the appointments are on file in the Chief Clerk's office.

INTRODUCTION, FIRST READING, AND REFERENCE OF HOUSE RESOLUTIONS

HCR 2
HOUSE CONCURRENT RESOLUTION NO. 2 by Representatives Ramras, Millett, Johnson, and Chenault:

> Requesting the governor to provide energy security for all Alaskans by pursuing development of a natural gas bullet pipeline from the North Slope to the Cook Inlet region; and requesting the governor to identify and negotiate with one or more persons capable of producing natural gas from the Gubik area, and other areas on the North Slope if necessary, in sufficient quantities to support a bullet pipeline project.

was read the first time and referred to the House Special Committee on Energy and the Resources Committee.

HCR 3
HOUSE CONCURRENT RESOLUTION NO. 3 by Representatives Ramras, Millett, Johnson, and Chenault:

> Requesting the governor to provide energy security for all Alaskans by taking and encouraging all action that would support a natural gas bullet pipeline from the North Slope to the Cook Inlet region, including initiating any necessary negotiations to reopen the Agrium plant in Kenai.

was read the first time and referred to the House Special Committee on Energy and the Resources Committee.

HCR 4
HOUSE CONCURRENT RESOLUTION NO. 4 by Representatives Ramras, Millett, Johnson, and Chenault:

> Requesting the governor to provide energy security for Alaskans by taking and encouraging all action to support development of a natural gas bullet pipeline from the North Slope to the Cook Inlet region including advocating an increase in the amount of natural gas that may be exported under authority granted by the United States Department of Energy.

was read the first time and referred to the House Special Committee on Energy and the Resources Committee.

HCR 5
HOUSE CONCURRENT RESOLUTION NO. 5 by Representatives Ramras, Millett, Johnson, and Chenault:

> Requesting the governor to provide energy security for all Alaskans by working on significant elements and components to support the timely construction of a natural gas bullet pipeline from the North Slope to the Cook Inlet region and to take necessary action to assist and facilitate the process for a private entity to make a final investment decision to commit to the pipeline before November 1, 2010.

was read the first time and referred to the House Special Committee on Energy and the Resources Committee.

INTRODUCTION, FIRST READING, AND REFERENCE OF HOUSE BILLS

HB 78
HOUSE BILL NO. 78 by Representative Olson, entitled:

> "An Act extending the termination date of the Board of Public Accountancy; and providing for an effective date."

was read the first time and referred to the Labor & Commerce and Finance Committees.

HB 79
HOUSE BILL NO. 79 by Representatives Ramras and Millett, entitled:

> "An Act establishing a gas royalty and production tax fund, describing its purpose, and authorizing use of fund proceeds to support power cost equalization."

was read the first time and referred to the Finance Committee.

Debra Higgins

From: wisemanwolf@aol.com
Sent: Monday, April 05, 2010 4:05 PM
To: Debra Higgins; Rep. Craig Johnson; Rep. Chris Tuck; Rep. David Guttenberg; Rep. Paul Seaton; Rep. Peggy Wilson; Rep. Mark Neuman; Sen. Albert Kookesh; Rep. Woodie Salmon
Subject: Allen Barrette .... Opposition

Dear House Resource Co-Chairman Johnson,

I am Jack Reakoff, and was not able to be heard on the conference call hearing regarding Allen Barrette today. I had additional comments on his qualifications to be a BOG member, that came up during his testimony to you.

He miss-lead your committee as to the BOG's intent to use HB267 snow machine use in the Dalton Highway corridor. He him self brought this issue before the BOG in November in Nome. He was pushing this a a tool to allow vast expansion of hunting opportunity to harvest by the new user group, winter snow machine hunting. He was asked on the record today if the BOG would change the regulations to allow hunting with snow machine use, he him- hawed that he was not sure. With his history on this issue he responded by trying to deceive your members.... see attachment.

The question was asked if the caribou proposal for the North Slope was ethical. He lied again to the House Resource committee and said it was presented to the BOG by ADF&G and it was supported by the Advisory committees.... The alternate proposal was submitted during the meeting, after public testimony was over. The Koyukuk River AC apposed the original proposal.... and would have vehemently apposed adding two months into the summer, allowing non-residents to kill cows with new calves, near the Dalton highway.....in view of tourists. He is proving to have little ethic in the Public process, and before his confirmation hearing. As a BOG member it is necessary to have personal ethics, and public trust.

Mr Barrette during your House Resource Committee meeting has again proven that he is un-ethical by miss leading the Resource Committee, and his conduct during the last meeting of the Board of Game. He allocates to non-residents, at the same time reduces resident allocations, and does not listen to the State Advisory committees who do not agree with uses, that are not conservation minded for the health of the resources. Ben Grusendorf is the only member that currently seated that is listening to the public and has conservation ethic. The majority of the BOG is not doing the best job for our resources health, and Allen Barrette should not continue to be a wolf in the sheep pen.

Do Not Confirm Allen Barrette to the Board of Game.

Jack Reakoff
Wiseman, Alaska

Debra Higgins

From: INGRID PETERSON [uaf@horizonsatellite.com]
Sent: Monday, April 05, 2010 3:58 PM
To: Rep. Craig Johnson
Cc: sean.parnell@alaska.gov
Subject: RE: GARE: BOARD CONFIRMATION (AL BARRETTE)

FROM: 26 year bush resident and 31 year AK resident
TO: elected officials making Game Board confirmations

I, Ingrid Peterson living in bush Alaska, direct you to cancel (don't confirm) Al Barrette's appointment to AK Game Board. This is because as owner of a WOLF TRAP COMPANY Barrette will serve his own (vested) interest on the Game Board and not the interests of Alaska residents or ecosystems.

Only in Alaska government, where industry's corruption of the public process abounds, would elected officials have the arrogance to suggest profiteers (like Barrette) to over-see public resources. Alaskans are tired and disgusted about sold-out politicians serving themselves and industry at the public's expense.

Your prompt attention to this matter and response to this e-mail is requested.

THANKS
Ingrid Peterson
uaf@horizonsatellite.com
BOX 3640 Homer 99603
399-3058

Debra Higgins

From: adventure@alaska.com on behalf of Wade Willis [adventure@alaska.com]
Sent: Monday, April 05, 2010 3:38 PM
To: 'Wade Willis'
Cc: Rep. Craig Johnson; Rep. Mark Neuman; Rep. Bryce Edgmon; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Peggy Wilson; Rep. David Guttenberg; Rep. Scott Kawasaki; Rep. Chris Tuck; Sen. Lesil McGuire; Sen. Bill Wielechowski; Sen. Hollis French; Sen. Bert Stedman; Sen. Tom Wagoner; Frank Rue; Kate Herring; Michelle Sydeman
Subject: Al Barrette Audio Testimony - Proposal 62 March 5, 2010
Attachments: Al Barrette Testimony - Proposal 62 - March 5, 2010.WMA

Importance: High

Wade Willis
adventure@alaska.com

Hello House and Senate Resource Committee's;

- In testimony to the House Resources committee today Al Barrette denied having petitioned the Board of Game to allow the use of snow machines to harvest wolves in the revoked Denali wolf buffer zone. This is not true and I have attached the audio for you to listen to confirm this fact. His unwillingness to admit this request is troubling. Not one member of the BOG supported his request.

- Mr. Barrette only admitted to owning a tanning and trap making business after questioning by the committee members. Why would he be trying to hide this fact?

- Mr. Barrette also informed the committee that he is already under investigation for ethics violations.

- Mr. Barrette also seemed unwilling or unable to confirm that the National Park Service, for the first time, had submitted its own proposal to not only retain the existing wolf buffer zone but to expand it slightly due to radio collar and harvest data collected over the last six years.

- When questioned by House Resource committee members Mr. Barrette could not identify any situation or method that was not appropriate for predator control.

- Mr. Barrette confirmed that his fundamental game management philosophy is to "subdue nature and control it" and that his job is to "educate" others about how he does things. The BOG is responsible for game management on federal lands such as NPS Preserves and National Monuments where the management mandate is to promote natural diversity and abundance. Mr. Barrette seems unwilling to consider the broader scope of being a responsible member of the Board of Game and appears to lack the basic memorandum of understanding between the federal government and the state of Alaska to cooperate regarding different management mandates.

PROPOSAL 62
TOPIC: Wolf Control Plan for GMU 20C: (Contains the Former Denali Wolf Buffer Zone Region)

Debated on March 5th in the afternoon session:

Audio Attached.

3016

You can confirm this testimony and receive an independent audio copy of the testimony of Mr. Barrette regading proposal 62 by calling or emailing Board Support in ADF&G to request the audio.

Kristy Tibbles
Executive Director
Board of Game
PO Box 115526
Juneau, AK 99811
Phone: (907) 465-4110
Fax: (907) 465-6094
kristy.tibbles@alaska.gov

http://www.boards.adfg.state.ak.us/bbs/contact/staff.php

Debra Higgins

From: Tim Andrew [tandrew@avcp.org]
Sent: Monday, April 05, 2010 2:09 PM
To: Sen. Lyman Hoffman; Representative_Mark_Neuman@legis.state.ak.us] Representative_Mark_Neuman@legis.state.ak.us; Rep. Bryce Edgmon; Rep. Chris Tuck; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Peggy Wilson; Representative_David_Guttenberg@legi; Rep. Craig Johnson; Rep. Scott Kawasaki
Cc: Myron P. Naneng
Subject: Al Barrette, BoG nominee

Senator Hoffman and the House Resources Committee:

AVCP opposes the appointment and confirmation of Allan Barrette to the Alaska Board of Game due to his aggressive stance against Alaska Native reliance on subsistence resources and his postion on the allocation of game to non-residents and the urban hunters. His appointment to the Alaska Board of Game would further divide the state to urban vs. rural in game management issues which would only increase the urban/rural gap. His votes and comments on the record during the two Alaska Board of Game meetings clearly reflects his intentions like the Anaktuvik Pass caribou, Chisana Caribou, the Nikolai C& T on dall sheep and his attempts to override one of the most important precautionary measures the Board of Game must take in their deliberation processes, comments by the Department of Law. We believe his confirmation would be detrimental to all Alaskan, therefore, we appose his confirmation.

Tim

Timothy Andrew, Director of Natural Resources
AVCP Department of Natural Resources
PO Box 219
Bethel, AK 99559-0219
Phone: (907) 543-7340
Fax: (907) 543-5702
Toll Free: 1-800-478-3521
E-mail: tandrew@avcp.org

Confidentiality Notice: This e-mail message may contain confidential and private information of AVCP that is protected from disclosure. If you received this message in error, please notify me by phone or reply e-mail and immediately delete all and any attachments.

Debra Higgins

From: Kim Stephanie Fitzgerald [kimf@mtaonline.net]
Sent: Monday, April 05, 2010 1:17 PM
To: Rep. Craig Johnson
Subject: al barette nomination

Dog Sled rides, tours, lectures and home of the Hedlund Gray Husky.

3019

Debra Higgins

From: Jeanne Devon [museumsource@yahoo.com]
Sent: Monday, April 05, 2010 1:07 PM
To: Rep. Craig Johnson
Subject: Al Barrette

Dear Representative Johnson, (apologies if you received this message twice)

I am writing to you as the owner of a small business that has been operating in Anchorage for almost twenty years, and has employed hundreds of workers in that time. My business relies on tourism, and caters to those who are coming to Alaska for its natural beauty and an opportunity to enjoy its wildness.

Seeing the wolves of Denali is the highlight of the trip for any who are fortunate enough to have had that experience. The current boycott of Alaska called for by Friends of Animals because of the eradication of the Denali Park buffer zone is extremely concerning to me from an economic standpoint. Tourism traffic is way down anyway, and the appointment of people such as Al Barrette who recently vote for the eradication of the buffer zone is doing nothing but harming Alaska's image.

We don't like to think our decisions are based on what those "outside" think, but they drive a good portion of our economy, and business owners like myself rely on their perception of how we treat ALL of our resources, including wildlife.

In addition, his ownership of a commercial tannery, and a wolf trap company should disqualify him immediately from the board, as his own financial interest is affected by the way he votes on the board.

I urge you to reject Mr. Barrette's appointment for the reasons above.

Thank you for your service to the state.

Sincerely,
Jeanne Devon

Museum Source
3801 Old Seward Hwy. #6
Anchorage, AK 99503
907-258-3373 phone
907-258-3374 fax
www.museumsource.net
The place to shop for presents of mind.

3020

Debra Higgins

From: Jeanne Devon [museumsource@yahoo.com]
Sent: Monday, April 05, 2010 1:05 PM
To: Rep. Craig Johnson; Rep. Mark Neuman
Subject: Al Barrette

Dear Representative Neuman,

I am writing to you as the owner of a small business that has been operating in Anchorage for almost twenty years, and has employed hundreds of workers in that time. My business relies on tourism, and caters to those who are coming to Alaska for its natural beauty and an opportunity to enjoy its wildness.

Seeing the wolves of Denali is the highlight of the trip for any who are fortunate enough to have had that experience. The current boycott of Alaska called for by Friends of Animals because of the eradication of the Denali Park buffer zone is extremely concerning to me from an economic standpoint. Tourism traffic is way down anyway, and the appointment of people such as Al Barrette who recently vote for the eradication of the buffer zone is doing nothing but harming Alaska's image.

We don't like to think our decisions are based on what those "outside" think, but they drive a good portion of our economy, and business owners like myself rely on their perception of how we treat ALL of our resources, including wildlife.

In addition, his ownership of a commercial tannery, and a wolf trap company should disqualify him immediately from the board, as his own financial interest is affected by the way he votes on the board.

I urge you to reject Mr. Barrette's appointment for the reasons above.

Thank you for your service to the state.

Sincerely,
Jeanne Devon

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907-258-3374 fax
www.museumsource.net
The place to shop for presents of mind.

3021

Debra Higgins

From: Kelly Walters [kwalters@alaska.com]
Sent: Monday, April 05, 2010 12:49 PM
To: Rep. Craig Johnson; Rep. Mark Neuman; Rep. Bryce Edgmon; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Peggy Wilson; Rep. David Guttenberg; Rep. Scott Kawasaki; Rep. Chris Tuck
Subject: My Public Comments regarding Al Barrette's Confirmation to the Alaska Board of Game

Importance: High

House Resource Committee Members:

I am writing to ask that you both REJECT Al Barrette from being confirmed to Bob Bell's seat on the Alaska Board of Game.

His deciding vote on eliminating the wolf buffer zone near Denali National Park was the last straw. I am a hunter as well as an avid outdoorsman. However, the wolf population within Denali National Park is at a 23-year low. The Alaska Board of Game is denying science and are hell-bent on creating artificially high numbers of huntable animals by eliminating all of the predators.

However, in addition to this disturbing vote, Mr. Barrette has a HUGE CONFLICT OF INTEREST! He owns the Fairbanks Fur Tannery AND The Alaska No. 9 Trap Company. Both companies profit as a result of his vote. In other words, Mr. Barrette was able to improve his personal bottom line with his public Board of Game vote at the expense of the wolves of Denali as well as tourism-based businesses that will potentially face a large boycott on top of a bad economy.

Barrette should have recused himself from this important and critical vote.

Here are some great posts from The Mudflats and Shannyn Moore. Please watch the video on the second link. It is disturbing fundamentalist comments from Al Barrette.

Shannyn Moore hosted a program on Predator Control on her television program Moore Up North over the weekend. You may view the program here: http://shannynmoore.wordpress.com/2010/04/03/moore-up-north-aerial-wolf-hunting/

I found it extremely telling that former Board of Game nominee, Bob Bell, said that he would NOT have voted to eliminate those buffer zones around Denali Park. Bob Bell was a strong predator control advocate and HE thinks Al Barrette ought to be REJECTED!

IN addition, if Al Barrette is confirmed, there will not be anyone from the largest populated city in Alaska, Anchorage, on the board of game.

Thank you for your consideration and for your REJECTION of AL BARRETTE to the Alaska Board of Game.

Sincerely,

Kelly

PS Please CONFIRM BEN GRUESSENDORF to his seat as he is currently THE ONLY Voice of REASON on the game board!

Kelly Walters
kwalters@alaska.com

907.230.5997

LINKS:

http://www.themudflats.net/2010/03/09/parnell-administration-targets-wolves-and-alaskas-economy-time-to-howl/?cp=1

http://shannynmoore.wordpress.com/2010/03/10/skinned/#comments

Debra Higgins

From: richard or mary bishop [rmbishop@ptialaska.net]
Sent: Monday, April 05, 2010 12:36 PM
To: Rep. Craig Johnson; Rep. Mark Neuman; Rep. Bryce Edgmon; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Peggy Wilson; 'Rep_David'; Rep. Scott Kawasaki; Rep. Chris Tuck
Subject: Mr. Al Barrette Board of Game confirmatioin

To:
Representatives Johnson and Neuman, Co-chairs
House Resources Committee
Alaska State Legislature

Dear Co-Chairs Johnson and Neuman, and Committee Members:

Please support confirmation of Mr. Al Barrette's appointment to the Alaska Board of Game.

Mr. Barrette is dedicated to sound conservation of Alaska's wildlife. He is a constructive, critical thinker who has the public interest in place, right after sound, scientific wildlife management. He has a wealth of experience as hunter, trapper, and naturalist.

The accusation from some of his critics that he will unfairly profit by his confirmation is false. He would not do that, most importantly because he is a man of integrity, and also because the Board of Game is bound to follow the Alaska Constitution and statutes in its decisions.

Thank you.

Dick Bishop
1555 Gus's Grind
Fairbanks, AK 99709 ph # 907-455-6151

Debra Higgins

From: Sherry Simpson [sherrysimpson@mac.com]
Sent: Monday, April 05, 2010 12:23 PM
To: Rep. Craig Johnson
Subject: Al Barrette's confirmation hearing

Dear Rep. Johnson,

I oppose the appointment of Al Barrette to the Board of Game. I am a lifelong Alaskan who comes from a hunting family, and I follow Board of Game meetings closely. It was clear from the March meeting that Mr. Barrette never met a proposal to kill a wolf or a bear that he didn't like, and that's saying something on a board that is overwhelmingly weighted toward consumptive users.

Mr. Barrette supported proposals to allow brown bear baiting outside of predator control areas, to expand black bear baiting, to allow denning bears, and to allow bear trapping outside of predator control areas. He was often the only vote supporting such measures. Mr. Barrette's overwhelming approval for more aggressive predator control measures was never based on any scientific or management information supplied by department biologists, but on his own interests as the owner of a trapping business and as someone who fervently believes that the best use of wildlife in Alaska should be determined by consumptive users only. Yet only 15 percent of Alaskans hold hunting licenses.

I am not an antihunter by any definition, and I fully recognize the importance of managing game for genuine subsistence uses. I even think that in some areas, at some times, local communities should be allowed to undertake predator control measures when necessary. This board, however, is so bent on pleasing urban hunters who belong to such organizations as the Alaska Outdoor Council and Sportsmen for Fish and Wildlife that it is willing to damage not only Alaska's reputation but its visitor industry. The board's decision to reject popular proposals to expand no-trapping zones around Denali National Park and to remove existing buffers is an insult to tourism-based businesses owned by Alaskans. Mr. Barrette attempted to extend this decision's damaging effects further by supporting the use of snowmachines to kill wolves in this area.

From meeting to meeting, this board has approved ever-more extreme predator control measures, few of which are based on scientific data or actual censuses of moose, caribou, bears, and wolves. (I've read the management reports and scientific studies.) Regulations or "experimental programs" now allow gassing wolf pups; killing unlimited numbers of black bears in Unit 16, including sows and cubs; snaring bears; shooting brown bears over bait near McGrath; allowing private organizations such as SFW to use helicopters to transport hunters; sales of black bear hides and skulls; permits for multiple bait stations run by guides; and more. These measures are routinely approved without waiting for any monitoring research or scientific evaluation to determine their effects.
Yet at the March meeting, Deputy Commissioner Patrick Valkenburg announced department plans to reclassify grizzlies as furbearers so they, too, can be trapped or snared outside of predator control areas.

Mr. Barrette's positions, however, carry the board's current management philosophies to extremes that I don't think the state can tolerate. The legitimate hunting community, ADF&G, and the tourism industry cannot withstand the backlash against legitimate hunting and Alaskan businesses that will ensue if photographs of a bear cub being shot over bait or of bears being foot-snared are made public.

In FY 2009, Alaska spent $3.7 million on intensive management to the exclusion of watchable wildlife programs, habitat protection, and wildlife education beyond predator control propaganda. I sincerely doubt that anyone can demonstrate any significant, lasting improvement in ungulate populations despite millions spent in the last few years. A responsible Legislature would ask for an accounting.

Beyond question, hunters help pay for wildlife conservation through licenses, tags, and federal excise taxes. I own guns, so I do, too. Many Alaskans would happily contribute to genuine wildlife conservation (not game farming) by paying a viewing or recreational fee, yet a bill making this possible has failed. It is widely recognized that groups such as the AOC and SFW simply do not want nonconsumptive or multi-users to have a voice in this state's wildlife management. Mr. Barrette's appointment will only further this divisiveness.

Please support reasonable wildlife management in Alaska by not approving Mr. Barrette's nomination to the board. We can do better.

Regards,

Sherry Simpson

Debra Higgins

From: patriciaobrien@gci.net on behalf of Patricia O'Brien [patriciaobrien@gci.net]
Sent: Monday, April 05, 2010 12:20 PM
To: Rep. Craig Johnson; Rep. Mark Neuman
Subject: Hearing to confirm Al Barette to the Interior Board of Game

I just learned of the hearing this afternoon and hope this is not too late to be considered. Having read up on Al Barrette's background, his voting where he clearly has a conflict of interest, and his vote on removing the Denali buffer zone, I am convinced he represents an extreme view and should not be confirmed to the Board of Game.

Thank you for considering my opinion.

Patricia O'Brien

789-9405

Debra Higgins

From:	George & Leslie [georgenleslie@mosquitonet.com]
Sent:	Monday, April 05, 2010 12:17 PM
To:	Rep. Mark Neuman; Rep. Craig Johnson; Rep. Kurt Olson; Rep. David Guttenberg; Rep. Scott Kawasaki; Rep. Bryce Edgmon; Rep. Chris Tuck; Rep. Paul Seaton; Rep. Peggy Wilson
Cc:	Sen. Lesil McGuire; Sen. Bill Wielechowski; Sen. Charlie Huggins; Sen. Hollis French; Sen. Bert Stedman; Sen. Gary Stevens; Sen. Tom Wagoner
Subject:	Al Barrette opposition

Dear members of both the House of Resources Committee and the Senate Resources Committee:

We are writing as concerned Alaskans to express our opposition to Allen Barrette's confirmation on the state's Board of Game. We believe his positions are far too extreme, controversial and full of conflicts of self-interest to sit on such an important board. As avid outdoor enthusiasts we oppose Mr. Barrette's nomination on numerous counts.

1. Significant questions regarding conflicts of his tannery business. Mr. Barrette stands to profit from BOG decisions of liberalizing trapping harvests.

2. His key vote to oppose and revoke the Denali Wolf Buffer Zone has disenfranchised citizens. He has also supported a six year moratorium on accepting or discussing Denali Wolf Buffer proposals. Isn't the Board mandated by the legislature to address public concerns? This moratorium not only rebukes the legislature's intent upon establishing the board but isn't it also quite likely illegal? We must also point out that Mr. Barrette likely voted on the proposal as a Fairbanks AC member which would exclude him from voting on the proposal as a board member, would it not?

3. Was he not also actively involved in lobbying for sponsorship and passage of HB 267 prior to being appointed to the Board of Game where he voted to approve of the bill? Is this not also a conflict?

4. His record Opposing Rural and Native Subsistence is long and extensive.

5. His overall voting record so far has been full of extremely controversial views. After voting in favor of revoking the Denali Wolf Buffer Zone didn't Mr. Barrette petition the board to authorize using a snow machine to harvest wolves in the "old" buffer zone region (GMU 20C) along the border of the park? And not one member of the board would support Mr. Barrette's proposal, for good reason. He also voted to revoke the ADF&G's statewide bear management policy that guides the department's scientific management of Alaska's Bears. He also approved of citizens using helicopters to support the killing of wolves in the Upper Yukon Tanana Predator Control Program. These views are not only extreme in nature, but must be questioned as to the best ways to manage wildlife for the benefit of all.

The list goes on, and the details are numerous in regards to his extreme views. As Alaskans concerned for the fair and balanced management of our wildlife resources, we believe this position would be far better served by people who represent all outdoor enthusiasts who hunt, fish, and enjoy the abundance of wildlife this magnificent state offers, rather than the extreme and controversial positions Mr. Barrette is presenting. Please do not confirm his appointment to the board.

Respectfully,

Leslie Correll-LaBar and George LaBar
Two Rivers, Alaska

Debra Higgins

From: shadow@matnet.com on behalf of Wayne Hall [shadow@matnet.com]
Sent: Monday, April 05, 2010 12:03 PM
To: Rep. Craig Johnson; Rep. Mark Neuman; Rep. Bryce Edgmon; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Peggy Wilson; Rep. David Guttenberg; Rep. Scott Kawasaki; Rep. Chris Tuck
Subject: Oppose Al Barrette for Board of Game confirmation

Greetings,

I just wanted to express my opposition to the confirmation of Al Barrette to the Alaska Board of Game. Responsible, scientific wildlife management in Alaska has taken a real beating in recent years and has resulted in embarrassment and bad publicity for the State. It is clear that confirmation of Al Barrette to the Board of Game will only further exaggerate the problem. He is clearly not qualified, has no scientific credentials, represents a conflict of interest, further unbalances the representation of all Alaskans on the Board of Game, and apparently bases his "management" decision-making on the Old Testament. He is, in short a recipe, for more disaster. To think he is the best Alaska can do is a real indictment of our wildlife management ability.

I hope you will oppose his confirmation.

Thank you.

Wayne Hall
Anchorage

Debra Higgins

From: maryla@alaska.com on behalf of Mary La Fever [maryla@alaska.com]
Sent: Monday, April 05, 2010 11:38 AM
To: Mary La Fever
Subject: About Mr. Barrette

Greetings from longtime Anchoragian:

I am FOR rural subsistence priority for fish and game.
To hide behind a Bible verse and translate it without regard to the changes over time, the culture of THAT time, and actually thinking through humane management.....seems like there is a lack of reasoning and indepth study.

I am OPPOSED to hunting wolves with snowmachines, and to elimination of the 'buffer zone' ..... And very much FOR The Yukon Flats Citizen Advisory council requested limit to be set on beaver harvest. Local communities should be listened to, and they "felt it was disrespectful to have an unlimited harvest opportunity for beaver." Mr. Barrette opposed them;

In a nutshell, from my study on these issues, I am opposed to pretty much all that I have read of Barrette's style of management..... It is no longer an option to continue killing for sport, and because it has always been done that way. We needn't continue the mistakes of the past. And the 6 year moratorium on accepting/discussing the Denali Wolf Buffer Zone? I would like this to be looked into regarding its legality.

Respectfully,
Mary W. LaFever
815 West 19th Ave
Anchorage, AK 99503
907 258-7002
maryla@alaska.com

PS. I need no paper or phone response, just that my voice be heard.

3030

Debra Higgins

From: ViedeF97@aol.com
Sent: Monday, April 05, 2010 11:36 AM
To: Rep. Bryce Edgmon
Cc: Rep. Craig Johnson; Rep. Mark Neuman; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Peggy Wilson; Rep. David Guttenberg; Rep. Scott Kawasaki; Rep. Chris Tuck
Subject: confirmation of Mr Barrette

Dear Bryce--

I am taking time out of our already hectic schedule of preparing for the upcoming fishing season to write you concerning Mr Barrette's confirmation to the Board of Game.

I am *strongly opposed to his confirmation* to the board. Although I am sure he is a responsible business owner and good citizen to his city I am VERY concerned that he is not open to all points of view when it comes to game management.

One of the strong components of our Alaska system of fish and game management is its boards. Although we routinely have people with stronger areas of experience and interest I do believe that they also try to stay open to opposites point of view.

I am not seeing this in the testimony, voting and comments Mr Barrette has exhibited from his interviews, and short time on the boards.

Although Alaskans many times feel that we can thumb our noses at outside forces and do not have to be concerned with others opinions this is not the case with our game and fish. "Outsiders" are our meat and potatoes in more ways than one in these 'industries'.

We can claim 'they don't understand' or they are 'greenies' and are opposed to all hunting but I do not believe that is the case in most instances.

I have seen a HUGE sense of understanding and openness on things like predator control after the terrible wolf killing in the Chigniks. However I do not see this same understanding to the Denali buffer zone opening or snaring of bears!

Mr Barrette has shown himself to be of one mind when it comes to predator control.... anything goes, despite the possible outcome except for hunters/trappers.

This coupled with some to the recent personnel changes to the Fish and Game Department truly leave me to wonder if our state is trying its darnest to become #1 on another list of negatives, mismanagement of its game.

Please decline to confirm Mr. Barrette. I have to believe Gov. Parnell can find someone who is more open to good management of our resources for ALL visitors and residents of Alaska.

Sincerely,
Victoria Briggs
Ugashik

Debra Higgins

From: kate swift [swiftykinak@yahoo.com]
Sent: Monday, April 05, 2010 11:32 AM
To: Rep. Craig Johnson
Subject: Please do NOT support AL BARRETTE on Board of Game

Representative Johnson,

Please do not confirm Al Barrette's seat on Alaska's Board Of Game.

His radical viewpoints have been well documented. I'm especially incensed that he didn't excuse himself as a conflict of interest regarding the Denali Wolf Buffer zone. We need to have people on the BOG that address Alaska's non-comsumptive user's and support our fellow citizen's subsistence rights.

After just returning from Anaktuvuk Pass working for the U.S. Census, I overheard comments suggesting that caribou are not migrating through their areas in the numbers they used to. Although general comments, let's not take away Anaktuvuk Pass villager's caribou hunting by putting more pressure on the Central Arctic Herd, as proposed and supported by AL BARRETTE to increase caribou limit from 2-5 AND allow snowmachine use on the haul road corridor.

There are many other conflicts I see for putting this man on the board that have been documented by others.

VOTE NO!

Sincerely,
Katharine Swift
20 year Alaska resident

Debra Higgins

From: Carol Ford [whoville@pobox.alaska.net]
Sent: Monday, April 05, 2010 11:30 AM
To: Rep. Craig Johnson
Subject: Barrette - Board of Game

Dear Representative Johnson:

In the next days you will be considering the confirmation of Al Barrette to the Alaska Board of Game. Please consider Mr. Barrette's consistent and deep-seated anti-nature stances at all levels, and vote against confirming one whose vision of the relationship between man and nature so adamantly works against Alaska's most profound qualities.

Mr. Barrette's unfortunate interpretation of scripture, as he explained it in an interview last year with Backpacker Magazine, has not only given him permission to destroy nature, but has given him a mandate to do so. While he has a right to his own interpretation, I believe it is imperative that this interpretation have no more than a single citizen's voice in weighing and deciding the compelling issues of Alaska's future as one of the few places still in touch with its natural systems and processes. From subsistence issues, to wildlife protection concerns, to tourism, to Alaska's place in the American and world psyche, Mr. Barrette represents the antithesis of what Alaska has the potential to offer. A vote to confirm a person so violently and consistently opposed to a balanced view would be a tragedy, in my opinion.

Thank you for your time.
Carol Ford
Kenai, AK

KENAI RIVER SPORTFISHING
ASSOCIATION

2010 Board Members

Eldon Mulder
Board Chair
President - The Mulder Company

Kevin Branson
Secretary and Treasurer
CPA - Thomas, Head & Greisen

Ron Rainey
Vice Chair
Ron's Alaska Lodge – Retired

Jim Golden
Vice President
Owner - The Sports Den

Ed Bryson
Vice President Field Operations
Alaska Communications Systems

Rik Bucy
General Manager
Tesoro Northstores – Retired

Bill Eckhardt
President
Alaska USA Federal Credit Union

Richard Erkeneff
Owner- Kenai River Raven

Mike Felix
President- AT&T Alaska

Mark Hamilton
President- University of Alaska

Reuben Hanke
Owner
Harry Gaines Kenai River Fishing

Bill MacKay
Senior Vice President
Alaska Airlines

Jason Paret
CFO- Central Peninsula Hospital

Robert Penney
Owner- PENCO Properties

Karen Rey, RN
Territory Manager, Alaska
St. Jude Medical

Gary Turner
Director- Kenai Peninsula College

April 2, 2010

All State Legislators
State Capitol
Juneau, AK 99801

RE: Board of Fisheries Appointments – Support for Webster and Kluberton

Dear Legislator:

The Governor's office recently made the announcement for the appointment of Vince Webster and Tom Kluberton to the Alaska Board of Fisheries.

Kenai River Sportfishing Association fully supports these two appointments to the Alaska Board of Fisheries.

Mr. Webster has displayed a willingness to work with all user groups, which is an essential component of effective leadership on the Board. He has done an excellent job as Board Chair this past year.

Mr. Kluberton has been actively involved in fisheries issues during the past six years, leading the Mat-Su Blue Ribbon Sportsmen Committee. He has an excellent working knowledge of fisheries issues in Cook Inlet and elsewhere in the state.

Both appointments are solid choices and we ask for your support in confirming each to the Board of Fisheries.

Respectfully,

Eldon Mulder	Reuben Hanke	Ricky Gease
Board Chair	Fisheries Chair	Executive Director

Debra Higgins

From: Vic Walker [vicwdvm@gmail.com]
Sent: Monday, April 05, 2010 11:21 AM
To: Rep. Craig Johnson
Subject: Al Barrette confirmation hearing

Representative Johnson,

I strongly oppose the nomination of Al Barrette to the Board of Game. He has an economic conflict of interest in matters relating to predator control. Specifically, he owns a commercial tannery and a company that manufactures wolf traps.

Mr. Barrette's bias was very evident at the recent Board of Game meeting in Fairbanks, where, among other things, he voted to allow unprecedented baiting of brown bears and voted to revoke the Denali Wolf Buffer Zone. Many Alaskans, myself included, want more balanced representation on the Board of Game.

Respectfully,

Vic Walker, Juneau 4/5/10

Debra Higgins

From: adventure@alaska.com on behalf of Wade Willis [adventure@alaska.com]
Sent: Monday, April 05, 2010 11:05 AM
To: 'Wade Willis'
Cc: Rep. Craig Johnson; Rep. Mark Neuman; Rep. Bryce Edgmon; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Peggy Wilson; Rep. David Guttenberg; Rep. Scott Kawasaki; Rep. Chris Tuck
Subject: Comemnts on Al Barrette / House Resources
Attachments: Al Barrette Overview.pdf

Hello House Resources Committee,

I strongly OPPOSE confirming Al Barrette to the Board of Game for the following reasons:

1. If appointed – there will be no representative on the board of game for the largest population region in Alaska – Southcentral.
2. He is not a moderate – his actions at the board of game meeting in Fairbanks in March were extreme.
3. He owns a business that profits from the harvest of wild game. While the BOG has no regulation against this it is not good policy for the legislature to support such an obvious conflict of interest.
4. Mr. Barrette voted on the Fairbanks AC prior to voting on the BOG – It appears he did not indicate all the votes he participate in on the AC which is a violation of the rules.
5. The BOG needs more diversity – desperately. I want to see a representative from the Tourism industry that is also a hunter.

Please see attached overview of Mr. Barrette's vote record at the March BOG meeting in Nome. He clearly is a radical individual. The BOG voted 1 – 6 against him 4 times – BEFORE he was even confirmed, a time when you would expect him to cautious. You can only imagine what lays ahead if confirmed.

Please be sure the BOG represents ALL Alaskan's as the legislature intended.

Committee members, can you please confirm receipt of this email?

Thank you for your consideration of my concerns,

Wade Willis
adventure@alaska.com

Overview:

1. Significant questions regarding his owning a tannery and his subsequent conflict of interest regarding liberalizing harvest regulations for furbearers and big game;
    a. He declared a conflict and did not vote due to having voted as a Fairbanks AC member on one proposal yet it appears he did not preclude himself on all the proposals the Fairbanks AC voted on;
    b. He also declared a conflict of interest regarding a trapping proposal stating he stood to profit from the regulation but did not declare the same conflict regarding the Denali Wolf Buffer Zone and other proposals liberalizing trapping and harvest regulations;
2. Clearly opposed rural subsistence priority for fish and game as a member of the BOG;
3. A very "liberal" Board of Game voted 1 – 6 against Mr. Barrette ***four*** times in his first sitting on the board;
4. Founding Principle appears to be: "Nature Cannot Run Wild"

"It specifically puts out in the first book of the bible, in Genesis, that we should subdue nature and control it. We should be the managers of the animals and through the sin of Adam and Eve is what brought it on"

– Al Barrette / January 2009 Interview / Backpacker Magazine

Record Opposing Rural and Native Subsistence:

1. **Aggressively lobbied to revoke the Kanuti Control Use Area designation near Bettles:** March 6 - Afternoon Session.
    a. There was no formal public announcement or public testimony regarding revoking the CUA;
    b. The Kanuti CUA was created to protect local subsistence moose harvest and is strongly supported by the local residents;;
    c. Division of Subsistence warned Barrette that prior to such an action the Board must address meeting subsistence needs in the region;
    d. No other member of the Board of Game supports Mr. Barrette's attempts;

2. **Voted to increase the harvest in the Central Alaska Caribou herd along the Haul road from 2 to 5 caribou;**
    a. While simultaneously supporting the opening the haul road controlled use area to snow machine access:

b. The village of Anaktuvuk Pass lies within the migration route of the Central Arctic Caribou herd;

"All those villages that are in that area are only on the outside migration of the Central Arctic Caribou herd. Not really one village relies on the Central Arctic Caribou herd – it only supplements their take … and here's an opportunity to allow more Alaskan's and non residents to have greater access or opportunity to harvest more caribou and maybe help relieve some of our problems in the Nelchina, Mulchatna, and the Fortymile Caribou. To take an additional few more caribou to make the cost justifications here" – **Al Barrette**

3. **Voted against an Amount Needed for Subsistence of only 2 - 4 sheep for interior Native villages in Game Management Unit 19:** March 2 – Proposal 82;
   a. The Board found a positive Customary and Traditional Use of sheep in this region but would not designate an Amount Necessary for Subsistence;
   b. The ADF&G supported an ANS of up to 10 sheep;

   "Their subsistence needs are being met by other things but they want to add sheep to it?" – **Al Barrette**

4. **Opposed a Customary and Traditional use finding for Native subsistence harvest of the Chisana Caribou herd, in particular the community of Northway:** March 4 – Proposal 18;
   a. The ADF&G Division of Subsistence provided strong evidence of traditional Native harvest. The Chisana herd will have no preference for subsistence harvest on State lands:

   "Of the eight criteria we get to pick from it defers to reliance and I could not find a definition in the codified for reliance so I have to depend on my own until I get a dictionary and I did not think it fit on relying on that resource." – **Al Barrette**

5. **Voted against finding a positive Customary and Traditional use of black bears for rural subsistence hunters** in two Game Management Units (GMU 20 & 12) despite the documented harvest of 78 black bears by rural village communities. These are the same GMU's where he supported allowing guides to have up to 10 bait station!: March 1 – Proposal 8;

6. **Voted to repeal important Native moose harvest traditions:** March 3 – Proposal 89
    a. In the Koyokuk Controlled Use Area the local Native community considers it disrespectful to waste the head of a moose. When the Koyokuk CUA was established the regional advisory councils formed a working group and developed a moose management plan that requested the heard of a moose be harvested in their area. AHTNA Native Corporation also requires the harvest of a moose head on their lands in the region.
    b. ***Al Barrette opposed not only this salvage requirement but voted to repeal ALL discretionary salvage requirements in the Koyokuk CUA;***

7. **Opposed setting a limit on beaver harvest in the Yukon Flats region.** March 2 – Proposal 95
    a. The Yukon Flats Citizen Advisory council requested a limit be set on beaver harvest. Local communities felt it was disrespectful to have an unlimited harvest opportunity for beaver. Mr. Barrette opposed them;

Record of Conflict of Interest / Disenfranchising Citizens:

1. **Conflict of Interest Declarations by Mr. Barrette Personally:**
    a. Proposal 2: Modify Trapping Season: He wrote the proposal:
    b. Proposal 3: 72 hour trap check requirement – Conflict due to potential profit: March 1;
    c. Proposal 14: Modify the Fortymile Caribou Hunt – ***states he voted on the proposal as a Fairbanks AC member.*** The Fairbanks AC Notes (AC 5) state that all the voting took place at one meeting. The Fairbanks AC submitted 11 pages of comments to the Board of Game: March 4
    d. Proposal 70: Authorize off road vehicle access to the Wood River Controlled Use area. Both the Board of Game and the Fairbanks AC (of which he was a member) opposed Proposal 70 that Mr. Barrette personally drafted and submitted to the Interior Board of Game meeting: March 5;

2. **Key vote to oppose and revoke the Denali Wolf Buffer Zone.** March 5 – Proposal 63;
    a. Mr. Barret stands to profit from the decision of liberalizing trapping harvest by owning the local tannery;
    b. Mr. Barrette likely voted on the proposal as a Fairbanks AC member which excludes him from voting on the proposal as a board member;

c. Mr. Barrette previously declared a conflict of interest regarding proposal 3 stating he stood to profit from a 72 hour trap check requirement. Why did he not use the same logic on this vote;

3. **Opposed restricting trapping in residential areas in the Healy area**
   a. Even though there was extensive public comment regarding pets being caught and killed in traps and even people being caught in traps;

4. **Supported a six year moratorium on accepting or discussing Denali Wolf Buffer proposals;**
   a. The Board is mandated by the legislature to address public concerns and this moratorium not only rebukes the legislatures intent upon establishing the board it also is quite likely illegal;

5. **Actively involved in lobbying for sponsorship and passage of HB 267 prior to being appointed to the Board of Game where he voted to approve of the bill.**
   a. This bill would allow snow machine use in the Dalton Highway Controlled Use Area – the same region Mr. Barrette voted to increase.
   a. Voted in favor of the BOG supporting HB 267. Al Barrette was tasked with drafting the letter of support. There was no public announcement regarding discussion of this bill, no public testimony, and the public never saw a copy of the letter nor has letter ever been posted to the BOG website;

   "I think more access in the area would certainly be advantageous to people that like to hunt caribou, bears and moose etc. I just hate to see another Denali Highway where it's just like a bunch of locust inundating the whole country up there. That is how we move forward on this earth." – Cliff Judkins / Testimony in support of the HB 267 / March 6

Record regarding Wolf and Bear Management:

1. **After voting in favor of revoking the Denali Wolf Buffer Zone Mr. Barrette petitioned the board to authorize using a snow machine to harvest wolves in the "old" buffer zone region (GMU 20C)** along the border of the park;
   a. Not one member of the board would support Mr. Barrette's proposal;

   "I just cringe at the thought of a snow machine running down the park boundary chasing wolves – it's almost beyond me. It might be something to do but I don't know if I could it." **- Cliff Judkin's Chairman of the BOG responding to Al Barrette**

2. **Voted to revoke the ADF&G's statewide bear management policy that guides the department's scientific management of Alaska's Bears** March 6 – Afternoon Session
   a. This policy prohibits the snaring of bears unless conducted under the authorization of predator control program. The Board did not agree with him.

3. **Voted in favor of removing brown bear tag fees in all interior GMU's.** Tag fees are an important source of revenue for the ADF&G: March 1;

4. **Voted to authorize the baiting of Brown Bears.** Every other member of the Board strongly opposed it: March 3 – Proposal 129;

5. ***Liberalize the baiting of black bears during the entire month of July.*** Amended a proposal to allow baiting in interior Alaska when residents / tourists and families are actively fishing, hiking and camping. Every BOG member opposed Mr. Barrett's radical amendment: March 1;

6. **Voted in favor of allowing commercial guides to register up to 10 bait stations.** The first time this has ever been authorized outside the boundaries of a predator control area. A significantly more liberal allowance than resident Alaskan's are given. Promoting preferential status for the guiding industry. This may be illegal under the State Constitution's equal access clause and what about his conflict of interest regarding profiting from tanning bear hides: March 1;

7. **Voted in favor of eliminating Black Bear sealing requirements in interior Alaska:** March 1 – Proposal 11;

8. **Opposed a National Park Service request to make it illegal for Non Native urban hunters to kill black bears, including sows and cubs, in their dens using high intensity lights in Denali National Preserve.**

9. **Approved of citizens using helicopters to support the killing of wolves in the Upper Yukon Tanana Predator Control Program** March 4 – UYTPCA Department Overview Testimony

Biblical References Regarding His Game Management Philosophy:

1. **Regarding cow caribou hunting in the Fortymile Caribou herd in the Upper Yukon Tanana Predator Control area:** March 4 – Fortymile Working Group Overview

   "Speaking of teaching and training the next generation of hunters that are coming up, you know, to bring the younger generation out to the field to make them shoot a bull, and to teach them to shoot a bull even though there is ample opportunity to harvest a cow... I think it relates right back to our moose cow harvest where we are having to teach, like my generation, and maybe the one prior to mine, that it is acceptable to harvest cows and female deer of the cloved and hooved species..." - Al Barrette

2. **In an interview for Backpacker Magazine in January 2009 Mr. Barrette quotes from Genesis:**

   http://www.backpacker.com/dogs_of_war_part_3_witness_a_wolf_skinning/videos/59

   "It specifically puts out in the first book of the bible, in Genesis, that we should subdue nature and control it. We should be the managers of the animals and through the sin of Adam and Eve is what brought it on"
   – Al Barrette

Debra Higgins

From: Barbara Hanson [barbhansonak@yahoo.com]
Sent: Monday, April 05, 2010 10:35 AM
To: Rep. Craig Johnson; Rep. Mark Neuman; Rep. Bryce Edgmon; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Peggy Wilson; Rep. David Guttenberg; Rep. Scott Kawasaki; Rep. Chris Tuck; Sen. Lesil McGuire; Sen. Bill Wielechowski; Sen. Charlie Huggins; Sen. Hollis French; Sen. Bert Stedman; Sen. Gary Stevens; Sen. Tom Wagoner
Subject: Vote "NO" on confirmation of Al Barrette to AK Board of Game

Dear Members of the House and Senate Resources Committees,

I am writing to urge you strongly to oppose the confirmation of Mr. Al Barrette to the Alaska Board of Game. My reasons are as follows:

Mr. Barrette has consistently supported policies that are pro-harvest - regardless of scientific data, regardless of strong public sentiment, and often in opposition to Alaska Native subsistence traditions. As a biologist by training, I believe that Mr. Barrette's views are incompatible with the goal of maintaining a balanced harvest management program which is geared to the benefit of all users, as well as allowing for the most balanced ecological outcome.

Mr. Barrette's support of the revocation of the Denali Wolf Buffer Zone is especially disturbing, and potentially very damaging to the State of Alaska. The wolf packs in the Denali area are pivotal to the tourist industry, and treasured by Alaskans alike. Opening a hunt in this previously protected area poses a danger of permanently decimating the population of wolves in the park. It is also a public relations disaster that the State of Alaska can ill-afford. I believe that managing our wildlife resources for the benefit of all - hunters,as well as tourists and state residents who appreciate nature is a far better investment in our resources than management that favors harvest users at any cost.

Mr. Barrette's apparent disregard for Native subsistence issues and traditions, as well as his liberal use of biblical references in defense of his positions, is insulting to so many residents of this state, and are unbecoming of a person of this very public position.

One of the most disturbing issues surrounding the appointment of Mr. Barrette is the clear and irrefutable conflict of interest that he has with regard to his ownership of a trapping and tanning business. I am a state employee who is beholden to abide by all the provisions of the Ethics Act. And I cannot imagine that anyone with this type of obvious conflict of interest would even aspire to serve on the Board of Game. Turning a blind eye to this type of bias in State appointments is exactly the type of misguided policy that has so angered the citizens of Alaska in recent years. I hope that you will do the right thing for your constituents and for the sake of the public resources of this state and vote "NO" on Mr. Barrette's appointment.

Thank you-
Barbara Hanson
Palmer
745-3175

Debra Higgins

From: April Warwick [awarwick@ak.net]
Sent: Monday, April 05, 2010 10:34 AM
To: Rep. Craig Johnson
Subject: Vote AGAINST the confirmation of Al Barrette

Dear Rep Johnson:

I urge you to please vote AGAINST the confirmation of Al Barrette to the Alaska Board of Game!

My reasons are:

Mr. Barrette owns Fairbanks Fur Tannery and manufacturers wolf traps. I do not trust that his decisions will be based on scientific management of AK's wildlife but expect his decisions to benefit his business and profits. This is fundamentally wrong, unprofessional and unethical.

He is an aerial gunner; he has no understanding or respect for hunting with fair chase.

In the 4-3 vote to entirely eliminate the Denali wolf buffer zone, Mr. Barrette voted to eliminate it when he should have recused himself for obvious conflict of interest – this being his direct financial interest in continued trapping of Denali Park wolves!

Mr. Barrette was rude and biased towards the public during oral testimony at the Board of Game meeting.

He displayed a lack of knowledge of basic wildlife management in his overall comments and questions.

Mr. Barrette lacks ethical integrity, and the knowledge and ability to uphold the Board of Game's regulatory authority.

Please do what you can to stop Mr. Barrette's confirmation, and urge the Governor to instead appoint a non-consumptive user to the Board. This will ensure that ALL Alaskans have a voice in the management of our wildlife. Also ask the Governor to override the Board of Game's vote because of conflict of interest, and allow establishment of the expanded Denali wolf buffer zone which the public wants.

Sincerely,

April Warwick
5716 Kennyhill Drive
Anchorage, AK 99504

Debra Higgins

From: rcircle@gci.net on behalf of ralph calkins [rcircle@gci.net]
Sent: Monday, April 05, 2010 10:32 AM
To: Rep. Craig Johnson
Subject: Confirmation hearings

Please do not confirm Al Barrett to the Board of Fish and Game. He is too controversial for this state with his multiple conflicts of interest. His biblical take on how game and wildlife should be managed is very disturbing. The Board of fish and Game should be representing a broader public opinion.

Debra Higgins

From:	David Bachrach [dbachrach@alaska.net]
Sent:	Monday, April 05, 2010 10:11 AM
To:	Rep. Craig Johnson; Rep. Mark Neuman; Rep. Bryce Edgmon; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Peggy Wilson; Rep. David Guttenberg; Rep. Scott Kawasaki; Rep. Chris Tuck
Cc:	sean.parnell@alaska.gov
Subject:	Poor Judgment and Conflict of Interest in Appointment of Al Barrette to the Alaska Board of Game

Dear Members of the House Resources Committee:

Alaska Board of Game candidate Mr. Al Barrette should NOT be confirmed.

I have just watched a video interview (link below) in which Mr. Barrette expressed his philosophy on wildlife management by quoting from the Book of Genesis, and with all due respect to religion and the Bible, Alaska's wildlife needs to be managed based upon sound science, not according to the Book of Genesis. I have no confidence and neither should you that Mr. Barrette has the ability to exercise good judgment when making decisions about the management of Alaska's wildlife.

I also consider Mr. Barrett's appointment to the Board of Game a conflict of interest, since Mr. Barrette's business (Fairbanks Fur Tannery) could benefit through more liberalized trapping regulations.

Mr. Barrett's voting record (partial) at this last BOG meeting shows his disregard for science and his bias for profiting by being on the Board of Game.

Voted to revoke the ADF&G's statewide bear management policy that guides the department's scientific management of Alaska's Bears March 6 – Afternoon Session. This policy prohibits the snaring of bears unless conducted under the authorization of predator control program. The Board did not agree with him.

After voting in favor of revoking the Denali Wolf Buffer Zone, Mr. Barrette petitioned the board to authorize using a snow machine to harvest wolves in the "old" buffer zone region (GMU 20C) along the border of the park. Not one member of the board would support Mr. Barrette's proposal.

I am disappointed by Governor Parnell's decision to appoint Mr. Barrette. Mr. Barrette's appointment represents more of the same extremist trapping and hunting value systems on a board that is supposed to represent ALL Alaskans. There are currently no non-consumptive users on the BOG, despite the fact that most people in Alaska don't hunt. We need to have a Board of Game that more accurate reflects the wildlife values and positions of the majority of Alaskans.

Again, I ask you to OPPOSE the confirmation of Mr. Barrette to the Board of Game.

Thank you all for hard work in the Legislature and your consideration of the above.

Dave Bachrach
Homer

Link to Interview Video:
http://www.backpacker.com/dogs_of_war_part_3_witness_a_wolf_skinning/videos/59

Alaska State Legislature

Please enter into the record my testimony to the House Resource

Committees on Confirmation Hearings dated April 5 2010

My Name Is Lee Dobbins and I Reside at 1500 Aurora Drive #2, Fairbanks, Alaska, tele: 907-456-7099. Senate District 'E'; House District '9'. I'm expressing MY Concern about the nomination of Al Barrette to the BOARD of GAME. In THIS, I'm Supporting 'DEFENDERS OF WILDLIFE''s Petition to BLOCK the Endorsement of This Man for the Reasons Outlined Below. I Find MOST Appalling, The BLATANT Disregard Of the 'Conflict Of Interest' Represented Here. It IS a Clear Case Of Putting the FOX, (Or In This Case Perhaps, The WEASEL.), In Charge of Administering the HEN HOUSE.

If Mr. Barrette Is Endorsed, My Next Letter Will Be to David Letterman. HE Might Be Able to Make Some Sense of It.

- Al Barrette doesn't have the background necessary to make objective wildlife management decisions in our state.
- Mr. Barrette recently voted to eliminate the buffer zone around Denali National Park, which has protected Denali's wolf packs from hunting and trapping since 2002. This reckless decision was opposed by the National Park Service and many concerned citizens, and makes no sense for Alaska's economy or wildlife.
- Mr. Barrette owns a fur tannery and a company that makes wolf traps. His livelihood presents a direct conflict of interest when it comes to making decisions about how to manage wolves and other wildlife.
- If Al Barrette is confirmed to the Board, the unjustified and unscientific management of Alaska's wolves and other wildlife will continue.

Sincerely,

Lee Dobbins

Signed: Lee Dobbins fahvahkarol@acsalaska.net
Testifier Email
907-456-7099
Telephone

1500 Aurora Drive #2, Fairbanks, Alaska
Address

Debra Higgins

From: tmeacham@gci.net on behalf of Thomas E. Meacham [tmeacham@gci.net]
Sent: Monday, April 05, 2010 10:01 AM
To: Rep. Craig Johnson; Rep. Mark Neuman; Rep. Bryce Edgmon; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Peggy Wilson; Rep. David Guttenberg; Rep. Scott Kawasaki; Rep. Chris Tuck
Subject: Please Do NOT Confirm Al Barrette to Board of Game

Dear Legislators,

I strongly oppose the confirmation of Al Barrette of Fairbanks to the Board of Game (BOG). He has proved by his actions at the last BOG meeting that he does not recognize conflict of interest when it stares him in the face; that he has "biblical" views of wildlife management that are extreme (by even current BOG standards), and that he has no empathy for the subsistence needs of rural residents, particularly in the face of heavy urban hunting pressures.

This was not a wise appointment, and his nomination should be rejected. Please do the right thing.

Thank you.

Tom Meacham
Anchorage
(former Board of Game member, 1975-76)

Debra Higgins

From: Toni Dixon [tnvdxn@gmail.com]
Sent: Monday, April 05, 2010 9:41 AM
To: Rep. Craig Johnson
Subject: Conflict of Interest?

Representative Johnson,

I've been hearing a bit about the man proposed for the Board of Game. It sounds like there might be some conflicts of interest with this man - I guess he owns a tannery? Please make sure that we aren't violating any ethical standards with this appointment. Maybe you can get them to put off the vote until more investigation is done? Something isn't right with this...

Thank you.

Toni Dixon
4321 Edinburgh Drive

Debra Higgins

From: Ray, Bert [Bert.Ray@kyl.com]
Sent: Monday, April 05, 2010 9:34 AM
To: Rep. Craig Johnson; Rep. Mark Neuman; Rep. Bryce Edgmon; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Peggy Wilson; Rep. David Guttenberg; Rep. Scott Kawasaki; Rep. Chris Tuck
Subject: Al Barrette Board of Game nomination

Dear Representatives:

I am writing to ask you to vote "no" at the confirmation hearing regarding Al Barrette's appointment to the Alaska Board of Game. Mr. Barrette's public statements indicate he is not qualified to sit on the Board, and that his views on hunting and trapping are not consistent with those of most Alaskans. His support of bear baiting for brown bears, and his opposition to any form of buffer protections for national park system wolves, together with other statements, show he would not represent the interests of non-consumptive users of wildli f e - which is what a substantial majority of Alaskans are. Please vote against Mr. Barrette's confirmation.

.....

Bert Ray
Keesal, Young & Logan
1029 West Third Avenue, Suite 650
Anchorage, AK 99501-1954
907.279.9696 (office) | 907.279.4239 (fax)
bert.ray@kyl.com | www.kyl.com

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Debra Higgins

From: Vint Varner [vvarner@varnerandson.com]
Sent: Monday, April 05, 2010 8:50 AM
To: Rep. Craig Johnson
Subject: game board

Please support the conformation on al barrette's election on the game board. Thank you very much

3052

Debra Higgins

From: Richard Steiner [richard.g.steiner@gmail.com]
Sent: Monday, April 05, 2010 8:31 AM
To: Rep. Craig Johnson; Rep. Mark Neuman; Rep. Bryce Edgmon; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Peggy Wilson; Rep. David Guttenberg; Rep. Scott Kawasaki; Rep. Chris Tuck
Subject: please do not confirm Al Barrette for Board of Game

Dear Representatives:

I ask that you vote **to not confirm** the appointment of Mr. Al Barrette for the Alaska Board of Game (BOG). The BOG already well-represents Mr. Barrette's trapping constituency without his participation, while with it's current make-up the BOG does not represent non-consumptive constituencies at all.

Alaska is indeed a fishing and hunting state, and those constituencies are well-represented on the respective boards. Alaska is also a wildlife tourism and viewing state, interests not represented at all on the current BOG. That is a true travesty. Alaska's wildlife resources are owned by all Alaskans, not just those 15% of our citizenry with hunting / trapping licenses. The other 85% deserve representation no the BOG, and this is your chance to stand up for that basic fundament of representative governance.
The seat to which Governor Parnell appointed Mr. Barrette should go to a non-consumptive representative, not another constituency already well-represented (over-represented) by the current BOG.

Further, Mr. Barrette was quoted in a magazine article as having a religious zeal for "subduing" nature and animals, directed by his religion. There can simply be no place for this sort of religious zeal in the science-based management of our collective wildlife resources.

Thus, I respectfully ask that you not confirm Mr. Barrette.

Rick Steiner, Professor (University of Alaska ret.)
Anchorage, AK

Debra Higgins

From: Rep. Mike Kelly
Sent: Monday, April 05, 2010 8:04 AM
To: William Bennett; Sen. Con Bunde; Sen. John Coghill; Sen. Bettye Davis; Sen. Fred Dyson; Sen. Dennis Egan; Sen. Johnny Ellis; Sen. Hollis French; Sen. Lyman Hoffman; Sen. Charlie Huggins; Sen. Albert Kookesh; Sen. Lesil McGuire; Sen. Linda Menard; Sen. Kevin Meyer; Senator_Donny_Olson@legis.state.us; Senator_Joe_Paskvan@legis.state.us; Sen. Bert Stedman; Sen. Gary Stevens; Sen. Joe Thomas; Sen. Tom Wagoner; Sen. Bill Wielechowski; Rep. Alan Austerman; Rep. Bob Buch; Rep. Mike Chenault; Rep. Sharon Cissna; Rep. Harry Crawford; Rep. Nancy Dahlstrom; Rep. Mike Doogan; Rep. Bryce Edgmon; Rep. Anna Fairclough; Rep. Neal Foster; Rep. Les Gara; Rep. Berta Gardner; Rep. Carl Gatto; Rep. Max Gruenberg; Rep. David Guttenberg; Rep. John Harris; Rep. Mike Hawker; Rep. Bob Herron; Rep. Lindsey Holmes; Rep. Kyle Johansen; Rep. Craig Johnson; Rep. Reggie Joule; Rep. Scott Kawasaki; Rep. Wes Keller; Rep. Beth Kerttula; Rep. Bob Lynn; Rep. Charisse Millett; Rep. Cathy Munoz; Rep. Mark Neuman; Rep. Kurt Olson; Rep. Pete Petersen; Rep. Jay Ramras; Rep_Woody_Salmon@legis.state.ak.us; Rep. Paul Seaton; Rep. Bill Stoltze; Rep. Bill Thomas; Rep. Chris Tuck; Rep. Peggy Wilson; Rep. Tammie Wilson
Cc: Derek Miller
Subject: RE:

Thanks for your thoughtful input, William. I know Al to be an all-around good guy; recommended him to the Governor; will vote to confirm. Mike

---

From: William Bennett [mailto:deer_tw_db@yahoo.com]
Sent: Monday, April 05, 2010 6:43 AM
To: Sen. Con Bunde; Sen. John Coghill; Sen. Bettye Davis; Sen. Fred Dyson; Sen. Dennis Egan; Sen. Johnny Ellis; Sen. Hollis French; Sen. Lyman Hoffman; Sen. Charlie Huggins; Sen. Albert Kookesh; Sen. Lesil McGuire; Sen. Linda Menard; Sen. Kevin Meyer; Senator_Donny_Olson@legis.state.us; Senator_Joe_Paskvan@legis.state.us; Sen. Bert Stedman; Sen. Gary Stevens; Sen. Joe Thomas; Sen. Tom Wagoner; Sen. Bill Wielechowski; Rep. Alan Austerman; Rep. Bob Buch; Rep. Mike Chenault; Rep. Sharon Cissna; Rep. Harry Crawford; Rep. Nancy Dahlstrom; Rep. Mike Doogan; Rep. Bryce Edgmon; Rep. Anna Fairclough; Rep. Neal Foster; Rep. Les Gara; Rep. Berta Gardner; Rep. Carl Gatto; Rep. Max Gruenberg; Rep. David Guttenberg; Rep. John Harris; Rep. Mike Hawker; Rep. Bob Herron; Rep. Lindsey Holmes; Rep. Kyle Johansen; Rep. Craig Johnson; Rep. Reggie Joule; Rep. Scott Kawasaki; Rep. Wes Keller; Rep. Mike Kelly; Rep. Beth Kerttula; Rep. Bob Lynn; Rep. Charisse Millett; Rep. Cathy Munoz; Rep. Mark Neuman; Rep. Kurt Olson; Rep. Pete Petersen; Rep. Jay Ramras; Rep_Woody_Salmon@legis.state.ak.us; Rep. Paul Seaton; Rep. Bill Stoltze; Rep. Bill Thomas; Rep. Chris Tuck; Rep. Peggy Wilson; Rep. Tammie Wilson
Subject:

Al is an active outdoorsman who hunts, traps, fishes, and enjoys just being outdoors (even if it is only to take nothing but pictures).

Al has 22 years of participation in the regulatory process; F&G Advisory committee, submitting BOG proposals, getting legislation introduced.
Al has been the Chair of the Fairbanks AC Subcommittee on trapping right up to his appointment to the BOG.
Al prepares trapping Educational Materials and teaches young and old the art of trapping and conservation.
Al is not a retiree of any state or federal bureaucracy that is responsible for management of wildlife or habitat essential for sustained-yield management. (Which means Al will consider the perspective of users not just duplicate the mandate of managers, which is represented by agencies tasked with the duty of providing science based information to the board)
Al is not anti-Alaskan Native, he deals with Alaskan Natives in the fur business and his record on the Fairbanks AC and his votes on the BOG confirm that observation.

I can't say enough how important it will be to have a person on the Board of Game who has been involved in the trapping industry as an individual and not a bureaucrat.

Debra Higgins

From: Mark Richards [kandik@starband.net]
Sent: Friday, April 02, 2010 3:17 PM
To: Rep. Bryce Edgmon; Rep. David Guttenberg; Rep. Peggy Wilson; Rep. Mark Neuman; Rep. Chris Tuck; Rep. Scott Kawasaki; Rep. Paul Seaton; Rep. Craig Johnson
Subject: Al Barrette - Board of Game confirmation comments

To all,

This is Mark Richards writing. Regarding thoughts below on Al Barrette's Board of Game confirmation, I am writing only speaking for myself here, and **not** as co-chair of Alaska Backcountry Hunters & Anglers.

I **oppose** Mr. Barrette's confirmation. I hope you will take the time to read the rationale for my opposition.

I attended the recent Board of Game (BOG) meeting in Fairbanks, which was Mr. Barrette's first appearance as a BOG member. And when I testified, I welcomed Al to the Board and said he had my support. And I meant what I said then, that as a fellow trapper myself going on thirty years now (and I'm still an active trapper), it was nice to have a fellow trapper on the Board to represent our knowledge and views.

But subsequently, as the meeting went on, I was continually disappointed in how Al conducted himself, and the types of comments he made publicly about everything from supporting bear trapping/snaring, to comments on the Denali wolf buffer zone issue. He was loud and abrasive overall, and disrespectful to those who did not share his own views. That kind of conduct and verbiage paints all trappers as neanderthal extremists who don't care about anyone else's views, and it is my opinion that he will do more harm to trapping, and trappers like myself, than good, when it comes to public perception and opinion, if he is confirmed to sit on the Board of Game.

Beyond that, I have strong concerns that Al's business (he runs a fur/hide tannery and makes and markets wolf traps) is such a large conflict of interest that it will cause him to recuse himself on too many proposals related to trapping or the selling of hides/furs. In reviewing the number of times he had to recuse himself from voting on issues related to trapping or the sale/tanning of hides and furs, I don't recall every seeing such a thing happen before with any BOG member being conflicted out so much on voting. And since Al will continue to run his business...well it just seems like too much of a conflict for any BOG member who, after all, was in part chosen for the Board to represent knowledge of trapping and the trapping industry. Al can't do that because he is going to have to continually recuse himself from voting on anything related to his business of selling/tanning furs and hides and marketing wolf traps.

And while I don't believe the legal challenge will hold up, from those disgruntled with the BOG decision to do away with the Denali Park wolf buffer zone, saying that the 4-3 vote isn't valid because Mr Barrette should have recused himself from voting...it just reinforces concerns about this continual conflict of interest that will come up because of Mr Barrette's business.

Thank you for your time, and your service.
Sincerely,
Mark Richards
Kandik River
kandik@starband.net

Allen Barrette Confirmation to the Alaska's Board of game...Oppose

Jack Reakoff
114 Newhouse Street
Wiseman, Alaska 99790
(907) 678-2007
wisemanwolf@aol.com

Dear Alaska Legislative Senate and House Resource committee members,

I have been involved in Fish and wildlife advisory committee and Regional Advisory Council's work for over 20 years. I am currently the Co-chair of the Koyukuk Advisory Committee, and chair of the Western Interior RAC.
I will be commenting from my personal perspective regarding Allen Barrette's appointment to the Alaska Board of Game (BOG). I will state first off he is a nice enough guy and is industrious. That is not the question before the Legislative Resource Committees though, but whether he will uphold the legal mandates, and has the conservation ethic to perform the role as protector of sustained yield of our game, for Alaskans.

Mr. Barrette acted as a voting Board of Game member after March 1, 2010, in Fairbanks's Interior meeting. I attended the public comment portion of the meeting and commented on many proposals for both Advisory bodies. The members of our advisory bodies are leaders in their communities, many of them chiefs. We spent several days deliberating the proposals and making recommendations to the BOG. Mr. Barrette discounted local recommendations and at times ridiculed, on the record, concerns expressed. I listened on the Internet, so am aware of his actions during deliberating the BOG proposals. I had to return home to tend my wolf traps.

Mr. Barrette several times motioned to reduce the Amounts Necessary for Subsistence, or voted to suppress the ANS amounts. These amounts are used to give Alaskan's their priority uses, which are their constitutional right. If these amounts are reduced down ward the resource is then reallocated to non-residents. Mr. Barrette and other BOG members continually suppressing ANS because they think it is the hated subsistence priority. The reality is the Alaskans are being disenfranchised of their game resource.

Mr. Barrette voted to allocate to non-resident use or suppress resident use seasons on several occasions. This occurred for caribou season use for Chisana, 40 mile and Central Arctic herds, and Dall sheep seasons for resident hunters. Obviously Mr. Barrette does not think Alaskan's deserve the use of their game.

Mr. Barrette demonstrated a complete lack of conservation ethic by not questioning the ADF&G alternate proposal # 104A in GMIU 26B on the North Slope, allowing 5 caribou including cows with 3-week old neonate calves after July 1. He did not

question the fact that the public did not see the alternate proposal, regarding harvesting lactating cows. He voted to allow non-residents to kill five cow caribou that are skinny and nursing., leaving the calf to die.
This proposal was put forward as a caribou control strategy, yet the ADF&G's own data states the herd is very healthy. The Department has not done a range assessment and high productivity is a primary indicator of ungulate population health. If there would be a need to reduce the herd, there are thousands of Alaskans that would like to harvest caribou. If it were necessary, and it is not, to reduce the herd, killing cows in October after the calf is weaned and the cow is in good harvest condition would be the wisest use of OUR resource. If the public was not informed or allowed to comment on this new proposal, otherwise we would have been pointed out this was a bad idea, but we were not!

The Legislative Senate and House Resource Committees should **not** confirm Mr. Barrette. He has already done tremendous damage to the Alaskan's priority, sustained yield, and the valid perception, that the public's wishes are not being listened to. The current majority of the BOG has violated the public's confidence, acts with impunity while violating sustained yield biologic parameters, and the resident subsistence preference. Mr. Barrette did not recuse him self from voting on issues benefiting him self monetarily. Mr. Barrette **is** a compounding factor of a building problem with the BOG process. The cumulative affect to the resources and Alaskans is damage and loss. There are many qualified Alaskans that would do a much better job working to manage our wildlife for sustained yield, with preference among beneficial uses, and listen to make informed decisions.
Be it clear I have not applied for a BOG seat, or any one I know, my ONLY interest is heath of the resource and use by Alaskans.

Do **not** Confirm Allen Barrette to the Alaska Board of Game.

Debra Higgins

From: garyatsls@cs.com
Sent: Friday, April 02, 2010 9:00 AM
To: Rep. Craig Johnson
Subject: Board of Game

Dear Representative Johnson,

Just a short note requesting your support of Al Barrette for the Board of Game. I believe that Mr. Barrette will be an asset for our wildlife resources. Thank you for your consideration.

Sincerely,
Gary Stevens
Skyline Sales & Service
907-229-4710

3060

Debra Higgins

From: Diane Sanderlin [dougdiane70@yahoo.com]
Sent: Thursday, April 01, 2010 2:49 PM
To: Rep. Bryce Edgmon; Rep. David Guttenberg; Rep. Peggy Wilson; Rep. Mark Neuman; Rep. Chris Tuck; Rep. Scott Kawasaki; Rep. Paul Seaton; Rep. Craig Johnson
Subject: Support for Al Barrette

I am in support for Al Barrette's confirmation (Board of Game).

Doug Sanderlin
1532 N Pittman Rd
Wasilla, Ak 99654
9073730250

3061

Debra Higgins

From: dobieman@gci.net on behalf of Art Greenwalt [dobieman@gci.net]
Sent: Wednesday, March 31, 2010 6:29 PM
To: Rep. Craig Johnson
Subject: Concerning Confirmation of Al Barrette for Board of Game

Dear Representative Johnson:

I am very concerned about the appointment of Al Barrette to the Board of Game. Aspects which I consider problematic with his presence on the Board include:

~ He brings absolutely no diversity to the Board;

~ He has already indicated by his vote to remove all buffer zones from the NE corner of Denali Nat. Park he is willing to ignore a majority of Alaskan residents of the area (500+ signed a petition to have the zones expanded) in favor of 4 recreational trappers who wanted them removed;

~ He has a very obvious conflict of interest (perhaps illustrated by his vote in the above matter) whereby he manufactures a wolf trap and owns a fur tannery, both of which revenue sources are directly influenced by his votes on the Board;

~ He does not consider the science involved in wildlife management but rather takes a dogmatic view of the issues in keeping with his personal biases.

His appointment has disturbed many Alaskans as indicated by various letters-to-editors appearing in Alaskan newspapers and also by online comments at those newspapers' web sites.

I would urge you to please deny his confirmation. There are many Alaskans far better qualified than he to take a position on what has become an extremely biased board representing only a narrow segment of Alaskans rather than all Alaskans as the state constitution mandates.

Thank you,

Art Greenwalt
Fairbanks, Alaska
374-3043

Debra Higgins

From: Dan & Ellie Tempel [dtempel@alaska.net]
Sent: Tuesday, March 30, 2010 10:34 AM
To: Sen. Con Bunde; Sen. John Coghill; Sen. Bettye Davis; Sen. Fred Dyson; Sen. Dennis Egan; Sen. Johnny Ellis; Sen. Hollis French; Sen. Lyman Hoffman; Sen. Charlie Huggins; Sen. Albert Kookesh; Sen. Lesil McGuire; Sen. Linda Menard; Sen. Kevin Meyer; Senator_Donny_Olson@legis.state.us; Senator_Joe_Paskvan@legis.state.us; Sen. Bert Stedman; Sen. Gary Stevens; Sen. Joe Thomas; Sen. Tom Wagoner; Sen. Bill Wielechowski; Rep. Alan Austerman; Rep. Bob Buch; Rep. Mike Chenault; Rep. Sharon Cissna; Rep. Harry Crawford; Rep. Nancy Dahlstrom; Rep. Mike Doogan; Rep. Bryce Edgmon; Rep. Anna Fairclough; Rep. Neal Foster; Rep. Les Gara; Rep. Berta Gardner; Rep. Carl Gatto; Rep. Max Gruenberg; Rep. David Guttenberg; Rep. John Harris; Rep. Mike Hawker; Rep. Bob Herron; Rep. Lindsey Holmes; Rep. Kyle Johansen; Rep. Craig Johnson; Rep. Reggie Joule; Rep. Scott Kawasaki; Rep. Wes Keller; Rep. Mike Kelly; Rep. Beth Kerttula; Rep. Bob Lynn; Rep. Charisse Millett; Rep. Cathy Munoz; Rep. Mark Neuman; Rep. Kurt Olson; Rep. Pete Petersen; Rep. Jay Ramras; Rep_Woody_Salmon@legis.state.ak.us; Rep. Paul Seaton; Rep. Bill Stoltze; Rep. Bill Thomas; Rep. Chris Tuck; Rep. Peggy Wilson; Rep. Tammie Wilson
Subject: Support Al Barrette for Board of Game

- Al is an active outdoorsman who is involved in all three aspects of the Conservation Triad. He hunts, traps and fishes. He also enjoys just being outdoors (even if it is only to take nothing but pictures). To me this demonstrates the well balanced character necessary to fill this position. One only has to look around to see what contributions the Triad has made to this natural resource.
- Al has 22 years of participation in the regulatory process; F&G Advisory committee, submitting BOG proposals, getting legislation introduced.
- Al has been the Chair of the Fairbanks AC Subcommittee on trapping right up to his appointment to the BOG.
- Al prepares trapping Educational Materials and teaches young and old the art of trapping and conservation.
- Al is not a retiree of any state or federal bureaucracy that is responsible for management of wildlife or habitat essential for sustained-yield management. (Which means Al will consider the perspective of users not just duplicate the mandate of managers, which is represented by agencies tasked with the duty of providing science based information to the board)
- Al is not anti-Alaskan Native, he deals with Alaskan Natives in the fur business and his record on the Fairbanks AC and his votes on the BOG confirm that observation.

Please ensure wildlife's future for all Alaskan's to enjoy by endorsing Al Barrette!

Sincerely,

Dan Tempel

Debra Higgins

From: Rick C. Ellis [rgellis@mtaonline.net]
Sent: Monday, March 29, 2010 4:52 PM
To: Rep. Craig Johnson
Subject: Confirmation of Al Barrette for BOG

Dear Representative Johnson,
I fully support Al Barrette for the Board of Game and would ask you to vote favorably in support of him when his appointment comes up for confirmation. I and all other Alaskan consumptive users would appreciate your support. Thank you!
Respectfully,

Rick C. Ellis
341 S. Gastman Ct.
Wasilla, AK 99654

907-376-6703

Debra Higgins

From: Jtebow [jtebow@gci.net]
Sent: Monday, March 29, 2010 7:56 AM
Subject: Al Barrette for confirmation to BOG

As a resident and voter of the State of Alaska for 37 years I strongly recommend Al Barrette for Board of Game confirmation. We need an outdoorsman of his caliber with a common sense approach to game management for which he is highly qualified for this job.

Omer J and Cleo Y Tebow
66510 S Keiths Road
Sutton, AK 99674
907-745-6777
907- 746-6777 fax
jtebow@gci.net

Debra Higgins

From: cdgoods777@cs.com
Sent: Thursday, March 25, 2010 10:20 PM
To: Senator_Con.Bunde@legis.state.ak.us; Sen. John Coghill; Sen. Bettye Davis; Sen. Fred Dyson; Senator_Dennis.Egan@legis.state.ak.us; Sen. Johnny Ellis; Sen. Hollis French; Sen. Lyman Hoffman; Sen. Charlie Huggins; Senator_Albert.Kookesh@legis.state.ak.us; Sen. Lesil McGuire; Sen. Linda Menard; Sen. Kevin Meyer; Senator_Donny_Olson@legis.state.us; Senator_Joe_Paskvan@legis.state.us; Sen. Bert Stedman; Sen. Gary Stevens; Sen. Joe Thomas; Sen. Tom Wagoner; Sen. Bill Wielechowski; Rep. Alan Austerman; Rep. Bob Buch; Rep. Mike Chenault; Rep. Sharon Cissna; Rep. Harry Crawford; Rep. Nancy Dahlstrom; Rep. Mike Doogan; Rep. Bryce Edgmon; Rep. Anna Fairclough; Rep. Neal Foster; Rep. Les Gara; Rep. Berta Gardner; Rep. Carl Gatto; Rep. Max Gruenberg; Rep. David Guttenberg; Rep. John Harris; Rep. Mike Hawker; Rep. Bob Herron; Rep. Lindsey Holmes; Rep. Kyle Johansen; Rep. Craig Johnson; Rep. Reggie Joule; Rep. Scott Kawasaki; Rep. Wes Keller; Rep. Mike Kelly; Rep. Beth Kerttula; Rep. Bob Lynn; Rep. Charisse Millett; Rep. Cathy Munoz; Rep. Mark Neuman; Rep. Kurt Olson; Rep. Pete Petersen; Rep. Jay Ramras; Rep_Woody_Salmon@legis.state.ak.us; Rep. Paul Seaton; Rep. Bill Stoltze; Rep. Bill Thomas; Rep. Chris Tuck; Rep. Peggy Wilson; Rep. Tammie Wilson
Subject: Al Barrette Board of Game

I ask that you support and keep Al Barrette as a Board of Game member, he is a asset to the State of Alaska, Thank you.

Clinton Goods
Takotna,AK

Debra Higgins

From: Sen. Albert Kookesh
Sent: Thursday, March 25, 2010 1:46 PM
To: aaron bloomquist; Sen. Lesil McGuire; Sen. Bill Wielechowski; Rep. Mark Neuman; Rep. Craig Johnson
Cc: Rep. Sharon Cissna; Rep. Mike Hawker; Rep. Bob Buch; Rep. Kurt Olson; Rep. Berta Gardner; Rep. Lindsey Holmes; Rep. Bob Lynn; Rep. Reggie Joule; Rep. Alan Austerman; Rep. Woodie Salmon; Rep. Scott Kawasaki; Rep. Wes Keller; Rep. Jay Ramras; Rep. Bob Herron; Rep. Kyle Johansen; Rep. Pete Petersen; Rep. Mike Chenault; Rep. Mike Kelly; Rep. Chris Tuck; Rep. Mike Doogan; Rep. Bill Thomas; Rep. Max Gruenberg; Rep. John Harris; Rep. Cathy Munoz; Rep. Harry Crawford; Rep. Bob Buch; Rep. Bill Stoltze; Rep. Beth Kerttula; Rep. Peggy Wilson; Rep. Neal Foster; Rep. Bryce Edgmon; Rep. Paul Seaton; Rep. Anna Fairclough; Rep. David Guttenberg; Rep. Les Gara; Rep. Carl Gatto; Rep. Charisse Millett; Sen. Tom Wagoner; Sen. Hollis French; Sen. Bettye Davis; Sen. Donny Olson; Sen. Kevin Meyer; Sen. Albert Kookesh; Sen. John Coghill; Sen. Con Bunde; Sen. Bert Stedman; Sen. Dennis Egan; Sen. Lyman Hoffman; Sen. Gary Stevens; Sen. Charlie Huggins; Sen. Joe Thomas; Sen. Linda Menard; Sen. Johnny Ellis; Sen. Joe Paskvan; Sen. Fred Dyson; Moller, John (GOV); Adam Berg; Astrid Lievano, Rep. Peggy Wilson's office; Christine Hess; Cliff Stone; Denise Liccioli; Dorothy Shockley; Irene Lampe; Kaci Schroeder; Kimberly Clark; Larry Labolle; Maridon Boario; Rob Earl; Sandy Burd; Timothy Clark
Subject: RE: Boards of Game and Fisheries Confirmations

Janet Woods has resigned. I do not support Al Barrette to the Board of Game.

From: aaron bloomquist [mailto:bloomya@hotmail.com]
Sent: Thursday, March 25, 2010 10:42 AM
To: Sen. Lesil McGuire; Sen. Bill Wielechowski; Rep. Mark Neuman; Rep. Craig Johnson
Cc: Rep. Sharon Cissna; Rep. Mike Hawker; Rep. Bob Buch; Rep. Kurt Olson; Rep. Berta Gardner; Rep. Lindsey Holmes; Rep. Bob Lynn; Rep. Reggie Joule; Rep. Alan Austerman; Rep. Woodie Salmon; Rep. Scott Kawasaki; Rep. Wes Keller; Rep. Jay Ramras; Rep. Bob Herron; Rep. Kyle Johansen; Rep. Pete Petersen; Rep. Mike Chenault; Rep. Mike Kelly; Rep. Chris Tuck; Rep. Mike Doogan; Rep. Bill Thomas; Rep. Max Gruenberg; Rep. John Harris; Rep. Cathy Munoz; Rep. Harry Crawford; Rep. Bob Buch; Rep. Bill Stoltze; Rep. Beth Kerttula; Rep. Peggy Wilson; Rep. Neal Foster; Rep. Bryce Edgmon; Rep. Paul Seaton; Rep. Anna Fairclough; Rep. David Guttenberg; Rep. Les Gara; Rep. Carl Gatto; Rep. Charisse Millett; Sen. Tom Wagoner; Sen. Hollis French; Sen. Bettye Davis; Sen. Donny Olson; Sen. Kevin Meyer; Sen. Albert Kookesh; Sen. John Coghill; Sen. Con Bunde; Sen. Bert Stedman; Sen. Dennis Egan; Sen. Lyman Hoffman; Sen. Gary Stevens; Sen. Charlie Huggins; Sen. Joe Thomas; Sen. Linda Menard; Sen. Johnny Ellis; Sen. Joe Paskvan; Sen. Fred Dyson
Subject: Boards of Game and Fisheries Confirmations

Please Confirm Al Barrette to the Board of Game. Mr. Barrette brings a perspective that has not been present on the BOG for many years. He brings the voice of a serious, experienced trapper and of hundreds more trappers through his tannery and trapping supply business. There may not be another individual in the state that has the opportunity to communicate with more trappers than Mr. Barrette. I was present at the Fairbanks BOG meeting where Mr. Barrette participated well and brought many points that would have ever been heard without his presence.

Please DO NOT confirm Janet Woods for the Board of Fisheries if her name is forwarded. Ms. Woods may have a great outlook and experience with fisheries but no one would know it because she has been absent from more than half of the BOF meeting since she was appointed. When she has been present she has refused to interact with the public. Ms. Woods has been, by far, the worst appointment to either board in the last ten years.

I spend about 1000 volunteer hours per year working on fish and wildlife issues and hundreds of hours per year at BOG and BOF meeting as the Chair of the Anchorage Fish and Game Advisory Committee and interact with every board member. These are not the official opinions of the Anchorage AC although the AC has supported Mr. Barrette and opposed Ms. Woods in previous letters.

Aaron Bloomquist
(907) 677-0405
(907) 982-2471 cell

Hotmail: Trusted email with Microsoft's powerful SPAM protection. Sign up now.

Debra Higgins

From: scotty lane [574lane@gmail.com]
Sent: Thursday, March 25, 2010 12:45 PM
To: Rep. John Harris; Rep. Mike Hawker; Rep. Bob Herron; Rep. Lindsey Holmes; Rep. Kyle Johansen; Rep. Craig Johnson; Rep. Reggie Joule; Rep. Scott Kawasaki; Rep. Wes Keller; Rep. Mike Kelly; Rep. Beth Kerttula; Rep. Bob Lynn; Rep. Charisse Millett; Rep. Cathy Munoz; Rep. Mark Neuman; Rep. Kurt Olson; Rep. Pete Petersen; Rep. Jay Ramras; Rep_Woody_Salmon@legis.state.ak.us; Rep. Paul Seaton; Rep. Bill Stoltze; Rep. Bill Thomas; Rep. Chris Tuck; Rep. Peggy Wilson; Rep. Tammie Wilson
Subject: al

Al is an active outdoorsman who hunts, traps, fishes, and enjoys just being outdoors (even if it is only to take nothing but pictures).

Al has 22 years of participation in the regulatory process; F&G Advisory committee, submitting BOG proposals, getting legislation introduced.
Al has been the Chair of the Fairbanks AC Subcommittee on trapping right up to his appointment to the BOG.
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Al is not a retiree of any state or federal bureaucracy that is responsible for management of wildlife or habitat essential for sustained-yield management. (Which means Al will consider the perspective of users not just duplicate the mandate of managers, which is represented by agencies tasked with the duty of providing science based information to the board)
Al is not anti-Alaskan Native, he deals with Alaskan Natives in the fur business and his record on the Fairbanks AC and his votes on the BOG confirm that observation.

3069

Debra Higgins

From: David Akin [dave_in_ak120@yahoo.com]
Sent: Thursday, March 25, 2010 10:42 AM
To: Sen. Con Bunde; Sen. John Coghill; Sen. Bettye Davis; Sen. Fred Dyson; Sen. Dennis Egan; Sen. Johnny Ellis; Sen. Hollis French; Sen. Lyman Hoffman; Sen. Charlie Huggins; Sen. Albert Kookesh; Sen. Lesil McGuire; Sen. Linda Menard; Sen. Kevin Meyer; Senator_Donny_Olson@legis.state.us; Senator_Joe_Paskvan@legis.state.us; Sen. Bert Stedman; Sen. Gary Stevens; Sen. Joe Thomas; Sen. Tom Wagoner; Sen. Bill Wielechowski; Rep. Alan Austerman; Rep. Bob Buch; Rep. Mike Chenault; Rep. Sharon Cissna; Rep. Harry Crawford; Rep. Nancy Dahlstrom; Rep. Mike Doogan; Rep. Bryce Edgmon; Rep. Anna Fairclough; Rep. Neal Foster; Rep. Les Gara; Rep. Berta Gardner; Rep. Carl Gatto; Rep. Max Gruenberg; Rep. David Guttenberg; Rep. John Harris; Rep. Mike Hawker; Rep. Bob Herron; Rep. Lindsey Holmes; Rep. Kyle Johansen; Rep. Craig Johnson; Rep. Reggie Joule; Rep. Scott Kawasaki; Rep. Wes Keller; Rep. Mike Kelly; Rep. Beth Kerttula; Rep. Bob Lynn; Rep. Charisse Millett; Rep. Cathy Munoz; Rep. Mark Neuman; Rep. Kurt Olson; Rep. Pete Petersen; Rep. Jay Ramras; Rep_Woody_Salmon@legis.state.ak.us; Rep. Paul Seaton; Rep. Bill Stoltze; Rep. Bill Thomas; Rep. Chris Tuck; Rep. Peggy Wilson; Rep. Tammie Wilson
Subject: Confirm Al Barrette's appointment to the Alaska BOG

Hello My Legislators and Fellow Alaskans,

I'm writing to express my support for Al Barrette in his recent appointment to the Alaska Board of Game (BOG). I would like to request that you confirm this/his appointment. Thanks.

David Akin
7184 Westerlund St.
Salcha, AK 99714

Debra Higgins

From:	aaron bloomquist [bloomya@hotmail.com]
Sent:	Thursday, March 25, 2010 10:42 AM
To:	Sen. Lesil McGuire; Sen. Bill Wielechowski; Rep. Mark Neuman; Rep. Craig Johnson
Cc:	Rep. Sharon Cissna; Rep. Mike Hawker; Rep. Bob Buch; Rep. Kurt Olson; Rep. Berta Gardner; Rep. Lindsey Holmes; Rep. Bob Lynn; Rep. Reggie Joule; Rep. Alan Austerman; Rep. Woodie Salmon; Rep. Scott Kawasaki; Rep. Wes Keller; Rep. Jay Ramras; Rep. Bob Herron; Rep. Kyle Johansen; Rep. Pete Petersen; Rep. Mike Chenault; Rep. Mike Kelly; Rep. Chris Tuck; Rep. Mike Doogan; Rep. Bill Thomas; Rep. Max Gruenberg; Rep. John Harris; Rep. Cathy Munoz; Rep. Harry Crawford; Rep. Bob Buch; Rep. Bill Stoltze; Rep. Beth Kerttula; Rep. Peggy Wilson; Rep. Neal Foster; Rep. Bryce Edgmon; Rep. Paul Seaton; Rep. Anna Fairclough; Rep. David Guttenberg; Rep. Les Gara; Rep. Carl Gatto; Rep. Charisse Millett; Sen. Tom Wagoner; Sen. Hollis French; Sen. Bettye Davis; Sen. Donny Olson; Sen. Kevin Meyer; Sen. Albert Kookesh; Sen. John Coghill; Sen. Con Bunde; Sen. Bert Stedman; Sen. Dennis Egan; Sen. Lyman Hoffman; Sen. Gary Stevens; Sen. Charlie Huggins; Sen. Joe Thomas; Sen. Linda Menard; Sen. Johnny Ellis; Sen. Joe Paskvan; Sen. Fred Dyson
Subject:	Boards of Game and Fisheries Confirmations

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I spend about 1000 volunteer hours per year working on fish and wildlife issues and hundreds of hours per year at BOG and BOF meeting as the Chair of the Anchorage Fish and Game Advisory Committee and interact with every board member. These are not the official opinions of the Anchorage AC although the AC has supported Mr. Barrette and opposed Ms. Woods in previous letters.

Aaron Bloomquist
(907) 677-0405
(907) 982-2471 cell

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Debra Higgins

From: Dane Crowley [dcrowley@npialaska.com]
Sent: Thursday, March 25, 2010 8:24 AM
To: Rep. Craig Johnson
Subject: Al Barrett
Attachments: To House Resources Committee.pdf

Rep, Johnson,

Please confirm Al Barrett to the Board of Game, I have attached a letter as well.

Thank you,

Dane Crowley
SFW Alaska

3072

Debra Higgins

From: Craig Compeau [craig@compeaus.com]
Sent: Thursday, March 25, 2010 6:40 AM
To: Rep. Mike Hawker; Rep. Craig Johnson; Rep. Reggie Joule
Subject: I support Al Barrett and HB 267

As a 50 yr resident of Alaska, I strongly support Al Barrett on the BOG, and HB 267

Debra Higgins

From: Paula & Robert Caywood [cmmgen@mtaonline.net]
Sent: Wednesday, March 24, 2010 8:12 PM
Subject: Al Barrette - BOG confirmation

To Whom It May Concern:

Please confirm Al Barrette for the Board of Game.

- Al is an active outdoorsman who hunts, traps, fishes, and enjoys just being outdoors (even if it is only to take nothing but pictures).
- Al has 22 years of participation in the regulatory process; F&G Advisory committee, submitting BOG proposals, getting legislation introduced.
- Al has been the Chair of the Fairbanks AC Subcommittee on trapping right up to his appointment to the BOG.
- Al prepares trapping Educational Materials and teaches young and old the art of trapping and conservation.
- Al is not a retiree of any state or federal bureaucracy that is responsible for management of wildlife or habitat essential for sustained-yield management. (Which means Al will consider the perspective of users not just duplicate the mandate of managers, which is represented by agencies tasked with the duty of providing science based information to the board)
- Al is not anti-Alaskan Native, he deals with Alaskan Natives in the fur business and his record on the Fairbanks AC and his votes on the BOG confirm that observation.

Please show us that our opinion matters.

Sincerely,

Paula & Robert Caywood

P.O. Box 774042, Eagle River, AK 99577

_____ Information from ESET Smart Security, version of virus signature database 4972 (20100324)

The message was checked by ESET Smart Security.

http://www.eset.com

Debra Higgins

From: Shannon DiRuzzo [sdiruzzo@hotmail.com]
Sent: Wednesday, March 17, 2010 12:10 PM
To: sdiruzzo@hotmail.com; Rep. Mike Chenault; Rep. Kyle Johansen; Rep. Beth Kerttula; Rep. Alan Austerman; Rep. Nancy Dahlstrom; Rep. Les Gara; Rep. John Harris; Rep. Craig Johnson; Rep. Kurt Olson; Rep. Bill Stoltze; Rep. Bob Buch
Subject: [SPAM] Al Barrette and Denali Buffer Zones

Dear Representatives,
I would like to express my concern over the most recent appointment to the Board of Game, Al Barrette and the newest ruling of the Board of Game to eliminate the buffer zones for wolf trapping around Denali National Park. I do not believe that this ruling is in the best interest of the state in regards to tourism and the health of the wolf packs. I believe that the most recent rulings are due to the Board of Game being heavily weighted towards hunters and trappers while ignoring scientific data. Please take a stand on this matter and help ones that cannot speak for themselves. Feel free to contact me via e-mail and I look forward to your reply.
Thank you for your time.
Shannon DiRuzzo
Alaska voter

The New Busy is not the old busy. Search, chat and e-mail from your inbox. Get started.

Hotmail: Trusted email with Microsoft's powerful SPAM protection. Sign up now.

Debra Higgins

From: Skip [firecap@mtaonline.net]
Sent: Friday, March 12, 2010 9:13 AM
To: Rep. Craig Johnson
Subject: Board of Game

Representative Johnson:
As a long time Alaskan I am urging you to not confirm Al Barette as chair of the Alaska Board of Game. I've lived in Alaska more than 45 years, hunting, trapping and even homesteading. Our family has enjoyed much of what our Great State has to offer.

Mr. Barette obviously has a conflict of interest, owning tanning businesses, thus possibly giving him access to more raw hides. But I believe more importantly was his treatment of at least one person who testified for the expansion of the wolf buffer zone for the Denali National Park. Though I have only seen a video of the Fairbanks meeting of the Board of Game, his attitude toward those who don't share his beliefs on game use are not those of a leader.

Please consider another member for the position of chairman of the Alaska Board of Game.

Thank you.

Skip Dunn

Eagle River, Alaska

HB

12

Good Afternoon Chairman Johnson and members of the House Finance committee

For the record, my name is Sue Ely and I am here on behalf of the Alaska Conservation Alliance, a coalition of 40 Alaskan conservation organizations with a combined membership of over 38,000 Alaskans. I would like to thank you for the opportunity to speak in support of HB12, establishing the Alaska Council on Invasive Species in the Department of Fish and Game.

Alaska is home to an amazing abundance of plant and animal life. Whether valued as charismatic Alaskan icons, or as the source of our continued economic and subsistence prosperity, Alaska's flora and fauna are vital to our economic well being Alaska way of life. However, these resources could be threatened by the spread of invasive species.

Already Alaska has suffered the effects of invasive Atlantic Salmon, pike and Reed Canary grass, to name a few. Plants, animals, fish and crustaceans, introduced into an environment devoid of their natural predators and limitations can irreversibly destroy an ecosystem and that destruction can translate into direct monetary, cultural and lifestyle impacts. Invasive species have cost lower 48 economies billions of

dollars in revenue. In order for Alaska to avoid a similar fate, it is prudent to address this issue now.

I believe the 14-member Council will provide the broad stakeholder cooperation and oversight needed to prevent new invasive species from taking root in Alaska and to mitigate the damage of invasives already introduced. At risk are Alaska's biological treasures; its harvested resources and subsistence plants and animals; the beauty and diversity that make Alaska a world-class tourist destination. It is our understanding and our hope that the least amount of the least toxic management tools would be used to control marine invasive species and that pesticides be used only as a last resort.

The Alaska Conservation Alliance would like to thank you for this opportunity to voice our support for HB 12 and encourage you to pass this bill out of the House Finance Committee.

Thank you Chairman Johnson and House Finance Committee members very much for all of your hard work and for giving me the chance to speak today.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB12**
() Publish Date:

Identifier (file name): HB012-DFG-BDS-02-17-09
Title: An Act establishing the Alaska Council on Invasive Species
Sponsor: Representative Johnson
Requester: House Resources

Dept. Affected: ADFG
RDU: Administration & Support
Component: Fish and Game Boards and Advisory Committees
Component Number: 2825

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services	164.8		164.8	164.8	164.8	164.8	164.8
Travel	12.4		12.4	12.4	12.4	12.4	12.4
Contractual	12.2		12.2	12.2	12.2	12.2	12.2
Supplies	6.5		6.5	6.5	6.5	6.5	6.5
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**195.9**	**0.0**	**195.9**	**195.9**	**195.9**	**195.9**	**195.9**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts							
1003 GF Match							
1004 GF	195.9		195.9	195.9	195.9	195.9	195.9
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**195.9**	**0.0**	**195.9**	**195.9**	**195.9**	**195.9**	**195.9**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time	**2.0**		2	2	2	2	2
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

This legislation establishes a statewide, all taxa Invasive Species Council in Alaska. Personal services are required to support two new positions, an Executive Director (Range 21, $96.9) and an Administrative Assistant III (Range 15, $67.8) to oversee and facilitate the actions and deliverables dictated by the bill, and to support a council of fourteen.

Travel, lodging, and per diem for an estimated 10 of 14 council members will be required for quarterly meetings ($12.4). Meeting rooms, audio/visual equipment, printing of the strategic plan, educational materials, and website support is estimated at $12.2, and supplies & computer equipment for staff and council meetings is $6.5.

Prepared by: Charles O. Swanton — Phone 465-6184
Division: Sport Fisheries — Date/Time 1/23/09 12:00 AM
Approved by: Tom Lawson, Division Director — Date 2/17/2009
Administrative Services

(Revised 9/10/2008 OMB)

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FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB 12**
() Publish Date:

Identifier (file name): HB012-DEC-SWM-1-29-09
Title: Alaska Council on Invasive Species
Sponsor: Representative Johnson
Requester: House Resources Committee

Dept. Affected: Environmental Conservation
RDU: Environmental Health
Component: Solid Waste Management
Component Number: 2344

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

This bill will have no fiscal impact on the Department of Environmental Conservation.

Prepared by: Kristin Ryan, Director — Phone 907-269-7645
Division: Environmental Health — Date/Time 1-29-09 16:00 pm
Approved by: Dan Easton — Date 2/13/2009
Deputy Commissioner

(Revised 9/10/2008 OMB)

3081

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB012**
() Publish Date:

Identifier (file name): HB012-DNR-AG-02-17-09
Dept. Affected: Natural Resources
Title: Alaska Council on Invasive Species
RDU: Resource Development
Component: Agricultural Development
Sponsor: Representative Johnson
Requester: House Resources Committee
Component Number: 455

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

This bill will have no fiscal impact on the Department of Natural Resources.

Prepared by: Franci Havemeister, Director
Phone 907-761-3867
Division: Agriculture
Date/Time: February 17, 2009
Approved by: Tom Irwin, Commissioner
Natural Resources
Date: February 17, 2009

(Revised 9/10/2008 OMB)

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HB012
() Publish Date:

Identifier (File Name): HB012-UA-UAF-2-17-09
Dept. Affected: University of Alaska
Title: Noxious Weeds and Invasive Plants
RDU: University of Alaska Fairbanks
Component: Cooperative Extension Service
Sponsor: Representatives Johnson and Buch, Munoz
Requester: Resources
Component No.: 745

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services	0.0						
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Participation on the Council by a University of Alaska employee would not create a fiscal impact to the University.

Prepared by: Betty Dupee
Phone 907-450-8180
Division: University of Alaska
Date/Time 2/17/09 1:00 PM
Approved by: Michelle Rizk
Date 2/17/09 1:00 PM
Agency: University of Alaska

(Revised 9/2008 OMB)

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FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB012**
() Publish Date:

Identifier (file name): **HB012-DHSS-EPI-02-13-09**
Dept. Affected: Health & Social Services
Title: Alaska Council on Invasive Species
RDU: Public Health
Component: Epidemiology
Sponsor: Johnson
Requester: House Resources
Component Number: 296

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES (							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

HB 12 would create in the Alaska Department of Fish and Game a Council on Invasive Species as a venue for communicating, planning and coordinating efforts that address the threats posed to Alaska by invasive, non-native species (whether plants, animals, insects, etc.). The Commissioner of the Department of Health and Social Services (DHSS) or a designee would have a seat on the council. While HB12 would allow DHSS to discuss and respond to invasive species with a direct impact on human health, such as a mosquito new to Alaska, the bill is focused primarily on invasive impacts to fish and game. It is expected that DHSS would not play a primary role but would be available to provide relevant input as needed. There is no anticipated fiscal impact on DHSS.

Prepared by: Beverly Wooley, Director
Phone 269-8126
Division: Division of Public Health
Date/Time 1/28/09 12:00 AM

Approved by: Alison Elgee, Assistant Commissioner
Date 2/13/2009
Finance Management Services

(Revised 9/10/2008 OMB)

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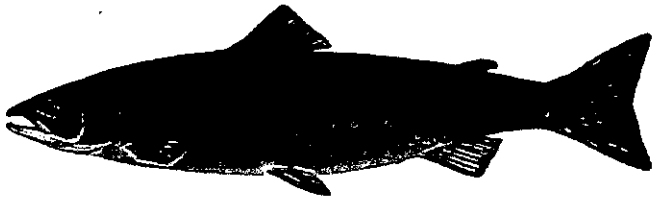
NON-NATIVE AND INVASIVE ANIMALS OF ALASKA: A COMPREHENSIVE LIST AND SELECT SPECIES STATUS REPORTS

FINAL REPORT

Jodi McClory
Tracey Gotthardt



Alaska Natural Heritage Program

NON-NATIVE AND INVASIVE ANIMALS OF ALASKA: A COMPREHENSIVE LIST AND SELECT SPECIES STATUS REPORTS

FINAL REPORT

Jodi McClory and Tracey Gotthardt

Alaska Natural Heritage Program
Environment and Natural Resources Institute
University of Alaska Anchorage
707 A Street, Anchorage AK 99501

January 2008

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EXECUTIVE SUMMARY

In recent years, a number of non-native animal species have been observed in Alaska, some of which have proven to be invasive. Since animal introductions to the state are still limited in distribution, and because protecting land not yet infested by non-natives is an efficient technique for the management of invasive species, we have the opportunity to preserve Alaska's immense natural resources with careful management of invasive animal threats. However, before management efforts towards invasive species can be successful, information must be gathered to identify which non-native animal species are present in the state, where they occur, and which species pose the greatest risk to native ecosystems. In an effort to provide managers with the most up-to-date information regarding invasive animal species in Alaska, we compiled a comprehensive list of non-native animals that have been documented in the state, and also developed a list of potential future invaders based on their occurrence in neighboring states and/or provinces. We collected published and unpublished information on a number of non-native animal species that are known to pose a high risk to native ecosystems, and summarized information on their biology, modes of dispersal, documented impacts, control options, and current and historic distribution.

A total of 116 non-native animal species (including fishes, amphibians, reptiles, birds, mammals, invertebrates, parasites and pathogens) were documented as present (either historically or currently) in the state, of which 20 were designated as highly invasive species. Status reports describing biology and invasive potential were developed for 14 of the highly invasive species and are included as an appendix to this report, along with maps of their known current distribution in the state. An additional 41 species were identified as potential invaders based on their rapid spread in western North America and on their ability to disperse over large distances. Ten of the 41 potential invaders were identified as being highly invasive, and status reports were developed for 3 of those species.

The development of the first comprehensive list of non-native animals in Alaska summarizes necessary and preliminary information about the current status of these animals in the state. Information contained within the individual species status reports and associated distribution maps may be used to interpret a species' ability to spread into particular regions, and could be used in future mapping efforts to calculate rates of dispersal as well as enable prediction of future range expansions. As global climate change continues to warm the landscape, Alaska may become more susceptible to harmful invaders and the information compiled within this report could be useful in predicting and preventing animal invasions.

INTRODUCTION

Invasive species are defined in federal law as species that are both non-native (alien) to a particular ecosystem and whose introduction causes or is likely to cause economic or environmental harm, or harm to human health (Executive Order 13112 1999). In recent years, a number of non-native animal species have been observed in Alaska, some of which have proven to be invasive. Invasive species threaten native ecosystem integrity and Alaska's valuable resources in fisheries, tourism, forestry, and agriculture by the alteration and loss of natural species biodiversity and ecosystem functions. Alaska's low population and relative geographic isolation have kept introductions of new invasive species comparatively low, but increased commercial traffic, development, and changes wrought by climate change all potentially increase the risk of new introductions to the state. Since many animal introductions to the state are still limited in distribution, and because protecting land not yet infested by non-natives is an efficient technique for the management of invasive species, we have the opportunity to preserve Alaska's valuable natural resources with careful management of invasive animal threats.

Before successful management efforts towards invasive species can be implemented, information must be gathered to identify which non-native animal species are present in the state, where they occur, and which species pose the greatest risk to native ecosystems. In an effort to provide managers with the most up-to-date information regarding invasive animal species in Alaska, we compiled a comprehensive list of non-native animals that have been documented in the state, and also developed a list of potential future invaders based on their occurrence in neighboring states and/or provinces. We collected published and unpublished information on a number of non-native animal species that pose a high risk to native ecosystems, and summarized information on their biology, modes of dispersal, documented impacts, control options, and current and historic distribution.

Specific project objectives were to:

(1) Conduct a comprehensive literature review and consult with area biologists to compile a draft list of non-native animal species previously documented in Alaska. Compile a list of potential invaders to include species that have been documented in neighboring states and provinces.

(2) Through literature review and expert consultation, identify which species are accidentals and unlikely invaders in Alaska and remove these species from the list, or identify them as such.

(3) Research and synthesize information on the biology, modes of dispersal, documented impacts, and control options of listed species to identify those capable of causing the greatest impacts.

METHODOLOGY

Objective 1: To develop a comprehensive list of non-native animal species in the state, we reviewed published and unpublished information available in peer-reviewed and gray literature, museum specimen collection databases, wildlife and invasive species program websites, news reports, and personal communications with Alaska biologists and invasive

species experts for fishes, amphibians, reptiles, birds, mammals, invertebrates, parasites and pathogens. Data were compiled into two lists: 1) a preliminary list of non-native animals documented in the state (either currently or historically) and 2) a list of invasive species that have been detected in adjacent states and provinces which have the potential to spread and establish in Alaska. For animals present in Alaska, we included information about the species' status (e.g., cryptogenic, reported but not yet confirmed in the state, documented but eradicated, native but translocated). Draft lists were reviewed by local biologists and invasive species experts, and updated throughout the process of literature review and information synthesis.

Objective 2: We refined the list of non-native animal species present in Alaska by identifying those species already recognized as invasive in existing literature, reports or by experts in the state. Based on evidence in the literature, we identified a number of non-native species known to pose a high risk to native biodiversity. These "high risk" species were selected for in-depth research into their biology, ecology and possible impacts to native systems. It would require a systematic ranking scheme in order to objectively identify the highest risk species. Unfortunately, a ranking exercise was beyond the scope of this project. Instead, we selected "high-risk" species based on their widespread recognition as invasive species in the literature.

Objective 3: For select "high-risk" animal species, we summarized available information relating to the taxonomy, reproduction, feeding, habitat needs, dispersal potential, current/historic distribution, documented impacts, and control options. Maps of species' Alaskan range and/or distribution were developed using ArcGIS software.

RESULTS

The final list of non-native animal species in Alaska included 116 species documented (either historically or currently) in the state (including amphibians [3], birds [16], fishes [14], invertebrates [42], mammals [35], parasites [1], pathogens [4], and reptiles [1]; see Appendix I). An additional 41 species were identified as potential invaders based on their proximity in adjacent states and provinces and on their ability to disperse over large distances (amphibians [1], birds [1], invertebrates [37], and pathogens [2]; see Appendix II). Of those found in the state, 21 were highlighted as "high-risk" for invasiveness. Of those not yet found in the state, 10 were highlighted as "high-risk" for invasiveness. Status reports were developed for 17 species (2 amphibians, 10 invertebrates, 2 fishes and 3 mammals) and are included as Appendix III in this report.

DISCUSSION AND FUTURE DIRECTION

The majority of species listed as non-native in Alaska are not considered invasive by the formal definition. An exploration of the factors contributing to a species' invasiveness, and a systematic effort to rank species according to objective criteria would be constructive and has yet to be conducted for animals in the state. The need to evaluate and rank non-native species is a prerequisite before expensive management is attempted, so that the most threatening species are addressed first. A ranking system can help set

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priorities for research and control efforts for invading bird, mammal, fish, invertebrate, and pathogenic species. Since many of the species on the Alaska non-native animal list have been documented during the last 20 years (this may be due to increased number of invasions or increased reporting and research on invasive species), there is a consensus in the invasive species community that a prioritization scheme is an important first step. Biological and ecological data summarized during this project will provide a valuable reference for future ranking efforts. These data also provide basic geographic information that could form the groundwork for development of a GIS database of non-native animal species distribution.

The development of the first comprehensive list of non-native animals in Alaska, presented here, summarizes necessary and preliminary information about the current status of these animals in the state. By making this information available to researchers and the general public, we hope it will be used to identify data gaps in our understanding and help direct targeted research. We also hope that it will serve to increase public awareness of the negative impacts of invasive species, which in turn, could help prevent their future spread. Questions that need to be addressed in the future include: Which species or groups of animals have the most invasive potential, and which have already caused the most damage to native ecosystems in the state? How can we target entire groups or dispersal pathways for prevention of non-native animal introductions? Where would financial resources prove most effective in the fight against invasions, and are there invasive populations that are already beyond our control? Information contained within the individual species status reports and associated distribution maps may be used to interpret an invasive species' ability to spread into particular regions, and could be used in future mapping efforts to calculate rates of dispersal as well as enable prediction of future range expansions (Riccardi et al. 2000). As global climate change continues to warm the landscape, Alaska may become more susceptible to harmful invaders (Union of Concerned Scientists 2005) and the information contained within this report could be useful in predicting and preventing animal invasions.

ACKNOWLEDGEMENTS

This project was generously funded by the Alaska Department of Fish and Game's Invasive Species Program. We would especially like to thank Tammy Davis, the Invasive Species Program Coordinator, for her guidance and enthusiasm throughout the duration of the project.

Many thanks to those who reviewed and contributed to the lists of non-native animal species of Alaska: Blythe Brown, Kodiak Soil and Water Conservation District; Paul Hennon, USDA Forest Service; Jeff Heys, National Park Service; James Kruse, USDA Forest Service; Denny Lassuy, US Fish and Wildlife Service; Whitney Rapp, National Park Service; Barbara Schrader, USDA Forest Service; and Rick Sinnott, Alaska Dept. of Fish and Game.

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LITERATURE CITED

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Riccardi, A., W.W.M. Steiner, R.N. Mack, and D. Simberloff. 2000. Toward a global information system for invasive species. BioScience 50: 239-244.

Union of Concerned Scientists. 2005. Invasive species: Alaska. Available online at: http://www.ucsusa.org/invasive_species/state-invasion-portfolios.html.

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APPENDIX I

List of non-native animal species documented in Alaska

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Appendix 1, page 1. List of non-native animal species documented in Alaska. List includes amphibians, birds, invertebrates, mammals, pathogens and reptiles. List also include information on species status (when available), whether or not a status report was developed for that species, references, and an invasiveness rank as reported in the literature.

Taxon	Scientific Name	Common Name	Status	Status Report	Reference	Invasiveness Rank
Amphibians	*Pseudacris regilla*	Pacific chorus frog		X	Schrader and Hennon 2005, USGS 2007, MacDonald 2003, Hodge 2004	Low*
Amphibians	*Rana aurora*	Red-legged frog		X	Schrader and Hennon 2005	High*
Amphibians	*Taricha granulosa*	Roughskin newt	native but moved		USGS 2007	
Birds	*Strix varia*	Barred Owl			Rapp pers. comm.	
Birds	*Colinus virginianus*	Bobwhite Quail, Northern Bobwhite			Sinnott pers. comm.	
Birds	*Molothrus ater*	Brown-headed Cowbird			Armstrong 1995, USFWS 2007b	
Birds	*Alectoris chukar*	Chukar			Burris and McKnight 1973	
Birds	*Dendragapus obscurus*	Dusky Grouse, Blue Grouse	native but moved		Burris and McKnight 1973	
Birds	*Streptopelia decaocto*	Eurasian Collared Dove			Rapp pers. comm.	
Birds	*Carpodacus mexicanus*	House Finch			Armstrong 1995, USFWS 2007b	
Birds	*Passer domesticus*	House Sparrow			Armstrong 1995, USFWS 2007b	
Birds	*Lophura leucomelanos, others*	Other pheasants (Mongolian, Nepal, Brown-eared, Kalij, Reeves, Cheer)			Burris and McKnight 1973	
Birds	*Phasianus colchicus*	Ring-necked Pheasant			Burris and McKnight 1973	
Birds	*Columba livia*	Rock dove, rock pigeon			Schrader and Hennon 2005, GISD 2007, UCS 2005	Low*
Birds	*Bonasa umbellus*	Ruffed Grouse	native but moved		Sinnott pers. comm.	
Birds	*Falcipennis canadensis*	Spruce Grouse	native but moved		Burris and McKnight 1973	
Birds	*Sturnus vulgaris*	Starling			Schrader and Hennon 2005	Low*, High^

Appendix I, page 2. List of non-native animal species documented in Alaska.

Taxon	Scientific Name	Common Name	Status	Status Report	Reference	Invasiveness Rank
Birds	*Branta canadensis fulva*	Vancouver Canada goose	native but moved		Sinnott pers. comm.	
Birds	*Meleagris gallopavo*	Wild Turkey			Sinnott pers. comm.	
Fishes	*Dallia pectoralis*	Alaska blackfish	native but moved		USGS 2007, UCS 2005	
Fishes	*Alosa sapidissima*	American shad			USGS 2007	
Fishes	*Thymallus arcticus*	Arctic grayling	native but moved		USGS 2007, UCS 2005	
Fishes	*Salmo salar*	Atlantic salmon		X	Fay 2002, UCS 2005, USGS 2007	High*
Fishes	*Salvelinus fontinalis*	Brook trout			Fay 2002, USGS 2007, UCS 2005	Low*
Fishes	*Oncorhynchus kisutch*	Coho salmon			USGS 2007	
Fishes	*Carassius auratus*	Goldfish			Fay 2002	Low*
Fishes	*Esox lucius*	Northern pike		X	Fay 2002, UCS 2005, USGS 2007	High*
Fishes		Ornamental aquarium fish			Fay 2002	
Fishes	*Astronotus ocellatus*	Oscars			Fay 2002	
Fishes	*Oncorhynchus mykiss*	Rainbow trout			Schrader and Hennon 2005, USGS 2007	Low*, High^
Fishes	*Gasterosteus aculeatus*	Threespine stickleback			USGS 2007	
Fishes	*Gambusia affinis*	Western mosquitofish	persistence questionable		USGS 2007	High^
Fishes	*Perca flavescens*	Yellow perch	eradicated		Fay 2002, USGS 2007, UCS 2005	High*
Invertebrates	*Eriocampa ovata*	Alder woolly sawfly			Schrader and Hennon 2005, USFS 2007	Low*
Invertebrates	*Profenusa thomsoni*	Amber-marked birch leafminer		X	Schrader and Hennon 2005, UCS 2005	High*
Invertebrates	*Distaplia alaskensis*	Ascidiacean	cryptogenic species		Hines and Ruiz 2001	

Appendix I, page 3. List of non-native animal species documented in Alaska.

Taxon	Scientific Name	Common Name	Status	Status Report	Reference	Invasiveness Rank
Invertebrates	*Fenusa pusilla*	Birch leafminer		X	Schrader and Hennon 2005	Moderate*
Invertebrates	*Epinotia solandriana*	Birch leafroller			Schrader and Hennon 2005	Moderate*
Invertebrates	*Heterarthrus nemoratus*	Birch-edge leafminer			Schrader and Hennon 2005	Low*
Invertebrates	*Cliona thosina*	Boring sponge in oyster shell	reported but not yet confirmed		Hines and Ruiz 2001	
Invertebrates	*Schizoporella unicornis*	Bryozoan			Hines and Ruiz 2001	
Invertebrates	*Heteromastus filiformis*	Capitellid worm			USGS 2007	
Invertebrates	*Crassostrea gigas*	Cultured oyster			Hines and Ruiz 2001 GISD 2007	
Invertebrates	*Nematus ribesii*	Currantworm			Schrader and Hennon 2005, UCS 2005	Low*
Invertebrates	*Adelges piceae*	Eastern spruce gall aphid			Schrader and Hennon 2005	Low*
Invertebrates	*Arion ater*	European black slug			Schrader and Hennon 2005, UCS 2005	Low*
Invertebrates	*Lymantria dispar*	European gypsy moth, Asian gypsy moth		X	Schrader and Hennon 2005, UCS 2005, USFS 2007	High*, High^
Invertebrates	*Rhyacionia buoliana*	European pine shoot moth			Schrader and Hennon 2005, Kruse pers. comm.	Low*
Invertebrates	*Noctua pronuba*	European Yellow Underwing Moth			USFS 2007	
Invertebrates	*Arion sp.*	Garden slug			Schrader and Hennon 2005	Low*
Invertebrates	*Tubularia crocea*	Hydroid	reported but not yet confirmed		USGS 2007	
Invertebrates	*Bougainvilla sp. 2*	Hydroid	cryptogenic species		Hines and Ruiz 2001	
Invertebrates	*Bougainvilla sp.1*	Hydroid	cryptogenic species		Hines and Ruiz 2001	
Invertebrates	*Cuspidella grandis*	Hydroid	cryptogenic species		Hines and Ruiz 2001	
Invertebrates	*Garvia franciscana*	Hydroid			Hines and Ruiz 2001	
Invertebrates	*Opercularella lacerata*	Hydroid			Hines and Ruiz 2001	

Appendix I, page 4. List of non-native animal species documented in Alaska.

Taxon	Scientific Name	Common Name	Status	Status Report	Reference	Invasiveness Rank
Invertebrates	*Proboscidactila flavicirrata*	Hydroid			Hines and Ruiz 2001	
Invertebrates	*Venerupis philippinarum*	Japanese littleneck clam, Manila clam	reported but not yet confirmed		Hines and Ruiz 2001	
Invertebrates	*Pristiphora erichsonii*	Larch sawfly		X	Schrader and Hennon 2005, UCS 2005	High*
Invertebrates	*Limax maximus*	Leopard slug			Schrader and Hennon 2005	Low*
Invertebrates		Oysters			Fay 2002	
Invertebrates	*Polydora websteri*	Polychaete blister worm	reported but not yet confirmed		Hines and Ruiz 2001	
Invertebrates	*Procambarus clarkii*	Red swamp crayfish			USGS 2007	
Invertebrates	*Manayunkia speciosa*	Sabellid worm			USGS 2007	
Invertebrates	*Asterias amurensis*	Sea star	cryptogenic species		Hines and Ruiz 2001	
Invertebrates	*Pacifastacus leniusculus*	Signal crayfish		X	Fay 2002, GISD 2007, USGS 2007	High*
Invertebrates	*Schizoporella unicornis*	Single horn bryozoan			USGS 2007	
Invertebrates	*Pissodes strobi*	Sitka spruce weevil, white pine weevil			USFS 2007, Schrader and Hennon 2005, UCS 2005	Moderate*
Invertebrates	*Mya arenaria*	Soft-shelled clam			Hines and Ruiz 2001, USGS 2007, Powers et al. 2006	
Invertebrates	*Elatobium abietinum*	Spruce aphid			Schrader and Hennon 2005	Moderate*
Invertebrates	*Otiorhynchus ovatus*	Strawberry root weevil			Schrader and Hennon 2005, UCS 2005	Low*
Invertebrates	*Archips cerasivorana*	Uglynest caterpillar			USFS 2007, Schrader and Hennon 2005, UCS 2005	Low*
Invertebrates		Various ballast water species			Fay 2002	
Invertebrates	*Malacosoma californicum*	Western tent caterpillar		X	Schrader and Hennon 2005, UCS 2005, Kruse pers. comm.	High*
Invertebrates	*Pikonema alaskensis*	Yellow-headed Spruce Sawfly			USFS 2007	

Appendix I, page 5. List of non-native animal species documented in Alaska.

Taxon	Scientific Name	Common Name	Status	Status Report	Reference	Invasiveness Rank
Mammals	*Martes americana*	American marten	native but moved		Schrader and Hennon 2005	
Mammals	*Alopex lagopus*	Arctic fox			USFWS 2007, Ebbert and Byrd (2002).	
Mammals	*Spermophilus paryii ablusus*	Arctic ground squirrel			USFWS 2007, Ebbert and Byrd (2002).	
Mammals	*Spermophilus paryii nebulicola*	Arctic ground squirrel			USFWS 2007, Ebbert and Byrd (2002).	
Mammals	*Rangifer tarandus groenlandicus*	Barren-ground caribou	native but moved		Burris and McKnight 1973	
Mammals	*Castor canadensis*	Beaver			Brown pers. comm.	
Mammals	*Bos bison*	Bison			Burris and McKnight 1973	
Mammals	*Rattus rattus*	Black rat, Roof rat		X	USFWS 2007	High^
Mammals	*Canis latrans*	Coyote			NatureServe 2007, Sinnott pers. comm.	
Mammals	*Ovis dalli*	Dall's sheep	native but moved		Burris and McKnight 1973	
Mammals	*Peromyscus maniculatus*	Deer mouse			USFWS 2007, Ebbert and Byrd 2007	
Mammals	*Felis catus*	Domestic cat			Sinnott pers. comm.	High^
Mammals	*Canis familiaris*	Domestic dog			Rapp pers. comm.	High^
Mammals	*Mustela putorius furo*	Domestic ferret			Sinnott pers. comm.	
Mammals	*Cervus canadensis*	Elk		X	Schrader and Hennon 2005	Moderate*, High^
Mammals OK	*Oryctolagus cuniculus*	European rabbit			Burris and McKnight 1973, Schrader and Hennon 2005, USFWS 2007	High^
Mammals	*Canis lupus*	Gray wolf	native but moved		Burris and McKnight 1973	
Mammals	*Mus musculus*	House mouse			Schrader and Hennon 2005, UCS 2005, USFWS 2007	Low*, High^
Mammals	*Marmota caligata*	Marmot	native but moved		Sinnott pers. comm.	

Appendix I, page 6. List of non-native animal species documented in Alaska.

Taxon	Scientific Name	Common Name	Status	Status Report	Reference	Invasiveness Rank
Mammals	*Neovison vison*	Mink (from domestic stock)	native but moved		Burris and McKnight 1973	
Mammals	*Alces americanus*	Moose	native but moved		Burris and McKnight 1973	
Mammals	*Oreamnos americanus*	Mountain goat			Brown pers. comm.	
Mammals	*Puma concolor*	Mountain lion	reported but not yet confirmed		Sinnott pers. comm.	
Mammals	*Ovibos moschatus*	Muskox			Burris and McKnight 1973	
Mammals	*Ondatra zibethicus*	Muskrat			Brown pers. comm.	
Mammals	*Rattus norvegicus*	Norway rat, Brown rat		X	Schrader and Hennon 2005, UCS 2005, USFWS 2007	High*
Mammals	*Procyon lotor*	Raccoon			Schrader and Hennon 2005	
Mammals	*Vulpes vulpes*	Red Fox			USFWS 2007	High^
Mammals	*Tamiasciurus hudsonicus*	Red squirrel	native but moved		Schrader and Hennon 2005	
Mammals	*Rangifer tarandus asiaticus*	Reindeer			USFWS 2007	
Mammals	*Bos taurus*	Scottish cattle				
Mammals	*Enhydra lutris*	Sea otter	native but moved		Burris and McKnight 1973	
Mammals	*Odocoileus hemionus*	Sitka black-tailed deer	native but moved		Schrader and Hennon 2005	
Mammals	*Lepus americanus*	Snowshoe hare	native but moved		Burris and McKnight 1973, Davis 1979, Schrader and Hennon 2005	
Mammals	*Sus scrofa*	Wild boar, feral swine, feral hogs				High^
Parasites	*Trichodectes canis*	Biting dog louse			Golden et al. 1999, Griese 1999, ADFG 2005, UCS 2005	
Pathogens	*Erwinia amylovora*	Bacterial fire blight			Schrader and Hennon 2005	
Pathogens	*Apiosporina morbosa*	Black knot			Schrader and Hennon 2005	

Appendix I, page 7. List of non-native animal species documented in Alaska.

Taxon	Scientific Name	Common Name	Status	Status Report	Reference	Invasiveness Rank
Pathogens	*Myxobolus cerebralis*	Whirling disease parasite		X	WDI 2007, Arsan et al. 2007	
Pathogens	*Cronartium ribicola*	White pine blister rust			Schrader and Hennon 2005	
Reptiles	*Macrochelys temminckii*	Alligator snapping turtle			Associated Press 2002	

* = Schrader and Hennon 2005
^ = *GISD 2007*

APPENDIX II

List of non-native animal species with the potential for invasion in Alaska

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Appendix II, page 1. List of non-native animal species that have been not documented in Alaska, but have the potential to enter the state. List includes amphibians, birds, invertebrates and pathogens. List also include information on species status (when available), whether or not a status report was developed for that species, references, and an invasiveness rank as reported in the literature.

Taxon	Scientific Name	Common Name	Status Report	Reference	Invasiveness Rank
Amphibians	*Rana catesbeiana*	American bullfrog		Secord et al 2005	High ^
Birds	*Carpodacus mexicanus*	House Finch			
Invertebrates	*Anoplophora glabripennis*	Asian longhorned beetle		Schrader and Hennon 2005, UCS 2005	Moderate*
Invertebrates	*Urosalpinx cinerea*	Atlantic oyster drill		Secord et al 2005	
Invertebrates	*Crepidula fornicata*	Atlantic slipper snail		Secord et al 2005	
Invertebrates	*Cliona sp.*	Boring sponge		USGS 2007	
Invertebrates	*Tetropium fuscum*	Brown spruce longhorn beetle		Schrader and Hennon 2005	High*
Invertebrates	*Bugula neritina*	Bryozoan		GISD 2007	
Invertebrates	*Eriocheir sinensis*	Chinese mitten crab	X	Fay 2002	High*, High^
Invertebrates	*Botryllus schlosseri*	Colonial sea squirt		Secord et al 2005	
Invertebrates	*Didemnum lahillei*	Colonial sea squirt		Secord et al 2005	
Invertebrates	*Ilyanassa obsoleta*	Eastern mudsnail		Secord et al 2005	
Invertebrates	*Teredo navalis*	European (naval) shipworm		Secord et al 2005	
Invertebrates	*Hemichroa crocera*	European alder sawfly		Schrader and Hennon 2005	Low*
Invertebrates	*Ips typographus*	European spruce beetle		Schrader and Hennon 2005	High*
Invertebrates	*Malacosoma disstria*	Forest tent caterpillar	X	Schrader and Hennon 2005	High*
Invertebrates	*Carcinus maenas*	Green crab, European green crab		Fay 2002, UCS 2005, Aquatic Nuisance Species Project 2007	High^
Invertebrates	*Adelges tsugae*	Hemlock woolly adelgid		Schrader and Hennon 2005	Moderate*
Invertebrates	*Diadumene lineata*	Japanese anemone		Secord et al 2005	
Invertebrates	*Musculista senhousia*	Japanese mussel		Secord et al 2005	
Invertebrates	*Ocinebrellus inornatus*	Japanese oyster drill		Secord et al 2005	
Invertebrates	*Coleophora laricella*	Larch casebearer		Schrader and Hennon 2005	Moderate*
Invertebrates	*Ips cembrae*	Larch engraver		Schrader and Hennon 2005	Moderate*
Invertebrates	*Venerupis philippinarum*	Manila clam		Secord et al 2005	
Invertebrates	*Mytilus galloprovincialis*	Mediterranean mussel		Secord et al 2005	

Appendix II, page 2. List of non-native species that have been not been positively identified in Alaska, but have been documented in adjacent states and provinces, and have the potential to invade.

Taxon	Scientific Name	Common Name	Status Report	Reference	Reported Invasiveness Rank
Invertebrates	*Batrillaria attramentaria*	Mudsnail		Secord et al 2005	
Invertebrates	*Potamopyrgus antipodarum*	New Zealand Mudsnail	X	Fay 2002, UCS 2005	High*
Invertebrates	*Lymantria monacha*	Nun moth		Schrader and Hennon 2005	High*
Invertebrates	*Alitta succinea*	Pile worm		GISD 2007	
Invertebrates	*Dendrolimus pini*	Pine moth		Schrader and Hennon 2005	High*
Invertebrates	*Nuttallia obscurata*	Purple varnish clam		Secord et al 2005	
Invertebrates	*Clathria prolifera*	Red beard sponge		Secord et al 2005	
Invertebrates	*Lymantria mathura*	Rosy gypsy moth		USFS 2007	
Invertebrates	*Botrylloides violaceus*	Sheath tunicate		USGS 2007	
Invertebrates	*Ciona savignyi*	Solitary sea squirt		Secord et al 2005	
Invertebrates	*Styela clava*	Solitary sea squirt		Secord et al 2005	
Invertebrates	*Bythotrephes cederstroemi*	Spiny water flea		Fay 2002, GLIN 2007	
Invertebrates	*Adelges abietis*	Woolly spruce aphid		Schrader and Hennon 2005	Moderate*
Invertebrates	*Dreissena polymorpha*	Zebra mussel		Fay 2002, UCS 2005	High^
Pathogens	*Chrysomyxa abietis*	Foliar spruce rust		Schrader and Hennon 2005	
Pathogens	*Bursaphelenchus xylophilus*	Pine wilt nematode		Schrader and Hennon 2005	Low*

* = Schrader and Hennon 2005
^ = *GISD 2007*

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13 Climate Change.pdf
Testify 2 Zaumseil.pdf
Testify 3 Gilson Green Crab testimony 2 9 09.pdf
Testify 4 AK Cons Alliance.pdf
TESTIFY LIST FOR HB 12.doc

HOUSE BILL NO. 12

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE JOHNSON

Introduced: 1/9/09
Referred: Prefiled

A BILL

FOR AN ACT ENTITLED

"An Act establishing the Alaska Council on Invasive Species in the Department of Fish and Game."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE FINDINGS. The legislature finds that

(1) the land, water, plants, animals, and other natural resources in the state have the potential to be severely affected by the introduction of an increasing number of invasive species;

(2) invasive species harm native species, alter ecosystem processes, transport and cause disease, and otherwise threaten human health and the state's economy;

(3) governmental, public, and private entities need a cooperative means of communicating, planning, coordinating, and collaborating in the development of a statewide plan of action in addressing the threat posed by invasive species.

* **Sec. 2.** AS 03.22 is amended by adding new sections to read:

Article 2. Alaska Council on Invasive Species.

Sec. 03.22.100. Alaska Council on Invasive Species. The Alaska Council on Invasive Species is established in the Department of Fish and Game. The purpose of the council is to plan and coordinate efforts that address the threats posed to the state and its residents by invasive species. The council shall work to foster cooperation, communication, and coordinated approaches that support federal, state, local, and regional initiatives relating to the control of harmful invasive species.

Sec. 03.22.110. Council membership. (a) The council consists of 14 members as follows:

(1) the commissioner of fish and game or the commissioner's designee;

(2) the commissioner of natural resources or the commissioner's designee;

(3) the commissioner of environmental conservation or the commissioner's designee;

(4) the commissioner of transportation and public facilities or the commissioner's designee;

(5) the commissioner of health and social services or the commissioner's designee;

(6) a member of a soil and water conservation district established under AS 41.10.130 nominated by the soil and water conservation districts;

(7) a member of a conservation organization;

(8) a person engaged in commercial production agriculture;

(9) a person engaged in the commercial landscaping or horticultural nursery business;

(10) a representative of a commercial fishermen's organization;

(11) a representative of a commercial shipping organization;

(12) an employee of the University of Alaska involved in agricultural research, extension, or outreach;

(13) a representative of a Native corporation established under 43 U.S.C. 1601 et seq. (Alaska Native Claims Settlement Act); and

(14) a public member.

(b) Members of the council serving under (a)(1) - (5) of this section serve ex officio.

(c) Members of the council serving under (a)(6) - (14) of this section shall be appointed by the commissioner.

(d) The term of a member serving under (a)(6) - (14) of this section is three years. A member may be reappointed.

Sec. 03.22.120. Compensation. Members of the council who are not state employees serve without compensation.

Sec. 03.22.130. Council staff. The commissioner may employ clerical staff to assist the council.

Sec. 03.22.140. Council meetings. (a) The council shall meet at the call of the presiding officer at least once annually and at other times as necessary to conduct its business. In the absence of a call of the presiding officer, a majority of the membership of the council may call a meeting.

(b) A majority of the membership of the council constitutes a quorum for the transaction of business and is necessary for any action taken by the council.

Sec. 03.22.150. Officers of the council. The council shall elect a presiding officer from among its members. The council may elect other officers. A member may be reelected to serve additional terms as presiding officer or other officer.

Sec. 03.22.160. Annual report. The council shall submit an annual report of its activities to the governor and the presiding officer of each house of the legislature by December 15 each year. The report must include an evaluation of the council's activities in the preceding calendar year relating to the implementation of the strategic plan under AS 03.22.180 and identify the council's priorities for the next calendar year.

Sec. 03.22.170. Duties of the council. (a) The council shall

(1) in consultation with federal, state, local, public, and private entities, provide a coordinated approach that facilitates the development of a statewide policy that addresses the risks of existing invasive species in the state and the prevention of the introduction of additional invasive species;

(2) serve as a forum facilitating the communication, cooperation, and coordination of federal, state, local, public, and private entities for the identification and control of invasive species;

(3) request the assistance and participation of federal departments and agencies;

(4) review the existing funding provided to state agencies for the control of invasive species;

(5) develop and review a comprehensive strategic plan under AS 03.22.180 to control invasive species in the state based on resources and priorities identified by the council in consultation with federal, state, local, public, and private entities;

(6) monitor and evaluate the implementation and effectiveness of the strategic plan developed by the council; and

(7) provide an annual report under AS 03.22.160 to the governor and the presiding officer of each house of the legislature.

(b) The council may

(1) publish the results of the council's efforts and disseminate information related to the control of invasive species;

(2) develop or adapt relevant educational materials and programs;

(3) act in an advisory capacity in the development of policy concerning invasive species to agencies of the United States that manage federal land in the state, state land and water users, municipalities, agencies of the state, and public and private organizations;

(4) accept, on behalf of the state, contributions of services, materials, or money to assist in meeting the cost of carrying out AS 03.22.100 - 03.22.249; and

(5) solicit proposals, review applications, and advise the commissioner as to grants, loans, and expenditures for activities related to the control of invasive species.

Sec. 03.22.180. Triennial strategic plan. (a) The council shall create a comprehensive strategic plan for the control of invasive species that

(1) addresses federal, state, local, public, and private efforts in the state

relating to the control of invasive species, including recommendations pertaining to

(A) revision of state statutes and regulations;

(B) action by state departments and agencies;

(2) addresses coordination of federal, state, local, public, and private efforts in the state relating to the control of invasive species;

(3) prioritizes efforts to control invasive species in the state;

(4) includes standards for measuring the success of state departments and agencies in controlling invasive species;

(5) provides for the early identification of and rapid response to the introduction to the state of new invasive species;

(6) provides for the inventorying and monitoring of invasive species in the state; and

(7) identifies individual projects related to the control of invasive species that can be implemented during the period covered by the triennial strategic plan.

(b) In prioritizing efforts to control invasive species under (a)(3) of this section, the council shall annually select at least one project from the triennial strategic plan for action by entities coordinating with the council.

(c) The strategic plan shall be submitted to the governor and the presiding officer of each house of the legislature by September 15 triennially.

Sec. 03.22.190. Advisory and technical groups of the council. (a) The council may establish advisory and technical groups to aid and advise the council in the performance of its duties.

(b) The council shall invite and accept nominations for membership on the advisory groups and shall consider the nominations in making appointments to the groups.

(c) The council shall provide for public notice and an opportunity to comment before accepting a nomination for membership on an advisory or technical group under (b) of this section.

Sec. 03.22.200. Federal laws. All state control and education efforts under AS 03.22.100 - 03.22.249 shall be done in cooperation with federal laws and

initiatives relating to invasive species.

Sec. 03.22.210. Agency cooperation. Each state agency, as defined in AS 39.52.960, shall cooperate with the council in the fulfillment of the council's duties under AS 03.22.170 and use its best efforts to comply with the plan developed under AS 03.22.180(a).

Sec. 03.22.220. Joint operations. The council may exercise the duties imposed by AS 03.22.170 jointly with a person, political subdivision of the state, Native village or regional corporation, or an agency of the United States or Canada.

Sec. 03.22.249. Definitions. In AS 03.22.100 - 03.22.249,

(1) "commissioner" means the commissioner of fish and game;

(2) "control" means, as appropriate, eradicating, suppressing, reducing, or managing invasive species populations, preventing the spread of invasive species from areas where they are present, and taking steps such as restoration of native species and habitats to reduce the effects of invasive species and to prevent further invasions;

(3) "council" means the Alaska Council on Invasive Species;

(4) "introduction" means the intentional or unintentional escape, release, dissemination, or placement of a species into an ecosystem as a result of human activity;

(5) "invasive species" means a group of organisms, all of which have a high degree of physical and genetic similarity, generally intrabreed only among themselves, and show persistent differences from members of allied groups of organisms, whose introduction causes or is likely to cause economic harm, environmental harm, or harm to human health.

*** Sec. 3.** AS 03.22.100, 03.22.110, 03.22.120, 03.22.130, 03.22.140, 03.22.150, 03.22.160, 03.22.170, 03.22.180, 03.22.190, 03.22.200, 03.22.210, 03.22.220, and 03.22.249 are repealed December 31, 2020.

*** Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITIONAL PROVISIONS: ALASKA COUNCIL ON INVASIVE SPECIES; FIRST MEETING. Notwithstanding AS 03.22.140, added by sec. 2 of this Act, the first

meeting of the Alaska Council on Invasive Species shall be convened by the commissioner of fish and game, who shall also serve as the presiding officer of the council until it selects a presiding officer under AS 03.22.150, added by sec. 2 of this Act. At the first meeting, the members of the council shall address council voting methods, meeting schedules, procedures for removing a member, and the need for and use of possible advisory and technical groups.

*** Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: INITIAL TERMS OF MEMBERS APPOINTED TO THE ALASKA COUNCIL ON INVASIVE SPECIES. Notwithstanding AS 03.22.110(d), enacted by sec. 2 of this Act, the terms of the initially appointed members of the Alaska Council on Invasive Species, established in the Department of Fish and Game by AS 03.22.100, enacted by sec. 2 of this Act, shall be set by the commissioner of fish and game to achieve staggered terms in the manner provided by AS 39.05.055(7).

*** Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITIONAL PROVISIONS: STRATEGIC PLAN AND REPORTS OF THE ALASKA COUNCIL ON INVASIVE SPECIES; RELEASE OF PLAN AND FIRST REPORTS. (a) Notwithstanding AS 03.22.170(a)(5) and 03.22.180, added by sec. 2 of this Act, the initial strategic plan shall be completed by September 15, 2011.

(b) Before the release of the initial strategic plan, the report required under AS 03.22.160, added by sec. 2 of this Act, must include the council's recommendations pertaining to statutes and regulations that relate to the existence and form of the council.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM January 15, 2009

SUBJECT: Sectional Summary of House Bill No. 12
(Work Order No. 26-LS0068/R)

TO: Representative Craig Johnson
Attn: Jeanne Ostnes

FROM: Alpheus Bullard
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Provides legislative findings relating to invasive species and the need for a cooperative means of developing a statewide plan that will address the threat posed by invasive species.

Section 2. Adds a new article to AS 03.22 (Alaska Council on Invasive Species).

Sec. 03.22.100. Establishes the Alaska Council on Invasive Species in the Department of Fish and Game.

Sec. 03.22.110. Addresses council membership and membership terms.

Sec. 03.22.120. Provides that the members of the council who are not state employees serve without compensation.

Sec. 03.22.130. Allows the Commissioner of Fish and Game to employ clerical staff to assist the council.

Sec. 03.22.140. Addresses council meetings.

Sec. 03.22.150. Provides that the council shall select a presiding officer and may, if it chooses, elect other officers.

Sec. 03.22.160. Requires the council to submit an annual report to the governor and the presiding officer of each house of the legislature by December 15 of each year. The report must detail the council's activities in the preceding calendar year and the council's priorities for the next calendar year.

Sec. 3.22.170. Establishes the duties of the council.

Sec. 03.22.180. Provides that the council will create a triennial plan for the control of invasive species. Requires the council to annually choose one project for action by entities coordinating with the council. The plan must be submitted to the governor and the presiding officer of each house of the legislature by September 15 triennially.

Sec. 03.22.190. Allows the council to establish advisory and technical groups. Requires the council to invite and accept nominations for memberships on the advisory and technical groups.

Sec. 03.22.200. Provides that invasive species control and education efforts initiated by the council will be undertaken in cooperation with federal laws and initiatives.

Sec. 03.22.210. Requires that all state agencies cooperate with the council.

Sec. 03.22.220. Provides that the council may exercise its duties with a person, other entity, or other governmental agency.

Sec. 03.22.249. Provides the Article's definitions.

Section 3. Repeals the provisions of the Act on December 31, 2020.

Section 4. Provides that the first meeting of the council will be convened by the Commissioner of Fish and Game and provides what shall be addressed at that meeting.

Section 5. Provides that the terms of the first appointed members of the council shall be set to achieve staggered terms.

Section 6. Requires that the annual reports from the council submitted before December 15, 2011 include the council's recommendations addressing statutes and regulations relating to the council, and requires the initial triennial strategic plan to be completed by September 15, 2011.

TLAB:plm
09-014.plm

ALASKA STATE LEGISLATURE

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REPRESENTATIVE CRAIG JOHNSON
HOUSE DISTRICT 28

SPONSOR STATEMENT
HB 12 ESTABLISHING THE ALASKA COUNCIL ON INVASIVE SPECIES

HB 12 establishes the Alaska Council on Invasive Species. A 14 member board would be established in the Department of Fish and Game with four other departments included as ex-officio members; Department of Natural Resources, Department of Transportation & Public Facilities, Department of Environmental Conservation, and the Department of Health & Social Services. The Commissioner of Fish and Game would appoint the other 9 members.

Invasive species are a relentless problem. These harmful, non-native plants, animals and microorganisms impact our economy and environment. The overall economic impact of invasive species in the U.S. was estimated in the range of tens of billions of dollars per year in 2000. The potential economic harm that invasive species could cause in Alaska is difficult to estimate. However, if just a few invasive plant species that are of known concern were to become wide-spread, they alone could cost the State's economy tens of millions of dollars annually.

Alaska is in a unique position to avoid the enormous costs associated with the widespread introduction and establishment of invasive species. Early intervention in Alaska can prevent the deterioration of the state's resources.

Formation of a unified Council for invasive species management is an important step in coordinating existing resources within Alaska and for improving our capacity for effective collaboration well into the future. The Alaska Council on Invasive Species will conduct a coordinated and comprehensive effort to keep invasive species out of Alaska and to eliminate, reduce, or mitigate the impacts of invasive species already established in Alaska.

Prevention and timely management is important for controlling the detrimental impacts of invasive species. Early detection programs and rapid response plans can help to cost-effectively mobilize resources from participating agencies.

Coordination between the organizations and agencies in Alaska is vital to identify shared priorities and avoid duplication of efforts, to promote compatibility of the collected research data, and to enhance the education and outreach activities associated with invasive species.

The State of Alaska and its partners can more strongly support regulation and enforcement efforts to protect our vital natural and economic resources. The recent actions of the Department of Natural Resources and Department of Fish and Game toward regulating such invasive species as rats, freshwater fish (non-native pike), and detrimental plant species (purple loosestrife and orange hawkweed) are positive steps toward invasive species prevention.

Effective prevention is both economically and ecologically efficient, and often more practical, than eradicating species after introduction has already occurred. Improved monitoring, inspection, and enforcement along all pathways for invasion into Alaska are needed.

Assessment of Invasive Species in Alaska and its National Forests
August 30, 2005

Compiled by Barbara Schrader and Paul Hennon

Contributing Authors:
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Executive Summary
This document assesses the current status of invasive species in Alaska's ecosystems, with emphasis on the State's two national forests. Lists of invasive species were developed in several taxonomic groups including plants, terrestrial and aquatic organisms, tree pathogens and insects. Sixty-three plant species have been ranked according to their invasive characteristics. Spotted knapweed, Japanese knotweed, reed canarygrass, white sweetclover, ornamental jewelweed, Canada thistle, bird vetch, orange hawkweed, and garlic mustard were among the highest-ranked species. A number of non-native terrestrial fauna species have been introduced or transplanted in Alaska. At this time only rats are considered to be causing substantial ecological harm. The impacts of non-native slugs in estuaries are unknown, and concern exists about the expansion of introduced elk populations in southeast Alaska. Northern pike represents the most immediate concern among aquatic species, but several other species (Atlantic salmon, Chinese mitten crab, and New Zealand mudsnail) could invade Alaska in the future. No tree pathogen is currently damaging Alaska's native tree species but several fungal species from Europe and Asia could cause considerable damage if introduced. Four introduced insects are currently established and causing defoliation and tree mortality to spruce, birch, and larch. The results of this assessment will be used to develop a strategy to manage invasive species by applying the principles of prevention, early detection, control, and rehabilitation in cooperation with different agencies and partners throughout Alaska.

Introduction
Invasive species threaten the integrity and sustainability of the world's ecosystems at a time of fluctuating global climate regimes, increasing disturbance—both natural and human caused—and expanding human populations (Simberloff et al. 2005, Pimentel et al. 2000). Until recently, Alaskan ecosystems have remained relatively isolated from invasive species. The state's geographic location, harsh climatic conditions, vast wilderness areas, and sparse human population with limited road access and few transportation corridors have contributed to this protective isolation (Fay 2002, Union of Concerned Scientists 2003). Increased global and national concern regarding the impact of invasive species on ecosystems and biodiversity has propelled natural resource agencies, managers, and scientists to investigate the threats posed to Alaskan ecosystems.

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Species are considered invasive if they are not native to an ecosystem, and are likely to cause harm to human health, the economy, or the environment (Executive Order 13112 1999). Interagency working groups such as the statewide Alaska Committee for Noxious and Invasive Plant Management (CNIPM) are beginning to accumulate information on invasive species present or with potential to appear in Alaska. Compared to the contiguous United States and Canada, Alaska currently has fewer aggressive invasive species because of its largely remote landscape and harsh climate (National Agricultural Library 2005, Canadian Wildlife Federation 2003, Fay 2002). However, invasive species are expected to increase and expand in range as transportation networks expand, traffic and travelers increase throughout the Alaskan landscape, and other changes in disturbance patterns and climate occur.

Invasive species alter Alaskan ecosystems by displacing or preying on native species, contaminating gene pools by interbreeding with native species, and through widespread killing of native species, as seen with invasive insects in native forests. Invasive animals have been intentionally introduced for sport hunting or commercial endeavors such as furbearer farms. Invasive plants may originate from escaped ornamental plants, seeding after road construction projects, or as hitchhikers on equipment or gear. Some invasive plant species occur primarily in areas that have been heavily disturbed, such as road corridors. Others, such as nitrogen-fixing plants spread readily where there is any opportunity for them to germinate (such as in riparian areas). Invasive forest insects and pathogens are typically introduced via ornamental plants or forest products.

Scope and Approach

The purpose of this Invasive Species Assessment is to inform USDA Forest Service resource managers, land owners, and other interested people of the known and anticipated threats to Forest Service land from invasive species as identified in Executive Order 13112 (1999). In this assessment, we review all non-native freshwater and terrestrial organisms known to occur on lands managed by the Forest Service in Alaska. Invasive plants, forest pathogens, and forest insects that occur in other parts of the state are included because State and Private Forestry provide technical and financial assistance to address these threats on all forested lands. We also consider species that do not now occur in Alaska, but if introduced have the potential to cause damage. Lag effects may exist between the initial recording of a non-native species and its establishment and dispersal into surrounding ecosystems (Sakai et al. 2001, Alpert et al. 2000, Williamson 1996). These lag times are important to consider given the rapidly fluctuating climatic and disturbance regimes in Alaska.

We have compiled summary assessments for each taxonomic group, a conclusion section outlining priority species in each group, and a comprehensive table of common and scientific species names. We also identify whether each organism occurs in Alaska yet, and provide a relative ranking of invasiveness.

Invasive Plants

Alaska's vast and varied landscapes support plant communities in diverse environments ranging from coastal rainforests and wetlands, to boreal forests and tundra environments,

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and newly emerged land surfaces at the edges of retreating glaciers and lands rebounding from glacial melt. Invasive plants may have long-term effects on Alaska native plant communities by displacing and outcompeting native plants. Extreme temperature, moisture, and light gradients at northern latitudes regulate plant composition and diversity of native ecosystems. These factors also limit the establishment and spread of invasive plant species. It is unknown how shifting climatic patterns may affect plant community vulnerability to invasion, especially if combined with disturbance, either natural or human caused. Compared to the lower 48 states, Alaska has a low level of invasive plant colonization. However, as inventories for non-native species have increased, more invasive plants have been located. Spotted knapweed (*Centaurea biebersteinii* DC), one of the worst invaders in the interior West, has been found at five different locations in the state (Alaska Exotic Plant Information Clearinghouse 2005), and may be arriving in the state on vehicles and machinery.

More than 130 non-native plant species have been identified in Alaska (Alaska Exotic Plant Information Clearinghouse (AKEPIC) 2004). Many of these species are naturalized, and others will remain contained to suburban yards or locally disturbed sites. Currently, 63 more common non-native plants have been ranked for invasiveness in Alaska on a 0-100 scale (Alaska Weed Ranking Program (http://akweeds.uaa.alaska.edu/akweeds_ranking_page.htm)), with resulting values falling between 34 and 89 (as of April 2005). Of these 63 species, 29 have an invasive ranking of 60 or greater, indicating a significant threat for invasion (Table 1). This list is still being compiled and is expected to contain nearly 100 species upon completion[1]. A number of species ranked in this project have not yet been found in Alaska but are likely to arrive soon. The ranked species range from known destructive species such as Japanese knotweed (*Polygonum cuspidatum Sieb & Zucc.*) and reed canarygrass (*Phalaris arundicacea* L.) to the common and benign pineapple weed (*Matricaria discoidea DC*).

Alaska currently has two statewide programs in place to track and rank invasive plant species in Alaska: the Alaska Exotic Plant Information Clearinghouse (2005) database and the Weed Ranking Program. The Weed Ranking Program was initiated and funded by the USDA Forest Service, Forest Health Protection Program to better assess what species will be most problematic within Alaskan ecosystems. Both of these programs are coordinated by the Alaska Natural Heritage Program and are collaborative efforts with the USDA Forest Service, Forest Health Protection Program, National Park Service, USDA Agricultural Research Service, University of Alaska Anchorage, University of Alaska Fairbanks Cooperative Extension Service, and US Geological Survey.

In ranking the invasiveness of a particular species within the framework of the Weed Ranking Project, the invasive characteristics of plants are evaluated according to their potential and actual occurrence in Alaska within three broad climatic zones: South Coastal, Interior-Boreal, and Arctic-Alpine. The ecological impact of a species on ecosystem processes is also factored into the invasiveness score. This is measured by the

[1] Shephard, Michael. 2005. Personal Communication. Ecologist, USDA Forest Service, State and Private Forestry, Suite 202, 2201 'C' Street, Anchorage, AK 99503

ability of a species to alter plant community composition and structure, its reproduction and dispersal capabilities (both natural and disturbance-enhanced), impacts higher on the food chain, and occurrence in wetland or riparian habitats. Other considerations in the invasiveness ranking include assessing global distribution, known impacts in natural areas, and feasibility of control and management.

Highly invasive plants compete effectively for resources and generally have aggressive reproductive mechanisms. On a positive note, many of these species also have rather limited dispersal capabilities, thereby increasing the chance of successful control in small populations. All of these highly invasive plants are easily spread by human activities. These species may produce many seeds or possess aggressive sprouting characteristics. In some species, any part of the plant is capable of reproducing, not just the seeds, roots and stems. Many highly invasive plants in Alaska frequently form dense thickets of vegetation and have seeds that can remain viable in soil for more than 3 years. Many of our invasive plants establish with or without ground disturbance, constituting an increased threat to native plant communities once they are introduced. Additional characteristics of highly ranked invasive plants in Alaska include recent or historical presence on three or more continents (frequently with successful invasion occurring in arctic/subarctic environments), classification as a noxious weed in most of the lower 48 states or Canada, and once established, generally requiring major long-term investment to control.

Statewide, the highest ranking invasive plant species include spotted knapweed (*Centaurea biebersteinii* DC), Japanese knotweed (*Polygonum cuspidatum* Sieb & Zucc.), reed canarygrass (*Phalaris arundicacea* L.), white sweetclover (*Melilotus alba* Medikus), ornamental jewelweed (*Impatiens glandulifera* Royle), cheatgrass (*Bromus tectorum* L.), Himalayan blackberry (*Rubus discolor* Wiehe & Nees), Canada thistle (*Cirsium arvensis* L. Scop.), bird vetch (*Vicia cracca* L.), orange hawkweed (*Hieracium aurantiacum* L.), garlic mustard (*Alliara petiolata* (Bieb.) Cavara & Grande), false brome (*Brachypodium sylvaticum*. (Huds.) Beauv), and Scotch broom (*Cytisus scoparius* (L.) Link). High ranking species not yet occurring in Alaska include: Eurasian milfoil (*Myriophyllum spicatum* L.), Atlantic cordgrass (*Spartina alternifolia* Loisel.), and giant hogweed (*Heracleum mantegazzianum* Sommier & Levier) (Table 1). Because of the large number of invasive plants, readers are referred to the comprehensive Weed Ranking Project website (http://akweeds.uaa.alaska.edu/akweeds_ranking_page.htm) for detailed information about each species.

Eradication of invasive plants is an important activity in any Invasive Species Program, and must be linked with native plant restoration and effectiveness monitoring programs. Decisions to undertake treatment are based on several factors including a landscape analysis of sensitive habitats, site vulnerability, modes of spreading, and traits of individual species including reproductive mechanisms and dispersal capabilities. Certain species with a lower invasive ranking overall may be a higher priority for treatment and control over a more highly ranked species, based on a specific threat. For example, treatments to prevent Canada thistle from entering a wetland or garlic mustard from overtaking a subsistence berry patch would likely be higher priorities than eradicating

knotweed restricted to the roadside, even though knotweed is considered a more aggressive invasive species. Likewise a species that is ranked relatively low may be important to eradicate if it is a small, incipient population that only occurs at a few sites across the state. Individual site evaluations will be needed to determine appropriateness and priority of treatments.

Increasing awareness of invasive plants within urban/rural gardening communities is an important prevention activity. Common mullein (*Verbascum thapsus*) scored 53 in the Weed Ranking Project and is unfortunately being tried as an ornamental planting by gardeners in south-central Alaska. By adding this species to its "Do Not Plant" list, the Cooperative Extension Service is attempting to eradicate small populations of this plant before it naturalizes[2].

Although invasive plant populations in Alaska are currently small, in time these populations can be expected to expand and may compromise natural ecosystems and habitats (Williamson 1996). By acting now with comprehensive inventories and eradication, monitoring, and prevention strategies, the threat from invasive plants may be manageable. It is important to recognize, however, that no other state or Canadian province has been successful in limiting the spread of invasive plants to date. Results of current invasive plant surveys conducted in Alaska suggest highest invasive plant occurrences in areas of local disturbance, including industrial, commercial, and residential sites, highways and roads, campgrounds, trailheads, and other recreational areas (DeVelice 2003, Duffy 2003, Lapina and Carlson. 2005). The Alaska Committee for Noxious Invasive Plant Management (CNIPM) formed recently as a statewide network to deal with invasive plant issues, and is an important resource for individuals and organizations interested in managing invasive plants (Alaska Committee for Noxious and Invasive Plants Management 2004). Local collaborative efforts to target species of concern must be developed to make decisions on eradication, as the nature of threat will be different across the range of environmental and site conditions. Target species in the interior of Alaska may be different than in coastal areas because of climate variation, number of roads, and wetland and wilderness habitats that may facilitate or limit spread of invasive plants.

Preventing the spread of invasive plants requires the cooperation of community members and organizations to provide a unifying focus for various land management activities. Cities and boroughs, environmental groups, and others must work collaboratively with land management agencies to prevent invasive plants from spreading within local communities and across the Alaskan landscape.

Invasive (and Non-native) Terrestrial Animals

Although non-native terrestrial animal species are found in Alaska, few are considered invasive or threatening to ecosystem health and integrity. In this assessment we identify terrestrial animals that have been introduced to coastal habitats in Alaska, even if they are not considered to be invasive at this time. Rats and other rodents, raccoons, hares,

[2] Shephard, Michael. 2005. Personal Communication. Ecologist, USDA Forest Service, State and Private Forestry, Suite 202, 2201 'C' Street, Anchorage, AK 99503

pigeons, starlings and slugs have been introduced to southeast and south-central Alaska and occur on National Forest lands. Some species were transplanted in various Alaskan locations to establish additional hunting or trapping opportunities. Elk were introduced to Afognak Island and southeast Alaska, and marten and red squirrels were transplanted into new habitats in southeast Alaska. Other introduced species include foxes, rabbits, muskox and bison; however, none of these species occupy habitats on National Forest lands.

Concentrations of Norway rats (*Rattus norvegicus* Berkenhout) occur throughout Alaska, in areas of human settlement or on coastal islands with abundant food resources. Rats likely became established along Alaska coastal islands following shipwrecks of early European explorers. Seaports continue as points of entry today (Jarrell et al. 2001). Ground-nesting birds can be negatively affected when rats colonize islands, as observed in the Aleutian and Queen Charlotte Islands (Murie 1959). This has resulted in a rat-trapping program in the Alaska Maritime Refuge System and in the Aleutian and Pribilof Islands. It is unknown what impacts rats may be having on nesting shorebirds of forested islands and other habitats in coastal Alaska. Small rodents, in particular the house mouse (*Mus musculus* Linnaeus), are likely to occur in close proximity to human habitation. House mice are commensally adapted with people, and although they are present throughout the state, exact local distributions are unknown (National Wildlife Federation 2003). There is no evidence of serious harm caused by mice.

Raccoons (*Procyon lotor* Linnaeus) were first introduced in the mid-1930s on Long Island near Kodiak and on Baranof and Prince of Wales Islands (Jarrell et al. 2001). Later introductions occurred in southeast Alaska, but with limited survival of individuals. The current population distribution of raccoons in Alaska is very small and not considered a threat to coastal Alaskan ecosystems.

Snowshoe hares (*Lepus americanus* Erxleben) were transplanted to Juneau and Douglas Island in 1924, as well as to Kodiak Island and several Aleutian Islands (Davis 1979). Generally, introductions of hares and rabbits to the wet, forested islands of southeast Alaska have been unsuccessful, with hares persisting elsewhere in low numbers. Any detrimental impact is considered to be low.

Rock doves or pigeons (*Columba livia*) and starlings (*Sturnus vulgaris*) are both well established in the cities and boroughs of Alaska north to Fairbanks (Kessel 1979, Gibson and Andres 2002). These birds are often considered pests by humans, but may not pose threats to wildlife species in Alaska. Although starlings are known as competitors to other cavity-nesting birds, the extent of their impact in Alaska in unknown.

Garden slugs (*Arion* sp.) have been found in clusters in small towns and boroughs in Alaska, most notably Anchorage, Cordova, and Yakutat. The European black slug (*Arion ater*) and leopard slug (*Limax maximus*), the most common species in Alaska, were most likely imported on horticultural materials. People in Anchorage and Cordova have raised concerns about slugs invading home gardens. It is assumed that slugs are able to overwinter in Cordova and Yakutat, and there is some concern that slugs may

move from towns into adjacent wetland habitats. It is unknown if non-native slugs are invasive or pose a threat to native vegetation or communities (Wittwer 2005),

Elk (*Cervus elaphus* Linnaeus) are not native to Alaska but were historically introduced to develop sport-hunting opportunities in south-central and southeast Alaska. Although elk are not traditionally considered an invasive species, questions exist about the effects of their population expansion. As early as 1929 elk were successfully transplanted to Afognak Islands (Van Daele and Crye 2004), but early attempts at transplants were unsuccessful in southeast Alaska. In 1987 elk were successfully established on Etolin Island in southeast Alaska (Lowell 2004). The established population on Afognak still persists, as does the population on Etolin and Zarembo Islands in southeast Alaska. Sightings have been reported for five other islands in southeast Alaska including Wrangell, Mitkof, Kupreanof, Prince of Wales and Farm islands (USDA Forest Service 2005). There are concerns that increasing elk densities will result in increased competition with native Sitka black-tailed deer (*Odocoileus hemionus* Rafinesque), an important subsistence and sport-hunting species. There is wide overlap in the habitat and diets of these two species and increases in elk population densities may lead to declines in deer densities where the two species occur together (Lowell 2004).

Range extensions of native species have been encouraged by transplants of individual animals from one area into unoccupied suitable habitats. These transplants are generally viewed as beneficial to improve hunting and trapping opportunities, but the transplanted animals may also be considered non-native to that particular system. Sitka black-tailed deer have been introduced to Prince William Sound, Yakutat, and Kodiak/Afognak Islands (Alaska Department of Fish and Game 2003). American marten (*Martes Americana* Turton) and red squirrels (*Tamiasciurus hudsonicus* Erxleben) were released in southeast Alaska to support expanding furbearer populations. Red squirrels were released on Baranof, Chichagof, and Admiralty Islands in the 1930s to supplement the diet of marten, and are not considered invasive (USDA Forest Service undated). American marten were released on Prince of Wales and Baranof Islands in 1934 and to Chichagof Island in 1949. Marten are well-established on these islands and now exist on adjacent islands. There has been recent recognition of two species of pine marten (*Martes americana* and *Martes caurina*), the latter being native to southeast Alaska (MacDonald and Cook 2000). It is unknown whether populations of *M. americana* have different life history strategies than *M. caurina*, although populations of both species may be found in places such as Admiralty Island. It has been suggested that divergence in life history traits may be reflected in different responses to forest management in southeast Alaska.[3] [4]

The European rabbit (*Oryctolagus cuniculus* Linnaeus) occurs on several islands in Alaska (Burris and McKnight 1973). Harvestable populations of European rabbits have

[3] Cook, J. 2005. Personal Communication. Professor, Department of Biological Sciences, Idaho State University, Pocatello, Idaho.

[4] Smith, W. 2005. Personal Communication. Research Wildlife Ecologist, USDA Forest Service, Forestry Sciences Lab, Juneau, Alaska 99801

evolved from unknown numbers introduced in the Aleutian Archipelago on Umnak Island in 1930 and on Rabbit Island in 1940. The time of the release on Hog Island (near Amuknak Island) is unknown. One male and three female rabbits placed on Middleton Island in the Gulf of Alaska in 1954 (O'Farrell 1965) produced a population of between 3,600 and 7,000 by 1961. These rabbits are primarily vegetarians; although there may be negative effects to native vegetation, there may be benefit to avian predators such as eagles.

The threats from invasive animals in Alaska at this point in time are very low, with a few exceptions. Rats are detrimental in coastal ecosystems because they prey on bird nests and impact breeding bird colonies; yet, little is known of rat distribution across coastal forests of Alaska. Other species of interest include non-native slugs and any effects they may be having on native vegetation in estuaries and marshes. It is unknown if these slugs escape the borders of towns such as Yakutat and Cordova, and move into sensitive environments. While elk are not considered an invasive species generally, population numbers of this introduced species are increasing in southeast Alaska. Negative effects are expected for local deer populations, and management plans will need to consider these factors. Because the Alaska Department of Fish and Game has primary responsibility for wildlife in Alaska, any considerations of invasive wildlife management must be coordinated through the Department.

Invasive Aquatic Organisms

Aquatic ecosystems in Alaska are some of the most pristine environments in the world. These high-quality habitats support important subsistence fish harvests, world class sport and commercial fishing opportunities, and a variety of outstanding recreational activities. Maintaining these high-quality environments in Alaska is a priority for all land management agencies. Aquatic habitats may be the most vulnerable to invasion by non-native species because of inherent transport capabilities of flowing water.

A number of non-native fish have been introduced into Alaskan waters over time. Fish species diversity is quite low in Alaska compared to other high-latitude regions of the world, due to physical barriers and geologic history. This has led to illegal introduction of fish from other high-latitude environments in order to establish new fishing opportunities. Because of the wide seasonal ranges in temperature, many of these introduced northern species are extremely hardy and adaptable. These introductions, along with inadvertent transplants of non-sport organisms, pose a serious threat to aquatic ecosystems in Alaska.

Eleven aquatic species are included in this assessment. Six species have already established breeding populations in National Forest lands and other areas in Alaska and include northern pike (*Esox lucius* Linnaeus), yellow perch (*Perca flavescens*), red-legged frog (*Rana aurora*), Pacific chorus frog (*Pseudacris regilla*), rainbow trout (*Oncorhynchus mykiss* Walbaum), and brook trout (*Salvelinus fontinalis*). The other five species are not established in Alaska yet, but cause widespread problems in the lower 48 states and could become problematic in Alaska. These species of concern are the Atlantic salmon (*Salmo salar*), Chinese mitten crab (*Eriocheir sinesis*), New Zealand

mudsnail (*Potamopyrgus antipodarum* Gray), goldfish (*Carassius auratus*), and the signal crayfish (*Pacifacstacus leniusculus*).

The northern pike was identified as the species of greatest immediate concern in the Alaska Aquatic Nuisance Species Management Plan (Fay 2002). The pike is native (endemic) to interior Alaska but not to Cook Inlet drainages, to Prince William Sound drainages, or, with the exception of one isolated population, to southeast Alaska (Fay 2002). Introduced populations of pike have become established throughout the Susitna River drainage, parts of the Kenai system, and a series of small ponds in Yakutat. These introduced populations have proven to be able to spread quickly and virtually eliminate other species in some habitats (Fay 2002). Pike may have a significant effect on salmon production in these systems. Once the introduced population spreads into a complex habitat of interconnected bodies of water, it is likely impossible to control or eliminate. The introduced population in Yakutat may still be contained within the small pond system. If this is so, it could be eliminated before it spreads throughout the Yakutat forelands.

The other five species that have known established populations are the yellow perch, red-legged frog, Pacific chorus frog, rainbow trout, and brook trout. The yellow perch was likely established in a small lake on the Kenai Peninsula by a person wishing to establish a new sport fishery (Fay 2002). This population is thought to have been removed with the use of pesticides.

Introduced non-native frogs have the potential to displace native amphibians from local ecosystems. The red-legged frog, native to the Pacific Northwest, has established populations on Chichagof Island throughout the Pavlov Bay drainage (MacDonald 2003). It is thought they were released there by a schoolteacher at the Freshwater Bay logging camp in 1982 or 1983. Frogs seen elsewhere on the island, near Freshwater Bay and possibly Hoonah, may be this species (MacDonald 2003). Recent surveys suggest range expansion of this species, and the red-legged frog is now found in several drainages along the west coast of Chichagof Island. Its impact to local ecosystems is unknown. At a minimum, the red-legged frog may displace endemic boreal toads (*Bufo boreas*) and/or wood frogs (*Rana sylvatica*). The red-legged frog's ability to persist and spread across drainages may represent a significant threat to local amphibian populations.
The introduced Pacific chorus frog has an established breeding population in a single pond complex on Revilla Island near Ward Lake. This population is thought to have been established in the 1960s (MacDonald 2003). Because boreal toads and rough-skinned newts (*Taricha granulose* Skilton) have successfully reproduced within the same pond complex in recent years, we may conclude that the population of chorus frogs is having little impact on native amphibians. However, this situation may change over time.

Rainbow trout and brook trout were stocked throughout southeast and south-central Alaska through the early 1900s (Fay 2002). The transplanted rainbow trout were from endemic stocks as well as from populations in the lower 48 states. The brook trout were brought up from the lower 48 and introduced to provide new sport fishing opportunities. Accurate records of these original introductions generally do not exist, and most did not

result in self-sustaining populations. The few successful introductions, however, have resulted in a number of healthy rainbow and brook trout populations scattered throughout the Tongass and Chugach National Forests. There is little concern about negative impacts, however, because endemic rainbow populations occur throughout both forests and negative impacts have not been recorded in species that share habitat with the introduced rainbow trout. Introduced brook trout are another story. Generally, where brook trout have become established, endemic Dolly Varden (*Salvelinus malma* Walbaum) are not found. The brook trout may have eliminated the endemic Dolly Varden populations, or it is possible Dolly Varden did not initially exist in these systems. Introduced brook trout populations have been a major contributing factor to the significant declines in bull trout (*Salvelinus confluentus* Suckley) populations in the Pacific Northwest (Rieman et al. 1977).

Since the 1970s, Atlantic salmon that escaped from salmon farming operations in British Columbia have had access to Alaska's coastal waters and fresh water streams. They appear in the commercial saltwater catch and occasionally in fresh water (Alaska Department of Fish and Game 2002). Reproduction has not been observed in Alaska; however, reproduction has taken place in British Columbia streams (Alaska Department of Fish and Game 2002, Volpe et al. 2000). There are concerns that established populations of Atlantic salmon could have significant negative impacts on the local salmon and trout populations and related industries. Control or elimination of established Atlantic salmon populations may be possible depending on the size and complexity of the watersheds involved. Alaska Department of Fish and Game has extensive information regarding Atlantic salmon at the following website: http://www.adfg.state.ak.us/special/as/as_home.php.

Chinese mitten crab, the New Zealand mudsnail, and goldfish are exotics that have become established in the Pacific Northwest and could become established in Alaska in the near future (Fay 2002). The Chinese mitten crab is likely transported by sea-going ships through the uptake and discharge of ballast water. This catadromous species (migrating from freshwater to the sea to breed) has significantly altered the ecosystems in places where it has become established (Sea Grant Washington 2000). Mitten crabs are highly mobile, and efficient predators that in large numbers can cause impacts to local fish populations and to commercial fishing operations (Fay 2002). Alaska Department of Fish and Game has extensive information regarding the Chinese mitten crab at the following website: http://www.wsg.washington.edu/outreach/mas/nis/mittencrab.html.

The New Zealand mudsnail is an exotic organism recently introduced to the western United States, and is currently documented in all western states except New Mexico (Montana State University 2005, U.S. Fish and Wildlife Service 2004). This organism can quickly colonize freshwater environments and dominate the invertebrate community. The mudsnail can alter aquatic ecosystems by consuming large portions of the food resources, outcompeting and physically crowding native species. Mudsnails are spread via fishing gear such as boots and waders, as well as by boat trailers and other equipment.

Goldfish have become a nuisance species throughout the world (Fossa 2004).

The one known established breeding population of goldfish in Alaska occurred on the Clear Airforce Base and was eradicated with the use of pesticides. This population established in a power plant water cooling system and became very dense before successful eradication (Fay 2002). Five large goldfish were removed from a small pond near the Mendenhall Glacier near Juneau, Alaska in 2002. Analysis of the scales showed that the fish were in the wild for 3 years prior to their capture and that they grew very well in the wild[5]. Goldfish could become a problem in small streams and ponds that are important for rearing salmon but do not have many larger predatory fish. This might be the case in some of the smaller urban streams. The mitten crab, mudsnail and goldfish are examples of species that could have impacts on the endemic salmon and trout populations and the industries that rely on them. Once established, control or elimination of these species is unlikely.

The signal crayfish is endemic to the western United States but has become an invasive species throughout the world (Fay 2002). Single individuals have been found on Kodiak Island and near Kenai. Breeding populations have not been found in Alaska, however. Where they have become invasive in many parts of Europe, they have had significant impacts on the local ecosystems (Scottish Fisheries Research Service 2005) by preying on local crayfish, carrying disease, preying on fish eggs and fry, and altering aquatic trophic structures.

An additional aquatic species, the invasive plant Eurasian milfoil, is a threat to aquatic systems. Although not documented yet in Alaska, it is a serious problem throughout the lower 48 states (National Invasive Species Council 2005). This species can become established by the introduction of small pieces of stem material, and is spread through the aquarium industry as well as by boats, trailers, and other water sports equipment. Once established, Eurasian milfoil can dominate its new environment with thick mats that shade out endemic plant species. It can reduce species diversity and increase eutrophication in some pond habitats. Eurasian milfoil is hard to control and likely impossible to eradicate once it is established. Refer to the Invasive Plant section of this document and the associated references for more information about Eurasian milfoil.

Aquatic ecosystems in Alaska are vulnerable to introduced organisms that could seriously impact system function and cause declines in native fish populations. While all of the introduced aquatic organisms are of concern, existing populations of northern pike generate the highest current threat to aquatic systems. If Atlantic salmon becomes established in coastal Alaska the impacts on native salmon populations could be severe. Similarly, introductions of Chinese mitten crab, New Zealand mudsnail, and crayfish will be difficult to control if breeding populations become established. Consideration of invasive aquatic species management must be coordinated through the Alaska Department of Fish & Game.

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Invasive Pathogens

Invasive pathogens have had devastating ecological, economic, and social effects on forests in the United States (Anonymous 1991, Liebold et al. 1995, Ciesla 2002). White pine blister rust (*Cronartium ribicola*), Dutch elm disease (*Ceratocystis ulmi*), chestnut blight (*Cryphonectria parasitica*) and more recently, sudden oak death (*Phytophthora ramorum*) are all examples of large-scale tree mortality to native tree species. In each example, the native tree species lacked genetic resistance to the introduced pathogen because the two did not co-evolve. In the example of chestnut blight, the introduced pathogen killed every chestnut tree in its native range (Worrall 2005). Alaskan forests may be particularly vulnerable to introduced pathogens because of the relatively small number of native tree species and their narrow genetic base. Many pathogenic fungi primarily disseminate by spores on air currents and can quickly spread over large distances. The introduction of a single pathogen capable of killing one of Alaska's tree species could have enormous consequences for forest ecosystems throughout the state.

Fortunately, to date, Alaskan forests have not been affected by any such introduced tree pathogen (Holsten et al. 2001). Several tree pathogens are known to have been introduced, but their spread has been limited by the available host plants that each can infect. Fungal pathogens such as white pine blister rust (*Cronartium ribicola*) and black knot (*Apiosporina morbosa*), and the bacterial fire blight pathogen (*Erwinia amylovora*) have been introduced into ornamental plantings at several locations, but these organisms are not capable of causing widespread damage to our native tree species (Wittwer 2004).

Without any known significant introductions, the regional strategy for pathogens will focus on prevention and early detection. Unfortunately, the national database on invasive tree pathogens ("EXFOR", North American Forest Commission Exotic Forest Pest Information System http://spfnic.fs.fed.us/exfor/) has few entries on pathogens that could threaten Alaskan tree species. Thus, an assessment of such pathogens is underway by USDA State and Private Forestry forest health specialists, and will be completed in late 2005. This is challenging because minor tree pathogens in their endemic ranges can become epidemic and become agents of major tree mortality on new hosts and in new environments. This assessment evaluates pathogens native to Europe and Asia that attack tree species whose genera are represented in Alaska (e.g., spruce (*Picea*), hemlock (*Tsuga*), birch (*Betula*), etc.), and determines the type of disease they cause, their climatic limitations, and avenues of movement. The type of disease caused (i.e., root, stem canker, vascular wilt, foliar) can indicate the most likely means of introduction. This preliminary assessment has yielded the names of 13 pathogens that are not presently in Alaska, but if introduced, could threaten our native tree species. Species such as *Chrysomyxa abietis* (foliar rust of spruce), *Didymascella chamaecypari* (cedar shot hole), *Cistella japonica* (resinous stem canker), *Seiridium cardinale* (foliar and stem cankering pathogen of cedars), *Phytophthora lateralis* (root disease of cedar), and *Taphrina betulina* (foliar disease of birch) are among the potentially damaging fungi. The pine wilt nematode (*Bursaphelenchus xylophilus*) could cause a vascular wilt to spruce and pine in Alaska, and if ever introduced with its insect vector (the sawyer beetles, *Monochamus* spp.), would disrupt export of spruce wood from Alaska. Our assessment also documents

that many species of tree pathogens already have a circumpolar distribution and are native throughout Europe, Asia, and North America, including Alaska.

Knowledge of probable pathways for potential introductions will be the cornerstone of prevention and early detection. Most tree pathogens are likely to be introduced on live plant material, with ornamental plants in urban areas and towns as the most probable source. Christmas trees and wood products represent other likely sources. Thus, prevention will be conducted through public outreach efforts such as leaflets, brochures, and education and training sessions. The preliminary evaluation of potential pathogens from around the world will provide the names of pathogens that will be the focus of early detection. Monitoring for these potential pathogens occurs in nurseries and landscaping plant outlets, and will also involve observations on native trees located in strategic locations as bio-assays for early detection. Control of any introduced pathogen that is considered threatening should be conducted before it becomes established. Historically, eradication or control of established pathogens has been extremely difficult. Evaluation of economic or ecological impact should be conducted to justify the cost and any negative environmental consequences of control efforts. Restoration usually involves programs aimed at breeding for disease resistance to re-establish the native tree species that was affected. Such programs are expensive, involve long-term commitment, but have proven to be effective.

Currently, no serious outbreaks of invasive tree pathogens are found in Alaska. Thus, prevention and early detection will be the focus of most management effort toward invasive tree pathogens. The foliar rust of spruce, *Chrysomyxa abietis*, probably represents the largest potential threat. Other noteworthy potential pathogens include the foliar, stem, and root fungi of cedars, the foliar pathogen of birch, and pine wilt nematode of spruce and pine.

Invasive Insects

Invasive insects are among the most serious threats to forest ecosystems of the United States, including Alaska (Mattson 1997). Insects that are native to Canada and the lower 48 states as well as species introduced from other continents threaten native Alaskan ecosystems. The movement of insects into Alaska from the lower 48 or Canada is the most serious, and most likely threat, regardless if these insects originate from the North American continent or not. Because Alaska is increasing its role in international trade, other likely pathways of introduction for exotics are ports-of-entry. Once established, introduced insect populations can explode, and potentially bring about widespread ecological change to Alaska's forested ecosystems (Mattson 1997).

To date, several invasive species have become established in the forests of Alaska (Wittwer 2005). Some examples are larch sawfly (*Pristiphora erichsonii*), alder woolly sawfly (*Eriocampa ovata*), spruce aphid (*Elatobium abietinum*), and amber-marked birch leafminer (*Profenusa thomsoni*). Spruce aphid was probably introduced into southeast Alaska about 80 years ago, but appears to be causing more damage to spruce as the climate warms. Present on the continent for over 100 years, the amber-marked birch leafminer was introduced into south-central, interior, and southeast Alaska in the late

1990s. Populations are now established, and severe defoliation on more than 100,000 acres has occurred in south-central Alaska. The western tent caterpillar (*Malacosoma californicum*), a native to the lower 48 and Canada, has also been introduced into the Anchorage Bowl three times on nursery stock used for landscaping. Fortunately, these introduced populations were quickly eradicated.

Prevention is the first priority and will be conducted through public outreach efforts such as leaflets, brochures, and education and training sessions. This outreach will target both the public and natural resource managers and will focus on the risks and dangers associated with introduced insect pests. One such example of early detection and rapid response is the gypsy and nun moth trapping that is being conducted throughout Alaska. USDA Animal and Plant Health Inspection Service (APHIS) and the Integrated Pest Management Technician Program initiated this pheromone-based detection and trapping system over a decade ago, and it will likely continue on an annual basis. Likewise, a National Exotic Woodborer/Bark Beetle Early Warning Detection Program has been initiated in Alaska and will be carried out annually in cooperation with Alaska State and Private Forestry, Forest Health Protection staff and specialists from the Alaska State Division of Forestry.

A biological control program for the amber-marked birch leafminer is underway. A host-specific parasitoid was released in south-central Alaska in 2004 and releases will continue in 2005 and 2006. This is a cooperative program of the USDA APHIS & FS, Alaska Division of Forestry, University of Alberta, Canadian Forestry Service, and the Municipality of Anchorage.

The introduced larch sawfly has defoliated thousands of acres of tamaracks and caused extensive mortality throughout Alaska's interior forests. This insect was introduced to south-central Alaska and is defoliating ornamental Siberian larch as far south as Homer. Evaluations are ongoing to determine the amount and extent of larch mortality, and to determine if genetic conservation practices are needed to restore these severely impacted forested ecosystems.

When the insects on the list of current and potential invasive insect species are carefully considered using not only immediate tree mortality, but the ability to potentially alter an entire natural system, three species rise to the top. A European scolytid bark beetle (*Ips typographus)* has the potential to destroy large swaths of spruce forest throughout Alaska and greatly impact commercial forestry; the amber-marked birch leaf miner causes widespread defoliation of all species of birch found in Alaska, but has an unknown long-term effect on forest ecosystems; and the larch sawfly (*Pristiphora erichsonii)* which effectively kills over 80% of any larch tree attaining four inch diameter breast height and thus alters stand composition and threatens a tree species that exists in Alaska at the edge of its range where it has difficulty regenerating.

Conclusions

This invasive species assessment has identified 176 non-native species present in Alaska (Table 1). To date, 42 of these species pose a significant threat for invasion. Sixty-three plants are ranked according to their invasive characteristics and need to be assessed individually within an ecosystem context for relative importance. The highest ranking invasive plant species include Eurasian water-milfoil (not yet found in Alaska), spotted knapweed, Atlantic cordgrass (not yet found in AK), Japanese knotweed, reed canarygrass, giant hogweed (not yet found in AK), white sweetclover, purple loosestrife (no escapement in AK yet), ornamental jewelweed, cheatgrass, Himalayan blackberry, Canada thistle, bird vetch, orange hawkweed, garlic mustard, false brome, and Scotch broom. Additional plant species will be added to the Weed Ranking Project over time, so readers are encouraged to stay current with these changes.

Although many non-native wildlife species have been introduced or transplanted in Alaska, with the exception of rats in coastal ecosystems, and possibly slugs in estuaries and elk in southeast Alaska, none are considered invasive at the present. Of the nine invasive aquatic organisms identified as threats for Alaska, established populations of northern pike pose the greatest immediate concern, while the Atlantic salmon, Chinese mitten crab, and New Zealand mudsnail are species likely to invade Alaska in coming years.

Invasive tree pathogens are not currently damaging Alaskan ecosystems, but there are numerous species that could cause widespread tree mortality if introduced. Four introduced insects are currently established in Alaska: the larch sawfly, alder woolly aphid, spruce aphid, and amber-marked birch leafminer. These insects are causing widespread tree defoliation and mortality. A number of exotic insects pose a potential threat and are related primarily to transport of infested plant and wood products.

Managing invasive species on National Forest lands in Alaska will be challenging. More information must be made available to managers and landowners. Improved interagency cooperation and development of cooperative invasive species management partnerships is needed to contain Alaskan invasive species populations at current levels. The Forest Service is addressing invasive plant management through the Alaska Region Invasive Plant Strategy (2005) and the Chugach and Tongass National Forest Invasive Plant Management Guides (2005). Within the Forest Service, various approaches are in place to address four action elements in the National Strategy and Implementation Plan for Invasive Species Management (USDA Forest Service 2004). These four elements include **prevention, early detection and rapid response, control, and restoration**. Based on this Invasive Species Assessment, a Forest Service Alaska Region Invasive Species Strategy will be prepared during 2005.

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Table 1. Complete list of invasive species considered threats for invasion to National Forest Land in Alaska including plants, terrestrial fauna, aquatic organisms, insects and pathogens.

Invasive Plants

	Common name	Scientific name	Present in Alaska?	Invasive ranking
1	Eurasian water-milfoil	*Myriophyllum spicatum* L.	No	89
2	Spotted knapweed	*Centaurea biebersteinii* DC	Yes	88
3	Atlantic cordgrass, saltmarsh cordgrass, smooth cordgrass	*Spartina alternifolia* Loisel.	No	86
4	Japanese knotweed	*Polygonum cuspidatum* Sieb & Zucc.	Yes	84
5	reed canarygrass, canarygrass	*Phalaris arundicacea* L.	Yes	83
6	Giant hogweed	*Heracleum mantegazzianum* Sommier & Levier	No	81
7	White sweetclover	*Melilotus alba* Medikus	Yes	80
8	Cheatgrass	*Bromus tectorum* L.	Yes	78
9	Ornamental jewelweed	*Impatiens glandulifera* Royle	Yes	78
10	Purple loosestrife, spike loosestrife	*Lythrum salicaria* L. & L. *virgatum* L.	No	78
11	Himalayan blackberry	*Rubus discolor* Wiehe & Nees	Yes	77
12	Canada thistle	*Cirsium arvensis* L. Scop.	Yes	76
13	Bird vetch, cow vetch, tufted vetch	*Vicia cracca* L.	Yes	75
14 15	Orange hawksweed, devil's paintbrush & meadow hawkweed	*Hieracium aurantiacum* L. and *Hieracium caespitosum*	Yes	71
16	Garlic mustard	*Alliara petiolata* (Bieb.) Cavara & Grande	Yes	70
17	False-brome	*Brachypodium sylvaticum*. (Huds.) Beauv.	No	70
18	English broom, scotch broom	*Cytisus scoparius* (L.) Link	Yes	69
19	Bush honeysuckle	*Lonicera tatarica* L.	No	67
20	Siberian pea shrub	*Caragana arborescens* Lam.	Yes	65
21	Yellow sweetclover, king's crown	*Melilotus officinalis* (L.) Lam	Yes	65
22	Common dandelion	*Taraxacum officinale* G.H. Weber ex Wigg	Yes	64
23	Foxtail barley	*Hordeum jubatum* L.	Yes	63
24	Yellow toadflax, butter and eggs	*Linaria vulgaris* Miller	Yes	63
25	Ragwort, stinking willie	*Senecio jacobaea* L.	Yes	63
26	Smooth brome	*Bromus inermis* ssp. *inermis* Leyss.	No	62
27	Oxeye daisy, white daisy	*Leucanthemum vulgare* Lam.	Yes	61
28	Bull thistle, common thistle	*Cirsium vulgare* (Savi) Ten.	Yes	60
29	European bird cherry	*Prunus padus* L.	Yes	60
30	Quackgrass, couchgrass, dog grass	*Elymus repens* (L.) Gould	Yes	59
31	Perennial sowthistle, moist sowthistle	*Sonchus arvensis* L. ssp. *uliginosis* (Bieb.) Nyman	Yes	59
32	White clover, ladino clover	*Trifolium repens* L.	Yes	59
33	Common tansy, garden tansy	*Tanacetum vulgare* L.	Yes	58
34	Baby's breath	*Gypsophila paniculata* L.	No	57
35	Kentucky bluegrass	*Poa pratensis* L.	No	57
36	Sulphur cinquefoil	*Potentilla recta* L.	No	57
37	Alsike clover	*Trifolium hybridum* L.	Yes	57
38	Common timothy	*Phleum pratense* L.	Yes	56
39	Perennial sowthistle	*Sonchus arvensis* L.	Yes	56

Invasive Plants Cont.

	Common name	Scientific name	Present in Alaska?	Invasive ranking
40	Bigleaf lupine	*Lupinus polyphyllus* Lindl.	Yes	55
41	Creeping buttercup and tall buttercup	*Ranunculus repens* L. and *Ranunculis acris* L.	Yes	54
42	European mountain ash, rowan	*Sorbus aucuparia* L.	Yes	53
43	Common mullein	*Verbascum thapsus* L.	No	53
44	Ground ivy	*Glechoma hederacea* L.	No	52
45	Winter vetch	*Vicia villosa* Roth	No	52
46	Purple foxglove	*Digitalis purpurea* (L.)	Yes	51
47	Annual bluegrass	*Poa annua* L.	Yes	51
48	Common yarrow	*Achillea millefolium* var. *millefolium* L.	Yes	49
49	Sneezewort	*Achillea ptarmica* L.	Yes	47
50	Flixweed	*Descurainia sophia* (L.) Webb ex Prantl.	Yes	47
51	Yellow salsify, goat's bear	*Tragopogon dubius* Scop.	Yes	47
52	Scentless false mayweed,	*Tripleurospermum perforata* (Merat) M.	Yes	
53	Scentless chamomile	Lainz		47
54	Dame's rocket	*Hesperis matronalis* L.	No	45
55	Common plantain	*Plantago major* L.	Yes	44
56	Narrow-leaf hawk's beard	*Crepis tectorum* L.	Yes	43
57	Split-lip hemp-nettle	*Galeopsis bifida* Boenn. and G. *tetrahit* L.	Yes	43
58	Common brassbuttons	*Cotula coronopifolia* L.	No	42
59	Lambsquarters	*Chenopodium album* L.	Yes	35
60	Narrow-leaved hawkweed	*Hieracium umbellatum* L.	Yes	35
61	Disc mayweed, pineappleweed	*Matricaria discoidea* DC.	Yes	34
62	Bouncing bet, soapwart	*Saponaria officinalis* L.	Yes	34
63	Wall lettuce	*Mycelis muralis* (L.) Dumort.	No	32
64	Crested wheatgrass	*Agropyron cristatum* L. Gaertn.	Yes	No Rating
65	Creeping bentgrass, red top	*Agrostis gigantea* Roth	Yes	No Rating
66	Colonial bentgrass	*Agrostis tenuis* Sibth.	Yes	No Rating
67	Water foxtail	*Alopecurus geniculatus* L.	Yes	No Rating
68	Meadow foxtail	*Alopecurus pratensis* L.	Yes	No Rating
69	Redroot pigweed	*Amaranthus retroflexus* L.	Yes	No Rating
70	Western pearly everlasting	*Anaphalis margaritacea* (L.) Benth.	Yes	No Rating
71	Mayweed, stinking chamomile	*Anthemis cotula* L.	Yes	No Rating
72	Tower rockcress	*Arabis glabra* L. Bernh.	Yes	No Rating
73	Chickpea milkvetch, cicer milkvetch	*Astragalus cicer* L.	Yes	No Rating
74	Wildoats	*Avena fatua* L.	Yes	No Rating
75	Rape	*Brassica napus* L.	Yes	No Rating
76	Field mustard	*Brassica rapa* L.	Yes	No Rating
77	Purple-topped turnip	*Brassica rapa* L. var. rapa	Yes	No Rating
78	Soft brome	*Bromus hordeaceus* L.	Yes	No Rating
79	Hedge false bindweed	*Calystegia sepium* (L.) R. Br. ssp. sepium	Yes	No Rating
80	Shepherd's purse	*Capsella bursa-pastoris* (L.) Medik.	Yes	No Rating
81	Larger mouse-eared chickweed	*Cerastium fontanum* Baumg. ssp. triviale (Link) Jalas	Yes	No Rating
82	Sticky chickweed	*Cerastium glomeratum* Thuill.	Yes	No Rating

Invasive Plants Cont.

	Common name	Scientific name	Present in Alaska?	Invasive ranking
83	Pitseed goosefoot	*Chenopodium berlanderieri* L.	Yes	No Rating
84	Chicory	*Cichorium intybus*	Yes	No Rating
85	Field bindweed	*Convolvulus arvensis*	Yes	No Rating
86	Orchard grass	*Dactylis glomerata* L.	Yes	No Rating
87	Delphinium	*Delphinium sonnei* Greene	Yes	No Rating
88	Slender hairgrass	*Deschampsia elongata* (Hook.) Munro	Yes	No Rating
89	Siberian wild rye	*Elymus sibiricus* L.	Yes	No Rating
90	Slender wheatgrass	*Elymus trachycaulus*	Yes	No Rating
91	Wormseed wallflower	*Erysimum cheiranthoides* L. subsp. *cheiranthoides*	Yes	No Rating
92	Common dogmustard	*Erucastrum gallicum* (Willd.) O.E. Schulz*	Yes	No Rating
93	Wormseed mustard	*Erysimum cheiranthoides* L. subsp. cheiranthoides	Yes	No Rating
94	Tall fescue	*Festuca arundinacea* (Schreb.) S.J. Darbyshire	Yes	No Rating
95	Brittlestem hempnettle	*Galeopsis tetrahit* L.	Yes	No Rating
96	Annual (common) sunflower	*Helianthus annuus* L.	Yes	No Rating
97	Mouseear hawkweed	*Hieracium pilosella* L.	Yes	No Rating
98	Leporinum barley	*Hordeum murinum* L. spp leporinum (Link)	Yes	No Rating
99	Common barley	*Hordeum vulgare* L.	Yes	No Rating
100	Common St. Johnswort	*Hypericum perforatum* L.	Yes	No Rating
101	Cat's-ears	*Hypochoeris radicata* L.	Yes	No Rating
102	European beggar's lice	*Lappula myosotis* Moench	Yes	No Rating
103	Prickly lettuce	*Lactuca serriola* L.	Yes	No Rating
104	European stickweed	*Lappula squarrosa*	Yes	No Rating
105	Fall dandelion	*Leontodon autumnalis* L.	Yes	No Rating
106	Common pepperweed	*Lepidium densiflorum* Schrad	Yes	No Rating
107	Pineneedle toadflax	*Linaria pinifolia*	Yes	No Rating
108	Italian rye grass	*Lolium multiflorum* Lam.	Yes	No Rating
109	Perennial rye grass	*Lolium perenne* L.	Yes	No Rating
110	Maltesecross	*Lychnis chalcedonica* L.	Yes	No Rating
111	Yellow alfalfa	*Medicago falcata* L.	Yes	No Rating
112	Black medic, hop clover	*Medicago lupulina* L.	Yes	No Rating
113	Burr medic	*Medicago minima*	Yes	No Rating
114	Blfalfa	*Medicago sativa* L.	Yes	No Rating
115	Night-flowering catchfly	*Melandrium noctiflorum* (L.) Fries	Yes	No Rating
116	Spearmint	*Mentha spicata*	Yes	No Rating
117	True forget-me-not	*Myosotis scorpioides* L.	Yes	No Rating
118	Ball mustard	*Neslia paniculata* (L.) Desv.	Yes	No Rating
119	Iceland poppy	*Papaver nudicaule* L.	Yes	No Rating
120	Canary grass	*Phalaris canariensis* L.	Yes	No Rating
121	Ribgrass, buckhorn, English plantain	*Plantago lanceolata* L.	Yes	No Rating
122	Canada bluegrass	*Poa compressa* L.	Yes	No Rating
123	Glaucous bluegrass	*Poa glauca* Vahl.	Yes	No Rating
124	Fowl bluegrass	*Poa palustris* L.	Yes	No Rating

Invasive Plants Cont.

	Common name	Scientific name	Present in Alaska?	Invasive ranking
125	Spreading bluegrass	*Poa subcoerulea* Sm.	Yes	No Rating
126	Rough bluegrass	*Poa trivialis* L.	Yes	No Rating
127	Knotweed	*Polygonum aviculare* L.	Yes	No Rating
128	Black bindweed, wild buckwheat	*Polygonum convolvulus* L.	Yes	No Rating
129	Willow weed	*Polygonum lapathifolium* L.	Yes	No Rating
130	Silverweed	*Potentilla anserina* L.	Yes	No Rating
131	Norwegian cinquefoil	*Potentilla norvegica* L.	Yes	No Rating
132	Sheep sorel	*Rumex acetosella* L. ssp. acetosella	Yes	No Rating
133	Curled dock	*Rumex crispus* L.	Yes	No Rating
134	Garden dock	*Rumex longifolius* DC.	Yes	No Rating
135	Bitter dock	*Rumex obtusifolius* L.	Yes	No Rating
136	Common groundsel	*Senecio vulgaris* L.	Yes	No Rating
137	Green bristlegrass	*Setaria virdis* L. Beauv.	Yes	No Rating
138	Red catchfly	*Silene dioica* (L.) Clairville	Yes	No Rating
139	Bladder campion	*Silene latifolia* Poir.	Yes	No Rating
140	White mustard	*Sinapis alba* L.	Yes	No Rating
141	Tumbling mustard	*Sisymbrium altissimum* L.	Yes	No Rating
142	Spurry	*Spergula arvensis* L.	Yes	No Rating
143	Purple sand spurry	*Spergularia rubra* (L.) J.& K. Presl	Yes	No Rating
144	Common chickweed	*Stellaria media* (L.) Vill.	Yes	No Rating
145	Common comfrey	*Symphytum officinale*	Yes	No Rating
146	Pennycress	*Thlaspi arvense* L.	Yes	No Rating
147	Red clover	*Trifolium pratense* L.	Yes	No Rating
148	Wheat	*Triticum aestivum* L.	Yes	No Rating
149	Thyme-leaf speedwell	*Veronica serpyllifolia* L. subsp. serpyllifolia	Yes	No Rating
150	Johnny jumpup	*Viola tricolor* L.	Yes	No Rating

Invasive Terrestrial Fauna

	Common name	Scientific name	Present in Alaska?	Invasive ranking
1	Norway rat	*Rattus norvegicus*	Yes	High
2	European black slug	*Arion ater*	Yes	Low
3	Garden slug	*Arion spp.*	Yes	Low
4	Leopard slug	*Limax maximus*	Yes	Low
5	Elk	*Cervus elaphus*	Yes	Moderate
6	House mouse	*Mus musculus*	Yes	Low
7	Starling	*Sturnus vulgaris*	Yes	Low
8	Rock dove	*Columba livia*	Yes	Low

Invasive Aquatic Species

	Common name	Scientific name	Present in Alaska?	Invasive ranking
1	Chinese mitten crab	*Eriocheir sinesis*	No	High
2	Northern pike	*Esox lucius*	Yes	High
3	Eurasian water-milfoil	*Myriophyllum spicatum*	No	High
4	Signal crayfish	*Pacifacstacus leniusculus*	Yes	High
5	Yellow perch	*Perca flavescens*	No	High
6	New Zealand mudsnail	*Potamopyrgus antipodarum*	No	High
7	Red-legged frog	*Rana aurora*	Yes	High
8	Atlantic salmon	*Salmo salar*	Yes	High
9	Pacific chorus frog	*Pseudacris regilla*	Yes	Low
10	Rainbow trout	*Oncorhynchus mykiss* Walbaum	Yes	Low
11	Brook trout	*Salvelinus fontinalis*	Yes	Low
12	Goldfish	*Carassius auratus*	Yes	Low

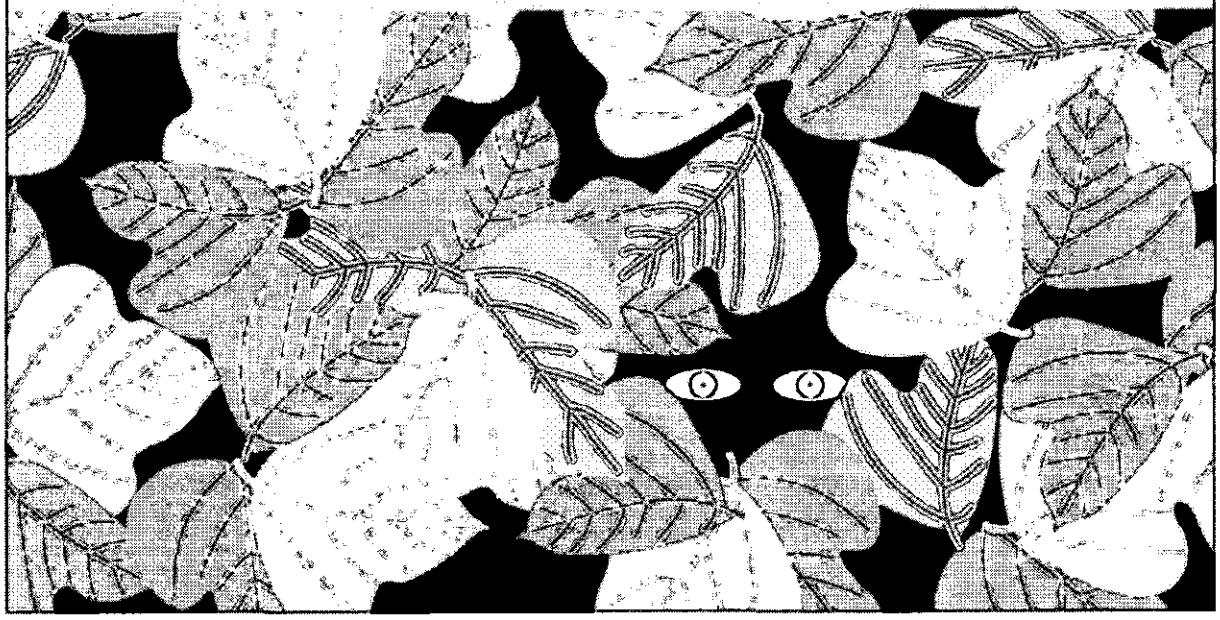
Invasive Pathogens

	Common name	Scientific name	Present in Alaska?	Invasive ranking
1	Spruce needle rust	*Chrysomyxa abietis* (Wallr.) Unger	No	High
2	Rhododendron-spruce needle rust	*Chrysomyxa ledi* var. *rhododendri* (de Bary.) Savile	No	Moderate
3	Resinous stem canker	*Cistella japonica* Suto et Kobayashi	No	Moderate
4	Cedar shot hole	*Didymascella chamaecyparidis* (J. F. Adams.) Maire	No	Moderate
5	Cedar leaf blight	*Lophodermium chamaecyparissi* Shir & Hara.	No	Moderate
6	Poplar rust	*Melampsora larici-tremulae* Kleb.	No	Moderate
7	Seiridium shoot blight	*Seiridium cardinale* (Wagener) Sutton & Gibson	No	Moderate
8	Phytophthora root disease	*Phytophthora lateralis* Tucker & Milbrath	No	Moderate
9	Needle and twig blight	*Acanthostigma parasiticum* (Hart.) Sacc.	No	Low
10	Black knot	*Apiosporina morbosa* (Schwein.:Fr.) Arx	Yes	Low
11	Pine wilt nematode	*Bursaphelenchus xylophilus*	No	Low
12	White pine blister rust	*Cronartium ribicola* J.C. Fischer: Rabh.	Yes	Low
13	Fire blight	*Erwinia amylovora* (Burrill) Winslow	Yes	Low
14	Sudden oak death	*Phytopthora ramorum* Werres deCock Man in't Veld	No	Low
15	Birch leaf curl	*Taphrina betulae* (Fckl.) Johans.	No	Low
16	Birch witches broom	*Taphrina betulina* Rostr.	No	Low
17	Valsa canker	*Valsa harioti*	No	Low

Invasive insects

	Common name	Scientific name	Present in Alaska?	Invasive ranking
1	Pine moth	*Dendrolimus pini* (L)	No	High
2	European spruce beetle	*Ips typographus* L.	No	High
3	Asian gypsy moth	*Lymantria dispar* L.	No	High
4	Nun moth	*Lymantria monacha* (L.)	No	High
5	Western and forest tent caterpillars	*Malacosoma californicum* (Packard) and *Malacosoma disstria* (Hübner)	No	High
6	Larch sawfly	*Pristiphora erichsonii* (Hartig)	Yes	High
7	Amber-marked birch leafminer	*Profenusa thomsoni* (Konow)	Yes	High
8	Brown spruce longhorn beetle	*Tetropium fuscum* (F.)	No	High
9	Woolly spruce aphid	*Adelges abietis* (L.)	No	Moderate
10	Hemlock woolly adelgid	*Adelges tsugae* Annand	No	Moderate
11	Asian longhorned beetle	*Anoplophora glabripennis* (Motschulsky)	No	Moderate
12	Larch casebearer	*Coleophora laricella* (Hübner)	No	Moderate
13	Spruce aphid	*Elatobium abietinum* (Walker)	Yes	Moderate
14	Birch leafroller	*Epinotia solandriana* L.	Yes	Moderate
15	Birch leafminer	*Fenusa pusilla* (Lepeletier)	Yes	Moderate
16	Larch engraver	*Ips cembrae* (Heer)	No	Moderate
17	European gypsy moth	*Lymantria dispar* (L.)	No	Moderate
18	Sitka spruce weevil	*Pissodes strobe* (Peck)	Yes	Moderate
19	Eastern spruce gall aphid	*Adelges piceae* (Ratzburg)	Yes	Low
20	Uglynest caterpillar	*Archips cerasivorana* (Fitch)	Yes	Low
21	Alder woolly sawfly	*Eriocampa ovata* (L.)	Yes	Low
22	European alder sawfly	*Hemichroa crocera* (Fourcroy)	No	Low
23	Birch-edge leafminer	*Heterarthrus nemoratus* (Fallen)	Yes	Low
24	Currantworm	*Nematus ribesii* (Scopoli)	Yes	Low
25	Strawberry root weevil	*Otiorhynchus ovatus* (L.)	Yes	Low
26	European pine shoot moth	*Rhyacionia buoliana* (Schiffermüller)	No	Low

THE NATIONAL INVASIVE SPECIES COUNCIL (NISC)



2008 – 2012 National Invasive Species Management Plan

August 2008

PREPARE | PREVENT | PROTECT

National Invasive Species Council

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Executive Summary

Invasive Species introduced into the United States from around the globe are affecting plant and animal communities on our farms, ranches and coasts; and in our parks, waters, forests, and backyards. As global climate patterns shift, the distribution of species will change, and so will the susceptibility of particular habitats to the impacts of new species introductions. Human activity such as trade, travel and tourism have all increased substantially, increasing the speed and volume of species movement to unprecedented levels. Invasive species are often unintended hitchhikers on cargo and other trade conveyances. Still more species are deliberately introduced as pets, ornamental plants, crops, food, or for recreation, pest control or other purposes. Most nonnative species, including most of our sources of food and fiber, are not harmful; and many are highly beneficial. A small percentage of nonnative species cause great harm to the environment, the economy or human health. Nonnative species that cause harm are collectively known as invasive species.

It is difficult to estimate the total economic harm caused by invasive species, however invasive plants alone result in two to three billion dollars in crop loss each year (Bridges 1992). Aquatic invasive species clog irrigation canals and pipes that supply water to power plants and factories. Invasive plants, pathogens and parasites cut crop yields and sicken livestock. Humans can be affected directly. Invasive ants cause painful stings. Invasive plant pollen increases the severity of respiratory allergies and the sap of the invasive plant, Giant Hogweed, causes blisters on the skin that can lead to permanent scarring. West Nile Virus (WNV) is an invasive pathogen of humans and animals. As of July 2008, the Centers for Disease Control and Prevention report that 1,086 deaths in the United States were caused by WNV (CDC 2008).

Invasive species (such as kudzu, snakehead fish, zebra mussels, emerald ash borers, sea lamprey, tree of heaven, hydrilla, nutria, West Nile virus, and Sudden Oak Death pathogen) may prey upon, displace or otherwise harm native species. Some invasive species also alter ecosystem processes, transport disease, interfere with crop production, or cause illnesses in animals and humans; affecting both aquatic and terrestrial habitats. For these reasons, invasive species are of national and global concern.

Invasive species populations span geographic and jurisdictional boundaries; thus efforts to manage invasive species must be coordinated across boundaries. In 1999, Executive Order (EO) 13112 established the National Invasive Species Council (NISC), co-chaired by the Secretaries of the Interior, Agriculture, and Commerce. NISC members include the Secretaries of Transportation, State, Defense, Homeland Security, Treasury, and Health and Human Services; the Administrators of the Environmental Protection Agency and the National Aeronautics and Space Administration; as well as the Director of the U.S. Agency for International Development and the U.S. Trade Representative. NISC was charged with providing coordination, planning and overall leadership for federal invasive species programs and reaching out to state, tribal, local and private partners.

EO 13112 also required the Secretary of the Interior to establish the Invasive Species Advisory Committee (ISAC), a group of 30 nonfederal stakeholders from diverse constituencies (representing state, tribal, local and private concerns) around the Nation, to advise NISC on invasive species issues. In addition, EO 13112 called on NISC to prepare and issue the first national plan to deal with invasive species. Completed in 2001, the National Invasive Species Management Plan, Meeting the Invasive Species Challenge (2001 Plan), served as a comprehensive "blueprint" for federal action on invasive species, as well as NISC's primary coordination tool. This coordination tool provided the first comprehensive national plan for

invasive species action. It called for about 170 specific actions within nine categories of activity, about 100 of which have been established or completed. Actions identified in the 2001 Plan continue to be implemented.

The 2008–2012 National Invasive Species Management Plan (2008 Plan) is the first revision of the 2001 Plan, as mandated by EO 13112. This document will direct Federal efforts (including overall strategy and objectives) to prevent, control and minimize invasive species and their impacts within the next five fiscal years (2008 through 2012). If necessary, it may be updated more frequently to reflect changes in circumstances, agency plans and priorities. NISC member agencies, ISAC members, NISC staff, stakeholders and other experts have provided input in drafting this revision, which replaces the 2001 Plan.

The 2008 Plan is focused upon five "Strategic Goals": Prevention; Early Detection and Rapid Response; Control and Management; Restoration; and Organizational Collaboration. To accomplish these strategic goals, critical support for efforts such as research, data and information management, education and outreach, and international cooperation elements are included in pertinent sections of the 2008 Plan.

Each of the five strategic goals specifies on-going objectives and the long-term vision for success in that area. Under each strategic goal, "Objectives" describe what is to be accomplished over the next five years, and "Implementation Tasks" describe what agencies expect to do in order to accomplish that objective. Within the "Implementation Tasks", there are "Performance Elements" which allow for measurement of progress towards accomplishing identified tasks.

The 2008 Plan is not a comprehensive list of all federal invasive species actions. It is a targeted set of priority strategic action plans with objectives and implementation tasks that are intended to be completed in the next five years. The over-arching strategic goals and strategic action plan objectives remain consistent with the 2001 Plan. The accomplishment of specific implementation tasks and performance elements will be dependent upon agency budgets, and in some cases, legal or regulatory changes.

The 2008 Plan currently requires the work of 35 different "entities" (typically agencies or bureaus within NISC members' departments and agencies) to achieve a total of 87 Performance Elements. Participating agencies are identified either as a "Lead" or a "Participant" to describe their role in accomplishing a specific Performance Element.

Prevention is the first-line of defense. The Strategic Goal for Prevention calls for preventing the introduction and establishment of invasive species to reduce their impact on the environment, the economy and health of the United States.

Even the best prevention efforts cannot stop all invasive species. **Early Detection**, rapid assessment and **Rapid Response** (EDRR) may act as a critical second defense. The EDRR Strategic Goal calls for developing and enhancing the capacity in the United States to identify, report and effectively respond to newly discovered and localized invasive species.

The spread of widely established invasive species can be slowed and their impacts reduced. The **Control and Management** Strategic Goal calls for containing and reducing the spread of invasive populations to minimize their harmful impacts.

Invasive species can severely undermine the ability of plants and animal communities to recover. The **Restoration** Strategic Goal calls for the restoration of high-value ecosystems to meet natural resource conservation goals by conducting restoration efforts on multiple scales.

Invasive species cross jurisdictional boundaries, making coordination and collaboration critical to success. The **Organizational Collaboration** Strategic Goal calls for maximizing organizational effectiveness and collaboration on invasive species issues among international, federal, state, local and tribal governments, private organizations and individuals.

The problem of invasive species may at times seem overwhelming. However, considerable success is being achieved in the prevention, detection, eradication and control of some invasive species along with increasing emphasis in the restoration of ecosystems that have previously been dramatically affected by invasive species. Additional research and information exchange; new detection and eradication techniques; and innovative control methodologies and collaborative models are increasing our capacity to address invasive species problems. The 2008–2012 National Invasive Species Management Plan takes a strategic approach and builds on existing programs to maximize federal efforts over the next five years to prevent and control invasive species in order to enhance our environment, economy and human health.

Introduction

Invasive Species introduced into the United States from around the globe are affecting plant and animal communities on our farms, ranches and coasts; and in our parks, waters, forests, and backyards. As global climate patterns shift, the distribution of species will change, and particular habitats may become more or less susceptible to the impacts of new species introductions. Human activity such as trade, travel and tourism have all increased substantially, increasing the speed and volume of species movement to unprecedented levels. Invasive species are often unintended hitchhikers on cargo and other trade conveyances. Still more species are deliberately introduced as pets, ornamental plants and food, or for recreation, pest control or other purposes. Most nonnative species, including many of our sources of food and fiber, are not harmful; and many are highly beneficial. A small percentage of nonnative species cause great harm to the environment, the economy, or human health. Nonnative species that cause harm are collectively known as invasive species.

Executive Order 13112 (EO 13112) defines an invasive species as:

"an alien species whose introduction does or is likely to cause economic or environmental harm or harm to human health."

The definition includes many types of invasive species such as animals, plants and microorganisms. It focuses upon invasive species which are harmful, rather than focusing on nonnative species, most of which are not harmful. Several different terms have been used to describe invasive species, such as: "alien", "aquatic nuisance species", "injurious wildlife", and "noxious." In 2006, the Invasive Species Advisory Committee (ISAC) issued a white paper to provide advice on what is intended by the term "invasive species", and why so many different terms have been used in the past. The ISAC white paper is available on the Web at: <http://www.invasivespeciesinfo.gov/docs/council/isacdef.pdf>.

Invasive species *(such as West Nile virus and Sudden Oak Death pathogen, kudzu, tree of heaven, hydrilla, zebra mussels, emerald ash borers, sea lamprey, snakehead fish, and nutria)* may prey upon, displace or otherwise harm native species. Some invasive species also alter ecosystem processes, transport disease, interfere with crop production, or cause disease in animals or humans; affecting both aquatic and terrestrial habitats. For these reasons, invasive species are of national and global concern.

Invasive species populations span geographic and jurisdictional boundaries; thus efforts to manage invasive species must be coordinated across boundaries. In 1999, EO13112 charged all federal departments whose actions may affect the status of invasive species, to the extent practicable and permitted by law, to work together within their current authorities to prepare, prevent, and protect resources from harm caused by invasive species. EO 13112 also established the National Invasive Species Council (NISC), co-chaired by the Secretaries of the Interior, Agriculture, and Commerce. NISC was charged with providing coordination, planning and overall leadership for federal invasive species programs and outreach to state, tribal, local and private partners. NISC members include the Secretaries of Transportation, State, Defense, Homeland Security, Treasury, Health and Human Services; the Administrators of the Environmental Protection Agency and National Aeronautics and Space Administration; as well as the U.S. Trade Representative and an official of the U.S. Agency for International Development.

EO 13112 also required the Secretary of the Interior to establish the Invasive Species Advisory

Committee (ISAC), a group of 30 non-Federal stakeholders from diverse constituencies around the Nation (representing state, private, local and tribal concerns), to advise NISC on invasive species issues. In addition, it directed NISC to prepare and issue the first national plan to deal with invasive species. Completed in 2001, The National Invasive Species Management Plan, *Meeting the Invasive Species Challenge* (2001 Plan), serves as a comprehensive "blueprint" for federal action on invasive species, as well as NISC's primary coordination tool.

This document is the first revision of the 2001 Plan, as mandated by EO 13112. The *2008 –2012 National Invasive Species Management Plan* (2008 Plan) will direct federal efforts (including overall strategy and objectives) to prevent, control and minimize invasive species and their impacts within the next five fiscal years (2008 through 2012). If necessary, it may be updated more frequently to reflect changes in circumstances, agency plans and priorities. NISC member agencies, ISAC members, NISC staff, stakeholders and other experts have provided input in drafting this revision, which is intended to replace the 2001 Plan.

The 2008 Plan currently requires the work of 35 different "entities" (typically agencies or bureaus within NISC members' departments and agencies) to achieve a total of 87 Performance Elements. Participating agencies are identified as either a "Lead" or a "Participant" to describe their role in accomplishing a specific Performance Element.

Federal, state, local and tribal governments, as well as organizations in the private sector, have taken significant steps to meet the challenges posed by invasive species. These steps set the stage for the 2008 Plan and provide direction and focus. An estimated 59 percent of the 2001 Plan's 170 specific actions have been completed or are in progress. Among the products NISC has generated are guidance documents on early detection and rapid response, prioritization of control actions, and an analysis of major pathways for introduction of invasive species. NISC members have developed an *Invasive Species Performance (Crosscut) Budget* for fiscal years 2004–2007. ISAC members completed a white paper interpreting the EO definition of invasive species in 2006, and they provided input on the 2008 Plan and future crosscut budget categories and specific initiatives.

Awareness of the problems caused by invasive species has dramatically increased in the last eight years as evidenced by increased activity at federal, state, and local levels. More than 24 states now have invasive species coordination councils. Local governments and citizens groups of all types are active in invasive species prevention and control. Despite the significant increase in activity and awareness, much remains to be done to prevent and mitigate the problems caused by invasive species.

2008 Plan Structure and Organization

Long-range strategic planning, consistent with other government agencies' strategic plans, is necessary to address complex invasive species issues. The 2008 Plan establishes five long-term "Strategic Goals" that focus federal efforts in the areas of invasive species work related to:

1) **Prevention (P),**
2) **Early Detection and Rapid Response (EDRR),**
3) **Control and Management (CM),**
4) **Restoration (R), and**
5) **Organizational Collaboration (OC).**

The strategic goals are ongoing and serve as guideposts for managing invasive species. Each strategic goal has an associated Strategic Action Plan with long-term "Objectives" and shorter-term "Implementation Tasks" and "Performance Elements". Accomplishment of the strategic action plan objectives within each Strategic Goal will likely take longer than five years. However, the 2008 Plan specifically describes implementation tasks for each objective that the agencies expect to accomplish during the life of the 2008 Plan. Where practicable, implementation tasks define specific performance elements that can be used to gauge progress toward accomplishing the implementation tasks and achieving the objectives. These performance elements specify agencies and bureaus/offices that are assigned responsibility to be the "Lead" or a "Participant" in accomplishing each implementation task.

Structural Hierarchy of the 2008 Plan

- STRATEGIC GOALS (P, EDRR, CM, R, and OC)
  - Strategic Action Plan for each Strategic Goal
    - OBJECTIVES (e.g., P.1, P.2, P.3, etc.)
      - Implementation Tasks (e.g., P.1.1, P.1.2, P.1.3, etc.)
        - Performance Elements (e.g., P.1.1.1, P.1.1.2, P.1.1.3, etc.)
          - Leads [Agency (Bureau/Office)]
          - Participants [Agency (Bureau/Office)]

Although they are not highlighted as strategic goals, the following continue to play a crucial role in achieving success: (1) research, (2) information sharing and data management, (3) international cooperation, (4) education and outreach.

The 2008 Plan is not a comprehensive list of all federal invasive species actions. It is a targeted set of priority strategic action plans with objectives and implementation tasks that are intended to be completed in the next five years. The over-arching strategic goals and strategic action plan objectives remain consistent with the 2001 Plan. The accomplishment of specific implementation tasks and performance elements will be dependent upon agency budgets, and in some cases, legal or regulatory changes.

There have been significant advances in policy, information exchange, program activity, public awareness and control and management tools for invasive species since the 2001 Plan. A more strategic approach to prevent and minimize harm caused by invasive species over the next five years involves taking advantage of what has been learned, and creating next steps that are well planned and coordinated.

Within each implementation task, there are indices of progress called "Performance Elements."

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Each performance element identifies the federal agency that has a leadership (Lead) or a participant role. Because of the varied nature of the work, the responsibilities associated with a lead or participant role varies among performance elements. The specific responsibilities of leads and participants will be determined by those engaged in the work. At a minimum, participants will play a role in and provide information concerning that agency's actions on that performance element. Leads will play a major role by providing their agency's information, and will also be the primary source of information concerning joint accomplishments for that performance element. Information provided by leads and participants will be summarized in reports prepared by NISC staff.

Prevention

STRATEGIC GOAL 1: ***Prevent introduction and establishment of invasive species to reduce their impact on the environment, economy and health of the United States.***

Introduction

Prevention is the first-line of defense. It can be the most cost-effective approach because once a species becomes widespread; controlling it may require significant and sustained expenditures. Therefore, public investment in prevention tools, resources and infrastructure is indispensable in protecting human health, agriculture and natural resources. Since the original Plan was written in 2001, progress has been made on risk analyses, screening processes, evaluation of pathways, and the scientific understanding of the ecological effects of invasive species. A joint Aquatic Nuisance Species Task Force (ANSTF)/NISC Prevention Committee is currently addressing prevention issues.

Long-term success in prevention will reduce the rate of introduction, the rate of establishment and the damage from additional invasive species in the United States. Measuring success requires accurate baseline data and monitoring systems to measure long-term trends. The Implementation Tasks identified in the 2008 Plan focus on accomplishing a limited number of important and achievable tasks related to prevention within the next five years. This will substantially contribute toward the accomplishment of the Strategic Goals and Objectives.

OBJECTIVE P.1: PREVENT ESTABLISHMENT OF INTENTIONALLY INTRODUCED INVASIVE SPECIES. *Develop fair and practical screening processes that evaluate different types of species moving intentionally in trade. Encourage agencies to modify and incorporate the processes into their own regulatory and non-regulatory programs.*

- **Implementation Task P.1.1:** Develop screening processes to evaluate invasiveness of plants which are intended for planting and are moving in trade.

  Performance Element P.1.1.1: APHIS publishes proposed rule(s) on intentional introduction of potentially invasive plant species, including mechanisms to evaluate invasiveness potential and restrict introduction of species likely to be invasive.
  Lead: USDA (APHIS)
  Participants: USTR; USDA (CSREES, ARS, NRCS, FS)

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- **Implementation Task P.1.2:** Develop screening processes to evaluate invasiveness of terrestrial and aquatic nonnative wildlife (e.g., fish, mollusks, crustaceans, mammals, birds, reptiles and amphibians) moving in trade.

  Performance Element P.1.2.1: Develop a draft screening process.
  Leads: DOI (FWS); DOC (NOAA)
  Participants: DOI (USGS, NPS); USDA (APHIS, ARS); USTR; EPA

- **Implementation Task P.1.3:** Develop a process to identify high-priority invasive plants, animals, and plant or animal pathogens for agencies' actions.

  Performance Element P.1.3.1: Prioritization process will be developed and distributed widely via the internet, at www.invasivespecies.gov> and <www.invasivespeciesinfo.gov> for agency use.
  Lead: USDA (APHIS)
  Participants: USDA (ARS, CSREES, NRCS, ERS); DOI (FWS); USTR

OBJECTIVE P.2: PREVENT ESTABLISHMENT OF UNINTENTIONALLY INTRODUCED INVASIVE SPECIES INTRODUCED THROUGH HIGH RISK PATHWAYS.

- **Implementation Task P.2.1:** Reduce the movement of invasive plants pests and pathogens with propagative plant material.

  Performance Element P.2.1.1: APHIS will publish proposed rule(s) to revise the Quarantine on Plants for Planting (known as "Q37").
  Lead: USDA (APHIS)
  Participant: USDA (ARS)

  Performance Element P.2.1.2: Contribute to the development of a new International Plant Protection Convention (IPPC) standard for Plants for Planting that protects against pests.
  Lead: USDA (APHIS)
  Participants: USDA (ARS, FS)

- **Implementation Task P.2.2:** Sponsor research on new technologies for ballast water management and formally assess their efficacy. Sponsor research on other ship-based pathways, assessing their impacts to the environment.

  Performance Element P.2.2.1: Complete a minimum of five full scale projects.
  Lead: DOC (NOAA)
  Participants: DHS (CG); DOI; DOT (OST, MARAD, SLSDC); EPA; DOD (COE)

  Performance Element P.2.2.2: Initiate other ship-based pathways studies.
  Leads: DOC (NOAA); DHS (CG)
  Participants: EPA; DOT

  Performance Element P.2.2.3: Support additional research

efforts to mitigate movement of invasive species by aquatic recreation.
Lead: (DOI) FWS
Participants: DOC; DOI (USGS); EPA

- **Implementation Task P.2.3:** Support efforts in new techniques or practices to reduce the spread of aquatic invasive species through recreational activities.

  Performance Element P.2.3.1: Reduce the spread of zebra and quagga mussels in the Western United States.
  Lead: DOI (FWS, NPS, USGS)
  Participants: None

- **Implementation Task P.2.4:** Reduce movement of invasive species on or in Solid Wood Packing Materials (SWPM).

  Performance Element P.2.4.1: Evaluate the importance of residual bark on SWPM, and take appropriate management or regulatory measures.
  Lead: USDA (APHIS)
  Participants: USDA (FS, ARS); DHS; USTR

OBJECTIVE P.3: IMPROVE THE INTERNATIONAL, FEDERAL, STATE, AND TRIBAL STANDARDS AND GUIDELINES TO PROTECT THE UNITED STATES FROM INVASIVE SPECIES.

- **Implementation Task P.3.1:** Strengthen and/or support the development of risk-based sanitary and phytosanitary international standards and guidelines under IPPC, Office International des Epizooties (OIE), North American Plant Protection Organization (NAPPO) and other international fora.

  Performance Element P.3.1.1: In cooperation with others, APHIS will approve and implement sanitary and phytosanitary standards developed in the appropriate international fora.
  Lead: USDA (APHIS)
  Participants: DOS; USDA (ARS); NISC; USTR; EPA; DOI (FWS)

  Performance Element P.3.1.2: Provide training and capacity building for developing nations to assist them in understanding, adopting, and implementing international standards and guidelines for sanitary and phytosanitary measures.
  Lead: USDA (FAS)
  Participants: USDA (APHIS); DOI (FWS, USGS); USAID; USTR

- **Implementation Task P.3.2:** Improve and expand domestic and international risk analysis processes. Include new risk methodologies and scientific advances in understanding invasive species. Expand the scope of conducting risk assessments to include all nonnative terrestrial and aquatic organisms moved as a result of human activity or action.

  Performance Element P.3.2.1: Revise 1996 Aquatic Nuisance Species Task Force (ANSTF) risk analysis process; submit draft for review in 24 months, and finalize in 36 months.
  Leads: DOC (NOAA); DOI (USGS); ANSTF
  Participants: NISC, DOI (FWS); DOS; EPA; USDA (APHIS, ARS); DOD (COE); USTR

  Performance Element P.3.2.2: Provide training and capacity building for developing nations to assist them in utilizing new risk assessment methodologies and incorporate scientific advances in the understanding of invasive species.
  Lead: USDA (FAS)
  Participants: USDA (APHIS, ARS); USAID; DOS

  Performance Element P.3.2.3: Provide training in Hazard Analysis and Critical Control Points (HACCP) and other risk-based methods to minimize introduction of invasive species.
  Lead: DOI (FWS)
  Participants: USDA (APHIS); DOC (NOAA)

- **Implementation Task P.3.3:** Design a process to identify and rank pathways by invasive species risk. Encourage agencies to modify and incorporate the process into their own regulatory and nonregulatory programs.

  Performance Element P.3.3.1: Prepare a final draft of the pathway analysis process in 24 months; complete, **distribute and encourage use** in 36 months.
  Lead: USDA (APHIS)
  Participants: DOC (NOAA); DOI (FWS, USGS); USDA (FS, ARS); EPA; USTR; NISC Staff

- **Implementation Task 3.4:** Integrate agency data sets to improve assessment of invasive species threats prior to arrival.

  Performance Element P.3.4.1: Three (3) or more data sets are integrated and utilized.
  Lead: USDA (APHIS)
  Participants: USDA (ARS, FS, CSREES, NRCS); DHS

- **Implementation Task P.3.5:** Support efforts by non-federal stakeholders to develop/enhance codes of conduct and Best Management Practices (BMPs).

  Performance Element P.3.5.1: Encourage non-federal stakeholders to publish codes of conduct and BMPs on the Web.
  Lead: NISC Staff
  Participants: DOC (NOAA); DOI (FWS, BLM); USDA (APHIS, FS, NRCS, ARS); DOS

- **Implementation Task P.3.6:** Share BMPs among NISC members to prevent or mitigate invasive species establishment or movement.

  Performance Element P.3.6.1: Distribute any new BMPs that NISC Staff are made aware of to all relevant NISC members **and other interested parties.**
  Lead: NISC Staff
  Participants: All NISC Members

Early Detection and Rapid Response

STRATEGIC GOAL 2: *Develop and enhance the capacity to identify, report and effectively respond to newly discovered/localized invasive species.*

Introduction

Even the best prevention efforts cannot stop all invasive species. Early detection, rapid assessment and rapid response (EDRR) is a critical second defense against the establishment of invasive populations. EDRR increases the likelihood that localized invasive populations will be found, contained, and eradicated before they become widely established. EDRR can slow range expansion, and avoid the need for costly long-term control efforts. Effective EDRR depends upon the timely ability to answer critical questions such as:

a) What is the species of concern, and has it been authoritatively identified?
b) Where is it located and likely to spread?
c) What harm may the species cause?
d) What actions (if any) should be taken?
e) Who has the needed authorities and resources?
f) How will efforts be funded?

EDRR requires collaboration among federal, tribal, state, local governments, nongovernment organizations (NGOs) and the private sector. The ability to conduct EDRR has improved, and a great deal is being accomplished. NISC continues to assess the current federal capabilities and encourage agencies to enhance their EDRR activities. However, access to invasive species taxonomic and mapping information, funds, and technical resources limit efforts.

There are three components of EDRR–Early Detection (ED), Rapid Assessment (RA), and Rapid Response (RR).

In order to conduct EDRR, invasive species populations must first be found. Specimens have to be authoritatively identified, and the boundaries of the infestations determined. These essential ***Early Detection (ED)*** efforts require resources, planning, and coordination. Invasive species are often detected by chance, but they can also be detected by trained individuals and personnel through targeted invasive species surveys and by monitoring specific areas. Area monitoring, taxonomic resources and species surveys provide the information needed to construct accurate distribution maps. Maps and other ecological/biological information are critical to planning and response actions. However, invasive species monitoring, mapping, and taxonomic resources and capabilities are still lacking for much of the United States.

Rapid Assessment (RA) encompasses actions necessary to determine the appropriate response, including the current and potential range of the invasive species' infestation(s). The RA process identifies the invasive species interdiction options, timing and overall strategy for actions and provides reliable information to the public. Advanced planning that anticipates invasions and takes into account that transjurisdictional issues greatly expedites efforts.

Rapid Response (RR) is a systematic effort to eradicate or contain invasive species while infestations are still localized. RR may address totally new introductions into the United States or range expanding infestations of previously established species. Timeliness is key to RR. It is critical to quickly mobilize resources to intensely control an infestation before it becomes more widely established. Many RR efforts are led by State or local officials working with private landowners. Invasions can rapidly overwhelm local resources. The ability to share resources across jurisdictional boundaries, form strategic partnerships, and have "ready" access to plans, funds and technical resources are critical components of RR.

OBJECTIVE EDRR.1: ENHANCE CURRENT MONITORING EFFORTS FOR EARLY DETECTION.

- **Implementation Task EDRR.1.1:** Identify and evaluate monitoring efforts for high-priority invasive species and supporting technological infrastructure including an evaluation of their geographic and temporal coverage.

  Performance Element EDRR.1.1.1: Evaluate monitoring efforts for high-priority invasive species and make recommendations to address critical gaps.
  Leads: USDA (APHIS); DOI (USGS)
  Participants: USDA (ARS, CSREES, FS, NRCS); DOI (NPS, FWS, BLM); DOC (NOAA); EPA; DHS; DOD (COE)

- **Implementation Task EDRR.1.2:** Prepare protocols to identify high priority locations for targeted monitoring efforts. Initiate three systematic monitoring pilot programs.

  Performance Element EDRR.1.2.1: Develop protocols; select monitoring programs/locations and implement pilot projects.
  Leads: DOI (USGS); USDA (APHIS)
  Participants: DOI (FWS); DOT; DHS; DOC (NOAA); EPA; USDA (FS, CSREES, ARS)

- **Implementation Task EDRR.1.3:** Improve and support recruitment and training of volunteers for EDRR efforts at the local level, utilizing existing programs and infrastructure (such as Master Gardeners, Master Naturalists, Cooperative Extension, Sea Grant, National Wildlife Refuge "Friends" Groups, 4-H Groups, National Park support groups, and others).

  Performance Element EDRR.1.3.1: Develop guidance for volunteer training on at least one monitoring program. Publish guidance on invasivespeciesinfo.gov.
  Lead: USDA (APHIS)
  Participants: DOI (USGS, FWS, NPS, BLM); USDA (CSREES, FS, ARS, NRCS); DOD (COE); DOC (NOAA)

  Performance Element EDRR.1.3.2: Develop at least two citizen-based networks to detect and monitor for new invasive species.
  Lead: DOI (FWS)
  Participants: DOC (NOAA); DOI (NPS, BLM); USDA (FS, NRCS, CSREES); EPA

- **Implementation Task EDRR.1.4:** Enhance plant and animal pathogen detection methods.

  Performance Element EDRR.1.4.1: Develop enhanced identification methods and supportive technologies for at least one group of pathogens.
  Lead: USDA (ARS)
  Participants: DOI (USGS); DHS; HHS; DOD; EPA; USDA (APHIS, CSREES, FS)

OBJECTIVE EDRR.2: MAKE TAXONOMIC INFORMATION MORE READILY AVAILABLE TO GOVERNMENTS AND THE PUBLIC.

- **Implementation Task EDRR.2.1:** Develop or enhance taxonomic expert lists to facilitate identification of terrestrial and aquatic organisms.

  Performance Element EDRR.2.1.1: Identify taxonomic experts for terrestrial plants, invertebrates and vertebrates, plant and animal pathogens, and make their contact information available, as appropriate.
  Leads: USDA (ARS); SI
  Participants: USDA (APHIS, CSREES, NRCS); DOI (USGS)

  Performance Element EDRR.2.1.2: Finalize and maintain an updated database of taxonomic experts who can identify invertebrate and vertebrate aquatic species.
  Leads: DOC (NOAA); DOI (USGS)
  Participants: USDA (APHIS)

OBJECTIVE EDRR.3: DEVELOP AND ENHANCE CAPACITY AND TOOLS TO SUPPORT EDRR EFFORTS.

- **Implementation Task EDRR.3.1:** Prepare protocols to evaluate and map invasive species risks.

  Performance Element EDRR.3.1.1: Test protocols by mapping current and potential extents of three high-priority invasions.
  Leads: USDA (APHIS); DOI (FWS, USGS)
  Participants: USDA (CSREES, ERS, FS, NRCS, ARS); DHS ; DOC (NOAA); EPA ; NASA; DOD (COE)

- **Implementation Task EDRR.3.2:** Engage risk assessment experts to provide authoritative and timely assessments of current or potential invasions.

  Performance Element EDRR.3.2.1: Prepare lists of risk experts for major groups of invasive species (such as plants, terrestrial species, plant pathogens, animal pathogens, or aquatic species.) Identify gaps in available expertise.
  Leads: DOI (USGS); USDA (APHIS)
  Participants: USDA (ARS, CSREES, ERS, FS, NRCS); DOI (FWS, NPS); DOC (NOAA); DHS; HHS; SI; EPA; DOD (COE)

- **Implementation Task EDRR.3.3:** Develop and evaluate the use of predictive models to forecast the spread of specific invasive species.

  Performance Element EDRR.3.3.1: Develop and test models to forecast spread of two invasive species.
  Leads: DOI (USGS); USDA (ARS)
  Participants: EPA, USDA (APHIS, CSREES, ERS, FS); DOI (FWS, NPS, BLM); DOC (NOAA); HHS; SI; DOD (COE)

OBJECTIVE EDRR.4: ENHANCE EXISTING CAPABILITY TO CONDUCT PLANNING FOR EDRR.

- **Implementation Task EDRR.4.1:** Prepare model guidance or plans that encourage RR contingency planning at the appropriate level (such as, international, national, state, regional or local). Include planning for communications, response funding, cooperative mechanisms and other relevant issues.

  Performance Element EDRR.4.1.1: Identify and evaluate existing RR plans and identify effective mechanisms to enhance cooperation among and between state and federal agencies, and make this information available to response agencies.
  Leads: USDA (APHIS); DOC (NOAA)
  Participants: USDA (CSREES, NRCS, ARS); HHS; EPA; DOD; NASA; DOD (COE); DOI (FWS)

  Performance Element EDRR.4.1.2: Identify and describe existing international EDRR cooperation efforts among regional neighbors and trading partners.
  Leads: DOS; USTR; NISC Staff
  Participants: All NISC Members

OBJECTIVE EDRR.5: DEVELOP OPTIONS PAPER TO FUND RAPID RESPONSE EFFORTS.

- **Implementation Task EDRR.5.1:** Work with ISAC, states and others to develop mechanisms for cooperation and funding rapid response efforts, such as options for matching grants to states.

  Performance Element EDRR.5.1.1: Explore and prepare options for cooperation and funding RR; and submit to NISC for discussion and selection of preferred alternative(s).
  Lead: NISC Staff
  Participants: DOI (FWS, BLM, NPS); DOD (COE)

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- **Implementation Task EDRR.5.2:** Explore options for research funding for preparedness and other programs that are required for RR.

  Performance Element EDRR 5.2.1: Prepare and submit to NISC options for funding research for EDRR.
  Lead: NISC Staff
  Participants: USDA (CSREES, APHIS, ARS, FS)

Control and Management

STRATEGIC GOAL 3: *Contain and reduce the spread and populations of established invasive species to minimize their harmful impacts.*

Introduction

Eradication of widespread invasive species may not be feasible. Widespread invasive species are subject to control and management efforts that slow the rate of range expansion and lessen the impacts of invasive populations.

Invasive species can span geographic and jurisdictional boundaries. Their control and management requires interjurisdictional communication and regionally coordinated action. Information on the distribution, abundance, rates of spread, and impacts of invasive species is critical to their control.

Impacts of terrestrial invaders differ from those of aquatic species, and impacts also differ from taxon to taxon. Understanding the ecological, economic, and social impacts of invasive species is important in prioritizing control and management operations.

A variety of control and management tools is needed to assess, remove and contain invasive species populations and guide management decisions. These tools are applied within coordinated and integrated invasive species management strategies that are adjusted, as needed. Lack of financial and human resources often limits the capacity to control and manage invasive species.

OBJECTIVE CM.1: EVALUATE CONTROL AND MANAGEMENT CAPABILITIES AND IDENTIFY STRATEGIC GAPS.

- **Implementation Task CM.1.1:** Identify and evaluate regional invasive species control and management efforts.

  Performance Element CM.1.1.1: Identify and evaluate three regional control and management efforts including their geographic coverage (such as, regions, states or countries within North America.)
  Lead: DOI (BLM)
  Participants: DOI (FWS, BOR, NPS) DOD (COE); USDA (CSREES, NRCS, APHIS)

  Performance Element CM.1.1.2: Benchmark, compare and report on at least three control programs within broader regional efforts.
  Lead: USDA (APHIS)
  Participants: USDA (FS, NRCS, ARS)

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- **Implementation Task CM.1.2:** Identify and address strategic gaps in regional invasive species control and management efforts and tools.

  Performance Element CM.1.2.1: Identify three priority species or locations (including international border locations, if appropriate) that need additional or enhanced control methods.
  Lead: NISC Staff (to collate information)
  Participants: DOI (FWS, BLM, NPS, USGS, BOR); USDA (NRCS, APHIS); DOS; DOC (NOAA); DOD (COE)

  Performance Element CM.1.2.2: Evaluate, develop or enhance three or more biological, chemical, physical or other control methods.
  Leads: USDA (ARS); DOI (USGS); DOD (COE)
  Participants: USDA (FS, NRCS, APHIS) ; DOI (FWS)

  Performance Element CM.1.2.3: Increase acres of land or water included in regional invasive species control and management programs.
  Lead: NISC Staff (to collate information)
  Participants: USDA (NRCS, APHIS); DOI (FWS, BLM, NPS); DOD; DOD (COE)

OBJECTIVE CM.2: REDUCE THE SPREAD AND HARM CAUSED BY INVASIVE SPECIES.

- **Implementation Task CM.2.1:** Reduce the spread of invasive species.

  Performance Element CM.2.1.1: Increase the number of cleaning treatments conducted to address pathways of spread such as potentially contaminated equipment, hikers, anglers, recreation vehicles, watercraft or other conveyances. Monitor effectiveness.
  Leads: USDA (FS); DOD (COE); DOI (BLM)
  Participants: USDA (APHIS, NRCS); DOT ; DOI (NPS, FWS)

  Performance Element CM.2.1.2: Increase the number of acres treated. Encourage state and private sector partners to take steps to reduce the spread of invasive species by utilizing protective measures such as, requiring the use of weed-free forage, mulch, seed, gravel and other materials; restricting the movement of contaminated firewood and having live bait restrictions or other methods that reduce the spread of invasive species.
  Lead: DOI (BLM)
  Participants: USDA (APHIS, NRCS); DOI (NPS, FWS); DOD (COE)

- **Implementation Task CM. 2.2:** Support on-the-ground control and management efforts.

  Performance Element CM.2.2.1: Increase the percentage of high priority, at-risk acres treated according to science-based plans that monitoring has demonstrated to have been implemented successfully.
  Lead: NISC Staff (to collate information)
  Participants: USDA (APHIS, FS, ARS); DOD (COE)

  Performance Element CM.2.2.2: Increase the ratio of projects technically supported vs. the total number of on-the-ground projects requesting technical support.
  Lead: NISC Staff (to collate information)
  Participants; USDA (APHIS); DOI (BLM, FWS, NPS); DOD (COE)

  Performance Element CM. 2.2.3: Increase the number of on-the-ground projects technically supported.
  Lead: NISC Staff (to collate information)
  Participants: USDA (APHIS, ARS, FS, NRCS); DOD; DOI (BLM, FWS, NPS); DOD (COE)

  Performance Element CM. 2.2.4:. Increase the number of acres receiving "on-the-ground" control and management treatments.
  Lead: NISC Staff (to collate information)
  Participants: USDA (APHIS, FS, NRCS, ARS); DOI (BLM, FWS, NPS); DOD (COE)

OBJECTIVE CM.3: DEVELOP WORKFORCE COMPETENCIES TO PERFORM CONTROL AND MANAGEMENT ACTIVITIES.

- **Implementation Task CM. 3.1:** Increase invasive species training for land and water resource managers, and others as appropriate.

  Performance Element CM. 3.1.1: Increase the number of training workshops, training materials developed, and total number of personnel and volunteers trained, including but not limited to, training in Integrated Pest Management.
  Leads: USDA (CSREES); DOI (FWS)
  Participants: DOI (BLM, NPS); USDA (CSREES, NRCS, ERS, ARS); DOD; DOD (COE)

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OBJECTIVE CM.4: ENHANCE ECOSYSTEM RECOVERY PROCESSES THAT CONTRIBUTE TO CONTROL AND MANAGEMENT.

- **Implementation Task CM.4.1:** Enhance ecosystem recovery decision tools and conduct ecosystem assessments.

  Performance Element CM.4.1.1: Increase the efficiency, accuracy, and precision of monitoring and mapping operations.
  Lead: DOI (USGS)
  Participants: USDA (APHIS, NRCS, ARS, ERS, CSREES); NASA; DOD (COE)

  Performance Element CM.4.1.2: Enhance ecosystem recovery models and evaluate ecosystem assessment methods.
  Lead: DOD (COE)
  Participants: DOI (USGS); USDA (FS, ARS, CSREES)

  Performance Element CM.4.1.3: Report the number of acres and species monitored and mapped.
  Lead: NISC Staff (to collate information)
  Participants: DOI (USGS, FWS, BLM); USDA (FS, NRCS, ARS); NASA; DOD (COE)

Restoration

STRATEGIC GOAL 4: ***Restore native species and habitat conditions and rehabilitate high-value ecosystems and key ecological processes that have been impacted by invasive species to meet desired future conditions.***

Introduction

Restoration treatments are an integral part of control and management efforts to help guard against future re-infestations and further harm. Section 2(a) (2) of EO 13112 charges Federal agencies to "provide for restoration of native species and habitat conditions in ecosystems that have been invaded". Additionally, Section 4 (d) of EO 13112 calls on NISC to develop guidance, in coordination with the Council on Environmental Quality (CEQ), "including the procurement, use and maintenance of native species as they affect invasive species." New restoration guidance will be shared widely with federal, tribal, state, and private landowners and water managers.

Habitats and ecological processes can suffer cumulative impacts from the direct and indirect effects of invasive species and other environmental stressors. Complex ecological relationships that have evolved over evolutionary time scales can be at risk if invasive species interrupt nutrient cycling, pollination, predator/prey relationships or other ecological processes and services. Processes altered by human activity may promote invasion by inhibiting the reproduction and/or survival of native or desirable species.

The 2001 Plan recognized the importance of using native species to restore long-term ecosystem resiliency. For shorter term rehabilitation and site stabilization, both native and desired nonnative species appropriate to the site have been used successfully. Evaluation of available materials that can successfully compete with invasive species is needed, as is the development of new materials. These will serve as an ecological transition while native components and ecosystem processes develop. Assessment of the ecosystem's desired future condition and restoration potential across a range of spatial scales allows managers to strategically control and eradicate invasive species and to restore habitats with appropriate species. These efforts can result in lower control costs, increased effectiveness, and improved chances for ecosystem restoration success.

OBJECTIVE R.1: INCLUDE INVASIVE SPECIES CONSIDERATIONS IN FORMAL GUIDANCE FOR RESTORATION PROJECTS.

- **Implementation Task R.1.1:** Address invasive species concerns in planning for restoration projects in federal land and water management field and guidance manuals.

  Performance Element R.1.1.1: Amend existing or develop new land use planning protocols and Best Management Practices within federal agencies to include restoration activities to mitigate impacts of invasive species.
  Leads: DOI (NPS, BLM); USDA (FS)
  Participants: DOI (FWS); USDA (NRCS);DOD (COE and other agencies); DOC (NOAA)

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Performance Element R.1.1.2: Identify sources of native and appropriate nonnative materials for restoration projects carried out by federal agencies.
Leads: DOI (NPS); USDA (NRCS)
Participants: USDA (FS, CSREES, ARS); DOD (COE and other agencies; DOI (FWS, BLM)

Performance Element R.1.1.3: Incorporate invasive species prevention plans, such as those that utilize HACCP, into federally-funded or authorized restoration projects.
Lead: NISC Staff (to collate information)
Participants: DOI (BIA, BLM, BOR, FWS, NPS); USDA (FS, NRCS); EPA; DOD; NOAA

OBJECTIVE R.2: RESTORE HIGH-VALUE AREAS IMPACTED BY INVASIVE SPECIES.

- **Implementation Task R.2.1:** Restore sites that have the highest ecological or economic value or contribute most to protecting human health.

Performance Element R.2.1.1: Conduct and report on four interagency restoration projects that demonstrate the success of information sharing, plant (and animal) materials sharing, techniques for cost-effective modeling, and documentation of results, including decision support tools.
Leads: NISC staff, DOI (FWS, BLM, NPS); USDA (NRCS); DOD (COE)
Participants: DOI (BOR, USGS); DOD; USDA (APHIS, FS, ARS); EPA

Performance Element R.2.1.2: Provide technical assistance on the species and methods to use in restoring native species, including the use of low impact, nonnative or "transitional" species where appropriate.
Leads: DOI (FWS); USDA (NRCS); DOD (COE)
Participants: DOI (NPS, BLM, BOR, USGS); USDA (FS, APHIS, ARS)

Performance Element R.2.1.3: Provide technical assistance on site selection, site modification, and prioritization for restoration projects.
Leads: DOI (FWS, USGS); DOD (COE)
Participants: DOI (NPS, BLM, BOR); USDA (APHIS, NRCS)

Performance Element R.2.1.4: Conduct at least four (4) information sharing projects with stakeholders about invasive species restoration projects.
Lead: USDA (NRCS)
Participants: USDA (APHIS, ARS); DOD; DOI (FWS, USGS); DOC (NOAA)

OBJECTIVE R.3: RESTORE HABITAT AT MULTIPLE SCALES AND DEMONSTRATE MODEL APPROACHES THAT ENGAGE LOCAL COMMUNITIES AND THE PUBLIC.

- **Implementation Task R.3.1:** Coordinate multi-taxa restoration projects at the regional, watershed or landscape level (Healthy Lands Initiative, for example), addressing water quality, fisheries (both fresh and marine), and terrestrial plants and animals (including their pests and pathogens) in restoration planning.

Performance Element R.3.1.1: Work across agencies to create demonstration projects in at least three geographic or regional focus areas over the next three years.
Leads: DOI (FWS, NPS, BLM); DOD (COE)
Participants: DOI (BOR, USGS); DOC (NOAA); EPA

Performance Element R.3.1.2: Document four successful restoration projects involving recovery from invasive species impacts, for example on private lands or in coastal environments, with nongovernmental cooperators.
Leads: NISC staff; DOI (FWS); DOD (COE)
Participants: EPA; DOD

Performance Element R.3.1.3: Document four successful fire rehabilitation and fuels treatment projects involving recovery from invasive species impacts on different kinds of public lands (such as range, forest, shrub, and steppe).
Leads: NISC staff; USDA (FS); DOI (BLM)
Participants: DOI (OWFC, FWS, NPS, BIA)

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Organizational Collaboration

STRATEGIC GOAL 5: ***Maximize organizational effectiveness and collaboration on invasive species issues among international, federal,state, local and tribal governments, private organizations and individuals.***

OBJECTIVE OC.1: IMPROVE KNOWLEDGE AND UNDERSTANDING OF LEGAL AND REGULATORY TOOLS AVAILABLE TO ADDRESS INVASIVE SPECIES.

- **Implementation Task OC.1.1:** Complete an analysis of current federal laws and regulations dealing with invasive species.

  Performance Element OC.1.1.1: Complete a brief status report based on the existing legal and regulatory analyses.
  Lead: NISC Staff
  Participants: DOI; USDA; DOC and other NISC members as appropriate

- **Implementation Task OC.1.2:** Provide information and briefings as requested on invasive species issues.

  Performance Element OC.1.2.1: NISC will respond to requests for information or briefings within 30 days.
  Lead: NISC Staff
  Participants: NISC members as appropriate

OBJECTIVE OC.2: EXPAND THE COORDINATION OF INVASIVE SPECIES PROGRAMS AND EXPENDITURES TO LEVERAGE RESOURCES.

- **Implementation Task OC.2.1:** Update the invasive species crosscut budget for Federal agency expenditures concerning invasive species, changing its name to the **Invasive Species Inter-Agency Performance Budget** (Performance Budget). Request input from ISAC, ANSTF, Federal Interagency Committee on the Management of Noxious and Exotic Weeds (FICMNEW), and the Federal Interagency Committee on Invasive Terrestrial Animals and Pathogens (ITAP) on initiatives to be included in future Performance Budgets.

  Performance Element OC.2.1.1: Complete Performance Budgets for fiscal years 2010, 2011, 2012 and 2013 as directed, along with reports on prior year's performance.
  Lead: NISC Staff
  Participants: All NISC members

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OBJECTIVE OC.3: IMPROVE FEDERAL RESEARCH CAPACITY AND COORDINATION TO ADDRESS A BROADER ARRAY OF INVASIVE SPECIES ISSUES.

- **Implementation Task OC.3.1:** Improve the coordination and effectiveness of federal research.

  Performance Element OC.3.1.1: Establish an Invasive Species Working Group under the OSTP/Committee on Environment and Natural Resources/Subcommittee on Ecological Systems, to coordinate existing federal invasive species research activities and outline federal research priorities by February 2009.
  Lead: DOI (USGS)
  Participants: DOC (NOAA); EPA; DOD; NASA; DOS

  Performance Element OC.3.1.2: Provide research results on invasive species or summaries, as appropriate, and take steps to make information provided by agencies more readily available.
  Lead: USDA (ARS/NAL)
  Participants: NISC Staff; USDA (ARS, FS, ERS, CSREES); DOI (USGS); EPA; DOC (NOAA); NASA; DOD

- **Implementation Task OC.3.2:** Improve economic modeling of invasive species impacts.

  Performance Element OC 3.2.1: Improve modeling of invasive species prevention actions to determine their costs and benefits.
  Lead: USDA (ERS)
  Participants: EPA

  Performance Element OC 3.2.2: Improve economic modeling of control and management actions to determine their costs and benefits.
  Lead: USDA (ERS)
  Participant: DOC (NOAA); EPA

  Performance Element OC 3.2.3: Develop cost and benefit analysis models of alternative control methods.
  Leads: USDA (FS, CSREES, NRCS, APHIS, ERS)
  Participants: *None*

OBJECTIVE OC.4: ENHANCE POLICY AND IMPROVE REGULATORY PROCESSES ON INVASIVE SPECIES.

- **Implementation Task OC.4.1:** As required by EO 13112, prepare, in cooperation with the President's Council on Environmental Quality (CEQ), guidance to federal agencies to prevent and control invasive species that is fully compliant with the National Environmental Policy Act (NEPA).

Performance Element OC.4.1.1: Prepare draft NEPA guidance for CEQ consideration and finalize.
Leads: NISC Staff, CEQ
Participants: All NISC members

- **Implementation Task OC.4.2:** Collect, organize and make available federal agency guidance to prevent, control and manage invasive species.

  Performance Element OC.4.2.1: Each NISC agency shall make available their existing policies on prevention, EDRR, and control of invasive species.
  Lead: NISC Staff
  Participants: All NISC members

- **Implementation Task OC.4.3:** Develop an improved regulatory process for the development, testing, assessment and approval of biological control agents.

  Performance Element OC.4.3.1: Implement improved regulatory process.
  Lead: USDA (APHIS)
  Participants: USDA (ARS, CSREES, NRCS)

OBJECTIVE OC.5: STRENGTHEN COORDINATION AMONG FEDERAL AGENCIES TO FACILITATE THE DEVELOPMENT OF INTERNATIONAL PRIORITIES FOR INVASIVE SPECIES.

- **Implementation Task OC.5.1:** Promote and facilitate communication on international invasive species issues and activities.

  Performance Element OC.5.1.1: NISC staff prepares the monthly report of upcoming international meetings on invasive species to be distributed to federal agencies and others.
  Leads: NISC Staff; DOS
  Participants: USTR, USAID, DHS, EPA; DOD (COE)

- **Implementation Task OC.5.2:** Represent NISC interests in the formulation of United States policy positions related to invasive species in the context of discussions under relevant international organizations and agreements, e.g. Convention on Biological Diversity (CBD), International Plant Protection Convention (IPPC), Organisation International de Epizooties (OIE), World Health Organization (WHO), Food and Agriculture Organization (FAO), International Maritime Organization (IMO) and other relevant global or regional fora.

  Performance Element OC.5.2.1: In cooperation with federal agencies, NISC will contribute to the development of United States positions on invasive species during preparation for relevant international meetings.
  Leads: DOS; NISC Staff
  Participants: NISC members as appropriate

- **Implementation Task OC.5.3:** As appropriate, seek to incorporate invasive species issues into the environmental cooperation mechanisms developed in connection with free trade agreements (FTA).

  Performance Element OC.5.3.1: Department of State-led interagency working groups on FTA environmental cooperation mechanisms will assist in developing cooperative activities related to invasive species.
  Lead: DOS
  Participants: USTR, EPA, DOI, USDA (FAS, ERS, ARS, APHIS); DOC

OBJECTIVE OC.6: ENHANCE OUTREACH ON INVASIVE SPECIES.

- **Implementation Task OC.6.1:** Determine approaches regarding invasive species pathways for strategic outreach to targeted user groups and businesses.

  Performance Element OC.6.1.1: Develop outreach materials for target audiences cooperatively with relevant stakeholders and make available through the internet.
  Leads: DOC (NOAA); USDA (APHIS)
  Participants: USDA (FS, NRCS, ARS, FAS); DOI (FWS)

- **Implementation Task OC.6.2:** Work with existing educational organizations to enhance invasive species information delivery to primary and secondary educators.

  Performance Element OC.6.2.1: Information about at least eight invasive species or federal invasive species programs provided to educational organizations/invasive species outreach programs and reported to the NISC staff.
  Lead: NISC staff
  Participants: All NISC Members

- **Implementation Task OC.6.3:** Develop basic messages for common public awareness concerning invasive species for NISC member agencies and staff to utilize.

  Performance Element OC.6.3.1: Communicate clear and consistent general messages on invasive species to all NISC members and stakeholders, so that they may include these points when a new invasive species action, regulation or policy is announced. Communicate via the Internet.
  Lead: NISC Staff
  Participants: All NISC members

OBJECTIVE OC.7: IMPROVE AND STREAMLINE NISC MEMBERS' REPORTING ON INVASIVE SPECIES PROGRAMS AND ACTIVITIES.

- **Implementation Task OC.7.1:** The following reports are required.

  Performance Element OC.7.1.1: Each NISC member submits one formal (draft and final) report per fiscal year, tracking the implementation of the NISC 2008 Plan. NISC Staff will complete a streamlined reporting template within three months. Annual summary report by NISC is available on its website by February 28 of each year along with the individual NISC member reports.
  Lead: NISC Staff
  Participants: All NISC Members

  Performance Element OC.7.1.2: NISC members provide a consistently formatted written report in response to ISAC recommendations, action items and requests.
  Lead: NISC staff (in consultation with ISAC)
  Participants: All NISC Members

  Performance Element OC.7.1.3: Report on agency participation in the NISC Invasive Species Performance (Crosscut) Budget.
  Lead: NISC Staff
  Participants: All NISC Members

OBJECTIVE OC.8: ENHANCE DATA STANDARDS AND QUALITY TO IMPROVE ACCESS AND ABILITY TO SEARCH ACROSS DATA BASES AND FEDERAL DATA SOURCES.

- **Implementation Task OC.8.1:** Develop and provide portal and reference information, as well as public access to federal research information, as appropriate and consistent with applicable law.

  Performance Element OC.8.1.1: Summarize research results on invasive species and take steps to make it more readily available based on information provided by agencies.
  Lead: USDA (ARS/NAL)
  Participants: NISC Staff; All NISC Members

  Performance Element OC.8.1.2: Enhance and maintain the NISC website to provide an overview of federal invasive species efforts and policies; access to, and information about NISC member agencies and their invasive species programs and information about NISC, its activities, the Invasive Species Management Plan, and ISAC.
  Lead: NISC Staff
  Participants: All NISC Members

  Performance Element OC.8.1.3: The Invasive Species Compendium will be

developed by interested agencies.
Lead: USDA (ARS)
Participants: USDA (APHIS, CSREES, NRCS); DOC (NOAA)

Performance Element OC.8.1.4: Share information on federal invasive species grant opportunities and programs by linking from the NISC website to grant information on existing agency websites.
Lead: NISC Staff
Participants: All NISC Members

- **Implementation Task OC.8.2:** Work cooperatively to develop common data standards and enhance databases.

  Performance Element OC.8.2.1: Improve and expand participation in the aquatic invasive species information system NISbase.
  Leads: DOI (USGS); DOC (NOAA), SI
  Participants: DOI (FWS, BLM); DOD (COE); USDA (APHIS)

  Performance Element OC.8.2.2: Link and expand databases of invasive plant pathogens.
  Lead: USDA (ARS)
  Participants: USDA (FS, APHIS)

  Performance Element OC.8.2.3: Develop and implement an invasive species pathways database.
  Lead: USDA (APHIS)
  Participants: USDA (ARS, FAS); Other NISC agencies

  Performance Element OC.8.2.4: Enhance the PLANTS database in regard to invasive species and pollinators.
  Lead: USDA (NRCS)
  Participants: USDA (ARS, FS, APHIS)

  Performance Element OC.8.2.5: Improve and expand the U.S. Government's participation in the Global Invasive Species Information Network (GISIN) and the Inter-American Biodiversity Information Network (IABIN).
  Lead: DOI (USGS)
  Participants: DOS; DHS; NASA

Appendix 1: List of Acronyms Used

ANSTF	Aquatic Nuisance Species Task Force
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
BIA	Bureau of Indian Affairs
BLM	Bureau of Land Management
BMP	Best Management Practices
BOR	Bureau of Reclamation
CBD	Convention on Biological Diversity
CDC	Centers for Disease Control and Prevention
CEQ	Council on Environmental Quality
CG	Coast Guard
CM	Control and Management
COE	Army Corps of Engineers
CSREES	Cooperative State Research, Education, and Extension Service
DHS	U.S. Department of Homeland Security
DOC	U.S. Department of Commerce
DOD	U.S. Department of Defense
DOI	U.S. Department of the Interior
DOS	U.S. Department of State
DOT	U.S. Department of Transportation
ED	Early Detection
EDRR	Early Detection and Rapid Response
EO	Executive Order
EPA	U.S. Environmental Protection Agency
ERS	Economic Research Service
FAO	Food and Agriculture Organization
FAS	Foreign Agricultural Service
FICMNEW	Federal Interagency Committee on the Management of Noxious and Exotic Weeds
FS	Forest Service
FTA	Free Trade Agreements
FWS	U.S. Fish and Wildlife Service
GISIN	Global Invasive Species Information Network
HACCP	Hazard Analysis and Critical Control Points
HHS	U.S. Department of Health and Human Services
IABIN	Inter-American Biodiversity Information Network
IMO	International Maritime Organization
IPPC	International Plant Protection Convention
ISAC	Invasive Species Advisory Council

ITAP	Federal Interagency Committee on Invasive Terrestrial Animals and Pathogens
MARAD	U.S. Department of Transportation Maritime Administration
NAL	National Agricultural Library
NAPPO	North American Plant Protection Organization
NASA	National Aeronautics and Space Administration
NEPA	National Environmental Policy Act
NGO	Nongovernmental Organizations
NISC	National Invasive Species Council
NOAA	National Oceanic and Atmospheric Administration
NPS	National Park Service
NRCS	Natural Resources Conservation Service
OC	Organizational Collaboration
OIE	Office International des Epizooties
OWFC	Office of Wildland Fire Coordination
P	Prevention
R	Restoration
RA	Rapid Assessment
RR	Rapid Response
SI	Smithsonian Institution
SLSDC	Saint Lawrence Seaway Development Corporation
SWPM	Solid Wood Packing Materials
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USGS	U.S. Geological Survey
USTR	Office of the U.S. Trade Representative
USTREAS	U.S. Department of the Treasury
WHO	World Health Organization
WNV	West Nile Virus

2007
Facts

- Invasive species threaten Alaska's ecosystems by displacing native plants, reducing wildlife forage and shelter, altering ecosystem dynamics, and in some cases permanently changing environmental conditions.

- Annual damage from invasive species worldwide estimated at $1.4 trillion.

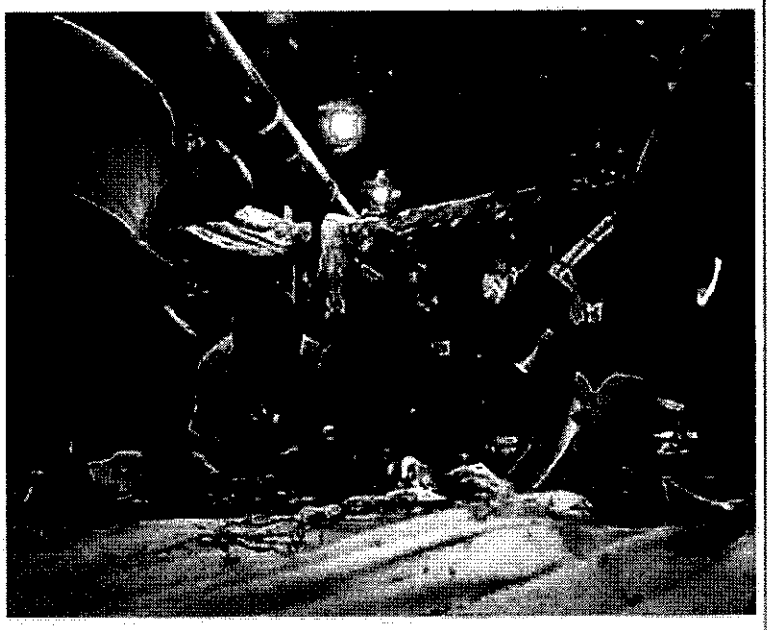
- Idaho is estimated to spend $300 million per year on invasive species control.

- One weed – spotted knapweed – now costs Montana over $14 million/year and covers over 5 million acres. In Alaska, this species has been found at over 10 sites from Ketchikan to Anchorage.

- The number of new invasive plants found in Alaska continues to rise each year.

- Many of the invasive plants in Alaska are not yet widespread and can be controlled quickly and cheaply by taking action NOW.

Alaska does not have this type of first response inspection. These trees were not accepted in Hawaii so were sent on to Alaska. Read on.



DENNIS ODA / DODA@STARBULLETIN.COM
Agricultural officials inspecting more than 3,100 Oregon-grown Christmas trees aboard a Boeing 747 aircraft yesterday found insects amid the trees. The inspectors included Dennis Nagatani, left, Elliot Nakashima, Edward O'Callaghan, Kanani Lai, scooping up an insect into a collection bottle, and Arseno Esteban. The planeload was returned to the mainland.

Wasp discoveries sting sales

Two schools were planning to sell the trees to raise funds

STORY SUMMARY »

They arrived late Thursday, but the journey wasn't quite over for a planeload of Christmas trees from Portland, Ore., which were intended for Oahu school and church fundraisers.

The 747 jet loaded with 3,150 Douglas, noble and grand firs was sent back to the mainland yesterday after the discovery of several types of wasp, two of which are not found in Hawaii.

The Department of Agriculture said it did not have the proper decontamination facilities for the first large-scale air delivery of Christmas trees to the state, so the plane was rerouted to Anchorage, Alaska.

Five churches and schools and one wholesaler were affected. One of the schools, which planned to sell the trees as a part of a fundraising project, said it stands to lose $10,000.

McMinnville, Ore.-based cargo shipper Evergreen International Aviation Inc., which handled the shipment, said it will lose $1 million from the operation.

STAR-BULLETIN

FULL STORY »

By Jennifer Sudick
jsudick@starbulletin.com

A planeload of Christmas trees intended for sale by isle fundraisers and wholesalers was sent back to the mainland yesterday after the discovery of several types of wasp, two of which are not found in Hawaii.

The Boeing 747, which arrived in Honolulu Thursday night, contained 3,150 Douglas, noble and grand firs, marking the first large-scale air delivery of Christmas trees to the state. Five churches and schools and one wholesaler were affected.

The plane was diverted to Anchorage, Alaska, late yesterday afternoon, said David Rath, president of Evergreen Agricultural Enterprises, a division of McMinnville, Ore.-based cargo shipper Evergreen International Aviation Inc., which handled the shipment.

"We've shipped to Japan, Puerto Rico, Mexico and China and haven't had anything like this happen before," Rath said. "We asked if we could pay a charge or incinerate them there or fumigate them, but they are not allowing any of that. They wouldn't allow us to offload them at all."

Evergreen stands to lose $1 million from the diversion because the flight had to be rerouted, delaying a scheduled textile shipment out of Asia and incurring additional fuel costs. Rath said the company hopes to sell the trees at cost or give them away in Alaska.

Kailua Christian Academy and Waialua High and Intermediate School had arranged to purchase the largest portion of the trees, said Hollie Spivey, Evergreen's Christmas tree sales manager. Evergreen's aviation and ground logistics unit planned to sell 1,000 trees. Spivey declined to name the other affected buyers. Any money paid to Evergreen for the fundraisers will be refunded, Rath said.

Ben Abraham, an administrator at Kailua Christian Academy, said he purchased 1,300 trees for what was meant to be the school's only fundraiser of the year.

"This was a major fundraiser for our school, and we stand to lose $10,000," he said.

The school planned to make $40 to $60 a tree, he said, with a 6- to 7-foot Douglas fir selling for $75. He had paid to advertise the fundraiser and for a refrigerated truck to pick the trees up from the airport.

"Most were pre-sold," he said. "We have to refund the funds."

The trees were cut Wednesday at Evergreen's 800-acre tree farm and shipped out of Portland International Airport in Oregon on Thursday.

DENNIS ODA / DODA@STARBULLETIN.COM
These were some of the insects found yesterday during an inspection of Christmas trees.

The Hawaii Department of Agriculture sent a team of 10 inspectors to the plane yesterday morning, where they found three yellow-jacket wasps, including two live queens, along with two other genera of wasps, one tentatively identified as a dolichovespula, which was found alive, and a vespa, which is a type of hornet. Both are not currently found in Hawaii, said Domingo Cravalho Jr., chief of the state Department of Agriculture's Inspection and Compliance Section, which inspects all imported trees.

"The unusual thing about the entire air shipment was that many of the insects that were found in the air shipment were not found in maritime inspections of Christmas trees," he said.

Evergreen secured a certificate from the Oregon Department of Agriculture clearing the trees, meaning that they were all shaken to remove insects, Cravalho said. "Evidently it wasn't shaken enough, or it was staged in an area where it could get re-infested," he said.

Flies, parasitic wasps and other pests also were found, as well as dirt and rocks that could carry microorganisms, Cravalho said. No trees were removed from the plane during the inspection, he said.

The department was unable to clean the plane because the state's cleaning and inspection facilities are made for surface containers, he said, not large aircraft.

"It's best that the shipment move out of Hawaii and go to another destination that accepts these types of pests," he said. "We're at a greater risk because of the fact that we have warmer weather and some of these species might take hold here."

The majority of the state's 150,000 imported Christmas trees this year are shipped by sea, with the last of four Matson Navigation Co. shipments expected to arrive today.

A Boeing 747-200 can hold up to 4,500 trees, said Spivey, but some buyers backed out after wasps were found on three surface containers last month. Spivey said Evergreen plans to fly Christmas trees to Hawaii next year in containers so they can be removed and dealt with separately.

"We had such a tremendous response," she said, adding that more than a dozen cars were lined up this morning at Evergreen's airport site waiting for a tree. "Phones were ringing off the hook -- that's encouraging."

Detoured trees bring out local kindness

More than 2,000 trees were diverted to Anchorage. (Jason Kohler/KTUU-TV)

by Jill Burke
Sunday, Dec. 2, 2007

ANCHORAGE, Alaska - While many are searching for the perfect Christmas tree, one Oregon-based company is looking for a way to dump thousands of them.

Evergreen International Aviation had a planeload of Oregon trees headed for Hawaii when the Department of Agriculture refused to let them in because an inspector spotted a bug.

Northern Air Cargo C.O.O. David Karp (Jason Kohler/KTUU-TV)

The 747 wound up in Anchorage and needed to unload more than 2,000 trees.

Evergreen partnered with Northern Air Cargo and came up with an emergency strategy to unload to wayward trees -- team up with ChangePoint Church.

Northern Air Cargo C.O.O. David Karp said the companies will be donating profits to a downtown soup kitchen.

"It's just a good way to get the trees out and do some good," Karp said. "When stuff like this comes along you just make the best out of it. It wasn't the way I planned on spending my weekend but we are having a good time."

The trees range in size from 5 feet to 12 feet tall.

They are being sold for $40 each through Monday at the Northern Air Cargo facility from 9 a.m. to 4 p.m.

Contact Jill Burke at jburke@ktuu.com

Invasive Species ALASKA

Finding Solutions: Protecting Our Nation's Waters – The National Aquatic Invasive Species Act (NAISA)

Congress is now considering the National Aquatic Invasive Species Act (NAISA), which builds on past legislation. As of November 2003, several subcommittees and committees in both the House and the Senate are still considering the bill.

When ships arrive from foreign ports and empty their ballast water in Alaska's waters, they are potentially introducing thousands of alien organisms. Since its passage in 1990, a single law has been the nation's chief protection against such new aquatic invasions and especially those that arrive in ballast water. That law—the National Aquatic Nuisance Prevention and Control Act (NANPCA)—was revised and reauthorized in 1996 and Congress is considering a second revision now. As state officials give more attention to problems associated with aquatic and other invaders, they estimate that the costs of preventing economic and environmental harm will be substantial. The proposed revision would provide new tools for the work they are undertaking and strengthen the use of existing ones.

Congress passed NANPCA in 1990 in response to the invasion of the zebra mussel and other species that damaged the Great Lakes. The new law brought much-needed attention to the global movement of aquatic species. It also established the federal interagency Aquatic Nuisance Species Task Force, which became a key resource for regional and state efforts. NANPCA's strictest and most detailed provisions required that ships headed for the Great Lakes exchange their ballast water at sea.

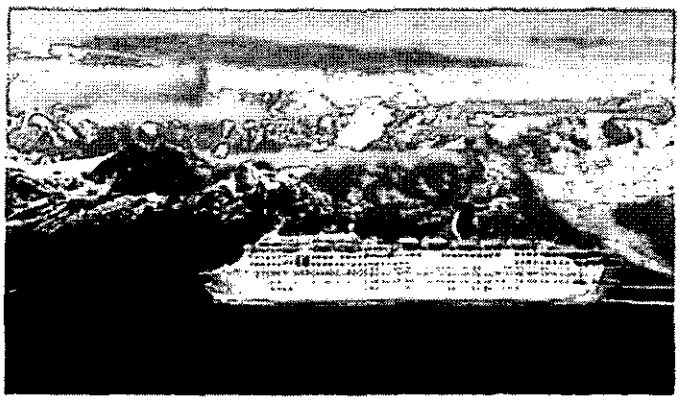
© Alaska Seafood Marketing Institute/Alaska Division of Tourism

The law was reauthorized in 1996, renamed the National Invasive Species Act, or NISA, and expanded slightly. NISA encourages all ships arriving from outside the 200-mile US Exclusive Economic Zone to exchange their ballast water, but requires them to report whether they have. NISA also authorized important research and linked its results to decisions about whether further ballast water regulation would be needed.

NISA has a number of features that help states like Alaska:

- The law established an Aquatic Nuisance Species Task Force that, in turn, set up regional groups to share information and develop cooperative plans. Alaska is a member of the Western Regional Panel, formed in 1997. Membership gives access to a wealth of information on species like the European green crab, connects experts to a system of committees on specific topics and species, and provides a forum for discussing the latest research and common policy concerns.
- The law promotes the use of comprehensive state management plans by providing federal funds (up to 75 percent) for implementing such Task Force-approved plans. States have successfully used these plans to identify their worst problems and to marshal the resources to address them. The Task Force approved Alaska's official state aquatic invasive species management plan on November 15, 2002.

Despite its successes, NISA has considerable room for improvement. Federal agencies have ignored important provisions; the law neglects important pathways of introduc-



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Tourism is one of Alaska's most lucrative businesses, and is heavily dependent on healthy ecosystems and abundant native wildlife.

tion other than ballast water; all the nation's waters deserve protection equal to the Great Lakes'; and reliance on ballast water exchange to reduce organisms in ballast water doesn't work—even in the Great Lakes where exchange is mandatory.

NISA expired in September 2002, so Congress must reauthorize the law. This is an opportunity to address NISA's shortcomings. Alaska would be a major beneficiary of these improvements.

How can strengthened national aquatic invasive species legislation help Alaskans?

A broad group of stakeholders has been working with members of Congress for months to draft and revise a stronger version of NISA, titled the National Aquatic Invasive Species Act (NAISA). Generally, it extends protections to all US waters, including inland ones, and authorizes additional federal work in key areas: identifying and limiting the riskiest pathways of aquatic introductions; monitoring to detect invasive species new to the United States; and providing the means to respond quickly to such newcomers.

Much of the focus remains on ships' management of ballast water and on strengthening NISA's related provisions. For example, the many ships that travel Alaska's coast would be required to manage their ballast water in specific ways for the first time, including ships making trips within Alaska. The proposed bill also requires that ships eventually meet objective standards for reducing the number of organisms released along with ballast water discharges.

Like the 1996 law, the new bill would provide federal cost sharing up to 75 percent for states to implement aquatic invasive species management plans, but in the new bill, states could also receive federal matching funds to expand their management plans.

In addition, the bill authorizes the Task Force to increase its spending—from $4 million to $30 million—on state grants. In Alaska, where officials estimate that implementing the state aquatic nuisance species management plan will cost up to $713,500 per year, these changes should give the state greater access to federal funds.

Also, the bill lays out a timetable and a process for developing a program to evaluate, or "screen," first-time intentional introductions of species. The public often assumes that this is routinely done before species are allowed into the country. In fact, this would be the first instance that federal officials have attempted such an approach. Some of Alaska's worst invasive species were intentional imports. By more carefully weighing species' risks before they enter the country, the bill's new provisions would help prevent additional invaders. NAISA also instructs the National Science Foundation to establish a grants program to study systematics and taxonomy. This could be a boon for Alaska, where many organisms are as yet unstudied.

What's at Risk?

Alaska has vast waterways that can be protected with stronger legislation:

- Alaska has 6,640 miles of open ocean coastline and, counting islands, almost 34,000 miles of shoreline—more than one-third of the nation's coastal areas.
- Alaska has more than 3,000 rivers and three million lakes of more than 20 acres. The Yukon River is the United States' third longest.

Alaskan industries rely upon healthy ecosystems:

- FISHING: Almost 55 percent of US seafood production comes from Alaska's waters, nearly four times more than the next largest state. In 2001, commercial harvests of all fish and shellfish were worth $871 million.
- TOURISM: Tourism provides almost 17,000 direct jobs for Alaskans, more than 1.5 times the number employed in Alaska's petroleum and mining industries combined.

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Invasive Species
ALASKA

What Is an "Invasive Species"?

As legally defined, an invasive species is "An alien species whose introduction does or is likely to cause economic or environmental harm or harm to human health . . . 'Alien species' means, with respect to a particular ecosystem, any species . . . that is not native to that ecosystem."[1] Alien species are also known as exotic, non-native, introduced, or non-indigenous species, and the term noxious or nuisance is sometimes used instead of "invasive" when these organisms cause harm. Since invasive species are only apparent to those few people who know their foreign origins, and because their spread can be slow, over years or even decades, we have tended to underestimate their impacts. Invasive species cause a range of problems. They can:

- threaten the survival of native plants and animals
- interfere with ecosystem functions
- hybridize with native species, resulting in negative genetic impacts
- spread easily in today's era of global commerce
- be difficult and costly to control
- impede industries and threaten agriculture
- be a significant drain on the economy
- endanger human health

How Severe Is the Invasive Species Problem in the United States?

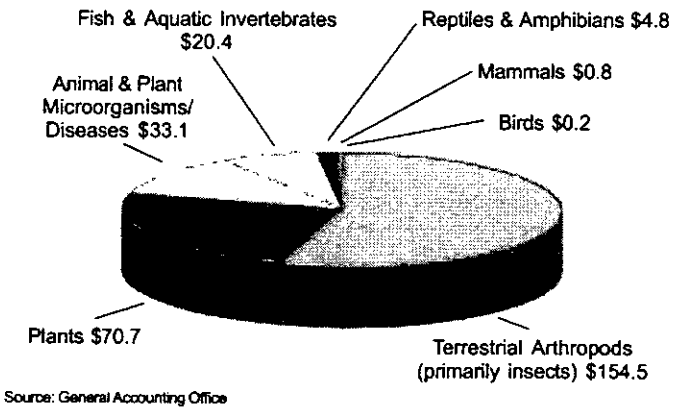
- Invasive species are a significant threat to nearly half of the native US species currently listed under the federal Endangered Species Act.[2]
- Costs of preventing, monitoring, and controlling invasive species in the United States—not to mention the costs of damage to crops, fisheries, forests, and other resources—are huge. The economic impact of invasive plants is thought to be at least $13 billion per year.[3] Costs or losses due to our most expensive invasive species can top $100 million annually per species.[4] In addition, invasive species can impose costs that are less readily quantified, such as damage to the small organisms that are the basis of all aquatic food webs.

What Is an "Introduction"?

When an animal, plant, fungus, bacterium, or virus ends up in a new ecosystem, it is said that the organism has been "introduced" to that new ecosystem. Humans are responsible for introducing the vast majority of non-native species. We deliberately transport some organisms; others end up in a new ecosystem unintentionally.

Examples of deliberate introductions are plants that we import for gardens, fish that we keep as pets or put in pens

Federal Funding for Categories of Invasive Species
(Fiscal Year 1999, in Millions of Dollars)



Source: General Accounting Office

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Various Ways that Unintentionally Introduced Species Arrive

On imported nursery stock or soil
(e.g., balsam wooly adelgid, chestnut blight, mealybug)

On imported fruits and vegetables
(e.g., Mediterranean fruit fly)

In untreated, discharged ballast water of ships
(e.g., zebra mussel, Chinese mitten crab)

In or on vehicles like boats, airplanes, trucks, ships, etc.
(e.g., Asian cockroach, poverty grass)

In bilge water, live wells, bait buckets, and on fishing gear
(e.g., European shore crab)

In packing material and shipping containers
(e.g., Asian long-horned beetle, wood-boring wasp)

Mixed in with seed packets or shipments
(e.g., serrated tussock, corn brome)

From people traveling for tourism, recreation, or commerce
(e.g., rust fungus)

Through canals and other humanly produced paths
(e.g., sea lamprey)

On imported or migrating animals (e.g., whirling disease)

Some Means of Deliberate Introductions

Sport fishing (e.g., largemouth bass, flathead catfish)

Aquaculture (e.g., Pacific oyster, Atlantic salmon, Pacific white shrimp)

Home aquaria (e.g., Asian swamp eel, hydrilla, zebra danio)

Biological control (e.g., grass carp, rosy wolfsnail)

Research facilities (e.g., giant tiger shrimp)

Seeds/Gardens/Landscaping (e.g., purple loosestrife, kudzu)

Erosion control (e.g., tamarisk [also known as saltcedar])

Fur/silk production (e.g., nutria, European gypsy moth)

for aquaculture, animals for hunting, fish we stock in lakes, and animals and insects introduced into new ecosystems to control other organisms.

Examples of unintentional introductions are insects that cling to or burrow into wooden packing material used to protect imported goods, or insects and their eggs "hitchhiking" on imported plants, in soil, or on fresh produce. We accidentally take in huge numbers of small and microscopic organisms in ships' ballast water, and we transport them to new ports of call.

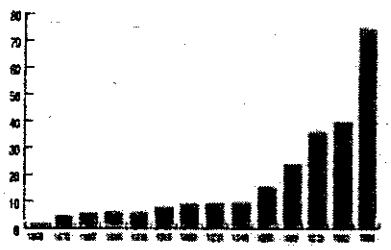
When Introduction Becomes Harmful

The vast majority of species transported to a place other than their native ecosystem—whether intentionally or accidentally—do not survive. Of those that do survive, scientists estimate that approximately 15% go on to become very harmful.[5] Plants and animals may escape from confined areas, or carry a wide variety of parasites or diseases that themselves may escape, to devastating effects. People may dump no-longer-wanted fish or aquarium plants into a nearby pond or river, or discard yard waste or garden clippings in a nearby park. The species that become invasive do succeed, in part, because the new ecosystems in which they find themselves offer favorable environmental conditions and lack the natural predators, competitors, and diseases that would normally keep their populations in check.

With increased global commerce and human exploration, rates of introduction and numbers of invasive species continue to rise. For example, ships only began to use water as ballast in the mid-1800s;[6] now transport in ships' ballast water and ballast sediments is the leading means of unintentionally moving a broad range of aquatic species throughout the world.[7]

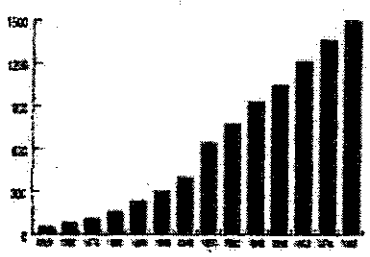
Cumulative Numbers of Non-Native Species

US Fish



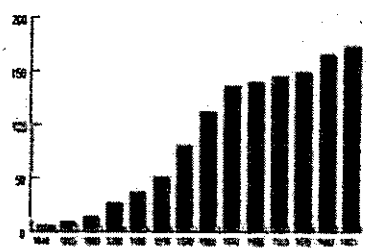
Source: J.L. Ruesink, W. Courtenay, Jr., P. Fuller, US Geological Survey and others.

North American Insects



Source: J.L. Ruesink, R.I. Sailer, and others.

US Plant Diseases



Source: C.L. Schoultes

The Emerging Threat of Invasive Species in Alaska

The wild beauty that draws many people to Alaska is under quiet siege. Dozens of harmful non-native organisms, including plants, animals, and microbes, have arrived in parts of Alaska from outside the state, or from other parts of the state, and are spreading throughout large areas. They cause a range of problems, from defoliating forests, to decimating seabird colonies, to killing fish. Yet, Alaska has the opportunity to avoid some of the worst problems that plague the lower 48 states and Hawai'i and to contain existing problem species before they become well established.

Non-native and Invasive Animals and Plants in Alaska

Native and non-native species in Alaska's vast landscape have not been well catalogued. However, experts have counted almost forty species thought to be invasive, and many more established non-native species that may become invasive.[1] The species of greatest concern include:

- One mammal species (Norway rat)
- Two bird species (pigeon in Anchorage[2] and starling as far north as Fairbanks[3])
- One non-native fish species (Atlantic salmon) plus one Alaskan fish species (northern pike) moved beyond its native range
- At least eight insect species (larch sawfly in southcentral Alaska, strawberry root weevil, western tent caterpillar, white pine weevil, wooly alder sawfly, imported currant worm, ugly nest caterpillar, and amber-marked birch leaf miner)[4]
- Another invertebrate species (European black slug, a crop pest in Anchorage)[5]
- At least 11 terrestrial plant species out of approximately 170 established non-native and non-cultivated plant species[6] (Canada thistle, reed canary grass, garlic mustard, orange hawkweed,[7] white sweetclover,[8] perennial sowthistle, hawksbeard, tufted vetch, Japanese knotweed, hempnettle, and oxeye daisy)
- At least six aquatic plant species (such as common brassbuttons and several species of red and brown algae)[9]
- At least seven aquatic invertebrate species (such as a softshell clam, rope grass hydroid, and boring sponge)[10]

© Alaska Division of Tourism

Introducing foxes to Alaskan islands for the fur trade has had disastrous consequences for many native bird populations.

Steve Hillebrand, US Fish and Wildlife Service

Campers, such as these at the Arctic National Wildlife Refuge, can unknowingly bring invasive species into pristine wilderness areas.

As in many places, there are differing views regarding which species are native, since some, like one subspecies of bison, went extinct long ago, but another was reintroduced. In addition, there are various perspectives on which non-natives have become established in Alaska (e.g., raccoons). Nor is there always agreement on which species are truly harmful (e.g., starlings), or valuable (e.g., game species introduced in the past for subsistence and sport), since these designations are somewhat subjective. These distinctions sometimes affect management and policy choices. In general, however, there is broad consensus among Alaska's experts on the seriousness of the risk posed by many of these species.

Some intentional introductions, such as many food crops and farm animals, are beneficial. However, there are disas-

trous exceptions. Foxes, brought to more than 450 Alaskan islands for fur trapping and farming—plus the animals introduced as food sources for the foxes—have devastated native bird populations and disrupted island ecosystems.[11] As recently as 1987 the Alaska Department of Fish and Game introduced elk for hunting on Etolin Island. Elk have spread, probably by swimming, to other islands and areas in the Southeast, affecting native plants and animals. Less clear is the pre-statehood introduction of brook trout from outside the territory, and grayling and rainbow trout from other parts of the state, to southeast Alaska for food and sport fishing. The populations are self-sustaining but usually not considered invasive, although brook trout may be preying on salmon fry or hybridizing with native Dolly Varden char.[12] Alaska blackfish have been moved to the Anchorage area and may also be affecting salmon fry.[13]

Numerous pathogens and parasites have been introduced to Alaska but have not yet been well studied. Known problems include lice from domestic dogs that have infested wolves on the Kenai Peninsula[14] and black knot, a fungus so far affecting only ornamental cherry trees in Anchorage.[15]

Where Are Invasive Species a Problem?

Four elements of Alaska's landscape are most vulnerable to invasive species: ports, islands, waterways, and disturbed or reclaimed areas.

- Commercial ports, especially those in the southcentral and southeast regions, are continually exposed to new species, especially from the Pacific corridor as far south as Mexico.

An Ounce of Prevention: A Sampling of Worrisome Potential Invaders

Invasive species are a global problem, and Alaska is susceptible to many harmful invaders, particularly as global climate change is projected to warm Alaska. (Alaska has already experienced a 4°F increase in average temperature during the past 50 years, while the global average has increased only 1°F.)[16] The following species are particularly harmful and are already wreaking economic and ecological damage in the lower 48 states and Canada. Some of these species have been found in Alaska, but none is yet thought to be established.

Asian gypsy moth

Invader	Impacts	Where Found
Asian gypsy moth	Defoliates trees	Pacific Northwest
Asian longhorned beetle[17]	Kills hardwood trees	Chicago, New York region; intercepted at West Coast ports
European green crab	Competes with native crabs such as Dungeness and other shellfish	West Coast to Vancouver Island
Zebra mussel[18]	Competes with native mussels, alters nutrient balances, clogs pipes	Eastern North America waterways; population found in Kansas in 2003
New Zealand mudsnail	Concern about effects on native species (e.g., aquatic insects, native snails), fisheries (especially native trout), and aquatic ecosystems	Western US (including three national parks); population found in Lake Ontario in early 1990s
Yellow perch	Competes with native fish, restricts salmon reproduction	Widespread in northern US and Canada; eradicated from Kenai Peninsula lake
Russian knapweed	Invades riverbanks, may affect moose forage	Western US and Canada, including Yukon Territory
Purple loosestrife	Aggressively outcompetes native wetland plants	Widespread in lower 48 states including Pacific Northwest; grown in Anchorage gardens
Fire blight	Destroys apple crops, may affect related trees such as native mountain ash	Globally widespread; found in Alaska in 2000

Photo: US Department of Agriculture, Animal and Plant Health Inspection Service, Plant Protection and Quarantine Archives, www.invasive.org

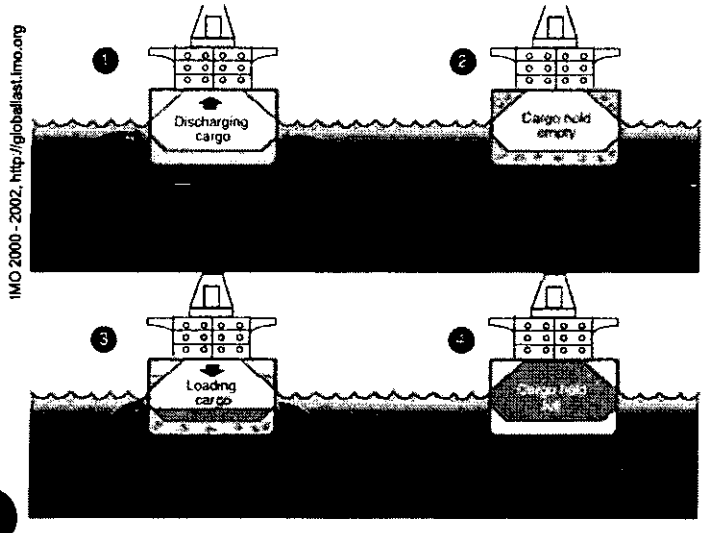
- Islands are particularly vulnerable and some have been hard hit because they typically have unique species that have evolved without grazing pressure and other predation; some have been hit hard. Dutch Harbor and other islands in the Aleutian chain, the Alexander Archipelago, and the Kodiak Archipelago are of special concern.[19]
- Waterways, including Alaska's vast rivers, streams, lakes, and wetlands, provide relatively hospitable temperatures for many aquatic invaders. Low-gradient floodplain communities with road crossings in southcentral and interior Alaska, as well as spits, barrier beaches, and coastal marshes, are especially vulnerable, as are floodplains and karst-rich sites in southeast Alaska.[20]
- Disturbed and reclamation areas associated with mining, trails, recreation, agriculture, the Alaska pipeline, and roadways commonly contain invasive plants.[21]

How Do We Bring Invasive Species to Alaska?

Fortunately, Alaska's historically low population and geographic isolation have kept introductions of new invasive species relatively low. However, increased commercial traffic (both from the continental United States and abroad) and further development increase the risk of new introductions.

Shipping: The large amount and diversity of ship traffic in Alaska—oil tankers, commercial freighters, military vessels, fishing vessels, and chip, pulp, and timber barges—bring invasive species in ballast water, bilge water, or live wells.

Port Valdez, in Prince William Sound, receives the third largest volume of tanker ballast water of US ports.[1] About one-half of this ballast water is oily and is processed at a treatment facility. The rest is discharged into the port's waters, releasing many non-native species. One study of organisms in ballast water of oil tankers arriving at Valdez found 13 species of non-native crustaceans, one fish species, as well as enormous numbers of potentially damaging smaller organisms.[2] Ships' hulls may also carry a variety of organisms, and rats, mice, other mammals, and insects arrive in cargo.



We unintentionally move thousands of aquatic species in ships' ballast water and ballast sediments.

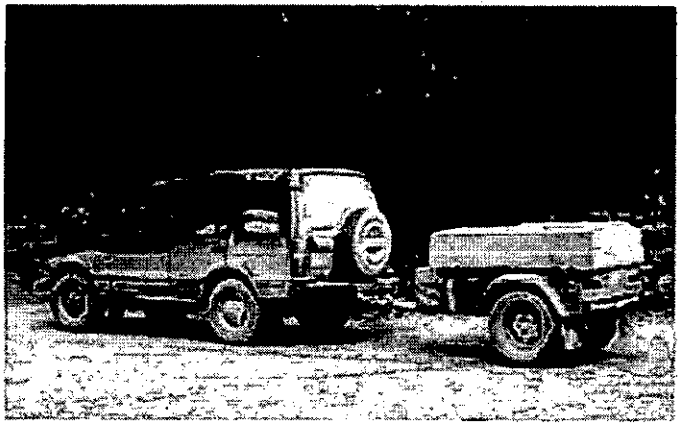
Aquaculture: Fish farming can result in severe damage to native ecosystems and fisheries when fish or hitchhiking organisms escape. Of current concern are escaped Atlantic salmon arriving in Alaskan waters from British Columbia and Washington State fish farms.

Agriculture and Horticulture: Only a very small percentage of Alaska's acreage is agricultural, but farms, nurseries, and state agencies import plants, seeds, and other products, which can either be invasive themselves or carry damaging hitchhikers. An example is Canada thistle, found in Fairbanks and southcentral Alaska, which is thought to have arrived as seed within root balls of tree-planting stock.[3] Other invasive plants, such as perennial sowthistle, are thought to have arrived as contaminants in seed mixtures. Nurseries, in most cases, are not prohibited from selling invasive plants.

© 2000 Molly Elizabeth Bagley

Canada thistle seeds are thought to have arrived in Alaska through the horticulture industry.

Recreation and Tourism: There have been intentional efforts to import species such as European grouse as game birds.[4] Pack animals, dogs, vehicles, and people can all transport seeds to backcountry areas unintentionally. In addition, hay brought in to feed horses or to use as sled dog bedding can be contaminated with weed seeds. Invasive plants have affected ostensibly pristine areas such as Denali National Park, the Tongass and Chugach National Forests, and numerous other sites in southern Alaska. Many weeds are found around roadsides, trailheads, campgrounds,



Jim Steinborn © 1988

Roads and vehicles can unintentionally bring invasive species into previously undisturbed areas.

parking lots, and other disturbed recreation-related areas.[5] While cruise ships do not usually transfer ballast water in Alaska, ships coming directly from Far East Asia or Japan do.[6] Like other ships, all can carry invaders on their hulls, in their holds, or on their decks.

Construction, Mining, and Restoration: These activities transport weed seeds, as well as other organisms, when equipment and machinery are moved without cleaning.[7]

Aquarium and Pet Trades: Aquarium fish and plants, as well as other pets, have occasionally turned up in the wild and could become a problem, especially if they carry diseases.

How Much Do Invasive Species Cost Alaskans?

In states where invasive species are a bigger problem than in Alaska, losses to industries and costs of control have skyrocketed. Alaska has a unique opportunity to avoid costly losses by focusing on preventing the introduction of additional invasive species while controlling those already established.

The costs of invasive species in Alaska take many forms, including labor and pesticides associated with eradication and control efforts, losses to fisheries and crops, and loss of native species and ecosystems.

Alaska's largest industries bring in more than $1 billion per year. Invasive species are taking a bite out of each, and costs are likely to rise.

FACT: State, federal, and private groups spend millions to manage or remove established invaders.

- Since 1949, the US Fish and Wildlife Service (FWS) has spent roughly $3 million to remove arctic and red foxes from some 40 islands where the federal government had originally introduced them to help early settlers economically.[1]
- FWS spent at least $400,000 in a two-year effort to remove abandoned reindeer that had seriously overgrazed Hagemeister Island in the Alaska Maritime National

© Alaska Division of Tourism

Fisheries and the seafood industry would likely suffer if invasive species took hold.

Wildlife Refuge.[2] Other islands have also been cleared of reindeer, cattle, and similar animals.

- FWS is now beginning to tackle the extensive problem of Norway rats and other rodents on more than 20 islands, projected to be even more expensive than the other mammal removals.[3]
- To assess the extent of the aquatic nuisance problem, the Prince William Sound Citizens Advisory Council, California Sea Grant, FWS, and other agencies have spent an estimated $500,000 on a study of ballast water introductions into the Sound, which includes the port of Valdez, and a small subset of other key Alaska ports.[4]
- Alaskan officials estimate that the state's overall aquatic nuisance species plan will cost $373,000 in 2003, increasing to $690,000 and $760,000 during the next two fiscal years.
- The Alaska Department of Fish and Game has identified the need for an estimated $200,000 emergency fund that would allow a quick response to newly identified invasions of aquatic nuisance species. Half of this money is included in the latter two estimates above. However, the fund's establishment requires new state legislation.[5]

FACT: Three of Alaska's major industries, commercial fishing, sport fishing, and tourism, risk economic losses from invasive species.

- If northern pike, Atlantic salmon, or other invasive fish continue to encroach on native salmon habitat, the $216 million salmon fishery—already experiencing four years of low prices[6]—could further decline.
- Potential invasion of the European green crab could be costly to the $117 million shellfish industry.[7]
- Tourism brings the state almost $1 billion annually from 1.4 million visitors,[8] who come expressly for Alaska's untrammeled natural beauty and wildlife. In a study of perceptions of bark beetle damage, visitors ranked views of natural scenery and wildlife as most important for their visit, and judged scenic value to decline significantly as tree damage increased.[9] Invasive species able to defoliate forests or eliminate bird, fish, or marine mammal populations would likely reduce visitor interest and spending.

Washington Department of Fish and Wildlife

European green crab

John and Karen Hollingsworth, US Fish and Wildlife Service

Alaska's robust tourism industry relies upon the health of the state's natural treasures. Here, a tourist observes wildlife at Alaska Maritime National Wildlife Refuge.

FACT: Forestry, agriculture, and other industries suffer from invasive species.

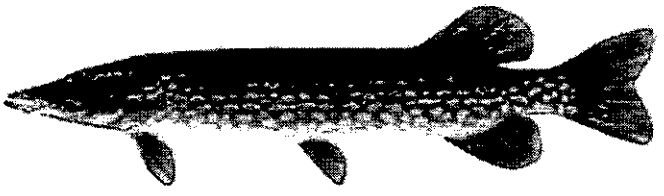
- Logging and related industries generated $64 million in wages in 2000.[10] From 1996 to 2001, almost five million out of the total 129 million forested acres in Alaska suffered insect damage from both native and non-native pests.[11]
- Agriculture in 1997 accounted for $53.4 million of the state's economy.[12] Losses from pest species are not currently quantified, but a significant proportion of agricultural weeds, insects, and diseases are non-native. Examples are sowthistle, hempnettle, and the potato late blight that was found in the Matanuska Valley in 1995 and 1998, requiring expenditures for quarantine[13] and fungicides.
- Many other industries are negatively affected by invasive species. For example, trappers experience financial losses when wolf pelts are damaged by dog lice, not to mention the substantial costs incurred by state agencies in medicating sick animals and trying to stop the infestation from spreading.

The Worst of the Worst

Norway Rat *(Rattus norvegicus)*

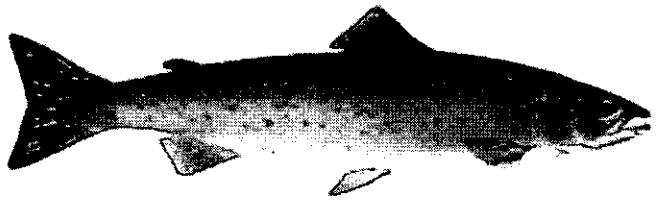
Rats are considered one of the most harmful invasive species in the world and one of the first to be transported almost everywhere that humans settle. Norway rats prey on wild birds and their eggs, kill poultry and livestock, and can transmit diseases to humans and animals. They also damage—sometimes to the point of extinction—invertebrates, reptiles, birds, and other wildlife, as well as plants. They eat stored grain and seeds and contaminate with droppings whatever they don't eat. Norway rats are especially devastating when introduced to oceanic islands. A Japanese shipwreck in 1780 introduced the first Norway rats to Alaska,[1] and by 1790 one of the Aleutians was named Rat Island. Today, rats have invaded some 30 Alaskan islands and many additional areas, coastal and otherwise. Rat "spills" (rats swimming to land from shipwrecks or walking from docked ships to land on ropes or gangplanks) are considered to be more ecologically damaging than oil spills.[2] Active efforts are in place to try to prevent further rat introductions and to control current populations.

Northern Pike *(Esox lucius)*



Although northern pike are native to northern Alaska, they have become an invasive species in southcentral Alaska, specifically in the Anchorage Bowl, Matanuska-Susitna Valley, and Kenai Peninsula. Northern pike were intentionally introduced by unknown individuals, presumably for sport fishing. These predatory fish consume salmon fry and are invading vast systems of streams and lakes. The Alaska Department of Fish and Game has found lakes (e.g., Trapper, Alexander, and Red Shirt) devoid of once-healthy trout and salmon populations and abundant with pike. Pike are also having an impact on native suckers and whitefish as well as ducklings and other waterfowl.[3] Fish, wildlife, and game managers consider established pike populations difficult to remove and their potential impact on native salmon and other fish in the Southeast to be "immense."[4]

Atlantic Salmon *(Salmo salar)*



Although finfish farms are banned in Alaska, hundreds of thousands of Atlantic salmon raised in fish farms in British Columbia and Washington State have escaped from their pens, some reaching waters near Ketchikan and Yakutat and as far north as the Bering Sea.[5] Scientists used to believe that Atlantic salmon would not venture into fresh water, but several pen-reared salmon have been found in fresh water streams. In 1998, an Atlantic salmon—sexually mature and thought to have been with a mate—was recovered north of Ketchikan at Ward Creek.[6] If such salmon successfully spawn and become established, they could compete for limited food and spawning habitat with native fish such as steel-

head, cutthroat trout, Dolly Varden char, and coho salmon. Farmed fish also present a risk in that they could spread disease and parasites. For example, scientists speculate that escaped sea lice from open net Atlantic salmon farming pens in British Columbia's Broughton Archipelago infested juvenile wild pink salmon, causing that native species' population in the province to decline sharply.[7]

Amber-marked Birch Leaf Miner *(Profenusa thomsoni)*

Most likely introduced from Europe to the northeastern United States in the 1920s, this insect—a defoliator of birch—has spread throughout southern Canada and into Alaska. It was accidentally introduced in Anchorage during the mid-1990s, most likely on ornamental birches.[8] These pests are especially damaging in Alaska, where they have no natural enemies. The larvae of the amber-marked birch leaf miner defoliated more than 30,000 acres throughout the Anchorage Bowl in 2002, have been found in the Matanuska-Susitna Valley, and were detected in 2002 in the birch-abundant area of Fairbanks. Hardest hit have been urban paper birch. Chemical treatment is the only currently available control method (for urban trees); using a certain parasitic wasp as a possible biological control agent is under investigation.[9]

Japanese Knotweed *(Polygonum cuspidatum)*

Native to eastern Asia, Japanese knotweed has spread to 37 US states with the help of gardeners who plant knotweed as an ornamental. In Alaska, Japanese knotweed was first reported in the 1940s in Sitka, although it probably arrived earlier.[10] It is now found in communities in southeastern Alaska as well as in Anchorage. Roadside planting by the Department of Transportation as well as landscaping have contributed to its spread.[11] Japanese knotweed is difficult to remove, since fragments regenerate readily and send up new shoots from rhizomes. The weed aggressively crowds out native plants along roadsides, stream banks, and woodland edges, destroying habitat for native insects, fish, birds, and other animals. It may also become an agricultural weed,[12] and increase fire risks, as it has in other states.[13] Experts recommend monitoring for new instances of Japanese knotweed and when found, thoroughly removing and carefully disposing of the plants, including all root fragments, so that the plants cannot become established.[14]

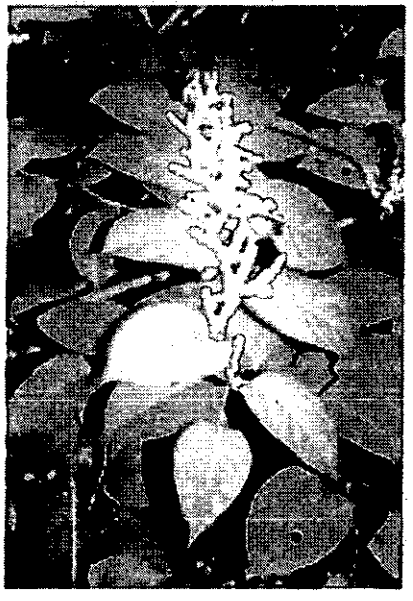


Image sources: Norway rat: Ian L. Jones; Northern pike: Timothy Knepp,US Fish and Wildlife Service; Atlantic salmon: Timothy Knepp, US Fish and Wildlife Service; Amber-marked birch leaf miner: Natural Resources Canada, Canadian Forest Service; Japanese knotweed: © John M. Randall, The Nature Conservancy.,

What's at Stake? Impacts on Alaska's Natural Areas and Resources

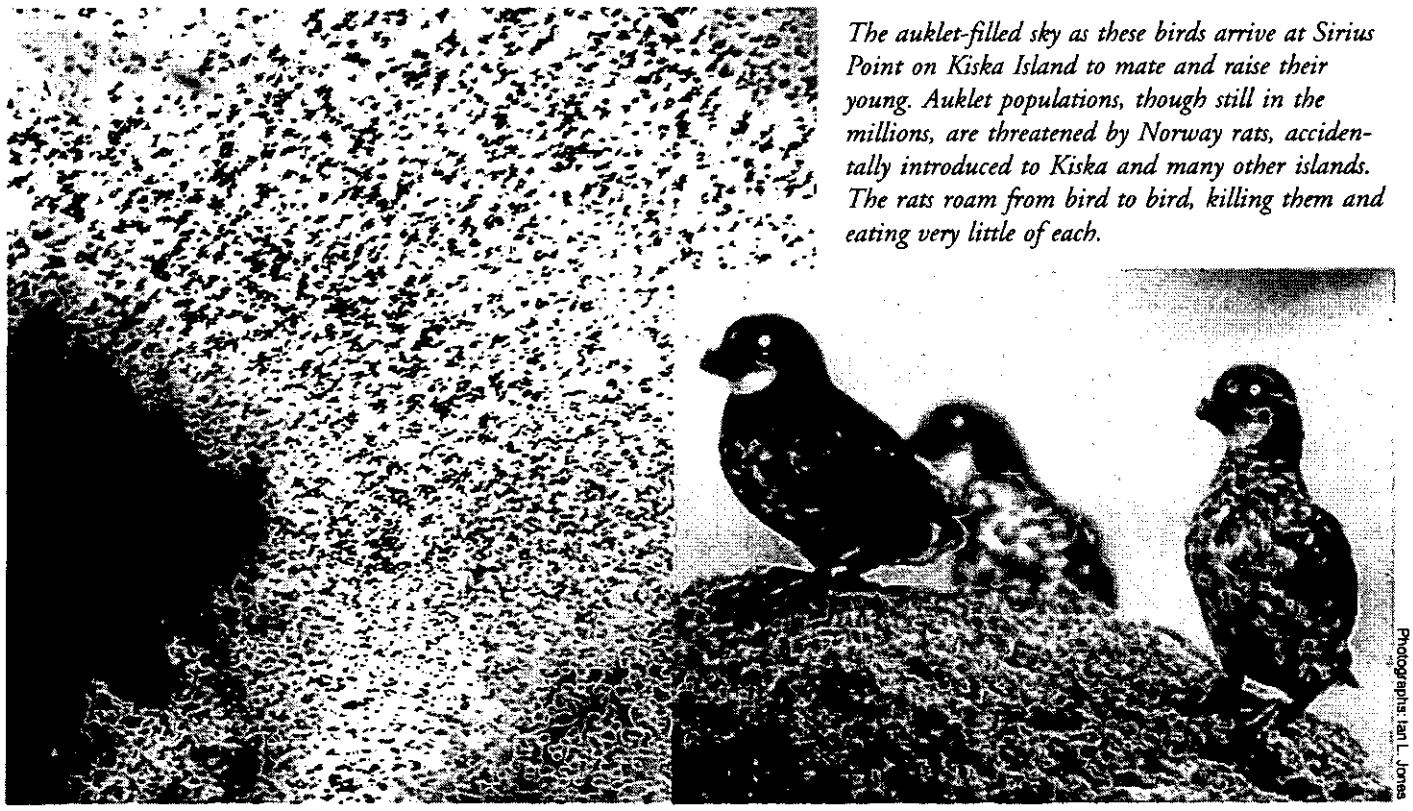
In Alaska, healthy ecosystems contribute an estimated $1.2 to $1.6 billion per year in basic ecosystem services, like nutrient cycling, waste treatment, and regulation of floods.[1] As the largest state, Alaska has an immense and diverse landscape, including tundra, wetlands, waterways, forests, farmland, coastlines, islands, and urban areas. Nearly all these types of areas show signs of emerging or well-established invasions.

FACT: Invasive species are a growing problem in areas of traffic and disturbance.

- In many national parks, forests, and wildlife refuges, non-native weeds have gained purchase in areas of human activity.
- Alaskan ecosystems support populations of large predators, such as bears and wolves. Yet, even Denali National Park—a crown jewel of the national park system—is facing pressure from proposed additional roads and traffic,[2] which would likely bring invasive species that spread disease or compete with these predators' food sources.
- In heavily traversed Prince William Sound, the proportion of aquatic non-native species is small, but increasing. The effects are only beginning to be studied. However, in other parts of the country, aquatic environments and water-based industries have been hard hit by invasives as commercial traffic grows.

FACT: Invasive species threaten Alaska's rare and unusual animals and plants, and impact the functioning of whole ecosystems.

- Roadsides in southcentral and interior Alaska are commonly filled with white sweetclover and tufted vetch, two hard-to-remove non-native weeds. These legumes alter the nitrogen balance in soils, negatively affecting organisms adapted to lower nitrogen levels, and also threaten to invade Alaska's forests, riparian areas, and non-forested wetlands.[3]
- On Kiska Island, a popular cruise ship destination, Norway rats are threatening the survival of one of the world's largest auklet colonies.[4]



The auklet-filled sky as these birds arrive at Sirius Point on Kiska Island to mate and raise their young. Auklet populations, though still in the millions, are threatened by Norway rats, accidentally introduced to Kiska and many other islands. The rats roam from bird to bird, killing them and eating very little of each.

Photographs: Ian L. Jones

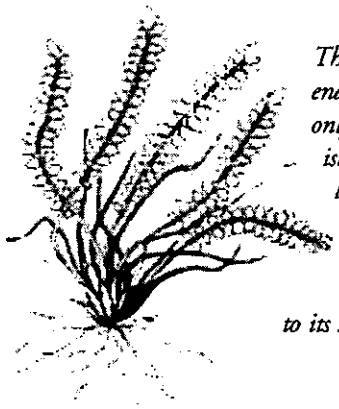
Jules Strauss © California Academy of Sciences

Even Denali National Park is not immune to potential new invaders.

- Alaska's island ecosystems contain many unique forms of plants and birds, such as the Aleutian Canada goose. The populations of these geese and nesting seabirds have declined where arctic foxes were introduced. Even where foxes have been removed, some island species have not fully recovered.[5]
- Some habitat for salmon and other native fish is being degraded and diminished from introduced northern pike in southcentral Alaska. Salmon play a crucial part in sustaining watersheds, add nutrients to aquatic systems, and are an important food for bears, eagles, and other wildlife.

Who's Tracking What's Rare?

The Alaska Department of Fish and Game lists five endangered species (identified by Alaska's Commissioner of Fish and Game as being in danger of extinction in Alaska) and 16 "species of special concern" (identified by Alaska's Commissioner of Fish and Game as declining in abundance or vulnerable to decline in Alaska).[6] Likewise, the US Fish and Wildlife Service and the Department of Commerce's National Marine Fisheries Service maintain lists for rare animals under their respective jurisdictions. These include 27 species or distinct populations considered "endangered" or "threatened." The Alaska Natural Heritage Program, the US Forest Service, the Conservation of Arctic Flora and Fauna Working Group, and other agencies all track rare plants. Together, there are several dozen such plant species. Only one—the Aleutian shield fern—is a federally listed endangered species. Invasive species affect a number of these rare species.



Ann-Lillian Schell, US Fish and Wildlife Service

The Aleutian shield fern—endemic to Alaska and found only on one or two Aleutian islands—is the only federally listed endangered plant in Alaska. Grazing by introduced caribou is considered a potential threat to its survival in the wild.

Karen Ducey, National Marine Fisheries Service, National Oceanic and Atmospheric Administration/Department of Commerce

Alaska's salmon industry is already struggling. With the added pressure of invasive species, many fishing vessels, like this salmon gillnetter in Bristol Bay, may find it even more difficult to keep their businesses afloat.

Finding Solutions: Who Deals with Invasive Species in Alaska?

Alaska's Opportunity

Alaska is blessed with abundant natural beauty and resources, which can and should be protected for the benefit of all Alaskans. Because the state currently has a relatively small problem with invasive species, it is well positioned to prevent the worst invaders from becoming established, learning from successes and failures in the lower 48 states, Hawai'i, and around the world. Alaska's two recent statewide plans are examples of strong coordinated approaches. However, more work is needed to strengthen efforts if Alaska is to protect its natural resources and economic interests.

Alaska's Cooperative Approach

In many ways, Alaska is a national leader. It has combined the expertise of federal, state, tribal, international, and private groups to produce two strategic plans. Taken together, these plans express the need for well-coordinated action to prevent and manage not only aquatic but also terrestrial invasive species, along with more effective and comprehensive planning, legal authority, enforcement, and funding to back it up.

One cooperative effort resulted in the 2001 *Strategic Plan for Noxious and Invasive Plants Management in Alaska.*[1] This plan makes a series of recommendations to heighten awareness of invasive plant problems in the state and to halt these plants' introduction and spread. Committee members from the broad-based Alaska Committee for Noxious and Invasive Plants Management have marshaled resources and implemented a number of the recommendations.

Another effort, led by the Alaska Department of Fish and Game, resulted in the 2002 *Alaska Aquatic Nuisance Species Management Plan.*[2] The federal Aquatic Nuisance Species Task Force approved this plan, as stipulated by federal law, so implementation of the plan qualifies for federal cost sharing of up to 75%. The plan's focus is on identifying and responding to the highest priority threats.[3] It concludes that, "It is in the best interest of Alaska and Alaskans that both purposeful and unintentional introductions of invasive species not be tolerated."[4]

Both of the state plans highlight the need for better public education to prevent new species' arrivals and to curb the spread of existing ones. Without public support and cooperation, resource managers will be combating not only accidental introductions, but intentional ones, such as the dandelions planted by a visitor in a national forest[5] and northern pike.

Some urgently needed education efforts are underway. The Alaska Department of Fish and Game Sport Fish Division, for example, produced television spots on aquatic invasive species and, with the US Fish and Wildlife Service, is producing identification cards with warnings about Atlantic salmon and European green crabs.[6] The Forest Service, Bureau of Land Management, Smithsonian Environmental Research Center, University of Alaska Cooperative Extension Program, Sea Grant, The Nature Conservancy, Regional Citizens' Advisory Council of Prince William Sound, and the Alaska Natural Heritage Program are also working to educate the public about non-native species. Some of these entities have substantial educational materials available to the public.

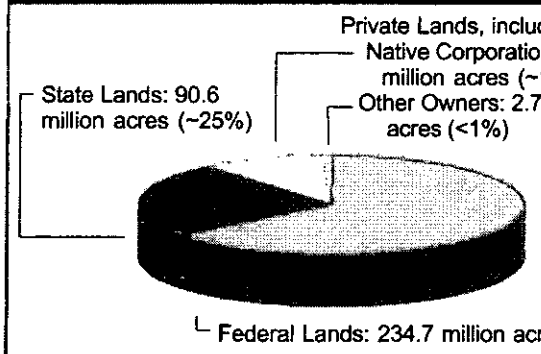
Federal and State Efforts

Implementing the above plans falls to individual state and federal agencies. Some of their most significant work is described below.

Federal Efforts

Under the new Department of Homeland Security (DHS), the Coast Guard is responsible for monitoring ships' compli-

Land Ownership in Alaska



Bureau of Land Management, Department of the Interior

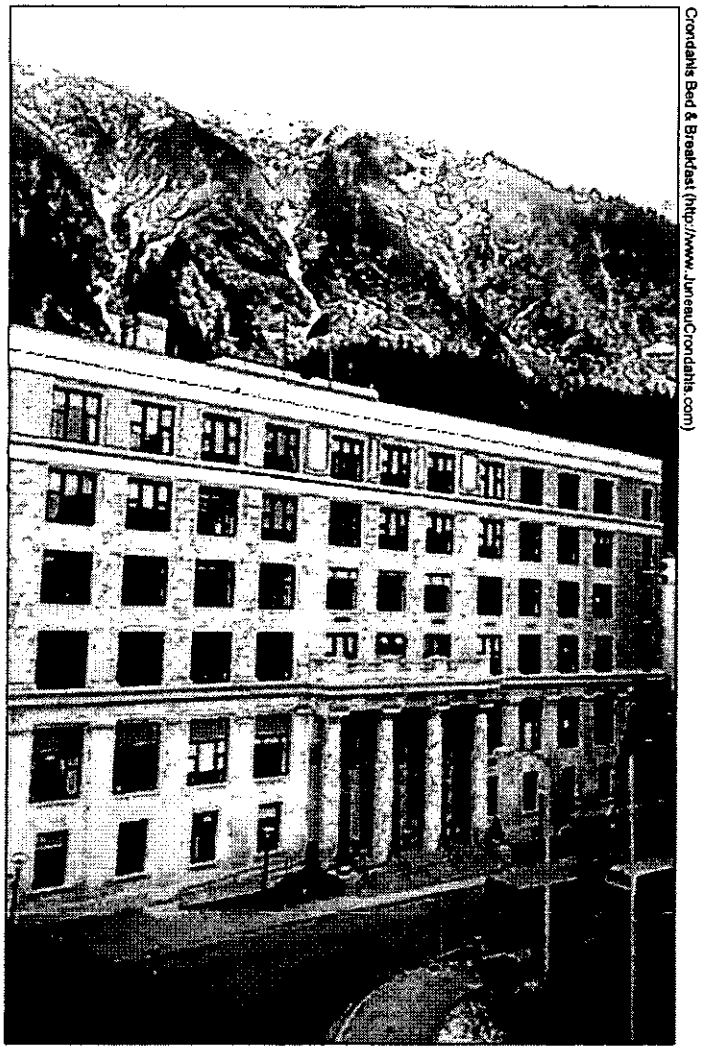
Of Alaska's 365.5 million acres, approximately 64% is federally managed, primarily by the US Department of the Interior (Bureau of Land Management, US Fish and Wildlife Service, and National Park Service) and the US Department of Agriculture (Forest Service).

ance with voluntary ballast water exchange practices and related requirements. The DHS Bureau of Customs and Border Protection and US Department of Agriculture's Animal and Plant Health Inspection Service share responsibility for protecting agriculture at and near approximately a dozen ports of entry. DHS officers inspect incoming passengers and cargo while USDA retains other key functions, such as monitoring the effectiveness of inspections, conducting emergency responses to newly detected pests, and a much-expanded effort to detect such pests, which also involves the Alaska Department of Natural Resources.

The USDA Forest Service is responsible for surveying, monitoring, and managing non-native species in national forests. In 2002, the USFS Forest Health Protection Program and the US Geological Survey Alaska Science Center launched a project to create a statewide database for invasive plants. The database incorporates data from field collaborators from federal and state agencies, universities, private consulting firms, and other interested groups.[7] Similarly, the USFS Tongass National Forest's Ecology Department recently completed an invasive plant management plan for this 17-million-acre forest to prioritize prevention/education, inventory, control, and monitoring over the next five years. That plan addresses specific stakeholders and suggests partnerships to work cooperatively. Some specific projects include efforts to eradicate or control weeds such as tansy ragwort and Japanese knotweed. In addition, the USFS has worked with other agencies, the Kake Tribal, Inc., and the Organized Village of Kake to control Japanese knotweed in the Petersburg area.[8]

The US Fish and Wildlife Service in Alaska has undertaken extensive efforts to eliminate harmful invasive species from islands in the Alaska Maritime National Wildlife Refuge, where recovery of bird populations has been dramatic. Efforts are underway elsewhere to prevent widespread rat populations from spreading. One area of particular concern is the Pribilof Islands.

Other federal agencies, including the Bureau of Land Management, the Department of Defense, and the National Park Service, are involved in surveying, monitoring, and managing non-native species in the large holdings for which they are responsible. For instance, the National Park Service hires seasonal technicians to do an extensive survey for exotic plants throughout Alaska's park system, to pull weed species, and to restore native species in Denali National Park at an estimated cost of $50,000 annually.[9]



Crondahls Bed & Breakfast (http://www.JuneauCrondahls.com)

State Law and State-based Efforts

Sizable groups of officials and other experts are working to strengthen the state's legislation and policies. The two interagency invasive species plans described above provide a strong framework for this process, as well as specific, high-priority recommendations.

When Alaska became a state, it prohibited the introduction of out-of-state fish for rearing or stocking in state waters, creating one of the strongest such laws in the country. The strength of the state's approaches to other types of introductions varies, and some important policy areas are not addressed at all.[10] For example, Alaska is the only west coast state that has not recently updated its legislation regarding non-native species in the ballast water of ships; instead, Alaska's ballast water law focuses solely on preventing discharges of petroleum.[11] State law does not authorize specific funds to implement statutes and regulations that address invasive species, nor does it have emergency powers to

address sudden outbreaks that can quickly cause widespread damage.[12]

Alaska Department of Fish and Game: Fish, Game, and Aquatic Plants

Responsibility for fish, wildlife, game, and aquatic plants falls to the Alaska Department of Fish and Game.[13] The release of fish and other aquatic animals is prohibited by law and regulated by the Board of Fisheries. Similarly, game species are prohibited without a permit from the Department of Fish and Game, unless the animal is on a "clean list" of domesticated animals, such as farm animals.

After an extensive permitting and planning process, the Alaska Department of Fish and Game has extended the natural range of some native fish, like rainbow trout and arctic grayling, by stocking hatchery-grown fish in certain lakes to enhance fishing.[14] Populations of non-native yellow perch and goldfish, which have the potential to become invasive, were chemically eradicated by the Alaska Department of Fish and Game and the US Air Force, respectively.[15]

Alaska Department of Natural Resources: Weeds, Seeds, Coasts, and Habitat

The Alaska Division of Agriculture has responsibility to prevent the arrival and spread of pests considered "injurious to the public interest, and for the protection of the agricultural industry."[16] It prohibits seeds (but not plants) of 14 noxious weeds and restricts the allowable amount of 10 other weed species in seed mixes. The regulated weeds all affect agricultural lands, although natural areas are far more extensive in the state. Alaska needs explicit regulatory action for these kinds of weeds, such as Japanese knotweed, white sweetclover, and garlic mustard, which have recently arrived in the state or are currently spreading.

The Department of Natural Resources also implements a coastal management program, which is the basis for controlling certain non-agricultural invasive plants. Also, recent legislation made the Office of Habitat Management and Permitting responsible for protecting both aquatic and terrestrial habitat via state habitat standards.

Alaska's Prohibited Noxious Weed Seeds

Austrian fieldcress	Horsenettle
Blue-flowering lettuce	Leafy spurge
Canada thistle	Perennial sowthistle
Field bindweed	Quackgrass
Galinsoga	Russian knapweed
Hempnettle	Whitetops (three species)

Alaska's Restricted Noxious Weed Seeds (only small amounts allowed):

Annual bluegrass	Tufted vetch
Blue burr	Wild buckwheat
Buckhorn plantain	Wild oats
Mustard (two species)	Yellow toadflax
Radish	

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MICHIGAN

Carl Levin

UNITED STATES SENATOR

FOR IMMEDIATE RELEASE
March 1, 2007

Contact: Senator Levin's Office
Phone: 202.224.6221

Levin Introduces Bipartisan Bills to Combat Invasive Species in Great Lakes

WASHINGTON—Sen. Carl Levin, D-Mich., today introduced two bipartisan bills aimed at protecting U.S. waters from the threats posed by aquatic invasive species. The National Aquatic Invasive Species Act and the Asian Carp Prevention and Control Act would help combat these harmful species that damage U.S. aquatic ecosystems and natural resources.

"Invasive species wreak havoc on our waterways and cost us billions each year," said Levin, who is a co-chair of the Senate Great Lakes Task Force. "Because it has proven immeasurably difficult to fight invasive species once they have entered our waters, these bills are focused on preventative measures that will tackle the problem at the source."

Details of the two bills follow:

The National Aquatic Invasive Species Act would reauthorize and strengthen the National Invasive Species Act of 1996 to protect U.S. waters by preventing new introductions of aquatic invasive species. The legislation, which Levin is sponsoring along with Sen. Susan Collins, R-Maine, would regulate ballast discharge from commercial vessels; prevent invasive species introductions from other pathways; support state management plans; screen live aquatic organisms entering the United States for the first time in trade; authorize rapid response funds; create education and outreach programs; conduct research on invasion pathways, and prevention and control technologies; authorize funds for state and regional grants; and strengthen specific prevention efforts in the Great Lakes. A summary of the bill can be found **here**.

"What is so important about the National Aquatic Invasive Species Act is that it to takes a comprehensive approach toward the problem of aquatic invasive species rather than just focusing on species after they are established and a nuisance," Levin said. "The bill deals with the prevention of new introductions of species, the screening of live aquatic organisms imported into the country, the rapid response to new invasions before they become established, and the research to implement the provisions of this bill."

The Asian Carp Prevention and Control Act, which Levin is sponsoring with Sen. George Voinovich, R-Ohio, and Sen. Russell Feingold, D-Wisc., would list three species of Asian carp – the bighead, black and silver carp – as injurious wildlife under the Lacey Act. By doing so, Congress would prevent the intentional introduction of these species into the

Great Lakes by prohibiting the interstate transportation or importation of live Asian carp without a permit. Congress passed the original Lacey Act in 1900 and the Lacey Act Amendments in 1981, which make it unlawful to import, export, transport, buy or sell fish, wildlife and plants taken or possessed in violation of federal, state or tribal law. This legislation would not interfere with existing state regulations of Asian carp, and permits to transport or purchase live Asian carp could be issued for scientific, medical or educational purposes.

In addition to Levin, Voinovich and Feingold, other cosponsors of the Asian Carp Prevention and Control Act include Sens. Debbie Stabenow, D-Mich., Norm Coleman, R-Minn., Sherrod Brown, D-Ohio, Barack Obama, D-Ill., and Richard Durbin, D-Ill.

Aquatic invasive species threaten biodiversity nationwide, especially in the Great Lakes. The leading pathway for these aquatic invaders is maritime commerce. In the late 1980s, zebra mussels were released in the Great Lakes after crossing the Atlantic Ocean in the ballast tanks of ships from the Mediterranean. Zebra mussels created such a problem for the Great Lakes that Congress passed legislation in 1990 and 1996 requiring ballast water management for ships entering the Great Lakes, which has reduced, but not eliminated, the threat of new aquatic invasions.

Invasive species are also an economic drain. Estimates of the annual economic damage caused nationwide by invasive species range as high as $137 billion. Because the Great Lakes fisheries are valued at $4 billion annually, preventing invasions into the Great Lakes from ballast water, hulls or the system of canals connecting the Great Lakes to the Mississippi River and Atlantic Ocean is critical. Once an exotic species establishes itself, it is almost impossible to eradicate and usually difficult to prevent from moving throughout the nation.

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MICHIGAN

Carl Levin

UNITED STATES SENATOR

FOR IMMEDIATE RELEASE
March 1, 2007

Contact: Senator Levin's Office
Phone: 202.224.6221

Summary of the National Aquatic Invasive Species Act of 2007 (NAISA)

This act reauthorizes and amends the **Nonindigenous Aquatic Nuisance Prevention and Control Act of 1990 (NANPCA)**, as amended by the **National Invasive Species Act of 1996 (NISA)**.

Section 1: Short title; Table of Contents
Section 2: Findings
Section 3: Definitions

TITLE I – PREVENTION OF INTRODUCTION OF AQUATIC INVASIVE SPECIES IN WATERS OF THE UNITED STATES BY VESSELS

Section 101: Prevention of Introduction of Aquatic Invasive Species in Waters of the United States by Vessels

Building on the current mandatory National Ballast Water Management Program, the bill sets requirements applicable to all ships (coastal and transoceanic) operating in waters of the United States and a timeframe for compliance. In particular, it would require all vessels that ply U.S. waters, with limited exceptions, to undertake ballast management/treatment practices to minimize the risk of new introductions of aquatic invasive species in U.S. waters by any aspect of ship operations.

Requirements on Vessels Operating in Waters of the United States

Every ship operating in waters of the United States must have an Aquatic Invasive Species Management Plan, carry out Best Management Practices (including practices to reduce hull fouling), document ballast operations and management activities, and comply with applicable ballast water treatment requirements.

Ballast Water Requirements

Until the end of 2011, all existing ships entering a U.S. port must conduct ballast water

exchange and any other management practices included in regulations unless the safety of the vessel is at stake. Exceptions include vessels operating entirely within the exclusive economic zone and existing vessels that operate entirely within an enclosed aquatic ecosystem.

Beginning in 2012, all vessels entering a US port shall conduct ballast water treatment so that ballast water discharged contains less than 1 living organism that is larger than 50 micrometers in dimension per 10 cubic meters of water and less than 1 living organism that is smaller than 50 micrometers per 10 milliliters of water. The Coast Guard in concurrence with the Environmental Protection Agency (EPA) may set an alternative standard that is as protective. If the Coast Guard and EPA determine that technology to meet this standard does not exist, the Coast Guard and EPA shall require the use of treatment systems that meet or exceed the best performance available at that time, provided that the technology meets the standard adopted by the International Maritime Organization.

Approved ballast treatment technologies shall be environmentally sound. Permits to use technology are valid for the lesser of 10 years or the life of the treatment system and may be renewed if the treatment system remains in compliance with applicable standards. The Coast Guard will monitor treatment system operation and effectiveness. Permits are revocable if the performance is seriously deficient relative to expectations.

Certification Procedures

The Coast Guard and EPA shall develop protocols measuring ballast treatment performance, and approving ballast water and other treatment systems to certify effectiveness, occupational safety, environmental soundness, and its minimum lifespan. Approval of a system shall be qualified, as needed, based on voyage pattern, vessel class, and other properties that may limit system performance. Certification must include ship-based testing.

Experimental Treatment Approval

The Coast Guard shall issue and implement procedures for approving experimental ballast water treatment methods on a ship-by-ship basis, largely mirroring the Coast Guard's existing Shipboard Treatment Evaluation Program (STEP). Experimental treatment approvals are valid for the lesser of 10 years or the life of the treatment system and also may be renewed. Ship owners must agree to gather information regarding the operational and biological effectiveness of the treatment system.

Great Lakes Program

Current regulations would stay in place, but within 18 months of enactment, the U.S. Coast Guard must review and revise the Great Lakes ballast water management. Ships reporting no ballast on board or "NOBOBs" will be required to conduct saltwater flushing. Before 2011, ships may use treatment systems meeting the prevailing IMO standard in lieu of

ballast water exchange.

Section 102: Armed Services Whole Vessel Management Program

The Armed Services Whole Vessel Management Program is amended to minimize the risk of introductions of aquatic invasive species by towed vessels. This program shall not affect the current ballast program in place for Department of Defense vessels.

TITLE II – PREVENTION OF INTRODUCTION OF AQUATIC INVASIVE SPECIES IN WATERS OF THE UNITED STATES BY OTHER PATHWAYS

Section 201: Priority Pathway Management Program

The Aquatic Nuisance Species (ANS) Task Force will conduct pathway analysis in order to identify the highest risk pathways for introduction of aquatic invasive species into US waters and to implement management strategies to reduce these introductions.

Section 202: Screening Process for Planned Importations of Live Aquatic Organisms

The USGS, APHIS, and Smithsonian Environmental Research Center shall develop a catalog of aquatic species that have a documented history of being in trade. Beginning 3 years after enactment, anyone trying to import a live aquatic species not in trade, as documented by the catalog, must obtain a permit to import the species. The National Invasive Species Council will develop screening guidelines for federal agencies to use to determine if the U.S. should permit the importation of a live organism, and if so, whether the U.S. should condition the importation of the species. Federal agencies that currently have authority over the importation of an aquatic species will be in charge of screening that species though any agency may opt to give its screening authority to the Fish and Wildlife Service. The bill authorizes grant funding to help states perform their own screening processes in addition to the federal process.

TITLE III - EARLY DETECTION; RAPID RESPONSE; CONTROL AND OUTREACH

Section 301: Early Detection

The National Invasive Species Council will develop a set of sampling protocols, a geographic plan, and a budget to support a national system of ecological surveys for rapid detection of aquatic invasive species. This national system will establish clear lines of communication and help identify pathways causing distribution of newly-detected aquatic invasive species.

Section 302: Rapid Response

The bill establishes a Rapid Response Fund to provide grants to states and regions to implement approved rapid response contingency strategies. The ANS Task Force will develop model state and regional rapid response contingency strategies to aid states and regions in the development of contingency strategies. The National Invasive Species Council, within 12 months of enactment, would establish a Federal Rapid Response Team to: (1) implement eradication and control responses on federal land; (2) assist, if requested, in implementing rapid response measures on non-federal land; and, (3) provide training to state, tribal, and regional rapid responders.

Section 303: Dispersal Barriers

This bill expands the existing dispersal barrier program. The Army Corps of Engineers would complete construction and upgrades of the Chicago Ship and Sanitary Canal Dispersal Barriers, operate the barriers, and conduct a feasibility study on the full range of options to prevent spread of invasive species through the canal. The Fish and Wildlife Service would establish a monitoring program to track invasive species moving through interbasin and intrabasin waterways, asses the efficacy of dispersal barriers and other measures in preventing this spread, identify waterways suitable for dispersal barrier projects, and analyze the range of options available to prevent spread in the Lake Champlain Canal and the Upper Mississippi River.

Section 304: Environmental Soundness

The EPA will promulgate regulations to evaluate treatment methods to ensure no adverse effects on human health, public safety, or the environment result from their use.

Section 305: Information, Education and Outreach

The legislation expands on education initiatives under existing law by including new public and industry outreach programs. The Task Force, Sea Grant and the National Park Service would develop programs to address the spread of aquatic invasive species by recreational boats. The Task Force will maintain a website to inform the public on screening, monitoring and control efforts. In addition, the Task Force would carry out activities to inform and promote voluntary cooperation and regulatory compliance.

TITLE IV – AQUATIC INVASIVE SPECIES RESEARCH

Sections 401 – 404: Research

Research priorities form an integral component of this bill. Key research programs include:

- The development and implementation of ecological surveys at various sites and

invasion surveys to assess the rates and patterns of introductions of nonindigenous aquatic species in U.S aquatic ecosystems and to track the establishment of these species;

- The execution of standardized, field-based pathway surveys to monitor high-risk pathways by which nonindigenous aquatic species may be introduced into aquatic ecosystems (including ballast discharge) and to determine practices that contribute to the introduction of these species;
- The development and maintenance of a central, national pathways and ecological survey database of information collected under the Act, and the coordination of this database with other relevant previously established databases;
- The utilization of US Geological Survey field stations to perform collaborative experimental research to identify the relationship between the introduction and establishment of nonindigenous aquatic species, including organism concentration and any ambient conditions necessary for those species to survive and strive;
- Establishment of a research, development, and demonstration program to develop a wide set of environmentally sound methods and treatment tools for detecting, preventing, controlling and eradicating aquatic invasive species, including interbasin dispersal barriers and ballast water treatment technologies;
- Research to support the implementation of pathway standards;
- Encouragement of Graduate studies in taxonomy and systematics.

TITLE V - COORDINATION

Section 501: Program Coordination

The ANS Task Force membership will add the Directors of USGS, Secretary of the Department of State, and the Smithsonian. The content of State Aquatic Invasive Species Management Plans would expand to include rapid response, aquatic plant control, screening and early detection strategies, and Federal funds are made available for the development of State Management Plans.

Section 502: International Coordination

The Secretary of State would initiate negotiations with Canada to task the International Joint Commission with a review of policies to protect the Great Lakes, and with Mexico for the US-Mexican border region.

TITLE VI – AUTHORIZATION OF APPROPRIATIONS

Section 601: Authorization of Appropriations

Except as otherwise provided in this section, there are authorized to be appropriated such sums as are necessary to carry out this Act for each of fiscal years 2006 through 2010.

Task Force and Aquatic Nuisance Species Program -- $43 million

- $8,000,000 ($4,000,000 to FWS and $3,000,000 to NOAA) - Task Force Activities and $1,000,000 to NISC Sec 1202
- $30,000,000 to FWS - Grants for State Management Plans Sec 1204(b)
- $3,000,000 - Regional Panels of the ANS Task Force
- $1,000,000 to FWS to carry out screening under 1105(g)
- $1,000,000 to State Dept for coordination activities Sec 1403

Prevention of Introduction of Aquatic Invasive Species by Vessels -- $11.25 million

- $6,000,000 to USCG Sec 1101
- $2,500,000 to EPA Sec 1101
- $2,750,000 to Task Force ($1,500,000 to FWS and $1,250,000 to NOAA) Sec 1101

Prevention of Aquatic Invasive Species by Other Pathways -- $9.5 million

- $5,000,000 ($2,000,000 to NOAA and $3,000,000 to FWS) -Priority Pathway Management Program Sec 1210
- $1,000,000 to NISC - Screening Guidelines Sec 1105 (d)
- $3,500,000 to FWS - Screening Regulations Sec 1105 (e)

Early Detection and Monitoring -- $12 million
$1,000,000 to NOAA and $1,000,000 to FWS (2008 – 2009) and $5,000,000 to NOAA and $5,000,000 to FWS (2010-2012) - Survey planning and implementation Sec 1106

Containment and Control -- $2.15 million
$2,150,000 for FWS - Monitoring Program Sec 1202 (j)(2)

Rapid Response -- $27.5 million

- $25,000,000 to Secretary of Interior - Rapid Response Fund Sec 1211
- $1,000,000 – Model State and Regional Rapid Response Contingency Strategies Sec 1211
- $1,500,000 to NISC ($500,000 to NOAA and $1,000,000 to FWS) - Federal Rapid Response Teams Sec 1211 (f)

Environmental Soundness -- $0.6 million
$600,000 to EPA - Criteria for Improvement of Treatment Methods for Aquatic Invasive Species Sec 1202 (k)

Information, Education and Outreach -- $3.75 million

- $500,000 to NPS - Info and Ed program Sec 1202 (h)(2)(D)
- $750,000 to FWS - 100th Meridian Sec 1202 (h)(2)(C)
- $2,000,000 ($1,000,000 to FWS and $1,000,000 to NOAA) Task Force Activities Sec 1202 (h)
- $500,000 to NOAA – marina outreach program Sec 1202 (h)(2)(B)(ii)

Research

Ecological and Pathway Research and Analysis -- $27.15 million

- $17,000,000 to NOAA for sec 1107 and 1008 ($13,000,000 for 1107 (g)
- $4,000,000 to SERC for sec 1107 and 1108
- $4,500,000 to USGS for sec 1107 and 1108 ($500,000 for 1107 (j))
- $1,650,000 to GLERL for sec 1202 (i)

Dissemination

$500,000 to NISC Sec 1109

Technology Development, Demonstration and Verification -- $11 million

- $2,500,000 to EPA for Sec 1110 (a)
- $1,000,000 to Army Corps for Sec 1110 (b)
- $7,500,000 to NOAA for Sec 1104 and 1301 (e)

Vessel Pathway Standards Research -- $10.5 million

- $3,000,000 ($1,500,000 to EPA and $2,000,000 to USCG) for Sec 1111 (a)
- $500,000 to USCG for Sec 1111 (b) (2008-1010)
- $500,000 to USCG for Sec 1111 (c) (2008)

Systematics and Taxonomy

$2,500,000 to NSF for Sec 1112

TOTALS:

FY 2008 – $144.4 million
FY 2009 – $143.9 million
FY 2010 – $151.9 million
FY 2011 – $151.4 million
FY 2012 -- $151.4 million

TITLE VII—CONFORMING AMENDMENTS

Memorandum of Understanding
For
The Establishment, Endorsement, and Support of the Alaska Invasive Species Workgroup

Among the

STATE OF ALASKA

and

NON-GOVERNMENT ORGANIZATIONS

and

PRIVATE ORGANIZATIONS

and

FEDERAL AGENCIES

(SEE SIGNATORY PAGES FOR LISTS OF AGENCIES AND ORGANIZATIONS)

Memorandum of Understanding
For
The Establishment, Endorsement, and Support of the
Alaska Invasive Species Workgroup

This Memorandum of Understanding (MOU) is made and entered into by and among the signatory parties.

A. Purpose

The purpose of this memorandum is to establish an Alaska Invasive Species Workgroup to minimize invasive species impacts in Alaska by facilitating collaboration, cooperation and communication.

The signatory parties propose to work together within the scope of their respective authorities toward the goals outlined below.

B. Goals of the Alaska Invasive Species Workgroup

1. Clarify the jurisdictional authorities of signatory parties as they relate to invasive species management.
2. Share the scientific and technical expertise of the parties related to invasive species management.
3. Encourage and enable signatory party employees or members to work collaboratively to optimize their respective capabilities to minimize invasive species impacts.
4. Collaborate in the development of a needs assessment and drafting of a statewide strategic plan for the management of invasive species.
5. Consider the formation by the State of Alaska, in collaboration with the other signatory parties, a formal structure for continued collaboration, cooperation and communication to minimize invasive species impacts in Alaska.

C. It Is Mutually Agreed and Understood by Signatory Agencies:

1. Specific work projects or activities which involve the transfer of funds, services, or property between the parties to this MOU will require the execution of separate agreements or contracts, contingent upon the availability of funds as appropriated by the Alaska State Legislature, United States Congress, or other applicable governmental units or provided by other parties to this MOU. Each subsequent agreement or arrangement that involves the transfer of funds, services, or property among the parties to this MOU must comply with all applicable statutes and regulations, including those statutes and regulations dealing with competition applicable to procurement and financial assistance activities, and must be independently authorized by appropriate statutory authority.
2. This MOU in no way restricts signatory parties from participating in similar activities or arrangements with other public or private agencies, organizations, or individuals.
3. Nothing in this MOU shall obligate signatory parties to expend appropriations or to enter into any contracts or other obligations.
4. The workgroup coordinators and contacts for this agreement are listed under Exhibits.

5. Modifications within the scope of the MOU shall be made by mutual consent of the parties, by the issuance of a written modification, signed and dated by all parties, prior to any changes being performed.
6. This MOU is executed as of the date of last signature and is effective through December 31, 2011, at which time it will expire unless extended.

Appendices:
Exhibit A - Principal Contacts and Invasive Coordinators (see attached)
Exhibit B - State of Alaska Signatories
Exhibit C - Non-Government Organizations Signatories
Exhibit D - Private Organizations Signatories
Exhibit E - Federal Agencies Signatories
E.1 Department of Agriculture Signatories
E.2 Department of Commerce Signatories
E.3 Department of Defense Signatories
E.4 Department of Homeland Security Signatories
E.5 Department of Interior Signatories
Exhibit F – BLM-AK Authorities Letter

Exhibit A - AISWG Contacts (primarily attendees of the April 2006 meeting in Anchorage)

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EXHIBIT B – State of Alaska Signatories:

THE PARTIES HERETO have executed this instrument (State Parties):

Kurt Fredriksson, Commissioner — 10-6-06 — Date
Alaska Department of Environmental Conservation

McKie Campbell, Commissioner — 10/3/06 — Date
Alaska Department of Fish and Game

Michael Menge, Commissioner — 9/26/06 — Date
Alaska Department of Natural Resources

Mike Barton, Commissioner — 10/21/6 — Date
Alaska Department of Transportation and Public Facilities

Steve Jones, Chancellor — 9-19-06 — Date
University of Alaska Fairbanks, Cooperative Extension Service

Exhibit C - Non-Government Organizations Signatories

THE PARTIES HERETO have executed this instrument (NGO Parties):

Al Poindexter, Executive Director — 11-2-06 — Date
Alaska Association of Conservation Districts

Steven E. Sumida, Executive Director (Acting) — 10/17/06 — Date
Alaska Inter-Tribal Council

Kate Troll, Executive Director — Date
Alaska Conservation Alliance

Michael L. Munger, Executive Director — Date
Cook Inlet Regional Citizens' Advisory Council

John S. Devens, PhD., Executive Director — 10/2/06 — Date
Prince William Sound Regional Citizens' Advisory Council

Sharry Miller, Executive Director — September 25, 2006 — Date
Prince William Soundkeeper

David Banks, State Director — 10-4-06 — Date
The Nature Conservancy in Alaska

Exhibit D - Private Organizations Signatories

THE PARTIES HERETO have executed this instrument (Private):

Signature — Date

Exhibit E – Federal Signatories

THE PARTIES HERETO have executed this instrument (Federal Parties):

Exhibit E.1 - U.S. Department of Agriculture

Ann Ferguson, State Plant Health Director — Date
USDA Animal and Plant Health Inspection Service

for Paul K. Brantley — October 13, 2006
Dennis E. Bschor, Regional Forester — Date
USDA Forest Service-Alaska Region

Robert N. Jones — 10-17-06
Robert Jones, State Conservationist — Date
USDA National Resource Conservation Service

Exhibit E.2 - U.S. Department of Commerce

Doug Mecum — 12/13/06
Doug Mecum, Acting Administrator — Date
USDC National Oceanic and Atmospheric Administration, Alaska Region
By authority of Executive Order 13112 and the Fish and Wildlife Coordination Act

Exhibit E.3 - U.S. Department of Defense

David L. Shutt, Colonel — Date
USDD Army

Exhibit E.4 - U.S. Department of Homeland Security

Date

USDHS Customs and Border Protection

Arthur E. Brooks — 10/19/06
US Coast Guard, REAR ADMIRAL — Date

Exhibit E.5 - U.S. Department of the Interior

Niles Cesar — 9.29.06

Niles Cesar, Regional Director
USDI Bureau of Indian Affairs — Date

Julia Dougan — 11/17/06

for Julia Dougan, Acting State Director-Alaska
USDI Bureau of Land Management — Date

Thomas O. Melius — October 19, 2006

Thomas O. Melius, Regional Director
USDI Fish and Wildlife Service, Alaska Region — Date

Leslie Holland-Bartels — 9/28/06

Leslie Holland-Bartels, Director
Alaska Science Center
USDI Geological Survey — Date

John Goll — 10/16/2006

John Goll, Regional Director
USDI Minerals Management Service — Date

Marcia Blaszak — 10.6.06

Marcia Blaszak, Regional Director
USDI National Park Service, Alaska Region — Date

Exhibit F – BLM-AK Authorities Letter

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Alaska State Office
222 West Seventh Avenue, #13
Anchorage, Alaska 99513-7599
http://www.ak.blm.gov

TAKE PRIDE IN AMERICA

1786 (AK-931)

NOV 17 2006

Michele Hebert, Land Resources Agent
University of Alaska - Cooperative Extension Service
1000 University Avenue
Post Office Box 758155
Fairbanks, Alaska 99775-8155

Dear Ms. Hebert:

The Bureau of Land Management-Alaska (BLM-AK) is pleased to support the establishment of the Alaska Invasive Species Workgroup. The BLM is also pleased to formalize its relationship with the other cooperating agencies or signatories to the Memorandum of Understanding (MOU). Since the majority of the signatories have signed the MOU, BLM would like to supplement the MOU to conform to our guidelines.

The MOU states, "*The signatory parties propose to work together within the scope of their respective authorities towards the goals outlined.*" However, the MOU guidelines for the BLM specify we *identify the principle statutory authorities that authorize the cooperating agencies to enter into the MOU.* The authorities are essential elements under which the BLM-AK formally enters into the Alaska Invasive Species Workgroup MOU. Please include the following authorities for the BLM-AK by attaching this letter as an appendix to the MOU.

1. Federal Land Policy and Management Act of 1976 (43 U.S.C. 1701 et seq.)
2. Federal Noxious Weed Act of 1974 as amended by Sec. 15 "Management of Undesirable Plants on Federal Lands," 1990.(7 U.S.C. 2814)
3. Non-indigenous Aquatic Nuisance Prevention and Control Act of 1990, as amended (16 U.S.C.4701 et seq.)
4. Lacey Act as amended (18 U.S.C.42)
5. Executive Order 13112, Invasive Species, 2/3/99

Thank you for the opportunity to increase federal, state and local cooperation and coordination on invasive species. Please find attached the signed MOU.

Sincerely,

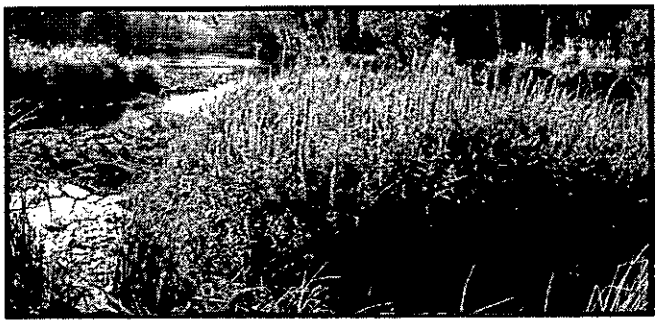
Debbi A Holl

for Julia Dougan
Acting State Director

Invasive Species

A Growing Threat to Alaska's Ecology and Economy

20 agencies have signed the AISWG MOU



Purple loosestrife along Chester Creek in Anchorage[2]. This species was popular with some gardeners, but can severely impact natural wetland ecosystems. Each plant can produce as much as 2 million seeds and sterile plants can hybridize and reproduce with non-sterile plants. This species has recently been banned from sale in Alaska.

Issue

Invasive species are a relentless problem. These harmful, non-native plants, animals and microorganisms impact our economy and environment. The economic impact of invasive species in the U.S. is estimated be over $137 billion[1] per year.

In Alaska, invasive species threaten native fish, plants and wildlife and their subsistence users as well as our resource-dependent industries, including agriculture, tourism, forestry, hunting, and fishing. Alaska has so far experienced fewer invasions than many other states, but we are at a critical point. Human-mediated mechanisms for introduction are increasing, raising the risks of invasive species reaching Alaska's shores and lands.

Alaska's vast size and the varied management of Alaska's public and private lands and waters demands collaborative efforts to ensure effective prevention, early detection, monitoring and management if we are to reduce duplication of efforts and increase our overall effectiveness.

Almost half of all states in the US have a formalized group to address strategies for managing invasive species. Alaska does not yet have a unified forum under which invasive species are managed. However, in the Fall of 2006, twenty state, federal, tribal and non-governmental organizations did sign a Memorandum of Understanding (MOU) to create the Alaska Invasive Species Working Group (AISWG) as a means to improve our collective ability to slow the pace of invasion and its impacts in Alaska.

One of the key goals of this newly formed AISWG is to help the State of Alaska establish an Alaska Invasive Species Council with a formal structure for continued collaboration, cooperation and communication to minimize invasive species impacts in Alaska.

AISWG cooperators are already working actively on improving communication by maintaining a listserv, website, sharing information and holding monthly statewide conference calls. As a means of enabling efficient collaboration, cooperators are also identifying their respective jurisdictional authorities for invasive species management and looking for how these authorities can be used and improved in a complementary way.

The AISWG is also set to host a first ever all-taxa statewide invasive species conference in Fairbanks in the fall of 2007.

Facts

- Alaska is not immune from invasion, and in the face of climate change and expanding international trade is in fact likely to see even greater invasion pressure in the future.
- Some invaders (rats, green crabs, knotweeds, purple loosestrife, and others) are threatening or already dramatically altering Alaska's native ecosystems.
- Because invading species do not recognize private or political boundaries, a coordinated and collaborative effort is needed to prevent, detect, and control invasion.
- Alaska is the only West Coast state that DOES NOT have a formal all-taxa state invasive species council.
- State of Alaska agencies increasingly recognize the importance of managing invasive species. In recent years, the Alaska Department of Fish and Game has produced an Aquatic Nuisance Species Plan, an Invasive Pike Plan, and the Invasive Rat Plan is near completion. The Department of Natural Resources has proposed expanding the list of plants considered noxious within Alaska.

"...Idaho's programs have been likened to a "patchwork quilt", where each "patch" represents an individual program or effort. So long as the patches connect, the quilt is useful, but if they do not, then there are gaps in the coverage through which undesirable species can enter." -- Idaho's Action Plan for Invasive Species

- Federal agencies, non-governmental organizations, universities, private industries, native groups, and individual citizen partners of the State are increasingly working together to help stop the spread of invasive species through a variety of institutional, group and volunteer efforts.
- The AISWG is committed to collaboration, cooperation and communication to minimize invasive species impacts and to helping the State of Alaska to improve the viability and capability of cooperative efforts by forming an all-taxa invasive species council.

Alaska — Priority List

1. Establish an Alaska Invasive Species Council or other formal structure for coordinating the management of invasive species.

Formation of a unified Council for invasive species management is an important step in coordinating existing resources within Alaska and for improving our capacity for effective collaboration well into the future.

2. Support funding of a prevention and early detection/rapid response system.

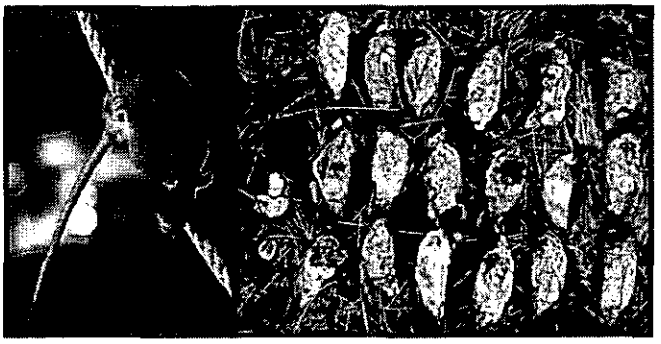
Prevention and timely management is important for controlling the detrimental impacts of invasive species. Early detection programs and rapid response plans can help to cost-effectively mobilize resources from participating agencies.

3. Enhance existing and initiate new research and public awareness campaigns.

Coordination between the organizations and agencies in Alaska is vital to identify shared priorities and avoid duplication of efforts, to promote compatibility of the collected research data, and to enhance the education and outreach activities associated with invasive species.

4. Negotiate standards to limit invasive species pests arriving in Alaska.

The State of Alaska and its partners can more strongly support regulation and enforcement efforts to protect our vital natural and economic resources. The recent actions of the Department of Natural Resources and Department of Fish and Game toward regulating such invasive species as rats, freshwater fish (non-native pike), and detrimental plant species (purple loosestrife and orange hawkweed) are positive steps toward invasive species prevention. Effective prevention is both economically and ecologically efficient, and often more practical, than eradicating species after introduction has already occurred. Improved monitoring, inspection, and enforcement along all pathways for invasion into Alaska are needed.



Rat on rope (left), and a rat cache on Kiska Island (right)[3]. Most rats on Alaska's islands are there as a result of "rat spills" from wrecked ships. Rats really do flee a sinking ship! In one rat cache on Kiska Island, researchers found over 100 least auklets[4]. Rats pose a serious threat to our globally important seabird populations.

Summary

Alaska is in a unique position to avoid the enormous costs associated with the widespread introduction and establishment of invasive species. Early intervention in Alaska can prevent the deterioration of the state's ecological and economical resources.

More Information:

Michele Hebert
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UAF- Cooperative Extension Service
(907) 474-2423
e-mail: ffmah@uaf.edu

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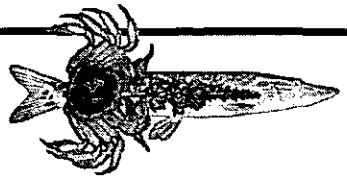
Invasive Species Program Assistant
UAF-Cooperative Extension Service
(907) 474-2422
e-mail: fndmj@uaf.edu

AISWG Website: www.alaskainvasives.org

References:
1. Pimentel, D., Lach, L., Zuniga, R., and D. Morrison. 2000. Environmental and Economic Costs of Nonindigenous Species in the United States. BioScience 50(1):53-65.
2. Photo taken by Michael Shephard, US Forest Service
3. www.stoprats.org
4. Alaska Science Forum, June 24, 2004, Rats and birds clash on volcanic island Article, #1704, by Ned Rozell. http://www.gi.alaska.edu/ScienceForum/ASF17/1704.html



OBAMA
BIDEN
WWW.BARACKOBAMA.COM

BARACK OBAMA AND JOE BIDEN: COMMITED TO GREAT LAKES RESTORATION

The Great Lakes are one of the world's greatest natural treasures. They are the largest fresh water body on our planet, providing the principal source of drinking water for 42 million people, support for a $4.5 billion annual recreational and sport fishing industry, and recreational opportunities for millions of Americans who swim in the Lakes, play on the beaches and walk along the shoreline.

Today, the Great Lakes are under unprecedented stresses. Years of degradation from the build up of toxic sediments, mercury and other air pollutants, wetlands destruction, invasive species and pollution from antiquated sewage systems have left the Great Lakes at a tipping point. The impacts from global warming threaten to hasten and exacerbate this potentially catastrophic situation. Fortunately, we know many of the solutions to these serious threats. And, there is bipartisan political will and cooperative public and private goodwill to achieve them. It is time now for aggressive action to implement a comprehensive restoration plan for the Great Lakes, because the longer we wait, the worse the problems become and the higher the price of restoration. An investment in restoring the Great Lakes is an investment in our outdoor heritage and environment as well as the economy.

Barack Obama and his family have lived by the shore of Lake Michigan for 20 years. He knows, understands and cares about the Great Lakes and has the record to prove it. As a State Senator, he worked to help clean up Lake Michigan. As a United States Senator, he is a key leader on the bipartisan Great Lakes Compact -- legislation which ensures that as demand for water grows for our businesses and communities, the Great Lakes region will be ready to create jobs and support growth in a sustainable way. He was also a co-sponsor of the Great Lakes Collaboration Implementation Act and other legislation to help prevent the spread of invasive species, promote cleanup initiatives and projects, and prevent sediment pollution. In contrast, Senator John McCain has repeatedly failed to support critical legislation and even opposed measures to preserve the Great Lakes, including cleanup initiatives and projects to prevent sediment pollution. He also opposed funding to complete the Asian Carp Barrier Project to prevent invasive species from reaching the Great Lakes.

The Obama-Biden vision for the future of our Great Lakes will:

- **Provide New Federal Funding of $5 Billion to Jumpstart Great Lakes Restoration**
- **Designate a Great Lakes Coordinator to Prioritize Coordination of Federal, State and Local Agencies**
- **Ratify and Fully Implement the Great Lakes Compact to Conserve Water and Protect Against Water Diversions**

Protecting and Restoring the Natural Heritage of the Great Lakes: Barack Obama has a plan to restore the Great Lakes ecosystem and to revive this engine of economic prosperity. The plan is built around a commitment to restore our outdoor heritage: pure and safe drinking water; fish that are safe to eat; and a healthy resource for all Americans to use and enjoy. Barack Obama will replace empty talk with serious action to protect and restore our Great Lakes. His five-point plan for restoring our Great Lakes includes:

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1. $5 BILLION GREAT LAKES TRUST FUND

Barack Obama will provide $5 billion in new federal funds to jumpstart the restoration work and capture the economic, ecological and community quality of life values. The money to establish this trust fund will be generated from rolling back tax breaks and loopholes for big oil and gas companies.

Federal funding is desperately needed to invest in the sewage repairs, toxic cleanups, and wetlands restoration that will maintain and restore the greatness of the Lakes. The $5 billion investment will support clean beaches and new parks, build boat ramps, and protect open spaces, wildlife habitats and wetlands. An Obama-Biden administration will make the federal government a full partner with states and municipalities in addressing wastewater treatment and storm water control needs. Funding will help eliminate sources of pathogenic pollution that puts public health at risk rather than just funding to study the problem. As a State Senator with lakefront district that included beaches that regularly closed, Barack Obama understands that healthy beaches contribute to local economies and must be clean for families to enjoy.

According to the Brookings Institution, an investment in Great Lakes restoration will create jobs and improve the local economy. A healthy Great Lakes ecosystem would boost the long-term regional economy by an estimated $50 billion and create a short-term economic gain of at least $30 billion. Brookings concludes that for each $1 invested in Great Lakes restoration, $2 or more will be generated in additional jobs, property value, and other economic enhancements.

2. AGGRESSIVE TOXICS PLAN FOR THE GREAT LAKES

The Obama-Biden Administration will end the "business as usual" approach to toxic releases into the Great Lakes. Their toxics plan for the Great Lakes will comprehensively measure current toxic loadings, identify significant sources of new toxics, and develop an integrated strategy for reducing toxic deposits in the Great Lakes that harm fish, wildlife and people.

To address harmful mercury pollution, Obama will not only implement and enforce the Clean Air Act, but he will also strengthen the federal mercury pollution reduction standards in order to protect children's health and our environment. Under his Great Lakes Restoration Plan, toxic legacy "hot spots" will be prioritized and cleaned up.

3. GREAT LAKES COORDINATOR

The current piecemeal approach to dealing with the Great Lakes ecosystem is neither efficient, nor effective. The Obama-Biden Administration will designate a Great Lakes Coordinator in the U.S. Environmental Protection Agency to prioritize coordination of Federal, State and Local Agencies' agendas, policies, expertise, funds and staff.

4. ZERO TOLERANCE POLICY FOR INVASIVE SPECIES

Invasive species threaten the ecological balance of the Great Lakes; over 160 exotic species have already invaded the Lakes. Invaders like zebra mussels deprive fish of food, cause blooms of toxic algae and overtake spawning areas and drinking water intakes. Recent research indicates that invasive species are costing taxpayers hundreds of millions of dollars in ecological damage.

The Obama-Biden Administration will address the serious problem of invasive species by taking more aggressive steps to prevent their introduction into the Great Lakes. He will join in efforts with the eight Great Lakes states to stop the discharge of invasive species from the ballast water of ships. They will aggressively

pursue policies and dedicate federal funds to control and prevent Asian Carp and other new harmful species from entering the Great Lakes. They will also enhance investment in research, development and necessary actions, such as electric barriers, to support efforts to prevent, control, and eradicate invasive species, as well as to educate citizens and stakeholders.

5. "NO WATER DIVERSIONS" COMPACT POLICYTHAT WORKS FOR THE GREAT LAKES

Barack Obama is a lead cosponsor of the Great Lakes Compact legislation. The Compact is an agreement between the eight lake-bordering states to protect the Great Lakes from water diversions and exports. As President, he will work closely with the Governors and municipal leaders to encourage water conservation and avoid out-of-basin diversions in the future.

Paid for by Obama for America

Printed in House

From: Chris_Dionigi@ios.doi.gov [mailto:Chris_Dionigi@ios.doi.gov]
Sent: Monday, February 09, 2009 1:05 PM
To: Rep. Craig Johnson
Subject: Fw: Economic Impact of Invasive Species

Hello Representative Johnson and Ms. Ostnes,

Thank you for your interest in invasive species and NISC. My boss, Lori Williams asked me to respond to your request for information.

The number that you reference is widely used. It is based upon a compilation of cost estimates that could be found in the published literature at the time. The authors included a very broad scope of species, such as human pathogens. While it is a widely referenced citation from a peer-reviewed journal, there are other estimates that are more specific to your question.

There is no overall estimate of the economic impact of invasive plants for the U.S. The economic impact of most species is poorly documented. This is generally due to a lack of quantitative information on ecosystems impact and the challenge of assessing non-market cost, such as those to society and the environment, (e.g., changes in fire frequency, wildlife habitat, aesthetics, and biodiversity) (Duncan and Clark, 2005 – see below). For example, invasive plants in wetlands can impact recreational opportunities (fishing, swimming, boating, etc.), consumer communities, biogeochemical cycling, water levels (Shafroth and others 2005), and diversity (Schooler and others 2006). The Weed Science Society of America lists several invasive plants that cause allergic reactions. These categories of impact do not lend themselves to economic valuation.

The overall economic impact of invasive plants is difficult to estimate even well-defined systems such as row crops. A report published in 1992 estimated average annual monetary loss in the U.S. caused by weeds with current control strategies in 46 row crops to be $4.6 billion (Bridges, D. C. 1992. *Crop Losses due to Weeds in Canada and the United States*. D. C. Bridges (ed). Weed Science Society of America, 309 West Clark Street, Champaign, IL. 403 pp). I am not aware of a more recent overall estimate for row crop weed losses. Nationwide, aquatic weed control is estimated to cost 1 to 10 billion dollars annually. Florida alone spends $30 million each year to control aquatic weeds. A recent paper by Zika et. al (http://www.ehponline.org/members/2008/11501/11501.pdf) indicates that certain invasive plants such are **Canada Thistle** will become more difficult to control with herbicides at higher carbon dioxide levels.

The 2005 book edited by Duncan and Clark (Duncan, Celestine L., and Janet K. Clark, eds. *Invasive Plants of Range and Wildlands and Their Environmental, Economic, and Societal Impacts*. Weed Science Society of America, 2005) provides an overall acreage and spread estimates for 16 invasive plants. They report that these species alone infest over 126 million acres of Western range lands in 17 states. They are spreading at rates from 1.3% to 25% annually.

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While there are few overall estimates of economic impacts due to invasive plants, there is some specific information. **Leafy Spurge**, a Noxious Weed in Alaska, is estimated to cause an $**185 million** annual impact in Montana, North Dakota, South Dakota, and Wyoming (Duncan and Clark, 2005, page 101). They also report that **Russian knapweed**, another Alaska Noxious weed, is estimated together with spotted and diffuse knapweeds to cause **$42** million in direct and secondary costs in Montana alone each year. If even a fraction of the costs from just these two species would to occur in Alaska, the economic harm would be considerable. Alaska is fortunate; many of the invasive species that cause extensive harm in other states are largely preventable in Alaska. However, technical experts I have talked with say that many invasive plants could survive and spread in Alaska if they reach your state. The magnitude of the resources at risk in Alaska and the challenges of controlling species on such scales are great. In Alaska, maybe even more so than other places, prevention and early detection and rapid response efforts are critical.

Your statement in your sponsor statement might be something like: "**Invasive species are a relentless problem. These harmful, non-native plants, animals and microorganisms impact our economy and environment. The overall economic impact of invasive species in the U.S. was estimated in the range of tens of billions of dollars per year in 2000. The potential economic harm that invasive species could cause in Alaska is difficult to estimate. However, if just a few invasive plant species that are of known concern were to become wide-spread, they alone could cost the State's economy tens of millions of dollars annually.**"

Please let me know if I can be of service.

Thanks again, Chris

Chris Dionigi, Ph.D.
Assistant Director for Domestic Policy, Science, and Cooperation
National Invasive Species Council (NISC)
1201 Eye Street, N.W. Room 71, Floor 5
Washington, DC 20005
202-513-7243, direct 202-354-1876, fax, 202-371-1751
Chris_Dionigi@IOS.DOI.gov
www.Invasivespecies.gov

----- Forwarded by Chris Dionigi/NISC/OS/DOI on 02/09/2009 02:32 PM -----

From: Lori Williams/NISC/OS/DOI
To: <Chris_Dionigi@ios.doi.gov>
Date: 02/09/2009 09:42 AM
Subject: Fw: Economic Impact of Invasive Species

Please answer this inquiry with existing data such as it is
Thanks!

From: "Rep. Craig Johnson" [Representative_Craig_Johnson@legis.state.ak.us]
Sent: 02/08/2009 03:23 PM YST
To: Lori Williams
Subject: Economic Impact of Invasive Species

Hello,

We will be hearing for the first time a House Bill to form the Alaska Council on Invasive Species on February 18, 2009. I have attached the bill for your perusal. I have also attached a Sponsor Statement for the House Bill.

I was only able to find a cost figure from 2000 for an economic impact to the United States of $137 billion dollars.
(Pimentel, D., Lach, L., Zuniga, R., and D. Morrison. 2000. Environmental and Economic Costs of Nonindigenous Species in the United States. BioScience 50(1):53-65.)

Would you have an updated figure I might be able to use? I would also like to identify some cost figures to other states for their attempts to eradicate or contain invasive species.

Any help you might be able to give would be greatly appreciated.

Thanks,
Jeanne Ostnes, Staff
Representative Craig Johnson
Co-Chair House Resources Committee
Phone: 907-465-4993
Fax: (907) 465-3872
[attachment "00 HB0012A.pdf" deleted by Chris Dionigi/NISC/OS/DOI] [attachment "00 Sponsor Statement Alaska Council on Invasive Species.pdf" deleted by Chris Dionigi/NISC/OS/DOI]

Costs of Invasive Species

Invasive aquatic species pose a significant problem for our state. Nationally, hundreds of millions of dollars are spent every year in efforts to control aquatic invasive species. Experts in the field agree that money spent on prevention is a wise investment. Once an invasive species takes hold, it is virtually impossible to eliminate it from a lake or stream. The cost of managing the problem, let alone the economic downside to infestations, is enormous. Here are some figures to put it into perspective:

- All the new England states as well as 41 other states and six Canadian provinces, are battling milfoil, water chestnut and other plants as well as invaders such as zebra mussels.
- Mechanical or chemical means of control can typically cost $200-2000 per lake-acre each year, with no end in sight.
- New research in Vermont shows that invasive plants can cost shoreline owners over $12,000 each in lost property values on infested lakes.
- Since the early 1980's Vermont has spent over $6 million dollars in state, federal and local funds to prevent and control the spread of invasive aquatic species. That state now spends more than $200,000 annually <u>just on staff</u> devoted to managing the problem on 46 of its 285 larger lakes.
- New Hampshire spends close to $100,000 each year in state-local operating funds to cost share on 7-9 control projects. This does not come close to the public demand for projects on their 55 infested lakes.
- Massachusetts spends over $290,000 annually on grants for local lake projects, most of which is spent on invasives control in their 298 infested lakes. The state also spends $95,000 each year for control operations just on state properties.
- In 1998 alone, Connecticut spent more than $150,000 in state funds to cost share local projects for invasives control.

Maine has been spared the worst of this problem, but already some local groups are struggling with invasive plants. The cost of these invasions could prove to be enormous. If we saw a fraction of Vermont's infestation rate just in our southern five counties, the property value loss alone would exceed $11 million and control costs could reach $2-4 million/year. This does not even begin to tally losses in local tourism dollars, fishing, and water sports opportunities, and the wholesale alteration of habitat. We should consider the very great losses we face if we do not mount an effective effort to combat the spread of these invasive species.

Action	Washington
Year established	2007-Legislature
Sunset	2011
Number of members	17
State Agency Reps	5: DNR, DOT, DFW, Ecol., Ag.
Non-agency Reps	12: 6 Feds: CG, CBProtect, DA, EPA, FS, FWS
Where Coucil is housed	WA Recreation and Conservation Ofc (Interagency)
Funding (source)	$200,000 bi-anneum (GF)
Other Funding	
Administrative Support	Part-time Coordinator, Part-time Planner (RCO) RCO provides admin support (attends mtgs), graphics, tech. writer
Travel	Paid by Council
Deliverables	
Strategic Plan	X- written by coord & plan, (council work groups) hired GD, Tech writer, RCO Com Dir.
Annual Report	X- written by coordinator & planner
Projects	X-mandated to engage in at least one project annually
Other Responsibilities	
Chairing Responsibilities	

Oregon

2001-Legislature

13

5: PSU, Forestry, F&W, OSU SG, Ag-Plant Div.

8: see list (no feds)

Department of Ag.

$15,000 bi-anneum (GF)

Coordinator: 1/3 FTE GF, 1/3 FTE Fed., 1/3 FTE gant (Nature Cons.)

FED$ NEVER RECEIVED

2/3 coordinator who is contracted, non-state employee

Agency reps pay own travel, some other reps volunteer, others accept pay

X - Action Plan: Written by present chair with asst from agency staff

X - Written by chair and membership

no funding for projects

Education, website, phone

Rotates annually among state agency reps

National invasive species panel gets a look at Alaska

The introduction of foreign species into Alaska could threaten ecosystems and damage fishing, subsistence, hunting and tourism industries. For the first time ever, the Invasive Species Advisory Committee met in Anchorage for a week-long summit. The committee, based in Washington, holds meetings in locations across the United States, in order to get a first-hand look at the issues at hand.

The committee is composed of stakeholders from state organizations, industry, conservation groups, scientists, academia and other interests from across the U.S. It advises the National Invasive Species Council, an inter-departmental body that helps coordinate federal action on invasive species.

Lori Williams, the executive director of the national council, said that, given the absence of any huge problems with invasive species in Alaska to date, she was impressed by the level of effort on the part of volunteers and agency experts to confront the issue here.

"Even though it's a small number of people and the programs are relatively small, everyone was on the right track and knew what the issues were," Williams said. "They were very aware of their challenges."

The Prince William Sound Regional Citizens' Advisory Council has held a seat on the Invasive Species Advisory Committee since 2000.

Council Director of Administration Lisa Ka'aihue worked primarily with Jeff Heys of the National Park Service to bring the Invasive Species Advisory Committee meeting to Alaska, in an effort to collaborate on invasive species prevention and to share information about the latest legislation, technologies and progress in the fight against invasive species across the U.S.

The council's Lisa Ka'aihue and Jeff Heys of the National Park Service worked to bring the Invasive Species Advisory Committee meeting to Alaska.

While Alaska is threatened by many invasive species, including Norwegian rat populations in the Aleutian Islands and several invasive weeds through the state, the council has taken a particular interest in species that could hitchhike their way into Prince William Sound on or inside the hull of an oil tanker.

The transport of coastal organisms in ballast water has been a major concern for invasions in recent years. Port Valdez ranks third in the United States for ballast water discharge, putting it at high risk for invasion.

Hull fouling is another focus of the council with regard to invasive species. Hull fouling involves organisms such as barnacles or mussels attaching themselves to ship hulls and either coming in contact with structures in a new port or releasing larvae into the water.

A critical issue for the council is the fact that the National Invasive Species Act of 1996 exempts crude oil tankers in the Alaska North Slope trade from ballast water exchange requirements. Ballast water exchange is a technique to remove coastal organisms from ballast tanks by replacing the seawater taken on in port with open-ocean seawater.

The council is currently working on several projects to defend the Sound from invasive species, including monitoring for the European green crab, partnering with U.S. Fish and Wildlife Service to identify and record hull fouling on large ships, and working with the University of Washington to develop hull sampling methods, focusing on oil tankers in particular.

Several invasive-species bills are before Congress, some addressing ballast-water management. The council has submitted comments in favor of bills that remove a trade exemption that includes Alaska tankers sailing to domestic ports, currently exempt from ballast water regulations that require exchange and reporting.

At the state level, the council has been active in the Alaska Invasive Species Working Group to coordinate efforts and push forward issues of concern.

For more information on invasive species, visit www.adfg.state.ak.us and look for the invasive species link under News & Issues. Or, visit the citizens' council website, www.pwsrcac.org.

Species documented in Alaska:				Likely or previously	
Taxon	**Scientific Name**	**Common Name**	**In AK?**	**ranked highly invasive**	**Reference**
Amphibians	*Pseudacris regilla*	Pacific chorus frog	Yes		Schrader and Hennon 2005, USGS 2007, MacDonald 2003, Hodge 2004
Amphibians	***Rana aurora***	**red-legged frog**	**Yes**	**Schrader and Hennon 2005**	**Schrader and Hennon 2005**
Amphibians	*Taricha granulosa*	rough-skinned newt	Yes		USGS 2007
Birds	*Columba livia*	rock dove, rock pigeon	Yes		Schrader and Hennon 2005, GISD 2007, UCS 2005
Birds	*Sturnus vulgaris*	Starling	Yes		Schrader and Hennon 2005
Fish	*Alosa sapidissima*	American shad	Yes		USGS 2007
Fish	*Astronotus ocellatus*	Oscars	Yes		Fay 2002
Fish	*Carassius auratus*	Goldfish	Yes		Fay 2002
Fish	*Dallia pectoralis*	Alaska blackfish	Yes - native but moved		USGS 2007, UCS 2005
Fish	***Esox lucius***	**Northern pike**	**Yes**	**Schrader and Hennon 2005, Fay 2002**	**Fay 2002, Schrader and Hennon 2005, UCS 2005, USGS 2007**
Fish	*Gambusia affinis*	Western mosquitofish	Yes - but persistance is ?		USGS 2007
Fish	*Gasterosteus aculeatus*	threespine stickleback	Yes		USGS 2007
Fish	*Oncorhynchus kisutch*	Coho salmon	Yes		USGS 2007
Fish	*Oncorhynchus mykiss*	rainbow trout	Yes		Schrader and Hennon 2005, USGS 2007
Fish	***Perca flavescens***	**yellow perch**	**Yes but eradicated**	**Schrader and Hennon 2005, Fay 2002**	**Fay 2002, USGS 2007, UCS 2005, Schrader and Hennon 2005**
Fish	***Salmo salar***	**Atlantic salmon**	**Yes**	**Schrader and Hennon 2005, Fay 2002**	**Fay 2002, UCS 2005, USGS 2007, Schrader and Hennon 2005**
Fish	***Salvelinus fontinalis***	**brook trout**	**Yes**	**Fay 2002**	**Fay 2002, USGS 2007, UCS 2005**
Fish	*Thymallus arcticus*	Arctic grayling	Yes - native but moved		USGS 2007, UCS 2005
Fish		Ornamental aquarium fish	Yes		Fay 2002
Invertebrates	*Adelges piceae*	Eastern spruce gall aphid	Yes		Schrader and Hennon 2005
Invertebrates	*Archips cerasivorana*	Uglynest caterpillar	Yes		USFS 2007, Schrader and Hennon 2005, UCS 2005
Invertebrates	*Arion ater*	European black slug	Yes		Schrader and Hennon 2005, UCS 2005

Species documented in Alaska:				Likely or previously	
Taxon	Scientific Name	Common Name	In AK?	ranked highly invasive	Reference
Invertebrates	*Arion sp.*	Garden slug	Yes		Schrader and Hennon 2005
Invertebrates	*Asterias amurensis*	Sea star	Yes - Cryptogenic		Hines and Ruiz 2001
Invertebrates	*Bougainvilla sp. 2*	hydroid	Yes - Cryptogenic		Hines and Ruiz 2001
Invertebrates	*Bougainvilla sp.1*	hydroid	Yes - Cryptogenic		Hines and Ruiz 2001
Invertebrates	*Cliona thosina*	oyster shell boring sponge	Reported but not yet confirmed		Hines and Ruiz 2001
Invertebrates	*Crassostrea gigas*	cultured oyster	Yes		Hines and Ruiz 2001 GISD 2007
Invertebrates	*Cuspidella grandis*	hydroid	Yes - Cryptogenic		Hines and Ruiz 2001
Invertebrates	*Distaplia alaskensis*	ascidiacean	Yes - Cryptogenic		Hines and Ruiz 2001
Invertebrates	*Elatobium abietinum*	Spruce aphid	Yes		Schrader and Hennon 2005
Invertebrates	*Epinotia solandriana*	Birch leafroller	Yes		Schrader and Hennon 2005
Invertebrates	*Eriocampa ovata*	Alder woolly sawfly	Yes		Schrader and Hennon 2005, USFS 2007
Invertebrates	*Fenusa pusilla*	Birch leafminer	Yes		Schrader and Hennon 2005
Invertebrates	*Garvia franciscana*	hydroid	Yes		Hines and Ruiz 2001
Invertebrates	*Heterarthrus nemoratus*	Birch-edge leafminer	Yes		Schrader and Hennon 2005
Invertebrates	*Heteromastus filiformis*	a capitellid worm	Yes		USGS 2007
Invertebrates	*Limax maximus*	Leopard slug	Yes		Schrader and Hennon 2005
Invertebrates	***Lymantria dispar***	**European gypsy moth, Asian gypsy moth**	**Yes**	**Schrader and Hennon 2005**	**Schrader and Hennon 2005, UCS 2005, USFS 2007, Kruse pers. comm.**
Invertebrates	***Malacosoma californicum***	**Western tent caterpillar**	**Yes**	**Schrader and Hennon 2006**	**Schrader and Hennon 2005, UCS 2005, Kruse pers. comm.**
Invertebrates	*Manayunkia speciosa*	a sabellid worm	Yes		USGS 2007
Invertebrates	*Mya arenaria*	soft-shelled clam	Yes		Hines and Ruiz 2001, USGS 2007, Powers et al. 2006
Invertebrates	*Nematus ribesii*	Currantworm	Yes		Schrader and Hennon 2005, UCS 2005
Invertebrates	*Noctua pronuba*	European Yellow Underwing Moth	Yes		USFS 2007

Species documented in Alaska:				Likely or previously	
Taxon	**Scientific Name**	**Common Name**	**In AK?**	**ranked highly invasive**	**Reference**
Invertebrates	*Operculariella lacerata*	hydroid	Yes		Hines and Ruiz 2001
Invertebrates	*Otiorhynchus ovatus*	Strawberry root weevil	Yes		Schrader and Hennon 2005, UCS 2005
Invertebrates	***Pacifastacus leniusculus***	**signal crayfish**	**Yes**	**Schrader and Hennon 2005, Fay 2002**	**USGS 2007, Schrader and Hennon 2005, Fay 2002**
Invertebrates	*Pikonema alaskensis*	Yellow-headed Spruce Sawfly	Yes		USFS 2007
Invertebrates	*Pissodes strobi*	Sitka spruce weevil, white pine weevil	Yes		USFS 2007, Schrader and Hennon 2005, UCS 2005
Invertebrates	*Polydora websteri*	polychaete blister worm	Reported but not yet confirmed		Hines and Ruiz 2001
Invertebrates	***Pristiphora erichsonii***	**Larch sawfly**	**Yes**	**Schrader and Hennon 2005**	**Schrader and Hennon 2005, UCS 2005**
Invertebrates	*Proboscidactila flavicirrata*	hydroid	Yes		Hines and Ruiz 2001
Invertebrates	*Procambarus clarkii*	red swamp crayfish	Yes		USGS 2007
Invertebrates	***Profenusa thomsoni***	**Amber-marked birch leafminer**	**Yes**	**Schrader and Hennon 2005**	**Schrader and Hennon 2005, UCS 2005**
Invertebrates	*Rhyacionia buoliana*	European pine shoot moth	Yes		Schrader and Hennon 2005, Kruse pers. comm.
Invertebrates	*Schizoporella unicornis*	bryozoan	Yes		Hines and Ruiz 2001
Invertebrates	*Schizoporella unicornis*	single horn bryozoan	Yes		USGS 2007
Invertebrates	*Tubularia crocea*	a hydroid	Reported but not yet confirmed		USGS 2007
Invertebrates	*Venerupis philippinarum*	Japanese littleneck clam, Manila clam	Reported but not yet confirmed		Hines and Ruiz 2001, Secord et al. 2005
Invertebrates		various ballast water species	Yes		Fay 2002
Invertebrates		Oysters	Yes		Fay 2002
Mammals	*Alopex lagopus*	Arctic fox	Yes		USFWS 2007, Ebbert and Byrd (2002).
Mammals	*Castor canadensis*	Beaver	Yes		Brown pers. comm.
Mammals	*Cervus elaphus*	Elk	Yes		Schrader and Hennon 2005
Mammals	*Lepus americanus*	Snowshoe hare	Yes		Schrader and Hennon 2005, Davis 1979
Mammals	*Martes americana*	American marten	Yes - native but moved		Schrader and Hennon 2005

Species documented in Alaska:				Likely or previously	
Taxon	**Scientific Name**	**Common Name**	**In AK?**	**ranked highly invasive**	**Reference**
Mammals	*Mus musculus*	House mouse	Yes		Schrader and Hennon 2005, UCS 2005, USFWS 2007
Mammals	*Odocoileus hemionus*	Sitka black-tailed deer	Yes - native but moved		Schrader and Hennon 2005
Mammals	*Ondatra zibethicus*	Muskrat	Yes		Brown pers. comm.
Mammals	*Oreamnos americanus*	Mountain goat	Yes		Brown pers. comm.
Mammals	*Oryctolagus cuniculus*	European rabbit	Yes		Schrader and Hennon 2005, USFWS 2007
Mammals	*Peromyscus maniculatus*	Deer mouse	Yes		USFWS 2007, Ebbert and Byrd 2007
Mammals	*Procyon lotor*	Raccoon	Yes		Schrader and Hennon 2005
Mammals	*Rangifer tarandus asiaticus*	Reindeer	Yes		USFWS 2007
Mammals	***Rattus norvegicus***	**Norway rat, Brown rat**	**Yes**	**Schrader and Hennon 2005**	**Schrader and Hennon 2005, UCS 2005, USFWS 2007**
Mammals	*Rattus rattus*	Black rat, Roof rat	Yes		USFWS 2007
Mammals	*Spermophilus paryii ablusus*	Arctic ground squirrel	Yes		USFWS 2007, Ebbert and Byrd (2002).
Mammals	*Spermophilus paryii nebulicola*	Arctic ground squirrel	Yes		USFWS 2007, Ebbert and Byrd (2002).
Mammals	*Tamiasciurus hudsonicus*	Red squirrel	Yes - native but moved		Schrader and Hennon 2005
Mammals	*Vulpes vulpes*	Red Fox	Yes		USFWS 2007
Parasites	*Trichodectes canis*	Biting dog louse	Yes		Golden et al. 1999., Griese 1999, ADF&G 2005, UCS 2005
Pathogens	*Apiosporina morbosa*	black knot	Yes		Schrader and Hennon 2005
Pathogens	*Cronartium ribicola*	white pine blister rust	Yes		Schrader and Hennon 2005
Pathogens	*Erwinia amylovora*	a bacterial fire blight	Yes		Schrader and Hennon 2005
Pathogens	***Myxobolus cerebralis***	**Whirling disease parasite**	**Yes**	**Fay 2002**	**WDI 2007, Arsan et al. 2007, Fay 2002**

Species found in nearby states or provinces, or likely to be found in Alaska in the future:					
Taxon	Scientific Name	Common Name	In AK?	Likely or previously ranked highly invasive	Reference
Amphibians	*Rana catesbeiana*	American bullfrog	No		Secord et al. 2005
Invertebrates	*Adelges abietis*	Woolly spruce aphid	No		Schrader and Hennon 2005
Invertebrates	*Adelges tsugae*	Hemlock woolly adelgid	No		Schrader and Hennon 2005
Invertebrates	*Alitta succinea*	pile worm	No		GISD 2007
Invertebrates	*Anoplophora glabripennis*	Asian longhorned beetle	No		Schrader and Hennon 2005, UCS 2005
Invertebrates	*Batrillaria attramentaria*	Mudsnail	No		Secord et al. 2005
Invertebrates	*Botrylloides violaceus*	an orange sheath tunicate	No		USGS 2007
Invertebrates	*Botryllus schlosseri*	Colonial sea squirt	No		Secord et al. 2005
Invertebrates	*Bugula neritina*	brown bryozoan	No		GISD 2007
Invertebrates	*Bythotrephes cederstroemi*	Spiny water flea	No		Fay 2002, GLIN 2007
Invertebrates	***Carcinus maenas***	**Green crab, European green crab**	**No**	**Fay 2002**	**Fay 2002, UCS 2005**
Invertebrates	*Ciona savignyi*	solitary sea squirt	No		Secord et al. 2005
Invertebrates	*Clathria prolifera*	Red beard sponge	No		Secord et al. 2005
Invertebrates	*Cliona sp.*	boring sponge	No		USGS 2007
Invertebrates	*Coleophora laricella*	Larch casebearer	No		Schrader and Hennon 2005
Invertebrates	*Crepidula fornicata*	Atlantic slipper snail	No		Secord et al. 2005
Invertebrates	***Dendrollmus plni***	**Pine moth**	**No**	**Schrader and Hennon 2005**	**Schrader and Hennon 2005**
Invertebrates	*Diadumene lineata*	Japanese anemone	No		Secord et al. 2005
Invertebrates	*Didemnum lahillei*	Colonial sea squirt	No		Secord et al. 2005
Invertebrates	***Dreissena polymorpha***	**Zebra mussel**	**No**	**Fay 2002**	**Fay 2002, UCS 2005**
Invertebrates	***Eriocheir sinensis***	**Chinese mitten crab**	**No**	**Schrader and Hennon 2005, Fay 2002**	**Fay 2002, Schrader and Hennon 2005**
Invertebrates	*Hemichroa crocera*	European alder sawfly	No		Schrader and Hennon 2005
Invertebrates	*Ilyanassa obsoleta*	Eastern mudsnail	No		Secord et al. 2005

Species found in nearby states or provinces, or likely to be found in Alaska in the future:					
Taxon	Scientific Name	Common Name	In AK?	Likely or previously ranked highly invasive	Reference
Invertebrates	*Ips cembrae*	Larch engraver	No		Schrader and Hennon 2005
Invertebrates	***Ips typographus***	**European spruce beetle**	**No**	**Schrader and Hennon 2005**	**Schrader and Hennon 2005**
Invertebrates	*Lymantria mathura*	Rosy gypsy moth	No		USFS 2007
Invertebrates	***Lymantria monacha***	**Nun moth**	**No**	**Schrader and Hennon 2005**	**Schrader and Hennon 2005**
Invertebrates	***Malacosoma disstria***	**Forest tent caterpillar**	**No**	**Schrader and Hennon 2006**	**Schrader and Hennon 2005**
Invertebrates	*Musculista senhousia*	Japanese mussel	No		Secord et al. 2005
Invertebrates	*Mytilus galloprovincialis*	Mediterranean mussel	No		Secord et al. 2005
Invertebrates	*Nuttallia obscurata*	Purple varnish clam	No		Secord et al. 2005
Invertebrates	*Ocinebrellus inornatus*	Japanese oyster drill	No		Secord et al. 2005
Invertebrates	*Pacifastacus leniusculus*	Signal crayfish	No		GISD 07, and Fay 2002
Invertebrates	***Potamopyrgus antipodarum***	**New Zealand Mudsnail**	**No**	**Schrader and Hennon 2005, Fay 2002**	**Fay 2002, UCS 2005, Schrader and Hennon 2005**
Invertebrates	*Styela clava*	solitary sea squirt	No		Secord et al. 2005
Invertebrates	*Teredo navalis*	European (naval) shipworm	No		Secord et al. 2005
Invertebrates	***Tetropium fuscum***	**Brown spruce longhorn beetle**	**No**	**Schrader and Hennon 2005**	**Schrader and Hennon 2005**
Invertebrates	*Urosalpinx cinerea*	Atlantic oyster drill	No		Secord et al. 2005
Pathogens	*Bursaphelenchus xylophilus*	Pine wilt nematode	No		Schrader and Hennon 2005
Pathogens	***Chrysomyxa abietis***	**a foliar spruce rust**	**No**	**Schrader and Hennon 2005**	**Schrader and Hennon 2005**

Alaska Conservation Alliance

Uniting for Alaska's Future

February 5, 2009

House Committee on Resources
State Senate
Alaska State Capitol
Juneau, Alaska 99801-1182

Dear Representative Johnson, Buch and Munoz,

On behalf of the 40 conservation groups and the 38,000 Alaskans represented by the Alaska Conservation Alliance, I am pleased to acknowledge our strong support for HB12 to establish the Alaska Council on Invasive Species in the Department of Fish and Game. Some state economies have lost billions of dollars in revenue due to damage caused by inavasives. In order for Alaska to avoid a similar fate, it is prudent to address this issue now.

We believe the 14-member Council will provide the broad stakeholder cooperation and oversight needed to prevent new invasive species from taking root in Alaska and to mitigate the damage of invasives currently pushing our native species to the brink. At risk are Alaska's biological treasures, its flora and fauna; its harvested resources and subsistence plants and animals; the beauty and diversity that make Alaska a world-class tourist destination.

Already Alaska has suffered the effects of invasive Atlantic Salmon, pike and Reed Canary grass, to name a few. Plants, animals, fish and crustaceans, introduced into an environment devoid of their natural predators and limitations can irreversibly destroy an ecosystem and the economy and cultures it supports. These foreign species invade Alaska's ecosystem primarily due to human activities. It is therefore important that Alaskans take an active role to prevent this potential man-made disaster by serving on the Alaska Council on Invasive Species.

The Alaska Conservation Alliance would like to thank you for this opportunity to voice our support for HB 12 and encourage you to pass this bill out of the Senate Finance Committee.

Sincerely,

Kate Troll

Kate Troll
Executive Director

CC: House Finance Committee Members

PO Box 1006600, Anchorage, Alaska 99501 • Ph. 907.258.6171 • Fax 907.258.6177 • www.akvoice.org
419 6th Street, Ste. 321, Juneau, Alaska 99801 • Ph. 907.463.3366 • Fax 907.463.2554

Sent: 1/12/2009 2:12:20 P.M. Alaskan Standard Time
Subject: Letter of Support

To Whom It May Concern:

The threat from invasive weeds and other species continues to close in on Alaska every day. Work is continuing with a growing sense of urgency, and it is only with the active support of our legislators that we will ultimately succeed in protecting Alaska. We are forwarding an email we received from Representative Craig Johnson's office regarding a letter of support Senator Begich is providing for upcoming legislation in Alaska. Troy and I are asking for the continued support of Senator Murkowski, Representative Don Young and Governor Palin on these matters.

In addition to the legislation on the state level, The 100th Meridian Bill (S.1949) introduced by Senator Harry Reid would be a huge boost to Alaska's momentum and we are asking once again for it to be given a priority on the Natural Resources agenda for our legislators in Washington.

Troy and I have just returned from an interagency conference sponsored by the Oregon Dept of Agriculture, where we were invited speakers. We will be leaving to speak at another conference in Nevada next week. We receive these invitations because these groups are energized by the story of how citizens and dedicated agency experts are making a difference from the ground up in our Great land. But without support from the top down, Alaska will ultimately lose the precious ground she is holding now. Other states are watching as Alaska fights to avoid the same mistakes they made and are cheering our efforts as the sort of thing they only wish they would have had the insight to undertake when they had the opportunity. It is critical that we benefit from those who have gone before us--they are fighting losing battles to the tune of tens of millions of dollars a year because they hesitated. Alaska's economy, ecology and environment are at stake and we can not afford to be tentative. Each day adds more expense and less chance to win the battle!

We look forward to the results that will be achieved on this matter from a united Alaska!!

Troy and Lori Zaumseil
Citizens Against Noxious
Weeds Invading the North
CANWIN
AKCANWIN@aol.com

Alaska Committee for Noxious and Invasive Plant Management
c/o Elizabeth Bella, Vice Chair
2525 C Street, Suite 305
Anchorage, AK 99503

Governor Sarah Palin
Alaska State Capital Building
Third Floor
PO Box 110001
Juneau, AK 99811-0020

Dear Governor Palin:

The Board of Directors for the Alaska Committee for Noxious and Invasive Plants Management (CNIPM) would like to provide members of the legislature information about invasive species threats to natural resources and invasive species management efforts in Alaska and other states. CNIPM works for the statewide management of noxious and invasive plants in Alaska. CNIPM is an informal group comprised of individuals involved in invasive species work, representing agencies and organizations statewide. More information about CNIPM is found at our website at: http://www.uaf.edu/ces/cnipm/. The information provided may be of assistance in making decisions about House Bill 12 (HB12), "An Act establishing the Alaska Council on Invasive Species in the Department of Fish and Game".

Invasive species have proven worldwide to be a threat to natural resources because they compete with crops and native species, degrade fish and wildlife habitat, and can decrease property values. Worldwide, estimated annual costs of invasive species are $1.4 trillion. Idaho spends $300 million a year on invasive species control, and Montana spends $14 million a year on just one weed, spotted knapweed. In Alaska, spotted knapweed has been found at just more than 10 sites. Many other invasive species have been found in Alaska in similarly small populations that will expand beyond control without prompt management. Managing invasive plants species when they are in small, incipient populations is recognized by experts as the most cost effective way to prevent damage to resources and the economy. Alaska has a unique opportunity in prevention; to avoid natural resource losses, direct and indirect economic impacts and extensive herbicide use that others are experiencing.

Despite Alaska's unique opportunity, invasive species management professionals and the public have discovered well established and expanding populations of highly invasive species ranging from rat and insects to plants such as orange hawkweed. These highly invasive species are a threat to agricultural production, forestry, fisheries, tourism, subsistence resources, waterfowl, large and small game, wildlife, and non-timber forest products such as wild berries. Alaska's natural resource based industries and subsistence areas are dependent on these resources. In other parts of the world introductions of invasive species have contributed to severe impacts to these resources. To prevent losses

to resources from invasive species with the least amount of cost action should be taken now.

Other states have established Invasive Species Councils to provide affected stakeholders a cooperative means of communicating, planning, coordinating, and collaborating efforts towards invasive species prevention and management. Inclusion of an appropriate range of stakeholders on a council provides a framework for governmental, public, and private entities to identify solutions in a timely fashion. Swift coordinated management will reduce management cost and prevent major losses to resources and expenditures of state funds.

Invasive species councils develop and regularly review statewide strategic plans for invasive species prevention and management. Plans provide coordination and direction to state agencies and local weed management efforts. Strategic plans establish a state policy towards invasive species. Strategic plans developed by a council demonstrate state commitment and cooperation with local efforts. State commitment and cooperation is often a pre-requisite to acquisition of funds through grant programs supporting invasive species management.

A council's coordinated approach will serve many essential functions in advancing invasive species management. Councils facilitate the development of a statewide policy to address the risks of existing invasive species in the state and the prevention of the introduction of additional invasive species. Councils foster communication between entities, helping to develop partnerships and identify and fill gaps in funding. Federal agency involvement is essential, and often Federal departments and agencies are provided ex-officio board seats on invasive species councils. In Alaska and other parts of the United States Federal Agencies have provided essential partnerships and support for invasive species management efforts.

Development of a strategic plan will implement control of invasive species, coordinate efforts, prioritize actions, streamline management efforts, identify information gaps, and implement early detection and rapid response plans. Council developed strategic plans facilitate implementation of essential elements that are widely recognized as critical to successful invasive species management.

Thank you for your time and actions to protect Alaska's natural resources and economies related to those resources from the threat of invasive species.

Sincerely,

Gino Graziano (CNIPM Board Chair) Elizabeth Bella (CNIPM Board Vice-Chair)

Michele Hebert
1460 Goshawk Lane
Fairbanks, Alaska 99709

January 19, 2009

Honorable Sarah Palin
Governor of the State of Alaska
P.O. Box 11001
Juneau, AK 99811-0001

Dear Governor Palin:

I am writing a letter in support of the formation of an Alaska Council on Invasive Species. I am a professor of Agriculture with the Cooperative Extension Service at the University of Alaska, Fairbanks. I chair the Alaska Invasive Species Working Group, with a mission to minimize invasive species impacts in Alaska by facilitating collaboration, cooperation and communication among Federal, State, Tribal and private groups. The establishment of a council is one of the top priorities for improving Alaska's ability to manage invasive species and protecting Alaska's industries potentially affected by problems invasive species pose.

Invasive species are a global problem, and Alaska is susceptible to many invaders, particularly as global climate change is projected to warm Alaska. Invasive species will, if not properly managed, affect all our major industries, including fisheries, tourism and transportation. The management of invasive species in other states cost millions of dollars. We have a unique opportunity in Alaska through the development of a council to be proactive and work collaboratively to reduce the introduction of new species and management efforts of species that have already entered the state.

A bill, HB 12 is being introduced by Representative Craig Johnson to the 26th Alaska Legislature. I urge you to support any legislation for the formation of an Invasive Species Council. Please support Bills that include the establishment of an Invasive Species Council and development of a strategic plan to address the threats of all invasive species in Alaska. If you have any questions, please contact Michele Hebert at 907-388-6085 or ffmah@uaf.edu.

Sincerely,

Michele Hebert
Agriculture and Horticulture Agent UAF

Cc: Representative Craig Johnson
State Capital, Room 126
Juneau, AK 99801-1182

Representative Craig Johnson
716 W. 4th Avenue Suite 640
Anchorage, AK 99501-2133

Larry Hartig, Commissioner
Department of Environmental Conservation
410 Willoughby Ave., Ste 303
P.O. Box 111800
Juneau, AK 99811-1800

Denby S. Lloyd, Commissioner
Department of Fish & Game
P.O. Box 115526
1255 W. 8th Street
Juneau, AK 99811-5526

Tom Irwin, Commissioner
Department of Natural Resources
550 W. 7th. Ave., Suite 1400
Anchorage, AK 99501

William H. (Bill) Hogan, Commissioner
Department of Health and Social Services
350 Main Street, Room 404
PO Box 110601
Juneau, Alaska 99811-0601

Leo von Scheben, Commissioner
Department of Transportation & Public Facilities
Office of the Commissioner
3132 Channel Drive
PO Box 112500
Juneau, AK 99811-2500

Representative David Guttenberg
AK State Capitol Room # 418
Juneau, AK 99801

Representative Mike Kelly
AK State Capitol, Room 434
Juneau, AK 99801-1182

Representative Gene Therriault
1292 Sadler Way, Room 308
Fairbanks, Alaska 99701

UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
National Marine Fisheries Service
P.O. Box 21668
Juneau, Alaska 99802-1668

January 13, 2009

Governor Sarah Palin
Alaska State Capital Building
Third Floor
P. O. Box 110001
Juneau, Alaska 99811-0020

Dear Governor Palin:

The purpose of this letter is to express the support of the National Marine Fisheries Service (NMFS) for the formation of an Alaska Council on Invasive Species. A bill that would realize this goal is being introduced by Representative Craig Johnson to the 26th Alaska Legislature. NMFS hopes that Alaska will recognize both the threat invasive species pose to economic, environmental and human health, and the unique opportunity for Alaska to get "ahead of the curve" to prevent and control invasions early, when it is most economically feasible to do so. Invasive species experts from the lower 48 states and other countries repeatedly emphasize this advantage in the State of Alaska, but only for now. With climate change and increasing opportunities for many vectors to bring undesirable non-native species to Alaska, this enviable position will not last forever. Forming an Alaska Council to bring action to the problem will save money in the long run and preserve the integrity of Alaska's economy, environment and public health.

NMFS has been working closely with the Alaska Invasive Species Council and many other partners on the invasive species issue in Alaska. We have been impressed with the high degree of interest, enthusiasm, expertise and effort that has allowed much progress. More progress is needed, however, with the formation of an Alaska Council that is sufficiently funded to carry out its mandates. NMFS will seek to help bring success to minimizing the impacts of invasive species in Alaska as much as possible by participating as a Federal partner with an Alaska Council on Invasive Species.

Thank you for the opportunity to comment. If you have any questions regarding our support for the formation of an Alaska Council on Invasive Species, please, please contact Linda Shaw at 907-586-7643 or linda.shaw@noaa.gov.

Sincerely,

Robert D. Mecum

Robert D. Mecum
Acting Administrator, Alaska Region

3248

cc: Representative Craig Johnson
Representative Craig Johnson
State Capital, Room 126
Juneau, AK 99801-1182

Representative Craig Johnson
716 W. 4th Avenue
Suite 640
Anchorage, AK 99501-2133

G:\INVASIVES\AK Council Letter of Support lrs 01-09.doc

Regional Citizens' Advisory Council / *"Citizens promoting environmentally safe operation of the Alyeska terminal and associated tankers."*

In Anchorage: 3709 Spenard Road / Suite 100 / Anchorage, Alaska 99503 / (907) 277-7222 / FAX (907) 277-4523
In Valdez: P.O. Box 3089 / 130 South Meals / Suite 202 / Valdez, Alaska 99686 / (907) 834-5000 / FAX (907) 835-5926

MEMBERS

Alaska State Chamber of Commerce

Alaska Wilderness Recreation & Tourism Association

Chugach Alaska Corporation

City of Cordova

City of Homer

City of Kodiak

City of Seldovia

City of Seward

City of Valdez

City of Whittier

Community of Chenega Bay

Community of Tatitlek

Cordova District Fishermen United

Kenai Peninsula Borough

Kodiak Island Borough

Kodiak Village Mayors Association

Oil Spill Region Environmental Coalition

Prince William Sound Aquaculture Corporation

January 19, 2009

Honorable Sarah Palin
Governor of the State of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Palin:

Recently Representative Johnson introduced HB 12, "An Act establishing the Alaska Council on Invasive Species in the Department of Fish and Game." We feel this legislation is critical in helping to help protect our precious Alaska environments and economies from the threat of invasion by harmful non-indigenous organisms. Our support for this bill follows a letter we sent to you in November urging you to support the concept of an Alaska Invasive Species Council.

I am writing on behalf of the Prince William Sound Regional Citizens' Advisory Council (PWSRCAC) which is an independent non-profit corporation whose mission is to promote environmentally safe operation of the Valdez Marine Terminal and associated tankers. Our work is guided by the Oil Pollution Act of 1990, and our contract with Alyeska Pipeline Service Company. PWSRCAC's 18 member organizations are communities in the region affected by the 1989 Exxon Valdez oil spill, as well as commercial fishing, aquaculture, Native, recreation, tourism and environmental groups.

We care about HB12 because of our experience and knowledge of invasive species issues. Invasion by non-indigenous aquatic species into Alaska waters, particularly Prince William Sound, is a serious and growing concern as huge volumes of oil-tanker ballast water containing such species continue to be discharged into the Sound. In partnership with governmental agencies and industry, we have supported invasive species research several years. PWSRCAC has also held a seat on the national Invasive Species Advisory Committee for over a decade now.

Thus it is that we see a state-wide council as critical to combating harmful invasive species. The purpose of the council would be to provide a coordinated, multi-stakeholder approach for addressing the potential risks of harmful invasive organisms and agents throughout the state and to work toward preventing the future introduction of other new invasive organisms and agents to the state.

One only has to look at the rest of the United States to see the huge amounts of effort and money that has already been spent on harmful invasions. The prime example of this is in the Great Lakes region. The invasive zebra mussel

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has virtually taken over the Great Lakes. Damage to water pipes, boat hulls, and other hard surfaces by zebra mussels in the Great Lakes is estimated at $5 billion. We believe that the money spent on proactive coordination and planning through a state council will be minimal compared to dealing with the economic and environmental fallout from harmful invasions. We urge you to support HB12.

Sincerely,

John S. Devens

John S. Devens, Ph.D.
Executive Director

MARK BEGICH
ALASKA

SUITE SH-825
HART BUILDING
WASHINGTON, DC 20510
(202) 224-3004

United States Senate

WASHINGTON, DC 20510

February 3, 2009

Representative Craig Johnson
Alaska State Legislature
State Capitol, Room 126
Juneau, AK 99801- 1182

Dear Representative Johnson:

Because invasive plant species threaten native fish, plants and wildlife in Alaska, I fully support HB 12 and the formation of the Alaska Council on Invasive Species.

The collaboration and strategic planning set forth in the HB 12 are important steps in addressing invasive species in Alaska. We must do all we can to prevent the introduction of invasive species and have the ability respond rapidly as a community when needed.

Thank you for your work on this matter and please let me know if my office can lend any further assistance.

Thanks for your work!

Sincerely,

Mark Begich
Senator

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Climate Change's Impact On Invasive Plants In Western US May Create Restoration Opportunities

ScienceDaily (Jan. 30, 2009) — http://www.sciencedaily.com/releases/2009/01/090127112055.htm

A new study by researchers at Princeton University's Woodrow Wilson School of Public and International Affairs has found that global climate change may lead to the retreat of some invasive plant species in the western United States, which could create unprecedented ecological restoration opportunities across millions of acres throughout America. At the same time, global warming may enable other invasive plants to spread more widely.

The researchers assessed the relationship between climate change and the distribution of five prominent invasive plants in the western United States – known colloquially as the "kudzus of the West" – cheatgrass; spotted knapweed; yellow starthistle; tamarisk; and leafy spurge. Such plants are defined as invasive because they were brought into this country from other lands and now dominate and alter ecosystems in ways that threaten native wildlife, agriculture, and ranching. All have greatly expanded their ranges in recent decades in the western U.S., causing millions of dollars in damage to farmlands and rangelands. Invasive plants are increasingly expensive to control, and it is widely believed that global warming will make the problem worse.

But Bradley and her co-authors find that global warming may also reduce the competitiveness of some invasive plants if conditions become climatically unsuitable to the weeds, "creating opportunities for restoration in areas currently dominated by intractable invasive species," according to the study.

The five species were selected in part because they represent the most problematic plants in the western U.S. The study authors created "bioclimatic envelope models," wherein the authors identified where the invasive plant species occurred, and identified critical climate variables such as precipitation patterns and temperature patterns that are associated with the presence of the invasive plants under investigation. The authors then determined what combined set of climate variables best described the distribution of these weeds, and mapped all of the places in the U.S. where these climate conditions occur.

Developing such models is important because scientists can use them to assess how changing climate conditions might affect the distributions of invasive plants. Maps of how invasion risk is likely to change with global warming are also important for land managers designing long-term protocols for fighting invasive plants.

The researchers employed 10 atmosphere-ocean general circulation models (AOGCMs) that predict what climatic conditions in the West are likely to be in 2100 if emissions are not limited, and matched those predicted conditions to the climate conditions associated with each of the invasive plant species. The projected invasive species distributions for each of the models were added together to create a map of invasion risk under future climate conditions.

"Just as native species are expected to shift in range and relative competiveness with climate change," the authors wrote, "the same should be expected of invasive species."

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Specifically, the researchers concluded that climate change is likely to expand invasion risk from yellow starthistle in California and Nevada – and lands currently occupied by invasive populations of the weed in California, Oregon and Washington are unlikely to become unsuitable for the species; hence, they have low potential for restoration. Tamarisk distribution, they found, is unlikely to be affected by climate change.

Cheatgrass, however, is likely to be affected by climate change, potentially moving northwards into parts of Idaho, Montana and Wyoming, but retreating in southern Nevada and Utah. And, according to Bradley and her co-authors, the impacts of climate change will likely shift spotted knapweed, currently distributed throughout the foothills of the Rocky Mountains and the Colorado Plateau, to higher elevations, leading to both expanded risk and restoration opportunities in part of Montana, Wyoming, Utah, and Colorado.

Leafy spurge, abundant in northern states west of the Mississippi River and some rangeland west of the Rockies, will likely retreat from some places in the face of climate change, creating restoration possibilities in Colorado, Nebraska, Iowa, and Minnesota – but potentially expanding into parts of Canada not included in the researchers' study. In addition, the researchers found that leafy spurge is likely to retreat from Nebraska and parts of Oregon and Iowa, creating strong potential for restoration in these areas.

To better address the impacts of invasive species, the authors note, further modeling and experimental work is needed to determine which species will be able to occupy these sites if the invasive species are reduced or eliminated by climate change. Local native plants (the ones that were there prior to the arrival of the invasive species) may be unable to reoccupy these areas as a result of global warming. If local native plants cannot reoccupy the areas, then native plants from elsewhere in the West will need to be considered for restoration to prevent new invasive species from quickly invading these sites.

"The restoration opportunities associated with the retreat of currently intractable invasive species are vast in the western United States," the authors wrote. "The uncertainties associated with these changes, as well as the unknown makeup of viable future vegetation... highlight a pressing need for integrated modeling, monitoring, and experimental work to better address the ecological consequences of climate change."

"The question for policy makers and land managers is, 'What do we want these lands to be?'" said Wilcove. "These lands will change, and we must decide now – before the window of opportunity closes - whether we do nothing or whether we intervene."

"Governments need to reduce emissions quickly to avoid a variety of dangerous climate changes, Oppenheimer warned. "At the same time, it will be necessary to adapt to the inevitability of some warming. Proper management of ecosystems to minimize the damages is a key part of any effective adaptation strategy."

Journal reference:
Bethany Bradley, Michael Oppenheimer, David Wilcove. Climate change and plant invasions: restoration opportunities ahead? Global Change Biology, 2009; DOI: 10.1111/j.1365-2486.2008.01824.x
Adapted from materials provided by Wiley-Blackwell, via EurekAlert!, a service of AAAS.

Thank you for this opportunity to testify. Last year, the first vital steps were taken to protect Alaska's economy, ecology and environment from the devastation of noxious weeds. Troy and I had no experience with the political process, but were very gratified by the unanimous response to HB330. When Representative Johnson proposed that legislation, we vowed to dedicate our time and effort to making people understand the importance of developing this statewide response and why it was the fiscally responsible thing for their senators and representatives to do. We have spoken to many local, state and national audiences about Alaska's fight with invasives and met experts fighting the same problems in other states that threaten Alaska. Without exception, we hear the same message--that Alaska is America's last chance to do it right and not suffer the tens of millions of dollars in expense and losses due to invasive species, but that is only possible if we act quickly and aggressively while the advantage is still ours to take. HB12 is the next important step in the process. This legislation needs your vote today and as it moves forward, but in addition, Alaska and her citizens need your continued support as the agencies and people on the ground work to prevent and control invasive species from impacting our Great Land. Thank you

Lori Zaumseil

Good afternoon. My name is Dan Gilson and I am with the Prince William Sound Regional Citizens Advisory Council. The Council is a non-profit whose mission is promoting the environmentally safe operation of the Alyeska terminal and associated tankers. The Council's 18 member organizations are communities in the Exxon Valdez oil spill impact region, as well as business, recreation, tourism, commercial fishing, Native and aquaculture groups.

Because of our concerns regarding invasive species arriving in the ballast water attached to the hulls of tankers, we are here today to support HB 12, the bill to create an invasive species council.

This legislation is vital in helping to help protect Alaska environments and economies from the threat of invasion by harmful non-indigenous organisms. We must act now in order to avoid a potential catastrophe.

The purpose of the council would be to provide a coordinated, multi-stakeholder approach for addressing the potential risks of harmful invasive organisms and agents throughout the state and to work toward preventing the future introduction of other new invasive organisms and agents to the state.

The minor amount of money spent annually on a council could save us billions of dollars in lost economies, environments and industries in addition to costs associated with controlling invasions. Just look at the situation with the zebra mussels in the Great Lakes. The government estimates that economic losses and control efforts cost the United States about $5 billion each year.

A more immediate threat to Alaska Coastlines is the European Green Crab. Green crabs eat clams, oysters, mussels, marine worms and small crustaceans that are important foods for native species. This invasive crab has marched its way up the west coast of the United States and has invaded Vancouver Island most recently. It is not a matter of "if" we get green crabs, but "where and when." To give you an idea of the economic devastation posed by the green crab, which is also invasive to the East Coast of the United States, the estimated total losses due to the green crab on the East Coast during 1975–2005 range from $719 to $806 million. Although economic impacts to the West Coast are negligible under current conditions, the West Coast impacts could increase to almost a million dollars per year if the green crab were to spread up to Alaska. And we do expect this spread to makes it way to Alaska. We know the crabs can survive and establish themselves in our waters.

There are numerous threats to Alaska in terms of invasive species and just as many horror stories of these species taking over environments in other states. Another real threat to Alaska is Purple Loosetrife which has been found in the Westchester Lagoon area in Anchorage. This plant can produce up to 2.7 million seeds per plant yearly and spreads across approximately 1 million

additional acres of wetlands each year, with an economic impact of millions of dollars. A coordinated local effort in Anchorage has been on top of that infestation, but one can easily see how a broader coordinated effort is needed to proactively deal with these issues.

At this moment in time, Alaska is relatively free from invasive species. Contrary to a popular myth, Alaska is not isolated as it receives significant amounts of air, water, and land traffic. Also, climate change is making conditions in Alaska more favorable for harmful invasive species.

Unless Alaska takes a proactive stance, Alaska will suffer the same fate as other states dealing with the management of harmful invasive species. Formation of a council to develop a strategic plan, coordinate efforts, and share information is essential to be able to take advantage of funding opportunities only available to such coordinated entities. The minor amount of money spent on a council annual will pay dividends in the significant amount of money <u>not</u> spent on managing weeds, pests and other critters.

I urge you to support this bill.

Alaska Conservation Alliance

Uniting for Alaska's Future

February 5, 2009

House Committee on Resources
State Senate
Alaska State Capitol
Juneau, Alaska 99801-1182

Dear Representative Johnson, Buch and Munoz,

On behalf of the 40 conservation groups and the 38,000 Alaskans represented by the Alaska Conservation Alliance, I am pleased to acknowledge our strong support for HB12 to establish the Alaska Council on Invasive Species in the Department of Fish and Game. Some state economies have lost billions of dollars in revenue due to damage caused by inavasives. In order for Alaska to avoid a similar fate, it is prudent to address this issue now.

We believe the 14-member Council will provide the broad stakeholder cooperation and oversight needed to prevent new invasive species from taking root in Alaska and to mitigate the damage of invasives currently pushing our native species to the brink. At risk are Alaska's biological treasures, its flora and fauna; its harvested resources and subsistence plants and animals; the beauty and diversity that make Alaska a world-class tourist destination.

Already Alaska has suffered the effects of invasive Atlantic Salmon, pike and Reed Canary grass, to name a few. Plants, animals, fish and crustaceans, introduced into an environment devoid of their natural predators and limitations can irreversibly destroy an ecosystem and the economy and cultures it supports. These foreign species invade Alaska's ecosystem primarily due to human activities. It is therefore important that Alaskans take an active role to prevent this potential man-made disaster by serving on the Alaska Council on Invasive Species.

The Alaska Conservation Alliance would like to thank you for this opportunity to voice our support for HB 12 and encourage you to pass this bill out of the Senate Finance Committee.

Sincerely,

Kate Troll

Kate Troll
Executive Director

CC: House Finance Committee Members

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419 6th Street, Ste. 321, Juneau, Alaska 99801 • Ph. 907.463.3366 • Fax 907.463.2554

TESTIFY LIST FOR HB 12

OFF NET

Michele Hebert (pronounced A-bear) Land Resources Agent, Cooperative Extension Service and Chair of the Alaska Invasive Species Working Group

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Lori Zaumseil, (pronounce Zaum Zel) Executive Director for AKCANWIN and Anchorage's CWMA

AKCANWIN =
Alaska Citizen Against Noxious Weeds Invading the North

Anchorage's CWMA =
Anchorage Cooperative Weed Management Area

9015 Dewberry Street
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VALDEZ LIO

Dan Gilson, Project Manager, Oil Spill Prevention & Response Operations for the Prince William Sound Regional Citizens' Advisory Council (PWSRCAC) which, is an independent non-profit corporation. PWSRCAC has holds a seat on the Invasive Species Advisory Council, that advises the National Invasive

Species Council. This past summer Council Staff, Lisa Ka'aihue (KA aa Hu aa) worked with Jeff Heys of the National Park Service to bring that National Council to Alaska.

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IN ROOM or ANCHORAGE LIO

Kate Troll, executive director of the Alaska Conservation Alliance, or Sue Ely, Legislative & Communications Manager

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Tom Lawson, Division Director, Alaska Department of Fish and Game – Questions on Fiscal Note

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http://www.adfg.state.ak.us/special/invasive/invasive.php	

HB

41

Dear Rep. Seaton:

I am a current member of the Alaska Board of Fisheries and ask that my personal views on HB 41 be considered by the House Resources committee at the hearing scheduled for Feb. 12, 2010.

The Bill, if enacted, would among other things, permit a Board member who has a conflict of interest to deliberate, but not vote on proposals which would likely benefit the member if passed. I assume that the concept would be to give the Board information from a person who may have experience and judgment regarding the particular proposals being considered. I am opposed to the Bill for a couple of reasons. First, from a practical point of view, Board members, who are conflicted out of deliberations and voting, generally provide their point of view to other members during the course of a meeting, both prior to and during deliberations. Some Board members actively seek out those members who have been conflicted and ask their opinions and information. And in some cases members who cannot deliberate or vote seek other members and advocate for their positions similar to what other stakeholders might do with Board members. So if one of the primary reasons for allowing conflicted members to deliberate is to provide the Board with new or additional information, that goal is for the most part already achieved with the current conflict rules the Board follows.

Second, It is my belief that the integrity of the Board process would suffer a blow by allowing a member who has a clear conflict of interest to publically advocate for a position that all would know would benefit the member in a significantly beneficial manner. It would, in my opinion give a significant appearance of impropriety to the what otherwise has become over time a very dependable and honest process. It would not improve the process and perhaps would just take up time unnecessarily, since all members(and probably stakeholders as well) would more than likely know what a conflicted member's position would be anyway. Why should a Board member who stands to gain from adoption of a proposal be given anymore status than any other stakeholder.

For the foregoing reasons I am opposed to the aspect of HB41 which would permit Board members who are conflicted from voting on any proposal the opportunity to deliberate on those proposals.

I support the aspect of HB41 that narrows the definition of family members.

Thank you, Karl Johnstone

Background Information on the Alaska Board of Fisheries Conflict of Interest Disclosures and Ethics Act Compliance

In Regard to HB 41

Prepared for the
House Resources Committee
Alaska State Legislature

February 12, 2010

Prepared by

Jim Marcotte
Executive Director, Alaska Board of Fisheries
Boards Support Section
Alaska Department of Fish and Game
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Introduction

Compliance with the Executive Branch Ethics Act (AS 39.52) is taken very seriously by the Board of Fisheries. Board members and their supporting staff follow the legal guidelines in the Ethics Act as they strive to maintain a high level of public credibility in the overall board process. If a member has a significant personal or financial interest in an issue before the board, he or she must refrain from deliberating or acting on that issue.

Procedures on ethics disclosures

There are several procedures that are followed by the board to help insure that these guidelines are met.

At the very beginning of each regulatory meeting, the board chairman calls on each member to present their ethics disclosure statement. The one-page *Ethics Disclosure* guide sheet (attached) is used as the outline for these disclosures. Board members describe their income sources, list any personal or financial interests they or their family members have in fishing related businesses, and identify any personal or financial interest they or their family members may have in regard to the proposals to be considered at the meeting.

The chairman then invites questions from the other board members, and invites comments from the Department of Law. Following any clarification or discussion, the chairman issues a ruling on the member's eligibility to participate on specific proposals.

A determination by the chairman can be overruled by a vote of the board. When there is a vote to overrule the chair's ruling, the member in question does not vote.

If a board member is found to have a conflict with a given proposal, that member does not participate in the committee discussion, deliberation, or in voting on the particular proposal.

Pattern from last nine years

The board addresses different geographic areas of the state on a three-year cycle and acts on 250 to 500 regulatory proposals each year. Overall, 11 percent of the proposals addressed by the board have been subject to a ruling of a conflict of interest.

The frequency of conflicts varies year to year as a function of board composition and geographic focus of the board. Conflicts are typically found when a board member or their family members have a significant economic or personal interest in a fishery, such as when an active charter or commercial fisherman fishes in an area covered in regional board meeting. In some years the conflict rate is as low as 3 percent, in other years as high as 20 percent.

Table 1 is a summary of the nine year period from October 2001 through February 2010. During this period, the board addressed a total of 3,392 proposals, 367 of which had a

board member conflict. On average, 377 proposals were addressed each year, 11 percent of which had a board member conflicted.

Table 2 presents data for the period from October 2001 through February 2010, compiled *by board member* instead of *by meeting*. Again, the pattern varied as a function of the member's personal and financial interests relative to the topics before the board.

Tables 3 - 11 provide an accounting of the number of proposals where a conflict was found including the detail *by meeting* and *by board member*. Each page is a different meeting cycle year, beginning with the 2001/2002 Cook Inlet and Kodiak cycle and continuing through the most recent meeting.

House Bill 41

House Bill 41 would result in two changes in how the Board of Fisheries approaches conflicts of interests.

First, the definition of "family" would be narrowed (see chart) It would shift away from the definition applied to the *Executive Branch*, as found in AS 39.52.960(11), and move to the definition applied to the *Legislative Branch*, as found in AS 24.60.990(6). No longer included would be a member's child, parent, or sibling when not residing with the member, when not financially dependent, or when not sharing a substantial financial interest. Also deleted would be a grandparent, aunt, uncle, spouse's parent, or spouse's sibling.

TABLE 12. Comparison of "family" definitions in state statute (February 2010)

	AS 39.52.960(11) (Executive Branch)	AS 24.60.990(6) (Legislative Branch)
Spouse, Conjugal cohabitant/ Domestic partner	Included	Included
Child (including stepchild and adopted child), Parent, Sibling	Included	Included only if: -resides with person -financially dependent, or -if shares a substantial financial interest
Grandparent, Aunt, Uncle, Spouse's parent, Spouse's sibling	Included	Not included

The second change is that the board member would be allowed to fully participate in the deliberation on a proposal. However, the bill would not change the restriction on a board member voting on a proposal or issue if the board member had a conflict.

Conclusion

Neither the Department of Fish and Game nor the Board of Fisheries has taken a position on HB 41 at this time.

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TABLE 1. NINE YEAR SUMMARY OF BOARD OF FISHERY PROPOSALS VOTE ABSTENTIONS

	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10*	Total	Annual Average
TOTAL NO. OF PROPOSALS FOR CYCLE:	520	496	231	532	420	259	391	375	168	**3,392**	**377**
NUMBER OF PROPOSALS WITH CONFLICT:	42	35	7	49	67	53	2	90	22	**367**	**41**
PERCENT OF PROPOSALS WITH CONFLICT:	8%	7%	3%	9%	16%	20%	1%	24%	13%	10.8%	
TOTAL NUMBER OF VOTES FOR CYCLE:	3,640	3,472	1,617	3,724	2,940	1,813	2,737	2,625	1,176	**23,744**	**2,638**
NUMBER OF VOTES ABSTAINED:	42	35	7	49	67	53	2	90	22	**367**	**41**
PERCENT OF VOTES ABSTAINED:	1%	1%	0%	1%	2%	3%	0%	3%	2%	1.5%	

* Through February 2010 only

TABLE 2. BOARD OF FISHERIES VOTE ABSTENTIONS, BY MEMBER (OCT. 2001 - FEB. 2010)

Board member	Time period	Total number of meetings	Number of meetings with conflict	Percent of meetings with conflict	Total number of proposals	Number of proposals with conflict	Percent of proposals with conflict
Grant Miller (Sitka)	Oct. 2001* - Jun. 2002	7	1	14%	520	3	1%
Virgil Umphenour (Fairbanks)	Oct. 2001* - Jun. 2002	7	0	0%	520	0	0%
John White (Bethel)	Oct. 2001* - Oct. 2002	9	0	0%	525	0	0%
Dan Coffey (Anchorage)	Oct. 2001* - Dec. 2002	7	0	0%	520	0	0%
Larry Engel (Palmer)	Oct. 2001* - Jun. 2003	17	0	0%	1,016	0	0%
Russell Nelson (Dillingham)	Oct. 2001* - Apr. 2004	25	0	0%	1,247	0	0%
Ed Dersham (Anchor Point)	Oct. 2001* - Mar. 2005	36	4	11%	1,779	48	3%
Eric Jordan (Sitka)	Oct. 2002 - Dec. 2002	3	0	0%	21	0	0%
Andy Szczesny (Soldotna)	Oct. 2002 - Dec. 2002	3	0	0%	21	0	0%
Oliver Holm (Kodiak)	Oct. 2002 - Dec. 2002	3	0	0%	21	0	0%
Fred Bouse (Fairbanks)	Oct. 2003 - May 2006	28	0	0%	1,182	0	0%
Rupe Andrews (Juneau)	Jan. 2003 - Feb. 2007	41	0	0%	1,888	0	0%
Mel Morris (Kodiak)	**Jan. 2003 - Feb. 2010**	54	5	9%	2,853	29	1%
John Jensen (Petersburg)	**Jan. 2003 - Feb. 2010**	54	5	9%	2,853	190	7%
Art Nelson (Anchorage)	Jan. 2003 - Jun. 2007	42	3	7%	1,917	12	1%
Robert Heyano (Dillingham)	Jul. 2004 - Jun. 2007	27	7	26%	1,211	61	5%
Jeremiah Campbell (Seward)	Oct. 2005 - Nov. 2008	24	0	0%	1,070	0	0%
Bonnie Williams (Fairbanks)	Jul.. 2006 - Jul. 2009	19	0	0%	1,025	0	0%
Larry Edfelt (Juneau)	Mar. 2007 - Jun. 2008	7	0	0%	420	0	0%
Howard Delo (Big Lake)	**Jul. 2007 - Feb. 2010**	18	1	6%	934	1	0%
Vince Webster (King Salmon)	**Jul. 2007 - Feb. 2010**	18	3	17%	934	23	2%
Bill Brown (Juneau)	**Jul. 2008 - Feb. 2010**	12	0	0%	543	0	0%
Karl Johnstone (Anchorage)	**Dec. 2008 - Feb. 2010**	10	0	0%	411	0	0%
Janet Woods (Fairbanks)	**Jul. 2009 - Feb. 2010**	6	0	0%	168	0	0%

** term started prior to Oct. 2001*

2/11/2010

Summary of Board of Fisheries Vote Abstentions

TABLE 3. 2001/2002 COOK INLET/KODIAK CYCLE

Meeting dates	Topics	Total number of proposals	Number of proposals with conflict							
			Engel	Coffey	Miller	White	R. Nelson	Dersham	Umphenour	Comments
Oct. 11-13, 2001	Worksession (17 ACRs)	0	0	0	0	0	0	0	0	
Nov. 8-12, 2001	Lower Cook Inlet	44	0	0	0	0	0	12	0	Dersham conflict on 15-20, 24, 25, 29, 30, 35, 36 salmon
Nov. 13-14, 2001	Groundfish, Crab	7	0	0	0	0	0	0	0	
Jan. 7-14, 2002	Kodiak and Chignik finfish	69	0	0	0	0	0	0	0	
Feb. 6-20, 2002	Upper Cook Inlet finfish	291	0	0	0	0	0	27	0	Dersham conflict on 126, 147-150, 152-162, 201-206, 265, 266, 285-287 (guided fisheries and saltwater sport salmon).
Mar. 14-21, 2002	Statewide king and Tanner crab, supplemental issues	107	0	0	3	0	0	0	0	Miller conflict on 475, 480, and 483 (crab and Area A)
Jun. 16, 2002	VMS, Kenai chinook	2	0	0	0	0	0	0	0	
	all meetings	**520**	**0**	**0**	**3**	**0**	**0**	**39**	**0**	

TOTAL NUMBER OF PROPOSALS FOR CYCLE:	520
NUMBER OF PROPOSALS WITH CONFLICT:	42
PERCENT OF PROPOSALS WITH CONFLICT:	8.1%
TOTAL NUMBER OF VOTES FOR CYCLE:	3,640
NUMBER OF VOTES ABSTAINED:	42
PERCENT OF VOTES ABSTAINED:	1.2%

Summary of Board of Fisheries Vote Abstentions

TABLE 4. 2002/2003 PRINCE WILLIAM SOUND AND SOUTHEAST CYCLE

Meeting dates	Topics	Total number of proposals	Number of proposals with conflict							
			Engel	Jordan	White	Szczesny	R. Nelson	Dersham	Holm	Comments
Oct. 17-19, 2002	Worksession (36 ACRs)	0	0	0	0	0	0	0	0	
Oct. 20-21, 2002	Groundfish, Chinook	5	0	0	0	0	0	0	0	
			Engel	Jordan	vacant	Szczesny	R. Nelson	Dersham	Holm	
Dec. 5-6, 2002	Chinook	16	0	0	0	0	0	0	0	
			Engel	Morris	Jensen	A. Nelson	R. Nelson	Dersham	Andrews	
Jan. 20-28, 2003	Southeast herring, groundfish, Dungeness crab, shrimp, misc. shellfish	174	0	0	19	0	0	0	0	Jensen conflict on 198, A, 200-209, 212-216, 218, 220 (Dungeness crab).
Jan. 31-Feb. 5, 2003	Prince William Sound and Copper River finfish	104	0	0	0	0	0	0	0	
Feb. 20-28, 2003	Southeast and Yakutat finfish	122	0	0	16	0	0	0	0	Jensen conflict on 366-370 (Hidden Falls, Deep Inlet, and Anita Bay terminal area), 380 (allociation), 383-385, 388-392 (allocation and seasons), and 210-211 (Dungeness crab).
Mar. 17-25, 2003	Statewide dungeness crab, shrimp, misc. shellfish, supplemental issues	71	0	0	0	0	0	0	0	
Apr. 30, 2003	Dutch Harbor food and bait herring	1	0	0	0	0	0	0	0	
May 14, 2003	Dutch Harbor food and bait herring	1	0	0	0	0	0	0	0	
Jun. 24, 2003	Bristol Bay red king crab	2	0	0	0	0	0	0	0	
	all meetings	**496**	**0**	**0**	**35**	**0**	**0**	**0**	**0**	

TOTAL NUMBER OF PROPOSALS FOR CYCLE:	496
NUMBER OF PROPOSALS WITH CONFLICT:	35
PERCENT OF PROPOSALS WITH CONFLICT:	7.1%
TOTAL NUMBER OF VOTES FOR CYCLE:	3,472
NUMBER OF VOTES ABSTAINED:	35
PERCENT OF VOTES ABSTAINED:	1.0%

2/11/2010

Summary of Board of Fisheries Vote Abstentions

TABLE 5. 2003/2004 BRISTOL BAY, ARCTIC-YUKON-KUSKOKWIM, ALASKA PENINSULA CYCLE

Meeting dates	Topics	Total number of proposals	Number of proposals with conflict							
			Morris	A. Nelson	Jensen	Andrews	R. Nelson	Dersham	Bouse	Comments
Oct.1-3, 2003	Worksession (24 ACRs)	0	0	0	0	0	0	0	0	
Oct. 4, 2003	Pribilof Islands blue king crab	1	0	0	0	0	0	0	0	
Nov. 12-17, 2003	Statewide finfish	31	0	0	1	0	0	0	0	Jensen conflict on Area A registration
Nov. 18-19, 2003	Chignik purse seine coop fishery	6	0	6	0	0	0	0	0	Nelson conflict on all proposals
Dec. 9-17, 2003	Bristol Bay finfish	75	0	0	0	0	0	0	0	
Jan. 12-19, 2004	Arctic-Yukon-Kuskokwim finfish	32	0	0	0	0	0	0	0	
Feb. 15-26, 2004	Alaska Peninsula/Aleutian Islands finfish	84	0	0	0	0	0	0	0	
Apr. 4-5, 2004	Prince William Sound allocation plan	2	0	0	0	0	0	0	0	
	all meetings	**231**	**0**	**6**	**1**	**0**	**0**	**0**	**0**	

TOTAL NUMBER OF PROPOSALS FOR CYCLE:	231
NUMBER OF PROPOSALS WITH CONFLICT:	7
PERCENT OF PROPOSALS WITH CONFLICT:	3.0%
TOTAL NUMBER OF VOTES FOR CYCLE:	1,617
NUMBER OF VOTES ABSTAINED:	7
PERCENT OF VOTES ABSTAINED:	0.4%

Summary of Board of Fisheries Vote Abstentions

TABLE 6. 2004/2005 COOK INLET/KODIAK CYCLE

Meeting dates	Topics	Total number of proposals	Number of proposals with conflict							
			Morris	A. Nelson	Jensen	Andrews	Heyano	Dersham	Bouse	Comments
Jul. 1, 2004	Teleconference re Kasilof sockeye	1	0	0	0	0	0	0	0	
Jul. 5, 2004	Teleconference re Kasilof sockeye	1	0	0	0	0	0	0	0	
Jul. 19, 2004	Teleconference re Kasilof and Kenai late-run sockeye	1	1	0	0	0	0	0	0	Morris conflict on emergency petition re Cook Inlet
Aug. 4, 2004	Teleconference re Cook Inlet eastside commercial and Kenai personal use	1	0	0	0	0	0	0	0	
Sep. 28, 2004	Teleconference re Kenai River coho	1	0	0	0	0	0	0	0	
Oct. 5-7, 2004	Worksession (24 ACRs)	0	0	0	0	0	0	0	0	
Nov. 11-13, 2004	Lower Cook Inlet finfish	34	0	0	0	0	3	6	0	Dersham conflict on 17-21 and 23 (guide registration, Dolly Varden, trout, enforcement, and gaff use). Heyano conflict on 33 (Bristol Bay drift gear).
Nov. 14-17, 2004	Chignik finfish	33	0	0	1	0	0	0	0	Jensen conflict with emergency petition re Dungeness crab in southeast.
Jan. 7-10, 2005	Kodiak finfish	134	0	0	0	0	3	0	0	Heyano conflict on three herring proposals
Jan. 17-29, 2005	Upper Cook Inlet finfish	258	25	0	0	0	0	3	0	Dersham conflict on 149, 250, and 289. Morris conflict on 144, 145, 147, 148, 151, 153-156, 191 (Kenai sockeye), 158 (Russian River sockeye) , 178, 188, 192, 194, 196 (Northern District salmon), 189 (Central District periods) , 231, 134, 135, 139, 242, and 243 (Upper Cook Inlet plans).
Mar. 7-13, 2005	Statewide king and Tanner crab, supplemental issues	68	0	0	3	0	4	0	0	Heyano conflict on Proposals 456 (OEG for Kvichak), 420 (Bering sea crab CDQ) 424 & 426 (pot gear Bering sea crab). Jensen conflict on 402 & 404 (Southeast Tanner crab) and 457 (Taku and Stikine king salmon)
	all meetings	**532**	**26**	**0**	**4**	**0**	**10**	**9**	**0**	

TOTAL NUMBER OF PROPOSALS FOR CYCLE:	532
NUMBER OF PROPOSALS WITH CONFLICT:	49
PERCENT OF PROPOSALS WITH CONFLICT:	9.2%
TOTAL NUMBER OF VOTES FOR CYCLE:	3,724
NUMBER OF VOTES ABSTAINED:	49
PERCENT OF VOTES ABSTAINED:	1.3%

2/11/2010

Summary of Board of Fisheries Vote Abstentions

TABLE 7. 2005/2006 PRINCE WILLIAM SOUND AND SOUTHEAST CYCLE

Meeting dates	Topics	Total number of proposals	Number of proposals with conflict							
			Morris	A. Nelson	Jensen	Andrews	Heyano	Campbell	Bouse	Comments
Oct.13-14, 2005	Worksession (45 ACRs)	0	0	0	0	0	0	0	0	
Oct. 15-16, 2005	State-waters trawl	3	1	0	0	0	0	0	0	Morris conflict on Central Gulf of Alaska portion of proposal
Nov. 15-16, 2005	Chignik salmon	1	0	0	0	0	0	0	0	
Dec. 1-6, 2005	Prince William Sound and Copper River finfish	84	0	0	0	0	2	0	0	Heyano conflict on Proposals 78 and 79 (sablefish, herring)
Dec. 29, 2005	Teleconference re Adak P-cod	0	0	0	0	0	0	0	0	
Jan. 22-Feb. 1, 2006	Southeast and Yakutat finfish	142	0	0	39	0	0	0	0	Jensen conflict on specific salmon and herring proposals
Feb. 20-26, 2006	Southeast groundfish, dungeness crab, shirmp, misc. shellfish; plus Aleutian Island P-cod	82	0	1	22	0	0	0	0	Nelson conflict on Proposal 399 (Aleutian Islands P-cod); Jensen conflict on 226-234, 269, and 271-282 (crab, groundfish)
Mar. 17-23, 2006	Statewide dungeness crab, shrimp, misc. shellfish, supplemental issues	107	0	1	0	0	1	0	0	Heyano conflict on Proposal 396 (alter CDQ crab quotas); Nelson conflict on Nunavak coop plan
May 3, 2006	Bering Sea crab	1	0	0	0	0	0	0	0	
	all meetings	**420**	**1**	**2**	**61**	**0**	**3**	**0**	**0**	

TOTAL NUMBER OF PROPOSALS FOR CYCLE:	420
NUMBER OF PROPOSALS WITH CONFLICT:	67
PERCENT OF PROPOSALS WITH CONFLICT:	16.0%
TOTAL NUMBER OF VOTES FOR CYCLE:	2,940
NUMBER OF VOTES ABSTAINED:	67
PERCENT OF VOTES ABSTAINED:	2.3%

Summary of Board of Fisheries Vote Abstentions

TABLE 8. 2006/2007 BRISTOL BAY, ARCTIC-YUKON-KUSKOKWIM, ALASKA PENINSULA CYCLE

Meeting dates	Topics	Total number of proposals	Number of proposals with conflict							
			Morris	A. Nelson	Jensen	Andrews	Heyano	Campbell	Williams	Comments
Oct. 12-13, 2006	Worksession (29 ACRs)	0	0	0	0	0	0	0	0	
Oct. 14-15, 2006	State-waters trawl	6	1	0	0	0	0	0	0	Morris conflict on Cook Inlet Pollock
Oct. 31, 2006	Teleconference re Adak pollock	0	0	0	0	0	0	0	0	
Dec. 4-12, 2006	Bristol Bay finfish	120	0	0	0	0	38	0	0	Heyano conflict on Nushagak River salmon, herring
Jan. 31-Feb. 5, 2007	Arctic-Yukon-Kuskokwim finfish	56	0	4	0	0	0	0	0	Nelson conflict on Kuskokwim River proposals
Feb. 6-11, 2007	Alaska Peninsula/Aleutian Islands finfish	48	0	0	0	0	10	0	0	Heyano conflict on Area M June Fishery proposals
						Edfelt				
Mar. 9-13, 2007	Statewide finfish	29	0	0	0	0	0	0	0	
	all meetings	**259**	**1**	**4**	**0**	**0**	**48**	**0**	**0**	

TOTAL NUMBER OF PROPOSALS FOR CYCLE:	259
NUMBER OF PROPOSALS WITH CONFLICT:	53
PERCENT OF PROPOSALS WITH CONFLICT:	20.5%
TOTAL NUMBER OF VOTES FOR CYCLE:	1,813
NUMBER OF VOTES ABSTAINED:	53
PERCENT OF VOTES ABSTAINED:	2.9%

Summary of Board of Fisheries Vote Abstentions

TABLE 9. 2007/2008 COOK INLET/KODIAK CYCLE

Meeting dates	Topics	Total number of proposals	Number of proposals with conflict							
			Morris	Delo	Jensen	Edfelt	Webster	Campbell	Williams	Comments
Oct. 9-11, 2007	Worksession (25 ACRs)	0	0	0	0	0	0	0	0	
Nov. 13-15, 2007	Lower Cook Inlet	22	0	0	0	0	0	0	0	
Jan. 10-12, 2008	Chignik Finfish	12	0	0	0	0	0	0	0	
Jan. 14-18, 2008	Kodiak Finfish	38	0	0	0	0	0	0	0	
Feb. 1-12, 2008	Upper Cook Inlet	286	1	1	0	0	0	0	0	58 proposals reviewed for Delo, 48 proposals reviewed for Morris. Both found to have conflict with #148, a proposal to reallocate from commercial uses. Edfelt absent.
Mar. 3-9, 2008	King and Tanner Crab	33	0	0	0	0	0	0	0	
	all meetings	**391**	**1**	**1**	**0**	**0**	**0**	**0**	**0**	

TOTAL NUMBER OF PROPOSALS FOR CYCLE:	391
NUMBER OF PROPOSALS WITH CONFLICT:	2
PERCENT OF PROPOSALS WITH CONFLICT:	0.5%
TOTAL NUMBER OF VOTES FOR CYCLE:	2,737
NUMBER OF VOTES ABSTAINED:	2
PERCENT OF VOTES ABSTAINED:	0.1%

Summary of Board of Fisheries Vote Abstentions

TABLE 10. 2008/2009 PRINCE WILLIAM SOUND AND SOUTHEAST CYCLE

Meeting dates	Topics	Total number of proposals	Number of proposals with conflict							
			Morris	Delo	Jensen	Brown	Webster	Campbell	Williams	Comments
Oct. 8-10, 2008	Worksession (12 ACRs)	0	0	0	0	0	0	0	0	
Dec. 1-7, 2008	Prince William Sound	132	0	0	0	0	0	0	0	
Jan. 21-27, 2009	Southeast Shellfish	66	0	0	9	0	0	Johnstone 0	0	Jensen conflicted on crab proposals 149, 150, 158, 177, 180, 181, 182, and 185
Feb. 17-27, 2009	Southeast Finfish	157	0	0	79	0	0	0	0	Jensen conflicted on 79 herring, salmon, and groundfish proposals
Mar. 16-20, 2009	Statewide Shellfish	18	0	0	1	0	1	0	0	Jensen conflicted on crab pot twine #357; Webster conflicted on Naknek gear (#377)
April 28, 2009	Teleconference on pike, blackcod	2	0	0	0	0	0	0	0	Jensen absent at teleconference.
	all meetings	**375**	**0**	**0**	**89**	**0**	**1**	**0**	**0**	

TOTAL NUMBER OF PROPOSALS FOR CYCLE:	375
NUMBER OF PROPOSALS WITH CONFLICT:	90
PERCENT OF PROPOSALS WITH CONFLICT:	24.0%
TOTAL NUMBER OF VOTES FOR CYCLE:	2,625
NUMBER OF VOTES ABSTAINED:	90
PERCENT OF VOTES ABSTAINED:	3.4%

Summary of Board of Fisheries Vote Abstentions

TABLE 11. 2009/2010 BRISTOL BAY, ARCTIC-YUKON-KUSKOKWIM, ALASKA PENINSULA CYCLE*

Meeting dates	Topics	Total number of proposals	Number of proposals with conflict							
			Morris	Delo	Jensen	Brown	Webster	Johnstone	Woods	Comments
Sept. 8, 2009	Teleconference re Yukon R.	1	0	0	0	0	0	0	0	
Sept. 28, 2009	Teleconf re St Matthew Crab	1	0	0	0	0	0	0	0	
Oct. 13-14, 2009	Worksession (9 ACRs)	0	0	0	0	0	0	0	0	
Dec. 1-8, 2009	Bristol Bay Finfish	48	0	0	0	0	19	0	0	
Jan. 26-31, 2010	AYK Finfish	55	0	0	0	0	0	0	0	
Feb. 2-7, 2010	Ak Pen/Aleutian Is. Finfish	65	0	0	0	0	3	0	0	
Mar. 16-20, 2010	Statewide Finfish, Chitina	35	[redacted]							
	all meetings	**203**	**0**	**0**	**0**	**0**	**22**	**0**	**0**	

TOTAL NUMBER OF PROPOSALS FOR CYCLE: 203
NUMBER OF PROPOSALS WITH CONFLICT: 22
PERCENT OF PROPOSALS WITH CONFLICT: 10.8%

TOTAL NUMBER OF VOTES FOR CYCLE: 1,421
NUMBER OF VOTES ABSTAINED: 22
PERCENT OF VOTES ABSTAINED: 1.5%

* Through February 2010 only

ALASKA STATE HOUSE OF REPRESENTATIVES

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REPRESENTATIVE PAUL SEATON
DISTRICT 35

Sponsor Statement
HB 41

HB 41 expands the ability of Board of Fish members to offer their experienced viewpoint during board debates.

Current law requires board members to declare a conflict and recuse themselves from discussion and voting if they, or a member of their family, have a personal or financial interest in a matter before the board. This requirement prevents commercial fishermen and sport fishing guides from discussing fishery issues that they are intimately familiar with through their participation in the fishery. HB 41 allows commercial and sport fishermen, after full disclosure, to deliberate on fishing issues in which they have a conflict based on their participation in the fishery. These members are not allowed to vote. HB 41 does not allow board members to participate on issues in which they have a paid financial interest as a consultant or a lobbyist.

The Board of Fish is composed of seven members. If one or two members are conflicted out of a discussion because of their in-depth knowledge, the entire process suffers. On average between 2001 and 2006 individual board members were required to recuse themselves on nearly ten percent of the proposals in each board cycle.

Under current law, recusals from board discussion disproportionately affect rural Alaska. Often board members from rural areas have been living in the region for generations and have extensive family involvement in regional fisheries. The applicable definition of immediate family includes parents, siblings, grandparents, aunts and uncles. This expansive definition of immediate family often takes rural representatives out of board discussion on nearly all of the proposals for their entire region, leaving the board without their representation.

A board member would have a conflict of interest on an issue under this bill when a board action might affect a member of their household. This bill applies the same definition found in the new Legislative Ethics Act for defining a board member's participatory conflict of interest.

HB 41 contains a sunset of 2012, giving the Legislature the opportunity to review the effect of the changes imposed by the bill. The Department of Fish and Game is to submit a report to the Legislature at this time, detailing the recusals prevented by this change in statute, and providing a recommendation on whether or not the statutory change should be allowed to expire.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HB 41
() Publish Date:

Identifier (file name): HB041-DFG-BOS-1-30-09
Title: Disclosure of Board of Fisheries personal/financial interest.
Sponsor: Representative Seaton
Requester: House Fisheries

Dept. Affected: Fish and Game
RDU: Administration & Support
Component: Boards and Advisory Committee
Component Number: 2825

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*
No fiscal impact.

Prepared by: Mini Cherian, Administrative Officer I
Phone 907-465-6096
Division: Boards Support Section
Date/Time 1/9/2009 15:15:00 PM
Approved by: Tom Lawson, Director
Date 1/30/2009
Fish and Game Administrative Services

(Revised 9/10/2008 OMB)

Recusals due to Conflict of Interest in Quarterly Ethics Reports 2003 - 2006

2003

AIDEA - four recusals
Social Work Examiners - one recusal
Local Boundary Comm. - one recusal
Real Estate Appraisers - one recusal
Pharmacy Board - one recusal
Board of Marine Pilots - one recusal
Board of Fisheries - three recusals
(on 42 regulatory proposals)

2004

Local Boundary Comm. - one recusal
AIDEA - one recusal
Real Estate Comm. - two recusals
Board of Fisheries - four recusals
(on 11 regulatory proposals)

2005

Board of Dental Examiners - one recusal
Social Work Examiners - four recusals
Local Boundary Commission - one recusal
Ag. and Conservation Board - one recusal
Board of Regents - one recusal
Railroad Corporation - one recusal
Board of Fisheries - seven recusals
(on 41 regulatory proposals)

2006

Oil and Gas Conservation Comm. - one recusal (on single issue)
Board of Regents - one recusal (on single issue)
Board of Game - one recusal (on single issue)
Board of Marine Pilots - three recusals (on single issue)
Public Broadcasting Commission - one recusal (on two issues)
Social Work Examiners - two recusals (on two issues)
Local Boundary Commission - one recusal (on two issues)
Board of Professional Counselors - one recusal (on single issue)
Board of Fisheries - three recusals
(on 103 regulatory proposals)

Quarterly Ethics reports (required of boards under AS 39.52.260) may not contain data on all conflicts because they may fail to reflect voluntary recusal where a board member does not appear at the relevant meeting or portion of a meeting because of a conflict. Reports may fail to reflect whether a recusal is for a single matter or a number of matters before a board or commission.

Prepared by the office of Rep. Seaton

Comparison of "family" definitions in state statute re: HB 41

	AS 39.52.960(11) (Executive Branch)	AS 24.60.990(6) (Legislative)
Spouse Conjugal Cohabitant	Included	Included
Child (including stepchild and adopted child Parent Sibling	Included	Included if: -resides with person -financially dependent, or -if shares a substantial financial interest
Grandparent Aunt, Uncle Spouse's parent Spouse's sibling	Included	Not included

Prepared by the office of Representative Seaton

Background Information on the Alaska Board of Fisheries Conflict of Interest Disclosures

Regarding Consideration of HB 41

Prepared for the
Alaska Legislature, House Fisheries Committee

February 5, 2009

Prepared by

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Introduction

Compliance with the Executive Branch Ethics Act (AS 39.52) is taken very seriously by the Board of Fisheries. Board members and their supporting staff follow the legal guidelines in the ethics act as they strive to maintain a high level of public credibility in the overall board process. If a member has a significant personal or financial interest in an issue before the board, he or she must refrain from deliberating or acting on that issue.

Procedures

There are several procedures that are followed by the board to help insure that these guidelines are met.

At the very beginning of each regulatory meeting, the board chairman calls on each member to present their ethics disclosure statement. The one-page *Ethics Disclosure* guide sheet (attached) is used as the outline for these disclosures. Board members describe their income sources, list any personal or financial interests they or their family members have in fishing related businesses, and identify any personal or financial interest they or their family members may have in regard to the proposals to be considered at the meeting.

The chairman then invites questions from the other board members, and may also ask for comments from the Department of Law. Following any clarification or discussion, the chairman issues a ruling on the member's eligibility to participate on specific proposals.

A determination by the chairman can be overruled by a vote of the board. When there is a vote to overrule the chair's ruling, the member in question does not vote.

If a board member is found to have a conflict with a given proposal, that member does not participate in the committee discussion, deliberation, or in voting on the particular proposal.

Pattern from last seven years

The board addresses different geographic areas of the state on a three-year cycle and they act on 350 to 450 proposals each year. Overall, 10 percent of the proposals addressed by the board have been subject to a ruling of a conflict of interest.

The frequency of conflicts varies year to year as a function of board composition and geographic focus of the board. Conflicts are typically found when a board member or their family members have a significant economic or personal interest in a fishery, such as when an active charter or commercial fisherman fishes in an area covered in regional board meeting. In some years the conflict rate is as low as 3 percent, in other years as high as 20 percent.

Table 1 is a summary of the six year period from 2001 through 2007. During this period, the board addressed a total of 2,458 proposals, 253 of which had a board member conflict. On average, 410 proposals were addressed each year, 10 percent of which had a board member conflicted.

Table 2 presents data for the period from 2001 through 2008, compiled by board member instead of by meeting. Again, the pattern of conflicts varied as a function of the member's personal and financial interests relative to the topics before the board.

Tables 3 - 10 provide an accounting of the number of proposals where a conflict was found including the detail by meeting and by board member. Each page is a different meeting cycle year, beginning with the 2001/2002 Cook Inlet and Kodiak cycle and continuing through the most recent meeting.

HB 41

House Bill 41 would result in two changes in how the Board of Fisheries approaches conflicts of interests.

First, the definition of "family" would be narrowed (see chart) It would shift away from the definition applied to the *Executive Branch*, as found in AS 39.52.960(11), and move to the definition applied to the *Legislative Branch*, as found in AS 24.60.990(6). No longer included would be a member's child, parent, or sibling when not residing with the member, when not financially dependent, or when not sharing a substantial financial interest. Also deleted would be a grandparent, aunt, uncle, spouse's parent, or spouse's sibling.

Comparison of "family" definitions in state statute (February 2009)

	AS 39.52.960(11) (Executive Branch)	AS 24.60.990(6) (Legislative)
Spouse, Conjugal cohabitant/ Domestic partner	Included	Included
Child (including stepchild and adopted child), Parent, Sibling	Included	Included only if: -resides with person -financially dependent, or -if shares a substantial financial interest
Grandparent, Aunt, Uncle, Spouse's parent, Spouse's sibling	Included	Not included

The second change is that the board member would be allowed to fully participate in the deliberation on a proposal. However, the bill would not change the restriction on a board member voting on a proposal or issue if the board member had a conflict.

Conclusion

Neither the Department of Fish and Game nor the Board of Fisheries has taken a position on HB 41 at this time.

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ETHICS DISCLOSURE

To comply with the Alaska Executive Branch Ethics Act (AS 39.52), board members are required to disclose sufficient information on the record of all interests they, or their immediate families, may have that relate to fish (Board of Fisheries members) or wildlife (Board of Game members) to enable the chair of the board to determine whether the involvement may be a personal or financial interest that constitutes a conflict of interest under the Act.

When making public ethics disclosures on the record at board meetings, members must provide sufficient information in response to the following questions to enable the chair to decide if it is necessary to inquire further to determine whether a conflict exists:

1. Explain in general terms what you do for a living:

   a. primary employer/employment,
   b. other employment or sources of income,
   c. other business interests.

For the following questions, "member of your family" includes spouse, conjugal cohabitant, child (including step-child and adopted child), parent, sibling, grandparent, aunt, uncle, and spouse's parent and sibling.

2. List all personal or financial interests you, or any member of your family, have in any business or organization relating to fish or wildlife resources.

3. Describe generally any interest you, or any member of your immediate family, have in a business or fish or wildlife organization that may be affected by any of the proposals to be discussed.

4. Describe generally any other interests of a personal or financial nature you, or any member of your immediate family, have that may be affected by any of the proposals to be discussed.

5. List all lawsuits that you, a member of your immediate family, or any organization you belong to, are involved in against the state, the board or the Department of Fish and Game, or where the state, the board, or the department is a party to the lawsuit.

   If you, or a member of your immediate family, are a member of any organization or corporation that is involved in a such a lawsuit, briefly explain what the organization is, the size of its membership and whether you, or an immediate family member, are on its board or hold some other executive or policy making position.

You must certify that your disclosure statement is "true, correct and complete."

Under the Ethics Act the chair of each board has the duty to determine whether a member's involvement in a matter violates the Act (AS 39.52.220). After each individual disclosure, the chair will rule on whether the board member has a conflict. If the chair determines that a conflict will exist if the member participates, the member must refrain from voting, deliberating, or participating in the matter. If the chair determines no conflict will exist, the member can participate fully.

[Guide sheet used by board members]

Summary of Board of Fisheries Vote Abstentions

TABLE 1. SIX YEAR SUMMARY OF BOARD OF FISHERY PROPOSALS

	01/02	02/03	03/04	04/05	05/06	06/07	Total	Annual Average
TOTAL NO. OF PROPOSALS FOR CYCLE:	520	496	231	532	420	259	2,458	410
NUMBER OF PROPOSALS WITH CONFLICT:	42	35	7	49	67	53	253	42
PERCENT OF PROPOSALS WITH CONFLICT:	8%	7%	3%	9%	16%	20%	10.3%	
TOTAL NUMBER OF VOTES CAST:	3,640	3,472	1,617	3,724	2,940	1,813	17,206	2,868
NUMBER OF VOTES WITH CONFLICT:	42	35	7	49	67	53	253	42
PERCENT OF VOTES WITH CONFLICT:	1%	1%	0%	1%	2%	3%	1.5%	

TABLE 2. BOARD OF FISHERIES VOTE ABSTENTIONS, BY MEMBER (Oct. 2001 - Dec. 2008)

Board member	Time period	Total number of meetings	Number of meetings with conflict	Percent of meetings with conflict	Total number of proposals	Number of proposals with conflict	Percent of proposals with conflict
Grant Miller (Sitka)	Oct. 2001* - Jun. 2002	7	1	14%	520	3	1%
Virgil Umphenour (Fairbanks)	Oct. 2001* - Jun. 2002	7	0	0%	520	0	0%
John White (Bethel)	Oct. 2001* - Oct. 2002	9	0	0%	525	0	0%
Dan Coffey (Anchorage)	Oct. 2001* - Dec. 2002	7	0	0%	520	0	0%
Larry Engel (Palmer)	Oct. 2001* - Jun. 2003	17	0	0%	1,016	0	0%
Russell Nelson (Dillingham)	Oct. 2001* - Apr. 2004	25	0	0%	1,247	0	0%
Ed Dersham (Anchor Point)	Oct. 2001* - Mar. 2005	36	4	11%	1,779	48	3%
Eric Jordan (Sitka)	Oct. 2002 - Dec. 2002	3	0	0%	21	0	0%
Andy Szczesny (Soldotna)	Oct. 2002 - Dec. 2002	3	0	0%	21	0	0%
Oliver Holm (Kodiak)	Oct. 2002 - Dec. 2002	3	0	0%	21	0	0%
Fred Bouse (Fairbanks)	Oct. 2003 - May 2006	28	0	0%	1,182	0	0%
Rupe Andrews (Juneau)	Jan. 2003 - Feb. 2007	41	0	0%	1,888	0	0%
Mel Morris (Kodiak)	Jan. 2003 - Dec. 2008	51	4	8%	2,506	28	1%
John Jensen (Petersburg)	Jan. 2003 - Dec. 2008	51	5	10%	2,506	101	4%
Art Nelson (Anchorage)	Jan. 2003 - Jun. 2007	42	3	7%	1,917	12	1%
Robert Heyano (Dillingham)	July 2004 - Jun. 2007	27	7	26%	1,211	61	5%
Jeremiah Campbell (Seward)	Oct. 2005 - Nov. 2008	24	0	0%	1,070	0	0%
Bonnie Williams (Fairbanks)	July. 2006 - Dec. 2008	16	0	0%	848	0	0%
Larry Edfelt (Juneau)	Mar. 2007 - Jun. 2008	7	0	0%	420	0	0%
Howard Delo (Big Lake)	Jul. 2007 - Dec. 2008	9	1	11%	589	1	0%
Vince Webster (King Salmon)	Jul. 2007 - Dec. 2008	9	0	0%	589	0	0%
Bill Brown (Juneau)	Jul. 2008 - Dec. 2008	3	0	0%	198	0	0%
Karl Johnstone (Anchorage)	Dec. 2008 - Dec. 2008	0	0	0%	0	0	0%

** term started prior to Oct. 2001*

2/4/2009

Summary of Board of Fisheries Vote Abstentions

TABLE 3. 2001/2002 COOK INLET/KODIAK CYCLE

Meeting dates	Topics	Total number of proposals	Number of proposals with conflict							
			Engel	Coffey	Miller	White	R. Nelson	Dersham	Umphenour	Comments
Oct. 11-13, 2001	Worksession (17 ACRs)	0	0	0	0	0	0	0	0	
Nov. 8-12, 2001	Lower Cook Inlet	44	0	0	0	0	0	12	0	Dersham conflict on 15-20, 24, 25, 29, 30, 35, 36 salmon
Nov. 13-14, 2001	Groundfish, Crab	7	0	0	0	0	0	0	0	
Jan. 7-14, 2002	Kodiak and Chignik finfish	69	0	0	0	0	0	0	0	
Feb. 6-20, 2002	Upper Cook Inlet finfish	291	0	0	0	0	0	27	0	Dersham conflict on 126, 147-150, 152-162, 201-206, 265, 266, 285-287 (guided fisheries and saltwater sport salmon).
Mar. 14-21, 2002	Statewide king and Tanner crab, supplemental issues	107	0	0	3	0	0	0	0	Miller conflict on 475, 480, and 483 (crab and Area A)
Jun. 16, 2002	VMS, Kenai chinook	2	0	0	0	0	0	0	0	
	all meetings	**520**	**0**	**0**	**3**	**0**	**0**	**39**	**0**	

TOTAL NUMBER OF PROPOSALS FOR CYCLE:	520
NUMBER OF PROPOSALS WITH CONFLICT:	42
PERCENT OF PROPOSALS WITH CONFLICT:	8.1%
TOTAL NUMBER OF VOTES CAST:	3,640
NUMBER OF VOTES WITH CONFLICT:	42
PERCENT OF VOTES WITH CONFLICT:	1.2%

Summary of Board of Fisheries Vote Abstentions

TABLE 4. 2002/2003 PWS AND SOUTHEAST CYCLE

Meeting dates	Topics	Total number of proposals	Number of proposals with conflict							
			Engel	Jordan	White	Szczesny	R. Nelson	Dersham	Holm	Comments
Oct. 17-19, 2002	Worksession (36 ACRs)	0	0	0	0	0	0	0	0	
Oct. 20-21, 2002	Groundfish, Chinook	5	0	0	0	0	0	0	0	
			Engel	Jordan	vacant	Szczesny	R. Nelson	Dersham	Holm	
Dec. 5-6, 2002	Chinook	16	0	0	0	0	0	0	0	
			Engel	Morris	Jensen	A. Nelson	R. Nelson	Dersham	Andrews	
Jan. 20-28, 2003	Southeast herring, groundfish, Dungeness crab, shrimp, misc. shellfish	174	0	0	19	0	0	0	0	Jensen conflict on 196, A, 200-209, 212-216, 218, 220 (Dungeness crab).
Jan. 31-Feb. 5, 2003	Prince William Sound and Copper River finfish	104	0	0	0	0	0	0	0	
Feb. 20-28, 2003	Southeast and Yakutat finfish	122	0	0	16	0	0	0	0	Jensen conflict on 366-370 (Hidden Falls, Deep Inlet, and Anita Bay terminal area), 380 (allociation), 383-385, 388-392 (allocation and seasons), and 210-211 (Dungeness crab).
Mar. 17-25, 2003	Statewide dungeness crab, shrimp, misc. shellfish, supplemental issues	71	0	0	0	0	0	0	0	
Apr. 30, 2003	Dutch Harbor food and bait herring	1	0	0	0	0	0	0	0	
May 14, 2003	Dutch Harbor food and bait herring	1	0	0	0	0	0	0	0	
Jun. 24, 2003	Bristol Bay red king crab	2	0	0	0	0	0	0	0	
	all meetings	**496**	**0**	**0**	**35**	**0**	**0**	**0**	**0**	

TOTAL NUMBER OF PROPOSALS FOR CYCLE:	496
NUMBER OF PROPOSALS WITH CONFLICT:	35
PERCENT OF PROPOSALS WITH CONFLICT:	7.1%
TOTAL NUMBER OF VOTES CAST:	3,472
NUMBER OF VOTES WITH CONFLICT:	35
PERCENT OF VOTES WITH CONFLICT:	1.0%

2/4/2009

Summary of Board of Fisheries Vote Abstentions

TABLE 5. 2003/2004 BRISTOL BAY, A-Y-K, ALASKA PENINSULA CYCLE

Meeting dates	Topics	Total number of proposals	Number of proposals with conflict							
			Morris	A. Nelson	Jensen	Andrews	R. Nelson	Dersham	Bouse	Comments
Oct.1-3, 2003	Worksession (24 ACRs)	0	0	0	0	0	0	0	0	
Oct. 4, 2003	Pribilof Islands blue king crab	1	0	0	0	0	0	0	0	
Nov. 12-17, 2003	Statewide finfish	31	0	0	1	0	0	0	0	Jensen conflict on Area A registration
Nov. 18-19, 2003	Chignik purse seine coop fishery	6	0	6	0	0	0	0	0	Nelson conflict on all proposals
Dec. 9-17, 2003	Bristol Bay finfish	75	0	0	0	0	0	0	0	
Jan. 12-19, 2004	Arctic-Yukon-Kuskokwim finfish	32	0	0	0	0	0	0	0	
Feb. 15-26, 2004	Alaska Peninsula/Aleutian Islands finfish	84	0	0	0	0	0	0	0	
Apr. 4-5, 2004	Prince William Sound allocation plan	2	0	0	0	0	0	0	0	
	all meetings	**231**	**0**	**6**	**1**	**0**	**0**	**0**	**0**	

TOTAL NUMBER OF PROPOSALS FOR CYCLE:	231
NUMBER OF PROPOSALS WITH CONFLICT:	7
PERCENT OF PROPOSALS WITH CONFLICT:	3.0%
TOTAL NUMBER OF VOTES CAST:	1,617
NUMBER OF VOTES WITH CONFLICT:	7
PERCENT OF VOTES WITH CONFLICT:	0.4%

Summary of Board of Fisheries Vote Abstentions

TABLE 6. 2004/2005 COOK INLET/KODIAK CYCLE

Meeting dates	Topics	Total number of proposals	Number of proposals with conflict							
			Morris	A. Nelson	Jensen	Andrews	Heyano	Dersham	Bouse	Comments
Jul. 1, 2004	Teleconference re Kasilof sockeye	1	0	0	0	0	0	0	0	
Jul. 5, 2004	Teleconference re Kasilof sockeye	1	0	0	0	0	0	0	0	
Jul. 19, 2004	Teleconference re Kasilof and Kenai late-run sockeye	1	1	0	0	0	0	0	0	Morris conflict on emergency petition re Cook Inlet
Aug. 4, 2004	Teleconference re Cook Inlet eastside commercial and Kenai personal use	1	0	0	0	0	0	0	0	
Sep. 28, 2004	Teleconference re Kenai River coho	1	0	0	0	0	0	0	0	
Oct. 5-7, 2004	Worksession (24 ACRs)	0	0	0	0	0	0	0	0	
Nov. 11-13, 2004	Lower Cook Inlet finfish	34	0	0	0	0	3	6	0	Dersham conflict on 17-21 and 23 (guide registration, Dolly Varden, trout, enforcement, and gaff use). Heyano conflict on 33 (Bristol Bay drift gear).
Nov. 14-17, 2004	Chignik finfish	33	0	0	1	0	0	0	0	Jensen conflict with emergency petition re Dungeness crab in southeast.
Jan. 7-10, 2005	Kodiak finfish	134	0	0	0	0	3	0	0	Heyano conflict on three herring proposals
Jan. 17-29, 2005	Upper Cook Inlet finfish	258	25	0	0	0	0	3	0	Dersham conflict on 149, 250, and 269. Morris conflict on 144, 145, 147, 148, 151, 153-156, 191 (Kenai sockeye), 158 (Russian River sockeye) , 178, 188, 192, 194, 196 (Northern District salmon), 189 (Central District periods) , 231, 134, 135, 139, 242, and 243 (Upper Cook Inlet plans).
Mar. 7-13, 2005	Statewide king and Tanner crab, supplemental issues	68	0	0	3	0	4	0	0	Heyano conflict on Proposals 456 (OEG for Kvichak), 420 (Bering sea crab CDQ) 424 & 426 (pot gear Bering sea crab). Jensen conflict on 402 & 404 (Southeast Tanner crab) and 457 (Taku and Stikine king salmon)
	all meetings	**532**	**26**	**0**	**4**	**0**	**10**	**9**	**0**	

TOTAL NUMBER OF PROPOSALS FOR CYCLE:	532
NUMBER OF PROPOSALS WITH CONFLICT:	49
PERCENT OF PROPOSALS WITH CONFLICT:	9.2%
TOTAL NUMBER OF VOTES CAST:	3,724
NUMBER OF VOTES WITH CONFLICT:	49
PERCENT OF VOTES WITH CONFLICT:	1.3%

2/4/2009

Summary of Board of Fisheries Vote Abstentions

TABLE 7. 2005/2006 PWS AND SOUTHEAST CYCLE

Meeting dates	Topics	Total number of proposals	Number of proposals with conflict							
			Morris	A. Nelson	Jensen	Andrews	Heyano	Campbell	Bouse	Comments
Oct.13-14, 2005	Worksession (45 ACRs)	0	0	0	0	0	0	0	0	
Oct. 15-16, 2005	State-waters trawl	3	1	0	0	0	0	0	0	Morris conflict on Central Gulf of Alaska portion of proposal
Nov. 15-16, 2005	Chignik salmon	1	0	0	0	0	0	0	0	
Dec. 1-6, 2005	Prince William Sound and Copper River finfish	84	0	0	0	0	2	0	0	Heyano conflict on Proposals 78 and 79 (sablefish, herring)
Dec. 29, 2005	Teleconference re Adak P-cod	0	0	0	0	0	0	0	0	
Jan. 22-Feb. 1, 2006	Southeast and Yakutat finfish	142	0	0	39	0	0	0	0	Jensen conflict on specific salmon and herring proposals
Feb. 20-26, 2006	Southeast groundfish, dungeness crab, shrimp, misc. shellfish; plus Aleutian Island P-cod	82	0	1	22	0	0	0	0	Nelson conflict on Proposal 399 (Aleutian Islands P-cod); Jensen conflict on 226-234, 269, and 271-282 (crab, groundfish)
Mar. 17-23, 2006	Statewide dungeness crab, shrimp, misc. shellfish, supplemental issues	107	0	1	0	0	1	0	0	Heyano conflict on Proposal 396 (alter CDQ crab quotas); Nelson conflict on Nunavak coop plan
May 3, 2006	Bering Sea crab	1	0	0	0	0	0	0	0	
	all meetings	**420**	**1**	**2**	**61**	**0**	**3**	**0**	**0**	

TOTAL NUMBER OF PROPOSALS FOR CYCLE:	420
NUMBER OF PROPOSALS WITH CONFLICT:	67
PERCENT OF PROPOSALS WITH CONFLICT:	16.0%
TOTAL NUMBER OF VOTES	2,940
NUMBER OF VOTES WITH CONFLICT:	67
PERCENT OF VOTES WITH CONFLICT:	2.3%

Summary of Board of Fisheries Vote Abstentions

TABLE 8. 2006/2007 BRISTOL BAY, AYK, ALASKA PENINSULA CYCLE

Meeting dates	Topics	Total number of proposals	Number of proposals with conflict							
			Morris	A. Nelson	Jensen	Andrews	Heyano	Campbell	Williams	Comments
Oct. 12-13, 2006	Worksession (29 ACRs)	0	0	0	0	0	0	0	0	
Oct. 14-15, 2006	State-waters trawl	6	1	0	0	0	0	0	0	Morris conflict on Cook Inlet Pollock
Oct. 31, 2006	Teleconference re Adak pollock	0	0	0	0	0	0	0	0	
Dec. 4-12, 2006	Bristol Bay finfish	120	0	0	0	0	38	0	0	Heyano conflict on Nushagak River salmon, herring
Jan. 31-Feb. 5, 2007	Arctic-Yukon-Kuskokwim finfish	56	0	4	0	0	0	0	0	Nelson conflict on Kuskokwim River proposals
Feb. 6-11, 2007	Alaska Peninsula/Aleutian Islands finfish	48	0	0	0	0	10	0	0	Heyano conflict on Area M June Fishery proposals
			Morris	A. Nelson	Jensen	Edfelt	Heyano	Campbell	Williams	
Mar. 9-13, 2007	Statewide finfish	29	0	0	0	0	0	0	0	
	all meetings	**259**	**1**	**4**	**0**	**0**	**48**	**0**	**0**	

TOTAL NUMBER OF PROPOSALS FOR CYCLE:	259
NUMBER OF PROPOSALS WITH CONFLICT:	53
PERCENT OF PROPOSALS WITH CONFLICT:	20.5%
TOTAL NUMBER OF VOTES CAST:	1,813
NUMBER OF VOTES WITH CONFLICT:	53
PERCENT OF VOTES WITH CONFLICT:	2.9%

Summary of Board of Fisheries Vote Abstentions

TABLE 9. 2007/2008 COOK INLET/KODIAK CYCLE

Meeting dates	Topics	Total number of proposals	Number of proposals with conflict							
			Morris	Delo	Jensen	Edfelt	Webster	Campbell	Williams	Comments
Oct. 9-11, 2007	Worksession (25 ACRs)	0	0	0	0	0	0	0	0	
Nov. 13-15, 2007	Lower Cook Inlet	22	0	0	0	0	0	0	0	
Jan. 10-12, 2008	Chignik Finfish	12	0	0	0	0	0	0	0	
Jan. 14-18, 2008	Kodiak Finfish	38	0	0	0	0	0	0	0	
Feb. 1-12, 2008	Upper Cook Inlet	286	1	1	0	0	0	0	0	58 proposals reviewed for Delo, 48 proposals reviewed for Morris. Both found to have conflict with #148, a proposal to reallocate from commercial uses.
Mar. 3-9, 2008	King and Tanner Crab	33	0	0	0	0	0	0	0	
	all meetings	**391**	**1**	**1**	**0**	**0**	**0**	**0**	**0**	

TOTAL NUMBER OF PROPOSALS FOR CYCLE:	391
NUMBER OF PROPOSALS WITH CONFLICT:	2
PERCENT OF PROPOSALS WITH CONFLICT:	0.5%
TOTAL NUMBER OF VOTES CAST:	2,737
NUMBER OF VOTES WITH CONFLICT:	2
PERCENT OF VOTES WITH CONFLICT:	0.1%

Summary of Board of Fisheries Vote Abstentions

TABLE 10. 2008/2009 PWS AND SOUTHEAST CYCLE

Meeting dates	Topics	Total number of proposals	Number of proposals with conflict							
			Morris	Delo	Jensen	Brown	Webster	Campbell	Williams	Comments
Oct. 8-10, 2008	Worksession (12 ACRs)	0	0	0	0	0	0	0	0	
Dec. 1-7, 2008	Prince William Sound	132	0	0	0	0	0	0	0	
								Johnstone		
Jan. 21-27, 2009	Southeast Shellfish	66	0	0	9	0	0	0	0	Jensen conflicted on crab proposals 149, 150, 158, 177, 180, 181, 182, and 185
Feb. 17-27, 2009	Southeast Finfish									
Mar. 16-20, 2009	Statewide Shellfish									
	all meetings	**198**	**0**	**0**	**9**	**0**	**0**	**0**	**0**	

TOTAL NUMBER OF PROPOSALS FOR CYCLE:	198
NUMBER OF PROPOSALS WITH CONFLICT:	9
PERCENT OF PROPOSALS WITH CONFLICT:	4.5%
TOTAL NUMBER OF VOTES CAST:	1,386
NUMBER OF VOTES WITH CONFLICT:	9
PERCENT OF VOTES WITH CONFLICT:	0.6%

Southeast Alaska Fishermen's Alliance
9369 North Douglas Highway
Juneau, AK 99801
Phone 907-586-6652
Fax 907-523-1168 Website: http://www.seafa.org E-mail: seafa@gci.net

February 3, 2009

Representative Bryce Edgmon, Chair
House Special Committee on Fisheries
Alaska State Legislature
State Capitol (Mail Stop 3100)
Juneau AK 99801-1182

Dear Chairman Edgmon, and Committee Members,

Southeast Alaska Fishermen's Alliance is a multi-gear membership based organization representing our members mainly involved in the salmon, crab shrimp and longline fisheries of Southeast Alaska and the Alaska halibut & blackcod IFQ fisheries.

We support HB 41 dealing with Board of Fish member's conflict of interest. We have steadfastly supported this legislation for at least the last 8 years. We believe that it is very important to clarify the regulations regarding conflict of interest as being only the immediate family that lives in the household. In addition, even if the members don't vote, they should participate in the deliberations.

A good balanced board of fish has members with a wide variety of knowledge and experience. These members are picked for that reason and then are conflicted out from participating when that knowledge is beneficial to the board because of their personal involvement in the fishery. Relaxing the conflict of interest standard for Board of Fish members while still preventing the ability to provide for their own personal financial gain is a balance to strive for and HB 41 reaches that balance.

One of the strengths of the Board of Fish is that it is still a lay board but people are reluctant to submit their name if they are unable to speak on the fisheries they are knowledgeable about.

Please support and pass HB 41. We really need to get this legislation passed through the legislature this session.

Sincerely,

Kathy Hansen

UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110
Juneau, Alaska 99801-1172
(907) 586-2820
(907) 463-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

February 4, 2009

Representative Bryce Edgmon, Chair
House Special Committee on Fisheries
Alaska State Legislature
State Capitol (Mail Stop 3100)
Juneau AK 99801-1182

Dear Chairman Edgmon, and Committee Members,

United Fishermen of Alaska supports passage of HB 41 to provide for Board of Fisheries members to participate in matters before the Board, if they declare their personal or financial interest in a fishery.

Members are on the Board for their expertise in some aspect of fishing. It is vital that all seven Board members, especially those most informed of the issues concerning a fishery, be able to participate in the discussions on matters before the Board. We also support the definition of immediate family as suggested in HB 41.

UFA is the largest statewide commercial fishing trade association, representing 37 organizations participating in fisheries throughout Alaska and its offshore waters. We appreciate your consideration on this legislation.

Sincerely,

Mark Vinsel
Executive Director

Reminder:

All support found in this section of the bill packet for HB 41 was submitted for a previous version of this bill.

UNITED FISHERMEN OF ALASKA

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March 12, 2007

Representative Paul Seaton
Chairman, House Special Committee on Fisheries
Alaska House of Representatives
State Capitol (Mail Stop 3100)
Juneau AK 99801-1182

Dear Representative Seaton,

United Fishermen of Alaska supports passage of HB 15 to provide for Board of Fisheries members to participate in matters before the Board, if they declare their personal or financial interest in a fishery.

Members are on the Board for their expertise in some aspect of fishing. It is vital that all seven Board members, especially those most informed of the issues concerning a fishery, be able to participate in the discussions and decision making process on matters before the Board..

UFA is the largest statewide commercial fishing trade association, representing 36 organizations participating in fisheries throughout Alaska and its offshore waters. We appreciate your consideration on this legislation.

Sincerely,

Mark Vinsel
Executive Director

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Draggers Association • Alaska Independent Tendermen's Association • Alaska Longline Fishermen's Association
Alaska Shellfish Association • Alaska Trollers Association • Armstrong Keta • At-sea Processors Association • Bristol Bay Reserve
Concerned Area "M" Fishermen • Cook Inlet Aquaculture Association • Cordova District Fishermen United • Crab Group of Independent Harvesters
Douglas Island Pink and Chum • Fishing Vessel Owners Association • Groundfish Forum • Kenai Peninsula Fishermen's Association
Kodiak Regional Aquaculture Association • North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association
Old Harbor Fishermen's Association • Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation
Purse Seine Vessel Owner Association • Seafood Producers Cooperative • Sitka Herring Association • Southeast Alaska Fisherman's Alliance
Southeast Alaska Regional Dive Fisheries Association • Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association
United Catcher Boats • United Cook Inlet Drift Association • United Salmon Association • United Southeast Alaska Gillnetters
Valdez Fisheries Development Association • Western Gulf of Alaska Fishermen

Alaska Trollers Association

130 Seward St., No. 211
Juneau, Alaska 99801
(907) 586-9400
(907) 586-4473 Fax

March 9, 2007

Representative Paul Seaton, Chair
House Fisheries
Alaska House of Representatives
State Capitol (Mail Stop 3100)
Juneau AK 99801-1182

Dear Representative Seaton and Committee Members:

The Alaska Trollers Association supports strongly supports HB 15, which seeks to allow Board of Fisheries (BOF) members to act on all matters before the Board, so long as they have declared their personal or financial interests.

In years past, BOF members were able to fully participate in all discussions and votes. Board members used a recusal process similar to the North Pacific Fishery Management Council and were rarely found to have a true conflict of interest. Due to grey areas in the state law, this has not been the case in recent years, and extremely capable Board members have been restricted from addressing and voting on the very issues they are most knowledgeable about. ATA believes that, at times, this has been damaging to the decision-making process and has been a deterrent to some well-qualified people who might have applied to serve the state on this lay regulatory board.

The strength of the BOF process is directly related to the caliber of its membership and the science, law, and policy that underpin its actions. An exceptional group of fishermen have served on the BOF over the years. When they were fully enabled to act, the resource, industry, and communities have benefited.

ATA believes that the voting mandate that serves the state legislature also serves its regulatory boards. We encourage you to pass HB 15 – let all members of the Board of Fisheries vote!

If I can be of assistance on this or other matters, feel free to contact me.

Sincerely,

Dale Kelley

Dale Kelley
Executive Director

QINUYANG – South Naknek Village Council

P.O. Box 70029
South Naknek AK 99670
(907) 246-8614
(907) 246-8613 Fax
southnaknek@starband.net

February 1, 2007

Honorable Bryce Edgmon
Alaska State Legislature
House of Representatives
State Capitol, Room 424
Juneau, AK 99811

Re: House Bill 15

Dear Representative Edgmon:

The South Naknek Village Council objects to House Bill No. 15. The House Bill proposes to play a game of gamesmanship with Alaska Ethics Rules at the same time that there is a magnifying glass regarding the banality of our public servants. We object. I will describe some of the ways that House Bill 15 proposes to make a mockery of the principles of accountability and duties owed to the public by individuals accepting positions as public officials.

Section 1 of the legislation proposes to relax ethical rules so that members of the Board of Fisheries may participate in issues that come before the Board "even though the members have a personal or financial interest in the matter by virtue of their participation in a fishery." This "purpose" appears to be completely at odds with the requirements applicable to all public officials under A.S. 39.52.220. That statute requires a process leading to determine a member's right to vote if he/she has a personal or financial interest in the outcome. Thus, the laudable goal of citizen participation is significantly diminished by personal interests. The greater the financial interest, clearly, the more a position such as a member of the Board of Fisheries may be abused. Yet, Section 1 proposes to alter the existing balance in favor of those with greater power and access to power within our state. And that is wrong.

Took care with the K'C" C.S.

If this were not enough, Section 2, which is also to take effect immediately, would expressly permit (by deletion) a public officer who is a member of the Board of Fisheries from acting on matters before the Board without disclosing his/her financial interest or personal interest in a business or organization relating to the resource under consideration. Section 2 also further strips any oversight with respect to ethical conduct that A.S. 39.52.220 is intended to foster. Indeed, because A.S. 39.52.220 specifically requires full disclosure and a neutral, unbiased determination of the right to vote, while the proposed Section 2 eliminates that requirement, the amendment encourages self-interest in order to advance individual financial and personal agendas when dealing with public resources, and that is wrong.

Section 3, by virtue of Section 7 to the proposed House Bill 15, would allow any appointees to the Board of Fisheries a free pass for a period of four years, that is, coincidentally, the length of time of the first term of the present administration with respect to the Board of Fishery matters. Section 3, pursuant to the clear language of Section 7, would not take effect until June 30, 2011. That is special interest legislation in order to protect one of two members of the Board of Fisheries, and it is wrong. It is an abuse of the public process.

Similarly, Section 4 is also intended to shield a public official sitting on the Board of Fisheries from public scrutiny with respect to his/her personal and financial interests brought to the Board of Fisheries for a period of four years. Indeed, Section 4, in referencing the 'Public Officials Ethical Rules' (Ch. 52, Title 39, Alaska Statutes), expressly permits any member with a personal or financial interest in a matter coming before him/her to participate in the matter, limited only to not selling his or her vote to a third person paying for the representation. The member, under such circumstances, is only required to disclose his/her interest on the record, but that disclosure is expressly not subject to the Conflict of Interest Rules under A.S. 39.52.220, which would otherwise expressly prohibit votes based upon self-interest.

Proposed Section 4 simply confirms the cynical and self-interested reasons for HB 15: The people of the State of Alaska will be regulated with respect to fisheries resources by individuals whose sole ethical constraint is not to sell his/her vote to the highest bidder. Section 4 expressly permits such self-interested "public" service, including the use of public funds and public facilities in order to benefit that public official's personal or financial interest.

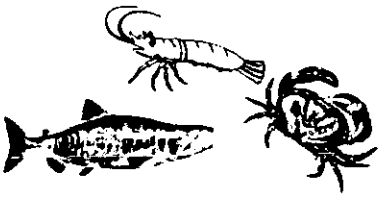
HB 15 is a bad bill. Alaska has had enough of the scandals involving public officials making decisions to benefit their own personal or financial interests involving public resources. HB 15 is an embarrassment; is a travesty; it should be soundly defeated if it is ever brought for a vote in or out of any committee.

Very truly yours,

Donald Nielsen, President
South Naknek Village Council

cc: Governor Sarah Palin
Senator Lyman Hoffman
Members House of Representatives

Southeast Alaska Fishermen's Alliance
9369 North Douglas Highway
Juneau, AK 99801
Phone 907-586-6652
Fax 907-523-1168 Website: http://www.seafa.org E-mail: seafa@gci.net



February 19, 2007

Representative Paul Seaton
Alaska State Legislature
State Capitol, Room 102
Juneau, AK 99801

RE: Support HB 15

Southeast Alaska Fishermen's Alliance (SEAFA) supports HB 15 (conflict of interest) which deals with the issue of allowing a Board of Fish member that is confirmed by the legislature to participate in the process. One of the main strengths of the Alaska process for the management of the fisheries is the Board of Fish and the layman board and full public process but it doesn't make sense to have a layman board and then prohibit them from participating.

We believe that passage of this legislation will make more applicants more interested in participating in the process.

Sincerely,

Kathy Hansen

Kathy Hansen
Executive Director

United Southeast Alaska Gillnetters
P.O. Box 23378, Ketchikan, AK 99901 Phone & Fax (907) 247-2471 Email: usag@kpunet.net

March 16, 2007

Representative Paul Seaton, Chair
House Special Committee on Fisheries
Alaska State Legislature
Juneau, AK 99801 Send Via Fax to: 907-465-3472

Dear Chairman Seaton,

The United Southeast Alaska Gillnetters (USAG) supports HB 15 which would give the members of the Alaska Board of Fisheries the same privileges with respect to conflict of interest regulations as other members of Alaska's boards and commissions. Under the current restrictions, an Alaska Board of Fisheries (BoF) member must excuse themselves from the table when issues in which they have a financial interest, no matter how slight, are addressed. This makes the knowledge of the board member who is most familiar with the issues involved in an area or situation unavailable to the other board members. USAG believes one result of this is less informed decisions and in come cases inaction on particular problems that would have been addressed if the conflicted member had been able to participate. We believe the passage of this legislation will result in the BoF making better decisions in all areas of the State. Implicit in this support is the provision that the conflicted member will fully disclose any such conflicts in advance of board action.

Thank you for introducing this important Bill and considering our support for it.

Yours Truly,

Kenneth Duckett
Executive Director

HB 15 Testimony

My name is Christine Koski, I have held a Cook Inlet salmon set net permit for 15 years and have actively fished in Cook Inlet for over 25 years. I am a single mom with 4 children. The majority of my income comes from commercial fishing. I currently live in the Kenai/Soldotna area. My children are also actively involved in commercial set net fishing. and have been since they were born.

Approximately 35% of women are permit holders involved in Cook Inlet salmon set net commercial fishing as well as being involved in other commercial fisheries in the entire State.

I have attended BOF regulatory meetings for decades and in the last 5 years I have been active in the process. My involvement is to ensure that there is an opportunity for my children to continue commercial fishing as their parents and grandparents have.

It is impossible to express my concerns or to suggest changes to improve my capability to harvest salmon when I feel that there is no way to communicate with representation from the current members of the BOF.

Since I have been involved in the process there has been no set net commercial fishing person. To make matters worse it is difficult to converse with the gender bias on the Board. I can appreciate that there is a 14% representation for my gender currently, it still leaves me with a significant impediment with communicating and making changes relative to my situation. I want active participants from my area so that not only will I be able to communicate but so will other similarly situated stakeholders.

HB 15 moves to open up more representation for individuals like myself. Please consider the changes that will give more fair and equitable representation to the commercial fisher women in the State. Committee members please realize that Cook Inlet set net fisher women are hard working individuals who do not wish entitlements but want to make our own way and to instill in our children the lessons of hard work and just rewards. The majority of my livelihood is derived and supplemented with part time employment. We are not wealthy, we do not make 10's of thousands of dollars. Please support HB 15 as presented.

John E. Jensen
P.O. Box 681
Petersburg Alaska
907-772-4635
omasou@gci.net

March 22, 2007

House Fisheries Special Committee

Dear Chair Seaton and Committee Members,

This is a note in support of HB 15.

My name is John Jensen and I'm a commercial fisherman and also a member of the Alaska Board of Fisheries. Two other members of my immediate family are commercial fishermen and are permit holders.

It is frustrating at times not being able to participate in the discussions on proposals that come before the Board of Fish that we are involved in. These three permits kept me from participating in 61 proposals (a third of the SE proposals) last year during the Southeast Alaska portion of the yearly cycle.

I am one of the two commercial seats on the board. I am a life-long fisherman from Southeast Alaska and I couldn't provide my expertise and perspective on the subjects before us in order to provide a better understanding for the rest of the Board members on the issues.

I believe a person should be able to disclose his or her interests on record and then be able to fully participate in the matters before them. Many issues require clarification that I can provide.

There is a set of criteria that we have to follow on allocative issues; these are found in AS 16.05 .251 (e). These 7 criteria are our guide lines for allocating fish between user groups and are read into the record for each allocative issue using one or all seven criteria. These criteria, in my opinion, if followed would keep personal interests on the straight and narrow.

As stated in AS 16.02. 221 (a),
The governor shall appoint each member on the basis of interest in public affairs, good judgment, knowledge, and the ability in the field of action of the board and with a view to providing diversity of interest and points of view in the membership.
Currently I am not able to fully utilize *my ability in the field of action,* and my job on the Board is compromised.
I urge you to please consider and pass HB15 so that I may fully participate in the process and be a totally effective member of the Board of Fisheries.

Respectfully submitted,
John E. Jensen

Fish & Game Transition Team

Issues Report to

Governor Sarah Palin

Members

Dick Bishop, co-chair
Ben Mulligan
Craig Compeau
Eric Olsen
John Winther
Mark Vinsel
Roland Maw
Trefon Angason

Ken Johns, co-chair
Bruce Knowles
Dave Donald
Joe Klutsch
Larry Cotter
Phil Cutler
Tom Gemmel

Clem Tillion
Dave Otness
Dr "Jack" Frost
Linda Kozak
Rod Arno
Tony Gregorio

Board of Fisheries and Board of Game Conflict of Interest

Issue Statement: Currently Board of Fisheries (and perhaps Board of Game) conflict of interest rules bar commercial representatives with knowledge in a fishery from discussing the topics, losing a valuable source of information in discussions.

Discussion:

The conflict of interest interpretation has been expanded too far in the case of commercial fishermen or not far enough for other individuals. A commercial fisherman who tries to sit on the Board of Fish will be conflicted out of any discussion of any fishery he holds a permit for and additionally for any fishery that his parents, wife, brothers or sisters or children own. But in comparison a charter operator is almost never conflicted from action on any proposal even if they benefit the industry in allocation issues in an area they operate in or if they have a business partner that holds permits. At the time a proposal comes up for discussion that a board member has a conflict with the meeting is stopped until the board member has left the table and entered the audience. This policy makes it extremely difficult to get good individual to submit their name for the board of fish, and keeps the informed from participating on many matters pertaining to commercial fishing. When Board members are prevented from voting the balance of votes may be swayed.

In essence, the more you know on commercial fishing, the less likely you will be able to provide input if you are on the Board of Fisheries.

The issue does not seem to affect the Board of Game, as there are no professional market hunters that would be deemed to be at the same level of conflict of interest. A change in Board of Fisheries regulations may affect Board of Game conflicts in the future.

The Transition Team subgroups agree on the concept of allowing those with expertise to deliberate, but there are differing views as to whether those with conflicts should be allowed or required to vote, or excluded.

Recommendations:

-Legislative bills have been introduced in the last two sessions, and are expected to be introduced in the coming session, so this may not be an action item for the Governor, but the Transition Team feels compelled to advise her of the problem.

-Only the household members or immediate family should be considered for conflict so as not to unfairly bias the process against longstanding families with extensive affected relatives.

Consequences Of Inaction:

Lack of valid information in Board of Fisheries deliberations
Reluctance of well qualified members to serve on Board. Lack of public confidence in the Board of Fisheries Process, and state management.

9:52:29 AM

Rep Wilson Billin
24 legislature

ART NELSON, Chair, Board of Fisheries, testified in support of HB 241. He said the he'd like to comment on two general areas where the conflict of interest regulations have been problematic for the board. He said:

> The first one is the difficulties that it presents oftentimes with the operation of the board and our functioning and our deliberations. As the chairman of the board, I'm kind of responsible to be the ethics supervisor for all the members, and so of course before each meeting I go around to the various members, particularly those that may have conflicts arising with the different meetings we have ahead of us and ... those conflicts can be either financial or personal in nature, and can be interpreted very broadly. ... Oftentimes even if there's going to be a perceived conflict that we are advised to be conservative in that and ... it's no offense meant to the [DOL]; it's their job to be conservative and make our decisions be not only legally valid but defensible in court. ... The board spends upwards of 40 or sometimes more days per year in our regulatory meeting, and the last thing I want to have happen is ... having an extensive regulation that took a lot of time to put together be struck down because we failed to follow the letter of the ethics rules.

MR. NELSON continued:

> What's also problematic ... is the potential for losing a board member due to a conflict of interest. We're a seven-member board, and regardless of how many board members are present and participating. So whether there's absences and/or conflicts, we always still have to have four votes to carry any motion. And so especially if it's compounded with an absence by another board member, a lot of times it becomes very difficult for us to take regulatory action.

MR. NELSON noted that some well-qualified people are not even interested in being on the board because they know they wouldn't be allowed to vote on important matters.

REPRESENTATIVE PAUL SEATON

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ALASKA STATE LEGISLATURE
House District 35

MEMORANDUM

From: Representative Paul Seaton
To: House Resources Co-Chair Craig Johnson
House Resources Co-Chair Mark Neuman
Date: February 6, 2009
Re: HB 41 Hearing Request

I respectfully request a hearing for HB 41 at your earliest possible convenience. HB 41 allows members of the Board of Fish to offer their expertise on fisheries in which they participate. HB 41 contains a sunset of 2012, and a requirement that ADF&G report on the effect of the statutory change to the Legislature.

Please find the following materials in this HB 41 packet:

- HB 41
- Sponsor Statement
- Support letters for current and previous Board of Fisheries Conflict of Interest bill
- ADF&G materials on Board of Fisheries recusals 2001 – 2008
- Spreadsheet on total state board recusals 2003 - 2006
- Matrix on definition of Executive Branch and Legislative Branch "immediate family"

http://www.RepPaulSeaton.com
Email: Rep_Paul_Seaton@legis.state.ak.us

ETHICS DISCLOSURE

To comply with the Alaska Executive Branch Ethics Act (AS 39.52), board members are required to disclose sufficient information on the record of all interests they, or their immediate families, may have that relate to fish (Board of Fisheries members) or wildlife (Board of Game members) to enable the chair of the board to determine whether the involvement may be a personal or financial interest that constitutes a conflict of interest under the Act.

When making public ethics disclosures on the record at board meetings, members must provide sufficient information in response to the following questions to enable the chair to decide if it is necessary to inquire further to determine whether a conflict exists:

1. Explain in general terms what you do for a living:

   a. primary employer/employment,
   b. other employment or sources of income,
   c. other business interests.

For the following questions, "member of your family" includes spouse, conjugal cohabitant, child (including step-child and adopted child), parent, sibling, grandparent, aunt, uncle, and spouse's parent and sibling.

2. List all personal or financial interests you, or any member of your family, have in any business or organization relating to fish or wildlife resources.

3. Describe generally any interest you, or any member of your immediate family, have in a business or fish or wildlife organization that may be affected by any of the proposals to be discussed.

4. Describe generally any other interests of a personal or financial nature you, or any member of your immediate family, have that may be affected by any of the proposals to be discussed.

5. List all lawsuits that you, a member of your immediate family, or any organization you belong to, are involved in against the state, the board or the Department of Fish and Game, or where the state, the board, or the department is a party to the lawsuit.

   If you, or a member of your immediate family, are a member of any organization or corporation that is involved in a such a lawsuit, briefly explain what the organization is, the size of its membership and whether you, or an immediate family member, are on its board or hold some other executive or policy making position.

You must certify that your disclosure statement is "true, correct and complete."

Under the Ethics Act the chair of each board has the duty to determine whether a member's involvement in a matter violates the Act (AS 39.52.220). After each individual disclosure, the chair will rule on whether the board member has a conflict. If the chair determines that a conflict will exist if the member participates, the member must refrain from voting, deliberating, or participating in the matter. If the chair determines no conflict will exist, the member can participate fully.

ALASKA STATE HOUSE OF REPRESENTATIVES

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REPRESENTATIVE PAUL SEATON
DISTRICT 35

Sponsor Statement
HB 41

HB 41 expands the ability of Board of Fish members to offer their experienced viewpoint during board debates.

Current law requires board members to declare a conflict and recuse themselves from discussion and voting if they, or a member of their family, have a personal or financial interest in a matter before the board. This requirement prevents commercial fishermen and sport fishing guides from discussing fishery issues that they are intimately familiar with through their participation in the fishery. HB 41 allows commercial and sport fishermen, after full disclosure, to deliberate on fishing issues in which they have a conflict based on their participation in the fishery. These members are not allowed to vote. HB 41 does not allow board members to participate on issues in which they have a paid financial interest as a consultant or a lobbyist.

The Board of Fish is composed of seven members. If one or two members are conflicted out of a discussion because of their in-depth knowledge, the entire process suffers. On average between 2001 and 2006 individual board members were required to recuse themselves on nearly ten percent of the proposals in each board cycle.

Under current law, recusals from board discussion disproportionately affect rural Alaska. Often board members from rural areas have been living in the region for generations and have extensive family involvement in regional fisheries. The applicable definition of immediate family includes parents, siblings, grandparents, aunts and uncles. This expansive definition of immediate family often takes rural representatives out of board discussion on nearly all of the proposals for their entire region, leaving the board without their representation.

A board member would have a conflict of interest on an issue under this bill when a board action might affect a member of their household. This bill applies the same definition found in the new Legislative Ethics Act for defining a board member's participatory conflict of interest.

HB 41 contains a sunset of 2012, giving the Legislature the opportunity to review the effect of the changes imposed by the bill. The Department of Fish and Game is to submit a report to the Legislature at this time, detailing the recusals prevented by this change in statute, and providing a recommendation on whether or not the statutory change should be allowed to expire.

3312

Summary of Board of Fisheries Vote Abstentions (2001-2006)

Board Support Section
Alaska Department of Fish and Game
January 29, 2007

Summary of Board of Fisheries Vote Abstentions (2001-2006)

2001/2002 COOK INLET/KODIAK CYCLE

Meeting dates	Topics	Proposals	Engel	Coffey	Miller	White	R. Nelson	Dersham	Umphenour	Comments
Oct. 11-13, 2001	Worksession (17 ACRs)	0	0	0	0	0	0	0	0	
Nov. 8-12, 2001	Lower Cook Inlet	44	0	0	0	0	0	12	0	Dersham conflict on 15-20, 24, 25, 29, 30, 35, 36 salmon
Nov. 13-14, 2001	Groundfish, Crab	7	0	0	0	0	0	0	0	
Jan. 7-14, 2002	Kodiak and Chignik finfish	69	0	0	0	0	0	0	0	
Feb. 6-20, 2002	Upper Cook Inlet finfish	291	0	0	0	0	0	27	0	Dersham conflict on 126, 147-150, 152-162, 201-206, 265, 266, 285-287 (guided fisheries and saltwater sport salmon).
Mar. 14-21, 2002	Statewide king and Tanner crab, supplemental issues	107	0	0	3	0	0	0	0	Miller conflict on 475, 480, and 483 (crab and Area A)
Jun. 16, 2002	VMS, Kenai chinook	2	0	0	0	0	0	0	0	
TOTAL NUMBER OF PROPOSALS FOR CYCLE:		520	0	0	3	0	0	39	0	
NUMBER OF PROPOSALS WITH CONFLICT:		42								
PERCENT OF PROPOSALS WITH CONFLICT:		8.1%								
TOTAL NUMBER OF VOTES		3,640								
NUMBER OF VOTES WITH CONFLICT:		42								
PERCENT OF VOTES WITH CONFLICT:		1.2%								
MAXIMUM PERCENTAGE OF MEMBER CONFLICTS PER MEETING:		9.3%								

Summary of Board of Fisheries Vote Abstentions (2001-2006)

2002/2003 PWS AND SOUTHEAST CYCLE

Meeting dates	Topics	Proposals	Engel	Jordan	White	Szczesny	R. Nelson	Dersham	Holm	Comments
Oct. 17-19, 2002	Worksession (36 ACRs)	0	0	0	0	0	0	0	0	
Oct. 20-21, 2002	Groundfish, Chinook	5	0	0	0	0	0	0	0	
			Engel	Jordan	vacant	Szczesny	R. Nelson	Dersham	Holm	
Dec. 5-6, 2002	Chinook	16	0	0	0	0	0	0	0	
			Engel	Morris	Jensen	A. Nelson	R. Nelson	Dersham	Andrews	
Jan. 20-28, 2003	Southeast herring, groundfish, Dungeness crab, shrimp, misc. shellfish	174	0	0	19	0	0	0	0	Jensen conflict on 198, A, 200-209, 212-216, 218, 220 (Dungeness crab).
Jan. 31-Feb. 5, 2003	Prince William Sound and Copper River finfish	104	0	0	0	0	0	0	0	
Feb. 20-28, 2003	Southeast and Yakutat finfish	122	0	0	16	0	0	0	0	Jensen conflict on 366-370 (Hidden Falls, Deep Inlet, and Anita Bay terminal area), 380 (allocation), 383-385, 388-392 (allocation and seasons), and 210-211 (Dungeness crab).
Mar. 17-25, 2003	Statewide dungeness crab, shrimp, misc. shellfish, supplemental issues	71	0	0	0	0	0	0	0	
Apr. 30, 2003	Dutch Harbor food and bait herring	1	0	0	0	0	0	0	0	
May 14, 2003	Dutch Harbor food and bait herring	1	0	0	0	0	0	0	0	
Jun. 24, 2003	Bristol Bay red king crab	2	0	0	0	0	0	0	0	
	TOTAL NUMBER OF PROPOSALS FOR CYCLE:	496	0	0	35	0	0	0	0	
	NUMBER OF PROPOSALS WITH CONFLICT:	35								
	PERCENT OF PROPOSALS WITH CONFLICT:	7.1%								
	TOTAL NUMBER OF VOTES	3,472								
	NUMBER OF VOTES WITH CONFLICT:	35								
	PERCENT OF VOTES WITH CONFLICT:	1.0%								
	MAXIMUM PERCENTAGE OF MEMBER CONFLICTS PER MEETING:	13.1%								

Summary of Board of Fisheries Vote Abstentions (2001-2006)

2003/2004 BRISTOL BAY, A-Y-K, ALASKA PENINSULA CYCLE

Meeting dates	Topics	Proposals	Morris	A. Nelson	Jensen	Andrews	R. Nelson	Dersham	Bouse	Comments
Oct.1-3, 2003	Worksession (24 ACRs)	0	0	0	0	0	0	0	0	
Oct. 4, 2003	Pribilof Islands blue king crab	1	0	0	0	0	0	0	0	
Nov. 12-17, 2003	Statewide finfish	31	0	0	1	0	0	0	0	Jensen conflict on Area A registration
Nov. 18-19, 2003	Chignik purse seine coop fishery	6	0	6	0	0	0	0	0	Nelson conflict on all proposals
Dec. 9-17, 2003	Bristol Bay finfish	75	0	0	0	0	0	0	0	
Jan. 12-19, 2004	Arctic-Yukon-Kuskokwim finfish	32	0	0	0	0	0	0	0	
Feb. 15-26, 2004	Alaska Peninsula/Aleutian Islands finfish	84	0	0	0	0	0	0	0	
Apr. 4-5, 2004	Prince William Sound allocation plan	2	0	0	0	0	0	0	0	
	TOTAL NUMBER OF PROPOSALS FOR CYCLE:	231	0	6	1	0	0	0	0	
	NUMBER OF PROPOSALS WITH CONFLICT:	7								
	PERCENT OF PROPOSALS WITH CONFLICT:	3.0%								
	TOTAL NUMBER OF VOTES	1,617								
	NUMBER OF VOTES WITH CONFLICT:	7								
	PERCENT OF VOTES WITH CONFLICT:	0.4%								
	MAXIMUM PERCENTAGE OF MEMBER CONFLICTS PER MEETING:	3.2%								

Summary of Board of Fisheries Vote Abstentions (2001-2006)

2004/2005 COOK INLET/KODIAK CYCLE

Meeting dates	Topics	Proposals	Morris	A. Nelson	Jensen	Andrews	Heyano	Dersham	Bouse	Comments
Jul. 1, 2004	Teleconference re Kasilof sockeye	1	0	0	0	0	0	0	0	
Jul. 5, 2004	Teleconference re Kasilof sockeye	1	0	0	0	0	0	0	0	
Jul. 19, 2004	Teleconference re Kasilof and Kenai late-run sockeye	1	1	0	0	0	0	0	0	Morris conflict on emergency petition re Cook Inlet
Aug. 4, 2004	Teleconference re Cook Inlet eastside commercial and Kenai personal use	1	0	0	0	0	0	0	0	
Sep. 28, 2004	Teleconference re Kenai River coho	1	0	0	0	0	0	0	0	
Oct. 5-7, 2004	Worksession (24 ACRs)	0	0	0	0	0	0	0	0	
Nov. 11-13, 2004	Lower Cook Inlet finfish	34	0	0	0	0	3	6	0	Dersham conflict on 17-21 and 23 (guide registration, Dolly Varden, trout, enforcement, and gaff use). Heyano conflict on 33 (Bristol Bay drift gear).
Nov. 14-17, 2004	Chignik finfish	33	0	0	1	0	0	0	0	Jensen conflict with emergency petition re Dungeness crab in southeast.
Jan. 7-10, 2005	Kodiak finfish	134	0	0	0	0	3	0	0	Heyano conflict on three herring proposals
Jan. 17-29, 2005	Upper Cook Inlet finfish	258	25	0	0	0	0	3	0	Dersham conflict on 149, 250, and 289. Morris conflict on 144, 145, 147, 148, 151, 153-156, 191 (Kenai sockeye), 158 (Russian River sockeye) , 178, 188, 192, 194, 196 (Northern District salmon), 189 (Central District periods) , 231, 134, 135, 139, 242, and 243 (Upper Cook Inlet plans).
Mar. 7-13, 2005	Statewide king and Tanner crab, supplemental issues	68	0	0	3	0	4	0	0	Heyano conflict on Proposals 458 (OEG for Kvichak), 420 (Bering sea crab CDQ) 424 & 426 (pot gear Bering sea crab). Jensen conflict on 402 & 404 (Southeast Tanner crab) and 457 (Taku and Stikine king salmon)
TOTAL NUMBER OF PROPOSALS FOR CYCLE:		532	26	0	4	0	10	9	0	
NUMBER OF PROPOSALS WITH CONFLICT:		49								
PERCENT OF PROPOSALS WITH CONFLICT:		9.2%								
TOTAL NUMBER OF VOTES		3,724								
NUMBER OF VOTES WITH CONFLICT:		49								
PERCENT OF VOTES WITH CONFLICT:		1.3%								
MAXIMUM PERCENTAGE OF MEMBER CONFLICTS PER MEETING:		9.7%								

Summary of Board of Fisheries Vote Abstentions (2001-2006)

2005/2006 PWS AND SOUTHEAST CYCLE

		Proposals	Morris	A. Nelson	Jensen	Andrews	Heyano	Campbell	Bouse	Comments
Oct.13-14, 2005	Worksession (45 ACRs)	0	0	0	0	0	0	0	0	
Oct. 15-16, 2005	State-waters trawl	3	1	0	0	0	0	0	0	Morris conflict on Central Gulf of Alaska portion of proposal
Nov. 15-16, 2005	Chignik salmon	1	0	0	0	0	0	0	0	
Dec. 1-6, 2005	Prince William Sound and Copper River finfish	84	0	0	0	0	2	0	0	Heyano conflict on Proposals 78 and 79 (sablefish, herring)
Dec. 29, 2005	Teleconference re Adak P-cod	0	0	0	0	0	0	0	0	
Jan. 22-Feb. 1, 2006	Southeast and Yakutat finfish	142	0	0	39	0	0	0	0	Jensen conflict on specific salmon and herring proposals
Feb. 20-26, 2006	Southeast groundfish, dungeness crab, shrimp, misc. shellfish; plus Aleutian Island P-cod	82	0	1	22	0	0	0	0	Nelson conflict on Proposal 399 (Aleutian Islands P-cod); Jensen conflict on 226-234, 269, and 271-282 (crab, groundfish)
Mar. 17-23, 2006	Statewide dungeness crab, shrimp, misc. shellfish, supplemental issues	107	0	1	0	0	1	0	0	Heyano conflict on Proposal 396 (alter CDQ crab quotas); Nelson conflict on Nunavak coop plan
May 3, 2006	Bering Sea crab	1	0	0	0	0	0	0	0	
TOTAL NUMBER OF PROPOSALS FOR CYCLE:		420	1	2	61	0	3	0	0	
NUMBER OF PROPOSALS WITH CONFLICT:		67								
PERCENT OF PROPOSALS WITH CONFLICT:		16.0%								
TOTAL NUMBER OF VOTES		2,940								
NUMBER OF VOTES WITH CONFLICT:		67								
PERCENT OF VOTES WITH CONFLICT:		2.3%								
MAXIMUM PERCENTAGE OF MEMBER CONFLICTS PER MEETING:		27.5%								

Summary of Board of Fisheries Vote Abstentions (2001-2006)

2006/2007 BRISTOL BAY, AYK, ALASKA PENINSULA CYCLE

Meeting dates	Topics	Proposals	Morris	A. Nelson	Jensen	Andrews	Heyano	Campbell	Williams	Comments
Oct. 12-13, 2006	Worksession (29 ACRs)	0	0	0	0	0	0	0	0	
Oct. 14-15, 2006	State-waters trawl	6	1	0	0	0	0	0	0	Morris conflict on Cook Inlet Pollock
Oct. 31, 2006	Teleconference re Adak pollock	0	0	0	0	0	0	0	0	
Dec. 4-12, 2006	Bristol Bay finfish	120	0	0	0	0	38	0	0	Heyano conflict on Nushagak River salmon, herring
Jan. 31-Feb. 5, 2007	Arctic-Yukon-Kuskokwim finfish	56								
Feb. 6-11, 2007	Alaska Peninsula/Aleutian Islands finfish	48								
Mar. 9-13, 2007	Statewide finfish	26								
TOTAL NUMBER OF PROPOSALS FOR CYCLE:		256	1	0	0	0	38	0	0	
NUMBER OF PROPOSALS WITH CONFLICT:		39								
PERCENT OF PROPOSALS WITH CONFLICT:		15.2%								
TOTAL NUMBER OF VOTES		1,792								
NUMBER OF VOTES WITH CONFLICT:		39								
PERCENT OF VOTES WITH CONFLICT:		2.2%								
MAXIMUM PERCENTAGE OF MEMBER CONFLICTS PER MEETING:		31.7%								

Six-year summary for 2001/2002 through 2006/2007 cycles

MEAN NUMBER OF PROPOSALS PER CYCLE:	409	(Range: 231 - 532)
MEAN NO. OF PROPOSALS WITH CONFLICT:	40	(Range: 7 - 67)
PERCENT OF PROPOSALS WITH CONFLICT:	9.7%	(Range: 3.0 - 15.7%)
MEAN NUMBER OF VOTES PER CYCLE:	2,864	(Range: 1,717 - 3,724)
MEAN NUMBER OF VOTES WITH CONFLICT:	40	(Range: 7 - 67)
PERCENT OF VOTES WITH CONFLICT:	1.4%	(Range: 0.4 - 2.2%)
AVERAGE MAXIMUM PERCENTAGE OF MEMBER CONFLICTS PER MEETING:	15.7%	(Range: 3.2 - 31.7%)

HB

43

HOUSE COMMITTEE REPO T

(9)
Date Referred to Committee: February 27, 2009 **FURTHER REFERRALS:**

Date of Committee Action: 3/23/09

The RESOURCES Committee considered: **HOUSE BILL NO. 43**

"An Act relating to aquatic farm permitting involving geoducks and to geoduck seed transfers between certified hatcheries and aquatic farms."

HB 43 GEODUCK AQUATIC FARMING/SEED TRANSFER

Recommends it be replaced with [ ] HCS *or* **[ ] CS** *for* _____ (_____)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero
DFG				✓

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON			✓	
	GUTTENBERG				
	TUCK	✓			
	STRAWBRIDGE				
	Seaton	X			
Peggy Wilson	WILSON			X	
Chair:	Johnson	X			
Chair:					

Alaska State Legislature

State Capitol, Room 102
Juneau, AK 99802
Phone: 465-4389
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Toll Free (800) 665-4389
Representative_Paul_Seaton@legis.state.ak.us

345 W. Sterling Highway
Suite 102B
Homer, AK 99603
Phone: 235-2921
Fax: 235-4008

REPRESENTATIVE Paul Seaton

District 35

Mariculture has the potential to diversify the economic base of coastal communities impacted by the changing dynamics of the fishing industry. HB 43 allows this expansion of this clean water industry by permitting geoducks to be farmed subtidally in the Gulf of Alaska even if wild geoducks are not present. The bill does not exempt farmers from any health, safety, or other transfer provisions relating to hatchery seed.

The Alutiiq Pride Shellfish Hatchery is the only hatchery that supplies mariculture spat and seed in the State. It was initiated by the State to be a self-sustaining operation in association with the private mariculture farms permitted by the State. Their business plan relies on the sale of geoduck seed. However, the informal policy of the Department of Fish and Game prevents geoduck seed from being utilized by farms anywhere outside of southeast Alaska. These restrictions on the sale of geoduck seed cause the sole hatchery for the mariculture industry in Alaska to require continual subsidy by the State. HB 43 will allow the mariculture industry to develop around the Gulf of Alaska, providing a potentially strong market for seed and private sector financing for the operation of the hatchery.

As non-mobile filter feeders, farmed geoducks will not prey on any local commercial, sport or personal use fish. There have been no reports of species displacement in sedimentary habitat by geoduck clams. Farmed geoducks will not interfere with personal recreational boaters as they are cultivated in the sediment below low tide and without the numerous buoys and floating cages used in oyster farms. No infectious disease has been identified in any wild geoduck population or the geoduck farming industries of Washington, British Columbia, or Alaska.

The conflict surrounding geoducks in southeast Alaska is between the dive fishermen who harvest wild stock and farmers who wish to farm in areas with existing wild stock. HB 43 would evade this conflict because there is no wild stock in the proposed area. This bill will not override any Department of Natural Resources farm site leasing or Department of Fish & Game permit regulation.

HB 43 eliminates unnecessary hindrances to the growth of the maricluture industry in Alaska providing a potential alternative economic base for coastal communities while adequately considering the health of our marine ecosystem.

Staff Contact, Katie Koester 465-2028

2/27/2009 HB43/A

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM January 20, 2009

SUBJECT: Sectional Summary for HB 43 (Work Order No. 26-LS0227\A)

TO: Representative Paul Seaton
Attn: Katie Koester

FROM: Brian J. Kane BJK
Legislative Counsel

You have requested a sectional summary of HB 43, a bill relating to aquatic farming and geoducks.

A sectional summary of a bill should not be considered an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

Section 1 of the bill adds a new subsection to AS 16.40.100 stating that the commissioner may not use the absence of wild geoduck stock within a management area as the basis for a denial of an aquatic farming permit. Also, if the commissioner issues a permit for an aquatic farm for geoducks in a management area that does not have a wild geoduck stock, then that permit shall not allow farming in the intertidal habitat or environment.

Section 2 of the bill adds a new section to AS 16.40 stating that, consistent with AS 16.40.140(b) - (d), a certified hatchery may transfer geoduck seed to an aquatic farm located in a fisheries management area contiguous to the Gulf of Alaska.

BJK:ljw
09-031.ljw

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HB43
() Publish Date:

Identifier (file name): HB043-DFG-CFD-2-24-09
Dept. Affected: Fish and Game
Title: An act relating to aquatic farming permitting....
RDU: Commercial Fisheries
Component: Headquarters Fish Management
Sponsor: Representative Seaton
Requester: House Fisheries
Component Number: 2171

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

No department fiscal impact.

Prepared by: Ron Josephson
Phone
Division: Commercial Fisheries Division
Date/Time: 1/24/09 12:00 AM
Approved by: Tom Lawson, Director
Date: 1/24/2009
Fish and Game Administrative Services

(Revised 9/10.2008 CMB)

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB43**
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Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost: 0.0

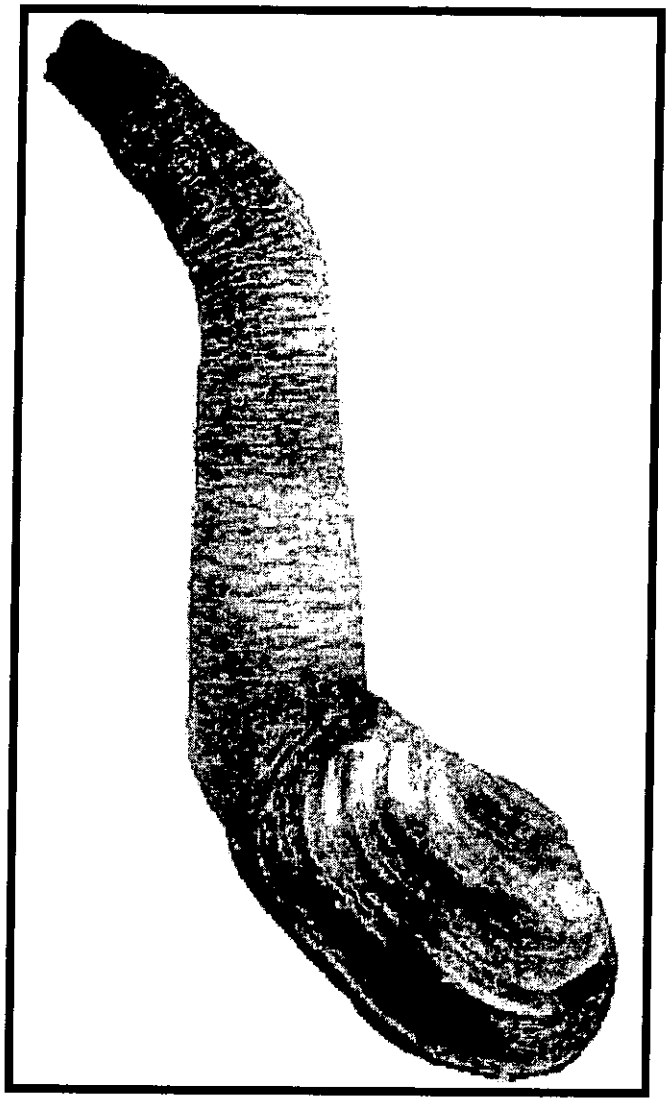
POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*
No department fiscal impact.

Prepared by: Cynthia Pringham
Phone
Division: Commercial Fisheries Division
Date/Time: 1/24/09 12:00 AM
Approved by: Tom Lawson, Director
Date: 1/24/2009
Fish and Game Administrative Services

(Revised 9/10/2008 OMB)

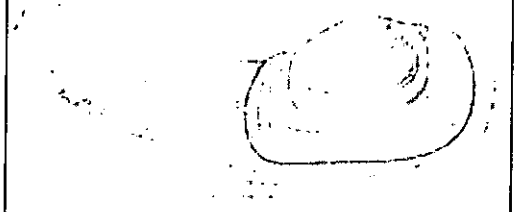


What is a GEODUCK?

HB 43 – Expanding Geoduck Farming

Geoduck

From Wikipedia, the free encyclopedia

Geoduck

Pacific geoduck clam
Scientific classification
Kingdom: Animalia
Phylum: Mollusca
Class: Bivalvia
Order: Myoida
Family: Hiatellidae
Genus: *Panopea*
Species: ***P. abrupta***
Binomial name
Panopea abrupta Conrad, 1849

The **geoduck** (pronounced /'gu:.i:.dʌk/ *i.e.* "gooey duck"[1]), *Panopea abrupta* or *Panope generosa*, is a species of large saltwater clam, also known as the **king clam** or **elephant trunk clam**.

The name is derived from a Nisqualli First Nation word meaning "dig deep", and its phonemically counterintuitive spelling is likely the result of poor transcription. Alternate spellings include *gweduc*, *gweduck* and *goiduck*.

Native to the Pacific Coast of the United States and Canada (primarily Washington, British Columbia, and Southeast Alaska), it is the largest burrowing clam in the world, weighing in at an average of one to three pounds (0.5 - 1.5 kg) at maturity, but specimens weighing over 15 pounds (7.5 kg) and as much as 2 meters (6 ft) in length are not unheard of.

It has a life expectancy of about 146 years, with the oldest recorded at over 160 years. This makes the Geoduck one of the longest-living organisms in the Animal Kingdom. Scientists speculate that the geoduck's longevity is the result of low wear and tear. A geoduck sucks plankton down through its long siphon, filters them for food and ejects its refuse out through a separate hole in the siphon. Adult geoducks have few natural predators, which may also contribute to their longevity. In Alaska, sea otters and dogfish have proved capable of dislodging geoducks; starfish also attack and feed on the exposed geoduck siphon.

Geoducks are broadcast spawners. A female geoduck produces about 5 billion eggs in her century-long lifespan—in comparison, a human female produces about 500 viable ova during the course of her life. It is possible that this fact, in conjunction with the phallic shape of the siphon, has led to the belief that the shellfish has aphrodisiac properties.

Industry and impact

The world's first geoduck fishery was created in 1970, but demand for the semi-forgotten clam was low. Today, they sell in Asia for up to US$30/lb (US$65/kg). The Jumbo clam, like abalone, is highly regarded in Chinese cuisine. Its large, meaty siphon is prized for its savory (umami) flavor and crunchy texture. It is extremely popular in Hong Kong, China and Japan, where it is considered a rare tasty treat. Geoduck is mostly eaten cooked in a fondue-style Chinese hot pot or raw sashimi style, dipped in soy sauce and wasabi. On Japanese menus, geoduck is called *mirugai* or *mirukuigai* . (Although mirugai is sometimes translated to English as "Giant Clam", it is distinguished from "Himejako" sushi made from *Tridacna gigas*.)

Seafood Geoduck display in a Chinese restaurant with price

The geoduck's high market value has created an 80-million-U.S.-dollar annual industry, with harvesting occurring in both Washington state and the province of British Columbia. It is one of the most closely regulated fisheries in both countries; in Washington, Department of Natural Resources staff are on the water continually, monitoring harvests, and the same is true in Canada where the Underwater Harvesters' Association manages the Canadian Fishery in conjunction with Canada's Department of Fisheries and Oceans. Demand has also led to a rapidly developing aquaculture industry.

Geoduck aquaculture on private tidelands in Puget Sound, particularly in South Puget Sound, has been steadily growing over the last ten years, averaging about 10 new acres of cultivation per year. Currently less than 0.001% of Puget Sound is dedicated to geoduck farming. Geoduck farms use "predator exclusion devices" in which to plant the seed geoducks. These devices are 10-14 inch long, 4-6 inch diameter PVC pipes pushed into the sediment of the tideland. There are approximately 20,000 to 43,500 of these PVC pipes planted per acre on tidelands. These nursery tubes typically stay in the beach for the first one to two years of a crop cycle.

The Environmental Defense Fund has done extensive studies of aquaculture and has found that bi-valve aquaculture like geoduck clams are very beneficial to the marine environment. {Goldburg, Rebecca, et al. "Marine Aquaculture in the United States," as prepared by Environmental Defense for Pew Oceans Commission, 2001.} The primary reason for this is because geoduck clams are filter feeders and eat micro algae which proliferates as more nitrogen enters the marine ecosystem. Increases in nitrogen are due to more septic systems as well as bigger flows from city sewage systems throughout Puget Sound, increasing quantities of pet wastes, and increased fertilizer use from farms and lawns. When farmed geoduck clams (which ingest and retain nitrogen in their tissues) are harvested there is a net reduction in nitrogen in the marine ecosystem.

It should be noted that the water must be certifiably clean in order to plant geoducks commercially. This is a requirement of the Washington State Department of Health, and of the Interstate Shellfish Sanitation Council.

While some communities in Puget Sound have installed state of the art septic systems to comply with efforts by environmental groups and state officials to clean up Puget Sound, more than 3000 acres (12 km²) of shellfish beds have been lost to farming between 1992 and 2004 due to fecal contaminantion from human activities and development. Substantial portions of the state's shorelines are already so developed or degraded that they are unsuitable for harvesting, and other areas continue to follow suit.

Some shoreline owners have expressed concerns including aesthetics, effects on native geoduck populations, wildlife interactions, farm debris, and harvest techniques. Although some marine shoreline owners take issue with the visual impacts, the tubes are actually only visible 2-3% of daylight hours over a 6-year crop cycle. The reason for the low visibility is because geoduck are farmed in the lower

elevations of the beach and are covered by water most of the time. However, since the lowest tides in the summer are during mid-day, the visual impact of the tubes is greatest at the very time when the people of Puget Sound are likely to be exploring the beach. During the summer, farms are visible for as much as 5 hours during the day, every other week.

Effects on native geoduck populations from geoduck farming will be minimal to non-existent. Each year new hatchery brood stock is taken from the wild stock. Farmed animals are not used as brood stock so genetically, farmed geoduck are the same as wild stocks. Moreover, wild geoduck occupy the intertidal zone down to 300 feet below sea level. DNR and the tribes co-manage the wild fishery and only harvest geoduck between the -18 to -70 foot depths. Most of the wild geoduck stock is left untouched and unaltered.

Wildlife interactions are a concern and geoduck growers are adapting growing techniques to minimize these effects. A biological assessment examining the impacts of geoduck farming was completed and no long term effects on threatened or endangered species were identified.

Farm debris includes displaced net tops, rubber bands, and tubes. The netting tops used on the nursery pipes can come off and float away onto other beaches as debris and the rubber bands also can become debris in Puget Sound. To offset these environmental impacts most geoduck farmers have been embraced environmental codes of practice including regular maintenance and debris clean-up of their own farms. In addition, the industry now does two annual beach cleanups to collect marine debris from all beaches in areas where they farm. Although as much as 20% of the debris collected in each cleanup has been aquaculture related, less than 5% of the 120 cubic yards collected to date has been related to geoduck farming. Unfortunately, because of the currents in Puget Sound, nets and tubing can be found far from any poorly maintained geoduck operations.

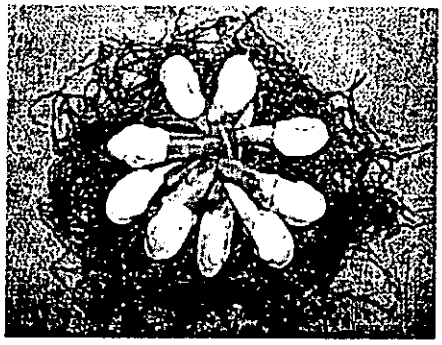
Harvesting takes place every 4-6 years. Water pressure hoses using up to 50 gallons of water per minute are used to liquefy the sediment in order to extract the geoducks. There are limilted impact studies related to intertidal harvest of geoduck as of August 2006, although the sub-tidal environmental impact studies done for the fisheries in BC and WA have found no detrimental effects in harvesting the clams. Geoduck farming is only conducted in clean, uncontaminated sediments so concern is limited to short term increases in turbidity and short term effect on benthic organisms. It should be noted that the Department of Natural Resources of Washington State conducted the environmental impact study. DNR is itself in the business of leasing subtidal lands for commercial geoduck harvest and starting this year, intertidal lands for commercial geoduck farming.

Compared to terrestrial farming, shellfish farming in general and geoduck farming in particular produces high quality protein using natural systems without the use of antibiotics, fertilizers, herbicides, or pesticides.

October 2005 Alaska Fish + Wildlife News

Geoducks: Southeast Gets a Toehold in the Market World's Largest Burrowing Clam Can Live 140 Years

By Amy Carroll



Geoducks can live for decades; growth rings on their shells have shown that some geoducks live more than 140 years.

Geoducks are the world's largest burrowing clam. Pronounced "gooey-duck," they aren't gooey and they aren't ducks. Their name is derived from a Nisqualy Indian term meaning "dig deep."

There has been a small commercial geoduck fishery in Southeast Alaska since the early 1980s. With the intent to diversify the state economy and highlight Alaska seafood in the world market, the Aquatic Farm Act of 1988 allowed The Alaska Department of Fish and Game (ADF&G) to issue permits for construction and operation of aquatic farms and hatcheries.

However, it wasn't until 2002 that the profit potential of the geoduck harvest really took off. That's when the Alaska Department of Environmental Conservation and Southeast Alaska Regional Dive Fisheries Association (SARDFA) established a more efficient Paralytic Shellfish Poisoning (PSP) monitoring plan. Test results are posted online immediately after being entered into the database, which allows more of the geoducks to enter the market live, not processed. The market price for live geoducks is $5 to $10 a pound, for processed it is less than $1 a pound. According to SARDFA, 90 percent of the 2004-2005 commercial season harvest was delivered live.

Not surprisingly, interest in geoduck farming has skyrocketed. "In the recent 2005 aquatic farm opening, over 97 percent of the 141 proposed aquatic farm sites are for culturing geoducks," said Cynthia Pring-Ham, Mariculture Coordinator for ADF&G.

Currently, most of Alaska's 400,000 pound geoduck harvest is destined for Hong Kong and China, where they sell for up to $30 a pound. Their texture has been variously described as sweet, crunchy, or rubbery.

"They are not necessarily as palatable to the North American market. They are considered a delicacy in Asian markets," said Pring-Ham.

The most prized meat is the siphon, eaten raw, sashimi style with soy sauce and wasabi, or cooked in Chinese hot pot soups.

Prime geoduck harvesting areas in Southeast Alaska include Ketchikan's Gravina Island, Craig, Metlakatla, Wrangell, and Symond's Bay near Sitka.

Geoducks reach sexual maturity at three years. After five to 10 years, when their weight is between two and four pounds, they are considered harvestable. They will continue to grow until they are about 15 years old and can reach weights of 14 pounds.

"In Washington state it takes seven years for geoducks to reach a harvestable weight of two pounds, but the waters are colder up here so they may grow slower in Alaska," Pring-Ham said. "We don't have complete growth data yet, since the most mature cultured geoducks at permitted farm sites are only three years old."

The average age of geoducks harvested commercially in Alaska is 44 years.

Wild geoducks reproduce by "broadcast spawning" – releasing eggs and sperm into the water and relying on the movement of the water to unite them. Within 40 to 50 days, the immature geoducks will slowly burrow into the muddy ocean floor at the rate of about one foot a year.

When they are about three feet deep, they settle in for life, unable to move from their burrows. A geoduck siphon may stretch to over three feet to reach the sea floor. Geoducks are filter feeders, sucking in water through the incurrent siphon to extract plankton, and pushing the remaining water out through their excurrent siphon.

Growth rings on their shell have shown that some geoducks can live for over 140 years.

Buried in the ocean floor, geoducks are filter feeders, sucking in water through the incurrent siphon to extract plankton, and pushing the remaining water out through their excurrent siphon.

Pring-Ham manages the mariculture program and issues permits for aquatic farms in Southeast Alaska. "We also do site inspections and provide technical assistance, guidance and training to farmers," she said.

Every two years, the Department of Natural Resources (DNR) provides an opening from January to April to apply for a tidal submerged land lease. A lengthy, multi-agency six-month review of the application is completed; and if it meets all the state regulatory review standards, a lease from DNR and an operation permit from ADF&G are issued for a 10-year period. An average geoduck farm site is about six acres.

Sites must be surveyed to make sure that there are no more than 12,000 pounds of wild geoducks already existing on the farmsite. Recent legislation and court rulings have made it clear that sites that attract or support a commercial fishery will not be granted an operation permit. The department is working with the farmers to find ways to decrease the survey costs and time that it takes to do them, so data is more readily available to the department for making this decision. Delays in issuing the permit may occur due to current limitations on how many surveys can be done by the department each year.

Harvesting geoducks is no walk on the beach. They are usually found in water 25 to 100 feet deep, and then another three feet down in the muddy sea floor.

Harvesting is usually by "hookah" diving – wearing a drysuit and breathing air through a hose to the surface. This allows divers to stay down longer and work harder without the inconvenience of scuba tanks. Divers carry an air hose, or "stinger," used to blow the mud and silt away from a geoduck. The blast from a stinger can stir up so much bottom silt that divers can no longer see, and must extract the geoduck by feel. Great care must be taken not to injure the geoduck's neck or shell.

Other countries are looking to contribute to the lucrative geoduck market, Pring-Ham said. "China is starting to produce hatchery-raised geoduck seed for farming, so this may mean potential competition for the U.S."

Article 02. AQUATIC FARMING

Sec. 16.40.100. Aquatic farm and hatchery permits.

(a) A person may not, without a permit from the commissioner, construct or operate

(1) an aquatic farm; or

(2) a hatchery for the purpose of supplying aquatic plants or shellfish to an aquatic farm.

(b) A permit issued under this section authorizes the permittee, subject to the conditions of AS 16.40.100 - 16.40.199 and AS 17.20, to

(1) acquire, purchase, offer to purchase, transfer, possess, sell, and offer to sell stock and aquatic farm products that are used or reared at the hatchery or aquatic farm; and

(2) except as provided in (f) of this section, harvest and, without further cultivation, sell an insignificant population that may be present at the aquatic farm site of a wild stock of a shellfish species intended to be cultured at the site.

(c) The commissioner may attach conditions to a permit issued under this section that are necessary to protect natural fish and wildlife resources.

(d) Notwithstanding other provisions of law, the commissioner may not issue a permit under this section for the farming of, or hatchery operations involving, Atlantic salmon.

(e) Upon the expiration or termination of a permit issued under this section, a person who holds a permit for an aquatic farming site where wild stocks of shellfish indigenous to the site are cultured shall, as a condition of the permit, restore the wild stock of shellfish, as consistent with sustained yield management of the wild stock, to the population level that existed on the site when the permit for the site was initially issued by the commissioner. A permit holder is not required to restore that portion of the wild stock of shellfish that was removed from an aquatic farming site by a common property fishery conducted after the issuance of the permit for the aquatic farming site.

(f) If the wild stock of a shellfish species to be cultured at an aquatic farm site exceeds the amount determined by the department to be an insignificant population and if the commissioner determines in writing that removal from the site of that portion of the stock that exceeds an insignificant population would benefit the public and that removal of the stock by a person other than the permittee would unreasonably interfere with the operation of the aquatic farm, the commissioner may authorize the permittee to remove and sell the excess amount of the wild stock from the site, if the permittee pays reasonable compensation, as defined by the department, to the department for the harvest and sale of the excess wild stock. The department shall deposit the money received under this subsection into the general fund. The legislature may appropriate the money received under this section to the department for shellfish management and enhancement.

Sec. 16.40.105. Criteria for issuance of permits.

The commissioner shall issue permits under AS 16.40.100 on the basis of the following criteria:

(1) the physical and biological characteristics of the proposed farm or hatchery location must be suitable for the farming or the shellfish or aquatic plant proposed;

(2) the proposed farm or hatchery may not require significant alterations in traditional fisheries or other existing uses of fish and wildlife resources;

(3) the proposed farm or hatchery may not significantly affect fisheries, wildlife, or their habitats in an adverse manner;

(4) the proposed farm or hatchery plans and staffing plans must demonstrate technical and operational feasibility; and

(5) the proposed farm site may not include more than an insignificant population of a wild stock, on the site, of a shellfish species intended to be cultured.

Sec. 16.40.110. Permit application, renewal, and transfer.

(a) An applicant for an aquatic farming or hatchery permit required under AS 16.40.100 shall apply on a form prescribed by the commissioner. An application for a permit must include a plan for the development and operation of the aquatic farm or hatchery, which must be approved by the commissioner before the permit is issued.

(b) An application for renewal or transfer of a permit must be accompanied by fees required by the commissioner, a report of the disease history of the farm or hatchery covered by the permit, and evidence that satisfies the commissioner that the applicant has complied with the development plan required under (a) of this section. The commissioner may require a health inspection of the farm or hatchery as a condition of renewal. The department may conduct the inspection or contract with a disease diagnostician to conduct the inspection.

(c) A person to whom a permit is transferred may use the permit only for the purposes for which the permit was authorized to be used by the transferor, and subject to the same conditions and limitations.

Sec. 16.40.120. Aquatic stock acquisition permits.

(a) A person may not acquire aquatic plants or shellfish from wild stock in the state for the purpose of supplying stock to an aquatic farm or hatchery required to have a permit under AS 16.40.100 unless the person holds an acquisition permit from the commissioner.

(b) An acquisition permit authorizes the permit holder to acquire the species and quantities of wild stock in the state specified in the permit for the purposes of supplying stock to

(1) an aquatic farm or hatchery required to have a permit under AS 16.40.100;

(2) the department.

(c) The commissioner shall specify the expiration date of an acquisition permit and may attach conditions to an acquisition permit, including conditions relating to the time, place, and manner of harvest. Size, gear, place, time, licensing, and other limitations applicable to sport, commercial, or subsistence harvest of aquatic plants and shellfish do not apply to a harvest with a permit issued under this section. The commissioner of fish and game shall issue or deny a permit within 30 days after receiving an application.

(d) The commissioner shall deny or restrict a permit under this section upon finding that the proposed harvest will impair sustained yield of the species or will unreasonably disrupt established uses of the resources by commercial, sport, personal use, or subsistence users. The commissioner shall inform the Board of Fisheries of any

action taken on permit applications for species that support commercial fisheries subject to limited entry under AS 16.43 and of any permits denied because of unreasonable disruption of an established use. A denial of the permit by the commissioner must contain the factual basis for the findings.

(e) The Board of Fisheries may adopt regulations for the conservation, maintenance, and management of species for which an acquisition permit is required.

(f) Except as provided in (d) of this section or in a regulation adopted under (e) of this section, the commissioner shall issue a permit if

(1) wild stock is necessary to meet the initial needs of farm or hatchery stock;

(2) there are technological limitations on the propagation of culture stock for the species sought;

(3) wild stock sought is not fully utilized by commercial, sport, personal use, or subsistence fisheries; or

(4) wild stock is needed to maintain the gene pool of a hatchery or aquatic farm.

(g) Aquatic plants and shellfish acquired under a permit issued under this section become the property of the permit holder and are no longer a public or common resource.

Sec. 16.40.130. Importation of aquatic plants or shellfish for stock.
A person may not import into the state an aquatic plant or shellfish for the purpose of supplying stock to an aquatic farm or hatchery unless authorized by a regulation of the Board of Fisheries.

Sec. 16.40.140. Limitation on sale, transfer of stock, and products.

(a) A private hatchery required to have a permit under AS 16.40.100 may sell or transfer stock from the hatchery only to an aquatic farm or other hatchery that has a permit issued under AS 16.40.100, except that shellfish stock may also be sold or offered for sale to an aquatic farm or related hatchery outside of the state.

(b) Stock may not be transferred to or from an aquatic farm or hatchery required to have a permit under AS 16.40.100 without prior notice of the transfer to the commissioner. A notice of transfer shall be submitted at least 45 days before the proposed date of transfer.

(c) A notice of transfer must be accompanied by a report of a health inspection of the stock. The department shall conduct the inspection or contract with a disease diagnostician to conduct the inspection. The cost of inspection shall be borne by the department.

(d) The department may restrict or disapprove a transfer of stock if it finds that the transfer would present a risk of spreading disease.

(e) A person may not sell, transfer, or offer to sell or transfer, or knowingly purchase or receive, an aquatic farm product grown or propagated in the state unless the product was grown or propagated on a farm with a permit issued under AS 16.40.100. The permit must be in effect at the time of the sale, transfer, purchase, receipt, or offer.

Sec. 16.40.150. Disease control and inspection.

(a) The department shall order the quarantine or the destruction and disposal of diseased hatchery stock or of aquatic farm products when necessary to protect wild stock. A holder of a permit issued under AS 16.40.100 shall report to the department an

outbreak or incidence of disease among stock or aquatic farm products of the permit holder within 48 hours after discovering the outbreak or incidence.

(b) A holder of a permit issued under AS 16.40.100 shall allow the department to inspect the permit holder's farm or hatchery during operating hours and upon reasonable notice. The cost of inspection shall be borne by the department.

(c) The department shall develop a disease management and control program for aquatic farms and hatcheries.

(d) The department may enter into an agreement with a state or federal agency or a private, state-certified provider to provide services under (b) and (c) of this section, or inspections under AS 16.40.110(b).

Sec. 16.40.155. Records and reports confidential.
Records required by statute or by a regulation adopted by the department concerning aquatic farm stocks or production, prices, and harvests of aquatic farm products and wild stocks, and annual statistical reports of individual aquatic farms or hatcheries required by statute or by a regulation adopted by the department are confidential and may not be released by the department, except that the department may release the records and reports

(1) to the Department of Revenue and the Department of Natural Resources to assist the departments in carrying out their respective statutory responsibilities;

(2) as necessary to comply with a court order;

(3) provided by an aquatic farm or hatchery permit holder to the permit holder whose activity is the subject of the records or reports;

(4) regarding cumulative annual harvests of wild stocks at individual aquatic farm sites.

Sec. 16.40.160. Regulations.
The commissioner may adopt regulations necessary to implement AS 16.40.100 - 16.40.199.

Sec. 16.40.170. Penalty.
A person who violates a provision of AS 16.40.100 - 16.40.199, a regulation adopted under AS 16.40.100 - 16.40.199, or a term or condition of a permit issued under AS 16.40.100 - 16.40.199, is guilty of a class B misdemeanor.

Sec. 16.40.199. Definitions.
In AS 16.40.100 - 16.40.199

(1) "aquatic farm" means a facility that grows, farms, or cultivates aquatic farm products in captivity or under positive control;

(2) "aquatic farm product" means an aquatic plant or shellfish, or part of an aquatic plant or shellfish, that is propagated, farmed, or cultivated in an aquatic farm and sold or offered for sale;

(3) "aquatic plant" means a plant indigenous to state water or that is authorized to be imported into the state under a permit issued by the commissioner;

(4) "commissioner" means the commissioner of fish and game;

(5) "hatchery" means a facility for the artificial propagation of stock, including rearing of juvenile aquatic plants or shellfish;

(6) "insignificant population" means a population of shellfish that, in the determination of the commissioner, would not attract and support a commercial fishery for that species of shellfish and the harvest and sale of the shellfish would not result in significant alteration in traditional fisheries or other existing uses of fish and wildlife resources if the population were included within an aquatic farm site;

(7) "positive control" means, for mobile species, enclosed within a natural or artificial escape-proof barrier; for species with limited or no mobility, such as a bivalve or an aquatic plant, "positive control" also includes managed cultivation in unenclosed water;

(8) "shellfish" means a species of crustacean, mollusk, or other invertebrate, in any stage of its life cycle, that is indigenous to state water or that is authorized to be imported into the state under a permit issued by the commissioner;

(9) "stock" means live aquatic plants or shellfish acquired, collected, possessed, or intended for use by a hatchery or aquatic farm for the purpose of further growth or propagation.

Notes HB43: Geoduck aquatic farming / seed transfer

(H)FISH 26 February 2009: J. Yuhas / R. Josephson

The Department of Fish and Game:

- ***Supports the goal of HB 43 to promote mariculture throughout Alaska, beyond Southeast AK***
- ***2007 co-authored at least two proposals with The Alutiiq Pride Shellfish Hatchery to obtain monies to develop sterile bivalve mollusks to promote mariculture in different regions of AK.***
- ***Is willing to support additional proposals for sterile bivalve research.***

LARVAL DRIFT ZONES:

Consistent with other stocking policies: seed or stock only approved when they come from a designated local area

- *Current regulations permit transplantation of bivalves only within six recognized larval drift zones, zones within which stocks are expected to be genetically similar. Transplantations between drift zones or beyond the species' natural range are prohibited. Similar regulations apply for salmon, restricting transports between regions.*
- *rules regulating the transplantation of geoducks stocks are already more liberal in Alaska than they are in either British Columbia or Washington (for example, BC identifies 3-5 larval drift zones for geoducks in its much more limited coastline).*
- *ADFG was extremely liberal in the two+ year deliberative process that led to the existing Larval Drift Zones*
- *ADFG compromised to meet the perceived needs of industry while instituting some protections for stock structure*

INTRODUCING A NON-NATIVE SPECIES:

Consistent with other stocking policies: size of body of water and propensity for dispersal into new uncontrolled areas are major factors along with competition for food, contamination, and habitat implications

- *many examples of injurious consequences of introduced species in the United States*
  - *Zebra mussels in the Great Lakes,*
  - *Pacific oysters into Chesapeake Bay,*
  - *Japanese oyster drill introduced into Washington with Pacific Oyster seed;*
  - *thousands of other examples may be found in common literature / even Google*

LACK OF INFORMATION ON POSSIBLE IMPACTS:

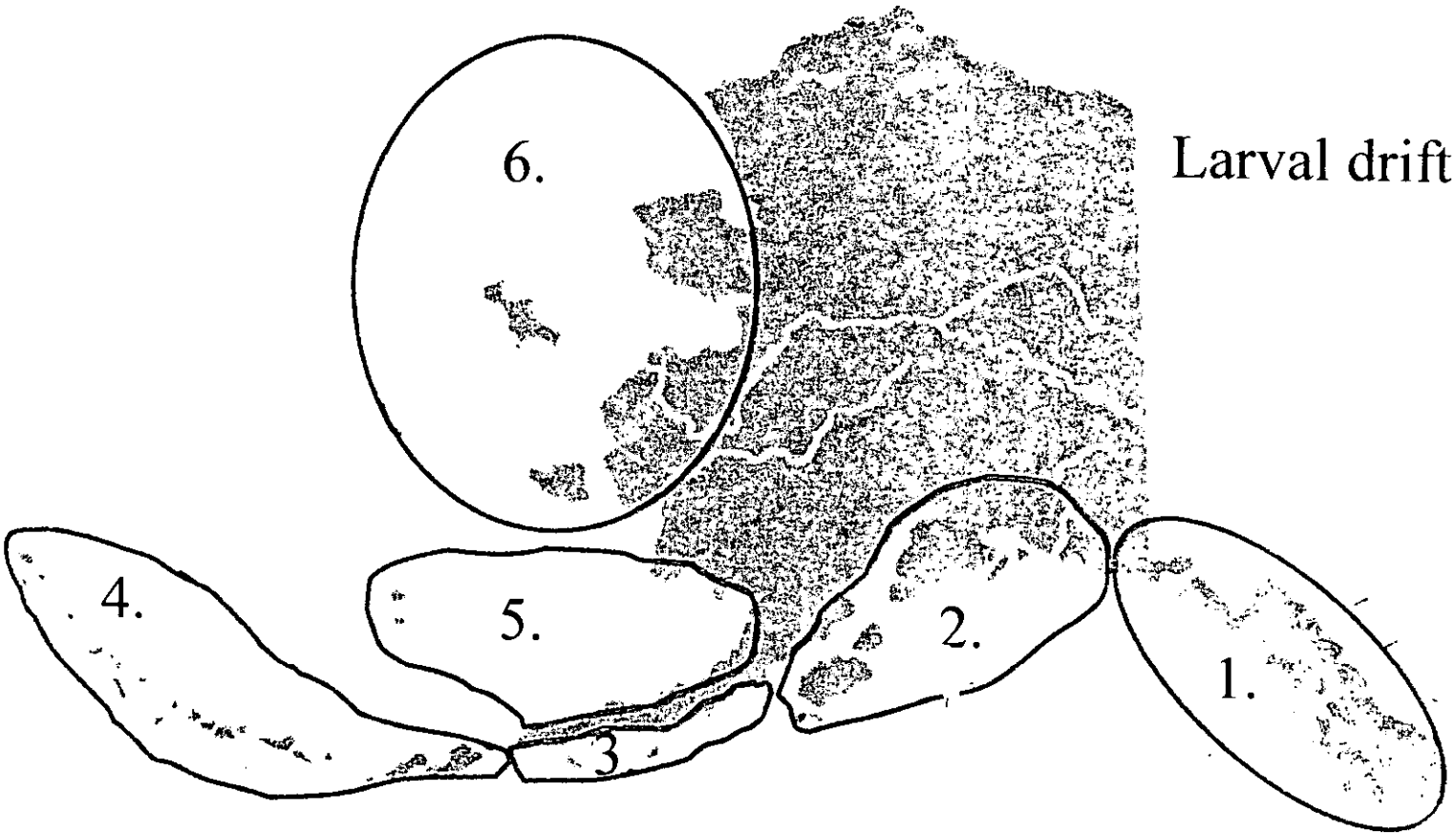
Consistent with other stocking policies: if studies are desired necessary funds must be appropriated for those purposes

- *Not possible to predict the outcome if the introduced species successfully reproduces and colonizes the new habitat.*
- *Ecosystem effects are not limited to the competition that might occur in the beach substrate, but include potential impacts of upsetting the entire food web.*
- *Geoducks are highly fecund; each female releases many millions of planktonic eggs each year making them very high risk.*
- *Many members of the committee have questioned introduction of Wood Bison without more information*

ECONOMIC DEVELOPMENT:

Impacts to existing economically viable fisheries and other industries must be taken in to account while contemplating the issue of experimental possibilities

- *Geoduck farming still in its infancy*
- *Undemonstrated benefits from geoduck farming in Southeast Alaska where the species already exists,*
- *Difficult to justify exceptions to our policies that are designed to protect the natural resources of Alaska.*
- *Many members of the committee have voiced concerns over the introduction of Wood Bison unless further information is gathered and have inferred that this project would stifle economic development of existing industries. Infinitely more information exists with regards to this project than with Southeast geoducks.*



(1) Southeastern Alaska, from the Canadian border north to Cape St. Elias.

(2) Prince William Sound and Cook Inlet, from Cape St. Elias west and south to Cape Igvak, including Kodiak Island.

(3) Chignik and the Alaska Peninsula-Aleutian Islands, from Cape Igvak west to the tip of Unimak Island.

(4) The Aleutian Islands, including all islands west of Unimak Pass.

(5) The southeast Bering Sea and north Alaska Peninsula, from the westernmost tip of Unimak Island north to the Kuskokwim River, including the Pribilof Islands.

(6) The northeast Bering Sea, including all coastal islands north of the Kuskokwim River.

February 20, 2009

Rep. Paul Seaton
State Capitol
Juneau, AK 99801

Dear Representative Seaton:

The Alaskan Shellfish Growers Association (ASGA) supports House Bill 43 and applauds your efforts to stimulate the growth of shellfish aquaculture throughout the state.

Some might criticize the bill because it would allow the introduction of this highly valuable species of shellfish beyond its "natural range." This is a concept that ASGA played a key role in removing from ADF&G's mariculture regulations several years ago.

Our argument is the "natural range" is elusive and aquatic organisms are continually responding to changing environmental conditions, such as water temperatures, availability of predator and prey, and, as we're now discovering, the amount of carbon in the water column. Just ask fisheries scientists about the shifting "natural range" of Pollock in the Bering Sea or the increasing number of salmon being caught near Barrow.

Important to consider is that geoducks are indigenous to Alaska and there is virtually no chance of spreading disease or polluting the gene pool of wild stocks if this bill is approved and implemented. Alaska has perhaps the strictest regulations in the country governing the transfer of shellfish within the state, and every movement of juvenile shellfish or "spat" must be approved by ADF&G's pathologist. And, since there are no wild stocks of geoducks north of Cape Suckling, there is not gene pool that could be compromised by their introduction to the area.

Geoducks are the world's largest burrowing clams and some of the most valuable seafood harvested in Alaska. These are not zebra mussels or some other dangerous invasive species. The worst that could happen is that the clams will thrive and create new wealth in coastal areas where local residents are leaving because there are no jobs.

In short, HB 43 is a good bill and we support it.

Sincerely,

Rodger Painter

Rodger Painter
ASGA President

Alutiiq Pride Shellfish Hatchery
PO Box 369
Seward, AK 99664
907 224-5181 224-5282 fax
jjh@seward.net

February 18, 2009

Representative Paul Seaton
State Capitol
Juneau, Alaska 99801

Dear Representative Seaton:

The Alutiiq Pride Shellfish Hatchery appreciates your efforts with House Bill 43. We rely upon, in part, on shellfish seed sales to cover our operating expenses. Geoducks and their high value offer us the best opportunity to achieve our sales goals. To date, the demand has not been as originally projected causing a perpetual shortfall in revenue. Opening additional markets in south-central Alaska will help alleviate this deficit.

We are often frustrated by the Alaska Department of Fish and Game and their regulation of transport. It is ironic that we can transport a non-indigenous species such as oysters and cannot transport a native species outside what is considered its natural range. The fact that it may be non reproductive in South-central Alaska should make management easy.

I would suggest we promote a cooperative demonstration project exploring the feasibility of geoduck farming in south-central Alaska headed by the Department of Fish and Game, the Department of Commerce, and the Chugach Regional Resources Commission. The shellfish hatchery can provide geoduck seed for such an effort.

Sincerely,

Jeff Hetrick
Director

Alaska State Legislature

State Capitol, Room 102
Juneau, AK 99802
Phone: 465-4389
Fax: 465-3472
Toll Free (800) 665-4389
Representative_Paul_Seaton@legis.state.ak.us

345 W. Sterling Highway
Suite 102B
Homer, AK 99603
Phone: 235-2921
Fax: 235-4008

REPRESENTATIVE Paul Seaton

District 35

MEMORANDUM

TO: Representative Neuman, Co-Chair
Representative Johnson, Co-Chair
House Resources Committee

FROM: Representative Paul Seaton

DATE: Friday, January 27th, 2009

RE: Request for a hearing, HB 43

I respectfully request a hearing on HB 43 before the before the House Resources Committee.

In summary, HB 43 states that the Department of Fish and Game cannot use the absence of wild geoducks in an area to deny a farming permit.

Attached please find: HB 43, sponsor statement, fiscal note, sectional analysis, "What is a Geoduck," Article 2 Aquatic Farming, letters of support, and hand out from ADF&G "Notes HB43: Geoduck aquatic farming/ seed transfer."

Staff contact: Katie Koester, 465- 2028

HOUSE BILL NO. 43

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE SEATON

Introduced: 1/9/09
Referred: Prefiled

A BILL

FOR AN ACT ENTITLED

"An Act relating to aquatic farm permitting involving geoducks and to geoduck seed transfers between certified hatcheries and aquatic farms."

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

*** Section 1.** AS 16.40.100 is amended by adding a new subsection to read:

(g) The commissioner may not use the absence of wild geoduck stock within a management area described in AS 16.40.145 as the reason for denial of an aquatic farm permit under this section. If, under this section, the commissioner issues a permit for an aquatic farm to culture geoducks in a management area that does not have wild geoduck stocks when the permit is issued, the permit may not allow operations for that purpose in the intertidal habitat or environment.

*** Sec. 2.** AS 16.40 is amended by adding a new section to read:

Sec. 16.40.145. Geoduck seed transfer between a certified hatchery and an aquatic farm. Consistent with AS 16.40.140(b) - (d), a hatchery certified under AS 16.40.100 may transfer geoduck seed to an aquatic farm located in a fisheries

management area established under this title that is contiguous to the Gulf of Alaska.

HB

70

HOUSE COMMITTEE REPORT

(9)
Date Referred to Committee: January 20, 2009 **FURTHER REFERRALS: Finance**

Date of Committee Action: 3/23/09

The RESOURCES Committee considered: **HOUSE BILL NO. 70**

"An Act establishing the farm-to-school program in the Department of Natural Resources, the Alaska grown fresh fruit and vegetable grant program in the Department of Education and Early Development, the farmers' market technology improvement pilot program in the Department of Environmental Conservation, and the farmers to food banks pilot program in the Department of Commerce, Community, and Economic Development."

HB 70 ALASKA GROWN AGRICULTURAL PRODUCTS

Recommends it be replaced with [ ] HCS *or* [X] CS *for* HB 70 (RES)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [X] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero
EED		✓		
DNR		✓		

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON	✓			
	GUTENBERG	—			
	Tuck	✓			
Peggy Wilson	WILSON	✓			
Paul Seaton	SEATON	✓			
Chair: Craig Johnson	Johnson	X			
Chair:					

26-LS0284\S
Bannister
3/25/09

CS FOR HOUSE BILL NO. 70(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES GATTO, Ramras

A BILL

FOR AN ACT ENTITLED

"An Act establishing the farm-to-school program in the Department of Natural Resources, and relating to school gardens, greenhouses, and farms."

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

*** Section 1.** AS 03.05.010(a) is amended to read:

(a) The commissioner of natural resources shall

(1) direct, administer, and supervise promotional and experimental work, extension services, and agricultural projects for the purpose of promoting and developing the agricultural industry within the state including such fields as horticulture, dairying, cattle raising, fur farming, grain production, vegetable production, and development of other agricultural products;

(2) procure and preserve all information pertaining to the development of the agricultural industry and disseminate that information to the public;

(3) assist prospective settlers and others desiring to engage in the agricultural industry in the state with information concerning areas suitable for

agriculture and other activities and programs essential to the development of the agricultural industry in the state;

(4) review the marketing, financing, and development of agricultural products inside the state including transportation, with special emphasis upon local production, and negotiate for the marketing of agricultural products of the state with federal and state agencies operating in the state;

(5) regulate and control the entry into the state and the transportation, sale, or use inside the state of plants, seeds, vegetables, shell eggs, fruits and berries, nursery stock, animal feeds, remedies and mineral supplements, fertilizers, and agricultural chemicals in order to prevent the spread of pests, diseases, or toxic substances injurious to the public interest, and to protect the agricultural industry against fraud, deception, and misrepresentation; in this connection, the commissioner may require registration, inspection, and testing, and establish procedures and fees; [AND]

(6) regulate the farming of elk in a manner similar to the manner in which the commissioner regulates domestic animals and livestock, to the extent that is appropriate;

(7) implement the farm-to-school program established in AS 03.20.100.

*** Sec. 2.** AS 03.20 is amended by adding a new section to read:

Article 2. Farm-to-school Program.

Sec. 03.20.100. Farm-to-school program established. (a) The farm-to-school program is established in the department to increase the procurement and use by public schools of food grown in the state.

(b) The department, in consultation with the Department of Health and Social Services, the Department of Education and Early Development, the Department of Administration, and the University of Alaska Cooperative Extension Service, shall, in order of priority,

(1) coordinate with school procurement officials, buying cooperatives, and other appropriate organizations to develop uniform procurement policies and procedures, as well as materials and practical recommendations, to facilitate the

procurement and use by public schools of food grown in the state; these policies, procedures, materials, and recommendations shall be made available to school districts to adopt at their discretion;

(2) assist food producers, distributors, and food brokers to market food grown in the state to public schools by informing school districts of food procurement opportunities, bid procedures, purchasing criteria, and other relevant requirements;

(3) assist public schools in connecting with local producers by informing the schools of the resources and availability of food grown in the state and the nutritional, environmental, and economic benefits of purchasing the food grown in the state;

(4) identify and recommend mechanisms that will increase the predictability of sales for producers and the adequacy of supply for purchasers;

(5) identify and make available to public schools existing curricula, programs, and publications that educate students on the nutritional, environmental, and economic benefits of preparing and consuming food grown in the state;

(6) support efforts to advance other farm-to-school activities, including school gardens, school farms, and farm visits;

(7) as resources allow, seek additional funding to leverage state expenditures for the program.

(c) Beginning January 25, 2010, the department, in cooperation with the Department of Education and Early Development, shall collect data on the activities conducted under this section and report the data biennially to the legislature. The data collected must include the number of schools and farms participating in the program established under (a) of this section and the increase, if any, in the procurement by the public schools of food grown in the state.

(d) This section does not modify AS 36.15.050 and 36.15.060 regarding preferences for Alaska agricultural and fisheries products.

(e) In this section,

(1) "food grown in the state" includes fruits and vegetables grown in the state and meat and dairy products produced in the state;

(2) "program" means the farm-to-school program described in this

section.

*** Sec. 3.** AS 14.07.020(a) is amended to read:

(a) The department shall

(1) exercise general supervision over the public schools of the state except the University of Alaska;

(2) study the conditions and needs of the public schools of the state, adopt or recommend plans, administer and evaluate grants to improve school performance awarded under AS 14.03.125, and adopt regulations for the improvement of the public schools;

(3) provide advisory and consultative services to all public school governing bodies and personnel;

(4) prescribe by regulation a minimum course of study for the public schools; the regulations must provide that, if a course in American Sign Language is given, the course shall be given credit as a course in a foreign language;

(5) establish, in coordination with the Department of Health and Social Services, a program for the continuing education of children who are held in detention facilities in the state during the period of detention;

(6) accredit those public schools that meet accreditation standards prescribed by regulation by the department; these regulations shall be adopted by the department and presented to the legislature during the first 10 days of any regular session, and become effective 45 days after presentation or at the end of the session, whichever is earlier, unless disapproved by a resolution concurred in by a majority of the members of each house;

(7) prescribe by regulation, after consultation with the state fire marshal and the state sanitarian, standards that will assure healthful and safe conditions in the public and private schools of the state, including a requirement of physical examinations and immunizations in pre-elementary schools; the standards for private schools may not be more stringent than those for public schools;

(8) exercise general supervision over pre-elementary schools that receive direct state or federal funding;

(9) exercise general supervision over elementary and secondary

correspondence study programs offered by municipal school districts or regional educational attendance areas; the department may also offer and make available to any Alaskan through a centralized office a correspondence study program;

(10) accredit private schools that request accreditation and that meet accreditation standards prescribed by regulation by the department; nothing in this paragraph authorizes the department to require religious or other private schools to be licensed;

(11) review plans for construction of new public elementary and secondary schools and for additions to and major rehabilitation of existing public elementary and secondary schools and, in accordance with regulations adopted by the department, determine and approve the extent of eligibility for state aid of a school construction or major maintenance project; for the purposes of this paragraph, "plans" include educational specifications, schematic designs, and final contract documents;

(12) provide educational opportunities in the areas of vocational education and training, and basic education to individuals over 16 years of age who are no longer attending school;

(13) administer the grants awarded under AS 14.11;

(14) establish, in coordination with the Department of Public Safety, a school bus driver training course;

(15) require the reporting of information relating to school disciplinary and safety programs under AS 14.33.120 and of incidents of disruptive or violent behavior;

(16) establish by regulation criteria, based on low student performance, under which the department may intervene in a school district to improve instructional practices, as described in AS 14.07.030(14) or (15); the regulations must include

(A) a notice provision that alerts the district to the deficiencies and the instructional practice changes proposed by the department;

(B) an end date for departmental intervention, as described in AS 14.07.030(14)(A) and (B) and (15), after the district demonstrates three consecutive years of improvement consisting of not less than two percent increases in student proficiency on standards-based assessments in math,

reading, and writing as provided in AS 14.03.123(f)(2)(A); and

(C) a process for districts to petition the department for continuing or discontinuing the department's intervention;

(17) notify the legislative committees having jurisdiction over education before intervening in a school district under AS 14.07.030(14) or redirecting public school funding under AS 14.07.030(15)**;**

(18) assist the Department of Natural Resources in developing and implementing the farm-to-school program established under AS 03.20.100.

*** Sec. 4.** AS 14.30 is amended by adding a new section to article 7 to read:

Sec. 14.30.375. School gardens, greenhouses, and farms. (a) A school district may authorize or operate a school garden, greenhouse, or farm. The garden, greenhouse, or farm must be used for educational purposes and for growing fruits and vegetables for consumption by the students through the school district's meal and snack program.

(b) If a school district operates a school garden, greenhouse, or farm, the district shall give students representing student organizations, including vocational programs, the opportunity to be involved in the operation of the school garden, greenhouse, or farm.

(c) When a school garden, greenhouse, or farm is used for educating students about agricultural practices, students shall be afforded the opportunity to learn about both organic and conventional growing methods.

(d) If a school district operates a school garden, greenhouse, or farm, the excess fruit and vegetables may be sold.

*** Sec. 5.** AS 03.05.010(a)(7); AS 03.20.100; AS 14.07.020(a)(18); and AS 14.30.375 are repealed July 1, 2013.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM March 24, 2009

SUBJECT: CSHB 70(RES) establishing the farm-to-school program in the Department of Natural Resources, and relating to school gardens, greenhouses, and farms (Work Order No. 26-LS0284\E)

TO: Representative Craig Johnson
Co-Chair of the House Resources Committee
Attn: Debra Higgins

FROM: Theresa Bannister
Legislative Counsel

This memo accompanies the bill described above.

Dedicated fund issue. The new provision located at sec. 14.30.375(d) requires that money raised by a school district from fruit and vegetable sales under sec. 14.30.375 be used for activities under that section. This may raise an issue under the state's constitutional prohibition against dedicated funds because a school district might be considered a political subdivision of the state or an agency of a municipality, which is a political subdivision of the state.

Art. IX, sec. 7, prohibiting dedicated funds, does not mention municipalities or other political subdivisions of the state. However, the state's supreme court itself has raised the issue with regard to municipalities.[1] The question of whether municipalities as political subdivisions are constitutionally restrained from dedicating general tax revenues has not been finally resolved. Therefore, it appears that the issue of whether the dedicated funds prohibition applies to a school district, whether characterized as a state subdivision itself or as an agency of a municipality, is unresolved.

If I may be of further assistance, please advise.

TLB:plm
09-214.plm

Enclosure

[1] Fairbanks v. Fairbanks Convention & Visitor Bureau, 818 P.2d 1153, 1158 fn. 7 (Alaska 1991).

26-LS0284\E
Bannister
3/24/09

CS FOR HOUSE BILL NO. 70(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES GATTO, Ramras

A BILL

FOR AN ACT ENTITLED

"An Act establishing the farm-to-school program in the Department of Natural Resources, and relating to school gardens, greenhouses, and farms."

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

*** Section 1.** AS 03.05.010(a) is amended to read:

(a) The commissioner of natural resources shall

(1) direct, administer, and supervise promotional and experimental work, extension services, and agricultural projects for the purpose of promoting and developing the agricultural industry within the state including such fields as horticulture, dairying, cattle raising, fur farming, grain production, vegetable production, and development of other agricultural products;

(2) procure and preserve all information pertaining to the development of the agricultural industry and disseminate that information to the public;

(3) assist prospective settlers and others desiring to engage in the agricultural industry in the state with information concerning areas suitable for

agriculture and other activities and programs essential to the development of the agricultural industry in the state;

(4) review the marketing, financing, and development of agricultural products inside the state including transportation, with special emphasis upon local production, and negotiate for the marketing of agricultural products of the state with federal and state agencies operating in the state;

(5) regulate and control the entry into the state and the transportation, sale, or use inside the state of plants, seeds, vegetables, shell eggs, fruits and berries, nursery stock, animal feeds, remedies and mineral supplements, fertilizers, and agricultural chemicals in order to prevent the spread of pests, diseases, or toxic substances injurious to the public interest, and to protect the agricultural industry against fraud, deception, and misrepresentation; in this connection, the commissioner may require registration, inspection, and testing, and establish procedures and fees; [AND]

(6) regulate the farming of elk in a manner similar to the manner in which the commissioner regulates domestic animals and livestock, to the extent that is appropriate;

(7) implement the farm-to-school program established in AS 03.20.100.

*** Sec. 2.** AS 03.20 is amended by adding a new section to read:

Article 2. Farm-to-school Program.

Sec. 03.20.100. Farm-to-school program established. (a) The farm-to-school program is established in the department to increase the procurement and use by public schools of food grown in the state.

(b) The department, in consultation with the Department of Health and Social Services, the Department of Education and Early Development, the Department of Administration, and the University of Alaska Cooperative Extension Service, shall, in order of priority,

(1) coordinate with school procurement officials, buying cooperatives, and other appropriate organizations to develop uniform procurement policies and procedures, as well as materials and practical recommendations, to facilitate the

procurement and use by public schools of food grown in the state; these policies, procedures, materials, and recommendations shall be made available to school districts to adopt at their discretion;

(2) assist food producers, distributors, and food brokers to market food grown in the state to public schools by informing school districts of food procurement opportunities, bid procedures, purchasing criteria, and other relevant requirements;

(3) assist public schools in connecting with local producers by informing the schools of the resources and availability of food grown in the state and the nutritional, environmental, and economic benefits of purchasing the food grown in the state;

(4) identify and recommend mechanisms that will increase the predictability of sales for producers and the adequacy of supply for purchasers;

(5) identify and make available to public schools existing curricula, programs, and publications that educate students on the nutritional, environmental, and economic benefits of preparing and consuming food grown in the state;

(6) support efforts to advance other farm-to-school activities, including school gardens, school farms, and farm visits;

(7) as resources allow, seek additional funding to leverage state expenditures for the program.

(c) Beginning January 25, 2010, the department, in cooperation with the Department of Education and Early Development, shall collect data on the activities conducted under this section and report the data biennially to the legislature. The data collected must include the number of schools and farms participating in the program established under (a) of this section and the increase, if any, in the procurement by the public schools of food grown in the state.

(d) This section does not modify AS 36.15.050 and 36.15.060 regarding preferences for Alaska agricultural and fisheries products.

(e) In this section,

(1) "food grown in the state" includes fruits and vegetables grown in the state and meat and dairy products produced in the state;

(2) "program" means the farm-to-school program described in this

section.

*** Sec. 3.** AS 14.07.020(a) is amended to read:

(a) The department shall

(1) exercise general supervision over the public schools of the state except the University of Alaska;

(2) study the conditions and needs of the public schools of the state, adopt or recommend plans, administer and evaluate grants to improve school performance awarded under AS 14.03.125, and adopt regulations for the improvement of the public schools;

(3) provide advisory and consultative services to all public school governing bodies and personnel;

(4) prescribe by regulation a minimum course of study for the public schools; the regulations must provide that, if a course in American Sign Language is given, the course shall be given credit as a course in a foreign language;

(5) establish, in coordination with the Department of Health and Social Services, a program for the continuing education of children who are held in detention facilities in the state during the period of detention;

(6) accredit those public schools that meet accreditation standards prescribed by regulation by the department; these regulations shall be adopted by the department and presented to the legislature during the first 10 days of any regular session, and become effective 45 days after presentation or at the end of the session, whichever is earlier, unless disapproved by a resolution concurred in by a majority of the members of each house;

(7) prescribe by regulation, after consultation with the state fire marshal and the state sanitarian, standards that will assure healthful and safe conditions in the public and private schools of the state, including a requirement of physical examinations and immunizations in pre-elementary schools; the standards for private schools may not be more stringent than those for public schools;

(8) exercise general supervision over pre-elementary schools that receive direct state or federal funding;

(9) exercise general supervision over elementary and secondary

correspondence study programs offered by municipal school districts or regional educational attendance areas; the department may also offer and make available to any Alaskan through a centralized office a correspondence study program;

(10) accredit private schools that request accreditation and that meet accreditation standards prescribed by regulation by the department; nothing in this paragraph authorizes the department to require religious or other private schools to be licensed;

(11) review plans for construction of new public elementary and secondary schools and for additions to and major rehabilitation of existing public elementary and secondary schools and, in accordance with regulations adopted by the department, determine and approve the extent of eligibility for state aid of a school construction or major maintenance project; for the purposes of this paragraph, "plans" include educational specifications, schematic designs, and final contract documents;

(12) provide educational opportunities in the areas of vocational education and training, and basic education to individuals over 16 years of age who are no longer attending school;

(13) administer the grants awarded under AS 14.11;

(14) establish, in coordination with the Department of Public Safety, a school bus driver training course;

(15) require the reporting of information relating to school disciplinary and safety programs under AS 14.33.120 and of incidents of disruptive or violent behavior;

(16) establish by regulation criteria, based on low student performance, under which the department may intervene in a school district to improve instructional practices, as described in AS 14.07.030(14) or (15); the regulations must include

(A) a notice provision that alerts the district to the deficiencies and the instructional practice changes proposed by the department;

(B) an end date for departmental intervention, as described in AS 14.07.030(14)(A) and (B) and (15), after the district demonstrates three consecutive years of improvement consisting of not less than two percent increases in student proficiency on standards-based assessments in math,

reading, and writing as provided in AS 14.03.123(f)(2)(A); and

(C) a process for districts to petition the department for continuing or discontinuing the department's intervention;

(17) notify the legislative committees having jurisdiction over education before intervening in a school district under AS 14.07.030(14) or redirecting public school funding under AS 14.07.030(15)**;**

(18) assist the Department of Natural Resources in developing and implementing the farm-to-school program established under AS 03.20.100.

*** Sec. 4.** AS 14.30 is amended by adding a new section to article 7 to read:

Sec. 14.30.375. School gardens, greenhouses, and farms. (a) A school district may authorize or operate a school garden, greenhouse, or farm. The garden, greenhouse, or farm must be used for educational purposes and for growing fruits and vegetables for consumption by the students through the school district's meal and snack program.

(b) If a school district operates a school garden, greenhouse, or farm, the district shall give students representing student organizations, including vocational programs, the opportunity to be involved in the operation of the school garden, greenhouse, or farm.

(c) When a school garden, greenhouse, or farm is used for educating students about agricultural practices, students shall be afforded the opportunity to learn about both organic and conventional growing methods.

(d) If a school district operates a school garden, greenhouse, or farm, the excess fruit and vegetables may be sold if the money from the sale is used to support the operation of a school garden, greenhouse, or farm under this section.

*** Sec. 5.** AS 03.05.010(a)(7); AS 03.20.100; AS 14.07.020(a)(18); and AS 14.30.375 are repealed July 1, 2013.

Conceptual #1

AMENDMENT

by Rep. Seaton

OFFERED IN THE HOUSE
TO: CSHB 70 ( ) VERSION R

Page 6, line 10 following "gardens" insert ", greenhouses"

Page 6, line 11 following "school garden" insert ", greenhouse"

Page 6, line11 following "The garden" insert ", greenhouse"

Page 6, line 14 following "garden" insert ", greenhouse"

Page 6 line 17 following "garden" insert ", greenhouse"

Adopted Hse. 3/23/09

Page 6, line 20 insert a new subsection to read

(d) when a school garden, greenhouse, or farm is used the excess fruits or vegetables may be sold, if the revenues are used to support the program.

"greenhouses" added to title

26-LS0284\R
Bannister
2/12/09

CS FOR HOUSE BILL NO. 70( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES GATTO, Ramras

A BILL

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(2) procure and preserve all information pertaining to the development of the agricultural industry and disseminate that information to the public;

(3) assist prospective settlers and others desiring to engage in the agricultural industry in the state with information concerning areas suitable for

agriculture and other activities and programs essential to the development of the agricultural industry in the state;

(4) review the marketing, financing, and development of agricultural products inside the state including transportation, with special emphasis upon local production, and negotiate for the marketing of agricultural products of the state with federal and state agencies operating in the state;

(5) regulate and control the entry into the state and the transportation, sale, or use inside the state of plants, seeds, vegetables, shell eggs, fruits and berries, nursery stock, animal feeds, remedies and mineral supplements, fertilizers, and agricultural chemicals in order to prevent the spread of pests, diseases, or toxic substances injurious to the public interest, and to protect the agricultural industry against fraud, deception, and misrepresentation; in this connection, the commissioner may require registration, inspection, and testing, and establish procedures and fees; [AND]

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(6) support efforts to advance other farm-to-school activities, including school gardens, school farms, and farm visits;

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(c) Beginning January 25, 2010, the department, in cooperation with the Department of Education and Early Development, shall collect data on the activities conducted under this section and report the data biennially to the legislature. The data collected must include the number of schools and farms participating in the program established under (a) of this section and the increase, if any, in the procurement by the public schools of food grown in the state.

(d) This section does not modify AS 36.15.050 and 36.15.060 regarding preferences for Alaska agricultural and fisheries products.

(e) In this section,

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*** Sec. 4.** AS 14.30 is amended by adding a new section to article 7 to read:

Sec. 14.30.375. School gardens and farms. (a) A school district may authorize or operate a school garden or farm. The garden or farm must be used for educational purposes and for growing fruits and vegetables for consumption by the students through the school district's meal and snack program.

(b) If a school district operates a school garden or farm, the district shall give students representing student organizations, including vocational programs, the opportunity to be involved in the operation of the school garden or farm.

(c) When a school garden or farm is used for educating students about agricultural practices, students shall be afforded the opportunity to learn about both organic and conventional growing methods.

*** Sec. 5.** AS 03.05.010(a)(7); AS 03.20.100; AS 14.07.020(a)(18); and AS 14.30.375 are repealed July 1, 2013.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM March 6, 2009

SUBJECT: Sectional summary of CSHB 70( ) establishing the farm-to-school program in the Department of Natural Resources, and relating to school gardens and farms
(Work Order No. 26-LS0284\R)

TO: Representative Carl Gatto
Attn: Sandra Wilson

FROM: Theresa Bannister
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Directs the commissioner of natural resources to implement the farm-to-school program established by AS 03.20.100.

Section 2. Sec. 03.20.100. Establishes the farm-to-school program.

Sec. 03.20.100(a). Establishes the farm-to-school program in the Department of Natural Resources to increase public school use of state-grown food.

Sec. 03.20.100(b). Directs the department to perform certain tasks, as prioritized in the subsection, in consultation with other listed state agencies. The tasks relate to uniform procurement policies and procedures, assisting the food industry to market food to public schools, assisting public schools to connect with local producers, mechanisms for increasing sales and supply predictability, educating students, advancing other farm-to-school activities, and program funding.

Sec. 03.20.100(c). Directs the department, in cooperation with the Department of Education and Early Development, to collect data on the activities under this section and to report biennially to the legislature.

Sec. 03.20.100(d). States that this section does not affect two statutes related to state agricultural and fisheries product preferences.

Sec. 03.20.100(e). Defines terms for the section.

Section 3. Directs the Department of Education and Early Development to assist the Department of Natural Resources to develop and implement the farm-to-school program under AS 03.20.100.

Section 4. Sec. 14.30.375. Adds a new section relating to school gardens and farms.

Sec. 14.30.375(a). Allows a school district to authorize or operate a school garden or farm for educational purposes and for growing fruits and vegetables for the students.

Sec. 14.30.375(b). Requires a district to give students representing student organizations the opportunity to be involved in the operation of the garden or farm.

Sec. 14.30.375(c). Requires that, when the garden is used for education about agricultural practices, students be given the opportunity to learn about both organic and conventional growng methods.

Section 5. Repeals the provisions in this bill on July 1, 2013.

If I may be of further assistance, please advise.

TLB:ljw
09-141.ljw

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **CS HB070 (RES)**
() Publish Date:

Identifier (file name): HB070CS(RES)-DNR-AG-03-23-09
Dept. Affected: Natural Resources
Title: Alaska Grown Agricultural Products
RDU: Resource Development
Component: Agriculture Development
Sponsor: Representative(s) Gatto, Ramras
Requester: House Resources Committee
Component Number: 455

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services	112.0		112.0	112.0			
Travel	30.0		30.0	30.0			
Contractual	25.0		25.0	25.0			
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**167.0**		**167.0**	**167.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	167.0		167.0	167.0			
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**167.0**		**167.0**	**167.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time	1		1	1			
Part-time	1		1	1			
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

A Farm-to-School program - as outlined in Sec. 2 of HB 70 - would be created in the Division of Agriculture to work with the Department of Education and Early Development, School Nutrition Program to increase procurement and use of Alaskan grown food in the public schools. A Development Specialist, Range 18, $81.5, in conjunction with a part-time Agricultural Inspector, Range 16 $30.5 would implement Sections 2 and 4. Travel expenses will be used to cover travel to remote districts to educate students on the benefit of growing and consuming local produce. Contractual will cover the cost of curriculum coordinated with the Department of Education to educate youth on the benefits of growing and consuming local produce. Section 8 of the bill repeals the Farm to School program in July 1, 2013 (end of FY 2012).

Prepared by: Franci Havemeister
Phone 907-761-3867
Division: Division of Agriculture
Date/Time March 23, 2009
Approved by: Tom Irwin, Commissioner
Date March 23, 2009
Natural Resources

(Revised 9/10/2008 OMB)

3367

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **CSHB 70**
() Publish Date:

Identifier (file name): CSHB070-EED-TLS-3-24-09
Dept. Affected: EED
Title "An Act establishing the farm-to-school program in the Department of Natural Resources..."
RDU Teaching & Learning Support
Component Child Nutrition Services
Sponsor Rep. Gatto
Requester (H) RES
Component Number 1955

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*
This CS of HB070 has no fiscal impact on DEED.

Prepared by: Eddy Jeans, Director
Phone 465-8679
Division School Finance & Facilities
Date/Time 3/24/09 12:00 AM
Approved by: Larry LeDoux
Date 3/24/2009
Commissioner

(Revised 9/10/2008 OMB)

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
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FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM January 27, 2009

SUBJECT: Sectional summary of HB 70, a bill establishing food programs (Work order No. 26-LS0284\A)

TO: Representative Carl Gatto
Attn: Sandra Wilson

FROM: Theresa Bannister
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Directs the commissioner of natural resources to implement the farm-to-school program established in AS 03.20.100.

Section 2. Establishes the farm-to-school program in the Department of Natural resources. Aims at increasing public schools' use of food grown in the state. Directs the department, in consultation with other identified departments and the Cooperative Extension Service to perform certain listed tasks. Requires the department to collect and report to the legislature data on the activities under this section. Does not change certain preferences for the state's agricultural and fisheries products. Makes the section subject to legislative appropriation of funds for the purposes in (a) - (c) of the section.

Section 3. Directs the Department of Education and Early Development to assist the Department of Natural Resources to develop and implement the farm-to-school program.

Section 4. Establishes the Alaska grown fresh fruit and vegetable grant program in the Department of Education and Early Development. Aims at improving student health and expanding the market for locally grown fresh produce. Lists criteria for the program. Allows a school district to apply to the department for a grant under this section. Indicates what makes a school district eligible for a grant. Prioritizes funding when there are insufficient funds for all the eligible school programs. Directs the department to establish measures for the outcome of the program. Does not change certain preferences for the state's agricultural and fisheries products. Makes the section subject to legislative appropriation for the program's purposes described in (a) - (f) of the section.

Section 5. Allows a school district to authorize or operate a school garden or farm. Requires that the garden or farm be used for educational purposes and for growing fruits and vegetables for consumption by the students. Requires a school district that operates a school garden to allow students to be involved in the operation. Requires that, when a garden or farm is used for agricultural education, the students be given the opportunity to learn about organic and conventional growing methods.

Section 6. Establishes the farmers' market technology improvements pilot program in the Department of Environmental Conservation. Aims at increasing the access to fresh fruits and vegetables and quality meat and dairy products. Also aims at increasing the number of food stamp recipients using food stamp benefits through electronic benefits transfer at farmers' markets. Requires the department to assist farmers' markets to develop the ability to accept wireless electronic payment cards for food purchases. Requires the department to report to the legislature with data collected about electronic funds transfers at farmers' markets. States that this section is subject to legislative appropriation for the purposes described in (a) of the section.

Section 7. Establishes the farmers to food banks pilot program in the Department of Commerce, Community, and Economic Development. Allows nonprofit entities that deliver social services to submit proposals. Directs the department to select between two and five proposals after following the listed criteria. Allows a pilot program to use the money to contract with local farmers to provide certain food to low-income persons at food banks. Requires the department to collect data on the activities of the program and report biennially to legislative committees. States that the section is subject to legislative appropriation for the purposes described in (a) and (b) of the section.

Section 8. Repeals the provisions in this Act July 1, 2013.

If I may be of further assistance, please advise.

TLB:plm
09-041.plm

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB70**
() Publish Date:

Identifier (file name): HB70-DNR-AG-03-17-09
Dept. Affected: Natural Resources
Title: Alaska Grown Agricultural Products
RDU: Resource Development
Component: Agriculture Development
Sponsor: Representative(s) Gatto, Ramras
Requester: House Resources Committee
Component Number: 455

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services	112.0		112.0	112.0			
Travel	30.0		30.0	30.0			
Contractual	25.0		25.0	25.0			
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**167.0**		**167.0**	**167.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	167.0		167.0	167.0			
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**167.0**		**167.0**	**167.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time	1		1	1			
Part-time	1		1	1			
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

A Farm-to-School program as outlined in Sec. 2 of HB 70 would be created in the Division of Agriculture to work with the Department of Education and Early Development, School Nutrition Program to increase procurement and use of Alaskan grown food in the public schools. A Development Specialist, Range 18, $81.5, in conjunction with a part-time Agricultural Inspector, Range 16, $30.5, would implement Sections 2, 5 and 6. Travel expenses will cover travel to remote districts to educate students on the benefit of growing and consuming local produce. Contractual services will cover cost of curriculum coordinated with the Department of Education to educate youth on the benefits of growing and consuming local produce. Section 8 of the bill repeals the Farm to School program on July 1, 2013 (end of FY 2012).

Prepared by: Franci Havemeister
Phone 907-761-3867
Division: Division of Agriculture
Date/Time March 17, 2009
Approved by: Tom Irwin, Commissioner
Date March 17, 2009
Natural Resources

(Revised 9/10/2008 OMB)

3371

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB 70**
() Publish Date:

Identifier (file name): HB070-EED-TLS-3-06-09
Dept. Affected: EED
Title "An Act establishing the farm-to-school program in the Department of Natural Resources..."
RDU Teaching & Learning Support
Component Child Nutrition Services
Sponsor Rep. Gatto
Requester (H) RES
Component Number 1955

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services		70.9	70.9	70.9	70.9		
Travel							
Contractual							
Supplies		7.0					
Equipment							
Land & Structures							
Grants & Claims		9,801.3	9,801.3	9,801.3	9,801.3		
Miscellaneous							
TOTAL OPERATING	**0.0**	**9,879.2**	**9,872.2**	**9,872.2**	**9,872.2**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF		9,879.2	9,872.2	9,872.2	9,872.2		
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**9,879.2**	**9,872.2**	**9,872.2**	**9,872.2**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time	**1.0**	1.00	1	1	1		
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

This legislation adds one FTE in the Department of Education & Early Development (EED), estimated to be a range 16A. This position would coordinate efforts with the Departments of Natural Resources, Envirmental Conservation and Commerce, Community & Economic Development.

EED will need $7,000 in supplies for the new position in the way for computers and etc. for set-up.

The State grant was calculated using the federal program rate of $75 per child per year for 130,684 students.

This legislation is repealed on July 1, 2013.

Prepared by: Eddy Jeans, Director
Phone 465-8679
Division School Finance & Facilities
Date/Time 3/16/09 12:00 AM
Approved by: Larry LeDoux
Date 3/16/2009
Commissioner

(Revised 9/10/2008 OMB)

3372

Alaska State Legislature

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Representative Carl Gatto

Chair, House Military and Veteran Affairs Committee
District 13 - Palmer

Sponsor Statement
HB 70
ALASKA GROWN AGRICULTURAL PRODUCTS

The Farm-to-School Act is similar to programs proposed in several other states. Its intent is to strengthen links between state agriculture and state food procurement in schools, expand local markets, improve nutrition, and even benefit the environment. It improves upon current law that requires schools receiving state moneys to purchase agricultural products harvested in the state if, and only if, they are priced no more then seven percent higher then similar products imported to Alaska.

A Farm-to-School Program is created to facilitate increased procurement of Alaska grown foods by schools. The program will, in order of priority:

- Identify and develop policies and procedure, including proposed uniform procurement procedures, to implement and evaluate the program;
- Assist food producers, distributors, and brokers to market Alaska grown food to schools by informing them of opportunities and requirements;
- Assist schools in connecting with local producers by informing them of sources, availability and benefits of Alaska grown foods;
- Indentify and recommend ways to increase predictability of sales and adequacy of supply;
- Make available publications allowing students to see the benefits of preparing and consuming locally-grown food;
- Support efforts to advance other farm-to-school extensions such as school gardens or farms, and farm visits; and
- Seek additional funds to leverage state expenditures.

The Division of Agriculture must, cooperating with the Department of Education & Early Development, collect data on program activities and report biennially to the Legislature their progress beginning January 2010.

HB 70 also gives schools the authorization to create a school garden or even a farm. In doing so they must allow students representing student organizations the opportunity to be involved in the garden or farm operation. Schools may teach both organic and traditional farming methods.

This bill sunsets on July 1, 2013.

Farm to School: nourishing kids and community.

Farm to School brings healthy food from local farms to school children nationwide. The program teaches students about the path from farm to fork, and instills healthy eating habits that can last a lifetime. At the same time, use of local produce in school meals and educational activities provides a new direct market for farmers in the area and mitigates environmental impacts of transporting food long distances.

More than 30 million children eat a school lunch five days a week, 180 days a year. If school lunch can taste great, and support the local community, it is a win-win for everyone.

The National Farm to School Network sprouted from this desire to support community-based food systems, strengthen family farms, and improve student health by reducing childhood obesity. Eight regional lead agencies and national staff provide free training and technical assistance, information services, networking, and support for policy, media and marketing activities. Farm to School is a comprehensive program that extends beyond farm fresh salad bars and local foods in the cafeteria to include waste management programs like composting, and experiential education opportunities such as planting school gardens, cooking demonstrations and farm tours. The Farm to School approach helps children understand where their food comes from and how their food choices impact their bodies, the environment and their communities at large.

National Farm to School Network

In order to sustain and build on the momentum created through the National Farm to School Program, over 30 organizations across the nation gathered to explore the opportunities for a collaborative national farm to school structure that strengthens and expands activities in states with existing programs and assist others that do not yet have programs. Out of this **planning process** supported by the W. K. Kellogg Foundation, the National Farm to School Network was born. **Eight regional lead agencies** and **national staff** provide free training and technical assistance, information services, networking, and support for policy, media and marketing activities. **Click here for a summary of our first year's accomplishments**. The National Farm to School Network is supported in part by a $2.4 million grant from the W.K. Kellogg Foundation. The Kellogg Foundation grant enables the Network to establish a viable and sustainable mechanism to coordinate, promote, and expand the farm to school movement at the state, regional, and national levels. Contact **Anupama Joshi** for more information and join our network **here**.

The National Farm to School Program

The National Farm to School Program is a collaborative program of **Center for Food & Justice** (CFJ), a division of the **Urban & Environmental Policy Institute** at **Occidental College** and the **Community Food Security Coalition** (CFSC). Initiated in 2000, the National Program has spearheaded the development of the farm to school movement across the country, successfully assisting organizations in starting up and sustaining farm to school efforts, fundraising, and providing informational resources, education and training for farm to school stakeholders. When did farm to school programs start? What were the major milestones? **This brief factsheet lays out the history of farm to school.**

The program is jointly managed by staff from the two organizations:

Center for Food & Justice

Urban & Environmental Policy Institute
Occidental College
1600 Campus Road | Mail Stop M1
Los Angeles, CA 90041
www.foodandjustice.org · www.uepi.oxy.edu

Anupama Joshi - Program Director
Tel: 323-341-5095
Fax: 323-258-2917
Debra Eschmeyer - Program Media & Marketing Manager
Tel: 419-753-3412
Cell: 419-905.8612

Community Food Security Coalition

www.foodsecurity.org

Marion Kalb - Program Director
3900 Paseo del Sol
Santa Fe, NM 87505
Tel: 505-474-5782
Fax: 505-473-3421

Program Policy Manager
110 Maryland Ave NE #307
Washington DC 20002
Tel: 202-543-8602
Fax: 202-543-0978

Origins of the National Farm to School Program date back to a collaborative project led by the Center for Food & Justice. The four-year project funded by USDA Initiative for Future Agriculture and Food Systems (IFAFS 2000-2004) jumpstarted the development of farm to school projects in several states. The lessons, models and evaluation results from this project have been shared nationwide and are providing solutions to issues emerging in other states.

Thank You

This website came together with the help of many people who shared with us their information, photos, time, and resources. Thank you to all those who contributed their energy to this project.

© Occidental College 2006. Website built and designed by Programmer's Mind and the Urban & Environmental Policy Institute.

Animals
Aquaculture
Boards, Councils & Commissions
Laws and Regulations
Agricultural Business Development & Assistance
Licenses & Permits
Publications
Regulation and Inspection
Other Resources

Greetings from Commissioner F. Philip Prelli
Agriculture Alerts
Associated Agencies & Organizations
Legislative Session Summaries
Upcoming Events

Department of Agriculture
165 Capitol Avenue
Hartford, CT 06106

860-713-2569

toll-Free
1800-861-9939

Welcome to the Connecticut Farm-to-School Program

Participating Schools & Districts | Participating Farmers

Farm-to-School Promotional Materials & Programs

Other Links | Publications | Wholesalers

Contact Us

The Farm-to-School Program is a statewide program designed to use Connecticut Grown fresh fruits and vegetables in your schools' cafeteria meals and snacks. This project is twofold: to support local farms and to offer fresher, more nutritious produce in the school meals. Getting locally grown products into school cafeterias is a win-win situation for you and your school kids! It will meet newest guidelines to improve children's health and nutrition while also increasing marketing opportunities and income for our Connecticut farmers. The alarming upswing in childhood and adult obesity rates affect health care costs for us all as taxpayers in Connecticut. Eating healthier lunches and snacks at school is one way to improve the diets of our young people.

A connection to the food system through the promotion of local food and the people that grow it can be used to make kids more interested in learning and living a healthier lifestyle, including the consumption of more Connecticut Grown fresh fruits and vegetables! We now have colorful Point of Sale signage for participating schools.

We continue to work with other state agencies such as Dept of Education, Dept of Administrative Services, Dept of Public Health, as well as other organizations like the CT Food Policy Council, Ag in the Classroom, CT Dept of Environmental Protection, CT Apple Marketing Board, 5-3-1 for Healthy Kids, Food Land and People, among others.

The Farm-to-School Program at the Connecticut Department of Agriculture would like to thank those of you already in the program. For those non-participating schools we encourage you to contact Jane.Slupecki@ct.gov and begin participation in the Farm-to School Program!

Printable Version

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CT.gov

Alaska State Legislature

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Representative Carl Gatto

Chair, House Military and Veteran Affairs Committee
District 13 - Palmer

Fact Sheet HB 70

"An Act establishing the Farm-to-School program in the Department of Natural Resources, and relating to school gardens and Farms."

What is the Farm-to-school Program?

- Fresh local foods served in schools
- In class nutrition education
- School gardens or farms
- Farm tours

Farm-to-School impacts:

- Increased fruit & vegetable consumption
- Improved knowledge, attitudes, and behavior concerning healthy eating

Sustainable food is:

- Grown organically/with natural methods…
- On a small or medium sized family farm…
- That treats its workers well…
- And then is sold for a fair price…
- Transported and bought relatively close to where it was grown…
- And eaten fresh and in season.

Impacts of current food system

- Chronic diseases, antibiotic resistance & food-borne illnesses
- Sprawl & farmland loss
- Water contamination
- Crop and biological diversity
- Pesticide exposure
- Air quality & energy use
- Economic justice

Farm-to-School can:

- Support sustainable farmers
- Teach kids to make lifelong healthy choices
- Reinvigorate school meal programs
- Support the local economy

Healthy Kids, Healthy Farmers

Results from the 2008 Colorado Producer Survey

In cooperation with: The Colorado Institute of Public Policy, Western SARE, Rocky Mountain Farmers Union, Colorado Department of Agriculture, Colorado Farm Bureau and Colorado Organic Producers Association

Purchasing locally grown food supports local farmers and ensures the long-term heritage of small scale agriculture in Colorado.

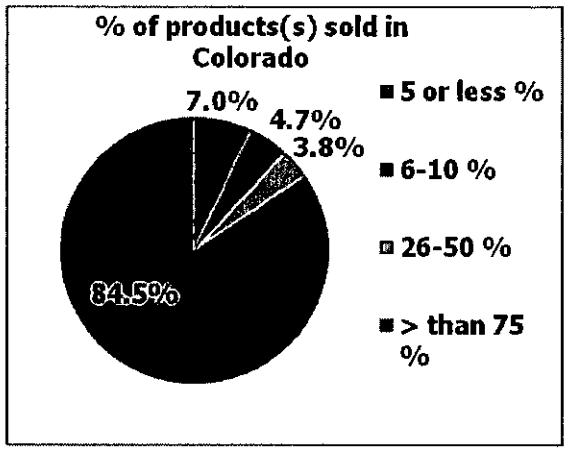
Colorado contains roughly 31 million acres of farmland, representing almost half of the total land in the state. Although Colorado is best known for its cattle country, it is one of the leading states in production of potatoes, onions, lettuce and sweet corn. Colorado is also well known for its tree fruits grown on the Western Slope

Findings from a previous survey (Singley, 2006) found that K-12 schools are interested in integrating high-quality locally-grown products into school cafeterias. Of highest interest are apples, lettuce, carrots, spinach, tomatoes, and onions – all of which are abundantly produced in Colorado.

> *Our state produces quality fruits, vegetables, meat, and dairy products. Creating new policies to ensure that all of our residents, particularly children, have access to healthy foods are critical to our future.* - **Barbara O'Brien, Lieutenant Governor**

Key findings from the 389 Colorado producers that responded to the 2008 Colorado producer survey:

Products are sold in Colorado. 85% report that more than 75% or more of their products are sold in Colorado.



Producers are concerned about the future of agriculture. Of highest concerns were water, fuel, and competing land uses.

Producers are interested in selling products directly to consumers and schools.

Would like to sell	Direct to individuals	C.S.A.'s	K-12 Schools
More	77%	31%	89%
Less	2%	1%	0%
Same	21%	7%	11%

Producers respond positively to selling products locally. 50% report that selling locally is important. 41% strongly agreed that selling products locally is important for economic health.

Producers are interested in selling to schools. 5% of respondents report that they have sold some products to schools and 18% are interested in selling to schools.

For more information about the National Farm to School Program and Colorado projects:
http://www.farmtoschool.org

Healthy Kids, Healthy Farmers

Results from the 2008 Colorado Producer Survey

In cooperation with: The Colorado Institute of Public Policy, Western SARE, Rocky Mountain Farmers Union, Colorado Department of Agriculture, Colorado Farm Bureau and Colorado Organic Producers Association

If we could provide as much food as possible locally for our K-12 students, they would have access to safer and more nutritional food... – **Colorado Producer**

For each county that contained a producer interested in selling to schools, there was a school or school district interested in buying local products. The greatest interest in selling to schools was concentrated in the Front Range, Western Slope, and Southwestern regions of the state.

Producers have a wide variety of products to sell to schools. The top three categories included packaged meat, cool season vegetables, and dairy and eggs.

Products are of high quality. While only 4% of survey respondents identified their product as "certified organic", >50% identified their product as differentiated by other qualities such as "natural", "grass-fed" (beef), or "organic not certified".

Products are insured. 56% reported having liability insurance for their products – an important factor for schools when deciding where to purchase their products.

Recommendations

- **Coordinate efforts between schools and producers.** Many producers and schools were unaware of opportunities to purchase/sell foods locally and were also unfamiliar with the farm-to-school concept.
- **Develop tools and resources.** Provide schools and producers with information that will aid in the development of a farm-to-school program.
- **Determine a fair price.** Schools have tight budgets, which could restrict them from making local purchases. For producers to make a profit, they typically need to sell at wholesale price or above.
- **Establish statewide policies in support of farm-to-school programs.** Schools need to have access to more flexible spending so they can support alternative markets.
- **Start small.** Begin with a handful of local products and slowly scale up, allowing schools to learn more about what products are locally available.

For more information about the National Farm to School Program and Colorado projects:
http://www.farmtoschool.org

The Honorable Representative Carl Gatto
State Capitol
Juneau, AK 99801

March 10, 2009

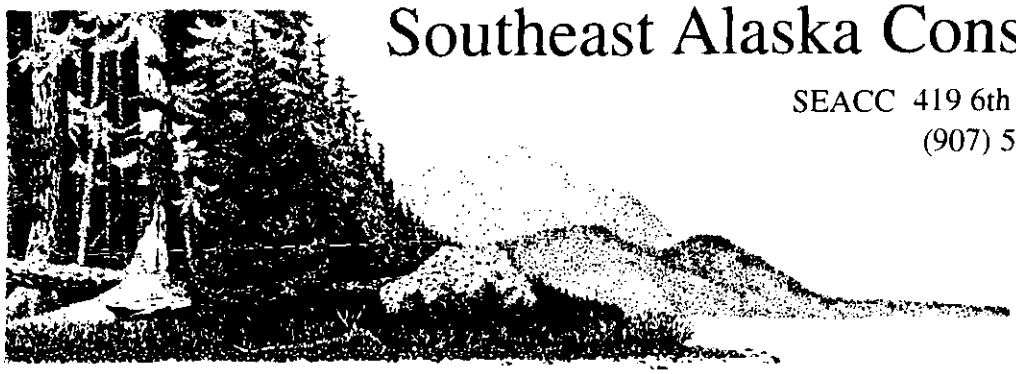
Dear Representative Carl Gatto.

My name is Amy Lee and I currently reside in Anchorage. I am writing to you regarding House Bill 70: Alaskan Grown Agricultural Products. I am so happy to hear that you are the sponsor for this bill. As a teacher, I believe it is important for students to learn about their own environment and this bill providing teaching gardens and small farms is exactly what students need to enhance their understanding of natural resources. In addition, the students will be nourished with local products and learn about self-sustainability at a smaller scale. There are so many benefits of this bill and I am in full support.

Thank you again and best of luck.

Sincerely,

Amy Lee
6506 Kara Sue Loop
Anchorage, AK 99504
amylees@gmail.com



Southeast Alaska Conservation Council

SEACC 419 6th Street, Suite 200, Juneau, AK 99801
(907) 586-6942 phone • (907) 463-3312 fax
www.seacc.org • info@seacc.org

March 12, 2009

Representative Carl Gatto
State Capitol, Room 108
Juneau, AK 99801-1182

Dear Representative Gatto:

It is my pleasure to write a letter in support of House Bill 70, Alaska Grown Agricultural Products. This bill would truly improve the health and lives of school children in Alaska while at the same time providing positive benefits to the natural environment.

The craze for locally grown foods is increasing rapidly throughout the US, and for good reason. Through supplying local schools with Alaskan grown food, students will be eating vegetables and fruits at their prime. Fresh food from local farms is healthier because it doesn't spend days sitting on trucks, barges and planes losing nutrients. Eating locally in Alaska is especially important. Most of our imported food comes from thousands of miles away, resulting in wilted, nutrient deficient food and the burning of a tremendous amount of fossil fuels. Also, locally grown food is often subjected to fewer pesticides and preservatives, resulting in healthier, better tasting food.

If enacted, House Bill 70 would provide wonderful benefits for Alaskan communities and for the health of the environment. I am happy to express SEACC's support for this bill.

Sincerely,

Lindsey Ketchel
Executive Director

ALASKA SOCIETY OF AMERICAN FOREST DWELLERS, Point Baker ◆ CHICHAGOF CONSERVATION COUNCIL, Tenakee ◆ CUSTOMARY & TRADITIONAL GATHERING COUNCIL OF KAKE
FRIENDS OF BERNERS BAY, Juneau ◆ FRIENDS OF GLACIER BAY, Gustavus ◆ JUNEAU ALASKA YOUTH FOR ENVIROMENTAL ACTION ◆ JUNEAU AUDUBON SOCIETY
LOWER CHATHAM CONSERVATION SOCIETY, Port Alexander ◆ LYNN CANAL CONSERVATION, Haines ◆ NARROWS CONSERVATION COALITION, Petersburg
LISIANSKI INLET RESOURCE COUNCIL, Pelican ◆ PRINCE OF WALES CONSERVATION LEAGUE, Craig ◆ SITKA CONSERVATION SOCIETY
TAKU CONSERVATION SOCIETY, Juneau ◆ WRANGELL RESOURCE COUNCIL ◆ YAKUTAT RESOURCE CONSERVATION COUNCIL

ALASKA STATE LEGISLATURE

Rep. Carl Gatto

MEMORANDUM

TO: Rep. Craig Johnson Co-Chair House Resources Committee and
Rep. Mark Neuman Co-Chair House Resources Committee
FROM: Rep. Gatto
DATE: February 25, 2009
RE: Request for Hearing

Enclosed is our committee packet for HB 70 Alaska Grown Agricultural Products, I have included a sponsor statement, the most recent version of the bill, and other supplemental information.

Please schedule a committee hearing before the House Rresources Committee at your earliest convenience. I appreciate your time and look forward to reviewing this bill.

Please contact my staff member Sandra Wilson at 465-3163 with any questions or comments regarding this request.

Thank you

HB

74

During Session:
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Alaska State Legislature
REPRESENTATIVE REGGIE JOULE

Sponsor Statement

CS HB 74 Coastal Management Program

"An act relating to the Alaska coastal management program; and establishing the Alaska Coastal Policy Board."

HB 74 is an effort to strengthen the partnership between the State of Alaska and coastal communities under the Coastal Management Program. This legislation will restore inter-agency cooperation in approving coastal districts enforceable policies, and will reinstate a meaningful seat at the table for coastal districts in the review of proposed state and federal resource development actions.

The bill focuses on four areas:

1. Restoring checks and balances by establishing a Coastal Policy Board representing coastal districts and state resource agencies;

2. Streamlining project reviews by reincorporating air and water quality concerns of the Department of Environmental Conservation into the consistency review process;

3. Restoring the ability of coastal districts to establish enforceable policies that do not conflict with state or federal law or address matters preempted by state or federal agencies; and

4. Restoring States' rights by reinstating provisions eliminated by 2003 legislation.

I support responsible development of our coastal resources. I believe this can best and most expeditiously be accomplished through restoring some meaningful involvement of coastal communities in development decisions that directly affect them.

CS House Bill 74 – Alaska Coastal Management Program (ACMP)
Sectional Analysis
26-LS0322/S

Section 1: Establishes the Alaska Coastal Policy Board (Board), composed of 5 public members representing coastal districts and commissioners of natural resources, fish and game, environmental conservation, and commerce, community and economic development.

Section 2: Clarifies that the Department of Natural Resources (Department) coordinates project consistency reviews for projects with only Department permits or for projects that involve two or more state resource agency permits.

Section 3. Establishes authority for the Department to adopt regulations after approval by the Board.

Section 4: Establishes powers for the Board including the ability to accept grants and take reasonable action to carry out provisions of AS 46.39 and AS 46.40.

Section 5: Establishes duties of the Board to approve statewide ACMP standards and criteria for district plan approval.

Section 6: Defines "board."

Section 7: Provides for approval of ACMP program changes by the Board.

Section 8: Adds subsistence to the list of resources included in the ACMP objectives.

Section 9: Subsection (a) removes requirement for district enforceable policies to meet statewide standards. Clarifies that district enforceable policies apply to all land and water issues subject to the plan. Removes requirement to describe proper and improper uses. Changes the term "areas meriting special attention" to "special management areas." Subsection (b) requires district enforceable policies to be clear and concise, prescriptive or performance-based, and supported by evidence if more specific than state or federal statutes or regulations.

Section 10: Makes conforming changes for board approval of ACMP regulations. Deleted language in AS 46.40.040(a)(2) – (5) moved to a new subsection (d).

Section 11: Moves language deleted from AS 46.40.040(a) to a new section outlining responsibilities of the Board.

Section 12: Makes conforming amendments by clarifying district plans must be approved by the Board.

Section 13: Establishes the review and approval process for coastal district plans, including provisions for districts to work with the Department to resolve issues before the Board approves a plan. Allows districts to request mediation of the Board's decision.

Section 14: Establishes criteria for board approval of district plans and clarifies that district enforceable policies may not address matters preempted by state or federal laws.

Section 15: Makes conforming changes for board approval of ACMP regulations.

Section 16: Changes the term "subsequent review" to the commonly used term "elevation" and clarifies that the three state resource agencies make the final decision on a project elevation.

Section 17: Clarifies that aspects of an activity covered by a general or nationwide permit are excluded from a consistency review (rather than the entire activity). Eliminates language exempting Department of Environmental Conservation permits from consistency reviews.

Section 18: Makes conforming changes for Board approval of district enforceable policies.

Section 19: Allows ACMP consistency review of projects inland of the coastal zone if there would be direct and significant effects to coastal uses or resources. Clarifies that seismic survey activities in federal waters are subject to consistency reviews.

Section 20: Clarifies that categorically or generally consistent activities are for routine projects.

Section 21: Exempts federal activities and federally-permitted projects from the 90-day consistency review time limit. Allows extension of the time limit for adjudication of coastal district permits.

Section 22: Clarifies that "affected coastal resource district" includes districts with a publicly-reviewed draft plan or approved plan.

Section 23: Requires an individual consistency review for each Outer Continental Shelf lease sale.

Section 24: Gives the Board authority to act on a petition regarding non-implementation of a coastal district plan.

ction 25 - 28: Makes conforming amendment regarding Board action for a petition regarding non-implementation of a coastal district plan.

Section 29: Clarifies a coastal resource service area (CSRA) may accept new matter submitted by a city or village into its coastal management plan.

Section 30: Clarifies that municipalities and CRSAs are not prohibited from joint administration of functions.

Section 31: Removes language about boroughs that do not exercise planning and zoning authority.

Section 32: Makes conforming amendment clarifying the board's role in coastal boundary changes.

Section 33 - 34: Makes conforming amendment regarding the board's role in approving district plans and district enforceable policies.

Section 35: Clarifies that the term "project" includes federal activities and federally-permitted activities.

Section 36: Adds new definitions for the terms "Board" and "special management areas."

Section 37: Repeals exemption of Department of Environmental Conservation permits from consistency reviews (AS 46.40.040(b)–(c) and AS 46.40.096(i)). Removes requirement for re-submittal of district plans every 10 years (AS 46.40.050(a)). Removes exemption of shallow gas projects from ACMP reviews (AS 46.40.205). Removes definition for "areas meriting special attention" (AS 46.40.210(1)).

Changes between HB 74 (CRA, 26-LS0322\R) and CS HB 106 (CRA, 26-LS0402\S)

March 10, 2009

Section 9

Page 7 lines 17-22 were amended to elucidate the requirements for coastal district enforceable policies. The first substantive amendment eliminates "contemporary or traditional local knowledge" as forms of evidence to support a coastal district policy, leaving "scientific or local knowledge" as appropriate evidence. The second substantive change is that district policies must be supported by evidence if "more specific" than state or federal law. This replaces the requirement of evidence if the policy is "stricter or more specific" than state or federal law.

Section 14

This section was amended to clarify requirements for board approval of district management plans. The first amendment at page 11 line 13 adds to the criteria for board approval a requirement that enforceable policies cannot be preempted by state law in addition to federal law, which appears in version \R. The second amendment at page 11 lines 22-25 is the addition of an explanation for what constitutes state preemption of a coastal district policy.

Section 30

Version \S retracts the insertion of a new section 46.40.190(a) pertaining to cooperative administration of the ACMP, which in \R occurred on page 16 line 21.

Section 31

Version \S retracts an amendment to the definition of "coastal resource district," which occurred in \R on page 17 lines 8-23.

STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF COASTAL AND OCEAN MANAGEMENT
http://www.alaskacoast.state.ak.us

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April 18, 2009

The Honorable Mark Neuman
Alaska House of Representatives
State Capitol, Rom 432
Juneau, AK 99801-1182

RE: Alaska Coastal Management Program

Dear Mr. Neuman:

In our conversation on April 14 and in the House Resources committee hearing on April 15, you requested that I put together a list or otherwise summarize the issues that were identified by Alaska Coastal Management Program (ACMP) participants during the recent re-evaluation effort led by the Department of Natural Resources, Division of Coastal and Ocean Management (DCOM). The following is a list of those issues with a brief description. It is important to recognize that there were comments addressing each of the following that either supported or opposed change to the ACMP subject.

1. Oversight of the ACMP – Comments addressed the development, structure, role, authority, and appropriateness of an oversight body for the ACMP (e.g., Coastal Policy Board or Council). Comments were also received addressing the location of the ACMP and DCOM (e.g., relocated to DFG, DCCED, or the Governor's Office).

2. Department of Environmental Conservation "carve-out" – Comments addressed the carve-out of DEC authorities from the coordinated consistency review, as well as whether coastal districts could address air and water quality issues under DEC authority.

3. Consistency review issues related to project review – Comments addressed the scope of the consistency review, the coastal project questionnaire, the application and management of the ABC List, and elevations and appeals of consistency determinations.

4. Statewide standards – Comments addressed all of the statewide standards of the ACMP at 11 AAC 112, including the purview, substance, form, authority, and structure of the standards, whether the focus of the standards should be tied to the direct interaction with coastal water or more broadly throughout the coastal zone, and whether the burden of proof in demonstrating compliance with the standards is on the applicant, the commentor, or the State.

5. District enforceable policies – Comments addressed the purview, substance, form, authority, and structure of coastal district enforceable policies, designated areas, and the revision process for amending coastal district plans.

6. General, non-categorized comments – Comments addressed the objectives of the ACMP, the subject uses of the ACMP, the basic structure of the ACMP and the available types/options of state coastal programs available under the federal CZMA, whether climate change should be addressed under the ACMP, whether the ACMP should directly address cumulative impacts, and whether ACMP staff should have a field presence.

At your request, I have listed above and summarized the key issues that ACMP participants have raised during the re-evaluation process. As a reminder, DCOM solicited written public comments on potential changes to the ACMP in July and November 2008, and held numerous public meetings to further gather input and share ideas for successful ACMP implementation. The public comments and the DCOM processes and products are available for reviewing and downloading at http://www.alaskacoast.state.ak.us/Enews/Re-eval2008/index.html. Significant effort was put into the development and consideration of these comments by ACMP participants. You may be interested in reviewing these more detailed comments and familiarizing yourself with the various issues surrounding the passionate debate on change to the ACMP laws.

I look forward to continuing to work with you on these important issues, and I thank you for taking an interest in the ACMP and the issues surrounding the implementation of a meaningful and balanced program.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Randy Bates
Director

cc: Representative Johnson, Co-Chair House Resources committee
Senator McGuire, Co-Chair Senate Resources committee
Senator Wielechowski, Co-Chair Senate Resources committee
Senator Olson
Representative Joule
House and Senate Resource Committee members
ACMP coastal districts
Tom Irwin, DNR Commissioner
Jerry Gallagher, Office of the Governor, Legislative Liaison

Coastal Impact Assistance Program
(CIAP)

Schedule

(Subject to change - last updated 1/22/09)

Project Solicitation: State-Initiated Projects

- December 3, 2008: Initiate solicitation of state projects
- February 2, 2009: Close solicitation of state projects – start to review and rank state initiated projects

Open Solicitation: Public initiated projects

The Alaska Department of Commerce, Community, and Economic Development (Commerce) is currently developing regulations to establish the open solicitation grant procedures for the 30% of available funds affecting the public. The Schedule below regarding the open solicitation of projects from the public is dependant on the progress of the regulations.

- January 26, 2009: Commerce initiates 30-day public comment period on regulations establishing the grant procedures affecting the public.
- March 2, 2009: Initiate open solicitation of projects from the public
- April 24, 2009: Regulations in effect
- April 25, 2009: Close solicitation of projects from the public – start to review and rank non-state initiated projects

Plan Amendment Schedule

- April 15, 2009: MMS determines final allocation for FY 2009 and FY 2010
- May 31, 2009: Finalize project recommendation to Ocean Policy Cabinet
- June 30, 2009: Initiate 30-day public review of draft Amended CIAP Plan
- June 30, 2009: Submit draft Amended CIAP Plan to MMS for review and comment
- October 11, 2009: Submit final Amended CIAP Plan to MMS
- October 31, 2009: MMS deems Amended CIAP Plan complete and initiates 90 day review
- January 29, 2010: MMS approves Alaska's Amended CIAP Plan

Coastal Impact Assistance Program (CIAP) Themes for Open Solicitation – applicable to all projects considered under the open solicitation (30%)

Approximately 70% of the CIAP allocation will be used for state initiated projects. Approximately 30% of the allocation will fund projects identified through an open solicitation process and will include both state and non-state initiated projects. In order to ensure that non-state initiated projects still focus on state priorities while addressing community needs, the Ocean Policy Cabinet and Department of Natural Resources/Division of Coastal and Ocean Management identified five themes. All non-state initiated projects must address one of these themes. In addition, those state projects that did not make the state-initiated (70%) project cut are automatically bumped into the open solicitation (30%) process and must also meet one of the five themes to be considered.

Themes

1. Waste Management and Clean Up
    a. Marine debris clean-up projects (e.g., projects to collect, transport and dispose of marine debris from shorelines, etc).
    b. Clean harbor projects to improve water quality at harbors (e.g., sewage pump-out stations and waste oil collection facilities, etc.).
    c. Waste management projects (e.g., projects to collect, consolidate, transport, and dispose of household hazardous waste present in remote communities, etc.).

2. Data Collection, Data Analysis, Planning, and Mapping
    a. Community-based assessment and monitoring of environmental and habitat variables in order to evaluate and/or mitigate impacts of development (e.g., water quantity and quality monitoring; collection of traditional knowledge regarding changes in natural ecosystems; data collection and/or analysis; habitat mapping for baseline information, long-term monitoring, and/or detection of change in order to evaluate impacts of development, etc.).
    b. Collection and/or analysis of baseline data on fish or wildlife and/or their habitat that is needed to evaluate or develop mitigation strategies for potential impacts from oil and gas, mining, and other development activities.
    c. Projects that would analyze or prepare for the impacts of climate change or natural hazards on communities.

3. Habitat Restoration and Rehabilitation Projects
   (e.g., stream bank restoration projects, prescribed burning to restore moose habitat, replacement of culverts that impede fish passage, wetland restoration projects, etc.).

4. Mitigation Projects
   Projects to mitigate impacts from development activities and/or climate change.

5. Community Environmental Education Projects, Not to Exceed $35,000
   Projects to educate the public about environmental issues/topics (e.g., educational materials, signage, targeted conferences, etc.). Projects proposed under this category will be evaluated separately from the other project categories. Up to $1,500,000 will be allocated to this category.

COASTAL IMPACT ASSISTANCE PROGRAM

Section 384 of the Energy Policy Act of 2005 established the Coastal Impact Assistance Program (CIAP). The Act authorizes the U.S. Department of Interior, Minerals Management Service to distributed $250 million annually for the years 2007 through 2010 to Outer Continental Shelf (OCS) oil and gas producing states and coastal political subdivisions (CPSs) to mitigate the impacts of OCS oil and gas activities.

Per a formula prescribed by the Act, Alaska's eight eligible CPSs will receive a combined total of 35 percent of Alaska's allocation. The remaining 65 percent is allocated directly to the state.

In 2007 and 2008 Alaska was allocated 1 % of the national CIAP funds. Due to the recent Chukchi Lease Sale, MMS has projected that Alaska's allocation will increase to be between 12% and 17 % of the national CIAP allocation in 2009 and 2010. MMS will announce final allocation in April 2009.

The tables below show the annual and total projected CIAP allocations to the state and the CPSs for both the high and low estimates.

Allocation Directly to State (65% of total to state)

	Total	2007	2008	2009	2010
Low end (12% of total federal funds for 2009 and 2010)	**40,982,500.00**	1,576,250.00	1,576,250.00	18,915,000.00	18,915,000.00
High end (17% of total federal funds for 2009 and 2010)	**56,745,000.00**	1,576,250.00	1,576,250.00	26,796,250.00	26,796,250.00

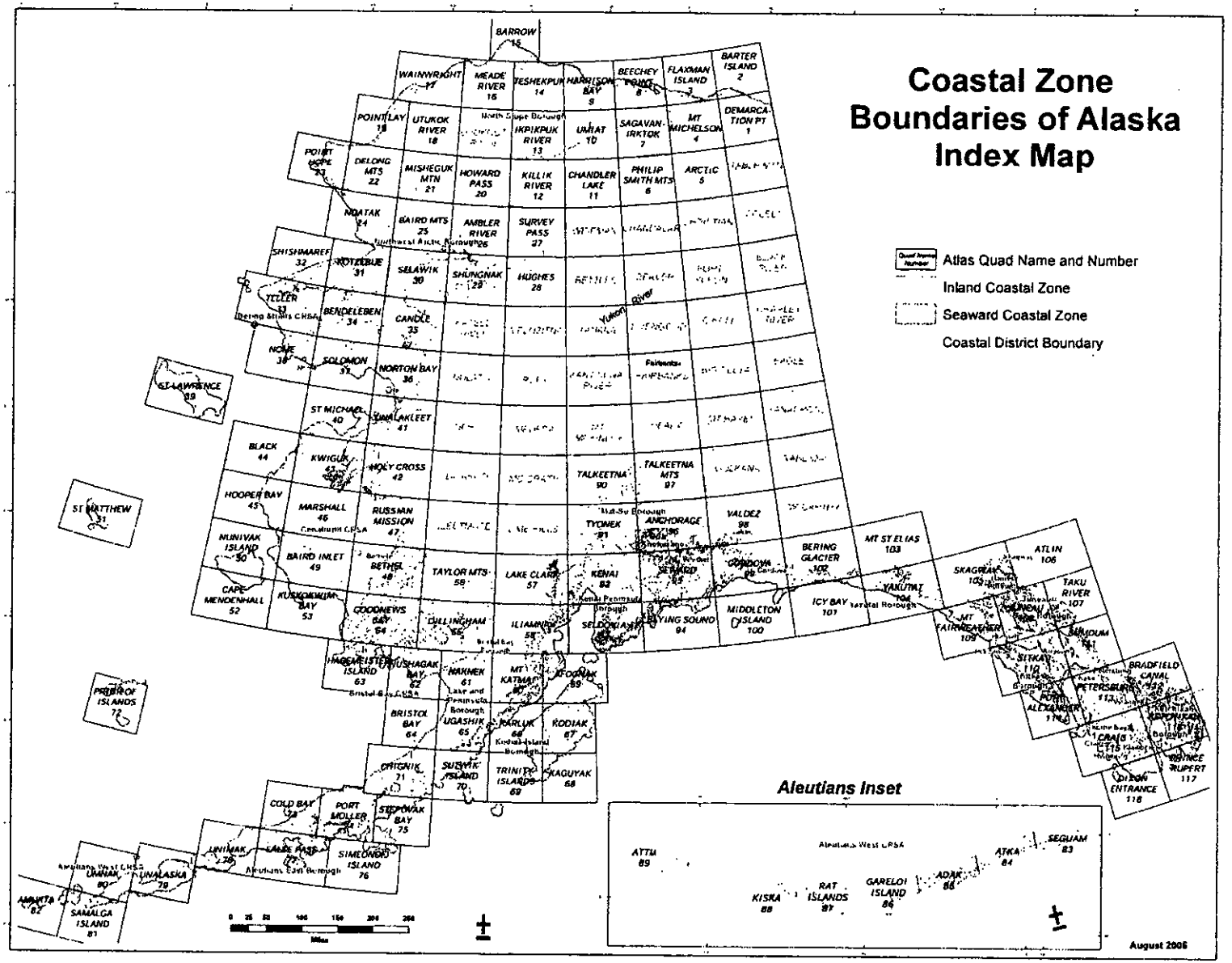
Allocation Directly to CPSs - Low end (35 % of total to state)

	Total	2007	2008	2009	2010
Municipality of Anchorage	**3,581,586.76**	137,767.88	137,767.88	1,653,025.50	1,653,025.50
Bristol Bay Borough	**17,627.72**	665.86	665.86	8,148.00	8,148.00
Kenai Peninsula Borough	**1,544,770.72**	59,435.36	59,435.36	712,950.00	712,950.00
Kodiak Island Borough	**1,902,235.04**	73,170.52	73,170.52	877,947.00	877,947.00
Lake & Peninsula Borough	**898,096.08**	34,518.54	34,518.54	414,529.50	414,529.50
Matanuska-Susitna Borough	**816,488.30**	31,399.15	31,399.15	376,845.00	376,845.00
North Slope Borough	**7,187,406.52**	276,448.76	276,448.76	3,317,254.50	3,317,254.50
Northwest Arctic Borough	**6,119,288.86**	235,343.93	235,343.93	2,824,300.50	2,824,300.50
Total	**22,067,500.00**	**848,750.00**	**848,750.00**	**10,185,000.00**	**10,185,000.00**

Allocation Directly to CPSs - High end (35 % of total to state)

	Total	2007	2008	2009	2010
Municipality of Anchorage	**4,959,108.00**	137,767.88	137,767.88	2,341,786.12	2,341,786.12
Bristol Bay Borough	**24,417.72**	665.86	665.86	11,543.00	11,543.00
Kenai Peninsula Borough	**2,138,895.72**	59,435.36	59,435.36	1,010,012.50	1,010,012.50
Kodiak Island Borough	**2,633,857.54**	73,170.52	73,170.52	1,243,758.25	1,243,758.25
Lake & Peninsula Borough	**1,243,537.32**	34,518.54	34,518.54	587,250.12	587,250.12
Matanuska-Susitna Borough	**1,130,525.80**	31,399.15	31,399.15	533,863.75	533,863.75
North Slope Borough	**9,951,785.28**	276,448.76	276,448.76	4,699,443.88	4,699,443.88
Northwest Arctic Borough	**8,472,872.62**	235,343.93	235,343.93	4,001,092.38	4,001,092.38
Total	**30,555,000.00**	**848,750.00**	**848,750.00**	**14,428,750.00**	**14,428,750.00**

DNR/Division of Coastal and Ocean Management
July 2008


Coastal Zone Boundaries of Alaska Index Map
Atlas Quad Name and Number
Inland Coastal Zone
Seaward Coastal Zone
Coastal District Boundary
Aleutians Inset
August 2006

Index Map

Which Coastal District is Your Community In?

CITY	DISTRICT
Adak	Aleutians West CRSA
Akhiok	Kodiak
Akiachak	Ceñaliulriit CRSA
Akiak	Ceñaliulriit CRSA
Akutan	Aleutians East
Alakanuk	Ceñaliulriit CRSA
Aleknagik	Bristol Bay CRSA
Alexander Creek	Mat-Su Borough
Ambler	Northwest Arctic
Amchitka	Aleutians West CRSA
Anaktuvuk Pass	North Slope Borough
Anchor Point	Kenai Peninsula
Anchorage	Anchorage
Angoon	Angoon
Aniak	Ceñaliulriit CRSA
Atka	Aleutians West CRSA
Atmautluak	Ceñaliulriit CRSA
Atqasuk	North Slope Borough
Attu	Aleutians West CRSA
Barrow	North Slope Borough
Bethel	Bethel
Big Lake	Mat-Su Borough
Bird Creek	Anchorage
Brevig Mission	Bering Straits CRSA
Buckland	Northwest Arctic
Candle	Northwest Arctic
Cape Chiniak	None*
Cape Pole	None*
Cape Yakataga	None*
Chefornak	Ceñaliulriit CRSA
Chenega Bay	None*
Chevak	Ceñaliulriit CRSA
Chickaloon	Mat-Su Borough
Chignik	Lake and Peninsula Borough
Chignik Bay	Lake and Peninsula Borough
Chignik Lagoon	Lake and Peninsula Borough
Chignik Lake	Lake and Peninsula Borough
Chugiak	Anchorage
Clam Gulch	Kenai Peninsula
Clark's Point	Bristol Bay CRSA
Coffman Cove	None*
Cohoe	Kenai Peninsula
Cold Bay	Aleutians East
Cooper Landing	Kenai Peninsula
Cordova	Cordova
Council	Bering Straits CRSA
Craig	Craig
Cube Cove	None*
Deadhorse	North Slope Borough
Deering	Northwest Arctic
Dillingham	Bristol Bay CRSA
Diomede	Bering Straits CRSA
Dora Bay	None*
Douglas	Juneau
Dutch Harbor	Aleutians West CRSA
Eagle River	Anchorage
Edna Bay	None*
Eek	Ceñaliulriit CRSA
Egegik	Lake and Peninsula Borough
Ekuk	Bristol Bay CRSA
Ekwok	Bristol Bay CRSA
Elfin Cove	None*
Elim	Bering Straits CRSA
Elmendorf AFB	Anchorage
Emmonak	Ceñaliulriit CRSA
English Bay	Kenai Peninsula
Excursion Inlet	None*
Eyak	Cordova
False Pass	Aleutians East
Fortuna Ledge	Ceñaliulriit CRSA

*Note: "None" means a coastal community not within a coastal district.

CITY	DISTRICT
Ft. Richardson	Anchorage
Funter Bay	None*
Gambell	Bering Straits CRSA
Girdwood	Anchorage
Golovin	Bering Straits CRSA
Goodnews Bay	Ceñaliulriit CRSA
Gravina Island	Ketchikan
Gustavus	None*
Haines	Haines
Halibut Cove	Kenai Peninsula
Happy Valley	Kenai Peninsula
Hawkins Island	None*
Hinchinbrook Island	None*
Hobart Bay	None*
Hollis	None*
Homer	Kenai Peninsula
Hoonah	Hoonah
Hooper Bay	Ceñaliulriit CRSA
Hope	Kenai Peninsula
Houston	Mat-Su Borough
Hydaburg	Hydaburg
Igiugig	Lake and Peninsula Borough
Iliamna	Lake and Peninsula Borough
Indian	Anchorage
Ivanof Bay	Lake and Peninsula Borough
Juneau	Juneau
Kachemak	Kenai Peninsula
Kake	Kake
Kaktovik	North Slope Borough
Kalgin Island	Kenai Peninsula
Karluk	Kodiak
Kasaan	None*
Kasigluk	Ceñaliulriit CRSA
Kasilof	Kenai Peninsula
Kenai	Kenai Peninsula
Ketchikan	Ketchikan
Kiana	Northwest Arctic
King Cove	Aleutians East
King Salmon	Bristol Bay Borough

CITY	DISTRICT-
Kipnuk	Ceñaliulriit CRSA
Kivalina	Northwest Arctic
Klawock	Klawock
Klukwan	None*
Kobuk	Northwest Arctic
Kodiak	Kodiak
Kokhanok	Lake and Peninsula
Kokhanok Bay	Lake and Peninsula
Koliganek	Ceñaliulriit CRSA
Kongiganak	Ceñaliulriit CRSA
Kotlik	Ceñaliulriit CRSA
Kotzebue	Northwest Arctic
Koyuk	Bering Straits CRSA
Kuiu Island	None*
Kupreanof	None*
Kwethluk	Ceñaliulriit CRSA
Kwigillingok	Ceñaliulriit CRSA
Labouchere Bay	None*
Lake Louise	Mat-Su Borough
Larsen Bay	Kodiak
Levelock	Lake and Peninsula
Long Island	None*
Lower Kalskag	Ceñaliulriit CRSA
Manokotak	Bristol Bay CRSA
Marshall	Ceñaliulriit CRSA
Mekoryuk	Ceñaliulriit CRSA
Metlakatla	None*
Meyers Chuck	None*
Moose Pass	Kenai Peninsula
Mountain Village	Ceñaliulriit CRSA
Mt. Edgecumbe	Sitka
Naknek	Bristol Bay Borough
Nanwalek	Kenai Peninsula
Napakiak	Ceñaliulriit CRSA
Napaskiak	Ceñaliulriit CRSA
Naukati	None*
Nelson Lagoon	Aleutians East
New Stuyahok	Bristol Bay CRSA
Newhalen	Lake and Peninsula

*Note: "None" means a coastal community not within a coastal district.

CITY	DISTRICT
Newtok	Ceñaliulriit CRSA
Nightmute	Ceñaliulriit CRSA
Nikiski	Kenai Peninsula
Nikolski	Aleutians West CRSA
Ninilchik	Kenai Peninsula
Noatak	Northwest Arctic
Nome	Nome
Nondalton	Lake and Peninsula
Noorvik	Northwest Arctic
Nuiqsut	North Slope Borough
Nunapitchuk	Ceñaliulriit CRSA
Old Harbor	Kodiak
Oscarville	Ceñaliulriit CRSA
Ouzinkie	Kodiak
Palmer	Mat-Su Borough
Pedro Bay	Lake and Peninsula Borough
Pelican	Pelican
Pennock Island	Ketchikan
Perryville	Lake and Peninsula Borough
Petersburg	Petersburg
Pilot Point	Lake and Peninsula Borough
Pilot Station	Ceñaliulriit CRSA
Pitkas Point	Ceñaliulriit CRSA
Platinum	Ceñaliulriit CRSA
Point Baker	None*
Point Hope	North Slope Borough
Point Lay	North Slope Borough
Polk Inlet	None*
Port Alexander	None*
Port Alsworth	Lake and Peninsula
Port Armstrong	None*
Port Clarence	Bering Straits CRSA
Port Graham	Kenai Peninsula
Port Heiden	Lake and Peninsula Borough
Port Lions	Kodiak
Port Moller	Aleutians East
Port Protection	None*
Portage	Anchorage
Post Lake	Mat-Au Borough

CITY	DISTRICT
Prudhoe Bay	North Slope Borough
Quinhagak	Ceñaliulriit CRSA
Red Mountain	Kenai Peninsula
Ridgeway	Kenai Peninsula
Rowan Bay	None*
Russian Mission	Ceñaliulriit CRSA
Sand Point	Aleutians East
Savoonga	Bering Straits CRSA
Sawmill Bay	None*
Saxman	Ketchikan
Scammon Bay	Ceñaliulriit CRSA
Security Bay	None*
Selawik	Northwest Arctic
Seldovia	Kenai Peninsula
Seward	Kenai Peninsula
Shaktoolik	Bering Straits CRSA
Sheep Mountain	Mat-Su Borough
Sheldon Point	Ceñaliulriit CRSA
Shemya AFS	Aleutians West CRSA
Shishsmaref	Bering Straits CRSA
Shungnak	Northwest Arctic
Sitka	Sitka
Skagway	Skagway
Skwentna	Mat-Su Borough
Soldotna	Kenai Peninsula
South Naknek	Bristol Bay Borough
Squaw Harbor	Aleutians East
St. George Island	None*
St. Mary's	Ceñaliulriit CRSA
St. Michael	Bering Straits CRSA
St. Paul	St. Paul
Stebbins	Bering Straits CRSA
Sterling	Kenai Peninsula
Sunrise	None*
Sutton	Mat-Su Borough
Talkeetna	Mat-Su Borough
Tatitlek	None*
Tazlina	None*
Teller	Bering Straits CRSA

*Note: "None" means a coastal community not within a coastal district.

CITY	DISTRICT
Tenakee Springs	None*
Thorne Bay	Thorne Bay
Tin City	Bering Straits CRSA
Togiak	Bristol Bay CRSA
Toksook Bay	Ceñaliulriit CRSA
Tolstoi Bay	None*
Trapper Creek	Mat-Su Borough
Tuluksak	Ceñaliulriit CRSA
Tuntutuliak	Ceñaliulriit CRSA
Tununak	Ceñaliulriit CRSA
Tutka Bay	Kenai Peninsula
Twin Hills	Bristol Bay CRSA
Two Moon Bay	None*
Tyonek	Kenai Peninsula
Ugashik	Lake and Peninsula
Umiat	North Slope Borough
Unakwik Inlet	None*
Unalakleet	Bering Straits CRSA
Unalaska	Aleutians West CRSA
Ungalik	Bering Straits CRSA
Valdez	Valdez
Wainwright	North Slope Borough
Wales	Bering Straits CRSA
Wasilla	Mat-Su Borough
Whale Pass	None*
White Mountain	Bering Straits CRSA
Whittier	Whittier
Willow	Mat-Su Borough
Wrangell	Wrangell
Yakutat	Yakutat

For more information contact:

The Alaska Coastal Management Program
Juneau — 907- 465-3075
Anchorage — 907-269-7470

*Note: "None" means a coastal community not within a coastal district.

3398

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HB074
() Publish Date:

Identifier (file name): HB074-DNR-DCOM-03-15-10
Dept. Affected: Natural Resources
Title: An Act relating to the Alaska Coastal Management Program.
RDU: Resource Development
Component: Coastal and Ocean Management
Sponsor: Rep. Reggie Joule
Requester: House Community and Regional Affairs Committee
Component Number: 2680

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	82.0	0.0	82.0	82.0	82.0	82.0	82.0
Contractual	80.0	0.0	30.0	30.0	30.0	30.0	30.0
Supplies	3.0	0.0	3.0	3.0	3.0	3.0	3.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**165.0**	**0.0**	**115.0**	**115.0**	**115.0**	**115.0**	**115.0**
CAPITAL EXPENDITURES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES ( )	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	165.0	0.0	115.0	115.0	115.0	115.0	115.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Interagency Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**165.0**	**0.0**	**115.0**	**115.0**	**115.0**	**115.0**	**115.0**

Estimate of any current year (FY2009) cost: 0.0

POSITIONS

Full-time	0	0	0	0	0	0	0
Part-time	0	0	0	0	0	0	0
Temporary	0	0	0	0	0	0	0

ANALYSIS: *(Attach a separate page if necessary)*

HB 74 will have the following fiscal impact:

1. Travel - It is expected that the Coastal Policy Board (CPB) will need to meet at least four times annually to fulfill the obligations and provide the services outlined in HB 74. Travel (including air, hotel, and per diem) for appointed members, designated members, and state agency staff is included.
2. Contractual - In order to re-write the guiding regulations, DNR must secure contractual services for the promulgation and final Department of Law review of the regulations (FY 2010 only). In addition, contractual services for the CPB meetings must be procured, and will be an annual expense.
3. Supplies - The CPB meetings will require some level of supplies for ensuring the members have proper materials.

Prepared by: Randy Bates, Director — Phone 465-8797
Division: Coastal and Ocean Management — Date/Time March 15, 2010
Approved by: Tom Irwin, Commissioner — Date March 15, 2010
Natural Resources

(Revised 9/10/2008 OMB)

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. HB074

ANALYSIS CONTINUATION

4. Although not contemplated above as an additional expense, it is expected that coastal districts will choose to revise, amend, and seek approval for their coastal district plans. No funding is included in this fiscal note for Coastal District Plan revisions. DNR does not typically set aside any funding for plan revisions.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 74(CRA)
(H) Publish Date: 3/5/09

Identifier (file name): HB74-DEC-CO-2-6-09
Dept. Affected: Dept. of Environmental Conservation
Title: Coastal Management Program
RDU: Administration
Component: Office of the Commissioner
Sponsor: Representative Joule
Requester: House Community and Regional Affairs Committee
Component Number: 633

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services	86.8		86.8	86.8	86.8	86.8	86.8
Travel	12.5		12.5	12.5	12.5	12.5	12.5
Contractual	10.4		10.4	10.4	10.4	10.4	10.4
Supplies	6.9		0.5	0.5	0.5	0.5	0.5
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**116.6**	**0.0**	**110.2**	**110.2**	**110.2**	**110.2**	**110.2**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts	116.6	0.0	110.2	110.2	110.2	110.2	110.2
TOTAL	**116.6**	**0.0**	**110.2**	**110.2**	**110.2**	**110.2**	**110.2**

Estimate of any current year (FY2009) cost: 0.0

POSITIONS

Full-time	0.5		0.5	0.5	0.5	0.5	0.5
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

This legislation amends Alaska statutes related to the Alaska Coastal Management Program (ACMP). The bill requires that the Department of Environmental Conservation process its permits in accordance with the ACMP coastal consistency review procedures where permits are currently processed independent from those procedures. The increased work load for existing staff is estimated at one-half of the salary cost of a Range 19 position.

In addition to increasing the effort required to process a permit, the changes require a new half-time position to serve as ACMP lead for DEC with responsibility for internal and external coordination of ACMP matters. The fiscal note reflects the personnel and support costs of a new, part-time (0.5 FTE, Range 20) position to serve as DEC's ACMP Program Coordinator. First-year costs include one-time supply costs that are not reflected in subsequent years.

Prepared by: Marit Carlson-Van Dort — Phone 465-5065
Division: Commissioner's Office — Date/Time 2/6/09 1:30 PM
Approved by: Dan Easton — Date 2/6/2009
Deputy Commissioner

(Revised 9/10/2008 OMB)

ALASKA MINERS ASSOCIATION, INC.

3305 Arctic Blvd., #105, Anchorage, Alaska 99503 • (907) 563-9229 • FAX: (907) 563-9225 • www.alaskaminers.org

April 14, 2010

Honorable Bert Stedman
Honorable Lyman Hoffman
Senate Resources Committee
Capitol Building
Juneau, AK 99801

Re: SB-4, Alaska Coastal Zone Management

Dear Senator Stedman and Senator Hoffman,

We have reviewed CSSB-4(FIN) Version S which proposes major changes to the Alaska Coastal Zone Management Program. The Finance CS makes some changes to SB-4 but the bill still contains other concerns that must be addressed before we can support it.

At the hearing on this bill yesterday you asked for specific concerns that we have with CSSB-4(FIN) Version S and these follow.

The Legislative Budget & Audit review of the program that is scheduled for this year should be allowed to proceed as directed in past legislation.

Section 1. Eliminate the Coastal Policy Board. The actions and attempted actions of this board have been a source of controversy for the ACMP. We are not aware of other states that have this type of board and there is no need for it in Alaska. In other states, and in Anchorage, the ACMP is incorporated into the municipal ordinances. All coastal municipalities could do the same. Eliminating the Board would correct many of the problems with the bill and would alleviate many of the concerns of both the State and industry. This board in not in the current program and should not be added.

If the Coastal Policy Board is not eliminated, it will be necessary to Balance the Board. The board should be balanced to have 1/3 from agencies, 1/3 from the districts and 1/3 from the regulated community. If there is a board, it is essential that the regulated community have a voice on the board. Without including the regulated community, this group that can create new jobs and economy for the state will not have the input necessary.

Section 2. Do not expand the items requiring consistency determination. Remove the phrase "from the department or" that was added by SB-4. This phrase would increase the number of permits, leases and authorizations that would require consistency determinations. The workload of each office in DNR, including DCOM, would be increased.

Section 3. Regulations should have the advice but not the approval of the board. If the board is retained, the board should comment on the regulations before adoption, but should not have approval power over them. Regulations are an agency function which includes drafting to conform with other laws, defined public comment periods, a clear detailed avenue for appeal, and final review by the Lt Governor. Change Section 3 to read "The Department may adopt regulations, after review and comment by the board, necessary to implement this chapter."

Section 4. Eliminate the change to (a) subsection (1). As written, the Governor's budget for a Division within DNR would require approval of the Board. The Commissioner and the Governor must have the power to budget and manage funds without such a requirement. As written, the Governor may not send in his budget for DCOM without the approval of the Board.

Section 5. This section would be workable, **only if, the board is balanced** (1/3, 1/3, 1/3).

Section 7. This section would be workable, **only if, the board is balanced** (1/3, 1/3, 1/3).

Section 9. In Subsection (a) the language "statewide standards and" **must be retained.** In Subsection (b) the phrase "meet the requirements of AS46.40.070 and may not duplicate, restate, or incorporate by reference statutes and administrative regulations adopted by state or federal agencies" **must be retained.**

Section 17. Eliminate this section to keep in the DEC carve-out.

Section 21. Eliminate the new language in Subsection (o)(1)(B) and (C). The affect of including this language would be to eliminate all deadlines by which actions must be completed.

Section 35. Eliminate the new language defining a "Project" which incorporates state rules (i.e., regulations). Agency regulations are rules specifically intended to alter uses, including those in the coastal zone. This new definition would subject all regulations of DNR, DF&G, and DEC to a veto by each coastal district in the state with respect to that area.

The above items are based on a rapid review of Version S and are in no way a comprehensive evaluation. ACMP requires a comprehensive review as proposed by a privious Legislature and any changes to the program must not be rushed through without that review. Thank you for your consideration of our concerns.

Sincerely,

Steven C. Borell, P.E.
Executive Director

CC: Senator Donny Olson

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Sincerely,

Steven C. Borell, P.E.
Executive Director

CC: Senator Donny Olson

April 8th, 2010

The Honorable Gary Stevens
President, Alaska Senate
State Capitol Room 516
Juneau AK, 99801

The Honorable Mike Chenault
Speaker, Alaska House of Representatives
State Capitol Room 208
Juneau, AK 99801

Cc: House Resources Committee; Senate Finance Committee

Senator Stevens and Representative Chenault:

The associations listed below represent companies that employ tens of thousands of Alaskans in high-paying jobs depending on resource development.

Each of our organizations is concerned about pending legislation that would drastically change the Alaska Coastal Management Plan (ACMP), jeopardizing long-term investment in resource development projects and costing Alaskans jobs and business opportunities. Senate Bill 4 and House Bill 74 would most certainly delay indefinitely, if not completely derail, responsible resource development across our state.

With each of our industries coping with rising unemployment in the current economy, we join in urging you not to pass any legislation that alters the current ACMP and further aggravates Alaska's serious economic challenges. We endorse the creation of a task force of affected stakeholders to evaluate concerns which have been raised about the current ACMP. The task force could make recommendations to the next legislature on how to address those concerns without giving up state sovereignty and without harming responsible resource development.

Respectfully,

Associated General Contractors

Alaska Trucking Association

Alaska Miners Association

The Alliance

Alaska Oil and Gas Association

Resource Development Council

Alaska State Chamber

Council of Alaska Producers

Associated Builders and Contractors

Calista Corporation
301 Calista Court, Suite A • Anchorage, Alaska 99518-3028 • (907) 279-5516 • Facsimile (907) 272-5060 • Website: www.calistcorp.com

March 29, 2010

Honorable Bert Stedman, Chair Senate Finance Committee
Honorable Donny Olson
Honorable Lesil McGuire
Honorable Reggie Joule
Honorable Mark Neuman
Honorable Craig Johnson
Honorable Bill Wielechowski
Alaska State Legislature
Capital Building
Juneau, AK 99801

Re: SB-4 and HB 74, Changes to the State of Alaska Coastal Zone Management Program

Dear Senators and Representatives:

I am writing to express great concern with the above proposed bill. Alaska is a resource rich state which cannot exist without resource based industries that put our people to work. The Alaska Coastal Zone Management Program (ACMP) certainly could be improved to better incorporate the concerns of citizens; however, as proposed, this bill will increase uncertainty, risks, and costs to future business investments which are needed to provide jobs in our state.

Our specific concerns with the bill include the following:

- Alaska Coastal Policy district boards will be local individuals appointed and put in charge and in control of the ACMP program. The concern: the ability to make laws and regulations should reside with State of Alaska elected officials and regulatory departments, to ensure broad statewide perspectives and public policies are maintained for the good of all citizens.

- Coastal districts will have authority to obtain grants and staff to directly carry out the process of approving or disapproving permits. The concern: the transfer of the authority of the legislature and state departments to non-elected persons or staff appointed by coastal districts. The bill could put individuals without the required technical expertise into a role of making wide ranging policy decisions that impact business and the economic health of the entire state.

- The districts will have authority to change existing statewide Alaska Department of Environmental Conservation (ADEC) established standards and permits for water, wastewater, and air quality. These technical, scientific, quantitative-based

regulations took years to develop and receive federal Environmental Protection Agency (EPA) approval for long sought-after Alaska primacy to administer. The concern: multiple districts possessing the ability to over-ride, change or eliminate complex scientific based standards and permits will create unacceptable confusion, inconsistency, and uncertainty in Alaska.

- Established timelines for agency and coastal districts taking permit actions would be eliminated. The concern: Lack of timelines for action creates a process that lacks accountability and cost restraint, and raises compliance issues due to policies and regulations that are unenforceable.

- Coastal district boards could regulate any project that "may" impact a coastal use or resource. The concern: This expands the inland and offshore boundaries of the coastal zone to an unknown extent, while potentially placing Alaska and State agencies in conflict with federal jurisdictions, such as offshore.

Stable, consistent rules, standards, and timelines are critical to all business interests, financers, and any development effort. Those certainties would no longer exist, making it extremely difficult for anyone needing permits for projects. The proposed bill as written imposes more unknowns on a process already quite complex and burdensome, and will drive good businesses elsewhere to friendlier environments as we have been seen over the past couple of years.

Sincerely,

June McAtee
Vice President, Land & Natural Resources
Calista Corporation

Shell Exploration & Production Company
3601 C Street, Suite 1000
Anchorage, Alaska 99503
Tel 907.770.3700
Fax 907.646.7135
Internet http://www.shell.com

March 29, 2010

The Honorable Donald Olson
Alaska State Senator
Room 514, State Capitol
Juneau, AK 99801

The Honorable Reggie Joule
Alaska State Representative
Room 502, State Capitol
Juneau, AK 99801

Subject: Senate Bill 4 and House Bill 74 -- An Act relating to the Alaska Coastal Management Program; and establishing the Alaska Coastal Policy Board.

Dear Senator Olson and Representative Joule:

In the two years since I came to Alaska to head Shell's business, I have shared with you our enthusiasm and genuine optimism for the oil and gas potential we see in the Chukchi and Beaufort Seas. We at Shell firmly believe oil and gas exploration and development activities in the Alaska Arctic will create thousands of jobs for Alaskans, including the residents of the North Slope, and generate billions in revenues. These potential developments will result in oil production that could last for 30 to 40 years, thereby extending the life of the Trans Alaska Pipeline and facilitating new, as yet unknown opportunities for additional hydrocarbon production. Most importantly, Shell as well as other industry participants believe that history will repeat itself and that the success industry had 20 years ago, drilling 35 exploration wells in the Beaufort and Chukchi Seas, will once again be achieved. These activities will unquestionably be conducted with the most technologically advanced, environmentally sensitive methods.

To date, Shell and several other world-class offshore companies have invested several billions of dollars just for the opportunity to explore for those resources. Billions have been spent on leases, specialized drilling equipment, baseline science, litigation, permitting and program modifications, including significant expenditures to accommodate local concerns (discussed further below). Shell's planned exploration drilling activities in 2010 alone will cost in excess of $400 million, requiring more than 100 separate contracts, and as many as 700 people either employed or contracted. We see the real potential for the investment of billions more in future years.

However, all of the potential for future production, as well as all of the investments made to date by my company and others, are in jeopardy by the proposed ACMP legislation being advanced in Juneau. Offshore oil and gas exploration projects in Alaska already face significant challenges in becoming commercial developments, including economics, expansive permitting requirements, extremely high logistics costs, aggressive environmental group litigation, and international competition for investment dollars. Passage of HB 74 or SB 4 would only increase those challenges. I strongly encourage your careful consideration of the impacts and implications of this proposed ACMP legislation. I am available at your convenience to discuss further the concerns I have outlined below.

Key elements of the ACMP bills that threaten future investment in offshore oil and gas exploration and production activities include:

- ADEC Carve Out – Opens extremely technical federal and state air and water permits to contradictory local standards, unnecessarily restrictive requirements, costly last-minute modification and extended approval timelines.
- Delayed Consistency Reviews – Defers consistency reviews until after **ALL** federal and state permits/authorization are in hand and eliminates all established timelines, which will result in the loss of the short exploration season.
- Expanded Regulatory Authority – Empowers local districts to establish restrictions beyond those imposed by state and federal law.
- Conflicting Standards – Imposes no requirement that local permit standards be consistent with controlling state and federal standards, thereby leading to additional litigation, increased costs and project delays.
- Local Veto – Effectively establishes a local veto over development of the resources that belong to all the people of Alaska and the Nation.

For this year's open water season, Shell proposes to drill two exploration wells in the Beaufort and/or Chukchi Seas, collect shallow hazards information and conduct biological marine surveys. To gain approval for these activities, Shell must secure 37 federal, state and North Slope Borough permits or authorizations. To date, only two permits/approvals have been issued final – we are still waiting for 35 additional approvals! I can assure you it is not because Shell has delayed applying for these permits. Many of the federal agencies deliver what is called 'just-in-time' permits, permits received just prior to operations commencing. All but two of these permits are annual permits, and we have already begun preparing permit applications for 2011.

In addition, Shell has invested significant time, energy and financial resources to address local concerns. Regulatory requirements for permits sought to date require a project applicant to conduct numerous community meetings. Shell believes that local input and participation in the permitting and leasing processes provides valuable information to ensure safe and environmentally sensitive operations. Shell has participated in over **250 engagements since 2007** to explain our plans, identify issues of concern and modify our program to address those concerns. I must add that consultation is the bedrock for all of these permitting processes. There is substantial opportunity for comments from residents. In fact, Shell has modified its program as a result of certain comments from communities.

Permit delays and overly restrictive limits are the single greatest risk to Shell's Alaska offshore exploration program.

This ACMP legislation places control of offshore activities in the hands of the local districts at almost every juncture – with much open-ended language and timeframes, subject to wide interpretation. In effect, it hands veto power over all oil and gas development to a local district that is officially opposed to offshore drilling. Regulatory uncertainty created by the proposed ACMP changes creates a powerful disincentive for Arctic exploration and development.

As an example, blackout dates for migrating bowhead whale cows with calves described in the North Slope Borough's draft District Enforceable Policies of May 10 - July 1 and August 1 - October 15 in effect end any chance of operating during the short open- water season. These restrictions are not even considered by the National Marine Fisheries Service, the agency responsible for protecting bowhead whales, because they are not necessary or supported by science. One needs to remember that over $500 million in studies have been completed over the last three decades to support these initial exploration leases.

The requirement that all federal and state permits for exploration are final before beginning the ACMP process may effectively kill any attempt to drill an offshore well.

This bill allows districts, without the limitation of respecting the limits of state or federal law, to attach any stipulation they wish to offshore permits.

Once again, Shell is committed to working with local communities in the leasing and permitting processes and has a proven track record of taking steps necessary to address the concerns presented to us. The capital we have expended to date in pursuit of this project is an indication on our part of a desire to modify our program as a result of consultations that already exist in the permitting process. However, placing local districts in charge of whether permits are issued or lease sales are held places unprecedented control of projects that will have statewide and national impact into the hands of only a few individuals. Such an unprecedented transfer of power – from collective decision making to local control - would, have far-reaching impacts on Alaska and the nation.

Alaskans want to see more exploration drilling and new oil for TAPS. The governor, legislature and citizenry are all looking for ways to provide an incentive and encourage companies to explore. And Shell is attempting to conduct just such a multi-year multi-well program with potentially huge benefits for Alaskans. Passage of HB 74 or SB 4 would tremendously compromise our ability to achieve those objectives and put Alaska's future financial stability at risk. I hope this provides you with the reasoning behind Shell's inability to support this legislation.

Sincerely,

Pete Slaiby
Vice President, Shell Alaska

March 22, 2010

Representative John Coghill, Chair
Members, of the House Resources Committee

Re: HB 74

Dear Representative Coghill and House Resources Committee Members,

The issue of the Coastal Zone Management has been bantied about for a number of years. HB 74 is meaningful in that it will re-establish a policy Board to give valuable guidance regarding development of coastal management enforceable policies. This is especially critical for the Kenai Peninsula with its miles and miles of coast line.

I am attaching the Resolution passed by the Kenai Peninsula Borough Assembly last year. It is as valid today as it was then.

Please support HB 74 and support Alaska's coastal communities.

Thank you,

Milli Martin
P.O. Box 2652
Homer, Alaska 99603
907-235-6652
Email: millimom@xyz.net

KENAI PENINSULA BOROUGH

Office of the Borough Clerk

144 North Binkley Street
Soldotna, AK 99669
Phone 907-714-2160
Fax 907-714-2388

Milli Martin, Assembly President
Pete Sprague, Vice President

MEMORANDUM

To: Assembly Members

From: Assembly President Milli Martin

Date: April 7, 2009

Re: Resolution 2009-030, Supporting Legislation Regarding the Alaska Coastal Management Program

The attached resolution offers general support for legislation now before both the House and Senate concerning the Alaska Coastal Management Program (ACMP). In my view, the ACMP is very important to the Kenai Peninsula Borough, as this borough has, mile for mile, the longest borough coastline in the state.

The Coastal Policy Council that was originally established in the legislation of 1977 worked well. The key to both pending bills is the reestablishment of the ACMP Coastal Policy Board that existed before the legislature removed it in 2003 with the enactment of HB 191. It is also a mechanism for coastal districts to appeal the decisions of the Department of Natural Resources (DNR) regarding the adoption of enforceable policies. Under the current policy, DNR has the final authority to interpret statutes and administrative code provisions, and deny policies on that basis. During the statutorily required rewrite of the Kenai Peninsula Borough Coastal Management Plan in 2003, a number of policies the borough used successfully for all concerned during 15 years of implementation were denied without appeal. Among policies DNR denied were those related to consideration of the impact of development in uplands adjacent to important river habitat, dredging and filling in water bodies, resource extraction on shorelines, and development in unstable areas.

In addition to the creation of the Board, a number of statutory and administrative code changes are necessary for the ACMP to live up to the purpose for which it was created. This purpose is to help those who want to invest in and develop projects to do so in a way that protects the uses and resources of coastal areas. The only opportunity the borough has "to have a seat at the table" during the project permitting process is through the ACMP.

I believe the Kenai Peninsula Borough has demonstrated over the years that both development and protection of resources can be accomplished. ACMP has been an integral part of the KPB since it was adopted by the borough in 1990.

I also recognize these bills will probably take two years for passage. However, I feel it is imperative to let members of the Legislature know the Assembly supports these efforts. The Alaska Municipal League has a letter of support on file, as did the cities of Cordova, Valdez, and Pelican, and the Aleutians West Coastal Resource Service Area. Resolutions from the Kodiak Island Borough and the City and Borough of Sitka have been sent to the legislature. I anticipate others will follow.

I ask your support of this resolution.

Introduced by:	Martin
Date:	04/07/09
Action:	Adopted as Amended
Vote:	8 Yes, 0 No, 1 Absent

KENAI PENINSULA BOROUGH
RESOLUTION 2009-030

A RESOLUTION SUPPORTING LEGISLATION TO ENABLE ALASKA'S COASTAL COMMUNITIES TO MORE EFFECTIVELY PARTICIPATE IN THE ALASKA COASTAL MANAGEMENT PROGRAM

WHEREAS, the passage of House Bill 191 by the Alaska Legislature in 2003 at the request of the Murkowski Administration attempted to "streamline the Alaska Coastal Management Program (ACMP) and through its implementation by statutory and regulatory amendments, forced a complete revision of all Alaska Coastal Management Plans in Alaska, including the Kenai Peninsula Borough plan; and

WHEREAS, as a result of the passage of HB 191, and new regulations imposed by the Alaska Department of Natural Resources, the Kenai Peninsula Borough lost more than 70 percent of the policies the borough had utilized effectively during the previous 15 years to assist development applicants while exercising appropriate stewardship of our natural resources; and

WHEREAS, Alaska Coastal Districts are unanimous in their appeal for revisions in Alaska Statutes and regulations to restore the ability of Alaskan communities to regain "a meaningful seat at the table" when management and development decisions affecting Alaska's coastal zones are being made; and

WHEREAS, Legislation with the following key provisions could restore to local governments a more meaningful role in the local development decisions and stewardship of coastal resources:

- Reestablishes an oversight board for the ACMP composed of five public members representing coastal districts and five commissioners of State resource agencies to make ACMP policy decisions.
- Establishes that the duties of the Board are to approve ACMP standards and criteria for district plans.
- Restores the ability of coastal districts, through their political bodies, to write meaningful enforceable policies by enabling policies to be prescriptive or performance-based, stricter or more specific than state or federal laws, but not violative of either.
- Reincorporates the Department of Environmental Conservation in the consistency review process.
- Reestablishes the ability of coastal districts, through their political bodies, to consider cumulative impacts in project reviews.

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That the Kenai Peninsula Borough supports the revision of the Alaska Coastal Management Program to restore and establish these provisions, among others, and permit the Assembly to consider the adoption of policies that are more reflective of the borough's concerns in its coastal zone.

SECTION 2. That a copies of this resolution be forwarded to Governor Sarah Palin, Senator Al Kookesh, Representative Woodie Salmon, Senator Con Bunde, Representative Mike Hawker, Senator Thomas Wagoner, Speaker Mike Chenault, Representative Kurt Olson, Senator Gary Stevens, Representative Paul Seaton, Senator Donald Olson, Representative Reggie Joule, Representative Bryce Edgmon, Representative Bob Buch and Department of Natural Resources Commissioner Tom Irwin.

SECTION 3. That this resolution takes effect immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 7TH DAY OF APRIL, 2009.

Milli Martin, Assembly President

ATTEST:

Johni Blankenship, Borough Clerk

Yes:	Fischer, Long, Pierce, Smalley, Smith, Sprague, Superman, Martin
No:	None
Absent:	Knopp

Introduced by:	Martin
Date:	04/07/09
Action:	Adopted as Amended
Vote:	8 Yes, 0 No, 1 Absent

KENAI PENINSULA BOROUGH
RESOLUTION 2009-030

A RESOLUTION SUPPORTING LEGISLATION TO ENABLE ALASKA'S COASTAL COMMUNITIES TO MORE EFFECTIVELY PARTICIPATE IN THE ALASKA COASTAL MANAGEMENT PROGRAM

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SECTION 3. That this resolution takes effect immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 7TH DAY OF APRIL, 2009.

Milli Märtin, Assembly President

ATTEST:

Johni Blankenship, Borough Clerk

KENAI PENINSULA BOROUGH 1964

Yes:	Fischer, Long, Pierce, Smalley, Smith, Sprague, Superman, Martin
No:	None
Absent:	Knopp

Alaska Eskimo Whaling Commission

P.O. Box 570 • Barrow, Alaska 99723

February 10, 2009

Honorable Reggie Joule
Alaska State Legislature
State Capitol, Room 502
Juneau, Alaska 99801

Re: House Bill 74, Alaska Coastal Management Program

Dear Representative Joule:

On behalf of the Alaska Eskimo Whaling Commission (AEWC), I wish to thank you for sponsoring House Bill 74 on the Alaska Coastal Management Program (ACMP). The AEWC supports the committee substitute adopted by the Senate Community and Regional Affairs Committee on February 5, 2009.

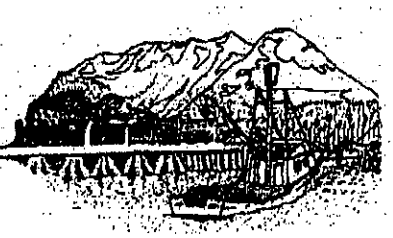
House Bill 74 would restore the effectiveness to the ACMP that has been lost as a result of recent changes to the program. The bill would make it clear that coastal districts may establish local enforceable policies, it would bring air and water quality considerations back into ACMP project reviews, and it would establish a coastal policy board composed of state agencies and coastal districts.

The bill would also restore provisions that ensure states' rights are duly considered during reviews involving federal activities or permits, including activities on the federal Outer Continental Shelf (OCS). One of the major reasons the Alaska State Legislature enacted the Alaska Coastal Management Act in 1977 was to take advantage of provisions in the federal Coastal Zone Management Act (CZMA) that give the state and coastal districts their most powerful tools to influence federal decision making. The remainder of our comments addresses these issues.

Section 19 of the bill would require review of seismic survey activities for consistency with the ACMP. Although scientific studies demonstrate that seismic surveys can profoundly affect marine mammals, these activities have been excluded from the scope of some ACMP reviews, including the review of a multi-year offshore drilling program in 2007.

Fax (907) 852-2303 • Toll Free 1-800-478-9909

CITY OF CORDOVA



February 9, 2009

Re: HB 74

To: House Community and Regional Affairs Committee
Senate Resources Committee
Representative Thomas
Senator Kookesh

HB 74 and the companion bill in the House address issues raised by Coastal Management Zone planners at the ACMP workshop in December, 2008, in Anchorage. The bills establish a coastal policy board, bring DEC back into the consistency review process, and allow coastal districts to have enforceable policies as long as they are not specifically barred by state or federal law.

Please support this bill.

Thank you.

Anne Cervenka
City Planner
City of Cordova

City of Cordova, P.O. Box 1210, Cordova, AK 99574 Direct (907)424-6233 Fax(907)424-6000

Native Village of Kotzebue
Kotzebue IRA

February 9, 2009

Honorable Reggie Joule
AK State Capitol
Room # 502
Juneau, AK 99801

RE: Support of H.B. 74 – An Act relating to the Alaska Coastal Management Program; and establishing the Alaska Coastal Policy Board

Knowledge of Language

Knowledge of Family Tree

Sharing

Humility

Respect for Others

Love for Children

Cooperation

Hard Work

Respect for Elders

Respect for Nature

Avoid Conflict

Family Roles

Humor

Spirituality

Domestic Skills

Hunter Success

Responsibility to Tribe

Dear Representative Joule;

The Native Village of Kotzebue writes in strong support of the House Bill 74 relating to strengthening the ACMP and establishing the Alaska Coastal Policy Board.

The Tribe was disappointed with the changes made to the program under previous Governor Frank Murkowski. The ability of the program to provide for real local involvement in development projects affecting the coastal environment of Alaska is very important to assure that projects are compatible with the needs and concerns of local communities. The changes to the program as envisioned under HB 74 would go a long way towards reaffirming the State's commitment to responsible development and local input as a vital component of such projects.

The Tribe supports the Coastal Policy Board as envisioned because it will provide an essential balance to the Alaska Coastal Management Program (ACMP). Currently, the commissioner of DNR makes all ACMP decisions, including approving district plans, which has been shown to be non-compatible with the needs of local communities as the recent wholesale rejection of the proposed Northwest Arctic Borough (NWAB) Enforceable Policies demonstrates. It is our understanding that the new board would be responsible for approving coastal district plans and any changes to the ACMP regulations, which should allow for a more responsive approach to approving local priorities as stated through Enforceable Policies.

Section 9 and Section 14 of the bill are especially useful in this regard, as they would clarify the criteria for Coastal District Enforceable Policies so as to obviate interpretation by DNR, because as the wholesale rejection of the NWAB District Plan relating to Enforceable Policies should show, it is currently not clear what the criteria are. The statutes currently allow districts to establish Enforceable Policies, but as it has been interpreted and implemented by the DNR, only one of the 50 enforceable policies proposed by the NWAB was approvable, which speaks to the disconnect between what local communities need and what the program is believed (by the DNR) to allow for. The bill would also allow coastal districts to address air and water quality issues during ACMP project reviews. Currently, activities permitted by DEC are unfortunately excluded from the coordinated consistency review of a project, which negatively impacts the ability of local communities to be able to take into account and fully mitigate the broadest range of impacts from any specific project falling under ACMP review.

We appreciate your leadership on ACMP revision and look forward to passage of this important Bill.

Sincerely,

Alex Whiting
Environmental Specialist

Linda Joule
Executive Director

333 Shore Avenue • P.O. Box 296 • Kotzebue, Alaska 99752
Phone: (907) 442-3467 • Fax: (907) 442-2162

.3420

Alaska State Legislature

Please enter into the record my testimony to the House Resources
committee name

Committee on HB 74 Coastal Mgmt Program , dated 4-15-09
bill # / subject public hearing date

See attached 2 pages

Signed: Gary Williams
Testifier

Kenai Peninsula Borough
Representing (optional)

144 S Binkley Soldotna, AK 99669
Address

Phone number

ALASKA MINERS ASSOCIATION, INC.

3305 Arctic Blvd., #105, Anchorage, Alaska 99503 • (907) 563-9229 • FAX: (907) 563-9225 • www.alaskaminers.org

April 15, 2009

Honorable Craig Johnson
Honorable Mark Newman
Alaska State House
Capitol Building
Juneau, AK 99801

Re: House Bill 74, Changes to Alaska Coastal Zone Management

Dear Representatives Johnson and Newman,

The mining industry has been involved in the Alaska Coastal Zone Management Program (ACMP) for many years. Several companies have raised concerns regarding the CSHB-74(CRA). They agree that ACMP is not working well but they cannot support the changes being proposed in CSHB-74(CRA). **The bottom line is that this bill would create an administrative quagmire for the state permitting process and would create tremendous uncertainty for all permittees.**

As proposed by CSHB-74(CRA), the coastal districts would be in charge of the program and control what is done. In this situation, **the coastal districts would be in a position to set the rules and enforce them without accountability to the Legislature or the Administration.** The bill would re-establish the Coastal Policy Council (calling it the Coastal Policy Board) with 5 public members and 4 state agencies (DNR, DF&G, DEC, & DCEED). The governor would choose the public members but must select them from a list supplied by the Coastal Districts. **The effect is that the districts would control the outcome of the selection process. This is not a good situation for ACMP or any other public policy issue.**

Further under CSHB-74(CRA), the Coastal Policy Board (CPB) would approve or disapprove all plans and regulations. If the board feels that an agency is not interpreting the policies the way they want, it would have the authority to order the agencies to change, irrespective of State statue or regulation. **The CPB would thereby effectively have authority over both the Legislature and the Administration.**

CSHB-74(CRA) would also eliminate what has been called the DEC "carve-out". It would allow districts to interpret state statutes and regulations relating to air quality, water quality, solid waste disposal, water injection, land issues, sanitation, food service, public health, etc. Many of these statutes and regulations have been developed over many decades of detailed technical evaluation by the agency and through a tremendous amount of public process and input. Others are nation-wide standards developed over many years by federal government scientists at the cost of millions of dollars. **The coastal districts do not and will not have the technical expertise to fully evaluate these issues.**

regulate something the legislature has not given them, the district could simply write it themselves and DNR, DF&G, DCEED would have to comply.

A second conclusion is that many of the examples mentioned above would raise constitutional questions. Because the CPB has the authority to go beyond state law, the bill has the effect of delegating legislative law-making to a public-dominated board. This delegation is not constitutionally allowed. Similarly, it removes interpretation of state regulations from the administrative branch — where the interpretations constitutionally belong — and gives this authority to the CPB. While some of these constitutional issues existed before passage of HB-191 in 2003 (specifically the homeless stipulations), CSHB-74(CRA) greatly magnifies and expands these legal problems.

A third conclusion is that the bill essentially does away with the concept of state interest. There are some decisions — whether and how a gasline should be constructed, expansion of the railroad, even oil development on the North Slope — that should be decided by the state, without a veto by local authorities. It is critical that local land-use issues and local concerns be taken into account by the permitting agencies, but some issues affect the entire state and must be determined on a state-wide basis. CSHB-74(CRA) essentially does away with this concept.

A final conclusion is that the changes proposed would create tremendous uncertainty for the regulated public. There is no way to escape a great deal of uncertainty as individual coastal districts have the final say in what was previously agency matters.

Thank you for the opportunity to address our concerns to you.

Sincerely,

Steven C. Borell, P.E.
Executive Director

Testimony of Patricia Phillips
Mayor, City of Pelican

House Resources Committee
House Bill 74 – Alaska Coastal Management Program
April 15, 2009

Co-Chair Johnson, Co-Chair Neuman and House Resources Committee, my name is Patricia Phillips; I am Mayor of the City of Pelican.

The City of Pelican supports House Bill 4 because it reinstates essential components to the Alaska Coastal Management Program (ACMP).
The State of Alaska and local coastal districts were once closely affiliated when the ACMP was first put into effect. However, more recently, the role of coastal districts has been impaired. HB 74 restores the ability of coastal districts to establish meaningful enforceable policies, discuss air and water quality issues during coastal management reviews, and provides a forum for coastal districts and state agencies through a "Coastal Policy Board". The main purpose is to reinstate local determination and due deference on matters of local concern regarding resources in coastal areas.

As a mayor of a small rural coastal community, I understand economic development is the driver to keep our communities vibrant and healthy. I see first-hand the onerous requirements of federal and state environmental reviews and permitting procedures. The ACMP is not just another regulatory program; rather, it coordinates the management authorities of state and federal agencies and local governments. The coordinated consistency review process allows all parties to consult with one another to work out issues early in the process prior to permits being finalized.

The ACMP Re-Evaluation process initiated by the Alaska Department of Natural Resources ended without consensus. I attended the December re-evaluation workshop in Anchorage and thought DNR missed an opportunity for consensus on many of the proposed changes to state statutes and regulations.

An important aspect of the ACMP is the ability of coastal districts to establish enforceable policies to address local conditions and concerns. Unique to Alaska is ANILCA which protects subsistence use on Federal public lands. Coastal districts need enforceable policies for subsistence and important habitat related to subsistence. Governor Palin recognized this when during her campaign for governor she pledged, "I would also revisit the change in regulations on the Alaska Coastal Zone Management program in which the past administration by eliminating the rights of local districts to write specific local enforceable policies on important issues like subsistence" (www.palinforgovernor.com). SB 4 establishes clear criteria for local policies that do not conflict with state or federal laws.

HB 74 establishes a Coastal Policy Board. This board is necessary to ensure the views of coastal districts and state agencies are considered for major coastal policy issues. The Coastal Management Program was designed to encourage the states to exercise their full authority over the lands and waters in the coastal zone by assisting the states, **in cooperation with** Federal and local governments and other vitally affected interests, in developing land and water use programs for the coastal zone [....], and giving of timely and effective notification of, and opportunities for public and local government participation in, coastal management decision-making.

HB 74 eliminates the "DEC carve-out" by bringing Department of Environmental Conservation permits into the project consistency review process. The draft statutes issued by the Alaska Department of Natural Resources last November supported elimination of the carve-out. Air and water quality affects nearly all coastal issues, so it makes sense to include these factors in the ACMP consistency review process.

Thank you for the opportunity to testify on this important bill, and I urge you to pass it out of committee at your earliest convenience.

Testimony of Carol Smith

Coastal Program Coordinator for the City of Valdez

Senate Resources Committee

Senate Bill 4 Alaska Coastal Management Program

Good Afternoon! My name is Carol Smith, I am the Coastal Coordinator for the Valdez Coastal District and member of the ACMP Re-evalution Stakeholder Group. Thank you for this opportunity to provide comments on HB 4 regarding changes to the Alaska Coastal Management Program (ACMP).

Because of the major regulation changes in 2003, the Valdez Coastal Management Plan went from 41 enforceable policies to 14. The updated Valdez Coastal Management Plan was approved even though a number of our meaningful policies were not approved. We felt it was important to be a part of the Alaska Coastal Management Program and it has been our hope that new regulations would be introduced to give the districts back more local input through meaningful policies. We believe the most affective coastal plan is a balance of Federal, State, Applicant and Local cooperation.

PROPOSED Coastal Policy Board: Section 1 of the bill would establish the Coastal Policy Board. We agree that the old Coastal Policy Council of 17 members did not always work well as it was too large and was made up of political representatives who were not always aware of everything that was happening with the ACMP. This proposed board is much smaller and would be made up of representatives of coastal districts and state agencies, and unlike the former council, it would not be responsible for project consistency reviews. The new board would only address ACMP issues. Appeals are now handled by the DNR Commissioner and the CPB would be a much fairer process.

ENFORCEABLE POLICIES: Sections 9 and 14 of the bill would make the criteria for district enforceable policies much clearer. A major problem since the 2003 changes has been varied interpretation of the new regulations by DNR. Districts need to be able to write meaningful enforceable policies that address local concerns. The bill would allow coastal districts to establish policies as long as they do not duplicate an existing law and do not address a matter preempted by a state or federal agency. The Alaska coastline is very vast and different so one shoe does not fit all situations.

DEC CARVE-OUT: The City of Valdez supports Section 37 of the bill which eliminates the "DEC Carve-out." At the November Workshop, the Alaska Department of Natural Resources and other state agencies indicated their support for bringing DEC back into the ACMP review process. Doing reviews on DEC projects has been very confusing and hard to coordinate for the state agencies as well as the coastal districts. It worked much better with the "one-stop shop" approach. We believe this change is very positive.

We realize this bill may not be perfect but it is a very positive step towards fixing problems that have been created by the 2003 regulations changes. The Coastal Districts want to see positive cooperation among all entities involved in the Coastal Management Plan.

Thank you for the opportunity to testify on Senate Bill #4. This concludes my testimony.

Testimony of Carol Smith
Coastal Program Coordinator for the City of Valdez

House Community and Regional Affairs Committee
House Bill 74 Alaska Coastal Management Program

Good Morning. M y name is Carol Smith, and I am the coastal coordinator for the City of Valdez. I appreciate this opportunity to provide comments on House Bill 74 on the Alaska Coastal Management Program (ACMP).

Before the regulation changes in 2003, the Valdez Coastal Management Plan had 41 enforceable policies and now has 14. The Valdez Coastal Management Plan was approved because we felt it was important to be a part of the Alaska Coastal Management Program even though we lost most of our policies. It was our hope that new regulations would be introduced to give the districts back more local input through meaningful policies.

My testimony will address four issues, the "DEC Carve-out," the renewal requirement for district plans, the proposed coastal policy board, and district enforceable policies.

DEC CARVE-OUT: The City of Valdez supports Section 37 of the bill which eliminates the "DEC Carve-out." At the November Workshop, the Alaska Department of Natural Resources and other state agencies indicated their support for bringing DEC back into the ACMP review process. Doing reviews on DEC projects has been very confusing and hard to coordinate for the state agencies as well as the coastal districts. It worked much better with the "one-stop shop" approach. We believe this change is very positive.

RENEWAL: Section 37 would also eliminate the requirement for coastal districts to update their plans every 10 years. If a plan is still current, there is no reason to update it. It is very costly and time consuming to update the plans.

PROPOSED CPB: Section 1 of the bill would establish the Coastal Policy Board. We agree that the old Coastal Policy Council of 17 members did not always work well as it was too large and made it very hard to setup meetings. Also, it was made up of political representatives who were not always aware of everything that was happening with the ACMP. This proposed board is much smaller, and unlike the former council, it would not be responsible for project consistency reviews. The new board would be made up of representatives of coastal districts and state agencies. This board would only address ACMP issues, so it would not be able to overrule an agency's authority. The new board would be made up of representatives of coastal districts and state agencies. This would be a fairer representation for the appeals process.

ENFORCEABLE POLICIES: Sections 9 and 14 of the bill would make the criteria for district enforceable policies much clear. Districts need to be able to write meaningful enforceable policies that address local concerns. The bill would allow coastal districts to establish policies as long as they do not duplicate an existing law and do not address a matter preempted by a state or federal agency. The Alaska coastline is very vast and different so one shoe does not fit all situations.

"Example: The Valdez Planning Commission wanted to address a gap in the clean air act between the different regulations. This request was denied as district plans cannot have policies on Air Quality.

Thank you for the opportunity to testify on HB 74. This concludes my testimony.

Testimony in Support of HB74
Yakutat Coastal District

The National Coastal Zone Management Act of 1972 created a program for balancing human actions within identified coastal districts. Noting the increase in population, decreasing space and diminishing resources the act attempted to create a system for making development decisions based on cooperation.

Local governments are specifically identified as cooperators in the CZMA. Under current regulations I feel we function merely as another public commenter and are not serving as empowered cooperators. We have no board to which we can bring disagreements and no ability to enact policies important locally. There were several projects that have occurred in recent years where the local district provided far more oversight then either the state or federal agencies involved. The problems were identified but there was no regulatory avenue for local districts to declare the actions as inconsistent which would have provided leverage to steer the project to a place within the spirit of the CZMA. Instead we had to stand by and watch or utilize other avenues to make our voices heard.

The ideas of local control, small government and self determination are intrinsic to American philosophy. Sometimes it is necessary to enable large government oversight to deal with problems such as coal emissions drifting from China to Alaskan shores. Other times it is appropriate to have management guided at the state level because some resources such salmon and waterfowl are migratory in nature and can be harvested across district boundaries. However, issues such as water quality, construction, mining, timber harvest, etc. are sedentary in nature and the people within the Coastal District will have to live with the short and long term consequences of the action. Sometimes the impacts can last for generations, long after the profit and jobs have moved on, so overall results should be positive not negative. Geographically bound projects, such as these, must be evaluated with strong local cooperation to ensure this happens.

Empowered local participation brings four benefits to the table;

1.) Site specific knowledge of local areas and ecological processes
2.) Rapid feedback loops by observing changes in local socioeconomic and environmental conditions
3.) One more check and balance emanating from a different perspective then visiting State or Federal regulators
4.) Respect

There must be strong policy at the local level that embodies the vision of those living there. The current situation leaves us as powerless bystanders or forces us to become antagonists; HB 74 reinstates the possibility that we can repair the Alaska Coastal Program, reinvigorate the public process, avoid unnecessary controversy and create a sustainable model for the state's future development.

Thank you for the opportunity to comment

Bill Lucey
Coastal Planner - Yakutat

LOCAL COOPERATION

Sec. 304 COASTAL ZONE MANAGEMENT ACT OF 1972

(4) to **encourage the participation and cooperation of** the public, state and **local governments**, and interstate and other regional agencies, as well as the Federal agencies having programs affecting the coastal zone, in carrying out the purposes of this title;
(5) to **encourage coordination and cooperation with** and among the appropriate Federal, State, and **local agencies**, and international organizations where appropriate, in collection, analysis, synthesis, and dissemination of coastal management information, research results, and technical assistance, to support State and Federal regulation of land use practices affecting the coastal and ocean resources of the United States; and
(6) to **respond to changing circumstances** affecting the coastal environment and coastal resource management by encouraging States to consider such issues as ocean uses potentially affecting the coastal zone.
(16 U.S.C. 1452)

THE SPIRIT OF THE COASTAL PROGRAM

SEC. 302. The Congress finds that—

(a) There is a national interest in the **effective management**, beneficial use, protection, and development of the coastal zone.
(b) The coastal zone is rich in a variety of natural, commercial, recreational, ecological, industrial, and esthetic resources of immediate and potential value to the present and **future well-being** of the Nation.
(c) The **increasing and competing demands** upon the lands and waters of our coastal zone occasioned by population growth and economic development, including requirements for industry, commerce, residential development, recreation, extraction of mineral resources and fossil fuels, transportation and navigation, waste disposal, and harvesting of fish, shellfish, and other living marine resources, **have resulted in** the loss of living marine resources, wildlife, nutrient-rich areas, **permanent and adverse changes to ecological systems,** decreasing open space for public use, and shoreline erosion.

TESTIMONY OF TOM LOHMAN
NORTH SLOPE BOROUGH DEPT. OF WILDLIFE MANAGEMENT
HOUSE RESOURCES COMMITTEE
HB 74
APRIL 15, 2009

Thank you to Co-Chairs Johnson and Neuman, members of the Committee, my name is Tom Lohman. I've been with the North Slope Borough, first with the Law Department and now with the Wildlife Department, for almost 22 years. Our local district plan was approved in 1988, my 2nd year with the Borough...so I've been at this for a long time.

First off, the ACMP is not like other regulatory schemes, it was never been intended to be like, and should not be like other regulatory schemes. It is unique, and was created that way beginning at the federal level with the Coastal Zone Management Act. It is a voluntary partnership, and any party that opts to become involved expects to benefit from their participation. States that opt into the national program agree to meet certain general conditions, and in return get federal dollars and the very unique commitment that federal activities and permits will be consistent with the different terms and conditions of the federally approved state programs. In return for that yielding to the authority and differing dictates of the various states, the federal government gets the protection of coastal resources and uses the Congress wisely recognized as being environmentally, economically, culturally, and otherwise of critical value to the country as a whole.

DNR and should stop trying to make the ACMP a one-size-fits-all statewide program like most other statutory and regulatory programs.

Now, mirroring the wisdom of Congress the Alaska Legislature in crafting our state program adopted an approach unique among participating states. Authority was further transferred down to the local level...to local districts...recognizing the uniqueness of Alaska, the great size and diversity of our coastal areas, and a certain spirit the makes communities bristle when told by remote decision makers what's best for them...in the same way every Alaska state administration has had reasons at various times to tell federal decision makers in DC, Seattle, or San Francisco to back off when they try to implement general nationwide regulations that may work elsewhere but don't make sense here.

DNR has been wrong when it has testified that the districts are seeking local "control" that would usurp state powers. It's important to distinguish between the ability of districts to adopt local policies, and have those policies approved at the state level...and the districts' role in project reviews. DNR testimony has mixed the two....as it has done with question about traditional and contemporary local knowledge.

At the district plan approval level, districts ought to be able to bring any relevant information in support of a proposed policy to the attention of the Board, including any information understood by local people that may not yet have been formalized in a western scientific report. Sometimes this can be traditional knowledge, passed down through generations. Increasingly, it's critical information about local environmental conditions and trends in the ecosystem. The Board members will not be idiots or sheep. They should and will critically probe the credibility of all information presented in favor and against a proposed policy, and will render their judgment accordingly. This kind of thing occurs all the time in the context of Game Board decisions, where differing local conditions require differing management prescriptions.

When we ask that districts be able to adopt policies that are more specific than one-size-fits-all state statutes or regulations, we are not advocating a wholesale redistribution of state authority to municipalities that would result in rejection of large numbers of projects or the imposition of unattainable standards that would drive development away from entire areas of the state. We are talking about the ability of districts to apply useful local information to proposed development under the specific local environmental and other conditions of their areas, in most cases to IMPROVE the design of projects and REDUCE conflicts earlier in planning processes.

An example would be, for instance, a district seeking a policy requiring that storage tanks of a certain size have 20% more secondary containment capacity than is required under state law if they know and can demonstrate at the plan/policy approval stage before the Board that such added capacity is necessary in the interests of environmental safety because there periodically is heavy local rainfall in the area. It may be that the heavy rainfall can be documented by western scientific evidence, or it may be that local conditions have so changed in recent years that only local contemporary information can be presented. It would be up to the Board, balancing its perception of the credibility of the information, the project's economics, the

ability or lack thereof to retrofit the tanks after construction, and other factors, to decide whether to approve the policy. Everyone, the community, developer, and state agencies, benefit from that kind of local input.

I think it's critical to continually reinforce that districts ARE NOT anti-development, districts ARE NOT trying to attain more influence than we had for most of the pre-2003 history of the ACMP, districts ARE NOT crazy. DNR has been asked for specific examples of districts using their broad and varied pre-2003 policies to significantly delay or halt a problem-free project that was not also being delayed or halted by some other agency under some other regulatory scheme. DNR has been asked if there are a large number of policies that districts have proposed that DNR sees as being .impediments to development in the state. DNR has been asked to identify any such policies. On all counts, DNR has yet to respond to these requests...by districts and your fellow legislators.

DNR has offered misleading testimony regarding districts' implementation of their plans during individual project reviews should this bill pass. DNR has alleged that industry will lack the certainty it needs to operate if different rules apply in different areas. That's already the case, as the oil industry, for instance, operates on both state and federal lands and waters, and in areas governed by the local ordinances of different local municipalities. Industry applicants can read maps. They know where the lines between jurisdictions are. The certainty they seek is in how established rules will be applied over time. They will have that certainty once district policies are approved.

The proposed Coastal Policy Board will play no role in individual project reviews. That was an issue before, with the old Council, but the Legislature solved the problem. There was a concern under the old system that third parties could use district policies by enlisting a few local residents as partners to delay or halt individual projects. The Legislature solved that problem. Nothing in the current bill will reverse those actions of the Legislature.

I want to remind you that "we" in the districts are not some outside group looking to affect development in the state. We are the state. We are your communities. We are your constituents. Under the districting concept, yes, there has been a limited grant from the state to local communities of some real voice and influence when it comes to deciding what is best in their own back yards. That small measure of influence is really important...not just to

the 28 or so active local districts across the state, but to the 150 or more communities and 2/3 of state residents we districts represent.

This bill tries to correct some of the damage that has been done to the program beginning six years ago now. When HB 191 passed in 2003, the Legislature, districts, and all of the residents that legislators and districts represent were assured that districts would be able to adopt meaningful local enforceable policies dealing with a broad range of coastal resources and uses. That simply hasn't happened, and despite years trying to play by the new rules after 2003, districts have been left with a greatly diminished role in the program.

It's been extremely frustrating that despite a couple of years of tremendous good faith effort and expense on the part of districts, the current administration has been slow to restore the program. DNR has testified in previous hearings about a lot of process, but has taken no action, and has revealed no plans, to actually do anything to fix the problems it admits do exist.

Commissioner Irwin gave his personal assurance at the statewide district meeting in Juneau in April of 2007 that DNR would fix what he acknowledged to be a broken program, but nothing was done. It was only when ACMP-related bills were filed in 2008 that DNR announced in February of that year that it would begin a formal reevaluation of the ACMP. Still, the reevaluation did not begin until July 2008. Department officials openly acknowledged that it was the bills that got them to act.

Again, in good faith, many districts put a lot of effort into our participation in the reevaluation. We met for three days in July. We submitted extensive written initial comments in August, attended 4 full-day meetings in September and October, and a 3-day intense meeting in early December to discuss proposed DNR legislation. We scrambled to prepare extensive comments yet again over the holidays, and were told that the goal was for DNR to file a bill at the start of this session.

DNR officials have acknowledged on multiple occasions that there are significant problems with the ACMP. There has been testimony that DNR has not yet reached "consensus", and so hasn't introduced a bill. What does that mean? Who can't reach consensus? Is it a problem within DNR? Between DNR and the Governor's Office? It's never explained. There has

been testimony that some "fix" may be possible short of statutory changes, but that is never explained either.

It's just baffling why, after so much effort on the part of the districts, that DNR cannot clearly explain its intentions with respect to the ACMP. It requires different skill sets to govern and to take pot shots at those who are trying to govern. Despite years of awareness of problems with the program, and the apparent waste of enormous effort on the part of the districts, DNR has offered no solution of its own, and done nothing this session except criticize the bills that others have introduced.

In vague explanation of its opposition, DNR has argued that there are some mysterious legal constraints on the executive branch's ability, either through the agency itself or a newly created coastal policy board, to approve district policies that are more specific than laws passed by the legislature. We think that's ridiculous, and have asked repeatedly for a more detailed legal briefing on the issue. We've seen none. DNR ought to provide for the Legislature and for districts a written legal opinion on this point, or should stop asserting it. No district is looking to adopt policies that conflict with or are preempted by state or federal law. None of us are anti-development, and never used our local plans to advance an anti-development agenda prior to the 2003 amendments. We just want some ability to shape the development that does occur to meet local needs, conditions, and concerns.

I commend Rep. Joule and the others who have sponsored this bill, ask that you move it, and thank you for the opportunity to testify today.

CITY/BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

OFFICE OF THE MANAGER
Telephone: (907) 586-5240; Fax: (907) 586-5385
Rod_Swope@ci.juneau.ak.us

April 14, 2009

The Honorable Craig Johnson, Co-Chair
The Honorable Mark Neuman, Co-Chair
House Resources Committee
State Capitol Building
Juneau, Alaska 99810-1182

Re: HB 74 Alaska Coastal Management Program

Dear Representatives Johnson and Neuman:

The City and Borough of Juneau supports the proposed changes to the Alaska Coastal Management Program (ACMP) in House Bill 74. The bill addresses the most serious problems in the ACMP which resulted from major changes to the program in 2003. Specifically, the bill would establish a Coastal Policy Board to provide local input in decision-making; the bill would restore the district role in the program by allowing greater flexibility to develop meaningful local policies; and the bill would bring the Department of Environmental Conservation (DEC) back into the review process.

Background. HB 191, approved by the Legislature in 2003, required revision of local coastal management programs to conform with new statutory and regulatory requirements. The legislature approved the bill with the assurance that districts would be able to retain local policies and a strong role in the program. This has not been the case. The Department of Natural Resources (DNR) has acknowledged that subsequent regulations were more restrictive than the legislature intended. As a result, districts across the state have lost 50-95 percent of their previously approved policies. The Juneau Coastal Management Program (JCMP) was reduced from 99 policies to 16. Twelve of these policies were approved only after a lengthy and costly mediation process with the state.

As an example, Juneau's policy requiring a 50-foot setback from catalogued salmon streams could not be accepted under the 2003 program changes. This policy has support from state and federal agencies, it is accepted by developers, and it is non-controversial. However, the policy cannot be approved in the revised ACMP because it addresses water quality issues covered by DEC, because mapping requirements are too restrictive, and because various other hurdles in the program, including the "important habitat" designation, cannot be met.

The Juneau Assembly and Planning Commission decided to retain important coastal management policies in the city land use code even though those policies were rejected by the state in the ACMP. As a result, local habitat policies are now reviewed through an entirely separate local process rather than through a coordinated process with the state. This adds significant time and expense to applicants, especially if the project description is modified through the course of the local review. Furthermore, it is contrary to one of the major goals of the ACMP, which is to streamline and coordinate review processes for development.

ACMP as a Management Tool. CBJ has formally participated in the ACMP since our local plan was first approved in 1986. We have used the program to develop our local waterfront areas and to expedite development on lower-value wetlands, in addition to protecting certain sensitive habitat areas. Specifically, the JCMP has established Special Waterfront Areas, which are areas set aside for development. These areas have lower habitat standards, and developments must be approved if basic requirements to minimize impacts have been met. The Special Waterfront Area designation has allowed us to develop four major cruise ship ports, a seafood processing plant, the Alaska Marine Highway Ferry Terminal, and many harbors and marine cargo and transport facilities.

Similarly, the Juneau Wetlands Management Plan, a component of the JCMP, categorizes wetlands into high value and low value. JCMP policies on low value wetlands have much lower review standards to expedite development. These standards must be respected by the Corps of Engineers and other reviewing entities who might otherwise take a more restrictive approach to development.

These policies are very important to CBJ and allow local needs for development to be carried forth formally through the ACMP review process. CBJ has a vested interest in a strong local economy. The ACMP has never been used to slow or stop development, only to manage it in accordance with local needs. DNR has never been able to site an example, anywhere in the state, of a halted or delayed project from ACMP. Quite simply, there is no justification for reducing or eliminating the district role in the program. There is every reason to restore it, in accordance with the Alaska State Constitution mandate, for maximum local self-governance.

Project Examples. Legislators from both the House and Senate have requested specific local examples of where coastal districts have been prohibited from participating in project reviews under the current program. An example in the CBJ is the Taku River Tulsequah Barging Project. This barge project would use a combination of shallow-draft river tugs and tracked and tired low ground pressure vehicles to tow or push Air Cushion Barges along the Taku River. This project is controversial because the Taku River is the largest and most productive salmon stream in Southeast Alaska, and the river is heavily used for both commercial fishing and recreational use. CBJ has no local policies in the current ACMP with which to review this project. Under the previously approved JCMP, prior to 2003, CBJ would have reviewed the proposal under four different policies. CBJ has participated in the current review, but our comments are limited to review of the statewide standards. These standards are very limited in scope, and CBJ will not

have deference regarding project conformance with state policies. Local enforceable policies are critical for meaningful participation in this review.

ACMP Re-evaluation. In August through December 2008, DNR conducted a four month re-evaluation effort in response to proposed legislation from the previous session. CBJ actively participated throughout this effort. DNR stated that the goal of the re-evaluation was to address problems with the program and to introduce new legislation at the beginning of the 2009 session. DNR also stated that the goal was not to reach consensus but rather to develop a constructive dialogue. During the stakeholder meetings, participants found many points of agreement and asked DNR to record those points, but DNR declined.

DNR now states that legislation has not been proposed because of lack of consensus, and because program changes may not be necessary. The recent ACMP statewide conference, held in Juneau March 3-5, did not include the re-evaluation effort on the agenda. The stakeholder group and ACMP Working Group discussions on the issue have come to a halt. DNR shows no sign of addressing the serious problems with the program and continues to be resistant to active district participation in the program. This is why CBJ supports the current legislation; it appears to be our best hope of restoring a local role in the program.

How HB 74 Helps Local Districts. HB 74 would allow coastal districts to establish local enforceable policies in the program as long as those policies are not pre-empted by state or federal law and do not interfere with an issue of state concern. It's important to note that with the pre-emption clause, local policies cannot override state or federal authority. Furthermore, all policies must have full scientific support for approval. The changes proposed in HB 74 promote active, meaningful local input, not local control.

The proposed Coastal Policy Board would approve local coastal management programs, approve ACMP regulations, and administer the ACMP grant program. Establishment of this board is critical for restoring balance in the program and a fair review of district policies. As described in the Background section, district plans were drastically reduced by the 2003 changes and DNR has been resistant toward an active district role in the program. The proposed nine-member board would address this imbalance and bring local community representatives back into the decision-making process. The board would not override agency authority because the board would not conduct project reviews, because district policies cannot pre-empt state or federal law, and lastly because the board would have full agency representation.

Restoring DEC's role in the ACMP is equally important to districts. Separating DEC and all air and water quality issues from ACMP reviews has resulted in a fragmented review process for applicants and has once again limited local district policies. CBJ lost many valuable enforceable policies in our local program simply because the policies indirectly addressed water quality. These included such minimum protections as Best Management Practices to control erosion. During one project review regarding gravel mining in a salmon stream, the project was approved through the full ACMP review process and then denied by DEC, which added significant time and expense for the applicant.

In closing, CBJ encourages the House Resources Committee and subsequent committees to move this bill forward. This legislation is critical for restoring a meaningful role for local communities in coastal management and resource development decisions. Thank you for the opportunity to comment.

Sincerely,

Rod Swope
City & Borough Manager

cc: Representative Beth Kerttula
Representative Cathy Muñoz
House Resources Committee Members:
Representative Bryce Edgmon
Representative Kurt Olson
Representative Paul Seaton
Representative Peggy Wilson
Representative David Guttenberg
Representative Scott Kawasaki
Representative Chris Tuck

NORTHWEST ARCTIC BOROUGH
RESOLUTION 09-07

A RESOLUTION OF THE NORTHWEST ARCTIC BOROUGH ASSEMBLY SUPPORTING HOUSE BILL 74 (HB-74) AND SENATE BILL 4 (SB-4) REGARDING THE ALASKA COASTAL MANAGEMENT PROGRAM (ACMP)

WHEREAS: The Alaska Legislature is reviewing two bills, HB-74 introduced by Representative Joule and SB-4 introduced by Senator Olson, that would allow coastal districts to propose enforceable policies for coastal uses and resources that address local knowledge of the areas as long as the policies do not conflict with state or federal laws; and

WHEREAS: HB-74 and SB-4 would establish a coastal policy board (CPB) for public involvement in the program and include representation from the Alaska Department of Natural Resources, Department of Fish & Game, Department of Environmental Conservation, Department of Commerce, Community and Economic Development as well as coastal districts; and

WHEREAS: A subsistence way of life is a very important matter of local concern to the Northwest Arctic Borough, but subsistence use areas and subsistence enforceable policies were disapproved by the State of Alaska for the Northwest Arctic Borough's coastal management plan; and

WHEREAS: Governor Sarah Palin made campaign promises to revisit the ability of coastal districts to write enforceable policies, especially for subsistence; during her campaign for governor; and

WHEREAS: HB-74 and SB-4 would bring air and water quality issues back into the coordinated ACMP consistency review process because almost all coastal resources and uses are related to air and water quality and should be considered during project reviews to consolidate efforts and reduce duplication.

NOW THEREFORE BE IT RESOLVED that the Northwest Arctic Borough Assembly supports the legislative changes proposed in HB-74 and SB-4, which would allow coastal districts across the State of Alaska to create meaningful enforceable policies including policies for subsistence uses and resources; and

BE IT FURTHER RESOLVED, that the Assembly supports the proposed legislation as it would restore a Coastal Policy Board (CPB), which would provide a streamlined planning and policy review process with effective public engagement.

PASSED AND ADOPTED THIS 31st DAY OF MARCH 2009.

Walter G. Sampson, Assembly President

PASSED AND APPROVED THIS 31st DAY OF MARCH 2009.

Siikauraq Martha Whiting, Mayor

SIGNED AND ATTESTED THIS 31st DAY OF MARCH 2009.

Helena Hildreth, Borough Clerk

PRINCE WILLIAM SOUND RCAC

Regional Citizens' Advisory Council / *"Citizens promoting environmentally safe operation of the Alyeska terminal and associated tankers."*

In Anchorage: 3709 Spenard Road / Suite 100 / Anchorage, Alaska 99503 / (907) 277-7222 / FAX (907) 277-4523
In Valdez: P.O. Box 3089 / 130 South Meals / Suite 202 / Valdez, Alaska 99686 / (907) 834-5000 / FAX (907) 835-5926

MEMBERS

Alaska State Chamber of Commerce

Alaska Wilderness Recreation & Tourism Association

Chugach Alaska Corporation

City of Cordova

City of Homer

City of Kodiak

City of Seldovia

City of Seward

City of Valdez

City of Whittier

Community of Chenega Bay

Community of Tatitlek

Cordova District Fishermen United

Kenai Peninsula Borough

Kodiak Island Borough

Kodiak Village Mayors Association

Oil Spill Region Environmental Coalition

Prince William Sound Aquaculture Corporation

March 20, 2009

Honorable Craig Johnson
Honorable Mark Neuman
Co-Chairs, House Resources Committee
Alaska State Capitol
Juneau, Alaska 99801

Dear Representative Johnson and Representative Neuman:

The Prince William Sound Regional Citizens' Advisory Council supports House Bill 74 (HB 74) and urges the Resources Committee to hold a hearing on this important bill. HB 74 would restore the effectiveness to the Alaska Coastal Management Program (ACMP) by bringing the Alaska Department of Environmental Conservation (ADEC) back into the coordinated consistency review process.

The Prince William Sound Regional Citizens' Advisory Council was pleased that the Alaska Department of Natural Resources (ADNR) supported elimination of the "ADEC carve out" in its November 24, 2008 proposed amendments to the ACMP statutes. Although ADNR did not introduce a coastal management bill this session, HB 74 would implement the agency's recommendation to bring air and water quality issues back into project consistency reviews.

We recommend a minor amendment to the bill that would re-establish regional citizens' advisory councils as review participants during project consistency reviews when a project requires an oil discharge prevention and contingency plan. Prior to removal of the ADEC from the ACMP, consistency review process in 2003, the ACMP regulations gave regional citizens' advisory councils special status as a review participant.

Specifically, we recommend changes to AS 46.40.096(d) and AS 46.40.096(q) as detailed below. Although review participants are currently recognized in the ACMP regulations, we believe it would be important to include them to the ACMP statutes with the addition of regional citizens' advisory councils.

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Amend AS 46.40.096 (d) as follows:

(d) In preparing a consistency review and determination for a proposed project, the reviewing entity shall

(1) provide an opportunity for review participants to request additional information and request consistency review comments for the proposed project from review participants [STATE RESOURCE AGENCIES, AFFECTED COASTAL DISTRICTS] and other interested parties as determined by regulation adopted by the department;

Add a definition to AS 46.40.096(q):

(3) "review participant" means

(A) a state resource agency, a state agency that has requested participation in a consistency review, an affected coastal resource district; and

(B) if a project includes an oil discharge prevention and contingency plan required under AS 46.04.030, an affected regional citizens' advisory council as established under 33 U.S.C. 2732(d), in addition to the persons listed in (A) of this paragraph.

Thank you for this opportunity to express our support of HB 74. We look forward to the Resource Committee hearings on this bill.

Sincerely,

Donna Schantz

Donna L. Schantz
Acting Executive Director

cc: Representative Reggie Joule, HB 74 sponsor
Representative Bryce Edgmon, House Resources Committee
Representative Kurt Olson, House Resources Committee
Representative Paul Seaton, House Resources Committee
Representative Peggy Wilson, House Resources Committee
Representative David Guttenberg, House Resources Committee
Representative Scott Kawasaki, House Resources Committee
Representative Chris Tuck, House Resources Committee

Introduced by:	Rick Gifford, Manager
Requested by:	Assembly
Drafted by:	Community Development Dept.
Introduced on:	03/05/2009
Adopted on:	03/05/2009

KODIAK ISLAND BOROUGH
RESOLUTION NO. FY2009-21

A RESOLUTION OF THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH SUPPORTING THE LEGISLATIVE AMENDMENTS PROPOSED IN HB-74 AND SB-4 TO RESTORE CERTAIN CHECKS AND BALANCES TO THE ALASKA COASTAL MANAGEMENT PROGRAM (ACMP) THAT FAVOR THE MEANINGFUL PARTICIPATION OF LOCAL COMMUNITIES AND COASTAL DISTRICTS IN THE PROJECT REVIEW PROCESS

WHEREAS, the Alaska Coastal Management Act of 1977 created a sixteen member Alaska Coastal Policy Council (CPC) comprised of seven State-agency heads and nine local elected officials whom the governor appointed from a list of names submitted by local officials in each of nine coastal regions defined in the Act; and

WHEREAS, the CPC, with support of the former Division of Governmental Coordination in the Alaska Governor's Office, was responsible for approving coastal district policies, approving coastal district management plans and hearing appeals from decisions on coastal development projects; and

WHEREAS, the CPC was omitted from the legislative revision of the Alaska Coastal Management Program in 2003 and the statutory and regulatory changes required the Kodiak Island Borough to rewrite its coastal management plan and enforceable policies; and

WHEREAS, the resulting KIB Coastal Management Plan cannot have enforceable policies addressing a resource or subject matter that is regulated by another state or federal agency, leaving very little for the Borough to comment on as project comments are likewise restricted to only those matters for which the KIB has enforceable policies; and

WHEREAS, the Kodiak Island Borough does not regulate environmental factors such as air, water and habitat; however, it would still benefit the KIB to have meaningful and reasonable coastal policies addressing these and other areas of concern as a basis for inter-agency coordination with those state and federal agencies which exercise these authorities; and

NOW, THEREFORE BE IT RESOLVED BY THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH that the Kodiak Island Borough, concurrently acting as the Kodiak Island Coastal District in this matter, supports the legislative changes proposed in HB-74 and SB-4, which would restore a Coastal Policy Board (CPB), in lieu of the former CPC, which would provide a more streamlined planning and policy review process than the former CPC and which would provide balance and intellectual independence from the centralized policy, planning and permitting program administered by the Division of Coastal Ocean Management (DCOM) within the Alaska Department of Natural Resources (ADNR); and

BE IT FURTHER RESOLVED that the proposed legislation would: 1) create a CPB consisting of five public members appointed by the governor including one at-large and one member from each of four coastal district regions which are Northwest, Southeast, Upper Cook Inlet and Southwest; and, four commissioners from the departments of environmental conservation, fish and game, natural resources and commerce, community and economic development, which would be responsible for approving coastal grant allocations, coastal district policies, and approving coastal district plans; 2) would restore the ability of coastal districts to adopt meaningful plan policies even if they involve technical environmental issues or resources regulated solely by a state or federal agency as a basis for local dialogue during project reviews and coordination with those same state and federal agencies which are responsible for regulating said environmental factors and resources; and 3) would restore subsistence use of animal and vegetative resources as a use of state concern in the coastal zone; and

BE IT FURTHER RESOLVED that these bills would promote economic development by bringing local, state, and federal agencies closer together to ensure early resolution of issues related to a development project. Although the Kodiak Coastal District still has a "seat at the table" with state and federal agencies, the currently approved plan policies do not allow any overlap with the regulations or jurisdiction of said agencies, leave very little for the Kodiak Coastal District to comment on because comments can only flow from the districts adopted policies, thereby discouraging local input into the project review process and the minimizing the agency coordination which is intended to be the hallmark of the coastal project review process.

ADOPTED BY THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH
THIS FIFTH DAY OF MARCH, 2009

KODIAK ISLAND BOROUGH

Jerome M. Selby, Borough Mayor

ATTEST:

Nova M. Javier, CMC, Borough Clerk

THE ALLIANCE

...for responsible development of Alaska's Oil, Gas & Mineral Resources

646 West Fourth Ave., Suite 200 * Anchorage, AK 99501 * Phone (907) 563-2226 * Fax (907) 561-8870

March 3, 2009

Rep. Craig Johnson, Co-Chair
Rep. Mark Neuman, Co-Chair
House Resources Committee
Alaska State Legislature
State Capitol (MS 3101)
Juneau, Alaska 99801-1182

Dear Reps. Johnson & Neuman,

We're writing on behalf of the Alaska Support Industry Alliance to urge you to oppose House Bill 74 relating to Alaska's coastal management program.

As you know, the program was reformed in 2003 to address inconsistencies, ambiguities and time-consuming redundancies that hampered resource development projects and discouraged investment. The reforms have worked, without compromising environmental standards. If it's fixed, don't break it.

The Alliance's growing membership now includes more than 460 organizations that provide goods and services to Alaska's oil, gas and mining industries - the industries whose investments not only are the backbone of our state's economy, but also are most susceptible to the regulatory roadblocks embodied in HB 74.

Our members and their 35,000-plus Alaska employees - your constituents - already are suffering the effects of reduced investment driven by the global economic downturn, lower oil prices and an uncompetitive state tax structure for oil and gas. Hundreds of Alaska workers in the industry have been laid off from their jobs in recent weeks; thousands more are vulnerable. Margins of Alaska contractors and suppliers also are being squeezed as oil companies seek to reduce operating and capital costs.

Reps. Johnson and Neuman, don't jeopardize even more Alaska jobs and businesses by recreating regulatory and permitting obstacles in the coastal management program and making Alaska an even less attractive place to invest. We urge you to just say "no" to HB 74. Thank you.

Sincerely,

Jeanine St. John
President

Paul Laird
General Manager

3447

KETCHIKAN GATEWAY BOROUGH
344 FRONT STREET • KETCHIKAN, ALASKA 99901
• 907/228-6625 • fax 907/247-6625

OFFICE OF PLANNING AND COMMUNITY DEVELOPMENT

February 23, 2009

HB 74: House Resources Committee
Committee Co-Chairs: Representative Mark Neuman and Representative Craig Johnson

Dear Representative Neuman and Representative Johnson,

The purpose of this letter is to express my support for House Bill 74 and Senate Bill 4. As the Coastal Coordinator for the Ketchikan Gateway Borough I was fully immersed in the coastal plan amendment process, an extremely lengthy and frustrating experience. Ketchikan's plan was approved in March of 2008. The end result was a watered down plan with very few enforceable policies. The aspects of the plan that the Ketchikan District deemed most important and applicable to the average permittee were relegated to the appendix of the plan, or had to be labeled as "non-enforceable." The proposed legislation contained in HB 74 would restore the ability for the coastal district to establish more meaningful policies that address our local concerns, without duplicating existing state or federal law.

As Coastal Coordinator for the Ketchikan District, I would also like to advocate for the Coastal Policy Board proposed in the legislation. Reinstating the Coastal Policy Board would provide a much needed check and balance system to the Alaska Coastal Management Program (ACMP), and most importantly, offer the coastal districts a seat at the table regarding coastal policy decisions. The board would approve coastal district plans, approve overall grant programs, and approve changes to the ACMP regulations prior to adoption by the Department of Natural Resources. Currently all ACMP decisions and responsibility lies with the DNR Commissioner, not leaving much room for compromise and collaboration from the districts and state agencies.

Lastly, I support eliminating the "DEC Carve-out." It has been extremely confusing to have DEC permits in a separate permit process, as well as inefficient. The proposed legislation would allow DEC to retain authority for air and water quality statutes and regulations, making the permitting process streamlined and easier to navigate.

Thank you for the opportunity to comment.

Sincerely,

Leslie Jackson
Associate Planner

PIONEER
NATURAL RESOURCES ALASKA

March 10, 2009

Representative Craig Johnson, Co-Chair
Representative Mark Neuman, Co-Chair
House Resources Committee
State Capitol
Juneau, Alaska 99810-1182

Re: House Bill 74 – Alaska Coastal Management Program

Dear Representatives Johnson and Neuman:

On behalf of Pioneer Natural Resources Alaska, Inc. (Pioneer), I am writing to express our concern with House Bill 74 – a bill that would significantly alter the existing Alaska Coastal Management Program (ACMP.)

Pioneer is an independent oil and gas exploration and production company headquartered in Dallas, Texas with operations in the United States, Tunisia and South Africa. In Alaska Pioneer operates the Oooguruk Unit on the North Slope and the Cosmopolitan Unit in Cook Inlet. The company also maintains a substantial leasehold position in the state. With first production from our Oooguruk Unit in June 2008, Pioneer became the first independent company to operate a field on the North Slope. Pioneer brought the project online in five years – from exploration wells to first production – an unprecedented timeline for a North Slope offshore project.

In Pioneer's experience, the ACMP isn't broken and does not warrant the substantial overhaul contemplated in House Bill 74. In fact, the successful development of our Oooguruk project under the existing ACMP is a strong endorsement of the current program. Pioneer worked extensively with local, state and federal regulatory agencies and stakeholders to ensure the project was designed to minimize impact to the coastal environment and resources while maximizing its benefits.

Pioneer responded to more than 200 comments, many from local stakeholders, during the state's coastal consistency review and the federal project review. Additionally, the North Slope Borough adopted a "re-zone" ordinance specific to the Oooguruk project which addressed a number of issues of importance to the Borough, including subsistence, Native allotments and cumulative impacts. Finally, the public had multiple opportunities to comment on the project throughout the Alaska Department of Environmental Conservation's (ADEC) processing of Oooguruk's air permit and oil spill contingency plan.

700 G STREET, SUITE 600 - ANCHORAGE, AK 99501 - MAIN 907-277-2700 - FAX 907-343-2190

Working with government regulators and other stakeholders, Pioneer undertook a number of initiatives to ensure Oooguruk did not have a detrimental impact to the coastal environment and resources. Many of these actions were developed to respond to issues and concerns raised during the project's consistency review.

- The company has conducted numerous studies to determine the project's possible impacts to bowhead whales, caribou and fish. We monitor polar bear, caribou, fox and bird activity continually and train our employees to avoid any interference with the subsistence activities of local residents.

- Pioneer designed Oooguruk's development wells on 7ft centers limiting the size of our drilling island to a mere six acres, reducing our need for gravel and minimizing the project's surface footprint. From a six-acre drill site we will develop a subsurface reservoir of roughly 10,000 acres.

- To minimize the potential for leaks produced fluids travel through the project's sub-sea flowline bundle in a pipe-in-pipe design. Sophisticated pressure monitoring allows for precise detection of leaks. The flowline bundle is the first of its kind on the North Slope.

- To accommodate caribou crossings the vertical support members (VSM) used to elevate the onshore section of the project's flowline are 7ft high – the highest VSMs on the North Slope.

Taken as a whole, the ACMP provides a robust regulatory process – one that provides the public and interested stakeholders with meaningful opportunities to engage with project sponsors and helps ensure development in Alaska's coastal zone is done right.

Compared to the current program, House Bill 74 creates an ACMP with significantly broader scope, increased bureaucracy, a number of poorly defined and undefined terms and less schedule certainty for project sponsors. It is unclear whether any of these changes will produce corresponding benefits to the coastal environment. On the other hand, project developers are likely to face increased costs as coastal consistency determinations become more complicated and time intensive.

- *Scope Growth*
  House Bill 74 expands the state's coastal zone into the federal waters of the outer continental shelf as well as lands inland of the coastal zone. This change dramatically increases the program's jurisdiction and increases the uncertainty regarding when and where the program will be applied.

- *Bureaucratic Expansion*
  The legislation creates the Alaska Coastal Policy Board (Board) adding an additional layer of bureaucracy and costing the state hundreds of thousands of dollars annually. The new entity, with limited staff and resources, will assume some of the duties and

responsibilities currently vested in the Alaska Department of Natural Resources (ADNR) and ADEC – state agencies properly equipped to handle the workload.

- *Definitions*
  House Bill 74 adds a new term to the statute – "special management area" – which is defined so broadly as to likely include the state's entire coastal zone. This term is sure to cause disputes among the Board, state agencies and project sponsors over interpretation and applicability. Such disputes will only increase the time and cost needed to conduct a consistency review.

- *Schedule Certainty*
  The legislation removes the time limitations currently used by the resource agencies in issuing consistency determinations for any federal activity or authorization. Since few, if any, development projects in Alaska's coastal zone do not require at least one authorization from a federal agency, the practical effect of this language is to eliminate schedule certainty for essentially all proposed projects.

  Additionally, the bill sets aside a provision in the current program which specifies the air, land and water quality standards administered by ADEC constitute the standards for the purposes of the ACMP. Elimination of this provision will require ADEC permits to undergo consistency review leading to possible disagreements regarding interpretations, as well as project delays due to the significant lead times associated with many ADEC permits.

The net effect of the changes proposed in House Bill 74 will be to increase the cost, complexity and time needed for a project sponsor to acquire a consistency determination. Making the regulatory process in Alaska more burdensome sends a negative signal to prospective investors particularly if there are not clear corresponding benefits to the coastal environment and resources. Today at Oooguruk, Pioneer operates under roughly 250 permits and authorizations issued and enforced by more than a dozen different local, state and federal agencies. We do not believe the facts warrant a more expansive and complicated ACMP.

Put simply, the current program is not broken. In fact, proponents of the legislation have not been able to identify a single project authorized under the current system which they believe to be inconsistent with state or coastal district standards. Meanwhile, projects like Oooguruk stand as testament to the balance and success of the current system.

The concerns of coastal zone stakeholders are important and their participation in the permitting process helps assure development is done right. Pioneer's experience with the current ACMP program has been largely positive. The program is a critical piece in the state's regulatory regime and it successfully balances rigorous permitting standards and public access with a process that is reasonably efficient from the standpoint of project sponsors. Pioneer does not see a need for the substantial changes proposed in House Bill 74 and we do not support moving the bill forward.

Thank you for your consideration of our position on this important issue. Please feel free to contact me if I can answer any questions or provide you with additional information.

Sincerely,

Tadd Owens
Director, Government & Public Affairs

Alaska Republican Party
Resolution # 2009-A

TITLE: Support for the Current Alaska Coastal Management Program (ACMP)

POSITION STATEMENT: The Alaska Republican Party strongly supports retaining the current Alaska Coastal Management Program (ACMP) because it provides concise and predictable permitting for business development opportunities in Alaska's coastal zone. Any modifications to the ACMP should reflect the following principles: clarity in the applicability and scope of consistency reviews, procedural streamlining, non-duplication of state and federal laws and regulations in local district policies, limited locally-designated areas based on special or unique local conditions, and "carve out" of the Alaska Department of Environmental Conservation (ADEC).

SUPPORT FOR POSITION:

1. After the ACMP program was first adopted in 1978, federal and state environmental laws and regulations evolved, becoming more rigorous, thus making the scope of consistency reviews, statewide standards and district enforceable policies redundant or duplicative. Conflicting requirements between ACMP and state and federal programs also created numerous complexities in complying with the program.
2. The ACMP program underwent a complete and thorough review in 2003 that resulted in several changes removing many of the obstacles for the business community by establishing clear triggers for applicability, identifying the information necessary for a complete application and setting clear deadlines for requesting additional information, establishing applicable standards for consistency reviews, and establishing firm deadlines for completion of consistency reviews.
3. One of the most significant permit streamlining benefits in the 2003 changes is what is known as the "ADEC carve out" which provides that ADEC's air, land, and water quality standards are the exclusive standards of the ACMP. This means that ADEC's standards adequately address those regulatory matters, and coastal districts may not establish any enforceable policies that lie within the regulatory purview of ADEC's environmental programs.
4. Additionally, the current ACMP program establishes clear boundaries on the scope and subject matter of statewide policies and district enforceable policies. The program requires coastal districts to focus their enforceable policies on "matters of local concern", which need to be appropriately justified in clear and concise language.
5. Maintaining the current ACMP program is supported by many in the regulated community, including the oil and gas industry, mining industry, and several Native corporations.

ACTION REQUIRED for the POSITION:

Alaska Republican Party members will work with the regulated community in evaluating any proposed statutory and/or regulatory changes to the ACMP program to ensure the core principles described above are retained. Potential involvement may include, but not be limited to, testifying at public hearings, submission of written comments and devoting public forum and/or publication space to provide information about the ACMP.

North Slope Borough

OFFICE OF THE MAYOR

P.O. Box 69
Barrow, Alaska 99723
Phone: 907 852-2611 or 0200
Fax: 907 852-0337 or 2595
email: edward.itta@north-slope.org

Edward S. Itta, Mayor

February 3, 2009

Senator Donny Olson
Alaska State Legislature
State Capitol, Room 514
Juneau, Alaska 99801

Sent by fax: _____

RE: **SB 4 Alaska Coastal Management Program**

Dear Senator Olson:

Thank you for pre-filing SB 4 about the Alaska Coastal Management Program (ACMP). I understand the Senate Community and Regional Affairs Committee will be considering adopting a committee substitute similar to the version of this bill in the House. The North Slope Borough (Borough) supports the committee substitute because it will restore meaningful local involvement in the ACMP, implement checks and balances and streamline project reviews.

The Borough appreciates the sections of the proposed committee substitute that clarify the ability of coastal districts to establish enforceable policies, especially the provisions in AS 46.40.030 and 070. While the 2003 legislative changes to the ACMP allowed coastal districts to establish policies for matters not adequately addressed by state or federal law, many of our proposed enforceable policies were denied on the basis that they addressed an agency's authority. We made an extra effort to focus our proposed policies on matters that were not addressed by existing laws, but still they were denied.

The committee substitute for SB 4 would restore checks and balances to the ACMP by establishing the Coastal Policy Board. This body would represent coastal districts and state agencies. It would be responsible for approving changes to ACMP regulations, amendments to coastal district programs and overall grant programs. This body is similar to the former Coastal Policy Council except that it has fewer members and it is not responsible for project consistency reviews. Restoring the responsibility for project elevations to the three state resource agencies will ensure these agencies have a seat at the table.

The Borough also supports the sections of the proposed committee substitute that streamline project reviews. The ACMP used to be an effective program that resolved issues among local, state and federal agencies, but changes to the program statutes and regulations reduced its effectiveness. Bringing the Alaska Department of Environmental Conservation back into the consistency review process will bring air and water quality issues back into ACMP project reviews. Likewise, allowing coastal districts to have meaningful policies will encourage their participation in the coordinated consistency review process. These changes will streamline project reviews because issues can be resolved early in the process by all parties. The changes will also encourage permitting agencies to ensure their permit stipulations are compatible and reasonable.

Again, the North Slope Borough thanks you for introducing SB 4, and I look forward to testifying on this bill as it moves through the committee process.

Sincerely,

Edward S. Itta
Mayor

cc Johnny Aiken, NSB Director Planning & Community Services
Karla Kolash, NSB Mayor's Office
Andy Mack, NSB Mayor's Office

Alaska State Legislature

Please enter into the record my testimony to the HCRA
Committee name

Committee on HB74
Bill/Subject
, dated 2/10/09

Signed: Karol Kalchmainen
Testifier

Aleutian West CRSA
Representing (Optional)

PO Box 1074 Palmer, AK 99654
Address

745-6700
Phone number

Good Morning

My name is Karol Kolehmainen and I am the Program Coordinator for the Aleutians West Coastal Resource Service Area. I am here today to bring testimony from my elected seven member Board of Directors which is largely in favor of HB74 as I will describe. The AWCRSA Board represents the entire western Aleutian area from Unalaska Island west to Attu Island, an area that is 20 to 60 miles in width and roughly 1000 miles long. This area, bounded by the Pacific Ocean to the south and the Bering Sea to the north, has a wealth of natural resources including some of the richest fishing grounds in the state.

We are here today because HB 191 mandated significant changes to the Alaska Coastal Management Program and our local district program. I would like to provide a brief overview of our current coastal management plan. The AWCRSA coastal management plan became effective February 11, 2007. Of the 44 enforceable policies we had at the beginning of the revision process, 10 remain. We no longer have any habitat policies, mitigation policies, or policies that mention air, land, or water quality. Also, we have designated subsistence use areas but no enforceable subsistence policies. Many of our previous enforceable policies have been moved to an unenforceable appendix and classified as "advisory" policies.

The ACMP prior to the passage of HB 191 was a networked program where local reviewers were on a par with state and federal reviewers. Following passage of HB 191 the program became centralized in DNR. We do not feel that it was the intent of HB 191 to silence the local voice or result in a disconnected program but it has had this effect. Passage of HB 74 will return us to a more meaningful position within a networked program.

The AWCRSA is in support of a Coastal Policy Board that incorporates the positive aspects of the former Coastal Policy Council. HB 74 accomplishes this by creating a policy board that includes representation from the coastal districts, the resource agencies and the DCCED Division of Community and Regional Affairs. We agree that the Board's mission should include the ability to approve local district plans, program related funding, and especially program and regulatory changes. We also agree that the Board would not be responsible for consistency reviews and would not hear elevations but rather they would be heard within a review panel of the resource agencies and not solely by the DNR Commissioner as is now the case. The new Board would serve as a public forum that should result in more public involvement and a more equitable decision making process. Also, it would provide an outreach component that is sorely lacking in the post HB 191 amended program.

The DEC carveout has confused the consistency review process especially where the scope of the project requires permits from more than one agency. The removal of the DEC has been interpreted as the removal of any matter relating to

air, land, or water quality through the program implementing regulations. As I stated earlier, it became impossible to craft any acceptable policies related to air, land or water quality or that even mentioned the words air or land. This negated not only policies that were clearly within regulation of DEC but also policies related to habitat that might touch on water issues. The return of DEC to the coordinated ACMP program is integral to a meaningful program and the AWCRSA Board supports the inclusion of DEC in the networked ACMP.

The AWCRSA does not support the change made in Sec 46.40.190 relating to cooperative administration. The proposed wording has totally reversed the meaning of the paragraph and has the potential to undermine the existence of CRSA's. We request that the original wording be retained.

Time has shown that not all of the changes required by HB191 have worked and we appreciate the sponsor's efforts to address the problems in the current program. Passage of HB 74 will go a long way to restore the role of coastal districts in the ACMP, increase public involvement and oversight, and bring consistency reviews back into a coordinated and networked program.

Thank you for your time.

Program Director
AWCRSA

NORTHWEST ARCTIC BOROUGH

P.O. Box 1110

Kotzebue, Alaska 99752

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Fax: (907) 442.3740 or 2930

February 3, 2009

Honorable Senator Donny Olson
Capitol, Room 514
Juneau, Alaska 99811

Honorable Representative Reggie Joule
Capitol, Room 502
Juneau, Alaska 99801

Re: SB 4 and HB 74 Alaska Coastal Management Program

Dear Senator Olson and Representative Joule:

The Northwest Arctic Borough (NWAB) would like to thank you for the introduction of SB 4 and HB 74 on the Alaska Coastal Management Program (ACMP). On behalf of the Borough, I would like to address the substance of HB 74 because we understand the Senate Community and Regional Affairs Committee will consider adoption of the provisions of HB 74 into a senate committee substitute.

The NWAB supports the proposed legislation that would restore the ability of coastal districts to effectively participate in the program and establish meaningful policies under the ACMP; therefore providing valuable local input to development that happens in a very large and unique state. Another important provision in the bills would establish a board made of Alaskans to oversee the major aspects of ACMP as a publicly funded program. The proposed board would jointly represent state agencies and local coastal districts thereby restoring effective public engagement in the ACMP.

Currently, only the Alaska Department of Natural Resources (DNR) as a single agency makes all coastal management decisions. This has proved to be very one-sided and frustrating. For example, as you may know, during 2008 the NWAB attempted mediation with DNR to improve the decisions regarding our coastal management plan. Unfortunately, the mediation ended in an impasse with the majority of the proposed plan flat out denied. According to the

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ACMP now, our only re-course for a fair review is again to go back to the DNR commissioner for re-consideration of a decision that has already been made by the commissioner and his staff. As you can see, the ability to obtain a third party review that involves the public is not possible under the current program, and the new provisions in this bill will help prevent such a future problematic situation and provide state staff the clear criteria and direction for approval of coastal district policies with involvement of the coastal policy board.

The NWAB also supports the addition of subsistence to the ACMP objectives in AS 46.40.020. Until changes made by the Murkowski Administration, the ACMP has been an effective tool balancing resource development and protection of our coastal resources that support healthy subsistence. It is very important that Alaskans have the ability to propose local policies that demonstrate the real life connection of people and communities to coastal areas and actually reflect the close relationship Alaskan residents have to this land, the coastal zones and our valuable subsistence way of life. For the NWAB, the ability to cooperatively work with developers and the state to address subsistence impacts is the primary reason for participating in the ACMP so that development honors our long-time and permanent Alaskans lifestyles.

We also support provisions in the bill that would bring activities covered by the Alaska Department of Environmental Conservation back into the ACMP consistency review process. Impacts to air and water quality also affect habitat and subsistence, and it makes sense to address these issues together in a consolidated format during a single consistency.

The NWAB encourages responsible development of our natural resources. We recognize the economic importance of development in providing new revenues to fund local public services and facilities, and to provide steady employment opportunities in rural areas. However, it is important that local coastal districts have a role in voicing valid concerns and potential impacts to subsistence and other coastal uses and resources - all to ensure that we are doing resource development the right way.

In closing, these bills restore a meaningful role for coastal districts to facilitate effective future development opportunities. I appreciate your interest in improving the ACMP, and I look

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forward to working with you during this legislative session. Please contact me or Ukallaysaaq Tom Okleasik if you have any questions about our proposed plan at (907) 442-2500.

Sincerely,

Siikauraq Whiting, Mayor

Cc: Ukallaysaaq Tom Okleasik, Planning Director
Alagiaq Grant Hildreth, Deputy Planning Director
Kill'aq John Chase, Community Planner & Coastal Area Specialist

December 22, 2008

Randy Bates
Director, Division of Coastal and Ocean Management
Department of Natural Resources
P.O. Box 111030
Juneau, Alaska 99811-1030

Re: **Alaska Coastal Management Program Re-Evaluation**

Dear Mr. Bates,

Ukpeagvik Inupiat Corporation (UIC) was created under the Alaska Native Claims Settlement Act (ANCSA) in 1972 to serve the social and economic interests of the Native Village of Barrow, Alaska, the northern most coastal village in the United States. In light of expanding resource exploration and development both onshore and offshore in our region, the UIC Board of Directors has developed the following policy statement:

> *In our interactions with the oil and gas industry, we will leverage our position to benefit the Ukpeaġvik Iñupiat Corporation Family of Companies, its shareholders and the community. We acknowledge the inevitability of exploration and development by the oil and gas industry and we will support exploration activities as long as they are done in a way that ensures:*
>
> - *Protection and preservation of the Iñupiat culture and subsistence lifestyle*
> - *Economic benefit for our community*
> - *Employment for our shareholders and their families, and*
> - *Contract opportunities for our companies*

UIC shares the interests of the North Slope Borough, as our coastal district governing body, to create a robust and growing industrial sector in Alaska's arctic. UIC also shares an interest in protecting our Inupiat customary and traditional way of life through local participation in project planning by implementing sound environmental regulations and policies under a flexible and reasonable Alaska Coastal Management Program. UIC is favorable to empowering local coastal districts to enforce locally driven environmental policies through a predictable and streamlined public process under the expertise of a coastal management plan.

Each coastal district or region in Alaska is so unique and special both geographically and ecologically, it makes sense to empower well thought and reasonable district specific enforceable policies to help guide project development beyond general state and federal regulations. For example, a local policy that fits the needs of Cook Inlet or Southeast communities, such as pipeline setbacks, cannery operations, cruise industry ports of call, general water use and waste discharge, or tank farm requirements, may not apply similarly in the unique arctic environment.

Before 2004, the original statutes and regulations of ACMP worked moderately well, allowing coastal districts to participate and include local expertise in the permitting process. With a few procedural modifications to the older, pre-2003 system, such as a streamlined Coastal Policy Board, as envisioned in

the North Slope Borough (NSB) recent recommendations, we believe the ACMP can achieve the intent of the Coastal Zone Management Act and the intent of the Alaska Constitution to maximize local control and governance.

UIC believes future statutory language should support an ACMP regime that allows multiple agencies such as DNR, DEC, ADF&G, and DCCED to participate in a meaningful consistency review. This broad challenge requires well defined language that should reflect flexible regulatory structure so as not to create the potential for arbitration and delay. If piecemeal decision-making is framed by restrictive state policy and tedious legislative review, higher probability for arbitration and delay of important commercial activity will result from special interest group interpretations of the environmental regulations governing proposed coastal economic development projects.

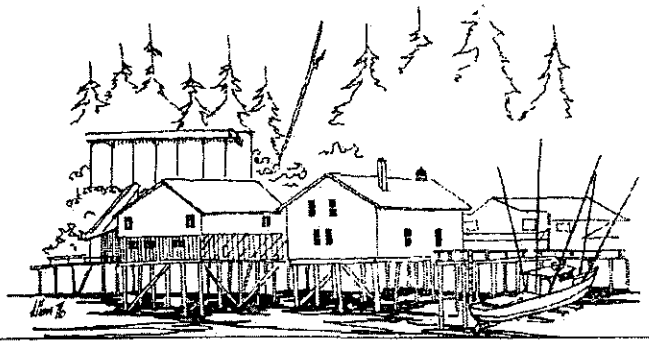
UIC believes sound natural resource management and environmental conservation are best served under "performance based policies", innovative solutions driven, flexible, and incorporating predictable regulations that guide industrial development – dispelling notions that local policies should apply only to specific designated areas and resources. This philosophy recognizes potentially large shifts in ecology and subsistence resource migration, which in turn defines public access and uses of resources, especially in light of climate change, global warming, arctic sea ice retreat, and cumulative industrial growth.

UIC is economically dependant, in large part, on a healthy oil and gas industry, but we are also dependant on a healthy arctic marine ecosystem which supports the Inupiat subsistence way of life. As a critical stakeholder in the ACMP regulatory process we thank you for this opportunity to comment on the ACMP reevaluation.

Respectfully submitted,
UKPEAGVIK INUPIAT CORPORATION

Anthony E. Edwardsen
President & CEO

Distribution:



City of Pelican

BOX 737 - PELICAN, ALASKA 99832 - PHONE: 735-2202/2203 - FAX: 735-2258 - E-MAIL: cityhall@pelicancity.net - WEBSITE: www.pelicancity.net

February 20, 2009

Honorable Bob Herron and Honorable Cathy Munoz
Co-Chairs House Community and Regional Affairs Committee
Capitol, Room 415
Juneau, Alaska 99801

Dear Co-Chairs Herron and Munoz:

The City of Pelican wishes to support House Bill 74 which would improve the Alaska Coastal Management Program (ACMP). Changes made to the program in 2003 have reduced the effectiveness of the ACMP.

As a mayor of a small rural coastal community, I see first-hand the onerous Federal and State Environmental reviews and permitting processes. These bills would allow coastal districts to establish meaningful enforceable policies, but in my opinion, they would not lead to significant additional burdens for project applicants because coastal districts need economic development.

The City of Pelican supports creation of the Coastal Policy Board. This board would lead to a better balance in decisions because it would represent state agencies and coastal districts. Nothing in the proposed legislation would allow the board to overrule agency decisions.

We also support integration of the Department of Environmental Conservation into the ACMP consistency review process.

Thank you for the opportunity to comment on House Bill 74.

Sincerely,

Patricia Phillips

Patricia Phillips
Mayor

cc: Members of the House Community and Regional Affairs Committee

Alaska Oil and Gas Association

AOGA

121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907)272-1481 Fax: (907)279-8114
Email: crockett@aoga.org
Marilyn Crockett, Executive Director

ALASKA OIL AND GAS ASSOCIATION
TESTIMONY ON
HB 74 – ALASKA COASTAL MANAGEMENT PROGRAM
BEFORE
HOUSE COMMUNITY & REGIONAL AFFAIRS COMMITTEE
FEBRUARY 10, 2009

Mr. Chairman and Members of the Committee: My name is Marilyn Crockett and I am Executive Director of the Alaska Oil and Gas Association (AOGA). AOGA is a private, nonprofit trade association whose 16 member companies account for the majority of oil and gas exploration, development, production, transportation, refining and marketing activities in Alaska.

Because virtually all operations of the members of AOGA take place within, or adjacent to, Alaska's coastal zone, we have been actively engaged in development and implementation of provisions of the Alaska Coastal Management Act (ACMA) and the subsequent Alaska Coastal Management Program (ACMP) since the program's inception in 1977. We provide these comments today as part of our ongoing involvement in deliberations related to this program.

Over the last 30 years there has been a significant evolution in federal and state environmental laws and regulations. In the late 1990s and early 2000s it became clear that the ACMP had become unmanageable in terms of process and scope, leading to confusion, misinterpretations and significant delays in processing permits, largely due to the significant evolution of environmental laws and regulations. The revisions to the program adopted by the Legislature in 2003 resolved these challenges and transformed the program into one that provides certainty for the State, local districts and the regulated community.

Unfortunately, HB74 as currently drafted effectively eliminates the certainty put into place by the Legislature in 2003. I will address a few specific examples.

Elimination of the "DEC Carve Out": One of the most problematic provisions of HB74 is elimination of the DEC Carve-out. This provision in existing law implements the original intent of the ACMP...that the air, land and water standards and permits administered by the State are inherently consistent with the ACMP and therefore the additional step of securing a consistency determination isn't necessary or required. These standards were developed after years of technical evaluation, and are implemented through permits that are

comprehensive and time-consuming, carrying with them statutory and regulatory requirements for extensive public comment, the time periods of which fall outside of the ACMP review schedules. The ADEC carve-out in no way diminishes a coastal district's opportunity to comment and provide input on a specific ADEC permit application.

As experienced in the program prior to the 2003 revision, elimination of the carve-out will result in consistency determinations on projects being held up until permits with long lead times are finalized, resulting in considerable delays in projects moving forward and a tremendous amount of uncertainty as to final approval for applicants to move forward.

Simply put, the ADEC carve-out avoids duplication of process and effort, eliminates the potential for inconsistent and conflicting permitting results, and improves the efficiency of the consistency review process.

Creation of a Coastal Policy Board: We are very concerned about the establishment of the Coastal Policy Board and the extensive responsibilities that will be vested with this Board. HB74 empowers the Board to approve all district programs and enforceable policies, changes to the coastal zone boundaries, statewide standards and changes to the program. The Department of Natural Resources may still adopt regulations, but only after approval of the Board, which will result in endless back-and-forth as DNR attempts to mesh its requirements under the Administrative Procedure Act with Board approval.

Further, experience under the previous Coastal Policy Council demonstrates that insertion of a Board into this process will result in considerable delays in program implementation because of the time required for action, given the infrequency of Board meetings, and the addition of another layer of approvals.

Predictability in timelines is eliminated: One of the most challenging aspects of any permitting program is the ability to rely on timelines for decision-making. This is especially true for operations in Alaska which often are faced with limited operating seasons where a delay in securing permits may result in a one-year delay in a project proceeding forward. Unfortunately, HB74 exempts activities proposed by a federal agency and activities permitted by a federal agency from the required deadlines for decisions. Virtually every project requires at least one federal permit, so the impact of this provision is dramatic. Further, oil and gas and other resource development activities are not the only activities that will be affected. Given the abundance of wetlands in Alaska's coastal zone, almost any activity, from homebuilding to construction of public facilities, will require a permit from the federal Corps of Engineers and therefore will be subjected to this timeline uncertainty.

Performance based enforceable policies are allowed: HB74 allows coastal districts to adopt performance-based enforceable policies. Applicants and districts are better served by clear and concise requirements because it eliminates the potential for misinterpretation and disagreements between parties as to whether a particular action proposed by the applicant will meet the performance based policy. Further, this will be especially challenging for districts with minimal resources to administer the program.

The coastal zone boundary will be expanded: HB74 expands the reach of review of activities from not only the coastal zone but also to "inland of the coastal zone if the activities would cause direct and significant impacts to a coastal use or resource". During testimony at last week's hearing on SB4 we heard a coastal district representative state that it is their desire to weigh in on projects adjacent to their district even if it means "over the mountain". Such an expansion of the coastal zone boundary was never envisioned by the federal Coastal Zone Management Program or the State Program. This is another example of the uncertainty that faces project applicants in trying to determine whether their project is in or out of the ACMP.

To be successful and serve all entities in Alaska, any permitting program, and in particular the Alaska Coastal Management Program, must embody the following principles:

- Provide for development of Alaska's resources for the benefit of all Alaska residents
- Contain clear and concise requirements
- Be unambiguous and avoid opportunities for misinterpretation
- Provide predictable and firm timelines
- Provide predictability regarding applicable requirements and scope
- Avoid duplication of other state and federal permitting programs
- Contain clear limits so that district policies not require agencies to implement authorities that were not granted them by the legislature or that contradict agency regulations.

At the end of the day, the challenge before you is achieving the necessary balance between development of state-owned resources for the benefit of all Alaskans while protecting unique coastal resources. We believe the program in place today strikes that important balance.

Thank you for the opportunity to testify this morning.

Roger D. (Dale) Summerlin
Vice President
Health, Safety & Environment

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Anchorage, AK 99510-0360
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Fax 907.263.4438

ConocoPhillips
Alaska, Inc.

February 4, 2009

The Honorable Donald Olson
Chairman, Senate Committee on Community & Regional Affairs
Alaska State Legislature
Alaska State Capitol, Room 514
Juneau, Alaska 99801

VIA FAX TO (907) 465-4821
& Next Day UPS Delivery

RE: Proposed Senate Bill No. 4
An Act Relating to the Alaska Coastal Management Program (ACMP)
Establishment of the Alaska Coastal Policy Board
State Statutes AS 46.39 and AS 46.40

Dear Senator Olson:

ConocoPhillips Alaska, Inc. (CPAI) has prepared this formal response to proposed Senate Bill No. 4, an act relating to the Alaska Coastal Management Program (ACMP) and establishment of an Alaska Coastal Policy Board, and offers the following comments for your consideration.

Retention of the Current Program

CPAI has been, and remains, a supporter of the centralized ACMP process which resulted from the passage of House Bill (HB) 191 in 2003 and was later implemented by regulations and statutory amendments. In 2003, the Alaska Legislature concluded that "the Alaska coastal management program (ACMP) is intended to function with a minimum of delay and avoid regulatory confusion, costly litigation, and uncertainty regarding the feasibility of new investment." In addition, the legislature stated that statewide standards "be clear, and concise and provide the needed predictability as to the application, scope, and timing of the consistency review process of the program."

Proposed changes in Senate Bill (SB) No. 4 would allow districts to restrict selected activities within their coastal district; these activities will undoubtedly involve uses of state concern and/or may involve matters already adequately addressed by existing regulatory programs. Decision-making authority concerning the management and use of state resources vests with the State.

The current program's approach eliminates enforceable policies which may be conflicting between coastal districts, state, and federal agencies, and which could result in a loss of

conformity of district policies that currently exists in the ACMP program. The existing statewide standards provide clear and concise predictability to the ACMP process. Coastal districts are still afforded the ability to propose enforceable policies that conform to the district plan approval criteria and requirements outlined in 46.40.040 and 46.40.070; or those that are not duplicative, restate existing state or federal policies, and do not redefine, replace, or otherwise modify existing standards. From an applicant's perspective, the retention of the centralized ACMP will provide applicants with assurances of an efficient permitting process.

Elimination of the Alaska Department of Environmental Conservation (ADEC) Carve Out (AS 46.40.040 and 46.40.096)

CPAI believes the ADEC carve out should be retained in its present form and the carve out should not be eliminated from the ACMP program. CPAI believes there is significant misunderstanding by many stakeholders on this matter. Approvals for air, water, and C-Plan permits require public notice and public comment periods which allow for public input. The public notice and comment periods for these permits were not negatively affected by carving out the ADEC permits. Timelines associated with these approval processes are at least six months in duration, far longer than the existing 50- to 90-day ACMP coordination process. In addition, the timelines for public participation do not align with the intent or the process of the ACMP program which is one of thoughtful timely coordination and decision-making.

Eliminating the ADEC carve out will re-introduce conflicting regulatory mandates between ADEC and the ACMP process, and will delay the start of the consistency review process. Adequate public participation and opportunities for review by coastal districts is provided in the existing program. Adequate environmental protection is being provided by ADEC, regardless of whether or not their approvals are part of a consistency review process.

In closing, as we look at the substantial nature of the changes proposed in SB 4, we ask the question: Why? Since the passage of HB 191, have resource development projects been permitted by the state where a coastal district's input and concerns have not been accommodated? Is this change going to help motivate resource development projects in this state? We suggest that the current program is working as intended and changes are neither necessary nor desirable.

Sincerely,

Dale Summerlin

Roger D. (Dale) Summerlin

cc: All Legislators

ALASKA MINERS ASSOCIATION, INC.

3305 Arctic Blvd., #105, Anchorage, Alaska 99503 • (907) 563-9229 • FAX: (907) 563-9225 • www.alaskaminers.org

February 9, 2009

Honorable Reggie Joule
Alaska State House
Capitol Building
Juneau, AK 99801

Re: House Bill 74, Changes to Alaska Coastal Zone Management

Dear Representative Joule,

The mining industry has been involved in the Alaska Coastal Zone Management Program (ACMP) for many years. Several companies have raised concerns regarding House Bill 74 and its companion SB-4. They agree that ACMP is not working well but they cannot support the changes being proposed in HB-74. The bottom line is that this bill would create an administrative quagmire for the state permitting process and would create tremendous uncertainty for all permittees.

As proposed by HB-74, the coastal districts would be in charge of the program and control what is done. In this situation, the coastal districts would be in a position to set the rules and enforce them without accountability to the Legislature or the Administration. The bill would re-establish the Coastal Policy Council (calling it the Coastal Policy Board) with 5 public members and 4 state agencies (DNR, DF&G, DEC, & DCEED). The governor would choose the public members but must select them from a list supplied by the Coastal Districts. The effect is that the districts would control the outcome of the selection process. This is not a good situation for ACMP or any other public policy issue.

Further under HB-74, the Coastal Policy Board (CPB) would approve or disapprove all plans and regulations. If the board feels that an agency is not interpreting the policies the way they want, it would have the authority to order the agencies to change, irrespective of State statue or regulation. The CPB would thereby effectively have authority over both the Legislature and the Administration.

HB-74 would also eliminate what has been called the DEC "carve-out". It would allow districts to interpret state statutes and regulations relating to air quality, water quality, solid waste disposal, water injection, land issues, sanitation, food service, public health, etc. Many of these statutes and regulations have been developed over many decades of detailed technical evaluation by the agency and through a tremendous amount of public process and input. Others are nation-wide standards developed over many years by federal government scientists at the cost of millions of dollars. The coastal districts do not and will not have the technical expertise to fully evaluate these issues.

3470

something the legislature has not given them, the district could simply write it themselves and DNR, DF&G, DCEED would have to comply.

A second conclusion is that many of the examples mentioned above would raise constitutional questions. Because the CPB has the authority to go beyond state law, the bill has the effect of delegating legislative law-making to a public-dominated board. This delegation is not constitutionally allowed. Similarly, it removes interpretation of state regulations from the administrative branch — where the interpretations constitutionally belong — and gives this authority to the CPB. While some of these constitutional issues existed before passage of HB-191 in 2003 (specifically the homeless stipulations), HB-74 greatly magnifies and expands these legal problems.

A third conclusion is that the bill essentially does away with the concept of state interest. There are some decisions — whether and how a gasline should be constructed, expansion of the railroad, even oil development on the North Slope — that should be decided by the state, without a veto by local authorities. It is critical that local land-use issues and local concerns be taken into account by the permitting agencies, but some issues affect the entire state and must be determined on a state-wide basis. HB-74 essentially does away with this concept.

A final conclusion is that the changes proposed would create tremendous uncertainty for the regulated public. There is no way to escape a great deal of uncertainty as individual coastal districts have the final say in what was previously agency matters.

Thank you for the opportunity to address our concerns to you.

Sincerely,

Steven C. Borell, P.E.
Executive Director

ALASKA MUNICIPAL LEAGUE
Alaska Conference of Mayors

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February 9, 2009

Representative Cathy Munoz
Representative Bob Herron
State Capitol
Juneau, Alaska 99801

Dear Representative Munoz and Representative Herron,

The Alaska Municipal League would like to go on record in support of HB 74 and SB 4. These bills would serve to resolve some of the major problems that communities and the State continue to deal with after the changes made to the ACMP statutes back in 2003 and 2004.

These bills would specifically establish and Alaska Coastal Policy Board to represent coastal districts, as well as the commissioners of Natural Resources; Fish & Game; Environmental Conservation; and Commerce and Community Development.

The Alaska Municipal League, first and foremost, supports a strong district role in decisions made about and for specific districts within our state.

It is important that local voices be heard when decisions are made about local areas.

Sincerely,

Kathie Wasserman

Kathie Wasserman
Executive Director

Testimony of Steve de Albuquerque
Health, Safety & Environmental Director
ConocoPhillips Alaska
House Community & Regional Affairs Committee
HB 74
February 10, 2009

Mr. Chairman, members of the House Community & Regional Affairs Committee, good morning. My name is Steve de Albuquerque and I am the Director of Health, Safety & Environment, for ConocoPhillips Alaska. My group is responsible for all local, state & federal land use and environmental permitting for ConocoPhillips operations in Alaska.

Mr. Chairman, ConocoPhillips respectfully opposes the passage of HB74. Simply put, we do not think ACMP legislative reform is needed at this time and question the need for the significant changes proposed by HB74. During testimony last week on Senate Bill 4, we heard coastal districts say many times that these proposed changes to the ACMP will streamline the permitting process and save applicants time. As the person in charge of permitting for the state's largest oil & gas explorer, developer and producer, let me assure you Mr. Chairmen that this simply would not be the case.

This morning I'd like to focus my comments on three areas:

1. The existing ACMP permitting process;
2. The creation of the Coastal Policy Board; and
3. Retention of the Alaska Department of Environmental Conservation carve out.

The Existing ACMP Process:

Alaska is one of the most complex and rigorously regulated permitting and business environments in the world. We work very closely on a daily basis with local, state, and federal agencies, as well as private landowners, native village and regional corporations, communities and the public to seek input on our permit activities.

While we have heard the frustration expressed by the coastal districts with the way the 2003 statutory changes were implemented, we cannot point to a single example, with respect to our projects, where any district's input or concerns were not adequately addressed in the project decision. We work closely and well with the coastal districts and the Administration. In my four years serving as permitting director for ConocoPhillips under the revised program, I can't think of an instance where we and the coastal districts were not able to satisfactorily resolve an issue.

In 2003, the Alaska Legislature concluded that "the Alaska coastal management program is intended to function with a minimum delay and avoid regulatory confusion, costly litigation, and uncertainty regarding the feasibility of new investment." Furthermore, the legislature said that statewide standards must be "clear, concise, and provide the needed predictability as to the application, scope, and timing of the consistency review process of the program." This is the streamlined process we have today. From the applicant's perspective, the ACMP process as we know it today provides the assurances of an efficient permitting process. Existing statewide standards are clear and concise. We are able to establish relatively firm timelines.

Coastal districts are afforded the ability to propose enforceable policies that conform to the district plan approval criteria and requirements. Districts can also propose enforceable policies that are not duplicative, do not restate existing state or federal policies, and do not redefine, replace, or otherwise modify existing standards. In contrast, this bill would allow districts to restrict selected activities within their coastal district; these activities will undoubtedly involve uses of state concern and would involve matters already adequately addressed by existing regulatory programs. Decision-making authority concerning the management and use of state resources vests with the State. The current approach avoids enforceable policies which may be conflicting between coastal districts, state, and federal agencies, and which could result in a loss of conformity of district policies that currently exists in the ACMP program.

If there is one take-away for the Committee Mr. Chairman, ConocoPhillips simply desires a clear and consistent permitting process. We just want to be clear on the rules and be in a position to accurately estimate time lines. As you know, resource development in Alaska already is burdened with many seasonal constraints and uncertainties. We have short winter drilling and work windows as well as limitations on logistics and restrictions on travel to protect tundra, wildlife and subsistence activities. Our work is extremely time-sensitive. From an applicant's perspective, the existing process provides applicants with a coordinated review and approval process and assurances of an efficient, predictable and timely permitting process.

The Creation of the Coastal Policy Board:

ConocoPhillips thinks the creation of a Coastal Policy Board is unnecessary and would unduly complicate the program add another layer of complexity. The current program provides clear, concise and consistent statewide standards for resource development activities in Alaska. The existing process prevents conflicts in the regulatory process and provides applicants and stakeholders with assurances of an efficient permitting process. The creation of a Policy Board, with approval and decision-making authority, could lead to an inconsistent permitting landscape.

From the public comment and input perspective, interested stakeholders currently have ample opportunity to review and comment on proposed projects during the mandated public comment periods associated with obtaining local, state, and federal permits. Applicants must comply with municipal codes, enforceable policies, statewide standards, and existing state and federal regulations to obtain final approvals for any proposed project.

Retention of the Alaska Department of Environmental Conservation Carve Out:

ConocoPhillips does not support elimination of the ADEC carve out. We believe there is significant misunderstanding by stakeholders on this matter. Approvals for environmental permits, air and water included, and oil spill contingency plans have well-documented and clear public notice and comment requirements which allow for public input. The public notice and comment periods for these permits have not been negatively affected by carving out the ADEC permits. Again, the current process works well.

Eliminating the ADEC carve out will re-introduce conflicting regulatory mandates between ADEC and the ACMP process, and will, as in the past, delay the start of the consistency review process and overall project timelines. Adequate public participation and opportunity for review by coastal districts is provided in the existing streamlined program. It is important to note that adequate environmental review and protection is being provided by ADEC as part of the consistency review process.

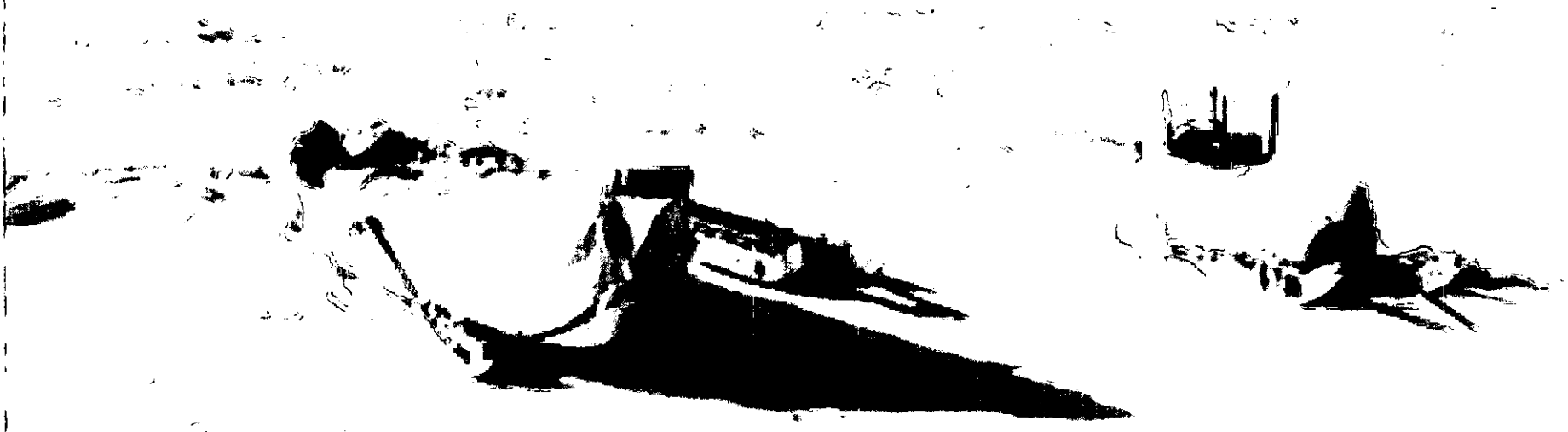
In closing, Mr. Chairman, ConocoPhillips simply desires a clear and consistent permitting process. We're not trying to reduce the level of environmental protection of the places we work or the subsistence resources upon which so many of our stakeholders depend. We want to understand the rules and to accurately estimate time lines.
As we look at the substantial nature of the changes proposed in HB74, we ask the question: Why?

- Since 2003, the existing consistency review process has ensured that both the state's and coastal districts' concerns have been met prior to permits being issued for development projects in Alaska's coastal zone.
-

We suggest that the current program is working as intended and changes are neither necessary nor desirable.

Thank you for the opportunity to testify, Mr. Chairman. At this point I'd be happy to answer any questions you might have.

House Bill 74
Alaska Coastal Management Program
March 22, 2010



Edward S. Itta
Mayor, North Slope Borough

HB 74: North Slope Borough Testimony

- Testimony will address the following topics:
  - Why the NSB supports this bill
  - How HB 74 does not stop development
  - How the ACMP is broken
  - Why the Legislature should care
  - How HB 74 promotes responsible development
  - Why a meaningful role for coastal districts makes sense for Alaska

North Slope Borough

OFFICE OF THE MAYOR

P.O. Box 69
Barrow, Alaska 99723
Phone: 907 852-2611 or 0200
Fax: 907 852-0337 or 2595
email: edward.itta@north-slope.org

Edward S. Itta, Mayor

February 3, 2009

Representative Reggie Joule
Alaska State Legislature
State Capitol, Room 102
Juneau, Alaska 99801

Sent by fax:

RE: **HB 74 Alaska Coastal Management Program**

Dear Representative Joule:

Thank you for pre-filing HB 74 about the Alaska Coastal Management Program (ACMP). The North Slope Borough (Borough) supports this bill because it will restore meaningful local involvement in the ACMP, implement checks and balances, and streamline project reviews.

The Borough appreciates the sections of the bill that clarify the ability of coastal districts to establish enforceable policies, especially the provisions in AS 46.40.030 and 070. While the 2003 legislative changes to the ACMP allowed coastal districts to establish policies for matters not adequately addressed by state or federal law, many of our proposed enforceable policies were denied on the basis that they addressed an agency's authority. We made an extra effort to focus our proposed policies on matters that were not addressed by existing laws, but still they were denied.

HB 74 would restore checks and balances into the ACMP by establishing the Coastal Policy Board. This body would represent coastal districts and state agencies. It would be responsible for approving changes to ACMP regulations, amendments to coastal district programs and overall grant programs. This body is similar to the former Coastal Policy Council except that it has fewer members and is not responsible for project consistency reviews. Restoring the responsibility for project elevations to the three state resource agencies will ensure these agencies have a seat at the table.

The Borough also wishes to thank you for including in the bill the sections that streamline project reviews. The ACMP *was* an extremely effective program that resolved issues among

local, state and federal agencies, but changes to the program statutes and regulations reduced its effectiveness. Bringing the Alaska Department of Environmental Conservation back into the consistency review process will bring air and water quality issues back into ACMP project reviews. Likewise, allowing coastal districts to have meaningful policies will encourage their participation in the coordinated consistency review process. These changes will streamline project reviews because issues can be resolved early in the process by all parties. The changes will also encourage permitting agencies to ensure their permit stipulations are compatible and reasonable.

Again, the North Slope Borough thanks you for introducing HB 74, and I look forward to testifying on this bill as it moves through the committee process.

Sincerely,

Edward S. Itta
Mayor

cc Johnny Aiken, NSB Director, Planning & Community Services
Karla Kolash, NSB Mayor's Office
Andy Mack, NSB Mayor's Office
Marla Berg, NSB Mayor's Office

NORTHWEST ARCTIC BOROUGH

P.O. Box 1110

Kotzebue, Alaska 99752

(907) 442.2500 or (800) 478.1110

Fax: (907) 442.3740 or 2930

February 3, 2009

Honorable Senator Donny Olson
Capitol, Room 514
Juneau, Alaska 99811

Honorable Representative Reggie Joule
Capitol, Room 502
Juneau, Alaska 99801

Re: SB 4 and HB 74 Alaska Coastal Management Program

Dear Senator Olson and Representative Joule:

The Northwest Arctic Borough (NWAB) would like to thank you for the introduction of SB 4 and HB 74 on the Alaska Coastal Management Program (ACMP). On behalf of the Borough, I would like to address the substance of HB 74 because we understand the Senate Community and Regional Affairs Committee will consider adoption of the provisions of HB 74 into a senate committee substitute.

The NWAB supports the proposed legislation that would restore the ability of coastal districts to effectively participate in the program and establish meaningful policies under the ACMP; therefore providing valuable local input to development that happens in a very large and unique state. Another important provision in the bills would establish a board made of Alaskans to oversee the major aspects of ACMP as a publicly funded program. The proposed board would jointly represent state agencies and local coastal districts thereby restoring effective public engagement in the ACMP.

Currently, only the Alaska Department of Natural Resources (DNR) as a single agency makes all coastal management decisions. This has proved to be very one-sided and frustrating. For example, as you may know, during 2008 the NWAB attempted mediation with DNR to improve the decisions regarding our coastal management plan. Unfortunately, the mediation ended in an impasse with the majority of the proposed plan flat out denied. According to the

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ACMP now, our only re-course for a fair review is again to go back to the DNR commissioner for re-consideration of a decision that has already been made by the commissioner and his staff. As you can see, the ability to obtain a third party review that involves the public is not possible under the current program, and the new provisions in this bill will help prevent such a future problematic situation and provide state staff the clear criteria and direction for approval of coastal district policies with involvement of the coastal policy board.

The NWAB also supports the addition of subsistence to the ACMP objectives in AS 46.40.020. Until changes made by the Murkowski Administration, the ACMP has been an effective tool balancing resource development and protection of our coastal resources that support healthy subsistence. It is very important that Alaskans have the ability to propose local policies that demonstrate the real life connection of people and communities to coastal areas and actually reflect the close relationship Alaskan residents have to this land, the coastal zones and our valuable subsistence way of life. For the NWAB, the ability to cooperatively work with developers and the state to address subsistence impacts is the primary reason for participating in the ACMP so that development honors our long-time and permanent Alaskans lifestyles.

We also support provisions in the bill that would bring activities covered by the Alaska Department of Environmental Conservation back into the ACMP consistency review process. Impacts to air and water quality also affect habitat and subsistence, and it makes sense to address these issues together in a consolidated format during a single consistency.

The NWAB encourages responsible development of our natural resources. We recognize the economic importance of development in providing new revenues to fund local public services and facilities, and to provide steady employment opportunities in rural areas. However, it is important that local coastal districts have a role in voicing valid concerns and potential impacts to subsistence and other coastal uses and resources - all to ensure that we are doing resource development the right way.

In closing, these bills restore a meaningful role for coastal districts to facilitate effective future development opportunities. I appreciate your interest in improving the ACMP, and I look

NORTHWEST ARCTIC BOROUGH

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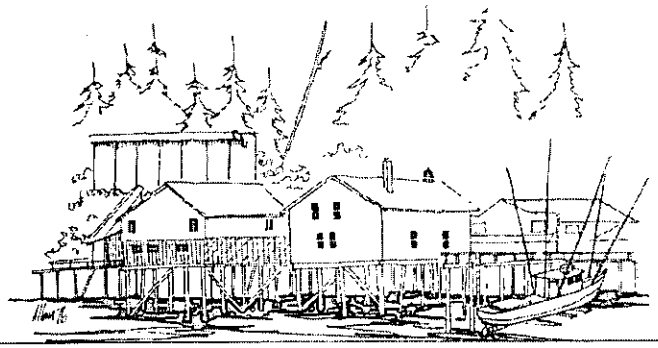
forward to working with you during this legislative session. Please contact me or Ukallaysaaq Tom Okleasik if you have any questions about our proposed plan at (907) 442-2500.

Sincerely,

Siikauraq Whiting, Mayor

Cc: Ukallaysaaq Tom Okleasik, Planning Director
Alagiaq Grant Hildreth, Deputy Planning Director
Kill'aq John Chase, Community Planner & Coastal Area Specialist



City of Pelican

BOX 737 - PELICAN, ALASKA 99832 - PHONE: 735-2202/2203 - FAX: 735-2258 - E-MAIL: cityhall@pelicancity.net - WEBSITE: www.pelicancity.net

February 20, 2009

Honorable Bob Herron and Honorable Cathy Munoz
Co-Chairs House Community and Regional Affairs Committee
Capitol, Room 415
Juneau, Alaska 99801

Dear Co-Chairs Herron and Munoz:

The City of Pelican wishes to support House Bill 74 which would improve the Alaska Coastal Management Program (ACMP). Changes made to the program in 2003 have reduced the effectiveness of the ACMP.

As a mayor of a small rural coastal community, I see first-hand the onerous Federal and State Environmental reviews and permitting processes. These bills would allow coastal districts to establish meaningful enforceable policies, but in my opinion, they would not lead to significant additional burdens for project applicants because coastal districts need economic development.

The City of Pelican supports creation of the Coastal Policy Board. This board would lead to a better balance in decisions because it would represent state agencies and coastal districts. Nothing in the proposed legislation would allow the board to overrule agency decisions.

We also support integration of the Department of Environmental Conservation into the ACMP consistency review process.

Thank you for the opportunity to comment on House Bill 74.

Sincerely,

Patricia Phillips

Patricia Phillips
Mayor

cc: Members of the House Community and Regional Affairs Committee

Rob Earl

From: Rep. Bob Herron
Sent: Thursday, February 12, 2009 8:08 AM
To: Rob Earl
Subject: FW: HB 74 Support

From: John Strasenburgh [mailto:jsandrw@matnet.com]
Sent: Wednesday, February 11, 2009 11:39 PM
To: Rep. Berta Gardner; Rep. Sharon Cissna; Rep. Charisse Millett; Rep. Wes Keller; Rep. John Harris; Rep. Cathy Munoz; Rep. Bob Herron
Subject: HB 74 Support

Dear members of the House Community and Regional Affairs Committee:

I would like to voice my strong support for HB 74, which would subject proposed Coal Bed Methane projects to coastal zone management reviews. Coal Bed Methane should never have been exempted from these reviews (which they were in 2003), and it is high time this gross error was fixed.

I live in the Mat-Su Valley. You are probably aware of the huge public outrage that erupted in the Valley in 2003 and 2004, when Kohring, Green, Ogan, Masek greased the skids and it looked like Evergreen Resources was going to drill in everybody's back yard. The legislation that passed at that time gutted any responsible oversight (e.g., CBM was exempted from a DNR Best Interest Finding requirement), CBM was exempted from local zoning), and public participation in the decisions was virtually eliminated.... I could go on and on.

Suffice it to say, again, it is high time the all the errors of 2003 were corrected. HB 74 helps with that, and I hope you will support the bill.

Thank you,

John Strasenburgh
PO Box 766
Talkeetna, AK 99676
jsandrw@matnet.com

Rob Earl

From: Terry Harvey
Sent: Saturday, February 14, 2009 12:36 PM
To: Rob Earl
Subject: FW: HB 74 - Coastal Management

From: Rep. Cathy Munoz
Sent: Thursday, February 12, 2009 2:53 PM
To: Terry Harvey
Subject: FW: HB 74 - Coastal Management

Terry, please give Bob's office a copy of these comments, and add a copy to our file on the issue. Cathy

---

From: Glenn Gray [mailto:glenn@glenngray.net]
Sent: Wednesday, February 11, 2009 8:49 AM
To: Rep. Cathy Munoz
Subject: RE: HB 74 - Coastal Management

Cathy:
Thank you for the update. I hope any amendments to the bill will have adequate discussion before adoption.

There were a few statements made at the committee meeting that need some clarification.

1. DNR should explain how it believes the coastal board would overrule state agencies. I don't see any language that would give the board authority to approve anything that conflicts with state or federal laws.
2. Neither the former Coastal Policy Council nor the proposed board is meant to be a stakeholders group. Only state agencies and coastal districts manage the program. The public gets involved at the board meetings.
3. The issues raised by AOGA about the DEC carve out can be fixed in regulation (i.e., removing the requirement to have a draft air/water quality permits before starting ACMP review).

Thanks again, and please call me if I can help explain anything. It is a tough program to understand

Glenn

Glenn Gray and Associates
P.O. Box 33646
Juneau, AK 99803
Phone: (907) 789-7822
Fax: (907) 523-1005
Email: glenn@glenngray.net

From: Rep. Cathy Munoz [mailto:Representative_Cathy_Munoz@legis.state.ak.us]
Sent: Tuesday, February 10, 2009 1:34 PM

To: Glenn Gray
Subject: RE: HB 74 - Coastal Management

Thanks Glenn, today we heard the bill in committee and it is expected to move out at our next hearing on Thursday. Sincerely, Cathy

---

From: Glenn Gray [mailto:glenn@glenngray.net]
Sent: Sunday, February 08, 2009 2:18 PM
To: Rep. Cathy Munoz
Subject: HB 74 - Coastal Management

Dear Representative Munoz:

I am writing to you to express my support for HB 74 on the Alaska Coastal Management Program (ACMP). This bill would fix a lot of the problems that resulted from changes made to the ACMP statutes in 2003 and the regulations adopted by the Murkowski Administration in 2004.

As a land use consultant, I had the privilege to work on the coastal management plans for 8 coastal districts throughout Alaska. Previous to my work as a consultant, I worked as a senior staff person for the ACMP for 10 years.

I would like to request a meeting with you to discuss this bill. I know you are busy, but I believe I could provide considerable insight into how this bill will improve the ACMP.

Sincerely,

Glenn Gray

Glenn Gray and Associates
19296 Randall Road
Juneau, AK 99801
Phone: (907) 789-7822
Fax: (907) 523-1005
Email: glenn@glenngray.net

JUNEAUEMPIRE.COM

Local governments criticize state coastal management program

Bill supporters say state has too much power over area development

Monday, February 16, 2009
By Kate Golden | **JUNEAU EMPIRE**

State and local districts continue their fight this year over the power to influence local development in coastal areas.

Lawmakers this session are faced with a complex bill - overwhelmingly supported by local governments in coastal areas, and opposed by the oil industry, the governor and the Alaska Department of Natural Resources - that would overhaul the Alaska Coastal Management Program for the second time in six years.

Development projects in coastal zones must go through the program, which does two things: ACMP reviewers coordinate federal, state and local permits; and they decide whether projects are consistent with state standards and local environmental policies.

Coastal planners from the North Slope to Juneau told lawmakers Tuesday they'd like the program to return roughly to how it worked before the Legislature-approved, Murkowski-administration-written overhaul in 2003.

They want more local control.

Murkowski's 2003 rewrite was aimed to promote development, and industry reps tend to support the current program.

But local districts like the North Slope and the Northwest Arctic Borough say they know of no projects that were held up because of the pre-2003 process.

Rep. Reggie Joule, D-Kotzebue, introduced his bill in committee Tuesday with slides showing how drilling sites in Prudhoe Bay have burgeoned over the years, much of the development before 2003.

"The notion that we will stop development is not accurate," Joule said.

DNR doesn't support the bill because it would "override DNR authority," according to Division of Ocean and Coastal Management director Randy Bates, who participated in the 2003 rewrite and runs the ACMP.

He said the bill would favor coastal districts but wouldn't adequately represent other stakeholders, naming the state, industry, and the public.

"That's been one of the biggest challenges we have, trying to find the right balance to the program,"

Bates said.

Local districts lost control

A big chunk of the fight is over coastal districts' so-called local enforceable policies.

These policies are tailored to districts' "unique concerns." Juneau, for example, has pro-development policies regarding Special Waterfront Areas, where environmental regulations are looser.

Districts decide whether projects are consistent with those policies. The state has to defer to that interpretation.

The policies are local districts' most powerful hook into projects.

But DNR must approve those policies. And the department and the districts have been fighting for five years over how much overlap district policies can have with areas the state regulates.

"The district role was drastically reduced in 2003," said Teri Camery, planner for the city and borough of Juneau.

DNR says the policies can't be about anything the state already addresses, such as subsistence.

But the districts disagree with DNR over what it means to "adequately address" an issue.

Much of the combat is over local say on subsistence areas.

A statewide standard for subsistence says development must avoid or minimize harm to subsistence areas. The North Slope wanted to get more specific, to protect special subsistence areas. Planners wrote policies that restricted development in those areas during certain seasons, and banning some types of development outright.

DNR told them that because there's a statewide standard, the local policies couldn't address subsistence. Alaska's 27 districts ended up having a lot less say than they wanted. Several went to mediation, and a few districts have declared an impasse with DNR.

Juneau coastal district proposed 99 policies and got 14. The Northwest Arctic Borough proposed 50, most about subsistence, and got one, which addressed wind farms. Anchorage proposed more than 100 and got five.

Juneau planners retained some denied policies by incorporating them into the local land use code.

"That adds time and expense to the developer," said Camery, because they have to go through a separate review.

"Our plan was flat-out denied by the state," said Tom Okleasik, planning director of the Northwest Arctic Borough. "Our only recourse is to go back to the DNR commissioner," he said - who denied the plan in the first place.

Districts see the problem as a lack of check on DNR's power.

Their solution: Create a coastal policy board external to DNR, in the governor's office - five coastal district representatives plus the commissioners of Natural Resources, Fish and Game and Commerce -

to approve coastal districts' plans. A similar council existed before the 2003 rewrite.

DNR acknowledges the districts' frustration about policies, but doesn't agree there should be an outside board. In its own draft revisions of the program, DNR suggested local districts could appeal to the Legislature, an equally controversial idea.

Mixed views from industry

The oil and gas industry says the current ACMP isn't broken.

"We cannot find any examples of when a coastal district's concerns were not addressed," said Steve Albuquerque of ConocoPhillips, who called the current process streamlined and efficient.

ConocoPhillips just wants a clear and predictable permit process, he said.

But not all developers are satisfied with the current program.

Redfern Resources Ltd., a Canadian company that is applying to haul a barge year-round on the Taku River south of Juneau, has complained about the process. Redfern first applied for permits in late 2007 and hasn't finished the process yet.

The project's original permit application was canceled by state ACMP reviewers when Redfern changed the tow vehicles for the barge. And it has been delayed several times while state permitters ask the company for more information on the project.

Redfern has not commented on the proposed bill, but has criticized the current permit process.

"If you review the historical notes with the legislation from 2003, it specifically speaks toward the purpose of the ACMP: to provide a predictable procedure or consistency review. And we're finding this process very unpredictable," said Tim Davies, Redfern's regulatory affairs manager, in January.

"We're talking about a very significant project," he said. "Over $300 million to develop the mine, and $24 million a year coming into the Juneau economy. Do we really want to have such an unpredictable process in place for making these type of decisions?"

Local districts promote the new bill as fixing that.

"The predictability industry wants would be in place, once the districts have policies," said Tom Loman, Anchorage city planner.

DNR's promised rewrite missing

DNR has been working on a revision of the program since February last year, when the Legislature was considering a similar coastal-district-friendly ACMP overhaul.

The state opposed that bill, too. Bates told lawmakers the state would re-examine the program with help from districts and industries, find consensus and produce its own bill for the next session.

So far, no bill.

This week, Bates said he couldn't rule out the introduction of a DNR-sponsored bill.

But the department doesn't see anything wrong with the current program - other than the "instability" resulting from coastal districts' criticism of it.

"We believe no change is necessary, particularly in the form of the bills offered," Bates said.

The department has been working with the districts since last summer. In November the department released a draft set of statutes. Bates on Tuesday characterized them as "conversational" and said it shouldn't be taken as the department's actual view.

According to local planners, the draft statutes further restricted coastal districts' ability to write policies. Some planners said they were looking forward to the state's final compromise - but without it, they're pinning their hopes on the current bill.

Palin supports DNR

Gov. Sarah Palin seemed to criticize the Murkowski ACMP rewrite in a 2005 campaign promise:

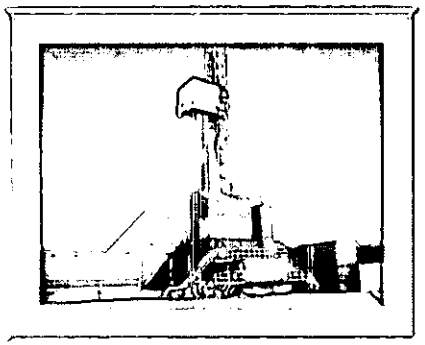
"I would ... revisit the change in regulations on the Alaska Coastal Zone Management Program in which the past administration by eliminating (sic) the rights of local districts to write specific local enforceable policies on important issues like subsistence," her campaign Web site said then.

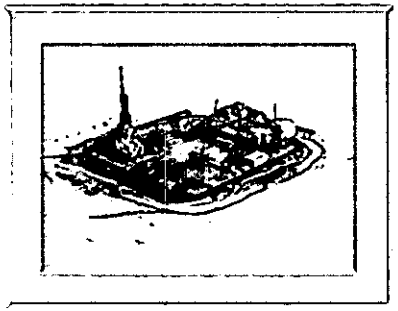
Palin said at a press conference Wednesday that she's aligned with DNR on its ACMP stance: no changes yet deemed necessary.

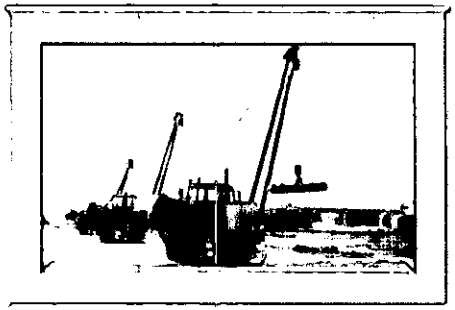
Click here to return to story:
http://juneauempire.com/stories/021609/loc_388380643.shtml

Why the NSB Supports HB 74

- It restores meaningful participation
  - State agencies & coastal districts
- It brings air and water quality back into project review
- It restores state's rights







HB 74 Does Not Stop Development

- The ACMP has always promoted development
  - Coastal districts have not stopped projects through the ACMP
  - Before 2003, <1% of projects appealed
  - All of coastal development since 1977 has been approved under the ACMP
- HB 74 will not override legislative or agency authority
- HB 74 does not allow citizen or third-party lawsuits
  - Citizen lawsuits eliminated in 2003
  - Citizen petitions eliminated in 2002

The ACMP is Broken

- The ACMP has lost its value to review participants
  - Agencies and coastal districts have expressed frustration with the ACMP
- Few meaningful opportunities to resolve conflicts that arise at the local level
  - The ACMP used to be a tool to identity and resolve conflicts early in the process
  - Resolving conflicts early avoids lawsuits

HB 74: Legislative Intent

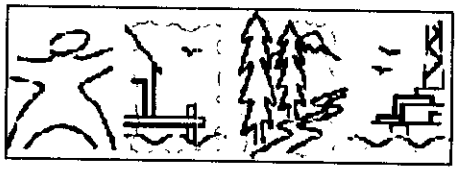
- **2003 Legislative intent is being ignored**
  - **DEC Carve-Out**
    - 2003 intent was to exclude only matters addressed by DEC laws
    - In practice, no air or water quality issues may be addressed during project reviews
  - **Enforceable policies**
    - DNR denied most policies proposed by local districts
    - Sample approvable policies requested by the Legislature are no longer allowable
  - **Regulations More Stringent**
    - DNR testified to the Legislature in 2008 that the regulations were "more stringent" than the Legislature intended
    - Since then, no changes have been made to the regulations

3497.

HB 74: Legislative Intent

- <u>Regulatory confusion</u>
  - HB 191 (2003) directed DNR to "avoid regulatory confusion"
  - 2004 regulations are costly and confusing
    - The designated area requirement delays reviews
      - Subsistence impacts can't be considered unless they are in a designated area
      - DNR disapproved most district proposed subsistence use areas
  - OCS project review process is not clear
    - DNR–DEC coordination procedures are confusing
    - There is no regulatory provision for public comment on the DEC finding (draft DEC findings are only "advisory")

HB 74: Leadership Needed



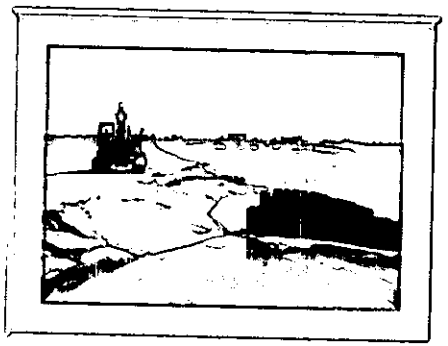
- **ACMP Re-evaluation**
  - Announced in February 2008
  - Not initiated until July 2008
  - Extensive multi-stakeholder involvement in 2008
  - Process abruptly ended after December 2008 with no explanation to participants
  - No way forward to resolve important issues
- **Legislation**
  - Leadership is needed to restore the ACMP's effectiveness

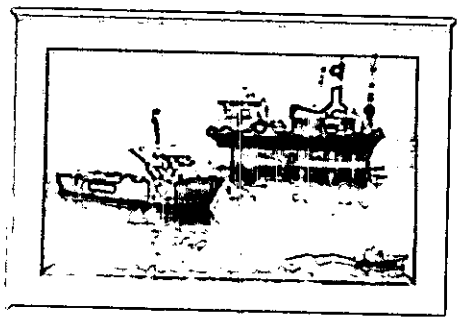
HB74: Why Should You Care?

- **Effective Stakeholder Participation**
  - Promotes responsible development
  - Reduces delays during project reviews
  - Reduces lawsuits
  - Improves relations
    - Between state and federal agencies and local government
      - When a project does not require an EIS, the ACMP provides an efficient forum for agency coordination

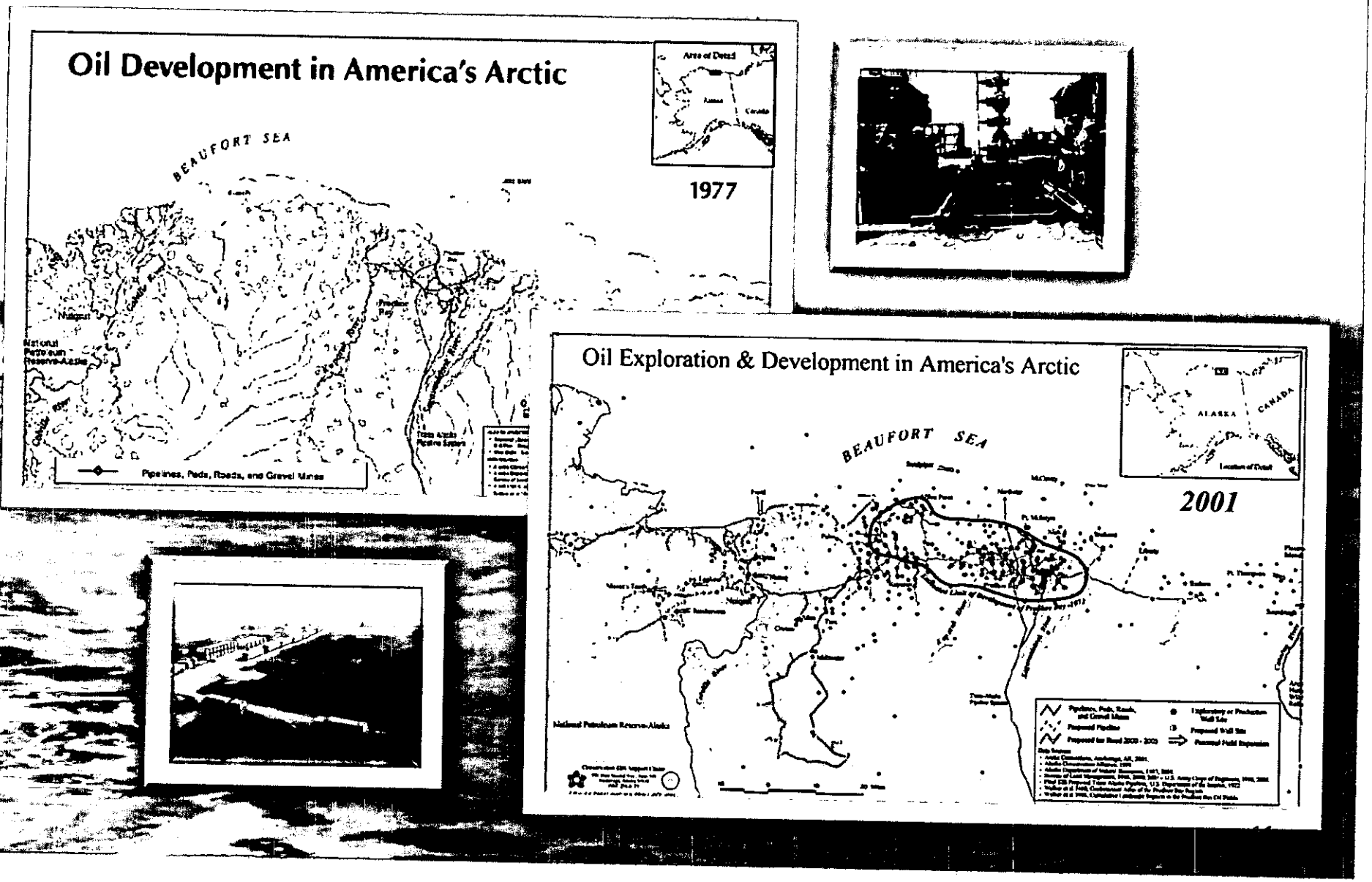
HB74: Why Should You Care?

- HB 74 will promote cooperation and approval of responsible development
- Congress requires states to have coastal programs in order to receive Coastal Impact Assistance Program (CIAP) funds
  - CIAP will bring $79.8 million to Alaska





25 Years of Growth Under ACMP



What HB74 Does

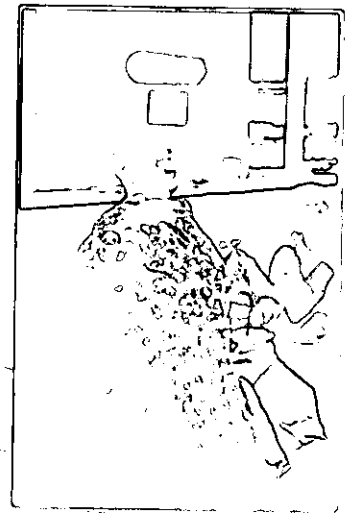
- Restores meaningful participation
- Brings air and water quality back into project review
- Restores state's rights

Restoring Meaningful Participation

- <u>Coastal Policy Board</u>
  - Gives districts and agencies a seat at the table
  - Restore checks and balances
  - More streamlined than the Coastal Policy Council
    - Fewer members (9 rather than 17)
    - Limited responsibilities
      - Approve coastal district plans, grant programs & regulations
    - The new board would <u>not</u> have any oversight over project "consistency reviews"

Restoring Meaningful Participation

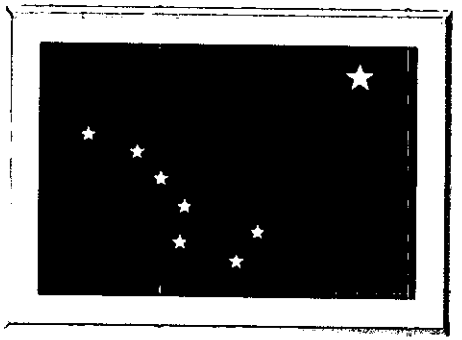
- <u>District enforceable policies</u>
  - HB 74 would allow policies that:
    - Do not conflict with state or federal law
    - Address issues not preempted by state or federal law
    - Address a local concern



HB 74: Air and Water Quality

- **Eliminating the "DEC Carve-Out"**
  - Avoids confusion about scope of ACMP reviews
  - Reinstates public comments for OCS reviews
    - Currently because DEC has no permit for OCS waters, there is no opportunity for public involvement
  - Allows consideration of air and water quality impacts not addressed by DEC's laws
    - For example, oils spill plans do not address effects of spill
  - DNR's December 2008 draft statutes eliminate the DEC Carve-Out

HB 74: State's Rights



- **HB 74 Restores State's Rights**
  - **2003-2004 ACMP changes removed some rights provided by the Coastal Zone Management Act**
  - **HB 74 would:**
    - **Allow review of all projects that would have coastal impacts**
    - **Remove 90 day limit for reviews with federal permits**
      - **Most reviews would be completed in 30 or 50 days**
    - **Allow consideration of impacts to coastal resources on federal lands and waters**
      - **Designated area requirements limits the State's ability to influence decisions on federal lands and waters**

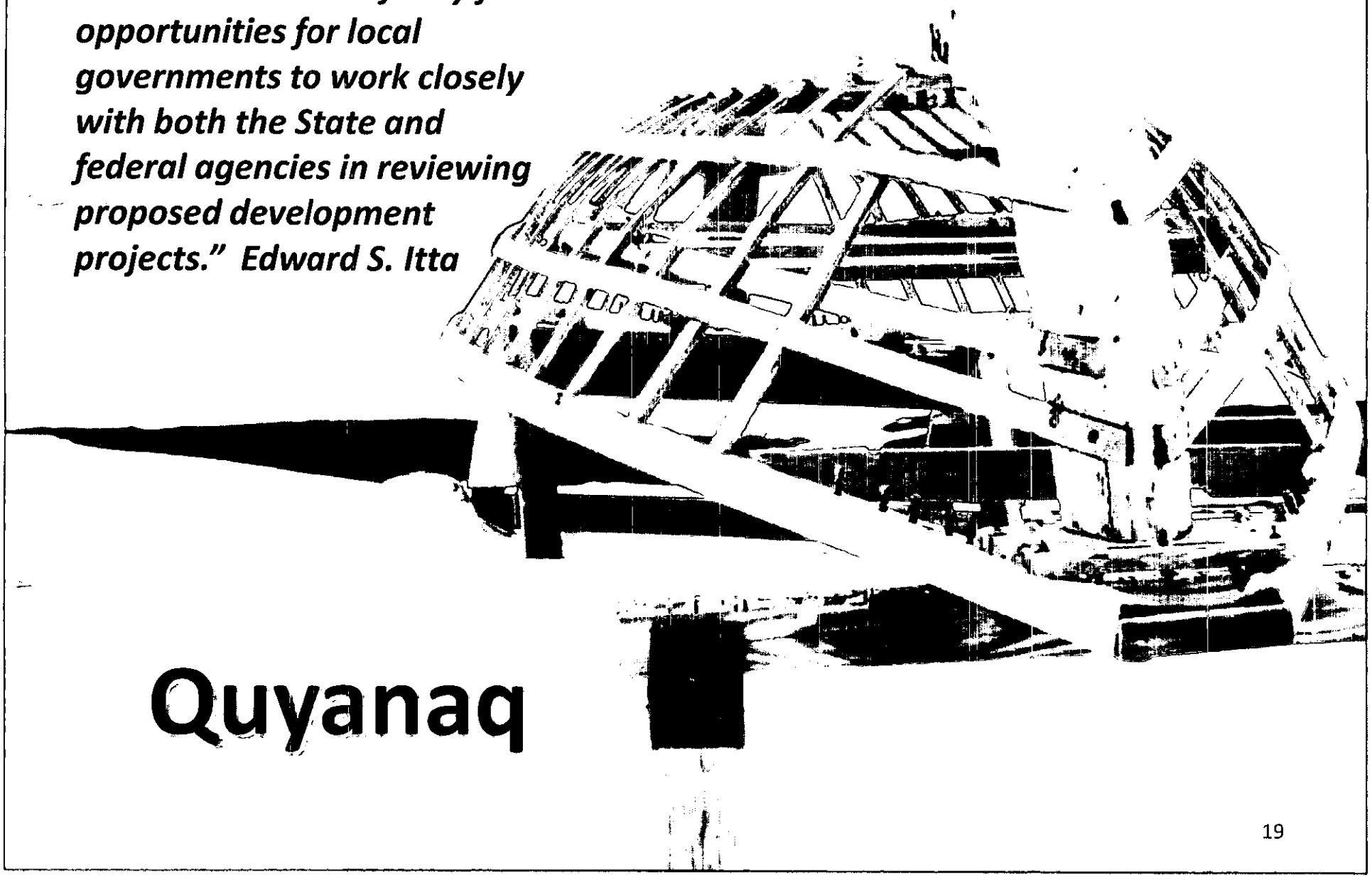
Why a Meaningful Role for Coastal Districts Makes Sense for Alaska

- "One size fits all" does not work for Alaska
- Restoring the ability for districts to influence local projects is consistent with Alaska's position against federal intrusion
- Local communities know best what is works, and their expertise improves projects
- Most project impacts are felt at the local level
- Local involvement through enforceable policies improves project designs and reduces litigation

HB 74: Summary

- **This bill should be passed because it:**
  - **Encourages coastal partnerships**
  - **Promotes responsible development**
  - **Restores states' rights**
  - **Reduces regulatory confusion**

"The ACMP is one of very few opportunities for local governments to work closely with both the State and federal agencies in reviewing proposed development projects." Edward S. Itta



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CS FOR HOUSE BILL NO. 74(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES JOULE, EDGMON AND BUCH

A BILL

FOR AN ACT ENTITLED

"An Act relating to the Alaska coastal management program; and establishing the Alaska Coastal Policy Board."

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

*** Section 1.** AS 46.39 is amended by adding a new section to article 1 to read:

Sec. 46.39.005. Alaska Coastal Policy Board. (a) There is created in the Department of Natural Resources the Alaska Coastal Policy Board. The board consists of the following:

(1) five public members appointed by the governor, including one at-large member from any coastal district and four members from a list composed of at least three names from each region, nominated and submitted by the coastal districts of each region; one public member shall be appointed from each of the following regions:

(A) northwest Alaska, including, generally, the area of the North Slope Borough and the Northwest Arctic Borough; and the Bering Strait

area, including, generally, the area of the Bering Strait regional educational attendance area;

(B) southwest Alaska, including, generally, the area within the Lower Yukon, Lower Kuskokwim, and Southwest regional educational attendance areas and the Lake and Peninsula and Bristol Bay Boroughs; and the Kodiak-Aleutians area, including the Kodiak Island and area of the Aleutians East Boroughs and the area of the Aleutian, Adak, and Pribilof regional educational attendance areas;

(C) Upper Cook Inlet area, including the Municipality of Anchorage and the Matanuska-Susitna Borough; the Lower Cook Inlet area, including, generally, the Kenai Peninsula Borough; and the Prince William Sound area, including, generally, the area east of the Kenai Peninsula Borough to 141 West longitude; and

(D) Southeast Alaska, generally the area east of 141 West longitude;

(2) each of the following:

(A) the commissioner of environmental conservation;

(B) the commissioner of fish and game;

(C) the commissioner of natural resources; and

(D) the commissioner of commerce, community, and economic development.

(b) Each public member appointed by the governor under (a)(1) of this section serves a term of two years and until a successor is appointed and qualified. A public member may be reappointed.

(c) The board shall designate co-chairs, one of whom shall be selected from among the public members appointed under (a)(1) of this section and one from among the members designated in (a)(2) of this section.

(d) Each member of the board shall select one person to serve as a permanent alternate at meetings of the board. If a member of the board is unable to attend, the member shall advise the alternate, who may attend and act in the place of the member. The alternate for each public member appointed under (a)(1) of this section shall be

approved by the coastal districts in the region from which the public member was appointed. The alternate for a commissioner serving under (a)(2) of this section shall be a deputy commissioner or the director of a division in the commissioner's department. The names of alternates shall be filed with the board.

(e) Three public members and two designated members of the board constitute a quorum, but the board may delegate to one or more of its members the power to hold hearings. All decisions of the board shall be by a majority vote of the members present and voting.

(f) Members of the board or their alternates are entitled to per diem and travel expenses authorized by law for members of boards and commissions.

(g) Administrative support for the board shall be provided by the division in the department responsible for coastal and ocean management. The director of the division in the department responsible for coastal and ocean management, under direction of the co-chair designated by the board from the individuals listed in (a)(2) of this section, may contract with or employ persons as necessary to assist the board in carrying out the board's duties and responsibilities.

* **Sec. 2.** AS 46.39.010(a) is amended to read:

(a) The Department of Natural Resources shall render, on behalf of the state, all federal consistency determinations and certifications authorized by 16 U.S.C. 1456 (Sec. 307, Coastal Zone Management Act of 1972), and each conclusive state consistency determination when a project requires a permit, lease, or authorization **from the department or** from two or more state resource agencies.

* **Sec. 3.** AS 46.39.010(b) is amended to read:

(b) The department may adopt regulations **approved by the board** necessary to implement this chapter.

* **Sec. 4.** AS 46.39.030 is amended to read:

Sec. 46.39.030. Powers of the board [DEPARTMENT]. The **board** [DEPARTMENT] may

(1) apply for and accept grants, contributions, and appropriations, including application for and acceptance of federal funds that may become available for coastal planning and management;

(2) contract for necessary services;

(3) consult and cooperate with

(A) persons, organizations, and groups, public or private, interested in, affected by, or concerned with coastal area planning and management;

(B) agents and officials of the coastal resource districts of the state, and federal and state agencies concerned with or having jurisdiction over coastal planning and management;

(4) take any reasonable action necessary to carry out the provisions of this chapter or AS 46.40.

* **Sec. 5.** AS 46.39.040 is amended to read:

Sec. 46.39.040. Duties of the board [DEPARTMENT]. In conformity with 16 U.S.C. 1451 - 1464 (Coastal Zone Management Act of 1972), as amended, the **board** [DEPARTMENT] shall

(1) **approve** [DEVELOP] statewide standards for the Alaska coastal management program [,] and criteria for the preparation and approval of district coastal management plans **developed by the department** in accordance with AS 46.40;

(2) establish continuing coordination among state agencies to facilitate the development and implementation of the Alaska coastal management program; in carrying out its duties under this paragraph, the department shall initiate an interagency program of comprehensive coastal resource planning for each geographic region of the state;

(3) assure continued provision of data and information to coastal resource districts to carry out their planning and management functions under the program.

* **Sec. 6.** AS 46.39.900 is amended to read:

Sec. 46.39.900. Definitions [DEFINITION]. In this chapter, unless the context requires otherwise,

(1) "board" means the Alaska Coastal Policy Board established in AS 46.39.005;

(2) "department" means the Department of Natural Resources.

* **Sec. 7.** AS 46.40.010 is amended to read:

Sec. 46.40.010. Development of Alaska coastal management program. (a) The **Alaska Coastal Policy Board** [DEPARTMENT] shall approve, in accordance with this chapter, **program changes to** the Alaska coastal management program.

(b) The **board** [DEPARTMENT] may approve the Alaska coastal management program for a portion or portions of the coastal area before approving the [COMPLETE] program **changes** under (a) of this section. Portions of the program approved under this subsection shall be incorporated into the Alaska coastal management program.

(c) The Alaska coastal management program shall be reviewed by the **board** [DEPARTMENT] and, when appropriate, revised to

(1) add newly approved district coastal management plans [,] or revisions and amendments to the Alaska coastal management program;

(2) integrate newly approved district coastal management plans [,] or revisions and amendments of district coastal management plans [,] with existing approved plans and with plans developed by state agencies;

(3) add new or revised state statutes, policies, regulations, or other appropriate material;

(4) **evaluate** [REVIEW] the effectiveness [OF IMPLEMENTATION] of district coastal management plans; and

(5) consider new information acquired by the state and coastal resource districts.

(d) All reviews and revisions shall be in accordance with the statewide standards and district plan criteria adopted under AS 46.40.040.

* **Sec. 8.** AS 46.40.020 is amended to read:

Sec. 46.40.020. Objectives. The Alaska coastal management program shall be consistent with the following objectives:

(1) the use, management, restoration, and enhancement of the overall quality of the coastal environment;

(2) the development of industrial or commercial enterprises that are

consistent with the social, cultural, historic, economic, and environmental interests of the people of the state;

(3) the orderly, balanced utilization and protection of the resources of the coastal area consistent with sound conservation and sustained yield principles;

(4) the management of coastal land and water uses in such a manner that, generally, those uses **that** [WHICH] are economically or physically dependent on a coastal location are given higher priority when compared to uses **that** [WHICH] do not economically or physically require a coastal location;

(5) the protection and management of significant historic, cultural, natural, **subsistence,** and aesthetic values and natural systems or processes within the coastal area;

(6) the prevention of damage to or degradation of land and water reserved for their natural **and subsistence** values as a result of inconsistent land or water usages adjacent to that land;

(7) the recognition of the need for a continuing supply of energy to meet the requirements of the state and the contribution of a share of the state's resources to meet national energy needs; and

(8) the full and fair evaluation of all demands on the land and water in the coastal area.

* **Sec. 9.** AS 46.40.030 is amended to read:

Sec. 46.40.030. Development of district coastal management plans. (a) Coastal resource districts shall develop and adopt district coastal management plans in accordance with the provisions of this chapter. The plan adopted by a coastal resource district shall be based upon a municipality's existing comprehensive plan or a new comprehensive resource use plan or comprehensive statement of needs, policies, objectives, and standards governing the use of resources within the coastal area of the district. The plan must meet the [STATEWIDE STANDARDS AND] district plan criteria adopted under AS 46.40.040 and must include

(1) a delineation within the district of the boundaries of the coastal area subject to the district coastal management plan;

(2) a statement, list, or definition of the land and water uses and

activities subject to the district coastal management plan;

(3) a statement of policies to be applied to **all** [THE] land and water uses subject to the district coastal management plan **as well as policies that apply only to special management areas**; **and**

(4) [A DESCRIPTION OF THE USES AND ACTIVITIES THAT WILL BE CONSIDERED PROPER AND THE USES AND ACTIVITIES THAT WILL BE CONSIDERED IMPROPER WITH RESPECT TO THE LAND AND WATER WITHIN THE COASTAL AREA; AND

(5)] a designation of **any special management** [, AND THE POLICIES THAT WILL BE APPLIED TO THE USE OF,] areas **under** [WITHIN] the **district** coastal **management plan and enforceable policies that will be applicable within those special management areas** [RESOURCE DISTRICT THAT MERIT SPECIAL ATTENTION].

(b) In developing enforceable policies in its coastal management plan under (a) of this section, a coastal resource district shall **ensure that the enforceable policies are**

(1) clear and concise as to the activities and persons affected by the policies and the requirements of the policies whether the policies are prescriptive or performance-based;

(2) necessary given local conditions; and

(3) supported by evidence, including contemporary or traditional local knowledge, if the policies are more specific than state or federal statutes or regulations [MEET THE REQUIREMENTS OF AS 46.40.070 AND MAY NOT DUPLICATE, RESTATE, OR INCORPORATE BY REFERENCE STATUTES AND ADMINISTRATIVE REGULATIONS ADOPTED BY STATE OR FEDERAL AGENCIES].

* **Sec. 10.** AS 46.40.040(a) is amended to read:

(a) Except as provided in [(b) OF THIS SECTION AND] AS 41.17, the department shall**, after approval by the board,**

(1) by regulation, adopt**,** under the provisions of AS 44.62 (Administrative Procedure Act) for the use of and application by coastal resource

districts and state agencies for carrying out their responsibilities under this chapter, statewide standards and district coastal management plan criteria for

(A) identifying the boundaries of the coastal area subject to the Alaska coastal management program;

(B) determining the land and water uses and activities subject to the Alaska coastal management program;

(C) developing policies applicable to the land and water uses subject to the Alaska coastal management program;

(D) developing regulations applicable to the land and water uses subject to the Alaska coastal management program;

(E) developing policies and procedures to determine whether specific proposals for the land and water uses or activities subject to the Alaska coastal management program shall be allowed;

(F) designating and developing policies for **special management areas** [THE USE OF AREAS OF THE COAST THAT MERIT SPECIAL ATTENTION]; and

(G) measuring the progress of a coastal resource district in meeting its responsibilities under this chapter;

(2) [DEVELOP AND MAINTAIN A PROGRAM OF TECHNICAL AND FINANCIAL ASSISTANCE TO AID COASTAL RESOURCE DISTRICTS IN THE DEVELOPMENT AND IMPLEMENTATION OF DISTRICT COASTAL MANAGEMENT PLANS;

(3) UNDERTAKE REVIEW AND APPROVAL OF DISTRICT COASTAL MANAGEMENT PLANS IN ACCORDANCE WITH THIS CHAPTER;

(4) INITIATE A PROCESS FOR IDENTIFYING AND MANAGING USES OF STATE CONCERN WITHIN SPECIFIC AREAS OF THE COAST;

(5) DEVELOP PROCEDURES OR GUIDELINES FOR CONSULTATION AND COORDINATION WITH FEDERAL AGENCIES MANAGING LAND OR CONDUCTING ACTIVITIES POTENTIALLY AFFECTING THE COASTAL AREA OF THE STATE;

(6)] by regulation, establish a consistency review and determination or

certification process that conforms to the requirements of AS 46.40.096.

* **Sec. 11.** AS 46.40.040 is amended by adding a new subsection to read:

(d) Except as provided in AS 41.17, the board shall

(1) develop and maintain a program of technical and financial assistance to aid coastal resource districts in the development and implementation of district coastal management plans;

(2) undertake review of and, after public hearing, approve district coastal management plans in accordance with this chapter;

(3) initiate a process for identifying and managing uses of state concern within specific areas of the coast;

(4) develop procedures or guidelines for consultation and coordination with federal agencies managing land or conducting activities potentially affecting the coastal area of the state.

* **Sec. 12.** AS 46.40.050(b) is amended to read:

(b) Within 30 months after certification of the organization of a new coastal resource district, the coastal resource district shall complete and submit to the **board** [DEPARTMENT] a proposed district coastal management plan. If, after receipt of a written request for extension from the coastal resource district, the **board** [DEPARTMENT] considers an extension proper, the **board** [DEPARTMENT] may grant an extension to a date that is within 54 months after certification of the results of the coastal resource district's organization. A request under this subsection must include the reasons for the extension.

* **Sec. 13.** AS 46.40.060 is repealed and reenacted to read:

Sec. 46.40.060. Review and approval. (a) A coastal resource district shall submit its district coastal management plan for review by the department. The division in the department responsible for coastal and ocean management shall attempt to reach a consensus with a coastal resource district concerning any changes required to comply with the district plan criteria approved by the department and the board.

(b) If a consensus between the division and the coastal resource district is reached, the division shall forward a recommendation to the commissioner, and the commissioner shall submit the recommendation to the board.

(c) If a consensus between the division and the coastal resource district is not reached, the division shall forward a recommendation to the commissioner with an explanation of the reasons for its recommendation and, if applicable, offer recommended changes to the district coastal management plan that would meet the district plan criteria. The coastal resource district may request that the commissioner reconsider the division's recommendation before the commissioner submits the recommendation to the board.

(d) If, after receiving the commissioner's recommendation, the board finds that the district coastal management plan meets the provisions of this chapter and the district plan criteria adopted by the department, the board may approve the district coastal management plan or may approve portions of the district coastal management plan that meet those requirements.

(e) If the board finds that a district coastal management plan is not approvable or is approvable only in part under (d) of this section, the board shall direct the department to meet with officials of the coastal resource district to resolve differences. If requested by a coastal resource district, the board shall direct that deficiencies in the district coastal management plan submitted by the coastal resource district be resolved through mediation conducted by a neutral third party. During mediation, the board may call for one or more public hearings in the district.

(f) If, after mediation, the differences have not been resolved and mutually agreed to by the coastal resource district and the board, the board shall enter findings and, by order, may require

(1) that the district coastal management plan be amended to satisfy the provisions of this chapter or meet the statewide standards and district plan criteria approved by the board;

(2) that the district coastal management plan be revised to accommodate a use of state concern; or

(3) any other action be taken by the coastal resource district, as appropriate.

(g) An order of the board entered under (f) of this section is a final administrative order that the coastal resource district may appeal to the superior court

under AS 44.62 (Administrative Procedure Act). The attorney general, at the request of the board, may file an action in superior court to enforce an order issued under (f) of this section.

* **Sec. 14.** AS 46.40.070 is repealed and reenacted to read:

Sec. 46.40.070. Requirements for board review and approval. (a) The board shall approve a district coastal management plan submitted for review and approval if the

(1) district coastal management plan meets the requirements of this chapter and the district plan criteria adopted by the department; and

(2) enforceable policies of the district coastal management plan

(A) do not duplicate, restate, or incorporate by reference state or federal statutes or regulations;

(B) are not preempted by federal or state law; and

(C) do not arbitrarily or unreasonably restrict a use of state concern.

(b) In (a)(2)(B) of this section, an enforceable policy of the district coastal management plan is preempted

(1) by federal statutes or regulations if the United States Congress expressly declares that local law or regulation is preempted, if the United States Congress demonstrates the intent to occupy the field exclusively, or if there is an actual conflict between federal and local law or regulation;

(2) by state law if it is prohibited, either by express legislative direction or direct conflict with a state statute or regulation, or where a local law or regulation substantially interferes with the effective functioning of a state statute or regulation or the underlying purposes of a state statute or regulation.

* **Sec. 15.** AS 46.40.096(a) is amended to read:

(a) The department shall, by regulation **approved by the board**, establish a consistency review and determination process that conforms to the requirements of this section.

* **Sec. 16.** AS 46.40.096(d) is amended to read:

(d) In preparing a consistency review and determination for a proposed

project, the reviewing entity shall

(1) request consistency review comments for the proposed project from state resource agencies, affected coastal resource districts, and other interested parties as determined by regulation adopted by the department;

(2) prepare proposed consistency determinations;

(3) coordinate **elevations** [SUBSEQUENT REVIEWS] of proposed consistency determinations prepared under (2) of this subsection; **an elevation** [A SUBSEQUENT REVIEW] of a proposed consistency determination under this paragraph

(A) is limited to a review by **state resource agencies** [THE DEPARTMENT];

(B) may occur only if requested by

(i) the project applicant;

(ii) a state resource agency; or

(iii) an affected coastal resource district; and

(C) shall be completed by the **resource agencies** [DEPARTMENT] within 45 days after the initial request for subsequent review under this paragraph;

(4) render the final consistency determination and certification.

*** Sec. 17.** AS 46.40.096(g) is amended to read:

(g) The reviewing entity shall exclude from the consistency review and determination process for a project

(1) **an aspect of** an activity that

[(A)] is **specifically** authorized under a general or nationwide permit that has previously been determined to be consistent with the Alaska coastal management program; [OR

(B) IS SUBJECT TO AUTHORIZATION BY THE DEPARTMENT OF ENVIRONMENTAL CONSERVATION UNDER THE REQUIREMENTS DESCRIBED IN AS 46.40.040(b);]

(2) activities excluded from a consistency review under AS 41.17; and

(3) the issuance of an authorization or permit issued by the Alaska Oil

and Gas Conservation Commission.

* **Sec. 18.** AS 46.40.096(k) is amended to read:

(k) Except as provided in (g) of this section, AS 41.17, [AS 46.40.040(b),] and AS 46.40.094, the scope of a consistency review of a project, once triggered under (j) of this section, is limited to activities that are located within the areas described in (*l*) of this section and that either are subject to a state resource agency permit, lease, authorization, approval, or certification or are the subject of a coastal resource district enforceable policy approved by the **board** [DEPARTMENT] under this chapter. The scope of a consistency review subject to 16 U.S.C. 1456 is determined under 16 U.S.C. 1456 and 15 C.F.R. Part 930.

* **Sec. 19.** AS 46.40.096(*l*) is amended to read:

(*l*) The regulations adopted under (a) of this section apply, as authorized by 16 U.S.C. 1456(c), to

(1) activities within the coastal zone **or inland of the coastal zone if the activities would cause direct and significant impacts to a coastal use or resource**; and

(2) activities on federal land **and water**, including the federal outer continental shelf, that would affect any land or water use or natural resource of the state's coastal zone; for purposes of this paragraph, those activities consist of any activity on the federal outer continental shelf**, including seismic survey activity,** and any activity on federal land that are within the geographic boundaries of the state's coastal zone notwithstanding the exclusion of federal land in 16 U.S.C. 1453(1).

* **Sec. 20.** AS 46.40.096(m) is amended to read:

(m) As part of the regulations adopted under (a) of this section, the department shall establish a list of permits, certifications, leases, approvals, and authorizations issued by a state resource or federal agency that will trigger a consistency review under (j) of this section. In addition, the department shall establish in regulation categories and descriptions of uses and activities that, for purposes of evaluating consistency with the Alaska coastal management program, are determined to be categorically consistent or generally consistent after the inclusion of standard alternative measures. These categories of uses and activities must be as broad as

possible so as to minimize the number of **routine** projects that must undergo an individualized consistency review under this section.

* **Sec. 21.** AS 46.40.096(o) is amended to read:

(o) The time limitations in (n) of this section

(1) do not apply to a consistency review involving

(A) the disposal of an interest in state land or resources;

(B) an activity proposed by a federal agency; or

(C) an activity permitted by a federal agency;

(2) are suspended

(A) from the time **a review schedule is modified in response to** [THE REVIEWING ENTITY DETERMINES THAT THE APPLICANT HAS NOT ADEQUATELY RESPONDED IN WRITING WITHIN 14 DAYS AFTER THE RECEIPT OF] a written request from the reviewing entity for additional information, until the time the reviewing entity determines that the applicant has provided an adequate written response;

(B) during a period of time requested by the applicant;

(C) during the period of time a consistency review is undergoing a subsequent review under (d)(3) of this section;

(D) for 30 days if requested by an affected coastal resource district exercising authority under AS 29 to accommodate the adjudication process of an authorization issued by a coastal resource district pending the results of the adjudication.

* **Sec. 22.** AS 46.40.096(q)(1) is amended to read:

(1) "affected coastal resource district" means a coastal resource district **with a publicly reviewed draft or approved plan** in which a project is proposed to be located or **that** [WHICH] may experience a direct and significant impact from a proposed project;

* **Sec. 23.** AS 46.40.096 is amended by adding a new subsection to read:

(r) Notwithstanding any provision of this section, for federal agency activities defined in 15 C.F.R. 930.31, including Outer Continental Shelf lease sales and development projects, the department shall conduct a full consistency review and

provide its consistency response with respect to proposed uses or activities involved in the project regardless of whether an earlier consistency review for a similar project has been completed.

* **Sec. 24.** AS 46.40.100(b) is amended to read:

(b) A party that is authorized under (g) of this section may file a petition showing that a district coastal management plan is not being implemented. A petition filed under this subsection may not seek review of a proposed or final consistency determination regarding a specific project. On receipt of a petition, the **board** [DEPARTMENT], after giving public notice in the manner required by (f) of this section, shall convene a hearing to consider the matter. A hearing called under this subsection shall be held in accordance with regulations adopted under this chapter. After **the** hearing, the **board** [DEPARTMENT] may order that the coastal resource district or a state resource agency take any action with respect to future implementation of the district coastal management plan that the **board** [DEPARTMENT] considers necessary, except that the **board** [DEPARTMENT] may not order that the coastal resource district or a state agency take any action with respect to a proposed or final consistency determination that has been issued.

* **Sec. 25.** AS 46.40.100(c) is amended to read:

(c) In determining whether an approved district coastal management plan is being implemented by a coastal resource district that exercises zoning authority or controls on the use of resources within the coastal area or by a state resource agency, the **board** [DEPARTMENT] shall find in favor of the district or the state resource agency, unless the **board** [DEPARTMENT] finds a pattern of nonimplementation.

* **Sec. 26.** AS 46.40.100(e) is amended to read:

(e) The superior courts of the state have jurisdiction to enforce lawful orders of the **board and the** department under this chapter.

* **Sec. 27.** AS 46.40.100(f) is amended to read:

(f) Upon receipt of a petition under (b) of this section, the **board** [DEPARTMENT] shall give notice of the hearing at least 10 days before the scheduled date of the hearing. The notice must

(1) contain sufficient information in commonly understood terms to

inform the public of the nature of the petition; and

(2) indicate the manner in which the public may comment on the petition.

* **Sec. 28.** AS 46.40.100(h) is amended to read:

(h) If the **board** [DEPARTMENT] finds a pattern of nonimplementation under (c) of this section, the **board** [DEPARTMENT] may order a coastal resource district or a state resource agency to take action with respect to future implementation of the district coastal management plan that the **board** [DEPARTMENT] considers necessary to implement the district coastal management plan. The **board's** [DEPARTMENT'S] determination under (c) of this section and any order issued under this subsection shall be considered a final administrative order for purposes of judicial review under AS 44.62.560.

* **Sec. 29.** AS 46.40.180(b) is amended to read:

(b) If a city or village within a coastal resource service area fails to approve a portion of the district coastal management plan prepared and submitted for approval under (a) of this section, the governing body shall advise the coastal resource service area board of its objections to the proposed plan and suggest alternative elements or components for inclusion in the district coastal management plan. New matter submitted by a city or village that meets the [STATEWIDE STANDARDS AND] district plan criteria adopted under this chapter **may** [SHALL] be accepted **by the district** and the district coastal management plan modified accordingly. If a city or village fails to provide objections and suggested alternatives within the time limits established in this section, the coastal resource service area board may adopt the district coastal management plan as initially offered.

* **Sec. 30.** AS 46.40.190(b) is amended to read:

(b) This chapter does not restrict or prohibit cooperative or joint administration of functions between a municipality and a coastal resource service area organized under the provisions of this chapter upon initiation of a mutual agreement for the purpose. [A CITY THAT ELECTS TO BE EXCLUDED FROM AN ADJACENT COASTAL RESOURCE SERVICE AREA UNDER (a) OF THIS SECTION SHALL ENTER INTO A MUTUAL AGREEMENT FOR

COOPERATIVE OR JOINT ADMINISTRATION OF FUNCTIONS WITH THE COASTAL RESOURCE SERVICE AREA BOARD FROM THE ADJACENT COASTAL RESOURCE SERVICE AREA.]

* **Sec. 31.** AS 46.40.210(4) is amended to read:

(4) "coastal zone" means the coastal water including land within and under that water, and adjacent shoreland, including the water within and under that shoreland, within the boundaries approved by the former Alaska Coastal Policy Council and by the United States Secretary of Commerce under 16 U.S.C. 1451 - 1465 (Coastal Zone Management Act of 1972, as amended); "coastal zone" includes areas added as a result of any boundary changes approved by the **board** [DEPARTMENT] and by the United States Secretary of Commerce under 16 U.S.C. 1451 - 1465; "coastal zone" does not include

(A) those lands excluded under 16 U.S.C. 1453(1); or

(B) areas deleted as a result of any boundary changes by the **board** [DEPARTMENT] in conformance with 16 U.S.C. 1451 - 1465;

* **Sec. 32.** AS 46.40.210(7) is amended to read:

(7) "district coastal management plan" means a plan developed by a coastal resource district, including enforceable policies of that plan, setting out policies and standards to guide public and private uses of land and water within that district and approved by the **board** [DEPARTMENT] as meeting the requirements of this chapter and the regulations adopted under this chapter;

* **Sec. 33.** AS 46.40.210(8) is amended to read:

(8) "enforceable policy" means a policy established by this chapter or approved by the **board** [DEPARTMENT] as a legally binding policy of the Alaska coastal management program applicable to public and private activities;

* **Sec. 34.** AS 46.40.210(9) is amended to read:

(9) "project" means all activities that will be part of a proposed development **and includes all federal agency activities as defined in 15 C.F.R. 930.31, including lease sales and development projects affecting a coastal use or resource**;

* **Sec. 35.** AS 46.40.210 is amended by adding new paragraphs to read:

(13) "board" has the meaning given in AS 46.39.900;

(14) "special management area" means a delineated geographic area within the coastal area that is sensitive to change or alteration and that, because of plans or commitments or because a claim on the resources within the area delineated would preclude subsequent use of the resources to a conflicting or incompatible use, warrants special management attention, or that, because of its value to the general public, should be identified for current or future planning, protection, or acquisition; these areas, subject to the board's definition of criteria for their identification, include:

(A) areas of unique, scarce, fragile or vulnerable natural habitat, cultural value, historical significance, or scenic importance;

(B) areas of high natural productivity or essential habitat for living resources;

(C) areas of substantial recreational value or opportunity;

(D) areas where development of facilities is dependent upon the utilization of, or access to, coastal water;

(E) areas of unique geologic or topographic significance that are susceptible to industrial or commercial development;

(F) areas of significant hazard due to storms, slides, flooding, earthquakes, active faults, tsunamis, volcanoes, liquefaction, ice movement or snow avalanches, or erosion; and

(G) areas needed to protect, maintain, or replenish coastal land or resources, including coastal flood plains, aquifer recharge areas, beaches, and offshore sand deposits;

* **Sec. 36.** AS 46.40.040(b), 46.40.040(c), 46.40.050(a), 46.40.096(i), 46.40.205, and 46.40.210(1) are repealed.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB074**
() Publish Date:

Identifier (file name): **HB074-DNR-DCOM-02-02-09**
Dept. Affected: Natural Resources
Title: An Act relating to the Alaska Coastal Management Program.
RDU: Resource Development
Component: Coastal and Ocean Management
Sponsor: Rep. Reggie Joule
Requester: House Community and Regional Affairs Committee
Component Number: 2680

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	82.0	0.0	- 82.0	- 82.0	82.0	82.0	82.0
Contractual	80.0	0.0	30.0	30.0	30.0	30.0	30.0
Supplies	3.0	0.0	3.0	3.0	3.0	3.0	3.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**165.0**	**0.0**	**115.0**	**115.0**	**115.0**	**115.0**	**115.0**
CAPITAL EXPENDITURES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES ( )	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	165.0	0.0	115.0	115.0	115.0	115.0	115.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Interagency Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**165.0**	**0.0**	**115.0**	**115.0**	**115.0**	**115.0**	**115.0**

Estimate of any current year (FY2009) cost: 0.0

POSITIONS

Full-time	0	0	0	0	0	0	0
Part-time	0	0	0	0	0	0	0
Temporary	0	0	0	0	0	0	0

ANALYSIS: *(Attach a separate page if necessary)*

HB 74 will have the following fiscal impact:

1. Travel - It is expected that the Coastal Policy Board (CPB) will need to meet at least four times annually to fulfill the obligations and provide the services outlined in HB 74. Travel (including air, hotel, and per diem) for appointed members, designated members, and state agency staff is included.
2. Contractual - In order to re-write the guiding regulations, DNR must secure contractual services for the promulgation and final Department of Law review of the regulations (FY 2010 only). In addition, contractual services for the CPB meetings must be procured, and will be an annual expense.
3. Supplies - The CPB meetings will require some level of supplies for ensuring the members have proper materials.

Prepared by: Randy Bates, Director — Phone 465-8797
Division: Coastal and Ocean Management — Date/Time February 6, 2009
Approved by: Tom Irwin, Commissioner — Date February 6, 2009
Natural Resources

(Revised 9/10/2008 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** HB074
2009 LEGISLATIVE SESSION

ANALYSIS CONTINUATION

4. Although not contemplated above as an additional expense, it is expected that coastal districts will choose to revise, amend, and seek approval for their coastal district plans. No funding is included in this fiscal note for Coastal District Plan revisions. DNR does not typically set aside any funding for plan revisions.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB 74**
() Publish Date:

Identifier (file name): HB74-DEC-CO-2-6-09
Dept. Affected: Dept. of Environmental Conservation
Title: Coastal Management Program
RDU: Administration
Component: Office of the Commissioner
Sponsor: Representative Joule
Requester: House Community and Regional Affairs Committee
Component Number: 633

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services	86.8		86.8	86.8	86.8	86.8	86.8
Travel	12.5		12.5	12.5	12.5	12.5	12.5
Contractual	10.4		10.4	10.4	10.4	10.4	10.4
Supplies	6.9		0.5	0.5	0.5	0.5	0.5
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**116.6**	**0.0**	**110.2**	**110.2**	**110.2**	**110.2**	**110.2**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts	116.6	0.0	110.2	110.2	110.2	110.2	110.2
TOTAL	**116.6**	**0.0**	**110.2**	**110.2**	**110.2**	**110.2**	**110.2**

Estimate of any current year (FY2009) cost: 0.0

POSITIONS

Full-time	0.5		0.5	0.5	0.5	0.5	0.5
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

This legislation amends Alaska statutes related to the Alaska Coastal Management Program (ACMP). The bill requires that the Department of Environmental Conservation process its permits in accordance with the ACMP coastal consistency review procedures where permits are currently processed independent from those procedures. The increased work load for existing staff is estimated at one-half of the salary cost of a Range 19 position.

In addition to increasing the effort required to process a permit, the changes require a new half-time position to serve as ACMP lead for DEC with responsibility for internal and external coordination of ACMP matters. The fiscal note reflects the personnel and support costs of a new, part-time (0.5 FTE, Range 20) position to serve as DEC's ACMP Program Coordinator. First-year costs include one-time supply costs that are not reflected in subsequent years.

Prepared by: Marit Carlson-Van Dort
Phone 465-5065
Division: Commissioner's Office
Date/Time 2/6/09 1:30 PM
Approved by: Dan Easton
Date 2/6/2009
Deputy Commissioner

(Revised 9/10/2008 OMB)

Amendment 1

OFFERED IN: House Community & Regional Affairs Committee

TO: HB 74 (HCRA) 26-LS0322\E

OFFERED BY: Representative Millett

At pg. 7, line 21

replace "contemporary" with "scientific" ~~and~~

delete "traditional"

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM February 25, 2009

SUBJECT: Draft CSHB 74(CRA); minor edits
(Work Order No. 26-LS0322\E)

TO: Representative Bob Herron
Chair of the House Community and Regional Affairs Committee
Attn: Rob Earl

FROM: Donald M. Bullock Jr.
Legislative Counsel

Enclosed is a draft of CSHB 74(CRA). Please read this draft carefully to ensure that it is consistent with the committee's intent.

Since you requested a work draft of the CS, I made some nonsubstantive edits in Amendment 2 to conform with AS 46.40.070(a)(2)(B) as that subparagraph appears in sec. 14 after being amended by the first part of Amendment 2. Thus, the term "state law" replaced "state statutes or regulations" and "state statute or regulation" replaced "state statute." These changes were made to make the amendment internally consistent.

Also, in Amendment 2, what do you mean by "local law"? Do you mean municipal ordinances or municipal regulations? Is "local law" intended to mean something different than municipal ordinances and regulations?

The effect of Amendment 3 on AS 46.40.190(a) in sec. 30 of the draft bill effectively changes sec. 30 to only amend AS 46.40.190(b). The draft CS reflects that effect.

Amendment 4 withdraws all changes proposed in sec. 31 of the bill. Thus, that section has also been eliminated in this draft version.

If I may be of further assistance, please advise.

DMB:plm
09-119.plm

Enclosure

AMENDMENT 1

OFFERED IN: The House Community & Regional Affairs Committee

TO: HB 74 (HCRA)

OFFERED BY: Representative Joule

Delete at pg. 7 (b)(2), lines 20-23.

Add at pg. 7 line 20 the following:

(b)(2)(a) are necessary given local conditions, and

(b)(2)(b) are supported by evidence, including contemporary or traditional local knowledge, if the policies are more specific than state or federal statutes or regulations.

EXPLANATION:

This amendment brings clarity to the existing bill section, which is confusing. It omits the word "stricter," which may have instigated fear among opponents of the bill that this bill will allow coastal districts to create enforceable policies that undermine the authority of the state and federal governments.

AMENDMENT 2

OFFERED IN: The House Community & Regional Affairs Committee

TO: HB 74 (HCRA)

OFFERED BY: Representative Joule

At pg. 11, line 13 **delete** the following from sec. 46.40.070:

(B) are not preempted by federal statutes or regulations; and

Add the following at pg. 11, line 13:

(B) are not preempted by federal or state law.

At pg. 11, line 20 **add**:

(c) In (a)(2)(B) of this section, an enforceable policy of the district coastal management plan is preempted by state statutes or regulations if it is prohibited , either by express legislative direction, or direct conflict with a state statute, or where a local law or regulation substantially interferes with the effective functioning of a state statute or regulation or its underlying purpose.

EXPLANATION:

This amendment clarifies that district enforceable policies cannot override state law or render state law moot by further articulating when a district policy oversteps its bounds, i.e. when it is preempted by state law. Much of the discontent with the ACMP involves a lack of consensus regarding what district enforceable policies are "approvable." For stakeholders to work together and for DNR to promulgate regulations that implement the ACMP as the legislature intends[1], it needs adequate guidance. This amendment seeks to provide more thorough guidance than does the existing bill.

[1] "The ACMP regulations ended up more stringent than what was intended under HB 191. Coastal districts were limited in their ability to craft enforceable policies that address coastal uses and resources that were important to local residents. This limitation manifested itself into severely strained relationships between OPMP [Office of Project Management and Permitting], DCOM, and many districts." Statement by Randy Bates, minutes from SB 161, 2008 version of bill, first hearing.

AMENDMENT 3

OFFERED IN: The House Community & Regional Affairs Committee

TO: HB 74 (HCRA)

OFFERED BY: Representative Joule

Delete pg. 16, lines 21-28.

Add at pg. 16, line 21 the following:

(a) A city within the coastal area that is not part of a coastal resource service area shall be included for purposes of this chapter within in adjacent coastal resource service area unless its governing body, by resolution adopted by a majority of its membership, chooses to exclude the city from an adjacent coastal resource service area and a copy of the resolution is filed with the commissioner of commerce, community, and economic development.

EXPLANATION: This restores the original wording of the law. This bill section flips the meaning of the existing statute by creating the possibility for the elimination of coastal resource service areas, which is not the intent of the sponsor.

AMENDMENT 4

OFFERED IN: The House Community & Regional Affairs Committee

TO: HB 74 (HCRA)

OFFERED BY: Representative Joule

Delete at pg. 17, lines 8-23.

Add at pg. 17 line 8 the following:

"coastal resource district" means each of the following that contains a portion of the coastal area of the state:

(A) unified municipalities;

(B) organized boroughs of any class that exercise planning and zoning authority;

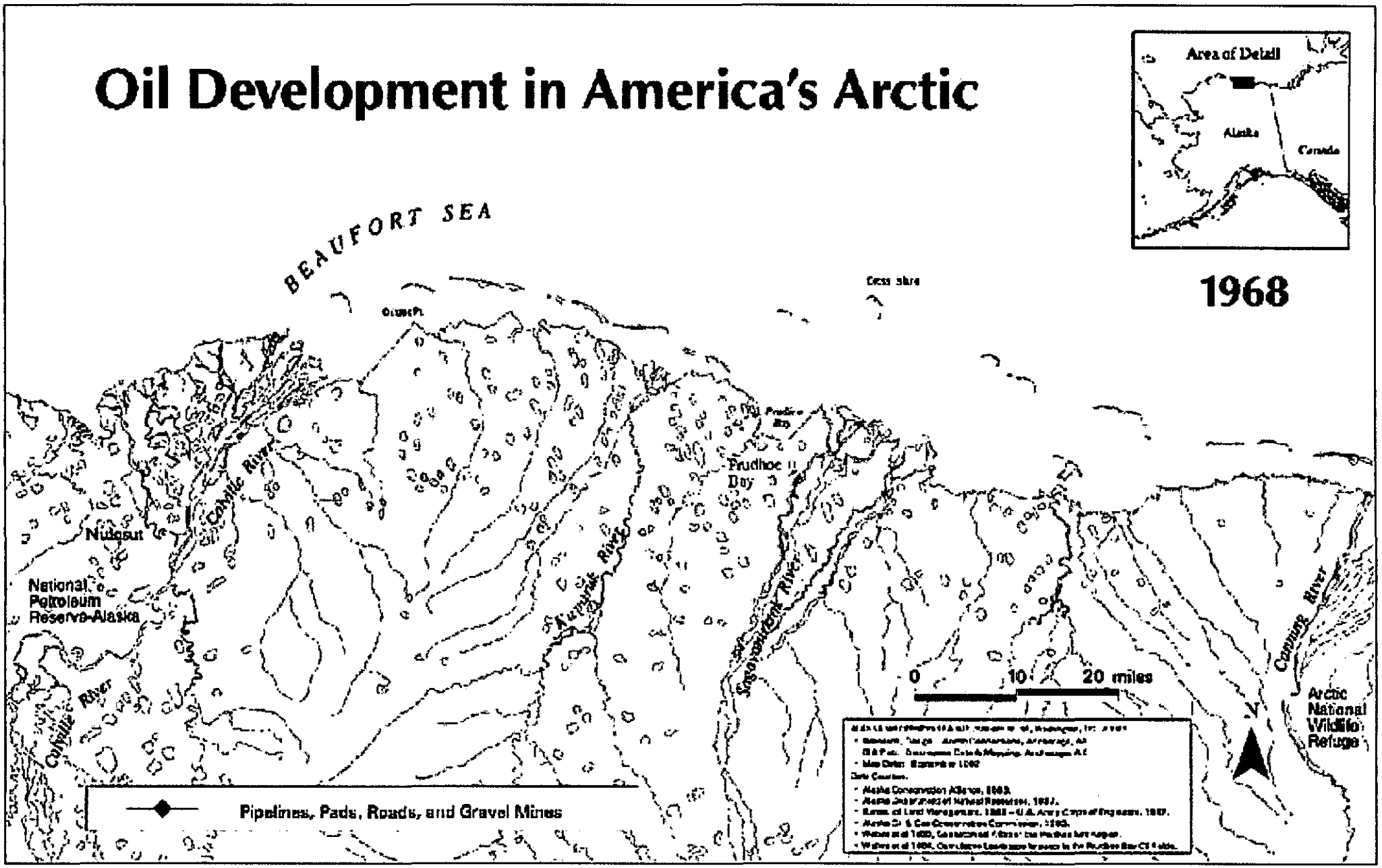
(C) home rule and first class cities of the unorganized borough or within boroughs that do not exercise planning and zoning authority;

(D) second class cities of the unorganized borough, or within boroughs that do not exercise planning and zoning authority, that have established a planning commission, and that, in the opinion of the commissioner of commerce, community, and economic development, have the capability of preparing and implementing a comprehensive district management plan under AS 46.40.030;

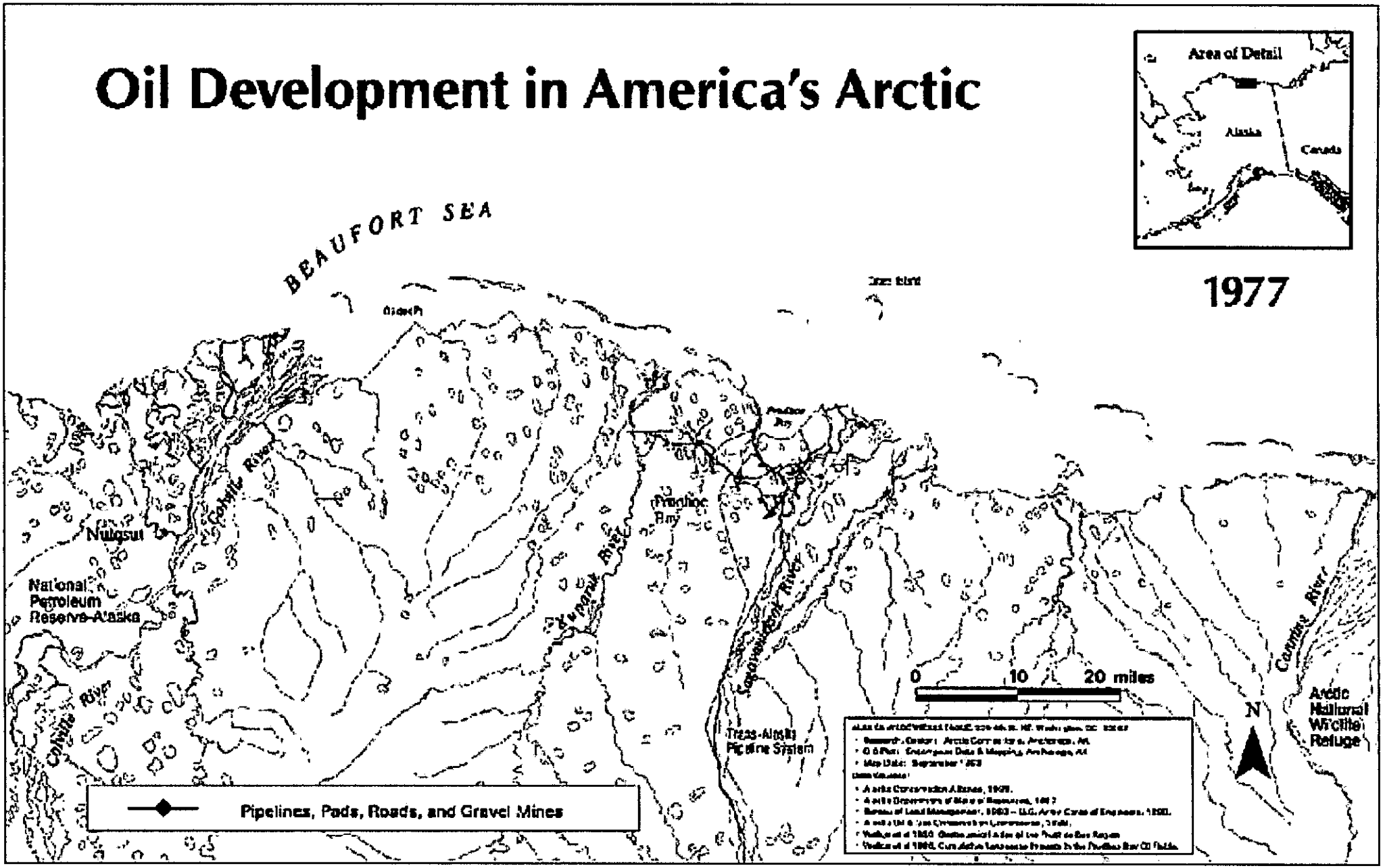
(E) coastal resource service areas established and organized under AS 29.03.020 and AS 46.40.110 – 46.40.180;

EXPLANATION: This bill section might have unintended consequences, such as disallowing a district that is currently in an unorganized borough from continuing its status as a coastal resource district if it formed a borough that does not exercise planning and zoning authority.

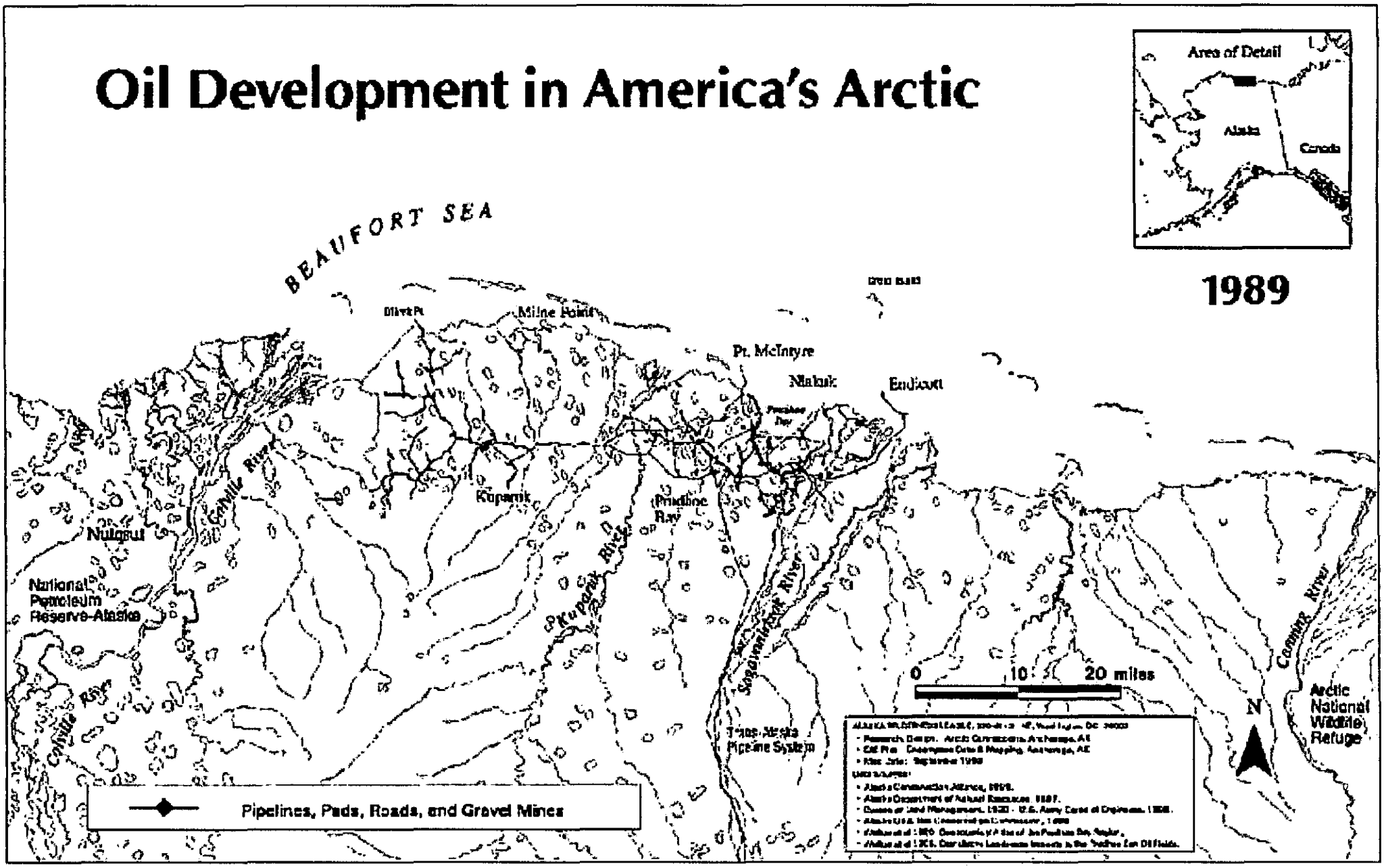
Oil Development in America's Arctic



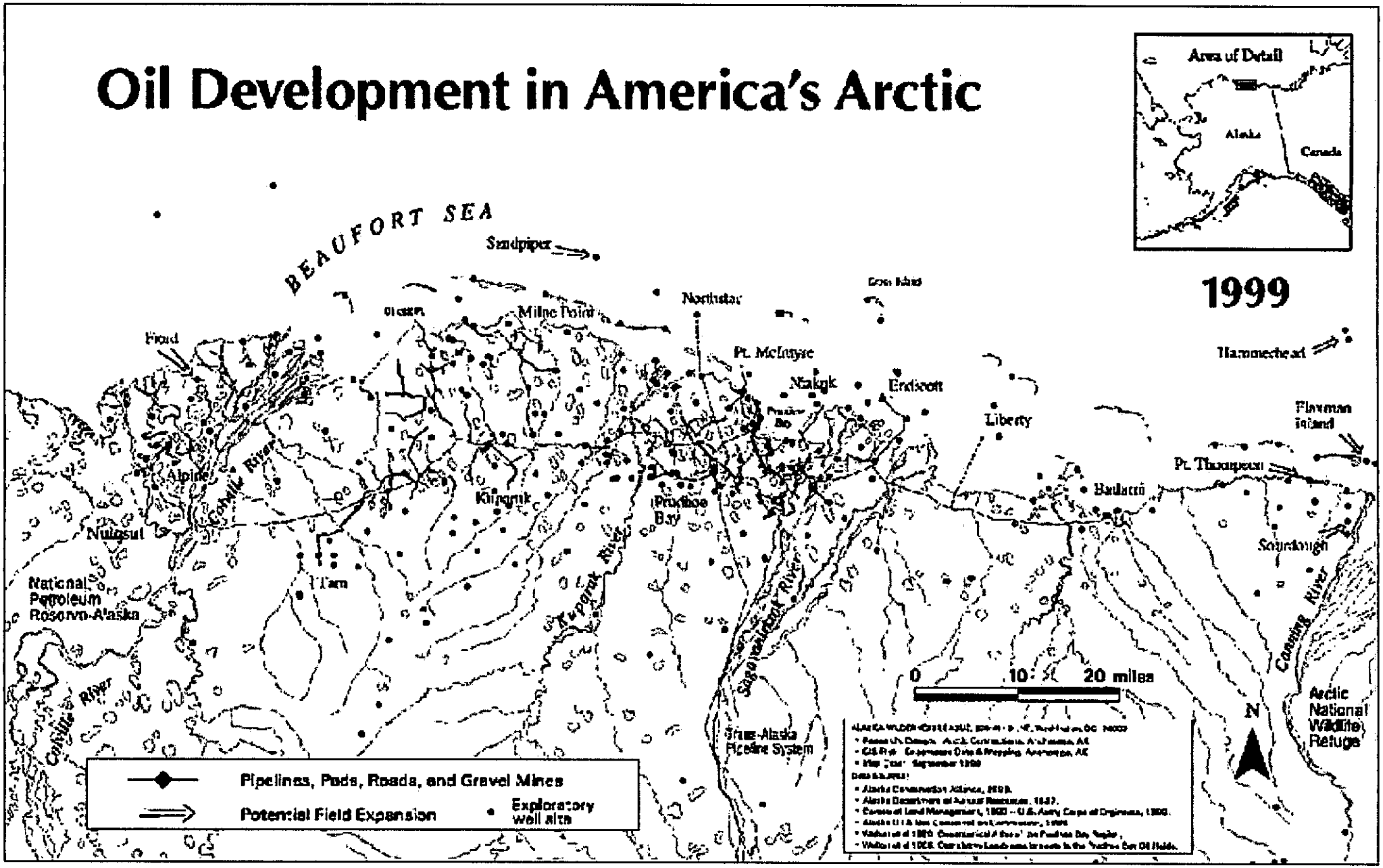
Oil Development in America's Arctic

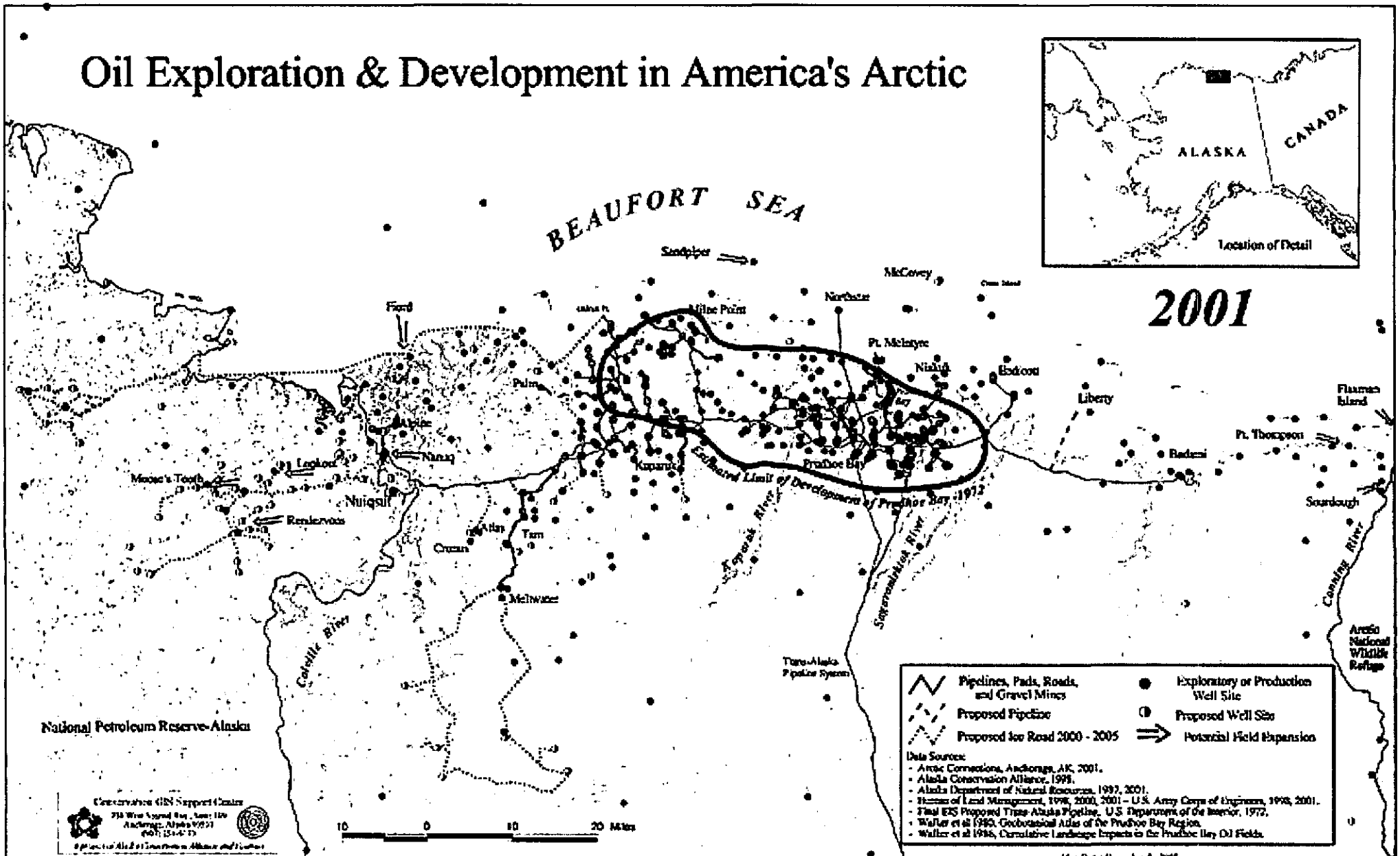


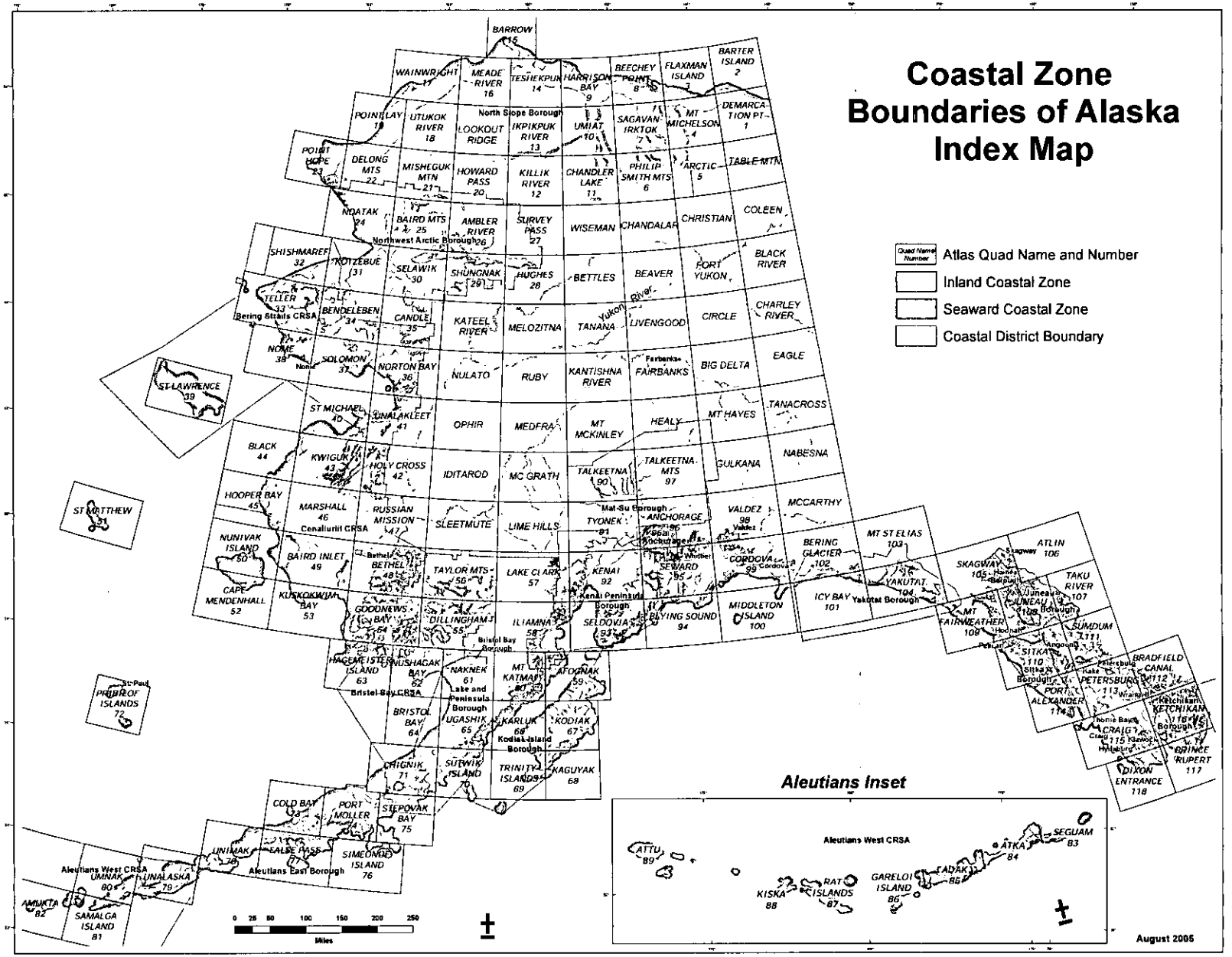
Oil Development in America's Arctic



Oil Development in America's Arctic




Oil Exploration & Development in America's Arctic
2001
BEAUFORT SEA
ALASKA
CANADA
Location of Detail
Sandpiper
McCovey
Northstar
Milne Point
Ft. McIntyre
Niakuk
Endicott
Liberty
Flaxman Island
Ft. Thompson
Badami
Sourdough
Canning River
Arctic National Wildlife Refuge
Fiord
Palm
Alpine
Nanuq
Lagoon
Moose's Tooth
Nuiqsut
Renlervous
Kuparuk
Prudhoe Bay
Estimated Limit of Development of Prudhoe Bay, 1973
Kuparuk River
Sagavanirktok River
Atlas
Tarn
Oxbow
Meltwater
Colville River
Trans-Alaska Pipeline System
National Petroleum Reserve-Alaska
Pipelines, Pads, Roads, and Gravel Mines
Proposed Pipeline
Proposed Ice Road 2000 - 2005
Exploratory or Production Well Site
Proposed Well Site
Potential Field Expansion
Data Sources:
- Arctic Connections, Anchorage, AK, 2001.
- Alaska Conservation Alliance, 1991.
- Alaska Department of Natural Resources, 1997, 2001.
- Bureau of Land Management, 1998, 2000, 2001 - U.S. Army Corps of Engineers, 1998, 2001.
- Final EIS Proposed Trans-Alaska Pipeline, U.S. Department of the Interior, 1972.
- Walker et al 1980, Geobotanical Atlas of the Prudhoe Bay Region.
- Walker et al 1986, Cumulative Landscape Impacts in the Prudhoe Bay Oil Fields.
10 0 10 20 Miles



Quad Name	Number
ADAK	85
AFOGNAK	59
AMBLER RIVER	26
AMUKTA	82
ANCHORAGE	96
ANCHORAGE INSET	96a
ARCTIC	5
ATKA	84
ATLIN	106
ATTU	89
BAIRD INLET	49
BAIRD MTS	25
BARROW	15
BARTER ISLAND	2
BEECHEY POINT	8
BENDELEBEN	34
BERING GLACIER	102
BETHEL	48
BLACK	44
BLYING SOUND	94
BRADFIELD CANAL	112
BRISTOL BAY	64
CANDLE	35
CAPE MENDENHALL	52
CHANDLER LAKE	11
CHIGNIK	71
COLD BAY	73
CORDOVA	99
CRAIG	115
DE LONG MTS	22
DEMARCATION PT.	1
DILLINGHAM	55
DIXON ENTRANCE	118
FALSE PASS	77
FLAXMAN ISLAND	3
GARELOI ISLAND	86
GOODNEWS BAY	54
HAGEMEISTER IS.	63
HARRISON BAY	9
HOLY CROSS	42
HOOPER BAY	45
HOWARD PASS	20
HUGHES	28
ICY BAY	101
IKPIKPUK RIVER	13
ILIAMNA	58
JUNEAU	108
KAGUYAK	68
KARLUK	66
KENAI	92
KETCHIKAN	116
KILLIK RIVER	12
KISKA	88
KODIAK	67
KOTZEBUE	31
KUSKOKWIM BAY	53
KWIGUK	43
LAKE CLARK	57
MARSHALL	46
MEADE RIVER	16
MIDDLETON IS.	100
MISHEGUK MTN	21
MT FAIRWEATHER	109
MT KATMAI	60
MT MICHELSON	4
MT ST ELIAS	103
NAKNEK	61
NOATAK	24
NOME	38
NORTON BAY	36
NUNIVAK ISLAND	50
NUSHAGAK BAY	62
PETERSBURG	113
PHILIP SMITH MTS	6
POINT HOPE	23
POINT LAY	19
PORT ALEXANDER	114
PORT MOLLER	74
PRIBILOF ISLANDS	72
PRINCE RUPERT	117
RAT ISLAND	87
RUSSIAN MISSION	47
SAGAVANIRKTOK	7
SAMALGA ISLAND	81
SEGUAM	83
SELAWIK	30
SELDOVIA	93
SEWARD	95
SHISHMAREF	32
SHUNGNAK	29
SIMEONOF IS.	76
SITKA	110
SKAGWAY	105
SOLOMON	37
ST LAWRENCE	39
ST MATTHEW	51
ST MICHAEL	40
STEPOVAK BAY	75
SUMDUM	111
SURVEY PASS	27
SUTWIK ISLAND	70
TAKU RIVER	107
TALKEETNA	90
TALKEETNA MTS	97
TAYLOR MTS	56
TELLER	33
TESHEKPUK	14
TRINITY ISLANDS	69
TYONEK	91
UGASHIK	65
UMIAT	10
UMNAK	80
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Index Map

COASTAL IMPACT ASSISTANCE PROGRAM

Section 384 of the Energy Policy Act of 2005 established the Coastal Impact Assistance Program (CIAP). The Act authorizes the U.S. Department of Interior, Minerals Management Service to distributed $250 million annually for the years 2007 through 2010 to Outer Continental Shelf (OCS) oil and gas producing states and coastal political subdivisions (CPSs) to mitigate the impacts of OCS oil and gas activities.

Per a formula prescribed by the Act, Alaska's eight eligible CPSs will receive a combined total of 35 percent of Alaska's allocation. The remaining 65 percent is allocated directly to the state.

In 2007 and 2008 Alaska was allocated 1 % of the national CIAP funds. Due to the recent Chukchi Lease Sale, MMS has projected that Alaska's allocation will increase to be between 12% and 17 % of the national CIAP allocation in 2009 and 2010. MMS will announce final allocation in April 2009.

The tables below show the annual and total projected CIAP allocations to the state and the CPSs for both the high and low estimates.

Allocation Directly to State (65% of total to state)

	Total	2007	2008	2009	2010
Low end (12% of total federal funds for 2009 and 2010)	40,982,500.00	1,576,250.00	1,576,250.00	18,915,000.00	18,915,000.00
High end (17% of total federal funds for 2009 and 2010)	56,745,000.00	1,576,250.00	1,576,250.00	26,796,250.00	26,796,250.00

Allocation Directly to CPSs - Low end (35 % of total to state)

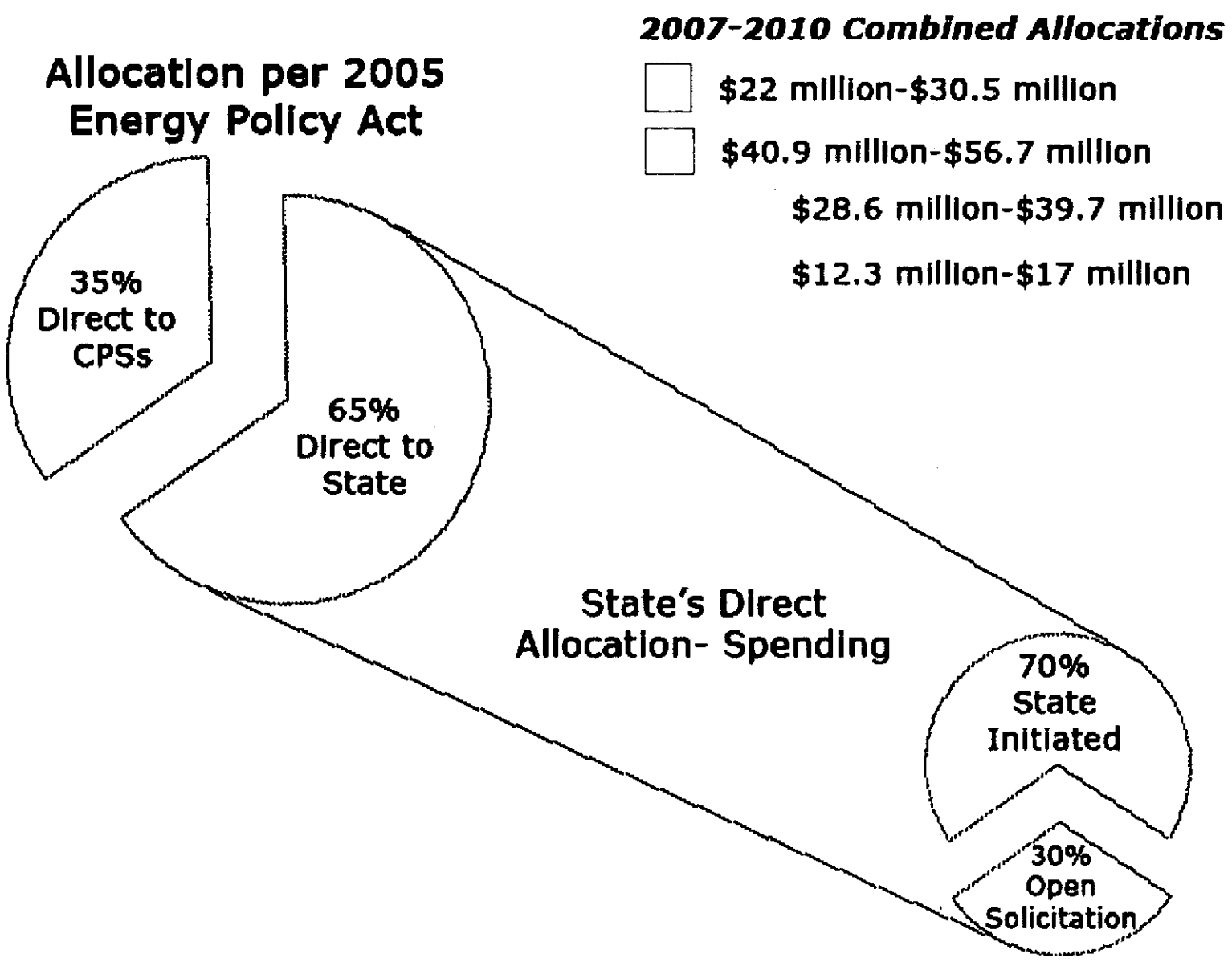
	Total	2007	2008	2009	2010
Municipality of Anchorage	**3,581,586.76**	137,767.88	137,767.88	1,653,025.50	1,653,025.50
Bristol Bay Borough	**17,627.72**	665.86	665.86	8,148.00	8,148.00
Kenai Peninsula Borough	**1,544,770.72**	59,435.36	59,435.36	712,950.00	712,950.00
Kodiak Island Borough	**1,902,235.04**	73,170.52	73,170.52	877,947.00	877,947.00
Lake & Peninsula Borough	**898,096.08**	34,518.54	34,518.54	414,529.50	414,529.50
Matanuska-Susitna Borough	**816,488.30**	31,399.15	31,399.15	376,845.00	376,845.00
North Slope Borough	**7,187,406.52**	276,448.76	276,448.76	3,317,254.50	3,317,254.50
Northwest Arctic Borough	**6,119,288.86**	235,343.93	235,343.93	2,824,300.50	2,824,300.50
Total	**22,067,500.00**	**848,750.00**	**848,750.00**	**10,185,000.00**	**10,185,000.00**

Allocation Directly to CPSs - High end (35 % of total to state)

	Total	2007	2008	2009	2010
Municipality of Anchorage	**4,959,108.00**	137,767.88	137,767.88	2,341,786.12	2,341,786.12
Bristol Bay Borough	**24,417.72**	665.86	665.86	11,543.00	11,543.00
Kenai Peninsula Borough	**2,138,895.72**	59,435.36	59,435.36	1,010,012.50	1,010,012.50
Kodiak Island Borough	**2,633,857.54**	73,170.52	73,170.52	1,243,758.25	1,243,758.25
Lake & Peninsula Borough	**1,243,537.32**	34,518.54	34,518.54	587,250.12	587,250.12
Matanuska-Susitna Borough	**1,130,525.80**	31,399.15	31,399.15	533,863.75	533,863.75
North Slope Borough	**9,951,785.28**	276,448.76	276,448.76	4,699,443.88	4,699,443.88
Northwest Arctic Borough	**8,472,872.62**	235,343.93	235,343.93	4,001,092.38	4,001,092.38
Total	**30,555,000.00**	**848,750.00**	**848,750.00**	**14,428,750.00**	**14,428,750.00**

DNR/Division of Coastal and Ocean Management
July 2008

Alaska CIAP Allocation



Coastal Impact Assistance Program
(CIAP)

Schedule

(Subject to change - last updated 1/22/09)

Project Solicitation: State-Initiated Projects

- December 3, 2008: Initiate solicitation of state projects
- February 2, 2009: Close solicitation of state projects – start to review and rank state initiated projects

Open Solicitation: Public initiated projects

The Alaska Department of Commerce, Community, and Economic Development (Commerce) is currently developing regulations to establish the open solicitation grant procedures for the 30% of available funds affecting the public. The Schedule below regarding the open solicitation of projects from the public is dependant on the progress of the regulations.

- January 26, 2009: Commerce initiates 30-day public comment period on regulations establishing the grant procedures affecting the public.
- March 2, 2009: Initiate open solicitation of projects from the public
- April 24, 2009: Regulations in effect
- April 25, 2009: Close solicitation of projects from the public – start to review and rank non-state initiated projects

Plan Amendment Schedule

- April 15, 2009: MMS determines final allocation for FY 2009 and FY 2010
- May 31, 2009: Finalize project recommendation to Ocean Policy Cabinet
- June 30, 2009: Initiate 30-day public review of draft Amended CIAP Plan
- June 30, 2009: Submit draft Amended CIAP Plan to MMS for review and comment
- October 11, 2009: Submit final Amended CIAP Plan to MMS
- October 31, 2009: MMS deems Amended CIAP Plan complete and initiates 90 day review
- January 29, 2010: MMS approves Alaska's Amended CIAP Plan

Coastal Impact Assistance Program

The Energy Policy Act of 2005 (Public Law 109-58) was signed into law by President Bush on August 8, 2005. Section 384 of the Act establishes the Coastal Impact Assistance Program (CIAP), which authorizes funds to be distributed to Outer Continental Shelf (OCS) oil and gas producing states to mitigate the impacts of OCS oil and gas activities.

Under the CIAP, the Secretary of the Interior is authorized to distribute to producing states and coastal political subdivisions (CPS's) $250 million for each of the Federal fiscal years (FY) 2007 through 2010. This money will be shared among Alabama, Alaska, California, Louisiana, Mississippi, and Texas and will be allocated to each producing state based upon allocation formulas prescribed by the Act. Further, the CIAP allocates money to the eligible CPS's of the states identified above.

Pursuant to the Act, a producing state or CPS shall use all amounts received under this section for one or more of the following five authorized uses:

Authorized Uses:

1. Projects and activities for the conservation, protection, or restoration of coastal areas, including wetland.

2. Mitigation of damage to fish, wildlife, or natural resources.

3. Planning assistance and the administrative costs of complying with CIAP.

4. Implementation of a federally-approved marine, coastal or comprehensive conservation management plan.

5. Mitigation of the impact of OCS activities through funding of onshore infrastructure projects and public service needs.

Coastal Impact Assistance Program (CIAP) Themes for Open Solicitation – applicable to all projects considered under the open solicitation (30%)

Approximately 70% of the CIAP allocation will be used for state initiated projects. Approximately 30% of the allocation will fund projects identified through an open solicitation process and will include both state and non-state initiated projects. In order to ensure that non-state initiated projects still focus on state priorities while addressing community needs, the Ocean Policy Cabinet and Department of Natural Resources/Division of Coastal and Ocean Management identified five themes. All non-state initiated projects must address one of these themes. In addition, those state projects that did not make the state-initiated (70%) project cut are automatically bumped into the open solicitation (30%) process and must also meet one of the five themes to be considered.

Themes

1. Waste Management and Clean Up
    a. Marine debris clean-up projects (e.g., projects to collect, transport and dispose of marine debris from shorelines, etc).
    b. Clean harbor projects to improve water quality at harbors (e.g., sewage pump-out stations and waste oil collection facilities, etc.).
    c. Waste management projects (e.g., projects to collect, consolidate, transport, and dispose of household hazardous waste present in remote communities, etc.).

2. Data Collection, Data Analysis, Planning, and Mapping
    a. Community-based assessment and monitoring of environmental and habitat variables in order to evaluate and/or mitigate impacts of development (e.g., water quantity and quality monitoring; collection of traditional knowledge regarding changes in natural ecosystems; data collection and/or analysis; habitat mapping for baseline information, long-term monitoring, and/or detection of change in order to evaluate impacts of development, etc.).
    b. Collection and/or analysis of baseline data on fish or wildlife and/or their habitat that is needed to evaluate or develop mitigation strategies for potential impacts from oil and gas, mining, and other development activities.
    c. Projects that would analyze or prepare for the impacts of climate change or natural hazards on communities.

3. Habitat Restoration and Rehabilitation Projects
   (e.g., stream bank restoration projects, prescribed burning to restore moose habitat, replacement of culverts that impede fish passage, wetland restoration projects, etc.).

4. Mitigation Projects
   Projects to mitigate impacts from development activities and/or climate change.

5. Community Environmental Education Projects, Not to Exceed $35,000
   Projects to educate the public about environmental issues/topics (e.g., educational materials, signage, targeted conferences, etc.). Projects proposed under this category will be evaluated separately from the other project categories. Up to $1,500,000 will be allocated to this category.

Tier 1 Projects for Fiscal Years 2007 - 2010 Proposed by STATE OF ALASKA

Coastal Impact Assistance Program Allocations

Spending Estimates

	Project Title	Estimated Spending by Fiscal Year Allocation ($) TOTAL	FY 07	FY 08	FY 09	FY 10
Authorized Use 1: Projects and activities for the conservation, protection, or restoration of coastal areas, including wetland						
1	Stikine River Mining Activity Risk Assessment	**58,000**	0	58,000	0	0
2	Shore Zone Mapping	**800,000**	175,000	20,000	200,000	405,000
3	Fish Monitoring Program	**1,600,000**	0	700,000	600,000	300,000
4	Current Measurements in Potential Oil Exploration and/or Development Areas of the Landfast Ice Zone of the Alaskan Beaufort Sea	**67,000**	0	67,000	0	0
5	Matanuska-Susitna Trail Rehabilitation and Wetland Restoration	**140,000**	0	50,000	45,000	45,000
	Subtotal ($)	**2,665,000**	**175,000**	**895,000**	**845,000**	**750,000**
Authorized Use 2: Mitigation of damage to fish, wildlife, or natural resources						
6	Mertarvik Waterfront Management and All Hazards Plan	**150,000**	0	75,000	75,000	0
7	Newtok Environmental Site Inventory and Assessment	**100,000**	0	50,000	50,000	0
	Subtotal ($)	**250,000**	**0**	**125,000**	**125,000**	**0**
Authorized Use 3: Planning assistance and the administrative costs of complying with CIAP						
8	Division of Coastal and Ocean Management - Administrative Costs	**372,014**	1,250	122,914	117,800	130,050
	Subtotal ($)	**372,014**	**1,250**	**122,914**	**117,800**	**130,050**
Authorized Use 4: Implementation of a federally-approved marine, coastal, or comprehensive conservation management plan						
9	Coastal Processes Seminars	**40,486**	0	30,136	10,350	0
10	Geohazards Evaluation and Geologic Mapping for Coastal Communities	**1,123,500**	0	209,200	358,100	556,200
11	Survey	**1,400,000**	1,400,000	0	0	0
12	Monitoring Steller Sea Lions at Remote Sites in the Bering Sea	**124,000**	0	44,000	40,000	40,000
13	Hydro-acoustic Monitoring of Ambient Noise and Marine Mammals in the Chukchi Sea	**330,000**	0	150,000	80,000	100,000
	Subtotal ($)	**3,017,986**	**1,400,000**	**433,336**	**488,450**	**696,200**
Authorized Use 5: Mitigation of the impact of OCS activities through funding of onshore infrastructure projects and public service needs						
	Subtotal ($)	**0**	**0**	**0**	**0**	**0**
	TOTAL	**6,305,000**	**1,576,250**	**1,576,250**	**1,576,250**	**1,576,250**

TOTAL ALLOCATION FOR STATE OF ALASKA ($)	**6,305,000**	**1,576,250**	**1,576,250**	**1,576,250**	**1,576,250**

Tier 1 Projects for Fiscal Years 2007 - 2010 Proposed by
COASTAL POLITICAL SUBDIVISIONS

Coastal Impact Assistance Program Allocations

Spending Estimates

	Project Title	Spending Estimate ($) TOTAL	FY 07	FY 08	FY 09	FY 10
	MUNICIPALITY OF ANCHORAGE					
1	Anchorage Creeks CIAP Restoration Project	**551,072**	137,768	137,768	137,768	137,768
	Subtotal	**551,072**	**137,768**	**137,768**	**137,768**	**137,768**
	KENAI PENINSULA BOROUGH					
1	Crooked Creek Bank Restoration and Habitat Protection	**15,000**	15,000	0	0	0
2	Kasilof Personal use Fisheries Habitat Protection	**8,000**	8,000	0	0	0
3	Crooked Creek State Recreational Area River Bank Restoration	**189,240**	30,000	53,080	53,080	53,080
4	CIAP Planning and Administration	**25,500**	6,375	6,375	6,375	6,375
	Subtotal	**237,740**	**59,375**	**59,455**	**59,455**	**59,455**
	KODIAK ISLAND BOROUGH					
1	Metal Debris Clean Up and Removal	**160,000**	40,000	40,000	40,000	40,000
2	Trail Hardening or Relocation to Enhance and Improve Coastal Water Quality and Stream Habitat	**94,000**	23,500	23,500	23,500	23,500
3	Public Education on the Value of Conserving Wetlands and Other Coastal Habitats	**9,671**	9,671	0	0	0
4	Mapping of Coastal and Marine Resources	**29,012**	0	9,671	9,671	9,671
	Subtotal	**292,682**	**73,171**	**73,171**	**73,171**	**73,171**
	LAKE AND PENINSULA BOROUGH					
1	Lake and Peninsula Borough Beach Erosion Tracking Program and Community Profile Map Additions and Updates	**105,273**	0	36,237	34,518	34,518
2	Lake and Peninsula Borough Mapping Update for the Protection of Critical Coastal Resources and Identification of Land Status	**10,000**	10,000	0	0	0
3	Lake and Peninsula Borough Coastal Management Plan Amendment – Community Outreach Component	**22,800**	22,800	0	0	0
	Subtotal	**138,073**	**32,800**	**36,237**	**34,518**	**34,518**
	MATANUSKA-SUSITNA BOROUGH					
1	*"Protect the Edge: Where the Water Meets the Land"* a full-color 40-60 Page Publication *A* bout Protecting Riparian Habitat and Wetlands	**20,000**	20,000	0	0	0
2	Ortho-rectified Imagery of the Matanuska-Susitna Coastal Zone	**105,596**	11,399	31,399	31,399	31,399
	Subtotal	**125,596**	**31,399**	**31,399**	**31,399**	**31,399**

State of Alaska

Tier 1 Projects for Fiscal Years 2007 - 2010 Proposed by COASTAL POLITICAL SUBDIVISIONS

Coastal Impact Assistance Program Allocations

	Project Title	TOTAL	Spending Estimate ($) FY 07	FY 08	FY 09	FY 10
	NORTH SLOPE BOROUGH					
1	Restoration and Rehabilitation of Coastal Areas Through the Installation of Hardened Trail	**90,000**	90,000	0	0	0
2	Assessment of the Biotic and Abiotic Factors Influencing the Ikpikpuk River Delta, which is Needed for Predicting Changes and Developing Plans to Conserve and Protect the Delta	**275,000**		65,000	105,000	105,000
3	Assessment of the Health and Biology of Arctic Marine Mammals for the Development and Evaluation of Mitigation Measures to Reduce Impacts from a Changing Arctic Environment	**560,792**	146,448	171,448	121,448	121,448
4	Assessment of the Vulnerability of Archaeological and Cultural Sites to Coastal Erosion and the Development of Plans to Protect the Sites	**100,000**	0	0	50,000	50,000
5	Implementation and Enhancement of Permitting Activities of the North Slope Borough	**80,000**	40,000	40,000	0	0
	Subtotal	**1,105,792**	**276,448**	**276,448**	**276,448**	**276,448**
	NORTHWEST ARCTIC BOROUGH					
1	Protecting Coastal Areas through Region-wide Waste Management Improvement	**181,000**	0	44,500	77,500	59,000
2	Protecting Coastal Areas through Planning and Guidance for Sustainable Tourism	**136,000**	0	40,000	55,000	41,000
3	Improving Management Capacity to Protect Coastal Areas	**200,000**	0	80,000	60,000	60,000
4	Protection of Coastal Areas from Marine Debris	**125,000**	0	50,000	45,000	30,000
5	Administrative Costs	**178,376**	17,000	55,000	60,000	46,376
6	Improving Subsistence Information to Implement Federal Plans	**75,000**	0	25,000	50,000	0
7	Improving Public Involvement for Implementation of Federally Approved Plans	**46,000**	0	20,000	26,000	0
	Subtotal	**941,376**	**17,000**	**314,500**	**373,500**	**236,376**
	TOTAL ALL CPS'S COMBINED	**3,392,331**	**627,960**	**928,977**	**986,258**	**849,134**

Note: Bristol Bay Borough did not submit any projects.

Alaska Coastal Political Subdivisions	Annual Allocation
Municipality of Anchorage	$137,767.88
Bristol Bay Borough	$665.86
Kenai Peninsula Borough	$59,435.36
Kodiak Island Borough	$73,170.52
Lake and Peninsula Borough	$34,518.54
Matanuska-Susitna Borough	$31,399.15
North Slope borough	$276,448.76
Northwest Arctic Borough	$235,343.93
TOTAL	**$848,750.00**

Alaska Coastal Management Program

Program Goals and Objectives

The Alaska Coastal Management Program (ACMP) oversees the responsible development of coastal uses and resources, federal activities within the coastal zone, and activities on the Outer Continental Shelf.

ACMP Structure and Organization

The ACMP is a voluntary State program, authorized by the Coastal Zone Management Act of 1972, as amended. The Division of Coastal and Ocean Management (DCOM), within the Department of Natural Resources, is the lead agency for the ACMP. Several State departments and agencies participate in the implementation of the ACMP. In addition, several coastal municipalities and service areas (collectively known as coastal districts) voluntarily participate in the implementation of the ACMP. This structure and organization of State agencies and coastal districts provides for a networked implementation scheme designed to comprehensively manage coastal uses and resources.

The primary tool used to implement the ACMP is the consistency review process at 11 AAC 110. Through this process, proposed resource development activities are reviewed for consistency and compliance with the State's coastal management program which includes State laws, State standards, and district enforceable policies.

Value of ACMP

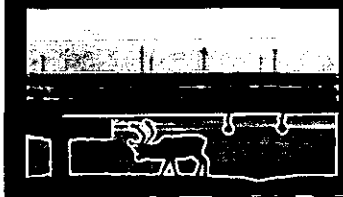
Having a federally-approved coastal management program allows the State the opportunity to:

- Balance the need for economic investment and development in coastal areas with the need to protect and manage the uses and resources of coastal areas
- Act as the State's liaison to federal agencies (1) conducting/permitting activities within the State's coastal area and the Outer Continental Shelf; (2) involving federal laws/initiatives that effect development of the coastal zone, waters, uses or resources of the State
- Act as the department's lead on issues affecting or addressing the coastal waters affecting the State
- Apply State ACMP enforceable policies to federal agency activities
- Provide project applicants with a single point of contact for the State's review of resource development permit applications
- Incorporate coastal district input and knowledge for reasoned decisions

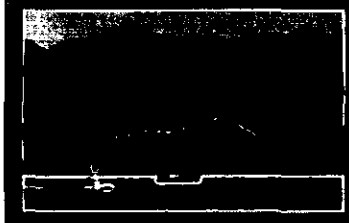
Key FY 2008 and FY 2009 Priorities and Needs

- Educate and train participants on implementation of ACMP
- Re-evaluate the ACMP Statutes (AS 46.39 and 40) and Regulations (11 AAC 110, 112, 114), so to strengthen the ACMP as a State program
- Implement the approved Coastal Impact Assistance Program (CIAP) and act as the liaison between the federal government and the State of Alaska

A Program of the Division of Coastal and Ocean Management



"The Alaska Coastal Management Program provides stewardship for Alaska's rich and diverse coastal resources to ensure a healthy and vibrant Alaskan coast that efficiently sustains long-term economic and environmental productivity."



ALASKA DEPARTMENT OF NATURAL RESOURCES · DIVISION OF COASTAL AND OCEAN MANAGEMENT ·
JUNEAU OFFICE: 302 GOLD ST, SUITE 202, PO BOX 111030 · JUNEAU, AK 99811-1030 · T: 907.465.3562 · F: 907.465.3075
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WWW.ALASKACOAST.STATE.AK.US

Alaska Coastal Management Program

Key 2008 Calendar Year Accomplishments

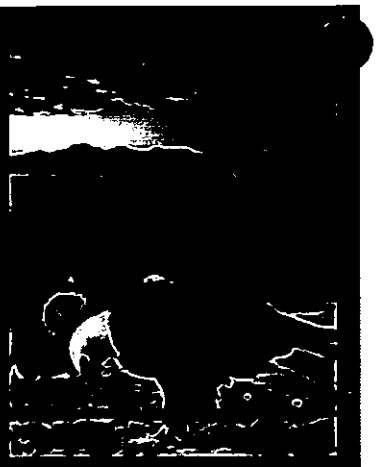
- In June 2008, DNR/DCOM initiated a series of workshops to review the current ACMP statutes (AS 46.39 and 46.40) and regulations (11 AAC 110, 112, and 114). The purpose of the re-evaluation is to strengthen the ACMP as a State program, that will benefit applicants and the public in the coordinating project reviews and that will enhance coastal district participation regarding activities occurring in the coastal area and on the outer continental shelf.

- DNR is currently revising the list of expedited consistency reviews using the ABC List. This revision was initiated to meet the legislative intent of identifying and broadening categories of activities subject to the expedited consistency review process. AS 46.40.096(m) SB 102 (2005) requires that DNR establish in regulation the state resource agency permits and federal permits that would trigger a consistency review. The ABC List categorizes development activities in the Coastal Zone according to expected levels of impact on uses and resources in the Zone. The last time the ABC List was substantively amended was in 1995. The current revision initiative will clarify the review process for certain resource development projects that are "de minimis" in nature or that are routine and can be made consistent with standard alternative measures. By updating the ABC List and developing new expedited consistency reviews for routine activities, DNR expects to reduce the workload for State agencies and coastal districts.

- In September 2008, the federal Minerals Management Service approved the State of Alaska Coastal Impact Assistance Program (CIAP) plan, making Alaska eligible to receive approximately $9.7 million in federal funds under the CIAP initiative. Due to an increase in OCS revenue off the coast of Alaska, the state's portion of CIAP funds will increase by more than $53 million in the next two fiscal years. DCOM is currently working on amending the CIAP plan to reflect Alaska's new allocation. A portion of the funds will go to 8 municipalities that are within 200 nautical miles of OCS development, and a portion will be offered to State agencies and the public through a competitive grant process.

- During the 2008 calendar year, nine more coastal district plans went into effect, bring the total of approved coastal district management plans to 25.

- During the 2008 calendar year, DCOM performed 262 coordinated or expedited consistency reviews, issued 415 No Additional Reviews and 29 Single Agency Reviews for resource development projects within the coastal zone.



ACMP Originally Approved:
1979

Coastal Population in 1979:
330,960

Coastal Population in 2004:
538,332

Miles of Coastline:
44,500

CZMA Funds:
$2,503,000

State and Other Matching Funds:
$1,967,000

Total:
$4,470,000

ACMP State Contact

Randy Bates, Director - DCOM, T: 907.465.8797, F: 907.465.3075
E-mail: randy.bates@alaska.gov

CRA, 2.10.09, 8 AM – HB 74 Coastal Management Program

Elizabeth Hensley, Staff to sponsor – Representative Reggie Joule

Offnets

- Johnny Aiken, North Slope Borough (offnet)
- Tom Okleasik, Northwest Arctic Borough (offnet)
- Karen Keesecker (Anch. Muni Planning Office): Offnet
- Carl Andrew, Cenaliulriit Coastal District (offnet)
- Bill Lucy, City of Yakutat (probably offnet)
- Karol Kohelmainen (probably offnet)
- Tom Lohman, Dept of Wildlife Management, North Slope Borough

LIOs or In Person

- Randy Bates, Director, Div. of Coastal and Ocean Management(in person)
- Carol Smith (LIO in Valdez)
- Teri Camery, City of Juneau (in person in Juneau)

House Bill 74 – Alaska Coastal Management Program (ACMP)
Sectional Analysis
January 27, 2009

Section 1: Establishes the Alaska Coastal Policy Board (Board), composed of 5 public members representing coastal districts and commissioners of natural resources, fish and game, environmental conservation, and commerce, community and economic development.

Section 2: Clarifies that the Department of Natural Resources (Department) coordinates project consistency reviews for projects with only Department permits or for projects that involve two or more other state resource agency permits.

Section 3. Establishes authority for the Department to adopt regulations after approval by the Board.

Section 4: Establishes powers for the Board including the ability to accept grants and take reasonable action to carry out provisions of AS 46.39 and AS 46.40.

Section 5: Establishes duties of the Board to approve statewide ACMP standards and criteria for district plan approval.

Section 6: Defines Board in AS 46.39.900.

Section 7: Provides for approval of ACMP program changes by the Board.

Section 8: Adds subsistence to the list of resources included in the ACMP objectives.

Section 9: Subsection (a) removes requirement for district enforceable policies to meet the statewide standards. Clarifies that district enforceable policies apply to all land and water issues subject to the plan. Removes requirement to describe proper and improper uses. Changes the term "areas meriting special attention" to "special management areas." Subsection (b) requires district enforceable policies to be clear and concise, either prescriptive or performance-based, and stricter or more specific than state or federal laws.

Section 10: Makes conforming changes for board approval of ACMP regulations. Deleted language in AS 46.40.040(a)(2) – (5) moved to a new subsection (d).

Section 11: Moves language deleted from AS 46.40.040(a) to a new section outlining responsibilities of the Board.

Section 12: Makes conforming amendments by clarifying district plans must be approved by the Board.

Section 13: Establishes the review and approval process for coastal district plans including provisions for districts to work with the Department to resolve issues before the Board approves a plan. Allows districts to request mediation of the Board's decision.

Section 14: Establishes criteria for board approval of district plans and clarifies that district enforceable policies may not address matters preempted by state or federal laws.

Section 15: Makes conforming changes for board approval of ACMP regulations.

Section 16: Changes the term "subsequent review" to the commonly used term "elevation" and clarifies that the three state resource agencies make the final decision on a project elevation.

Section 17: Clarifies that aspects of an activity covered by a general or nationwide permit are excluded from a consistency review (rather than the entire activity). Eliminates language exempting Department of Environmental Conservation permits from consistency reviews.

Section 18: Makes conforming changes for Board approval of district enforceable policies.

Section 19: Allows ACMP consistency review of projects inland of the coastal zone if there would be direct and significant effects to coastal uses or resources. Clarifies that seismic survey activities in federal waters are subject to consistency reviews.

Section 20: Clarifies that categorically or generally consistent activities are for routine projects.

Section 21: Exempts federal activities and federally-permitted projects the 90-day consistency review time limit. Allows extension of the time limit for adjudication of coastal district permits.

Section 22: Clarifies that the term "affected coastal resource district" includes districts with a publicly-reviewed draft plan or approved plan.

Section 23: Requires an individual consistency review for each Outer Continental Shelf lease sale.

Section 24: Gives the Board authority to act on a petition regarding non-implementation of a coastal district plan.

Section 25 - 28: Makes conforming amendment regarding Board action for a petition regarding non-implementation of a coastal district plan.

Section 29: Clarifies a coastal resource service area (CSRA) may accept new matter submitted by a city or village into its coastal management plan.

Section 30: Clarifies that municipalities are part of a CRSA unless they choose to be excluded.

Section 31: Removes language about boroughs that do not exercise planning and zoning authority.

Section 32: Makes conforming amendment clarifying the board's role in coastal boundary changes.

Section 33 - 34: Makes conforming amendment regarding the board's role in approving district plans and district enforceable policies.

Section 35: Clarifies that the term "project" includes federal activities and federally-permitted activities.

Section 36: Adds new definitions for the terms "Board" and "special management areas."

Section 37: Repeals exemption of Department of Environmental Conservation permits from consistency reviews (AS 46.40.040(b)–(c) and AS 46.40.096(i)). Removes requirement for re-submittal district plans every 10 years (AS 46.40.050(a)). Removes exemption of shallow gas projects from ACMP reviews (AS 46.40.205). Removes definition for "areas meriting special attention" (AS 46.40.210(1)).

HB

134

HOUSE COMMITTEE REPORT

(9)
Date Referred to Committee: February 18, 2009 **FURTHER REFERRALS:**

Date of Committee Action: _____

The RESOURCES Committee considered: **HOUSE BILL NO. 134**

"An Act relating to the terms and conditions of commercial vessel permits for the discharge of graywater, treated sewage, and other waste water; and providing for an effective date."

HB 134 CRUISE SHIP WASTEWATER DISCHARGE PERMITS

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* _____(_____)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW **FISCAL NOTES** *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero

PREVIOUS **FISCAL NOTES**				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON			✓	
	Edgmon			X	
	Seaton				X
	WILSON	X			
	IVEN			X	
Chair:	Johnson	X			
Chair:	KELLY	X			

Alaska State Legislature

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Session: (Jan-May)
State Capitol, Room 403
Juneau, AK
99801-1182
(907) 465-4859
Fax (907) 465-3799

Representative John Harris

MEMORANDUM March 1, 2009

TO: Representative Mark Neuman
Representative Craig Johnson
House Resources Committee

FROM: Representative John Harris

SUBJECT: HB134, Cruise Ship Discharge

Thank you for scheduling HB134 for a hearing in the House Resources Committee on Monday, March 2nd.

HB134 will allow the Alaska Dept. of Environmental Conservation the ability to regulate and administer Alaska Water Quality Standards governing pollution discharge permits for large commercial passenger vessels. The current state law administering discharge permits was established as a part of a substantial initiative in 2006 to regulate the cruise ship industry.

During the 2006 election process, the *Anchorage Daily News* wrote an editorial (August 16, 2006) that said "vote yes, then fix it." Since 2006, there have already been two bills amending the initiative to clarify certain provisions.

HB134 is an attempt to amend the initiative to provide the DEC reasonable latitude to enforce pollution standards. It removes language from the initiative that has proven to be too stringent of a standard for cruise ships.

With passage of this bill, DEC will be expected to enforce high quality standards and continue to develop technology that will allow ships to have the cleanest possible discharges.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 134(CRA)
(H) Publish Date: 2/18/09

Identifier (file name): HB134-DEC-WQ-02-13-09
Dept. Affected: Environ. Conservation
Title: Cruise Ship Wastewater Discharge Permits
RDU: Division of Water
Component: Water Quality
Sponsor: Representative Harris
Requester: House Community and Regional Affairs Committee
Component Number: 2062

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

HB 134 has no fiscal impact on the Department of Environmental Conservation.

Prepared by: Lynn J. Tomich Kent
Phone (907) 269-7599
Division: Water
Date/Time 2/13/09 3:00 PM
Approved by: Dan Easton
Deputy Commissioner
Date 2/13/2009

(Revised 9/10/2008 OMB)

Department of Environmental Conservation
Testimony of the Division of Water before the
House Community and Regional Affairs Committee on HB 134
February 17, 2009

The Department of Environmental Conservation (DEC) has been implementing the Cruise Ship Initiative that was passed by Alaskan voters in 2006. The initiative included three main environmental provisions:

- A requirement to have an Ocean Ranger on board
- A requirement for vessels to report their location hourly to DEC
- A requirement for vessels that intend to discharge wastewater to obtain a permit from DEC.

I would like to provide an update on the environmental requirements of the initiative including the new Ocean Ranger program, the permit requirements, and the impact of HB 134.

Citizen's Initiative - Ocean Rangers

The initiative required an Ocean Ranger (a U.S. Coast Guard-licensed marine engineer) to be on board all large cruise ships entering Alaska waters to observe vessel compliance with state and federal environmental, sanitation, health and safety requirements. The program is funded by a $4/berth fee that nets approximately $4.0 million/year.

DEC implemented a pilot program during the 2007 cruise ship season, using marine engineers and environmental professionals on board some vessels to evaluate training needs for the Ocean Rangers; to develop an Ocean Ranger checklist for observations; and to learn about the issues surrounding reservation of berths, scheduling of Ocean Rangers, and communications between Ocean Rangers and DEC.

Full implementation of the Ocean Ranger program started with the 2008 season:

- An Ocean Ranger was on-board 88% of the voyages for the full time they were in Alaska waters.
- Other vessels were visited by an Ocean Ranger via in-port inspections.
- DEC received over 2,000 daily Ocean Ranger reports with 126 incidents that required follow-up. Most of the issues were immediately resolved by the vessels.

Citizen's Initiative - Vessel Tracking

The citizen's initiative requires the ships to provide hourly location information to DEC. All vessels complied with this requirement and DEC has been able to use the information to verify vessel compliance.

Citizen's Initiative - Wastewater Discharge Permit

The initiative required large cruise ships to obtain a wastewater discharge permit from DEC and to comply with Alaska's water quality standards "at the point of discharge."

Alaska's water quality standards describe how clean Alaska's fresh and marine waters have to be to protect the various uses – drinking water, contact recreation, and protection of aquatic life. The standards apply to the waterbody and not directly to a wastewater discharge, except in the case of discharges from large cruise ships where the discharge must meet the water quality standards at the point of discharge.

DEC issued a general permit on March 25, 2008. The permit contains "long term" effluent limits for ammonia, copper, nickel, and zinc based on the water quality standards. These strict effluent limits must be met by the 2010 cruise ship season.

The permit also contains a compliance schedule and "interim limits" that are less stringent for the 2008 and 2009 cruise ship seasons.

HB 134

The effect of HB 134 would be to allow DEC, under certain circumstances, to authorize mixing zones for treated wastewater discharged from cruise ships. A mixing zone is an area where water quality standards can be exceeded while the wastewater has a chance to mix with receiving waters.

We have been looking at the science around cruise ship wastewater for years. For the last few years we have been engaged in a series of studies, some in conjunction with the U.S. Environmental Protection Agency, about how cruise ship discharges mix with receiving waters. We are currently investigating potential wastewater treatment technologies. In fact, we have a draft report out on cruise ship wastewater treatment technologies and are sponsoring a public work shop on that topic tomorrow.

Based on our work to date, the following are some of the facts as we know them.

1. Quality of treated wastewater

All large cruise vessels discharging in Alaska waters have installed Advanced Wastewater Treatment systems that produce a high quality effluent.

During the 2008 cruise ship season, 20 of the 31 large cruise ships discharged in State waters. Cumulatively, these vessels took a total of 206 effluent samples to satisfy the terms of the wastewater discharge permit. Each sample was analyzed to determine the concentration of nine parameters.

Focusing just on the parameters of concern (ammonia, copper, nickel and zinc)--out of 824 data points (206 samples with 4 parameters), there were 36 exceedances of interim permit limits noted on 11 vessels. That means approximately 4% (36/824 * 100 = 4.4%) of the data points exceeded the interim limits for ammonia, copper, or zinc. The most frequent exceedance was for ammonia (21 of the 36 exceedances).

If we look at exceedances of the stricter long term limits, we see a different picture. Based on 2008 effluent monitoring, there would be 563 exceedances of the long term permit limits for those same parameters. That means approximately 68% (563/824*100 = 68.3%) of the data points would exceed the long term limits.

2. Dilution Studies

It is important to understand the effects of cruise ship discharges on Alaska waters. In order to do that, DEC must evaluate both the quality of the wastewater discharge in conjunction with the dilution that it is subject to. This information can then be used to estimate whether the wastewater would cause exceedances of Water Quality Standards in the receiving waters.

DEC convened a Science Advisory Panel[1] to evaluate the results of a field study that EPA conducted in 2001 to determine the effect of discharges on Alaska waters when the vessel is underway. The Science Panel determined that when a typical large cruise ship is moving at a minimum speed of 6 knots, the wastewater discharged is subject to tremendous dilution. For wastewater discharged at 200 cubic meters/hour, the dilution factor is 50,000. When the sample results of the cruise ship wastewater are divided by the 50,000 dilution factor, the Science Panel concluded that the wastewater would almost instantaneously meet Alaska Water Quality Standards in the receiving water.

During the 2008 legislative session, the legislature directed DEC to evaluate how treated cruise ship effluent mixes with and dilutes into receiving waters. We conducted the study in Skagway this past season in conjunction with research the

[1] See the following website for more information: http://www.dec.state.ak.us/water/cruise_ships/scienceadvisory.htm

U.S. Environmental Protection Agency was performing with its Ocean Research Vessel "Bold." We provided an interim report of the study to the legislature on January 12, 2009.

The study last summer was designed to collect field data in order to calculate the dilution that occurs to wastewater when it is discharged under worst case conditions -- from a stationary cruise ship into a confined receiving environment with limited flushing. A ship moored in Skagway Harbor represents a worst case situation for dilution.

The results of the study were mixed. Under certain assumptions, Water Quality Standards would be met in the receiving water within 15 meters of the vessel. Using other assumptions, it will take a greater distance from the vessel to meet Water Quality Standards.

While the dilution study work is not complete, there is some suggestion that in certain worst cases, mixing zones may not be appropriate for moored vessels.

3. Technology Review

DEC is not currently aware of treatment systems that are readily available to be installed on all vessels by 2010 and that would produce effluent meeting water quality standards without mixing zones.

We are in the process of evaluating the cruise line's efforts to reduce ammonia, copper, nickel, and zinc in their wastewater effluent by evaluating potential source reduction and, as necessary new treatment technologies.

We have retained a consultant to evaluate new and emerging technologies that could potentially be installed on cruise ships to meet the water quality standards at the point of discharge. A draft report is available for review and a technology workshop is scheduled for Wednesday, February 18. Information from the workshop will be incorporated into a final report expected April 13.

4. Existing Regulations

DEC has existing regulations that allow a wastewater discharge permittee to apply for a mixing zone with their permit. The regulations include a 19 part test that must be met before DEC can authorize a mixing zone, including:

- That the effluent is first treated to remove, reduce and disperse the pollutants using the most effective, technologically and economically feasible methods.

The anti-degradation policy also requires the use of "methods of pollution

prevention, control, and treatment found by the department to be the most effective and reasonable" and that wastes and other substances to be discharged "be treated and controlled to achieve . . . the highest statutory and regulatory requirements."

If mixing zones were allowed, DEC would modify the cruise ship wastewater discharge general permit to include mixing zones where appropriate. Any proposed permit modifications would require a public review. Mixing zones may be prohibited in some areas and would only be allowed in other areas and under conditions that would fully protect aquatic life and other uses of Alaska's waters.

The modified permit would still require use of best available treatment technologies. Existing water quality regulations prohibit backsliding in treatment technology or decreases in effluent quality.

Every five years when the general permit is renewed, DEC must reevaluate what comprises best available treatment technologies. Renewed permits are modified to reflect any new, commercially available treatment technologies.

Fiscal Impact - HB 134 has no fiscal impact for the Department.

CSAW
Campaign to Safeguard America's Waters

Earth Island Institute

Responsible Cruising in Alaska

February 2, 2009

Dear Alaska Legislators,

The session has started and cruise industry lobbyists are once again filling the capitol. As non-profit, public organizations, CSAW and RCA cannot match the hours the cruise industry and their allies will spend to change important provisions of the cruise ship initiative passed by voters in 2006. The cruise industry wants you to (1) repeal the ban on "mixing zones" for large vessels (current law requires these floating cities to meet Alaska's Water Quality Standards (WQS) at the point of discharge), and (2) reduce the tax levies on the passengers and the cruise lines.

Here are the facts: the cruise lines have not installed any new wastewater treatment equipment on their ships since 2006. Instead, the industry has directed their lobbyists to try and repeal state law rather than comply with our pollution requirements. The industry claims the new law cannot be met, yet many ships are already meeting most of the discharge standards without mixing zones. In fact, most pollution problems appear to be related to older ships in the cruise fleet. Significantly, the Alaska Department of Environmental Conservation (ADEC) has given the cruise industry until 2010 to comply with the WQS without penalty.

As part of this thoughtful approach to implementing the law, ADEC is hosting a technology conference on cruise ship discharges on February 18 in Juneau, where vendors and scientists will present treatment technologies that can resolve the few remaining discharge issues without changing the mixing zone rule. ADEC has a worthy goal — working with the cruise industry, science, the public, and interested organizations to identify ways to improve discharge performance and ensure the health of our marine resources. Repealing the rule related to diluting discharges before these technologies are evaluated and perhaps included in pilot programs in 2009 is clearly premature. If the cruise industry wants decisions to be based on science (as they claim) they should cooperate with DEC's technology evaluation process and be open to trying to meet the standards, rather than working to repeal them before the department's scientific evaluation has been completed.

Segments of the cruise industry have criticized the passenger fee or "head tax" sanctioned by Alaska's voters in 2006. An independent economic review of the 2007 cruise season by the McDowell Group demonstrated that the taxes and fees passed in 2006 did not cause <u>any</u> decrease in cruise ship passenger visitation to Alaska or passenger spending in ports of call. The $50 head tax paid by cruise passengers is a tiny fraction of the total costs incurred by a passenger when they visit Alaska. The visitor head tax and the other cruise-related revenue (the corporate income tax on marine operations and the cruise gambling tax) have been successfully collected and disbursed by the Alaska Department of Revenue in a competent and efficient manner since 2007. The allocation of a portion of these revenues is restricted by federal law, and the Alaska Legislature has properly appropriated the revenue to comply with both state and federal laws. This revenue has greatly benefited Alaskan communities impacted most by cruise operations.

Revenue from these new taxes has been extremely helpful in financing new docks, harbors and port facilities – the very infrastructure that allows cruise visitors to enjoy their trip to Alaska while ensuring the cruise industry remains successful. Without these cruise passenger revenues, funds for construction of safe & efficient tourism infrastructure would need to be cobbled from local property and sales taxes, bonding and other erratic sources. At a time when many Alaska families are struggling to make ends meet, asking the one million summer tourists and Miami-based cruise companies to pay their fair share for needed tourism infrastructure makes sense.

The comprehensive initiative passed by Alaska voters in 2006 addressed critical shortcomings related to taxation and wastewater treatment oversight for the cruise industry. The Alaska Department of Revenue has done an exemplary job collecting the new taxes without unnecessary fees and costs. Enacting reasonable taxes on the cruise companies and passengers to build necessary tourism infrastructure makes far more sense than having coastal communities fund the construction of cruise wharfs, docks and tourist roadways themselves.

DEC now issues discharges permits for cruise ships, as they do for all other dischargers, and the Ocean Ranger program has given Alaskans needed assurance that the State's pollution rules are being followed. The approach adopted by DEC has been measured and appropriate, and affords the cruise industry ample time to comply with regulations that protect Alaska's incomparable marine resources. Given the state's reliance on commercial and sport fishing, subsistence, and the many uses of marine waters for local recreation and tourism, Alaska must protect its coastal waters by preventing the discharge of heavy metals like copper and other substances known to negatively impact salmon and other aquatic resources.

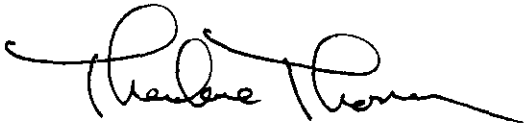
We urge members of the Alaska Legislature not to heed the cries of the Miami-based cruise industry. This luxury industry registers all their ships in foreign ports to avoid U.S. income taxes and labor laws. They should not now ask Alaska for local tax-relief and weaker pollution rules because they fear the US economy and its potential, future impact on their bottom line.

Let's keep Alaska waters clean and continue to appropriate cruise tax revenues for worthy projects that benefit the cruise passengers, the companies and impacted Alaska communities.

Please contact us to discuss any of these issues in more detail. Thank you,

Gershon Cohen Ph.D.

Gershon Cohen Ph.D.
Project Director, CSAW
766-3005 gershon@aptalaska.net



Theodore Thoma
President, RCA
586-2117 chipt@alaska.net

CSAW
Campaign to Safeguard America's Waters

Earth Island Institute

2/17/09

Re: HB 134 Testimony of Gershon Cohen Ph.D.

Dear Chairmen and Members of the Alaska House of Representatives Committee on Community and Regional Affairs,

Thank you for accepting this testimony in opposition to HB134, which seeks to remove the ban on mixing zone authorizations for cruise ship discharges established by majority vote of the people of Alaska in 2006.

The State of Alaska has traditionally been generous in allowing dischargers to circumvent the State's Water Quality Standards (WQS) through the application of mixing zones, which permit polluters to dilute contaminated wastewater within public waters. Nevertheless, the frequency of mixing zone use in the past should not be presumed to indicate that (1) the practice is consistent with the fundamental goals of the Clean Water Act to make all waters fishable and swimmable and eliminate the discharge of pollutants, or (2) such regulatory negligence adequately protects Alaska's aquatic resources.

I agree with the intent of the sponsors of HB134 that discharge permits be based on the best scientific evidence available. By definition, the State's WQS represent the best scientific information regarding the protection of aquatic life. Assigning mixing zones to mobile dischargers such as cruise ships does not represent the best science available, it will create multiple regions in our marine waters which cannot be tested for toxicity, where wastes may or may not disperse well depending upon the location of the discharge due to local currents, tides, salinity, temperature, and/or topography, and will likely contain the waste from multiple ships using the same water for dilution. Worst of all, it will risk contaminating any fish or other marine life unfortunate enough to be within the mixing zone at the time of discharge.

Mixing zones are not based on biological science or toxicology; they are engineering-based risk analyses that assume, or at least hope, that organisms will either not be present when the discharge occurs, not be harvested and consumed, or represent a small enough percentage of the population as to not result in long term harm to the overall ecosystem.

The cruise industry believes it should be given mixing zones because some other dischargers have mixing zones. Poor performance by other dischargers does not

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justify allowing the cruise lines to seek the lowest common denominator of waste treatment. It is important to note that many of their "peers" are using equipment designed in the 1950's, built in the 1970's, and perhaps in a few cases marginally improved in more recent years. Many of these communities and private dischargers have not had the financial resources to even begin trying to improve their performance. The cruise industry has recorded billion dollar profits year after year – they can afford to do the job right, and in doing so they will show others how they can improve their performance.

Alaska's WQS not only contain provisions for authorizing mixing zones, they also include an Antidegradation Policy (18AAC70.015) requiring the State to prohibit lowering the quality of a receiving water unless the best possible treatment methods are applied. The cruise industry claims to be using the best treatment methods available, but in fact, the industry has not tested or installed any new equipment on their ships since 2006 to address pollutants such as heavy metals or ammonia even though they have known since the initiative election that State law would eventually require them to either improve their performance, discharge on-shore, or discharge outside of Alaska waters. Rather than invest the time and money necessary to improve their performance they have chosen to spend their resources on lobbyists and lawyers to try and get the law changed. Many of those lobbyists and lawyers are probably sitting in your chambers today.

Regardless of your feelings about the authorization of mixing zones, it cannot be honestly argued that this bill is anything but premature. Tomorrow morning DEC will host a meeting at which scientists and high-tech companies will present their ideas on how cruise ships can meet the WQS without mixing zones. These technologies may not be ready to be installed in the fleet immediately for the simple reason that waste treatment firms have never been asked to build such devices for ships. That does not mean the fundamental science and technology does not exist, or cannot be adapted for ships within a reasonable period of time.

I'm sure you recall that in 2001 we heard the same cry from this industry when Alaska demanded they do a better job of removing fecal bacteria from their wastestreams. They said such performance was impossible. They said no applicable technologies existed. They threatened that imposing the requirement would mean the death of their industry in Alaska and along with it the demise of the Alaska tourism economy. But what was the result of our demand for better treatment? Several companies immediately launched efforts to build better machines for removing solids and bacteria on ships. Today, two thirds of the fleet that comes to Alaska has these improved technologies on board.

There is little doubt that if the cruise lines made the effort to comply with our rules they would succeed. Furthermore, not only has DEC recently initiated a process to identify technologies that have been improved in recent years, DEC has given the industry a pass on meeting the no-mixing zone discharge rules until at least 2010. No fines or penalties have been assessed to this point, and the bill before you today seeks to remove an achievable performance requirement that will not come due for another year at minimum. There is simply no harm whatsoever to this industry in

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keeping the present law in place while new and better treatment methods are adapted for ship board use. For these reasons, it is clear that HB134 is premature, and should not move forward at this time.

The authorization of mixing zones is fundamentally illogical. Our oceans are finite and putting more pollutants into our waters must at some point result in deleterious impacts on our fisheries. One would hope we'd have learned this lesson by now, given the result that similar applications of the "dilution-solution" have had on our atmosphere.

I apologize I cannot be here in person to testify today, but I am traveling to Juneau this afternoon to participate in DEC's cruise ship technology conference that begins on Wednesday morning.

Sincerely,

Gershon Cohen PhD.

Gershon Cohen PhD, Project Director, CSAW
Co-sponsor, Alaska Cruise Ship Ballot Initiative

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ALASKA CRUISE ASSOCIATION

February 10, 2009

Rob

The Honorable Bob Herron
House of Representatives
State Capitol Rm 415
Juneau AK 99801-1182

Dear Representative Herron:

In has come to my attention a letter was recently distributed to the Legislature inaccurately describing the actions and goals of the cruise industry. I am writing to set the record straight.

The cruise industry shares the Department of Environmental Conservation's goal to improve and protect water quality in Alaska. Ever since 2002, Alaska has had the highest standards in the world for large ship wastewater discharges. To meet these standards, the cruise industry has invested over $200 million to improve onboard processing of wastewater. If you have not seen this impressive technology, I invite you to tour one of our ships this season.

In 2006, the sponsors of Ballot Measure 2 promised Alaskans, the initiative would hold the cruise industry to the same standards as other industries. However, the initiative ties the hands of the environmental regulators. The Initiative prohibits the established scientific practice of measuring the effects of diluted discharges into a body of water. The initiative mandates DEC hold the cruise industry to a much higher standard and one that has not proven to be reasonably obtainable in a marine environment or onboard a cruise ship. It is important to remember that it is not uncommon for a cruise ship to take on municipal drinking water that exceeds the initiative standards and would require processing prior to discharge.

On February 18, the DEC will be holding a workshop with the goal of "producing an inventory and evaluating existing and innovative new control technologies to further reduce and/or remove ammonia and metals from treated waste water effluent of large cruise ships." We support DEC's effort to learn more about existing technologies and our members will be participating in that workshop. Our research departments continue to work with water treatment manufacturers to evaluate new technology. However, DEC's open invitation to manufacturers, engineers, scientists, etc. is a new approach. We will be interested to discover any new emerging technologies.

The identification and evaluation of new technology should be part of a long-term and ongoing process. We are certainly committed to participating with DEC, EPA, local communities, and the environmental organizations in this ongoing process.

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I hope you will agree, the DEC's workshop and the long-term effort to study new technology should not be used as a distraction to the very important goals that can be accomplished this legislative session. We have the opportunity to level the playing field and treat the cruise industry the same as other industries by: giving DEC professionals the tools to use science to set their discharge standards; creating a regulatory environment where the industry has the ability to comply based on proven technology; and establishing the rules by this spring prior to deployment decisions for the 2010 cruise season.

Our members look forward to working with you this session to accomplish these goals. I hope you will join us, the Alaska State Chamber of Commerce, the Alaska Municipal League, Southeast Conference and 35 other local communities and organizations in support of these important legislative goals. It is also my hope that the initiative sponsors will focus their efforts on assisting the legislature in their authority to review public policy rather than criticize legislators for acting prematurely.

If you have any questions regarding this letter, I would enjoy the opportunity to discuss these issues further.

Sincerely,

John Binkley
President
ACA

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ALASKA CRUISE ASSOCIATION

Thank you for taking the time to meet with us.

In 2006, the Alaska voters passed a cruise ship initiative. The area of concern for the cruise ships is the new permit standards that were created.

Since 2002, Alaska has had among the highest standards in the world for waste water discharge from large cruise ships. We acknowledge being held to a higher standard and have invested over $200 million in the technology to achieve those levels. In May of 2008, ADEC adopted new standards for the final large cruise ship general permit. Not only are these standards far higher than any community in Alaska; the technology to implement them is not commercially available or is impractical for ships. This is despite the promise from initiative sponsors that the initiative would simply "level the playing field."

The initiative language tied the hands of ADEC and does not allow them to set the permit limits based on science. We are asking the legislature to follow the will of the people and "level the playing field," to untie the hands of ADEC and let them do their job.

Attached you will find several documents that we feel make a compelling case to use similar methods of measurement in order to "level the playing field."

Sincerely,

John Binkley
President
ACA

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Quote from Gershon Cohen and the Campaign to Safeguard America's Waters issued press release (Alaska Cruise Ship Initiative Certified for 2006 Ballot).

"If passed, the new initiative will level the economic and environmental playing fields between the cruise ship industry and other major dischargers of polluted wastes into Alaska waters."

Quote from Joe Geldhof, Juneau Attorney, co-author of Alaska Cruise Ship Initiative, Skagway News story (Ballot Measure Two, the cruise initiative, raises voices in ship-happy Skagway).

"There's nothing radical on here," said Geldhof, adding that the measure would make the cruise industry adhere to the same pollution standards as fisheries, municipalities, and gas and oil companies. Drafting techniques to adopt the similar basic body of law makes it long. "It's not meant to be long, onerous and punitive."

Quote from an Alaska Department of Environmental Conservation issued press release (State Issues First Discharge Permit for Cruise Ships in Alaska).

"The majority of large cruise ships operating in Alaska have advanced wastewater treatment systems that produce a very high quality discharge – much higher, for example, than shore-based municipal sewage treatment systems."

"The department has determined that as long as ships comply with the interim effluent limits there will be no impacts on water resources or aquatic life."

Comparable EPA NPDES Discharge Permits in Alaska and Associated Effluent Limits

The following table compares the effluent guidelines in the ADEC General Cruise Ship Permit with effluent limitations within existing wastewater discharge permit limits in Alaska. Analytical data from the EPA cruise ship sampling project is compared with minimum permitted levels for land-based plants within typical large cruise ship itineraries and various other communities in Alaska. For cases where land-based permits indicated analysis for total recoverable metals, these limits were compared to cruise ship dissolved metals concentrations. For land-based permits that include variable effluent limitations based on monthly averages, weekly averages, or daily maximums, the most stringent level was chosen. The synopsis indicates that the final 2010 effluent limitations of the ADEC General Cruise Ship permit are stricter than the limits in the permits of any land-based municipal treatment plants in Alaska.

	2002			2006			
	Fecal Coliform (fc/100 ml)	BOD (mg/L)	TSS (mg/L)	Diss Copper (ug/L)	Diss Nickel (ug/L)	Diss Zinc (ug/L)	Total Ammonia (ug/L)
Cruise Ship Permit (interim)	14	30	30	66	180	230	80.4
Cruise Ship Permit (2010 final)	14	30	30	3.1	8.2	81	2.9
Anchorage	850	240	170				
Eagle River	100	30	30	175			36
Fairbanks	200	30	30				
Girdwood	100	30	30	57			
Haines	1,000,000	140	140	156			
Juneau Douglas	400	30	30				
Juneau Mendenhall	161	30	30	95.8			48.0
Kenai	200	30	30				
Kennecott Greens Creek mine	7,000	30	20	300		1000	
Ketchikan	1,000,000	146	129	290		9384	43
Palmer	20	30	30				18.5
Seward	50,000	30	30				
Sitka	1,000,000	140	140	354			
Skagway	1,000,000	80	70	210			
Soldotna	100	30	30				

Interim Levels

2010 Initiative Limits

Comparison of Effluent Volumes between Land-based Municipal Treatment Plants and Cruise Ships

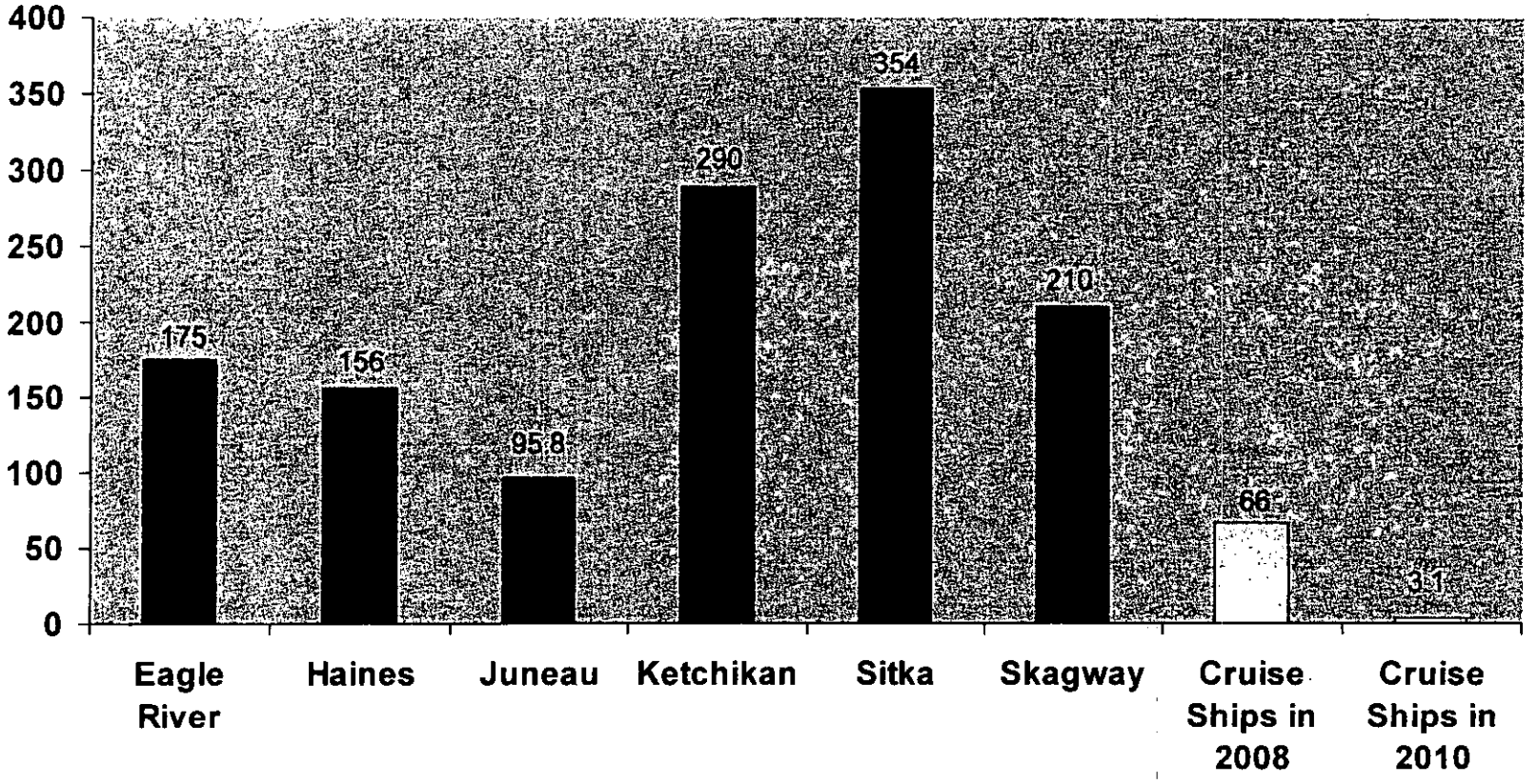
The average volume of discharge from a cruise ship was also compared to the average discharge volume of each land-based plant in order to evaluate the cumulative effects of cruise ship discharges within Alaska waters. Advanced wastewater systems on cruise ships operate efficiently and generally produce a small volume of treated effluent compared to land based plants. The following chart lists the permitted effluent for Alaska land-based treatment plants, and the equivalent number of cruise ships required to match the volume of daily effluent in each community.

	Permitted daily discharge in gallons	Equivalent number of large cruise ships to equal one day of each city's permitted waste water discharge
Average Cruise Ship Daily Discharge	143,600	1
Anchorage	36,000,000	251
Eagle River	2,500,000	17
Girdwood	600,000	4
Haines	1,900,000	13
Juneau Douglas/Mendenhall	7,660,000	53
Kenai	1,330,000	9
Kennecott Greens Creek mine	2,390,000	17
Ketchikan	4,000,000	28
Palmer	950,000	7
Seward	900,000	6
Sitka	1,800,000	13
Skagway	630,000	4
Soldotna	1,080,000	8

For average cruise ship effluents, 2004 EPA cruise ship study data, available at http://www.epa.gov/owow/oceans/cruise_ships/results.html

For effluent values for communities, individual EPA permits, located at http://yosemite.epa.gov/R10/water.nsf/NPDES+Permits/Permits+Homepage

Copper Limits for Community Discharge Permits vs. Cruise Ship Permit Limits



Max Daily Permit Limits in Parts Per Billion (ppb)

LAWS OF ALASKA

2006

Source
Ballot Measure No. 2

AN INITIATIVE

Providing for taxation of certain commercial ship vessels, pertaining to certain vessel activities, and related to ship vessel operations taking place in the marine waters of the State of Alaska; and providing for an effective date.

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

THE INITIATIVE FOLLOWS ON PAGE 1

Date Election Results Certified: September 18, 2006
Actual Effective Date: December 17, 2006

AN INITIATIVE

Providing for taxation of certain commercial ship vessels, pertaining to certain vessel activities, and related to ship vessel operations taking place in the marine waters of the State of Alaska; and providing for an effective date.

*** Section 1.** AS 43 is amended by adding a new chapter to read:

Chapter 52. Excise Tax on Travel Aboard Commercial Passenger Vessels.

Sec. 43.52.010. Levy of excise tax on overnight accommodations on commercial passenger vessels. There is imposed an excise tax on travel on commercial passenger vessels providing overnight accommodations in the state's marine water.

Sec. 43.52.020. Rate of tax. The tax imposed by AS 43.52.010 - 43.52.095 is levied at a rate of $46 a passenger per voyage.

Sec. 43.52.030. Liability for payment of tax. A passenger traveling on a commercial passenger vessel providing overnight accommodations in state marine

water is liable for the tax imposed by AS 43.52.010 - 43.52.095. The tax shall be collected and is due and payable to the department

(1) by the person who provides travel aboard a commercial vessel for which the tax is payable; and

(2) in the manner and at the times required by the department by regulation.

Sec. 43.52.040. Disposition of receipts. (a) The proceeds from the tax on travel on commercial passenger vessels providing overnight accommodations in the state's marine water shall be deposited in a special "commercial vessel passenger tax account" in the general fund. The legislature may appropriate money from this account for the purposes described in (b) and (c) of this section, for state-owned port and harbor facilities, other services to properly provide for vessel or watercraft visits, to enhance the safety and efficiency of interstate and foreign commerce, and such other lawful purposes as determined by the legislature.

(b) For each voyage of a commercial passenger vessel providing overnight accommodations, the commissioner shall identify the first five ports of call in the state and the number of passengers on board the vessel at each port of call. Subject to appropriation by the legislature, the commissioner shall distribute to each port of call $5 per passenger of the tax revenue collected from the tax levied under this chapter. If the port of call is a city located within a borough not otherwise unified with the borough, the commissioner shall, subject to appropriation by the legislature, distribute $2.50 per passenger to the city and $2.50 to the borough. Each port of call receiving funds under this section shall use the funds in a manner calculated to improve port and harbor facilities and other services to properly provide for vessel or watercraft visits and to enhance the safety and efficiency of interstate and foreign commerce.

(c) A "regional cruise ship impact fund" consisting of 25 percent of the proceeds from the tax on travel aboard commercial passenger vessels providing overnight accommodations in the state's marine water shall be established as sub-account of the funds established in (a) of this section and deposited in the general fund. Subject to appropriation by the legislature and regulations adopted by the Department of Revenue, the commissioner shall distribute funds to municipalities or

other governmental entities within the Prince William Sound Region, Southeast Alaska, or any other distinctive region impacted by cruise ship related tourism activities but not entitled to receive funds based on port of call visitation as allowed by (b) of this section, provided that any funds used from this account shall be used to provide services and infrastructure directly related to passenger vessel or watercraft visits or to enhance the safety and efficiency of interstate and foreign commerce related to vessel or watercraft activities.

Sec. 43.52.050. Administration. (a) The department shall

(1) administer this chapter; and

(2) collect, supervise, and enforce the collection of taxes due under this chapter and penalties as provided in AS 43.05.

(b) The department may adopt regulations necessary for the administration of this chapter.

Sec. 43.52.060. Local levies. Any municipality, whether home rule or general law, that receives passenger ship fee funds under this chapter may not impose an additional form of tax on travel on commercial passenger vessels engaged in activities involving overnight accommodations for passengers in state marine waters. Any form of tax on travel on commercial passenger vessels engaged in activities involving overnight accommodations for passengers in state marine waters enacted by a municipality, whether home rule or general law, prior to the effective date of this section shall expire one year after enactment of this law if that municipality elects to receive funds under this chapter.

Sec. 43.52.095. Definitions. In this chapter,

(1) "commercial passenger vessel" means a boat or vessel that is used in the common carriage of passengers in commerce; "commercial passenger vessel" does not include

(A) vessels with fewer than 250 berths or other overnight accommodations for passengers;

(B) noncommercial vessels, warships, and vessels operated by the state, the United States, or a foreign government;

(2) "marine water of the state" and "state marine water" have the

meaning given to "waters" in AS 46.03.900, except that they include only marine waters;

(3) "passenger" means a person whom a common carrier has contracted to carry from one place to another;

(4) "voyage" means any trip or itinerary lasting more than 72 hours.

* **Sec. 2.** AS 05 is amended by adding a new chapter to read:

Chapter 16. Games of Chance and Contests of Skill on Ships Operating on Waters within the Jurisdiction of Alaska.

Sec. 05.16.010. Gambling activities aboard commercial vessels purportedly authorized by federal law. This chapter applies to the use of playing cards, dice, roulette wheels, coin-operated instruments or machines, or other objects or instruments used, designed, or intended for gaming or gambling used in the waters under the jurisdiction of the State of Alaska on a voyage described in 15 U.S.C. 1175(c)(2), and to any other gambling activities taking place aboard large passenger vessels in the state.

Sec. 05.16.020. Tax on gambling activities authorized by AS 05.16.010. There is imposed on the operator of a gaming or gambling activities aboard large passenger vessels in the state a tax of 33 percent of the adjusted gross income from those activities. "Adjusted gross income" means gross income less prizes awarded and federal and municipal taxes paid or owed on the income. The tax shall be collected and is due and payable to the Department of Revenue in the manner and at the times required by the Department of Revenue.

Sec. 05.16.030. Disposition of receipts. The proceeds from the tax on gambling operations aboard commercial passenger vessels in the state's marine water shall be deposited in a special "commercial vessel passenger tax account" in the general fund.

* **Sec. 3.** AS 43.20.021 is repealed and reenacted to read:

Sec. 43.20.021(a). Internal Revenue Code adopted by reference. (a) Sections 26 U.S.C. - 1399 and 6001 - 7872 (Internal Revenue Code), as amended, are adopted by reference as a part of this chapter. These portions of the Internal Revenue Code have full force and effect under this chapter unless excepted to or modified by

other provisions of this chapter.

(b) Nothing in this chapter or in AS 43.19 (Multistate Tax Compact) may be construed as an exception to or modification of 26 U.S.C. 883.

(c) The provision in (b) of this section does not apply to commercial passenger vessels as defined in AS 43.52.095.

* Sec. 4. AS 46.03.462 is repealed and reenacted to read:

Sec. 46.03.462. Terms and conditions of discharge permits. (a) An owner or operator may not discharge any treated sewage, graywater, or other wastewater from a large commercial passenger vessel into the marine waters of the state unless the owner or operator obtains a permit under AS 46.03.100, which shall comply with the terms and conditions of vessel discharge requirements specified in (b) of this section.

(b) The minimum standard terms and conditions for all discharge permits authorized under this provision require that the owner or operator

(1) may not discharge untreated sewage, treated sewage, graywater, or other wastewaters in a manner that violates any applicable effluent limits or standards under state or federal law, including Alaska Water Quality Standards governing pollution at the point of discharge;

(2) shall maintain records and provide the reports required under AS 46.03.465(a);

(3) shall collect and test samples as required under AS 46.03.465(b) and (d) and provide the reports with respect those samples required by AS 46.03.475(c);

(4) shall report discharges in accordance with AS 46.03.475(a);

(5) shall allow the department access to the vessel at the time samples are taken under AS 46.03.465 for purposes of taking the samples or for purposes of verifying the integrity of the sampling process; and

(6) shall submit records, notices, and reports to the department in accordance with AS 46.03.475(b), (d), and (e).

* Sec. 5. AS 46.03.463 is amended to read as follows:

Sec. 46.03.463(d) is repealed.

Sec. 46.03.463(e) is repealed and reenacted to read: An owner or operator may

not discharge any treated sewage, graywater, or other wastewater from a large commercial passenger vessel into the marine waters of the state unless the owner or operator obtains a permit under AS 46.03.100 and 46.03.462, and provided that the vessel is not in an area where the discharge of treated sewage, graywater, or other wastewaters is otherwise prohibited.

Sec. 46.03.463(g) is repealed.

* **Sec. 6.** AS 46.03.465 is repealed and reenacted to read:

Sec. 46.03.465. Information-gathering requirements. (a) The owner or operator of a commercial passenger vessel shall maintain daily records related to the period of operation while in the state, detailing the dates, times, and locations, and the volumes and flow rates of any discharges of sewage, graywater, or other waster into the marine waters of the state, provide electronic copies of such records on a monthly basis to the department no later than five days after each calendar month of operation in state waters.

(b) While a commercial passenger vessel is present in the marine waters of the state, the owner or operator of the vessel shall provide an hourly report of the vessel's location based on Global Positioning System technology and collect routine samples of the vessel's treated sewage, graywater, and other wastewaters being discharged into marine waters of the state with a sampling technique approved by the department.

(c) While a commercial passenger vessel is present in the marine waters of the state, the department, or an independent contractor retained by the department, may collect additional samples of the vessel's treated sewage, graywater, and other wastewaters being discharged into the marine waters of the state.

(d) The owner or operator of a vessel required to collect samples under (b) of this section shall ensure that all sampling techniques and frequency of sampling events are approved by the department in a manner sufficient to ensure demonstration of compliance with all discharge requirements under AS 46.03.462.

(e) The owner or operator of a commercial passenger vessel shall pay for all reporting, sampling, and testing of samples under this section.

(f) If the owner or operator of a commercial passenger vessel has, when complying with another state of federal law that requires substantially equivalent

information required under (a), (b), or (d) of this section, the owner or operator shall be considered to be in compliance with that subsection so long as the information is also provided to the department.

* Sec. 7. AS 46.03 is amended by adding new sections to read:

Sec. 46.03.476. Ocean Rangers. (a) An owner or operator of a large commercial passenger vessel entering the marine waters of the state is required to have a marine engineer licensed by the United States Coast Guard hired or retained by the department on board the vessel to act as an independent observer for the purpose of monitoring state and federal requirements pertaining to marine discharge and pollution requirements and to insure that passengers, crew, and residents at ports are protected from improper sanitation, health, and safety practices.

(b) The licensed marine engineer shall monitor, observe, and record data and information related to the engineering, sanitation, and health related operations of the vessel, including but not limited to registration, reporting, record-keeping, and discharge functions required by state and federal law.

(c) Any information recorded or gathered by the licensed marine engineer shall be promptly conveyed to the Alaska Department of Environmental Conservation and the United States Coast Guard on a form or in a manner approved by the commissioner of environmental conservation. The commissioner may share information gathered with other state and federal agencies.

Sec. 46.03.481. Citizens' suits. (a) Any citizen of the State of Alaska may commence a civil action (1) against an owner or operator of a large passenger vessel alleged to have violated any provision of this chapter, or (2) against the department where there is an alleged failure to perform any act or duty under this chapter which is not discretionary. No civil action may be commenced under this section, however, prior to 45 days after the plaintiff has provided written notice of the intent to sue to the Attorney General of Alaska.

(b) Subject to appropriation, as necessary, up to 50 percent and not less than 25 percent of any fines, penalties, or other funds recovered as a result of enforcement of this chapter shall be paid to the person or entity, other than the defendant, providing information sufficient to commence an investigation and enforcement of this chapter

under this provision.

* Sec. 8. AS 46.03.480 is amended as follows:

Sec. **46.03.480** is amended by adding a new subsection to read:

(d) An additional fee in the amount of $4 per berth, is imposed on all large commercial passenger vessels, other than vessels operated by the state, for the purpose of operating the Ocean Ranger program established in AS 46.03.476; said program shall be subject to legislative appropriation.

Sec. **46.03.480(d)** shall be repealed and reenacted as AS 46.03.480(e).

* Sec. 9. AS 46.03.760 is amended as follows:

Sec. **46.03.760** is amended by adding a new subsection to read:

(f) An owner, agent, employee, or operator of a commercial passenger vessel, as defined in AS 43.52.095, who falsifies a registration or report required by AS 46.03.460 or 46.03.475 or who violates or causes or permits to be violated a provision of AS 46.03.250 - 46.03.314, 46.03.460 - 46.03.490, AS 46.14, or a regulation, a lawful order of the department, or a permit, approval, or acceptance, or term or condition of a permit, approval, or acceptance issued under AS 46.03.250 - 46.03.314, 46.03.460 - 46.03.490, or AS 46.14 is liable, in a civil action, to the state for a sum to be assessed by the court of not less than $5,000 nor more than $100,000 for the initial violation, nor more than $10,000 for each day after that on which the violation continues, and that shall reflect, when applicable,

(1) reasonable compensation in the nature of liquidated damages for any adverse environmental effects caused by the violation, that shall be determined by the court according to the toxicity, degradability, and dispersal characteristics of the substance discharged, the sensitivity of the receiving environment, and the degree to which the discharge degrades existing environmental quality; for a violation relating to AS 46.14, the court, in making its determination under this paragraph, shall also consider the degree to which the discharge causes harm to persons or property; this paragraph may not be construed to limit the right of parties other than the state to recover for personal injuries or damage to their property;

(2) reasonable costs incurred by the state in detection, investigation, and attempted correction of the violation;

(3) the economic savings realized by the person in not complying with the requirement for which a violation is charged; and

(4) the need for an enhanced civil penalty to deter future noncompliance.

Sec. 46.03.760(f) shall be repealed and reenacted as AS 46.03.760(g).

* **Sec. 10.** AS 45.50.474 is repealed and reenacted to read:

Sec. 45.50.474. Required disclosures in promotions and shoreside sales on board cruise ships. (a) A person may not conduct a promotion on board a cruise ship that mentions or features a business in a state port that has paid something of value for the purpose of having the business mentioned, featured, or otherwise promoted, unless the person conducting the promotion clearly and fully discloses orally and in all written materials used in the promotion that the featured businesses have paid to be included in the promotion. All such written notice of disclosure shall be in a type not less than 14-point typeface and in a contrasting color calculated to draw attention to the disclosure.

(b) A person or other entity aboard a cruise ship conducting or making a sale of tours, flightseeing operations, or other shoreside activities to be delivered by a vendor or other entity at a future port of call shall disclose, both orally and in writing, the amount of commission or percentage of the total sale retained or returned to the person making the sale. The person or entity aboard a cruise ship making or attempting to make a sale of services or goods provided by a shoreside vendor shall disclose the address and telephone number of the shoreside vendor if asked by a consumer. All such written notice of disclosure shall be in a type not less than 14-point typeface and in a contrasting color calculated to draw attention to the disclosure.

(c) Each violation of this section constitutes an unfair trade practice under AS 45.50.471, and shall result in a penalty of not more than $100 for each violation. In this section, "cruise ship" means a ship that operates at least 48 hours in length for ticketed passengers, provides overnight accommodations and meals for at least 250 passengers, is operated by an authorized cruise ship operator, and is certified under the International Convention for the Safety of Life at Sea or otherwise certified by the United States Coast Guard.

* **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to read:

SEVERABILITY. It is the intention of the people of Alaska that any portion of this legislation that is declared unlawful shall be stricken in a manner that preserves the remaining portion of the remaining legislation to the maximum extent possible.

* **Sec. 12.** EFFECTIVE DATE. This Act takes effect 90 days after enactment.

The Alaska Statutes - 2006

Sec. 46.03.462. Terms and conditions of discharge permits.

(a) An owner or operator may not discharge any treated sewage, graywater, or other wastewater from a large commercial passenger vessel into the marine waters of the state unless the owner or operator obtains a permit under AS 46.03.100 , which shall comply with the terms and conditions of vessel discharge requirements specified in (b) of this section.

(b) The minimum standard terms and conditions for all discharge permits authorized under this section require that the owner or operator

(1) may not discharge untreated sewage, treated sewage, graywater, or other wastewaters in a manner that violates any applicable effluent limits or standards under state or federal law, including Alaska Water Quality Standards governing pollution at the point of discharge;

(2) shall maintain records and provide the reports required under AS 46.03.465(a);

(3) shall collect and test samples as required under AS 46.03.465 (b) and (d) and provide the reports with respect those samples required by AS 46.03.475 (c);

(4) shall report discharges in accordance with AS 46.03.475 (a);

(5) shall allow the department access to the vessel at the time samples are taken under AS 46.03.465 for purposes of taking the samples or for purposes of verifying the integrity of the sampling process; and

(6) shall submit records, notices, and reports to the department in accordance with AS 46.03.475 (b), (d), and (e).

FEASIBILITY STUDY:

REDUCING CONCENTRATIONS OF DISSOLVED METALS AND AMMONIA IN LARGE PASSENGER VESSEL WASTEWATER DISCHARGES

DRAFT
February 16, 2009

DRAFT

Prepared for:

Alaska Department of Environmental Conservation
Cruise Ship Program

Prepared by:

oasis
ENVIRONMENTAL

825 W. 8th Ave.
Anchorage, AK 99501

AND SUB-CONTRACTOR TEAM

EXECUTIVE SUMMARY

ADEC issued the Large Commercial Passenger Vessel Wastewater Discharge General Permit in March 2008 to meet the requirement of Alaska Statute 46.03.462. ADEC analysis indicated that cruise ships could not immediately comply with the statute's strict "point of discharge" effluent limits in the General Permit for ammonia, copper, nickel, and zinc. Therefore, the permit contains interim effluent limits that are less stringent for the 2008 and 2009 cruise ship seasons. The permit contains long term effluent limits for these parameters based upon the water quality standards that must be met by the 2010 cruise ship season.

An analysis of this 2008 data reveals that under current operational practices, the existing wastewater treatment systems installed on large cruise ships cannot consistently treat wastewater to the long term effluent limits.

Although it is the cruise ships' responsibility to comply with the terms of the General Permit, it is important for ADEC to be knowledgeable about the types of technology that may exist to enable cruise ships to meet the long term effluent limits. Therefore, ADEC hired the OASIS team to evaluate successful shore-based technologies as well as new and emerging technologies that could potentially be adapted for use on cruise ships. In this first public draft of the study, the OASIS team evaluates nine current technologies that may be able to reduce concentrations of the four pollutants of concern: ammonia, dissolved copper, dissolved nickel and dissolved zinc. It also includes five experimental technologies. Of the nine current technologies, three treat all four pollutants, three treat only ammonia and three treat only dissolved metals.

The information on these technologies comes from a variety of research sources and also from manufacturers, vendors, and researchers. A solicitation to these groups was accomplished by direct e-mailing and through e-mail blasts to the wastewater industry and the maritime industry. Approximately 60 interested parties were in contact. A total of 10 contacts submitted white papers describing potential solutions for meeting the new limits.

In order to make conclusive determinations about whether achieving the proposed limits by 2010 is possible, more information is needed such as detailed waste stream characterization and analysis, treatability studies, potential pilot plants, and conceptual designs for ship adaptation. However, this draft study finds that technologies exist in land-based applications that appear to be able to treat the pollutants (ammonia, nickel, copper or zinc) to the necessary levels for discharge. These technologies include ion exchange, reverse osmosis, electrodialysis, chemical precipitation, air/steam stripping, aerobic biological oxidation / nitrification and breakpoint chlorination.

Although land-based technologies exist that can reduce the pollutants to the long term permit limits, further investigation by the cruise lines will be required to determine whether the technologies evaluated in this draft study will be able to be adapted for use on board cruise ships. Ship space, inclination, and other constraints must be considered,

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as well as investigating what technological processes will provide the most efficient system by evaluating the system balance, operational costs, and other parameters.

This draft study found that technologies currently used in some manner on ships such as reverse osmosis (RO) and aerobic biological oxidation/nitrification (MBR) would likely provide the most adaptable systems to achieve the limits. RO would be able to treat both ammonia and metals while MBR would only treat ammonia. It is possible that ion exchange, combinations of ion exchange and RO, and electrodialysis could meet the limits for both ammonia and metals and have good potential for being adapted for on-board use. The vendor-submitted white papers suggest that chemical precipitation, ion exchange, reverse osmosis, electrodialysis and breakpoint chlorination may also be able to treat cruise ship wastewater to the permit levels for discharge.

Each of these technologies would be used in conjunction with current systems and would require a significant amount of design and retrofitting for sizing along with marine regulatory approval. It is likely that a full system approach would be needed to coordinate multiple technologies at multiple stages of the water and wastewater flow.

DRAFT

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38 Waste Water Permit Resolutions Passed To Date

As of February 5, 2009

Alaska Municipal League

Alaska State Chamber of Commerce

Southeast Conference

Alaska Travel Industry Association

Alaska Bed & Breakfast Association

Alaska Hotel & Lodging Association

Juneau City & Borough Assembly

Ketchikan Gateway Borough

City of Ketchikan

Seward City Council

Whittier City Council

Anchorage Soil & Water Conservation District

Anchorage Chamber of Commerce

Fairbanks Chamber of Commerce

Juneau Chamber of Commerce

Wasilla Chamber of Commerce

Kenai Chamber of Commerce

Homer Chamber of Commerce

Sitka Chamber of Commerce

Ketchikan Chamber of Commerce

Palmer Chamber of Commerce

Haines Chamber of Commerce

Soldotna Chamber of Commerce

Whittier Chamber of Commerce

Skagway Chamber of Commerce

Seward Chamber of Commerce

Anchorage Convention & Visitors Bureau

Girdwood 2020

Fairbanks Convention & Visitor Bureau

Ketchikan Visitors Bureau

Wasilla Convention & Visitors Bureau

Alaska Travel Industry Association - Anchorage Chapter

Alaska Travel Industry Association Ketchikan Chapter

Alaska Travel Industry Association -- Juneau Chapter

Alaska Travel Industry Association - Golden Circle Chapter

Alaska Campground Owners Association

Anchorage Downtown Partnership

Juneau Convention & Visitors Bureau (Passed 2/4/09; to be printed and signed 2/26/09)

ALASKA MUNICIPAL LEAGUE
Alaska Conference of Mayors

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ALASKA MUNICIPAL LEAGUE
RESOLUTION #2009-08

A RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE URGING THE ALASKA STATE LEGISLATURE IN 2009, TO MODIFY, BASED ON SCIENCE, THE STANDARDS GOVERNING THE DISCHARGE OF CRUISE SHIP WASTEWATER SUCH THAT THOSE STANDARDS WILL CONTINUE TO PROTECT AQUATIC LIFE AND THE ENVIRONMENT; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, during the 1990s, the size and number of cruise ships visiting Alaska coastal communities grew dramatically and became an increasingly important component of the local and regional economies; and

WHEREAS, in 1999, the Alaska Department of Environmental Conservation, U.S. Coast Guard, U.S. Environmental Protection Agency, members of the Southeast Conference, representatives of the cruise ship industry, and local concerned citizens formed a group to explore ways to improve environmental standards for the cruise ship industry in Alaska; and

WHEREAS, the Alaska Cruise Ship Initiative (ACSI) group was created in 2000 to 1). Identify waste streams from cruise ships; 2). Develop pollution prevention and waste management solutions; 3). Assess and verify compliance with volunteer wastewater sampling; and 4). Keep the Alaska public informed; and

WHEREAS, in late 2000, the ACSI commissioned a Science Advisory Panel with expertise in oceanography, bacteriology, chemistry, aquatic and human toxicology, marine biology, ecology and vessel engineering to address issues concerning treatment, discharge, dispersion, fate, and effects of wastewaters produced by commercial cruise ships; and

WHEREAS, the work of the groups noted above led to the enactment of laws (AS 46.03.460 – AS 46.06.490) by the Alaska Legislature in 2001 establishing wastewater discharge standards for cruise ships and creating the Commercial Passenger Vessel Environmental Compliance Program; and

WHEREAS, in 2002, the Alaska Department of Environmental Conservation adopted regulations (18 AAC 69) to implement and interpret the laws enacted by the Legislature in 2001; and

WHEREAS, in 2004, the Alaska Legislature refined laws enacted in 2001 (AS 46.03.460 – AS 46.06.490); and

WHEREAS, in 2006, following a two-year rule-making effort, the Alaska Department of Environmental Conservation adopted regulations to interpret and implement the 2004 statutory changes; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, in 2006, following the adoption of regulations by the Alaska Department of Environmental Conservation, Alaska voters approved an initiative further governing the operation and regulation of large cruise ships; and

WHEREAS, in March 2008, as a major step toward fulfilling the terms of the 2006 initiative, the Alaska Department of Environmental Conservation issued the first ever general permit for wastewater discharge from large cruise ships operating in Alaska waters; and

WHEREAS, the standards imposed on cruise ships are far in excess of those imposed on shore-based municipal wastewater facilities, as was recognized in the Department of Environmental Conservation press release announcing the March 2008 permit, which stated:

> The majority of large cruise ships operating in Alaska have advanced wastewater treatment systems that produce a very high quality discharge – much higher, for example, than shore-based municipal sewage treatment systems. Even so, cruise ship discharges are expected to have trouble meeting water quality standards for four parameters – ammonia, copper, nickel and zinc; and

WHEREAS, recognizing that it is currently unfeasible or impractical to meet discharge standards for the ammonia, copper, nickel and zinc parameters, the Alaska Department of Environmental Conservation applied more lenient standards during the 2008 and 2009 seasons and postponed implementation of the stricter standards until the 2010 season; and

WHEREAS, the point-of-release standards could mean that beginning in 2010, cruise ships will have to defer all discharges until they are out of Alaska waters; and

WHEREAS, compelling cruise ships to postpone discharge of wastewater until outside Alaska waters will likely shorten the time cruise ships are in port and result in fewer ports of call, which will negatively impact Alaskan businesses.

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League urges the Alaska State Legislature in 2009, to modify, based on science, the standards governing the discharge of cruise ship wastewater such that those standards governing the discharge of cruise ship wastewater such that those standards will continue to protect aquatic life and the environment.

FURTHER BE IT RESOLVED that the Alaska Municipal League requests that this resolution becomes effective immediately upon adoption by the State Legislature.

PASSED AND APPROVED by the Alaska Municipal League on this 14th day of November, 2008.

Signed: _____
Denise Michels, President, Alaska Municipal League

Attest: Kathie Wasserman
Kathie Wasserman, Executive Director, Alaska Municipal League

The Honorable Sarah Palin
Governor
State of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

January 21, 2009

Dear Governor Palin,

The Alaska State Chamber of Commerce supports and endorses efforts to have the Alaska State Legislature amend the "point of discharge" standard governing the cruise ship wastewater permits. The State Chamber membership has adopted as one of our top five Legislative Priorities, support for changes to the "point of discharge" standard governing cruise ship wastewater permitting. The Alaska State Chamber of Commerce urges you and the Alaska State Legislature to delete the "point of discharge" standard governing the cruise ship wastewater permits. The State Chamber Commerce asks the State to apply the best available data and technology when setting standards for cruise ship wastewater discharge permits.

The State Department of Environmental Conservation (ADEC) holds not only cruise ships but also ships such as our ferries to a different standard than it holds every other discharger in Alaska. This new permit measures effluent at the point of discharge instead of allowing a dilution zone, which every state in the United States allows, and State of Alaska statutes contemplate. This is a different standard from what is required for coastal communities, the fishing industry or the oil platforms in Cook Inlet.

The State Chamber supports State efforts to investigate the standards governing the discharge of cruise ship wastewater. We strongly urge the Alaska State Legislature to give due consideration to modifying the standards governing the discharge of cruise ship wastewater for a lower level based on science that will continue to protect aquatic life and the environment, but will not be technologically and financially unreasonable or impractical.

Should the cruise ship industry need to comply with the statutes of this permit, ships will have to hold their wastewater discharges until they are out of Alaska waters. Not only will this shorten time in port, and may result in fewer ports of call, but both results may negatively affect Alaska businesses and financially harm port communities. Small businesses that offer services to tour related businesses may well go out of business without these suggested changes.

The permit requirement is part of the cruise ship initiative that voters approved in 2006. That initiative imposed a number of environmental provisions, including one that requires ships to have a "discharge permit and meet all Alaska water quality standards".

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Voters were told that the ships would be held to the same standards that "every other industrial and municipal discharger" must meet and that "no new permitting program is necessary." However, the permit ADEC issued holds the ships to a much different standard, one that may cost Alaska communities, Alaska ferries and businesses unnecessarily.

Alaska's water quality standards contemplate the use of dilution factors, such as mixing zones or short-term variances. According to ADEC, "mixing zones are provided for by the Clean Water Act and used by every state in the Nation." Without mixing zones, wastewater would have to be treated to the point where it could serve as a source of drinking water before being discharged and that just is not feasible here or anywhere else. Sewage treatment plants and seafood processors in Alaska could not operate without a mixing zone. This is also true for the cruise ships.

Alaska should hold cruise ships to the same stringent standards as its coastal communities. It is not in the state's best interest to shorten the time cruise visitors have ashore or to force the elimination of some ports of call.

I genuinely appreciate your thoughtful consideration and careful attention to this matter.

Yours in economic prosperity,

Wayne A. Stevens

Wayne A. Stevens
President/CEO

cc: Members of the Alaska State Legislature

Alaska State Chamber of Commerce
2009 Priority

Title: A Resolution to urge the Governor and the Alaska State Legislature to delete the "point of discharge" standard governing the cruise ship waste water permits.

Position Statement:

1.) The State Chamber Commerce resolve to ask the 2009 legislature to apply the best available data and technology when setting standards for cruise ship wastewater discharge permits.

Position:

This resolution is consistent with the Alaska State Chamber Mission of having a positive impact on Alaska businesses by not limiting or interfering with ports of call. This is of high interest to all communities throughout Alaska to maintain a good business climate of welcoming ship visitors into their shops and on shore excursions. This action will allow the Alaska Department of Environmental Conservation to determine, by applying science, the wastewater permit standards.

Support for Position:

1.) In 2002 Alaska set the highest standards in the world for large cruise ship waste water discharge to protect state water ways. These standards were change in 2006 by a head tax ballot initiative in such a way that some of the new standards are technologically unfeasible by the cruise lines. During the ballot initiative process no public hearings or state agency input given on these newly imposed standards.
2.) Initiative sponsors misled voters by stating that the permit portion of the initiative would only "level the economic and environmental playing fields between the cruise ship industry and other major dischargers".
3.) If the permit guidelines are not amended ships could be required to go out into federal waters to discharge; thus less time in port cities which will allow less time in port for the visitors. This will have a negative impact on local government, retail business and shore based business operations.
4.) Cruise ships should be under the same guidelines on discharge as any other industry or land based operations in Alaska.
5.) Other constituencies who support this are local chambers, governments and business owners.
6.) Persons who may not support his position are the authors of the ballot initiative and uninformed members of the public.

Statewide Impact Position: High

Supporting documents attached:

1.) Support Information Packet

Action Required:

1.) Through legislative action amend "point of discharge" permit requirements.

Fiscal Impact:

1.) This action will not require money from the state; however it will have a continued positive impact on local governments and businesses in Alaska.

Southeast Conference

A RESOLUTION URGING THE GOVERNOR AND THE 2009 ALASKA STATE LEGISLATURE TO MODIFY THE "POINT OF DISCHARGE" PERMIT STANDARD BASED ON SCIENTIFIC CRITERIA TO BE DETERMINED BY ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION.

Resolution 09-07

WHEREAS, Southeast Alaska has a strong tourism business base and wants a positive business atmosphere to grow tourism: and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, the standards now imposed on cruise ships, and the 2010 standard are far in excess of those imposed on shore-based municipal wastewater facilities; and

WHEREAS, this "point of discharge" standard applicable only to cruise ships, are currently technologically not feasible and such standards should be set by Alaska Department of Environmental Conservation; and

WHEREAS, the unrealistic standards could mean that by 2010, cruise ships will have to depart Alaska waters to discharge, which could result in reduced length of time in port, and such changes will impact local governments, small businesses, which rely on cruise ship visitors, crew, and service requirements to support local jobs and the local economy; and

WHEREAS, the ballot initiative sponsors stated that the permit portion of the head tax initiative would only "level the economic and environmental playing field between the cruise ship industry and other major dischargers"; and

NOW THEREFORE, BE IT RESOLVED: The Board urges the Governor and the Alaska State Legislature in 2009 to modify the "point of discharge" permit standard based on scientific criteria to be determined by Alaska Department of Environmental Conservation.

THIS RESOLUTION WAS ADOPTED BY THE SOUTHEAST CONFERENCE BOARD OF DIRECTORS THIS 14TH DAY OF JANUARY, 2009.

Witnessed By:

Mike Korsmo
President

Attested by:

Shelly Wright
Executive Director

PO Box 21989 Juneau, AK 99802 (907) 523-2327

ALASKA TRAVEL INDUSTRY ASSOCIATION

ALASKA TRAVEL INDUSTRY ASSOCIATION
BOARD OF DIRECTORS
RESOLUTION 0901

A RESOLUTION URGING THE GOVERNOR AND THE 2009 ALASKA STATE LEGISLATURE TO MODIFY THE "POINT OF DISCHARGE" PERMIT STANDARD.

WHEREAS, the travel industry is a vital part of Alaska's economy; and

WHEREAS, Alaska has over 1,000,000 cruise passenger visitors annually spending almost $1 billion in the state; and

WHEREAS, travel businesses throughout Alaska, the majority of which are small and Alaskan-owned, are major economic benefactors of cruise visitor expenditures; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, the standards now imposed on cruise ships, and the 2010 standard are far in excess of those imposed on shore-based municipal wastewater facilities; and

WHEREAS, the "point of discharge" standard, applicable only to cruise ships, are currently technologically unfeasible; and

WHEREAS, such standards should be set by Alaska Department of Environmental Conservation; and

WHEREAS, the unrealistic standard would mean that by 2010, cruise ships will depart Alaska waters to discharge, which would result in reduced time in Alaska ports; and

WHEREAS, such changes will impact local governments ability to collect dock usage fees and sales taxes, increasing the need for revenue sharing from the state, and

WHEREAS small businesses, which rely on cruise ship visitors, and crew expenditures to support local jobs and the local economy will have a reduced sales opportunity; and

WHEREAS, the ballot initiative sponsors stated that the permit portion of the head tax initiative would only "level the economic and environmental playing field between the cruise ship industry and other major dischargers; and

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA TRAVEL INDUSTRY ASSOCATION (ATIA) BOARD OF DIRECTORS, that:

ATIA urges the Governor and the Alaska State Legislature in 2009 to modify the "point of discharge" permit standard based on scientific criteria to be determined by Alaska Department of Environmental Conservation.

PASSED AND APPROVED BY THE ALASKA TRAVEL INDUSTRY ASSOCATION BOARD OF DIRECTORS THIS 11th **DAY OF** November **, 2008**

(Signature of Authorized Officer)

Bed & Breakfast Association of Alaska
551 Eberhardt Rd., Fairbanks AK 99701
907-451-6649 907-474-8448fax
president@alaskabba.com www.alaskabba.com

Board Of Directors

RESOLUTION 0901

A **RESOLUTION** URGING THE GOVERNOR AND THE 2009 ALASKA STATE LEGISLATURE TO MODIFY THE "POINT OF DISCHARGE" PERMIT STANDARD.

WHEREAS, the travel industry is a vital part of Alaska's economy; and

WHEREAS, Alaska has over 1,000,000 cruise passenger visitors annually spending almost $1 billion in the state; and

WHEREAS, B&B businesses throughout Alaska, the majority of which are small and Alaskan-owned, are major economic benefactors of cruise visitor expenditures; and

WHEREAS, the Alaska cruise ship industry has installed some of the most advanced wastewater treatment systems in the world; and

WHEREAS, the standards now imposed on cruise ships, and the 2010 standard are far in excess of those imposed on shore-based municipal wastewater facilities; and

WHEREAS, the "point of discharge" standard, applicable only to cruise ships, may be technologically unfeasible; and

WHEREAS, the unrealistic standard would mean that by 2010, cruise ships will depart Alaska waters to discharge, which would result in reduced time in Alaska ports, and

WHEREAS, such changes will impact local governments ability to collect dock usage fees and sales taxes, increasing the need for revenue sharing from the state, and

WHEREAS B&B's, which rely on cruise ship visitors to support local jobs and the local economy, will have a reduced sales opportunity; and

NOW THEREFORE, BE IT RESOLVED BY THE BED AND BREAKFAST ASSOCIATION OF ALASKA (BBAA) BOARD OF DIRECTORS, that:

BBAA urges the Governor and the Alaska State Legislature in 2009 to modify the "point of discharge" permit standard based on scientific criteria to be determined by Alaska Department of Environmental Conservation.

PASSED AND APPROVED BY THE BED AND BREAKFAST ASSOCIATION OF ALASKA BOARD OF DIRECTORS THIS 19th DAY OF JANUARY, 2009

Mary N. Richards
President

January 8, 2009

ALASKA HOTEL & LODGING ASSOCIATION
BOARD OF DIRECTORS
RESOLUTION 09-100

A RESOLUTION URGING THE GOVERNOR AND THE 2009 ALASKA STATE LEGISLATURE TO MODIFY THE "POINT OF DISCHARGE" PERMIT STANDARD BASED ON SCIENTIFIC CRITERIA TO BE DETERMINED BY ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION.

WHEREAS, Alaska has a strong tourism business base and wants a positive business atmosphere to grow tourism: and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, the standards now imposed on cruise ships, and the 2010 standard are far in excess of those imposed on shore-based municipal wastewater facilities; and

WHEREAS, this "point of discharge" standard applicable only to cruise ships, are currently technologically unfeasible and such standards should be set by Alaska Department of Environmental Conservation; and

WHEREAS, the unrealistic standards could mean that by 2010, cruise ships will have to depart Alaska waters to discharge, which could result in reduced length of time in port, and such changes will impact local government and small businesses, which rely on cruise ship visitors, crew, and service requirements to support local jobs and the local economy; and

WHEREAS, the ballot initiative sponsors stated that the permit portion of the head tax initiative would only "level the economic and environmental playing field between the cruise ship industry and other major dischargers"; and

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA HOTEL & LODGING ASSOCIATION BOARD OF DIRECTORS, that:

The Board urges the Governor and the Alaska State Legislature in 2009 to modify the "point of discharge" permit standard based on scientific criteria to be determined by Alaska Department of Environmental Conservation.

PASSED AND APPROVED BY THE ALASKA HOTEL & LODGING ASSOCIATION BOARD OF DIRECTORS THIS 8th DAY OF JANUARY, 2009.

Tammy Griffin, AkH&LA Chair

ATTEST:

Amey Armachain, Executive Director

Presented by: The Manager
Introduced: 01/12/2009
Drafted by: J.W. Hartle

RESOLUTION OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 2458

A Resolution Urging the Alaska State Legislature to Modify the Standards Governing the Discharge of Wastewater from Cruise Ships.

WHEREAS, during the 1990s, the size and number of cruise ships visiting Alaska coastal communities grew dramatically and became an increasingly important component of the local and regional economies; and

WHEREAS, in 1999, the Alaska Department of Environmental Conservation, U.S. Coast Guard, U.S. Environmental Protection Agency, members of the Southeast Conference, representatives of the cruise ship industry, and local concerned citizens formed a group to explore ways to improve environmental standards for the cruise ship industry in Alaska; and

WHEREAS, the Alaska Cruise Ship Initiative (ACSI) group was created in 2000 to (1) Identify waste streams from cruise ships; (2) Develop pollution prevention and waste management solutions; (3) Assess and verify compliance with volunteer wastewater sampling; and (4) Keep the Alaska public informed; and

WHEREAS, in late 2000, the ACSI commissioned a Science Advisory Panel with expertise in oceanography, bacteriology, chemistry, aquatic and human toxicology, marine biology, ecology and vessel engineering to address issues concerning treatment discharge, dispersion rate, and effects of wastewater produced by commercial cruise ships; and

WHEREAS, the work of the groups noted above led to enactment of laws (AS 46.03.460 - AS 46.06.490) by the Alaska Legislature in 2001 establishing wastewater discharge standards for cruise ships and creating the Commercial Passenger Vessel Environmental Compliance Program; and

WHEREAS, in 2002, the Alaska Department of Environmental Conservation adopted regulations (18 AAC 69) to implement and interpret the laws enacted by the Legislature in 2001; and

WHEREAS, in 2004, the Alaska Legislature refined the laws enacted in 2001 (AS 46.03.460 - AS 46.06.490); and

WHEREAS, in 2006, following a two-year rule-making effort, the Alaska Department of Environmental Conservation adopted regulations to interpret and implement the 2004 statutory changes; and

WHEREAS, the Alaska cruise ship industry has reportedly invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, in 2006, following adoption of regulations by the Alaska Department of Environmental Conservation, Alaska voters approved an initiative further governing the operation and regulation of large cruise ships; and

WHEREAS, in March 2008, as a major step toward fulfilling the terms of the 2006 initiative, the Alaska Department of Environmental Conservation issued the first ever general permit for wastewater discharge from large cruise ships operating in Alaska waters; and

WHEREAS, according to the Alaska Department of Environmental Conservation, the standards imposed on cruise ships are far in excess of those imposed on shore-based municipal wastewater facilities, as was recognized in the Department of Environmental Conservation press release announcing the March 2008 permit, which stated:

> The majority of large cruise ships operating in Alaska have advanced wastewater treatment systems that produce a very high quality discharge - much higher, for example, than shore-based municipal sewage treatment systems. Even so, cruise ship discharges are expected to have trouble meeting water quality standards for four parameters - ammonia, copper, nickel and zinc; and

WHEREAS, recognizing that it is currently unfeasible or impractical to meet discharge standards for the ammonia, copper, nickel and zinc parameters, the Alaska Department of Environmental Conservation applied more lenient standards during the 2008 and 2009 seasons and postponed implementation of the stricter standards until the 2010 season; and

WHEREAS, water quality standards in Alaska contemplate the use of dilution factors, such as mixing zones or short-term variances, and are not applied at the point-of-release except in the case of the Alaska cruise ship wastewater standards; and

WHEREAS, the point-of-release standards could mean that beginning in 2010, cruise ships will have to defer all discharges until they are out of Alaska waters; and

WHEREAS, compelling cruise ships to postpone discharge of wastewater until outside Alaska waters will likely shorten the time cruise ships are in port and result in fewer ports of call, which will negatively impact Juneau businesses.

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

Section 1. That the City and Borough of Juneau urges the Alaska Legislature in 2009, to examine, based on science, the standards governing the discharge of cruise ship wastewater such that those standards will continue to protect aquatic life and the environment, but will not be technologically and financially unreasonable or impractical, and establish an effective date.

Section 2. Effective Date. This resolution shall be effective immediately upon adoption.

Adopted this 12th day of January, 2009.

Bruce Botelho, Mayor

Attest:

Laurie J. Sica, Clerk

KETCHIKAN GATEWAY BOROUGH

RESOLUTION NO. 2111

A RESOLUTION OF THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH URGING THE ALASKA STATE LEGISLATURE IN 2009 TO MODIFY, BASED ON SCIENCE, THE STANDARDS GOVERNING THE DISCHARGE OF CRUISE SHIP WASTEWATER SUCH THAT THOSE STANDARDS WILL CONTINUE TO PROTECT AQUATIC LIFE AND THE ENVIRONMENT BUT WILL NOT BE TECHNOLOGICALLY AND FINANCIALLY UNREASONABLE OR IMPRACTICAL

RECITALS

WHEREAS, during the 1990s, the size and number of cruise ships visiting Ketchikan and other Alaska coastal communities grew dramatically and became an increasingly important component of the local and regional economies; and

WHEREAS, in 1999, the Alaska Department of Environmental Conservation, U.S. Coast Guard, U.S. Environmental Protection Agency, members of the Southeast Conference, representatives of the cruise ship industry, and local concerned citizens formed a group to explore ways to improve environmental standards for the cruise ship industry in Alaska; and

WHEREAS, the Alaska Cruise Ship Initiative (ACSI) group was created in 2000 to (1) identify waste streams from cruise ships; (2) develop pollution prevention and waste management solutions; (3) assess and verify compliance with volunteer wastewater sampling and; (4) keep the Alaska public informed; and

WHEREAS, in late 2000, the ACSI commissioned a Science Advisory Panel with expertise in oceanography, bacteriology, chemistry, aquatic and human toxicology, marine biology, ecology and vessel engineering to address issues concerning treatment, discharge, dispersion, fate, and effects of wastewaters produced by commercial cruise ships; and

WHEREAS, the work of the groups noted above led to the enactment of laws (AS 46.03.460 - AS 46.03.490) by the Alaska Legislature in 2001 establishing wastewater discharge standards for cruise ships and creating the Commercial Passenger Vessel Environmental Compliance Program; and

WHEREAS, in 2002, the Alaska Department of Environmental Conservation adopted regulations (18 AAC 69) to implement and interpret the laws enacted by the Legislature in 2001; and

WHEREAS, in 2004, the Alaska Legislature refined laws enacted in 2001 (AS 46.03.460-46.06.490); and

WHEREAS, in 2006, following a two-year rule-making effort, the Alaska Department of Environmental Conservation adopted regulations to interpret and implement the 2004 statutory changes; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, in 2006, following the adoption of regulations by the Alaska Department of Environmental Conservation, Alaska voters approved an initiative further governing the operation and regulation of large cruise ships; and

WHEREAS, in March 2008, as a major step toward fulfilling the terms of the 2006 initiative, the Alaska Department of Environmental Conservation issued the first ever general permit for wastewater discharges from large cruise ships operating in Alaska waters; and

WHEREAS, the standards imposed on cruise ships are far in excess of those imposed on shore-based municipal wastewater facilities, as was recognized in the Department of Environmental Conservation press release announcing the March 2008 permit, which stated:

> The majority of large cruise ships operating in Alaska have advanced wastewater treatment systems that produce a very high quality discharge – much higher, for example, than shore-based municipal sewage treatment systems. Even so, cruise ship discharges are expected to have trouble meeting water quality standards for four parameters -- ammonia, copper, nickel and zinc;

and

WHEREAS, recognizing that it is currently unfeasible or impractical to meet discharge standards for the ammonia, copper, nickel, and zinc parameters, the Alaska Department of Environmental Conservation applied more lenient standards during the 2008 and 2009 seasons and postponed implementation of the stricter standards until the 2010 season; and

WHEREAS, water quality standards in Alaska contemplate the use of dilution factors, such as mixing zones or short-term variances, and are not applied at the point-of-release except in the case of the Alaska cruise ship wastewater standards; and

WHEREAS, the point-of-release standards could mean that beginning in 2010, cruise ships will have to defer all discharges until they are out of Alaska waters; and

WHEREAS, compelling cruise ships to postpone discharge of wastewater until outside Alaska waters will likely shorten the time cruise ships are in port and result in fewer ports of call, which will negatively impact Alaska businesses; and

WHEREAS, the Constitution of the State of Alaska represents the will of the people because the voters of Alaska: (1) elected the 55 delegates who crafted the Constitution in 1955 – 1956, (2) ratified the Constitution on April 24, 1956 in a record turnout by a margin greater than two to one; (3) ratified amendments to the Constitution on separate 28 occasions during the nearly 50 years of Statehood; and (4) rejected proposed amendments to the Constitution on 12 occasions during the nearly 50 years of Statehood; and

WHEREAS, provisions in Article XI, Section 6 of the Constitution of the State of Alaska concerning the repeal and amendment of initiated laws – specifically the provisions that state "[a]n initiated law . . . may not be repealed by the legislature within two years of its effective date [and] may be amended at any time" has stood the test of nearly 50 years of Statehood in terms of the will of the people.

NOW THEREFORE, IN CONSIDERATION OF THE ABOVE FACTS, IT IS RESOLVED BY THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH as follows:

Section 1. The Ketchikan Gateway Borough Assembly hereby urges the Alaska State Legislature in 2009 to modify, based on science, the standards governing the discharge of cruise ship wastewater such that those standards will continue to protect aquatic life and the environment, but will not be technologically and financially unreasonable or impractical.

Section 2. This resolution shall take effect immediately.

ADOPTED this 15th day of September 2008.

Joe Williams, Borough Mayor

ATTEST:

Harriett Edwards, Borough Clerk

Approved as to form

Scott A. Brandt-Erichsen, Borough Attorney

EFFECTIVE DATE: September 15, 2008			
ROLL CALL	YES	NO	ABSENT
THOMPSON			✓
KIFFER			✓
SALAZAR	✓		
LANDIS	✓		
PAINTER	✓		
HARRINGTON	✓		
SHOEMAKER	✓		
MAYOR (Tie Votes Only)			
4 AFFIRMATIVE VOTES REQUIRED FOR PASSAGE			

CITY OF KETCHIKAN, ALASKA

RESOLUTION NO. 08-2246

A RESOLUTION OF THE CITY OF KETCHIKAN, ALASKA URGING THE ALASKA STATE LEGISLATURE IN 2009 TO MODIFY, BASED ON SCIENCE, THE STANDARDS GOVERNING THE DISCHARGE OF CRUISE SHIP WASTEWATER SUCH THAT THOSE STANDARDS WILL CONTINUE TO PROTECT AQUATIC LIFE AND THE ENVIRONMENT BUT WILL NOT BE TECHNOLOGICALLY AND FINANCIALLY UNREASONABLE OR IMPRACTICAL; AND ESTABLISHING AN EFFECTIVE DATE

WHEREAS, during the 1990s, the size and number of cruise ships visiting Ketchikan and other Alaska coastal communities grew dramatically and became an increasingly important component of the local and regional economies; and

WHEREAS, in 1999, the Alaska Department of Environmental Conservation, U.S. Coast Guard, U.S. Environmental Protection Agency, members of the Southeast Conference, representatives of the cruise ship industry, and local concerned citizens formed a group to explore ways to improve environmental standards for the cruise ship industry in Alaska; and

WHEREAS, the Alaska Cruise Ship Initiative (ACSI) group was created in 2000 to (1) identify waste streams from cruise ships; (2) develop pollution prevention and waste management solutions; (3) assess and verify compliance with volunteer wastewater sampling and; (4) keep the Alaska public informed; and

WHEREAS, in late 2000, the ACSI commissioned a Science Advisory Panel with expertise in oceanography, bacteriology, chemistry, aquatic and human toxicology, marine biology, ecology and vessel engineering to address issues concerning treatment, discharge, dispersion, fate, and effects of wastewaters produced by commercial cruise ships; and

WHEREAS, the work of the groups noted above led to the enactment of laws (AS 46.03.460 - AS 46.03.490) by the Alaska Legislature in 2001 establishing wastewater discharge standards for cruise ships and creating the Commercial Passenger Vessel Environmental Compliance Program; and

WHEREAS, in 2002, the Alaska Department of Environmental Conservation adopted regulations (18 AAC 69) to implement and interpret the laws enacted by the Legislature in 2001; and

WHEREAS, in 2004, the Alaska Legislature refined laws enacted in 2001 (AS 46.03.460-46.06.490); and

WHEREAS, in 2006, following a two-year rule-making effort, the Alaska Department of Environmental Conservation adopted regulations to interpret and implement the 2004 statutory changes; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, in 2006, following the adoption of regulations by the Alaska Department of Environmental Conservation, Alaska voters approved an initiative further governing the operation and regulation of large cruise ships; and

WHEREAS, in March 2008, as a major step toward fulfilling the terms of the 2006 initiative, the Alaska Department of Environmental Conservation issued the first ever general permit for wastewater discharge from large cruise ships operating in Alaska waters; and

WHEREAS, the standards imposed on cruise ships are far in excess of those imposed on shore-based municipal wastewater facilities, as was recognized in the Department of Environmental Conservation press release announcing the March 2008 permit, which stated:

> The majority of large cruise ships operating in Alaska have advanced wastewater treatment systems that produce a very high quality discharge – much higher, for example, than shore-based municipal sewage treatment systems. Even so, cruise ship discharges are expected to have trouble meeting water quality standards for four parameters – ammonia, copper, nickel and zinc; and

WHEREAS, recognizing that it is currently unfeasible or impractical to meet discharge standards for the ammonia, copper, nickel, and zinc parameters, the Alaska Department of Environmental Conservation applied more lenient standards during the 2008 and 2009 seasons and postponed implementation of the stricter standards until the 2010 season; and

WHEREAS, the point-of-release standards could mean that beginning in 2010, cruise ships will have to defer all discharges until they are out of Alaska waters; and

WHEREAS, compelling cruise ships to postpone discharge of wastewater until outside Alaska waters will likely shorten the time cruise ships are in port and result in fewer ports of call, which will negatively impact Alaskan businesses.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Ketchikan, Alaska as follows:

Section 1: The Council of the City of Ketchikan, Alaska hereby urges the Alaska State Legislature in 2009 to modify, based on science, the standards governing the discharge of cruise ship wastewater such that those standards will continue to protect aquatic life and the environment, but will not be technologically and financially unreasonable or impractical.

Section 2: This resolution shall become effective immediately upon adoption.

PASSED AND APPROVED this 2nd day of October 2008.

Bob Weinstein, Mayor

ATTEST:

Katherine M. Suiter, City Clerk

Sponsored by: Oates

CITY OF SEWARD, ALASKA
RESOLUTION 2009-003

A RESOLUTION OF THE CITY COUNCIL, OF THE CITY OF SEWARD, ALASKA, URGING THE ALASKA STATE LEGISLATURE TO MODIFY, BASED ON SCIENCE, THE STANDARDS GOVERNING THE DISCHARGE OF CRUISE-SHIP WASTEWATER BY USING THE CRITERIA THAT APPLY TO MUNICIPAL SHORE-BASED WASTEWATER FACILITIES AND ALL OTHER VESSELS TRANSITTING ALASKA WATERS

WHEREAS, the Seward community has a strong marine-based economy with transportation routes historically used by the U.S. Navy, Coast Guard, and state law enforcement vessels; large and small passenger vessels; a commercial fishing fleet; and other passenger-bearing vessels; and

WHEREAS, Seward's marine-based economic activity occurs in proximity to the Kenai Fjords National Park, the Chugach National Forest, Caines Head State Park, and other protected lands; and

WHEREAS, between 2001 and 2006, agencies of the State of Alaska, through the legislative process, have enacted statutes and regulations establishing wastewater discharge standards and created the Commercial Passenger Vessel Environmental Compliance Program as means of supporting cruise ship activity in Alaska in an environmentally-sound manner; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, in 2006, Alaska voters approved an initiative further governing the operation and regulation of large cruise ships, leading to the first ever general permit for wastewater discharges from large cruise ships operating in Alaska; and

WHEREAS, the standards now imposed on cruise ships are far in excess of those imposed on shore-based municipal wastewater facilities, including Seward's facility and those in effect for all other fishing, freight, and passenger vessels; and

WHEREAS, the cruise ship point-of-release standards are unfeasible and will require prohibitive financial investment in research to establish methods of meeting the standards; and

WHEREAS, these standards could mean that cruise ships would defer all discharges until they are out of Alaska waters, which would result in reduced length of time in port, and elimination of ports situated far from International waters; and

CITY OF SEWARD, ALASKA
RESOLUTION 2009-003

WHEREAS, such changes would impact Seward's small business, which rely on cruise ship visitors, crew, and service requirements to support local jobs and the local economy; and

WHEREAS, implementing policy based on inconsistent standards for a specific sector of the maritime economy establishes a dangerous precedent.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEWARD, ALASKA, that:

Section 1. Seward City Council urges the Alaska State Legislature in 2009 to modify the standards governing the discharge of cruise ship wastewater.

Section 2. Seward City Council suggests the modifications be scientifically based and similar to the criteria that apply to municipal shore-based wastewater facilities and all other vessels transiting Alaska waters.

Section 3. This resolution shall take effect immediately upon its adoption.

PASSED AND APPROVED by City Council of the City of Seward this 12th day of January 2009.

THE CITY OF SEWARD, ALASKA

Willard Dunham, Vice Mayor

AYES: Valdatta, Bardarson, Smith, Kellar, Keil, Dunham
NOES: None
ABSENT: Corbridge
ABSTAIN: None

ATTEST:

Jean Lewis, CMC
City Clerk

(City Seal)

CITY OF SEWARD
STATE OF ALASKA

CITY OF WHITTIER, ALASKA
RESOLUTION #926-09

A RESOLUTION OF THE CITY OF WHITTIER, ALASKA URGING THE ALASKA STATE LEGISLATURE IN 2009 TO MODIFY, BASED ON SCIENCE, THE STANDARDS GOVERNING THE DISCHARGE OF CRUISE SHIP WASTEWATER SUCH THAT THOSE STANDARDS WILL CONTINUE TO PROTECT AQUATIC LIFE AND THE ENVIRONMENT BUT WILL NOT BE TECHNOLOGICALLY AND FINANCIALLY UNREASONABLE OR IMPRACTICAL; AND ESTABLISHING AN EFFECTIVE DATE

WHEREAS, during the 1990s, the size and number of cruise ships visiting Whittier and other Alaska coastal communities grew dramatically and became an increasingly important component of the local and regional economies; and

WHEREAS, in 1999, the Alaska Department of Environmental Conservation, U.S. Coast Guard, U.S. Environmental Protection Agency, representatives of the cruise ship industry, and local concerned citizens formed a group to explore ways to improve environmental standards for the cruise ship industry in Alaska; and

WHEREAS, the Alaska Cruise Ship Initiative (ACSI) group was created in 2000 to (1) identify waste streams from cruise ships; (2) develop pollution prevention and waste management solutions; (3) assess and verify compliance with volunteer wastewater sampling and; (4) keep the Alaska public informed; and

WHEREAS, in late 2000, the ACSI commissioned a Science Advisory Panel with expertise in oceanography, bacteriology, chemistry, aquatic and human toxicology, marine biology, ecology and vessel engineering to address issues concerning treatment, discharge, dispersion, fate, and effects of wastewaters produced by commercial cruise ships; and

WHEREAS, the work of the groups noted above led to the enactment of laws (AS 46.03.460 – AS 46.03.490) by the Alaska Legislature in 2001 establishing wastewater discharge standards for cruise ships and creating the Commercial Passenger Vessel Environmental Compliance Program; and

WHEREAS, in 2002, the Alaska Department of Environmental Conservation adopted regulations (18 AAC 69) to implement and interpret the laws enacted by the Legislature in 2001; and

WHEREAS, in 2004, the Alaska Legislature refined laws enacted in 2001 (AS 46.03.460-46.06.490); and

WHEREAS, in 2006, following a two-year rule-making effort, the Alaska Department of Environmental Conservation adopted regulations to interpret and implement the 2004 statutory changes; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, in 2006, following the adoption of regulations by the Alaska Department of Environmental Conservation, Alaska voters approved an initiative further governing the operation and regulation of large cruise ships; and

WHEREAS, in March 2008, as a major step toward fulfilling the terms of the 2006 initiative, the Alaska Department of Environmental Conservation issued the first ever general permit for wastewater discharge from large cruise ships operating in Alaska waters; and

WHEREAS, the standards imposed on cruise ships are far in excess of those imposed on shore-based municipal wastewater facilities, as was recognized in the Department of Environmental Conservation press release announcing the March 2008 permit, which stated:

> The majority of large cruise ships operating in Alaska have advanced wastewater treatment systems that produce a very high quality discharge – much higher, for example, than shore-based municipal sewage treatment systems. Even so, cruise ship discharges are expected to have trouble meeting water quality standards for four parameters – ammonia, copper, nickel and zinc; and

WHEREAS, recognizing that it is currently unfeasible or impractical to meet discharge standards for the ammonia, copper, nickel, and zinc parameters, the Alaska Department of Environmental Conservation applied more lenient standards during the 2008 and 2009 seasons and postponed implementation of the stricter standards until the 2010 season; and

WHEREAS, the point-of-release standards could mean that beginning in 2010, cruise ships will have to defer all discharges until they are out of Alaska waters; and

WHEREAS, compelling cruise ships to postpone discharge of wastewater until outside Alaska waters will likely shorten the time cruise ships are in port and result in fewer ports of call, which will negatively impact Alaskan businesses.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Whittier, Alaska as follows:

Section 1: The Council of the City of Whittier, Alaska hereby urges the Alaska State Legislature in 2009 to modify, based on science, the standards governing the discharge of cruise ship wastewater such that those standards will continue to protect aquatic life and the environment, but will not be technologically and financially unreasonable or impractical.

Section 2: This resolution shall become effective immediately upon adoption.

PASSED AND APPROVED by a duly constituted quorum of the City Council for the City of Whittier, Alaska on this 20th day of January 2009.

Introduced by: Mark Earnest
Introduction date: 20 January 2009

ATTEST:

Brenda Krol
City Clerk

Lester Lunceford
Mayor

Ayes: 6
Nays: 0
Absent: 1
Abstain: 0

ANCHORAGE SOIL & WATER CONSERVATION DISTRICT

P.O. Box 110309 – Anchorage, AK 99511-0309
www.ASWCD.org E-Mail: aswcd@aswcd.org
Phone: 907.677.SOIL (7645)

Anchorage Soil and Water Conservation District
Board of Supervisors
Resolution 2009-01

WHEREAS, the mission of the Anchorage Soil & Water Conservation District (ASWCD) is to conserve Alaska's natural resources by providing technical, financial and education resources to property owners and participating in community endeavors,

WHEREAS, an important component of the ASWCD's mission is to educate the public on best environmental practices, particularly those that support a healthy economy,

WHEREAS, the Alaska cruise ship industry has developed model wastewater treatment systems and implemented other best practices to improve the environmental performance of vessels and have voluntarily adopted higher standards than those required by law,

WHEREAS, the cruise industry also brings significant financial benefits to the Municipality of Anchorage and to the State of Alaska,

WHEREAS, current cruise ship standards are far in excess of shore-based municipal wastewater facilities standards; and

WHEREAS, attaining the "point of discharge" standard is only applicable to cruise ships and compliance is currently technologically unfeasible; and

WHEREAS, standards for cruise ship wastewater discharge permits should be based on best available data and science, set by Alaska Department of Environmental Conservation; and

WHEREAS, the result of the "point of discharge" standard could mean that by 2010 cruise ships will have to depart Alaska waters to discharge, resulting in reduced length of time in port, further impacting local governments and small businesses that rely on cruise ship visitors, crew, and service requirements to support local jobs and the local economy.

NOW THEREFORE BE IT RESOLVED, the Board of Supervisors of the Anchorage Soil and Water Conservation District urges Governor Sarah Palin and the Alaska State Legislature in 2009 to modify the "point of discharge" permit standard based on scientific criteria to be determined by Alaska Department of Environmental Conservation.

Passed and approved the 16th day of January, 2009

Greg Bell, Chair

Anchorage Chamber of Commerce
Board of Directors
Resolution 2008/09-01
In Support of Modifying Cruise Ship Point of Discharge Permit Standards

WHEREAS, one aspect of the mission of the Anchorage Chamber of Commerce is to protect and promote a healthy business community, to include a strong and growing tourism business base; and

WHEREAS, more than 370,000 cruise passenger visitors annually spend $26 million in the Anchorage area,

WHEREAS, cruise lines directly spend $76 million in Anchorage, have paid more than $5 million in local bed tax revenue and made purchases from 849 Anchorage businesses in 2007 alone; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, current cruise ship standards are far in excess of shore-based municipal wastewater facilities standards; and

WHEREAS, attaining the "point of discharge" standard is only applicable to cruise ships and compliance is currently technologically unfeasible; and

WHEREAS, standards for cruise ship wastewater discharge permits should be based on best available data and science, set by Alaska Department of Environmental Conservation; and

WHEREAS, the result of the "point of discharge" standard could mean that by 2010 cruise ships will have to depart Alaska waters to discharge, resulting in reduced length of time in port, further impacting local governments and small businesses that rely on cruise ship visitors, crew, and service requirements to support local jobs and the local economy.

NOW THEREFORE BE IT RESOLVED, the Anchorage Chamber of Commerce urges Governor Sarah Palin and the Alaska State Legislature in 2009 to modify the "point of discharge" permit standard based on scientific criteria to be determined by Alaska Department of Environmental Conservation.

AND BE IT FURTHER RESOLVED, that copies of this resolution be sent to Anchorage Chamber members. Governor Sarah Palin. the Alaska Legislature. statewide chambers of commerce and statewide media.

Approved the 5th day of December. 2008

Phil Okeson. 2008-09 chair
Anchorage Chamber of Commerce

Stacy Schubert. IOM. president
Anchorage Chamber of Commerce

GREATER ★ FAIRBANKS
CHAMBER
OF COMMERCE

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INVESTORS
DIAMOND
PLATINUM
GOLD
SILVER

RESOLUTION 09-01-05

A RESOLUTION OF THE GREATER FAIRBANKS CHAMBER OF COMMERCE URGING THE ALASKA STATE LEGISLATURE IN 2009 TO MODIFY, BASED ON SCIENCE, THE STANDARDS GOVERNING THE DISCHARGE OF CRUISE SHIP WASTEWATER SUCH THAT THOSE STANDARDS WILL CONTINUE TO PROTECT AQUATIC LIFE AND THE ENVIRONMENT BUT WILL NOT BE TECHNOLOGICALLY AND FINANCIALLY UNREASONABLE OR IMPRACTICAL; AND ESTABLISHING AN EFFECTIVE DATE

WHEREAS, the Greater Fairbanks Chamber of Commerce recognizes the economic importance of the cruise ship industry throughout the state of Alaska, and tourism is the second-largest industry in the State, providing jobs and a large positive economic multiplier; and

WHEREAS, in 2002, the Alaska Department of Environmental Conservation adopted regulations (18 AAC 69) to implement and interpret the laws enacted by the Legislature in 2001; and

WHEREAS, in 2004, the Alaska Legislature refined laws enacted in 2001 (AS 46.03.460-46.06.490); and

WHEREAS, in 2006, following a two-year rule-making effort, the Alaska Department of Environmental Conservation adopted regulations to interpret and implement the 2004 statutory changes; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, in 2006, following the adoption of regulations by the Alaska Department of Environmental Conservation, Alaska voters approved an initiative further governing the operation and regulation of large cruise ships; and

WHEREAS, in March 2008, as a major step toward fulfilling the terms of the 2006 initiative, the Alaska Department of Environmental Conservation issued the first ever general permit for wastewater discharge from large cruise ships operating in Alaska waters; and

WHEREAS, the standards imposed on cruise ships are far in excess of those imposed on shore-based municipal wastewater facilities, as was recognized in the Department of Environmental Conservation press release announcing the March 2008 permit, which stated:

The majority of large cruise ships operating in Alaska have advanced wastewater treatment systems that produce a very high quality discharge – much higher, for example, than shore-based municipal sewage treatment systems. Even so, cruise ship discharges are

GREATER ★ FAIRBANKS
CHAMBER
OF COMMERCE

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PLATINUM
Alyeska Pipeline Service
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Fred Meyer
Golden Heart Utilities
MidMountain Air
CarCor Center
GOLD
Alaska Airlines
Alaska USA Federal
Birchwood Homes
Doyon, Limited
Doyon LTD
First National Bank Alaska
Kinross Fort Knox Mine
Laborers Union Local 942
MAC Mineral Credit Union
Northrim Bank
The Boeing Co.
Usibelli Coal Mine
SILVER
AEL&P
ARS Alaska
Alaska Commercial
Blue Wire Networks
Era Air Charter
Fairbanks Natural Gas
Flowline Alaska
Fountainhead Development
GVEA
J.E. Reynolds, Inc.
Operating Engineers Local 302
Personnel Plus
Santmas Transportation Group
Seekins Ford Lincoln Mercury
Spenard Builders Supply
Taiga Ventures
Tanana Valley Clinic
UAF
UCIT

expected to have trouble meeting water quality standards for four parameters – ammonia, copper, nickel and zinc; and

WHEREAS, recognizing that it is currently unfeasible or impractical to meet discharge standards for the ammonia, copper, nickel, and zinc parameters, the Alaska Department of Environmental Conservation applied more lenient standards during the 2008 and 2009 seasons and postponed implementation of the stricter standards until the 2010 season; and

WHEREAS, the point-of-release standards could mean that beginning in 2010, cruise ships will have to defer all discharges until they are out of Alaska waters; and

WHEREAS, compelling cruise ships to postpone discharge of wastewater until outside Alaska waters will likely shorten the time cruise ships are in port and result in fewer ports of call, which will negatively impact Alaskan Businesses.

NOW, THEREFORE, BE IT RESOLVED by the Greater Fairbanks Chamber of Commerce as follows:

Section 1: The Greater Fairbanks Chamber of Commerce hereby urges the Alaska State Legislature in 2009 to modify, based on science, the standards governing the discharge of cruise ship wastewater such that those standards will continue to protect aquatic life and the environment, but will not be technologically and financially unreasonable or impractical.

Section 2: This resolution shall become effective immediately upon adoption.

PASSED AND APPROVED this 5th day of January, 2009.

Jack Wilbur
Board Chair
GFCC

Garry Hutchison
Chair
Governmental Relations Committee

JUNEAU CHAMBER OF COMMERCE

3100 Channel Drive, Suite 300 • Juneau AK 99801 • (907) 463-3488 • Fax (907) 463-3489
E-mail: juneauchamber@gci.net • jcc@alaska.com • Web site: http://www.juneauchamber.com

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Alaska Marine Lines
Alaska Pacific Bank
Alaska USA FCU
Alaskan Brewing Company
Bartlett Regional Hospital
BP Alaska
CBJ (Manager's Office)
Capital Office Supply
Coeur Alaska, Inc
Coogan Construction
Copy Express
Elgee Rehfeld & Mertz
Exxon Mobil
Greens Creek Mining
Goldbelt Inc
Sage Pro
Taku Oil
True North FCU
UAS
Wells Fargo Bank of Alaska
Western Auto Marine

RESOLUTION
11-08

A RESOLUTION OF THE JUNEAU CHAMBER OF COMMERCE URGING THE ALASKA STATE LEGISLATURE IN 2009, TO MODIFY THE STANDARDS GOVERNING THE DISCHARGE OF CRUISE SHIP WASTEWATER

WHEREAS, during the 1990s, the size and number of cruise ships visiting Alaska coastal communities grew dramatically and became an increasingly important component of the local and regional economies; and

WHEREAS, in 1999, the Alaska Department of Environmental Conservation, U.S. Coast Guard, U.S. Environmental Protection Agency, members of the Southeast Conference, representatives of the cruise ship industry, and local concerned citizens formed a group to explore ways to improve environmental standards for the cruise ship industry in Alaska; and

WHEREAS, the Alaska Cruise Ship Initiative (ACSI) group was created in 2000 to 1). Identify waste streams from cruise ships; 2). Develop pollution prevention and waste management solutions; 3). Assess and verify compliance with volunteer wastewater sampling; and 4). Keep the Alaska public informed; and

WHEREAS, in late 2000, the ACSI commissioned a Science Advisory Panel with expertise in oceanography, bacteriology, chemistry, aquatic and human toxicology, marine biology, ecology and vessel engineering to address issues concerning treatment, discharge, dispersion rate, and effects of wastewaters produced by commercial cruise ships; and

WHEREAS, the work of the groups noted above led to the enactment of laws (AS 46.03.460 – AS 46.06.490) by the Alaska Legislature in 2001 establishing wastewater discharge standards for cruise ships and creating the Commercial Passenger Vessel Environmental Compliance Program; and

WHEREAS, in 2002, the Alaska Department of Environmental Conservation adopted regulations (18 AAC 69) to implement and interpret the laws enacted by the Legislature in 2001; and

WHEREAS, in 2004, the Alaska Legislature refined laws enacted in 2001 (AS 46.03.460 – AS 46.06.490); and

WHEREAS, in 2006, following a two-year rule-making effort, the Alaska Department of

Environmental Conservation adopted regulations to interpret and implement the 2004 statutory changes; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, in 2006, following the adoption of regulations by the Alaska Department of Environmental Conservation, Alaska voters approved an initiative further governing the operation and regulation of large cruise ships; and

WHEREAS, in March 2008, as a major step toward fulfilling the terms of the 2006 initiative, the Alaska Department of Environmental Conservation issued the first ever general permit for wastewater discharge from large cruise ships operating in Alaska waters; and

WHEREAS, the standards imposed on cruise ships are far in excess of those imposed on shore-based municipal wastewater facilities, as was recognized in the Department of Environmental Conservation press release announcing the March 2008 permit, which stated:

> The majority of large cruise ships operating in Alaska have advanced wastewater treatment systems that produce a very high quality discharge – much higher, for example, than shore-based municipal sewage treatment systems. Even so, cruise ship discharges are expected to have trouble meeting water quality standards for four parameters – ammonia, copper, nickel and zinc; and

WHEREAS, recognizing that it is currently unfeasible or impractical to meet discharge standards for the ammonia, copper, nickel and zinc parameters, the Alaska Department of Environmental Conservation applied more lenient standards during the 2008 and 2009 seasons and postponed implementation of the stricter standards until the 2010 season; and

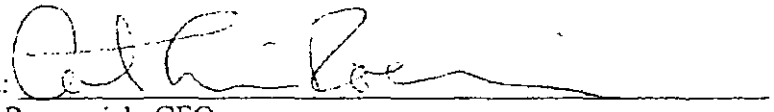
WHEREAS, the point-of-release standards could mean that beginning in 2010, cruise ships will have to defer all discharges until they are out of Alaska waters; and

WHEREAS, compelling cruise ships to postpone discharge of wastewater until outside Alaska waters will likely shorten the time cruise ships are in port and result in fewer ports of call, which will negatively impact Juneau businesses.

NOW, THEREFORE BE IT RESOLVED that the Juneau Chamber of Commerce urges the City and Borough of Juneau Assembly to adopt this or a similar resolution, and urges the Alaska State Legislature in 2009, to modify, based on science, the standards governing the discharge of cruise ship wastewater such that those standards will continue to protect aquatic life and the environment, but will not be technologically and financially unreasonable or impractical and establish an effective date.

FURTHER BE IT RESOLVED that the Juneau Chamber of Commerce requests that this resolution becomes effective immediately upon adoption by the State Legislature.

PASSED AND APPROVED by the Juneau Chamber of Commerce on this 10th day of November, 2008.

Signed: 

Cathie Roemmich, CEO

On behalf of the Juneau Chamber of Commerce Board of Directors and nearly 400 business members

GREATER WASILLA CHAMBER OF COMMERCE & CONVENTION/VISITOR BUREAU
BOARD OF DIRECTORS
RESOLUTION #1208

A RESOLUTION URGING THE GOVERNOR AND THE 2009 ALASKA STATE LEGISLATURE TO MODIFY THE "POINT OF DISCHARGE" PERMIT STANDARD BASED ON SCIENTIFIC CRITERIA TO BE DETERMINED BY ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION.

WHEREAS, the Wasilla community has a strong tourism business base and wants a positive business atmosphere to grow tourism: and

WHEREAS, the Mat-Su Valley has over 124,000 cruise passenger visitors and cruise lines spend annually $16.4 million, with over $860,000 paid in bed tax revenue; and

WHEREAS, in 2007 cruise lines made purchases from 90 area businesses; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, the standards now imposed on cruise ships, and the 2010 standard are far in excess of those imposed on shore-based municipal wastewater facilities; and

WHEREAS, this "point of discharge" standard applicable only to cruise ships, are currently technologically unfeasible and such standards should be set by Alaska Department of Environmental Conservation; and

WHEREAS, the unrealistic standards could mean that by 2010, cruise ships will have to depart Alaska waters to discharge, which could result in reduced length of time in port, and such changes will impact local governments, small businesses, which rely on cruise ship visitors, crew, and service requirements to support local jobs and the local economy; and

WHEREAS, the ballot initiative sponsors stated that the permit portion of the head tax initiative would only "level the economic and environmental playing field between the cruise ship industry and other major dischargers"; and

NOW THEREFORE, BE IT RESOLVED BY THE WASILLA CHAMBER OF COMMERCE BOARD OF DIRECTORS, that:

The Board urges the Governor and the Alaska State Legislature in 2009 to modify the "point of discharge" permit standard based on scientific criteria to be determined by Alaska Department of Environmental Conservation.

PASSED AND APPROVED BY THE WASILLA CHAMBER OF COMMERCE BOARD OF DIRECTORS THIS 9TH DAY OF DECEMBER, 2008.

Erika Bills, President

Cheryl Metiva, Executive Director/CEO

3620

KENAI CHAMBER OF COMMERCE

Resolution 02-08

A RESOLUTION OF THE KENAI CHAMBER OF COMMERCE BOARD OF DIRECTORS TO URGE THE GOVERNOR AND ALASKA LEGISLATURE TO DELETE THE 'POINT OF DISCHARGE' STANDARD GOVERNING THE CRUISE SHIP WASTE WATER PERMITS.

WHEREAS, Alaska's cruise ship industry is an important element to our economic well-being statewide and regionally; and

WHEREAS, cruise ships should be under the same guidelines on discharge as any other industry or land based operations in Alaska; and

WHEREAS, in 2002, Alaska set the highest standards in the world for large cruise ship waste water discharge to protect state water ways. In 2006, a head tax ballot initiative changed these standards in such a way that some of the new standards are technologically unfeasible by the cruise lines. During the ballot initiative process no public hearings or state agency input was given on these newly imposed standards; and

WHEREAS, the standards currently imposed on cruise ships are far in excess of those imposed on shore-based municipal wastewater facilities, as was recognized in the Department of Environmental Conservation press release announcing the March 2008 permit, which stated:

> The majority of large cruise ships operating in Alaska have advanced wastewater treatment systems that produce a very high quality discharge – much higher, for example, than short0based municipal sewage treatment systems. Even so, cruise ship discharges are expected to have trouble meeting water quality standards for four parameters – ammonia, copper, nickel and zinc; and

WHEREAS, recognizing that it is currently unfeasible or impractical to meet discharge standards for the ammonia, copper, nickel, and zinc parameters, the Alaska Department of Environmental Conservation applied more lenient standards during the 2008 and 2009 seasons and postponed implementation of the stricter standards until the 2010 season; and

WHEREAS, the point-of-release standards could mean that beginning in 2010, cruise ships will have to defer all discharges until they are out of Alaska waters; and

WHEREAS, cruise ships will be compelled to shorten their stays in Alaska waters; and

WHEREAS, this will have a negative impact on our regional and statewide economic health.

NOW, THEREFORE, BE IT RESOLVED that the Kenai Chamber of Commerce Board of Directors hereby urges the Governor and the Alaska State Legislature to modify the standards governing the discharge of cruise ship wastewater such that those standards will continue to protect aquatic life and the environment, but will be technologically and financially reasonable or practical.

DIRECTORS

THIS 10 DAY OF December, 2008

Stephen W. Hansen, President
Kenai Chamber of Commerce

ATTEST: Tina Baldridge
Executive Director

Homer Chamber of Commerce
Visitor Information Center
201 Sterling Highway
Homer, AK 99603

Homer Chamber of Commerce

***Resolution Passed 1/15/2009**

The Homer Chamber of Commerce urges the Alaska State Legislature to vest the Alaska Department of Environmental Conservation with the authority to issue discharge permits to cruise ships, as they determine will meet all Alaska water quality standards.

*Note: Full body of resolution will be forwarded when received.

GREATER SITKA CHAMBER OF COMMERCE
RESOLUTION 08-01

A RESOLUTION OF THE GREATER SITKA CHAMBER OF COMMERCE URGING THE ALASKA STATE LEGISLATURE TO MODIFY THE STANDARDS GOVERNING THE DISCHARGE OF CRUISE-SHIP WASTEWATER SUCH THAT THOSE STANDARDS ARE NO MORE RESTRICTIVE THAN MUNICIPAL SHORE BASED WASTEWATER FACILITIES.

WHEREAS, the Greater Sitka Chamber of Commerce is a nonprofit trade association made up of members of the business community invested in the economic health of Sitka; and

WHEREAS, the economic health of Sitka is, in large part, based on a healthy cruise industry visitors and commercial fishing industry, which are both ocean-based industries; and

WHEREAS, the cruise ship industry is an integral part of the health of Sitka's economy whose visits provide jobs to Sitkans; and

WHEREAS, the cruise ship industry, through its visits to Sitka, provides a critical piece of sales tax revenue that helps pay for local government jobs and functions such as schools and roads; and

WHEREAS, Sitka will be experiencing a significant economic impact already with the loss of one major cruise line for the 2009 summer which will negatively impact an already downward turn in sales tax revenue; and

WHEREAS, the cruise industry, through the Alaska Cruise Ship Initiative, along with the State of Alaska Department of Environmental Conservation (DEC) and the Environmental Protection Agency, formed a Science Advisory Panel to address waste streams from cruise ships, develop pollution prevention and waste management solutions, assess and verify compliance with volunteer wastewater sampling, and methods to keep the public informed; and

WHEREAS, the Alaska State Legislature enacted laws in 2001 establishing wastewater discharge standards that were refined in 2004 and implemented in 2006 by the state DEC; and

WHEREAS, the cruise industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, a voter approved initiative further imposed standards on cruise ships that are far in excess of those imposed on municipal shore-based wastewater facilities, as was recognized by the state DEC public statement announcing a March 2008 permit issuance, which stated:

> *"The majority of large cruise ships operating in Alaska have advanced wastewater treatment systems that produce a very high quality discharge – much higher, for example, than shore-based municipal sewage treatment systems. Even so, cruise ship discharges are expected to have trouble meeting water quality standards for four parameters – ammonia, copper, nickel, and zinc."*

And

WHEREAS, the City and Borough of Sitka wastewater discharge system cannot meet these voter initiative standards if they were to be imposed on municipalities. The key is due to the city being allowed a mixing zone where quality of discharge is measured at the edge of the mixing zone.

The voter initiative standards require cruise ships to measure quality of discharge at the point of release (at the pipe) before it drops into a mixing zone; and

WHEREAS, the state DEC elected to postpone implementation of parts of the voter initiative standards because it is currently unfeasible or impractical to meet discharge standards for the ammonia, copper, nickel, and zinc parameters; and

WHEREAS, the Greater Sitka Chamber of Commerce believes that water and wastewater quality standards are important to the health of the community and to the industries that rely on a healthy ocean; and

WHEREAS, the Greater Sitka Chamber of Commerce believes that the State of Alaska, Department of Conservation has the professional and technical resources to provide for clear regulatory guidance such that the ocean and marine life are protected while providing for practical, technological, and financially achievable regulations for cruise ships visiting Alaskan port that are similar in nature to the regulations that Alaskans live with every day.

NOW THEREFORE BE IT RESOLVED that the Greater Sitka Chamber of Commerce urges the 2009 Alaska State Legislature to, based on science, modify the standards governing the discharge of cruise ship wastewater such that those standards will reflect Alaska municipal standards, will continue to protect aquatic life and the environment, yet will not be technologically and/or financially unreasonable or impractical.

Adopted this 30th day of October, 2008.

Cory Baggen, President

Sheila Finkenbinder, Executive Director

KETCHIKAN CHAMBER OF COMMERCE
BOARD OF DIRECTORS
RESOLUTION 1008

A RESOLUTION URGING THE 2009 ALASKA STATE LEGISLATURE TO MODIFY THE "POINT OF DISCHARGE" STANDARD GOVERNING THE DISCHARGE OF CRUISE-SHIP WASTEWATER.

WHEREAS, the Ketchikan community has a strong tourism business base and wants a positive business atmosphere to grow tourism: and

WHEREAS, the community of Ketchikan has over 897,000 cruise passenger & crew spending $115 million, cruise lines purchases of $32 million, with sales tax revenues of $4 million, dock moorage revenues of $7.6 million

WHEREAS, between 2001 and 2006, agencies of the State of Alaska, through the legislative process, have enacted statutes and regulations establishing wastewater discharge standards and creating the Commercial Passenger Vessel Environmental Compliance Program as means of supporting cruise ship activity in Alaska in an environmentally-sound manner; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, in 2006, Alaska voters approved an initiative further governing the operation and regulation of large cruise ships, leading to the first ever general permit for wastewater discharges from large cruise ships operating in Alaska; and

WHEREAS, the standards now imposed on cruise ships, and the 2010 standard are far in excess of those imposed on shore-based municipal wastewater facilities; and

WHEREAS, this "point of discharge" standard applicable only to cruise ships, are technologically unfeasible; and

WHEREAS, the unrealistic standards could mean that by 2010, cruise ships will have to depart Alaska waters to discharge, which will result in reduced length of time in port, and elimination of ports situated far from International waters;

WHEREAS, the ballot initiative sponsors stated that the permit portion of the head tax initiative would only "level the economic and environmental playing field between the cruise ship industry and other major dischargers; and

WHEREAS, such changes will impact local governments, small businesses, which rely on cruise ship visitors, crew, and service requirements to support local jobs and the local economy; and

WHEREAS, maintaining unrealistic standards for a specific sector of the marine-based economy establishes dangerous precedent for managing the balance between economy and environment; and

NOW THEREFORE, BE IT RESOLVED BY THE KETCHIKAN CHAMBER OF COMMERCE BOARD OF DIRECTORS, that:

The Board urges the Alaska State Legislature in 2009 to modify the "point of discharge" permit standard of cruise ship wastewater such that those standards are based on scientific data and continue to protect Alaska water ways.

Signed:

Blaine Ashcraft
Executive Director
Greater Ketchikan Chamber of Commerce

GREATER PALMER CHAMBER OF COMMERCE
BOARD OF DIRECTORS
RESOLUTION 09-01

A RESOLUTION URGING THE GOVERNOR AND THE 2009 ALASKA STATE LEGISLATURE TO MODIFY THE "POINT OF DISCHARGE" PERMIT STANDARD BASED ON SCIENTIFIC CRITERIA TO BE DETERMINED BY ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION.

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, the standards now imposed on cruise ships, and the 2010 standard are far in excess of those imposed on shore-based municipal wastewater facilities; and

WHEREAS, this "point of discharge" standard applicable only to cruise ships, are currently technologically unfeasible and such standards should be set by Alaska Department of Environmental Conservation; and

WHEREAS, the unrealistic standards could mean that by 2010, cruise ships will have to depart Alaska waters to discharge, which could result in reduced length of time in port, and such changes will impact local governments, small businesses, which rely on cruise ship visitors, crew, and service requirements to support local jobs and the local economy; and

WHEREAS, the ballot initiative sponsors stated that the permit portion of the head tax initiative would only "level the economic and environmental playing field between the cruise ship industry and other major dischargers"; and

NOW THEREFORE, BE IT RESOLVED BY THE PALMER CHAMBER OF COMMERCE BOARD OF DIRECTORS, that:

The Board urges the Governor and the Alaska State Legislature in 2009 to modify the "point of discharge" permit standard based on scientific criteria to be determined by Alaska Department of Environmental Conservation.

PASSED AND APPROVED BY THE PALMER CHAMBER OF COMMERCE BOARD OF DIRECTORS THIS 30th DAY OF JANUARY 2009.

President
(Signature of Authorized Officer)

ATTEST:

(Signature)

Haines Chamber of Commerce
"Your Business is Our Business"
219 Main Street, #14
P.O. Box 1449
Haines, AK 99827
Phone: 907.766.2202
Fax: 907.766.2271
Email: chamber@haineschamber.org
Website: www.haineschamber.org

Haines Chamber of Commerce
Resolution On

Large Commercial Passenger Vessel Wastewater Discharge General Permit

Position Statement

This permit issued in March 2008 by the Alaska Department of Environmental Conservation (ADEC) holds cruise ships to a different standard than it holds every other discharger in Alaska. This new permit measures effluent at the point of discharge instead of allowing a dilution zone, which every state in the United States allows, and the State of Alaska statutes contemplate. This is a different standard from what is required for coastal communities or the fishing industry or the oil platforms in Cook Inlet.

Action: To urge the Alaska State Legislature to investigate modifying the standards governing the discharge of cruise ship wastewater for a lower level based on science that will continue to protect aquatic life and the environment, but will not be technologically and financially unreasonable or impractical.

We also believe that ports of call which have cruise ships taking on water from the community should be allowed to use head tax revenues from the cruise ship initiative to improve the water quality for the community as a way to assist the cruise industry in complying with the waste water standards.

Support for the Position

Small businesses that offer services to tour related businesses will stay in business.

Should the cruise ship industry need to comply with the statutes of this permit, ships will have to hold their wastewater discharges until they are out of Alaska waters. Not only will this shorten the time in port, which may negatively impact Alaska businesses but may result in fewer ports of call, which will financially harm port communities.

The negative impacts from utilizing community water in the cruise ship discharge should be corrected at the point of origination.

The permit requirement is part of the cruise ship initiative that voters approved in 2006. That initiative imposed a number of environmental provisions, including one that requires ships to have a "discharge permit and meet all Alaska water quality standards".

Voters were told that the ships would be held to the same standards that "every other industrial and municipal discharger" must meet and that "no new permitting program is necessary." However, the permit ADEC issued holds the ships to a much different standard, one that may cost Alaska communities, Alaska ferries and businesses.

Alaska's water quality standards contemplate the use of dilution factors, such as mixing zones or short-term variances. As ADEC explains that mixing zones "are provided for by the Clean Water Act and used by every state in the Nation. Without mixing zones, wastewater would have to be treated to the point where it could serve as a source of drinking water before being discharged and that just isn't feasible here or anywhere else. Sewage treatment plants and seafood processors in Alaska could not operate without a mixing zone." Neither can the cruise ships.

Alaska should hold cruise ships to the same stringent standards as its coastal communities. It is not in the state's best interest to potentially shorten the time the cruise visitors have ashore or to eliminate some ports of call.

Therefore, the Haines Chamber of Commerce urges the Alaska Legislature to amend the ADEC general permit and to base its permit on sound science and common sense.

Greg Stuckey, President
Haines Chamber of Commerce

SOLDOTNA CHAMBER OF COMMERCE

RESOLUTION 03-08

A RESOLUTION OF THE SOLDOTNA CHAMBER OF COMMERCE BOARD OF DIRECTORS IN SUPPORT OF THE MODIFICATION OF THE 'POINT OF DISCHARGE' PERMIT STANDARD TO CRITERIA TO BE DETERMINED BY ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION.

WHEREAS, Alaska has a strong tourism business base and wants a positive business atmosphere to grow tourism: and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, the standards now imposed on cruise ships, and the 2010 standard are far in excess of those imposed on shore-based municipal wastewater facilities; and

NOW THEREFORE, BE IT RESOLVED BY THE SOLDOTNA CHAMBER OF COMMERCE BOARD OF DIRECTORS, that:

The Board urges the Governor and the Alaska State Legislature in 2009 to modify the "point of discharge" permit standard to be based on scientific criteria which is determined by Alaska Department of Environmental Conservation.

BE IT FURTHER RESOLVED that this resolution be distributed to:

Office of the Governor, State of Alaska
Alaska State Legislature

PASSED BY THE SOLDOTNA CHAMBER OF COMMERCE BOARD OF DIRECTORS THIS 16 DAY OF December 2008

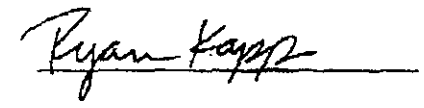
Ryan Kapp

Ryan Kapp, President
Soldotna Chamber of Commerce

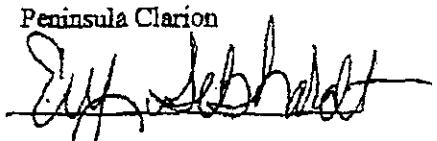
ATTEST: Michelle Glaves
Michelle Glaves
Executive Director

SOLDOTNA CHAMBER OF COMMERCE
2008 BOARD OF DIRECTORS

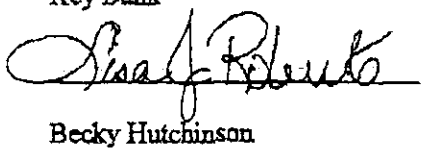
Ryan Kapp, President
Edward Jones Investments



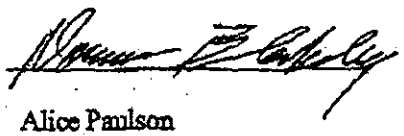
Evy Gebhardt
Peninsula Clarion



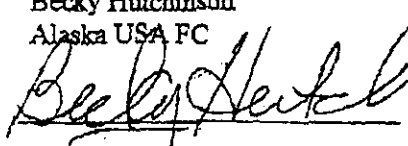
Lisa Roberts, Past President
Key Bank



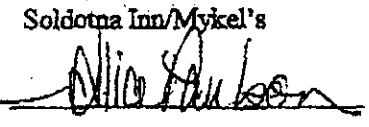
Norm Blakely
Blakeley's Auction



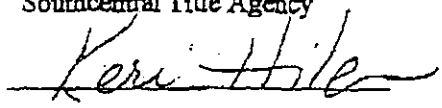
Becky Hutchinson
Alaska USA FC



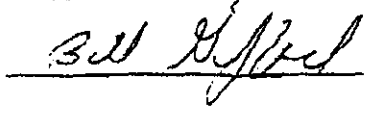
Alice Paulson
Soldotna Inn/Mykel's



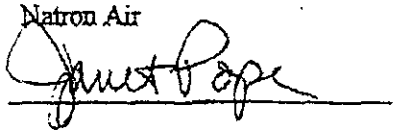
Keri Hiler
Southcentral Title Agency



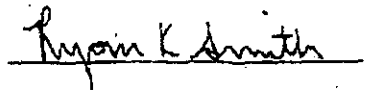
Bill Gifford
Commodore's Guide Service



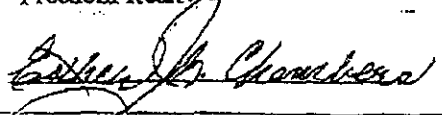
Janet Pope
Natron Air



Ryan Smith
Central Peninsula Hospital

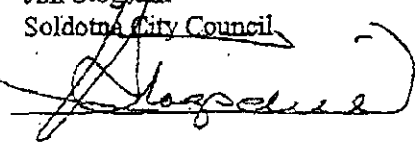


Esther Chambers
Freedom Realty

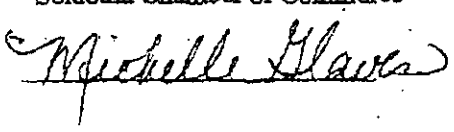


Nicole Nelson
Wells Fargo

Jim Stogsdill
Soldotna City Council



Michelle Glaves, Executive Director
Soldotna Chamber of Commerce



Date: January 16, 2009
Action: Passed
Vote: Majority

GREATER WHITTIER CHAMBER OF COMMERCE
RESOLUTION 2009-01

A RESOLUTION URGING THE GOVERNOR AND THE 2009 ALASKA STATE LEGISLATURE TO MODIFY THE PERMIT STANDARD GOVERNING THE DISCHARGE OF CRUISE SHIP WASTEWATER BASED ON SCIENTIFIC CRITERIA AND CONTINUE TO PROTECT AQUATIC LIFE AND THE ENVIRONMENT.

WHEREAS, Alaska has a strong tourism business base and wants a positive business atmosphere to grow tourism: and

WHERE AS, the Whittier community has a strong marine-based economy with transportation routes historically used by cargo fleets; large and small passenger vessels; a commercial fishing fleet; and other passenger-bearing service vessels; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, the standards now imposed on cruise ships far exceeds those imposed on shore-based municipal wastewater facilities as recognized in the Department of Environmental Conservation press release announcing the march 2008 permit which stated:

> The majority of large cruise ships operating in Alaska have advanced wastewater treatment systems that produce a very high quality discharge – much higher, for example, than shore-based municipal sewage treatment systems. Even so, cruise ship discharges are expected to have trouble meeting water quality standards for four parameters – ammonia, copper, nickel, and zinc; and

WHEREAS, this "point of discharge" standard applicable only to cruise ships, are currently technologically unfeasible and such standards should be set by Alaska Department of Environmental Conservation; and

WHEREAS, these standards could mean that by 2010, cruise ships will have to depart Alaska waters to discharge, which could result in reduced length of time in port, and elimination of ports situated far from International waters; and

WHEREAS, such changes will impact Whittier's small businesses, which rely on cruise ship visitors, crew and service requirements to support local jobs and the local economy:

WHEREAS, maintaining unrealistic standards for a specific sector of the marine –based economy establishes dangerous precedent for managing the balance between economy and environment; and

NOW THEREFORE, BE IT RESOLVED BY THE GREATER WHITTIER CHAMBER OF COMMERCE, that:

We urge the Governor and the Alaska State Legislature in 2009 to modify the permit standards governing the discharge of cruise ship wastewater such that those standards be scientifically-based and continue to protect aquatic life and the environment.

PASSED AND APPROVED BY THE GREATER WHITTIER CHAMBER OF COMMERCE THIS 19TH DAY OF JANUARY, 2009

(Signature of Authorized Officer)

ATTEST:

(Signature) Secretary

Skagway Chamber of Commerce
701 State Street, Corner of 7th & State
P.O. Box 194, Skagway, AK 99840
907.983.1898 907.983.2031(fax)
chamber@aptalaska.net
www.skagwaychamber.org

Chamber of Commerce
Resolution 2009-01

A RESOLUTION OF THE CHAMBER OF COMMERCE BOARD OF DIRECTORS OF THE MUNCIPALITY OF SKAGWAY, ALASKA REGARDING THE POINT OF DISCHARGE STANDARD TO BE MODIFIED BASED ON SCIENTIFIC CRITERIA TO BE DETERMINED BY ALASKA DEPARTMENT OF ENIVRNMENTAL CONSERVATION.

WHEREAS, One aspect of the mission of the Skagway Chamber of Commerce is to protect and promote a healthy business community, to include a strong and growing tourism business base; and

WHEREAS, The Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, Current cruise ship standards are far in excess of shore-based municipal wastewater facilities standards; and

WHEREAS, Attaining the "point of discharge" standard is only applicable to cruise ships and compliance is currently technologically unfeasible; and

WHEREAS, Standards for cruise ship wastewater discharge permits should be based on best available data and science, set by Alaska Department of Environmental Conservation; and

WHEREAS, The result of the "point of discharge" standard could mean that by 2010 cruise ships will have to depart Alaska waters to discharge, resulting in reduced length of time in port, further impacting local governments and small businesses that rely on cruise ship visitors, crew, and service requirements to support local jobs and the local economy.

NOW THEREFORE BE IT RESOLVED by the Skagway Chamber of Commerce Board of Directors of the Municipality of Skagway, Alaska that the Alaska State Legislature in 2009 should modify the "point of discharge" permit standard based on scientific criteria to be determined by Alaska Department of Environmental Conservation.

AND BE IT FURTHER RESOLVED, that this resolution shall become effective immediately upon adoption.

PASSED AND APPROVED on the 13th day of January, 2009

ATTEST:

Jaime Bricker, Secretary

Emily Rayscher, Vice President

Vote: 4 Aye 0 Nay 2 Absent 1 Chair Empty

Date: December 15, 2008
Action: Passed
Vote: Unanimous

SEWARD CHAMBER OF COMMERCE, CVB
BOARD OF DIRECTORS
RESOLUTION 2008-03

A RESOLUTION URGING THE ALASKA STATE LEGISLATURE TO MODIFY, BASED ON SCIENCE, THE STANDARDS GOVERNING THE DISCHARGE OF CRUISE-SHIP WASTEWATER SUCH THAT THOSE STANDARDS USE THE SAME CRITERIA AS THE ONES THAT APPLY TO MUNICIPAL SHORE-BASED WASTEWATER FACILITIES AND ALL OTHER VESSELS TRANSITTING ALASKA WATERS.

WHEREAS, the Seward community has a strong marine-based economy with transportation routes historically used by the U.S. Navy, Coast Guard, and state law enforcement vessels; large and small passenger vessels; a commercial fishing fleet; and other passenger-bearing service vessels; and

WHEREAS, Seward's marine-based economic activity occurs in proximity to the Kenai Fjords National Park, the Chugach National Forest, Caines Head State Park, and other protected public lands; and

WHEREAS, between 2001 and 2006, agencies of the State of Alaska, through the legislative process, have enacted statutes and regulations establishing wastewater discharge standards and creating the Commercial Passenger Vessel Environmental Compliance Program as means of supporting cruise ship activity in Alaska in an environmentally-sound manner; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, in 2006, Alaska voters approved an initiative further governing the operation and regulation of large cruise ships, leading to the first ever general permit for wastewater discharges from large cruise ships operating in Alaska; and

WHEREAS, the standards now imposed on cruise ships are far in excess of those imposed on shore-based municipal wastewater facilities, to include Seward's and those in effect for all other fishing, freight, and passenger vessels; and

WHEREAS, these point-of-release standards, applicable only to cruise ships, are unfeasible, and will require prohibitive financial investment in research to establish methods of meeting the standards; and

WHEREAS, the unrealistic standards could mean that cruise ships will have to depart Alaska waters to discharge, which will result in reduced length of time in port, and elimination of ports situated far from International waters; and

WHEREAS, such changes will impact Seward's small businesses, which rely on cruise ship visitors, crew, and service requirements to support local jobs and the local economy; and

WHEREAS, maintaining unrealistic standards for a specific sector of the marine-based economy establishes dangerous precedent for managing the balance between economy and environment; and

NOW THEREFORE, BE IT RESOLVED BY THE SEWARD CHAMBER OF COMMERCE/CVB BOARD OF DIRECTORS, that:

The Board urges the Alaska State Legislature in 2009 to modify the standards governing the discharge of cruise ship wastewater such that those standards be scientifically-based and continue to protect aquatic life and the environment.

PASSED AND APPROVED BY THE SEWARD CHAMBER OF COMMERCE/CVB BOARD OF DIRECTORS THIS 15th DAY OF DECEMBER, 2008.

(Signature of Authorized Officer)

ATTEST:
Laura S. Cloward
(Signature)

ANCHORAGE CONVENTION & VISITORS BUREAU BOARD OF DIRECTORS
RESOLUTION 2009-01
A Resolution In Support of and Approval of

A RESOLUTION URGING THE GOVERNOR AND THE 2009 ALASKA STATE LEGISLATURE TO MODIFY THE "POINT OF DISCHARGE" PERMIT STANDARD.

WHEREAS, the travel industry is a vital part of Alaska's economy; and

WHEREAS, Alaska has over 1,000,000 cruise passenger visitors annually spending almost $1 billion in the state; and

WHEREAS, travel businesses throughout Alaska, the majority of which are small and Alaskan-owned, are major economic benefactors of cruise visitor expenditures; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, the standards now imposed on cruise ships, and the 2010 standard are far in excess of those imposed on shore-based municipal wastewater facilities; and

WHEREAS, the "point of discharge" standard, applicable only to cruise ships, are currently technologically unfeasible; and

WHEREAS, such standards should be set by Alaska Department of Environmental Conservation; and

WHEREAS, the unrealistic standards could mean that by 2010, cruise ships will have to depart Alaska waters to discharge, which could result in reduced length of time in port; and

WHEREAS, such changes will impact both local governments and small businesses, which rely on cruise ship visitors, crew, and service requirements to support local jobs and the local economy; and

WHEREAS, the ballot initiative sponsors stated that the permit portion of the head tax initiative would only "level the economic and environmental playing field between the cruise ship industry and other major dischargers; and

NOW THEREFORE, BE IT RESOLVED BY THE ANCHORAGE CONVENTION & VISITORS BUREAU (ACVB) BOARD OF DIRECTORS, that: ACVB urges the Governor and the Alaska State Legislature in 2009 to modify the "point of discharge" permit standard based on scientific criteria to be determined by Alaska Department of Environmental Conservation. ACVB approves and supports the modification of the "point of discharge" permit standard.

Approved on this date, the twenty-eighth day of January 2009.

ATTESTED BY:

Joshua Howes, Chairman
ACVB Board of Directors

Julie Saupe
President & CEO

Girdwood 2020 Board of Directors
Resolution In Support of Modifying
Cruise Ship Point of Discharge Permit Standards

WHEREAS, Girdwood 2020 comprises a group of citizens who want Girdwood to grow and prosper as a unique, internationally recognized mountain resort community through environmentally responsible economic development,

WHEREAS, Girdwood is one of the top destinations for cruise ship passengers in Southcentral Alaska,

WHEREAS, cruise ship passengers are important to the economic viability of Alyeska Resort, along with dozens of other area businesses, including Alaska Heritage Tours and the Alaska Wildlife Conservation Center,

WHEREAS, current cruise ship standards are far in excess of shore-based municipal wastewater facilities standards; and

WHEREAS, attaining the "point of discharge" standard is only applicable to cruise ships and compliance is currently technologically unfeasible; and

WHEREAS, standards for cruise ship wastewater discharge permits should be based on best available data and science, set by Alaska Department of Environmental Conservation; and

WHEREAS, the result of the "point of discharge" standard could mean that by 2010 cruise ships will have to depart Alaska waters to discharge, resulting in reduced length of time in port, further impacting local governments and small businesses that rely on cruise ship visitors, crew, and service requirements to support local jobs and the local economy.

NOW THEREFORE BE IT RESOLVED, the Girdwood 2020 Board of Directors urges Governor Sarah Palin and the Alaska State Legislature in 2009 to modify the "point of discharge" permit standard based on scientific criteria to be determined by Alaska Department of Environmental Conservation.

Approved this 10th day of January, 2009

John Rense, CoChair

Diana Stone Livingston, CoChair

FAIRBANKS
CONVENTION & VISITORS BUREAU

RESOLUTION NO. 01-2009

URGING THE GOVERNOR AND THE 2009 ALASKA STATE LEGISLATURE TO MODIFY THE "POINT OF DISCHARGE" PERMIT STANDARD BASED ON SCIENTIFIC CRITERIA TO BE DETERMINED BY ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION

WHEREAS, Alaska has a strong tourism business base and wants a positive business atmosphere to grow tourism: and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, the standards now imposed on cruise ships, and the 2010 standard are far in excess of those imposed on shore-based municipal wastewater facilities; and

WHEREAS, this "point of discharge" standard applicable only to cruise ships, is currently technologically unfeasible and such standards should be set by Alaska Department of Environmental Conservation; and

WHEREAS, the unrealistic standards could mean that by 2010, cruise ships will have to depart Alaska waters to discharge, which could result in reduced length of time in port, and such changes will impact local governments, small businesses, which rely on cruise ship visitors, crew, and service requirements to support local jobs and the local economy; and

WHEREAS, the ballot initiative sponsors stated that the permit portion of the head tax initiative would only "level the economic and environmental playing field between the cruise ship industry and other major dischargers"; and

NOW THEREFORE BE IT RESOLVED THAT the Fairbanks Convention and Visitors Bureau urges the Governor and the Alaska State Legislature in 2009 to modify the "point of discharge" permit standard based on scientific criteria to be determined by Alaska Department of Environmental Conservation.

PASSED AND APPROVED by the Fairbanks Convention and Visitors Bureau on January 12, 2009.

Kristin Wells, Chair, Board of Directors
Signature

Deb Hickok, President and CEO
Signature

KETCHIKAN

Our lifestyle, your reward

A RESOLUTION OF THE KETCHIKAN VISITORS BUREAU TO SUPPORT MODIFICATION OF THE TERMS AND CONDITIONS OF STANDARDS FOR PASSENGER VESSEL DISCHARGE PERMITS.
RESOLUTION NUMBER 08-04

WHEREAS, THE KETCHIKAN VISITORS BUREAU'S MISSION IS "TO PROMOTE THE GREATER KETCHIKAN AREA AS A VISITOR DESTINATION AND MEETING SITE; TO ENHANCE THE ECONOMY OF THE COMMUNITY, AND ASSIST IN PROMOTION OF THE AREA'S ATTRACTIONS AND EVENTS"; AND

WHEREAS, THE VISITOR INDUSTRY PLAYS A VITAL ROLE IN THE ECONOMIC WELL BEING OF THE COMMUNITY, WITH AN ESTIMATED 138.2 MILLION DOLLARS IN REVENUES ATTRIBUTED TO CRUISE INDUSTRY EXPENDITURES TO LOCAL BUSINESSES AND LOCAL GOVERNMENT; AND

WHEREAS, IN 2001 THE STATE OF ALASKA ADOPTED THE ALASKA CRUISE SHIP INITIATIVE'S RECOMMENDATIONS FOR THE COMMERCIAL PASSENGER VESSEL ENVIRONMENTAL COMPLIANCE PROGRAM, ENACTING THE MOST STRINGENT STANDARDS FOR DISCHARGE PERMITS WITHIN THE STATE, FAR SURPASSING ANY MUNICIPALITY'S REQUIREMENTS FOR SHOREBASED WASTEWATER FACILITIES, AT A COST OF OVER $200 MILLION BY THE CRUISE INDUSTRY TO INSTALL STATE-OF-THE ART WASTEWATER TREATMENT SYSTEMS ONBOARD THEIR VESSELS TO VOLUNTARILY COMPLY WITH THE STATE'S REGULATIONS; AND

WHEREAS, THE COMMERCIAL SHIP VESSEL TAXATION ACT PASSED BY VOTERS IN 2006 INCLUDED LANGUAGE THAT REQUIRED EVEN MORE STRINGENT REGULATIONS FOR CRUISE SHIPS IN ORDER TO SECURE DISCHARGE PERMITS, BUT DID NOT INCREASE THE REQUIREMENTS OF ANY OTHER PERMIT HOLDER IN THE STATE; AND

WHEREAS, STANDARDS FOR CRUISE SHIP WASTEWATER DISCHARGE PERMITS SHOULD BE BASED ON THE BEST AVAILABLE SCIENCE AND REGULATED BY THE ALASKA DEPARTMENT OF CONSERVATION, AS WITH ALL OTHER WASTEWATER PERMIT HOLDERS; AND

WHEREAS, UNLESS THE REGULATIONS ARE CHANGED BY EITHER ADMINISTRATIVE OR LEGISLATIVE ORDER, CRUISE LINES WILL LIKELY NOT BE ABLE TO COMPLY WITH THE NEW STANDARDS AND WILL BE FORCED TO LEAVE ALASKAN WATERS IN ORDER TO LEGALLY DISCHARGE WASTEWATER, IMPACTING THEIR LENGTH OF STAY IN PORT AND SUBSTANTIALLY DECREASING THE ECONOMIC BENEFITS ENJOYED BY COMMUNITIES WHERE SHIPS CALL.

NOW, THEREFORE, BE IT RESOLVED THAT:
THE KETCHIKAN VISITORS BUREAU CONSIDERS THE WASTEWATER DISCHARGE PERMIT REGULATIONS ENACTED UPON THE CRUISE LINES BY THE PASSAGE OF THE COMMERCIAL SHIP VESSELS TAXATION ACT TO BE ONEROUS, AND A DIRECT THREAT TO THE ECONOMIC WELL BEING OF OUR COMMUNITY AND URGE IMMEDIATE ACTION TO MODIFY THE REGULATIONS SET FORTH IN THE COMMERCIAL SHIP VESSEL TAXATION ACT.

PASSED AND APPROVED BY THE KETCHIKAN VISITORS BUREAU BOARD OF DIRECTORS, ON OCTOBER 23, 2008.

LAURIE BOOYSE, CHAIR
KVB BOARD OF DIRECTORS

PATTI MACKEY
EXECUTIVE DIRECTOR

Ketchikan Visitors Bureau
nt Street • Ketchikan, AK 99901 • Phone 907.225.6166 • Fax 907.225.4250 • Email: info@visit-ketchikan.com • www.visit-ketchikan.com

GREATER WASILLA CHAMBER OF COMMERCE & CONVENTION/VISITOR BUREAU
BOARD OF DIRECTORS
RESOLUTION #1208

A RESOLUTION URGING THE GOVERNOR AND THE 2009 ALASKA STATE LEGISLATURE TO MODIFY THE "POINT OF DISCHARGE" PERMIT STANDARD BASED ON SCIENTIFIC CRITERIA TO BE DETERMINED BY ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION.

WHEREAS, the Wasilla community has a strong tourism business base and wants a positive business atmosphere to grow tourism: and

WHEREAS, the Mat-Su Valley has over 124,000 cruise passenger visitors and cruise lines spend annually $16.4 million, with over $860,000 paid in bed tax revenue; and

WHEREAS, in 2007 cruise lines made purchases from 90 area businesses; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, the standards now imposed on cruise ships, and the 2010 standard are far in excess of those imposed on shore-based municipal wastewater facilities; and

WHEREAS, this "point of discharge" standard applicable only to cruise ships, are currently technologically unfeasible and such standards should be set by Alaska Department of Environmental Conservation; and

WHEREAS, the unrealistic standards could mean that by 2010, cruise ships will have to depart Alaska waters to discharge, which could result in reduced length of time in port, and such changes will impact local governments, small businesses, which rely on cruise ship visitors, crew, and service requirements to support local jobs and the local economy; and

WHEREAS, the ballot initiative sponsors stated that the permit portion of the head tax initiative would only "level the economic and environmental playing field between the cruise ship industry and other major dischargers"; and

NOW THEREFORE, BE IT RESOLVED BY THE WASILLA CHAMBER OF COMMERCE BOARD OF DIRECTORS, that:

The Board urges the Governor and the Alaska State Legislature in 2009 to modify the "point of discharge" permit standard based on scientific criteria to be determined by Alaska Department of Environmental Conservation.

PASSED AND APPROVED BY THE WASILLA CHAMBER OF COMMERCE BOARD OF DIRECTORS THIS 9TH DAY OF DECEMBER, 2008.

Erika Bills, President

Cheryl Metiva, Executive Director/CEO

ANCHORAGE CHAPTER
ALASKA TRAVEL INDUSTRY ASSOCIATION

ALASKA TRAVEL INDUSTRY ASSOCIATION
ANCHORAGE CHAPTER
RESOLUTION 0901

A RESOLUTION URGING THE GOVERNOR AND THE 2009 ALASKA STATE LEGISLATURE TO MODIFY THE "POINT OF DISCHARGE" PERMIT STANDARD.

WHEREAS, the travel industry is a vital part of Alaska's economy; and

WHEREAS, Alaska has over 1,000,000 cruise passenger visitors annually spending almost $1 billion in the state; and

WHEREAS, travel businesses throughout Alaska, the majority of which are small and Alaskan-owned, are major economic benefactors of cruise visitor expenditures; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, the standards now imposed on cruise ships, and the 2010 standard are far in excess of those imposed on shore-based municipal wastewater facilities; and

WHEREAS, the "point of discharge" standard, applicable only to cruise ships, are currently technologically unfeasible; and

WHEREAS, such standards should be set by Alaska Department of Environmental Conservation; and

WHEREAS, the unrealistic standard would mean that by 2010, cruise ships will depart Alaska waters to discharge, which would result in reduced time in Alaska ports; and

WHEREAS, such changes will impact local governments ability to collect dock usage fees and sales taxes, increasing the need for revenue sharing from the state, and

WHEREAS small businesses, which rely on cruise ship visitors, and crew expenditures to support local jobs and the local economy will have a reduced sales opportunity; and

WHEREAS, the ballot initiative sponsors stated that the permit portion of the head tax initiative would only "level the economic and environmental playing field between the cruise ship industry and other major dischargers; and

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA TRAVEL INDUSTRY ASSOCATION ANCHORAGE CHAPTER, THAT:

ATIA Anchorage Chapter urges the Governor and the Alaska State Legislature in 2009 to modify the "point of discharge" permit standard based on scientific criteria to be determined by Alaska Department of Environmental Conservation.

PASSED AND APPROVED BY THE ALASKA TRAVEL INDUSTRY ASSOCATION ANCHORAGE CHAPTER THIS 9th DAY OF JANUARY, 2009.

Kari Hart
(Signature of Chapter Secretary)

KETCHIKAN
CHAPTER
ALASKA TRAVEL INDUSTRY
ASSOCIATION

A RESOLUTION OF THE ALASKA TRAVEL INDUSTRY ASSOCIATION - KETCHIKAN CHAPTER TO SUPPORT MODIFICATION OF THE TERMS AND CONDITIONS OF STANDARDS FOR PASSENGER VESSEL DISCHARGE PERMITS

RESOLUTION NUMBER 2008-01

WHEREAS, the Alaska Travel Industry Association – Ketchikan Chapter operates under the corporate veil of the Alaska Travel Industry Association, Inc., which is a non-profit membership based organization. The Ketchikan Chapter's goal is to regain Alaska's competitive position as a visitor destination through advocacy, improving community awareness and relations, acting as an education link statewide as well as local networking; and

WHEREAS, the visitor industry plays a vital role in the economic well being of the community, with an estimated 138.2 million dollars in revenues attributed to cruise industry expenditures to local businesses and local government; and

WHEREAS, in 2001 the State of Alaska adopted the Alaska Cruise Ship Initiative's recommendations for the Commercial Passenger Vessel Environmental Compliance Program, enacting the most stringent standards for discharge permits within the state, far surpassing any municipality's requirements for shore based wastewater facilities, at a cost of over $200 million by the cruise industry to install state of the art wastewater treatment systems onboard their vessels to voluntarily comply with the state's regulations; and

WHEREAS, the commercial ship vessel taxation act passed by voters in 2006 included language that required even more stringent regulations for cruise ships in order to secure discharge permits, but did not increase the requirements of any other permit holder in the state; and

WHEREAS, standards for cruise ship wastewater discharge permits should be based on the best available science and regulated by the Alaska Department of Conservation, as with all other wastewater permit holders; and

WHEREAS, unless the regulations are changed by either administrative or legislative order, cruise lines will likely not be able to comply with the new standards and will be forced to leave Alaskan waters in order to legally discharge wastewater, impacting their length of stay in port and substantially decreasing the economic benefits enjoyed by communities where ships call.

NOW, THEREFORE, BE IT RESOLVED THAT:

The Alaska Travel Industry Association – Ketchikan Chapter considers the wastewater discharge permit regulations enacted upon the cruise lines by the passage of the commercial ship vessels taxation act to

be onerous, and a direct threat to the economic well being of our community and urge immediate action to modify the regulations set forth in the commercial ship vessel taxation act.

Approved at the Alaska Travel Industry Association - Ketchikan Chapter Meeting on December 11, 2008.

Dragon London, Secretary

ATIA – Ketchikan Chapter

Kari Erickson, President

ATIA – Ketchikan Chapter

A RESOLUTION URGING THE GOVERNOR AND THE 2009 ALASKA STATE LEGISLATURE TO MODIFY, BASED ON SCIENTIFIC EVIDENCE, THE STANDARDS GOVERNING THE DISCHARGE OF CRUISE SHIP WASTEWATER TO BE DETERMINED BY THE ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION

WHEREAS, the travel industry is a vital part of Juneau's economy; and

WHEREAS, Juneau has nearly 1,000,000 cruise passenger visitors annually spending approximately $186 per person (figures from a 2005 survey by the McDowell Group) while in port; and

WHEREAS, Juneau's travel business, the majority which are small and Alaskan owned, are the major economic benefactors of cruise visitor expenditures; and

WHEREAS, the Alaska cruise ship industry has invested more than $200,000,000 to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, the standards now imposed by cruise ships, and the 2010 standard are far in excess of those imposed on shore based municipal wastewater facilities, as was recognized in the Department of Environmental Conservation (DEC) press release announcing the March 2008 permit, which stated:

> The majority of large cruise ships operating in Alaska have advanced wastewater treatment systems that produce a very high quality discharge – much higher, for example, than shore-based municipal sewage treatment systems. Even so, cruise ship discharges are expected to have trouble meeting water quality standards for four parameters – ammonia, copper, nickel and zinc; and

WHEREAS, such standards should be set by the Alaska DEC; and

WHEREAS, recognizing that it is currently unfeasible or impractical to meet discharge standards for the above four parameters, the Alaska DEC applied more lenient standards during the 2008 and 2009 seasons and postponed implementation of the stricter standards until the 2010 season; and

WHEREAS, the unrealistic standard would mean that by 2010, cruise ships will depart Alaska's waters to discharge, which would result in reduced time in Alaska's ports and the possible reduction in the number of port calls; and

WHEREAS, such changes will impact local government ability to collect dock usage fees and sales taxes, increasing the need for revenue sharing from the state; and

WHEREAS, Juneau's small businesses, which rely on cruise ship visitors, and crew expenditures to support local jobs and the local economy will have a reduced sales opportunity; and

WHEREAS, the ballot initiative sponsor's intent implicitly stated that the permit portion of the head tax initiative would only "level the economic and environmental playing field between the cruise ship industry and other major discharges";

NOW THEREFORE, BE IT RESOLVED BY THE JUNEAU CHAPTER OF THE ALASKA TRAVEL INDUSTRY ASSOCIATION;

HEREBY URGE THE GOVERNOR AND THE ALASKA STATE LEGISLATURE IN 2009 TO MODIFY, BASED ON SCIENTIFIC EVIDENCE, THE PERMIT STANDARDS GOVERNING THE DISCHARGE OF CRUISE SHIP WASTEWATER TO BE DETERMINED BY THE ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION

PASSED AND APPROVED BY THE JUNEAU CHAPTER OF THE ALASKA TRAVEL INDUSTRY ASSOCATION THIS 7th DAY OF January 2009.

Jeremy Gieser

Jeremy Gieser, Juneau ATIA Chapter President

ALASKA
TRAVEL INDUSTRY
ASSOCIATION
Golden Circle Chapter

A RESOLUTION TO THE ALASKA STATE LEGISLATURE TO MODIFY, BASED ON SCIENTIFIC EVIDENCE, THE STANDARDS GOVERNING THE DISCHARGE OF CRUISE SHIP WASTEWATER

Resolution 08-03
12-11-2008

WHEREAS, during the 1990s, the size and number of cruise ships visiting Skagway, Haines and other Alaska coastal communities grew dramatically and became an increasingly important component of the local and regional economies; and

WHEREAS, in 1999, the Alaska Department of Environmental Conservation, U.S. Coast Guard, U.S. Environmental Protection Agency, members of the Southeast Conference, representatives of the cruise ship industry, and local concerned citizens formed a group to explore the way to improve environmental standards for the cruise ship industry in Alaska; and

WHEREAS, the Alaska Cruise Ship Initiative (ACSI) group was created in 2000 to (1) identify waste streams from cruise ships; (2) develop pollution prevention and waste management solutions; (3) assess and verify compliance with volunteer wastewater sampling and; (4) keep the Alaska public informed; and

WHEREAS, in late 2000, the ACSI commissioned a Science Advisory Panel with expertise in oceanography, bacteriology, chemistry, aquatic and human toxicology, marine biology, ecology and vessel engineering to address issues concerning treatment, discharge, dispersion, fate and effects of wastewaters produced by commercial cruise ships; and

WHEREAS, the work of the groups noted above led to the enactment of laws (AS 46.03.460 – AS 46.03.490) by the Alaska Legislature in 2001 establishing wastewater discharge standards for cruise ships and creating the Commercial Passenger Vessel Environmental Compliance Program; and

WHEREAS, in 2002, the Alaska Department of Environmental Conservation adopted regulations (18 AAC 69) to implement and interpret the laws enacted by the Legislature in 2001; and

WHEREAS, in 2004, the Alaska Legislature refined laws enacted in 2001 (AS 46.03.460-46.03.490); and

WHEREAS, in 2006, following a two-year rule-making effort, the Alaska Department of Environmental Conservation adopted regulations to interpret and implement the 2004 statutory changes; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, in 2006, following the adoption of regulations by the Alaska Department of Environmental Conservation, Alaska voters approved an initiative further governing the operation and regulation of large cruise ships; and

WHEREAS, in March 2008, as a major step toward fulfilling the terms of the 2006 initiative, the Alaska Department of Environmental Conservation issued the first ever general permit for wastewater discharge from large cruise ships operating in Alaska waters; and

WHEREAS, the standards imposed on cruise ships are far in excess of those imposed on shore-based municipal wastewater facilities, as was recognized in the Department of Environmental Conservation press release announcing the March 2008 permit, which stated:

> The Majority of large cruise ships operating in Alaska have advanced wastewater treatment systems that produce a very high quality discharge – much higher, for example, than shore-based municipal sewage treatment systems. Even so, cruise ship discharges are expected to have trouble meeting water quality standards for four parameters – ammonia, copper, nickel and zinc; and

WHEREAS, recognizing that it is currently unfeasible or impractical to meet discharge standards for the ammonia, copper, nickel and zinc parameters, the Alaska Department of Environmental Conservation applied more lenient standards during the 2008 and 2009 seasons and postponed implementation of the stricter standards until the 2010 season; and

WHEREAS, the point-of-release standards could mean that beginning in 2010, cruise ships will have to defer all discharges until they are out of Alaska waters; and

WHEREAS, compelling cruise ships to postpone discharge of wastewater until outside Alaska waters will likely shorten the time cruise ships are in port and result in fewer ports of call, which will negatively impact Alaska businesses.

NOW, THEREFORE BE IT RESOLVED by the members of the Alaska Travel Industry Association Golden Circle Chapter, including Haines, Skagway and Whitehorse members, hereby urges the Alaska State Legislature in 2009 to modify, based on science, the standards governing the discharge of cruise ship wastewater such that those standards will continue to protect aquatic life and the environment, but will not be technologically and financially unreasonable or impractical.

Adopted by the Alaska Travel Industry Association Golden Circle Chapter
Approved,

Jennifer Schlatter, Golden Circle Chapter President

Alaska Campground Owners Association
P.O. Box 111006 Anchorage, Alaska 99511
Toll Free (866) 339-9082 / Fax (907) 334-9082
info@alaskacampgrounds.net

RESOLUTION NO. 2009-01
CRUISE SHIP DISCHARGE STANDARDS

A RESOLUTION URGING THE GOVERNOR AND THE 2009 ALASKA STATE LEGISLATURE TO MODIFY DISCHARGE STANDARDS BASED ON SCIENTIFIC CRITERIA TO BE DETERMINED BY ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION

WHEREAS, the Alaska Campground Owners' Association (ACOA) represents an association of over 45 small family operated camper park businesses statewide in addition to over 50 associate members; and

WHEREAS, the independent long haul RV traveler to Alaska has been in decline for the past six years; and

WHEREAS, State of Alaska Department of Commerce, Community and Economic Development research has shown that 24% of all Alaska cruise passengers return to Alaska on an independent itinerary, often traveling through-out Alaska in an RV; and

WHEREAS, numerous Alaska cruise passengers debark from their cruise ship and rent an RV for their ground tour portion of their Alaska vacation; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million to install some of the most advanced wastewater treatment systems in the world; and

WHEREAS, the standards now imposed on cruise ships, and the 2010 standard are far in excess of those imposed on shore-based municipal wastewater facilities; and

WHEREAS, this "point of discharge" standard applicable only to cruise ships, are currently technologically unfeasible and such standards should be set by Alaska Department of Environmental Conservation; and

WHEREAS, the unrealistic standards could mean that by 2010, cruise ships will have to depart Alaska waters to discharge, which could result in reduced length of time in port, and such changes will impact local governments, small businesses, which rely on cruise ship visitors, crew, and service requirements to support local jobs and the local economy; and

WHEREAS, the ballot initiative sponsors stated that the permit portion of the head tax initiative would only "level the economic and environmental playing field between the cruise ship industry and other major dischargers"; and

NOW, THEREFORE, BE IT RESOLVED that the Alaska Campground Owners'Association recognizes the economic benefit of a strong viable cruise ship program in Alaska ; and

NOW, THEREFORE BE IT FURTHER RESOLVED that the Alaska Campground Owners' Association urges the Governor and the Alaska State Legislature in 2009 to modify the "point of discharge" permit standard based on scientific criteria to be determined by Alaska Department of Environmental Conservation.

PASSED and APPROVED by the ALASKA CAMPGROUND OWNERS' ASSOCIATION this 9th day of February 2009.

Chairman of the Board- Laura Saxe

ATTEST: ACOA Government Affairs- Scott Reisland

ADP RESOLUTION 2009-01

ANCHORAGE DOWNTOWN PARTNERSHIP, LTD.

ANCHORAGE DOWNTOWN PARTNERSHIP, LTD. Resolution In Support of Modifying Cruise Ship Point of Discharge Permit Standards

WHEREAS, one component of the Anchorage Downtown Partnership, Ltd. mission is to generally stimulate economic development in downtown Anchorage; and

WHEREAS, the visitor industry is a vital part of the downtown Anchorage economy; and

WHEREAS, more than 370,000 cruise passenger visitors spend $26 million in Anchorage annually; and

WHEREAS, cruise lines directly spend $76 million in Anchorage, have paid more than $5 million in local bed tax revenue and made purchases from 849 Anchorage businesses in 2007 alone; and

WHEREAS, the State of Alaska already has the highest standards in the world for discharge of wastewater from large cruise ships; and

WHEREAS, the Alaska cruise ship industry has invested more than $200 million on advanced water treatment systems on new ships and retrofitted older ones wastewater purification systems that treat water to standards higher than most land-based operations; and

WHEREAS, attaining the 2010 "point of discharge" standard is unfeasible with current technology and could force cruise ships to depart Alaska waters to discharge; and

WHEREAS, forcing ships out of Alaska waters will result in reduced port time, further impacting local governments and small businesses that rely on cruise ship visitors, crew, and service requirements to support local jobs and the local economy; and

WHEREAS, standards for cruise ship wastewater discharge permits should be based on best available data and science, set by Alaska Department of Environmental Conservation; and

NOW THEREFORE, BE IT RESOLVED, Anchorage Downtown Partnership, Ltd. urges Governor Palin and the Alaska Legislature in 2009 to modify the "point of discharge" permit standard to ensure that discharge standards are based on scientific criteria to be determined by Alaska Department of Environmental Conservation.

Approved this 5th day of February, 2009

Garret Wong, BOARD PRESIDENT
Anchorage Downtown Partnership, Ltd.

Christopher M. Schutte, EXECUTIVE DIRECTOR
Anchorage Downtown Partnership, Ltd.

Responsible Cruising in Alaska

TO: House Resources Committee
FR: Chip Thoma, RCA
RE: HB 134
DATE: March 2, 2009

Chairman Neuman, members of the committee, I am Chip Thoma, Responsible Cruising in Alaska, Box 21884, Juneau, 99802. The RCA is an advocacy group that helped win the 2006 initiative measure on cruise ship pollution, fair taxes, and consumer protection. This initiative passed 52-48%. 82,000 Alaskans voted Yes.

The Alaska cruise law has been a great success for state taxes, revenue sharing, capital projects in cruise ports, pollution controls, monitoring by Ocean Rangers, and consumer protection for passengers.

Regarding HB 134, un-amended, my initial comment is that this legislation is premature and unnecessary. Many ships in the Alaska cruise fleet are already meeting our Water Quality Standards on both ammonia & copper, those discharged substances that most harm salmon and other marine life. Many ships need only make a few attachments and adjustments to their present systems, to make them legal and fully compliant with the 2010 law.

I recently reviewed the Notices of Violations (NOV's) issued by DEC for 2008 cruise ship discharges, and was amazed to find that ¾ of the fleet were not cited for any metals violations, but that 5 of the 7 metals violators are Princess ships. I believe the copper problem has now been identified: those high metal discharges are centered in OLDER ships, like the Princess fleet, whose copper plumbing is leaching into treated discharge water. Dissolved copper is a big problem: it never goes away, it builds up in the water, and dis-orients returning salmon.

Most other ships have solved their on-board copper problems, by using flex-hose plastic plumbing, a 21st century fix for a 20th century problem.

Rather than get into details of ship plumbing and on-board water-making machinery, suffice it to say that copper pipes leach, and miles and tons of copper pipe leach a lot. However, suspended metals removal technology is improving at a very rapid pace, pioneered by the need for absolutely clean water in US computer manufacture. I'm confident that copper can soon be removed from all cruise ship discharges. That's why HB 134 is premature, because solutions are close at hand, both on-board ships and in plants on shore.

Regarding ammonia, the sole source is urine. Ammonia removal has been achieved, and this technology is readily available, on-board and on-shore. Ironically, the relatively high ammonia counts are likely due to low-flow toilet systems on some ships, where little water is used to flush. Since water dissolves urine and ammonia to manageable levels, I am also confident that all ammonia problems can also be solved on-board, as most ships in the Alaska fleet are doing right now.

In conclusion, HB 134 is premature, because copper & ammonia discharge problems will be solved soon, with science, funding, and plastic plumbing. The cruise passengers want clean ships. Alaska subsistence, commercial & sport users want clean ships, that take no chances to harm Alaska fish & marine resources. We should all agree to fully protect clean, marine waters, by statute.

The cruise laws passed in 2006 accomplish that. However, HB 134, un-amended, rolls back those protections and allows potentially harmful discharges. Also, 134 primarily exempts one cruise line from the water quality standards being met by most of the 28 ships in Alaska fleet. HB 134 would financially penalize those cruise lines that make discharge improvements, and now comply with Alaska cruise law. Finally, Alaskans want these discharge problems solved, either on-board cruise ships, or at on-shore plants, but not mixing in our pristine waters. Thank you.

Chip Thoma Box 21884 Juneau, AK 99802 586-2117

CSAW
Campaign to Safeguard America's Waters

Earth Island Institute

3/2/09

Re: CS HB 134 Testimony of Gershon Cohen Ph.D.

Dear Chairmen and Members of the Alaska House of Representatives Committee on Resources,

Thank you for accepting this testimony in opposition to HB134, which seeks to remove the ban on mixing zone authorizations for cruise ship discharges established by majority vote of the people of Alaska in 2006.

The State of Alaska has traditionally been generous in allowing dischargers to circumvent the State's Water Quality Standards (WQS) through the application of mixing zones, which permit polluters to dilute contaminated wastewater within public waters. Nevertheless, the frequency of past mixing zone use should not be presumed to indicate the practice is consistent with the fundamental goals of the federal Clean Water Act or our State's water quality objectives to make all waters fishable and swimmable and eliminate the discharge of pollutants.

I agree with the intent of the sponsors of HB134 that discharge permits should be based on the best scientific evidence available. By definition, the State's WQS represent the best scientific information regarding the protection of aquatic life. Assigning mixing zones to mobile dischargers such as cruise ships would not represent the best science available. This practice would create multiple regions in our marine waters that cannot be tested for toxicity, often in places where wastes may or may not disperse efficiently depending upon the location of the discharge due to local currents, tides, salinity, temperature, and/or topography. It is entirely likely the waste from multiple ships might use the same water repeatedly for dilution. Worst of all, this practice will risk contaminating any fish or other marine life unfortunate enough to be within the mixing zone at the time of discharge. Mixing zones are not based on biological science; they are engineering-based risk analyses that presume organisms will either not be present when the discharge occurs, not be harvested and consumed, or represent a small enough percentage of the population so as to not result in long term harm to the overall ecosystem.

The cruise industry asserts it should be allowed to use the mixing zone loophole because some other dischargers have mixing zones. Poor performance by other dischargers, be they private or municipal, does not justify allowing the cruise lines to seek the lowest common denominator of wastewater treatment. It is important to

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note that many of their "peers," in particular many Alaskan communities, are using equipment designed in the 1950's and built in the 1970's and struggle to find the money to improve performance, which usually only occurs through property tax increases and the selling of municipal bonds to match federal dollars received through the under-funded State Revolving Loan Fund. The Alaska cruise fleet probably averages ten or at most fifteen years in age and the cruise industry has recorded billion dollar profits year after year – they can afford to do the job right now, and in doing so they will show others how they can improve their performance.

Alaska's WQS implementation rules, in addition to containing provisions for authorizing mixing zones, also include an Antidegradation Policy (18AAC70.015) requiring the State to prohibit lowering the quality of a receiving water unless the best possible treatment method(s) is applied. On February 17th, DEC released a draft feasibility study describing multiple technologies capable of meeting WQS at the point of discharge. The study stated that while some of the technologies were not ready to be installed on ships immediately, there appeared to be no reason the technologies could not be adapted for shipboard use in the near future. On Feb 18th, DEC hosted a technology conference in Juneau on the same issue. Vendors and scientists testified throughout the day on their ability and willingness to re-engineer existing land-based treatment systems that can meet all WQS at the point of discharge for use in the cruise fleet. The draft report and the conference directly contradicted the cruise industry's claim that no such technologies exist or are likely to be available in the foreseeable future.

In fact, there is little (if any) evidence to support any recent testing or installation of new equipment in the cruise fleet to address pollutants such as heavy metals or ammonia, even though the industry has known since the initiative election in 2006 that State law would eventually require them to either improve their performance, discharge on-shore, or discharge outside of Alaska waters. Rather than invest the time and money necessary to improve their performance they have chosen to spend their resources on lobbyists and lawyers to try and get the law changed. HB134 (as passed out of HCRA) is the industry's vehicle for achieving this objective. Regardless of the opinion one might have on the broad question of mixing zone authorization, it cannot honestly be argued that this bill is anything but premature given the information released in the recent DEC report and at the technology conference the following day.

I trust you recall that in 2001 we heard the same cry from this industry when Alaska demanded better performance on the removal of fecal bacteria from their wastestreams. They said such performance was impossible. They said no applicable technologies existed. They threatened that requiring cleaner discharges would result in the death of their industry in Alaska, and along with it the demise of the Alaska tourism economy. What was the result of our demand for better treatment? Several companies immediately launched efforts to build better machines for removing solids and bacteria on ships. Today, two thirds of the fleet coming to Alaska has these improved technologies on board.

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There is little doubt that if the cruise lines had already been making the effort to comply with our rules they would have succeeded by now. Even so, DEC has given the industry a pass on meeting the no-mixing zone discharge rules until 2010, and that date could be extended to accommodate the added research, design, and testing phases necessary to bring the new technologies on line. No fines or penalties have been assessed to date and that allowance could be extended as well, provided an honest effort to comply was underway. In other words, the bill before you today seeks to remove an achievable performance requirement that will not come due for another year *at minimum.* There is simply no harm whatsoever to this industry in keeping the present law in place while new and better treatment methods are adapted for ship board use. For these reasons, it is clear that HB134 is premature, and should not move forward at this time.

Our oceans are finite. Discharging more pollutants into our waters, regardless of their potential for dispersal, will eventually result in deleterious impacts on our fisheries resources. One would hope we'd have learned this lesson by now, given the result that similar applications of the "dilution-solution" have had on our atmosphere.

I apologize I cannot attend the hearing to testify in person today. I coach the Haines High School Debate/Drama/Forensics team, and I am traveling with the team today as we return from the State championships where I am proud to say Haines High placed second in the State for 1A/2A/3A schools.

Thank you for considering my comments on this important issue.

Sincerely,

Gershon Cohen PhD

Gershon Cohen Ph.D., Project Director, CSAW
Co-sponsor, Alaska Cruise Ship Ballot Initiative

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COMMENTS ON HB 134 – CRUISE SHIP MIXING ZONES
To: House Resources Committee
March 2, 2009

From: Stacy Studebaker
Kodiak Audubon Society – Conservation Chair
P.O. Box 970
Kodiak AK 99615
(907) 486-6498

Dear Representatives,

My name is Stacy Studebaker and I've lived in Alaska for nearly 40 years, 30 of that in Kodiak. I'm a biologist, a retired science teacher and the Conservation Chair of the Kodiak Audubon Society, established in 1982. Our mission is to conserve Alaska's natural ecosystems focusing on birds, other wildlife, and their habitats for the benefit and enjoyment of current and future generations.

Kodiak has been receiving more interest from the cruise ship industry recently with 24-27 visits scheduled this year. That is nearly double what we had just a few years ago. As cruise ships enter our waters that support our fishery economy, we must hold them to the strictest standards for water quality. Cruise ships will come and go, but our fishery economy is what sustains us. If we are going to give the cruise ship industry the benefit of visiting our beautiful island then they need to reciprocate by investing in better on-board technology that ensures that their wastewater doesn't pollute our marine ecosystem and jeopardize our seafood industry.

We oppose HB 134. The bill is premature and unnecessary. If it passes, it removes the ban on mixing zones and would allow harmful pollutants from cruise ship wastewater such as copper and ammonia to be directly discharged into marine waters.

Research has identified copper as specifically affecting salmon. Given the nature of the main pollutants associated with cruise ship operations, such as metals, it is imperative that these discharges are regulated and that every effort is made to minimize discharge directly into the marine environment so that our seafood remains safe to eat and our marine food chain in tact for all marine life.

Mixing zones are rules that allow for pollutants to be discharged directly into the environment and diluted before water quality is tested. Mixing zones are not science based. They are engineering-based risk analyses that assume that organisms will either not be present when the discharge occurs, not be harvested and consumed, or represent a small enough percentage of the population as to not result in long-term harm to the environment or people. When the water you are impacting supports the food you eat, the base of your economy, and the habitat of wildlife, missing zones are unacceptable.

The cruise ship initiative was passed by a majority vote of the people in 2006 with the intent to protect water quality from the harmful impacts of cruise shop wastewater pollution. In a recent poll conducted by Anchorage Channel 2 News, 81 percent of respondents asked if they think the state should loosen waste water regulations for cruise ships answered no. The 2006 initiative was a major milestone towards realizing the fundamental goals of the Clean Water Act to protect our marine ecosystem and the integrity and image of our Alaskan fishery industry.

The Alaska voter initiative created the demand for a solution to the problem: advancing technology to deal with removing pollutants from cruise ship wastewater either on-board or on shore. HB 134 would remove the incentive that is currently driving these advances.

The voter initiative created the original deadline for cruise ships to meet the new standards. We are in favor of extending the deadline a couple of years which would allow developers more time to work on better and more innovative waste water methods to fit on board ships. In the mean time, cruise ships must comply with existing laws.

Thank you,

Stacy Studebaker

Stacy Studebaker
Kodiak Audubon Society – Conservation Chair

Alaska State Legislature

Please enter into the record my testimony to the HOUSE RESOURCES committee name

committee on HB 134 bill/subject, dated MARCH 2, 2009.

PLEASE SEE TESTIMONY ATTACHED

Signed: STACY STUDEBAKER (TRANSMITTED VIA EMAIL)
Testifier

KODIAK AUDUBON SOCIETY
Representing (Optional)

P.O. BOX 970 KODIAK 99615
Address

(907) 486-6498
Phone No.

Testimony OPPOSING HB 134

Dear Chairman and members of this committee my name is Albert Judson, a Registered Voter and resident of Haines, Alaska. I disagree with HB 134 and in my following statements I hope that you would re-consider any prior actions and eliminate this bill from the legislative process of this legislature.

Question: "What would happen if the Enviromental Protection Agency reversed their Decision of 1973 when they exempted vessel discharges requiring a Federal Permit?"

CONSIDERATIONS

1. Historical:

HB 134 was introduced by seven republican Representatives. It was introduced at the request of the cruise ship industry. This bill deletes part of an Initiative submitted by Alaska people and approved by Alaska Voters in 2006. "At the point of discharge" is what they want to delete.

In the 1990's a major conference was called because of wastewater and air pollution fines on cruise ships in Alaska. The Alaska department of Enviromental Conservation asked the U.S. Enviromental Protection Agency, Southeast Communities to join with cruise ship representatives, Alaska Tribes, environmental groups, and concerned Alaska citizens to join public discussion about cruise ship pollution. This resulted in the Alaska Cruise Ship Initiative which was dissolved in 2001 and formed the Cruise Passenger Vessel Enviromental Compliance Program within the Alaska Department of Enviromental Conservation.

2. The Alaska initiative process is very strict. The initiative of 2006 satisfied all the requirements certified by Lieutenant Governor Loren Leman and put on the ballot. The people voted for it and it became law. The reason for the words "at the point of discharge" is because of the ship's mobility and areas that they travel.

3.The Cruise Ship Industry has until 2010 to comply with this initiative. Technological Advancements have already occurred and more are likely to occur especially in the Green Industry. This Cruise Ship Industry numbers in the billion dollar bracket so, eventually Compliance is NOT impossible.

4. The impact on Harbors and Docks to allow adequate space for Alaska people has yet to be determined.

5. To allow dumping by Cruise Ships in mixing zones would conflict with commercial and subsistence efforts by Alaska's people.

6. The negative impact portrayed in the New York Times, 2/15,/2009 by Jennifer Conlin is what Alaskans are confronting. Cruise Ships emit twice as much carbon dioxide as airplanes, most ships use bunker fuel the cheapest and dirtiest fuel oil, a one week voyage on a large ship produces 210,000 gallons of sewage, a million gallons of graywater (from sinks, baths, showers, laundry and galleys) 25,000 gallons of bilge water, 11,550 gallons of sewer sludge and more than 13,000 gallons of hazardous waste.

HB 134 should be eliminated from the legislative process by this Legislature.

Signed, Albert Judson

(Albert Judson)

Box 1151

Haines, Alaska 99827.....registered Voter & resident.

(II.)

CITY OF SEWARD
P.O. BOX 167
SEWARD, ALASKA 99664-0167

- Main Office (907) 224-4050
- Police (907) 224-3338
- Harbor (907) 224-3138
- Fire (907) 224-3445
- City Clerk (907) 224-4046
- Engineering (907) 224-4049
- Utilities (907) 224-4050
- Fax (907) 224-4038

March 10, 2009

The Honorable Mark Neuman
Co-Chair, House Resources Committee
State Capitol, Room 432
Juneau, AK 99801

RE: HB 134 An Act relating to the terms and conditions of commercial passenger vessel permits for the discharge of graywater, treated sewage, and other wastewater

Dear Chairman Neuman:

We are writing to express our support for HB 134 as originally proposed, and our concern with Representative Seaton's pending amendment. We appreciate your request for input from impacted communities.

As you know, the original intent of HB 134 was giving ADEC the authority to examine all options for protecting our water and marine environment and using the best science available to establish appropriate and effective wastewater discharge standards for cruise ships. While we support efforts to improve the environment, in our opinion, the amendment from Representative Seaton departs from that intent in a couple of ways.

The amendment appears to make significant changes in environmental policies for coastal communities without seeking input from the coastal communities which would be affected. The top priorities in our community for use of the cruise ship head tax revenue are improvements that make Seward a better port for cruise ships and their passengers. The proposed amendment limits our ability to accomplish needed port infrastructure because a substantial portion of the revenues is redirected- to a purpose not prioritized by Seward. The amendment will almost certainly increase community operating costs for wastewater treatment plants - i.e., it is an unfunded (state) government mandate.

It is also important to remember that future court action could find that many current appropriations of the regional impact tax are not legal. The State or communities could conceivably be required to return improperly expended funds to the passengers who paid the taxes.

As you know, we have a public and open process to identify and prioritize local capital improvement projects. With input from the public, we have developed the priorities that we believe will improve services to cruise ships, their passengers, and our communities. With declining oil revenue and limited budgets, it is safe to say that upgrading municipal wastewater treatment plants to ultra high standards would not be the top priority of the majority of our residents.

For the reasons stated above, we respectfully request you oppose the amendment and move the bill from committee in its current form. Thank you for your consideration.

Clark Corbridge
Mayor, City of Seward

Phillip Oates
City Manager

cc: House Resources Committee

City of Ketchikan

March 12, 2009

Representative Mark Neuman
Co-Chair, House Resources Committee
State Capitol, Room 432
Juneau, AK 99801

RE: HB 134, An Act relating to the terms and conditions of commercial passenger vessel permits for the discharge of graywater, treated sewage, and other wastewater

Dear Chairman Neuman:

I am writing to express my support for HB 134 as originally proposed, as well as my concern with Representative Seaton's pending amendment.

As you know, the original intent of HB 134 is to give the Alaska Department of Environmental Conservation the ability to look at all options and use the best science to establish discharge standards that will protect our water and marine environment. This amendment accomplishes the exact opposite.

The amendment appears to make significant changes in environmental policies for coastal communities without any input from coastal communities, and I appreciated your suggestion that input be solicited from potentially impacted port communities.

My concerns with the amendment include:

1. The priorities for port communities are improvements to port infrastructure. For example, Ketchikan's top priority for port-related development is a $25-30 million upgrade to replace two old wooden cruise berths downtown. Unfortunately, major port communities such as Ketchikan and Juneau do not receive a regular annual distribution from the first five ports of call distribution formula that was in the initiative.

334 Front Street / Ketchikan, AK 99901 / PH: 907-225-3111 / FX: 907-225-5075

I find it very interesting that those who cleverly designed the initiative to exclude port communities such as Ketchikan and Juneau from the receipt of passenger tax funds are now trying to induce the port communities to accept funds only for expenditures on treatment plants. This further limits our ability to access the passenger tax revenue for needed port infrastructure by diverting a substantial portion of the revenue to a purpose which was never considered by the voters.

2. While the amendment proposes to allocate up to 50% of the passenger tax revenues to the design and construction of wastewater plants in port communities, it appears to saddle the communities with any increased operating costs. For your information, our community received a preliminary estimate last week that an upgrade to its plant would cost $20-40 million, and operational costs would increase by $1-3 million per year. Furthermore, the upgrade would not be to the 2010 standard arbitrarily imposed by the initiative on cruise vessels.

3. Section 7 seems to be a "poison pill." It appears to state that, if a court finds the excise tax unconstitutional, two sections are repealed, and there is a return to the status quo on vessel discharge. This appears to be the case even if substantial funds had already been expended on shore-based facilities. I believe that, based upon how the state is distributing proceeds of the passenger tax, federal restrictions on its use are being violated and litigation may be both appropriate and likely.

As you know, local communities such as Ketchikan have a very open process to identify and prioritize local capital improvement projects. With input from the public, we have developed our top priorities that we believe will improve the lives of our citizens. With declining oil revenue and limited budgets, it is safe to say that upgrading municipal wastewater treatment plants to such ultra high standards would not be the top priority of the majority of our residents; we are more interested in funding to repair bridges and trestles, expand our hydro resources, and replace aging facilities such as fire stations, hospitals, and libraries. My familiarity with the state appropriations process is such that I believe that receipt of significant funds for unwanted projects such as wastewater plant upgrades would result in a decrease of funding that otherwise might be available for other capital projects which have actually been requested by our communities.

Furthermore, I have tried - with little success to date - to engage the initiative sponsors in a process to sit down and develop a fair way of distributing the proceeds of the passenger fees to benefit the ports of call actually impacted by the ships and their passengers and crews. I am still willing to do that.

I am not willing, however, to have them tell us what out capital priorities should be.

For the reasons stated above, I respectfully request that you oppose the amendment and move the bill from committee in its current form.

Thank you for your consideration.

Sincerely,

Bob Weinstein
Mayor

cc: Senator Bert Stedman
Representative Kyle Johansen
Ketchikan City Council

Alaska State Legislature

Interim: (June – Dec.)
716 West 4TH Avenue, Suite 600
Anchorage, Alaska 99501-2133
(907) 269-0129
Fax (907) 269-0128

Session: (Jan. – May)
State Capitol, Room 403
Juneau, Alaska 99801-1182
(907) 465-4859
Fax (907) 465-3799

REPRESENTATIVE JOHN HARRIS

March 11, 2009

Governor Sarah Palin
Office of the Governor
Juneau, Alaska

Subject: Large Commercial Passenger Vessel Wastewater Discharge Permits

Dear Governor Palin:

This is to call your attention to legislation relating to wastewater discharge permits for large passenger vessels operating in state waters. Policy direction from your office would be helpful to the legislature, coastal communities, vessel owners, and many interested individuals toward resolving this issue.

House Bill 134 would provide the Department of Environmental Conservation with the same authority to regulate wastewater discharges of large vessels that it has with other entities. Current law – which was established by voter initiative in 2006 – requires testing of vessel wastewater specifically at the point of discharge.

Testing at the point of discharge imposes a different methodology than that which exists for any other industry or municipality in Alaska. For example, mining operations, seafood processing, and coastal communities have their discharges tested at a reasonable distance away from the discharge point. Be that as it may, clean water itself should be our standard, and if someone is polluting our waters, then DEC must step in and stop them.

In spite of the initiative's language, DEC issued a general permit for all large commercial passenger vessels on March 25, 2008 that provides interim effluent limits and recognizes that vessels need time to make changes to their operations or equipment. The compliance schedule provides a deadline of 2010 to fully meet new standards for ammonia, copper, nickel, and zinc.

I believe this first discharge permit was a good first step. It complies with the citizens' initiative, and it establishes a reasonable approach toward developing vessel treatment systems that will keep our marine water clean.

Two bills have already been signed into law that have amended the citizens' initiative. One, by former Sen. Kim Elton, removed state ferries and other vessels of similar size from the initiative's requirements. Another, by Rep. Lindsey Holmes, removed certain passenger disclosure provisions. HB 134 – if enacted – would not be the first change to the initiative.

As the prime sponsor of HB 134, I have confidence that DEC is fully qualified to evaluate the best available methods and technologies and apply them to the operational permits that cruise ships must obtain. A technology session recently held by DEC revealed several approaches that could result in protecting Alaska waters; however, it found that not all systems could work on all vessels, not all vessels could discharge to shore, and all this is a developing field needing further evaluation by DEC. The bottom line is that your administration is working right now toward bringing the best treatment systems possible on board vessels as quickly as possible.

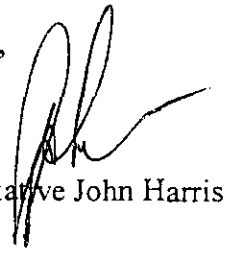
By having confidence in DEC's ability and efforts, I sponsored HB 134. Giving the agency broad authority does nothing to diminish water quality standards. Its officials are working hard to implement the best treatment technology as quickly as possible, and they will hold vessels to high water quality standards.

Unless a bill is enacted this session that amends the testing requirement "at the point of discharge," both large commercial passenger vessels and DEC will face a difficult decision. Either the agency will have to continue to issue permits that don't meet the requirements of the citizens' initiative or large commercial passenger vessels will have to abide by standards for which technology is not now available.

HB 134 returns that authority to the agency. Your support for the legislation will convey your confidence that the agency will do the job that we expect it to do.

Thank you for your time and consideration of this important issue.

Sincerely,



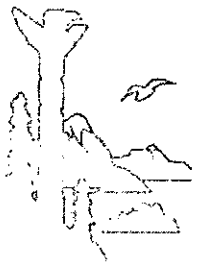
Representative John Harris

cc: Commissioner Larry Hartig, Department of Environmental Conservation
Jerry Gallagher, Legislative Director, Office of the Governor

Division of Water

Water Quality Standards

http://www.state.ak.us/dec/water/wqsar/trireview/trireview.htm



2003-2005 Triennial Review

Section Manager, Nancy Sonafrank
(907) 451-2726

Examples of Mixing Zones in Alaska Today

Nearly every wastewater discharge to Alaska's surface waters has a permit that includes provisions for a mixing zone. The most common are for municipal wastewater treatment systems. Under current regulations mixing zones may be authorized in streams and rivers that that contain salmon, but may not be authorized in spawning areas for salmon and specified resident fish in these waters. Mixing zones are also commonly authorized in marine waters. Below are some examples of mixing zones authorized in Alaska today.

General Permit for Shore-based Seafood Processing Facilities

The large majority of seafood processing facilities operate under a general permit. The mixing zone is for residues, dissolved gas, oil and grease, pH, color, turbidity, fecal coliform, total residual chlorine and temperature. The mixing zone is defined as a cylindrical volume with a horizontal radius of 100 feet from the diffuser and the full depth of the waterbody.

Mendenhall Wastewater Treatment Plant – Juneau

A mixing zone for municipal wastewater is allowed in the Mendenhall River for fecal coliform bacteria, dissolved oxygen, pH, metals, nutrients, and whole effluent toxicity (WET). The mixing zone for this discharge is defined as the area within a rectangle centered over the diffuser with a width of 30 meters and extending both upstream and downstream from the diffuser a distance of 150 meters, and to the full depth of the river. The mixing zone size is based on a 10-year, 7-day low river flow. The mixing zone provides a dilution of 10:1.

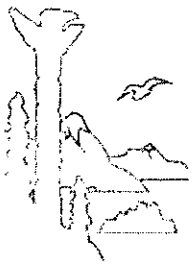
Soldotna Wastewater Treatment Facility – Soldotna

A mixing zone for municipal wastewater is allowed in the Kenai River for fecal coliform bacteria, dissolved oxygen, temperature, total chlorine residual, pH, metals, nutrients, and whole effluent toxicity (WET). The mixing zone for this discharge is defined as the area extending downstream from the diffuser a distance of 47 meters and having a width of 5 meters. The mixing zone provides a dilution of 30:1.

Division of Water

Water Quality Standards

http://www.state.ak.us/dec/water/wqsar/trireview/trireview.htm



2003-2005 Triennial Review

Section Manager, Nancy Sonafrank
(907) 451-2726

Mixing Zones
Fact Sheet

What is a mixing zone?

Even with the best treatment technology, wastewater discharges from sewage treatment and industrial facilities (i.e. mining, seafood processing, oil exploration or production, etc.) sometimes have low levels of pollutants. Most wastewater discharges permitted in Alaska are to surface waters such as the ocean, lakes, streams, or rivers. The area where treated wastewater is authorized by DEC to mix with a water body is called a mixing zone.

How do they work?

All wastewater discharges into surface water require a permit that may contain authorization for a mixing zone. Mixing zone authorizations take into consideration habitat and aquatic life, water flow, water quantity, natural currents, and the quantity and quality of the wastewater that's being discharged. If the circumstances surrounding a proposed mixing zone do not meet the State's standards, a mixing zone cannot be authorized. Requiring an authorization for mixing zones ensures that they are carefully designed using waterbody-specific information, water quality is monitored, and that water quality standards are met outside the mixing zone boundary so as not to create long-term impacts to people or the environment.

Who uses mixing zones?

Most mixing zones are authorized for sewage treatment plants run by local governments, as well as seafood processors, fish hatcheries, oil and gas facilities, mining operations and other industrial facilities.

Why are mixing zones used?

Mixing zones are an important tool regulators use to control water pollution. They allow Alaska to have very high standards for water quality. Without the authority to issue mixing zones, the State would have to use other methods to adjust for current limitations in treatment technologies, which could result in lowering the overall standards. Without mixing zones, sewage treatment plants would have to treat raw sewage to a level that could serve as a source of drinking water before being discharged into a water body. Although this goal may be technically achievable by NASA standards, it is not yet an economically feasible option for most communities or industries. There are no sewage treatment plants or seafood processors in Alaska that discharge wastewater to a surface water body (and the vast majority do) that could operate without a mixing zone.

What does the law say about mixing zones?

States have authority to allow mixing zones under the Clean Water Act; the Environmental Protection Agency has published mixing zone guidance; and all other states use them in addition to Alaska. Mixing zones have been included in the Alaska water quality standards regulations since 1973.

By State statute, the department must designate specific uses of water and establish standards for quality and purity to protect those uses. The water quality standards, which include mixing zone provisions, must protect the growth and propagation of aquatic life, the public health of those who consume the water or the aquatic organisms, and other water uses such as industrial, agricultural and recreational use. State statute also directs the Departments of Natural Resources and Fish and Game to protect salmon and resident fish habitat quality and establishes requirements for construction in, or use of waters (for example, as a mixing zone) that are important to fish.

Division of Water

Water Quality Standards

http://www.state.ak.us/dec/water/wqsar/trireview/trireview.htm

2003-2006 Triennial Review

Lynn Kent, Water Division Director (907) 269-6281
Nancy Sonafrank, Program Manager (907) 451-2726

Mixing Zone Requirements in Regulation (as of March 23, 2006)

In determining whether to authorize a mixing zone, DEC must consider:

- the characteristics of the receiving water
- the characteristics of the effluent
- the effects, including cumulative effects of multiple discharges, along with nonpoint sources of pollution on the uses of the water
- any measures that would mitigate potential adverse effects to aquatic resources
- any other relevant factors

In order to authorize a mixing zone DEC must find that the:

- effluent will be treated to remove, reduce and disperse the pollutants using the most effective, technologically and economically feasible, and at a minimum consistent with statutory and regulatory treatment requirements
- designated and existing uses of the waterbody as a whole will be maintained and protected
- overall biological integrity of the waterbody will not be impaired
- mixing zone is as small as practicable

To obtain a mixing zone approval, the mixing zone can <u>not:</u>

- result in an acute or chronic toxic effect in the water column, sediments, or biota outside the boundaries of the mixing zone
- create a public health hazard that would preclude or limit existing uses of the waterbody for water supply or contact recreation
- preclude or limit established processing activities, commercial, sport, personal-use, or subsistence fish and shellfish harvesting
- result in a reduction in fish or shellfish population levels
- result in permanent or irreparable displacement of indigenous organisms
- adversely affect threatened or endangered species except as authorized under the Endangered Species Act
- form a barrier to migratory species or fish passage
- contain pollutants that bioaccumulate, bioconcentrate, or persist above natural levels in sediments, water, or biota
- present an unacceptable risk to human health from carcinogenic, mutagenic, teratogenic, or other effects
- settle to form objectionable deposits
- produce floating debris, oil, scum and other material in concentrations that form nuisances
- result in undesirable or nuisance aquatic life
- produce objectionable color, taste, or odor in aquatic resources harvested from the area for human consumption
- cause lethality to passing organisms
- exceed acute aquatic life criteria beyond a smaller initial mixing zone surrounding the outfall

Submitted by UFA in response to questions about copper & salmon

RECEIVED
MAR 13 2009

Summary of:
Copper: Effects on Freshwater Food Chains and Salmon
A literature review

Highlights of a published scientific literature review of potential effects of increasing copper to salmon and their freshwater food chains.

Dr. Carol Ann Woody
Fisheries Research and Consulting

Sources of Copper

Copper occurs naturally in the environment at low levels. High levels are recorded for regions where hard rock and coal mining, smelting and refining occur and in areas near industrial and municipal waste sites.

The proposed Pebble mine would be a large-scale copper-gold-molybdenum mine with characteristics similar to other mines that increased copper and other pollutants harmful to fish in the surrounding environment and waters. The proposed Pebble site has sulfide rock that when exposed to air and water creates acid that can increase copper and other harmful pollutant concentrations downstream. Rain, which is acidic, can also mobilize and wash copper and other metals into salmon habitat from mining regions.

Copper and Salmon

While copper is a necessary trace element for all living organisms, hundreds of studies show that copper in small amounts can be lethal and have many sub-lethal effects that increase mortality rates and decrease fish survival and production. Salmon and their food sources can have a very low tolerance for this pollutant. The harmful effects of long-term, low-level exposure to copper may be difficult to detect compared to mass fish kills caused by a single toxic spill.

Copper can:

1. Impair a salmon's sense of smell.
   Salmon use their keen sense of smell to identify predators, prey, kin, and mates. Mixing up any of these relationships could be detrimental or fatal to salmon.
2. Interfere with normal salmon migration.
   If salmon cannot smell, or if the chemical signature changes in streams where salmon hatch, then fish will likely stray to and spawn in non-natal habitats to which they are not adapted. This could cause lower salmon survival and reduce the biodiversity that supports Bristol Bay fisheries.
3. Impair a salmon's ability to fight disease.
   a. Copper is a biological stress agent which depresses immune system function. Fish, like humans, tend to get sick when stressed.
   b. Copper can impair salmon's breathing and brain function.
   c. Copper also disrupts osmoregulation in salmon, the process by which cells maintain fluid and electrolyte balance with their surroundings. This can stress salmon and make them more susceptible to disease.
4. Impair salmon's ability to sense vibrations in the water which helps them avoid predators.

5. Change salmon's enzyme activity, blood chemistry and metabolism, which can cause death and impair reproduction.
6. Delay or accelerate natural hatch rates, which can reduce salmon survival rates.
7. Kill or harm salmon food sources, including algae, zooplankton, aquatic insects and fish.

Copper and Other Toxins

Numerous elements, in addition to copper, such as zinc, cadmium, mercury, iron, lead, aluminum, and selenium are released at hard rock mining sites in a unique cocktail. The combined effect of exposure to copper and other metals, such as zinc, can be more deadly than exposure to copper alone.

1. Studies of the effects of these chemical cocktails show depressed immune systems in rainbow trout and other fish.
2. Federal and State water quality limits for metals do not take these effects into account.

Alaska's Water Quality Regulations, Copper and Salmon

The State of Alaska's water quality standard for protection of freshwater species, including salmon, is 9 micrograms of copper per liter or parts per billion (ppb). This is roughly equal to ¼ teaspoon in a 40,000 gallon swimming pool. The human drinking water standard for copper is 144 times higher than the level allowed for salmon, at 1,300 ppb. [Alaska Department of Environmental Conservation 18 AAC 2006.]

Harmful and even deadly effects of dissolved copper are documented throughout the food chain, from salmon to algae, at lower copper concentrations than the State of Alaska allows in waterways. For example:

1. Some algae, at the base of the salmon food chain, are harmed at $1/9^{th}$ the level of copper allowed by the State of Alaska. Declines in algae translate to less food for sockeye.
2. Zooplankton, aquatic insects and other salmon prey are harmed within 48 hours at copper concentrations $1/3^{rd}$ the allowed level.
3. Many species of freshwater plants and animals die within 96 hours at waterborne copper concentrations starting at just over ½ the allowed level. Studies have found that sensitive species of mollusks, crustaceans and fish can die at $1/26^{th}$ the allowed level.
4. An increase of copper less than $1/3^{rd}$ the allowed levels interferes with a juvenile coho's ability to smell. King salmon avoided waters with copper levels $1/12^{th}$ the allowed level.

The State of Alaska uses a formula to calculate acceptable copper pollution levels that doesn't take into account many factors that affect toxicity to salmon, including age, size, and reproductive condition of fish, and water quality measures like temperature, pH, salinity, and dissolved particle concentrations.

This summary fact sheet is based on a paper prepared by Dr. Carol Ann Woody, founder of Fisheries Research and Consulting. Dr. Woody has a PhD in Fisheries Science from the University of Washington and over 20 years of Alaskan experience including 14 years researching salmon in both the Kvichak and Kasilof River watersheds of Alaska. She served as a technical expert for the US Geological Survey to other federal agencies for both the Galore Creek and Pebble mines and their implications to aquatic resources. She has published more than 25 scientific papers on salmon and a recent book on advances in sockeye salmon research. Dr. Woody is a past-President of the Alaska Chapter of the American Fisheries Society and currently serves on the Environmental Concerns Committee. She is adjunct faculty at the University of Alaska, Fairbanks, and the University of Idaho, Moscow.

Summary of *Copper: Effects on Freshwater Food Chains and Salmon*, by Dr. Carol Ann Woody, August 2007.
Summary prepared by Trout Unlimited for the Alaska State Legislature, September 2007.

Alaska Independent Tenderman's Association

P.O. Box 6315 Sitka, AK. 99835
907-723-2137 or 206-910-6656

Representative Chris Tuck
State Capitol Building Rm 426
Juneau, AK 99801-1182
Representative_Chris_Tuck@legis.state.ak.us

Dear Mr. Tuck,

Thank you for you interest in preserving Alaska clean waters. The Alaska Independent Tenderman's Association is totally opposed to using "mixing zones" for the discharge of waste water. After dealing with cruise ships and their discharges for 30 years now I can assure you they need no more loopholes to use to discharge their waste. They have gotten better in the last few years only because of pressure brought to bare upon them. They still discharge when they think they can get away with it. See passed state fines. Mixing zones are just that, mixing zones, the waste does not go away it just gets diluted.

It is not just the discharges it is the effect upon the worlds perception of "Pristine Alaskan Seafood". If the world thinks that cruise ships are dumping their wastes in the water that salmon migrate through then we loose the reputation for clean, pure seafood. Once the perception of pollution it never goes away. Prince William Sound is a good example of that. World perception is that it is still oiled long after visual traces have disappeared.

We are a small organization representing 60-70 tenders throughout the state. Unfortunately we have no hard data concerning cruise ship discharges. We have a hard enough time keeping track of ourselves. As you know hard data rarely wins out over perception in any advertising campaign. Let's all do our part to keep our seafood clean and pure. "Keep it clean, Keep it cold, Keep it Moving" ASMI's Motto not ours.

Sincerely,

Jim Edson, President

SARAH PALIN
GOVERNOR
GOVERNOR@GOV.STATE.AK.US

P.O. BOX 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 19, 2009

The Honorable John Harris
Alaska State Legislature
State Capitol, Room 403
Juneau, AK 99801

Dear Representative Harris:

Thank you for your letter requesting my help clarifying expectations for the Department of Environmental Conservation (DEC) should your legislation, known as HB 134, pass the Legislature and become law. I share your confidence in DEC's abilities and efforts, and agree that DEC officials are working hard to implement the best treatment technology as quickly as possible.

I would like to assure you, and anyone else interested in this issue, that in the event that this legislation passes, DEC will retain the ability to preserve and protect water quality through their existing permitting authority. While discharge permits could be modified to include mixing zones where appropriate, cruise ships would still have to obtain and comply with permits that will fully protect aquatic life and other uses of Alaska's waters. Permits could include a variety of conditions to ensure water quality is protected.

DEC would retain the authority to prevent backsliding by assuring that any standards currently achieved must continue to be met and would have the ability to mandate that the best and most feasible treatment technology be used. As you may know, DEC is aware of no technologies currently available for widespread shipboard use that would allow standards to be met. From DEC's technology conference held last month, it appears there are new waste reduction and treatment options that could become commercially available in the future. We want to encourage improvement, and continue to explore these options.

I appreciate your interest and efforts in this issue and hope this information is helpful as you continue hearings on this legislation.

Sincerely,

Sarah Palin
Governor

3673

Department of Environmental Conservation
Testimony before the House Resources Committee
on AMENDMENTS TO CS HB 134 (CRA) (Bill Version 26-LS0570\E.6)
March 25, 2009

Introduction

DEC appreciates Representative Harris and the Co-chairs of the House Resources Committee giving DEC the opportunity to provide input on an amendment to CS HB 134 (CRA). We believe our discussions have been fruitful and the amended bill (Bill Version 26-LS0570\E.6) the committee has before you is an improvement to the original bill.

At the point of Discharge Requirement

The amendment to CS HB 134 (CRA) (Bill Version 26-LS0570\E.6) leaves the requirement for waste water discharges to meet Alaska water quality standards "at the point of discharge" in AS 46.03.462 unchanged, but allows DEC to grant exceptions under section 3 (e) where cruise ships, despite employing the most effective and reasonable pollution prevention, control and treatment measures, cannot currently meet this standard. The discharges would still have to meet all other DEC regulatory requirements. The environment will still be protected while industry works to meet the "at the point of discharge" standard for all pollutants.

Technology Forcing Requirements

The amendment includes two significant technology forcing requirements that are designed to make continuous progress towards meeting the Alaska water quality standards at the point of discharge.

1. When issuing or re-issuing permits the department would need to determine that a permittee is using the most effective methods of pollution prevention, control and treatment that are technologically and economically feasible, but the permittee is still unable to meet the water quality standards at the point of discharge; and

2. DEC would:

   - Convene a science advisory panel of select experts to advise the Department on methods to reduce sources of contaminants and on current and emerging treatment technologies for the onboard or onshore treatment of wastewater form cruise ships.

- In conjunction with the advisory panel, DEC will:
    - hold one or more technology conferences to look at progress in treatment technologies, again, including both on-board and on-shore options.
    - Evaluate the quality of waste water effluent the cruise ships have been able to achieve;
    - Estimate timeframes for implementation of new technologies based on the technical requirements and economic factors;
    - Evaluate potential economic impacts to transitioning to new technologies; and
    - Evaluate the environmental improvements and costs anticipated from the new technologies.

DEC will provide an interim report to the legislature in January 2012 and a final report in January of 2014 which provides an opportunity for the legislature to evaluate the progress and determine if any additional changes should be made to the statutes prior to the 2014 cruise ship season.

Anti-backsliding

The cruise ship industry in Alaska has been able to achieve a relatively high quality effluent already. They are meeting state water quality standards "at the point of discharge" for many pollutants. The pollutants that have been more difficult to reduce or remove are ammonia, copper, and to a lesser degree nickel and zinc. Even here, some vessels have come close to meeting the "at the point of discharge" requirement.
The anti-backsliding provision in the bill amendment prohibits DEC from relaxing an effluent limit established in a previous permit, ensuring that any gains made in wastewater quality will be maintained.

DEC anticipates, if HB 134 passes, it will be issuing a modified general permit for cruise ship wastewater that reflects the changes called for under the bill. Once that permit is modified, the "anti-backsliding" requirement in section 3 (g) of the amended bill would assure that any ground already gained in reducing pollutants in wastewater discharges from cruise ships would not be lost.

Future Action

At the start of the 2014 Legislative Session, the Legislature will have DEC's final report regarding on-board and on-shore treatment technologies applicable to treating wastewater from cruise ships. It will also know the track record on what the cruise ship industry has been able to achieve to date and the time and estimated economic impacts of implementing any new treatment technologies.

The Legislature can modify AS 46.03.462 to impose any appropriate requirements as to those pollutants that may still not be treated to the "at the point of discharge" standard, or if the Legislature believes DEC's existing requirements are sufficient, do nothing further. Under section 6 of the amended bill, the Science Advisory Panel would sunset.

It is important to understand that under this amended bill, cruise ships would continue to be subject to the anti-backsliding requirement. They would also be required, at a minimum to use "the methods of pollution prevention, control, and treatment found by the DEC to be the most effective and reasonable." Finally, they would still have to meet all of the other permitting requirements of DEC.

Fiscal Impact

DEC anticipates it would not need an increment or new positions in FY 2010. An increment might be needed for work in later years, but DEC would try to fund all work out of cruise ship registration fees. This was the funding source for past studies and ongoing permitting costs.

Conclusion

Again, DEC appreciates the opportunity to provide input on the amendment.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM March 26, 2009

SUBJECT: Legal and editorial analysis of CSHB 134( )
(Work Order No. 26-LS0570\C)

TO: Representative Mark Neuman
Co-chair of the House Resources Committee
Attn: Rex Shattuck

FROM: Alpheus Bullard
Legislative Counsel

This memorandum accompanies the blank committee substitute you requested. You asked that I prepare 26-LS0570\C in strict adherence to the language and form of a draft that you provided. We have not subjected this committee substitute to our usual legal and editorial review process, but I have been advised, and need to alert you, that this office will make the following technical drafting corrections at its earliest opportunity, at least during the bill enrollment process if not at an earlier date --

page 2, line 7: "**except as provided in (e) of this section**" to replace "**except as provided in 46.03.462(e)**" [Drafting Manual at page 60]; and

page 4, line 16: "Sections 1 - 5" to replace "Sections 1 through 5".

TLAB:med
09-030.med

Enclosure

3677

26-LS0570\T
Bullard
3/27/09

CS FOR HOUSE BILL NO. 134( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES HARRIS, Kelly, Millett, Johansen, Foster, Keller, Chenault, Coghill, Johnson, Wilson, Muñoz, Hawker

A BILL

FOR AN ACT ENTITLED

"An Act relating to the terms and conditions of commercial passenger vessel permits for the discharge of graywater, treated sewage, and other waste water; establishing a science advisory panel on wastewater treatment in the Department of Environmental Conservation; and providing for an effective date."

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

* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE INTENT. It is the intent of the legislature that the minimum standards for the terms and conditions of wastewater discharge permits for large commercial passenger vessels meet all applicable state and federal effluent limits or standards, including Alaska Water Quality Standards, governing pollution at the point of discharge if the Department of Environmental Conservation, in consultation with its science advisory panel on wastewater treatment, determines that compliance with those limits or standards is the most effective technologically and economically feasible.

* **Sec. 2.** AS 46.03.462(b) is amended to read:

(b) The minimum standard terms and conditions for all discharge permits authorized under this section require that the owner or operator

(1) may not discharge untreated sewage, treated sewage, graywater, or other wastewaters in a manner that violates any applicable effluent limits or standards under state or federal law, including Alaska Water Quality Standards governing pollution at the point of discharge**, except as provided in AS 46.03.462(e)**;

(2) shall maintain records and provide the reports required under AS 46.03.465(a);

(3) shall collect and test samples as required under AS 46.03.465(b) and (d) and provide the reports with respect those samples required by AS 46.03.475(c);

(4) shall report discharges in accordance with AS 46.03.475(a);

(5) shall allow the department access to the vessel at the time samples are taken under AS 46.03.465 for purposes of taking the samples or for purposes of verifying the integrity of the sampling process; and

(6) shall submit records, notices, and reports to the department in accordance with AS 46.03.475(b), (d), and (e).

* **Sec. 3.** AS 46.03.462 is amended by adding new subsections to read:

(e) When issuing, reissuing, renewing or modifying a permit required under (a)(1) of this section, the department may include effluent limits or standards less stringent than those required under (b)(1) of this section for no more than two years duration if the department finds that a permittee is using methods of pollution prevention, control and treatment found by the department to be the most effective, technologically and economically feasible in controlling all wastes and other substances in the discharge but is unable to achieve compliance with Alaska Water Quality Standards at the point of discharge.

(f) In developing an effluent limit or standard under (e) of this section, the department shall

(1) require use of methods of pollution prevention, control and treatment found by the department to be the most effective, technologically

economically feasible; and

(2) apply all other applicable provisions of state law and this section.

(g) When reissuing, renewing, or modifying a permit required under this section that was issued after the effective date of this bill section, the department may not include effluent limits or standards less stringent than the comparable effluent limitations in a previous permit issued under this section.

(h) Nothing in this section shall be construed to limit the authority of the department to

(1) restrict the areas in which discharges permitted under this section may occur; or

(2) impose additional terms and conditions on the manner in which discharges permitted under this section may be made in a specific area.

* **Sec. 4.** AS 46.03 is amended by adding a new section to read:

Sec. 46.03.464. Advisory panel on wastewater treatment; commissioner's reports to the legislature. (a) A science advisory panel is established in the department. The panel consists of 11 members selected by the commissioner. Members of the panel serve without compensation but are entitled to transportation expenses and per diem as authorized for members of boards and commissions under AS 39.20.180. Each of the individuals the commissioner selects will serve for up to a five-year period and have expertise in the design, operation or function of wastewater management and treatment systems; among the 11 panel members, the commissioner will select at least one individual from each of the following groups:

(1) coastal community domestic wastewater management;

(2) cruise ship industry;

(3) commercial fishing industry; and

(4) a non-governmental organization with an interest in water quality matters.

(b) The panel shall

(1) meet at the call of the commissioner and give public notice of meetings of the panel as required under AS 44.62.310 and 44.62.312;

(2) hold one or more public conferences or workshops before 2012,

with at least one public conference or workshop to be held between January 1, 2012, and January 1, 2014, if the department issues, renews, or modifies a permit required under AS 46.03.462(a)(1) after January 1, 2012; and

(3) assist and advise the commissioner in conducting the analyses and preparing the reports required in (c) and (d) of this section.

(c) On or before January 1, 2012, the commissioner, in consultation with the panel, shall provide a preliminary report to the legislature that summarizes

(1) methods of pollution prevention, control, and treatment in use and the level of effluent quality achieved by commercial passenger vessels;

(2) additional methods of pollution prevention, control, and treatment that could be employed to provide the most effective, technologically and economically feasible measures to control all wastes and other substances in the discharge; and

(3) the environmental benefit and cost of implementing additional methods of pollution prevention, control and treatment identified in (c)(2) of this section.

(d) On or before January 1, 2014, the commissioner, in consultation with the panel, shall provide a final report to the legislature that includes the topics identified in (c)(1) - (3) of this section.

* **Sec. 5.** AS 46.03.465 is amended by adding a new subsection to read:

(h) On request, the owner or operator of a commercial passenger vessel discharging wastewater under AS 46.03.462(b) shall provide the department with information relating to wastewater treatment, pollution avoidance, and pollution reduction measures used on the vessel, including testing and evaluation procedures and economic and technical feasibility analyses.

* **Sec. 6.** AS 46.03.464 is repealed.

* **Sec. 7.** Section 6 of this Act takes effect June 1, 2014.

* **Sec. 8.** Sections 1 through 5 of this Act take effect immediately under AS 01.10.070(c).

Conceptual #1
3.26.09

AMENDMENT __

OFFERED IN THE HOUSE

BY_____ to CS HB 134 (CRA) as amended ~~26-LS-0570\E.6~~

Page ~~3 line 16~~ following "consists of" insert "eleven

Page ~~3 line 18~~ following "AS39.20.180." Insert "Each of the individuals the commissioner selects will serve for up to a five year period and have expertise in the design, operation or function of wastewater management and treatment systems; the Commissioner will select at least one individual from each of the following groups:

(1) coastal community domestic wastewater management;
(2) cruise ship industry;
(3) commercial fishing industry; and
(4) a non-governmental organization with an interest in water quality matters.

~~Con~~ amendment to: line 4, after Commissioner & "also"

adopted 3/26/09

out of eleven, the Comm. will select at least one . . .

Rex Shattuck

From: Carlson-Van Dort, Marit K (DEC) [marit.carlson-van.dort@alaska.gov]
Sent: Thursday, March 26, 2009 4:17 PM
To: Rep. Mark Neuman
Cc: John Bitney; Hartig, Lawrence L (DEC); Kent, Lynn J T (DEC); Heese, Ruth Hamilton (LAW); Rex Shattuck; Rep. Craig Johnson
Subject: Science Advisory Panel Amendment to HB 134
Importance: High

Representative Neuman,

Per our conversation this morning, below is some draft amendment language to define the membership of the science advisory panel proposed in Amendment 3 to CS HB 134 (CRA). Please feel free to give me a call if you'd like to discuss.

AMENDMENT __

OFFERED IN THE HOUSE

BY_____ to CS HB 134 (CRA) as amended 26.LS.0570\E.6

Page 2 line 31 following "consists of" insert "eleven
Page 2 line 31 following "commissioner." Insert "Each of the individuals the commissioner selects will serve for up to a five year period and have expertise in the design, operation or function of wastewater management and treatment systems; the Commissioner will select at least one individual from each of the following groups:

(1) coastal community domestic wastewater management;
(2) cruise ship industry;
(3) commercial fishing industry; and
(4) a non-governmental organization with an interest in water quality matters.

NOTE:
As the Commissioner stated on the record, he envisioned the panel consisting of between eight and twelve members. We have no opinion on the specific number eleven.

Thank you,

Märit Carlson-Van Dort
Legislative Liaison
Alaska Department of Environmental Conservation
(907) 465-5871 phone
(907) 465-5070 fax

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM March 26, 2009

SUBJECT: Legal and editorial analysis of CSHB 134( )
(Work Order No. 26-LS0570\C)

TO: Representative Mark Neuman
Co-chair of the House Resources Committee
Attn: Rex Shattuck

FROM: Alpheus Bullard TLAB
Legislative Counsel

This memorandum accompanies the blank committee substitute you requested. You asked that I prepare 26-LS0570\C in strict adherence to the language and form of a draft that you provided. We have not subjected this committee substitute to our usual legal and editorial review process, but I have been advised, and need to alert you, that this office will make the following technical drafting corrections at its earliest opportunity, at least during the bill enrollment process if not at an earlier date --

page 2, line 7: "**except as provided in (e) of this section**" to replace "**except as provided in 46.03.462(e)**" [Drafting Manual at page 60]; and

page 4, line 16: "Sections 1 - 5" to replace "Sections 1 through 5".

TLAB:med
09-030.med

Enclosure

26-LS0570\C
Bullard
3/26/09

CS FOR HOUSE BILL NO. 134( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES HARRIS, Kelly, Millett, Johansen, Foster, Keller, Chenault, Coghill, Johnson, Wilson, Muñoz, Hawker

A BILL

FOR AN ACT ENTITLED

"An Act relating to the terms and conditions of commercial passenger vessel permits for the discharge of graywater, treated sewage, and other waste water; establishing a science advisory panel on wastewater treatment in the Department of Environmental Conservation; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE INTENT. It is the intent of the legislature that the minimum standards for the terms and conditions of wastewater discharge permits for large commercial passenger vessels meet all applicable state and federal effluent limits or standards, including Alaska Water Quality Standards, governing pollution at the point of discharge if the Department of Environmental Conservation, in consultation with its science advisory panel on wastewater treatment, determines that compliance with those limits or standards is the most effective technologically and economically feasible.

* **Sec. 2.** AS 46.03.462(b) is amended to read:

(b) The minimum standard terms and conditions for all discharge permits authorized under this section require that the owner or operator

(1) may not discharge untreated sewage, treated sewage, graywater, or other wastewaters in a manner that violates any applicable effluent limits or standards under state or federal law, including Alaska Water Quality Standards governing pollution at the point of discharge**, except as provided in 46.06.462(e)**;

(2) shall maintain records and provide the reports required under AS 46.03.465(a);

(3) shall collect and test samples as required under AS 46.03.465(b) and (d) and provide the reports with respect those samples required by AS 46.03.475(c);

(4) shall report discharges in accordance with AS 46.03.475(a);

(5) shall allow the department access to the vessel at the time samples are taken under AS 46.03.465 for purposes of taking the samples or for purposes of verifying the integrity of the sampling process; and

(6) shall submit records, notices, and reports to the department in accordance with AS 46.03.475(b), (d), and (e).

* **Sec. 3.** AS 46.03.462 is amended by adding new subsections to read:

(e) When issuing, reissuing, renewing or modifying a permit required under (a)(1) of this section, the department may include effluent limits or standards less stringent than those required under (b)(1) of this section for no more than two years duration if the department finds that a permittee is using methods of pollution prevention, control and treatment found by the department to be the most effective, technologically and economically feasible in controlling all wastes and other substances in the discharge but is unable to achieve compliance with Alaska Water Quality Standards at the point of discharge.

(f) In developing an effluent limit or standard under (e) of this section, the department shall

(1) require use of methods of pollution prevention, control and treatment found by the department to be the most effective, technologically

economically feasible; and

(2) apply all other applicable provisions of state law and this section.

(g) When reissuing, renewing, or modifying a permit required under this section that was issued after the effective date of this bill section, the department may not include effluent limits or standards less stringent than the comparable effluent limitations in a previous permit issued under this section.

(h) Nothing in this section shall be construed to limit the authority of the department to

(1) restrict the areas in which discharges permitted under this section may occur; or

(2) impose additional terms and conditions on the manner in which discharges permitted under this section may be made in a specific area.

*** Sec. 4.** AS 46.03 is amended by adding a new section to read:

Sec. 46.03.464. Advisory panel on wastewater treatment; commissioner's reports to the legislature. (a) A science advisory panel is established in the department. The panel consists of members selected by the commissioner. Members of the panel serve without compensation but are entitled to transportation expenses and per diem as authorized for members of boards and commissions under AS 39.20.180.

(b) The panel shall

(1) meet at the call of the commissioner and give public notice of meetings of the panel as required under AS 44.62.310 and 44.62.312;

(2) hold one or more public conferences or workshops; and

(3) assist and advise the commissioner in conducting the analyses and preparing the reports required in (c) and (d) of this section.

(c) On or before January 1, 2012, the commissioner, in consultation with the panel, shall provide a preliminary report to the legislature that summarizes

(1) methods of pollution prevention, control, and treatment in use and the level of effluent quality achieved by commercial passenger vessels;

(2) additional methods of pollution prevention, control, and treatment that could be employed to provide the most effective, technologically and economically feasible measures to control all wastes and other substances in the

discharge; and

(3) the environmental benefit and cost of implementing additional methods of pollution prevention, control and treatment identified in (c)(2) of this section.

(d) On or before January 1, 2014, the commissioner, in consultation with the panel, shall provide a final report to the legislature that includes the topics identified in (c)(1) - (3) of this section.

*** Sec. 5.** AS 46.03.465 is amended by adding a new subsection to read:

(h) On request, the owner or operator of a commercial passenger vessel discharging wastewater under AS 46.03.462(b) shall provide the department with information relating to wastewater treatment, pollution avoidance, and pollution reduction measures used on the vessel, including testing and evaluation procedures and economic and technical feasibility analyses.

*** Sec. 6.** AS 46.03.464 is repealed.

*** Sec. 7.** Section 6 of this Act takes effect June 1, 2014.

*** Sec. 8.** Sections 1 through 5 of this Act take effect immediately under AS 01.10.070(c).

26-LS0570\E.6
Bullard
3/25/09

#3

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 134(CRA)

Page 1, line 2, following "**water;**":

Insert "**establishing a science advisory panel on wastewater treatment in the Department of Environmental Conservation;**"

Page 1, following line 4:

Insert a new bill section to read:

"*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE INTENT. It is the intent of the legislature that the minimum standards for the terms and conditions of wastewater discharge permits for large commercial passenger vessels meet all applicable state and federal effluent limits or standards, including Alaska Water Quality Standards, governing pollution at the point of discharge if the Department of Environmental Conservation, in consultation with its science advisory panel on wastewater treatment, determines that compliance with those limits or standards is technologically and economically feasible."

The most

Page 1, line 5:

Delete "**Section 1**"

Insert "**Sec. 2**"

Page 1, line 11:

Delete "[AT THE POINT OF DISCHARGE]"

Insert "at the point of discharge**, except as provided in 46.03.462(e)**."

3689

Page 2, line 9:

Delete all material and insert:

"* **Sec. 3.** AS 46.03.462 is amended by adding new subsections to read:

(c) When issuing, reissuing, renewing or modifying a permit required under (a)(1) of this section, the department may include effluent limits or standards less stringent than those required under (b)(1) of this section if the department finds that a permittee is using methods of pollution prevention, control and treatment found by the department to be the most effective, technologically and economically feasible in controlling all wastes and other substances in the discharge but is unable to achieve compliance with Alaska Water Quality Standards at the point of discharge.

(f) In developing an effluent limit or standard under (e) of this section, the department shall

(1) require use of methods of pollution prevention, control and treatment found by the department to be the most effective, technologically economically feasible; and

(2) apply all other applicable provisions of state law and this section.

(g) When reissuing, renewing or modifying a permit required under this section that was issued after the effective date of this bill section, the department may not include effluent limits or standards less stringent than the comparable effluent limitations in a previous permit issued under this section.

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(1) restrict the areas in which discharges permitted under this section may occur; or

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the panel serve without compensation but are entitled to transportation expenses and per diem as authorized for members of boards and commissions under AS 39.20.180.

(b) The panel shall

(1) meet at the call of the commissioner and give public notice of meetings of the panel as required under AS 44.62.310 and 44.62.312;

(2) hold one or more public conferences or workshops; and

(3) assist and advise the commissioner in conducting the analyses and preparing the reports required in (c) and (d) of this section.

(c) On or before January 1, 2012, the commissioner, in consultation with the panel, shall provide a preliminary report to the legislature that summarizes

(1) methods of pollution prevention, control and treatment in use and the level of effluent quality achieved by commercial passenger vessels;

(2) additional methods of pollution prevention, control and treatment that could be employed to provide the most effective, technologically and economically feasible measures to control all wastes and other substances in the discharge; and

(3) the environmental benefit and cost of implementing additional methods of pollution prevention, control and treatment identified in (c)(2) of this section.

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*** Sec. 5.** AS 46.03.465 is amended by adding a new subsection to read:

(h) On request, the owner or operator of a commercial passenger vessel discharging wastewater under AS 46.03.462(b) shall provide the department with information relating to wastewater treatment, pollution avoidance, and pollution reduction measures used on the vessel, including testing and evaluation procedures and economic and technical feasibility analyses.

*** Sec. 6.** AS 46.03.464 is repealed.

*** Sec. 7.** Section 6 of this Act takes effect June 1, 2014.

*** Sec. 8.** Sections 1 through 5 of this Act take effect immediately under AS 01.10.070(c)."

HB

162

HOUSE COMMITTEE REPC T

(9)
Date Referred to Committee: March 2, 2009 **FURTHER REFERRALS: Finance**

Date of Committee Action: 8 Apr 2009

The RESOURCES Committee considered: **HOUSE BILL NO. 162**

"An Act establishing the Southeast State Forest and relating to the Southeast State Forest; and providing for an effective date."
HB 162 SOUTHEAST STATE FOREST

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* _____ (_____)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW FISCAL NOTES *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
DNR				✓

PREVIOUS FISCAL NOTES				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
					X
		✓			
Bryce Edgmon	Edgmon	✓			
	Ivan	✓			
Paul K Seaton	SEATON	✓			
Peggy Wilson	WILSON	✓			
Chair:	Johnson	✓			
Chair:		X			

STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

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☐ 550 WEST 7TH AVENUE, SUITE 1400
ANCHORAGE, ALASKA 99501-3650
PHONE: (907) 269-8431
FAX: (907) 269-8918

February 27, 2009

Representative Craig Johnson, Co-Chairman
House Resources Committee
State Capitol, Room 126
Juneau, Alaska 99801

Re: House Bill 162 – Establishing the Southeast State Forest

Dear Representative Johnson,

Please accept this request for your consideration to schedule HB 162 before the House Resources Committee at your earliest convenience.

This bill would establish a new Southeast State Forest (SESF) in Southeast Alaska. The SESF would be managed as part of the State Forest System under AS 41.17.200-.230. Designated lands include 20 parcels totaling approximately 25,291 acres on Prince of Wales, Tuxekan, Kosciusko, Heceta, Revilla, and Gravina islands, and on the mainland at Crittenden Creek. Lands in the State Forest would continue to be open for multiple uses, including wildlife habitat and harvest and recreational activities. Legislatively designating a State Forest would ensure that some land will remain available for long-term forest management, and enable thinning to increase timber volumes.

The bill is supported by the Alaska State Forest Association, hunting and recreation groups as well as all surrounding land owners. Attached are a Sectional Analysis, DNR's zero fiscal note and background materials and maps.

If you have any questions regarding the bill, feel free to contact Melanie Lesh, Special Assistant, Department of Natural Resources' and Legislative Liaison at 465-4730, or Marty Freeman, the Forest Resources Program Manager at 269-8473.

Sincerely,

for Thomas E. Irwin
Commissioner

"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans."

3694

Briefing: **HB 162**

Southeast State Forest

DEPARTMENT OF NATURAL RESOURCES -- DIVISION OF FORESTRY

Alaska Department of NATURAL RESOURCES

March 2, 2009

Background. The state Department of Natural Resources manages over 156,000 acres of forest land in Southern Southeast (SSE) Alaska. Of this land, timber management is allowed on approximately 49,000 acres. The state actively manages this timber base to supply wood to local processors. Remaining land is designated primarily for other uses including land sales, recreation, water resources, and fish and wildlife habitat, including over 25,000 acres of legislatively designated state parks, refuges, and public use areas.

In SSE, demand for state timber exceeds supply. The majority of timber in SSE is on federal land, but federal timber sales have declined drastically. Local mills now depend heavily on state timber for survival. The state is committed to finding long-term solutions by:

- maximizing the sustainable supply of timber from the small state timber base.
- working with the US Forest Service to increase economically feasible federal timber sales, and
- accelerating the transition from old-growth harvesting to harvesting second-growth.

There is broad support for shifting timber harvesting in SE Alaska from old growth to second-growth stands. Actively-managed second-growth stands provide more timber volume per acre on shorter rotations, and have less impact on wildlife. Much of the state timber land was inherited from the USFS with young second-growth stands. We can accelerate the shift to second-growth harvesting and increase timber volume on state land by thinning these stands. However, thinning is a long-term investment, and is only justified if the land will continue to be available for forest management. Legislatively designating a State Forest would ensure that some land will remain available for long-term forest management.

Purpose. This bill would establish a new Southeast State Forest from state lands presently used for timber harvest. The Division of Forestry will be able to manage the State Forest for a long-term supply of timber to local processors, and retain the land in state ownership for multiple uses.

Proposed State Forest land. The proposed Southeast State Forest includes 20 parcels totaling approximately 25,291 acres (see chart). Parcels are General Use lands on Prince of Wales, Tuxekan, Kosciusko, Heceta, Revilla, and Gravina islands, and on the mainland at Crittenden Creek. The Division of Forestry worked with the Division of Mining, Land, and Water Management to identify and exclude lands that are priorities for the state land disposal program.

State Forest Management. The Southeast State Forest would be managed as part of the State Forest System under AS 41.17.200-.230. Lands in the State Forest would continue to be open for multiple uses, including wildlife habitat and harvest and recreational activities. State Forest lands would be managed consistent with the management intent under the current Prince of Wales Island and Central Southeast area plans. Changes to management intent would require public and interagency review through adoption of a State Forest Management Plan under AS 41.17.230.

Municipal Entitlements. The City and Borough of Wrangell boundary encompasses three parcels in the proposed state forest (Crittenden Creek and Bradfield Canal East and West). A State Forest designation will not affect the amount or location of land the Wrangell Borough can select. That determination is based on the maximum total acreage of vacant, unappropriated, unreserved land in the borough boundaries within two years after the date of incorporation (AS 29.65.030). However, a borough would not normally be able to select land within a State Forest. To avoid conflicts with the Wrangell entitlement, the Southeast State Forest bill specifies that the Wrangell Borough may select State Forest land within the borough boundary.

If new municipalities are incorporated before June 30, 2019, lands that were vacant, unappropriated, unreserved land before establishment of the State Forest will be included in the calculation of the municipal entitlement acreage, but may not be selected.

PROPOSED SOUTHEAST STATE FOREST

Planning Unit	Acreage	General Location	Island
Prince of Wales Island Area Plan			
4a	1,528.21	El Capitan – North	Prince of Wales
4a	600.44	El Capitan – South	Prince of Wales
6a	1,558.11	Coffman Cove – West	Prince of Wales
6a	320	Coffman Cove – East	Prince of Wales
7b	200	Tuxekan – East	Tuxekan
7c	436.89	Naukati – North	Prince of Wales
7c	640	Naukati – South	Prince of Wales
8b	480	Kosciusko/Edna Bay – North	Kosciusko
8b	2,199.84	Kosciusko/Edna Bay – South	Kosciusko
10a	1,257.92	Heceta Island – West	Heceta
10a	752.8	Heceta Island – East	Heceta
11a	744.32	Control Lake	Prince of Wales
11c	2,040	Thorne Bay – North	Prince of Wales
11c	840	Thorne Bay – South	Prince of Wales
Central Southeast Area Plan			
K-04	324.20	Traitors Cove	Revillagigedo
K-33	901.03	Gravina/Vallenar	Gravina
K-41	4,977.38	Gravina/Bostwick	Gravina
W-01	3,087.72	Crittenden Creek	Mainland
W-19	624.15	Bradfield Canal – West	Mainland
W-20	1,778.56	Bradfield Canal – East	Mainland
TOTAL	**25,291.14**	**20 parcels**	

Municipal Entitlements. The City and Borough of Wrangell boundary encompasses three parcels in the proposed state forest (Crittenden Creek and Bradfield Canal East and West). A State Forest designation will not affect the amount or location of land the Wrangell Borough can select. That determination is based on the maximum total acreage of vacant, unappropriated, unreserved land in the borough boundaries within two years after the date of incorporation (AS 29.65.030). However, a borough would not normally be able to select land within a State Forest. To avoid conflicts with the Wrangell entitlement, the Southeast State Forest bill specifies that the Wrangell Borough may select State Forest land within the borough boundary.

If new municipalities are incorporated before June 30, 2019, lands that were vacant, unappropriated, unreserved land before establishment of the State Forest will be included in the calculation of the municipal entitlement acreage, but may not be selected.

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7c	436.89	Naukati – North	Prince of Wales
7c	640	Naukati – South	Prince of Wales
8b	480	Kosciusko/Edna Bay – North	Kosciusko
8b	2,199.84	Kosciusko/Edna Bay – South	Kosciusko
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11c	2,040	Thorne Bay – North	Prince of Wales
11c	840	Thorne Bay – South	Prince of Wales
Central Southeast Area Plan			
K-04	324.20	Traitors Cove	Revillagigedo
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W-19	624.15	Bradfield Canal – West	Mainland
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TOTAL	**25,291.14**	**20 parcels**	

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

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March 2, 2009

Sectional Analysis
HB 162
Establishing the Southeast State Forest and relating to the Southeast State Forest; and providing for an effective date

This bill would establish a new Southeast State Forest (SESF). The SESF would be managed as part of the State Forest System under AS 41.17.200-.230. Lands in the State Forest would continue to be open for multiple uses, including wildlife habitat and harvest and recreational activities. The State Forest designation would not affect the Wrangell Borough municipal entitlement, nor would it affect calculation of entitlement acreage for future municipalities in southeast Alaska.

Section 1 – Southeast State Forest.

Legal descriptions. Section 1, subsections (a) and (d) provide legal descriptions for the lands to be designated as the Southeast State Forest (SESF). Designated lands include 20 parcels totaling approximately 25,291 acres (see chart) on Prince of Wales, Tuxekan, Kosciusko, Heceta, Revilla, and Gravina islands, and on the mainland at Crittenden Creek. These parcels are an important part of the state timber base, but are classified as General Use land, which may be sold in the future. Legislatively designating a State Forest would ensure that some land will remain available for long-term forest management, and enable thinning to increase timber volumes. Designated lands exclude areas identified as important sites for future state land disposals.

Management plan and transportation corridor. Subsection (b) directs DNR to prepare a management plan for the Southeast State Forest. Under AS 41.17.230 a management plan is required within three years after a State Forest is established. State Forest management plans must consider and permit multiple uses, include recreation and tourism, mining, use of fish and wildlife, and other traditional uses, unless the Commissioner issues a site-specific written finding that a use in incompatible with one or more other uses. Public, interagency, and Board of Forestry review is required prior to adoption of a State Forest management plan. As in other state forests, Subsection (c) states that the DNR Commissioner may also establish transportation corridors within the State Forest.

Municipal entitlements. Subsection (e) clarifies the relationship of the Southeast State Forest to current and potential municipal entitlements. State Forests can affect the amount of land a municipality is entitled to select, and the land

available for selection. The amount of land a municipality may select is based on the maximum total acreage of vacant, unappropriated, unreserved (VUU) land in the borough boundaries within two years after the date of incorporation (AS 29.65.030). Municipal selections are limited to VUU land. Land classified as General Use land is VUU land, but State Forests are not.

The SESF is designed to have no impact on Wrangell Borough land selections. The amount of land that Wrangell Borough may select is already fixed by its date of incorporation, and this bill specifies that the Wrangell Borough may select State Forest land within the borough boundary. Three parcels in the SESF are within the Wrangell Borough boundary.

If new municipalities are incorporated before June 30, 2019, the SESF will not affect the amount of land that they can select. The bill specifies that State Forest lands that were VUU land before establishment of the State Forest will be included in the calculation of the entitlement acreage. However, parcels in the SESF may not be selected. If municipalities form after 2019, the amount and location of their entitlement would be based on the VUU land at that time.

Section 2. Regulations. This section authorizes DNR to immediately adopt regulations to implement the bill.

Section 3. Effective date for regulations. Under Section 3 the authority to adopt regulations (Section 2) takes effect immediately.

Section 4. Effective date for State Forest. Section 4 provides for an effective date of July 1, 2008.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 162
(H) Publish Date: 3/2/09

Identifier (file name): 0012-DNR-FOR-02-09-09
Dept. Affected: Natural Resources
Title: Southeast State Forest
RDU: Resource Development
Component: Forest Management & Development
Sponsor: Rules Committee
Requester: Governor
Component Number: 435

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES ( )	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Interagency Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost: 0.0

POSITIONS

Full-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: *(Attach a separate page if necessary)*

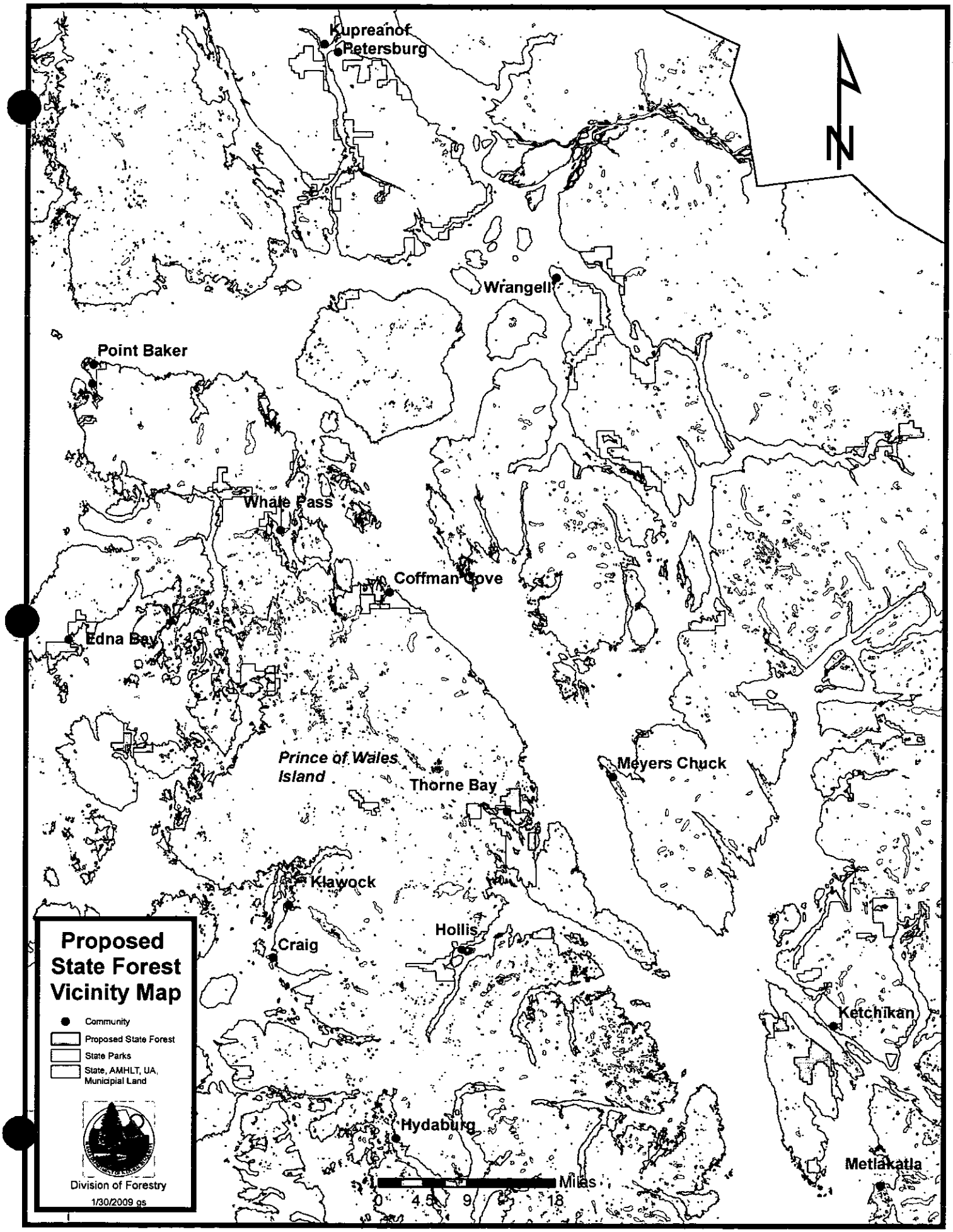
This bill establishes a 25,291-acre State Forest in Southern Southeast Alaska by redesignating certain state-owned parcels. A timber management plan would be developed to actively manage the parcels for higher timber volumes per acre, shorter rotations and less impact on wildlife. This would involve thinning young second-growth stands; a long-term investment not justified for undesignated lands.

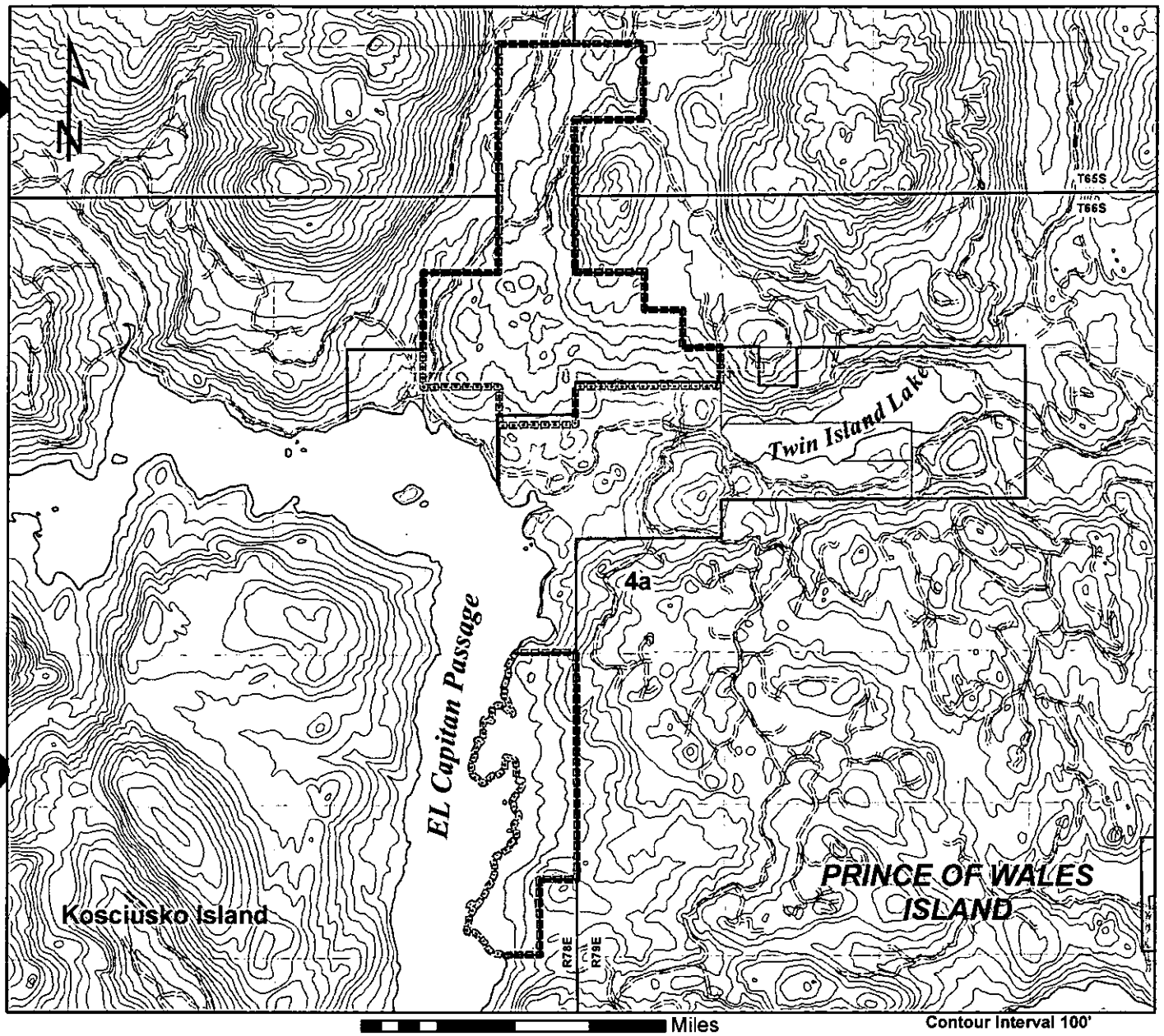
Implementation of this bill will not require new positions or funding. The bill will have no short-term impact to the revenue stream, but will provide for long-term increases in forest productivity and subsequent increased timber revenues.

Prepared by: Chris Maisch, Director
Phone 451-2660
Division: Division of Forestry
Date/Time: February 9, 2009
Approved by: Tom Irwin, Commissioner
Date: February 9, 2009
Natural Resources

(Revised 9/10/2008 OMB)

3700


Kupreanof
Petersburg
N
Wrangell
Point Baker
Whale Pass
Coffman Cove
Edna Bay
Prince of Wales Island
Thorne Bay
Meyers Chuck
Klawock
Craig
Hollis
Ketchikan
Hydaburg
Metlakatla
Proposed State Forest Vicinity Map
Community
Proposed State Forest
State Parks
State, AMHLT, UA, Municipal Land
Division of Forestry
1/30/2009 gs
0 4.5 9 18
Miles



Legend

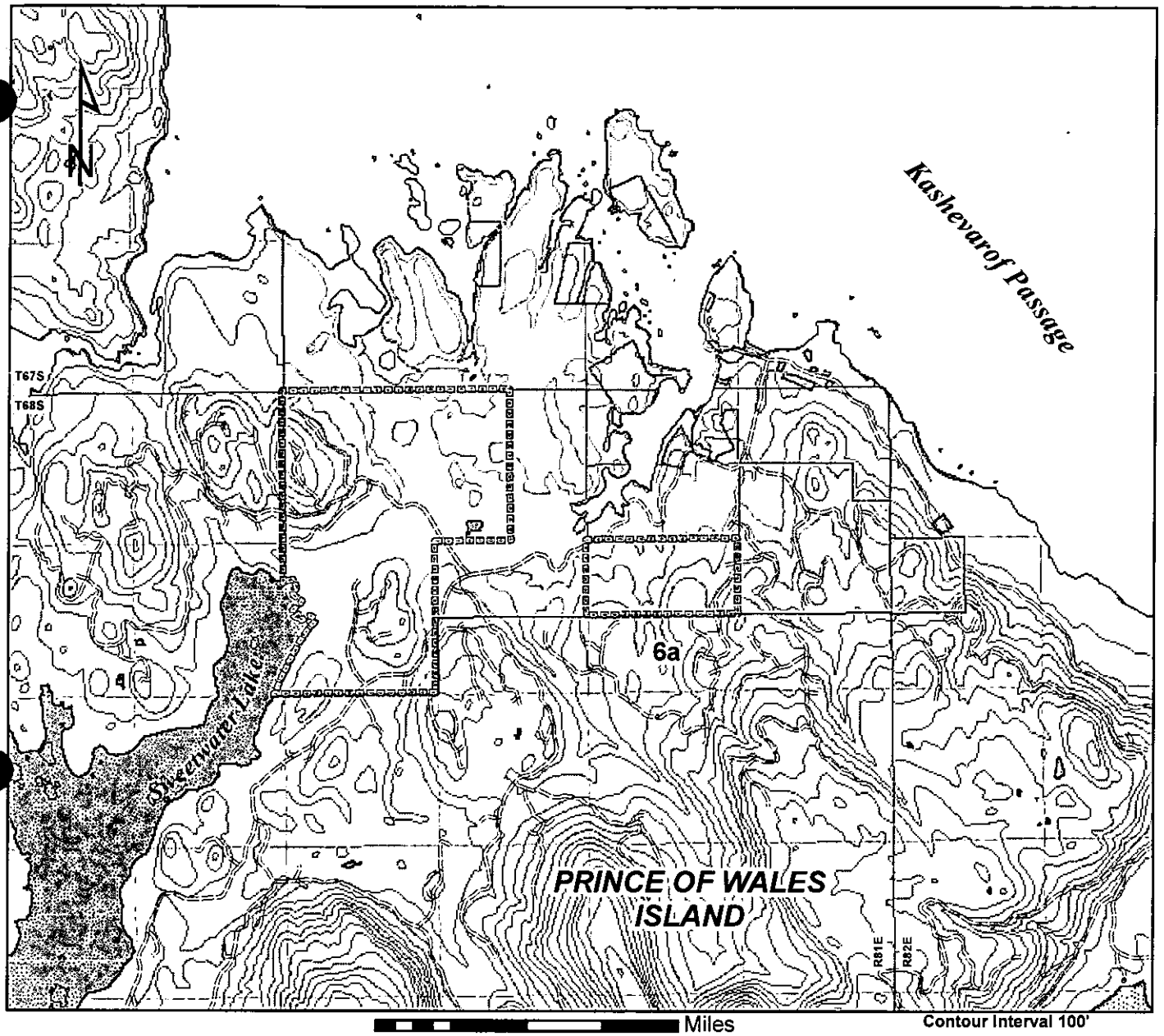
- Property Line
- Proposed State Forest
- GU
- Disposable
- Recreation
- Habitat
- Roads

Proposed Southeast Alaska State Forest El Capitan

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

1/30/09 gs



Legend

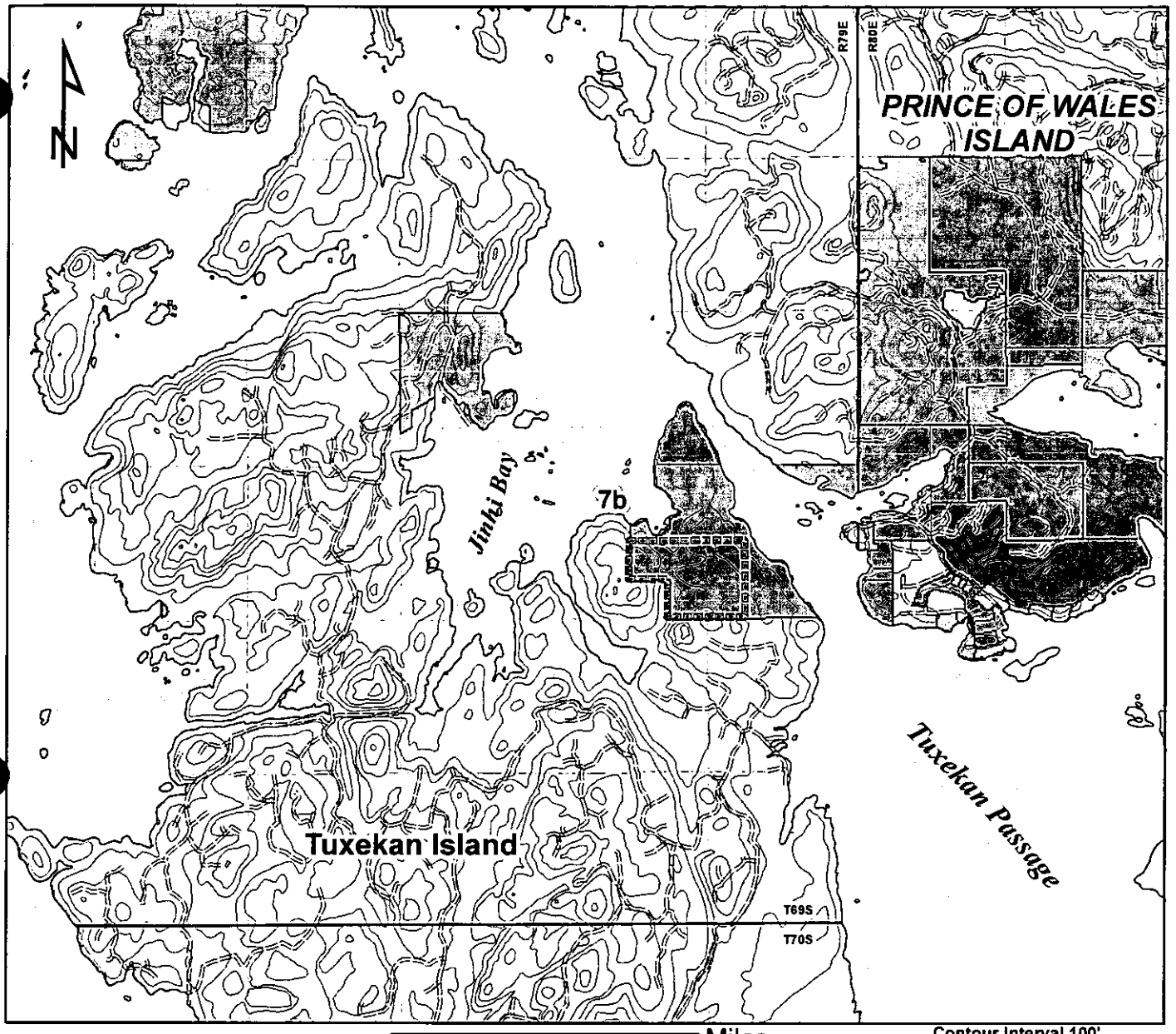
- Proposed State Forest
- GU
- Disposable
- Recreation
- Habitat
- Roads

Proposed Southeast Alaska State Forest Coffman Cove

DIVISION OF FORESTRY

1/19/2009 gs

3703



Legend

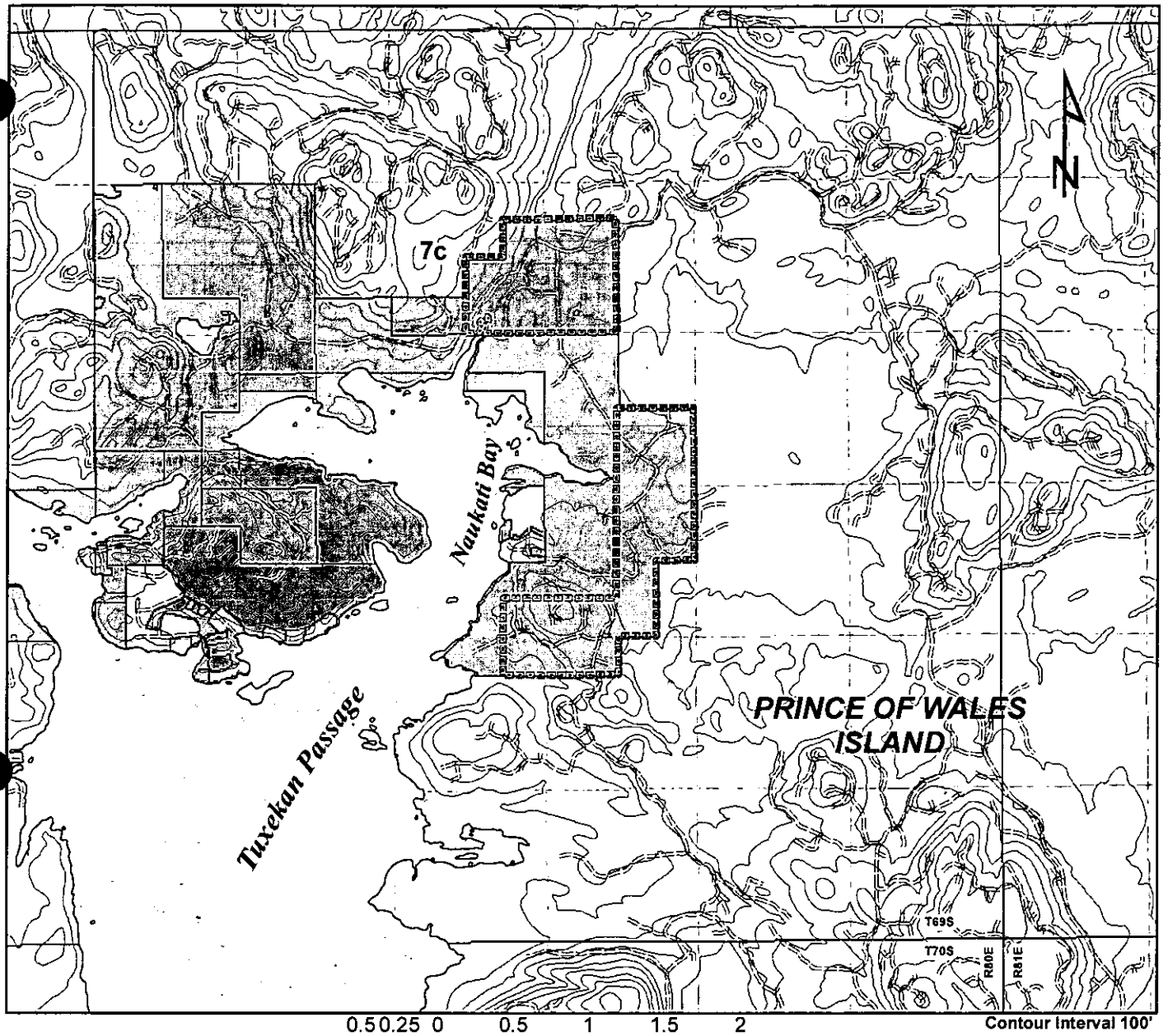
- Proposed State Forest
- GU
- Disposable
- Recreation
- Habitat
- Roads

Proposed Southeast Alaska State Forest Tuxekan

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

1/21/2009 gs



1 inch equals 1 miles

Legend

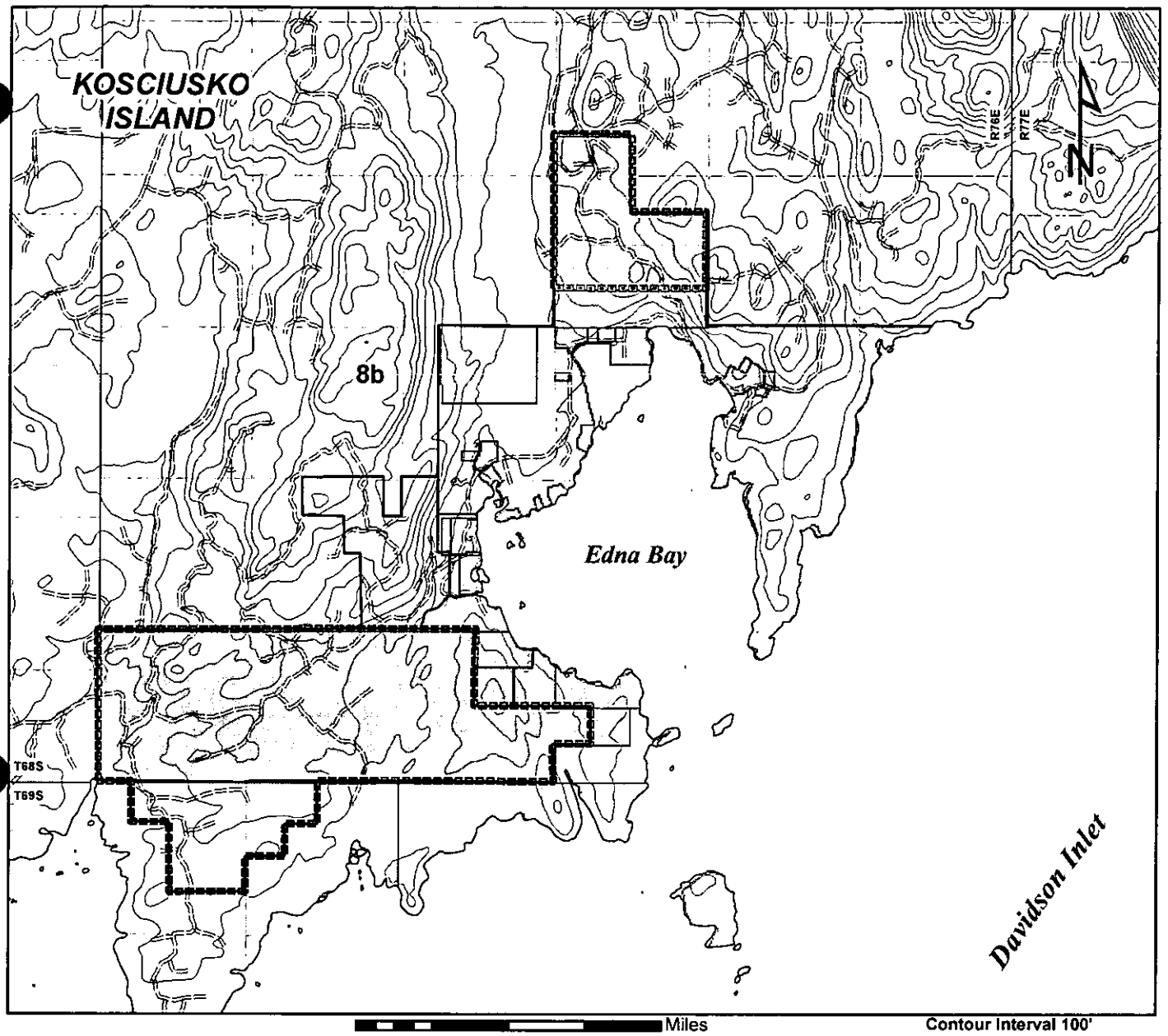
- Proposed State Forest
- GU
- Disposable
- Recreation
- Habitat

Proposed Southeast Alaska State Forest Naukati

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

1/19/2009 gs



Legend

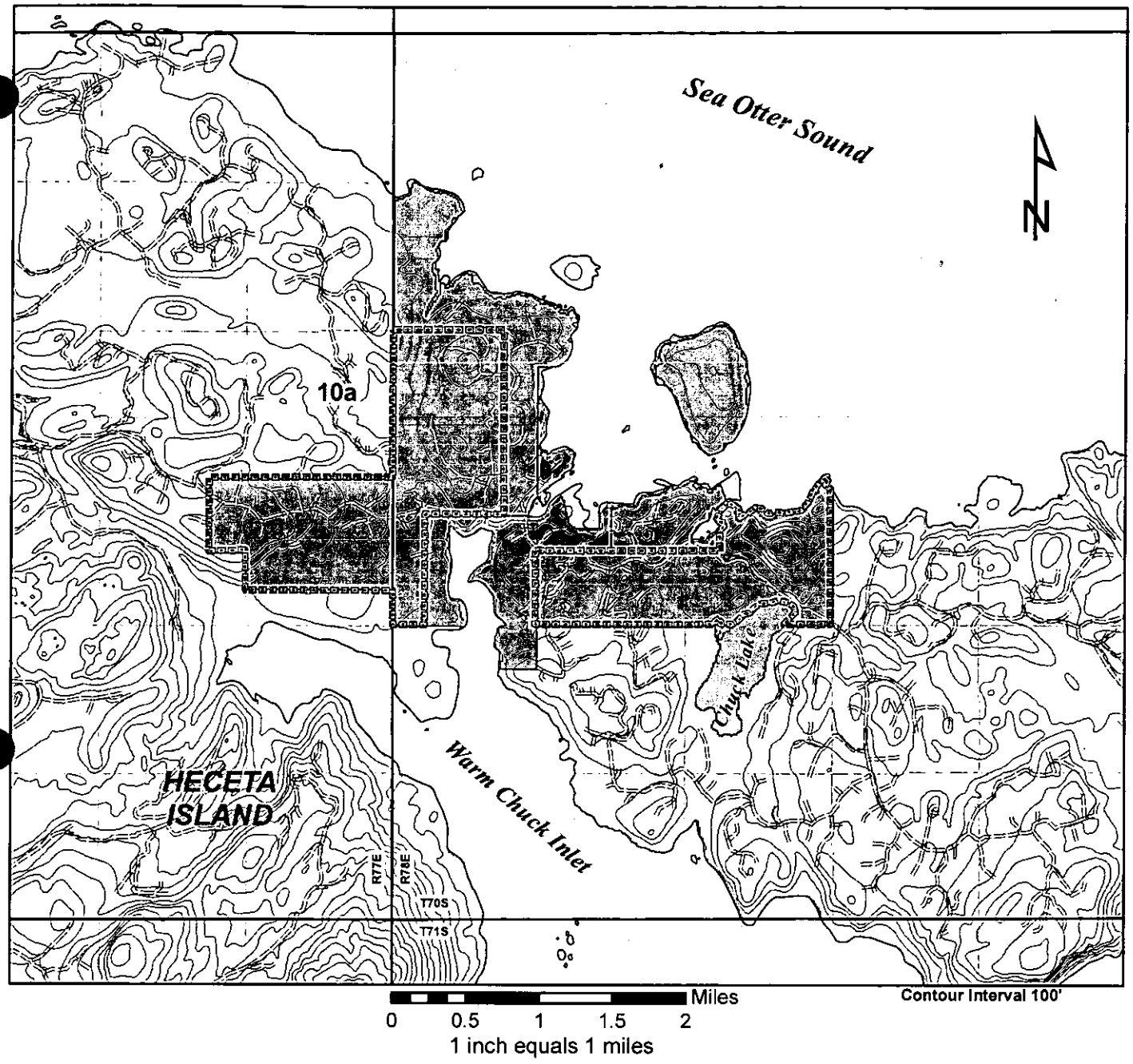
- Property Line
- Proposed State Forest
- Roads
- GU
- Disposable
- Recreation
- Habitat

Proposed Southeast Alaska State Forest Kosciusko (Edna Bay)

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

1/30/09 gs



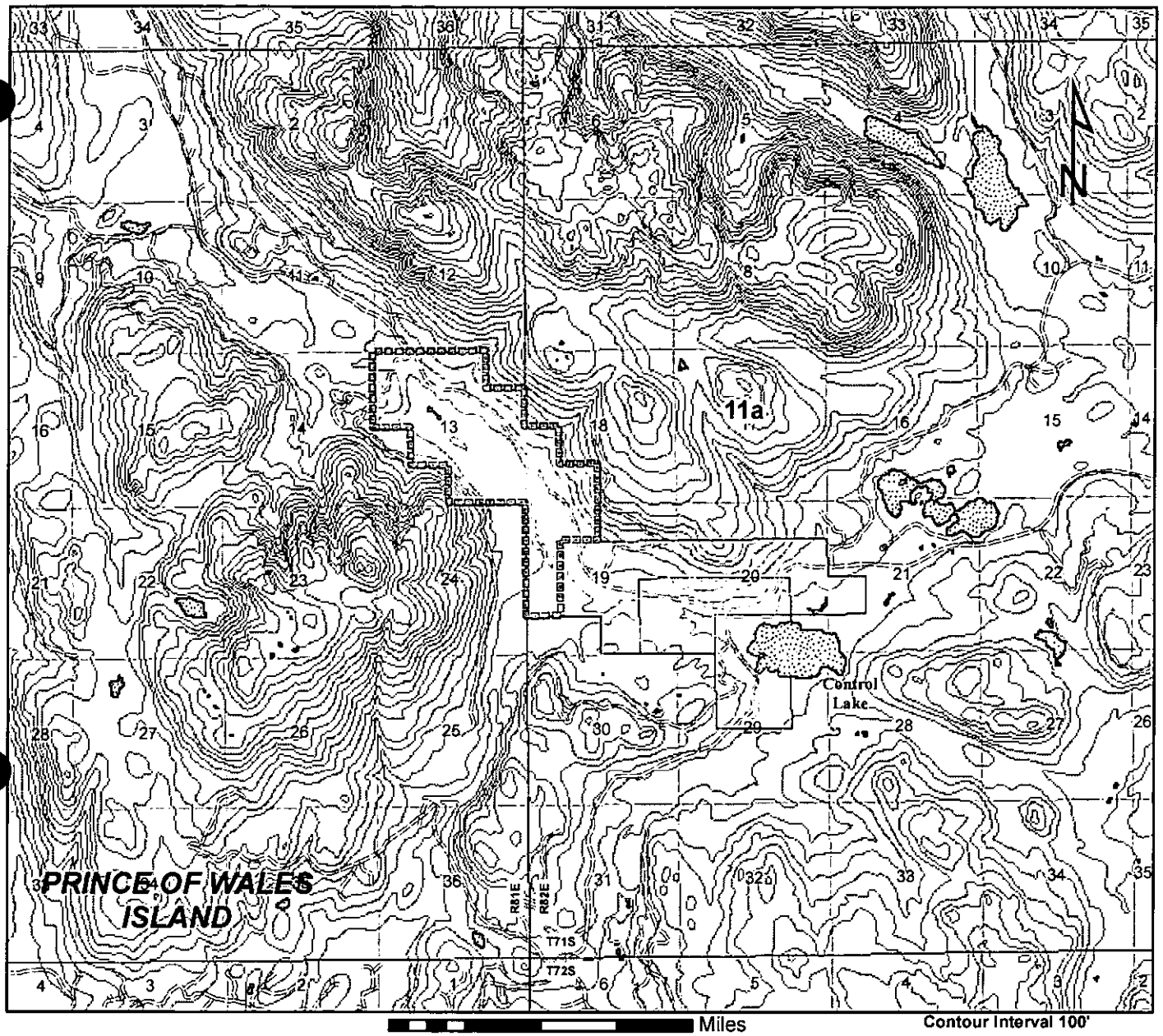
Legend

- Proposed State Forest
- Roads
- GU
- Disposable
- Recreation
- Habitat

Proposed Southeast Alaska State Forest Heceta Island

DIVISION OF FORESTRY

12/03/08 gs



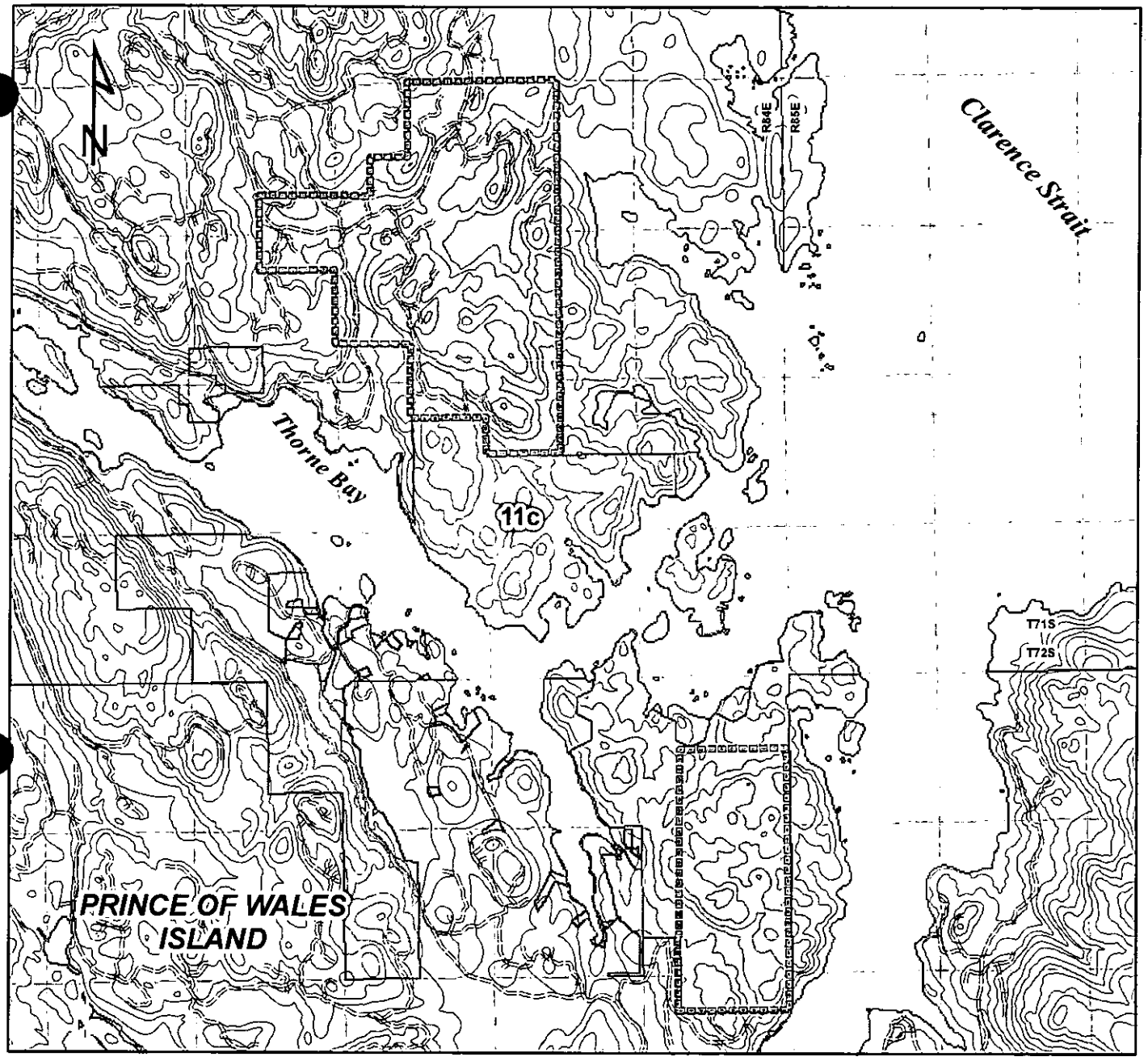
Legend

- Proposed State Forest
- GU
- Disposable
- Recreation
- Habitat
- Roads

Proposed Southeast Alaska State Forest Control Lake

DIVISION OF FORESTRY

1/30/2009 gs



Miles
0 0.5 1 1.5 2
1 inch equals 1 miles

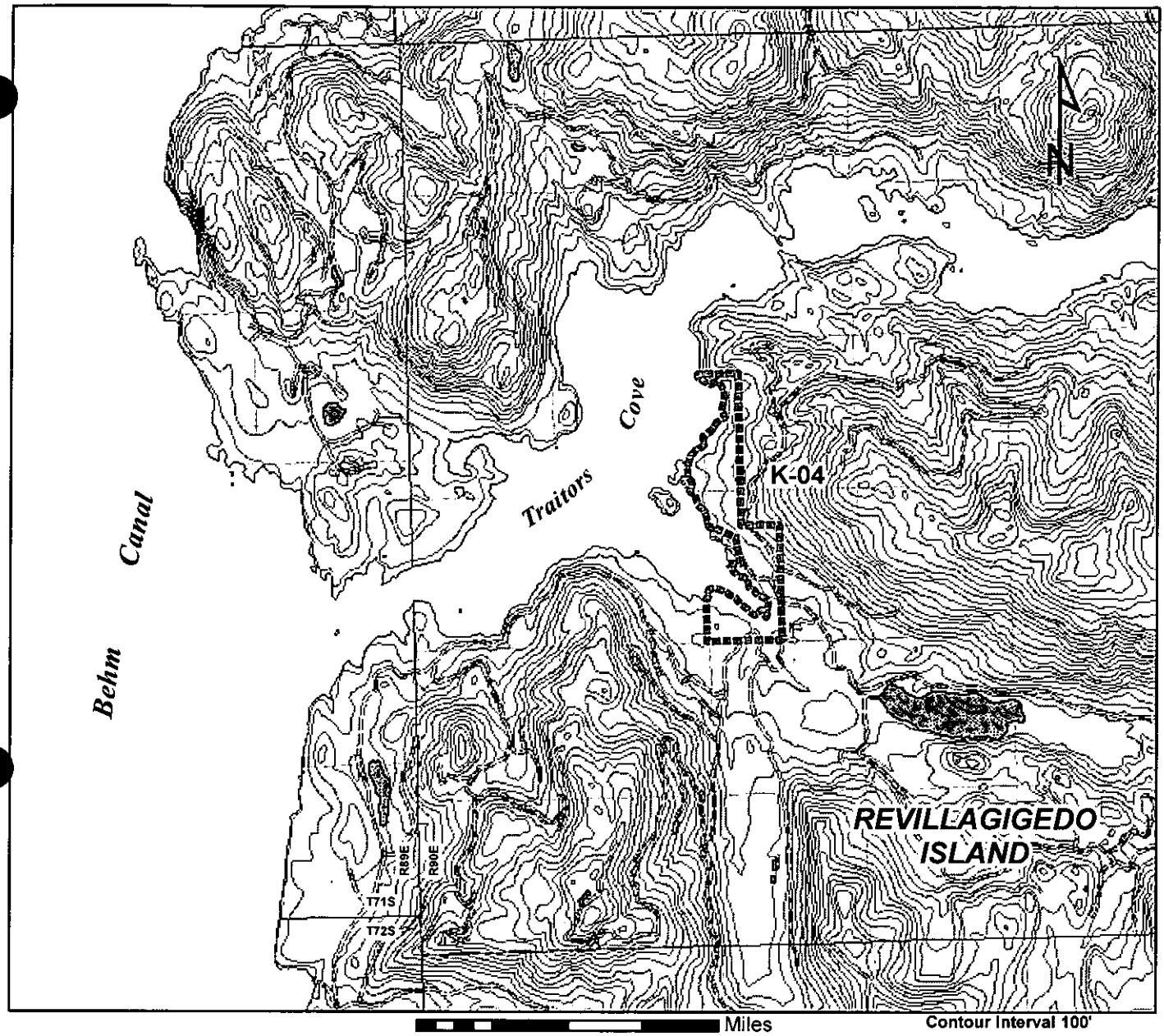
Contour Interval 100'

Legend

- Proposed State Forest
- GU
- Disposable
- Recreation
- Habitat
- Roads

Proposed Southeast Alaska State Forest Thorne Bay

DIVISION OF FORESTRY
1/19/2009



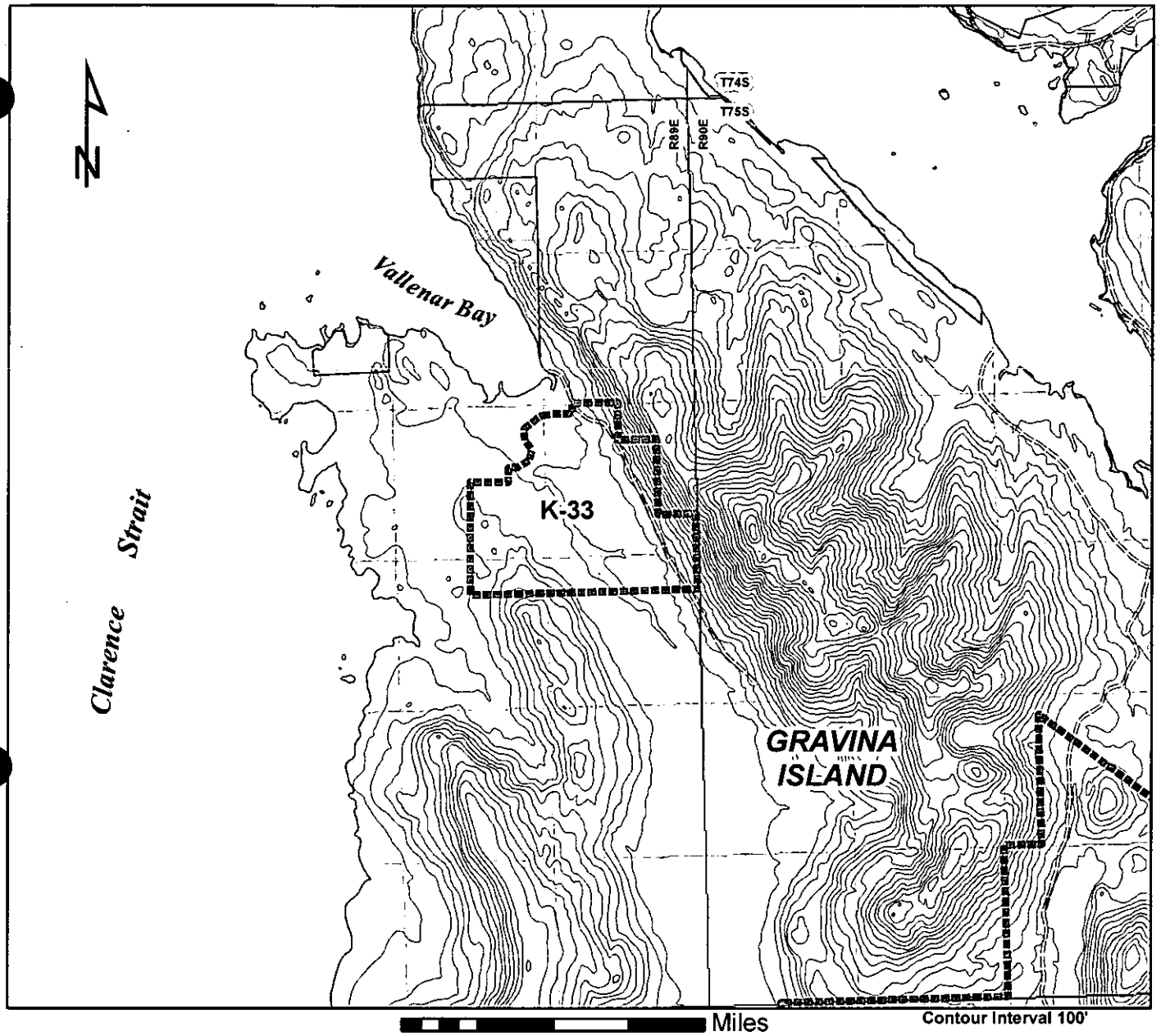
Legend

- Proposed State Forest
- Roads
- GU
- Disposable
- Recreation
- Habitat
- Lakes

Proposed Southeast Alaska State Forest Traitors Cove

DIVISION OF FORESTRY

2/09/2009 gs



Legend

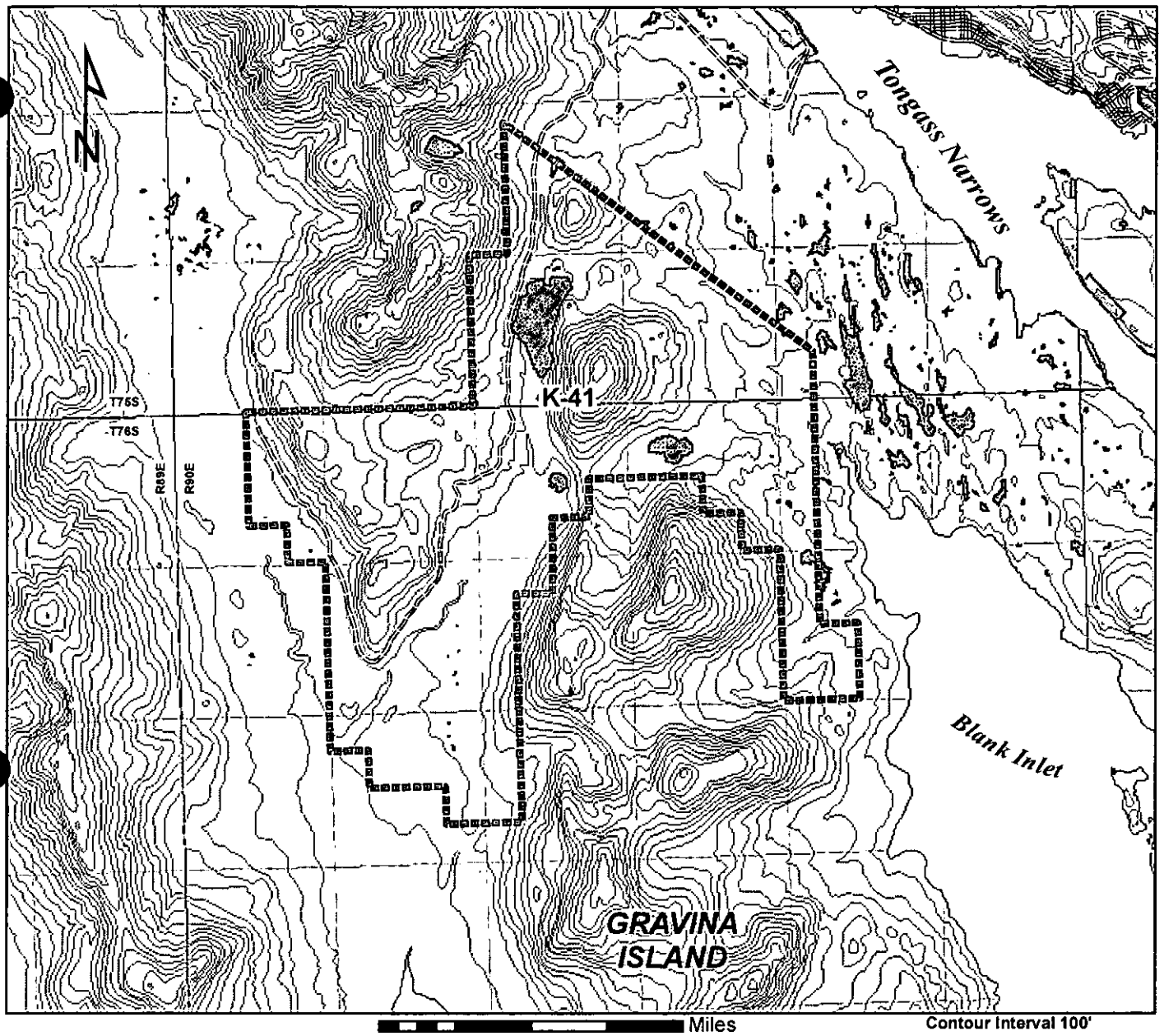
- Proposed State Forest
- GU
- Disposable
- Recreation
- Habitat
- ==== Roads

Proposed Southeast Alaska State Forest Gravina (Vallenar)

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

2/05/2008 gs



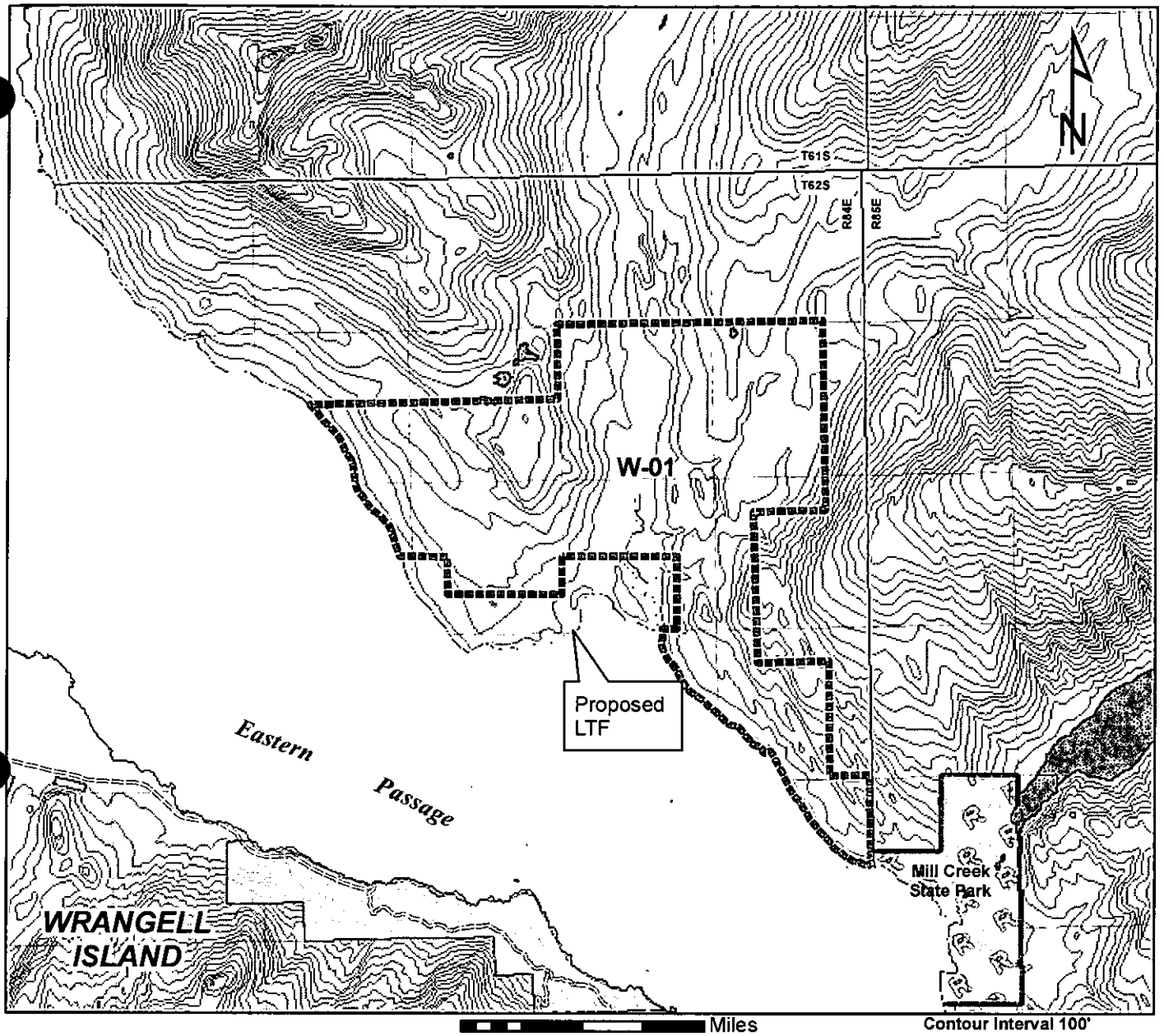
Legend

- Proposed State Forest
- GU
- Disposable
- Recreation
- Habitat
- Roads

Proposed Southeast Alaska State Forest Gravina (Bostwick)

DIVISION OF FORESTRY

12/03/2008 gs



Legend

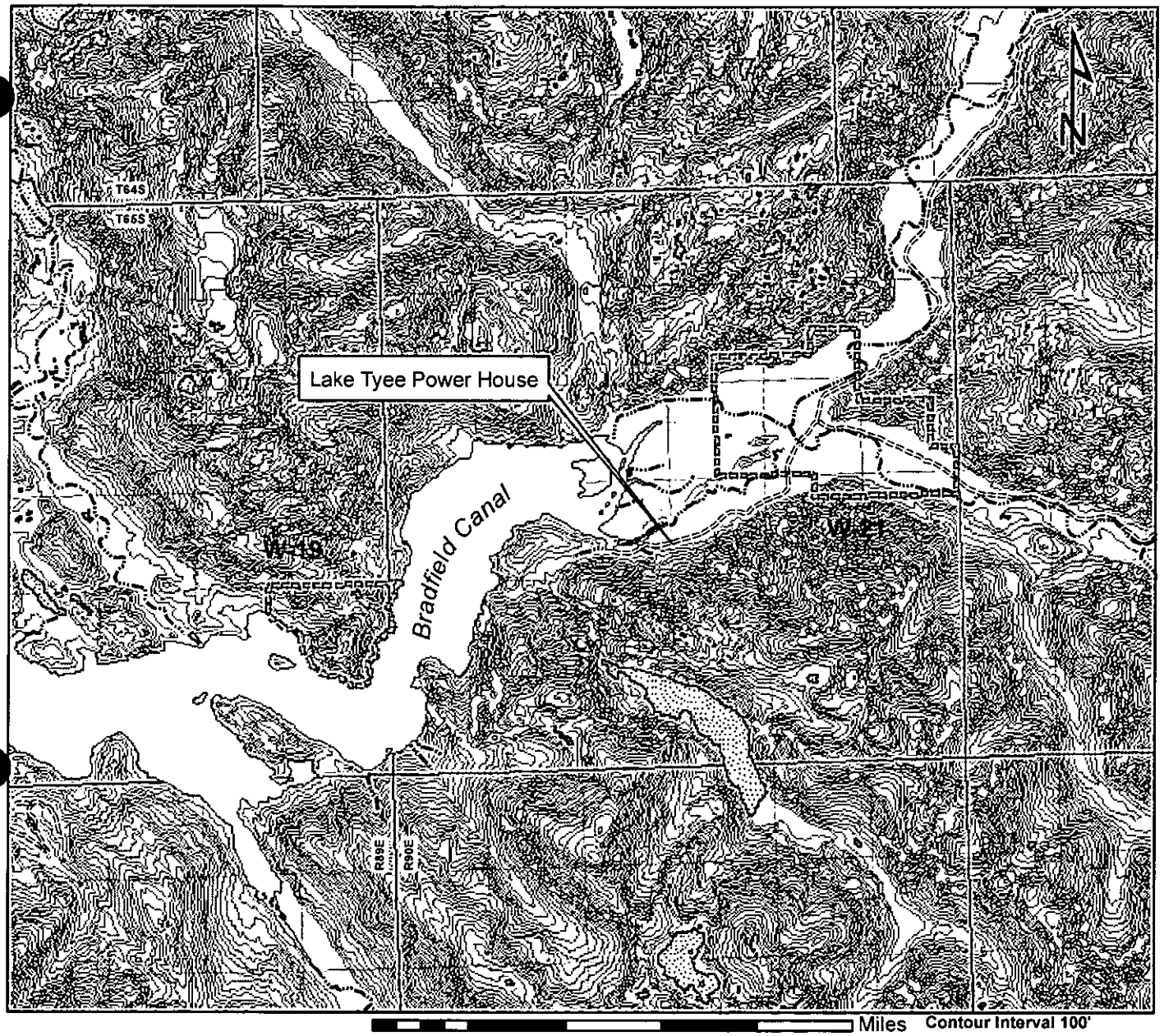
- Proposed State Forest
- State Park
- GU
- Disposable
- Recreation
- Habitat
- lakes
- Roads

Proposed Southeast Alaska State Forest Crittenden Creek

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

1/19/09 gs



Legend

- Proposed State Forest
- GU
- Disposable
- Recreation
- Habitat
- Lakes
- Catologed Streams
- Roads

Proposed Southeast Alaska State Forest Bradfield Area

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

1/21/09 gs

Deb/ re:
HB 162

Southeast Conference

P.O. Box 21989
612 W. Willoughby Avenue, Suite A
Juneau, AK 99802
(907) 523-2310
(907) 463-5670 fax
www.seconference.org

February 16, 2009

The Honorable Governor Sarah Palin
PO Box 110001
Juneau, AK 99811-0001

Governor Palin;

The Southeast Conference (SEC) is a broad based association of communities in Southeast Alaska with a mission of undertaking and supporting activities that promote strong economies, healthy communities and a quality environment throughout the region. In furthering that mission, SEC would like to lend its support for the concept of creating a new State Forest in southern southeast.

In southern southeast the demand for state supplied timber far exceeds the supply. The majority of the timber in the area is on federal land; however federal timber sales have declined dramatically. For their survival, the few remaining, local mills now depend heavily on state supplied timber from the 49,000 state acres where timber management is allowed.

Many of the states' managed acres support either second-growth stands on lands previously harvested by the U.S. Forest Service prior to state selection or new-growth on lands that have recently been harvested through state sales. Thus, for a future timber supply from state lands in southeast, the emphasis must be on active management of second-growth stands with higher volumes per acre, less impact on wildlife, and shorter harvest rotations.

In order for the state to expend funds to enter into intensive second-growth management on its timber lands, there must be assurance that the acres will be managed for timber over the long term. That assurance can best come through the designation of the lands as a State Forest with a management plan calling for extended, intensive timber management. With that designation, the Division of Forestry would be able to manage the lands for a reliable, long-term supply of timber to local processors and retain the land in state ownership for multiple uses.

Approximately 3,800 acres of state lands potentially included in a new State Forest are within the new Wrangell Borough. SEC understands that the establishment of State Forest lands within the new borough would not adversely affect the amount of land Wrangell may select. AS 29.65.030 states that borough selections are based on the maximum total acres

ARDOR

of vacant, un-appropriated, unreserved land within the borough boundaries within two years following the date of incorporation. SEC would hope that any legislation designating a new Southern Southeast State Forest would provide for this situation.

In conclusion, SEC would like to lend its support for the establishment of a Southern Southeast State Forest and would like to encourage your administration to advocate its establishment. Further, in order to increase the supply of timber available to the dependent industry in the region, we urge you to take advantage of any opportunities to increase the acreage of timberland managed by the Division of Forestry.

Sincerely,

Shelly Wright

Shelly Wright
Executive Director

cc Chris Maisch

ARDOR

Alaska Forest Association, Inc.

111 STEDMAN STREET, SUITE 200
KETCHIKAN, ALASKA 99901
Phone: 907-225-6114
Fax: 907-225-5920
E-mail: afa@akforest.org

9674
JB

March 10, 2009

Honorable Sarah Palin
State of Alaska Governor
PO Box 110001
Juneau, AK 99811

Dear Governor Palin,

Only about 12% of the commercial timberlands in Southeast Alaska are comprised of young-growth timber. Most of these stands are less than 50-years old and will not be mature for another 30 to 50-years. Therefore, for the next few decades, our industry will have to continue harvesting old-growth timber. However, well managed stands of young-growth timber can produce faster growing, high quality timber on fewer acres than unmanaged stands. *Consequently, we applaud your legislative proposal to add some State General Use lands to the State Forest in Southeast Alaska so that the Division of Forestry can more intensively manage those lands.*

The Division of Forestry has done an excellent job of preparing timber sales to keep a small portion of our industry alive in recent years, but they cannot increase their timber sales level without acquiring more timberlands or by departing from their long-term sustained yield requirement. There is opportunity however for increased timber sales from the Mental Health Trust and the University of Alaska timberlands. *We ask that you encourage both of these land managers to increase their timber sales program.* This would provide additional timber to our industry, would lessen the amount of State funding needed to sustain these two entities and create real, private sector jobs in Alaska.

Lastly, we want to thank you for making State personnel available to assist in the restoration of a viable federal timber sale program. That effort is already producing good results and provides our beleaguered industry some hope for our future.

Sincerely,

Brian Brown
President
Alaska Forest Association

OFFICE OF THE GOVERNOR
MAR 16 2009

3717

City of Coffman Cove
Resolution 09-18

A RESOLUTION SUPPORTING A STATE FOREST IN SOUTHEAST ALASKA

WHEREAS, the State of Alaska has Timber harvest plan regulated by the State Forestry Guidelines, and

WHEREAS, the economy of Southeast Alaska has suffered with the decline in the logging industry, and

WHEREAS, a stable timber supply with good management practices benefits all Alaskans, and

WHEREAS, THE CONCEPT OF THE State Forest provides stability, jobs and resource management,

NOW THEREFORE BE IT RESOLVED the Coffman Cove City Council supports the Alaska Department of Natural Resources State Forest proposal as presented.

Mayor/Vice Mayor

ATTEST:

Cindy Huff, City Clerk

3719

City of Coffman Cove
PO Box 18135
102 Denali
Coffman Cove, AK, 99918

AK. Department of Natural Resources
Clarence Clark / Forestry
Sea Level Drive
Ketchikan, AK. 99901

RECEIVED
2009

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

Founded 1975
Executive Director
Jason W. Brune
2008-2009 Executive Committee
Rick Rogers, President
Wendy Lindskoog, Sr. Vice President
Phil Cochrane, Vice President
Stephanie Madsen, Secretary
Tom Maloney, Treasurer
John T. Shively, Past President
Patty Bielawski
Allen Bingham
Marilyn Crockett
Steve Denton
Eric Fjelstad
Jeff Foley
Stan Foo
Paul S. Glavinovich
Craig A. Haymes
Len Horst
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Erec Isaacson
Tom Lovas
Ethan Schutt
Scott Thorson
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Directors
Greg Baker
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John Binkley
Bruce Botelho
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Al Burch
Patrick Carter
James L. Cloud
Stephen M. Connelly
Bob Cox
Paula P. Easley
Ella Ede
Mark Eliason
Joe Everhart
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Becky Gay
Charles J. Greene
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Mark Hanley
Karl Hanneman
Rick P. Harris
Tom Henderson
Becky Hultberg
Bill Jeffress
Mike Jungreis
Diane Keller
Frank V. Kelty
Kip Knudson
Thomas G. Krzewinski
John MacKinnon
David L. Matthews
Karen Matthias
Mary McDowell
Ron McPheters
James Mery
Denise Michels
Lance Miller
Jim Palmer
Tom Panamaroff
Lisa Parker
Judy Patrick
Debbie Reinwand
Elizabeth Rensch
Ralph Samuels
Keith Sanders
Lorna Shaw
Kenneth Sheffield
Keith N. Silver
Tiel Smith
Robert Stiles
Jeanine St. John
John L. Sturgeon
Jim Taro
John Williams
John Zager

Ex-Officio Members
Senator Mark Begich
Senator Lisa Murkowski
Congressman Don Young
Governor Sarah Palin

March 12, 2009

Senator Olson, Chair
Senate Community and Regional Affairs Committee
Alaska State Legislature, State Capitol
Juneau, AK 99801

RE: SB127-An Act to Establish the Southeast Alaska State Forest

Dear Senator Olson:

The Resource Development Council (RDC) is writing to support SB 127, the establishment of the Southeast Alaska State Forest.

RDC is a statewide, non-profit, membership-funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

The bill would establish a new state forest in Southeast Alaska from state lands presently used for timber harvest. The Division of Forestry would be able to manage the state forest for a long-term supply of timber to local processors, and retain the land in state ownership for multiple use. The forest would be managed as part of the State Forest System and under the current Prince of Wales Island and Central Southeast area plans.

In Southeast Alaska, demand for state timber exceeds supply and local mills are dependent on a consistent supply to stay in business. The majority of the timber in Southeast Alaska is on federal land, but federal timber sales have declined sharply, oftentimes due to incessant litigation from anti-logging groups as well as the federal government consistently putting forward uneconomic timber sales. Subsequently, the demand for state timber has increased significantly.

Much of the proposed forest was inherited from the U.S. Forest Service with young second-growth stands. Establishment of the Southeast Alaska State Forest will help provide a sustainable timber supply to local mills and accelerate the harvest of second-growth timber. Actively managed second-growth stands will provide more timber volume per acre on shorter rotations, and have less impact on wildlife. The shift to second-growth harvesting can be accelerated and timber volume increased on state land by thinning these stands. However, thinning is a long-term investment and is only justified if the land will continue to be available for forest management. A legislatively designated State Forest would ensure that land would remain available for long-term forest management. Thank you for the opportunity to provide comment on SB 127.

Sincerely,

Carl Portman, Deputy Director

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
Phone: 907/276-0700 Fax: 907/276-3887 Email: Resources@akrdc.org Website: www.akrdc.org

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

BOARD OF FORESTRY

SARAH PALIN, GOVERNOR

550 West 7th Avenue, Suite 1450
Anchorage, AK 99501

March 20, 2009
Senator Lesil McGuire, Co-chair
Senate Resources Committee
Alaska State Legislature
120 4th Street, State Capitol, Room 3
Juneau, Alaska 99801-1182

Dear Senator McGuire,

The Alaska Board of Forestry is pleased to convey its support for Senate Bill 127 to establish a Southeast State Forest. The Board of Forestry provides a forum to discuss and resolve issues on forest practices and management of forests on state land (AS 41.17.947(b)). Board members represent diverse constituencies – the timber, fishing, and mining industries, Native Corporations, professional foresters and fish and wildlife biologists, and environmental and recreational organizations.

The Board of Forestry was briefed on the concept of a Southeast State Forest at the November 12, 2008 Board meeting, and on the specifics of Senate Bill 127 at the March 18-19, 2009 Board meeting. SB127 would establish a 25,291-acre state forest consisting of 20 parcels in southeast Alaska. This land is currently part of the state timber base, but susceptible to future changes in land use designations. Dedication to long-term management helps provide for long-term forest management to support the southeast timber industry and ensure continued multiple use. It also secures a land base suitable for thinning to increase the volume of second-growth timber and reduce impacts on wildlife habitat.

I am pleased to report that on March 18, 2009 the Board unanimously voted to support passage of Senate Bill127.

Sincerely,

Chris Maisch, State Forester
Chair, Alaska Board of Forestry

Cc: Senator Bill Wielechowski, Co-chair
Senator Charlie Huggins, Vice-chair
Melanie Lesh, DNR

Alaska Board of Forestry

- Ron Wolfe, Alaska Native Corporations
- Rick Rogers, Forest Industry Trade Association
- Wayne Nicolls, Non-governmental Professional Forestere
- Rob Bosworth, Environmental Organization
- Erin McLarnon, Recreation Organization
- Mark Vinsel, Commercial Fisherman's Organization
- Jeff Foley, Mining Organization
- Matt Cronin, Non-governmental Professional Fish/Wildlife Biologist

HB

163

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM April 13, 2009

SUBJECT: ANGDA, CSHB 163(RES), Draft Version "R"
(Work Order No. 26-GH1057\R)

TO: Representative Craig Johnson
Co-Chair of the House Resources Committee
Attn: Debra Higgins

FROM: Donald M. Bullock Jr.
Legislative Counsel

Enclosed is a draft of CSHB 163(RES) that incorporates the conceptual amendments offered in your committee. This draft incorporates the conceptual amendment when appropriate within the context of the bill.

HB 163 addresses the route for a gas pipeline project developed by the Alaska Natural Gas Development Authority (ANGDA) as well as where the gas to be transported in the pipeline is produced. The amendment to AS 41.41.010(a) in sec. 1 of HB 163 appears to address the route for an ANGDA project; under current law, the purpose is to transport "from the North Slope" to market." In HB 163, the amendment to AS 41.41.010(a) would allow ANGDA to develop a project that could bring gas from the North Slope *or* other regions of the state, basically from anywhere in the state. By adding "outer continental shelf" in this context, the authority would seem to have acquired the authority to build a pipeline to the outer continental shelf. I do not believe that was the intent of the conceptual amendment; if this is incorrect, I can correct this in the final.

The amendment in sec. 1 of HB 163 to AS 41.41.010(a)(1) removes the reference to "North Slope" and authorizes ANGDA to acquire and condition natural gas without regard to the source of the gas. This provision would allow for the acquisition of gas from the outer continental shelf or anywhere else for transport in the project developed by ANGDA.

The conceptual amendments seem to address the source of gas to be put into the ANGDA pipeline project, as opposed to the route. The amendment to AS 41.41.010(d) in sec. 2 of this draft, addresses the source of gas that may be transported, and adding the outer continental shelf in this context recognizes that gas as gas that may be transported in the ANGDA project.

Similarly, the amendment to the definition for "project" in AS 41.41.990(3) by sec. 2 of HB 163 addresses route and not the source of gas for the project. There is no change between sec. 3 of HB 163 and sec. 3 of this draft.

If the enclosed draft CSHB 163(RES) is inconsistent with the intent of the conceptual amendment, please let me know so that the bill may be rewritten to conform to the committee's intent.

DMB:plm
09-273.plm

Enclosure

26-GH1057\R
Bullock
4/13/09

CS FOR HOUSE BILL NO. 163(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:
Referred:

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

A BILL

FOR AN ACT ENTITLED

"An Act clarifying the purpose of the Alaska Natural Gas Development Authority; and relating to the definitions of certain terms that relate to a project that may be developed by the Alaska Natural Gas Development Authority."

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

*** Section 1.** AS 41.41.010(a) is amended to read:

(a) There is established the Alaska Natural Gas Development Authority, the purpose of which is to provide one or more of the following services and functions in order to bring natural gas from the North Slope **or other regions of the state** to market, including

(1) the acquisition and conditioning of [NORTH SLOPE] natural gas;

(2) the design and construction of the pipeline system;

(3) the operation and maintenance of the pipeline system;

(4) the design, construction, **and** operation [,] of other facilities necessary for delivering the gas to market**, including markets in the state** [AND TO

SOUTHCENTRAL ALASKA]; and

(5) the acquisition of natural gas market share sufficient to ensure the long-term feasibility of the pipeline system project.

*** Sec. 2.** AS 41.41.010(d) is amended to read:

(d) The acquisition of natural gas from the North Slope **and other regions of the state, including the Alaska outer continental shelf,** and its delivery to **markets in the state for use by markets in the state or to** tidewater for shipment to market by the authority **are** [IS AN] essential government **functions** [FUNCTION] of the state.

*** Sec. 3.** AS 41.41.990(3) is amended to read:

(3) "project" means the gas transmission pipeline, together with all related property and facilities, to extend from [THE PRUDHOE BAY AREA ON] the North Slope of Alaska **or other regions of the state to markets in the state, or** [EITHER] to tidewater at a point on Prince William Sound [AND THE SPUR LINE FROM GLENNALLEN TO THE SOUTHCENTRAL GAS DISTRIBUTION GRID] or [TO TIDEWATER AT A POINT ON] Cook Inlet, and includes planning, design, and construction of the pipeline and facilities as described in AS 41.41.010(a)(1) - (5).

*** Sec. 4.** AS 41.41.990 is amended by adding a new paragraph to read:

(4) "North Slope" means that part of the state that lies north of 68 degrees North latitude and includes the Brooks Range foothills.

ALASKA STATE LEGISLATURE

House Resources Committee

Craig Johnson, Co-Chair

State Capitol Building, Room 126
Juneau, AK 99801-1182
(907) 465-4993
FAX (907) 465-3872
Rep_Craig_Johnson@legis.state.ak.us

Mark Neuman, Co-Chair

State Capitol Building, Room 432
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FAX

To:	Legislative Legal Services	**From:**	Debra Higgins
Fax:	465-2029	**Phone:**	465-3715
Date:	4/11/09	**CC:**	
Re:	CS for HB 163 - work draft	**Pages with Cover:**	1

HB 163 was amended in House Resources Committee today with the following conceptual amendments:

Page 1, line 7: after "within the state"
Insert: "including the Alaska outer continental shelf"

Page 2, line 5: after the first "within the state"
Insert: "including the Alaska outer continental shelf"

Page 2, line 11: after "within the state"
Insert: "including the Alaska outer continental shelf"

Page 2, line 11: after "to markets within the state"
Insert "," (comma)

Please send a draft CS with the amendments included. If you have any questions, I'm at 465-3715 or 317-2409 and will be in the office on Sunday.

Thank you.

The information contained in this fax is CONFIDENTIAL and/or privileged. This fax is intended to be reviewed initially by only the individual named above. If the reader of this transmittal page is not the intended recipient or a representative of the intended recipient, you are hereby notified that any review, dissemination, or copying of this fax or the information contained herein is prohibited. If you have received this fax in error, please immediately notify the sender by telephone and return this fax to the sender at the above address.

HOUSE BILL NO. 163

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/2/09
Referred: House Special Committee on Energy, Resources, Finance

A BILL

FOR AN ACT ENTITLED

"An Act clarifying the purpose of the Alaska Natural Gas Development Authority; and relating to definitions of certain terms in AS 41.41."

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

*** Section 1.** AS 41.41.010(a) is amended to read:

(a) There is established the Alaska Natural Gas Development Authority, the purpose of which is to provide one or more of the following services and functions in order to bring natural gas from the North Slope **or other regions within the state** to market, including

(1) the acquisition and conditioning of [NORTH SLOPE] natural gas;

(2) the design and construction of the pipeline system;

(3) the operation and maintenance of the pipeline system;

(4) the design, construction, operation, of other facilities necessary for delivering the gas to market**, including markets within the state** [AND TO SOUTHCENTRAL ALASKA]; and

(5) the acquisition of natural gas market share sufficient to ensure the long-term feasibility of the pipeline system project.

* **Sec. 2.** AS 41.41.010(d) is amended to read:

(d) The acquisition of natural gas from the North Slope **and other regions within the state** including and its delivery to **markets within the state for use by markets within the state or to** tidewater for shipment to market by the authority **are** [IS AN] essential government **functions** [FUNCTION] of the state.

* **Sec. 3.** AS 41.41.990(3) is amended to read:

(3) "project" means the gas transmission pipeline, together with all related property and facilities, to extend from [THE PRUDHOE BAY AREA ON] the North Slope of Alaska **or other regions within the state** including **to markets within the state or** [EITHER] to tidewater at a point on Prince William Sound [AND THE SPUR LINE FROM GLENNALLEN TO THE SOUTHCENTRAL GAS DISTRIBUTION GRID] or to tidewater at a point on Cook Inlet, and includes planning, design, and construction of the pipeline and facilities as described in AS 41.41.010(a)(1) - (5).

* **Sec. 4.** AS 41.41.990 is amended by adding a new paragraph to read:

(4) "North Slope" means that part of the state that lies north of 68 degrees North latitude and includes the Brooks Range foothills.

MEMORANDUM

State of Alaska

Department of Law

TO: Pat Galvin
Commissioner
Dept. of Natural Resources

DATE: April 7, 2009

FILE NO.: 661-09-0121

TEL. NO.: 269-5211

FROM: Lisa Weissler
Larry Ostrovsky
Assistant Attorneys General
Oil, Gas & Mining

SUBJECT: Review of Authority to Seek Professional Services forms submitted by ANGDA

You asked us to review several proposed contracts that ANGDA submitted to the Department of Revenue for approval. In particular, you asked whether those contracts are consistent with ANGDA's statutory framework.

Short answer

Our review of the "Authority to Seek Professional Services" forms supplied by your administrative director, as well as a cost recovery agreement between ANGDA and the BLM concludes that these agreements are within the scope of ANGDA's authority.

Background

ANGDA was created in 2002 by voter initiative and codified in Title 41.

Title 41 sets out a broad list of purposes for the Authority, but appears to contain some internal inconsistencies, or at least ambiguities.

AS 41.41.010 sets out the overarching purpose of ANGDA - to bring natural gas from the North Slope to market. Subsumed within that broader purpose are the specific services and functions provided by ANGDA, such as acquiring North Slope natural gas; designing and constructing a pipeline system; designing, constructing and operating other facilities necessary for delivering "the gas" – presumably this article refers to North Slope gas -- to market and to Southcentral Alaska; and acquiring a natural gas share sufficient to ensure the long-term feasibility of the pipeline system.

By comparison, AS 41.41.200 (7) gives the Authority the power to issue bonds or incur indebtedness to pay for the costs of a "project." "Project," in turn, is defined somewhat more narrowly than the purpose described above:

> "[P]roject" means the gas transmission pipeline, together with all related property and facilities, to extend from the Prudhoe Bay area on the North Slope of Alaska either to tidewater at a point on Prince William Sound and the spur line from Glennallen to the Southcentral gas distribution grid or to tidewater at a point on Cook Inlet, and includes planning, design, and construction of the pipeline and facilities as described in AS 41.41.010 (a)(1) - (5). AS 41.41.990 (3).

AS 41.41.070(d) provides broad authority to ANGDA to "contract for and engage the services of bond counsel, consultants, experts, and financial advisors the authority considered necessary for the purpose of developing information, furnishing advice, or conducting studies, investigations, hearings, or other proceedings."

Finally, ANGDA is given the power "in furtherance of its corporate purpose" to "make and execute contracts and other instruments" without any limiting language as to the project. AS 41.41.200(4).

"It is a basic rule of statutory construction that courts must attempt to harmonize the specific provisions of an act with the legislature's expression of its intent." *Commercial Fisheries Entry Com'n v. Apokedak,* 680 P.2d 486, 490 (Alaska 1984). Because ANGDA's authority to make and execute contracts is broad and not specifically limited to the defined "project," in our view the Authority's power to make and execute such contracts applies to the broader purposes expressed in AS 41.41.010.

With that in mind, we have reviewed the "Authority to Seek Professional Services" forms provided by your director of Administrative Services to determine whether they are consistent with the broad purposes of ANGDA, as expressed in AS 41.41.010.

Analysis

1. Authority to Seek Professional Services for Pipeline Alignment and Construction Engineer. Agency reference number: Asps 09-0030 RFP 2009-0400-8336.

This contract involves hiring a contractor to refine alignment of a high pressure gas spur line connecting Delta Junction to Beluga. The form states that this contact is sought "[i]n conjunction with ANGDA's "on-going work to bring natural gas to market."

Entering into a contract related to delivering natural gas to the Alaska market clearly fits within the broad authority of ANGDA if the gas is North Slope natural gas, as

specified in AS 41.41.010. If the gas is not North Slope gas, the connection is more problematic and the Department of Revenue may want to request additional information from ANGDA to determine whether work under this contract will ultimately relate to delivering North Slope natural gas.

2. Authority to Seek Professional Services for Enterprise Coordinator. Agency reference number: Asps 09-0031 RFP 2009-0400-8363.

This contract involves hiring a contractor to develop a business and financial management framework to deliver natural gas to the Alaskan market. This includes management of a financial plan to include a combination of utility rates, bonding and legislative funding to finance the project.

We understand ANGDA's general plan is to tap into a main line to Canada with a spur line that would bring some of the North Slope gas to markets in Southcentral Alaska. The contract's purpose appears consistent with both the broad purposes of ANGDA, set out in AS 41.41.010, as well as the definition of project in AS 41.41.900(4).

3. Authority to Seek Professional Services for Permitting Coordinator. Agency reference number: Asps 09-0029 RFP 2009-0400-8335.

This contract involves hiring a permitting coordinator to execute a pipeline permitting plan to "bring North Slope natural gas to market in Alaska." This purpose appears consistent with both the broad purposes of ANGDA, set out in AS 41.41.010, as well as the definition of project in AS 41.41.900(3).

4. Standard Agreement Form for Professional Services. Agency Encumbrance Number 491017

This is an agreement with EJG Enterprises, awaiting signature of the DOR director of administrative services.

This contract for EJG Enterprises is to revise and update a business plan for ANGDA programs. This contract, under which EJG is to assist ANGDA in, among other things, work with a financial advisor in pursuit of project financing, is within the scope of ANGDA's authority to acquire gas, and design and build a pipeline.

5. Cost Recovery Agreement between ANGDA and the BLM.

Your administrative director also provided us with a copy of a cost recovery agreement between ANGDA and BLM for payment of costs for processing an ANGDA

right-of-way application for a natural gas pipeline between Palmer, Glennallen and Delta Junction and Fairbanks.

We understand that ANGDA's plan is to tap into a main line to Canada with a spur line that would bring some of the North Slope gas to markets in Southcentral Alaska, and, in this case, Fairbanks. This purpose appears consistent with both the broad purposes of ANGDA, set out in AS 41.41.010, as well as the definition of project in AS 41.41.900(4), though not necessarily consistent with the definition of "project" in AS 41.41.990(3). Accordingly, if ANGDA gets to a point where it may issue bonds "in order to pay for costs of the project" we recommend that the definition of project in AS 41.41.990(3) be amended to remove any ambiguity as to whether bonds can be issued for purposes of a line to interior Alaska.

We hope this answers your questions. If you have any questions, or if there are additional authorizations that you would like us to review, please let us know.

cc Harold Heinze

LZO:kp

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 163
(H) Publish Date: 3/2/09

Identifier (file name): 0057-DNR-OGD-02-25-09
Dept. Affected: Natural Resources
Title: Clarifying Purpose of Alaska Natural Gas Dev. Auth.
RDU: Resource Development
Component: Oil and Gas Development
Sponsor: Rules Committee
Requester: Governor
Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

No fiscal impact to DNR anticipated from this bill.

Prepared by: Kevin Banks, Director — Phone 269-8802
Division: Oil and Gas — Date/Time February 25, 2009
Approved by: Tom Irwin, Commissioner — Date February 25, 2009
Natural Resources

(Revised 9/10/2008 OMB)

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 163
(H) Publish Date: 3/2/09

Identifier (file name): 0057-DOR-GAO-02-27-09
Dept. Affected: Revenue
Title: Alaska Natural Gas Development Authority
RDU: ANGDA 495
Component: Gas Authority Operations
Sponsor: Rules Committee
Requester: Governor Palin
Component Number: 2708

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

There is no anticipated fiscal impact to the Department.

Prepared by: Ginger Blaisdell, Director
Phone 907-465-2300
Division: Administrative Services
Date/Time: February 27, 2009
Approved by: Patrick Galvin, Commissioner
Date: February 27, 2009
Revenue

(Revised 9/10/2008 OMB)

3736

HB

210

HOUSE COMMITTEE REPO

(9)

Date Referred to Committee: April 1, 2009 **FURTHER REFERRALS:**

Date of Committee Action: 8 Apr 2009

The RESOURCES Committee considered: **HOUSE BILL NO. 210**

"An Act designating Kinzarof Lagoon as part of the Izembek State Game Refuge; authorizing a land exchange with the federal government in which state land adjacent to the Izembek National Wildlife Refuge and within the Alaska Peninsula National Wildlife Refuge is exchanged for federal land to serve as a road corridor through the Izembek National Wildlife Refuge and federal land located on Sitkinak Island; and providing for an effective date."

HB 210 IZEMBEK STATE GAME REFUGE LAND EXCHANGE

Recommends it be replaced with [ ] HCS *or* [✓] CS *for* HB 210 (Res)

For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[✓] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW FISCAL NOTES *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
DNR				✓

PREVIOUS FISCAL NOTES				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON	✓			
	[illegible]			X	
	Tuck			X	
Paul R Seaton	SEATON	X			
Peggy Wilson	WILSON	X			
Sue Edgmon	Edgmon	X			
	KAWASAKI			X	
Chair:	VEGMAN	X			
Chair:	Johnson	X			

3738

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM April 9, 2009

SUBJECT: Public Law 111-11 (Omnibus Public Land Management Act of 2009) (CSHB 210(RES); Work Order No. 26-LS0788\R)

TO: Representative Mark Neuman
Co-Chair of the House Resources Committee
Attn: Rex Shattuck

FROM: Donald M. Bullock Jr.
Legislative Counsel

Enclosed is CSHB 210(RES) that incorporates the amendment adopted by the committee. Please review this draft carefully to ensure that it is consistent with the committee's intent.

Since HB 210 was introduced, the Omnibus Public Land Management Act of 2009 has been designated as Public Law 111-11.[1] References to the Omnibus Public Land Management Act of 2009 have been edited in the bill to reflect the Public Law number. The changes are nonsubstantive.

An editorial change was also made in sec. 11 to correctly reference effective date sections in the bill that provide for effective dates that are not immediate.

If you have any questions, please call me.

DMB:ljw
09-227.ljw

Enclosure

[1] The Library of Congress, *Thomas*, Summary for H.R. 146. The Internet address for *Thomas*, where the summary and status of bills in the United States Congress are available, is *http://thomas.loc.gov/* (accessed April 9, 2009).

CS FOR HOUSE BILL NO. 210(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES EDGMON, Johnson, Olson

A BILL

FOR AN ACT ENTITLED

"An Act designating Kinzarof Lagoon as part of the Izembek State Game Refuge; authorizing a land exchange with the federal government in which state land adjacent to the Izembek National Wildlife Refuge and within the Alaska Peninsula National Wildlife Refuge is exchanged for federal land to serve as a road corridor through the Izembek National Wildlife Refuge and federal land located on Sitkinak Island; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

PURPOSE. In accordance with P.L. 111-11 (Omnibus Public Land Management Act of 2009), the purposes of this Act are to

(1) add state land and water within and adjacent to Kinzarof Lagoon near Cold Bay to the Izembek State Game Refuge; and

(2) authorize the Department of Natural Resources to exchange land near Cold Bay and on Sitkinak Island near Kodiak with the federal government.

*** Sec. 2.** AS 16.20.030(a)(14) is amended to read:

(14) Izembek Refuge, including the tide and submerged land described as follows:

(A) Township 58 South, Range 91 West, Seward Meridian

Sections 1 - 4

Sections 9 - 12

(B) Township 58 South, Range 90 West, Seward Meridian

Sections 1 - 9

Section 16

(C) Township 57 South, Range 91 West, Seward Meridian

Section 13

Sections 24 - 26

Sections 35 - 36

(D) Township 57 South, Range 90 West, Seward Meridian

Sections 1 - 36

(E) Township 57 South, Range 89 West, Seward Meridian

Sections 5 - 6

Section 12, N1/2, N1/2N1/2S1/2

(F) Township 56 South, Range 87 West, Seward Meridian

Sections 1 - 6

Sections 10 - 11

Sections 26 - 35

(G) Township 56 South, Range 88 West, Seward Meridian

Sections 1 - 23

Section 25

Sections 27 - 32

Section 36

(H) Township 55 South, Range 87 West, Seward Meridian

Sections 1 - 36

(I) Township 56 South, Range 89 West, Seward Meridian

Sections 1 - 36

(J) Township 55 South, Range 89 West, Seward Meridian

Sections 1 - 36

(K) Township 55 South, Range 88 West, Seward Meridian

Sections 1 - 36

(L) Township 55 South, Range 86 West, Seward Meridian

Sections 6 - 7

Sections 18 - 19

Sections 30 - 31

(M) Township 56 South, Range 90 West, Seward Meridian

(entire township)

(N) Township 57 South, Range 88 West, Seward Meridian

Sections 1 - 6;

*** Sec. 3.** AS 16.20.030(a)(14), as amended by sec. 2 of this Act, is amended to read:

(14) Izembek Refuge, including the tide and submerged land described as follows:

(A) Township 58 South, Range 91 West, Seward Meridian

Sections 1 - 4

Sections 9 - 12

(B) Township 58 South, Range 90 West, Seward Meridian

Sections 1 - 9

Section 16

(C) Township 57 South, Range 91 West, Seward Meridian

Section 13

Sections 24 - 26

Sections 35 - 36

(D) Township 57 South, Range 90 West, Seward Meridian

Sections 1 - 36

(E) Township 57 South, Range 89 West, Seward Meridian

Sections 5 - 6

[SECTION 12, N1/2, N1/2N1/2S1/2]

(F) Township 56 South, Range 87 West, Seward Meridian

Sections 1 - 6

Sections 10 - 11

[SECTIONS 26 - 35]

(G) Township 56 South, Range 88 West, Seward Meridian

Sections 1 - 23

[SECTION 25]

Sections 27 - 32

[SECTION 36]

(H) Township 55 South, Range 87 West, Seward Meridian

Sections 1 - 36

(I) Township 56 South, Range 89 West, Seward Meridian

Sections 1 - 36

(J) Township 55 South, Range 89 West, Seward Meridian

Sections 1 - 36

(K) Township 55 South, Range 88 West, Seward Meridian

Sections 1 - 36

(L) Township 55 South, Range 86 West, Seward Meridian

Sections 6 - 7

Sections 18 - 19

Sections 30 - 31

(M) Township 56 South, Range 90 West, Seward Meridian

(entire township)

[(N) TOWNSHIP 57 SOUTH, RANGE 88 WEST, SEWARD MERIDIAN

SECTIONS 1 - 6];

*** Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to read:

EXCHANGE OF STATE LAND FOR FEDERAL LAND. (a) Notwithstanding any other provision of law, the Department of Natural Resources shall convey all right, title, and

interest of the state to certain land adjacent to the Izembek National Wildlife Refuge, described as: Township 53 South, Range 85 West, Seward Meridian, and Township 54 South, Range 85 West, Seward Meridian, and totaling 43,000 acres more or less, to the federal government in exchange for federal land conveyed to the state. The federal land expected to be received in the exchange is described in (b) of this section.

(b) The land expected to be received from the federal government is

(1) all right, title, and interest in 206 acres more or less of federal land located within the Izembek National Wildlife Refuge for the purpose of a corridor for the construction and operation of a road between the communities of King Cove and Cold Bay, Alaska, in accordance with P.L. 111-11 (Omnibus Public Land Management Act of 2009), described as follows:

(A) Township 56 South, Range 87 West, Seward Meridian

Sections 19 - 21

Sections 26 - 28

Section 30

Section 35

(B) Township 56 South, Range 88 West, Seward Meridian

Sections 23 - 27

Section 34

(C) Township 57 South, Range 89 West, Seward Meridian

Section 2

Sections 10 - 11

Sections 14 - 15; and

(2) all right, title, and interest of 1,600 acres more or less of federal land on Sitkinak Island in Township 42 South, Range 31 West, Seward Meridian, Sections 9, 10, 15 - 17, and 20 -21.

*** Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to read:

EXCHANGE OF LAND NOT SUBJECT TO AS 38.50. The exchange of state land under sec. 4 of this Act is not subject to AS 38.50, including any requirement that relates to the valuation or equalization of land.

*** Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to read:

EFFECT OF VOIDED LAND EXCHANGE. If the land exchange authorized by sec. 6402(a), P.L. 111-11 (Omnibus Public Land Management Act of 2009) is null and void under sec. 6405, P.L. 111-11 (Omnibus Public Land Management Act of 2009),

(1) the land added to the Izembek State Game Refuge under sec. 2 of this Act and removed under sec. 3 of this Act shall be returned to its land management status in effect before the enactment of sec. 2 of this Act; and

(2) the land conveyed by the state under sec. 4 of this Act shall be returned to its ownership status as it existed before the conveyance.

*** Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT AND NOTIFICATION. (a) Sections 1, 2, 4, and 5 of this Act take effect only if the United States Secretary of the Interior determines that the land exchange described in sec. 4 of this Act is in the public interest under secs. 6401 - 6406, P.L. 111-11 (Omnibus Public Land Management Act of 2009). The commissioner of natural resources shall notify the lieutenant governor and the revisor of statutes of the determination and the date of the determination by the United States Secretary of the Interior described in this subsection.

(b) Sections 3 and 6 of this Act take effect only if the land exchange authorized by sec. 6402(a), P.L. 111-11 (Omnibus Public Land Management Act of 2009) is null and void under sec. 6405, P.L. 111-11 (Omnibus Public Land Management Act of 2009). The commissioner of natural resources shall notify the lieutenant governor and the revisor of statutes if the land exchange authorized by sec. 6402(a), P.L. 111-11 (Omnibus Public Land Management Act of 2009) is null and void under sec. 6405, P.L. 111-11 (Omnibus Public Land Management Act of 2009) and the date on which the land exchange is null and void.

*** Sec. 8.** If secs. 1, 4, and 5 of this Act take effect under sec. 7(a) of this Act, they take effect on the date the United States Secretary of the Interior determines the land exchange is in the public interest under sec. 6402, P.L. 111-11 (Omnibus Public Land Management Act of 2009).

*** Sec. 9.** If sec. 2 of this Act takes effect under sec. 7(a) of this Act, it takes effect on the

date the exchange of land described in sec. 4 of this Act is executed by the Department of Natural Resources and the United States Department of the Interior. The commissioner of natural resources shall notify the lieutenant governor and the revisor of statutes of the date the exchange of land is made.

*** Sec. 10.** If secs. 3 and 6 of this Act take effect under sec. 7(b) of this Act, they take effect on the date the land exchange authorized by sec. 6402(a), P.L. 111-11 (Omnibus Public Land Management Act of 2009) is null and void under sec. 6405, P.L. 111-11 (Omnibus Public Land Management Act of 2009).

*** Sec. 11.** Except as provided in secs. 8 - 10 of this Act, this Act takes effect immediately under AS 01.10.070(c).

#1

AMENDMENT

OFFERED IN THE HOUSE
To: HB210

By Representative Edgmon

Page 5, Lines 8 and 9:

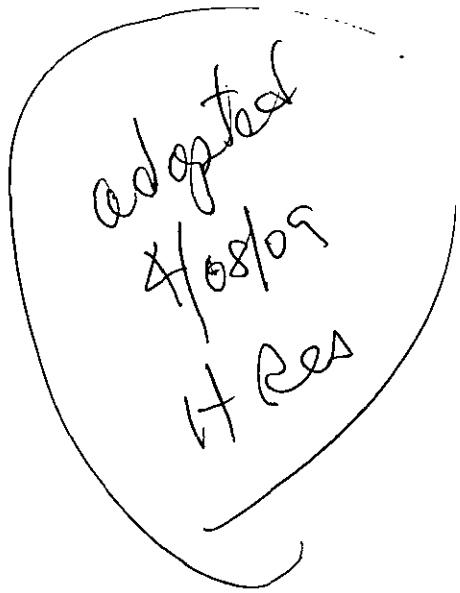
Delete: "constructing a single-lane road"

Insert: "a corridor for the construction and operation of a road"

Page 5, Line 9:

After "Cold Bay, Alaska,"

Insert: "in accordance with the Omnibus Public Land Management Act of 2009, H.R. 146, 111th Cong. (2009) (enacted),"



Alaska State Legislature

REPRESENTATIVE BRYCE EDGMON

House District 37

Adak
Akutan
Aleknagik
Atka
Chignik
Chignik Lagoon
Chignik Lake
Clark's Point
Cold Bay
Dillingham
Egegik
Ekwok
False Pass
Ivanof Bay
King Cove
King Salmon
Koliganek
Manokotak
Naknek
Nelson Lagoon
New Stuyahok
Nikolski
Perryville
Pilot Point
Portage Creek
Port Heiden
St. George
St. Paul
Sand Point
South Naknek
Togiak
Twin Hills
Ugashik
Unalaska

Memorandum

Date: April 3, 2009

To: House Resources Committee Co-Chair Craig Johnson

From: Representative Bryce Edgmon

RE: HB210 Hearing Request

I respectfully request a hearing in the House Resources Committee on HB 210—Izembek State Game Refuge Land Exchange.

HB 210 will grant state authorization for a land exchange—already approved by Congress—between the State of Alaska and the federal government to allow a single-lane, unpaved road through the Izembek National Wildlife Refuge, connecting the village of King Cove to the Cold Bay airport.

However, it is important to note that at the federal level there are still two major processes that need to be completed before this transaction is final. These are the completion of an environmental impact statement and a finding by the Secretary of the Interior determining that the land exchange is in the public interest.

HB 210 therefore does more than execute at state level the transaction endorsed by Congress; it also provides compelling evidence to the Secretary of the Interior that the State of Alaska approves of this agreement to establish dependable access for King Cove residents to the Cold Bay airport primarily for health and safety purposes.

The following materials accompany this request:

- HB 143
- Sponsor Statement
- Sectional Summary
- Back-up documentation and correspondence from agencies and organizations

I thank you for your consideration of this request.

Sincerely,

Representative Bryce Edgmon

State Capitol Building
Room 424, Juneau, AK 99801 · Phone: (907) 465-4451 · Toll Free: 1-800-898-4451 · FAX: (907) 465-3445
Email: Rep_Bryce_Edgmon@legis.state.ak.us

Sponsor Statement

Representative Bryce Edgmon

HB 210: Izembek State Game Refuge Land Exchange

On March 30th President Obama signed the Omnibus Public Lands Management Act of 2009. This act includes Congressional approval for a land exchange between the State of Alaska and the federal government to allow a single-lane, unpaved road through the Izembek National Wildlife Refuge, connecting the village of King Cove to the Cold Bay airport.

HB 210 will grant state authorization for that exchange.

However, it is important to note that at the federal level there are still two major processes that need to be completed before this transaction is final. These are the completion of an environmental impact statement and a finding by the Secretary of the Interior determining that the land exchange is in the public interest.

HB 210 therefore does more than execute at state level the transaction endorsed by Congress; it also provides compelling evidence to the Secretary of the Interior that the State of Alaska approves of this agreement to establish dependable access for King Cove residents to the Cold Bay airport primarily for health and safety purposes.

In the agreement, the State will transfer approximately 43,000 acres of land in the Alaska Peninsula National Wildlife Refuge to the federal government in exchange for approximately 206 acres for the road corridor. The legislation also agrees to the receipt of 1600 acres of federal land located on Sitkinak Island to the State and provides for the designation of Kinzarof Lagoon as part of the Izembek State Game Refuge.

The residents of King Cove and Aleutians East Borough have strived toward this goal for more than a decade. The King Cove Corporation has agreed to provide approximately 19,000 acres of its ANCSA land to the federal government, at no cost, as part of this exchange. The Alaska Department of Natural Resources supports the transaction. Senator Murkowski, Congressman Young, and former Senator Stevens have championed this endeavor at the federal level over many years. Senator Begich also backs the plan.

It is now the State of Alaska's role to take this next important step. I respectfully ask for your support in concluding this agreement while also sending an important message to the Secretary of the Interior that Alaska endorses this exchange and all that it entails for the improved safety and quality of life for citizens in Southwestern Alaska.

Prepared by the Office of Rep. Edgmon

Regarding Version 26-LS0788\A

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM April 1, 2009

SUBJECT: Sectional summary for HB 210 that adds additional state land to the Izembek State Game Refuge and authorizes state land to be exchanged for federal land under the Omnibus Public Land Management Act of 2009 (Work Order No. 26-LS0788\A)

TO: Representative Bryce Edgmon
Attn: Tim Clark

FROM: Donald M. Bullock Jr.
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. States that the purpose of the Act is to add state land and water near Kinzarof Lagoon to the Izembek State Game Refuge.

Section 2. Amends AS 16.20.030(a)(14) by adding the descriptions of land and water to be added to the Izembek State Game Refuge.

Section 3. Provides for the removal of the land added to the Izembek State Game Refuge in sec. 2 of the Act if the conditions in sec. 7(b) of the Act are satisfied.

Section 4. Requires the Department of Natural Resources to transfer land adjacent to the Izembek National Wildlife Refuge in exchange for federal land. Describes the land to be transferred by the department and the federal land expected to be received in exchange.

Section 5. States that the land exchange in sec. 4 of the Act is not subject to the provisions in AS 38.50 that would normally apply to an exchange of state land.

Section 6. Provides for the land added to the Izembek State Game Refuge in sec. 2 of the Act and the land conveyed under sec. 4 of the bill to be returned to its original status if the land exchange authorized by sec. 6402(a) of the Omnibus Public Land Management Act of 2009 becomes null and void under sec. 6405 of the federal Act.

Section 7. Subsection (a) makes secs. 1, 2, 4, and 5 of the Act take effect only if the United States Secretary of the Interior determines that the land exchange described in sec. 4 is in the public interest. Subsection (b) makes secs. 3 and 6 of the Act take effect if the land exchanged is voided under sec. 6405 of the Omnibus Public Land Management Act of 2009. Requires the commissioner of natural resources to notify the lieutenant governor and the revisor of statutes if and when the conditions in sec. 7 are satisfied.

Section 8. If secs. 1, 4, and 5 of the Act take effect, identifies the date on which those sections take effect.

Section 9. If sec. 2 takes effect, identifies the date on which sec. 2 takes effect.

Section 10. If secs. 3 and 6 take effect, identifies the date on which those sections take effect.

Section 11. Except as provided in secs. 7 - 10 of the Act, makes the Act take effect immediately.

DMB:plm
09-237.plm

STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

☐ P.O. BOX 111000
JUNEAU, ALASKA 99811-1000
PHONE: (907) 465-2400
FAX: (907) 465-3886

☐ 550 WEST 7TH AVENUE, SUITE 1400
ANCHORAGE, ALASKA 99501-3650
PHONE: (907) 269-8431
FAX: (907) 269-8918

April 14, 2008

The Honorable Jeff Bingaman
Chairman
U.S. Senate Committee on Energy and Natural Resources
302 Dirksen Senate Building
Washington, D.C. 20510

The Honorable Pete Domenici
Ranking Member
U.S. Senate Committee on Energy and Natural Resources
302 Dirksen Senate Building
Washington, D.C. 20510

Re: S 1680 – the Izembek and Alaska Peninsula Refuge and Wilderness Enhancement Act and King Cove Safe Access Act

Dear Chairman Bingaman and Ranking Member Domenici:

The State of Alaska supports S 1680, legislation that would authorize a land exchange between the State of Alaska, the U.S. Fish and Wildlife Service and King Cove Corporation to secure road access between the Alaskan communities of King Cove and Cold Bay. These communities are located on the Alaska Peninsula and are accessible only by air or water.

A priority for the Agdaagux Tribe of King Cove, the City of King Cove and the Aleutians East Borough is to construct a 27-mile road to Cold Bay, through the Izembek National Wildlife Refuge, to access the larger and safer airport at Cold Bay.

This overland link is necessary because both air and water access to King Cove is treacherous in the frequent stormy weather so common on the lower Alaska Peninsula. Cold Bay has a much larger, safer airport and the residents of King Cove need reliable access to the Cold Bay airport facility for health and safety, including emergency medical evacuations. A combination road and hovercraft system, established under the King Cove Health and Safety Act passed by Congress several years ago, has not safely nor efficiently resolved access problems.

The need for this road link has been identified in land and transportation plans for at least twenty-five years, including the Alaska Department of Transportation's Southwest Alaska Transportation Plan, adopted in 2004.

The land exchange would add valuable and significant acreage to the Izembek and Alaska Peninsula National Wildlife Refuges. Much of the land that would be added to the refuges is currently owned by the State of Alaska. Specifically, the State of Alaska is offering to exchange 43,093 acres, or all of the state-owned land contained in two townships located northeast of Izembek Refuge, in exchange for a 206 acre easement dedicated to the State of Alaska, through the Izembek National Wildlife Refuge and Wilderness. The undeveloped state land being offered to the Refuge is surrounded on three sides by refuge lands and is habitat for brown bears and caribou. This state land includes the lower portion of the Cathedral River, which drains the western flanks of Pavlof Volcano. It is de facto wilderness land. This state land was included in a recent state oil and gas lease sale, although no bids were received on these tracts.

The 7,900 acres being offered to the Izembek Refuge by King Cove Corporation includes valuable waterfowl habitat that straddles Kinzarof Lagoon at the head of Cold Bay. This land is an inholding within the existing Izembek Wilderness area. The Corporation is also offering to sell an additional 10,800 acres of private lands to the U.S. Fish and Wildlife Service for the Refuge.

The road easement that the state would acquire will run approximately 13 miles through the Izembek National Wildlife Refuge. More than half of this road already exists as primitive roads that were originally built during World War II. The total length of new road through the Wilderness area is 6.3 miles. The exact location of the easement will be determined in consultation with the U.S. Fish and Wildlife Service.

The combined offers from the State of Alaska and the King Cove Corporation would add 51,000 acres to the Izembek and Alaska Peninsula National Wildlife Refuges. All of the state land that is being offered in this exchange would be designated Wilderness by this legislation.

The state would acquire approximately 206 acres that encompass the road. The state would also acquire a 1,600-acre federal inholding on Sitkinak Island, a predominantly state-owned island located south of Kodiak Island.

The State of Alaska recognizes the unique value of the Izembek National Wildlife Refuge. In 1972, the Alaska Legislature set aside the state-owned tidelands within Izembek Lagoon and adjacent offshore state lands as a State Game Refuge. These state lands contain eel grass beds that are the very heart of Izembek Refuge.

As part of this proposal, the state would add more than 4,000 acres of state-owned tidelands in Kinzarof Lagoon, at the head of Cold Bay, to the State Game Refuge. The exchange will require approval by our state legislature as the state lands are quite likely of unequal, but greater, fair market value that the federal lands being exchanged.

The state is well aware of concerns expressed by various groups who are opposed to this legislation. Some are concerned about the precedent set by building a road through a Wilderness Area. Yet, when the Alaska National Interest Lands Conservation Act was passed in 1980, Congress specifically recognized that transportation facilities may be needed across the 58 million acres of federal Wilderness lands in Alaska. The Alaska Lands Act requires Congressional approval for such transportation corridors through Wilderness.

There are also concerns about increased public access to the refuge wilderness. The refuge and wilderness area are already accessible from Cold Bay by existing local roads. Through planning and enforcement of existing refuge regulations, the impacts of the limited number of new users from King Cove can be mitigated.

The State of Alaska supports this legislation and stands ready to commit over 43,000 acres of state land to the National Wildlife Refuge and Wilderness system. We urge the Committee to approve this bill.

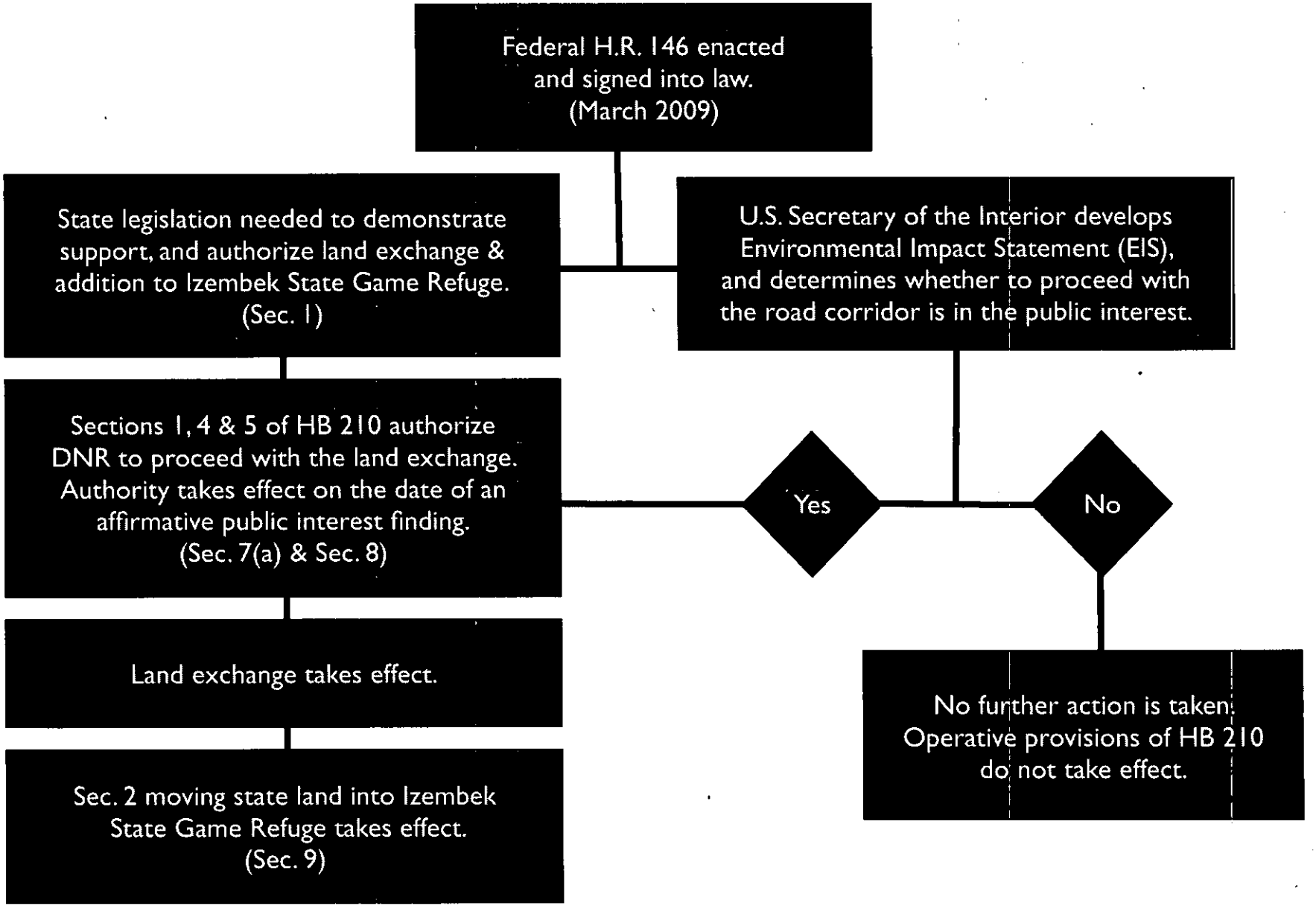
Thank you for the opportunity to comment on this legislation.

Sincerely,

Tom Irwin, Commissioner
Alaska Department of Natural Resources

cc: The Honorable Ted Stevens, United States Senate
The Honorable Lisa Murkowski, United States Senate
The Honorable Don Young, United States House of Representatives
The Honorable Sarah Palin, Governor, State of Alaska
Commissioner Denby Lloyd, Alaska Department of Fish and Game
Commissioner Leo von Scheben, Alaska Department of Transportation and Public Facilities
Mr. John Katz, Office of the Governor, State of Alaska, Washington, D.C.
Mr. Dale Hall, Director, U.S. Fish and Wildlife Service
Mr. Tom Melius, Regional Director, U.S. Fish and Wildlife Service

HB 210 - King Cove Land Exchange Process



OMNIBUS PUBLIC LAND MANAGEMENT ACT OF 2009

Izembek National Wildlife Refuge Land Exchange

This summary and map document the lands that will be exchanged between the Federal Government, State of Alaska, and King Cove Corporation when the requirements contained in this act are completed, including final approval of State HB 210.

The State of Alaska will convey to the Federal government a total of 43,093 acres. These acres come from the following State-owned lands (see attached map):

1. Map Ref. ID #1 – T 53S R85W-SM – 22,498 acres
2. Map Ref. ID #2 – T 54S R85W-SM – 20,595 acres

The King Cove Corporation (KCC) will convey and/or relinquish approximately 18,730 acres of KCC lands to the Federal government. These acres are as follows:

1. Map Ref. ID #4 – Portion of land adjacent Kinzarof Lagoon referred to as the "bookends" - approximately 2,500 acres.
2. Map Ref. ID #3 – Portion of land surrounding Mortensen's Lagoon, north to Cold Bay, but not including any road section from Cold Bay to Mortsensen Lagoon (17(b)(2) easement per ANCSA) - approximately 10,800 acres.
3. Map Ref. ID #5 – King Cove relinquishes selections totaling approximately 5,430 acres of their ANSCA entitlement within the Izembek National Wildlife Refuge.

The Federal government will convey the following lands to the State of Alaska:

1. Map. Ref. ID #A – 100' to 150' wide corridor of land through a portion of the Izembek National Wildlife Refuge consisting of approximately 206 acres.
2. Approximately 1,600 acres of federally-owned lands on Sitkinak Island adjacent to Kodiak Island (not shown on the map).

Prepared by the Office of Rep. Edgmon. *Regarding HB210 (26-LS0788\A).*

STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF FISH AND GAME

333 Raspberry Road
Anchorage, AK 99518-1599
PHONE: (907) 267-2182
FAX: (907) 267-2433

MEMORANDUM

TO: Kerry Howard, Director
Division of Habitat

Doug Larsen, Director
Division of Wildlife Conservation

FROM: Mark Fink, Division of Habitat, Special Areas Plar
Joe Meehan, Division of Wildlife Conservation, L
Coordinator

DATE: February 12, 2009

SUBJECT: Kinzarof Lagoon and additions to the Izembek Stat

F/I could be something that was not intended by sponsor.

Per your request, this memo confirms our support for adding Kinzarof Lagoon to the Izembek State Game Refuge. Like Izembek Lagoon, Kinzarof supports important eelgrass beds and other habitats used by a variety of fish and wildlife species. "The eelgrass beds at Izembek and Kinzarof Lagoons are extremely important foraging habitat for many migratory waterfowl species as well as other species of animals. Prominent grazers of eelgrass include brant, Canada goose, emperor goose, tundra swan, northern pintail, and American wigeon. Mallards, northern pintails, and green-winged teal forage on eelgrass seeds. Snails and crabs are abundant invertebrate grazers. The invertebrate fauna that live attached to or amongst the eelgrass are food for benthic and demersal fishes, sea stars, crabs, Steller's eiders and other ducks, gulls, shorebirds, and sea otters." "In addition to eelgrass habitat, the nonvegetated mud and sand flats and sandy beaches associated with Izembek and Kinzarof Lagoons are important habitats for intertidal invertebrates, shorebirds, terns, and gulls." (Izembek National Wildlife Refuge, Final Report of the 2004 Biological Program Review, 10 June 2008). Birds often move back and forth between Izembek Lagoon and Kinzarof Lagoon during fall staging in response to tide levels between the two lagoons. In winter, birds frequent Kinzarof Lagoon during periods of increased ice cover in Izembek Lagoon (2008 pers. comm. K. Sowl, FWS).

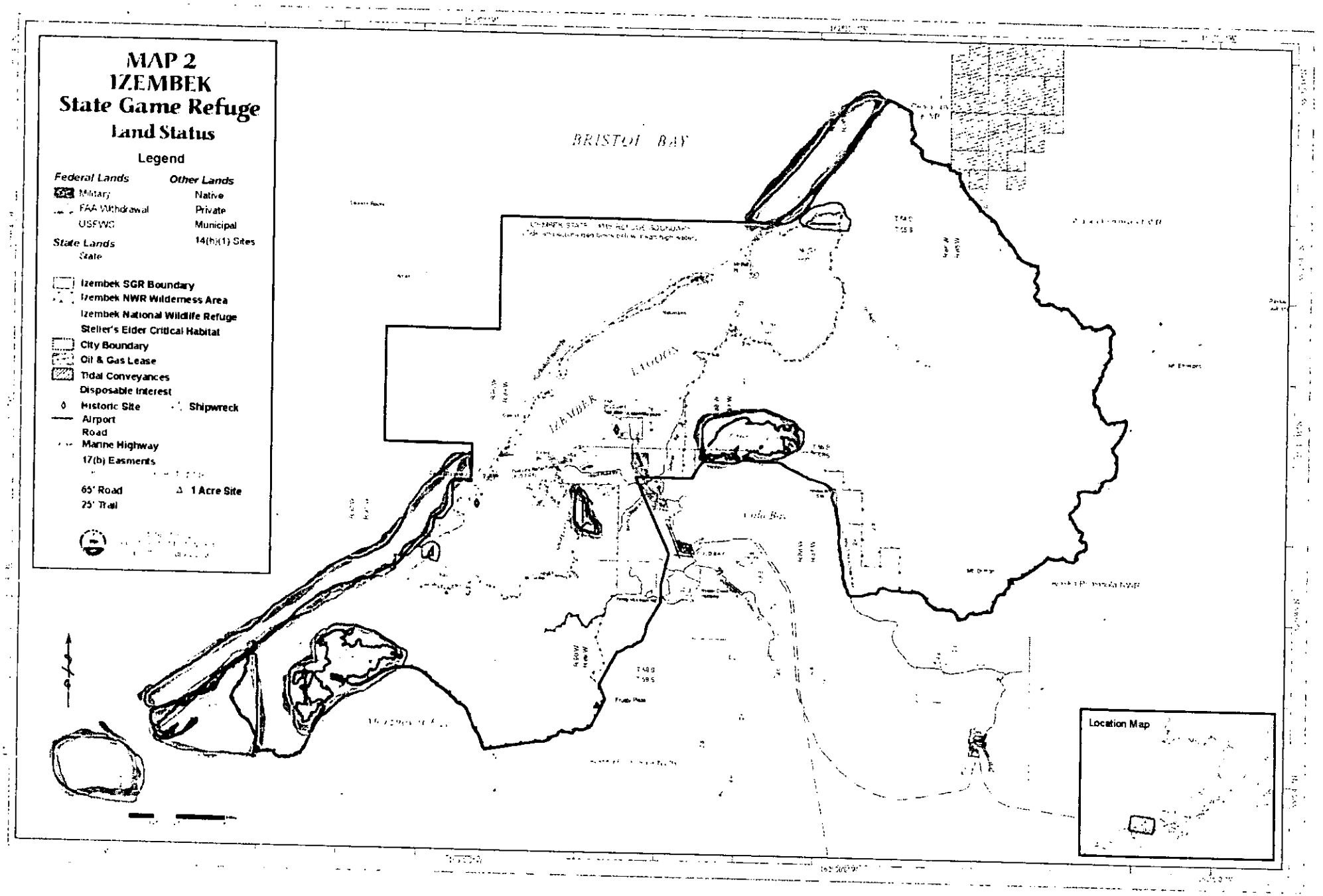
The addition of Kinzarof Lagoon to the state refuge is compatible with the protection of the fish and wildlife resources of the existing state refuge and administratively would compliment our current refuge management efforts.

Should legislative action move forward on this addition, we have several refuge boundary adjustments that we would also like to address. The statutory boundary does not include all of the state tidelands in Izembek Lagoon. Parcels that were inadvertently left out of the original state refuge boundary should be added to the refuge. In addition, we recommend the inclusion of three marine areas adjacent to the

refuge that provide important habitat for fish and wildlife: 1) nearshore habitat along the Bristol Bay coast to the northeast and southwest of the Izembek Lagoon entrance, 2) Big, Middle and Small lagoons at the head of Morzhovoi Bay, and 3) the northern portion of Bechevin Bay, including Hook Bay. All these areas contain eelgrass beds or other habitats critical to the perpetuation of the fish and wildlife species dependant on Izembek Lagoon. Protection of these areas through legislative designation would compliment the conservation efforts of both the state game refuge and the Izembek National Wildlife Refuge programs.

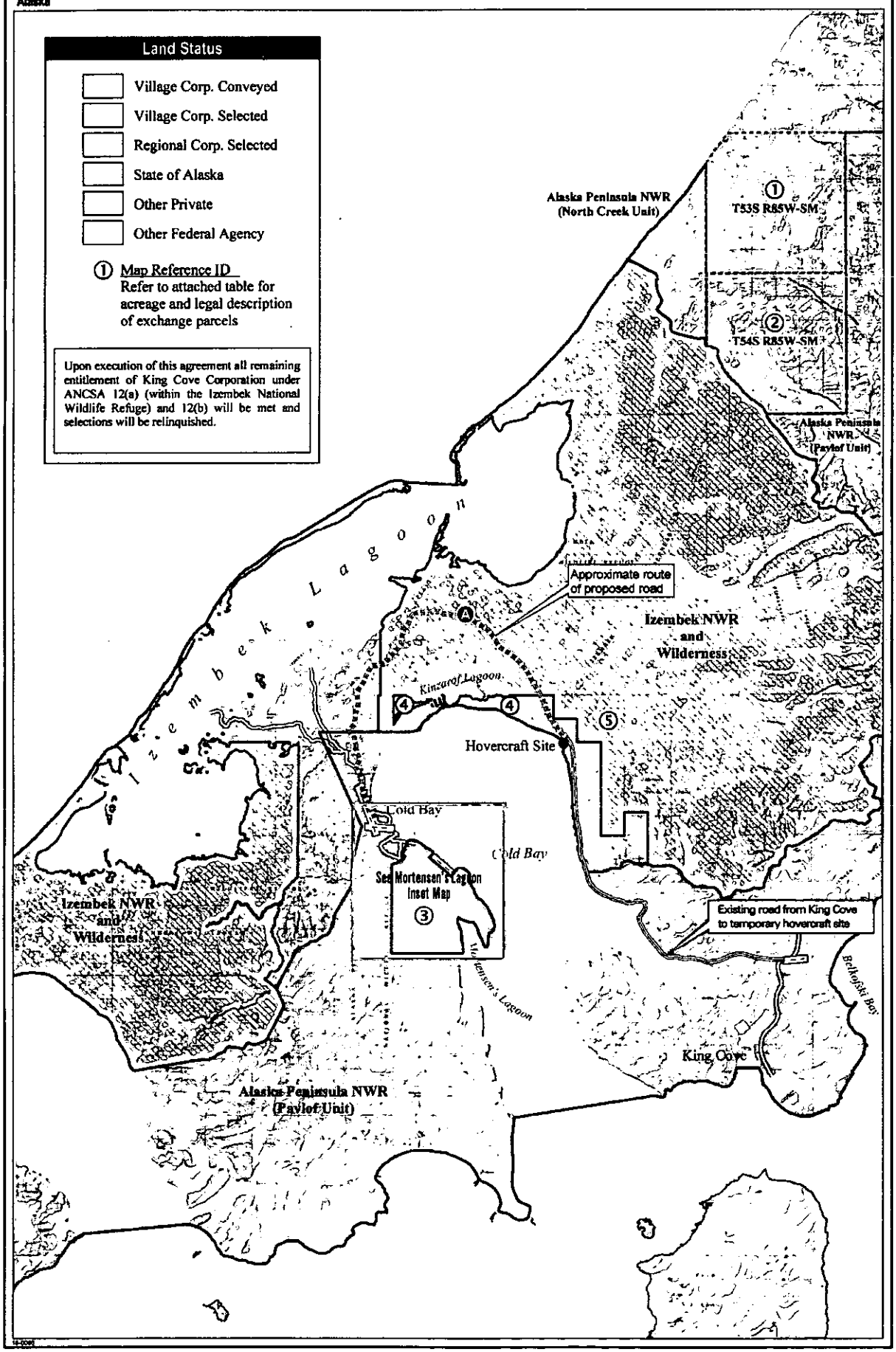
If you have any questions or need more specific details on these areas, please let us know.

cc:
Tina Cunning, Commissioner's Office
Brad Palach, SF
Ellen Simpson, SF
Tom Brookover, SF
Mike Daigneault, HAB
Tom Rothe, DWC
Grant Hilderbrand, DWC
Gino Delfrate, DWC


MAP 2
IZEMBEK
State Game Refuge
Land Status
Legend
Federal Lands
Military
FAA Withdrawal
USFWS
State Lands
State
Other Lands
Native
Private
Municipal
14(h)(1) Sites
Izembek SGR Boundary
Izembek NWR Wilderness Area
Izembek National Wildlife Refuge
Steller's Eider Critical Habitat
City Boundary
Oil & Gas Lease
Tidal Conveyances
Disposable Interest
Historic Site
Shipwreck
Airport
Road
Marine Highway
17(b) Easements
65' Road
25' Trail
1 Acre Site
BRISTOL BAY
IZEMBEK
LAGOON
Location Map

Proposed Land Exchange Between USFWS and King Cove Corporation

Izembek and Alaska Peninsula National Wildlife Refuges
Alaska



#1

AMENDMENT

OFFERED IN THE HOUSE RESOURCES COMMITTEE

To: HB210 Introduced by Representative Edgmon

Insert a new section after sec. 4 to read:

"Notwithstanding any other provision of law, the road described in sec. 4 (b) of this Act is deemed compatible with state fish and game management of the Izembek State Game Refuge."

Renumber subsequent sections accordingly.

Omnibus Public Land Management Act of 2009

Subtitle E--Izembek National Wildlife Refuge Land Exchange

SEC. 6401. DEFINITIONS.

In this subtitle:

(1) CORPORATION- The term `Corporation' means the King Cove Corporation.

(2) FEDERAL LAND- The term `Federal land' means--

(A) the approximately 206 acres of Federal land located within the Refuge, as generally depicted on the map; and

(B) the approximately 1,600 acres of Federal land located on Sitkinak Island, as generally depicted on the map.

(3) MAP- The term `map' means each of--

(A) the map entitled `Izembek and Alaska Peninsula National Wildlife Refuges' and dated September 2, 2008; and

(B) the map entitled `Sitkinak Island-Alaska Maritime National Wildlife Refuge' and dated September 2, 2008.

(4) NON-FEDERAL LAND- The term `non-Federal land' means--

(A) the approximately 43,093 acres of land owned by the State, as generally depicted on the map; and

(B) the approximately 13,300 acres of land owned by the Corporation (including approximately 5,430 acres of land for which the Corporation shall relinquish the selection rights of the Corporation under the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.) as part of the land exchange under section 6402(a)), as generally depicted on the map.

(5) REFUGE- The term `Refuge' means the Izembek National Wildlife Refuge.

(6) SECRETARY- The term `Secretary' means the Secretary of the Interior.

(7) STATE- The term `State' means the State of Alaska.

(8) TRIBE- The term `Tribe' means the Agdaagux Tribe of King Cove, Alaska.

SEC. 6402. LAND EXCHANGE.

(a) In General- Upon receipt of notification by the State and the Corporation of the intention of the State and the Corporation to exchange the non-Federal land for the Federal land, subject to the conditions and requirements described in this subtitle, the Secretary may convey to the State all right, title, and interest of the United States in and to the Federal land. The Federal land within the Refuge shall be transferred for the purpose of constructing a single-lane gravel road between the communities of King Cove and Cold Bay, Alaska.

(b) Compliance With National Environmental Policy Act of 1969 and Other Applicable Laws-

(1) IN GENERAL- In determining whether to carry out the land exchange under subsection (a), the Secretary shall--

(A) comply with the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.); and

(B) except as provided in subsection (c), comply with any other applicable law (including regulations).

(2) ENVIRONMENTAL IMPACT STATEMENT-

(A) IN GENERAL- Not later than 60 days after the date on which the Secretary receives notification under subsection (a), the Secretary shall initiate the preparation of an environmental impact statement required under the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.).

(B) REQUIREMENTS- The environmental impact statement prepared under subparagraph (A) shall contain--

(i) an analysis of--

(I) the proposed land exchange; and

(II) the potential construction and operation of a road between the communities of King Cove and Cold Bay, Alaska; and

(ii) an evaluation of a specific road corridor through the Refuge that is identified in consultation with the State, the City of King Cove, Alaska, and the Tribe.

(3) COOPERATING AGENCIES-

(A) IN GENERAL- During the preparation of the environmental impact statement under paragraph (2), each entity described in subparagraph (B) may participate as a cooperating agency.

(B) AUTHORIZED ENTITIES- An authorized entity may include--

(i) any Federal agency that has permitting jurisdiction over the road described in paragraph (2)(B)(i)(II);

(ii) the State;

(iii) the Aleutians East Borough of the State;

(iv) the City of King Cove, Alaska;
(v) the Tribe; and
(vi) the Alaska Migratory Bird Co-Management Council.

(c) Valuation- The conveyance of the Federal land and non-Federal land under this section shall not be subject to any requirement under any Federal law (including regulations) relating to the valuation, appraisal, or equalization of land.

(d) Public Interest Determination-

(1) CONDITIONS FOR LAND EXCHANGE- Subject to paragraph (2), to carry out the land exchange under subsection (a), the Secretary shall determine that the land exchange (including the construction of a road between the City of King Cove, Alaska, and the Cold Bay Airport) is in the public interest.

(2) LIMITATION OF AUTHORITY OF SECRETARY- The Secretary may not, as a condition for a finding that the land exchange is in the public interest--

(A) require the State or the Corporation to convey additional land to the United States; or

(B) impose any restriction on the subsistence uses (as defined in section 803 of the Alaska National Interest Lands Conservation Act (16 U.S.C. 3113)) of waterfowl by rural residents of the State.

(e) Kinzaroff Lagoon- The land exchange under subsection (a) shall not be carried out before the date on which the parcel of land owned by the State that is located in the Kinzaroff Lagoon has been designated by the State as a State refuge, in accordance with the applicable laws (including regulations) of the State.

(f) Designation of Road Corridor- In designating the road corridor described in subsection (b)(2)(B)(ii), the Secretary shall--

(1) minimize the adverse impact of the road corridor on the Refuge;

(2) transfer the minimum acreage of Federal land that is required for the construction of the road corridor; and

(3) to the maximum extent practicable, incorporate into the road corridor roads that are in existence as of the date of enactment of this Act.

(g) Additional Terms and Conditions- The land exchange under subsection (a) shall be subject to any other term or condition that the Secretary determines to be necessary.

SEC. 6403. KING COVE ROAD.

(a) Requirements Relating to Use, Barrier Cables, and Dimensions-

(1) LIMITATIONS ON USE-

(A) IN GENERAL- Except as provided in subparagraph (B), any portion of the road constructed on the Federal land conveyed pursuant to this subtitle shall be used primarily

for health and safety purposes (including access to and from the Cold Bay Airport) and only for noncommercial purposes.

(B) EXCEPTIONS- Notwithstanding subparagraph (A), the use of taxis, commercial vans for public transportation, and shared rides (other than organized transportation of employees to a business or other commercial facility) shall be allowed on the road described in subparagraph (A).

(C) REQUIREMENT OF AGREEMENT- The limitations of the use of the road described in this paragraph shall be enforced in accordance with an agreement entered into between the Secretary and the State.

(2) REQUIREMENT OF BARRIER CABLE- The road described in paragraph (1)(A) shall be constructed to include a cable barrier on each side of the road, as described in the record of decision entitled `Mitigation Measure MM-11, King Cove Access Project Final Environmental Impact Statement Record of Decision' and dated January 22, 2004, unless a different type barrier is required as a mitigation measure in the Record of Decision for Final Environmental Impact Statement required in section 6402(b)(2).

(3) REQUIRED DIMENSIONS AND DESIGN FEATURES- The road described in paragraph (1)(A) shall--

(A) have a width of not greater than a single lane, in accordance with the applicable road standards of the State;

(B) be constructed with gravel;

(C) be constructed to comply with any specific design features identified in the Record of Decision for Final Environmental Impact Statement required in section 6402(b)(2) as Mitigation Measures relative to the passage and migration of wildlife, and also the exchange of tidal flows, where applicable, in accordance with applicable Federal and State design standards; and

(D) if determined to be necessary, be constructed to include appropriate safety pullouts.

(b) Support Facilities- Support facilities for the road described in subsection (a)(1)(A) shall not be located within the Refuge.

(c) Federal Permits- It is the intent of Congress that any Federal permit required for construction of the road be issued or denied not later than 1 year after the date of application for the permit.

(d) Applicable Law- Nothing in this section amends, or modifies the application of, section 1110 of the Alaska National Interest Lands Conservation Act (16 U.S.C. 3170).

(e) Mitigation Plan-

(1) IN GENERAL- Based on the evaluation of impacts determined through the completion of the environmental impact

statement under section 6402(b)(2), the Secretary, in consultation with the entities described in section 6402(b)(3)(B), shall develop an enforceable mitigation plan.

(2) CORRECTIVE MODIFICATIONS- The Secretary may make corrective modifications to the mitigation plan developed under paragraph (1) if--

(A) the mitigation standards required under the mitigation plan are maintained; and

(B) the Secretary provides an opportunity for public comment with respect to any proposed corrective modification.

(3) AVOIDANCE OF WILDLIFE IMPACTS- Road construction shall adhere to any specific mitigation measures included in the Record of Decision for Final Environmental Impact Statement required in section 6402(b)(2) that--

(A) identify critical periods during the calendar year when the refuge is utilized by wildlife, especially migratory birds; and

(B) include specific mandatory strategies to alter, limit or halt construction activities during identified high risk periods in order to minimize impacts to wildlife, and

(C) allow for the timely construction of the road.

(4) MITIGATION OF WETLAND LOSS- The plan developed under this subsection shall comply with section 404 of the Federal Water Pollution Control Act (33 U.S.C. 1344) with regard to minimizing, to the greatest extent practicable, the filling, fragmentation or loss of wetlands, especially intertidal wetlands, and shall evaluate mitigating effect of those wetlands transferred in Federal ownership under the provisions of this subtitle.

SEC. 6404. ADMINISTRATION OF CONVEYED LANDS.

(1) FEDERAL LAND- Upon completion of the land exchange under section 6402(a)--

(A) the boundary of the land designated as wilderness within the Refuge shall be modified to exclude the Federal land conveyed to the State under the land exchange; and

(B) the Federal land located on Sitkinak Island that is withdrawn for use by the Coast Guard shall, at the request of the State, be transferred by the Secretary to the State upon the relinquishment or termination of the withdrawal.

(2) NON-FEDERAL LAND- Upon completion of the land exchange under section 6402(a), the non-Federal land conveyed to the United States under this subtitle shall be--

(A) added to the Refuge or the Alaska Peninsula National Wildlife Refuge, as appropriate, as generally depicted on the map; and

(B) administered in accordance with the laws generally applicable to units of the National Wildlife Refuge System.

(3) WILDERNESS ADDITIONS-

(A) IN GENERAL- Upon completion of the land exchange under section 6402(a), approximately 43,093 acres of land as generally depicted on the map shall be added to--

(i) the Izembek National Wildlife Refuge Wilderness; or

(ii) the Alaska Peninsula National Wildlife Refuge Wilderness.

(B) ADMINISTRATION- The land added as wilderness under subparagraph (A) shall be administered by the Secretary in accordance with the Wilderness Act (16 U.S.C. 1131 et seq.) and other applicable laws (including regulations).

SEC. 6405. FAILURE TO BEGIN ROAD CONSTRUCTION.

(a) Notification To Void Land Exchange- If the Secretary, the State, and the Corporation enter into the land exchange authorized under section 6402(a), the State or the Corporation may notify the Secretary in writing of the intention of the State or Corporation to void the exchange if construction of the road through the Refuge has not begun.

(b) Disposition of Land Exchange- Upon the latter of the date on which the Secretary receives a request under subsection (a), and the date on which the Secretary determines that the Federal land conveyed under the land exchange under section 6402(a) has not been adversely impacted (other than any nominal impact associated with the preparation of an environmental impact statement under section 6402(b)(2)), the land exchange shall be null and void.

(c) Return of Prior Ownership Status of Federal and Non-Federal Land- If the land exchange is voided under subsection (b)--

(1) the Federal land and non-Federal land shall be returned to the respective ownership status of each land prior to the land exchange;

(2) the parcel of the Federal land that is located in the Refuge shall be managed as part of the Izembek National Wildlife Refuge Wilderness; and

(3) each selection of the Corporation under the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.) that was relinquished under this subtitle shall be reinstated.

SEC. 6406. EXPIRATION OF LEGISLATIVE AUTHORITY.

(a) In General- Any legislative authority for construction of a road shall expire at the end of the 7-year period beginning on the date of the enactment of this subtitle unless a construction permit has been issued during that period.

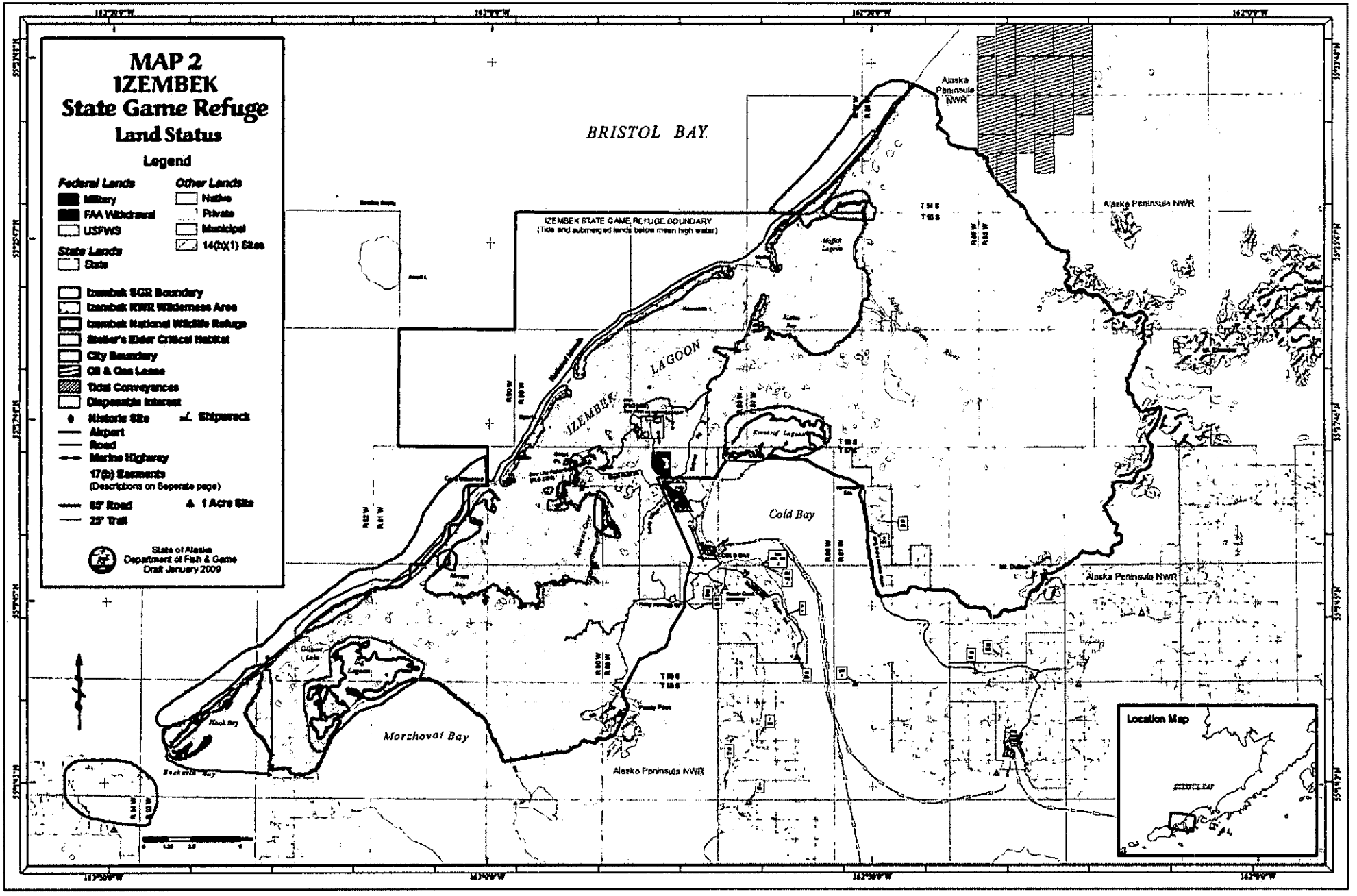
(b) Extension of Authority- If a construction permit is issued within the allotted period, the 7-year authority shall be extended for a period of 5 additional years beginning on the date of issuance of the construction permit.

(c) Extension of Authority as Result of Legal Challenges-

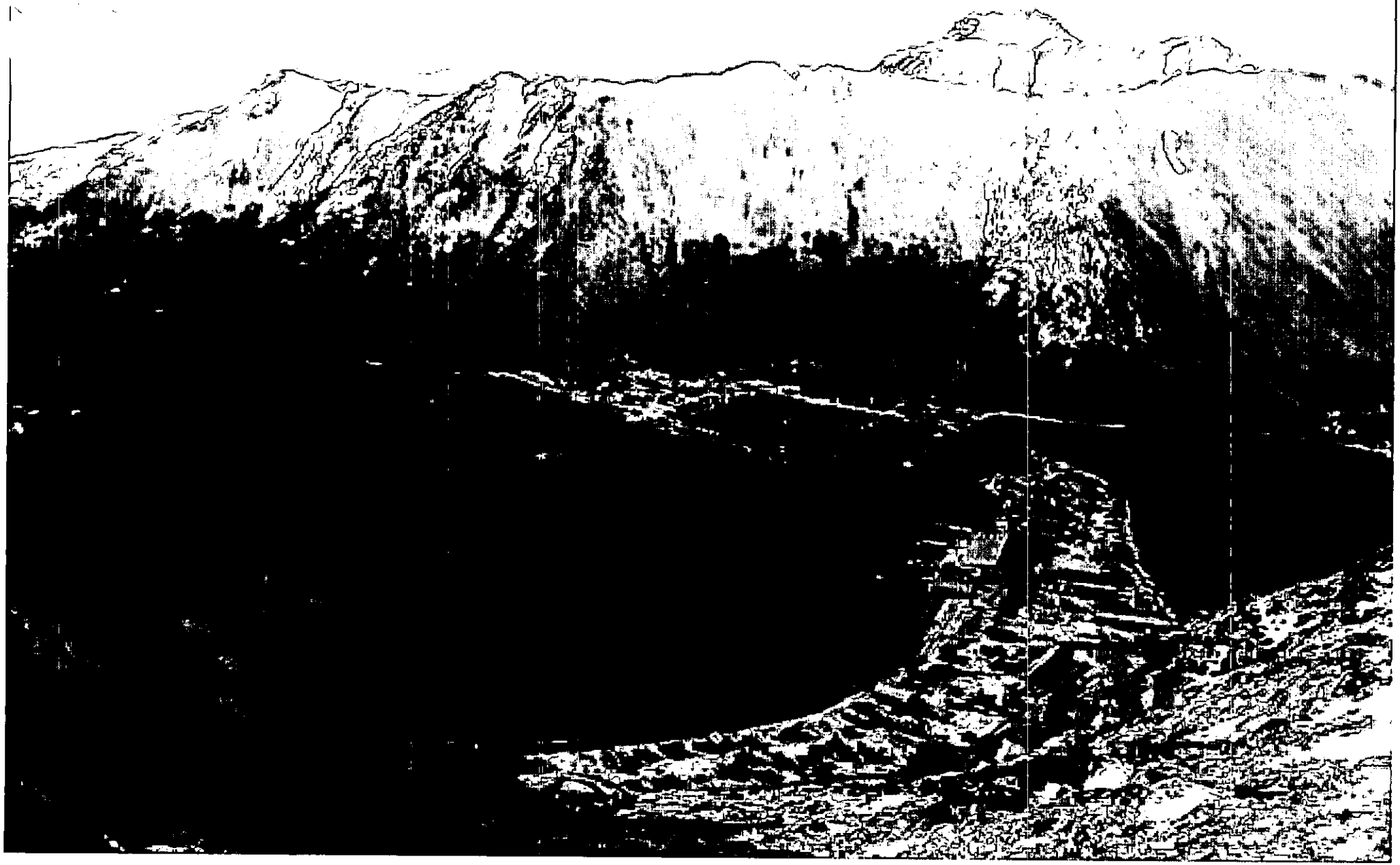
(1) IN GENERAL- Prior to the issuance of a construction permit, if a lawsuit or administrative appeal is filed challenging the land exchange or construction of the road (including a challenge to the NEPA process, decisions, or any required permit process required to complete construction of the road), the 7-year deadline or the five-year extension period, as appropriate, shall be extended for a time period equivalent to the time consumed by the full adjudication of the legal challenge or related administrative process.

(2) INJUNCTION- After a construction permit has been issued, if a court issues an injunction against construction of the road, the 7-year deadline or 5-year extension, as appropriate, shall be extended for a time period equivalent to time period that the injunction is in effect.

(d) Applicability of Section 6405- Upon the expiration of the legislative authority under this section, if a road has not been constructed, the land exchange shall be null and void and the land ownership shall revert to the respective ownership status prior to the land exchange as provided in section 6405.


MAP 2
IZEMBEK
State Game Refuge
Land Status
Legend
Federal Lands
Military
FAA Withdrawal
USFWS
Other Lands
Native
Private
Municipal
14(h)(1) Sites
State Lands
State
Izembek SGR Boundary
Izembek NWR Wilderness Area
Izembek National Wildlife Refuge
Steller's Eider Critical Habitat
City Boundary
Oil & Gas Lease
Tidal Conveyances
Disposable Interest
Historic Site
Shipwreck
Airport
Road
Marine Highway
17(b) Easements
(Descriptions on Seperate page)
60' Road
25' Trail
1 Acre Site
State of Alaska
Department of Fish & Game
Draft January 2009
IZEMBEK STATE GAME REFUGE BOUNDARY
(Tide and submerged lands below mean high water)
BRISTOL BAY
Alaska Peninsula NWR
IZEMBEK LAGOON
Cold Bay
Morzhovoi Bay
Location Map

KING COVE, ALASKA
WINTER VIEW



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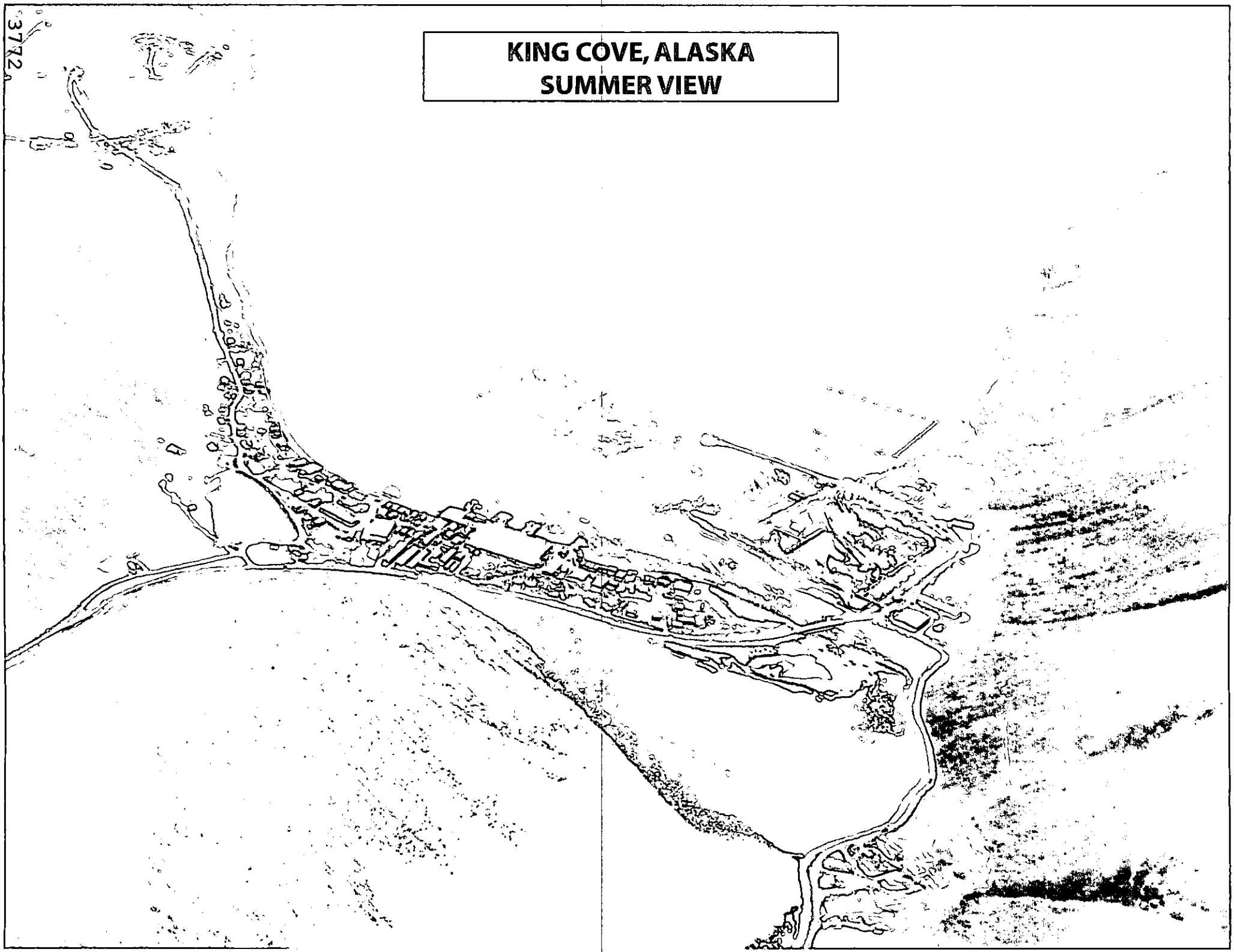
KING COVE, ALASKA
SUMMER VIEW



Road from King Cove to Cold Bay clears hurdle

YEARS AWAY: Lands bill OK'd by Senate, but it still faces House, federal review.

By ERIKA BOLSTAD
ebolstad@adn.com

WASHINGTON — Many people watched closely Thursday as the U.S. Senate passed a massive lands bill designating more than 2 million acres of wilderness in nine states, but none with as much focus as the Alaskans from King Cove.

The legislation, which pulls together 150 public lands, parks and water bills in one package, also includes a provision that authorizes a land swap and allows planning to begin for a 25-mile gravel road through a national wildlife refuge from the community of King Cove to the airport in Cold Bay.

The community of King Cove has sought the road for the past decade as an alternative to the hovercraft used to travel across the bay to get to the airport in Cold Bay. The World War II-era airport in Cold Bay is home to the third-longest runway in the state; unlike the smaller King Cove airport, it stays open in all weather conditions.

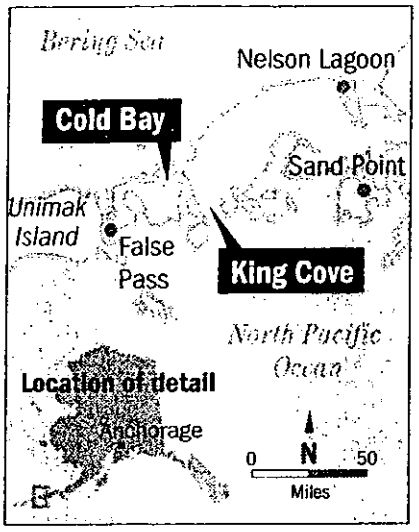
From the Senate gallery, Della Trumble and others from the community watched the Senate vote 73-21. They've worked for years to get the road, which they say is necessary for medical emergencies.

"I watched the vote 12 years ago, and watching the vote today, (it) brought a lot back, just realizing that this has been a long process," said Trumble, referring to the first vote that authorized the hovercraft for the community.

The road, which cuts a controversial swath through the Izembek National Wildlife Refuge, is just one of hundreds of projects in the 1,200-page bill. It also authorizes water projects on Indian reservations, declares some rivers as wild and scenic and designates 2 million acres of wilderness in nine states.

Critics who voted against the bill include Sen. Tom Coburn, R-Okla., who complained about the proposed spending in the package. Coburn cited the road through the refuge as well as $5 million on botanical gardens in Hawaii and Florida and $3.5 million to celebrate the 450th anniversary of the founding of St. Augustine, Fla., six years from now.

The Alaska portion of the legislation gives the state a seven-mile easement through the Izembek National Wildlife Refuge. The easement allows the state to complete a 25-mile gravel road that will link Cold Bay with King Cove. In exchange, the state is expected to transfer more than 61,000 acres to the federal government. Much of that land would go to the Izembek refuge; part would be designated as wilderness.



RON ENGSTROM / Anchorage Daily News

Residents have access to a hovercraft to cross the bay, but say they need the road to evacuate people with health emergencies during inclement weather.

Some conservationists say that it is unprecedented to allow a road through a wildlife refuge and that cars and trucks on the road will disrupt migratory birds in the refuge as well as other wildlife that pass along the narrow isthmus. However, the bill requires an extensive federal environmental review before it can be built. It also prohibits the road from being used by commercial traffic.

"What we've created through this bill is a process," said Alaska Sen. Lisa Murkowski. "This moves the community a step forward in the process of someday getting the road."

A road is still years away, Trumble said, and that has been hard to explain to people at home.

"We've achieved an ability to start a process," she said, chuckling at her own bureaucratic-speak.

As a whole, conservation groups supported the package because it had so many provisions to protect rivers and designate wilderness. The package did not have support from groups such as the Independent Petroleum Association of America, which complained that the bill could curtail domestic energy development by designating so many federally owned acres as wilderness.

The bill goes next to the House of Representatives, which has pledged to take up the Senate version and send it on to the president.

"Izembek & Alaska Peninsula Refuge & Wilderness Enhancement Act"

(S. 1680 & H.R. 2801)

This is a winter 2008 update of the key issues, circumstances and aspirations of the Izembek Partnership in our continuing pursuit for a land exchange of over 61,000 acres to the federal government from the King Cove Corporation and State of Alaska in exchange for about 1800 acres for a road easement (207 acres) through a portion of the Izembek National Wildlife Refuge.

This bill is about access for the residents of King Cove – so they can drive to the all-weather, 24-hour airport in Cold Bay, a distance of about 30 miles. King Cove lives with 20' seas and winds in excess of 50 mph year round; it is weather at its brutal best. The result is that King Cove's small airport, precariously perched adjacent volcanic mountains, is unusable for about 30-40% of the time for single-engine planes making scheduled flights in and out of the community. Eleven air fatalities in the King Cove-Cold Bay air corridor over the last 25 years attests to this situation.

Ten years ago, Congress tried to resolve our transportation access problem by providing capital funding for a state-of-the-art hovercraft. Unfortunately, this solution has not resolved the problem. The hovercraft also has significant weather constraints, and even larger constraints of financial sustainability. Our small population base (less than 1,000 residents) and remote location is accruing a net annual operating loss in excess of $1.5 million. We can only operate the hovercraft on a limited basis. A road is our real answer for residents who need to get in or out of the community, no matter the reason, but especially for medical and health reasons requiring medical attention which is not available in King Cove. This status quo is not sustainable; without a road this community continues to be trapped and isolated against its will. This is not right.

In 1980 Congress passed the Alaska National Interest Lands Conservation Act (ANILCA) and a short year later Congress formally moved forward to classify 303,000 acres of the Izembek National Wildlife Refuge as "wilderness" – a designation which brings with it the definition that bars significant human activity. In this instance, ANILCA simply memorialized a 1960 Public Land Order which previously established this wilderness designation. This decision was made law without the most basic outreach, consult or notice to the indigenous people who live there, have always lived there and will go on living there. The decision has also prevented King Cove residents from having a surface transportation access to Cold Bay This is not just inequitable; it is a blow to due process and respect for indigenous cultures.

This is about history and redress and hope for the future. Names on maps change, members of Congress change, and the environmental lobbyists come and go with the political tides, but for 4,000 years we've been living here on the Alaskan Peninsula – the Russians named it Izembek and the Congress named it Refuge but before there labels were ever applied, these were our aboriginal lands, preserved in their present day form because we know how to live on land and leave no mark. Aleuts have grown up, hunted and fished, and died on these Refuge borders. It is obvious to us, as it is not to our opponents, who are busy at work in their high rises or pushing carts down the aisles of their neighborhood supermarkets, that the healthy survival of this Refuge, with its eelgrass rich lagoons and wide diversity of wildlife, is more linked to our survival than any other constituency on the planet, and yet no one had the courtesy to ask us about its creation.

We have been seeking a Congressional okay for a low volume, one-lane road, with steel cable barriers on both sides to prevent any motorized vehicle from departing the roadway. And, after years of asking, we've been consistently told no - hearts will be pierced and wildlife will suffer beyond measure if we construct a road. But the Aleut hearts, which beat a little faster at the prospect of delays in access to medical care because the weather has turned bad, that suffering matters naught. This is not just inequitable, it is cruel.

Today, starting out from Cold Bay there are about 35 miles of gravel roads in the Refuge with about 15 miles of roads/trails in the wilderness. We are asking for a 7-mile easement to have a one-lane gravel road with pullouts (i.e. for two cars to pass) that requires approximately 200 acres. We have agreed to a steel cable being placed on both sides of this road to prohibit any off-road access. King Cove has about 250 vehicles in the entire community and we estimate the daily traffic going to the Cold Bay Airport to be about 15- 20 vehicles.

Many visitors gain access to the Refuge on pre-existing roads. They land safely in Cold Bay, they rest comfortably in one of 9 lodges that exist to make their stay pleasurable, and their access by pre-existing gravel road to the shores of the Izembek Lagoon is assured on one of the many roads that remained after their military use was over. When their Alaskan adventure is over and they are ready to return to their jobs and their loved ones, they hop on a jet and take off from the third largest runway in Alaska. And they accomplish this travel while the residents of King Cove look across the wind-whipped bay in frustration. This is not just inequitable, it is unconscionable.

The value of the land that we propose to exchange for this easement is considerable. But, don't take our word for it. .We are biased, both because we want this road to become a reality and because we know the lands in question. We urge you to go directly to the USF&WS for their opinion about the value of our proposed land exchange. They will tell you that you have before you an exemplary deal: a proposal that greatly enhances the existing refuge, by adding the valuable wetlands found in Mortenson's Lagoon, as well as adding 45,000 new acres of new wilderness - the first such addition in Alaska in 25 years. It is a transaction that goes beyond equitable to generous.

The passage of this bill is a win-win for everyone with a stake in its outcome, and that includes the wildlife that depends upon the Refuge for food, safety and shelter for their off-spring. We relate to all of those interests: they are the same as our own. As good stewards and good citizens of this country, our values are closely aligned with those of the conservation movement – with all due respect for those who argue otherwise, we believe that our experience qualifies us as experts in the ways of humans living on land and leaving no mark. With the construction of a road we gain the transportation corridor that we would have asked for initially, had anyone shown us the respect to inquire. We will agree to supervise this project from its first moved rock to its last engineering detail. This road will be designed with a minimal footprint, built to the highest standards and driven on with respect to our wildlife neighbors in our every turn. In exchange, we propose to donate land that greatly enhances the existing refuge and provides safe, reliable surface transportation for the residents of a King Cove: At long last, a genuinely equitable outcome is within our reach. You can help us get there from here.

Please support our efforts! Visit our website at http://www.izembekenhancement.org

OMNIBUS PUBLIC LAND MANAGEMENT ACT OF 2009

Izembek National Wildlife Refuge Land Exchange

This summary and map document the lands that will be exchanged between the Federal Government, State of Alaska, and King Cove Corporation when the requirements contained in this act are completed, including final approval of State HB 210.

The State of Alaska will convey to the Federal government a total of 43,093 acres. These acres come from the following State-owned lands (see attached map):

1. Map Ref. ID #1 – T 53S R85W-SM – 22,498 acres
2. Map Ref. ID #2 – T 54S R85W-SM – 20,595 acres

The King Cove Corporation (KCC) will convey and/or relinquish approximately 18,730 acres of KCC lands to the Federal government. These acres are as follows:

1. Map Ref. ID #4 – Portion of land adjacent Kinzarof Lagoon referred to as the "bookends" - approximately 2,500 acres.
2. Map Ref. ID #3 – Portion of land surrounding Mortensen's Lagoon, north to Cold Bay, but not including any road section from Cold Bay to Mortsensen Lagoon (17(b)(2) easement per ANCSA) - approximately 10,800 acres.
3. Map Ref. ID #5 – King Cove relinquishes selections totaling approximately 5,430 acres of their ANSCA entitlement within the Izembek National Wildlife Refuge.

The Federal government will convey the following lands to the State of Alaska:

1. Map. Ref. ID #A – 100' to 150' wide corridor of land through a portion of the Izembek National Wildlife Refuge consisting of approximately 206 acres.
2. Approximately 1,600 acres of federally-owned lands on Sitkinak Island adjacent to Kodiak Island (not shown on the map).

Prepared by the Office of Rep. Edgmon. *Regarding HB210 (26-LS0788\A).*

STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

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PHONE: (907) 269-8431
FAX: (907) 269-8918

April 14, 2008

The Honorable Jeff Bingaman
Chairman
U.S. Senate Committee on Energy and Natural Resources
302 Dirksen Senate Building
Washington, D.C. 20510

The Honorable Pete Domenici
Ranking Member
U.S. Senate Committee on Energy and Natural Resources
302 Dirksen Senate Building
Washington, D.C. 20510

Re: S 1680 – the Izembek and Alaska Peninsula Refuge and Wilderness Enhancement Act and King Cove Safe Access Act

Dear Chairman Bingaman and Ranking Member Domenici:

The State of Alaska supports S 1680, legislation that would authorize a land exchange between the State of Alaska, the U.S. Fish and Wildlife Service and King Cove Corporation to secure road access between the Alaskan communities of King Cove and Cold Bay. These communities are located on the Alaska Peninsula and are accessible only by air or water.

A priority for the Agdaagux Tribe of King Cove, the City of King Cove and the Aleutians East Borough is to construct a 27-mile road to Cold Bay, through the Izembek National Wildlife Refuge, to access the larger and safer airport at Cold Bay.

This overland link is necessary because both air and water access to King Cove is treacherous in the frequent stormy weather so common on the lower Alaska Peninsula. Cold Bay has a much larger, safer airport and the residents of King Cove need reliable access to the Cold Bay airport facility for health and safety, including emergency medical evacuations. A combination road and hovercraft system, established under the King Cove Health and Safety Act passed by Congress several years ago, has not safely nor efficiently resolved access problems.

The need for this road link has been identified in land and transportation plans for at least twenty-five years, including the Alaska Department of Transportation's Southwest Alaska Transportation Plan, adopted in 2004.

The land exchange would add valuable and significant acreage to the Izembek and Alaska Peninsula National Wildlife Refuges. Much of the land that would be added to the refuges is currently owned by the State of Alaska. Specifically, the State of Alaska is offering to exchange 43,093 acres, or all of the state-owned land contained in two townships located northeast of Izembek Refuge, in exchange for a 206 acre easement dedicated to the State of Alaska, through the Izembek National Wildlife Refuge and Wilderness. The undeveloped state land being offered to the Refuge is surrounded on three sides by refuge lands and is habitat for brown bears and caribou. This state land includes the lower portion of the Cathedral River, which drains the western flanks of Pavlof Volcano. It is de facto wilderness land. This state land was included in a recent state oil and gas lease sale, although no bids were received on these tracts.

The 7,900 acres being offered to the Izembek Refuge by King Cove Corporation includes valuable waterfowl habitat that straddles Kinzarof Lagoon at the head of Cold Bay. This land is an inholding within the existing Izembek Wilderness area. The Corporation is also offering to sell an additional 10,800 acres of private lands to the U.S. Fish and Wildlife Service for the Refuge.

The road easement that the state would acquire will run approximately 13 miles through the Izembek National Wildlife Refuge. More than half of this road already exists as primitive roads that were originally built during World War II. The total length of new road through the Wilderness area is 6.3 miles. The exact location of the easement will be determined in consultation with the U.S. Fish and Wildlife Service.

The combined offers from the State of Alaska and the King Cove Corporation would add 51,000 acres to the Izembek and Alaska Peninsula National Wildlife Refuges. All of the state land that is being offered in this exchange would be designated Wilderness by this legislation.

The state would acquire approximately 206 acres that encompass the road. The state would also acquire a 1,600-acre federal inholding on Sitkinak Island, a predominantly state-owned island located south of Kodiak Island.

The State of Alaska recognizes the unique value of the Izembek National Wildlife Refuge. In 1972, the Alaska Legislature set aside the state-owned tidelands within Izembek Lagoon and adjacent offshore state lands as a State Game Refuge. These state lands contain eel grass beds that are the very heart of Izembek Refuge.

As part of this proposal, the state would add more than 4,000 acres of state-owned tidelands in Kinzarof Lagoon, at the head of Cold Bay, to the State Game Refuge. The exchange will require approval by our state legislature as the state lands are quite likely of unequal, but greater, fair market value that the federal lands being exchanged.

The state is well aware of concerns expressed by various groups who are opposed to this legislation. Some are concerned about the precedent set by building a road through a Wilderness Area. Yet, when the Alaska National Interest Lands Conservation Act was passed in 1980, Congress specifically recognized that transportation facilities may be needed across the 58 million acres of federal Wilderness lands in Alaska. The Alaska Lands Act requires Congressional approval for such transportation corridors through Wilderness.

There are also concerns about increased public access to the refuge wilderness. The refuge and wilderness area are already accessible from Cold Bay by existing local roads. Through planning and enforcement of existing refuge regulations, the impacts of the limited number of new users from King Cove can be mitigated.

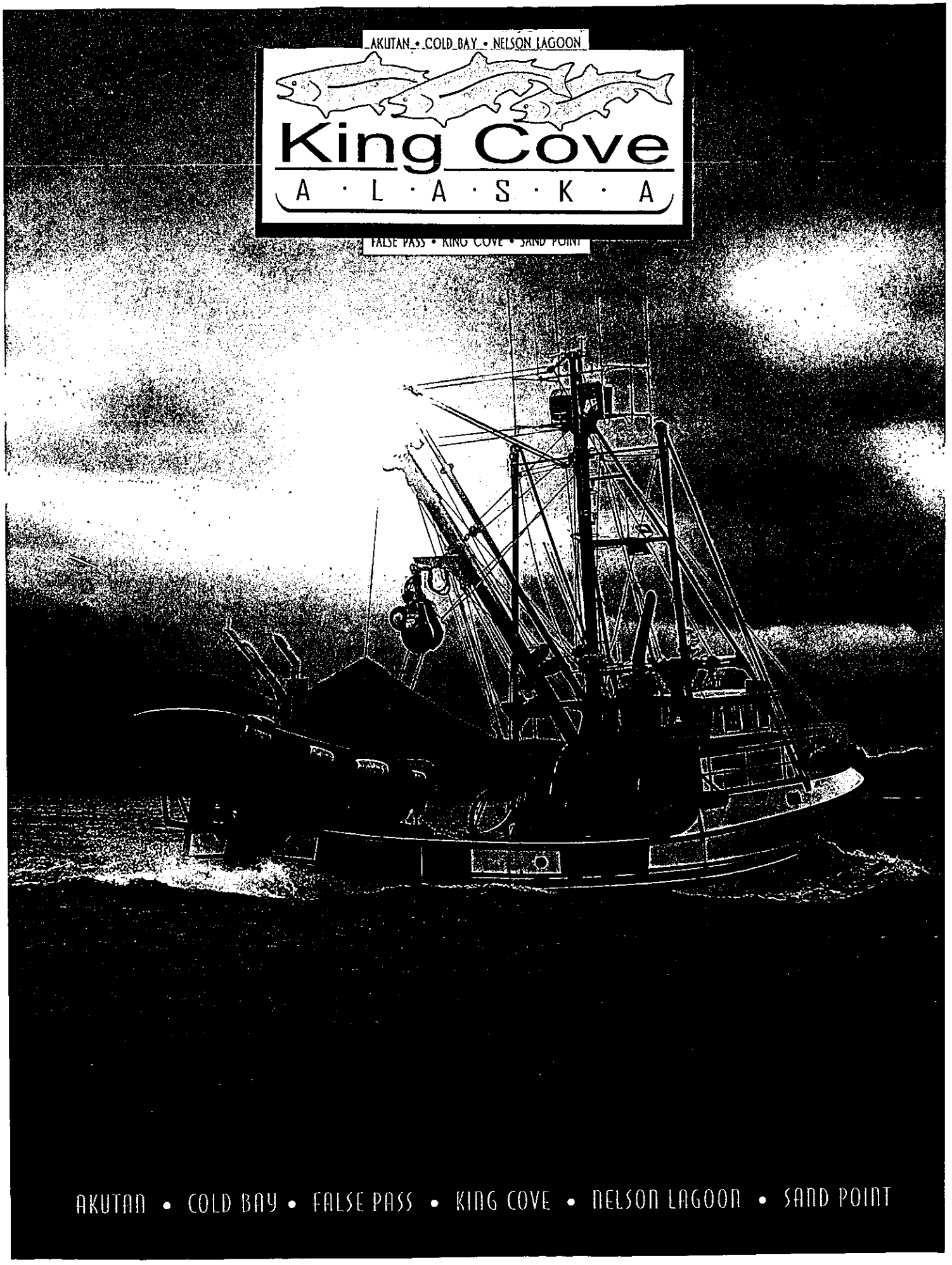
The State of Alaska supports this legislation and stands ready to commit over 43,000 acres of state land to the National Wildlife Refuge and Wilderness system. We urge the Committee to approve this bill.

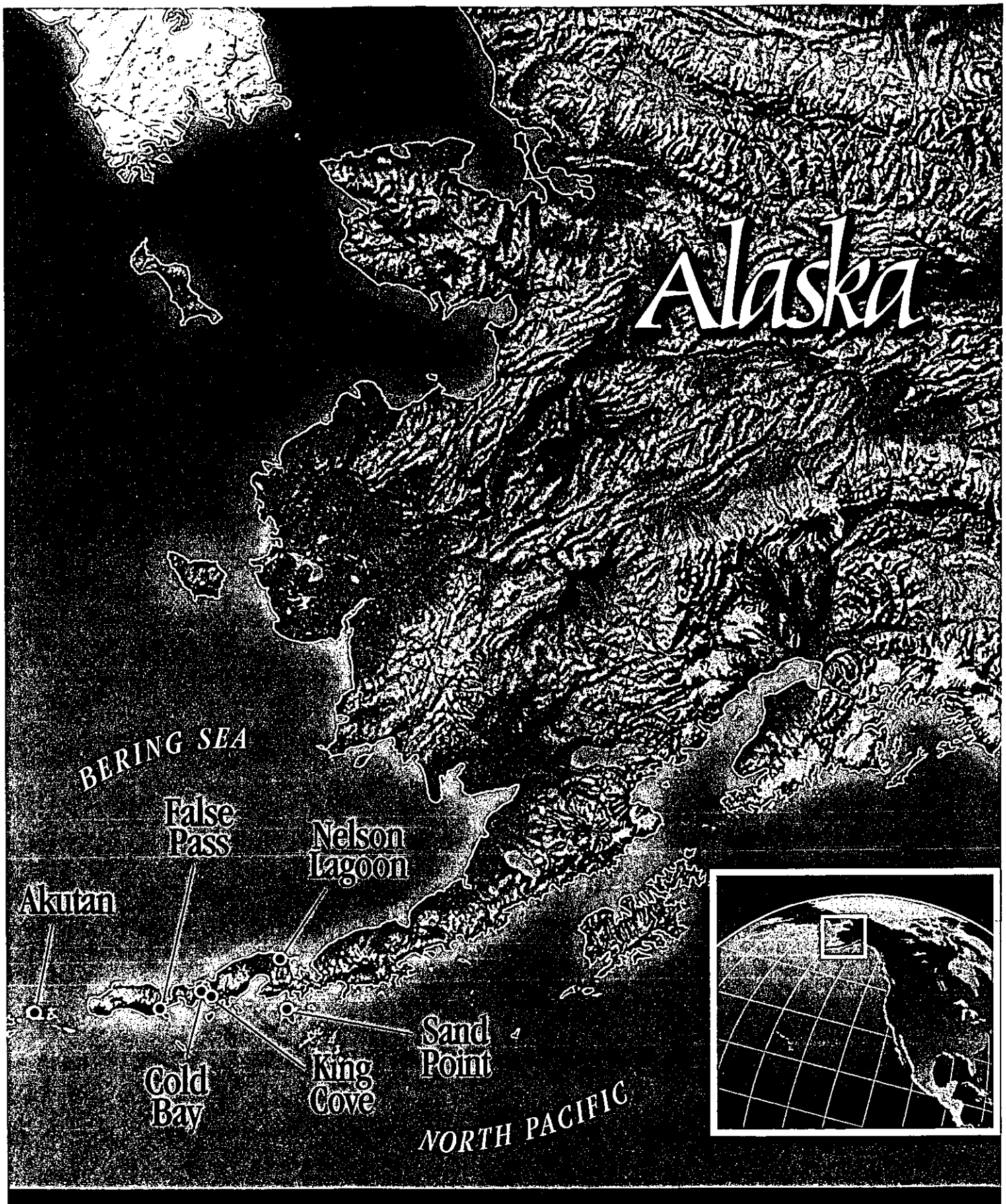
Thank you for the opportunity to comment on this legislation.

Sincerely,

Tom Irwin, Commissioner
Alaska Department of Natural Resources

cc: The Honorable Ted Stevens, United States Senate
The Honorable Lisa Murkowski, United States Senate
The Honorable Don Young, United States House of Representatives
The Honorable Sarah Palin, Governor, State of Alaska
Commissioner Denby Lloyd, Alaska Department of Fish and Game
Commissioner Leo von Scheben, Alaska Department of Transportation and Public Facilities
Mr. John Katz, Office of the Governor, State of Alaska, Washington, D.C.
Mr. Dale Hall, Director, U.S. Fish and Wildlife Service
Mr. Tom Melius, Regional Director, U.S. Fish and Wildlife Service


AKUTAN • COLD BAY • NELSON LAGOON
King Cove
A·L·A·S·K·A
FALSE PASS • KING COVE • SAND POINT
AKUTAN • COLD BAY • FALSE PASS • KING COVE • NELSON LAGOON • SAND POINT



AKUTAN • COLD BAY • NELSON LAGOON
ALEUTIANS EAST
BOROUGH
FALSE PASS • KING COVE • SAND POINT

THE COMMUNITIES OF THE Aleutians East Borough

ALEUTIANS EAST BOROUGH

The Aleutians East Borough includes the westernmost portion of the Alaska Peninsula and a number of Aleutian Islands. The area is remote and economic opportunities are few. There are five incorporated cities and one village administered by the tribal council. The area has been inhabited by the Unanga (Native Americans) since the last ice age. The Native people had early contact with Russian fur traders. During the early 1900s, whaling, fishing and cannery operations drew an influx of Scandinavian and European fishermen to the area. And today, commercial fishing and fish processing dominate the Borough's economy. However, since the late 1990s, the region's mainstay industry has fallen on hard times because of competition from foreign fisheries, the growth of farm-raised salmon and an increase in fishing restrictions. Approximately 32 percent of the population is unemployed, and nearly 22% of the Borough's population is below the poverty level. For that reason, the Borough is looking to diversify the region's economy.

Population: 2,697 • Ethnic Makeup: 37% American Indian or Alaska Native, 27% Asian, 24% Caucasian and 12% other.

Sand Point

Sand Point is located on Popof Island, off the Alaska Peninsula. It is home to one of the largest fishing fleets in the Aleutian Chain. Commercial fishing is the dominant economic activity. Marine facilities include a 25-acre boat harbor with four docks, a barge off-loading area and a 150-ton lift. In addition, an 18-acre harbor extension accommodates 37 large vessels of up to 150 feet. The community also offers a state-owned airport with a 4,700-foot paved runway.

Population: 952 • Ethnic Makeup: 42% Native American, 28% Caucasian, 23% Asian and 7% other.

King Cove

King Cove is located on the south side of the Alaska Peninsula. The city's economy depends on the year-round commercial fishing and seafood processing industries. Peter Pan Seafoods, in King Cove, is one of the largest cannery operations in Alaska. Up to 500 non-residents are brought up to work in the cannery as needed. The city's North Harbor provides moorage for 90 boats and is ice-free all year. By September 2007, the new Babe Newman Harbor will provide additional moorage for 60-foot to 150-foot fishing vessels.

Population: 792 • Ethnic Makeup: 47% Native American, 27% Asian, 15% Caucasian and 11% other.

Cold Bay

Cold Bay is located in the Izembek National Wildlife Refuge at the western end of the Alaska Peninsula. State and federal government and airline support services provide the majority of local employment. Because of its central location and modern airport, Cold Bay serves as the regional center for air transportation on the Alaska Peninsula and as an international hub for private aircraft. The community offers a state-owned 10,415-foot long paved and lighted runway, a 5,125-foot long paved crosswind runway, FAA Flight Service and weather service stations.

Population: 88 • Ethnic Makeup: 72% Caucasian, 17% Native American and 11% other.

Nelson Lagoon

Located on the northern coast of the Alaska Peninsula, Nelson Lagoon sits on a narrow sand spit that separates the lagoon from the Bering Sea. Nelson Lagoon is situated in the middle of a rich and productive salmon fisheries area. The community's dock, boat ramp, harbormaster's office and warehouse were completed in the late 1990s. Nelson Lagoon has excellent docking facilities available as well as boat and gear storage. A state-owned 4,000-foot long lighted gravel runway serves the community with regularly scheduled flights.

Population: 83 • Ethnic Makeup: 78% Native American, 13% Caucasian and 9% other.

False Pass

False Pass is situated on the eastern shore of Unimak Island on a strait connecting the Pacific Gulf of Alaska to the Bering Sea. The community is the only remaining Aleut village on Unimak Island. The local economy is driven by commercial salmon fishing and fishing services. False Pass is an important refueling stop for Bristol Bay and Bering Sea fishing fleets. Bering Pacific and Peter Pan Seafoods process the commercial catch. The community offers a state-owned gravel airstrip. A dock and boat ramp are available. The harbor will be complete in 2008.

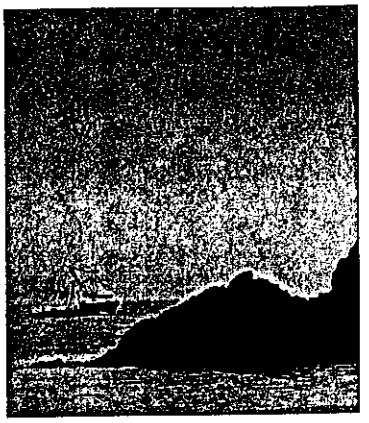
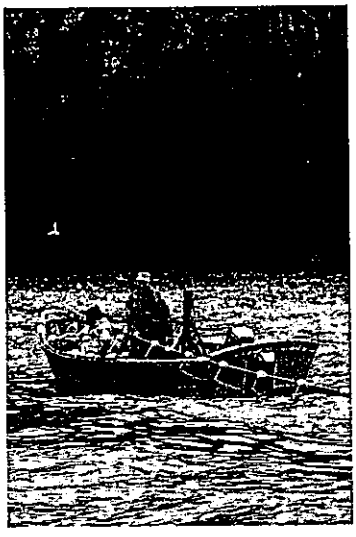
Population: 64 • Ethnic Makeup: 63% Native American, 27% Caucasian and 10% other.

Akutan

Akutan is located on Akutan Island in the eastern Aleutians. It is 35 miles east of Unalaska and 766 air miles southwest of Anchorage. Akutan is one of the busiest fishing ports in the country. Trident Seafoods operates a large plant and processes cod, crab, pollock and fish meal. Air service is provided from nearby Unalaska with PenAir's historic Grumman Goose seaplane. A 200-foot dock and a small boat mooring basin are also available. In addition, the city owns and operates a landing craft, the M/V Akutan.

Population: 713 • Ethnic Makeup: 39% Asian, 24% Caucasian, 21% Hispanic or Latino and 16% Native American.

For more information, please contact the Aleutians East Borough office at (907) 274-7555, fax (907) 276-7569 or visit our Web site at www.aleutianseast.org

There are no roads between the Aleutians East Borough communities, and distances are vast. The Borough communities are closer to Provideniya, Russia and to Tokyo, Japan than they are to major cities within the lower 48. Travel to the communities is by small plane and by the Alaska State Ferry during the summer. In addition, the Borough operates a hovercraft between King Cove and Cold Bay.

Distances between Aleutians East Borough Communities

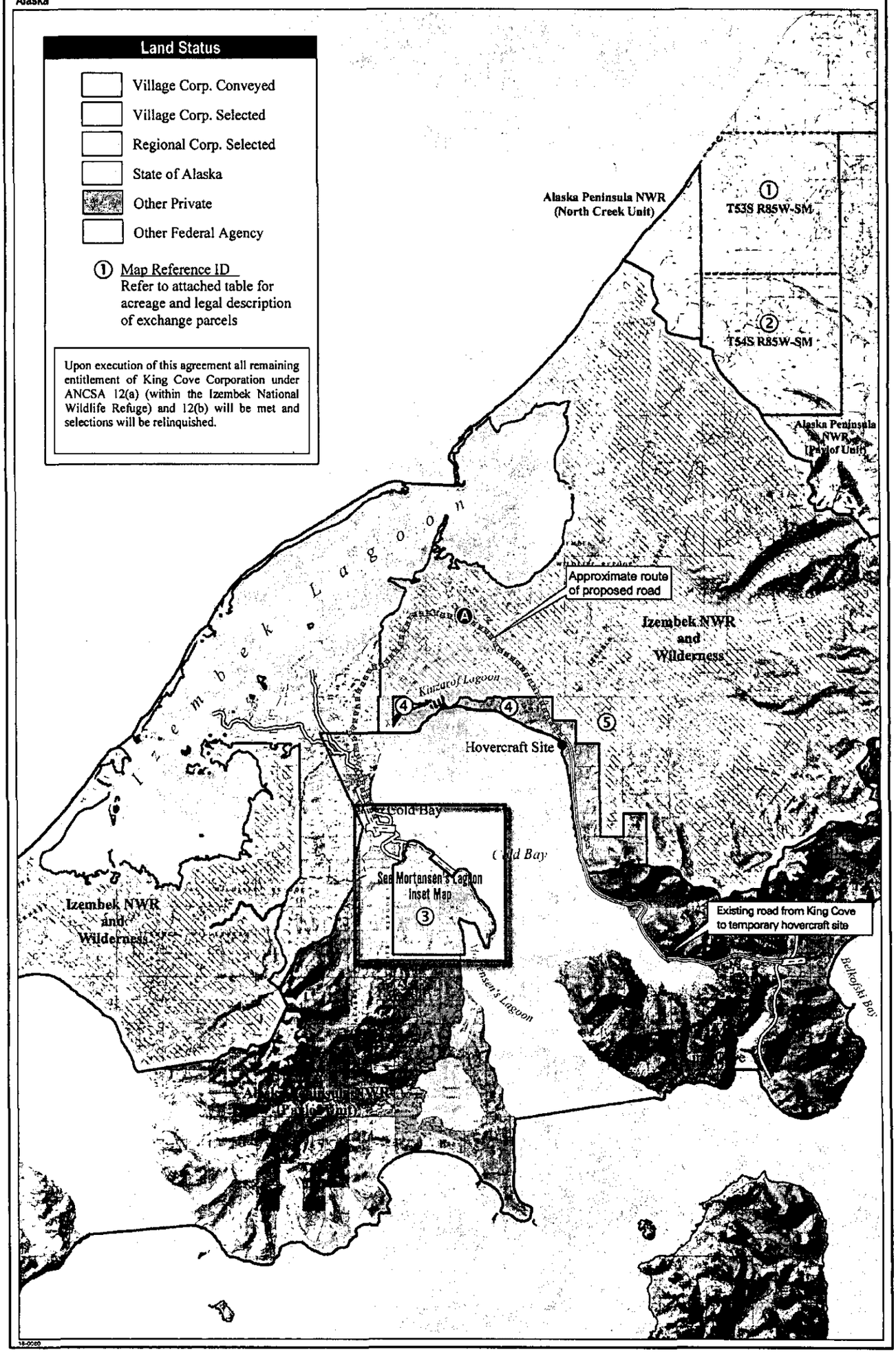
	False Pass	Cold Bay	Sand Point	Akutan	King Cove	Nelson Lagoon
False Pass		37	120	108	46	115
Cold Bay	37		88	145	19	77
Sand Point	120	88		223	74	54
Akutan	108	145	223		151	221
King Cove	46	19	74	151		72
Nelson Lagoon	115	77	54	221	72	

Approximate distances from Aleutians East Borough to:

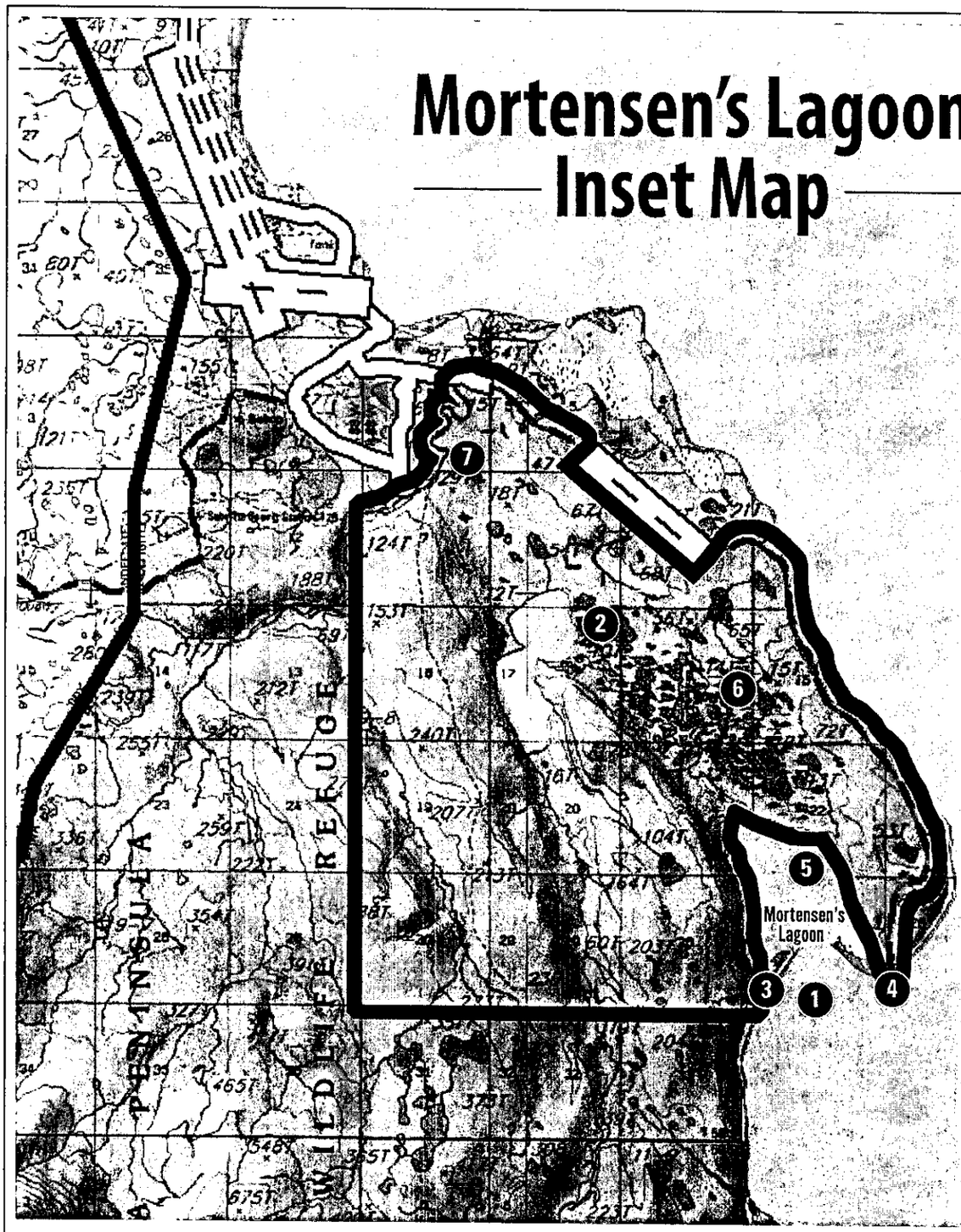
Anchorage, Alaska	700
Juneau, Alaska	1100
Seattle, Washington	1800
Los Angeles, California	2600
Tokyo, Japan	2900
Provideniya, Russia	750
Washington, D.C.	3800

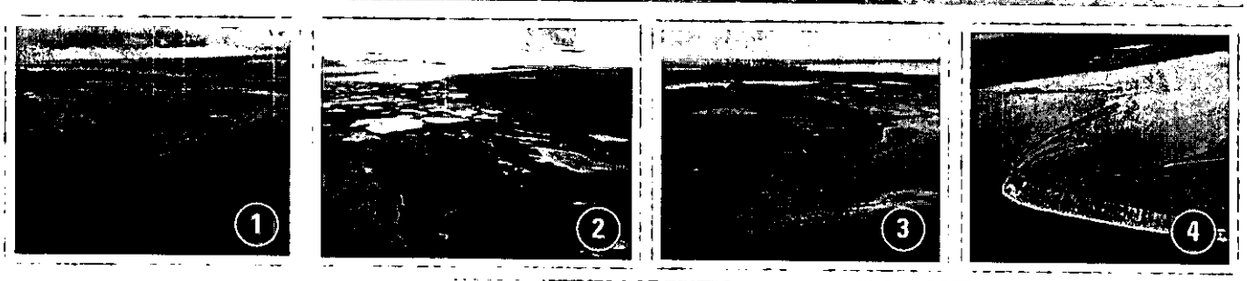
Proposed Land Exchange Between USFWS and King Cove Corporation

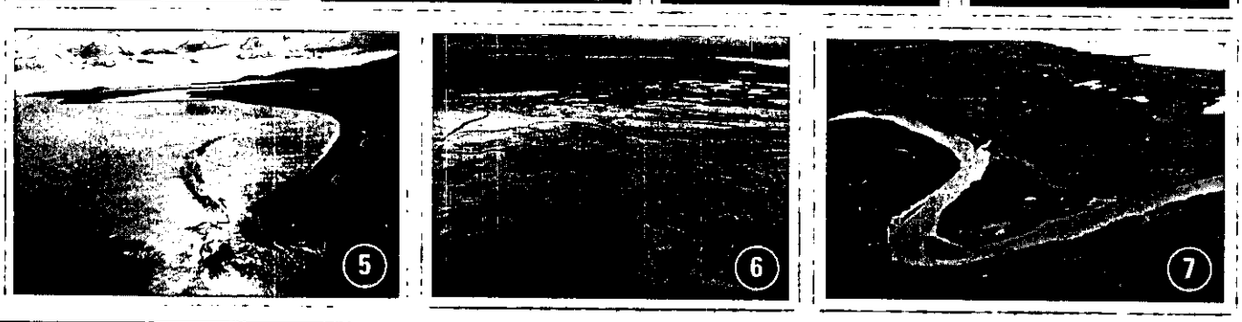
Izembek and Alaska Peninsula National Wildlife Refuges
Alaska



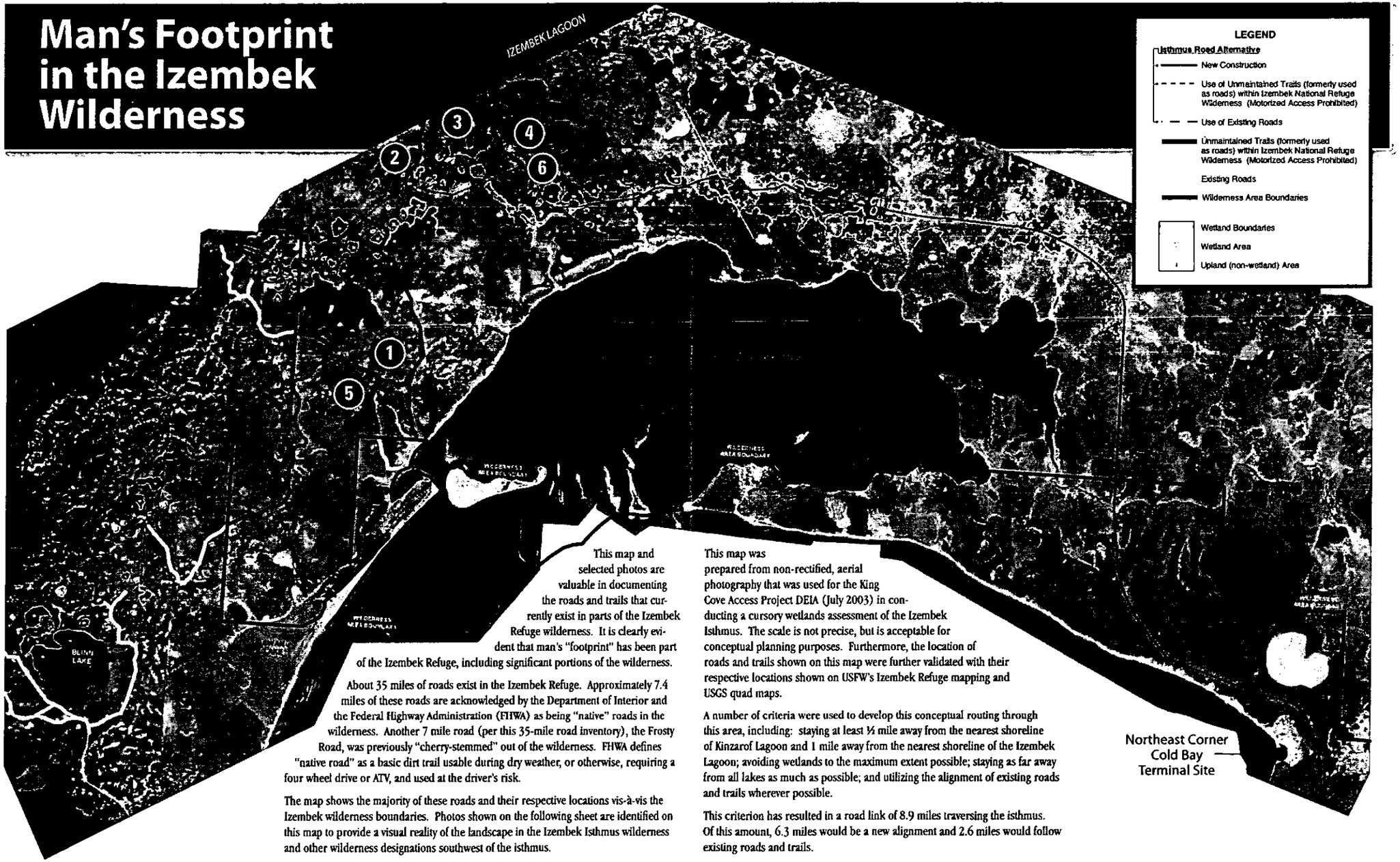
Mortensen's Lagoon Inset Map







Man's Footprint in the Izembek Wilderness



This map and selected photos are valuable in documenting the roads and trails that currently exist in parts of the Izembek Refuge wilderness. It is clearly evident that man's "footprint" has been part of the Izembek Refuge, including significant portions of the wilderness.

About 35 miles of roads exist in the Izembek Refuge. Approximately 7.4 miles of these roads are acknowledged by the Department of Interior and the Federal Highway Administration (FHWA) as being "native" roads in the wilderness. Another 7 mile road (per this 35-mile road inventory), the Frosty Road, was previously "cherry-stemmed" out of the wilderness. FHWA defines "native road" as a basic dirt trail usable during dry weather, or otherwise, requiring a four wheel drive or ATV, and used at the driver's risk.

The map shows the majority of these roads and their respective locations vis-à-vis the Izembek wilderness boundaries. Photos shown on the following sheet are identified on this map to provide a visual reality of the landscape in the Izembek Isthmus wilderness and other wilderness designations southwest of the isthmus.

This map was prepared from non-rectified, aerial photography that was used for the King Cove Access Project DEIA (July 2003) in conducting a cursory wetlands assessment of the Izembek Isthmus. The scale is not precise, but is acceptable for conceptual planning purposes. Furthermore, the location of roads and trails shown on this map were further validated with their respective locations shown on USFW's Izembek Refuge mapping and USGS quad maps.

A number of criteria were used to develop this conceptual routing through this area, including: staying at least ½ mile away from the nearest shoreline of Kinzarof Lagoon and 1 mile away from the nearest shoreline of the Izembek Lagoon; avoiding wetlands to the maximum extent possible; staying as far away from all lakes as much as possible; and utilizing the alignment of existing roads and trails wherever possible.

This criterion has resulted in a road link of 8.9 miles traversing the isthmus. Of this amount, 6.3 miles would be a new alignment and 2.6 miles would follow existing roads and trails.

HB 217

HOUSE COMMITTEE REPC r

(9)
Date Referred to Committee: April 6, 2009 **FURTHER REFERRALS: Finance**

Date of Committee Action: Feb 24 2010

The RESOURCES Committee considered: **HOUSE BILL NO. 217**

"An Act relating to the tax applicable to the production of natural gas used in the state as fuel or feedstock in producing a manufactured end product."

HB 217 TAX ON GAS FOR IN STATE MANUFACTURING

Recommends it be replaced with [ ] HCS *or* [✓] CS *for* HB217 (Res)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [✓] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero
Rev			1	
DNR			1	

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON			✓	
Bryce Edgmon	Edgmon			X	
Peggy Wilson	WILSON			X	
					X
					X
Paul K Seaton	Seaton		X		
Chair:	Johnson	X			
Chair:		X			

CONCEPTUAL AMENDMENT

Offered in the House

To: CSHB 217 ( ) Draft Version "R"

Page 3, lines 26 – 27:

Delete "return is due under AS 43.33.030(a) for the calendar year for which the election is made"

Insert:

"first monthly installment payment of estimated tax is due under AS 43.55.020(a) for the calendar year for which the election is made."

by:

on: 2/24/10

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE NEUMAN

TO: CSHB 217( ), Draft Version "R"

Page 3, lines 26 - 27:

Delete "return is due under AS 43.55.030(a) for the calendar year for which the election is made"

Insert "installment payment of estimated tax is due under AS 43.55.020(a) for the month in which the election is made. The election applies to the production of gas in each month for which the election is made"

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE NEUMAN

TO: CSHB 217( ), Draft Version "R"

Page 10, line 4, following "**product**":

Insert "**; in this paragraph, "manufacturing process" does not include cooling gas for the purpose of storing or shipping the gas as a liquid**"

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE NEUMAN

TO: CSHB 217( ), Draft Version "R"

Page 3, lines 26 - 27:

Delete "return is due under AS 43.55.030(a) for the calendar year for which the election is made"

Insert "installment payment of estimated tax is due under AS 43.55.020(a) for the month in which the election is made. The election applies to the production of gas in each month for which the election is made"

26-LS0816\R.4
Bullock
2/23/10

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE NEUMAN

TO: CSHB 217( ), Draft Version "R"

Page 10, line 4, following "**product**":

Insert "**; in this paragraph, "manufacturing process" does not include cooling gas for the purpose of storing or shipping the gas as a liquid**"

3793

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **CSHB 217**
() Publish Date:

Identifier (file name): CSHB217-REV-TAX-02-14-10
Title: Tax on gas for in state manufacturing
Sponsor: Representative Neuman
Requester: (H) Resources

Dept. Affected: Revenue
RDU: Taxation and Treasury
Component: Tax Division
Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )	***	**0.0**	***	***	***	***	***

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	**0.0**	0.00	0	0	0	0	0
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

See Attached.

Prepared by: Dan Stickel, Petroleum Economist — Phone (907) 465-3279
Division: Tax Division — Date/Time 02-12-10; 11:34am
Approved by: Ginger Blaisdell, Director — Date 2/14/10: 4:11pm
Administrative Services Division

(Revised 11/6/2009 OMB)

ANALYSIS CONTINUATION

Bill Language: This bill makes two changes to the oil and gas production tax under AS 43.55:

(1) Election of tax treatment for gas used in state. This bill creates an election allowing producers to choose whether to have natural gas used in state taxed at the Cook Inlet tax rate of $0.177 per thousand cubic feet (mcf) with credits and lease expenditures allocated to gas used in state, or to have the gas taxed under the 25% net profits tax without the allocation of credits and lease expenditures. Under current law, the $0.177 per mcf tax rate for Cook Inlet and gas used in state will expire after 2022.

(2) Manufacturing added to definition of gas used in state. This bill expands the definition under AS 43.55.900 (24) of natural gas used in the state to include gas "used as fuel or feedstock in a manufacturing process creating and end product in the state, regardless of the final disposition of the manufactured end product." Manufacturing is not currently defined in the bill and this may create uncertainty for the Department and taxpayers.

Revenues:

Revenues from this bill are indeterminate because we do not know the quantity of natural gas that would qualify for the election. Further, the revenue effect would be influenced significantly by the economics of the producer supplying the gas and its relation to other oil and gas produced by the company. This legislation could result in either an increase or a decrease in state revenue from companies providing gas for in state use. Without a development plan for a specific in state gas or manufacturing project, it is not possible to provide detailed revenue projections for this bill at this time.

The revenue impact could be viewed as a reduction in state revenue because this bill provides for a potentially lower tax liability for gas used in state, including manufacturing. If the gas would be provided regardless of the tax preference, then state revenue would be decreased by the value of the tax preference.

The revenue impact could be viewed as an increase in state revenue if the tax preference helps to incentivize gas sales and manufacturing facilities. Revenue would increase by the amount of production tax received from the gas, and there would also be increased corporate income tax and property tax revenues. Additionally, there could be economic development potentially creating thousands of jobs and millions of dollars in payroll.

If producers believe that the current 2022 expiration date will eventually be extended or lifted, the election for a lower tax rate for gas used in state may affect a producer's decision about whether to sell North Slope gas instate as opposed to an export gas pipeline. The range of production tax revenue impacts may be illustrated with three examples:

In one scenario, if sales of gas used in state are relatively small, there maybe only a minimal impact on production tax revenue because there would also be sufficient gas for a major export gas pipeline. In this case, in-state manufacturing projects complement a major gas export pipeline.

In a second scenario, there could be more substantial volumes of gas used in state. This could reduce the amount of gas that would otherwise be available to be shipped in a major gas export pipeline, thereby increasing the pipeline's tariff costs which are deducted in calculating production tax values. The reduced production tax revenues would not be made up for through revenues from the gas used in state incentivized by this bill.

In a third scenario, the potential for a lower tax rate for gas used in state coupled with the addition of manufacturing to the definition of gas used in state could cause taxpayers to abandon a gas export pipeline in favor of in-state sales. In that case, the impact on production tax revenue would be substantial because the volume of gas that would likely be developed could be as little as one-quarter of the volume developed in conjunction with a major gas export pipeline.

Expenditures:
The provisions of this bill can be implemented using existing resources.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB 217**
() Publish Date:

Identifier (file name):CSHB 217-DNR-O&G-02-17-10
Dept. Affected: Natural Resources
Title: In-state Gas Production Tax
RDU: Resource Development
Component: Oil and Gas Development
Sponsor: Rep. Neuman
Requester: House Resources
Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )			**Indeterminate negative**				

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

This bill would define gas "used as feedstock in a manufacturing process creating an end product in the state" as gas "used in the state" for purposes of AS 43.55, even if that end product was exported out of state. Examples of such export projects include the manufacture of fertilizer in a plant like the Agrium plant in Nikiski and liquid hydrocarbon fuels, i.e., jet fuel, diesel, heating fuel, in a gas-to-liquids (GTL) plant. A taxpayer selling feedstock gas to these manufacturers would enjoy a tax per-mcf that would not exceed $0.18.

The in-state tax limit applied to sales of gas to in-state manufacturers may affect a producer's decision about whether to sell North Slope gas in-state as opposed to an export gas pipeline. The range of royalty revenue impacts may be illustrated with three examples: First, if the sales to in-state manufacturers of export products were less than say 500 mmcfd, there may

Prepared by: Kevin Banks, Director — Phone 269-8800
Division: Oil and Gas — Date/Time 2/11/10 11:40 AM
Approved by: Tom Irwin, Commissioner — Date 2/17/10 5:40 PM
Natural Resources

(Revised 11/6/2009 OMB)

3796

ANALYSIS CONTINUATION

be only a small impact on royalty revenue because there will still be sufficient gas for an export gas pipeline. There will also be royalty revenues associated with sales to in-state manufacturers. In this case, in-state manufacturing projects complement an export pipeline.

Second, if substantial volumes of gas subject to the tax benefit under HB 217 go to in-state manufactures of export products could compete for gas that would otherwise be shipped in an export pipeline. In this case, lost royalty revenue associated with a decrease in sales volumes of gas in an export pipeline are not made up by sales of gas to the in-state manufacturers of export products. For example, a GTL plant built in Valdez or Southcentral Alaska to make low-sulfur diesel fuel for export might require a billion cubic feet per day of gas to make 100,000 barrels of product per day to achieve economies of scale. If gas for a GTL plant were committed before design and construction of the pipeline, redirecting a billion cubic feet of gas from an export line to Alberta to a GTL plant in Valdez, would cost the state in royalty revenue on an NPV5 basis around $400 million due to the higher tariffs on the remaining gas going to Alberta. (Not included in this estimate is the royalty revenue that the state would receive from sales to the GTL project .)

Third, should the tax benefit of HB 217 cause taxpayers to abandon an export pipeline in favor of in-state sales to export projects, the impact on royalty revenue will be substantial. (Furthermore, HB 217 would mean that ALL of the future North Slope gas production would be taxed at just $0.18 per mcf). A 4.5 bcf/day gas export pipeline could, assuming a $8.70/mmBtu price for gas in 2020 yield a netback price of around $5.00 per mmBtu, and an income stream of over a billion dollars a year in royalty revenues. A GTL project at around $100,000 per barrel/day capacity (2010 dollars) would equate to over a $50 per barrel GTL processing fee, and would yield a lower netback of around $3.00 per mmBtu. Not only would the netback be lower, the total per-day production of gas would be as little as one-quarter that of an export pipeline.

The relative economics might change: the cost of in-state manufacturing projects (like a GTL plant) might come down, the price of export products might command a sufficient premium to generate a higher netback price of North Slope gas than that realized from an export pipeline. For these reasons, the impact on State royalty revenue is indeterminate negative.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM February 8, 2010

SUBJECT: An election to subject gas used in the state to the tax cap applicable to gas produced in the Cook Inlet sedimentary basin (CSHB 217( ); Work Order No. 26-LS0816\R)

TO: Representative Mark Neuman

FROM: Donald M. Bullock Jr.
Legislative Counsel

Enclosed is a work draft of a bill that would allow the producer of gas used in the state, and produced in the state from a lease or property outside of the Cook Inlet sedimentary basin, to elect to limit the tax on the production of that gas.

Please review this draft carefully to ensure that it is consistent with your intent.

If an election is made under AS 43.55.014, which would be enacted by sec. 4 of the draft bill, the tax on production of gas subject to the election would be limited to the cap applicable to Cook Inlet gas production under AS 43.55.011(j). If the election is not made, the gas production would be taxed the same as gas not used in the state.

If I may be of further assistance, please advise.

DMB:ljw
10-069.ljw

Enclosure

26-LS0816\R
Bullock
2/8/10

CS FOR HOUSE BILL NO. 217( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE NEUMAN

A BILL

FOR AN ACT ENTITLED

"An Act relating to the tax applicable to the production of certain natural gas used in the state."

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

*** Section 1.** AS 43.55.011(e) is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under **(f), (j), and (k) of this section and AS 43.55.014** [(f), (j), (k), AND (o) OF THIS SECTION], the tax is equal to the sum of

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(2) the sum, over all months of the calendar year, of the tax amounts determined under (g) of this section.

New Text Underlined [DELETED TEXT BRACKETED]

3799

* **Sec. 2.** AS 43.55.011(f) is amended to read:

(f) The levy of tax under this section for oil and gas produced north of 68 degrees North latitude, other than oil and gas production subject to (i) of this section and gas subject to **an election made under AS 43.55.014** [(o) OF THIS SECTION], may not be less than

(1) four percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is more than $25;

(2) three percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over $20 but not over $25;

(3) two percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over $17.50 but not over $20;

(4) one percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over $15 but not over $17.50; or

(5) zero percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is $15 or less.

* **Sec. 3.** AS 43.55.011(m) is amended to read:

(m) Notwithstanding any contrary provision of AS 38.05.180(i), AS 41.09.010, AS 43.55.024, or 43.55.025, the department shall provide by regulation a method to ensure that, for a calendar year for which a producer's tax liability is limited by **(j) or (k) of this section or by an election made under AS 43.55.014** [(j), (k), OR (o) OF THIS SECTION], tax credits otherwise available under AS 38.05.180(i), AS 41.09.010, AS 43.55.024, or 43.55.025 and allocated to gas subject to the limitations in **(j) and (k) of this section and an election made under**

AS 43.55.014 [(j), (k), AND (o) OF THIS SECTION] are accounted for as though the credits had been applied first against a tax liability calculated without regard to the limitations under (j) and (k) of this section and an election made under AS 43.55.014 [(j), (k), AND (o) OF THIS SECTION] so as to reduce the tax liability to the maximum amount provided for under (j) of this section or applicable to an election made under AS 43.55.014 [(j) OR (o) OF THIS SECTION] for the production of gas or (k) of this section for the production of oil. The regulation must provide for a reasonable method to allocate tax credits to gas subject to (j) of this section and subject to an election made under AS 43.55.014 [(j) AND (o) OF THIS SECTION]. Only the amount of a tax credit remaining after the accounting provided for under this subsection may be used for a later calendar year, transferred to another person, or applied against a tax levied on the production of oil or gas not subject to (j) or (k) of this section or an election made under AS 43.55.014 [(j), (k), OR (o) OF THIS SECTION] to the extent otherwise allowed.

*** Sec. 4.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.014. Special election for gas used in the state. (a) Notwithstanding the provisions of AS 43.55.011, a person producing gas that is used in the state from a lease or property outside the Cook Inlet sedimentary basin during a calendar year before 2022 may elect to limit the amount of tax due on the production of that gas, as provided in this section.

(b) The maximum amount of tax applicable to the production of each 1,000 cubic feet of gas that is subject to the election authorized by this section may not exceed the maximum amount of tax applicable to the production of each 1,000 cubic feet of gas determined under AS 43.55.011(j)(2).

(c) A person choosing to make the election authorized by this section shall make the election at the time the return is due under AS 43.55.030(a) for the calendar year for which the election is made.

(d) The provisions of AS 43.55.011(m), 43.55.160(a)(1)(E), 43.55.160(a)(2)(E), and 43.55.160(e) apply to the production of gas for which an election is made under this section.

*** Sec. 5.** AS 43.55.020(a) is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i) shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin but not subject to **an election made under AS 43.55.014** [AS 43.55.011(o)], other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

(ii) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated;

(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), the greatest of

(i) zero;

(ii) zero percent, one percent, two percent, three percent, or four percent, as applicable, of the gross value at the point of production of the oil and gas produced from all leases or properties during the month for which the installment payment is calculated; or

(iii) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained

by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for those leases or properties under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from those leases or properties during the month for which the installment payment is calculated;

(C) for oil and gas produced from each lease or property subject to **AS 43.55.011(j) or (k) or an election made under AS 43.55.014** [AS 43.55.011(j), (k), OR (o)], the greater of

(i) zero; or

(ii) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for oil or gas, respectively, produced from the lease or property from the gross value at the point of production of the oil or gas, respectively, produced from the lease or property during the month for which the installment payment is calculated;

(2) an amount calculated under (1)(C) of this subsection for oil or gas produced from a lease or property subject to **AS 43.55.011(j) or (k) or an election made under AS 43.55.014** [AS 43.55.011(j), (k), OR (o)] may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or **the election made under AS 43.55.014** [43.55.011(o)], as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or **43.55.014** [43.55.011(o)], as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by

AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by AS 43.55.011(e) or (i), net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production.

*** Sec. 6.** AS 43.55.160(a) is amended to read:

(a) Except as provided in (b) of this section, for the purposes of

(1) AS 43.55.011(e), the annual production tax value of the taxable

(A) oil and gas produced during a calendar year from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to **an election made under AS 43.55.014** [AS 43.55.011(o)];

(B) oil and gas produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease

expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to **an election made under AS 43.55.014** [AS 43.55.011(o)];

(C) oil produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a calendar year from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(2) AS 43.55.011(g), the monthly production tax value of the taxable

(A) oil and gas produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph

does not apply to gas subject to **an election made under AS 43.55.014** [AS 43.55.011(o)];

(B) oil and gas produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to **an election made under AS 43.55.014** [AS 43.55.011(o)];

(C) oil produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a month from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170.

*** Sec. 7.** AS 43.55.160(e) is amended to read:

(e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would otherwise be deductible by a producer in a calendar year but whose deduction would cause an annual production tax value calculated under (a)(1) of this section of taxable oil or gas produced during the calendar year to be less than zero may be used to establish a carried-forward annual loss under AS 43.55.023(b). However, the department shall provide by regulation a method to ensure that, for a period for which a producer's tax liability is limited by **AS 43.55.011(j) or (k) or an election made under AS 43.55.014** [AS 43.55.011(j), (k), OR (o)], any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would otherwise be deductible by a producer for that period but whose deduction would cause a production tax value calculated under (a)(1)(C), (D), or (E) of this section to be less than zero are accounted for as though the adjusted lease expenditures had first been used as deductions in calculating the production tax values of oil or gas subject to any of the limitations under **AS 43.55.011(j) or (k) or an election made under AS 43.55.014** [AS 43.55.011(j), (k), OR (o)] that have positive production tax values so as to reduce the tax liability calculated without regard to the limitation to the maximum amount provided for under the applicable **provisions** [PROVISION] of **AS 43.55.011(j) or (k) or 43.55.014** [AS 43.55.011(j), (k), OR (o)]. Only the amount of those adjusted lease expenditures remaining after the accounting provided for under this subsection may be used to establish a carried-forward annual loss under AS 43.55.023(b). In this subsection, "producer" includes "explorer."

*** Sec. 8.** AS 43.55.165(h) is amended to read:

(h) The department shall adopt regulations that provide for reasonable methods of allocating costs between oil and gas, between gas subject to **the election made under AS 43.55.014** [AS 43.55.011(o)] and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within different leases or properties.

*** Section 9.** AS 43.55.900(24) is amended to read:

(24) "used in the state" means delivered for consumption as fuel in the state, including as fuel consumed to generate electricity**, or used as fuel or feedstock in a manufacturing process creating an end product in the state, regardless of the final disposition of the manufactured end product**.

*** Sec. 9.** AS 43.55.011(o) is repealed.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB 217**
() Publish Date:

Identifier (file name): HB217-REV-TAX-1-27-10
Dept. Affected: Revenue
Title: Natural gas used in the state
RDU: Revenue/Taxation and Treasury
Component: Tax Division
Sponsor: Representative Mark Neuman
Requester: House Resources
Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	***	**0.0**	***	***	***	***	***
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )	***	**0.0**	***	***	***	***	***

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	***	**0.0**	***	***	***	***	***

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

The passage of this legislation would expand the preferential tax treatment for in-state use of natural gas to include natural gas that is used in creating an end product without regard to whether the product is destined for domestic consumption or export.

Depending on the volume of qualifying natural gas and the future price of natural gas, the foregone revenues to the state caused by passage of this legislation could be substantial and range into the millions of dollars.

The fiscal impact of this legislation cannot be accurately determined at this time.

Prepared by: Dan Stickel, Petroleum Economist — Phone 907-465-3279
Division: Tax Division — Date/Time 1/27/10; 1:40pm
Approved by: Ginger Blaidell, Director — Date 465-2312
Administrative Services Division

(Revised 11/6/2009 OMB)

3809

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB 217**
() Publish Date: 1/27/2010

Identifier (file name): HB 217-DNR-O&G-01-26-10
Dept. Affected: Natural Resources
Title: In-state Gas Production Tax
RDU: Resource Development
Component: Oil and Gas Development
Sponsor: Rep. Neuman
Requester: House Resources Committee
Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS							
Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

HB 217 relates to a tax applicable to in-state natural gas production. The definition of "used in the state" is amended in AS 43.55.900(24) to include gas used as fuel or feedstock in a manufacturing process creating an end product.

There is no anticipated fiscal impact to the Division of Oil and Gas.

Prepared by: Kevin Banks — Phone 269-8800
Division: Director — Date/Time 1/26/10 12:00 PM
Approved by: Heather Brakes — Date 1/28/2010
Natural Resources

(Revised 11/6/2009 OMB)

3810

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Sponsors Statement for House Bill 217

"An Act relating to the tax applicable to the production of natural gas used in the state as fuel or feedstock in producing a manufactured end product."

"Alaska is facing a critical shortage of energy and a declining economy." We've heard this from academics, economists, and members of the business community.

Families are watching with great concern their energy costs increase while the unemployment rate has climbed to 8.8%. Alaskan's are experiencing a growing concern about our economy.

Our efforts need to focus on providing Alaskans opportunities to work, a sense of security, and a quality of life they can enjoy.

HB 217 incentivizes the development of the state's gas resources by lowering the current production tax on gas "used as fuel or feedstock" within the state of Alaska.

Currently as defined in AS 43.55.900 (24), "used in state" means delivered for consumption as fuel in state, including fuel consumed to generate electricity.

This bill adds to the definition of "in state use" the following: "or used as fuel or feedstock in a manufacturing process creating an end product in the state, regardless of the final disposition of the end product."

HB 217 enhances the interest in the development of the state's gas resources, it maximizes the economic and physical recovery, encourages competition to explore and develop, and provides Alaskans the opportunity to prosper. All these are in the best interest of Alaskans and the State.

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Southcentral Residents Asked to Scale Back on Energy Use for 2 Hours Oct. 21

ANCHORAGE-HOMER-MAT-SU- As part of an effort to prepare for a possible natural gas shortage this winter, Southcentral Alaska residents are being asked to voluntarily reduce their energy consumption for two hours on the evening of Wed., Oct. 21.

The test is being coordinated by the Municipality of Anchorage, with cooperation from Chugach Electric Association, Municipal Light and Power, Matanuska Electric Association, Homer Electric Association, ENSTAR, and the Mat-Su and Kenai Peninsula Boroughs. The entities have worked together this fall on Energy Watch, a campaign designed to call attention to the possibility of a natural gas delivery problem.

Residents of the Mat-Su Borough, the Municipality of Anchorage and the Kenai Peninsula Borough are being asked to participate in the voluntary test.

Between the hours of 6 p.m. and 8 p.m. on Oct. 21, residents are being asked to reduce their energy consumption. The steps include lowering the thermostat to 65 degrees; shutting off unnecessary lights and electronics; setting the water heater to "warm" or "vacation"; postponing washing dishes and doing laundry; and reducing natural gas range use.

The goal of the conservation test is to see what kind of effect voluntary actions might have on overall energy consumption. In the event of a real energy deliverability problem, one of the first steps will be to ask residents to take voluntary steps similar to ones being proposed for the October 21 trial run.

The utilities and agencies involved in the Energy Watch campaign have stressed that a natural gas delivery problem this winter is not likely. However, in case it does happen, it is prudent to have a plan in place.

For additional information about the Energy Watch campaign, please visit
http://www.homerelectric.com/ (Homer)
http://www.mea.coop/ (Mat-Su)
http://www.muni.org/ (Anchorage).

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~ Andrew Dimitriou ~ SLR Corp Alaska Manager ~ Anchorage ~

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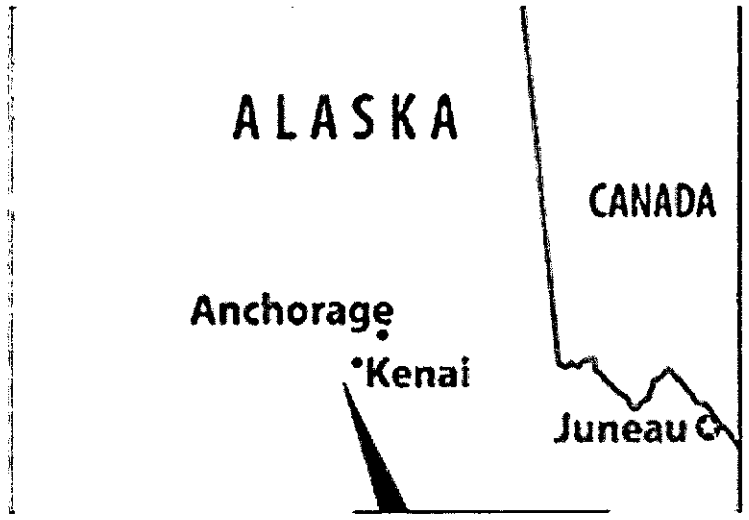
The CHRISTIAN SCIENCE MONITOR

In oil-rich Alaska, an energy crunch

A shortage of natural gas besets the state's most populous area. In rural outposts, energy costs spike.



By Yereth Rosen Correspondent of The Christian Science Monitor
posted January 23, 2008 at 12:00 am EST

Kenai, Alaska —
On the shore of Cook Inlet, site of Alaska's oldest oil- and gas-producing basin, the Agrium Inc. fertilizer plant for four decades produced a steady supply of urea and ammonia for international agricultural and industrial clients. Agrium's exports supported a prosperous petrochemical business, employing hundreds and bolstering local tax rolls.

But operations ceased in December. The reason? Lack of natural gas, the feedstock for Agrium's products. Despite its perch atop a petroleum basin, Agrium couldn't secure enough natural gas to stay in business.

Agrium's woes symbolize a larger energy dilemma: Raw resources are in the ground, but lack of infrastructure and poor economies of scale hinder access to them, putting Alaska in an energy crunch.

Natural gas at the North Slope – America's largest known but untapped conventional natural-gas supply – is 700 miles away and unavailable. There's no pipeline to convey North Slope natural gas to consumers, in or out of Alaska.

So Alaska's most populous region relies on local energy – Cook Inlet natural gas – for heat and power. But natural gas known to be in Cook Inlet is expected to last eight more years, and local utility costs have risen as markets tighten.

"It's the goofiest thing in the world, to be sitting on top of some of the biggest energy reserves in the world and have these challenges," says Bill Popp, president of the Anchorage Economic Development Corp.

Reviving exploration in Cook Inlet

Except for the mile of road that holds the Agrium plant, a liquefied natural-gas (LNG) facility, a Tesoro refinery, and a BP facility, few obvious signs remain that Kenai was the "Oil Capital of Alaska," as an old Chamber of Commerce slogan boasted.

The first major Cook Inlet natural-gas discovery – and still the biggest – came in 1959. Since then, most of the known natural gas was found while explorers were seeking oil, and almost all was discovered before 1970.

Until recently, having enough gas to supply local needs was not a worry. The worry was, rather, that local needs were too minuscule. This part of Alaska may hold most state residents, including the far-north metropolis nicknamed "Los Anchorage," but as a natural-gas market, it is a lightweight. Dramatic seasonal swings in demand make it a tricky market to serve.

Consequently, industrial users are deemed essential to anchor production in this so-called "stranded" market. But industrial users are now down to one: North America's sole LNG export facility, next door to Agrium. The plant, owned by ConocoPhillips and Marathon, has shipped LNG to Japan since 1969, soaking up Cook Inlet natural gas that had no other market.

Cook Inlet's proven reserves are down to 1.7 trillion cubic feet. But the basin holds potential for another 13 trillion to 17 trillion cubic feet of undiscovered reserves, according to the US Department of Energy.

Interest is finally perking up, with companies in recent years drilling specifically for natural gas. A new agreement among ConocoPhillips, Marathon, and the state should stimulate more exploration, officials say. The pact trades state backing of a renewed federal LNG export license for increased natural-gas searches and promises to give residential utilities first dibs on gas in times of shortages. "Hopefully the new development will ensure that there's no further decline in the reserve base," Marty Rutherford, Alaska's deputy natural resources commissioner, said at a recent news conference.

In rural outposts, 'energy refugees'

While Anchorage residents fret about future energy supplies, rural Alaskans face a dire situation right now. Skyrocketing prices for diesel and other fuels, compounded by costly air and barge transport, have created "energy refugees."

"[Energy] is so expensive in the villages that people are being forced to leave, especially people with young families, because they cannot afford to make ends meet," says Meera Kohler, president of the Alaska Village Electric Cooperative, which provides electricity to 53 remote villages where electrical costs can be four times those in Anchorage.

Costs of electricity, heating, and transportation fuel can account for up to 40 percent of family expenses in rural Alaska, Ms. Kohler says.

Some pioneers are seeking long-term solutions in alternative energy.

Geothermal, wind, hydro, and tidal power may hold the most promise in a state dotted with volcanoes, scoured by stiff breezes, and surrounded by water. Alaska's Division of Oil and Gas is soliciting bids for leases to develop geothermal energy beneath Mount Spurr, a volcano on the Anchorage skyline. Fairbanks's Chena Hot Springs Resort is renown for putting the underground heat that warms its pools to a variety of other uses.

A handful of native villages have erected wind turbines, and Anchorage's electricity cooperative has wind-power plans. Solar energy – seemingly a long shot because of daylight-deprived winters – is getting a look, with panels installed in some communities. Even fish oil has fueled generators at Denali National Park.

Such small-scale projects face economic hurdles, however.

"Alternative energy is very expensive capital-wise," says Kohler, whose cooperative includes wind-powered villages. Federal grants have funded villages' alternative-energy projects, but prospects are dim for future aid, she says.

Another energy option is coal. Alaska is overflowing with it – from the Arctic, where the Inupiat Eskimo village of Atqasuk is named for "the place to dig the rock that burns," to the Kenai Peninsula's Kachemak Bay, where dark seams are exposed on coastal bluffs. Some officials tout coal gasification as an option to restart Agrium's operations.

Others consider coal a misstep. "Coal is the dirtiest fossil fuel out there," says Bob Shavelson of Cook Inlet Keeper, an environmental group. "We can go backward to coal and climate change ... and habitat destruction, or we can go forward to renewable energy and long-term jobs."

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Energy Bulletin

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Gas rush: with shortages looming, Alaska firms seek new deposits
Published Mon, 01/03/2005 - 08:00
by Anchorage Daily News

TYONEK -- Andy Clifford retreats to the "designated smoking area" maybe 100 yards back from the drilling rig and lights up a cigar. He's wearing a Hooters T-shirt and a very cool set of Ray-Bans. His face shows no apparent sign of anxiety.

"We're living our dream," he says. "But when you see the bills we're paying -- $5,000 here and $50,000 there -- you go, wow, we've got to find a lot of gas."

Clifford, 49, is an oil man, one in a growing stable of risk takers hunting new supplies of natural gas around Cook Inlet. They're drawn by a big surge in gas prices, plus forecasts of a looming shortage for gas-addicted Southcentral Alaska.

The rig juts up from a dusty square of bulldozed ground in the middle of bear-infested woods on the west side of the Inlet, about 13 miles outside the Athabascan village of Tyonek.

Normally Clifford, a geologist from Houston, Texas, wouldn't be around for the dirty work of actual drilling.

But this is a special day.

Rig workers are preparing for a routine but dangerous test that involves blasting knotholes into the well casing some 3,400 feet down, giving the gas a way to rush into the well and up to the surface.

With luck, Clifford and his partners in Aurora Gas -- a tiny company built on life savings, loans, frequent-flier miles and $25 million from a low-profile Oklahoma billionaire -- will hear gas roar out of the Long Lake No. 1 well like jet exhaust.

Government and industry leaders hope Aurora hears the roar too.

Cook Inlet gas is nearly gone, experts warn, jeopardizing the energy security for the state's most populous region.

Petroleum news

Providing coverage of Alaska and northern Canada's oil and gas industry
August 2009

Vol. 14, No. 32 Week of August 09, 2009

Gas shortage stirs pols

Governor, mayor, senator seek energy security as CI natural gas runs low

Wesley Loy

For Petroleum News

Alaska political leaders are seizing on what's fast becoming a burning issue: the potential for electric power or heating outages this winter in the state's population center as supplies of Cook Inlet natural gas tighten.

"Woe unto the policymaker who didn't do something," said state Sen. Hollis French, an Anchorage Democrat who is calling for a Strategic Gas Initiative.

Anchorage mayor forms energy task force

Anchorage Mayor Dan Sullivan has created a task force to address a looming energy crisis.

"We look to this blue-ribbon task force to address both immediate and long-term energy needs, including making sure Anchorage residents have an uninterrupted supply of gas to heat their homes this winter," Sullivan said in a statement.

The task force includes a range of industry representatives, along with a variety of planning and business professionals. The same panelists were part of the mayor's transition team; indeed, they jointly authored

Aside from French, Gov. Sean Parnell and Anchorage Mayor Dan Sullivan also have announced moves in recent days to deal with what Sullivan's office termed a "looming energy crisis."

Stoking the urgency was a July 29 public meeting of the Regulatory Commission of Alaska. One commissioner, Anthony Price, spoke of "a real possibility of rolling blackouts" this winter should a cold snap overtax the available gas supply and force a shutdown of gas-fired electric power plants.

Parnell announcement

The governor's office on Aug. 4 said Parnell had directed his gas advisory team to "explore the best possible options for producing and delivering in-state natural gas."

"We need to make gas available to Alaskans as soon as possible," Parnell said in a press release. While efforts continue toward a major pipeline under AGIA, the Alaska Gasline Inducement Act of 2007, to carry huge volumes of North Slope gas out of state, other sources must be considered to serve the needs of Interior, Southcentral and rural Alaska, he said.

Parnell mentioned the the energy portion of the transition report.

In recent winters when temperatures dipped below zero the city has come dangerously close to failing to meet the needs of its gas customers, the mayor's office said. The administration, including emergency management personnel, is developing contingency plans for such an event. Municipal Manager George Vakalis is examining this issue as a standalone challenge.

Immediate and long-term

The task force will develop longer-term recommendations — three to five years and 10 years and longer — separately from the immediate issue of winter deliverability. Findings and recommendations will be reported directly to the mayor.

Members of the Energy Task Force include:

• Judy Brady, former executive director, Alaska Oil and Gas Association;

• Dan Coffey, Anchorage Assembly liaison and private attorney;

• Dave Harbour, former commissioner, Regulatory Commission of Alaska;

• Tony Izzo, co-chair of TMi Consulting and former CEO of

undeveloped Gubik field in the Brooks Range Foothills, the Nenana basin and Cook Inlet, which geologists believe could yet yield significant new finds.

Parnell, who took over for former Gov. Sarah Palin on July 26, said he has directed his administration to evaluate three specific options for in-state gas. They include a standalone pipeline from the North Slope and the Foothills south to Fairbanks and Southcentral; a spur line to Southcentral off the proposed major pipeline from the North Slope to the Lower 48; and a pipeline from either Cook Inlet or one of the Interior basins through the state's Railbelt.

"Additionally, opportunities to distribute gas to Western Alaska, and propane production and delivery will be considered," the press release from the governor's office said. "Economic models created by the departments of Revenue and Natural Resources will be used along with agency personnel to perform the necessary analysis and identify the tariffs and fees associated with each option."

French, who has announced he'll run against Republican Parnell next year, sent a letter to the governor on Aug. 5 calling for a Strategic Gas Initiative.

Enstar;

• Arden Page, mediator/private attorney;

• Mary Ann Pease, Knik Arm Bridge and Toll Authority;

• Bill Popp, president and CEO, Anchorage Economic Development Corp.;

• Steve Pratt, energy consultant; and

• Bob Stinson, president, Conam Construction Co., past president of the Alaska Support Industry Alliance.

—Petroleum News

"In recent years there has been a growing chorus of voices warning of decreasing volumes of Cook Inlet gas available for distribution during periods of peak demand," French's letter said.

In an Aug. 4 interview with Petroleum News, French said his plan would emphasize developing gas storage capacity in the Cook Inlet region. Stored gas could be used to handle peak demand or deal with an emergency, he said.

French said all the industry and government players need to figure out a way to develop storage. One possibility is creation of an industry consortium, he said, or perhaps an authority of some kind.

French, who once worked for several years on a Cook Inlet oil and gas platform and later on the North Slope as a production operator in the Kuparuk field, said he hopes the administration will look at options such as reconfiguring the liquefied natural gas export terminal at Nikiski to also receive LNG, building gas storage vessels of some type, or identifying reservoirs for underground storage.

As for funding, the state might provide help such as backing a bond sale, French said.

French, who chairs the Senate Judiciary Committee and holds a seat on the Resources Committee, said he expects hearings on the Cook Inlet gas issue, and possibly legislation when the next regular session opens in January.

"Heat shut off to Anchorage homes would be shocking to the world," French said. "It would be shameful if we were having to hustle our folks into a Superdome situation."

A major challenge to solving the energy crunch is overcoming the relatively small market size of the Anchorage area, where roughly half the state's population lives, French said. The minor market doesn't give gas explorers much incentive, he said.

One idea French doesn't favor is having the state itself drill for Cook Inlet gas.

"Wildcatting a well," he said, "that would be way, way down on my list."

Mayor appoints task force

On July 31, Anchorage Mayor Sullivan announced a new task force to look at keeping Southcentral energized when temperatures drop below zero.

The nine-member task force generally includes past and

present energy industry, regulatory and economic development players. A press release from the mayor's office didn't indicate when the panel would present its report to Sullivan, who called the energy situation "one of the most pressing issues" the city faces.

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-
S U B S C R I B E

KTUU.COM ALASKA'S NEWS SOURCE

Alaska unemployment rate still rising

Associated Press - January 22, 2010 4:14 PM ET

JUNEAU, Alaska (AP) - Alaska's unemployment rate hit 8.8 percent last month, its highest level since September 1992. The rate was 6.8 percent in December 2008.

The state labor department cites several factors for the increase over the year, including job losses in the oil, construction, hospitality and leisure industries. It also attributes the rise in part to the growth in job seekers from other states coming to Alaska to find work.

The department says the state stayed below the national unemployment rate for 12 months, something it says hasn't happened since the early '80s, when the U.S. was going through a recession and Alaska was enjoying a boom.

The national unemployment rate in December was 10 percent.

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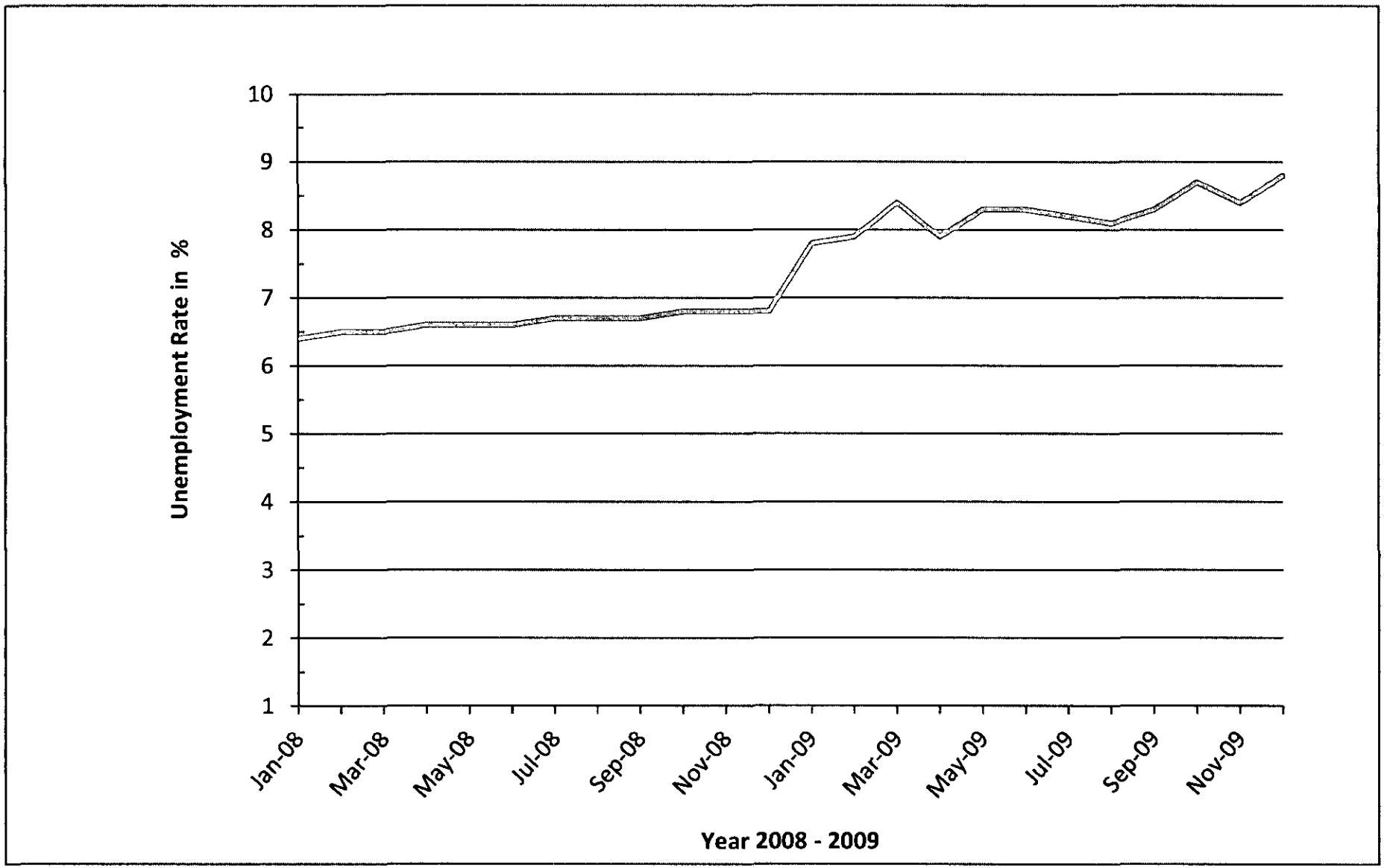
Alaska Statewide

US Department of Labour
Bureau of Labour Statistics

Seasonally Adjusted



US Department of Labour

Bureau of Labour Statistics

Year	Period	labor force	employment	unemployment	rate
2008	**Jan**	354345	331761	22584	6.4
2008	**Feb**	355101	332079	23022	6.5
2008	**Mar**	355551	332399	23152	6.5
2008	**Apr**	356247	332721	23526	6.6
2008	**May**	356621	333037	23584	6.6
2008	**Jun**	356982	333330	23652	6.6
2008	**Jul**	357440	333605	23835	6.7
2008	**Aug**	357906	333858	24048	6.7
2008	**Sep**	358231	334093	24138	6.7
2008	**Oct**	358776	334320	24456	6.8
2008	**Nov**	359103	334542	24561	6.8
2008	**Dec**	359328	334761	24567	6.8
2009	**Jan**	358893	330880	28013	7.8
2009	**Feb**	358704	330359	28345	7.9
2009	**Mar**	358322	328351	29971	8.4
2009	**Apr**	358717	330379	28338	7.9
2009	**May**	359246	329499	29747	8.3
2009	**Jun**	359320	329537	29783	8.3
2009	**Jul**	358054	328785	29269	8.2
2009	**Aug**	357637	328560	29077	8.1
2009	**Sep**	357945	328342	29603	8.3
2009	**Oct**	357889	326641	31248	8.7
2009	**Nov**	358041	327959	30082	8.4
2009	**Dec**	357904(P)	326354(P)	31550(P)	8.8(P)

Alaska Statewide -- Seasonally Adjusted

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Legal Term Dictionary Search again

MANUFACTURE

This word is used in the English and American patent laws. This term includes two classes of things; first, all machinery which is to be used and is not the object of sale; and, secondly, substances (such, for example, as medicines) formed by chemical processes, when thevendible substance is the thing produced, and that which operates preserves no permanent form. In the first class, the machine, and, in the second the substance produced, is the subject of the patent. 2 H. Bl. 492. See 8 T. R. 99; 2 B. & A. 349; Day. Pat. Cas. 278; Webst. on Pat. 8; Phil. on Pat. 77; Perp. Manuel des Inv. c. 2, s. 1; Renouard, c. 5, s. 1; Westminster Review, No. 44, April 1835, p. 247; 1 Bell s Com., B. 1, part 2, c. 4, s. 1, p. 110, 6th ed.

Source: Bouviers Law Dictionary 1856 Edition

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REPRESENTATIVE MARK NEUMAN
Rep.Mark.Neuman@legis.state.ak.us

To: Representative Mark Neuman
Representative Craig Johnson
House Resources Committee

From: Representative Mark Neuman

Date: April 6, 2009

Re: House Bill 217 Tax on Gas for Instate Manufacturing

Respectfully request a hearing on House Bill 217 at your earliest possible convenience

HB 217 will further defines the term "used in instate" to include products manufactured with or from Alaska's Natural Gas. The present definition is found in AS 43.55.900(24).

Respectfully

Mark Neuman

Representative Mark Neuman
House District 15

HB

227

Representative Bob Herron

Rep.Bob.Herron@legis.state.ak.us

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House District 38
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Kuskokwim Bay & Nelson Island

Akiachak
Akiak
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Goodnews Bay
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Lower Kalskag
Mekoryuk
Mertarvik
Napakiak
Napaskiak
Newtok
Nightmute
Nunapitchuk
Oscarville
Platinum
Quinhagak
Toksook Bay
Tuluksak
Tununak
Tuntutuliak
Upper Kalskag

Sponsor Statement

House Bill 227: Holitna River Basin Hunting, Fishing & Trapping Reserve

CS HB 227 (Version D) establishes the Holitna River Basin Hunting, Fishing & Trapping Reserve. The boundary of the reserve is roughly equal to the watersheds of the Holitna and Hoholitna Rivers and more precisely defined as DNR Management Area Plan 15, excluding the land north of Kuskokwim River.

In the original bill, the Reserve's purpose was defined as promoting game and habitat management activities to maintain sustainable levels of human consumption of fish and game in the area. The new CS expands this purpose to also include perpetuation of other public uses of the area, including oil & gas and mineral entry and development. These resource exploration and development uses will not be disallowed, but will be balanced against the utility and benefit to the state of Alaska of preserving the fish and game resources.

This bill also addresses several major areas of identified needs in protecting or furthering the management concepts embodied within the state's intensive management policies.

Although limited active management programs have been implemented with the support of past gubernatorial administrations, this bill is intended to strengthen statutory, constitutional-related active management principles.

The bill is cooperatively written to be compatible with other "Breadbasket" areas within the state's Intensive Management Areas which exemplify high quality habitat and productivity contributions to entire GMU sub-regions.

This proposed reserve concept was initiated by the Sleetmute Traditional and Orutsararmiut Native Councils; there are records of support from the Lower Kuskokwim, Central Kuskokwim, Stony/Holitna and Anchorage Fish & Game Advisory Committees, Kuskokwim Salmon Management Working Group, and the Association of Village Council Presidents; and the concept has undergone legal review through the Board of Game process, twice receiving their endorsement.

26-LS0822\D
Kane
3/16/10

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 227( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES HERRON, Neuman

A BILL

FOR AN ACT ENTITLED

"An Act relating to the establishment of state fish and game reserves; creating the Holitna River Basin Hunting, Fishing, and Trapping Reserve; and providing for an effective date."

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

* **Section 1.** AS 16.20 is amended by adding new sections to read:

Article 6. Fish and Game Reserves.

Sec. 16.20.700. Purposes. The purposes of establishing a fish and game reserve are

(1) to promote management activities to rebuild or enhance fish and wildlife populations and habitats to maintain historical and sustainable harvest levels for continued high levels of human consumptive use of these resources; and

(2) to perpetuate other public uses of the area, including forest management, mineral entry and development, oil and gas entry and development, and other forms of public use of public land not incompatible with the purpose stated in (1)

of this section.

Sec. 16.20.710. Regulations. The Board of Fisheries or the Board of Game, where appropriate, shall adopt regulations each considers advisable for conservation and protection of fish and game to carry out the purposes of AS 16.20.700 and 16.20.720.

Sec. 16.20.720. Holitna River Basin Hunting, Fishing, and Trapping Reserve established. (a) All state-owned land and water and all land acquired in the future by the state within the watershed of the Holitna River and Hoholitna River is designated as the Holitna River Basin Hunting, Fishing, and Trapping Reserve.

(b) The Holitna River Basin Hunting, Fishing, and Trapping Reserve is established to

(1) ensure management and protection of fish and wildlife populations and habitat to perpetuate subsistence use, commercial use, and other consumptive uses of the area's fish and wildlife;

(2) implement maximum use and benefit, sustained yield, and common use principles by using effective management techniques for conserving and developing the area's fish and wildlife resources to regain or maintain historical harvest levels with human consumptive use of these resources as a priority;

(3) maintain and enhance healthy and abundant fish and wildlife populations commonly used for consumption by humans to provide high levels of human consumptive use in keeping with amounts determined by the Board of Fisheries and the Board of Game to be reasonably necessary to provide for subsistence uses and with other population and use goals or objectives set by the appropriate board;

(4) allow for long-term scientific research and management study areas to determine the effectiveness of management activities under this section in providing for current and future human harvest needs.

(c) To fulfill the purposes of this section, the Department of Fish and Game, the Board of Fisheries, and the Board of Game shall manage the fish and game resources of the area to provide for high levels of human harvest and, subject to priorities among areas in which intensive management actions are carried out as

determined by the Department of Fish and Game, the Board of Fisheries, and the Board of Game, shall

(1) control predation and adjust predator and prey population ratios through whatever methods or means are considered appropriate to particular circumstances;

(2) conduct management actions designed to further the purposes of this section so long as the appropriate board has not found, based on substantial evidence, that the challenged management actions are counterproductive or ineffective in maintaining or enhancing healthy and abundant fish or wildlife populations commonly used for consumption by humans for food to provide for high levels of human consumptive use;

(3) consider scientific evidence augmented by historical and local environmental knowledge when evaluating management activities.

(d) The Department of Natural Resources may not acquire by eminent domain privately owned land within the Holitna River Basin Hunting, Fishing, and Trapping Reserve but may acquire privately owned land by purchase, exchange, or other means for inclusion in the reserve.

(e) Public access to the Holitna River Basin Hunting, Fishing, and Trapping Reserve by boat, aircraft, dog team, snow machine, all-terrain vehicle, or other means consistent with the purposes of this section may be regulated by the Department of Natural Resources, in consultation with the Department of Fish and Game, as necessary to meet the purposes of this section and to protect access to and development of other natural resources within the reserve.

(f) Access to and from private property within the Holitna River Basin Hunting, Fishing, and Trapping Reserve shall be guaranteed through access corridors established by the Department of Natural Resources, in consultation with the Department of Fish and Game and a private property owner.

(g) Entry upon the Holitna River Basin Hunting, Fishing, and Trapping Reserve for purposes of exploration and development of nonrenewable resources is subject to approval by the Department of Natural Resources, in consultation with the Department of Fish and Game. Exploration and development activities must be

conducted in a manner that is compatible with the purpose of this section.

(h) Except as otherwise provided in this section, the Department of Fish and Game and the Department of Natural Resources shall exercise each department's respective authority over the Holitna River Basin Hunting, Fishing, and Trapping Reserve through a fish and game management plan prepared by the Department of Fish and Game in consultation with the Department of Natural Resources.

(i) All state-owned surface and subsurface land and water within the parcels described in this subsection are established as the Holitna River Basin Hunting, Fishing, and Trapping Reserve:

(1) Township 4 North, Range 48 West, Seward Meridian
Sections 2 - 5
Sections 9 - 10;

(2) Township 4 North, Range 51 West, Seward Meridian
Sections 1 - 10;

(3) Township 4 North, Range 52 West, Seward Meridian
Sections 1 - 23
Sections 26 - 35;

(4) Township 4 North, Range 53 West, Seward Meridian;

(5) Township 5 North, Range 37 West, Seward Meridian
Sections 1 - 3
Sections 10 - 11;

(6) Township 5 North, Range 47 West, Seward Meridian
Sections 2 - 12
Sections 14 - 23
Sections 27 - 32;

(7) Township 5 North, Range 48 West, Seward Meridian
Sections 1 - 27
Sections 34 - 36;

(8) Township 5 North, Range 49 West, Seward Meridian
Sections 1 - 33;

(9) Township 5 North, Ranges 50 - 54 West, Seward Meridian;

(10) Township 6 North, Range 35 West, Seward Meridian
Sections 4 - 9;
(11) Township 6 North, Range 36 West, Seward Meridian
Sections 1 - 13
Sections 16 - 21
Sections 29 - 32;
(12) Township 6 North, Range 37 West, Seward Meridian;
(13) Township 6 North, Range 38 West, Seward Meridian
Sections 1 - 20;
(14) Township 6 North, Range 39 West, Seward Meridian
Section 1
Sections 12 - 13
Section 24;
(15) Township 6 North, Range 42 West, Seward Meridian
Sections 4 - 6
Section 8;
(16) Township 6 North, Range 43 West, Seward Meridian
Sections 1 - 2;
(17) Township 6 North, Range 44 West, Seward Meridian
Sections 1 - 5;
(18) Township 6 North, Range 47 West, Seward Meridian
Sections 18 - 19
Sections 29 - 33;
(19) Township 6 North, Ranges 48 - 55 West, Seward Meridian;
(20) Township 7 North, Range 35 West, Seward Meridian
Sections 6 - 7
Sections 18 - 19
Sections 30 - 31;
(21) Township 7 North, Ranges 36 - 38 West, Seward Meridian;
(22) Township 7 North, Range 39 West, Seward Meridian
Sections 1 - 18

Sections 21 - 25
Section 36;
(23) Township 7 North, Range 40 West, Seward Meridian
Sections 1 - 21;
(24) Township 7 North, Range 41 West, Seward Meridian
Sections 1 - 14
Sections 17 - 18;
Section 24;
(25) Township 7 North, Range 42 West, Seward Meridian
Sections 1 - 23
Sections 28 - 33;
(26) Township 7 North, Range 43 West, Seward Meridian
Sections 1 - 27
Sections 29 - 30;
Sections 34 - 36;
(27) Township 7 North, Range 44 West, Seward Meridian;
(28) Township 7 North, Range 45 West, Seward Meridian
Sections 1 - 2
Sections 12 - 13
Sections 24 - 25;
(29) Township 7 North, Range 47 West, Seward Meridian
Sections 6 - 7
Section 18;
(30) Township 7 North, Ranges 48 - 54 West, Seward Meridian;
(31) Township 7 North, Range 55 West, Seward Meridian
Sections 1 - 2
Sections 11 - 14
Sections 23 - 26
Sections 32 - 36;
(32) Township 8 North, Range 34 West, Seward Meridian
Section 19;

(33) Township 8 North, Range 35 West, Seward Meridian
Sections 3 - 10
Sections 13 - 24
Sections 27 - 32;
(34) Township 8 North, Ranges 36 - 44 West, Seward Meridian;
(35) Township 8 North, Range 45 West, Seward Meridian
Sections 1 - 29
Sections 35 - 36;
(36) Township 8 North, Range 46 West, Seward Meridian
Sections 1 - 24
Sections 29 - 30;
(37) Township 8 North, Range 47 West, Seward Meridian
Sections 1 - 32;
(38) Township 8 North, Ranges 48 - 53 West, Seward Meridian;
(39) Township 8 North, Range 54 West, Seward Meridian
Sections 1 - 2
Sections 11 - 36;
(40) Township 8 North, Range 55 West, Seward Meridian
Sections 13 - 14
Sections 23 - 26
Sections 35 - 36;
(41) Township 9 North, Range 30 West, Seward Meridian
Sections 1 - 5;
(42) Township 9 North, Range 32 West, Seward Meridian
Sections 3 - 9
Sections 16 - 21;
(43) Township 9 North, Range 33 West, Seward Meridian
Sections 1 - 35;
(44) Township 9 North, Ranges 34 - 52 West, Seward Meridian;
(45) Township 9 North, Range 53 West, Seward Meridian
Sections 1 - 5

Sections 8 - 17
Sections 20 - 29
Sections 32 - 36;
(46) Township 10 North, Range 30 West, Seward Meridian
Sections 7 - 36;
(47) Township 10 North, Ranges 31 - 52 West, Seward Meridian;
(48) Township 10 North, Range 53 West, Seward Meridian
Sections 22 - 29
Sections 32 - 36;
(49) Township 11 North, Range 31 West, Seward Meridian
Section 31;
(50) Township 11 North, Range 32 West, Seward Meridian
Sections 18 - 19
Sections 29 - 36;
(51) Township 11 North, Range 33 West, Seward Meridian
Sections 2 - 11
Sections 13 - 36;
(52) Township 11 North, Ranges 34 - 51 West, Seward Meridian;
(53) Township 11 North, Range 52 West, Seward Meridian
Section 1
Sections 11 - 14
Sections 23 - 26
Sections 33 - 36;
(54) Township 12 North, Range 37 West, Seward Meridian
Sections 19 - 21
Sections 28 - 36;
(55) Township 12 North, Range 38 West, Seward Meridian
Sections 3 - 10
Sections 15 - 36;
(56) Township 12 North, Ranges 39 - 49 West, Seward Meridian;
(57) Township 12 North, Range 50 West, Seward Meridian

Sections 1 - 4
Sections 9 - 16
Sections 21 - 28
Sections 31 - 36;
(58) Township 13 North, Range 37 West, Seward Meridian
Sections 6 - 7
Sections 17 - 20
Sections 29 - 31;
(59) Township 13 North, Ranges 38 - 49 West, Seward Meridian;
(60) Township 13 North, Range 50 West, Seward Meridian
Section 25
Section 36;
(61) Township 14 North, Range 39 West, Seward Meridian
Sections 5 - 9
Sections 16 - 23
Sections 25 - 36;
(62) Township 14 North, Ranges 40 - 47 West, Seward Meridian;
(63) Township 14 North, Range 48 West, Seward Meridian
Sections 5 - 9
Sections 13 - 36;
(64) Township 14 North, Range 49 West, Seward Meridian
Section 13
Sections 24 - 25
Section 36;
(65) Township 15 North, Range 39 West, Seward Meridian
Sections 4 - 9
Sections 18 - 19
Sections 30 - 31;
(66) Township 15 North, Ranges 40 - 46 West, Seward Meridian;
(67) Township 15 North, Range 47 West, Seward Meridian
Sections 12 - 14

Sections 19 - 36;

(68) Township 16 North, Range 39 West, Seward Meridian

Sections 16 - 21

Sections 28 - 33;

(69) Township 16 North, Range 40 West, Seward Meridian

Sections 3 - 10

Sections 13 - 36;

(70) Township 16 North, Ranges 41 - 45 West, Seward Meridian;

(71) Township 16, North, Range 46 West, Seward Meridian

Sections 1 - 3

Sections 10 - 14

Sections 23 - 28

Sections 33 - 36;

(72) Township 17 North, Range 40 West, Seward Meridian

Sections 3 - 10

Sections 15 - 23

Sections 26 - 35;

(73) Township 17 North, Ranges 41 - 44 West, Seward Meridian;

(74) Township 17 North, Range 45 West, Seward Meridian

Sections 1 - 4

Sections 9 - 17

Sections 19 - 36;

(75) Township 18 North, Range 40 West, Seward Meridian

Sections 17 - 22

Sections 27 - 34;

(76) Township 18 North, Ranges 41 - 42 West, Seward Meridian;

(77) Township 18 North, Range 43 West, Seward Meridian:

the land south of the Kuskokwim River;

(78) Township 18 North, Range 44 West, Seward Meridian:

the land south of the Kuskokwim River;

(79) Township 18 North, Range 45 West, Seward Meridian

Sections 1 - 2

Sections 11 - 15

Sections 22 - 27

Sections 34 - 36;

(80) Township 19 North, Range 41 West, Seward Meridian

Section 8: the land south of the Kuskokwim River

Sections 17 and 18: the land south of the Kuskokwim River

Sections 19 - 21

Sections 27 - 34;

(81) Township 19 North, Range 42 West, Seward Meridian

Sections 20 - 36: the land south of the Kuskokwim River;

(82) Township 19 North, Range 44 West, Seward Meridian

Sections 22 - 36: the land south of the Kuskokwim River;

(83) Township 19 North, Range 45 West, Seward Meridian

Sections 35 - 36.

* **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

Representative Bob Herron

Rep.Bob.Herron@legis.state.ak.us

State Capitol • Juneau, Alaska 99801-1182
Phone: (907) 465-4942 • Fax: (907) 465-4589

House District 38
Kuskokwim & Johnson Rivers
Kuskokwim Bay & Nelson Island

Akiachak
Akiak
Atmautluak
Bethel
Chefornak
Eek
Goodnews Bay
Kasigluk
Kipnuk
Kongiganak
Kwethluk
Kwigillingok
Lower Kalskag
Mekoryuk
Mertarvik
Napakiak
Napaskiak
Newtok
Nightmute
Nunapitchuk
Oscarville
Platinum
Quinhagak
Toksook Bay
Tuluksak
Tununak
Tuntutuliak
Upper Kalskag

Sectional Analysis
Holitna River Reserve
CS for SSHB 227 – Version D

Section 16.20.700. Purpose

States that the purpose of establishing a fish and game reserve is to promote sustainable levels of human consumption of fish and game; and also to perpetuate other public uses of the area, including forest management, mineral entry and development, and oil & gas entry and development.

Section 16.20.710. Regulations

Gives authority to the Board of Game or Board of Fish (whichever is more appropriate) to adopt regulations designed to conserve fish and game; and to carry out the purpose as set forth in sections 16.20.700 and 16.20.720.

Section 16.20.720 (a)

All present and future state-owned land and water within the Holitna and Hoholitna River watersheds is designated as part of the Reserve.

Section 16.20.720 (b)

The Reserve is established to ensure:

1. Management and protection of fish and game populations and habitat to perpetuate subsistence use, commercial use, and other consumptive uses;
2. Management techniques that promote maximum use with sustained yield to maintain historical harvest levels with human consumptive use as a priority;
3. Maintenance of fish and game populations to provide for high levels of human consumptive use (within limits set by Fish and Game Boards);
4. Allowance for scientific research elucidating the effectiveness of management activities in this section in providing for current and future human harvest needs.

Section 16.20.720 (c)

The Department of Fish and Game, the Board of Fisheries and the Board of Game shall manage fish and game resources within the Reserve to provide for high levels of human harvest and, subject to priorities among intensively managed areas for which these entities set policy, shall:

1. Control predation and adjust predator and prey population ratios thru appropriate means;

2. Conduct management actions designed to further the purposes of this section so long as the appropriate board has not found such actions to be ineffective at maintaining fish and game populations commonly harvested for food by humans;
3. Consider scientific evidence augmented by local environmental knowledge when evaluating management activities.

Section 16.20.720 (d)
The Department of Natural Resources may acquire privately owned land within the Reserve by purchase or exchange, but not thru eminent domain.

Section 16.20.720 (e)
Public access to the Reserve may be regulated by DNR, in consultation with DFG, as necessary to meet the purposes of this section and to protect access to, and development of, other resources within the Reserve.

Section 16.20.720 (f)
Access corridors established by DNR, in consultation with DFG and a private property owner, shall guarantee access to and from private property within the Reserve.

Section 16.20.720 (g)
Entry into the Reserve to explore or develop nonrenewable resources must be approved by DNR, in consultation with DFG, and such activities must be compatible with the purpose of this section.

Section 16.20.720 (h)
Except as otherwise provided in this section, DFG and DNR shall exercise their respective authority over the Reserve thru a management plan prepared by DFG in consultation with DNR.

Section 16.20.720 (i)
Reserve boundaries are defined as including all the sections (listed beneath their respective township and range designations) on the last eight pages of this bill.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB227 (FSH)**
() Publish Date:

Identifier (file name): HB227-DNR-CPL-02-01-2010
Dept. Affected: Natural Resources
Title: HOLITNA BASIN RESERVE
RDU: Resource Development
Component: Claims, Permits and Leases
Sponsor: REP Herron
Requester: House FSH
Component Number: 2460

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

The bill requires ADF&G to prepare a land use plan. DNR will review and comment on the proposed plan and will annotate the department's lands records system to display the new Reserve, however DNR anticipates no need for additional funding to accomplish these tasks.

Prepared by: Dick Mylius, Director — Phone 269-8600
Division: Mining, Land and Water — Date/Time January 29, 2010
Approved by: Tom Irwin, Commissioner — Date January 29, 2010
Natural Resources

(Revised 11/6/2009 OMB)

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: SSHB227
Bill Version:
() Publish Date:

Identifier (file name): SSHB227-DFG-COM-01-22-10
Dept. Affected: ADF&G
Title: An Act relating to the establishment of state fish and game reserves....
RDU: Administration and Support
Component: Commissioner's office
Sponsor: Rep. Herron, Neuman
Requester: House Fisheries
Component Number: 2175

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES ( )	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts							
1003 GF Match							
1004 GF	***	***	***	***	***	***	***
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	***	***	***	***	***	***	***

Estimate of any current year (FY2010) cost:

POSITIONS							
Full-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: *(Attach a separate page if necessary)*

Indeterminate fiscal impact to Department of Fish and Game. If the planning effort for this new reserve were one similar to what we do in concert with the Alaska Board of Fisheries whereby we hold and solicit public input and craft specific regulations for this area that could be done with existing functions and resources. However, if the planning effort involved a suite of meetings and staff travel from Goodnews to McGrath and points in between then the department would incur some one time additional costs.

Prepared by: Jeff Hoover, Deputy Director
Phone 907-465-6077
Division: Administrative Services
Date/Time 1/22/10 4 30 PM
Approved by: Tom Lawson, Director of Administrative Services
Alaska Department of Fish and Game
Date 1/22/2010

(Revised 11/5/2009 OMB)

Representative Bob Herron

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House District 38
Kuskokwim & Johnson Rivers
Kuskokwim Bay & Nelson Island

Akiachak
Akiak
Atmautluak
Bethel
Chefornak
Eek
Goodnews Bay
Kasigluk
Kipnuk
Kongiganak
Kwethluk
Kwigillingok
Lower Kalskag
Mekoryuk
Mertarvik
Napakiak
Napaskiak
Newtok
Nightmute
Nunapitchuk
Oscarville
Platinum
Quinhagak
Toksook Bay
Tuluksak
Tununak
Tuntutuliak
Upper Kalskag

SSHB 227, Holitna River Basin Hunting, Fishing and Trapping Reserve

– Questions and Answers

Q: How are state sanctuaries, public use areas, and refuges defined in statute? How would the proposed reserve differ in HB 227?

A: There are refuges in Alaska that are set aside by the legislation primarily to protect fish and game habitat – these areas where traditionally the preservation of hunting and fishing opportunities are the primary purpose. Within existing refuges, ADFG has land use permitting authority that is in addition to DNR's land use authority. This would be the first state fish and game reserve in Alaska. HB 227 would define a reserve as including a greater emphasis on active management to produce high levels of consumptive human use. A reserve is not just a place where you preserve hunting and fishing as an on-going activity, but a place where you are encouraging state management for high levels of that activity. It's analogous to the Tanana Valley State Forest, where the production of timber is the primary identified purpose in the statutes. A public use area is state land designated under Title 41 to be managed by DNR for multiple use where the state intends to keep the land in the public domain and not offer any land sales. ADFG has no land management responsibilities in Public Use Areas. Sanctuaries, historically, have been areas set aside to preserve wildlife habitat where hunting is not allowed and viewing and preservation are the primary purposes.

Q: What does it mean for an area to be actively managed?

A: Intensive management is defined in statute as active management that is designed to produce high levels of game for human harvest. It specifically includes both habitat manipulation and predator control. Given the bill is written with deference to scientific study, as is done in state forests, you would expect some experimentation on other means of active management in this area.

Q: What is the history of active management in the Holitna Watershed?

A: Predator control has been going on from 2004 – Present. All of the moose populations in the area have been identified as important to be intensively managed. A predator control program is in place for essentially the northern half of the

watershed, but that is a temporary program. HB 227 would not require predator control to be permanent but it would require that the area be permanently managed to produce high levels of game and fish for human consumptive use. At high levels of abundance, the taking of moose females might be appropriate to ensure the habitat's carrying capacity is not exceeded. Different active management techniques are appropriate at different levels of abundance. Other methods such as habitat manipulation, such as prescribed burns to increase moose forage, might also be deemed appropriate here in the future.

Q: Please describe where local and non-local use is prevalent in the area.

A: Unit 19B (roughly the southern half of the watershed) is primarily used by non-locals for fly-in hunting use. There are some local users who travel that far up-river as well. The northern half is primarily accessed by the two rivers in small boats by people from communities along the Kuskokwim River.

Q: Would HB 227 establish a priority for any one user group or type of use?

A: No, this bill establishes the enhancement of the fish and game resource as a priority, not a preference for any user group.

Q: By specifying a specific purpose and use for state land, does HB 227 possibly conflict with the state constitution?

A: No, quite the opposite. The constitution says:

Constitution: Article VIII, Section 4: "Fish, forests, wildlife, grasslands, and all other replenishable resources belonging to the State shall be utilized, developed, and maintained on the sustained yield principle, subject to preferences among beneficial uses."

For example, preference for specific uses has been put in statute for the Tanana Valley State Forest, and McNeil River State Game Sanctuary (preservation of brown bear populations and habitat are priorities and hunting is disallowed).

Also, Article VIII, Section 7, "Special Purpose Sites" specifically allows the legislature to set aside state lands for specific uses.

Q: Does HB 227 require changes to the DNR permitting process for nonrenewable resource exploration or extraction?

A: HB 227 doesn't change any existing requirements for permitting. Mining claims and certain types of small scale mining exploration activity don't even require a permit at present. More extensive exploration activities do require permits, and DNR already does consult with DFG on those permits.

Q: Would HB 227 affect DNR's proposal to lease different areas to big game guides? (DNR is currently taking public comments on a new proposal to limit the number of big game guides using state land. This is in response to a request by the Big Game Commercial Services Board.)

A: HB 227 would not affect this proposal in any way, no more than creation of a state park or state forest would. As long as hunting is allowed, and as long as it's state-owned land, DNR would be able to include this area in its guide services areas proposal.

Q: Would this bill restrict access by private property owners?

A: No. If statute requires a management plan be drafted, this plan may have specific language addressing access needs. For access that we don't know about yet, the owner would have to approach DNR, who (in consultation with DFG on how best to limit impacts on habitat and animal migration) would determine the best route for their access. This bill would not materially change the way that process already takes place. If people do have in-holdings this bill does not restrict access, but in fact ensures that they will have some sort of access to their land.

Q: Please thoroughly describe the recent permitting request for a natural gas exploration license.

A: The DNR, Division of Oil and Gas (DO&G) received an application for a gas only exploration license proposal for the Holitna basin under the oil and gas exploration license program set out at AS 38.05.131-.134. Holitna Energy Co., LLC (HEC) initiated a proposal for a gas only exploration license for 26,791 acres in the Holitna area under this program. Before issuing an exploration license, ADNR must issue a written finding that concludes that the state's best interests would be served (AS 38.05.133(f), and AS 38.05.035(e) and (g)).

In its August 1, 2005 preliminary best interest finding, ADNR concluded that HEC's exploration license proposal would best serve the interests of the State. In its final best interest finding issued October 2, 2006 (after public comments), the division concluded that the project was not in the state's best interest because the small size of the license area would make it difficult to condition the license in a manner that allowed exploration activities to occur harmoniously with the other uses in the area and without impact to sensitive fish and wildlife resources. ADNR also concluded that the license was not in the state's best interest because the project had very little local support and the project proponent had not proactively garnered such support.

On October 5, 2006, HEC asked the ADNR Commissioner to reconsider the final finding, under ADNR's appeal regulations (11 AAC 02.010 et seq.). On June 20, 2007, the commissioner affirmed the final finding denying HEC the exploration license.

On July 20, 2007, HEC appealed ADNR's decision to superior court, arguing that ADNR's decision with respect to the final best interest finding, and its denial of HEC's request for reconsideration, lacked a reasonable basis, and failed to show that ADNR gave the requisite "hard look" at all the salient facts and issues raised. HEC asked the court to remand the case to ADNR.

On March 18, 2008, ADNR submitted an unopposed motion to remand HEC's appeal, saying that it had reviewed HEC's opening brief, and based on that review, requested that the court remand this case to ADNR so that the commissioner may reexamine the facts and conclusions in both the final finding and his decision on reconsideration. On March 19, 2008, the court remanded the case to ADNR.

On reconsideration, the commissioner determined (December 9, 2009) that a gas only exploration license to HEC is in the state's best interest.

Q: Does HB 227 make the bar higher for non-renewable resource exploration and extraction in the region?

A: As it is now, DNR would have to decide on a case by case basis which is in the state's best interest: the development or the preservation of fish and game. With HB 227, DNR would clearly have to side with the preservation of fish and game, and if the exploration or extraction was deemed to not be compatible with the purpose of this bill to protect and enhance fish and game habitat and populations, then the permit would not be forthcoming. For example, if oil and gas exploration in a certain area would preclude access for hunting, with HB 227 DNR would have to rule in favor of the hunting, without HB 227, if the exploration was deemed more important for the state, DNR might rule favorably toward permitting the exploration. However, the DNR Kuskokwim Area Plan already does call for preservation of fish and game. The legislative establishment of this would make this plan more permanent, since land use plans are administrative actions and can be changed more easily. In addition, DNR oil and gas leasing decisions are not governed by Area Plans.

Q: How much of the 4,000,000 acres would possibly be of interest for mining development?

A: The area has not been that intensively explored. At present mining claims are confined to less than 5%, as an estimate, of the area. There are no known large mineral deposits within the area, but considerable exploration has occurred in recent years. There are highly mineralized areas to the south, west, and northwest of the proposed Reserve.

Q: Is it true no oil and gas wells have been drilled within the area?

A: Yes, no wells have been drilled.

Q: Is the area a possible corridor for energy transmission?

A: For natural gas it has never been looked at as a corridor. If Pebble and Donlin Creek were intertied, the energy intertie would cross the region.

Q: Would HB 227 prohibit an energy transmission corridor or add a layer of bureaucracy to its permitting?

A: The bill might add some requirements to minimize a corridor's impact on fish and game populations or access to hunting and fishing.

UNIT 15: HOLITNA RIVER

Background

Location and Land Ownership. The Holitna River management unit encompasses the watersheds of Holitna and Hoholitna Rivers. This is the largest management unit in the planning area, and is nearly al state owned. The land along the Kuskokwim River near Sleetmute is Native owned, and there are three parcels of Native selections near Sleetmute, two of which overlap with state selections. Three small parcels of federal land complete the ownership pattern in the Sleetmute area. The remaining land -- over 90 percent of the total area -- is state owned. Sleetmute, located at the confluence of the Holitna and Kuskokwim, is the only village in the unit. However, there are approximately 165 parcels of private land in or adjacent to this unit. They are a mixture of Native allotments, and federal homesites, headquarters sites, and trade and manufacturing sites.

Resources and Land Use. The central and northern portions of the unit are broad lowlands; western, southern, and eastern boundaries are defined by the Chuilnuk and Kiokluk mountains, the highlands dividing the Kuskokwim basin from Bristol Bay, and the mountains surrounding Sparrevohn Air Force Station. The upper elevations of these ranges are approximately 4,000 feet. The Holitna and Hoholitna rivers, and the lower Chukowan, Kogrukluk, Shotgun, Taylor, and Titnuk waterways are lined by relatively broad bands of white spruce and hardwood forest that are one-half to two miles wide on each side of the river. Some south-facing hillslopes scattered throughout the unit also support hardwood forest that are one-half to two miles wide on each side of the river. The rest of the lowlands is dominated by black spruce woodlands, grading into shrublands on the upper slopes, and alpine tundra on the highest mountains.

The Holitna basin contains the greatest concentration of salmon spawning areas in the entire Kuskokwim drainage and the most productive moose habitat. In addition, these lands support concentrations of bear and waterfowl, and provide winter range for caribou and extensive habitat for furbearers. The fish and wildlife resources of the Holitna basin attract residents of communities from McGrath to Bethel, and sportsmen and guides from throughout Alaska and the continental U.S. The greatest concentration of subsistence activities in the planning area occurs in the Holitna basin. It is used for hunting, trapping, fishing, berry picking, houselog harvest, and firewood collection. It is also the most intensively used part of the basin for sport hunting for moose. Twelve registered hunting guides, six fishing guides, and an unknown number of outfitters use this drainage, targeting moose, caribou, salmon, and sheefish. There are two lodges in the unit, and a third is planned for construction. Salmon from the Holitna drainage provide about 20 percent of the annual salmon harvest for Kuskokwim basin subsistence and commercial fishermen. The king salmon stocks from this and other Kuskokwim drainages are fully allocated at present.

The Holitna basin is rich in other resources as well. The riparian forestlands are among the most productive in the Kuskokwim basin. These forests are highly suitable for settlement and timber harvest for personal and commercial use. The Taylor Mountains and the Kuskokwim Mountains along the western boundary of the unit have moderate to very high mineral potential, a number of existing claims, and two mines that have been active in recent years. Gravel bars in the Kuskokwim River near Sleetmute also have provided materials for local construction projects.

Access. The main access to the unit is by boat on the Kuskokwim, Holitna, and Hoholitna rivers and their major tributaries. Small planes can also land on sections of the Holitna River, numerous lakes, and natural landing areas in the tundra. A public airstrip is maintained at Sleetmute, and there are strips of mining claims at Forty-seven Creek and in the Taylor Mountains. A number of trails cross the unit along major rivers or overland routes into the Kuskokwim Mountains.

Management Intent:

The emphasis of state land management in the Holitna management unit is protection of the fish and wildlife habitat, and support for continued subsistence, commercial, and sport use of these resources. Forestlands will continue to be available for personal and commercial timber harvest. Most of the unit will remain in public ownership, but opportunities for private use of state lands may be made available through a land disposal near Sleetmute, and a land disposal and remote cabin sites along the southern perimeter of the unit and in the Door Mountains. The remote cabin sites and land disposals are located to offer sites that can support private recreation and settlement, while avoiding the main public use areas and most important habitat lands. Land disposal offerings total approximately 3,600 acres of land and there are 56 remote cabin sites.

Most state lands will remain open to mineral entry. However, to protect important salmon populations, spawning beds and rearing areas in known mineralized zones will be closed to new mineral entry. Closures include portions of Portage, Bakbuk, Mukslulik, Taylor, Kiknik, and Chuilnuk creeks, a portion of the Gemuk River, Gemuk Lake, part of an unnamed tributary to the Holitna between Bakbuk and Portage Creeks, and an unnamed tributary of the Hoholitna in the Door Mountains. Uplands along the Gemuk River, Gemuk Lake, Mukslulik Creek and unnamed tributaries of the Holitna and Hoholitna river drainages will be subject to leasehold location requirements to ensure compatibility of mining with salmon spawning and king salmon rearing areas.

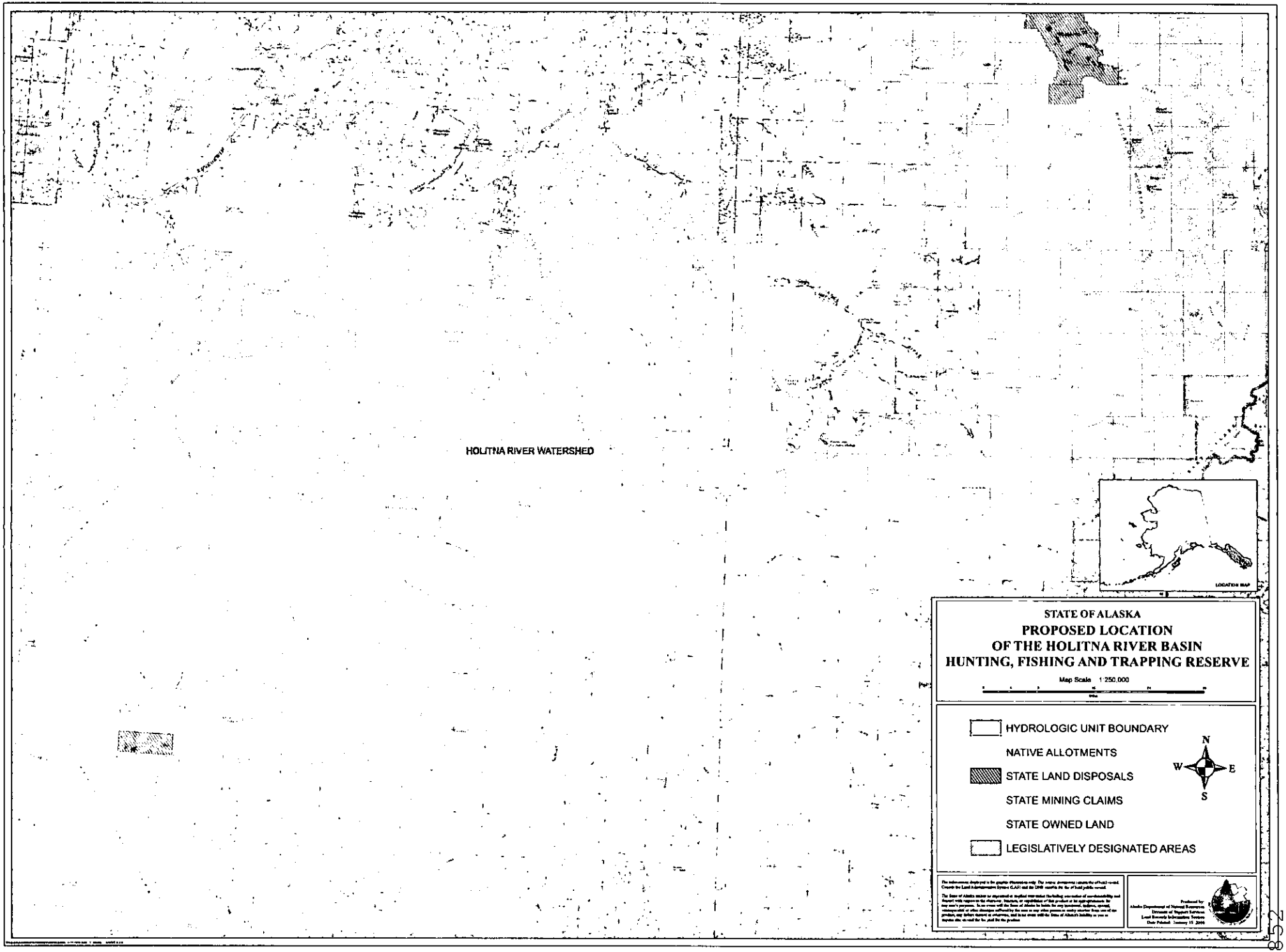
In addition to state-owned uplands, the beds of the Kuskokwim, Holitna, Hoholitna, and other navigable waters are state owned and are subject to the guidelines of this plan.

Subunit 15a - Holitna-Hoholitna Corridors

Subunit 15a contains the main stems of the Holitna and Hoholitna rivers, the core of the Holitna basin. It receives more use for subsistence and sport hunting for moose than any other subunit in the planning area, and is important for salmon spawning, and harvest of salmon and resident fish. The Department of Fish and Game's only Kuskokwim weir for estimating the size of salmon runs is located at Kashegelok in the southern part of the subunit. The forests along the rivers are the most productive in the Holitna basin, and some of the best in the entire planning area. This subunit is state owned except for a number of Native allotments along the river. Three permits for trapping cabins have been issued within the subunit. Subunit 15a is accessible by boat and small plane.

The Holitna and Hoholitna Corridors will be kept in public ownership and managed to protect the fish and wildlife habitat and populations, and to support continued use of these resources. The forest lands will be managed to provide timber for personal and commercial and timber harvest. Other uses of this land are permitted when compatible with the primary intent of protecting the fish and wildlife resources. Most state lands in this subunit will remain open to new mineral entry; however, portions of Whitewater Creek, Kiknik Creek, and from unnamed tributaries to Kiknik Creek will be closed to protect salmon rearing areas.

In recognition of the outstanding habitat, forestry, and human use values of this area, it is also recommended that the legislature consider designating it as a state Public Use Area. The Public Use Area would contain subunit 15a and the adjacent portions of subunits 15b and 15c that are rated A-2 ("special value") habitat (see in Appendix A). This designation would be intended to keep these lands in permanent public ownership; protect the fish and wildlife habitat; promote forest management; and ensure that fish, wildlife, and forest resources continue to be available for personal and commercial use. Other uses will be allowed whenever compatible with the intent to protect and manage habitat and forest resources. The Public Use Area would be managed by DNR under a management plan prepared with the concurrence of the Department of Fish and Game.


HOLITNA RIVER WATERSHED
LOCATION MAP
STATE OF ALASKA
PROPOSED LOCATION
OF THE HOLITNA RIVER BASIN
HUNTING, FISHING AND TRAPPING RESERVE
Map Scale 1:250,000
HYDROLOGIC UNIT BOUNDARY
NATIVE ALLOTMENTS
STATE LAND DISPOSALS
STATE MINING CLAIMS
STATE OWNED LAND
LEGISLATIVELY DESIGNATED AREAS
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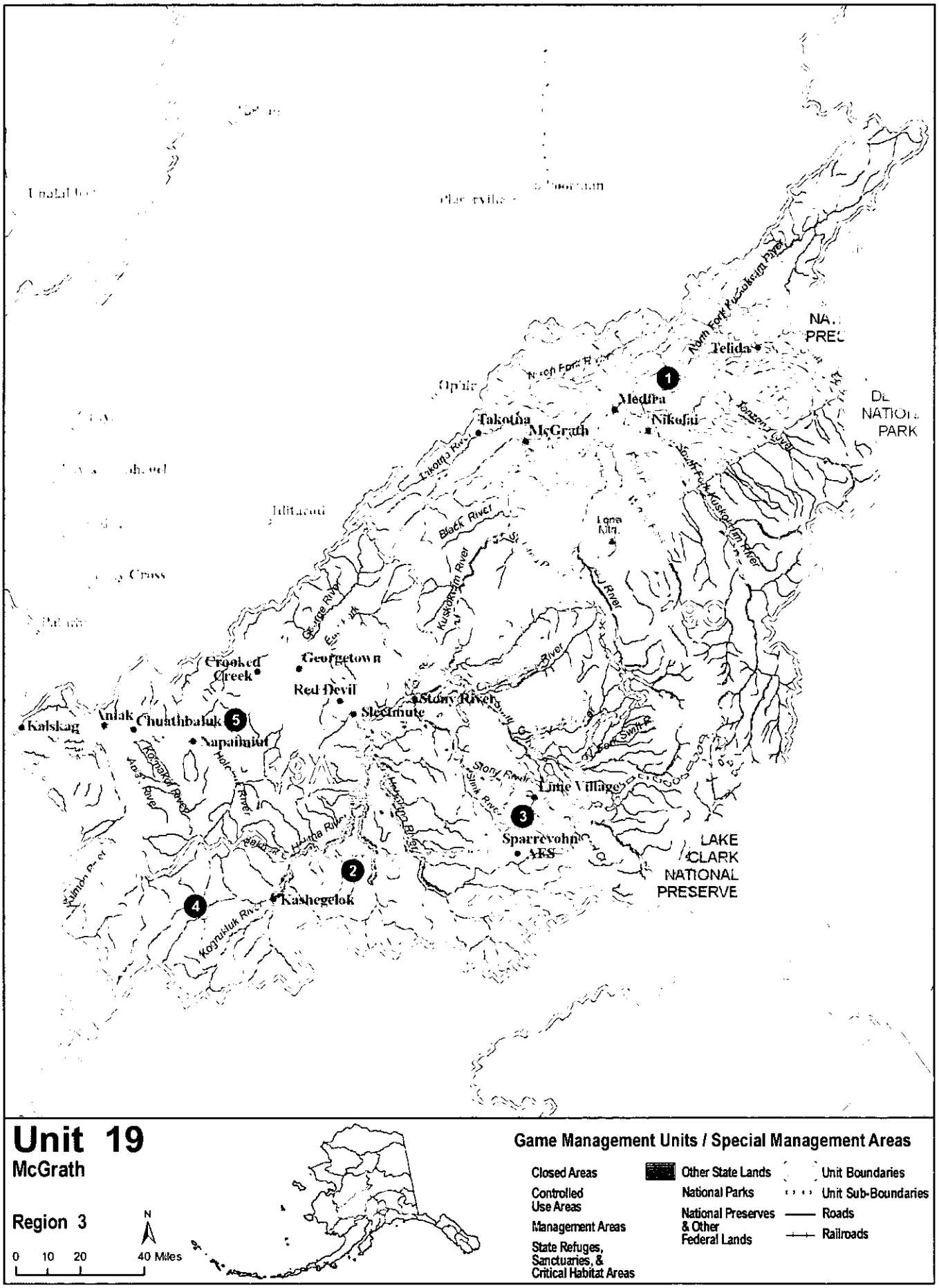
Unit 19
McGrath
Region 3
N
0 10 20 40 Miles
Game Management Units / Special Management Areas
Closed Areas
Controlled Use Areas
Management Areas
State Refuges, Sanctuaries, & Critical Habitat Areas
Other State Lands
National Parks
National Preserves & Other Federal Lands
Unit Boundaries
Unit Sub-Boundaries
Roads
Railroads
Telida
Medfra
Nikolai
McGrath
Takotna
Crooked Creek
Georgetown
Red Devil
Sleetmute
Stony River
Kalskag
Aniak
Chuathbaluk
Napaimiut
Lime Village
Sparrevohn AFS
Kashegelok
LAKE CLARK NATIONAL PRESERVE
1
2
3
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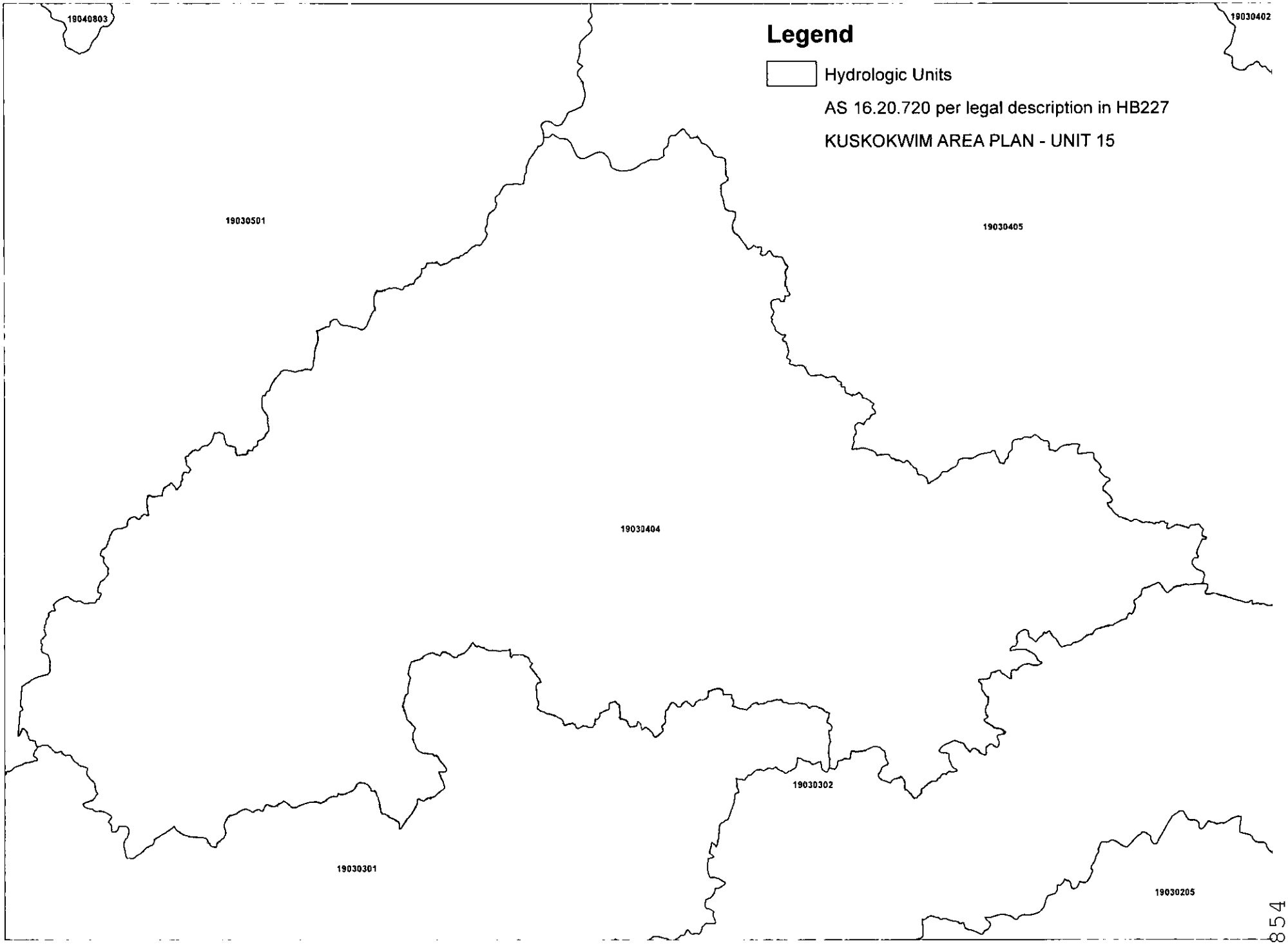
Legend
Hydrologic Units
AS 16.20.720 per legal description in HB227
KUSKOKWIM AREA PLAN - UNIT 15
19040803
19030402
19030501
19030405
19030404
19030302
19030301
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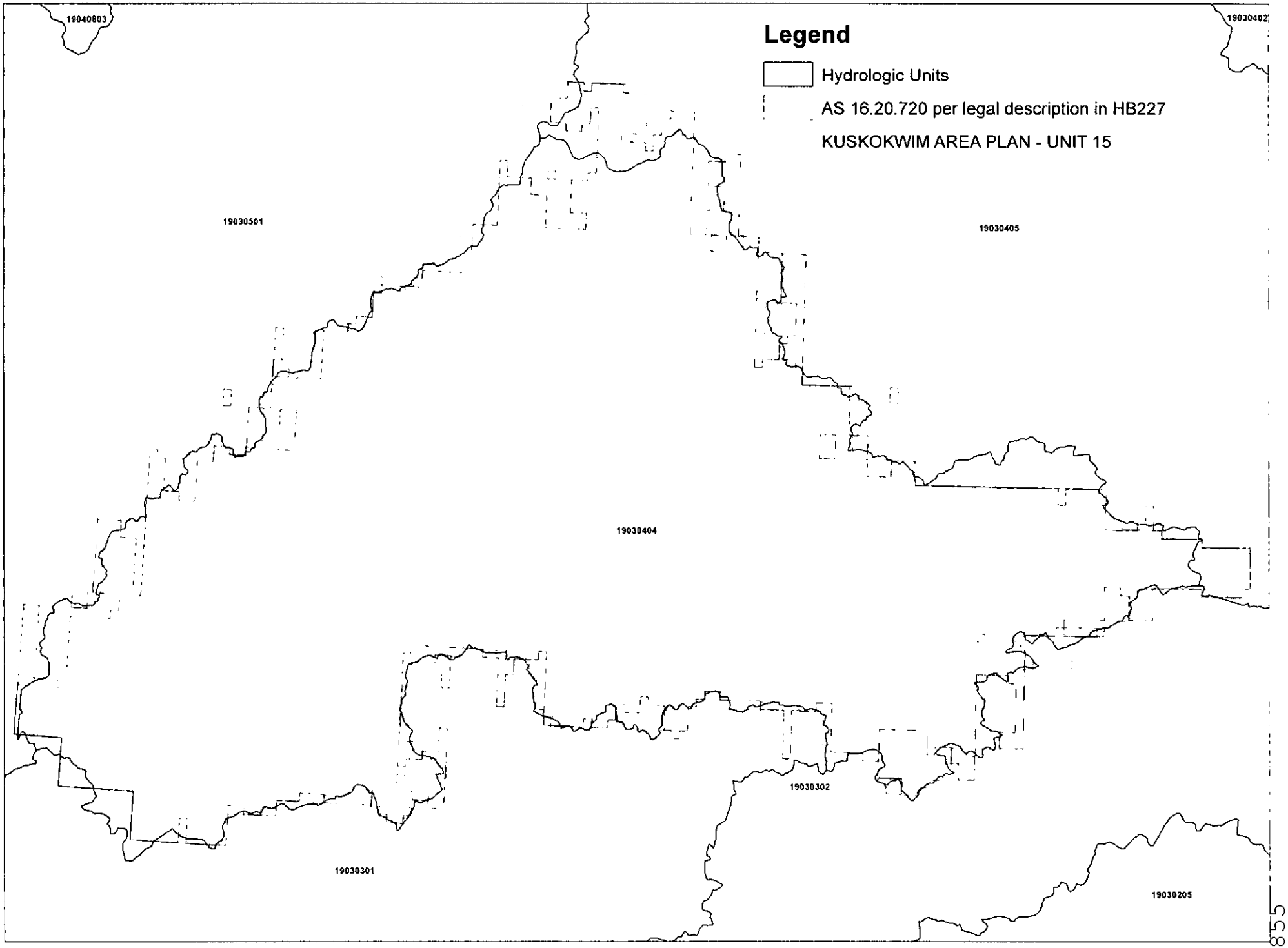
Legend
Hydrologic Units
AS 16.20.720 per legal description in HB227
KUSKOKWIM AREA PLAN - UNIT 15
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Calista Corporation

301 Calista Court, Suite A • Anchorage, Alaska 99518-3028 • (907) 279-5516 • Facsimile (907) 272-5060 • Website: www.calistacorp.com

NOV 07 2006

November 3, 2006

Greg Roczicka
Orutsararmiut Native Council
P.O. Box 927
Bethel, AK 99559

Re: Proposal for Holitna River Basin Hunting, Fishing and Trapping Reserve

Dear Mr. Roczicka:

Thank you for allowing Calista Corporation to review and comment on the proposed legislation to establish the Holitna River Basin Reserve.

The proposed legislation focuses chiefly on fish and wildlife resource and habitat management. Passage of such legislation will be most successful if it is not complicated with side issues, such as development restrictions on non-wildlife resources, which could distract from the main purpose of the proposal.

The Kuskokwim Area Plan for Management Area 15 – Holitna River, states that all areas within Area 15 are open to leasable minerals and most areas are open to locatable minerals with the exception of certain named and identified streams designated as important for salmon spawning and rearing. These waters are already closed to new locatable mineral entry through the Kuskokwim Area Plan.

While Calista does not have a problem with the proposal as presently written, Calista would have concerns should the proposal affect our access to our land holdings in the Holitna River basin.

Please keep us informed of the status of the proposed legislation and particularly of any revisions to the proposed language.

Thank you for your consideration and attention.

Sincerely,

CALISTA CORPORATION

Andrew J. Guy
EVP General Counsel

cc: Sleetmute Traditional Council

AVCP

ASSOCIATION OF VILLAGE COUNCIL PRESIDENTS
P.O. BOX 219 • BETHEL, ALASKA 99559 • PHONE 543-3521

42ND ANNUAL CONVENTION
BETHEL, ALASKA OCTOBER 3-5, 2006

RESOLUTION 06-10-04

TITLE: SUPPORT FOR THE CREATION OF A HOLITNA BASIN HUNTING, FISHING, AND TRAPPING RESERVE

WHEREAS The Association of Village Council Presidents (AVCP) is the recognized tribal organization and non-profit Alaska Native regional corporation for its fifty-six member indigenous Native villages within Western Alaska and supports the endeavors of its member villages; and

WHEREAS AVCP fully supports its member villages in all aspects of their self-determination, health and well-being; and

WHEREAS The Holitna basin contains the greatest concentration of salmon spawning areas in the entire Kuskokwim drainage and the most productive moose habitat that are extremely important to subsistence harvest needs of all residents throughout the Kuskokwim Drainage; and

WHEREAS Recent research has shown that the Holitna Basin provides spawning and rearing habitat for up to 70% of the sockeye salmon and up to 51% Chinook salmon for the Kuskokwim Drainage, and great but at this time unknown numbers of chum and coho salmon; and

WHEREAS Recent surveys show that approximately 50% of the subsistence Chinook salmon harvest for the entire State of Alaska occurs in the Kuskokwim Drainage, and the Holitna River provides a large portion of those salmon for both subsistence and commercial salmon harvests; and

WHEREAS Recent studies have shown that several whitefish species use the Holitna Drainage for spawning and rearing, and that these Holitna River whitefish travel throughout the Kuskokwim Drainage and provide subsistence opportunity for all Kuskokwim River residents; and

WHEREAS For generations the Holitna Basin has maintained abundant moose populations that provided a high level of annual subsistence harvest for residents throughout the Kuskokwim Drainage; and

Resolution 06-10-04

WHEREAS In the last decade, these moose populations have substantially declined primarily due to lack of active management brought about by outside administrative and political interference, that has caused extreme hardships in meeting subsistence needs in communities throughout the Kuskokwim Drainage and resulted in the state Board of Game closing the Holitna Basin to moose hunting entirely in 2006 due these depleted numbers; and

WHEREAS The Holitna Basin is currently included in an active predator management plan area that is threatened with being prematurely shut down due to another lawsuit recently filed by animal welfare advocates in August, 2006; and

WHEREAS The magnitude and fundamental support of the Holitna River system for sustained yield and harvest of fish stocks & wildlife populations throughout the entire Kuskokwim drainage, and their importance to residents of the region cannot be over emphasized; and

WHEREAS The Kuskokwim Area Plan adopted by DNR in 1988 stated, "The emphasis of state land management in the Holitna management unit is protection of the fish and wildlife habitat, and support for continued subsistence, commercial, and sport use of these resources.", recommending further that the Holitna & Hoholitna be especially managed area to protect these uses "In recognition of the outstanding habitat, forestry & human use values of the area"; and

WHEREAS In March of 2006 the Board of Game approved the creation of The Holitna Basin Hunting and Trapping Reserve with the purpose of focusing management to protect and help moose populations recover and be maintained in the future to provide for amounts necessary for subsistence and reasonable harvest opportunities; and

WHEREAS A proposal is before the Board of Fisheries to create a Holitna Basin Fishing Reserve to ensure long-term protection and sustainable harvest of Kuskokwim fish populations that is scheduled to be considered at their January, 2007 meeting; and

WHEREAS Any action of the State Board of Game or Board of Fisheries to create a Reserve is subject to approval by the State Legislature; and

WHEREAS The primary intent and purpose of the creation of this Reserve is specifically to emphasize and ensure the conservation, maintenance and enhancement of healthy and abundant fish and game populations important to providing established amounts necessary for subsistence,

Resolution 06-10-04

reasonable harvest opportunity, and other identified population goals and harvest objectives that promote or maintain these populations at the high levels they have provided for generations.

NOW THEREFORE BE IT FURTHER RESOLVED THAT AVCP urges support by all residents of the region that have utilized the resources of the Holitna Drainage in fulfilling their annual subsistence needs over the generations, the State Board of Fisheries, its State House and Senate representatives, the Alaska State Legislature, and State Administration for the creation of a Holitna Basin Hunting, Fishing & Trapping Reserve, and future implementations serving its primary purpose and intent.

BE IT FURTHER RESOLVED THAT these management actions furthering the primary intent will not be interrupted, curtailed, over-ridden or discontinued, unless it has been first fully documented scientifically, and conclusively proven that such actions are counter-productive or ineffective in promoting, maintaining or enhancing fish and game populations for maximizing sustained yield or providing for reasonable harvest opportunity.

ADOPTED by the Association of Village Council Presidents during its Annual Convention held at Bethel, Alaska, this 4th day of October 2006 with a duly constituted quorum of delegates.

Raymond J. Watson, Chairman

Myron P. Naneng, Sr., President

Sponsor: ONC and Sleetmute Traditional Council

COPY

SLEETMUTE TRADITIONAL COUNCIL

P.O. Box: 109, Sleetmute, AK-99668; Ph: 907-449-4205; Fax: 907-449-4203
Email: sveadmin@starband.net

RESOLUTION NO. 06-16

A RESOLUTION OF THE NATIVE VILLAGE OF SLEETMUTE TRADITIONAL COUNCIL, THE GOVERNING BODY FOR THE NATIVE VILLAGE OF SLEETMUTE TO URGE SUPPORT FOR THE CREATION OF THE HOLITNA BASIN HUNTING, FISHING, AND TRAPPING RESERVE

WHEREAS: The Native Village of Sleetmute Traditional Council is the federally recognized governing body of the Native Village of Sleetmute; and

WHEREAS: The Holitna basin contains the greatest concentration of salmon spawning areas in the entire Kuskokwim drainage and the most productive moose habitat that are extremely important to subsistence harvest needs for all residents throughout the Kuskokwim Drainage particularly the residents of Sleetmute and surrounding villages.

WHEREAS: The Upper Kuskokwim Region is one of the few regions in the State where subsistence still plays a larger role in the local economy than cash does.

WHEREAS: Recent research has shown that the Holitna Basin provides spawning and rearing habitat for up to 70% of the sockeye salmon and up to 51% Chinook salmon for the Kuskokwim Drainage above Kalskag, and great but at this time unknown numbers of chum and coho salmon.

WHEREAS: Recent surveys show that approximately 50% of the subsistence Chinook salmon harvest in the State of Alaska occurs in the Kuskokwim Drainage, and the Holitna River provides a large portion of the salmon taken by both the subsistence and commercial salmon harvest.

WHEREAS: The magnitude and fundamental support of the Holitna River system for sustained yield of fish stocks throughout the entire Kuskokwim drainage, and the importance of those fish stocks to residents of the Kuskokwim cannot be over emphasized.

WHEREAS: Recent studies have shown that highly used subsistence whitefish species humpback whitefish and least cisco, and likely as well broad whitefish use the Holitna Drainage during their fall spawning season and that these Holitna River whitefish travel throughout the Kuskokwim Drainage and provide subsistence opportunity for all Kuskokwim River residents.

WHEREAS: For generations the Holitna Basin has maintained abundant moose populations that provided a high level of annual subsistence harvest for residents throughout the Kuskokwim Drainage and across the State.

WHEREAS: In addition, these lands support concentrations of bear and waterfowl, and provide winter range for caribou and extensive habitat for furbearers.

WHEREAS: In the last decade, these moose populations have substantially declined primarily due to lack of active management brought about by outside administrative and political interference that has caused extreme hardships in meeting subsistence needs in communities throughout the Kuskokwim Drainage.

WHEREAS: The Kuskokwim Area Plan adopted in 1988 stated that, "The emphasis of state land management in the Holitna management unit is protection of the fish and wildlife habitat, and support for continued subsistence, commercial, and sport use of these resources."

WHEREAS: In March of 2006 the Board of Game closed the Holitna Basin to moose hunting entirely due to the depleted numbers and a lack of sustainable surplus for harvest.

WHEREAS: In March of 2006 the Board of Game also approved the creation of The Holitna Basin Hunting and Trapping Reserve with the purpose of focusing management to help moose populations recover and be maintained to provide for amounts necessary for subsistence and reasonable harvest opportunities.

WHEREAS: A proposal is before the Board of Fisheries to create The Holitna Basin Fishing Reserve to ensure long-term protection and sustainable harvest of fish populations and their habitat.

WHEREAS: The primary intent and purpose of the creation of this reserve is to ensure the conservation, maintenance and enhancement of healthy and abundant fish and game populations important to providing established amounts necessary for subsistence, reasonable harvest opportunity, and other identified population goals and harvest objectives that promote or provide for high levels of human consumptive use

WHEREAS: Prior to the Holitna Basin being designated as an "Intensive Management Area", management actions furthering the primary intent were interrupted, curtailed, pre-empted or discontinued.

WHEREAS: These board actions are subject to formal creation and final approval by the State Legislature.

NOW THEREFORE BE IT RESOLVED: That the Sleetmute Traditional Council gives its full support to the creation of The Holitna Basin Hunting, Fishing, and Trapping Reserve and requests the support of all communities in the region that utilize the Holitna Drainage to fulfill their annual subsistence needs.

THEREFORE BE IT FURTHER RESOLVED: That management actions furthering the primary intent will not be interrupted, curtailed, pre-empted or discontinued, unless it has been first fully documented scientifically, and conclusively proven that such programs are counter-productive or ineffective in promoting, maintaining or enhancing fish and game populations for maximizing sustained yield or providing for reasonable harvest opportunity.

THEREFORE BE IT FURTHER RESOLVED: The Sleetmute Traditional Council urges support of its House and Senate representatives, the Alaska State Legislature, and State Administration for the creation of this reserve and active support of its primary purpose and intent.

This will certify the foregoing resolution was approved at a Native Village of Sleetmute Traditional Council meeting held this 21st day of SEPT., 2006, at which a quorum were in attendance. The vote was 5 For and 0 Against.

President or Chairman

Secretary or Vice President

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

ADF&G
P.O. BOX 115526
JUNEAU, AK 99811-5526
PHONE: (907) 465-4110
FAX: (907) 465-6094

DEPARTMENT OF FISH AND GAME
ALASKA BOARD OF FISHEIRES

Representative Mike Chenault
Speaker of the House, Alaska State Legislature
State Capitol, Room 208
Juneau, Alaska 99801-1182

Senator Gary Stevens
Senate President, Alaska State Legislature
State Capitol, Room 111
Juneau, Alaska 99801-1182

Re: House Bill 227

January 31, 2010

Dear Representative Mike Chenault and Senator Gary Stevens,

The Alaska Board of Fisheries supports the language providing for resource protection found in House Bill 227 which would establish a fishing and hunting reserve in the Holitna River Basin. This action is consistent with the Board of Fisheries responsibilities in the conservation and development of fishery resources in the state.

Thank you for your interest in the conservation and development of Alaska's fisheries resources.

Sincerely,

Vince Webster
Chairman, Alaska Board of Fisheries

cc: Governor Sean Parnell
Denby Lloyd, Commissioner, Department of Fish and Game
Representative Herron, Sponsor
Representative Neuman, Sponsor

From: Art Greenwalt [dobieman@gci.net]
Sent: Wednesday, March 24, 2010 12:26 PM
To: Rep. Mark Neuman
Subject: Regarding HB 227

Dear Representative Neuman:

In reference to HB 227:

This bill seems to be nothing short of unadulterated game farming under the guise of wildlife management.

It seeks to manage an area specifically for one species, an action that in the past has always shown itself to be disastrous.

It substitutes anecdotal evidence for proper scientific measurement and observation in determining the status of the area's wildlife..

It engages unlimited predator control in place of precise and biologically-indicated management.

It creates an area specifically tailored not to the best goals for the habitat and its fauna but for the sports hunter.

Eliminates ongoing public input on the matter.

Perhaps most telling is section C, item 3 of the bill in which is the following text:

(3) consider scientific evidence augmented by historical and local environmental knowledge when evaluating management activities.

Despite this statement the bill itself ignores input already presented by upper level staff of Fish and Game for the Holitna region at the recent Fbks. Board of Game meeting opposing expanding predator control due to the cost and social problems associated with intensive management.

This is a bill born not of scientific study and evaluation but rather as an extreme response to the fanatic efforts to substitute intensive management in place of genuine science wherever possible.

I strongly urge you to deny this bill.

Thank you,

Art Greenwalt
1620 Washington Dr., Apt. 79
Fairabnks, Ak. 99709

3863

HB 227

Wade Willis / Anchorage Alaska
907-223-0218 / adventure@alaska.com

I ***oppose*** HB 227 for the following reasons:

1. The bill duplicates management policy and regulations already in place:
    a. ***What do we get with this bill?*** A boundary that will limit access to ALL Alaskan's – think of the long term. This is nothing but a controlled use area – every CUA limits harvest opportunity in one way or another. **That's ALL we get;**
    b. The state already manages for a subsistence priority for ***ALL*** fish and game resources on state lands (Tier I and II);
    c. The state already has the authority to conduct predator control on any state lands via a well considered public process that includes the Board of Game, scientific review, and public comment; (IM LAW)

2. The proponents of this bill believe that aggressive predator control is the ONLY option to manage for abundance – ***I strongly disagree***:
    a. Mandating the use of predator control ties the hands and limits the management options of the ADF&G;
    b. ***Mandating management policy is simply bad business*** – the legislature should not limit the ADF&G's options;
    c. Liberalizing and ***mandating*** the use of predator control based on "substantial evidence" clearly indicates that the proponents feel the current "scientific" justification is not necessary;
    d. Predator control is a very contentious issue in Alaska. This bill ***would remove important public comment opportunity and detailed intensive management plans from the authorization process*** – relegating the decision to close door decisions within the ADF&G;
    e. Significant social problems are occurring in other areas where predator control has been used, including GMU 20A and in the McGrath area. Harvest techniques in the absence of predators are not socially acceptable at this time, in particular, cow and calf hunting and increasing non local and nonresident opportunity.

3. This bill infringes upon the equal access clause for all Alaskans;
    a. ***I fully support protecting local subsistence resources and fully believe we currently have the regulations in place to accomplish this goal;***
    b. HB 227 simply establishes a boundary that can be used to deny residents equal access to our public resources – the bill recommends that other regions get "their own" bread basket area!

Beth Schneider

From: Barbara Brease [brease@mtaonline.net]
Sent: Wednesday, March 24, 2010 1:36 PM
To: Rep. Craig Johnson; Rep. Mark Neuman; Rep. Bryce Edgmon; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Peggy Wilson; Rep. David Guttenberg; Rep. Scott Kawasaki; Rep. Chris Tuck
Subject: Please oppose HB227

Dear Representatives

Please vote against HB 227. Most Alaskan, myself included, are strongly opposed to predator control. As you know, This bill relegates the decision to use predator control to a single area biologist in the ADF&G instead of putting it through the public process. Predator control programs are not the answer to the ever-increasing numbers of human hunters – especially nonresident trophy hunting.

Deputy Commissioner Pat Valkenberg and the ADF&G are under increasing scrutiny right now for their outrageous actions regarding predator control in Alaska. This bill liberalizes the use of predator control by **eliminating the need for the Board of Game to develop an intensive management plan and allow public input on its use.**

Please oppose HB 227.
Thank you

Barbara Brease
PO Box 549
Healy, AK 99743

3865

Representative Bob Herron

Rep.Bob.Herron@legis.state.ak.us

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House District 38
Kuskokwim & Johnson Rivers
Kuskokwim Bay & Nelson Island

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Kwigillingok
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Mekoryuk
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Napaskiak
Newtok
Nightmute
Nunapitchuk
Oscarville
Platinum
Quinhagak
Toksook Bay
Tuluksak
Tununak
Tuntutuliak
Upper Kalskag

SSHB 227, Holitna River Basin Reserve
Changes from HB 227 Version S (10.1.09) to SSHB 227 Version K (1.19.10)

On October 12, 2009, Version S was presented to the House Resources Committee at their meeting in Bethel. On January 19, 2010 (the first day of Session) SSHB 227 Version K was read over the Floor for the first time. This document details the substantive changes between these versions.

On version K, P. 2, line 8, subsection (b)
Note "and sports use" was changed to "and other consumptive uses." This was not meant to exclude any user groups from the purpose of the bill (for the area to be managed to perpetuate abundance and use), but rather to be more inclusive.

P.2, line 23, subsection (c)
The phrase "and notwithstanding any other provision of law" was removed. If this phrase was not removed and the bill became law, the Holitna area would not subject to all the other intensive management laws already in statute. This was not the sponsor's intent, hence the deletion.

P. 2, line 25, subsection (c)
Inserted: "subject to priorities among areas in which intensive management actions are carried out as determined by Department of Fish and Game, Board of Fisheries, and Board of Game". Without this addition, HB 227 could be interpreted to cause the Holitna to have Intensive Management priority over other IM areas in the state. DFG has limited resources, and the sponsor felt it was best up to the Department to decide where to focus their IM efforts.

P.3, Line 16 subsection (e)
In version S, public access was regulated by DNR in agreement with DFG, version K it's changed to DNR regulating *in consultation* with DFG.

P.3, line 21 subsection (f)
In version S, access to and from private property was regulated by agreement *among* DNR, DFG, and the private property owner; now in version K it's regulated by DNR *in consultation with* DFG and the private property owner.

P.3, line 25, subsection (g)
In version S, entry for exploration and development of natural resources was subject to approval by both DNR and DFG, now in version K it's subject to approval by DNR *in consultation* with DFG.

P. 4, line 2, subsection (i)
Version K includes township range information that legally defines the Reserve boundary.

Representative Bob Herron

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Sponsor Statement

House Bill 227: Holitna River Basin Hunting, Fishing & Trapping Reserve

This bill addresses several major areas of identified needs in protecting or furthering the management concepts embodied within the state's intensive management policies.

First, HB 227 establishes a burden of proof for legal challenges by animal welfare groups – legal challenges that may suspend or pre-empt active management programs designed to manage fish or game populations for human harvest benefit. It seeks to define legal avenues for process challenges in these designated areas by animal welfare entities that often emphasize political science over biological science within our state's management structure.

Second, although some limited active management programs have been implemented with the support of past gubernatorial administrations, this bill is intended to strengthen statutory, constitutional-related active management principles.

Third, the bill is specifically written to be compatible with other "Breadbasket" areas within the state's Intensive Management Areas which exemplify high quality habitat and productivity contributions to entire GMU sub-regions.

Finally, it intends to clearly establish the priority and primary management use of the area to protect the hunting, fishing & trapping activities for future generations. Frustration has been expressed throughout the state where it was thought these values were being protected through the creation of Refuges or Public Use Management Areas only to see these areas experience increasing restrictions, closures, or other actions such as banning of firearms.

This proposed reserve concept was initiated by the Sleetmute Traditional and Orutsararmiut Native Councils; has records of support from the Lower Kuskokwim, Central Kuskokwim, Stony/Holitna and Anchorage Fish & Game Advisory Committees, Kuskokwim Salmon Management Working Group, Association of Village Council Presidents and Calista Corporation; and has undergone legal review through the State Board of Game process, twice receiving their endorsement.

Representative Bob Herron

Rep.Bob.Herron@legis.state.ak.us

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Sectional Analysis
Holitna River Reserve
SSHB 227 – Version K

Section 16.20.700. Purpose
States that the purpose of establishing a fish and game reserve is to promote sustainable levels of human consumption of fish and game.

Section 16.20.710. Regulations
Gives authority to the Board of Game or Board of Fish (whichever is more appropriate) to adopt regulations designed to conserve fish and game; and to carry out the purpose as set forth in sections 16.20.700 and 16.20.720.

Section 16.20.720 (a)
All present and future state-owned land and water within the Holitna and Hoholitna River watersheds is designated as part of the Reserve.

Section 16.20.720 (b)
The Reserve is established to ensure:

1. Management and protection of fish and game populations and habitat to perpetuate subsistence use, commercial use, and other consumptive uses;
2. Management techniques that promote maximum use with sustained yield to maintain historical harvest levels with human consumptive use as a priority;
3. Maintenance of fish and game populations to provide for high levels of human consumptive use (within limits set by Fish and Game Boards);
4. Allowance for scientific research elucidating the effectiveness of management activities in this section in providing for current and future human harvest needs.

Section 16.20.720 (c)
The Department of Fish and Game, the Board of Fisheries and the Board of Game shall manage fish and game resources within the Reserve to provide for high levels of human harvest and, subject to priorities among intensively managed areas for which these entities set policy, shall:

1. Control predation and adjust predator and prey population ratios thru appropriate means;
2. Conduct management actions designed to further the purposes of this section so long as the appropriate board has not found such actions to be ineffective at maintaining fish and game populations commonly harvested for food by humans;

3. Consider scientific evidence augmented by local environmental knowledge when evaluating management activities.

Section 16.20.720 (d)
The Department of Natural Resources may acquire privately owned land within the Reserve by purchase or exchange, but not thru eminent domain.

Section 16.20.720 (e)
Public access to the Reserve may be regulated by DNR, in consultation with DFG, as necessary to meet the purposes of this section and to protect access to, and development of, other resources within the Reserve.

Section 16.20.720 (f)
Access corridors established by DNR, in consultation with DFG and a private property owner, shall guarantee access to and from private property within the Reserve.

Section 16.20.720 (g)
Entry into the Reserve to explore or develop nonrenewable resources must be approved by DNR, in consultation with DFG, and such activities must be compatible with the purpose of this section.

Section 16.20.720 (h)
Except as otherwise provided in this section, DFG and DNR shall exercise their respective authority over the Reserve thru a management plan prepared by DFG in consultation with DNR.

Section 16.20.720 (i)
Reserve boundaries are defined as including all the sections (listed beneath their respective township and range designations) on the last eight pages of this bill.

Representative Bob Herron

Rep.Bob.Herron@legis.state.ak.us

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Upper Kalskag

MEMORANDUM

Date: March 11, 2010

To: Rep. Craig Johnson, Co-Chair House Resources
Rep. Mark Neuman, Co-Chair House Resources

From: Rep. Bob Herron

Re: HB 227, HOLITNA BASIN RESERVE

The following is a proposed change to HB 227 that should help satisfy the concerns both DNR and Calista Corporation have expressed on this bill. This amendment, by including mineral and oil & gas development within the purpose section, will give those activities equal priority with consumptive human uses of the fish and game resources.

Amendment to HB 227, Holitna Hunting, Fishing and Trapping Reserve

Sec. 16.20.700. Purpose. The purpose of establishing a fish and game reserve is to promote management activities to rebuild or enhance fish and wildlife populations and habitats to maintain historical and sustainable harvest levels for continued high levels of human consumptive use of these resources and to perpetuate other public uses of the area, including forest management, mineral entry and development, oil and gas entry and development and other forms of public use of public land not incompatible with the purpose stated in this section.

Representative Bob Herron

Rep.Bob.Herron@legis.state.ak.us

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Upper Kalskag

MEMORANDUM

Date: February 4, 2010

To: Representative Craig Johnson, Co-Chair
Representative Mark Neuman, Co-Chair
House Resources Committee

From: Representative Bob Herron
House District 38

RE: House Bill 227, Holitna River Reserve

I respectfully request a hearing for HB 227, *"An Act relating to the establishment of state fish and game reserves; creating the Holitna River Basin Hunting, Fishing, and Trapping Reserve; and providing for an effective date."*

HB 227 intends to clearly establish the priority and primary management use of the Holitna River Basin to protect the hunting, fishing & trapping activities for future generations.

If you have any questions or need additional information, please call Rob Earl at 465-5141.

HOUSE COMMITTEE REPORT

(7)
Date Referred to Committee: January 19, 2010 **FURTHER REFERRALS: Resources**

Date of Committee Action: 2/2/2010

The HOUSE SPECIAL COMMITTEE ON FISHERIES considered: **SSHB 227**

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 227
"An Act relating to the establishment of state fish and game reserves; creating the Holitna River Basin Hunting, Fishing, and Trapping Reserve; and providing for an effective date."

HB 227-HOLITNA BASIN RESERVE

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* _____ (_____)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW **FISCAL NOTES** *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
DFG			✓	
DNR				✓

PREVIOUS **FISCAL NOTES**				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Craig Johnson	Johnson			X	
Mike Miller	Miller			X	
	Kawasaki				X
Hollis French	Keller			X	
Kathy Munoz	Munoz			X	
Chair: Bryce Edgmon	Edgmon	X			
Chair:					

SS HB 227 Bill Packet Contents

1. HB 227

2. Sponsor Substitute for HB 227 + FISCAL NOTES

3. Sponsor Statement

4. Sectional Analysis

5. DNR Holitna River Area Plan

6. Correspondence in Support of the Legislation

7. Map of Proposed Reserve

8. FSH COMMITTEE REPORT - COPY

HB

229

HOUSE COMMITTEE REPC Γ

(9)
Date Referred to Committee: April 14, 2009 **FURTHER REFERRALS: Finance**

Date of Committee Action: 24 Mar 2010

The RESOURCES Committee considered: **HOUSE BILL NO. 229**

"An Act amending and extending the exploration and development incentive tax credit under the Alaska Net Income Tax Act for operators and working interest owners directly engaged in the exploration for and development of gas for delivery and sale from a lease or property in the state; providing for an effective date by amending the effective date for sec. 2, ch. 61, SLA 2003; and providing for an effective date."

HB 229 GAS EXPLORATION\DEVELOPMENT TAX CREDIT

Recommends it be replaced with [ ] HCS *or* [√] CS for HB 229 (Res)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ [ ] Same Title [√] New Title

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
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DOT
UA

NEW **FISCAL NOTES** *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
Rev			✓	

PREVIOUS **FISCAL NOTES**				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON	X			
			~~X~~	X	
	GUTTENBERG			X	
	LUCK			X	
	SEATON			X	
	WILSON	X			
Chair:	KELLY	✓			
Chair:	JOHNSON	✓			

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM March 24, 2010

SUBJECT: Providing data to the Department of Natural Resources (Amendment to CSHB 229( ), Draft Version "E"; Work Order No. 26-LS0900\E.7)

TO: Representative Paul Seaton
Attn: Louie Flora

FROM: Donald M. Bullock Jr.
Legislative Counsel

Enclosed is the amendment you requested that would require a person entitled to the credit in AS 43.20.043 to submit data to the Department of Natural Resources (DNR) under AS 43.55.025(f)(2) that would be required for a credit under AS 43.55.025.

In the amendment, a person *entitled* to the credit would be required to provide the data to DNR. Is your intent to require this of a person who is entitled to the credit, in other words who is making the qualifying investment or expenditure, or would you rather require the data submission only before the person actually applies the credit against a tax liability?

If you would like the information submitted to DNR only before taking the credit, you could add the following language after "**(3)**" in the amendment: "**before applying the credit against a tax liability under this chapter,**".

If I may be of further assistance, please advise.

DMB:plm
10-172.plm

Enclosure

26-LS0900\E.7
Bullock
3/23/10

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE SEATON

TO: CSHB 229( ), Draft Version "E"

Page 3, following line 16:

Insert a new bill section to read:

"* **Sec. 4.** AS 43.20.043(e) is amended to read:

(e) A taxpayer entitled to a credit under this section

(1) may not convey, assign, or transfer the credit to another taxpayer or business entity unless the conveyance, assignment, or transfer of the credit is part of the conveyance, assignment, or transfer of the taxpayer's business;

(2) forfeits the credit to which the taxpayer is entitled during the tax year and any carryover of it under (c) of this section, but does not forfeit the portion of the credit that accrued in a previous taxable year that may be carried over under (c) of this section, if the taxpayer

(A) disposes of the qualified capital investment;

(B) takes the qualified investment out of service; or

(C) transfers the qualified investment out of this state;

(3) shall submit to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2) for a credit under AS 43.55.025."

Renumber the following bill sections accordingly.

Page 5, line 2:

Delete "**sec. 8**"

Insert "**sec. 9**"

3877

Insert "**sec. 9**"

Alaska State Legislature

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REPRESENTATIVE MIKE CHENAULT
SPEAKER OF THE HOUSE

SPONSOR STATEMENT

HOUSE BILL 229: "*An Act amending and extending the exploration and development incentive tax credit under the Alaska Net Income Tax Act for operators and working interest owners directly engaged in the exploration for and development of gas for delivery and sale from a lease or property in the state; providing for an effective date by amending the effective date for sec. 2, ch. 61, SLA 2003; and providing for an effective date.*"

House Bill 229 amends and extends the exploration and development incentive tax credit that was originally enacted in the 23rd legislature in 2003 as HB 61. This tax credit continues to be applicable, under the Alaska Net Income Tax Act, to operators and working interest owners directly engaged in the exploration for and development of natural gas, primarily in the Cook Inlet area.

To more strongly encourage companies to invest additional capital in exploring for and developing new natural gas reserves, this legislation makes four significant changes to current law:

1. Increases the amount of the credit to 25% (from 10%) of the amount of qualified capital investment and qualified services spending.
2. Removes the 50% limitation on the amount of credits that can apply in a single year.
3. Removes the "successful efforts" requirement that developers must find and deliver new gas resources to market to qualify for the credit.
4. Extends the sunset date of the investment tax credit from January 1, 2013 to January 1, 2020.

This legislation makes no changes to definitions of qualified capital investment or qualified services.

Annual natural gas production and supply in the Cook Inlet area have been declining for a number of years. During the same time, demand has been increasing steadily. Therefore, a sharp increase in drilling to find new reserves is drastically needed. The original Investment Tax Credit enacted in 2003, while modestly successful in stimulating new drilling, needs to be a more effective incentive to developers in order to increase capital spending. These changes will go a long way toward achieving that goal.

26-LS0900\E
Bullock
2/18/10

CS FOR HOUSE BILL NO. 229( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES CHENAULT, Olson, Neuman

A BILL

FOR AN ACT ENTITLED

"An Act amending and extending the exploration and development incentive tax credit under the Alaska Net Income Tax Act for operators and working interest owners directly engaged in the exploration for and development of gas from a lease or property in the state; providing for an effective date by amending the effective date for sec. 2, ch. 61, SLA 2003; and providing for an effective date."

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

*** Section 1.** AS 43.20.043(a) is amended to read:

(a) Subject to the terms and conditions of this section, and in addition to any other credit authorized to the taxpayer by this chapter, a taxpayer that is an operator or working interest owner directly engaging in the exploration for and development of gas may apply as a credit against the state tax liability that may be imposed on the taxpayer under this chapter,

(1) for a tax year beginning after December 31, 2002, **and before**

New Text Underlined [DELETED TEXT BRACKETED]

L 3880

January 1, 2010,

(A) [(1)] 10 percent of the taxpayer's qualified capital investment; and

(B) [(2)] 10 percent of the annual cost incurred by the taxpayer for qualified services in the state during each tax year for which a credit is allowable for a qualified capital investment **for any gas reserve of the taxpayer or for each year that qualified costs are incurred for a gas reserve for which the taxpayer previously elected to claim a credit** under **(A) of this paragraph; and**

(2) for a tax year beginning after December 31, 2009,

(A) 25 percent of the taxpayer's qualified capital investment; and

(B) 25 percent of the annual cost incurred by the taxpayer for qualified services in the state during each tax year for which a credit is allowable for a qualified capital investment for any gas reserve of the taxpayer or for each year that qualified costs are incurred for a gas reserve for which the taxpayer previously elected to claim a credit under (A) of this paragraph [(1) OF THIS SUBSECTION].

*** Sec. 2.** AS 43.20.043(b) is amended to read:

(b) Expenditures qualifying for the taxpayer's qualified investment credit under **(a)(1)(A) or (a)(2)(A)** [(a)(1)] of this section must be

(1) cash expenditures or binding payment agreements entered into after

(A) June 30, 2003**, and before January 1, 2010, if the claim of the credit is made under (a)(1)(A) of this section; or**

(B) December 31, 2009, if the claim of the credit is made under (a)(2)(A) of this section; and

(2) made for assets first placed in service in the state in or before the tax year in which the credit is claimed through the date the

(A) wells [RESERVES] produce gas for sale and delivery; for purposes of this **subparagraph** [PARAGRAPH], "placed in service in the state" means that the first use of the qualified investment is in this state; if the

property on which the claim of the credit is based has been used elsewhere in the tax year of acquisition and is brought to this state during that year or a subsequent year, the property does not qualify for the investment credit**; or**

(B) a gas well is determined not to be capable of production in commercial quantities.

*** Sec. 3.** AS 43.20.043(c) is amended to read:

(c) The credit **each** [PER] tax year allowed by (a) of this section may not exceed [50 PERCENT OF] the taxpayer's total tax liability under this chapter, but shall be calculated before the application of any other credits allowed under this chapter. An unused portion of the credit for the tax year

(1) may be carried forward into one or more of the following tax years, except that the unused credit from one tax year may not be carried forward for more than five following tax years;

(2) shall be applied to the taxpayer's tax liability under this chapter during the following tax year before allowance of a credit allowed by (a) of this section for that following tax year.

*** Sec. 4.** AS 43.20.043(f) is amended to read:

(f) A taxpayer is not entitled to a credit under this section for expenditures that are made or incurred for the qualified capital investment or for qualified services made for exploration and development of gas that occur in the area of Alaska lying north of 68 degrees North latitude or that are made or incurred to transport gas from reserves located in the area of Alaska lying north of 68 degrees North latitude **or for the delivery of Alaska North Slope natural gas to tidewater below 68 degrees North latitude**.

*** Sec. 5.** AS 43.20.043(i)(1) is amended to read:

(1) "qualified capital investment" means a cash expenditure or binding payment agreement, as described in (b)(1) of this section, for real property or tangible personal property used in this state in the exploration and development of **any** gas **reserve regardless of whether there has been commercial production in the area or whether the exploration and development activity results in the production of gas or a well not capable of production in commercial quantities** [RESERVES IN

A GAS RESERVOIR FOR WHICH THERE HAS NOT BEEN COMMERCIAL PRODUCTION IF THE RESERVES PRODUCE GAS FOR SALE AND DELIVERY]; in this paragraph, "property" includes

(A) property used in the operation or maintenance of facilities for exploration or development of gas;

(B) property that is placed in use under a capitalized lease or an operating lease; and

(C) the following property used for the exploration and development of gas:

(i) machinery, appliances, supplies, and equipment;

(ii) drilling rigs, wells, gathering lines and transmission lines, pumping stations, compressor stations, power plants, topping plants, and processing units;

(iii) roads, docks and other port facilities, and helicopter pads;

(iv) maintenance equipment and facilities, and maintenance camps and other related facilities; and

(v) communications facilities owned by a person whose principal business in the state is the exploration for or development of gas and whose operation of the communications facilities directly relates to the conduct of that business;

*** Sec. 6.** AS 43.20.043 is amended by adding a new subsection to read:

(j) A taxpayer shall claim the credit authorized in (a) of this section on a timely filed tax return for the year in which the qualified capital investment is made, on a timely filed amended tax return, or on a timely filed tax return for the year immediately following the year in which the qualified capital investment is made. The election to apply the credit authorized in (a) of this section may not be an irrevocable election.

*** Sec. 7.** The uncodified law of the State of Alaska enacted by sec. 3, ch. 61, SLA 2003, is amended to read:

Sec. 3. CLAIM OF GAS EXPLORATION AND DEVELOPMENT TAX

CREDIT CONTINUED. A taxpayer who, on the effective date of repeal of AS 43.20.043 by **secs. 2 and 5, ch. 61, SLA 2003, as amended by sec. 8** [SEC. 2] of this **2010** Act, claims the balance of any unused portion of the gas exploration and development tax credit as a carry-forward under AS 43.20.043(c), may, notwithstanding the repeal of that subsection, continue to claim the balance of the credit until the claim of the credit is exhausted or until the tax year ending December 31, **2024** [2017], whichever occurs earlier. The provisions of AS 43.20.043 as they read on the day immediately preceding the effective date of the repeal of that section apply to the claim of the credit if carried forward under this section.

*** Sec. 8.** Section 5, ch. 61, SLA 2003, is amended to read:

Sec. 5. Section 2**, ch. 61, SLA 2003,** [OF THIS ACT] takes effect January 1, **2020** [2013].

*** Sec. 9.** This Act takes effect immediately under AS 01.10.070(c).

Alaska State Legislature

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REPRESENTATIVE MIKE CHENAULT

SPEAKER OF THE HOUSE

SECTIONAL ANALYSIS

COMMITTEE SUBSTITUTE FOR HOUSE BILL 229: *"An Act amending and extending the exploration and development incentive tax credit under the Alaska Net Income Tax Act for operators and working interest owners directly engaged in the exploration for and development of gas from a lease or property in the state; providing for an effective date by amending the effective date by amending the effective date for sec. 2, ch. 61, SLA 2003; and providing for an effective date."*

Section 1: Amends 434.20.043(a), Gas exploration and development tax credit. Adds before January 1, 2010, to the time in a tax year for which a credit against state tax liability may be applied. Also further adds language that for a tax year beginning after December 31, 2009, 25 per cent of the taxpayer's qualified investment and 25 per cent of the annual cost incurred by the taxpayer for qualified services in the state during each tax year for which a credit is allowable for a qualified capital investment for any gas reserve of the taxpayer or for each year that qualified costs are incurred for a gas reserve for which the taxpayer previously elected to claim a credit.

Section 2: Amends AS 43.20.043(b), Gas exploration and development tax credit. Adds before July 1, 2010, if a claim is made under (a)(1)(A) found in Section 1 or December 31, 2009, if the claim of credit is made under (a)(2)(A) also found in Section 1. Replaces the word "reserves" with wells and "paragraph" with "subparagraph". It adds language that includes expenditures for a gas well that is determined not to be capable of production in commercial quantities as qualifying for the taxpayer's qualified investment credit.

Section 3: Amends AS 43.20.043(c), Gas exploration and development tax credit. States the credit allowed will be made for each tax year rather than per year and eliminates the 50 per cent provision of the taxpayer's total tax liability.

Section 4: Amends AS 43.20.043(f), Gas exploration and development tax credit. Adds language that disallows a credit under this section for the delivery of North Slope gas to tidewater below 68 degrees north latitude.

Section 5: Amends AS 43.20.043(i)(1), Qualified capital invstment. Deletes "reserves in a gas reservoir for which there has not been commercial production if the reserves produce gas for sale and delivery". It adds language that includes any gas reserve regardless of whether there has been commercial production in the area or whether the

exploration and development activity results in the production of gas or a well not capable of production in commercial quantities.

Section 6: Amends AS 43.20.043, Adds a new subsection that reads: A taxpayer shall claim the credit authorized in (a) of this section on a timely filed tax return for the year in which the qualified capital investment is made, on a timely filed amended tax return, or on a timely filed tax return for the year immediately following the year in which the qualified capital investment is made. The election to apply the credit authorized in (a) of this section may not be an irrevocable election.

Section 7: Amends uncodified law enacted by Section 3, Chapter 61, SLA 2003. Adds secs. 2 and 5, ch. 61, SLA 2003 as amended by Section 8 of this bill. Also amends the carry forward of the tax xcredit from 2017 to 2024.

Section 8: Amends uncodified law enacted by Section 5, Chapter 61, SLA 2003. Adds ch. 61, SLA 2003 to take effect on January 1, 2020 instead of 2013.

Section 9: Immediate effective date.

LAWS OF ALASKA

2003

Source
SCS CSHB 61(RES)

Chapter No.
_____

AN ACT

Establishing an exploration and development incentive tax credit for operators and working interest owners directly engaged in the exploration for and development of gas for sale and delivery without reference to volume from a lease or property in the state; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1

AN ACT

Establishing an exploration and development incentive tax credit for operators and working interest owners directly engaged in the exploration for and development of gas for sale and delivery without reference to volume from a lease or property in the state; and providing for an effective date.

*** Section 1.** AS 43.20 is amended by adding a new section to read:

Sec. 43.20.043. Gas exploration and development tax credit. (a) Subject to the terms and conditions of this section, and in addition to any other credit authorized to the taxpayer by this chapter, a taxpayer that is an operator or working interest owner directly engaging in the exploration for and development of gas may apply as a credit against the state tax liability that may be imposed on the taxpayer under this chapter, for a tax year beginning after December 31, 2002,

(1) 10 percent of the taxpayer's qualified capital investment; and

(2) 10 percent of the annual cost incurred by the taxpayer for qualified

services in the state during each tax year for which a credit is allowable for a qualified capital investment under (1) of this subsection.

(b) Expenditures qualifying for the taxpayer's qualified investment credit under (a)(1) of this section must be

(1) cash expenditures or binding payment agreements entered into after June 30, 2003; and

(2) made for assets first placed in service in the state in or before the tax year in which the credit is claimed through the date the reserves produce gas for sale and delivery; for purposes of this paragraph, "placed in service in the state" means that the first use of the qualified investment is in this state; if the property on which the claim of the credit is based has been used elsewhere in the tax year of acquisition and is brought to this state during that year or a subsequent year, the property does not qualify for the investment credit.

(c) The credit per tax year allowed by (a) of this section may not exceed 50 percent of the taxpayer's total tax liability under this chapter, but shall be calculated before the application of any other credits allowed under this chapter. An unused portion of the credit for the tax year

(1) may be carried forward into one or more of the following tax years, except that the unused credit from one tax year may not be carried forward for more than five following tax years;

(2) shall be applied to the taxpayer's tax liability under this chapter during the following tax year before allowance of a credit allowed by (a) of this section for that following tax year.

(d) To obtain the credit allowed by this section, the taxpayer shall, with the taxpayer's tax return, submit, on a form prescribed by the department, information that demonstrates that the taxpayer is eligible for the credit and evidence of the expenses that are the basis of the claim of the credit. The taxpayer has the burden of demonstrating compliance with the requirements of this section to entitle the taxpayer to the claim of and the amount of the credit.

(e) A taxpayer entitled to a credit under this section

(1) may not convey, assign, or transfer the credit to another taxpayer or

business entity unless the conveyance, assignment, or transfer of the credit is part of the conveyance, assignment, or transfer of the taxpayer's business;

(2) forfeits the credit to which the taxpayer is entitled during the tax year and any carryover of it under (c) of this section, but does not forfeit the portion of the credit that accrued in a previous taxable year that may be carried over under (c) of this section, if the taxpayer

(A) disposes of the qualified capital investment;

(B) takes the qualified investment out of service; or

(C) transfers the qualified investment out of this state.

(f) A taxpayer is not entitled to a credit under this section for expenditures that are made or incurred for the qualified capital investment or for qualified services made for exploration and development of gas that occur in the area of Alaska lying north of 68 degrees North latitude or that are made or incurred to transport gas from reserves located in the area of Alaska lying north of 68 degrees North latitude.

(g) A taxpayer who obtains a credit under this section may not claim a tax credit or royalty modification provided for under any other title. However, a taxpayer may, at the taxpayer's election, forgo a credit under this section in order to continue to qualify for a credit provided for in another title.

(h) For purposes of determining allowable credits under this section, the department shall allow only expenditures and payments that are not inconsistent with the expenditures authorized under 26 U.S.C. (Internal Revenue Code) for exploration and development of natural resources.

(i) In this section,

(1) "qualified capital investment" means a cash expenditure or binding payment agreement, as described in (b)(1) of this section, for real property or tangible personal property used in this state in the exploration and development of gas reserves in a gas reservoir for which there has not been commercial production if the reserves produce gas for sale and delivery; in this paragraph, "property" includes

(A) property used in the operation or maintenance of facilities for exploration or development of gas;

(B) property that is placed in use under a capitalized lease or an

operating lease; and

(C) the following property used for the exploration and development of gas:

(i) machinery, appliances, supplies, and equipment;

(ii) drilling rigs, wells, gathering lines and transmission lines, pumping stations, compressor stations, power plants, topping plants, and processing units;

(iii) roads, docks and other port facilities, and helicopter pads;

(iv) maintenance equipment and facilities, and maintenance camps and other related facilities; and

(v) communications facilities owned by a person whose principal business in the state is the exploration for or development of gas and whose operation of the communications facilities directly relates to the conduct of that business;

(2) "qualified services"

(A) means expenditures for labor, seismic, and other services that are directly applicable to a qualified capital investment;

(B) does not include lease operating expenses.

*** Sec. 2.** AS 43.20.043 is repealed.

*** Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CLAIM OF GAS EXPLORATION AND DEVELOPMENT TAX CREDIT CONTINUED. A taxpayer who, on the effective date of repeal of AS 43.20.043 by sec. 2 of this Act, claims the balance of any unused portion of the gas exploration and development tax credit as a carry-forward under AS 43.20.043(c), may, notwithstanding the repeal of that subsection, continue to claim the balance of the credit until the claim of the credit is exhausted or until the tax year ending December 31, 2017, whichever occurs earlier. The provisions of AS 43.20.043 as they read on the day immediately preceding the effective date of the repeal of that section apply to the claim of the credit if carried forward under this section.

*** Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to

read:

REPORT ON EFFECT OF GAS EXPLORATION AND DEVELOPMENT TAX CREDIT. Not later than November 30, 2008, the Department of Revenue shall prepare and publish a report on the effect of the gas exploration and development tax credit authorized by AS 43.20.043, added by sec. 1 of this Act. The department shall advise the legislature of the availability of the report and, within the first 10 days of the First Regular Session of the Twenty-Sixth Alaska State Legislature, transmit copies of the report to the chairs or co-chairs of the House and Senate Resources Committees and the chairs or co-chairs of the House and Senate Special Committees on Oil and Gas, if established. The report must address

(1) the number of successful gas discoveries for which a tax credit is provided under AS 43.20.043;

(2) the volume or amount of new gas reserves brought into production for which a tax credit is provided under AS 43.20.043;

(3) the total credits allowed under AS 43.20.043 that are applied to the tax liability through the date of preparation of the report;

(4) the total credits applied for under AS 43.20.043 that are not yet approved as of the date of preparation of the report;

(5) royalties obtained and oil and gas property production taxes paid from new gas production and anticipated from gas production for production for which credits are allowed under AS 43.20.043; and

(6) any other information that, in the judgment of the commissioner of revenue, would evaluate the effectiveness of the gas exploration and development tax credit authorized under AS 43.20.043.

*** Sec. 5.** Section 2 of this Act takes effect January 1, 2013.

*** Sec. 6.** Except as provided in sec. 5 of this Act, this Act takes effect immediately under AS 01.10.070(c).

State of Alaska
Department of Revenue
Commissioner's Office

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ALASKA DEPARTMENT OF REVENUE
TAX DIVISION

REPORT ON THE GAS EXPLORATION AND DEVELOPMENT TAX CREDIT UNDER AS 43.20.043

August 7, 2009

The uncodified law of Alaska requires the Department of Revenue to prepare and publish a report, not later than November 30, 2008, on the effect of the gas exploration credit under AS 43.20.043 Gas Exploration and Development Tax Credit.

The scope of the study is defined by

- legislation enacted in 2003
- tax year beginning after December 31, 2002
- NOT located in the area of Alaska lying north of 68 degrees north latitude

The metrics established to measure the effect are

- number of successful gas discoveries
- volume of new gas reserves
- credits allowed that are applied to the tax liability
- credits applied for that are not yet approved
- royalties obtained and production taxes paid

This report addresses each item in Sec. 4 according to the above metrics and scope.

(1) the number of successful gas discoveries for which a tax credit is provided under AS 43.20.043.

The Department has received claims for three operating units.

(2) the volume or amount of <u>new</u> gas reserves brought into production for which a tax credit is provided under AS 43.20.043.

None. The three operating units for which the Department received claims had already announced the discoveries prior to enactment of the legislation. The natural gas reserves associated with those discoveries are not considered new in the sense of being attributable to the legislation.

(3) the total credits <u>allowed</u> under AS 43.20.043 that are applied to the tax liability through the date of preparation of the report.

Confidentiality precludes disclosing the amount of credits claimed due to the number of credit claimants.

(4) the total credits applied for under AS 43.20.043 that are not yet approved as of the date of preparation of the report.

AS 43.20.043 does not contain any requirement for pre-approval. Pre-approval is not a customary provision for business tax credits in either the federal or state corporate income tax codes.

(5) royalties obtained and oil and gas property (and) production taxes paid from new gas production and anticipated from gas production for which credits are allowed under AS 43.20.043.

None. Companies applying for credits have not announced any new gas discoveries since enactment of the legislation. Without discoveries after the enactment of the legislation, there are no "new" reserves from which to produce "new" gas and thereby collect the associated royalties and taxes.

(6) any other information that, in the judgment of the commissioner of revenue, would evaluate the effectiveness of the gas exploration and development tax credit authorized under AS 43.20.043.

The Commissioner offers no additional information at this time.

Testimony of Carri Lockhart, Marathon Oil Co, in support of State of Alaska HB 229
House Resources Committee
March 15, 2010
DRAFT

Good afternoon. My name is Carri Lockhart and I am the Production Manager for Marathon Oil Company's Alaska Business. Before I begin, I would like to extend the appreciation of Marathon Oil Company, for this opportunity to testify in support of House Bill 229.

By way of background, Marathon Oil Company's Alaska operations are focused on natural gas production operations, limited to Cook Inlet. In 2009, our natural gas sales from Alaska averaged 87 mmcf/d. We sold to essentially every natural gas market available including the local utilities - Enstar and Chugach Electric, Tesoro, and the Department of Defense. We also provided natural gas to the ConocoPhillips/Marathon LNG plant. Marathon

has been in business in AK for over 55 years and we remain committed to serving the natural gas needs of SouthCentral AK through our various contractual commitments.

As you are aware, in 2003 the Legislature passed, and the Governor signed several bills directed at providing incentives for new exploration and development activities. Marathon was particularly interested in House Bill 61, which was intended to incentivize the exploration and development of natural gas reserves in the Cook Inlet. The bill under consideration by this committee, HB 229, will merely strengthen the incentives provided for by the earlier bill.

One might ask about the need to provide incentives for natural gas development in the Cook Inlet. The answer to this question is found by considering the long-term decline in natural gas reserves and deliverability which the Cook Inlet has experienced. What must be addressed is whether there is currently sufficient exploration and development activity to address such decline in reserves and deliverability, and not simply to ask whether the Cook

Inlet is running out of gas. At the current minimal level of Cook Inlet activity it is unlikely that Cook Inlet reserve additions will replace annual production on an ongoing long-term basis. As such, natural gas reserves and deliverability are at risk for continued decline in the Cook Inlet, resulting in the exposure to unmet utility needs in the future.

The lack of Cook Inlet activity (especially exploration) is an artifact of the historic oversupply of natural gas which kept prices well below lower-48 indexed prices, creating a lack of incentive for additional drilling. Furthermore the regulatory processes and deterioration in market availability have added to project uncertainty. The project economics and market uncertainties have made it difficult for projects to complete effectively for finite funding.

So how will HB 229 help?

As we are all painfully aware, Alaskan project economics are not considered solely on their absolute merit. They are also scrutinized on a relative scale in comparison to other worldwide opportunities in which companies such as Marathon may invest. The intent of HB 229 is to help level the playing field between Alaskan projects and other investment opportunities around the world.

HB 229 is intended to continue to provide an incentive to oil and gas exploration and development activities through an investment tax credit. You should have before you the committee substitute for HB229 (version E). Since this is the first hearing for HB229, let me walk through the main points of this new legislation: This legislation makes six significant changes to current law:

1. Section 1 increases the amount of the credit from 10% to 25% of the amount of qualified capital investment and qualified services spending as well as clarifying that the credits can apply to costs incurred for a gas reserve for which the taxpayer previously elected to claim a credit.

2. Section 2 adjusts the dates for when qualified expenditures must be made to qualify for the old 10% and new 25% credits. It also changes the term "reserves" to "wells" to clarify that "wells" produce gas whereas "reserves" are what is being produced.
3. Section 3 removes the 50% limitation on the amount of credits that can apply in a single year, increasing the time value of money for the credits.
4. Section 4 clarifies that the credits do not apply to North Slope gas that is brought into Southcentral.
5. Section 5 removes the "successful efforts" requirement that developers must find and deliver new gas resources to market to qualify for the credit. It also clarifies that the credits can be applied to a gas reserve regardless of whether or not there has been previous gas production in the area.
6. Section 6 clarifies that the credits can be taken on a current tax return, on a timely filed tax return or on a timely filed tax

return for the year immediately following the year the qualified capital investment is made.

7. Section 7 adjusts the date the credits expire from 2017 to 2024.
8. Section 8 extends the sunset date of the investment tax credit from January 1, 2013 to January 1, 2020.
9. Section 9 is gives this legislation an immediate effective date.

In summary, Marathon Oil Company believes HB 229 is one part of the equation to enhance Cook Inlet exploration and development activities, attempting to create more certainty in the overall natural gas deliverability in Cook Inlet. I would also add that timing is important. It takes multiple years to properly plan and execute drilling activity in Cook Inlet, which is necessary to meet future overall deliverability needs in SouthCentral AK.

I would be happy to answer any questions the committee may have.

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REPRESENTATIVE MIKE CHENAULT

SPEAKER OF THE HOUSE

SECTIONAL ANALYSIS

COMMITTEE SUBSTITUTE FOR HOUSE BILL 229: *"An Act amending and extending the exploration and development incentive tax credit under the Alaska Net Income Tax Act for operators and working interest owners directly engaged in the exploration for and development of gas from a lease or property in the state; providing for an effective date by amending the effective date by amending the effective date for sec. 2, ch. 61, SLA 2003; and providing for an effective date."*

Section 1: Amends 434.20.043(a), Gas exploration and development tax credit. Adds before January 1, 2010, to the time in a tax year for which a credit against state tax liability may be applied. Also further adds language that for a tax year beginning after December 31, 2009, 25 per cent of the taxpayer's qualified investment and 25 per cent of the annual cost incurred by the taxpayer for qualified services in the state during each tax year for which a credit is allowable for a qualified capital investment for any gas reserve of the taxpayer or for each year that qualified costs are incurred for a gas reserve for which the taxpayer previously elected to claim a credit.

Section 2: Amends AS 43.20.043(b), Gas exploration and development tax credit. Adds before July 1, 2010, if a claim is made under (a)(1)(A) found in Section 1 or December 31, 2009, if the claim of credit is made under (a)(2)(A) also found in Section 1. Replaces the word "reserves" with wells and "paragraph" with "subparagraph". It adds language that includes expenditures for a gas well that is determined not to be capable of production in commercial quantities as qualifying for the taxpayer's qualified investment credit.

Section 3: Amends AS 43.20.043(c), Gas exploration and development tax credit. States the credit allowed will be made for each tax year rather than per year and eliminates the 50 per cent provision of the taxpayer's total tax liability.

Section 4: Amends AS 43.20.043(f), Gas exploration and development tax credit. Adds language that disallows a credit under this section for the delivery of North Slope gas to tidewater below 68 degrees north latitude.

Section 5: Amends AS 43.20.043(i)(1), Qualified capital invstment. Deletes "reserves in a gas reservoir for which there has not been commercial production if the reserves produce gas for sale and delivery". It adds language that includes any gas reserve regardless of whether there has been commercial production in the area or whether the

exploration and development activity results in the production of gas or a well not capable of production in commercial quantities.

Section 6: Amends AS 43.20.043, Adds a new subsection that reads: A taxpayer shall claim the credit authorized in (a) of this section on a timely filed tax return for the year in which the qualified capital investment is made, on a timely filed amended tax return, or on a timely filed tax return for the year immediately following the year in which the qualified capital investment is made. The election to apply the credit authorized in (a) of this section may not be an irrevocable election.

Section 7: Amends uncodified law enacted by Section 3, Chapter 61, SLA 2003. Adds secs. 2 and 5, ch. 61, SLA 2003 as amended by Section 8 of this bill. Also amends the carry forward of the tax xcredit from 2017 to 2024.

Section 8: Amends uncodified law enacted by Section 5, Chapter 61, SLA 2003. Adds ch. 61, SLA 2003 to take effect on January 1, 2020 instead of 2013.

Section 9: Immediate effective date.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HB 229
() Publish Date:

Identifier (file name): HB229-REV-TAX-2-23-10
Dept. Affected: Revenue
Title: Gas Exploration / Development Tax Credit
RDU: Taxation and Treasury
Component: Tax Division
Sponsor: Representative Chenault
Requester: (H) Resources
Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )	***	***	***	***	***	***	***

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

See Attached.

Prepared by: Tim Harper, Economist III/Robynn Wilson, Revenue Audit Supervisor — Phone (907) 269-1020
Division: Tax Division — Date/Time 2-22-10; 12:06pm
Approved by: Ginger Blaisdell, Director — Date 2-23-10; 9:48am
Administrative Services Division

(Revised 11/6/2009 OMB)

3903

ANALYSIS CONTINUATION

Bill Language:

This bill extends the existing Gas Exploration and Development tax credit for investment in qualified capital expenditures and related qualified services, dealing with those capital expenditures. The Gas Exploration and Development tax credit is taken against the Corporate Income Tax (CIT), before any other federal or state credits are taken. One hundred percent of a company's tax liability can be offset by this credit in a given tax year. Additionally, credits from prior years must be used before current year credits can be used. A credit must be used within five years, otherwise it expires.

Currently, 10% of qualifying capital expenditures and operating expenditures can be taken as capital credits, sunsetting in 2013. The bill would increase the credit rate to 25% for qualifying capital and service expenditures incurred after June 30, 2011 for tax years beginning after December 31, 2010. The 25% rate would sunset on January 1, 2020. Under existing law all remaining tax credits under AS 43.20.043 expire December 31, 2017. This bill would change the sunset date to expire the tax year ending December 31, 2024.

In order for an expenditure to qualify for the 10% rate, cash expenditures or binding payment agreements must be made between June 30, 2003 and before July 1, 2011. Expenditures qualify for the 25% rate cash expenditures or binding payment agreements must be made after June 30, 2011.

The credit is limited to activities south of 68 degrees North latitude and exempts delivery of Alaska North Slope natural gas to tidewater.

Revenues:

It is difficult to determine the number of taxpayers who would take advantage of this tax credit, the degree to which the credit would be utilized, and other exogenous variables impacting the revenues the state would collect. Reduction in CIT are indeterminate at this time.

Additionally, the State of Alaska would most likely see a decline in the use of other credits. For example, since a taxpayer would have to utilize the Gas Exploration and Development tax credit first, it is likely we would see a reduction in the Education Credits. Especially, if the taxpayer has limited tax liabilities.

Expenditures:

The provisions of this bill could be implemented with existing state resources. No additional personnel or resources would be needed, since the DOR is already performing these duties.

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REPRESENTATIVE MIKE CHENAULT

SPEAKER OF THE HOUSE
SECTIONAL ANALYSIS

HOUSE BILL 229: "*An Act amending and extending the exploration and development incentive tax credit under the Alaska Net Income Tax Act for operators and working interest owners directly engaged in the exploration for and development of gas for delivery and sale from a lease or property in the state; providing for an effective date by amending the effective date for sec. 2, ch. 61, SLA 2003; and providing for an effective date.*"

Section 1: Amends 434.20.043(a), Gas exploration and development tax credit. Adds before January 1, 2011, to the time in a tax year for which a credit against state tax liability may be applied. Also further adds language that for a tax year beginning after December 31, 2010, 25 per cent of the taxpayer's qualified investment and 25 per cent of the annual cost incurred by the taxpayer for qualified services during each tax year for which a credit is allowable.

Section 2: Amends AS 43.20.043(b), Gas exploration and development tax credit. Adds before July 1, 2011, if a claim is made under (a)(1)(A) found in Section 1 or June 30, 2011, if the claim of credit is made under (a)(2)(A) also found in Section 1.

Section 3: Amends AS 43.20.043(c), Gas exploration and development tax credit. States the credit allowed will be made for each tax year rather than per year and eliminates the 50 per cent provision of the taxpayer's total tax liability.

Section 4: Amends AS 43.20.043(f), Gas exploration and development tax credit. Adds language that credits do not apply to North Slope gas that is brought into Southcentral.

Section 5: Amends AS 43.20.043(i)(1), Gas exploration and development tax credit. Deletes "if the reserves produce gas for sale and delivery".

Section 6: Amends uncodified law enacted by Section 3, Chapter 61, SLA 2003. Adds ch. 61, SLA 2003 as amended by Section 7 of this bill. Also amends the carry forward of the tax xcredit from 2017 to 2024.

Section 7: Amends uncodified law enacted by Section 5, Chapter 61, SLA 2003. Adds ch. 61, SLA 2003 to take effect on January 1, 2020 instead of 2013.

Section 8: Immediate effective date.

Representative.Mike.Chenault@legis.state.ak.us

Sec. 43.20.043. Gas exploration and development tax credit.

(a) Subject to the terms and conditions of this section, and in addition to any other credit authorized to the taxpayer by this chapter, a taxpayer that is an operator or working interest owner directly engaging in the exploration for and development of gas may apply as a credit against the state tax liability that may be imposed on the taxpayer under this chapter, for a tax year beginning after December 31, 2002,

(1) 10 percent of the taxpayer's qualified capital investment; and

(2) 10 percent of the annual cost incurred by the taxpayer for qualified services in the state during each tax year for which a credit is allowable for a qualified capital investment under (1) of this subsection.

(b) Expenditures qualifying for the taxpayer's qualified investment credit under (a)(1) of this section must be

(1) cash expenditures or binding payment agreements entered into after June 30, 2003; and

(2) made for assets first placed in service in the state in or before the tax year in which the credit is claimed through the date the reserves produce gas for sale and delivery; for purposes of this paragraph, "placed in service in the state" means that the first use of the qualified investment is in this state; if the property on which the claim of the credit is based has been used elsewhere in the tax year of acquisition and is brought to this state during that year or a subsequent year, the property does not qualify for the investment credit.

(c) The credit per tax year allowed by (a) of this section may not exceed 50 percent of the taxpayer's total tax liability under this chapter, but shall be calculated before the application of any other credits allowed under this chapter. An unused portion of the credit for the tax year

(1) may be carried forward into one or more of the following tax years, except that the unused credit from one tax year may not be carried forward for more than five following tax years;

(2) shall be applied to the taxpayer's tax liability under this chapter during the following tax year before allowance of a credit allowed by (a) of this section for that following tax year.

(d) To obtain the credit allowed by this section, the taxpayer shall, with the taxpayer's tax return, submit, on a form prescribed by the department, information that demonstrates that the taxpayer is eligible for the credit and evidence of the expenses that are the basis of the claim of the credit. The taxpayer has the burden of demonstrating compliance with the requirements of this section to entitle the taxpayer to the claim of and the amount of the credit.

(e) A taxpayer entitled to a credit under this section

(1) may not convey, assign, or transfer the credit to another taxpayer or business entity unless the conveyance, assignment, or transfer of the credit is part of the conveyance, assignment, or transfer of the taxpayer's business;

(2) forfeits the credit to which the taxpayer is entitled during the tax year and any carryover of it under (c) of this section, but does not forfeit the portion of the credit that accrued in a previous taxable year that may be carried over under (c) of this section, if the taxpayer

(A) disposes of the qualified capital investment;

(B) takes the qualified investment out of service; or

(C) transfers the qualified investment out of this state.

(f) A taxpayer is not entitled to a credit under this section for expenditures that are made or incurred for the qualified capital investment or for qualified services made for exploration and development of gas that occur in the area of Alaska lying north of 68 degrees North latitude or that are made or incurred to transport gas from reserves located in the area of Alaska lying north of 68 degrees North latitude.

(g) A taxpayer who obtains a credit under this section may not claim a tax credit or royalty modification provided for under any other title. However, a taxpayer may, at the taxpayer's election, forgo a credit under this section in order to continue to qualify for a credit provided for in another title.

(h) For purposes of determining allowable credits under this section, the department shall allow only expenditures and payments that are not inconsistent with the expenditures authorized under 26 U.S.C. (Internal Revenue Code) for exploration and development of natural resources.

(i) In this section,

(1) "qualified capital investment" means a cash expenditure or binding payment agreement, as described in (b)(1) of this section, for real property or tangible personal property used in this state in the exploration and development of gas reserves in a gas reservoir for which there has not been commercial production if the reserves produce gas for sale and delivery; in this paragraph, "property" includes

(A) property used in the operation or maintenance of facilities for exploration or development of gas;

(B) property that is placed in use under a capitalized lease or an operating lease; and

(C) the following property used for the exploration and development of gas:

(i) machinery, appliances, supplies, and equipment;

(ii) drilling rigs, wells, gathering lines and transmission lines, pumping stations, compressor stations, power plants, topping plants, and processing units;

(iii) roads, docks and other port facilities, and helicopter pads;

(iv) maintenance equipment and facilities, and maintenance camps and other related facilities; and

(v) communications facilities owned by a person whose principal business in the state is the exploration for or development of gas and whose operation of the communications facilities directly relates to the conduct of that business;

(2) "qualified services"

(A) means expenditures for labor, seismic, and other services that are directly applicable to a qualified capital investment;

(B) does not include lease operating expenses.

History -

(Sec. 1 ch 61 SLA 2003)

Postponed Repeal Effective Date -.

Delayed repeal of section. - Under Sec. 2 and 5, ch. 61, SLA 2003, this section is repealed January 1, 2013.

Cross References -

For provision relating to the manner of handling the unused portion of the tax credit as a carry-forward during the period on or after January 1, 2013, and until December 31, 2017, see Sec. 3, ch. 61, SLA 2003, in the 2003 Temporary and Special Acts. For obligation of the Department of Revenue to prepare a report to the legislature on the effect of the tax credit authorized by this section, and to present the report at the beginning of the First Regular Session of the 26th Alaska Legislature, see Sec. 4, ch. 61, SLA 2003, in the 2003 Temporary and Special Acts.

Effective Date Notes -

Section 6, ch. 61, SLA 2003 makes this section effective June 12, 2003, in accordance with AS 01.10.070(c).

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Alaska State Legislature

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REPRESENTATIVE MIKE CHENAULT
SPEAKER OF THE HOUSE

MEMORANDUM

TO: Representative Craig Johnson, Co-Chair
Representative Mark Neuman, Co-Chair
House Resources Committee

FROM: Representative Mike Chenault
Speaker of the House

DATE: February 16, 2010

RE: Request for Hearing-House Bill 229

Please consider this request to schedule House Bill 229: Gas Exploration\Development Tax Credit, before your committee at your earliest possible convenience.

Your committee aides will receive the back-up for this bill shortly.

Thank you for your consideration of my request.

3909

Representative_Mike_Chenault@legis.state.ak.us

HB

246

OUSE COMMITTEE REPOI

(9)
Date Referred to Committee: March 19, 2010 **FURTHER REFERRALS: Finance**

Date of Committee Action: 14 Apr 2010

The RESOURCES Committee considered: **HOUSE BILL NO. 246**

"An Act relating to the licensing and regulation of sport fishing operators and sport fishing guides and licensing and registration of sport fishing vessels; and providing for an effective date."

HB 246-SPORT FISH GUIDE LICENSES

Recommends it be replaced with [ ] HCS *or* [✓] CS for HB 246 (Res)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ [ ] Same Title [✓] New Title

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW **FISCAL NOTES** *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero

PREVIOUS **FISCAL NOTES**				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
DFG	1	✓		

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	Ivy	X			
	OLSON			X	
	Edgmon			X	
	GUTTENBERG	A			
	KRUSHAPOV		X		
	SEATON	X			
	WILSON	X			
Chair:					
Chair:	JOHNSON				

3911

CS FOR HOUSE BILL NO. 246(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES NEUMAN, Johnson, Keller

A BILL

FOR AN ACT ENTITLED

"An Act delaying the repeal of certain statutes relating to the licensing and regulation of sport fishing operators and sport fishing guides and licensing and registration of sport fishing vessels until January 1, 2013; and providing for an effective date."

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

*** Section 1.** Section 8, ch. 70, SLA 2004, as amended by sec. 3, ch. 61, SLA 2009, is amended to read:

Sec. 8. AS 16.05.340(a)(26); AS 16.40.260, 16.40.270, 16.40.280, 16.40.290, 16.40.299; AS 25.27.244(s)(2)(A)(xviii), and 25.27.244(s)(2)(A)(xix) are repealed January 1, **2013** [2011].

*** Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

26-LS0929\S
Kurtz/Kane
4/12/10

CS FOR HOUSE BILL NO. 246( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES NEUMAN, Johnson, Keller

A BILL

FOR AN ACT ENTITLED

"An Act relating to the licensing and regulation of sport fishing operators and sport fishing guides and licensing and registration of sport fishing vessels; delaying the repeal of certain statutes relating to the licensing and regulation of sport fishing operators and sport fishing guides and licensing and registration of sport fishing vessels until January 1, 2013; and providing for an effective date."

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

*** Section 1.** AS 16.05.340(a)(26) is amended to read:

(26) Fishing services licenses

(A) Sport fishing operator license ..... **50** [100]

(B) Sport fishing guide license 50

(C) Sport fishing operator and sport fishing guide combined license ..... **50** [100].

*** Sec. 2.** Section 8, ch. 70, SLA 2004, as amended by sec. 3, ch. 61, SLA 2009, is amended

to read:

Sec. 8. AS 16.05.340(a)(26); AS 16.40.260, 16.40.270, 16.40.280, 16.40.290, 16.40.299; AS 25.27.244(s)(2)(A)(xviii), and 25.27.244(s)(2)(A)(xix) are repealed January 1, **2013** [2011].

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

ALASKA STATE LEGISLATURE

Co-Chair:
House Committee on Natural Resources

Vice Chair
House Committee on Labor and Commerce

Member:
House Committee on Rules, House Special Committee on Economic Development, Trade, and Tourism, and Legislative Budget & Audit Committee

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REPRESENTATIVE MARK NEUMAN
Rep.Mark.Neuman@legis.state.ak.us

Sponsor Statement

HB 246
SPORT FISH GUIDE LICENSES

HB 246 extends Alaska's sport fish guide licensing and reporting program for one year. The data collected through this program has been an important tool for the proper management of sport fisheries through a better understanding of our fish stocks and their harvest. In addition, the licensing has ensured a standard for professionalism and responsibility for sport fish businesses and guides, benefiting both consumer and businesses alike.

The data collected through the reporting program is important in Alaska's exemption from the National Saltwater Angler Registry which will prevent Alaskans from purchasing a certificate of registration.

The sport fish guide licensing program provides necessary data for the wise management of Alaska's fish resources while ensuring professionalism in the guiding industry and preventing the need for further licensing and registration for Alaskan anglers.

26-LS0929\A

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HB246
() Publish Date:

Identifier (file name): HB246-DFG-SFD-03-10-10
Dept. Affected: ADFG
Title: An act repealing the termination of the sport fish operator/guide/vessel program
RDU: Sport Fisheries
Component: Sport Fisheries
Sponsor: Representative Neuman
Requester: Fish, Resources, Finance
Component Number: 464

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services		337.1	337.1	337.1	337.1	337.1	337.1
Travel		10.0	10.0	10.0	10.0	10.0	10.0
Contractual		83.5	83.5	83.5	83.5	83.5	83.5
Supplies		7.0	7.0	7.0	7.0	7.0	7.0
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**437.6**	**437.6**	**437.6**	**437.6**	**437.6**	**437.6**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts		437.6	437.6	437.6	437.6	437.6	437.6
TOTAL	**0.0**	**437.6**	**437.6**	**437.6**	**437.6**	**437.6**	**437.6**

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

The division has budgeted $437.6 in the FY11 Governor's budget to administer the Sport Fish operator/guide/vessel program. The program generates average Fish & Game Fund revenues of $242.8, with the balance of program expenditures funded with Sport Fishing license sale revenue. Although potential cost savings measures are being implemented, it is untenable at this time to make accurate projections on what monetary savings will be realized for this program over the upcoming years.

Prepared by: Charles O. Swanton, Director — Phone 465-6184
Division: Sport Fisheries — Date/Time 3/10/10 4:00 PM
Approved by: Tom Lawson, Director — Date 3/11/2010
Administrative Services

(Revised 11/6/2009 OMB)

Brief for HB 246: SPORT FISH GUIDE LICENSES
(Reauthorization of Program/Repeal of Sunset)
March 16, 2010

Alaska Department of Fish and Game Contacts:
Charlie Swanton- Charles.Swanton@alaska.gov; phone: 465-6184 or 321-0955
Jennifer Yuhas - Jennifer.Yuhas@alaska.gov; phone: 465-6137 or 388-7951.

Background:

- Original legislation passed in May, 2004; effective January 1, 2005.

- Proposed by the Department for three main reasons:
  1. Information on guide numbers and their fishing activities was either not available or limited in many parts of the state;
  2. Establish minimum standards to operate a business or contract as a guide (safety, liability insurance, US Coast Guard license, etc.) as a means to increase professionalism and reduce speculative entry; and
  3. Provide comprehensive and credible data on guided sport fishing activities to regulatory agencies: Alaska Board of Fisheries (BOF), International Pacific Halibut Commission (IPHC), and North Pacific Fisheries Management Council (NPFMC).

Legislation:

Sec.16.40.260 Sport fishing operator license;
Sec.16.40.270 Sport fishing guide license;
Sec.16.40.280 Reports;
Sec.16.40.290 Penalties for violations.

These legislative sections include licensing provisions and fees (AS. 16.05.340(a)) for sport fishing business owners ($100), sport fishing guides working for the business ($50), and business owners who are also a guide (owner/operator combo $100). The mandatory reporting requirements, logbooks, are for both fresh and saltwater guide activities (freshwater logbooks were instituted in 2005). The penalties for sport fish guiding violations by business owners and guides include possible revocation of their license.

Companion Regulations:

5 AAC 75.075 Sport fishing services and sport fishing guide services; license requirements; regulation of activities.

5 AAC 75.076. Sport fishing services and sport fishing guides reporting requirements.

5 AAC 75.077. Sport fishing guide vessel registration requirements.

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Present Benefits and Utility:

- A comprehensive list of all sport fishing guides working in salt water is part of the data requirements that will allow Alaska to receive an exemption from participating in the National Saltwater Angler Registry (up to $25/saltwater angler in 2011).

- The logbook data for saltwater anglers has been used extensively within the IPHC and NPFMC for rule making on Pacific Halibut.

- Both freshwater and saltwater logbook harvest data has been presented and utilized by the Alaska Board of Fisheries. Harvest estimate verification studies are being conducted comparing logbook, statewide sport fish harvest survey, and dock side creel programs.

Participation Statistics:

- An average of **1,647 sport fishing business licenses** (including owner/operator combo) have been sold (2005-2009); 90% of owners are Alaskan residents.

- An average of **1,882 sport fishing guide licenses** have been sold (2005-2009); 73% of guides are Alaskan residents.

- Based on logbook data, over **2.1 million clients took 536,960 guided fishing trips** (from 2005 through 2009); 67% of clients fished in saltwater, 33% fished in freshwater and 88% of all clients were nonresidents.

- An average of **1,334 vessels in saltwater** were used for guided fishing trips (2005-2009).

Electronic Reporting (Modernization initiative):

- One of Commissioner Lloyd's initiatives is modernization and timely reporting of recreational harvest data. We have been actively working on this task:

    - In July, 2009 we developed a scannable saltwater logbook form which will reduce the time lag when logbook data is available from 2 to 3 months to 1 to 2 weeks. This new form will be employed for saltwater forms statewide in 2010. Ten public meetings were held across the state to explain this new format and received nearly unanimous support from user groups and public.

    - In April, 2010 the point of sale hunting and fishing licensing program will be launched at all ADF&G regional offices. This program will be made available to all license vendors shortly thereafter.

    - We will convert the freshwater logbook to a scannable format starting in 2011.

Alaska Department of Fish & Game

2010 Saltwater Sport Fishing Charter Trip Logbook Page

RETURN TO: 333 RASPBERRY ROAD, ANCHORAGE, ALASKA 99518-1565 • QUESTIONS: CALL (907) 267-2369

100001 – 01
LOGBOOK PAGE

TRIP INFORMATION

Complete this section for every trip. Continue on additional pages for trips with more than eight anglers in the same day.

DATE FISHED: ____ / ____ / 2010 ____ ○ AM ○ PM
Month Day Hour Started

2010 FISH & GAME GUIDE LICENSE #:
(assigned to you by ADF&G)

COMMUNITY OR PORT OF OFF-LOADING:
(where fish or clients were off-loaded from vessel)

Targeted Species	Primary Stat. Area Where most fish were caught	No. Of Boat Hours Fished
Salmon:		
Bottomfish:		

INSTRUCTIONS: Complete one row below for each angler who fished on this trip.

INDIVIDUAL ANGLER AND CATCH INFORMATION

Record sport fishing license number, printed name AND AK residency status for each angler that fished this trip.

Include birthdate (e.g. 8/28/1998) for all anglers under 16.

	AK Resident	Non-Resident	Comped Crew	Kept / Released	SALMON: King (28" & larger)	SALMON: King (under 28")	SALMON: Coho	SALMON: Sockeye	SALMON: Other Salmon	BOTTOMFISH: Halibut	BOTTOMFISH: Lingcod	BOTTOMFISH: Pelagic Rockfish	BOTTOMFISH: Yelloweye Rockfish	BOTTOMFISH: Nonpelagic Rockfish (excluding Yelloweye)	BOTTOMFISH: Sablefish (Black Cod)	BOTTOMFISH: Salmon Shark	BOTTOMFISH: All Other Fish
1. License Number / First / Last Name (and birthdate for angler under 16)	○	○	○	K ▸													
				R ▸													
2. License Number / First / Last Name (and birthdate for angler under 16)	○	○	○	K ▸													
				R ▸													
3. License Number / First / Last Name (and birthdate for angler under 16)	○	○	○	K ▸													
				R ▸													
4. License Number / First / Last Name (and birthdate for angler under 16)	○	○	○	K ▸													
				R ▸													
5. License Number / First / Last Name (and birthdate for angler under 16)	○	○	○	K ▸													
				R ▸													
6. License Number / First / Last Name (and birthdate for angler under 16)	○	○	○	K ▸													
				R ▸													
7. License Number / First / Last Name (and birthdate for angler under 16)	○	○	○	K ▸													
				R ▸													
8. License Number / First / Last Name (and birthdate for angler under 16)	○	○	○	K ▸													
				R ▸													

CERTIFICATION: I certify that the information contained in this document is true and correct to the best of my knowledge.

X GUIDE SIGNATURE

PAGE ____ OF ____

Form 11-340 (01-2010)

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STATE OF ALASKA

SEAN PARNELL, GOVERNOR

P.O. BOX 115526
JUNEAU, AK 99811-5526
PHONE: (907) 465-4100
FAX: (907) 465-2332

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

April 15, 2010

The Honorable Mark Neuman
House of Representatives
Alaska State Capitol, Room 432
Juneau, Alaska 99801

Representative Neuman,

It has come to my attention that yesterday's House Resources Committee hearing on Sportfish Guide Licensing yielded another discussion regarding a perceived neglect on behalf of the department to furnish documentation to your office regarding the report entitled "Economic Impacts and Contributions of Sportfishing in Alaska."

After multiple correspondence and lengthy debate with your office last year I had thought the issue was settled. You originally asked for a "draft" of the report which the department did not possess. My office referred you to the contractor responsible for the report on multiple occasions citing that the department did not possess any such document to meet your request. After many attempts to explain that while the report had undergone a formal peer review process, the department was only in possession of the final report and was in no way harboring a draft; my staff took extra time to compile a report for you outlining the changes made in the formal peer review process. The Legislative Legal memo you referred to in yesterday's bill hearing addresses the need to supply a "report" rather than a "draft." The report has been supplied, and the department possesses no such "draft" per your request.

I will again refer you to the contractor to discuss the existence and acquisition of any draft material you are seeking. I have attached last year's report to your office for reference along with a copy of e-mail correspondence from our contractor citing the peer review process. The attachment also includes contact information for the contractor so that you may pursue any avenues you require directly through the contractor.

This report clearly showed that sportfishing is an important component of the Alaskan economy. The department is proud of this report and stands behind it. It is my sincere hope that everyone interested in the use of Alaska's sportfishing resources will glean some useful information from this report and better recognize the contributions of sportfishing to Alaska's economy.

Sincerely,

Denby S. Lloyd
Commissioner

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STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF FISH AND GAME

DIVISION OF SPORTFISH

P.O. Box 115526
Juneau, Alaska 99811-5526
PHONE: (907) 465-4180
FAX: (907) 465-2772

April 8, 2009

Representative Neuman
State of Alaska
State Capitol, Room 432
Juneau, AK 99801-11282

Dear Representative Neuman:

Attached is a report I had prepared for you, Representative Gatto and Senator Huggins addressing concerns regarding the "Economic Impacts and Contributions of Sportfishing in Alaska, 2007" study. This issue first surfaced when presenting the subject material at the public meeting held in Wasilla, January, 2009. It contains all of the questions/comments that were posed during the peer review process that would have or did result in changes to the numbers contained within the first draft report. Also included are explanations of how we responded to each question and the difference in what was reported between the draft and final study reports.

I sincerely hope that you and your colleagues find this information useful in responding to constituent requests regarding the final results of this study. Please do not hesitate to contact me if you have any questions or require additional information.

Sincerely,

Charles O. Swanton
Director, Sport Fish Division

Cc: Representative Gatto, Senator Huggins

"Economic Impacts and Contributions of Sportfishing in Alaska (2007)" Consolidated Technical Peer Review Comments for Draft Report

Prepared for: Alaska State Representatives Mark Neuman and Carl Gatto, and Senator Charlie Huggins

Content: Comments received from three Peer Reviewers that were related to reported estimates (numbers, calculations) within peer review copy of draft report (3 pages). Spelling, grammatical or layout/interpretation comments (the other 15 pages) are not included in this summary.

Summary: The Department of Fish and Game did NOT arbitrarily make any changes to estimates provided in the draft report. We did find an error in the equipment expenditure calculations during the peer review phase, but it changed the final estimates (downward) by only 2.3% ($11.5 million), which changed the total expenditure estimate by 0.8% from original estimates provided by Southwick. We also added several new appendices and important comparisons to other data and discussion of data limitations (which are included in the "Summary & Discussion" section of the technical report). Those are the only changes that occurred between the draft report which was peer reviewed to the final.

Reviewer Comment: The report is full of tables showing estimated totals for spending, contribution and impacts in 2007. Comparable data should be presented in as great or even greater, detail for estimated spending, contribution and impacts per angler day (trip expenditures) and per licensed angler (equipment and real estate).

Contractor Response: **Appendix L includes detailed estimates of per day trip and per angler equipment expenditures for each region. A footnote has been added to each report table of average spending in the report.**

Reviewer Comment: The report shows a very high estimate of equipment expenditures by resident anglers. This finding needs more discussion, attention, and investigation, in particular given the wide disparity between reported equipment expenditures in the Southcentral region and the other two regions.

Contractor Response: **Comparisons with other studies and corroborating estimates show that the estimates are not unreasonable. This is discussed in the "Summary and discussion" section.**

Reviewer Comment: A quick review of Table 37 (Detailed spending for sportfishing in Southcentral Alaska, by residency, 2007) shows the following equipment expenditures. I note that vehicles, boats, boat motors, camping trailers, etc. are major components. My instincts would be that there is potential for overestimation of fishing-related equipment expenditures over-attribution of the extent to which such expenditures are attributed to sport-fishing. I am *not* claiming that this happened, or that the expenditures are wrong. I am only suggesting that it is important to check and double-check how these expenditures were derived and to make sure that they are defensible.

Contractor Response: **The calculated values have been double-checked resulting in minor revisions (2% total reduction) to equipment spending. The needed revisions were the result**

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of small errors in the regional allocation of spending, and percentage of equipment attribution to use in sportfishing. A comparison of average spending per angler for boats to total retail boat sales in Alaska per household shows that the study estimate is not excessively high.

Reviewer Comment: In thinking about the high equipment expenditure estimates, particularly for cars and boats, I am concerned about the potential that the results could be biased by a higher response rate from sport-fishing enthusiasts—the type of people more likely to buy and use cars or boats specifically for sport-fishing—than from those who are more occasional anglers. I don't know any way to test for this or adjust for it. But I think it would be good to discuss this issue, and consider whether there is anything from the literature that suggests the potential for such a bias—because if it existed it could have a big impact on the results of the study.
Contractor Response: **This is discussed in the "Summary and discussion" as one of the limitations.**

Reviewer Comment: PAGE 27, PARAGRAPH ON OUT-OF-BOUNDS CHECKS, LAST SENTENCE. This sentence states that "the resulting maximum values used in the analyses are reported in Appendix I with the detailed mean expenditures estimates." I could not find any such maximum values in Appendix I.
Contractor Response: **Summary statistics, including maximum values, for each survey variable are now included in Appendix G.**

Reviewer Comment: PAGE 28, FIRST FULL PARAGRAPH. This paragraph implies that if there were two observations that each increased the statewide mean by 20% they would *not* have been eliminated as outliers. I find this a little worrisome. Coming back again to my concern with the potential that the equipment expenditures might be biased, I realize of course that only a fraction of anglers buy cars or boats each year, but that these expenditures are of course quite important in determining the total expenditures attributable to sport fishing. So even if only 2 anglers bought boats, but the expenditures were significant, that is relevant and should be included in the estimation methodology—but unfortunately the margin of error is greater.

For this reason, I think it would be good if the report could include—perhaps in an appendix, some discussion about the number of non-excluded responses that each type of expenditure estimate is based on (and perhaps also the percent of respondents reporting each type of expenditure).
Contractor Response: **Appendix G has been added to provide summary statistics (number of non-missing observations, mean response value, minimum response value, maximum response value, standard deviation of the response values) for each survey variable.**

Reviewer Comment: PAGE 28 & 29, DISCUSSION OF NON-RESPONSE BIAS. The last sentence says "the testing found no systematic differences." Because the issue of potential non-response bias is an important one for equipment (as I've suggested above) I'd like to see a little bit more discussion in this paragraph about what kind of testing was done at what level and how "no systematic differences" was defined. In particular, to what extent did this testing provide reassurance about my concerns about potential non-response bias for big-ticket items such as cars and boats?

Contractor Response: **Details about the statistical testing and the results have been added to this section.**

Reviewer Comment: PAGE 36, ALLOCATIONS OF BIG-TICKET EXPENDITURES TO SPORT-FISHING. I think it would be useful—perhaps in the "Discussion" section—to include some discussion of the problem associated with allocation of big ticket items such as cars and boats to sport fishing. Suppose I buy a pickup truck this year, and 45.1% of my driving is for sport-fishing trips. On the one hand, it would be perfectly reasonable to conclude that 45.1% of the expenditure was sport-fishing related. On the other hand, even if I had done no sport-fishing, I might still have bought the truck because I needed it for other things that I do as well (implying an allocation of 0% would also be reasonable as a lower bound). On the third hand, without all the sport fishing, the truck would last longer, so I would perhaps buy a truck only 45% as often (implying that 45% is reasonable). On the fourth hand, without the opportunity to fish, I might not even have chosen to live in Alaska—implying that 100% of my car expenditure is really due to sport fishing.

I think the allocation method used was reasonable and justifiable (except for my concerns about potential non-response bias). But I would like to see some discussion of the issues raised by the allocation-of-expenditures problem.
Contractor Response: **A discussion of the long list of potential expenditure scenarios and their interpretation would probably add more confusion than clarity to the results. The allocation procedure used in the study is reasonable and is clearly presented in the report.**

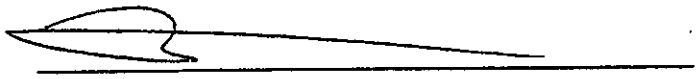
Reviewer Comment: Page 28, first full paragraph: With respect to the sentence that reads: "If any single observation increased the statewide mean by 25 percent or more then it was deemed an outlier and replaced by a missing value in order to prevent skewing the average" – what do you mean by "replaced by a missing value"? (e.g., was the observation dropped or was the observation replaced by another number such as the sample mean?)
Contractor Response: **This has been clarified and expenditure was removed from the analysis.**

Reviewer Comment: Page 28-29, bottom of page 28 and top of page 29: To test for non-response bias, could you also compare your results with other previous studies? Contractor Response: **Not clear how you could test response bias without detailed survey and response data from another survey – no recent comparable surveys for comparison.**

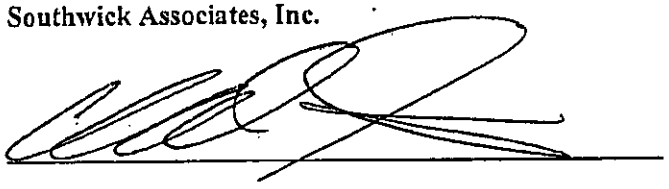
Reviewer Comment: Page 38, first paragraph: To what extent has the recent national real estate boom and bust affected the Alaska real estate market and expenditures?
Contractor Response: **The "real estate boom and bust" would pertain to real estate sales – we do not include sales in the analysis. Any AK information about a slowdown in construction and maintenance activity resulting from the national recession may not be applicable to recreational properties.**

Reviewer Comment: Page 100, first paragraph: It would be helpful to provide some explanation as to why the output, income and employment multipliers for the Cook Inlet subregion are greater than for the State of Alaska as a whole.
Contractor Response: **Explanation has been added.**

Respectfully submitted this 6th day of April, 2009 by:



Rob Southwick, President
Southwick Associates, Inc.



Charles O. Swanton, Director
Alaska Department of Fish & Game, Sport Fish Division

Swanton, Charles O (DFG)

From: Rob Southwick [Rob@southwickassociates.com]
Sent: Saturday, January 24, 2009 9:31 AM
To: Swanton, Charles O (DFG)
Subject: RE: Release of peer review/draft documents regarding Economic Impacts and Contributions of Sportfishing in Alaska 2007.

Hello Charlie – I understand that some people somehow think the results of the study were tampered with. I can assure you that in no way was there any pressure to change the results during ANY stage of the project. The study was conducted by a team of qualified experts, including ADFG Sport Fish staff, who met throughout the project to review methods, data and worked to anticipate any potential problems before they arose. All procedures and methods used were chosen to ensure the results were reliable and defensible. Once the first draft was complete, following standard scientific procedure, we circulated the study to outside peer reviewers expert in economic impact analyses of fisheries. Their comments were not major and fully within bounds of normal professional feedback common to such dstudies. We made some adjustments that resulted in minor changes in the results – as is normal. All peer reviewer suggestions were very reasonable and resulted in a stronger, even more defensible study. I can proudly say this is one of the finest, most thorough and comprehensive economic studies we've conducted and that is largely due to the team approach in designing the project and reviewing preliminary results. I never once had the impression anyone tried to influence any team member into lowering the results or changing the methodology in a way that would minimize the outcome. Instead, the focus from all team members was clearly oriented towards developing the best economic study possible. If anyone has any doubts about my comments, they are welcome to call me with any specific questions.

Rob Southwick
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904 277 9765; 904 261 1145 (fax)
rob@southwickassociates.com
www.SouthwickAssociates.com
www.AnglerSurvey.com
www.HunterSurvey.com

From: Swanton, Charles O (DFG) [mailto:charles.swanton@alaska.gov]
Sent: Friday, January 23, 2009 8:09 PM
To: Rob Southwick
Subject: Release of peer review/draft documents regarding Economic Impacts and Contributions of Sportfishing in Alaska 2007.

Rob: I need some documentation from you to me regarding the subject requests and your position on this issue. I presume this is not the first such request and likely not the last. Several legislators have and are continuing to ask about release of peer review or other drafts in order to assure their constituents that no "manipulation of values" was conducted without due cause. I certainly understand the distain one feels for this sort of specter of doubt but that does not absolve us from at least addressing it.

Unfortunately, this likely will come up sometime next week so a prompt reply would be greatly appreciated. We are still trying to solidify a time for you to present the results to a joint legislative session and will let you know as soon as possible.

Regards,
Charlie Swanton
Director, Sport Fish Division

Amendment Rationale

HB246: Sportfish Guide Licenses

Offered in (H)FISH
By: Representative NEUMAN

- HB246 is currently the technical companion of SB177 which passed the Alaska State Legislature last year and has already been signed into law.
- The passage of SB177 renders HB246 irrelevant without amendment
- The Sponsor made a commitment to the Commissioner of Fish & Game, which was recently reiterated, to amend this legislation to rectify this error .
- The proposed amendment allows HB246 to become a companion to SB294 and therefore viable this legislative session

A

Debra Higgins

From:	Melvin Grove [mbgrove@mtaonline.net]
Sent:	Monday, March 22, 2010 1:13 AM
To:	Rep. Bryce Edgmon; Rep. Wes Keller; Rep. Craig Johnson; Rep. Charisse Millett; Rep. Scott Kawasaki; Rep. Bob Buch; Rep. Mark Neuman; Sen. Charlie Huggins; Sen. Bill Wielechowski; Sen. Lesil McGuire; Sen. Hollis French; Sen. Bert Stedman; Sen. Kevin Meyer; Sen. Tom Wagoner
Cc:	Steven Gary; Bill Iverson; Logan Jeff; Quincy Randy; Clark Todd; Seekins Ralph; Yamada Richard; Rod Arno
Subject:	SB294 and HB246
Attachments:	saltwater_angler_registry_FINAL_press_release.pdf; ATT00001.htm

Dear Legislators,

HB246 and SB294 are both concerning the repeal of the termination of the sport fish guide license requirement. One of the primary justifications for the license according to public testimony from F&G game at the recent HB246 hearing is that it exempts the state from the national fisheries registration requirement for anglers in the state of Alaska. Since every citizen fishing federal waters in our great state must purchase a **state** fishing license and the state conducts a State Wide Harvest Survey (SWHS) it precludes the necessity for the national registry requirement. Since the state requires charters and guides to be licensed and collect data, clients using these service would also be **exempt** from the national registry license requirement. So my question is why are we requiring our saltwater fisherman using a charter to purchase a license and requiring the guide to fund the data collection when funds are being received from each guided fisherman in the form of a state fishing license that funds the SWHS.

According to Mr. Swanton Director of Sport Fish, the $100 sport fish license fee pays for about $250,000 of the $450,000 cost of the logbook program which was less then $100K in 2004. I'd suggest amending the license requirement to $200 to fully fund the logbook program and then removing the fishing license requirement for all fisherman utilizing a guided charter service as authorized under the national fishing registry. This would greatly benefit the guided business industry. The average non-resident or resident could forgo the cost of buying a fishing license if they only fish on a charter. This would save them money and promote tourism and charter services during this economic down turn.

Option two would be to continue the guide license requirement at the cost of $10/year to administer and provide a boat sticker and wallet size card. The logbook program can then be funded from the sport fish licensing requirement currently in place for all charter and guided fisherman.

The attached final rule on the saltwater angler registration requirement clearly states charter clients would be exempt from the licensing requirement. My opposition to these bills has alway been to the fact that F&G was double dipping when forcing guides to not only collect but fund data collection which they already receive funding for from the state license requirement. Option two has always been my initial stance but now that the final rule clearly states our clients aren't required to have a national registry license, I believe option one would be a much better action and cost savings to the public. If the state is going to justify the continuation of the excess guide license fee based on the "national fisheries registration exemption", then shouldn't the guides receive the added benefit associated with not requiring their clients to need a fishing license while fishing federal waters?

I'm pretty sure the department will oppose option one and we already know they favor continuing to charge the guides the excess license fee. However what have we seen as a return from our investment other then fewer fish in our rivers, lost jobs, and reduced bag limits all while the commercial industry continues to pilfer our public resource and pay less then half in licensing. I would be more then happy to pay the licensing if we seen

some return for our investment. If the state used our fees to promote sport fishing in Alaska like the state funds the Seafood Institute, maybe this tax would be easier to swallow. In 2008 the state received $3,908,673 from resident fishing license and $13,314,952 from non-resident fishing license totaling $17,223,625. The individual guides supported 446,669 angler days in both fresh and saltwater. At an average cost of $20/day in license fees it's safe to assume that $9M and most likely much more is attributed to the service guides provide. What other individual small business in Alaska, as a result of the service they provide, brings this much money directly into the state coffers while utilizing only about 10% of the available resource? I can't think of any and I hope you understand my frustration with the idea that the department feels this $100 fee is justified as a small price to pay for trying to make a living offering a quality service to the public so they can harvest **their** resource.

Thank you for your time and service.

HB

267

Alaska State Legislature

Juneau
State Capitol Bldg., Rm. 513
Juneau, AK 99801-1182
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Fax (907) 465-3883
Toll Free 866-465-4976

Fairbanks
1292 Sadler Way, Ste 323
Fairbanks, AK 99701
Phone (907) 452-6084
Fax (907) 452-6096

Member
House Finance Committee

Representative Mike Kelly

House District 7

REVISED SPONSOR STATEMENT – **CSHB 267 (TRA)**
Dalton Highway Access Bill

Since 1980, state law has prohibited virtually all off-road vehicle use within five miles of the Dalton Highway north of the Yukon River. Miners and oil workers are allowed to cross the corridor for business use and local resident snowmachine use is permitted. HB 267, as introduced, ended the prohibition on Alaskan's right to travel by snowmachine on this public land corridor during the winter months.

The House Transportation Committee amended the bill in 3 ways:

- Lift the prohibition for snowmachine use, but "only to south of Coldfoot" (milepost 176);
- Provides that after May 1, 2012 the existing prohibition would take effect again, effectively sunsetting the bill after two years; and
- Requires users to obtain a permit prior to accessing the Corridor by snowmachine, so the State can obtain reliable data before making long-term policy decisions for Dalton Corridor access in the future.

Many Alaskans believe that travel by snowmachine in the Dalton Corridor is prevented by federal law. Wrong. The problem is state law.

A February 20, 2010 *Fairbanks Daily News Miner* editorial stated (excerpt):

> *Some argue that the state must prohibit snowmachines in the corridor to protect wildlife from renegade hunters. If this is a reasonable argument, shouldn't the state apply the same five-mile buffer to the rest of its remote road system? Most of our highways traverse lightly populated areas where law enforcement is spotty.*
>
> *The Dalton Highway is more remote, yes, but that actually argues against more stringent regulation. Its remoteness, lack of services and unpaved surface discourage most Alaskans from venturing up it – fewer people, fewer enforcement problems.*

The blanket prohibition north of the Yukon River is overkill.

CSHB 267(TRA) will allow snowmachine use on the Dalton highway corridor from Oct. 1 to April 30 when soil is frozen and snow covered. The resulting impact on surface vegetation should be minimal. If CSHB 267(TRA) passes, the prohibition on other off-road vehicles would remain.

Alaska State Legislature

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Member
House Finance Committee

Representative Mike Kelly

House District 7

MEMORANDUM

DATE: **March 29, 2010**

TO: **Representative Mike Kelly**

FROM: **Derek Miller**

RE: **Changes to HB 267 in CSHB 267(TRA) (26-LS1207\K)**

Section 1.
Amended this section to limit access by snow machine within the Dalton Highway Corridor to south of Coldfoot, milepost 176. Also, inserted language clarifying access along the corridor to mean across the highway and on or across the highway corridor. The CS also included language in this section that defines "highway corridor" to mean land within five miles of the right-of-way of the highway.

Section 2.
New section of the bill inserting language prohibiting all off-road vehicles along the Dalton Highway Corridor after May 1, 2012.

Section 3.
New section of the bill requiring persons using a snow machine allowed under section 1 of the bill to obtain a permit. The permits will be issued at no fee and the Department of Transportation will use these permits to maintain an accurate count of the number of permits issued. A person found guilty of using a snow machine as permitted under section 1 of the bill, but who does not obtain a permit is punishable by a fine of not more than $375.

Section 4.
New section repealing the requirement to obtain a permit to use a snow machine along the Dalton Corridor as specified in section 1 of the bill and repealing language subjecting a person to face a fine of up to $375 for failing to obtain a permit after May 1, 2012.

Section 5.
Provides for an effective date for the prohibition of all off-road vehicles after May 1, 2012.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 267(TRA)
(H) Publish Date: 3/26/10

Identifier (file name): HB267-DNR-MLW-03-08-10
Dept. Affected: Natural Resources
Title: SNOW MACHINE USE IN DALTON HWY CORRIDOR
RDU: Resourse Development
Component: Claims, Permits and Leases
Sponsor: Rep. Kelly, Rep. Neuman, Rep. T. Wilson
Requester: House TRA
Component Number: 2460

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost: 0.0

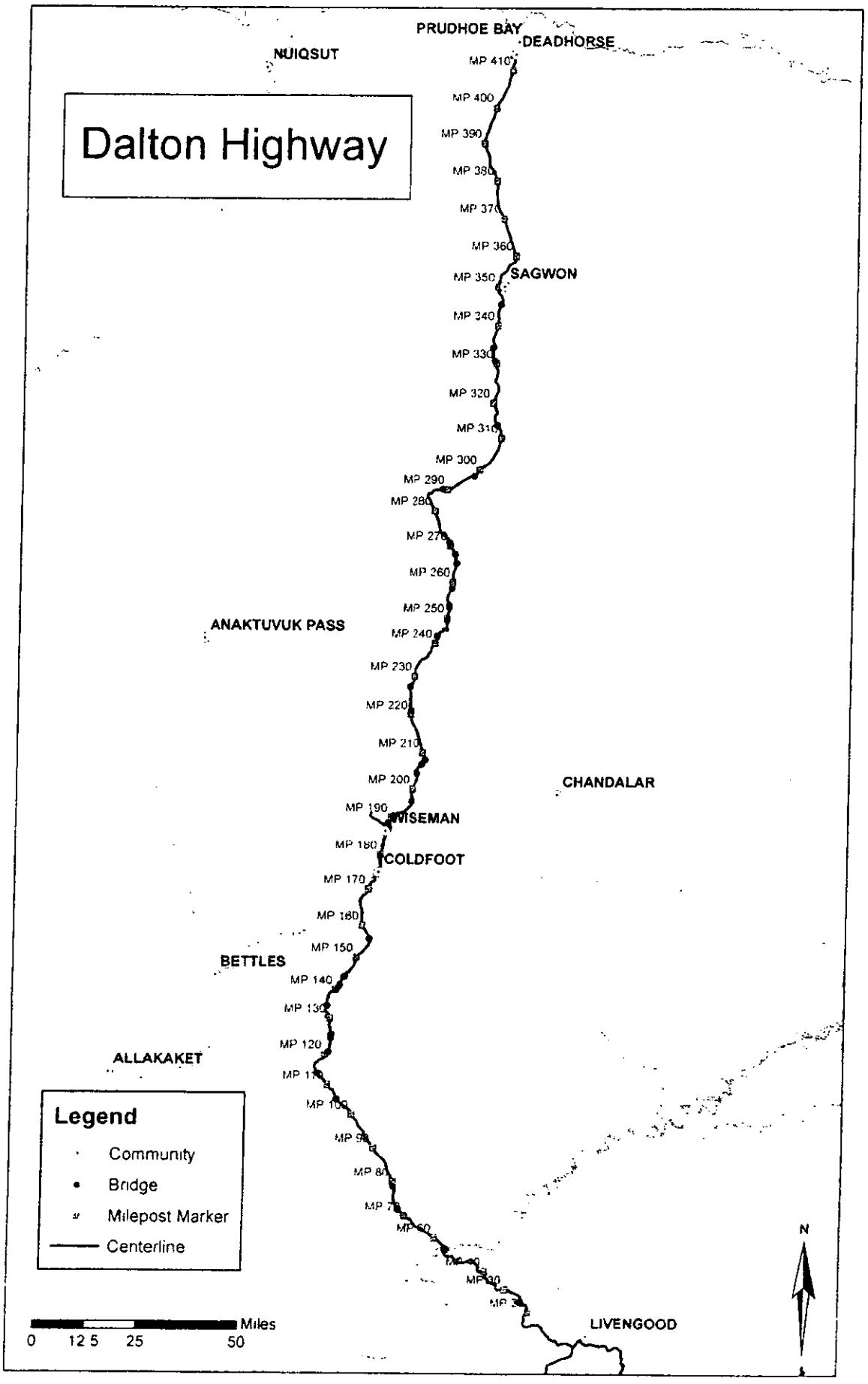
POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

DNR anticipates no need for additional funding under this proposed legislation.

Prepared by: Dick Mylius, Director — Phone 269-8600
Division: Mining, Land and Water — Date/Time March 8, 2010
Approved by: Tom Irwin, Commissioner — Date March 8, 2010
Natural Resources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PRUDHOE BAY
DEADHORSE
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MP 390
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MP 310
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MP 290
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MP 260
MP 250
ANAKTUVUK PASS
MP 240
MP 230
MP 220
MP 210
MP 200
CHANDALAR
MP 190
WISEMAN
MP 180
COLDFOOT
MP 170
MP 160
MP 150
BETTLES
MP 140
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ALLAKAKET
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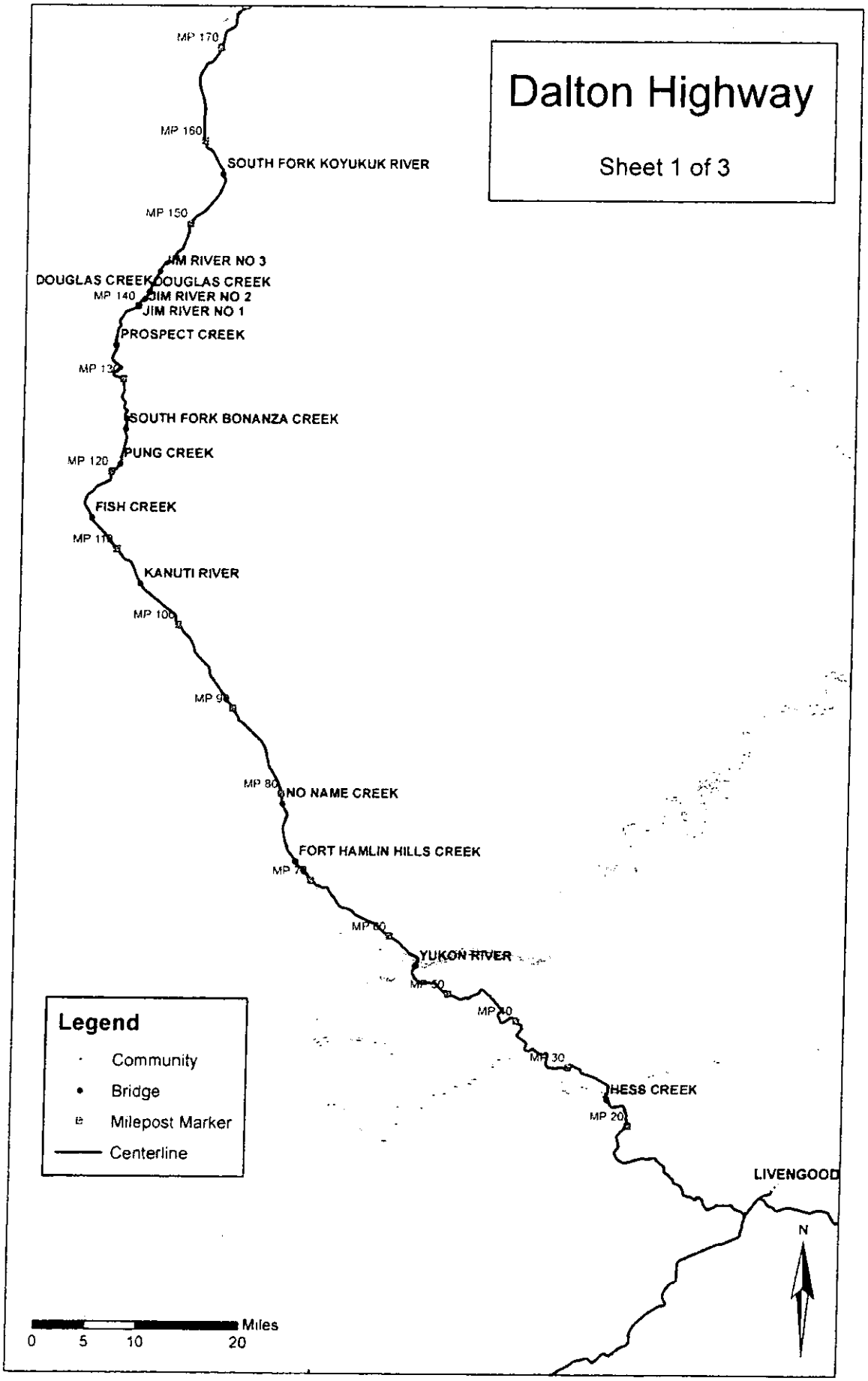
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MP 170
MP 160
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MP 150
JIM RIVER NO 3
DOUGLAS CREEK
DOUGLAS CREEK
MP 140
JIM RIVER NO 2
JIM RIVER NO 1
PROSPECT CREEK
MP 130
SOUTH FORK BONANZA CREEK
PUNG CREEK
MP 120
FISH CREEK
KANUTI RIVER
MP 100
NO NAME CREEK
FORT HAMLIN HILLS CREEK
YUKON RIVER
MP 50
MP 40
MP 30
HESS CREEK
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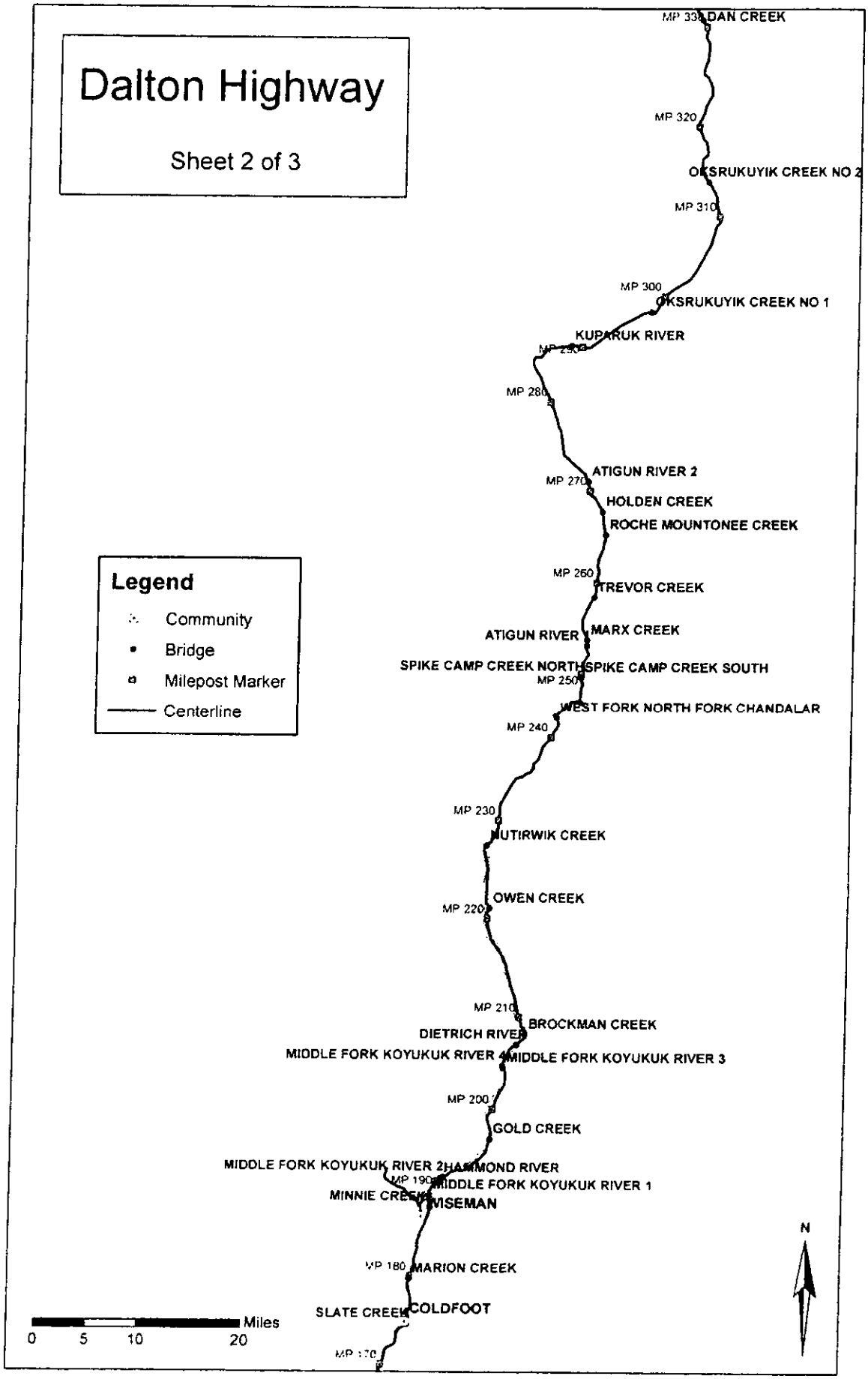
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Community
Bridge
Milepost Marker
Centerline
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OKSRUKUYIK CREEK NO 2
MP 310
MP 300
OKSRUKUYIK CREEK NO 1
KUPARUK RIVER
MP 280
ATIGUN RIVER 2
MP 270
HOLDEN CREEK
ROCHE MOUNTONEE CREEK
MP 260
TREVOR CREEK
ATIGUN RIVER
MARX CREEK
SPIKE CAMP CREEK NORTH
SPIKE CAMP CREEK SOUTH
MP 250
WEST FORK NORTH FORK CHANDALAR
MP 240
MP 230
UTIRWIK CREEK
OWEN CREEK
MP 220
MP 210
BROCKMAN CREEK
DIETRICH RIVER
MIDDLE FORK KOYUKUK RIVER 4
MIDDLE FORK KOYUKUK RIVER 3
MP 200
GOLD CREEK
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HAMMOND RIVER
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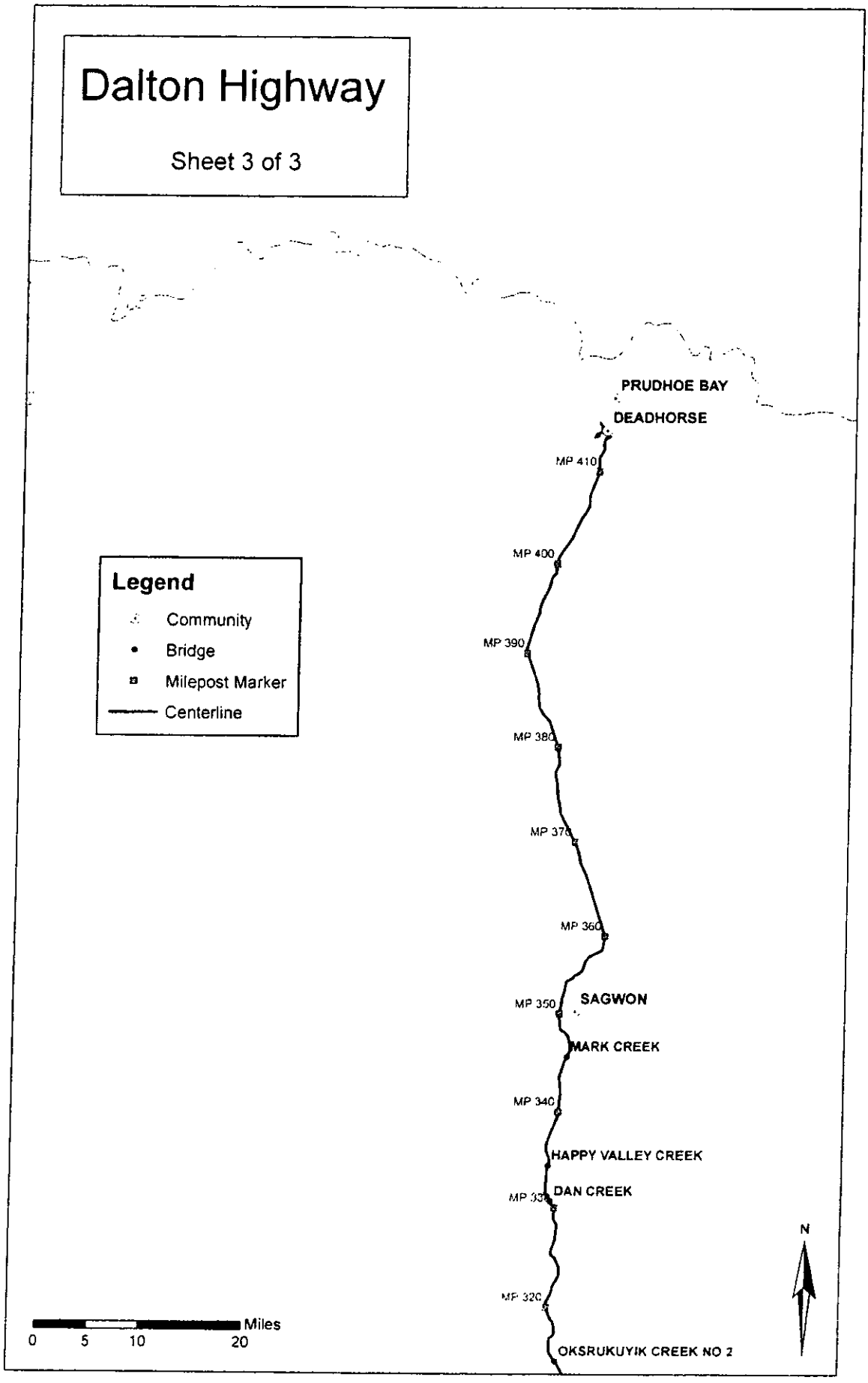
Dalton Highway
Sheet 3 of 3
Legend
Community
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PRUDHOE BAY
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MP 360
MP 350
SAGWON
MARK CREEK
MP 340
HAPPY VALLEY CREEK
DAN CREEK
MP 320
OKSRUKUYIK CREEK NO 2
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Miles
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Allow access: Dalton Highway corridor closure should be loosened

Legislators in Juneau have before them a simple bill to end a longstanding, unreasonable limitation on Alaskans' right to travel across public land north of the Yukon River.

Reps. Mike Kelly of Fairbanks and Mark Neuman of Wasilla have proposed allowing snowmachine travel on the Dalton Highway corridor during winter months. Rep. Tammie Wilson of North Pole has signed on as a co-sponsor.

For many years, state law has prohibited virtually all off-road vehicle use within five miles of the highway. Miners and oil workers are allowed on business. And some local snowmachine use is allowed — crossings of the 10-mile wide corridor are permitted if the rider starts from outside the corridor and is on his way to somewhere on the other side. Starting or stopping a snowmachine trip within the corridor is not allowed.

This, of course, eliminates the use of the Dalton Highway as a take-off point for most travel via snowmachine.

The rule is something Alaskans might expect from Washington, D.C., not Juneau. But it has a long history of political compromises that have sustained it in state law.

Some argue that the state must prohibit snowmachines in the corridor to protect wildlife from renegade hunters. If this is a reasonable argument, shouldn't the state apply the same five-mile buffer to the rest of its remote road system? Most of our highways traverse lightly populated areas where law enforcement is spotty.

The Dalton Highway is more remote, yes, but that actually argues against more stringent regulation. Its remoteness, lack of services and unpaved surface discourage most Alaskans from venturing up it — fewer people, fewer enforcement problems.

The ban on off-road vehicles in the corridor was passed in part to discourage urban hunters from using the road and competing with villagers. If that's such an issue, the state could limit access in areas that might be considered too near to the few villages along the route. The blanket prohibition north of the Yukon River is overkill.

The legislation in Juneau would allow snowmachines on the highway corridor from Oct. 1 to April 30. That roughly matches the season of frozen soil and snow cover, so the resulting travelers would have minimal impact on tender surface vegetation.

Even if the legislation passes, the prohibition on all other off-road vehicles would continue. So, too, would state regulations that prohibit hunting, except with bow and arrow, and the transport of hunters using motorized vehicles in the corridor.

The proposal would simply offer Alaskans access during the winter months to public lands from a public highway, with far more limits than they face on any other remote Alaska road.

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Fairbanks Daily News Miner – Editorial February 20, 2010

Dalton Highway snowmachine debate continues in Juneau

JUNEAU — A House subcommittee continued Wednesday to collect a blend of comments on a proposal to open thousands of square miles of land along the Dalton Highway to winter snowmachine use.

The bill would open the highway corridor to snowmachines during the seven coldest months. Snowmachines and ATVs are banned except for resource development work and travel by local residents.

About 150 people had commented by letter or e-mail or verbally by the time the subcommittee met shortly after noon. Comments were generally split, with 69 in favor and 80 opposed, according to the office of Rep. Tammie Wilson, R-North Pole.

The disagreement kept coming Wednesday afternoon.

Supporters said state law inappropriately bans almost all use of off-road vehicles of the highway north of the Yukon River. They said the soil there is generally frozen solid through the winter, so snowmachine travel from October through April would have little environmental impact.

"Many Alaskans believe that travel by snowmachine in the Dalton corridor is prevented by federal law," lead sponsor Rep. Mike Kelly, R-Fairbanks, said in a statement on the bill. "Wrong. The problem is state law."

Heidi Schoppenhorst, with Boreal Lodging in the Brooks Range, told the subcommittee the bill would open areas with few public safety personnel and difficult access to medical care. Schoppenhorst said increased snowmachine access also would conflict with a scenic byway plan for the area.

"I'm highly opposed to (House Bill) 267," she said.

Kelly said some have misinterpreted the bill as a move to change hunting regulations. The bill would not remove the prohibitions on rifle hunting within the Dalton Highway corridor or on the use of motorized vehicles to transport hunters anywhere within it (except on the highway and a few designated side roads); it only looks to improve people's opportunity to take advantage of outdoor opportunities already allowed, Kelly said.

"If this bill is passed it does not change any hunting along the Dalton Highway," Kelly said. "That was not the intent and it was never the intent."

Wilson, chairwoman of the subcommittee, said the group will meet again Monday to review options. Wilson is a co-sponsor of the bill.

Alaska Outdoor Council

310 K Street, Suite 200
Anchorage, AK 99501
Email: aoc@alaskaoutdoorcouncil.org
Website: www.alaskaoutdoorcouncil.org

March 9, 2010

Dear Representative Peggy Wilson and House Transportation Committee members,

Thank you for the opportunity to submit written testimony in support of House Bill 267 on behalf of the Alaska Outdoor Council (AOC). AOC has a statewide membership of over 10,000 Alaskans who regularly access public lands in order to gather public resource as well as travel on public lands for the sheer joy of being there.

Throughout the settling of North America by people of European descent outdoor's people have followed the trails laid down by developers. Fur trappers, gold miners, lumberjacks, and farmers all lead the way to public lands. The James Dalton highway is a latter day example of how today energy development is providing that same service to outdoors people. There are millions of acres of public lands along the Dalton highway north of the Yukon River that are inaccessible to the majority of people. Had it not been for the relatively inexpensive road access to Deadhorse thousands of tourist would have never been able to visit Alaska's North Slope. I personally had the privilege of driving the Haul road for 25 years while working for an Alaska big game guide in ANWR. He was able to make his remote guiding operation an economic success by reducing his air charter bill because he could drive his supplies into Deadhorse to fly out to camp. Access to public lands provides the State and its people with economic opportunity.

Today in Alaska we are witnessing an ever increasing loss of access to federal public lands as federal land managers are using federal law created by the Alaska National Interest Lands Conservation Act (ANILCA) to restrict travel. The opportunities for Alaskans to access federal public lands is being reduced at an alarming rate by the loss of RS 2477 right-of-ways, reductions in section 17(b) easements and sites, section 810 analyses of ANILCA, EIS determinations, and Records of Decisions regarding BLM Resource management planning.

The brunt of these federal closures will fall on State DNR land managers as they try to fulfill the constitutional mandates in Article VIII, Sections 1 and 2. The legislature will find it hard to meet their legislative mandate if they continue to allow State public domain to be locked up just five miles beyond the closed corridor.

AOC feels it will be in the State's best interest to allow seasonal (October – April) snow machine access to public lands north of the Yukon River along the James Dalton highway. Locking up access to public lands and resources is not what Alaskans want to see their legislators do. Rather AOC would like to see legislators support and fund sound scientific management of the habitat and the resources that depend on quality habitat, trail improvements, plus adequate enforcement necessary to ensure sustain-yield management of renewable resources.

AOC asks that you pass HB 267 out of H(TRA) committee with unanimous consent.

Thank you for your consideration of AOC's membership regarding access to public resources.

Rod Arno
Executive Director
Alaska Outdoor Council

Bill Iverson
President
Alaska Outdoor Council

Alaska Outdoor Access Alliance
PO Box 4053
Palmer, Alaska, 99645
www.alaskaaccess.org

March 9, 2010

Subject: House Bill No. 267

Dear Legislators:

On behalf of the Alaska Outdoor Access Alliance (herein AOAA) I write to request your support of House Bill No. 267 "An Act relating to travel by snow machine within five miles of the right-of-way of the James Dalton Highway." This bill sponsored by Representative Mike Kelly and Representative Mark Neuman, and co-sponsored by Representative Tammie Wilson is a step in the right direction for the State to rescind its unnecessary and unfair limitations on snow machine use within 5-miles of the James Dalton Highway. I encourage you to pass this bill as written.

The AOAA endorses the concept of maximizing the sustainable use of Alaska's public lands and waters. We believe that Alaska's lands and waters should be managed in a way that maximizing the enjoyment for the most Alaskans possible. AOAA was created in 2004 and represents over a dozen clubs and associations related to recreation across the State.

Sincerely,

Scott C. Hala
President
Alaska Outdoor Access Alliance

HB 267 – DALTON HIGHWAY TALKING POINTS

FACTS:

- Highway built in 1974 as a pipeline construction service road.
- Starts at Livengood and ends at Deadhorse – Just over 400 miles in length.
- Along most of its length, you'll see no restaurants, no gift shops, no service stations – just forest, tundra, and mountains, crossed by a double ribbon of road and pipe.
- The highway was closed – by state law – in 1980 to all recreational off-road vehicle use within 5 miles of the road right-of-way north of the Yukon River (AS 19.40.210).
- Became a public highway in 1991 with open access to anyone traveling north.
- Named after James Dalton, arctic engineer involved in early oil exploration efforts on the North Slope.
- Almost all land along the route is public land (millions of acres) with two different land managers: Federal Bureau of Land Management and the Alaska Department of Natural Resources.
- Prohibition starts at mile 57 of the Yukon River Crossing and extending 357 miles north to the Arctic Ocean.
- Highway corridor means lands within five miles of the highway right-of-way. (10-mile stretch that you can't unload the snow machine off your truck and use it anywhere in there).

Q & A:

Q: Would HB 267 have an adverse affect on game management and destroy game populations?
No. HB 267 does not speak to game management along the Dalton Corridor. There are current regulations in place that establish the Dalton Hwy Corridor Management Area that prevents motorized vehicle use to transport hunters, hunting gear, or parts of game, within the DHCMA. This bill in itself does not change hunting regulations in the area and the Board of Game would still regulate the area.

Q: Won't there be a lack of enforcement of Fish & Game regulations?
No more than what we have currently. Life safety services and enforcement will expand proportional to demand, just as in other areas of the state.

Q: Won't the lack of pull-outs along the Dalton create a safety concern?
The Department of Transportation and Public Safety can work collaboratively on a public safety awareness campaign. We could also look for future money to go towards building pull-outs along the Dalton. Before we do that however, it would be important to determine how much actual use there will be following passage of HB 267.

Q: Will HB 267 negatively impact wildlife and subsistence hunting due to the disturbance caused by snow machines?
Millions of acres of land lie along both sides of the Dalton Highway, north of the Yukon River. There should be room for all Alaskans.

Points to Consider:

- Large chunk of public land with limited opportunities for public uses due to the restrictions on motorized vehicles.
- HB 267 makes sense because it provides for much better access while reducing potential conflicts and habitat damage concerns by its **seasonal provision and limitation of motorized access to snow machines.**
- Given the limitations on so much of Alaska's lands do to federal land management regulations, loss of access on lands transferred to Native corporations under the terms of the Alaska Native Claims Settlement Act, the impasse over RS2477 access recognition, and the limited State trails program, it is important to responsibly promote public access on State lands where and when it can be done. HB 267 does this.

Prepared by: Rep. Kelly's Office

March 11, 2010

HB

280

26-LS1185\C
Bullock
3/9/10

CS FOR HOUSE BILL NO. 280( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES HAWKER AND CHENAULT, Johnson, Olson, Thomas, Ramras, Harris, Millett, Lynn

A BILL

FOR AN ACT ENTITLED

"An Act relating to a gas storage facility; relating to the Regulatory Commission of Alaska; relating to the participation by the attorney general in a matter involving the approval of a rate or a gas supply contract; relating to an income tax credit for a gas storage facility; relating to oil and gas production tax credits; relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; relating to production tax credits for certain losses and expenditures, including exploration expenditures; relating to the powers and duties of the director of the division of lands and to lease fees for a gas storage facility on state land; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

SHORT TITLE. This Act may be known as the Cook Inlet Recovery Act.

* **Sec. 2.** AS 31.05 is amended by adding a new section to read:

Sec. 31.05.032. Certification of gas storage capacity. (a) An owner of a gas storage facility that seeks an exemption under AS 38.05.180(u) or a credit under AS 43.20.046 shall apply to the commission for certification of the facility's working gas storage capacity and certification of the facility's gas withdrawal capability. The application shall be on a form prescribed by the commission.

(b) Within six months after receiving an application under (a) of this section, the commission shall determine and certify

(1) the working gas storage capacity of the facility on the date the facility commences commercial operation rounded to the nearest 500,000,000 cubic feet; and

(2) whether the gas storage facility is capable of withdrawing a minimum of 10,000,000 cubic feet of gas a day.

(c) The commission shall provide a copy of the certifications required by (b) of this section to the owner of the gas storage facility that requested the certification, the commissioner of natural resources, and the commissioner of revenue.

(d) If a gas storage facility ceases commercial operation, an owner of the gas storage facility shall give written notice to the commission that commercial operation has ceased. The notice must be filed with the commission before April 1 of the year immediately following the year in which the gas storage facility ceases commercial operation.

(e) In this section,

(1) "ceases commercial operation" means that the gas storage facility fails to inject or withdraw more than 100,000,000 cubic feet of gas during a calendar year following the year in which a gas storage facility commences commercial operation;

(2) "commences commercial operation" means the first injection of non-native gas into a gas storage facility for purposes other than testing;

(3) "cushion gas" means native and non-native gas in a gas storage facility that is needed to pressurize the facility and that allows the facility to function;

(4) "gas storage facility" means a tank or a depleted or nearly depleted

reservoir or pool in the state that is available for the storage of gas;

(5) "native gas" means gas in a gas storage facility that was not injected;

(6) "non-native gas" means gas that is produced elsewhere and injected into a gas storage facility;

(7) "pool" has the meaning given in AS 31.05.170;

(8) "working gas storage capacity" means the maximum volume of non-native gas a gas storage facility may safely contain without creating or causing waste; the maximum volume of non-native gas does not include the volume of cushion gas present or the volume required for proper functioning of the gas storage facility at the working gas storage capacity certified under (b) of this section.

*** Sec. 3.** AS 38.05.035(a) is amended to read:

(a) The director shall

(1) have general charge and supervision of the division and may exercise the powers specifically delegated to the director; the director may employ and fix the compensation of assistants and employees necessary for the operations of the division; the director is the certifying officer of the division, with the consent of the commissioner, and may approve vouchers for disbursements of money appropriated to the division;

(2) manage, inspect, and control state land and improvements on it belonging to the state and under the jurisdiction of the division;

(3) execute laws, rules, regulations, and orders adopted by the commissioner;

(4) prescribe application procedures and practices for the sale, lease, or other disposition of available land, resources, property, or interest in them;

(5) prescribe fees or service charges, with the consent of the commissioner, for any public service rendered;

(6) under the conditions and limitations imposed by law and the commissioner, issue deeds, leases, or other conveyances disposing of available land, resources, property, or any interests in them;

(7) have jurisdiction over state land, except that land acquired by the

Alaska World War II Veterans Board and the Agricultural Loan Board or the departments or agencies succeeding to their respective functions through foreclosure or default; to this end, the director possesses the powers and, with the approval of the commissioner, shall perform the duties necessary to protect the state's rights and interest in state land, including the taking of all necessary action to protect and enforce the state's contractual or other property rights;

(8) maintain the records the commissioner considers necessary, administer oaths, and do all things incidental to the authority imposed; the following records and files shall be kept confidential upon request of the person supplying the information:

(A) the name of the person nominating or applying for the sale, lease, or other disposal of land by competitive bidding;

(B) before the announced time of opening, the names of the bidders and the amounts of the bids;

(C) all geological, geophysical, and engineering data supplied, whether or not concerned with the extraction or development of natural resources;

(D) except as provided in AS 38.05.036, cost data and financial information submitted in support of applications, bonds, leases, and similar items;

(E) applications for rights-of-way or easements;

(F) requests for information or applications by public agencies for land that is being considered for use for a public purpose;

(9) account for the fees, licenses, taxes, or other money received in the administration of this chapter including the sale or leasing of land, identify their source, and promptly transmit them to the proper fiscal department after crediting them to the proper fund; receipts from land application filing fees and charges for copies of maps and records shall be deposited immediately in the general fund of the state by the director;

(10) select and employ or obtain at reasonable compensation cadastral, appraisal, or other professional personnel the director considers necessary for the

proper operation of the division;

(11) be the certifying agent of the state to select, accept, and secure by whatever action is necessary in the name of the state, by deed, sale, gift, devise, judgment, operation of law, or other means any land, of whatever nature or interest, available to the state; and be the certifying agent of the state, to select, accept, or secure by whatever action is necessary in the name of the state any land, or title or interest to land available, granted, or subject to being transferred to the state for any purpose;

(12) on request, furnish records, files, and other information related to the administration of AS 38.05.180 to the Department of Revenue for use in forecasting state revenue under or administering AS 43.55, whether or not those records, files, and other information are required to be kept confidential under (8) of this subsection; in the case of records, files, or other information required to be kept confidential under (8) of this subsection, the Department of Revenue shall maintain the confidentiality that the Department of Natural Resources is required to extend to records, files, and other information under (8) of this subsection;

(13) when reasonably possible, give priority to and expedite the processing of an application for a lease or assignment of a lease of state land for development and operation of a gas storage facility, for a right-of-way to a gas storage facility, for a change to the allocation of production within a unit, and for a permit necessary for the operation of a gas storage facility; in this paragraph, "gas storage facility" has the meaning given in AS 31.05.032.

*** Sec. 4.** AS 38.05.180(u) is amended to read:

(u) To avoid waste or to promote conservation of natural resources, the commissioner may authorize the subsurface storage of oil or gas, whether or not produced from state land, in land leased or subject to lease under this section. This authorization may provide for the payment of a storage fee or rental on the stored oil or gas, or, instead of the fee or rental, for a royalty other than that prescribed in the lease when the stored oil or gas is produced in conjunction with oil or gas not previously produced. A lease on which storage is so authorized shall be extended at least for the period of storage and so long thereafter as oil or gas not previously

produced is produced in paying quantities. **Notwithstanding the authorization for payments under this subsection, when requested by a lessee, the commissioner shall exempt a gas storage facility that qualifies for a tax credit under AS 43.20.046 from any payment described in this subsection for the periods described in this subsection. The exemption is available for the calendar year in which the facility commences commercial operation and for each of the nine calendar years immediately following the first year of commercial operation; however, an exemption is not applicable for the calendar year after the facility ceases commercial operation or for any subsequent calendar year. The lessee shall provide the commissioner with any information the commissioner requests to determine if the exemption applies. The information related to state land leased for a gas storage facility under this subsection is public information and may be furnished to the Regulatory Commission of Alaska. On request, the commissioner shall provide the name of each person using state land leased for a gas storage facility under this chapter, the years for which an exemption was granted, and the amount of the exemption. Gas withdrawn from a gas storage facility is considered to be non-native gas and is not considered to be produced and subject to royalty until all non-native gas injected into the gas storage facility has been withdrawn from the gas storage facility. A person receiving an exemption for a payment under this section that contracts to store gas for a utility regulated under AS 42.05 shall reduce the storage price to reflect the value of the exemption. In this subsection, "ceases commercial operation," "commences commercial operation," "gas storage facility," and "non-native gas" have the meanings given in AS 31.05.032.**

*** Sec. 5.** AS 42.05.141 is amended by adding a new subsection to read:

(d) When considering whether the approval of a rate or a gas supply contract proposed by a utility to provide a reliable supply of gas for a reasonable price is in the public interest, the commission shall

(1) recognize the public benefits of allowing a utility to negotiate different pricing mechanisms with different gas suppliers and to maintain a diversified portfolio of gas supply contracts to protect customers from the risks of inadequate

supply or excessive cost that may arise from a single pricing mechanism; and

(2) consider whether a utility could meet its responsibility to the public in a timely manner and without undue risk to the public if the commission fails to approve a rate or a gas supply contract proposed by the utility.

*** Sec. 6.** AS 42.05.381 is amended by adding a new subsection to read:

(k) The cost to the utility of storing gas in a gas storage facility that is allowed in determining a just and reasonable rate shall reflect the reduction in cost attributable to any exemption from a payment due under AS 38.05.180(u) and the value of a tax credit that the owner of the gas storage facility received under AS 43.20.046. The commission may request the (1) commissioner of natural resources to report the value of the exemption from a payment due under AS 38.05.180(u) that the gas storage facility received; and (2) commissioner of revenue to report information on the amount of tax credits claimed under AS 43.20.046 for the gas storage facility. In this subsection, "gas storage facility" has the meaning given in AS 31.05.032.

*** Sec. 7.** AS 42.05.990(4) is amended to read:

(4) "public utility" or "utility" includes every corporation whether public, cooperative, or otherwise, company, individual, or association of individuals, their lessees, trustees, or receivers appointed by a court, that owns, operates, manages, or controls any plant, pipeline, or system for

(A) furnishing, by generation, transmission, or distribution, electrical service to the public for compensation;

(B) furnishing telecommunications service to the public for compensation;

(C) furnishing water, steam, or sewer service to the public for compensation;

(D) furnishing by transmission or distribution of natural or manufactured gas to the public for compensation;

(E) furnishing for distribution or by distribution petroleum or petroleum products to the public for compensation when the consumer has no alternative in the choice of supplier of a comparable product and service at an equal or lesser price;

(F) furnishing collection and disposal service of garbage, refuse, trash, or other waste material to the public for compensation;

(G) furnishing the service of natural gas storage to the public for compensation;

*** Sec. 8.** AS 42.05.990 is amended by adding new paragraphs to read:

(9) "natural gas storage facility" means a facility that receives natural gas volumes from customers, holds the gas volumes in a reservoir, and delivers the gas volumes to the customer; in this paragraph, "facility" includes

(A) all parts of the facility from the point at which the natural gas volumes are received by the facility from the customer to the point at which the natural gas volumes are delivered by the facility to the customer;

(B) a facility consisting of a reservoir, either underground or aboveground, and one or more of the following components of the facility:

(i) pipe;

(ii) compressor stations;

(iii) station equipment;

(iv) injection and extraction wells;

(v) on-site or remote monitoring, supervision, and control facilities;

(vi) gas processing plants, treaters, and separators;

(vii) other equipment necessary to receive, place into the reservoir, monitor, remove from the reservoir, process, and deliver natural gas;

(10) "service of natural gas storage" means the operation of a natural gas storage facility primarily or exclusively for the benefit of third-party customers, and not for the benefit of the owner, operator, or manager of the natural gas storage facility; "service of natural gas storage" does not include the storage of natural gas

(A) owned by or contractually obligated to the owner, operator, or manager of the natural gas storage facility;

(B) that is incidental to the production or sale of natural gas to one or more third-party customers; or

(C) for which the price of storage is not separately itemized.

* **Sec. 9.** AS 43.05.230 is amended by adding a new subsection to read:

(j) The name of each person claiming a credit and the amount of credit claimed by that person under AS 43.20.046 is public information. The commissioner shall furnish the information to the Regulatory Commission of Alaska on request.

* **Sec. 10.** AS 43.20 is amended by adding a new section to article 1 to read:

Sec. 43.20.046. Gas storage facility tax credit. (a) A person that is an owner of a gas storage facility described in (b) of this section that commences commercial operation after December 31, 2010, and before January 1, 2016, may apply for a refundable credit against a tax liability that may be imposed on the person under this chapter for the taxable year in which the gas storage facility commences commercial operation. The tax credit under this section shall be an amount equal to $1.50 for each 1,000 cubic feet of working gas storage capacity that is certified under AS 31.05.032 less any amount of credit received under this section taken in earlier tax years for that capacity. The total amount of the credit that may be received for a single gas storage facility under this section may not exceed $15,000,000. The tax credit in this section is in addition to any other credit under this chapter for which the person is eligible.

(b) A gas storage facility qualifying for the credit in this section

(1) must have a working gas storage capacity of at least 500,000,000 cubic feet of gas other than cushion gas;

(2) must have a minimum withdrawal capability of 10,000,000 cubic feet a day as certified by the Alaska Oil and Gas Conservation Commission under AS 31.05.032;

(3) must not have been in operation as a gas storage facility before January 1, 2011;

(4) must be available for the storage of gas that is owned by a utility regulated under AS 42.05; and

(5) if located on state land and leased or subject to a lease under AS 38.05.180, must be in compliance with the terms of the lease.

(c) To claim the credit, the person shall submit to the department a copy of the certification of working gas storage capacity and withdrawal capability issued under

AS 31.05.032, the date that the gas storage facility commenced commercial operation, and other information required by the department. A person applying the credit against a liability under this chapter shall claim the credit on the person's return.

(d) A person entitled to a tax credit under this section that is greater than the person's tax liability under this chapter may request a refund in the amount of the unused portion of the tax credit.

(e) The department may use available money in the oil and gas tax credit fund established in AS 43.55.028 to make the refund applied for under (d) of this section in whole or in part if the department finds that (1) the claimant does not have an outstanding liability to the state for unpaid delinquent taxes under this title; and (2) after application of all available tax credits, the claimant's total tax liability under this chapter for any taxable year ending before the date of the refund claim is zero. In this subsection, "unpaid delinquent tax" means an amount of tax for which the department has issued an assessment that has not been paid and, if contested, has not been finally resolved in the taxpayer's favor.

(f) For the purpose of determining the amount of the credit under this section, the working gas storage capacity on which the credit is based shall be the capacity certified by the Alaska Oil and Gas Conservation Commission under AS 31.05.032.

(g) A person may not receive a credit under this section for the acquisition of a gas storage facility for which a credit has been granted under this section.

(h) If the gas storage facility for which a credit was received under this section ceases commercial operation during the nine calendar years immediately following the calendar year in which the gas storage facility commences commercial operation, the tax liability under this chapter of the person who claimed the credit shall be increased. The amount of the increase in tax liability

(1) shall be determined and assessed for the taxable year in which the gas storage facility ceases commercial operation, regardless of whether the gas storage facility subsequently resumes commercial operation; and

(2) is equal to the total amount of the credit taken multiplied by a fraction, the numerator of which is the difference between 10 and the number of calendar years for which the gas storage facility was eligible for a tax credit under this

section and the denominator of which is 10.

(i) The issuance of a refund under this section does not limit the department's ability to later audit or adjust the claim if the department determines, as a result of the audit, that the person that claimed the credit was not entitled to the amount of the credit. The tax liability of the person receiving the credit under this chapter is increased by the amount of the credit that exceeds that to which the person was entitled. If the tax liability is increased under this subsection, the increase bears interest under AS 43.05.225 from the date the refund was issued.

(j) A person claiming a tax credit under this section shall, when contracting with a utility regulated under AS 42.05 to store the utility's gas, reduce the price it would otherwise charge the utility to reflect the value of any tax credits received under this section.

(k) A person claiming a tax credit under this section for a gas storage facility that ceases commercial operation within nine calendar years immediately following the calendar year in which the gas storage facility commences commercial operation shall notify the department in writing of the date the gas storage facility ceased commercial operation. The notice must be filed with the return for the taxable year in which the gas storage facility ceases commercial operation.

(*l*) A refund under this section does not bear interest.

(m) In this section, "ceases commercial operation," "commences commercial operation," "gas storage facility," and "working gas storage capacity" have the meanings given in AS 31.05.032.

*** Sec. 11.** AS 43.55.011(m) is amended to read:

(m) Notwithstanding any contrary provision of AS 38.05.180(i), AS 41.09.010, AS 43.55.024, or 43.55.025, the department shall provide by regulation a method to ensure that, for a calendar year for which a producer's tax liability is limited by (j), (k), or (o) of this section, tax credits **based on a lease expenditure incurred before January 1, 2011, that are** otherwise available under AS 38.05.180(i), AS 41.09.010, AS 43.55.024, or 43.55.025 and allocated to gas subject to the limitations in (j), (k), and (o) of this section are accounted for as though the credits had been applied first against a tax liability calculated without regard to the limitations under

(j), (k), and (o) of this section so as to reduce the tax liability to the maximum amount provided for under (j) or (o) of this section for the production of gas or (k) of this section for the production of oil. The regulation must provide for a reasonable method to allocate tax credits to gas subject to (j) and (o) of this section. Only the amount of a tax credit remaining after the accounting provided for under this subsection may be used for a later calendar year, transferred to another person, or applied against a tax levied on the production of oil or gas not subject to (j), (k), or (o) of this section to the extent otherwise allowed.

*** Sec. 12.** AS 43.55.020 is amended by adding a new subsection to read:

(i) Cushion gas in a gas storage facility is not considered to be gas used in the operation of a lease or property or gas used for repressuring as described in (e) of this section. Gas withdrawn from a gas storage facility is considered to be non-native gas until all non-native gas injected into the gas storage facility has been withdrawn from the gas storage facility. Non-native gas withdrawn from a gas storage facility is not considered to be gas produced for the purposes of AS 43.55.011 - 43.55.180. Gas withdrawn from a gas storage facility after all non-native gas previously injected into the gas storage facility has been withdrawn is gas considered to be produced from the lease or property for the purposes of AS 43.55.011 - 43.55.180. In this subsection, "gas storage facility," "native gas," and "non-native gas" have the meanings given in AS 31.05.032.

*** Sec. 13.** AS 43.55.023(a) is amended to read:

(a) A producer or explorer may take a tax credit for a qualified capital expenditure as follows:

(1) notwithstanding that a qualified capital expenditure may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a qualified capital expenditure may also elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that expenditure; **the full amount of the credit for a qualified capital expenditure incurred in the Cook Inlet sedimentary basin after December 31, 2010, may be applied for a single**

calendar year; however, not more than half of the tax credit **for a qualified capital expenditure incurred outside of the Cook Inlet sedimentary basin after December 31, 2010,** may be applied for a single calendar year;

(2) a producer or explorer may take a credit for a qualified capital expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2);

(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2).

*** Sec. 14.** AS 43.55.023(d) is amended to read:

(d) Except as limited by (i) of this section, a person that is entitled to take a tax credit under this section that wishes to transfer the unused credit to another person or obtain a cash payment under AS 43.55.028 may apply to the department for transferable tax credit certificates. An application under this subsection must be in a form prescribed by the department and must include supporting information and documentation that the department reasonably requires. The department shall grant or deny an application, or grant an application as to a lesser amount than that claimed and deny it as to the excess, not later than 120 days after the latest of (1) March 31 of the year following the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; (2) the date the statement required under AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; or (3) the date the application was received by the department. If, based on the information then available to it, the department is reasonably satisfied that the applicant is entitled to a credit, the department shall, **except as provided in (n) of this section,** issue the applicant two transferable tax credit certificates, each for half of the amount of the credit**; the** [. THE] credit shown on one of the two certificates is available for immediate use. The credit shown on the second of the two certificates may not be applied against a tax for a calendar year earlier than the calendar year following the calendar year in which the certificate is

issued, and the certificate must contain a conspicuous statement to that effect; a [. A] certificate issued under this subsection does not expire.

*** Sec. 15.** AS 43.55.023(g) is amended to read:

(g) The issuance of a transferable tax credit certificate under (d) **or (n)** of this section or the purchase of a certificate under AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to which the certificate relates or to adjust the claim if the department determines, as a result of the audit, that the applicant was not entitled to the amount of the credit for which the certificate was issued. The tax liability of the applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit that exceeds that to which the applicant was entitled, or the applicant's available valid outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased under this subsection, the increase bears interest under AS 43.05.225 from the date the transferable tax credit certificate was issued. For purposes of this subsection, an applicant that is an explorer is considered a producer subject to the tax levied by AS 43.55.011(e).

*** Sec. 16.** AS 43.55.023 is amended by adding new subsections to read:

(m) A producer or explorer may apply for a tax credit for a Cook Inlet well lease expenditure incurred after December 31, 2010, as follows:

(1) notwithstanding that a Cook Inlet well lease expenditure may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under (a) of this section, AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a Cook Inlet well lease expenditure may also elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 40 percent of that expenditure. A tax credit under this subsection may be applied for a single calendar year;

(2) a producer or explorer may take a credit for a Cook Inlet well lease expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS

43.55.025(f)(2); and

(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2).

(n) For a lease expenditure incurred in the Cook Inlet sedimentary basin after December 31, 2010, that qualifies for tax credits under (a) and (b) of this section, and for a Cook Inlet well lease expenditure that qualifies for a tax credit under (m) of this section, the department shall issue a transferable tax credit certificate to the person entitled to the credit for the full amount of the credit. The transferable tax credit is available for immediate use and does not expire.

*** Sec. 17.** AS 43.55.028(a) is amended to read:

(a) The oil and gas tax credit fund is established as a separate fund of the state. The purpose of the fund is to purchase [CERTAIN] transferable tax credit certificates issued under AS 43.55.023**,** [AND CERTAIN] production tax credit certificates issued under AS 43.55.025**, and to pay refunds claimed under AS 43.20.046**.

*** Sec. 18.** AS 43.55.028(e) is amended to read:

(e) The department, on the written application of **a** [THE] person to whom a transferable tax credit certificate has been issued under AS 43.55.023(d) **or (n)** or **to whom** a production tax credit certificate has been issued under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to purchase, in whole or in part, the certificate if the department finds that

(1) the calendar year of the purchase is not earlier than the first calendar year for which the credit shown on the certificate would otherwise be allowed to be applied against a tax;

(2) **except for the application of a person for the purchase of a transferable tax credit certificate issued under AS 43.55.023(n),**

(A) within 24 months after applying for the transferable tax credit certificate or filing a claim for the production tax credit certificate, the applicant incurred a qualified capital expenditure or was the successful bidder on a bid submitted for a lease on state land under AS 38.05.180(f);

(B) [(3)] the amount expended for the purchase would not exceed the total of qualified capital expenditures and successful bids described

in **(A)** [(2)] of this **paragraph** [SUBSECTION] that have not been the subject of a finding made under this **subparagraph** [PARAGRAPH] for purposes of a previous purchase of a certificate;

(3) [(4)] the applicant does not have an outstanding liability to the state for unpaid delinquent taxes under this title;

(4) [(5)] the applicant's total tax liability under AS 43.55.011(e), after application of all available tax credits, for the calendar year in which the application is made is zero;

(5) [(6)] the applicant's average daily production of oil and gas taxable under AS 43.55.011(e) during the calendar year preceding the calendar year in which the application is made was not more than 50,000 BTU equivalent barrels; and

(6) [(7)] the purchase is consistent with this section and regulations adopted under this section.

*** Sec. 19.** AS 43.55.028(g) is amended to read:

(g) The department may adopt regulations to carry out the purposes of this section, including standards and procedures to allocate available money among applications for purchases **under this chapter and claims for refunds under AS 43.20.046 when** the total amount of **the applications for purchase and claims for refund exceed** [WHICH EXCEEDS] the amount of available money in the fund. **The regulations adopted by the department may not, when allocating available money in the fund under this section, distinguish an application for the purchase of a credit certificate issued under AS 43.55.023(n) or a claim for refund under AS 43.20.046.**

*** Sec. 20.** AS 44.23.020(e) is amended to read:

(e) There is established within the Department of Law the function of public advocacy for regulatory affairs. The attorney general shall participate as a party in a matter that comes before the Regulatory Commission of Alaska when the attorney general determines that participation is in the public interest. **When considering whether participation is in the public interest, the attorney general shall consider the issues the Regulatory Commission of Alaska must take into consideration under AS 42.05.141(d).**

*** Sec. 21.** This Act takes effect immediately under AS 01.10.070(c).

Representative Mike Hawker
Alaska State Legislature

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Whittier
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House Bill 280
"The Cook Inlet Recovery Act"
Changes in Work Draft v. C

The changes from the House Labor and Commerce committee substitute (Ver. P) are:

- **Sec. 2.** Directs the Alaska Oil and Gas Conservation Commission to certify a natural gas storage facility's working gas capacity rounded to the nearest 500 million cubic feet instead of the nearest 1 billion cubic feet.

- **Sec. 2.** Increases to 100 million cubic feet the minimum annual injection or withdrawal of natural gas required for a gas storage facility to qualify for and retain its tax credit and state land lease fee exemption.

- **Sec. 2.** Eliminates pipelines as eligible for the gas storage facility tax credit.

- **Sec. 8.** Clarifies the boundaries and facilities of a gas storage facility that would be subject to regulation by the Regulatory Commission of Alaska, and specifies that RCA regulation extends only to gas storage facilities operated exclusively or primarily for the benefit of gas owned by third-party customers.

- **Secs. 10, 17 and 19.** Changes the tax credit offered for development of a gas storage facility from a transferrable tax credit to a refundable tax credit. The end result is the same — the taxpayer could receive a payment from the state for the full value of the refundable credit if the taxpayer does not have enough tax liability to fully use the credit. The Department of Revenue advised that a refundable tax credit would be easier to administer than a transferable tax credit.

- **Sec. 10.** Reduces the maximum tax credit for a gas storage facility to $15 million from $30 million in Version P.

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HB 280
"Cook Inlet Recovery Act"
Sectional Analysis (version C)

Prepared by Representative Mike Hawker's Office

Section 1: Sets out a short title for the legislation: Cook Inlet Recovery Act (CIRA).

Section 2: Establishes an application process, criteria and timeline for the Alaska Oil and Gas Conservation Commission (AOGCC) to certify that a gas storage facility (GSF) meets the minimum working gas storage capacity and daily delivery rate requirements to be eligible for the financial incentives provided in this bill.

Requires a GSF owner to notify the AOGCC if the facility ceases operation.

Provides definitions for terms used in CIRA.

Section 3: Requires the Director of the Division of Mining, Land and Water to give priority to and expedite "when reasonably possible" any applications, permits and lease assignments needed for development and operation of a GSF.

Section 4: Directs the Department of Natural Resources (DNR) to waive any state land lease fees or rents for the first 10 years of a GSF's operation. The waiver would stop if the storage facility ceases commercial operations.

States that any waivers of lease fees or rents would be public record.

Requires that the GSF pass on the financial benefits of any lease exemption to utilities that use its service.

Clarifies that any gas withdrawn from a GSF is considered to be non-native gas and not subject to royalty until all non-native gas is withdrawn.

Section 5: Directs the Regulatory Commission of Alaska (RCA), when considering the approval of a utility's gas supply contract, to consider the impact on consumers if the commission rejects a utility's gas supply contract and to recognize the value of a utility holding a diversified portfolio of gas supply contracts with different pricing mechanisms in order to protect consumers from inadequate gas supplies and the risk of a single pricing mechanism.

Section 6: Requires that a utility's cost of gas storage that is passed on to consumers reflect the financial benefits of any tax credits and state lease exemptions provided in this legislation.

Section 7: Specifies that the Regulatory Commission of Alaska has jurisdiction over natural gas storage services provided for gas that is owned by a regulated utility.

Section 8: Further defines "natural gas storage facility" and clarifies what is considered part of the storage facility.

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Further defines that RCA regulation of gas storage facilities is limited to facilities operated primarily or exclusively for third-party customers; regulation does not extend to a proprietary storage facility operated exclusively or primarily to hold gas owned by the storage facility owner or operator.

Section 9: Clarifies that the names of taxpayers and the amount of credits claimed for gas storage facilities under this legislation shall be public information. Requires the Department of Revenue (DOR) to furnish the information to the RCA.

Section 10: Establishes a credit against corporate income taxes of $1.50 per thousand cubic feet of new gas storage capacity opened in Alaska during 2011-2015. The credit is limited to $15 million per GSF. This section sets out minimum capacity and deliverability requirements to qualify for the credit, including that the GSF must be available for use by regulated utilities and, if utilizing state land, must be in compliance with its DNR storage lease. The credit can be refunded by the state at full value if the owner does not have enough taxable income to fully utilize the credit.

Section 11: Sunsets on Jan. 1, 2011, the rule that limits how certain tax credits arising from activity in Cook Inlet or from producing gas for in-state use are used. This would allow a Cook Inlet explorer or producer to explore or produce elsewhere in the state and have full access to the credits it earned from its Cook Inlet activities.

Section 12: Clarifies that any native gas in a gas storage facility shall be deemed not to be produced for production tax purposes until all of the non-native gas injected into the storage facility has been withdrawn.

Section 13: Allows explorers in Cook Inlet to receive their full production tax credit in the first year rather than over two years (as in current statute).

Section 14: Makes additional statutory changes to allow explorers in Cook Inlet to receive their full production tax credit the first year rather than over two years (as in current statute).

Section 15: Adds the new Cook Inlet-related well tax credits to the section in statute dealing with audits of transferred tax credits.

Section 16: Provides a 40% credit for exploration expenses in Cook Inlet against production taxes, rather than the two-tiered 30% / 40% credit in existing statute. In addition, all well-related lease expenditures in Cook Inlet, including non-capital and non-exploration related lease expenditures, also qualify for the credit.

Section 17: Allows the state to use funds from the oil and gas tax credit fund to refund the tax credits issued to a GSF.

Section 18: Makes additional changes to make it easier for a company to sell its Cook Inlet exploration credits to the state. Current law requires that before a company can sell credits back to the state it must prove it has spent an amount equal to the

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credit in Alaska. HB 280 would eliminate that requirement for Cook Inlet exploration credits.

Section 19: Authorizes the Department of Revenue to write regulations implementing certain aspects of Section 17.

Section 20: Directs the Office of Public Advocacy for regulatory affairs at the Department of Law, when considering whether to participate in a utility rate case regarding a utility's gas supply contract before the RCA, to consider the impact to consumers if the commission rejects a utility's gas supply contract and to recognize the value of a utility holding a diversified portfolio of gas supply contracts with different pricing mechanisms in order to protect consumers from inadequate gas supplies and the risk of a single pricing mechanism.

Section 21: Immediate effective date clause.

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HB 280
Cook Inlet Recovery Act (CIRA) - Overview
Prepared by Representative Mike Hawker's Office

CIRA provides a statutory framework and financial incentives for developing large-scale natural gas storage facilities and also makes changes to Cook Inlet exploration tax credits to encourage exploration and development of new gas discoveries.

Gas Storage Facilities

- Incentives include:
  - Land lease and fee exemption for 10 years
  - NEW income tax credit
    - Credit is based on capacity, certified by AOGCC: $1.50/1,000 cubic feet (cf) of working storage capacity
    - Maximum credit is $15 million per facility
    - Credit is fully refundable by the state
  - Expedited/priority processing of applications by DNR, when reasonably possible
- Incentives apply to gas storage facility that meets minimum capacity and delivery requirements, certified by AOGCC:
  - Minimum Working Storage Capacity: 500 million cf
  - Minimum Daily Delivery Capacity: 10 million cf
- Incentives are available for gas storage facilities that commence operations between Jan. 1, 2011, and Dec. 31, 2015
- All financial benefits and the names of those receiving the benefits are public information
- All financial benefits must be passed on to utilities, which then pass on to consumers
- All financial benefits stop when a project ceases operation
- CIRA also mandates RCA regulation of gas storage facilities that hold gas owned by regulated utilities.

Gas Exploration in Cook Inlet

- Changes to existing credits:
  - Allows 100% of credits earned by explorers in the Cook Inlet to be used elsewhere in the state; current statute generally limits those credits to be applied only to actual taxes paid on Cook Inlet production
  - Allows the full amount of the credit to be used in the year issued; current statute allows only half of the credit to be used in one year
  - Provides a 40% credit for exploration within Cook Inlet; current statute contains a variable (30% or 40%) credit based on the proximity of the exploration to an existing well

HB 280 Overview (cont.)
Definitions

Gas storage facility: A depleted or nearly depleted reservoir or aboveground tank used to store natural gas produced offsite and delivered to the storage facility to hold until needed. The owner of the gas — a utility, for example — would inject gas into the facility and would pay the facility operator for storage service.

Working gas storage capacity: The maximum amount of natural gas the storage facility could safely hold for its storage customers.

Cushion gas (also known as pad gas): The volume of gas that must be maintained in the storage facility to provide adequate pressure for operations. The storage operator, not the storage customers, would own the cushion gas.

Native gas: In the case of a nearly depleted reservoir, native gas is the natural gas that exists in the reservoir at the time it is developed for use as a storage facility. Native gas is used as cushion gas to maintain pressurization. If all of the non-native working gas that was injected for storage is withdrawn and native gas is eventually produced, state tax and royalty would be assessed.

Non-native working gas: Natural gas that is produced from another reservoir and delivered to the storage facility and held until needed. For example, a utility could purchase gas from a Cook Inlet producer and have it delivered to the storage facility for safekeeping until the utility needs the gas to meet customer demand. At that point, the utility would instruct the gas storage operator to deliver the quantity of gas required. The utility, not the storage operator, would own the gas in storage. State tax and royalty would be assessed on the non-native working gas when it is first produced and sold to the utility; no additional taxes or royalties would be due when it is withdrawn from storage for delivery to the utility.

HB 280 Overview (cont.)
FAQs

1. What are the minimum requirements for a gas storage facility (GSF) to qualify for financial incentives in the Cook Inlet Recovery Act? Who determines if a GSF meets these requirements?

   In order to qualify for the financial incentives in CIRA, a GSF must have the capacity to store more than 500 million cubic feet of working gas and deliver gas at a rate of at least 10 million cubic feet per day. The Alaska Oil and Gas Conservation Commission (AOGCC) will be required to certify these capacities within six months of receiving an application and provide the certification to the applicant, the Department of Natural Resources and the Department of Revenue.

2. What happens if the GSF stops operating?

   A GSF ceases operations if it doesn't inject or withdraw at least 100 million cubic feet of gas in a calendar year. The operator is required to notify the AOGCC by April 1st of the following year. If this happens, the GSF will no longer be eligible for state lease fees exemptions or tax credits.

3. Sections 4 and 12 of the bill state that gas withdrawn from a GSF is considered to be non-native gas and not considered to be produced until all non-native gas has been withdrawn. What does this mean and why do we need this language?

   This language requires that state follow last-in, first-out accounting rules for gas in a GSF. "Native gas" is any gas that is already in a storage facility and will be subject to existing royalty and production taxes when it is produced. "Non-native gas" includes all gas that is injected into the facility for temporary storage - royalty and production taxes were assessed when it was produced. By including this language, it is clear that non-native gas extracted from a GSF is not taxed twice and native gas is not subject to royalty and production taxes until all non-native gas is withdrawn.

4. Gas storage companies are receiving lease exemptions and tax breaks under CIRA. Are these savings passed on to the consumer?

   Yes. Language in sections 4, 6 and 10 require the owner of a GSF to reflect the savings of any financial benefits enacted in CIRA in their gas storage price.

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HOUSE COMMITTEE REPORT

(9)

Date Referred to Committee: February 17, 2010 **FURTHER REFERRALS: Finance**

Date of Committee Action: 3/15/10

The RESOURCES Committee considered: **HOUSE BILL NO. 280**

"An Act relating to natural gas; relating to a gas storage facility; relating to the Regulatory Commission of Alaska; relating to the participation by the attorney general in a matter involving the approval of a rate or a gas supply contract; relating to an income tax credit for a gas storage facility; relating to oil and gas production tax credits; relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; relating to production tax credits for certain losses and expenditures, including exploration expenditures; relating to the powers and duties of the director of the division of lands and to lease fees for the storage of gas on state land; and providing for an effective date."

HB 280-NATURAL GAS

Recommends it be replaced with [ ] HCS *or* [X] CS *for* HB 280 (RES)

For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [X] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero
DNR			✓	
REV		✓		

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero
ADM	1			✓
CED	2			✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Joe Edgmon	Edgmon	✓			
	OLSON	—			
Peggy Wilson	WILSON	✓			
Pearl Stoltze		✓			
Chair: Craig Johnson	Johnson	—			
Chair:					

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **CSHB 280(L&C)**
() Publish Date:

Identifier (file name): CSHB280-DNR-DOG-03-05-10
Title: Cook Inlet Recovery Act
Sponsor: Rep. Hawker and Chenault
Requester: HRES

Dept. Affected: Natural Resources
RDU: Resource Development
Component: Oil and Gas Development
Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )	**indeterminate**						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

HB 280 offers tax credits for Cook Inlet gas storage facilities and attempts to promote gas exploration and production in the Cook Inlet.

There is no anticipated fiscal impact to the Division of Oil and Gas for the management of gas storage on state land. However, Sec. 4 of the bill will provide a ten year "holiday" on all storage fees and rentals for the storage lease. Also, the accounting convention described means that "non-native" gas will be withdrawn from storage first and no royalty revenue will acrue to "native" gas until all non-native gas is withdrawn. How industry will respond to the tax credits offered by this bill is unknown, therefore, the impact on fees, rents, and royalty revenues is negative indeterminate.

Prepared by: Kevin Banks, Director — Phone 269-8800
Division: Oil and Gas — Date/Time 3/5/10 12:00 PM
Approved by: Tom Irwin, Commissioner — Date 3/5/2010
Natural Resources

(Revised 11/6/2009 OMB)

3972

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **CSHB280 v P**
() Publish Date:

Identifier (file name): CSHB280(L&C)-REV-TAX-03-07-10
Dept. Affected: Revenue
Title: Cook Inlet Recovery Act
RDU: Taxation and Treasury
Component: Tax Division
Sponsor: Representative Mike Hawker
Requester: (H) Resources
Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	108.9	108.9	108.9	108.9	108.9	108.9	108.9
Travel	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Contractual	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Supplies	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**117.3**	**117.3**	**117.3**	**117.3**	**117.3**	**117.3**	**117.3**
CAPITAL EXPENDITURES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES ( )	***	***	***	***	***	***	***

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	117.3	117.3	117.3	117.3	117.3	117.3	117.3
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Interagency Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**117.3**	**117.3**	**117.3**	**117.3**	**117.3**	**117.3**	**117.3**

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**
Part-time	0.0	0	0	0	0	0	0
Temporary	0.0	0	0	0	0	0	0

ANALYSIS: *(Attach a separate page if necessary)*

HB 280 would make multiple changes to the existing law on tax credits and gas storage facilities. The portions of the bill that specifically apply to the Department of Revenue would change the treatment of credits under AS 43.55.023 (Qualifying Capital Expenditures) and create a credit against corporate income tax (CIT) for gas storage facilities (AS 43.20.046). The language relating to credits has the potential to be interpreted quite broadly with the potential for large reductions in state revenues when compared to future developments that might occur under the current law.

The Department is requesting a Corporate Income Tax Auditor III position (Range 22) to audit the tax credits and manage the approval, issuance and tracking of the new and modified state credits. (continued)

Prepared by: Cody Rice, Petroleum Economist II — Phone 907-269-1024
Division: Tax Division — Date/Time 03-04-10; 4:27pm
Approved by: Ginger Blaisdell, Director — Date 03-07-10; 1:31pm
Administrative Services Division

(Revised 11/6/2009 OMB)

3973

ANALYSIS CONTINUATION

There are three gas storage facilities currently operating in the Cook Inlet region. None of the existing gas storage facilities would qualify for the corporate income tax credits under this bill as currently written. However, it is unclear if the existing gas storage facilities could qualify for credits if they shut-down and re-opened or changed ownership. Any estimate of the change in revenues to the state under this legislation would be based on hypothetical development in the future. As a result, the full revenue impact of this legislation cannot be accurately determined at this time.

The following scenarios may provide some perspective on the range of potential revenue impacts.

Scenario 1: Corporate income tax credit effects on a small facility

The first scenario assumes the construction of a small gas storage facility in a depleted reservoir similar to one of the smaller currently operating gas storage facilities. The facility is assumed to be capable of approximately 1.25 cycles a year and to have a working gas capacity of approximately 1Bcf. Under the terms of HB 280 this facility would be entitled to a credit of $1.5 Million against state CIT.

In 2004, the Federal Energy Regulatory Commission (FERC) estimated the median cost-of-service rate for firm storage service at $0.64/Decatherm. One Decatherm is equal to one Mcf of natural gas if the natural gas contains 1,000 Btu/cubic foot. Escalating this cost for inflation produces a 2009 cost-of-service rate of approximately $0.72/Mcf of firm storage service.

Given the estimated cost-of-service, volume of gas cycled and reasonable assumptions about debt to equity and other factors, the Department of Revenue estimates that this gas storage facility would owe approximately $95,000/year in state CIT. This rough estimate suggests that the corporate income tax credit for gas storage created under AS 43.20.046 of this bill would entirely offset the state corporate tax liability for nearly the first 16 years of operation. It is important to note that the credit created in this bill under AS 43.20.046 is eligible to be transferred or refunded.

There is a credit clawback provision that applies if the gas storage ceases commercial operations within ten years. However, in this scenario, the amount of the original credit remaining after ten years of commercial operations is estimated to be $550,000. This means the storage operator in this scenario could cease to operate at the beginning of year 11 and theoretically retain as much as $550,000 in refundable state credits. Additionally, under HB 280, the facility would be exempt from rental and storage fees charged by the Department of Natural resources (DNR) for the first ten years of commercial operations. There is also some question about whether the existing statute of limitations would allow the state to exercise the clawback provision.

Under this scenario the reduction in state taxes to the state is $1.5 million in undiscounted terms for each qualifying facility of this type. This does not include reductions in estimated rental and storage fees.

Scenario 2: Corporate income tax credit effects on a large facility

Scenario two assumes the construction of a large gas storage facility in a depleted reservoir. The facility is assumed to be capable of cycling approximately one time each year and to have a working gas capacity of

ANALYSIS CONTINUATION

Under the terms of HB 280 this facility would be entitled to the maximum credit of $30 million against state corporate income tax.

Using the same cost-of-service and financial assumptions as scenario one, the Department of Revenue estimates that the gas storage facility owner would owe approximately $1.5 million annually in state CIT. This rough estimate suggests that the corporate income tax credit created under AS 43.20.046 would completely offset the state corporate income tax liability for about 20 years of operation. It is important to note again that the credit created in this bill under AS 43.20.046 is eligible to be transferred or refunded. There is a credit clawback provision that applies if the gas storage ceases commercial operations within ten years. However, in this scenario, the amount of the original credit remaining after ten years of commercial operations is estimated to be $15,000,000. This means the storage operator in this scenario could cease to operate at the beginning of year 11 and theoretically retain as much as $15,000,000 in refundable state credits. The facility would also be exempt from rental and storage fees charged by the Department of Natural resources (DNR) for the first ten years of commercial operations.

Under this scenario the reduction in state taxes to the state is $30 million in undiscounted terms for each qualifying facility of this type. This does not include reductions in estimated rental and storage fees.

Scenario 3: Broader interpretation of HB 280 benefits

Previous scenarios have assumed gas storage facilities operated at nearly 100% of capacity, using 100% of certified storage capacity. This scenario assumes a gas storage operator takes full economic advantage of a broad interpretation of the language in HB 280. Specifically, the facility uses a reservoir with a working gas capacity of 20 Bcf and the operator only cycles the minimum amount of gas to prevent the loss of the credits: 10,000 Mcf of natural gas annually. Using the same cost-of-service and financial assumptions as the previous two scenarios, the Department of Revenue estimates that the gas storage facility owner would owe less than $1,000 annually in state CIT. The storage facility owner would be eligible for a credit of $30,000,000 for the facility based on the working gas capacity. In this scenario it would take nearly 4,000 years of operation under this scenario for a gas storage operator to exhaust the state corporate income tax credit provided under this bill. Alternatively, after 10 years of commercial operation the owner could shut the facility down and retain $29,990,000 in refundable state credits.

Scenario 4: Lost or deferred production and production tax revenue

Previous scenarios have assumed gas storage in a depleted reservoir. It is possible that an oil and gas lessee could elect to shut-in production at a currently producing field earlier than would have otherwise occurred in order to take full advantage of plentiful native gas for free cushion gas. Under this bill the remaining native gas could be produced at the end of commercial operations for the gas storage facility. This deferred or lost production tax revenue would be in addition to lost revenue impacts equivalent to any of the previous three scenarios. The time value of deferred production is not calculated but could be substantial.

Scenario 5: Tax Ceiling

Existing state law provides the benefit of a tax ceiling for certain production under AS 43.55.011(j)(k) and (o). The tax ceiling applies to Cook Inlet production as well as any natural gas produced for use in state. Currently, credits earned under AS 38.05.180(i), AS 41.09.010, AS 43.55.024 or AS 43.55.025 are required to be applied first to a producers tax liability under AS 43.55.011(e) as though it were not limited by AS 43.55.011(j)(k) or (o).

ANALYSIS CONTINUATION

Under HB280, the limitation on application of credits does not apply to Cook Inlet production after January 1, 2011. This change would allow credits from Cook Inlet expenditures to also be applied to other non-Cook Inlet tax liability. In essence producers would earn credits and apply their full value against state wide tax liability and also receive the benefit of the reduced tax rate resulting from the comparison of actual tax rate (using those credits) and the prior ELF rate or ceiling rate. This repeal is likely to have the effect of reducing Cook Inlet tax collections to zero and allowing Cook Inlet credits to be used to shield taxes due from operations in other parts of Alaska such as the North Slope. This provision would be a particular benefit to companies operating in both Cook Inlet and on the North Slope.

Scenario five entails a producer with production in both Cook Inlet and on the North Slope. Assume the producer is entitled to a credit of $12 million under AS 43.55.025 because of Cook Inlet Exploration Expenditures, and assume that the producer's total production taxes are approximately $18 million, with $16 million attributed to North Slope production and $2 million attributed to Cook Inlet production.

Under existing law, AS 43.55.011(m) requires the producer to apply the $12 million in Cook Inlet credits to the full value of its hypothetical .011(e) Cook Inlet tax liability even though the Cook Inlet tax ceiling rate is applicable. Applying the $12 million credit against $2 million of .011(e) Cook Inlet production tax leaves $10 million in excess credits that may be used to offset tax liability elsewhere in the state. The tax ceiling rate on Cook Inlet oil is zero; therefore $2 million of the credit is considered "used" under AS 43.55.011(m).

Under current law, the North Slope tax liability of $16 million would be offset by the $10 million in credits left over after application of AS43.55.011(m), leaving a production tax liability of $6 million. Under HB 280, the producer would not have to draw down its $12 million of Cook Inlet tax credits, and instead be allowed to apply the full $12 million to the $16 million North Slope tax liability. As a result, the producer would pay a total of $4 million in production tax under this scenario, or $2 million less than under the existing law.

This scenario is a simplified version of how HB 280 might affect state revenues. Because AS 43.55.011(m) applies to multiple types of credits, and multiple taxpayers, the revenue effects could be significant.

Additional Scenarios and Fiscal Impacts:

The effect of increasing the value of credits for well work in Cook Inlet to 40% under AS 43.55.023(m) is not quantified in this analysis but would reduce tax revenues.

There could be additional reductions in state tax revenues if other existing facilities or natural gas pipelines were certified as gas storage and eligible for credits. This bill does not limit the credit for gas storage to the Cook Inlet, and in fact could be applied to gas stored on the North Slope or other areas of the state.

Cook Inlet production tax and additional production caused by the injection or withdrawal requirements under this proposal are very unlikely to generate more than a small fraction of the revenue that would be required to fund this credit. This means production taxes from other areas of the state, such as the North Slope would likely be the source of funds to the tax credit fund for the state to repurchase this credit.

Representative Mike Hawker
Alaska State Legislature

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House District 32:
Eagle River
Anchorage
Rainbow
Indian
Bird
Girdwood
Portage
Whittier
Sunrise
Hope

House Bill 280
"The Cook Inlet Recovery Act"
Sponsor Statement

Residents of South Central Alaska are at risk that in the near future there will not be enough natural gas produced in Cook Inlet to heat and light their homes and businesses. Legislative action now can help address this challenge before it becomes a crisis.

A critical and universally recognized part of the solution is large-scale gas storage, allowing utilities to purchase gas during lower demand periods; hold the gas in storage; then withdraw it when needed. Establishing gas storage is crucial, and the state needs to promote the rapid development of storage facilities. House Bill 280, the Cook Inlet Recovery Act (CIRA), provides tax incentives and regulatory assurances to attract the private investment necessary to develop storage facilities and help reduce the cost of storage to consumers.

Specifically, CIRA provides a 10-year exemption from state land lease fees and rents to owners of new gas storage facilities. Since storage is needed urgently, these financial incentives will be available only for facilities put into operation before December 31, 2015. CIRA sets standards, such as minimum size and access requirements, for qualifying projects. Consumers will benefit from increased energy security and lower energy costs, as any financial incentives are required to pass through the supply chain to utilities and, in turn, to their customers.

In addition to storage, South Central also needs new gas discoveries. CIRA increases the incentives for exploration in Cook Inlet and allows explorers and producers to take their full benefit in one year rather than over two years.

CIRA also provides statutory guidance to the Regulatory Commission of Alaska in its consideration of utility gas supply contracts to help ensure adequate supplies of reasonably priced gas in the years ahead.

2/5/10

Rep.Mike.Hawker@legis.state.ak.us • http://www.akrepublicans.org/hawker/

HB 280
"Cook Inlet Recovery Act"
Sectional Analysis (version P)

Prepared by Representative Mike Hawker's Office

Section 1: Sets out a short title for the legislation: Cook Inlet Recovery Act (CIRA).

Section 2: Establishes an application process, criteria and timeline for the Alaska Oil and Gas Conservation Commission (AOGCC) to certify that a gas storage facility (GSF) meets the minimum working gas storage capacity and daily delivery rate requirements to be eligible for the financial incentives provided in this bill.

Requires a GSF owner to notify the AOGCC if the facility ceases operation.

Provides definitions for terms used in CIRA.

Section 3: Requires the Director of the Division of Mining, Land and Water to give priority to and expedite "when reasonably possible" any applications, permits and lease assignments needed for development and operation of a GSF.

Section 4: Directs the Department of Natural Resources (DNR) to waive any state land lease fees or rents for the first 10 years of a GSF's operation. The waiver would stop if the storage facility ceases commercial operations.

States that any waivers of lease fees or rents would be public record.

Requires that the GSF pass on the financial benefits of any lease exemption to utilities that use its service.

Clarifies that any gas withdrawn from a GSF is considered to be non-native gas and is not subject to royalty until all non-native gas is withdrawn.

Section 5: Directs the Regulatory Commission of Alaska (RCA), when considering the approval of a utility's gas supply contract, to consider the impact on consumers if the commission rejects a utility's gas supply contract and to recognize the value of a utility holding a diversified portfolio of gas supply contracts with different pricing mechanisms in order to protect consumers from inadequate gas supplies and the risk of a single pricing mechanism.

Section 6: Requires that a utility's cost of gas storage that is passed on to consumers reflect the financial benefits of any tax credits and state lease exemptions provided in this legislation.

Section 7: Specifies that the Regulatory Commission of Alaska has jurisdiction over natural gas storage services provided for gas that is owned by a regulated utility.

Section 8: Clarifies that the names of taxpayers, the amount of credits issued for gas storage facilities under this legislation, and how much, if any, of the credit was sold to the state is public information. Requires the Department of Revenue (DOR) to furnish the information to the RCA.

3978

Section 9: Establishes a credit against corporate income taxes of $1.50 per thousand cubic feet of new gas storage capacity opened in Alaska during 2011-2015. The credit is limited to $30 million per GSF. This section sets out minimum capacity and deliverability requirements to qualify for the credit, including that the GSF must be available for use by regulated utilities and, if utilizing state land, must be in compliance with its DNR storage lease. The credit can be transferred or sold to another taxpayer, or sold to the state at full value if the owner does not have enough taxable income to fully utilize the credit.

Section 10: Sunsets on Jan. 1, 2011, the rule that limits how certain tax credits arising from activity in Cook Inlet or from producing gas for in-state use are used. This would allow a Cook Inlet explorer or producer to explore or produce elsewhere in the state and have full access to the credits it earned from its Cook Inlet activities.

Section 11: Clarifies that any native gas in a gas storage facility shall be deemed not to be produced for production tax purposes until all of the non-native gas injected into the storage facility has been withdrawn.

Section 12: Allows explorers in Cook Inlet to receive their full production tax credit in the first year rather than over two years (as in current statute).

Section 13: Makes additional statutory changes to allow explorers in Cook Inlet to receive their full production tax credit the first year rather than over two years (as in current statute).

Section 14: Adds the new Cook Inlet-related well tax credits to the section in statute dealing with audits of transferred tax credits.

Section 15: Provides a 40% credit for exploration expenses in Cook Inlet against production taxes, rather than the two-tiered 30% / 40% credit in existing statute. In addition, all well-related lease expenditures in Cook Inlet, including non-capital and non-exploration related lease expenditures, also qualify for the credit.

Section 16: Allows the state to use funds from the oil and gas tax credit fund to purchase tax credits issued to a GSF.

Section 17: Makes additional changes to make it easier for a company to sell its Cook Inlet exploration credits to the state. Current law requires that before a company can sell credits back to the state it must prove it has spent an amount equal to the credit in Alaska. HB 280 would eliminate that requirement for Cook Inlet exploration credits.

Section 18: Authorizes the Department of Revenue to write regulations implementing certain aspects of Section 17.

Section 19: Directs the Office of Public Advocacy for regulatory affairs at the Department of Law, when considering whether to participate in a utility rate case regarding a utility's gas supply contract before the RCA, to consider the impact to consumers if the commission rejects a utility's gas supply contract and to recognize the value

of a utility holding a diversified portfolio of gas supply contracts with different pricing mechanisms in order to protect consumers from inadequate gas supplies and the risk of a single pricing mechanism.

Section 20: Immediate effective date clause.

3980

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **CSHB280(L&C)**
() Publish Date:

Identifier (file name): HB280CS(L&C)-DNR-O&G-02-16-2010
Dept. Affected: Natural Resources
Title: Cook Inlet Recovery Act
RDU: Resource Development
Component: Oil and Gas Development
Sponsor: Rep. Hawker and Chenault
Requester: H(RES)
Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )	***Indeterminate***						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

HB 280 offers tax credits for Cook Inlet gas storage facilities and attempts to promote gas exploration and production in the Cook Inlet.

There is no anticipated fiscal impact to the Division of Oil and Gas for the management of gas storage on state land. However, Sec 3 of the bill will provide a ten year "holiday" on all storage fees and rentals for the storage lease. Also, the accounting convention described in this section means that "non-native" gas will be withdrawn from storage first and no royalty revenue will acrue to "native" gas until all non-native gas is withdrawn. How industry will respond to the tax credits offered by this bill is inknown, therefore, the impact on fees, rents, and royalty revenues is negative indeterminate.

Prepared by: Kevin Banks, Director — Phone 269-8800
Division: Oil and Gas — Date/Time 2/15/2010
Approved by: Tom Irwin, Commissioner — Date 2/16/2010 1:35 pm
Natural Resources

(Revised 11/6/2009 OMB)

3981

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **CSHB 280**
() Publish Date:

Identifier (file name): CSHB280-REV-TAX-2-14-10
Dept. Affected: Revenue
Title: Cook Inlet Recovery Act
RDU: Taxation and Treasury
Component: Tax Division
Sponsor: Representative Hawker
Requester: (H) Labor andCommerce
Component Number:

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	108.9	108.9	108.9	108.9	108.9	108.9	108.9
Travel	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Contractual	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Supplies	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**117.3**	**117.3**	**117.3**	**117.3**	**117.3**	**117.3**	**117.3**
CAPITAL EXPENDITURES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES ( )	***	***	***	***	***	***	***

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	117.3	117.3	117.3	117.3	117.3	117.3	117.3
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Interagency Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**117.3**	**117.3**	**117.3**	**117.3**	**117.3**	**117.3**	**117.3**

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**
Part-time	0.0	0	0	0	0	0	0
Temporary	0.0	0	0	0	0	0	0

ANALYSIS: *(Attach a separate page if necessary)*

HB 280 would make multiple changes to the existing law on tax credits and gas storage facilities. The portions of the bill that specifically apply to the Department of Revenue would change the treatment of credits under AS 43.55.023 (Qualifying Capital Expenditures) and create a credit against corporate income tax (CIT) for gas storage facilities (AS 43.20.046). The language relating to credits has the potential to be interpreted quite broadly with the potential for large reductions in state revenues when compared to future developments that might occur under the current law.

The Department is requesting a Corporate Income Tax Auditor III position (Range 22) to audit the tax credits and manage the approval, issuance and tracking of the new and modified state credits. (continued)

Prepared by: Cody Rice and Gary Rogers, Petroleum Economists — Phone 907-269-1024
Division: Tax Division — Date/Time 2-12-10; 3:53pm
Approved by: Ginger Blaisdell, Director — Date 2-14-10; 3:49pm
Administrative Services Division

ANALYSIS CONTINUATION

There are three gas storage facilities currently operating in the Cook Inlet region. None of the currently existing gas storage facilities would qualify for the corporate income tax credits under this bill as currently written. However, it is unclear if the existing gas storage facilities could qualify for credits if they shut-down and re-opened or changed ownership. Any estimate of the change in revenues to the state under this legislation would be based on hypothetical development in the future. As a result, the full revenue impact of this legislation cannot be accurately determined at this time.

The following scenarios may provide some perspective on the range of potential revenue impacts.

Scenario 1: Corporate income tax credit effects on a small facility

The first scenario assumes the construction of a small gas storage facility in a depleted reservoir similar to one of the smaller currently operating gas storage facilities. The facility is assumed to be capable of approximately 1.25 cycles a year and to have a working gas capacity of approximately 1Bcf. Under the terms of HB 280 this facility would be entitled to a credit of $1.5 Million against state CIT.

In 2004, the Federal Energy Regulatory Commission (FERC) estimated the median cost-of-service rate for firm storage service at $0.64/Decatherm. One Decatherm is equal to one Mcf of natural gas if the natural gas contains 1,000 Btu/cubic foot. Escalating this cost for inflation produces a 2009 cost-of-service rate of approximately $0.72/Mcf of firm storage service.

Given the estimated cost-of-service, volume of gas cycled and reasonable assumptions about debt to equity and other factors, the Department of Revenue estimates that this gas storage facility would owe approximately $95,000/year in state CIT. This rough estimate suggests that the corporate income tax credit for gas storage created under AS 43.20.046 of this bill would entirely offset the state corporate tax liability for nearly the first 16 years of operation. It is important to note that the credit created in this bill under AS 43.20.046 is eligible to be transferred or refunded. There is a credit clawback provision that applies if the gas storage ceases commercial operations within ten years. However, in this scenario, the amount of the original credit remaining after ten years of commercial operations is estimated to be $550,000. This means the storage operator in this scenario could cease to operate at the beginning of year 11 and theoretically retain as much as $550,000 in refundable state credits before starting the process over with a new facility. Additionally, under HB 280, the facility would be exempt from rental and storage fees charged by the Department of Natural resources (DNR) for the first ten years of commercial operations. There is also some question about whether the existing statute of limitations would allow the state to exercise the clawback provision.

Under this scenario the reduction in state taxes to the state is $1.5 million in undiscounted terms for each qualifying facility of this type. This does not include reductions in estimated rental and storage fees.

Scenario 2: Corporate income tax credit effects on a large facility

Scenario two assumes the construction of a large gas storage facility in a depleted reservoir. The facility is assumed to be capable of cycling approximately one time each year and to have a working gas capacity of approximately 20 Bcf. (continued)

ANALYSIS CONTINUATION

Under the terms of HB 280 this facility would be entitled to the maximum credit of $30 million against state corporate income tax.

Using the same cost-of-service and financial assumptions as scenario one, the Department of Revenue estimates that the gas storage facility owner would owe approximately $1.5 million annually in state CIT. This rough estimate suggests that the corporate income tax credit created under AS 43.20.046 would completely offset the state corporate income tax liability for about 20 years of operation. It is important to note again that the credit created in this bill under AS 43.20.046 is eligible to be transferred or refunded. There is a credit clawback provision that applies if the gas storage ceases commercial operations within ten years. However, in this scenario, the amount of the original credit remaining after ten years of commercial operations is estimated to be $15,000,000. This means the storage operator in this scenario could cease to operate at the beginning of year 11 and theoretically retain as much as $15,000,000 in refundable state credits before starting the process over with a new facility. The facility would also be exempt from rental and storage fees charged by the Department of Natural resources (DNR) for the first ten years of commercial operations.

Under this scenario the reduction in state taxes to the state is $30 million in undiscounted terms for each qualifying facility of this type. This does not include reductions in estimated rental and storage fees.

Scenario 3: Broader interpretation of HB 280 benefits

Previous scenarios have assumed gas storage facilities operated at nearly 100% of capacity. This scenario assumes a gas storage operator takes full economic advantage of a broad interpretation of the language in HB 280. Specifically, the facility uses a reservoir with a working gas capacity of 20 Bcf and the operator only cycles the minimum amount of gas to prevent the loss of the credits: 10,000 Mcf of natural gas annually. Using the same cost-of-service and financial assumptions as the previous two scenarios, the Department of Revenue estimates that the gas storage facility owner would owe less than $1,000 annually in state CIT. The storage facility owner would be eligible for a credit of $30,000,000 for the facility based on the working gas capacity. In this scenario it would take nearly 4,000 years of operation under this scenario for a gas storage operator to exhaust the state corporate income tax credit provided under this bill. Alternatively, after 10 years of commercial operation the owner could shut the facility down and retain $29,990,000 in refundable state credits. The operator could then begin the process again.

Scenario 4: Lost or deferred production and production tax revenue

Previous scenarios have assumed gas storage in a depleted reservoir. It is possible that an oil and gas lessee could elect to shut-in production at a currently producing field earlier than would have otherwise occurred in order to take full advantage of plentiful native gas for free cushion gas. Under this bill the remaining native gas could be produced at the end of commercial operations for the gas storage facility. This deferred or lost production tax revenue would be in addition to revenue impacts equivalent to any of the previous three scenarios. The time value of deferred production is not calculated but could be substantial.

Scenario 5: Tax Ceiling

Existing state law provides the benefit of a tax ceiling for certain production under AS 43.55.011(j)(k) and (o). The tax ceiling applies to Cook Inlet production as well as any natural gas produced for use in state. Currently, credits earned under AS 38.05.180(i), AS 41.09.010, AS 43.55.024 or AS 43.55.025 are required to be applied first to a producers tax liability as though it were not limited by AS 43.55.011(j)(k) or (o).

ANALYSIS CONTINUATION

This provision does not apply to production occurring after January 1, 2011. The effect would be to allow credits earned on the full tax liability prior to the tax ceiling to be applied to the reduced or capped tax ceiling. In essence producers would earn credits on the full value of production but only pay taxes limited by the tax ceiling. This repeal is likely to have the effect of reducing Cook Inlet tax collections to zero and allowing Cook Inlet credits to be used to shield taxes due from operations in other parts of Alaska such as the North Slope.

Scenario five entails a producer with production in both Cook Inlet and on the North Slope. Assuming the producer is entitled to a credit of $12 million under AS 43.55.024(c)(1) and that the producer has average oil production of 3,000 Btu equivalent barrels a day, we can estimate the production taxes as approximately $18 million.

We further assume approximately $16 million in production tax liability for the North Slope production and approximately $2 million for the Cook Inlet production. The credit is apportioned similarly: $11 million for the North Slope and $1 million for the Cook Inlet.

Under existing law, AS 43.55.011(m) requires the producer to apply the $1 million in credits to the full value of their Cook Inlet tax before the application of the tax ceiling. After applying the $1 million credit against $2 million in Cook Inlet production tax, leaving a $1 million production tax liability in Cook Inlet. However, the tax ceiling for oil produced in Cook Inlet is zero.

The North Slope tax treatment is the same: applying the $11 million in credit apportioned to the North Slope to the $16 million in North Slope tax liability leaves a production tax liability of $5 million. Under HB 280, the producer is allowed to apply the Cook Inlet credit to the Cook Inlet tax liability after the tax ceiling is calculated. The Cook Inlet tax ceiling for oil is zero. This leaves all $12 million in tax credits intact for the producer to apply against the $16 million in production tax liability on the North Slope. As a result, the producer would pay a total of $4 million in production tax under this scenario, or $1 million less than under the existing law.

This scenario is a simplified version of how HB 280 might affect state revenues. Because AS 43.55.011(m) applies to multiple types of credits, and multiple taxpayers, the effects could be significantly more than the $1 million annual figure calculated in this example.

Additional Scenarios and Fiscal Impacts:

The effect of increasing the value of credits for well work in Cook Inlet to 40% under AS 43.55.023(m) is not quantified in this analysis but would reduce tax revenues.

There could be additional reductions in state tax revenues other existing facilities or natural gas pipelines were certified as gas storage and eligible for credits.

Cook Inlet production tax and additional production caused by the injection or withdrawal requirements under this proposal are very unlikely to generate more than a small fraction of the revenue that would be required to fund this credit. This means production taxes from other areas of the state, such as the North Slope would likely be the source of funds to the tax credit fund for the state to repurchase this credit.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSHB 280(L&C)
(H) Publish Date: 2/17/10

Identifier (file name): HB280-CED-RCA-02-08-10
Dept. Affected: DCCED
Title: Natural Gas
RDU: Regulatory Commission of Alaska (399)
Component: Regulatory Commission of Alaska
Sponsor: Hawker, Chenault
Requester: House Labor & Commerce
Component Number: 2417

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

The proposed legislation would provide financial incentives for natural gas storage facilities and for exploration in the Cook Inlet basin, and provide general guidance to the Regulatory Commission of Alaska (RCA) on natural gas pricing. Statutes governing the general powers and duties of the RCA would be revised to require the RCA, when considering whether approval of a natural gas supply contract is in the public interest, to (1) recognize the public benefits of a utility's ability to negotiate different pricing mechanisms with different suppliers and maintain a diversified portfolio of gas supply contracts to protect customers from the risks of inadequate supply or excessive costs that may arise from a single pricing mechanism, and (2) consider whether the utility could meet its responsibility to the public in a timely manner should the rate of gas supply contract not be approved.
(ANALYSIS CONTINUED)

Prepared by: Robert M. Pickett, Chairman
Phone 907.276.6222
Division: Regulatory Commission of Alaska
Date/Time 2/8/10 11:30 AM
Approved by: Emil R. Notti, Commissioner
Date 2/8/2010
Commerce, Community, and Economic Development

(Revised 11/6/2009 OMB)

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. CSHB 280(L&C)

ANALYSIS CONTINUATION

This legislation would require that certain factors be recognized or considered when the RCA determines whether to approve natural gas supply contracts. The RCA expects to implement the provisions of this legislation with existing resources. The RCA can incorporate this review into the existing review process for natural gas supply contracts.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 280(L&C)
(H) Publish Date: 2/17/10

Identifier (file name): HB280-DOA-AOGCC-02-08-10
Dept. Affected: Admin
Title "An Act relating to natural gas; relating to a gas storage facility; relating to the Regulatory Commission of Alaska..."
RDU AOGCC
Component AOGCC
Sponsor Representatives Hawker and Chenault
Requester (H) L&C
Component Number 2010

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Interagency Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Additional work for the Alaska Oil and Gas Conservation Commission resulting from this bill could be managed by existing staff. The agency therefore submits a zero fiscal note.

Prepared by: Jody J. Colombie, Special Assistant I
Phone (907 793-1221
Division Alaska Oil and Gas Conservation Commission
Date/Time 02/08/10 12:00pm
Approved by: Rachael Petro, Deputy Commissioner
Date 2/8/2010
Department of Administration

(Revised 11/6/2009 OMB)

HB 280
Cook Inlet Recovery Act (CIRA) - Overview

Prepared by Representative Mike Hawker's Office

CIRA provides a statutory framework for developing large-scale gas storage facilities and also makes changes to existing Cook Inlet exploration tax credits in order to encourage exploration and development of new gas discoveries.

Gas Storage Facilities

- Incentives include:
  - Land lease and fee exemption for 10 years
  - NEW income tax credit
    - Credit is based on capacity, certified by AOGCC: $1.50/ 1,000 cubic feet (cf) of working storage capacity
    - Maximum credit is $30 million per facility
    - Transferable and can be sold back to the state
  - Expedited/Priority processing of applications by DNR, when reasonably possible
- Incentives apply to gas storage facility that meets minimum capacity and delivery requirements, certified by AOGCC:
  - Minimum Working Storage Capacity: 500 million cf
  - Minimum Daily Delivery Capacity: 10 million cf
- Incentives are available for gas storage facilities that commence operations between Jan. 1, 2011, and Dec. 31, 2015
- All financial benefits and the names of those receiving the benefits are public information
- All financial benefits must be passed on to utilities, which then pass on to consumers
- All financial benefits stop when a project ceases operation
- CIRA also clarifies RCA's role in regulating gas storage facilities

Gas Exploration in Cook Inlet

- Changes to existing credits:
  - Allows 100% of credits earned by explorers in the Cook Inlet to be used elsewhere in the state; current statute requires these credits to be applied only to taxes paid on Cook Inlet production
  - Allows the full amount of the credit to be used in the year issued; current statute allows only half of the credit to be used in one year
  - Provides a 40% credit for exploration within Cook Inlet; current statute contains a variable (30% or 40%) credit based on the proximity of the exploration to an existing well

HB 280 Overview (cont.)
Definitions

Gas storage facility: A depleted or nearly depleted reservoir, aboveground tank, pipeline or other structure used to store natural gas produced offsite and delivered to the storage facility to hold until needed. The owner of the gas — a utility, for example — would inject gas into the facility and would pay the facility operator for storage service.

Working gas storage capacity: The maximum amount of natural gas the storage facility could safely hold for its storage customers.

Cushion gas (also known as pad gas): The volume of gas that must be maintained in the storage facility to provide adequate pressure for operations. The storage operator, not the storage customers, would own the cushion gas.

Native gas: In the case of a nearly depleted reservoir, native gas is the natural gas that exists in the reservoir at the time it is developed for use as a storage facility. Native gas is used as cushion gas to maintain pressurization. If all of the non-native working gas that was injected for storage is withdrawn and native gas is eventually produced, state tax and royalty would be assessed.

Non-native working gas: Natural gas that is produced from another reservoir and delivered to the storage facility and held until needed. For example, a utility could purchase gas from a Cook Inlet producer and have it delivered to the storage facility for safekeeping until the utility needs the gas to meet customer demand. At that point, the utility would instruct the gas storage operator to deliver the quantity of gas required. The utility, not the storage operator, would own the gas in storage. State tax and royalty would be assessed on the non-native working gas when it is first produced and sold to the utility; no additional taxes or royalties would be due when it is withdrawn from storage for delivery to the utility.

HB 280 Overview (cont.)
FAQs

1. What are the minimum requirements for a gas storage facility (GSF) to qualify for financial incentives in the Cook Inlet Recovery Act? Who determines if a GSF meets these requirements?

   In order to qualify for the financial incentives in CIRA, a GSF must have the capacity to store more than 500 million cubic feet of working gas and deliver gas at a rate of at least 10 million cubic feet per day. The Alaska Oil and Gas Conservation Commission (AOGCC) will be required to certify these capacities within six months of receiving an application and provide the certification to the applicant, the Department of Natural Resources and the Department of Revenue.

2. What happens if the GSF stops operating?

   A GSF ceases operations if it doesn't inject or withdraw at least 10 million cubic feet of gas in a calendar year. The operator is required to notify the AOGCC by April 1st of the following year. If this happens, the GSF will no longer be eligible for state lease fees exemptions or tax credits.

3. Sections 4 and 10 of the bill state that gas withdrawn from a GSF is considered to be non-native gas and not considered to be produced until all non-native gas has been withdrawn. What does this mean and why do we need this language?

   This language requires that state follow last-in, first-out accounting rules for gas in a GSF. "Native gas" is any gas that is already in a storage facility and will be subject to existing royalty and production taxes when it is produced. "Non-native gas" includes all gas that is injected into the facility for temporary storage - royalty and production taxes were assessed when it was produced. By including this language, it is clear that non-native gas extracted from a GSF is not taxed twice and native gas is not subject to royalty and production taxes until all non-native gas is withdrawn.

4. Gas storage companies are receiving lease exemptions and tax breaks under CIRA. Are these savings passed on to the consumer?

   Yes. Language in sections 4 and 6 require the owner of a GSF to reflect the savings of any financial benefits enacted in CIRA in their gas storage price.

3991

From: Larry Persily
Sent: Thursday, January 28, 2010 5:13 PM
Subject: RCA and gas storage regulation

I prepared the following report from today's order issued by the Regulatory Commission of Alaska. The commission responded to a request for declaratory judgment from Cook Inlet Natural Gas Storage, which is looking for certainty on the question whether gas storage is or is not regulated by the RCA under state statute.

Larry, 465-6959

RCA says legislative answer would be best decision on gas storage regulation

The Regulatory Commission of Alaska Jan. 28 denied the request from Cook Inlet Natural Gas Storage (CINGS) for a declaratory judgment that gas storage is outside the regulatory jurisdiction of the commission. The RCA essentially said the Legislature is the best place for this decision.

There was no consensus among parties to the docket, with some arguing that state statute requires or at least allows the RCA to regulate a gas storage operation and others contending that state statute does not allow the RCA to regulate a storage operation.

"The most expeditious way to clarify our jurisdiction is through amendment to our statutes, explicitly authorizing us to regulate natural gas storage or exempting natural gas storage from our regulation," the commission stated in its order. "The Alaska Legislature is the only entity that has the power and the process necessary to provide CINGS the immediate certainty it seeks."

CINGS, a newly created subsidiary of TransCanada, is looking at developing a gas storage operation in a nearly depleted reservoir at the Cannery Loop Unit near Kenai. It would like to know before it commits to the project whether it would be directly regulated by the state or indirectly regulated when each utility that contracts for storage requests RCA approval of its costs before passing them on to their customers. State statute does not include "gas storage" in its definition of a utility subject to direct RCA regulation, though some have argued the commission could interpret its laws to assume such authority.

"We find that our statutes do not provide explicit authority to regulate natural gas storage, nor do they definitely set natural gas storage outside of our jurisdictional boundaries," the commission stated in its order. "With no consensus among interested persons on statutory interpretation and the question being a matter of legal interpretation, our own opinion on jurisdiction would hardly be the final word," the commission said.

A legislative decision would avoid the risk that a party could challenge an RCA interpretation of statute, possibly sending the issue to court and delaying development of gas storage for Southcentral gas customers.

"Despite their conflicting conclusions about our jurisdiction, all interested persons agreed that storage in the Cook Inlet area is a serious or even critical need," the commission said.

"Whether it is good public policy or bad public policy to regulate CINGS is not a valid factor in deciding whether we have jurisdiction to regulate CINGS," the commission added.

Rep. Hawker is reviewing the RCA order and will bring forward a proposal to deal with the issue when the Cook Inlet Recovery Act (HB280), co-prime sponsored by Speaker Chenault, comes before House Labor and Commerce Committee.

AlaskaDispatch
News and voices from the Last Frontier

Energy

Gassing up

Rena Delbridge
Dec 27, 2009

Southcentral's 350,000 residents are snug this winter in homes with plenty of heat and Christmas lights twinkling.

But the sense of security fed by light and warmth is a false one in the state's major population area, where utilities are a step or two away from rolling power outages if the weather turns bitter cold -- cold enough to put out of order the complex metal machinery that pushes natural gas through lines and into homes; cold enough to push demand off the charts.

And by the winter of 2011-12, deliverability could be an issue beyond peak demand in the coldest spells.

Natural gas, used to heat buildings and to generate 90 percent of the region's electricity, is probably not going to be available in quantities enough to meet peak demand on cold winter days -- this winter, or next -- under certain scenarios.

Along with deliverability challenges, a recent state geological report shows there's about 10 years worth of gas left in Cook Inlet, should companies choose to invest their global dollars in production for a limited, small market.

One company, a TransCanada subsidiary, wants to build a storage facility to warehouse gas produced in summer months, when demand is one-fourteenth of peak winter loads. The resource could be drawn out in winter.

The company's proposal is a dream come true for some -- a private-sector solution that isn't seeking a dime from the government. All that Cook Inlet Natural Gas Storage, LLC, needs is assurance that the Regulatory Commission of Alaska will allow utilities -- its customers -- to recover storage fees in rates charged to consumers.

But lawmakers, state officials and even utility chiefs could tangle over whether gas storage facilities -- new to the 49th state -- should fall under the Regulatory Commission of Alaska's jurisdiction. If they take too long sorting that out, TransCanada's plans will be delayed -- possibly enough to leave Southcentral facing a nightmare by winter 2012 or 2013.

"On the coldest day of the year, what will we pay to stay warm?" Sen. Hollis French asked. "You'll probably pay anything, which is a bad place to be as a consumer. You don't have an alternate source for your natural gas supply. You want to have some oversight so there's not price gouging at a time when you are most vulnerable."

The problem

To be clear, Cook Inlet isn't near running out of gas next year, or in the next five years. On the contrary, the state estimates there are hundreds of trillions of cubic feet remaining, although that gas is more difficult to access -- and thus, more expensive to produce and purchase.

The real problem is deliverability. Utility and municipal managers, lawmakers and others are seriously concerned that when Southcentral soaks up huge amounts of gas to ward off Alaska's bitter winter temperatures, the supply may not hold.

Municipality of Anchorage Mayor Dan Sullivan drafted an energy task force that's studying the potential for emergencies and running tabletop exercises to test procedures in case of extreme shortages or -- more likely -- breakdowns in the machinery that pushes gas to pilot lights.

"If we had to go to that extent, to call upon people to conserve ... and go to rolling blackouts, at least we have a procedure in place," Municipal Manager George Vakalis said. "We know how to do it."

Since 1969, the liquefied natural gas export plant at Nikiski has provided a buffer for the supply and demand swings -- in essence, offering companies an outlet for gas that the Southcentral market couldn't absorb. However, a shortfall is annual production supply is anticipated in 2012 or 2013. The federal LNG export permit runs out in March 2011, and ConocoPhillips hasn't announced whether it will apply for an extension.

"We're faced with a unique environment in Cook Inlet with the demand swings," said John Sims, Enstar's spokesman. "The LNG facility is very important. It creates incentive for (companies) by having that large, industrial export customer."

ConocoPhillips, financially strapped after the past year's global economic downturn, hasn't said yet whether it will close or sell the facility, turn it into storage, or seek continued exports.

Solution on the table

Cook Inlet Natural Gas Storage, the newly formed TransCanada subsidiary, wants to build a 19 billion cubic foot gas storage facility near Kenai. A member of TransCanada's projec team, Bob Gibb said the company is working on land purchases and, if regulatory issues can be sorted out, is ready to start construction next summer

The timeline is tight, and critical work must be done in summer, Gibb said. He figured the schedule has enough to flexibility to still meet an in-service date for winter 2012-13, if politics delay immediate approval.

Gibb confirmed the company is talking with prospective clients Enstar, an anchor tenant; Municipal Light & Power; and Chugach Electric Association, which is representing two smaller electric utilities, Homer Electric Association and Matanuska Electric Association.

He isn't releasing cost estimates at this point.

CINGS wants to build 20-year contracts with its clients, with warehousing fees to be paid out equally over the full term -- also called levelized rates. The big question is whether the

RCA will allow some certainty that the long-term rates are acceptable, and that the utilities will be allowed to recoup their gas-warehousing costs from customers.

To regulate or not to regulate?

Attorneys, policymakers and company reps packed an RCA meeting room in Anchorage in early December for a daylong workshop on storage. The participation was significant, with nearly all parties involved discussing solutions, potential hangups and how rate payers could fare under different gas storage scenarios.

"We were very encouraged by the workshop," Sims said. "That not only shows the urgency that everyone realizes, but also how willing everyone is to work together and try to resolve the issues."

At the heart of the discussion was whether or not gas storage should fall under the RCA's jurisdiction, which would involve time-consuming hearings but, in return, offer consumers some protection in rates charged.

But the RCA statutes don't allow for regulation of storage facilities that supply to utilities. Instead, the commission's authority rests in regulating utilities that supply consumers, and approving the contracts those utilities make with suppliers to ensure customers are getting a reasonable deal.

TransCanada reps at the meeting said they don't mind being regulated, and in fact, storage operations in the Midwest are regulated. But they need to know, and soon, whether they'll face regulation and the filings, hearings and challenges that come with it and could soak up so much of the construction timeline that the company may have to forfeit next summer.

"There are pros and cons with both," Sims said. "The nice thing about it being regulated is there would be some sort of surety from Enstar's standpoint for rate recovery."

The utility needs to know whether it will be able to recover storage costs in rates -- and if so, to what extent. CINGS needs that assurance, as well.

"We need to have surety ... before we can close on some of the properties and move forward with some of the construction," Gibb said. "It is critical."

Lawmakers step in

Some lawmakers are heading out in front with bills they'll file when the session starts Jan. 19 enabling a storage facility and, ideally, additional drilling.

In December, Sen. Hollis French, an Anchorage Democrat, released a draft of a bill he plans to introduce during the session allowing a substantial tax credit of 20 percent of capital costs for companies who invest in storage to serve Southcentral gas needs. He expects to tack on a caveat once the session starts, enabling the credit only if the storage facility owner agrees to come under the RCA's jurisdiction.

The RCA issue is the biggest one for Southcentral's gas problems, French said.

"At least one avenue is to get away from the gas storage operation, and focus more on the contracts that CINGS strikes with the utilities, which is a function the RCA is far more experienced with," he said.

A farther-reaching bill, the Cook Inlet Recovery Act, was proposed last week by House Speaker Mike Chenault of Nikiski and Rep. Mike Hawker of Anchorage, both Republicans. Their working draft offers incentives for storage, but also smoothes state bureaucratic processes to spur private investment in finding new reserves.

"This bill is narrowly focused on Cook Inlet production," Hawker said. "It's all about the urgency of the issue. We need to address these challenges and address them now ... Every penny of cost relief or credit we can provide here ultimately flows through as savings to consumers. Adding storage, which is critical, is going to add money. It's not going to be cheap."

The bill also included direction for the RCA to consider the consequences of saying no to a matter -- something the commissioners haven't had the authority to do. Beyond that, changes to the commission's authority aren't addressed in the draft, in part because of the potential for prolonged conflict in the Capitol.

"If the extent of the RCA's authority becomes an uncertainty because the legislature has thrown it into the ping pong match, no one is going to move one step forward on any project until that issue is totally resolved," Hawker said.

Chenault said he couldn't say yet whether storage should be regulated.

"But if you have people out there interested in doing it, and you have a need, then the decision needs to be made," he said. "We can't wait around for years. The longer you wait, the less opportunities you have and, probably, the more it's going to cost."

Enstar and CINGS haven't formed opinions on the legislation yet.

"We are moving forward with our contracts as if there were no additional input from the Legislature," Gibb said. "If it comes into being, we'll consider it as it does."

Contact Rena Delbridge at rena_alaskadispatch.com

CORRECTION: This story was updated Jan. 7, 2009, to correct the spelling of Bob Gibb, a member of TransCanada's project team, and to clarify TransCanada's anticipated timeline

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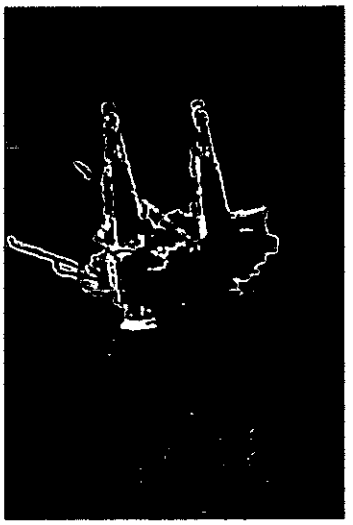
Lawmakers get another wake-up call on Inlet gas supply

By Tim Bradner
Alaska Journal of Commerce

It's a tough thing to say, but the days will start getting shorter soon and January is only six months away. The usual midwinter cold snap is almost surely in the cards, and the gas distribution system serving consumers and local electric utilities is likely to be strained once again. No one wants their supply of natural gas to be cut when it's minus 20 degrees.

There's nothing very secure, or simple, about the supply of natural gas in Southcentral Alaska, however. Aging gas fields in the region are being depleted and gas wells, many 30 years old, can't produce enough now to guarantee meeting midwinter demand.



Cook Inlet oil and gas platforms supply natural gas to local utilities as well as crude oil for the Tesoro Alaska refinery near Kenai. The platforms are more than 30 years old, and are approaching their economic limits. *Photo/Rob Stapleton/AJOC*

What keeps disaster at bay is the liquefied natural gas, or LNG, plant near Kenai, which stops making LNG in very cold weather so gas can be diverted to the local utilities. The LNG plant may close in 2011, however, when its federal license to export LNG expires.

So far the utilities have no plan B for that possibility, although they are working on one.

There are large reserves of gas on the North Slope, but without a pipeline there's no way to get the gas to the state's largest communities. Studies are now underway by the state for a 24-inch bullet pipeline to bring gas to Southcentral from the Slope but no one knows how much this will cost. It couldn't be finished until 2016 to 2018 in any event.

There's also more gas to be found in Cook Inlet but there's little new drilling, for a complex set of reasons.

State legislators got an earful about all this on June 5, when the Senate Resources Committee, meeting in Anchorage, listened to managers of gas producing companies, utilities, and state and federal officials, as well as private landowners.

State Sen. Bill Wielechowski set a sober tone for the meeting.

"Cook Inlet gas production has declined considerably," he said. "In the last three years it has declined by more than 50 billion cubic feet annually. Current demand is about 140 billion cubic feet per year, so this is significant."

By 2012, annual in-state demand will exceed supply from existing wells. This assumes no export of Cook Inlet gas, Wielechowski said.

"We have three years before we have a supply problem if we look at production from existing wells," he said.

State oil and gas director Kevin Banks said it's almost certain that oil and gas companies will add reserves in the producing fields if they drill more wells.

But petroleum companies told legislators too few new wells are being drilled, and that consumers and local utilities aren't doing enough to promote energy conservation, which is the cheapest was to ease the tight supply situation. Companies also said the Regulatory Commission of Alaska is too focused on price and should weigh energy security for consumers in its decisions as well.

John Zager, Chevron Corp.'s Alaska manager, said Cook Inlet is not attracting sufficient investment capital to offset the reserve declines, and that remaining resources are likely to be in smaller gas deposits that will be more expensive to drill.

Zager said he believes government estimates of remaining reserves in the Inlet are too optimistic. Estimates are that 1.3 trillion cubic feet to 1.7 trillion cubic feet of proven gas reserves remain in producing gas fields.

The State Division of Oil and Gas plans to have an updated estimate of gas reserves by early fall, said Kevin Banks, the division director.

For now, the economics just aren't right for drilling a lot of new production wells. "People have to accept the concept that the (gas) price must be high enough to encourage investment, and there are recent indications that this is not the case. The recent state lease sale in the Inlet was a no-show," in terms of bidding, Zager said.

Zager and Marathon Oil manager Carri Lockhart criticized regulatory agencies for inconsistencies and creating an environment of uncertainty as to whether gas sales contracts with utilities will be approved. The uncertainty that creates is almost as important as the price of gas.

A contract negotiated several years ago with Enstar Natural Gas Co., but rejected by the regulatory commission would have met all of Enstar's needs until 2016, Lockhart said. The utility now has short-term gas supply contracts and after 2011 it will have only two-thirds of the gas it needs under contract, Mark Slaughter, Enstar's gas supply manager, told legislators.

"It's a situation we don't like to be in," Slaughter said.

Lockhart also said regional electric utilities should focus more on power plant efficiency. "There should be dual-fuel capability when new generation capacity is built," she said, an indirect criticism of Chugach Electric Association for its plan to build a new gas-fired power plant in south Anchorage without also adding standby capability to use oil as a standby fuel. Anchorage's city-owned Municipal Light and Power has dual-fuel capability in one of its power plants.

Zager and others said there must be investment in gas storage, facilities that can store gas produced in the summer, when demand is low, for use during peak demand periods in

winter. Chevron and Marathon both maintain some storage capabilities of gas in depleted gas reservoirs for their customers, but this isn't enough to meet the total need.

The LNG plant near Kenai could play a long-term role in storage, or even imports of LNG if the export license ends in 2011.

Dan Clark, ConocoPhillips' asset manager for south Alaska, whose responsibilities include the LNG plant, said it is possible that facilities at the plant could be available for gas storage or even regasification of LNG that would be imported if LNG exports end in 2011.

"It's possible," Clark told the legislators. "There are marine terminal facilities and storage tanks, although added investment would be needed."

Zager said has producers have invested in some storage but in other U.S. states utilities invest in and operate gas storage. Suzanne Gibson, Chugach Electric's gas supply manager, said Chugach, ML&P and Enstar are working jointly to determine how much storage might be needed, but there are concerns as to whether enough suitable underground reservoirs are available, because not all depleted gas reservoirs can be efficiently to store gas.

Above-ground storage could supplement underground storage but that will be costly, she said. The utilities may need state assistance.

Also, gas stored underground in depleted reservoirs is usually withdrawn gradually as used to supplement gas wells through the winter. It's difficult to get large volumes of gas at short notice needed to meet unexpected needs during a cold snap.

Stored LNG is very efficient at meeting this "peaking need," however, because the LNG can be regasified fairly quickly. LNG regasification facilities have been built in many parts of the U.S. to handle mid-winter peaks.

Facilities at the existing ConocoPhillips-Marathon LNG plant could help support a long-term storage role, but some utility managers think the plant's facilities are too big, too aged, to be efficiently used to support a small regional market.

New, smaller LNG regasification units, like those commonly used in the Lower 48, might be more appropriate, said Jim Posey, manager of Anchorage's ML&P.

Storage will help resolve the issue of meeting mid-winter peaks but it's not a solution when overall annual production from the gas fields dips below annual demand. At that point new gas is needed from somewhere, wither from new discoveries, by pipeline from the North Slope, or through imports of LNG.

Summary of the 2006 Southcentral Energy Forum

Sponsored by Alaska Oil and Gas Conservation Commission

Anchorage • Sept. 20-21, 2006

Prepared by Peter Larsen, Pamela Cravez, and Scott Goldsmith
Institute of Social and Economic Research, University of Alaska Anchorage

Why Was There an Energy Forum?

Nearly 70% of Alaskans rely on relatively inexpensive natural gas from Cook Inlet. That gas heats homes and businesses, generates electricity, and fuels industrial processes.

Cook Inlet gas benefits the state economy not only because it provides inexpensive energy for homes and businesses but also because industrial uses of the gas create jobs and add to the local tax base. More than half the gas currently being produced is either processed and exported as liquefied natural gas (LNG) or used to create fertilizer for export.

But growing demand has depleted 80% of the known Cook Inlet gas reserves. Many Alaskans are concerned about where Southcentral Alaska will get affordable energy in the future.

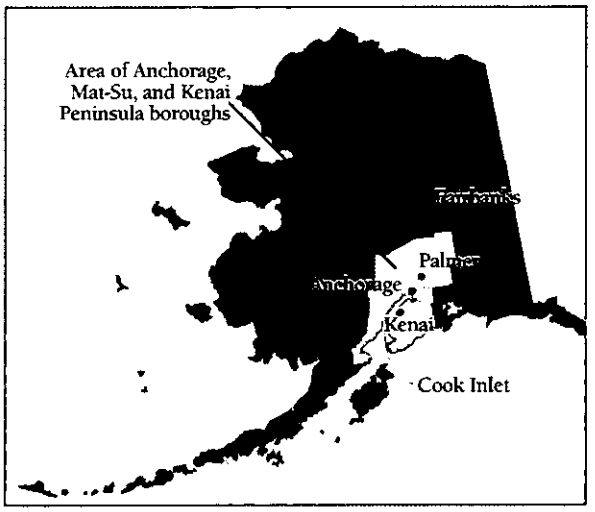
There are big unknowns. Will the Cook Inlet producers look for more gas? When will a natural gas pipeline from the North Slope be built, and will there be a spur line to bring gas to Southcentral? What will future industrial demand be? Will alternative energy sources help offset demand for gas?

In September 2006, the Alaska Oil and Gas Conservation Commission brought community leaders, gas producers, large consumers, geologists, engineers, economists, and the general public together at a two-day forum in Anchorage to talk about the problem and propose solutions for meeting the region's future energy needs.

The commission asked the Institute of Social and Economic Research (ISER) at the University of Alaska Anchorage to summarize forum proceedings. The information presented here is not a product of ISER research. It is a summary of statements, opinions, and projections of those attending the forum.

Why is This Gas "Inexpensive"?

"Inexpensive" natural gas from Cook Inlet means relative to prices of gas in the rest of the country and to prices of other energy sources in Alaska. The price residential customers pay for Cook Inlet gas has more than doubled since 1996—but it remains 30% to 50% below prices in other states, according to ENSTAR Natural Gas Company. It's also far cheaper than the diesel Alaskans without access to natural gas rely on.



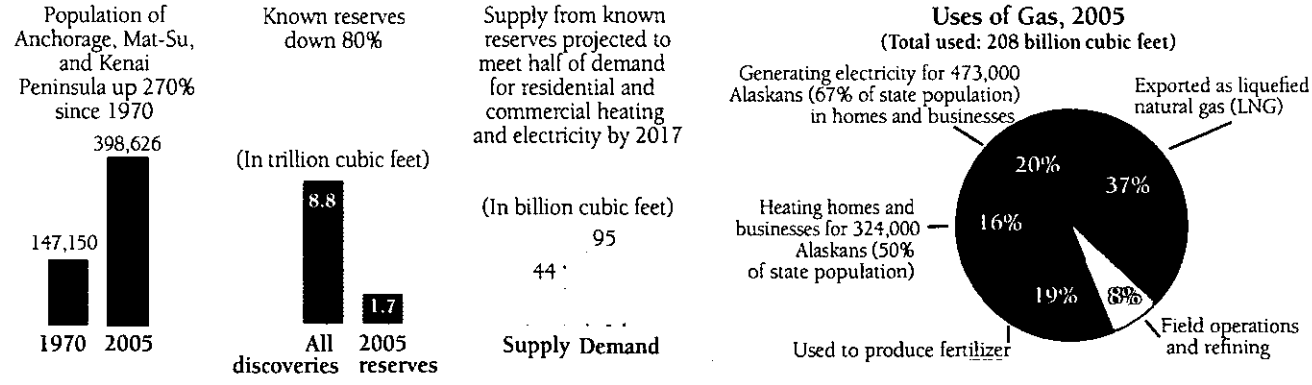
The price of Cook Inlet gas has historically been low because oil companies incidentally found trillions of cubic feet in the 1950s and 1960s, while they were looking for oil. The absence of a ready market for that gas provided Alaskans with a much less expensive energy source, compared with oil, and it made some industrial development possible.

Who are Consumers and How Do They Use Gas?

Most of the consumers are in Anchorage and the Kenai Peninsula and Mat-Su boroughs—where more than 60% of all Alaskans live (see map). That regional population has almost tripled since 1970. Communities along the railbelt north to Fairbanks also use electricity generated by Cook Inlet gas, and some gas is super-chilled to a liquid form so it can be trucked to Fairbanks .

The biggest current uses of Cook Inlet gas are industrial– 37% is liquefied and exported and another 19% is used to produce fertilizer for export. Heating homes and businesses in Southcentral Alaska takes about 16% of production, and another 20% is used to generate electricity throughout Southcentral and into the Interior. The remaining 8% is used for oil and gas field operations and refining oil.

Figure 1. Snapshot of Cook Inlet Natural Gas



Sources: Alaska Department of Labor; Alaska Division of Oil and Gas; Science Applications International Corporation

How Does Cook Inlet Gas Get to Consumers?

Current gas producers in Cook Inlet include Chevron, Marathon Oil, Conoco Phillips, and others. Most, but not all, the gas for heating goes through ENSTAR Natural Gas Company, a major public utility in Alaska and a subsidiary of Semco Energy, headquartered in Michigan. The producers themselves also market a small amount of gas directly to consumers.

ENSTAR is regulated by the Regulatory Commission of Alaska (RCA). ENSTAR and the producers negotiate, with RCA oversight, future prices and conditions for gas delivery from the producing fields to the consumer. The RCA must approve rates ENSTAR proposes to charge consumers.

ENSTAR supplies gas to about 325,000 commercial and residential users and also delivers gas to electric utilities. It has about 3,000 miles of distribution and transmission mains.

Municipal Light and Power and Chugach Electric Association are electric utilities also regulated by the RCA. They generate electricity almost entirely with gas. Together they serve about 473,000 residential and commercial customers from Southcentral into the Interior, either directly or through sales to other electric utilities.

Why Worry?

With the reserves declining, it's become harder to deliver gas to consumers as they need it, on a daily basis. Assuming no new investments in exploration or development, that problem is expected to worsen, especially in the winter. Consultants to the U.S. Department of Energy and others have projected the future demand for and supply of Cook Inlet gas.

The assumptions used in individual studies vary somewhat, but they all show the same general result: that the demand for Cook Inlet gas will soon exceed the current supply, even if industrial uses drop sharply.

Projections by Science Applications International Corporation (Figure 2), a consultant to the U.S. Department of Energy, are based on specific assumptions that other analysts may disagree with. Those include:

- Assumption: that the Agrium fertilizer plant will cease operating in the near future. Agrium hasn't run at full capacity since 2001, and it recently announced it will shut down during peak use winter months. Agrium has identified high gas prices as the main reason for the cutbacks—but high prices are related to short supply. (Agrium is, however, investigating alternatives to gas; see page 7.)
- Assumption: that the federal Office of Fossil Energy in the U.S. Department of Energy will not renew the export license for the LNG facility, which expires in 2009. To have the license renewed, the operator has to show that exporting LNG will not jeopardize local gas supplies.
- Assumptions: that a spur pipeline to carry North Slope natural gas to the Southcentral region will be built by 2015 and that most of the future demand will be residential and commercial, including the proposed Pebble mine in southwest Alaska.
- Assumption: that some industrial uses might be feasible, but that the cost of North Slope natural gas will make the current methane-intensive industrial uses (like producing fertilizer) uneconomic.

The projected decline in gas supply is essentially based on known reserves. Economists would argue that as supply shrinks, prices rise—and that rising prices would ultimately cause the producers to look for more gas. (But in the largely regulated Cook Inlet market, that might not happen).

Is There More Undiscovered Gas?

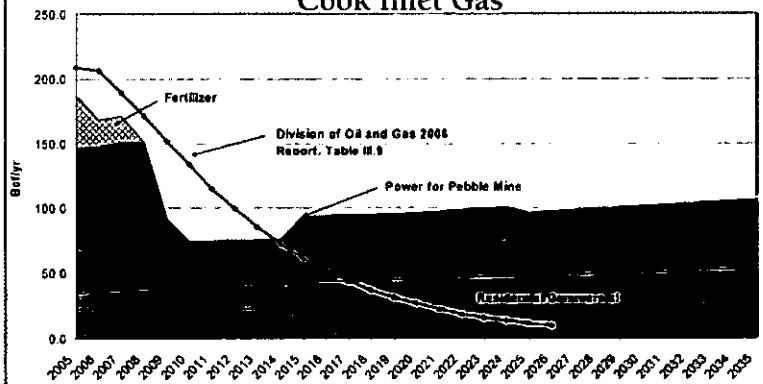
In the 1950s and 1960s, oil companies drilled as many as 30 wells a year in Cook Inlet (Figure 3). They were looking for oil—and found oil as well as trillions of cubic feet of natural gas. Those gas reserves, large enough to last for many years, left no need to look for more.

Then, in the late 1960s, world-class oil reserves were discovered at Prudhoe Bay, on the North Slope, and the petroleum industry's focus shifted away from Cook Inlet. The last commercial gas discovery in Cook Inlet was in 1979 and the last major oil discovery in 1991.

Net gas production—that is, production beyond what the producers re-injected to increase oil recovery—peaked in 1996 at 223 billion cubic feet. By 2005, net production had dropped to 208 billion cubic feet.

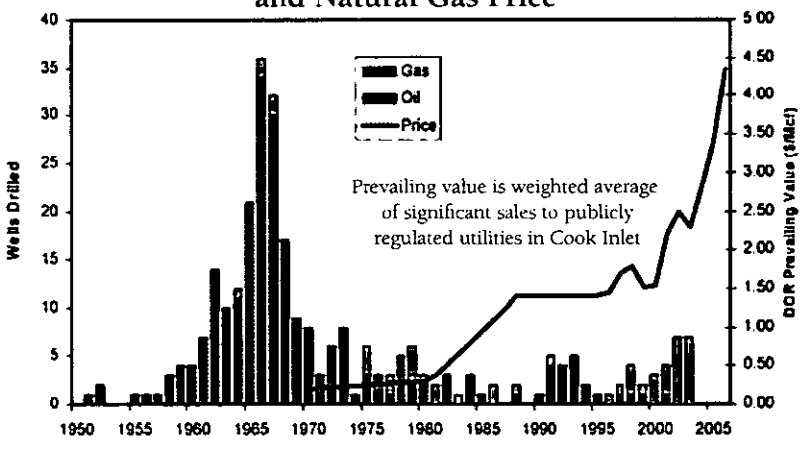
Many geologists think Cook Inlet basin is under-explored, compared with other gas exploration regions. Speakers at the forum said analysis of the distribution of field sizes in the basin suggests there may be large undiscovered fields remaining.

Figure 2 . Projected Supply of and Demand for Cook Inlet Gas



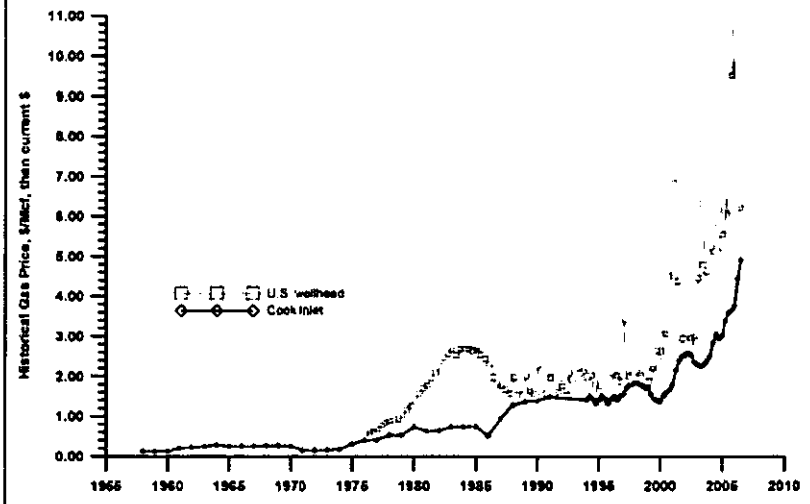
Source: NETL/DOE Study (2006) and Division of Oil and Gas (2006)

Figure 3. Exploration Wells Drilled in Cook Inlet and Natural Gas Price



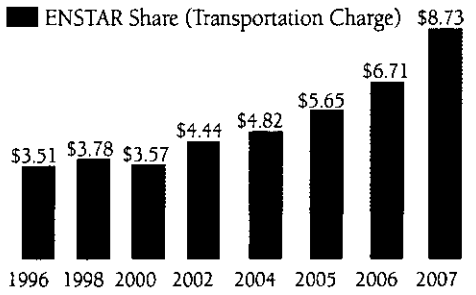
Sources: Alaska Departments of Revenue and Natural Resources; AOGCC

Figure 4. U.S. and Cook Inlet Natural Gas Price
(Wellhead Price per Thousand Cubic Feet, In Current Dollars)



Source: Alaska Department of Revenue and EIA

Figure 5. Residential Natural Gas Price
(Per Thousand Cubic Feet)



Source: ENSTAR Natural Gas Company

But no one is certain how much gas may be left in the basin, because few exploratory gas wells have been drilled there since the 1970s. Data from the Alaska Department of Revenue show that the bulk of the 240 exploration wells drilled in Cook Inlet since 1955 have been for oil. Only in the last five years has there been any focus on locating more natural gas—and that increased exploration coincides with rising gas prices (Figure 3).

The Alaska Department of Natural Resources estimates that 8.8 trillion cubic feet of gas have been found in Cook Inlet basin to date, with 7.1 already produced and 1.7 remaining. The U.S. Department of Energy estimates potential undiscovered natural gas reserves at between 13 and 17 trillion cubic feet. Other estimates are lower, with no analysis conclusively showing where new fields may be located. Whatever the remaining reserves, the level of future exploration will depend on gas prices.

How Have Prices Changed?

As the supply dwindles, the price of Cook Inlet gas has increased rapidly —although not as rapidly as elsewhere in the nation (Figure 4).

The price residential customers pay for Cook Inlet gas roughly doubled between 1996 and 2006, and it will increase another 30% in 2007 (Figure 5).

But that price includes both what the oil companies get for producing the gas and what ENSTAR charges for transporting it to customers.

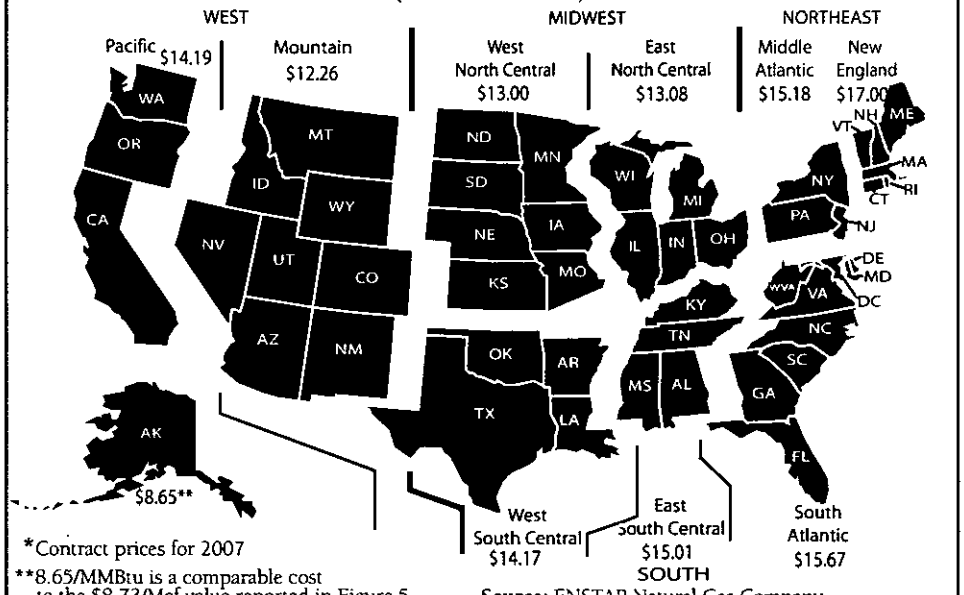
ENSTAR is a regulated utility, and it reports charging about the same (per thousand cubic feet) to transport gas today as in 1996. Virtually all the recent increase in the price to residential customers has gone to the producers.

ENSTAR also reports that despite sharp increases in what Alaskans pay for natural gas, they still pay about 30% to 50% less than other Americans.

Figure 6 compares 2007 contract prices for residential customers nationwide. In 2007 Alaskans will pay $8.65 per million Btus (British thermal unit, a standard energy measurement). Customers in the mountain states and the north-central states will pay $12 to $13. The highest natural gas prices will be in the mid-Atlantic, south-Atlantic, and New England states, where prices are expected to be nearly double the Alaska price.

Natural gas is also much less expensive than alternative ways of heating homes and businesses in Alaska. Figure 7, provided by ENSTAR, shows that natural gas for heating is about one-quarter to one-half the price of diesel, propane, or electricity, as measured by energy content.

Figure 6. Prices of Natural Gas for Residential Customers, 2007*
(Per Million Btu)

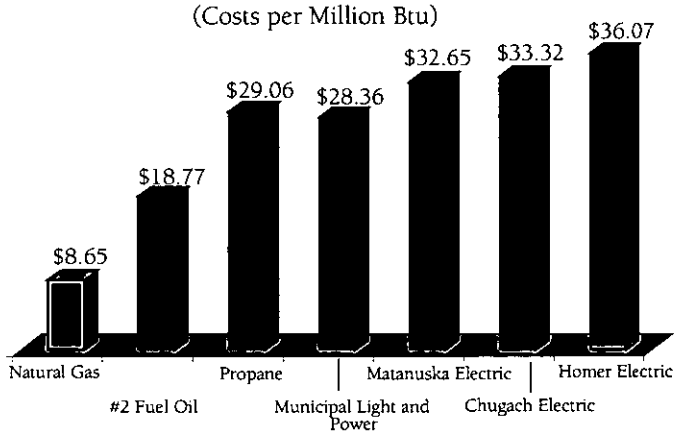


*Contract prices for 2007
**8.65/MMBtu is a comparable cost to the $8.73/Mcf value reported in Figure 5

Source: ENSTAR Natural Gas Company

Figure 7. Comparing Current Costs of Home Heating Sources for Southcentral Alaska

(Costs per Million Btu)



Source: ENSTAR Natural Gas Company

As for the electric utilities using Cook Inlet gas, Municipal Light and Power is not actively seeking new gas contracts now—because it owns part of a Cook Inlet gas field estimated to meet its demand for the next 10 to 15 years. Chugach Electric Association has sufficient gas under contract to meet demand only until 2011.

Where is the Price Headed?

As Figure 8 shows, the Alaska Division of Oil and Gas forecasts that the price of Cook Inlet gas will increase until 2008 and then drop, staying in the range of $6 per thousand cubic feet through 2016. (This forecast takes into account the recent ruling by the RCA.)

Figure 9 shows the division's estimates of the potential range of future demand from residential and commercial consumers, at higher or lower gas prices. The higher the price, the less consumption increases.

What Determines Price?

The price residential customers pay for Cook Inlet gas is actually the average of various prices in several contracts ENSTAR currently has with the producers. The contracts were all negotiated separately, and each has its own terms that can influence price.

In some contracts, for instance, the gas price is linked to oil prices. In two of the most recent contracts, Cook Inlet gas prices are linked to gas prices at what is known as the Henry Hub. That hub is in Louisiana, near where gas supplies from the Gulf of Mexico arrive. It is the pricing point for natural gas futures contracts traded on the New York Mercantile Exchange.

Increasingly, gas contracts in the U.S. are being set in relation to the Henry Hub benchmark price, with transportation and other charges added to that base to determine local prices.

Some analysts believe linking Cook Inlet prices to that hub will stimulate exploration, by raising those prices closer to the U.S. average.

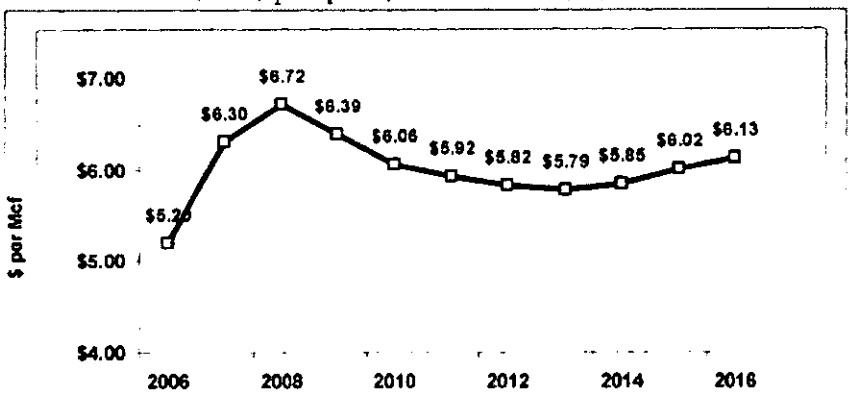
However, application of Henry Hub prices to Cook Inlet gas has been controversial, and the RCA recently rejected a proposed new contract between ENSTAR and Marathon Oil Company, benchmarking a portion of ENSTAR's future purchases of Cook Inlet gas to that hub.

The RCA found that "responsibility for paying gas prices that encourage new gas exploration and production should not rest exclusively with gas ratepayers."

ENSTAR is now in the process of renegotiating that contract with Marathon, which—if successful—would give it enough gas to meet its projected requirements through 2017. Today the utility has enough gas contracted only through 2008.

Figure 8. Projected Price of Natural Gas

(Price per Thousand Cubic Feet)

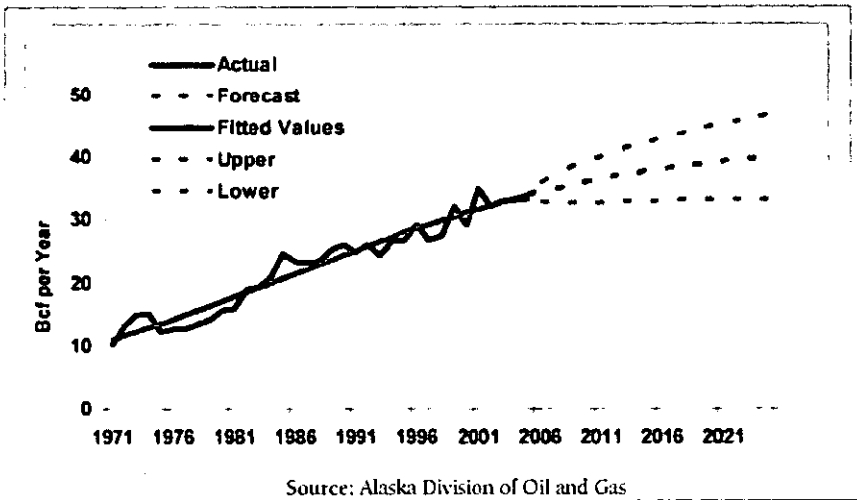


Estimates based on DOE oil and gas price forecasts and four ENSTAR gas supply contracts: Marathon-APL4; Beluga; Moquawkie; Unocal

Source: Alaska Division of Oil and Gas

Figure 9. Projected Residential And Commercial Demand for Cook Inlet Gas

(In Billions of Cubic Feet per Year)



Source: Alaska Division of Oil and Gas

These forecasts are based on the best current information—but it is difficult to predict future costs of natural gas, because all public gas and electric utility contracts are subject to approval by the RCA.

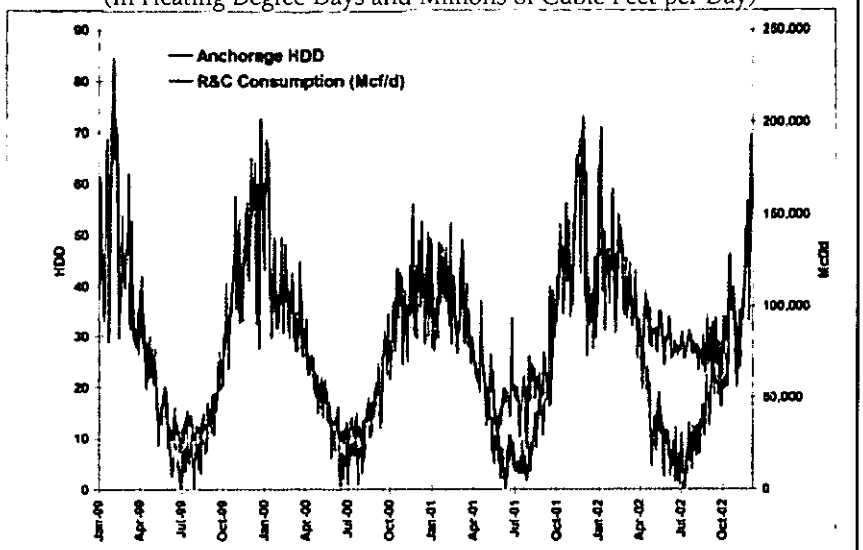
What is the Current Situation?

The Alaska Division of Oil and Gas reports that with gas reserves shrinking, increased residential and commercial consumption in the winter has occasionally outstripped the system's capacity to deliver. Figure 10 shows the sharp winter increases in demand for Cook Inlet gas. Spokesmen for the division say that if no new reserves are added, the number of days when peak demand exceeds the system's capacity will increase as time goes on.

Current industrial users—the Agrium and LNG plants and oil and gas field operations—consume almost two-thirds of the gas produced in Cook Inlet. (See Figure 1). Industry representatives at the forum said that industrial demand for gas is driven by export markets and depends on the availability of cheap gas to use in industrial processes.

Figure 10. Seasonal Residential and Commercial Demand for Cook Inlet Gas, 1999-2002

(In Heating Degree Days and Millions of Cubic Feet per Day)



Source: Alaska Division of Oil and Gas

The fertilizer plant has not run at full capacity since 2001. With the price of gas rising and supplies uncertain, Agrium reported at the forum that it is now making only year-to-year contracts for Cook Inlet natural gas. It is looking for long-term solutions—like coal gasification—to replace Cook Inlet gas.

The other big industrial user is the LNG plant at Nikiski, which currently uses more than a third of the gas produced. However, the plant needs approval from the federal Office of Fossil Energy to export LNG, and its current export license will expire in early 2009. (As of late 2006, no application to renew had been filed.)

To renew the license, the company needs to show that it is in the public interest to extend the contract and that exporting LNG would not jeopardize gas supplies for local consumers. Demonstrating that will become increasingly difficult as the supply of Cook Inlet gas declines.

However, representatives of the producers said at the forum that the loss of these big industrial users would reduce their incentive to explore and, consequently, hurt long-term stability of the supply of Cook Inlet gas

What are Short-Term Solutions?

One short-term way of meeting peak utility demand is temporarily storing gas. Since 2001, producers in Cook Inlet have stored their own gas underground in depleted reservoirs, to help meet utility demand.

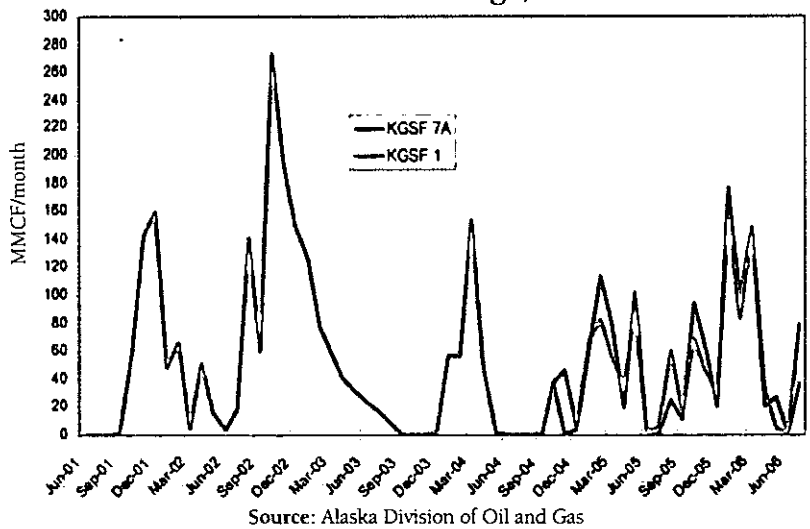
To date the federal Bureau of Land Management has approved three gas storage agreements with Chevron at the Swanson River field; two of those are currently storing and delivering gas. The Alaska Department of Natural Resources and the Alaska Oil and Gas Conservation Commission have approved two gas storage leases for active facilities at Chevron's Pretty Creek field and Marathon's Kenai field.

Figure 11 shows how draw-downs for utility demand from the storage facilities at the Swanson River field vary with the season, spiking in the winter.

Another way of easing short-term supply problems is interruptible contracts (allowing producers to curtail sales when demand is high). Agrium's fertilizer plant uses them to accommodate winter shutdowns. Also, as long as the LNG plant is operating, it can continue its historical role of providing "swing" gas that can be diverted to consumers when needed.

But industry speakers said at the forum that in the long run better solutions are needed—encouraging more exploration in Cook Inlet; bringing gas in from elsewhere (North Slope gas or imported LNG); or examining the feasibility of alternatives to natural gas—ranging from coal to tidal power.

Figure 11. Seasonal Draw-Downs for Utility Demand from Cook Inlet Storage, 2001-2006



Source: Alaska Division of Oil and Gas

Why Isn't There More Exploration?

There is some ongoing exploration in Cook Inlet basin. A number of both established and new companies are looking for oil and gas in the basin, according to petroleum industry presenters at the forum. Chevron, Marathon Oil, Aurora Gas, Forest Oil, and Conoco Phillips are among the Cook Inlet producers exploring for oil or gas.

Chevron reported in late 2006 that it has found about 150 billion cubic feet of gas since 2000, and that Chevron and its partner companies expect to spend $300 to $350 million for exploration and capital projects in Cook Inlet over the next several years.

Newer companies include Benchmark Oil and Gas, which is focusing on Upper Cook Inlet; Pioneer Natural Resources, which has one oil-producing project in Southcentral; and Rutter and Wilbanks, which is operating three projects: the Copper River project (gas), the Northern Lights project (oil), and the onshore Eagle/West Eagle project (oil and gas). Renaissance Resources and Stormcat Energy are also involved in exploration of undeveloped areas.

Many of the smaller companies are staying onshore, according to industry spokesmen, and all companies are affected by the higher costs of exploration in Alaska and the lower price of gas, compared with other areas of the country.

The number of exploratory wells in the past few years falls far short of the numbers in the 1960s, despite rising prices. At the forum, representatives of the gas producers said the price still hasn't offset the high costs of doing business in the inlet. The U.S. Department of Energy estimates the cost of identifying and developing just half the reserves it believes may remain in the inlet (13 to 17 trillion cubic feet) at more than $5 billion, in current dollars.

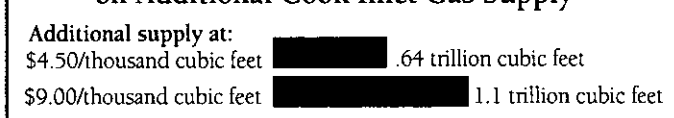
Figure 12 shows the U.S. Minerals Management Service's estimate of how much the supply of Cook Inlet gas would increase, at different wholesale prices for that gas. MMS estimates that at a price of $4.50 per thousand cubic feet, the additional supply might be 0.64 trillion cubic feet. But at double that price, the additional new supply would also nearly double—because the oil companies would have more incentive to explore.

The Cook Inlet producers also argue that they need more access to prospective fields. The producers estimate that between 30% and 50% of the prime exploration areas have restricted access or are entirely off limits, because they fall within protected areas of federal or state conservation units.

Industry spokesmen and representatives of the Minerals Management Service identified other things hindering large-scale exploration in Cook Inlet. Those include aging platforms, lack of a jack-up rig, regulatory matters—including gas well spacing and bonding requirements—and a general lack of 3-D seismic data of the basin. They say that these problems, as well as company reorganizations and the limited sale area in 1997, continue to hinder exploration.

The next Cook Inlet Special Interest lease sales are scheduled for 2009 and 2011.

Figure 12. Estimated Effects of Price on Additional Cook Inlet Gas Supply



Source: U.S. Department of the Interior, Minerals Management Service

What About Tax Incentives?

In 2006 the Alaska Legislature passed the Petroleum Production Tax (PPT), a major revision in the state's method of taxing oil and gas production. Among other things, the new PPT is intended to encourage more investment in oil and gas exploration.

The PPT operates differently on the North Slope and in Cook Inlet. It caps per-unit tax liability for Cook Inlet producers at the level of the old production tax system, during the year before the PPT was passed in April 2006. This means that even if the price of gas or production rises, Cook Inlet producers—current and future—will never pay more than the average per-unit tax rate in April 2006.

In essence, the PPT will not just limit or lower taxes in Cook Inlet—*it should also encourage new exploration and production*. Because the PPT is so new, it's too early to say what effect it might have on future gas supplies.

What are the Alternatives?

What about finding other energy sources or reducing consumption as a means of dealing with falling gas reserves? At the forum Dunmire Consulting discussed alternatives for increasing gas supplies from outside Cook Inlet, reducing consumption, and replacing gas with other sources.

The Dunmire analysis was funded by the Alaska Natural Gas Development Authority, which is a state corporation approved by Alaska voters in 2002 to promote construction of a natural gas pipeline from the North Slope. ANGDA has so far concentrated on plans for some sort of pipeline—either a spur from a main pipeline or a pipeline directly from the North Slope to Southcentral Alaska—to supply in-state consumers with North Slope gas.

Below we just report the alternatives Dunmire Consulting identified. Their order below doesn't indicate feasibility or the length of time they would take to develop, if they were feasible. Some could help ease potential gas shortages relatively soon, but many would have long lead times and uncertain capital costs.

• **Conservation.** If Alaskans conserved more natural gas and electricity, they could save anywhere from 3.0 to 7.5 billion cubic feet of gas a year, according to estimates of Dunmire Consulting. Conservation measures include things like upgrading residential and commercial appliances and improving weatherization of houses and businesses. Some analysts believe Alaskans won't conserve more unless the prices of residential and commercial heat and electricity increase more than they already have.

• **North Slope Gas.** A major uncertainty affecting the future of Cook Inlet gas development is when North Slope gas might be available to Southcentral consumers. That uncertainty makes it more complicated for Cook Inlet producers to decide how much to invest in exploration and development in Cook Inlet and for utilities and other consumers to decide about investing in gas-using equipment.

The North Slope has very large known reserves of natural gas. The North Slope oil producers have said they support construction of a pipeline to carry natural gas to world markets—although by the end of 2006 they hadn't actually committed to building a pipeline.

But at some future time, Southcentral consumers could get North Slope gas either through a spur line from a main pipeline or through a direct bullet line—that is, a pipeline direct from the North Slope to Southcentral. A pipeline bringing North Slope gas to Southcentral could also be enriched with hydrocarbons, to make certain kinds of industrial development feasible.

• **Coal Gasification**. Agrium is investigating a proposal to substitute synthetic gas from coal for natural gas from Cook Inlet. The proposed Project Blue Sky would take coal from Healy in the Interior south by rail, transfer it to barge, and ship it to a coal gasification plant on the Kenai Peninsula. The synthetic gas would be used to produce fertilizer and could also add electricity to the Southcentral power grid.

Proponents say coal gasification allows for efficient capture of concentrated streams of carbon dioxide (CO_2), virtually eliminating emissions of this greenhouse gas. The captured CO_2 could then be used for advanced oil recovery. It's estimated that 13 Cook Inlet oil fields might produce an additional 300 million barrels, through enhanced oil recovery using CO_2.

• **Other Potential Sources of Gas in Southcentral.** The Bristol Bay area and Alaska Peninsula have been estimated to hold anywhere from 7 to 23 trillion cubic feet of gas and the Nenana Basin 3 to 10. It's beyond the scope of this paper to describe how this gas could be brought to market.

• **Import LNG**. Southcentral Alaska could import LNG via the Kenai LNG plant, if the plant were modified to import rather than export LNG. This option would not have as long a lead time as some other alternatives and it would ensure ample supply—but Alaskans would be exposed to world market prices (which are significantly higher than current local prices). A big consideration in the feasibility of this option would be the capital costs of modifying the LNG plant.

• **Coal-Bed Methane**. Coal-bed methane is a form of natural gas that has been identified in the Susitna Basin north of Anchorage. However, the economic potential of coal-bed natural gas has not been established, and its development in Alaska has been controversial.

• **Coal**. Alaska has abundant sources of coal. An objection to coal is that it has higher CO_2 emissions than other energy sources. But the state government sponsored construction of a clean-coal plant at Healy, to help generate electricity. That plant has yet to be operated, because the utility originally planning to use the coal decided not to—but there are now plans to start it up, possibly within the next 18 months. It could offset some demand for gas to generate electricity. Additional coal supplies could further reduce natural gas use for electricity but at a high capital cost.

• **Wind Power**. With support from Chugach Electric, Municipal Light and Power, and others, the Fire Island Wind project is underway, with preliminary permitting and feasibility to be completed by 2011. This project would involve construction of wind turbines on Fire Island, just offshore from Anchorage. The turbines would be able to supply electricity to the Southcentral power grid and help offset demand for natural gas. However, there is uncertainty about how the wind turbines might affect air traffic at Anchorage's nearby international airport.

• **Hydropower**. Chugach Electric already uses hydropower to a small extent. Proponents say use of this renewable resource has relatively few effects on land and water systems. But further development of hydropower in this region would require a long lead time for licensing and a significant amount of capital for plant development.

• **Nuclear Power**. A small-scale nuclear "demonstration project" is being proposed for the community of Galena along the Yukon River. It would start up in 2012. Power from this facility, if it were built, would not be available for Southcentral. However, if it were successful it could promote more local interest in this abundant but controversial source of energy. Problems with nuclear power include long-term land use, the risk of accidents, and nuclear waste storage.

• **Tidal Power**. A demonstration project of tidal power in Knik Arm is scheduled to be under construction by 2015. Tidal power is a renewable resource—but it might affect aquatic life and boat traffic.

• **Geothermal Power**. A geothermal unit began operating at Chena Hot Springs Resort in the Interior in August 2006. Other potential geothermal sites, including Mt. Spurr in Southcentral, are under consideration. Geothermal power is a renewable resource, but the costs of connecting to the local electrical grid may make many sites uneconomic to develop.

• **Distributed Generation.** Distributed generation is the practice of replacing central gas-fired generation with on-site co-generation, or fuel cells. If those systems were fueled by sources other than gas, they could reduce gas consumption. Distributed generation may eventually become a realistic option in Southcentral, as the costs of the technology continue to fall.

What About Economic Contributions of Cook Inlet Gas?

So far in this summary we've talked about the importance of Cook Inlet gas to residential, commercial, and industrial consumers. The gas also broadly contributes to the state economy, because it is an inexpensive source of energy. ENSTAR estimates, for example, that it makes an annual economic contribution of $230 million to the economy.

People attending the forum pointed out that petroleum operations in Cook Inlet also create jobs for Alaskans and add to local tax bases. The economic effects of Cook Inlet gas are most concentrated in the Kenai Peninsula Borough.

In 2006, the oil and gas industry paid property taxes of over $10 million in that borough. The Cook Inlet producers and Agrium made up nine of the top ten taxpayers, with the highest assessed property valuations in the borough. In 2005, the industry supported 1,340 jobs, or 7.4% of borough employment, and 18.7% of total borough payroll.

Petroleum industry jobs also pay well—the average annual wage for oil and gas workers in 2005 was $88,764, compared with the average of $35,148 among all workers in the Kenai Peninsula Borough.

Statistics on the economic contribution of Cook Inlet gas for the other two boroughs were not provided at the forum. But it is clear that the petroleum industry also provides a significant wage and tax base for both Anchorage and the Mat-Su Borough.

What Did We Learn from the Forum?

In the past few decades, residents of Southcentral Alaska have enjoyed abundant gas supplies at low prices. Unfortunately for consumers, demand is now starting to run ahead of supply. Opinions differ on how much more gas is yet to be found in Cook Inlet and on the best way to stimulate exploration for new supplies.

Whether the two biggest current users of Cook Inlet gas—the LNG and fertilizer plants on the Kenai Peninsula—will keep operating in the face of shrinking supplies and rising prices makes the future market for gas uncertain. However, residential and commercial demand for both heating and gas-generated electricity are expected to keep growing.

Uncertainty also surrounds the future sources of gas supply (including gas from the North Slope) and the feasibility of developing alternative fuels that may be able to help offset some of the demand for natural gas. Many of the proposed alternatives come with long lead times and unpredictable costs.

But one thing is clear. Southcentral Alaska needs to find additional supplies of gas, or ways to offset demand. Otherwise, the region may soon see large-scale shortages.

A list of forum participants and transcripts of presentations are on AOGCC's Web site: www.aogcc.alaska.gov

Comments on this summary or the forum can be mailed or sent by e-mail to:

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For More Information

Agrium Inc.: www.agrium.com/home.jsp
Alaska Department of Natural Resources: www.dnr.state.ak.us
Division of Oil and Gas: www.dog.dnr.state.ak.us
Alaska Department of Revenue, Tax Division: www.tax.state.ak.us
Alaska Natural Gas Development Authority: www.angda.state.ak.us
Alaska Oil and Gas Association: www.aoga.org
Alaska Oil and Gas Conservation Commission: www.aogcc.alaska.gov
Anchorage Chamber of Commerce: www.anchoragechamber.org
Anchorage, Municipality of: www.ci.anchorage.ak.us/homepage/index.cfm
Aurora Power: www.aurorapower.com
Benchmark Oil and Gas: www.benchmarkoil.se
BP: www.bp.com
Chevron: www.chevron.com
Chugach Electric Association: www.chugachelectric.com
Conoco Phillips: www.conocophillips.com/index.htm
Cook Inlet Regional Citizens Advisory Council: www.circac.org
Dunmire Consulting, Carolyn Dunmire: dunmire@fone.net
ENSTAR Natural Gas Company: www.enstarnaturalgas.com
Kenai Peninsula Borough: www.borough.kenai.ak.us
Matanuska-Susitna Borough: www.matsugov.us
Municipal Light and Power: www.mlandp.com
National Energy Technology Laboratory:
www.netl.doe.gov/technologies/oil-gas/index.html
Pioneer Natural Resources: www.pioneernrc.com
Regulatory Commission of Alaska: www.state.ak.us/rca
Science Applications International Corporation: www.saic.com
Stormcat Energy: www.stormcatenergy.com
U.S. Department of the Interior, Minerals Management Service:
www.mms.gov/alaska/re
Usibelli Coal Mine: www.usibelli.com/index.html
Information on Coal to Liquids and Fischer-Tropsch refining processes:
www.aidea.org
Cook Inlet Energy Supply Alternatives Study available at:
www.angda.state.ak.us
Kenai Peninsula Borough information on Cook Inlet oil and gas:
www.cookinletoilandgas.org

Acknowledgments

The authors thank many people for help with this summary. AOGCC commissioners Dan Seamount and John Norman sponsored the preparation of the summary and tried to ensure that the forum's agenda was objective and represented as many stakeholders as possible. Bill Popp of the Kenai Peninsula Borough also helped the commission line up participants for this forum. The Oil and Gas Division of the Alaska Department of Natural Resources also contributed to the forum's success.

Jody Colombie and Ceresa Tolley at the AOGCC provided the forum with logistical support and helped the authors collect and disseminate information from the proceedings.

Dan Dieckgraeff of ENSTAR, Will Nebesky and Brian Havelock of the Alaska Division of Oil and Gas, and Charles Thomas of Science Applications International Corporation promptly answered follow-up questions from the authors.

The authors appreciate help from Fran Ulmer, Linda Leask, Clemencia Merrill, and Darla Siver of ISER.

Finally, the authors thank all the forum participants for taking the time to discuss this important issue.

Representative Mike Hawker
Alaska State Legislature

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Hope

TO: Representative Craig Johnson
Representative Mark Neuman
Co-Chairmen, House Resources Committee

FROM: Representative Mike Hawker

DATE: February 3, 2010

RE: House Bill 280

I request that House Bill 280, the Cook Inlet Recovery Act (CIRA), be scheduled for a hearing in the House Resources Committee at your earliest convenience. CIRA would provide incentives for developing gas storage facilities and make changes to our current tax incentives for gas exploration in the Cook Inlet.

House Bill 280 is currently in the House Labor and Commerce Committee and scheduled for hearing on Monday, February 15th. If possible, I would respectfully request that HB 280 be scheduled, pending referral, for the House Resources next week.

I expect to see a House Labor and Commerce CS next Monday and will provide you with a current version of the bill and revised sponsor statement as soon as they are available. I have attached the current work draft and accompanying sectional, a Sponsor Statement, a few simple overview documents, and some background materials for your review. Please feel free to contact me or my legislative aide, Juli Lucky, if you need any additional information.

Rep.Mike.Hawker@legis.state.ak.us • www.housemajority.org/hawker

HB

295

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 295
(H) Publish Date: 1/19/10

Identifier (file name): 0829-REV-APFC-1-6-10
Dept. Affected: Revenue
Title: University of Alaska Land Transfer
RDU: Alaska Permanent Fund Corporation
Component: APFC Operations
Sponsor: Rules
Requester: Request of Governor
Component Number: 109

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

The APFC anticipates no impact on revenues or expenditures as a result of this legislation.

Prepared by: Ginger Blaisdell for Laura Achee
Phone 465-2312
Division: Alaska Permanent Fund Corporation
Date/Time 12/18/09; 2:00pm
Approved by: Ginger Blaisdell, Director
Date 1/6/10; 1:33pm
Administrative Services Division

(Revised 10/13/2009 OMB)

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 295
(H) Publish Date: 1/19/10

Identifier (file name): 0829-DNR-MLW-12-21-2009
Dept. Affected: Natural Resources
Title: Grant of State Land to the University of Alaska
RDU: Resource Development
Component: Title Acquisition and Defense
Sponsor: Rules Committee
Requester: Governor
Component Number: 2459

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )	***	***	*** Indeterminate (see analysis) ***			***	***

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: *(Attach a separate page if necessary)*

This bill requires DNR to convey title to 194,379 acres of specifically identified parcels of state land to the University of Alaska within two years of the effective date of the legislation. To satisfy the land conveyance proposed under this legislation, DNR will need to complete the conveyance process for these parcels, including a land title search, identify and reserve easements, identify and reserve navigable waters, and resolve any title conflicts. This will require some DMLW staff time to complete this research, finish the preparation of legal descriptions, prepare conveyance documents, and update the state's computerized records system. Because this effort was substantially completed by the department under the provisions of chapter 8, FSSLA 2005 prior to the State Supreme Court's invalidation of that statute, only a small amount of work remains to finalize the conveyances required under this bill.

Prepared by: Dick Mylius
Phone 907-269-8625
Division: Director, Mining Land and Water
Date/Time: December 21, 2009
Approved by: Tom Irwin, Commissioner
Date: December 21, 2009
Natural Resources

(Revised 11/6/2009 OMB)

FISCAL NOTE #2

STATE OF ALASKA **BILL NO.** HB 295
2010 LEGISLATIVE SESSION

ANALYSIS CONTINUATION

(Analysis cont.)

Accordingly, DNR does not anticipate any additional funds or positions will be required, and the department can implement the intent of this proposed legislation using existing staff and resources.

This bill is intended to expedite the conveyance of state lands, including the mineral estate, to the University of Alaska by conveying to the Board of Regents by quitclaim deed to those state lands identified for conveyance to the University in a document entitled "University of Alaska Land Grant List 2005" dated January 12, 2005. This "Land Grant List" includes lands that make up part of the Nenana oil and gas basin.

***Based on the subsurface information currently available, the Nenana basin is thought to be gas-prone. DNR believes that the gas potential of this basin ranges from moderate to good. The basin is also in close proximity to markets in Fairbanks. Andex Resources currently has an oil and gas exploration license for part of the Nenana Basin. It is impossible without further exploration to predict the exact fiscal impacts. However, the conveyance of part of the Nenana oil and gas basin to the University of Alaska could result in a significant new source of revenue and /or energy for the University with a corresponding decrease in general and permanent fund revenues.

There is a similar but lesser impact from transferring the surface and subsurface from other lands that DNR would otherwise sell or lease. That is, the Department anticipates an unspecified decrease in future revenues from the loss of these lands.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: HB 295
(H) Publish Date: 1/19/10

Identifier (file name): 082-UA-SWS-12-18-09
Dept. Affected: University of Alaska
Title: An Act relating to the grant of certain land to the University of Alaska
RDU: University of Alaska
Component: Sysbra
Sponsor: Governor
Requester:
Component Number: 730

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual	500.0	250.0	250.0	250.0	250.0	250.0	250.0
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**500.0**	**250.0**	**250.0**	**250.0**	**250.0**	**250.0**	**250.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
1048 University Receipts	500.0	250.0	250.0	250.0	250.0	250.0	250.0
TOTAL	**500.0**	**250.0**	**250.0**	**250.0**	**250.0**	**250.0**	**250.0**

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

In the short term (6 years) this bill would provide very little operating revenue, due to the fact that the funding resulting from this bill is deposited into UA's Land Grant Trust Fund (LGTF, an endowment that has a payout policy similar to the POMV principles i.e., 5% of the prior five year endowment average), however, in the long term, after substantial additions to the LGTF endowment UA can see modest operating revenue i.e., in approximately 20 years UA anticipates annual investment earnings on new land sales to reach 1% of state general fund support or $2.6M.
UA Land Management will add minimal staff to accomplish management of the new lands as this land transfer would roughly replace land inventory available for sale. Land Management operating costs are already considered in the net revenue projections.

Prepared by: Michelle Rizk, Associate Vice President
Phone 450-8187
Division: University of Alaska
Date/Time 12/18/09 4:40 PM
Approved by: Michelle Rizk, Associate Vice President
Date
Statewide Budget

(Revised 11/6/2009 OMB)

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

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February 25, 2010

The Honorable Cathy Munoz
House of Representatives
Co-Chair of House Community and Regional Affairs Committee
State Capitol, Room 409
Juneau, AK 99801-1182

The Honorable Bob Herron
House of Representatives
Co-Chair of House Community and Regional Affairs Committee
State Capitol, Room 415
Juneau, AK 99801-1182

Re: Committee Substitute for House Bill 295(EDC)

Dear Representative Munoz and Representative Herron:

At the close of the February 18, 2010 Community and Regional Affairs Committee hearing on House Bill 295, you requested a written response from the Department of Law to testimony by Legislative Counsel Donald Bullock. Mr. Bullock testified that CSHB 295 (EDC) failed to address the Alaska Supreme Court's decision in *Southeast Alaska Conservation Council v. State*[1] that prior University land grant legislation was unconstitutional. Mr. Bullock testified that under the Alaska Supreme Court's holding in *SEACC v. State*, the Board of Regents lack the authority to set policy regarding the administration and disposal of University land. We have reviewed Mr. Bullock's materials from the February 18, 2010 hearing, as well as his March 30, 2009 memorandum to Representative Ramras regarding "Alaska Supreme Court decision on the conveyance of lands to the University of Alaska (Work Order No. 26-LS0818)."

[1] 202 P.3d 1162 (2009).

We disagree with Mr. Bullock's testimony. Article VII, section 2 of the Alaska Constitution states that the University "shall have title to all real and personal property now or hereafter set aside for or conveyed to it. Its property shall be administered and disposed of according to law." Article VII, section 3 of the Alaska Constitution empowers the Board of Regents as the governing body of the University, and states that "[t]he board shall, in accordance with law, formulate policy." In accordance with these constitutional mandates, the Legislature has established a statutory framework for administration and disposal of University land and University interests in land. Alaska Statute 14.40.170(a)(4) specifies that the Board of Regents "have the care, control, and management of all the real and personal property of the university" as well as land that would be conveyed under CSHB 295(EDC). This statute also requires that the Board of Regents "provide public notice of sales, leases, exchanges, and transfers of the land of the university or of interests in land of the university." AS 14.40.170(a)(8). Furthermore, the Legislature has established specific requirements for administration of University land in various sections of AS 14.40 (*see, e.g.,* AS 14.40.291 (specifying that University land is not public domain land); AS 14.40.350 and .360 (authorizing the Board of Regents to administer federal University land grant land); AS 14.40.366 (requiring land development and disposal plans as well as public notice and comment for development, exchange, or sale of University land)). Additionally, the Legislature has specifically exempted University land from the Alaska Land Act (*see* AS 38.05.030(f)) and the requirements of AS 30.04 (*see* AS 38.04.005(f)). The validity of these statutes has not been challenged.

In *SEACC v. State*, the Alaska Supreme Court held that University land is state land and therefore generates revenue subject to Article IX, section 7 of the Alaska Constitution.[2] In reaching this conclusion, the Court relied in part on its 1981 decision that the Legislature has ultimate authority to dispose of University trust land,[3] but it must reconstitute the trust.[4] In deciding that University land is state land subject to the dedicated funds clause, the Court stated that:

> [E]ven when the University has title to land, only the legislature can make laws effecting the disposal of land, not the Board of Regents. We further observed that the Alaska Constitution grants extensive powers to the legislature to control lands, which makes clear that the University lands received under the 1929 act 'belong' to the state. The

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2 202 P.3d at 1172.

3 The University received two federal land grants in 1915 and 1929. This land was conveyed from the federal government to the state in trust for the University. This trust land was at issue in the Alaska Supreme Court's 1981 decision.

4 *See State v. University of Alaska*, 624 P.2d 807 (Alaska 1981).

> conclusion we reached in *State v. University of Alaska*, that University land is state land, applies even more readily to the present case because the University land involved here is not shielded by a federal trust obligation. Statutory language treating University lands differently from other state land does not overcome this constitutionally based conclusion.[5]

In other words, the Court held that conveyance of state land to the University did not remove the land from the ultimate control of the Legislature, nor did it exempt University land revenue from the dedicated funds clause. The Court did *not* hold that University land must be managed under the same statutory framework as other state land, nor did the Court hold that the Legislature could not delegate to the Board of Regents the authority to develop policy for the day-to-day implementation of the University land program, including decisions regarding development and disposal of individual parcels. Because University land is state land, University land management practices must comply with the requirements of Article VIII, Natural Resources, of the Alaska Constitution. However, there is no basis for the conclusion that the Legislature may not enact separate laws governing the administration of University land, including delegation of day-to-day land administration responsibilities to the Board of Regents.

Sincerely,

DANIEL S. SULLIVAN
ATTORNEY GENERAL

By: J. Anne Nelson
J. Anne Nelson
Assistant Attorney General
Attorney for the State of Alaska

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5 *SEACC v. State*, 202 P.3d 1162, 1171 (Alaska 2009) (internal citations and quotations omitted).

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MEMORANDUM March 22, 2010

SUBJECT: Transfer of land to the University
(HB 295; Work Order No. 26-GH2829)

TO: Representative Mark Neuman
Co-Chair of the House Resources Committee
Attn: Rex Shattuck

FROM: Donald M. Bullock Jr.
Legislative Counsel

HB 295 proposes to transfer land to the University of Alaska. The bill was introduced after the Alaska Supreme Court found that a prior bill conveying land to the University of Alaska (University) was unconstitutional.[1] The court found that ch. 8, FSSLA 2005 violated art. IX, sec. 7 by dedicating the proceeds from university lands to the endowment trust fund.[2]

HB 295 does not dedicate the proceeds from the land transferred to the University. Instead, the amendment to AS 14.40.491 in sec. 10 of CSHB 295(CRA) treats "receipts from lands conveyed to the University" as university receipts, subject to appropriation by the legislature.

A problem with the 2005 University Lands Act was that it dedicated all land proceeds to the University's endowment fund. Since the court struck down all dedication of funds generated by university lands as contrary to the prohibition of dedicated funds in art. IX, sec. 7, the court never discussed whether some of the proceeds should have been directed to the permanent fund under art. IX, sec. 15. The governor's bill attempts to provide for a dedication to the permanent fund, in sec. 13, where AS 37.13.010(a) is amended to require, "25 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares derived from lands conveyed to the University of Alaska under AS 14.40.365 and 25 percent of all bonuses derived by the University of Alaska from mineral leases on these lands" to be deposited in the permanent fund. I write the bill "attempts" because the paragraph that is amended -- AS 37.13.010(a)(1) -- applies to certain payments received from leases issued on or before December 1, 1979 and bonuses from leases issued on or

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[1] *Southeast Alaska Conservation Council v. State of Alaska*, 202 P.3d 1162 (Alaska 2009).

[2] 202 P.3d at 1177.

before February 15, 1980. Compare paragraph (1) with paragraph (2) in the same section; AS 37.13.010(a)(2) provides for inclusion in the permanent fund of payments received after the dates in AS 37.13.010(a)(1). Paragraph (2) makes no mention of deposits from land conveyed to the University. I suggest the administration should explain to the committee what is intended by the amendment to AS 37.13.010 in the bill. AS 37.13.010(a), in sec. 13, needs to be amended to at least address the time period issue and the obligation to contribute mineral-related proceeds to the permanent fund.

Another issue raised by *Southeast Alaska Conservation Council v. State of Alaska* relates to how land transferred to the University is to be managed. The court stated that, as state land, university land must be administered and disposed of according to law under art. VII, sec. 2, Constitution of the State of Alaska. That part of the decision, reads as follows:[3]

> We considered the meaning of article VII, section 2 in *State v. University of Alaska* [624 P.2d 807, 814]. There, we held that the state could take land that Congress had granted to the University to be held in trust for it under the federal 1929 act, but that the state had to compensate the University with monetary damages or equivalently valuable land. Our opinion emphasized article VII, section 2's command that "property shall be administered and disposed of according to law," and noted that "'according to law' refer[s] to the legislature's power to make laws." *Thus, even when the University has title to land, "only the legislature can make laws effecting the disposal of land, not the Board of Regents."* We further observed that "[t]he natural resources article of the Alaska Constitution grants extensive powers to the legislature to control lands," which makes "clear that [the University lands received under the 1929 act] 'belong' to the state." The conclusion we reached in *State v. University of Alaska,* that University land is state land, applies even more readily to the present case because the University land involved here is not shielded by a federal trust obligation. Statutory language treating University lands differently from other state land does not overcome this constitutionally based conclusion.

CSHB 295(CRA) contains legislative findings and purpose in sec. 1. Paragraph (2) in that section refers to art. VII, sec. 2, Constitution of the State of Alaska, but paraphrases the constitutional provision in a somewhat confusing manner. Paragraph (2) states that the legislature finds:

> (2) article VII, sec. 2 of the Constitution of the State of Alaska provides that the University of Alaska shall have title to all real property conveyed to it and that *the legislature shall prescribe how university property shall be administered according to law;*

[3] 202 P.3d at 1171 (footnotes omitted, emphasis added).

(Emphasis added.) The actual constitutional provision, addressed in the court's opinion, is:

> SECTION 2. State University. The University of Alaska is hereby established as the state university and constituted a body corporate. It shall have title to all real and personal property now or hereafter set aside for or conveyed to it. *Its property shall be administered and disposed of according to law.*

Although the court stated, "Thus, even when the University has title to land, only the legislature can make laws effecting the disposal of land, not the Board of Regents[,]" the amendment to AS 14.40.291(a) in sec. 4 of CSHB 295(CRA) requires the land to be managed "**in accordance with** [AS NONTAXABLE TRUST LAND UNDER] AS 14.40.365 - 14.40.367 *and policies of the Board of Regents*." [Emphasis added.]

AS 14.40.366 is repealed and reenacted in sec. 6 of CSHB 295(CRA), and addresses the management requirements for university land to be transferred under the bill. That section gives general direction to the Board of Regents to manage the lands; the board is to "adopt policies that require the preparation of land development plans and land disposal plans," "offer first refusal to the closest municipality" on land offered for sale, and "adopt policies requiring public notice before approval of land development plans and land disposal plans." Whether this law -- AS 14.40.366 -- rises to the level of a law effecting the disposal of land under art. VII, sec. 2, in light of the discretion granted to the Board of Regents, should be examined as this bill progresses. When comparing AS 14.40.366 with AS 38.05 (Alaska Land Act), there is a considerable difference in the laws providing for the administration and disposal of state land. For example, AS 38.05.180 contains extensive provisions relating to oil and gas leasing. What provisions would apply to oil and gas leasing on land conveyed to the University in light of AS 38.05.030(f) that exempts "[l]and owned by the Board of Regents of the University of Alaska"?[4]

Section 15 of CSHB 295(CRA) would ratify conveyances that were made before the court's decision on ch. 8, FSSLA 2005. The Alaska Supreme Court remanded the case to the superior court with instructions to order reconveyances to the State of the land transferred under the act and order the return of any net proceeds received from the land.[5]

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[4] Under art. VII, sec. 2, the university can hold title to land; AS 14.40.170(a), the Board of Regents is responsible for the care, control, and management of the land, but not ownership. CSHB 295(CRA) transfers land to the University, not the Board of Regents.

[5] 202 P.3d at 1177. The "net proceeds" part of the order is not clear. Since the court found that money from the land could not be dedicated, questions arise as to what funds were deducted in determining the "net proceeds" and whether costs associated with the management of the land had been appropriated by the legislature.

What follows below is an analysis of *Southeast Alaska Conservation Council v. State of Alaska* that may be helpful as you consider CSHB 295(CRA) in your committee.

***Southeast Alaska Conservation Council v. State of Alaska* and the conveyance of land to the University of Alaska under ch. 8, FSSLA 2005**

Introduction

On March 13, 2009, the Alaska Supreme Court issued a decision in *Southeast Alaska Conservation Council v. State.*[6] The decision concludes that the dedication of money to the endowment trust fund of the University of Alaska (University) generated from land conveyed to the University by ch. 8, FSSLA 2005 violated the prohibition against dedicated funds in art. IX, sec. 7 of the Alaska Constitution. The court declined to sever the land transfer provisions of the Act from the unconstitutional dedicated fund provisions because the court found the survival of those provisions "would not serve the act's main purpose and would operate strikingly differently from the original act."[7]

The court remanded the case to the superior court,

> with instructions (1) to order reconveyance to the State of the land transferred under the act, (2) to order the return of any net proceeds received from the land, and (3) to enter judgment in favor of the appellants in accordance with the views expressed in this opinion.[8]

The decision recognized the authority of the University to have title to real and personal property under art. VII, sec. 2, Constitution of the State of Alaska.[9] While the University may have title, the court concluded that the same section of the constitution requires that "[the University's] property shall be administered and disposed of according to law," and

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[6] 202 P.3d 1162 (Alaska 2009).

[7] 202 P.3d at 1176. The court identified the main purpose of the act as follows:

> The legislative findings show that the main purpose of the act was to make a land grant that would operate in a manner similar to the way that the University's federal land grant has operated since before statehood: the University is partially supported by net earnings from the [endowment trust fund], which in turn is funded by net proceeds from revenues derived from the sale or use of land grant lands.

202 P.3d at 1174 (footnote omitted).

[8] 202 P.3d at 1177.

[9] 202 P.3d at 1171.

"according to law" refers to the legislature's power to make laws; [10] the Board of Regents does not have the power to effect the disposal of land outside of laws passed by the legislature. The court wrote:

> Thus, even when the University has title to land, "only the legislature can make laws effecting the disposal of land, not the Board of Regents." We further observed that "[t]he natural resources article of the Alaska Constitution grants extensive powers to the legislature to control lands," which makes "clear that [the University lands received under the 1929 act] 'belong' to the state." The conclusion we reached in *State v. University of Alaska,* that University land is state land, applies even more readily to the present case because the University land involved here is not shielded by a federal trust obligation. Statutory language treating University lands differently from other state land does not overcome this constitutionally based conclusion.[11]

Following the finding that University land is state land, the court found that revenue from the land is state revenue for purposes of the dedicated funds clause and would be subject to appropriation. Revenue from state land conveyed to the University could be appropriated to the University or to any other state agency. On this point, the court wrote, in the context of is severability discussion:

> The land grant provisions of the act, if allowed to stand alone, would not enhance the University's endowment. With only the land grant provisions, the legislature would appropriate on an annual basis the net proceeds gained from the sale or use of the land. The appropriation could be directed in whole or in part to the University or any agency. The appropriated proceeds would be available for immediate use. They would not be capitalized and preserved. If the University were to sell the land, which would be likely given the legislature's goal of encouraging development, the land could be substantially disposed of within a few decades. Because the net proceeds from the land would be spent rather than saved, the benefits from the land grant, far from lasting in perpetuity, could be dissipated in a relatively short period of time.[12]

In summary, the case decided that the legislature had the exclusive power to pass laws effecting the disposal of land held by the University, revenue from the land conveyed by

---

[10] *Id.* (footnotes omitted).

[11] *Id.* (footnotes omitted). The quoted excerpts are from *State v. University of Alaska*, 624 P.2d 807 (Alaska 1981).

[12] 202 P.3d at 1175.

the state may not be dedicated, and the revenue from state land conveyed to the University could be appropriated to the University or to any other state agency.

DISCUSSION

Bills conveying state land to the University

In 2000 and 2005 the Alaska legislature passed bills conveying approximately 250,000 acres to the University.[13] The 2000 legislation (SB 7) allowed the University to select 250,000 to 260,000 acres of land and required the "net income derived from the sale, lease, or management of the land selected by and conveyed to the University of Alaska" to be placed and held in the University's endowment trust fund (ETF).[14] Governor Knowles vetoed SB 7, the legislature overrode the veto by less than a three-fourths majority. The veto override was challenged on the basis that the conveyance of land was an appropriation requiring a three-fourths majority for override. On appeal, the Alaska Supreme Court concluded that the bill's provisions were not an appropriation and that the veto had been overridden by the legislature.[15] The case considering the veto of SB 7 did not address provisions of the Act relating to the dedication of funds.

In 2005, the legislature passed HB 130. HB 130 differed from SB 7 by identifying the specific land to be transferred to the University rather than have the University select the land. Similar to SB 7, HB 130 retained the requirement that net proceeds from the land be placed in the ETF. HB 130 also established a "University Research Forest" for advancing research into forest practices, ecology, wildlife management, and recreation.[16]

University land is state land; revenue from University land is state revenue

"Our case law establishes that University lands are state lands."[17] "Because University land is state land, revenue from University land is state revenue for purposes of the dedicated funds clause."[18] These two sentences are at the heart of the supreme court's decision. The two conclusions are critical for determining the laws that are applicable to

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[13] Ch. 136, SLA 2000 (HCS CSSB 7(FIN) AM H); Ch. 8, FSSLA 2005 (CCS HB 130(efd fld S)).

[14] 202 P.3d at 1164 - 66.

[15] *Alaska Legislative Council .v Knowles*, 86 P.3d 891 (Alaska 2004).

[16] 202 P.3d at 1166. The establishment of the University Research Forest is the only part of HB 130 that survived the court's decision on HB 130. *Id.* at 1176.

[17] 202 P.3d at 1171.

[18] 202 P.3d at 1172.

the management and disposition of University land and the use of revenue derived from University land.

The conclusion that University land is state land is grounded in art. VII, sec. 2, Constitution of the State of Alaska. Justice Matthews, writing for the court, wrote:

> Article VII, section 2 establishes the University, declares it a "body corporate," provides that the University "shall have title to all real and personal property now or hereafter set aside for or conveyed to it," and states that "[i]ts property shall be administered and disposed of according to law." We considered the meaning of article VII, section 2 in *State v. University of Alaska.*[19] There, we held that the state could take land that Congress had granted to the University to be held in trust for it under the federal 1929 act, but that the state had to compensate the University with monetary damages or equivalently valuable land.
>
> . . .
>
> The conclusion we reached in *State v. University of Alaska,* that University land is state land, applies even more readily to the present case because the University land involved here is not shielded by a federal trust obligation. Statutory language treating University lands differently from other state land does not overcome this constitutionally based conclusion.[20]

The fact that University land is state land under art. VII, sec. 2 leads to the second conclusion, that revenue for University land is state revenue and therefore subject to the prohibition against dedicated funds in art. IX, sec. 7, Constitution of the State of Alaska. Two historical sources cited by the court further support the court's conclusion. First, the decision quotes Governor Egan's statement in 1959 that he made after vetoing a bill intended to reserve lands for the support of the University. The governor wrote:[21]

> I am vetoing [the bill], a bill intended to reserve lands for the support of the University of Alaska, because I believe it wrong in principle, inconsistent with constitutional concepts and not in the public interest. In so saying, I may add that I would act similarly on any bill which sought, as this does, to make special disposition of the proceeds of public lands in aid of one public function to the exclusion of others.
>
> . . . .

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[19] *State v. University of Alaska,* 624 P.2d 807, 814 (Alaska 1981).

[20] 202 P.3d at 1171 (notes and citations by the court omitted).

[21] 202 P.3d at 1172, quoting Governor Egan's Statement in 1959 House Journal 1186, 1186 - 87.

> To return now, by the enactment of [this bill], to a proposal whereby lands are given piecemeal earmarking for various state functions would be a distinct step backward.
>
> If we are to return to the "internal improvement" concept of earmarking state lands, can we in good conscience limit the practice to the University? . . . Certainly, this bill invites similar treatment for other state responsibilities. By this bill the door would be opened to an unplanned disposition, or dissipation, of the resource without regard to relative need and without regard to the clear constitutional and congressional intent.

The second historical support for the court's conclusion is found in a letter from Senator Bob Bartlett to William Egan in 1964.[22] With regard to the position for further dedication of land after Alaska achieved statehood, Senator Bartlett wrote:

> [A]t many times during the consideration of the statehood bill, efforts were made to set aside this amount of land or that amount of land for the common schools and for other educational uses. I always resisted these and, as it turned out, successfully. My conviction was--and is--that notwithstanding the possible need for such reservations in the early statehood bills, the reasons for such have long since evaporated. . . . [I]f dedication is made for one institution or one purpose, what argument could be made against expanding? None, of course.[23]

Both historical quotes relate to both the dedication of land for a particular purpose and the disfavor of dedicating revenue from that land.

Proceeds from University land transferred from the state may not be dedicated

The lower court's decision found that the proceeds from state land are not "proceeds of any state tax, or license" that may not be dedicated under the literal reading of art. IX, sec. 7, Constitution of the State of Alaska.[24] That provision reads as follows:

> **Dedicated Funds.** ***The proceeds of any state tax or license shall not be dedicated to any special purpose***, except as provided in section 15 of this article or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

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[22] Letter from Bob Bartlett to William Egan (June 8, 1964), quoted and cited in 202 P.3d at 1172.

[23] *Id.*

[24] 202 P.3d at 1167.

(Emphasis added.) One of the three exceptions to the prohibition is art. IX, section 15, which authorizes the dedication of a certain amount of mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State to the Alaska Permanent Fund.[25]

In analyzing the extent of the prohibition in art. IX, sec. 7, the court reiterated its statement in *State v. Alex*, that the prohibition is "intended . . . to prohibit not only the dedication of taxes, but also such revenue as the proceeds from the sale of state lands."[26] Regarding *Alex*, the court wrote:[27]

> We reaffirm the reasoning and language of *Alex.* In *Alex,* we struck down a statute authorizing aquaculture associations to collect assessments from commercial salmon fishermen because it violated the dedicated funds clause. Our opinion considered the meaning of the word "tax" and concluded that "the sense in which 'tax' is used in *article IX, section 7 of the constitution* must be determined from its context, both in the text and according to the discussion at the constitutional convention which adopted the wording." We then turned to constitutional history, noting that the studies on which Constitutional Convention delegates relied encouraged adopting a prohibition on earmarking because the dedication of funds "curtailed the exercise of budgetary controls and simply amounted to an abdication of legislative responsibility." We also remarked that the commission's studies "used the terms revenues, funds, and taxes interchangeably" in discussing this issue. We interpreted an amendment to the proposed provision that inserted "proceeds of any state tax or license" in the place of "all revenues" as an effort to "allow for the setting up of certain special funds, such as sinking funds for the repayment of bonds," rather than "to exempt some sources of revenue from the prohibition." Thus, we held "that since the constitution prohibits the dedication of any source of revenue," the assessments in question could not be earmarked.
>
> We see no reason to hold differently now. In addition to the history described in *Alex,* the amendment to *article IX, section 7* creating

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[25] Although the court did not address the issue of dedicating similar revenues to the ETF rather than the Permanent Fund when generated from University land, I believe that such dedication would have also been unconstitutional under art. IX, sec. 15. The court did not need to reach this issue after concluding that no revenue from University land could be dedicated to the ETF.

[26] 202 P.3d at 1169 (quoting *State v. Alex*, 646 P.2d 203, 210 (Alaska 1982)).

[27] 202 P.3d at 1169 - 70 (footnotes omitted, emphasis added).

> an exception for the Permanent Fund indicates that the prohibition is meant to apply broadly. If only revenue collected as taxes or license fees were included, there would have been no need to expressly exempt "all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State" to ensure that placing those revenues in the Permanent Fund did not violate the constitution.

The court also rejected the arguments by the State that:[28]

> the grant of land and proceeds from it does not violate the dedicated funds clause because the grant of land and proceeds is not a dedication of revenue but rather an asset conveyance. The State asks us not to rely on *State v. Alex* but to rule that this case should follow what it contends is the reasoning of *Myers v. Alaska Housing Finance Corp.*

In *Myers v. Alaska Housing Finance Corp.*[29] the court "upheld the state's sale of future proceeds from settlement with tobacco companies against a challenge under the dedicated funds clause."[30] The court described the situation in *Myers* as legislative authorization of "the sale of the right to future proceeds from the settlement for a lump-sum amount based on the present value of the future proceeds."[31] The court continued:[32]

> The legislature appropriated the lump sum in a single year for various purposes. No dedicated fund was created nor were revenues placed in a pre-existing dedicated fund. Accordingly, we concluded that "[b]ecause the legislature sold the tobacco settlement and then appropriated the resulting income, it did not directly violate the anti-dedication clause." Nonetheless, we were concerned that the transaction might be contrary to the spirit of the clause; ultimately, however, we found no constitutional violation.
>
> Thus *Myers* neither holds nor suggests that revenue from state property can be placed in a dedicated fund. Likewise, it does not imply that there is an exception to the dedicated funds clause applicable to revenue from state property. *Instead, Myers suggests that the reach of the dedicated funds clause might be extended to statutes that, while not directly violating the*

[28] 202 P.3d at 1170 (footnote omitted).

[29] *Myers v. Alaska Housing Finance Corp.*, 68 P.3d 386 (Alaska 2003).

[30] 68 P.3d at 391 - 393.

[31] 202 P.3d at 1170.

[32] *Id.*

> *clause by dedicating revenues, in some other way undercut the policies underlying the clause.*

(Emphasis added.)

The court distinguishes the dedication of funds specifically prohibited under art. IX, sec. 7 from the allocation of revenue by statutes that undercut the policy behind the section. The court seems to emphasize that in *Myers*, no dedicated fund was created and the revenues from the tobacco settlement were not placed into a dedicated fund. That situation is factually distinguishable from the University land conveyance in which the revenues from University land conveyed by the state were to be deposited in the University's endowment trust fund. The court described the nature of the trust fund as a dedicated fund by stating, "State law mandates that the principal of the trust fund be held in perpetuity and that '[t]he total return from the [ETF] shall be used exclusively for the University of Alaska.'"[33]

University land must be administered and disposed of according to law

As noted above, the court reiterated the requirement in art. VII, sec. 2 that University land "shall be administered and disposed of according to law" and "'according to law' refer[s] to the legislature's power to make laws."[34] The court continued, "Thus, even when the University has title to land, 'only the legislature can make laws effecting the disposal of land, not the Board of Regents.'"[35]

The Alaska Land Act, AS 38.05.005 - 38.05.990, was enacted pursuant to art. VIII, sec. 10, Constitution of the State of Alaska.[36] That section of the constitution reads as follows:

> No disposals or leases of state lands, or interests therein, shall be made without prior public notice and other safeguards of the public interest as may be prescribed by law.

Managing land conveyed to the University using the provisions in the Alaska Land Act would be consistent with the court's decision; managing University land under any policy established by the Board of Regents that is inconsistent with the Alaska Land Act or other laws passed by the legislature relevant to the management of State land violates the

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[33] 202 P.3d at 1166 (referring to AS 14.40.400(a) and (c)).

[34] 202 P.3d at 1171 (notes and citations omitted).

[35] *Id.*

[36] *Moore v. State*, 553 P.2d 8, 21 (Alaska 1976).

"according to law" requirement in art. VII, sec. 2.[37]

Conclusion and summary

While the legislature may convey land to the University and the University may hold title to that land, there seems to be little benefit to the University from the transfer. The land would continue to be "state land" and have no special status or exclusion from the requirement that the land be managed according to law. The University would have to manage the land consistent with laws passed by the legislature, such as the Alaska Land Act. Management pursuant to policies adopted by the Board of Regents that are inconsistent with law violates art. VII, sec. 2, Constitution of the State of Alaska.

Revenue from land conveyed to the University is state revenue for purposes of the prohibition against dedicated funds in art. IX, sec. 7, Constitution of the State of Alaska and is subject to appropriation. While revenue from University land may be appropriated to the University, appropriations could also be made for any other public purposes.

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[37] The requirement that University land be "administered and be disposed of according to law" is consistent with the public trust doctrine adopted by the Alaska Supreme Court in *CWC Fisheries v. Bunker*, 755 P.2d 1115, 1117 - 18 (Alaska 1988) and AS 38.05.502. Both the doctrine and the statute reiterate that the state holds land in trust for the people of the state; the policies for management of that land determined by the legislature are consistent with that principle.

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March 24, 2010

The Honorable Mark Neuman
House of Representatives
Co-Chair of House Resources Committee
State Capitol, Room 432
Juneau, Alaska 99811

The Honorable Craig Johnson
House of Representatives
Co-Chair of House Resources Committee
State Capitol, Room 126
Juneau, Alaska 99811

Dear Representative Neuman and Representative Johnson:

I attended the hearing on Committee Substitute for House Bill 295 (CRA) before your Committee on March 17, 2010. During the hearing, Legislative Counsel Donald Bullock pointed out the awkward wording of Section 13 of the Bill. This Section starts on page 14 and continues on page 15. It describes a proposed amendment to AS 37.13.010 (a), the statute pertaining to the Alaska permanent fund.

I agree with Mr. Bullock that the amendment proposed in Section 13 is confusing, but I believe a small modification to the structure of the proposed amendment will address Mr. Bullock's concerns. The modification I suggest is to removed the added language in subsection (a)(1) of AS 37.13.010 and place that language in a separate and new subsection (2). Section 13 would then read:

Sec. 13. AS 37.13.010(a) is amended to read:

(a) Under art. IX, sec. 15, of the state constitution, there is established as a separate fund the Alaska permanent fund. The Alaska permanent fund consists of

(1) 25 percent of all mineral lease rentals, royalties royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the

state from mineral leases issued on or before December 1, 1979, and 25 percent of all bonuses received by the state from mineral leases issued on or before February 15, 1980;

(2) **25 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares derived from lands conveyed to the University of Alaska under AS 14.40.365 and 25 percent of all bonuses derived by the University of Alaska from mineral leases on these lands;**

(3) 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases issued after December 1, 1979, and 50 percent of all bonuses received by the state from mineral leases issued after February 15, 1980; and

(4) any other money appropriated to or otherwise allocated by law or former law to the Alaska permanent fund.

Creating a new subsection (2) for the added language removes the confusion caused by the reference to certain dates in the initial draft. Also maintaining the 25% contribution rate to the Alaska permanent fund complies with Article IX, Section 15 of the our constitution and preserves the Legislature's intent to provide resources to the university for higher education purposes.

Thank you for considering my suggestion.

Sincerely,

Larry Zervos
Associate General Counsel
University of Alaska

Cc: Donald Bullock, Legislative Counsel
Anne Nelson, Assistant Attorney General
Wendy Redman, Vice President University Relations
Mari Montgomery, Director, University Land Management

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STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

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March 24, 2010

The Honorable Craig Johnson
The Honorable Mark Neuman
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State Capitol
Juneau, Alaska 99811

Dear Representatives Johnson and Neuman:

Thank you for hearing House Bill 295, The University of Alaska Lands bill, in the House Resources Committee on Wednesday, March 17. I would like to address several of the concerns raised during that hearing.

First, let me assure you that the Department of Natural Resources (DNR) working with the University has thoroughly investigated the land status of all parcels on the land list. All of the parcels contained in HB 295 were included in the 2005 legislation (HB 130) passed by the legislature. After the 2005 legislation passed, DNR began the process to transfer lands to the University. This process included thorough land title research to confirm state ownership. In fact, at the time the Supreme Court issued an injunction barring further land transfers, DNR had already issued deeds for 30 of the 51 conveyable parcels and had prepared draft deeds for all of the other conveyable parcels. All of the land title issues raised at the March 17 hearing were addressed in that process.

The following are parcel specific issues and DNR's response.

Tenakee Springs lands. During the 2005 consideration of House Bill 130, the issue of the 1981 Settlement Agreement was specifically raised and addressed. The 1981 Settlement Agreement referred to by various Tenakee Springs residents and officials was settlement of a dispute between DNR and the City of Tenakee Springs regarding the city's municipal entitlement. In that agreement, DNR agreed to transfer certain state lands to the city and retain others in DNR ownership (rather than convey them to the city). The agreement needs to be considered in that context. This was not an agreement to retain these parcels in state ownership in perpetuity. Absent a legislative directive that these lands would be retained in perpetuity, DNR would not have such authority to have made that commitment.

Frying Pan Lake. During the Legislature's consideration of this parcel in the 2005 legislative session, numerous local residents expressed concern about protecting the dog mushing trails that crossed this parcel. In response, DNR committed to working with the local trail users and the Mat-Su Borough to identify important trails, establish easements for these trails and then make the land transfer subject to those easements. This was done, and we believe the results were quite satisfactory to local trail users. If this parcel is conveyed to the University, these trail uses are protected.

Cleveland Peninsula – Sunny Bay. DNR objected to the transfer of this parcel to the City and Borough of Wrangell because it had been already committed to the University. The parcel was not discussed when DNR and the City and Borough of Wrangell representatives met several weeks ago to consider increasing the Borough's entitlement under House Bill 273. Those discussions focused on specific, discrete lands that the City and Borough identified for development or community uses. The City and Borough's interest in the Sunny Bay parcel is to prevent use and development of the parcel, while the University is more likely to put the parcel to an economic use.

Sitka – Biorka Island. Regarding the Native Allotment on Biorka Island, one Native Allotment is noted on Biorka Island. The allotment belonged to Mr. Walton Rudolph and was certified on May 5, 1921. Due to the location of the island and its importance to the military for communications and navigation, the allotment was condemned in 1940 and acquired for fair market value in July of the same year. This case is closed. There is no active 1906 Native Allotment case file in the Bureau of Land Management's records for Biorka Island. The only other private land ownership file in BLM's records for Biorka Island is a homesite application that was filed by Kathleen and Howard Taubeneck that was rejected on April 19th, 1951.

The issue of a Native Allotment claim was considered as part of the debate surrounding HB130 in 2005. At that time then Director Bob Loeffler responded to inquires made by Representative Wilson in a letter dated March 7, 2005. In that letter the Director answered the question of the affect the University parcel would have on future actions taken by the heirs of Mr. Rudolph to reopen his Native Allotment file by saying that "...University ownership will not affect the fate of Mr. Walton's allotment. That fate rests with BLM."

The FAA's navigational facility located on Biorka Island is on federal land that is adjacent to the state land proposed for transfer to the University. Maintaining the parcel under DNR management would provide no greater security for the FAA facility than transferring the parcel to University management.

Finally, I would like to address Don Bullock's concerns that were submitted in writing to Committee members during the hearing.

1. Style – "Generally needs edits to conform with the drafting manual and style of Alaska Statutes". Much of the language contained in HB 295 is essentially the same as was continued in the 2005 legislation that was passed by the legislature, with modifications to remove the provisions that the Alaska Supreme Court found were unconstitutional. We agree that any edits necessary so that the bill conforms to appropriate drafting standards and style of the Alaska Statutes should be made.

2. Legal Substantive – "University land is state land". This issue was first raised by Mr. Bullock in the House Community and Regional Affairs hearing on HB 295. Both the Department of Law and University believe that the Legislature has provided a statutory framework for the administration and disposition of University land, and therefore disagree with Mr. Bullock's interpretation of the Supreme Court's decision on this issue. See attached February 25, 2010 letter to Representatives Munoz and Herron from Assistant Attorney General Anne Nelson.

3. Legal Substantive – "policy as to Percentage". As written, section 13 of the bill could be construed to apply only to University land proceeds in the form of lease rentals, royalties, royalty sale proceeds, and net profit shares from mineral leases issued on or before December 1, 1979, and bonuses from mineral leases issued on or before February 15, 1980. This interpretation would not capture all of the proceeds from the land to be conveyed to the University under this bill that are subject to the constitutional Permanent Fund contribution requirement. We agree that this section of the bill should be redrafted to accurately identify the proceeds from the land to be conveyed under this bill that are subject to the Permanent Fund contribution requirement. The University's counsel has submitted suggested language to address this issue.

4. Policy – The Legislature's purpose in passing the 2000 and 2005 legislation, and the intent behind HB 295, is to fulfill a commitment many believe was made at Statehood to more fully endow the University of Alaska with land. In addition to providing land that the University can use for educational purposes, the legislature has supported conveying appropriate parcels to the University because the University land office has better resources and fewer constraints than DNR to encourage the development of the land and resources.

We hope that the Committee will consider the bill again soon and pass the bill out of committee. Thank you for your consideration of this important legislation.

Sincerely,

Dick Mylius
Director
DNR Division of Mining, Land and Water

cc: House Resources Committee Members
Don Bullock, Legislative Counsel
Wendy Redman, University of Alaska
Mari Montgomery, University of Alaska
Jerry Gallagher, Office of the Governor
Tom Irwin, Commissioner, DNR
Anne Nelson, Assistant Attorney General
Michael Ford, Assistant Attorney General
Melanie Lesh, DNR Legislative Liaison

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

1031 WEST 4TH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501-5903
PHONE: (907)269-5100
FAX: (907)276-3697

March 30, 2010

The Honorable Mark Neuman
House of Representatives
Co-Chair of Resources Committee
State Capitol, Room 432
Juneau, AK 99801-1182

The Honorable Craig Johnson:
House of Representatives
Co-Chair of Resources Committee
State Capitol, Room 126
Juneau, AK 99801-1182

Re: Committee Substitute for House Bill 295(CRA)

Dear Representative Neuman and Representative Johnson:

We have reviewed Legislative Counsel Don Bullock's March 22, 2010 memorandum to Representative Neuman regarding "Transfer of land to the University (HB 295; Work Order No. 26-GH2829)," and wish to provide a response for consideration by your committee. We also wish to provide for you the attached February 25, 2010 letter from the undersigned to Representatives Munoz and Herron.

HB 295 was drafted in response to the Alaska Supreme Court's holding in *SEACC v. State*, 202 P.3d 1162 (2009) that dedication of university land revenue to the university's endowment trust created an unconstitutional dedicated fund. The Court also found that it could not sever the land conveyance provisions of the statute from the dedication provisions because it was unclear whether the legislature would have intended for the university to receive the land if the proceeds from the land were not dedicated to the endowment trust, but were instead managed as university receipts, subject to appropriation each year by the legislature. The Court therefore found the land grant

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legislation unconstitutional in its entirety. HB 295 was drafted to specifically address the Alaska Supreme Court's ruling in *SEACC v. State*.

Two of the three legal issues that Mr. Bullock identifies in his March 30, 2009 and March 22, 2010 memoranda already have been addressed. The first issue, dedication of revenue from the conveyed land to the university endowment trust, is addressed in section 9 (deleting the provision dedicating land revenue to the endowment trust) and section 10 (specifying that land revenue is to be managed as university receipts, subject to appropriation each year by the legislature) of HB 295. In his March 24, 2010 letter to you, the Associate General Counsel for the University of Alaska proposed a technical edit to section 13 of the bill that would address the concerns Mr. Bullock raises on page 1 of his March 22, 2010 memorandum regarding the dedication of at least 25 percent of the land revenue to the permanent fund. The University and Department of Law both agree that Article IX, section 15 of the Alaska Constitution (which sets forth the types and amount of state revenue that must be dedicated to the permanent fund) applies to land conveyed under this bill.

The third issue raised by Mr. Bullock addresses the statutory requirements applicable to administration and disposal of university land. On page 3 of his March 22, 2010 memorandum, Mr. Bullock expresses concerns that the statutory framework for administration of university land, and AS 14.40.366 in particular, may not "rise[] to the level of a law effecting the disposal of land under art. VII, sec. 2 [of the Alaska Constitution], in light of the discretion granted to the Board of Regents." This concern is reiterated on pages 11 and 12. Mr. Bullock raises these same issues in his March 30, 2009 memorandum, which is largely repeated in his March 22, 2010 memorandum. While the Alaska Constitution requires that university land be "administered and disposed of according to law," it does not prohibit the legislature from delegating specific administrative functions (including decisions regarding management and disposal of individual parcels) to the Board of Regents. The legislature has delegated similar discretion to the Department of Natural Resources in administering state public domain land. *See Kachemak Bay Watch v. Noah*, 935 P.2d 816, 825-26 (Alaska 1997) ("The legislature's assignment of a task to an agency, such as the identification of districts at issue here, invariably involves the exercise of agency discretion.")

Mr. Bullock also states, on pages 11-12 of his March 22, 2010 memorandum, and page 9 of his March 30, 2009 memorandum, that the Alaska Constitution requires that university land be managed consistent with the Alaska Land Act. We disagree. The legislature has specifically exempted university land from the Alaska Land Act and from the statutes that govern use and classification of state land surface. *See AS 38.04.005(f); AS 38.05.030(f)*. The legislature's disparate treatment of university land, managed by the Board of Regents, and state public domain land, managed by the Department of Natural Resources, recognizes the different responsibilities and purposes of the land management

programs of each agency of the state. The legislature also has enacted statutes that provide land management authority to other state agencies that hold title to and manage state land outside the Alaska Land Act. For example, *see AS 19.05.040, AS 19.05.080-.120 (Department of Transportation) and AS 42.40.250(7)-(10), AS 42.40.285, AS 14.40.350-.465 (Alaska Railroad).* The validity of these statutes has not been challenged.

Thank you for considering these issues.

Sincerely,

DANIEL S. SULLIVAN
ATTORNEY GENERAL

By: J. Anne Nelson
J. Anne Nelson
Assistant Attorney General
Attorney for the State of Alaska

Cc:
Gerald Gallagher, Legislative Director, Office of the Governor
Tom Irwin, Commissioner, Department of Natural Resources
Richard Lefebvre, Deputy Commissioner, Department of Natural Resources
Richard Mylius, Director, Mining Land and Water
Deborah Behr, Chief Assistant Attorney General
Michael Ford, Assistant Attorney General
Wendy Redman, Vice President, University Relations
Larry Zervos, University General Counsel

CITY OF TENAKEE SPRINGS

Don Pegues
MAYOR

P.O. Box 52
Tenakee Springs, Alaska 99841

February 10, 2010

Alaska State House of Representatives

Representative Bill Thomas

Dear Rep. Thomas,

I want to thank you for your hard work representing us on HB 295. Last Thursday the Tenakee Springs City Council adopted Resolution 2010-16, relating to the community's desire to have ST 1003 excluded from the list of lands to be granted to the University of Alaska. The Resolution is enclosed. Also enclosed, are three pieces of correspondence between the City of Tenakee Springs and DNR, the Stipulation for Settlement Tenakee Springs vs. State of Alaska 1JU 80-1666, March 9, 1981, and three pages from the Northern Southeast Area Plan (NSEAP). Tenakee Springs strongly desires to be excluded altogether from the University Bill and if that is not possible to have an amendment inserted binding the University to the terms of the Stipulation for Settlement. We intend to convey this material to Senator Kookesh, and if you have the opportunity, hope you would urge him to help with the exclusion.

Much of the concern expressed at the public hearing on resolution 2010-16 and by the Council members centered around whether the Stipulation with the land-use restrictions cited in the March 9, 1981 Court Order would remain in effect if the land were transferred to the University. In 1977, when the US Forest Service wanted to build a road and log dump and cut three timber units within the corporate boundaries of Tenakee Springs, the City's objections resulted in a Memorandum of Understanding between the city of Tenakee Springs the State of Alaska and Alaska Pulp Corporation. The US Forest Service declined to participate. A part of the MOU promised that DNR would convey to Tenakee Springs the lands selected under statehood with the understanding some would be retained by the State. When the conveyance was not forthcoming the City sued the State and the end result was an court order approving the Stipulation for Settlement, 1JU 801666, March 9, 1981. In the Stipulation for Settlement paragraph 1.2 describes a tract of land to be retained by the state for "commercial, industrial, row right away and borrow pits purposes... containing 261 acres, more or less." This track is designated C34 in the NSEAP. Paragraph 1.4, describes a "public facilities reserve, 40 acres more or less" and is designated C30 in NSEAP. C30 encompasses C31 and C32. The University list erroneously adds the acreages of C30, C31 and C32 together totaling 80 acres when the actual acreages 40 as a result the total acreage in ST 1003 is 301 acres. In the correspondence from 2005 enclosed DNR stated that they do not believe this day to be bound by the terms of the stipulation for settlement as to land-use.

The community is very concerned about the potential increased burden for new services that may be placed upon us. Extending power lines, improved access, and snow removal are all

things that would overwhelm our limited budget. If the University is not bound by the Stipulation for Settlement and is able to privatize these lands that burden could be considerably

greater. A fiscal note to the bill from the University of Alaska indicates that the 20-year projected income from these lands might produce 1% of the annual income required by the University. The 301 acres in Tenakee comprises only .11% of the total land grant in HB 295. Consequently the income derived from this land would be less than .0013 percent of the University's annual requirement. The potential burden to the city, in our minds, far outweighs the potential gain to the University.

The City of Tenakee Spring would be grateful for any help that you could provide in excluding the Tenakee Lands from the University Bill. One of our Council members, in contact with your office, has indicated you might be willing to forward amendment language to the House Committee on Community and Regional Affairs for an exclusion amendment. The Community and Regional Affairs Committee is meeting this week. I know that you work closely with Senator Kookesh and hope that together you can get exclusion amendments in both HB 295 and SB 225.

Respectfully,

Don Pegues, Mayor

City of Tenakee Springs

CC: Alaska House of Representatives
Committee for Community and Regional Affairs

City of Tenakee Springs

RESOLUTION 2010-16

In the Council
February 11, 2010

Introduced by
Council President

A RESOLUTION FOR THE CITY OF TENAKEE SPRINGS, ALASKA, SUPPORTING AN AMENDMENT TO HB 295 AND SB 225, " UNIVERSITY LAND GRANT", EXCLLUDING PARCEL ST 1003 FROM CONVEYANCE TO THE UNIVERSITY OF ALASKA

WHEREAS, the Alaska Department of Natural Resources, (DNR) adopted the Northern Southeast Area Plan (NSEAP) on October 15, 2002; and

WHEREAS, the City of Tenakee Springs, the public, various stakeholders and other government agencies had input into the land-use designations for local state lands in the NSEAP; and

WHEREAS, the NSEAP acknowledges that the State of Alaska shall retain certain lands in state ownership and manage them for the purposes designated in the Stipulation of Settlement pursuant to the order of the Alaska Superior issued on March 9, 1981 in case number IJU-80-1666; and

WHEREAS, if these lands in ST 1003 are conveyed to the University of Alaska, the University remains bound by the management uses designated for these lands in the IJU-80-1666, March 9, 1981 court order; and

WHEREAS, the Parcel Number ST 1003 includes parcels identified in the NSEAP as C30 which includes C31 and C32, 40 acres more or less, is designated to be managed "as a public facilities reserve" by court order; and

WHEREAS, the NSEAP states, "Other than development that may be related to marine support at the boat harbor, further development of this parcel is not considered appropriate."; and

WHEREAS, Parcel Number ST 1003 also includes the parcel identified in the NSEAP further as C24, 261 acres more or less, and the NSEAP and March 9, 1981 Court Order declares that "Lands within this parcel are to be retained by the state"; and

WHEREAS, the Stipulation for Settlement, (para 1.4), Tenakee Springs vs. State of Alaska, IJU-80-1666, March 9, 1981 stipulates these retained lands to be managed for "Commercial, industrial, right of way, and borrow pits" uses; and

WHEREAS, DNR did not solicit public comment from residents of Tenakee Springs for the 2010 legislation (HB 295) when designating Parcel ST 1003 for conveyance to the University; and

WHEREAS, all of the parcels in ST 1003 are within the city limits of Tenakee Springs; and

WHEREAS, fiscal Note 3 of House Bill 295 indicates, "after substantial additions to the LGTF endowment UA can see modest operating revenue i.e., in approximately 20 years UA anticipates annual investment earnings on new land sales to reach 1% of state general fund support or $2.6M."; and

WHEREAS, the total acreage of land recommended for conveyance from the State of Alaska to the University of Alaska in HB 295 and SB 225 is 260,000 acres; and

WHEREAS, parcel number ST 1003 is approximately 301 acres in size, which equates to .0013 percent of the total acreage of land to be conveyed to the University; and

WHEREAS, the City of Tenakee Springs would be unduly burdened by conveyance of these lands compared to the relatively insignificant additional revenue this parcel would contribute to the University's budget;

THEREFORE BE IT RESOLVED by the Common Council of the City of Tenakee Springs, Alaska that we support an amendment to HB 295 and SB 225 either removing the transfer of ST 1003 to the University of Alaska or binding the University to the terms of the Stipulation for Settlement in IJU-80-1666, City of Tenakee Springs vs. State of Alaska, March 9, 1981

ADOPTED 7 Yes, 0 No THIS 11th DAY OF February 2010.

Don Pegues
City Council President
Ex officio MAYOR

ATTEST:

Mary M. Almy
Acting City Clerk

March 16, 2010

House Resources Committee

The Honorable Craig Johnson, Co-Chair
State Capitol
Juneau AK, 99801

The Honorable Mark Neuman, Co-Chair
State Capitol
Juneau AK, 99801

Dear Representatives Johnson and Neuman:

I am writing in regard to HB 295, which is scheduled to be heard before the House Resources Committee this week. That bill provides for the transfer of designated lands to the University of Alaska, as listed in the "University of Alaska Land Grant List 2005." Among the lands recommended for transfer are those contained in ST 1003, which fall within our city boundaries. The City was opposed to this proposed transfer in 2005, and still opposes it today. The Tenakee Springs City Council recently adopted Resolution 2010-16, expressing the community's desire to have ST 1003 removed from the list of lands to be granted to the University of Alaska.

This is not the first time these parcels have been the center of controversy. In 1977, when the U.S. Forest Service proposed a road, log dump and harvest of three timber units within the corporate boundaries of Tenakee Springs, the City's objections led to a Memorandum of Understanding between the City of Tenakee Springs, the State of Alaska and Alaska Pulp Corporation. That MOU, in part, provide that the Alaska Department of Natural Resources would convey to the City lands selected by the State, while some lands would be retained by the State. When the conveyances did not occur, the City sued the State. That litigation was resolved in a Judgment[1] against the State in 1981, adopting a Stipulation for Settlement entered into by the parties. That Judgment was subsequently reaffirmed and amended by the court in 1984 and 1986, again by stipulation of the parties.

The Stipulation for Settlement provides that the State "convey to the City . . . fee simple title to all selected lands within the City's boundaries conveyed to the state by the Bureau of Land Management, except for the sites and acreages set out below." The Settlement goes on to

1 The Judgment from the Superior Court orders that "the failure or refusal of either party to comply with the terms of the Stipulation for Settlement, the other party shall be entitled to specific performance, special damages sustained by reason of the other party's non-performance, and costs and attorney's fees incurred in enforcing this judgment."

designate specific parcels that would remain with the State but with restrictions on their use or or be transferred to the City for specified uses.

Two of those lands specifically excepted from the transfer to the City were lands designated as tracts C30 and C34 in the Northern Southeast Area Plan, adopted October 15, 2002. In 2005, DNR took the position HB 130 that tract C30 was not among the parcels in the 2005 list. The City is relying on DNR's position that C30 is, similarly, not included now in HB 295. However, if for some reason C30 is considered included in the 2010 legislation, the City objects. In reference to C30, DNR has noted:

> The classification of parcels within the Tenakee community is greatly affected by a court order dated March 9, 1981 that identifies state lands for conveyance to the community and assigns uses to the lands retained by the state. This parcel is affected by paragraph 1.4 of that order, which designates it as a "public facilities reserve".

With the restriction on C30 that it be used only as a "public facilities reserve," it is unlikely that the University would desire to possess it with such restrictions.

As to C34, DNR observed:

> This parcel includes all of those areas within Tenakee affected by paragraph 1.2 of the court order. It consists of two parts: an interior part within sections 15 and 22 situated eastward and upslope of the community, and a part within section 23 that stretches along the coast. The classification of parcels within the Tenakee community is affected by a court order dated March 9, 1981 that identifies state lands for conveyance to the community and assigns uses to the lands retained by the state. Paragraph 1.2 designates this parcel for "commercial, industrial, road right-of-way, and borrow pits".

Lastly, there are two smaller parcels, designated as tracts C31 and C32 in the Northern Southeast Area Plan, that comprise part of the ST 1003 lands. These parcels did not transfer from BLM to the State until 1986 and 2003, respectively. These delays were because of the existence of un-adjudicated claims to the land at the time the remaining selected lands were transferred to the City in 1982. Those two parcels, selected by and transferred to the State under the Statehood Act, are subject to the same obligation to transfer them to the City under the terms of the Settlement. To that end, the City is considering a quiet title action to resolve that oversight.

It appears that transfer of these parcels would not promote the intent of the legislation: to provide clear title to the lands and provide for management of revenue from that land as university receipts. Ownership of C31 and C32 is in dispute, and the remaining parcels are subject to the restrictions set forth in the Settlement. Consequently, the purposes of the proposed land transfer would be frustrated, if not unobtainable. Further, this community is very concerned about the potential increased burden for new services that may be placed upon us. Extending

power lines, improved access and snow removal are just a few of the possible things that would overwhelm our limited budget.

A fiscal note to the bill from the University of Alaska indicates that the 20-year out annual projected income from the total new land grant might produce 1% of the annual income required by the University. The acreage in Tenakee comprises only .11% of the total land grant in HB 295, meaning the income derived from this land would be less than .0013 percent of the University's annual requirement. When considering the restrictions the University would take this land subject to, the potential burden to the City far outweighs the gain to the University.

We ask that ST 1003 be removed from HB 295, and appreciate your attention to this matter.

Respectfully,

Don Pegues, Mayor
City of Tenakee Springs

Cc: Representative Edgmon
Representative Olson
Representative Seaton
Representative Wilson
Representative Guttenberg
Representative Kawasaki
Representative Tuck

Debra Higgins

From: Tim Lydon [t_lydon@yahoo.com]
Sent: Thursday, March 18, 2010 11:29 AM
To: Rep. Craig Johnson; Rep. Mark Neuman; Rep. Bryce Edgmon; Rep. Kurt Olson; Rep. Peggy Wilson; representative_david_guttenberg@legis.ak.us; Rep. Chris Tuck; Rep. Scott Kawasaki; Rep. Paul Seaton
Cc: hans baertle; bill bailey; shannon bailey; jeff behrens; dan blanchard; bryce brockaway; gary carlson; christine@northwestnavigation.com; dennis@yachtalaska.com; joyce gautheir; ken gerkin; joel hanson; info@sikumi.com; becky janes; mike jones; jim kyle; dan liden; randy@bluewateradventures.ca; john swanson; ben swanson; trips@dolphincharters.com; spirit walker; aksong@aol.com; michael mcintosh; solan jensen; kevin hood; barbara lydon; Jon Horn; sean rielly; John Neary
Subject: requested testimony--sumdum--university lands bill
Attachments: sawta sanford cove ltr.doc

Good morning Resources Committee members.

At last night's hearing you requested I submit written testimony about the Sumdum parcel currently listed in the University Lands Bill. Thank you for the opportunity to testify and for considering my concerns. And sorry if I was a little long-winded last night. I'll attempt more brevity today.

Here's a summary of the important points related to Sumdum. Also, attached is a letter from 18 commercial tour operators that use the lands surrounding Sumdum and who strongly object to its privatization.

*Sumdum is in Endicott Arm, part of Holkham Bay. This is the only undeveloped mainland bay between Juneau and Frederick Sound, maybe even all the way to Petersburg. It's surrounded by 730,000 acres of federally designated wilderness.

*Privatizing Sumdum opens it to development and commercial activity like flightseeing, whale watching, charter fishing, catamarans to the glaciers, salmon bakes, etc, etc.. It would adversely impact the surrounding 730,000 acres of wilderness and the independent and commercial visitors that currently rely on the area.

*Currently DNR zones the parcel as Rec Undeveloped to be compatibile with surrounding land uses. Privatization and development is contrary to surrounding land uses.

*This place is important to local residents for fishing, hiking, hunting, camping, and more.

*This place is important to commercial operators of nature-based tourism. Commercial operators rely on undeveloped bays. The operators contribute significantly to the Southeast AK economy.

* If Sumdum cannot be removed from the bill, we recommend a stronger covenant than the one currently traveling with the bill. The current one prohibits mining and logging and assures educational, scientific, historical, cultural uses of the site. But it does not address development, which is the true threat to this parcel and the surrounding land. A covenant that would address the concerns of myself, my wife, and many commercial operators would prevent any development on the parcel. It also sounds like the University would not want the parcel with such a covenant, so perhaps removing it from the bill would be best.

Thank you again for the opportunity to comment

.

Tim and Barbara Lydon

cc: commercial tour operators that use the area surrouding Sumdum

Debra Higgins

From: Steve Lewis or Rachel Myron [tenakeetwo@yahoo.com]
Sent: Wednesday, March 17, 2010 12:41 AM
To: Rep. Craig Johnson
Subject: Please Remove Lands in Tenakee Springs from House Bill #295

March 17, 2010
Honorable Representative Johnson,

As a member of the House Resources Committee you will soon be reviewing House Bill #295.

Please remove lands within the city of Tenakee Springs from HB 295. The Tenakee Springs City Council recently unanimously passed Resolution 2010-16 making an identical request. The specific parcel(s) is ST 1003 which includesC 30 (~40 acres) and C 34 (~261 acres). These parcels represent a very minor amount of the total acreage included in HB 295. Their inclusion in the bill, however, would have vastly disproportionate impacts on Tenakee Springs.

Thank you
for your work in government. Thank you for listening and for responding to the needs and concerns of our community.

Sincerely,
/s/ Rachel Myron
Rachel Myron, Tenakee Springs
resident
PO Box 53
Tenakee Springs, AK 99841
Email: tenakeetwo@yahoo.com

FROM LEG LEGAL
Don Bullock

Issues with CSHB 295(EDC)

1. (STYLE) Generally needs edits to conform with the drafting manual and the style of the Alaska Statutes. (Also, some sections were repealed and reenacted when there were only limited changes).

2. (LEGAL, SUBSTANTIVE) University land is state land. The bill does not provide the law for the administration and disposition of the land conveyed to the university. Administration and disposition may not be done under policies of the Board of Regents, only under laws passed by the legislature. See, e.g. AS 38.05, the Alaska Land Act.

3. (LEGAL SUBSTANTIVE; POLICY AS TO PERCENTAGE) The bill incorrectly describes proceeds from the land conveyed to the University that must be deposited into the Permanent Fund (Amendment to AS 37.13.010(a) in sec. 12, CSHB 295(EDC)).

4. (POLICY) Bottom line University can have title, but cannot manage the land except under laws passed by the legislature; University cannot have any money generated by the land without appropriation by the legislature. Begs the question, except for land that may be used for purposes related to the function of the university, why transfer the land? The same thing could be accomplished by keeping the land under the administration of DNR, identify the parcels, and provide that the income from the identified parcels may be appropriated to the Unviersity.

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, amount based on
.e future proceeds.[38]
,riated the lump sum in
various purposes.[39] No
as created nor were reve-
re-existing dedicated fund.
concluded that "[b]ecause
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ould prefer that we affirm
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390-91.

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We conclude that the sale of
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to sell state assets, lawsuit
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e legislature has the respon-
he state's risk.

lands may be dedicated. The State and University argue, in effect, that article VII, section 2 of the Alaska Constitution creates an implied exception to the dedicated funds clause by authorizing the University to hold title to real property. Because, the appellees reason, University lands are not state lands, University land revenues are not state revenues, and therefore University land revenues can be dedicated. In addition to drawing this conclusion from the constitutional text, the appellees emphasize that the University's lands are distinct from state lands under certain statutes, such as the Alaska Land Act[42] and laws regarding public domain land.[43]

SEACC believes interpreting article VII, section 2 to permit ownership but deny control of proceeds harmonizes that provision with the dedicated funds clause without improperly reading an exception into the dedicated funds clause. Further, SEACC argues that the University is an instrumentality of the state for relevant purposes[44] and points out that the legislature controls the University's funding. Therefore, SEACC concludes, University revenues are subject to article IX, section 7.

Our case law establishes that University lands are state lands. Article VII, section 2 establishes the University, declares it a "body corporate," provides that the University "shall have title to all real and personal property now or hereafter set aside for or conveyed to it," and states that "[i]ts property shall be administered and disposed of according to law."[45] We considered the meaning of article VII, section 2 in *State v. University of Alaska*.[46] There, we held that the state could take land that Congress had granted to the University to be held in trust for it under the federal 1929 act, but that the state had to compensate the University with monetary damages or equivalently valuable land.[47] Our opinion emphasized article VII, section 2's command that "property shall be administered and disposed of according to law,"[48] and noted that "'according to law' refer[s] to the legislature's power to make laws."[49] Thus, even when the University has title to land, "only the legislature can make laws effecting the disposal of land, not the Board of Regents."[50] We further observed that "[t]he natural resources article of the Alaska Constitution grants extensive powers to the legislature to control lands," which makes "clear that [the University lands received under the 1929 act] 'belong' to the state."[51] The conclusion we reached in *State v. University of Alaska*, that University land is state land, applies even more readily to the present case because the University land involved here is not shielded by a federal-trust obligation. Statutory language treating University lands differently from other state land does not overcome this constitutionally based conclusion.

42. *See* AS 38.05.965.

43. *See* AS 14.40.291(a).

44. SEACC provides several examples of other purposes for which we have found that the University is part of the state, citing *University of Alaska v. National Aircraft Leasing, Ltd.*, 536 P.2d 121, 123-25, 127-28 (Alaska 1975) (holding that the University is protected by sovereign immunity and can be sued under statutes subjecting the state to suit); *University of Alaska v. Geistauts*, 666 P.2d 424, 427-28, 427 n. 3 (Alaska 1983) (holding that meetings of a university committee are subject to the Public Meetings Act); *Carter v. Alaska Public Employees Ass'n*, 663 P.2d 916, 920-21 (Alaska 1983) (holding that the University must comply with the requirements of the public records statute), and *Ellingstad v. State, Department of Natural Resources*, 979 P.2d 1000, 1007 (Alaska 1999) (holding that the University's treatment as a state entity under state law makes transfer of contractual rights to it distinct from transfer to a private entity).

45. ALASKA CONST. art. VII, § 2.

46. 624 P.2d 807, 814 (Alaska 1981).

47. *Id.* at 815-16.

48. *Id.* at 814 (quoting ALASKA CONST. art. VII, § 2).

49. *Id.* at 815 n. 10.

50. *Id.* at 815.

51. *Id.* The court was referring to and quoting article VIII, section 2 of the constitution, which states: "The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people." *See id.*

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

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March 10, 2010

Representative Craig Johnson, Co-Chair
Representative Mark Neuman, Co-Chair
House Resources Committee
Capitol, Room 124
Juneau, AK 99811

Re: HB 295 – University Land Grant

Dear Resources Committee Chairmen,

Please accept this request for your consideration to schedule CS HB 295 (CRA) before the House Resources Committee at your earliest convenience.

This bill would convey approximately 197,600 acres of state land to the University of Alaska, and specify that revenue generated by the University of Alaska's management of the land be subject to appropriation each year by the Legislature.

Legislation passed in 2000 and 2005 made certain land grants to the University of Alaska and specified that the revenue generated from those lands would be deposited into the University endowment trust fund. In March 2009, the Alaska Supreme Court found these statutes violate the dedicated funds section of the Alaska Constitution, Art. IX, Sec. 7.

This bill seeks to remedy issues identified by the Court by specifying that the revenue generated from the land is to be accounted for as university receipts and therefore subject to appropriation each year by the Legislature. It also ratifies and reauthorizes the land conveyances authorized in the previously enacted legislation.

The land to be conveyed under this bill as proposed originally has been modified by amendment in the House State Affairs and Community and Regional Affairs Committees. As originally introduced the bill conveyed the lands identified by the Legislature in 2005 (ch. 8, FSSLA 2005), with the exception of two parcels that were conveyed under separate statutory authority to the University research forest. The amendments in the House Education Committee removed one parcel at Mite Cove on Lisianski Inlet, while amendments in House Resources Committee removed four parcels also in Southeast Alaska.

If you have any questions regarding the bill, please contact Melanie Lesh, Special Assistant to the Commissioner of the Department of Natural Resources at 465-4730, or Dick Mylius, Director, Division of Mining, Land, and Water at 269-8625.

Sincerely,

Thomas E. Irwin
Commissioner

"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans."

4052

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Governor Sean Parnell
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January 15, 2010

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear President Stevens,

Under the authority of Art. III, Sec. 18, of the Alaska Constitution, I am transmitting a bill relating to: the grant of certain State lands to the University of Alaska; the duties of the Board of Regents; the deposits made to the Alaska Permanent Fund received from lands conveyed to the University of Alaska; ratifying and reauthorizing certain prior conveyances of land to the University of Alaska; and making conforming amendments.

This bill will fulfill a promise made at the turn of the 20th century, when Congress promised 350,000 acres of land to the former Alaska Territorial College and School of Mines. However, since Statehood in 1959, most of this promised land has never materialized. Today, at 140,000 acres, the University of Alaska has one of the smallest land grants in the United States. Even Rhode Island's university land grant is larger. The intent of the land grants is to provide the university with a portfolio of land that will enhance its financial position and further its educational mission. Land grant colleges and universities are common throughout the United States.

Final resolution to this much overdue commitment is something I have and continue to strongly support. During my tenure in the Legislature I advocated for, and the Legislature passed, several pieces of University Land Grant legislation. By introducing this legislation I've committed to the purpose of the legislation passed in 2005 and removed constitutional issues created by that legislation.

The bill will convey approximately 199,838 acres of State land to the University of Alaska. The Legislature will specify revenue generated by the University of Alaska's management of the land be managed as university receipts, subject to appropriation each year by the Legislature. This bill ratifies and reauthorizes the land conveyances in legislation enacted in 2000 (ch. 136, SLA 2000) and 2005 (ch. 8, FSSLA 2005). These statutes were found by the Alaska Supreme Court, in *Southeast Alaska Conservation Council v. State, 202 P.3d 1162 (Alaska 2009)* to violate Art. IX, Sec. 7 (the dedicated funds section) of the Constitution of the State of Alaska, because the statutes specified that revenue generated from the University of Alaska's management of the land was to be deposited in the University of Alaska's endowment trust fund.

The Alaska Supreme Court found that the dedication provisions of the statutes could not be severed from the land conveyance provisions, rendering the entirety of the legislation unconstitutional, except for the provisions pertaining to the university research forest. The bill explicitly states the intent to convey the land to the University of Alaska, notwithstanding that revenue generated from the land may not be dedicated to

the University of Alaska's endowment trust. The bill addresses the constitutional infirmity by specifying that revenue generated from the University of Alaska's management of the land is to be managed as university receipts, subject to appropriation each year by the Legislature.

The land to be conveyed in this bill to the University of Alaska will be the land originally designated in the final 2005 legislation (ch. 8, FSSLA 2005), with the exception of two parcels that were conveyed under separate statutory authority and the university research forest. The bill refers to the land identified in the document titled, "University of Alaska Land Grant List 2005," dated January 12, 2005. This land list was arrived at after more than a year of intense work by the Department of Natural Resources (department) and the University of Alaska to identify land that may be conveyed to the University of Alaska without unreasonably conflicting with programs associated with, and uses of, State land managed by the department.

The land list in the bill reflects changes made by the Legislature during the 2005 session, including the Legislature's decision to drop certain parcels that were on the original list provided in January 2005. The bill will also include language added by the Legislature to protect land for possible municipal entitlement selections by the City and Borough of Wrangell and possible borough in the Petersburg area. Before the Alaska Supreme Court declared the prior land conveyance statutes unconstitutional (ch. 136, SLA 2000 and ch. 8, FSSLA 2005), the department had completed conveyance of 31 of the 52 available parcels identified in the land list. The bill ratifies and reauthorizes these conveyances, as well as provides authority for conveyance of the remaining 21 parcels.

The bill also includes requirements for management of university land, such as public notice and comment opportunities on proposals for land development, exchange, or sale. Additionally, the bill exempts certain sensitive business and economic information regarding sale, lease, or development of university land from the public records production requirements of AS 40.25.100 - 40.25.295 (Alaska Public Records Act). These provisions reflect the 2005 legislation.

The prior land conveyance statutes included a provision for establishment of a university research forest. This provision is not included in this bill since the Alaska Supreme Court found that the provision in the prior legislation could be severed from the unconstitutional dedication provisions, and it was therefore upheld as constitutional.

The bill also contains a provision authorizing the deposit to the Alaska Permanent Fund of 25 percent of receipts from certain lands conveyed to the University of Alaska. A copy of the "University of Alaska Land Grant List 2005" has been provided to the Legislature and is available upon request from the Department of Natural Resources.

I urge your prompt and favorable action on this measure, which will complete the State's efforts to provide a beneficial educational and income-producing land base to the University of Alaska, while complying with the dedicated funds section of the Constitution of the State of Alaska.

Sincerely,

Sean Parnell
Governor

Enclosure

Board of Regents' Office
Phone: (907) 450-8010
Fax: (907) 450-8012
EMAIL: sybor@alaska.edu
www.alaska.edu/bor/

OFFICE OF THE GOVERNOR
JUNEAU
JUN 19 2009

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AK
JG

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Fairbanks, AK 99775-5300

June 15, 2009

Dear Governor Palin and State of Alaska Legislators,

The united leadership of the University of Alaska system seeks your assistance to remedy the financial injury caused to the State of Alaska's University system by the recent Alaska Supreme Court March 13, 2009, decision, Southeast Alaska Conservation Council v State of Alaska and University of Alaska. In this decision, the Alaska Supreme Court voided the Alaska Legislature's action in passing the 2005 University Land Grant Bill. The court held unconstitutional the restriction that any proceeds of the land must be placed into the University Endowment Trust Fund, and surmised that the legislature would not have intended to grant the land without that restriction. The court, therefore, invalidated the whole act except for the part establishing a research forest.

A great state needs a great university system. A great university system must have adequate resources sufficient to meet its responsibilities. A more woeful history of a land-grant college could hardly be found. The University of Alaska is a land-grant college without the land.

The State of Alaska's University system has been waiting almost 100 years with no appreciable land. For an interesting and concise account of this baneful history we would direct you to "A Land Grant College Without the Land: A History of the University of Alaska's Federal Land Grant"; a brief 20 page report by Terrence M. Cole, which we can provide to you upon request.

The united leadership of the University of Alaska system is requesting that in your capacity as the governing leadership of the State of Alaska, as Governor and Legislators, that you correct the court's conjecture that the legislature would not want the University to have the land that the legislature granted to it. We respectfully request your support for advancing higher education in the State of Alaska by reconveying these lands to the University of Alaska at the earliest possible opportunity without the dedicated funds clause that the Alaska Supreme Court found to be offensive to our State Constitution.

We the undersigned, the leadership of the University of Alaska system, thank you for your support of higher education in the State of Alaska.

Cynthia Henry, Chair
Board of Regents

Mark Hamilton, President
University of Alaska

SB 225 and HB 295: Grant of State Land to the University of Alaska

Prepared by Department of Natural Resources, January 2010

Summary of Bills: Transfer 199,838 acres of state land to the University of Alaska and address the March 2009 Alaska Supreme Court ruling that struck down previous university land grant legislation (2005 HB 130 and 2000 SB 7), which dedicated land revenue to the University Endowment Trust. These bills convey the entire HB 130 land list as amended by the legislature, ratifies conveyances already in place, and directs land revenue to the General Fund instead of the university's endowment trust.

The land to be conveyed includes:

- 29 parcels located throughout SE Alaska
- 5 parcels in Southcentral, including tract at McCarthy in Wrangell St Elias National Park
- 18 parcels in Interior – including tracts along the Dalton Highway, the 90,000 acre Nenena oil/gas tract, and numerous educational properties.

The bills also:

- Exclude from transfer 9 parcels in SE that were withdrawn by the legislature in 2005 due to public opposition;
- Identify 9 parcels in SE that would go to UA only if not selected by new Boroughs as part of municipal entitlements;
- Include specific language addressing the March 2009 Supreme Court ruling and a one-year statute of limitations period.

The March 13, 2009 Supreme Court Decision

- The Alaska Supreme Court in *S.E. Alaska Conserv'n Council v. State*, 202 P.3d 1162 (Alaska 2009) held that 2000 SB 7 and 2005 HB 130 violated the dedicated funds clause of the Alaska Constitution by dedicating land revenue to the University's endowment trust
- The Court held that the trust provisions of the legislation reflected the key intent of the legislature to enhance the University's permanent endowment and therefore were not severable from the land conveyance provisions.
- The Court upheld provisions of the legislation that conveys a research forest (near Tanana) to the University because the research forest is not income property and was addressed independently in the legislation. The Court declined to address the other non-income properties on the conveyance list (which included miscellaneous educational and infrastructure properties).

Related Legislation

- House Bill 234 would convey 12 of the approximately 50 parcels on the HB 130 land list, including the noncontroversial educational properties and the Nenana oil and gas tract.

For more information contact:

Dick Mylius, DNR, Director of Division of Mining, Land and Water - 269-8600;
dick.mylius@alaska.gov
Melanie Lesh, DNR Legislative Liaison, 465-4730, melanie.lesh@alaska.gov

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Sectional Analysis

House Bill 295 – "An Act relating to the grant of certain state land to the University of Alaska; relating to the duties of the Board of Regents; relating to deposits made to the Alaska permanent fund received from certain lands conveyed to the University of Alaska; ratifying and reauthorizing certain prior conveyances of land to the University of Alaska; making conforming amendments; and providing for an effective date."

Section 1 – Findings and Purpose – Explains why legislation is necessary. Paragraphs (7) – (10) specifically address issues raised by Alaska Supreme Court regarding previous legislation.

Section 2 – Legislative Intent – Clarifies the intent of the Legislature to:

- respond to the Alaska Supreme Court decision in *S.E. Alaska Conserv'n Council v. State*, 202 P.3d 1162 (2009).
- convey state land to the University even though revenue from the land will be deposited in the general fund and be subject to annual appropriation by the Legislature.
- ratify conveyances that occurred under authority of SB 7 and HB 130. that the land should proceed even if any other provision in the bill is found to violate the dedicated funds clause of the Alaska Constitution.

Section 3 – Amends AS 14.40.170(a) by deleting the phrase "THE BOARD OF REGENTS IN TRUST FOR" before "the University" specifying the land conveyed under this legislation cannot be considered trust land managed by the Board of Regents.

Section 4 – Amends AS 14.40.291(a) similar to Section 3.

Section 5 – Creates a new AS 14.40.365 to replace the statute the Supreme Court found to be unconstitutional in its ruling in Southeast Alaska Conservation Council v. State, 202 P.3d 1162 (Alaska 2009). Subsectional analysis of new AS 14.40.365 follows:

(a) Provides that DNR will convey land to University of Alaska by quitclaim deed within two years. Conveyance by quitclaim deed eliminates expensive land survey requirements. The two-year period should not be difficult for DNR to meet because most of the work to issue the deeds was already completed after the 2005 legislation.

(b) Defers conveyance of the University Research Forest in Tanana Valley State Forest until 2055 (50 years from passage of 2005 legislation). This deferral

was requested by the University as it allows the continued use of this area as Research Forest by University while at the same time allowing continued small timber sales and forestry management activities by DNR Division of Forestry.

(c) Allows that when federal mining claims that currently exist as inholdings to parcels conveyed by the state to the University are terminated and the land subsequently conveyed to the state (DNR), that DNR will in turn convey this land to the University.

(d) Ensures that the mineral estate is also conveyed to the University. This is an exception to AS 38.05.125 which requires, for most conveyances, DNR retain the mineral rights in state ownership due to provisions in Section 6(i) in the Alaska Statehood Act. Since the University is a state entity, transfer of mineral estate to the University does not violate the 6(i) provision.

(e) Requires that conveyances to the University recognize and protect all valid existing rights.

(f) Requires that DNR reserve access to and along navigable and public waters as required in AS 38.05.127, but limits the width of these easements on parcels along tidewater to a maximum of 25 feet (a provision specifically inserted by the legislature in the 2005 bill). These easements by regulation would otherwise have a 50-foot minimum width. This subsection also specifies that other provisions of AS 38.04 and AS 38.05 do not apply to these conveyances to the University.

(g) Sets out additional limitations or requirements regarding the land conveyed to the University, including Section 6(i) of the statehood act that prohibits the state's alienation of mineral estate; makes conveyance subject to RS 2477 and Omnibus Act rights of way; and excludes from the conveyance to the University any valid existing state mining claims.

(h) Requires that upon the termination of a state mining claim located within a parcel conveyed to the University under this bill, DNR will transfer that land to the University

(i) Establishes the date of the recording of a parcel as the time when the University takes over management responsibility for land transferred under this act.

(j) Establishes that upon conveyance to the University, all revenue and receipts accrue to the University as University receipts;

(k) Allows the University to return land to DNR up to ten years after conveyance if it contains hazardous waste; is located on a historic or archeological site; or the University and DNR agree to the re-conveyance.

(l) Requires University concurrence with any DNR conveyance of an irrevocable interest in a parcel to be conveyed to the University.

(m) Allows the Commissioner of DNR to make minor boundary adjustments to correct omissions and errors.

(n) Removes nine (9) parcels from the land list originally agreed to by DNR and the University. These 9 parcels were included in the original land list submitted to the legislature in 2005. They were removed by the legislature during committee review of the bill based upon public and community concerns.

(o) Defers conveyance of five parcels located within the potential boundaries of a Petersburg Borough so that if a Borough forms before July 1, 2012 (two years), these parcels could be selected by a future Borough as part of its

municipal entitlement under AS 29.65. If a borough does not form or the land is not selected by a future Borough, the land will be conveyed to the University. This provision was inserted in the 2005 legislation to specifically address this concern raised by the Cities of Wrangell and Petersburg during the 2005 legislative hearings.

(p) Defers conveyance of three parcels located within the City and Borough of Wrangell pending possible selection by the new borough under its municipal entitlement (AS 29.65). Provides the Borough until December 1, 2011 to select the land, which is the deadline for Borough selections under AS 29.65.040(d). A provision to defer these selections was inserted in the 2005 legislation to specifically address potential borough formation, a concern raised by the cities of Wrangell and Petersburg during the 2005 legislative hearings. Wrangell formed a borough after the 2005 legislation, but has not yet filed its land selections with DNR.

(q) Defers conveyance of one parcel located within the potential boundary of a Northern Chichagof Island Borough so that if a Borough forms before July 1, 2012 (two years), this parcel could be selected by a future Borough as part of its municipal entitlement under AS 29.65. If a borough does not form or the land is not selected by a future Borough, the land will be conveyed to the University. This provision was inserted in the 2005 legislation to specifically address this concern raised during the 2005 legislative hearings.

Section 6 – Repeals and reenacts AS 14.40.366 as passed in 2005. Sets forth management requirements for university land, including preservation of historic recent public uses, public notice and comment opportunities for land development or disposal plans, and right of first refusal to closest municipality.

Section 7 – Repeals and reenacts AS 14.40.367 as passed in 2005. Exempts certain proprietary and business sensitive information related to university land disposals from the Alaska Public Records Act.

Section 8 – Establishes a one-year statute of limitations for parties wishing to bring a lawsuit regarding this legislation.

Section 9 – Requires that revenue generated from the conveyed land be handled as University receipts subject to annual appropriation by the Legislature. This section deletes the provision in HB 130 that required revenue from the conveyed land be deposited in the University Endowment Trust, thereby correcting the dedicated funds violation found by the Alaska Supreme Court in *S.E. Alaska Conserv'n Council v. State*, 202 P.3d 1162 (2009).

Section 10 – Defines University receipts to include land transferred under this new legislation.

Section 11 – Specifies that University land conveyed under this bill is exempt from general taxation.

Section 12 – Ensures that a municipal entitlement of a future city or borough is not reduced by the conveyance of land to the University under this legislation.

Section 13 – Requires that 25% of mineral revenue from University lands granted under this legislation be deposited into the Permanent Fund.

Section 14 – Restores the repeal of AS 14.40.368 regarding encumbrances and trespasses on land to be conveyed. This statute was enacted by SB 7 and repealed by HB 130. This section confirms that AS 14.40.368 is to remain repealed.

Section 15 – Ratifies conveyances made to the University under the 2005 legislation, so that DNR does not have to re-issue deeds.

Section 16 – Adds a severability clause.

Section 17 – Establishes an immediate effective date.

Governor Sean Parnell
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell,
The Southeast Alaska Wilderness Tours Association (SAWTA) and the additional undersigned commercial tour companies are writing to inform you of the importance of the state-owned Sumdum property located near Endicott and Tracy Arms, Southeast Alaska. This property was included in the 2005 University of Alaska Lands Bill, House Bill 130, which the Supreme Court of Alaska ruled as unconstitutional. We understand that the Alaska Department of Natural Resources and the University of Alaska are encouraging you to introduce new legislation that would convey properties to the University. We ask that the Sumdum parcel not be transferred to the University of Alaska. We support Alaska's university system and fully funding it, but we believe the Sumdum parcel is not an appropriate selection for privatization.

SAWTA and the additional undersigned represent __ commercial tour companies that bring thousands of visitors to Southeast Alaska every year. Our businesses provide guided hunting and fishing, kayak expeditions, and week-long excursions aboard small and mid-size vessels. Our segment of Alaska's tourism industry provides vital and unique economic benefits to southeast Alaska, and many of us are local business people. We stand out among other segments of the tourism industry because many of us provision our excursions locally, and a high number of our clients dine and seek local accommodations before and after their trips. University of Alaska research shows businesses like ours pump millions of dollars into the Southeast economy annually.

Bringing clients to wild Alaskan landscapes is the backbone of our businesses, and it's the reason for our concern over the Sumdum parcel. The Sumdum parcel is in Sanford Cove, in the heart of the Tracy Arm-Fords Terror and Chuck River Wilderness Areas. For each of us, the area is a highlight of the services we provide. Many of us use Sanford Cove as a safe and scenic anchorage. With bears, wolves, salmon and cultural ruins, it is a common location for walks ashore, fishing, hunting and camping. Not only for our commercial clients, but for many independent and local travelers, too.

Tracy Arm-Fords Terror Wilderness is especially unique because it currently contains no lodges, private cabins, or other developments. Some of us have operated in southeast Alaska for several decades, long enough to know that such undeveloped anchorages are increasingly rare.

Privatization of the Sumdum parcel would displace many of us from long-standing business activities. It would also displace many independent and local recreationists and mar an undeveloped landscape. But removing the Sanford Cove parcel from House Bill 295 would have only a minor impact on university funding, one that could be compensated by other means.

Thank you for your consideration, and please help us maintain current use of this important part of southeast Alaska.

Sincerely,

John Swanson, President, Southeast Alaska Wilderness Tours Association (SAWTA)
SAWTA represents the following ten southeast Alaska commercial tour companies:

Geoff Wilson	Alaska Yacht Charters	(www.alaskansong.com)
Richard Friedman	Alaskan Song	(www.yachtexplorer.com)
Christine Smith	Northwest Navigation	(www.northwestnavigation.com)
John Swanson	All Aboard Yacht Charters	(www.alaskacharters.com)
Bill and Shannon Bailey	Pacific Catalyst	(www.pacificcatalyst.com)
Meg Swimlear	Sikumi	(www.sikumi.com)
Randy Burke	Bluewater Adventures	(www.bluewateradventures.ca)
Butch Laughlin	Alaska Fly n' Fish Charters	(www.alaskabyair.com)
Gary Carlson	Spirit Walker Expeditions	(www.seakayakalaska.com)
Dennis Rogers	Alaska Sea Adventures	(www.yachtalaska.com)

The letter is also signed by the following companies:

Dan Blanchard	American Safari Cruises	(www.americansafaricruises.com)
Ronn Patterson	Dolphin Charters	(www.dolphincharters.com)
Jeff Behrens	Fantasy Cruises	(www.smallalaskaship.com)
Ken Gerkin	The Boat Company	(www.theboatcompany.com)
Dan Liden	Snow Goose	(www.snowgoosealaska.com)
Jim Kyle	Alaska on the Home Shore	(www.homeshore.com)
Rick Fleischman	Sound Sailing	(www.soundsailing.com)

From: J Michael Fay [mailto:mfay@uuplus.net]
Sent: Friday, March 12, 2010 5:19 PM
Subject: Bill 295, What is the highest and best use of the Moser Bay Parcel: Please remove this parcel from bill or restrict development to long-term selective timber harvest.

Dear Representative Tuck

My name is Mike Fay (254-1902). My only home is on Long Arm, Moser Bay near Ketchikan. To see the steep, waterfront parcel deep in Moser Bay slated to be handed over to the University of Alaska scares the heck out of me and many of my neighbors. We live in Moser Bay, and many thousands more visit it every year, because it is one of the most beautiful, tranquil, and ecologically intact places in all of North America. Yet, it is a stone's throw from an international airport and about 20 minutes by boat from Ketchikan. It is of enormous scenic value, on which our local economy depends, and it is extremely popular with the population of Ketchikan.

The question is what is the highest and best use of this parcel? Moser Bay is one of the most visited places in all SE Alaska for recreation. People come from all over the globe to this exact spot by the thousands every year to witness the beauty, and to fish, crab, shrimp, hike, and sight see from boats and planes and on foot. The Salmon Falls boats pass by three times a day in the summer because we are the closest place around Ketchikan to see a pristine forest landscape and bay. This has real, long term economic value. To clear cut or to subdivide this parcel would completely undermine the highest and best use of this land which is to retain its pristine state.

The proceeds from logging it would be one off and pale in comparison with one year's tourist revenue. You can clear cut this forest once in 100 years. The timber is marginal, mostly small hemlock. The second growth will be low grade hemlock. Look at what happened to the now clear cut Slide Ridge just outside Ketchikan as well as another former University parcel in the Mountain Point area south of town. They have become permanent eye sores for all residents of Ketchikan and the millions of tourists that will visit Ketchikan over the next decade. Not to mention the ecological problems of slides that come with these cuts. In January I was amazed to see huge rivers of water coming right down Slide Ridge in the steep cut areas. There is no restoration, no management, just clear cut and let Alcan export the wood out in the round to Asia with almost no local benefit. I do not see this as the vision for the future.

I support guys like Larry Jackson, Tongass Forest Enterprises http://www.akforestenterprises.com/, who would love to see a steady flow of selectively harvested trees from the forest that can be transformed locally into products with great value-added for the next 100 years both employing local people and maintaining the scenic and ecological values. This is the smart future for this parcel.

You might be thinking "this is what everyone says", but this is not just one more parcel. The depths of Moser Bay are the heart of the recreational tourist industry in Ketchikan. There are at least 30 boats that visit the bay on every day of the summer for months. To mar this landscape would be a blunder of huge proportion.

I respectfully ask you to please remove the Moser Bay parcel from bill 295 or restrict development to long-term selective timber harvest only.

Mike Fay

Box 8561 Ketchikan, AK 99901
+1-907-254-1902

From: frances Jacobs [mailto:francestke@yahoo.com]
Sent: Tuesday, March 16, 2010 11:29 AM
Cc: Rep. Craig Johnson; Rep. Mark Neuman; Rep. Bryce Edgmon; Rep. Kurt Olson; Paul_Seaton@legis.state.ak.us; Peggy_Wilson@legis.state.ak.us; David_Guttenberg@legis.state.ak.us; Scott_Kawasaki@legis.state.ak.us; Chris_Tuck@legis.state.ak.us
Subject: The proposed transfer of State land within Tenakee city limits to the University of Alaska

Dear
Rep. Bill Thomas,

The proposed
transfer of state land within Tenakee city limits to the University of Alaska is still in the pending legislation, despite the unanimous resolution of the Tenakee City Council calling for the elimination of both the 301 acre waterfront parcel at Indian River and the parcel near the harbor.
Although the last
committee removed the harbor parcel (at least temporarily), the large Indian River parcel (C-34) is still there.
the proposed
transfer would have a hugely disproportionate impact on this small community, while contributing very little to the overall U of A budget.
We support the City of Tenakee Springs position and ask that ALL proposed land transfers within the city limits of Tenakee Springs be eliminated from HB 295.

Respectfully,
Rudy
Ziel - Frances Jacobs

From: Steve Lewis or Rachel Myron [mailto:tenakeetwo@yahoo.com]
Sent: Tuesday, March 16, 2010 11:21 AM
Subject: HB 295---please remove Tenakee Springs parcels

Re: HB 295

Honorable Representative Mark Neuman:

As a long-time resident of Tenakee Springs, I request that you remove all the lands within the city of TenakeeSprings from HB 295. The resolution (attached) recently passed by the Tenakee Springs City Council expresses the feeling of most of us in Tenakee-----we just can't afford the huge costs that developing these lands will impose on our tiny community, or the loss of flexibility to manage and develop our harbor facilities that may ensue.

Furthermore, stipulations contained in past legal settlements with the state seriously limit options for use by the University on lands along the Indian River corridor, stipulations that are enforceable, with legal costs borne by the state, and which dramatically reduce the value of this land to the University.

Thanks for listening and taking the needs, desires, and abilities of our small community into account. We look forward to hearing that HB 295 will proceed without the Tenakee parcels.

Sincerely,

Steve Lewis

PO Box53
Tenakee Springs, AK 99841

From: Charles E. King [mailto:kingc@science.oregonstate.edu]
Sent: Tuesday, March 16, 2010 7:27 AM
To: Rep. Craig Johnson; Rep. Mark Neuman; Rep. Bryce Edgmon; Rep. Kurt Olson; Paul_Seaton@legis.state.ak.us; Peggy_Wilson@legis.state.ak.us; David_Guttenberg@legis.state.ak.us; Scott_Kawasaki@legis.state.ak.us; Chris_Tuck@legis.state.ak.us
Cc: Rep. Bill Thomas
Subject: University Land Disposition under HB 295

Honorable Friends on the House Resources Committee,

I write once again as a homeowner and registered voter in Tenakee Springs. Although removal of the Harbor parcel by the House Community and Regional Affairs Committee is appreciated, my previous arguments for removal of both parcels are still valid, but will not be repeated herein. Instead I will add my voice to that of our unanimous city council and urge you to consider that the University and State have little to gain, and much to lose by passage of HB 295. In our view what is at stake is the very character of our daily lives. While there are issues that might well justify such a mandate, this is not one of them and to make it so cheapens both our citizenry and the legislative process.

Respectfully yours,

Charles E. King
302 Tenakee Trail/PO Box 54
Tenakee Springs, AK 99841

From: DZ [fsdrz@yahoo.com]
Sent: Tuesday, March 16, 2010 9:26 PM
To: Rep. Craig Johnson; Rep. Mark Neuman; Rep. Bryce Edgmon; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Peggy Wilson; "Representative_ David_Guttenberg"@legis.state.ak.us; Rep. Scott Kawasaki; "Representatvie _Chris_Tuck"@legis.state.ak.us; Rep. Bill Thomas
Subject: [SPAM] Tenakee parcels in HB 295 are strongly opposed

3/16/2010

Dear Representative,

I am writing to let you know that I strongly appose the Tenakee Parcel section included in the University of Alaska land reallocation in HB 295. Please remove the Tenakee Springs acreage from HB 295. I lived in Tenakee Springs for 17 years and return there often. The loss of this area of land would have a huge impact on the City of Tenakee and it's residents.

The Tenakee Springs land included in this bill is valuable land used by the residents of the city for recreation, access, and subsistence. It is an area that has been used for generations and should remain a part of the City of Tenakee Springs.

Apparently,the U of A fiscal note states that the UofA predicts that in 20 years, when the university's land sales program is fully going, revenue from all the lands will only generate roughly 1% of the University's annual budget. Using some simple math 346 (acres of Tenakee parcel) / 251,661 (total acres in 2005 lands list) = 0.1%. 0.1% of 1% equals 0.001%. This is an estimate of possible annual benefit to the University from getting the Tenakee parcel. As you can see, the financial benefit of having this parcel included is miniscule.

Although I support the University of Alaska and realize that it needs financial support, I do not believe that this should come at the expense of small towns. Please remove the Tenakee Springs Parcel from HB 295.

Thank you for your attention to this incredibly important matter.

Sincerely,

Darcie Ziel

4130 Defiance Street
Anchorage Ak 99504

From: jkhwilson@gci.net on behalf of Karen Wilson [jkhwilson@gci.net]
Sent: Tuesday, March 16, 2010 9:13 PM
To: Rep. Mark Neuman
Subject: University Land Bill, HB 295

Dear Representative Neuman,

Our family lives in both Juneau and Tenakee. We are writing to voice our concerns over the proposed transfer of state land within Tenakee city limits to the University of Alaska (HB 295). We support the unanimous resolution of the Tenakee City Council calling for the elimination of both the 301 acre Indian RIver parcel and the acreage near the harbor from the bill. We appreciate the current removal of the harbor acreage, and ask that the Indian River lands also be removed.

The proposed transfer would have a tremendous impact on our very small community, potentially in many ways, and would have a minimal impact on the University's overall funding. The Indian River watershed provides critical forest and marine habitat for the subsistence lifestyles of residents and the land transfer and resulting development could seriously impact hunting and fishing stocks as well as public access to them. In addition, Tenakee lacks the infrastructure to deal with serious development and growth. Studies of potential hydropower development are ongoing, and the Indian River is the only viable, accessible source for adequate water flow.

People who have chosen to live in Tenakee do so because of the remote, subsistence, village lifestyle, the close-knit small community, and the beauty of the wild lands of the inlet. The proposed land transfer could have dramatic negative effects on a small community in exchange for minimal fundraising for the University.

Please support the removal of all Tenakee lands from HB 295.

Sincerely,

Jeff, Karen and Hannah Wilson

175 S. Franklin, #300, Juneau

P.O. Box 51, Tenakee Springs

From: Chris and Darius Mannino [chrisdarius.home@gmail.com]
Sent: Tuesday, March 16, 2010 7:29 PM
To: Rep. Mark Neuman
Cc: Rep. Bill Thomas
Subject: University Lands Bill HB295

Dear Representative Neuman,

As former residents of Tenakee Springs, who plan to return to live in Alaska within the next few years, we support the City of Tenakee Springs position and ask that all proposed land transfers within the
city limits of Tenakee Springs be eliminated from HB 295. The
proposed transfer would have a hugely disproportionate impact on this small community, while contributing very little to the overall University of Alaska budget. The sale of property in Sunny Cove, Tenakee Inlet would forever alter unfavorably the community of Tenakee Springs and its unique nature. We are in favor of supporting higher education, but not at the expense of small communities. The sale of property at this location would inevitably lead to a push for road connection to Hoonah, something the City of Tenakee Springs has always opposed, and something that the TTRA is supposed to protect.
Regardless of the possible road connection, a sale of land of this size would unfavorably alter the nature of the Tenakee Springs community. There are so few small, roadless communities in our nation. Tenakee Springs is a truly special place. Please do not let the sale of this land change that forever.

Although land for sale in Tenakee is scarce, it is our opinion that the natural progression of transfer from private owner to private owner from time to time is greatly beneficial to maintaining the small size and unique character of the community. A large transfer of multiple pieces of property by the state or university would
irrevocably alter Tenakee, and we would not want to see that happen.
Regardless of the purpose, whether commercial or residential, we are opposed to this transfer. While we are not against the City of Tenakee initiating its own development projects, if that's what its citizens want, we feel that this particular land transfer is a large scale imposition of development on the City of Tenakee Springs.

Sincerely yours,
Chris & Darius Mannino
Los Angeles, CA

From: diane mccarty [diamccarty@yahoo.com]
Sent: Tuesday, March 16, 2010 6:53 PM
To: Rep. Mark Neuman
Subject: Tenakee and HB295

16 March 2010

Dear Representative

I am writing to encourage you to oppose including any Tenakee Spring land parcels in HB295.

As a long time resident of Tenakee Springs I know how detrimental this would be to the community. Tenakee does not have the resources to support what would happen if these parcels were included in this bill.

Please support Tenakee Springs and keep our community out of this bill

Thank you

Diane McCarty
1503 Newcastle St
Colorado Springs, CO 80907
719 264 1795

From: ccfishc@gci.net on behalf of Kim & Tracy Rivera [ccfishc@gci.net]
Sent: Tuesday, March 16, 2010 6:38 PM
To: Rep. Mark Neuman
Cc: Rep. Bill Thomas
Subject: PLEASE REMOVE TENAKEE PARCELS FROM HB 295

Dear Representative Neuman:

My husband and I have homes in Juneau and in Tenakee Springs. We cherish our lifestyle in the small community of Tenakee Springs. We support the position of our City Council there that ALL proposed land transfers within the city limits of Tenakee Springs be eliminated from HB 295. (We understand that the harbor parcel has been removed; it is also important to remove the Indian River C-34 parcel).

Please support us, the Tenakee Springs City Council, and all Tenakee residents in removing these parcels from the bill. Our lifestyle in Tenakee is jeopardized by including the parcels in the UA land trade.

The proposed transfer would have a hugely disproportionate impact on this small community, while contributing very little to the overall U of A budget.

- **Fiscal Note 3 for HB 295 includes the following language: "in approximately 20 years UA anticipates annual investment earnings on new land sales to reach 1% of state general fund support or $2.6M."**
- **In other words, if it passes, the Lands Grant will generate approximately 1% of the University's annual income, 20 years from now.**
- **The bill's original lands list included approximately 260,000 acres.**
- **The Indian River parcel is approximately 302 acres, which is roughly .0012% of the total acreage listed in the bill.**
- **Removing this .0012% from the bill would not be burdensome to the University of Alaska; removing the parcel would be insignificant to the University's overall funding.**
- **Transfer of this parcel would be VERY significant to Tenakee residents for a variety of reasons.**

We sincerely thank you for considering our views and we urge you to act in support of the lifestyle and wishes of the Tenakee Springs community. Please remove our parcels from HB 295.

Sincerely,

Kim & Tracy Rivera

PO Box 541, Tenakee Springs, AK 99841

SB 225 and HB 295: Grant of State Land to the University of Alaska

Prepared by Department of Natural Resources, January 2010

Summary of Bills: Transfer 199,838 acres of state land to the University of Alaska and address the March 2009 Alaska Supreme Court ruling that struck down previous university land grant legislation (2005 HB 130 and 2000 SB 7), which dedicated land revenue to the University Endowment Trust. These bills convey the entire HB 130 land list as amended by the legislature, ratifies conveyances already in place, and directs land revenue to the General Fund instead of the university's endowment trust.

The land to be conveyed includes:

- 29 parcels located throughout SE Alaska
- 5 parcels in Southcentral, including tract at McCarthy in Wrangell St Elias National Park
- 18 parcels in Interior – including tracts along the Dalton Highway, the 90,000 acre Nenena oil/gas tract, and numerous educational properties.

The bills also:

- Exclude from transfer 9 parcels in SE that were withdrawn by the legislature in 2005 due to public opposition;
- Identify 9 parcels in SE that would go to UA only if not selected by new Boroughs as part of municipal entitlements;
- Include specific language addressing the March 2009 Supreme Court ruling and a one-year statute of limitations period.

The March 13, 2009 Supreme Court Decision

- The Alaska Supreme Court in *S.E. Alaska Conserv'n Council v. State*, 202 P.3d 1162 (Alaska 2009) held that 2000 SB 7 and 2005 HB 130 violated the dedicated funds clause of the Alaska Constitution by dedicating land revenue to the University's endowment trust
- The Court held that the trust provisions of the legislation reflected the key intent of the legislature to enhance the University's permanent endowment and therefore were not severable from the land conveyance provisions.
- The Court upheld provisions of the legislation that conveys a research forest (near Tanana) to the University because the research forest is not income property and was addressed independently in the legislation. The Court declined to address the other non-income properties on the conveyance list (which included miscellaneous educational and infrastructure properties).

Related Legislation

- House Bill 234 would convey 12 of the approximately 50 parcels on the HB 130 land list, including the noncontroversial educational properties and the Nenana oil and gas tract.

For more information contact:

Dick Mylius, DNR, Director of Division of Mining, Land and Water - 269-8600; dick.mylius@alaska.gov
Heather Brakes, DNR Legislative Liaison, 465-4730, heather.brakes@alaska.gov

Explanation of Changes to CRA CS for HB295

1. Technical fix from EDU Committee amendment to remove Mite Cove and add back portion of the Pelican parcel. Page 8, line 22, Mite Cove is added to list of parcels removed. **Page 9, lines 29-31**, portion of Pelican parcel is added in place of Mite Cove. **Dick Mylius of DNR is here to speak to this change.**

2. **Page 9& 10,** - Covenants added to Sumdum parcel. After consideration of comments from DNR, including Judith Bittner who is the Chief History and Archaeology State Historic Preservation officer, and comments from the general public, and from adjacent land owner Sealaska, it was decided by the co-chairs to allow the Sumdum parcel to be allowed to transfer to the University with specific covenants to maintain cultural & historical characteristics of the area. **Dick Mylius of DNR is here to describe the covenants and answer any questions.**

   (excuse Mr Mylius if he has come forward)

3. **Page 8, lines-**23, 24,25- 3 parcels in upper Southeast are added here, Excursion Inlet, Lynn Canal, and William Henry Bay. These parcels were pulled from the land bill on behalf of Representative Thomas. With us is **Planning Commissioner Robert Venables from the Haines Borough, on behalf of Borough Mayor, who can speak to these particular parcels.**

4. Page 8, line 26, 27-Adds the Tenakee Springs parcel surrounding the Boat Harbor area to the list of parcels to be removed from transfer. **Rep. Munoz can explain this removal.**

26-GH2829\P
Bullock
3/8/10

CS FOR HOUSE BILL NO. 295(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

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

A BILL

FOR AN ACT ENTITLED

"An Act relating to the grant of certain state land to the University of Alaska; relating to the duties of the Board of Regents; relating to deposits made to the Alaska permanent fund received from certain lands conveyed to the University of Alaska; ratifying and reauthorizing certain prior conveyances of land to the University of Alaska; making conforming amendments; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

FINDINGS AND PURPOSE. The legislature finds that

(1) an academically strong state university system is a cornerstone to the long-term development of a stable population and to a healthy, diverse economy in the state;

(2) article VII, sec. 2 of the Constitution of the State of Alaska provides that the University of Alaska shall have title to all real property conveyed to it and that the

legislature shall prescribe how university property shall be administered according to law;

(3) article VIII, sec. 9 of the Constitution of the State of Alaska authorizes the legislature to provide for the grant of state lands and interests in those lands;

(4) it is in the best interests of the state and the University of Alaska that the university take ownership of a significant and substantial portfolio of land in order to further the interests of public higher education and economic development in the state;

(5) renewable resources should be managed on a sustained yield basis, taking into account the total land grant;

(6) transferring to the University of Alaska a significant and substantial portfolio of land furthers the interests of public higher education by allowing campus development and expansion, by facilitating academic research, and by fostering economic development for the well-being of the University of Alaska and the state;

(7) the Alaska Supreme Court's ruling in Southeast Alaska Conservation Council v. State, 202 P.3d 1162 (Alaska 2009) invalidated ch. 136, SLA 2000 and ch. 8, FSSLA 2005 because depositing revenues from land conveyed to the University of Alaska in the university endowment trust fund violated the dedicated funds section, art. XI, sec. 7, of the Constitution of the State of Alaska; the Alaska Supreme Court also held that, with the exception of the provision conveying the university research forest, the land conveyance provisions of the legislation could not be severed from the provisions that dedicated the revenue from the land to the university's endowment trust, and ordered that any land conveyed to the University of Alaska under the legislation be reconveyed to the state;

(8) it is in the best interests of the state and the University of Alaska to

(A) address directly the Alaska Supreme Court's ruling and enact curative legislation that conveys land to the University of Alaska without the unconstitutional dedication of revenue from the conveyed land to the University of Alaska's endowment trust; and

(B) authorize conveyance to the University of Alaska of the same land identified in ch. 8, FSSLA 2005;

(9) the state and the University of Alaska have expended substantial effort and money in connection with conveying lands to the university under ch. 136, SLA 2000 and ch. 8, FSSLA 2005 before the Alaska Supreme Court's ruling in Southeast Alaska Conservation

Council v. State, 202 P.3d 1162 (Alaska 2009), and it is in the best interests of the state and the University of Alaska to preserve that effort and money by ratifying the conveyances that had occurred before the Alaska Supreme Court ruling;

(10) through the amendment of AS 14.40.491 to explicitly define as university receipts the revenue received by the University of Alaska from lands conveyed to the university under AS 14.40.365, the legislature retains unfettered discretion to appropriate university receipts as it sees fit, without restrictions, on an annual basis; and that preserving the legislature's discretion to appropriate the receipts on an annual basis is in the best interests of the University of Alaska and the state.

*** Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE INTENT. It is the intent of the legislature

(1) to respond to the Alaska Supreme Court's ruling in Southeast Alaska Conservation Council v. State, 202 P.3d 1162 (Alaska 2009), by passing legislation that conveys land to the University of Alaska and provides for management of revenue from that land as university receipts over which the legislature retains unrestricted authority to appropriate as it sees fit;

(2) to ratify the conveyances that were executed under ch. 136, SLA 2000 and ch. 8, FSSLA 2005 before the Alaska Supreme Court's ruling so that the university retains clear title to that land;

(3) if any provision of this Act or the conveyance of any parcel of land or class of lands under this Act is found to be an unlawful dedication of funds in violation of art. IX, sec. 7 of the Constitution of the State of Alaska or otherwise unlawful, that the land conveyances to the University of Alaska under this Act continue to the fullest extent possible;

(4) that the University of Alaska receive clear title to the land identified in AS 14.40.365, even though proceeds from those lands are not deposited into the University of Alaska's endowment trust fund and are instead subject to appropriation by the legislature each year in its discretion, without prior limitation upon the legislature's use and appropriation of the funds; and

(5) to have a stable University of Alaska system that provides a wide range of land-related curricula and extracurricular activities, including those activities that enhance

civic partnerships through community-based land management; expansion of campuses and training sites; and land management for economic development and benefit to the University of Alaska and the state.

*** Sec. 3.** AS 14.40.170(a) is amended to read:

(a) The Board of Regents shall

(1) appoint the president of the university by a majority vote of the whole board, and the president may attend meetings of the board;

(2) fix the compensation of the president of the university, all heads of departments, professors, teachers, instructors, and other officers;

(3) confer such appropriate degrees as it may determine and prescribe;

(4) have the care, control, and management of

(A) all the real and personal property of the university; and

(B) land

(i) conveyed to the Board of Regents by the commissioner of natural resources in the settlement of the claim of the University of Alaska to land granted to the state in accordance with the Act of March 4, 1915 (38 Stat. 1214), as amended, and in accordance with the Act of January 21, 1929 (45 Stat. 1091), as amended; and

(ii) conveyed to [THE BOARD OF REGENTS IN TRUST FOR] the University of Alaska by the commissioner of natural resources under AS 14.40.365;

(5) keep a correct and easily understood record of the minutes of every meeting and all acts done by it in pursuance of its duties;

(6) under procedures to be established by the commissioner of administration, and in accordance with existing procedures for other state agencies, have the care, control, and management of all money of the university and keep a complete record of all money received and disbursed;

(7) adopt reasonable rules for the prudent trust management and the long-term financial benefit to the university of the land of the university;

(8) provide public notice of sales, leases, exchanges, and transfers of the land of the university or of interests in land of the university;

(9) administer, manage, market, and promote a postsecondary education savings program, including the Alaska Higher Education Savings Trust under AS 14.40.802 and the Alaska advance college tuition savings fund under AS 14.40.803 - 14.40.817.

* **Sec. 4.** AS 14.40.291(a) is amended to read:

(a) Notwithstanding any other provision of law, university-grant land, state replacement land that becomes university-grant land on conveyance to the university, land conveyed to [THE BOARD OF REGENTS IN TRUST FOR] the University of Alaska under AS 14.40.365, and any other land owned by the university is not and may not be treated as state public domain land. Land conveyed to [THE BOARD OF REGENTS IN TRUST FOR] the University of Alaska under AS 14.40.365 shall be managed **in accordance with** [AS NONTAXABLE TRUST LAND UNDER] AS 14.40.365 - 14.40.367 and policies of the Board of Regents.

* **Sec. 5.** AS 14.40.365 is repealed and reenacted to read:

Sec. 14.40.365. University land grant. (a) Except as provided in (b) of this section, no more than two years after the effective date of this Act, the commissioner of natural resources shall convey to the University of Alaska, by quitclaim deed, the state land identified for conveyance to the university and described in the document titled "University of Alaska Land Grant List 2005," dated January 12, 2005.

(b) As soon as practicable after June 30, 2055, the commissioner of natural resources shall convey to the University of Alaska, by quitclaim deed, the state land described as the "University Research Forest" and identified for conveyance to the university in the document titled "University of Alaska Land Grant List 2005," dated January 12, 2005.

(c) As soon as practicable after the receipt of patent from the United States, but not before the land is otherwise required to be conveyed under this section, the commissioner of natural resources shall convey to the University of Alaska, by quitclaim deed, federal land that has been selected for conveyance to the state under the Alaska Statehood Act but is subject to a federal mining claim, and that is identified in the document titled "University of Alaska Land Grant List 2005," dated January 12, 2005, for conveyance to the university upon the state's acquisition of patent.

(d) Notwithstanding AS 38.05.125(a), and except as otherwise provided in this section, the transfer of ownership of land from the commissioner of natural resources to the University of Alaska under this section includes the interest of the state in the coal, ores, minerals, fissionable materials, geothermal resources, and fossils, oil, and gas that may be in or on the land.

(e) Land conveyed under this section to the University of Alaska is subject to any valid possessory interest or other valid existing right, including any lease, license, contract, prospecting site, claim, sale, permit, right-of-way, Native allotment, or easement held by another person, including a federal, state, or municipal agency, on the effective date of this section.

(f) Before conveying land under this section, the commissioner of natural resources shall reserve access under AS 38.05.127, but other provisions of AS 38.04 and AS 38.05 do not apply to the commissioner's preparation for conveyance of land to the University of Alaska under this section. In addition to access under AS 38.05.127, the commissioner may reserve in the conveyance document existing offshore uses such as aquatic fish farm sites, anchorages for vessels, fish buying stations, trails, roads, and other access routes that provide public access to adjacent land and public waterways; however, an easement along tidewater reserved by the commissioner under AS 38.05.127 may not exceed 25 feet.

(g) In addition to rights or an interest held by a person under (e) of this section, land conveyed to the University of Alaska under this section

(1) is subject to

(A) sec. 6(i) of the Alaska Statehood Act (P.L. 85-508, 72 Stat. 339);

(B) AS 19.10.010;

(C) any easement, right-of-way, or other access under former 43 U.S.C. 932 (sec. 8, Act of July 26, 1866, 14 Stat. 253);

(D) the provisions of any memorandum of agreement entered into between the University of Alaska and the commissioner of natural resources governing shared benefits or costs associated with land to be conveyed to the University of Alaska;

(E) any interest transferred to the state by quitclaim deed dated June 30, 1959, under authority of the Alaska Omnibus Act (P.L. 86-70, 73 Stat. 141); and

(2) excludes the mineral estate on land that is subject to a valid state mining claim.

(h) As soon as practicable after the extinguishment, release, or expiration of a valid state mining claim located on land to be conveyed under this section, but not before the land is otherwise required to be conveyed under this section, the commissioner of natural resources shall convey the mineral estate excluded from conveyance under (g)(2) of this section.

(i) The responsibility for the management of land conveyed to the University of Alaska under this section vests with the Board of Regents for the University of Alaska on the date of recording that conveyance.

(j) Any income derived from land conveyed to the University of Alaska under this section accruing after the date of conveyance, including any income accruing from an existing lease, license, contract, prospecting site sale, permit, right-of-way, easement, or trespass claim shall be received by the University of Alaska and accounted for as university receipts.

(k) Notwithstanding any other provision of this section, within 10 years after final conveyance of land under this section, the Board of Regents may reconvey to the Department of Natural Resources land

(1) containing hazardous waste that was present on the land before conveyance under this section;

(2) on which is located a historic or archeological site that is subject to management under AS 41.35; or

(3) that the Board of Regents and the commissioner of natural resources jointly agree is in the best interests of the state and the university to reconvey.

(l) After the effective date of this section and before the conveyance of a parcel of land to the University of Alaska under this section, the commissioner of natural resources may not convey, without consent of the university, any irrevocable

interest in a parcel that is required to be conveyed to the University of Alaska under this section.

(m) The commissioner of natural resources may make minor adjustments to the maps or legal descriptions of the state land identified for conveyance to the university and described in the document titled "University of Alaska Land Grant List 2005," dated January 12, 2005, to correct omissions or errors.

(n) Notwithstanding (a) of this section, the following state land described in the document titled "University of Alaska Land Grant List 2005," dated January 12, 2005, may not be conveyed to the University of Alaska under this section:

(1) Parcel Number CS.DI.1001, Duke Island;

(2) Parcel Number MF.1002, Idaho Inlet;

(3) Parcel Number CS.KI.1001, Kelp Island;

(4) Parcel Number HA.CH.1001, Haines-Chilkoot;

(5) Parcel Number KT.1004, Neets Creek;

(6) Parcel Number MA.KR.1001, Kodiak Rocket Range;

(7) Parcel Number ST.1002, Pelican, except that the portion of Parcel Number ST.1002, Pelican that is described as unit C-18 in the Northern Southeast Area Plan adopted by the commissioner of natural resources on October 15, 2002, may be conveyed to the University of Alaska subject to (q) of this section;

(8) Parcel Number PA.1001, Port Alexander;

(9) Parcel Number ST.1002, Warm Springs Bay;

(10) Parcel Number MF.1001, Mite Cove;

(11) Parcel Number NS.EX. 1002, Excursion Inlet;

(12) Parcel Number JU.1002, Lynn Canal;

(13) Parcel Number JU.1001, William Henry Bay; and

(14) the portions of United States Survey 2459 and United States Survey 6855 that are within Parcel Number ST.1003, Tenakee Springs.

(o) Notwithstanding (a) of this section, the state land identified in this subsection and described in the document titled "University of Alaska Land Grant List 2005," dated January 12, 2005, may not be conveyed to the University of Alaska under this section if the land is included in a borough formed before July 1, 2012, that

includes Petersburg. If a borough is not formed before July 1, 2012, land described in this subsection shall be conveyed to the University of Alaska on July 1, 2012. If a borough is formed before July 1, 2012, and the borough does not select land described in this subsection before January 1, 2016, the land not selected by the borough shall be conveyed to the University of Alaska on June 30, 2016. The following land is subject to this subsection:

(1) Parcel Number SD.1001, Beecher Pass;

(2) Parcel Number SD.1001, Favor Peak;

(3) Parcel Number CS.TL.1001, Three Lake Road;

(4) Parcel Number SD.1001, Read Island;

(5) Parcel Number SD.1001, Whitney Island.

(p) Notwithstanding (a) of this section, the state land identified in this subsection and described in the document titled "University of Alaska Land Grant List 2005," dated January 12, 2005, may not be conveyed to the University of Alaska under this section if the land is selected by the City and Borough of Wrangell. If the borough does not select land described in this subsection before January 1, 2013, the land not selected by the borough shall be conveyed to the University of Alaska on June 30, 2013. The following land is subject to this subsection:

(1) Parcel Number CS.EW.1001, Earl West Cove;

(2) Parcel Number CS.OV.1001, Olive Cove; and

(3) Parcel Number SD.1001, Thoms Place.

(q) Notwithstanding (a) of this section, the state land identified in this subsection and described in the document titled "University of Alaska Land Grant List 2005," dated January 12, 2005, may not be conveyed to the University of Alaska under this section if the land is included in a borough formed before July 1, 2012. If a borough is not formed before July 1, 2012, the land described in this subsection shall be conveyed to the University of Alaska on July 1, 2012. If a borough is formed before July 1, 2012, and the borough does not select land described in this subsection before January 1, 2016, the land not selected by the borough shall be conveyed to the University of Alaska on June 30, 2016. The following land is subject to the provisions of this subsection: that portion of Parcel Number ST.1002, Pelican that is described as

unit C-18 in the Northern Southeast Area Plan adopted by the commissioner of natural resources on October 15, 2002.

(r) The state land identified as Parcel Number SD.1001, Sumdum in the document titled "University of Alaska Land Grant List 2005," dated January 12, 2005, that is transferred to the University of Alaska in (a) of this section,

(1) may not be open to commercial timber harvest or mineral development; development including but not ltd. to

(2) must be preserved for the purpose of historical, cultural, and scientific research and education and must be accessible for public interpretive study and education;

(3) may not be used for a purpose inconsistent with the significance of the parcel and adjoining land for the preservation of Alaska Native cultural knowledge and history. (4) It is intended that these covenants run with the land

* **Sec. 6.** AS 14.40.366 is repealed and reenacted to read:

Sec. 14.40.366. Management requirements for university land. (a) Before the conveyance or the disposal of an interest in the land to a third party, land conveyed to the University of Alaska under AS 14.40.365 shall be managed in a manner that, to the extent practicable, permits reasonable activities of the public, including historic recent public uses, that do not interfere with the use or management of the land by the university.

(b) For land conveyed to the University of Alaska under AS 14.40.365, the Board of Regents shall

(1) seek public comment on proposals for land development, exchange, or sale; and

(2) adopt policies that require the preparation of land development plans and land disposal plans.

(c) Before the Board of Regents of the University of Alaska offers a parcel of land for sale under this section, the board shall offer first refusal to the closest municipality.

(d) The Board of Regents shall adopt policies requiring public notice before approval of land development plans and land disposal plans. The policies must require

that the notice be provided not less than 30 days before the proposed action and that the notice be

(1) sent to local legislators, municipalities, and legislative information offices in the vicinity of the action and at other locations as the university may designate;

(2) published in newspapers of general circulation in the vicinity of the proposed action at least once each week for two consecutive weeks; and

(3) published on state and university public notice Internet websites.

(e) In this section, "development, exchange, or sale" does not include the grant of an easement or right-of-way or the development of a campus facility.

* **Sec. 7.** AS 14.40.367 is repealed and reenacted to read:

Sec. 14.40.367. Confidential records. Notwithstanding AS 40.25.100 - 40.25.295 (Alaska Public Records Act), on a determination that it is in the best interest of the University of Alaska or on the request of the person who has provided the information, the president of the university may keep the following confidential:

(1) the name of a person applying for the sale, lease, or other disposal of university land or an interest in university land;

(2) before the issuance of a notice of intent to award a contract relating to a sale, lease or disposal of university land or an interest in university land, the names of the participants and the terms of their offers;

(3) all geological, well, geophysical, engineering, architectural, sales, market, cost, appraisal, timber cruise, gross receipts, net receipts, or other financial information relating to university land or an interest in university land and considered for, offered for, or currently subject to disposal or a contract;

(4) cost data and financial information submitted by an applicant in support of applications for bonds, leases, or other information in offerings and ongoing operations relating to management of university land;

(5) applications for rights-of-way or easements across university land; and

(6) requests for information about or applications by public agencies for university land that is being considered for use for a public purpose.

* **Sec. 8.** AS 14.40 is amended by adding a new section to read:

Sec. 14.40.369. Statute of limitations. A person may not bring any judicial action challenging AS 14.40.365 - 14.40.367 or any conveyance authorized under AS 14.40.365 unless the action is commenced no later than one year after the effective date of this Act.

* **Sec. 9.** AS 14.40.400(a) is amended to read:

(a) The Board of Regents shall establish a separate endowment trust fund in which shall be held in trust in perpetuity all

(1) net income derived from the sale or lease of the land granted under the Act of Congress approved January 21, 1929, as amended; **and**

(2) [NET INCOME DERIVED FROM THE SALE, LEASE, OR MANAGEMENT OF THE LAND CONVEYED TO THE BOARD OF REGENTS IN TRUST FOR THE UNIVERSITY OF ALASKA UNDER AS 14.40.365; HOWEVER, THE AMOUNT DEPOSITED IN THE ENDOWMENT TRUST FUND UNDER THIS PARAGRAPH RESULTING FROM MINERAL LEASE ROYALTIES AND ROYALTY SALES PROCEEDS MAY NOT BE LESS THAN 25 PERCENT OF ALL SUCH MINERAL LEASE ROYALTIES AND ROYALTY SALES PROCEEDS RECEIVED BY THE UNIVERSITY; AND

(3)] monetary gifts, bequests, or endowments made to the University of Alaska for the purpose of the fund.

* **Sec. 10.** AS 14.40.491 is amended to read:

Sec. 14.40.491. Definition of university receipts. In AS 14.40.120 - 14.40.491, "university receipts" includes

(1) student fees, including tuition;

(2) receipts from university auxiliary services;

(3) recovery of indirect costs of university activities;

(4) receipts from sales and rentals of university property;

(5) federal receipts;

(6) gifts, grants, and contracts;

(7) receipts from sales, rentals, and the provision of services of educational activities; [AND]

(8) receipts attributable to amounts distributed from university endowments established and managed under AS 14.40.280 and from the endowment trust fund established and managed under AS 14.40.400; **and**

(9) receipts from lands conveyed to the University of Alaska by the commissioner of natural resources under AS 14.40.365.

*** Sec. 11.** AS 29.45.030(a) is amended to read:

(a) The following property is exempt from general taxation:

(1) municipal property, including property held by a public corporation of a municipality, [OR] state property, **property of the University of Alaska,** or land that is in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-830, 70 Stat. 709, except that

(A) a private leasehold, contract, or other interest in the property is taxable to the extent of the interest;

(B) notwithstanding any other provision of law, property acquired by an agency, corporation, or other entity of the state through foreclosure or deed in lieu of foreclosure and retained as an investment of a state entity is taxable; this subparagraph does not apply to federal land granted to the University of Alaska under AS 14.40.380 or 14.40.390, [OR] to other land granted to the university by the state to replace land that had been granted under AS 14.40.380 or 14.40.390**, or to land conveyed by the state to the university under AS 14.40.365**;

(C) an ownership interest of a municipality in real property located outside the municipality acquired after December 31, 1990, is taxable by another municipality; however, a borough may not tax an interest in real property located in the borough and owned by a city in that borough;

(2) household furniture and personal effects of members of a household;

(3) property used exclusively for nonprofit religious, charitable, cemetery, hospital, or educational purposes;

(4) property of a nonbusiness organization composed entirely of persons with 90 days or more of active service in the armed forces of the United States

whose conditions of service and separation were other than dishonorable, or the property of an auxiliary of that organization;

(5) money on deposit;

(6) the real property of certain residents of the state to the extent and subject to the conditions provided in (e) of this section;

(7) real property or an interest in real property that is exempt from taxation under 43 U.S.C. 1620(d), as amended;

(8) property of a political subdivision, agency, corporation, or other entity of the United States to the extent required by federal law; except that a private leasehold, contract, or other interest in the property is taxable to the extent of that interest unless the property is located on a military base or installation and the property interest is created under 10 U.S.C. 2871 - 2885 (Military Housing Privatization Initiative), provided that the leaseholder enters into an agreement to make a payment in lieu of taxes to the political subdivision that has taxing authority;

(9) natural resources in place including coal, ore bodies, mineral deposits, and other proven and unproven deposits of valuable materials laid down by natural processes, unharvested aquatic plants and animals, and timber.

* **Sec. 12.** AS 29.65.030(d) is repealed and reenacted to read:

(d) For the purpose of determining the general land grant entitlement under (a) of this section, the maximum total acreage of vacant, unappropriated, unreserved land within the boundaries of the municipality between the date of its incorporation and two years after that date shall be increased by the amount of land located within the boundaries of the municipality that is transferred to the University of Alaska under AS 14.40.365.

* **Sec. 13.** AS 37.13.010(a) is amended to read:

(a) Under art. IX, sec. 15, of the state constitution, there is established as a separate fund the Alaska permanent fund. The Alaska permanent fund consists of

(1) 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), **25 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares derived from lands conveyed to the University of Alaska under AS 14.40.365 and 25 percent of all**

bonuses derived by the University of Alaska from mineral leases on these lands, and 25 percent of [AND] federal mineral revenue sharing payments received by the state from mineral leases issued on or before December 1, 1979, and 25 percent of all bonuses received by the state from mineral leases issued on or before February 15, 1980;

(2) 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases issued after December 1, 1979, and 50 percent of all bonuses received by the state from mineral leases issued after February 15, 1980; and

(3) any other money appropriated to or otherwise allocated by law or former law to the Alaska permanent fund.

*** Sec. 14.** AS 14.40.368 is repealed.

*** Sec. 15.** The uncodified law of the State of Alaska is amended by adding a new section to read:

RATIFICATION OF PRIOR CONVEYANCES. All of those interests in lands that were conveyed to the university under ch. 136, SLA 2000 and ch. 8, FSSLA 2005, before the Alaska Supreme Court's ruling in Southeast Alaska Conservation Council v. State, 202 P.3d 1162 (Alaska 2009) are ratified and are deemed to have been conveyed under the authority of this Act.

*** Sec. 16.** The uncodified law of the State of Alaska is amended by adding a new section to read:

SEVERABILITY. Under AS 01.10.030, if any provision of this Act, or the application of this Act to any person or circumstance is held invalid, the remainder of this Act and the application to other persons or circumstances are not affected.

*** Sec. 17.** This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

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February 8, 2010

Sectional Analysis

House Bill 295 – "An Act relating to the grant of certain state land to the University of Alaska; relating to the duties of the Board of Regents; relating to deposits made to the Alaska permanent fund received from certain lands conveyed to the University of Alaska; ratifying and reauthorizing certain prior conveyances of land to the University of Alaska; making conforming amendments; and providing for an effective date."

CSHB 295 - This analysis has been updated to include CSHB 295, passed out of the House Education Committee.

Section 5 (p) was amended to reflect a deferred conveyance date to January 1, 2013 rather than December 1, 2011.

Section 5 (q) was amended to delete parcel PA 1002, Mite Cove and substitute "parcel C-18", within the Pelican area. Please see the note below within this section for further explanation of the Committee's intent.

Section 1 – Findings and Purpose – Explains why legislation is necessary. Paragraphs (7) – (10) specifically address issues raised by Alaska Supreme Court regarding previous legislation.

Section 2 – Legislative Intent – Clarifies the intent of the Legislature to:

- respond to the Alaska Supreme Court decision in *S.E. Alaska Conserv'n Council v. State*, 202 P.3d 1162 (2009).
- convey state land to the University even though revenue from the land will be deposited in the general fund and be subject to annual appropriation by the Legislature.
- ratify conveyances that occurred under authority of SB 7 and HB 130.
- that the land should proceed even if any other provision in the bill is found to violate the dedicated funds clause of the Alaska Constitution.

Section 3 – Amends AS 14.40.170(a) by deleting the phrase "THE BOARD OF REGENTS IN TRUST FOR" before "the University" specifying the land conveyed under this legislation cannot be considered trust land managed by the Board of Regents.

Section 4 – Amends AS 14.40.291(a) similar to Section 3.

Section 5 – Creates a new AS 14.40.365 to replace the statute the Supreme Court found to be unconstitutional in its ruling in Southeast Alaska Conservation Council v. State, 202 P.3d 1162 (Alaska 2009). Subsectional analysis of new AS 14.40.365 follows:

(a) Provides that DNR will convey land to University of Alaska by quitclaim deed

survey requirements. The two-year period should not be difficult for DNR to meet because most of the work to issue the deeds was already completed after the 2005 legislation.

(b) Defers conveyance of the University Research Forest in Tanana Valley State Forest until 2055 (50 years from passage of 2005 legislation). This deferral was requested by the University as it allows the continued use of this area as Research Forest by University while at the same time allowing continued small timber sales and forestry management activities by DNR Division of Forestry.

(c) Allows that when federal mining claims that currently exist as inholdings to parcels conveyed by the state to the University are terminated and the land subsequently conveyed to the state (DNR), that DNR will in turn convey this land to the University.

(d) Ensures that the mineral estate is also conveyed to the University. This is an exception to AS 38.05.125 which requires, for most conveyances, DNR retain the mineral rights in state ownership due to provisions in Section 6(i) in the Alaska Statehood Act. Since the University is a state entity, transfer of mineral estate to the University does not violate the 6(i) provision.

(e) Requires that conveyances to the University recognize and protect all valid existing rights.

(f) Requires that DNR reserve access to and along navigable and public waters as required in AS 38.05.127, but limits the width of these easements on parcels along tidewater to a maximum of 25 feet (a provision specifically inserted by the legislature in the 2005 bill). These easements by regulation would otherwise have a 50-foot minimum width. This subsection also specifies that other provisions of AS 38.04 and AS 38.05 do not apply to these conveyances to the University.

(g) Sets out additional limitations or requirements regarding the land conveyed to the University, including Section 6(i) of the statehood act that prohibits the state's alienation of mineral estate; makes conveyance subject to RS 2477 and Omnibus Act rights of way; and excludes from the conveyance to the University any valid existing state mining claims.

(h) Requires that upon the termination of a state mining claim located within a parcel conveyed to the University under this bill, DNR will transfer that land to the University

(i) Establishes the date of the recording of a parcel as the time when the University takes over management responsibility for land transferred under this act.

(j) Establishes that upon conveyance to the University, all revenue and receipts accrue to the University as University receipts;

(k) Allows the University to return land to DNR up to ten years after conveyance if it contains hazardous waste; is located on a historic or archeological site; or the University and DNR agree to the re-conveyance.

(l) Requires University concurrence with any DNR conveyance of an irrevocable interest in a parcel to be conveyed to the University.

(m) Allows the Commissioner of DNR to make minor boundary adjustments to correct omissions and errors.

(n) Removes nine (9) parcels from the land list originally agreed to by DNR and the University. These 9 parcels were included in the original land list submitted to the legislature in 2005. They were removed by the legislature during committee review of the bill based upon public and community concerns.

(o) Defers conveyance of five parcels located within the potential boundaries of a Petersburg Borough so that if a Borough forms before July 1, 2012 (two years), these parcels could be selected by a future Borough as part of its municipal entitlement under AS 29.65. If a borough does not form or the land is not

provision was inserted in the 2005 legislation to specifically address this concern raised by the Cities of Wrangell and Petersburg during the 2005 legislative hearings.

(p) Defers conveyance of three parcels located within the City and Borough of Wrangell pending possible selection by the new borough under its municipal entitlement (AS 29.65). Provides the Borough until January 1, 2013 to select the land. A provision to defer these selections was inserted in the 2005 legislation to specifically address potential borough formation, a concern raised by the cities of Wrangell and Petersburg during the 2005 legislative hearings. Wrangell formed a borough after the 2005 legislation, but has not yet filed its land selections with DNR.

(q) Defers conveyance of one parcel located within the potential boundary of a Northern Chichagof Island Borough so that if a Borough forms before July 1, 2012 (two years), this parcel could be selected by a future Borough as part of its municipal entitlement under AS 29.65. If a borough does not form or the land is not selected by a future Borough, the land will be conveyed to the University. This provision was inserted in the 2005 legislation to specifically address this concern raised during the 2005 legislative hearings. **NOTE**: this provision was amended in House Education to delete the reference to parcel PA 1002, Mite Cove and substitute "Parcel C-18". The intent of the amendment was to delete parcel MF 1001, Mite Cove from the land list and insert that portion of a parcel previously deleted, parcel ST 1002, Pelican, back into the list. The parcel to be added back is that portion of Parcel 1002 identified in the DNR Northern southeast area Plan as Unit C-18. DNR is working with the sponsor of the amendment to draft a revised amendment to correctly capture the intent of the House Education Committee.

Section 6 – Repeals and reenacts AS 14.40.366 as passed in 2005. Sets forth management requirements for university land, including preservation of historic recent public uses, public notice and comment opportunities for land development or disposal plans, and right of first refusal to closest municipality.

Section 7 – Repeals and reenacts AS 14.40.367 as passed in 2005. Exempts certain proprietary and business sensitive information related to university land disposals from the Alaska Public Records Act.

Section 8 – Establishes a one-year statute of limitations for parties wishing to bring a lawsuit regarding this legislation.

Section 9 – Requires that revenue generated from the conveyed land be handled as University receipts subject to annual appropriation by the Legislature. This section deletes the provision in HB 130 that required revenue from the conveyed land be deposited in the University Endowment Trust, thereby correcting the dedicated funds violation found by the Alaska Supreme Court in *S.E. Alaska Conserv'n Council v. State,* 202 P.3d 1162 (2009).

Section 10 – Defines University receipts to include land transferred under this new legislation.

Section 11 – Specifies that University land conveyed under this bill is exempt from general taxation.

Section 12 – Ensures that a municipal entitlement of a future city or borough is not reduced by the conveyance of land to the University under this legislation.

Section 13 – Requires that 25% of mineral revenue from University lands granted under this legislation be deposited into the Permanent Fund.

Section 14 – Restores the repeal of AS 14.40.368 regarding encumbrances and trespasses on land to be conveyed. This statute was enacted by SB 7 and repealed by HB 130. This section confirms that AS 14.40.368 is to remain repealed.

Section 15 – Ratifies conveyances made to the University under the 2005 legislation, so that DNR does not have to re-issue deeds.

Section 16 – Adds a severability clause.

Section 17 – Establishes an immediate effective date.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

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February 8, 2010

Representative Bob Herron, Co-Chair
House Community & Regional Affairs
State Capitol, Rm 411
Juneau, Alaska 99801

Representative Cathy Munoz, Co-Chair
House Community & Regional Affairs
State Capitol, Rm 409
Juneau, Alaska 99801

Re: House Bill 295 – University Land Grant

Dear Representatives Herron and Munoz:

Please accept this request for your consideration to schedule HB 295 before the House Community & Regional Affairs at your earliest convenience.

This bill would convey approximately 199,838 acres of state land to the University of Alaska, and specify that revenue generated by the University of Alaska's management of the land be subject to appropriation each year by the legislature.

Legislation passed in 2000 and 2005 made certain land grants to the University of Alaska and specified that the revenue generated from those lands would be deposited into the University endowment trust fund. In March 2009 the Alaska Supreme Court found these statutes to violate the dedicated funds section of the Alaska Constitution, art. IX, sec. 7.

This bill seeks to remedy those issues identified by the Court by specifying that the revenue generated from the land is to be accounted for as university receipts and therefore subject to appropriation each year by the legislature. It also ratifies and reauthorizes the land conveyances authorized in the previously enacted legislation. The land to be conveyed under this bill is the same as what was to be conveyed to the University of Alaska in the final 2005 legislation (ch. 8, FSSLA 2005), with the exception of two parcels that were conveyed under separate statutory authority and the university research forest.

The bill was amended in House Education Committee by removing one parcel at Mite Cove on Lisianski Inlet and by adding a portion of a parcel previously deleted, parcel ST 1002, Pelican, back into the list. The parcel to be added back is that portion of Parcel

1002 identified in the DNR Northern Southeast Area Plan as Unit C-18. The amendment that was adopted by House Education Committee failed to do what they intended so DNR is working with the Sponsor of the amendment to draft a revised amendment for consideration by House CRA to correctly capture the intent of the House Education Committee.

If you have any questions regarding the bill, feel free to contact Samantha Carroll, Department of Natural Resources Special Assistant at 269-8434, or Dick Mylius, Director of Division of Mining, Land, and Water at 269-8625.

Sincerely,

Thomas E. Irwin
Commissioner

Parcel Name	Parcel Number -- 2010 Land Use List	DNR Land Use Plan	Land Designation in Plan	Notes
Earl West Cove[1]	PT.1004	CSEAP	General Use	Management intent indicates parcel to be used for multiple uses, including settlement and future timber sales.
Mite Cove[2]	MF.1001	NSEAP	Dispersed Recreation	Management intent indicates that the parcel is to be used for public purposes; not appropriate for settlement.
Moser Bay	CS.MB.1001	CSEAP	Settlement, General Use	Management intent indicates western part of parcel to be managed for settlement; remainder is General use. Note: anadromous stream is Habitat.
Olive Cove[3]	CS.OV.1001	CSEAP	General Use, Dispersed Rec.	Adjoins state subdivision. Management intent indicates that portions of parcel may be appropriate for settlement.
Sumdum	SD.1001	NSEAP	Dispersed Recreation	Management intent indicates that only development related to recreation uses would be appropriate.
Tenakee Springs	ST.1003	NSEAP	Public Facilities, Settlement/ Commercial	Management intent indicates that development appropriate near harbor and, in some inland locations, for commercial, industrial, and road right-of-way purposes. Areas not used for this purpose should remain undeveloped.
Thoms Place[4]	SD.1001	NSEAP	Settlement, General Use	Management intent indicates that settlement should occur along coast. Timber harvest in General Use areas not appropriate except as related to land development. Adjoins state subdivision to south.

CSEAP – Central Southeast Area Plan

NSEAP – Northern Southeast Area Plan

[1] Affected by legislative provision allowing land to be conveyed to a borough under certain conditions.
[2] See footnote 1.
[3] See footnote 1.
[4] See footnote 1.

Identification of Parcels – 2005 Land List

Parcels were identified according to the needs of the University and the restrictions of state area plans. DNR also established some sideboards of properties that would not be considered, such as producing oil and gas properties (including the entire North Slope), areas where DNR had already started work on land sales, timber parcels critical to the DNR Forestry sales program and sustained yield calculations, parcels selected by municipalities, etc. (this is not a complete list). Three types of properties were identified as needed by the University.[5]

Investment Properties (73,865 acres). DNR and the University initially reviewed all available land throughout the state and all applicable area plans. Generally, both parties agreed that it would be preferable, except in cases related to educational development and research and oil and gas utilization, to exclude parcels that were designated in area plans as generally inappropriate for development or could not be conveyed to individuals or municipalities based on plan or statutory restrictions. Designations that included Water Resources, Habitat, and Forestry were avoided; these designations cannot, for example, be conveyed to municipalities under the Municipal Entitlement Act. Designations that provided for development of some type or are acceptable for municipal conveyance were used as the basis for initial selection. Our review therefore focused on state land designated Agriculture, Settlement, General Use (a multiple use designation) and, to a lesser extent, Public Recreation where some type of recreation development was envisaged. The management intent associated with these parcels (which sometimes constrains use and development) as well as specific parcel knowledge were then used to reduce the inventory of parcels to that contained in the 2005 Land List. In all cases DNR required that the entirety of state land in an area of selection be included; this avoided the selection of just the best areas (high-grading), leaving the state with areas of limited worth.

Educational Properties (35,973 acres). Parcels that augmented the holdings of current educational facilities (Sitka, Juneau, and Fairbanks) were included. Also included were parcels important to water and water quality research and forest research and management. The former included large areas near Fairbanks as well as portions of the Tanana Valley State Forest. The latter was conveyed as a University Research Forest under the previous legislation.

Oil and Gas Properties (90,000 acres). A large area near Nenana was included on the basis that this area has oil and gas potential and may be able to generate revenue.

[5] The acreage estimates given reflect the proposals of the 2005 Land List. Some parcels have been conveyed to the University. Especially significant is the University Research Forest (51,820 acres).

***Southeast AK Conservation Council v. State*, 202 P.3d 1162, 1171 (Alaska 2009).**

Thus, even when the University has title to land, "only the legislature can make laws effecting the disposal of land, not the Board of Regents."

Our case law establishes that University lands are state lands. *Article VII, section 2* establishes the University, declares it a "body corporate," provides that the University "shall have title to all real and personal property now or hereafter set aside for or conveyed to it," and states that "[i]ts property shall be administered and disposed of according to law." We considered the meaning of *article VII, section 2* in *State v. University of Alaska.* [624 P.2d 807, 814] There, we held that the state could take land that Congress had granted to the University to be held in trust for it under the federal 1929 act, but that the state had to compensate the University with monetary damages or equivalently valuable land. Our opinion emphasized *article VII, section 2*'s command that "property shall be administered and disposed of according to law," and noted that "'according to law' refer[s] to the legislature's power to make laws." Thus, even when the University has title to land, "only the legislature can make laws effecting the disposal of land, not the Board of Regents." We further observed that "[t]he natural resources article of the Alaska Constitution grants extensive powers to the legislature to control lands," which makes "clear that [the University lands received under the 1929 act] 'belong' to the state." The conclusion we reached in *State v. University of Alaska,* that University land is state land, applies even more readily to the present case because the University land involved here is not shielded by a federal trust obligation. Statutory language treating University lands differently from other state land does not overcome this constitutionally based conclusion.

Constitutional provisions referred to in ***Southeast AK Conservation Council v. State,* 202 P.3d 1162, 1171 (Alaska 2009):**

Article VII. HEALTH, EDUCATION AND WELFARE

SECTION 2. State University. The University of Alaska is hereby established as the state university and constituted a body corporate. It shall have title to all real and personal property now or hereafter set aside for or conveyed to it. ***Its property shall be administered and disposed of according to law.*** [Emphasis added.]

Article VIII. NATURAL RESOURCES

SECTION 2. General Authority. The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people.

What law applies to the administration and disposal of land conveyed to the university?

Excerpts from Southeast AK Conservation Council v. State, 202 P.3d 1162, 1171 (Alaska 2009), quoted above:

Our opinion emphasized *article VII, section 2*'s command that "property shall be administered and disposed of according to law," and noted that "'according to law' refer[s] to the legislature's power to make laws." ***Thus, even when the University has title to land, "only the legislature can make laws effecting the disposal of land, not the Board of Regents."***

Statutory language treating University lands differently from other state land does not overcome this constitutionally based conclusion.

"Statutory language treating University lands differently from other state land does not overcome this constitutionally based conclusion."

Chapter 38.04. POLICY FOR USE AND CLASSIFICATION OF STATE LAND SURFACE

Sec. 38.04.005. Policy.

. . .

(f) Land owned by the Board of Regents of the University of Alaska is not subject to the provisions of this chapter.

Chapter 38.05. ALASKA LAND ACT

Sec. 38.05.030. Exceptions.

. . .

(f) Land owned by the Board of Regents of the University of Alaska is not subject to this chapter.

. . . .

Additional problem with the above two excerpts: the Board of Regents does not own land. The board has "care, control, and management of land." CSHB 295(ED

Sec. 14.40.170. Duties and powers of Board of Regents. (a) The Board of Regents shall

. . .

(4) have the care, control, and management of

(A) all the real and personal property of the university; and

(B) land

(i) conveyed to the Board of Regents by the commissioner of natural resources in the settlement of the claim of the University of Alaska to land granted to the state in accordance with the Act of March 4, 1915 (38 Stat. 1214), as amended, and in accordance with the Act of January 21, 1929 (45 Stat. 1091), as amended; and

(ii) conveyed to the Board of Regents in trust for the University of Alaska by the commissioner of natural resources under AS 14.40.365;

. . . .

What law would apply for the oil and gas leasing on land conveyed to the university under the bill? See AS 43.05.180 for oil and gas leasing on state land.

Permanent Fund Issue:

Sec. 12 of CSHB 295(EDC) only applies to leases entered into before dates in the past:

* **Sec. 12.** AS 37.13.010(a) is amended to read:

(a) Under art. IX, sec. 15, of the state constitution, there is established as a separate fund the Alaska permanent fund. The Alaska permanent fund consists of

(1) 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), **25 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares derived from lands conveyed to the University of Alaska under AS 14.40.365 and 25 percent of all bonuses derived by the University of Alaska from mineral leases on these lands, and 25 percent of** [AND] federal mineral revenue sharing payments received by the state from mineral leases issued on or before December 1, 1979, and 25 percent of all bonuses received by the state from mineral leases issued on or before February 15, 1980;

(2) 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases issued after December 1, 1979, and 50 percent of all bonuses received by the state from mineral leases issued after February 15, 1980; and

(3) any other money appropriated to or otherwise allocated by law or former law to the Alaska permanent fund.

The difference between AS 37.13.010(a)(1) and (2) is the time period when the applicable leases were issued. In AS 37.13.010(a)(1), the leases were issued on or before December 1, 1979 and February 15, 1980; in AS 37.13.010(a)(2), the relevant leases were issued after December 1, 1979 and February 15, 1980.

FIX: Either

(1) Treat university land as state land and make AS 37.13.010(a)(2) apply (50%)

or

(2) Add a new paragraph to AS 37.13.010(a) providing for payments and receipts from university leases with an appropriate percentage equal to or above the 25 percent required under Art. IX, sec. 15, Constitution of the State of Alaska.

CITY OF TENAKEE SPRINGS

Don Pegues
MAYOR

P.O. Box 52
Tenakee Springs, Alaska 99841

March 3, 2010

House Community & Regional Affairs Committee

The Honorable Cathy Munoz, Co-Chair
State Capitol Room 409
Juneau AK, 99801

The Honorable Bob Herron, Co-Chair
State Capitol Room 411
Juneau AK, 99801

Dear Representatives Munoz and Herron:

I am writing in regard to HB 295, which is scheduled to be heard before the House Community & Regional Affairs Committee next week. That bill provides for the transfer of designated lands to the University of Alaska, as listed in the "University of Alaska Land Grant List 2005." Among the lands recommended for transfer are those contained in ST 1003, which fall within our city boundaries. The City was opposed to this proposed transfer in 2005, and still opposes it today. The Tenakee Springs City Council recently adopted Resolution 2010-16, expressing the community's desire to have ST 1003 removed from the list of lands to be granted to the University of Alaska.

This is not the first time these parcels have been the center of controversy. In 1977, when the U.S. Forest Service proposed a road, log dump and harvest of three timber units within the corporate boundaries of Tenakee Springs, the City's objections led to a Memorandum of Understanding between the City of Tenakee Springs, the State of Alaska and Alaska Pulp Corporation. That MOU, in part, provide that the Alaska Department of Natural Resources would convey to the City lands selected by the State while some lands would be retained by the State. When the conveyances did not occur, the City sued the State. That litigation was resolved in a Judgment[1] against the State in 1981, adopting a Stipulation for Settlement entered into by the parties. That Judgment was subsequently reaffirmed and amended by the court in 1984 and 1986, again by stipulation of the parties.

The Stipulation for Settlement provides that the State "convey to the City . . . fee simple title to all selected lands within the City's boundaries conveyed to the state by the Bureau of Land Management, except for the sites and acreages set out below." The Settlement goes on to

1 The Judgment from the Superior Court orders that "the failure or refusal of either party to comply with the terms of the Stipulation for Settlement, the other party shall be entitled to specific performance, special damages sustained by reason of the other party's non-performance, and costs and attorney's fees incurred in enforcing this judgment."

designate specific parcels that would remain with the State but with restrictions on their use or be transferred to the City for specified uses.

Two of those lands specifically excepted from the transfer to the City were lands designated as tracts C30 and C34 in the Northern Southeast Area Plan, adopted October 15, 2002. In 2005, DNR took the position HB 130 that tract C30 was not among the parcels in the 2005 list. The City is relying on DNR's position that C30 is, similarly, not included now in HB 295. However, if for some reason C30 is considered included in the 2010 legislation, the City objects. In reference to C30, DNR has noted:

> The classification of parcels within the Tenakee community is greatly affected by a court order dated March 9, 1981 that identifies state lands for conveyance to the community and assigns uses to the lands retained by the state. This parcel is affected by paragraph 1.4 of that order, which designates it as a "public facilities reserve".

With the restriction on C30 that it be used only as a "public facilities reserve," it is unlikely that the University would desire to possess it with such restrictions.

As to C34, DNR observed:

> This parcel includes all of those areas within Tenakee affected by paragraph 1.2 of the court order. It consists of two parts: an interior part within sections 15 and 22 situated eastward and upslope of the community, and a part within section 23 that stretches along the coast. The classification of parcels within the Tenakee community is affected by a court order dated March 9, 1981 that identifies state lands for conveyance to the community and assigns uses to the lands retained by the state. Paragraph 1.2 designates this parcel for "commercial, industrial, road right-of-way, and borrow pits".

Lastly, there are two smaller parcels, designated as tracts C31 and C32 in the Northern Southeast Area Plan, that comprise part of the ST 1003 lands. These parcels did not transfer from BLM to the State until 1986 and 2003, respectively. These delays were because of the existence of un-adjudicated claims to the land at the time the remaining selected lands were transferred to the City in 1982. Those two parcels, selected by and transferred to the State under the Statehood Act, are subject to the same obligation to transfer them to the City under the terms of the Settlement. To that end, the City is considering a quiet title action to resolve that oversight.

It appears that transfer of these parcels would not promote the intent of the legislation: to provide clear title to the lands and provide for management of revenue from that land as university receipts. Ownership of C31 and C32 is in dispute, and the remaining parcels are subject to the restrictions set forth in the Settlement. Consequently, the purposes of the proposed land transfer would be frustrated, if not unobtainable. Further, this community is very concerned about the potential increased burden for new services that may be placed upon us. Extending

power lines, improved access and snow removal are just a few of the possible things that would overwhelm our limited budget.

A fiscal note to the bill from the University of Alaska indicates that the 20-year out annual projected income from the total new land grant might produce 1% of the annual income required by the University. The acreage in Tenakee comprises only .11% of the total land grant in HB 295, meaning the income derived from this land would be less than .0013 percent of the University's annual requirement. When considering the restrictions the University would take this land subject to, the potential burden to the City far outweighs the gain to the University.

We ask that ST 1003 be removed from HB 295, and appreciate your attention to this matter.

Respectfully,

Don Pegues, Mayor
City of Tenakee Springs

Cc: Representative Harris Representative Keller Representative Millett
Representative Cissna Representative Gardner

Enclosure: Resolution 2010-16

Terry Harvey

From: Rep. Cathy Munoz
Sent: Wednesday, February 03, 2010 3:10 PM
To: Terry Harvey
Subject: FW: HB 295 - Hello from Pelican!
Attachments: Comments on HB 295 to HEDU cmt.doc

Terry, please add to our file on the univ. lands bill. Cathy

From: Deb Spencer [mailto:dspencerak@yahoo.com]
Sent: Tuesday, February 02, 2010 11:04 PM
To: Rep. Bryce Edgmon; Rep. Cathy Munoz; Rep. Bob Buch
Subject: HB 295 - Hello from Pelican!

Hello All,
Attached please find some follow-up comments to my testimony at Friday's House Education Committee Hearing. I was the first (nervous) person to testify via teleconference.

I'm concerned that this bill will displace our fish-buying business, Shoreline, Inc. We've anchored in front of the Mite Cove parcel for 25 years and provide vital support for the troll fleet. Private ownership of the uplands would threaten our use of shorelines from the beach and a waterline from the uplands.

I'm also concerned that DNR's Northern Southeast Area Plan (NSEAP) is being disregarded by this bill. Please take a moment to read the attached letter. Louie Flora, staff to Rep. Wilson, has information and maps about a potential land substitution for the Mite Cove parcel.

Thank you for your consideration. Please contact me for any further information.

Regards,

Deb Spencer
Owner, Shoreline, Inc.
735-2495

Terry Harvey

From: Rep. Cathy Munoz
Sent: Thursday, February 18, 2010 4:26 PM
To: Terry Harvey
Subject: FW: sumdum parcelt in hb295 (sanford cove)

Terry, please keep his written testimony in the file on the bill. Cathy

---

From: Tim Lydon [mailto:t_lydon@yahoo.com]
Sent: Thursday, February 18, 2010 10:15 AM
To: Rep. Cathy Munoz; Rep. Bob Herron; Rep. John Harris; Rep. Wes Keller; Rep. Charisse Millett; Rep. Sharon Cissna; Rep. Berta Gardner
Cc: barbara lydon; hans baertle; bill bailey; shannon bailey; jeff behrens; dan blanchard; bryce brockaway; gary carlson; ken gerkin; joel hanson; sean janes; mike jones; jim kyle; dan liden; christine jeffrey smith; john swanson; ben swanson; spirit walker; geoff wilson; christine@northwestnavigation.com; info@sikumi.com; randy@bluewateradventures.ca; trips@dolphincharters.com; info@beyondak.com; dennis@yachtalaska.com; Jon Horn; kevin hood; aleriaj@hotmail.com; daven@seacc.org; mary.irvine@acsalaska.net
Subject: sumdum parcelt in hb295 (sanford cove)

Greetings Committee members. Thank you again for the opportunity to testify this morning about the Sumdum parcel included in the University Lands Bill, HB 295. As I tried to express in my testimony, the Sumdum parcel sits squarely in the middle of a federally designated wilderness that is important to many residents, business people and visitors to Southeast Alaska. It's also of great importance to salmon, bears, birds and other wildlife. Privatizing and developing the Sumdum parcel would have a deleterious effect on a wide array of users and resources.

Please include in today's testimony the statement below from the following 17 Southeast Alaska commercial tour businesses. These operators have taken the time and energy to put together this statement. They feel strongly about leaving the Sumdum parcel undeveloped. I hoped to present their statement in the course of my testimony today, but time did not allow for it.

I hope the committee recognizes the importance of this parcel to this wide array of people and businesses. Please delete the parcel from HB295. Thank you.

STATEMENT:

The undersigned seventeen commercial tour companies bring thousands of visitors to Southeast Alaska every year. Our businesses provide guided hunting and fishing, kayak expeditions, and week-long excursions aboard small and mid-size vessels. Our segment of Alaska's tourism industry provides vital and unique economic benefits to southeast Alaska, and many of us are local business people. We stand out among other segments of the tourism industry because many of us provision our excursions locally, and a high number of our clients dine and seek local accommodations before and after their trips. University of Alaska research shows businesses like ours pump millions of dollars into the Southeast economy annually.

Bringing clients to wild Alaskan landscapes is the backbone of our businesses, and it's the reason for our concern over the Sumdum parcel. The Sumdum parcel is in Sanford Cove, in the heart of the Tracy Arm-Fords

Terror and Chuck River Wilderness Areas. For each of us, the area is a highlight of the services we provide. Many of us use Sanford Cove as a safe and scenic anchorage. With bears, wolves, salmon and cultural ruins, it is a common location for walks ashore, fishing, hunting and camping. Not only for our commercial clients, but for many independent and local travelers, too.

Tracy Arm-Fords Terror Wilderness is especially unique because it currently contains no lodges, private cabins, or other developments. Some of us have operated in southeast Alaska for several decades, long enough to know that such undeveloped anchorages are increasingly rare.

Privatization of the Sumdum parcel would displace many of us from long-standing business activities. It would also displace many independent and local recreationists and mar an undeveloped landscape. But removing the Sanford Cove parcel from House Bill 130 would have only a minor impact on university funding, one that could be compensated by other means.

Thank you for your consideration, and please help us maintain current use of this important part of southeast Alaska.

Sincerely,

John Swanson, President, Southeast Alaska Wilderness Tours Association (SAWTA)

SAWTA represents the following ten southeast Alaska commercial tour companies:

Geoff Wilson	Alaska Yacht Charters
Richard Friedman	Alaskan Song
Christine Smith	Northwest Navigation
John Swanson	All Aboard Yacht Charters
Bill and Shannon Bailey	Pacific Catalyst
Meg Swimlear	Sikumi
Randy Burke	Bluewater Adventures
Butch Laughlin	Alaska Fly n' Fish Charters

Gary Carlson	Spirit Walker Expeditions
Dennis Rogers	Alaska Sea Adventures

The letter is also signed by the following companies:

Dan Blanchard	American Safari Cruises
Ronn Patterson	Dolphin Charters
Jeff Behrens	Fantasy Cruises
Ken Gerkin	The Boat Company
Dan Liden	Snow Goose
Jim Kyle	Alaska on the Home Shore
Rick Fleischman	Sound Sailing

Terry Harvey

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Sent: Tuesday, February 02, 2010 11:04 PM
To: Rep. Bryce Edgmon; Rep. Cathy Munoz; Rep. Bob Buch
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I'm concerned that this bill will displace our fish-buying business, Shoreline, Inc. We've anchored in front of the Mite Cove parcel for 25 years and provide vital support for the troll fleet. Private ownership of the uplands would threaten our use of shorelines from the beach and a waterline from the uplands.

I'm also concerned that DNR's Northern Southeast Area Plan (NSEAP) is being disregarded by this bill. Please take a moment to read the attached letter. Louie Flora, staff to Rep. Wilson, has information and maps about a potential land substitution for the Mite Cove parcel.

Thank you for your consideration. Please contact me for any further information.

Regards,

Deb Spencer
Owner, Shoreline, Inc.
735-2495

Terry Harvey

From: Rep. Cathy Munoz
Sent: Friday, February 19, 2010 10:20 AM
To: Terry Harvey
Subject: FW: HB 295 University Lands
Attachments: Letter of Objection.doc; Executive Order.TIF

Terry, please include in our committee file on HB 295. Cathy

From: Carolyn [mailto:sharkey@acsalaska.net]
Sent: Friday, February 19, 2010 9:57 AM
To: Rep. Cathy Munoz
Cc: Kendra Kloster; Bill Martin; JB Martin
Subject: HB 295 University Lands

Please find attached a document requesting that all Tenakee lands be withdrawn from HB 295. The document is self-explanatory and has been unanimously approved by the Tenakee Traditional Council. We are also attaching a copy of the Executive Order 7179.

We ask this for a second time. Our traditional lands are very sacred to us. We met with the Governor and his concern was enough to give us hope that our request could be honored.

If you have any questions, please do not hesitate to contact myself or any of our Council members. If you feel it necessary for me to testify at the hearing, please, let me know and I will make the time.

Gu nul' cheesh!

John Martin, Sr.
Chairman
Tenakee Traditional Council
780-6195 or
209-0029

Terry Harvey

From: Rep. Cathy Munoz
Sent: Friday, March 05, 2010 9:43 AM
To: Terry Harvey
Subject: FW: re HB 295

From: Charles E. King [mailto:kingc@science.oregonstate.edu]
Sent: Friday, March 05, 2010 8:34 AM
To: Rep. Cathy Munoz; Rep. John Harris; Rep. Wes Keller; Rep. Charisse Millett; Rep. Sharon Cissna; Rep. Berta Gardner; Rep. Bob Herron
Subject: re HB 295

Honorable Friends on the House Community and Regional Affairs Committee,

I write once again as a homeowner and registered voter in Tenakee Springs. My previous arguments are still valid, but will not be repeated herein. Instead I will add my voice to that of our unanimous city council and urge you to consider that the University and State have little to gain, and much to lose by passage of HB 295. In our view what is at stake is the very character of our daily lives. While there are issues that might well justify such a mandate, this is not one of them and to make it so cheapens both our citizenry and the legislative process.

Respectfully yours,

Charles E. King
302 Tenakee Trail/PO Box 54
Tenakee Springs, AK 99841

4112

Terry Harvey

From: Rep. Cathy Munoz
Sent: Sunday, March 07, 2010 10:05 AM
To: Terry Harvey
Subject: FW: HB 295

-----Original Message-----
From: Joan McBeen [mailto:joanmcbeen@yahoo.com]
Sent: Friday, March 05, 2010 4:04 PM
To: Rep. Cathy Munoz
Subject: HB 295

Dear Representative Cathy Munoz,

Please amend HB 295 and remove all Tenakee parcels from the selection of the University. I agree with Resolution 2010-16 passed unanimously by the City Council to remove these parcels.

The development of these parcels would create a burder to our infrastructure and the financial resonsibilities would be passed on to our citizens.

Thank you for this opportunity to testify.
Joan McBeen

Terry Harvey

From: Rep. Cathy Munoz
Sent: Sunday, March 07, 2010 10:06 AM
To: Terry Harvey
Subject: FW: re HB 295

From: Charles E. King [mailto:kingc@science.oregonstate.edu]
Sent: Friday, March 05, 2010 8:34 AM
To: Rep. Cathy Munoz; Rep. John Harris; Rep. Wes Keller; Rep. Charisse Millett; Rep. Sharon Cissna; Rep. Berta Gardner; Rep. Bob Herron
Subject: re HB 295

Honorable Friends on the House Community and Regional Affairs Committee,

I write once again as a homeowner and registered voter in Tenakee Springs. My previous arguments are still valid, but will not be repeated herein. Instead I will add my voice to that of our unanimous city council and urge you to consider that the University and State have little to gain, and much to lose by passage of HB 295. In our view what is at stake is the very character of our daily lives. While there are issues that might well justify such a mandate, this is not one of them and to make it so cheapens both our citizenry and the legislative process.

Respectfully yours,

Charles E. King
302 Tenakee Trail/PO Box 54
Tenakee Springs, AK 99841

4114

Terry Harvey

From: Rep. Cathy Munoz
Sent: Sunday, March 07, 2010 10:04 AM
To: Terry Harvey
Subject: FW: [SPAM] UNIVERSITY LAND BILL

From: Stan Moberly [mailto:stan.moberly@bigpond.com]
Sent: Saturday, March 06, 2010 3:18 PM
To: Rep. Cathy Munoz; Rep. Bob Herron
Cc: Rep. John Harris; Rep. Wes Keller; Rep. Charisse Millett; Rep. Sharon Cissna; Rep. Berta Gardner
Subject: [SPAM] UNIVERSITY LAND BILL

Dear Rep. Munoz & Herron, co-chairs of the House Community & Regional Affairs Committee:

I am writing to request you honor the Tenakee Springs City Council's request to have all proposed land transfers within the city limits of Tenakee Springs be eliminated from HB 295.

Removing this very small amount of land from the bill would not be burdensome to the University of Alaska; i.e. removing the parcel would be insignificant to the University's overall funding.

However, transfer of those lands for University fund-raising would be VERY significant to our city. Removing the lands within the city limits of Tenakee Springs is a chance to do something positive for one of the small villages in the State. We have struggled to keep the city viable and our long range plan includes utilization of the lands in question which are in the city limits. Please help us by honoring our City Council's request. If the State is ever to achieve the goal of having remote villages being more capable of "standing on their own feet" you have to help us!

Thank you for your consideration.

Sincerely,

Stan Moberly

606 E. Tenakee Avenue
Tenakee Springs, AK 99841 USA
07-736-2251
stan.moberly@attglobal.net
No Habitat: No <")}}}><

4116

THE FOLLOWING DOCUMENT(S) ARE POOR ORIGINAL COPIES

IN THE SUPERIOR COURT FOR THE STATE OF ALASKA

FIRST JUDICIAL DISTRICT AT JUNEAU

CITY OF TENAKEE SPRINGS, a Second Class City,

Plaintiff,

v.

STATE OF ALASKA,

Defendant.

No. 1JU-80-1666

STIPULATION FOR SETTLEMENT

It is hereby stipulated by and between the parties that all claims of the plaintiff set forth in its complaint dated December 4, 1980 are hereby compromised and settled in full according to the following terms:

1. The state agrees to convey to the City on or before July 1, 1981 fee simple title to all selected lands within the City's boundaries conveyed to the state by the Bureau of Land Management, except for the sites and acreages set out below. The land to be conveyed to the City, and the sites and acreages to be retained by the state, are set out in Exhibit 1 to this stipulation, which is expressly made a part of this agreement. As reflected in Exhibit 1, the state shall convey to the City fee simple title to 2958 acres, more or less; provided, however, that it is understood that it is the intent of the parties that the City receive under this stipulation fee simple title to all selected lands within the City's boundaries conveyed to the state by the Bureau of Land Management, except for the sites and acreages set out below, regardless of whether the acreage received by the City under this stipulation is more or less than 2958 acres. The state shall retain 1027 acres, more or less. All sites and acreages retained by the state will be subject to existing

EXHIBIT B

rights-of-way and easements. As reflected in Exhibit 1, the state shall retain the following sites and acreages for the purposes designated:

1. Public recreation area at Indian River, 201 acres more or less, described as follows:

All state owned uplands lying within:

T.47S., R.63E., C.R.M.

Sec. 15 SE 1/4 SW 1/4, SW 1/4 SW 1/4 SE 1/4

Sec. 22 E 1/2 NW 1/4, N 1/2 NE 1/4 SW 1/4, W 1/2 W 1/2 NE 1/4, S 1/2 NE 1/4 SW 1/4 NE 1/4, SE 1/4 SW 1/4 NE 1/4, N 1/2 SE 1/4, S 1/2 SE 1/4 NE 1/4, S 1/2 N 1/2 SE 1/4 NE 1/4,

And excluding:

All state owned uplands lying within:

T.47S., R.63E., C.R.M.

Sec. 22 S 1/2 SW 1/4 NE 1/4, NW 1/4 SW 1/4 NE 1/4, N 1/2 NE 1/4 NW 1/4 SE 1/4, N 1/2 NW 1/4 NW 1/4 SE 1/4,

Containing 40 acres, more or less.

The net acreage to be retained by the state is 201 acres, more or less. The 40 acres, more or less, to which the City shall receive title encompasses the campground presently maintained by the City. The City will have a continuing responsibility to maintain the campground and to provide for its use for public recreation purposes only. Any other use will result in reverter to the state. Further, the City may not manage the campground in a way so as to interfere with the state's tourism and recreation objectives as determined by the Commissioner of Natural Resources for the 201 acres, more or less, which the state will retain pursuant to this agreement. It is understood that, should the campground eventually receive

CARPENETI & COUNCIL
Attorneys at Law
810 Seventh Street, Suite 205
Juneau, Alaska 99801
907-586-1100

substantial use by tourists, title to the campground, and responsibility for its maintenance, may, subject to the state's concurrence, be transferred to the state.

1.2. Commercial, industrial, road right-of-way and borrow pits; 261 acres, more or less. It is understood that the state will allow the removal of reasonable amounts of material under reasonable conditions from all borrow pits, for the purpose of personal use in residential improvement or construction, driveway construction, and landscaping. The land to be retained by the state for commercial, industrial, road right-of-way and borrow pit purposes is described as follows:

All state owned uplands lying within:

T.47S., R.63E., C.R.M.

Sec. 15 SE 1/4 SE 1/4, E 1/2 SW 1/4 SE 1/4, NW 1/4 SW 1/4 SE 1/4

Sec. 22 NE 1/4 NE 1/4 NE 1/4

Sec. 23 W 1/2 NW 1/4, SE 1/4 NW 1/4, W 1/2 NE 1/4 NW 1/4, SE 1/4 NE 1/4 NW 1/4, S 1/2 NW 1/4 NE 1/4, SW 1/4 NE 1/4, W 1/2 SE 1/4 NE 1/4, NW 1/4 NE 1/4 SE 1/4,

Containing 261 acres, more or less.

1.3. State land disposal; 245 acres, more or less, described as follows:

All state owned uplands lying within:

T.47S., R.63E., C.R.M.

Sec. 24 N 1/2 N 1/2, N 1/2 S 1/2 NW 1/4, N 1/2 SW 1/4 NE 1/4, SE 1/4 NE 1/4,

Containing 245 acres, more or less.

1.4. Public facilities reserve; 40 acres, more or less, described as follows:

CARPENETI & COUNCIL
ATTORNEYS AT LAW
310 SEWARD STREET, SUITE 203
JUNEAU, ALASKA 99801
(907) 586-1726

All state owned uplands lying within:

T.47S., R.63E., C.R.M.

Sec. 21 S 1/2 SE 1/4 NE 1/4

Sec. 22 S 1/2 SW 1/4 NW 1/4, NW 1/4 SW 1/4,

Containing 40 acres, more or less.

1.5. Airport and personal use timber; 280 acres, more or less. It is understood that the state will allow removal of reasonable amounts of timber under reasonable conditions, for the purpose of personal use in residential improvement or construction. The land to be retained by the state for these purposes is described as follows:

All state owned uplands lying within:

T.47S., R.63E., C.R.M.

Sec. 15 SW 1/4 SW 1/4

Sec. 16 SE 1/4, E 1/2 SW 1/4,

Containing 280 acres, more or less.

1.6. The lands described in ADL No. 101700, consisting of 1 acre, more or less.

2. As provided in the September 26, 1977 Memorandum of Understanding, attached as Exhibit A to the complaint, fee simple title to the tidelands and submerged lands described in ADL No. 101019 will be transferred to the City. The lands shall be used for public purposes only. Any other use will result in reverter to the state.

3. As provided in the September 26, 1977 Memorandum of Understanding, the state will expeditiously consider the City's application for conveyance of tidelands and submerged lands adjacent to any selected lands conveyed to the state by the Bureau of Land Management. This paragraph applies to tidelands and submerged lands other than those described in ADL No. 101019, the conveyance of which is provided for in paragraph 2 above.

CARPENETI & COUNCIL
Attorneys at Law
310 Seward Street Suite 203
Juneau, Alaska 99801
(907) 586-1760

4. It is understood that conveyance of lands to the City under this stipulation will be accomplished without either party having to bear survey costs.

5. The state will grant pipeline rights-of-way to the City according to normal procedures. The state recognizes that the City is considering a hydroelectric and domestic water supply project near Indian River; the state acknowledges that the purpose of its retention of land in the public recreation area at Indian River does not preclude a pipeline right-of-way.

6. All state land sales will be subject to local zoning ordinances to the extent authorized by law.

7. This stipulation is to be construed subject to the September 26, 1977 Memorandum of Understanding, attached to the complaint as Exhibit A. The parties hereby reaffirm the provisions of that Memorandum of Understanding.

8. The parties will bear their own costs and attorney's fees.

9. The state agrees that judgment may be immediately entered in favor of the City on the terms set out in this stipulation, and the parties agree that upon failure or refusal of either party to comply with the terms of this stipulation, the other party shall be entitled to specific performance, special damages sustained by reason of the other party's non-performance, and costs and attorney's fees incurred in enforcing the terms of this stipulation.

DATED this 6th day of February, 1981.

WILSON L. CONDON
ATTORNEY GENERAL

By: Ann E. Brazier
Assistant Attorney General
Attorneys for defendant

CARPENETI & COUNCIL

By: William T. Council
William T. Council
Attorneys for plaintiff

CARPENETI & COUNCIL
Attorneys at Law
310 Seward Street, Suite 203
Juneau, Alaska 99801
(907) 586-2780

IN THE SUPERIOR COURT FOR THE STATE OF ALASKA

FIRST JUDICIAL DISTRICT AT JUNEAU

CITY OF TENAKEE SPRINGS, a Second Class City,

Plaintiff,

v.

STATE OF ALASKA,

Defendant.

No. 1JU-80-1666

JUDGMENT

The parties to this action have entered into a Stipulation for Settlement dated ~~December --, 1980~~ February 26, 1981, agreeing that judgment may be entered against the defendant State of Alaska as set out in that Stipulation for Settlement.

IT IS ORDERED that the parties shall comply with the terms set out in the Stipulation for Settlement.

IT IS FURTHER ORDERED that upon the failure or refusal of either party to comply with the terms of the Stipulation for Settlement, the other party shall be entitled to specific performance, special damages sustained by reason of the other party's non-performance, and costs and attorney's fees incurred in enforcing this judgment.

DATED this 9th day of March, 1981.

/s/ Thomas B. Stewart
Superior Court Judge

Submitted by:

CARPENETI & COUNCIL

By _____
William T. Council
Attorney for City
of Tenakee Springs

Approved as to form and content by:

WILSON L. CONDON
ATTORNEY GENERAL

BY _____

310 Second Street, Suite 203
Juneau, Alaska 99801
(907) 586-1288

EXHIBIT 0286

IN THE SUPERIOR COURT FOR THE STATE OF ALASKA

FIRST JUDICIAL DISTRICT AT JUNEAU

CITY OF TENAKEE SPRINGS, a Second Class City,

Plaintiff,

v.

STATE OF ALASKA,

Defendant.

FILED in the Trial Courts
State of Alaska, First District

MAR 9 1981

Barbara A. Howe, Clerk

By: Deputy

NO. IJU-80-1666

JUDGMENT

The parties to this action have entered into a Stipulation for Settlement dated ~~December----,-1980~~ February 26, 1981, agreeing that judgment may be entered against the defendant State of Alaska as set out in that Stipulation for Settlement.

IT IS ORDERED that the parties shall comply with the terms set out in the Stipulation for Settlement.

IT IS FURTHER ORDERED that upon the failure or refusal of either party to comply with the terms of the Stipulation for Settlement, the other party shall be entitled to specific performance, special damages sustained by reason of the other party's non-performance, and costs and attorney's fees incurred in enforcing this judgment.

DATED this 9th day of March, 1981.

Thomas B. Stewart
Superior Court Judge

Submitted by:

CARPENETI & COUNCIL

By _____
William T. Council
Attorney for City
of Tenakee Springs

Approved as to form and content by:

WILSON L. CONDON
ATTORNEY GENERAL

By _____

CERTIFICATION

The undersigned certifies that on the 9th day of March, 1981, a true copy of this document was served on the following attorneys

William T. Council

Ann Spiegel

Sharon D. Walker

CARPENETI & COUNCIL
Attorneys at Law
Suite 302
Juneau, Alaska 99801
(907) 586-1965

SEP 2 5 97

CITY OF TENAKEE SPRINGS
BY

MEMORANDUM OF UNDERSTANDING

SUBJECT

The subject of this Memorandum is a proposal by Alaska Lumber and Pulp Company for timber harvesting and associated activities and developments pursuant to a long term contract with the United States Forest Service. Alaska Lumber and Pulp Company proposes to operate in the vicinity of the City of Tenakee Springs. The State of Alaska, Alaska Lumber and Pulp Company, and the City of Tenakee Springs recognize that multiple stipulations are necessary in order to permit the proposed operations to proceed in a climate of consensus and cooperation. This Memorandum sets forth said stipulations and constitutes an agreement by the parties to observe them in good faith.

PARTIES

The parties to this Memorandum are the State of Alaska [State], the City of Tenakee Springs [City], and the Alaska Lumber and Pulp Company [AL&P] (including its agents, employees, subsidiaries, and subcontractors).

JURISDICTION

Each party pledges to comply with and carry out the stipulations to the fullest extent possible regardless of whether it has complete jurisdiction or authority over the subject matter of each stipulation.

EXHIBIT A

DEFINITIONS

(1) The "operating area" means that portion of Chichagof Island southeast of a line from the mouth of Ten Mile Creek on Tenakee Inlet to the mouth of Freshwater Creek on Freshwater Bay, together with adjacent tidelands and submerged lands.

(2) The "five year plan" means the timber harvesting plan set forth in the Final Environmental Impact Statement for the Alaska Lumber and Pulp Company 1976-1981 Operating Period for the operating area, together with those additional elements, plans, and details represented to the City and the public.

(3) The "Indian River Road" means the road to be constructed for harvesting and removing timber from the Indian River drainage to Sunny Cove on Tenakee Inlet.

(4) The "dump site" means the log storage/transfer site to be located at Sunny Cove on Tenakee Inlet.

(5) The "Pavlov River Road" means the road to be constructed from the Pavlov River drainage to Kennel Creek on Freshwater Bay.

STIPULATIONS

(1) Timber Harvesting/Associated Developments

(a) Timber harvesting and associated developments will be permitted in the Indian River drainage in the amount and at the locations previously specified. Harvested timber will be removed via the Indian River Road to the dump site at Sunny Cove. Except for those individuals who are or who become permanent residents of

EXHIBIT A

the City, loggers and other AL&P personnel involved in the Indian River operation will reside at the logging camp at Corner Bay. However, one caretaker will be permitted to reside at a single wood frame dwelling to be constructed by AL&P on the worksite adjacent to the Indian River Road.

(b) Present and future timber harvesting and associated developments in the Pavlov River drainage and the Kennel Creek area shall be carried out consistent with understandings reached by the Alaska Department of Fish and Game and United States Forest Service.

(2) Duration of Operations

Timber harvesting and associated developments in the operating area shall be completed by December 31, 1981. Additional timber harvesting using the Indian River Road or the dump site at Sunny Cove shall not be permitted until January 1, 1996, unless the consent of the City and the State is previously obtained after public hearing, and in no event until January 1, 1986. This does not apply to timber harvesting required by the existing contract between AL&P and the Forest Service in the event of disease or blowdown to the extent necessary to remove it. Future plans for logging operations in the Tenakee Area shall be coordinated with the City, the Alaska Department of Fish and Game and other concerned agencies and organizations to the extent their interest may be affected.

(3) Consistency with Plans

(a) Timber harvesting and associated activities in the Indian

river drainage shall be confined to those described in the five year plan and other materials presented to the public describing proposed operations in the area. Substantial modifications affecting the interests of the City shall be cleared with the City and the State prior to implementation; this does not apply to modifications resulting from the Interdisciplinary Team process unless said interests are affected.

(b) Modifications of plans for timber harvesting and associated developments in Pavlov River drainage and Kennel Creek area, to the extent they affect understandings reached with the Alaska Department of Fish and Game, shall be coordinated with said Department.

(4) Road Connections

Except for the Indian River Road, no roads shall be constructed to terminate at the Sunny Cove dump site or elsewhere within the limits of the City or immediately adjacent thereto until January 1, 1996, unless consented to by the City and the State. No road shall be constructed which connects the City of Hoonah or any other community or settlement to the operating area in a manner which would cause an influx of persons into the City until January 1, 1996, unless prior consent of the City and the State is obtained. The Indian River Road will be retired following the five year plan (December 31, 1981) and made impassable to motor vehicles (including ORV's and ATV's) except as may be required for access to potential domestic water supply developments or other facilities and uses as formally requested by the City. The directive of the preceding sentence may be modified by a subsequent cooperative agreement between the City, the State, and the US Forest Service governing access to and use of the Indian River Road and general management objectives for the area.

Roadbeds and roadsides will be seeded or similarly treated where the likelihood of erosion or instability problems exists.

(5) Water Quality

The Indian River will not be subjected to any impacts which result in a violation of applicable State and Federal water quality standards, or which would otherwise impair its capability to serve as a source of domestic water supply. AL&P will, at its own expense, purchase and install water quality monitoring equipment [turbidometer] satisfactory to the City at a location specified by the City; monitoring will be conducted by the City, which may request the assistance of the Department of Environmental Conservation. In the event of deterioration in the quality of the water in contravention of this stipulation appearing to result from the operations of AL&P, AL&P shall restore said water to a condition sufficient to meet the first sentence of this stipulation as soon as possible and at its own expense.

(6) Blasting

Blasting activities in conjunction with the construction and maintenance of the Indian River Road and adjacent sites shall be carried out with the use of a sequential timer, and only between the hours of 8AM and 5PM. Prior notice of blasting activities shall be posted at a conspicuous place in the City. AL&P will employ guards or take other necessary measures to insure the safety of residents in the area of blasting activities.

(7) Tidelands and Corps of Engineers Permits

The State will issue tidelands permits for the dump site at Sunny Cove and for the camp/dump site at Kennel Creek; said permits may recite or otherwise refer to the stipulations in this memorandum as well as understandings previously reached with the Alaska Department of Fish and Game. The State will recommend to the U.S. Army Corps of Engineers that permits issue to AL&P for the dump site at Sunny Cove and for the camp/dump site at Kennel Creek.

(8) Conveyances

The State will convey to the City title to any selected lands conveyed to the State by the Bureau of Land Management, except that the State may retain title to those sites necessary for present or anticipated essential public purposes. The State will convey to the City all tidelands and submerged lands within or subjacent to the Sunny Cove dump, and will expeditiously consider the City's application for conveyance of other tidelands and submerged lands adjacent to any selected lands conveyed to the State by the Bureau of Land Management.

(9) Trail Maintenance

The trail east of Tenakee Springs will be properly maintained and protected by AL&P against impacts which would render it impassable or difficult to use. The trail may be reconstructed and relocated as may be required to the satisfaction of the City. AL&P will construct a log protection structure or other suitable installations in the worksite area and at the intersection of the trail with the Indian River Road (to be in place annually only during the winter

30

months) sufficient to prevent snowdrifts.

(10) Worksite

The worksite shall be restored by AL&P to a natural condition to the fullest extent possible following completion of timber harvesting operations. The area will be bladed and seeded and debris will be burned.

(11) Regulation of Motor Vehicles

The City may establish speed limits and other traffic regulations consistent with Title 29, Alaska Statutes, for the segment of the Indian River Road lying within City limits, which regulations shall be complied with by all vehicles (including those operated by AL&P).

(12) Noise Control

Vehicles and other machinery operated by AL&P will be muffled so as to comply with State, Federal and local standards for noise control and otherwise to the fullest extent possible in view of the residential nature of the area.

(13) Monitoring

The State and City will periodically monitor and inspect operations in the vicinity of the City to insure compliance with this Memorandu

(14) Future Operations

In the event a road is constructed connecting the Indian River drainage with the mouth of Ten Mile Creek on Tenakee Inlet, said road shall be used in any future operations to remove timber from the Indian River and adjacent drainages in lieu of the Indian River

Road/Sunny Cove log storage site.

MODIFICATION

The parties recognize that the essence of their mutual endeavor is to prevent (or where unpreventable, to minimize) adverse social and environmental impacts unacceptable to the residents of the City. It is, therefore, the intent of the parties that any subsequent modification of this Memorandum shall be consistent with this objective and shall require the agreement of all parties.

DATED this 26th day of September, 1977, at Juneau, Alaska.

Vice President
Alaska Lumber and Pulp Company

Mayor
City of Tenakee Springs

Commissioner
Alaska Department of Natural Resour

EXHIBIT A

Terry Harvey

From: Rep. Cathy Munoz
Sent: Monday, February 15, 2010 2:01 PM
To: Mfay
Cc: Terry Harvey
Subject: RE: Re : Removal of MOSER BAY PARCEL from HOUSE BILL NO. 295

Dear Michael, thank you for contacting me. HB 295 is scheduled for a hearing in the Community and Regional Affairs committee on Thursday at 8:00 a.m. I would recommend that you contact Rep. Johansen to see if he is interested in offering an amendment on this parcel. I will be sure to include your comments in the committee file that will be presented to the CRA members on Thursday. If you have questions about the bill or the process, please contact Terry Harvey in my office at 465-5392. Thanks again, Cathy Munoz

-----Original Message-----
From: Mfay [mailto:mfay@uuplus.net]
Sent: Friday, February 12, 2010 10:47 PM
To: Rep. Cathy Munoz
Subject: Re : Removal of MOSER BAY PARCEL from HOUSE BILL NO. 295

Re : Removal of MOSER BAY PARCEL from HOUSE BILL NO. 295, University of Alaska Lands Bill

Dear Representative Munoz,

My name is Mike Fay. My only home is on Long Arm, Moser Bay, north of Ketchikan. To see the parcel of land deep in Moser Bay handed over to the University of Alaska scares the heck out of me and my neighbors. We live in Moser Bay, and many thousands more visit it every year, because it is one of the most beautiful, tranquil, and ecologically intact places in all of North America. Yet is a stone's throw from an international airport and about 20 minutes by boat from Ketchikan. It is of enormous scenic value that our local economy depends on.
The bottom line is this place is already one of the most popular spots in all SE Alaska for recreation. People come from all over the globe to this exact spot by the thousands every year to witness the beauty, and to fish, crab, shrimp, hike, and sight see from boats and planes and on foot. That represents millions of dollars a year for the local and Alaskan economy and lots of jobs for charter boats, fishing guides, airplanes. As places like this become more rare on Earth the value of keeping this parcel untouched is going to increase exponentially.

To log or to subdivide this particular parcel would completely undermine the highest and best use of this land which is to retain its natural beauty. The proceeds from logging are one off, and pale in comparison with one year's tourist revenue. You can cut this forest once in 100 years, killing the recreational value of the land that will produce more and more every year for 100 years. Look at what happened to the now clear cut Slide Ridge near Whipple Creek as well as another former University parcel in the Mountain Point area south of town. They have become permanent eye sores for the tens of millions of tourists that will visit Ketchikan over the next decade. Not to mention the ecological nightmare of slides and silatation that have come with these cuts. In January I was amazed to see huge rivers of water coming right down the side of these very steep cuts. Come to

Ketchikan and look at these slides. Look at how long it is going to take for timber to come back. We will never, ever get the cedar back, only weedy Hemlock forest. No restoration, no management just clear cut and send out the wood in the round and benefit a very few. I just do not see this as the vision for the future of my home town.

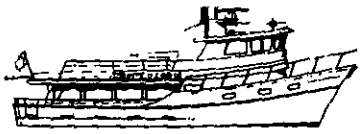
You might be thinking "that is what everyone says", but this is not just one more parcel. The depths of Moser Bay are the heart of the recreational tourist industry in Ketchikan. There are at least 30 boats that visit the bay on every day of the summer for months. To mar this landscape would be a blunder of huge proportion.

I implore you to remove the Moser Bay Parcel from the University of Alaska lands bill and to permanently preserve it as a DNR managed property for its landscape values.

If this land is handed over to the University I will protest with vigor any effort to log it. It is mostly hemlock located on very steep slopes. And in any case the majority of wood that leaves Ketchikan is still exported in the round, creating few jobs locally, but good revenues for a very few who have political connections. If we lose this battle I will move, selling my land and my home at a loss because its value will certainly evaporate with any logging plan that goes into this area. Why not let the people who live here decide the fate of this land? Clear cut is not an option here. Using my connections with National Geographic I would be willing to work with the State to increase tourist revenue, and to publicize this incredible place.. I am sure that most students at U of A would agree with our opinion.

Resident Moser Bay,

J. Michael Fay
Box 8561 Ketchikan, AK 99901
907-254-1902
mfay@ngs.org



ALASKA COASTAL QUEST

2-11-10

Representative Paul Seaton
Alaska State Legislature
Juneau, Alaska

Dear Representative Seaton:

I understand that you recently held hearings on the University Lands bill, HB 295. I would like to encourage you to delete Hook Arm on Dall Island from this legislation. Almost all of the outer coast of Dall Island is wilderness. The U.S. Forest Service recognizes this by placing in a scenic recreation category. Allowing Hook Arm to be sold for development destroys the wilderness integrity of the outer coast of this magnificent island. As a charter boat operator specializing in ecotourism, I see this area as having tremendous economic potential for water oriented outdoor wilderness recreation.

Yours truly,

Dale Pihlman

P.O. Box 7814 ✦ Ketchikan, AK 99901 ✦ Ph (907) 225-3498 ✦ Fax (907) 247-3498 ✦ Cell (907) 617-2440

4135

T'INAA GEI TLINGIT NATION

A Sovereign Tribe

February 17, 2010

The Tenakee Traditional Council is, once again, serving notice to all entities claiming a present or future interest in uplands, submerged lands, and waters in the vicinity of Tenakee, Alaska, that it protests and gives notice of objection to any proposed conveyance of an interest in such lands, including proposed conveyances of ADL 107311 and ADL 107312 to the City of Tenakee Springs and/or to the University of Alaska.

These traditional lands, waters and resources have been occupied by, used by, and claimed by the Tenakee Tribe as original Tlingit inhabitants. These lands, waters and resources were not conveyed to any other entity by the Tenakee Tribe at any time, nor has it been abandoned. The Tenakee Tribe has consistently and strongly objected to any such conveyance. The Tenakee Tribe never agreed to any provisions of the Alaska Native Claims Settlement Act or any other statute purporting to divest it of its interest in those lands. Moreover, the Tlingit village of Tenakee Springs was not granted land selection rights under ANCSA or any compensation for any taking of its lands. We maintain our inherent and aboriginal rights to those lands, waters and resources and because the Tenakee Tribe has been a sovereign Tribe since before the arrival of the non-natives on our lands, we intend to exercise our right as a sovereign tribe to maintain our land so as to confirm the existing title of the Tenakee Tribe. Any conveyance of rights to these lands, waters and resources is done subject to the superior and prior claim of the Tenakee Tribe to such lands, waters or resources. Any trespass upon those lands, waters or resources is objected to and is without the permission, explicit or implicit, of the T'inaa Gei Tlingit Nation.

President Hoover, in 1930, signed the Tongass National Forest document that listed Tenakee as a village. This is documented proof of the village's existence. The area proclaimed for Tenakee was much larger than the 17 acres set aside by President Roosevelt in 1935.

President Roosevelt recognized the existence of the Tenakee Tribe in 1935 by issuing an Executive Order 7179 to ensure that the Tribe was not disturbed in perpetuity! The Tenakee land has never been owned by the federal government. BLM surveyed it for the

P.O. Box 20403
Juneau, Alaska 99802

Telephone: (907) 780-6195
Fax: (907) 780-6195

E-Mail: *sharkey@acsalaska.net*

President of the United States so that our village people would not be bothered and to avoid controversies about ownership of the land. This land belongs to the Tenakee Tribe in perpetuity. The President referred to this Executive Order as a Skookum Paper. Now the state of Alaska has taken it upon themselves to change the content and the intent of the Executive Order. Our elders and Clan Leaders used to state that "everyone knows who this land belongs to." In a visit to Washington, D.C. Senator Ted Stevens stated that this claim has never been disputed.

There was a report done by the University of Alaska Fairbanks for the Southeast Alaska Landless Coalition referred to as the ISER Report. Tenakee is included in that report and gives a very clear description of the Tenakee Tribe's land and resource holdings.

The U.S. Solicitor's office expressed an opinion that went against the President's proclamation that the Tenakee land would belong to the blood descendants of the Tenakee land. The Solicitor stated "you can say anything you want to say to me, Congress can undo your opinion and make you like it."...which meant that Congress can take our land if it so wishes.

We have made several attempts to obtain relevant documents regarding the Tenakee Tribal lands to no avail. We have been informed by BIA that under the Freedom of Information Act, we have the right to file suit if our request is ignored. There is no stipulation as to how extensive the search has to be. We are aware that there is a deed. It was shown to us by a former BIA employee. Yet, we've been told that there are no documents. The same answer we received regarding the Executive Order, a copy of which is attached.

Tenakee is not listed under the Tlingit-Haida Court of Claims (Judgment Funds) nor is it a listed village under ANCSA.

As stated earlier, there are only three ways that trust land can be taken from the Indian Nation:

An act of abandonment
An act of conquest (war); or
A specific act of Congress WITH the consent of the owner Clan.

ANCSA also went against the Presidential proclamation of 1935 claiming that the ANCSA settlement included all Executive Orders in the bargaining with their treaties.

No one, aside from Tribal descendants, can just arbitrarily negotiate the Tenakee trust land. The Solicitor's opinion was that all Executive Order land was lost when ANCSA was initiated including the 7179 land. It was gone without any of the blood descendants knowing about that transaction. The Department of the Interior is mandated to include

the Realty Division on land transactions of this nature. Were they actually involved? If they were involved, did they look out for the best interests of the Tenakee Tribe?
Page Three

Executive Order 7179 land was never in the hands of the federal government. How can the State take the land from the federal government and arbitrarily give it up for sale when it never belonged to them in the first place. If our Congressional Delegation move from their homes in Alaska, does that give title to the State, thereby, allowing the land to be put up for sale? I think not! There is no difference except that this is Indian Trust Land.

We request that Tenakee land be withdrawn from the Governor's Lands Bill, HB 295 and SB 225. We are available to answer any questions that you may have.

John Martin, Sr.
Chairman
TENAKEE TRADITIONAL COUNCIL

HOUSE COMMITTEE REPO

(7)

Date Referred to Committee: February 8, 2010 **FURTHER REFERRALS: Resources Finance**

Date of Committee Action: 3.9.10

The COMMUNITY AND REGIONAL AFFAIRS Committee considered: **HB 295**

HOUSE BILL NO. 295

"An Act relating to the grant of certain state land to the University of Alaska; relating to the duties of the Board of Regents; relating to deposits made to the Alaska permanent fund received from certain lands conveyed to the University of Alaska; ratifying and reauthorizing certain prior conveyances of land to the University of Alaska; making conforming amendments; and providing for an effective date."

HB 295-UNIVERSITY LAND GRANT

Recommends it be replaced with [ ] HCS *or* [X] CS *for* HB 295 (CRA)

For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[X] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero
UA		X		
DNR			X	
REV				X

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Wes Keller	Keller			X	
Chair: Cathy Munoz	Munoz			X	
Chair: Robert S. Herron	HERRON			X	

Rob Earl

From: Kaci Schroeder
Sent: Monday, March 08, 2010 11:01 AM
To: Rob Earl
Subject: FW: Haines Lands Selection - HB 273
Attachments: HB 273 Haines Borough Land Selection Maps 3-7-10.pdf; HB 273 Haines Lands Selection description 3-7-10.doc

Here are the maps of the selections that we got from the Borough. When Haines formed a Borough they did not get all of their statutory lands and have worked with DNR to select lands that they could use towards their total land entitlement.

If you need anything more, please let me know. I have a grueling hearing this afternoon, but should be able to focus on this after that.

Kaci Schroeder Hotch
Legislative Aide to Rep. Thomas
State Capitol, Rm 501
Juneau, AK 99801
1-888-461-3732
(907) 465-3732
fax: (907) 465-2652

"In things pertaining to enthusiasm,
no man is sane who does not know how to be insane on proper occasions.
- Henry Ward Beecher

From: Mark Earnest [mailto:mearnest@haines.ak.us]
Sent: Sunday, March 07, 2010 2:00 PM
To: Rep. Bill Thomas
Cc: Kaci Schroeder; 'Steve Ritzinger'; 'Julie Cozzi'
Subject: Haines Lands Selection - HB 273

Dear Bill,

Attached are materials related to possible lands selections for Haines Borough via HB 273. There are maps for each of the proposed parcels, William Henry Bay property, Lynn Sisters property, Excursion Inlet properties, and Chilkoot Lake area. It should be noted that the first three properties are part of the University of Alaska lands selection within the Haines Borough, which are included in existing but separate legislation. Should the University land bill be amended to exclude these lands or not approved, these lands would then become available for the Borough. We do not have a good description nor do we know the status of the Chilkoot Lake lands. Bruce was unable to remotely access detailed maps from Talkeetna on Saturday when he called. These lands can be evaluated first thing Monday morning to determine their eligibility and possible acreage for selection.

Note: please disregard the last page of the pdf and instead use the word document.

Mark

STATE OF ALASKA/ FRANK MURKOWSKI, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES
Division of Mining, Land and Water

550 West 7th Ave.; Suite 1070
Anchorage, AK 99501
Telephone: (907) 269-8600

March 31, 2005

The Honorable Representative Bill Thomas
State Capitol, Room 428
Juneau, AK 99801-1182

Dear Representative Thomas:

Thank you for forwarding Mayor Wilson's letter that discussed the City of Tenakee Springs' concerns about the University Lands Bill, HB 130. I would like to take the opportunity to address her concerns.

US 2459: 17-acres near the Tenakee Springs Harbor

Mayor Wilson provides that she believes that a parcel of land near the Tenakee Springs Harbor has been dropped from the bill. That is incorrect. Rather, we have used another solution to solve the issue for the City.

Earlier this year, the Department had told the Tenakee Springs that it would not process a lease application for a 17-acre tract near the Tenakee Harbor pending the Legislature's consideration of HB 130 and possible conveyance of the tract to the University of Alaska. At your request, I told you and I told Mayor Wilson separately by phone that DNR would be happy to adjudicate the application before any conveyance to the University.

Thus, assuming that the City does apply for the lease, and assuming that after public notice and comment DNR finds that the lease is in the best interest of the state, Tenakee will have a long-term lease to the parcel. If so, that lease becomes a valid existing right and if the land is conveyed to the University, the University would become the owner of the property, subject to the City's lease. I do not believe that the University would be a less congenial lessor; and in any case the City's rights would remain protected under the lease.

I testified to this effect during the House Resources Committee hearing on March 2nd, and I have attached the legislative transcript from that testimony to this letter.

I am pleased that we were able to find a solution to this concern.

Stipulation for Settlement of March 9, 1981

Mayor Wilson's letter provides a copy of a 1981 Stipulation for Settlement between the City and the State of Alaska. The settlement ended a lawsuit over Tenakee's municipal entitlement. I believe there is some confusion over the lands to which the settlement applies, and to the meaning of "retain in state ownership."

To what land does the Stipulation apply? The Stipulation of Settlement applies only to parcel C-34 in the Northern Southeast Area Plan. It does not apply to other lands proposed in HB 130.

HB 130 proposes to convey two parcels near Tenakee Springs to the University. The parcel nearest the Harbor includes parcels designated as C-31 and C-32 in the Northern Southeast Area Plan. The Stipulation of Settlement *does not* apply to these two parcels. It does apply to parcel C-30, as Mayor Wilson's letter indicates. However C-30 is not proposed for conveyance to the University.

HB 130 also proposed to convey what is designated as C-34 in the Northern Southeast Area Plan. The Stipulation of Settlement *does* apply to this parcel. The Stipulation of Settlement requires that the parcel will be retained by the state for "commercial, industrial, road right-of-way and borrow pit purposes."

Retained by the State. I would like to discuss the meaning of "retained by the state" in the context of the Stipulation of Settlement. While we have not completed a detailed review of the litigation that led up to the Stipulation, the court suit ended by this Stipulation was about Tenakee's municipal entitlement. The Stipulation provides that certain lands would be conveyed to the City and that certain lands would not be conveyed to the City and would instead be "retained by the state."

We note that it would be highly unusual, if not historically unique, for the Department to agree to retain a parcel of state land permanently in state ownership, absent an applicable directive from the legislature or a compelling constitutional imperative. Therefore, we believe that the phrase "retained by the state" communicates merely the proposition that the land simply would not be conveyed to Tenakee Springs as part of its municipal entitlement.

The settlement does not say or even imply that the state would never under any circumstances sell or transfer those lands. If that had been the intent, the Stipulation would almost certainly have outlined a process for doing so, as is characteristic of these types of Stipulations. It purpose of the Stipulation was to settle the municipal conveyance question that was in litigation. Thus, after brief consultation with the Department of Law, we believe that the Stipulation of Settlement does not bind DNR from disposing of title.

However, even if, after further review, we find the above interpretation to be in error, and the lands must retained by *the state,* the University is an agency of the state. Conveying land to the University of Alaska does not convey it out of state ownership. It is solely a transfer between agencies of the state, and is therefore not barred by the Stipulation of Settlement.

Management Purposes. We believe the provision in the paragraph 1.2 of the Stipulation settlement reflects the proposition that at the time of settlement the Department had the intention to continue existing uses of the parcel for the removal of reasonable amounts of material under reasonable conditions while the land remains in state ownership. However, we do not read the stipulation as a categorical commitment to permanently make those uses available even in the event that such uses become, for example, unreasonable when viewed together with the Department's obligation to manage these lands for other competing purposes, or a legislative determination to convey them to the University of Alaska. To the extent we are incorrect on this score, the University, of course, would be bound to permit the specified reasonable uses under its management.

Further, the management purposes outlined in the Stipulation of Settlement for parcel C-34 — "Commercial, industrial, road right-of-way and borrow pits" — are development purposes appropriate for University ownership and management. Should further review confirm that the state may not dispose of its title, the Stipulation of Settlement is a valid existing right that the University must respect. But these uses are appropriate for University management.

Summary. In summary, the Stipulation of Settlement provided by the City of Tenakee does not apply to the parcel proposed for transfer near the boat harbor, and does not restrict the legislature's ability to convey the remaining parcel, C-34, to University management. In fact, the purposes outlined in the Stipulation of Settlement are appropriate for University ownership and management.

Thank you for this opportunity to review the concerns. Please let me know if you have additional questions,

Sincerely,

Bob Loeffler
Director

cc: Senator Al Kookesh
Representative Mike Chenault
Representative Bruce Weyhrauch
Mayor Shelly Wilson, City of Tenakee Springs
Ed Collazzi, DNR
Janet Burleson Baxter, DNR

University of Alaska
Land Grant List 2005

Alaska Department of Natural Resources
January 12, 2005

Revised 2010

4144

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

SEAN PARNELL, GOVERNOR

550 WEST 7TH AVENUE, SUITE 1400
ANCHORAGE, ALASKA 99501-3650
PHONE: (907) 269-8431
FAX: (907) 269-8918

January 13, 2010

Dear Interested Alaskan:

This document, **University of Alaska Land Grant List 2005**, provides a description of state land proposed for transfer to the University of Alaska under legislation requested by Governor Parnell. The new legislation would transfer 199,838 acres of state land managed by the Department of Natural Resources to the University of Alaska.

The legislation ratifies and reauthorizes the land conveyances in legislation enacted in 2000 (ch. 136, SLA 2000) and 2005 (ch. FSS08, SLA 2005). These statutes were found by the Alaska Supreme Court in *Southeast Alaska Conservation Council & Tongass Conservation Society v. State of Alaska & University of Alaska*, 202 P.3d 1162 (Alaska 2009), to violate Article IX, section 7 (the dedicated funds clause) of the Alaska Constitution, because the statutes specified that revenue generated from the University's management of the land was to be deposited in the University's endowment trust fund. The new legislation addresses this by specifying that revenue generated by the University of Alaska's management of this land will be managed as University receipts, subject to appropriation each year by the legislature.

The new legislation requested by the Governor directs DNR to convey specific lands to fulfill the intent of previous legislations.

The types of land proposed for conveyance to the University are summarized below:

Type of Property	Approximate Acreage
Investment Properties, Southeast Alaska	34,643
Investment Property, other than Southeast	39,222
Nenana Basin Oil & Gas	90,000
Education Properties	35,973
Total	**199,838**

The parcels identified in the proposed legislation are the same parcels as those identified in the 2005 legislation (ch. FSS08, SLA 2005), and are described in the

attached document. This land list was arrived at after more than a year of intense work by DNR and the University to identify land that may be conveyed to the University without unreasonably conflicting with programs associated with, and uses of, state land managed by DNR.

This document lists all of the parcels originally considered in the 2005 legislation, but the proposed legislation removes some of these parcels from further consideration. Specifically, the land list in the proposed legislation reflects changes made by the legislature during the 2005 session, including the legislature's decision to drop certain parcels that were on the original list provided in January 2005. The bill also includes language added by the legislature to protect land for possible municipal entitlement selections by the City and Borough of Wrangell and a possible borough in the Petersburg area. In addition, two parcels were conveyed under separate statutory authority. The following table indicates which parcels have been removed from consideration in the proposed legislation and which parcels are deferred to address potential municipal entitlements.

The prior land conveyance statutes included a provision for establishment of a university research forest. This provision is not included in this bill because the Alaska Supreme Court found that the provision in the prior legislation could be severed from the unconstitutional dedication provisions, and it was therefore upheld as constitutional.

Sincerely,

Thomas E. Irwin
Commissioner

LAND

LIST

MAPS

01/11/2010

University of Alaska
Land Grant List 2005
(revised 2010)
Summary

Total Acreage: **199,838**

Type	Acres
Educational Properties	35,973
Nenana Basin Oil and Gas	90,000
Southeast Alaska Investment Properties	34,643
Other Investment Properities (excluding SE)	39,222
Total	199,838

	Percent
Educational Properties	18.0%
Nenana Basin Oil and Gas	45.0%
Southeast Alaska Investment Properties	17.3%
Other Investment Properities (excluding SE)	19.6%
Total	100.0%

Region	Acres
Southeast	34,655
Southcentral	14,230
Northern Interior	150,953
Total	199,838

	Percent
Southeast	17.3%
Southcentral	7.1%
Northern Interior	75.5%
Total	100.0%

01/11/2010

University of Alaska
Land Grant List 2010

Parcel #	Name	Approx. Area in Acres
Non-producing Oil and Gas Resources		
	Nenana Gas Basin Tracts - Mineral *	90,000
	Nenana Gas Basin Tracts - Land ** *	90,000
	2010 Revised Oil and Gas Resources, Subtotal	**90,000**
Investment Properties		
Northern/ Interior Region		
DH.IS.1001	Dalton Highway MP 48 to 54	1,360
DH.SR.1001	Dalton Highway MP 345 to 347	880
MA.HR.1001	Haul Road Nodes-Coldfoot	1,700
M1.JC.1001	Jarvis Creek (Mineral)	16,000
FA.JC.1001	Jennie M. Creek C	5
N1.LS.1001	Lake Snohomish	740
NZ.FA.1003	Noyes Slough (See Fairbanks Area Parcels map)	7
N5.RS.1001	Summit Lake (Parks Highway)	960
N1.WT.1001	West Twin Lake	1,560
N5.WL.1001	Wien Lake	1,780
	2010 Revised Northern Interior Region Subtotal	24,992
Southcentral Region		
SU.DC.1001	Deception Creek	280
SU.FP.1001	Frying Pan Lake	450
MA.MC.1001	McCarthy-Nizina	12,500
SU.WC.1001	Willow Creek Road	1,000
	2010 Revised Southcentral Region Subtotal	14,230
	2010 Revised Investment Properties Total	**39,222**

* The mapped extent of the parcel exceeds this amount, but will be reconfigured when the Remote Staking for Teklanika II has been completed to equal approximately 90,000 acres.

** The University will provide, at no charge to the state, reasonable access to the state land and resources west and north of the Nenana parcel.

University of Alaska
Land Grant List 2010

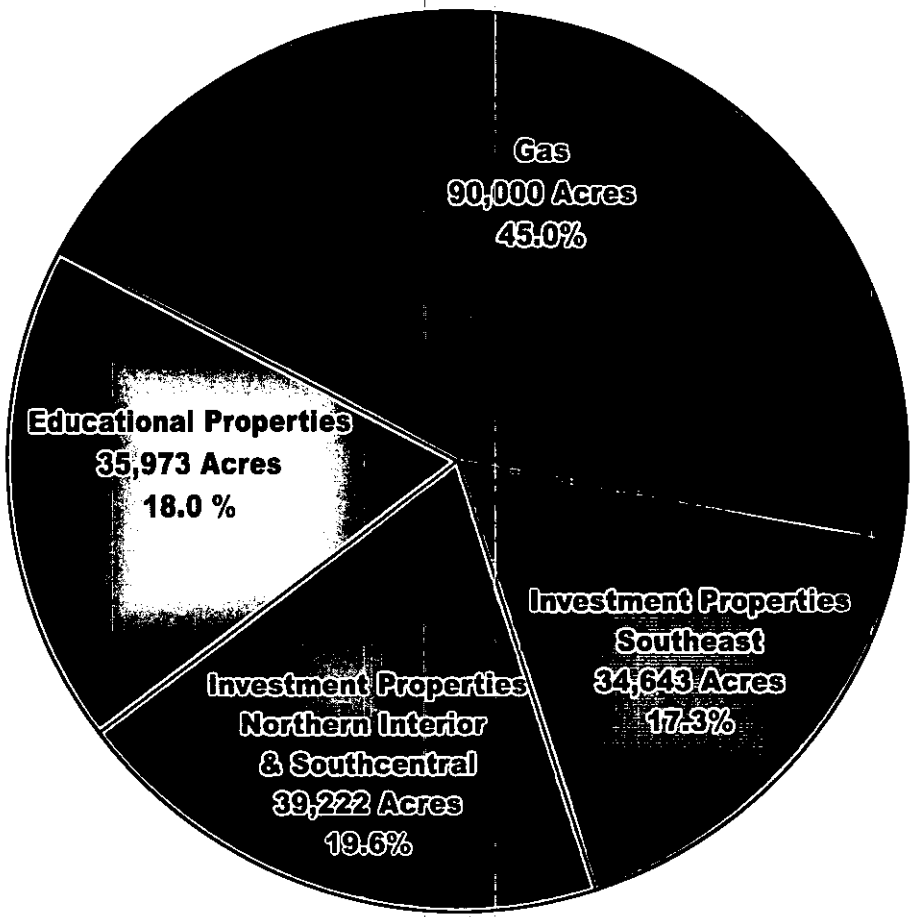
Parcel #	Name	Approx. Area in Acres
Southeast Alaska		
SD.1001	Beecher Pass	1,193
PA.1002	Biorka Island	438
KT.1002	Cleveland Peninsula	4,055
PW.CC.1001	Coffman Cove	1,984
CS.DI.1001	*Duke Island DELETED FROM 2005 LAND LIST BY LEGISLATURE*	*-1,440*
CS.EW.1001	Earl West Cove	3,564
PW.ED.1001	Edna Bay	250
PW.EC.1001	El Capitan North	1,847
PW.ES.1005	El Capitan South	865
NS.EX.1002	Excursion Inlet	477
SD.1001	Favor Peak	1,290
HA.CH.1001	*Haines - Chilkoot DELETED FROM 2005 LAND LIST BY LEGISLATURE*	*-60*
CR.1001	Harris Road Junction	320
PW.HO.1001	Hollis	622
PW.HK.1001	Hook Arm	1,280
MF.1002	*Idaho Inlet DELETED FROM 2005 LAND LIST BY LEGISLATURE*	*-539*
JU.NL.1001	Ivanhoe	120
~~*CS.KI.1001*~~	~~*Kelp Island DELETED FROM 2005 LAND LIST BY LEGISLATURE*~~	~~*-535*~~
CS.LE.1001	Leask Cove	460
JU.LM.1001	Lena Creek	610
NS.NS.1001	Lisianski Peninsula	1,443
JU.1002	Lynn Canal	1,358
NS.MI.1001	Middle Island	665
PA.1002	Mite Cove	320
PW.MS.1001	Moira Sound/Nowiskay Cove	160
CS.MB.1001	Moser Bay	906
PW.NA.1001	Naukati Sound	937
KT.1004	*Neets Creek DELETED FROM 2005 LAND LIST BY LEGISLATURE*	*-1,500*
CS.OV.1001	Olive Cove	450
ST.1002	*Pelican DELETED FROM 2005 LAND LIST BY LEGISLATURE*	*-851*
PA.1001	*Port Alexander DELETED FROM 2005 LAND LIST BY LEGISLATURE*	*-267*
PA.1001	Port Conclusion (See Port Alexander map)	10
PW.PD.1001	Port Delores	1,100
SD.1001	Read Island	706
CS.RB.1001	Rowan Bay	665
SD.1001	Sumdum	5
ST.1003	Tenakee Springs	346

University of Alaska
Land Grant List 2010

Parcel #	Name	Approx. Area in Acres
SD.1001	Thoms Place	2,360
PW.TH.1001	Thorne Bay	2,557
CS.TL.1001	Three Lake Road	640
CS.WA.1001	Ward Cove	3
ST.1002	*Warm Springs Bay DELETED FROM 2005 LAND LIST BY LEGISLATURE*	*-267*
SD.1001	Whitney Island	316
JU.1001	William Henry Bay	321
	2010 Revised Southeast Region Subtotal	**34,643**
Educational Properties		
JU.AU.1002	Auke Weir	6
LG.PC.01	Caribou-Poker Creeks Drainage	24,250
MA.XS.1001	Delta Ag & Forestry Exp. Station	363
N2.FA.1004	*Fairbanks Parking Garage/Court House COURTHOUSE CONVEYED UNDER OTHER AUTHORITY*	*-1*
NZ.FA.1004	*Key Bank Site CONVEYED UNDER OTHER AUTHORITY*	*-1*
MA.KR.1001	*Kodiak Rocket Range DELETED FROM 2005 LAND LIST BY LEGISLATURE*	*-2,880*
MA.PF.1002	Poker Flat (Special Use Area)	6,680
MA.PF.1001	Poker Flat Lease	533
MA.SF.1001	Silver Fox Mine	120
ST.1001	Sitka Campus	6
TV.RF.1001	Tok Research Forest	4,015
TV.TV.1001	*University Research Forest CONVEYED UNDER HB 130*	*-51,820*
	2010 Revised Educational Properties Subtotal	**35,973**
2010 REVISED TOTAL		**199,838**

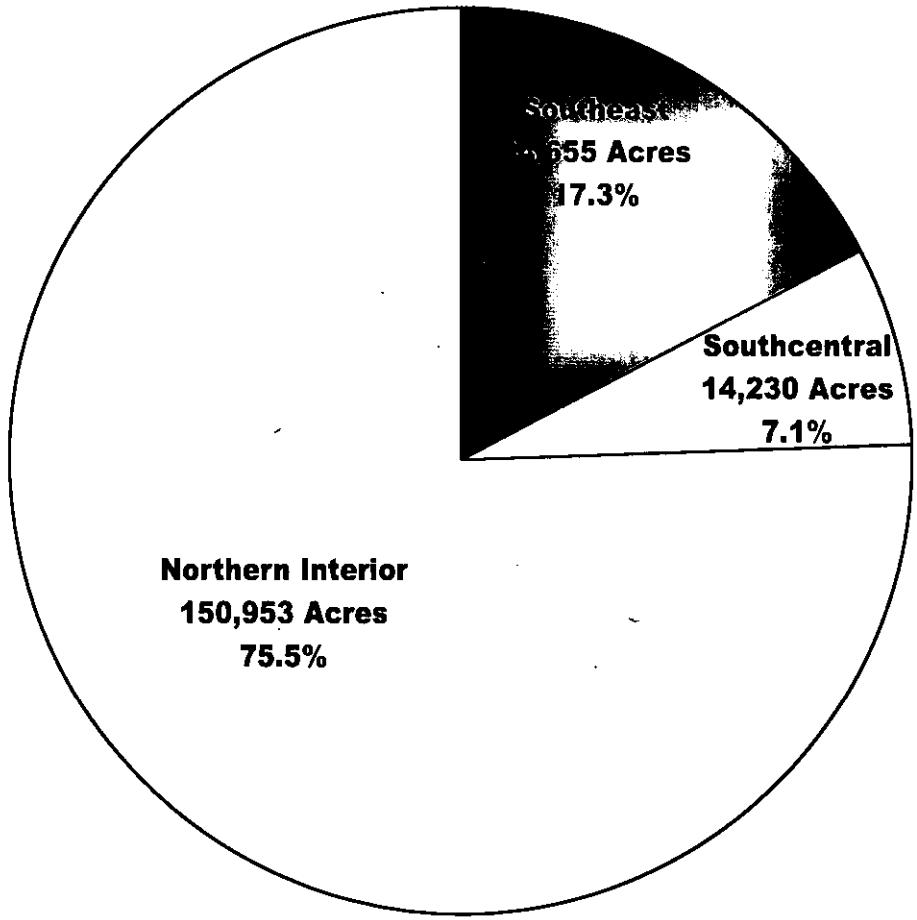
Resource Distribution of Parcels

2010 Land List



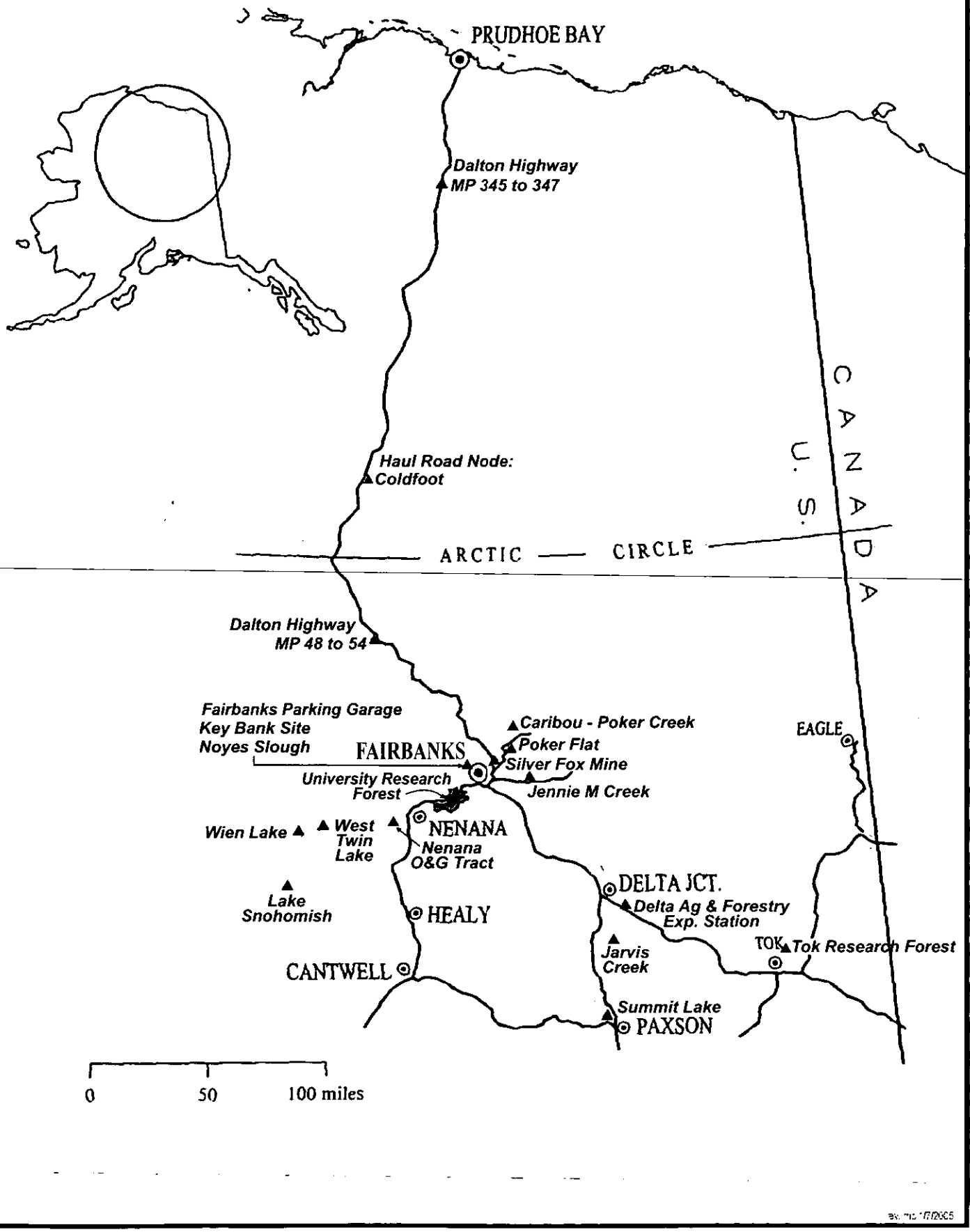
Region Distribution of Parcels

2010 Land List

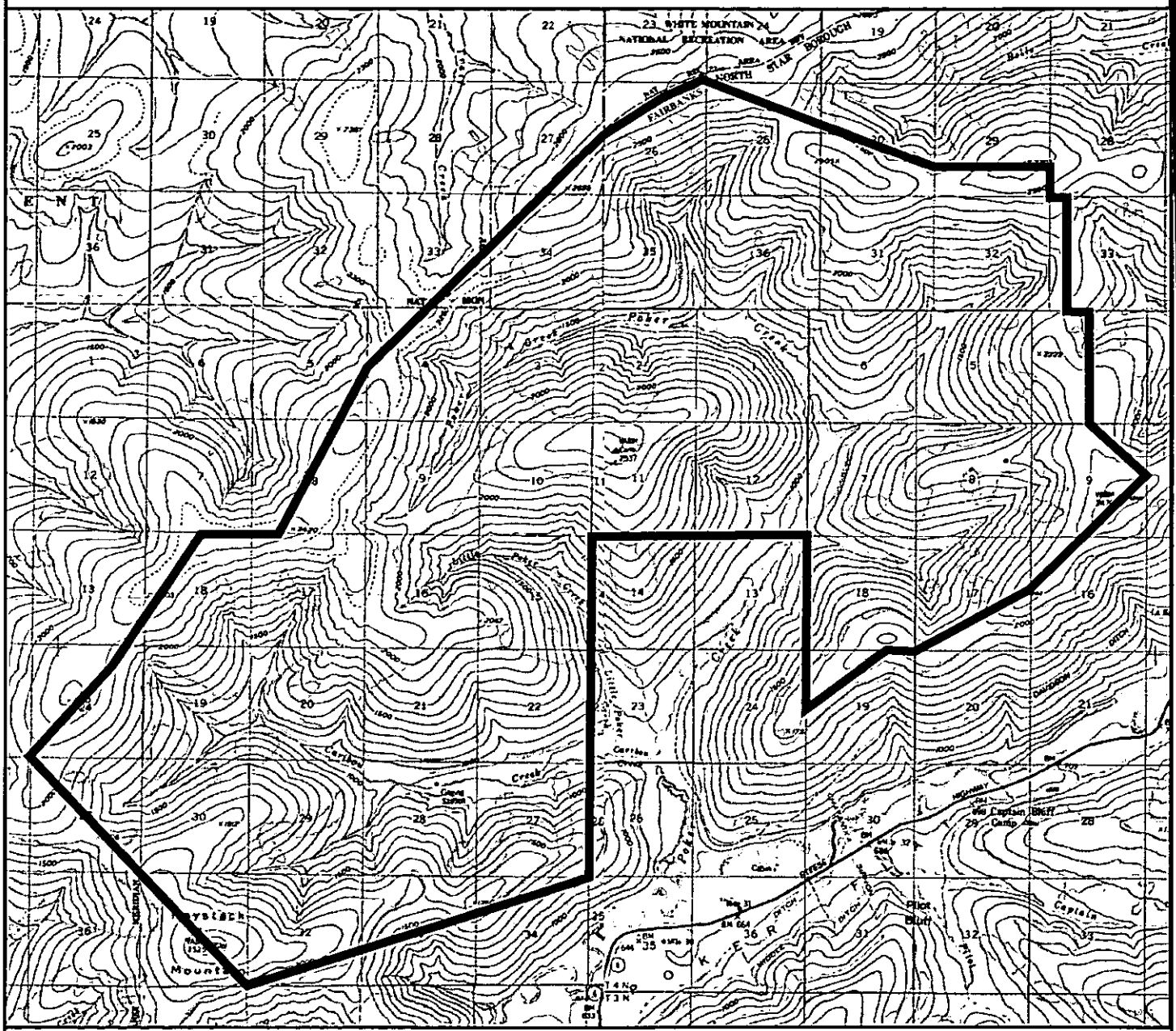


NORTHERN - INTERIOR MAPS

NORTHERN - INTERIOR REGION



Caribou-Poker Creeks Watershed



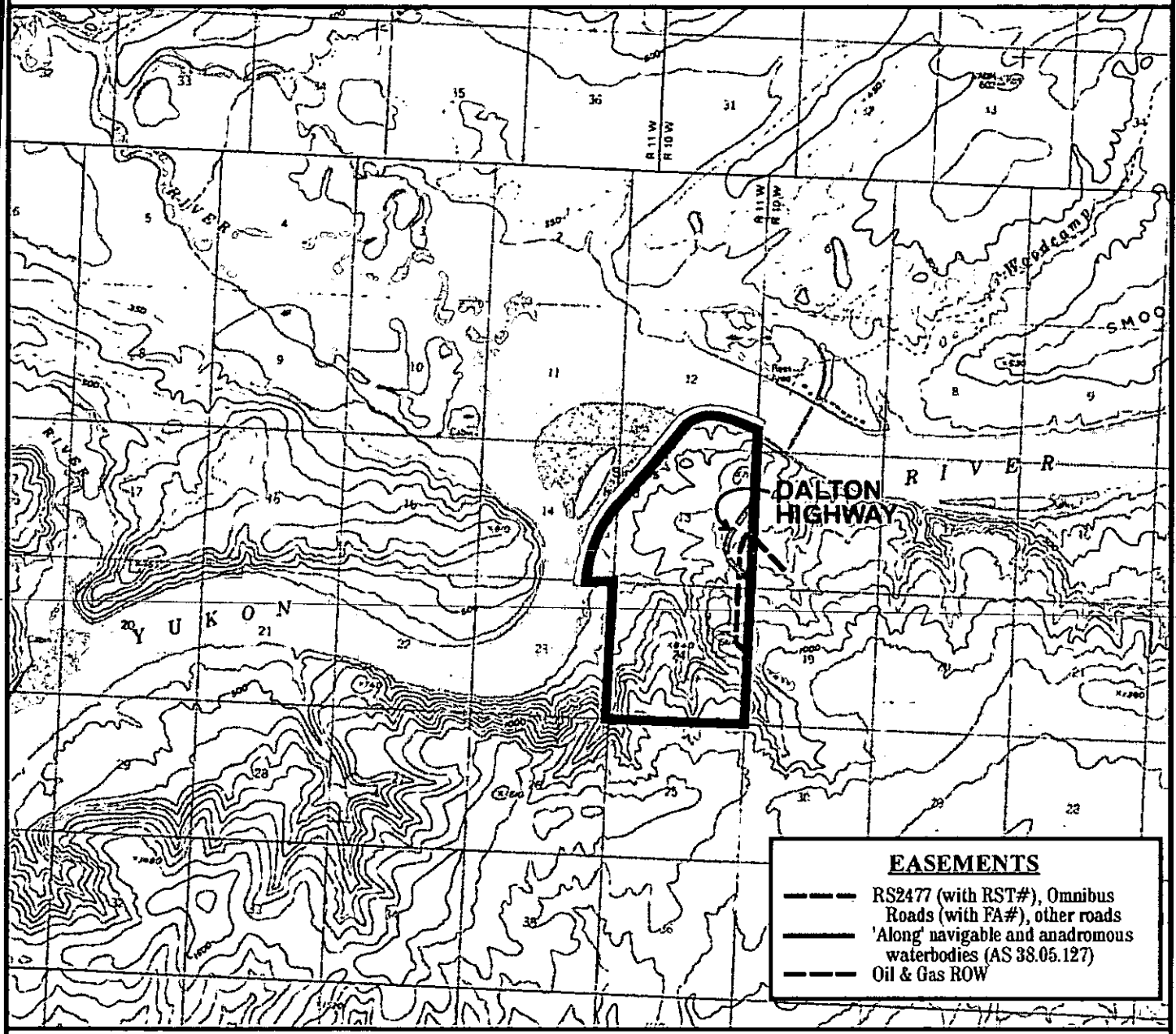
Prepared by: DNR
Source USGS Livengood A1, A-2
Date: 12/2004

one mile

Meridian	Township	Range
F	04N	1E-2E

Dalton Highway MP 48 to 54

DH.YR.1001



EASEMENTS

- RS2477 (with RST#), Omnibus Roads (with FA#), other roads
- 'Along' navigable and anadromous waterbodies (AS 38.05.127)
- Oil & Gas ROW

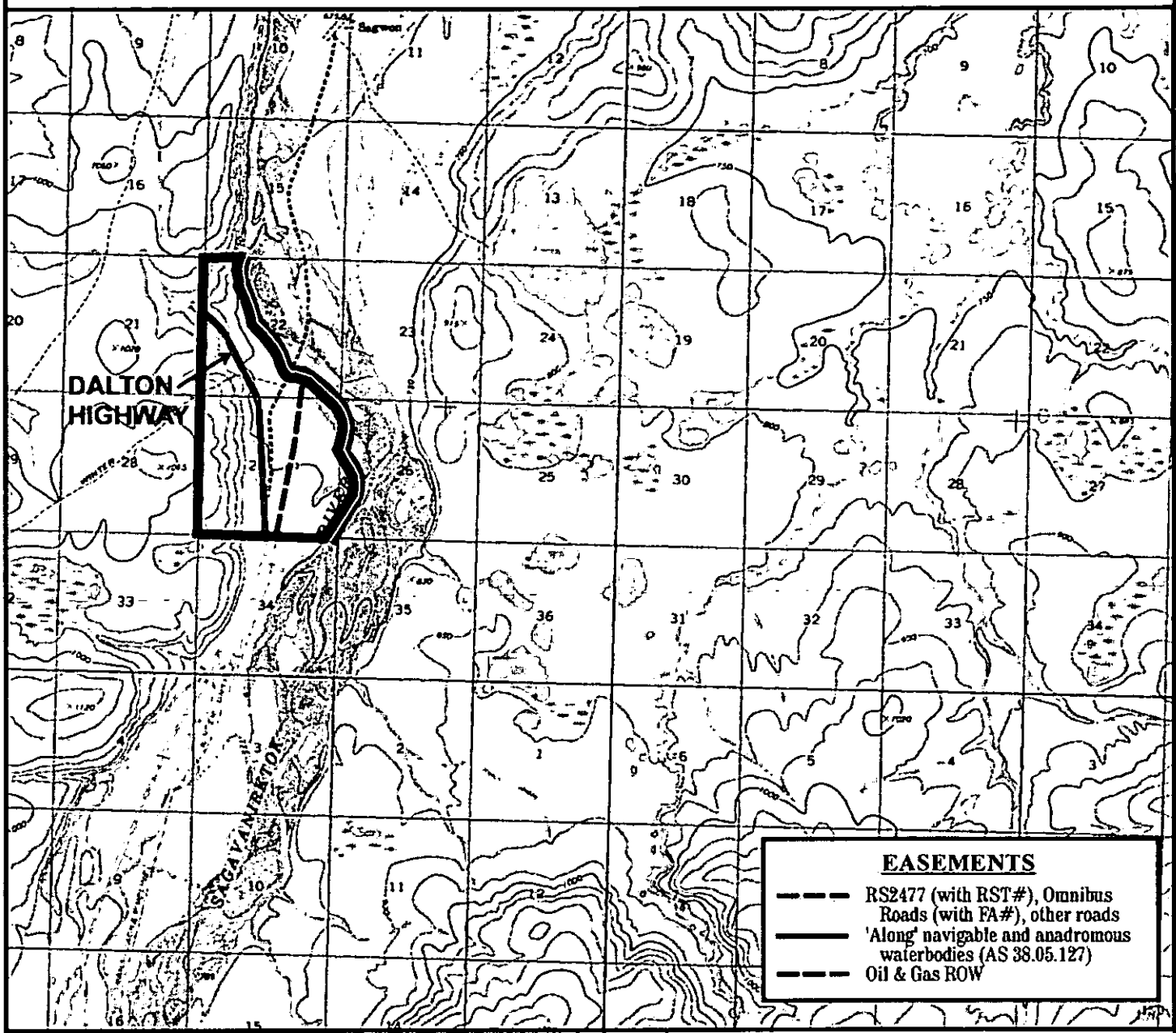
Prepared by: DNR
Source USGS Livengood D-6
Date: 12/2004

one mile

Meridian	Township	Range
FM	12N	10-11W

Dalton Highway MP 345 to 347

DH.SR.1001

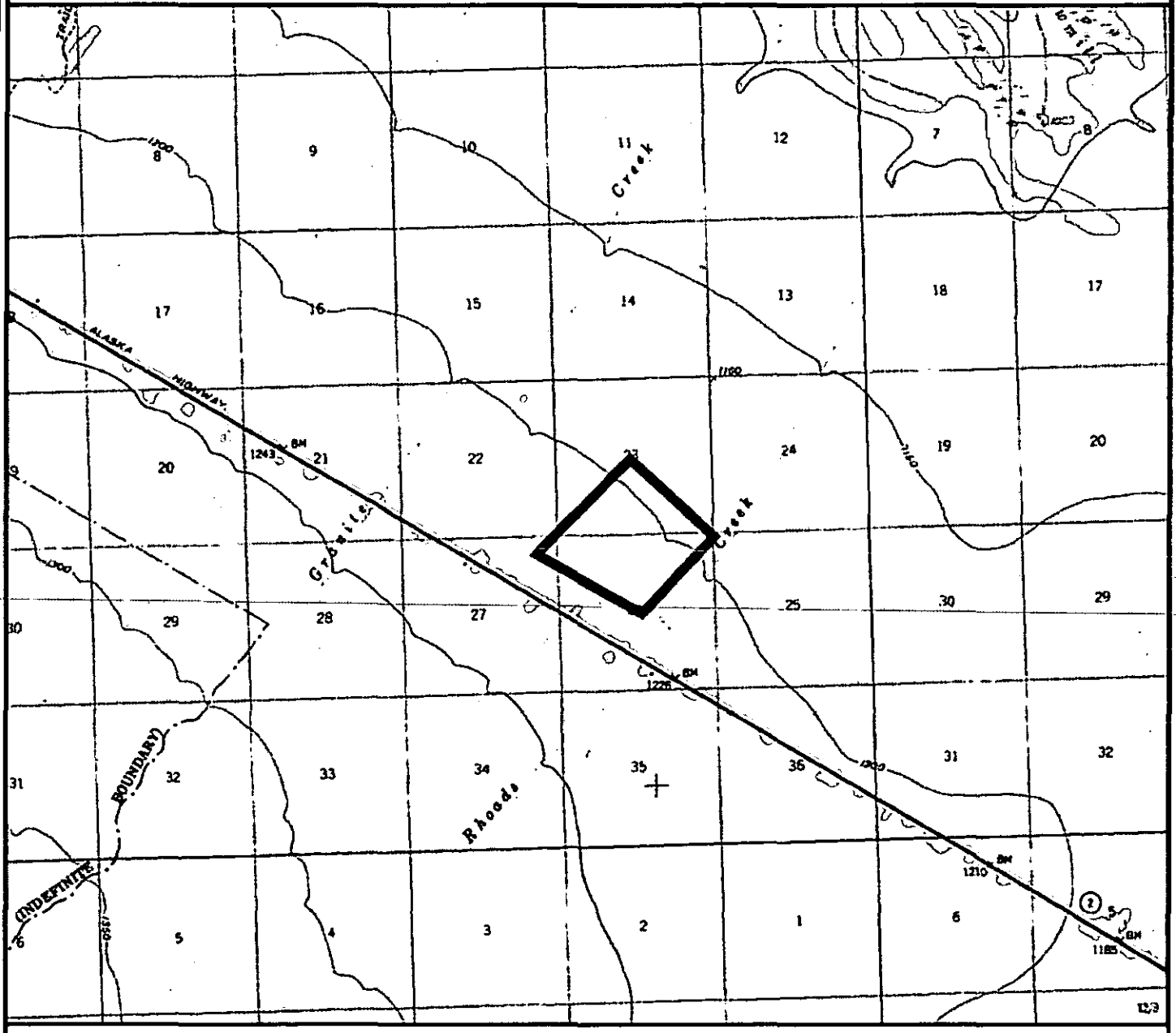


Prepared by: DNR
Source USGS Sagavanirktok B-3
Date: 12/2004

one mile

Meridian	Township	Range
UM	1S	14E

Delta Ag & Forestry Exp. Station MA.XS.1001



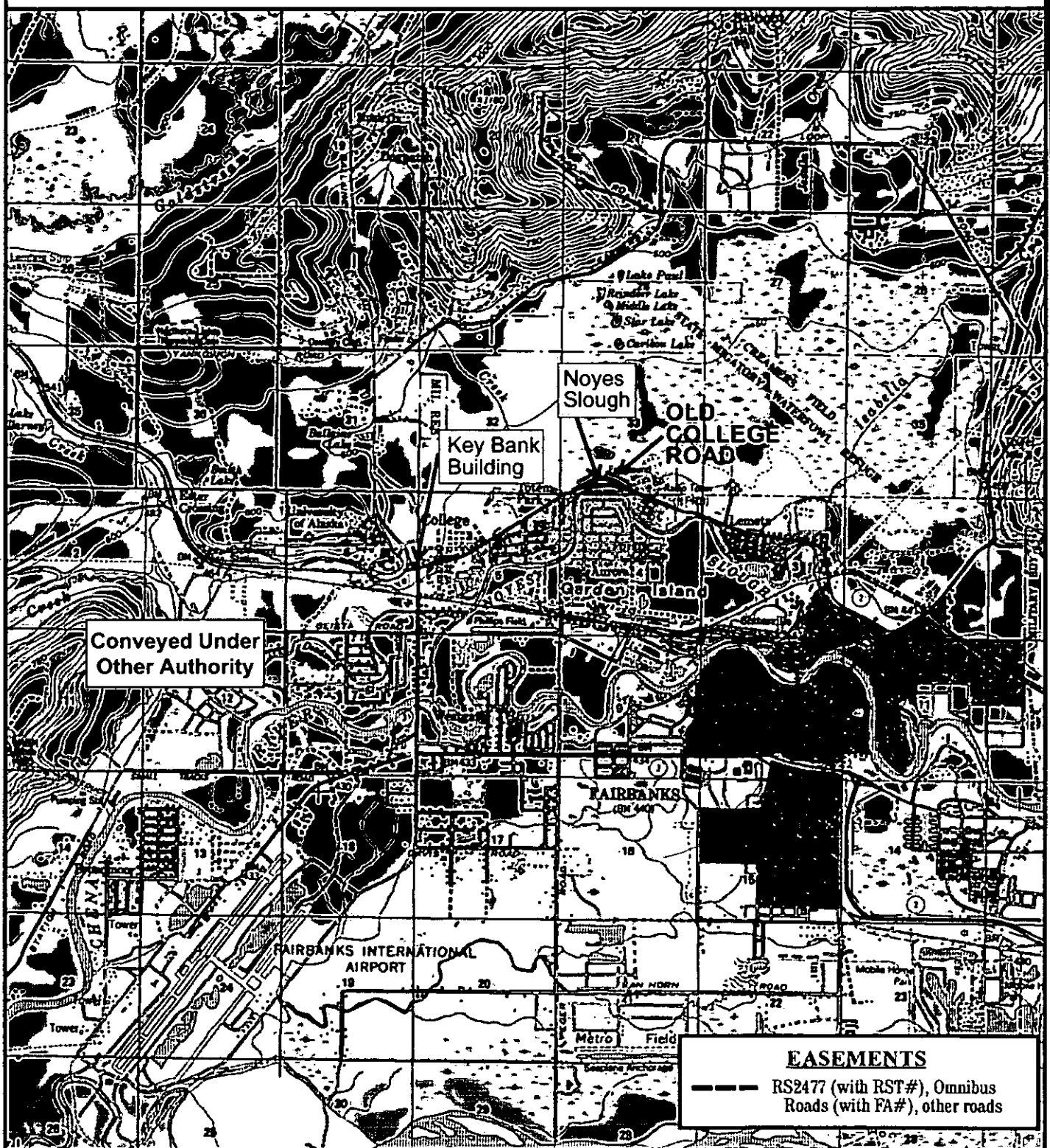
Prepared by: DNR
Source USGS Mt. Hayes D-3
Date: 12/2004

one mile

Meridian	Township	Range
FM	11S	12E

Fairbanks Area Parcels

N2.FA.1003
N2.FA.1004



Prepared by: DNR
Source USGS Fairbanks D2
Date: 12/2004

one mile

Meridian	Township	Range
FM	1N-1S	1W

Fairbanks Downtown Parcels

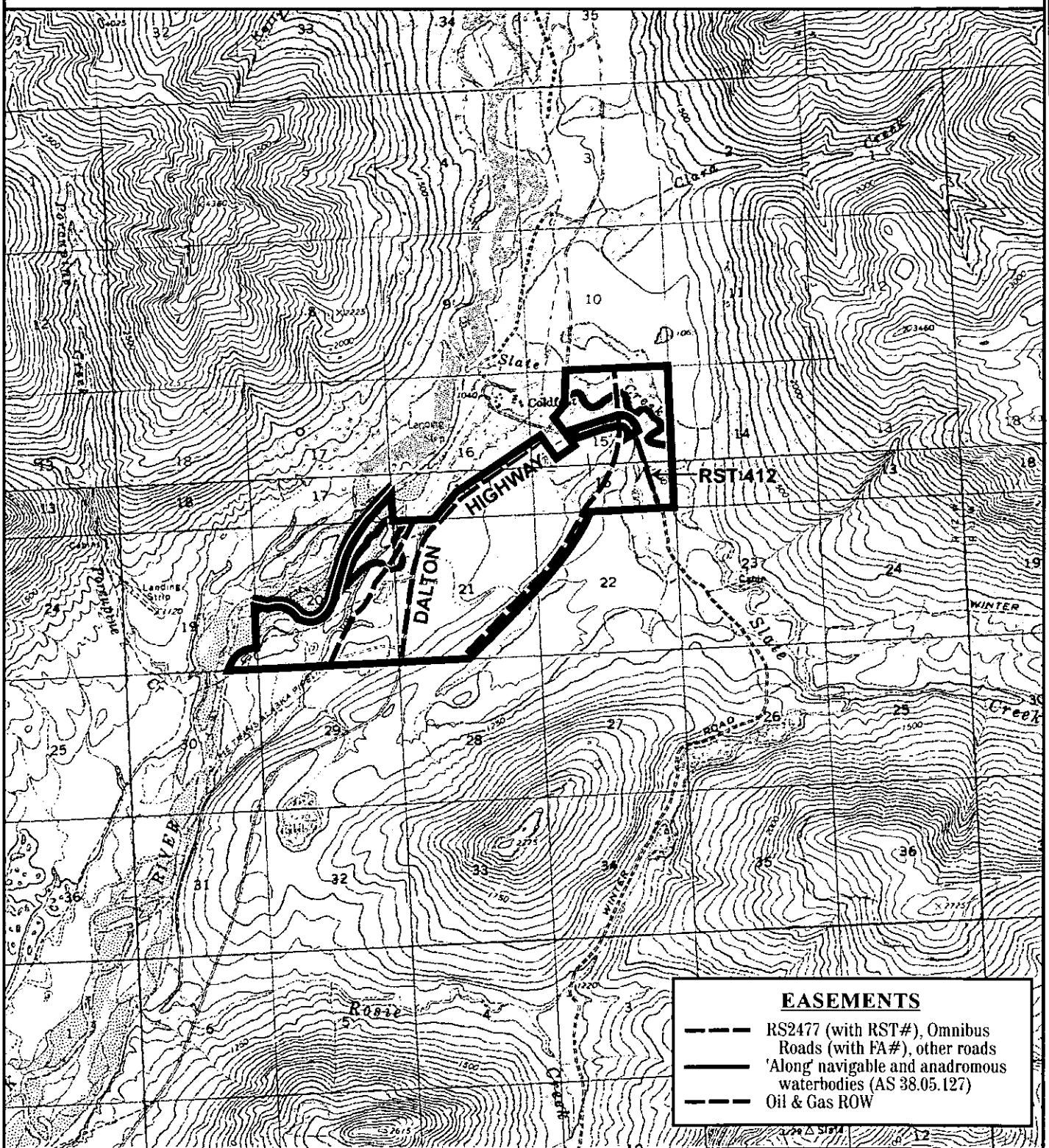
N2.FA.1001 Parking Garage
N2.FA.1002 Old State Court Building

Prepared by: DNR
Source USGS Fairbanks D-2
Date: 12/2004

1/2 mile

Meridian	Township	Range
F	1S	1W

Haul Road Nodes - Coldfoot MA.HR.1001



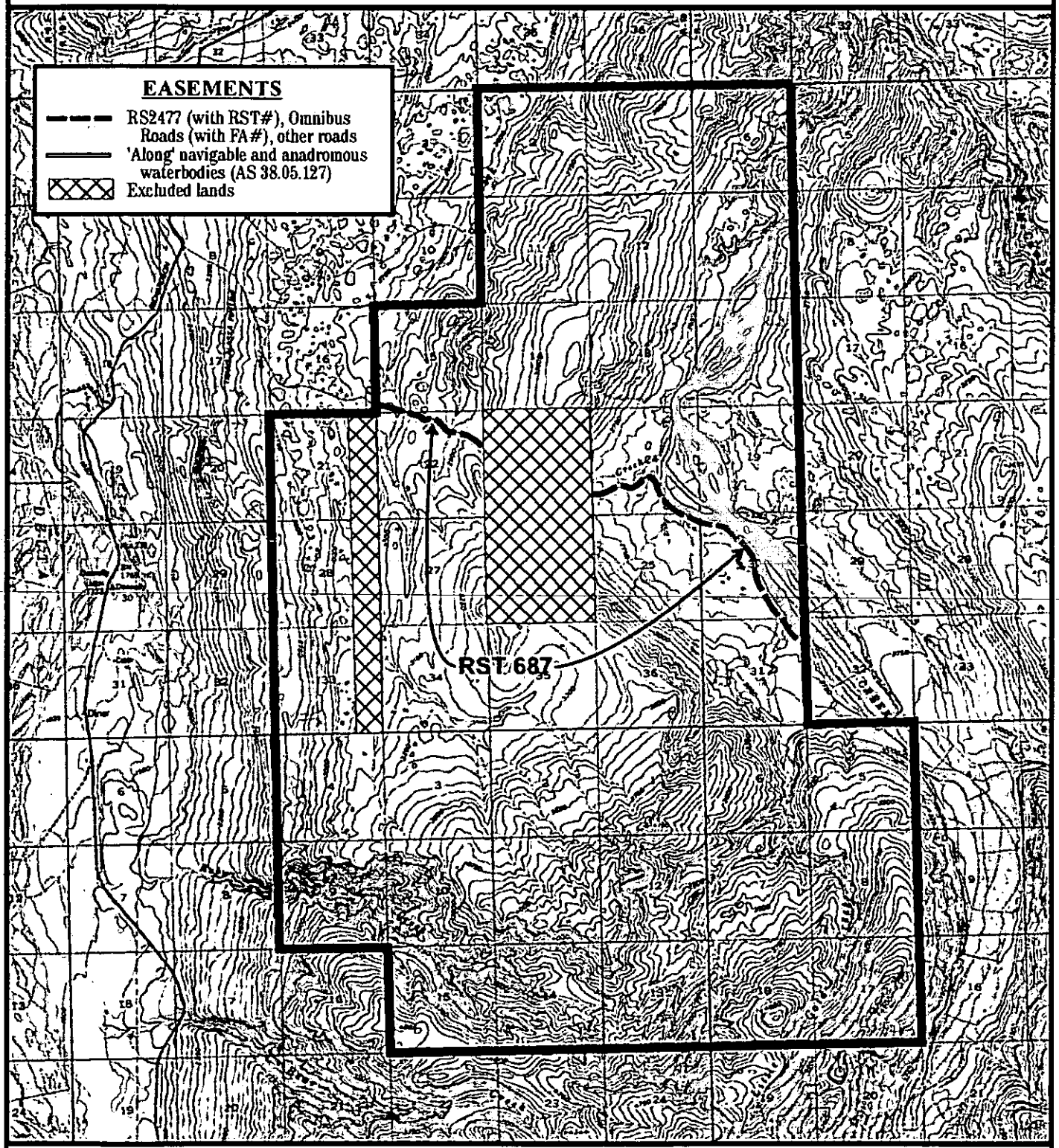
Prepared by: DNR
Source USGS Wiseman A-1, B-1
Date: 12/2004

one mile

Meridian	Township	Range
FM	28N	12W

4162

Jarvis Creek Coal Field



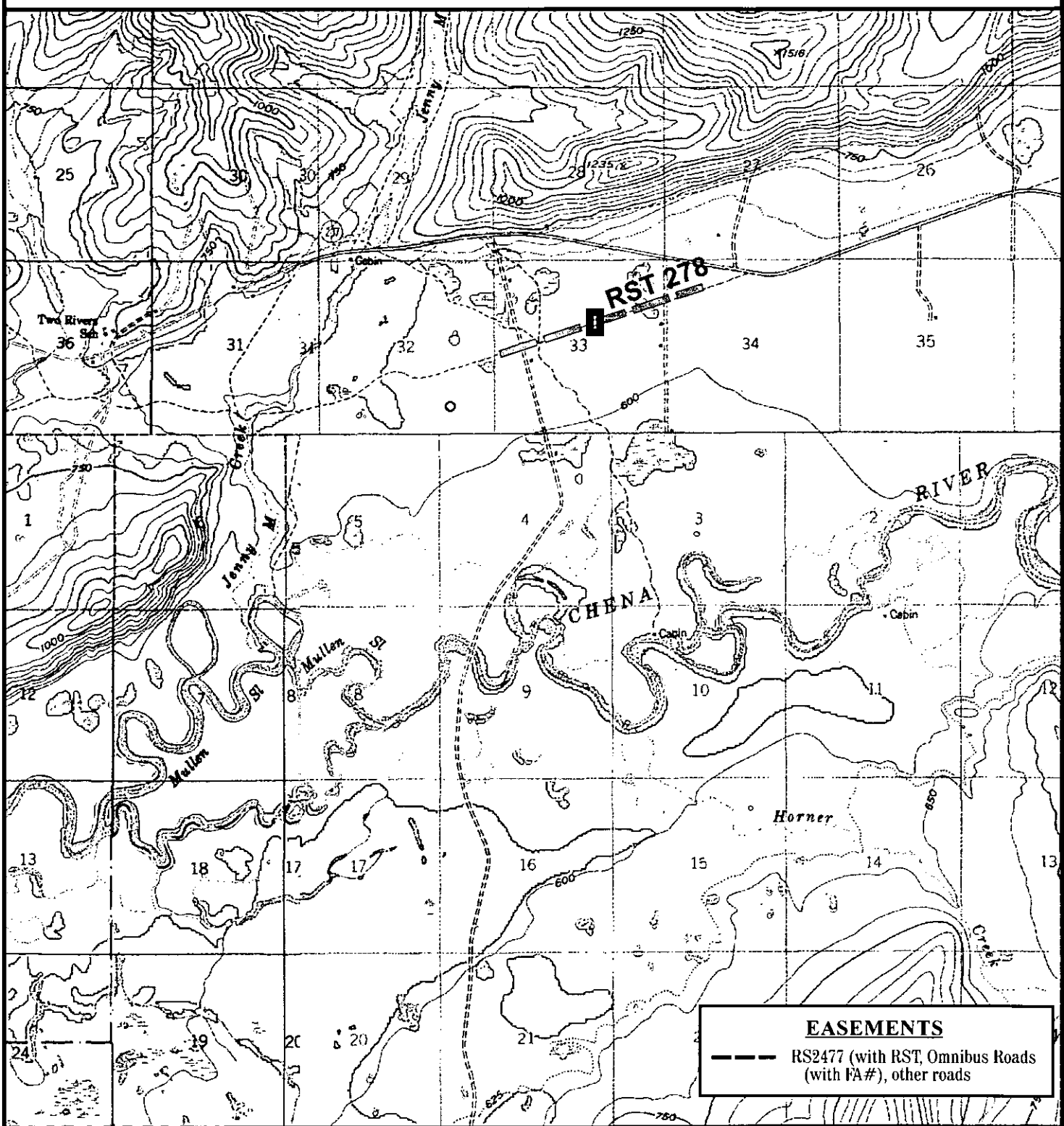
Prepared by: DNR
Source USGS, Mt. Hayes C-4
Date: 12/2004

one mile

Meridian	Township	Range
FM	14-15S	10-11E

Jennie M. Creek C

FA.JC.1001



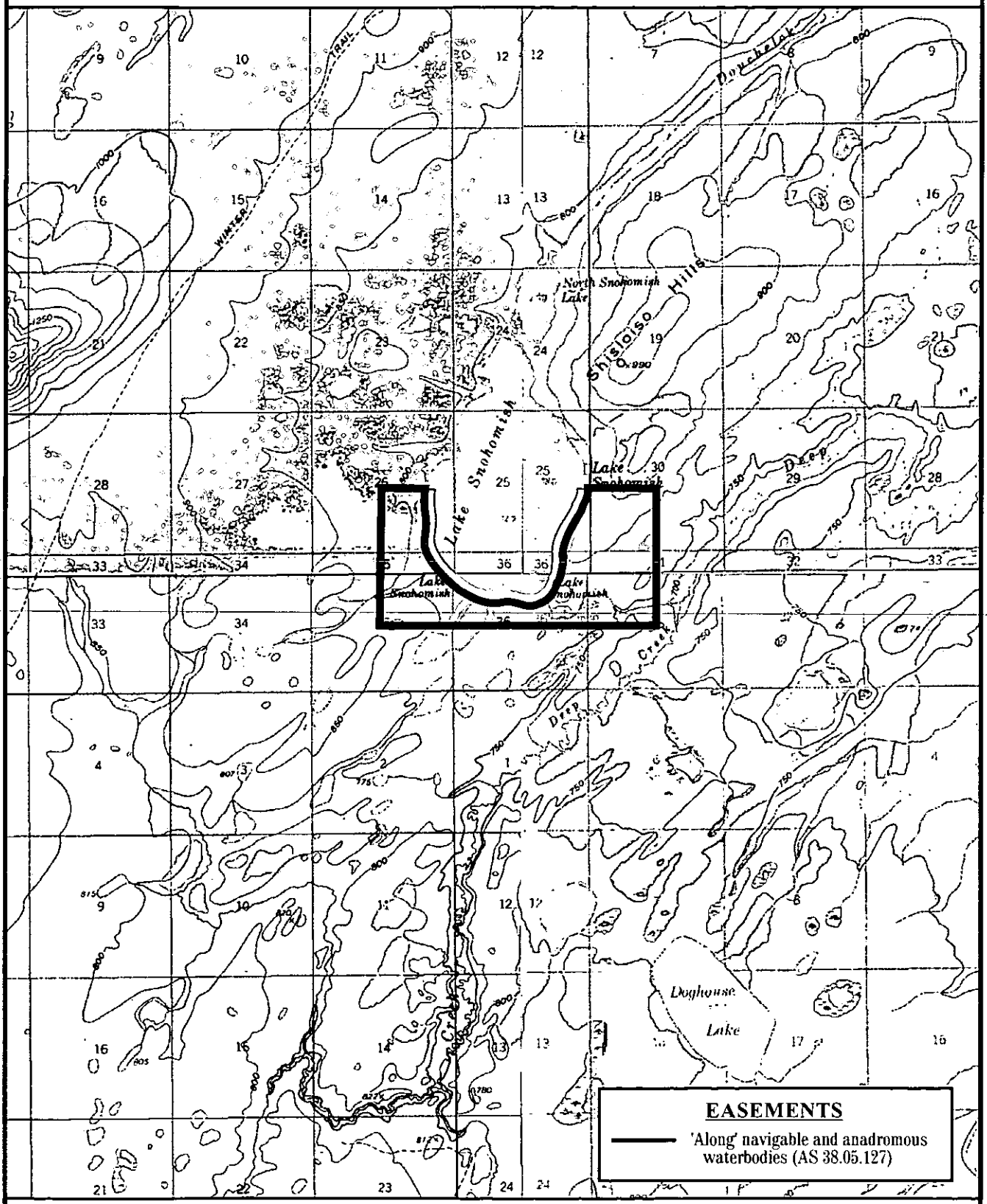
Prepared by: DNR
Source USGS, Big Delta D-6, Fairbanks D-1
Date: 12/2004

one mile

Meridian	Township	Range
FM	1N	4E

Lake Snohomish

N1.LS.1001

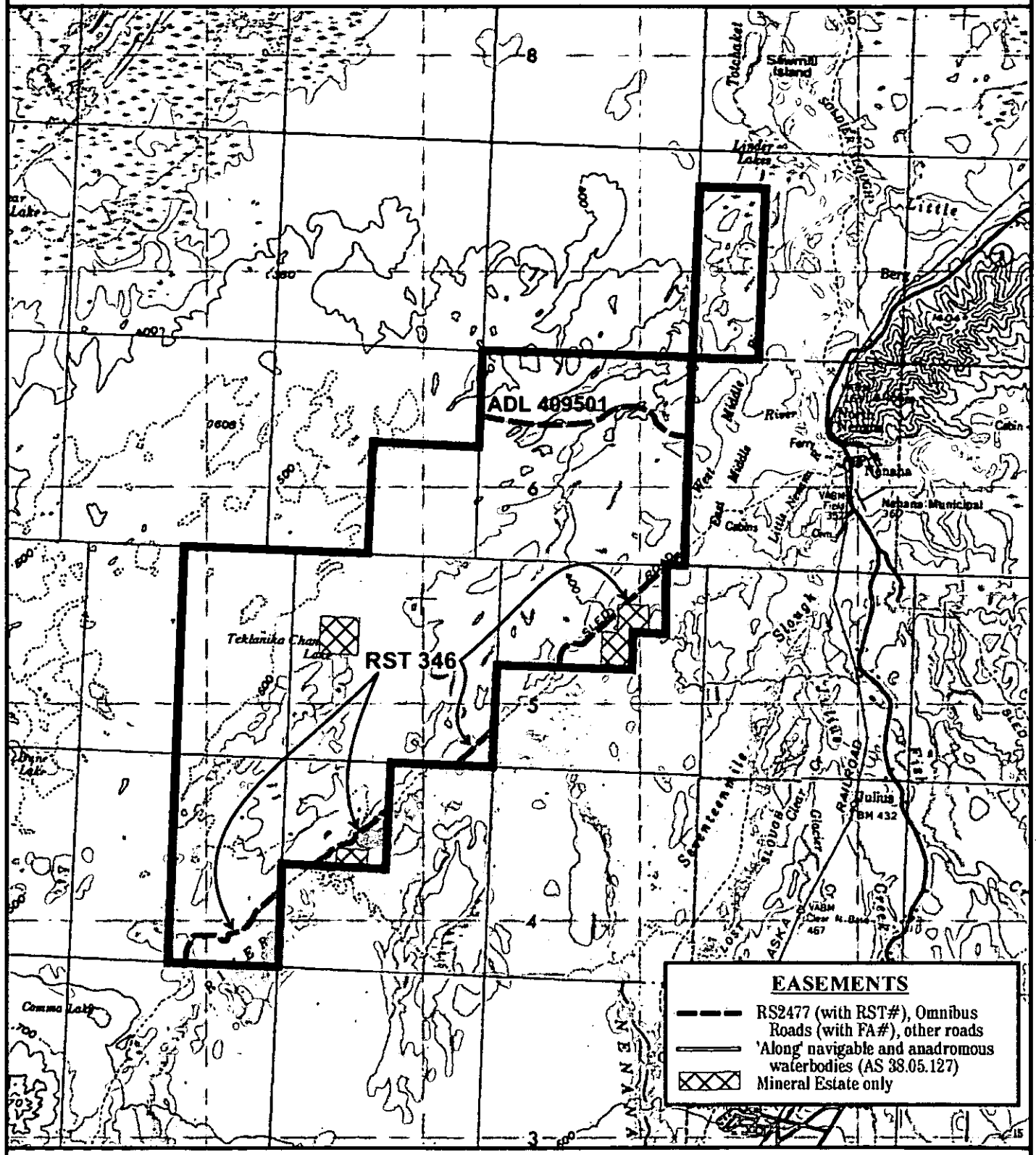


Prepared by: DNR
Source USGS, Mt. McKinley D-5, D-6, C-5, C-6 Date: 12/2004

one mile

Meridian	Township	Range
FM	13S	R25W-26W

Nenana Oil & Gas Tract



Prepared by: DNR
Source USGS, Fairbanks B-5 B-6, C-5, C-6
Date: 12/2004

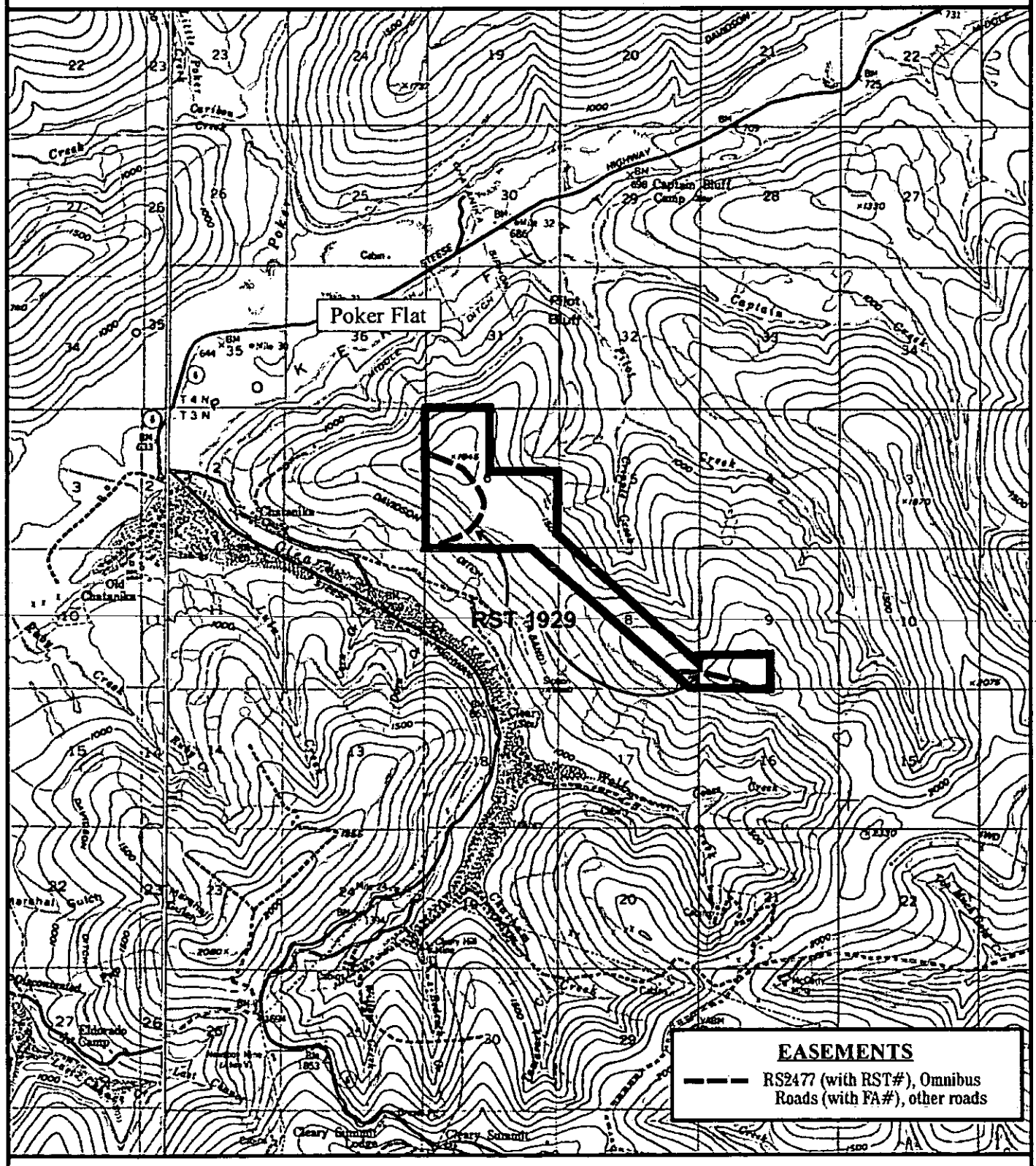
6 miles

Meridian	Township	Range
FM	3, 4, 5, 6S	8, 9, 10, 11E

4166

Poker Flat Lease

MA.PF.1001



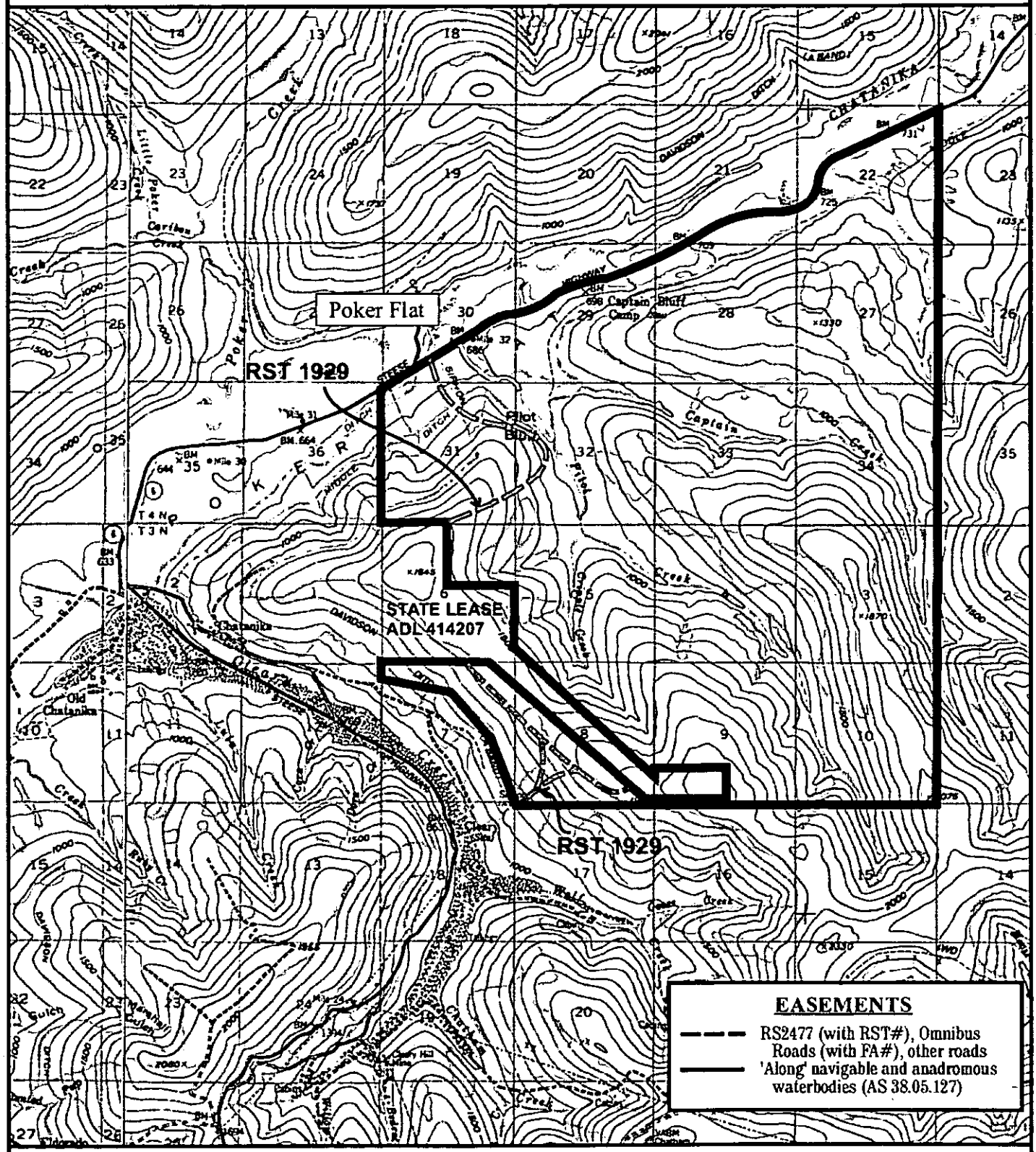
Prepared by: DNR
Source USGS, Livengood A-1
Date: 12/2004

one mile

Meridian	Township	Range
FM	3N	2E

Poker Flat (SUA)

MA.PF.1002



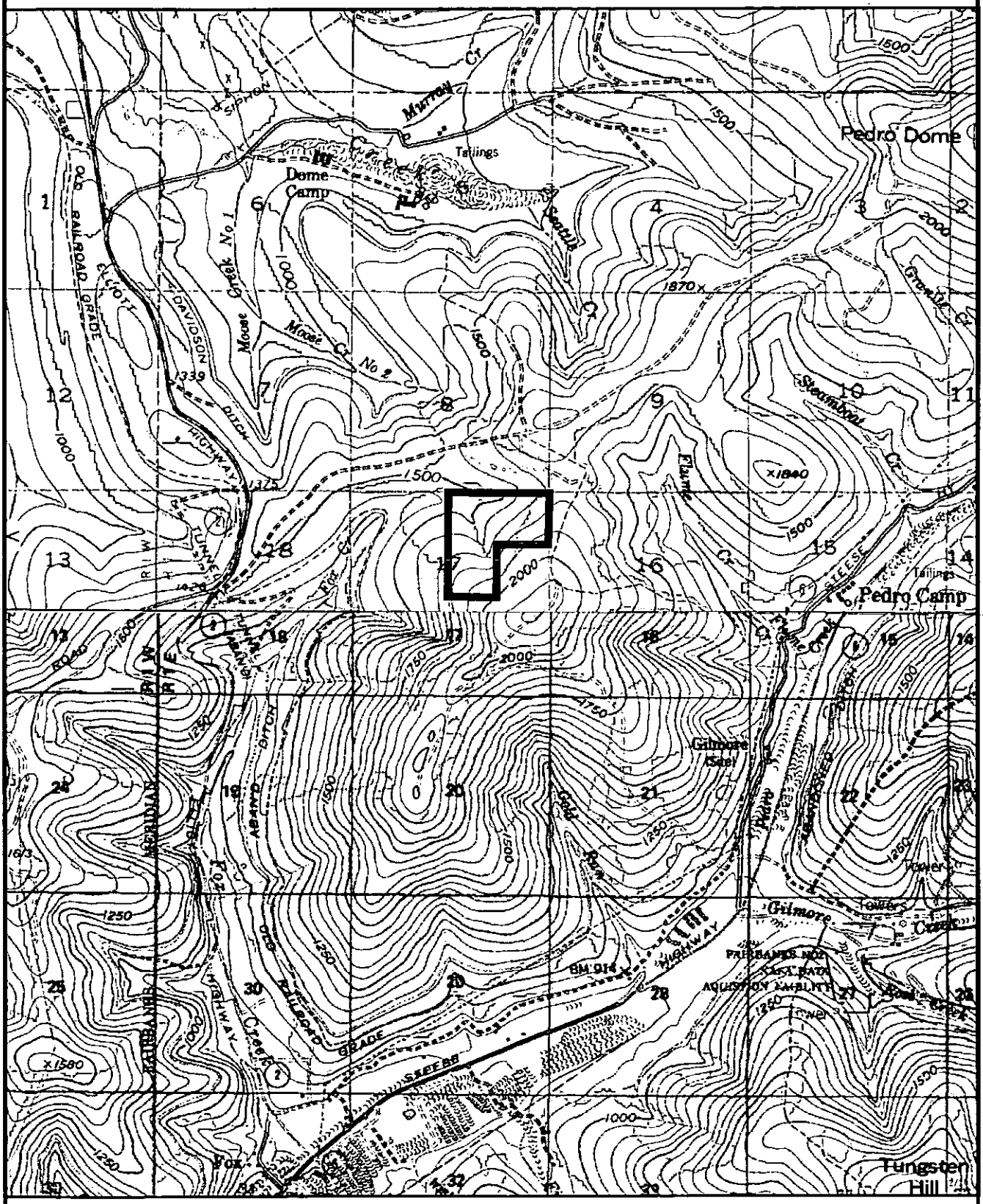
Prepared by: DNR
Source USGS, Livengood A-1
Date: 12/2004

one mile

Meridian	Township	Range
FM	3-4N	2E

Silver Fox Mine

MA.SF.1001



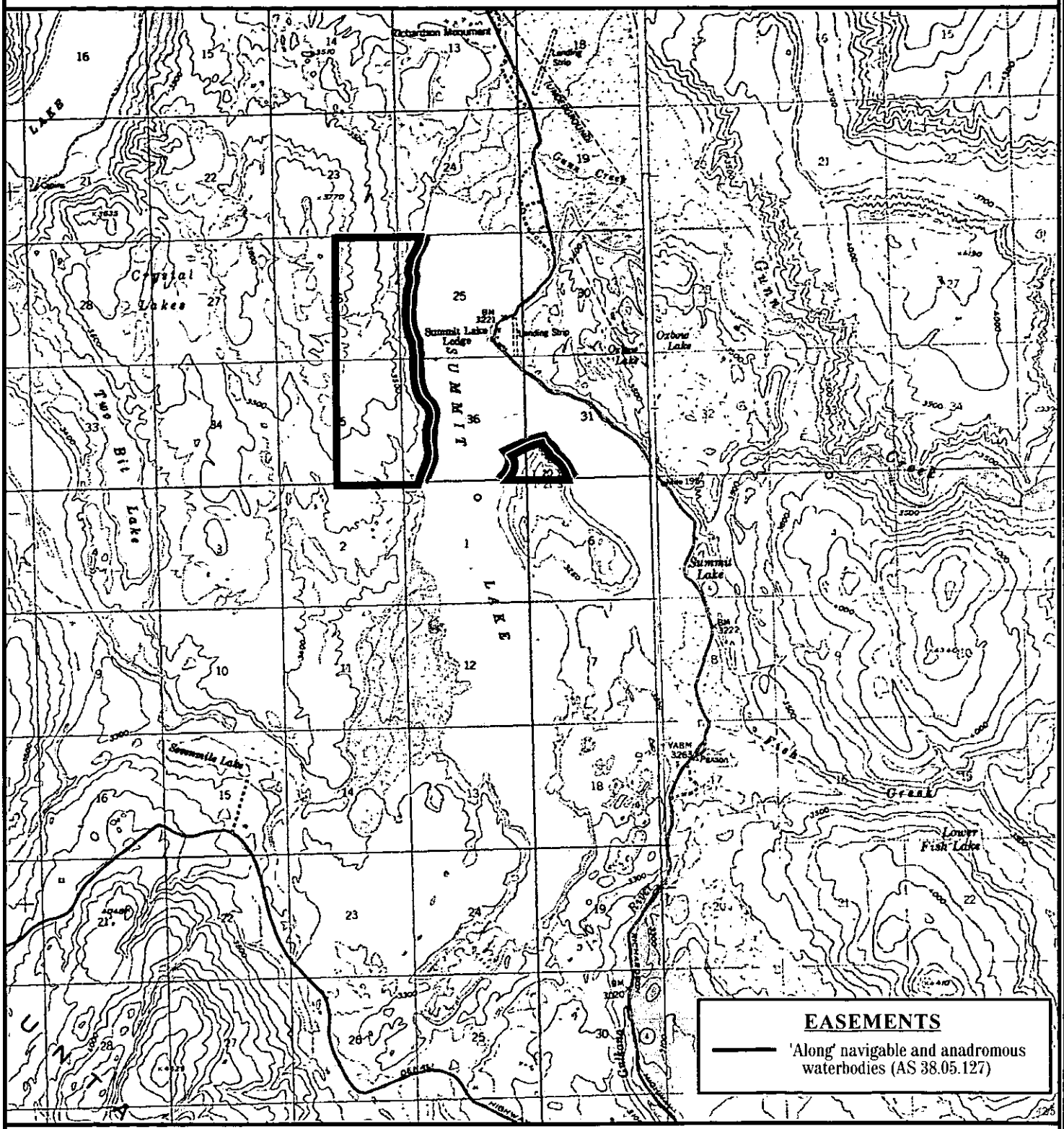
Prepared by: DNR/rhc
Source USGS, Livengood A-2
Date: 12/2004

one mile

Meridian	Township	Range
FM	2N	R1E

Summit Lake

N5.RS.1001



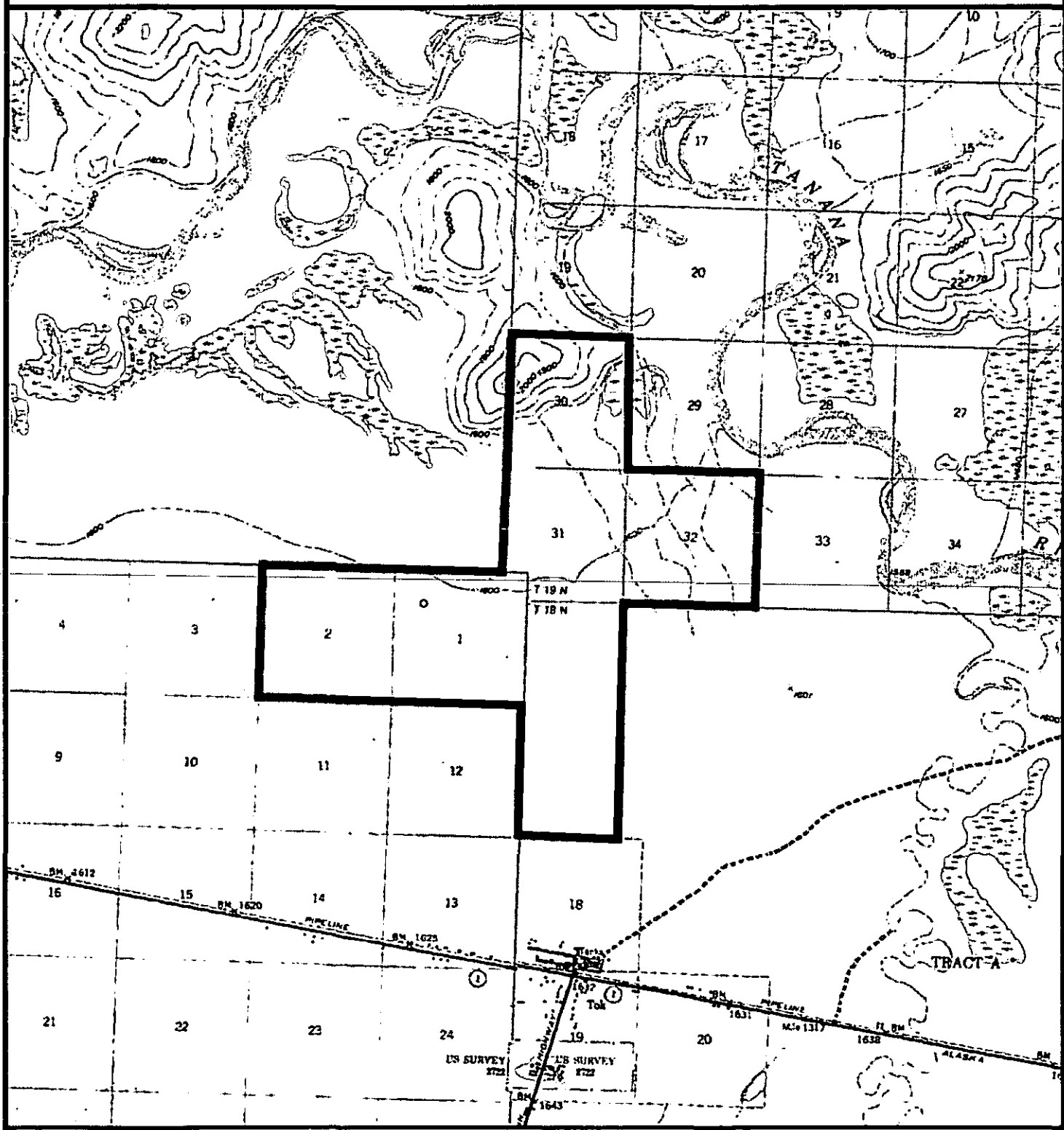
Prepared by: DNR
Source USGS, Mt. Hayes, A-3, A-4
Date: 12/2004

one mile

Meridian	Township	Range
FM	20S-21S	11E-12E

Tok Research Forest

TV.RF.1001



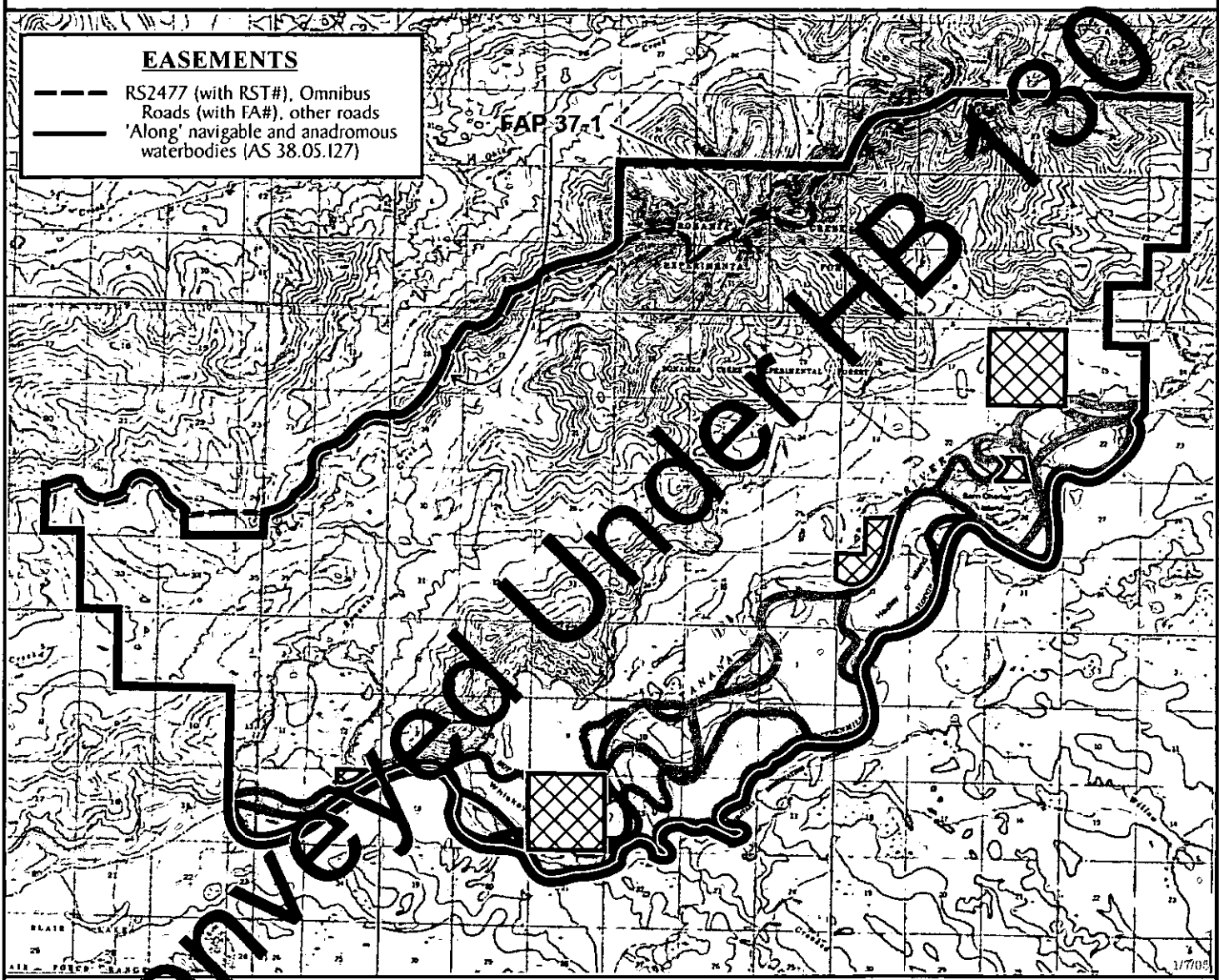
Prepared by: DNR
Source USGS, Tanacross B-4, B-5
Date: 12/2004

one mile

Meridian	Township	Range
CRM	18-19N	12-13E

University Research Forest

NS.EX.1002



Conveyed Under HB 130

Prepared by: DNR; rhc
Source: USGS Fairbanks C-3, D-3, D-4
Date: 12/2004

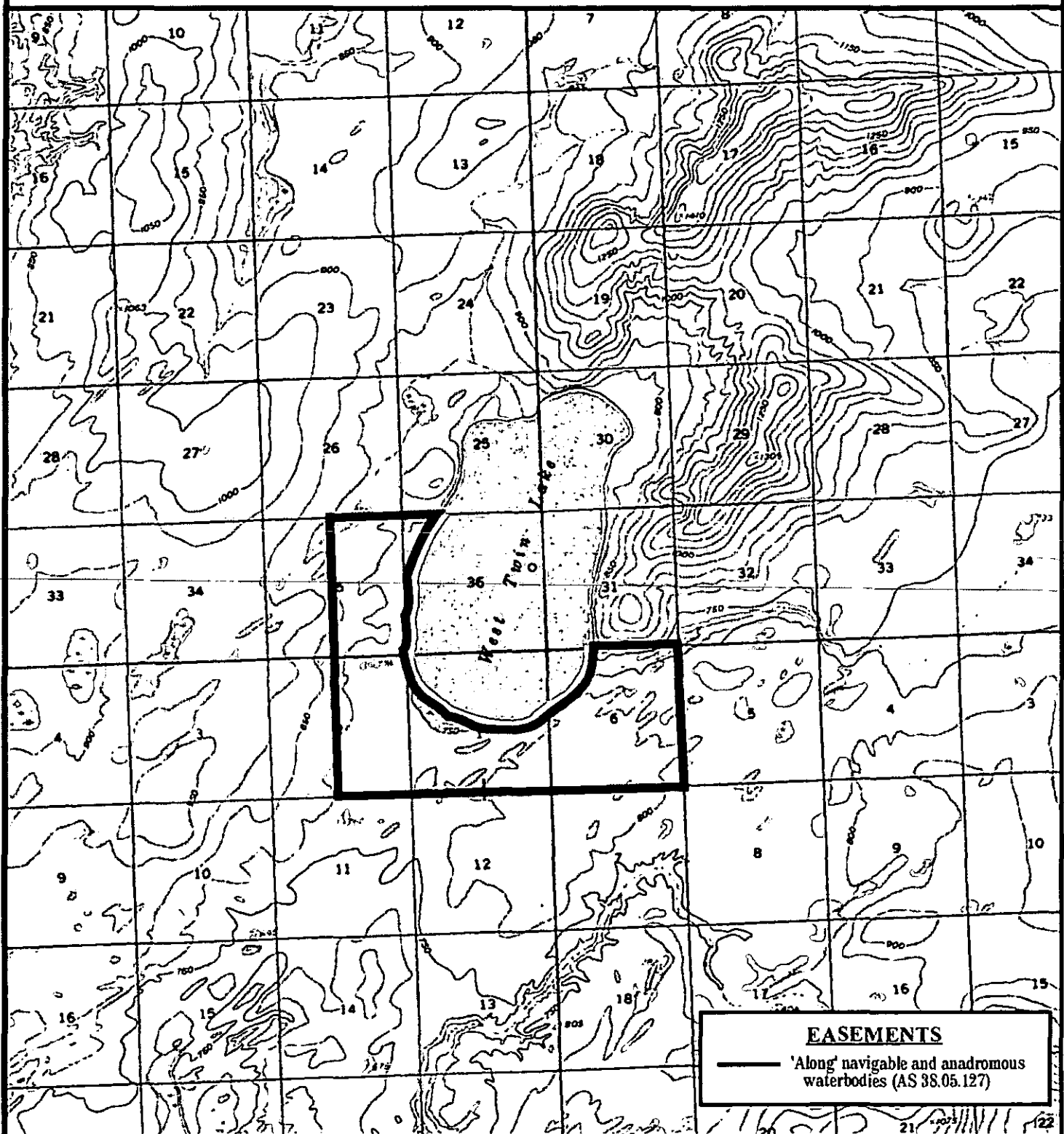
one mile

Excluded Lands

Meridian	Township	Range
FM	1-3S	3W-5W

West Twin Lake

N1.WT.1001



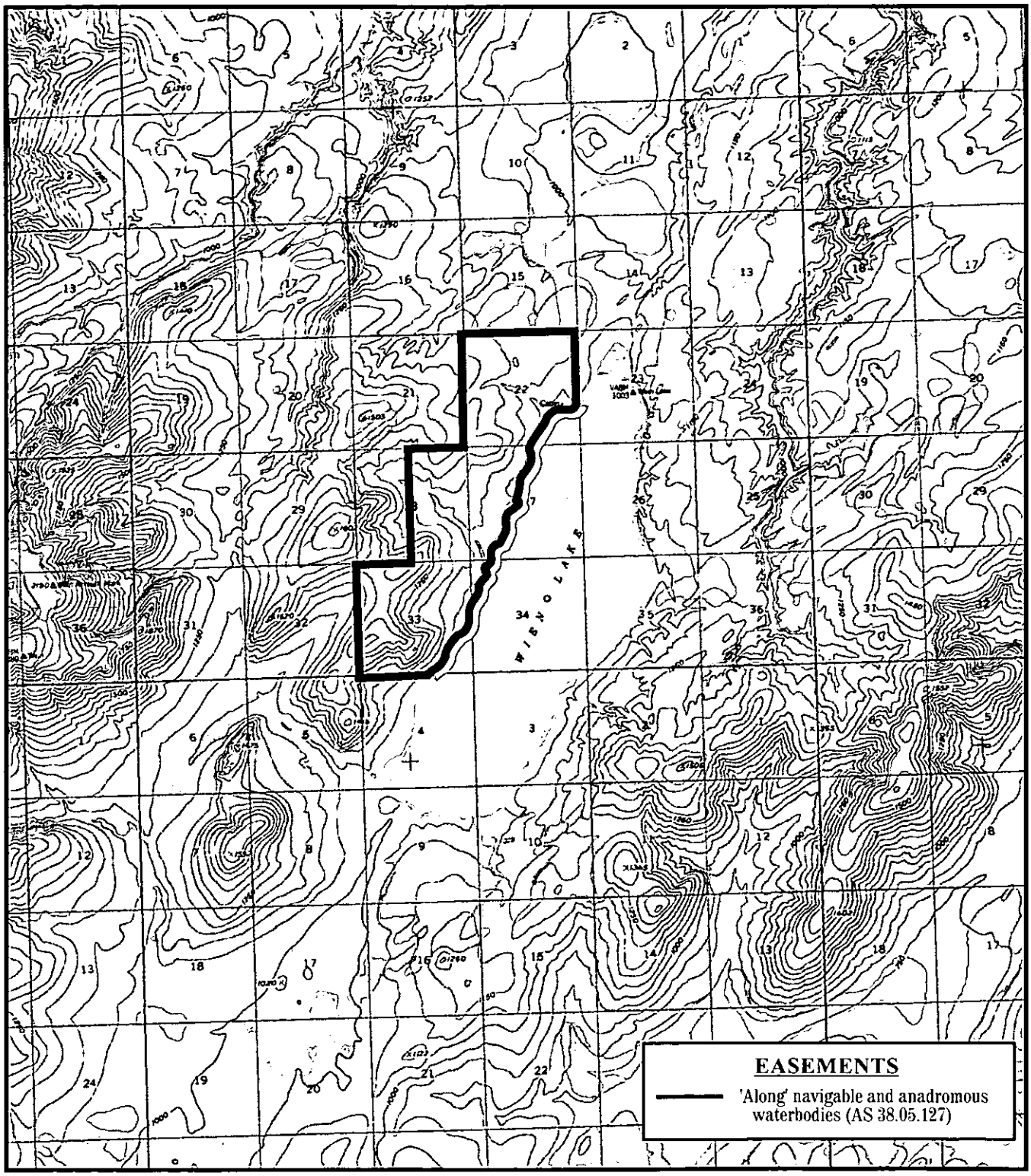
Prepared by: DNR
Source USGS, Kantishna River B-2
Date: 12/2004

one mile

Meridian	Township	Range
FM	5-6S	16-17W

Wien Lake

N5.WL.1001



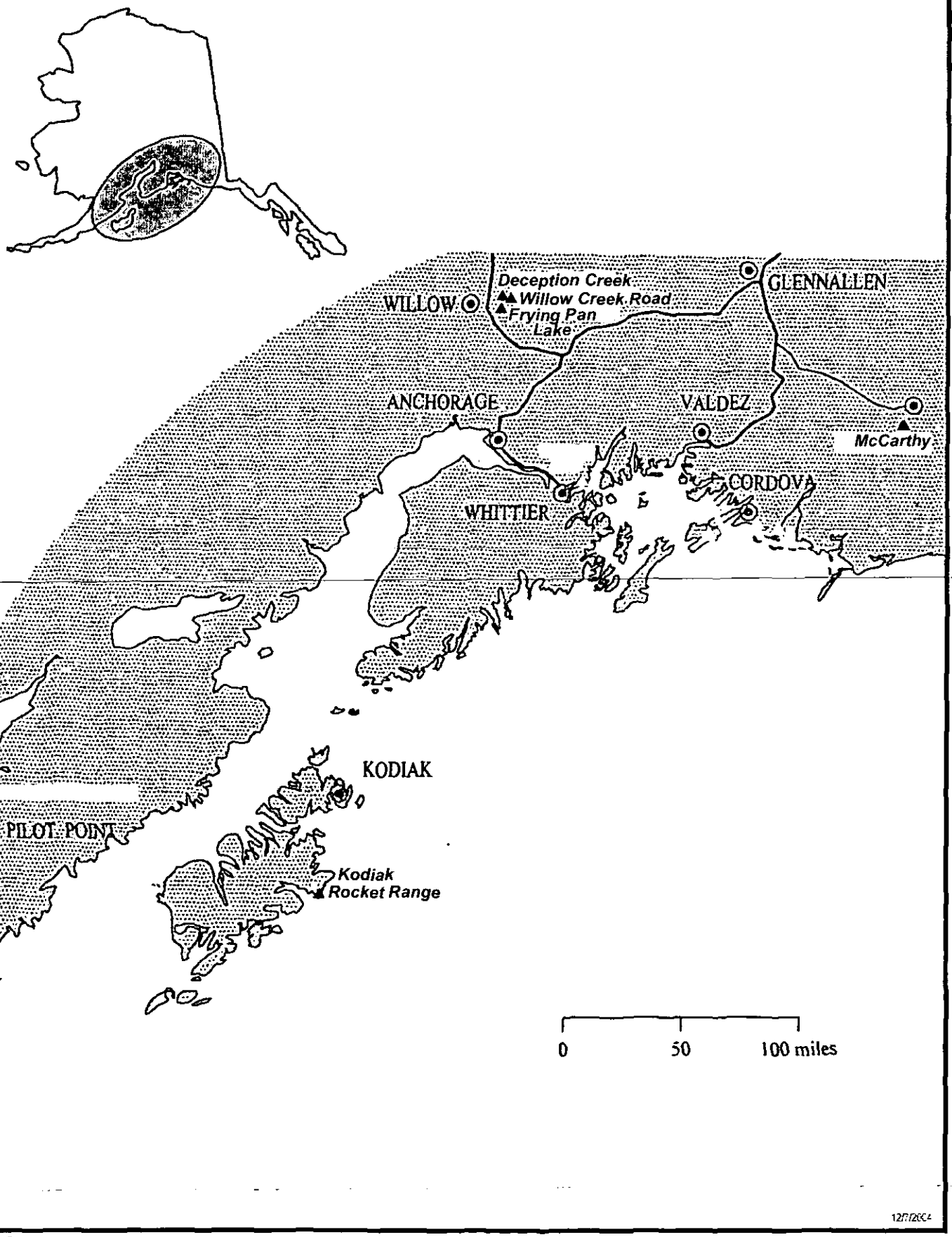
Prepared by: DNR
Source USGS, Kantishna River B-3
Date: 12/2004

one mile

Meridian	Township	Range
FM	6S-7S	19W

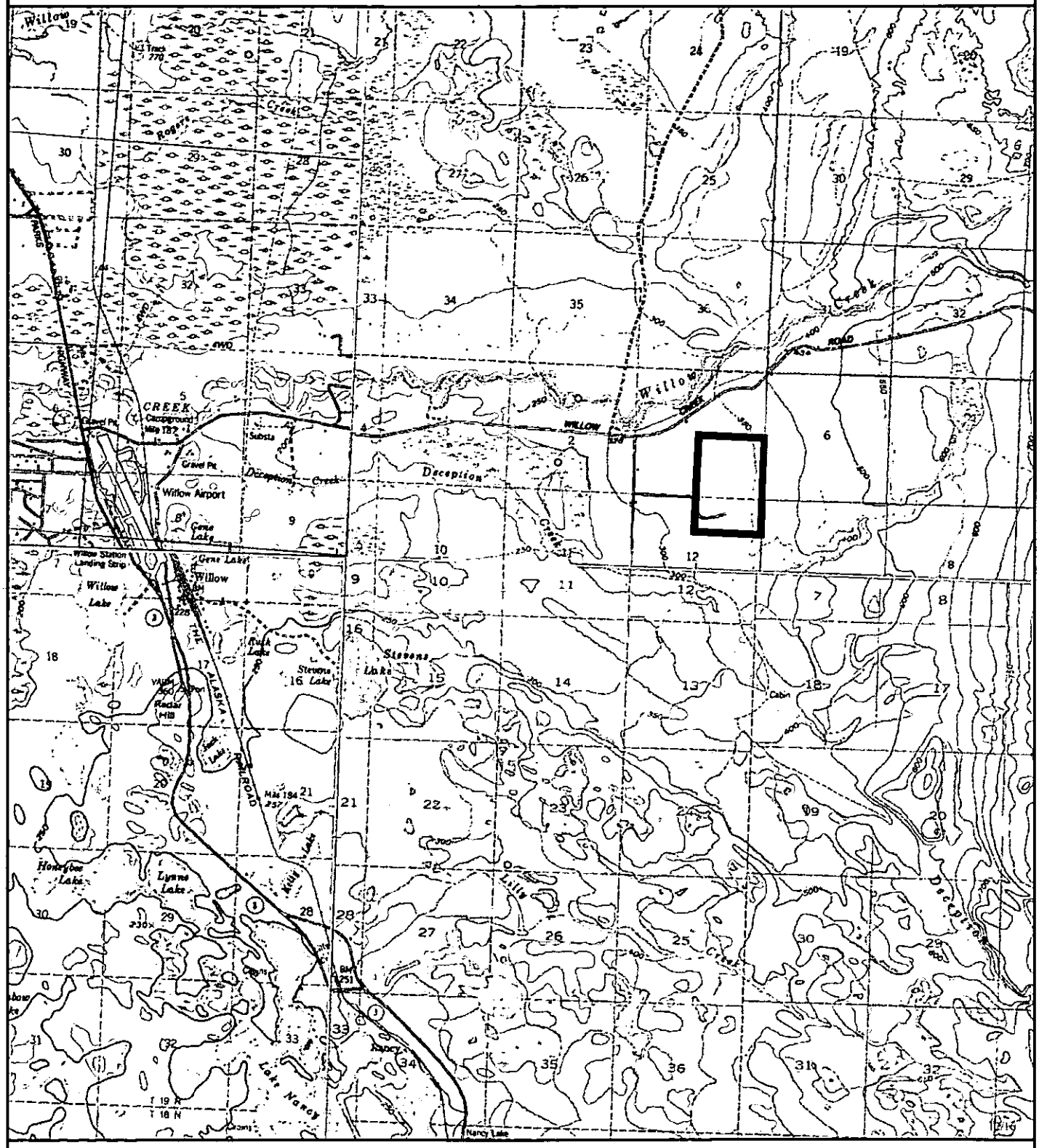
SOUTH CENTRAL MAPS

SOUTHCENTRAL REGION



Deception Creek

SU.DC.1001



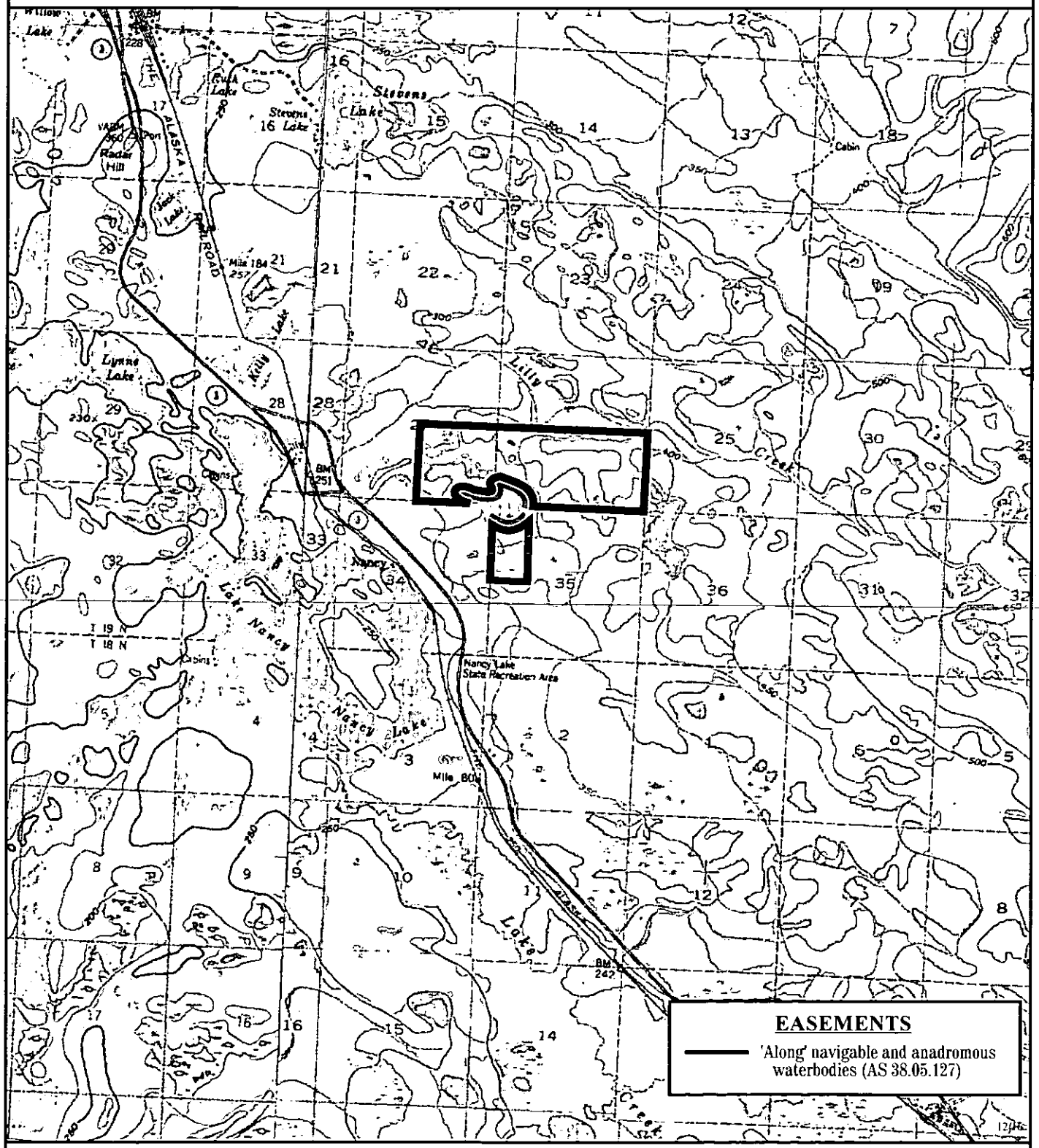
Prepared by: DNR
Source USGS Anchorage C-8, D-8,
Tyonek C-1, D-1
Date: 12/2004

one mile

Meridian	Township	Range
SM	19N	4W

Frying Pan Lake

SU.FP.1001



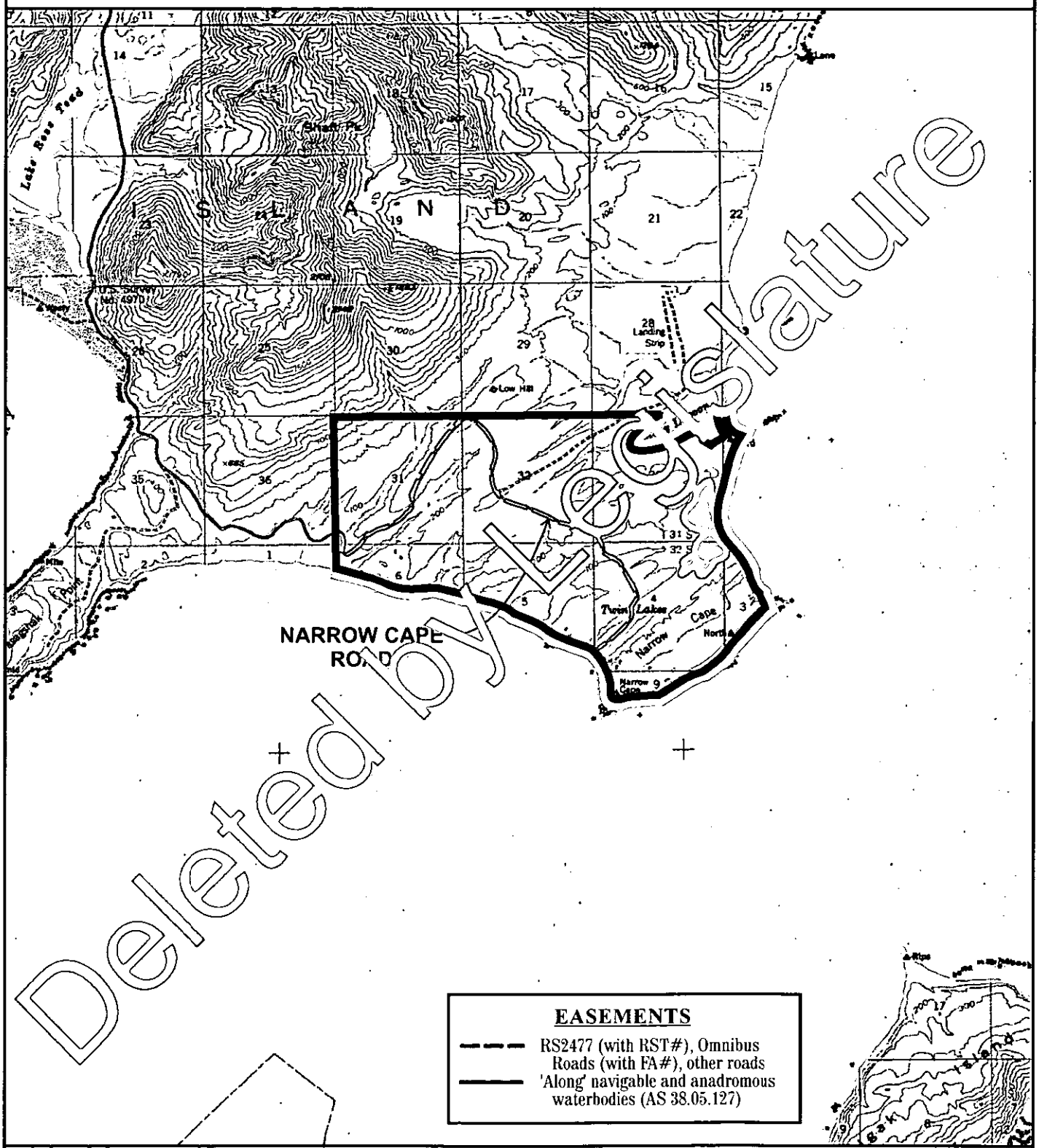
Prepared by: DNR
Source USGS Anchorage C-8, D-8
Date: 12/2004

one mile

Meridian	Township	Range
CRM	19N	4W

Kodiak Rocket Range

MA.KR.1001



EASEMENTS

- RS2477 (with RST#), Omnibus Roads (with FA#), other roads
- 'Along' navigable and anadromous waterbodies (AS 38.05.127)

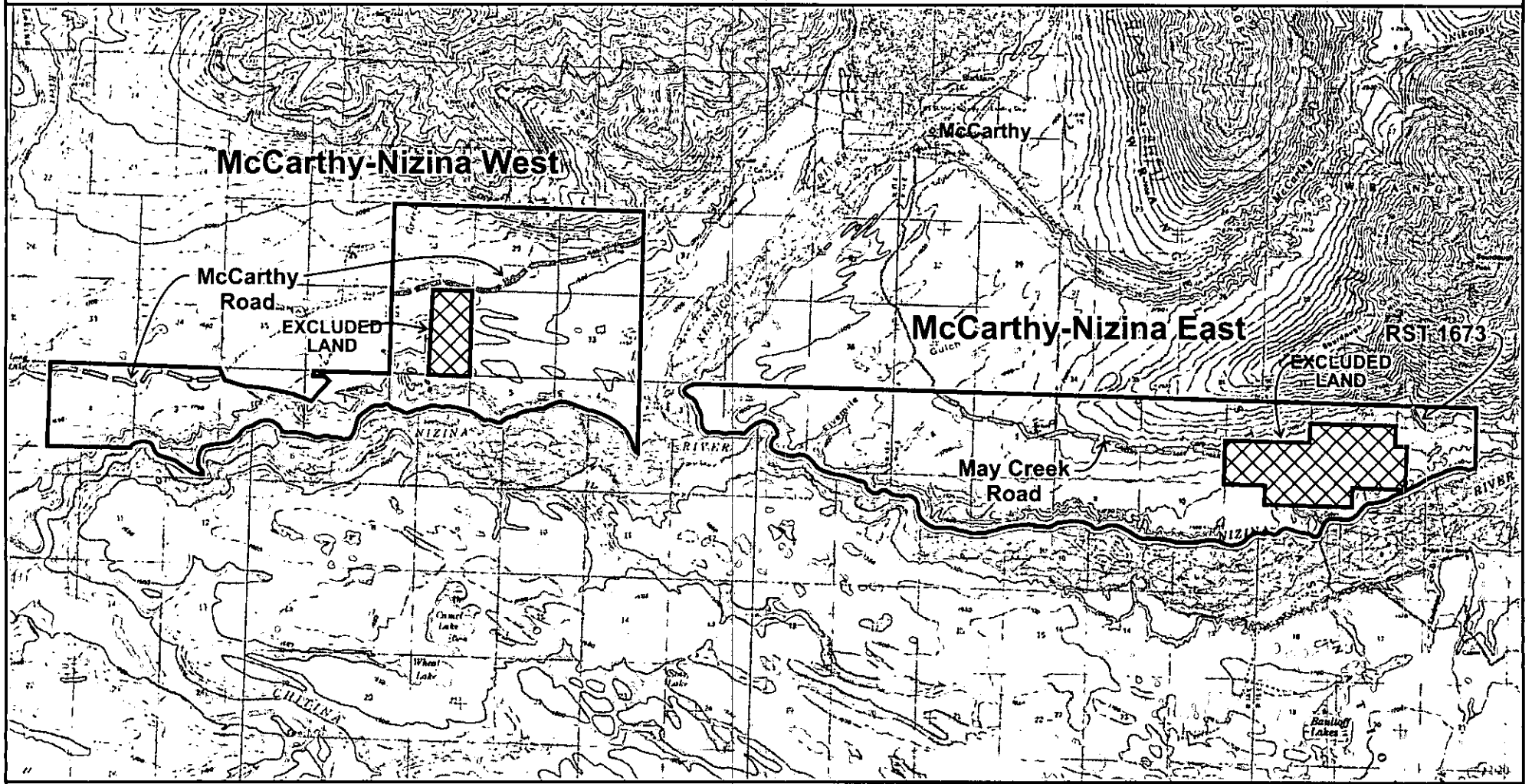
Prepared by: DNR
Source USGS Kodiak B-1, B-2
Date: 12/2004

one mile

Meridian	Township	Range
CRM	31-32S	19W

McCarthy-Nizina, East & West

MA.MC.1001



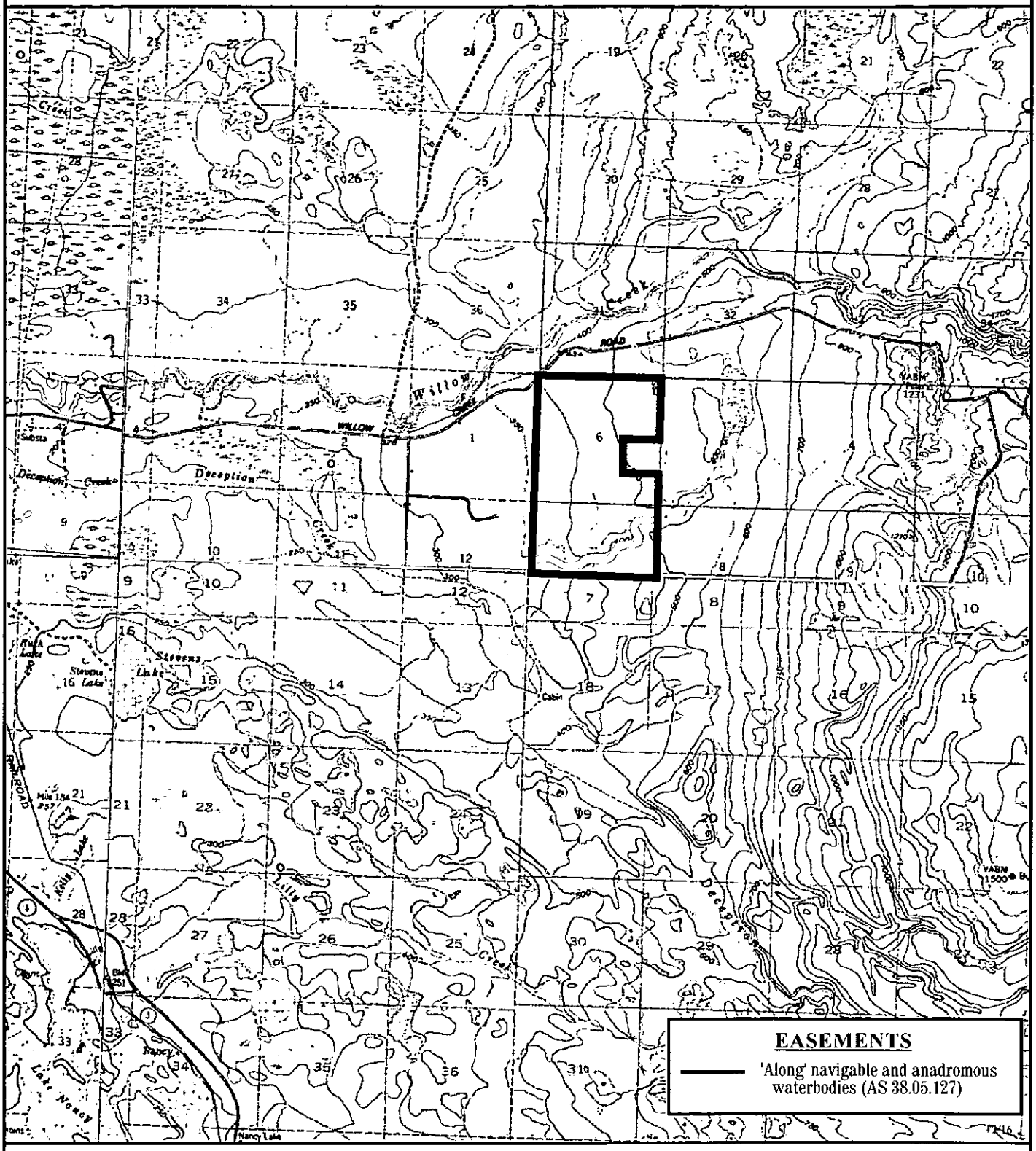
Prepared by: DNR
Source USGS McCarthy C-5, C-6
Date: 12/2004

one mile

Meridian	Township	Range
CRM	5-6S	13, 14, 15E

Willow Creek Road

SU.WC.1001



EASEMENTS

'Along' navigable and anadromous waterbodies (AS 38.05.127)

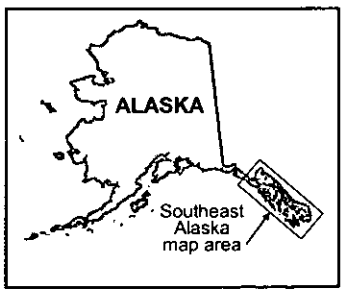
Prepared by: DNR
Source USGS Anchorage C-8, D-8, Tyonek C-1, D-1
Date: 12/2004

one mile

Meridian	Township	Range
SM	19N	3W

SOUTHEAST MAPS

SOUTHEAST REGION



HAINES
William Henry Bay
Chilkoot
Ivanhoe

JUNEAU
Auke Weir
Lynn Canal
Sumdum
Lena Creek

NORTHERN SOUTHEAST
Excursion Inlet
Pelican
Tenakee Springs
Idaho Inlet
Mite Cove

SITKA
Middle Island
Sitka Campus
Biorka Island
Warm Springs Bay
Port Conclusion
Port Alexander
Lisianski Peninsula

PETERSBURG
Beecher Pass
Favor Peak
Three Lake Road
Read Island
Whitney Island

KUIU ISLAND
Rowan Bay

WRANGELL
Earl West Cove
Olive Cove
Thoms Place

PRINCE OF WALES ISLAND
Coffman Cove
Edna Bay
El Capitan North, South
Hollis
Harris Road Junction
Hook Arm
Moira Sound/Nowiskay Cove
Naukati Sound
Port Delores
Thorne Bay

KETCHIKAN
Duke Island
Kelp Island
Leask Cove
Moser Bay
Ward Cove
Cleveland Peninsula
Neets Creek

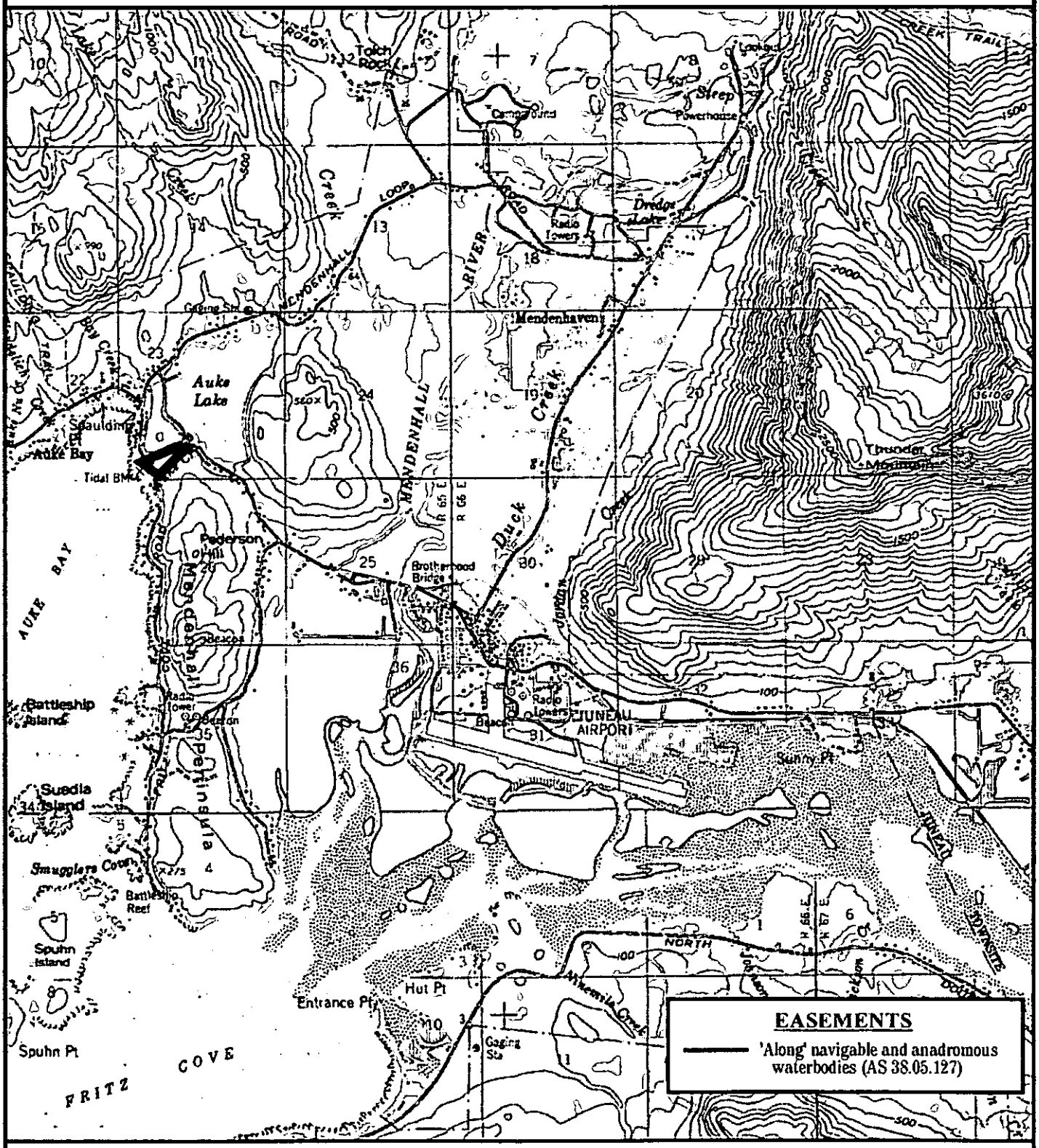
Haines
Chilkoot
Ivanhoe
William Henry Bay
Excursion Inlet
Lynn Canal
Lena Creek
Auke Weir
Juneau
Idaho Inlet
Mite Cove
Pelican
Tenakee Springs
Sumdum
Lisianski Peninsula
Warm Springs Bay
Sitka Campus
Middle Island
Sitka
Biorka Island
Whitney Island
Read Island
Petersburg
Rowan Bay
Three Lake Road
Beecher Pass
Favor Peak
Wrangell
Earl West Cove
Port Conclusion
Port Alexander
El Capitan North
El Capitan South
Olive Cove
Thoms Place
Edna Bay
Coffman Cove
Cleveland Peninsula
Neets Creek
Thorne Bay
Naukati Sound
Hollis
Moser Bay
Leask Cove
Harris Road Junction
Port Delores
Ward Cove
Ketchikan
Hook Arm
Nowiskay Cove
Moira Sound
Duke Island
Kelp Island

0 25 50
SCALE IN MILES

2/20/2004

Auke Weir

JU.AU.1001



Prepared by: DNR
Source USGS Juneau B-2
Date: 12/2004

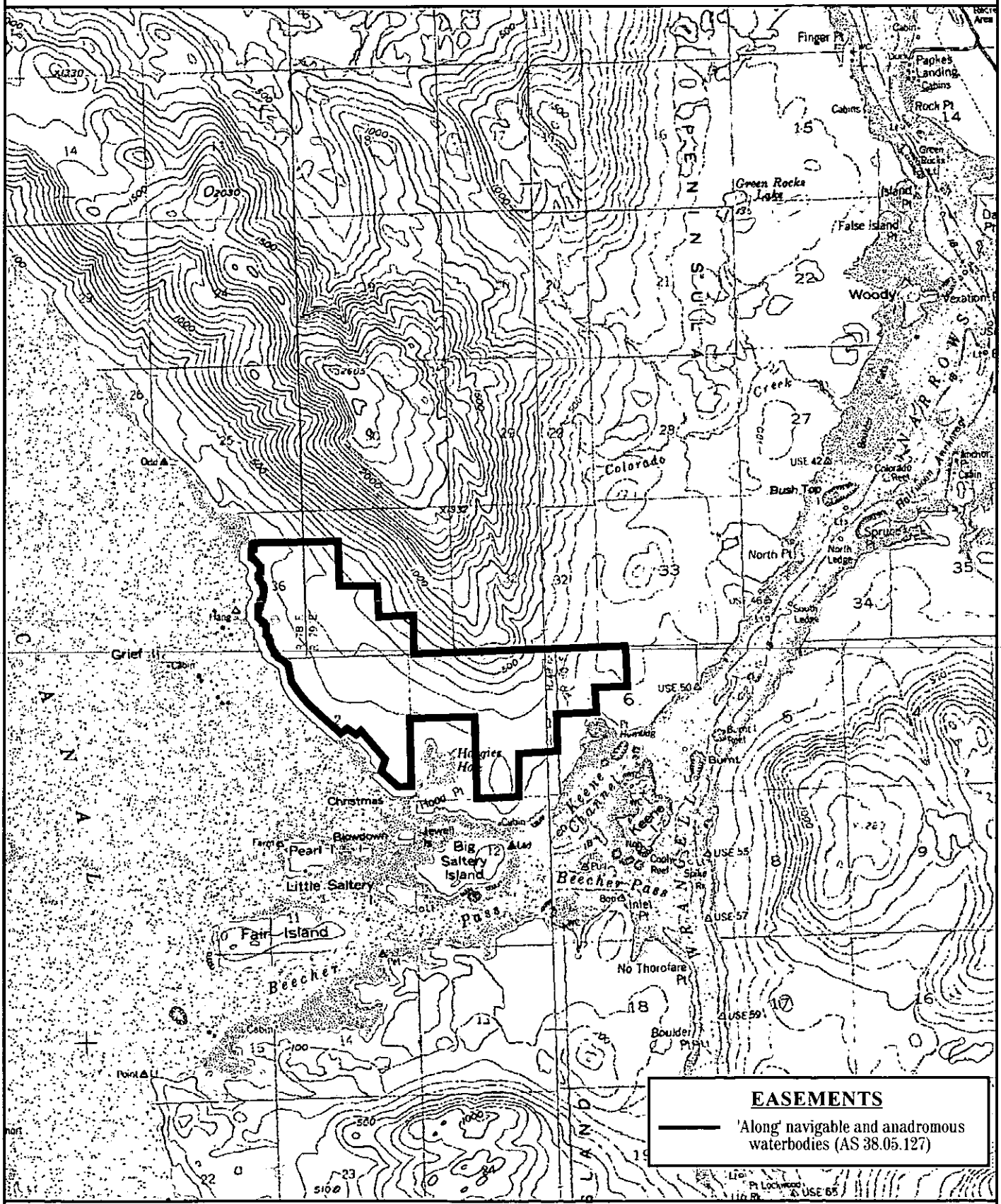
one mile

Meridian	Township	Range
CRM	40S	65E

4184

Beecher Pass

SD.1001



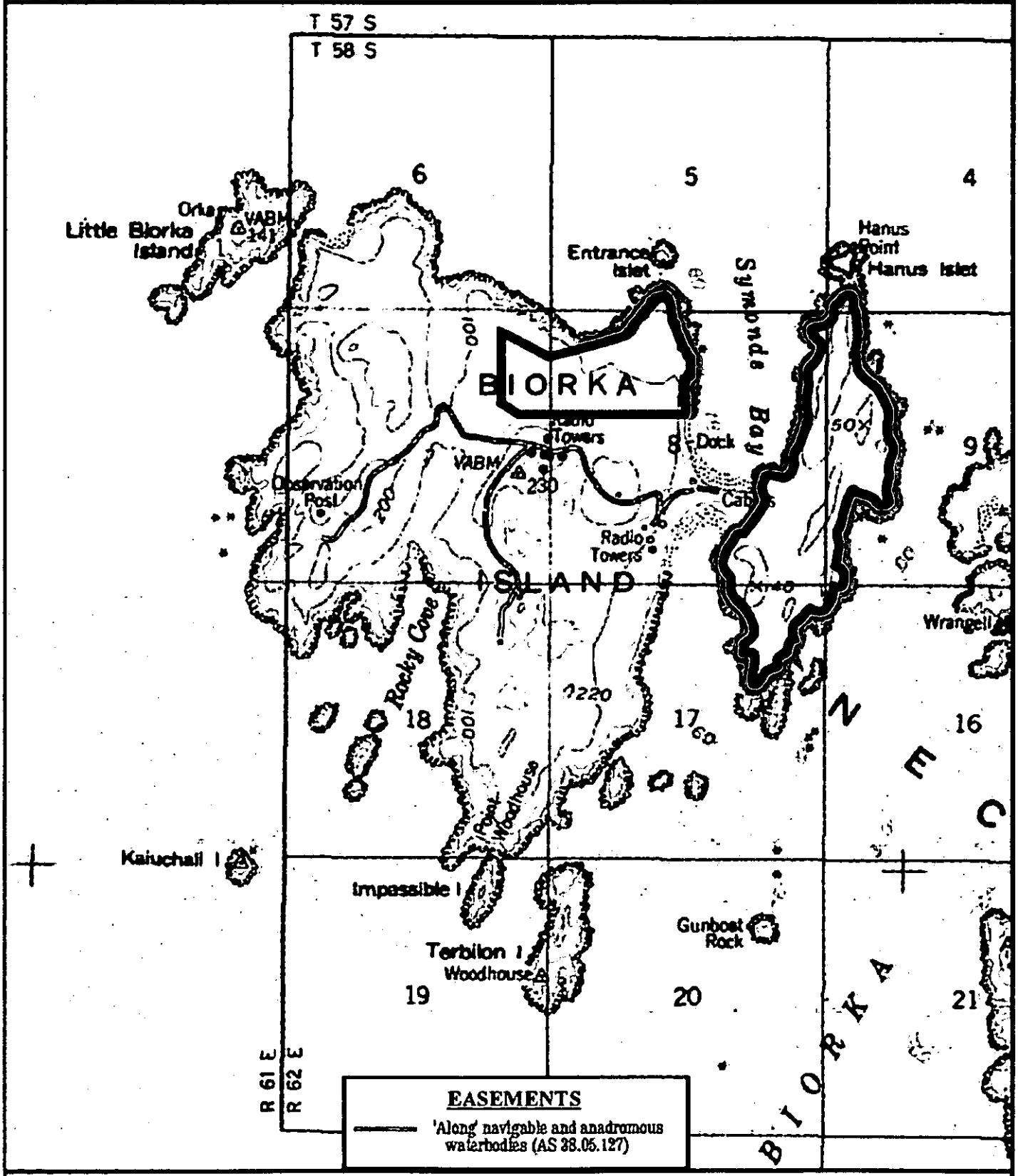
Prepared by: DNR
Source USGS Petersburg C-3, C-4
Date: 12/2004

one mile

Meridian	Township	Range
CRM	60-61S	79-80E

Biorka Island

PA.1002



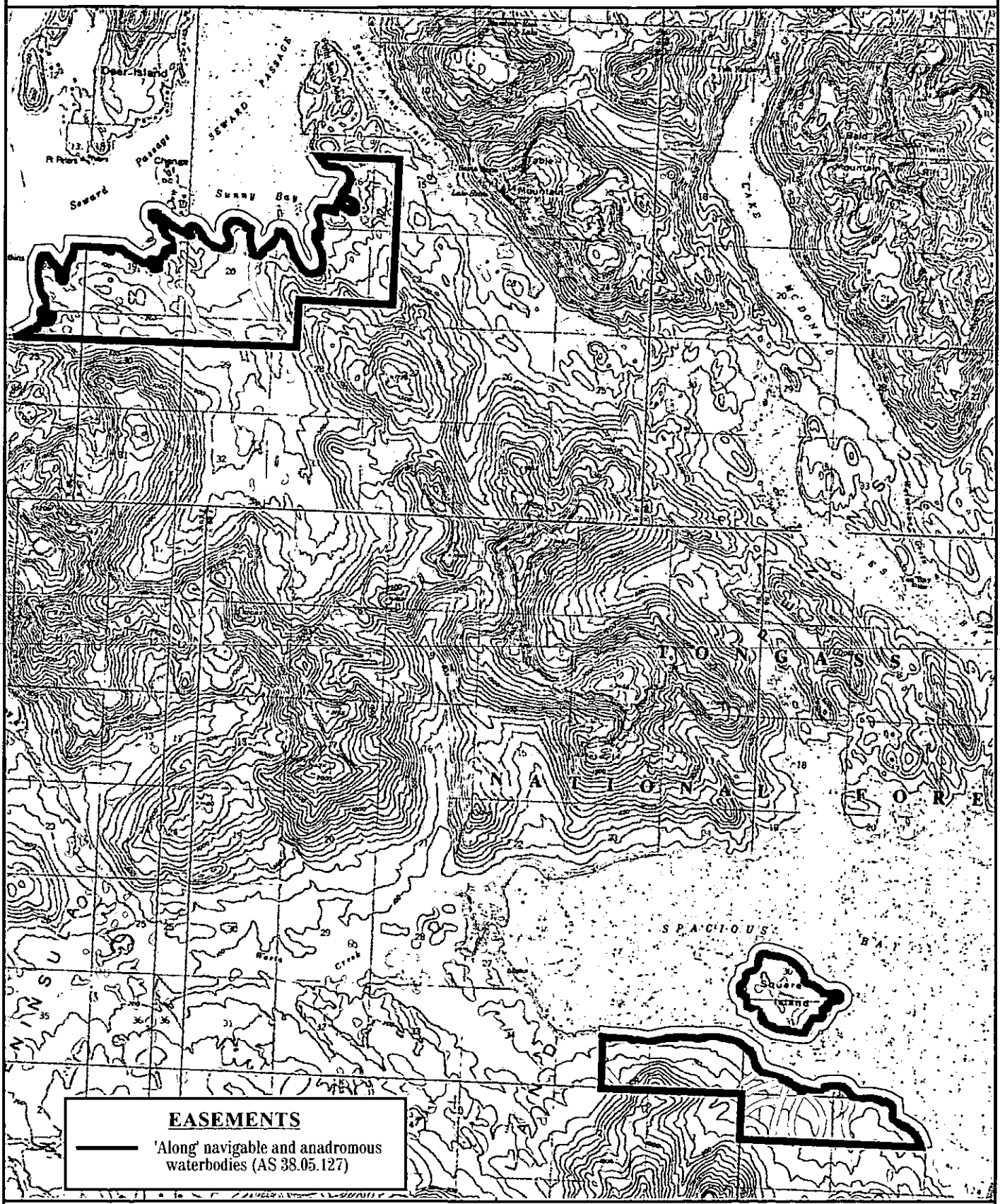
Prepared by: DNR
Source USGS Port Alexander D-5
Date: 12/2004

one mile

Meridian	Township	Range
CRM	58S	63E

4186

Cleveland Peninsula KT.1002



Prepared by: DNR
Source USGS Ketchikan D-6
Date: 12/2004

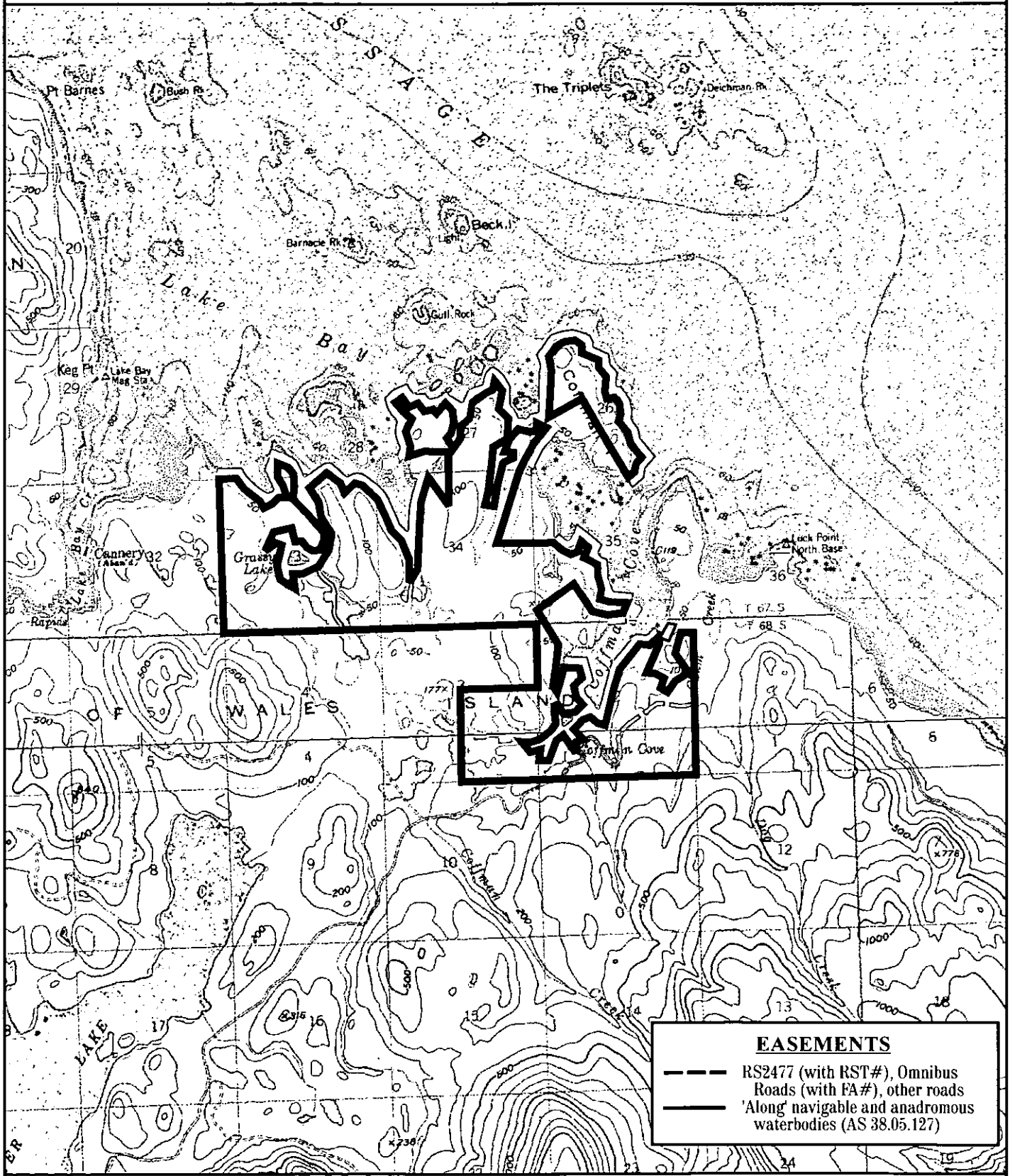
one mile

Meridian	Township	Range
CRM	68S 69-70S	86-87E 88-89E

4187

Coffman Cove

PW.CC.1001



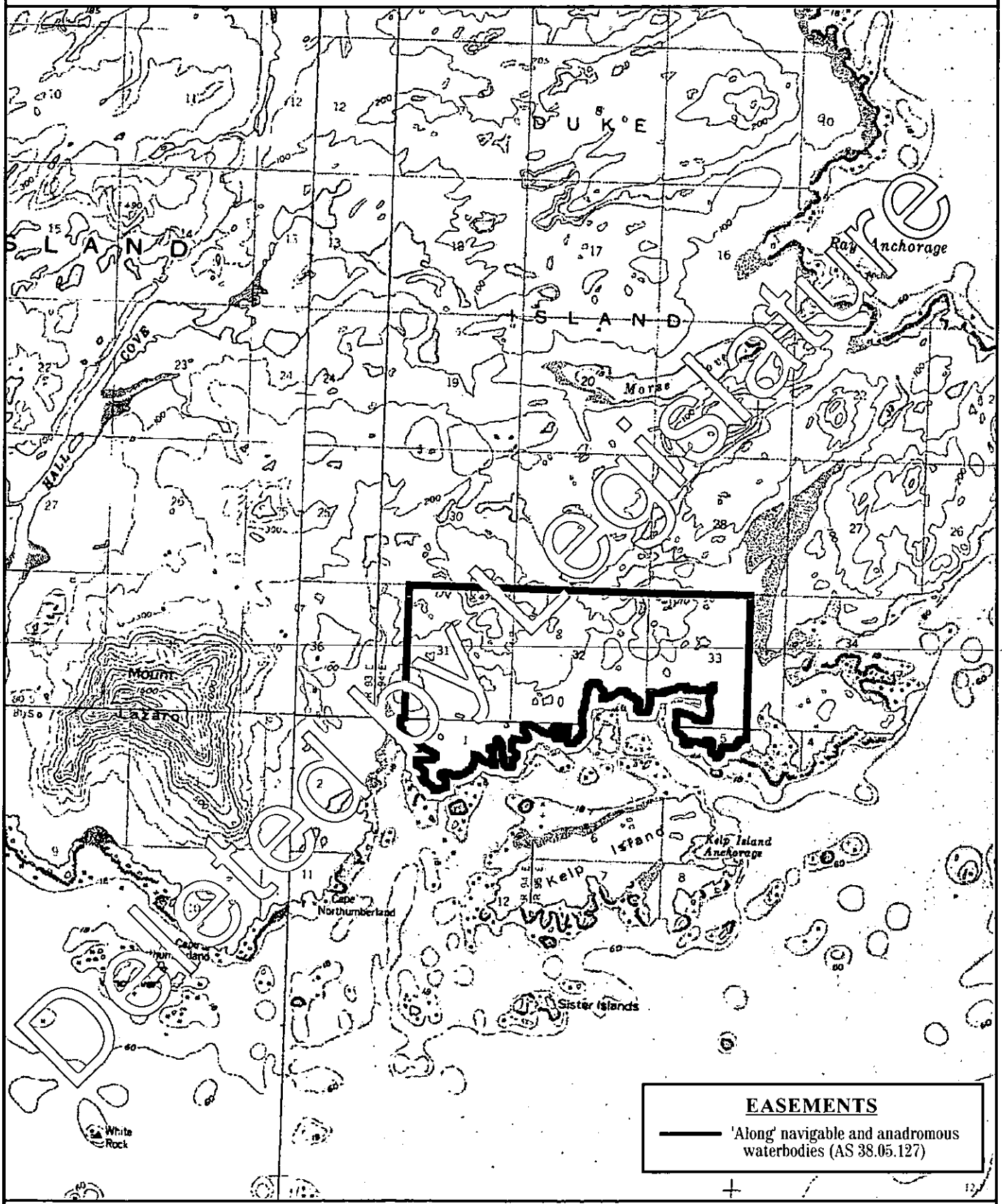
Prepared by: DNR; rhc
Source USGS Petersburg A-3, Craig D-3
Date: 12/2004

one mile

Meridian	Township	Range
CRM	67 & 68S	81E

Duke Island

SD.1001



Deleted Vegetation

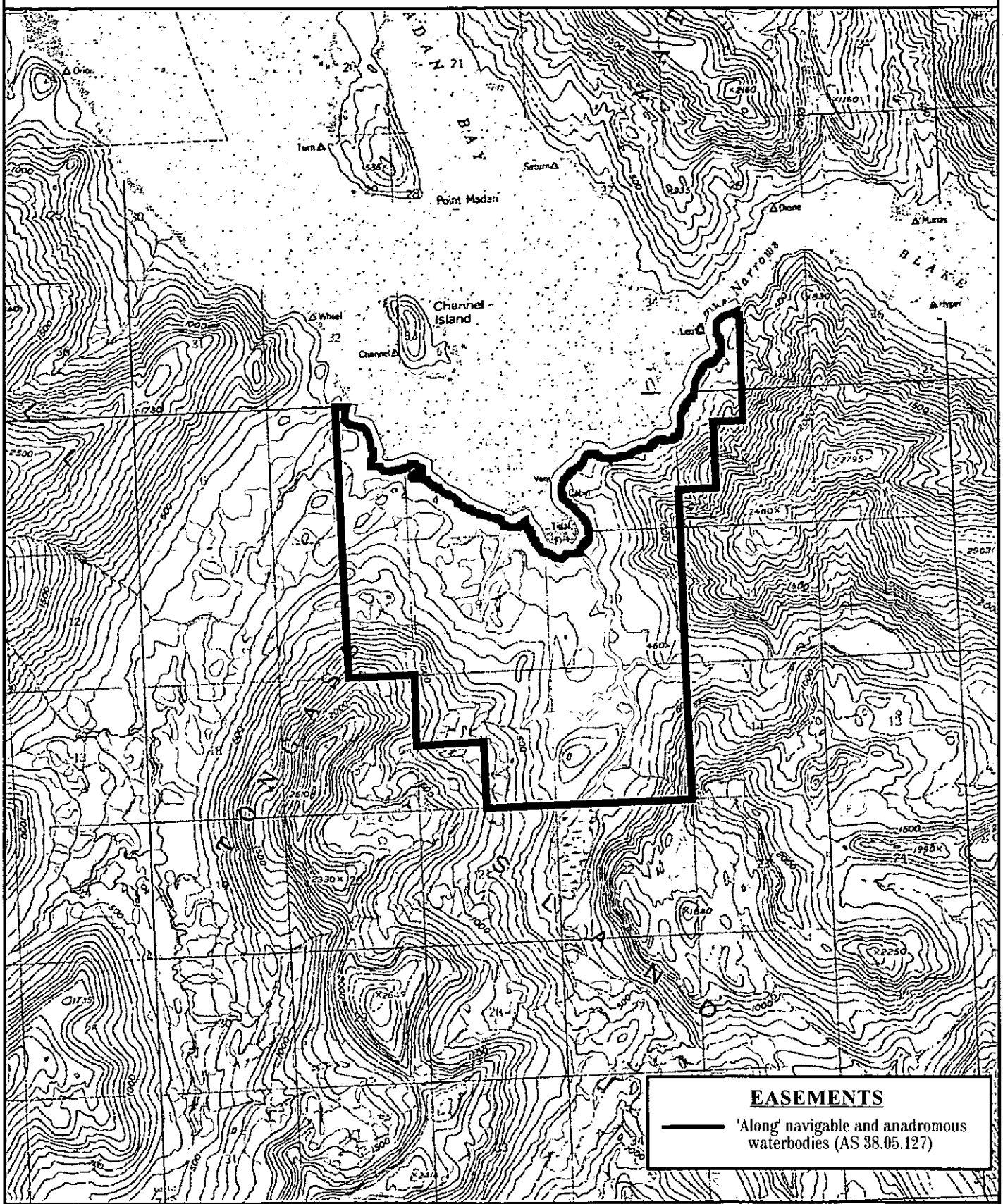
Prepared by: DNR
Source USGS Prince Rupert D-4
Date: 12/2004

one mile

Meridian	Township	Range
CRM	80 & 81S	94E

Earl West Cove

PT.1004



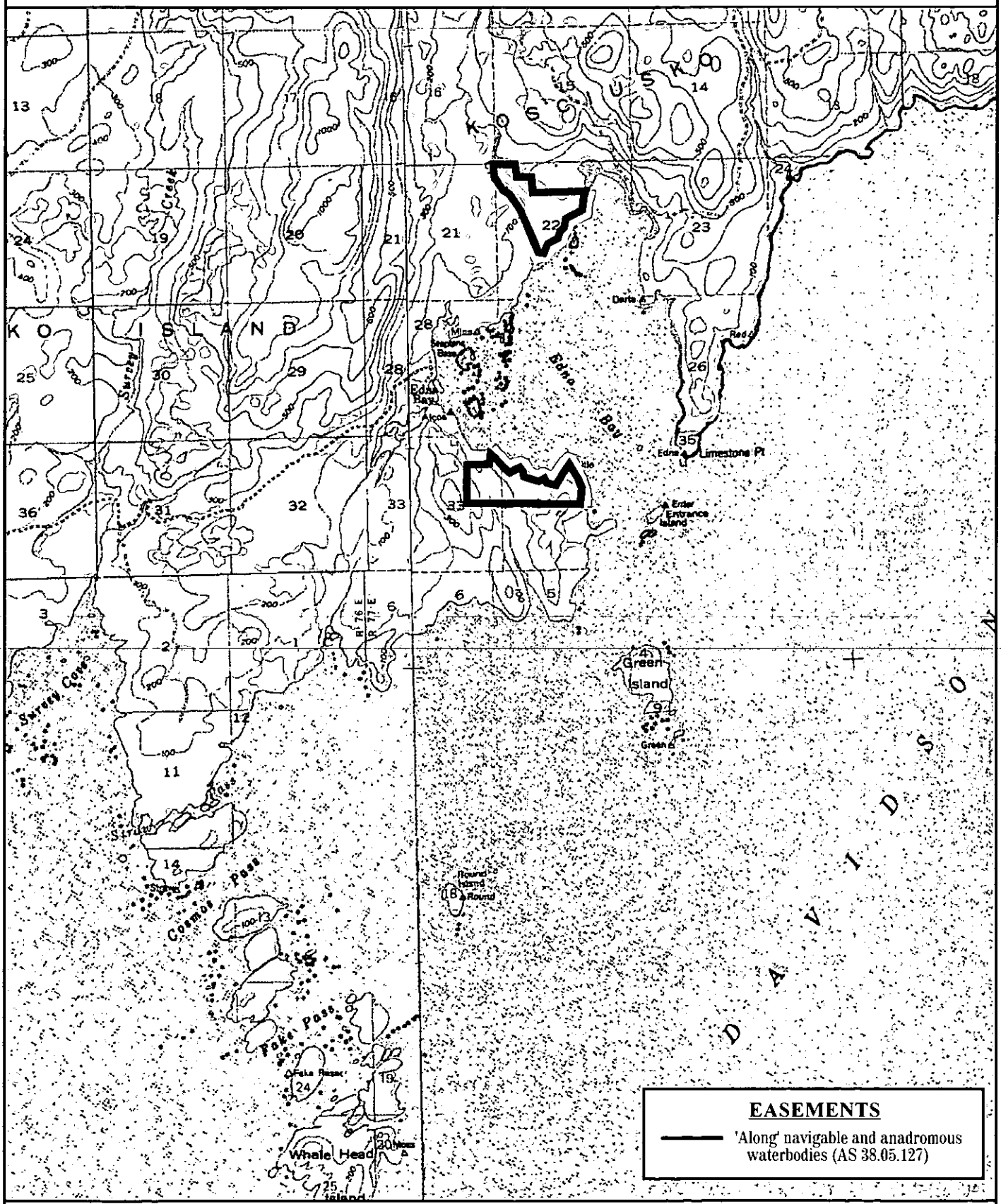
Prepared by: DNR
Source USGS Petersburg B-1
Date: 12/2004

one mile

Meridian	Township	Range
CRM	63-64S	85E

Edna Bay

PW.ED.1001



Prepared by: DNR
Source USGS Craig D-5, D-6
Date: 12/2004

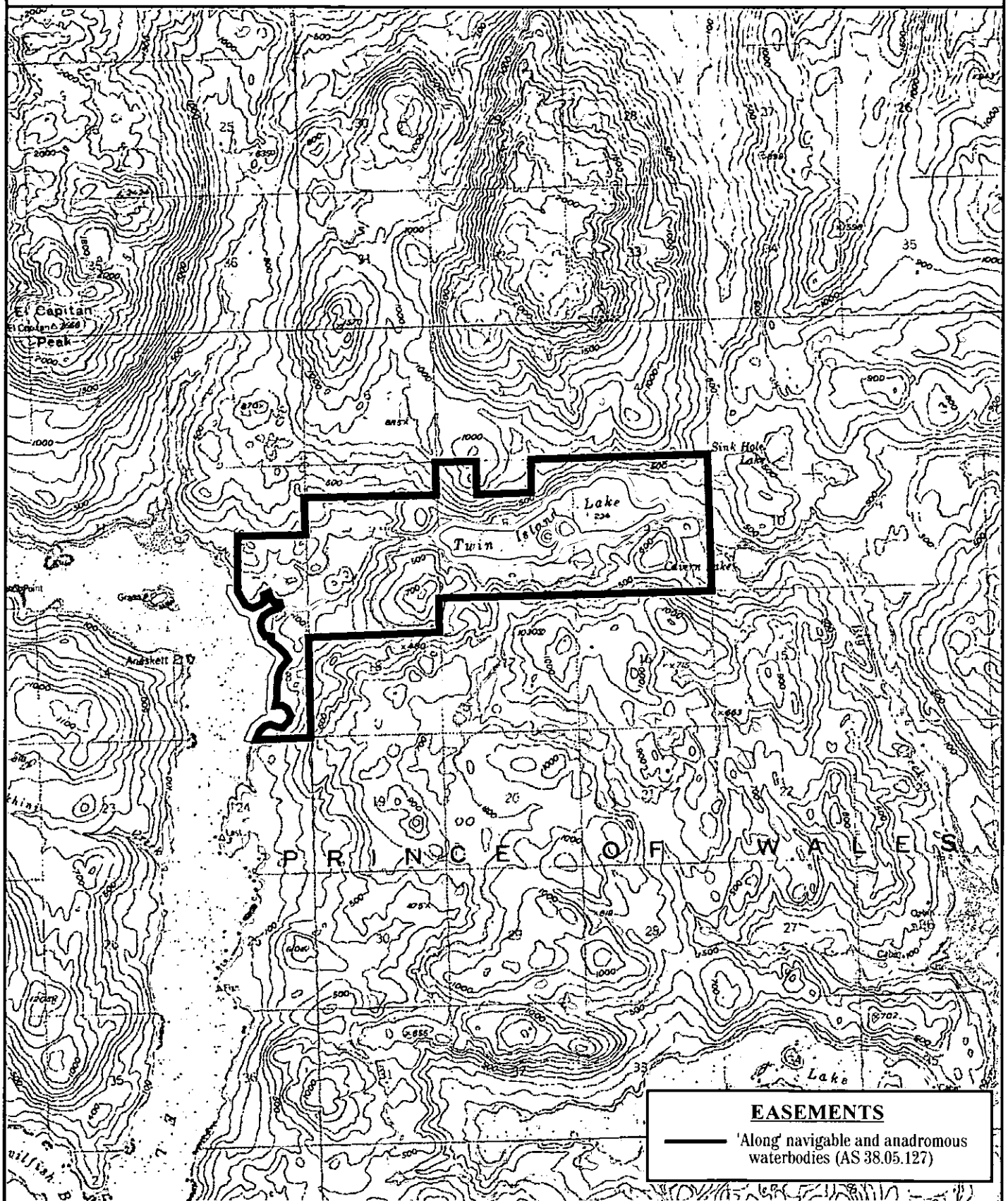
one mile

Meridian	Township	Range
CRM	68S	76E

4191

El Capitan North

PW.EC.1001



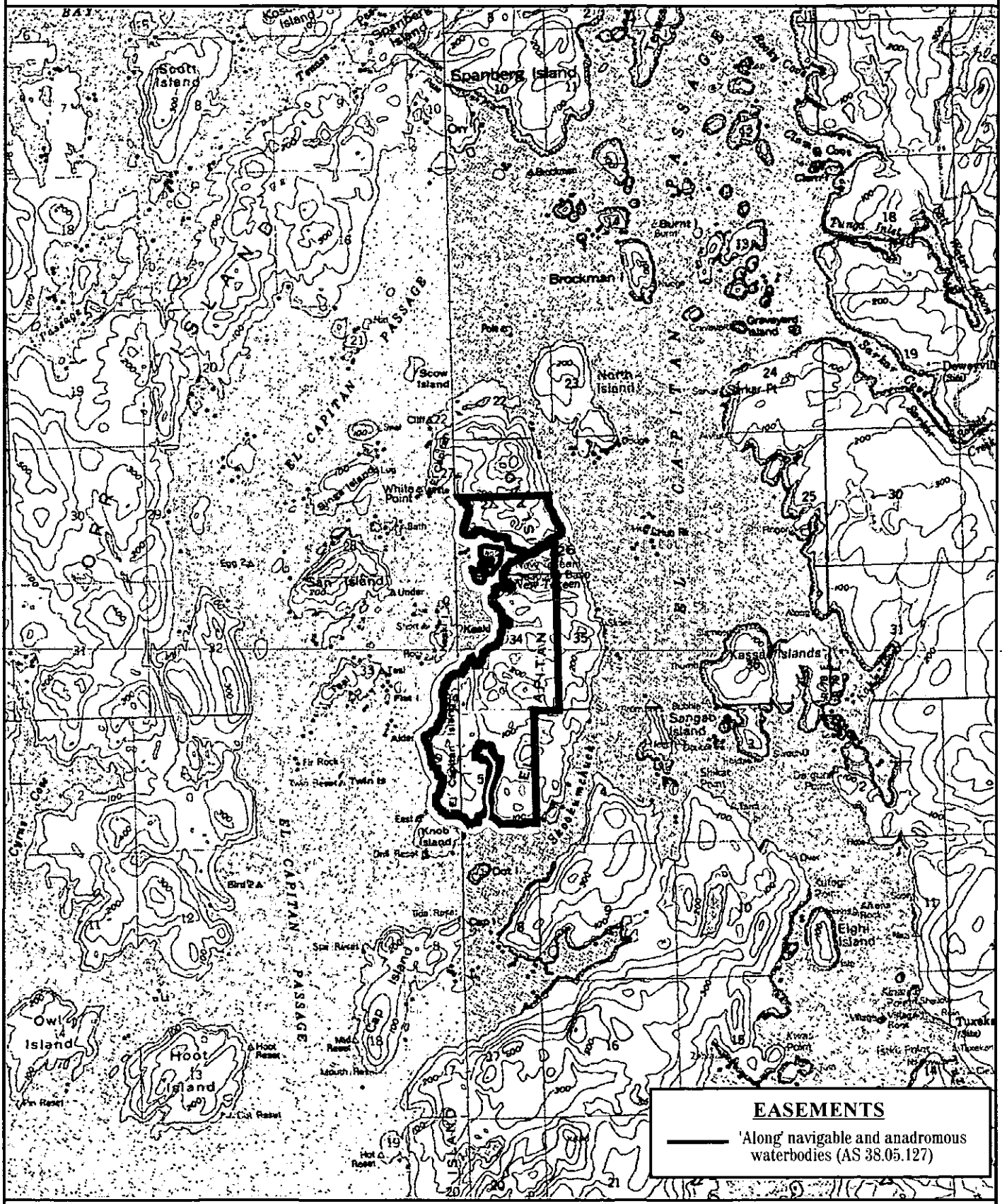
Prepared by: DNR
Source USGS Petersburg A-4
Date: 12/2004

one mile

Meridian	Township	Range
CRM	66S	78 & 79E

El Capitan South

PW.EC.1001



Prepared by: DNR
Source USGS Craig D-4, D-5
Date: 12/2004

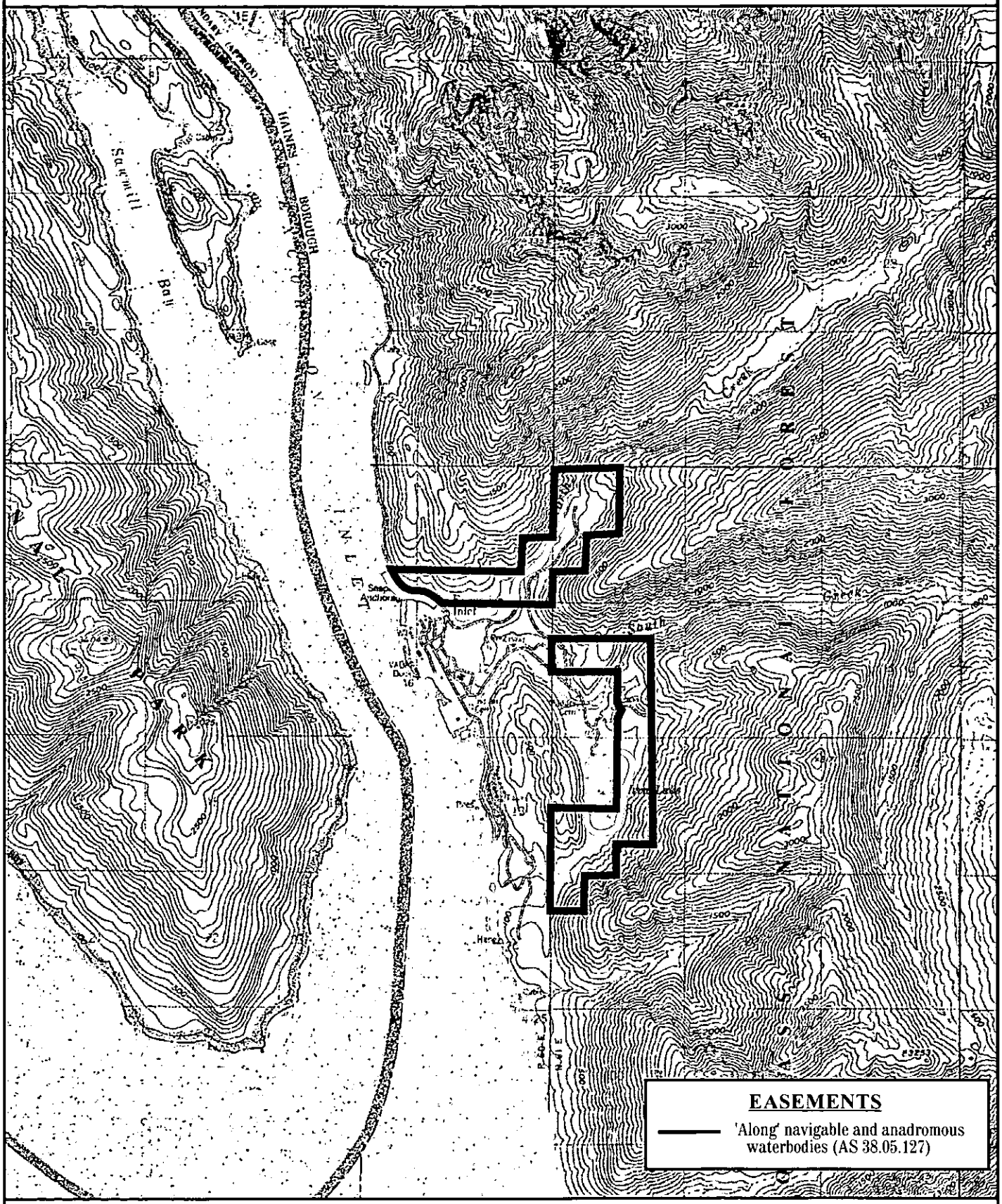
one mile

Meridian	Township	Range
CRM	68S	78E

4193

Excursion Inlet

NS.EX.1002



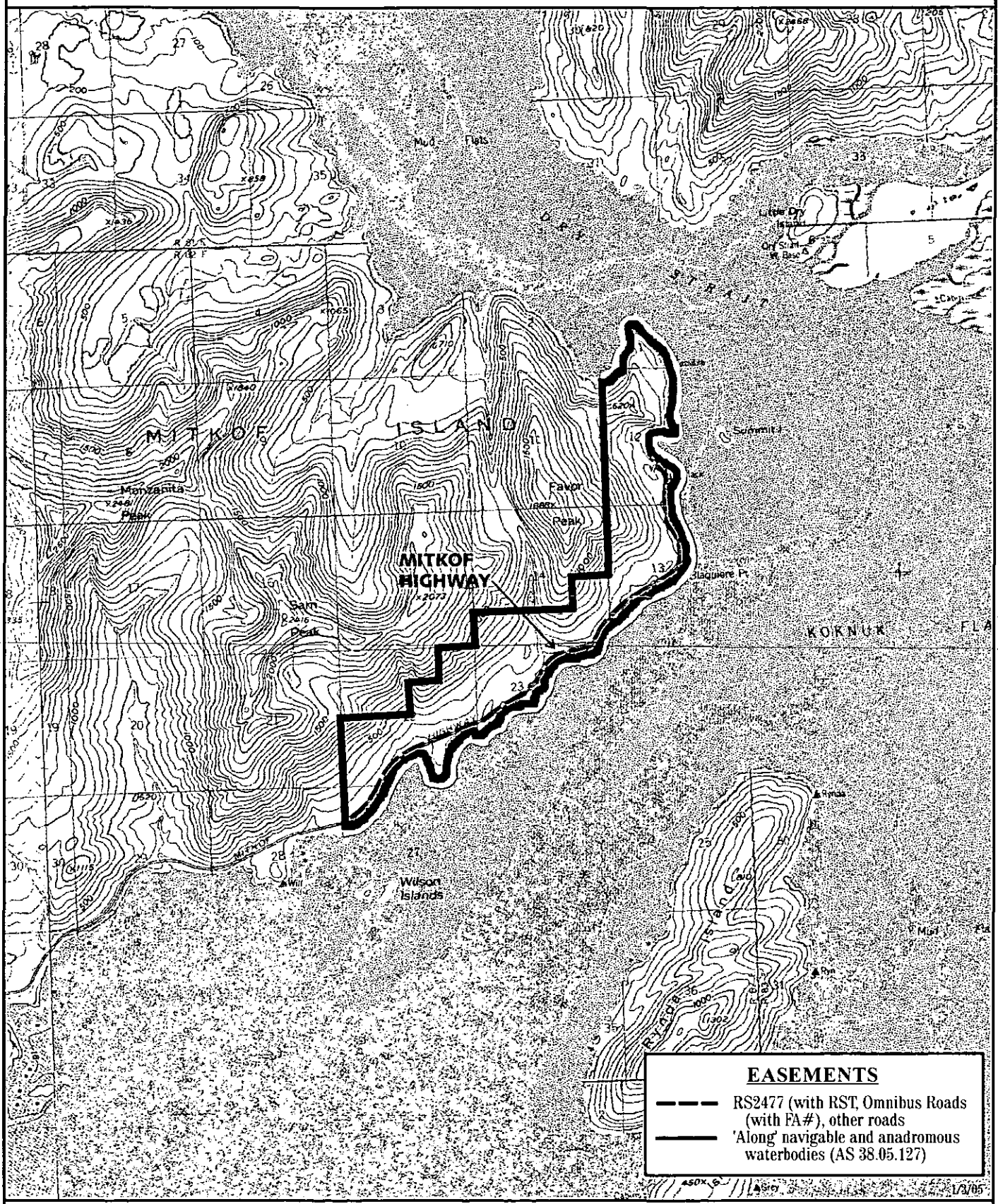
Prepared by: DNR
Source USGS Juneau B-5
Date: 12/2004

one mile

Meridian	Township	Range
CRM	40S	61E

Favor Peak

SD.1001



Prepared by: DNR
Source USGS Petersburg C-3, C-4
Date: 12/2004

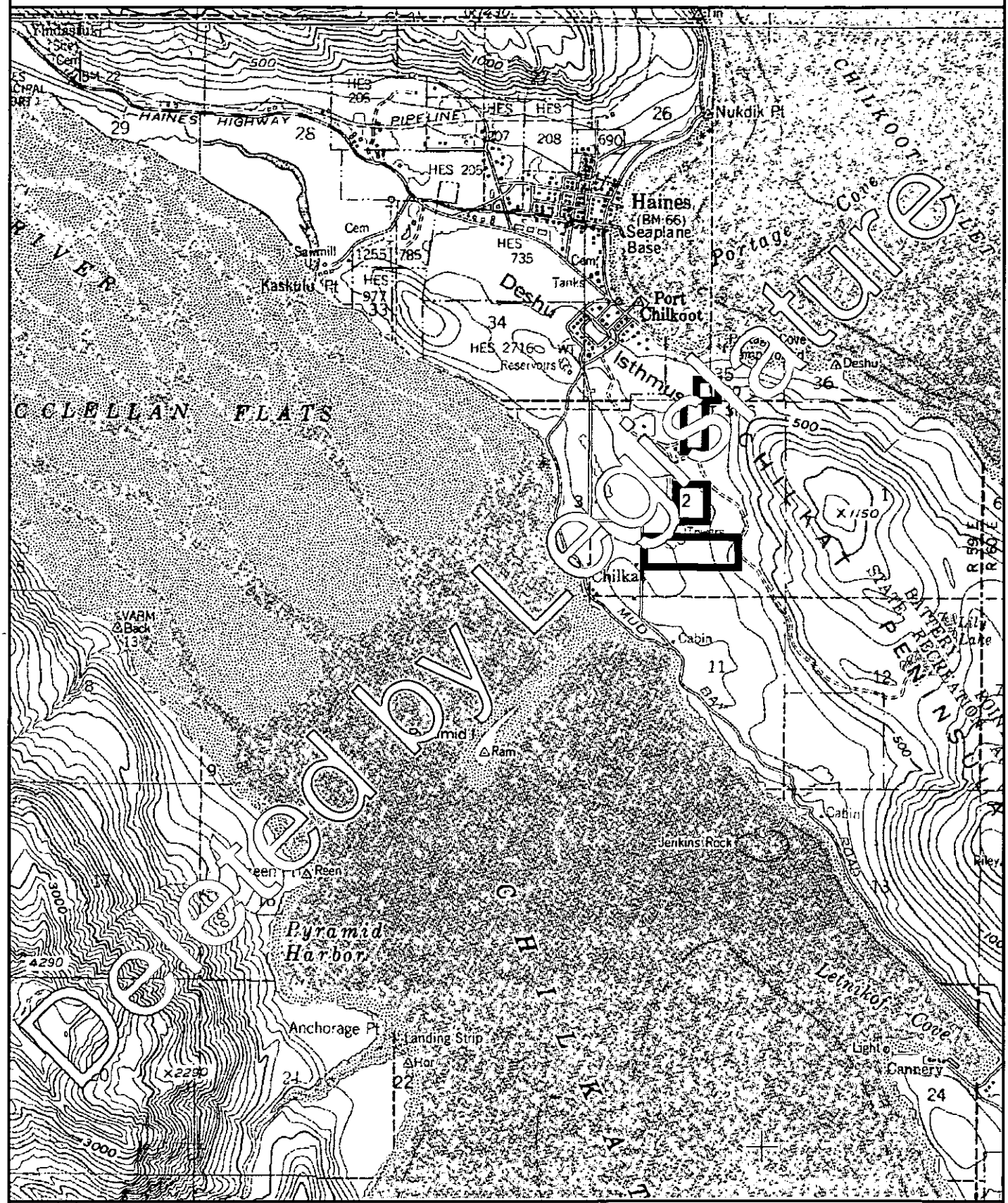
one mile

Meridian	Township	Range
CRM	61S	82E

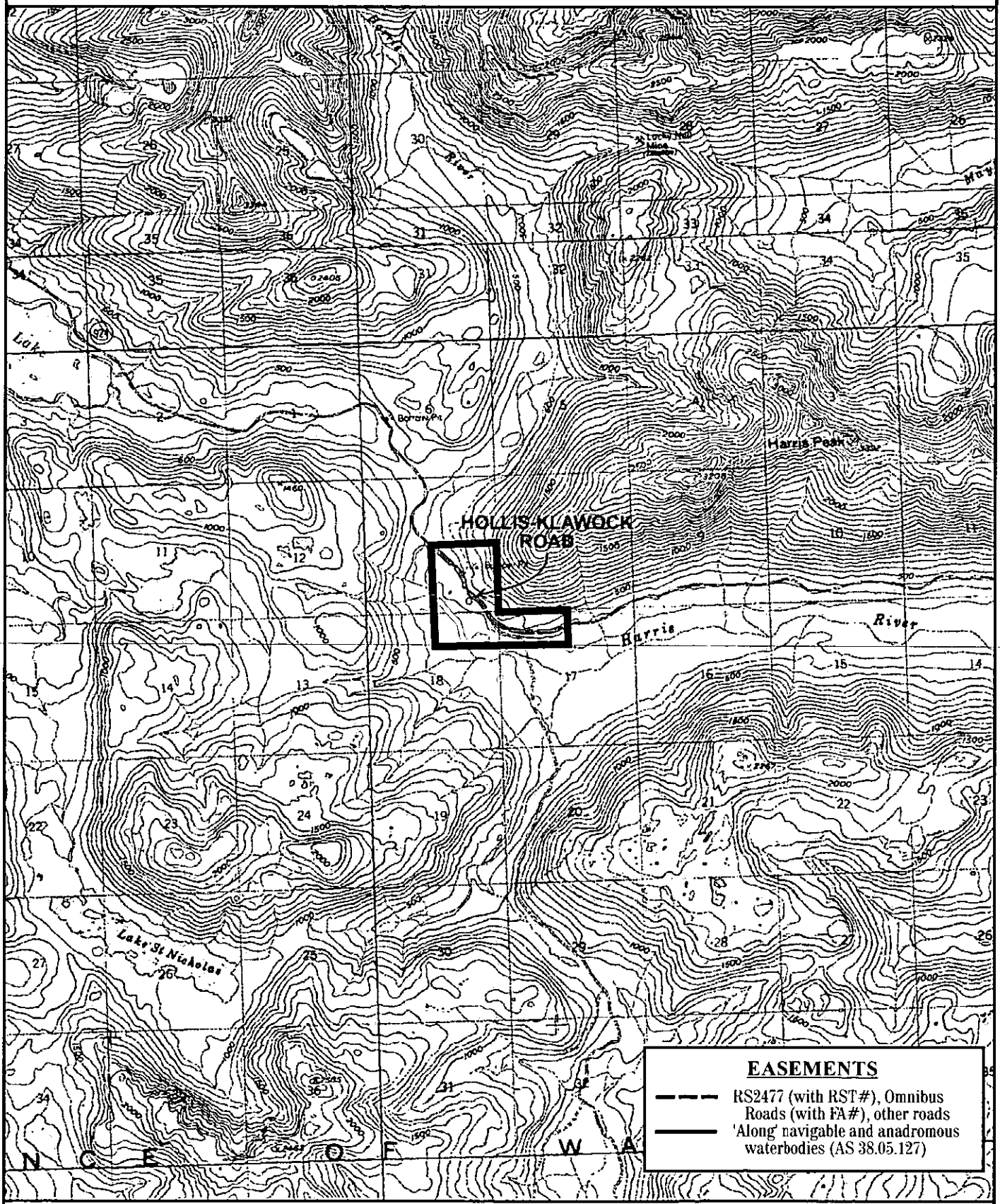
4195

Haines-Chilkoot

HA.CH.1001


Haines
(BM 66)
Seaplane Base
Port Chilkoot
Nukdik Pt
Kaskulu Pt
Sawmill
Cem
Tanks
Deshu
Portage Cove
Isthmus Bay
Chilkat
Mud Bay
Cabin
Battery Recreation Site
Chilkat Peninsula
Chilkoot Lake
Jenkins Rock
Pyramid Harbor
Anchorage Pt
Landing Strip
Letnikof Cove
Cannery
Light
Haines Highway
Pipeline
McClellan Flats
Chilkoot River
Delete above feature
Delete above feature
Delete above feature

Harris Road Junction CR.1001



Prepared by: DNR
Source USGS Craig B-3
Date: 12/2004

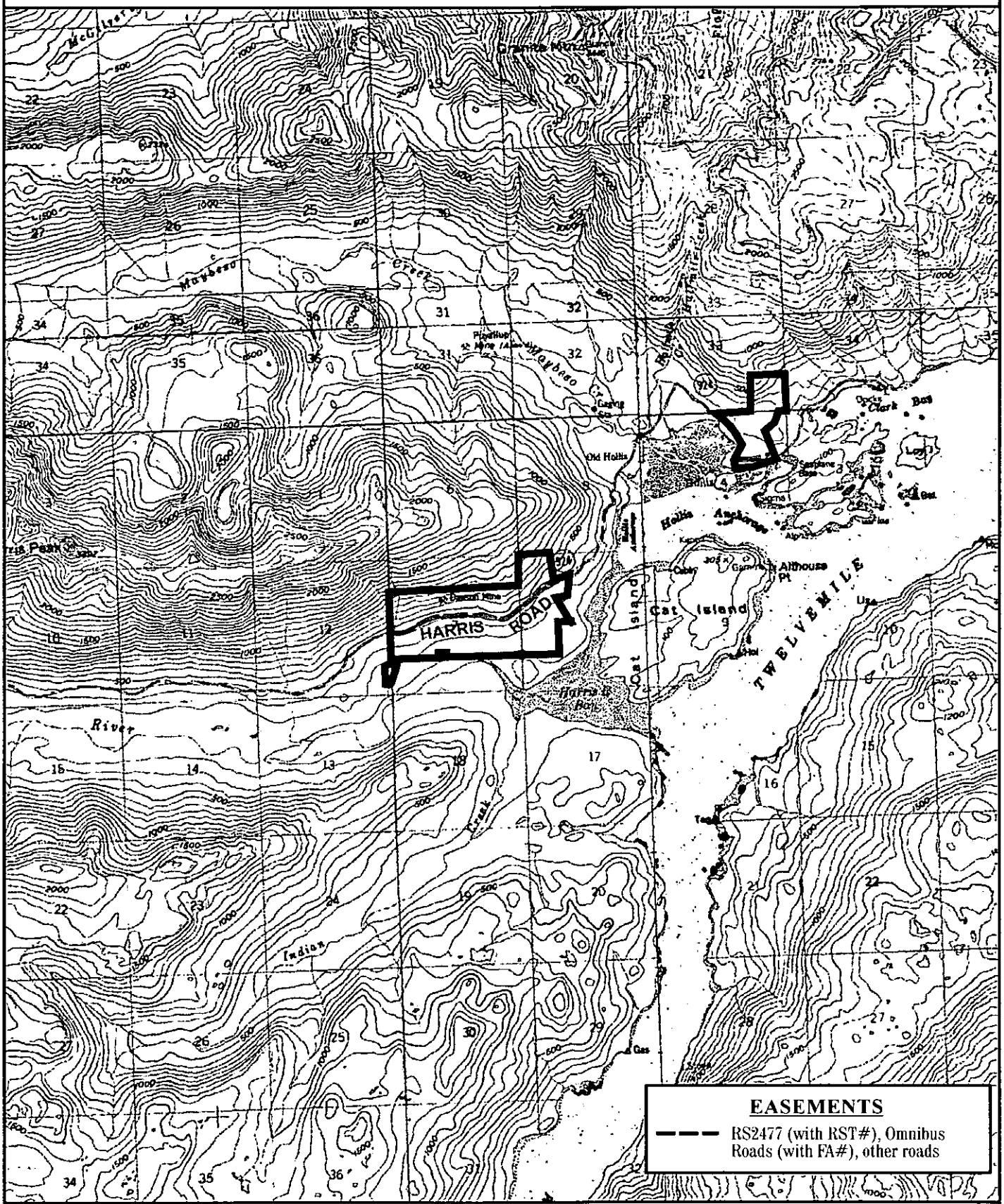
one mile

Meridian	Township	Range
CRM	74S	83E

4197

Hollis

PW.HO.1001



EASEMENTS

RS2477 (with RST#), Omnibus Roads (with FA#), other roads

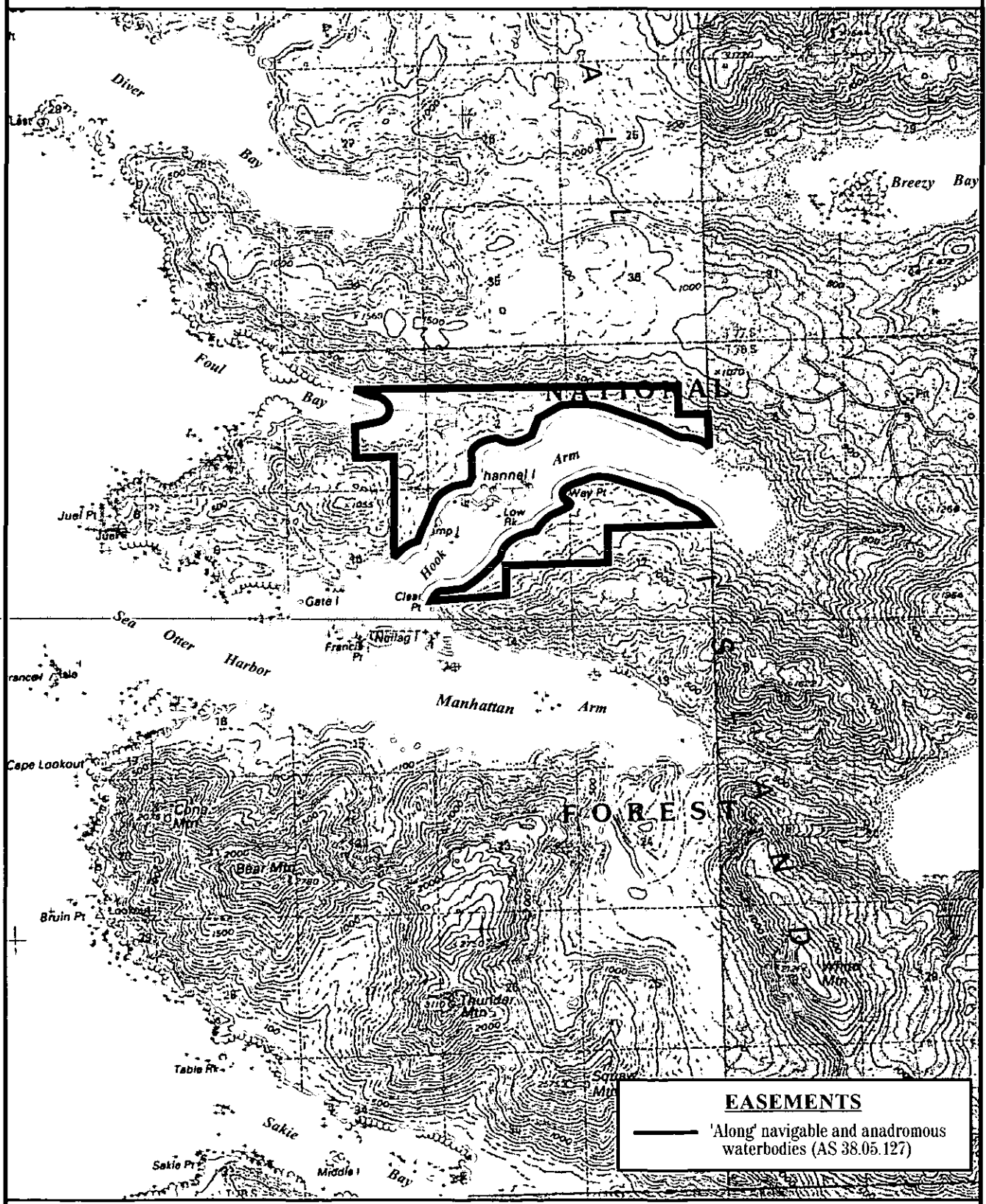
Prepared by: DNR
Source USGS Craig B2, B3, C2, C3
Date: 12/2004

one mile

Meridian	Township	Range
CRM	73S-74S	83E-84E

Hook Arm

PW.HK.1001



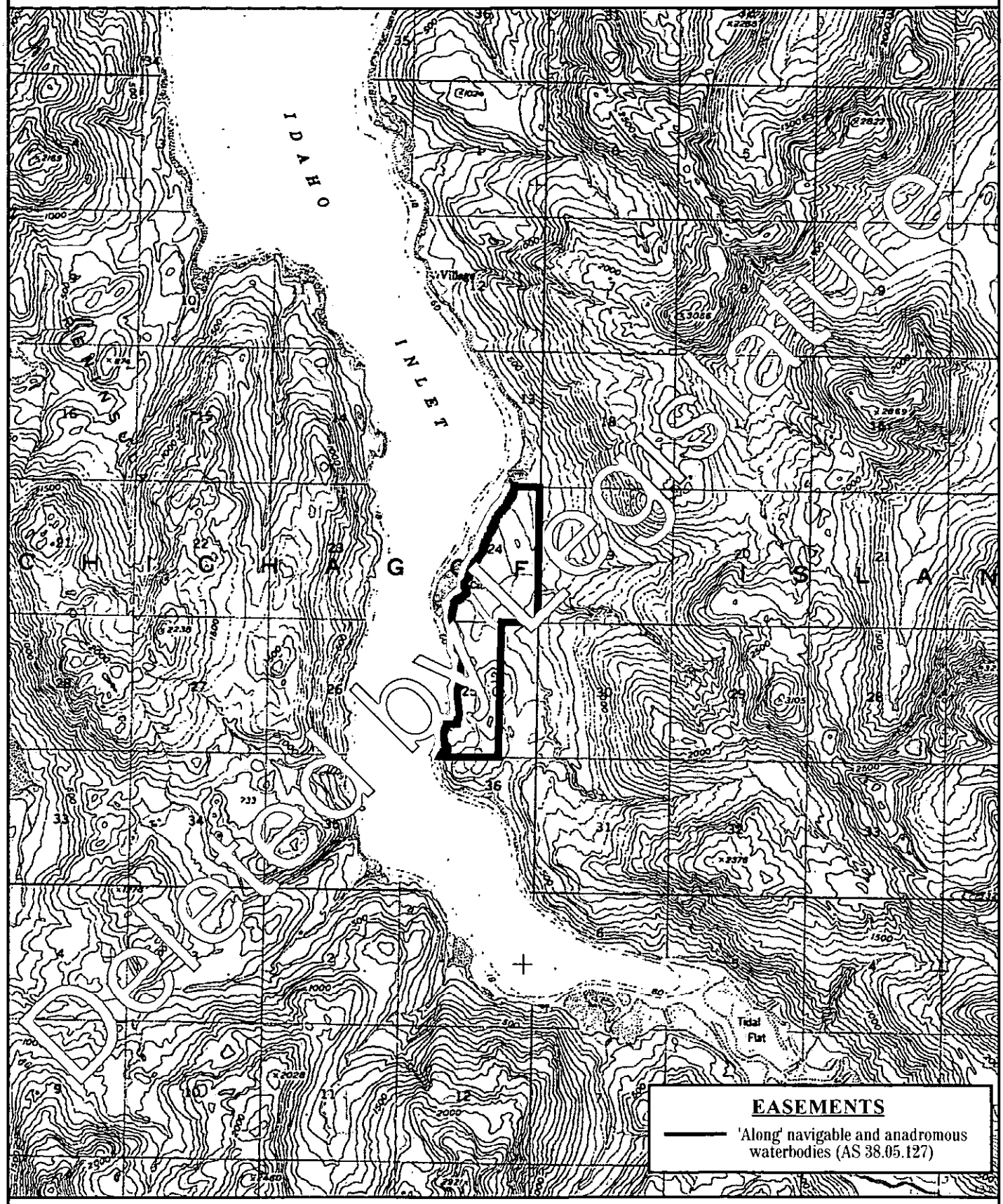
Prepared by: DNR, rhc
Source USGS, Craig A-4
Date: 12/2004

one mile

Meridian	Township	Range
CRM	78S	81E

Idaho Inlet

MF.1002



Retained by the legislature

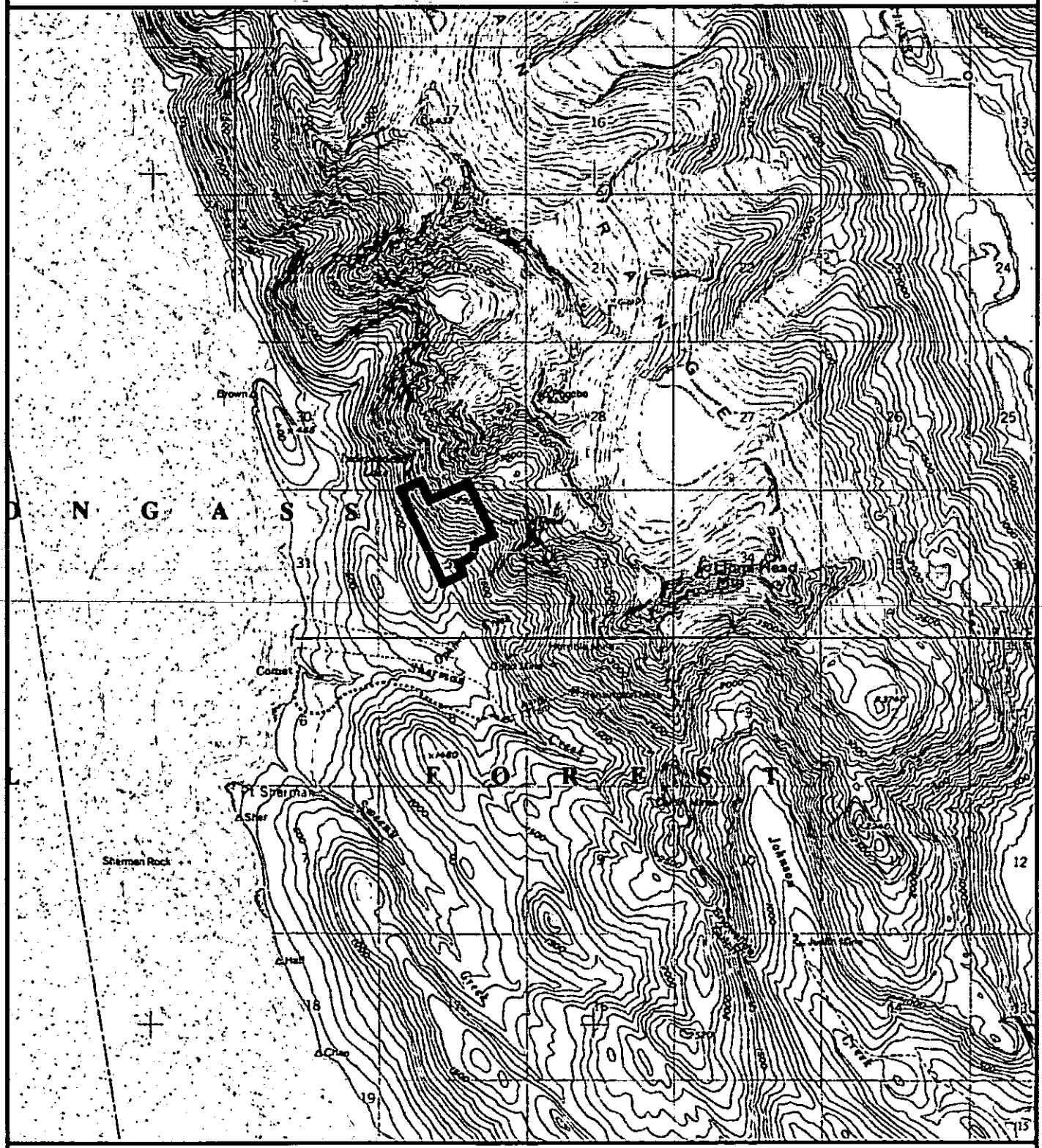
Prepared by: DNR
Source USGS Mt. Fairweather A-1
Date: 12/2004

one mile

Meridian	Township	Range
CRM	43S	56E

Ivanhoe

JU.NL.1001



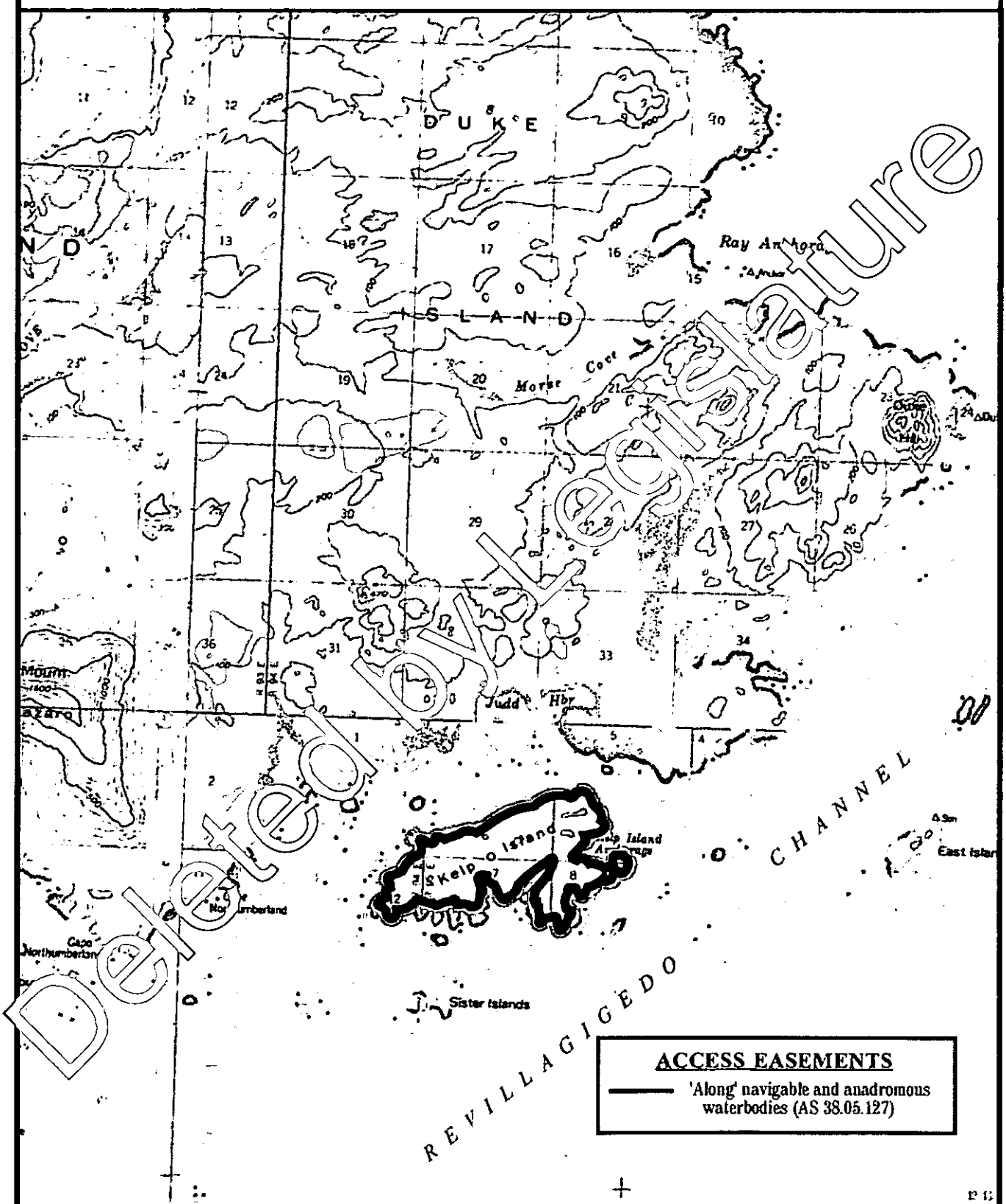
Prepared by: DNR
Source USGS Juneau D-4
Date: 12/2004

one mile

Meridian	Township	Range
CRM	34S	62E

Kelp Island

CS.KI.1001



Deleted by Legislature

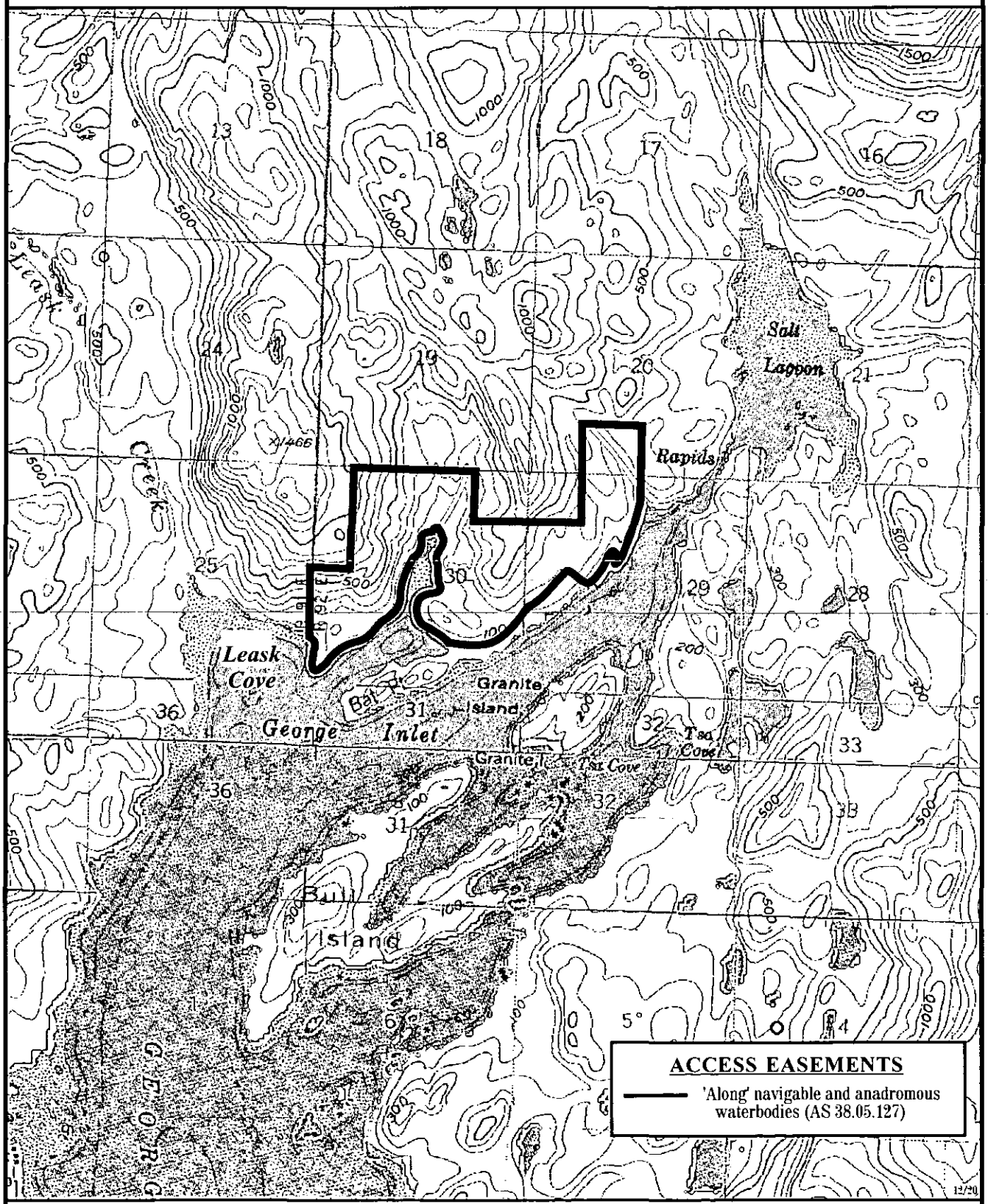
Prepared by: rhc
Source USGS, Prince Rupert D-4
Date: 12/2004

one mile

Meridian	Township	Range
CRM	81S	94-95E

Leask Cove

CS.LE.1001



Prepared by: rhc
Source USGS, Ketchikan C-5
Date: 12/2004

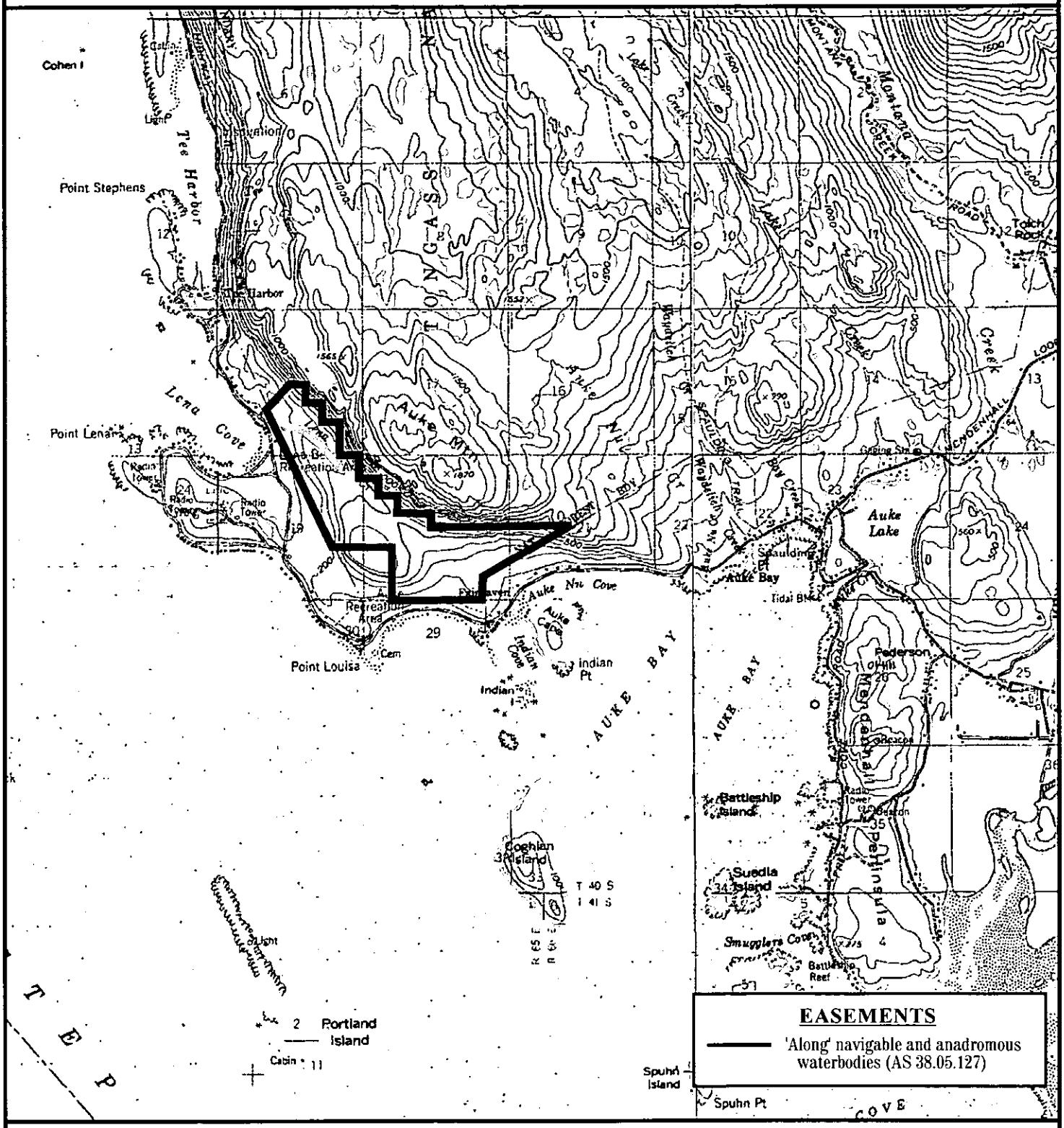
one mile

Meridian	Township	Range
CRM	73S	92E

4203

Lena Creek

JU.LM.1001



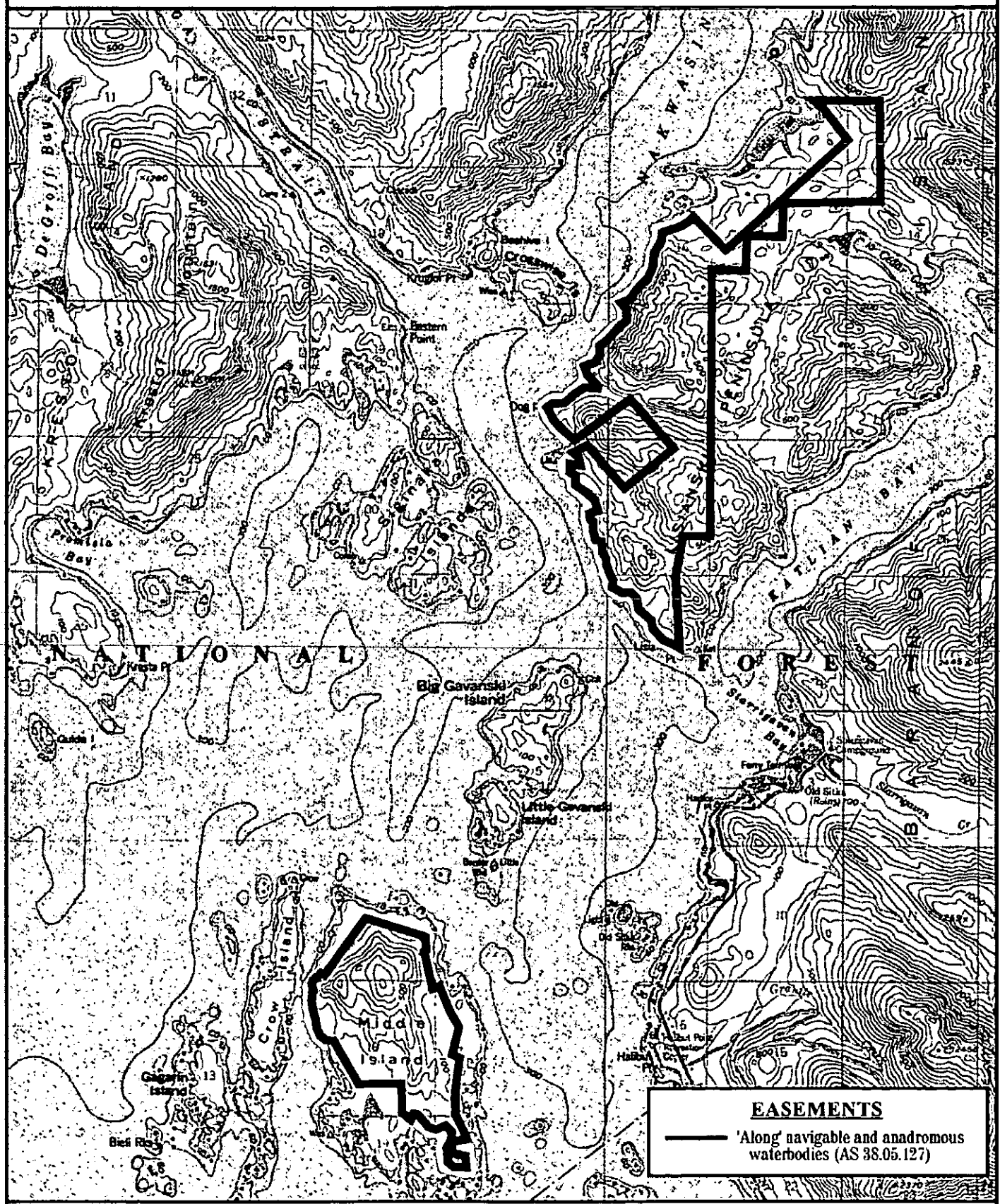
Prepared by: DNR
Source USGS, Juneau B-2, B-3
Date: 12/2004

one mile

Meridian	Township	Range
CRM	40S	65E

Lisianski Peninsula

ST.LS.1001



Prepared by: DNR
Source USGS Sitka A-5
Date: 12/2004

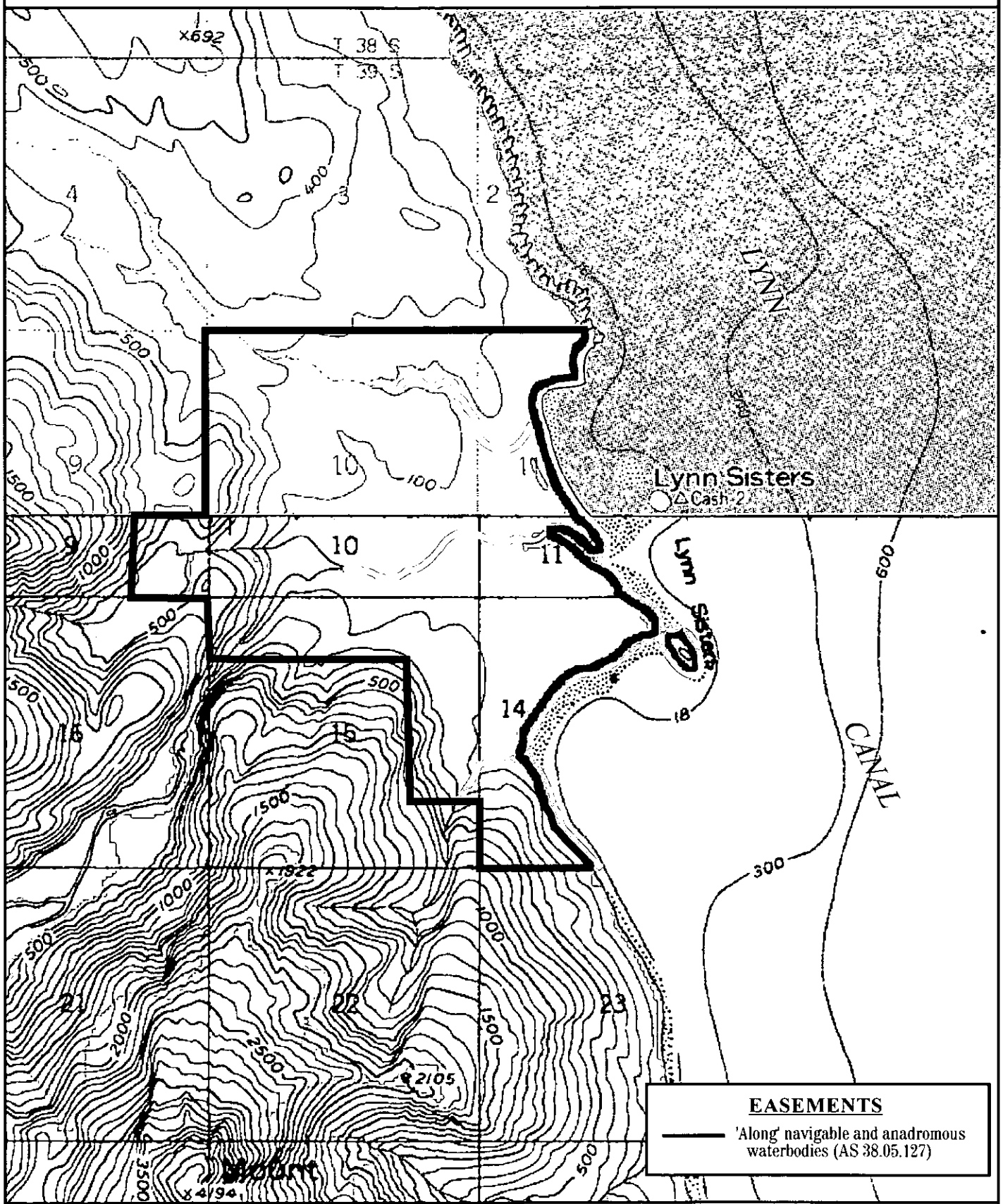
one mile

Meridian	Township	Range
CRM	54S	63E

4205

Lynn Canal

JU.1002



Prepared by: DNR
Source USGS Juneau C-4, B-4
Date: 12/2004

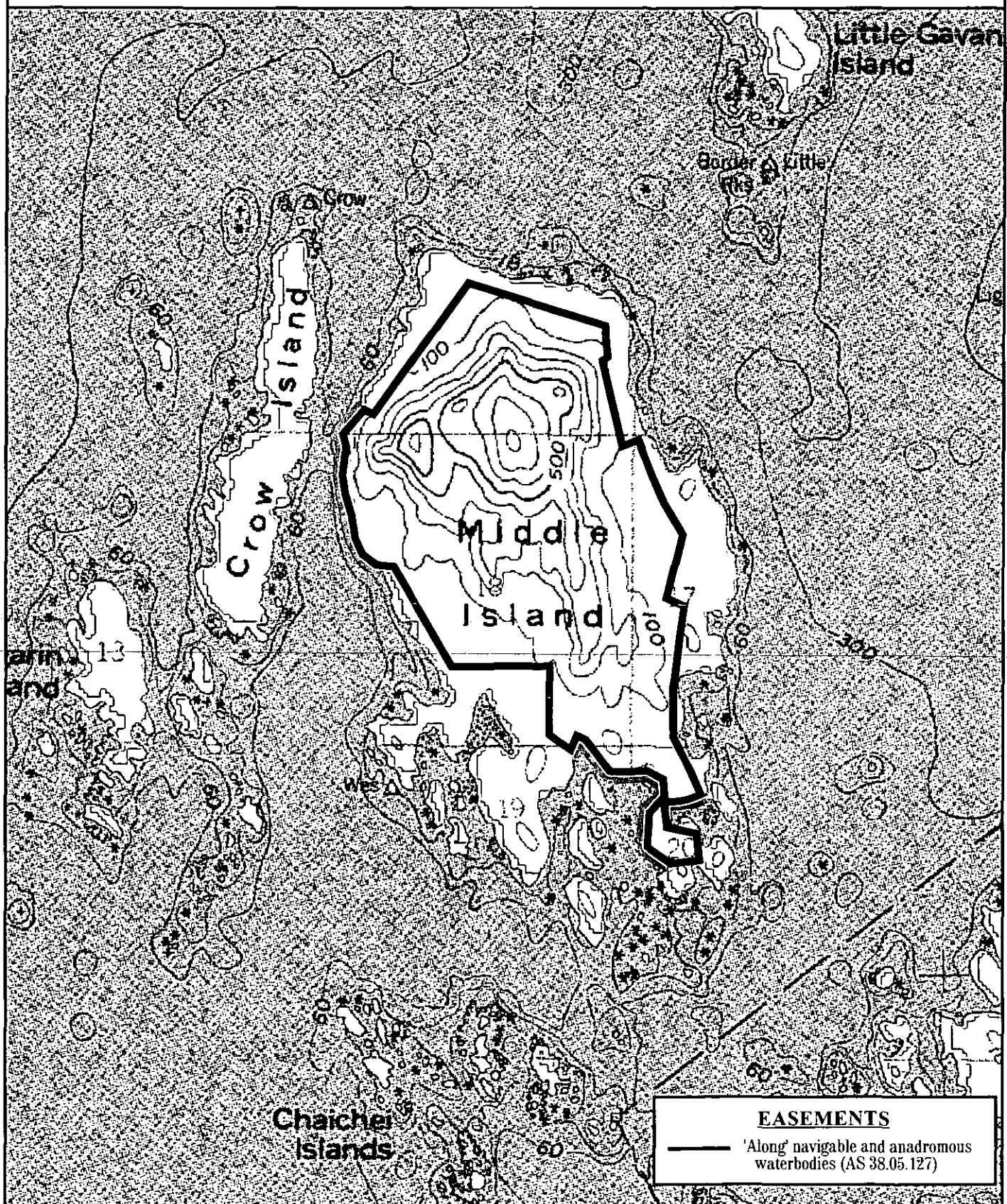
one mile

Meridian	Township	Range
CRM	39S	62E

4206

Middle Island

ST.1001



Prepared by: DNR
Source USGS Sitka A-5
Date: 12/2004

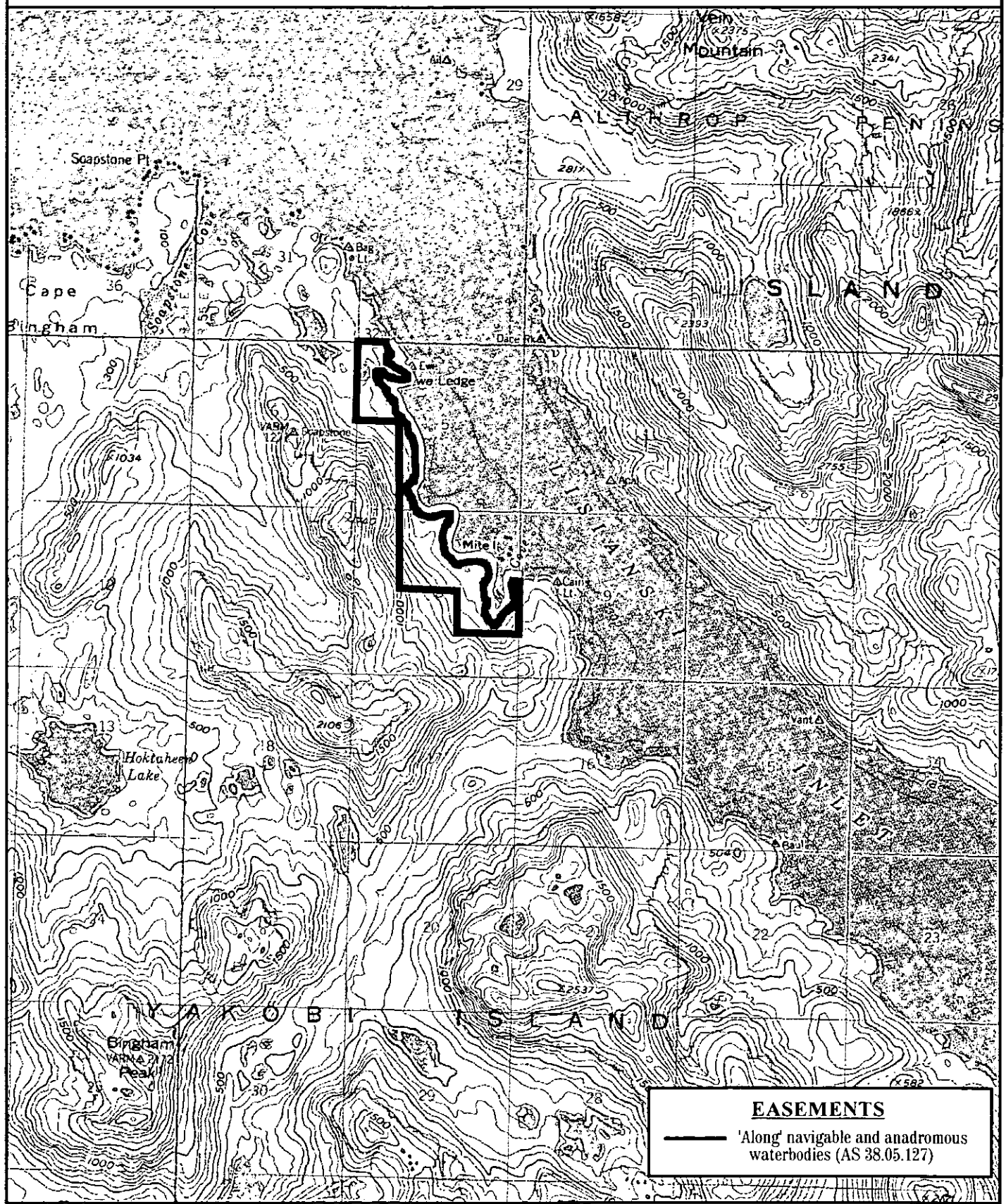
one mile

Meridian	Township	Range
CRM	55S	62-63E

4207

Mite Cove

MF.1001



Prepared by: DNR
Source USGS Mt. Fairweather A-2
Date: 12/2004

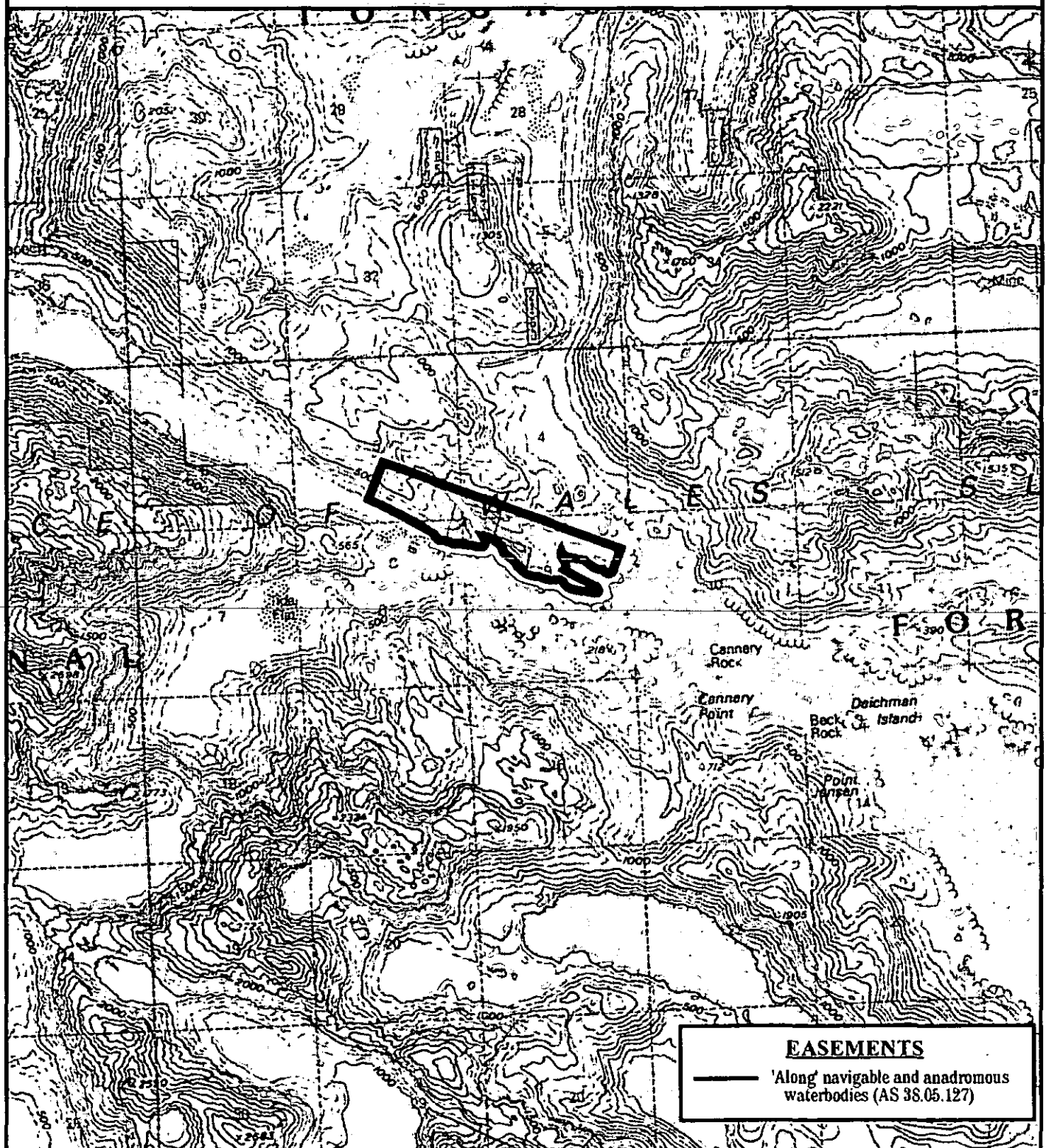
one mile

Meridian	Township	Range
CRM	44S	55E

4208

Moira Sound/Nowiskay Cove

PW.MS.1001



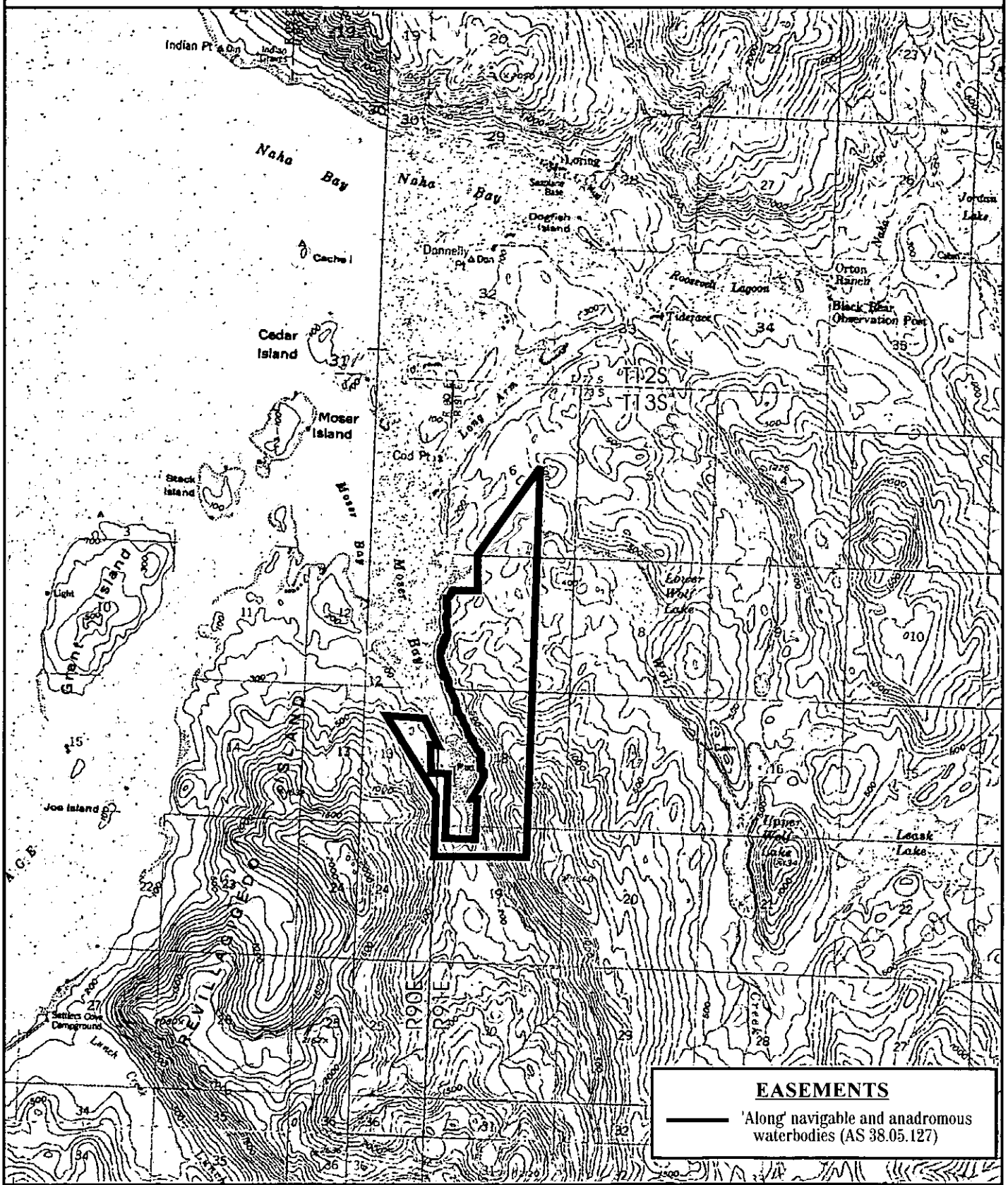
Prepared by: DNR
Source USGS Craig A-1
Date: 12/2004

one mile

Meridian	Township	Range
CRM	78S	88E

Moser Bay

CS.MB.1001



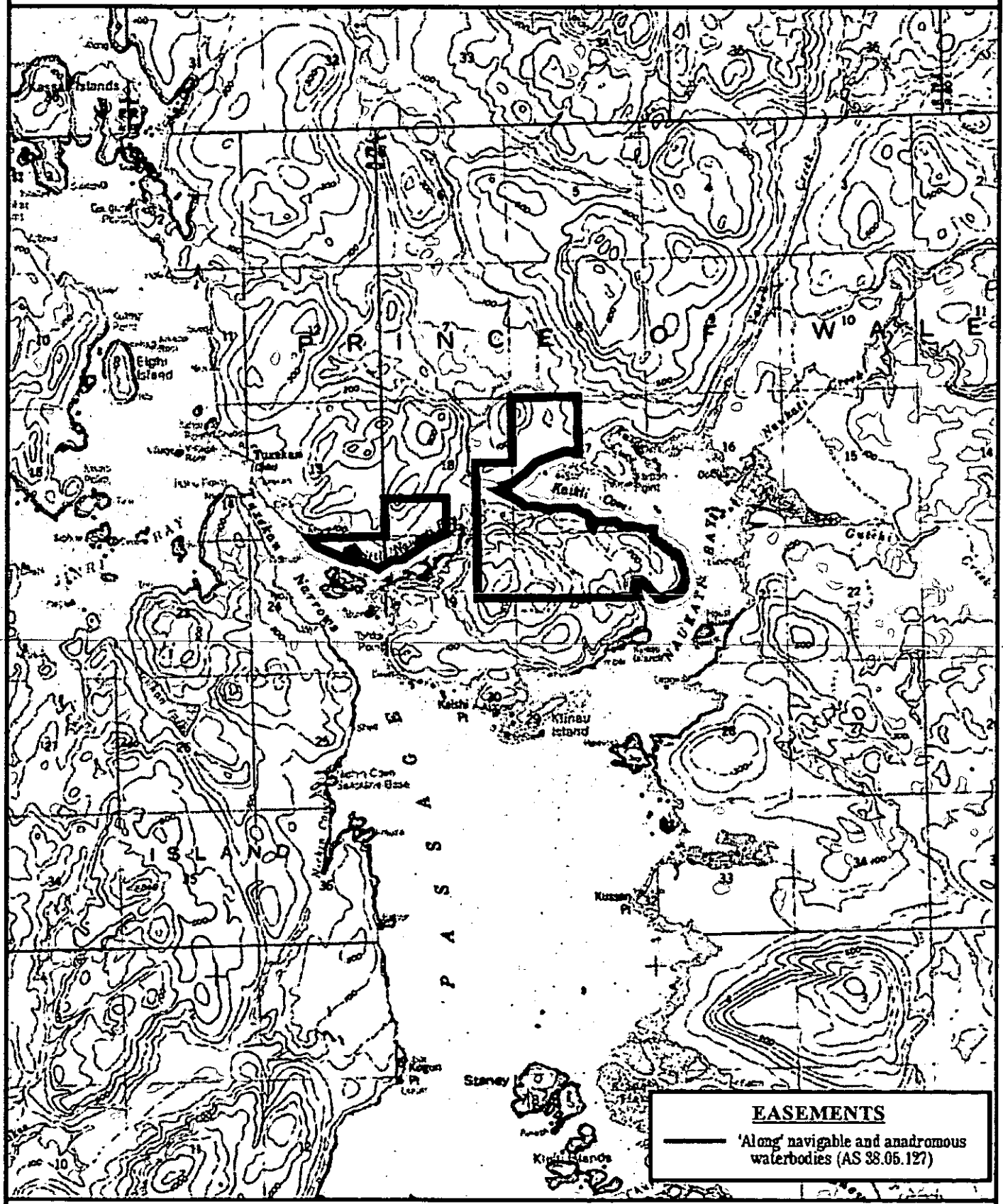
Prepared by: DNR
Source USGS Ketchikan C-5
Date: 12/2004

one mile

Meridian	Township	Range
CRM	73S	90E-91E

Naukati Sound

PW.NA.1001



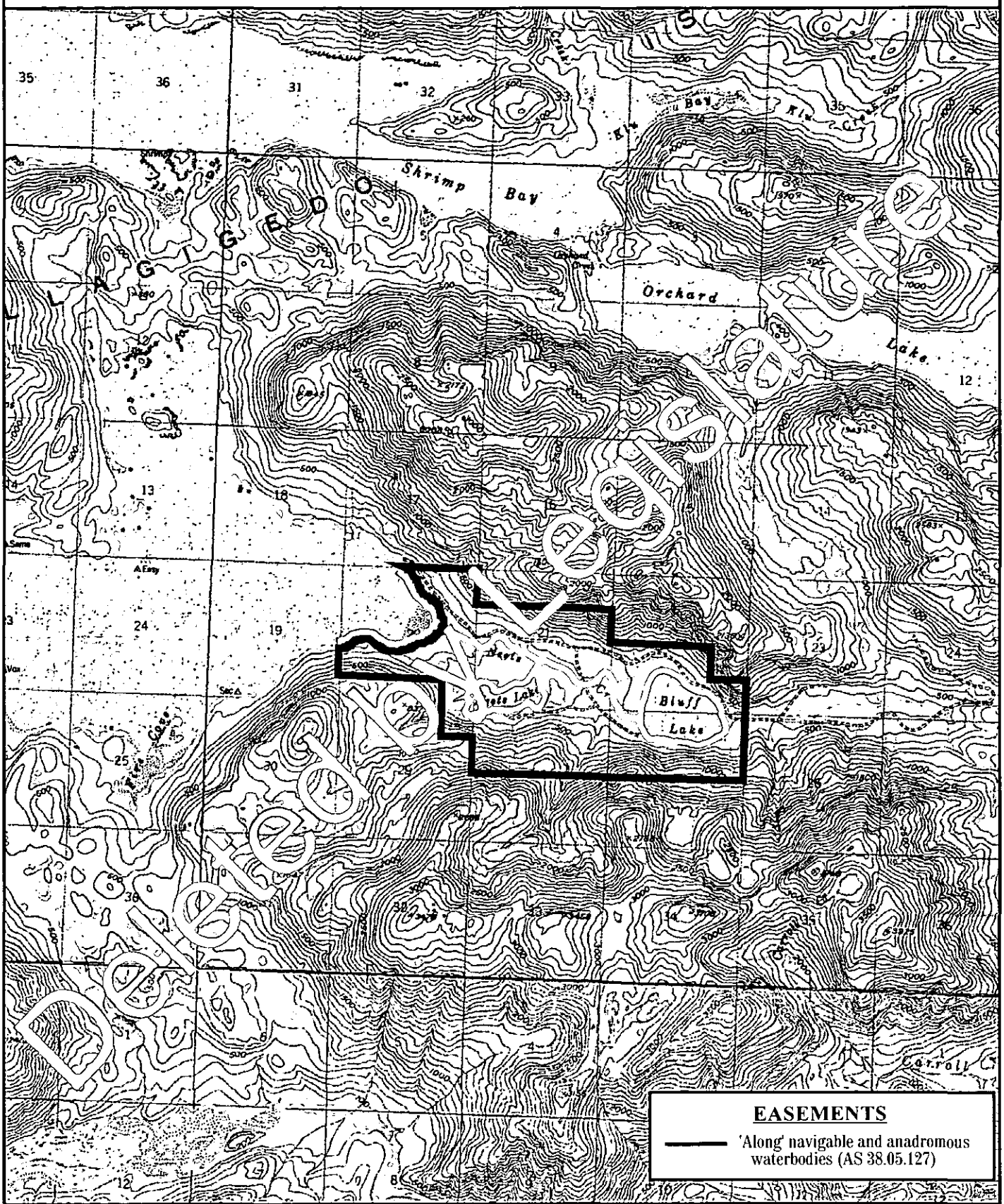
Prepared by: DNR
Source USGS Craig D-4
Date: 12/2004

one mile

Meridian	Township	Range
CRM	69S	79E-80E

Neets Creek

KT.1004



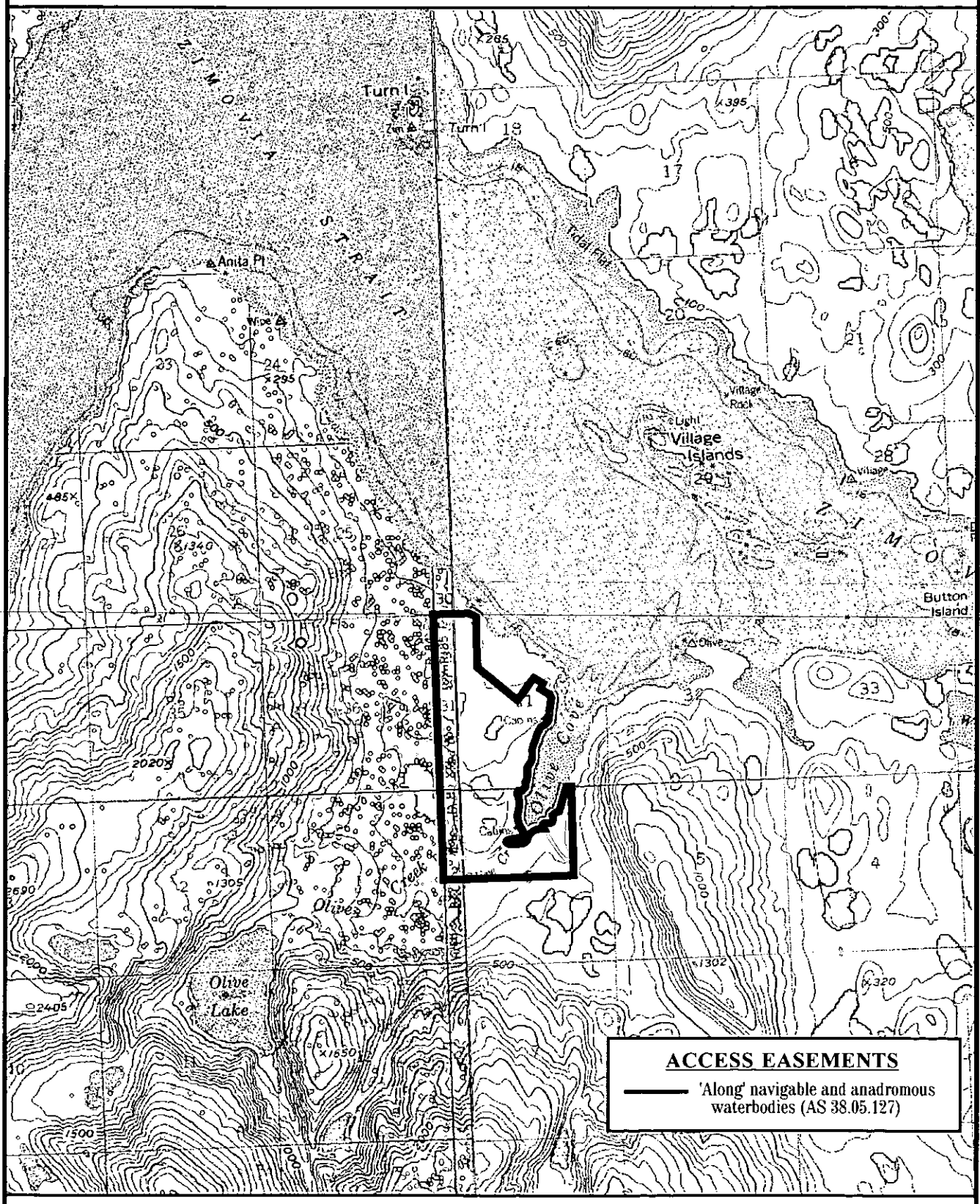
Prepared by: DNR
Source USGS Ketchikan D-4
Date: 12/2004

one mile

Meridian	Township	Range
CRM	70S	91E

Olive Cove

CS.OV.1001



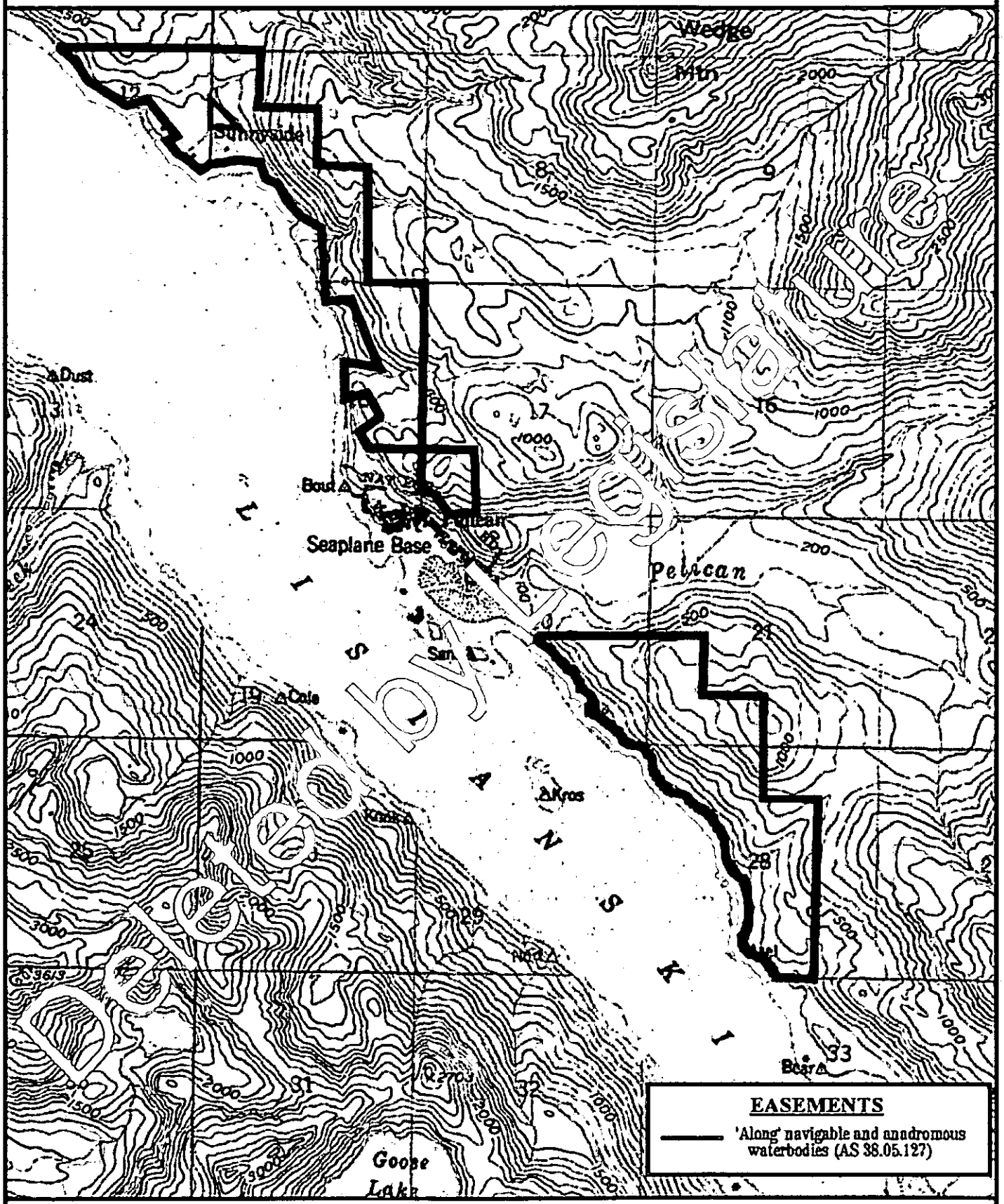
Prepared by: rhc
Source USGS, Petersburg A-1 & A-2
Date: 12/2004

one mile

Meridian	Township	Range
CRM	65 & 66S	85E

Pelican

ST.1002



Prepared by: DNR
Source USGS Sitka D-7
Date: 12/2004

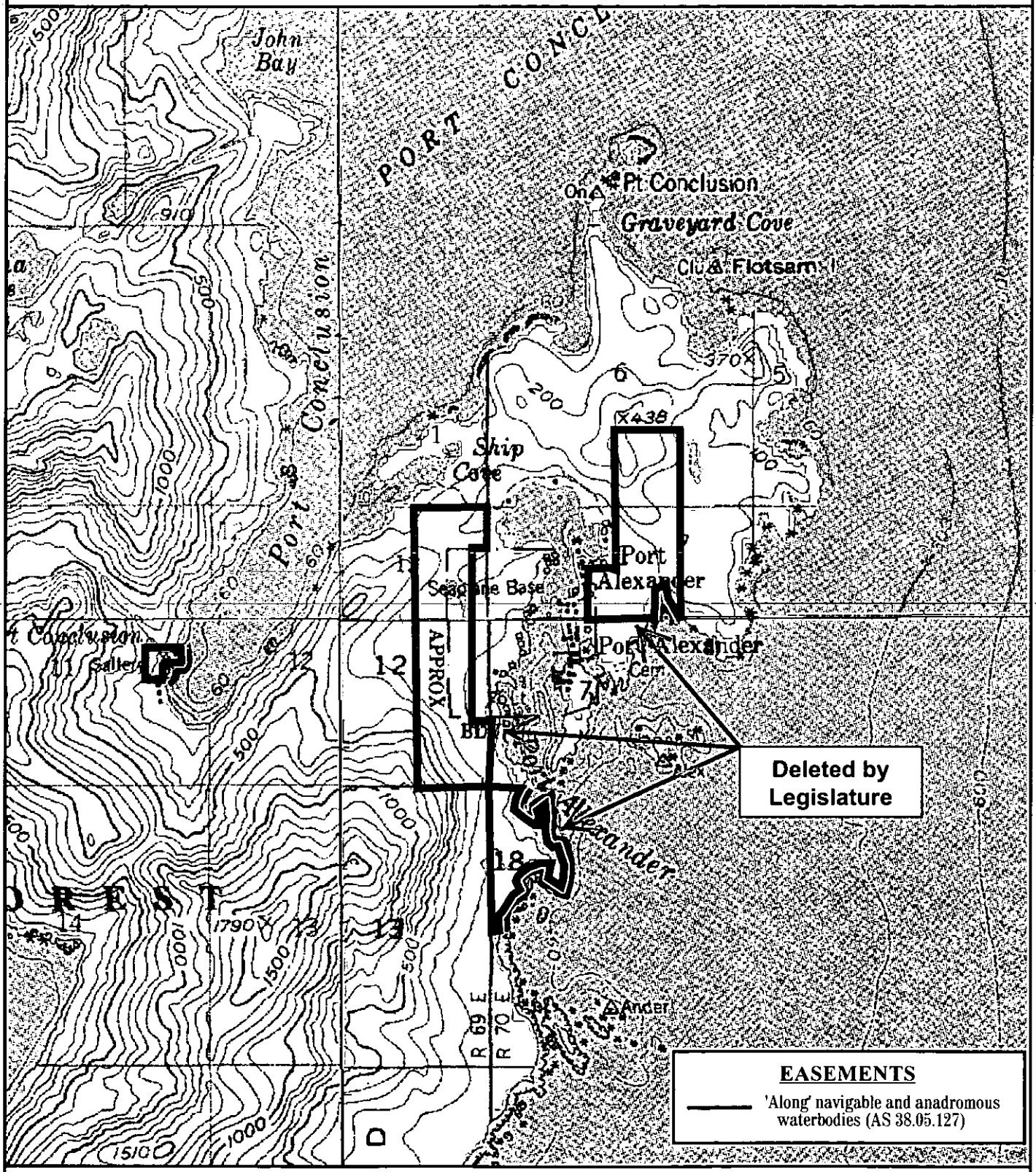
one mile

Meridian	Township	Range
CRM	45S	56-57E

4214

Port Alexander & Port Conclusion

PA.1001



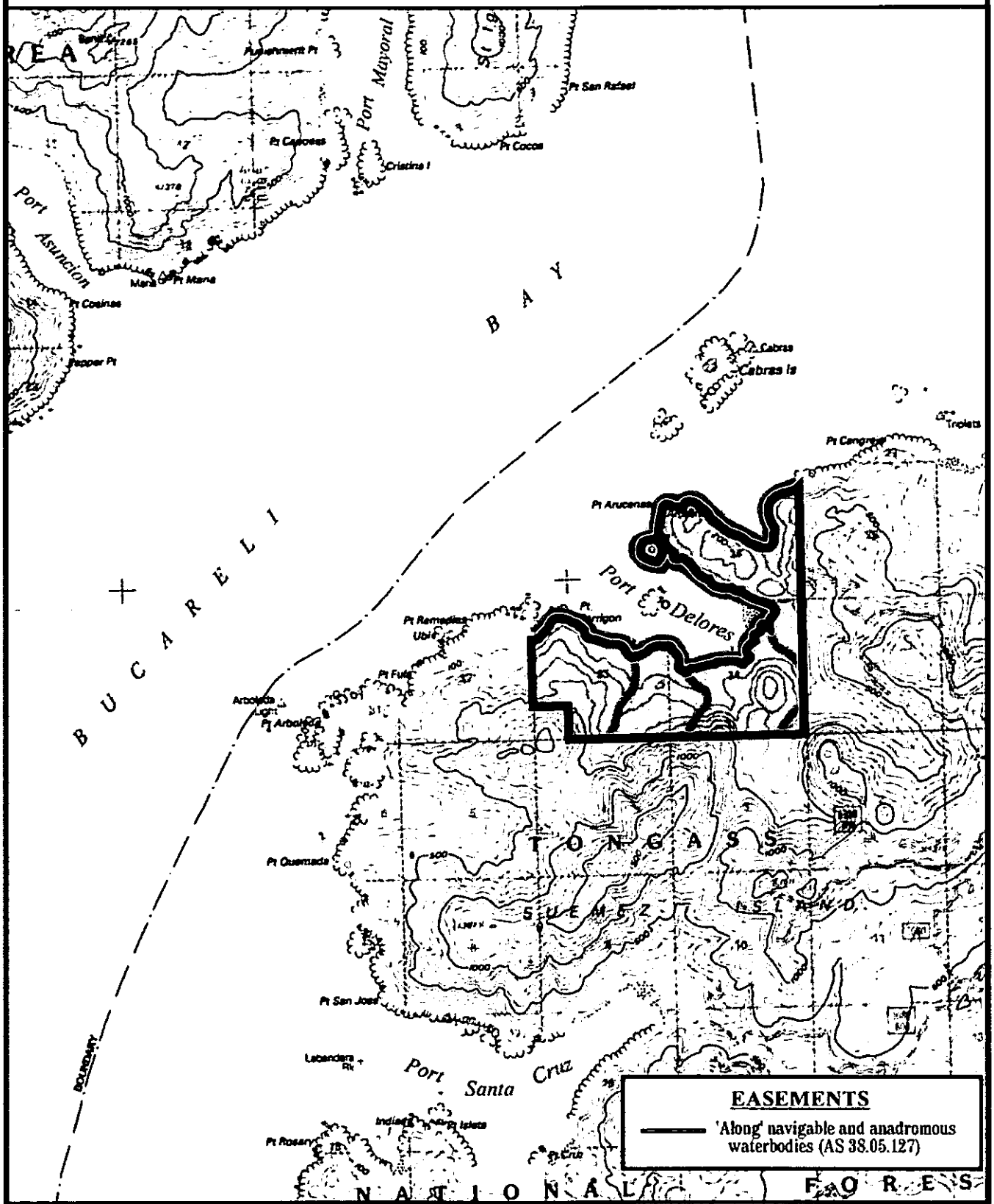
Prepared by: DNR
Source USGS Port Alexander B-2, B-3, A-2, A-3
Date: 12/2004

one mile

Meridian	Township	Range
CRM	65S	69-70E

Port Delores

PW.PD.1001



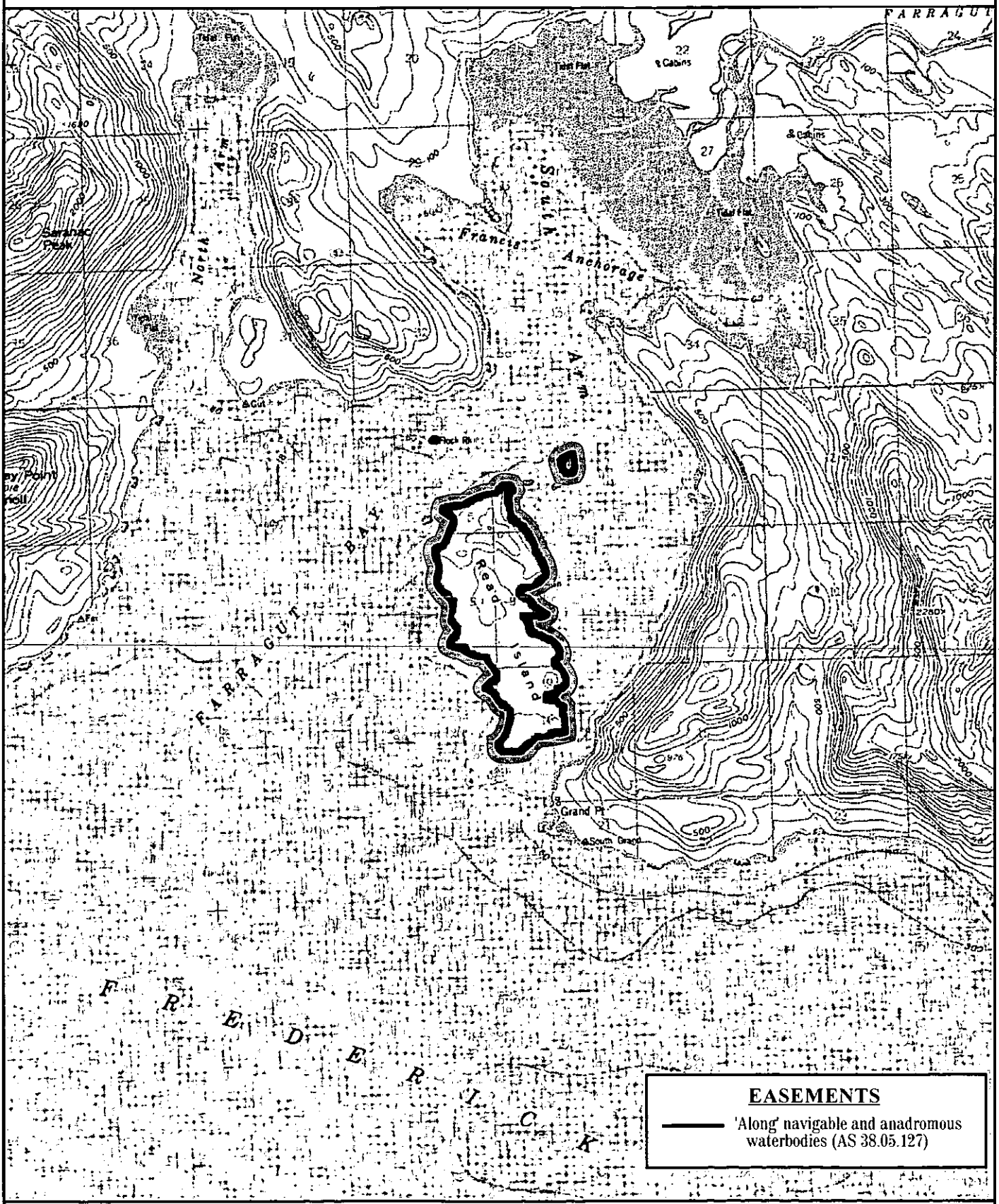
Prepared by: rhc
Source USGS, Craig B-5
Date: 12/2004

one mile

Meridian	Township	Range
CRM	75S	79E

Read Island

SD.1001



Prepared by: DNR
Source USGS Sumdum A-4
Date: 12/2004

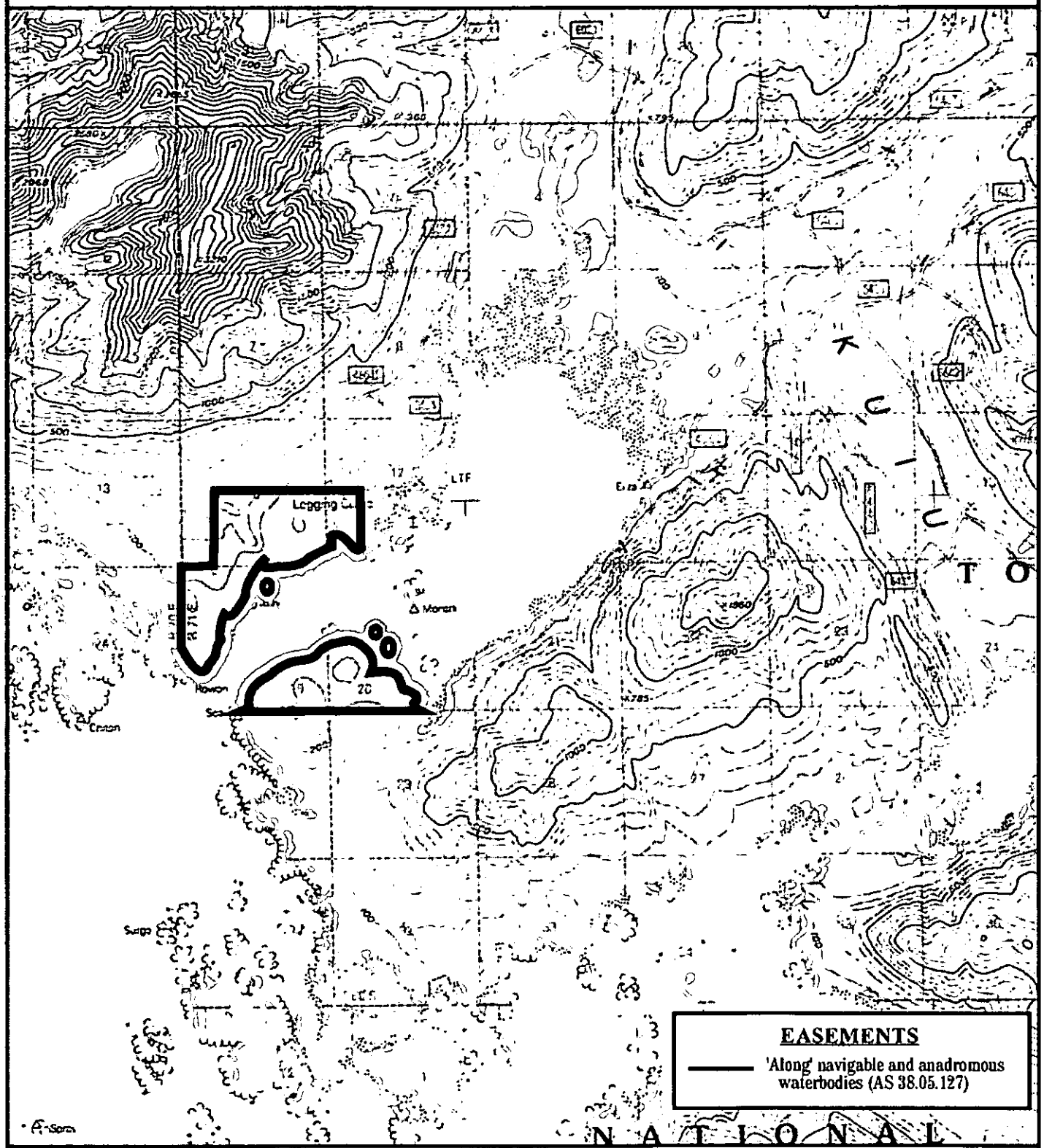
one mile

Meridian	Township	Range
CRM	55S	77E

4217

Rowan Bay

CS.RB.1001



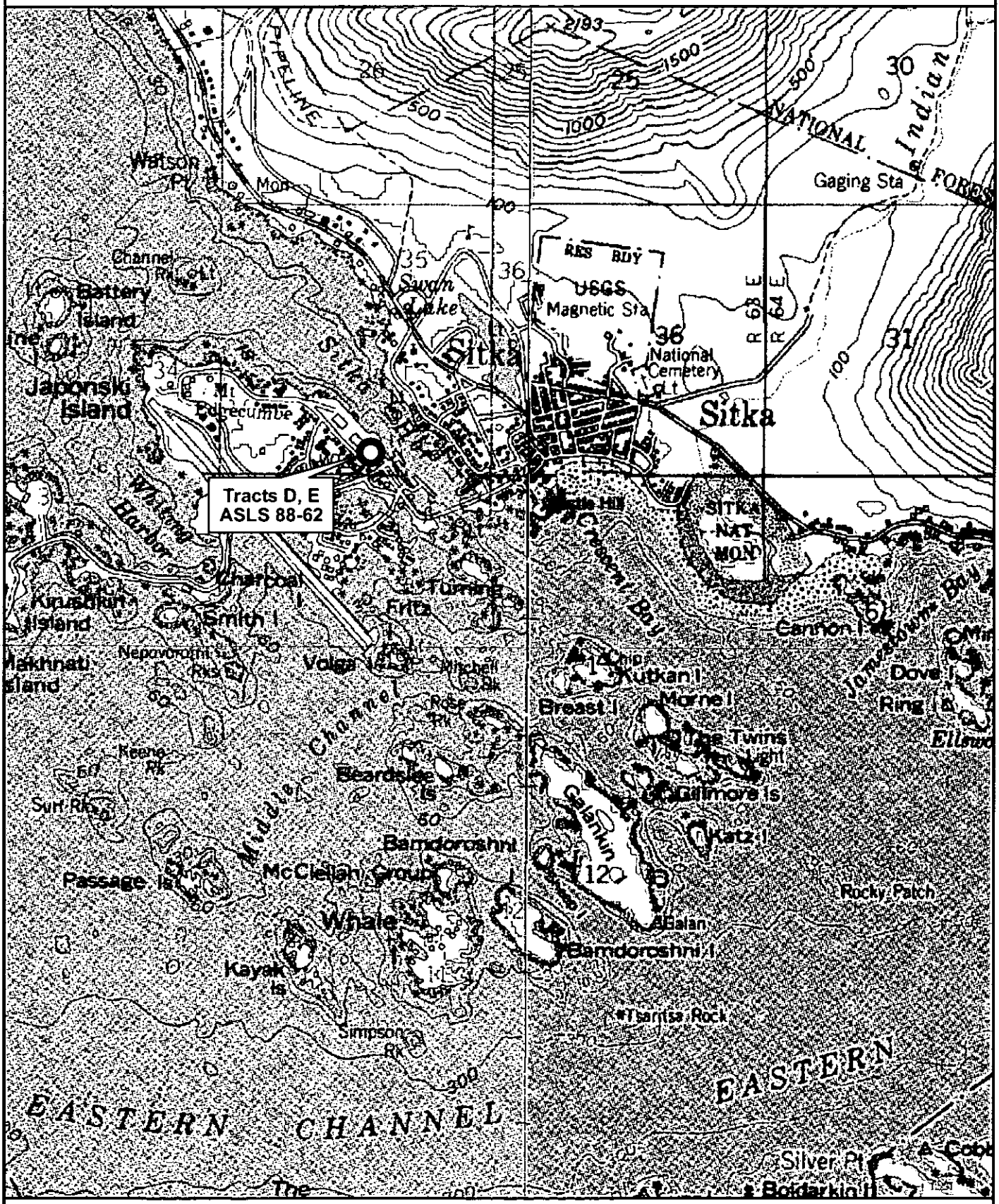
Prepared by: DNR
Source USGS Port Alexander C-1
Date: 12/2004

one mile

Meridian	Township	Range
CRM	60S	71E

Sitka (Campus)

ST.1001



Prepared by: DNR
Source USGS Sitka A-5
Date: 12/2004

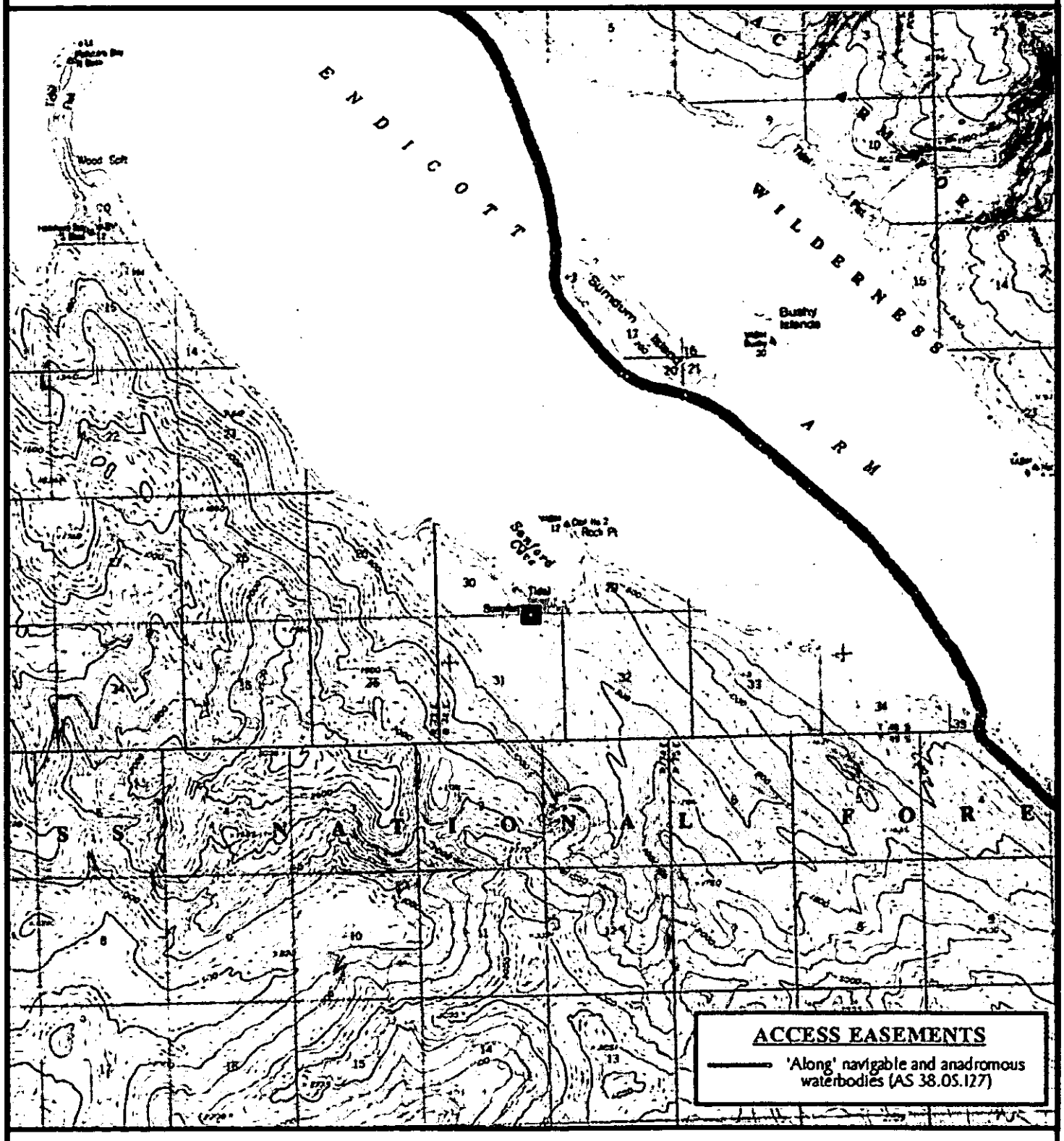
one mile

Meridian	Township	Range
CRM	55S	63E

4219

Sumdum

SD.1001



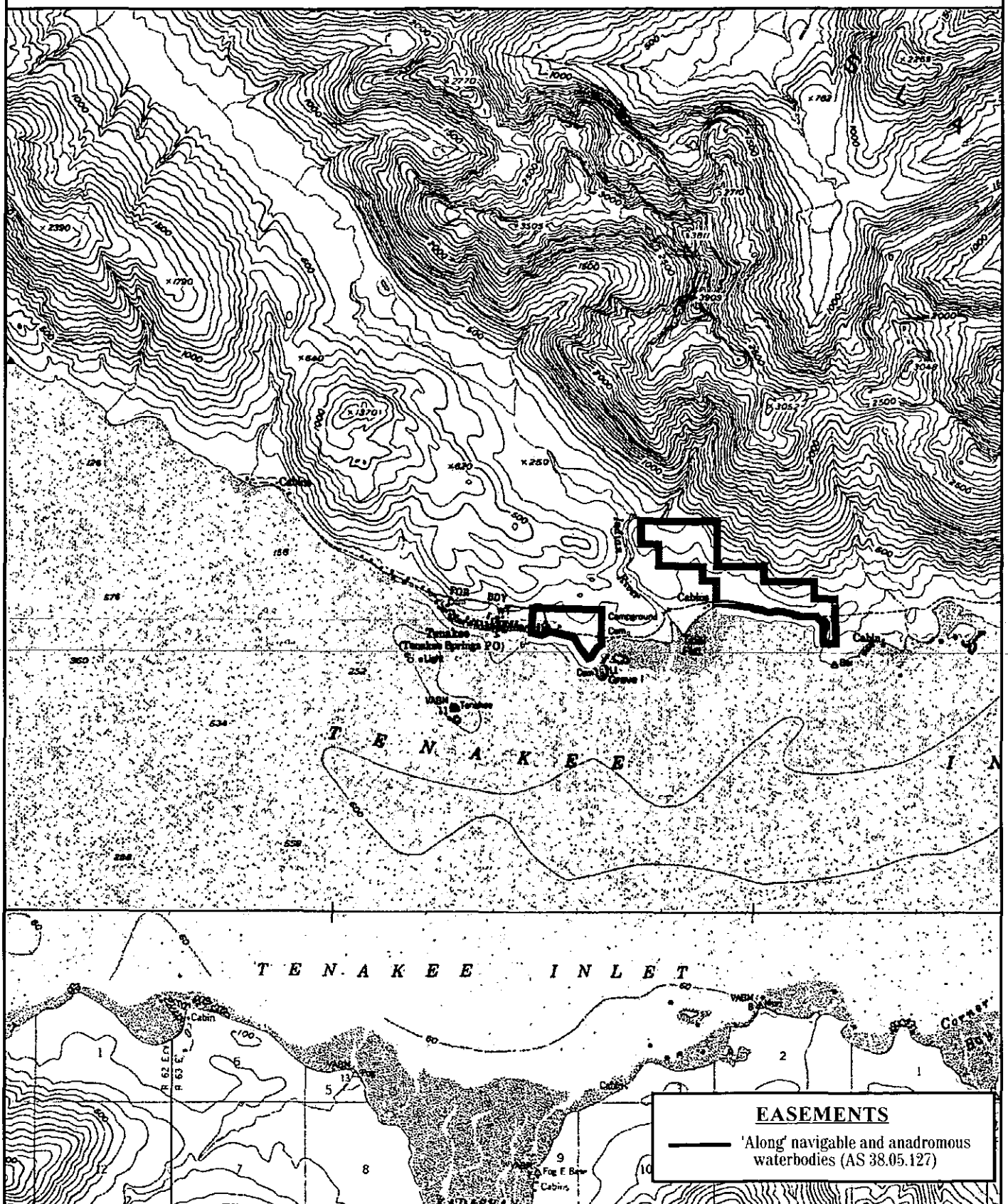
Prepared by: DNR
Source USGS, Sumdum C-5
Date: 12/2004

one mile

Meridian	Township	Range
CRM	48S	74E

Tenakee Springs

ST.1003



Prepared by: DNR
Source USGS Sitka D-4
Date: 12/2004

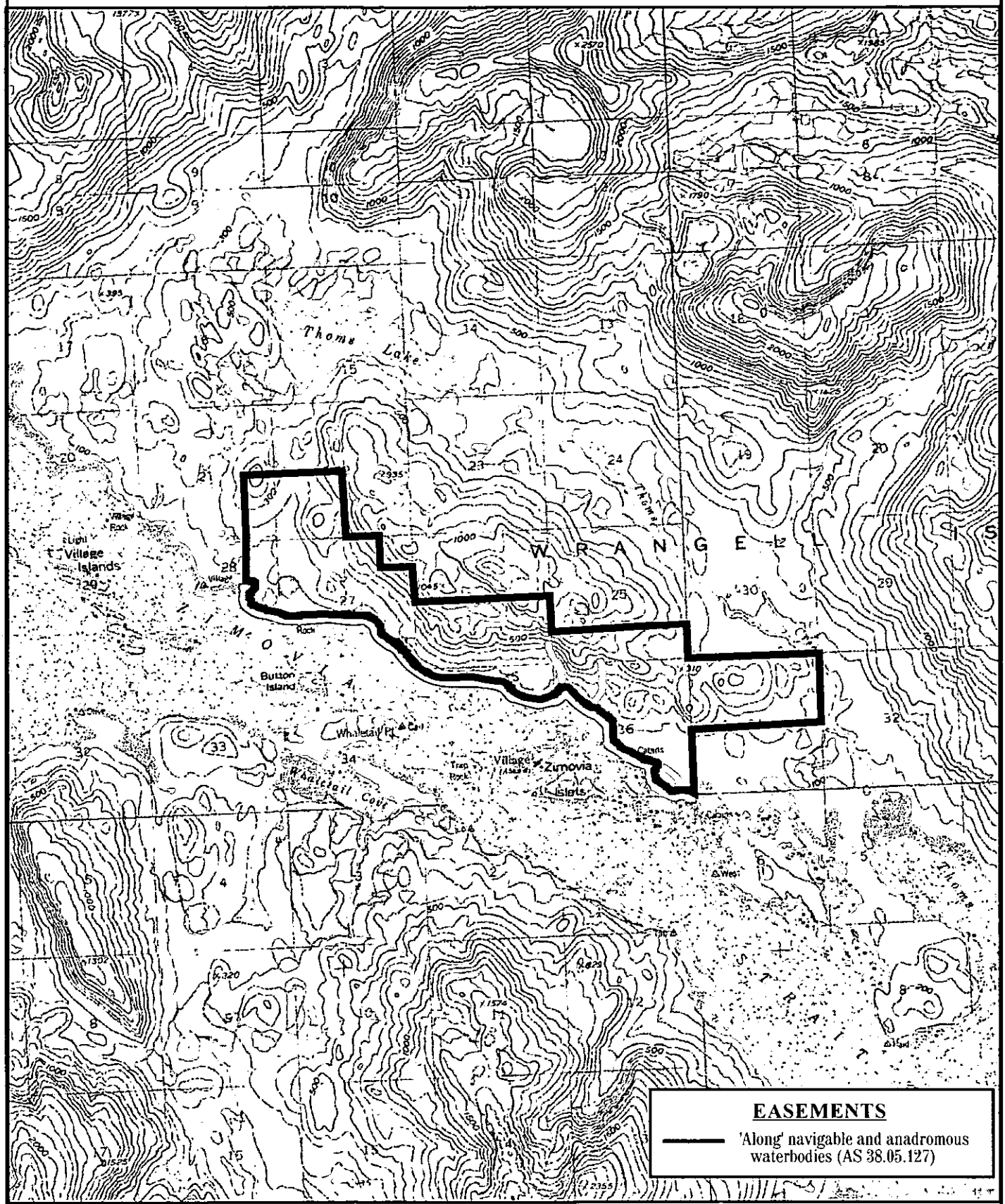
one mile

Meridian	Township	Range
CRM	47S	63E

4221

Thoms Place

SD.1001



Prepared by: DNR
Source USGS Petersburg A-1
Date: 12/2004

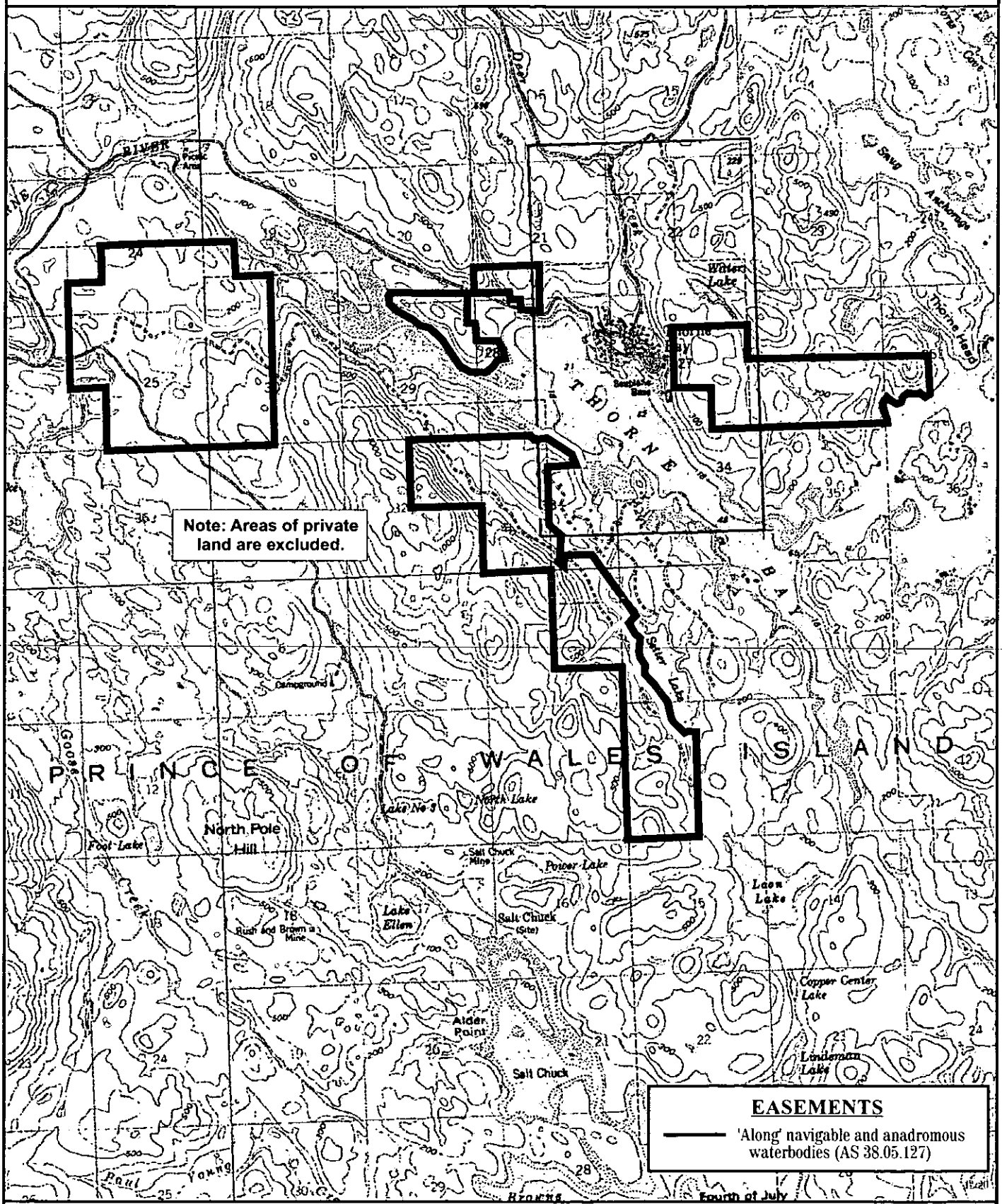
one mile

Meridian	Township	Range
CRM	65S	85-86E

4222

Thorne Bay

PW.TH.01



Prepared by: DNR
Source USGS Craig C-2
Date: 12/2004

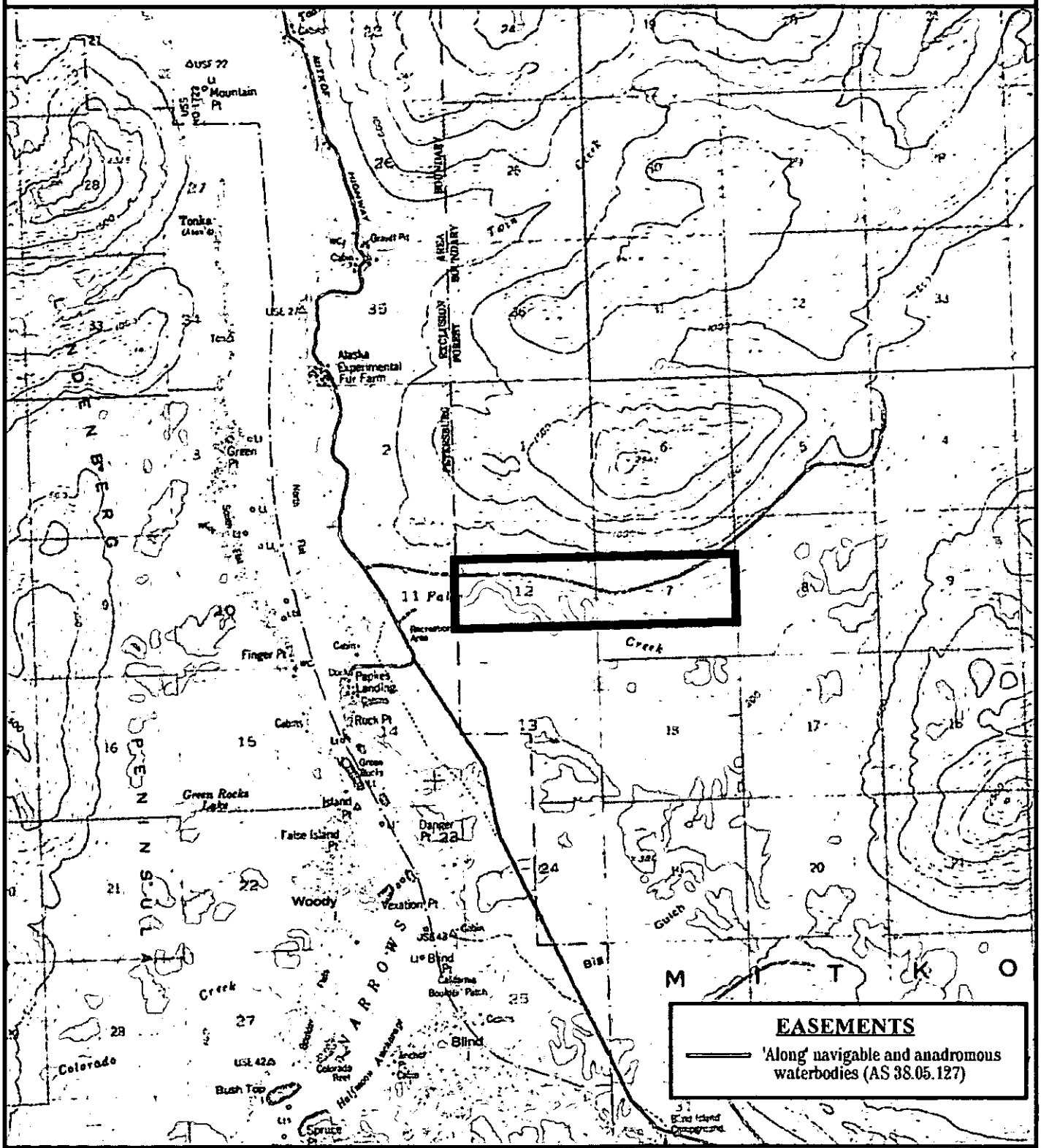
one mile

Meridian	Township	Range
CRM	71S-72S	83E-84E

4223

Three Lake Road

CS.TL.1001



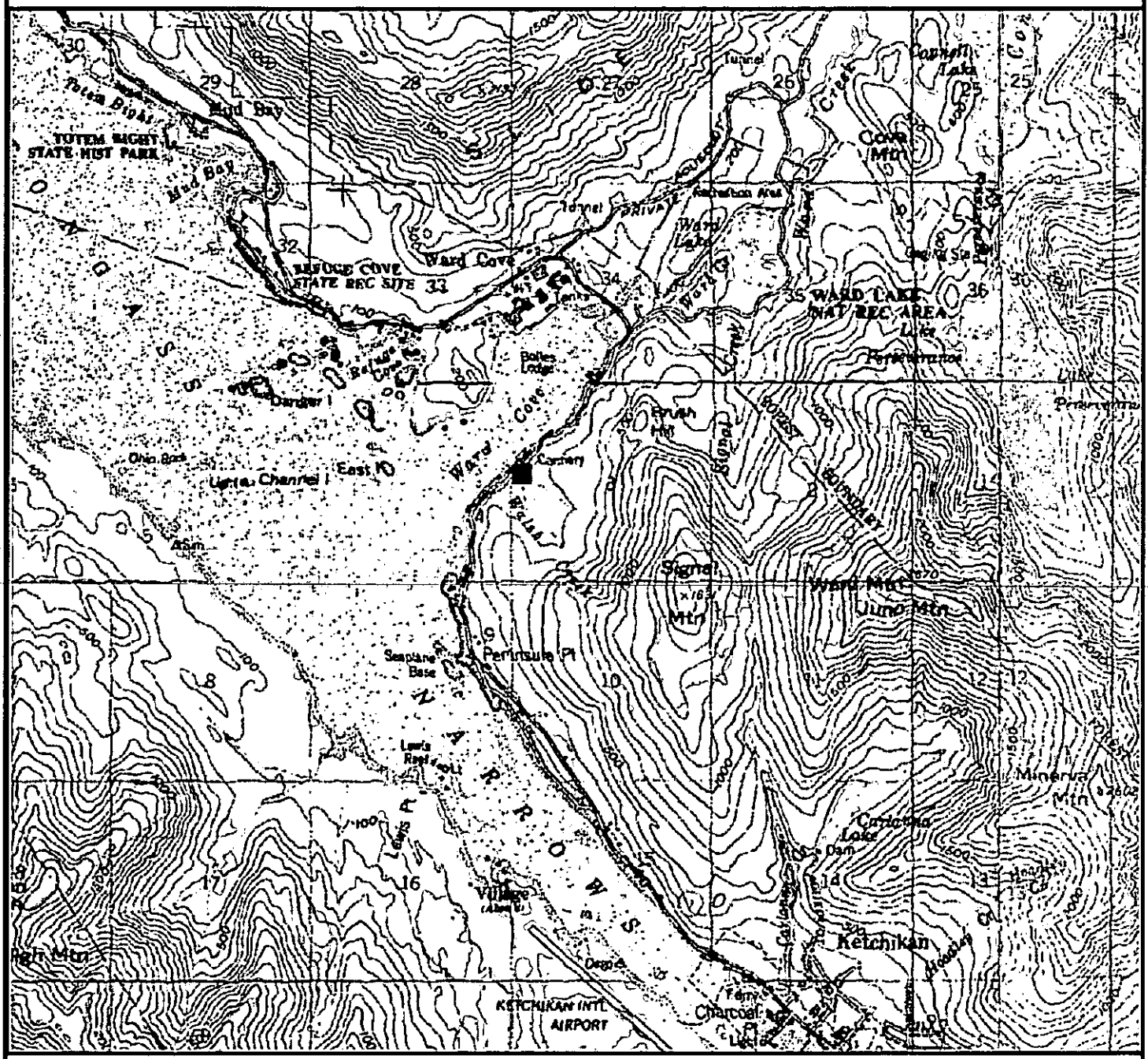
Prepared by: DNR
Source USGS Petersburg C-3
Date: 12/2004

one mile

Meridian	Township	Range
CRM	60S	79-80E

Ward Cove

CS.WC.1001

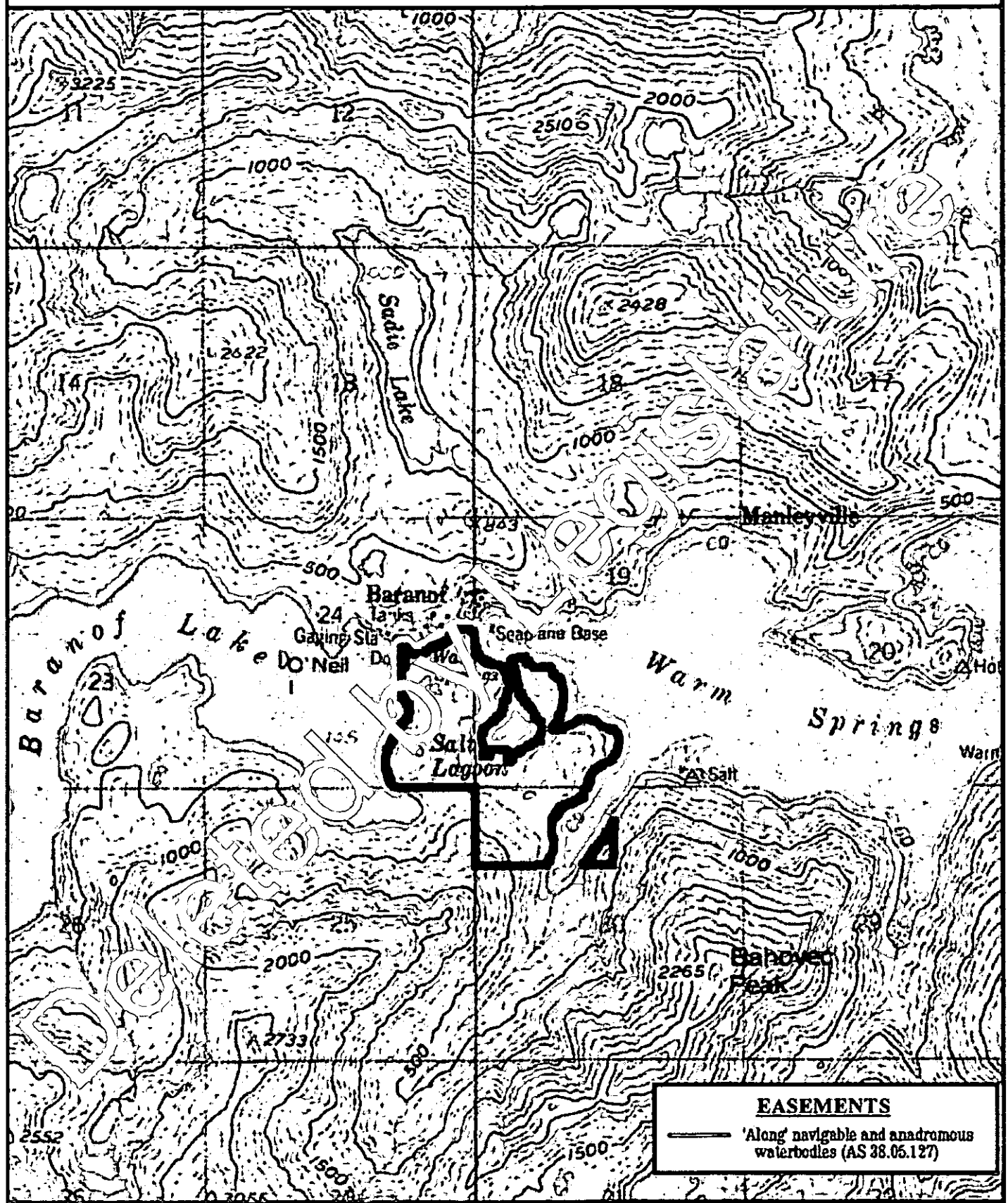


Prepared by: RHC
Source USGS, Ketchikan B-6
Date: 12/2004

one mile

Meridian	Township	Range
CRM	75S	R90E

Warm Springs Bay ST.1002



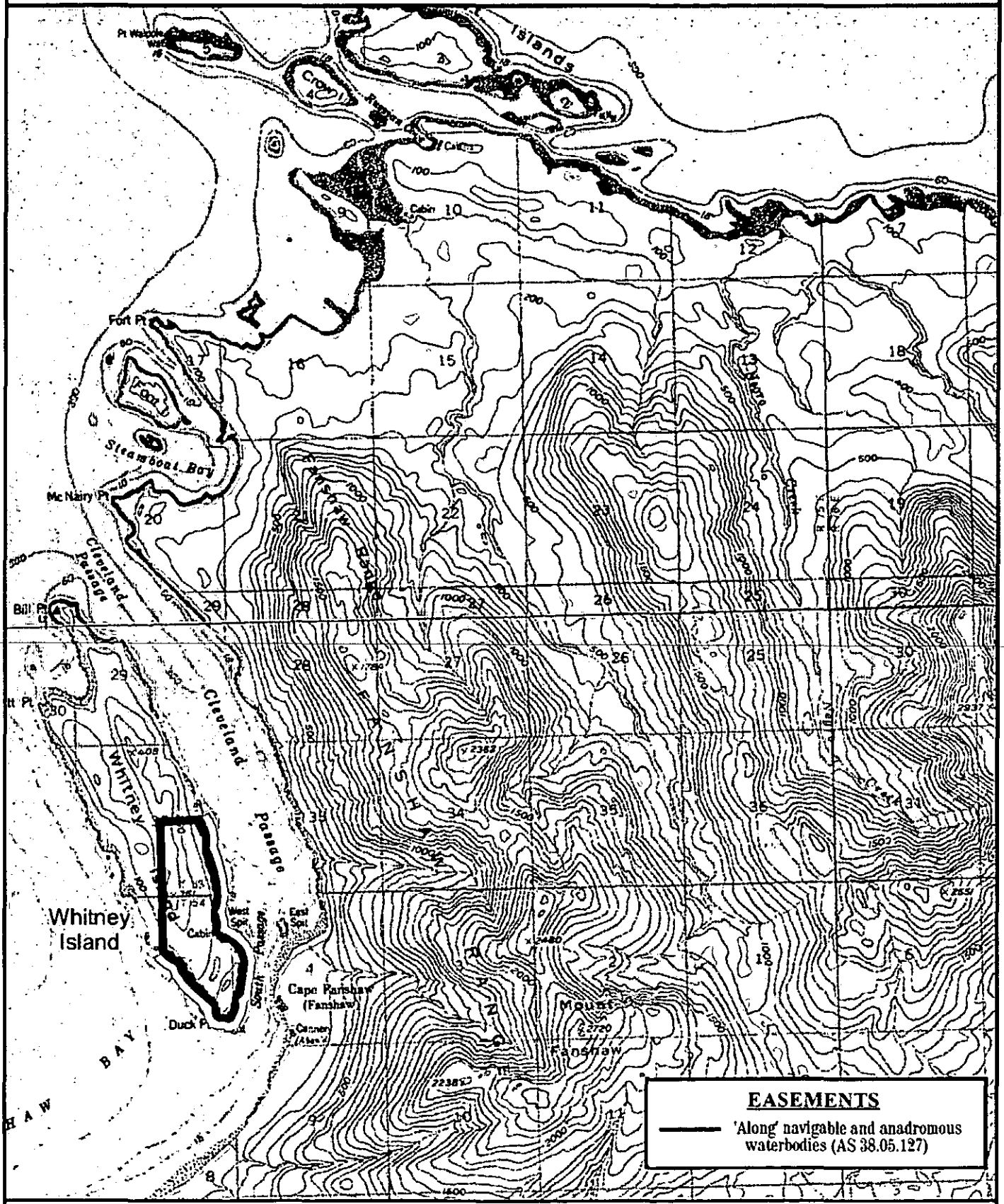
Prepared by: DNR
Source USGS Mt. Sitka A-3
Date: 12/2004

one mile

Meridian	Township	Range
CRM	55S	66-67E

Whitney Island

SD.1001



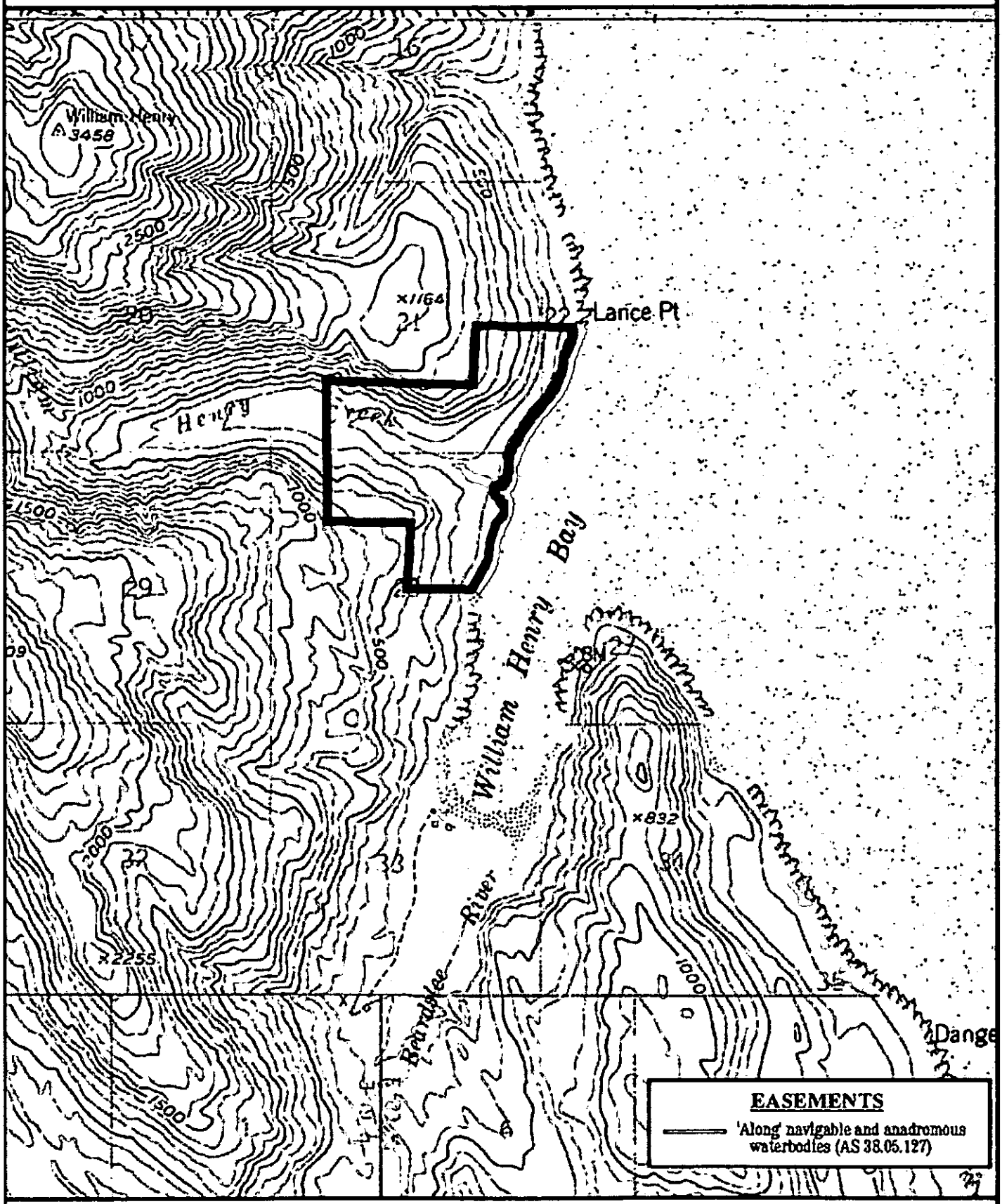
Prepared by: DNR
Source USGS Sumdum A-5, B-5
Date: 12/2004

one mile

Meridian	Township	Range
CRM	53-54S	75E

William Henry Bay

JU.1001



Prepared by: DNR
Source USGS Juneau C-4
Date: 12/2004

one mile

Meridian	Township	Range
CRM	36S	61E

LAND LIST :
SUMMARY

Overview of The Land List
Revised 2010

This section provides a general description of the Land List and a table containing specific information related to the parcels in the Land List.

Geographic Distribution.

Most of the land proposed for transfer to the University of Alaska is in the Northern and Interior area of the state. This is primarily because the Nenana Oil and Gas Basin is in the Interior. Both South-central and Southeast have considerably smaller amounts of state land.

- Northern/Interior. Most state land on the Land List occurs in the Northern region, which comprises 150,953 acres or 75.5% of the total acreage. Most of this land is associated with oil and gas (90,000 acres) and coal (16,000 acres) resource values, or are intended for educational/research functions (35,961 acres). The oil and gas tract is situated west of Nenana and the coal tract, within an area known as 'Jarvis Creek', which is situated south of Delta Junction. Tracts with an intended education function are associated either with forestry research in the proposed Tok Research Forests (4,015 acres) or with watershed research in the Caribou and Poker creeks watersheds north of Fairbanks (24,250 acres). There is a small amount of investment properties in the Northern region, which are primarily intended for residential, commercial, or industrial development.

- Southcentral. South-central tracts total 14,230 acres (7.5% of the total) and consists mostly of investment properties near the Willow-Houston (1,730 acres) and McCarthy (12,500 acres) areas.

- Southeast. Southeast, with 34,655 acres or 17.3% of the total, consists largely of remote tracts and areas around communities, which have mostly settlement, general recreation, and some limited forestry values. These tracts are scattered throughout Southeast Alaska, extending from the Lynn Canal north of Juneau to Moira Sound/Nowiskay Cove southwest of Ketchikan. Most of these tracts are situated within Prince of Wales Island or near the communities of Wrangell, Sitka, and Tenakee Springs. Only a small amount (12 acres) of education properties occur in the Southeast (a research facility in Juneau and the Sitka Campus of the University).

Parcel Description

The table that follows gives a brief description of the each parcel proposed for transfer. It describes Investment and Oil and Gas tracts geographically by the three regions of Northern/Interior, South-central, and Southeast. A description of Educational Properties follow this listing. The table contains the following information: parcel number, parcel name, acreage, and a column titled 'Comments'. The Comments column indicates the general location of each parcel, describes the main features of the parcel, indicates its possible use, and indicates the land use designation(s) for the parcel based on existing DNR

land use plans. The land use designations contained in the DNR land use plans do not apply to the land after it is transferred to the University. Generally, the 'Investment Properties' parcels have been selected based upon their development potential and are designated in DNR land use plans for multiple use, settlement, or public recreation. These plan designations are italicized in the table.

This table is linked to the maps that follow the Land List. Parcel numbers and names are the same in the land list, table, and maps.

Summary of Parcel Resource Values

- Nenana Oil and Gas Tract (90,000 acres)

A 90,000 acre tract of state-owned land with oil and gas potential within the Nenana Basin is to be conveyed. This basin has a high probability for presence of gas source, and a high probability that reservoir quality rocks are also present. This tract excludes previous state subdivisions and DNR remote recreational cabin staking areas. Although the tract includes the remote recreational cabin staking area known as Teklanika II, where staking is still underway, buffers of state land will be retained by DNR before this tract is conveyed to the University. The area is part of the Oil and Gas License owned by Andex Corporation, and the land will be transferred subject to the License.

- Investment Properties *other than* in Southeast (39,222 acres)

Lands proposed for transfer include 39,222 acres of state land within the South-central and Northern/Interior regions that are considered to have investment potential. Certain of these tracts are probably best suited for commercial or industrial development; examples include the tracts along the Dalton Highway. The majority are probably best suited for some form of residential development, either for rural subdivisions near community areas (Willow Creek Road and Frying Pan Lake) or for remote recreational development (Lake Snohomish and Wien Lake).

The Jarvis tract provides a coal production potential. A 16,000 acre area near Jarvis Creek occupies the easternmost sub-basin of the Nenana Basin, a coal trend that holds the third largest coal reserve in Alaska. Identified resources are 75 million short tons with a hypothetical resource of 175 million short tons. The areas of Mental Health Trust Land and active mining claims are excluded from the tract. The 2,560 acres of coal leases would be conveyed, subject to the continuation of the lease for the period of their duration.

- Southeast Alaska (34,643 acres)

34,643 acres of state land in Southeast Alaska are to be conveyed. Because the state owns only a small amount of land scattered throughout Southeast, these tracts are comparatively small in size and are distributed throughout Southeast. Most of these tracts were acquired by the state for community and recreational development and may be developed by the University for community or remote recreational settlement; examples include state land at

Hollis, Ketchikan, or Edna Bay. There are also a few that have commercial potential; examples include Harris Road Junction, Ward Cove, and El Capitan South, although most of these could also be used for residential purposes. A limited number of tracts have commercial timber potential. The latter are not considered essential to the existing DNR Southeast Alaska value-added forestry program.

- Educational Properties (35,973 acres)

This category includes eight properties that are either important to current University educational or research programs or that can be developed for such programs. Their primary purpose is educational, not for revenue-generation. These state land tracts occur in the Northern Region, except for the Sitka Campus and Auke Weir tracts in Juneau. One tract constitutes the bulk of the acreage in this category: the Caribou-Poker creeks watershed, consisting of about 24,250 acres, located north of Fairbanks and used exclusively by the University for hydrologic research.

Public Access

Public access is retained across the state land conveyed to the University. DNR has identified known access routes, including Omnibus Roads, existing state or federal rights-of-way, and RS2477 trails). These routes are depicted on the parcel maps. Public access is also retained along coastlines, navigable rivers and lakes, routes traditionally used by the public for access, and along section-line easements. Except for section line easements, these access routes are depicted on the parcel maps.

On-line information and Contact Information

This report, including the parcel maps, may be viewed at the DNR website: http://www.dnr.alaska.gov

For general information regarding the Land List, contact either Dick Mylius or Marty Parsons (269-8600) in Anchorage. For more detail on specific parcels, contact Bruce Phelps at 269-8592 in Anchorage or email: bruce.phelps@alaska.gov

PARCEL DESCRIPTIONS

01/11/2010

University of Alaska
Land Grant List 2010
Parcel Descriptions

Parcel #	Name	Approx. Area in Acres	Description/*Plan Designation*
Non-producing Oil and Gas Resources			
OG.NE.1001	Nenana Gas Basin Tract	90,000	This parcel has oil and gas potential. Situated within the Nenana geologic basin, this area has a high probability for the presence of gas source rocks and a high probability that reservoir rocks are also present. Parcel excludes previous state subdivisions and DNR remote staking areas, and a current DNR remote staking area (Teklanika II). Buffer areas are to be created around this staking area, reducing the size of the parcel to about 90,000 acres. Public access, including future road access to state lands to the north and west of the parcel, are retained. *Wildlife Habitat and Forestry*.
	2010 Revised Oil and Gas Resources, Subtotal	90,000	
Investment Properties			
Northern/ Interior Region			
DH.IS.1001	Dalton Highway MP 48 to 54	1,360	This parcel is located adjacent to the south bank of the Yukon River and the Dalton Highway. It is rather rugged topography, but has road access and views of the Yukon. *Public Recreation and Wildlife Habitat.*
DH.SR.1001	Dalton Highway MP 345 to 347	880	This parcel is south of the old Sagwon airstrip, includes the Sagavanirktok River, the Dalton Highway, and the Alyeska pipeline. It is located near the intersection of winter trails to Umiat, proposed for a major road. The APSC 8" fuel gas line runs through the property. May be subject to AS 19.40.200(b) (2). *Transportation Corridor Land*.
MA.HR.1001	Haul Road Nodes-Coldfoot	1,700	This parcel includes portions of the Coldfoot development node on the Dalton Highway. *Settlement.*
M1.JC.1001	Jarvis Creek	16,000	This coalfield occupies the easternmost sub basin of the Nenana Basin, a coal trend that holds the third largest coal reserve base in Alaska. The coal bearing section of this field is about 2,000 feet thick. Identified resources are 75 million short tons with a hypothetical resource of 175 million short tons. Tract excludes Mental Health Trust Land and active mining claims are excluded.

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University of Alaska
Land Grant List 2010
Parcel Descriptions

Parcel #	Name	Approx. Area in Acres	Description/*Plan Designation*
FA.JC.1001	Jennie M. Creek C	5	Situated near Fairbanks, this small parcel has good access and gentle to level slopes. It is situated within a residential subdivision. Zoned General Use. It occupies a small lot south of Chena Hot Springs Road 3 miles east of Two Rivers School. *No current classification.*
N1.LS.1001	Lake Snohomish	740	Parcel is located 10 miles southwest of the airstrip at Lake Minchumina, with access by trail. Terrain is flat, surrounding Lake Snohomish. *Settlement.*
NZ.FA.1003	Noyes Slough (See Fairbanks Area Parcels map)	7	This parcel was added at the request of the University in order to resolve an old title problem created when DOT moved College Road to its current location. *No classification.*
N5.RS.1001	Summit Lake (Richardson Highway)	960	This parcel includes areas on the east and west side of Summit Lake, situated west of the Richardson Highway. This is a very popular winter recreation area, especially for snowmachiners. DNR land disposals are scheduled for other parts of lake. *Public Recreation and Wildlife Habitat*. Adjacent areas are designated *Settlement.*
FA.NS.1001	West Twin Lake	1,560	Situated in a remote area west of Nenana, this lake is considered to have recreation use potential and some recreational development already exists. Access via float plane or ATV. DNR land disposals are scheduled for other areas along the lake. *Settlement.*
N5.WL.1001	Wien Lake	1,780	This is a fly-in lake with access via snowmachine in winter located in the Kantishna area. Some property has been sold in the area. It is a popular Fairbanks recreation area. DNR land disposals are scheduled to occur along other parts of lake. *Settlement.*
	2010 Revised Northern Interior Region Subtotal	24,992	

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University of Alaska
Land Grant List 2010
Parcel Descriptions

Parcel #	Name	Approx. Area in Acres	Description/*Plan Designation*
Southcentral Region			
SU.DC.1001	Deception Creek	280	Situated east of Willow, this fairly level parcel is covered with mature birch with some spruce, and has some wetlands in its western part. There is road access to this parcel by way of state-maintained 4 Mile Road off the Willow Creek Road. ATV trails also provide some access. It is part of the land previously reserved for the Willow Capital Site. *Settlement*.
SU.FP.1001	Frying Pan Lake	450	Situated southeast of Willow, this lake has recreational potential for picnicking, swimming, and camping. It is located about a mile from the Parks Highway. It is part of the land previously reserved for the Willow Capitol Site. *Settlement.*
MA.MC.1001	McCarthy-Nizina	12,500	This large parcel is situated near the community of McCarthy, situated within the National Park. Considered good for settlement. Excludes area of possible land exchange and critical salmon spawning areas at Long Lake. *Wildlife Habitat and Public Recreation*.
SU.WC.1001	Willow Creek Road	1,000	Parcel is near Willow Creek Rd. and is part of the land formerly reserved for the Willow Capital Site. Tract is considered good for settlement. Deception Creek runs through this parcel. *Settlement.*
	2010 Revised Southcentral Region Subtotal	14,230	
	2010 Revised Investment Properties Total	39,222	

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University of Alaska
Land Grant List 2010
Parcel Descriptions

Parcel #	Name	Approx. Area in Acres	Description/*Plan Designation*
Southeast Region			
SD.1001	Beecher Pass	1,193	Parcel is located on Kupreanof Island, southwest of Petersburg. It consists of a gently sloping coastal plain, covered in parts by spruce bog. The steeper slopes inland contain dry uplands and are vegetated with hemlock and spruce forest. The parcel also contains part of a previous state subdivision (ASLS 81-9); areas within the subdivision remaining in state ownership and designated as Settlement are included. Another state subdivision (ASLS 81-8) occurs to the east. The parcel is considered appropriate for settlement. Beecher Pass State Park is situated immediately to the south. *General Use and Settlement*.
PA.1002	Biorka Island	438	This parcel, situated on Biorka Island southwest of Sitka, consists of two separate parts. The westerly parcel is situated northeast of an FAA radar facility, with access provided by a road which, in turn, accesses a landing/beach area for the island situated to the east. The easterly part is situated east of the main part of Biorka Island and is joined to it by a narrow beach area. Both parcels are flat and are covered by forested wetlands. Considered appropriate for settlement (remote cabin sites). *General Use*.
KT.1002	Cleveland Peninsula	4,055	This parcel consists of three distinct parts, all of which occupy the nothern part of the Cleveland Peninsula, located northwest of Ketchikan. The two large parcels occupy uplands at Spacious Bay and Sunny Bay, both of which are important recreational destinations. The third parcel occurs at Square Island, within Spacious Bay. The two larger parcels support hemlock and spruce along the coast and forested wetlands further inland. Both parcels contain commercial forest resources, most of which occur in the more inland, higher elevations. Square Island is a gently sloping and flat island covered by forest and muskeg, except for coastal rainforest along and near the coast. There is limited use of Square Island for recreation purposes. Considered appropriate for remote recreation or remote settlement. *General Use*.

University of Alaska
Land Grant List 2010
Parcel Descriptions

Parcel #	Name	Approx. Area in Acres	Description/*Plan Designation*
PW.CC.1001	Coffman Cove	1,984	Parcel is situated in and near the community of Coffman Cove, on POW Island. It consists of three separate units of land, each of which is considered good for settlement or recreational development. University already owns land in area and this will infill around their existing holdings. Coffman Cove has protected waters and road access. *Settlement*.
CS.DI.1001	Duke Island *DELETED FROM 2005 LAND LIST BY LEGISLATURE*	1,440	Parcel adjoins the southern coast and is generally flat, and has several good anchorages. It is considered best for commercial development related to marine services and associated residential uses. It is covered with mining claims. In selection status. *General Use.*
CS.EW.1001	Earl West Cove	3,564	Situated southeast of Wrangell, this parcel is considered good for land disposals and/or timber harvest. There is a hemlock and mixed hemlock/spruce forest that contains some commercial timber. An existing road system accesses previously harvested areas. An abandoned LTF provides water access. A crude ramp system also exists. *General Use*.
PW.ED.1001	Edna Bay	250	Parcel is situated in the community of Edna Bay, on POW Island. It includes fairly flat areas that are considered suitable for settlement. Parcel is near other University owned land. Roads access the parcel. Public docks are available and have improved the anchorage. *Settlement.*
PW.EC.1001	El Capitan North	1,847	Parcel occupies areas considered suitable for settlement and community recreation because of road access, terrain, and views of the protected waterway and Twin Lake. Parcel adjoins El Capitan Passage and Twin Island Lake. Parcel excludes Twin Island Lake and its islands. *Settlement.*
PW.ES.1005	El Capitan South	865	Parcel occupies most of El Capitan Island, which is strategically located in the protected waters of Sea Otter Sound. A small island, situated to the west, is also included in this parcel. Tract includes land suitable for commercial recreation and residential development. A particularly suitable site for commercial recreation development occurs in a sheltered bay on the south end of the island. Good anchorages exist. *Settlement/Commercial*.

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University of Alaska
Land Grant List 2010
Parcel Descriptions

Parcel #	Name	Approx. Area in Acres	Description/*Plan Designation*
NS.EX.1002	Excursion Inlet	477	This parcel, which consists of four separate parts, is situated north and east of the current subdivisions in Excursion Inlet. Access is provided by water, local roads, and an old Forest Service road. Topography varies from generally flat to moderately sloped. Vegetation consists of hemlock and spruce on the better drained soils and by wetlands in the wetter areas; portions of the parcel may be de-vegetated. Considered suitable for remote settlement. This parcel is the last holding of state land in Excursion Inlet. *Settlement and General Use*.
SD.1001	Favor Peak	1,290	This parcel is located on the southeastern tip of Mitkof Island, from Banana Point to Dry Strait. It is served by a well established road system (Forest Service Road 7). Several areas of commercial forest were harvested in the early 1970s and are dispersed throughout the unit. Areas of the parcel that adjoin the coast may be suitable for settlement. Areas north of the road are fairly steep, and contain areas of hemlock and spruce. *General Use*.
HA.CH.1001	Haines - Chilkoot *DELETED FROM 2005 LAND LIST BY LEGISLATURE*	60	This parcel actually consists of four small individual tracts, all of which are situated south of the community of Haines. All adjoin existing residential areas and are accessed by road. *Settlement.*
CR.1001	Harris Road Junction	320	Parcel consists of fairly flat, vegetated terrain consisting of hemlock and spruce. It is situated along the main island road west of the community of Hollis, at its intersection with the Harris River. In selection status. Potential exists for residential development. *Settlement/Commercial*.
PW.HO.1001	Hollis	622	Parcel is situated in the community of Hollis, on POW Island. Parcel consists of three separate parts, two of which have direct road access (Klawock-Hollis highway) and adjoin areas of existing development. Land is suitable for residential development and, in some locations, commercial use. Previous state subdivsions occur throughout the Hollis. *Settlement*.

University of Alaska
Land Grant List 2010
Parcel Descriptions

Parcel #	Name	Approx. Area in Acres	Description/*Plan Designation*
PW.HK.1001	Hook Arm	1,280	Parcel is situated on the west side of Dall Island, southwest of POW Island. This parcel has a good anchorage, high fish and game values, offshore commercial fishing activities, and resource development activities planned nearby. Tract may be suited for remote residential development or commercial use. In selection status. *General Use*.
MF.1002	Idaho Inlet *DELETED FROM 2005 LAND LIST BY LEGISLATURE*	539	This parcel is situated on the east side of the Idaho Inlet, southeast of Elfin Cove. It has gentle to moderately sloping terrain near the coast and steeper terrain further inland. Parcel is heavily vegetated by spruce and western Hemlock, with scattered wetlands. A secure anchorage provides protection from northerly winds. This tract is considered a strategic site, allowing access to hearby active fishing and transportation waters. Considered appropriate for commercial recreation, general commercial, or remote residential. *General Use*.
JU.NL.1001	Ivanhoe	120	This parcel is comprised of patented mining claims in a known mineralized area north of Juneau. *Mineral and Habitat*
CS.KI.1001	Kelp Island *DELETED FROM 2005 LAND LIST BY LEGISLATURE*	535	Kelp Island adjoins Duke Island and of the two locations, the best anchorage is situated here. It occupies a strategic location near a major navigation route. It would have the same type of commercial marine services and ancillary residential uses as Duke Island. In selection status. *General Use*.
CS.LE.1001	Leask Cove	460	Situated in upper George Inlet, north of Ketchikan, this parcel occupies relatively flat coastal areas, much of which has been previously harvested, and which has some potential for remote settlement. Most of the commercial forested area outside of the existing subdivision is in rotation. The cove provides a good anchorage. There are several previous state subdivisions nearby. *Settlement and General Use*.

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University of Alaska
Land Grant List 2010
Parcel Descriptions

Parcel #	Name	Approx. Area in Acres	Description/*Plan Designation*
JU.LM.1001	Lena Creek	610	This parcel is located near Lena Creek, north of downtown Juneau. This parcel excludes an approved municipal conveyance of approximately 100 acres to the CBJ. The exact location of this CBJ tract must still be surveyed, so the area conveyed to the UA is somewhat uncertain at this time. The parcel map indicates the general location. *Transportation, Settlement, Public Recreation--Dispersed.*
ST.LS.1001	Lisianski Peninsula	1,443	This parcel occupies the remaining areas of state land on the Lisianski Peninsula, situated directly north of Sitka. Portions of the parcel are relatively flat, although the central and southern parts are quite steep. Within areas along the coast and in some inland areas, hemlock and spruce forests predominate; other areas are occupied by scattered wetlands. Water access is available from Cedar Cove; a forest service road accesses the central portions of the parcel. Adjacent land to the north is part of the Tongass National Forest; MH Trust lands are situated to the east. Considered appropriate for remote residential. May have some limited commercial timber potential; some areas of previous harvest exist. *General Use*.
JU.1002	Lynn Canal	1,358	This parcel occupies a fairly flat area on the west side of Lynn Canal, north of Juneau, that is heavily vegetated with a mixture of wetlands in poorly drained areas and Western Hemlock and Sitka Spruce in drier, better drained sites. It is bounded on the west by the Tongass National Forest. The parcel is easily visible from the marine highway route in Lynn Canal, and is considered suitable for commercial recreation or settlement. *Public Facilities-Transfer, Public Recreation and Tourism-Undeveloped*.

University of Alaska
Land Grant List 2010
Parcel Descriptions

Parcel #	Name	Approx. Area in Acres	Description/*Plan Designation*
ST.1001	Middle Island	665	This parcel includes the remaining state lands on Middle Island that are not part of the previous state subdivision (ASLS 87-129) or conveyed to the City/Borough of Sitka or the Mental Health Trust Authority. Middle Island is situated west of Sitka. The parcel occupies the central part of Middle Island, although portions front the water on the northwest and south. Except for areas near the coast on the south and northwest, which are considered suitable for settlement, the remainder of the parcel contains steep terrain. Forested wetlands cover most of the less severe terrain, while western Hemlock and Sitka Spruce cover the remainder. *Settlement, General Use*.
PA.1002	Mite Cove	320	This parcel occupies nearly 200 acres at the northeastern tip of Yakobi Island, at the end of Lisianski Inlet where the Inlet enters Icy Strait. Petican is the nearest community. Mite Cove is a regionally significant anchorage that is used by both recreational and commercial boaters. It is vegetated with Western Hemlock and Sitka Spruce, and is characterized by steeply sloping terrain throughout most of its eastern and southern parts. Areas along the coast in the northern part of the parcel and near/adjacent to Mite Cove are relatively flat. Considered appropriate for remote residential or commercial recreation marine services. *Public Recreation and Tourism-Undeveloped*.
PW.MS.1001	Moira Sound/Nowiskay Cove	160	This small parcel occupies patented federal mining claims. It may be suitable for a variety of uses, including timber harvest and settlement. It is situated on Sound on POW Island. *General Use*.
CS.MB.1001	Moser Bay	906	Parcel is steep in eastern section but the western portion, adjacent to the coast, can accommodate settlement. Other residential use occurs nearby. Access is by water and it is relatively close to Ketchikan. Contains areas of commercial timber that may be suitable for selective logging. *Settlement*.
PW.NA.1001	Naukati Sound	937	Situated in the community of Naukati on POW Island, parcel occupies areas of generally flat land considered good for settlement. Development would be infill around current residential uses or adjacent to current road system. Road and water access. State land disposal is scheduled in Naukati. *Settlement and General Use*.

01/11/2010

University of Alaska
Land Grant List 2010
Parcel Descriptions

Parcel #	Name	Approx. Area in Acres	Description/*Plan Designation*
KT.1004	Neets Creek *DELETED FROM 2005 LAND LIST BY LEGISLATURE*	1,500	Located at the head of Neets Bay northwest of Ketchikan, this parcel generally consists of a fairly flat area adjacent to the coast, two lakes, and the floodplain of Neets Creek. The valley walls are covered by a mixture of hemlock and spruce forests. The parcel may be accessed by either water or air, although previous logging roads are scattered throughout the parcel. A portion of the tract is used by a regional aquaculture association. Contains both previously harvest and available commercial timber (1,800 acres total). Considered appropriate for remote residential use; may have some commercial timber value. *General Use*.
CS.OV.1001	Olive Cove	450	Parcel occupies flat coastal plain vegetated by hemlock and spruce forest good for settlement. Adjoins an existing subdivision. Situated southwest of Wrangell on Zimovia Island. Direct water access to Zimovia Strait. *General Use.*
ST.1002	Pelican *DELETED FROM 2005 LAND LIST BY LEGISLATURE*	851	This parcel occupies almost all of the remaining state land in and around the community of Pelican, on Lisianski Inlet. Portions of this parcel are relatively flat to moderately sloping near the coast or coastal valleys, but are steeply sloped in most of the remaining areas. There are two distinct parts of the parcel; the first part occupies areas north of this community, some of which are accessed by road. The other part is situated south of the community proper and access is only by water. Both parts adjoin Lisianski Inlet and are heavily vegetated with hemlock and spruce. A previous state subdivision, ASLS 80-183, is situated immediately to the south. *Public Recreation - Dispersed, Settlement*.

01/11/2010

University of Alaska
Land Grant List 2010
Parcel Descriptions

Parcel #	Name	Approx. Area in Acres	Description/*Plan Designation*
PA.1001	Port Alexander *DELETED FROM 2005 LAND LIST BY LEGISLATURE*	267	This parcel contains some of the last remaining state land in and adjacent to the community of Port Alexander, situated at the southern tip of Baranof Island. Two parts adjoin the community to the west and east, while a third occupies an area southwest of the community. It consists of flat to moderately sloping terrain and is heavily vegetated by spruce and hemlock, with scattered wetland areas. Access is primarily limited to trails to the western and eastern parts, while the southern has good water access. Several small off shore islands are included in this parcel. *General Use. Some areas of Public Recreation -- Dispersed.*
PA.1001	Port Conclusion (See Port Alexander map)	10	This parcel occupies an area near the end of Port Conclusion, which is situated to the west of the community of Port Alexander. Except for an area near the coast, the parcel is steep and heavily vegetated with western Hemlock, Sitka Spruce, and by areas of forested palustrine wetlands. Considered suitable for remote settlement. *General Use*.
PW.PD.1001	Port Delores	1,100	Port Delores is a protected anchorage with potential for commercial recreation and remote settlement. Some commercial timber exists in the interior of the parcel which may be accessed via Forest Service roads. *Settlement*.
SD.1001	Read Island	706	Situated south of Cape Fanshaw, parcel consists of Read Island and two smaller islands. These occupy the entrance to Farragut Bay, an important commercial tour destination. Read Island is fairly flat, and except for a few small knobs that support dry uplands, the entire island is covered by wetlands. *Public Recreation and Tourism-Undeveloped*.
CS.RB.1001	Rowan Bay	665	Parcel occupies flat and gently rolling coastal plain adjoining Rowan Bay, on the west side of Kuiu Island. Considered good for timber harvest and remote settlement. There have been previous timber harvests. Direct water and road access. *General Use.*
SD.1001	Sumdum	5	This small parcel occupies the head of Sanford Cove, and lies adjacent to a popular cruise ship, charter and recreational boat travel corridor to Endicott Arm. Considered a regionally significant recreational site. *Public Recreation -- Dispersed.*

01/11/2010

University of Alaska
Land Grant List 2010
Parcel Descriptions

Parcel #	Name	Approx. Area in Acres	Description/*Plan Designation*
ST.1003	Tenakee Springs	346	This parcel consists of three distinct parts and constitutes the last remaining developable state land in Tenakee Springs. The first is situated at the end of the main area of community development near the ADOT/PF boat harbor. It abuts the harbor and is used for marine and other types of storage, and is fairly level and heavily vegetated. The second consists of a heavily vegetated, generally flat area that extends further east to Indian River and an old LTF. The third consists of an interior part within sections 15 and 22 situated eastward and upslope of the community, and a part within section 23 that stretches along the coast. This area, which is generally level and heavily vegetated, could be used for commercial and industrial development. *Public Facilities-Retain, Settlement-Commercial*.
SD.1001	Thoms Place	2,360	Situated south of the community of Wrangell, this parcel consists of fairly level to moderately sloping land situated to the west of the Thoms Place community. It is vegetated by hemlock and spruce forest. The unit adjoins Zimovia Strait, which is used as a route of the Alaska Marine Highway. A previous state subdivision and the Thoms Place State Marine Park exist to the south. Considered suitable for settlement. *Settlement, General Use*.
PW.TH.1001	Thorne Bay	2,557	Parcel consists of three separate tracts, two of which have direct road access and are near the community of Thorne Bay. These are considered good for commercial/industrial development. The other adjoins an existing subdivision and has direct road access. *Settlement/Commercial*.
CS.TL.1001	Three Lake Road	640	Situated south of Petersburg, this parcel is near popular fishing streams and adjoins Three Lake Road. Portions of this parcel are previously harvested and are heavily vegetated. It has commercial as well as residential potential. *General Use.*
CS.WA.1001	Ward Cove	3	Small parcel adjoining Tongass Highway north of Ketchikan. This OSL parcel is believed to be part of an old cannery. *Settlement/Commercial.*

University of Alaska
Land Grant List 2010
Parcel Descriptions

Parcel #	Name	Approx. Area in Acres	Description/*Plan Designation*
ST.1002	Warm Springs Bay *DELETED FROM 2005 LAND LIST BY LEGISLATURE*	267	This parcel consists of the remaining state land in the southern part of the Warm Springs community, a popular recreation area for the Sitka community. Area is generally flat and is covered by a mixture of forested wetlands and spruce/hemlock coastal rainforest in the drier parts. Considered suitable for commercial recreation or remote settlement. Previous state subdivision exists on the north side of Warm Springs Bay. *Public Recreation -- Dispersed*.
SD.1001	Whitney Island	316	This unit occupies the generally level southern end of Whitney Island, which is situated immediately west of Cape Fanshaw, an important commercial and recreational anchorage. Most of the island is covered by wetlands except for areas adjacent to the coast covered by spruce and hemlock forest where this parcel is situated. *Public Recreation and Tourism-Undeveloped*.
JU.1001	William Henry Bay	321	Parcel is situated on the west side of Lynn Canal, northwest of Juneau. It occupies the drainage of William Henry Creek in the northwestern part of William Henry Bay. Hemlock and spruce are the dominant vegetation. Areas adjoining the coast at the mouth of the creek are somewhat flat, but are steeper inland. Considered to have commercial recreation or remote settlement potential. *General Use*.
	2010 Revised Southeast Region Subtotal	34,643	

01/11/2010

University of Alaska
Land Grant List 2010
Parcel Descriptions

Parcel #	Name	Approx. Area in Acres	Description/*Plan Designation*
Educational Properties			
JU.AU.1002	Auke Weir	6	Situated close to the UAJ campus along Auke Creek in Juneau, an anadromous fish stream, the parcel includes a fish weir and is suitable for academic and research projects of the UAJ. Includes existing UAJ facilities. *Public Recreation/Habitat*.
LG.PC.01	Caribou-Poker Creeks Drainage	24,250	Situated north of Fairbanks, parcel is currently used and administered by University for hydrologic and water quality research. Occupies portion of the current research watershed used by UA. *Watershed.*
MA.XS.1001	Delta Ag & Forestry Exp. Station	363	Parcel is currently patented to the UA (No. 15524) with restrictions on use to forestry an agricultural research, and contains a reverter. University wants to acquire unrestricted title to allow other uses. *Agriculture and Settlement.*
N2.FA.1004	Fairbanks Parking Garage (includes Court House conveyance) *COURTHOUSE CONVEYED UNDER OTHER AUTHORITY*	1	Parcel is already conveyed. UAF agreed to "count" the acreage should there be a State Land Grant. Parcel was acquired by DOT/PF with federal funds. Provides addition to the University campus. *Not classified.*
NZ.FA.1004	Key Bank Site (See Fairbanks Area Parcels map) *CONVEYED UNDER OTHER AUTHORITY*	1	This parcel adds land to UAF from an area of excess highway right-of-way. It was acquired by DOT/PF with federal funds; the University may be required to reimburse ADOT/PF, to compensate for the loss of federal highway funds. *Not classified.*
MA.KR.1001	Kodiak Rocket Range *DELETED FROM 2005 LAND LIST BY LEGISLATURE*	2,880	This parcel occupies an area on southern Kodiak Island that includes the Kodiak Launch Complex. Portions of the parcel are used for grazing. Conveyance would be subject to the current Inter-agency Land Management Agreement for the Rocket Launch Facility and the grazing lease. Current access and public use areas are retained, including access to Fossil Beach. *Grazing, General Use*.
MA.PF.1002	Poker Flat (Special Use Area)	6,680	This is a large area under permit that the University has reserved for a buffer for its Poker Flat research activities. *Resource Management, Forestry, Mining, Public Recreation, Wildlife Habitat.*
MA.PF.1001	Poker Flat Lease	533	This area is under lease (ADL 414207) from the state and contains university-owned facilities. *Forestry, Mining, Public Recreation*.

01/11/2010

University of Alaska
Land Grant List 2010
Parcel Descriptions

Parcel #	Name	Approx. Area in Acres	Description/*Plan Designation*
MA.SF.1001	Silver Fox Mine	120	This proposal is adjacent to patented federal claims which the University owns in fee. Now used for UAF mining program. *Settlement.*
ST.1001	Sitka Campus	6	Parcel contains the Sitka campus. Management authority would be transferred from the Department of Education to the University. *Public Facilities.*
TV.RF.1001	Tok Research Forest	4,015	Parcel is to be used for forestry research by UAF. *Forestry.*
TV.TV.1001	University Research Forest *CONVEYED UNDER HB 130*	51,820	This parcel contains portions of the Tanana Valley State Forest as well as other state land classified Forestry and Settlement. Parcel is to be rtetained and managed by DNR for the next fifty years after which it will be conveyed to the University. Parcel would also be used for forestry research by UAF. DNR would continue to manage the other uses that occur within this area, including timber harvest and public recreation. Public access is to be maintained. *Forestry and Settlement.*
	2010 Revised Educational Properties Subtotal	35,973	
2010 REVISED TOTAL		**199,838**	

HISTORICAL INFORMATION

STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

400 WILLOUGHBY AVENUE
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400
FAX: (907) 465-3886

550 WEST 7TH AVENUE, SUITE 1400
ANCHORAGE, ALASKA 99501-3650
PHONE: (907) 269-8431
FAX: (907) 269-8918

January 14, 2005

Dear Interested Alaskan:

The Governor is announcing new legislation that would transfer 260,000 acres of state land managed by the Department of Natural Resources to the University of Alaska. I am pleased to provide this list of lands for this transfer. The transfer will fulfill the intent of Senate Bill 7 passed by the 2000 Alaska Legislature as Chapter 136 SLA 2000. It will do so in a manner that is quicker, less expensive, and provides more valuable lands to the university than the process envisioned by SB 7.

Background — Senate Bill 7. In 2000, the Alaska Legislature passed SB 7, which provided a 10-year process during which the University of Alaska would select up to 260,000 acres of state-owned land to be conveyed to the university for the primary purpose of generating revenue for the university. Specifically, the bill provided that:

- "most land grant colleges in the western United States have obtained a larger land grant from the federal government than the University of Alaska has received;
- an academically strong and financially secure state university system is a cornerstone to the long-term development of a stable population and to a healthy, diverse economy in the state;
- it is in the best interests of the state and the University of Alaska that the university take ownership of a significant substantial portfolio of income producing land in order to provide income for the support of public higher education in the state;"

SB 7 had a 10-year fiscal note and forecast the need for approximately $1.7 million each year to complete the selection, decision, and transfer process.

Unfortunately, implementing the bill proved difficult, expensive, time-consuming, and subject to litigation. To date, no lands have been conveyed to the University of Alaska to implement the law. In addition, uncertainty over what state land the university may or may not select creates a disincentive for investment and development, and the 10-year conveyance process had the potential to discourage the development and use of state land.

Land List and Accompanying Legislation. Over the course of the past several years, the University of Alaska and the Department of Natural Resources (DNR) have worked to reach agreement on lands proposed for transfer to the university to fulfill the intent of SB 7. These lands include some that were not selectable under SB 7. However, the proposal includes a portfolio of lands that should produce income for the university both in the near-term and long-term, and will provide more income than was available to the university under the provisions of SB 7. The new

legislation requested by the Governor eliminates the lengthy selection process required under SB 7 and directs DNR to convey these specific lands to fulfill the 260,000-acre intent of SB 7.

This new legislation provides a single decision for determining what lands will be transferred to the University of Alaska, rather than a protracted 10-year decision process. This is a quicker and significantly less expensive process. It also eliminates the potential disincentive to development because once the legislation passes, the eventual land manager is immediately clear.

Summary of the Lands to be Transferred to the University of Alaska. The lands proposed to be conveyed to the university are summarized below:

Type of Property	No. of Parcels	Approximate Acreage
Investment Properties, Southeast Alaska	44	40,102
Investment Property, Other than Southeast	14	39,222
Nenana Basin Oil and Gas	1	90,000
Educational Properties	12	90,676
Total:	**71**	**260,000**

In developing a list of investment properties to be transferred, DNR and the University of Alaska focused primarily on lands that had been designated settlement, general use, or general public recreation in DNR Area Plans. The list does not include any lands designated for timber harvest in Southeast Alaska because conveying these to the university would decrease DNR's allowable cut there. Nor does it include lands tentatively scheduled for sale by DNR within the next five years, as conveying these would leave DNR unable to meet near-term land sale goals. The list does not include lands on which municipal selection applications have been filed. The list does not include any producing oil and gas or mineral properties, nor legislatively designated State Game Refuges, Critical Habitat Areas, Parks, or Public Use Areas.

The 44 parcels in southeast are expected to have the greatest near-term income potential. Because of the limited state land in southeast, these tracts are comparatively small and are distributed throughout southeast Alaska.

The remaining investment properties, distributed throughout the state, include some lands suited for commercial or industrial development, but the majority is suited for residential or recreational development.

The Nenana Basin Oil and Gas property is a single 90,000-acre tract within the Nenana Basin. It is located west of the Nenana River generally across the river from the City of Nenana. DNR and the University believe the tract has significant potential for gas development, and the area is part of the Oil and Gas License owned by Andex Corporation. The tract would be transferred to the University of Alaska subject to the Andex license.

The 12 educational properties are intended to strengthen the University of Alaska's education and research programs. Most are located in the Fairbanks area. The largest is a 51,820-acre tract southwest of Fairbanks within the Tanana Valley State Forest. This area, which includes the Bonanza Creek Experimental Forest, would become the University Research Forest. It will be one of the largest university-related forests in the country and will be an important asset to the university for forestry and related research. For at least the next 50 years, DNR would continue to manage the

public uses in this area, such as recreation, and would continue to use the area for commercial timber sales, consistent with the needs of the University Research Forest.

Land Transfer Process. Under the proposed legislation, DNR will convey the lands to the University of Alaska within three years of the bill's passage. During those three years, DNR will complete the required title search, and will reserve appropriate public access easements, navigable waters, etc. Actual authority for management will change on the date the deeds are recorded.

Conveying these lands will accomplish the goals of SB 7 in a manner that is faster and less expensive than the 10-year process previously envisioned. I am pleased to recommend this portfolio of lands for transfer to the University of Alaska. I believe that these lands will provide the university with significant value and future revenue to help fund public education. The transfer helps fulfill the promise of a land grant University.

Sincerely,

for Tom Irwin
Commissioner

University of Alaska
Land Grant List 2005

Parcel #	Name	Approx. Area in Acres
Southeast Alaska		
SD.1001	Beecher Pass	1,193
PA.1002	Biorka Island	438
KT.1002	Cleveland Peninsula	4,055
PW.CC.1001	Coffman Cove	1,984
CS.DI.1001	Duke Island	1,440
CS.EW.1001	Earl West Cove	3,564
PW.ED.1001	Edna Bay	250
PW.EC.1001	El Capitan North	1,847
PW.ES.1005	El Capitan South	865
NS.EX.1002	Excursion Inlet	477
SD.1001	Favor Peak	1,290
HA.CH.1001	Haines - Chilkoot	60
CR.1001	Harris Road Junction	320
PW.HO.1001	Hollis	622
PW.HK.1001	Hook Arm	1,280
MF.1002	Idaho Inlet	539
JU.NL.1001	Ivanhoe	120
CS.KI.1001	Kelp Island	535
CS.LE.1001	Leask Cove	460
JU.LM.1001	Lena Creek	610
NS.NS.1001	Lisianski Peninsula	1,443
JU.1002	Lynn Canal	1,358
NS.MI.1001	Middle Island	665
PA.1002	Mite Cove	320
PW.MS.1001	Moira Sound/Nowiskay Cove	160
CS.MB.1001	Moser Bay	906
PW.NA.1001	Naukati Sound	937
KT.1004	Neets Creek	1,500
CS.OV.1001	Olive Cove	450
ST.1002	Pelican	851
PA.1001	Port Alexander	267
PA.1001	Port Conclusion (See Port Alexander map)	10
PW.PD.1001	Port Delores	1,100
SD.1001	Read Island	706
CS.RB.1001	Rowan Bay	665
SD.1001	Sumdum	5
ST.1003	Tenakee Springs	346
SD.1001	Thoms Place	2,360
PW.TH.1001	Thorne Bay	2,557
CS.TL.1001	Three Lake Road	640
CS.WA.1001	Ward Cove	3

University of Alaska
Land Grant List 2005

Parcel #	Name	Approx. Area in Acres
Non-producing Oil and Gas Resources		
	Nenana Gas Basin Tracts - Mineral *	90,000
	Nenana Gas Basin Tracts - Land ** *	90,000
	Oil and Gas Resources, Subtotal	**90,000**
Investment Properties		
Northern/ Interior Region		
DH.IS.1001	Dalton Highway MP 48 to 54	1,360
DH.SR.1001	Dalton Highway MP 345 to 347	880
MA.HR.1001	Haul Road Nodes-Coldfoot	1,700
M1.JC.1001	Jarvis Creek (Mineral)	16,000
FA.JC.1001	Jennie M. Creek C	5
N1.LS.1001	Lake Snohomish	740
NZ.FA.1003	Noyes Slough (See Fairbanks Area Parcels map)	7
N5.RS.1001	Summit Lake (Parks Highway)	960
N1.WT.1001	West Twin Lake	1,560
N5.WL.1001	Wien Lake	1,780
	Northern Interior Region Subtotal	24,992
Southcentral Region		
SU.DC.1001	Deception Creek	280
SU.FP.1001	Frying Pan Lake	450
MA.MC.1001	McCarthy-Nizina	12,500
SU.WC.1001	Willow Creek Road	1,000
	Southcentral Region Subtotal	14,230
	Investment Properties Total	**39,222**

* The mapped extent of the parcel exceeds this amount, but will be reconfigured when the Remote Staking for Teklanika II has been completed to equal approximately 90,000 acres.

** The University will provide, at no charge to the state, reasonable access to the state land and resources west and north of the Nenana parcel.

University of Alaska
Land Grant List 2005

Parcel #	Name	Approx. Area in Acres
ST.1002	Warm Springs Bay	267
SD.1001	Whitney Island	316
JU.1001	William Henry Bay	321
	Southeast Region Subtotal	**40,102**
Educational Properties		
JU.AU.1002	Auke Weir	6
LG.PC.01	Caribou-Poker Creeks Drainage	24,250
MA.XS.1001	Delta Ag & Forestry Exp. Station	363
N2.FA.1004	Fairbanks Parking Garage (includes Court House conveyance)	2
NZ.FA.1004	Key Bank Site (See Fairbanks Area Parcels map)	1
MA.KR.1001	Kodiak Rocket Range	2,880
MA.PF.1002	Poker Flat (Special Use Area)	6,680
MA.PF.1001	Poker Flat Lease	533
MA.SF.1001	Silver Fox Mine	120
ST.1001	Sitka Campus	6
TV.RF.1001	Tok Research Forest	4,015
TV.TV.1001	University Research Forest	51,820
	Educational Properties Subtotal	**90,676**
TOTAL		**260,000**

4255

HB

306

HOUSE COMMITTEE REPO

(9)

Date Referred to Committee: February 5, 2010 **FURTHER REFERRALS:**

Date of Committee Action: 3/12/10

The RESOURCES Committee considered: **HB 306**

HOUSE BILL NO. 306
"An Act declaring a state energy policy."

HB 306-STATE ENERGY POLICY

Recommends it be replaced with [ ] HCS *or* [X] CS *for* HB 306 (RES)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW **FISCAL NOTES** *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero

PREVIOUS **FISCAL NOTES**				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
H. ENE CMTE	1			✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON			X	
	GUTTENBERG	X			
	EDGMON	X			
	TUCK	X			
	KAWASAKI	X			
	SEATON	X			
	WILSON	X			
Chair:	JOHNSON	X			
Chair:	NEUMAN	X			

ALASKA STATE LEGISLATURE

House Resources Committee

Craig Johnson, Co-Chair

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Juneau, AK 99801-1182
(907) 465-4993
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Rep_Craig_Johnson@legis.state.ak.us

Mark Neuman, Co-Chair

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FAX

To:	Legislative Legal Services	**From:**	Debra Higgins
Fax:	465-2029	**Phone:**	465-3715
Date:	3/13/10	**CC:**	
Re:	FINAL for HB 306 (26-LS1049\T)	**Pages with Cover:**	1

CS HB 306 (ENE) (26-LS1049\T) passed out of House Resources Committee last night with the following conceptual amendments to version T:

Page 1, line 15 following "renewable" and Page 2, line 27 following "nonrenewable"

Insert: "and alternative"

Page 2, line13: following (A)

Delete "establishing"

Insert: "encouraging"

Page 3, line 3: before (3)

Insert: "(E) promoting energy efficiency utilized for transportation."

Terry @ 12:11 pm wants to make minor changes to language for (E)

Please send a final CS HB 306 (RES) to be read on the House floor Monday, 3/15/10. I can pick it up if necessary. My number is 465-3715 or 317-2409 cell.

Thank you.

26-LS1049\T.1
Kane
2/18/10

#1

withdrawn

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 306(ENE)

Page 3, following line 2:

Insert a new subparagraph to read:

"(E) making available to affected communities residential solid fuel burning device change out programs that meet Environmental Protection Agency emission requirements and implement energy efficiency standards that conserve the use of the state's timber resources used in space heating;"

4259

#2

AMENDMENT

Withdrawn

OFFERED IN THE HOUSE

TO: CSHB 306(ENE)

Page 2, line 16:

Delete the second occurrence of "and"

Page 2, line 20, following "efficiency;":

Insert "and

(D) encouraging ~~and empowering~~ communities to adopt community-appropriate measures to reduce motor vehicle fuel use and other energy use, ~~including measures encouraging the use of public transportation, if appropriate for the community~~;"

Transportation.

Conceptual #3

AMENDMENT

Failed

OFFERED IN THE HOUSE BY REPRESENTATIVE SEATON

TO: CS HB 306(ENE)

Page 2, line 27 move reference to "coal"

to

Page 2, line 28 after "nuclear energy," insert "and coal if utilized with carbon capture technology,"

Seaton

Failed

nv
HH

yo
111

CONFIDENTIALITY NOTICE: This email message including any attachments is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, or disclosure is prohibited.

AMENDMENT #4 adopted as amended by 4.a

OFFERED IN THE HOUSE BY REPRESENTATIVE JOHNSON

TO: CSHB 306(ENE)

Page 2, line 12, following "by"
Delete lines 13, 14

Renumber section accordingly

amendment 4a –
insert lines 13, 14
delete "establishing"
insert "encouraging"

by Rep Edgmon

adopted

4263

AMENDMENT #5

OFFERED IN THE HOUSE BY REPRESENTATIVE JOHNSON

TO: CSHB 306(ENE)

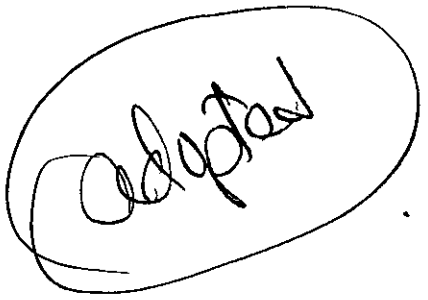
Page 2, line 12, following "by"

Delete lines 15, 16

Renumber section accordingly

withdrawn

CONCEPTUAL AMENDMENT #6



OFFERED IN THE HOUSE

BY: REPRESENTATIVE SEATON

TO: CS HB306

Page 3, line 3,

Insert:

"(E) promoting energy efficiency utilized for transportation"

Conceptual Amend #7

adopted as amended by 7.a

Pg 1, line 15 after "renewable"

insert —

"and alternative"

amend 7a — Pg 2, line 27 — after nonrenewable

insert "and alternative"

By: Rep. Neuman

by Rep Edgmon adopted 7a

adopted as amended

Alaska Legislature
House Special Committee on Energy

Rep. Charisse Millett
State Capitol, Room 412
Juneau, AK 99801
Phone (907) 465-3879
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Date: 2/5/10
Version: 26-LS1049\T

Sponsor Statement – HB 306

"An act creating a state energy policy"

Creating a state energy policy is one of the first steps to meeting the state's energy current and future needs. A comprehensive energy policy in statute will serve as a blueprint for future generations of Alaskans.

The House Special Committee on Energy Co-chairs Rep. Bryce Edgmon, D-Dillingham and Rep. Charisse Millett, R-Anchorage used a unique method to draft the bill - they didn't write it.

Instead, they assembled a diverse group of Alaskans with decades of experience in energy policy to come together and write what they believed would make a good energy policy for Alaska.

Sixteen respected Alaskans participated in The House Energy Stakeholders Group:

Gwen Holdmann, Alaska Center for Energy & Power
Robert Venables, Southeast Conference
Scott Goldsmith, ISER
Jason Brune, Resource Development Council
John Davies, Alaska Cold Climate Housing Research Center
Ralph Anderson, Bristol Bay Native Association
Bill Popp, Anchorage Economic Development Council
Bob Pawlowski, Denali Commission
Denali Daniels, Denali Commission
Caitlin Higgins, Alaska Conservation Alliance
Stacy Schubert, Municipality of Anchorage
Kathie Wasserman, Alaska Municipal League
Marilyn Leland, Alaska Power Authority

Alaska Legislature
House Special Committee on Energy

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Summary of Changes – CS for House Bill 306 (ENE)

1) Page 1, Line 13 – following "projects" inserted "the state remain a leader in petroleum and natural gas production and become leader in renewable energy development;"

2) Page 2, Line 22, following "export" inserted: "of power that is surplus to the needs of Alaska communities"

3) Page 3, Line 2 following "programs": inserted "that will help create jobs for Alaskans and"

Prepared by Jeff Turner, Staff to Rep. Charisse Millett on 2/5/10

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 306(ENE)
(H) Publish Date: 2/5/2010

HB306
Title: An act declaring a state energy policy
Sponsor: (H) Energy
Requester:

Dept. Affected:
RDU
Component
Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: Adam Berg
Division: House Energy Committee Staff
Phone 465-4451
Date/Time

Approved by:
Date 2/2/2010

(Revised 11/6/2009 OMB)

Energy Policy for Alaska

Presented by:
Chris Rose, Renewable Energy Alaska Project
Bill Popp, Anchorage Economic Development Corporation

The House Energy Committee
January 26, 2010

The Stakeholder Advisory Panel

- Rep. Bryce Edgmon & Rep. Charisse Millett, House Energy Committee Co-Chairs
- Adam Berg, Jeff Turner & Larry Persily, Legislative Staff
- Gwen Holdmann, Alaska Center for Energy & Power
- Robert Venables, Southeast Conference
- Scott Goldsmith, ISER
- Jason Brune, RDC
- John Davies, Alaska Cold Climate Housing Research Center
- Ralph Andersen, Bristol Bay Native Association
- Bill Popp, AEDC
- Bob Pawlowski, Denali Commission
- Denali Daniels, Denali Commission
- Caitlin Higgins, Alaska Conservation Alliance
- Stacy Schubert, Municipality of Anchorage
- Marilyn Leland, Alaska Power Authority
- Meera Kohler, Alaska Village Electric Cooperative
- Ron Miller, Energy Consultant
- Chris Rose, REAP
- Kathy Wasserman, AML

The Purpose

- To develop a statewide energy policy as the basis for a long-term vision to address Alaska's energy challenges and opportunities
- Through adopted policy, align state government in a unified set of strategic goals for the State of Alaska
- Lead to the development of a comprehensive energy plan to achieve the strategic goals of the State of Alaska

The Key Steps

1. Establish the Energy Policy
2. Develop Strategic Goals
3. Create the Plan to Achieve the Goals
4. Implement Programs and Projects

Principles Guiding the Process

- The future success of Alaska's statewide economy is tied to available, reliable, and affordable energy for:
  - Residential users
  - Commercial users
  - Industrial users
- Worldwide supply and demand for fossil fuels and concerns about global climate change will affect the price of fossil fuels in the future

The Starting Point of the Policy

- Tri-Borough Commission Energy Policy
  - Matanuska-Susitna Borough Mayor Curt Menard
  - Municipality of Anchorage Mayor Mark Begich
  - Kenai Peninsula Borough Mayor John Williams
- Established a diverse 13 member task force to develop proposed energy policy in October, 2007
- Adopted Southcentral region energy policy proposal February 7, 2008

- **The House Energy Policy Stakeholders Advisory Panel agreed that many of the principles in this policy could be applied statewide**

The Fundamentals of the Policy

- Promotes energy efficiency and conservation
- Promotes development of renewable and non-renewable energy resources
- Promotes economic development through cost-effective, long-term sources of energy for communities statewide
- Supports energy research, education, and workforce development
- Supports coordination of governmental functions and promotes streamlining of regulatory processes, avoiding duplication of effort, and overall coordination of effort by all levels of government

The Key Steps Going Forward

1. Establish the Energy Policy
2. Develop Strategic Goals
3. Adopt the Plans to Achieve the Goals
4. Implement Programs and Projects

Meera Kohler, Alaska Village Electric Cooperative
Ron Miller, Energy Consultant
Chris Rose, Renewable Energy Alaska Project

The result of their hard work is House Bill 306. The draft energy policy carries five core fundamental principles to guide the state moving forward:

- Promote energy efficiency and conservation
- Promote development of renewable and non-renewable energy resources
- Promote economic development through cost-effective, long-term sources of energy for communities statewide
- Support energy research, education, and workforce development
- Support coordination of governmental functions, which promotes streamlining of regulatory processes and overall coordination of efforts by all levels of government

If passed, Alaska will join many other states in having a statewide energy policy on the books.

Prepared by Jeff Turner, Staff to Rep. Charisse Millett on 2/5/10

Alaska Legislature
House Special Committee on Energy

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MEMORANDUM

To: Rep. Craig Johnson and Rep. Mark Neuman

From: Rep. Charisse Millett

Subject: Bill scheduling request for HB 306

Date: 2/5/10

CC:

I am requesting a hearing for HB 306 before the House Resources Committee at your earliest convenience.

All the required materials are included in this scheduling request. Jeff Turner is the staff assigned to this legislation. If you need any other materials or have any questions have a member of your staff contact him at (907) 4675-6588.

###

HB

308

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB 308**
() Publish Date:

Identifier (file name): HB308-REV-TAX-02-06-10
Dept. Affected: Revenue
Title: An Act relating to the production tax on oil and gas
RDU: Taxation and Treasury
Component: Tax Division
Sponsor: Representative Johnson
Requester: (H) Resources
Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	235.0		235.0	235.0	235.0	235.0	235.0
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**235.0**	**0.0**	**235.0**	**235.0**	**235.0**	**235.0**	**235.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )	**(575,000.0)**	**0.0**	**(725,000.0)**	**(825,000.0)**	**(925,000.0)**	**(950,000.0)**	**(900,000.0)**

***** See Analysis Section for Additional Information *****

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	235.0	0.0	235.0	235.0	235.0	235.0	235.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**235.0**	**0.0**	**235.0**	**235.0**	**235.0**	**235.0**	**235.0**

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	**2.0**	0.00	2	2	2	2	2
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

See Attached.

Prepared by: Cherie Nienhuis and Dan Stickel, Petroleum Economists — Phone 907-269-1019
Division: Tax Division — Date/Time 02-05-10; 1:46pm
Approved by: Ginger Blaisdell, Director — Date 02-06-10; 1:27pm
Administrative Services Division

(Revised 11/6/2009 OMB)

ANALYSIS CONTINUATION

Bill Language:

This bill makes four major changes to Alaska's oil and gas production tax. Each of these changes are discussed below:

1. Decrease in tax rate for progressive surcharge. This bill would lower the tax rate used to calculate the progressive surcharge at AS 43.55.011(g) from 0.4% for every $1 the production tax value exceeds $30 per barrel to 0.2% for every $1 the production tax value exceeds $30 per barrel. This rate continues until the production tax value per barrel reaches $92.50, when the rate resumes the 0.1% tax rate that currently exists in statute.

2. Decrease in rate of credit for certain qualifying exploration expenditures from 40% to 30%. This bill would decrease the rate of credit for certain expenditures that qualify for the exploration credit at AS 43.55.025(a) from 40% to 30%.

3. Add a special credit for qualified well-related expenditures. This bill would add a separate credit for well-related expenditures. The credit would be 10% of capital expenditures for well drilling or seismic exploration and analysis, and 30% for noncapital expenditures for well drilling, seismic exploration and analysis, or well maintenance workovers for expenditures occuring after December 31, 2010.

4. Reduce the amount of time that auditors have to complete audits on tax returns from 6 years to 3 years.

Analysis of Changes

This bill would have both revenue impacts and Division staffing impacts. The changes to the tax rate and credits in 1 through 3 of the list above will have a combined impact as shown on page 1 of the fiscal note, using our Fall 2009 price, production, and cost forecasts. Because we were unable to ascertain the effective date of the decrease in tax rate, we assumed it would be effective 7/1/10 and the fiscal impact effects the entirety of FY11.

The change to reduce the amount of time that auditors have to complete production tax audits will have a direct fiscal impact on the Tax Division. Reducing the time the Audit Group has to complete audits by 3 years will require the hiring of 2 additional auditors, who are experienced in oil and gas operations, costing the Division approximately $235,000 per year. If the positions are not filled timely, either the audits will not be completed in time, or the Division will be forced to make defensive tax assessments and shift the burden to its Appeals Group, which could require adding more appeals officers.

The special credit for well-related expenditures will require auditors to undergo specific training in order to learn how to distinguish well-related expenditures from other expenditures. We can expect an extended regulations process to properly identify and code these expenditure differences. The cost to the Division for these additional duties is undetermined.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM February 5, 2010

SUBJECT: Constitutional issues raised CSHB 308( )
(Work Order No. 26-LS1328\E)

TO: Representative Craig Johnson
Attn: Debra Higgins

FROM: Donald M. Bullock Jr.
Legislative Counsel

Enclosed is a draft CSHB 308( ) that, among other subjects, amends the rate and applicability of interest in AS 43.05.225 and provides a rebate to a taxpayer subject to tax under AS 43.55.011(e) that employs resident workers for 80 percent or more of the labor performed for qualified lease expenditures. Please read this draft carefully to ensure that it is consistent with your intent.

The incentive for the employment of resident workers by a reduction in tax burden raises constitutional issues because of the effect on workers who are not residents of the state.

There are constitutional issues raised by reducing the burden of the oil and gas production tax through a rebate based on resident employment. Providing an incentive for the employment of resident workers corresponds to a disincentive for employing workers who are not residents. This raises a question as to whether the inducement violates the privileges and immunities clause of the United States Constitution or the equal protection provisions in the United States and Alaska Constitutions.

If I may be of further assistance, please advise.

DMB:ljw
10-061.ljw

Enclosure

26-LS1328\E
Bullock
2/5/10

CS FOR HOUSE BILL NO. 308( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES JOHNSON, Neuman, Ramras, Millett, Johansen, Hawker

A BILL

FOR AN ACT ENTITLED

"An Act relating to the duties of the Department of Labor and Workforce Development; relating to the tax rate applicable to the production of oil and gas; relating to a rebate of the production tax on oil and gas based on the employment of resident workers; relating to credits against the oil and gas production tax; relating to the period in which oil and gas production taxes may be assessed; relating to the interest rates applicable on certain amounts due related to various taxes, penalties, payments, and the Alaska Gasline Inducement Act; and providing for an effective date."

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

*** Section 1.** AS 05.15.095(c) is amended to read:

(c) A delinquent fee bears interest at the rate set by **AS 43.05.225(a)(2)** [AS 43.05.225].

*** Sec. 2.** AS 23.05.080 is amended by adding a new subsection to read:

(b) In addition to the records that must be kept under (a) of this section, an

employer subject to tax under AS 43.55.011(e) and claiming a rebate under AS 43.55.022 shall keep for each person who provides labor the cost of which is included in an allowable lease expenditure under AS 43.55.165 an accurate record of the name, address, and occupation of the person, of the daily and weekly hours worked by the person, of whether the person is a resident worker, of the total numbers of hours during a calendar year worked by resident workers, of the total number of hours during a calendar year worked by persons that are not resident workers, and of the wages paid each pay period to each person. A record required under this subsection shall be kept on file for at least three years and may be provided to the Department of Revenue by request. In this subsection, "resident worker" has the meaning given in AS 43.40.092.

*** Sec. 3.** AS 23.05.100 is amended to read:

Sec. 23.05.100. Inspections and examination of records. The department may

(1) enter a place of employment during regular hours of employment and, in cooperation with the employer, or someone designated by the employer, collect

(A) facts and statistics relating to the employment of workers; **and**

(B) information required to be kept under AS 23.05.080(b) for the purpose of verifying the eligibility of the employer for a rebate under AS 43.55.022;

(2) make inspections for the proper enforcement of all state labor laws;

(3) for the purpose of examination, have access to and copy from any book, account, record, payroll, paper, or document relating to the employment of workers.

*** Sec. 4.** AS 23.05 is amended by adding a new section to article 1 to read:

Sec. 23.05.135. Definition. In AS 23.05.010 - 23.05.135, "resident worker" has the meaning given in AS 43.40.092.

*** Sec. 5.** AS 34.45.470(a) is amended to read:

(a) A person who fails to pay or deliver property within the time prescribed by this chapter may be required to pay to the department interest at the annual rate

calculated under **AS 43.05.225(a)(2)** [AS 43.05.225] on the property or the value of it from the date the property should have been paid or delivered.

*** Sec. 6.** AS 43.05.225 is amended to read:

Sec. 43.05.225. Interest. Unless otherwise provided,

(1) when a tax levied in this title becomes delinquent, it bears interest in a calendar quarter at the rate of **two** [FIVE] percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first day of that calendar quarter, or at the annual rate of 11 percent, whichever is **lower** [GREATER], compounded quarterly as of the last day of that quarter;

(2) the interest rate is 12 percent a year for

(A) delinquent fees payable under AS 05.15.095(c); and

(B) [REPEALED

(C)] unclaimed property that is not timely paid or delivered, as allowed by AS 34.45.470(a).

*** Sec. 7.** AS 43.05.225 is amended by adding a new subsection to read:

(b) The unpaid amount of an increase in tax liability that is the direct result of the adoption of a regulation with retroactive application is not considered delinquent for the purposes of (a) of this section until 30 days after the effective date of the regulation with retroactive application.

*** Sec. 8.** AS 43.05.280(a) is amended to read:

(a) Interest shall be allowed and paid on an overpayment of a tax under this title at the rate and in the manner provided in **AS 43.05.225(a)(1)** [AS 43.05.225(1)].

*** Sec. 9.** AS 43.31.141 is amended to read:

Sec. 43.31.141. When tax due; [,] extension and interest. The tax imposed by this chapter is due and payable 15 months after the decedent's death and shall be paid by the executor to the department. If the department finds that the payment on the due date of tax or any part of the tax would impose undue hardship upon the estate, the department may extend the time for payment of any part, but no extension may be for more than one year and the aggregate of extensions with respect to an estate may not exceed five years from the due date. In that case, the amount in respect of which the extension is granted shall be paid on or before the date of the expiration of the period

of the extension unless a further extension is granted. If the time for the payment is extended, there shall be collected, as part of this amount, interest on the tax as provided in **AS 43.05.225(a)(1)** [AS 43.05.225(1)] from the due date of the tax to the date the tax is paid.

*** Sec. 10.** AS 43.50.570 is amended to read:

Sec. 43.50.570. Interest. A licensee who fails to pay an amount due for the purchase of stamps within the time required

(1) is considered to have failed to pay the cigarette taxes due under this chapter; and

(2) shall pay interest at the rate established under **AS 43.05.225(a)(1)** [AS 43.05.225] from the date on which the amount became due until the date of payment.

*** Sec. 11.** AS 43.55.011(g) is amended to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2) per BTU equivalent barrel of the taxable oil and gas is more than $30, the amount of tax for purposes of (e)(2) of this section is determined by multiplying the monthly production tax value of the taxable oil and gas produced during the month by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value per BTU equivalent barrel of the taxable oil and gas for the month is not more than **$155** [$92.50], the tax rate is **0.2** [0.4] percent multiplied by the number that represents the difference between that average monthly production tax value per BTU equivalent barrel and $30; or

(2) if the producer's average monthly production tax value per BTU equivalent barrel of the taxable oil and gas for the month is more than **$155** [$92.50], the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the average monthly production tax value per BTU equivalent barrel and **$155** [$92.50], except that the sum determined under this paragraph may not exceed 50 percent.

*** Sec. 12.** AS 43.55.020(g) is amended to read:

(g) Notwithstanding any contrary provision of **AS 43.05.225(a) and except as**

provided in (i) of this section [AS 43.05.225], an unpaid amount of an installment payment required under (a)(1) - (3) of this section that is not paid when due bears interest (1) at the rate provided for an underpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date the installment payment is due until March 31 following the calendar year of production, and (2) as provided for a delinquent tax under **AS 43.05.225(a)(1)** [AS 43.05.225] after that March 31. Interest accrued under (1) of this subsection that remains unpaid after that March 31 is treated as an addition to tax that bears interest under (2) of this subsection. An unpaid amount of tax due under (a)(4) of this section that is not paid when due bears interest as provided for a delinquent tax under **AS 43.05.225(a)(1)** [AS 43.05.225].

*** Sec. 13.** AS 43.55.020(h) is amended to read:

(h) Notwithstanding any contrary provision of AS 43.05.280,

(1) an overpayment of an installment payment required under (a)(1) - (3) of this section bears interest at the rate provided for an overpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the later of the date the installment payment is due or the date the overpayment is made, until the earlier of

(A) the date it is refunded or is applied to an underpayment; or

(B) March 31 following the calendar year of production;

(2) except as provided under (1) of this subsection, interest with respect to an overpayment is allowed only on any net overpayment of the payments required under (a) of this section that remains after the later of March 31 following the calendar year of production or the date that the statement required under AS 43.55.030(a) is filed;

(3) interest is allowed under (2) of this subsection only from a date that is 90 days after the later of March 31 following the calendar year of production or the date that the statement required under AS 43.55.030(a) is filed; interest is not allowed if the overpayment was refunded within the 90-day period;

(4) interest under (2) and (3) of this subsection is paid at the rate and in the manner provided in **AS 43.05.225(a)(1)** [AS 43.05.225(1)].

* **Sec. 14.** AS 43.55.020 is amended by adding a new subsection to read:

(i) The unpaid amount of an installment payment required under (g) of this section that is the direct result of the adoption of a regulation with retroactive application does not bear interest until 30 days after the effective date of the regulation with retroactive application.

* **Sec. 15.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.022. Tax rebate for employing resident workers. (a) Subject to appropriation and the requirements of this section, a taxpayer subject to tax under AS 43.55.011(e)(1) that incurs labor costs that are allowable lease expenditures under AS 43.55.165 is entitled to a rebate if 80 percent or more of the labor is done by resident workers.

(b) The amount of the rebate is equal to a percentage of the tax paid under AS 43.55.011(e)(1) based on the percentage of labor done by resident workers the cost of which is included in an allowable lease expenditure under AS 43.55.165. The amount of the rebate is equal to the following percentage of the tax paid under AS 43.55.011(e)(1):

(1) two percent if the percentage of labor done by resident workers is at least 80 percent but less than 82.5 percent;

(2) four percent if the percentage of labor done by resident workers is at least 82.5 percent but less than 85 percent;

(3) six percent if the percentage of labor done by resident workers is at least 85 percent but less than 87.5 percent;

(4) eight percent if the percentage of labor done by resident workers is at least 87.5 percent but less than 90 percent;

(5) 10 percent if the percentage of labor done by resident workers is at least 90 percent but less than 92.5 percent;

(6) 12 percent if the percentage of labor done by resident workers is at least 92.5 percent but less than 95 percent;

(7) 14 percent if the percentage of labor done by resident workers is at least 95 percent but less than 97.5 percent;

(8) 16 percent if the percentage of labor done by resident workers is at

least 97.5 percent but less than 100 percent; and

(9) 20 percent if the percentage of labor done by resident workers is 100 percent.

(c) The percentage of labor done by resident workers is

(1) determined on a calendar year basis using the number of hours of labor the cost of which is a lease expenditure, and includes all hours of labor, regardless of whether a worker is paid on an hourly or some other basis; and

(2) a fraction the numerator of which is the number of hours of labor done by resident workers the cost of which is a lease expenditure, and the denominator of which is the number of hours of labor by all workers the cost of which is a lease expenditure, expressed as a percentage.

(d) To qualify for the rebate under this section, a person subject to tax under AS 43.55.011(e) shall file an application for the rebate at the time a statement must be filed under AS 43.55.030(a) for the calendar year for which the rebate is claimed. The application must include the following for the calendar year for which the rebate is claimed:

(1) the number of hours of labor, the cost of which is a lease expenditure;

(2) the number of hours of labor done by resident workers that are included in (1) of this subsection;

(3) the total cost of labor that is a lease expenditure; and

(4) other information required by the department in a regulation adopted to administer this section, including the names of the resident workers whose hours of labor are included in (1) of this subsection.

(e) At the same time an application is made to the department under (d) of this section, the person applying for a rebate shall file a report with the commissioner of labor and workforce development. The report must include the information in (d)(1) and (2) of this section and other information required by the commissioner of labor and workforce development by regulation. Any amendment to the application in (d) of this section that changes the information in (d)(1) and (2) of this section must also be filed with the commissioner of labor and workforce development. At the request of the

commissioner, the Department of Labor and Workforce Development shall audit the information reported in (d)(1) and (2) of this section and notify the commissioner of the results of the audit.

(f) A person claiming a rebate under this section has the burden of proving eligibility for the rebate, including a claim that an individual is a resident worker.

(g) The department shall report to the legislature the amount of rebates paid under this section and statistical information relating to the percentage of labor done by resident workers based on hours worked.

(h) In this section,

(1) "lease expenditure" means an expenditure allowed as a lease expenditure under AS 43.55.165;

(2) "resident worker" has the meaning given in AS 43.40.092.

*** Sec. 16.** AS 43.55.023(g) is amended to read:

(g) The issuance of a transferable tax credit certificate under (d) of this section or the purchase of a certificate under AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to which the certificate relates or to adjust the claim if the department determines, as a result of the audit, that the applicant was not entitled to the amount of the credit for which the certificate was issued. The tax liability of the applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit that exceeds that to which the applicant was entitled, or the applicant's available valid outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased under this subsection, the increase bears interest under **AS 43.05.225(a)(1)** [AS 43.05.225] from the date the transferable tax credit certificate was issued. For purposes of this subsection, an applicant that is an explorer is considered a producer subject to the tax levied by AS 43.55.011(e).

*** Sec. 17.** AS 43.55.023 is amended by adding a new subsection to read:

(m) A producer or explorer may take a tax credit for a well-related expenditure, as follows:

(1) notwithstanding that a well-related expenditure may be a deductible lease expenditure under AS 43.55.165 for purposes of calculating the

production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under (a) of this section, AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a well-related expenditure may also elect to apply a credit against a tax levied by AS 43.55.011(e) in the amount of 30 percent of that expenditure;

(2) a producer or explorer may take a credit for a well-related expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2); and

(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2) for a credit under AS 43.55.025;

(3) In this section, "well-related expenditure" means a lease expenditure related to a well and includes a lease expenditure for the purposes of well sidetracking, well deepening, well recompletion, well workover, an injection well, and well-related seismic work, and an intangible drilling and development cost authorized under 26 U.S.C. (Internal Revenue Code), as amended, and 26 C.F.R. 1.612-4, regardless of the elections made under 26 U.S.C. 263(c), as amended, up to the flange connecting the well head to the well line.

*** Sec. 18.** AS 43.55.040 is amended to read:

Sec. 43.55.040. Powers of Department of Revenue. Except as provided in AS 43.05.405 - 43.05.499, the department may

(1) require a person engaged in production and the agent or employee of the person, and the purchaser of oil or gas, or the owner of a royalty interest in oil or gas to furnish, whether by the filing of regular statements or reports or otherwise, additional information that is considered by the department as necessary to compute the amount of the tax **or of the rebate under AS 43.55.022**; notwithstanding any contrary provision of law, the disclosure of additional information under this paragraph to the producer obligated to pay the tax does not violate AS 40.25.100(a) or AS 43.05.230(a); before disclosing information under this paragraph that is otherwise

required to be held confidential under AS 40.25.100(a) or AS 43.05.230(a), the department shall

(A) provide the person that furnished the information a reasonable opportunity to be heard regarding the proposed disclosure and the conditions to be imposed under (B) of this paragraph; and

(B) impose appropriate conditions limiting

(i) access to the information to those legal counsel, consultants, employees, officers, and agents of the producer who have a need to know that information for the purpose of determining or contesting the producer's tax obligation; and

(ii) the use of the information to use for that purpose;

(2) examine the books, records, and files of the person;

(3) conduct hearings and compel the attendance of witnesses and the production of books, records, and papers of any person;

(4) make an investigation or hold an inquiry that is considered necessary to a disclosure of the facts as to

(A) the amount of production from any oil or gas location, or of a company or other producer of oil or gas; and

(B) the rendition of the oil and gas for taxing purposes;

(5) require a producer, an explorer, or an operator of a lease or property to file reports and copies of records that the department considers necessary to forecast state revenue under this chapter; in the case of reports and copies of records relating to proposed, expected, or approved unit expenditures for a unit for which one or more working interest owners other than the operator have authority to approve unit expenditures, the required reports and copies of records are limited to those reports or copies of records that constitute or disclose communications between the operator and the working interest owners relating to unit budget matters;

(6) require a producer that has an average total production in the state of more than 100,000 barrels a day for a calendar year to report the gross value at the point of production of the producer's taxable oil and gas in the state for a calendar year and the total amount of lease expenditures in the state for that calendar year; and

(7) assess against a person required under this section to file a report, statement, or other document a penalty, as determined by the department under standards adopted in regulation by the department, of not more than $1,000 for each day the person fails to file the report, statement, or other document after notice by the department; the penalty is in addition to any penalties under AS 43.05.220 and 43.05.290 and is assessed, collected, and paid in the same manner as a tax deficiency under this title; the penalty shall bear interest at the rate specified under **AS 43.05.225(a)(1)** [AS 43.05.225(1)].

*** Sec. 19.** AS 43.55.060 is amended to read:

Sec. 43.55.060. Delinquency. When the tax provided for in this chapter becomes delinquent, it bears interest as provided in **AS 43.05.225(a)(1)** [AS 43.05.225(1)]. If any person fails to make a report required by this chapter, within the time prescribed by law for the report, the department shall examine the books, records and files of the person to determine the amount and value of the production to compute the tax, and the department shall add to the tax the cost of the examination, together with any penalties accrued.

*** Sec. 20.** AS 43.55.075(a) is amended to read:

(a) Except as provided in AS 43.05.260(c), **for a tax period ending before January 1, 2010,** the amount of a tax imposed by this chapter must be assessed within six years after the return was filed.

*** Sec. 21.** AS 43.77.020(d) is amended to read:

(d) A person subject to the tax under this chapter shall make quarterly payments of the tax estimated to be due for the year, as required under regulations adopted by the department. A taxpayer will be subject to an estimated tax penalty, determined by applying the interest rate specified in **AS 43.05.225(a)(1)** [AS 43.05.225] to the underpayment for each quarter, unless the taxpayer makes estimated tax payments in equal installments that total either

(1) at least 90 percent of the taxpayer's tax liability under this chapter for the tax year; or

(2) at least 100 percent of the taxpayer's tax liability under this chapter for the prior tax year.

* **Sec. 22.** AS 43.90.430 is amended to read:

Sec. 43.90.430. Interest. When a payment due to the state under this chapter becomes delinquent, the payment bears interest at the rate applicable to a delinquent tax under **AS 43.05.225(a)(1)** [AS 43.05.225].

* **Sec. 23.** AS 44.31.020 is amended to read:

Sec. 44.31.020. Duties of department. The Department of Labor and Workforce Development shall

(1) enforce the laws and adopt regulations under them concerning employer-employee relationships, including the safety, hours of work, wages, and conditions of workers, including children;

(2) accumulate, analyze, and report labor statistics;

(3) operate systems of workers' compensation and unemployment insurance;

(4) gather data reflecting the cost of living in the various election districts of the state upon request of the director of personnel under AS 39.27.030; in this paragraph, "election district" has the meaning given in AS 39.27.020(b);

(5) operate the federally funded employment and training programs under 29 U.S.C. 2801 - 2945 (Workforce Investment Act of 1998);

(6) administer the state's program of adult basic education and adopt regulations to administer the program; [AND]

(7) administer the programs of the Alaska Vocational Technical Center and adopt regulations to administer the programs, including regulations that set rates for student tuition and room and board and fees for the programs and services provided by the department regarding the Alaska Vocational Technical Center**; and**

(8) at the request of the commissioner of revenue, audit information described in AS 43.55.022(d)(1) and (2) that is submitted by a person applying for a rebate under AS 43.55.022.

* **Sec. 24.** Sections 11 and 15 of this Act take effect on the first day of the month immediately following the effective date of secs. 1 - 10, 12 - 14, and 16 - 25 of this Act.

* **Sec. 25.** Except as provided in sec. 24 of this Act, this Act takes effect immediately under AS 01.10.070(c).

Technical Aspects of CS for HB 308 (Version E)

Dan E. Dickinson CPA

House Resources Committee

Feb 8, 2010

6 Changes in CSHB 308

- Interest rate is lower of fed funds +2 or 11%
- Interest not due on retroactive regs changes prior to implementation
- Change progressivity from .4% to .2%
- Tax rate tied to resident hire
- 30% credit for well work
- Restore 3 year statute of limitations

2.8.2010

Structure of CS for HB 308

Structure of CS For HB 308 26-LS1328/E Key Provision Need 2011

section:	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	Eff Dt
Interest rate is lower of fed funds + 2 or 11%						6																			25	
Interest not due on retroactive regs changes prior to implementation							7							14											25	
Change progressivity from .4 % to .2 %											11													**24**		
Housekeeping - reference to interest	1				5	6		8	9	10		12	13			16		**18**	19		21	22			25	
Tax rate tied to Resident hire		2	3	4											15			**18**					23		25	
30% credit for well work																	17							**24**		
Restore 3 year statute of limitations																				20					25	

2.8.2010

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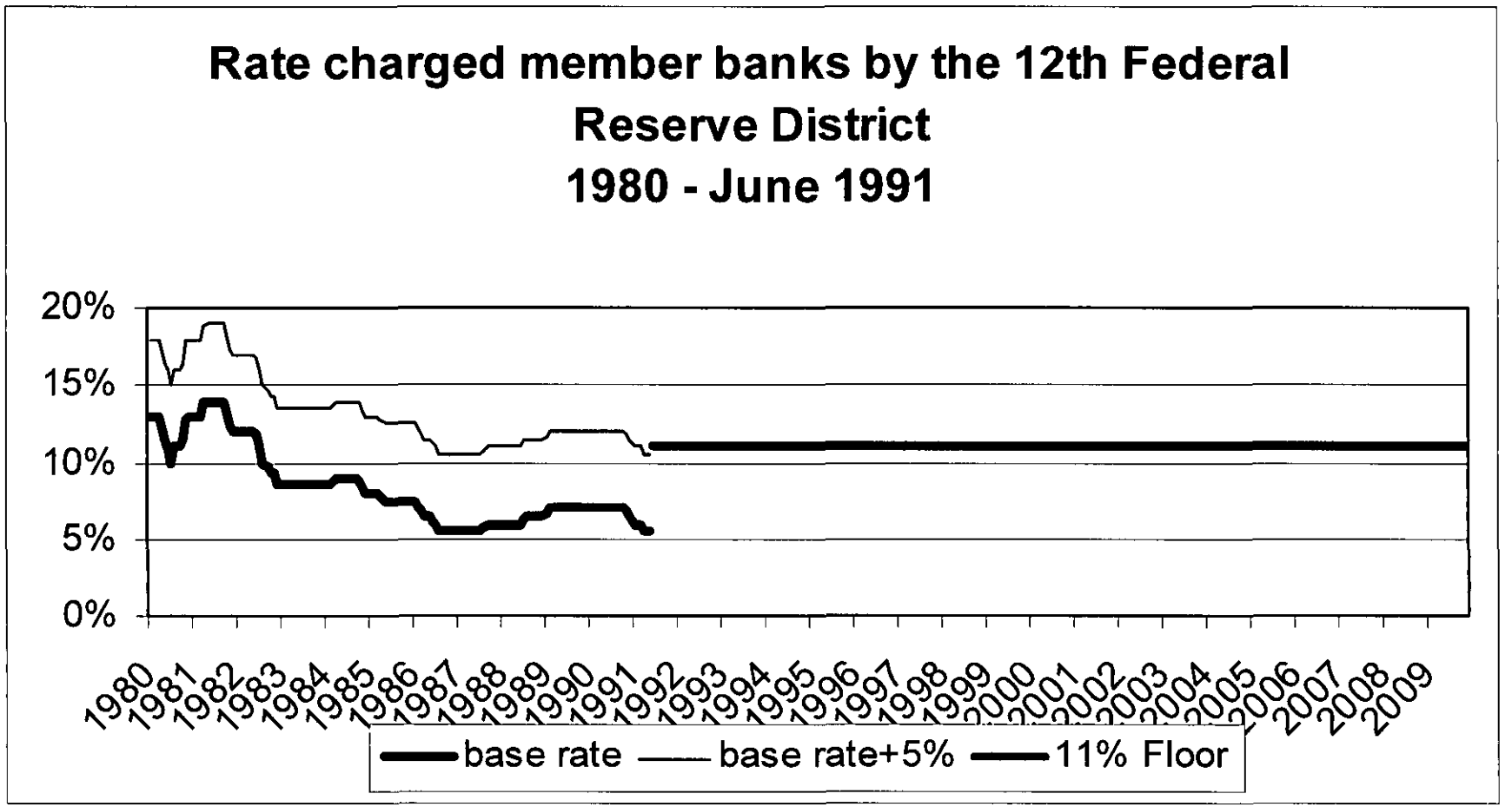
Interest rate in AS 43.05.225

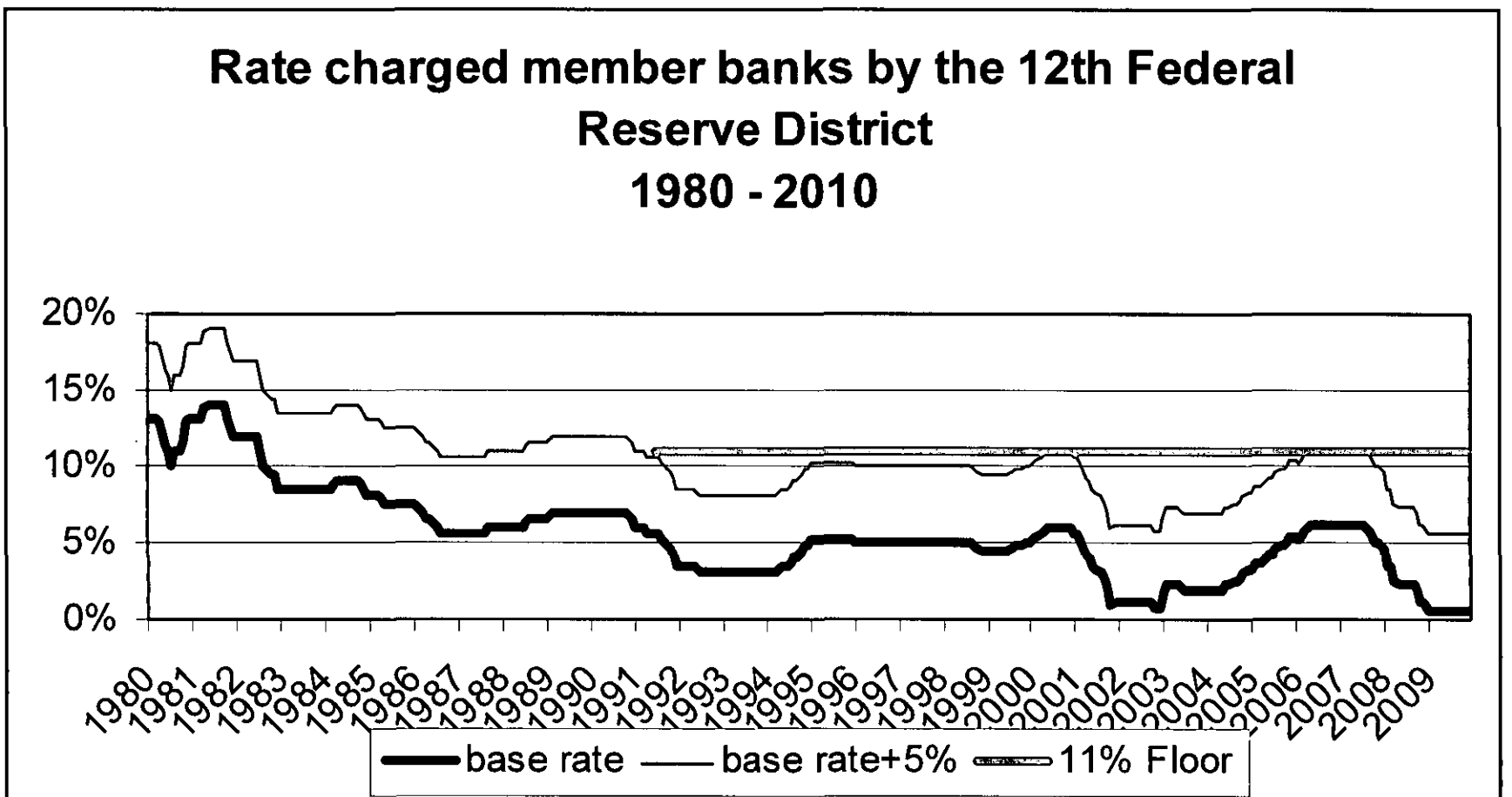
- Proposed interest would be lower of fed funds rate + 2 or 11%(section 6)
- The interest rate applies to all 20 Alaska Tax Types*
- Current law – higher of fed funds + 5 or 11%
- Also applies to late royalty payments.
- **Compounded** Quarterly
- Effective date should be end of year, or at the very least, quarter.
- Implemented in 1991 amidst settlement of major production tax and royalty litigation going back to 1977 and era of simple interest.

Interest Rates: The view from June 1991



Source: Federal Reserve Bank of San Francisco (frbsf.org)

Interest Rates – The 11% floor since 1991



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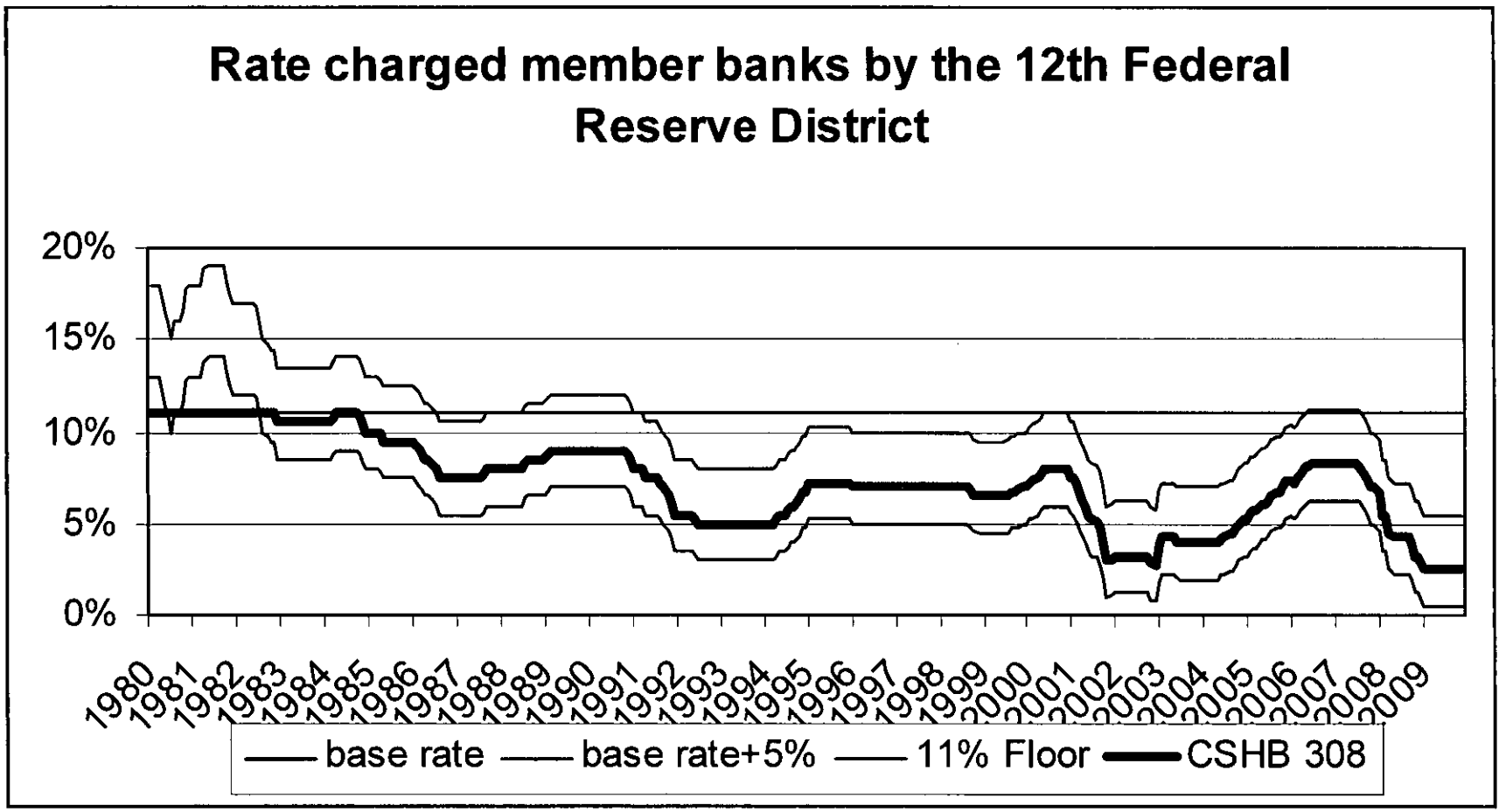
Looking back: What would the rate have been under CS HB 308



Alaska compared with federal rate

- How are federal interest rates computed under IRC:

	Over Payments of Tax	Under Payments of Tax
Non- Corporate	Fed Funds + 3%	Fed Funds + 3%
Corporate	Fed Funds + 2%	Fed Funds + 3%
Corporate - Large	Fed Funds + ½%	Fed Funds + 5%

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Governor Parnell's Proposal vs. HB 308

Governor Parnell press release January 14 2010:

"Allow for the waiver of interest charges on late payments due to the retroactive application of new regulations."

CS HB 308 mandates that interest will not accrue on "an increase in tax liability that is the direct result of the adoption of regulation with retroactive application" until 30 days after the effective date of the regulation. (section 7)

How is interest calculated?

- Production Tax is due on last day of the month following the month of production (AS 43.55.020 (a)).
- Amount of tax due change because of because of audit, revised reporting by taxpayer, retroactive revision of tariff due to a regulatory order in a rate case, retroactive change in regulations.
- Interest is charged back to when original tax is due.
- In a settlement Department can compromise amount of tax and amount of Penalty. (AS 43.55.070) – No mention of interest.

Regulations required retroactive to July 2007*

- In 2007 reforms ("ACES") Department charged with a number of specific responsibilities for regulations, as well as general implementation.
  - AS 43.55.150 "the department shall determine the reasonable cost of transportation, using the fair market value of like transportation, the fair market value of equally efficient and available modes of transportation or other reasonable methods.
  - AS 43.55.165(a) "…a producer's lease expenditures for a calendar year are … costs …allowed by the department by regulation…"
  - Production tax is a yearly tax – however, effective dates of most of 2007 reform was July 1, 2007, so ways of combining two half years had to be implemented.
  - New reporting requirements (AS 43.55.030 & .040)
  - *New rules for exploration credits (AS 43.55.025)

2.8.2010

Status of Regulations Affecting Returns after July 2007

	Discussion Draft 1	2	3	4	Public Comment Draft 1	2	Adopted
Project One - Reporting Requirement							
15 AAC 55. 520 Reporting					Feb-08		May '08 effective as of June '08
Project Two - NS PV, Civil Penalties, Mid Year Statutory Changes, CI reporting							
35 sections	Feb-08	*Oct-08*	*Nov-08*		Apr-08	Sep-08	Sep '09 effective as of Oct '09
Project Three - Exploration Credits							
6 sections					Aug-08	Jun-09	Nov '09 effective as of Dec '09
Project Four - Lease Expenditures							
10 Sections	Jan-08	Mar-08	Sep-08				Jan '10 effective as of Feb '10
Project Five - Reasonable Transportation							
5 sections	Mar-08	May-08	Jan-09				
6. Other Projects							
15 AAC 55. 173 NS Gas PV	Feb-08				Apr-08		Aug '08 effective as of Oct 1 '08
Facility Sharing	Oct-08	Nov-08	Feb-09	Jul-09			
Credit Safeguards	Nov-08						
"Affiliated" definition	Jan-09						
PV of oil					Jan-10		

2.8.2010

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What is Progressivity?

- Base Production Tax rate is 25% (AS 43.55.011(e))
- Combined Progressivity Tax (on same base) can range from 0 to 50%
- Sum= Total tax rate can range from 25% to 75%
- Progressivity rate is calculated as net value of all the (oil and gas produced less royalty)/taxable barrels (boe)= PTV/per barrel
- No progressivity charge when PTV/bbl<$30,
- Current Law:
- For each dollar above $30, .4% added to tax rate
- At PTV/bbl of $92.5, rate drops to .1% for each dollar

HB 308: drop rate to .2%, increase bend-over point to $155 (Section 11)

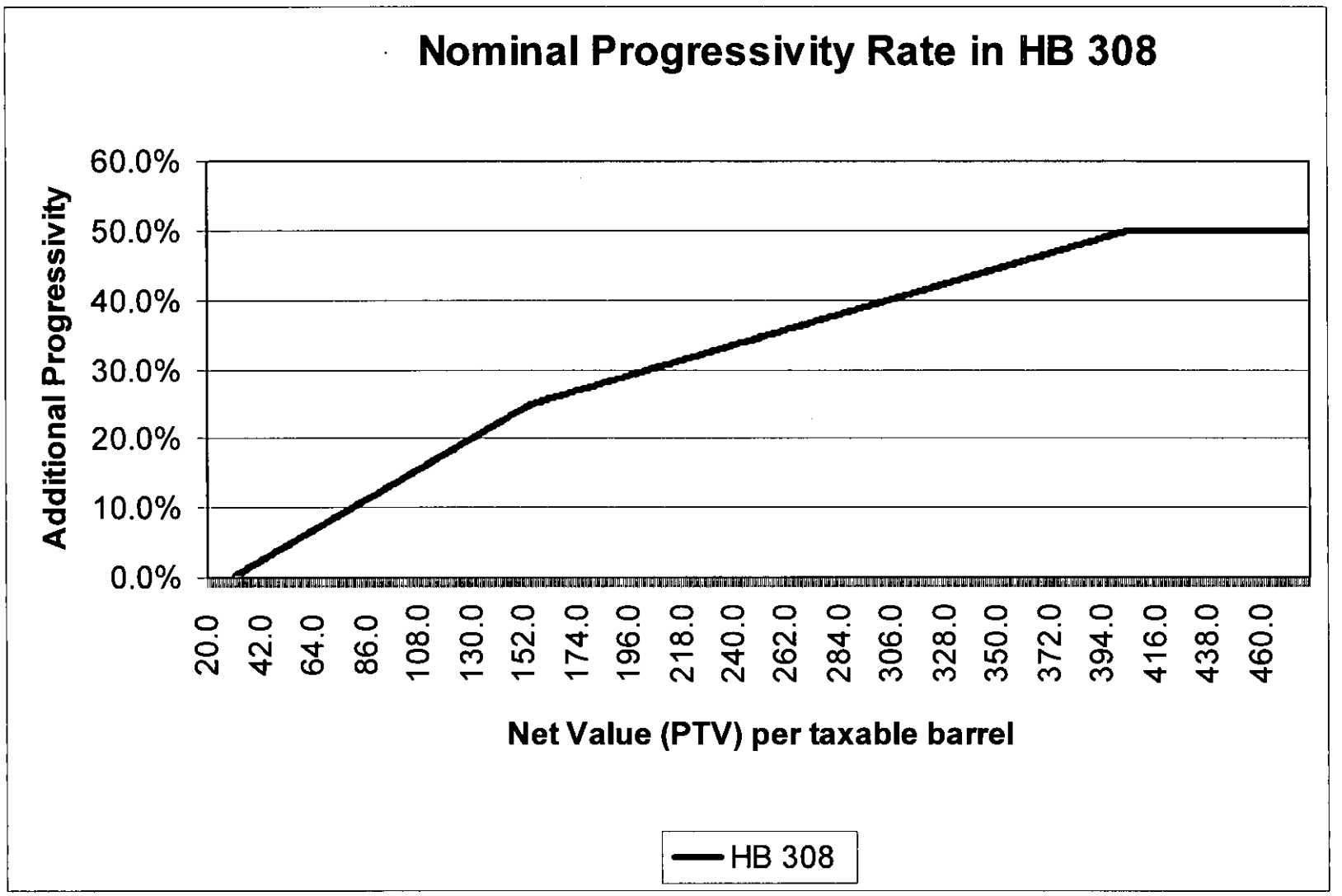
Progressivity Effect

- FY 2008 Estimate (year of high prices)
- 25% Base tax – $4.2 billion
- Progressivity – $3.2 billion
- (less credits of $.5 billion)

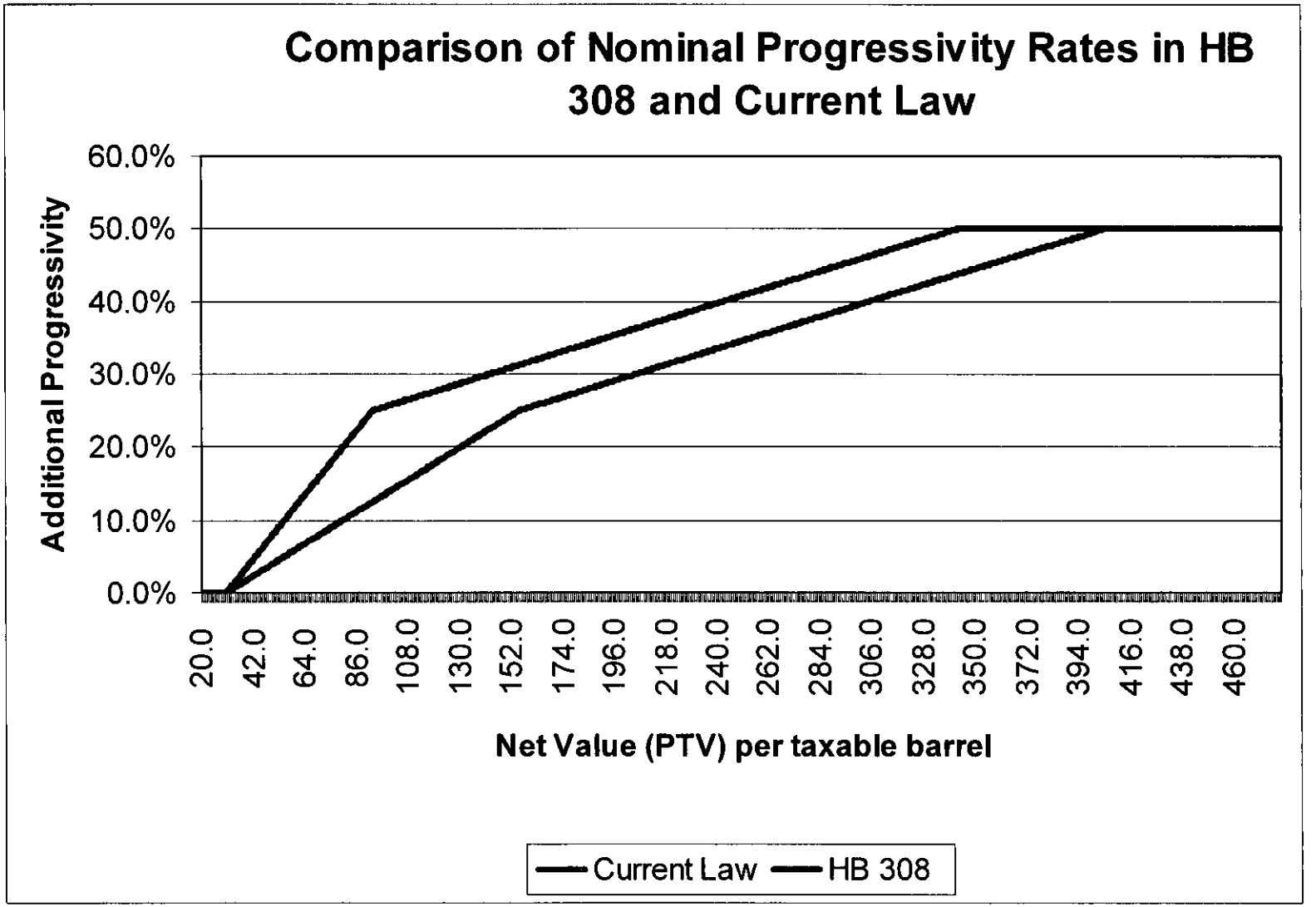
- Compare to FY 2008
- Royalties (2.4 to GF, .8 to PF) $3.2 billion
- Oil and Gas Income Taxes $.6 billion
- Oil and Gas Property Taxes (State and Local) $.4 billion

Source: State of Alaska DOR Revenue Sources Book (Fall 2008)

Progressivity Only



Progressivity Only



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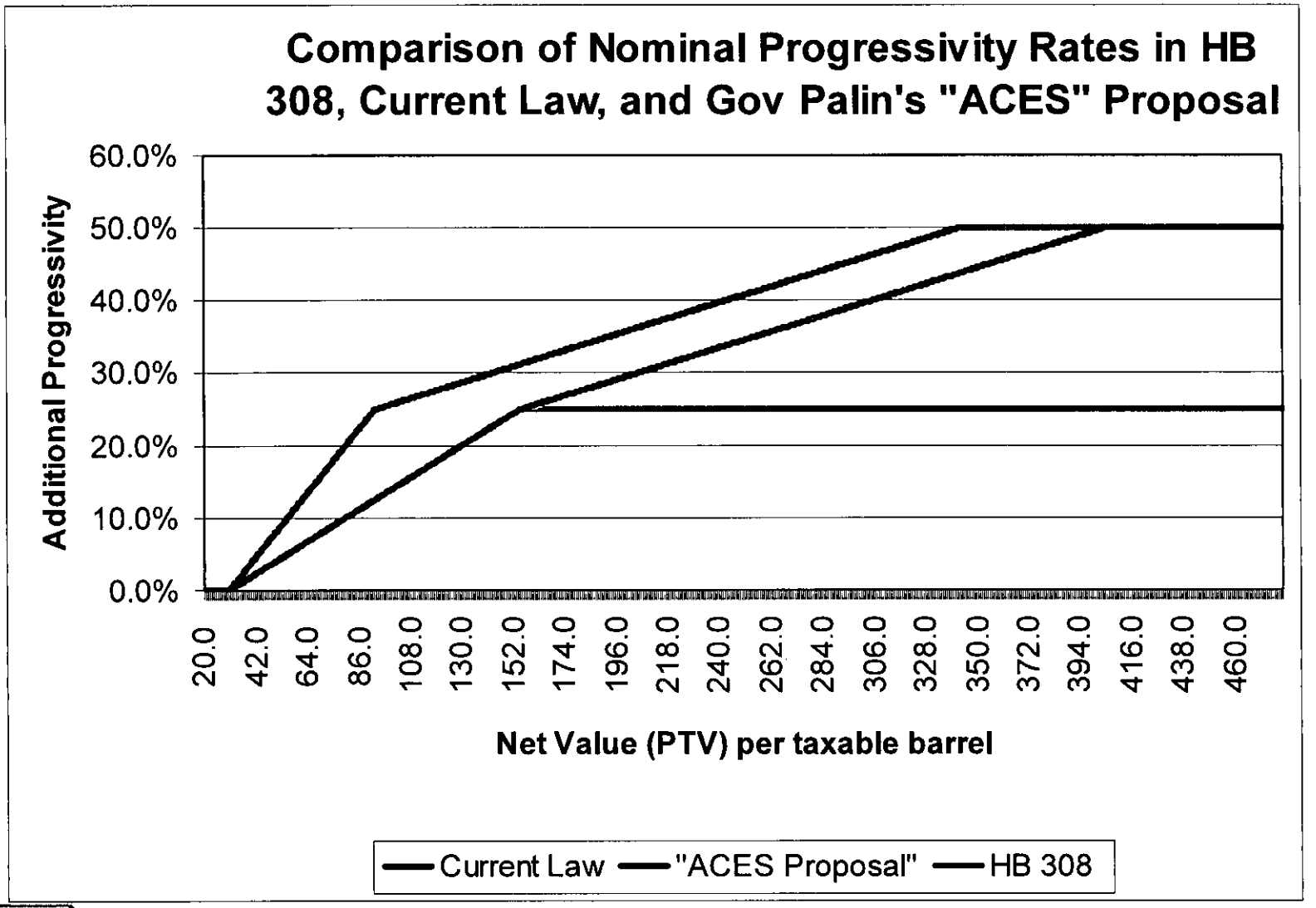
Progressivity Only



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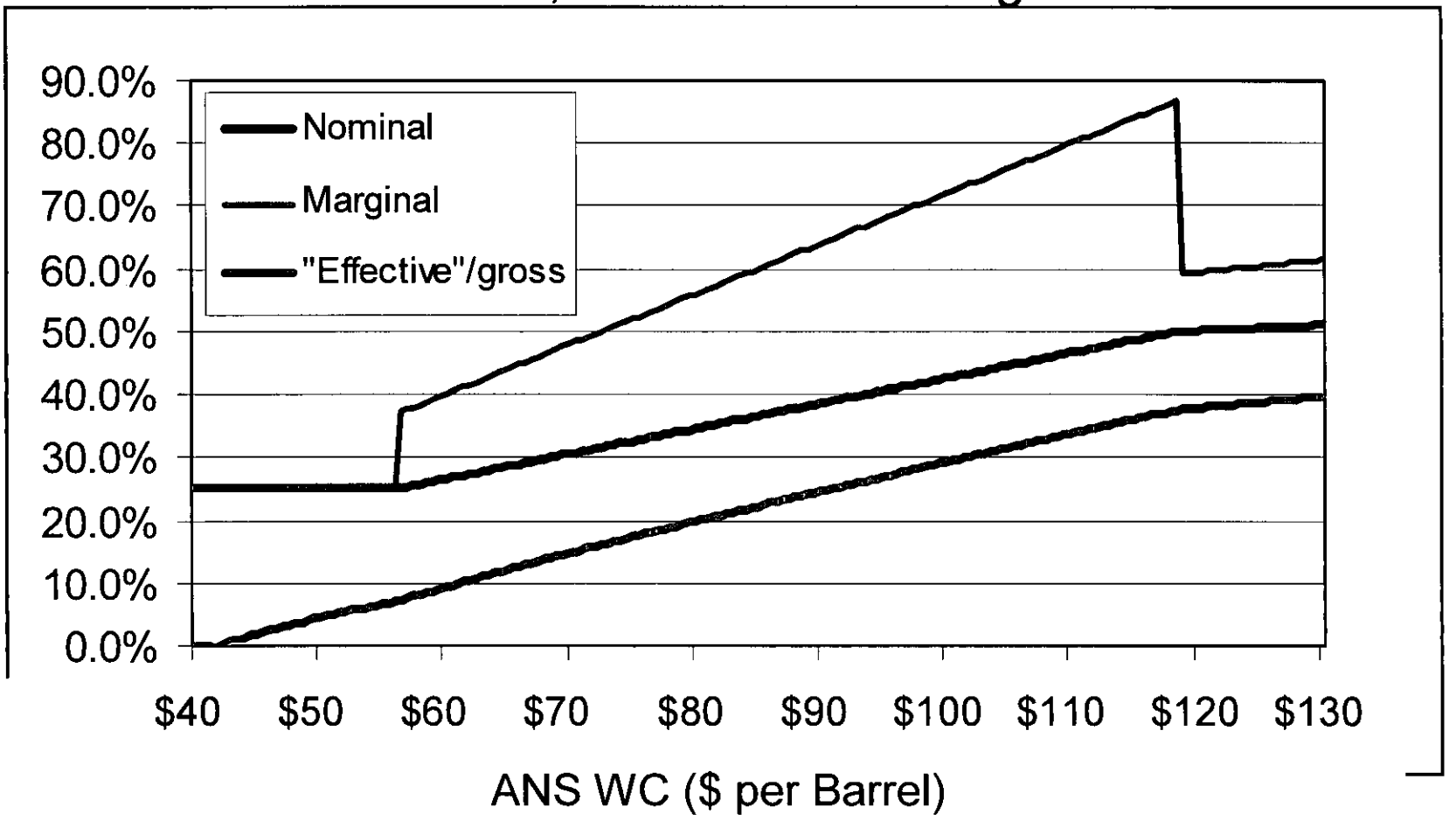
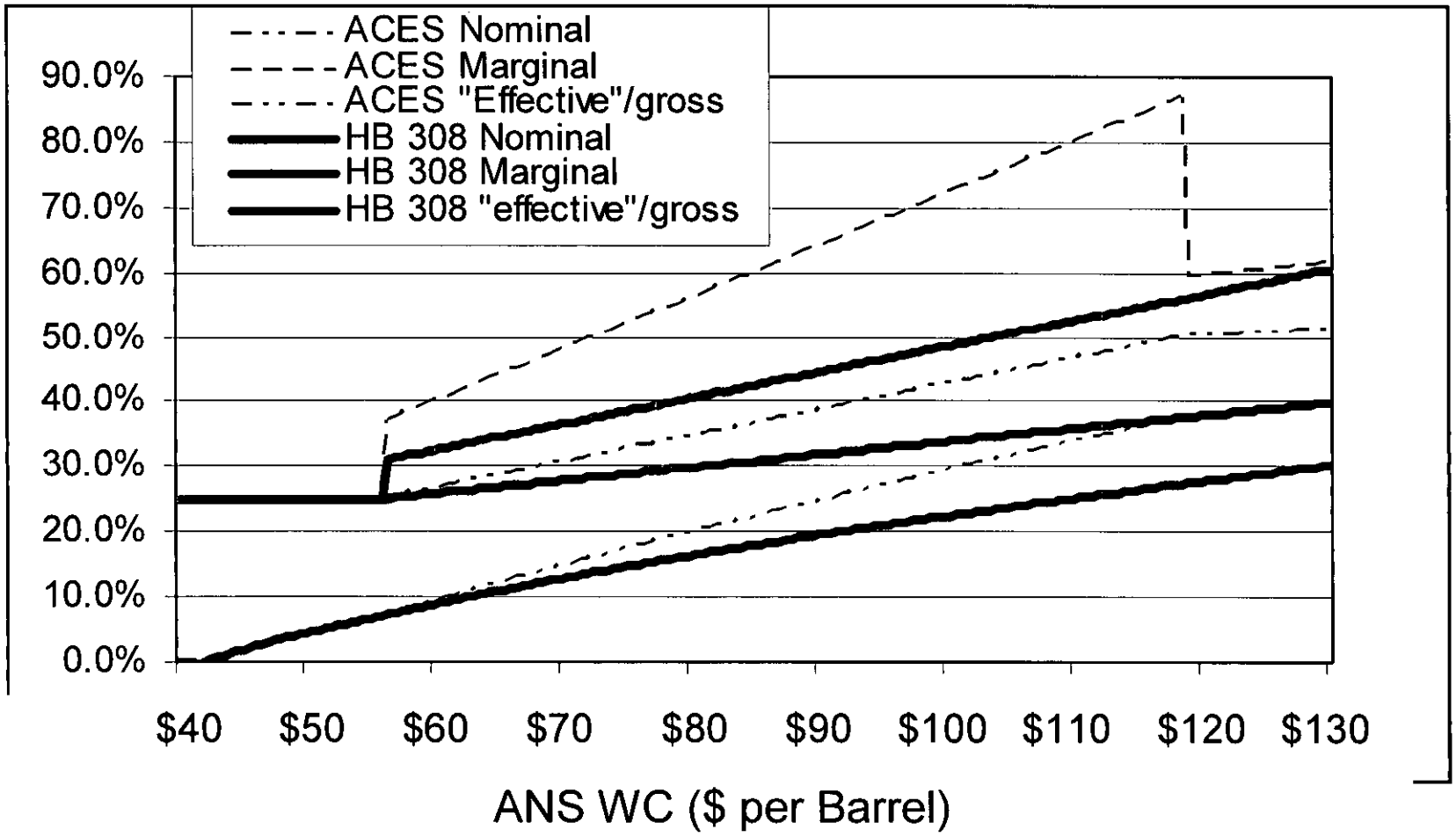
Production Tax: Progressivity + 25%

- Reproduction of Figure G from DOR January 14 Report
- "ACES Nominal, Effective and Marginal Rates"



Production Tax: Progressivity + 25%

- Add HB 308 Nominal, Marginal and "effective"/gross"



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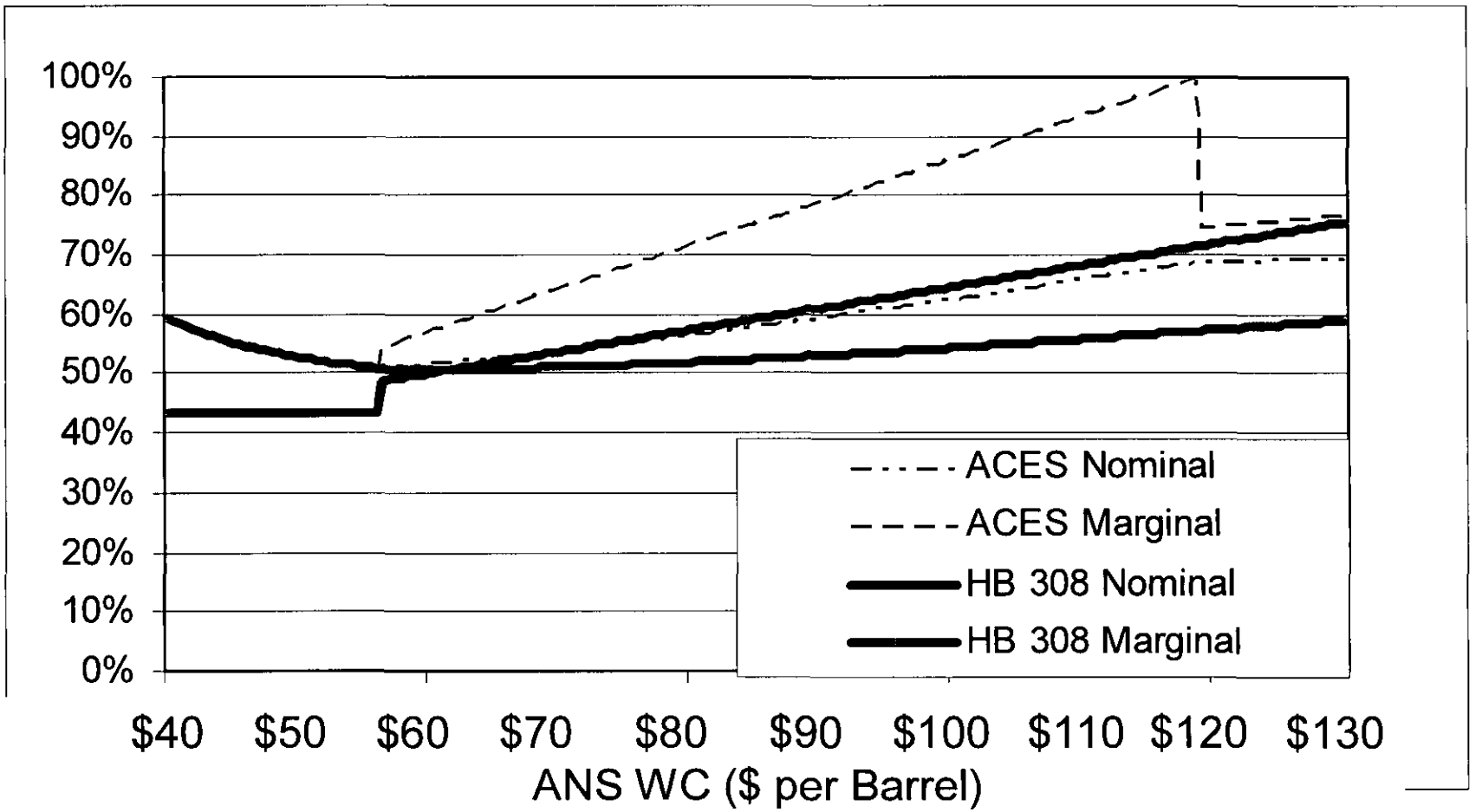
Total State of Alaska Take (Prod/Prop/Inc Tax + Royalty)



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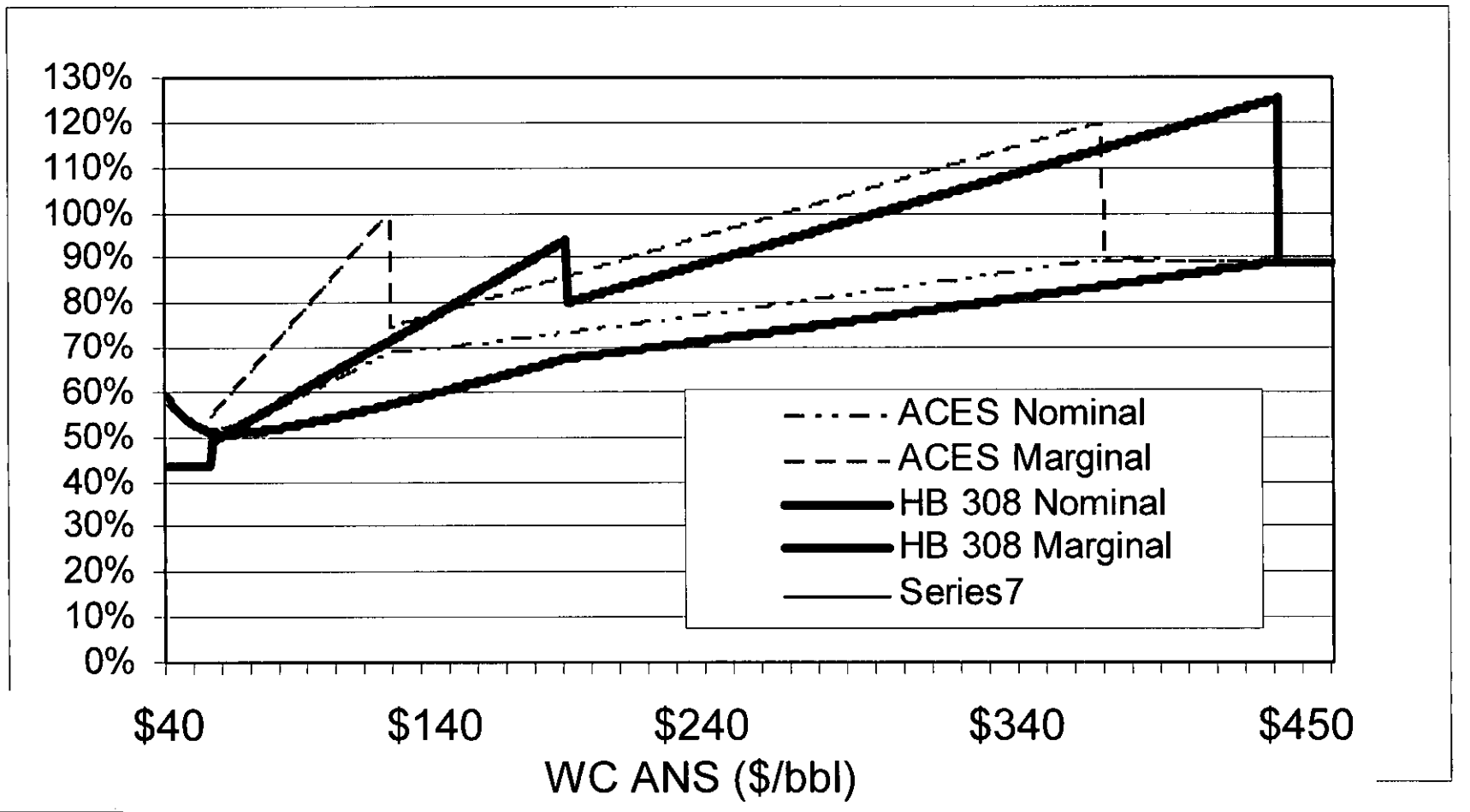

2.8.2010

6 Changes in CSHB 308

- Interest rate is lower of fed funds +2 or 11%
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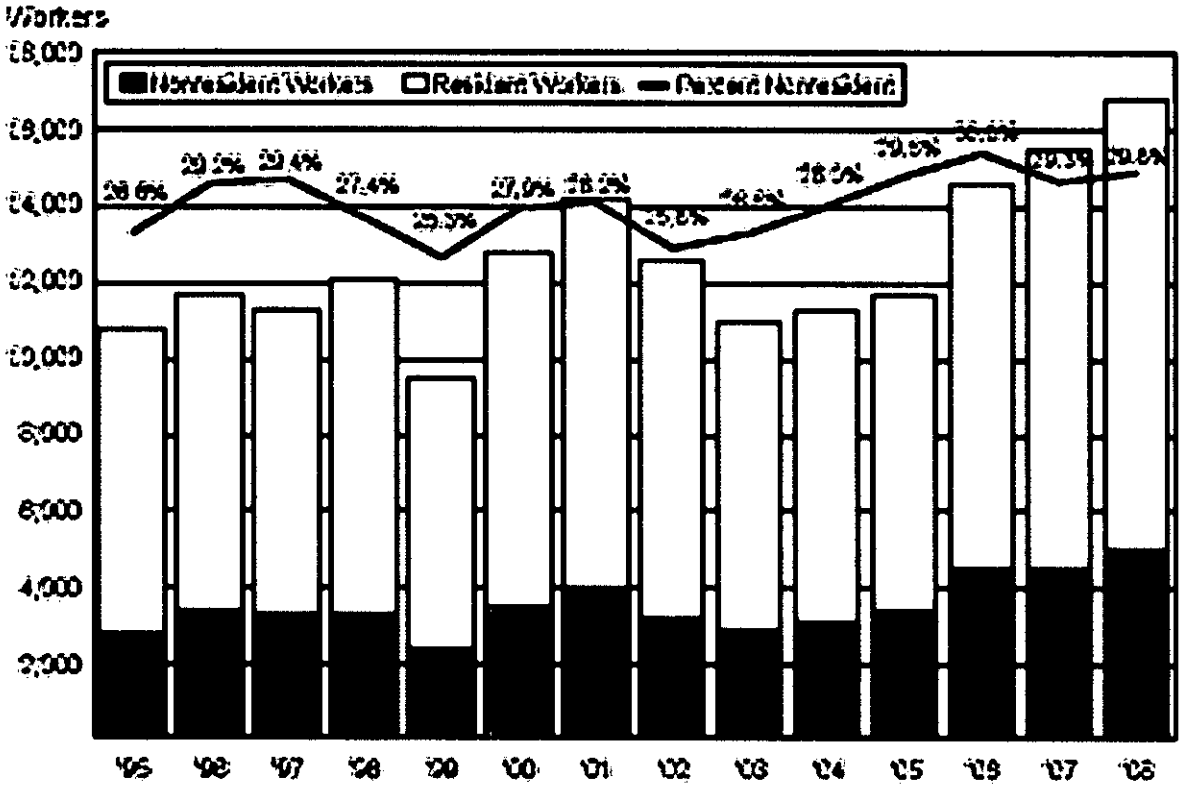
2.8.2010

Rate tied to Resident Hire

- General Approach – (section 15)
- Base Tax rate (in AS 43.55.011(e)) is 25%, and Taxpayers makes monthly payments at that rate
- Any direct labor that is a lease expenditure is accounted for as Resident or non-Resident.
- At the end of the year total hours of labor are used to calculate a ratio for the year: or resident hire %
- New effective rate is calculated:
  - 20% for a 100% Resident Hire ratio up to
  - 25% (current law) for an 80% Resident Hire ratio.
- Taxpayer can then apply for a rebate of the difference for the prior year.
- Note: effective date should be beginning of a year.

Non Resident Workers

6 Oil Industry
Number and Percent Nonresident Workers
Alaska 1995-2008



Note: Private Sector Only
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Source: Nonresidents Working in Alaska, 2008, State of Alaska, Dept of Labor and Workforce Development (Jan 2010) http://www.labor.state.ak.us/research/reshire/nonres.pdf

Details to be Addressed

- Main Issue – What level of detail required?
- All payments are either a return to capital, labor or land
- How far down ought a taxpayer to drill –
  - Can a module just be module, or is it comprised of labor and machinery?
  - And is the machinery just machinery or is comprised of labor and smaller components?
  - Does a fixed priced contract end the inquiry?
- Structure of Industry in Alaska:
  - Producers (taxpayers) have employees & hire
    - Operator who has employees & hires
      - Contractors, and buys "stuff"

Who are the Employers in the Oil and Gas Industry

- EM, BP and CP are largest taxpayers

Ranking in Top 100		Total Employees			Non Resident %
5	ASRC	2250	2499	Oil Field Services	24.1%
8	CH2MHill	1750	1999	Oil Field Services	35.5%
9	BP Exploration			Oil & Gas Extraction	27.7%
17	Conoco Phillips	1000	1249	Oil & Gas Extraction	20.7%
36	Nabors Alaska Drilling	500	749	Oil Field Services	
43	Schlumberger Technologies			Oil Field Services	30.5%
49	Udelhoven Oilfied System Services			Oil Field Services	30.5%
52	Peak Oilfield Service Company	250	499	Oil Field Services	26.8%
69	Norcon			Oil Field Services	23.2%
73	Chevron			Oil & Gas Extraction	
78	Hallibturon			Oil Field Services	32.3%
95	Doyon Drilling			Oil Field Services	
	Veritas Dgc Land Inc				47.9%
	Baker Hughes Oilfield Operations Inc.				54.1%

NOTE: Does Not Include "Catering/Security", Engineering, Transportion, Communications, Construction

Sources: State of Alaska, Dept. of Labor and Workforce Development, 100 Largest Private Employers, 2008 (Alaska Economic Trends, July 2009),Nonresidents Working in Alaska, 2008 (Jan 2010)

Effect on Tax Receipts (for each 1% change in BPT)

	PTV est.	5%
	(in Millions of Dollars)	
FY2008	$ 16,837.7	$ 841.9
FY2009	9,313.1	465.7
CY 2008 (Avg.)		$ 653.8

Non Resident Workers in industry in 2008 5043

Direct cost for 100% compliance ($mm) $ 0.12964
Direct cost for 100% compliance ($) $ 129,639

Calculation of benefit to stay would be increase in local payroll, plus a multiplier effect.

Effect of 1% change in rate on tax ($mm)		
In This example (2008)		$ 130.8
Using DOR forecasted prices	closer to	$ 100.0

Sources: State of Alaska, Dept. of Labor and Workforce Development, Nonresidents Working in Alaska, 2008 (Jan 2010), derivations from figures in Dept of Revenue, Revenue Sources Book (Fall 2009)

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Investment Credits

- Section 17 adds 30% well work credit to investment credits
- Under Current Law –
- 30% Credit for exploration wells (AS 43.55.025)
- 40% Credit for seismic work outside of existing unit,
  - or exploration wells 25 miles from existing unit, and
  - 3 miles from any prior well (or with certification from DNR that it is for a new target in the Cook Inlet) (AS 43.55.025)
- 20% Credit for any capital investment (AS 43.55.023(a))

- No change to Exploration Credits AS 43.55.025 under this bill

Investment Credits

- Credit (i) only available under one program and (i) has to otherwise qualify as lease expenditure:
  - Proposed Change:
  - No change: 30% Credit for exploration wells (AS 43.55.025)
- 20% Credit for any capital investment (AS 43.55.023(a))
  - Would be boosted to 30% for well related capital
  - Well related operational costs also eligible for 30%
  - Costs include work for purposes of well "sidetracking, deepening, recompletions, workovers, injection, seismic
  - -"up to the flange connecting the well head to the well line"

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2.8.2010

- Section 20 Restores statute of limitations to three years for production tax - time for the state to complete a production tax audit (or, agree to an extension with taxpayer or issue a blue sky assessment)
- Three year rule would begin with 2011 tax year
- Note: in the case of False or Fraudulent returns, or failure to file a return, may proceed "at any time"

- Prior to 2007, SOL was three years for all tax types under AS 43.05.260 –
- In 2007 production tax pulled out and extended to 6 years in AS 43.55.075

Thank You

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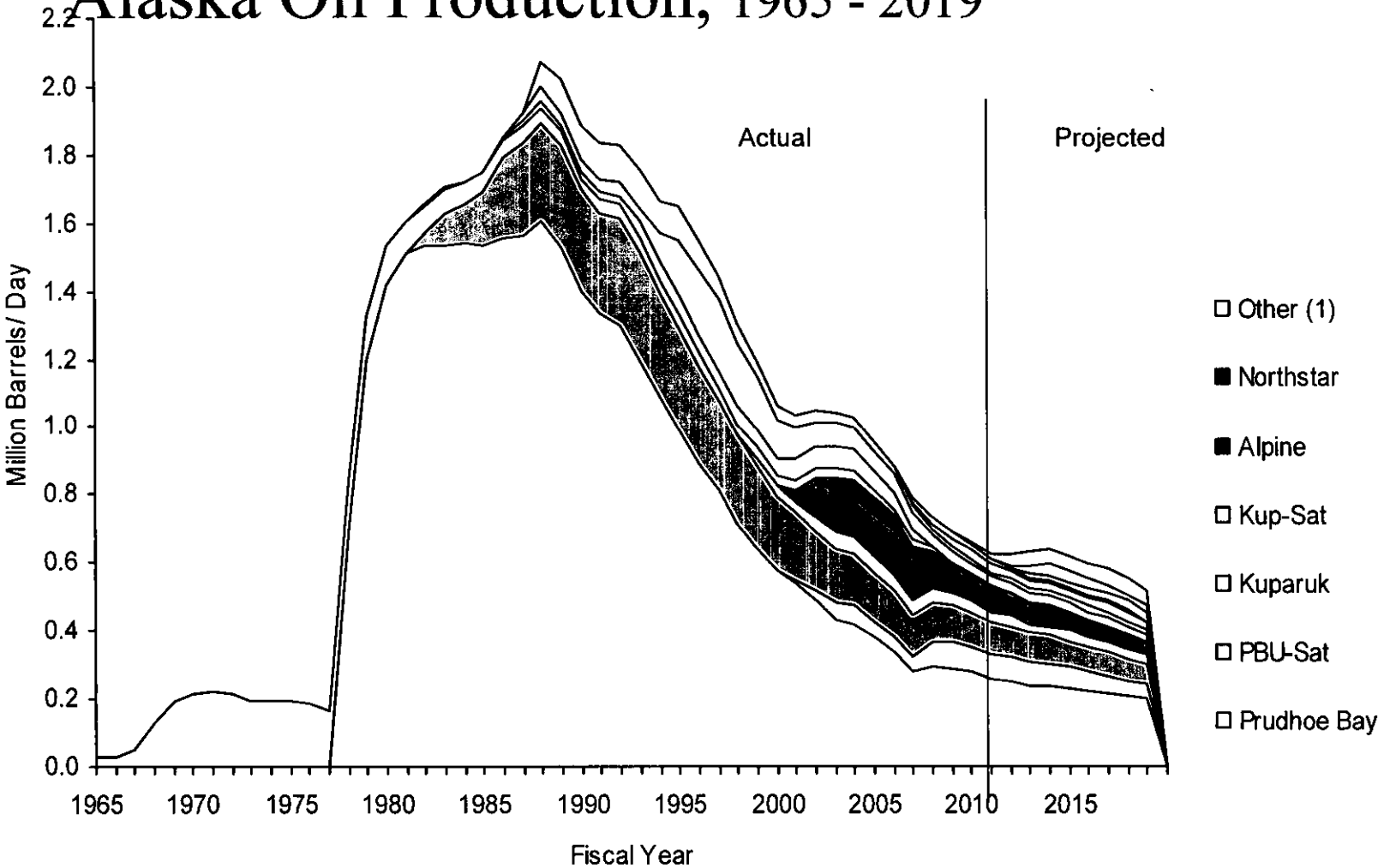
Alaska Oil Production, 1965 - 2019



Source: Alaska Department of Revenue, Fall 2009 Revenue Sources Book. Extrapolated

(1) Cook Inlet, Duck Island, Milne Point, Greater Point McIntyre, Liberty, Known On & Offshore, Fiord and NPRA.

2.8.2010

4333

ADMINISTRATION REVIEW OF CSHB308

February 10, 2010

Alaska Departments of Revenue

CSHB 308- House Resources

Resident Worker Tax Rebate

CSHB 308 House Resources

- Administration Challenges:
  - Producers only or Producers and Contractor workforce?
  - Rebate Use and Payment Mechanism Unclear
  - Authority to enforce Resident Worker criteria unclear
  - No legal authority to adjust tax, post audit
  - No legal authority to verify contractor data

Tiered Structure of Rebate Eligibility

Percentage Resident Hire	Rebate Amount
80.0%	2.0%
82.5%	4.0%
85.0%	6.0%
87.5%	8.0%
90.0%	10.0%
92.5%	12.0%
95.0%	14.0%
97.5%	16.0%
100.0%	20.0%

Resident Hire Provision on Three Hypothetical Companies

Current Company Status

Companies	# Employees	# Resident Employees	# Non-resident Employees	Resident % of Workforce	Current Tax Liability before Rebate
Company A	500	435	65	87.0%	$100,000,000
Company B	1,000	820	180	82.0%	$500,000,000
Company C	2,000	1,600	400	79.5%	$1,500,000,000

Current Status and Target Resident Hire Percentage

Companies	Current Rebate %	Current Tax Rebate	Additional Rebate Sought	Target Resident % of Workforce	Number of Employees Needed
Company A	6.0%	$6,000,000	$2,000,000	87.5%	20
Company B	2.0%	$10,000,000	$10,000,000	82.5%	29
Company C	0.0%	$0	$30,000,000	80.0%	50

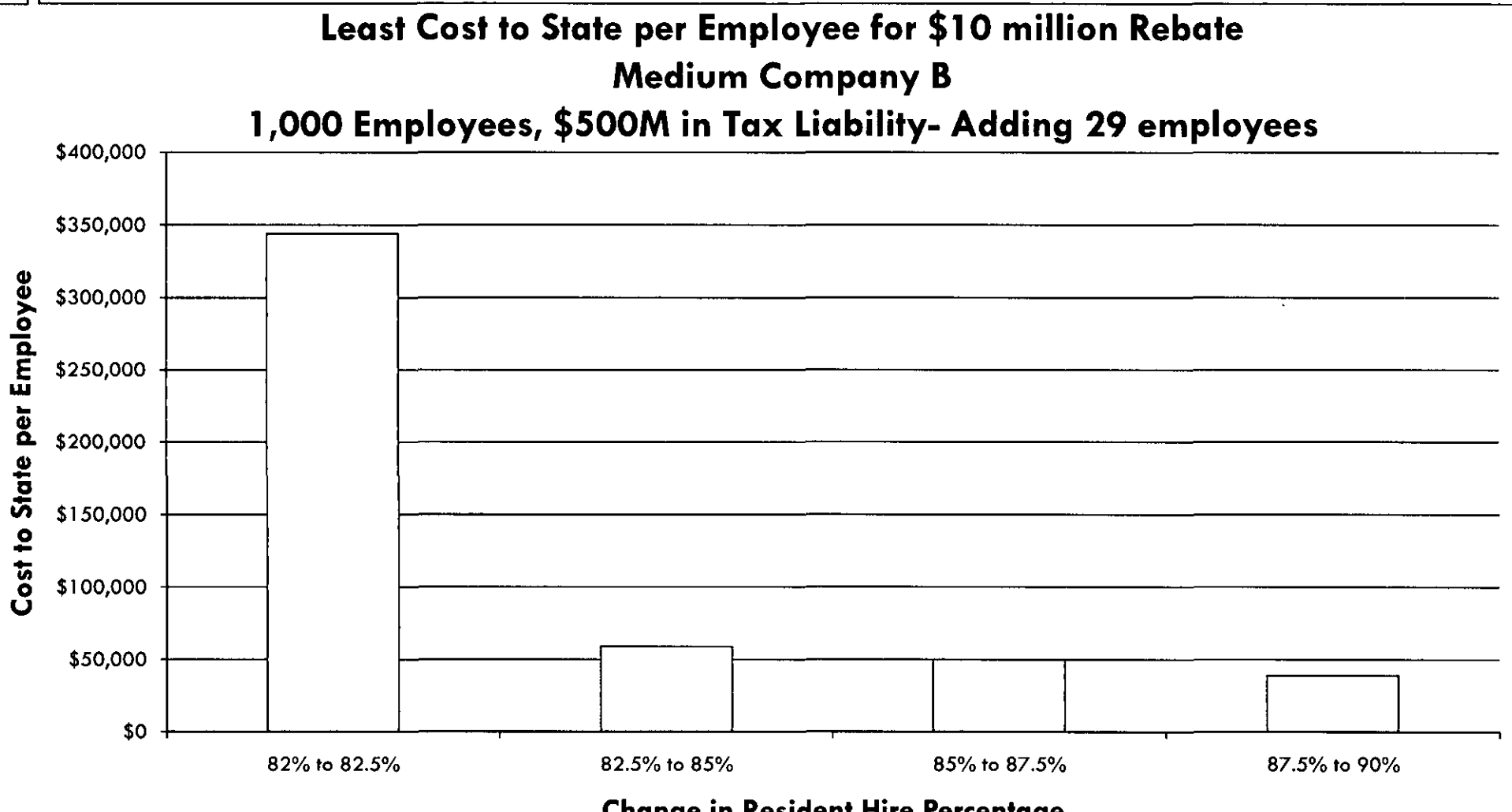
Impact of Tax Rebate Provision

6

Least Cost to State per Employee for $2 million Rebate
Small Company A
500 Employees, $100M in Tax Liability- Adding 20 employees

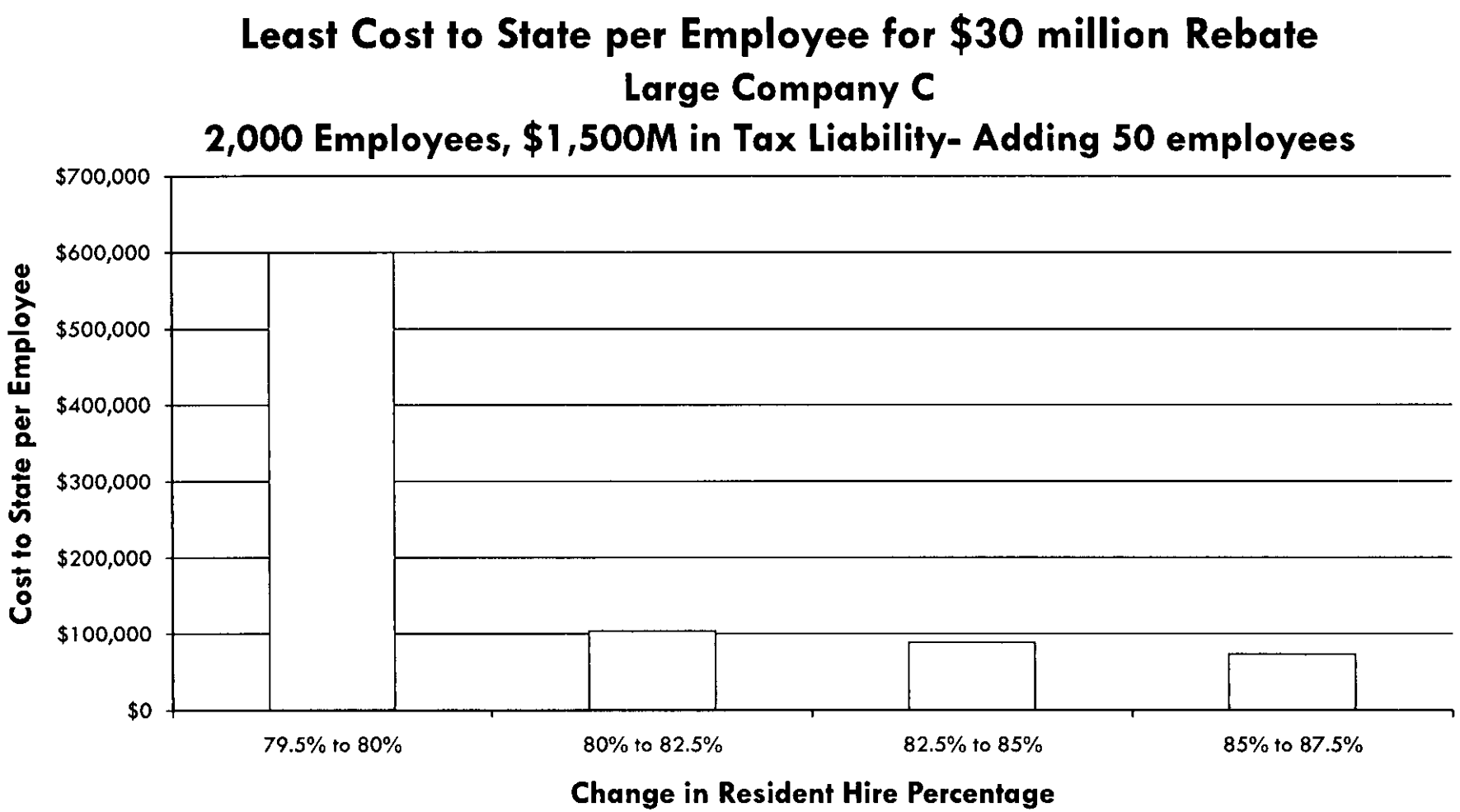
Impact of Tax Rebate Provision

7



Impact of Tax Rebate Provision

8



CSHB 308 House Resources

What Labor Costs qualify as Lease Expenditures?

Deductible Lease Expenditures - Labor

- Basically, two classes of allowable employee expenses for the operator:
- 1st - any employee on site of oil or gas exploration, development, or production operations including infrastructure and support operations
- 2nd – employees having special and specific engineering, geological or other technical skills need not necessarily be "on-site", but costs are limited to handling of specific problems or operating conditions involving oil or gas exploration, development, or production operations, or the support of those operations and only that portion of time actually devoted to the exploration, development or production operations
- Contractor Labor is 100% deductible

Examples of Allowable Labor - Type 1

- Employees working on-site or in the field
  - Drillers
  - Roughnecks
  - Roustabouts
  - Electricians
  - Plumbers
  - Pipefitters
  - Welders
  - Mechanics

Examples of Allowable Labor - Type 1

- Employees working in infrastructure or support operations:
  - Camps
  - Operations centers
  - Staging pads, roads, bridges, landing areas, and similar transportation structures
  - Communications systems
  - Medical
  - Emergency
  - Security
  - Repair & maintenance shops

Examples of Allowable Labor – Type 2

- Employees with special and specific engineering, geological or other technical skills:
  - Engineers
  - Geologists
  - Environmental specialists
  - Employees engaged in field automation systems
  - Employees engaged in computer applications specific to the oil or gas operations

Overhead contains Labor Costs

- Joint operating agreements typically include a section to allow the operator to recover certain indirect and overhead costs incurred offsite of the exploration, development, or production operations but are still in support of and for the benefit of those operations. These costs are not directly billed but recovered through an overhead allowance or other mechanism. They do include labor costs.

Typical Overhead Labor

- Technical Supervisors
- Drafting, engineering aids
- Accounting
- Clerical
- Legal activities
- Off-site computer and communications activities

Non-deductible Lease Expenditures - Labor

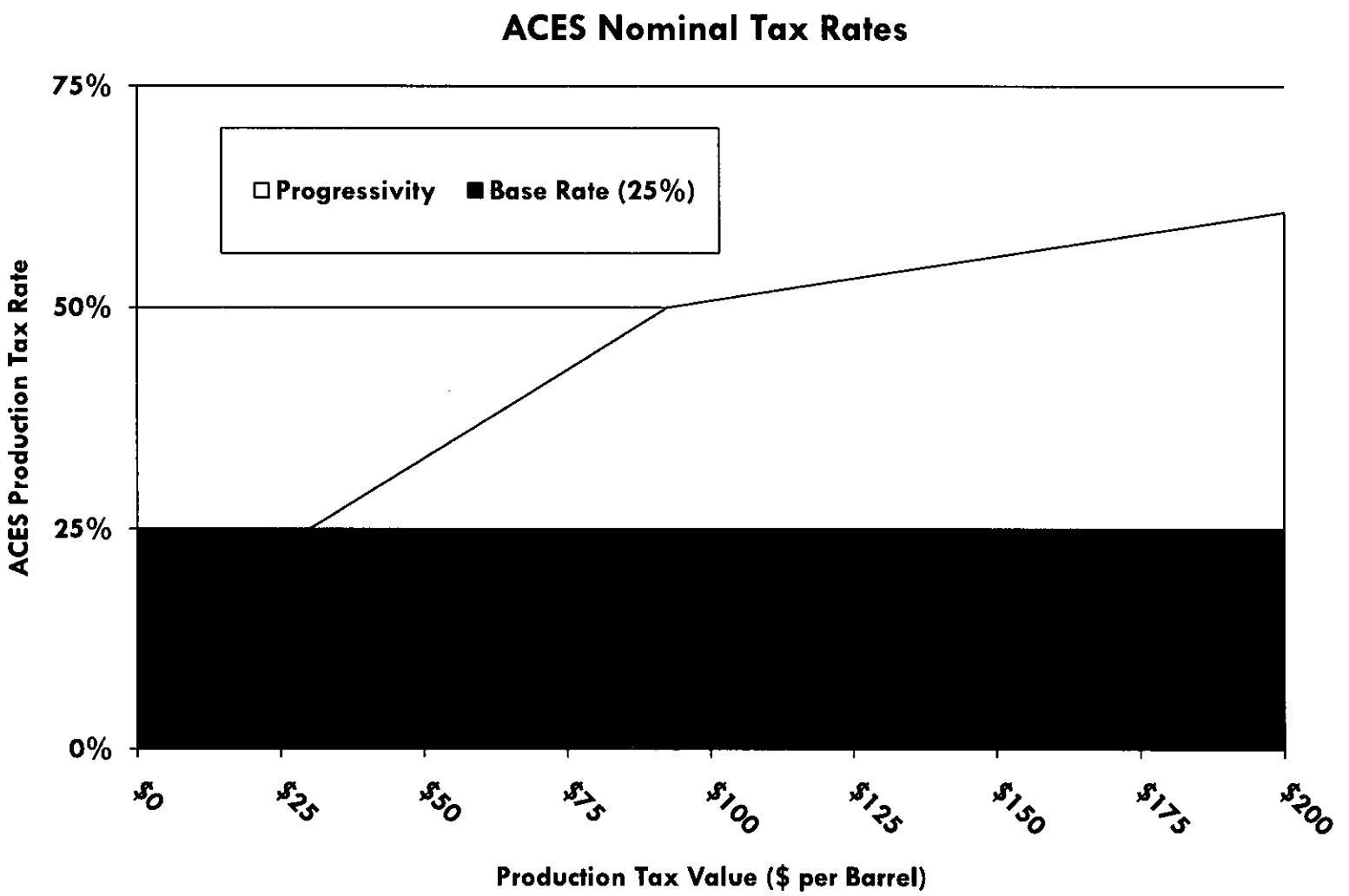
Examples of Labor Not Allowed as Lease Expenditure:

- Tax
- Legal
- Accounting
- Labor expenses that are for the benefit of an individual lessee or producer only, and not necessarily for the benefit of the joint operations
- Community, public, and government relations

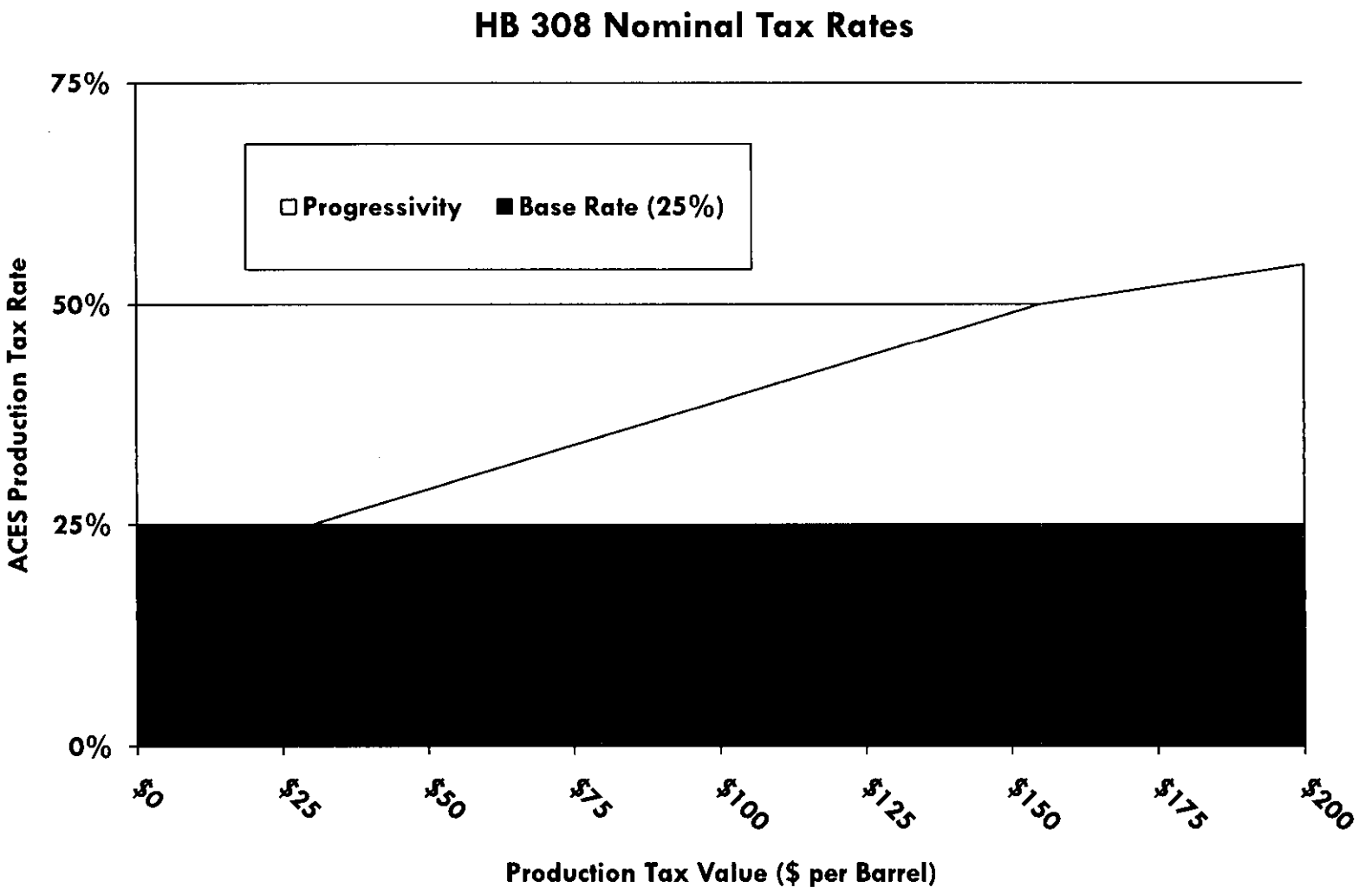
CSHB 308 House Resources

Progressivity Rate Change

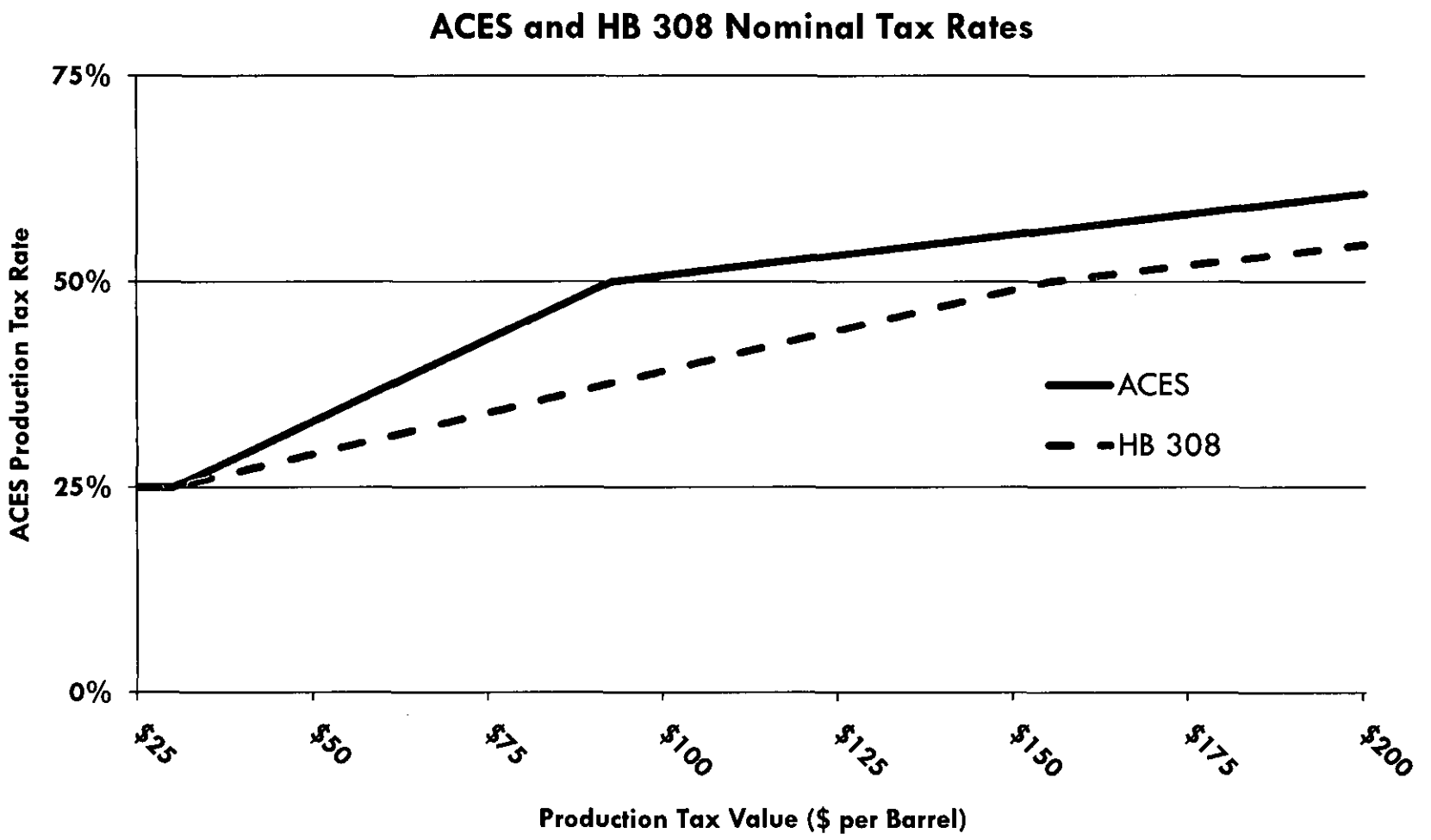
ACES Nominal Tax Rates



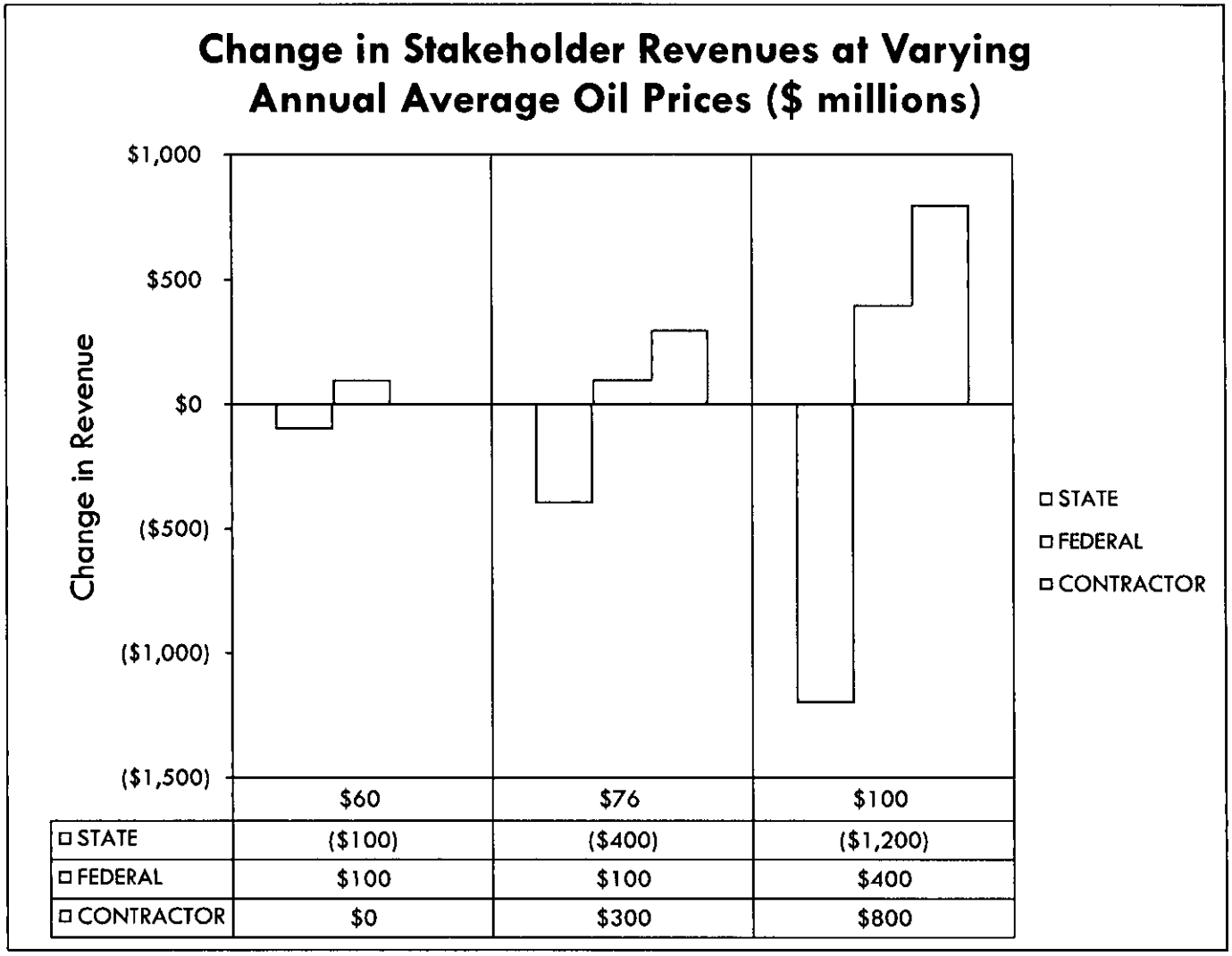
CSHB 308 Nominal Tax Rates



ACES and CSHB 308 Nominal Tax Rates



Revenue Impact of CSHB308 Due to Changes in Progressivity



	$60	$76	$100
STATE	($100)	($400)	($1,200)
FEDERAL	$100	$100	$400
CONTRACTOR	$0	$300	$800

Rounded to nearest hundred million

CSHB 308 House Resources

Interest Rate Changes

CSHB308 GOV Bill Comparison - Retroactive Interest Waiver

CSHB 308

Underpayment

- is not considered delinquent until after 30 days after the effective date of the reg. with retro-active application

Governor's Bill

Underpayment

- interest is waived before the 1st day of the 2nd month following the month in which the reg. became effective
  - (A) dept. determines that producer's underpayment was a result of the reg. not being in effect when the payment was due and
  - (B) the producer made a good faith estimate of tax obligation in light of the regs. then in effect, and paid the estimate . Underpayment not considered delinquent

CSHB308 GOV Bill Comparison - Retroactive Interest Waiver

CSHB 308

Overpayment

- is not considered delinquent until after 30 days after the effective date of the reg. with retro-active application

Governor's Bill

Overpayment

- if overpayment occurred because reg was not in effect, interest does not begin to accrue earlier than:
  - (A) the 1st day of 2nd month following the month in which the reg became effective
  - (B) 90 days after an amended return is filed, if the overpayment was for a period for which an amended return was required to be filed before the reg became effective

Under current law, interest is not allowed if an overpayment is refunded within 90 days - CS HB308 does change this long-standing rule)

CSHB 308 House Resources

Well Related Expenditures 30% Credit

Well Expenditure Comparison

CS HB 308	DOR Draft to Gov
amends AS 43.55.023:	amends AS 43.55.025
well sidetracking	development well activity
well deepening	goods
well workover	services
injection well	rentals of personal property reasonably required for re-drilling, casing, cementing, or logging
well-related seismic work	Completing workover operations or other operations intended to increase or enhance well production from known/unknown production pool
intangible drilling and development costs	May not be for an injector well, or stratigraphic test well
up to the flange and connecting the well head to the well line	

CSHB 308 House Resources

Statute of Limitations Change for Production Tax Assessments

Production Tax Audit Status

Audit	*Current audit status*
8 PPT/ACES audits in progress (Apr – Dec 2006)	Est. 03/31/2010
2 PPT/ACES audits pending (2006 year)	Beyond 3/31/2010
1 ELF audit in process (2003, 2004, 2005)	Beyond 6/30/2010
3 - .023 Credit Audits (2006 ~$700M in expenditure)	Target 3/31/2010
All Taxpayers 2007 / 2008	Not started

3 versus 6 year assessment

Audit Information Requirements

Audit information required under ELF

- Production data
- Sales contracts / invoices
- Quality bank data
- Marine transportation detail
- Pipeline Tariffs data

Audit information required under ACES

- Production data
- Sales contracts / invoices
- Quality bank data
- Marine transportation detail
- Pipeline tariffs / reasonable cost data
- Lease expenditures (capex,opex)
- Facility sharing agreements
- Joint operating agreements
- Joint interest billing invoices
- Unit ballot agreements
- .023, .025, TIE, NOL credits

3 versus 6 year assessment

Audit Information Requirements

Factors to consider

- With a "net tax" more areas of audit exposure
- Delays in taxpayers providing data (e.g. marine data)
- Volume of lease expenditure detail (greater than 1 million lines of detail data for a tax year is not uncommon) all manually processed.
- Determinations that exclusions under AS 43.55.165 (e) not included in lease expenditures
- Processing, tracking and auditing tax credits absorbs audit resources (lack of automated tax system)
- Challenges associated with auditing Alaska hire compliance
- Shorter time frame will yield more appeals and litigation

Technical Aspects of CS for HB 308 (Version E) (part II – issues 2, 4, 5, & 6)

Dan E. Dickinson CPA

House Resources Committee
Feb 15, 2010

6 Changes in CSHB 308

- Interest rate is lower of fed funds +2 or 11% (February 8, 2010 Testimony)
- Interest not due on retroactive regs changes prior to implementation
- Change progressivity from .4% to .2% (February 8, 2010 Testimony)
- Tax rate tied to resident hire
- 30% credit for well work
- Restore 3 year statute of limitations

Structure of CS for HB 308

Structure of CS For HB 308 26-LS1328/E Key Provision Need 2011 Eff Dt

section:	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	Need 2011 Eff Dt
Interest rate is lower of fed funds + 2 or 11%						6																			25	
Interest not due on retroactive regs changes prior to implementation							7							14											25	
Change progressivity from .4 % to .2 %											11													24		
Housekeeping - reference to interest	1				5	6		8	9	10		12	13			16		**18**	19		21	22			25	
Tax rate tied to Resident hire		2	3	4											15			**18**					23		25	
30% credit for well work																	17							24		
Restore 3 year statute of limitations																				20					25	

2.15.2010

6 Changes in CSHB 308

- Interest rate is lower of fed funds +2 or 11%
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How is interest calculated?

- Production Tax is due on last day of the month following the month of production (AS 43.55.020 (a)).
- Amount of tax due change because of because of audit, revised reporting by taxpayer, retroactive revision of tariff due to a regulatory order in a rate case, retroactive change in regulations.
- Interest is charged back to when original tax is due.
- In a settlement Department can compromise amount of tax and amount of Penalty. (AS 43.55.070) – No mention of interest.

Regulations required retroactive to July 2007*

- In 2007 reforms ("ACES") Department charged with a number of specific responsibilities for regulations, as well as general implementation.
  - AS 43.55.150 "the department shall determine the reasonable cost of transportation, using the fair market value of like transportation, the fair market value of equally efficient and available modes of transportation or other reasonable methods.
  - AS 43.55.165(a) "…a producer's lease expenditures for a calendar year are … costs …allowed by the department by regulation…"
  - Production tax is a yearly tax – however, effective dates of most of 2007 reform was July 1, 2007, so ways of combining two half years had to be implemented.
  - New reporting requirements (AS 43.55.030 & .040)
  - *New rules for exploration credits (AS 43.55.025)

Status of Regulations Affecting Returns after July 2007

	Discussion Draft 1	2	3	4	Public Comment Draft 1	2	Adopted
Project One - Reporting Requirement							
15 AAC 55. 520 Reporting					Feb-08		May '08 effective as of June '08
Project Two - NS PV, Civil Penalties, Mid Year Statutory Changes, CI reporting							
35 sections	Feb-08	*Oct-08*	*Nov-08*		Apr-08	Sep-08	Sep '09 effective as of Oct '09
Project Three - Exploration Credits							
6 sections					Aug-08	Jun-09	Nov '09 effective as of Dec '09
Project Four - Lease Expenditures							
10 Sections	Jan-08	Mar-08	Sep-08				Jan '10 effective as of Feb '10
Project Five - Reasonable Transportation							
5 sections	Mar-08	May-08	Jan-09		Feb-10		
6. Other Projects							
15 AAC 55. 173 NS Gas PV	Feb-08				Apr-08		Aug '08 effective as of Oct 1 '08
Facility Sharing	Oct-08	Nov-08	Feb-09	Jul-09			
Credit Safeguards	Nov-08						
"Affiliated" definition	Jan-09						
PV of oil					Jan-10		

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Interest on Retroactive Regulatory Changes

- Governor Parnell's approach in AS 43.55.020(i):
  - Requires interest waiver – not discretionary
  - More thorough – explicitly recognizes that the absence of regulations is not the absence of any rules
  - Explicitly retroactive – deals with the 2007 -2010 regulatory delay
  - Does not require restructuring AS 43.05.225 (thus eliminates half the provisions in the CS for HB 308)
  - (although in current CS Version E, section 6, page 3 line 5 requires in the insertion of an "a" in any case.)

Gov Parnell's suggestion on interest from retroactive regs

- ***Section 1.** AS 43.55.020 is amended by adding a new subsection to read:
- (i) Notwithstanding any contrary provision of AS 43.05.225 or (g) or (h) of this section, if the amount of a tax payment, including an installment payment, due under (a) (a) (1) – (4) of this section is affected by the retroactive application of a regulation adopted under this chapter, the department shall determine whether the retroactive application of the regulation caused an underpayment or an overpayment of the amount due and adjust the interest due on the affected payment as follows:
  - (1) if an underpayment of the amount due occurred, the department shall waive interest that would otherwise accrue for the underpayment before the first day of the second month following the month in which the regulation become effective, if the department determines that
    - (A) the producer's underpayment resulted because the regulation was not in effect when the payment was due; and
    - (B) the producer made a good faith estimate of its tax obligation in light of the regulations then in effect when the payment was due, and paid the estimated tax;
  - (2) if an overpayment of the amount due occurred and the department determines that the producer's overpayment resulted because the regulation was not in effect when the payment was due, the obligation for a refund for the overpayment does not begin to accure [accrue] interest earlier than the following, as applicable:
    - (A) except as otherwise provided under (B) of this paragraph, the first day of the second month following the month in which the regulation became effective;
    - (B) 90 days after an amended statement under AS 34.55.030(a) and an application to request a refund of production tax paid is filed, if the overpayment was for a period for which an amended statement under AS 43.55.030(a) was required to be filed before the regulation became effective.

Interest on Retroactive Regulatory Changes

- Possible upgrades to Governor's Language:
- Don't require a departmental determination of good faith by the producer in each case. Assume it, and allow the department to prove otherwise if it finds egregious behavior.
- AS 43.55.020 (a)(1)-(3) are monthly "installment payments of estimated tax" using 1/12th of estimated credits and 1/12th estimated lease expenditures - so
  - No true up caused by retroactive regs except for annual true up already required under AS 43.55.020 (a) (4) and
  - First first day of month more than 90 days after effective date of regs.

6 Changes in CSHB 308

- Interest rate is lower of fed funds +2 or 11%
- Interest not due on retroactive regs changes prior to implementation
- Change progressivity from .4% to .2%
- Tax rate tied to Resident Hire
- 30% credit for well work
- Restore 3 year statute of limitations

Rate tied to Resident Hire

- General Approach – (section 15)
- Base Tax rate (in AS 43.55.011(e)) is 25%, and Taxpayers makes monthly payments at that rate
- Any direct labor that is a lease expenditure is accounted for as Resident or non-Resident.
- At the end of the year total hours of labor are used to calculate a ratio for the year: or resident hire %
- New effective rate is calculated:
  - 20% for a 100% Resident Hire ratio up to
  - 25% (current law) for an 80% Resident Hire ratio.
- Taxpayer can then apply for a rebate of the difference for the prior year.
- Note: effective date should be beginning of a year.

Rates in CS HB 308 proposed 43.055.022 (b)

For Resident Hire Ratios		Rebate of amount under AS 43.55.011(e)(1)	Tax Rate in AS 43.55.011(e)(1)	Rebate as % of PTV	Effective Tax Rate
equal or above	but below				
70.0%	72.5%	0.0%	25.0%	0.0%	25.0%
72.5%	75.0%	0.0%	25.0%	0.0%	25.0%
75.0%	77.5%	0.0%	25.0%	0.0%	25.0%
80.0%	82.5%	2.0%	25.0%	0.5%	24.5%
82.5%	85.0%	4.0%	25.0%	1.0%	24.0%
85.0%	87.5%	6.0%	25.0%	1.5%	23.5%
87.5%	90.0%	8.0%	25.0%	2.0%	23.0%
90.0%	92.5%	10.0%	25.0%	2.5%	22.5%
92.5%	95.0%	12.0%	25.0%	3.0%	22.0%
95.0%	97.5%	14.0%	25.0%	3.5%	21.5%
97.5%	100.0%	16.0%	25.0%	4.0%	21.0%
100.0%		20.0%	25.0%	5.0%	20.0%

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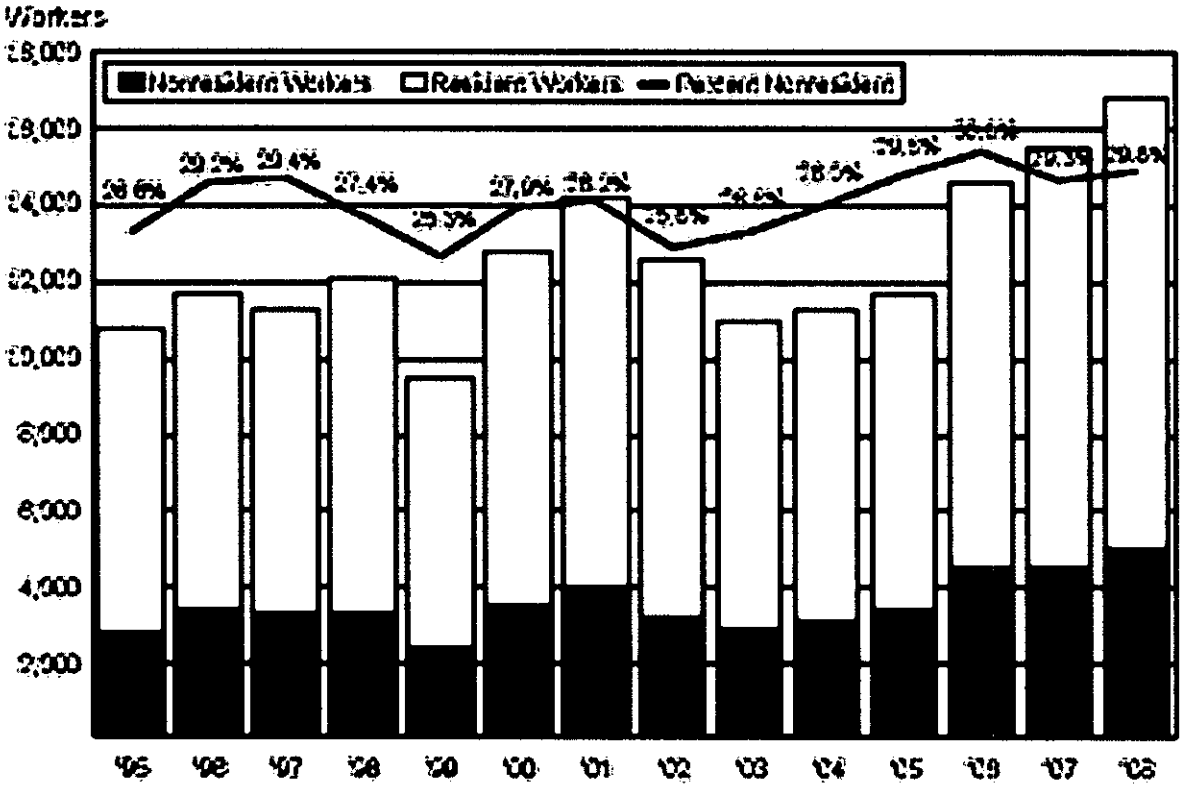
Non Resident Workers

6 Oil Industry
Number and Percent Nonresident Workers
Alaska 1995-2008

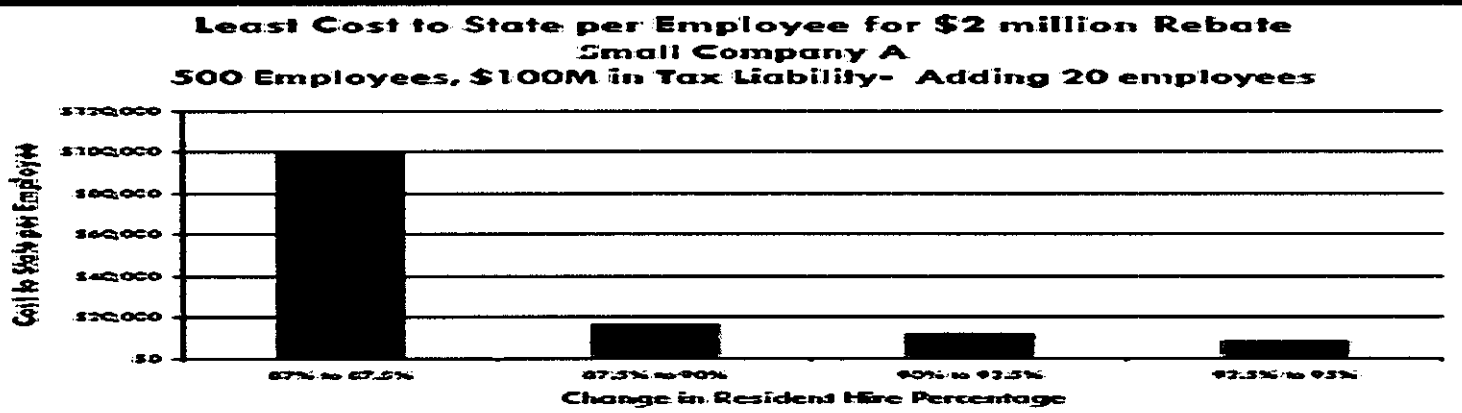


Note: Private Sector Only
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Source: Nonresidents Working in Alaska, 2008, State of Alaska, Dept of Labor and Workforce Development (Jan 2010) http://www.labor.state.ak.us/research/reshire/nonres.pdf

DOR Presentation 2/10/2010 Tables 5-8

Impact of Tax Rebate Provision



Change in rebate (dollars) is constant per category

		2%	2%	2%	2%
Change in employees is small in first category - large in all the rest					
	slide	Small Change	**BIG CHANGE**	**BIG CHANGE**	**BIG CHANGE**
Company A	6	87.0% - 87.5%	87.5% - 90.0%	90.0% - 92.5%	92.5% - 95.0%
Company B	7	82.0% - 82.5%	82.5% - 85.0%	85.0% - 87.5%	87.5% - 90.0%
Company C	8	79.5% - 80.0%	80.0% - 82.5%	82.5% - 85.0%	85.0% - 87.5%
Range		**0.50%**	2.50%	2.50%	2.50%
Resulting Dollars per employee:					
		Big	Small	Small	Small

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Resident Hire -- What will it cost per job?

- "In an extreme example, [according to DOR] hiring just one Alaskan could mean $30 million in tax savings" (Anchorage Daily News 2/11/2010, backpage (A-14))

- True: the bracket vs. formula issue
- DOR emphasized small employment change yielding large tax change – also true that large employment changes may not effect tax – formula fixes this feature.
- DOR emphasized employment changes about 80% however- Currently at 70%; no tax change until 80% achieved – formula preserves this feature

Resident Hire – What will it cost per job?

All figures in Millions of Dollars:	
FY2008 Estimated PTV ($millions)	$ 16,837.7
FY2009 Estimated PTV ($millions)	9,313.1
Average for CY 2009	13,075.4
Assumption: One company is responsible for half	6,537.7
AS 43.55.011(e)(1) taxes at 25%	1,634.4
If one incremental employee (hour) moves taxpayer by one bracket in between 80 - 97.5% then effect is (.5%)	**32.7**

Function of "brackets rate applied to base"
Opposite effect also occurs.

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Resident Hire – What will it cost per job?

Opposite effect also occurs.
Assumption: Company employees and contractors are 1/2 the workforce
(2009 Total Workforce of 13,000, so Company has 6,500)
(1) A company this big will be close to the average so 70% Resident

	Total Workers	Resident Workers	Ratio	Tax rate
year one	6,500	4,550	70.00%	25.0%
add		649		
year two	6,500	5,199	79.98%	25.0%

	Total Worker Hours	Resident Worker Hours	Ratio	Tax rate
year one	13,000,000	9,100,000	70.00%	25.0%
add		1,298,000		
year two	13,000,000	10,398,000	79.98%	25.0%

"need to be at 80% to start the conversation"

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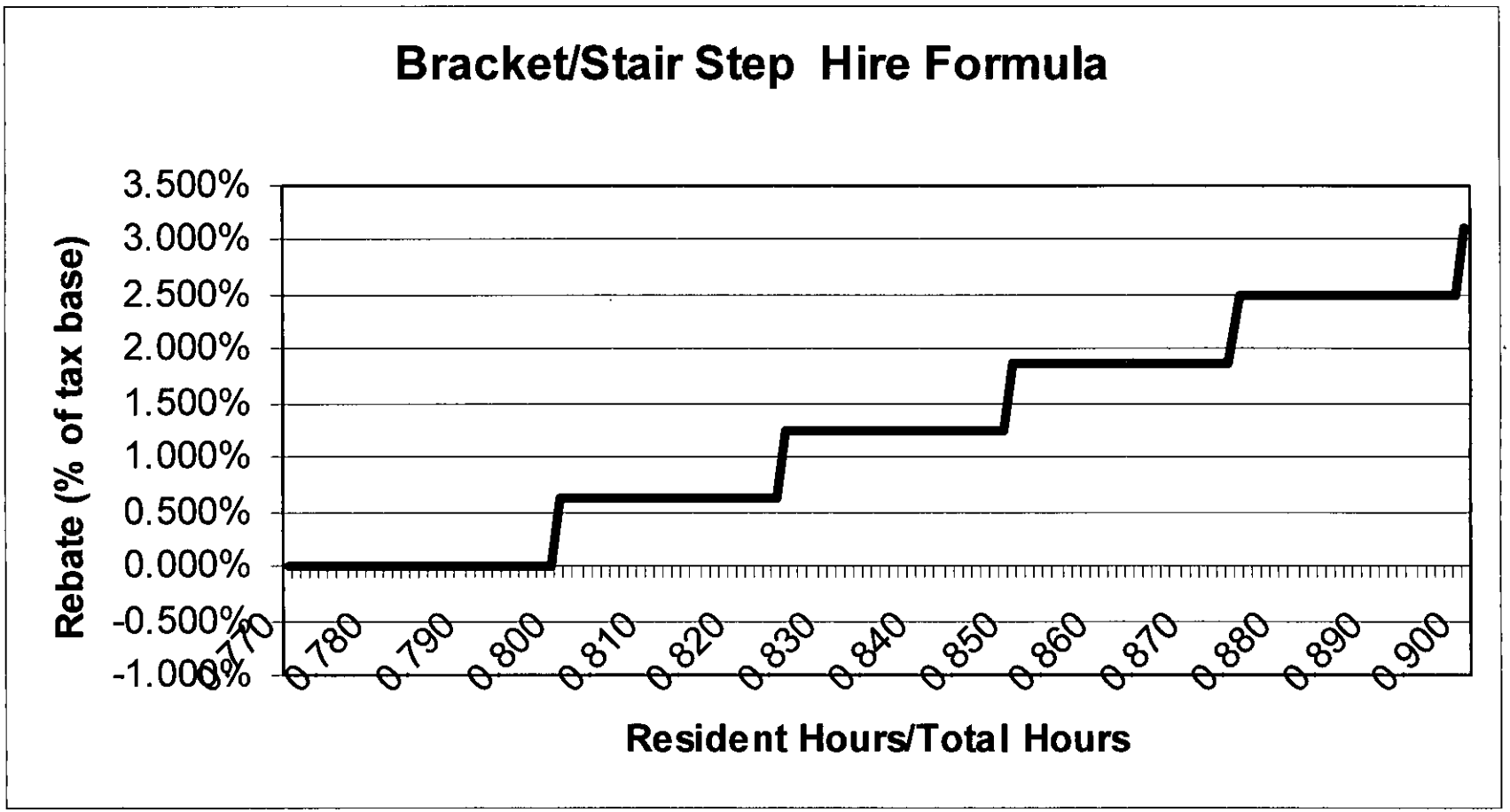
Resident Hire – What will it cost per job?



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Resident Hire – What will it cost per job?

Opposite effect also occurs.

Assumption: Company employees and contractors are 1/2 the workforce (2009 Total Workforce of 13,000, so Company has 6,500)

(2)

	Total Workers	Resident Workers	Ratio	Tax rate
year one	6500	5200	80.00%	24.5%
add		162		
year two	6500	5362	82.49%	24.5%

	Total Worker Hours	Resident Worker Hours	Ratio	Tax rate
year one	13,000,000	10,400,000	80.00%	24.5%
add		324,000		
year two	13,000,000	10,724,000	82.49%	24.5%

2.15.2010

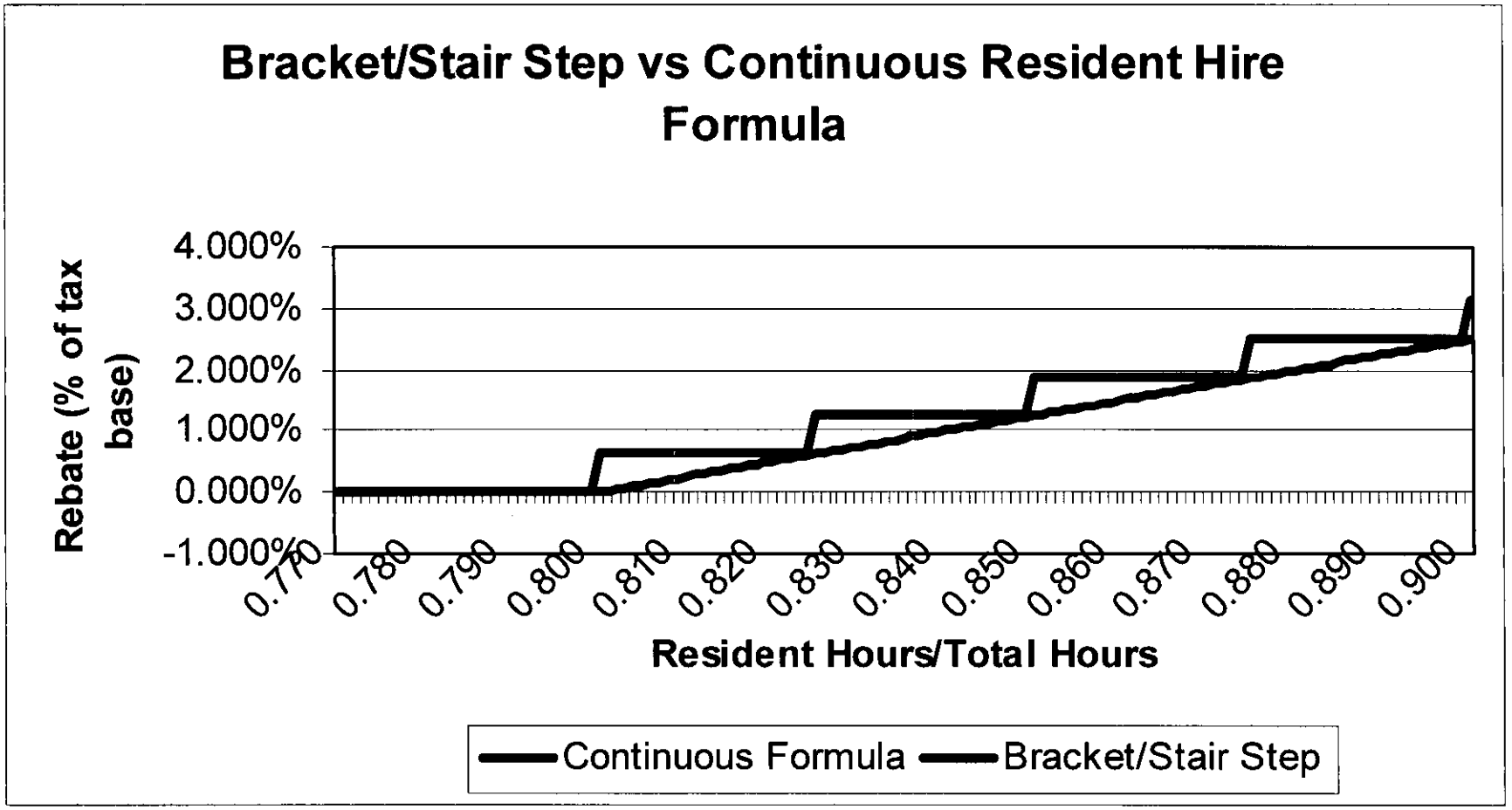
Stair Step versus Continuous Function

Solution – Continuous function (with rounding)

- Rebate equal to tax base (PTV) times
- Higher of ((Resident Hours/Total hours) or .8)
- Less .8

- That transforms Resident Hire rates between 80% and 100% into a series from 0% to 20%

2. Stair Step versus Continuous Function



Problem of "no reporting of nonresident wages"

		Actual	Rounded
FY2008 Estimated PTV ($millions)	$	16,837.7	
FY2009 Estimated PTV ($millions)		9,313.1	
Average for CY 2009		13,075.4	10,000
AS 43.55.011(e)(1) taxes at 25%		3,268.8	2,500
Maximum Rebate (20% of taxes, 5% of base)		653.8	500
Non Resident Workers in industry in 2008		5043	5,000
Average Wages (2008) per worker ($million)		0.083601	0.100000
Total Non- Resident Wages		422	500
Effect of not claiming Non resident wages as lease expense (25%) ($millions)		105.4	125
So by simply not reporting or deducting the 5043 non residents Decrease in taxes: ($millions)		548.4	375

Sources: State of Alaska, Dept. of Labor and Workforce Development, Nonresidents Working in Alaska, 2008 (Jan 2010), derivations from figures in Dept of Revenue, Revenue Sources Book (Fall 2009)

Some solutions to "no reporting of nonresident wages"

1. Shift the scale so maximum tax savings are not $500 million by $100 million and tax rate could range from 24% to 25%.
2. Require that for any labor to be allowed as a lease expense, all the labor from that company must be calculated in Resident Hire calculation – (with additional rules for pass through).
3. Focus on new hires only, and specific dollar rebate for every new resident hire.
4. Given structure of industry, have the DOR determine a tax rate every year based on the Resident Hire Ratios of 10 (20?) largest employers in the industry or largest generators of lease expenditures.

2.15.2010

Structure of Industry in Alaska

- Producers (taxpayers) have employees & hire
  - Operator who has employees & hires
    - Contractors, and buys "stuff"
- According to the Dept of Labor & Workforce Development (2008) employment in
- Oil and gas (direct) 4,055
- Oilfield Services 12,875
- Total 16,930

Sources: State of Alaska, Dept. of Labor and Workforce Development, Nonresidents Working in Alaska, 2008 (Jan 2010),

Who are the 15 Tax Production Tax Filers (2009)?

	1 CP	2 BP	3 EM	4 Anadarko	5 Chevron	6 Pioneer	7 -10 4 Others(1)	Total
Production in Millions of Bbls a day								
PBU & Sat	0.1317	0.0962	0.1328	-	0.0042	-	0.0001	0.365
KRU & Sat	0.0785	0.0558	0.0006	-	0.0071	-	-	0.142
North Star	-	0.0270	-	-	-	-	-	0.027
Alpine & Sat	0.0827	-	-	0.0233	-	-	-	0.106
Endicott	0.0004	0.0074	0.0045	-	0.0017	-	0.0001	0.014
Milne	-	0.0310	-	-	-	-	-	0.031
Oooguruk	-	-	-	-	-	0.0028	0.0012	0.004
Total bbl/day	0.2933	0.2174	0.1379	0.0233	0.0130	0.0028	0.0013	0.689
MM bbl/yr	**107.0**	**79.4**	**50.3**	**8.5**	**4.8**	**1.0**	**0.5**	**251.5**
% of NS	43%	32%	20%	3%	2%	0%	0%	100%

Cook Inlet 2009

10% of production
1/2 of 1% of tax due to AS 43.55.011(j) and (k) limitations

Cook Inlet Production

oil	4.0
gas (boe)	24.9
Total CI	28.9
Total AK	**280.43**

Cook Inlet:

11 Aurora
*Chevron (heritage Unocal & Chevron)
*CP (heritage Arco and Phillips)
12 Pacific Energy (acquired Forest interests)
13 Marathon
14 ML&P
*EM (heritage Mobil & XTO)
15 Pioneer (Lawrenceville, Ill)

(1) Others

7 Nana
8 Doyen
9 Forest &
10 ENI

Source: DNR Division of Oil and Gas 2006 & 2009 Annual Reports, DOR, Fall 2009 Revenue Sources Book

Who are the 15 Tax Production Tax Filers?

	1 CP	2 BP	3 EM	4 Anadarko	5 Chevron	6 Pioneer	7 -10 4 Others(1)	Total
Production in Millions of Bbls a day								
PBU & Sat	0.1317	0.0962	0.1328	-	0.0042	-	0.0001	0.365
KRU & Sat	0.0785	0.0558	0.0006	-	0.0071	-	-	0.142
North Star	-	0.0270	-	-	-	-	-	0.027
Alpine & Sat	0.0827	-	-	0.0233	-	-	-	0.106
Endicott	0.0004	0.0074	0.0045	-	0.0017	-	0.0001	0.014
Milne	-	0.0310	-	-	-	-	-	0.031
Oooguruk	-	-	-	-	-	0.0028	0.0012	0.004
Total bbl/day	0.2933	0.2174	0.1379	0.0233	0.0130	0.0028	0.0013	0.689
MM bbl/yr	**107.0**	**79.4**	**50.3**	**8.5**	**4.8**	**1.0**	**0.5**	**251.5**
% of NS	43%	32%	20%	3%	2%	0%	0%	100%

Cook Inlet 2009

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8 Doyen
9 Forest &
10 ENI

DED estimate covered by AS 43.55.024 credit

Source: DNR Division of Oil and Gas 2006 & 2009 Annual Reports, DOR, Fall 2009 Revenue Sources Book

Who are the Employers in the Oil and Gas Industry

- Recall EM, BP and CP are largest taxpayers – they would put pressure on employers to qualify for lower rate

Ranking in Top 100		Total Employees			Non Resident %
5	ASRC	2250	2499	Oil Field Services	24.1%
8	CH2MHill	1750	1999	Oil Field Services	35.5%
9	BP Exploration			Oil & Gas Extraction	27.7%
17	Conoco Phillips	1000	1249	Oil & Gas Extraction	20.7%
36	Nabors Alaska Drilling	500	749	Oil Field Services	
43	Schlumberger Technologies			Oil Field Services	30.5%
49	Udelhoven Oilfied System Services			Oil Field Services	30.5%
52	Peak Oilfield Service Company	250	499	Oil Field Services	26.8%
69	Norcon			Oil Field Services	23.2%
73	Chevron			Oil & Gas Extraction	
78	Hallibturon			Oil Field Services	32.3%
95	Doyon Drilling			Oil Field Services	
	Veritas Dgc Land Inc				47.9%
	Baker Hughes Oilfield Operations Inc.				54.1%

NOTE: Does Not Include "Catering/Security", Engineering, Transportion, Communications, Construction

Sources: State of Alaska, Dept. of Labor and Workforce Development, 100 Largest Private Employers, 2008 (Alaska Economic Trends, July 2009), Nonresidents Working in Alaska, 2008 (Jan 2010)

To be addressed by Regulations or Statute II

- Is the "overhead labor" that is replaced by a formula in 15 AAC 55.270 part of the resident labor calculation? (see DOR slides)
- If a contractor has a fixed price contract, or charges a fee that includes labor (such as for transportation, turnkey modules, any manufactured good) who determines, or how is it determined whether and to analyze the labor in that transaction for resident labor?
- Are billed professional services (say by an engineer) "labor" for the resident hire calculation.
- Should be effective on the first day of a year.

To be addressed by Regulations or Statute I

- If tax was not paid due to limitations in AS 43.55.011(j), (k) and (o) – CI or instate gas, can it be rebated?
- If tax was not paid due to applications of .023 Capitol and Loss Carry Forward Credits, .024 "Low Production" Credits and/or .025 Exploration Credits, can it be rebated?
- If times are tough and taxpayers have to pay the "alternative minimum tax" under AS 43.55.011(f), can that be rebated? It is a tax based on gross – but will still require the calculation of labor costs.
- If there is lots of investment activity and so that generates a loss – No resident hire issues if no tax base? Or should the rebate effect the loss carryforward. (Perverse incentive)

6 Changes in CSHB 308

- Interest rate is lower of fed funds +2 or 11%
- Interest not due on retroactive regs changes prior to implementation
- Change progressivity from .4% to .2%
- Tax rate tied to Resident Hire
- 30% credit for well work
- Restore 3 year statute of limitations

Investment Credits

- Section 17 adds 30% well work credit to investment credits
- Under Current Law –
- 30% Credit for exploration wells (AS 43.55.025)
- 40% Credit for seismic work outside of existing unit,
  - or exploration wells 25 miles from existing unit, and
  - 3 miles from any prior well (or with certification from DNR that it is for a new target in the Cook Inlet) (AS 43.55.025)
- 20% Credit for any capital investment (AS 43.55.023(a))

- No change to Exploration Credits AS 43.55.025 under this bill

- How does this compare with Governor's "Well Credits" proposal

-Both create a 30% credit for well work

-Both include pertinent capex and opex

-CS should be effective on the first day of a month (Gov's bill is July 1, 2010) year.

- Differences:
- CS for HB 308 places the credit among the .023 "Tax Credits for certain losses and expenditures" Governor's bill changes name of .025 from "Exploration" to "Exploration and Development" and places it there.
- Different definition of well related expense.
- (Other changes to AS 43.55.025 in Gov's bill)

Differences between AS .023 and .025

AS 43.55.023 – Tax credits for certain loses and expenditures	AS 43.55.025 – Alternative tax credit for oil and gas exploration
AS 43.55.023 deals with capital costs in (a), lease expenditures in (b), and both in sections (c), (d), (e), (g), (h) and (j). (note – (f) repealed and (i) and (k) deal only with capital).	AS 43.55.025 deals only with exploration costs –by explorers. Administration suggests totally re-writing and re-titling to cover this work by explorers and producers.
21 specific exclusions from lease expenditures listed in AS 43.55.165 (e) (1) – (21) including exclusion of 30 cents a barrel from any capital cost, and certain transactions with affiliates or related parties.	Prohibitions summed up in one paragraph (AS 43.55.025(b)(3)
Restrictions in AS 43.55.011(m) ("credits clawback") do not apply.	AS 43.55.011(m) ("credits clawback") does apply.

Question: Are we certain that the restructuring of AS 43.55.025 will not result in inadvertent changes to the rules?

2.15.2010

Definitions of well work compared

CS for HB 308 proposed AS 43.55.023(m)(3)	Governor's Language proposed AS 43.55.025(b) (3) and (4)
"Well-related expenditures" means	Development well expenditures are for
A lease expenditure	Goods, services and rentals of personal property reasonable required for
related to a well	
and includes a lease expenditure for the purposes of sidetracking, well deepening, well recompletion, well workover,	Re-drilling, casing , cementing or logging, Completing, workover operations or other operations intended to increase or enhance well production
	from known productive pool;
an injection well and well related seismic work and	And the well is not a service well [injector] or stratigraphic test well.
an intangible drilling and development cost authorized under 26 USC (IRC) as amended, and 26 CFR 1.612-4, regardless of the elections make under 26 USC 263(C0 as amended	
up to the flange connecting the well head to the well line.	

2.15.2010

6 Changes in CSHB 308

- Interest rate is lower of fed funds +2 or 11%
- Interest not due on retroactive regs changes prior to implementation
- Change progressivity from .4% to .2%
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- 30% credit for well work
- Restore 3 year statute of limitations

2.15.2010

- Section 20 Restores statute of limitations to three years for production tax - time for the state to complete a production tax audit (or, agree to an extension with taxpayer or issue a blue sky assessment)
- Three year rule would begin with 2011 tax year
- Note: in the case of False or Fraudulent returns, or failure to file a return, may proceed "at any time"

- Prior to 2007, SOL was three years for all tax types under AS 43.05.260 –
- In 2007 production tax pulled out and extended to 6 years in AS 43.55.075

Thank You

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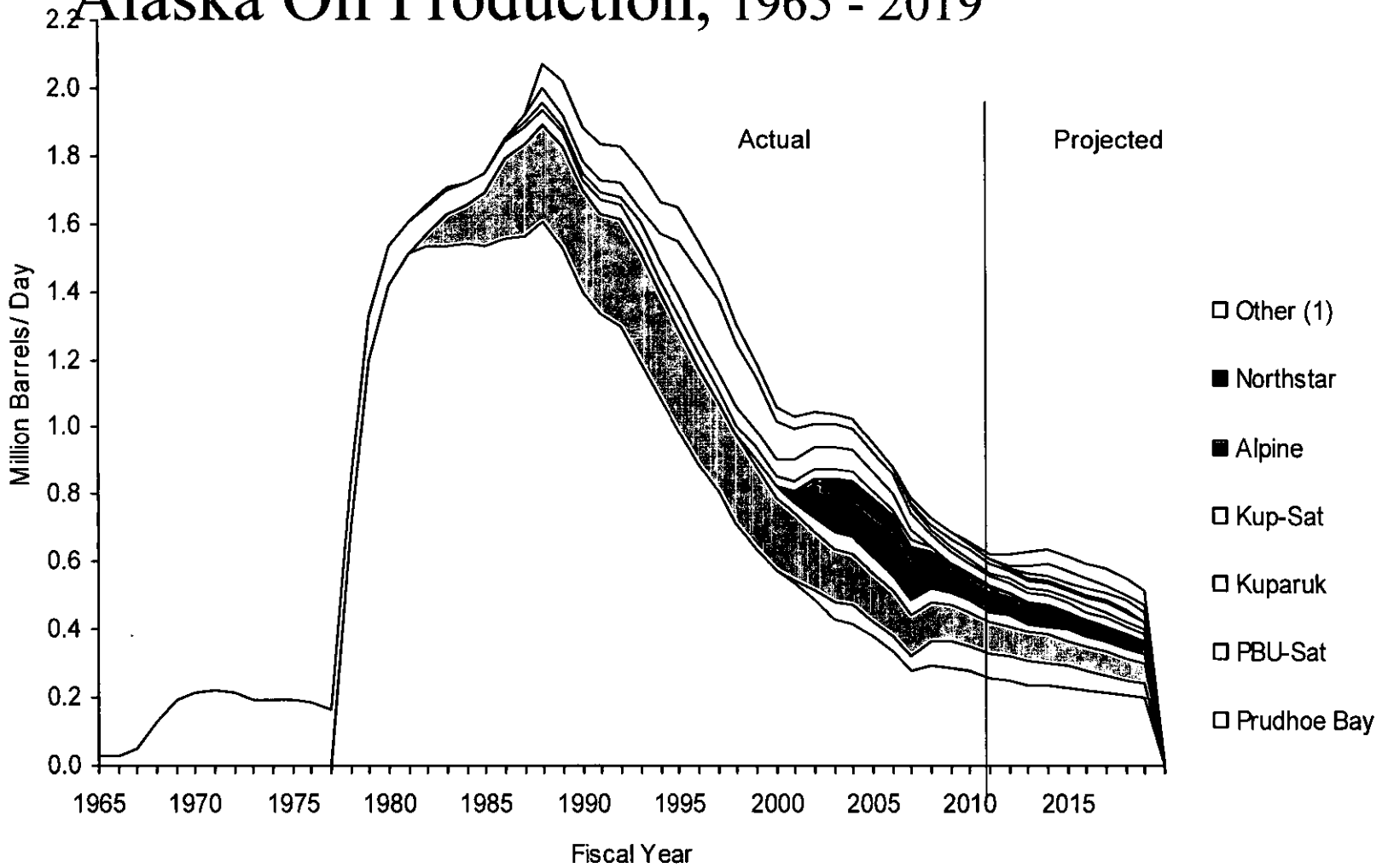
Alaska Oil Production, 1965 - 2019



Source: Alaska Department of Revenue, Fall 2009 Revenue Sources Book. Extrapolated

(1) Cook Inlet, Duck Island, Milne Point, Greater Point McIntyre, Liberty, Known On & Offshore, Fiord and NPRA.

2.15.2010

4102

Savant Alaska, LLC

Presentation to Alaska Legislature House Resources Committee

March 10, 2010

SAVANT ALASKA

44103

A Brief History

- Founded in 2006 to invest on the North Slope of Alaska.
- Licensed over 190 square miles of 3-D seismic data and leased or acquired access to over 45,000 acres in focus area east of Prudhoe Bay field.
- Drilled the Kupcake #1 exploration well in 16' of water in the Beaufort sea in the winter of 2008 resulting in a dry hole.
- Entered into a farmout agreement with BP Exploration (Alaska) Inc. providing exclusive access to the Badami Unit.
- Opened Anchorage operations office in January 2009
- Commenced B1-38 (Red Wolf) exploration well in March 2009 – resumed operations in January 2010
- Have invested or caused to be invested over $43 million dollars in Alaskan exploration and development since inception

Why Alaska?

- The North Slope contains a prolific hydrocarbon system
- There are multiple oil targets in the geologic section
- The eastern half of the North Slope is lightly developed
- The State of Alaska under ACES legislation currently offers up to 45 cents per dollar of investment in tax credits (cash rebates) to Explorers
- The existing Badami infrastructure provides a significant competitive advantage

ACES Tax Credits

- Tax credit summary
  - $3,397,056 redeemed for cash to date
    - $280,010 in 2008
    - $3,117,046 in 2009
  - Currently have tax credits totaling $7.9 million which should be redeemed for cash in 2Q 2010
  - Application for $6.6 million to be filed in 1Q2010
  - Inception to date acquired, earned or redeemed $19 million in ACES tax credits
  - Secondary market for tax credit certificates is thin at best

Current Plans

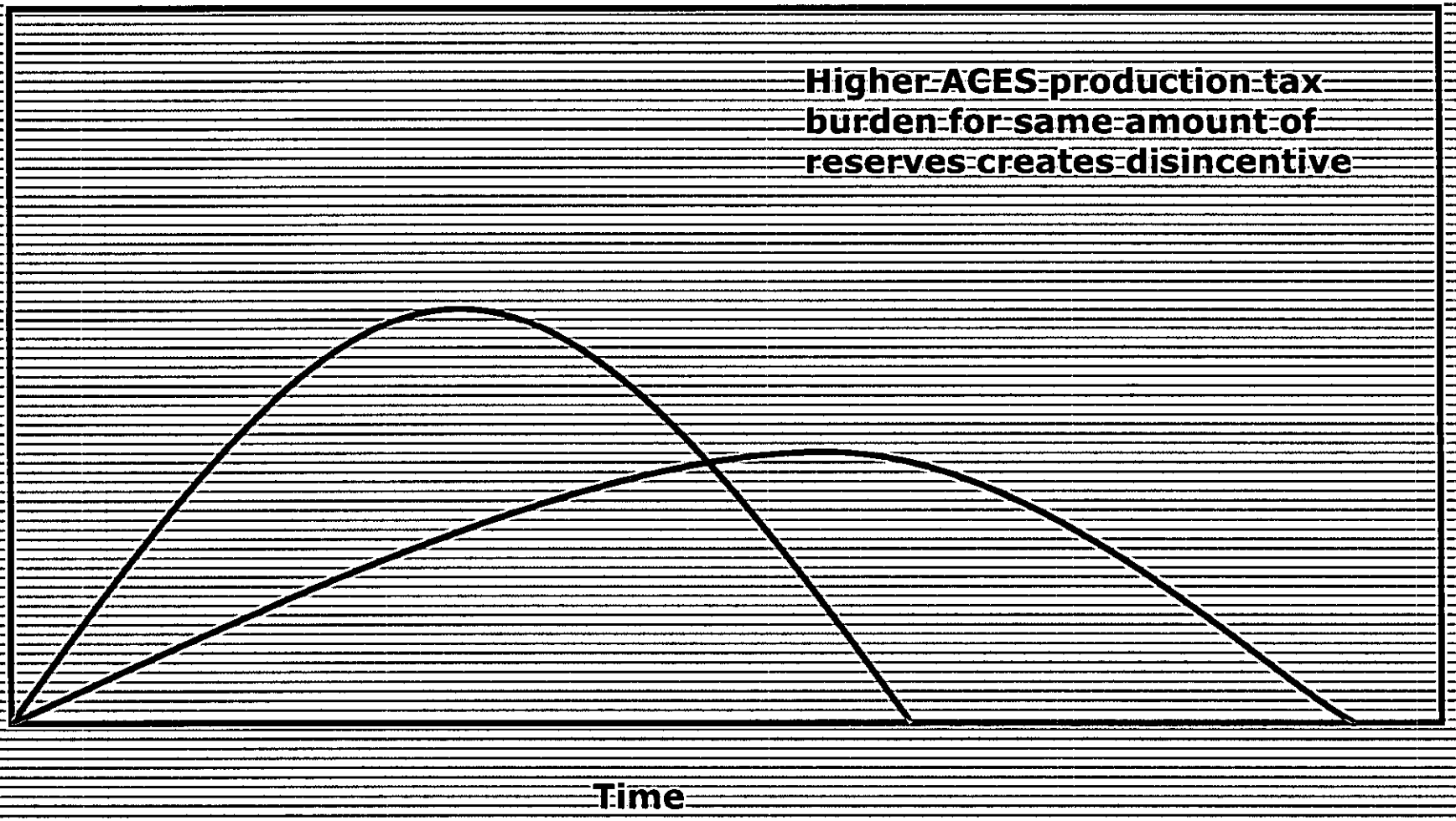
- Finish 2010 winter well work program
- Restart the Badami facility and production summer 2010
- Evaluate results of new wells
- Potentially drill additional delineation and development wells in winter 2011

Our View of ACES

- Exploration Incentives
  - Tax credit system provides meaningful inducement to take risk in the state
  - Any enhancements will only improve our ability to continue exploring
  - We generally support the Governor's proposed Amendments
  - Not widely known or understood in the Lower 48

- Progressivity Feature
  - We've remained silent on this issue because we are not a "producer", yet
  - In general, the progressivity is a disincentive because it results in a diminishing return per incremental barrel produced as indicated by our economic modeling at Badami

Badami Redevelopment...



SAVANT ALASKA

4409

Alaska Oil & Gas Association

Testimony to House Resources Committee on Draft CS for House Bill 308 (Version E)

March 10, 2010

Marilyn Crockett, AOGA Executive Director

4410

AOGA Testimony

Part One: Problems with ACES

Part Two: Discussion of the Draft CS for House Bill 308

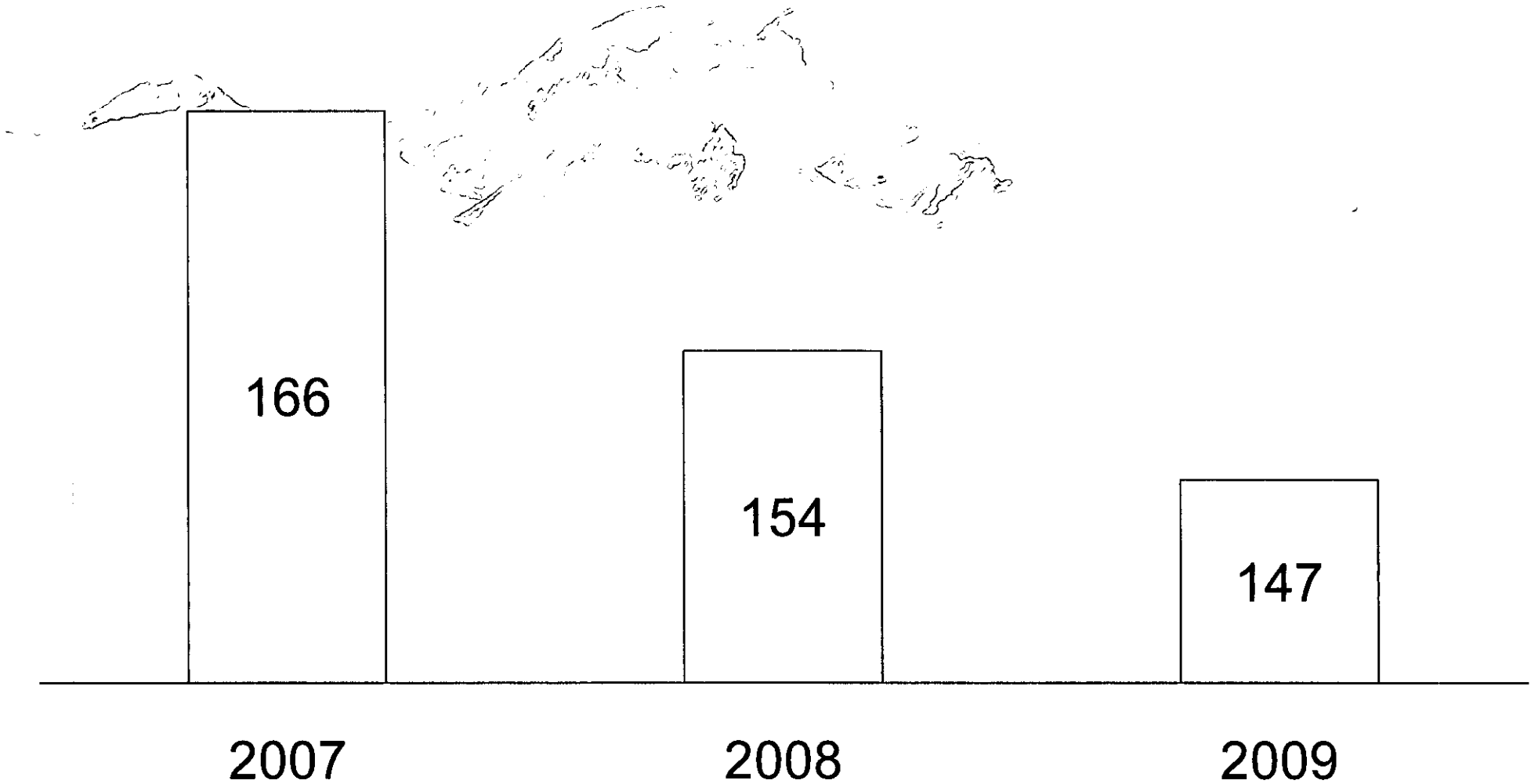
Problems with ACES

Problem A: Excessive Tax Rate

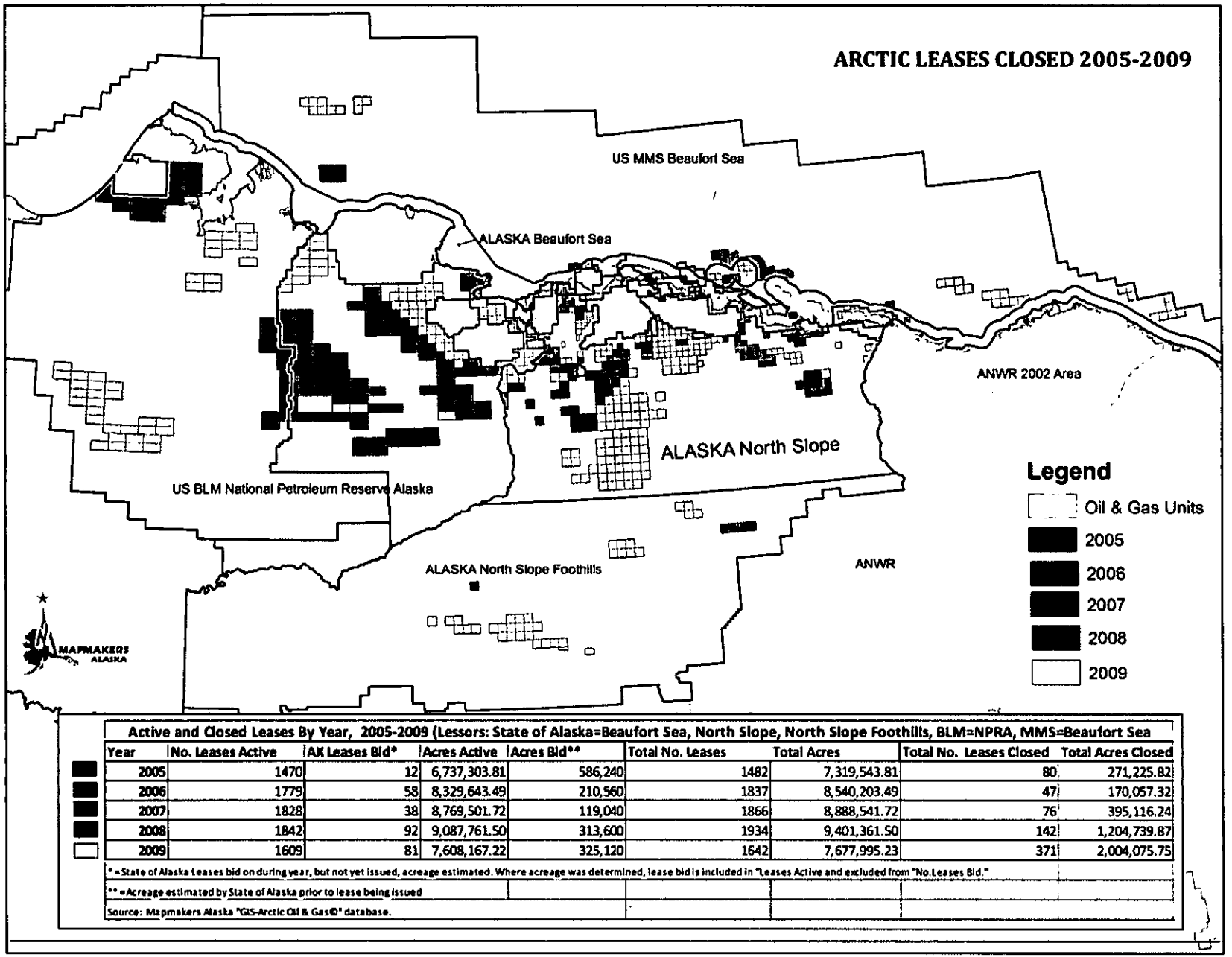
Problem B: Impossible Plight of Non-Operators

Problem C: Inability of Taxpayers to Determine with Certainty Amount of Tax

In-field Wells Drilled in Alaska



Source: AOGCC



Active and Closed Leases By Year, 2005-2009 (Lessors: State of Alaska=Beaufort Sea, North Slope, North Slope Foothills, BLM=NPRA, MMS=Beaufort Sea

Year	No. Leases Active	AK Leases Bid*	Acres Active	Acres Bid**	Total No. Leases	Total Acres	Total No. Leases Closed	Total Acres Closed
2005	1470	12	6,737,303.81	586,240	1482	7,319,543.81	80	271,225.82
2006	1779	58	8,329,643.49	210,560	1837	8,540,203.49	47	170,057.32
2007	1828	38	8,769,501.72	119,040	1866	8,888,541.72	76	395,116.24
2008	1842	92	9,087,761.50	313,600	1934	9,401,361.50	142	1,204,739.87
2009	1609	81	7,608,167.22	325,120	1642	7,677,995.23	371	2,004,075.75

* = State of Alaska Leases bid on during year, but not yet issued, acreage estimated. Where acreage was determined, lease bid is included in "Leases Active and excluded from "No.Leases Bid."

** =Acreage estimated by State of Alaska prior to lease being issued

Source: Mapmakers Alaska "GIS-Arctic Oil & Gas©" database.

Largest U.S. Drillers – 2009 (footage drilled)

1.	Chesapeake	6.4%	11.	Williams Production	1.3%
2.	XTO	5.4%	12.	Ultra Resources	1.2%
3.	EOG Resources	4.0%	13.	Concho Resources	1.2%
4.	Anadarko	3.5%	14.	Southwestern Energy	1.2%
5.	EnCana	3.2%	15.	ExxonMobil	1.1%
6.	ConocoPhillips	2.9%	16.	Shell	0.9%
7.	BP	2.6%	17.	Marathon	0.9%
8.	Devon	2.5%	18.	Apache	0.8%
9.	Noble	2.0%	19.	Petrohawk	0.8%
10.	Questar	1.7%	20.	Laredo Petroleum	0.7%

Source: RIGDATA

Problems with ACES

Problem A: Excessive Tax Rate

Problem B: Impossible Plight of Non-Operators

Problem C: Inability of Taxpayers to Determine with Certainty Amount of Tax

Problems with ACES

Problem A: Excessive Tax Rate

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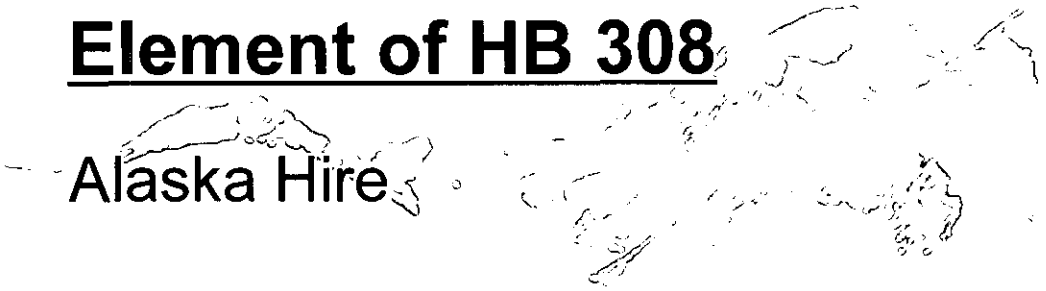
Discussion of Draft CS for HB 308



Element of HB 308	AOGA Position
Alaska Hire	Good idea – but complex; use Alaska hire standards of ADLWD
Decline in Progressivity	Oppose Progressivity but HB 308 an Improvement
30% Credit	Support
Rate of Interest	Support
No interest on new regs	Support w/changes
Statute of limitations	Support

Thank you.

www.aoga.org

TESTIMONY OF THE

ALASKA OIL AND GAS ASSOCIATION

TO THE HOUSE RESOURCES COMMITTEE

REGARDING DRAFT CSHB 308(RES), Version E

March 10, 2010

Mr. Chairman and Members of the Committee:

My name is Marilyn Crockett and I am the Executive Director of the Alaska Oil and Gas Association ("AOGA"). AOGA is the trade association for the oil and gas industry in Alaska. Our 14 members account for the majority of oil and gas activities in the state. The testimony I am about to present has been prepared and approved without dissent by the members of the AOGA Tax Committee.

Let me begin by thanking you, Mr. Chairman, and the co-sponsors of House Bill 308 — Representatives Newman, Ramras, Millett, Johansen and Hawker — for introducing this Bill during these crucial times.

In light of the relentless and continuous decline in the rate of oil production, one of the great challenges facing Alaska is in getting from today to the time when a Gas Pipeline begins operating a full 10 years from now. ConocoPhillips, in testimony to the Senate Finance Committee on February 23rd, said that "[p]roduction from the Core Fields [on the North Slope] may require more than $40 billion of expenditures by the industry during the next decade."[1]

We welcome House Bill 308 as an essential first step in a comprehensive review of ACES to ensure that it can and will succeed, as intended, in keeping Alaska competitive for this additional $40 billion that needs to be invested here during this decade. At the same time, ACES must be reviewed to ensure that it has not overshot the optimum point where "the utilization, development, and conservation of [this] natural resource[ ] belonging to the State" achieves the "the maximum benefit of its people" in terms of total state revenues, Alaska jobs and economic growth over the remaining life of the fields, as the Alaska Constitution requires.[2] Our testimony today is in two parts in order to address each of these vital concerns.

Part I. Problems with ACES

Mr. Chairman, there are a lot of things wrong with ACES. AOGA and individual companies have together submitted nearly 200 pages of comments and testimony to the Department of Revenue about what is wrong with ACES and with the regulations that have been developed and are either already adopted or are in the process of being adopted. In the interest of time I'd like to highlight only a few of the most important ones now.

Problem A. Excessive tax rate

The Department of Revenue, in testimony to this and other legislative committees, presented a lot of statistics that fail to distinguish investment and jobs for new projects from investment and jobs for projects that had already been begun or committed to before ACES was enacted. A more telling statistic about ACES is the number of new in-field wells drilled and completed, because they can be approved, drilled and go into production within a matter of months instead of years. As a result, the figures for them are much less distorted by momentum from pre-ACES commitments. The number of new in-field wells decreased from 166 in 2007 to 155 in 2008 and 147 last year.[3] BP, as an operator on the North Slope, has publicly said its in-field drilling "will be more than 50% lower in 2010 vs. 2007" and it has reduced its rig count by 30% since January of last year. Industry added about 450 million barrel-of-oil-equivalents to North Slope reserves in the last five years, according to ConocoPhillips at the Meet Alaska Conference last January, but "only 35 million since ACES". Why? Larry Archibald, senior vice president of exploration and business development for ConocoPhillips, told Meet Alaska that even though "Significant potential remains in North Slope Giants[, ...] Giant fields have [the] worst fiscal terms" under ACES.

And the news on exploration wells isn't good either. The number of exploration wells being drilled on the North Slope declined from 11 in 2007, to 9 in 2008 and 8 in 2009.

During testimony on February 16, 2010, Division of Oil and Gas Director Kevin Banks reviewed oil and gas activity across the North Slope, observing that "independents are flocking to Alaska". However, the companies identified on his map have been in Alaska for several years. Which raises the question of just who could be coming to Alaska but isn't. Rigdata identified the top 20 U. S. drillers in terms of footage drilled in 2009. Only seven of those companies are currently operators or have interests in fields here in Alaska.

Another disturbing trend is emerging in the area of oil and gas lease acreage. According to their testimony, ConocoPhillips—the leading explorer on the north slope for the last decade and more—relinquished 880,000 acres of leases in NPR-A last year. A significant amount to be sure, but this accounts for *less than half* of the state and federal acreage which was closed across the arctic slope last year. Attached to my testimony is a map and chart depicting lease closures for the years 2005-2009. As you can see, in 2009, 371 leases were closed totaling more than 2 million acres. And in 2008, 142 leases totaling more than 1.2 million acres were closed.

Problem B. The impossible plight of non-operators

Time after time in the ACES regulations being adopted, the Department of Revenue places impossible expectations and demands on producers ("non-operators") in a field or unit that are not the operator of that field or unit. A non-operator receives only a monthly invoice or bill from the operator with a description of the cost items going into the amount that the WIO is to pay. There are no timesheets or other documentation that comes with the invoice, nor copies of billings from third parties that the operator has received and paid on behalf of all the non-operators in the field or unit. Yet the regulations expect non-operators to have the same details and documents that their operator has, because they have to file tax returns each month that depend on those details and documents in order to be filled out to compute the amount of tax.

Worse, the standards for what an operator may bill to the non-operators are set by the particular terms of the operating agreement for that field or unit. While the amounts that the operator bills out to the non-operators are generally close overall to what is deductible as lease expenditures under ACES, the details of individual costs do not correspond exactly to the edges of the specific categories the Department has created for allowable lease expenditures. There are over 20,000 cost codes under the system of accounts for the Prudhoe Bay Unit, for example, but the Department's regulations have only 336 categories. Due to the lack of definition and clarity, the inconsistent use of terms, and arbitrary percentages of costs being applied, there is virtually no way a Prudhoe Bay non-operator can possibly determine, for all of the 20,000 cost codes in that system of accounts, which ones fit into the 336 categories under this regulation. And for some cost codes, part of it may fit into one category and the rest into a different one. But a non-operator is likely not to have the particular information required under the regulations in order to determine whether this is the case for a given cost code. And even if the non-operator can determine which category a particular cost code straddles, it may very well lack the information required under the regulation in order to determine how much goes into each of those categories.

Problem C. Inability of Taxpayers to Determine with Certainty Amount of Tax

The regulations to implement ACES are set up so that it is impossible for a taxpayer to determine what the correct amount of its tax is. For instance, of the 87 times that

the words "the department" appear in the proposed regulations about costs for transporting oil and gas from the field to market, 80 of them are in the context of the Department of Revenue "determining" something — phrases like "determined by the department", "the department will determine", "the department may determine", etc. appear over and over and over.

None of these "determinations" is likely to be made before the taxpayer has to make its monthly tax payment. None of them is likely to be made by March 31st of the following year, when the taxpayer has to make its annual "true up" to match its estimated payments to the actual results for the year. In fact, for many of them, the Department might not make its "determination" until audit, which — with ACES' new statute of limitations — might be as long as 6 years after the taxpayer had to file its original monthly return.

The Department's other ACES regulations reflect this same approach, in which "the department" will make the "determination" for factors in the tax calculation that are essential to know in order to calculate the tax correctly.

This approach all but guarantees ACES' failure with respect to attracting the $40 billion of investment in the "Core Fields" on the North Slope that industry will need to make over this decade. The people making the go/no-go decision about an investment can only use the information they have at the time they make that decision.

While AOGA realizes this Committee is not considering tax regulations at this time, these examples illustrate the way that overly broad discretion for adopting regulations can substantially alter the nature and effects of the laws the Legislature passes. In this case, any benefits or incentives that may be offered under new legislation by this Legislature will be compromised and impaired by the regulations that have just recently been adopted or are in the process of being adopted as we speak. And this is before any new regulations that might be adopted, under this same broad discretion, to implement and interpret the new laws this Legislature may enact. It is crucial, therefore, that legislation like the CS for HB 308 be made as transparent, unambiguous and direct as possible if you want it to achieve the results you intend for it. We felt it is important to highlight just a few of the many issues the regulations create and why additional review of ACES as a whole is required.

Part II. Discussion of the Draft CS for HB 308 (Version E)

While the Committee's working-draft CS contains some 25 bill sections, the substance of the legislation boils down to just six matters:

1. Providing for a rebate of up to 20% of a taxpayer's basic 25% ACES tax, depending on the taxpayer's performance with "Alaska hire";
2. Making the "slope" for progressivity less steep;

3. Creating a 30% tax credit for "well-related expenditures";
4. Changing the statutory interest rate for underpaid or overpaid taxes so it is the lower of the "fed funds + 2" or 11%; currently it is the higher of "fed funds + 5" or 11%;
5. Providing that interest for an underpayment of tax directly resulting from the adoption of a regulation with retroactive application will accrue from the 30th day after the effective date of that regulation, instead of accruing from the original due date for the tax being retroactively changed by the regulation; and
6. Changing the statute of limitations for auditing tax returns under AS 43.55 and issuing an audit assessment, from six years back to three years as it was before the ACES legislation.

AOGA offers the following comments on these proposals.

The Alaska-hire rebate. AOGA members try to hire qualified Alaskans because it makes good business sense. They are making significant efforts and contributions to train more Alaskans to become qualified for industry jobs. The companies "subject to tax under AS 43.55.011(e)" who would stand to get this rebate already have a pretty good track record with Alaska-hire, and a number of them already have Alaska-hire rates over 80% according to the Alaska Department of Labor and Workforce Development.

However, if you are going to create an Alaska-hire rebate, we respectfully urge you to use Alaska-hire standards that the Department of Labor and Workforce Development is using, rather than creating a new and substantially different process based upon the number of hours worked by residents versus non-residents. There is already an almost hopeless degree of complexity merely to determine what labor costs are allowable as lease expenditures under the Department of Revenue's recently adopted regulations on deductible lease expenditures. Adding a rebate based on hours worked would threaten to redouble that complexity into a hopeless morass.

One other thing worth noting about the rebate is that the language in CSHB 308 seems to be silent about whether it is the operator's Alaska-hire performance that determines the size of the rebate, or the non-operator's. And, again, how this question gets answered will determine whether the rebate gets more complicated for non-operators or less complicated.

Over all, though, the rebate is generally a good idea, but it creates more complexity and ambiguity. In our opinion, if you want real results in terms of more jobs for Alaskans, then reduce the tax, make it clear and unambiguous, and let industry have the chance to make its investments. There will be more jobs, a healthier industry, and greater prosperity overall for Alaskans.

Changing the "slope" for progressivity. AOGA opposed the idea of progressivity when it was first introduced in Governor Murkowski's Petroleum Production Tax or PPT

legislation in 2006. We opposed it when it was carried forward in Governor Palin's ACES legislation in 2007.

While AOGA continues to oppose progressivity, we acknowledge that lessening the steepness of the slope for progressivity would reduce its negative effects, and to that extent the draft CS, if enacted, would represent an improvement over the present situation. And we would suggest putting progressivity on an annual basis instead of a monthly one. This would smooth out short-term peaks and valleys in prices during the year and reduce the progressivity rate. But the present monthly method creates a false margin by comparing a monthly price to an average cost for the year. This mismatch creates unnecessary uncertainty and doubt in the minds of the decision-makers about making new investments.

30% tax credit for "well-related expenditures". AOGA and its members support this provision.

Changing the statutory rate of interest. The justification for having interest accrue on tax underpayments or overpayments is to allow the State or the taxpayer, as the case may be, to recoup at least part of its loss from not having had the use of the money that it was entitled to have. The present statutory rate of interest is punitive in purpose and bears little if any relation to either side's actual harm from not having the money when it should have. The proposal in the draft CS reflects a more reasonable assessment of that harm, and AOGA endorses it.

No interest on tax underpayments arising from retroactive application of new regulations. AOGA agrees that it is highly unfair to have interest accrue retroactively on tax underpayments that arise directly from the retroactivity of a newly adopted tax regulation. In light of the punitively high rate of statutory interest under the current statute, the accrual of interest on such an underpayment starting from the date the original tax payment was due would also present constitutional issues as an *ex post facto* law if a taxpayer liable for such retroactive interest chose to raise those issues.

The draft CS avoids these difficulties by giving taxpayers 30 days from the date the retroactive regulation becomes effective after filing by the lieutenant governor, in which to pay the additional tax that directly results from the regulation's retroactivity. In light of the complexity of the tax regulations that the Department has adopted or is still proposing to adopt, 30 days is an unrealistically short period of time for a taxpayer to determine how much additional tax it owes for the all past periods to which the regulation retroactively applies. This would be especially so if such a retroactive regulation becomes effective during the first quarter of the year, when taxpayers are busy closing out the year just ended and preparing the annual true-up between their monthly estimated payments and the actual amount of their tax under ACES for that entire year — this true-up is due March 31st after the close of the tax year. Taxpayers simply do not have the tax staff to do, within the first calendar quarter, their annual true-up and simultaneously compute the additional tax for all the past tax periods to which a new regulation retro-

actively applies.

We recommend, therefore, that the due date for the additional tax be the end of the second calendar month after the month in which the retroactive regulation becomes effective, except when the regulation becomes effective in the first quarter of a calendar year, in which case the due date should be May 31st of that year. In both cases, this would give taxpayers at least two months in which to determine and pay the additional tax that is due as the result of a new regulation's retroactivity.

We would like to point out, however, the effective date of this provision needs to be made retroactive to the date ACES was made effective to ensure that this provision applies to any regulations adopted prior to the enactment of this provision.

Statute of limitations. AOGA endorses the proposal to shorten the statute of limitations for auditing taxpayers and assessing any additional tax found to be due, from six years back to the three years that it used to be before the ACES legislation. Three years is a reasonable time, and should it turn out that the Department needs more than that to complete an audit, taxpayers have historically been willing to extend the limitations period for a reasonable time to allow the audit to be completed. In fact, taxpayers often agreed to extend the statute more than once for a single audit. With a six-year statute of limitations, the Department could wait as long as five years before even starting an audit, and then asking the taxpayer under audit to extend the statute so the audit can be completed.

The purpose in having a statute of limitations, after all, is to allow issues to be raised, addressed and resolved while the evidence is still available and memories are still fresh. The present three-year statute of limitations has worked for all the other taxes under Title 43, including the present worldwide corporate tax for oil and gas taxpayers, the domestic or "water's edge income tax for other corporations, and even the former separate-accounting income tax. It is worth noting that separate-accounting involved not only determining net income from all of a taxpayer's interests in oil and gas fields and prospects, but also its income from interests in oil or gas pipelines as well. Like separate-accounting, ACES is challenging to administer and audit. However, if Alaska didn't need a longer statute of limitations for separate-accounting, we don't see why one is needed now.

Testimony Recap

In conclusion, Mr. Chairman, the draft CS which this Committee has before it will not eliminate all the problems that ACES has, either in the existing statutes or under the regulations the Department of Revenue has adopted or is proposing to adopt. Those problems are numerous and important. AOGA sees this CS — with the few changes we have suggested — as a first step in improving ACES. But, as we have stated, additional review and amendments are required to enable it to achieve what it was intended to

achieve, which is to be more effective as a tax than the prior ELF-based tax or the PPT while enabling new investments to be made to find, develop and produce more oil and gas in Alaska.

Production from all but the most recently developed fields in this state continues its inevitable decline as the physical resource in each field is depleted. As an industry, we have looked for — and found — new technologies and methods for recovering more from the existing fields, and from known, but very difficult-to-produce resources like heavy oil in the Ugnu formation. As an industry, we have also looked for — and found — new technologies and methods for discovering new oil and gas resources. These activities must continue, both for our future here and yours. Massive new investments will be needed each year, and they must not be deterred or discouraged needlessly.

In adapting the state tax structure to fit the future, please bear in mind that one of the most important attractions that Alaska can provide is a clear and stable tax system. All the tax incentives in the world won't make a bit of difference if the people deciding whether to invest in Alaska or not don't believe those incentives will be realized. By making the tax as clear is possible, the features in ACES for attracting investments here will not be discounted or disregarded by those decision-makers. There is a lot of work to do if this clarity is to be achieved, but it can be done. AOGA and its member companies look forward to working with this committee and the legislature to fully examine ACES to achieve this clarity.

Thank you on behalf of the members of AOGA for this opportunity to testify today and to share our thoughts with you about this particular legislation and about factors that will ultimately determine and shape the very future of our industry here.

ENDNOTES

[1] Wendy King, Vice President –External Affairs, ConocoPhillips Alaska, *Senate Finance Committee Testimony* (February 23, 2010), slide 3 (footnote omitted).

[2] The quoted language is from Article VIII, § 2 of the Alaska State Constitution. As for Alaska jobs, *see* also Article 1, § 23 of the Alaska State Constitution.

[3] SOURCE: Alaska Oil and Gas Conservation Commission. The figures for in-field wells in 2007 and 2008 are different from those in Dept. of Revenue, *Response to Information Requests in December 4, 2009 Letter* (January 21, 2010), p. 6 Table 5 ("Monthly counts of New Wells Drilled and Completed 2000-2009"), which was an attachment to Commissioner Galvin's letter of January 21st to Speaker Chenault and 14 other members of the House as well as Senator Huggins. The Department's figures include exploration wells, which have significantly longer lead times that in-field wells and are more likely to be distorted by momentum from pre-ACES commitments.

House Resources Committee

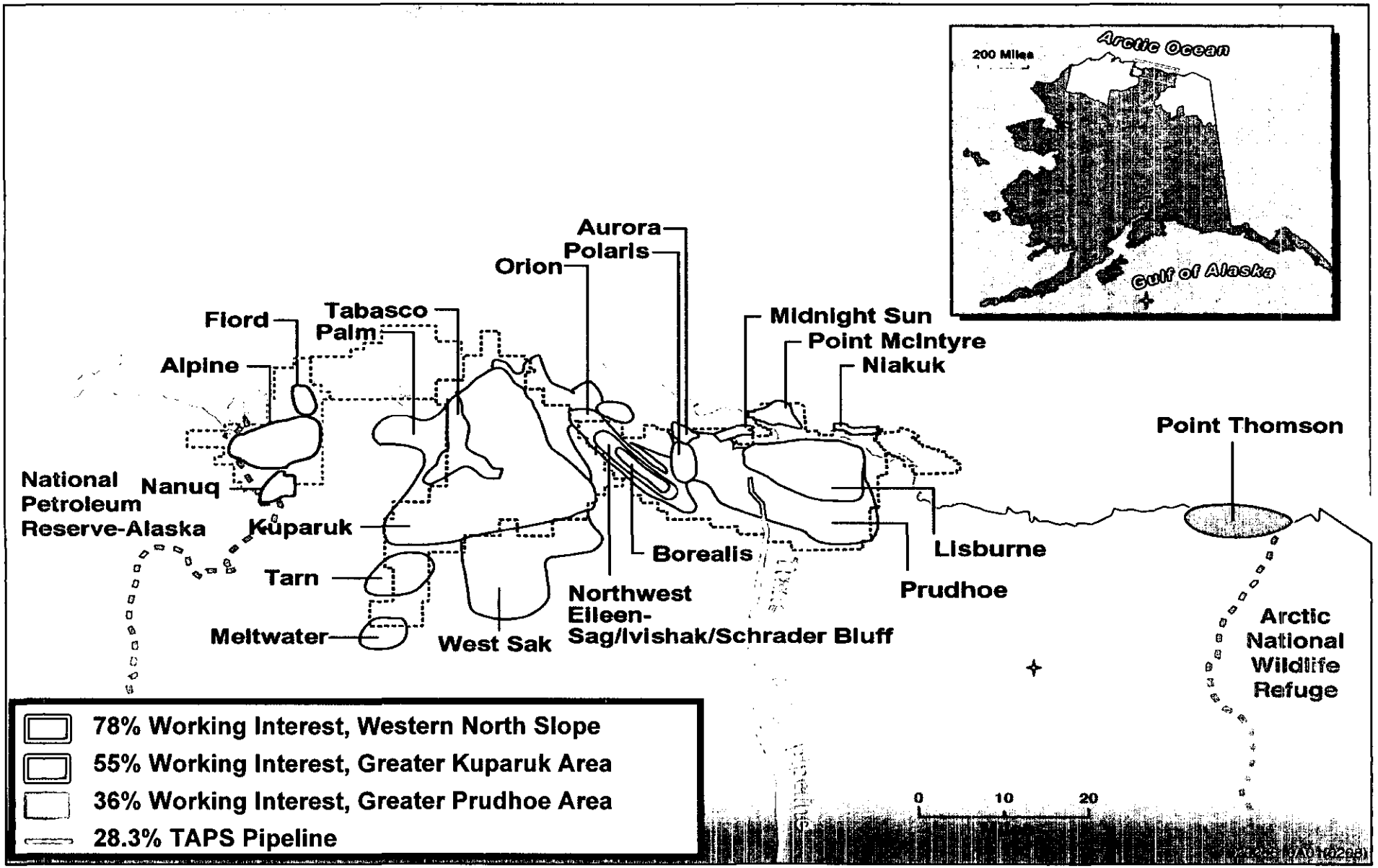
March 10, 2010

Brian Wenzel, Vice President – Finance

ConocoPhillips Alaska

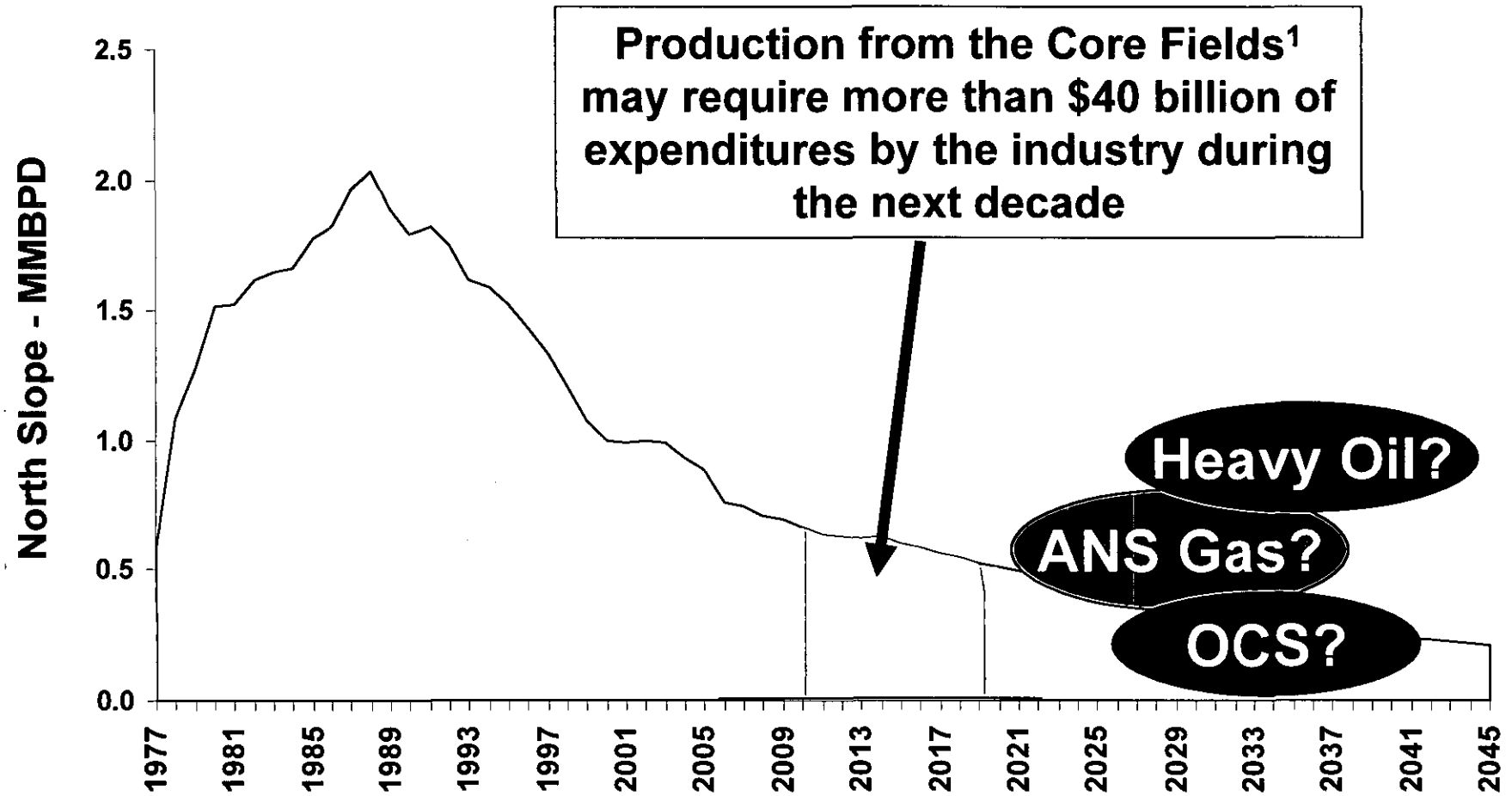
ConocoPhillips

ConocoPhillips North Slope Fields



ConocoPhillips

Investment in Core Fields



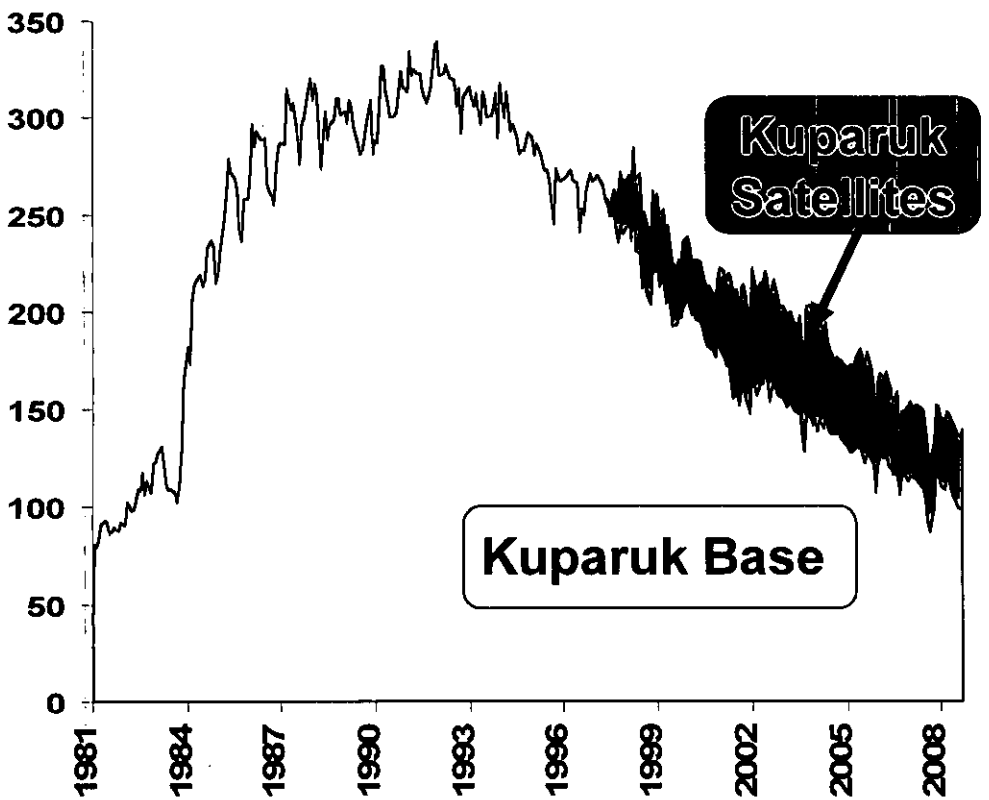
Core fields are the bridge to the future

1 – ConocoPhillips core fields are Prudhoe, Kuparuk, Alpine
Source: DOR data (forecast is for currently producing fields only)

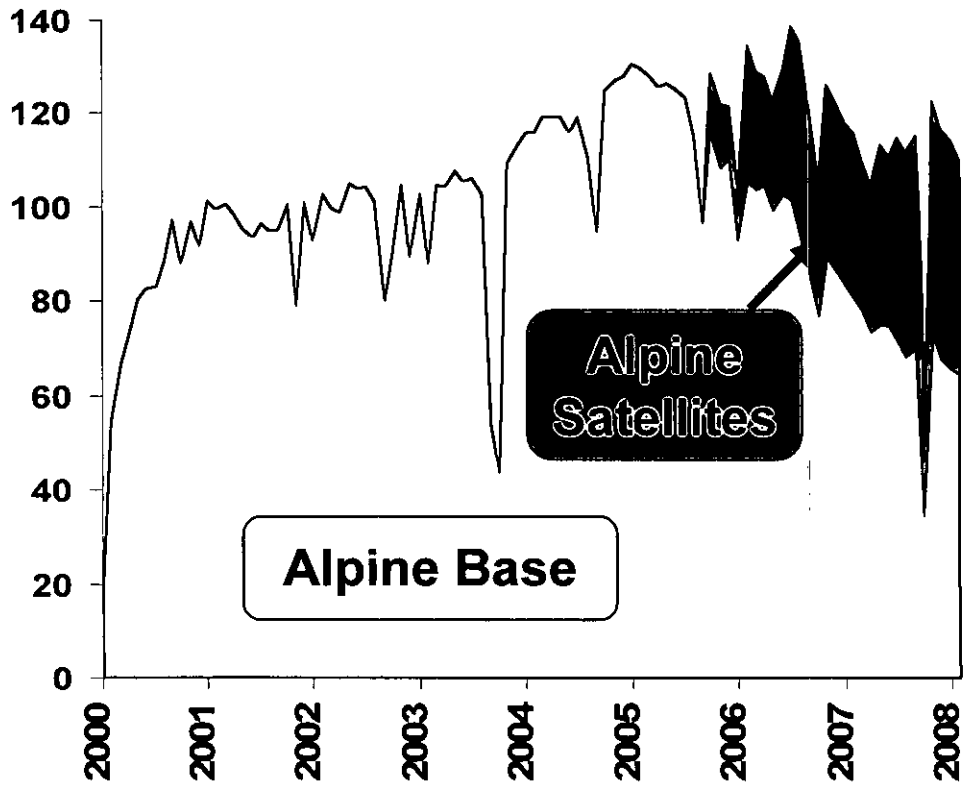
ConocoPhillips

Impact of Satellite Developments

Kuparuk Production - MBD



Alpine Production - MBD

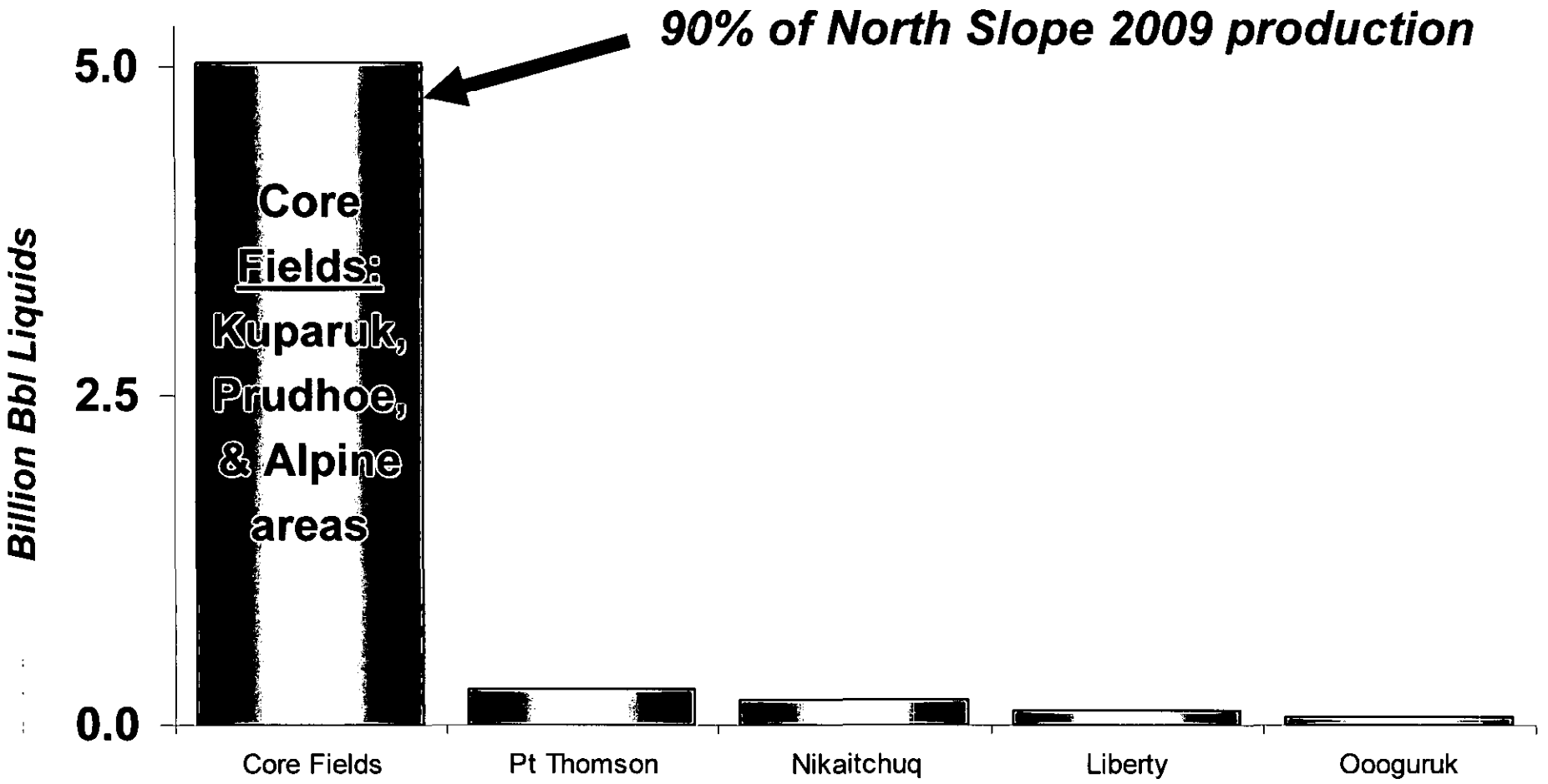


Investment reduces decline

Source: DNR

ConocoPhillips

North Slope Remaining Barrels

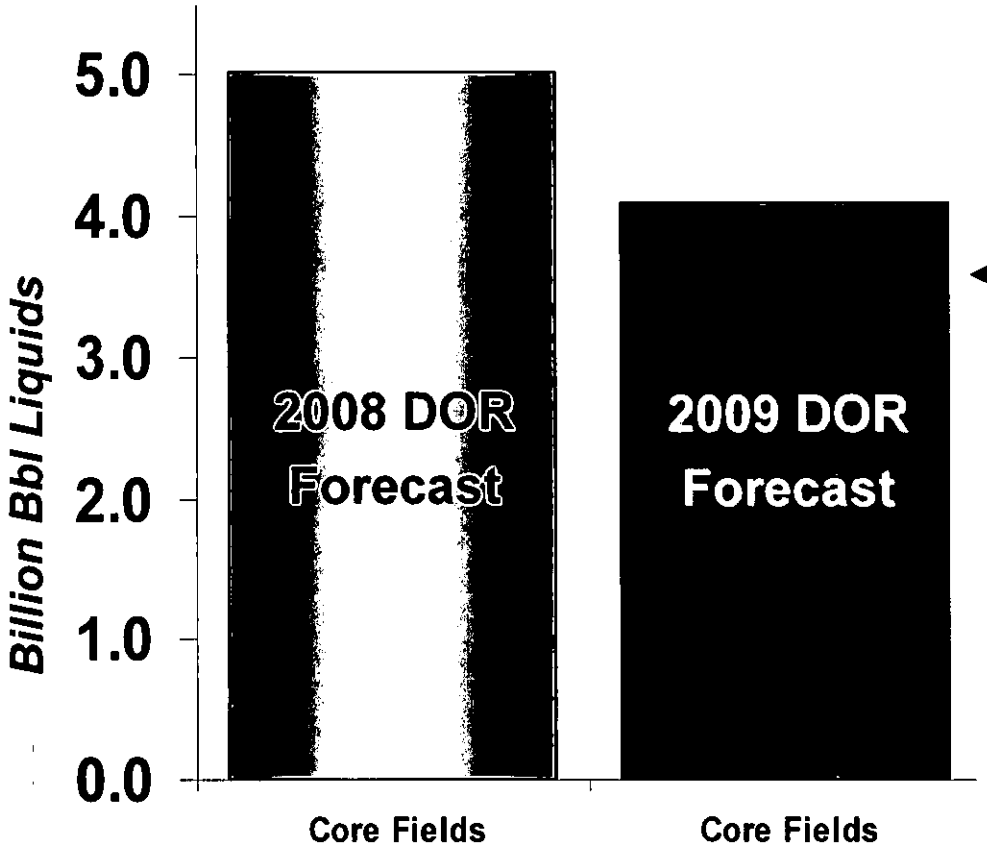


Core fields are dominant source of state production

Source: DOR 2008 production forecast 2010 – 2050 volumes

ConocoPhillips

North Slope Remaining Barrels



~20% reduction due to higher decline rates

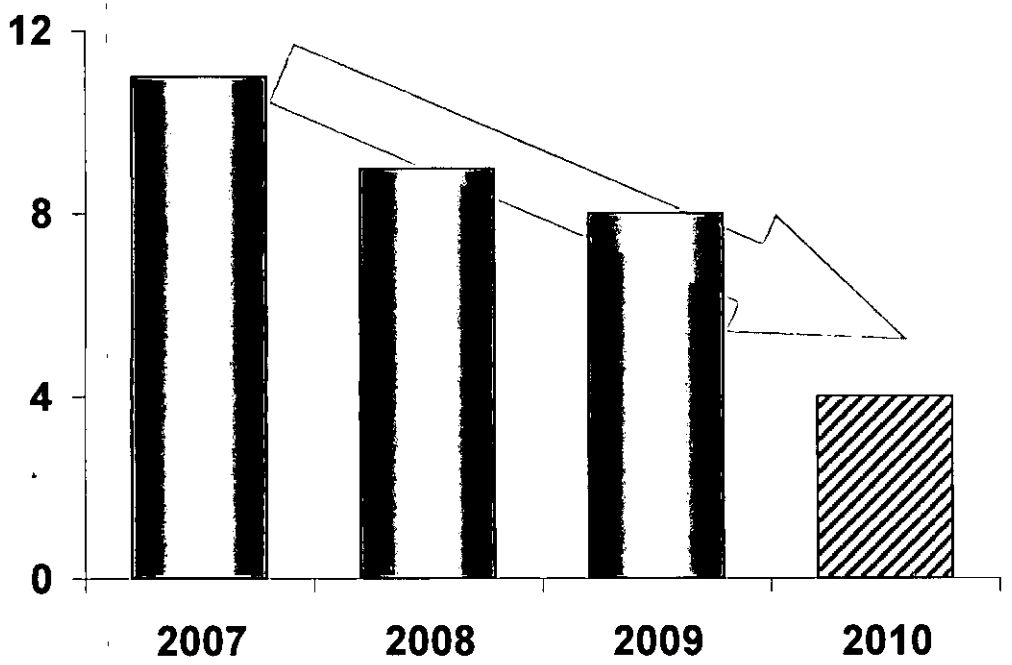
Investment is key to reducing decline

Source: DOR 2008 & 2009 production forecast 2010 – 2050, Prudhoe, Kuparuk, Alpine volumes

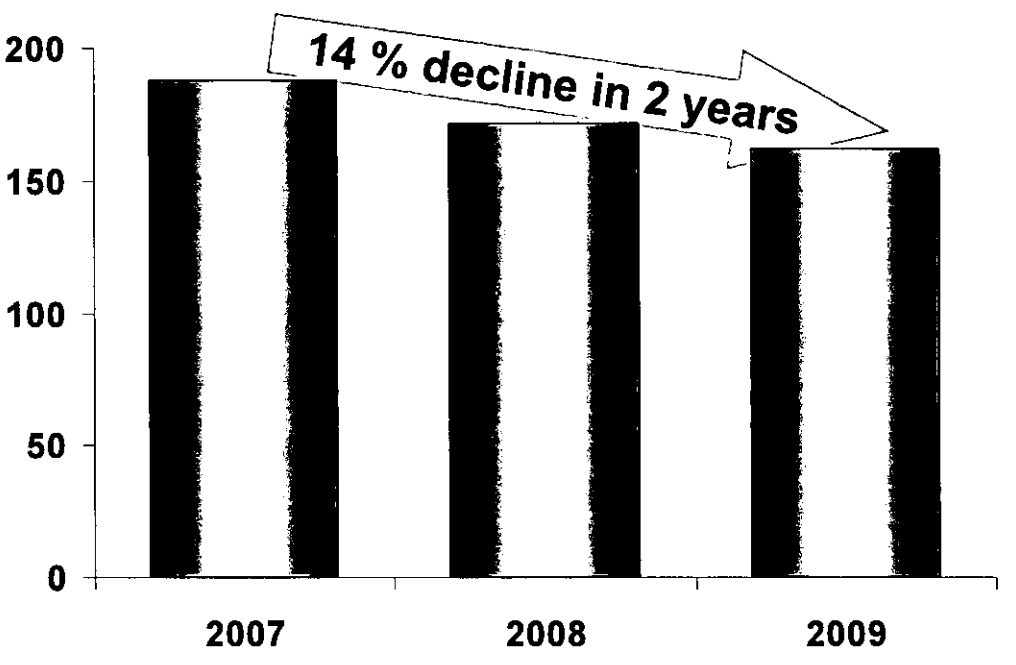
ConocoPhillips

Industry Drilling Activity Down

Industry Exploration Wells



Industry Well Completions

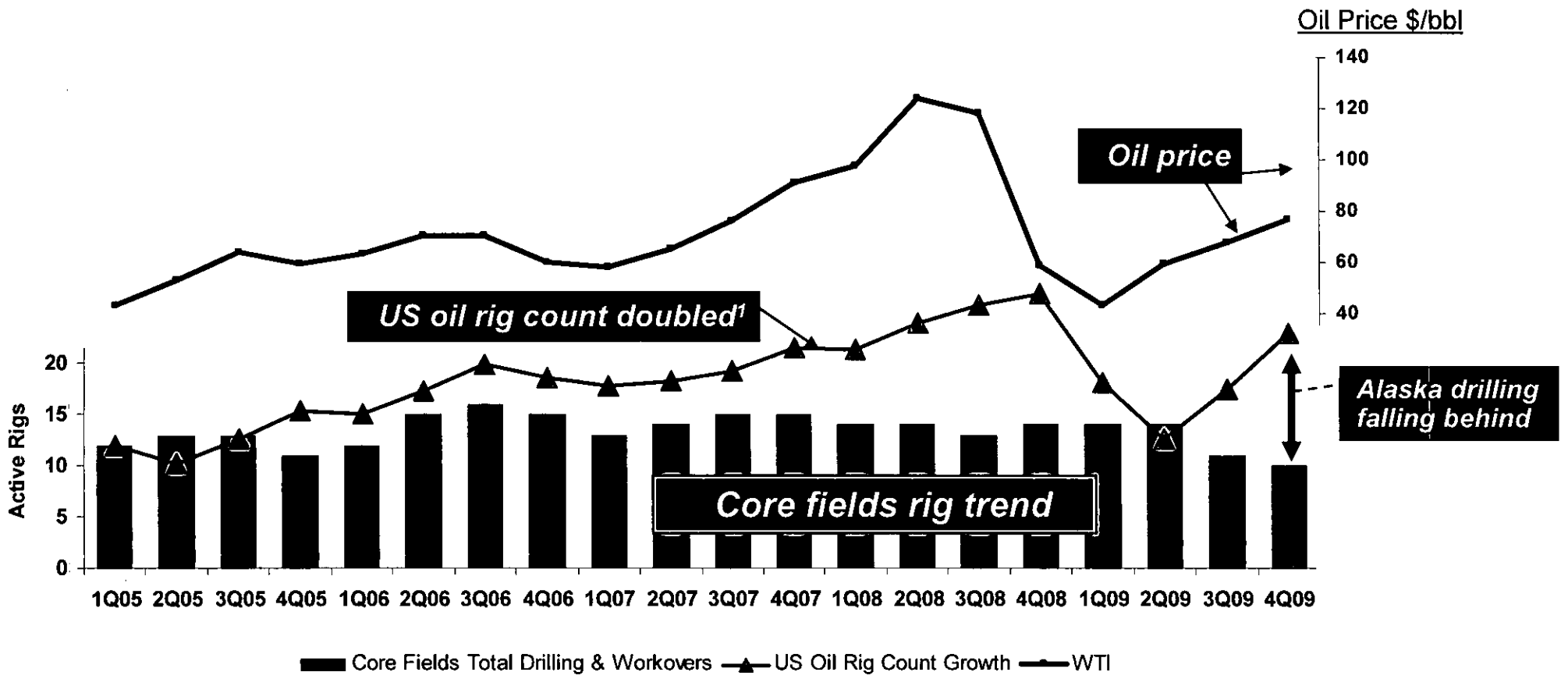


Drilling indicators are down

Source: AOGCC for drilling and exploration wells (exploration wells are North Slope only)

ConocoPhillips

Active Drilling Rigs in Core Fields 2005-2009



Core field drilling not tracking oil price

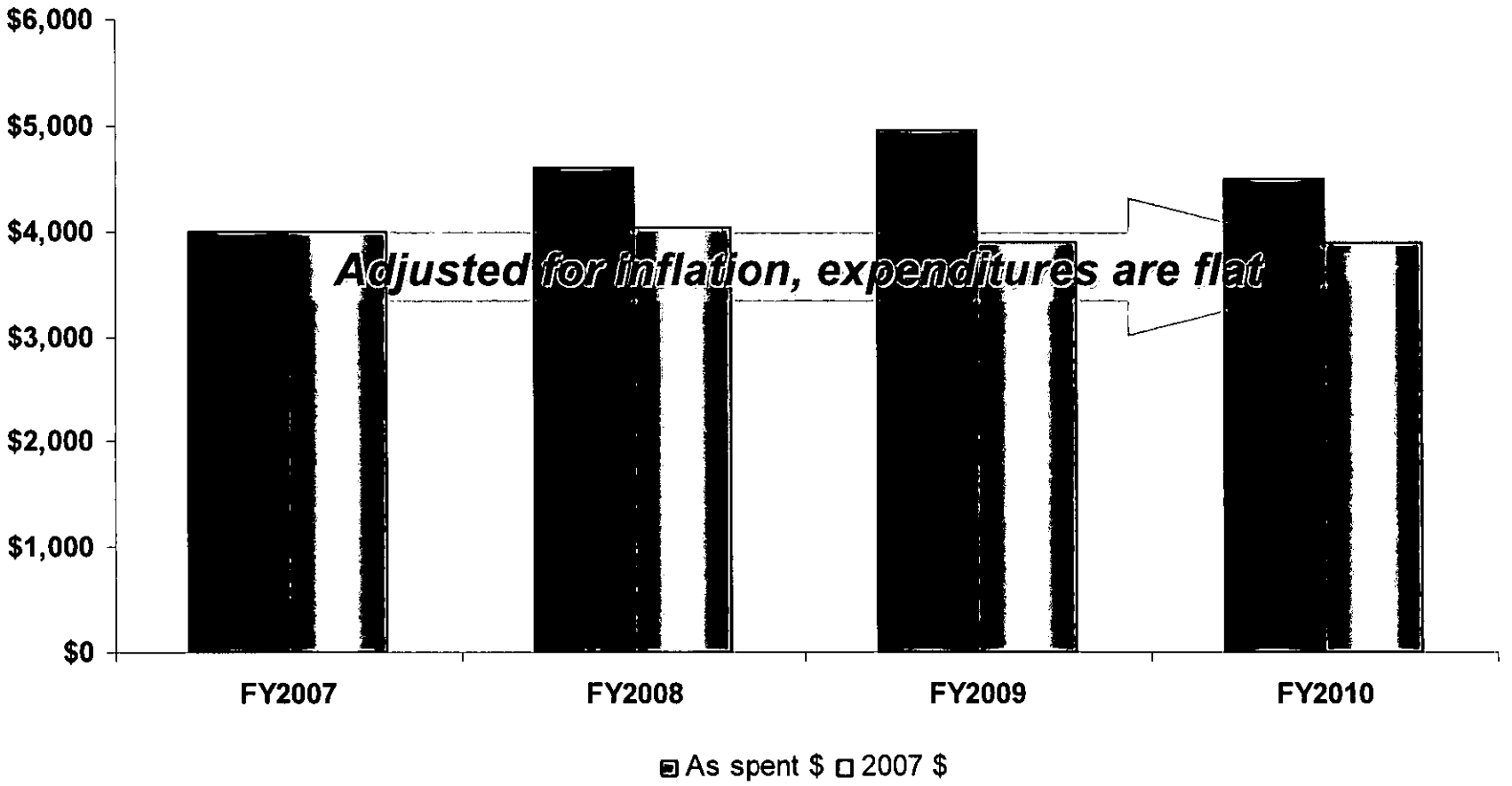
1 – US oil rig count normalized to 1Q05 Alaska rig count

Sources: ConocoPhillips internal for core fields rig count, Baker Hughes for US oil rig count, DOR for oil price

ConocoPhillips

Inflation Impact on Expenditures

North Slope Industry spending on capital and operating expense, $MM



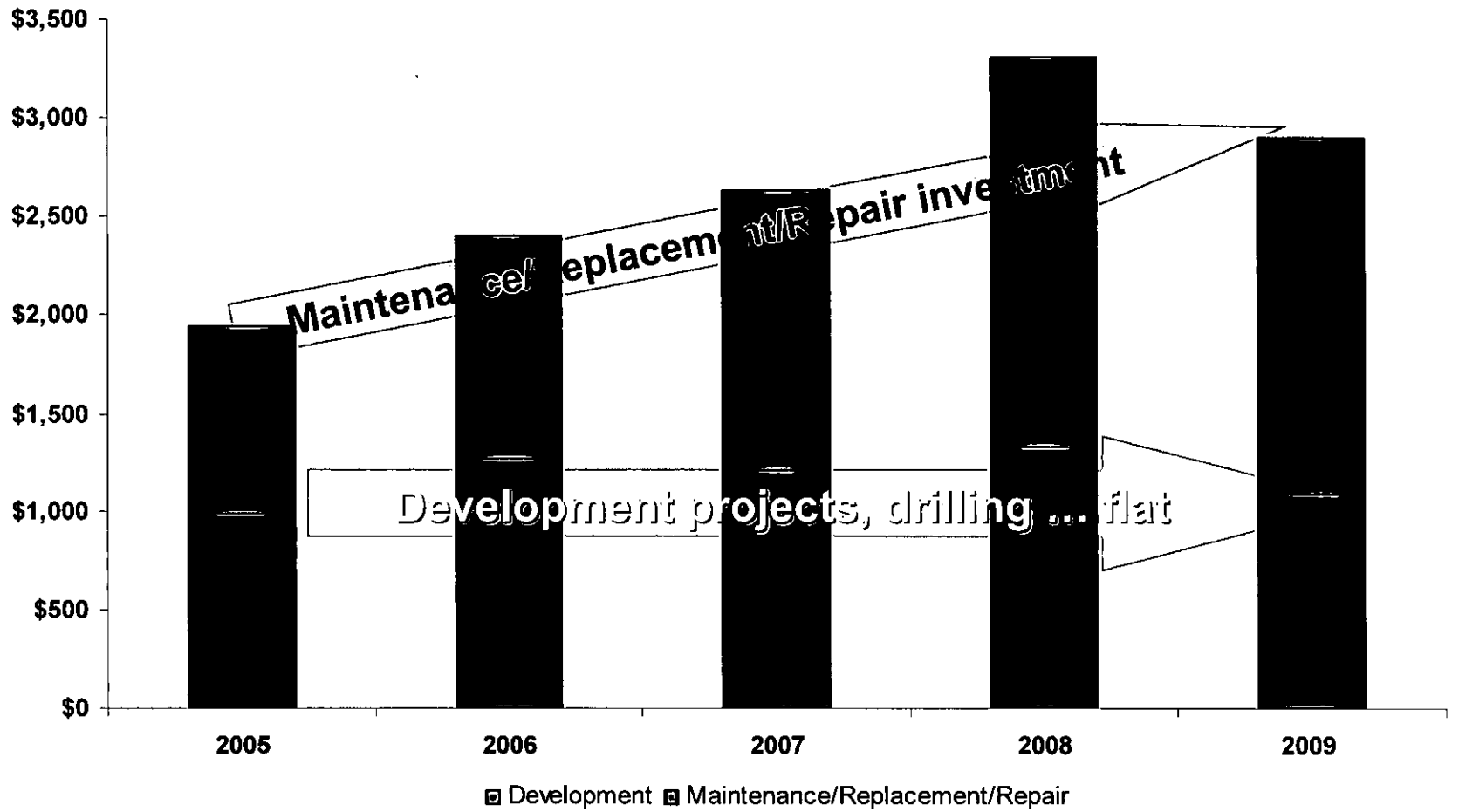
Inflation is significant factor in spending increase

Sources: DOR 2/4/10 Senate Resources Committee testimony for expenditures and CERA inflation factors

ConocoPhillips

Core Field Investments Extend Field Life

Core field gross investments include capital and operating expense, $MM



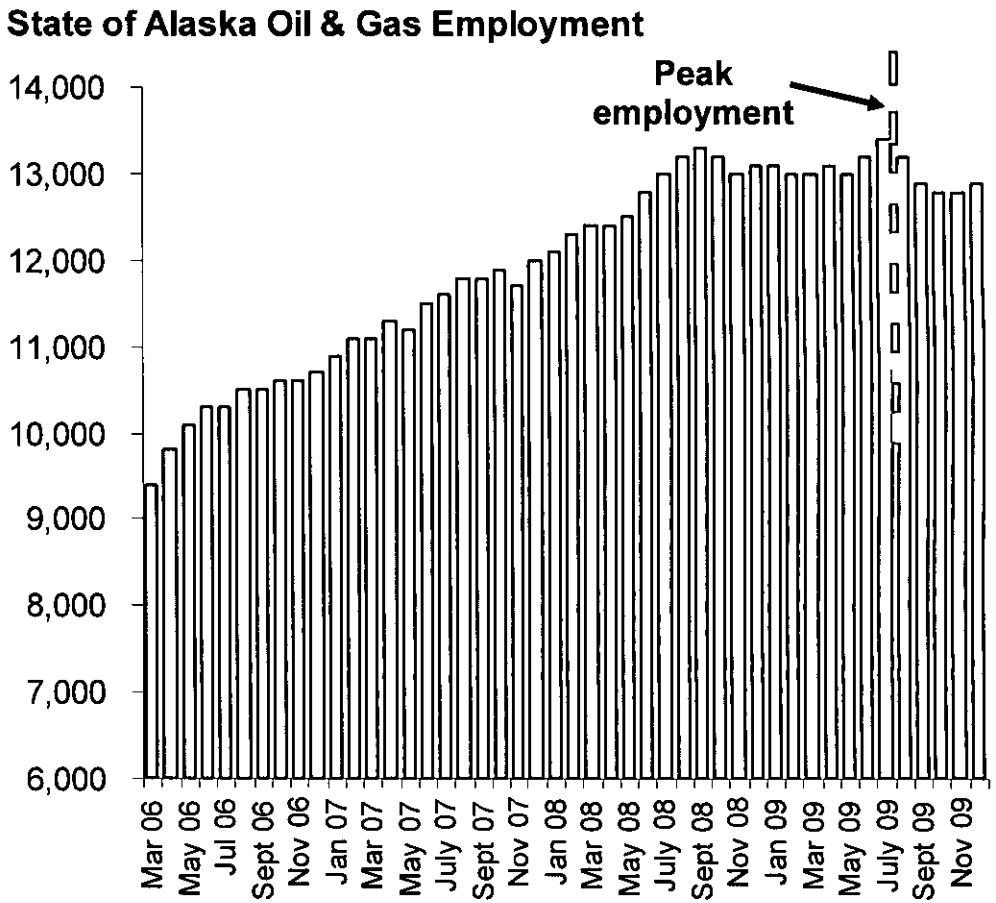
Maintenance investment essential to extending field life

Source: ConocoPhillips internal

ConocoPhillips

Oil & Gas Employment

- Data since July-09 indicate downward trend in oil and gas jobs
- Employment levels driven primarily by maintenance and inspection activity
- Alaska state unemployment rising in oil and gas support sector
- Leading indicators: Kuparuk camp usage down 20%



Rise in employment began in 2006

Source: Alaska Dept of Labor employment data

ConocoPhillips

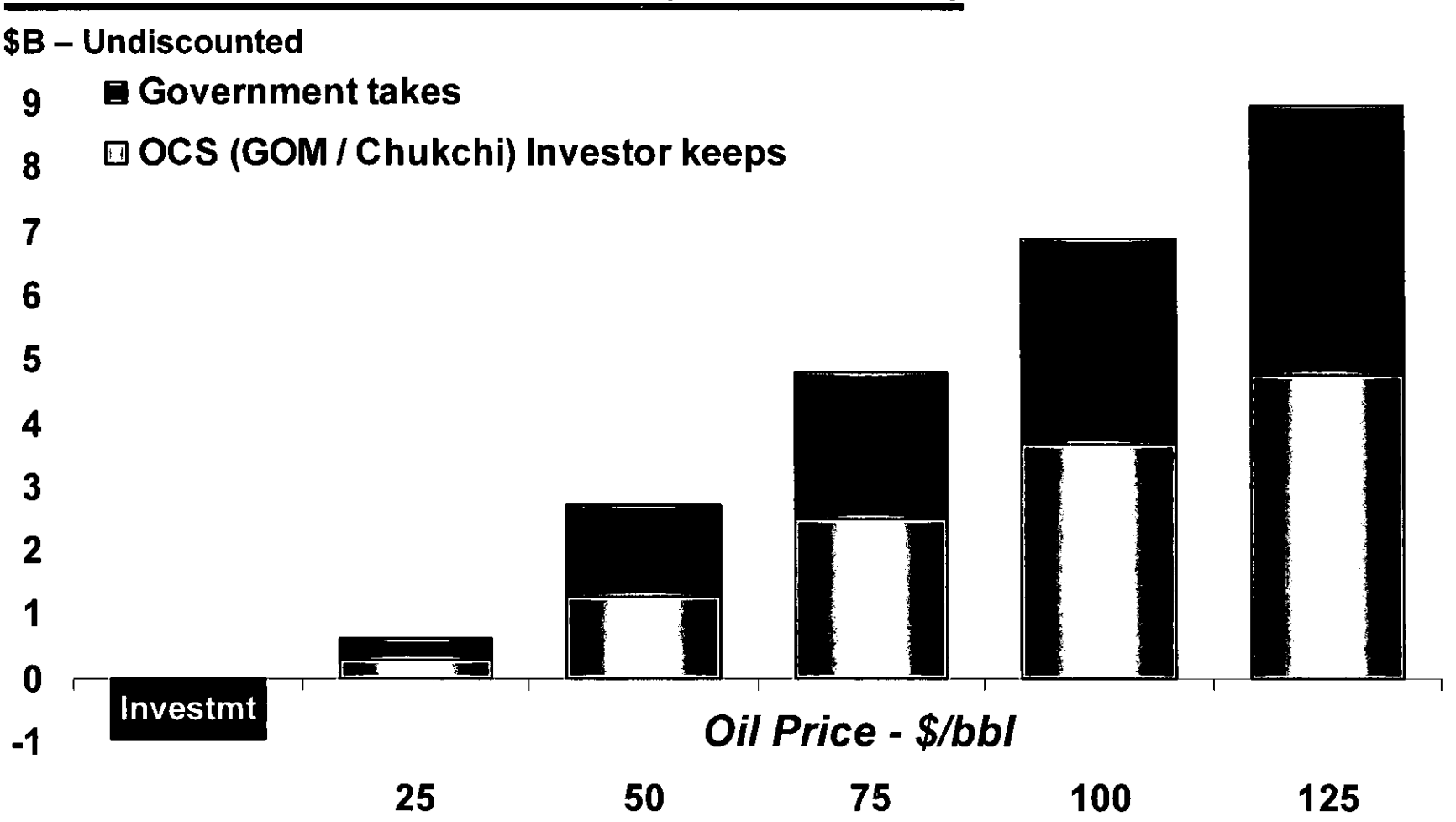
ACES Impacting Projects

- Recent project activity
  - Oooguruk – pre-ACES, royalty relief
  - Nikaitchuq – royalty relief
  - Liberty – not subject to ACES
- Over $2 Billion in projects deferred since ACES
  - Prudhoe I-Pad and Gas Partial Processing (GPP)
  - West Sak 1N and 1P
  - ULSD topping plant *(opportunity foregone)*

Project deferrals impact industry and state revenue

OCS Fiscal – Risk/Reward is Balanced

Example - $1 Billion Investment (success case)



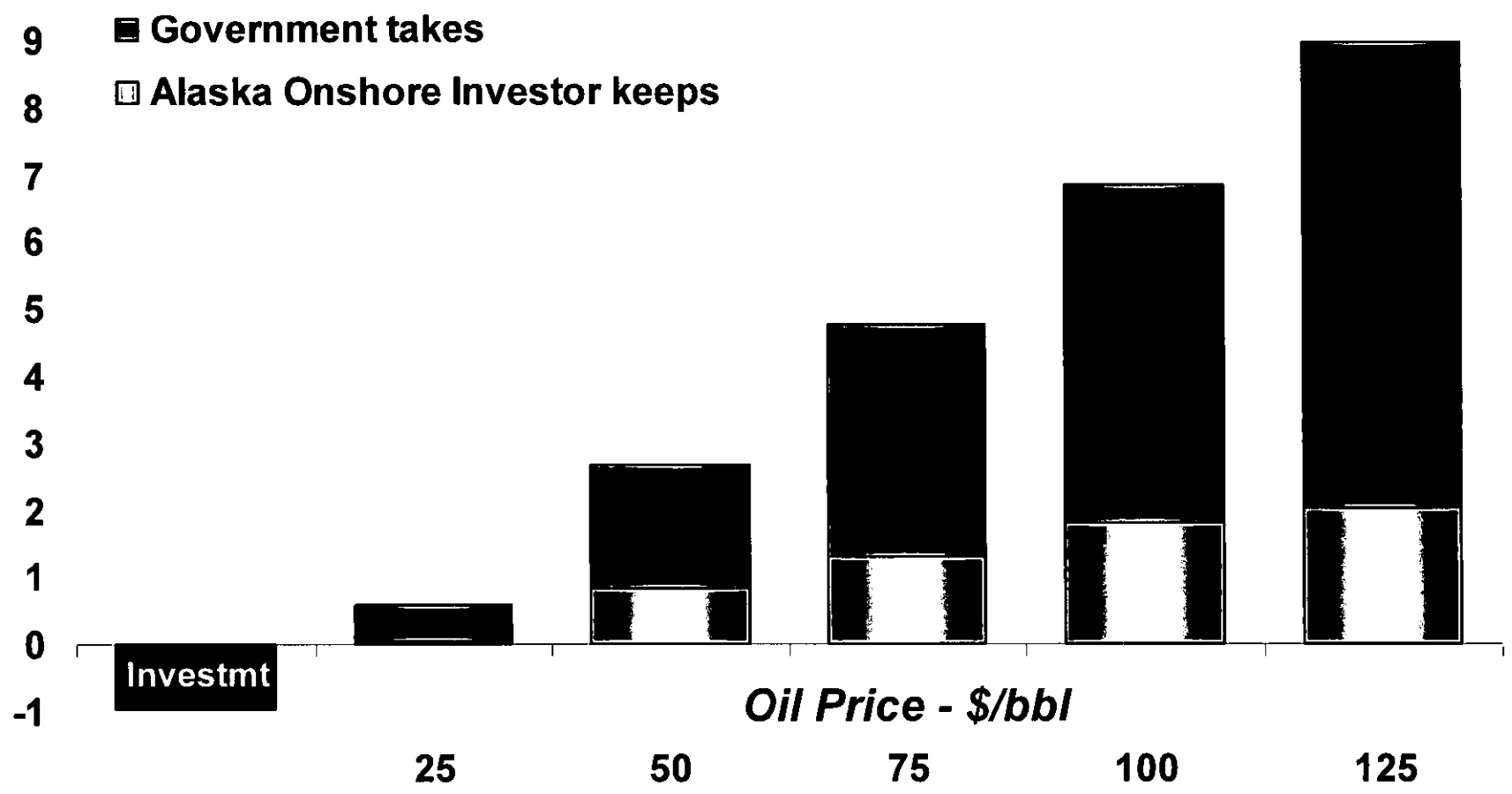
Adequate success case returns justify taking up front risks

Source: ConocoPhillips internal

ConocoPhillips

Alaska Fiscal – Risk/Reward is Broken

Example - $1 Billion Investment (success case)

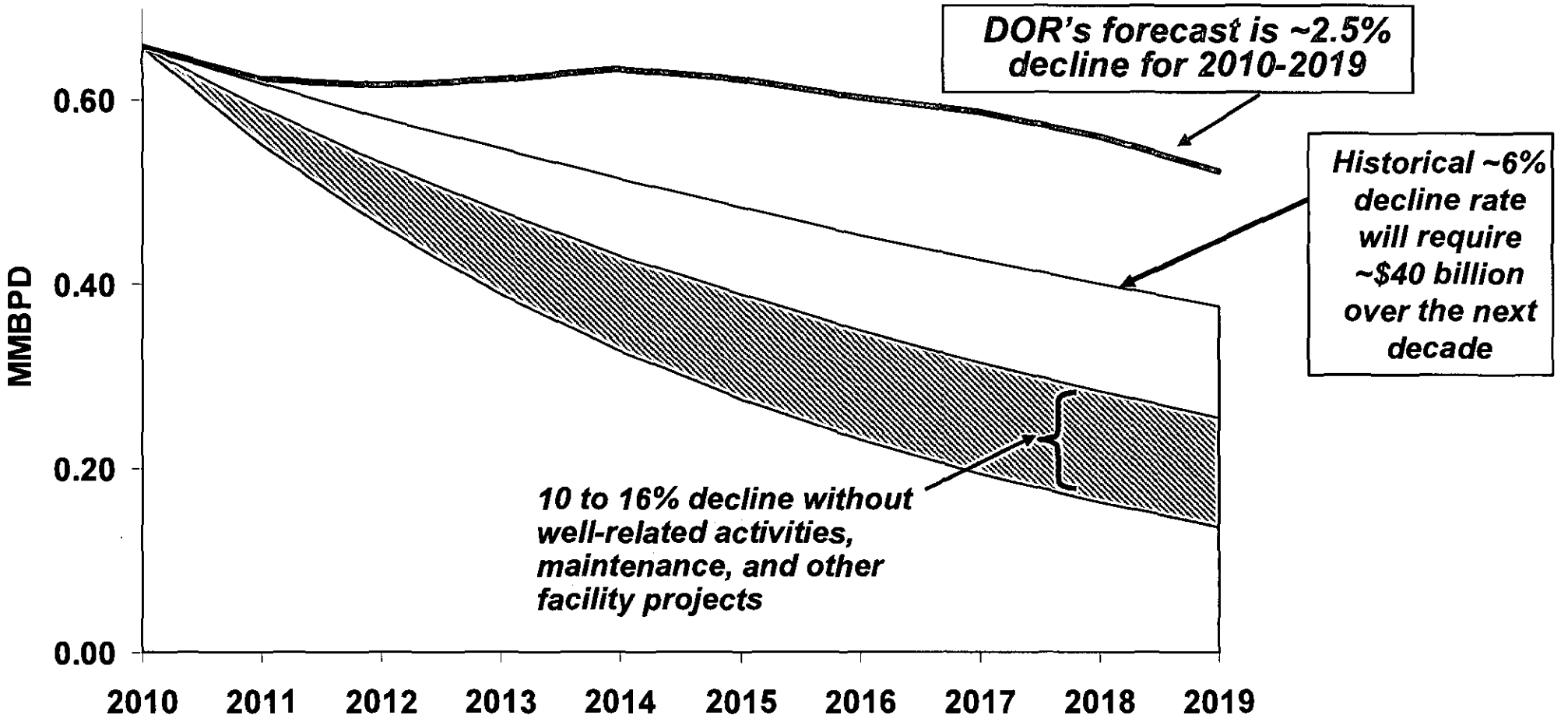


Alaska onshore fiscal terms not competitive

Source: ConocoPhillips internal

ConocoPhillips

2010-2019 North Slope Production

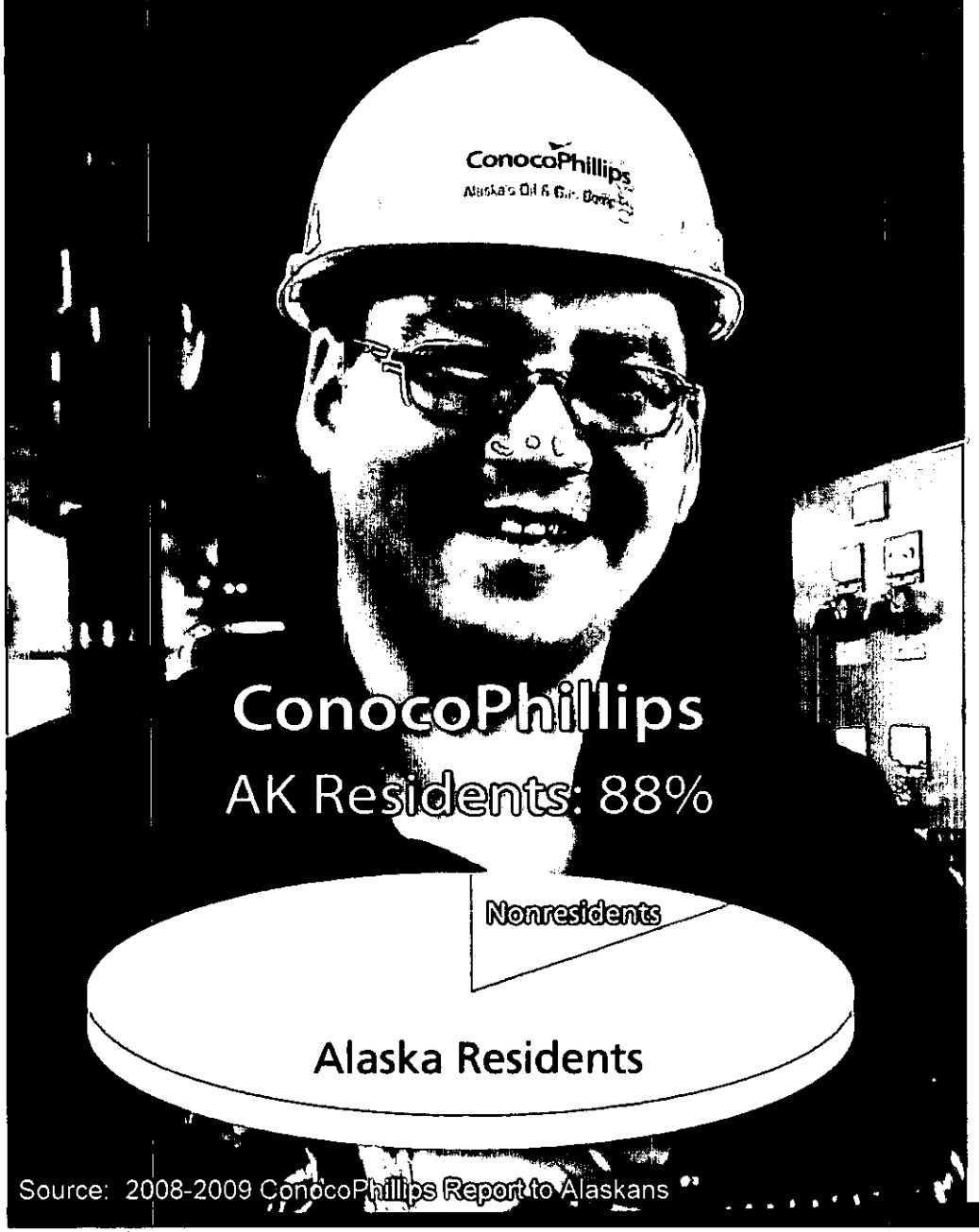


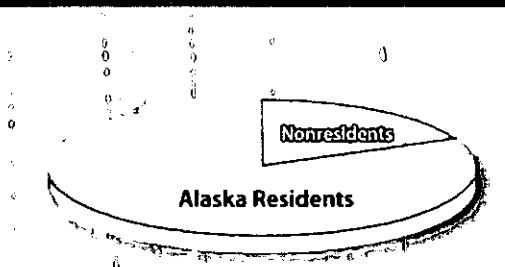
Future production dependent upon investment

Sources: DOR production forecast and extrapolation of DOR expenditures forecast
ConocoPhillips estimates for base decline rate

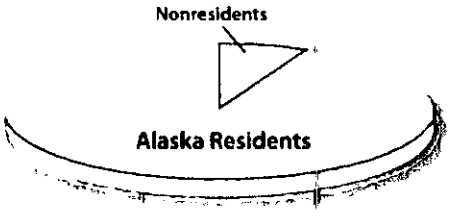
ConocoPhillips

2008 ConocoPhillips Alaska Hire

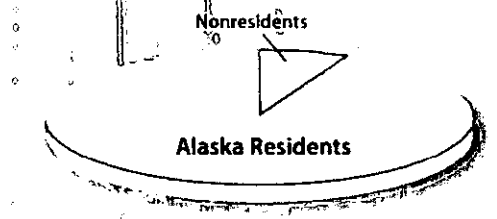




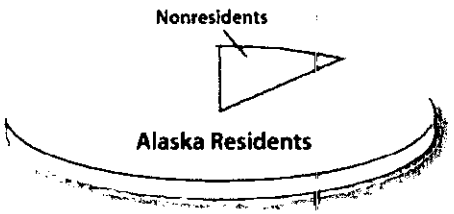
ASRC Energy Services
AK Residents: 81.5%



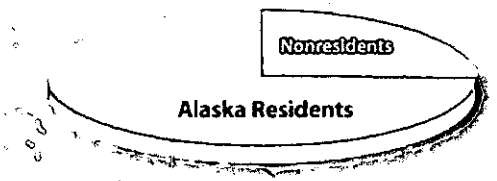
Doyon Universal Services
AK Residents: 92.9%



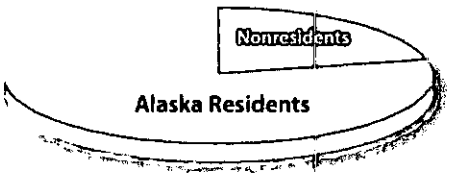
Kuukpik Arctic Catering
AK Residents: 92.8%



Doyon Drilling
AK Residents: 89.8%



Halliburton Energy Services
AK Residents: 74.3%



Nabors Alaska Drilling
AK Residents: 78.1%

Source: 2008-2009 ConocoPhillips Report to Alaskans

ConocoPhillips

ConocoPhillips Supports HB308

- **Reduced progressivity:**
  - Moves Alaska toward a more balanced risk / reward environment
  - Incentivizes investment in core and new fields
  - Supports increased long-term jobs & investment in riskier projects
- **Expanded credits for drilling/wellwork activity:**
  - Incentivizes activity in "core fields"
  - Increased drilling/workovers provide additional short-term jobs
  - Credits are only earned with investment
- **Audit period restored to 3 years:**
  - Provides improved tax payment accuracy & predictability for state and producers
  - Originally extended to 6 years due to state uncertainty with new net tax
- **Waiver of interest due to delayed regulations:**
  - Eliminates penalty for good faith tax filings

TESTIMONY OF DALE PITTMAN

ON PROPOSED CSHB 308

TO THE ALASKA HOUSE RESOURCES COMMITTEE

MARCH 11, 2010

INTRODUCTION

Mister Chairman, members of the committee:

Good afternoon. For the record, my name is Dale Pittman. I am the Alaska Production Manager for ExxonMobil, a position I commenced in June of last year. My wife and I have moved to Anchorage and are very happy to be part of the community of Alaska. I have been with ExxonMobil for nearly thirty years, the last fifteen of which were spent overseas, most recently managing operations in Sakhalin. Here in Alaska, I look forward to continuing the progress underway to develop and operate Point Thomson.

I want to thank the committee for the opportunity to express ExxonMobil's views regarding the proposed Committee Substitute to House Bill 308.

ExxonMobil has been working in Alaska for more than 50 years. We have been a key player in Alaska's oil industry development, spending and investing well over $20 billion dollars during that time. As you know, we are currently active with our co-owners at Prudhoe Bay, Kuparuk, Duck Island and Granite Point. We are also excited about our

progress at Point Thomson and remain on track to achieve a 2014 production startup. We look forward to being a part of Alaska for many years to come.

At the outset, let me say that ExxonMobil supports the presentation you heard today from the Alaska Oil and Gas Association. I do not intend to repeat the thorough technical comments from that testimony.

As for our specific comments, I would like to state, consistent with our prior testimony during the hearings on both the PPT and ACES, that ExxonMobil believes Alaska's current production taxes are too high to result in the additional investment needed to maximize the development of Alaska's resources. It is our belief that even the proposed 20 percent tax rate that was in the original PPT bill would not encourage the full development of Alaska's resources.

Alaska is rich in undiscovered resource potential. To date, Alaska has produced more than 15 billion barrels of oil from the North Slope, and according to the DNR there are approximately 6 billion barrels of known resources remaining. These resources represent a known opportunity, but their development is at risk under the current tax system. Oil production today is one-third of the peak oil production of more than 2 million barrels per day in 1988, and annual production continues to decline.

Spending on the North Slope has remained relatively flat since the enactment of ACES, as you have heard in prior testimony. But the majority of that investment has been for maintenance or production enhancement efforts for existing operations, not for new exploration and development opportunities. In fact, the industry currently invests more

than $1 billion per year just to maintain North Slope oil production at the current decline rate of about 6 percent annually. Without that continued investment, the annual production decline would not be 6 percent, but would actually be closer to 12-15 percent annually.

What this means is in just 10 years, the majority of future oil production will need to flow from new investments - investments that are at risk today under Alaska's current production tax regime.

Let me explain.

Time in the oil and gas industry is not measured in business cycles. It is measured in decades and in generations. Today's production rates are the product of government policies, technical work, and investment decisions that in many cases were made decades ago. Increasing production rates in the decades to come will result from sound policies, decisions, and commitments that are made today. As policy makers, you will need to decide whether Alaska's current high production tax regime is the right course for Alaska or – given the current high costs and steadily declining oil production rates we face – if another course is necessary to harness the remaining resource potential.

It is important to recognize that any decision made today impacts much more than tax revenue in the future. Decisions made today impact jobs for Alaskan workers, revenue for many Alaska businesses, and infrastructure that benefits Alaskan communities and extends the life of production in existing fields.

To encourage full development of Alaska's resources, we believe production taxes should be lowered. The high base tax rate and the higher taxes due to the additional progressivity tax are major disincentives to the high risk investment opportunities required in Alaska.

Companies like ExxonMobil are willing to accept the risks of long-term, capital intensive investments when there is a stable tax structure that allows and encourages investment and ensures a corresponding opportunity for upside potential. Upside factors such as increased production and higher prices should be a benefit for risks taken, because companies are certainly negatively impacted when lower than expected production or prices occur. When you take away the upside potential that companies can achieve you reduce the overall attractiveness of those capital intensive investments.

Alaska faces significant challenges. Costs are high, exploration is down and production continues to decline. We all need to work together to achieve the right balance - a balance that maximizes the benefit to Alaskans while encouraging industry to continue to invest in Alaska.

We advocate a collaborative approach to develop a sustainable long-term resource development policy that will encourage the needed investments to build the future of Alaska for many generations to come.

Alaska's resource development policy should identify and characterize state-wide resource potential, identify key issues challenging exploration and development, and

encourage investment needed to mitigate production decline. Such a policy should also consider key factors that impact resource value, such as research and technology, exploration and development costs, regulatory and environmental considerations, and land access. A reassessment of Alaska's high production taxes is a critical part of that long-term resource development policy.

Committee Substitute to House Bill 308 is best characterized as a first step toward what we believe should be a comprehensive examination of Alaska's production tax structure.

It will take everyone working together to achieve that long-term policy. Government leaders, industry representatives, contractors and citizens all stand to benefit from developing Alaska's resources.

ExxonMobil looks forward to working with the Administration, the legislators, industry and the people of Alaska in the future pursuit and development of Alaska's oil and gas resources.

Thank you again Mister Chairman for the opportunity to testify today.

PIONEER
NATURAL RESOURCES

Pioneer Natural Resources Alaska, Inc.
700 G Street, Suite 600
Anchorage, Alaska 99501
Tel: (907) 277-2700 Fax: (907) 343-2190

March 10, 2010

Representative Craig Johnson
Co-Chair, House Resources Committee
Alaska State House of Representatives
State Capitol, Room 126
Juneau, Alaska 99801-1182

Re: Committee Substitute for House Bill 308 – Oil and Gas Production Tax

Dear Representative Johnson:

On behalf of Pioneer Natural Resources Alaska, Inc. (Pioneer), I am writing to share our views on the Committee Substitute for House Bill 308 (CSHB308). In this letter I will provide you with; 1) a brief overview of Pioneer as a company and our activities in Alaska, 2) a high-level analysis of the effects Alaska's various fiscal regimes have had on our business and 3) specific comments regarding the provisions of CSHB308. Thank you for providing an opportunity to share this information with you.

Pioneer Overview

Pioneer is a large independent oil and gas exploration and production company headquartered in Irving, Texas. The company has operations throughout the contiguous United States and in both Tunisia and South Africa. Company-wide, Pioneer employs nearly 2,000 people and produces more than 100,000 barrels of oil equivalent per day.

In Alaska, Pioneer operates the Oooguruk Unit on the North Slope – currently producing approximately 9,000 barrels of oil per day – and the Cosmopolitan Unit in Cook Inlet – a discovered resource where the company continues to conduct appraisal activities. Since coming to Alaska in 2003, Pioneer has drilled 11 exploration wells, become the first independent company to operate a field on the North Slope at Oooguruk and has worked diligently to commercialize the resource at Cosmopolitan. Anchorage serves as the company's headquarters in Alaska and Pioneer employs 49 people in the state.

Evolution of Alaska's Oil & Gas Severance Tax System

Pioneer's business activities in Alaska have coincided with state government's recent debates regarding the proper structure for Alaska's severance tax system. In 2006, following a royalty modification decision from the Alaska Department of Natural Resources, Pioneer sanctioned its Oooguruk project. At that time, the Economic Limit Factor (ELF) served as Alaska's severance tax system. Due to the characteristics of the Oooguruk field and the structure of ELF, Pioneer expected its effective severance tax rate to be nearly zero on a gross basis.

In 2007, while Pioneer began construction at Oooguruk , the state Legislature passed the Petroleum Production Tax (PPT) a monumental shift in the state's severance tax structure. At its core, PPT combined a 22.5% tax on the net value of oil produced with a 20% credit for qualified capital expenses. During the debate over PPT, Pioneer testified that the capital credits resulted in a modest improvement for project economics.

In 2008, as production from Oooguruk began, the Legislature created yet another severance tax system – Alaska's Clear and Equitable Share(ACES.) In addition to raising the base tax on oil and gas from 22.5% to 25%, ACES created a new progressivity tax which adds 0.4% per $1/BOE when the production tax value is between $30 and $92.50. When the production tax value exceeds $92.50 the progressivity factor is reduced to 0.1% per $1/BOE. Pioneer believes the aggressive progressivity factor in ACES pushes the tax rate out of balance with the capital credit benefit and therefore does not optimize the balance between state revenues and industry investment over the long term.

Pioneer Comments on the Provisions of CSHB308

- 30% Credit for Well Work

With daily production flowing through the Trans Alaska Pipeline System at one-third of its historical peak, Alaska needs new barrels regardless of how or where they are developed on the North Slope. All things being equal, the increased credit for well work will lead to additional investment resulting in the production of new barrels. Pioneer supports this provision.

- Reduction in Progressivity from 0.4% to 0.2%

The aggressive nature of progressivity under ACES effectively takes away the price upside for Alaska projects making it more difficult for prospective Alaska investments to compete for capital. The bulk of Pioneer's current investments are being made in other areas of the United States where the severance tax regimes are much more favorable. While CSHB308 is a step in the right direction, Pioneer remains concerned that the progressivity tax negatively affects the ability of the industry in Alaska to attract capital.

- Reduction of Audit Period from 6 to 3 Years

Three years is ample time for the Alaska Department of Revenue to conduct and complete its audit work. Additionally, this language reduces tax-payer uncertainty – something that remains a problem with the ACES tax. Pioneer supports this provision.

- Waiver of Interest Due to Retroactive Regulations

Mandating that interest penalties related to regulations applied retroactively will not accrue until 30 days after the effective date of the regulation is a matter of fairness to the industry. Again, this language will help to reduce tax-payer uncertainty under ACES. Pioneer supports this provision.

- Interest Rate = Lower of Fed Funds + 2% or 11%

Alaska's current statutory rate of interest is punitive and is out of proportion when compared to other oil and gas producing states. For example, Pioneer has large operations in both Colorado and Texas where the current interest rates are 6% and 4.25% respectively. Pioneer supports this provision.

- Tax Rebate Related to Alaska Hire

Pioneer understands and supports the State's goal of maximizing the hiring of qualified Alaskans. Nevertheless, this is a complicated issue with a high potential for creating unintended consequences. Pioneer urges the committee to move carefully on this provision.

Conclusion

Pioneer has been an active investor since coming to Alaska in 2003. At Oooguruk, we are working to grow our production to a peak of 15,000 – 20,000 barrels per day. At Cosmopolitan we are striving to commercialize an oil resource estimated to be 30 – 50 million barrels. However, projects in Alaska continue to be challenged by the cumulative negative effects of geography, seasonality, cost structure, complex regulatory environment and long project cycle times.

Increasingly resource plays, such as shale gas, throughout the contiguous United States are attracting substantial interest and investment from both independent and vertically integrated companies alike. With significantly increased competition from lower risk, domestic resources and higher taxes in the change from PPT to ACES, the competitiveness of Alaska projects for investment has declined in recent years. CSHB308 is an important first step in ensuring Alaska remains an attractive place for industry investment.

Thank you again for the opportunity to provide you with Pioneer's comments. Please feel free to contact me or my staff with questions or if you need additional information.

Sincerely,

Ken Sheffield, President
Pioneer Natural Resources Alaska, Inc.

February 12, 2010

Representative Craig Johnson, Co-Chair
Representative Mark Neuman, Co-Chair
House Resources Committee
Capitol Building
Juneau, AK 99801

RE: HB 308

Co-Chairs & members of the House Resources Committee,

The Alaska State Chamber of Commerce strongly supports HB 308. The Chamber has been concerned about the continued decline in production of oil and gas here in Alaska. The production decline will ultimately offset any gains in state revenues made by recent tax hikes through ACES. The recent tax increases may even be detrimental to new oil and gas exploration as financial resources are limited in a faltering global economy. Without implementation of HB 308 or similar legislation, new oil exploration and new production will be limited altogether thus creating havoc for our state budgeting process through the loss of revenues from lacking oil production.

Although the ACES legislation passed two years ago raised the state's taxes on oil and gas, current trends in declining oil and gas production suggest that the state will not be able to balance its budget in 5 years or less. Simply, we cannot continue to hope that prices will rebound substantially enough for recent increases in taxes to fill future state budget expectations. Another option must be considered to increase oil production, which currently funds 90% of the state's general fund budget. HB 308 attempts to maintain much of the tax structure passed under ACES, while giving serious financial incentives for exploration and new drilling.

As are aware, we are just beginning to recover from a serious global economic meltdown. In some cases it may take years for a full recovery to be evident. Investment in exploration and prospectus drilling is paramount to increasing oil and gas development in the state. Under current economic conditions, most companies have entered a regressed approach to future investment in prospectus drilling, here in Alaska and elsewhere around the world. HB 308 counters by providing direct incentives for new drilling, up to a 30% recapture of new investment. While there is always resistance in providing tax breaks to industry, HB 308 balances the interests of the state with future production, which creates new state revenues.

ALASKA STATE CHAMBER OF COMMERCE

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217 2nd Street
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Again, the State Chamber strongly supports HB 308. We are hopeful the committee will be deliberate and balanced in its approach and work on the legislation. Finding long-term sustainability for the oil industry while providing long-term sustainability for state budgeting should be of the utmost priority.

Respectfully,

Wayne A. Stevens
President/CEO

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

Founded 1975
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Jason W. Brune
2009-2010 Executive Committee
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Paul Henry
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Mike Jungreis
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Thomas Krzewinski
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John MacKinnon
Mary McDowell
Ron McPheters
James Mery
Denise Michels
Lance Miller
Mary Nelson
Lisa Parker
Judy Patrick
Charlie Powers
Ralph Samuels
Keith Sanders
Kenneth Sheffield
Keith Silver
Jeanine St. John
John Sturgeon
Dan Sullivan
John Zager

Ex-Officio Members
Senator Mark Begich
Senator Lisa Murkowski
Congressman Don Young
Governor Sean Parnell

March 10, 2010

Representative Craig Johnson
House Resources Committee
Alaska State Legislature, State Capitol
Juneau, AK 99801

Re: HB308-Oil and Gas Production Tax

Dear Representative Johnson:

The Resource Development Council (RDC) would like to encourage the Legislature's efforts to develop an improved tax policy that enhances the State of Alaska's competitiveness for exploration and development investments. We support legislation that will encourage new exploration and development of Alaska's oil and gas deposits, as well as enhance production from existing fields. Only through equitable and predictable tax and royalty policies will we be able to reverse the trend that leaves our pipeline less than one-third full today.

RDC is a statewide, non-profit, membership-funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

More and more, Alaska is becoming a less attractive place for the oil and gas industry to invest its capital. According to investors – the companies that take the risks involved in developing energy resources, Alaska's high cost environment coupled with its high tax regime discourage new investment. While some in state government and the Legislature may disagree, Alaskans need to listen to what the investors are telling us, since they are the ones making the decisions on where to invest their corporate capital.

While Alaska still holds much promise for significant oil and gas discoveries, there is a world of opportunity elsewhere for companies engaged in energy development. Investors will develop the prospects in their global portfolios that offer the best returns, whether here in Alaska, the Lower 48, or abroad.

It is not enough that Alaska is rich in oil and gas because industry faces substantial risks and high costs in the arctic. The economics of developing energy deposits in the far north are highly challenged, but the state can mitigate many of these challenges by creating a warmer business climate, one that has attractive and highly competitive fiscal terms that compel industry to invest here.

Given oil is the lifeblood of Alaska's economy and the pipeline is running at one-third its peak flow, it is imperative the state have the right tax and royalty policies in place to attract industry investment and sustain the economy. Approximately $40 billion in new investment will be required in the next ten years to develop new fields and prevent the current six percent annual decline in North Slope production from accelerating. Moreover, 38 percent of projected production in 2015 is expected to come from fields that are not yet in production.

Yet Alaska appears to be heading in the wrong direction. Capital spending by major oil producers has ebbed and a disproportionate share of spending has been directed to maintenance projects, which do virtually nothing to generate new production but remain important in maintaining the base production. 2010 will bring the number of exploratory and development wells to their lowest levels in a decade on the North Slope, where production is down 80,000 barrels since 2007.

RDC finds these trends alarming and the lack of investment where it matters most indicates the production decline is likely to accelerate well beyond state projections. The worrisome trends also indicate more than just tweaks are needed to restore Alaska's competitiveness and draw investment dollars back to our state.

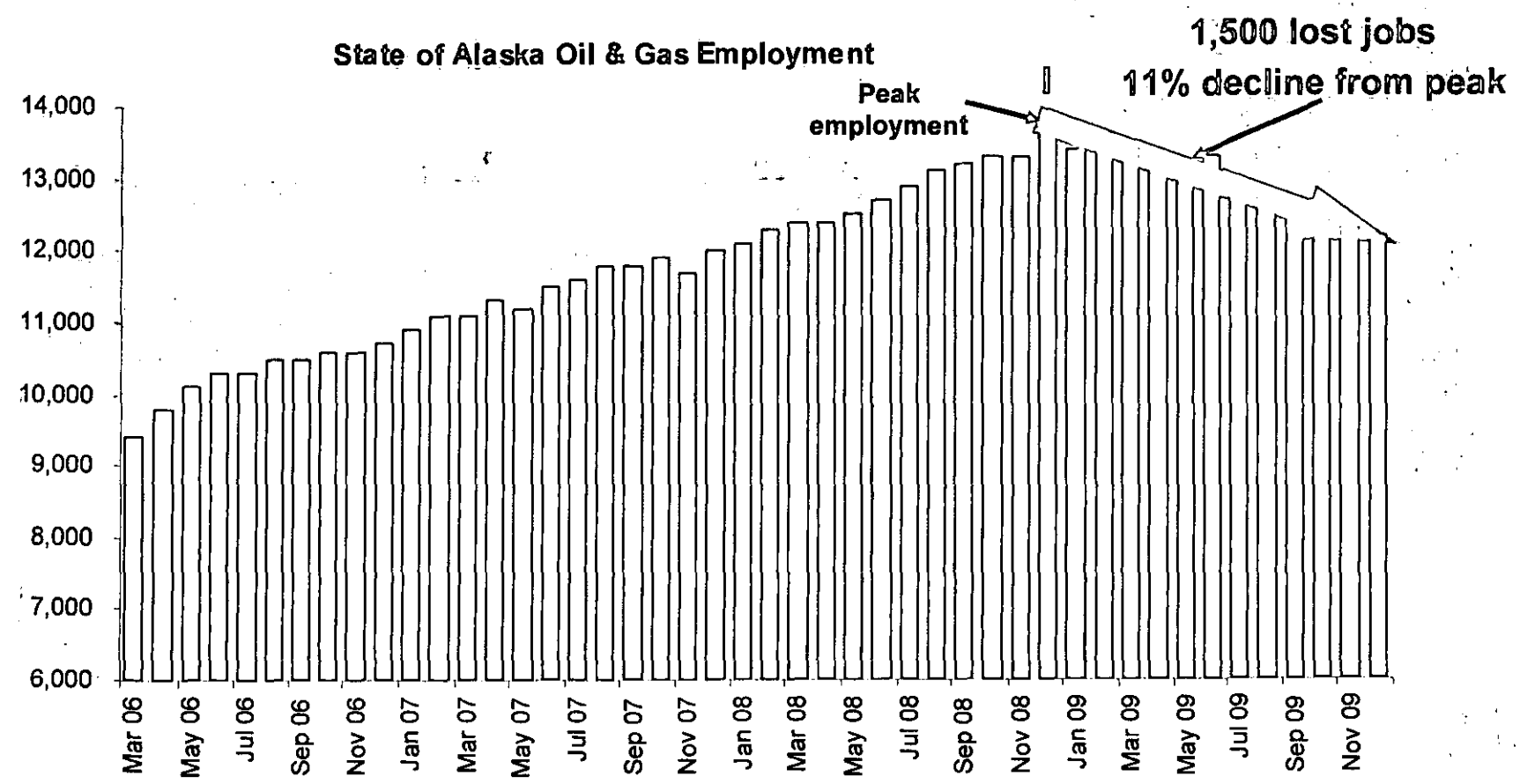
RDC is closely tracking oil and gas production tax legislation and requests the opportunity to testify and comment on this issue as the session evolves. We appreciate your efforts to improve Alaska's competitive position in attracting new investment and we thank you for considering our concerns.

Sincerely,

Jason Brune
Executive Director

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
Phone: 907-276-0700 Fax: 907-276-3887 Email: resources@akrdc.org Website: www.akrdc.org

Oil & Gas Employment



Rise in employment began in 2006

Source: Alaska Dept of Labor employment data, March 12, 2010 update

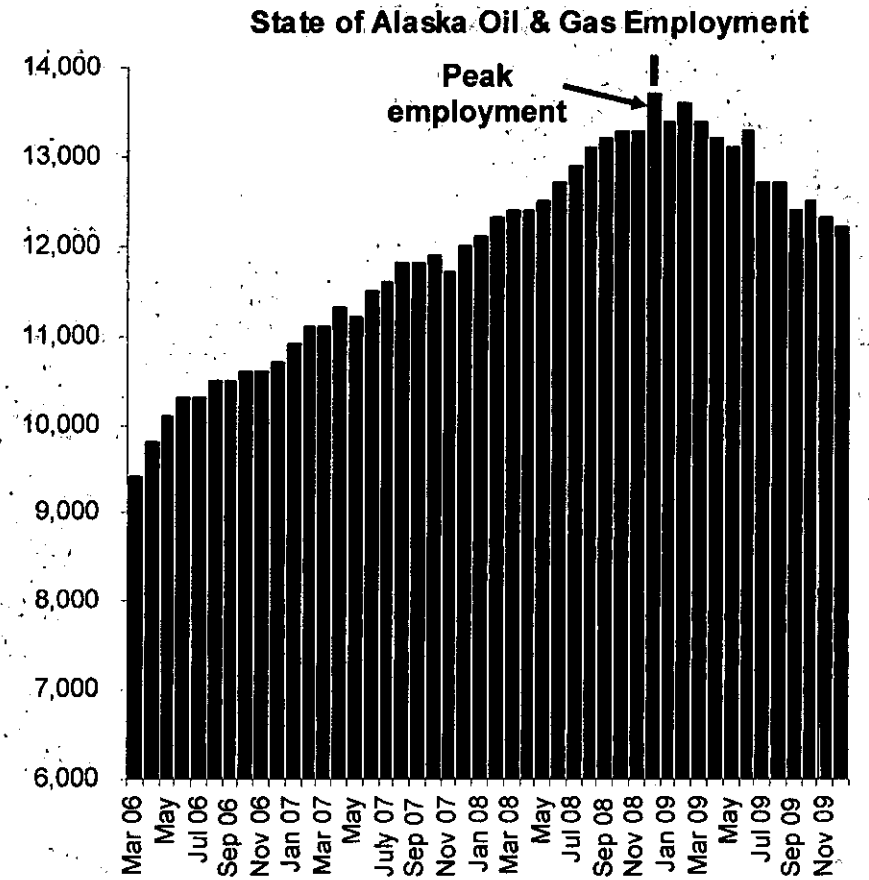
Slide 1

ConocoPhillips

Oil & Gas Employment

Revised DOL data

- **Data since Dec-08 indicate downward trend in oil and gas jobs**
- **Employment levels driven primarily by maintenance and inspection activity**
- **Alaska state unemployment rising in oil and gas support sector**
- **Leading indicators: Kuparuk camp usage down 20%**



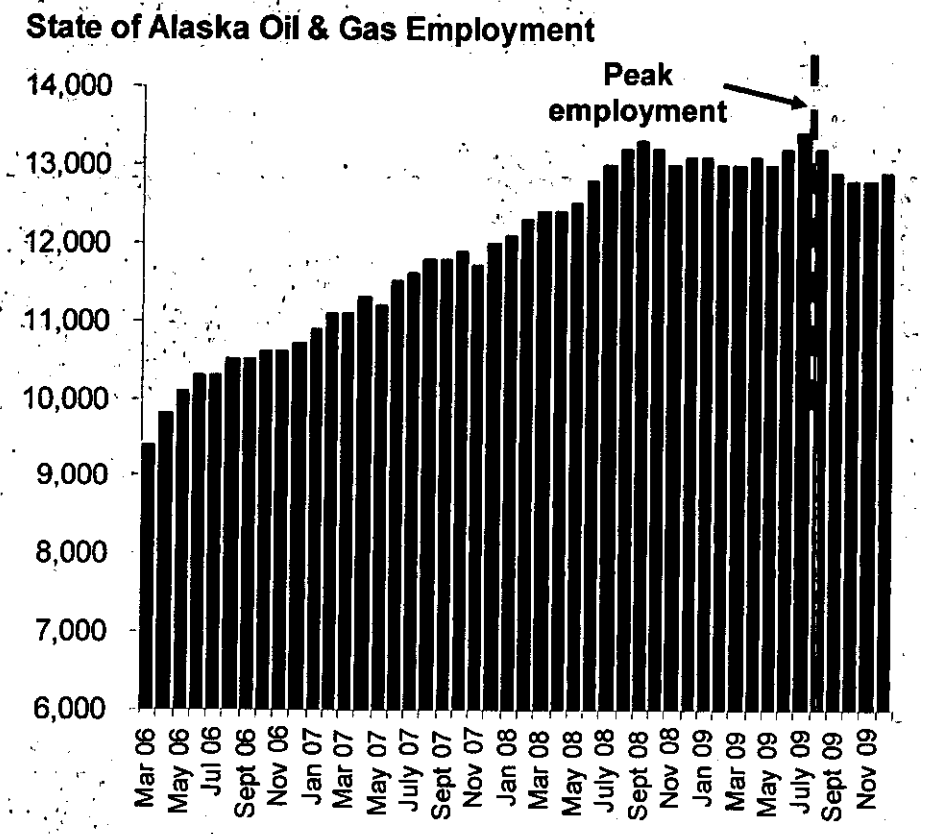
Rise in employment began in 2006

Source: Alaska Dept of Labor employment data, March 12, 2010

Oil & Gas Employment

Original DOL data

- **Data since July-09 indicate downward trend in oil and gas jobs**
- **Employment levels driven primarily by maintenance and inspection activity**
- **Alaska state unemployment rising in oil and gas support sector**
- **Leading indicators: Kuparuk camp usage down 20%**



Rise in employment began in 2006

Source: Alaska Dept of Labor employment data

ConocoPhillips

26-LS1328\P
Bullock
3/17/10

CS FOR HOUSE BILL NO. 308( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES JOHNSON, Neuman, Ramras, Millett, Johansen, Hawker

A BILL

FOR AN ACT ENTITLED

"An Act relating to the tax rate applicable to the production of oil and gas; relating to credits against the oil and gas production tax; relating to the period in which oil and gas production taxes may be assessed; relating to the interest rates applicable on certain amounts due related to various taxes, penalties, payments, and the Alaska Gasline Inducement Act; and providing for an effective date."

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

*** Section 1.** AS 05.15.095(c) is amended to read:

(c) A delinquent fee bears interest at the rate set by **AS 43.05.225(2)** [AS 43.05.225].

*** Sec. 2.** AS 34.45.470(a) is amended to read:

(a) A person who fails to pay or deliver property within the time prescribed by this chapter may be required to pay to the department interest at the annual rate calculated under **AS 43.05.225(2)** [AS 43.05.225] on the property or the value of it

from the date the property should have been paid or delivered.

*** Sec. 3.** AS 43.05.225 is amended to read:

Sec. 43.05.225. Interest. Unless otherwise provided,

(1) when a tax levied in this title becomes delinquent, it bears interest in a calendar quarter at the rate of **three** [FIVE] percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first day of that calendar quarter, [OR AT THE ANNUAL RATE OF 11 PERCENT, WHICHEVER IS GREATER,] compounded quarterly as of the last day of that quarter;

(2) the interest rate is 12 percent a year for

(A) delinquent fees payable under AS 05.15.095(c); and

(B) [REPEALED

(C)] unclaimed property that is not timely paid or delivered, as allowed by AS 34.45.470(a).

*** Sec. 4.** AS 43.50.570 is amended to read:

Sec. 43.50.570. Interest. A licensee who fails to pay an amount due for the purchase of stamps within the time required

(1) is considered to have failed to pay the cigarette taxes due under this chapter; and

(2) shall pay interest at the rate established under **AS 43.05.225(1)** [AS 43.05.225] from the date on which the amount became due until the date of payment.

*** Sec. 5.** AS 43.55.011(g) is amended to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2) per BTU equivalent barrel of the taxable oil and gas is more than $30, the amount of tax for purposes of (e)(2) of this section is determined by **subtracting the product of $30 multiplied by the number of BTU equivalent barrels of taxable oil and gas produced during the month from** [MULTIPLYING] the monthly production tax value of the taxable oil and gas produced during the month**, and multiplying that result** by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value per BTU equivalent barrel of the taxable oil and gas for the month is not more than $92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between that average monthly production tax value per BTU equivalent barrel and $30; or

(2) if the producer's average monthly production tax value per BTU equivalent barrel of the taxable oil and gas for the month is more than $92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the average monthly production tax value per BTU equivalent barrel and $92.50, except that the sum determined under this paragraph may not exceed 50 percent.

*** Sec. 6.** AS 43.55.020(a) is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i) shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin but not subject to AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

(ii) **the result obtained by taking** [THE SUM OF] 25 percent [AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g)] multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160 from the

gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated**, and adding that amount to the tax amount determined for the month under AS 43.55.011(g) for the leases or properties**;

(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), the greatest of

(i) zero;

(ii) zero percent, one percent, two percent, three percent, or four percent, as applicable, of the gross value at the point of production of the oil and gas produced from all leases or properties during the month for which the installment payment is calculated; or

(iii) **the result obtained by taking** [THE SUM OF] 25 percent [AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g)] multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for those leases or properties under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from those leases or properties during the month for which the installment payment is calculated**, and adding that amount to the tax amount determined for the month under AS 43.55.011(g) for the leases or properties**;

(C) for oil and gas produced from each lease or property subject to AS 43.55.011(j), (k), or (o), the greater of

(i) zero; or

(ii) **the result obtained by taking** [THE SUM OF] 25 percent [AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g)] multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are

deductible under AS 43.55.160 for oil or gas, respectively, produced from the lease or property from the gross value at the point of production of the oil or gas, respectively, produced from the lease or property during the month for which the installment payment is calculated**, and adding that amount to the tax amount determined for the month under AS 43.55.011(g) for the lease or property**;

(2) an amount calculated under (1)(C) of this subsection for oil or gas produced from a lease or property subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by AS 43.55.011(e) or (i), net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the

calendar year of production.

*** Sec. 7.** AS 43.55.020(g) is amended to read:

(g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid amount of an installment payment required under (a)(1) - (3) of this section that is not paid when due bears interest (1) at the rate provided for an underpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date the installment payment is due until March 31 following the calendar year of production, and (2) as provided for a delinquent tax under **AS 43.05.225(1)** [AS 43.05.225] after that March 31. Interest accrued under (1) of this subsection that remains unpaid after that March 31 is treated as an addition to tax that bears interest under (2) of this subsection. An unpaid amount of tax due under (a)(4) of this section that is not paid when due bears interest as provided for a delinquent tax under **AS 43.05.225(1)** [AS 43.05.225].

*** Sec. 8.** AS 43.55.020 is amended by adding a new subsection to read:

(i) Notwithstanding any contrary provision of AS 43.05.225 or (g) or (h) of this section, if the amount of a tax payment, including an installment payment, due under (a)(1) - (4) of this section is affected by the retroactive application of a regulation adopted under this chapter, the department shall determine whether the retroactive application of the regulation caused an underpayment or an overpayment of the amount due and adjust the interest due on the affected payment as follows:

(1) if an underpayment of the amount due occurred, the department shall waive interest that would otherwise accrue for the underpayment before the first day of the second month following the month in which the regulation became effective, if the department

(A) determines that the producer's underpayment resulted because the regulation was not in effect when the payment was due; and

(B) does not find that the producer failed to make a good faith estimate of its tax obligation in light of the regulations then in effect when the payment was due and paid the estimated tax;

(2) if an overpayment of the amount due occurred and the department determines that the producer's overpayment resulted because the regulation was not in

effect when the payment was due, the obligation for a refund for the overpayment does not begin to accrue interest earlier than the following, as applicable:

(A) except as otherwise provided under (B) of this paragraph, the first day of the second month following the month in which the regulation became effective;

(B) 90 days after an amended statement under AS 43.55.030(a) and an application to request a refund of production tax paid is filed, if the overpayment was for a period for which an amended statement under AS 43.55.030(a) was required to be filed before the regulation became effective.

*** Sec. 9.** AS 43.55.023(a) is amended to read:

(a) A producer or explorer may take a tax credit for a qualified capital expenditure as follows:

(1) notwithstanding that a qualified capital expenditure may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a qualified capital expenditure may also elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that expenditure; [HOWEVER, NOT MORE THAN HALF OF THE TAX CREDIT MAY BE APPLIED FOR A SINGLE CALENDAR YEAR;]

(2) a producer or explorer may take a credit for a qualified capital expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2);

(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2).

*** Sec. 10.** AS 43.55.023(d) is amended to read:

(d) Except as limited by (i) of this section, a person that is entitled to take a tax credit under this section that wishes to transfer the unused credit to another person or

obtain a cash payment under AS 43.55.028 may apply to the department for **a** transferable tax credit **certificate** [CERTIFICATES]. An application under this subsection must be in a form prescribed by the department and must include supporting information and documentation that the department reasonably requires. The department shall grant or deny an application, or grant an application as to a lesser amount than that claimed and deny it as to the excess, not later than 120 days after the latest of (1) March 31 of the year following the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; (2) the date the statement required under AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; or (3) the date the application was received by the department. If, based on the information then available to it, the department is reasonably satisfied that the applicant is entitled to a credit, the department shall issue the applicant **a** [TWO TRANSFERABLE] tax credit **certificate** [CERTIFICATES, EACH FOR HALF OF THE AMOUNT OF THE CREDIT]. The credit shown on [ONE OF] the **certificate** [TWO CERTIFICATES] is available for immediate use. [THE CREDIT SHOWN ON THE SECOND OF THE TWO CERTIFICATES MAY NOT BE APPLIED AGAINST A TAX FOR A CALENDAR YEAR EARLIER THAN THE CALENDAR YEAR FOLLOWING THE CALENDAR YEAR IN WHICH THE CERTIFICATE IS ISSUED, AND THE CERTIFICATE MUST CONTAIN A CONSPICUOUS STATEMENT TO THAT EFFECT.] A certificate issued under this subsection does not expire.

*** Sec. 11.** AS 43.55.023(g) is amended to read:

(g) The issuance of a transferable tax credit certificate under (d) of this section or the purchase of a certificate under AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to which the certificate relates or to adjust the claim if the department determines, as a result of the audit, that the applicant was not entitled to the amount of the credit for which the certificate was issued. The tax liability of the applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit that exceeds that to which the applicant was entitled, or the applicant's available valid outstanding credits applicable against the tax levied by

AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased under this subsection, the increase bears interest under **AS 43.05.225(1)** [AS 43.05.225] from the date the transferable tax credit certificate was issued. For purposes of this subsection, an applicant that is an explorer is considered a producer subject to the tax levied by AS 43.55.011(e).

*** Sec. 12.** AS 43.55.023 is amended by adding a new subsection to read:

(m) A producer or explorer may take a tax credit for a well-related expenditure, as follows:

(1) notwithstanding that a well-related expenditure may be a deductible lease expenditure under AS 43.55.165 for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under (a) of this section, AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a well-related expenditure may also elect to apply a credit against a tax levied by AS 43.55.011(e) in the amount of 30 percent of that expenditure;

(2) a producer or explorer may take a credit for a well-related expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2); and

(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2) for a credit under AS 43.55.025;

(3) In this section, "well-related expenditure" means a lease expenditure related to a well and includes a lease expenditure for the purposes of well sidetracking, well deepening, well recompletion, well workover, an injection well, and well-related seismic work, and an intangible drilling and development cost authorized under 26 U.S.C. (Internal Revenue Code), as amended, and 26 C.F.R. 1.612-4, regardless of the elections made under 26 U.S.C. 263(c); during production, "well-related expenditure" includes the costs of operating a well and moving well fluids up to the wellhead.

*** Sec. 13.** AS 43.55.075(a) is amended to read:

(a) Except as provided in AS 43.05.260(c), **for a tax period ending before January 1, 2010,** the amount of a tax imposed by this chapter must be assessed within six years after the return was filed.

*** Sec. 14.** AS 43.77.020(d) is amended to read:

(d) A person subject to the tax under this chapter shall make quarterly payments of the tax estimated to be due for the year, as required under regulations adopted by the department. A taxpayer will be subject to an estimated tax penalty, determined by applying the interest rate specified in **AS 43.05.225(1)** [AS 43.05.225] to the underpayment for each quarter, unless the taxpayer makes estimated tax payments in equal installments that total either

(1) at least 90 percent of the taxpayer's tax liability under this chapter for the tax year; or

(2) at least 100 percent of the taxpayer's tax liability under this chapter for the prior tax year.

*** Sec. 15.** AS 43.90.430 is amended to read:

Sec. 43.90.430. Interest. When a payment due to the state under this chapter becomes delinquent, the payment bears interest at the rate applicable to a delinquent tax under **AS 43.05.225(1)** [AS 43.05.225].

*** Sec. 16.** AS 43.55.028(e)(2) and 43.55.028(e)(3) are repealed.

*** Sec. 17.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. AS 43.55.020(i), added by sec. 8 of this Act, applies to taxes and installment payments of estimated tax due after February 27, 2007.

*** Sec. 18.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION; RETROACTIVITY OF REGULATIONS. Notwithstanding any contrary provision of AS 44.62.240, if the Department of Revenue expressly designates in the regulation that the regulation applies retroactively to a specific date, a regulation adopted by the Department of Revenue to implement, interpret, make specific, or otherwise carry out AS 43.55.020(i), as added by sec. 8 of this Act, AS 43.55.023(a), as amended by sec. 9 of this

Act, or AS 43.55.023(d), as amended by sec. 10 of this Act, is retroactive to the effective date of those provisions.

*** Sec. 19.** The uncodified law of the State of Alaska is amended by adding a new section to read:

RETROACTIVITY. (a) AS 43.55.020(i), added by sec. 8 of this Act, is retroactive to February 28, 2007.

(b) AS 43.55.023(a), as amended by sec. 9 of this Act, AS 43.55.023(d), as amended by sec. 10 of this Act, and AS 43.55.075(a), as amended by sec. 13 of this Act, are retroactive to January 1, 2010.

*** Sec. 20.** AS 43.05.225, as amended by sec. 3 of this Act, takes effect on the first day of the calendar quarter immediately following the effective date of secs. 1, 2, 4, and 6 - 19 of this Act.

*** Sec. 21.** AS 43.55.011(g), as amended by sec. 5 of this Act, takes effect on the first day of the month immediately following the effective date of secs. 1, 2, 4, and 6 - 19 of this Act.

*** Sec. 22.** Except as provided in secs. 20 and 21 of this Act, this Act takes effect immediately under AS 01.10.070(c).

Sectional Analysis of CS for HB 308 (Version P)

Sec. 1. Housekeeping measure that refines the reference for interest rates.

Sec. 2. Housekeeping measure that refines the reference for interest rates.

Sec. 3. Changes the interest rate for delinquent taxes to the federal funds plus three percentage points and removes the 11 floor in current statute.

Sec. 4. Housekeeping measure that refines the reference for interest rates.

Sec. 5. Changes the tax base for the monthly calculation of progressivity to the same basis as is used to calculate the progressivity rate – that is the net value (or PTV) greater than $30 a barrel.

Sec. 6. Makes the same change to the progressivity portion of the monthly estimated payments.

Sec 7. Housekeeping measure that refines the reference for interest rates.

Sec. 8. Authorizes and requires the DOR to waive interest on tax liabilities that arise from retroactive regulations coming into force, for the period between when the payment would normally be due and the time the regulation was adopted.

Sec. 9. Removes the requirement that the application of certain capital investment credits be spread out over 2 years.

Sec. 10. Removes the requirement that the application of certain other credits be spread out over 2 years.

Sec. 11. Housekeeping measure that refines the reference for interest rates.

Sec. 12. Creates a new 30% credit for all well related expenditures.

Sec. 13. Returns the production tax to the same 3 year statute of limitations that apply to all other taxes.

Sec. 14. Housekeeping measure that refines the reference for interest rates.

Sec. 15. Housekeeping measure that refines the reference for interest rates.

Sec. 16. Repeals that portion of current law that required those producers selling credits to the state to spend an equal amount in lease sales or in capital investments within two years.

Sec. 17. Indicates that the changes to interest on liabilities that arise from retroactive regulations goes all the way back to taxes due in 2007.

Sec. 18. Authorizes the DOR, to write retroactive regulations in implementing the interest provisions related to retroactive regulations and the immediate use of certain tax credits.

Sec. 19. Contains the required clarification that the changes to interest on liabilities that arise from retroactive regulations is retroactive to 2007.

Sec. 20. Makes the interest provisions, which are based on a calendar quarter, effective the first first day of calendar quarter after the rest of the bill becomes effective.

Sec. 21 Makes the progressivity provision, which is a monthly calculation, effective the first first day of a month after the rest of the bill becomes effective.

Sec. 22 Makes the rest of the bill effective immediately.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **CSHB 308 \P**
() Publish Date:

Identifier (file name): CSHB308(RES)-REV-TAX-03-23-10
Dept. Affected: Revenue
Title: Oil and Gas Production Tax
RDU: Taxation and Treasury
Component: Tax Division
Sponsor: Representative Johnson
Requester: (H) Resources
Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	247.0		247.0	247.0	247.0	247.0	247.0
Travel	6.0		6.0	6.0	6.0	6.0	6.0
Contractual	110.0		10.0	10.0	10.0	10.0	10.0
Supplies	1.0		1.0	1.0	1.0	1.0	1.0
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**364.0**	**0.0**	**264.0**	**264.0**	**264.0**	**264.0**	**264.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )	***	**0.0**	***	***	***	***	***

***** See Analysis Section for Additional Information *****

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	364.0	0.0	264.0	264.0	264.0	264.0	264.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**364.0**	**0.0**	**264.0**	**264.0**	**264.0**	**264.0**	**264.0**

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	**2.0**	0.00	2	2	2	2	2
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

See Attached.

Prepared by: Cherie Nienhuis and Dan Stickel, Petroleum Economists — Phone 907-269-1019
Division: Tax Division — Date/Time 03-23-10; 5:23pm
Approved by: Ginger Blaisdell, Director — Date 03-23-10; 7:34pm
Administrative Services Division

(Revised 11/6/2009 OMB)

ANALYSIS CONTINUATION

Bill Language and Revenue Impacts:
*** We cannot currently make a determination of the revenue impacts of the bill. For this reason, asterisks are include in our revenue estimates for this fiscal note.

This bill makes changes to Alaska's oil and gas production tax as well as to the interest rate applied to most taxes levied by the state of Alaska. The main provisions of the bill and potential revenue impacts are discussed below:

1. Change in base on which progressive surcharge is multiplied. This bill would retain the rates used to calculate the progressive surcharge as specified in AS 43.55.011(g), but it would change the base on which the progressive surcharge is applied. Instead of applying the progressive surcharge rate to the entire production tax value, this bill would apply the progressive surcharge rate only to that portion of the production tax value that exceeds the progressivity trigger of $30 profit per barrel. The progressivity rate remains unchanged at 0.4% per $1 of production tax value over $30 per barrel, then 0.1% per $1 of production tax value over $92.50 per barrel.

Had this provision been in place in FY 2008, the state revenues would have been reduced by over $1 billion, or 15% of the tax revenue collected. In FY 2009, state revenues would have been reduced by $400 million, or close to 13%.

Using the Department of Revenue Fall 2009 forecasted prices, had this provision been in place for all of FY 2010, the state would have received $300 million less in production tax revenue, or 14%. With oil price increases in later years of the Fall 2009 forecast, this provision would result in revenue reductions of $400 million in FY 2011 and up to $622 million in FY 2015.

2. Add a special credit for qualified well-related expenditures. This bill would add a separate credit for well-related expenditures. The credit would be 30% of capital expenditures for well drilling or seismic exploration and analysis (taken in lieu of the 20% credit for capital expenditures per AS 43.55.023 or the 30% credit per AS 43.55.025), and during production, 30% of costs of operating wells and moving fluids to the wellhead.

Under current projected spending levels, revenues would be expected to be reduced by at least $325 million in FY 2011. Given the broad definition of well-related expenditures in this bill, the impact could potentially be even greater. The Department of Revenue provides an indeterminate fiscal impact to revenues past FY 2011 because the new incentives will likely spur higher spending levels on development activity, which would result in more credits being earned, but would also be expected to increase production, thus providing an offsetting increase in revenue.

3. Reduce the amount of time that auditors have to complete audits on production tax returns. This bill would reduce the timeframe for audits from 6 years to 3 years beginning with returns for the 2010 tax year. This provision would require additional costs for the Department which are described in the Expenses section below.

4. Waive interest for changes in production tax liability as a result of retroactive regulations changes. Following adoption of retroactive regulations to the oil and gas production tax under AS 43.55, the Department of Revenue is required to determine whether the retroactive application of the regulation caused an overpayment or underpayment of the amount due in tax. For an underpayment, interest is waived as long as the underpayment was due to the regulation and the producer made a good faith estimation and payment of its tax obligation under regulations in place when the payment was due. For an overpayment, interest does not accrue until either the first day of the second month following the regulation taking effect, or 90 days after the Department receives an amended annual production tax return with request for refund. The interest provisions are retroactive to February 2007. At this time it is uncertain whether there would be any revenue impact from this change, since it is unclear whether there was any underpayment or overpayment due to the retroactive regulations. The Department of Revenue does not include interest payments in revenue projections, therefore this change would not affect the current revenue forecast.

5. Eliminate requirement that capital credits be spread over two years. Producers and explorers receive a capital expenditure credit in the amount of 20 percent of the qualified capital expenditure, 25% of a loss carryforward, and up to 40% of an exploration expenditure. This bill would remove the provision that no more than half of the tax credit may be applied for in a single calendar year. As a result, the entirety of credits could be applied in the year they are earned.

(continued on next page)

ANALYSIS CONTINUATION

The calculation of the revenue impact for this provision is difficult for two reasons: (1) the timing of the revenue impact will depend upon when the bill is signed into law; and (2) the amount the state may potentially be expected to pay to purchase credits is conditioned in part on removing the reinvestment requirement discussed in #6 below, and the timing of the payment will depend on whether companies will immediately seek reimbursement for their credits.

We assume for this provision a scenario where all credits held by companies with production tax liabilities are used in FY 2010 or FY 2011. This would cost the state approximately $225 million in reduced taxes between the two years.

For companies that are holding credit certificates and are not expected to incur a tax liability in FY 2010 or FY 2011, we estimate an additional liability of up to $150 million over previous expectations for the two fiscal years. These impacts could spill into FY 2012, should companies delay seeking reimbursement.

Beyond FY 2012, revenue impacts are expected to be negligible.

6. Remove reinvestment requirement for state purchase of capital credits. For companies applying for state purchase of capital credits, this bill would remove the requirement that the companies reinvest an amount equal to the amount of the credit purchased within 24 months after applying for a credit certificate.

This provision is expected to be revenue neutral as the credits will reduce revenue whether the state purchases the credits or other companies purchase and subsequently apply the credits against tax liabilities.

7. Change the rates for calculating interest for most tax types. This bill would change the way interest is calculated for most tax types administered by the Department of Revenue, including the production tax. Under current law, the interest rate is the greater of 11 percent or 5 percentage points above the discount rate at the 12th Federal Reserve Bank. Under this bill, the interest rate would be 3 percentage points above the discount rate. If this provision were in place today, the interest rate on taxes would fall from 11 percent to 3.75 percent.

The revenue reduction from this provision is indeterminate because the Department does not have a management information system capable of tracking interest for all taxes. Producing a revenue estimate would require manually compiling information from hundreds of tax returns. Since oil and gas settlements go to the Constitutional Budget Reserve Fund (CBRF), this provision would reduce revenue to both the general fund and the CBRF. This provision would require additional costs for the Department which are described below.

Expenses:
The change to reduce the amount of time that auditors have to complete production tax audits will have a direct fiscal impact on the Tax Division. Reducing the time the Audit Group has to complete audits by 3 years will require the hiring of 2 additional oil and gas auditor IV positions, costing the Division approximately $264,000 per year. If the positions are not filled timely, either the audits will not be completed in time, or the Division will be forced to make defensive tax assessments and shift the burden to its Appeals Group, which could require adding more appeals officers.

In addition, the changes in interest rates and other provisions of this bill would result in one-time costs of $100,000 in FY 2011 for changes to the accounting and tax examination system.

Effective Dates:
The effective date of the bill is immediate for all provisions except for four provisions as follows:
1. The change in progressivity is effective the month following the effective date of the other provisions in this bill.
2. The change in interest rates is effective the first day of the calendar quarter following the effective date of the other provisions of this bill .
3. The elimination of the credit split is effective January 1, 2010.
4. The elimination of the reinvestment requirement for state purchase of credits is effective January 1, 2010.

An immediate effective date would create an administrative burden for several provisions of the bill. In order to simplify revenue impacts, we assume that the progressivity and credit changes begin with FY 2011, on July 1, 2010.

Technical Aspects of CS for HB 308 (Version P)

Dan E. Dickinson CPA

House Resources Committee
March 17, 2010

Structure of CS for HB 308

Structure of CS for HB 308 26-LS1328\P

Key Provision effective date & Ret | Needs Eff Dt

	section:	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	
	Housekeeping - reference to interest	1	2		4			7				11			14	15							22	
2	Interest rate			3																	**20**			
1	Change progressivity from .4 % to .2 %					5	6															**21**		
3	Interest not due on retroactive regs changes prior to implementation								8									**17**	**18**	**19**			22	
4	Credits not spread over two years									9	10									**19**				
5	30% credit for well work												12										22	*
6	Restore 3 year statute of limitations													13						**19**				
7	Credits purchased without matching spend																16						22	
	Tax rate tied to Resident hire																							

8 Changes in CSHB 308 Version P

- Summary
- Progressivity – Leave the rate the same, change the base (Prior draft changed the rate)
- Interest rate – Fed Funds + 3, no ceiling, (Prior draft, Fed Funds +2, with ceiling)
- Interest not due on retroactive regs changes prior to implementation – Gov's Bill Approach
- NEW - Credits over One Year, not Two
- 30% credit for well work (one definition reword since prior draft)
- Restore 3 year statute of limitations (No change from prior draft)
- NEW - No "matching spend" required to purchase credits
- Tax rate tied to Resident Hire – Not in Current Draft

8 Changes in CSHB 308 Version P

- Progressivity
- Interest rate
- Interest not due on retroactive regs changes prior to implementation
- NEW - Credits over One Year, not Two
- 30% credit for well work
- Restore 3 year statute of limitations
- NEW - No "matching spend" required to purchase credits
- Tax rate tied to Resident Hire

3.17.2010

Progressivity in AS 43.55.011(g) vs. Personal Income Tax

- Under federal personal income tax rules rate is bracketed and only applied to certain income

Schedule X—If your filing status is Single

If your taxable income is: Over—	But not over—	The tax is:	of the amount over—
$0	$9,250	..... 10%	$0
9,250	33,950	$925.00 + 15%	9,250
33,950	82,250	4,675.00 + 25%	33,950
82,250	171,550	16,750.00 + 28%	82,250
171,550	372,950	41,754.00 + 33%	171,550
372,950	.....	109,216.00 + 35%	372,950

- Under current production tax law, all net value is taxed at highest rate – 25% + progressivity (which can range from 0% to 50%)

What is Progressivity?

- Under this CS – Two brackets.
- First bracket up to $30/bbl is 25%
- Second bracket above $30/bbl is 25%+ progressivity

.

Progressivity

- Tax = Rate * Base
- Current Law for Progressivity (AS 43.55.011(g) :
  - Rate: (PTV/bbl - $30) times .4% per dollar,
  - Base: PTV (net value)

- This CS (Version S):
  - Rate: (PTV/bbl - $30) times .4% per dollar,
  - Base: PTV less ($30 * bbl) (net value above $30)

- Prior Draft (Version E):
  - Rate: (PTV/bbl - $30) times .2% per dollar,
  - Base: PTV (net value)

Progressivity in AS 43.55.011(g) vs. Personal Income Tax

"Income"

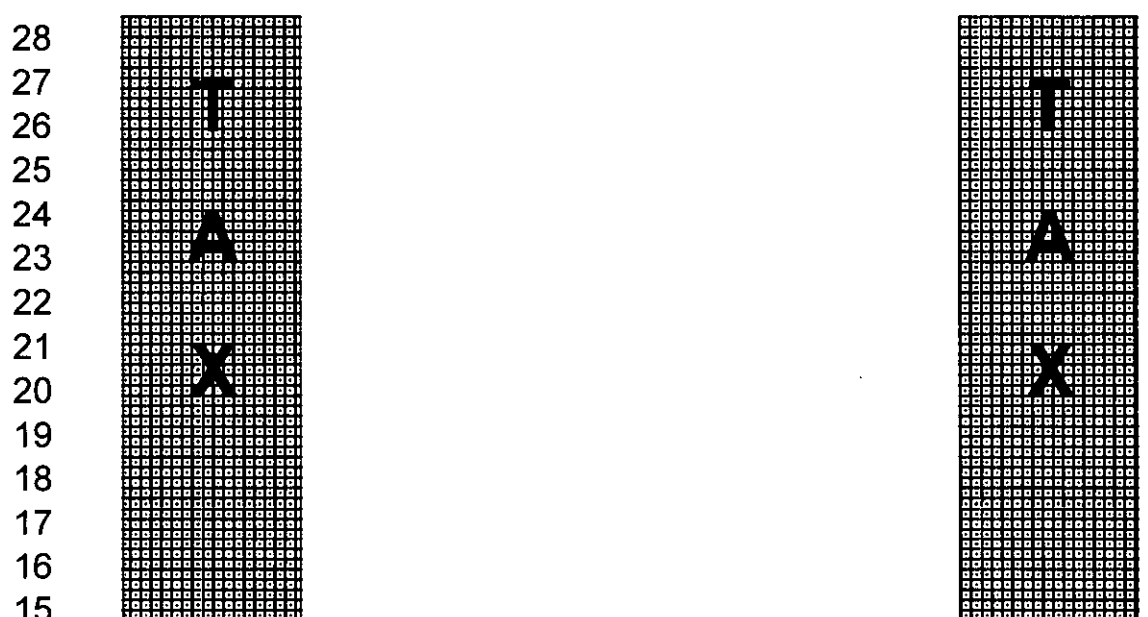
Progressivity in Federal Income Tax

Progressivity in AS 43.55.011(g)

3.17.2010

Progressivity in AS 43.55.011(g) vs. Personal Income Tax

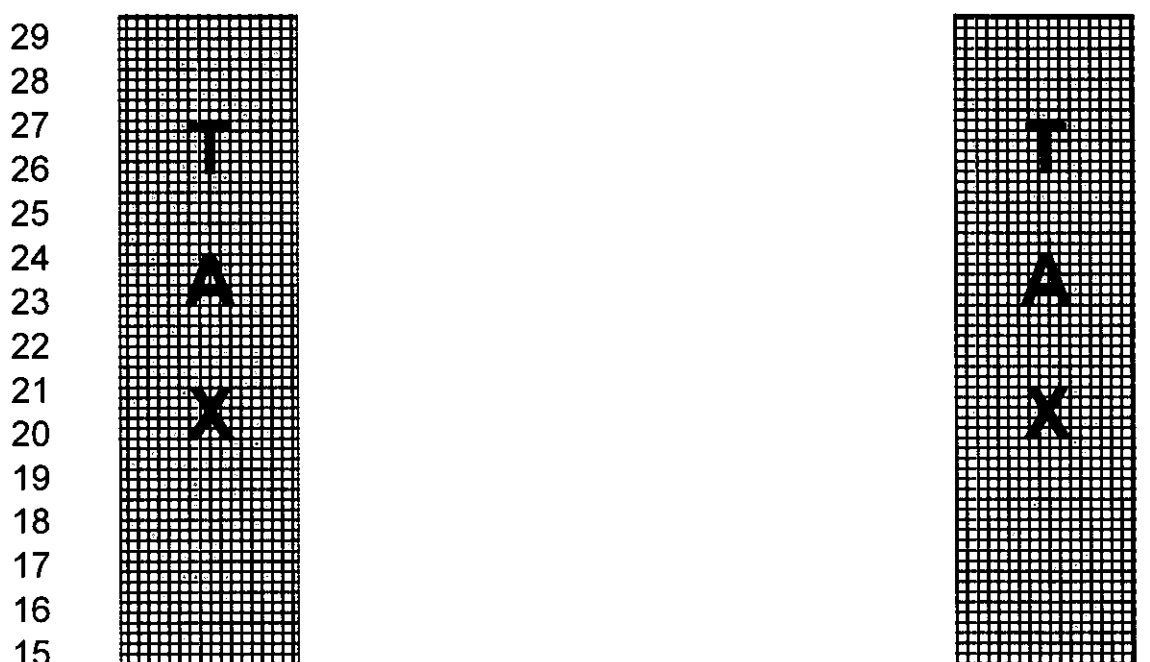
"Income" **Progressivity in Federal Income Tax** **Progressivity in AS 43.55.011(g)**



3.17.2010

Progressivity in AS 43.55.011(g) vs. Personal Income Tax

"Income" **Progressivity in Federal Income Tax** **Progressivity in AS 43.55.011(g)**

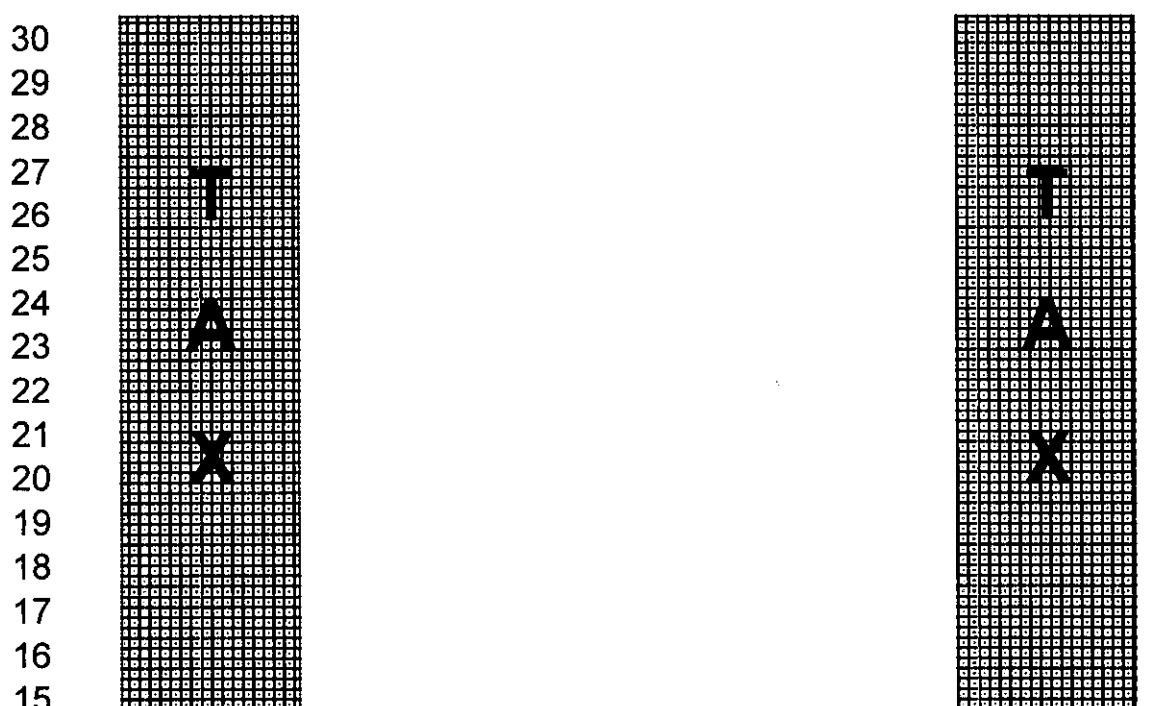


Progressivity in AS 43.55.011(g) vs. Personal Income Tax

"Income"

Progressivity in Federal Income Tax

Progressivity in AS 43.55.011(g)



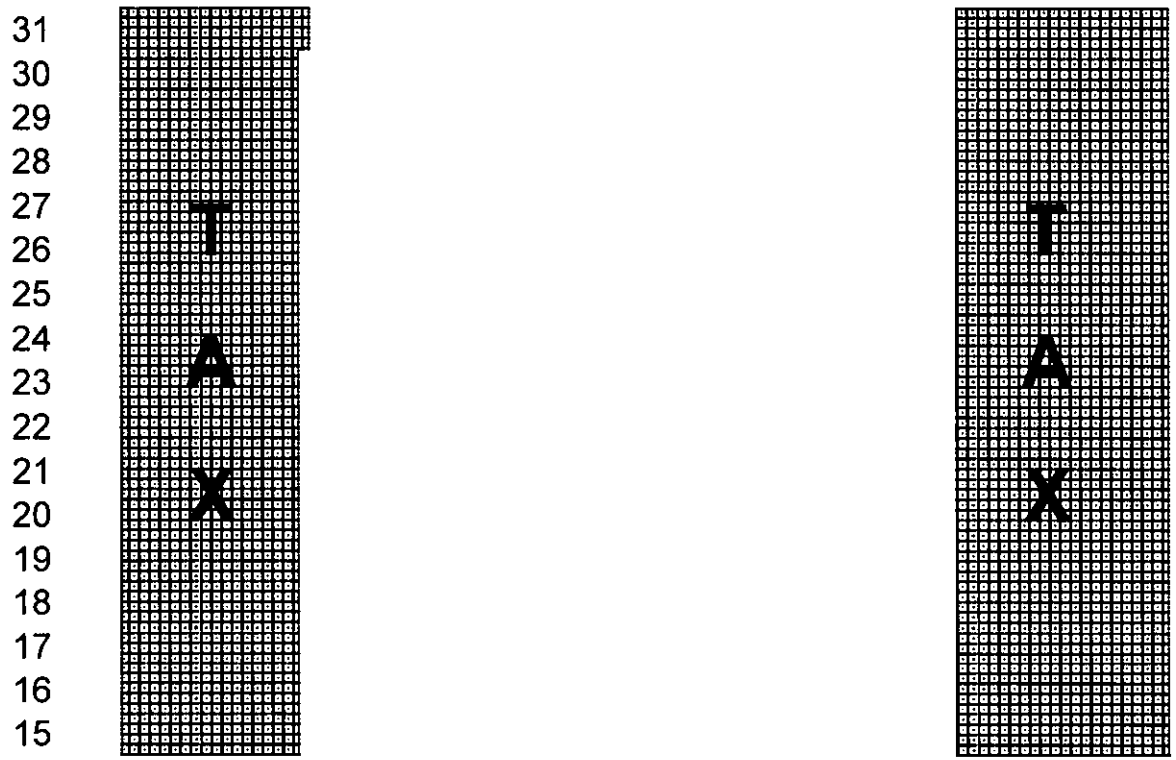
3.17.2010

Progressivity in AS 43.55.011(g) vs. Personal Income Tax

"Income"

Progressivity in Federal Income Tax

Progressivity in AS 43.55.011(g)



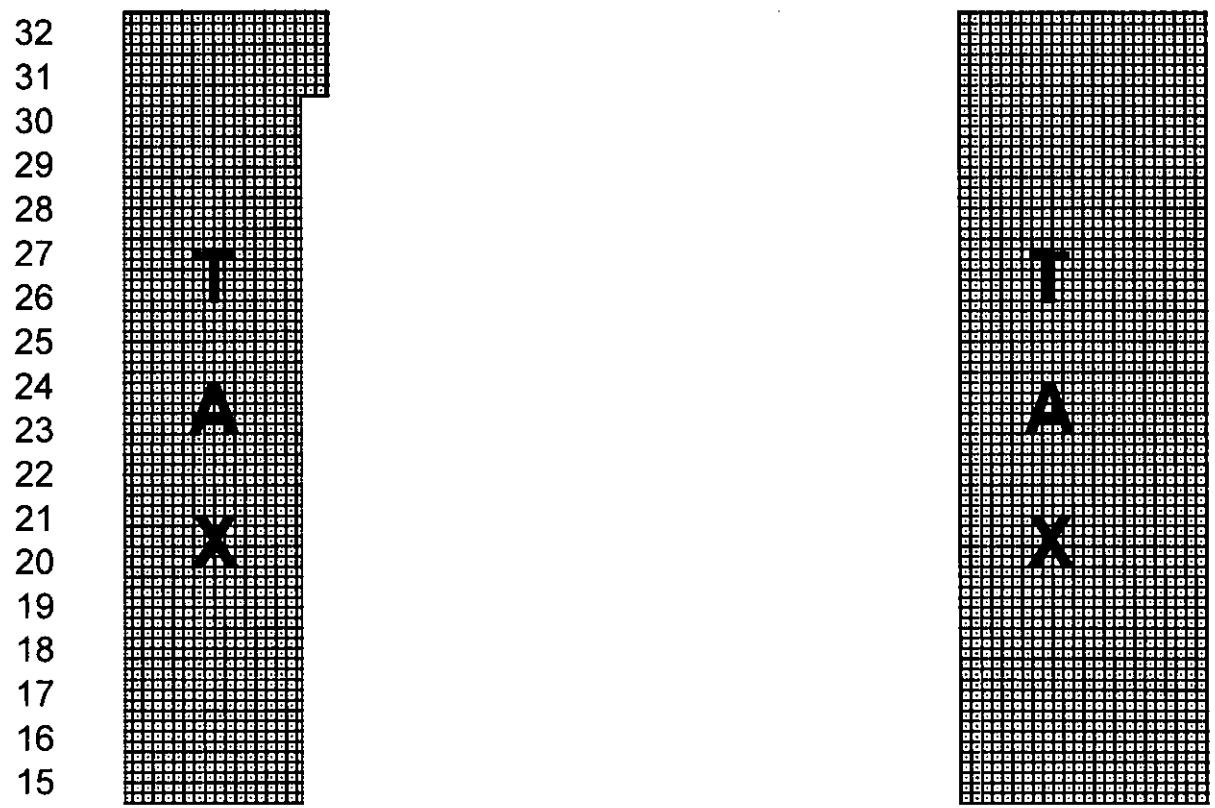
3.17.2010

Progressivity in AS 43.55.011(g) vs. Personal Income Tax

"Income"

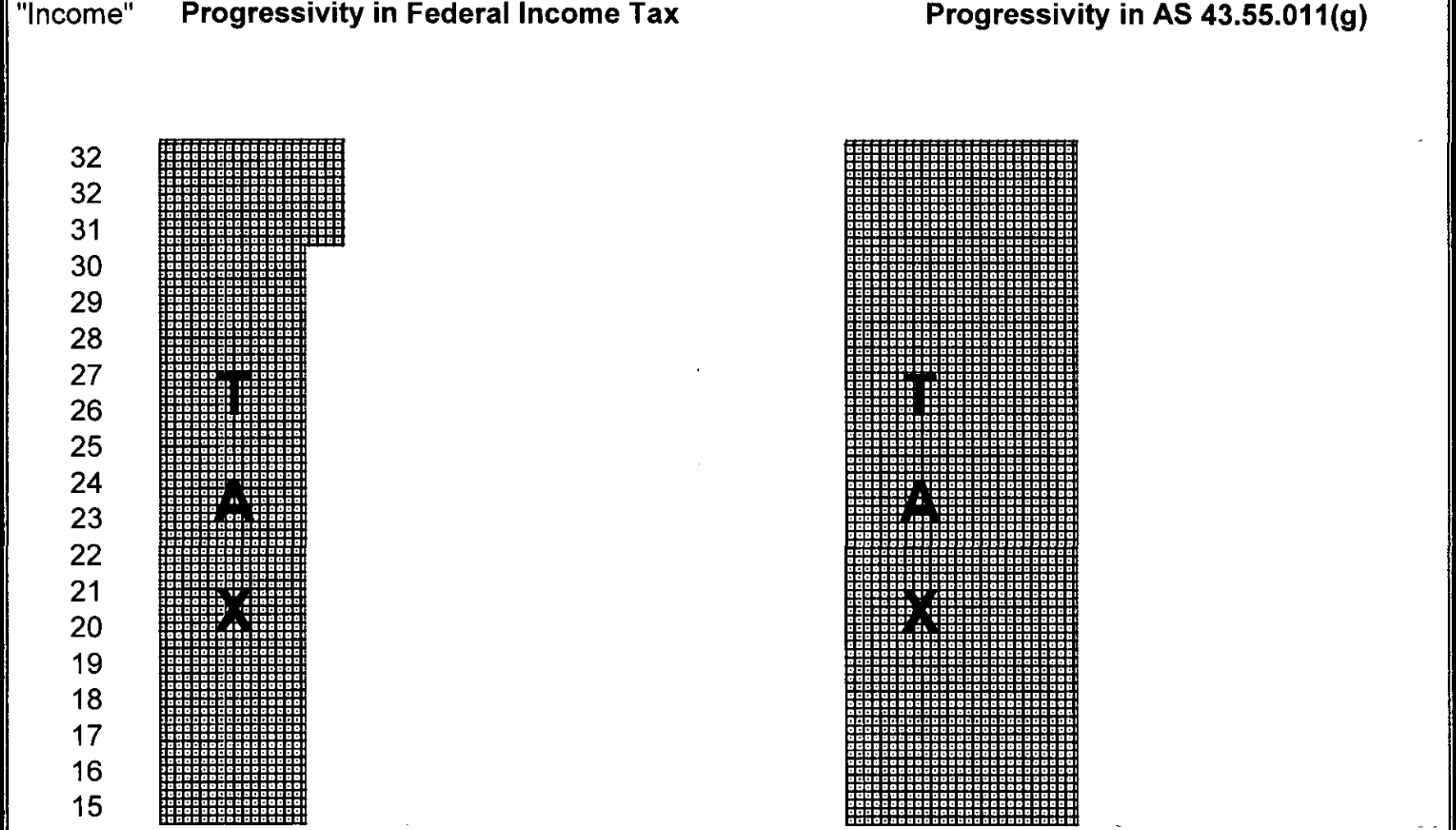
Progressivity in Federal Income Tax

Progressivity in AS 43.55.011(g)



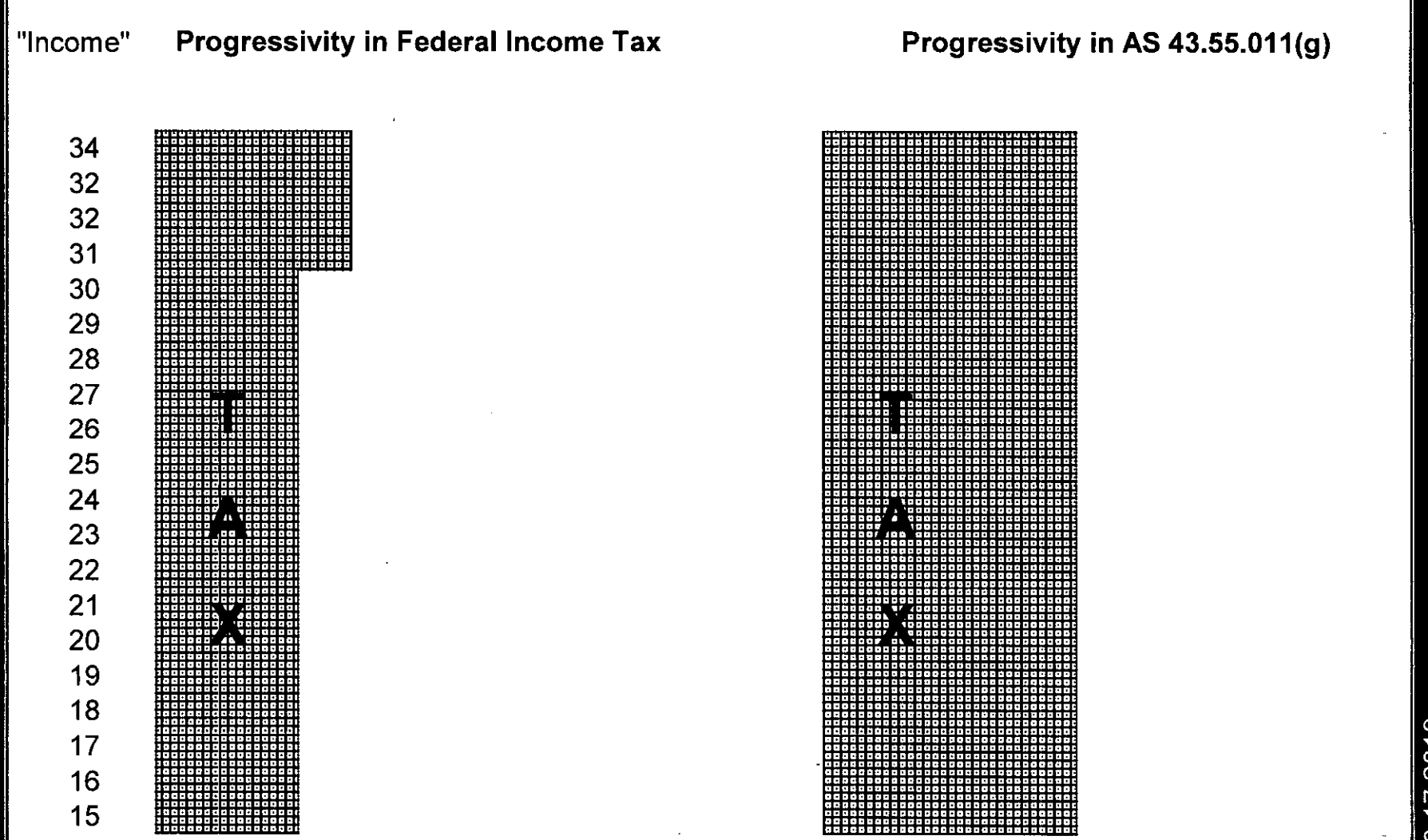
3.17.2010

Progressivity in AS 43.55.011(g) vs. Personal Income Tax



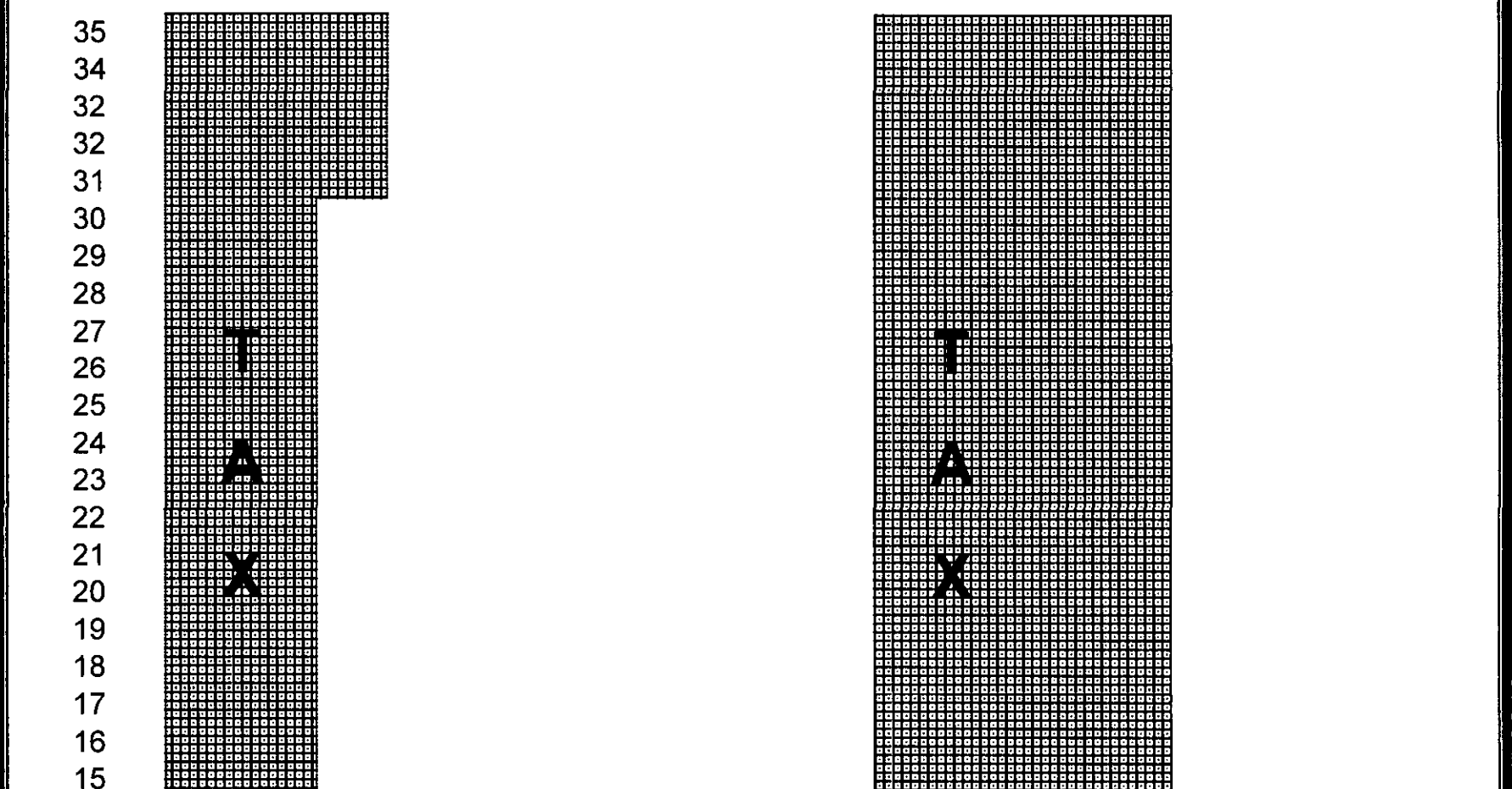
3.17.2010

Progressivity in AS 43.55.011(g) vs. Personal Income Tax



3.17.2010

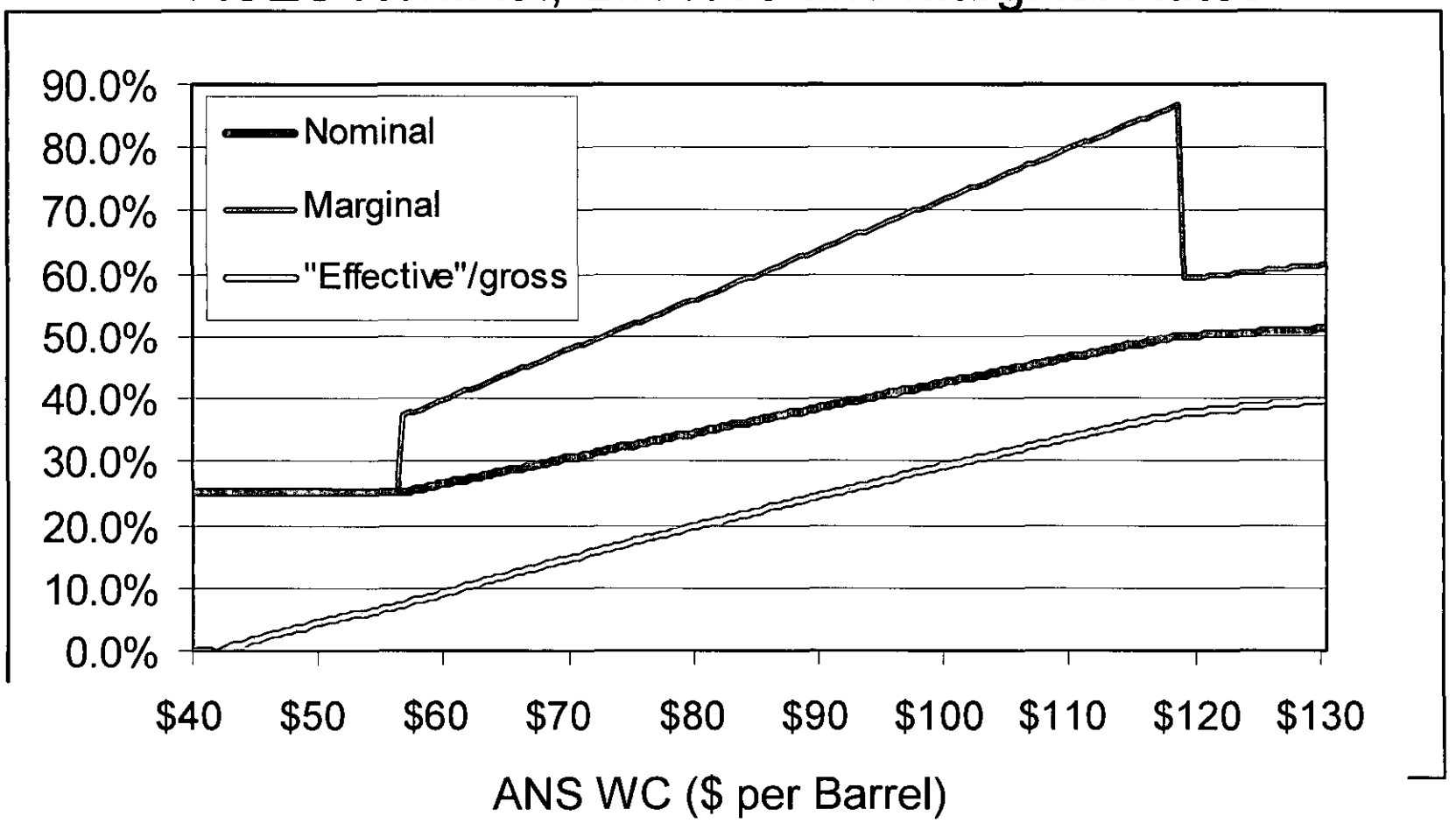
Progressivity in AS 43.55.011(g) vs. Personal Income Tax



3.17.2010

Production Tax: Progressivity + 25%

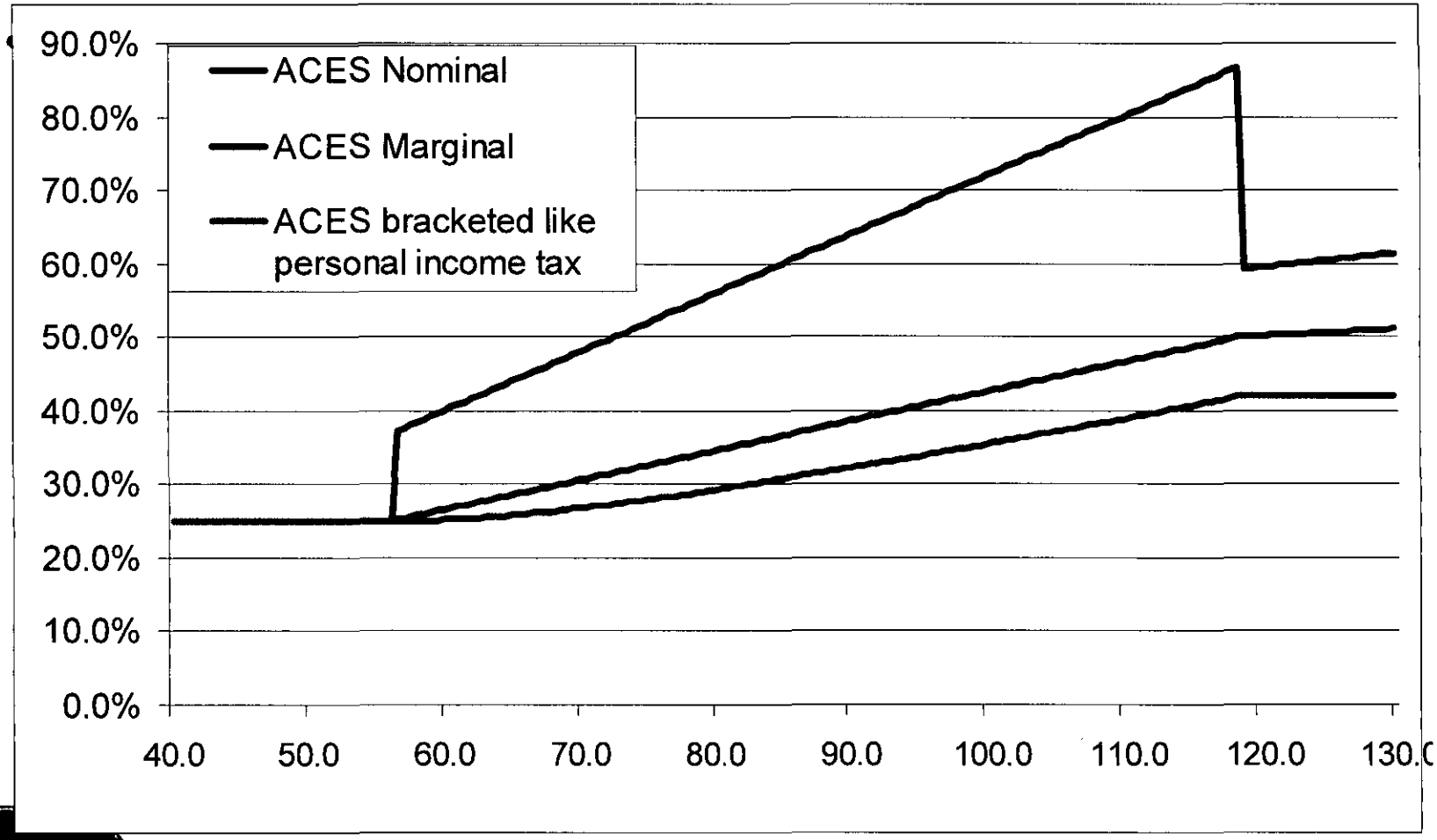
- Reproduction of Figure G from DOR January 14 Report
- "ACES Nominal, Effective and Marginal Rates"



3.17.2010

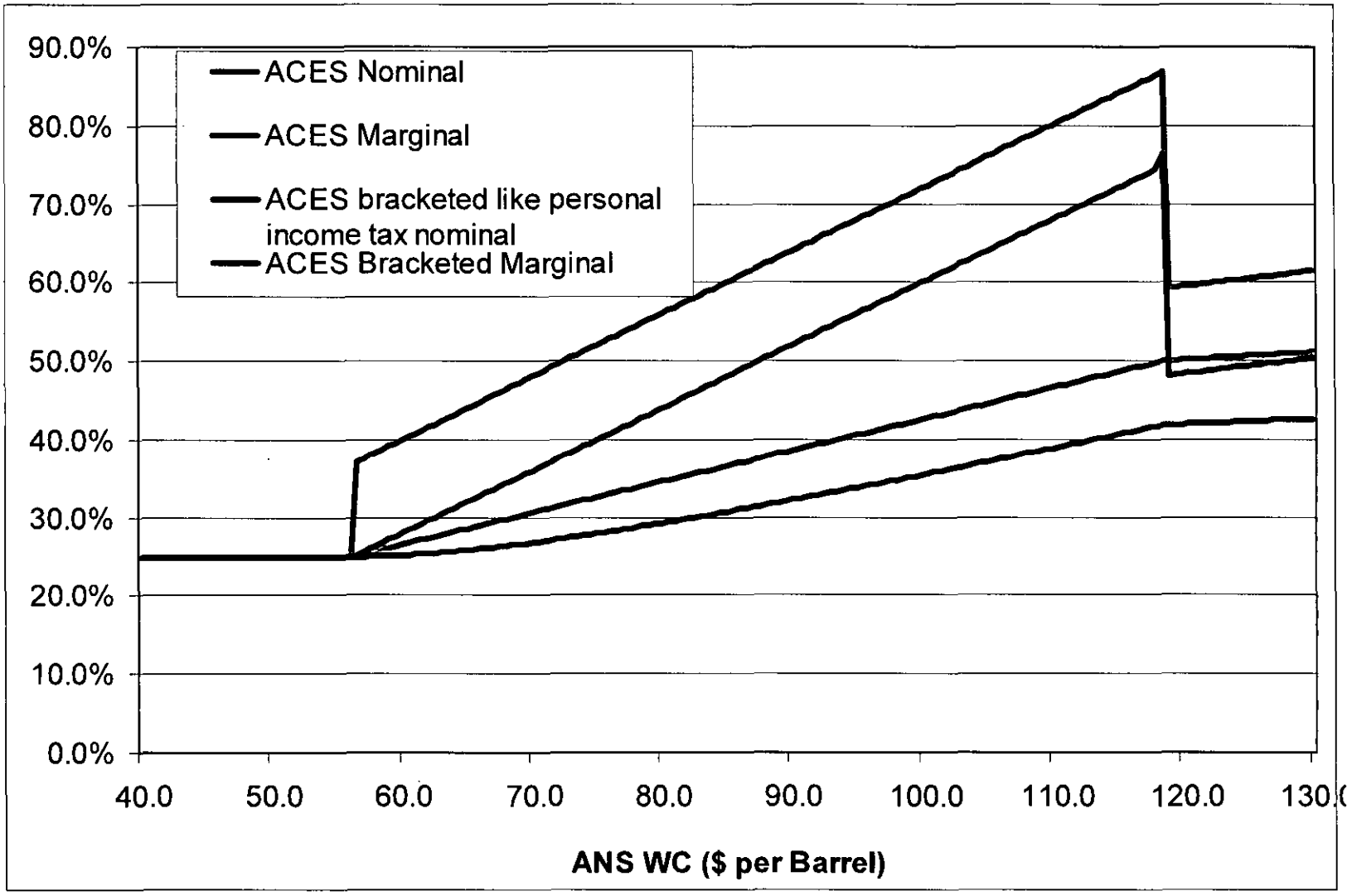
Production Tax: Progressivity + 25%

- What if the progressivity bracket was like personal federal income tax brackets.



3.17.2010

Production Tax: Progressivity + 25%



3.17.2010

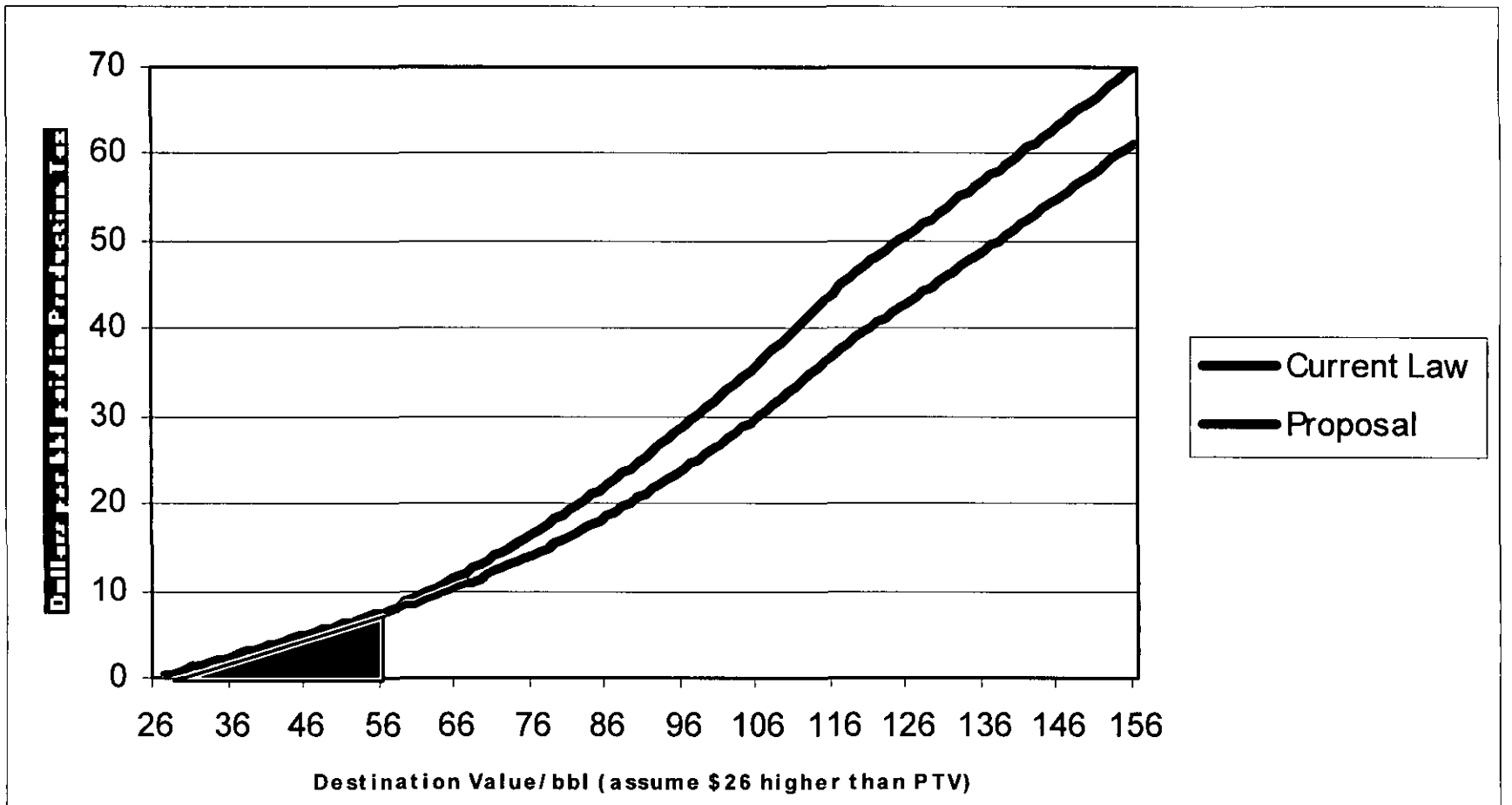
Crossing the Progressivity/Bracket Threshold

25.4% bigher bracket starts when net value (PTV) passes $30 a barrel

	30		31				Difference
Personal federal income tax progressivity							
PTV	$ 30.00		$ 30.00	+ $ 1.00	=	$ 31.00	$ 1.00
Tax Rate	25.0%		25.0%	25.4%		25.4%	
Tax	$ 7.500		$ 7.500	+ $ 0.254	=	$ 7.754	$ 0.254
Marginal Tax Rate:							25.4%
AS 43.55.011(g) Progressivity							
PTV	$ 30.00		$ 30.00	+ $ 1.00	=	$ 31.00	$ 1.00
Tax Rate	25.0%		25.4%	25.4%		25.4%	
Tax	$ 7.500		$ 7.620	+ $ 0.254	=	$ 7.874	$ 0.374
Marginal Tax Rate:							37%
Difference	$ -		$ 0.12			$ 0.12	$ 0.12

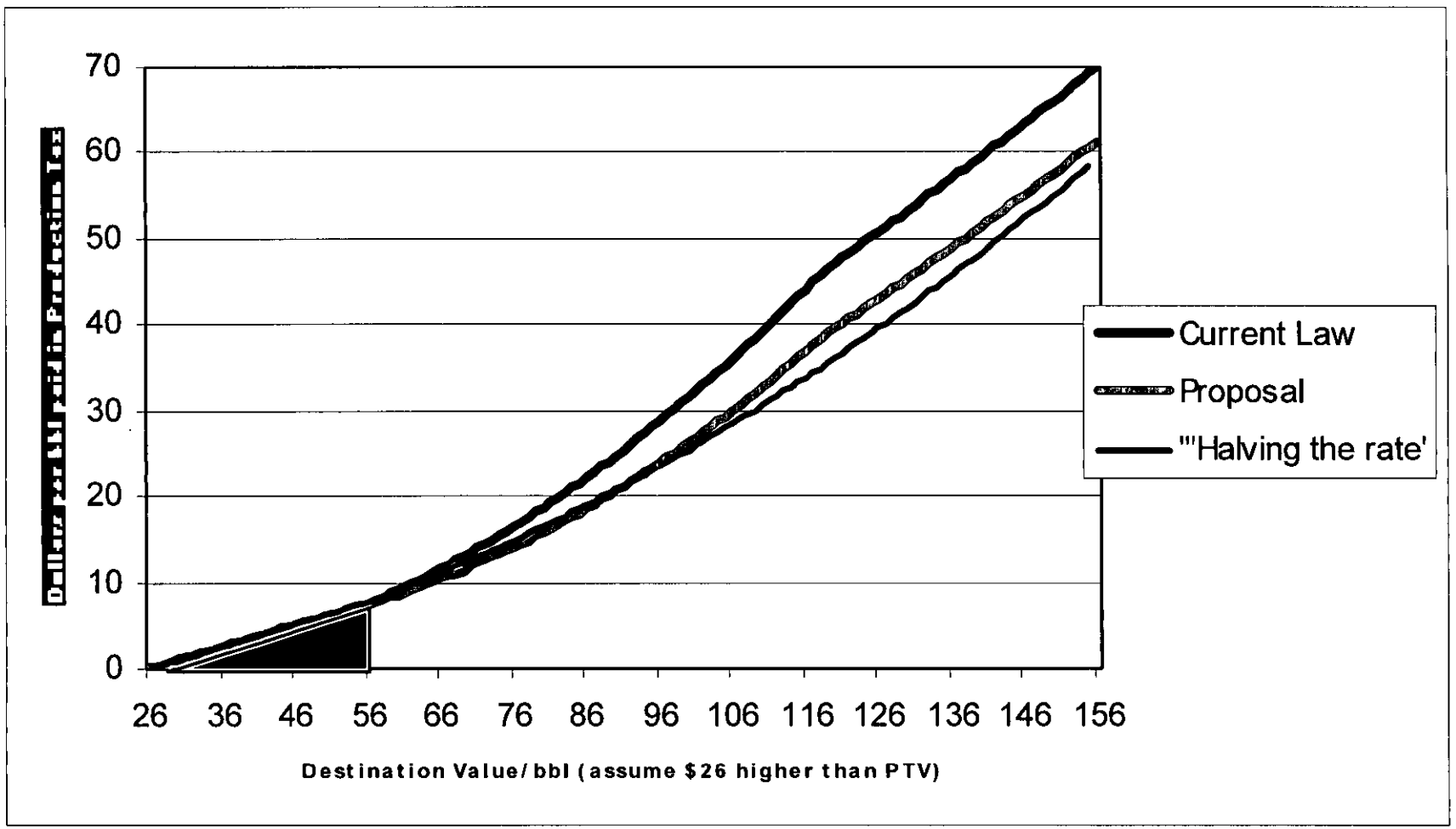
3.17.2010

Dollar per Barrel in Production Tax at Various Prices



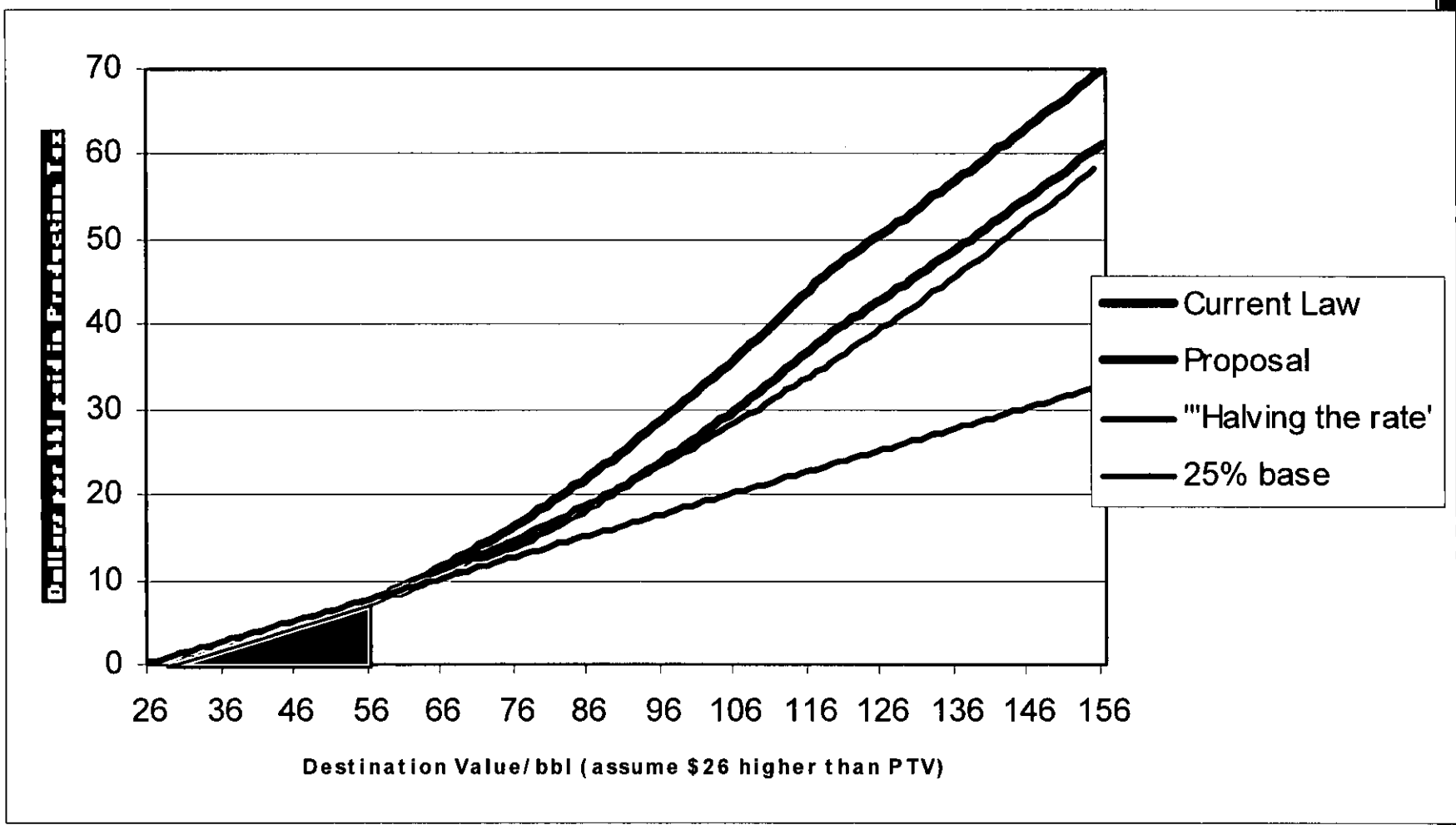
3.17.2010

Dollar per Barrel in Production Tax at Various Prices



3.17.2010

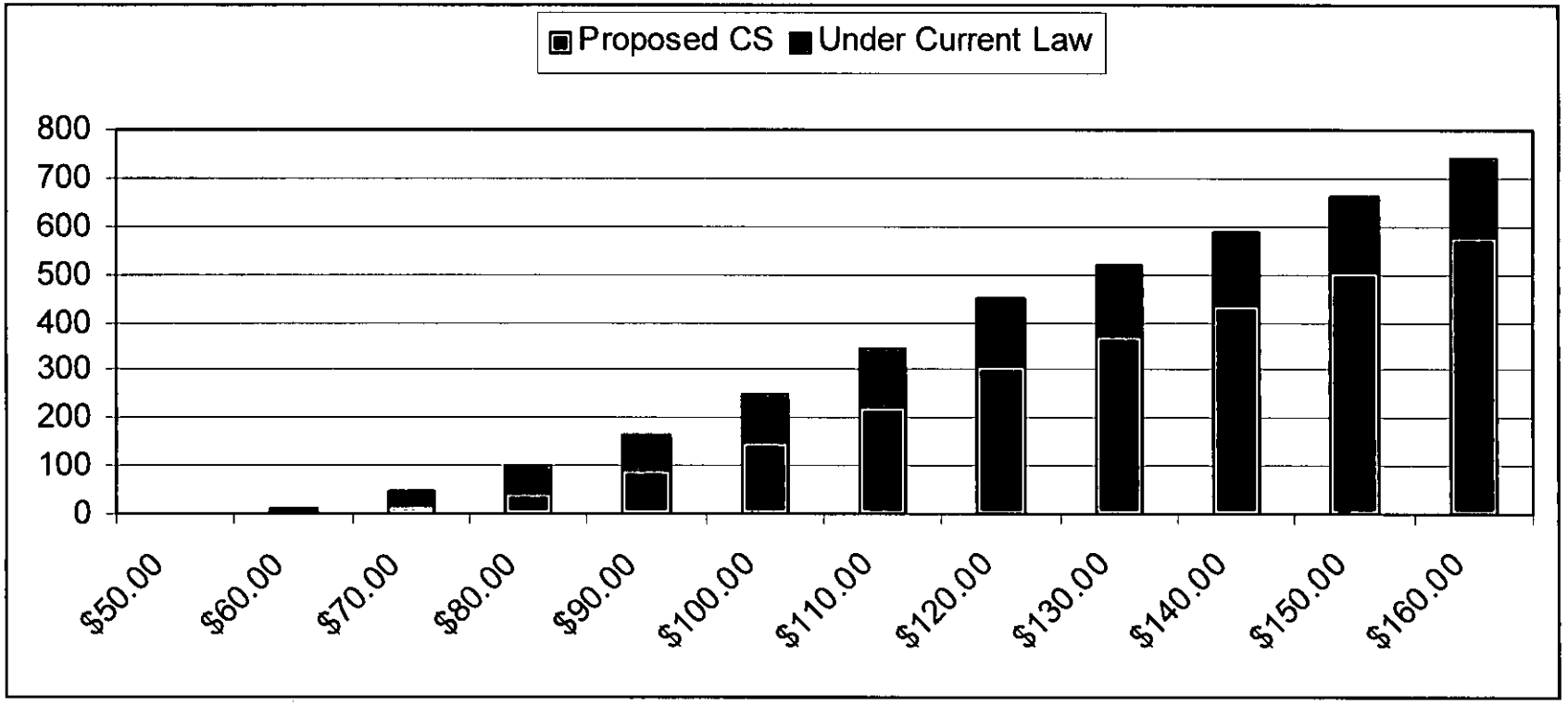
Dollar per Barrel in Production Tax at Various Prices



3.17.2010

Total dollar effect at current volumes

- Consider a year in which each month the oil price averages $10 higher than the prior month (With current production and costs)



8 Changes in CSHB 308 Version P

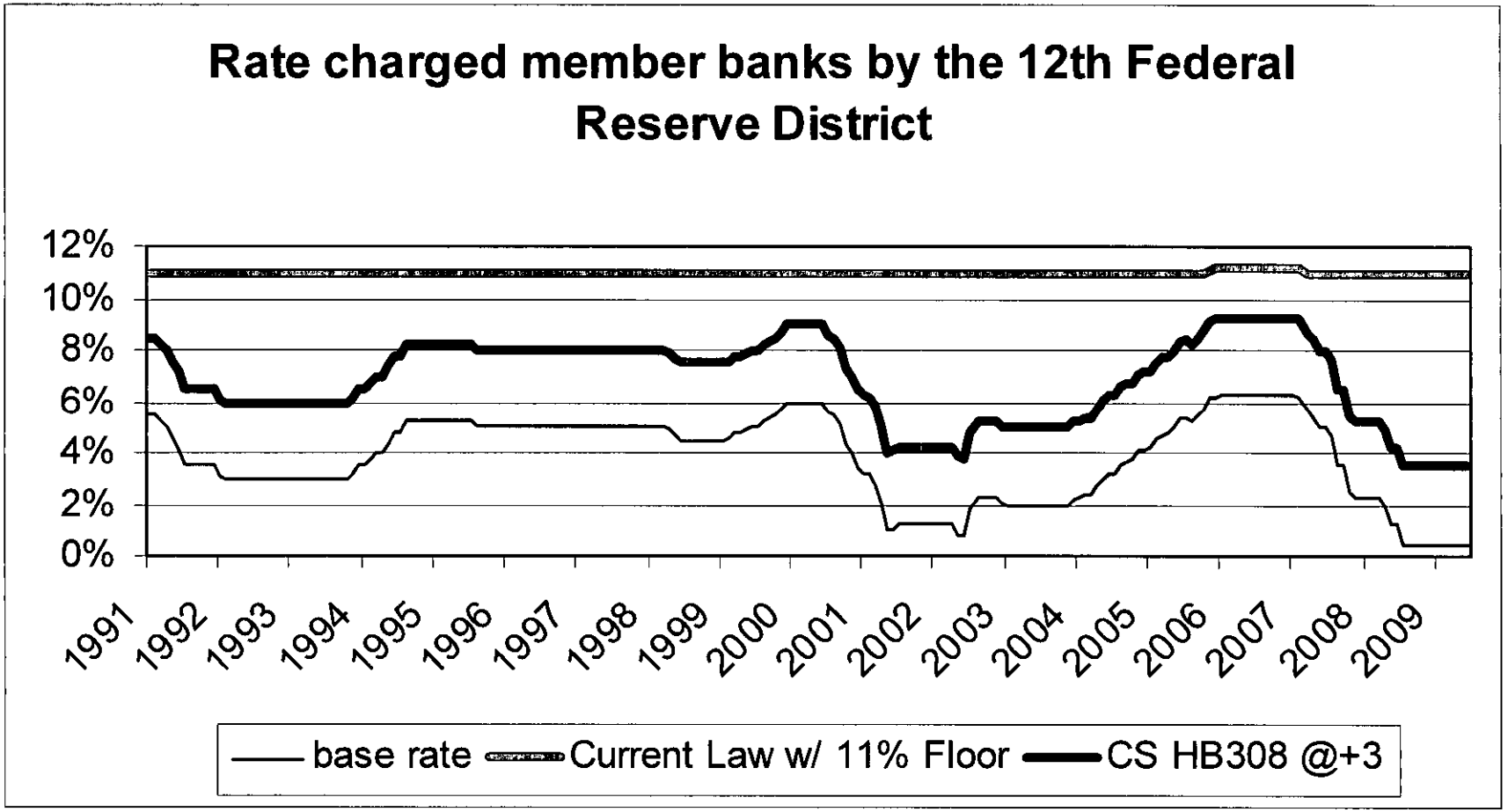
- Progressivity
  - Interest rate
  - Interest not due on retroactive regs changes prior to implementation
  - NEW - Credits over One Year, not Two
  - 30% credit for well work
  - Restore 3 year statute of limitations
  - NEW - No "matching spend" required to purchase credits
- Tax rate tied to Resident Hire

Interest Rate for Delinquent Taxes

- Current law is higher of fed funds rate + 5% or 11%
- This CS (Version S) does away with notion of a floor or ceiling and charges Fed Funds rate + 3%
- Applies to (almost) all taxes
- Because AS 43.05.225 specifies a quarterly reset, effective first day of first calendar quarter after rest of bill effective
- Prior CS was lower of fed funds rate + 2 or 11%

3.17.2010

Interest Rate On Delinquent Taxes



Interest from Retroactive Regulations

- Interest due back to last day of month after month of production
- Current Law – Commissioner cannot forgive interest
- This CS – Same approach as Governor's bill
  - DOR will waive interest between production and implementation of regulation
    - On underpayment that arise from regulation not being in effect when payment was due
    - If DOR does not find the producer failed to make a good faith estimate {Wording Change from Gov}
  - Contains provisions for overpayment
- Prior CS – "not considered delinquent"

Recovering credits over two years

- In 2006 "PPT" reforms, credits could be used as soon as earned (then applied 1/12 in each month) or certificate issued (then can be applied immediately)
- In 2007 "ACES" reforms period extended to two years
- This CS proposes to restore to one year
- DOR conclusion two year process was complex without adding significant value.

Investment Credits

- Credits for Capital Investments
- Under Current Law –
  - 30% Credit for exploration wells (AS 43.55.025)
  - 40% Credit for seismic work outside of existing unit,
    - or exploration wells 25 miles from existing unit, and
    - 3 miles from any prior well (or with certification from DNR that it is for a new target in the Cook Inlet) (AS 43.55.025)
  - 20% Credit for any capital investment (AS 43.55.023(a))
- This Bill (and prior CS – only change is to a definition)
  - adds 30% well work – both capital and operating - to investment credits

Definitions of well work compared

SB 267 proposed AS 43.55.023(m)(3)	Governor's Language in HB 337 for AS 43.55.025(b) (3) and (4)
"Well-related expenditures" means	Development well expenditures
A lease expenditure	Goods, services and rentals of personal property reasonable required for
related to a well	
and includes a lease expenditure for the purposes of sidetracking, well deepening, well recompletion, well workover,	Redrilling, casing , cementing or logging, completing, workover operations or other operations intended to increase or enhance well production
	From a known productive pool;
an injection well and well related seismic work and	And the well is not a service well [injector] stratigraphic test well, or an exploratory well
an intangible drilling and development cost authorized under 26 USC (IRC) as amended, and 26 CFR 1.612-4, regardless of the elections make under 26 USC 263(C) as amended	
During production "well-related expenditure" includes the costs of operating a well and moving well fluids to the wellhead.	

3.17.2010

3 Year SOL

- Statute of limitations time for the state to complete a production tax audit (or, agree to an extension with taxpayer or issue a blue sky assessment)
- Current Law
  - In 2007 production tax pulled out and extended to 6 years in AS 43.55.07
  - Prior to 2007, SOL was three years for all tax types under AS 43.05.260 –
- This Bill (no change from prior CS)
  - Three year rule would begin again with 2011 tax year
  - (all prior years for production tax would remain at 6 yrs

Matching Spend

- Current law: all producers producing less than 50,000 bbls a day may sell their credits to the state (AS 43.55.028) if the following conditions are met:

- (1) Not earlier than allowed on certificate (will become moot)
- (2) within 24 months of applying for a certificate, the taxpayer pays out similar amount in capital investment or lease bids.
- (3) No other outstanding tax liabilities

- This CS (not in prior CS) will delete item two

Matching Spend

- Currently all producers producing less than 50,000 bbls a day may sell their credits to the state (AS 43.55.028) if the following conditions are met:

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- (3) No other outstanding tax liabilities

- This CS (not in prior CS) will delete item two

3.17.2010

Thank You

Dan E. Dickinson CPA
Anchorage, AK
ddickinsoncpa@gci.net
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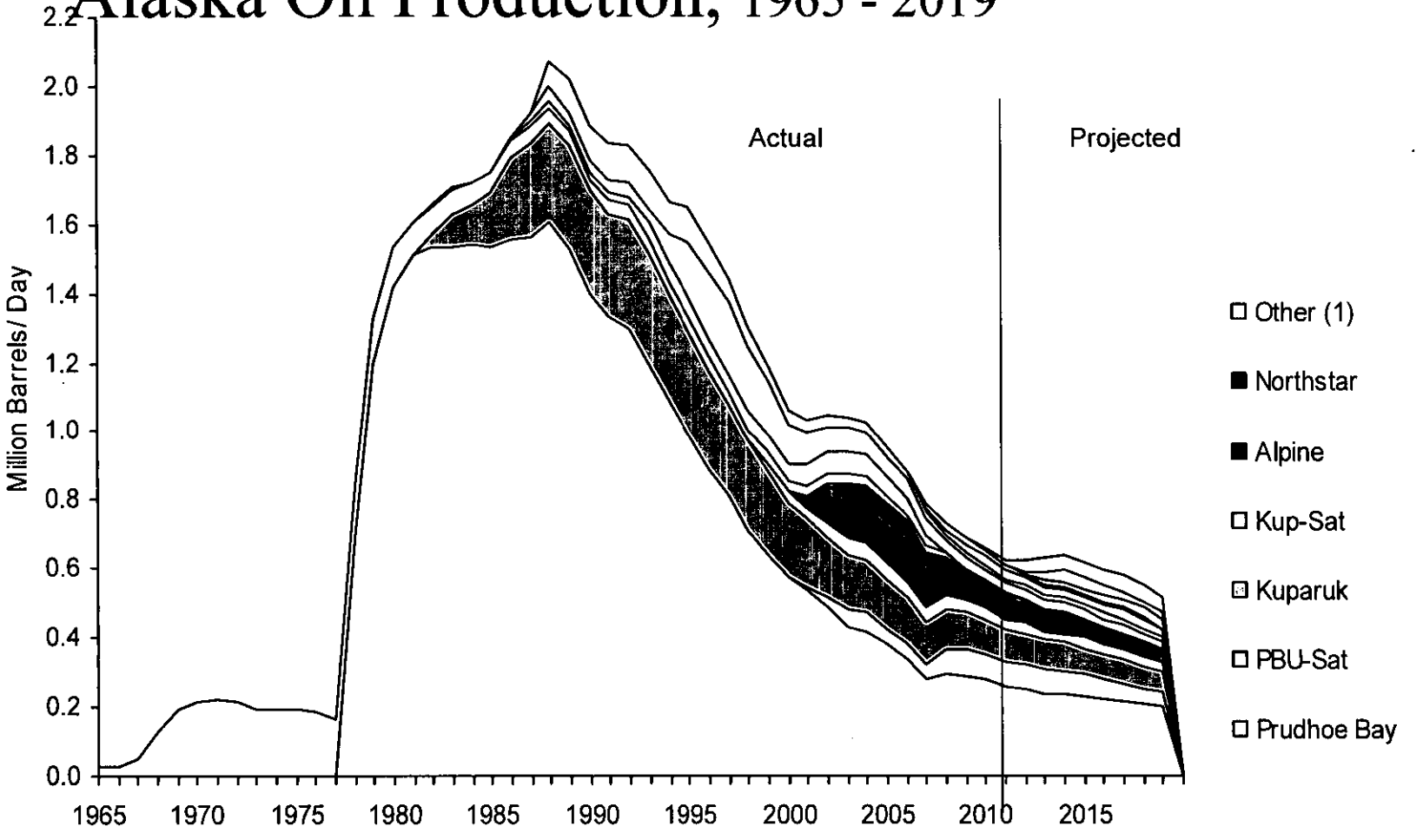
http://www.dedcpa.com/

Alaska Oil Production, 1965 - 2019



Source: Alaska Department of Revenue, Fall 2009 Revenue Sources Book. Extrapolated

(1) Cook Inlet, Duck Island, Milne Point, Greater Point McIntyre, Liberty, Known On & Offshore, Fiord and NPRA.

3.17.2010

CSHB 308 Mechanism

	ACES TAX	HB 308 TAX
Base Tax	PTV x 25%	PTV x 25%
Progressive Tax	PTV x Progressive Tax Rate	Progressive PTV x Progressive Tax Rate

Progressive Tax Rate = Tax rate in excess of 25% when PTV > $30/BOE

Progressive PTV = Taxable Production x (PTV/BOE - 30)

CSHB 308 Example

Production: 700,000 bbl/d

PTV: $60/bbl

2

	ACES TAX	HB 308 TAX
Base Tax	$3.4 Billion *[$13.4 B x 25%]*	$3.4 Billion *[$13.4 B x 25%]*
Progressive Tax	$1.6 Billion *[$13.4 B x 12%]*	$0.8 Billion *[$6.7 B x 12%]*
TOTAL Tax	**$5.0 Billion**	**$4.2 Billion**

Tax Reduction: $800MM

Progressive Tax Rate = 12% [37% - 25%]

Progressive PTV = $6.7 Billion [700,000 x (1 – 12.5%) x 365 x (60 - 30)]

CSHB 308 Impacts

FY 2008 - $1,040 million (based on actual monthly prices and data)

FY 2009 - $400 million (based on actual monthly prices and data)

FY 2010 - $300 million (based on fall 2009 forecast)

FY 2011 - $400 million (based on fall 2009 forecast)

FY 2012 - $460 million (based on fall 2009 forecast)

2/24/2010

Brian R. Wenzel
Vice President
Finance

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cell: 907.229-8670
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ConocoPhillips

March 23, 2010

The Honorable Mark Neuman
Co-Chairman, House Resources Committee
Alaska State Legislature
Alaska State Capital, Room 432
Juneau, AK 99801-1182

The Honorable Craig Johnson
Co-Chairman, House Resources Committee
Alaska State Legislature
Alaska State Capitol, Room 126
Juneau, AK 99801-1182

Dear Co-Chairmen Neuman and Johnson:

Thank you for the opportunity to present to the House Resources Committee on March 10, 2010, regarding the State of Alaska's oil tax structure and our support for HB308 as a positive step towards improving the investment climate in Alaska.

Questions raised during the committee discussion are answered below with additional details provided in the referenced attachments.

Question #1: Can you tell the committee where else ConocoPhillips is doing business, and about that level of investment?

Response #1: Please refer to ConocoPhillips Senior Vice President of Exploration & Business Development Larry Archibald's January 22 presentation to the Alaska Support Industry Alliance. This presentation covers ConocoPhillips' global exploration plans and can be accessed at http://alaskaalliance.com/pdf/archibald_meet_alaska3.pdf. I have attached six slides from the same presentation (see Attachments #1-6) to demonstrate the significant worldwide exploration expenditures ($2 billion) by ConocoPhillips in a year when we will not be drilling an exploration well in Alaska for the first time in 45 years. Please also refer to http://www.conocophillips.com for additional details about our company and its investments.

Question #2: Do you have a graph looking at total North Slope investment, including Point Thomson?

Response #2: Please see Attachment #7 which charts the Department of Revenue's (DOR's) forecast for North Slope expenditures (red bars) and an estimate of the expenditure level without inflation (yellow bars), demonstrating that on an inflation-adjusted basis, oil and gas industry investment on the slope is flat. Attachment #8 is slide #16 from the DOR's February 4, 2010 presentation to the Senate Resources committee and depicts North Slope Expenditures for FY2007 through FY2011 forecast. Attachment #9 shows the anticipated total North Slope production decline rates under different investment scenarios.

The approximately $4 billion annual expenditure shown by the DOR on Attachment #8 will be required to maintain the historical decline rate of about 6% shown on Attachment #9. The DOR's production forecast represents an approximate 2.5% production decline rate over the next ten years. Significant investment beyond the ~$4 billion per year level will be required to approach that rate of decline. Investment incentives, such as increased tax credits and reduced progressivity, will be critical to stimulating additional investments. HB308 is a positive step in that direction.

HB308 is important in helping to reverse the troubling trend depicted in Attachment #10, which charts the most recent Alaska Department of Labor employment data for the Oil and Gas sector. The latest data, released earlier this month, illustrates a significantly different trend than previous data. The data now illustrates that employment in Alaska's oil and gas industry peaked in late-2008 and has been on a steeply declining trend since.

Attachment #11 is slide #22 from the DOR's February 16th presentation to the Senate Finance Committee. It presents both the DOR's 2008 and 2009 forecasts of capital expenditures at the North Slope currently producing properties for 2010-2012. In one year, the DOR reduced this forecast by $1.3 billion, approximately 20%. This, combined with the DOR's approximate 20% reduction in remaining production for the North Slope core fields of Prudhoe Bay, Kuparuk, and Alpine from its 2008 to 2009 forecasts, is a troubling indication that the fiscal regime created by ACES is in need of change.

Question #3: Do you have an expectation of what will happen to production tax now that the standard deduction expired at the end of 2009?

Response #3: Attachment #12 is slide #22 of the DOR's February 4, 2010 presentation to the Senate Resources committee. The brown portion of the bars represents the incremental tax collected as a result of the standard deduction. The total production tax collected would have only been about 5% less had the standard deduction not been in place.

Question #4: Please further explain the number of U.S. drilling rigs on slide #8, "Active Drilling Rigs in Core Fields 2005-2009."

Response #4: Please see Attachment #13, which compares the U.S. oil rig count to the oil rig count at the North Slope core fields, Prudhoe, Kuparuk, and Alpine. The green line depicts the US rig count which trended with oil price and ranged from 184 to 415 as depicted by the right axis. The red bars represent the core fields' rig count on the left axis, which did not trend with oil price. In fact, following the early-2009 oil price dip, the U.S. oil rig count increased about 75% while the North Slope core fields' rig count dropped by approximately 30%. The Committee commented that one rig is approximately 100 direct jobs. Increases in well-related tax credits and reduced progressivity will help stimulate additional rig activity.

Please do not hesitate to contact me if the Committee has further questions or requires additional information.

Respectfully,

Brian R. Wenzel

Attachments

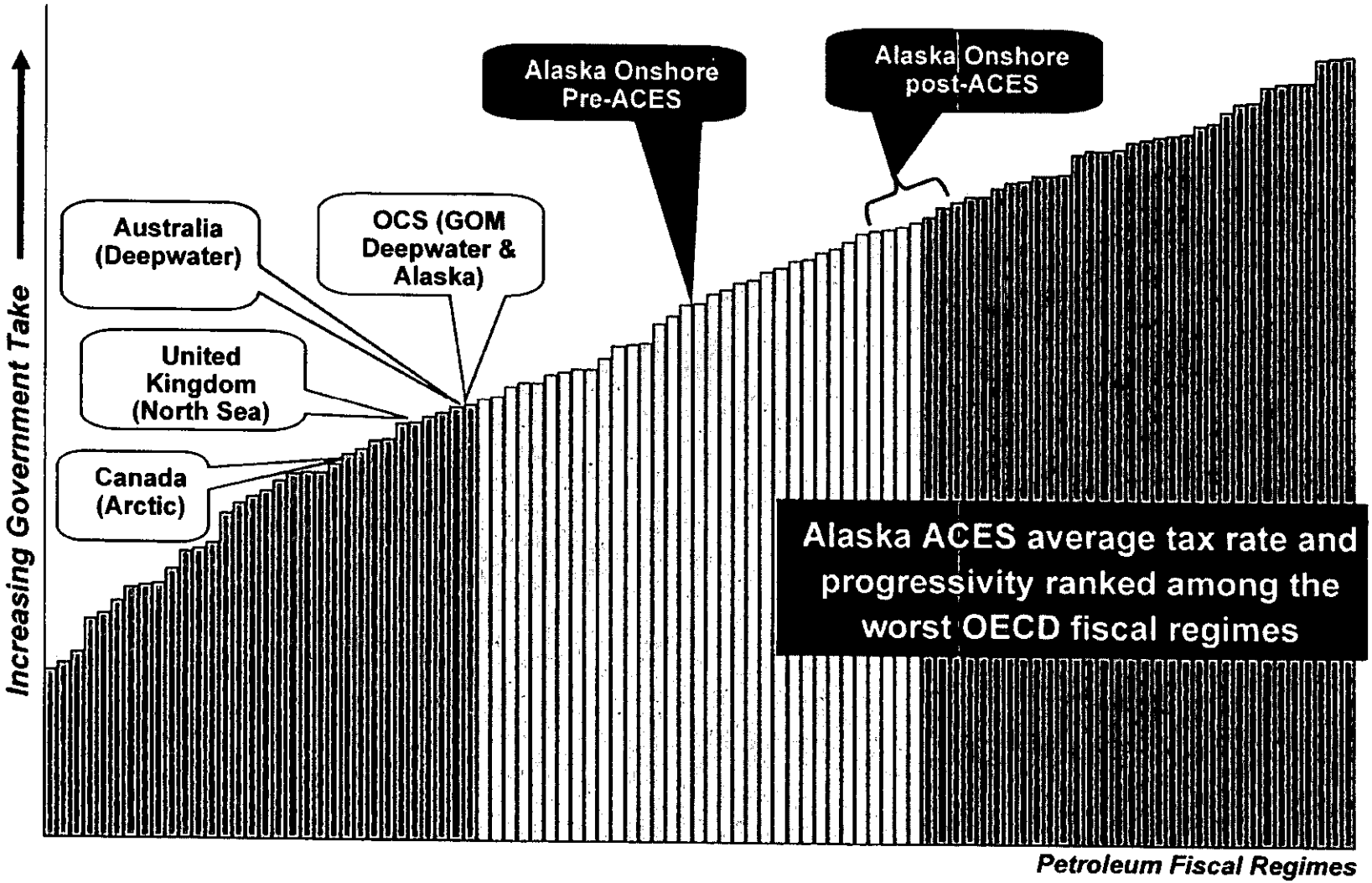
2010 ConocoPhillips Exploration & Appraisal Activity

Attachment #1

Investing $2 B in Global Exploration & Appraisal Activities

Global Perspective on Government Take

Attachment #2

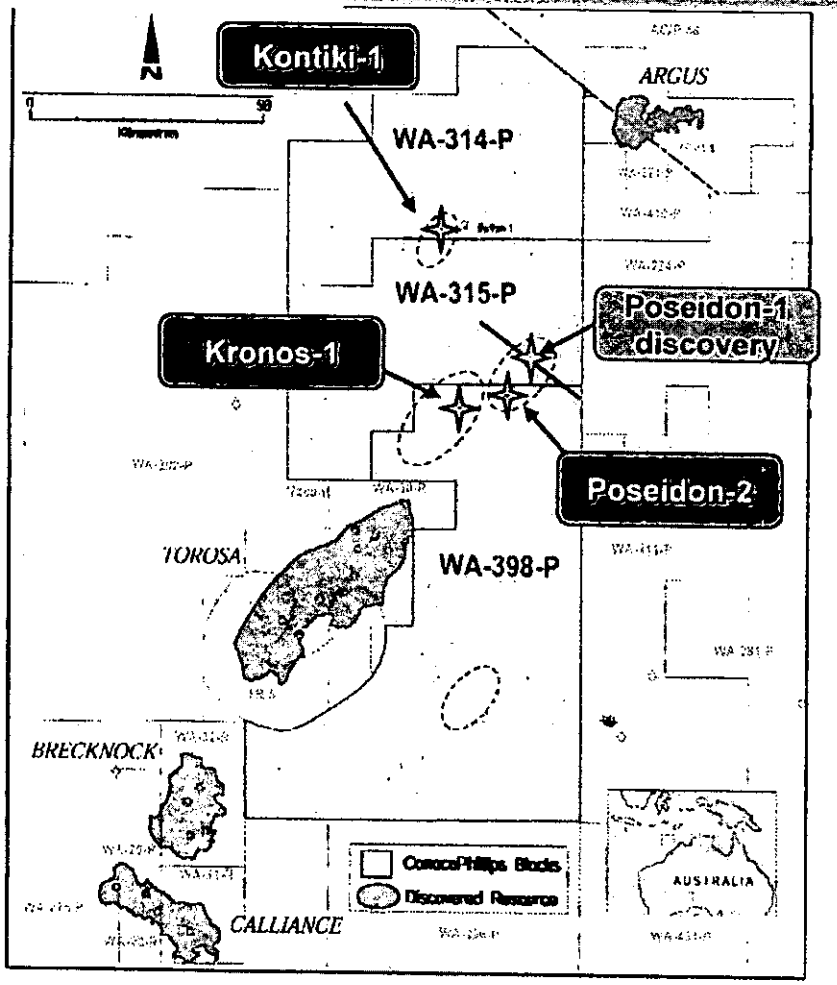


Data from Wood Mackenzie Government Take Analysis Dec 2009 and internal COP – high price case

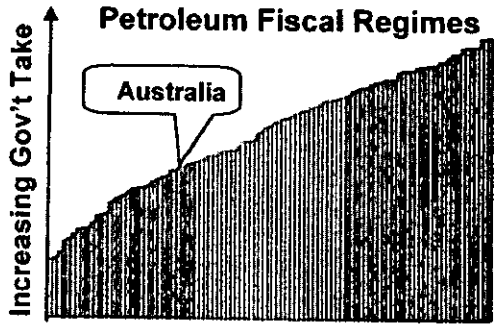
ConocoPhillips

COP's Australia - Browse Basin Activity

Attachment #3



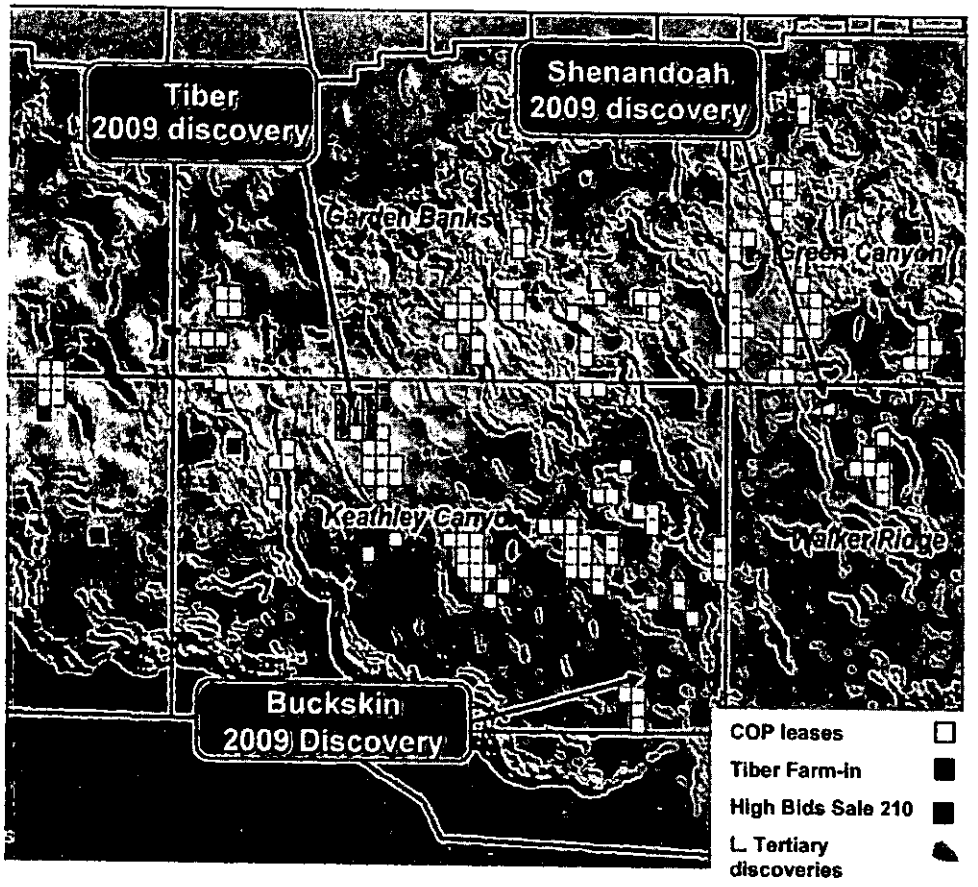
- **ConocoPhillips currently testing Browse Basin acreage position**
- **Adequate fiscal terms support exploration activities**
  - Well costs: $60-100 MM
- **COP operated Poseidon-1 discovery in 2009**
  - Multi-TCF potential
- **Poseidon-2 appraisal well in progress**
- **Further exploration activities planned**



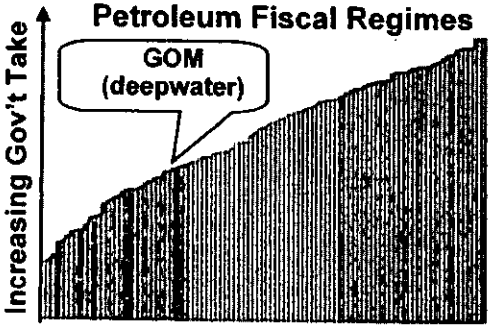
Adequate fiscal terms, giant resource potential

Lower Tertiary Play - Gulf of Mexico OCS

Attachment #4



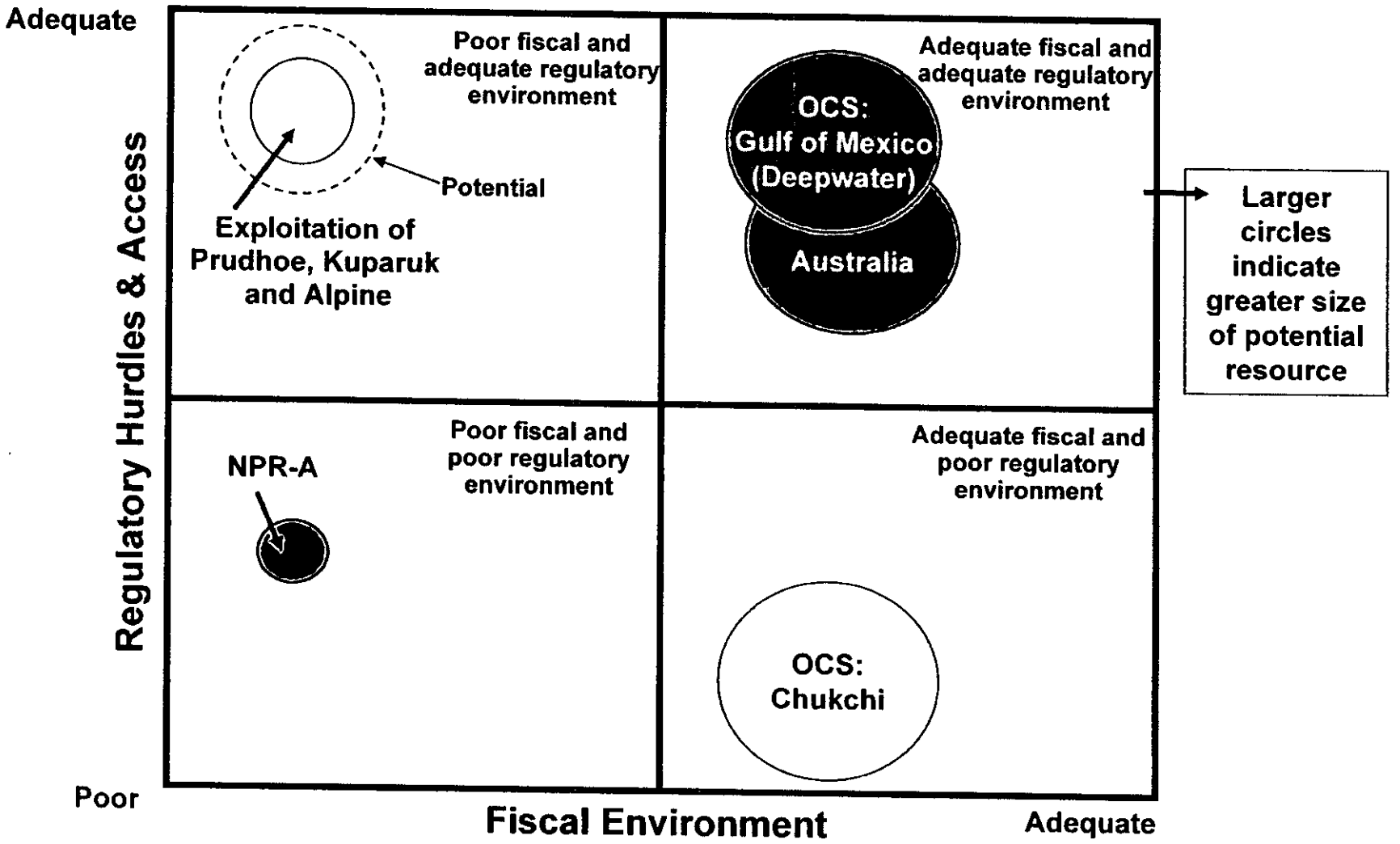
- **Emerging deepwater Lower Tertiary play has giant prospects**
  - 3 significant discoveries in 2009
  - COP owns equity in Tiber & Shenandoah discoveries
- **Well costs typically $150 MM**
- **Target depths >30,000 ft**
- **Lease & fiscal terms worsening**
  - 50% increase in royalty rate from 2006



Adequate fiscal terms, but moving in the wrong direction

Comparing Investment Options

Attachment #5

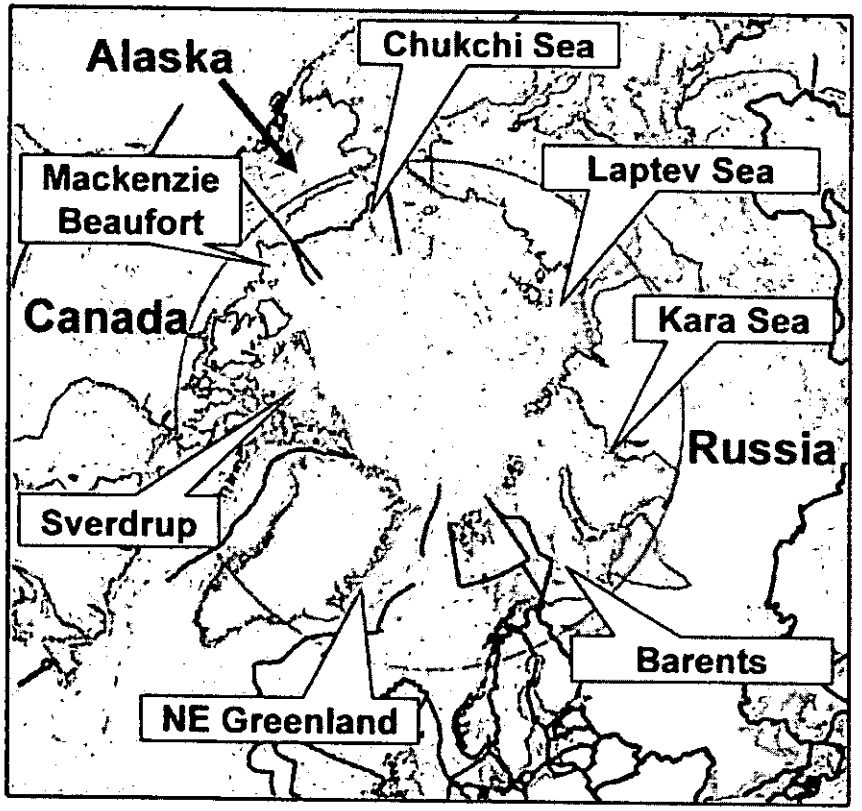


NPRA subject to federal regulations, exploitation of Prudhoe/Kuparuk/Alpine subject to state regulations
Resource Potential: Indicated by the size of the circles (larger circles indicate larger resources)

ConocoPhillips

Arctic Resource Potential

Attachment #6



- **Arctic offshore basins, especially Chukchi are underexplored**
  - Canada Arctic Isl. ~ 180 wells
  - Canada Beaufort ~ 90 wells
  - Norway – Barents... ~ 80 wells
  - Russia – Offshore Arctic ~ 70 wells
  - **U.S. Beaufort OCS ~ 30 wells**
  - **U.S. Chukchi OCS 5 wells**
- **U.S. GOM much higher activity**
  - U.S. GOM Deepwater ~500 wells
- **More than 20% of global yet-to-find oil is in the Arctic***
- **Alaskan Arctic investments need to compete with other world-scale opportunities**

Giant undiscovered potential in underexplored basins

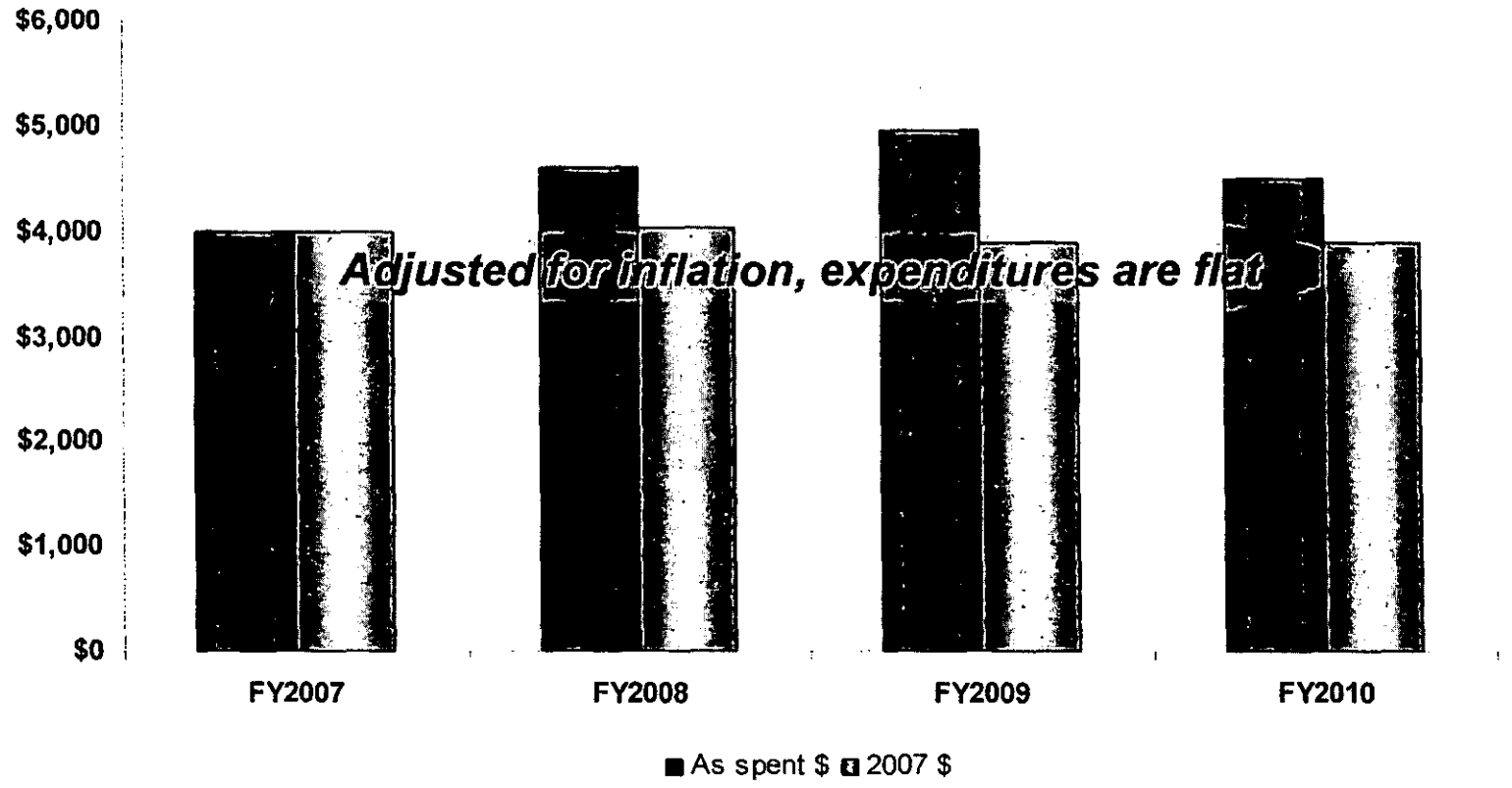
* *Source: USGS*

ConocoPhillips

Inflation Impact on Expenditures

Attachment #7

North Slope Industry spending on capital and operating expense, $MM



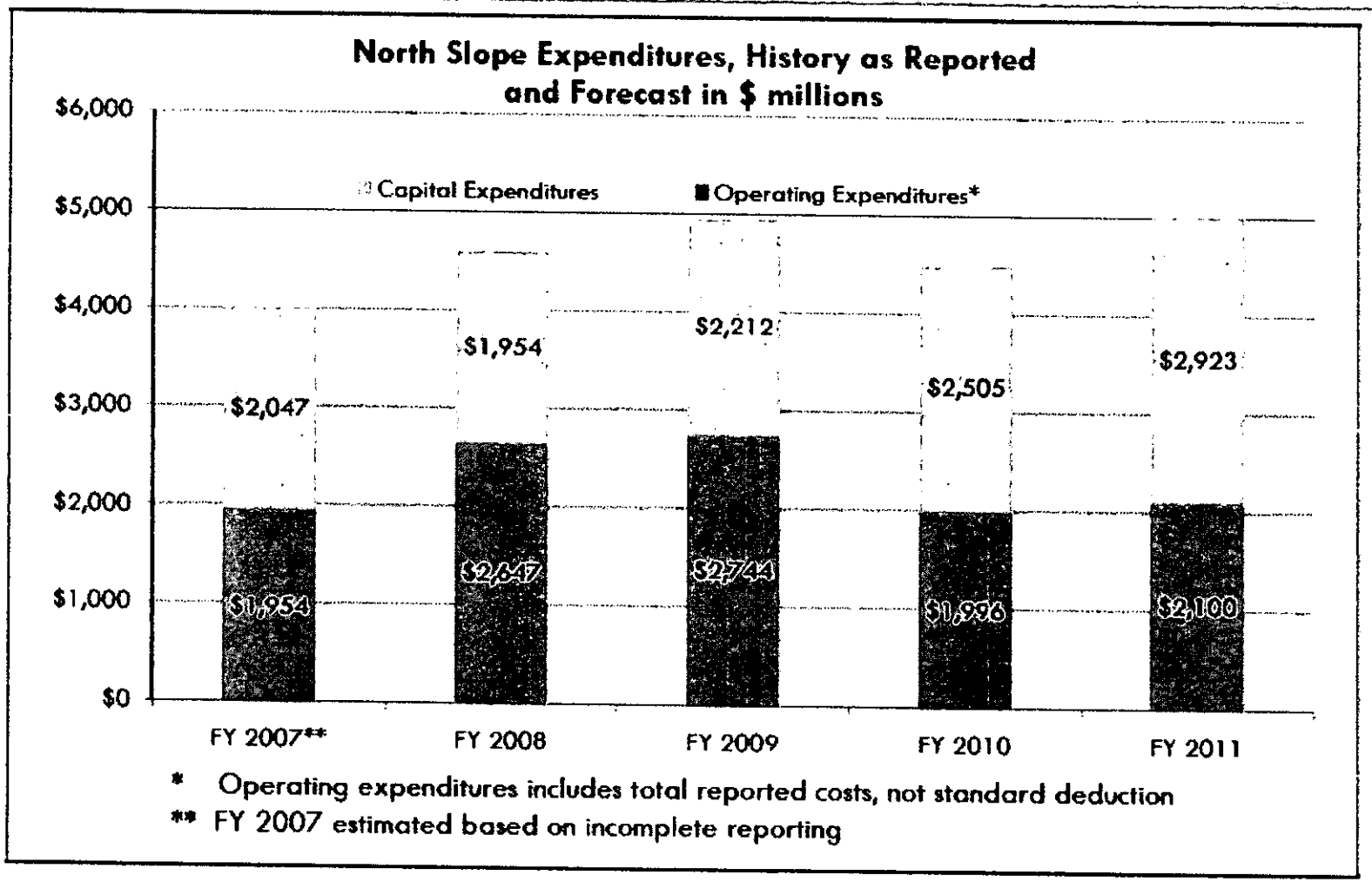
Inflation is significant factor in spending increase

Sources: DOR 2/4/10 Senate Resources Committee testimony for expenditures and CERA inflation factors

ConocoPhillips

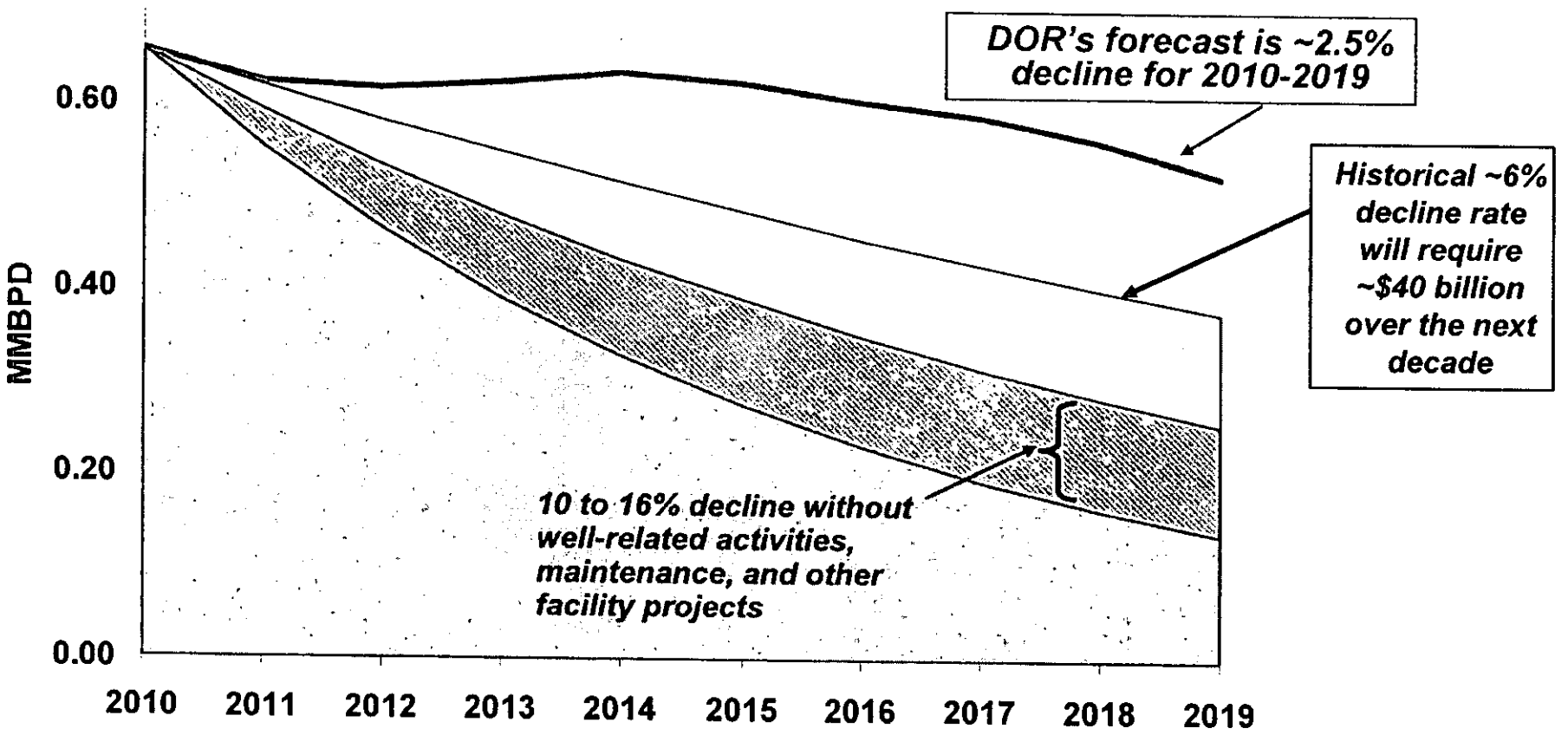
Attachment #8

North Slope Expenditures



2010-2019 North Slope Production

Attachment #9



Future production dependent upon investment

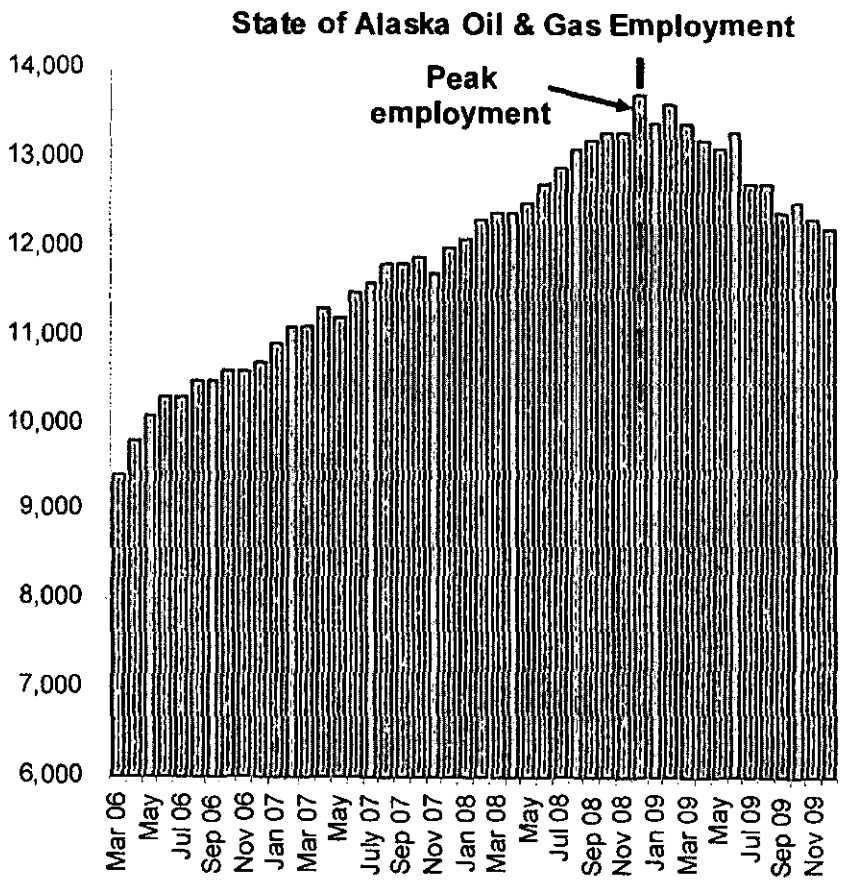
Sources: DOR production forecast and extrapolation of DOR expenditures forecast
ConocoPhillips estimates for base decline rate

ConocoPhillips

Oil & Gas Employment

Attachment #10

- **Data since Dec-08 indicate downward trend in oil and gas jobs**
- **Employment levels driven primarily by maintenance and inspection activity**
- **Alaska state unemployment rising in oil and gas support sector**
- **Leading indicators: Kuparuk camp usage down 20%**

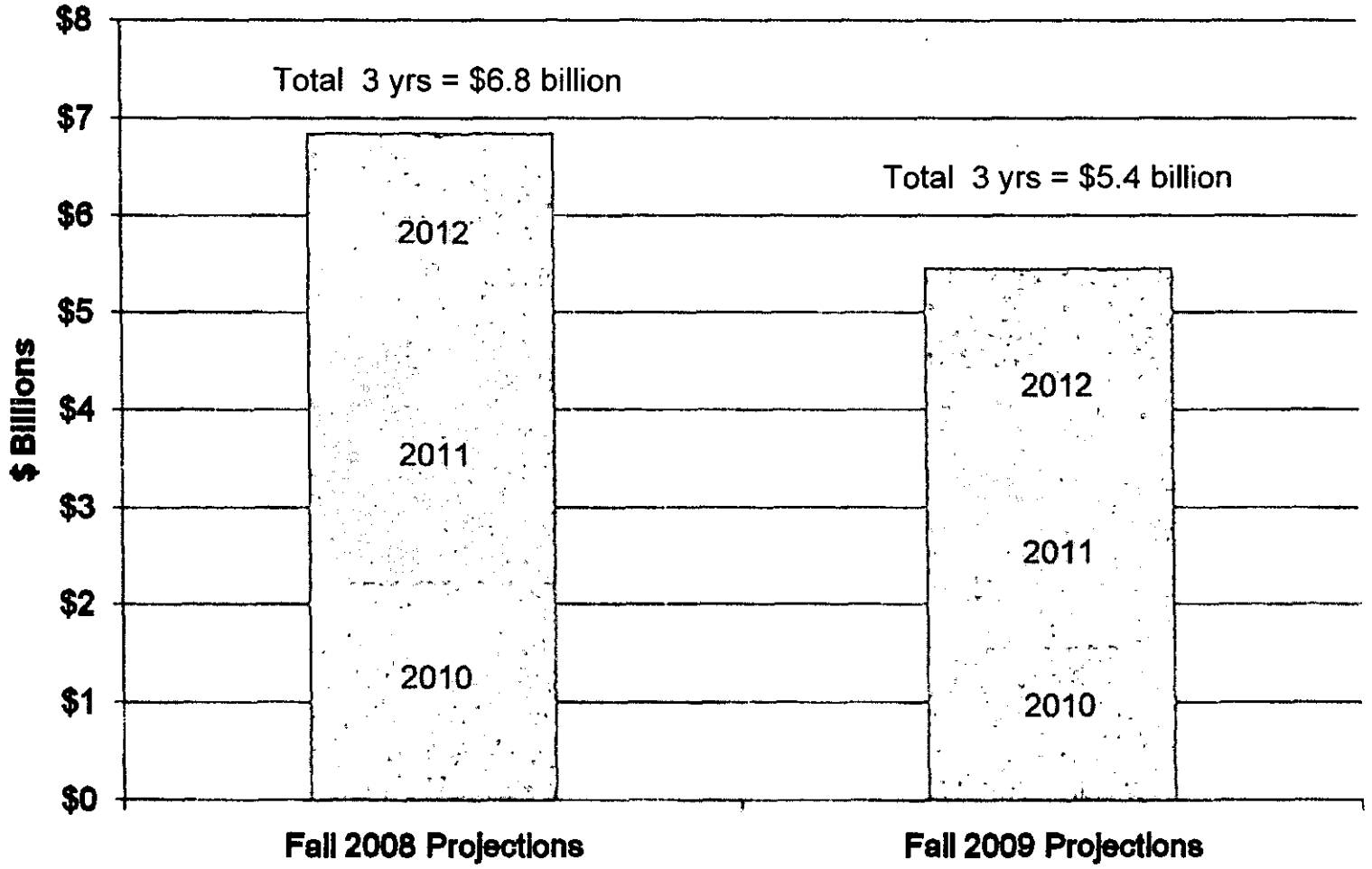


Rise in employment began in 2006

Source: Alaska Dept of Labor employment data, March 12, 2010

Capital Expenditure on Currently Producing Properties

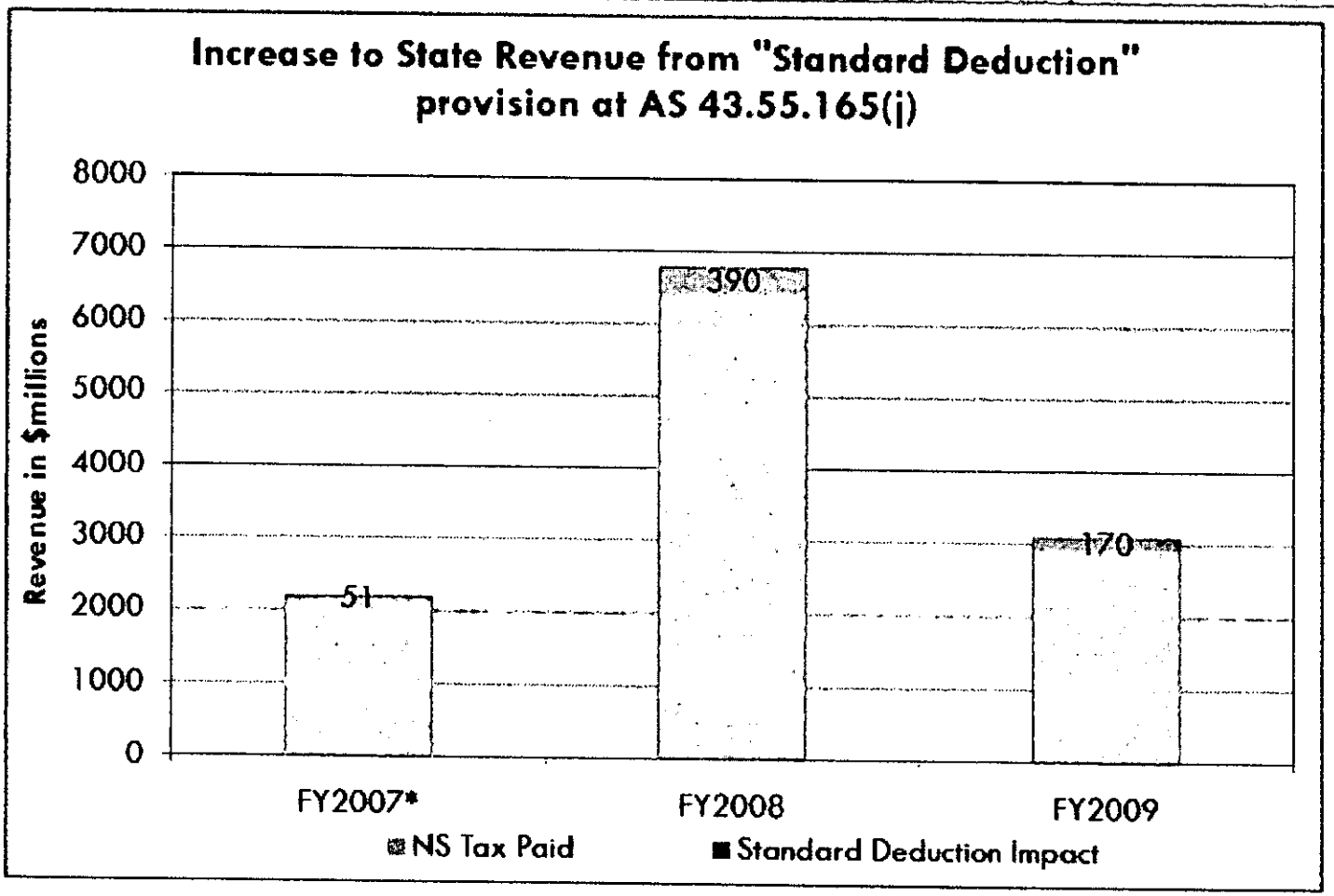
Attachment #11



Note: Excludes Colville River, Oooguruk, Nikaitchuq and PT Thomson

Attachment #12

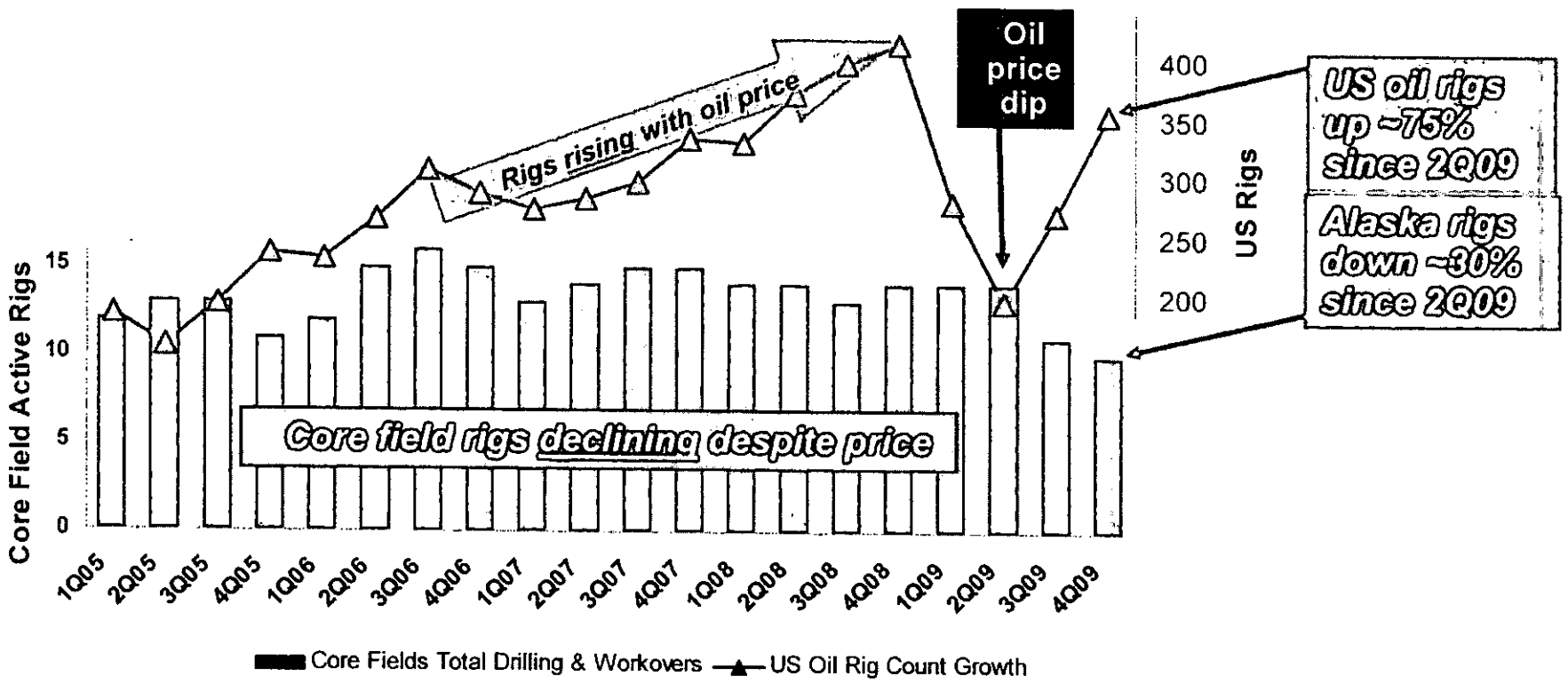
Effect of Standard Deduction Provision



*Standard Deduction in place for half of FY 2007.

Active Drilling Rigs in Core Fields 2005-2009

Attachment #13



Alaska drilling activity declining while US drilling activity increasing

Sources: ConocoPhillips internal for core fields rig count, Baker Hughes for US oil rig count, DOR for oil price

ConocoPhillips

HB 312

HOUSE COMMITTEE REPORT

(9)
Date Referred to Committee: January 25, 2010 **FURTHER REFERRALS: Finance**

Date of Committee Action: February 3, 2010

The RESOURCES Committee considered: **HB 312**

HOUSE BILL NO. 312
"An Act authorizing an advisory vote on use of Alaska permanent fund earnings for an in-state natural gas pipeline; and providing for an effective date."

HB 312-ADVISORY VOTE ON IN-STATE GAS PIPELINE

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* HB 312 (Res)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW **FISCAL NOTES** *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
Rev				0
Rev				0

PREVIOUS **FISCAL NOTES**				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON	X			
	Tuck			X	
	Kawasaki		X		
	Seaton			X	
	WILSON	X			
					X
Chair:					
Chair:	Johnso				

Alaska State Legislature

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Fax: 907-283-7184

REPRESENTATIVE MIKE CHENAULT

SPEAKER OF THE HOUSE

SPONSOR STATEMENT
HOUSE BILL 312

"An Act authorizing an advisory vote on use of Alaska permanent fund earnings for an in-state natural gas pipeline; and providing for an effective date."

House Bill 312 places an advisory vote on either the primary or general election ballot the question of using permanent fund earnings, after dividends are paid and the fund is inflation proofed, to help offset the costs of an in-state natural gas pipeline.

I view this option as a potential piece of the puzzle in putting together a financing plan for possible state participation in an in-state gasline. With all the discussion of energy needs throughout the state, it is time that the Legislature and the Administration begin to focus on one or two viable projects. It is my hope that we can focus state funding on one or two of these projects rather than taking a shotgun approach and partially fund a large number of concepts that may or may not bear fruition in the future. Providing natural gas to Alaskans first will be a huge first step in creating jobs, providing a long term source of energy and create economic opportunities.

This bill was drafted to ensure that dividends are paid and the Permanent Fund is inflation proofed prior to the use of earnings. That part of the question needs to be particularly emphasized. I do not want Alaskans to believe or think that this advisory vote is a raid on the earnings of the Permanent Fund. A positive vote would allow the state to use earnings from the Permanent Fund which was initially developed from resource development within the state. I believe that future generations of Alaskans will benefit from making an energy investment now while still keeping their benefits from the Permanent Fund.

Representative_Mike_Chenault@legis.state.ak.us

CS FOR HOUSE BILL NO. 312(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES CHENAULT, Ramras, Peggy Wilson, Neuman, Olson, Johnson

A BILL

FOR AN ACT ENTITLED

"An Act authorizing an advisory vote on use of Alaska permanent fund earnings for an in-state natural gas pipeline; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

ADVISORY VOTE. At the next statewide primary election, in substantial compliance with the election laws of the state, the lieutenant governor shall place before the qualified voters of the state a question advisory to the legislature and the governor. Notwithstanding AS 15.60.005 and other laws relating to preparation of the ballot proposition, the question shall appear on the ballot in the following form:

QUESTION

After paying annual dividends to residents and inflation-proofing the Alaska permanent fund, should permanent fund investment earnings be appropriated to help pay the costs of constructing an in-state natural gas pipeline?

Yes [ ] No [ ]

* **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

#1

26-LS1123\A.2
Cook
2/3/10

AMENDMENT

OFFERED IN THE HOUSE

TO: HB 312

Page 1, line 6:

Delete "or general"

Alaska Permanent Fund Corporation
P. O. Box 115500 Juneau, AK 99811-5500
Tel: (907) 796-1500 Fax: (907) 586-2057

Permanent Fund Earnings Reserve
year-end balance by fiscal year
(in millions)

1978	$ 0.0
1979	$ 0.0
1980	$ 0.0
1981	$ 58.7
1982	$ 243.8
1983	$ 353.8
1984	$ 557.3
1985	$ 763.3
1986	$ 1,264.4
1987	$ 529.4
1988	$ 591.3
1989	$ 635.4

1990	$ 604.7
1991	$ 581.5
1992	$ 645.2
1993	$ 965.4
1994	$ 1,116.6
1995	$ 1,202.6
1996	$ 103.4
1997	$ 107.1
1998	$ 1,388.9
1999	$ 2,590.4

2000	$ 2,972.5
2001	$ 2,383.8
2002	$ 1,135.8
2003	$ 100.0
2004	$ 858.6
2005	$ 1,439.8
2006	$ 2,584.7
2007	$ 4,131.6
2008	$ 5,320.7
2009	$ 420.0

Alaska Permanent Fund - Historical Totals

Growth of Fund Principal (Contributions & Appropriations)										Total Fund Value		
All dollars in millions												
	State		Special appropriations				8G Escrow			Unrealized	Realized	Total Ending
Fiscal	Mineral		Special App	Transfer From	Settlement	Inflation	Principal		Total	Earnings	Earnings	Market
Year	Revenues	Other	From Gen Fund	Realized ER	Earnings	Transfer	Principal	Earnings	Principal	Balance	Balance	Value
1978	54.5								54.5	(0.0)	0.0	54.5
1979	83.8	0.2							138.5	(0.7)	0.0	137.9
1980	344.4					0.3			483.2	10.6	0.0	493.8
1981	385.1		900.0			0.2			1,768.6	19.5	58.7	1,846.8
1982	400.5		800.0			0.0			2,969.1	68.4	243.8	3,281.3
1983	421.0		400.0			231.2			4,021.2	54.3	353.8	4,429.4
1984	366.2		300.0			150.9			4,838.3	(351.0)	557.3	5,044.7
1985	368.0	0.0	300.0			234.6			5,740.9	250.0	763.3	6,754.2
1986	323.4	0.0				216.4			6,280.8	937.0	1,264.4	8,482.1
1987	170.6	0.0		1,264.4		148.1			7,863.9	532.5	529.4	8,925.7
1988	417.9	0.0				302.9	15.8		8,600.4	297.5	591.3	9,489.3
1989	228.4	0.0				360.2		0.7	9,189.7	746.8	635.4	10,572.0
1990	267.1	0.0				454.0		1.5	9,912.3	970.5	604.7	11,487.6
1991	435.0					558.8		1.6	10,907.8	967.5	581.5	12,456.8
1992	337.8					476.9		1.8	11,724.4	2,385.9	645.2	14,755.4
1993	315.3				4.6	362.5		1.9	12,408.6	2,090.4	965.4	15,464.5
1994	209.6				5.6	372.3		2.2	12,998.4	1,108.3	1,116.6	15,223.3
1995	318.1				6.1	347.6		2.0	13,672.3	1,706.5	1,202.6	16,581.4
1996	263.7			1,842.1	18.4	407.1		1.9	16,205.6	2,084.0	103.4	18,393.1
1997	308.4			803.0	21.4	485.6		3.5	17,827.6	3,169.0	107.1	21,103.6
1998	230.5				31.3	422.7		4.0	18,516.0	3,971.4	1,388.9	23,876.3
1999	155.5				36.1	288.2		5.2	19,000.9	3,540.8	2,590.4	25,132.2
2000	310.5	15.8		276.4	30.3	422.9	(15.8)	(26.4)	20,014.6	3,528.8	2,972.5	26,516.0
2001	339.3			0.0	7.7	685.9		0.0	21,047.6	1,383.6	2,383.8	24,815.0
2002	257.7				(23.4)	602.3		0.0	21,884.2	505.2	1,135.8	23,525.2
2003	397.6			354.2		352.1		0.0	22,988.0	1,106.3	100.0	24,194.3
2004	353.1			(354.2)	14.7	524.1	0.0	0.0	23,525.7	3,015.5	858.6	27,399.8
2005	480.5				0.0	641.0			24,647.2	3,874.6	1,439.8	29,961.5
2006	601.1					855.9			26,104.2	4,220.7	2,584.7	32,909.6
2007	532.3					860.4			27,496.9	6,197.6	4,131.6	37,826.1
2008	844.3					807.7			29,148.9	2,064.3	5,320.7	36,533.9
2009	651.4					1,144.3			30,944.7	(1,448.6)	420.0	29,916.0
Subtotal	$11,172.8	$16.0	$2,700.0	$4,185.9	$152.9	$12,717.1	$0.0	$0.0	$30,944.7	-$1,448.6	$420.0	$29,916.0
Grand Total	$11,188.8		$7,038.8			$12,717.1			$30,944.7	-$1,448.6	$420.0	$29,916.0

Note: Total year end market values from FY78 - FY96 are unaudited. Financial statements were not required to record unrealized gains and losses until FY97. Total ending market values do not include other small funds (ASTF, ITBE, AMHTA) under management.

Sources of Principal Summary since inception		
Mineral revenue	11,188.8	36.2%
Special appropriations	7,038.8	22.7%
Inflation proofing	12,717.1	41.1%
Total	30,944.7	100.0%

Note: In FY03 the legislature made a special appropriation from realized earnings reserve to principal of $354.2 million. In FY04 this will be reclassified as pre FY04 inflation proofing according to the FY04 supplemental budget bill. Note: slight differences due to rounding

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB 312**
() Publish Date:

Identifier (file name): HB312-REV-APFC-02-01-10
Dept. Affected: Revenue
Title: ADVISORY VOTE ON IN-STATE GAS PIPELINE
RDU: AK Permanent Fund Corporation
Component: AK Permanent Fund Corporation
Sponsor: Representative Chenault
Requester: House Resources
Component Number: 109

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
1105 APFC Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

This bill authorizes an advisory vote regarding use of Permanent Fund earnings to help pay the costs of constructing an in-state natural gas pipeline. It would not affect the operations of the APFC.

Prepared by: Laura Achee
Phone 907-796-1522
Division: Alaska Permanent Fund Corporation
Date/Time 2/1/10
Approved by: Ginger Blaisdell, Director
Date 2/1/10; 12:39pm
Administrative Services Division

(Revised 11/6/2009 OMB)

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB 312**
() Publish Date:

Identifier (file name): HB312-REV-TAX-02-02-10
Dept. Affected: Revenue
Title: ADVISORY VOTE ON IN-STATE GAS PIPELINE
RDU: Treasury and Taxation
Component: Tax Division
Sponsor: Representative Chenault
Requester: House Resources
Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
1105 APFC Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

The advisory vote would have a zero fiscal impact on the Tax Division of the Department of Revenue.

Prepared by: Cherie Nienhuis, Petroleum Economist — Phone 907-269-1019
Division: Tax Division — Date/Time 2/2/10
Approved by: Ginger Blaisdell, Director — Date 2/2/10; 10:24am
Administrative Services Division

(Revised 11/6/2009 OMB)

4540

Alaska State Legislature

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REPRESENTATIVE MIKE CHENAULT
SPEAKER OF THE HOUSE

MEMORANDUM

TO: Representative Craig Johnson, Co-Chair
Representative Mark Neuman, Co-Chair
House Resources Committee

FROM: Representative Mike Chenault
Speaker of the House

DATE: January 25, 2010

RE: Request for Hearing-house Bill 312

Please consider this request to schedule House Bill312:Advisory Vote: Permanent Fund Earnings for In-State Gasline, before your committee at your earliest possible convenience.

Your committee aides will receive the back-up for this bill shortly.

Thank you for your consideration of my request.

4541

Representative_Mike_Chenault@legis.state.ak.us

HB 320

ALASKA STATE LEGISLATURE
House Resources Committee

Craig Johnson, Co-Chair

State Capitol Building, Room 126
Juneau, AK 99801-1182
Phone (907) 465-4993
Fax (907) 465-3872
Rep.Craig.Johnson@legis.state.ak.us

Mark Neuman, Co-Chair

State Capitol Building, Room 432
Juneau, AK 99801-1182
Phone (907) 465-2679
Fax (907) 465-4822
Rep.Mark.Neuman@legis.state.ak.us

MEMORANDUM

TO: Representative Mike Chenault, Speaker
Alaska State House of Representatives

FROM: Rep. Craig Johnson and Rep. Mark Neuman
Co - Chairs, House Resources Committee

DATE: March 25, 2010

SUBJECT: Waiver of HB 320 from Committee

The undersigned members of the House Resources Committee request that HB 320, NO ROYALTY ON GEOTHERMAL RESOURCE, be waived from committee. The bill was heard in Senate Resources committee and passed out on March 22th.

Rep. Craig Johnson, Co-Chair

Rep. Mark Neuman, Co-Chair

Rep. Bryce Edgmon

Rep. Kurt Olson

Rep. Paul Seaton

Rep. Peggy Wilson

Rep. David Guttenberg

Rep. Scott Kawasaki

Rep. Chris Tuck

Alaska State House of Representatives

Interim:
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Anchorage, AK 99501-2133
Phone: (907) 269-0222
Fax: (907) 269-0223

Session:
State Capitol, Room 412
Juneau, AK 99801-1182
Phone: (907) 465-3879
Fax: (907) 465-2069

Sponsor Statement from:

Representative Charisse Millett

R - District 30

RELEASED: February 4, 2010, v26-LS1402\A **CONTACT**: Jeff Turner, 465-3879

HB320 - No Royalty On Geothermal Resource

"An Act removing the royalty obligation for geothermal resources."

Status: PREFILE RELEASED >> (H) RES : 2010-01-29

Electric power generated from geothermal sources is a clean, sustainable and environmentally friendly alternative to fossil fuels. It can play a major part in meeting the future energy needs of the railbelt and other regions of our state.

The problem for any company seeking to build a commercial grade geothermal plant in Alaska is high capital costs that could run 25-50 percent higher than the Lower-48. Operational costs could run 100 percent higher than the rest of the country because the plants will be located in remote locations.

House Bill 320 assists companies in developing geothermal resources discovered in commercial quantities on state land by lifting the 10 to 15 percent royalty payment obligation currently in state statute. In other western states, geothermal power plants rarely have to pay state royalties.

HB 320 is common sense legislation to finally make geothermal power projects economically viable so Alaska can take advantage of the more affordable and very reliable electric power they generate for homes and businesses.

Geothermal electrical generation is a mature and proven technology and has been used for decades all over the world. It creates "green" jobs and unlike other forms of renewable energy it can run 24 hours a day, 365 days a year.

Please join me in supporting HB 320 so our state can move a step closer to a more secure energy future.

###

House Majority Press: http://housemajority.org/spon.php?id=26HB320

Alaska Legislature
Representative Charisse Millett

Session:
State Capitol Building, Room 412
Juneau, AK 99801
Phone (907) 465-3879
Fax (907) 465-2069

Interim:
Anchorage LIO
716 W 4th Ave., Room 630
Anchorage, AK 99501
Phone (907) 269-0222
Fax (907) 269-0223

District 30
Co-chair, House Special Committee on Energy

Date: 2/4/10
Version: 26-LS1402\A

SPONSOR STATEMENT – HB 320

"An Act removing the royalty obligation for geothermal resources."

Electric power generated from geothermal sources is a clean, sustainable and environmentally friendly alternative to fossil fuels. It can play a major part in meeting the future energy needs of the railbelt and other regions of our state.

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Please join me in supporting HB 320 so our state can move a step closer to a more secure energy future.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM February 3, 2010

SUBJECT: Sectional summary for HB 320 (Work Order No. 26-LS1402\A)

TO: Representative Charisse Millett
Attn: Jeff Turner

FROM: Donald M. Bullock Jr.
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Amends AS 38.05.181(c) to delete a reference to AS 38.05.181(g) that is repealed in sec. 6 of the bill.

Section 2. Amends AS 38.05.181(e) to eliminate royalty share as a factor in a competitive geothermal lease sale.

Section 3. Amends AS 38.05.181(e) by deleting authority for crediting rental payments for a prospecting permit or geothermal lease against royalties.

Section 4. Amends AS 38.05.181(f) to delete a reference to royalties due on a geothermal lease.

Section 5. Amends AS 38.05.182(a) to delete AS 38.05.181 from a spanned reference to provisions relating to royalty obligations.

Section 6. Deletes AS 38.05.181(g) that requires a royalty requirement as a condition of a geothermal lease.

Section 7. Adds a new section to uncodified law stating that secs. 1 - 5 of the Act apply to a lease for a geothermal resource or the renewal of a lease for a geothermal lease entered into on or after the effective date of the Act.

DMB:ljw
10-054.ljw

Witness List for HB 320

1) Paul Thomsen, Ormat
2) Rahm Orenstein, Ormat

Teleconference Sites

Anchorage LIO
Other LIO sites can be added if there is interest

Specialized Information Services Equipment

None required.
Mr. Thomson and Mr. Orenstein will have their own laptops for a PowerPoint presentation.

BRIEFING PAPER

THE CASE IN SUPPORT OF HB 320 FOR REMOVING ROYALTY OBLIGATIONS FOR GEOTHERMAL RESOURCES

EXECUTIVE SUMMARY

Geothermal power offers reliable baseload power that delivers consistent megawatt-hours 24 hours per day, 365 days per year, which is something that most other forms of renewable resources cannot provide. In fact, for a utility or regional transmission organization, a geothermal power plant shows up in a resource plan much like a conventional power plant. Geothermal power is also unique in its lack of emissions, minimal land use, low visual impact and other environmental merits.

Geothermal energy is extremely cost competitive when compared to other forms of renewable energy and fossil-fuel based processes (e.g. natural-gas based plants, as indicated by studies performed by the California Energy Commission[1] [2]).

Multiple western states (e.g. California, Nevada, Hawaii, Utah and Oregon) recognize the merits of geothermal power and have generated geothermal power for decades. These states, among many others, also have multiple new geothermal projects under development.

Although believed to be rich in geothermal resources in various regions around the state, Alaska has yet to develop a single utility-size geothermal power plant. One major hurdle for geothermal development is the relatively high capital cost associated with exploration, drilling and development, as well as high operation and maintenance costs due to the remoteness of resources and the harsh terrain and climate. While capital costs for development and construction of geothermal power plants in other states is typically around $4,000/kW[3], in Alaska estimates typically increase 25%-50%. Operation and maintenance costs of geothermal plants in Alaska are expected to be as much as 100% higher than the respective lower 48 states, again due to the typical remoteness of the plants.

In other western states, geothermal power projects rarely are required to pay State royalties. A report by the Geothermal Energy Association explains geothermal royalties vary depending on land ownership type (Federal, state, private) yet tend to range from 0.5% to 5.5% of revenues[4]. The majority of the geothermal projects currently under

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[1] http://www.energy.ca.gov/2009publications/CEC-200-2009-017/CEC-200-2009-017-SD.PDF

[2] http://www.energy.ca.gov/2007publications/CEC-200-2007-011/CEC-200-2007-011-SD.PDF

[3] Climate Change Business Journal, April/May 2009

[4] http://www.geo-energy.org/publications/reports/Socioeconomics%20Guide.pdf

development in the US are on Federal lands, where BLM regulations call for revenue royalties of 1.75% during the first 10 years and 3.5% thereafter.

In Alaska, despite the fact that geothermal development faces greater financial challenges compared to other states, the current statutes call for royalty rates of 10%-15%, similar to oil, gas and mineral regulations. Ormat believes this rate is cost-prohibitive and is one of the reasons no utility-size geothermal plant has ever been built in the state.

Financial analysis shows that removing the 10-15% royalty obligation will lower the operations and maintenance cost by 10-15%, therefore lowering the kWh cost by 10-15%. Removing royalty obligations from geothermal power plants in Alaska will serve to acknowledge the unusually high costs of geothermal development, operation and maintenance while incentivizing geothermal development in the state. This will ultimately lower the cost of clean, reliable power to the ratepayers.

Strategic Information for the Climate Change Industry

CLIMATE CHANGE BUSINESS JOURNAL®

Volume II, No. 4/5 April/May 2009

Global Geothermal Industry Balances Short-Term Development With Long-Term Investment in EGS

If the Low-Carbon & Renewable Power segment of the Climate Change Industry were a baseball team, geothermal energy would be the underrated veteran shortstop who doesn't hit many homers but fields consistently, rarely strikes out and scores runs on a regular basis. Let the stars like wind turbines and solar photovoltaic (PV) panels get the headlines; let the sports writers pump up the egos of rookies like thin-film PV, cellulosic biofuels and solar thermal power. Geothermal will be there to rack up solid stats and deliver for the team and the fans year after year.

Geothermal power's workmanlike quality stems from the fact that it offers something that wind and solar cannot provide: reliable baseload power that can be counted on to deliver megawatt-hours 24 hours a day, 365 days a year. In fact, for a utility or regional transmission organization, a geothermal power plant shows up on a resource plan grid like a conventional power plant.

In a broad context there are really three ways to look at geothermal energy:

1) Traditional steam-generated electricity generation, or hydrothermal, as it is often known, is site-dependent and has rather limited potential of perhaps 30,000 MW in the United States;

The Geothermal Energy Industry

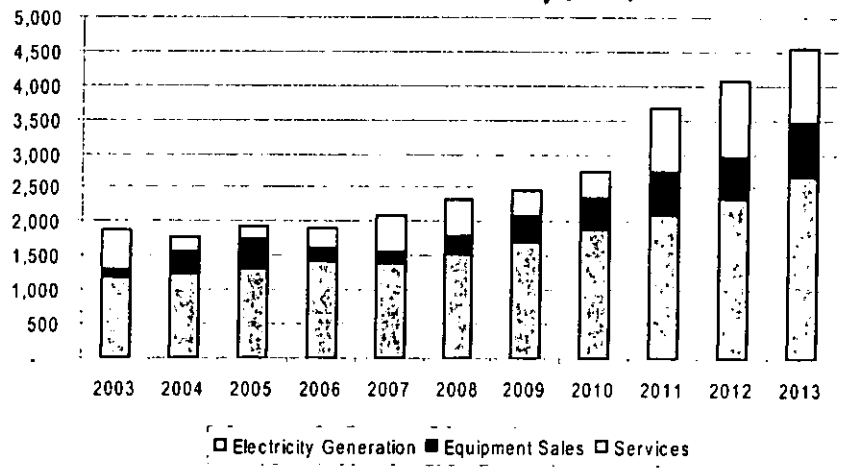
Geothermal energy was a $6.8 billion global industry in 2008, generating 66,000 GWh of electricity worth close to $4.8 billion, $1.1 billion in equipment sales and $900 million in service revenues. The United States market is the world's largest at $2.3 billion, and forecasts are for high growth as a strong pipeline of projects are developed in the next few years when carbon regulations are expected to drive a subsequent wave of growth.

- ☼ *Geothermal Energy Overview 1-8*
- ☼ *Developer Roundtable 9-12*
- ☼ *Emerging Markets 13-16*
- ☼ *ARRA Update 17-19*
- ☼ *Profiles of Leaders Ormat, United Technologies, Raser, Turbine Air Systems, Exorka, Nevada 20-28*
- ☼ *The Future of EGS 29-31*

2) Enhanced geothermal systems (EGS) allow electricity generation from hot dry rock, thus opening up the map and the potential for geothermal power. But it is still early stages for EGS; and

3) Direct use geothermal encompasses space heating, hot water, process heat, pools, greenhouses and aquaculture. Direct use is exploited in more countries than electricity generation (see box on page 5), but CCBJ classifies it as an energy efficiency application in that it replaces conventional sources of energy. The main growth in direct use during the last decade has been geothermal or ground-source heat pumps for space heating.

The U.S. Geothermal Industry ($mil)



Source: Climate Change Business Journal from a market model dervied from a variety of sources including Geothermal Energy Assn., International Geothermal Assn., Emerging Energy Research, New Energy Finance and company, government and academic sources. Services include exploration & resource assessment, well field drilling & development, plant design & construction.

CLIMATE CHANGE BUSINESS JOURNAL®

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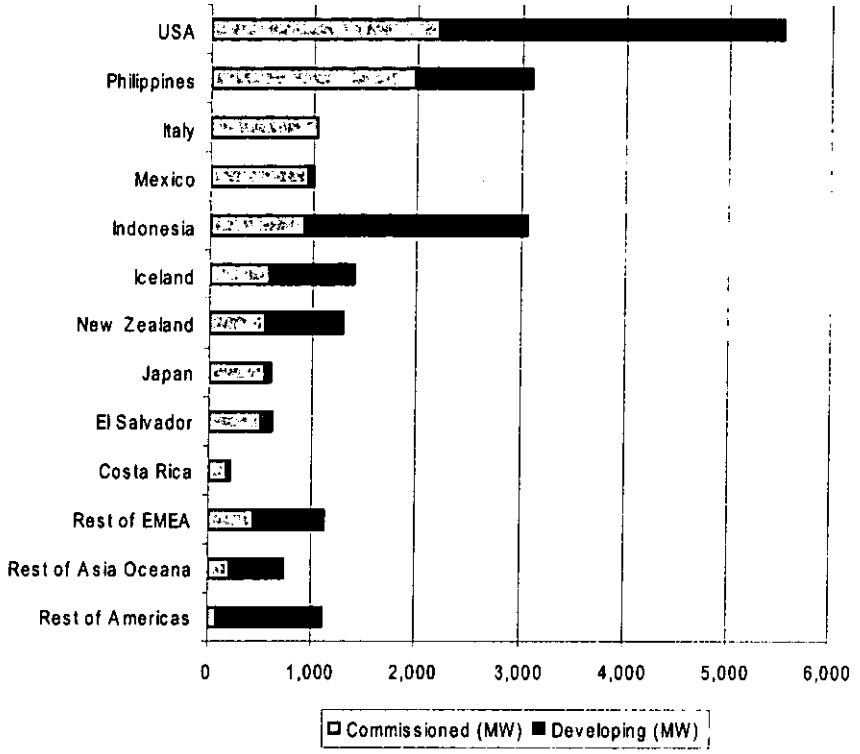
Global Geothermal Capacity and Development Pipeline (MW)



Source: New Energy Finance, Mark Taylor presentation, April 2009. Commissioned total is 10,162 MW in 2009 with 10,663 MW in development. EMEA is Europe, Middle East and Africa

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AltaRock Energy 29, 31
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Calpine 30
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World Bank 13
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Hence the focus of this review on electricity generation and its tie in with the power sector. Geothermal electricity "bridges both the conventional feedstock and renewable energy options for electric power generation rather uniquely," wrote **Deloitte** in a February 2008 report for the **U.S. Department of Energy (DOE)**. Geothermal's baseload characteristics allow "it to compete with other baseload feedstocks such as coal, natural gas and nuclear. At the same time, geothermal energy is a clean, renewable resource that competes with other renewable energy options such as wind and solar [making] it an attractive option for reliable and scalable generation while satisfying renewable energy voluntary or mandatory portfolio standards."

Yet, geothermal both in the United States and the rest of the world is not being deployed at a particularly brisk pace. At the end of 2008, cumulative worldwide installed capacity was between 9,900 and 10,500 MW, including 2,200 MW in operating capacity in the United States, according to estimates from **New Energy Finance** (NEF) and **Emerging Energy Research**. (Some 400-500 MW of capacity at the 1,400-MW Geysers project in California is on standby.)

Globally the pipeline of hydrothermal electricity projects currently in development exceeds the installed capacity by about 500 MW (see chart on page 2). The United States, Indonesia, the Philippines, Iceland and New Zealand account for 77% of the 10.7-MW pipeline, according to NEF estimates as of April 2009.

How Geothermal Stacks Up Against Other Renewables

Not only is geothermal's 10,000 MW in current global capacity easily less than 10% of the comparable capacity figure for wind power (121 GW worldwide) and less than two thirds of solar PV's installed capacity (15 GW), but geothermal electricity generation represents a comparatively anemic growth rate. At the end of 2003, global geothermal capacity was at 8,400 MW, meaning average annual growth from 2003-2008 was about 3.4%. Not bad if you're in the soup business, but in the clean energy business that kind of growth doesn't generate much excitement. By contrast, PV's 5.95-GW jump in 2008 as tallied by **SolarBuzz** represented one year growth of 110%. Wind power's leap forward in 2008 as tallied by the **Global Wind Energy Council** was 29%.

Even with the recent growth in wind and solar, renewable sources remain fairly insignificant in the 19 million GWh global electricity picture. In terms of electricity production, however, geothermal's superior capacity factor makes its contribution to global electricity generation more substantial than solar and close to half that of wind—at least in 2006, the most recent year for which the International Energy Agency publishes data. According to the IEA, geothermal electricity accounted for 59,200 GWh or 0.31% of global electricity generated, with wind at 0.7% and solar 0.2% in the same year. Coal (41%), gas (20%), hydro (16%), nuclear (15%) and oil (6%) made up 98% in 2006, according to IEA. Of course, lumping geothermal with the other renewables does de-emphasize its higher capacity factor (see table at right) and predictable baseload contribution valued by utilities.

As a business segment, CCBJ estimates the U.S. geothermal industry accounted for $2.3 billion in revenues in 2008, or 34% of the $6.8 billion global total. The $7 billion figure for the global geothermal industry compares to $56 billion for wind and $28 billion for solar (See dedicated CCBJ editions from 2008).

CCBJ defines the geothermal industry in three subsegments: electricity generation; equipment sales; and services. The latter includes exploration & resource assessment, well field drilling & development and plant design & construction. Electricity represents about 70% of the global total, but the ramping up of growth until the 2008 financial meltdown had corresponding investments in site evaluation, drilling, etc. that tilted the share of revenues more to services in growing mar-

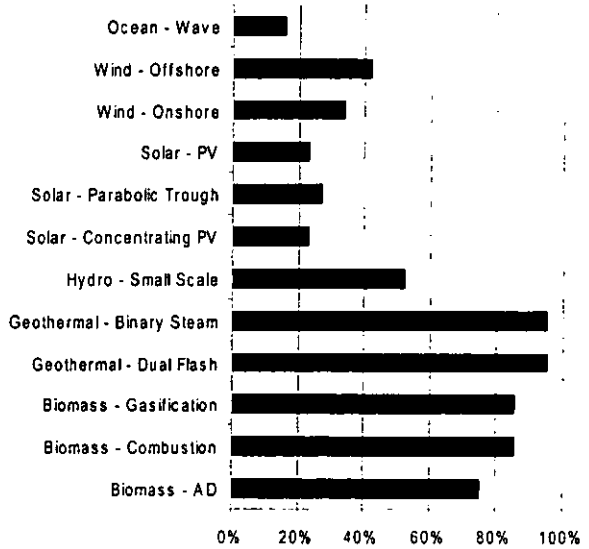
Typical Market Drivers for Renewable Energy

Driver	Developed markets	Emerging markets
Power prices	+	++
Demand growth	++	+++
Reliance on energy imports	+++	++++
Environment	++++	+

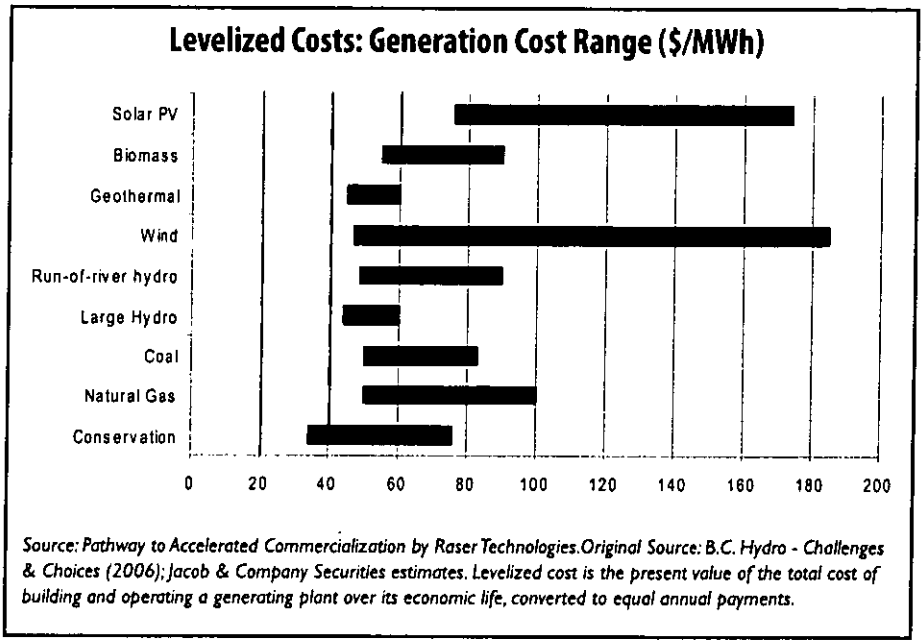
Note: Each + indicates relative importance of market driver; Drivers are the same worldwide, but priorities vary.

Source: Ormat Technologies, Inc., presentation by Rahm Orenstein at Greenpower Conferences' March 2009 Geothermal Innovation and Investment conference

Capacity Factors for Selected Renewables (Average Net Capacity %)



Source: Presentation by Raser Technologies
Original Source: Glitner Geothermal Report, September 2007



Source: Pathway to Accelerated Commercialization by Raser Technologies. Original Source: B.C. Hydro - Challenges & Choices (2006); Jacob & Company Securities estimates. Levelized cost is the present value of the total cost of building and operating a generating plant over its economic life, converted to equal annual payments.

kets, the U.S. included. CCBJ forecasts indicate that following a delay resulting from the freezing of credit and financing, the geothermal market will resume a growth trajectory and reach $5 billion in the U.S. and $16 billion globally by 2014.

Revenues available to specialist consulting & engineering firms could arguably be the total service amounts of roughly $1 billion globally the past few years, with a jump to $2-3 billion provided nothing further curtails the current pipeline or forecasted growth trajectory. A significant portion of these revenues, however, would be drilling or construction, meaning pure C&E project revenue would likely be closer to half these figures.

According to a variety of analysts and CCBJ interviews with industry leaders and experts, the growth of geothermal has historically been hampered by several constraints and challenges. In the first place, without a technological revolution like that promised by enhanced geothermal systems (EGS, also known as hot dry rock technology; see EGS/HDR feature on pages 29-31), geothermal power can only be developed in countries with suitable underground geothermal resources. Most geothermal resources are located along the seismically active Ring of Fire that roughly follows the coasts of the Pacific Ocean. Other resource areas include Eastern China and the Himalayan Belt, the Caribbean, Iceland, The Azores, Canary Islands, Italy, parts of Northern and Eastern Europe, the Eastern and Southern Mediterranean and Kenya, Tanzania and other countries is the East Africa Rift zone.

Investors prefer to buy geothermal companies or their operating power plants rather than invest in new projects.

In the second place, geothermal development is to a certain degree a speculative enterprise. Like wildcatters in the oil industry, geothermal developers must spend millions of dollars drilling for underground resources that they're not sure are present—or present in the quantities that will lead to their expected return on investment. "Geothermal projects have distinctly different challenges than other, more traditional, renewable technologies such as wind, solar, and biomass," notes the DOE's office of Energy Efficiency and Renewable Energy (EERE) in its *Geothermal Tomorrow* report. "Geothermal projects require subsurface exploration and well field development and have greater upfront risk because the geothermal resource is not confirmed without drilling."

Geothermal developers at Greenpower Conferences' March 2009 Geothermal Innovation and Investment conference in San Francisco said that typically 20% to 30% of the wells they drill—wells costing from $1.5 million to $10 million—end up hitting "dryholes." While not always physically dry, these dryholes are of sub-commercial enthalpy (heat energy). Compounding this dryhole risk is the fact that in the United States and some other regions, many of the best and most easily accessible geothermal resources—those with surface expressions like hot springs and fumaroles—have already been developed. To tap undeveloped resources for new power plants, developers must take on more risk in their drilling and development efforts.

As described in the developers roundtable article that follows this overview on page 9, as recently as the summer of 2008 developers could obtain debt financing to finance some of this resource and wellfield development work. Today the pendulum has swung the other way. Those lenders willing to finance geothermal projects require that developers sink wells and have proven resources—"steam behind the pipe" as they call it—before they will finance power plant construction. Separately with the depressed market caps of publicly held geothermal developers, private equity funders would rather buy companies or their assets than invest in new projects. Financial institutions in the market for tax credits are few and far between. And except for companies with a technology play in the emerging EGS segment, venture capitalists aren't interested in geothermal companies because of the lack of upside potential.

In this difficult environment, geothermal developers are urging the U.S.

Geothermal Energy: Opportunity and Challenge

Advantages from Utility Perspective

- Firm 24x7, not an intermittent resource
- Competitive cost
- Small physical footprint with minimal environmental impact
- 20-40 MW size does not require EHV transmission
- Credibility from years of success
- Recognized as a well-established industry

Some Development Challenges

- Financing uncertainty & heightened risk aversion
- Resource uncertainty
- Consolidating site control
- Prospecting/drilling cost on front-end
- Permitting
- Long lead-time
- Supply curve: progression to lower quality prospects

Challenges for Utilities

- Increasing RPS requirements puts pressure on utilities to turn to big projects
- Greenfield project failure an issue
- Uncertainties regarding amount, timing, and cost at odds with competitive resource procurement
- Operating plant/resource performance predictability an issue
- Few players in geothermal industry have the financial strength to go the distance

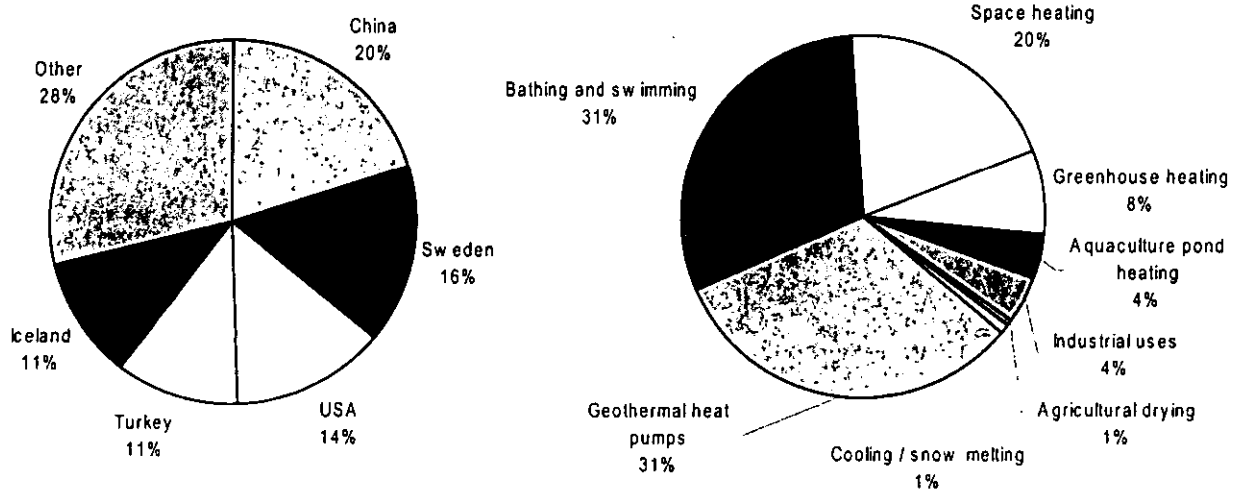
Source: NV Energy, March 2009 presentation by Thomas R. Fair, Vice President Renewable Energy

Direct Use Geothermal and Impacts on Climate Change

Electricity is produced from geothermal sources in 24 countries. Direct application of geothermal energy has been reported by 72 countries. In 2005, the worldwide use of geothermal energy was 57 TWh/yr of electricity and direct use was 76 TWh/yr, as reported by the **Intergovernmental Panel on Climate Change** (IPCC), a scientific intergovernmental body set up by the World Meteorological Organization and by the United Nations Environment Programme. Six developing countries are in the top 15 countries in direct use, with China at the top of the list. Direct use utilizes low-enthalphy geothermal fields that don't produce hot water at temperatures sufficient to generate power. While many firms engaged in geothermal electricity also work on direct-use projects, the segment is more driven by utilities, governments or companies using the heat directly. (Note: IPCC has released forecasts for geothermal electricity with global capacity reaching 24 GW in 2020, 46 GW in 2030, 90 GW in 2040 and 140 GW in 2050)

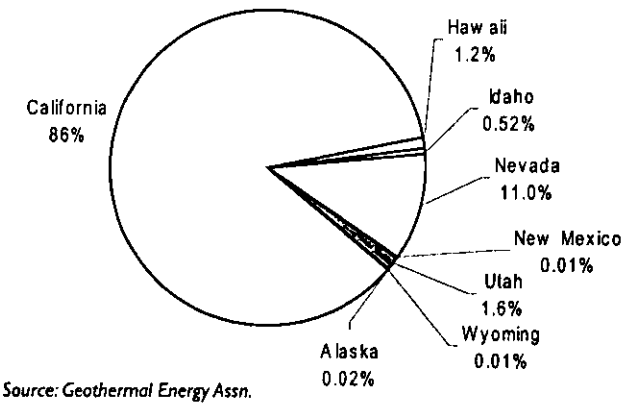
Direct Use Applications: Direct applications of geothermal energy are for space heating 52%, hot water (bathing and swimming) 30%, horticulture (greenhouses and soil heating) 8%, industry 4%, and aquaculture (mainly fish farming) 4%, according to John Lund in his paper *World-Wide Direct Uses of Geothermal Energy 2005*. Ground-source heat pumps are growing due to their ability to utilise groundwater or ground-coupled temperatures. According to IPCC, scenarios for future development show only a moderate increase in traditional direct use applications, but an exponential increase in heat pumps, as geothermal heat pumps can be used for heating and/or cooling in most parts of the world. In addition, geothermal heat pumps driven by fossil-fuel electricity reduce CO2 emissions by at least 50% compared with fossil-fuel fired boilers. If the electricity that drives the geothermal heat pump is produced from a renewable energy source like hydropower or geothermal energy the CO2 emission savings are up to 100%. The total CO2 emission reduction potential of geothermal heat pumps has been estimated to be 1.2 billion tonnes per year or about 6% of global CO2 emissions. Geothermal heat pumps will be covered in CCBJ's upcoming edition on energy efficiency and demand response.

Geographic and Application Breakdown of Direct Use Geothermal



Source: Lund, Freeston, and Boyd, World-Wide Direct Uses of Geothermal Energy 2005, published in Proceedings of the World Geothermal Congress 2005

2009 U.S. Geothermal Power Capacity On-Line



Source: Geothermal Energy Assn.

Department of Energy to use some of its ARRA funding—$400 million for geothermal and $6 billion for innovative technology loan guarantees—to subsidize drilling. As of May 2009, DOE had not issued guidance on this question. In international developments, the recession's impact on Icelandic geothermal firms has been amplified by the collapse of Iceland's currency. With the krona almost worthless on the international market, Icelandic geothermal developers that had set their sights on developing projects in foreign markets have scaled back to focus on the significant potential in their homeland.

Western States' Near-Term New Geothermal Power Capacity

	Capacity MW	Number of Sites
Alaska	20	3
Arizona	20	2
Colorado	20	9
California	2,400	25
Hawaii	70	3
Idaho	860	6
Nevada	1,500	63
New Mexico	80	6
Oregon	380	11
Utah	230	5
Washington	50	5
Total	**5,630**	**138**

Source: Western Governors' Association, Geothermal Task Force of the Clean and Diversified Energy Initiative. The task force concluded that Western States have a capacity of 13,000 MW that can be developed on specific sites within a reasonable timeframe, of these, 5,600 MW are considered viable for commercial development by 2015.

Long-Term Market Drivers Look Solid

The phrase "when the economy recovers" is becoming a cliché of analysts and commentators looking at virtually all industries, but there's really no other way to say: When the economy recovers, and when the prices of oil and gas resume their inevitable rise into the $100-plus territory, the geothermal power industry's prospects will improve. The CCBJ global market forecast, not that dissimilar from the base-case capacity-growth scenario of Emerging Energy Research (EER), has 2011-2014 annual growth in the high teens, with double-digit growth persisting to 2020.

Market drivers for geothermal power are fundamentally sound: In the developed world, renewable energy standards and greenhouse gas caps are pushing utilities toward low-carbon generation, and geothermal's baseload qualities give it advantages over solar and wind. As outlined in the chart on page 3, energy supply and security are also drivers, as is power price in regions such as the Caribbean and parts of South Asia that are highly dependent on imported diesel oil for power supply. Some developing country markets are using feed-in tariffs popularized mostly for other renewables in Germany and other developed nations.

With renewed growth, however, the geothermal power segment will have to contend with a couple of looming challenges. One is lack of access to drilling rigs. When oil prices were in the stratosphere and demand was outstripping supply, geothermal developers had a difficult time contracting for rigs and crews. With the drop in prices and demand, that has gotten easier; but rising prices and demand will inevitably cause drilling demand to rise. Another challenge will be recruiting and training staff. "The professional staff available in geothermal is minute," said Doug Glaspey, CEO of U.S. Geothermal, at the March conference. "In order to grow, you have to have skilled professionals, and that's a very difficult thing to accomplish in this business today." Investment capital is also required, and although the flow of venture money into cleantech businesses was tallied at over $8 billion in 2008, geothermal is not the sexiest category.

EER states that geothermal power plant investment could reach $13-20 billion by 2020, representing cumulative investment in geothermal exploration, drilling, and power plant construction. In comparison with EER's broader power generation forecasts, geothermal is the fourth-largest market for cumulative renewable power generation investment between 2009 and 2020, behind onshore wind, solar PV, and biomass, but ahead of offshore wind, CSP, and small hydro globally by 2020.

EER's base-case growth scenario forecasts 20 GW of geothermal installed during the 2010s, with their high-growth scenario at about 1.5 times that or about 30 GW. The vast majority of growth in both scenarios is North America and Southeast Asia, although the rest of the world accounts for as much as 25-30% of growth in some years of EER's forecast. A few new markets are expected to see sustained growth, led by Chile, Turkey, Russia, East Africa, and Central America. Established markets in Iceland, Mexico, and New Zealand are also expected to

Regions Where Geothermal Companies Expect to Increase Their Work in 2009-2011

United States	69%
Europe	31%
Indonesia	31%
Central America	23%
Australia	15%
Africa	12%
China	12%
New Zealand	12%
Philippines	12%
Rest of Asia	12%
Canada	12%
Italy	8%
Japan	8%
Mexico	8%
India	8%
Chile	8%
Iceland	4%

Source: CCBJ 2009 Geothermal Survey conducted in April 2009. Question was:What countries or regions are you expecting to increase your work in over the next three years? n=26

continue to tap their potential. Australia is what EER calls the largest region of uncertainty, as its substantial goal of bringing online over 2 GW of geothermal by 2020 remains contingent on successful deployment of unproven EGS.

As mentioned, the United States leads the world in online capacity of geothermal energy and continues to be one of the principal countries to increase its geothermal growth. Geothermal electric power generation is centered in eight U.S. states: Alaska, California, Hawaii, Idaho, Nevada, New Mexico, Utah and Wyoming with Oregon and Colorado coming on line. Total U.S. installed capacity was 3,040 MW as of March 2009, according to GEA's *U.S. Geothermal Power Production and Development Update* that includes some units on standby. With a pipeline of now more than 4.4 GW of confirmed projects, the U.S. geothermal market is poised to more than double existing capacity over the next five years, says EER, with U.S. carbon legislation and national

Geothermal Industry Gameboard Not Too Crowded

The geothermal power industry consists of project developers that identify, finance and build geothermal power plants; consulting engineering and technical firms that identify and quantify geothermal resources, conduct environmental analyses, design, operate and maintain projects; drilling firms that drill wells for exploration and production; engineering, procurement and construction (EPC) firms that build geothermal power plants; manufacturers of turbine generator sets, heat exchangers and other equipment; and other specialty firms. Some firms perform multiple roles, for example, manufacturers sometimes develop their own projects and EPC firms often provide multiple technical services with in-house staff. Exploring for and developing geothermal power resources requires specialized expertise that is concentrated in a few countries including Japan, Iceland, the United States, Canada, New Zealand, Australia and the Philippines.

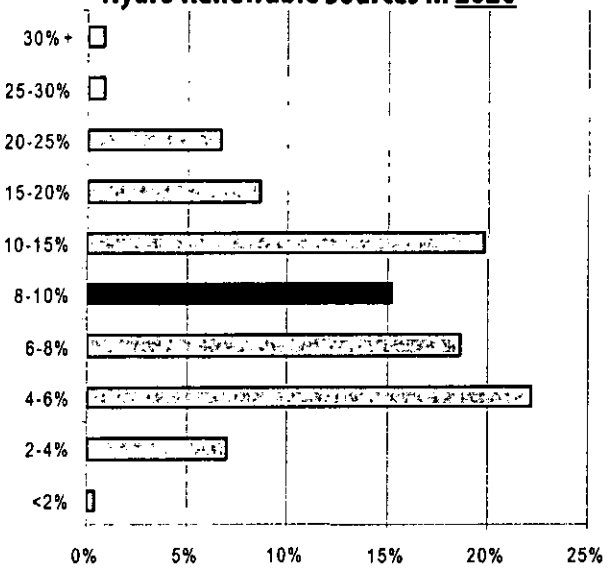
The number of firms in the industry is very small compared to other energy sectors. There are 11 manufacturers of geothermal turbine generator sets and related power plant components. They include: Alstom (France), Ansaldo (Italy), Fuji Electric (Japan), GE Energy (United States), Mitsubishi Heavy Industries (Japan), OAO Kalugo Energo (Russia), Ormat Technologies (United States), Siemens (Germany), Turboden (Italy), Toshiba (Japan) and UTC/Pratt & Whitney (United States). At the most recent international trade show of the **Geothermal Energy Association** in the United States, there were fewer than 100 exhibitors.

Geothermal project developers and power plant owners can be divided into two categories: 1) major independent power producers (IPPs) and utilities and 2) pure-play geothermal developers. The former category includes (U.S. companies unless stated): ArcLight Capital Partners/Terra-Gen Power, Calpine, Chevron, ENEL (Italy), EnBW (Germany), Geysir Green Energy (Iceland), LaGeo (El Salvador), Mid-American/CalEnergy, Ormat Technologies and PNOC EDC (The Philippines). Unocal and Chevron had historically been active developers of geothermal power in Southeast Asia. In 2005, Chevron acquired Unocal, and Chevron today is the world's largest private owner of geothermal power plants with combined capacity of 1,273 MW in the Philippines and Indonesia. Pure-play developers include: Magma Energy (Canada), Nevada Geothermal Power (Canada), Polaris Geothermal (Canada), Ram Power, Raser Technologies, Sierra Geothermal (Canada), U.S. Geothermal, Vulcan Power and Western GeoPower (Canada).

Enhanced geothermal systems (EGS) firms include AltaRock, Green Rock Energy (Australia), Panax Geothermal (Australia), Petratherm (Australia) and Potter Drilling. Leading technical and engineering consultancies and EPC contractors include AMEC, Enex (Iceland), GeothermEx, Geothermal Development Associates, Geothermal Resource Group, Horizon Well Logging, Hot Dry Rocks (Australia), Mannvit Engineering (Iceland), Ormat Technologies, Power Engineers, SAIC, SKM Consulting (Australia), West Japan Engineering Co. and Wood Group (United Kingdom)

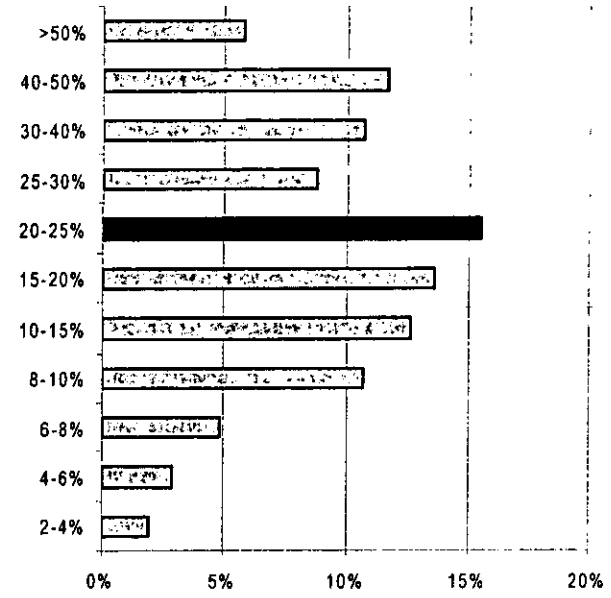
Leading drilling and drilling services companies include Baker Hughes, (United States), B.J. Services (United States), Boart Longyear (United States), Halliburton (United States), Iceland Drilling (Wales), Schlumberger (France, United States and The Netherlands), Thermasource (United States) and Weatherford (United States).

Percentage of U.S. Electricity Generation From Non-Hydro Renewable Sources in 2020



Source: Multiple CCBJ surveys with the same question conducted in 2008 and 2009 on the following topics: wind energy, CCS, snapshot and geothermal. Black bar indicates median range. Question was: U.S. DOE's Energy Information Administration says non-hydro renewable sources were responsible for 2.4% of U.S. electricity generation in 2006. What percentage of U.S. electricity generation do you believe non-hydro renewable sources will represent in 2020? (includes wood, municipal solid waste, landfill gas, sludge, biomass, geothermal, solar and wind).

Percentage of U.S. Electricity Generation From Non-Hydro Renewable Sources in 2050



Source: Multiple CCBJ surveys with the same question conducted in 2008 and 2009 on the following topics: wind energy, CCS and geothermal. The black bar indicates median range.

RPS expected to drive sustained growth from 2015-2020.

The global geothermal pipeline now exceeds 10 MW of projects under development, which if completed would almost double the installed global geothermal capacity of 10.5 GW built up over the past 30 years.

Currently, there are over 215 commercial geothermal electricity projects operating in 24 countries. The largest dry steam field in the world is The Geysers, 116 km north of San Francisco. The Geysers began in 1960 and has 1360 MW of installed capacity. **Calpine Corp.** now owns 19 of the 21 plants in The Geysers and is currently the United States' largest producer of geothermal energy. The other two plants are owned jointly by the Northern California Power Agency and the City of Santa Clara's municipal Electric Utility (now called Silicon Valley Power). Since the activities of one geothermal plant affects those nearby, the consolidation plant ownership at The Geysers has been beneficial because the plants operate cooperatively instead of in their own short-term interest. The Geysers is now recharged by injecting treated sewage effluent from the City of Santa Rosa and the Lake County sewage treatment plant. This sewage effluent used to be dumped into rivers and streams and is now piped to the geothermal field where it replenishes the steam produced for power generation.

Another major geothermal area is located in south central California, on the southeast side of the Salton Sea, near the cities of Niland and Calipatria, Calif. There were 15 geothermal plants producing electricity in the area. CalEnergy owns about half of them and the rest are owned by various companies. Combined the plants have a capacity of about 570 MW. The Basin and Range geologic province in Nevada, southeastern Oregon, southwestern Idaho, Arizona and western Utah is an area of rapid geothermal development. Several small power plants were built during the late 1980s during times of high power prices. Plants in Nevada at Steamboat near Reno, Brady/Desert Peak, now produce about 240 MW. As indicated on the chart on page 24, Nevada and Utah account for 86% of the new leases granted by the U.S. government in 2007-2008.

While geothermal electricity using existing technology indeed has good short-term prospects, the best sites are already snapped up. If geothermal is to make a big dent in renewables' inevitable penetration of the U.S. electricity business, EGS will have to play a role. Regardless, the manufacturers, consulting engineers, investors and policymakers in the CCBJ community believe that non-hydro renewables will account for roughly 8-10% of electricity by 2020 and 20-25% by 2050, according to compiled results of CCBJ surveys that incorporated the identical question (see charts above). How America reaches these thresholds remains to be seen, but it seems certain that there will be an ample supply of scientists, engineers, entrepreneurs, businessmen and corporations to chase the goal. ☼

Geothermal Developers Grapple With Financial Realities of 2009

For many geothermal power plant developers in North America, the worldwide economic free-fall that began in September 2008 has turned 2009 into a year of holding on, hunkering down and trying to survive. Despite holding leases to tens of thousands of acres of geothermal-rich land in the western United States, most developers lack risk capital to invest in the upfront geo-scientific work and exploratory drilling that is needed to verify the extent and quality of geothermal resources under the ground. (An exception to some degree is **Ormat Technologies**, which generated $252 million in revenues last year from its 505-MW portfolio of existing geothermal power plants; for more on Ormat see story on page 20.)

As recently as a year ago, developers could obtain debt financing before they had validated and drilled the production wells to tap geothermal resources—had "steam behind the pipe" in industry parlance. Not so today. "We've come out of a period in which there has been hyper-liquidity, a buyer's market for capital if you will. In the period we're in now, the pendulum has swung the other way," Ric Abel, Managing Director, Electric Finance Group, **Prudential Capital Group**, told CCBJ in April. "While in the past developers could get debt sooner in the life of a project and finance their drilling with a larger percentage of debt, today drilling and proving up the resource is seen as an equity risk."

Abel spoke at the March 2009 San Francisco Geothermal Innovation and Investment Forum sponsored by **Greenpower Conferences**. He was one of several representatives of lending institutions who discussed just how much financial conditions have tightened up for geothermal developers since the fall of 2008.

Investors had similarly bad news. Venture capitalists from **Google.org** and **KPCB** said they're only investing in technology firms with a strong upside potential, like those aiming to gain a position in the emerging enhanced geothermal systems (EGS) industry (also known as hot dry rock or HDR; for more, see feature on pages 29-31).

Private equity investors told the audience that because of the depressed market caps of publicly held geothermal developers, investors would prefer to buy geothermal companies or their operating power plants rather than invest in new geothermal projects. "Right now because of the large number of [geothermal] companies looking for financing as well as the significantly shrunken pool of available capital we expect that [development] deals will be few and far between going forward. The return hurdles and pre-requisites for successful private equity investment will be a lot higher," Paul Ho, managing director of **Hudson Clean Energy Partners**, told the audience.

New Wave of Developers

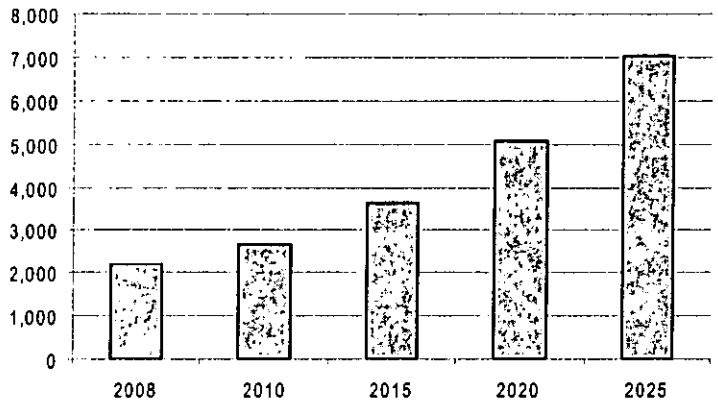
This was not news to the North American geothermal project developers who were in the audience, five of whom would later sit on a panel together representing their firms: **Magma Energy, US Geothermal, Ram Power, Nevada Geothermal Power** and **Sierra Geothermal Power**. These companies are part of a relatively new wave of pure-play geothermal project developers that emerged in this century, driven by the California energy crisis, the adoption of renewable energy standards in western states and the emergence of climate change and energy security concerns. Unlike Ormat and a handful of larger independent power producers and energy companies playing in U.S. geothermal project development—such as **CE Generation** and **Enel North America**—these firms are in the early stages of building their portfolios of geothermal projects. Tim Stephure, a geothermal expert at **Emerging Energy Research**, calls them "junior developers." Some have purchased existing plants with an eye toward expanding or repowering those facilities, but all are focused on new developments.

Hezy Ram, a longtime executive with Ormat who founded Ram Power last year, told an anecdote that while not literally true was nonetheless emblematic of the state of play for him and his counterparts. After leaving a meeting with an investor, he checked the visitor register at the front desk. Competing developer Doug Glaspey of U.S. Geothermal had been in just before him, while Brian Fairbank, CEO of developer **Nevada Geothermal Power** had just arrived for his appointment. (Both Glaspey and Fairbank were on the conference panel.) "We all go to the same private equity funds and financial institutions and talk to the same people," he said. "We need development capital. And as you know capital is very scarce today."

Development capital—lots of it—is needed for the upfront work that developers must do not only to verify that adequate geothermal resources lie under the ground they've leased or purchased, but also to sink wells accurately enough to tap those resources. In this economic environment, until they've got "steam behind the pipe," they can't access private equity funding, tax-credit equity or project-finance debt. And even when they can meet the risk requirements of such funders, funding is harder and more expensive to obtain than any time in recent memory.

As Abel pointed out, prior to the recession, developers could often obtain debt financing for some of this risky resource development activity. Not only is that no longer the case, but prospective equity investors are requiring more resource development work—more steam behind the pipe—before they'll invest in projects. And lenders are requiring higher levels of equity investment before they'll lend money for a project. One geothermal

Forecast of US Capacity for Conventional Hydrothermal Power



Source: CCBJ 2009 Geothermal Survey conducted in April 2009. Question was: Geothermal generating capacity in the United States was approximately 2,200 MW at the end of 2008. Given an economic revival by 2010 and adequate incentives, please estimate the US capacity for conventional hydrothermal power for 2010, 2015, 2020 and 2025. Result displayed is an average of the responses written in.

veteran who spoke to a CCBJ editor at the conference said: "The big economic problem affecting us now is the amount of debt you can get as part of your total project cost. This amount used to be 70-80%, and you'd only have to come up with 20-30% equity. First of all, nobody is really doing any deals right now. Banks don't have money they're willing to loan on such projects. But the numbers we're hearing tossed around [by lenders willing to lend] are more like 40-50% equity."

Panelists agreed that the last significant geothermal financing deal in the United States was Nevada Geothermal Power's $180 million line of credit to build a 50-MW project near Winnemucca, Nevada. But as CEO Brian Fairbank told CCBJ in an interview, the financing was much less favorable than what the company had anticipated. And in the current climate, the developer's success in getting steam behind the pipe for 50 MW has not led to any breakthroughs in financing an additional 50 MW at the same site. "Just at the time when we should have the light of success shining on us, we've run into the collapse in the credit market and a situation where the equity markets aren't working very well either." (For more on Nevada Geothermal Power, see page 28.)

Geothermal Land Rush

Before a developer worries about financing, however, it must have land leased for development, either from private owners, states or the federal Department of Interior, which controls through the **Bureau of Land Management** (BLM) millions of acres in the West. After May 2007, when the BLM finalized its rules for auctioning leases under the Energy Policy Act of 2005, there was a "land rush" as firms bid for favorable parcels. Auctions in 2007 brought in bids ranging from an historic high of $14,000 per acre for a 470-acre parcel adjacent to The Geysers in California to bids in the neighborhood of $300 to $500 per acre in Nevada, according to a BLM news release. Data compiled by Emerging Energy Research shows that since 2007 the three top lessees are Ormat, with about 150,000 acres; **Raser Power Systems** with some 75,000 acres; and Magma Energy with about 45,000 acres. These three are followed by some 20 developers with anywhere from a few hundred acres to 20,000-plus acres under lease. (See chart on page 24.)

The BLM has been paid more than $63 million for geothermal leases since 2007, according to Kermit Witherbee, national geothermal program manager for the agency. According to Witherbee, the perceived value of auctioned leases have dropped significantly. In the agency's last auction in December 2008, the average price was between $30 and $50 per acre.

For developers without existing leases or rights to private or federal lands, the prospects of gaining a toehold in geothermal development are increasingly slim. Most of the favorable geothermal sites—outside of off-limits areas like Yellowstone National Park—have already been developed or acquired. "Those of us who have been around for a few years kind of got the first pick on some of these prospects that that [already] had drilling [done] and had discoveries," said Doug Glaspey, CEO of U.S. Geothermal. "Those are the sites we went to first, and those are rapidly being consumed not only by ourselves but by new entrants in the market. So the quality of [geothermal site] prospects is going down. That means the risk to define and develop new resources is going higher and higher."

Drill, Baby, Drill (With DOE Money?)

While the output of wind, solar PV, biomass, hydropower and other renewable power plants can be predicted with a fair amount of certainty, geothermal developers face much more uncertainty as they search for steam supplies anywhere from 2,000 to 10,000 feet underground.

To find geothermal resources of sufficient enthalpy (heat energy) for power generation, they start with geological mapping that points to likely areas. They also consider distance to grid connections. Then they hire staff or consultants to perform geochemical analyses of hot springs and geophysical analyses such as seismic studies to refine models of likely resources. On many prospective geothermal properties, developers have the benefit of earlier explorations done by oil and gas companies that were investigating geothermal in a big way in the 1970s and 1980s.

Many of those prospective sites were not developed because the market drivers of that era diminished with the decline in oil prices. Additionally, the binary technology that can utilize lower-temperature geothermal resources was not available on a commercial scale at that time.

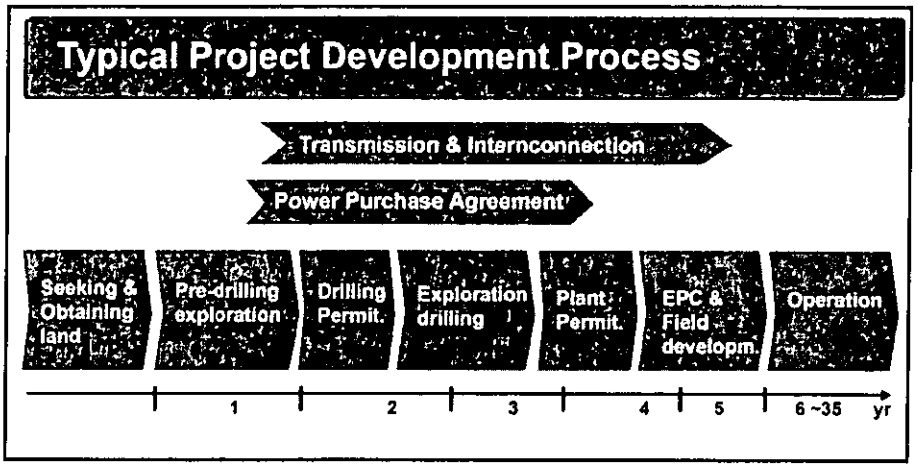
The costs for the geologic mapping, geochemical and geophysical work is generally in the hundreds of thousands of dollars for a 40 to 50 MW geothermal power project—add in permitting for the well drilling phase and you're looking at $2 million to $3 million, according to Brian Fairbank of Nevada Geothermal Power (see page 27).

Then the cash really starts to flow. Developers hire drilling contractors who come with rigs, equipment and personnel and charge $25,000 a day or more. Sometimes a drilling program start with slimhole test wells that can cost $2 million to $3 million each; in other cases developers and their contrators go straight to the production wells that can cost anywhere from $3 million to $10 million or more.

Like wildcat oil drillers, the geothermal prospectors are usually looking in areas without a history of geothermal production. They don't always hit paydirt, yet the drilling contractors must be paid. In fact, drilling "dry holes" is quite common. Developers estimated the risk at 20% to 30% on greenfield projects that haven't already been subjected to some exploratory drilling. "That scares a lot of people," said Glaspey.

"The drilling is really the wild card in geothermal," said Gary Thompson, CEO of Sierra Geothermal Power in response to a questions about average costs for developing a geothermal wellfield. "You have to have a fairly large contingency when you're talking about drilling because [the costs] are all over the map It could be $2 million, it could be $15 million to drill one of these wells. And your output varies [on the the same scale]. It could be two megawatts per well or 10 or 15 megawatts per well."

Typical Geothermal Project Develoment Process



Source: Geothermal Development in Emerging Markets by Rahm Orenstein, Ormat Technologies, Inc. Geothermal Innovation & Investment Conference, March 24th, 2009.

Given the risks of hitting dryholes and creating wells that produce less power than anticipated, the typical upfront capital required for a geothermal project of 40-50 MW with a typical life cycle of 30-35 years could be from $30 million to $50 million, according to developers. With the high risk profile of their endeavor and the difficulty of financing such activities, developers and other speakers at the conference pleaded with one particular person in attendance: Ed Wall, manager of the **U.S. Department of Energy's Geothermal Technologies Program.** What they asked for repeatedly is for Wall to use some of the $400 million for geothermal contained in the American Recovery and Reinvestment Act (ARRA) stimulus package to help developers mitigate this daunting dry-hole risk (see list on page 17).

"It's great to spend money on EGS. That's the future," said Glaspey. "But if you want megawatts on the ground today, you have to capitalize exploration. The way you do that is put it into drilling programs. Cost share [from the DOE] would be very nice for folks like us."

"There's a tremendous amount of conventional geothermal projects out there that desperately need assistance in order to do the drilling," said Abel from Prudential. "I think from a stimulus bill perspective, getting projects built, producing electricity and creating those jobs is where there's more bang for your buck."

Another option for DOE funding, according to Glaspey, is the loan guarantee program for renewable energy technology funded to the tune of $6 billion by the ARRA. "It may be possible for DOE to offer us loans at 3.5-4% interest," he said. "That's very encouraging, although we can't wait two years to get that kind of financing package," he added, referring to DOE's past difficulties with the loan guarantee program.

Long-Term Drivers

Despite the current difficulties, geothermal developers are operating in a marketplace with some very strong long-term drivers. Regardless of what happens with federal renewable energy standards and climate change legislation, utilities in western states are already under state laws requiring sharp increases in renewable generation. Because of its reliable baseload properties—in contrast to the intermittency of wind and solar—utilities and grid operators can more easily incorporate geothermal generators.

Those "junior developers" who can hang on through this difficult period will likely enjoy a more robust market envi-

ronment within one to two years. Prudential Capital Group's Ric Abel pointed out at the March conference and in a separate interview with CCBJ that institutional lenders like insurance companies still have a large appetite to finance long-term projects like geothermal power plants built with fixed-price EPC contracts and 20-year power purchase agreements. "There is money available, although it's a lot more expensive than it was a year ago," said Abel. "While drilling and proving up the resources is an equity risk, building the power plant and producing electricity for a PPA is more of a debt risk."

Abel said geothermal projects are financed in similar fashion to combined cycle gas turbine plants and other fossil fuel-fired power plants, with a waterfall structure designed to ensure that asset maintenance—including reservoir maintenance in the case of geothermal—is adequately funded and creditors are paid before plant equity owners. "This structure was developed and perfected primarily with gas-fired projects.... Most of the major law firms that focus on project finance are very familiar with this structure and the documents associated with it. At various times, including in the recent period of hyper-liquidity, people have deviated from that structure, but now the pendulum has swung back and lenders are approaching power projects in this more standard format."

For geothermal projects, a "disciplined operating budget" to maintain reservoir viability is critical to giving long-term lenders assurance. "You've got to have continued funding to maintain the geothermal resource, which is your fuel supply, on an ongoing basis," he said.

Emerging Energy Research's Stephure points to some recent investment highlights that show the underlying strength of the geothermal segment, but also point toward consolidation trends. He noted that Canadian energy company AltaGas recently purchased a 25% stake in

Leading Geothermal Power Market Participants

Power Plant Owners & Developers

Major IPPs And Utilities:
ArcLight Capital Partners
Calpine (USA)
Chevron (USA)
EnBW (Germany)
ENEL (Italy)
Geysir Green Energy (Iceland)
LaGeo (El Salvador)
Mid-American/CalEnergy (USA)
Mighty River Power (New Zealand)
Ormat Technologies (USA)
PNOC EDC (The Philippines)
Terra-Gen Power (USA)

Pure-Play Geothermal Developers:
Magma Energy (Canada)
Nevada Geothermal Power (Canada)
Polaris Geothermal (Canada)
Ram Power (USA)
Raser Technologies (USA)
Sierra Geothermal (Canada)
U.S. Geothermal (USA)
Vulcan Power (USA)
Western GeoPower (Canada)

Power Plant Equipment Suppliers:
Alstom (France)
Ansaldo Energia (Italy)
Fuji (Japan)
GE/Nuovo Pignone (USA)
Mitsubishi (Japan)
OAO Kalugo Energo (Russia)
Ormat Technologies (USA)
Siemens (Germany)
Toshiba (Japan)
Turboden (Italy)
UTC/Pratt & Whitney (USA)

Energy Conversion Technology Developers
Borealis/Power Chips (Gibraltar)
ElectraTherm (USA)
Exorka (Germany)
O-Flex
Ormat Technologies (USA)
Turbine Air Systems (USA)
UTC/Pratt & Whitney (USA)

Technical and Engineering Consultancies & EPC Contractors
Amec (USA)
Enex (Iceland)
GeothermEx (USA)
Geothermal Development Associates (USA)
Geothermal Resource Group (USA)
Horizon Well Logging (USA)
Hot Dry Rocks (Australia)
Mannvit Engineering (Iceland)
Ormat Technologies (USA)
Power Engineers (USA)
SAIC (USA)
SKM Consulting (Australia)
West Japan Engineering Co.
Wood Group (United Kingdom)

Drilling And Drilling Services Firms
Baker Hughes (USA)
B.J. Services (USA)
Boart Longyear (USA)
Halliburton (USA)
Iceland Drilling (Wales)
Schlumerger (France, USA, Netherlands)
Thermasource (USA)
Weatherford (USA)

EGS Developers/Technology Firms
AltaRock (USA)
Geodynamics (Australia)
Green Rock Energy (Australia)
Panax Geothermal (Australia)
Petratherm (Australia)
Potter Drilling (USA)

Source: CCBJ, EER, NEF and Geothermal Resources Council

Magma Energy and Raser Technologies has recently executed a funding agreement with **Copper Canyon Mining**. Australian EGS geothermal developers **Geodynamix** and **Petratherm** have formed alliances and joint ventures with very large companies: Geothermix with Indian conglomerate **Tata** and Petratherm with Australian utility **TruEnergy** and oil & gas producer **Beach Petroleum**. "Companies with bigger balance sheets will be better positioned moving forward," said Stephure.

"There are definitely some opportunities for these players to take advantage of the economic situation. They can fund a lot of activity in house and pick up projects from developers who are struggling. M&A activities are likely to occur. We may also see utilities move into this space, either developing or owning their own projects or partnering to help develop projects." In chaos lies opportunity is how some observers are characterizing 2009 and the geothermal industry has both. ☼

Geothermal Power in Developing Countries

With the best geothermal resources located along the Pacific Ring of Fire, there are enormous opportunities for developing geothermal power in Asian and Latin American countries that currently have little or none. The eastern and southern Mediterranean and the East Africa Rift zone (Kenya, Ethiopia, etc.) also present large geothermal development opportunities.

But developing geothermal power plants in many emerging markets is an enterprise fraught with high risks—risks that are layered on top of the ordinary risks of hitting dryholes and drilling under-producing wells that confront geothermal project developers in the United States and other developed countries. To build geothermal wellfields and power plants, most developing countries (the exceptions being the Philippines, Mexico, El Salvador and Indonesia) need foreign experts, suppliers and development capital because they lack the internal capacity—yet foreign firms often find it difficult to work in many developing countries because of the lack of frameworks to manage risks, delays in administrative processing, frequent requests for local patronage, contracts being violated and projects being shut down for murky political reasons.

"In some of these markets you have to add political risk to the drilling risks and credit risks that exist in developed countries," said Rahm Orenstein, director of business development for internationally active **Ormat Technologies** in a talk at the March 2009 Geothermal Innovation and Investment Forum sponsored by **GreenPower Conferences** in San Francisco. "Then you have off-take risk. In some countries, there's a high risk that your electricity customer won't pay you."

Poor market conditions are also a barrier to geothermal development in many developing countries. These include: Electricity markets that have not been fully restructured to encourage competition by independent power producers (IPPs), low rates for electricity that price geothermal out of the market, and lack of incentives to subsidize the up-front investment costs of geothermal power projects. "In many countries, geothermal has to compete with fossil fuels that still get subsidies and incentives," explained Orenstein. Additionally, many developing countries that have restructured their state power monopolies to facilitate more competition still retain monopolistic elements. "Any place we go and compete as an IPP is a market that has been deregulated to allow merchant power suppliers like us to compete, which is good.... But in some cases we discover that market is still to some extent monopolistic. Utilities may have been broken into a generation company and a transmission and distribution company, so now they have two monopolies."

For developing countries desperate for more domestic power sources—and for the worldwide effort to mitigate carbon emissions—the consequences that these risks and barriers will forestall geothermal power development in emerging markets are immense. **West Japan Engineering Co.** (West JEC), which has extensive experience in Central America, estimates that 3,000 MW to 4,000 MW—about 10 times current installed geothermal capacity—of new geothermal could be developed in that region given proper market structures, incentives and policies.

Geothermal-rich Indonesia has set a goal of building more than 4 GW of geothermal power capacity by 2014 (It currently has less than 1 GW online), but many international companies are reluctant to work there because of its unfavorable power market, bureaucratic inertia and reputation for corruption. In Kenya, some 4 GW of geothermal capacity—triple the nation's current electrical generation capacity—could be developed in the Rift Valley given proper market conditions and incentives, according to a study by UN agencies and the national power generation utility.

Foreign firms have successfully developed geothermal power projects in all of these regions and other developing nations. But it hasn't been easy.

Case In Point: Kenya

Ormat began developing a geothermal project in Kenya in the late 1990s, soon after the former state-owned power monopoly was unbundled into generation and transmission-distribution units. "Kenya was still heavily reliant on several hydropower projects for its electricity generation, and in the late 1990s the country suffered a major drought that caused generation to drop by some 30 percent," said Orenstein. The reliable baseload characteristics of geothermal made it an ideal resource for the country's power needs, according to Orenstein.

A **World Bank** supervised international competitive bid was issued by the utility, which was won by Ormat. Nine months after signing of a 30-year 50 MW power purchase agreement (PPA), the first 8 MW plant came online, and was soon expanded to 12 MW. By May 2002, Ormat had completed and demonstrated a total of 48 MW of steam capacity from the wells, but then it had to wait an agonizing six years to wade through what Orenstein called "administrative and political issues" before it could complete its power plant to reach that capacity. Ormat invested $150 million of its own funds for the wells and the plant; only recently was it partially refinanced by a loan from the German DEG lead consortium.

Kenya has relatively high electricity tariffs—between $80 and $120 per MWh compared to $60 to $80 for the rest of sub-Saharan Africa, according to a report by Julie Rowlett of the **Columbia University School of International and Public Affairs**. So Ormat's wholly owned Kenyan

subsidiary OrPower is likely doing well. But according to Ormat's 2008 annual report, the firm, along with the handful of other IPPs operating in Kenya, is under pressure to reduce tariffs to allow the government to make good on campaign promises of cheaper electricity. Furthermore, its customer **Kenya Power and Light Company** is being re-organized. And the country is in a state of ongoing political turmoil between President Mwai Kibaki and Prime Minister Raila Odinga.

To manage the risks of operating in countries like Kenya, Ormat buys political risk insurance from the **Multilateral Investment Guarantee Agency (MIGA)** of the **World Bank Group** or from **Zurich Re**, for most of its foreign projects, according to the company's annual report.

Ranking Developing Country Markets

Research outfit **New Energy Finance** has ranked the favorability of geothermal markets in both developed and developing countries. NEF's four criteria are:

Stability – political, economic and social, including a reliable electricity grid.

Availability of **local partners** to handle licensing, permitting and obtaining power purchase agreements.

A positive **policy framework** with high energy demand and limited supply

Incentives or subsidies such as feed-in tariffs, renewable energy certificate trading schemes and tax exemptions.

Global Geothermal Markets Rating

Country	Stability	Local Partners	Policy Framework	Subsidies	Ranking
Chile	+	+	+	+	4.0
Greece	+	+	+	+	4.0
Hungary	+	+	+	+	4.0
Iceland	+	+	+	+	4.0
Australia	+	+	+	+	4.0
Austria	+	+	+	+/-	3.5
Slovakia	+	+	+	+/-	3.5
Nicaragua	+	+	+	-	3.0
US	+	+	+	-	3.0
Guatemala	+	+	+	-	3.0
Indonesia	+	+	+	-	3.0
Japan	+	+	+	-	3.0
Philippines	+	+	+	-	3.0
Germany	+	+	+	-	3.0
Italy	+	+	+	-	3.0
New Zealand	+	+	+	-	3.0
Turkey	+	+	+	-	3.0
Costa Rica	+	+	+/-	-	2.5
El Salvador	+	+	+/-	-	2.5
Poland	+	+	+/-	-	2.5
Portugal	+	+	+/-	-	2.5
China	+	+	+/-	-	2.5
Thailand	+	+/-	+	-	2.5
France	+	+/-	+	-	2.5
Kenya	+/-	+	+/-	-	2.0
Mexico	+	+/-	-	-	1.5
Russia	+	+/-	-	-	1.5
Ecuador	+	-	-	-	1.0
Peru	+	-	-	-	1.0
Papua New Guinea	+/-	+/-	-	-	1.0
Djibouti	+/-	+/-	-	-	1.0
Ethiopia	+/-	+/-	-	-	1.0

Source: New Energy Finance. Countries were ranked on a scale of 0 to 4 points. Each of the criteria presented in the four columns is worth 1 point. A + symbol signifies that country fully meets the criteria and 1 point. A +/- symbol indicates that a country only partially meets the criteria and is awarded a 0.5 point.

West JEC would probably add to that list a wholesale power market that is amenable to power purchase agreements (PPAs). Without PPAs, geothermal plants compete as merchant power producers, being dispatched only when their power is needed and their price is competitive. "Not all countries are like the United States where you can get PPAs," said Enrique Lima, general manager for overseas business. "In Central America, for example, it is difficult to get PPAs. You have to compete in the market where the price varies 24 hours a day. It can go from as low as 1 to 2 cents and as high as 10 to 13 cents at peak. But the duration of the peak is very short, so the average price you'll get is 3 or 4 cents. This makes it very difficult for geothermal to compete."

It's no suprise that Kenya is near the bottom of NEF's rankings with a 2.0 ranking out of 4.0 possible points. (See chart on left for all of NEF's rankings.) Many developing countries rank more highly, in NEF's view, including Chile, Hungary, Nicaragua, Guatemala, Indonesia, the Philippines and Turkey.

Indonesian Puzzle

But according to New Energy Finance Associate Mark Taylor—and research by CCBJ's parent company **Environmental Business International (EBI)** on behalf of the Organization for Economic Cooperation and Development—the level of risks and difficulties presented by certain countries can be as much a matter of perception or opinion as fact. Indonesia, for example, is widely perceived as a very difficult market to develop geothermal projects due to broken contracts, turgid bureaucracies, an unfriendly power market and corruption. According to an executive with an international engineering firm active in geothermal worldwide, wholesale power prices in Indonesia are tied to the price of coal power, essentially pricing geothermal out of the market. This individual (who was interviewed confidentially for EBI's OECD study) doesn't believe

that the government's plan to offer higher rates for geothermal and other renewables will succeed because of resistance within the electricity bureaucracy.

WJEC's Lima offered a more balanced perspective on Indonesia, telling CCBJ: "The Indonesian government is now thinking what kind of support is needed for geothermal and other renewables but they have not yet reached a conclusion." And Taylor says he has "talked to people who have developed projects there, and they say that if you know the people and the culture, it's not that bad." Indeed, **Chevron**, which calls itself the largest producer of geothermal energy in the world, has a 30-year history of geothermal work in Indonesia (through **Unocal** which Chevron acquired in 2004). According to Taylor, government officials in charge of boosting geothermal production to 4.4 GW by 2014 are aware of its reputation and working to ease some of the barriers and challenges.

A key insight that emerged from EBI's research is that some firms succeed handsomely in doing business in foreign markets where others fear to tread. One wind power developer told EBI that his firm avoided mature wind-power markets in OECD countries to focus on the opening markets in what he called "dodgy" countries with higher levels of political risk and corruption. While some firms reported avoiding China because of intellectual property risk and poor contract enforcement, several European wind power firms work quite successfully in China. It appears that a market which scares off some firms can offer opportunities to other firms that adapt to the country's business norms and market conditions.

For geothermal power developers, however, the higher levels of risk and difficulty imposed by operating in a "dodgy" country are much more formidable than for wind power because of the cost of quantifying and developing resources. While assessing the expected annual yield of a wind farm site is not a trivial matter, doing the drilling needed to prove and develop the geothermal resource for a 50-MW power project can run as high as $50 million or more.

Governments, Funding Institutions Step Up

Because of these high costs and the attendant risks of finding dryholes or hitting reservoirs with lower than expected power capacity, geothermal power development in emerging markets is often too risky for the private sector to do on its own. To offset these costs and risks, developed country governments, multilateral lending agencies like the World Bank and in some cases host country governments subsidize the exploration and resource development phase of creating a new geothermal power plant.

The impact of such subsidies can be seen in the contrast between the geothermal power development trajectories of the Philippines and Indonesia. The two countries are both rich in geothermal resources and both began developing them in the 1970s, yet the Philippines today has about 1900 MW of capacity online, meeting about 17% of total demand, while Indonesia has less than 1 GW meeting 5% of demand. According to multiple informants for EBI's OECD research, the Philippines' success story was based on a policy in which publicly owned **PNOC Energy Development Corporation (EDC)** took the exploration and drilling risk, selling steam to power plant developers.

By contrast Indonesia required foreign developers to fund exploration and drilling. "In the 1990s, you could do a geothermal power project in the Philippines for 4.5 cents to 5 cents U.S. per kilowatt-hour, but contracts in Indonesia were at 7.5 to 8 cents because developers were putting a big margin on for the risks being assigned to the projects," said EBI's source with the international engineering firm. (PNOC EDC has since been privatized and EBI's sources say the industry is watching closely to see how its development policies evolve.)

Looking forward, Taylor says that funding to underwrite the costs of resource exploration and wellfield development will be vitally important to building geothermal projects in most developing countries. "Right now, developing geothermal in these countries is so high-risk that there needs to be some sort of multilateral bank or government intervention to help out," he said.

He spoke recently with the head of the World Bank's $25 million GeoFund which subsidizes drilling and exploration and technology development. The official reported that the fund had lent $5 mil-

Developing Markets with Most Promise in Geothermal

- Brazil
- Canada (2 responses): political stability, history of resource development
- Chile (2 responses): resource and government support, great resource, new developers in area
- China (2): Universal carbon tax
- Iceland: size of resource
- India: universal carbon tax
- Indonesia (4) : lots of resources
- Japan
- Kenya
- Mexico
- Nevis Island (Antilles): great start, high electricity pricing
- Nicaragua: good resource
- Philippines (5): replace dependance on diesel powered generation; size of resource
- Turkey

Source: CCBJ 2009 Geothermal Survey conducted in April 2009. Question was: Many regions of the developing world such as Central America and parts of Africa have tremendous potential to develop more geothermal power, yet little internal capacity to develop their resources. In many cases, such countries present high risks for foreign geothermal developers and service providers. Please note the three developing countries that you think will grow their geothermal power capacity the most over the next 10 years and what factors will make those markets favorable for geothermal development.

lion and still had another $20 million to lend, which would likely go to subsidize three resource exploration efforts and five technology development programs. "The European Investment Bank and the European Bank for Reconstruction and Development have also offered funding, but the existing financing resources are absolutely not enough. To significantly ramp up geothermal power capacity in developing countries, it will be necessary for multilateral banks to step up their financing."

Enrique Lima of West JEC told CCBJ about a series of geothermal projects in countries such as the Philippines, Indonesia, Guatemala, Jordan, Panama, Colombia and other countries for which the initial stage of development were or are being financed by country-to-country development assistance programs. "This kind of financing through donations or soft loans may provide means to offset risk," said Lima.

Chile, Turkey, Hungary Entice Developers

According to Taylor, a country that has been particulary successful in turning around a negative reputation for geothermal development is Chile. Developers were plagued by long delays in receiving permits until the government streamlined the permitting by setting deadlines for administrative departments.

"Chile is one of the best markets now for two reasons," said Taylor. "It doesn't have a feed-in-tariff but it has an average wholesale electricity price of $115 per megwatt-hour, which is very high. The other reason is that it has an immense geothermal resource and developers who have looked at it are fairly confident that they can make projects work economically." The Chilean government is also offering a $5 million subsidy per geothermal project and is doing organized leasing and tendering of known geothermal resource areas.

"Many mining companies up in Northern Chile need a lot of electricity, and they're paying high rates for it," said Taylor. "There is a lot of geothermal [in the mining areas], with geysers and other surface expressions." Combining small distributed projects for mines and other remote industries with utility-scale projects, Chile can develop 2350 MW of geothermal power capacity according to an estimate provided by NEF from Bob Lawrence & Associates, a consulting firm.

Other developing-country markets have implemented feed-in-tariffs for geothermal, according to Taylor. These include Hungary with a $90 per MWh rate; Turkey with $70 per MWh; and the Central American Electrical Interconnection System (SIEPAC) linking Panama, Costa Rica, Honduras, Nicaragua, El Salvador, and Guatemala has set an $80 per MWh FIT (SIEPAC is still under construction as of April 2009). ☼

Trouble In Central America: One Company's Experience

CCBJ's parent company Environmental Business International (EBI) recently conducted a series of confidential interviews with geothermal market participants on behalf of the Organization for Economic Cooperation and Development to assess the market barriers in different countries. EBI's informants (interviewed confidentially) told stories of extra costs, obstacles and delays due to government procedures and local business culture. One of the most daunting experiences was related by an international developer doing its first project in Central America. As a result of these experiences, the company will raise its revenue requirements for future projects in the country by 10% to 20%. (The country is not identified to protect the company's confidentiality.) Among the challenges:

* A government anti-corruption law made customs clearance cumbersome and expensive. A mistake like classifying a pipe fitting as a pipe could result in fines and special treatment of all the company's imports for a year.

* Conflicts between labor unions in Mexico and Central America resulted in a *de facto* ban on Mexican trucks crossing the border. In spite of a regional free trade agreement, shipments are re-loaded at the border—a requirement that could not be safely met for a 50-ton heat exchanger the company was importing. A logistics contractor had to negotiate a special arrangement with the unions.

* The company had difficulty importing the isopentane needed for the binary steam cycle because customs officials didn't know how to classify it.

* Banking regulations prevented the company from opening an account unless it established a domestic company. This meant that the company could not establish credit at local vendors and had to get quotes, write purchase orders and process invoices through its home office for all purchases.

* The project tender document gave the client—a quasi-public utility—the right to travel at the developer's expense to inspect the production of components. While traveling to inspect heat exchanger or turbines was justifiable, client staff insisted on traveling to visit the makers of commodity items like transformers and pumps.

* For some site preparation work, the company was forced to employ laborers instead of heavy equipment.

* After a site engineer was murdered, the company hired an armed security service to accompany all foreign staff 24 hours a day.

ARRA Update: Federal Procurement Picks Up at GSA, DOD and DOI

Federal government agencies are flush with cash to spend quickly thanks to the American Recovery and Reinvestment Act (ARRA), also known as the Stimulus Package. And a great deal of that cash will go to services and products related to energy efficiency and renewable energy projects. While the U.S. Department of Energy (DOE) is the largest recipient and disburser of ARRA funds for energy efficiency and renewable energy, other federal, state and local agencies also have a great deal of new money to spend on these segments by September 30, 2010.

As noted in our first edition of 2009 (January/February/March 2009), given the size and the phased implementation of the ARRA, CCBJ will cover aspects relevant to our readers over several editions in 2009. In this edition, we focus on federal procurement for services and products associated with energy efficiency and renewable energy by three federal agencies: **General Services Administration** (GSA), **Department of Defense** (DOD) and **Department of Interior** (DOI).

According to CCBJ's estimates, these three agencies will directly spend about $5.5 billion on contracts for renewable energy and energy efficiency projects by September 30, 2010. (Note: this does not include funds being channel to states, local governments, housing authorities, tribes and school districts by the **Department of Education, Environmental Protection Agency, Housing and Urban Development** and DOE.)

Five and a half billion dollars is a rough estimate based on an educated guess about the amount of capital project funds that GSA, DOD and DOI agencies will spend on energy-related projects. Congress gave the agencies wide latitude, telling the Army, for example, to spend $1.47 billion to "improve, repair and modernize... facilities, restore and modernize real property to include barracks, and invest in the energy efficiency of ... facilities." All other DOD departments, including reserves, received similar marching orders. Similarly, the **Bureau of Land Management, Fish and Wildlife Service** and other DOI agencies have been given money for "repair of roads, bridges, property, and facilities and for energy efficient retrofits of existing facilities."

With that kind of discretion, the full scope of GSA, DOD and DOI spending on energy efficiency projects like upgraded lighting and replacement of inefficient HVAC equipment and renewable energy projects such as solar water heating systems and wind turbines won't be known for some time. But early indications are that spending from DOD at least will be very robust.

In a March 2009 report to Congress, DOD highlighted hundreds of energy efficiency and renewable energy projects that will be funded with ARRA money. Just a few examples: $4.7 million for wind turbines at the **Air Force's** Cape Newenham Long Range Radar site in Arkansas; $10.7 million for a PV system at Camp Pendleton Marine Corps Base in California; and $3 million to upgrade the HVAC system at Fort Leavenworth in Kansas.

Obviously, there's a lot of work on tap for equipment installers and integrators and engineering and construction firms. But DOD is also looking for consultants to do conceptual planning and analysis work. A whole section of ARRA DOD funding is devoted to research, development test and evaluation (RDT&E) projects, and DOD aims to spend much of that funding on energy related projects.

There are initiatives around designing more fuel-efficient military vehicles and developing renewable energy generation and energy devices for combat usage; contracts for those types of projects will prob-

Recommendations for DOE for Utilization of the $400 million in ARRA or Stimulus Funds for Geothermal Energy

Reduce drilling risk
Fund Exploration and Drilling
Incentives for exploration
Invest in exploration research
Create new test wells for deeper operations
Help finance geothermal development first cost
Construction loan capital for shovel-ready developments
Continue and Increase Loan Guarantees
Staff Up to Process Loan Guarantee Applications
Reduce development red-tape
Facilitate and ease permitting process
Concentrate on Hot Dry Rock Geothermal Energy
Invest in proving EGS technology
Fund EGS developments
Fund traditional deployment instead of EGS
Don't squander it on EGS
Invest in geothermal R&D
Advance hard-rock drill-bit development
Invest in cycle engineering and simulation
Advance hybrid solar/binary power plants
Fund new research for power conversion technology

Source: CCBJ 2009 Geothermal Survey conducted in April 2009. Question was:What three top recommendations would you give to US DOE for the $400 million it received in the American Recovery and Reinvestment Act (ARRA) specifically for geothermal.

ably go to firms' with prior experience in combat and weapons systems. But there are also RDT&E projects suitable for consulting engineering firms with expertise and capabilities in designing building energy systems. For example, the Army is looking to spend $3 million for planning of an ultra-low energy campus that can be a model for other facilities. The Navy and Marine Corps expect to spend $2.5 million on developing methods to integrate cogeneration into tactical systems. And the Air Force is in the market for ideas to maximize renewable energy development on its vast test ranges.

According to Chris Lippert, corporate initiative leader for energy efficiency at $2-billion consulting engineering firm **Tetra Tech**, federal agencies have pent-up demands for energy efficiency and renewable energy projects—demands that are finally being satisfied with ARRA funding. "DOD and all federal agencies have been under some form of federal mandate to reduce energy use for some time," said Lippert, citing the Energy Policy Act of 2005 and the Executive Order 13423 signed by former President George Bush in 2007. "But these mandates have not traditionally come with funding. Now that the stimulus package has made funds available, federal agencies are well positioned to implement a large wish list of projects to cut energy use and save on energy costs. There's a great opportunity for the private sector to provide those services."

While many businesses can become federal contractors, given the rigid timelines for spending in the ARRA, Lippert and others think that the vast majority of spending will go to existing contractors. "Existing contract vehicles are incredibly important," he said. "The contracting staff on the federal side is already overtaxed and now they're being asked to take on this significant chunk of work."

That doesn't mean that only those already in the federal doorway need apply because there is great scope for subcontracting work. In demand will be installers and integrators of renewable energy and energy efficiency equipment and projects, but also consulting firms with relevant expertise.

According to Lippert and other executives familiar with federal contracting, becoming a subcontract supplier to a federal contractor is not all that difficult. "As long as you can prove you have your relevant licensing, such as a plumber's license for installing solar water heating, you can start on day one," said Scott Sklar of the **Stella Group**, a firm that integrates solar, wind, geothermal and other renewable energy sources for public and private sector clients. "You may have to get some additional bonding and insurance."

Where to Find Opportunities

Sklar, Lippert and others agree that the best places to start looking for federal subcontracting opportunities are the federal websites, particularly GSA.gov and FedBizOpps.gov. "You have to take the time to troll through and look at all the opportunities," said Sklar. "The U.S. government is the biggest user of energy in the world and the biggest owner of buildings. I suggest focusing on the niches where you are most capable.... You may have done a lot of medium-sized business renovations and now you want to install solar systems for medium-sized buildings. Well, that's different from doing a giant base dormitory that is six square blocks. Focus on what your experience level is and look at the government through that lens."

Sklar takes note that energy efficiency and renewable energy contractors may be able to find significant opportunities with some of the 16 energy service companies (ESCOs) designated as primary energy service performance contractors by DOE in December (see list above). CCBJ's conversations with a couple of these entities indicate that they anticipate being in the market subcontracting vendors, but their needs are probably more skewed to implementation rather than planning and analysis. (Funding for many of these projects is not tied to ARRA but rather to cost savings achieved by energy conservation measures; CCBJ will cover ESCOs and energy service performance contracting in our upcoming edition on energy efficiency and demand response.)

DOE's Primary Energy Service Performance Contractors

Ameresco
Chevron Energy Solutions
Clark Realty Builders
Consolidated Edison Solutions
Constellation Energy Projects & Services
FPL Energy Service
Honeywell International
Johnson Controls Government Systems
Lockheed Martin Services
McKinstry Essention
Pepco Energy Services
Siemens Government Services
TAC Energy Solutions
The Benham Companies
Trane U.S.

The GSA handles purchasing and procurement for multiple federal agencies, and many federal contractors hold what are known as multiple award schedule contracts that GSA administers. "A multiple award contract schedule allows any federal government agency and some state agencies and some contractors to the federal government to access the products and services through the GSA," said Al Tattersall, a senior vice president of federal contractor **GP Physics**. "The advantage to agencies in doing it this way is that it reduces the amount of time for contracting." GSA schedules have already been analyzed and vetted for fair pricing of products and services, and individual agencies can essentially shop among GSA schedule holders for vendors, then work through GSA to execute the contract quickly.

According to Lippert, federal agencies have different preferences regarding whether to procure services through

a GSA schedule or handle their own procurement. "It really gets down to a specific branch of DOD, a region or even a specific base within that region," he said. "The preference may come down to a certain individual procurement officer's experiences."

The eLibrary on GSA.gov can be used to locate firms that hold multiple award schedule contracts. With stimulus money flowing, many of these firms will be already looking at how to ramp up their capabilities through subcontractors. "We have been approached by government agencies with which we have contracts, and we've been told that they are expecting stimulus funding that would expand the scope of work that we would provide through our existing contracts," said Tattersall.

There's also the option to look for specific contract opportunities being offered directly by federal agencies. GSA's FedBizOpps.gov website lists any contract greater than $25,000, according to Tattersall. "In this case, you're not looking for the contract vehicle but the types of procurement that are being opened for solicitation," he said. He suggests prioritizing solicitations based on NAICS codes and geography for regional firms, then contacting the relevant agencies directly.

For businesses that meet federal small business criteria (see SBA.gov/faqs), most federal agencies have liaison staff who can assist in locating prime contractors who may be bidding on specific projects. "You tell them the type of work you do and they will assist you, including telling you companies who are bidding on contracts where you could be a good subcontractor," said Tattersall. "Almost every military facility, including NASA, has someone responsible for getting small businesses involved in acquisition primarily because Congress sets targets for small business contracting."

Tetra Tech's Lippert says that such requirements will lead his firm to subcontract even when it possesses all the needed capabilities for a contract in-house. "We're a large firm and proud of our broad expertise, but since a number of federal clients have small business requirements in their contracting, we'll plan to exceed those," said Lippert. "There could also be niche technologies where we need to bring in a technical specialist."

(Tattersall and Lippert also noted that for small firms willing and able to become qualified as federal contractors, contracting requirements can put their firm in the prime contractor spot with larger firms acting as subcontractors. "Some of the small-business set-asides can be for quite sizeable contracts, so there's often a real need for the expertise and experience that a large business can provide. We are in mentor-protégé and joint-venture relationships with some small businesses that qualify for set-asides," said Lippert.)

As far as making contact with and cultivating a subcontractor relationship with a federal contractor, Tattersall recommends the additional step of registering as an interested party for solicitations of interest on FedBizOpps.gov. "They'll post your name as a company looking to subcontract."

Lippert underscores Tattersall's advice about using the small business liaisons at DOD facilities, but he says old-fashioned networking and marketing can be valuable as well. "Getting involved with groups, where they want to do business, that will give them insight and referrals is a good start." he said. "The Society of American Military Engineers, for example, has monthly meetings and is a great place to do business networking."

"We certainly get cold calls and have people sending us information, but even in this modern world where we're all tied together through technology, my preference would be to meet someone face to face at a SAME meeting or have an introduction facilitated by a small business liaison from one of the DOD branches." If such introductions lead to a potential relationship, it is always preceded by thorough vetting, said Lippert. "Just because we have this glut of funding, we'll still continue to do thorough vetting of subcontractors. The taxpayers don't want to see projects funded that aren't high quality." ☼

Reasons for Regional Variations in U.S. Geothermal Power Prices

- 1) Transmission Access; 2) Utility Attitude towards renewables; 3) RPS requirements; 4) Supply and Demand; and 5) Competition from other sources
- Regulatory structure, energy efficiency mandates, market manipulation of pricing
- RPS states, proximity to fuel, natural resource availablity, transmission constraints, labor costs
- RPS and transmission infrastructure
- States pushing RPS have higher prices; regions with marginal pricing based on natural gas-fired generation currently have lower pricing
- Transmission access, level of Renewable Portfolio Standards, utility attitude towards geothermal
- Transmission capacity/ installed power conversion technology
- Free market pricing is subject to the law of supply and demand, and stimulus/incentive. We are seeing voluntary standards causing some important rises in price paid for renewables, with incentives coming from contribution to portfolio in a utilities footprint, and what that utilty thinks it can safely pass to their rate base. A Federal Renewable Porfolio Standard will change the game significantly (at a cost to all rate payers). Time will tell, but in the meantime, there is sufficient demand and pricing to make hydrothermal projects work financially, and that is what it's all about.

Source: CCBJ 2009 Geothermal Survey conducted in April 2009. Question was: Please comment on variations in power prices in U.S. states and regions and what causes these variations.

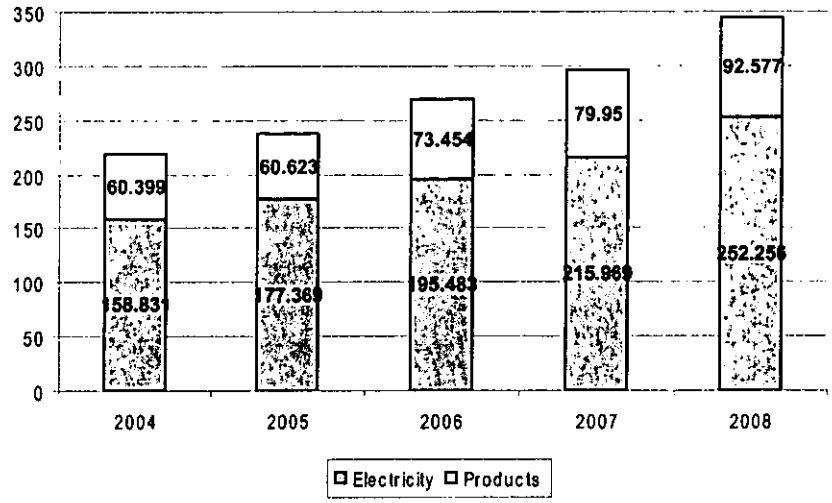
Ormat Leads Market With Technology and Vertical Integration

Ormat is the clear leader with $350 million in sales, but more competition is seen for low-temperature geothermal projects using binary technology

The geothermal power industry is made up of project developers and independent power producers (IPPs); scientific and technical consultants; drilling outfits and drilling technology firms; manufacturers of power plant equipment; and consulting engineers who explore for resources and design and build power plants. Many firms perform multiple roles in this value chain, but there is only one truly vertically integrated corporation whose activities and revenue streams stretch from resource exploration through equipment manufacturing to engineering, procurement and construction (EPC) contracting and power sales: Ormat Technologies.

According to its 2008 annual report, Ormat generated $344.8 million in revenues in 2008, 16.5% growth over 2007. Ormat's power sales revenues from its geothermal plants (both Ormat-built and acquired) and recovered energy generation (REG) plants (see below for more on REG) accounted for $252 million or 73.2% of revenues with product sales accounting for $92.6 million or 26.8% of 2008 revenues. Ormat built 109 MW of company-owned geothermal and REG capacity in 2008 and increased its portfolio to 505 MW. Ormat is on track to build between 82 MW to 94 MW by the end of 2010 for its own portfolio, according to a company spokesperson.

This cash flow from electricity sales puts Ormat in an enviable position relative to smaller developers that are struggling for needed upfront development capital in the current economic climate. "The cash flow generated by our portfolio of operating geothermal and REG power plants provides us with a robust and predictable base for our exploration, development and construction activities, to a certain level without the need to tap into external liquidity sources," notes the annual report. "We believe that this gives us a competitive advantage over certain competitors whose activities are dependent on external credit and financing sources, particularly in light of the current global credit and financial crisis."



Source: Ormat 10-K for fiscal year 2008 ended December 31, 2008. Products includes revenues from four groups: Power Units for Geothermal Power Plants; Power Units for Recovered Energy-Based Power Generation; Remote Power Units and other Generators; and Engineering, Procurement and Construction (EPC) of Power Plants. Electricity includes three groups: Energy and capacity; Lease portion of energy and capacity; and Lease income.

The company's reported highlights for the last year alone show just how broad and diverse its geothermal operations and revenues are. Among its accomplishments: Signing a $65 million contract to supply and oversee construction and startup of a geothermal power plant in Costa Rica; Starting commercial operation of 35 MW of new plant capacity in Kenya; Securing rights to some 150,000 acres of land in Alaska, California, Hawaii, Nevada, Oregon and Utah; Acquiring 51% ownership of a New Zealand geothermal plant; Signing a joint venture to develop a new geothermal project in Nevada; joining a power development consortium in Indonesia; Signing EPC contracts with developers in New Zealand and Nevada worth $42 million and $76 million; Signing a $16 million supply contract for a geothermal project in Turkey; And closing a $63 million tax credit financing deal for an existing plant.

Israeli Roots, But U.S. Was 72% of Ormat's Revenues in 2008

A U.S. company with Israeli roots, Ormat was founded to develop and market heat exchangers and turbines using the organic rankine cycle (ORC) which Ormat founder Lucien Bronicki and his collaborator Harry Zvi Tabor, both Israeli, developed in the early 1960s. ORC uses working fluids with boiling points lower than water to recover energy and generate steam and power from heat sources that would otherwise be insufficient to power steam generators. The original technology was developed at the National Physical Laboratory in Jerusalem in the frame-

Ormat 2008 Revenues ($mil)

	Electricity	Products	Total
Foreign	$45	$51	**$96**
USA	$207	$42	**$249**
Total	**$252**	**$93**	**$345**

Source: Ormat 10-K for 2008.

work of solar energy research. Lucien Bronicki formed Ormat in 1965 in Israel.

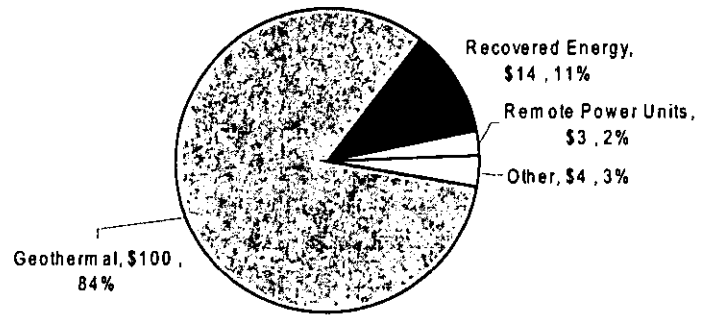
Bronicki originally targeted solar thermal applications in remote off-grid villages, but with that technology facing poor commercial prospects, what emerged from his work was the small Ormat Energy Converter (OEC), a power unit for remote telecom stations, offshore oil and gas rigs and other off-grid facilities that need small amounts of electrical power.

In 1972, Ormat was established in the United States where it supplied OEC units to the Trans Alaska Pipeline. According to material published on Ormat's website, for remote power applications the OEC uses natural gas, kerosene, diesel and other combustion fuels to heat the working fluids, which the hermetically sealed unit condenses and re-uses, allowing continuing operations for many years with periodic refueling and maintenance. More than 3,500 OECs of up to 7 kW capacity have been have been installed in 63 countries, according to Ormat's website.

Ormat turned its attention to geothermal, solar and biomass in the 1970s, with geothermal eventually becoming its major focus. Its business model has steadily evolved from that of a supplier of power systems and components to a vertically integrated firm that builds, owns and operates its own geothermal power plants as an IPP, as well as an EPC contractor that builds power plants for other geothermal project developers.

The company continues to market small OECs and REG systems. For its REG segment, Ormat foresees major growth by selling to North American natural gas pipeline operators who produce waste heat at compression stations driven by gas turbines. Ormat reports that the Federal Energy Regulatory Commission (FERC) is asking proponents of new or expanded pipelines to improve their energy efficiency.

Ormat Product Revenues: Expected Sales in 2009 ($mil)



Source: Ormat 10-K for 2008. Products include revenues from four groups: Power Units for Geothermal Power Plants; Power Units for Recovered Energy-Based Power Generation; Remote Power Units and other Generators; and Engineering, Procurement and Construction (EPC) of Power Plants.

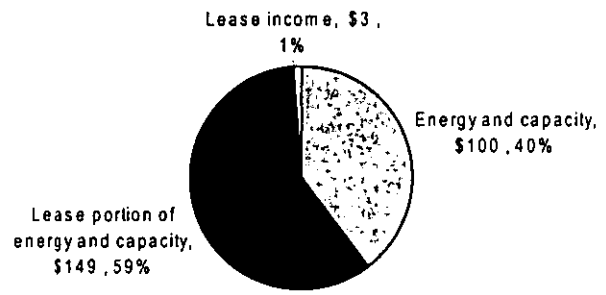
Ormat has begun building 5 to 6 MW REG systems along interstate natural gas pipelines and midstream gas processing facilities. The company also see opportunities for REG in the power sector in Colorado, Massachusetts, Ohio, Pennsylvania, Washington and other states where utilities can install REG systems on power plants and count the capacity toward their renewable energy standards. Additionally, North and South Dakota and the U.S. Department of Agriculture have qualified REG systems for low-interest loans. In North America, Ormat estimates the market potential for REG at 1,000 MW. After building out this domestic market, the company plans to target Europe which has "similar potential," according to the report.

By contrast, the potential for adding geothermal power in the United States is much larger. Ormat's Director for Policy and Business Development Paul Thomsen says the company sees the potential for geothermal power capacity to grow to 30,000 MW to 40,000 MW by 2050, or an order of magnitude larger than the less than 3,000 MW in 2009. As has been widely reported, a 2007 Massachusetts Institute of Technology study projected a potential of 100,000 MW of geothermal generating capacity if enhanced geothermal systems (EGS) can be deployed successfully. (For more on EGS, see page 29.)

More Competition for the Binary Technology Segment

Ormat built its geothermal power business by leveraging its ORC expertise to create what became known as binary geothermal power plant technology. When Ormat first entered the geothermal market in the early 1980s, its technology was an upstart contender.

Ormat Electricity Revenues: 2008 ($mil)



Source: Ormat 10-K for 2008

Most of the action was focused on using conventional flash steam generation with high-temperature geothermal resources of 350 degrees fahrenheit and above. But when Ormat's technology came on the scene, those high-temperature resources were starting to become more scarce because they were the most favorable for geothermal power and therefore developed first. By the mid-1980s, geothermal project developers increasingly needed energy conversion technology that could make use of lower-temperature resources. "Until then people had only been looking for resources that had high temperature steam," said Thomsen.

While Ormat grew its business over the next two decades, it also facilitated the growth of the geothermal industry. Its niche technology position grew into a commanding lead in the fast-growing binary power plant segment, leaving the steam segment to other players, mostly large turbine manufacturers. "Ormat has never tried to compete with Mitsubishi or GE or other manufacturers on huge steam turbines," said Thomsen.

One industry veteran estimated that binary technology accounts for about 10% of the existing stock of geothermal capacity worldwide, and that Ormat has built 95% of those plants. Despite its lower penetration in commissioned power plants, binary technology represents the greatest growth potential because of the prevalence of undeveloped geothermal resources under 350° F, according to many industry experts. (Other factors go into the choice between flash steam technology and binary technology; see Nevada Geothermal profile on page 27 for more information.)

"In the United States, the low-temperature resources are huge," said Enrique Lima, general manager for overseas business of **West Japan Engineering Co.** (West JEC), a prominent and globally active geothermal consulting engineering firm. "The amount of hot water available is very large and the temperatures are well suited to the application of binary power generation. This is why many companies are trying to tap these resources."

Lima points to other countries where binary geothermal development could be the pivotal enabling technology for geothermal because of the abundance of underground reservoirs of 350° F or lower. "Exploration and development of low-temperature resources is happening in countries as diverse as Australia and Greece, and in countries like Hungary, Romania, and Jordan, where oil and gas exploration has led to discoveries of hot water and interest in geothermal energy."

According to Tim Stephure, clean and renewable power generation analyst at **Emerging Energy Research**, binary technology is slightly more expensive than conventional flash steam generation technology, but Stephure says this disadvantage is mitigated by the fact that the exploration and drilling risks are reduced because developers have a better chance of tapping resources of sufficient enthalpy

Ormat Projects

Domestic	Location	MW*	Power Purchaser	Contracts Expiration
Ormesa Complex	East Mesa, CA	57	Southern California Edison Co. (SCE)	2018
Heber Complex	Heber, California	92	SCE / SoCal Power Public Authoriy	2015-2031
Steamboat Complex	Steamboat, Nevada	84	NV Energy, Inc.	2018-2028
Mammoth Complex**	Mammoth Lakes, CA	14.5	SCE	2014/2020
Puna	Puna, Hawaii	30	Hawaii Electric Light	2027
Brady Complex	Churchill County, NV	22	NV Energy, Inc.	2022/2027
North Brawely	Imperial County, CA	50	SCE	2029
OREG 1	North and South Dakota	22	Basin Electric Power Cooperative	2031
OREG 2	North Dakota	5.5	Basin EP Coop	2033
Total Domestic Operating Projects		**377**		
Foreign				
Momotombo	Nicaragua	28	DISNORTE/DISSUR	2014
Zunil	Guatemala	24	Instituto Nacional de Electricidad (INE)	2019
Olkaria III Complex(8)	Kenya	48	Kenya Power and Lighting Co. Ltd.	2029
Amatitlan	Guatemala	20	INE	2026
GDL	New Zealand	8	Norske Skog Tasman	2015
Total Foreign Operating Projects		**128**		
Total Operating Projects		**505**		Expiration+
Under Construction				
OREG II	ND, MN, MT	16.5	Basin EP Coop	25 years
Peetz	Denver, Colorado	4	Highline Electric Asn	20 years
Puna	Puna, Hawaii	8	Hawaii Electric Light Company (3)	n/a
GRE(4)	Minnesota	5.3	Great River Energy	20 years
East Brawley	Imperial County, California	30	Southern Calif. Power Public Authority (5)	n/a
Jersey Valley	Nevada	18-30	NV Energy, Inc.	20 years
Total Under Construction		**82-94**		

*Source: Ormat 10-K for 2008. Projects under ownership only; *Ormat Share in Generating Capacity MW; **50% ownership; +Expiration in years following commercial operation date*

(heat energy) for the binary process. "In cost comparisons to wind or varying solar technologies, binary geothermal technology is very economically favorable," said Stephure. "The low-temperature market will probably have the highest growth rate going forward as there are so many more areas that can be explored.... Nevada has tremendous opportunities in this regard as well as some other states like Utah."

Ormat's Thomsen underscored Stephure's viewpoint about the lower risk levels and costs of drilling for low-temperature geothermal reservoirs. "Probably 90 percent of the geothermal projects in existence today were built on top of reservoirs that had some kind of surface expression such as hot springs or rapidly melting snow," he said. "Now that most of these have been developed, the industry is looking for what we call blind resources."

"Geothermal is where the oil & gas industry was in the 20s and 30s when they thought they were running out of oil because most of the reservoirs with surface manifestations had been utilized," said Thomsen. "We're now looking at deeper more moderate temperature resources that aren't inherently obvious or haven't been developed previously. In this phase, the advantage of Ormat's technology being able to user lower temperature heat is critical."

Stephure noted that European countries are banking on using binary technology as well as emerging EGS technology to tap the lower temperature geothermal resources under their soil as well as hot dry rock (HDR) resources. "A lot of European countries don't have those high-temperature resources you see along the Pacific Ring of Fire," said Stephure. "Germany has implemented a feed-in tariff for geothermal of up to €0.27. The base is €0.20 with enhancements of €0.04 if you do combined heat and power and €0.03 if you do EGS. This is the first direct incentive of this kind." ☼

Technology Providers and Developers Vie to Compete With Ormat in Emerging Geothermal Niches

United Technologies, Raser, Turbine Air Systems, Exorka and others develop in manufacturing, the lab and in the field.

Although Ormat dominates the low-temperature binary segment of the geothermal power market today, competitors have emerged in the last several years. **United Technologies Corp.** is its most high-profile competitor on the power systems technology front. Since 2006, UTC has marketed its PureCycle binary technology systems for geothermal power. PureCycle is a 280-kW modular unit that can be deployed in arrays to create commercial-scale plants. According to Michael Ronzello, North American sales and business development manager for **PureCycle** (marketed by UTC's **Pratt & Whitney Power Systems** division), PureCycle promises faster construction cycles. "Our modular approach to power plant deployment drastically reduces construction time," said Ronzello, indicating that plants can be constructed in 6-12 months (after hot water supply is established). "We have the capability to leverage Pratt & Whitney Power Systems 20 plus years of expertise and experience in the power business to provide full turnkey geothermal power plants using PureCycle".

While UTC doesn't publicly disclose prices for its equipment, Ronzello said the company expects to compete with Ormat's cost per MW of capacity by sourcing components from a UTC-owned affiliate. "We use off-the-shelf components and technology from our sister division, Carrier, the leader in commercial HVAC equipment," he said. According to Ronzello, Carrier produces components for PureCycle "in a pre-engineered, pre-manufactured fashion that drives down costs, increases quality and allows customers to take advantage of the lead time that is common in Carrier."

Raser Gains Efficiency With Networking

UTC's largest customer and best advocate is **Raser Technologies** (Provo, Utah). Raser has leveraged its expertise in electric motor technology to develop methods of networking the modular UTC units for optimal performance and efficiency. "Just like there are people who make computers and people who network computers together to function better, we've figured out how to network [the UTC PureCycle units] together so they can work in harmony and produce electricity more efficiently," said Richard Putnam, Raser's director of investor relations.

It's not clear yet how UTC's PureCycle systems will compare with Ormat's in terms of performance, costs and reliability. The geothermal developer community, while not unhappy with Ormat's equipment and EPC work, would certainly welcome additional competition in binary technology. But with over 20 years of experience and a proven ability to execute the guaranteed EPC contracts that lenders need to see before financing projects, Ormat will not be an easy competitor to take market share from. "We have been able to simplify our processes over time," said Thomsen. "We have fewer moving parts. We have a low speed turbine that doesn't require a gear box. Our power plants have become much more efficient over time [and EPC] projects much more streamlined and more efficient [resulting in] longer run times, greater longevity, less wear and tear on turbines, less opportunity for pump failure, less piping."

The industry is watching closely to see how the first Raser-UTC plants perform and what their construction costs are. Raser brought its first project online in 2008, the 11-MW Thermo No. 1 plant in Beaver County, Utah. According to Putnam, production wells drilled for the

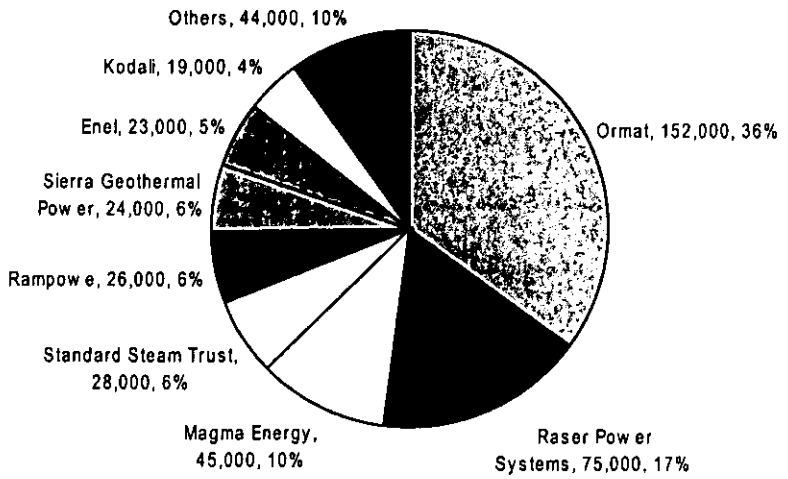
plant revealed a larger-than-expected geothermal reservoir capable of supplying steam for more than 200 MW of power plant capacity. "We had thought there were maybe 20 to 30 megawatts, but after doing some nice drill-out, GeothermEx, an independent geothermal consulting company, was able to verify and independently report that this is now a 230 megawatt resource," he said.

Raser's annual report for 2008 reported a capital cost for Thermo No. 1 of $88.1 million, with at least another $9.5 million needed to get the plant up to full operating capacity. That would seem to indicate a capital cost of about $7,000 per kilowatt of gross capacity. (After supplying its own pump loads Thermo No. 1 will produce 10 to 11 MW net from gross power capacity of 14 MW). That amount is far higher than the typical $4,000 per kW of gross capacity cited by developers at the recent Geothermal Innovation and Investment Conference or the $3,500 to $4,500 per kW range cited for Ormat plants by Ormat's Thomsen. (Those cost ranges include the highly variable cost of resource exploration and wellfield development. "We know the price of plants we build down to the penny. What we don't know is the cost of developing the resource," said Thomsen.)

But according to Putnam and Raser CEO Brent Cook, the nearly $100 million price tag for Thermo No. 1 included the production wells that revealed the reservoir's very large potential plus the cost of a larger transmission line to ship more electrons than anticipated to the company's electricity customers (currently the City of Anaheim, Calif.). "We are comfortable that the $57 to $59 million range is accurate for non–recurring development costs," wrote Cook in an email. "We expect our costs to be $3,800 to $4,200 per MW installed cost."

Raser's Beaver County development is just the opening salvo in a four-state development program that the company expects to yield hundreds of megawatts. Indeed, Raser aims to become a major developer and IPP operator of geothermal projects in the United States, Indonesia and elsewhere.

BLM Geothermal Competitive Leases by Acres, 2007–present



Source: Compiled by Emerging Energy Research; By state the 2007-2008 leases are 52% in Nevada, 34% in Utah and 9% in Oregon, 4% in Idaho. Others include Agua Caliente, Oski Energy, Geothermal Technical Partners, Silver State Geothermal, Vulcan Power, Geothermal Rail Ind. Dev., Miller Dusty, S4 Consultants, Montera Energy Ventures, US Geothermal, Calpine, First Covenant Construction, US Renewables Group, Kelsey South, High Valley. Figures in acres rounded to the nearest thousand acres. BLM is Bureau of Land Management.

After Ormat, Raser is the second largest acquirer of geothermal leases on federal land since 2007. According to figures compiled by **Emerging Energy Research**, Ormat purchased leases to about 150,000 acres (the company owns leases on a total of 220,000 acres according to its annual report), followed by Raser with approximately 75,000 acres and **Magma Energy** with about 45,000 acres (see chart above). "We have accumulated domestic geothermal interests in Nevada, New Mexico, Oregon and Utah," notes Raser's report. "With the help of internal and external geologists, we intend to continue to identify, evaluate and acquire additional interests in properties." And last year, Raser and **Indonesia Power** were the successful bidders on a geothermal concession in Indonesia that covers approximately 100,000 acres with potential resources. At CCBJ's deadline, Raser and Indonesia Power will still finalizing their joint venture agreement.

Turbine Air Systems Exploits Rankine Cycle

Another emerging potential Ormat competitor that some in the geothermal industry are excited about is **Turbine Air Systems** (TAS; Houston), an industrial cooling and heating systems manufacturer that has begun developing technology for geothermal applications. TAS already has a foothold in the power industry with its modular inlet chilling units that can increase the efficiency of gas-fired power plants in hot climates. "TAS has translated this modular construction to geothermal power and advanced waste heat recovery organic Rankine cycle systems," states a company brochure. The company aims to leverage its experience in the power sector to offer design and engineering services for geothermal developers rather than just off-the-shelf sales.

Halley Dickey, director of geothermal business development for TAS, told CCBJ that the company has developed a renewable energy division aiming to provide power plants to solar thermal power projects as well as geothermal and industrial heat recovery. "We've been working on the development of our organic Rankine cycle program for seven years," he said.

"We own some unique patents related to geothermal binary technology." The first plant to deploy a TAS system may be on the horizon, as Dickey said the company is negotiating with an undisclosed potential U.S. client to supply a 15-MW plant in 2010.

Kalina Has Backers & Detractors, Needs Manufacturer

A third competitor in the binary geothermal power systems segment is **Exorka** (Munich, Germany), which markets binary technology based on the Kalina system using an ammonia-water mixture as a working fluid. One speaker at the March 2009 geothermal industry conference disparaged the Kalina system from the lectern, saying that after promising to revolutionize the industry and unseat Ormat, the technology had gotten nowhere. The speaker claimed that there are only two Kalina plants worldwide and neither are operating. One conference participant speculated to CCBJ that the difficulties facing the Kalina process stemmed from its use of a mixture of ammonia and water; because the two fluids boiled at different temperatures, Kalina systems had to cope with constantly changing compositions.

But Exorka's CTO Gestur Bardarson reported that four of five Kalina cycle plants built since the late 1990s "have mostly shown high reliability, although some equipment problems have been present [but] no more ... than can be expected for new technology employed in the first commercial plants." A 2-MW plant in Husavik, Iceland, achieved a capacity factor of between 89% and 96% from 2005 to 2007, according to Bardarson. A 3.3 MW waste heat plant at a **Sumitomo Metal Industries** steel plant in Japan has been running smoothly since 1999 with an annual capacity factor as high as 99%, he said.

Raser's Richard Putnam told CCBJ that company staff has evaluated Kalina technology and visited some of the pilot plants. "We believe the technology has a positive operating history that should be discussed. It is unclear who will take the manufacturing lead on the technology, but we believe the technology is sound and proven."

There is also a prospective nano-technology entrant, Power Chips being developed by Gibraltar-based **Borealis Exploration**. The technology was announced in 2003 with a promise of superior power conversion for geothermal applications, waste heat recovery and other applications. A news release described Power Chips as "solid state thermotunnelling devices which use a combination of thermionic emission and quantum mechanical electron tunnelling to increase the rate of electron emission in solid-state converters." But Power Chips appears to either be in deep stealth mode or inactive since the last news relase posted on its website is more than two years old. (An email inquiry to Borealis was not returned by CCBJ deadline.)

Ormat, of course, is not standing still technologically. Thomsen says that the company's more than 25 years of experience designing, managing and operating geothermal plants gives it a technical edge over prospective competitors. "Converting heat to electricity is very expensive and hard to do," said Thomsen. "Some of our competitors have tried to do cookie-cutter type plants that they can produce rapidly. We started with small units and gradually built larger and larger units, refining our knowledge and expertise continually."

Ormat also has an operational edge that enables it to get the most MWh out of its plants for the lowest operating costs, according to Thomsen and Ormat's annual report. "Our intimate knowledge of the equipment that we use in our operations allows us to operate and maintain our projects efficiently and to respond to operational issues in a timely and cost-efficient manner," states the report. "Moreover, given the efficient communications among our subsidiary that designs and manufactures the products we use in our operations and our subsidiaries that own and operate our projects, we are able to quickly and cost effectively identify and repair mechanical issues and to have technical assistance and replacement parts available to us as and when needed."

Ormat Takes a Crack at EGS

Ormat is pushing the frontiers of geothermal technology in two key initiatives with the **U.S. Department of Energy**, one to explore the potential to exploit hot water that is co-produced with oil and gas and another to advance enhanced geothermal systems (EGS).

At the **Rocky Mountain Oilfield Testing Center** (RMOTC) in Wyoming, a 250-kW Ormat binary power unit started generating electricity in September 2008 using heat from 190° F water that is co-produced with oil. The potential to generate on-site power from such a set-up is enormous. RMOTC estimates that U.S. oil and gas wells that produce hot water along with hydrocarbons could generate "upwards of 5,000 MW of power," according to an RMOTC news release.

Ormat's Thomsen told CCBJ that the project is "over-producing what we had expected it to do." But moving ahead with co-production at oil and gas drilling sites will be a challenging endeavor. For one thing, there's the fact that according to RMOTC, the water recovered with oil or gas is usually only heated to a maximum of 220° F, far lower than what geothermal developers prefer to produce power economically. Furthermore the costs of operating such a system will depend on how the hot water is disposed of, i.e., through reinjection or surface dumping.

Probably much more significant to the future of geothermal power is Ormat's DOE-funded work on EGS with collaborators **GeothermEx**, **University of Utah**, **U.S. Geological Survey** and others on two

EGS demonstration projects.

As discussed in in the following feature on enhanced geothermal systems, EGS has the potential to vastly expand geothermal if it allows power to be produced successfully from hot dry rocks—as opposed to the conventional hydrothermal resources relied on for all geothermal power today, both flash and binary. The demonstration projects aim to hydraulically stimulate fractures that can enhance the production of hot water of sufficient enthalpy to generate additional power. "It's still very early stage R&D, but we're excited about not only developing technology to create standalone resources for EGS but also to create new life or viability for existing resources."

"We still need to prove the technical viability, and then get to the point of proving commercial viability," said Thomsen. "Ormat's experience has shown us that you can have complete technical success and zero commercial viability and vice versa." He also averred that it will be important to focus not just on the potential of EGS to greatly expand the pool of resources available for geothermal power but to look for ways to use the emerging technology to enhance existing geothermal power sites.

"If you can go back to wells that are less productive and, for lack of a more scientific term, tinker with them and produce more heat, we might determine that our potential hydrothermal resources may be much larger than we thought. For example, if you drill a well in a standard hydrothermal resource and don't get adequate permeability or heat, you might be able to use EGS technology to fragment back into the reservoir and stimulate adequate permeability and heat."

Growing Organically

With its healthy balance sheet and dominant vertically integrated position, Ormat might be expected to be on the hunt for project developers long on leases but short on capital. But according to Thomsen, the firm is reticent to diminish its third-party customer base through acquisition even though that might provide competitive advantages. "The only time we compete directly against another developer is when we're bidding on a resource at the federal land auctions," said Thomsen. "Once another developer is successful in achieving its resource position, we look to provide them with third-party power plant equipment."

Thomsen says that last year Ormat executives were asked by some in the geothermal industry whether they were considering making a bid for **Nevada Geothermal Power** when the developer was trying desperately to finance its Blue Mountain Project during the 2008 economic collapse. "People asked us 'Are you looking at this as potential acquisition?' We said no. We don't want potential third-party clients living in fear that we would acquire them when they run into financial difficulties."

Some financial analysts or deal-makers might argue Ormat is undervaluing the benefits of consolidation. But it's hard to argue with a business model in which Ormat's development arm pushes ahead with its own projects while earning revenues from equipment sales and EPC contracts—including $76 million from Nevada Geothermal for designing and building the Blue Mountain project.

Ormat's future is clearly tied to supplying and servicing a vigorous and growing geothermal industry, and to that end the company is a cheerleader for its counterparts as well as a competitor. Thomsen echoes a theme heard commonly in geothermal circles: The industry deserves more respect and recognition, and when elected officials, utility commissioners and activists talk about the importance of renewable energy, geothermal should be mentioned in the same breath as wind and solar.

"On one hand it can be frustrating that people don't recognize geothermal and its reliable baseload attributes as compared to wind and solar," said Thomsen. "But on the other hand, the investor-owned utilities we sell power to all know who we are and what we do. Geothermal might not be on the front page of the Wall Street Journal or the New York Times, but there are not many utilities who aren't familiar with geothermal. Serendipitously, after CCBJ interviewed Thomsen in April, Morgan Stanley put geothermal power on the cover of the *Wall Street Journal* on May 20, 2009, with a full-color ad touting geothermal as a sound investment, while promoting its expertise on the industry. "Unlike wind or solar energy, geothermal utilizes a constantly present energy source —the Earth. Just below our feet lies an industry that could reach $122 billion by 2030." While Morgan Stanley's 20-year valuation of the industry may be little more than an educated guess, the firm's promotion of its expertise harkens to what Thomsen says utilities have known for years: "To quote Michael Yackira, CEO of **NV Energy**, 'Geothermal projects don't look any different to an IOU than any other fossil fuel project,' While that's not sexy, it's a badge of honor for the industry. We're seen in their integrated resource plans as being just as reliable as coal or natural gas plants." ☼

Typical Geothermal Plant Development Costs ($/kw)

Development Stage	Cost ($/kW)
Exploration and resource assessment	400
Well field drilling and development	1,000
Poewr plant, surface facilities, transmission	2,000
Other dev't costs (fees, working cap, contingency)	600
Total development cost	4,000

Source: Geothermal Tomorrow, U.S.Department of Energy's Office of Energy Efficiency and Renewable Energy; Costs for a typical 20 MW plant or a total of $80 million; Does not include financing charges of interest rates 5-6% for some utilities or as high as 15% for IPPs."

Nevada Geothermal Power, Last in Before the Credit Freeze, Looks to Heat Up the Geothermal Market

Like several other pure-play geothermal developers, Nevada Geothermal Power (NGP) is a Canadian company with a U.S. subsidiary targeting development prospects in the lower 48. NGP became something of a celebrity in the small U.S. geothermal world last year because it secured project financing for its 49.5 MW Blue Mountain power plant near Winnemucca, Nevada, just before credit markets locked up in the third quarter of 2008. But the company's experience also illustrated just how difficult it is to finance a geothermal power project in this economic environment.

The credit facility NGP received from Trust Company of the West on August 29, 2008 enabled it to give Ormat Technologies a full notice to proceed on a previously negotiated $76 million engineering, procurement and construction (EPC) contract and to conclude a $4.5 million deal with Wilson Utility Construction for a transmission line to the regional grid. As of spring 2009, the project was on schedule and NGP expected Blue Mountain to be in commercial operation by the end of the year. The power buyer is investor-owned utility NV Energy.

"Our timing was perfect," said CEO Brian Fairbank in recounting his firm's dash for cash last summer. "We had been working with Morgan Stanley on a 30-month construction loan that would have then been replaced with production tax credits for permanent financing." With a proven resource of 50 MW (40 MWe) and the guaranteed turnkey EPC bid from Ormat, the project looked solid, until the credit markets started to unravel in mid-2008. "All summer we'd been sitting down with Morgan Stanley and the syndicating banks trying to close the deal, but it was apparent even then that the credit markets were not working. Around the end of July we were basically running out of time and needed to move forward." That's when NGP got its financing deal done with TCW—at 14 percent.

Cost of Developing a Geothermal Project

High front end costs

- High upfront confirmation costs, compared to other renewables
- Drilling, money, leasing, time

Phasing exploration mitigates risk

- Geochemistry, geology, geophysics and permitting: $2.5 million
- Temperature gradient drilling, slim-holes: $2.5 million
- Production test wells: $3.0 -$6.0 Million X 2
- $15 million plus to feasibility! Requires high risk upfront equity!

Source: Nevada Geothermal Power, presentation by CEO Brian Fairbank at Greenpower Conferences' March 2009 Geothermal Innovation and Investment conference

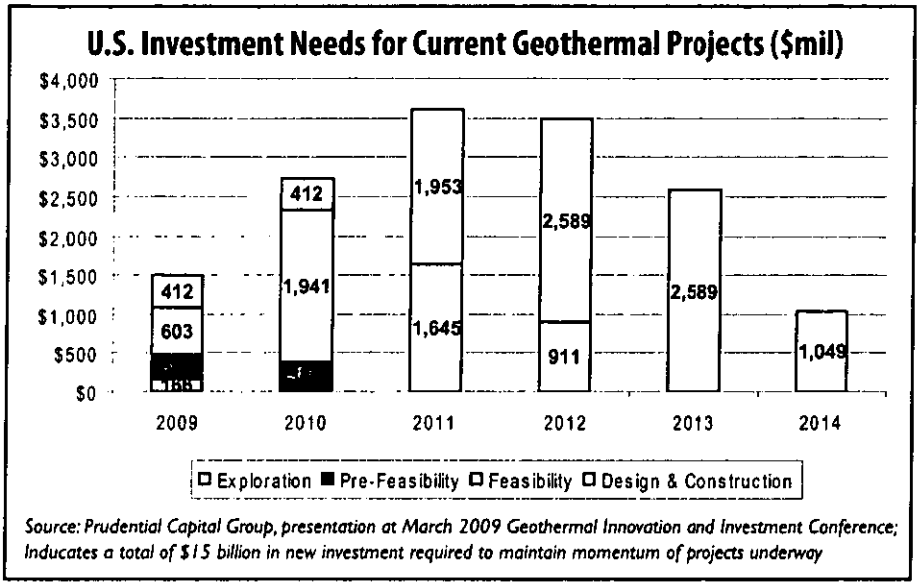
"In today's economic environment, this financing looks good," said Fairbank. "It's a facility up to $180 million that we draw as we need it." Fairbank says NGP is currently packaging a production tax credit (PTC) based financing, a task that is by no means easy since the tax credit capacity of U.S. financial institutions has shrunk dramatically with their declining profits. The American Recovery and Investment Act (ARRA) stimulus bill extended the "placed in service" date for tax credit qualification for geothermal projects to December 31, 2013, so Fairbank is confident that buyers will be found. The plant's commercial operation date (COD) looming—it could arrive by October 2009—and the impetus to take out the 14% debt is rather compelling.

Selling the PTCs is NGP's most preferable option; as noted in CCBJ's Q1 2009 edition, the House-Senate Joint Committee on Taxation estimates that PTCs taken over the 10-year qualification period are worth roughly 50 percent more than the investment tax credit that Blue Mountain and other renewable generators can also qualify thanks to ARRA. "The PTCs are worth $21 a megawatt-hour to start with, indexed to inflation. So if we're selling power at $75 to $80 per megawatt-hour, that's pretty significant," said Fairbank. Accelerated depreciation is also on offer, and combined with PTC value, Fairbank figures that NGP can offer a buyer about $100 million worth of tax benefits.

However, in today's climate, Fairbank acknowledges that he may have to go with the new tax credit option provided by the ARRA: a grant in lieu of a 30% investment tax credit (ITC). But like other geothermal developers eyeing the grant-in-lieu-of ITC, Fairbank is concerned about how much of the upfront exploration and drilling costs will be considered tangible costs by the U.S. Treasury for the purpose of calculating the ITC. At CCBJ's deadline, guidance on that issue had not come forth.

As is the case for many geothermal projects, in the process of drilling wells to tap the underground hot water resources at Blue Mountain, NGP ended up hitting one dry-hole—not literally dry but of sub-commercial enthalpy (heat energy)—and some "false starts" in Fairbank's words on injection wells (used to stimulate continuing flow of hot water). "We drilled a well to the north that didn't turn out."

At $3 million to $6 million per well, the ability to include unproductive wells in the investment cost basis that qualifies



Source: Prudential Capital Group, presentation at March 2009 Geothermal Innovation and Investment Conference; Inducates a total of $15 billion in new investment required to maintain momentum of projects underway

for the ITC is not trivial. According to Fairbank and other geothermal developers, typically 20% to 30% of the wells drilled on such a project end up not functioning as expected—but such dry-holes are an inevitable part of development, and they help the developer and its technical consultants understand more about their reservoir and target future drilling more accurately.

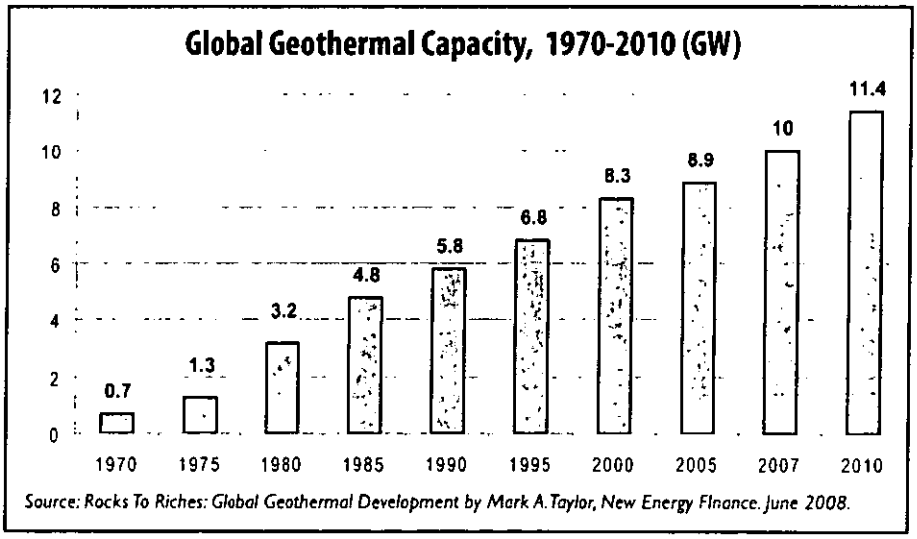
In fact, with the production drilling already completed, this gives Fairbank and his team reason to think that there is another 50 MW of geothermal power capacity to be tapped from the geothermal reservoir under their ground. "In oil and gas terms, there's an inferred or possible resource toward the mountain to the east," said Fairbank. Geoscientific and geochemical indications give strong hints of this. "The water we're producing now is 375 degrees Fahrenheit, but the chemistry of the water indicates that ultimate source temperatures greater than 400 Fahrenheit. In the long run we may not have found the hottest part of the resource." But more drilling is needed to prove it.

And speaking of temperatures, NGP's 375 degree Fahrenheit geothermal resource was hot enough to allow use of conventional flash steam technology—which would have resulted in a somewhat less costly power plant. But early on NGP chose the binary technology offered by Ormat, which uses working fluids and heat exchangers to capture the heat energy in lower temperature geothermal resources. According to Fairbank, the decision was based in part on the fact that while initial drilling turned up 375 degree Fahrenheit hot water, NGP couldn't be sure subsequent wells wouldn't be too cool for flash technology.

Plus, the closed-loop binary systems offered benefits for reservoir longevity and air quality permitting. "With binary you reinject 100% of the water and that helps maintain the overall resource's longevity because you're pressuring the reservoir," said Fairbank. "With flash, you're losing the vapor, about 30 percent of the water."

"Flash plants also have some slight air emissions in the vapor," said Fairbank. The most common is hydrogen disulfide—the rotten egg smell. "[To meet air quality regulations] you have to scrub that out. You can deal with it, but binary is absolutely emission free."

NGP is pursuing development of three other projects: Pumpernickel Valley and Black Warrior in Nevada and Crump Geyser in Oregon. With TCW funding for Blue Mountain only, NGP expects to be in the market for more financing soon. Because the expensive drilling programs must be funded by scarce equity—in the "hyperliquidity" era that ended last year, some debt funding might have been available—NGP is hoping that the U.S. Department of Energy (DOE) decides to use some of its $400 million in ARRA funding for geothermal to subsidize drilling programs. Either that or a piece of the $6 billion in new loan guarantee funds in the ARRA, hopefully made available in a process more streamlined that past DOE loan guarantees. "The existing established loan guarantee program is for technology [but for applicants] it has been more trouble than it was worth," said Fairbank. "My understanding is that the new program may be for other things, including geothermal drilling. The geothermal industry needs that." ☼



Source: Rocks To Riches: Global Geothermal Development by Mark A.Taylor, New Energy FInance. June 2008.

EGS Could Vastly Expand Geothermal Power But Funding of RD&D Projects Needed

Conventional geothermal industry competes with EGS for scarce funding.

In our page one overview for this edition, CCBJ characterized the geothermal power industry as the veteran journeyman shortstop on the baseball team of the Low-Carbon and Renewable Power Segment. Well, if one thinks of the geothermal power industry as a professional baseball team, **enhanced geothermal systems (EGS)** would be the 15-year-old phenom impressing the pro scouts. Only that metaphor is not grand enough. Imagine that the scouts have discovered a whole high school full of future all-stars who are destined to break every baseball record without using steroids and triple the size of Major League Baseball's fan base and revenues. That's just the kind of game-changing status that EGS is gaining in geothermal research and investment circles.

While the U.S. resources for conventional geothermal power—also known as "hydrothermal" because underground hot water provides the steam supply for power plants—are limited to the West and capable of growing to between 30,000 and 40,000 MW, geothermal plants using EGS could be built almost anywhere. A **Massachusetts Institute of Technology (MIT)** study projects that EGS technology could enable geothermal power to supply 100,000 MW of capacity in the United States, nearly 10% of current installed electrical generating capacity.

But as of 2009, EGS (which also stands for engineered geothermal systems and is alternately known as HDR, for hot dry rock) is more like a kid trying out for little league. After three decades of research and field testing, there are no EGS power plants pumping electrons to a utility grid. "So far there have only been test power plants run on true EGS experiments where they've actually fractured the rock and circulated the water," said EGS expert David Blackwell, co-author of the MIT report and a professor of geophysics at **Southern Methodist University** at the March 2009 Geothermal Innovation and Investment conference in San Francisco.

Blackwell acknowledged that European EGS projects in France and Germany are generating grid power, albeit in amounts of 3 MW or smaller. But he told the audience that those projects are not what he considers true EGS because their developers drilled into subterranean rock with existing fractures. "They didn't actually make the fractures," said Blackwell. In Blackwell's and many others view, the first company to accomplish a true EGS project will likely be **Geodynamics** of Australia, which looks ready to culminate six years of R&D with a 1-MW geothermal plant in South Australia's Cooper Basin. The pilot project will power the remote town of Innamincka as early as the summer of 2009, displacing a diesel generator that costs $15,000 a month to fuel. "That will be the first real long-term, large-scale test of EGS," said Blackwell.

EGS Basics

So what is EGS? In a nutshell, it is using hydraulic fracturing techniques—commonly deployed in the oil & gas industry—to open up sealed fractures in hot rocks far underground, then using injection wells to push cold water through the newly opened fractures where it is heated and returned to the surface to supply heat for power generation. EGS "emulates naturally occurring hydrothermal circulation systems—those now producing electricity and heat," wrote Jefferson Tester and co-authors of MIT's 2006 report, *The Future of Geothermal Energy*.

MIT's report has generated buzz in the media and in investment circles. Before the recession, EGS drew some venture capital, which had been rare to non-existing in the mature geothermal industry. **AltaRock Energy**, which aims to develop a pilot EGS project by drilling into granite below the hydrothermal reservoir that fuels The Geysers power plant in California, received $26.25 million from **KPCB, Khosla Ventures, Google.org** and **Vulcan Capital; Potter Drilling** has received $4 million from Google.org.

Not exactly big numbers in the clean energy field where solar took in 40%, biofuels 11% and wind 6% of $8.3 billion in global cleantech investing in 2008. Indeed, most money going into EGS has come from governments, including the United States, Germany and Australia. MIT's report authors warn that governments will have to keep putting up money for some time to come. "It is likely that government will have to fully support EGS fieldwork and supporting R&D. Later, as field sites are established and proven, the private sector will assume a greater role in co-funding projects—especially with government incentives accelerating the transition to independently financed EGS projects in the private sector."

Australia, which has little in the way of conventional hydrothermal resources, is one of the most aggressive EGS funders. The government has pledged about $45 million for pilot projects, and several hundred million dollars in shareholder investments have flowed into about 10 public companies. Along with Geodynamics, the leading firms include **Panax Geothermal** and **Petratherm**. Yet, in the United States, many in the geothermal industry would prefer that government keep the fledgling EGS phenom on a diet and feed them instead, or as the case may be, keep them alive through this current period of capital scarcity. "It's great to spend money on EGS. That's the future," said Doug Glaspey, CEO of **U.S. Geothermal**. "But if you want megawatts on the ground today, you have to capitalize exploration. The way you do that is put it into drilling programs."

Hot Dry Rock vs. Hot Wet Rock

To one pioneering EGS/HDR researcher, starving RD&D to support the existing geothermal industry would be a case of history repeating itself. Donald Brown was one of the three scientists from the U.S. DOE's **Los Alamos National Laboratory** who pioneered HDR and created a test project—one of the few "true EGS experiments" in Blackwell's rankings—at Fenton Hill, New Mexico. "HDR was actually Bob Potter's invention," Brown told CCBJ. "Mort Smith and I modified it, and I wrote the patent."

The Fenton Hill team developed two confined HDR reservoirs, the first from 1975 to 1977 and the second from 1983 to 1985. The first phase was centered at a depth of about 9,200 feet with a mean temperature of 385° F and the second phase was 11,500 feet underground with a mean temperature of 455° F. Contractors **Dowell Oil Well Services** and **Halliburton** fractured the rock with hydraulic pressure until fissures and cracks that had been long sealed by precipitation were forced open—a common technique in the oil & gas industry. This part of the process included a feat that still impresses Brown today: a massive hydraulic fracturing in which Dowell injected 5.7 millions over two and half days at a surface pressure of 7,000 PSI. "No EGS stimulation has ever approached those numbers."

Hoop stress created by the pressurization made the reservoirs tight at their margins. Injection wells pumped cool water down and through the fractures, where it was heated, then up to the surface—so the system operated in a closed loop, comparable to an automobile cooling system. "The stimulated joints were held open by reservoir pressure, a pressure greater than the joint closure stress so that the HDR reservoir was highly dilated," said Brown. "We were not at all worried about the joints plugging up again with dissolved minerals, since all the dissolved mineral species reached equilibrium in the pressurized close-loop circulating fluid within about two weeks. No precipitation occurred thereafter anywhere in the earth loop."

Years of testing concluded in 1995 showed the potential to generate about 1-MW of electric power, so the team began soliciting a partner from the geothermal industry. "It would have involved bringing in a company like Ormat to build a binary power plant," said Brown. "We got bids, the bids were evaluated and a winning contractor had been selected." The project would have provided invaluable information on "how to best produce heat in an engineered HDR reservoir," according to Brown.

"Our modeling suggested that the one-third cubic kilometer reservoir would last 10 to 20 years. It could be extended laterally or in depth, and I've got other tricks up my sleeve to increase the productivity and lifetime, but we would need to run a reservoir to demonstrate those." But Brown says DOE declined to fund the project at the last minute, instead directing money to building a 29-mile pipeline to carry recharge water to The Geysers, then owned by **Unocal, Calpine** and **Northern California Power Authority**. According to a report by some consulting engineers for the project, the $48 million project was 40% funded by DOE and other public agencies.

"It was frustrating," recalls Brown. With a change in leadership at DOE's geothermal program, he says the agency "didn't understand HDR. They didn't understand what we had done. They just wanted to get us as a thorn out from under their saddle. We kept saying how good HDR was and they kept saying 'but the industry doesn't like it so we're not going to fund it.'"

Echoing Blackwell's viewpoint, Brown contends that most existing EGS test programs are not true HDR, but rather HWR, or hot wet rock. Other industry sources and the MIT report confirm this, but note that the aim of these projects is to engineer those currently unproductive hot rocks to increase their permeability and make them productive for geothermal power. Brown contends HWR technology misses the true home run potential for geothermal, however. "Less than 1% of the geothermal resource is naturally occurring fluids in place, either along faults or in a steam dome like at The Geysers," he said. "The other 99% is HDR. When you can utilize HDR, you go from a few little fly specks on the world map to the rest of the map."

Regardless of disagreements over HDR vs. HWR, Brown agrees with the rest of the EGS crowd in saying that better drilling technology is needed to enable EGS to go forward on a large scale. While conventional hydrothermal drilling doesn't go much below 10,000 feet, candidate resources for EGS power plants start at 10,000 feet deep and can be as much as 30,000 feet below the surface.

The MIT report says both "evolutionary" and "revolutionary" techniques will be needed; in the former category, the report authors look for "more robust drill bits, innovative casing methods, better cementing techniques for high temperatures, improved sensors, and electronics capable of operating at higher temperature in downhole tools"; and in the second category, "new methods of rock penetration [with] lower production costs."

Brown, who has come back from retirement to work on HDR as a guest scientist at Los Alamos, likes the hard-rock polycrystalline diamond compact (PDC) drag bit now being developed by a company called **Novatek International**. "It can improve the drilling rate by a factor of three and will cut our front end costs down considerably so the economics of HDR become more attractive." Brown is also working with some undisclosed venture capital investors who are considering a demonstration project at Fenton Hill.

"The reservoir is still there, and one of the wells is still in decent shape," he said. "If we started today we would probably have power coming off the lines in three years." He says the investors would look to patent some of the technology coming out of the project and build on their first-in-class reputation and expertise to roll out more and larger EGS/HDR projects... They're willing to lose money on the first power generation demonstration. They know that we have to produce power to go to the bankers in order to get funding to step out into other areas and do this HDR."

This theme was echoed by speakers at the March geothermal conference in San Francisco. "We need to cross that first hurdle of getting some demonstration projects going," said Susan Petty, CEO of **AltaRock Energy**. Government funding will be key, according to Petty and others.

"Hydrothermal projects have high upfront capital costs, but EGS has an even higher upfront capital cost with the added difficulty that it's an emerging technology," she said. "We've going to have to rely on funds from the government to help us continue our R&D and to guarantee loans or to provide low-cost capital so we can get our wells through, set up demo sites and run these systems for a while so we can show they work."

Yet, North American conventional geothermal developers—with more 3,000 MW of capacity in the pipeline largely stalled by the recession—say they need DOE money to go forward. "It's very important that these hydrothermal development programs not get stalled," said Brian Fairbank, CEO of **Nevada Geothermal Power**.

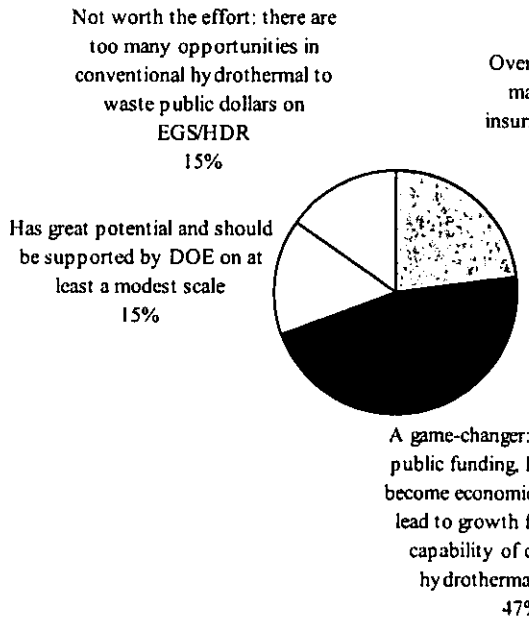
In other words, DOE's $400 million for geothermal is already overcommitted before the agency has had time to come up with disbursement guidelines.

Geothermal industry veterans, lenders and investors expressed a range of opinions to CCBJ about EGS's ultimate viability. "Do I think it can work, sure. But is it economic? I don't know enough to really comment one way or anther," said Ric Abel, managing director for electric finance at **Prudential Capital Group**. "When you start drilling holes 20,000 or 25,000 feet down, and you have to get a fluid down there and back up, you're talking about an enormous parasitic load. I just don't have a good feeling for how the economics will come together."

A veteran geothermal engineer who now consults for investors told CCBJ: "EGS is the holy grail, and like the holy grail it may be just a myth." But many who follow geothermal and other renewable energy technologies contend that with adequate public support, EGS/HDR will fundamentally change the geothermal game. "Work that we are doing in Canada suggests that with adequate investment we can utilize EGS successfully even when temperatures are between 125 and 150 celsius (257 and 302 Fahrenheit)," said Michal Moore, who is a senior fellow at the Institute for Sustainable Energy, Environment and Economy at the **University of Calgary** in Alberta, and a former member of the California Energy Commission. "With the impending changes to coal emission requirements and the retirement of a significant amount of nuclear baseload electric power, the potential of EGS geothermal is critically important."

Brown, who helped invent the concept of HDR geothermal energy, is now finishing a book covering the HDR Project at Fenton Hill and working with his project backers in Washington to get needed support from natural-resource agencies for restarting Fenton Hill (it's located in a national recreation area). At 77, his enthusiasm for EGS is as strong as that of a rookie slugger at the plate. "I want to see HDR out there commercialized and I'm working very hard to do that. Our plant can be online within three years, and from there, the future of HDR is almost unlimited." ☼

Opinions on Enhanced Geothermal Systems (EGS)



Source: CCBJ 2009 Geothermal Survey conducted in April 2009. Question was: Enhanced geothermal systems (EGS), also known as hot dry rock (HDR) technology, can vastly expand the use of geothermal power in the United States and elsewhere. Yet after more than 30 years of research, EGS has only been the subject of small-scale demonstration plants (and many observers say those projects are not using true HDR resources). Please check the category that best describes your general view of the future of EGS/HDR:

Volume 2, No. 4/5 CLIMATE CHANGE BUSINESS JOURNAL® April/May 2009

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CLIMATE CHANGE BUSINESS JOURNAL

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- Energy Efficiency & Demand Response: June/July 2009
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Alaska Peninsula
Aleutian Chain
Bristol Bay
Kodiak Island
Pribilof Islands

February 17, 2010

To Representative Millett:

I am writing on behalf of the Southwest Alaska Municipal Conference in support of HB320 and its goal of making geothermal energy more economically viable in Alaska. Currently in Southwest Alaska there are three geothermal projects being studied in Unalaska, Naknek and Akutan; however, there are plenty of opportunities for further development in this region as much of it is located on the Ring of Fire. By removing the royalty obligation for geothermal resources, this bill would help bring down capital cost impediments and facilitate the implementation of geothermal energy in Southwest Alaska and across the state. This in turn could curb the chronically high energy and heating costs seen in rural Alaska, as well as lay the groundwork for future sustainable energy throughout the state.

For rural Alaskans, there are many reasons this bill must be passed. High energy costs are threatening traditional ways of life in Native Villages and rural communities throughout the state, which are showing signs of decline because fewer career opportunities are available to young people. Implementing environmentally friendly energy with lower, stable costs will provide a chance for Alaska to grow economically while taking advantage of its plentiful renewable resources. Geothermal energy is a proven electrical technology, and removing any unnecessary barriers to its development should only help Alaska reach its renewable energy goals of the future. For this reason, HB 320 not only encourages geothermal development in rural Alaska, it could also provide major benefits to projects along the Railbelt as well.

SWAMC applauds your continued efforts to address the ongoing energy crisis in this state through fiscally responsible measures that promise to create opportunities for growth and sustainability. Please call on me if you have any questions.

Sincerely,

SOUTHWEST ALASKA MUNICIPAL CONFERENCE

Andy Varner
Executive Director

Cc: Representative Johnson
Representative Neuman
Senator McGuire

Alaska Legislature
Representative Charisse Millett

Session:
State Capitol Building, Room 412
Juneau, AK 99801
Phone (907) 465-3879
Fax (907) 465-2069

Interim:
Anchorage LIO
716 W 4th Ave., Room 630
Anchorage, AK 99501
Phone (907) 269-0222
Fax (907) 269-0223

MEMORANDUM

To: House Resources Co-chairs Rep. Craig Johnson, Rep. Mark Neuman

From: Rep. Charisse Millett

Subject: HB 320 scheduling request

Date: Wednesday, February 3, 2010

CC:

I am formally requesting a hearing on House Bill 320 at your earliest possible convenience.

I have included the information in this packet. I am waiting to receive letters of support for the legislation and they will be forwarded to you as soon as possible.

Jeff Turner is the staffer assigned to this legislation. Please have your staff contact him at (907) 465-6588 if you need any additional information.

###

HB

337

STATE CAPITOL
PO Box 110001
Juneau, Alaska 99811-0001
907-465-3500
fax: 907-465-3532

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Governor@alaska.gov

Governor Sean Parnell
STATE OF ALASKA

February 9, 2010

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault,

Under the authority of Art. III, Sec. 18 of the Alaska Constitution, I am transmitting a bill that proposes four discrete changes to Alaska's oil and gas production tax. The bill will provide incentives for explorers and producers to continue to invest in Alaska. The proposed changes will encourage investment and employment within the state, and ultimately, increase production of the state's oil and gas resources.

I remain committed to considering all proposals and ideas that will result in increased exploration and drilling that produce more oil and jobs for Alaskans.

First, the bill will encourage investment by creating a new 30 percent alternative tax credit for qualified costs closely related to well drilling and work over operations designed to enhance current well operations. The taxpayer will have to claim the 30 percent credit within six months of completing the qualifying activity, and will have to submit enough information for the Department of Revenue to determine that the expenditures qualify for the credit.

Second, the bill will allow qualified applicants, regardless of their future spending levels, to receive cash refunds for tax credits that the applicants received for qualified capital expenditures. Under current law, an applicant cannot qualify for a cash refund unless, within 24 months of receiving the tax credit certificate, the applicant incurred a qualified capital expenditure or successfully bid on a lease on State land. If the applicant is unable to meet either requirement, the applicant cannot receive payment for the qualified capital expenditures the applicant invested in the state. To solve this problem, the bill will eliminate the requirement that the applicant make additional capital expenditures or be the successful bidder for a lease on State land.

Third, the bill will allow producers and explorers who qualify for the 20 percent tax credit under AS 43.55.023 for capital expenditures to use the credit in the year that the credit is earned. Currently, producers and explorers are required to spread the benefit over two years. Allowing producers and explorers the full value of their credits in one year would increase the amount available for further exploration activities and for work on currently producing wells.

Finally, the bill will allow the Department of Revenue to waive interest for certain underpayments of taxes due before the effective date of certain regulations implementing the production tax. This provision will apply only if regulations to implement the production tax are not yet in effect at the time the annual tax payments are due, and only if the underpayment results from the producer's good faith estimation of the tax due. Should it be determined that the taxpayer overpaid the amount of tax due under the regulations in effect at the time of payment and that a refund is due, no interest will be due on a refund made within the time period specified in the bill.

With these changes, we will continue to responsibly maximize and invest in Alaska's oil and gas resources. I urge your prompt and favorable action on this measure.

Sincerely,

Sean Parnell
Governor

Enclosure

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 337
(H) Publish Date: 2/10/10

Identifier (file name): 1057-DOA-AOGCC-01-27-10
Dept. Affected: Admin
Title: Relating to interest on certain underpayments...for Oil and Gas production tax...
RDU: AOGCC
Component: AOGCC
Sponsor: Rules Committee
Requester: Governor
Component Number: 2010

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Interagency Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Any additional activity that industry would undertake in areas the Alaska Oil and Gas Conservation Commission regulates because of this bill would be part of ongoing agency responsibilities and any additional workload would be managed by existing staff. The agency therefore submits a zero fiscal note.

Prepared by: Jody J. Colombie, Special Assistant I
Phone (907 793-1221
Division: Alaska Oil and Gas Conservation Commission
Date/Time 1/27/10 4:00 PM
Approved by: Rachael Petro, Deputy Commissioner
Date 1/27/2010
Department of Administration

(Revised 11/6/2009 OMB)

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 337
(H) Publish Date: 2/10/10

Identifier (file name): LL1057-DNR-OG-02-08-2010
Dept. Affected: Natural Resources
Title: Oil and Gas Tax Amendments
RDU: Resource Development
Component: Oil and Gas Development
Sponsor: Rules Committee
Requester: Governor
Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

The bill will, first, change the current provision under AS 43.55.023(b) that only half the various tax credits could be taken in any one year. This limitation spreads the benefits of the credit out over a couple of years, thereby diluting the incentive that the credit provides to the extent that a producer/investor must wait before receiving the full benefit of the credit. This bill would also accelerate most investor's receipt of the full value of the credit. Second, the bill would extend the current 30% credit provided under 43.55.025 to include development drilling (this credit is available now only for exploration wells drilled beyond three-miles of another well. This credit will reduce the taxpayer's tax liability and, other things being equal, contribute to improved economics for development drilling. Finally, the bill allows a small producer to monetize the credit more easily by eliminating the requirement that the producer spend additional money before receiving the credit monies.

The effect on royalty revenue is an indeterminant positive.

Prepared by: Kevin Banks, Director — Phone 269-8800
Division: Oil and Gas — Date/Time 2/8/10 3:00 PM
Approved by: Tom Irwin, Commissioner — Date 2/8/2010
Natural Resources

(Revised 11/6/2009 OMB)

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. HB 337

ANALYSIS CONTINUATION

In these three ways, the bill will encourage additional investment in oil and gas development in Alaska, leading to an expected increase in the amount of oil and gas produced from State lands. This should increase the amount of royalty revenue collected, the exact amount of this increase is indeterminate. This bill also requires that the producer submit to the DNR withing 30 days of the request for a credit under AS 43.55.025 data on development well activity under Section 9. While the DNR currently reviews seismic and exploration well information, the requirement to look at development wells as well may take additional staff time. However, we think we will be able to undertake this review with current staff.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 3 ***CORRECTED***
Bill Version: HB 337
(H) Publish Date: 3/9/10

Identifier (file name): HB337-REV-TAX-02-12-10
Dept. Affected: Revenue
Title: Oil and Gas Tax Adjustements
RDU: Taxation and Treasury
Component: Tax Division
Sponsor: Rules
Requester: Request of the Governor
Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )	***	***	***	***	***	***	***

***** See Analysis Section for Additional Information *****

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost: ***

POSITIONS

Full-time	**0.0**	0.00	0	0	0	0	0
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

See Attached.

Prepared by: Cherie Nienhuis and Dan Stickel, Petroleum Economists — Phone 907-269-1019
Division: Tax Division — Date/Time 2/08/10; 12:13pm
Approved by: Ginger Blaisdell, Director — Date 2/12/10; 12:26pm
Administrative Services Division

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. HB 337

ANALYSIS CONTINUATION

Bill Language:

This bill makes four refinements to Alaska's oil and gas production tax. The refinements and the revenue impact of each are discussed below:

1. Increased credits for well related expenditures: This bill would modify AS 43.55.025 to allow a 30 percent credit against production tax for exploratory well expenditures and most development well expenditures. For wells more that 25 miles outside of existing units (or more than 10 miles outside of Cook Inlet units) the credit is 40 percent of exploratory well expenditures. These credits would also be an increase in credits for well related expenditures. Currently, companies are allowed a 20 percent credit for well related qualified capital expenditures under the provisions of AS 43.55.023. There are no current provisions for credits against operating expenditures and this bill would extend the 30% credit to well related operating expenditures as well as capital expenditures. This provision would take effect July 1, 2010.

Under current projected spending and production levels, revenues would be estimated to be reduced by $325 million in FY 2011, $335 million in FY 2012, and $350 million in FY 2013-2016. However, the Department of Revenue provides an indeterminant fiscal impact to revenues because the new incentives will likely spur higher spending levels on development activity, which would result in more credits being earned, but would also be expected to increase production, thus providing an offsetting increase in revenue.

2. Removing reinvestment requirement for state purchase of capital credits: For companies applying for state purchase of capital credits, this bill would remove the requirement that the companies reinvest an amount equal to the amount of the credit purchased within 24 months after applying for a credit certificate. This provision would take effect July 1, 2010.

This provision is expected to be revenue neutral as the credits will reduce revenue whether the state purchases the credits or other companies purchase and subsequently apply the credits against a tax liability.

3. Capital credits no longer required to be spread over two years: Producers and explorers receive a capital expenditure credit in the amount of 20 percent of the qualified capital expenditure. This bill would remove the provision that no more than half of the tax credit may be applied for in a single calendar year. As a result, the entire 20 percent credit could be applied in the year it is earned. This is retroactive to January 1, 2010.

There is a revenue reduction for FY 2010 of $120 million because of the immediate effective date of the changes to spreading of capital credits. For FY 2011-FY 2013, the revenue reduction from changes to the spreading of capital credits will be about $50 million per year. For FY 2014 and beyond, the revenue impacts will be negligible.

4. Interest waived for changes in tax liability as a result of to retroactive regulations changes: Following adoption of retroactive regulations to the oil and gas production tax under AS 43.55, the Department of Revenue is required to determine whether the retroactive application of the regulation caused an overpayment or underpayment of the amount due in tax. For an underpayment, interest is waived as long as the underpayment was due to the regulation and the producer made a good faith estimation and payment of its tax obligation under regulations in place when the payment was due. For an overpayment, interest does not accrue until either the first day of the second month following the regulation taking effect, or 90 days after the Department receives an amended annual production tax return with request for refund. The interest provisions are retroactive to February 2007. At this time it is uncertain whether there would be any revenue impact from this change, since it is unclear whether there was any underpayment or overpayment due to the retroactive regulations. The Department of Revenue does not include interest payments in our revenue projections, therefore this change would not affect our revenue forecast.

*** We cannot currently make a determination of the revenue impacts of the bill. For this reason, asterisks are include in our revenue estimates for this fiscal note.

Expenditures:
The Department will be able to implement the provisions of this bill using existing resources.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: CSHB337 (RES)
() Publish Date:

Identifier (file name): CSHB337(RES)-REV-TAX-04-08-10
Title: Oil and Gas Tax Adjustments
Sponsor: Rules by Request of the Governor
Requester: House Finance Committee

Dept. Affected: Revenue
RDU: Taxation and Treasury
Component: Tax Division
Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual	100.0						
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**100.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )	***	***	***	***	***	***	***

***** See Analysis Section for Additional Information *****

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	100.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**100.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost: ***

POSITIONS

Full-time	**0.0**	0.00	0	0	0	0	0
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

*** We cannot currently make a determination of the revenue impacts of the bill. For this reason, asterisks are included in our revenue estimates for this fiscal note.

See Attached for additional analysis.

Prepared by: Cherie Nienhuis and Dan Stickel, Petroleum Economists — Phone 907-269-1019
Division: Tax Division — Date/Time 04-08-10; 1:06pm
Approved by: Ginger Blaisdell, Director — Date 04-08-10; 1:44pm
Administrative Services Division, Department of Revenue

(Revised 11/6/2009 OMB)

ANALYSIS CONTINUATION

Bill Language:
This bill makes three changes to the credit provisions of Alaska's oil and gas production tax and two changes to interest as applied to tax payments. These changes and the potential revenue impact of each are discussed below:

1. Increased credits for well related expenditures: This bill would modify AS 43.55.023 to allow a 30 percent credit against production tax for the amount of well-related expenditures that represent an increase in well-related expenditures over an average of well-related expenditures in calendar years 2008 and 2009. Currently, companies are allowed a 20 percent credit for well related qualified capital expenditures under the provisions of AS 43.55.023. There are no current provisions for credits against operating expenditures and this bill would extend the 30% credit to the increase in well-related operating expenditures from 2008 and 2009 as well as capital expenditures. This provision would take effect July 1, 2010.

Our ability to place a reasonable estimate on this provision is limited by our lack of data specific to these types of expenditures. Our best estimate of this provision under current projected spending and production levels, is that revenues would be reduced by $50 to $100 million dollars per year through our current projections of FY 2013. However, the Department of Revenue provides an indeterminant fiscal impact to revenues because the new incentives will likely spur higher spending levels on development activity, which would result in more credits being earned, but would also be expected to increase production, thus providing an offsetting increase in revenue.

2. Removing reinvestment requirement for state purchase of capital credits: For companies applying for state purchase of capital credits, this bill would remove the requirement that the companies reinvest an amount equal to the amount of the credit purchased within 24 months after applying for a credit certificate. This provision would take effect July 1, 2010.

This provision is expected to be revenue neutral as the credits will reduce revenue whether the state purchases the credits or other companies purchase and subsequently apply the credits against a tax liability.

3. Capital credits no longer required to be spread over two years: Producers and explorers receive a capital expenditure credit in the amount of 20 percent of the qualified capital expenditure, 25% of a loss carryforward, and up to 40% of an exploration expenditure. This bill would remove the provision that no more than half of the tax credit may be applied for in a single calendar year. As a result, the entirety of credits could be applied in the year they are earned. This provision is retroactive to January 1, 2010.

The calculation of the revenue impact for this provision is difficult for two reasons: (1) the timing of the revenue impact will depend upon when the bill is signed into law; and (2) the amount the state may potentially be expected to pay to purchase credits is conditioned in part on removing the reinvestment requirement discussed in #2 above, and the timing of the payment will depend on whether companies will immediately seek reimbursement for their credits.

We assume for this provision a worse-case scenario where all credits held by companies with production tax liabilities are used in FY 2010 or FY 2011. This would cost the state approximately $225 million in reduced taxes between the two years.

For companies that are holding credit certificates and are not expected to incur a tax liability in FY 2010 or FY 2011, we estimate an additional liability of up to $150 million over previous expectations for the two fiscal years. These impacts could spill into FY 2012, should companies delay seeking reimbursement.

Beyond FY 2012, revenue impacts are expected to be negligible.

4. Interest waived for changes in tax liability as a result of to retroactive regulations changes: Following adoption of retroactive regulations to the oil and gas production tax under AS 43.55, the Department of Revenue is required to determine whether the retroactive application of the regulation caused an overpayment or underpayment of the amount due in tax. For an underpayment, interest is waived as long as the underpayment was due to the regulation and the producer made a good faith estimation and payment of its tax obligation under regulations in place when the payment was due. For an overpayment, interest does not accrue until either the first day of the second month following the regulation taking effect, or 90 days after the Department receives an amended annual production tax return with request for refund. The interest provisions are retroactive to February 2007. At this time it is uncertain whether there would be any revenue impact from this change, since it is unclear whether there was any underpayment or overpayment due to the retroactive regulations. The Department of Revenue does not include interest payments in our revenue projections, therefore this change would not affect our revenue forecast.

(continued on next page)

ANALYSIS CONTINUATION

5. **Change the rates for calculating interest for most tax types.** This bill would change the way interest is calculated for most tax types administered by the Department of Revenue, including the production tax. Under current law, the interest rate is the greater of 11 percent or 5 percentage points above the discount rate at the 12th Federal Reserve Bank. Under this bill, the interest rate would be 5 percentage points above the discount rate. If this provision were in place today, the interest rate on taxes would fall from 11 percent to 5.75 percent.

The revenue reduction from this provision is indeterminate because the Department does not have a management information system capable of tracking interest for all taxes. Producing a revenue estimate would require manually compiling information from hundreds of tax returns. Since oil and gas settlements go to the Constitutional Budget Reserve Fund (CBRF), this provision would reduce revenue to both the general fund and the CBRF. This provision would require additional costs for the Department which are described below.

This provision is effective July 1, 2010.

Expenditures:
The changes in interest rates and other provisions of this bill would result in one-time costs of $100,000 in FY 2011 for changes to the accounting and tax examination system.

(3/27/2010)
(____ pm)

AMENDMENT

OFFERED IN THE HOUSE RESOURCES COMMITTEE

BY _____

TO: HB 337

Page 1, following line 7

Insert new bill sections to read:

"***Sec. 1.** AS.05.15.095(c) is amended to read:

(c) A delinquent fee bears interest at the rate set by AS 43.05.225(2) [AS 43.05.225].

Sec. 2. AS 34.45.470(a) is amended to read:

(a) A person who fails to pay or deliver property within the time prescribed by this chapter may be required to pay to the department interest at the annual rate calculated under **AS 43.05.225(2)** [AS 43.05.225] on the property or the value of it from the date the property should have been paid or delivered.

Sec. 3. AS 43.05.225 (1) is amended to read:

Sec. 43.05.225. Interest. Unless otherwise provided,

(1) When a tax levied in this title becomes delinquent, it bears interest in a calendar quarter at the rate of five percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first day of that calendar quarter, [OR AT THE ANNUAL RATE OF 11 PERCENT, WHICHEVER IS GREATER,] compounded quarterly as of the lst day of that quarter;

Sec. 4. AS 43.50.570 is amended to read:

Sec. 43.50.570. Interest. A licensee who fails to pay an amount due for the purchase of stamps within the time required

4595

(1) is considered to have failed to pay the cigarette taxes due under this chapter; and

(2) shall pay interest at the rate established under **AS 43.55.225(1)** [AS 43.05.225] from the date on which the amount became due until the date of payment.

Sec. 5. AS 43.55.020(g) is amended to read:

(g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid amount of an installment payment required under (a)(1)-(3) of this section that is not paid when due bears interest (1) at the rate provided for an underpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date the installment payment is due until March 31 following the calendar year of production, and (2) as provided for a delinquent tax under **AS 43.05.225(1)** [AS 43.05.225]after that March 31. Interest accrued under (1) of this subsection that remains unpaid after that March 31 is treated as an addition to tax that bears interest under (2) of this subsection. An unpaid amount of tax due under (a)(4) of this section that is not paid when due bears interest as provided for a delinquent tax under **AS 43.05.225(1)** [AS 43.05.225].

Page 2, lines 5-10:

Delete language and insert the following:

"effective, if

(A) the department determines that the producer's underpayment resulted because the regulation was not in effect when the payment was due; and

(B) the producer demonstrates that it made a good faith estimate of its tax obligation in light of the regulations then in effect when the payment was dues and paid the estimate tax;"

Page 3, line 7:

Delete "**AS 43.55.025(f)** [AS 43.55.025(f)(2)]"

Insert "AS 43.55.025(f)(2)"

Page 3, line 9-10:

Delete "**AS 43.55.025(f)** [AS 43.55.025(f)(2)]"

Insert "AS 43.55.025(f)(2)"

Page 4, lines 5 – 31

Page 5, lines 1-31

Page 6 lines 1-31

Page 7, lines 1-31

Page 8, lines 1-31

Page 9, lines 1-25

Delete all material and insert new sections:

Sec. 9. AS 43.55.023(g) is amended to read:

(g) The issuance of a transferable tax credit certificate under (d) of this section or the purchase of a certificate under AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to which the certificate relates or to adjust the claim if the department determines, as a result of the audit, that the applicant was not entitled to the amount of the credit for which the certificate was issued. The tax liability of the applicant under AS 43.55.011(e) and 43.55.017- 43.55.180 is increased by the amount of the credit that exceeds that to which the applicant was entitled, or the applicant's available valid outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased under this subsection, the increase bears interest under **AS 43.55.225(1)** [AS 43.05.225] from the date the transferable tax credit certificate was issued. For purposes of this subsection, an applicant that is an explorer is considered a producer subject to the tax levied by AS 4355.011(e).

Sec. 10. AS 43.55.023 is amended by adding a new subsection to read:

(m) A producer or explorer may take a tax credit for a well-related expenditure incurred after June 30, 2010 and before July 1, 2016, as follows:

(1) notwithstanding that a well-related expenditure may be a deductible lease expenditure under AS 43.55.165 for purposes of calculating the production tax

value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under (a) of this section, AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a well-related expenditure may also elect to apply a credit against a tax levied by AS 43.55.011(e) in the amount of 30 percent of that expenditure;

(2) a producer or explorer may take a credit for a well-related expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2); and

(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2) for a credit under AS 43.55.025;

(3) in this subsection, "well-related expenditure" means a lease expenditure

(A) directly related to an exploration well, a stratigraphic test well, a producing well, or an injection well other than a disposal well, if the expenditure is a qualified capital expenditure and an intangible drilling and development cost under 26 U.S.C. 263(c), as amended, and 26 C.F.R 1.612-4, regardless of the elections made under 26 U.S.C. 263(c); in this subparagraph, an expenditure directly related to a well includes an expenditure for well drilling, well sidetracking, well deepening, well testing, well stimulation, well completion or recompletion, or well workover, regardless as to whether the well is or has been a producing well; or

(B) for seismic work conducted within the boundaries of a production or exploration unit.

Page 9, following line 26:

Insert new bill sections to read:

Sec. 12. AS 43.77.020(d) is amended to read:

(d) A person subject to the tax under this chapter shall make quarterly payments of the tax estimated to be due for the year, as required under regulations adopted by the department. A taxpayer will be subject to an estimated tax penalty, determined by applying the interest rate specified in **AS 43.05.225(1)** [AS 43.55.225] to the underpayment for each quarter, unless the taxpayer makes estimated tax payment in equal installments that total either

(1) at least 90 percent of the taxpayer's tax liability under this chapter for the tax year; or

(2) at least 100 percent of the taxpayer's tax liability under this chapter for the prior tax year.

Sec. 13. AS 43.90.430 is amended to read:

Sec. 43.90.430. Interest. When a payment due to the state under this chapter becomes delinquent, the payment bears interest at the rate applicable to a delinquent tax under **AS 43.05.225(1)** [AS 43.05.225].

Page 9, line 29:

Delete both occurrences of "1" and insert "6"

Page 10, line 2-6:

Delete all material.

Page 10, lines 9-10:

Delete all material

Insert the following:

"RETROACTIVITY OF SECS. 6-8 OF THIS ACT. (a) Section 6 of this Act is retroactive to February 28, 2007.

(b) Section 7 and 8 of this Act are retroactive to January 1, 2010.

Page 10, line 17:

Delete "1, 2, or 3"

Insert "6, 7, or 8"

Page 10, line 19:

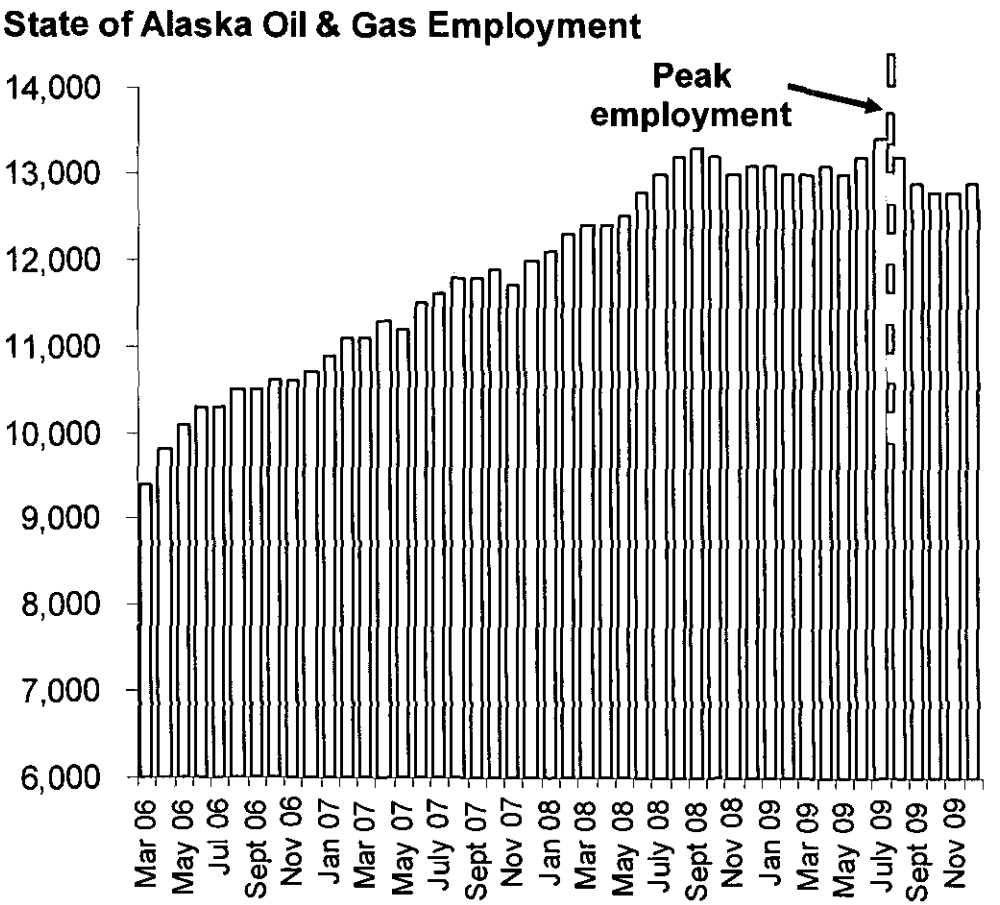
Delete "Sections 4 - 12"

Insert "Sections 1 – 5, and 9 - 13"

Renumber the bill sections accordingly.

Oil & Gas Employment

- Data since July-09 indicate downward trend in oil and gas jobs
- Employment levels driven primarily by maintenance and inspection activity
- Alaska state unemployment rising in oil and gas support sector
- Leading indicators: Kuparuk camp usage down 20%



Rise in employment began in 2006

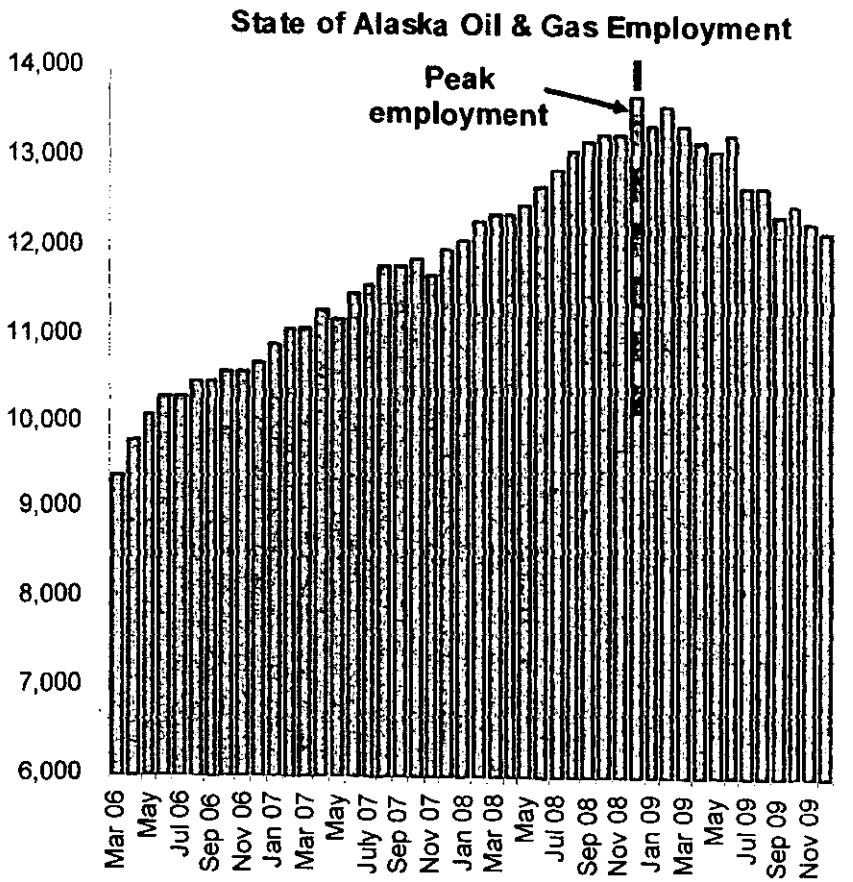
Source: Alaska Dept of Labor employment data

ConocoPhillips

Oil & Gas Employment

Attachment #10

- **Data since Dec-08 indicate downward trend in oil and gas jobs**
- **Employment levels driven primarily by maintenance and inspection activity**
- **Alaska state unemployment rising in oil and gas support sector**
- **Leading indicators: Kuparuk camp usage down 20%**



Rise in employment began in 2006

Source: Alaska Dept of Labor employment data, March 12, 2010

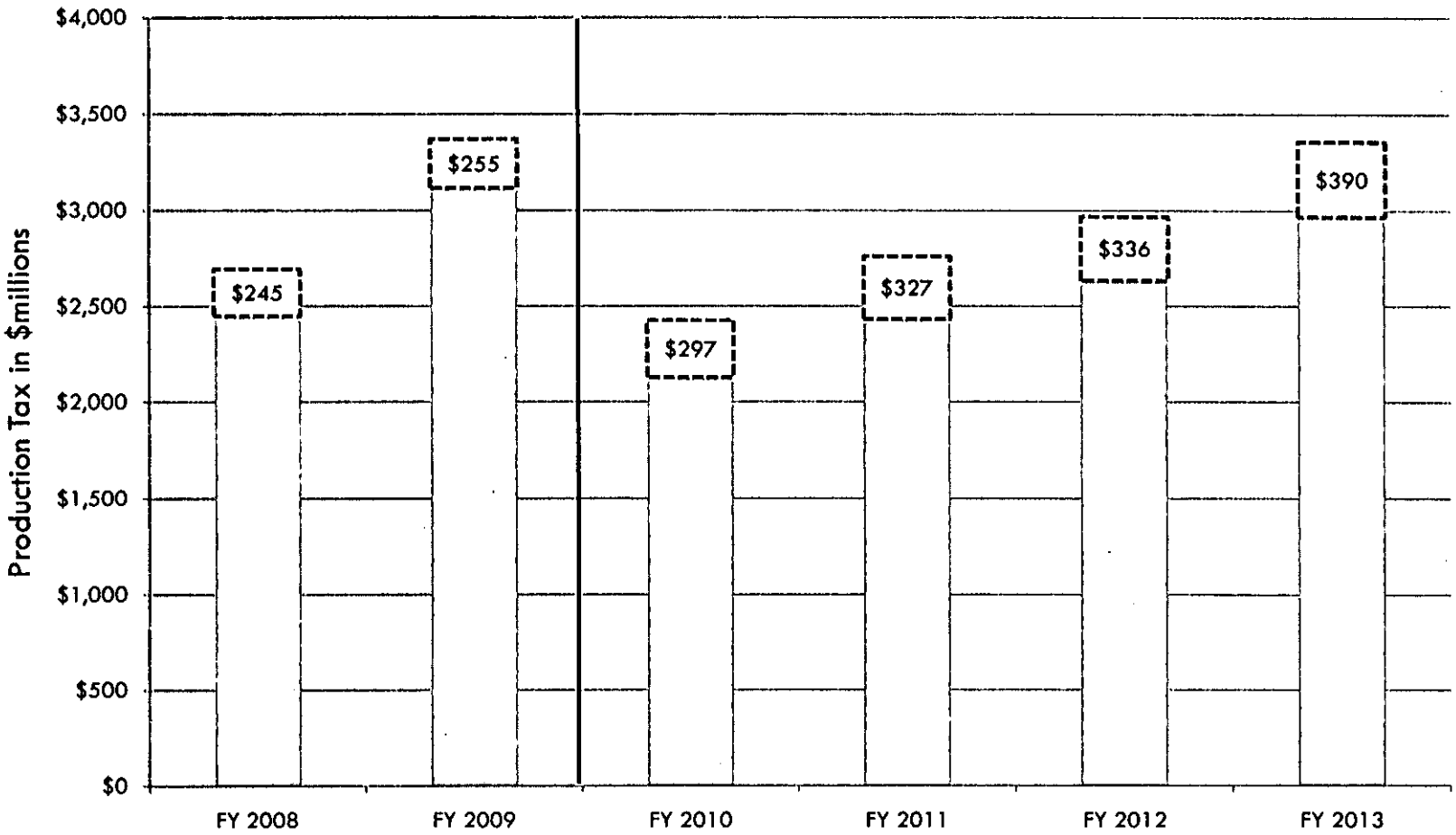
HOUSE RESOURCES

March 29, 2010

HB 337

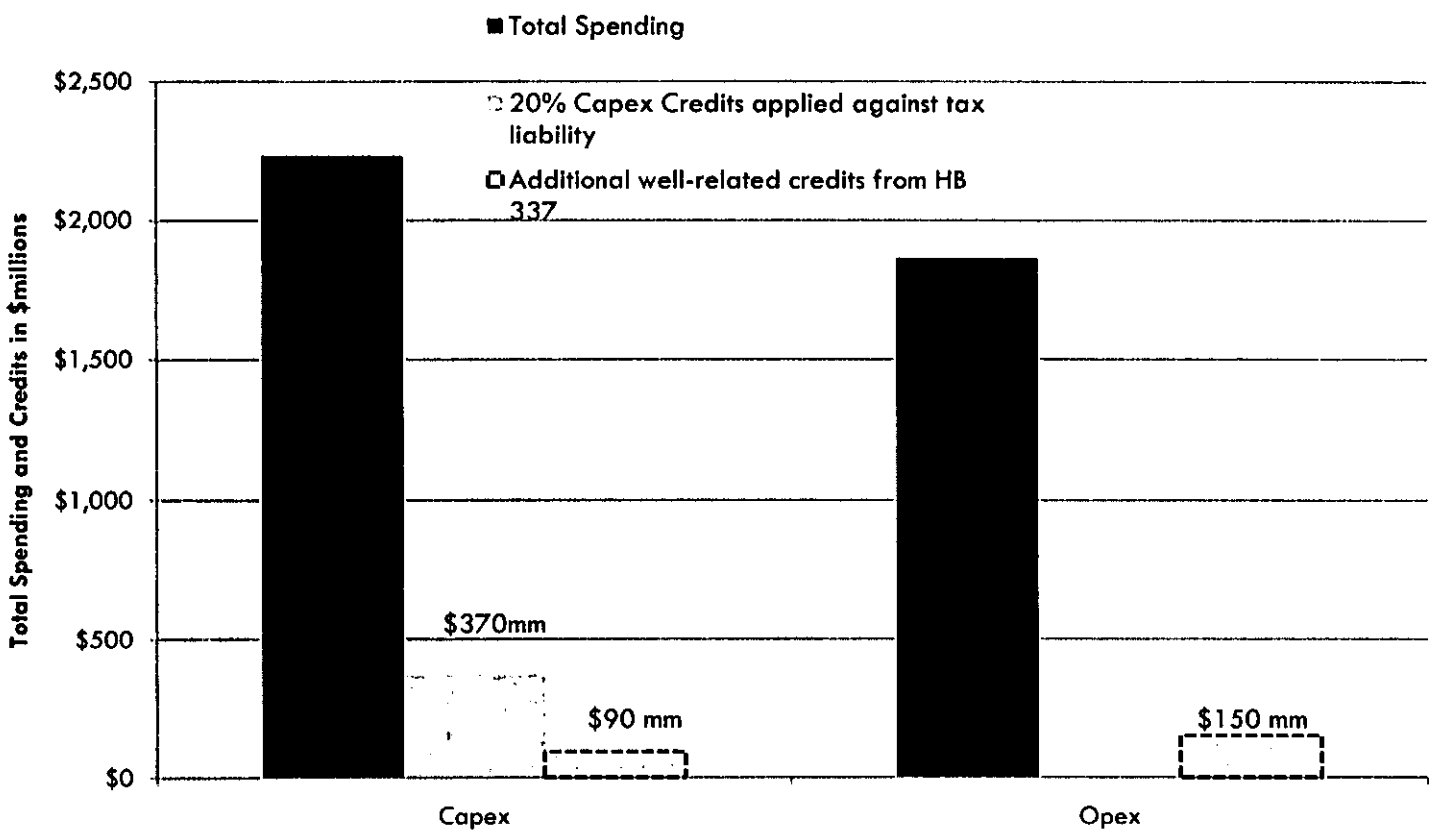
Production Tax Revenue with Additional Well-Related Credit Under HB 337

2



Alaska Department of Revenue March 29, 2010

Estimated Capex Credits and Additional Credits from HB 337 (CY2009)



Interest Paid on Production Taxes Since 2007

Calendar Year	Interest
2007	$16,441,320
2008	$5,417,859
2009	$75,731,451
2010	$73,365
Total	**$97,663,995**

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM March 28, 2010

SUBJECT: Single subject issue (CSHB 337( );
Work Order No. 26-GH2057\R)

TO: Representative Craig Johnson
Attn: Debra Higgins

FROM: Donald M. Bullock Jr.
Legislative Counsel

Enclosed is a draft version of CSHB 337( ). Please read this draft carefully to ensure that it is consistent with your intent. Also, please verify the effective date sections, secs. 19 and 20, with the Department of Revenue to ensure that they are consistent with their advice to you.

Included in this draft are provisions that relate to the purchase of tax credit certificates by the Alaska Retirement Management Board (ARMB). These provisions are in sec. 3, 10, and 12 of the draft. Although the ARMB provisions relate to the purchase of tax credits authorized under the oil and gas production tax, the provisions relate to the powers of the board. Inclusion of these provisions may expose the enactment of the bill to a challenge under art. II, sec. 13, Constitution of the State of Alaska, which requires that bills be confined to one subject.

DMB:lmb
10-013.lmb

Enclosure

26-GH2057\R
Bullock
3/29/10

CS FOR HOUSE BILL NO. 337( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

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

A BILL

FOR AN ACT ENTITLED

"An Act relating to credits against the oil and gas production tax; relating to the interest rates applicable on certain amounts due related to various taxes, penalties, payments, and the Alaska Gasline Inducement Act; relating to the use of the oil and gas tax credit fund to purchase certain tax credit certificates; authorizing the board of trustees of the Alaska Retirement Management Board to purchase and sell transferable tax credit certificates issued in conjunction with the production tax on oil and gas; and providing for an effective date."

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

*** Section 1.** AS 05.15.095(c) is amended to read:

(c) A delinquent fee bears interest at the rate set by **AS 43.05.225(2)** [AS 43.05.225].

*** Sec. 2.** AS 34.45.470(a) is amended to read:

(a) A person who fails to pay or deliver property within the time prescribed by

this chapter may be required to pay to the department interest at the annual rate calculated under **AS 43.05.225(2)** [AS 43.05.225] on the property or the value of it from the date the property should have been paid or delivered.

*** Sec. 3.** AS 37.10.220(b) is amended to read:

(b) The board may

(1) employ outside investment advisors to review investment policies;

(2) enter into an agreement with the fiduciary of another state fund in order to assume the management and investment of those assets;

(3) contract for other services necessary to execute the board's powers and duties;

(4) enter into confidentiality agreements that would exempt records from AS 40.25.110 and 40.25.120 if the records contain information that could affect the value of investment by the board or that could impair the ability of the board to acquire, maintain, or dispose of investments**;**

(5) purchase transferable tax credit certificates issued under AS 43.55.023 and 43.55.025 for 92 percent of the face value of a certificate, and sell transferable tax credit certificates to the Department of Revenue under AS 43.55.023(n) and 43.55.025(m) for a cash refund of the full face value of the certificate; under this paragraph, the board

(A) may

(i) engage in the purchase and sale of transferable tax credits; and

(ii) sell a transferable tax credit certificate only if the commissioner of revenue determines that economic conditions are acceptable for the state to purchase and pay for the credit; and

(B) shall apply the proceeds from a sale made under this paragraph to defray the unfunded pension liabilities of the systems for which the board has responsibility.

*** Sec. 4.** AS 43.05.225 is amended to read:

Sec. 43.05.225. Interest. Unless otherwise provided,

(1) when a tax levied in this title becomes delinquent, it bears interest

Conceptual Amendment #6

"Five"

in a calendar quarter at the rate of ~~three~~ [FIVE] percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first day of that calendar quarter, [OR AT THE ANNUAL RATE OF 11 PERCENT, WHICHEVER IS GREATER,] compounded quarterly as of the last day of that quarter;

(2) the interest rate is 12 percent a year for

(A) delinquent fees payable under AS 05.15.095(c); and

(B) [REPEALED

(C)] unclaimed property that is not timely paid or delivered, as allowed by AS 34.45.470(a).

*** Sec. 5.** AS 43.50.570 is amended to read:

Sec. 43.50.570. Interest. A licensee who fails to pay an amount due for the purchase of stamps within the time required

(1) is considered to have failed to pay the cigarette taxes due under this chapter; and

(2) shall pay interest at the rate established under **AS 43.05.225(1)** [AS 43.05.225] from the date on which the amount became due until the date of payment.

*** Sec. 6.** AS 43.55.020(g) is amended to read:

(g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid amount of an installment payment required under (a)(1) - (3) of this section that is not paid when due bears interest (1) at the rate provided for an underpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date the installment payment is due until March 31 following the calendar year of production, and (2) as provided for a delinquent tax under **AS 43.05.225(1)** [AS 43.05.225] after that March 31. Interest accrued under (1) of this subsection that remains unpaid after that March 31 is treated as an addition to tax that bears interest under (2) of this subsection. An unpaid amount of tax due under (a)(4) of this section that is not paid when due bears interest as provided for a delinquent tax under **AS 43.05.225(1)** [AS 43.05.225].

*** Sec. 7.** AS 43.55.020 is amended by adding a new subsection to read:

(i) Notwithstanding any contrary provision of AS 43.05.225 or (g) or (h) of this section, if the amount of a tax payment, including an installment payment, due under (a)(1) - (4) of this section is affected by the retroactive application of a regulation adopted under this chapter, the department shall determine whether the retroactive application of the regulation caused an underpayment or an overpayment of the amount due and adjust the interest due on the affected payment as follows:

(1) if an underpayment of the amount due occurred, the department shall waive interest that would otherwise accrue for the underpayment before the first day of the second month following the month in which the regulation became effective, if

(A) the department determines that the producer's underpayment resulted because the regulation was not in effect when the payment was due; and

(B) the producer demonstrates that it made a good faith estimate of its tax obligation in light of the regulations then in effect when the payment was due and paid the estimated tax;

(2) if an overpayment of the amount due occurred and the department determines that the producer's overpayment resulted because the regulation was not in effect when the payment was due, the obligation for a refund for the overpayment does not begin to accrue interest earlier than the following, as applicable:

(A) except as otherwise provided under (B) of this paragraph, the first day of the second month following the month in which the regulation became effective;

(B) 90 days after an amended statement under AS 43.55.030(a) and an application to request a refund of production tax paid is filed, if the overpayment was for a period for which an amended statement under AS 43.55.030(a) was required to be filed before the regulation became effective.

*** Sec. 8.** AS 43.55.023(a) is amended to read:

(a) A producer or explorer may take a tax credit for a qualified capital expenditure as follows:

(1) notwithstanding that a qualified capital expenditure may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a qualified capital expenditure may also elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that expenditure; [HOWEVER, NOT MORE THAN HALF OF THE TAX CREDIT MAY BE APPLIED FOR A SINGLE CALENDAR YEAR;]

(2) a producer or explorer may take a credit for a qualified capital expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2);

(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2).

*** Sec. 9.** AS 43.55.023(d) is amended to read:

(d) Except as limited by (i) of this section, a person that is entitled to take a tax credit under this section that wishes to transfer the unused credit to another person or obtain a cash payment under AS 43.55.028 may apply to the department for **a** transferable tax credit **certificate** [CERTIFICATES]. An application under this subsection must be in a form prescribed by the department and must include supporting information and documentation that the department reasonably requires. The department shall grant or deny an application, or grant an application as to a lesser amount than that claimed and deny it as to the excess, not later than 120 days after the latest of (1) March 31 of the year following the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; (2) the date the statement required under AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; or (3) the date the application was received by the department. If, based on the information then available to it, the department is reasonably satisfied that the applicant is entitled to a credit, the

department shall issue the applicant **a** [TWO TRANSFERABLE] tax credit **certificate** [CERTIFICATES, EACH FOR HALF OF THE AMOUNT OF THE CREDIT]. The credit shown on [ONE OF] the **certificate** [TWO CERTIFICATES] is available for immediate use. [THE CREDIT SHOWN ON THE SECOND OF THE TWO CERTIFICATES MAY NOT BE APPLIED AGAINST A TAX FOR A CALENDAR YEAR EARLIER THAN THE CALENDAR YEAR FOLLOWING THE CALENDAR YEAR IN WHICH THE CERTIFICATE IS ISSUED, AND THE CERTIFICATE MUST CONTAIN A CONSPICUOUS STATEMENT TO THAT EFFECT.] A certificate issued under this subsection does not expire.

*** Sec. 10.** AS 43.55.023(g) is amended to read:

(g) The issuance of a transferable tax credit certificate under (d) of this section or the purchase of a certificate under AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to which the certificate relates or to adjust the claim if the department determines, as a result of the audit, that the applicant was not entitled to the amount of the credit for which the certificate was issued. The tax liability of the applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit that exceeds that to which the applicant was entitled, or the applicant's available valid outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased under this subsection, the increase bears interest under **AS 43.05.225(1)** [AS 43.05.225] from the date the transferable tax credit certificate was issued. For purposes of this subsection, an applicant that is an explorer is considered a producer subject to the tax levied by AS 43.55.011(e).

*** Sec. 11.** AS 43.55.023 is amended by adding new subsections to read:

(m) A producer or explorer may take a tax credit for a well-related expenditure after June 30, 2010, and before July 1, 2016, as follows:

Conceptual Amendment #7 Insert "Incurred"

(1) notwithstanding that a well-related expenditure may be a deductible lease expenditure under AS 43.55.165 for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under (a) of this section, AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a well-related

expenditure may also elect to apply a credit against a tax levied by AS 43.55.011(e) in the amount of 30 percent of that expenditure;

(2) a producer or explorer may take a credit for a well-related expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2); and

(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2) for a credit under AS 43.55.025;

(3) in this subsection, "well-related expenditure" means a lease expenditure

(A) directly related to an exploration well, a stratigraphic test well, a producing well, or an injection well other than a disposal well, if the expenditure is a qualified capital expenditure and an intangible drilling and development cost under 26 U.S.C. 263(c), as amended, and 26 C.F.R. 1.612-4, regardless of the elections made under 26 U.S.C. 263(c); in this subparagraph, an expenditure directly related to a well includes an expenditure for well drilling, well sidetracking, well deepening, well testing, well stimulation, well completion or recompletion, or well workover, regardless as to whether the well is or has been a producing well; or

(B) for seismic work conducted within the boundaries of a production or exploration unit.

(n) Notwithstanding the limitation on the use of a transferable tax credit by a transferee in (e) of this section and subject to appropriations made by law, the department shall issue a cash refund to the Alaska Retirement Management Board for a transferable tax credit originally issued to a person under (d) of this section and purchased by the Alaska Retirement Management Board under AS 37.10.220(b).

*** Sec. 12.** AS 43.55.025 is amended by adding a new subsection to read:

(m) Subject to appropriations made by law, the department shall issue a cash refund to the Alaska Retirement Management Board for a transferable tax credit

originally issued to an explorer under (f) of this section and purchased by the Alaska Retirement Management Board under AS 37.10.220(b).

*** Sec. 13.** AS 43.77.020(d) is amended to read:

(d) A person subject to the tax under this chapter shall make quarterly payments of the tax estimated to be due for the year, as required under regulations adopted by the department. A taxpayer will be subject to an estimated tax penalty, determined by applying the interest rate specified in **AS 43.05.225(1)** [AS 43.05.225] to the underpayment for each quarter, unless the taxpayer makes estimated tax payments in equal installments that total either

(1) at least 90 percent of the taxpayer's tax liability under this chapter for the tax year; or

(2) at least 100 percent of the taxpayer's tax liability under this chapter for the prior tax year.

*** Sec. 14.** AS 43.90.430 is amended to read:

Sec. 43.90.430. Interest. When a payment due to the state under this chapter becomes delinquent, the payment bears interest at the rate applicable to a delinquent tax under **AS 43.05.225(1)** [AS 43.05.225].

*** Sec. 15.** AS 43.55.028(e)(2) and 43.55.028(e)(3) are repealed.

*** Sec. 16.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: APPLICABILITY OF SEC. 7 OF THIS ACT. Section 7 of this Act applies to taxes, including installment payments of estimated tax, due on or after February 27, 2007.

*** Sec. 17.** The uncodified law of the State of Alaska is amended by adding a new section to read:

RETROACTIVITY OF REGULATIONS. Notwithstanding any contrary provision of AS 44.62.240, if the Department of Revenue expressly designates in a regulation to implement, interpret, make specific or otherwise carry out secs. 7, 8, or 9 of this Act, or AS 43.55.023(m) as enacted by sec. 11 of this Act that the regulation applies retroactively to a specific date, the regulation applies retroactively to that date.

*** Sec. 18.** The uncodified law of the State of Alaska is amended by adding a new section to

read:

RETROACTIVITY OF SECS. 7 - 9 OF THIS ACT. (a) Section 7 of this Act is retroactive to February 28, 2007.

(b) Sections 8 and 9 of this Act are retroactive to January 1, 2010.

*** Sec. 19.** Sections 1, 2, 4 - 6, 10, and 13 of this Act and AS 43.55.023(m), enacted by sec. 11 of this Act take effect July 1, 2010.

*** Sec. 20.** Except as provided in sec. 19 of this Act, this Act takes effect immediately under AS 01.10.070(c).

Sectional Analysis of proposed CS for HB 337 (Version R)

Sec. 1. Housekeeping measure that refines the reference for interest rates.

Sec. 2. Housekeeping measure that refines the reference for interest rates.

Sec. 3. Authorizes the ARM board to purchase credits

Sec 4. Changes the interest rate for delinquent taxes by removing the 11 floor in current statute, leaving the federal funds rate + 5%.

Sec. 5. Housekeeping measure that refines the reference for interest rates.

Sec. 6. Housekeeping measure that refines the reference for interest rates.

Sec. 7. Directs DOR to waive interest on most tax liabilities that arise from retroactive regulations coming into force, for the period between when the payment would normally be due and the time the regulation was adopted.

Sec. 8. Removes the requirement that the application of certain capital investment credits be spread out over 2 years.

Sec. 9. Removes the requirement that the application of certain other credits be spread out over 2 years.

Sec. 10. Housekeeping measure that refines the reference for interest rates.

Sec. 11. (m) Creates a new 30% credit for all well related expenditures.

(n) Authorizes department to issue cash refunds to the ARM for AS 43.55.023 credits it has purchased

Sec. 12. Authorizes department to issue cash refunds to the ARM for AS 43.55.025 credits it has purchased

Sec 13. Housekeeping measure that refines the reference for interest rates.

Sec. 14. Housekeeping measure that refines the reference for interest rates.

Sec. 15. Repeals that portion of current law that required those producers selling credits to the state to spend an equal amount in lease sales or in capital investments within two years.
Housekeeping measure that refines the reference for interest rates.

Sec. 16. Indicates that the changes to interest on liabilities that arise from retroactive

regulations goes all the way back to taxes due in 2007.

Sec. 17. Authorizes the DOR, to write retroactive regulations in implementing the retroactive portions of the bill.

Sec. 18. Contains the required clarification that the changes to interest on liabilities that arise from retroactive regulations is retroactive to 2007 and the provisions related to taking credits in a single year is retroactive to January 1 , 2010.

Sec. 19. Makes all but the ARM provisions, the retroactive provisions and one of the housekeeping interest provisions effective July 1, 2010.

Sec. 20 Makes the rest of the bill effective immediately.

26-GH2057\E
Bullock
3/29/10

CS FOR HOUSE BILL NO. 337( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

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

A BILL

FOR AN ACT ENTITLED

"An Act relating to credits against the oil and gas production tax; relating to the interest rates applicable on certain amounts due related to various taxes, penalties, payments, and the Alaska Gasline Inducement Act; relating to the use of the oil and gas tax credit fund to purchase certain tax credit certificates; and providing for an effective date."

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

*** Section 1.** AS 05.15.095(c) is amended to read:

(c) A delinquent fee bears interest at the rate set by **AS 43.05.225(2)** [AS 43.05.225].

*** Sec. 2.** AS 34.45.470(a) is amended to read:

(a) A person who fails to pay or deliver property within the time prescribed by this chapter may be required to pay to the department interest at the annual rate calculated under **AS 43.05.225(2)** [AS 43.05.225] on the property or the value of it from the date the property should have been paid or delivered.

*** Sec. 3.** AS 43.05.225 is amended to read:

Sec. 43.05.225. Interest. Unless otherwise provided,

(1) when a tax levied in this title becomes delinquent, it bears interest in a calendar quarter at the rate of **three** [FIVE] percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first day of that calendar quarter, [OR AT THE ANNUAL RATE OF 11 PERCENT, WHICHEVER IS GREATER,] compounded quarterly as of the last day of that quarter;

(2) the interest rate is 12 percent a year for

(A) delinquent fees payable under AS 05.15.095(c); **and**

(B) [REPEALED AND

(C)] unclaimed property that is not timely paid or delivered, as allowed by AS 34.45.470(a).

*** Sec. 4.** AS 43.50.570 is amended to read:

Sec. 43.50.570. Interest. A licensee who fails to pay an amount due for the purchase of stamps within the time required

(1) is considered to have failed to pay the cigarette taxes due under this chapter; and

(2) shall pay interest at the rate established under **AS 43.05.225(1)** [AS 43.05.225] from the date on which the amount became due until the date of payment.

*** Sec. 5.** AS 43.55.020(g) is amended to read:

(g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid amount of an installment payment required under (a)(1) - (3) of this section that is not paid when due bears interest (1) at the rate provided for an underpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date the installment payment is due until March 31 following the calendar year of production, and (2) as provided for a delinquent tax under **AS 43.05.225(1)** [AS 43.05.225] after that March 31. Interest accrued under (1) of this subsection that remains unpaid after that March 31 is treated as an addition to tax that bears interest under (2) of this subsection. An unpaid amount of tax due under (a)(4) of this section that is not paid when due bears interest as provided for a delinquent tax under

AS 43.05.225(1) [AS 43.05.225].

*** Sec. 6.** AS 43.55.020 is amended by adding a new subsection to read:

(i) Notwithstanding any contrary provision of AS 43.05.225 or (g) or (h) of this section, if the amount of a tax payment, including an installment payment, due under (a)(1) - (4) of this section is affected by the retroactive application of a regulation adopted under this chapter, the department shall determine whether the retroactive application of the regulation caused an underpayment or an overpayment of the amount due and adjust the interest due on the affected payment as follows:

(1) if an underpayment of the amount due occurred, the department shall waive interest that would otherwise accrue for the underpayment before the first day of the second month following the month in which the regulation became effective, if

(A) the department determines that the producer's underpayment resulted because the regulation was not in effect when the payment was due; and

(B) the producer demonstrates that it made a good faith estimate of its tax obligation in light of the regulations then in effect when the payment was due and paid the estimated tax;

(2) if an overpayment of the amount due occurred and the department determines that the producer's overpayment resulted because the regulation was not in effect when the payment was due, the obligation for a refund for the overpayment does not begin to accrue interest earlier than the following, as applicable:

(A) except as otherwise provided under (B) of this paragraph, the first day of the second month following the month in which the regulation became effective;

(B) 90 days after an amended statement under AS 43.55.030(a) and an application to request a refund of production tax paid is filed, if the overpayment was for a period for which an amended statement under AS 43.55.030(a) was required to be filed before the regulation became effective.

*** Sec. 7.** AS 43.55.023(a) is amended to read:

(a) A producer or explorer may take a tax credit for a qualified capital expenditure as follows:

(1) notwithstanding that a qualified capital expenditure may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a qualified capital expenditure may also elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that expenditure; [HOWEVER, NOT MORE THAN HALF OF THE TAX CREDIT MAY BE APPLIED FOR A SINGLE CALENDAR YEAR;]

(2) a producer or explorer may take a credit for a qualified capital expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2);

(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2).

*** Sec. 8.** AS 43.55.023(d) is amended to read:

(d) Except as limited by (i) of this section, a person that is entitled to take a tax credit under this section that wishes to transfer the unused credit to another person or obtain a cash payment under AS 43.55.028 may apply to the department for **a** transferable tax credit **certificate** [CERTIFICATES]. An application under this subsection must be in a form prescribed by the department and must include supporting information and documentation that the department reasonably requires. The department shall grant or deny an application, or grant an application as to a lesser amount than that claimed and deny it as to the excess, not later than 120 days after the latest of (1) March 31 of the year following the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; (2) the date the statement required under AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; or (3) the date the application was

received by the department. If, based on the information then available to it, the department is reasonably satisfied that the applicant is entitled to a credit, the department shall issue the applicant **a** [TWO TRANSFERABLE] tax credit **certificate** [CERTIFICATES, EACH FOR HALF OF THE AMOUNT OF THE CREDIT]. The credit shown on [ONE OF] the **certificate** [TWO CERTIFICATES] is available for immediate use. [THE CREDIT SHOWN ON THE SECOND OF THE TWO CERTIFICATES MAY NOT BE APPLIED AGAINST A TAX FOR A CALENDAR YEAR EARLIER THAN THE CALENDAR YEAR FOLLOWING THE CALENDAR YEAR IN WHICH THE CERTIFICATE IS ISSUED, AND THE CERTIFICATE MUST CONTAIN A CONSPICUOUS STATEMENT TO THAT EFFECT.] A certificate issued under this subsection does not expire.

*** Sec. 9.** AS 43.55.023(g) is amended to read:

(g) The issuance of a transferable tax credit certificate under (d) of this section or the purchase of a certificate under AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to which the certificate relates or to adjust the claim if the department determines, as a result of the audit, that the applicant was not entitled to the amount of the credit for which the certificate was issued. The tax liability of the applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit that exceeds that to which the applicant was entitled, or the applicant's available valid outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased under this subsection, the increase bears interest under **AS 43.05.225(1)** [AS 43.05.225] from the date the transferable tax credit certificate was issued. For purposes of this subsection, an applicant that is an explorer is considered a producer subject to the tax levied by AS 43.55.011(e).

*** Sec. 10.** AS 43.55.023 is amended by adding a new subsection to read:

(m) A producer or explorer may take a tax credit for a well-related expenditure after June 30, 2010, and before July 1, 2016, as follows:

(1) notwithstanding that a well-related expenditure may be a deductible lease expenditure under AS 43.55.165 for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that

expenditure is taken under (a) of this section, AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a well-related expenditure may also elect to apply a credit against a tax levied by AS 43.55.011(e) in the amount of 30 percent of that expenditure;

(2) a producer or explorer may take a credit for a well-related expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2); and

(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2) for a credit under AS 43.55.025;

(3) in this subsection, "well-related expenditure" means a lease expenditure

(A) directly related to an exploration well, a stratigraphic test well, a producing well, or an injection well other than a disposal well, if the expenditure is a qualified capital expenditure and an intangible drilling and development cost under 26 U.S.C. 263(c), as amended, and 26 C.F.R. 1.612-4, regardless of the elections made under 26 U.S.C. 263(c); in this subparagraph, an expenditure directly related to a well includes an expenditure for well drilling, well sidetracking, well deepening, well testing, well stimulation, well completion or recompletion, or well workover, regardless as to whether the well is or has been a producing well; or

(B) for seismic work conducted within the boundaries of a production or exploration unit.

*** Sec. 11.** AS 43.77.020(d) is amended to read:

(d) A person subject to the tax under this chapter shall make quarterly payments of the tax estimated to be due for the year, as required under regulations adopted by the department. A taxpayer will be subject to an estimated tax penalty, determined by applying the interest rate specified in **AS 43.05.225(1)** [AS 43.05.225] to the underpayment for each quarter, unless the taxpayer makes estimated tax

payments in equal installments that total either

(1) at least 90 percent of the taxpayer's tax liability under this chapter for the tax year; or

(2) at least 100 percent of the taxpayer's tax liability under this chapter for the prior tax year.

*** Sec. 12.** AS 43.90.430 is amended to read:

Sec. 43.90.430. Interest. When a payment due to the state under this chapter becomes delinquent, the payment bears interest at the rate applicable to a delinquent tax under **AS 43.05.225(1)** [AS 43.05.225].

*** Sec. 13.** AS 43.55.028(e)(2) and 43.55.028(e)(3) are repealed.

*** Sec. 14.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: APPLICABILITY OF SEC. 6 OF THIS ACT. Section 6 of this Act applies to taxes, including installment payments of estimated tax, due on or after February 27, 2007.

*** Sec. 15.** The uncodified law of the State of Alaska is amended by adding a new section to read:

RETROACTIVITY OF REGULATIONS. Notwithstanding any contrary provision of AS 44.62.240, if the Department of Revenue expressly designates in a regulation to implement, interpret, make specific or otherwise carry out secs. 6, 7, or 8 of this Act, or AS 43.55.023(m), as enacted by sec. 10 of this Act, that the regulation applies retroactively to a specific date, the regulation applies retroactively to that date.

*** Sec. 16.** The uncodified law of the State of Alaska is amended by adding a new section to read:

RETROACTIVITY OF SECS. 6 - 8 OF THIS ACT. (a) Section 6 of this Act is retroactive to February 28, 2007.

(b) Sections 7 and 8 of this Act are retroactive to January 1, 2010.

*** Sec. 17.** Sections 1 - 5, 9, and 11 of this Act and AS 43.55.023(m), enacted by sec. 10 of this Act take effect July 1, 2010.

*** Sec. 18.** Except as provided in sec. 17 of this Act, this Act takes effect immediately under AS 01.10.070(c).

ACES (Alaska's Clear & Equitable Share)

Note: The Tax Division is offering users an interactive option to **some** of the forms provided on this page. This means that you may either print a blank form to fill out manually, or you may enter your data directly onto the form and then print the completed form to sign and send to the Tax Division.

Forms that are interactive will have the (Fill-in Form) designation next to the form number. Before using the interactive forms, please review the instructions.

Form Name	Form
2009 Tax Summary 0405-156 (Rev 03/10) Excel	
Alaska Oil and Gas Production Tax Credits (AS 43.55.023) 0405-330 (Rev 03/09) Excel fill-in	
Oil and Gas Production Tax Credit Claim (AS 43.55.025) 0405-310 (Rev 03/09) Excel fill-in	
Limited Power of Attorney for Members of Consortium of Explorers 0405-776 (Rev 01/09) Excel	
Application for Tax Credit Certificate & Transfer of the Certificate under AS 43.55.023(d) 0405-331 (Rev 03/09) Excel fill-in	
Application for Cash Purchase of Tax Credit Certificate under AS (43.55.028) 0405-325 (Rev 03/09) Excel fill-in	
Monthly Information Report AS 43.55 (Rev 05/09) Excel fill-in	
Production Tax Refund Request Form 0405-360 (Rev 01/10) Excel fill-in	
2009 Annual Tax Information Form 0405-340.08 (Rev 03/10) Excel fill-in	

Previous Years' Forms

Get Adobe Reader

State of Alaska
Department of Revenue
Tax Division
550 W 7th Ave Ste 500
Anchorage AK 99501-3566
Phone 907.269.6620
Fax 907.269.6644

Application for Cash Purchase of Alaska Oil and Gas Production Tax Credit Certificate AS 43.55.028

This form is available online at www.tax.alaska.gov

DEPT USE ONLY APP ID:	

A. Producer or Explorer Name		Federal EIN	
B. Mailing Address	City	State	Zip Code + 4
C. Physical Address of Business	City	State	Zip Code + 4
D. Contact Person, for Examination of Records		Title	
Contact Email Address		Phone Number	Fax Number

E. Producer or Explorer Exploration Tax Credit from a Transferable Tax Credit Certificate under AS 43.55.023(d) or AS 43.55.025(f):

Tax Credit Certificate Number* _____ Tax Credit Certificate Amount ..... _____

Amount Requested for Cash Purchase..... _____

Remaining Amount on Tax Credit Certificate ..... _____

*If the Tax Certificate Number has a "B" after the year of issue, which indicates that it is second half of the total credit, please identify the calendar year that the first half of the credit certificate, part "A", was used ..... _____

F. Schedule A must be attached to certify that all conditions are met under AS 43.55.028(e).

G. ☐ **All documentation to support the additional qualified capital expenditures or successful bid on a state lease under AS 43.55.028(e)(2) must be attached and submitted with this form.**

I declare under penalty of perjury that this application and each attachment has been examined by me and to the best of my knowledge and belief is true, correct and complete.

Signature	Type or Print Name and Title	Date

DEPT USE ONLY

Form 0405-325 web new 03/09

Alaska Department of Revenue AS 43.55 Monthly Information Report

Company Name:	COMPANY NAME
Month for Which Information Applies:	May
Report Year:	2008
Date Submitted:	Jun-08

General Instructions

This form is to be used to report monthly information relating to volumes and values of oil and gas produced, lease expenditures incurred for oil exploration, development, and production operations, production tax credits, and tax amounts remitted. Every entity (corporate level) involved in oil and gas operations is required to fill out and file this report monthly (see 15 AAC 55.520(f)).

For operations within a unit, report information at the Participating Area ("PA") level, except where information is requested only at the unit level. PA costs should include unit costs that are allocated to the PA, in addition to PA-specific costs. Information requested at the unit level should only reflect the producer's/ explorer's share of the unit.

Note that there is a separate worksheet for each current North Slope unit, and within each unit sheet, a column for each Participating Area (PA) or tract operation.

There are also three additional worksheets for 1) other/future North Slope units and operations outside units (tract identifiers), 2) Cook Inlet, and 3) non-North Slope/Cook Inlet areas. For these three areas, each column represents a unit or tract identifier. Please identify the unit or tract identifier in the column heading. Each unit column should include the activity from all the PA's within the unit.

A credit summary and tax totals worksheet provides space for the reporting of credits used, carried forward, transferred, and estimated future credits generated through expenditures during the reporting period. The monthly remittances section of the worksheet captures detail of the composition of the monthly payment.

The values reported should reflect the information underlying the tax payments or credit activity for the reporting period (month). Where a value may be affected by regulations yet to be adopted, report the value that was the basis for the tax payment or credit activity in the period.

THIS EXCEL WORKBOOK MUST BE USED TO FILE MONTHLY REPORTS, EXCEPT FOR THE ATTACHMENT REQUIRED BELOW. IT MUST BE UNPROTECTED AND FULLY EDITABLE, AND MUST BE SUBMITTED ELECTRONICALLY TO THE DOR TAX DIVISION THROUGH THE WEB PORTAL AT https://myalaska.state.ak.us/OTIS. ANY OTHER FORM OF SUBMITTAL IS A VIOLATION OF THE REPORTING REQUIREMENTS UNDER AS 43.55.030.

REQUIRED ATTACHMENT:
PLEASE ATTACH A COPY OF THE CALCULATIONS OF THE AMOUNT OF PRODUCTION TAX REMITTED

SPECIFIC INSTRUCTIONS

SERIES 100-300

Lines 101, 201, and 301	Volumes recovered equals volumes produced plus used for operations or repressuring (per AS 43.55.020(e))
	Volumes should be reported for the reservoir they are recovered from
	Where volumes are recovered more than once they should be reported whenever recovered
	Taxable volumes should be reported for the reservoir they are ultimately recovered from
	If onshore lease or property is on federal land report the entire volume
	If offshore lease or property is on both state and federal submerged land report the portion from state land
Lines 107, 211, and 307	Volume increases/decreases include pipeline losses/gains, marine shipping losses/gains, and ngl shrinkage
Lines 107-111, 211-213, and 307-311	Allocate to PA's based on relative volumes of oil recovered less oil used for operations or repressuring
Lines 203-204	Also includes authorized flared volumes
Line 213	Gas sales for export includes natural gas disposed out of state
Lines 307-311	Report only to the extent NGL's are measured separately from oil. If NGLs are not measured separately from oil leave blank

Series 400 & 500

Series 400 & 500	Report on unit basis only
Lines 401, 451, and 501	Destination value as defined in 15 AAC 55.151.
Lines 401-405	All North Slope volumes should have the same weighted average figure
Lines 403-411 & 453-461	TAPS and PS#1 values apply only to North Slope oil
Lines 406-410	All North Slope PA volumes within a unit should have the same weighted average figure
Lines 451-455	All North Slope volumes should have the same weighted average figure
Lines 456-460	All North Slope PA volumes within a unit should have the same weighted average figure
Series 400 & 500	Weighted average per barrel or per mcf figures for the period can be derived in one of two ways:
	a) Total applicable values for the period divided by total applicable volumes (for the appropriate values and volumes see instructions below on volumes for weighed averaging)
	b) Any other methodology approved by the Department that is consistent with the methodology used for monthly reporting
Lines 401, 451, and 501	Values for weighted averaging should equal the destination value under 15 AAC 55.151
	Volumes for weighted averaging should equal volumes sold or consumed at a refinery or plant owned by the producer
Lines 402, 452, and 502	Values for weighted averaging should equal total payments for marine shipping
	Volumes for weighted averaging should equal volumes subject to marine shipping
Lines 403 & 453	Values for weighted averaging should equal total payments for TAPS pipeline transportation
	Volumes for weighted averaging should equal volumes shipped on TAPS
Lines 404 & 454	Values for weighted averaging should equal net payments or receipts for TAPS quality bank adjustments downstream of PS # 1
	Volumes for weighted averaging should equal volumes shipped on TAPS
Lines 404 & 454	TAPS quality bank adjustments should be entered as a negative number
Lines 406 & 456	Values for weighted averaging should equal net payments or receipts for quality bank adjustments upstream of PS # 1
	Volumes for weighted averaging should equal volumes delivered to PS # 1
Lines 406, 410, 456, 460, & 505	Quality bank adjustments should be entered as a negative number if they increase gross value at the point of production, and as a positive number if they decrease gross value at the point of production
Lines 407 & 457	Values for weighted averaging should equal total payments for pipeline transportation to PS # 1
	Volumes for weighted averaging should equal volumes subject to pipeline transportation to PS # 1
Lines 451-461	Report only to the extent NGL value is measured separately from oil
	If NGLs are not measured separately use same values as in 401-411

SERIES 600-800

Line 601	Reported figure should be before applying exclusions in Lines 605 and 606
Line 602	Exploration and development costs are costs incurred prior to commencement of commercial production
Line 603	This should be the same amount as in Line 910a. If this is unknown at the time of monthly reporting, provide a good faith non-binding forecast.
Line 606	Report on unit basis only
Line 607	Describe basis for deriving reported monthly expenditures (i.e., actual, year-to-date, 1/12 of expected annual, etc.)
Lines 701-705	Should be reported as if AS 43.55.165(j) did not apply, for units subject to AS 43.55.165(j)
Line 701	Figure should include items reported in Lines 702, 704, and 705 before applying exclusions in line 703
Line 703	Report on unit basis only
Line 706	Report on unit basis only
Line 707	Describe basis for deriving reported monthly expenditures (i.e., actual, year-to-date, 1/12 of expected annual, etc.)
Line 801	Report on unit basis only

SERIES 900

Lines 901-902	Credits generated by the reporting company this period and subtracted this period in calculating estimated tax payments
Lines 903-909	Credits generated or purchased in a prior period and subtracted this period in calculating estimated tax payments
Lines 901-909	List amount of each kind of credit being used for this period
Lines 905 & 907-909	List credit certificate numbers used
Line 910	Sum of Lines 901-909
Line 911-912	List credits marketed to others
Line 911	Credits marketed to other companies
Line 912	Credits marketed to the State (cash refunds of credit certificates received from State)
Line 913	List activity this period that generated credits to be used in subsequent periods
Line 920	Summary of monthly installment payment calculation
Line 920a	Total gross value at the point of production of the oil and gas produced during the period for all leases and properties
Line 920b	Total 1/12 of the adjusted lease expenditures that are deductible for the calendar year for all leases and properties
Line 920c	Total sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) for all leases and properties
Line 920d	Total credits subtracted this period in calculating monthly installment payment of estimated tax for this period for all leases and properties (Line 910)
Line 920e	Total monthly installment payment of estimated tax for the period, excluding conservation surcharges, for all leases and properties
Line 930	If the total remittance covers more than oil and gas production tax for the period (i.e., interest, amendments from prior periods, etc.), list on Lines 930a-930e the additional items covered and amounts
Line 940a	List AS 43.55.201 Conservation Surcharge liability for this period
Line 940b	List AS 43.55.300 Conservation Surcharge liability for this period
Line 950	Total amount remitted (sum of Lines 920-940)

Alaska Department of Revenue

OIL AND GAS INTERIM MONTHLY INFORMATION REPORT

COMPANY NAME, May 2008			Column Totals This sheet
PRODUCTION			
100		**Oil volume including NGLs (bbls.)**	
	101	Oil recovered from the reservoir (volumes produced plus used for operations or repressuring)	
	102	Oil used in lease operations per AS 43.55.020(e)	
	103	Oil used in lease operations - OCS	
	104	Non-Taxable Royalty Volume (in kind)	
	105	Non-Taxable Royalty Volume (in value)	
	106	Private royalty volume per AS 43.55.011(i)	
	107	Other oil volume increase/decrease	
	108	Taxable oil volume sold and not shipped in TAPS	
	109	Taxable oil volume sold and shipped in TAPS	
	110	Volumes in 109 subject to marine transportation	
	111	Volumes in 109 not subject to marine transportation	
	112		
200		**Gas volume (mcf)**	
	201	Gas recovered from the reservoir (volumes produced plus used for operations or repressuring plus authorized flare volumes)	
	202	Gas reinjected into the reservoir	
	203	Gas used in lease operations per AS 43.55.020(e)	
	204	Gas used in lease operations - OCS	
	205	Total flare volumes	
	206	Excess flare volumes in 205 per 15 AAC 55.071	
	207	Non-Taxable Royalty Volume (in kind)	
	208	Non-Taxable Royalty Volume (in value)	
	209	Private royalty volume per AS 43.55.011(i)	
	211	Other gas volume increase/decrease	
	212	Taxable gas sales - in state consumption	
	213	Taxable gas sales - export	
	214		
300		**NGL volume (bbls.)**	
	301	NGLs recovered from the reservoir (volumes produced plus used for operations or repressuring)	
	302	NGLs used in lease operations per AS 43.55.020(e)	
	303	NGLs used in lease operations - OCS	
	304	Non-Taxable Royalty Volume (in kind)	
	305	Non-Taxable Royalty Volume (in value)	
	306	Private royalty volume per AS 43.55.011(i)	
	307	Other NGL volume increase/decrease	
	308	Taxable NGL volume sold and not shipped in TAPS	
	309	Taxable NGL volume sold and shipped in TAPS	
	310	Volumes in 309 subject to marine transportation	
	311	Volumes in 309 not subject to marine transportation	
	312		

Alaska Department of Revenue

OIL AND GAS INTERIM MONTHLY INFORMATION REPORT

COMPANY NAME, May 2008

KUPARUK
PA 1

PRODUCTION

100		**Oil volume including NGLs (bbls.)**	
	101	Oil recovered from the reservoir (volumes produced plus used for operations or repressuring)	
	102	Oil used in lease operations per AS 43.55.020(e)	
	103	Oil used in lease operations - OCS	
	104	Non-Taxable Royalty Volume (in kind)	
	105	Non-Taxable Royalty Volume (in value)	
	106	Private royalty volume per AS 43.55.011(i)	
	107	Other oil volume increase/decrease	
	108	Taxable oil volume sold and not shipped in TAPS	
	109	Taxable oil volume sold and shipped in TAPS	
	110	Volumes in 109 subject to marine transportation	
	111	Volumes in 109 not subject to marine transportation	
	112		
200		**Gas volume (mcf)**	
	201	Gas recovered from the reservoir (volumes produced plus used for operations or repressuring plus authorized flare volumes)	
	202	Gas reinjected into the reservoir	
	203	Gas used in lease operations per AS 43.55.020(e)	
	204	Gas used in lease operations - OCS	
	205	Total flare volumes	
	206	Excess flare volumes in 205 per 15 AAC 55.071	
	207	Non-Taxable Royalty Volume (in kind)	
	208	Non-Taxable Royalty Volume (in value)	
	209	Private royalty volume per AS 43.55.011(i)	
	211	Other gas volume increase/decrease	
	212	Taxable gas sales - in state consumption	
	213	Taxable gas sales - export	
	214		
300		**NGL volume (bbls.)**	
	301	NGLs recovered from the reservoir (volumes produced plus used for operations or repressuring)	
	302	NGLs used in lease operations per AS 43.55.020(e)	
	303	NGLs used in lease operations - OCS	
	304	Non-Taxable Royalty Volume (in kind)	
	305	Non-Taxable Royalty Volume (in value)	
	306	Private royalty volume per AS 43.55.011(i)	
	307	Other NGL volume increase/decrease	
	308	Taxable NGL volume sold and not shipped in TAPS	
	309	Taxable NGL volume sold and shipped in TAPS	
	310	Volumes in 309 subject to marine transportation	
	311	Volumes in 309 not subject to marine transportation	
	312		

EXPENDITURES / ADJUSTMENTS

600 **Capital expenditures ($millions)**

601	Lease expenditures that are qualified capital expenditures before exclusions under AS 43.55.165(e)(18) and (19), and before adjustments under AS 43.55.170
602	Amounts in 601 for exploration (including delineation) and development (see instructions)

603	Amount in 602 for which there will be application for AS 43.55.025 credit								
604	Amounts in 601 for production								
605	Capex exclusion per AS 43.55.165(e)(18)								
606	Capex exclusion per AS 43.55.165(e)(19) (Unit only)	na	na	na	na	na	na	na	
607	Briefly describe the basis for deriving reported monthly capital expenditures								
608									

700 Operating expenditures ($millions)

These lines should be reported as if AS 43.55.165(j) did not apply, for units subject to AS 43.55.165(j)

701	Lease expenditures other than qualified capital expenditures before exclusion under AS 43.55.165(e)(19), and before adjustments under AS 43.55.170								
702	Overhead allowance included in Line 701								
	a) Overhead allowance that is a percentage of lease expenditures other than qualified capital expenditues								
	b) Overhead allowance that is a percentage of qualified capital expenditures								
703	Operating expenditure exclusion per AS 43.55.165(e)(19) (Unit only)	na	na	na	na	na	na	na	

		Property Tax lease expenditures included in						
704		Line 701						
705		Net profit share lease payments to the state included in Line 701						
706		Lease expenditures as determined ur	na	na	na	na	na	na	na
		Briefly describe the basis for deriving reported monthly operating						
707		expenditures						
708								
800	**Adjustments ($millions) (Unit only)**							
801		Payments and credits received per A	na	na	na	na	na	na	na
802								
803								
804								

Alaska Retirement Management Board
P.O. Box 110405
Juneau, Alaska 99811-0405
(907) 465-3749

February 23, 2007

The Honorable Paul Seaton
Alaska House of Representatives
State Capitol, Room 102
Juneau, Alaska 99801-1182

Dear Representative Seaton:

The trustees of the Alaska Retirement Management Board (ARMB) met today to consider the questions regarding HB 48 forwarded from you through Chief Investment Officer Gary Bader. At an earlier meeting this month the Board heard a legislative update with a brief synopsis of pending legislation that included this bill. The trustees also reviewed a memorandum from staff, a copy of which is attached.

The trustees agree that passage of HB 48, allowing the ARMB to purchase transferable tax credits established under the Petroleum Profits Tax (PPT) and obtain reimbursement of the credits through the Department of Revenue, is a valuable tool in addressing the retirement systems' unfunded liabilities and/or contribution rates. Trustees also concur with setting the discount rate at 92% for purchase of the investment tax credits.

We appreciate your continued support and efforts at finding solutions to fully fund our retirement system.

Very truly yours,

Gail R. Schubert, Chair

Attachment

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Position on House Bill 48 ACTION: X

DATE: February 23, 2007 INFORMATION: ____

BACKGROUND:

House Bill 48 would allow the Alaska Retirement Management Board (ARMB) to purchase transferable tax credits established under the Petroleum Profits Tax (PPT) and obtain reimbursement of the credits through the Department of Revenue (DOR). The PPT created a direct refund of up to $25,000,000 in transferable tax credits per company each year. These transferable credits only arise when a company generates investment credit, but has insufficient production tax against which to take the credit.

Under HB 48, the ARMB would not be required to purchase the credits. However, if the ARMB purchased credits, it would be required to do so at 92% of the face value of the credit certificate. The opportunity to purchase a credit for $0.92 and sell it for $1.00 would result in an 8.69% (($1.00 - $0.92) / $0.92) return on investment. However, the annualized rate of return on investment would be considerably higher since funds for the purchase would only be utilized for a short time. Therefore, it is likely that investment staff would nearly always opt to purchase a credit.

STATUS:

HB 48 is currently being considered by the House Finance Committee. During the course of deliberations about the Bill, some committee members expressed a desire to know: (1) if the ARMB supports legislation that would include this tool in the ARMB investment toolbox; and (2) if the ARMB would favor pegging the transfer rate to the ARMB at 92%, or empowering the investment staff to negotiate the rate with potential sellers.

Staff assumes the ARMB would only be approached to purchase the credits if a taxpayer could not use the credit directly and the universe of potential buyers of the credit is extremely thin or non-existent. If the legislature empowers ARMB staff to negotiate each tax credit purchase, staff would have a fiduciary responsibility to purchase the credits at the lowest possible price.

Investment staff engages in the buying and selling securities on a daily basis. However, in most instances, staff is investing in markets with substantially more transparency than anticipated in this instance. From an annualized rate of return perspective, investment staff may find a purchase price higher than 92% attractive. However, without market transparency, staff would be reluctant to bid up the price without knowing there was in fact a higher bidder. Staff believes the ARMB should favor a set purchase rate of 92% for the credits based upon the assumptions that the purchased credits can be rapidly converted to cash and that the originator of the credit will bear any penalty for denial of the credit by DOR pursuant to a subsequent audit.

RECOMMENDATION:

That the Chair of the ARMB notify Representative Seaton in writing that the ARMB endorses the passage of HB 48 with a set discount rate of 92% for purchase of investment tax credits as a valuable tool to address PERS and/or TRS unfunded liabilities and/or contribution rates.

March 14, 2007

Representative Paul Seaton
Alaska State House
State Capitol, Room 102
Juneau, AK 99801-1182

Re: House Bill 48 – Retirement Board Purchase PPT Credits

Dear Representative Seaton:

The undersigned oil and gas exploration and production companies, each with a significant land position in Alaska, support House Bill 48 – Retirement Board Purchase PPT Credits (HB 48) and we appreciate your work to move the bill through the Legislature.

Granting the Alaska Retirement Management Board (ARMB) the ability to purchase transferable credits under AS43.55.023 and AS43.55.025, and obtain reimbursement of the credits from the Department of Revenue creates a winning situation for both the State and those companies looking to monetize their transferable credits.

In setting a fixed price of 92% of the face value of the credit certificate, HB 48 provides the ARMB with a new investment tool that will guarantee a return on investment greater than 8%. Establishing a fixed price also eliminates the need for the ARMB's investment staff to engage in market research and purchase negotiations, greatly simplifying the transaction process. Furthermore, the price established by HB 48 will serve as a reasonable floor for those companies looking to sell their credits in a difficult marketplace – one with a shortage of potential buyers – guaranteeing a reasonably fair return relative to the true value of the certificates.

By making the process for redeeming tax credits more efficient, HB 48 builds on the State's goal of encouraging new investment in Alaska's oil and gas industry. It is this investment that will generate additional oil production and create new revenue to the State general fund. The undersigned companies support HB 48 fully and thank you for your leadership on this issue.

Sincerely,

Anadarko Petroleum Corporation

AVCG LLC

BG Alaska E&P Inc.

Brooks Range Petroleum Corporation

Doyon, Limited

FEX L.P.

Petro-Canada (Alaska) Inc.

Pioneer Natural Resources Alaska, Inc.

UltraStar Exploration LLC

John Jay Darrah
Brooks Range Petroleum Corporation
1400 West Benson #510
Anchorage, Ak 99503
Telephone 907-865-5841

March 8, 2007

Representative Paul Seaton
Alaska State House
State Capitol, Room 102
Juneau, AK 99801-1182

Re: House Bill 48

Dear Mr. Seaton,

Thank you for introducing House Bill 48. I think that this legislation is a win-win for the State's Retirement Management Board and the independent Alaska oil and gas explorers.

Brooks Range Petroleum is a small North Slope exploration company that is operating on a $35,000,000 budget for 2007. We are currently drilling our North Shore prospect and will be moving onto our Sak River Prospect this weekend. In addition to drilling these two expensive prospects we are shooting 100 square miles of 3D seismic this winter.

The North Slope is very competitive and while we have good working relationships with the big three North Slope integrated oil companies, making fair and reasonable deals and trades with them is very tedious and often flat impossible. As an upstart company we would like to sell tax credit in advance of waiting to use them years later when our projects come to fruit with initial production. To quickly sell any earned credits, we currently have a very limited market. Given that market it is unlikely that we could successfully receive any more that 90 to 92 cents on the dollar.

As I am sure that you are aware that the State of Alaska would have to redeem any of our sold or traded credits at their full value. Your bill will direct those funds to the State's benefit. And this is the obvious win-win for both the small explorer and the State.

Good luck on advancing this legislation.

Sincerely,

Bo Darrah

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM April 7, 2008

SUBJECT: Single-subject requirement (HCS SB 254(FIN); Work Order No. 25-LS1367\E)

TO: Representative Paul Seaton
Attn: Louie Flora

FROM: Alpheus Bullard
Legislative Counsel

You have requested a legal opinion as to the constitutionality of a committee substitute that extends the termination date of the Alaska regional economic assistance program and adds to it language that extends the termination date for the authority of the Commercial Fisheries Entry Commission to maintain a vessel based limited entry fisheries system. The pertinent legal question is whether the extension of these two programs is a "single subject" under art. II, sec. 13, of the state constitution. The continuation of a Department of Commerce, Community and Economic Development program that encourages the formation of, and provides assistance and grants to, certain regional development organizations and the continuation of a vessel based limited entry fisheries system (as opposed to a system that limits the entry of natural persons) are arguably separate subjects and I do not know whether a court would interpret the shared nucleus of "termination date extension" as satisfying Alaska's single-subject requirement.

The single-subject requirement

Under art. II, sec. 13, Constitution of the State of Alaska, "[e]very bill shall be confined to one subject unless it is an appropriation bill or one codifying, revising, or rearranging existing laws." This provision of the Alaska Constitution is frequently referred to as the "single-subject requirement." Each bill may only contain provisions related to the bill's single subject.

The standard adopted by the Alaska Supreme Court in regard to the single-subject requirement states that an "act should embrace some one general subject; and by this is meant, merely, that all matters treated of should fall under some one general idea, be so connected with or related to each other, either logically or in popular understanding, as to be parts of, or germane to, one general subject." Gellert v. State, 522 P.2d 1120, 1123 (Alaska 1974). The Alaska Supreme Court has held that the purpose of this constitutional provision is to guard against legislative log-rolling, "the practice of 'deliberately inserting in one bill several dissimilar or incongruous subjects in order to

secure the necessary support for passage of the measure.'" Evans v. State, 56 P.3d 1046, 1069 (Alaska 2002), quoting Gellert, supra at 1122.

Alaska's single-subject rule has been interpreted by the Alaska Supreme Court to permit very broad subject matter in a bill without violating the single-subject requirement. In construing the single-subject rule, the court will "resolve doubts in favor of validity." Also, "in order to warrant the setting aside of enactments for failure to comply, the violation must be substantial and plain." Suber v. Alaska State Bond Committee, 414 P.2d 546, 557 (Alaska 1966); see also Evans and Gellert, supra and Short v. State, 600 P.2d 20 (Alaska 1970). Specifically, the court has held that bills relating to such broad themes as "civil actions", "taxation", "transportation", and "land" are acceptable.[1] Evans, 56 P.3d at 1070; North Slope Borough v. Sohio Petroleum, 585 P.2d 534, 545 (Alaska 1978); Yute Air Alaska, Inc. v. McAlpine, 698 P.2d 1173, 1181 (Alaska 1985); State v. First National Bank of Anchorage, 660 P.2d 406 (Alaska 1982).

If I may be of further assistance, please advise.

TLAB:med
08-258.med

[1] The single-subject rule has been so broadly construed by the court, that the court itself has expressed misgivings. Yute Air Alaska, Inc., supra at 1180-1183; and First National Bank of Anchorage, supra at 414-415. However, without this broad construction, "statutes might be restricted unduly in scope and permissible subject matter, thereby multiplying and complicating the number of necessary enactments and their interrelationships." Gellert, supra at 1122, and quoted by Galbraith v. State, 693 P.2d 880, 886 (Alaska App. 1985). The court appears reluctant to impose a stricter standard. See Yute Air Alaska, Inc., supra at 1180-1181.

HB

365

OUSE COMMITTEE REPOI

(9)
Date Referred to Committee: March 17, 2010 **FURTHER REFERRALS:**

Date of Committee Action: 11 Apr 2010

The RESOURCES Committee considered: **HOUSE BILL NO. 365**

"An Act relating to sharing records regarding fish purchased by fish processors with certain federal agencies, to requirements to obtain and maintain a fisheries business license, and to payment of industry fees required of fish processors; and providing for an effective date."

HB 365-FISH PROCESSOR FEES, LICENSES, RECORDS

Recommends it be replaced with [ ] HCS *or* **[ ] CS** *for* _____ (_____)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____ Committee
[✓] Letter of Intent Res Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW **FISCAL NOTES** *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero

PREVIOUS **FISCAL NOTES**				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
REV	2			✓
DFG	1			✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	KAUFMAN				X
	Tuck	X			
Bryce Edgmon		X			
	OLSON			X	
Paul Seaton					X
Peggy Wilson	WILSON	X			
Chair: Craig Johnson	Johnson	X			
Chair:					

ALASKA STATE LEGISLATURE
House Resources Committee

Craig Johnson, Co-Chair

State Capitol Building, Room 126
Juneau, AK 99801-1182
Phone (907) 465-4993
Fax (907) 465-3872
Rep.Craig.Johnson@legis.state.ak.us

Mark Neuman, Co-Chair

State Capitol Building, Room 432
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Phone (907) 465-2679
Fax (907) 465-4822
Rep.Mark.Neuman@legis.state.ak.us

LETTER OF INTENT/COMMITTEE RECOMMENDATION

FOR HB 365

TO: Representative Mike Chenault, Speaker
Alaska State House of Representatives

FROM: Rep. Craig Johnson
Co-Chair, House Resources

Rep. Mark Neuman
Co-Chair, House Resources

DATE: April 11, 2010

OFFERED BY THE HOUSE RESOURCES COMMITTEE

The House Resources Committee recognizes that passage of provisions in HB365 is a necessary step to enable a planned permit buyback program in the Southeast Alaska Salmon Seine fishery to move forward. Further, while the committee recognizes the value of reducing the number of permits in the Southeast Salmon Seine fishery, it is also concerned that the permit buyback program not remove more permits than necessary for the health and viability of the fishery, nor result in negative economic impacts to the region or state, including diminishment of the economic benefits of the investments that have been made in Southeast Alaska communities.

Specifically, the committee is passing this legislation with the understanding, and the assurance of the Southeast Revitalization Association, that the permit reduction program the association seeks to undertake for the Southeast Alaska Salmon Seine fishery and to implement through the provisions of this bill will not reduce the number of permits in that fishery to less than 260.

26-LS1514\A.3
Kane
4/1/10

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE SEATON

TO: HB 365

Page 1, lines 2 - 3:

Delete ", **to requirements to obtain and maintain a fisheries business license, and to payment of industry fees required of fish processors**"

Page 3, line 19, through page 5, line 6:

Delete all material.

Renumber the following bill section accordingly.

4647

Representative Charisse Millett

Session
State Capitol Building, Room 412
Juneau, AK 99801
Phone (907) 465-3879
Fax (907) 465-2069

Interim
Anchorage LIO
716 W 4th Ave., Room 630
Anchorage, AK 99501
Phone (907) 269-0222
Fax (907) 269-0223

House Bill 365 – Fish Processor Fees, Licenses, and Records

Version 26-LS1413/A, February 3, 2010
STAFF: Genevieve Wojtusik, 465-4937

SPONSOR STATEMENT

HB 365 will enable fisheries that have elected to pursue a capacity reduction (permit buyback) program to have the legal mechanism in place to ensure proper accounting of the transactions involved. The steps taken by this bill are procedural in nature.

Policy regarding capacity reduction through self- imposed fee collections have already been made in both state and federal statute. While allowing the National Oceanic & Atmospheric Administration (NOAA) and the National Marine Fishery Service (NMFS) access to fish ticket data held by the state to monitor loan repayments, this bill puts the final pieces together so that fishermen can decide on their participation based on a complete program.

Fleet capacity reduction programs are mechanisms that allow for stabilization of effort within a fishery. They are intended to ensure the long-term economic sustainability of the fishery by addressing the problem of over-capitalization. Based on the pilot program, 80% of permits bought back were non-resident. Alaska's legal framework for these programs ensures that they are:

FISHERY SPECIFIC - by requiring an affirmative vote of the registered and licensed permit-holding fishermen in the fishery in question. This process is spelled out in AS 43.76.230-270, statutes that were generated by the Joint Legislative Salmon Industry Task Force in 2002. The concept behind that legislation was that each fishery in Alaska has its own specific set of economic

factors, and therefore the participants should have the right of group self-determination in legally meeting the challenges of their fishery. This legislation will not affect any fishery that does not meet the previously established guidelines for capacity reduction.

SELF-FUNDED - In the case of the Southeast Alaska Purse Seine fishery, for example, the fishermen will have to agree to a self-assessment of 3% on each sale of fish they catch to cover the costs of the program.

VOLUNTARY - only fishermen who choose to sell their permits may do so. There is no effort to force any fishermen out of the fishery.

HB 365 does not affect any of the previously enacted pieces of the program. It simply enables the federal NMFS and the state Commercial Fisheries Entry Commission (CFEC) to share required information from the fish tickets (receipts for fish delivery transactions) in order to monitor loan repayments. It also requires processors to remit the fees to NMFS, using the same method as is already in practice for remission of the Alaska Salmon Enhancement Tax.

This legislation takes care of the final procedural hurdles to enable permit capacity reduction programs to go forward in any fishery that chooses to pursue that option and passes the other strict statutory requirements.

House Bill 365 is supported by the Southeast Seiners' Association, the United Fishermen of Alaska, and the Alaska Commercial Fishery Entry Commission.

Excerpt from Magnuson-Stevens Act

104-297
SEC. 312. TRANSITION TO SUSTAINABLE FISHERIES **16 U.S.C. 1861a**

(a) FISHERIES DISASTER RELIEF.—

109-479
(1) At the discretion of the Secretary or at the request of the Governor of an affected State or a fishing community, the Secretary shall determine whether there is a commercial fishery failure due to a fishery resource disaster as a result of—

(A) natural causes;

(B) man-made causes beyond the control of fishery managers to mitigate through conservation and management measures, including regulatory restrictions (including those imposed as a result of judicial action) imposed to protect human health or the marine environment; or

(C) undetermined causes.

(2) Upon the determination under paragraph (1) that there is a commercial fishery failure, the Secretary is authorized to make sums available to be used by the affected State, fishing community, or by the Secretary in cooperation with the affected State or fishing community for assessing the economic and social effects of the commercial fishery failure, or any activity that the Secretary determines is appropriate to restore the fishery or prevent a similar failure in the future and to assist a fishing community affected by such failure. Before making funds available for an activity authorized under this section, the Secretary shall make a determination that such activity will not expand the size or scope of the commercial fishery failure in that fishery or into other fisheries or other geographic regions.

(3) The Federal share of the cost of any activity carried out under the authority of this subsection shall not exceed 75 percent of the cost of that activity.

109-479
(4) There are authorized to be appropriated to the Secretary such sums as are necessary for each of the fiscal years 2007 through 2013.

(b) FISHING CAPACITY REDUCTION PROGRAM.—

109-479
(1) The Secretary, at the request of the appropriate Council for fisheries under the authority of such Council, the Governor of a State for fisheries under State authority, or a majority of permit holders in the fishery, may conduct a voluntary fishing capacity reduction program (referred to in this section as the 'program') in a fishery if the Secretary determines that the program—

4650

(A) is necessary to prevent or end overfishing, rebuild stocks of fish, or achieve measurable and significant improvements in the conservation and management of the fishery;

(B) is consistent with the Federal or State fishery management plan or program in effect for such fishery, as appropriate, and that the fishery management plan—

(i) will prevent the replacement of fishing capacity removed by the program through a moratorium on new entrants, practicable restrictions on vessel upgrades, and other effort control measures, taking into account the full potential fishing capacity of the fleet; and

(ii) establishes a specified or target total allowable catch or other measures that trigger closure of the fishery or adjustments to reduce catch; and

(C) is cost-effective and, in the instance of a program involving an industry fee system, prospectively capable of repaying any debt obligation incurred under section 1111 of title XI of the Merchant Marine Act, 1936.

109-479

(2) The objective of the program shall be to obtain the maximum sustained reduction in fishing capacity at the least cost and in a minimum period of time. To achieve that objective, the Secretary is authorized to pay—

(A) the owner of a fishing vessel, if the permit authorizing the participation of the vessel in the fishery is surrendered for permanent revocation and the vessel owner and permit holder relinquish any claim associated with the vessel or permit that could qualify such owner or holder for any present or future limited access system permit in the fishery for which the program is established or in any other fishery and such vessel is (i) scrapped, or (ii) through the Secretary of the department in which the Coast Guard is operating, subjected to title restrictions (including loss of the vessel's fisheries endorsement) that permanently prohibit and effectively prevent its use in fishing in federal or state waters, or fishing on the high seas or in the waters of a foreign nation; or

(B) the holder of a permit authorizing participation in the fishery, if such permit is surrendered for permanent revocation, and such holder relinquishes any claim associated with the permit and vessel used to harvest fishery resources under the permit that could qualify such holder for any present or future limited access system permit in the fishery for which the program was established.

(3) Participation in the program shall be voluntary, but the Secretary shall ensure compliance by all who do participate.

109-479

(4) The harvester proponents of each program and the Secretary shall consult, as appropriate and practicable, with Councils, Federal agencies, State and regional authorities, affected fishing communities, participants in the fishery, conservation organizations, and other interested parties throughout the development and implementation of any program under this section.

109-479
(5) PAYMENT CONDITION.—The Secretary may not make a payment under paragraph (2) with respect to a vessel that will not be scrapped unless the Secretary certifies that the vessel will not be used for fishing in the waters of a foreign nation or fishing on the high seas.

109-479
(6) REPORT.—

(A) IN GENERAL.—Subject to the availability of funds, the Secretary shall, within 12 months after the date of the enactment of the Magnuson-Stevens Fishery Conservation and Management Reauthorization Act of 2006 submit to the Congress a report—

(i) identifying and describing the 20 fisheries in United States waters with the most severe examples of excess harvesting capacity in the fisheries, based on value of each fishery and the amount of excess harvesting capacity as determined by the Secretary;

(ii) recommending measures for reducing such excess harvesting capacity, including the retirement of any latent fishing permits that could contribute to further excess harvesting capacity in those fisheries; and

(iii) potential sources of funding for such measures.

(B) BASIS FOR RECOMMENDATIONS.—The Secretary shall base the recommendations made with respect to a fishery on—

(i) the most cost effective means of achieving voluntary reduction in capacity for the fishery using the potential for industry financing; and

(ii) including measures to prevent the capacity that is being removed from the fishery from moving to other fisheries in the United States, in the waters of a foreign nation, or on the high seas.

(c) PROGRAM FUNDING.—

(1) The program may be funded by any combination of amounts—

(A) available under clause (iv) of section 2(b)(1)(A) of the Act of August 11, 1939 (15 U.S.C. 713c-3(b)(1)(A); the Saltonstall-Kennedy Act);

(B) appropriated for the purposes of this section;

(C) provided by an industry fee system established under subsection (d) and in accordance with section 1111 of title XI of the Merchant Marine Act, 1936; or

(D) provided from any State or other public sources or private or non-profit organizations.

(2) All funds for the program, including any fees established under subsection (d), shall be paid into the fishing capacity reduction fund established under section 1111 of title XI of the Merchant Marine Act, 1936.

4652

16 U.S.C. 1861a
MSA § 312

109-479
(d) INDUSTRY FEE SYSTEM.—

(1) (A) If an industry fee system is necessary to fund the program, the Secretary may conduct a referendum on such system. Prior to the referendum, the Secretary shall—

(i) identify, to the extent practicable, and notify all permit or vessel owners who would be affected by the program; and

(ii) make available to such owners information about the industry fee system describing the schedule, procedures, and eligibility requirements for the referendum, the proposed program, and the amount and duration and any other terms and conditions of the proposed fee system.

(B) The industry fee system shall be considered approved if the referendum votes which are cast in favor of the proposed system constitute at least a majority of the permit holders in the fishery, or 50 percent of the permitted allocation of the fishery, who participated in the fishery.

(2) Notwithstanding section 304(d) and consistent with an approved industry fee system, the Secretary is authorized to establish such a system to fund the program and repay debt obligations incurred pursuant to section 1111 of title XI of the Merchant Marine Act, 1936. The fees for a program established under this section shall—

(A) be determined by the Secretary and adjusted from time to time as the Secretary considers necessary to ensure the availability of sufficient funds to repay such debt obligations;

(B) not exceed 5 percent of the ex-vessel value of all fish harvested from the fishery for which the program is established;

(C) be deducted by the first ex-vessel fish purchaser from the proceeds otherwise payable to the seller and accounted for and forwarded by such fish purchasers to the Secretary in such manner as the Secretary may establish, unless the Secretary determines that such fees should be collected from the seller; and

(D) be in effect only until such time as the debt obligation has been fully paid.

109-479
(e) IMPLEMENTATION PLAN.—

(1) FRAMEWORK REGULATIONS.—The Secretary shall propose and adopt framework regulations applicable to the implementation of all programs under this section.

(2) PROGRAM REGULATIONS.—The Secretary shall implement each program under *this section by promulgating regulations that, together with the framework regulations,* establish each program and control its implementation.

(3) HARVESTER PROPONENTS' IMPLEMENTATION PLAN.—The Secretary may not propose implementation regulations for a program to be paid for by an industry fee system until the harvester proponents of the program provide to the Secretary a proposed implementation plan that, among other matters—

(A) proposes the types and numbers of vessels or permits that are eligible to participate in the program and the manner in which the program shall proceed, taking into account—

(i) the requirements of this section;

(ii) the requirements of the framework regulations;

(iii) the characteristics of the fishery and affected fishing communities;

(iv) the requirements of the applicable fishery management plan and any amendment that such plan may require to support the proposed program;

(v) the general needs and desires of harvesters in the fishery;

(vi) the need to minimize program costs; and

(vii) other matters, including the manner in which such proponents propose to fund the program to ensure its cost effectiveness, as well as any relevant factors demonstrating the potential for, or necessary to obtain, the support and general cooperation of a substantial number of affected harvesters in the fishery (or portion of the fishery) for which the program is intended; and

(B) proposes procedures for program participation (such as submission of owner bids under an auction system or fair market-value assessment), including any terms and conditions for participation, that the harvester proponents deem to be reasonably necessary to meet the program's proposed objectives.

(4) PARTICIPATION CONTRACTS.—The Secretary shall contract with each person participating in a program, and each such contract shall, in addition to including such other matters as the Secretary deems necessary and appropriate to effectively implement each program (including penalties for contract nonperformance) be consistent with the framework and implementing regulations and all other applicable law.

(5) REDUCTION AUCTIONS.—Each program not involving fair market assessment shall involve a reduction auction that scores the reduction price of each bid offer by the data relevant to each bidder under an appropriate fisheries productivity factor. If the Secretary accepts bids, the Secretary shall accept responsive bids in the rank order of their bid scores, starting with the bid whose reduction price is the lowest percentage of the productivity factor, and successively accepting each additional responsive bid in rank order until either there are no more responsive bids or acceptance of the next bid would cause the total value of bids accepted to exceed the amount of funds available for the program.

(6) BID INVITATIONS.—Each program shall proceed by the Secretary issuing invitations to bid setting out the terms and conditions for participation consistent with the framework and implementing regulations. Each bid that the Secretary receives in response to the invitation to bid shall constitute an irrevocable offer from the bidder.

Specific Provisions for SE Salmon Seine Buyback

(2) the biomass rebuilding target previously applicable to such stock will be met or exceeded within the new time for rebuilding;

(3) the extension period is based on the status and biology of the stock and the rate of rebuilding;

(4) monitoring will ensure rebuilding continues;

(5) the extension meets the requirements of section 301(a)(1) of that Act (16 U.S.C. 1851(a)(1)); and

(6) the best scientific information available shows that the extension will allow continued rebuilding.

(b) AUTHORITY.—Nothing in this section shall be construed to amend the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1851 et seq.) or to limit or otherwise alter the authority of the Secretary under that Act concerning other species.

SEC. 121. SOUTHEAST ALASKA FISHERIES COMMUNITIES CAPACITY REDUCTION.

Section 209 of the Department of Commerce and Related Agencies Appropriations Act, 2005 (Public Law 108–447; 118 Stat. 2884) is amended—

(1) by inserting "(a) IN GENERAL.—" after "SEC. 209.";

(2) by striking "is authorized to" in the first sentence and inserting "shall";

(3) by striking "$50,000,000" and all that follows in the first sentence and inserting "up to $25,000,000 pursuant to section 57735 of title 46, United States Code.";

(4) by striking the third sentence and inserting: "The loan shall have a term of 40 years."; and

(5) by adding at the end the following:

"(b) SOUTHEAST ALASKA FISHERIES PROGRAM.—

"(1) CONDUCT OF PROGRAM BY RSA.—The program described in subsection (a) shall be conducted under Alaska law by the Southeast Revitalization Association.

"(2) TREATMENT UNDER CHAPTER 577 OF TITLE 46.—For purposes of section 57735 of title 46, United States Code, the program shall be considered to be a program established under section 312 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1861a).

"(3) APPLICATION OF MAGNUSON-STEVENS ACT.—Notwithstanding paragraph (2), the program shall not be subject to section 312 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1861a), except for subsections (b)(1)(C) and (d) of that section.

"(c) SOUTHEAST ALASKA FISHERIES PROGRAM APPROVAL AND REFERENDUM.—

"(1) IN GENERAL.—The Secretary of Commerce may approve a capacity reduction plan submitted by the Southeast Revitalization Association under subsection (b).

"(2) REFERENDUM.—The Secretary shall conduct an industry fee system referendum for the buyback under the program in accordance with section 312(d)(1) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1861a), except that—

"(A) no Council request and no consultation shall be required; and

"(B) the fee shall not exceed 3 percent of the annual ex-vessel value of all salmon harvested in the southeast Alaska purse seine fishery.

"(d) DISBURSAL OF LOAN PROCEEDS.—If the industry fee system is approved as provided in section 312(d)(1)(B) of that Act (16 U.S.C. 1861a(d)(1)(B)), the Secretary shall disburse the loan in the form of reduction payments to participants in such amounts as the Southeast Revitalization Association certifies to have been accepted under Alaska law for reduction payments. The Secretary shall thereafter administer the fee system in accordance with section 312(d)(2) of that Act (16 U.S.C. 1861a(d)(2)), and any person paying or collecting the fee shall make such payments or collection such fees in accordance with the requirements of that Act (16 U.S.C. 1801 et seq.)". Certification. Fees.

SEC. 122. CONVERSION TO CATCHER/PROCESSOR SHARES.

(a) IN GENERAL.—

(1) AMENDMENT OF PLAN.—Not later than 90 days after the date of enactment of this Act, the Secretary of Commerce shall amend the fishery management plan for the Bering Sea/Aleutian Islands King and Tanner Crabs for the Northern Region (as that term is used in the plan) to authorize— Deadline. Alaska.

(A) an eligible entity holding processor quota shares to elect on an annual basis to work together with other entities holding processor quota shares and affiliated with such eligible entity through common ownership to combine any catcher vessel quota shares for the Northern Region with their processor quota shares and to exchange them for newly created catcher/processor owner quota shares for the Northern Region; and

(B) an eligible entity holding catcher vessel quota shares to elect on an annual basis to work together with other entities holding catcher vessel quota shares and affiliated with such eligible entity through common ownership to combine any processor quota shares for the Northern Region with their catcher vessel quota shares and to exchange them for newly created catcher/processor owner quota shares for the Northern Region.

(2) ELIGIBILITY AND LIMITATIONS.—

(A) The authority provided in paragraph (1)(A) shall— Applicability.

(i)(I) apply only to an entity which was initially awarded both catcher/processor owner quota shares, and processor quota shares under the plan (in combination with the processor quota shares of its commonly owned affiliates) of less than 7 percent of the Bering Sea/Aleutian Island processor quota shares; or

(II) apply only to an entity which was initially awarded both catcher/processor owner quota shares under the plan and processor quota shares under section 417(a) of the Coast Guard and Maritime Transportation Act of 2006 (Public Law 109–241; 120 Stat. 546);

(ii) be limited to processor quota shares initially awarded to such entities and their commonly owned affiliates under the plan or section 417(a) of that Act; and

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 365
(H) Publish Date: 3/17/10

Identifier (file name): HB365-DFG-CFEC-03-05-10
Dept. Affected: Fish and Game
Title: An Act relating to sharing records regarding fish purchased by
RDU: Comm Fisheries Entry Commission
Component: Comm Fisheries Entry Commission
Sponsor: Representative(s) MILLETT, P. Wilson, Munoz
Requester: House Fisheries Committee
Component Number: 471

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES ( )	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Interagency Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Part-time	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Temporary	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

ANALYSIS: *(Attach a separate page if necessary)*

There are no significant fiscal impacts for CFEC associated with this bill.

Prepared by: Shirley Penrose, Administrative Officer
Phone 907-790-6960
Division: Commercial Fisheries Entry Commission
Date/Time 3/5/10 7:17 AM
Approved by: Frank M. Homan, Chairman
Date 3/5/2010
Comercial Fisheries Entry Commission

(Revised 10/13/2009 OMB)

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 365
(H) Publish Date: 3/17/10

Identifier (file name): HB365-REV-TAX-03-08-10
Dept. Affected: Revenue
Title: Fish Processor Fees, Licenses, Records
RDU: Taxation and Treasury
Component: Tax Division
Sponsor: Representative Millett
Requester: (H) Fish Special Committee
Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

See Attached.

Prepared by: Tim Cottongim, Revenue Audit Supervisor
Phone (907) 465-3695
Division: Tax Division
Date/Time 03-08-10; 3:24pm
Approved by: Ginger Blaisdell, Director
Date 03-08-10; 4:41pm
Administrative Services Division

(Revised 11/6/2009 OMB)

FISCAL NOTE #2

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. HB 365

ANALYSIS CONTINUATION

Bill Language:

This bill authorizes the department to withhold issuing a fisheries business license to applicants that fail to pay industry fees levied by NMFS under a fishing capacity reduction program.

Revenues:

The provisions of this bill will have no impact on tax collections.

Expenditures:

The provisions of this bill could be implemented with existing state resources. No additional personnel or resources would be needed.

The Long Road to Implementing a Consolidation Program for the Southeast Purse Seine Salmon Fishery

2002: Alaska State Legislature enacts AS 16.40.250 to allow permit holders to form non-profit associations for purpose of promoting consolidation of permits

2004: Creation of Southeast Revitalization Association (SRA) by permit holders

2005: Congress amends Magnuson-Stevens, SRA eligibility under Commerce Department & National Marine Fisheries Service

2006: Congressional appropriation;

Alaska State Legislature modifies AS 16.40.250

2008: Alaska State Legislature appropriates $3 million in federal grant monies, resulting in purchase and relinquishment of 35 permits (8.5% of total permits)

2009: NMFS advises it will proceed, but will require access to fish tickets and other records.

How the Program Will Work

1. SRA will establish proper reverse auction procedures
2. Permit holder volunteers to relinquish permit to CFEC
3. Independent audit
4. SRA incorporates bids for submission to NMFS
5. NMFS conducts referendum amongst all permit holders
6. If approved, remaining permit holders pay 3% assessment on ex-vessel of salmon harvested; assessment collected by first buyer and sent to NMFS
7. Minimum of 260 permits remaining in S01A fishery

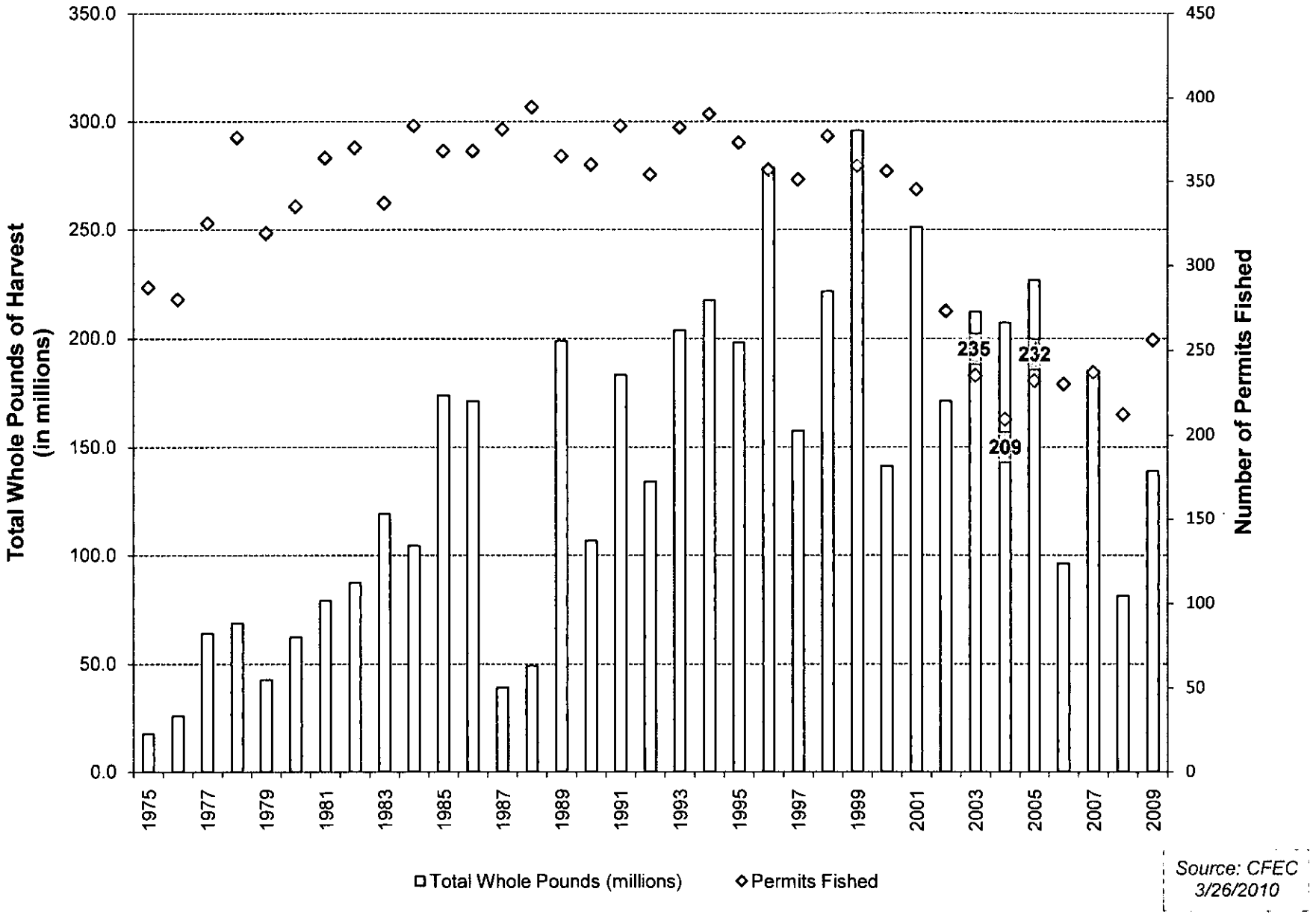
WHY 260 PERMITS SATISFIES ANY LEGITIMATE OBJECTION VOICED BY SEAFOOD PROCESSING COMPANIES

Southeast Alaska Salmon Purse Seine Fishery

Pounds Harvested (Descending Order) and Permits Fished*

Year	Total Lbs. (millions)	# of Permits Fished	Avg. lbs/permit
1999	296	359	824,000
1996	279	357	780,000
2001	251	345	728,000
2005	227	232	977,000
1998	222	377	588,000
1994	217	390	557,000
2003	212	235	903,000
2004	207	209	991,000
2008	81	212	384,000
2009	139	256	542,000

Total Harvest and Permits Fished in the Southeast Salmon Purse Seine Fishery



Source: CFEC 3/26/2010

WHAT THE BILL DOES

1. Amending AS 16.05.815(a) allowing NMFS access to confidential fish ticket and annual records to ensure that first buyers of the salmon are collecting the assessment.

There are already 12 other exceptions in this statute allowing release of this information.

2. Amending AS 43.75.020(a) to provide that when buyers of salmon apply for a fisheries business license – necessary to buy salmon – they must agree to collect and remit the assessment.

There are already five similar conditions in this statute requiring the applicant to pay state or municipal taxes to obtain or maintain a business license.

MEMORANDUM OF UNDERSTANDING

The Southeast Revitalization Association ("SRA") has entered into the following understanding with the undersigned seafood companies:

1. AS 16.40.250 allows permit holders in a salmon fishery to form non-profit associations for the purpose of promoting consolidation or reductions in the number of limited entry permits in a fishery for which the Commercial Fisheries Entry Commission ("CFEC") has issued limited entry permits.

2. The SRA is a duly qualified salmon fishery association under AS 16.40.250 and was organized for the express purpose of developing and implementing a consolidation plan for the Southeast purse seine salmon fishery.

3. Congress under Public Law 108-447, section 209 of the Consolidated Appropriations Act of 2005 amended the Magnuson-Stevens Act ("MSA") making the SRA eligible under a federal buyback loan program established under the U.S. Department of Commerce and administered through the National Marine Fisheries Service ("NMFS").

4. The SRA has developed a draft consolidation or fishing capacity reduction plan ("plan") for the fishery and has submitted that draft plan for approval by the Secretary of Commerce and then NMFS publication of rules to implement the plan.

5. The undersigned seafood companies have expressed concerns that the plan may unnecessarily result in the purchase and relinquishment of too many permits. This occurrence could result in too few fishermen and vessels operating and the potential to reduce the amount of salmon that could be purchased from fishermen by these companies.

6. To address these concerns, the SRA will revise the plan now under NMFS review to provide the following:

   The SRA will amend the plan to provide that under no circumstances will the SRA accept a bid that upon final implementation of the plan could result in fewer than 260 permits remaining in the fishery.

7. The NMFS has indicated it will consent to the proposed plan amendment to limit the number of permits that can be purchased and ultimately relinquished. However, it voiced a cautionary note that the plan is subject

to further review by legal counsel, the Office of Financial Management and Budget and others, which could cause further changes to the plan, including deletion of the proposed limit on the minimum number of permits that would remain in the fishery.

8. The SRA will maintain the position that limiting the number of permits to be purchased and relinquished under the amended plan to 260 is wholly consistent with the MSA, Section 312(b)(2) requirement to achieve the maximum sustained reduction in fishing capacity at the least cost.

9. The undersigned seafood companies agree to support passage of SB 255 and HB 365, as introduced, under the condition that the attached Letter of Intent, or a mutually acceptable revised version of it, is adopted and passed with the legislation by the Alaska Legislature

SRA
Rob Zuanich, Manager

Ocean Beauty Seafoods
Mark Palmer, President

Trident Seafoods
Joe Plesha, General Counsel

Attachment: Legislative Letter of Intent for HB365 / SB255

Legislative Letter of Intent for HB365/ SB255

The Alaska Legislature recognizes that passage of HB365/ SB255 is a necessary step to enable a planned permit buyback program in the Southeast Alaska Salmon Seine fishery to move forward. Further, while the Legislature recognizes the value of reducing the number of permits in the Southeast Salmon Seine fishery, it is also concerned that the permit buyback program not remove more permits than necessary for the health and viability of the fishery, nor result in negative economic impacts to the region or state, including diminishment of the economic benefits of the investments that have been made in Alaska communities.

Specifically, the Legislature is passing this legislation with the understanding, and the assurance of the Southeast Revitalization Association, that the permit reduction program the association seeks to undertake for the Southeast Alaska Salmon Seine fishery and to implement through the provisions of this bill will not reduce the number of permits in that fishery to less than 260.

Southeast Alaska Salmon Purse Seine Fishery 1975-2009

Pounds Harvested (Descending Order) and Permits Fished

Year	Total Whole Pounds (millions)	Number of Permits Fished	Average Lbs per Permit
1999	295.8	359	824,003
1996	278.6	357	780,408
2001	251.1	345	727,967
2005	226.7	232	977,126
1998	221.5	377	587,540
1994	217.3	390	557,213
2003	212.1	235	902,732
2004	207.1	209	990,864
1993	203.7	382	533,206
1989	198.8	365	544,654
1995	198.0	373	530,785
2007	185.3	237	781,727
1991	183.3	383	478,594
1985	173.9	368	472,571
2002	171.3	273	627,616
1986	171.0	368	464,802
1997	157.6	351	448,895
2000	141.3	356	396,944
2009	138.8	256	542,310
1992	134.1	354	378,719
1983	119.0	337	353,035
1990	106.7	360	296,463
1984	104.3	383	272,402
2006	96.1	230	417,723
1982	87.2	370	235,610
2008	81.4	212	383,859
1981	79.1	364	217,271
1978	68.4	376	181,926
1977	63.9	325	196,467
1980	62.2	335	185,678
1988	48.9	394	124,117
1979	42.5	319	133,367
1987	39.1	381	102,583
1976	25.9	280	92,441
1975	17.5	287	61,007

Source: CFEC
3/26/2010

State of Alaska
Commercial Fisheries Entry Commission
Statistics on Fishing Activity for Permits in the Southeast Salmon Purse Seine Fishery (S 01A)
1999-2008 by Resident Type

February 11, 2010

Fishery Description	Year	Permit Residency	Permits Issued		Permits Fished - Not Fished			
			Number Issued	% by Residency	Number Fished	% Fished	Number Not Fished	% Not Fished
S 01A Salmon, Purse Seine, Southeast		Resident	188	49.5	113	53.3	75	44.6
		Nonresident	192	50.5	99	46.7	93	55.4
	2008	**Year Totals**	**380**	**100.0**	**212**	**100.0**	**168**	**100.0**
		Resident	198	47.7	121	51.1	77	43.3
		Nonresident	217	52.3	116	48.9	101	56.7
	2007	**Year Totals**	**415**	**100.0**	**237**	**100.0**	**178**	**100.0**
		Resident	198	47.8	125	54.3	73	39.7
		Nonresident	216	52.2	105	45.7	111	60.3
	2006	**Year Totals**	**414**	**100.0**	**230**	**100.0**	**184**	**100.0**
		Resident	193	46.5	119	51.3	74	40.4
		Nonresident	222	53.5	113	48.7	109	59.6
	2005	**Year Totals**	**415**	**100.0**	**232**	**100.0**	**183**	**100.0**
		Resident	185	44.7	109	52.2	76	37.1
		Nonresident	229	55.3	100	47.8	129	62.9
	2004	**Year Totals**	**414**	**100.0**	**209**	**100.0**	**205**	**100.0**
		Resident	184	44.2	115	48.9	69	38.1
		Nonresident	232	55.8	120	51.1	112	61.9
	2003	**Year Totals**	**416**	**100.0**	**235**	**100.0**	**181**	**100.0**
		Resident	187	45.1	128	46.9	59	41.5
		Nonresident	228	54.9	145	53.1	83	58.5
	2002	**Year Totals**	**415**	**100.0**	**273**	**100.0**	**142**	**100.0**
		Resident	188	45.3	148	42.9	40	57.1
		Nonresident	227	54.7	197	57.1	30	42.9
	2001	**Year Totals**	**415**	**100.0**	**345**	**100.0**	**70**	**100.0**
		Resident	189	45.4	161	45.2	28	46.7
		Nonresident	227	54.6	195	54.8	32	53.3
	2000	**Year Totals**	**416**	**100.0**	**356**	**100.0**	**60**	**100.0**
		Resident	191	45.9	165	46.0	26	45.6
		Nonresident	225	54.1	194	54.0	31	54.4
	1999	**Year Totals**	**416**	**100.0**	**359**	**100.0**	**57**	**100.0**

Petersburg Vessel Owners Association

PO Box 232
Petersburg, AK 99833
Phone & Fax: 907.772.9323
pvoa@gci.net • www.pvoaonline.org

March 10, 2010

The Honorable Lesil McGuire & Bill Wielechowski
Co-Chairs, Senate Resources Committee
Alaska State Capitol
Juneau, AK 99801-1182
Via email: Senator_Lesil_McGuire@legis.state.ak.us
Senator_Bill_Wielechowski@legis.state.ak.us

RE: SUPPORT SB 255, FINALIZE SOUTHEAST ALASKA SEINE BUYBACK

Dear Senators McGuire and Wielechowski,

The Petersburg Vessel Owners Association (PVOA) is a diverse group of 100 commercial fishermen and businesses operating primarily in Southeast Alaska. Our members provide millions of meals to the public annually by participating in a variety of fisheries statewide. Most PVOA members are salmon harvesters, and are also active sport, personal use, and subsistence fishermen who depend on sustainable and conservative management of Alaska's fishing resources to ensure healthy fisheries for the future.

PVOA supports the work of Southeast Alaska Seiners (SEAS) and both HB 365 and SB 255 which will provide the necessary vehicle to specify the route and parameters of the National Marine Fisheries Service (NMFS) loan that fishermen will repay with a 3% assessment. Passage of HB 365 will allow a vote to support that commitment to the assessment as well as support of the program.

Petersburg is one of the top ports in Alaska and the Nation for both pounds landed (#6 in Alaska, #26 in the Nation) and dollar value of landings (#7 in Alaska, #26 in the Nation) due in large part to salmon landings. The Southeast Alaska Seine fleet is a vital component of Petersburg's socio-economic well being.

In 2009, there were approximately 70 southeast seine permits actively fished out of Petersburg (Petersburg listed as the mailing address). Each permit and vessel employs four crewmembers who contribute to the local economy and rely on income provided by salmon fishing. Fishing vessels, support businesses, and fishing families are sustained by salmon revenues that are essential to coastal economies. While Petersburg is the most

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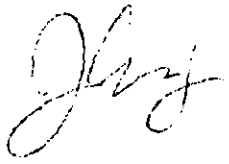
active commercial fishing port in Southeast Alaska, not one of active permits will be extinguished in a mandatory manner as a result of SB 255.

Thank you for your time and attention to this important matter. If we can provide further information or answer any questions as you finalize the Southeast Alaska seine buyback, please feel free to contact us.

Sincerely,



Julianne Curry
Director

UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110
Juneau, Alaska 99801-1172
(907) 586-2820
(907) 463-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

March 4, 2010

Senator Lesil McGuire, Co-Chair
Senator Bill Wielechowski, Co-Chair
Senate Resources Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

Re: Support for SB255

Dear Senators,

The United Fishermen of Alaska (UFA) supports passage of SB255/HB365.

The bill, while extremely timely and important to certain of our members, is nothing but a "housekeeping" bill that is needed as the last piece of work to finish off the SE fleet consolidation program for SEAS but will also set up a precedence and framework for any similar effort in the state of Alaska conducted at a later date. This legislation allows NMFS to confirm fish ticket/processor data to confirm that the assessment collected to pay back the federal government for the loan is correctly determined and allow for enforcement of those that don't pay the assessment. NMFS only has access to data for a specific fishery that has a federal loan program and not access to all salmon harvest data.

When UFA embraced the Legislative Salmon Task Force in 2001, we recognized that different regions require different solutions. Some groups wanted status quo. Other groups wanted market-oriented solutions. Others wanted to restructure their fishery, or basically re-limit limited entry. We want to acknowledge that many, probably most, of our state waters groups do not support a fleet consolidation program for their own region.

But when the Legislature embarked upon the Legislative Salmon Task Force, this was one of the major solutions that came out for each region to choose from. HB286, authored in 2002 by Drew Scalzi, was one of the resulting pieces of legislation. One of our groups, the Southeast Alaska Seiners Association (SEAS) chose to follow up on this and has already "permanently retired" around 20% of their consolidation target in 2008 with $3 million in NMFS grants that were authorized by the Alaska State Legislature.

Another piece of the pie here is HB484, passed in 2006 by the Alaska State Legislature that mandates a solution in the event of an "optimum number determination" in a court of law that causes retired permits to become reissued. HB484 allows that the Legislature "may" send the resulting funds back to the fleet consolidators, hence relieving fishermen of the uncertainty resulting from the "optimum number" issue.

In the case of SE seine fishery, the active fleet size has not exceeded the buydown goal of the buyback program since 2002. So this fleet consolidation is very unlikely to cost a single job or boat. The 3% assessment that these guys are paying is just an insurance policy for the fishermen (and processors) that there won't be a new "group" or company that will bring in some of the currently unused and dormant 140 permits. In fact there will be at least several dozen permits remaining on poor years and likely a dozen or so remaining even on good years.

UFA supports swift passage of this legislation, which is the wrap-up of the Legislative task force bill HB286 from 2002. It is now 2010 and it seems fitting that the Alaska State Legislature would be willing and able to support a "housekeeping" bill that brings to fruition a bill (nearly unanimous in passage in both the House and Senate) that was brought forth as a result of the Alaska State Legislative Task Force.

Thank you for your consideration of this legislation for one of our group members.

Sincerely

Mark Vinsel
Executive Director

Cc:
Senator Donald Olson
Senator Dennis Egan

From: Tom Manos <manostom@gmail.com>
Date: March 11, 2010 9:59:08 AM AKST
To: Representative_Mike_Hawker@legis.state.ak.us
Subject: HB 365

Dear Representative Hawker

Myself and my family are longtime residents of Girdwood. I am writing to urge your support for HB365. I have purse seined in Southeast Alaska since 1976 and an still seining in Alaska. Fishing is and has been my primary income source, In 2009, my oldest son, Andrew ,who is graduating from UAA this year, purchased and restored a 58 foot seiner with my help and a loan from the Alaska Division of Investments . He had a successful season last year in his first year operating his own vessel. We both currently hold Southeast Alaska Seine Permits and Area M seine permits . My youngest son Julian is currently enrolled at University of San Diego after graduating from South High . In addition to an academic scholarship from USD, Julian pays for the majority of his education from his income as a crew member on my vessel. With my wife Jody that makes four voters in your district that rely on Alaska salmon seining . This bill is important to my family for our livelihood and it comes at zero cost to the State of Alaska.

I have been involved in this buyback program since 2003. I was elected to the the Seine Vessel Revitalization Board whose purpose has been to design this program. If you have any concerns or question regarding supporting this Bill I welcome the opportunity to discuss it further.

Thank You
Tom Manos

Contact: Thomas Manos
PO Box 749
Girdwood Alaska 99587

email: manostom@gmail.com
Phone 907 830 5150

March 17, 2010

The Honorable Lesil McGuire & Bill Wielechowski
Co-Chairs, Senate Resources Committee
Alaska State Capitol
Juneau, AK 99801-1182

RE: SUPPORT SB 255, FINALIZE SOUTHEAST ALASKA SEINE BUYBACK

Dear Representatives McGuire and Wielechowski,

I am writing on behalf of Cordova District Fishermen United (CDFU), a member organization representing over 300 commercial fishermen in Prince William Sound, including 60 seine fishermen, to request your support of SB255.

CDFU is in alliance with the Southeast Alaska Seiners (SEAS) on this bill, and believes the passage of both HB 365 and SB 255 will provide a relatively simple solution in specifying the route and parameters of the National Marine Fisheries Service (NMFS) loan that fishermen will repay with a 3% assessment.

While not directly related to present seine activity in Prince William Sound, the adoption of SB255 will provide a solid framework for any group within the State looking into practical solutions to stabilize their fishery.

We trust that you will see the merits in supporting this bill.

Sincerely,

Rochelle van den Broek
Executive Director

March 17, 2010

The Honorable Craig Johnson & Mark Neuman
Co-Chairs, House Resources Committee
Alaska State Capitol
Juneau, AK 99801-1182

RE: SUPPORT HB365, FINALIZE SOUTHEAST ALASKA SEINE BUYBACK

Dear Representatives Johnson and Neuman,

I am writing on behalf of Cordova District Fishermen United (CDFU), a member organization representing over 300 commercial fishermen in Prince William Sound, including 60 seine fishermen, to request your support of HB365.

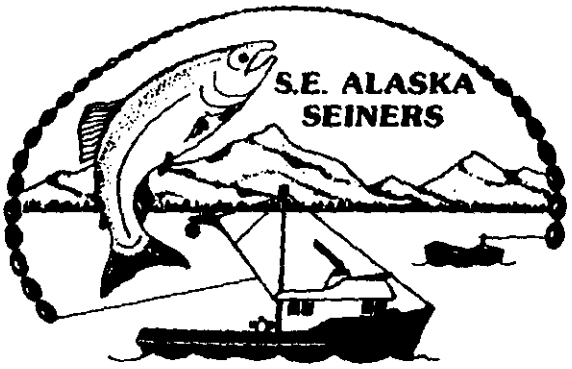
CDFU is in alliance with the Southeast Alaska Seiners (SEAS) on this bill, and believes the passage of both HB 365 and SB 255 will provide a relatively simple solution in specifying the route and parameters of the National Marine Fisheries Service (NMFS) loan that fishermen will repay with a 3% assessment.

While not directly related to present seine activity in Prince William Sound, the adoption of HB365 will provide a solid framework for any group within the State looking into practical solutions to stabilize their fishery.

We trust that you will see the merits in supporting this bill.

Sincerely,

Rochelle van den Broek
Executive Director



2 March 2010

The Honorable Lesil McGuire and Bill Wielechowski
Co-Chairs, Senate Resources Committee
Butrovich 205
Alaska State Capitol
Juneau, AK 99801-1182

Dear Senators McGuire and Wielechowski:

The Southeast Alaska Seiners Association (SEAS) fully supports SB 255 and would appreciate the opportunity to express such support before your Committee.

SEAS is a trade association of 127 member skippers (of 5 crew), who purse seine for salmon in Southeast Alaska, predominantly with 58 foot vessels. SEAS also has nearly 60 business members who support the fleet, consisting primarily of processors, fuel docks, grocery stores and marine suppliers, contractors, electronic suppliers, mechanics, shipyards and outfitters.

SB 255 Background

SEAS worked with the Congressional delegation to secure a $3 million grant that was spent in 2008, after being authorized to do so by the Alaska State Legislature, to retire 35 permits, or approximately 22% of our target permit reduction. The first part of our fleet consolidation was done under the supervision of the Commercial Fisheries Entry Commission (CFEC), the program was run by Elgee, Rehfeld, CPAs and we advertised throughout Southeast Alaska for a reverse auction. **These are the first ever Alaska state limited entry salmon permits retired under such a program.**

After the further repurchase of around 120-125 permits we expect to get to the 255-260 range of permits remaining available to fish. This time the fishermen are paying and the financing source is a National Marine Fisheries Service (NMFS) loan that fishermen will repay with a 3% assessment. A couple weeks into the 2010 legislative session the main NMFS Financial Services Division personnel came to Juneau to meet with the CFEC leadership as well as the state of Alaska in

○ PO Box 23081, Juneau, AK 99802 ○ 907-463-5030 ○ Fax: 907-463-5083 ○

order to prepare a bill that would work as the basic "closing document" on our loan.

SB 255 is exactly phrased and intently written with at least a dozen basic drafts prior to introduction. There is no fiscal note and should there be any concern to processors about extra paperwork, the processor can apply for compensation from the assessment. We do not believe at this time that the financial burden of adding a box to the fish ticket will cause any undue financial concern as this is already done in many Boroughs (such as Bristol Bay) and by enhancement taxation as well in the same section of the fish ticket.

This bill is the vehicle that specifies the route and parameters of this assessment and is necessary because this is not only Alaska's first, but it is likely that this is the first state water's fishery that has ever received a NMFS restructuring loan for fleet consolidation. According to NMFS, this bill cannot be changed in any fashion whatsoever - or our $20 million loan for Alaskan fishermen will fail.

When Southeast Alaska was rolled into the state's limited entry program in 1974, there was a **larger than average number of non-resident licenses due to the close proximity to Puget Sound and the Boldt Decision**, while not made until that very year, as well as the first shot at limited entry in 1969, made for a larger fleet than existed in the decade(s) prior to limited entry.

One other compelling reason seiners have sought out fleet consolidation is due to the amount of historical and traditional fishing area currently not available to access by the seine fleet. The Icy Strait corridor of about 100 miles of fishing shoreline was closed nearly simultaneously to the initiation of limited entry. Then in 1985, the 75 mile shoreline of Noyes Island and Dall Island outside of Prince of Wales Island was closed for most of the July fishery and has remained mostly closed by Treaty since then during the month of July. The fleet was bottled up in long line-ups (boats idling their engines while waiting for hours for the opportunity to set the net and catch fish) for much of the season save for the peak of some of our better runs. Certainly fuel savings and energy implications were there, but this was not our impetus.

Consequent to the major price crash in 1991 (12 cents per pound for pinks) after the introduction of Russian pink salmon into the Western world, another major price crash in 1996 (7-8 cents) and then again in 2002 (7-8 cents), SEAS decided to get rolling on a major fleet consolidation program. By 2003 and 2004 the fleet had been cut to around 225 boats from 360-375 during the prior decade. Most of these boats and crews no longer fishing were non-residents. **The fleet is a stable 225 average now with as little as 205 permits operated on poorer seasons while 240 is our high in recent years.**

With over 80% of the permits bought back in the first round having been owned by non-residents, the fleet has become even more 'Alaskan'. This trend is expected to continue in the next round, thereby resulting in strong and financially viable fishing families within Alaska.

SB 255 is an important bill because it is the final hurdle to clear in order to facilitate the NMFS Federal loan program so that it will work with Alaskan limited entry fisheries. While it is not a big bill, it is a huge bill for our members and is a necessary step towards stabilizing, modernizing, and maintaining our fishery here in Southeast Alaska.

Sincerely

Dan Castle
SEAS President

◇ PO Box 23081, Juneau, AK 99802 ◇ 907-463-5030 ◇ Fax: 907-463-5083 ◇

Southeast Alaska Fishermen's Alliance
9369 North Douglas Highway
Juneau, AK 99801
Phone 907-586-6652
Fax 907-523-1168 Website: http://www.seafa.org E-mail: seafa@gci.net

March 8, 2010

Senate Resources
Senator Lesil McGuire, Chair
Alaska State Legislature; State Capitol, Room 205
Juneau, AK 99801

Senator McGuire, Chair and Committee Members

RE: Support SB 255

Southeast Alaska Fishermen's Alliance (SEAFA) supports HB 365/SB 255. This is legislation that simply allows NMFS to confirm that all the assessment collected from the fishermen by the Processors for a buyback program using federal loan programs has been collected and paid to the federal government and allows for enforcement against those who have not paid.

This legislation would not allow NMFS to collect information for programs that don't have a federal buy-back assessment. This legislation would allow this tool to be used in the future if another buyback with federal funds occurs. The other thing we would point out is that any buyback program has been created occurred by a vote of the fleet.

We support the legislation as a housekeeping measure to correct an oversight to the legislation previously passed to set up associations to conduct buy-back programs.

Southeast Alaska Fishermen's Alliance is a multi-gear/multi-species non-profit membership organization representing our members involved in the salmon, crab, shrimp and longline fisheries of Southeast Alaska. We represent salmon gillnet, seine and troll fishermen.

Sincerely,

Kathy Hansen, Executive Director

... from Bobby T.

re: HB 365

FINAL

MEMORANDUM OF UNDERSTANDING

The Southeast Revitalization Association ("SRA") has entered into the following understanding with the undersigned seafood companies:

1. AS 16.40.250 allows permit holders in a salmon fishery to form non-profit associations for the purpose of promoting consolidation or reductions in the number of limited entry permits in a fishery for which the Commercial Fisheries Entry Commission ("CFEC") has issued limited entry permits.

2. The SRA is a duly qualified salmon fishery association under AS 16.40.250 and was organized for the express purpose of developing and implementing a consolidation plan for the Southeast purse seine salmon fishery.

3. Congress under Public Law 108-447, section 209 of the Consolidated Appropriations Act of 2005 amended the Magnuson-Stevens Act ("MSA") making the SRA eligible under a federal buyback loan program established under the U.S. Department of Commerce and administered through the National Marine Fisheries Service ("NMFS").

4. The SRA has developed a draft consolidation or fishing capacity reduction plan ("plan") for the fishery and has submitted that draft plan for approval by the Secretary of Commerce and then NMFS publication of rules to implement the plan.

5. The undersigned seafood companies have expressed concerns that the plan may unnecessarily result in the purchase and relinquishment of too many permits. This occurrence could result in too few fishermen and vessels operating and the potential to reduce the amount of salmon that could be purchased from fishermen by these companies.

6. To address these concerns, the SRA will revise the plan now under NMFS review to provide the following:

   The SRA will amend the plan to provide that under no circumstances will the SRA accept a bid that upon final implementation of the plan could result in fewer than 260 permits remaining in the fishery.

7. The NMFS has indicated it will consent to the proposed plan amendment to limit the number of permits that can be purchased and ultimately relinquished. However, it voiced a cautionary note that the plan is subject

to further review by legal counsel, the Office of Financial Management and Budget and others, which could cause further changes to the plan, including deletion of the proposed limit on the minimum number of permits that would remain in the fishery.

8. The SRA will maintain the position that limiting the number of permits to be purchased and relinquished under the amended plan to 260 is wholly consistent with the MSA, Section 312(b)(2) requirement to achieve the maximum sustained reduction in fishing capacity at the least cost.

9. The undersigned seafood companies agree to support passage of SB 255 and HB 365, as introduced, under the condition that the attached Letter of Intent, or a mutually acceptable revised version of it, is adopted and passed with the legislation by the Alaska Legislature

_____ _____

Southeast Revitalization Assoc. Date
Rob Zuanich, Manager

_____ _____

Ocean Beauty Seafoods Date
Mark Palmer, President

_____ _____

Trident Seafoods Date
Joe Plesha, Chief Legal Officer

Attachment: Legislative Letter of Intent for HB365 / SB255

Legislative Letter of Intent for HB365/ SB255

The Alaska Legislature recognizes that passage of HB365/ SB255 is a necessary step to enable a planned permit buyback program in the Southeast Alaska Salmon Seine fishery to move forward. Further, while the Legislature recognizes the value of reducing the number of permits in the Southeast Salmon Seine fishery, it is also concerned that the permit buyback program not remove more permits than necessary for the health and viability of the fishery, nor result in negative economic impacts to the region or state, including diminishment of the economic benefits of the investments that have been made in Alaska communities.

Specifically, the Legislature is passing this legislation with the understanding, and the assurance of the Southeast Revitalization Association, that the permit reduction program the association seeks to undertake for the Southeast Alaska Salmon Seine fishery and to implement through the provisions of this bill will not reduce the number of permits in that fishery to less than 260.

HB 365

MEMORANDUM OF UNDERSTANDING

The Southeast Revitalization Association ("SRA") has entered into the following understanding with the undersigned seafood companies or trade organizations:

1. AS 16.40.250 allows permit holders in a salmon fishery to form non-profit associations for the purpose of promoting consolidation or reductions in the number of limited entry permits in a fishery for which the Commercial Fisheries Entry Commission ("CFEC") has issued limited entry permits.

2. The SRA is a duly qualified salmon fishery association under AS 16.40.250 and was organized for the express purpose of developing and implementing a consolidation plan for the Southeast purse seine salmon fishery.

3. Congress under Public Law 108-447, section 209 of the Consolidated Appropriations Act of 2005 amended the Magnuson-Stevens Act ("MSA") making the SRA eligible under a federal buyback loan program established under the U.S. Department of Commerce and administered through the National Marine Fisheries Service ("NMFS").

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   The SRA will amend the plan to provide that under no circumstances will the SRA accept a bid that upon final implementation of the plan could result in fewer than 260 permits remaining in the fishery.

7. The NMFS has indicated it will consent to the proposed plan amendment to limit the number of permits that can be purchased and ultimately

relinquished. However, it voiced a cautionary note that plan is subject to further review by legal counsel, the Office of Financial Management and Budget and others, which coulds cause further changes to the plan, including deletion of the proposed limit on the minimum number of permits that would remain in the fishery.

8. The SRA will maintain the position that limiting the number of permits to be purchased and relinquished under the amended plan is wholly consistent with the MSA, Section 312(b)(2) requirement to achieve the maximum sustained reduction in fishing capacity at the least cost.

9. The undersigned seafood companies or trade organizations agree to support passage of SB 255 and HB 365 without further amendment.

SRA
Rob Zuanich, Manager

Ocean Beauty Seafoods
Mark Palmer, President

Trident Seafoods
Joe Plesha, General Counsel

Pacific Seafoods Processors Ass'n
Mary McDowell

Dick OK

Reed Stoop
May Mc Dowell
Looking at it

Representative Charisse Millett

Session
State Capitol Building, Room 412
Juneau, AK 99801
Phone (907) 465-3879
Fax (907) 465-2069

Interim
Anchorage LIO
716 W 4th Ave., Room 630
Anchorage, AK 99501
Phone (907) 269-0222
Fax (907) 269-0223

SECTIONAL ANALYSIS

House Bill 365 – Fish Processors Fees, Licenses, and Records

Version 26-LS1514\A, February 23, 2010
STAFF: Genevieve Wojtusik, 465-4937

SECTION 1: Amends AS 16.05.815(a) by adding to the list of information items which may be released by the Department of Fish & Game and by the Alaska Commercial Fisheries Entry Commission. It adds fish ticket information, records, and reports of the total value purchased by each fisherman, buyer, or processor, and makes it available to the National Marine Fisheries Service. This strengthens the NMFS position as loan guarantor of the fleet reduction loan program.

SECTION 2: Amends AS 43.75.020(a) by adding a subsection which provides that an applicant for a fishery business license agrees to pay the 3% fee levied under the fleet reduction program.

SECTION 3: Amends AS 43.75.020(b) by adding final administrative determinations of the National Marine Fisheries Service to the list of judgments or determinations which, if not received by the Department, will not prevent the issuance of a fishery business license to an applicant.

SECTION 4: Provides for an immediate effective date.

STATE OF ALASKA

COMMERCIAL FISHERIES ENTRY COMMISSION

SEAN PARNELL, GOVERNOR

8800 GLACIER HWY, #109
P.O. Box 110302
JUNEAU, AK 99811-0302

(907) 789-6150 Licensing Calls
(907) 789-6160 Other Business
(907) 789-6170 FAX
(907) 789-6180 BBS

INTERNET: www.cfec.state.ak.us

March 2, 2010

Representative Charisse Millett
Alaska House of Representatives
State Capitol, Room 412
Juneau, AK 99801-1182

Re: HB 365, Fish Processor Fees, Licenses, and Records

Dear Representative Millett:

Thank you for the opportunity to respond to your inquiry regarding HB 365, Fish Processor Fees, Licenses, and Records.

HB 365 is a continuation of a program established by the Alaska State Legislature in 2002 allowing Salmon Fishery Associations (AS 16.40.250) formed by fishermen for the purpose of promoting fleet consolidation and capacity reduction. That legislation (HB 286-2002) encourages the Commissioner of the Alaska Department of Fish and Game to assist fishermen in the formation of these associations among the various Alaska salmon fisheries. In 2006, the Alaska State Legislature modified AS 16.43.330 through HB 484 to allow reimbursement to Salmon Fishery Associations in the unlikely event the State of Alaska, through the Commercial Fisheries Entry Commission, issued more limited entry permits into a salmon fishery that has an outstanding loan for fleet consolidation and capacity reduction.

HB 365 is simply an accounting procedure modification to make the program operate more efficiently and allow the lender to monitor the capacity reduction loan repayment. It does not change the program established in 2002 in any way.

The Southeast Revitalization Association (SRA), the fishermen's association formed by the SE Alaska Salmon Purse Seine fleet under the 2002 legislation, is close to receiving federal funding in the form of a loan through the National Marine Fisheries Service (NMFS) to carry out the purposes of the Salmon Fishery Association legislation. NMFS will provide a long term loan to SRA to be paid back by Southeast salmon seine fishermen from future salmon harvests. NMFS requires a mechanism to be able to monitor the loan payback. HB 365 provides that mechanism.

HB 365 will allow NMFS access to confidential state records and reports through an exception to AS 16. 05. 815 (a) (Confidential nature of certain reports and records). This is not an unusual request since a dozen other exceptions have been granted in statute, including NMFS but for purposes of fishery management and enforcement. This legislation is necessary since it is the State of Alaska that maintains the fish ticket harvest data and fish processor annual reports. This exception will provide

assurance to NMFS that they are receiving the proper repayment of their loan. Similarly a requirement is added to AS 43.75.020(a), the Alaska Fisheries Business License, that the applicant in addition to other conditions, agrees to pay the fee assessment collected from the Southeast seine fleet to NMFS.

The original legislation in 2002 was supported by the Alaska fishing community and had overwhelming legislative support in both the House and Senate, as did the 2006 modification. This support stemmed from the fact that the program was initiated by fishermen for fishermen, it is a voluntary program (no one will be forced to sell their limited entry permit), the program requires a majority vote of all the fishermen to implement the loan agreement, the fishery association will have access to federal funds through the Magnuson-Stevens Fishery Conservation and Management Act, there is little State expense or administration, the State maintains all its responsibility to manage its fisheries in the future should conservation or economic conditions change, and the program has had a history of legislative support.

We have been pleased to work with the SRA on the establishment of their association and the success of their pilot program in 2008 which resulted in the buyback of 35 limited entry permits in the SE Alaska salmon purse seine fishery.

With the passage of HB 365 we look forward to a continuous working relationship with SRA and the Alaska fishing community.

Thank you for the opportunity to provide these comments.

Sincerely,

Frank Homan, Chairman
Peter Froehlich, Commissioner
Bruce Twomley, Commissioner

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB365**
() Publish Date:

Identifier (file name): HB365-DFG-CFEC-03-05-10
Dept. Affected: Fish and Game
Title: An Act relating to sharing records regarding fish purchased by
RDU: Comm Fisheries Entry Commission
Component: Comm Fisheries Entry Commission
Sponsor: Representative(s) MILLETT, P. Wilson, Munoz
Requester: House Fisheries Committee
Component Number: 471

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES ( )	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Interagency Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: *(Attach a separate page if necessary)*

There are no significant fiscal impacts for CFEC associated with this bill.

Prepared by: Shirley Penrose, Administrative Officer
Phone 907-790-6960
Division: Commercial Fisheries Entry Commission
Date/Time 3/5/10 7:17 AM
Approved by: Frank M. Homan, Chairman
Date 3/5/2010
Comercial Fisheries Entry Commission

(Revised 10/13/2009 OMB)

Southeast Alaska Fishermen's Alliance
9369 North Douglas Highway
Juneau, AK 99801
Phone 907-586-6652
Fax 907-523-1168 Website: http://www.seafa.org E-mail: seafa@gci.net

March 8, 2010

House Special Committee on Fisheries
Representative Bryce Edgmon, Chair
Alaska State Legislature; State Capitol, Room 124
Juneau, AK 99801

Representative Edgmon, Chair and committee members,

RE: Support for HB 365/SB 255

Southeast Alaska Fishermen's Alliance (SEAFA) supports HB 365/SB 255. This is legislation that simply allows NMFS to confirm that all the assessment collected from the fishermen by the Processors for a buyback program using federal loan programs has been collected and paid to the federal government and allows for enforcement against those who have not paid.

This legislation would not allow NMFS to collect information for programs that don't have a federal buy-back assessment. This legislation would allow this tool to be used in the future if another buyback with federal funds occurs. The other thing we would point out is that any buyback program has been created occurred by a vote of the fleet.

We support the legislation as a housekeeping measure to correct an oversight to the legislation previously passed to set up associations to conduct buy-back programs.

Southeast Alaska Fishermen's Alliance is a multi-gear/multi-species non-profit membership organization representing our members involved in the salmon, crab, shrimp and longline fisheries of Southeast Alaska. We represent salmon gillnet, seine and troll fishermen.

Sincerely,

Kathy Hansen, Executive Director

HB 365—Processor Fees, Licenses, Records
Bill Packet Contents

1. The Bill
2. Sponsor Statement
3. Capacity Reduction Program Summary (By SE Revitalization Assn.)
4. AS Sec. 16.40.250
5. Sec. 121 of U.S. Public Law 109-479 Jan. 12 2007
6. Information on Southeast Purse Seine Fishery from CFEC
7. Public Comment Letters

2/2010

CAPACITY REDUCTION PROGRAM FOR THE SOUTHEAST ALASKA PURSE SEINE SALMON FISHERY

By Southeast Revitalization Association

SUMMARY: State and federal legislation authorized this fishing capacity reduction program for the Southeast Alaska purse seine salmon fishery. The program will reduce fishing capacity by permanently relinquishing permits, promote economic efficiency, improve flexibility in the conservation and management of the fishery and obtain the maximum reduction in permits at the least cost.

The program is voluntary and only permit holders of the fishery are eligible to participate. Participating permit holders must abide by the terms and conditions of the program set forth in the Bid Agreement and, if their bid is accepted, a Relinquishment Contract ("Contract") with the Southeast Revitalization Association (SRA) and the Alaska Commercial Fisheries Entry Commission (CFEC). The aggregate of all Bid Agreements and Contracts signed by permit holders whose bids are accepted, will together with supporting rationale, constitute the Reduction Plan ("Plan") to be submitted to the Secretary of Commerce ("Secretary") for approval. Permit holders participating in the program will receive up to $23.5 million in exchange for relinquishing permits.

To obtain the maximum capacity reduction at the least cost, SRA will use reverse auction procedures to rank and determine which bids to accept. If bids are accepted, the SRA will accept the bid with the lowest dollar amount and successively accept each additional bid with the next lowest dollar amount until it either elects not to accept a bid, there are no more bids to accept, or acceptance of the last bid with the next lowest dollar amount would cause the total cost to exceed $23.5 million. The SRA may conduct one or more separate auctions before determining whether the number of bids it elects to accept is sufficient to submit a Plan.

Following SRA submission of the Plan and approval by the Secretary, National Marine Fisheries Service ("NMFS") will conduct a referendum to determine the willingness of the permit holders to repay a fishing capacity reduction loan ("loan") to finance the Plan. A majority vote of all permit holders in favor would bind all permit holders. NMFS will issue a $23.5 million, 40-year loan to be repaid by those permit holders who continue operations in the fishery after implementation of the Plan.

In the event the aggregate amount of all accepted bids is less than $23.5 million, the remaining loan funds would be available for reduction payments as part of a later SRA submitted Plan, subject to approval by the Secretary, and after a successful referendum by the permit holders.

1. **Statutory Background**: The authority for the SRA to conduct the program is Alaska Statute 16.40.250. The program was established under the Consolidated Appropriations Act of 2005 (Act) authorizing the (NMFS) to establish up to a $50 million loan to finance the program and appropriated $500,000 for the cost of the loan. That law was subsequently amended by Section 121 of the Magnuson-Stevens (MSA) Reauthorization Act of 2006 (Public Law 109-447) reducing the loan amount to no more than $25 million and clarifying the respective roles of NMFS and SRA relative to development and implementation of the program. The sum of $235,000 was later appropriated for the cost of guaranteeing the loan amount. The authority for making the loan is sections 1111 and 1112 of the Merchant Marine Act, 1936. NMFS will implement the industry fee system to repay the loan under section 312(d)(2) of the MSA.

2. ***Purpose***. The program will reduce fishing capacity by permanently relinquishing permits, promote economic efficiencies, improve flexibility in the conservation and management off the fishery and obtain the maximum reduction in permits at the least cost by establishing reverse auction bidding procedures under the Plan.

3. ***Definitions.*** Unless otherwise defined, the following terms have the following meanings for the purpose of this program.

Acceptance means SRA acceptance of a bid.

Act means section 209 of Title II of Division B of Public Law 108-447 as amended by section 121 of Public Law 109-447.

Bid means a bidder's irrevocable offer under the Bid Agreement to relinquish a permit.

Bid Agreement means the form identifying the eligible bidder, procedures for the completion and submission of a bid; requirements upon acceptance of a bid and resulting relinquishment of the permit, and any other necessary implementation.

Bid Amount means the dollar amount of each bid by which SRA determines in what order to rank and potentially accept bids.

Final Plan means the aggregate of all Bid Agreements, Commercial Fisheries Entry Commission ("CFEC") documents, Relinquishment Contracts, and supporting documents and rationale; submitted to the Secretary for approval.

Conditional Notice means the CFEC form that any permit holder must sign and agree to abide upon submission of a Bid Agreement.

Conditional Relinquishment means the CFEC form that any permit holder agreeing to relinquish a permit must sign and agree to abide by upon SRA acceptance of the bid.

Fishery means the commercial taking of salmon with purse gear within the Southeast Alaska administrative area as defined under Title 5 Alaska Administrative Code Section 33.100.

Permit means a valid entry permit issued by CFEC to operate in the fishery.

Permit Holder means an individual at the time of bidding is the holder of record of a permit.

Relinquishment Contract means the contract that any permit holder agreeing to relinquish a permit pursuant to Alaska Statute (A.S. 16.43.150(i) must sign and agree to abide by upon acceptance of the bid, and before payment of the bid amount.

Secretary means the Secretary of Commerce or a designee.

Southeast Revitalization Association (SRA) is a qualified fishery association authorized to develop and implement this capacity reduction program under Alaska Statute 16.40.250 and federal law.

4. Eligibility and Application of permit holders

(a) Notification. A copy of the Bid Agreement, CFEC Conditional Notice and Conditional Relinquishment forms, and the Contract shall be mailed to each permit holder.

(b) Application. Any permit holder may apply to participate in the program, by submitting a fully completed and executed, Bid Agreement, including the necessary CFEC forms and the Contract.

5. **Withdrawal*:*** By submitting a completed and executed Bid Agreement, the person makes an irrevocable offer to relinquish a permit. No person, once having submitted the Bid Agreement, is entitled to withdraw or in any way amend the Bid Agreement.

6. Bid—(i) Binding agreement. A submitted Bid Agreement shall be an irrevocable offer to relinquish the permit for the bid amount, contingent on such offer being accepted by SRA. A bid that is submitted by the permit holder, but is not accepted by SRA, shall be deemed terminated and both the permit holder and SRA shall have no further obligation with respect to Bid Agreement.

> ***(ii)*** **Bid Content**. The submitted Bid Agreement shall include the following information: name, address, telephone number and (if available) electronic mail address of the submitting permit holder; permit number and whether any authorized party holds a security interest in the permit.

(iii) ***Bid submission***. Any permit holder may submit a Bid Agreement. If a permit holder holds a second permit, such permit holder may, but is not required to submit a Bid Agreement for such second permit. Each application must be submitted to the SRA, c/o Elgee, Rehfeld, Mertz, LLC, Professional Plaza Building B, 9309 Glacier Highway, Suite B-200, Juneau, AK 99801.

(iv) **Validity of Bid.** SRA in consultation with CFEC shall examine each Bid Agreement for consistency and the necessary elements. SRA shall notify the permit holder if the Bid Agreement is non-conforming. In such cases, the permit holder may submit a revised, conforming Bid Agreement if within the prescribed period.

7. Warranty. By submitting a Bid Agreement, the permit holder warrants and represents that the permit holder has read and understands the terms of the Bid Agreement, Contract, CFEC forms, and has had the opportunity to seek independent legal counsel regarding such documents and the consequences of submitting the Bid Agreement.

8. Bids—(i) Ranking. *The* SRA shall rank bids by using a reverse auction in which the SRA ranks the bid with the lowest dollar amount and successively ranks each additional bid with the next lowest dollar amount until there are no more bids or the ranking of the next lowest bid would cause the total program cost to exceed $23.5 million.

(ii) Acceptance and Post-acceptance transfers. Upon expiration of the bid closing date the SRA will determine whether the number of ranked bids it is willing to accept is sufficient to achieve a substantive reduction in harvest capacity and increased economic efficiencies for those permit holders remaining in the fishery. If the SRA makes such a determination and thereafter accepts bids, SRA will send *CFEC* the Conditional Notice form restricting transfer of the permit to any person whose bid was accepted.

9. Submission of Plan, including repayment. The aggregate of all Bid Agreements, the CFEC forms and Contracts will, together with supporting documents and rationale, constitute the Plan to be submitted to NMFS for final approval on behalf of the Secretary. The Plan shall identify as the proposed capacity reduction, the permits identified in the Bid Agreements.

10. **Selection of fishing capacity to be removed by Plan.** The fishing capacity removed under the Plan will be the permits voluntarily offered by permit holders and accepted by SRA up to an aggregate amount of $23.5 million.

11. Approval of the Plan. The criteria for NMFS, on behalf of the Secretary, to approve any Plan must include a finding by the Administrator of NMFS that the Plan is consistent with the Act and MSA, and that it will result in the maximum reduction in permits and fishing capacity at the least cost and in the minimum amount of time.

12. Referendum. NMFS will conduct a referendum to determine the permit holder's willingness to repay a fishing capacity reduction loan to purchase the permits identified in the Plan. A successful referendum by a majority of the permit holders will bind all parties and complete the reduction process.

13. Reduction Payments. Within 60 days of a successful referendum and CFEC receipt of the Contract, SRA through the Secretary will tender the accepted bid amount.

14. Later Pan The SRA may accept a total number of bids in an aggregate amount less than $23.5 million. If this occurs, any remaining funds would be available for reduction payments as part of a later Plan.

15. Reduction Loan —(i) Term. As authorized by the Act, the capacity Reduction Loan ("Loan") shall be amortized over a forty (40) year term. The Loan's original principal amount may not exceed $23.5 million, but may be less if the ultimate reduction cost is less. NMFS has promulgated framework regulations generally applicable to all fishing capacity reduction programs and the Loan shall be subject to the provisions of these regulations.

16. Loan Repayment Permit holders operating in the fishery shall be obligated to pay the fee in accordance with the regulations. Permit holders acknowledge that in the event payments made under the Plan are insufficient to pay the actual Loan, the term of the repayment shall be extended by NMFS until the Loan is paid in full.

> **(i) Interest.** The Loan's interest rate will be the U.S. Treasury's cost of borrowing equivalent maturity funds plus 2 percent. NMFS will determine the Loan's initial interest rate when NMFS borrows from the U.S. Treasury the funds with which to disburse the reduction payments. The initial interest rate will change to a final interest rate at the end of the Federal fiscal year in which NMFS borrows the money from the U.S. Treasury. The final interest rate will be 2 percent plus a weighted average, throughout the fiscal year, of the U.S. Treasury's cost of borrowing equivalent maturity funds. The final interest rate will be fixed, and will not vary over the remainder of the reduction loan's 40-year term. The Loan will be subject to a level debt amortization. There is no prepayment penalty.

(ii) Fees. The Loan shall be repaid by fees collected from the remaining permit holders operating in the fishery.

(A) The fee will be expressed as a percentage of the ex-vessel price of all salmon harvested and landed in the fishery. For example, if the fee is 3% and the ex-vessel weighted average round price is $0.50, then the fee per pound of salmon will equal to $0.015 per pound.

(B) Fees must be assessed and collected on all salmon harvested in the fishery. Although the fee could be up to 3 percent of the ex-vessel price of all post-reduction landings, the fee will be less than 3 percent if NMFS projects that a lesser rate can amortize the Loan over the 40-year term.

(C) It is possible that the fishery may not open during some years. Consequently, the fishery will not produce fee revenue with which to service the Loan during these years. However, interest will continue to accrue on the principal balance. When this happens, if the fee is not already at the maximum 3 percent, NMFS will increase the fee to the maximum 3 percent, apply all subsequent fee revenue first to the payment of accrued interest, and continue the maximum fee rates until the principal and interest payments become current. Once all principal and interest payments are current, NMFS will make a determination about adjusting the fee rate.

(D) Collection. The permit holder or the person who purchases and processes the salmon landed in the fishery shall be responsible for collecting and submitting the fees to NMFS.

(E) Record keeping and Reporting. The permit holder or the person who purchases and processes the salmon landed in the fishery shall be responsible for compliance with the applicable record keeping and reporting requirements.

17. Enforcement/Specific Performance. The parties to the Contract have agreed that the opportunity to develop and submit a capacity reduction program for the fishery under the terms of the Act is both unique and finite. The failure of a permit holder whose bid was accepted to perform the obligations under the Contract will result in irreparable damage to the SRA and the permit holders upon submittal of the Plan to the Secretary for approval. Accordingly, the parties to the Contract expressly acknowledge that money damages are an inadequate means of redress and agree that upon failure of the permit holder to fulfill his obligations under the Contract that specific performance of those obligations may be obtained by suit in equity brought by the SRA in any court of competent jurisdiction without obligation to arbitrate such action.

(3) rearing and sale of ornamental finfish for aquariums or ornamental ponds provided that the fish are not reared in or released into water of the state.

(c) In this section "ornamental finfish" means fish commonly known as "tropical fish," "aquarium fish," or "goldfish," that are imported, cultured, or sold in the state customarily for viewing in aquaria or for raising in artificial systems, and not customarily used for sport fishing or human consumption purposes. (§ 2 ch 91 SLA 1990)

Cross references. — For legislative findings in connection with the enactment of this section, see § 1, ch. 91, SLA 1990 in the Temporary and Special Acts.

Article 4. Fishery Associations.

Section
240. Regional dive fishery development associations
250. Salmon fishery associations

Sec. 16.40.240. Regional dive fishery development associations. (a) The commissioner shall assist in and encourage the formation of qualified regional dive fishery development associations for the purpose of developing dive fisheries in administrative areas of the state in which dive fisheries exist. A regional dive fishery development association is qualified if the commissioner determines that the regional association

(1) is incorporated as a nonprofit corporation under AS 10.20;

(2) represents commercial fishermen who participate in each dive fishery in the region; and

(3) possesses a board of directors that

(A) is representative of commercial dive fishermen who fish in each of the significant commercial dive fishing areas in the administrative area;

(B) has a member who is representative of fish processors who process dive fishery resources in the administrative area; and

(C) has a member who is representative of municipalities in the administrative area.

(b) In this section, "administrative area" has the meaning given in AS 43.76.210. (§ 1 ch 90 SLA 1997)

Sec. 16.40.250. Salmon fishery associations. The commissioner may assist in and encourage the formation of qualified salmon fishery associations for the purpose of promoting the consolidation of the fishing fleet in a salmon fishery for which the Alaska Commercial Fisheries Entry Commission has issued commercial fishing entry permits under AS 16.43. A salmon fishery association is qualified if the commissioner determines that the regional association

(1) is incorporated as a nonprofit corporation under AS 10.20;

(2) is comprised of interim-use permit and entry permit holders in the salmon fishery for which the association is established; and

(3) has a board of directors that is comprised of interim-use permit and entry permit holders in the salmon fishery. (§ 1 ch 134 SLA 2002)

Cross references. — For reimbursement of expenses of fleet reduction programs, see AS 16.43.330(c).

Article 5. Sport Fishing Services.

Section
260. Sport fishing operator license
270. Sport fishing guide license
280. Reports
290. Penalty
299. Definitions

ffective dates. — Section
es this article effective Ja

Sec. 16.40.260. Spor
nnual sport fishing ope
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(2) presents proof sati
r marine protection anc
he person and the pers
least $100,000 for each i
(3) pays the license fe
(4) satisfies all additi
Fisheries.
(b) A person may not p
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this section.
(c) A person who holds
port fishing guide servi
current sport fishing guid
(d) A person who holds
sport fishing guide servic
port fishing guide license
(e) A person who holds
of a violation of AS 16.05 –
including regulations rela
guide who is employed by t
(§ 6 ch 70 SLA 2004)

Delayed repeal. — Under §
this section is repealed January

Sec. 16.40.270. Sport
annual sport fishing guide
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(2) is certified in first ai
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the license is required by th
guide provides fishing guid
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(6) satisfies all additio
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(b) A natural person ma
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section and pays the licens
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holds a current sport fishi

(2) the biomass rebuilding target previously applicable to such stock will be met or exceeded within the new time for rebuilding;

(3) the extension period is based on the status and biology of the stock and the rate of rebuilding;

(4) monitoring will ensure rebuilding continues;

(5) the extension meets the requirements of section 301(a)(1) of that Act (16 U.S.C. 1851(a)(1)); and

(6) the best scientific information available shows that the extension will allow continued rebuilding.

(b) AUTHORITY.—Nothing in this section shall be construed to amend the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1851 et seq.) or to limit or otherwise alter the authority of the Secretary under that Act concerning other species.

SEC. 121. SOUTHEAST ALASKA FISHERIES COMMUNITIES CAPACITY REDUCTION.

Section 209 of the Department of Commerce and Related Agencies Appropriations Act, 2005 (Public Law 108–447; 118 Stat. 2884) is amended—

(1) by inserting "(a) IN GENERAL.—" after "SEC. 209.";

(2) by striking "is authorized to" in the first sentence and inserting "shall";

(3) by striking "$50,000,000" and all that follows in the first sentence and inserting "up to $25,000,000 pursuant to section 57735 of title 46, United States Code.";

(4) by striking the third sentence and inserting: "The loan shall have a term of 40 years."; and

(5) by adding at the end the following:

"(b) SOUTHEAST ALASKA FISHERIES PROGRAM.—

"(1) CONDUCT OF PROGRAM BY RSA.—The program described in subsection (a) shall be conducted under Alaska law by the Southeast Revitalization Association.

"(2) TREATMENT UNDER CHAPTER 577 OF TITLE 46.—For purposes of section 57735 of title 46, United States Code, the program shall be considered to be a program established under section 312 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1861a).

"(3) APPLICATION OF MAGNUSON-STEVENS ACT.—Notwithstanding paragraph (2), the program shall not be subject to section 312 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1861a), except for subsections (b)(1)(C) and (d) of that section.

"(c) SOUTHEAST ALASKA FISHERIES PROGRAM APPROVAL AND REFERENDUM.—

"(1) IN GENERAL.—The Secretary of Commerce may approve a capacity reduction plan submitted by the Southeast Revitalization Association under subsection (b).

"(2) REFERENDUM.—The Secretary shall conduct an industry fee system referendum for the buyback under the program in accordance with section 312(d)(1) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1861a), except that—

"(A) no Council request and no consultation shall be required; and

"(B) the fee shall not exceed 3 percent of the annual ex-vessel value of all salmon harvested in the southeast Alaska purse seine fishery.

"(d) DISBURSAL OF LOAN PROCEEDS.—If the industry fee system is approved as provided in section 312(d)(1)(B) of that Act (16 U.S.C. 1861a(d)(1)(B)), the Secretary shall disburse the loan in the form of reduction payments to participants in such amounts as the Southeast Revitalization Association certifies to have been accepted under Alaska law for reduction payments. The Secretary shall thereafter administer the fee system in accordance with section 312(d)(2) of that Act (16 U.S.C. 1861a(d)(2)), and any person paying or collecting the fee shall make such payments or collection such fees in accordance with the requirements of that Act (16 U.S.C. 1801 et seq.)". Certification. Fees.

SEC. 122. CONVERSION TO CATCHER/PROCESSOR SHARES.

(a) IN GENERAL.—

(1) AMENDMENT OF PLAN.—Not later than 90 days after the date of enactment of this Act, the Secretary of Commerce shall amend the fishery management plan for the Bering Sea/Aleutian Islands King and Tanner Crabs for the Northern Region (as that term is used in the plan) to authorize— Deadline. Alaska.

(A) an eligible entity holding processor quota shares to elect on an annual basis to work together with other entities holding processor quota shares and affiliated with such eligible entity through common ownership to combine any catcher vessel quota shares for the Northern Region with their processor quota shares and to exchange them for newly created catcher/processor owner quota shares for the Northern Region; and

(B) an eligible entity holding catcher vessel quota shares to elect on an annual basis to work together with other entities holding catcher vessel quota shares and affiliated with such eligible entity through common ownership to combine any processor quota shares for the Northern Region with their catcher vessel quota shares and to exchange them for newly created catcher/processor owner quota shares for the Northern Region.

(2) ELIGIBILITY AND LIMITATIONS.—

(A) The authority provided in paragraph (1)(A) shall— Applicability.

(i)(I) apply only to an entity which was initially awarded both catcher/processor owner quota shares, and processor quota shares under the plan (in combination with the processor quota shares of its commonly owned affiliates) of less than 7 percent of the Bering Sea/Aleutian Island processor quota shares; or

(II) apply only to an entity which was initially awarded both catcher/processor owner quota shares under the plan and processor quota shares under section 417(a) of the Coast Guard and Maritime Transportation Act of 2006 (Public Law 109–241; 120 Stat. 546);

(ii) be limited to processor quota shares initially awarded to such entities and their commonly owned affiliates under the plan or section 417(a) of that Act; and

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Commercial Fisheries Entry Commission
Basic Information Table
S 01A SALMON, PURSE SEINE, SOUTHEAST

Year		Residency	Permanent Permits Renewed	Interim Permits Issued	Total Permits Issued/ Renewed	Total Permits Fished	Total Pounds	Average Pounds	Total Gross Earnings	Average Gross Earnings	Average Permit Price
2008	*	Resident	187	0	187	113	41,115,902	363,858	$21,058,568	$186,359	
		Nonresident	193	0	193	99	40,262,245	406,689	$19,927,471	$201,288	
		Year Totals	380	0	380	212	81,378,147	383,859	$40,986,039	$193,330	$67,800
2007		Resident	198	0	198	121	95,024,646	785,328	$24,632,323	$203,573	
		Nonresident	217	0	217	116	90,244,723	777,972	$25,013,727	$215,636	
		Year Totals	415	0	415	237	185,269,369	781,727	$49,646,050	$209,477	$59,700
2006		Resident	198	0	198	125	53,037,973	424,304	$14,582,833	$116,663	
		Nonresident	216	0	216	105	43,038,415	409,890	$12,953,195	$123,364	
		Year Totals	414	0	414	230	96,076,388	417,723	$27,536,028	$119,722	$52,900
2005		Resident	193	0	193	119	121,367,012	1019891	$18,534,431	$155,752	
		Nonresident	222	0	222	113	105,326,313	932,091	$17,539,218	$155,214	
		Year Totals	415	0	415	232	226,693,325	977,126	$36,073,649	$155,490	$41,800
2004		Resident	185	0	185	109	109,121,597	1001116	$16,277,145	$149,332	
		Nonresident	229	0	229	100	97,968,963	979,690	$15,395,307	$153,953	
		Year Totals	414	0	414	209	207,090,560	990,864	$31,672,452	$151,543	$32,100
2003		Resident	184	0	184	115	107,652,418	936,108	$13,197,585	$114,762	
		Nonresident	231	1	232	120	104,489,485	870,746	$13,508,155	$112,568	
		Year Totals	415	1	416	235	212,141,903	902,732	$26,705,739	$113,641	$32,800
2002		Resident	187	0	187	128	78,142,583	610,489	$9,276,587	$72,473	
		Nonresident	227	1	228	145	93,196,668	642,736	$10,967,583	$75,639	
		Year Totals	414	1	415	273	171,339,251	627,616	$20,244,170	$74,154	$22,800
2001		Resident	188	0	188	148	111,933,441	756,307	$21,623,106	$146,102	
		Nonresident	226	1	227	197	139,215,120	706,676	$27,119,695	$137,663	
		Year Totals	414	1	415	345	251,148,561	727,967	$48,742,800	$141,283	$34,700
2000		Resident	189	0	189	161	64,590,834	401,185	$17,173,538	$106,668	
		Nonresident	226	1	227	195	76,721,153	393,442	$20,887,226	$107,114	
		Year Totals	415	1	416	356	141,311,987	396,944	$38,060,764	$106,912	$39,300
1999		Resident	191	0	191	165	132,746,677	804,525	$25,130,026	$152,303	
		Nonresident	224	1	225	194	163,070,469	840,569	$31,272,063	$161,196	
		Year Totals	415	1	416	359	295,817,146	824,003	$56,402,089	$157,109	$40,400
1998		Resident	189	0	189	163	97,935,311	600,830	$19,213,605	$117,875	
		Nonresident	226	1	227	214	123,567,242	577,417	$26,296,141	$122,879	
		Year Totals	415	1	416	377	221,502,553	587,540	$45,509,746	$120,716	$49,500
1997		Resident	188	0	188	160	78,644,528	491,528	$18,773,766	$117,336	
		Nonresident	227	1	228	191	78,917,546	413,181	$22,040,231	$115,394	
		Year Totals	415	1	416	351	157,562,074	448,895	$40,813,997	$116,279	$50,000
1996		Resident	183	0	183	154	115,404,055	749,377	$16,994,911	$110,357	
		Nonresident	233	1	234	203	163,201,719	803,949	$25,818,543	$127,185	
		Year Totals	416	1	417	357	278,605,774	780,408	$42,813,455	$119,926	$61,200
1995		Resident	182	0	182	169	79,102,923	468,065	$22,438,129	$132,770	
		Nonresident	235	1	236	204	118,879,852	582,744	$33,368,683	$163,572	
		Year Totals	417	1	418	373	197,982,775	530,785	$55,806,812	$149,616	$75,900
1994		Resident	180	0	180	168	94,774,661	564,135	$25,321,902	$150,726	
		Nonresident	237	1	238	222	122,538,557	551,975	$35,842,665	$161,453	

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		Year Totals	417	1	418	390	217,313,218	557,213	$61,164,567	$156,832	$73,600
1993		Resident	178	0	178	167	85,239,895	510,419	$21,806,922	$130,580	
		Nonresident	239	2	241	215	118,444,777	550,906	$31,087,396	$144,593	
		Year Totals	417	2	419	382	203,684,672	533,206	$52,894,318	$138,467	$79,600
1992		Resident	181	1	182	158	59,626,323	377,382	$21,785,271	$137,881	
		Nonresident	236	2	238	196	74,440,329	379,798	$29,269,611	$149,335	
		Year Totals	417	3	420	354	134,066,652	378,719	$51,054,882	$144,223	$65,000
1991		Resident	181	1	182	169	78,326,334	463,469	$15,171,332	$89,771	
		Nonresident	236	2	238	214	104,975,063	490,538	$20,899,772	$97,662	
		Year Totals	417	3	420	383	183,301,397	478,594	$36,071,105	$94,180	$92,700
1990		Resident	183	1	184	164	45,178,677	275,480	$18,582,464	$113,308	
		Nonresident	234	2	236	196	61,548,061	314,021	$26,239,039	$133,873	
		Year Totals	417	3	420	360	106,726,738	296,463	$44,821,503	$124,504	$110,563
1989		Resident	182	1	183	168	83,438,346	496,657	$37,818,947	$225,113	
		Nonresident	234	3	237	197	115,360,380	585,586	$53,422,114	$271,178	
		Year Totals	416	4	420	365	198,798,726	544,654	$91,241,060	$249,976	$79,267
1988		Resident	184	1	185	173	22,379,852	129,363	$23,603,598	$136,437	
		Nonresident	232	3	235	221	26,522,341	120,011	$29,710,776	$134,438	
		Year Totals	416	4	420	394	48,902,193	124,117	$53,314,374	$135,316	$65,833
1987		Resident	182	1	183	165	18,158,827	110,053	$10,621,316	$64,372	
		Nonresident	234	3	237	216	20,925,297	96,876	$12,118,213	$56,103	
		Year Totals	416	4	420	381	39,084,124	102,583	$22,739,529	$59,684	$40,832
1986		Resident	184	1	185	158	68,638,440	434,421	$21,548,318	$136,382	
		Nonresident	232	3	235	210	102,408,682	487,660	$32,345,497	$154,026	
		Year Totals	416	4	420	368	171,047,122	464,802	$53,893,815	$146,451	$36,059
1985		Resident	184	1	185	165	80,530,322	488,063	$23,322,047	$141,346	
		Nonresident	232	3	235	203	93,375,832	459,979	$28,696,887	$141,364	
		Year Totals	416	4	420	368	173,906,154	472,571	$52,018,934	$141,356	$37,907
1984		Resident	188	2	190	168	44,554,659	265,206	$15,051,777	$89,594	
		Nonresident	229	4	233	215	59,775,376	278,025	$19,948,289	$92,783	
		Year Totals	417	6	423	383	104,330,035	272,402	$35,000,066	$91,384	$40,884
1983		Resident	187	1	188	157	49,761,844	316,954	$13,684,595	$87,163	
		Nonresident	229	4	233	181	69,210,905	382,381	$19,607,699	$108,330	
		Year Totals	416	5	421	338	118,972,749	351,990	$33,292,294	$98,498	$38,531
1982		Resident	186	2	188	159	41,063,358	258,260	$12,591,892	$79,194	
		Nonresident	228	5	233	211	46,112,250	218,541	$15,555,878	$73,725	
		Year Totals	414	7	421	370	87,175,608	235,610	$28,147,770	$76,075	$40,636
1981		Resident	194	1	195	175	38,819,364	221,825	$18,017,116	$102,955	
		Nonresident	220	3	223	189	40,267,166	213,054	$18,769,228	$99,308	
		Year Totals	414	4	418	364	79,086,530	217,271	$36,786,344	$101,061	$43,333
1980		Resident	193	1	194	163	29,593,745	181,557	$14,228,239	$87,290	
		Nonresident	221	3	224	172	32,608,378	189,584	$15,259,747	$88,719	
		Year Totals	414	4	418	335	62,202,123	185,678	$29,487,986	$88,024	$45,000
1979		Resident	189	2	191	160	23,417,245	146,358	$10,440,835	$65,255	

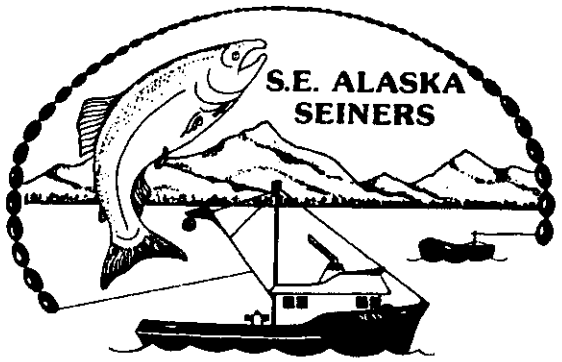
WWWBITP-A State of Alaska 2010-01-14
Commercial Fisheries Entry Commission
Basic Information Table
S 01A SALMON, PURSE SEINE, SOUTHEAST

Year		Residency	Permanent Permits Renewed	Interim Permits Issued	Total Permits Issued/ Renewed	Total Permits Fished	Total Pounds	Average Pounds	Total Gross Earnings	Average Gross Earnings	Average Permit Price
		Nonresident	224	3	227	159	19,126,818	120,294	$9,191,935	$57,811	
		Year Totals	413	5	418	319	42,544,063	133,367	$19,632,769	$61,545	$49,500
1978		Resident	193	2	195	170	30,840,986	181,418	$12,516,752	$73,628	
		Nonresident	220	5	225	206	37,563,079	182,345	$15,147,894	$73,533	
		Year Totals	413	7	420	376	68,404,065	181,926	$27,664,646	$73,576	$40,000
1977		Resident	196	2	198	159	34,095,906	214,440	$13,231,509	$83,217	
		Nonresident	215	1	216	166	29,755,899	179,252	$11,297,251	$68,056	
		Year Totals	411	3	414	325	63,851,805	196,467	$24,528,760	$75,473	.
1976		Resident	202	2	204	144	12,646,703	87,824	$5,463,056	$37,938	
		Nonresident	207	7	214	136	13,236,853	97,330	$5,601,198	$41,185	
		Year Totals	409	9	418	280	25,883,556	92,441	$11,064,253	$39,515	.
1975		Resident	198	34	232	159	10,281,573	64,664	$3,484,050	$21,912	
		Nonresident	200	45	245	128	7,227,447	56,464	$2,563,854	$20,030	
		Year Totals	398	79	477	287	17,509,020	61,007	$6,047,904	$21,073	.

Notes:

A "*" following the year field indicates data are preliminary.
Selected data fields are represented by "." when fewer than four people participated in a fishery.
Selected data fields are represented by "0" when no activity has occurred in a fishery (i.e.,closure).
Gross earnings are estimated using an average annual ex-vessel price per area, species, and gear type.
These data are aggregated by type of permit fished, and thus contain both targeted and incidentally landed species.
Data includes only commercial catch landed on valid permits.
Data associated with test fishing, illegal landings, derbies, educational permits, or unmatchable permits are excluded.

Average Permit Price Notes:
--- indicates that there were no monetary transfers for this fishery.
... indicates confidential information because fewer than four surveys exist.



2 March 2010

The Honorable Bryce Edgmon
Chairman, House Fisheries Committee
Room 124
Alaska State Capitol
Juneau, AK 99801-1182

Dear Representative Edgmon:

The Southeast Alaska Seiners Association (SEAS) fully supports HB 365 and would appreciate the opportunity to express such support before your Committee.

SEAS is a trade association of 127 member skippers (of 5 crew), who purse seine for salmon in Southeast Alaska, predominantly with 58 foot vessels. SEAS also has nearly 60 business members who support the fleet, consisting primarily of processors, fuel docks, grocery stores and marine suppliers, contractors, electronic suppliers, mechanics, shipyards and outfitters.

HB 365 Background

SEAS worked with the Congressional delegation to secure a $3 million grant that was spent in 2008, after being authorized to do so by the Alaska State Legislature, to retire 35 permits, or approximately 22% of our target permit reduction. The first part of our fleet consolidation was done under the supervision of the Commercial Fisheries Entry Commission (CFEC), the program was run by Elgee, Rehfeld, CPAs and we advertised throughout Southeast Alaska for a reverse auction. **These are the first ever Alaska state limited entry salmon permits retired under such a program.**

After the further repurchase of around 120-125 permits we expect to get to the 255-260 range of permits remaining available to fish. This time the fishermen are paying and the financing source is a National Marine Fisheries Service (NMFS) loan that fishermen will repay with a 3% assessment. A couple weeks into the 2010 legislative session the main NMFS Financial Services Division personnel came to Juneau to meet with the CFEC leadership as well as the state of Alaska in order to prepare a bill that would work as the basic "closing document" on our loan.

☼ PO Box 23081, Juneau, AK 99802 ☼ 907-463-5030 ☼ Fax: 907-463-5083 ☼

HB 365 is exactly phrased and intently written with at least a dozen basic drafts prior to introduction. There is no fiscal note and should there be any concern to processors about extra paperwork, the processor can apply for compensation from the assessment. We do not believe at this time that the financial burden of adding a box to the fish ticket will cause any undue financial concern as this is already done in many Boroughs (such as Bristol Bay) and by enhancement taxation as well in the same section of the fish ticket.

This bill is the vehicle that specifies the route and parameters of this assessment and is necessary because this is not only Alaska's first, but it is likely that this is the first state water's fishery that has ever received a NMFS restructuring loan for fleet consolidation. According to NMFS, this bill cannot be changed in any fashion whatsoever - or our $20 million loan for Alaskan fishermen will fail.

When Southeast Alaska was rolled into the state's limited entry program in 1974, there was a **larger than average number of non-resident licenses due to the close proximity to Puget Sound and the Boldt Decision**, while not made until that very year, as well as the first shot at limited entry in 1969, made for a larger fleet than existed in the decade(s) prior to limited entry.

One other compelling reason seiners have sought out fleet consolidation is due to the amount of historical and traditional fishing area currently not available to access by the seine fleet. The Icy Strait corridor of about 100 miles of fishing shoreline was closed nearly simultaneously to the initiation of limited entry. Then in 1985, the 75 mile shoreline of Noyes Island and Dall Island outside of Prince of Wales Island was closed for most of the July fishery and has remained mostly closed by Treaty since then during the month of July. The fleet was bottled up in long line-ups (*boats idling their engines while waiting for hours for the opportunity to set the net and catch fish*) for much of the season save for the peak of some of our better runs. Certainly fuel savings and energy implications were there, but this was not our impetus.

Consequent to the major price crash in 1991 (12 cents per pound for pinks) after the introduction of Russian pink salmon into the Western world, another major price crash in 1996 (7-8 cents) and then again in 2002 (7-8 cents), SEAS decided to get rolling on a major fleet consolidation program. By 2003 and 2004 the fleet had been cut to around 225 boats from 360-375 during the prior decade. Most of these boats and crews no longer fishing were non-residents. **The fleet is a stable 225 average now with as little as 205 permits operated on poorer seasons while 240 is our high in recent years.**

With over 80% of the permits bought back in the first round having been owned by non-residents, the fleet has become even more 'Alaskan'. This trend is expected to continue in the next round, thereby resulting in strong and financially viable fishing families within Alaska.

HB 365 is an important bill because it is the final hurdle to clear in order to facilitate the NMFS Federal loan program so that it will work with Alaskan limited entry fisheries. While it is not a big bill, it is a huge bill for our members and is a necessary step towards stabilizing, modernizing, and maintaining our fishery here in Southeast Alaska.

Sincerely,

Dan Castle

Dan Castle
SEAS President

☼ PO Box 23081, Juneau, AK 99802 ☼ 907-463-5030 ☼ Fax: 907-463-5083 ☼

UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110
Juneau, Alaska 99801-1172
(907) 586-2820
(907) 463-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

March 4, 2010

Representative Bryce Edgmon, Chairman
House Special Committee on Fisheries
Alaska State Legislature
State Capitol
Juneau, AK 99801

Re: Support for HB 365

Dear Representative Edgmon,

The United Fishermen of Alaska (UFA) supports passage of HB 365 / SB 255.

The bill, while extremely timely and important to certain of our members, is nothing but a "housekeeping" bill that is needed as the last piece of work to finish off the SE fleet consolidation program for SEAS but will also set up a precedence and framework for any similar effort in the state of Alaska conducted at a later date. This legislation allows NMFS to confirm fish ticket/processor data to confirm that the assessment collected to pay back the federal government for the loan is correctly determined and allow for enforcement of those that don't pay the assessment. NMFS only has access to data for a specific fishery that has a federal loan program and not access to all salmon harvest data.

When UFA embraced the Legislative Salmon Task Force in 2001, we recognized that different regions require different solutions. Some groups wanted status quo. Other groups wanted market-oriented solutions. Others wanted to restructure their fishery, or basically re-limit limited entry. We want to acknowledge that many, probably most, of our state waters groups do not support a fleet consolidation program for their own region.

But when the Legislature embarked upon the Legislative Salmon Task Force, this was one of the major solutions that came out for each region to choose from. HB286, authored in 2002 by Drew Scalzi, was one of the resulting pieces of legislation. One of our groups, the Southeast Alaska Seiners Association (SEAS) chose to follow up on this and has already "permanently retired" around 20% of their consolidation target in 2008 with $3 million in NMFS grants that were authorized by the Alaska State Legislature.

Another piece of the pie here is HB484, passed in 2006 by the Alaska State Legislature that mandates a solution in the event of an "optimum number determination" in a court of law that

causes retired permits to become reissued. HB484 allows that the Legislature "may" send the resulting funds back to the fleet consolidators, hence relieving fishermen of the uncertainty resulting from the "optimum number" issue.

In the case of SE seine fishery, the active fleet size has not exceeded the buydown goal of the buyback program since 2002. So this fleet consolidation is very unlikely to cost a single job or boat. The 3% assessment that these guys are paying is just an insurance policy for the fishermen (and processors) that there won't be a new "group" or company that will bring in some of the currently unused and dormant 140 permits. In fact there will be at least several dozen permits remaining on poor years and likely a dozen or so remaining even on good years.

UFA supports swift passage of this legislation, which is the wrap-up of the Legislative task force bill HB286 from 2002. It is now 2010 and it seems fitting that the Alaska State Legislature would be willing and able to support a "housekeeping" bill that brings to fruition a bill (nearly unanimous in passage in both the House and Senate) that was brought forth as a result of the Alaska State Legislative Task Force.

Thank you for your consideration of this legislation for one of our group members.

Sincerely,

Mark D. Vinsel

Mark Vinsel
Executive Director

Cc:
Representative Charisse Millett
Representative Peggy Wilson
Representative Cathy Muñoz

SOUTHEAST REVITALIZATION ASSOCIATION
410 CALHOUN AVENUE, SUITE 206
JUNEAU, ALASKA 99801
PHONE (907) 523-3004

BOARD OF DIRECTORS
Dan Castle **Dean Haltiner**
Tom Manos **David Street**
Jim Bacon **John Barry**
Bud Marrese

March 5, 2010

Rep. Bryce Edgmon, Chairman
House Fisheries Committee
Alaska House of representatives
Capitol Room 416
Juneau, AK 99801

RE: HB 365, Fish Processors Fees, Licenses, and Records
Hearing Date: Tuesday, March 9, 2010

Dear Chairman Edgmon:

The Southeast Revitalization Association ("SRA") is a qualified fishery association under AS 16.40.250 and was established for the express purpose of designing and implementing a fleet consolidation program for the Southeast purse seine salmon fishery for which the Commercial Fisheries Entry Commission ("CFEC") has issued limited entry permits.

The SRA consolidation program, if ultimately approved by the affected permit holders, will be funded in large part by a federal loan authorized under the Magnuson-Stevens Fishery Conservation and Management Act and administered by the National Marine Fisheries Service ("NMFS"). Permit holders remaining in the fishery will repay the loan through imposition of a fee based on the ex-vessel price of all salmon harvested in the fishery. The fee will be collected by the first buyer of the salmon and then transmitted to NMFS.

To ensure that the fee is collected and transmitted in a timely fashion, NMFS needs access to fish ticket harvest data and fish buyer annual reports maintained by the State of Alaska. These records, subject to a variety of exceptions, are confidential under AS 16.05.815. HB 365 would allow NMFS access to these state records by creating another exception. HB 365 would also require the buyers of salmon to certify the collection and transmittal of fees as a condition to renewal of their annual fisheries business license.

Passage of HB 365 is not only a condition precedent to the actual funding of the loan by NMFS, but also serves two important compliance considerations to ensure an even playing field for both fishermen and processors:

1. Assures the fisherman/permit holder paying the fee that all monies collected by the buyer are being transmitted to NMFS for repayment of the loan.

2. Assures the processor/buyer of the salmon that all other buyers are also collecting and transmitting the fee.

The SRA strongly supports SB 365 and respectively requests prompt passage by your committee.

Sincerely,

Rob Zuanich
Manager

HB

369

b

HOUSE COMMITTEE REPOI

3-11-10

(9)

Date Referred to Committee: February 23, 2010

FURTHER REFERRALS: Finance

Date of Committee Action: 3/10/10

The RESOURCES Committee considered:

HOUSE BILL NO. 369

"An Act relating to an in-state natural gas pipeline, the office of in-state gasline project manager, the Joint In-State Gasline Development Team, and the In-State Gasline Steering Committee; and providing for an effective date."

HB 369-IN-STATE PIPELINE MANAGER/TEAM/COMMITTEE

Recommends it be replaced with [ ] HCS *or* [X] CS *for* HB 369 (RES)

For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ [ ] Same Title [X] New Title

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW FISCAL NOTES *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
DOT	2	✓		
GOV	1		✓	

PREVIOUS FISCAL NOTES				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP (4)	DNP	NR (1)	AM (1)
Paul Seaton	SEATON			X	
	OLSON	X			
Peggy Wilson	KAWASAKI				X
	WILSON	X			
Chair: Craig Johnson	Johnson	X			
Chair:	Newman	X			

CO
CO

4711

CS FOR HOUSE BILL NO. 369(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES CHENAULT, Ramras, Olson, Johnson

A BILL

FOR AN ACT ENTITLED

"An Act relating to an in-state natural gas pipeline, the office of in-state gasline project manager, and the Joint In-State Gasline Development Team; and providing for an effective date."

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

*** Section 1.** AS 38 is amended by adding new sections to read:

Chapter 34. In-State Natural Gas Pipeline.

Sec. 38.34.010. In-state gasline project manager. (a) The position of in-state gasline project manager is created in the Office of the Governor. The Office of the Governor shall provide administrative support for the position. The position shall continue until one year after commencement of commercial operation of the in-state natural gas pipeline.

(b) The governor shall appoint an individual to the position of in-state gasline project manager. The manager is in the exempt service under AS 39.25.110. The person serving as the in-state gasline project manager may be removed from the

position at the discretion of the governor, who shall appoint another person to the position.

(c) The in-state gasline project manager shall

(1) collaborate with other state agencies to perform planning and other work on the in-state natural gas pipeline project under this chapter;

(2) coordinate with government agencies and the private sector on issues involving construction, ownership, and operation of the in-state natural gas pipeline;

(3) prepare written monthly progress reports setting out the monthly expenditures of funds spent in the development of the in-state natural gas pipeline, including projections of future expenditures and efforts needed to develop the in-state natural gas pipeline, and submit each report to the legislature by the last day of the month immediately following the month covered in the report.

Sec. 38.34.020. Expedited review and action by state agencies. (a) A review conducted and action taken by a state agency relating to the in-state natural gas pipeline project under this chapter shall be expedited in a manner consistent with the timely completion of the project.

(b) Notwithstanding any contrary provision of law, a state agency may not include in any project certificate, right-of-way, permit, or other authorization issued to the licensee a term or condition that is not required by law if the in-state gasline project manager determines that the term or condition would prevent or impair, in any significant respect, the expeditious construction and operation or expansion of the in-state natural gas pipeline project.

(c) Unless required by law, a state agency may not add to, amend, or abrogate any certificate, right-of-way, permit, or other authorization issued to a licensee if the in-state gasline project manager determines that the action would prevent or impair, in any significant respect, the expeditious construction, operation, or expansion of the in-state natural gas pipeline project.

Sec. 38.34.030. Joint In-state Gasline Development Team. (a) The Joint In-state Gasline Development Team is established in the Office of the Governor. The development team consists of four members as follows:

(1) the commissioner of transportation and public facilities, or the commissioner's designee;

(2) the chief executive officer of the Alaska Railroad Corporation;

(3) the chief executive officer of the Alaska Natural Gas Development Authority; and

(4) the in-state gasline project manager.

(b) The chief executive officer of the Alaska Railroad Corporation is the chair of the development team.

(c) The development team may hire staff, enter into contracts, and exercise other powers necessary to carry out its functions.

Sec. 38.34.040. Duties of the development team. (a) The Joint In-state Gasline Development Team shall consider all aspects of the in-state natural gas pipeline project, including public or private construction of the pipeline, marketing of natural gas, a financing plan for pipeline construction, the purchase of natural gas from producers, maximizing hiring of residents in connection with the pipeline project, delivery and costs of natural gas to communities along the pipeline route, manufacturing opportunities for gas-to-liquids, plans for delivery and costs of liquefied natural gas or propane to Yukon river and coastal communities, the cost of transporting natural gas to other locations in the state, and acquisition of natural gas market share sufficient to ensure the long-term feasibility of the in-state natural gas pipeline project.

(b) The development team shall ensure that construction is ready to begin on an in-state natural gas pipeline by July 1, 2011, and take actions necessary to enable natural gas to flow down the pipeline by 2015.

(c) The development team shall

(1) select a route for an in-state natural gas pipeline that runs from the North Slope to tidewater in the state and to other locations in the state that, to the extent consistent with other requirements of this subsection,

(A) is the most economical;

(B) will provide natural gas to residents at a reasonable cost;

(C) uses state land and existing state highway and railroad

rights-of-way to the maximum extent;

(D) uses existing highway and railroad bridges, gravel pits, equipment yards, and maintenance facilities, and other existing facilities and resources to the maximum extent;

(2) identify land or rights-of-way that must be obtained for construction and operation of the in-state natural gas pipeline and take action necessary to enable the Department of Transportation and Public Facilities to acquire those interests;

(3) prepare plans and designs necessary for construction of the in-state natural gas pipeline;

(4) identify all permits and licenses needed to construct the in-state natural gas pipeline and proceed with applications for those permits and licenses;

(5) prepare and update estimates of construction and other costs of pipeline construction;

(6) take any action necessary so that construction may begin on the in-state natural gas pipeline by July 1, 2011, and report to the legislature by that date.

Sec. 38.34.050. Cooperation and access to information. (a) Notwithstanding other laws, the Joint In-state Gasline Development Team may have access to information of a state entity, including confidential information, that may relate to the in-state natural gas pipeline or prove useful in planning, design, construction, or operation of the pipeline. Confidential information received by the development team shall be kept confidential.

(b) All state agencies and other entities shall cooperate with and, except for requests from the Alaska Gasline Inducement Act coordinator (AS 43.90.250), give priority to requests for information from the Joint In-state Gasline Development Team. The development team shall avoid duplicating studies, plans, and designs that have already been produced or otherwise obtained by other state entities.

Sec. 38.34.060. Conflicts of interest. If a member of the Joint In-state Gasline Development Team acquires, owns, or controls an interest, direct or indirect, in property, an organization, or a business that might be affected by the in-state natural gas pipeline project or other matter under consideration by the development team, the

member shall immediately disclose the interest to the development team. The disclosure is a matter of public record and shall be included in the minutes of the first meeting of the development team held after the disclosure.

Sec. 38.34.099. Definitions. In this chapter,

(1) "in-state natural gas pipeline" means a pipeline for transporting natural gas that runs from the North Slope to tidewater in the state;

(2) "North Slope" means that area of Alaska lying north of 68 degrees North latitude.

*** Sec. 2.** AS 39.25.110 is amended by adding a new paragraph to read:

(43) the in-state gasline project manager appointed under AS 38.34.010.

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

ALASKA STATE LEGISLATURE

House Resources Committee

Craig Johnson, Co-Chair

State Capitol Building, Room 126
Juneau, AK 99801-1182
(907) 465-4993
FAX (907) 465-3872
Rep_Craig_Johnson@legis.state.ak.us

Mark Neuman, Co-Chair

State Capitol Building, Room 432
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(907) 465-2679
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FAX

Call Mary Ellen 6151 @ 8:59 AM

To:	Legislative Legal Services	**From:**	Debra Higgins
Fax:	465-2029	**Phone:**	465-3715
Date:	3/11/10	**CC:**	
Re:	Final for HB 369 v. S	**Pages with Cover:**	2

CS HB 369 (26-LS1527\S) passed out of House Resources Committee last night with the attached amendments.

Please send a final CS HB 369 (RES).

Thank you.

26-LS1527\S.1
Cook
3/10/10

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE SEATON

TO: CSHB 369(RES), Draft Version "S"

S.1a adopted

Page 3, line 18, following "communities,":

Insert "the cost of transporting natural gas to other locations in the state,"

S.1.b. adopted

Page 3, line 26, following "tidewater":

Insert "in the state and to other locations in the state"

Page 5, line 5, following "state":

Insert "and to other locations in the state" withdrawn

4718

26-LS1527\S.1
Cook
3/10/10

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE SEATON

TO: CSHB 369(RES), Draft Version "S"

Page 3, line 18, following "communities,":

Insert "the cost of transporting natural gas to other locations in the state,"

Page 3, line 26, following "tidewater":

Insert "in the state and to other locations in the state"

Page 5, line 5, following "state":

Insert "and to other locations in the state"

4719

26-LS1527\S.2
Cook
3/10/10

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 369(RES), Draft Version "S"

Page 3, line 22:

Delete "by July 1, 2011, and take actions necessary"

Page 3, line 23:

Delete "2015."

Insert "2016. The development team shall make a commercial offering by July 1, 2011. The commercial offering must consist of the issuance of a request for proposals to potential in-state natural gas pipeline project developers who will own the project or a portion of it. The request for proposals must require that commercial evaluations in the proposals be based on engineering and permitting completed by the state and its contractors and that proposals may include reimbursement for the cost incurred by the state of engineering work and gathering and interpreting data. The request for proposals must include notice that proposals will be analyzed by the state, together with terms and conditions for selection. The development team shall report to the legislature on the date the commercial offering is ready."

Page 4, line 8:

Delete "for construction of"

Insert "to meet construction deadlines for"

Page 4, line 15:

Delete "by July 1, 2011, and report to the legislature by that date"

Insert "to enable natural gas to flow down the pipeline by 2016"

4720

Debra Higgins

From: Will Vandergriff
Sent: Wednesday, March 10, 2010 8:57 PM
Subject: Press release - Resources Approves Joint In-State Gasline Development Team Bill - Speaker Chenault's HB 369
Attachments: image001.jpg; hb369_passes_resources_20100310.pdf

FOR IMMEDIATE RELEASE **PRESS RELEASE**

RESOURCES APPROVES JT. IN-STATE GASLINE DEVELOPMENT TEAM BILL

Speaker's HB 369 advances to House Finance Comm., calls for gasline online by 2015

Wednesday, March 10, 2010, Juneau, Alaska – The House Resources Committee this evening passed their committee substitute for House Bill 369, House Speaker Mike Chenault's, R-Nikiski, proposal creating the Joint In-State Gasline Development Team.

The committee amended the bill to focus the function of the team, taking out the proposed steering committee. The substitute bill, or CS, also made minor changes to clarify and further define the legislation.

Speaker Chenault says he appreciates the work done by the committee and agrees that the bill as it stands now still accomplishes his original goal: to get an in-state gasline online by 2015. "The Resources Committee identified areas of concern and made the bill better," Speaker Chenault said. "I'm grateful for the work put in on the bill, and look forward to seeing it work its way through the process. We heard from committee members, and we all agreed that it's time to focus on bringing forward an in-state line that serves all areas of the state. It was my intent to see the state unify the various agencies and assets at our disposal, and the substitute kept the emphasis in the legislation on that."

HB 369 next heads to the House Finance Committee.

# # #

To contact Speaker Chenault, please call 907-465-3779.

Will Vandergriff
House Majority Press Secretary
Office of the Speaker - Alaska State Legislature
907.269.0167 direct
907.317.9755 cell
will_vandergriff@legis.state.ak.us
housemajority.org
mobile.housemajority.org
twitter.com/houmaj

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HB 369
() Publish Date:

Identifier (file name): HB369-DOT-SDES-2-26-10
Title: In-State Pipeline/Team/Committee
Sponsor: Rep. Chenault
Requester: H. RES

Dept. Affected: DOT&PF&PF
RDU: Design, Engineering and Construction
Component: Statewide Design & Engineer Services
Leased Facilities
Component Number: 2882, 2892

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	314.3		314.3	314.3	314.3		
Travel	45.0		45.0	45.0	45.0		
Contractual	47.1		49.6	49.6	49.6		
Supplies	45.0		10.0	10.0	10.0		
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**451.4**	**0.0**	**418.9**	**418.9**	**418.9**	**0.0**	**0.0**
CAPITAL EXPENDITURES	**1,000.0**		**1,000.0**	**1,000.0**			
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	1,451.1		1,418.9	1,418.9	418.9		
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**1,451.1**	**0.0**	**1,418.9**	**1,418.9**	**418.9**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time	**3.0**		3	3	3		
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

DOT&PF is a member of the Joint In-state Gasline Development Team and is tasked with determining status of current right-of way (ROW), expediting permits for use of the ROW and overseeing construction to insure compliance with federal and state permit requirements. It is anticipated DOT&PF will assist in determing the needs for and acquisition of additional ROW. An Engineer V position will serve as the technical expert for the Commissioner of DOT&PF, manage consultant activities and oversee regional staff who will be issuing permits and authorizations. An Environmental Impact Analysis Manager will oversee work done in the ROW to insure compliance with federal and state requirements, insure our processes provide for rapid permitting decisions and no delays in construction. An administrative assistant will assist with the day to day activities of the two professionals.

Prepared by: Mary Siroky, Legislative Liaison, Phone 465-4772
Division: Department of Transportation Date/Time 2/26/10 8:00 AM
Approved by: Frank Richards, Deputy Commissioner Date 2/26/2010
Department of Transportation and Public Facilities

(Revised 11/6/2009 OMB)

DOT

4722

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. HB 369

ANALYSIS CONTINUATION

DOT&PF estimates 30% of the pipeline may not be economically or efficiently located within the designated state ROW. Of that 30% it is estimated that 30% must be acquired by acquisitions with appraisals, surveys, condemnation authority, etc resulting in between 60 to 125 miles of ROW to be identified, appraised, negotiated, etc. For this fiscal note DOT&PF assumed, as a ROW owner, it makes sense for the DOT&PF to coordinate the contracts for these services and estimates a cost of $2,000.0. This does not include acquisition costs. DOT&PF has assumed that DNR will require surveys and applications for use of material sites estimates consulting services to be $1,000.0. The department anticipates the ROW and material site aquistiation costs are capital costs and will not be needed in the final year of construction.

Additional contractual costs are for annual cores service costs ($5.0) and annual lease space costs ($42.1) for these staff as our Anchorage offices are already overcrowded. In FY2012, contractual costs increase by $2.5 for annual maintenance costs for copier, printer, fax machines.

Supplies costs in FY2011 include the office start up expenses and supplies. Ongoing costs are $10.0 annually.

DOT&PF will budget the leased office space in a separate RDU (Administration and Support), Component (Leased Facilities - 2892) for centralized lease payments to DOA.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB 369**
() Publish Date:

Identifier (file name): HB369-GOV-EO-02-25-10
Dept. Affected: OOG
Title "An Act relating to in-state natural gas pipeline,... ..In-State Gasline Steering Committee"
RDU Executive Operations
Component Executive Office
Sponsor Representative Chenault
Requester (H) Resources
Component Number 6

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	1,223.2	1,223.2	1,233.1	1,243.4	1,254.0	1,257.5	1,268.5
Travel	116.8	116.8	58.8	36.0	36.0	36.0	36.0
Contractual	***	***	***	***	***	***	***
Supplies	29.0	29.0	29.0	29.0	29.0	29.0	29.0
Equipment	84.3	84.3	0.0	0.0	0.0	0.0	0.0
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	***	***	***	***	***	***	***
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	***	***	***	***	***	***	***

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	7	7	7	7	7	7	7
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

The fiscal impact of HB 369 is indeterminate at this time. Please see attached analysis

Prepared by: Linda Perez, Director — Phone 465-3876
Division Administrative Services — Date/Time 3/1/10 12:15 PM
Approved by: Bob Swenson, Project Manager — Date 3/1/2010
Office of the Governor

(Revised 11/6/2009 OMB)

Pipeline Coordinator

4724

In an attempt to meet the timeframe set out in HB 369 the in-state gas line project team has identified a number of critical work products, and a minimum staffing levels needed to direct the work. The cost associated with contractual services to perform the detailed pipeline engineering, facilities design, field work, and permitting to get the project ready to begin construction is more than $350 million dollars. However, the exact amount of funding needed cannot be determined without significant amount of additional engineering and estimation work. A class 4 cost of Transportation estimate is scheduled to be completed by the current in-state gasline work team by July 1, 2010. Additional major cost components necessary to allow construction initiation are not included in these estimates, and include the cost to purchase the pipe, and commitment to facilities construction. These later costs will likely be greater than $500 million dollars. Additionally, a realistically achievable timeline is attached to this document to provide context for the work needed prior to construction.

In the absence of peer reviewed estimates, an analogy can be drawn between the instate stand-alone project, and the AGIA and Denali pipeline efforts that are on-going and in preparation to achieve project sanction. The table below outlines the estimated costs published in the AGIA January report to legislators. This amount does not bring the project to construction readiness.

Estimated Project Spending Through FERC Certification (Thousands $)								
Fiscal Year	Pre-License	2009	2010	2011	2012	2013	2014	TOTAL
Total Annual	$2,527	$17,812	$126,498	$139,517	$137,128	$137,128	$137,128	
TC Alaska/EM	$2,527	$11,431	$68,833	$18,573	$13,713	$13,713	$68,950	
State of Alaska	$0	$6,381	$57,666	$120,944	$123,415	$123,415	$68,178	
Total Cumulative	$2,527	$20,339	$146,837	$286,354	$423,482	$560,610	$697,738	**$697,738**
TC Alaska/EM	$2,527	$13,958	$82,791	$101,363	$115,076	$128,789	$197,738	**$197,738**
State of Alaska	$0	$6,381	$64,047	$184,991	$308,406	$431,821	$500,000	**$500,000**

The funding requirements below outlines the increase staff needs to manage such a project and builds on and incorporates the funding requested in the FY 2011 Governor's Office operating budget. The details of the initial 6,500.0 funding request is also attached.

PERSONAL SERVICES: 1223.2 - increased to include 7 staff as follows:

Project Manager Rg 26
Engineering Manager Rg 26
Commercial Manager Rg 26
Permitting and Right of Way Manager Rg 26

(Personal Services - continued)

Legislative Liaison/Public Outreach Officer Rg 23
Finance/budget analyst Rg 22
Schedule Coordinator Rg 21

Current 6500.0 request includes 322.2 for personal services, fiscal note increases total personal services to 1,223.2. Following years include schedules merit increases for all but professional staff.

TRAVEL: 116.8 - increases project travel to accommodate Steering Committee meetings to include 3-day meetings in Anchorage each month for 4 months, 1-day Steering Committee meeting each month for remaining 8 months in FY11. FY 2012 includes project travel and Steering Committee meetings for four months. Fiscal note includes travel costs for the 16 committee members appointed under Sec. 38.34.070 (9) and assumes that for members identified in Sec 38.34.070 (1) thru (8) travel will be paid by individual's employing agencies. FY2013 thru FY2016 reflects project travel only.

CONTRACTUAL: Indeterminate

The level of engineering and environmental work necessary to sanction and begin construction on a gas line project of this magnitude is substantial. Determining minimum cost estimates that can be included in this fiscal note is not possible with the available time. The numbers included below should be viewed as minimums and are based on pipeline construction experience and initial costing work by the contractors currently on the project. These numbers are not final and will have a wide variance as work continues.

Pipeline Engineering:
A minimum of 41,666.6 each year for 3 years (total 125,000.0) for fast track engineering costs up to project sanction. This is a very rough estimate and does not include funding for equipment, facilities and pipe purchase, or any associated pre-construction costs materials costs.

Pipeline engineering services up to construction focus on the development of the construction plan, construction schedules, determination of long lead items a funding quality cost estimate and preparation of bid ready plans and specifications,. The design effort defines and optimizes pipeline routing, pipe material and ancillaries, balancing the cost and the need to acquire permits and ensure integrity throughout the design life.

(Contractual - continued)

Key activities include:

- Refined route topographical definition through survey, aerial photography, LiDAR and other data acquisition techniques
- Additional route geotechnical characterization through field investigations, borehole acquisition, trenching and fault identification
- Refining waterway crossing designs though field reconnaissance of crossings, flow characterization, scour analysis, bank and approaches evaluation
- Pipeline design including product hydraulics analysis, coupled gas-subsurface interaction analysis, geohazards evaluation, pipe and coatings material selection, welding specifications
- Civil material source (gravel, select fill) identification and quantity/quality evaluation, site opening and operations plan, site restoration plan
- Construction logistics including facilities requirements for ports/airports/roads, new access roads, trucking requirements, laydown yards
- Construction plan including construction camp design, alignment ROW design, construction roads (ice/snow/gravel), pipe laying productivity, special design areas (e.g. Atigun Pass)
- Post-construction activities planning including ROW restoration and revegetation, monitoring of alignment and construction completion, startup of pipeline

Environmental:
10,333.3 each year for 3 years (total 31,000.0) for environmental costs up to project sanction (see ASRC cost estimate attached)

Facilities engineering: Estimated greater than 200,000.0 but indeterminate at this time. The costs for this engineering effort will be available upon completion of current facilities work, estimated availability: May of 2010. Facilities engineering services leading to construction mirror pipeline procedures and focus on completion of the design of the project facilities. This includes planning to enable procurement lead time to start the module construction, evaluation of the module transport and completion on-site, and aiding the permitting process to ensure all facilities construction and planned operations are in full compliance with regulations and stipulations. Key activities include:

- Specifications of natural gas input streams and desired product streams. Key is the development of the process flow diagrams to enable this
- Site identification and site design preparation, including development of data needs to satisfy regulatory requirements (e.g. EPA)
- Identification of major process design elements, specification of design requirements for each process element
- Identification and qualification of potential vendors for major process design elements

(Contractual – continued)

- Process and Instrumentation diagram (P&ID) depicting interconnections of mechanical and electrical systems
- Preparation of facility building design including mechanical layouts
- Design of operational requirements including controls, HAZOP, safety requirements, fulfillment of regulations and stipulated requirements
- Preparation of design for development of a funding quality cost estimate
- Preparation of construction bid(s) for both module construction, and installation on-site
- Module logistics, including transportation safety and material handling requirements
- Alaskan installation construction plan including development of construction camp, construction personnel requirements, camp support and interface with pipeline construction requirements.

500.00 for FY2011, 2012 and 2013 for commercial analysis of downstream industrial opportunities; reduced to 200.0 for 2014 thru 2016.

100.0 for public outreach, information dissemination, printing, advertising, postage.

83.0 annual office lease space

RSAs: 1172.3 - for state agencies required participation:
500.0 for Joint Pipeline office (includes funds to F&G, DEC, etc. for state permitting activities FY2011 only

672.3 DNR Division of Mining, Land, and Water - FY2011 only (see fiscal note attached)

SUPPLIES: 29.0 increases FY2011 request to 29.0 for increased staff and fast-track activities.

EQUIPMENT: 84.3 one-time office set-up

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Cook
3/10/10

CS FOR HOUSE BILL NO. 369(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES CHENAULT, Ramras, Olson

A BILL

FOR AN ACT ENTITLED

"An Act relating to an in-state natural gas pipeline, the office of in-state gasline project manager, and the Joint In-State Gasline Development Team; and providing for an effective date."

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

*** Section 1.** AS 38 is amended by adding new sections to read:

Chapter 34. In-State Natural Gas Pipeline.

Sec. 38.34.010. In-state gasline project manager. (a) The position of in-state gasline project manager is created in the Office of the Governor. The Office of the Governor shall provide administrative support for the position. The position shall continue until one year after commencement of commercial operation of the in-state natural gas pipeline.

(b) The governor shall appoint an individual to the position of in-state gasline project manager. The manager is in the exempt service under AS 39.25.110. The person serving as the in-state gasline project manager may be removed from the

position at the discretion of the governor, who shall appoint another person to the position.

(c) The in-state gasline project manager shall

(1) collaborate with other state agencies to perform planning and other work on the in-state natural gas pipeline project under this chapter;

(2) coordinate with government agencies and the private sector on issues involving construction, ownership, and operation of the in-state natural gas pipeline;

(3) prepare written monthly progress reports setting out the monthly expenditures of funds spent in the development of the in-state natural gas pipeline, including projections of future expenditures and efforts needed to develop the in-state natural gas pipeline, and submit each report to the legislature by the last day of the month immediately following the month covered in the report.

Sec. 38.34.020. Expedited review and action by state agencies. (a) A review conducted and action taken by a state agency relating to the in-state natural gas pipeline project under this chapter shall be expedited in a manner consistent with the timely completion of the project.

(b) Notwithstanding any contrary provision of law, a state agency may not include in any project certificate, right-of-way, permit, or other authorization issued to the licensee a term or condition that is not required by law if the in-state gasline project manager determines that the term or condition would prevent or impair, in any significant respect, the expeditious construction and operation or expansion of the in-state natural gas pipeline project.

(c) Unless required by law, a state agency may not add to, amend, or abrogate any certificate, right-of-way, permit, or other authorization issued to a licensee if the in-state gasline project manager determines that the action would prevent or impair, in any significant respect, the expeditious construction, operation, or expansion of the in-state natural gas pipeline project.

Sec. 38.34.030. Joint In-state Gasline Development Team. (a) The Joint In-state Gasline Development Team is established in the Office of the Governor. The development team consists of four members as follows:

(1) the commissioner of transportation and public facilities, or the commissioner's designee;

(2) the chief executive officer of the Alaska Railroad Corporation;

(3) the chief executive officer of the Alaska Natural Gas Development Authority; and

(4) the in-state gasline project manager.

(b) The chief executive officer of the Alaska Railroad Corporation is the chair of the development team.

(c) The development team may hire staff, enter into contracts, and exercise other powers necessary to carry out its functions.

Sec. 38.34.040. Duties of the development team. (a) The Joint In-state Gasline Development Team shall consider all aspects of the in-state natural gas pipeline project, including public or private construction of the pipeline, marketing of natural gas, a financing plan for pipeline construction, the purchase of natural gas from producers, maximizing hiring of residents in connection with the pipeline project, delivery and costs of natural gas to communities along the pipeline route, manufacturing opportunities for gas-to-liquids, plans for delivery and costs of liquefied natural gas or propane to Yukon river and coastal communities, and acquisition of natural gas market share sufficient to ensure the long-term feasibility of the in-state natural gas pipeline project.

(b) The development team shall ensure that construction is ready to begin on an in-state natural gas pipeline by July 1, 2011, and take actions necessary to enable natural gas to flow down the pipeline by 2015.

(c) The development team shall

(1) select a route for an in-state natural gas pipeline that runs from the North Slope to tidewater that, to the extent consistent with other requirements of this subsection,

(A) is the most economical;

(B) will provide natural gas to residents at a reasonable cost;

(C) uses state land and existing state highway and railroad rights-of-way to the maximum extent;

(D) uses existing highway and railroad bridges, gravel pits, equipment yards, and maintenance facilities, and other existing facilities and resources to the maximum extent;

(2) identify land or rights-of-way that must be obtained for construction and operation of the in-state natural gas pipeline and take action necessary to enable the Department of Transportation and Public Facilities to acquire those interests;

(3) prepare plans and designs necessary for construction of the in-state natural gas pipeline;

(4) identify all permits and licenses needed to construct the in-state natural gas pipeline and proceed with applications for those permits and licenses;

(5) prepare and update estimates of construction and other costs of pipeline construction;

(6) take any action necessary so that construction may begin on the in-state natural gas pipeline by July 1, 2011, and report to the legislature by that date.

Sec. 38.34.050. Cooperation and access to information. (a) Notwithstanding other laws, the Joint In-state Gasline Development Team may have access to information of a state entity, including confidential information, that may relate to the in-state natural gas pipeline or prove useful in planning, design, construction, or operation of the pipeline. Confidential information received by the development team shall be kept confidential.

(b) All state agencies and other entities shall cooperate with and, except for requests from the Alaska Gasline Inducement Act coordinator (AS 43.90.250), give priority to requests for information from the Joint In-state Gasline Development Team. The development team shall avoid duplicating studies, plans, and designs that have already been produced or otherwise obtained by other state entities.

Sec. 38.34.060. Conflicts of interest. If a member of the Joint In-state Gasline Development Team acquires, owns, or controls an interest, direct or indirect, in property, an organization, or a business that might be affected by the in-state natural gas pipeline project or other matter under consideration by the development team, the member shall immediately disclose the interest to the development team. The

disclosure is a matter of public record and shall be included in the minutes of the first meeting of the development team held after the disclosure.

Sec. 38.34.099. Definitions. In this chapter,

(1) "in-state natural gas pipeline" means a pipeline for transporting natural gas that runs from the North Slope to tidewater in the state;

(2) "North Slope" means that area of Alaska lying north of 68 degrees North latitude.

*** Sec. 2.** AS 39.25.110 is amended by adding a new paragraph to read:

(43) the in-state gasline project manager appointed under AS 38.34.010.

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

26-LS1527\S.1
Cook
3/10/10

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE SEATON

TO: CSHB 369(RES), Draft Version "S"

Page 3, line 18, following "communities,":

Insert "the cost of transporting natural gas to other locations in the state,"

Page 3, line 26, following "tidewater":

Insert "in the state and to other locations in the state"

Page 5, line 5, following "state":

Insert "and to other locations in the state"

4734

KAWASAKI

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 369(RES), Draft Version "S"

Page 3, line 22:

Delete "by July 1, 2011, and take actions necessary"

Page 3, line 23:

Delete "2015."

Insert "2016. The development team shall make a commercial offering by July 1, 2011. The commercial offering must consist of the issuance of a request for proposals to potential in-state natural gas pipeline project developers who will own the project or a portion of it. The request for proposals must require that commercial evaluations in the proposals be based on engineering and permitting completed by the state and its contractors and that proposals include reimbursement for the cost incurred by the state of engineering work and gathering and interpreting data. The request for proposals must include notice that proposals will be analyzed by the state, together with terms and conditions for selection. The development team shall report to the legislature on the date the commercial offering is ready."

Page 4, line 8:

Delete "for construction of"

Insert "to meet construction deadlines for"

Page 4, line 15:

Delete "by July 1, 2011, and report to the legislature by that date"

Insert "to enable natural gas to flow down the pipeline by 2016"

Stand Alone Gas Pipeline Project

Alternative Schedule*

DRAFT

SCHEDULE	2009				2010				2011				2012				2013				2014				2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Engineering Support																																				
Design Basis	=>																																			
Corridor Selection	=>																																			
Conceptual Design	=>																																			
Alternatives Analysis																																				
Project Description (filing)	=>																																			
Final Project Description																																				
Cost Estimate & Logistics	=>																																			
Project Documentation Package																																				
Permitting																																				
COE 404																																				
Federal and State ROW																																				
Draft EIS						X																														
Final EIS										X																										
Additional Permits and NTP's																																				
Project Review & Sanction																																				
Company Due Diligence																																				
Transfer of Permits																																				
Project Sanction																		X																		
Detailed Engineering Design																																				
Pipeline																																				
Facilities																																				
Cost Estimate & Logistics																																				
GCP Construction																																				
Order Equipment																		X																		
Fabricate Modules																																				
Pre-construction Preparation																																				
Module sea-lift																																				
Install & Testing																																				
Compressor Stations																																				
Order Equipment																		X																		
Fabricate Skids																																				
Pre-construction Preparation																																				
Construction & Testing																																				
Pipeline																																				
Order Pipe and Valves																		X																		
Pre-construction Preparation																																				
Construction & Testing																																				
NGL Plant & Storage																																				
Order Equipment																		X																		
Fabricate Skids																																				
Pre-construction Preparation																																				
Construction & Testing																																				
Start-up																																				
Start-up & Operations																																				X

* Assumes timely availability of fabrication facilities, equipment and craftsman for GCP

ASRC Energy Services
a subsidiary of Arctic Slope Regional Corporation

Memorandum

Date: February 25, 2010
To: Bob Swenson, Executive Director
Alaska In-State Gas Pipeline Project
From: Mike Sotak, Senior Project Manager
Subject: Rough Order of Magnitude Cost Estimate for In-State Gas Pipeline Environmental and Permitting Tasks

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ASRC Energy Services (AES), contractor to the Alaska Department of Natural Resources (ADNR) for the In-State Gas Pipeline Project, has prepared the following rough order of magnitude (ROM) cost estimate for completing the necessary environmental and permitting tasks so that construction of the pipeline can begin eighteen (18) months from now. The ROM breaks down costs by task below:

Task Name	ROM Cost Estimate	
	Pipeline (includes Compressor Stations)	Gas Treatment Plant
• State of Alaska Right-of-Way Lease and Bureau of Land management Right-of-Way Grant Applications • U.S. Army Corps of Engineers Section 404 permit (wetlands)	$1M	$500K
• Pre-Construction Permits (priority) o ADNR Permits to appropriate water, temporary water use o EPA NPDES o USCG Section 9 Bridge Permit o USACE Section 10 Navigable Waters o ADFG Fish Habitat Protection Permits o Section 106 National Historic Preservation Act o Local Land Use Permits and Authorizations o Essential Fish Habitat Consultation o Alaska Coastal Management Plan Consistency Determination (NSB, MSB)	$2.5M	$400K
• Notice to Proceed Permits and Plans o Plans of Operation o Solid Waste, wastewater disposal management o Encroachment authorizations and easements o Reclamation plans o Hazardous waste management o Oil discharge prevention plans o Letter of Authorization (polar bear)	$2.5M	$500K
• Environmental Impact Statement (expedited)	$1M	$1M
• Environmental Field Programs to support EIS and Permits	$10M	$2.5M
• Stakeholder Engagement and Environmental Justice	$1.8M	$200K
• Monitoring and Mitigation	$2.5M	$500K
• Air Quality permits to operate	$1M	$1.5M
• BLM reimbursable	$1.25M	$250K
Total Estimate	$23.55M	$7.35M

2700 Gambell, Suite 200, Anchorage, Alaska 99503 • (907) 339-6200 • fax (907) 339-5475 • www.asrcenergy.com

In-State Stand Alone Pipeline - FY11 Budget Narrative

1. Completion of environmental and permitting for USACE and State and Federal right-of-way approvals.

Total Estimated Expenditures **$ 2,000,000**

- Project Management - AES will continue to support the State of Alaska's project team and be involved with State of Alaska and the U.S. Army Corps of Engineers (USACE) in supporting the third-party EIS consultant with the NEPA review.
- Permitting - AES continue with the development and coordination with the USACE, BLM and State Pipeline Coordinator on the three major permits filed in 2009 and will begin working on ten other key permits for submission in late 2010 so that processing and the negotiations for permit approvals and mitigation measures may be completed in time for sale of the In-State pipeline asset to a future pipeline company.
- Stakeholder Engagement - Prepare and implement a stakeholder engagement program to support project development. Includes stakeholder contact database, and issues information. Engagement with the local boroughs, their communities and residents, tribal governments, the USACE, USFWS, BLM, State of Alaska, Native Corporations are critical.
- Wetlands - Conduct wetlands field program in the northern and southern sections of the proposed In-State Pipeline Project corridor to complete verification of wetlands pre-mapped to prepare for submission of the Preliminary Jurisdictional Determination to the USACE for their approval of the Section 404 Jurisdictional Determination; complete vegetation and habitat analysis. Provide assistance to the EIS contractor as required.
- Stream Crossings - compile the fish and wildlife resource data necessary for permit applications and assessing potential project impacts under the NEPA process. All data collection needs will be adjusted as necessary in accordance with the outcome of the draft EIS and provide information for engineering design and routing.
- Cultural - Phase one cultural resource studies will examine a potential corridor sufficiently large so that a right-of-way can be refined to the best possible alignment to avoid or minimize impacts to cultural resources.
- Lake Studies – Lake studies and surveys will be conducted primarily on the North Slope to assess the potential for water availability for use during winter construction.
- Wildlife and Bird Surveys – As needed to support the EIS process, wildlife and bird (raptor) studies will be conducted during the 2010 field season.
- Air and Noise Analysis – Evaluate compressor station locations for air emission issues and determine the need for air monitoring and weather stations to develop information for ADEC permitting.

4738

- Pre-mapping - Prepare the wetlands pre-mapping information for route changes or alignments that have not been assessed such as the Gubik route, the Denali reroute, some of Minto Flats rerouted alignment, and so forth.

2. Engineering data acquisition for detailed engineering design of the project.

Total Estimated Expenditures: **$3,500,000**

- Gather detailed geotechnical data on major river crossings. The preferred river crossing method is assumed to be HDD (Horizontal Directional Drill). The assessment of the applicability of crossing rivers with HDD requires site specific geotechnical information. Additional field information on river approaches and total crossing length needs to be collected to verify use of HDD. This activity includes mapping and the drilling of geotechnical site investigation boreholes.

- Gather engineering field data. Pinch points such as Atigun Pass, Yukon River, and Denali Park require additional field verification of soils, available construction space and detailed routing to avoid conflicts with other facilities and to develop and verify conceptual design. Engineering field data is required to investigate and verify route geotechnical conditions and includes information on seasonal ground temperatures, geohazards and foundation conditions at project facilities (Gas Conditioning, Compressor Stations and NGL separation and storage). This information will be used to verify locations and develop conceptual designs to be included in final project documentation. This activity includes field mapping and the drilling of geotechnical site investigation boreholes with installation and monitoring of ground temperatures. Results will be analyzed and will be reported in a engineering report.

- Refine pipeline routing. The current pipeline routing is within a 2000 foot wide corridor. The actual centerline of the corridor has not been vetted and verified as the optimum route. Final route identification will be optimized for pipeline constructability, avoidance of environmentally sensitive areas, minimized TAPS, Highway and Railroad crossings, facilities location and optimized river crossings locations. These route adjustments will be made, if possible, within the 2000 foot wide corridor currently identified. Results of the engineering evaluation will be used to update the project GIS (Geographical Information System) and will be reported in a engineering report.

3. Refinement of Cost of Service estimates and Tariff modeling

Total Estimated Expenditures: **$750,000**

- Peer review engineering cost assessment of railbelt natural gas alternatives, and commercial assessment of options . There are a number of different project alternatives that have been proposed to alleviate the need for augmented for railbelt energy supply. They include two bullet line alternatives, two spur line alternatives, provision of propane from Prudhoe Bay to Fairbanks and other interior communities, LNG manufacturing on the North Slope to provide gas supply to Fairbanks and possibly other railbelt communities, and facilities to import LNG. Most of the analyses developed do not compare alternatives using similar assumptions for

26-LS1527\S
Cook
3/10/10

CS FOR HOUSE BILL NO. 369(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES CHENAULT, Ramras, Olson

A BILL

FOR AN ACT ENTITLED

"An Act relating to an in-state natural gas pipeline, the office of in-state gasline project manager, and the Joint In-State Gasline Development Team; and providing for an effective date."

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

*** Section 1.** AS 38 is amended by adding new sections to read:

Chapter 34. In-State Natural Gas Pipeline.

Sec. 38.34.010. In-state gasline project manager. (a) The position of in-state gasline project manager is created in the Office of the Governor. The Office of the Governor shall provide administrative support for the position. The position shall continue until one year after commencement of commercial operation of the in-state natural gas pipeline.

(b) The governor shall appoint an individual to the position of in-state gasline project manager. The manager is in the exempt service under AS 39.25.110. The person serving as the in-state gasline project manager may be removed from the

position at the discretion of the governor, who shall appoint another person to the position.

(c) The in-state gasline project manager shall

(1) collaborate with other state agencies to perform planning and other work on the in-state natural gas pipeline project under this chapter;

(2) coordinate with government agencies and the private sector on issues involving construction, ownership, and operation of the in-state natural gas pipeline;

(3) prepare written monthly progress reports setting out the monthly expenditures of funds spent in the development of the in-state natural gas pipeline, including projections of future expenditures and efforts needed to develop the in-state natural gas pipeline, and submit each report to the legislature by the last day of the month immediately following the month covered in the report.

Sec. 38.34.020. Expedited review and action by state agencies. (a) A review conducted and action taken by a state agency relating to the in-state natural gas pipeline project under this chapter shall be expedited in a manner consistent with the timely completion of the project.

(b) Notwithstanding any contrary provision of law, a state agency may not include in any project certificate, right-of-way, permit, or other authorization issued to the licensee a term or condition that is not required by law if the in-state gasline project manager determines that the term or condition would prevent or impair, in any significant respect, the expeditious construction and operation or expansion of the in-state natural gas pipeline project.

(c) Unless required by law, a state agency may not add to, amend, or abrogate any certificate, right-of-way, permit, or other authorization issued to a licensee if the in-state gasline project manager determines that the action would prevent or impair, in any significant respect, the expeditious construction, operation, or expansion of the in-state natural gas pipeline project.

Sec. 38.34.030. Joint In-state Gasline Development Team. (a) The Joint In-state Gasline Development Team is established in the Office of the Governor. The development team consists of four members as follows:

(1) the commissioner of transportation and public facilities, or the commissioner's designee;

(2) the chief executive officer of the Alaska Railroad Corporation;

(3) the chief executive officer of the Alaska Natural Gas Development Authority; and

(4) the in-state gasline project manager.

(b) The chief executive officer of the Alaska Railroad Corporation is the chair of the development team.

(c) The development team may hire staff, enter into contracts, and exercise other powers necessary to carry out its functions.

Sec. 38.34.040. Duties of the development team. (a) The Joint In-state Gasline Development Team shall consider all aspects of the in-state natural gas pipeline project, including public or private construction of the pipeline, marketing of natural gas, a financing plan for pipeline construction, the purchase of natural gas from producers, maximizing hiring of residents in connection with the pipeline project, delivery and costs of natural gas to communities along the pipeline route, manufacturing opportunities for gas-to-liquids, plans for delivery and costs of liquefied natural gas or propane to Yukon river and coastal communities, and acquisition of natural gas market share sufficient to ensure the long-term feasibility of the in-state natural gas pipeline project.

(b) The development team shall ensure that construction is ready to begin on an in-state natural gas pipeline by July 1, 2011, and take actions necessary to enable natural gas to flow down the pipeline by 2015.

(c) The development team shall

(1) select a route for an in-state natural gas pipeline that runs from the North Slope to tidewater that, to the extent consistent with other requirements of this subsection,

(A) is the most economical;

(B) will provide natural gas to residents at a reasonable cost;

(C) uses state land and existing state highway and railroad rights-of-way to the maximum extent;

(D) uses existing highway and railroad bridges, gravel pits, equipment yards, and maintenance facilities, and other existing facilities and resources to the maximum extent;

(2) identify land or rights-of-way that must be obtained for construction and operation of the in-state natural gas pipeline and take action necessary to enable the Department of Transportation and Public Facilities to acquire those interests;

(3) prepare plans and designs necessary for construction of the in-state natural gas pipeline;

(4) identify all permits and licenses needed to construct the in-state natural gas pipeline and proceed with applications for those permits and licenses;

(5) prepare and update estimates of construction and other costs of pipeline construction;

(6) take any action necessary so that construction may begin on the in-state natural gas pipeline by July 1, 2011, and report to the legislature by that date.

Sec. 38.34.050. Cooperation and access to information. (a) Notwithstanding other laws, the Joint In-state Gasline Development Team may have access to information of a state entity, including confidential information, that may relate to the in-state natural gas pipeline or prove useful in planning, design, construction, or operation of the pipeline. Confidential information received by the development team shall be kept confidential.

(b) All state agencies and other entities shall cooperate with and, except for requests from the Alaska Gasline Inducement Act coordinator (AS 43.90.250), give priority to requests for information from the Joint In-state Gasline Development Team. The development team shall avoid duplicating studies, plans, and designs that have already been produced or otherwise obtained by other state entities.

Sec. 38.34.060. Conflicts of interest. If a member of the Joint In-state Gasline Development Team acquires, owns, or controls an interest, direct or indirect, in property, an organization, or a business that might be affected by the in-state natural gas pipeline project or other matter under consideration by the development team, the member shall immediately disclose the interest to the development team. The

disclosure is a matter of public record and shall be included in the minutes of the first meeting of the development team held after the disclosure.

Sec. 38.34.099. Definitions. In this chapter,

(1) "in-state natural gas pipeline" means a pipeline for transporting natural gas that runs from the North Slope to tidewater in the state;

(2) "North Slope" means that area of Alaska lying north of 68 degrees North latitude.

*** Sec. 2.** AS 39.25.110 is amended by adding a new paragraph to read:

(43) the in-state gasline project manager appointed under AS 38.34.010.

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

Debra Higgins

From: Rex Shattuck
Sent: Tuesday, March 09, 2010 9:39 PM
To: LAA Legal
Cc: Debra Higgins
Subject: HB 369

Please amend HB 369, version 26-LS1527\E in the following manner –this is to be a new work draft for the Committee:

1) Page 4, line 25 delete Sec 38.34.070
2) Page 6, line 25 delete Sec 38.34.090
3) Page 6, line 11 incorporate Sec 38.34.080 "Duties of the steering committee" into Page 3, line 11 "Duties of the development team".
   As we are doing away with the steering committee in Sec 38.34.070 we want to shift the responsibilities to the development team.
   Note that page 6, lines 21 thru 24 are no longer valid due to there no longer being a steering committee.

   We will be bring this new CS up at a 6 pm Resource Committee meeting on Wednesday evening 10 Mar 2010. It is expected that the Resource Committee will recess to a call of the chair at the end of its scheduled 1pm meeting.

   Please feel free to contact me with any question.

Rex Shattuck
Resource Committee Aide &
Staff to Representative Mark Neuman
Co-Chair, House Resources Committee
(907)465-2679

26-LS1527\E
Cook
3/2/10

CS FOR HOUSE BILL NO. 369(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES CHENAULT, Ramras, Olson

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

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Chapter 34. In-State Natural Gas Pipeline.

Sec. 38.34.010. In-state gasline project manager. (a) The position of in-state gasline project manager is created in the Office of the Governor. The Office of the Governor shall provide administrative support for the position. The position shall continue until one year after commencement of commercial operation of the in-state natural gas pipeline.

(b) The governor shall appoint an individual to the position of in-state gasline project manager. The manager is in the exempt service under AS 39.25.110. The person serving as the in-state gasline project manager may be removed from the

position at the discretion of the governor, who shall appoint another person to the position.

(c) The in-state gasline project manager shall

(1) collaborate with other state agencies to perform planning and other work on the in-state natural gas pipeline project under this chapter;

(2) coordinate with government agencies and the private sector on issues involving construction, ownership, and operation of the in-state natural gas pipeline;

(3) prepare written monthly progress reports setting out the monthly expenditures of funds spent in the development of the in-state natural gas pipeline, including projections of future expenditures and efforts needed to develop the in-state natural gas pipeline, and submit each report to the legislature by the last day of the month immediately following the month covered in the report.

Sec. 38.34.020. Expedited review and action by state agencies. (a) A review conducted and action taken by a state agency relating to the in-state natural gas pipeline project under this chapter shall be expedited in a manner consistent with the timely completion of the project.

(b) Notwithstanding any contrary provision of law, a state agency may not include in any project certificate, right-of-way, permit, or other authorization issued to the licensee a term or condition that is not required by law if the in-state gasline project manager determines that the term or condition would prevent or impair, in any significant respect, the expeditious construction and operation or expansion of the in-state natural gas pipeline project.

(c) Unless required by law, a state agency may not add to, amend, or abrogate any certificate, right-of-way, permit, or other authorization issued to a licensee if the in-state gasline project manager determines that the action would prevent or impair, in any significant respect, the expeditious construction, operation, or expansion of the in-state natural gas pipeline project.

Sec. 38.34.030. Joint In-state Gasline Development Team. (a) The Joint In-state Gasline Development Team is established in the Office of the Governor. The team consists of four members as follows:

(1) the commissioner of transportation and public facilities, or the commissioner's designee;

(2) the chief executive officer of the Alaska Railroad Corporation;

(3) the chief executive officer of the Alaska Natural Gas Development Authority; and

(4) the in-state gasline project manager.

(b) The chief executive officer of the Alaska Railroad Corporation is the chair of the Joint In-state Gasline Development Team.

(c) The development team may hire staff, enter into contracts, and exercise other powers necessary to carry out its functions.

Sec. 38.34.040. Duties of the development team. (a) The Joint In-state Gasline Development Team shall ensure that construction is ready to begin on an in-state natural gas pipeline by July 1, 2011, and take actions necessary to enable natural gas to flow down the pipeline by 2015.

(b) The Joint In-state Gasline Development Team shall

(1) select a route for an in-state natural gas pipeline that runs from the North Slope to tidewater that, to the extent consistent with other requirements of this subsection,

(A) is the most economical;

(B) will provide natural gas to residents at a reasonable cost;

(C) uses state land and existing state highway and railroad rights-of-way to the maximum extent;

(D) uses existing highway and railroad bridges, gravel pits, equipment yards, and maintenance facilities, and other existing facilities and resources to the maximum extent;

(2) identify land or rights-of-way that must be obtained for construction and operation of the in-state natural gas pipeline and take action necessary to enable the Department of Transportation and Public Facilities to acquire those interests;

(3) prepare plans and designs necessary for construction of the in-state natural gas pipeline;

(4) identify all permits and licenses needed to construct the in-state natural gas pipeline and proceed with applications for those permits and licenses;

(5) prepare and update estimates of construction and other costs of pipeline construction;

(6) take any action necessary so that construction may begin on the in-state natural gas pipeline by July 1, 2011, and report to the legislature by that date.

Sec. 38.34.050. Cooperation and access to information. (a) Notwithstanding other laws, the Joint In-state Gasline Development Team may have access to information of a state entity, including confidential information, that may relate to the in-state natural gas pipeline or prove useful in planning, design, construction, or operation of the pipeline. Confidential information received by the development team shall be kept confidential.

(b) All state agencies and other entities shall cooperate with and, except for requests from the Alaska Gasline Inducement Act coordinator (AS 43.90.250), give priority to requests for information from the Joint In-state Gasline Development Team. The development team shall avoid duplicating studies, plans, and designs that have already been produced or otherwise obtained by other state entities.

Sec. 38.34.060. Conflicts of interest. If a member of the Joint In-state Gasline Development Team acquires, owns, or controls an interest, direct or indirect, in property, an organization, or a business that might be affected by the in-state natural gas pipeline project or other matter under consideration by the development team, the member shall immediately disclose the interest to the development team. The disclosure is a matter of public record and shall be included in the minutes of the first meeting of the development team held after the disclosure.

Sec. 38.34.070. In-state Gasline Steering Committee. (a) The In-state Gasline Steering Committee is created in the Office of the Governor to provide advice to the Joint In-state Gasline Development Team. The steering committee consists of the

(1) president of the senate, or the president's designee;

(2) speaker of the house of representatives, or the speaker's designee;

(3) commissioner of commerce, community, and economic

development, or the commissioner's designee;

(4) commissioner of labor and workforce development, or the commissioner's designee;

(5) chair of the Regulatory Commission of Alaska, or the chair's designee;

(6) executive director of the Alaska Permanent Fund Corporation;

(7) executive director of the Alaska Industrial Development and Export Authority;

(8) executive director of the Alaska Housing Finance Corporation;

(9) following individuals appointed by the Joint In-state Gasline Development Team:

(A) an individual with financial background;

(B) an individual with oil or natural gas pipeline experience;

(C) an individual who represents a corporation organized under 43 U.S.C. 1601 et seq. (Alaska Native Claims Settlement Act);

(D) an individual who represents a nonprofit corporation organized by a Native organization organized under federal law;

(E) an individual who represents an oil and gas trade association;

(F) an individual who represents a natural gas utility;

(G) an individual who represents an electric utility;

(H) an individual from the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects;

(I) an individual who represents the North Slope Borough;

(J) an individual who represents the Fairbanks North Star Borough;

(K) an individual who represents the Matanuska-Susitna Borough;

(L) an individual who represents the Municipality of Anchorage;

(M) an individual who represents the Kenai Peninsula

Borough;

(N) an individual who represents Delta Junction;

(O) an individual who represents Glennallen;

(P) an individual who represents Valdez;

(Q) an individual who represents the Denali Borough.

(b) The members appointed under (a)(9) of this section serve without compensation but are entitled to per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

(c) The members of the steering committee shall select a chair and vice-chair from among the membership.

Sec. 38.34.080. Duties of the steering committee. (a) The In-state Gasline Steering Committee shall consider all aspects of the in-state natural gas pipeline project, including public or private construction of the pipeline, marketing of natural gas, a financing plan for pipeline construction, the purchase of natural gas from producers, maximizing hiring of residents in connection with the pipeline project, delivery and costs of natural gas to communities along the pipeline route, manufacturing opportunities for gas-to-liquids, plans for delivery and costs of liquefied natural gas or propane to Yukon river and coastal communities, and acquisition of natural gas market share sufficient to ensure the long-term feasibility of the in-state natural gas pipeline project.

(b) The Joint In-state Gasline Development Team may assign specific issues to the In-state Gasline Steering Committee for its consideration and recommendations.

(c) The In-state Gasline Steering Committee shall report its conclusions and recommendations to the Joint In-state Gasline Development Team.

Sec. 38.34.090. Conflicts of interest and ethics. (a) If a member of the In-state Gasline Steering Committee acquires, owns, or controls an interest, direct or indirect, in property, an organization, or business that might be affected by the in-state natural gas pipeline project or other matter under consideration by the steering committee, the member shall immediately disclose the interest to the steering committee. The disclosure is a matter of public record and shall be included in the minutes of the first meeting of the steering committee held after the disclosure.

(b) AS 39.52 does not apply to a member of the In-state Gasline Steering Committee appointed under AS 38.34.070(a)(9).

Sec. 38.34.099. Definitions. In this chapter,

(1) "in-state natural gas pipeline" means a pipeline for transporting natural gas that runs from the North Slope to tidewater in the state;

(2) "North Slope" means that area of Alaska lying north of 68 degrees North latitude.

*** Sec. 2.** AS 39.25.110 is amended by adding a new paragraph to read:

(43) the in-state gasline project manager appointed under AS 38.34.010.

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

ALASKA STATE LEGISLATURE

House Resources Committee

Craig Johnson, Co-Chair

State Capitol Building, Room 126
Juneau, AK 99801-1182
(907) 465-4993
FAX (907) 465-3872
Rep_Craig_Johnson@legis.state.ak.us

Mark Neuman, Co-Chair

State Capitol Building, Room 432
Juneau, AK 99801-1182
(907) 465-2679
FAX (907) 465-4822
Rep_Mark_Neuman@legis.state.ak.us

FAX

To:	Tam Cook, Director, Leg Legal	**From:**	Debra Higgins
Fax:	465-2029	**Phone:**	465-3715
Date:	3/01/10	**CC:**	
Re:	Draft CS for HB 369 (26-LS1527\R)	**Pages with Cover:**	5

HB 369 (26-LS1527\R) was amended in House Resources with the attached: R.1, R.2 and R.3 dated 2/24/10, and R.4 dated 3/01/10.

There was also a conceptual amendment adopted:

Page 2, line 12: after "gas pipeline."
Insert: "The reports are due at the end of the month following the month for which that report is covered."

Please send a draft CS with the amendments included. If you have any questions, I'm at 465-3715 or 317-2409. HB 369 is scheduled for next Monday, March 8th.

Thank you.

The information contained in this fax is CONFIDENTIAL and/or privileged. This fax is intended to be reviewed initially by only the individual named above. If the reader of this transmittal page is not the intended recipient or a representative of the intended recipient, you are hereby notified that any review, dissemination, or copying of this fax or the information contained herein is prohibited. If you have received this fax in error, please immediately notify the sender by telephone and return this fax to the sender at the above address.

#1

26-LS1527\R.1
Cook
2/24/10

2/26/10

AMENDMENT

OFFERED IN THE HOUSE

TO: HB 369

Page 1, line 13:

Delete "partially exempt service under AS 39.25.120"

Insert "exempt service under AS 39.25.110"

Page 7, line 6:

Delete "AS 39.25.120(c)"

Insert "AS 39.25.110"

Page 7, line 7:

Delete "(21)"

Insert "(43)"

adopted

4754

#2

26-LS1527\R.2
Cook
2/24/10

2/26/10

AMENDMENT

OFFERED IN THE HOUSE

TO: HB 369

Page 6, line 3, following "Valdez":

Insert ";

(Q) an individual who represents the Denali Borough"

adopted

4755

#3

26-LS1527\R.3
Cook
2/24/10

AMENDMENT

2/26/10

OFFERED IN THE HOUSE

TO: HB 369

Page 3, line 19:

Delete "the greatest number of"

adopted

4756

3/01/10

26-LS1527\R.4
Cook
3/1/10

AMENDMENT #8

OFFERED IN THE HOUSE

TO: HB 369

Page 4, line 13, following the second occurrence of "and":

Insert ", except for requests from the Alaska Gasline Inducement Act coordinator (AS 43.90.250),"

adopted

4757

For HB 369 file

Debra Higgins

From: Debra Higgins
Sent: Monday, March 01, 2010 8:37 PM
To: Rep. Chris Tuck
Cc: Aurah Landau
Subject: Conceptual Amendment to HB 369

Representative Tuck,

There was a technical error in the handwritten conceptual amendments that I gave you a copy of today in the House Resources Committee hearing. In listening to the testimony at 2:44:38 to 2:45:19, conceptual amendment #4 which was offered and later withdrawn by Representative Seaton dealt with additional language on page 2, line 12, rather than page 3, line 18. While it is moot at this point, please disregard the copy I gave you. Rep. Seaton than offered conceptual amendment 5 which you have a copy of that was adopted.

To summarize the amendments to HB 369, on Friday, the 26th, amendments 1,2,3 and conceptual amendment 5 were adopted. Conceptual amendment 4 and 7 were withdrawn and conceptual amendment 6 failed. Today, amendment 8 was adopted.

A blank CS has been ordered for HB 369 incorporating the adopted amendments and should be available before the hearing on Monday, the 8th.

Thanks,

Debra Higgins
Staff to Representative Craig Johnson
Co-Chair, House Resources Committee
(907) 465-3715

ALASKA STATE LEGISLATURE

House Resources Committee

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FAX

Mary Ellen called 3/02 @ 8:16am ok for Draft CS.

To:	Tam Cook, Director, Leg Legal	**From:**	Debra Higgins
Fax:	465-2029	**Phone:**	465-3715
Date:	3/01/10	**CC:**	
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#1

26-LS1527\R.1
Cook
2/24/10

2/26/10

AMENDMENT

OFFERED IN THE HOUSE

TO: HB 369

Page 1, line 13:

Delete "partially exempt service under AS 39.25.120"

Insert "exempt service under AS 39.25.110"

Page 7, line 6:

Delete "AS 39.25.120(c)"

Insert "AS 39.25.110"

Page 7, line 7:

Delete "(21)"

Insert "(43)"

adopted

#D

26-LS1527\R.2
Cook
2/24/10

2/26/10

AMENDMENT

OFFERED IN THE HOUSE

TO: HB 369

Page 6, line 3, following "Valdez":

Insert ";

(Q) an individual who represents the Denali Borough"

adopted

4761

#3

26-LS1527\R.3
Cook
2/24/10

AMENDMENT

2/26/10

OFFERED IN THE HOUSE

TO: HB 369

Page 3, line 19:

Delete "the greatest number of"

adopted

2/26/10

2:44:38 — 2:45:19

Concep. Amend #4

pg 2, line 12

"Reports are due ~~of~~ the 15th of the month ~~covered~~ following the month covered by the report."

2:48:04 withdrawn

2/26/10

Seaton Conceptual

Amendment #4

BS 3, Line 18

"to construct"

Withdrawn

2/26/10

Conceptual # 5 2:48:55 – 2:48:58

pg 2, line 12 following "pipeline."

The reports are due at the end of the month following the month for which that report is covered.

adopted
2:48:59

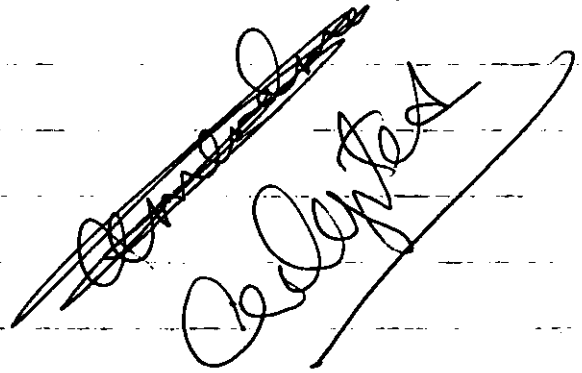
2:50pm Conceptual 2/26/10

Amendment #5

by Seaton

The reports are due at the end of the month after they are due

Need to look at minutes—



Conceptual #6

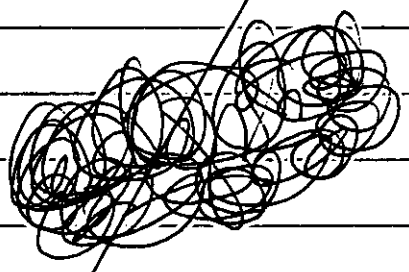
2/26/19

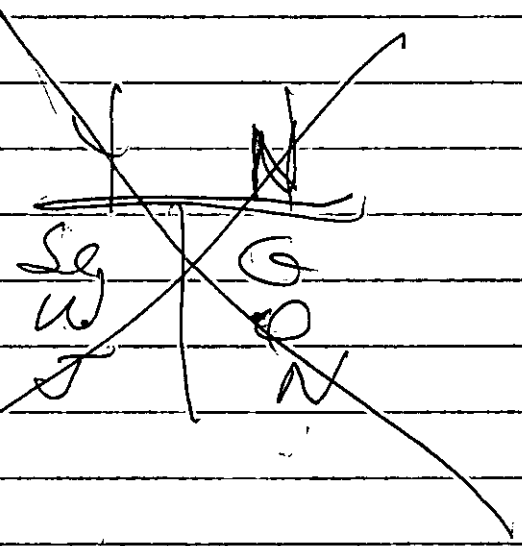
by Slater

Pg 3, line 18

insert "to construct"

after "economical"





Included

2/26/10

Conceptual #7

2/26/10
by Seaton

pg 4, line 13-14

delete "and give priority to"

Y N

withdrawn

3/01/10

26-LS1527\R.4
Cook
3/1/10

AMENDMENT #8

OFFERED IN THE HOUSE

TO: HB 369

Page 4, line 13, following the second occurrence of "and":

Insert ", except for requests from the Alaska Gasline Inducement Act coordinator (AS 43.90.250),"

adopted

L

4769

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB 369**
() Publish Date:

Identifier (file name): HB369-DOT-SDES-2-26-10
Title: In-State Pipeline/Team/Committee
Sponsor: Rep. Chenault
Requester: H. RES

Dept. Affected: DOT&PF&PF
RDU: Design, Engineering and Construction
Component: Statewide Design & Engineer Services
Leased Facilities
Component Number: 2882, 2892

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	314.3		314.3	314.3	314.3		
Travel	45.0		45.0	45.0	45.0		
Contractual	47.1		49.6	49.6	49.6		
Supplies	45.0		10.0	10.0	10.0		
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**451.4**	**0.0**	**418.9**	**418.9**	**418.9**	**0.0**	**0.0**
CAPITAL EXPENDITURES	**1,000.0**		**1,000.0**	**1,000.0**			
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	1,451.1		1,418.9	1,418.9	418.9		
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**1,451.1**	**0.0**	**1,418.9**	**1,418.9**	**418.9**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time	**3.0**		3	3	3		
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

DOT&PF is a member of the Joint In-state Gasline Development Team and is tasked with determining status of current right-of way (ROW), expediting permits for use of the ROW and overseeing construction to insure compliance with federal and state permit requirements. It is anticipated DOT&PF will assist in determing the needs for and acquisition of additional ROW. An Engineer V position will serve as the technical expert for the Commissioner of DOT&PF, manage consultant activities and oversee regional staff who will be issuing permits and authorizations. An Environmental Impact Analysis Manager will oversee work done in the ROW to insure compliance with federal and state requirements, insure our processes provide for rapid permitting decisions and no delays in construction. An administrative assistant will assist with the day to day activities of the two professionals.

Prepared by: Mary Siroky, Legislative Liaison, Phone 465-4772
Division: Department of Transportation Date/Time 2/26/10 8:00 AM
Approved by: Frank Richards, Deputy Commissioner Date 2/26/2010
Department of Transportation and Public Facilities

(Revised 11/6/2009 OMB)

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ANALYSIS CONTINUATION

DOT&PF estimates 30% of the pipeline may not be economically or efficiently located within the designated state ROW. Of that 30% it is estimated that 30% must be acquired by acquisitions with appraisals, surveys, condemnation authority, etc resulting in between 60 to 125 miles of ROW to be identified, appraised, negotiated, etc. For this fiscal note DOT&PF assumed, as a ROW owner, it makes sense for the DOT&PF to coordinate the contracts for these services and estimates a cost of $2,000.0. This does not include acquisition costs. DOT&PF has assumed that DNR will require surveys and applications for use of material sites estimates consulting services to be $1,000.0. The department anticipates the ROW and material site aquistiation costs are capital costs and will not be needed in the final year of construction.

Additional contractual costs are for annual cores service costs ($5.0) and annual lease space costs ($42.1) for these staff as our Anchorage offices are already overcrowded. In FY2012, contractual costs increase by $2.5 for annual maintenance costs for copier, printer, fax machines.

Supplies costs in FY2011 include the office start up expenses and supplies. Ongoing costs are $10.0 annually.

DOT&PF will budget the leased office space in a separate RDU (Administration and Support), Component (Leased Facilities - 2892) for centralized lease payments to DOA.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HB 369**
() Publish Date:

Identifier (file name): HB369-GOV-EO-02-25-10
Dept. Affected: OOG
Title "An Act relating to in-state natural gas pipeline,... ..In-State Gasline Steering Committee"
RDU Executive Operations
Component Executive Office
Sponsor Representative Chenault
Requester (H) Resources
Component Number 6

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	1,223.2	1,223.2	1,233.1	1,243.4	1,254.0	1,257.5	1,268.5
Travel	116.8	116.8	58.8	36.0	36.0	36.0	36.0
Contractual	***	***	***	***	***	***	***
Supplies	29.0	29.0	29.0	29.0	29.0	29.0	29.0
Equipment	84.3	84.3	0.0	0.0	0.0	0.0	0.0
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	***	***	***	***	***	***	***
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	***	***	***	***	***	***	***

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	7	7	7	7	7	7	7
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

The fiscal impact of HB 369 is indeterminate at this time. Please see attached analysis

Prepared by: Linda Perez, Director — Phone 465-3876
Division Administrative Services — Date/Time 3/1/10 12:15 PM
Approved by: Bob Swenson, Project Manager — Date 3/1/2010
Office of the Governor

(Revised 11/6/2009 OMB)

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In an attempt to meet the timeframe set out in HB 369 the in-state gas line project team has identified a number of critical work products, and a minimum staffing levels needed to direct the work. The cost associated with contractual services to perform the detailed pipeline engineering, facilities design, field work, and permitting to get the project ready to begin construction is more than $350 million dollars. However, the exact amount of funding needed cannot be determined without significant amount of additional engineering and estimation work. A class 4 cost of Transportation estimate is scheduled to be completed by the current in-state gasline work team by July 1, 2010. Additional major cost components necessary to allow construction initiation are not included in these estimates, and include the cost to purchase the pipe, and commitment to facilities construction. These later costs will likely be greater than $500 million dollars. Additionally, a realistically achievable timeline is attached to this document to provide context for the work needed prior to construction.

In the absence of peer reviewed estimates, an analogy can be drawn between the instate stand-alone project, and the AGIA and Denali pipeline efforts that are on-going and in preparation to achieve project sanction. The table below outlines the estimated costs published in the AGIA January report to legislators. This amount does not bring the project to construction readiness.

Estimated Project Spending Through FERC Certification (Thousands $)								
Fiscal Year	Pre-License	2009	2010	2011	2012	2013	2014	TOTAL
Total Annual	$2,527	$17,812	$126,498	$139,517	$137,128	$137,128	$137,128	
TC Alaska/EM	$2,527	$11,431	$68,833	$18,573	$13,713	$13,713	$68,950	
State of Alaska	$0	$6,381	$57,666	$120,944	$123,415	$123,415	$68,178	
Total Cumulative	$2,527	$20,339	$146,837	$286,354	$423,482	$560,610	$697,738	**$697,738**
TC Alaska/EM	$2,527	$13,958	$82,791	$101,363	$115,076	$128,789	$197,738	**$197,738**
State of Alaska	$0	$6,381	$64,047	$184,991	$308,406	$431,821	$500,000	**$500,000**

The funding requirements below outlines the increase staff needs to manage such a project and builds on and incorporates the funding requested in the FY 2011 Governor's Office operating budget. The details of the initial 6,500.0 funding request is also attached.

PERSONAL SERVICES: 1223.2 - increased to include 7 staff as follows:

Project Manager Rg 26
Engineering Manager Rg 26
Commercial Manager Rg 26
Permitting and Right of Way Manager Rg 26

(Personal Services - continued)

Legislative Liaison/Public Outreach Officer Rg 23
Finance/budget analyst Rg 22
Schedule Coordinator Rg 21

Current 6500.0 request includes 322.2 for personal services, fiscal note increases total personal services to 1,223.2. Following years include schedules merit increases for all but professional staff.

TRAVEL: 116.8 - increases project travel to accommodate Steering Committee meetings to include 3-day meetings in Anchorage each month for 4 months, 1-day Steering Committee meeting each month for remaining 8 months in FY11. FY 2012 includes project travel and Steering Committee meetings for four months. Fiscal note includes travel costs for the 16 committee members appointed under Sec. 38.34.070 (9) and assumes that for members identified in Sec 38.34.070 (1) thru (8) travel will be paid by individual's employing agencies. FY2013 thru FY2016 reflects project travel only.

CONTRACTUAL: Indeterminate

The level of engineering and environmental work necessary to sanction and begin construction on a gas line project of this magnitude is substantial. Determining minimum cost estimates that can be included in this fiscal note is not possible with the available time. The numbers included below should be viewed as minimums and are based on pipeline construction experience and initial costing work by the contractors currently on the project. These numbers are not final and will have a wide variance as work continues.

Pipeline Engineering:
A minimum of 41,666.6 each year for 3 years (total 125,000.0) for fast track engineering costs up to project sanction. This is a very rough estimate and does not include funding for equipment, facilities and pipe purchase, or any associated pre-construction costs materials costs.

Pipeline engineering services up to construction focus on the development of the construction plan, construction schedules, determination of long lead items a funding quality cost estimate and preparation of bid ready plans and specifications,. The design effort defines and optimizes pipeline routing, pipe material and ancillaries, balancing the cost and the need to acquire permits and ensure integrity throughout the design life.

(Contractual - continued)

Key activities include:

- Refined route topographical definition through survey, aerial photography, LiDAR and other data acquisition techniques
- Additional route geotechnical characterization through field investigations, borehole acquisition, trenching and fault identification
- Refining waterway crossing designs though field reconnaissance of crossings, flow characterization, scour analysis, bank and approaches evaluation
- Pipeline design including product hydraulics analysis, coupled gas-subsurface interaction analysis, geohazards evaluation, pipe and coatings material selection, welding specifications
- Civil material source (gravel, select fill) identification and quantity/quality evaluation, site opening and operations plan, site restoration plan
- Construction logistics including facilities requirements for ports/airports/roads, new access roads, trucking requirements, laydown yards
- Construction plan including construction camp design, alignment ROW design, construction roads (ice/snow/gravel), pipe laying productivity, special design areas (e.g. Atigun Pass)
- Post-construction activities planning including ROW restoration and revegetation, monitoring of alignment and construction completion, startup of pipeline

Environmental:
10,333.3 each year for 3 years (total 31,000.0) for environmental costs up to project sanction (see ASRC cost estimate attached)

Facilities engineering: Estimated greater than 200,000.0 but indeterminate at this time. The costs for this engineering effort will be available upon completion of current facilities work, estimated availability: May of 2010. Facilities engineering services leading to construction mirror pipeline procedures and focus on completion of the design of the project facilities. This includes planning to enable procurement lead time to start the module construction, evaluation of the module transport and completion on-site, and aiding the permitting process to ensure all facilities construction and planned operations are in full compliance with regulations and stipulations. Key activities include:

- Specifications of natural gas input streams and desired product streams. Key is the development of the process flow diagrams to enable this
- Site identification and site design preparation, including development of data needs to satisfy regulatory requirements (e.g. EPA)
- Identification of major process design elements, specification of design requirements for each process element
- Identification and qualification of potential vendors for major process design elements

(Contractual – continued)

- Process and Instrumentation diagram (P&ID) depicting interconnections of mechanical and electrical systems
- Preparation of facility building design including mechanical layouts
- Design of operational requirements including controls, HAZOP, safety requirements, fulfillment of regulations and stipulated requirements
- Preparation of design for development of a funding quality cost estimate
- Preparation of construction bid(s) for both module construction, and installation on-site
- Module logistics, including transportation safety and material handling requirements
- Alaskan installation construction plan including development of construction camp, construction personnel requirements, camp support and interface with pipeline construction requirements.

500.00 for FY2011, 2012 and 2013 for commercial analysis of downstream industrial opportunities; reduced to 200.0 for 2014 thru 2016.

100.0 for public outreach, information dissemination, printing, advertising, postage.

83.0 annual office lease space

RSAs: 1172.3 - for state agencies required participation:
500.0 for Joint Pipeline office (includes funds to F&G, DEC, etc. for state permitting activities FY2011 only

672.3 DNR Division of Mining, Land, and Water – FY2011 only (see fiscal note attached)

SUPPLIES: 29.0 increases FY2011 request to 29.0 for increased staff and fast-track activities.

EQUIPMENT: 84.3 one-time office set-up

Stand Alone Gas Pipeline Project

Alternative Schedule*

DRAFT

SCHEDULE	2009				2010				2011				2012				2013				2014				2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Engineering Support																																				
Design Basis	=>																																			
Corridor Selection	=>																																			
Conceptual Design	=>																																			
Alternatives Analysis																																				
Project Description (filing)	=>																																			
Final Project Description																																				
Cost Estimate & Logistics	=>																																			
Project Documentation Package																																				
Permitting																																				
COE 404																																				
Federal and State ROW																																				
Draft EIS							X																													
Final EIS										X																										
Additional Permits and NTP's																																				
Project Review & Sanction																																				
Company Due Diligence																																				
Transfer of Permits																																				
Project Sanction																																				
Detailed Engineering Design																																				
Pipeline																																				
Facilities																																				
Cost Estimate & Logistics																																				
GCP Construction																																				
Order Equipment																																				
Fabricate Modules																																				
Pre-construction Preparation																																				
Module sea-lift																																				
Install & Testing																																				
Compressor Stations																																				
Order Equipment																																				
Fabricate Skids																																				
Pre-construction Preparation																																				
Construction & Testing																																				
Pipeline																																				
Order Pipe and Valves																																				
Pre-construction Preparation																																				
Construction & Testing																																				
NGL Plant & Storage																																				
Order Equipment																																				
Fabricate Skids																																				
Pre-construction Preparation																																				
Construction & Testing																																				
Start-up																																				
Start-up & Operations																																				X

* Assumes timely availability of fabrication facilities, equipment and craftsman for GCP

ASRC Energy Services
a subsidiary of Arctic Slope Regional Corporation

Memorandum

Date: February 25, 2010
To: Bob Swenson, Executive Director
Alaska In-State Gas Pipeline Project
From: Mike Sotak, Senior Project Manager
Subject: Rough Order of Magnitude Cost Estimate for In-State Gas Pipeline Environmental and Permitting Tasks

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ASRC Energy Services (AES), contractor to the Alaska Department of Natural Resources (ADNR) for the In-State Gas Pipeline Project, has prepared the following rough order of magnitude (ROM) cost estimate for completing the necessary environmental and permitting tasks so that construction of the pipeline can begin eighteen (18) months from now. The ROM breaks down costs by task below:

Task Name	ROM Cost Estimate	
	Pipeline (includes Compressor Stations)	Gas Treatment Plant
• State of Alaska Right-of-Way Lease and Bureau of Land management Right-of-Way Grant Applications • U.S. Army Corps of Engineers Section 404 permit (wetlands)	$1M	$500K
• Pre-Construction Permits (priority) o ADNR Permits to appropriate water, temporary water use o EPA NPDES o USCG Section 9 Bridge Permit o USACE Section 10 Navigable Waters o ADFG Fish Habitat Protection Permits o Section 106 National Historic Preservation Act o Local Land Use Permits and Authorizations o Essential Fish Habitat Consultation o Alaska Coastal Management Plan Consistency Determination (NSB, MSB)	$2.5M	$400K
• Notice to Proceed Permits and Plans o Plans of Operation o Solid Waste, wastewater disposal management o Encroachment authorizations and easements o Reclamation plans o Hazardous waste management o Oil discharge prevention plans o Letter of Authorization (polar bear)	$2.5M	$500K
• Environmental Impact Statement (expedited)	$1M	$1M
• Environmental Field Programs to support EIS and Permits	$10M	$2.5M
• Stakeholder Engagement and Environmental Justice	$1.8M	$200K
• Monitoring and Mitigation	$2.5M	$500K
• Air Quality permits to operate	$1M	$1.5M
• BLM reimbursable	$1.25M	$250K
Total Estimate	$23.55M	$7.35M

2700 Gambell, Suite 200, Anchorage, Alaska 99503 • (907) 339-6200 • fax (907) 339-5475 • www.asrcenergy.com

In-State Stand Alone Pipeline - FY11 Budget Narrative

1. Completion of environmental and permitting for USACE and State and Federal right-of-way approvals.

Total Estimated Expenditures **$ 2,000,000**

- Project Management - AES will continue to support the State of Alaska's project team and be involved with State of Alaska and the U.S. Army Corps of Engineers (USACE) in supporting the third-party EIS consultant with the NEPA review.
- Permitting - AES continue with the development and coordination with the USACE, BLM and State Pipeline Coordinator on the three major permits filed in 2009 and will begin working on ten other key permits for submission in late 2010 so that processing and the negotiations for permit approvals and mitigation measures may be completed in time for sale of the In-State pipeline asset to a future pipeline company.
- Stakeholder Engagement - Prepare and implement a stakeholder engagement program to support project development. Includes stakeholder contact database, and issues information. Engagement with the local boroughs, their communities and residents, tribal governments, the USACE, USFWS, BLM, State of Alaska, Native Corporations are critical.
- Wetlands - Conduct wetlands field program in the northern and southern sections of the proposed In-State Pipeline Project corridor to complete verification of wetlands pre-mapped to prepare for submission of the Preliminary Jurisdictional Determination to the USACE for their approval of the Section 404 Jurisdictional Determination; complete vegetation and habitat analysis. Provide assistance to the EIS contractor as required.
- Stream Crossings - compile the fish and wildlife resource data necessary for permit applications and assessing potential project impacts under the NEPA process. All data collection needs will be adjusted as necessary in accordance with the outcome of the draft EIS and provide information for engineering design and routing.
- Cultural - Phase one cultural resource studies will examine a potential corridor sufficiently large so that a right-of-way can be refined to the best possible alignment to avoid or minimize impacts to cultural resources.
- Lake Studies – Lake studies and surveys will be conducted primarily on the North Slope to assess the potential for water availability for use during winter construction.
- Wildlife and Bird Surveys – As needed to support the EIS process, wildlife and bird (raptor) studies will be conducted during the 2010 field season.
- Air and Noise Analysis – Evaluate compressor station locations for air emission issues and determine the need for air monitoring and weather stations to develop information for ADEC permitting.

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- Pre-mapping - Prepare the wetlands pre-mapping information for route changes or alignments that have not been assessed such as the Gubik route, the Denali reroute, some of Minto Flats rerouted alignment, and so forth.

2. Engineering data acquisition for detailed engineering design of the project.

Total Estimated Expenditures: **$3,500,000**

- Gather detailed geotechnical data on major river crossings. The preferred river crossing method is assumed to be HDD (Horizontal Directional Drill). The assessment of the applicability of crossing rivers with HDD requires site specific geotechnical information. Additional field information on river approaches and total crossing length needs to be collected to verify use of HDD. This activity includes mapping and the drilling of geotechnical site investigation boreholes.

- Gather engineering field data. Pinch points such as Atigun Pass, Yukon River, and Denali Park require additional field verification of soils, available construction space and detailed routing to avoid conflicts with other facilities and to develop and verify conceptual design. Engineering field data is required to investigate and verify route geotechnical conditions and includes information on seasonal ground temperatures, geohazards and foundation conditions at project facilities (Gas Conditioning, Compressor Stations and NGL separation and storage). This information will be used to verify locations and develop conceptual designs to be included in final project documentation. This activity includes field mapping and the drilling of geotechnical site investigation boreholes with installation and monitoring of ground temperatures. Results will be analyzed and will be reported in a engineering report.

- Refine pipeline routing. The current pipeline routing is within a 2000 foot wide corridor. The actual centerline of the corridor has not been vetted and verified as the optimum route. Final route identification will be optimized for pipeline constructability, avoidance of environmentally sensitive areas, minimized TAPS, Highway and Railroad crossings, facilities location and optimized river crossings locations. These route adjustments will be made, if possible, within the 2000 foot wide corridor currently identified. Results of the engineering evaluation will be used to update the project GIS (Geographical Information System) and will be reported in a engineering report.

3. Refinement of Cost of Service estimates and Tariff modeling

Total Estimated Expenditures: **$750,000**

- Peer review engineering cost assessment of railbelt natural gas alternatives, and commercial assessment of options . There are a number of different project alternatives that have been proposed to alleviate the need for augmented for railbelt energy supply. They include two bullet line alternatives, two spur line alternatives, provision of propane from Prudhoe Bay to Fairbanks and other interior communities, LNG manufacturing on the North Slope to provide gas supply to Fairbanks and possibly other railbelt communities, and facilities to import LNG. Most of the analyses developed do not compare alternatives using similar assumptions for

input costs (e.g. steel prices, labor rates). Just as importantly, they do not make similar or consistent commercial assumptions. Peer review will assure that assumptions made by the various project proposals are consistent.

- Analyze the cost of Capital for in-state gas supply options, and Cost of Service Modeling. The commercial viability of all in-state gasline options depends on the cost of transportation. Because the contemplated scope of these projects would entail expenditures of several billion dollars, the transportation cost will be determined by the cost of capital – both the relative mix of debt and equity, and the cost of each. Assessment, for planning purposes, of the cost of capital for these small diameter pipelines is problematic and will be reviewed

- The cost-of-capital inputs need to be developed through scenario analysis. With the requested funds we will hire a financial advisor to help develop several realistic financing scenarios. Potential risks to the state's credit-rating, were the state to be called upon to take a major position in the project, will also be assessed. Some of the funds will be used for pipeline commercial expertise to develop realistic transportation contract scenarios and tariff modeling.

4. Prepare complete project documentation of In-State pipeline asset for consideration by private pipeline developer

Total Estimated Expenditures: **Budget Estimate; $250,000**

- Coordinate project team to include all, cost and design data, environmental, stakeholder, and permitting information for a 'data room' for prospective purchasers to review and evaluate. Be available to participate in presentations to the prospective purchasers and respond to technical questions that may be raised with regard to specific issues.

Alaska In-State Gas Pipeline Project.
February 24, 2010 - House Finance hearing on gas line funding requests
Robert Swenson, Project Manager

1. **What agencies have done with the money they spent in FY2010?**

Work that is completed to date:

- Route Alternative Analysis - Parks and Richardson Highway routes: Associated comparative pipeline cost estimates; Environmental Surveys
- Initial Project Description (for permitting)
- Commercial Group Scoping
- Initial Review of ENSTAR Capital Cost Estimate - Pipeline
- Major permits applied for: U.S. Army Corps of Engineers Section 404/10, State of Alaska Title 38 Right-of-Way, Bureau of Land Management Right-of-Way

Work currently underway:

- Updating pipeline cost estimates
- Developing cost of facilities
- Cost of transport analysis
- Preparing detailed project description
- Continued engineering support for EIS and ROW process
- Developing data package for economic analysis
- Facilities scenarios identified
- Commercial group market analysis
- Cost of transport analysis

2. **How much additional they have encumbered and for what?** $3,904,496

	Payroll & Expenditures 1/15/2010	Contract Commitments (Encumbrances)	Estimated Budget Jan-10	Estimated Budget Feb-10	Estimated Budget Mar-10	Estimated Budget Apr-10	Estimated Budget May-10	Estimated Budget Jun-10
Personal Services	170,252		26,825	26,825	26,825	26,825	26,825	26,825
Travel	17,832		3,000	3,000	3,000	3,000	3,000	3,000
Services	2,024,396	3,904,496	330,000.0	330,000.0	330,000.0	330,000.0	330,000.0	329,000.0
Commodities	2,488		2,000	2,000	2,000	2,000	2,000	1,629
Total Expended	2,214,968	3,904,496	361,825	361,825	361,825	361,825	361,825	360,454

3. **How much they need for FY2011? and what they propose doing with the money?** $6,500,000

	Per month FY2011	Total FY2011
Personal Services	26,830	321,960
Travel	3,000	36,000
Services	511,000	6,130,040
Commodities	1,000	12,000
Total expended	541,830	**6,500,000**

- Completion of environmental and permitting for USACE and State and Federal right-of-way approvals.
- Engineering data acquisition for detailed engineering design of the project.
- Refinement of Cost of Service estimates and Tariff modeling
- Prepare complete project documentation of In-State pipeline asset for transfer private pipeline developer

Alaska State Legislature

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REPRESENTATIVE MIKE CHENAULT

SPEAKER OF THE HOUSE
SPONSOR STATEMENT

HOUSE BILL 369: *"An Act relating to an in-state natural gas pipeline, the office of in-state gasline project manager, the Joint In-State Gasline Development Team, and the In-State Gasline Steering Committee; and providing for an effective date."*

House Bill 369 was introduced as an effort to expedite the process for an in-state natural gas pipeline. The in-state gasline has been a topic of discussion in the Legislature and the Administration for a number of years. Currently, there are two separate state entities, the Alaska Natural Gas Development Authority and the in-state gasline coordinator, working on a project. House Bill 369 combines these two entities along with the Department of Transportation and Public Facilities and the Alaska Railroad Corporation to create a Joint In-state Gasline Development Team within the Office of the Governor. The Development Team is to ensure the in-state gasline is construction ready by July 1, 2011 with gas flowing by 2015. It is my hope the Development Team will be able to focus the state's efforts in putting a construction plan together and leverage the best ideas and data to get a gasline built.

The Department of Transportation and Public Facilities and the Alaska Railroad Corporation were included as members of the team due primarily to their having existing rights of way which could speed up any permitting process that may need to be undertaken. The Alaska Railroad Corporation also has bonding ability which could be an answer in financing a gasline.

The Development Team will cover all aspects of the line's development and are to select the most economically sound route that will deliver gas to Alaskans, plan permitting and construction by using existing rights of way and take any action necessary to get the project underway as soon as possible.

House bill 369 also creates an In-state Gasline Steering Committee to provide advice and recommendations to the development team. Their duties are spelled out within the legislation. Proposed members of the Steering Committee come from the private sector, municipalities, state agencies and the two presiding officers of the Legislature.

The bill provides for an expedited review and action process and the sharing of information that may already have been accumulated or completed. The bill also requires that state agencies or entities cooperate with and give priority to requests for information from the Development Team.

Representative.Mike.Chenault@legis.state.ak.us

Alaska State Legislature

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REPRESENTATIVE MIKE CHENAULT
SPEAKER OF THE HOUSE

SECTIONAL ANALYSIS

HOUSE BILL 369: "An Act relating to an in-state natural gas pipeline, the office of in-state gasline project manager, the Joint In-State Gasline Development Team, and the In-State Gasline Steering Committee; and providing for an effective date."

Section 1: Adds a new chapter, Chapter 34: In-State natural Gas Pipeline, to AS 38, Public Land.

Sec. 38.34.010. In-state gasline project manager. (a) Creates the position of in-state gasline project manager within the governor's Office. This position will continue until one year after commercial operation of the in-state natural gas pipeline begins. (b) The Governor appoints an individual to the position of an in-state gasline manager and may be removed at the Governor's discretion. (c) Describes the duties of the in-state gasline project manager.

Sec. 38.34.020. Expedited review and action by state agencies. (a) States that any state agency conducting and taking action relating to the in-state gasline shall be expedited. (b) A state agency may not include in any project certificate, right of way, permit or other authorization issued to a licensee a term or condition that is not required by law if the in-state project manager determines the term or condition would prevent or impair the expeditious construction and operation or expansion of the in-state gasline. (c) A state agency may not, unless required by law, amend or abrogate any certificate, right of way, permit or other authorization issued to a licensee if the project manager determines the action would prevent or impair the expeditious construction and operation or expansion of the in-state gasline.

Sec. 38.34.030. Joint In-state Gasline Development Team. (a) Establishes the Joint In-state Gasline Development Team in the Governor's Office. The team consists of the commissioner of the Department of Transportation and Public Facilities or designee, the chief executive officer of the Alaska Railroad Corporation, the chief executive officer of the Alaska Natural Gas Development Authority and the in-state gasline project manager. (b) Names the Alaska Railroad's chief executive officer as chair. (c) Allows the Development Team to hire staff, enter into contracts and exercise other powers to carry out its functions.

Sec. 38.34.040. Duties of the Development Team. (a) Ensure construction for an in-state gasline is ready to commence by July 1, 2011 and to take any necessary actions to enable the flow of natural gas down the gasline by 2015. (b) (1) Shall select a route that runs from the

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North Slope to tidewater that is the most economical, will provide gas to the greatest number of residents at a reasonable cost, uses state land and existing state highway and railroad rights of way to the maximum extent, use existing highway and railroad bridges, gravel pits equipment yards and maintenance facilities and other existing facilities and resources to the maximum extent possible; (2) identify land or rights of way that must be obtained for construction and operation of the in-state gasline and take necessary action to enable DOT/PF to acquire those interests; (3) prepare plans and designs necessary for the construction of the in-state gasline; (4) identify all permits and applications needed to construct the in-state gasline and proceed with applications for those permits and licenses; (5) prepare and update estimates of construction and other costs of construction; and (6) take any necessary action so that construction of the in-state gasline may begin by July 1, 2011, and report to the legislature by that date.

Sec. 38.34.050. Cooperation and access to information. (a) States the Development Team may have access to a state entity's information to include confidential information that may relate to the in-state gasline or prove useful in planning, design, construction or operation of the gasline. Confidential information received by the Development Team shall be kept confidential. (b) All state agencies are to cooperate and give priority to requests for information from the Development Team. The Development Team is to avoid duplicating studies, plans, and designs that have already been produced or otherwise obtained by state entities.

Sec. 38.34.060. Conflicts of interest. If a member of the Development Team acquires, owns or controls a direct or indirect interest in property, an organization or business that might be affected by the in-state gasline project or other matters under consideration by the Development Team shall immediately disclose the interest to the Development Team. This disclosure is part of the public record and shall be included in the minutes of the first meeting of the Development Team held after the disclosure.

Sec. 38.34.070. In-state Gasline Steering Committee. (a) Creates the In-State Gasline Steering Committee within the Governor's Office in order to provide advice to the Development Team. Lists members of the Steering Committee. (b) Steering Committee members serve without compensation but are allowed to collect per diem and travel expenses authorized for boards and commissions under AS 39.20.180. (c) Steering Committee members will select a chair and vice-chair from among the membership.

Sec. 38.34.080. Duties of the Steering Committee. (a) Describes the various aspects of the in-state gasline project the Steering Committee will consider. (b) Gives the Development Team the authority to assign specific issues to the Steering Committee. (c) The Steering Committee is to report its conclusions and recommendations to the Development Team.

Sec. 38.34.090. Conflicts of interest. (a) If a member of the Steering Committee acquires, owns or controls a direct or indirect interest in property, an organization or business that might be affected by the in-state gasline project or other matters under consideration by the Steering Committee shall immediately disclose the interest to the Steering Committee. This disclosure is part of the public record and shall be included in the minutes of the first meeting of the Steering Committee held after the disclosure. (b) AS 39.52, Alaska Executive Branch Ethics Act, does not apply to a member of the Steering Committee.

Sec. 38.34.100. Definitions. Defines the in-state natural gas pipeline and the North Slope.

Section 2: Amends AS 39.25.120(c), Partially exempt service. Adds the in-state gasline project manager to the partially exempt service list.

Section 3: Immediate effective date.

Sec. 39.20.180. Transportation and per diem expenses for members of boards, commissions, etc. Except as otherwise provided by law, the provisions in this section relating to per diem and transportation govern exclusively with respect to a member of a state board, commission, committee, judicial council, or other similar body of persons of the state organized or established under the authority of law, but excluding any other state employee other than a legislator, who is otherwise entitled by law to receive from the state payments for expenses of transportation, and for reimbursement or for per diem in lieu of reimbursement for other expenses incident to duties as such member:

(1) for transportation, the member is entitled either to the use of state transportation requests, or to be reimbursed for expenses of transportation to the same extent, in the same manner, and under the same conditions as provided for state officials and employees by the provisions of AS 39.20.110 - 39.20.170;

(2) for reimbursement for other expenses, the member is entitled to a per diem allowance prescribed by the commissioner of administration under the regulatory authority set out in AS 39.20.160 for each day or portion of a day spent in actual meeting or on authorized official business incident to duties as a member.

History -

(Sec. 1 ch 130 SLA 1953; am Sec. 1 ch 34 SLA 1960; am Sec. 1 ch 37 SLA 1962; am Sec. 5 ch 136 SLA 1967; am Sec. 12 ch 47 SLA 1974; am Sec. 31 ch 85 SLA 1988)

Cross References -

For coverage of state board and commission members under the Worker's Compensation Act, see AS 23.30.242.

AG Opinions -

In order to recover an allowance for nonmeeting activity, an occupational licensing board member must be engaged in an activity within the scope of the applicable board's powers. November 6, 1984 Op. Att'y Gen.

An occupational licensing board member cannot receive a per diem allowance for conducting an activity that should be performed by division personnel; any activity approved must be specifically defined by statute as a board duty and should be an activity that cannot be accomplished within the confines of a board meeting. If the task can be performed during a meeting, then per diem should not be paid for time unnecessarily spent by a board member outside a board meeting. It is important, of course, for budgetary reasons, that board activity for which per diem compensation is sought be kept to a minimum. November 6, 1984 Op. Att'y Gen.

The Alaska Power Authority may reimburse a member only for (1) time spent in actual meeting or (2) time spent on authorized official business incident to his duties as a member. April 19, 1984 Op. Att'y Gen.

Decisions -

Cited in Laborers & Hod Carriers Union, Local 341 v. Groothuis, 494 P.2d 808 (Alaska 1972).

Sec. 39.25.120. Partially exempt service.

(a) Positions in the partially exempt service are included in the position classification plan established under this chapter and are compensated according to the pay plan under AS 39.27.011.

(b) A person holding a position in the partially exempt service is not required to complete an assessment and is not eligible for a hearing by the personnel board in case of dismissal, demotion, or suspension. Positions in the partially exempt service are specifically exempt from the rules established under AS 39.25.150(3) - (10), (12), (13), and (16).

(c) The following positions in the state service constitute the partially exempt service:

(1) deputy and assistant commissioners of the principal departments of the executive branch, including the assistant adjutant general of the Department of Military and Veterans' Affairs;

(2) the directors of the major divisions of the principal departments of the executive branch and the regional directors of the Department of Transportation and Public Facilities;

(3) attorney members of the staff of the Department of Law, of the public defender agency, and of the office of public advocacy in the Department of Administration;

(4) one private secretary for each head of a principal department in the executive branch;

(5) employees of councils, boards, or commissions established by statute in the Office of the Governor or the office of the lieutenant governor, unless a different classification is provided by statute;

(6) not more than two special assistants to the commissioner of each of the principal departments of the executive branch, but the number may be increased if the partially exempt service is extended under AS 39.25.130 to include the additional special assistants;

(7) the principal executive officer of the following boards, councils, or commissions:

(A) Alaska Public Broadcasting Commission;

(B) Professional Teaching Practices Commission;

(C) Parole Board;

(D) Board of Nursing;

(E) Real Estate Commission;

(F) Alaska Royalty Oil and Gas Development Advisory Board;

(G) Alaska State Council on the Arts;

(H) Alaska Police Standards Council;

(I) Alaska Commission on Aging;

(J) Alaska Mental Health Board;

(K) State Medical Board;

(L) Governor's Council on Disabilities and Special Education;

(M) Advisory Board on Alcoholism and Drug Abuse;

(N) Statewide Suicide Prevention Council;

(O) the State Board of Registration for Architect, Engineers, and Land Surveyors;

(8) Alaska Pioneers' Home and Alaska Veterans' Home managers;

(9) hearing examiners in the Department of Revenue;

(10) the comptroller in the division of treasury, Department of Revenue;

(11) airport managers in the Department of Transportation and Public Facilities employed at the Anchorage and Fairbanks International Airports;

(12) the deputy director of the division of insurance in the Department of Commerce, Community, and Economic Development;

(13) the executive director and staff of the Alaska Public Offices Commission;

(14) the rehabilitation administrator of the division of workers' compensation;

(15) guards employed by the Department of Public Safety for emergencies;

(16) marine pilot coordinator of the Board of Marine Pilots;

(17) guards employed by the Department of Corrections, other than in state correctional facilities, to carry out the responsibility of the commissioner of Corrections under AS 33.30.071(b);

(18) hearing officers and administrative law judges of the Regulatory Commission of Alaska;

(19) the compact administrator appointed under AS 33.36.130;

(20) the chief administrative law judge and administrative law judges of the office of administrative hearings.

History -

(Sec. 6 ch 144 SLA 1960; am Sec. 2 ch 48 SLA 1961; am Sec. 2 ch 133 SLA 1961; am Sec. 4 ch 5 SLA 1966; am Sec. 3 ch 104 SLA 1969; am Sec. 2 ch 109 SLA 1969; am Sec. 4 ch 78 SLA 1971; am Sec. 9 ch 47 SLA 1974; am Sec. 4 ch 82 SLA 1975; am Sec. 10 ch 207 SLA 1975; am Sec. 2 ch 157 SLA 1976; am Sec. 19 ch 263 SLA 1976; am E.O. No. 39 Sec. 6 (1977); am Sec. 1 ch 103 SLA 1978; am Sec. 2 ch 108 SLA 1978; am E.O. No. 41 Sec. 3 (1980); am E.O. No. 42 Sec. 3, 4 (1980); am E.O. No. 43 Sec. 4 (1980); am E.O. No. 44 Sec. 5 (1980); am E.O. No. 45 Sec. 3 (1980); am E.O. No. 46 Sec. 4 (1980); am Sec. 18 ch 115 SLA 1980; am Sec. 3 ch 79 SLA 1981; am Sec. 4 ch 110 SLA 1981; am E.O. No. 48 Sec. 3 (1981); am Sec. 4 ch 50 SLA 1982; am Sec. 26 ch 93 SLA 1982; am Sec. 8 ch 112 SLA 1982; am 1983 Initiative Proposal No. 2, Sec. 6; am Sec. 106 ch 6 SLA 1984; am Sec. 15 ch 55 SLA 1984; am Sec. 2 ch 103 SLA 1984; am E.O. No. 58 Sec. 18 (1984); am Sec. 59 ch 21 SLA 1985; am Sec. 54 ch 37 SLA 1986; am Sec. 2 ch 84 SLA 1986; am Sec. 5 ch 48 SLA 1987; am Sec. 12 ch 98 SLA 1988; am Sec. 1 ch 107 SLA 1988; am Sec. 33 ch 141 SLA 1988; am E.O. No. 69 Sec. 22 (1988); am E.O. No. 79 Sec. 2 (1991); am Sec. 13 ch 66 SLA 1991; am Sec. 28 ch 89 SLA 1991; am Sec. 21 ch 6 SLA 1993; am E.O. No. 83 Sec. 20 (1993); am Sec. 18 ch 5 FSSLA 1994; am Sec. 3 ch 92 SLA 1995; am Sec. 43 ch 30 SLA 1996; am E.O. No. 94 Sec. 2 (1996); am Sec. 4, 24 ch 25 SLA 1999; am Sec. 43, 84 ch 58 SLA 1999; am Sec. 2 ch 111 SLA 2000; am Sec. 1 ch 84 SLA 2001; am Sec. 3 ch 27 SLA 2002; am Sec. 4 ch 61 SLA 2002; am Sec. 10 ch 59 SLA 2004; am Sec. 4 ch 66 SLA 2004; am Sec. 58 ch 163 SLA 2004; am Sec. 70 ch 10 FSSLA 2005)

Revisors Notes -

In 1992, under Sec. 6, ch. 13, SLA 1992, and AS 01.05.031, "Governor's Council on Disabilities and Special Education" was substituted for "Governor's Council for the Handicapped and Gifted."

Subsection (c) was reorganized in 1999 and 2002 to reflect the repeals and additions of various paragraphs.

In 2004, in paragraph (c)(12) of this section, "Department of Community and Economic Development" was changed to "Department of Commerce, Community, and Economic Development", in accordance with Sec. 3, ch. 47, SLA 2004.

Amendment Notes -

The 2001 amendment, effective July 4, 2001, added subparagraph (c)(7)(N).

The first 2002 amendment, effective August 16, 2002, repealed former paragraph (c)(17).

The second 2002 amendment, effective August 15, 2002, added paragraph (c)(19).

The first 2004 amendment, effective July 1, 2004, inserted "and Alaska Veterans' Home" in paragraph (c)(8), and made stylistic changes.

The second 2004 amendment, effective September 14, 2004, added paragraph (c)(7)(O).

The third 2004 amendment, effective July 1, 2005, added paragraph (c)(20).

The 2005 amendment, effective November 7, 2005, substituted "division of workers' compensation" for "Workers' Compensation Board" in paragraph (c)(14).

Decisions -

Cited in Sheffield v. Alaska Pub. Employees' Ass'n, 732 P.2d 1083 (Alaska 1987).

Sec. 39.25.130. Extension of partially exempt and classified services.

(a) The personnel board, upon written recommendation of the commissioner of administration, may extend the partially exempt service to include any position in the classified service that, in the judgment of the board,

(1) involves principal responsibility for the determination of policy;

(2) involves principal responsibility for the way in which policies are carried out; or

(3) involves responsibilities and duties of a type not susceptible to the ordinary recruiting and assessment procedures.

(b) Positions may not be included in the partially exempt service under this section if the inclusion is inconsistent with federal requirements for state agencies supported in whole or in part by federal funds.

(c) The personnel board, upon written recommendation of the commissioner of administration, may extend the classified service to include any position in the partially exempt service.

History -

(Sec. 7 ch 144 SLA 1960; am Sec. 9, 10 ch 112 SLA 1982; am Sec. 3 ch 111 SLA 2000)

Decisions -

Cited in Hafling v. Inlandboatmen's Union, 585 P.2d 870 (Alaska 1978).

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Chinese seen as potential Alaska natural gas customer

By BECKY BOHRER
The Associated Press
(02/14/10 18:29:57)

JUNEAU -- Alaska officials are looking to China and what some believe will be that country's strong demand for natural gas to help the state advance its long-held pipeline dreams. Gov. Sean Parnell has invited an official with China's National Energy Administration and others to visit Alaska, following up on a trade mission Lt. Gov. Craig Campbell helped lead to China in December. Campbell returned from that trip believing the rapidly developing communist nation, already a leading export market for such Alaska products as seafood, zinc and lead, could also become a major investor in or export market for Alaska natural gas or its byproducts.

The potential for Alaska is huge, said Harold Heinze, chief executive of the Alaska Natural Gas Development Authority, who was with Campbell on the trip. He sees several possibilities for the Chinese, from building a plant to convert ethane to pellets that would be used in manufacturing to signing on with a major natural gas pipeline project. Ethane is a component of North Slope natural gas that can be used for plastics.

"One thing you look for in a partner is, do they have money and do they have more money than you. And these guys have money," he said, adding: "They're major players in the world." Heinze's state agency was set up seven years ago to pursue a North Slope gas-export project.

In theory, if the interest and money are there, that could also spur progress on a pipeline that many Alaskans have long looked to for new jobs, reliable energy and as a source for more state revenue amid projections of slumping oil production.

But there are plenty of uncertainties, from permitting and pricing -- how gas holds up against other energy sources -- to what China's true long-term demands for gas will be over alternatives like coal, and the level of competition Alaska would face from other producers to meet the gas demand.

And there are the various pipeline options and plans -- including routing a pipe from the North Slope into Canada rather than to Valdez -- each with diehard constituencies and questions about their viability.

Estimates released last month by the companies working with the state to advance a major line put the project costs at $20 billion to $41 billion, depending on the route

One route, the cheaper option, estimated at $20 billion to $26 billion, would run from the harsh North Slope to Valdez, where gas would be superchilled into a liquid in a plant built for an additional cost, and then shipped elsewhere, possibly overseas.

The costlier option envisions a pipeline going from the North Slope to Canada, where gas could move on existing systems to North American markets.

But there have been numerous other proposals through the years to move North Slope gas, even a

bullet line to move some gas to Fairbanks and Southcentral Alaska for local use.

"The Chinese may, because they're interested in resources, they may be able to do things and invest in things that don't look economic in market terms," said James Jensen, a consultant in natural gas economics.

"In fact, if the Chinese said, 'Gee, if we could get this thing going and we could tie up a certain amount of American gas for our own use,' they might do something that I wouldn't think would be economic," he said. "But they might do it."

Officials with TransCanada Corp. of Calgary, Alberta, and Texas-based Exxon Mobil Corp., say the project is economically viable and hope to move by May toward an "open season," when they can court gas producers and try to secure commitments for shipping deals.

The companies, in a recent filing with federal regulators, estimated 35 trillion cubic feet of proven gas reserves on the North Slope.

A TransCanada spokeswoman declined comment on whether there'd been interest from China on the project, saying: "All discussions with individual customers are confidential."

A rival project by Britain's BP and Houston-based Conoco Phillips is also moving ahead.

Campbell said he's not advocating any specific project, but he'd like the Chinese officials to visit "earlier, rather than later." They've indicated a "huge demand," for natural gas, he said, and Alaska wants a market.

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HB

414

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Bullock
3/31/10

CS FOR HOUSE BILL NO. 414(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act relating to that part of the tax on oil and gas production that increases the rate of tax as the production tax value of oil or the BTU equivalent barrel of gas increases above $30, separating the determination of that rate between oil and gas, and making that rate distinct between oil and gas; relating to availability of a portion of the money received from the tax on oil and gas production for appropriation to the community revenue sharing fund; relating to the allocation of lease expenditures and adjustments to lease expenditures; and providing for an effective date."

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

*** Section 1.** AS 29.60.850(b) is amended to read:

(b) Each fiscal year, the legislature may appropriate to the community revenue sharing fund an amount equal to 20 percent of the money received by the state during the previous calendar year under AS 43.55.011(g) **and (p)**. The amount may not exceed

(1) $60,000,000; or

(2) the amount that, when added to the fund balance on June 30 of the previous fiscal year, equals $180,000,000.

* **Sec. 2.** AS 43.55.011(e) is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of this section, the tax is equal to the sum of

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(2) the sum, over all months of the calendar year, of the tax amounts determined under

(A) subsection (g) of this section**; and**

(B) subsection (p) of this section.

* **Sec. 3.** AS 43.55.011(g) is amended to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under **AS 43.55.160(a)(2)(A) - (E) of a** [AS 43.55.160(a)(2) PER] BTU equivalent barrel of [THE] taxable oil and gas is more than $30, the amount of tax for purposes of **(e)(2)(A)** [(e)(2)] of this section is determined by multiplying the monthly production tax value of the taxable oil [AND GAS] produced during the month**, gas produced during the month from a lease or property in the Cook Inlet sedimentary basin, and gas produced during the month from a lease or property outside the Cook Inlet sedimentary basin and used in the state** by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E) of a** [PER] BTU equivalent barrel of [THE] taxable oil and gas for the month is not more than $92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between **the producer's** [THAT] average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E) of a** [PER] BTU equivalent barrel **of taxable oil and gas** and $30; or

(2) if the producer's average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E) of a** [PER] BTU equivalent barrel of [THE] taxable oil and gas for the month is more than $92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the **producer's** average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E) of a** [PER] BTU equivalent barrel **of taxable oil and gas** and $92.50, except that the sum determined under this paragraph may not exceed 50 percent.

*** Sec. 4.** AS 43.55.011 is amended by adding a new subsection to read:

(p) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas is more than $30, the amount of tax on the production of gas for purposes of (e)(2)(B) of this section is determined by multiplying the monthly production tax value of the taxable gas produced during the month other than gas produced from a lease or property in the Cook Inlet sedimentary basin or gas produced outside the Cook Inlet sedimentary basin and used ~~in the state~~ by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the month is not more than $92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and $30; or

(2) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the month is more than $92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and $92.50, except that the sum determined under this paragraph may not exceed 50 percent.

*** Sec. 5.** AS 43.55.020(a) is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i) **and (p)** shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin but not subject to AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

(ii) **an amount equal to** the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production **applicable to the oil produced by the producer from those leases and properties** under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160, from the gross value at the point of production of the oil [AND GAS] produced from the leases or properties during the month for which the installment payment is calculated **added to the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(p) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production applicable to the gas produced by the producer from those leases and properties under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160 from the gross value at the point of production of the gas produced from the leases**

or properties during the month for which the installment payment is calculated;

(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), the greatest of

(i) zero;

(ii) zero percent, one percent, two percent, three percent, or four percent, as applicable, of the gross value at the point of production of the oil and gas produced from all leases or properties during the month for which the installment payment is calculated; or

(iii) **an amount equal to** the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production **applicable to the oil produced by the producer from those leases and properties** under AS 43.55.165 and 43.55.170 that are deductible for those leases or properties under AS 43.55.160, from the gross value at the point of production of the oil [AND GAS] produced from those leases or properties during the month for which the installment payment is calculated **added to the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(p) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production applicable to the gas produced by the producer from those leases and properties under AS 43.55.165 and 43.55.170 that are deductible for those leases or properties under AS 43.55.160 from the gross value at the point of production of the gas produced from those leases or properties during the month for which the installment payment is calculated**;

(C) for oil and gas produced from each lease or property subject to AS 43.55.011(j), (k), or (o), the greater of

(i) zero; or

(ii) **an amount equal to** the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production **applicable to the oil produced by the producer from those leases and properties** under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for oil [OR GAS, RESPECTIVELY,] produced from the lease or property, from the gross value at the point of production of the oil [OR GAS, RESPECTIVELY,] produced from the lease or property during the month for which the installment payment is calculated **added to the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production applicable to the gas produced by the producer from the lease or property under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for gas produced from the lease or property, from the gross value at the point of production of the gas produced from the lease or property during the month for which the installment payment is calculated**;

(2) an amount calculated under (1)(C) of this subsection for oil or gas produced **before 2022** from a lease or property subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year

on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by AS 43.55.011(e) or (i), net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production.

*** Sec. 6.** AS 43.55.020(d) is amended to read:

(d) In making settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes due to the amount of the tax paid. If the total deductions of installment payments of estimated tax for a calendar year exceed the actual tax for that calendar year, the producer shall, before April 1 of the following year, refund the excess to the royalty owner. Unless otherwise agreed between the producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) - (g) **and (p)** on taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or right to which constitutes a landowner's royalty interest, is considered to be the gross value at the point of production of the taxable royalty oil and gas produced during the calendar year multiplied by a figure that is a quotient, in which

(1) the numerator is the producer's total tax liability under AS 43.55.011(e) - (g) **and (p)** for the calendar year of production; and

(2) the denominator is the total gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) - (g) **and (p)** produced by the

producer from all leases and properties in the state during the calendar year.

*** Sec. 7.** AS 43.55.160(a) is amended to read:

(a) Except as provided in (b) of this section, for the purposes of

(1) AS 43.55.011(e), the annual production tax value of the taxable

(A) oil [AND GAS] produced during a calendar year from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(B) oil [AND GAS] produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(C) oil produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the

producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a calendar year from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(F) gas produced during a calendar year from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas used in the state;

(G) gas produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas used in the state;

(2) AS 43.55.011(g) **and (p)**, the monthly production tax value of the taxable

(A) oil [AND GAS] produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the

gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(B) oil [AND GAS] produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(C) oil produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a month from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and

produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(F) gas produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas used in the state;

(G) gas produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas used in the state.

* **Sec. 8.** AS 43.55.165(h) is amended to read:

(h) The department shall adopt regulations that provide for reasonable methods of allocating costs between oil and gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within different leases or properties. **When determining a reasonable method of allocating lease expenditures between the production of oil and the production of gas, the**

department shall consider allocating lease expenditures in proportion to the BTU equivalent barrels of oil produced and gas produced from each lease or property.

*** Sec. 9.** AS 43.55.170 is amended by adding a new subsection to read:

(d) The department shall adopt regulations that provide for reasonable methods of allocating the adjustments to a producer's lease expenditures in (a) of this section and the payments and credits described in (b) of this section between oil and gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits, or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within different leases or properties. When determining a reasonable method of allocating the adjustments to a producer's lease expenditures between the production of oil and the production of gas, the department shall consider allocating the adjustments in proportion to the lease expenditures allocated to the production of oil and the production of gas under regulations adopted by the department under AS 43.55.165(h).

*** Sec. 10.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: INSTALLMENT PAYMENTS OF TAX. A producer required to make an installment payment of tax under AS 43.55.020(a)(1) after December 31, 2009, and before the effective date of this Act, and that underpaid the amount due for the installment payment because of the retroactive application of secs. 2 - 4 and 7 of this Act, shall submit the amount of any underpayment on the date the first installment payment is due under AS 43.55.020(a)(1) after the effective date of this Act. Interest on the amount of an underpayment due because of the retroactive application of secs. 2 - 4 and 7 of this Act does not accrue until the day after the date the first installment payment is due under AS 43.55.020(a)(1) after the effective date of this Act.

*** Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to read:

RETROACTIVITY. Sections 2 - 4 and 7 of this Act are retroactive to January 1, 2010.

* **Sec. 12.** This Act takes effect immediately under AS 01.10.070(c).

To: Rep. Craig Johnson
Rep. Mark Neuman
Co-Chairs, House Resources Committee

From: Roger Marks, Logsdon & Associates

Date: 4/2/10

Re: HB 414 - Oil/Gas Crossover Price for Production Tax Dilution Effect

On Wednesday March 31 we made a presentation on HB 414, the bill that would separate oil and gas for calculating the production tax. Oil and gas are combined under current law. Currently oil is valued much higher than gas. If that relationship endured to that time of a major gas sale, the addition of gas onto oil activity could dilute oil value, which could reduce oil taxes by a significant amount.

We presented Department of Revenue figures from February 24, 2010 that displayed the magnitude of the annual tax losses. They were as follows:

$8/mmbtu gas / $75/bbl oil (market prices): $0.3 billion
$8/mmbtu gas/ $100/bbl oil (market prices): $1.1 billion
$8/mmbtu gas / $120/bbl oil (market prices):$2.0 billion

The question arose in the committee as to what the crossover points might be, the prices where the dilution effect would be zero. The other question was whether dilution would only occur when the market price of oil was more than 6 times the price of gas, the ratio of BTUs in a barrel of oil to an mmbtu (million BTUs) of gas.

First, the crossover would be determined by three other factors in addition to the market prices. First, it would depend on the relative volumes of oil and gas. Second, it would depend on the difference in transportation costs between oil and gas. Finally, it would also depend on the relative upstream capital and operating costs for oil and gas.

Using the Department of Revenue assumptions we calculated the crossover points. The assumptions were as follows:

Oil

Production of 500,000 bbls/day
Transportation cost deduction of $6.50/bbl
Upstream capital costs of $2 billion
Upstream operating costs of $2 billion

Gas

Production of 4.5 bcf/day
Transportation cost deduction of $4.50/mmbtu
Upstream capital costs of $200 million
Upstream operating costs of $200 million

We computed crossover points for the three oil prices and one gas price used in the above illustration:

Crossover Point where Dilution Effect is Zero

At $75/bbl oil market price	Gas crossover point = $11/mmbtu gas market price
At $100/bbl oil market price	Gas crossover point = $15/mmbtu gas market price
At $120/bbl oil market price	Gas crossover point = $18/mmbtu gas market price
At $8/mmbtu gas market price	Oil crossover point = $60/bbl oil market price

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Monthly Oil and Natural Gas Price Analysis

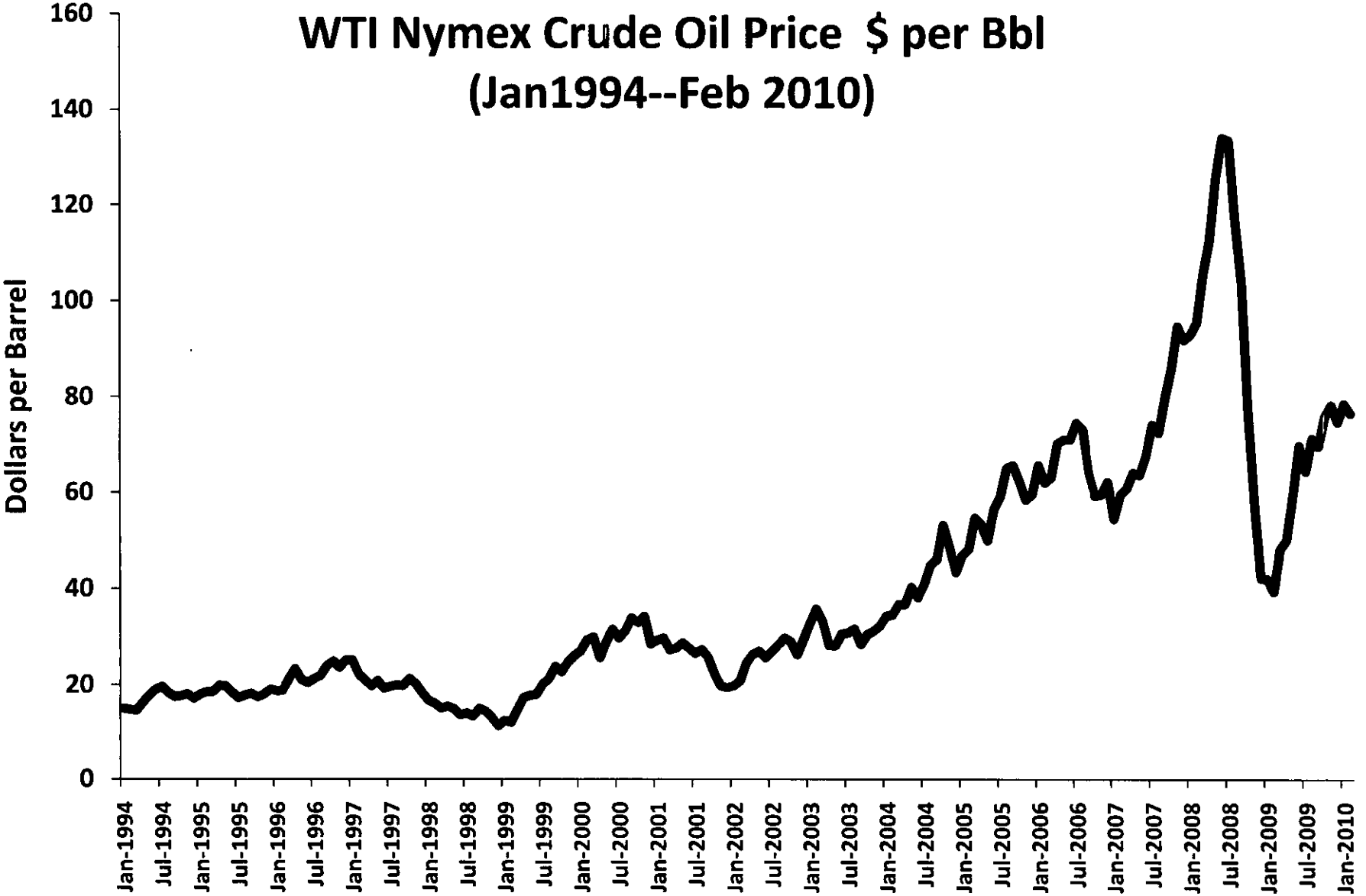
Logsdon and Associates

April 2, 2010

4810

Average Monthly Closing Prices for U.S. Crude Oil and Natural Gas as Reported on the New York Mercantile Exchange (NYMEX)

- West Texas Intermediate (WTI) oil and Henry Hub Gas prices are quoted daily on the NYMEX. The near month contract tracks very closely with the spot price since the delivery of physical barrels of WTI oil and Henry Hub gas underwrite the futures contract.
- The spot price is assessed by survey of buyers and sellers of physical cargos or lots or tranches. The near month NYMEX contract is determined in a regulated transparent market.
- The following charts illustrate both volatility and trend of oil and natural gas prices over the last 16 years.
- The charts start in 1994 because that is the first year that the natural gas contract was offered on the NYMEX.
- The price of oil is stated in dollars per barrel. The price of gas is stated in millions of British thermal units (btu), a measure of energy content.


WTI Nymex Crude Oil Price $ per Bbl
(Jan1994--Feb 2010)
Dollars per Barrel
160
140
120
100
80
60
40
20
0
Jan-1994
Jul-1994
Jan-1995
Jul-1995
Jan-1996
Jul-1996
Jan-1997
Jul-1997
Jan-1998
Jul-1998
Jan-1999
Jul-1999
Jan-2000
Jul-2000
Jan-2001
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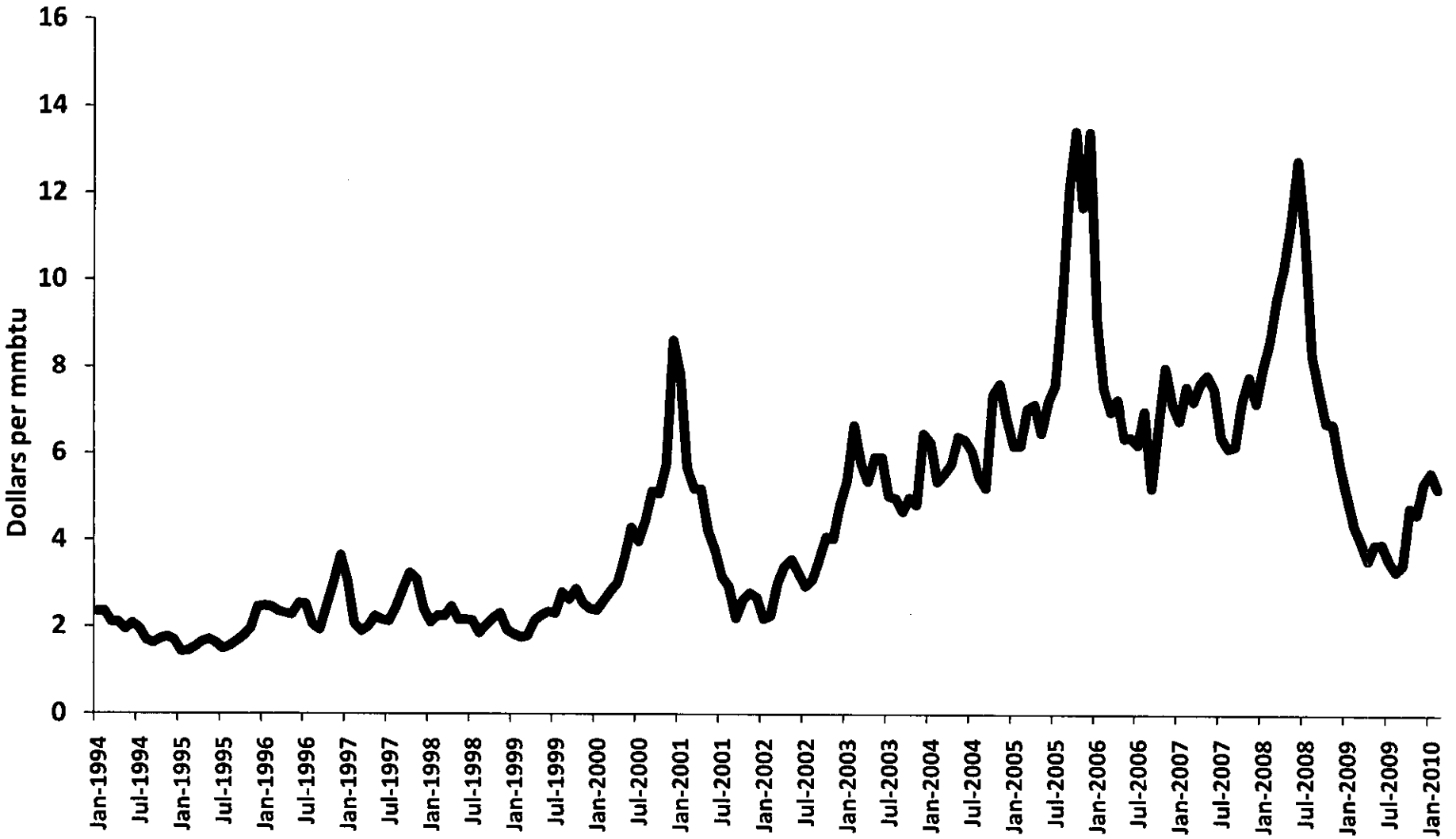
Jul-2005
Jan-2006
Jul-2006
Jan-2007
Jul-2007
Jan-2008
Jul-2008
Jan-2009
Jul-2009
Jan-2010

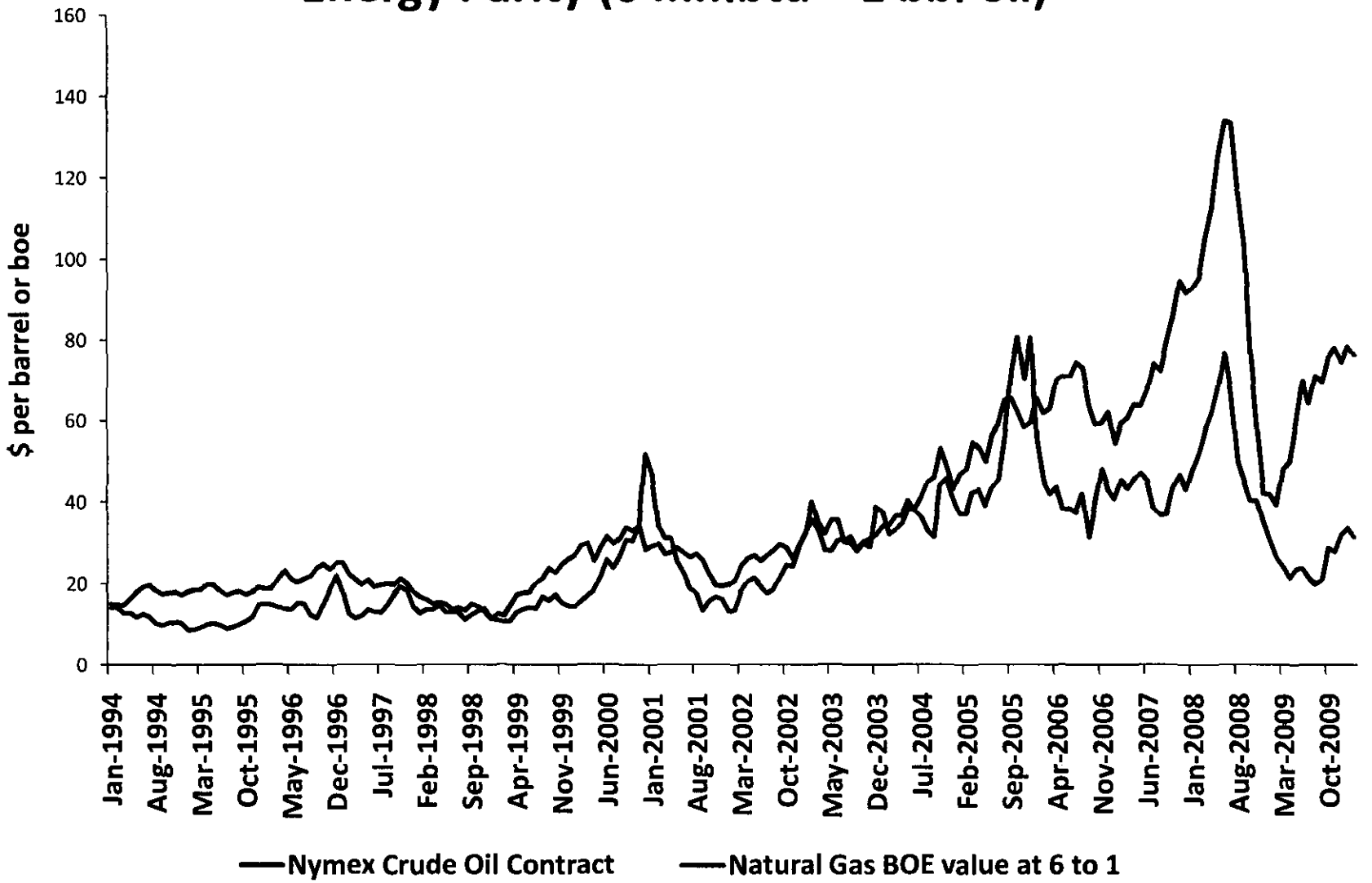
Henry Hub Nymex Natural Gas Futures
Jan 1994—Feb 2010 ($ per Million BTU)



Comparison of Oil and Gas on an Apples to Apples Basis

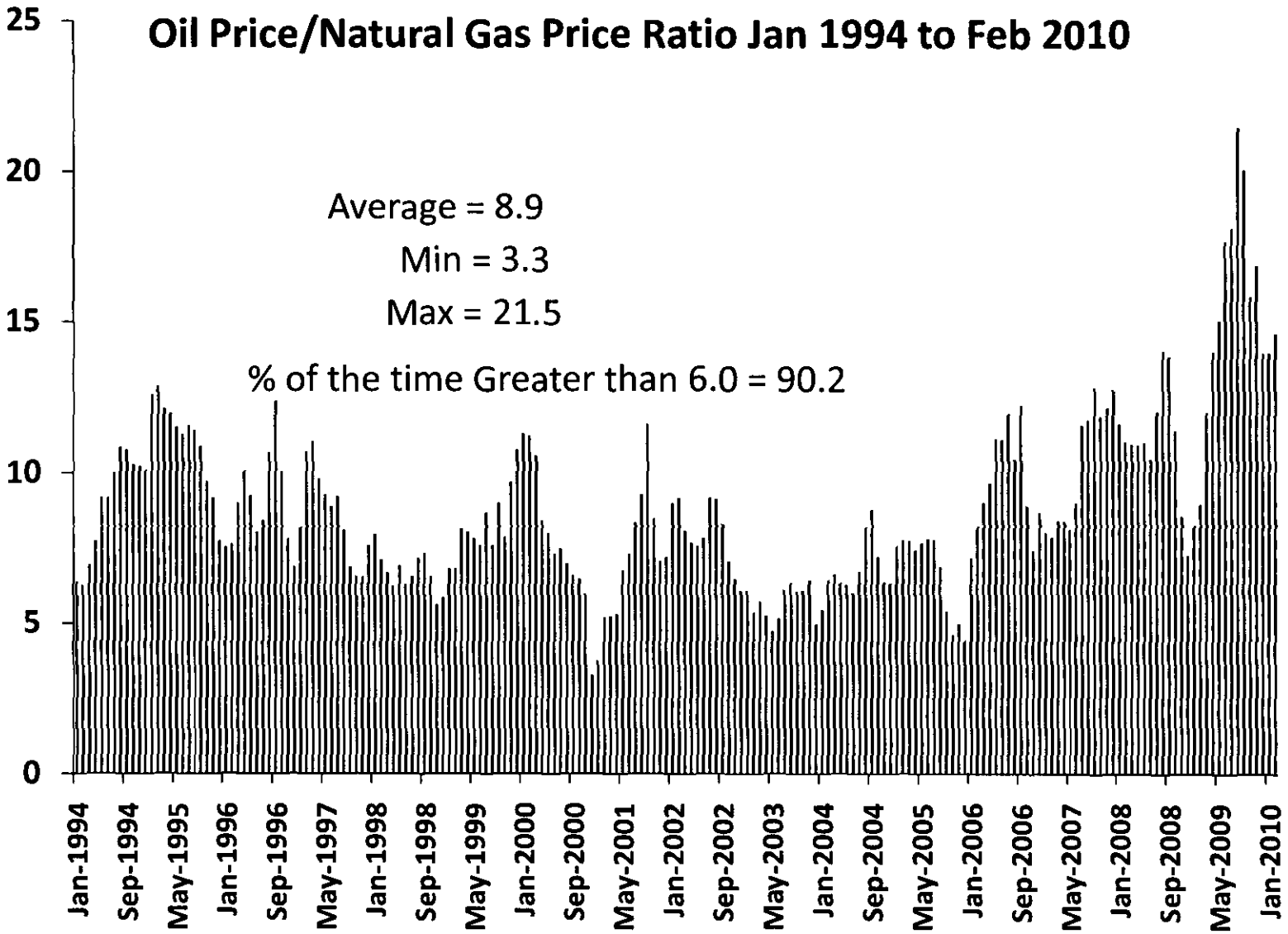
- The following chart makes an apples to apples comparison between the price of the two substances by converting the gas price to a barrel equivalent price based on the physical energy propertys of the two substances. There are six million btu's in a barrel of oil and gas prices are quoted per one million btu.
- What you see is that gas tends to be less valuable on a per btu basis.

Nymex Oil vs. Nymex Natural Gas if Gas Sold at Energy Parity (6 mmbtu = 1 bbl oil)



What is the historic number of btu's of gas needed to have the same value as a barrel of oil?

- The following chart makes this comparison.
- Clearly there have been some points in time when gas has sold at energy parity (6 to 1) or better with oil. This has not happened very often.
- The other thing to notice is that although there appears to be a partial correlation over time, the relationship between oil and gas prices is highly unstable from month to month.


Oil Price/Natural Gas Price Ratio Jan 1994 to Feb 2010
Average = 8.9
Min = 3.3
Max = 21.5
% of the time Greater than 6.0 = 90.2
25
20
15
10
5
0
Jan-1994
Sep-1994
May-1995
Jan-1996
Sep-1996
May-1997
Jan-1998
Sep-1998
May-1999
Jan-2000
Sep-2000
May-2001
Jan-2002
Sep-2002
May-2003
Jan-2004
Sep-2004
May-2005
Jan-2006
Sep-2006
May-2007
Jan-2008
Sep-2008
May-2009
Jan-2010

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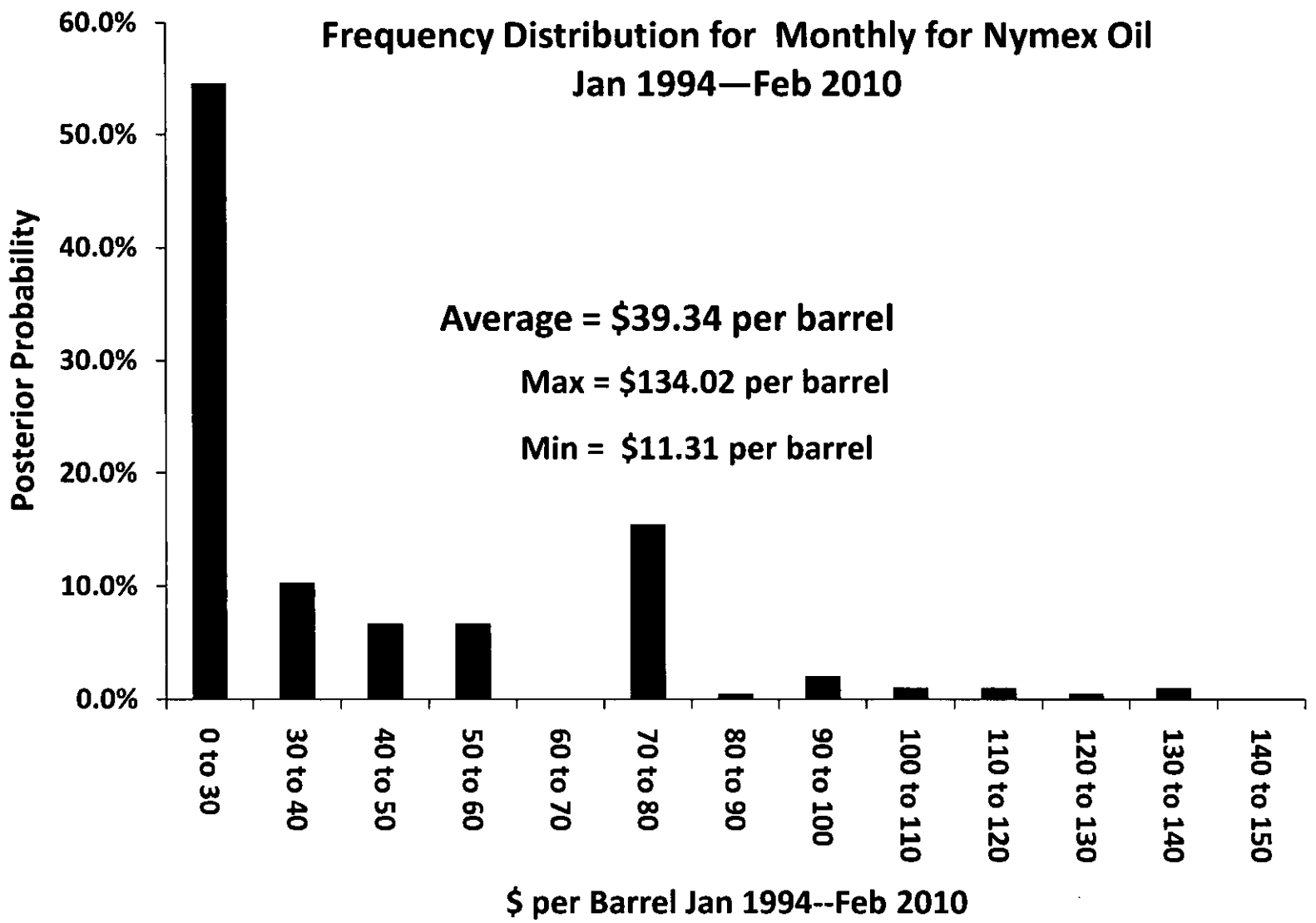
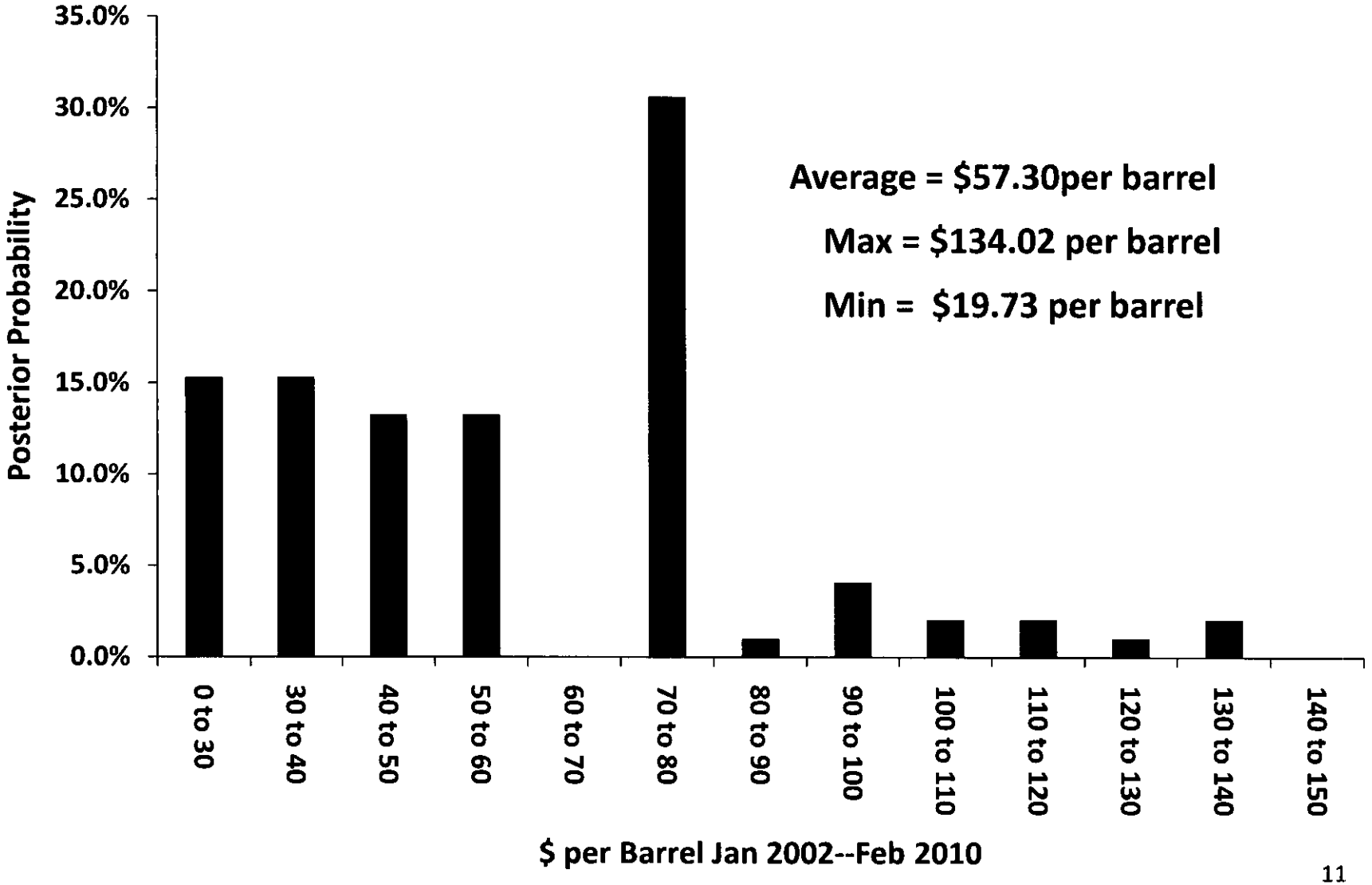
Looking at oil and gas prices using frequency distributions

- The following charts are based on the percent of time that oil or gas prices fell within certain intervals.
- This is essentially a historical probability view.
- Three time periods are examined, long term medium term and shortterm. Jan 1994—Feb 2010, Jan 2002—Feb 2010. and Jan 2004—Feb 2010.
- Look for spikes and bunching, what statisticians call modes and central tendencies.
- The charts on the next two pages clearly show that we are in an evolving oil pricing world. The oil price frequency distribution shown between Jan 1994 and Feb 2010 on on the next page, shows that between 1994 and 2010, 55% of the time the price of oil was $30/bbl or less. In the next chart, covering 2002 through 2010, oil prices were $30/bbl or less only 15% of the time.


Frequency Distribution for Monthly for Nymex Oil
Jan 1994—Feb 2010
Average = $39.34 per barrel
Max = $134.02 per barrel
Min = $11.31 per barrel
Posterior Probability
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
0 to 30
30 to 40
40 to 50
50 to 60
60 to 70
70 to 80
80 to 90
90 to 100
100 to 110
110 to 120
120 to 130
130 to 140
140 to 150
$ per Barrel Jan 1994--Feb 2010

Frequency Distribution for Monthly for Nymex Oil
Jan 2002—Feb 2010



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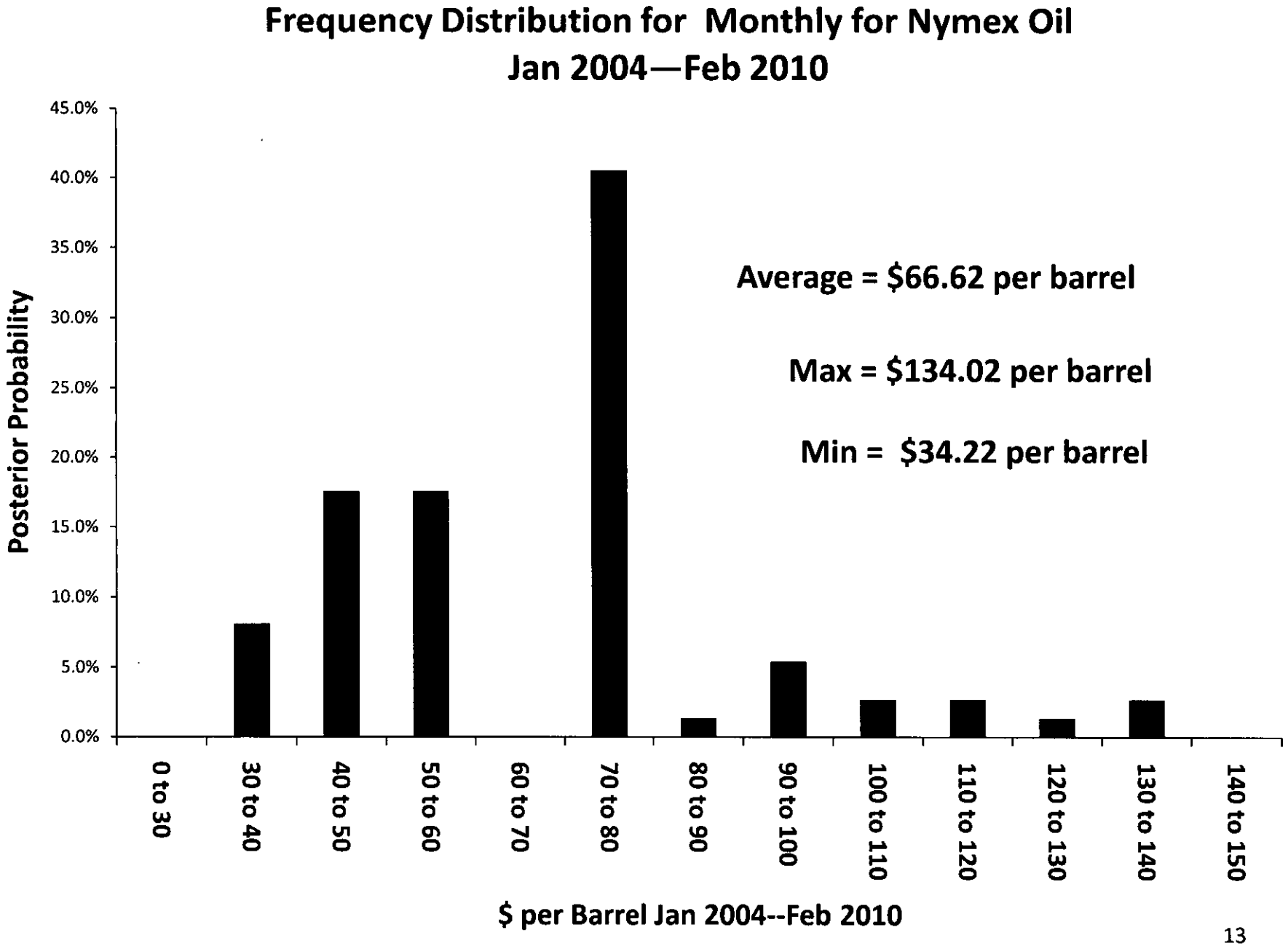
A much more recent shorter term view

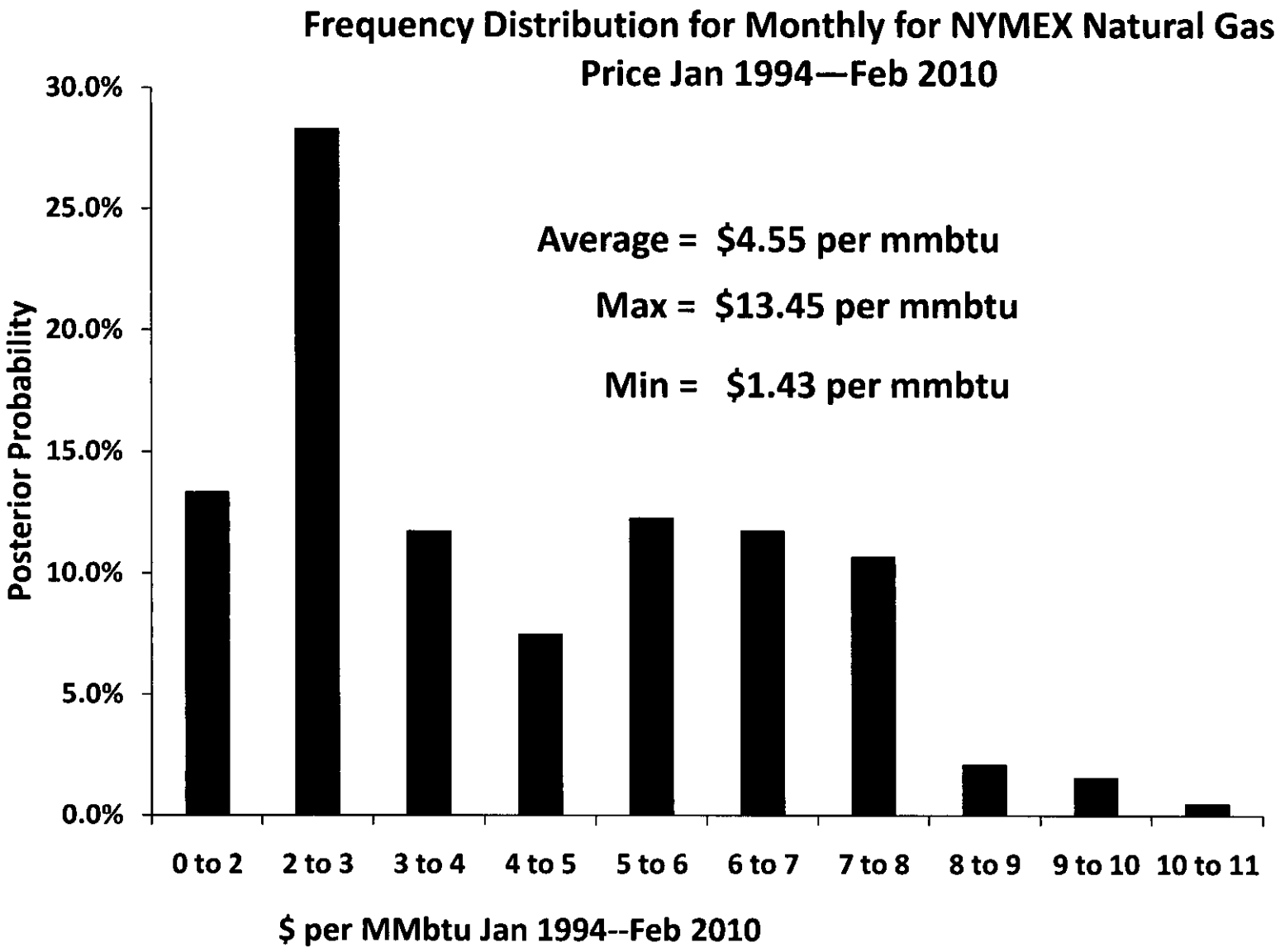
- The following chart shows the frequency distribution for oil prices from January 2004 through February 2010.
- Notice that for this most recent 6 year period that oil prices have traded in a pretty tight range between $70 and $80, 40% of the time.
- Connecting the spikes gives you a somewhat symetric shape. This suggests that at we are in a market that trends to a price in the $70 to $80 range.


Frequency Distribution for Monthly for Nymex Oil
Jan 2004—Feb 2010
Posterior Probability
45.0%
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
Average = $66.62 per barrel
Max = $134.02 per barrel
Min = $34.22 per barrel
0 to 30
30 to 40
40 to 50
50 to 60
60 to 70
70 to 80
80 to 90
90 to 100
100 to 110
110 to 120
120 to 130
130 to 140
140 to 150
$ per Barrel Jan 2004--Feb 2010

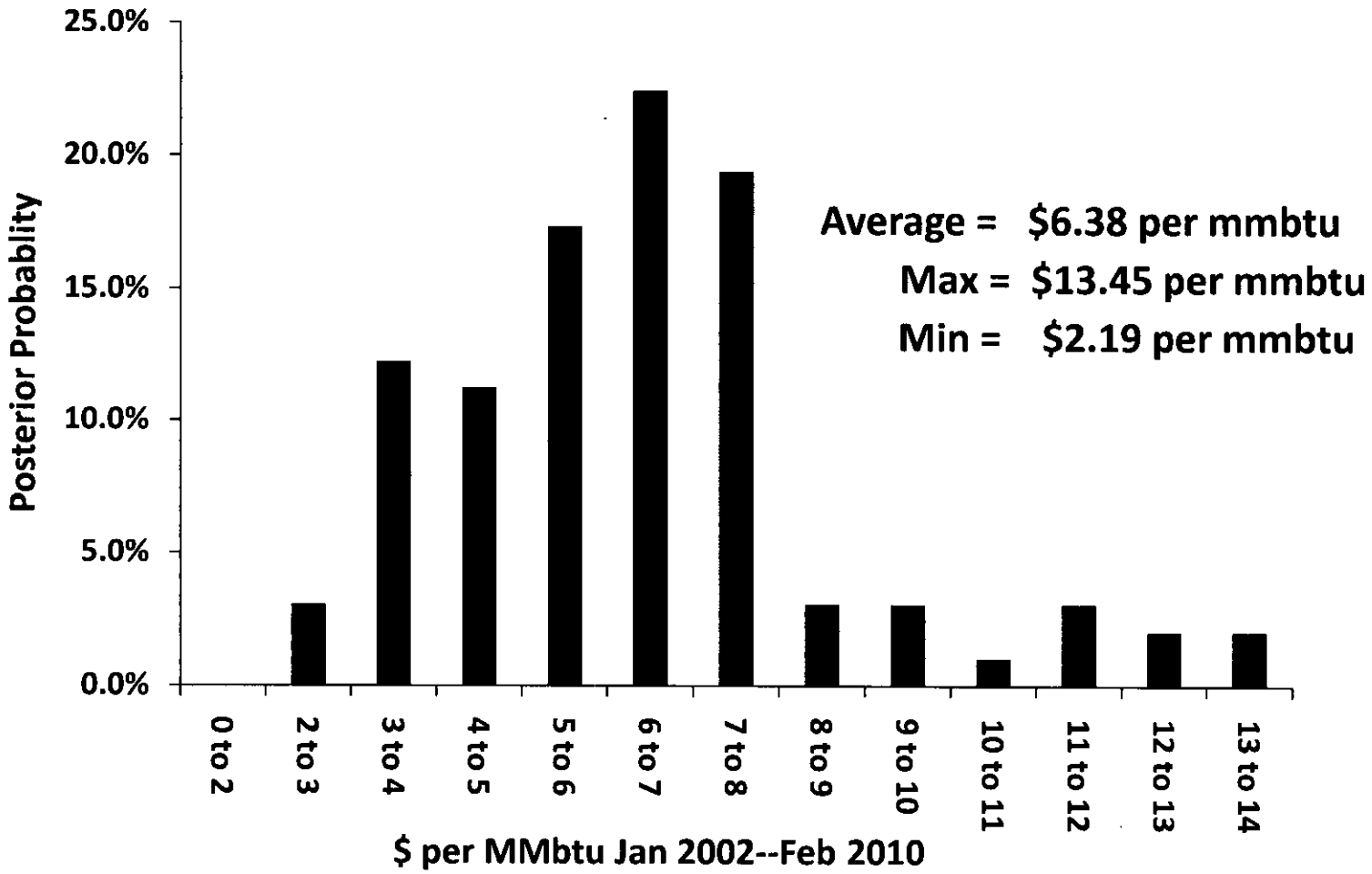
4822

Gas Price Frequency Distributions

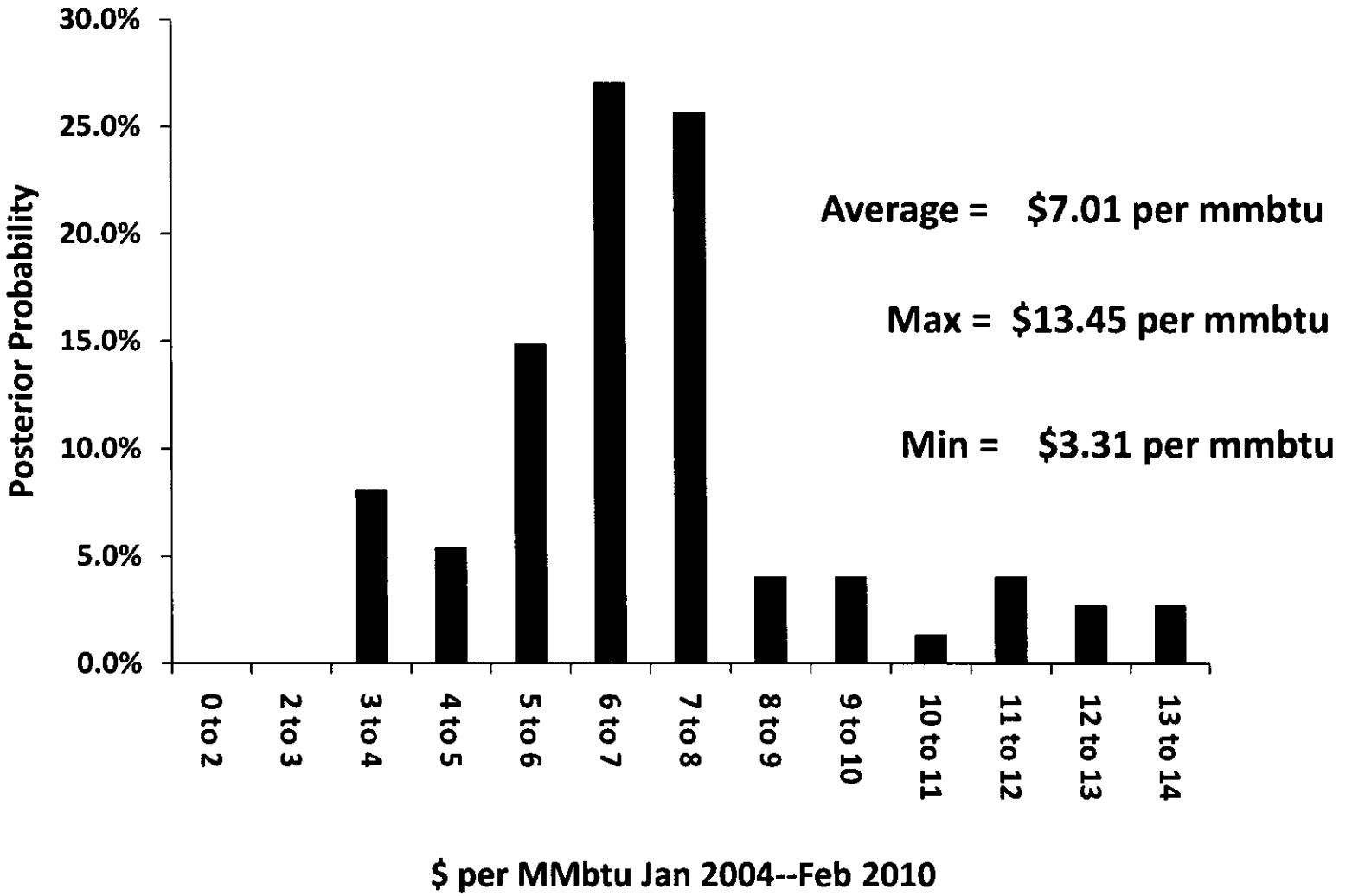
- Comparing the following three charts it can be seen that gas prices viewed over the longer time period of Jan 1994—Feb 2010 were most frequently in the $2-$3 range but relatively evenly distributed all the way up to $8 per mmbtu.
- Going to the distribution from Jan 2002 to Feb 2010 shows that dropping the earlier 8 years moves the distribution up to center around the $5 to $8 range.
- The final chart shows that distribution of gas prices from Jan 2004 to Feb 2010 where gas prices become more bunched in the region of $6 to $8 per mmbtu.
- The today's situation in the gas market with gas around $4 is consistent with the 16 year average ($4.55) rather than either the last 8 or 6 year averages of $6.38 and $7.01 respectively.


Frequency Distribution for Monthly for NYMEX Natural Gas Price Jan 1994—Feb 2010
Average = $4.55 per mmbtu
Max = $13.45 per mmbtu
Min = $1.43 per mmbtu
Posterior Probability
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
0 to 2
2 to 3
3 to 4
4 to 5
5 to 6
6 to 7
7 to 8
8 to 9
9 to 10
10 to 11
$ per MMbtu Jan 1994--Feb 2010

Frequency Distribution Monthly for NYMEX Natural Gas Price Near Contract



Frequency Distribution Monthly for NYMEX Natural Gas Price Jan 2004—Feb 2010



HB 414:
The Separation of Oil from Gas for the Oil & Gas Production Tax

House Resources Committee
Logsdon & Associates
March 31, 2010

Premise of the Bill

- Under current law oil and gas are taxed together
- Oil is worth much more than gas
- The combining mechanism has the potential to materially reduces oil taxes even though oil operations are unaffected

Oil is Different than Gas

- Supply
  - Oil more geographically concentrated (fewer sellers: OPEC)
  - Oil supplies more depleted
  - Lower cost gas is more plentiful
- Demand
  - Oil has fewer substitutes
  - Gas has more substitutes
- Result: Oil is worth more than gas

BTU 9:1

West Coast ANS

- Market Price $80/bbl
- Less:
  - Shipping $2.07
  - TAPS $4.18
- Gross Value $73.75
- 6 mmbtu's / bbl
- $12.29 / mmbtu

North Slope Gas

- Market Price $6/mmbtu
- Less:
  - Tariff AK to AB $3.54
  - AB Hub $0.24
  - Tariff AB to L48 $0.85
- Gross Value $1.37/mmbtu
- On a straight BTU to BTU basis oil is worth nearly 9 X as much as gas

Some Things that have BTUs

- Oil
- Gas
- Coal
- Wood
- Asphalt
- Shoe Leather
- Rubber
- Coffee grounds
- Citrus rinds
- Corn cobs
- Dung

Mechanics of Current Tax

- 1) Oil gross value (market price less transport cost)
- 2) Gas gross value (market price less transport cost)
- 3) Oil + gas gross value gas = Combined gross value
- 4) Combined gross value – lease capital and operating costs = Combined oil & gas net value
- 5) Combined oil & gas net value / total oil & gas BOEs = p/BOE net value (see Slide # 7)
- 6) Progressivity factor (based on per BOE net value) plus 25% base rate = tax rate
- 7) Single tax rate applied to combined oil & gas net value

Barrel of Oil Equivalents (BOEs):
Putting Oil & Gas on an Apples / Apples Basis

- 4.5 billion cubic feet per day (bcf/d) of natural gas
- A cubic foot of North Slope gas will have about 1,100 BTUs
- Natural gas is measured in millions of BTUs (mmbtu)
- 4.5 billion cubic feet per day will have 4.95 million mmbtu's (4.5 X 1,100)
- A barrel of oil has about 6 mmbtu's
- 4.5 billion cubic feet per day will have the BTU equivalence of 825,000 barrels of oil (BOEs) (4,950,000 / 6)
- If there are 500,000 barrels of oil, total BOEs will total 500,000 + 825,000 = 1,325,000

Progressivity Mechanics

- "Trigger" = $30 net / BOE value
- "Slope" = 0.4%*
- Progressivity surcharge = (Net per BOE value - $30) X .004
- Example: if net value = $50
  - Base tax rate = 25%
  - Progressivity = ($50 – $30) X .004 = 8%
  - Total tax of 33% on net value

* Slope changes to 0.1% after $92.50 net per BOE value

HOW GAS IMPACTS OIL TAXES

	Oil Alone (p/bbl)
Market Price	$80.00
Transp cost	$5.00
Gross Value	$75.00
Costs	$20.00
Net (p/barrel or p/mmbtu)	$55.00
Base rate	25.00%
Progressivity	10.00%
Total tax rate	35.00%

HOW GAS IMPACTS OIL TAXES

	Oil Alone (p/bbl)	Gas (p/mmbtu)
Market Price	$80.00	$6.00
Transp cost	$5.00	$4.50
Gross Value	$75.00	$1.50
Costs	$20.00	$0.50
Net (p/barrel or p/mmbtu)	$55.00	$1.00
Base rate	25.00%	
Progressivity	10.00%	
Total tax rate	35.00%	
Daily bbls (oil) or mmbtu (gas)	500,000	4,950,000
Daily BOEs	500,000	825,000
Annual million bbls (oil) or million mmbtu (gas)	183	1,807
Annual BOEs (millions)	183	301

HOW GAS IMPACTS OIL TAXES

	Oil Alone (p/bbl)	Gas (p/mmbtu)	Combined Oil & Gas	
Market Price	$80.00	$6.00	Oil	
Transp cost	$5.00	$4.50	p/bbl net value	$55.00
Gross Value	$75.00	$1.50	Barrels (millions)	183
			Total oil net value ($mm)	$10,038
Costs	$20.00	$0.50	Gas	
			p/mmbtu net value	$1.00
Net (p/barrel or p/mmbtu)	$55.00	$1.00	mmbtu's (millions)	1,807
			Total gas net value ($mm)	$1,807
Base rate	25.00%			
Progressivity	10.00%		Total oil & gas net value	$11,844
Total tax rate	35.00%		Total BOEs	484
			Net value / BOE	$24.49
Daily bbls (oil) or mmbtu (gas)	500,000	4,950,000	NO PROGRESSIVITY!	
Daily BOEs	500,000	825,000		
Annual million bbls (oil) or million mmbtu (gas)	183	1,807		
Annual BOEs (millions)	183	301		

HOW GAS IMPACTS OIL TAXES

	Oil Alone (p/bbl)	Gas (p/mmbtu)
Market Price	$80.00	$6.00
Transp cost	$5.00	$4.50
Gross Value	$75.00	$1.50
Costs	$20.00	$0.50
Net (p/barrel or p/mmbtu)	$55.00	$1.00
Base rate	25.00%	
Progressivity	10.00%	
Total tax rate	35.00%	
Daily bbls (oil) or mmbtu (gas)	500,000	4,950,000
Daily BOEs	500,000	825,000
Annual million bbls (oil) or million mmbtu (gas)	183	1,807
Annual BOEs (millions)	183	301

NO PROGRESSIVITY!

Combined Oil & Gas	
Oil	
p/bbl net value	$55.00
Barrels (millions)	183
Total oil net value ($mm)	$10,038
Gas	
p/mmbtu net value	$1.00
mmbtu's (millions)	1,807
Total gas net value ($mm)	$1,807
Total oil & gas net value	$11,844
Total BOEs	484
Net value / BOE	$24.49

DEPARTMENT OF REVENUE EXAMPLES TO SENATE FINANCE - FEBRUARY 24, 2010

Oil Price	Gas Price	Oil Alone Progressivity Factor	Oil & Gas Combined Progressivity Factor	Reduction in Progressivity Factor	Oil Alone Tax ($billions)	Gas Alone Tax ($billions)	Total Tax if Taxed Separately ($billions)	Combined Tax ($billions)	Annual Tax Reduction from Combining ($billions)
$75	$8.00	5.38%	0.00%	5.38%	$1.7	$1.1	$2.8	$2.5	$0.3
$100	$8.00	15.38%	3.59%	11.79%	$4.0	$1.1	$5.1	$4.0	$1.1
$120	$8.00	23.38%	6.79%	16.59%	$6.4	$1.1	$7.5	$5.5	$2.0

* Oil
  Production 500,000 bbls/day
  Transportation cost deduction $6.50/bbl
  Upstream capital costs $2 billion
  Upstream operating costs $2 billion
** Gas
  Production 4.5 bcf/day
  Transportation cost deduction $4.50/mmbtu
  Upstream capital costs $200 million
  Upstream operating costs $200 million

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How can you be so sure about future prices?

- We cannot
- Different price relationships would produce different outcomes
- Since the potential for these outcomes exist, the current tax structure adds another level of risk to an already large amount of uncertainty
- At current price relationships there is a risk of undermining state finances

How HB 414 Bill Works

- Under the current law there is a base tax rate of 25%
  - Plus progressivity based on the combined oil & gas net value / BOE
- The bill removes progressivity on gas
- Progressivity on oil continues to be calculated just on oil net value / barrel
- Exclusion of gas in the progressivity calculation does not reduce oil taxes
- Senate CS – includes progressivity on gas

Issue: Cost Allocation

- Costs to produce oil and gas are truly joint costs
- Current approach (AS 43.55.165(h)): gives department authority to adopt regulations for allocating costs between oil and gas:
  - As recipients of confidential cost data they are in the best position to evaluate costs
  - A regulatory process allows more time
  - The regulatory process is public
- BOE Approach
  - The same costs that **produce** oil **produce** gas
  - Since **produced** together, costs are allocated based on amounts **produced**
  - BOE method: putting oil & gas on apples/apples basis in terms of relative **produced** volumes

Issue: Tax Neutrality on Current Activity

- Currently some producers produce both oil and gas
- If separate oil and gas for calculating progressivity:
  - Oil progressivity will be undiluted by gas
  - Oil progressivity will go up
  - Taxes will increase
- Not intent of bill to raise taxes on current activity
- Proposed progressivity structure in Senate CS
  - One progressivity on oil, Cook Inlet gas, and other in-state gas calculated together
  - A second progressivity on export gas calculated distinctly
  - Replicates current situation and prevents major gas sale from diluting oil progressivity

HB 414

"An Act relating to the tax on oil and gas production; and providing for an effective date."

The Bill is intended to separate oil and gas production into two separate substances for purposes of the oil and gas production tax ACES AS 43.55. Oil would be taxed at its net production value at a combined rate of 25% and a progressive surcharge as taxable value increases above $30 per barrel. Gas would be taxed at a flat rate of 25%

Sec. 1.

- **AS 43.55.011(e)(2)**
  - Adds language to the statute that specifically identifies that oil is subject to a progressive tax rate.
  - Section (e) defines a base tax rate of 25% and a progressivity surcharge defined in Section (g). Most importantly, the progressive rate surcharge only applies to oil.

Sec. 2.,.3., and 4.

- **Sec. 2. AS 43.55.011(g) and (g)(1) and (g)(2)**
- These sections of the bill change the progressive rate surcharge so that it applies only to oil by removing gas from the progressive rate calculation, leaving the gas rate at a flat 25%

- **Sec. 3. AS 43.55.011(j)**
  - This change ensures that the comparison between the old ELF tax for Cook Inlet gas and a tax on the net production value of gas uses the 25% with no progressive rate.

- **Sec. 4. AS 43.011(o)**
  - Same as Sec.3 for non-Cook Inlet gas used in-state.

Sec. 5., 6., and 7.

- **Sec. 5. AS43.55.020(a)(1)**
  - Gas progressivity is removed from the calculation of the monthly installment payments.
- **Sec.6. AS 43.55.160(a)(2)**
  - For progressivity, the calculation of the monthly production tax value is only made for oil.
- **Sec. 7. AS 43.55.160(c)**
- Calculating the monthly share of the producer's costs of transportation for the calendar year for deriving production tax value for progressivity is for only done for oil.
- **Sec. 8. Takes effect immediately**

CS for Senate Bill 305 (Version T)

HB 414 as introduced has the language of the original SB305.

The following changes have been made in the CS for Senate Bill 305:

Title has been tightened to focus scope:

"An Act relating to **that part of the tax on oil and gas production that increases the rate of tax as the production tax value of oil or the BTU equivalent barrel of gas increases above $30, separating the determination of that rate between oil and gas, and making that rate distinct between oil and gas**; relating to the availability of a portion of the money received from the tax on oil and gas production for appropriation to the community revenue fund; relating to the allocation of lease expenditures and adjustment of lease expenditures; and providing for an effective date"

Progressivity on Oil and Gas

No change to formula:

Progressivity rate =

(production tax value per BTU equivalent barrel - $30) X .004

As in current law:

BTU equivalent barrels for gas = mmbtu / 6

Production tax value per BTU equivalent barrel for gas =

production tax value / BTU equivalent barrels

Two Progressivity Calculations

- Oil / CI Gas / Other In-State Gas
  - Progressivity calculated together
  - Same as current activity
  - No tax increase on current kinds of activity

- Export Gas (Major Gas Sale Gas)
  - Calculated distinctly
  - Will not dilute oil progressivity

Two Progressivity "Buckets"

Requirement that BTU Equivalent Barrels be considered as a method for allocating lease costs between Oil and Gas

- AS 43.55.165(h) is amended to require the department to consider allocating lease expenditures between oil and gas production in proportion to BTU equivalent barrels produced op each substances.
- The Department of Revenue already has regulations that use the BTU Equivalent method for allocating joint productions.
- The BOE method is relatively straightforward, knowable, and relatively stable.
- The Department has the resources, time, and procedures for examining this issue and ultimately it would be their decision.

Applicability Date

- Retroactive to January 1, 2010 for administrative expediency for both department and taxpayers; they will not have to split the year with two systems
- Will not result in any change in tax

ALASKA STATE LEGISLATURE
House Resources Committee

Craig Johnson, Co-Chair

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Sponsors Statement for HB 414 by the House Resource Committee

"An Act relating to the tax on oil and gas production; and providing for an effective date."

Currently there are companies doing business in Alaska that have both oil sales (from the North Slope) and gas sales (from Cook Inlet or elsewhere). The gas produced receives the same progressivity surcharge as the oil.

House Bill 414 by the House Resources Committee separates oil and natural gas for purposes of calculating the progressivity portion of the production tax under AS 43.55. Under this bill, the progressivity surcharge is calculated on oil only instead of on oil and gas combined. The progressivity surcharge remains unchanged at 0.4% per $1 of production tax value over $30 per barrel, then 0.1% per $1 of production tax value over $92.50. Under House Bill 414, natural gas will be taxed at 25% of production tax value with no progressivity surcharge.

Bill Section	Change	Notes
	"An Act relating to the tax on oil and gas production; and providing for an effective date."	The Bill is intended to separate oil and gas production into two separate substances for purposes of the oil and gas production tax ACES AS 43.55
Sec. 1.	**AS 43.55.011(e)(2)** Adds language that specifically identifies the production of oil for progressivity rate purposes	Section (e) defines a base tax rate of 25% and a progressivity surcharge defined in Section (g). Progressivity only applies to oil.
Sec. 2.	**AS 43.55.011(g)** The language referring to gas and its per BTU equivalent is removed to isolate the progressive rate tax calculation for oil. **AS 43.55.011(g)(1)** The language referring to gas and its per BTU equivalent is removed to apply the progressive rate calculation only to oil with a progressive rate of an additional 0.4% for each $/bbl above $30 up to $92.50 per barrel. **AS 43.55.011(g)(2)** The same changes are made in this subsection as in AS 43.55.011(g) (1) eliminating references to gas and per BTU equivalent to calculate the progressive rate for net production values greater than $92.50 at the rate of an additional 0.1%	This isolates the progressive tax rate calculation to apply to oil not gas. Since gas has been deleted from the calculation of the progressive rate, the rate on gas is set at 25% as set out in AS 43.55.011(e)(1)
Sec. 3.	**AS 43.55.011(j)** In comparing the lower of Sec. (e) tax and ELF tax for Cook Inlet production, progressivity does not apply for gas.	This change serves to make the comparison between the old ELF tax for gas and a tax on the net production value of gas multiplied by 25%

Bill Section	Change	Notes
Sec. 4.	**AS 43.011(o)** Same as Sec.3 for non-Cook Inlet gas used in-state.	This change serves to preserve the ELF limitation of the tax for gas developed outside the Cook Inlet before 2022 and used in State.
Sec. 5.	**AS43.55.020(a)(1)** The monthly installment payments for gas does not include a progressivity component	All other segregated leases or properties defined in statute only have a progressivity rate for oil
Sec. 6.	**AS 43.55.160(a)(2)** Monthly production tax values for deriving progressivity apply only to oil. (A) Applies only to North Slope oil (B) Applies only to Outside Cook inlet not North Slope Oil	
Sec. 7.	**AS 43.55.160(c)** Calculating the monthly share of the producers's costs of transportation for the calendar year for deriving production tax value for progressivity is for only oil.	
Sec. 8	**Takes effect immediately under AS 01.10.070(c)**	The bill takes effect after the governor's signature or the day after the expiration period on gubernatorial action.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HB 414
() Publish Date:

Identifier (file name): HB414-REV-TAX-03-20-10
Title: Separate Oil & Gas Production Tax
Sponsor: (H) Resources Committee
Requester: (H) Resources Committee

Dept. Affected: Revenue
RDU: Taxation and Treasury
Component: Tax Division
Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual	230.0						
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**230.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )	**	0.0	**	**	**	**	**

***** Significant Impact Beyond FY 2016 - See Analysis Section for Additional Information *****

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	230.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**230.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	**0.0**	0.00	0	0	0	0	0
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Bill Language

This bill separates oil and natural gas for purposes of calculating the progressivity portion of the production tax under AS 43.55. Under this bill, the progressivity surcharge is calculated on oil only instead of on oil and gas combined. The progressivity surcharge remains unchanged at 0.4% per $1 of production tax value over $30 per barrel, then 0.1% per $1 of production tax value over $92.50. Under this bill, natural gas is always taxed at 25% of production tax value with no progressivity surcharge.

Currently some companies have both oil sales from the North Slope and gas sales from Cook Inlet and elsewhere, both of which are included in their progressivity calculations that are applied to oil. By removing gas from the progressivity calculation these companies will likely face a higher tax rate and therefore an increase in tax liability. This bill does not contain provisions to offset any increase in tax from removing gas from the progressivity calculation. (continued)

Prepared by: Dan Stickel, Petroleum Economist — Phone 907-465-3279
Division: Tax Division — Date/Time 03-20-10; 6:27pm
Approved by: Ginger Blaisdell, Director — Date 03-20-10; 6:52pm
Administrative Services Division

(Revised 11/8/2009 OMB)

ANALYSIS CONTINUATION

Revenues
Removing gas from the progressivity calculation could potentially raise tax rates and increase tax for companies that currently produce both oil and gas (from Cook Inlet or elsewhere). The impact will vary from year to year, driven largely by oil and gas prices. Analysis of data from confidential tax returns yields estimates of what the revenue impact might have been in recent years. For CY 2008, removing gas from the progressivity calculation would have increased production tax revenue by about $140 million. For CY 2009, the production tax increase would have been about $20 million, and for CY 2010 the production tax increase would be about $50 million. At current prices (around $80 per barrel for North Slope oil, $7 per million cubic feet for Cook Inlet gas, $0.942 per million cubic feet for North Slope gas sold for in-state use) and assuming costs and production levels similar to 2009, removing gas from the progressivity calculation would cause an increase in tax liability of about $50-60 million per year. These estimates assume that costs are allocated on a British Thermal Unit (BTU) equivalency basis; other allocation methods would yield different estimates.

The revenue impact is presented as indeterminate because of the high degree of uncertainty regarding the impact of removing gas from the progressivity calculation, as well as the material impact of regulations yet to be developed for allocating costs between oil and gas.

Once major gas sales begin, applying progressivity to oil only is generally expected to result in higher state revenues than a combined tax. This effect occurs for two reasons: first, oil has historically commanded a price premium to natural gas on an energy equivalency basis; and second, transportation costs are lower in percentage terms for oil than for natural gas, resulting in a higher wellhead value. The revenue impact will be a function of numerous variables including oil and gas prices and production, lease expenditures, and the method chosen for allocating lease expenditures between oil and natural gas.

There are some scenarios under which the state could see a reduction in revenues from this bill. Without a progressivity surcharge on natural gas, this bill could reduce state revenue if the price relationship between oil and natural gas normalized (on an energy equivalency basis) at a time when natural gas was selling at a relatively high price. Also, since this bill will generally increase taxes on the major producers, it is possible that the tax change could be viewed as a disincentive to oil and gas exploration and development.

Expenditures
With the change in tax structure the Department will need to change its monthly reporting forms, annual tax returns, and databases. The contractual services costs for programming changes to the online tax information system and the monthly reporting system are estimated at $230,000. Aside from one-time costs, the provisions of this bill can be implemented using existing staff and resources.

Other Issues
This bill provides for an immediate effective date. Since the production tax is levied on an annual basis (payable in monthly installments), changing the tax calculations for only a portion of the tax year would create an additional burden with additional complexity for both the Department and the taxpayers for the 2010 tax year. Applying the tax change retroactive to January 1, 2010 would be preferred from a tax administration standpoint.

HB 414

Separating of Oil from Gas for the Oil & Gas Production Tax

This presentation was originally heard in Senate Finance on March 9, 2010 for Senate Bill 305, version 26-LS1577\R. The presentation was given by Logsdon & Associates and is accurate for HB 414, version 26-LS1592\A.

Premise of the Bill

- Under current law oil and gas are taxed together
- Oil is worth much more than gas
- The combining mechanism materially reduces oil taxes even though oil operations are unaffected

Oil is Different than Gas

- Oil more geographically concentrated (fewer sellers: OPEC)
- Oil supplies more depleted
- Gas is more plentiful
- Oil has fewer substitutes
- Gas has more substitutes

BTU 10:1

West Coast ANS

- Market Price $80/bbl
- Less:
  - Shipping $2.07
  - TAPS $4.18
- Gross Value $73.75

North Slope Gas

- Market Price $6/mmbtu
- Less:
  - Tariff AK to AB $3.54
  - AB Hub $0.24
  - Tariff AB to L48 $0.85
- Gross Value $1.37/mmbtu
- BOE Basis (X 5.5) = $7.54
- On a straight BTU to BTU basis oil is worth nearly 10 X as much as gas

Some Things that have BTUs

- Oil
- Gas
- Coal
- Wood
- Asphalt
- Shoe Leather
- Rubber
- Coffee grounds
- Citrus rinds
- Corn cobs
- Dung

Mechanics of Current Tax

- 1) Oil gross value (market price less transport cost)
- 2) Gas gross value (market price less transport cost)
- 3) Oil + gas gross value gas = Combined gross value
- 4) Combined gross value – lease capital and operating costs = Combined oil & gas net value
- 5) Combined oil & gas net value / total oil & gas BOEs = p/BOE net value (see Slide #6)
- 6) Progressivity factor (based on per BOE net value) plus 25% base rate = tax rate
- 7) Single tax rate applied to combined oil & gas net value

Barrel of Oil Equivalents (BOEs):
Putting Oil & Gas on an Apples / Apples Basis

- 4.5 billion cubic feet per day (bcf/d) of natural gas
- A cubic foot of North Slope gas will have about 1,100 BTUs
- Natural gas is measured in millions of BTUs (mmbtu)
- 4.5 billion cubic feet per day will have 4.95 million mmbtu's (4.5 X 1,100)
- A barrel of oil has about 5,500 BTUs
- 4.5 billion cubic feet per day will have the BTU equivalence of 900,000 barrels of oil (BOEs) (4,950,000 / 5.5)
- If there are 500,000 barrels of oil, total BOEs will total 500,000 + 900,000 = 1,400,000

Progressivity Mechanics

- "Trigger" = $30 net / BOE value
- "Slope" = 0.4%*
- Progressivity surcharge = (Net per BOE value - $30) X .004
- Example: if net value = $50
  - Base tax rate = 25%
  - Progressivity = ($50 – $30) X .004 = 8%
  - Total tax of 33% on net value

* Slope changes to 0.1% after $92.50 net per BOE value

How the Bill Works

- Under the current law there is a base tax rate of 25%
  - Plus progressivity based on the combined oil & gas net value / BOE
- The bill removes progressivity on gas
- Progressivity on oil continues to be calculated just on oil net value / barrel
- Exclusion of gas in the progressivity calculation does not reduce oil taxes

bp

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(907) 561-5111

March 12, 2010

Senator Bert Stedman, Co-Chair
Senate Finance Committee
State Capitol, Room 516
Juneau, AK 99501

Re: Senate Bill 305

Dear Senator Stedman:

Please accept my apologies for being out of state and unable to return to Juneau in time for the Senate Finance Committee's hearing today on SB 305. I hope, though, that you and the Committee will receive this letter in time for your consideration of the Bill.

Our understanding of SB 305 is that it would determine the taxable net "production tax value" for oil under AS 43.55.160 of ACES separately from that for gas, so that the respective production-tax values would then be taxed separately as well. We further understand that the stimulus for this decoupling is concern that tax revenues under the present version of ACES could be materially reduced when major gas sales begin from the North Slope into a gas pipeline. Specifically, the concern is that the gross netback value for major North Slope gas sales into a pipeline may initially be significantly less on a BTU-equivalent barrel basis than the gross netback value per barrel for oil.

All other things being equal, such a development could indeed reduce state revenues under ACES. But not all other things will be equal. Major gas sales would also greatly increase the number of BTU-equivalent over which the deductible lease expenditures are spread, thereby significantly reducing the deductible cost per BTU-equivalent barrel. State revenues under ACES would decrease only if the reduction in gross netback value per Btu-equivalent barrel is greater than the offsetting reduction in deductible costs per Btu-equivalent barrel. State revenues could actually increase under the current version of ACES if the reduction in cost per barrel is greater than the reduction in netback per barrel.

Our concern with SB 305 as it now reads is that, in addressing this potential problem that may arise a decade from now, it would come into effect today and require allocation of costs between oil and gas long before the potential risk it addresses could begin to materialize. SB 305 does not change the present rule in AS 43.55.011(o) that North Slope gas sold for in-state consumption is taxed under a tax cap similar to the cap for Cook Inlet production. So the allocation of costs under SB 305 would only be for gas that is already capped under AS 43.55.011(o) or any small sales that don't qualify under section .011(o). Allocation threatens to make a mountain out of a molehill because the change in gas taxes due to cost allocation during the coming decade will be tiny relative to the tax when major gas sales begin, but the Department of Revenue will have to apply the allocation rules with strictest rigor lest it create a bad precedent for the major gas sales.

We understand that the impetus for enacting SB 305 this session is to avoid locking in the risk under the present law that major North Slope gas sales could materially reduce the overall tax under ACES. But we see a straightforward way to achieve that without all the problems and disputes that will arise by allocating costs to gas now. The solution is to add a Bill Section that defers the effective date for Sections 1 – 7 of SB 305 to the start of major gas sale deliveries from the North Slope into a gas pipeline for shipment. The Bill Section making such a deferral would be on the books as of the tax lock-in date and would thus be part of "the gas production tax in effect at the start of the first binding open season held under this chapter " for purposes of AS 43.90.320 — especially if the Committee adopts a letter of intent (or adds a statement of intent as a section of SB 305 itself) that specifically declares the deferred-effective-date provision to be part of the "tax in effect" as of that date for lock-in purposes. In other words, the substance in SB 305 could be locked in as of this year for AGIA purposes without triggering prematurely all the disputes and difficulties over allocating costs to gas before production for major North Slope gas sales begins.

Finally, whether or not you adopt our suggestion of deferring the effective date for decoupling, we would also ask that you not follow the pattern used during the ACES debate, where significant matters were left to the determination of the Department of Revenue. SB 305 currently uses the term "applicable to" to describe the allocation of lease expenditures between oil and gas. Such a broad term does not provide the industry or the Department of Revenue enough guidance of the legislative intent. There are instances already in use and available in the tax arena to model an allocation between oil and gas. For instance, ACES uses "BTU equivalent barrels" as a method to determine gas production in oil-equivalent terms in AS 43.55.024(c), the phase-out of the small-producer tax credit. Or, if you prefer, the allocation could be done on a basis of relative volumes as determined for the "extraction factor" in AS 43.55.072(f) for the oil and gas corporate income tax. The point is, no matter what cost allocation is performed for decoupling, you should make your choice clear in the Bill because that will clarify the obligation that taxpayers are held to, reducing latitude for argument about what compliance requires and making it easier for the Department of Revenue to enforce.

Thank you for your consideration of these comments.

Sincerely,

BP Exploration (Alaska) Inc.

Claire Fitzpatrick
Senior Vice President

cc: Senate Finance Committee
House Resources Committee

4870

COMMENTS ON SB305

Senate Finance Committee

March 12, 2010

Topics

- Revenue Projections Under SB305 and Status Quo
- Cost Allocation
- Technical Issues Regarding SB305

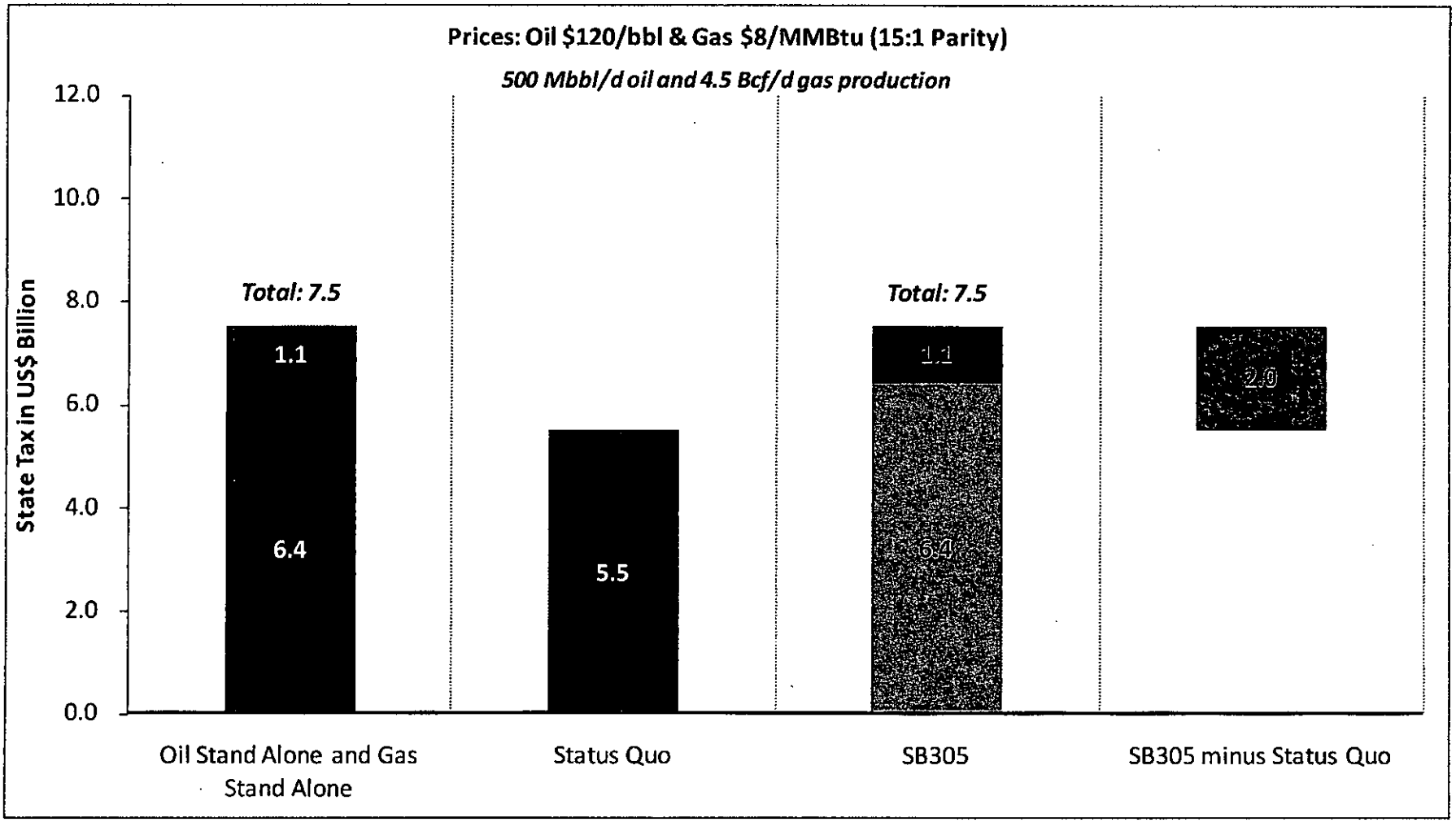
Revenue Projections Under SB305

- Using the Single Year "Income Statement" Model assumptions from previous DOR presentations
  - How does SB305 compare to the Status Quo at different oil to gas price parities?

"Income Statement" Model Assumptions

- Consistent with DOR presentation to Senate Finance Committee on February 24, 2010
- Production
  - Oil: 500,000 bbl/d
  - Gas: 4.5 Bcf/d
- BOE conversion
  6 Mcf = 1 BOE
- Costs allocation
  - Total Opex: $2,200,000,000
  - Total Capex: $2,200,000,000
  - Costs split 90%/10% for oil / gas
- Transportation
  - Oil: $6.5/bbl
  - Gas: $4.5/MMBtu

At high parity, SB305 > Status Quo

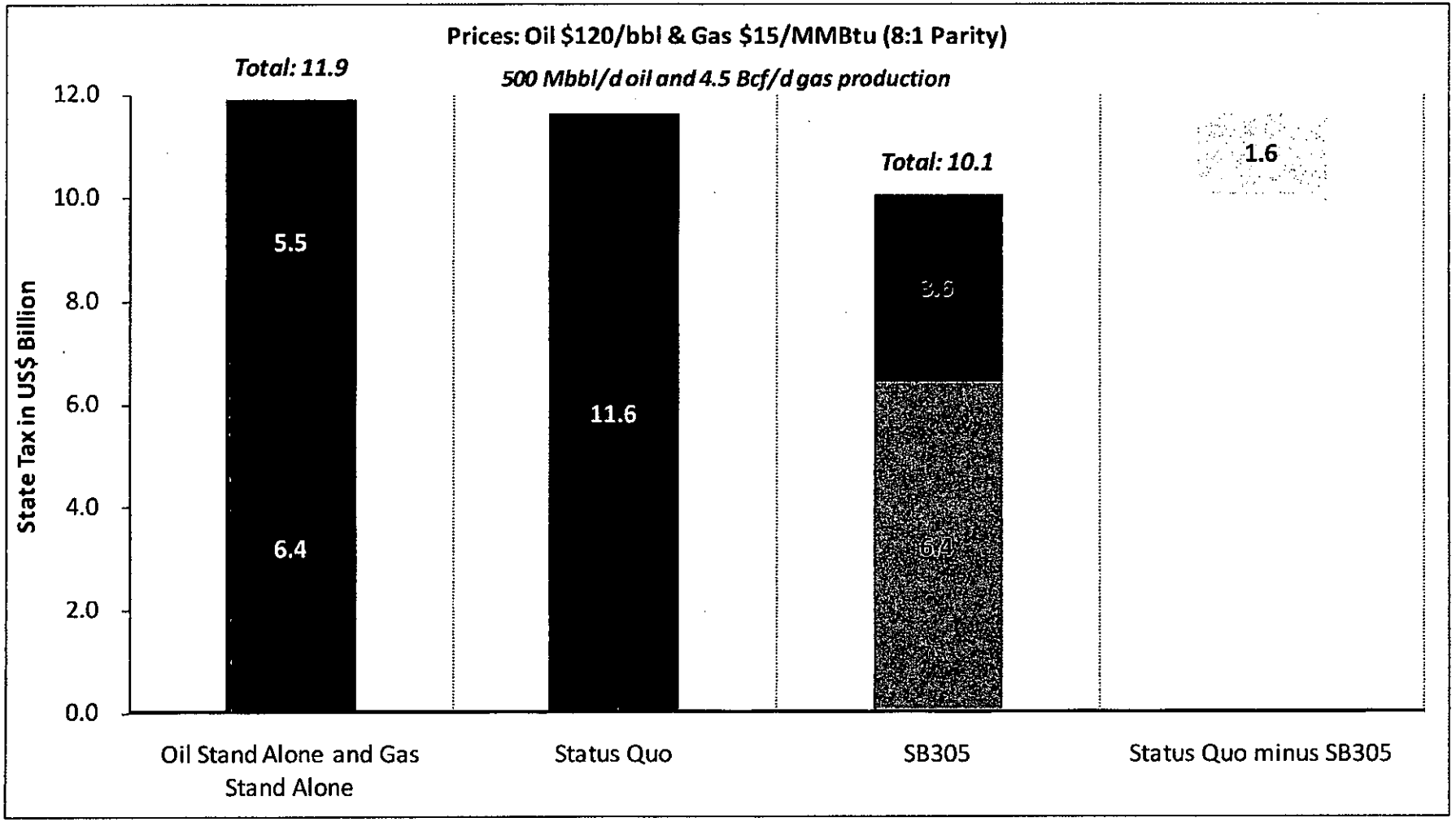


DOR

Note: Same as Commissioner presentation to Senate Finance Committee on February 24, 2010

3/12/2010

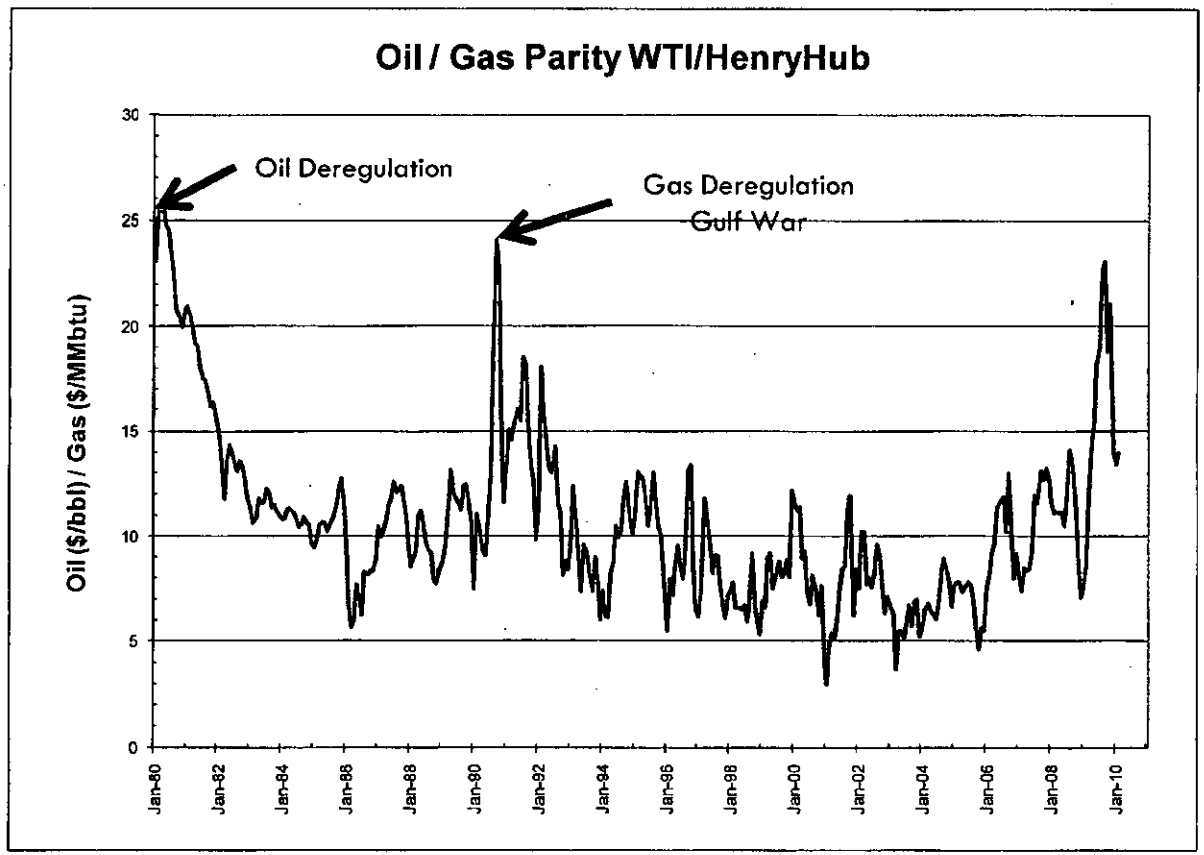
At lower parity, SB305 < Status Quo



Observations

- SB305 can lead to higher or lower state revenue compared to the status quo, depending on oil price and gas parity.
- SB305 provides for a lower state share compared to the status quo when upside profits and gas prices are relatively high (no gas progressivity).
- SB305 imposes a higher tax burden compared to the status quo when gas prices are relatively low.

The Oil/Gas Price Parity Guess....



....Where will it be in 2020 – 2045?

Topics

- Revenue Projections Under SB305 and Status Quo
- Cost Allocation
- Technical Issues Regarding SB305

Cost Allocation Issues

- With a separate oil and gas tax system, how costs are allocated between oil and gas has a significant impact on overall taxes owed
- Because oil and gas are generally produced together, it is not easy or straight forward to determine the costs "applicable to the gas [or oil] produced"
- The cost allocation method could result in uncertainty, disputes, and delays
- Cost allocation should be specified in the statute, and is a very important policy decision

Different Cost Allocation Options

- Detailed item by item attribution methods
- Formula or Rule based attribution methods

Item by Item Attribution Methods

- Used elsewhere in the world
- Generally self certified by the producers, checked by the regulator
- Historically attribution differences have led to a considerable number of disputes especially where there is significant difference in oil and gas tax rates (as we would have under SB305)
  - producer versus government
  - producer versus producer
    - Different producers are affected differently, so to the extent that producers have any discretion in how costs are allocated, it could result in disputes between working interest owners and delay investment decisions

Formula or Rule Based Methods

- May not accurately reflect the "true" purpose of the cost
- Examples include attributing costs based on
  - Proportion of Production (BOE)
  - Proportion of Sales (e.g. Gross Value at Point of Production)
  - Proportion of Reserves
  - Rule of dominant use - either gas or oil
  - Deemed oil unless item is 100% gas related
  - Combination of any of the above

Impact of Cost Allocation Choices

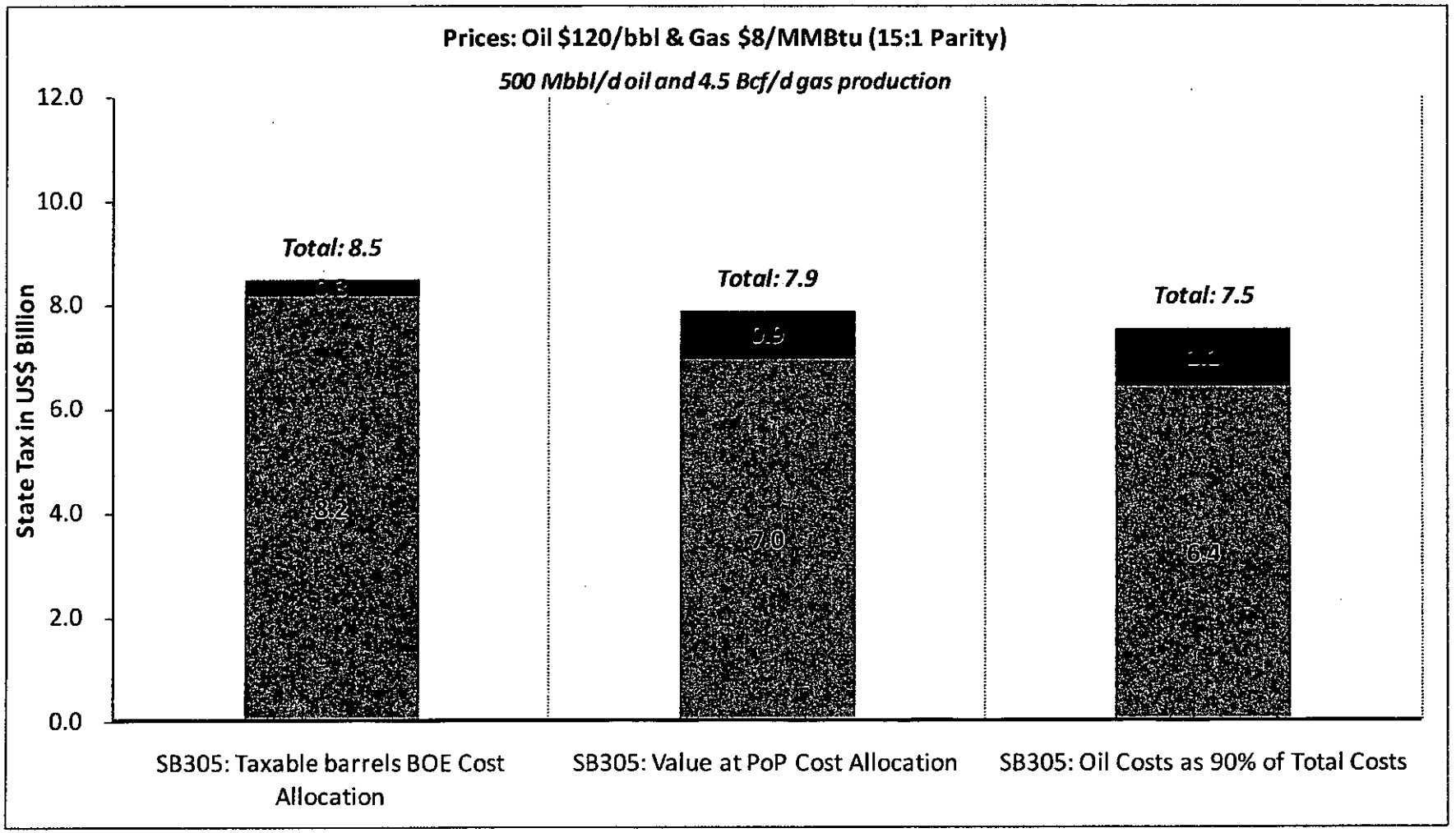
- SB305 requires the allocation of costs to oil or to gas, but does not describe the allocation method or guiding principles:
  - Actual allocation of individual costs would be highly impractical and would require significant auditing resources.

- To examine the potential economic impact of the allocation method, we compared three cost allocation possibilities:
  1. Costs allocated based on relative BOE production
  2. Costs allocated based on relative gross value at Point of Production (PoP)
  3. Assumed "actual" cost split of 90/10 between oil and gas

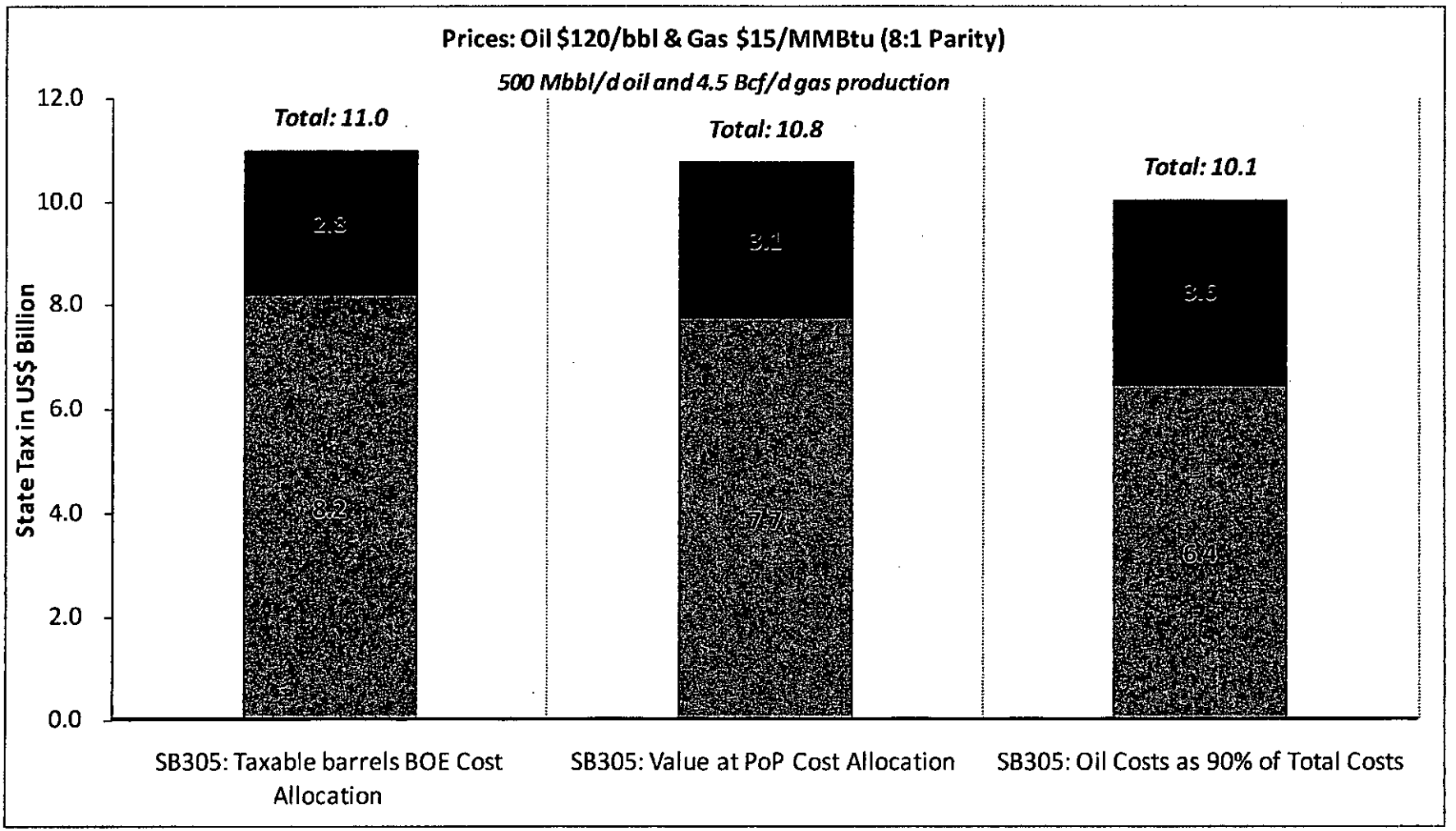
Cost Allocation Examples

	Oil	Gas	Total
Production (MMboe)	183	274	457
Gross Value at PoP (US$MM) – $120 and 15:1	20,714	5,749	26,463
Gross Value at PoP (US$MM) – $120 and 8:1	20,714	17,246	37,960
Split Based on BOE (%)	40%	60%	100%
Cost Allocation (US$MM)	1,760	2,640	4,400
Split Based on Gross Value at PoP (%) – 15:1	78%	22%	100%
Cost Allocation (US$MM)	3,444	956	4,400
Split Based on Gross Value at PoP (%) – 8:1	55%	45%	100%
Cost Allocation (US$MM)	2,401	1,999	4,400
Split Based on assumed "Actual" (%)	90%	10%	100%
Cost Allocation (US$MM)	3,960	440	4,400

Impact of Allocation Method on SB305 Revenue - Oil $120/bbl and 15 Parity ($8/MMBtu)



Impact of Allocation Method on SB305 Revenue - Oil $120/bbl and 8 Parity ($15/MMBtu)



Topics

- Revenue Projections Under SB305 and Status Quo
- Cost Allocation
- Initial Technical Issues Regarding SB305

SB305 Technical Issue

- Inconsistent treatment of negative production tax values - Current Monthly Installment Section .020 requires the tax estimates of NS, CI and other state areas to each be at least zero. SB305 lost this requirement when it deleted "greater of (i) zero...". Lack of this provision means a negative value in one region can reduce the estimated monthly tax values in other regions resulting in a lower total estimated monthly production tax value than provided under current law.

SB305 Technical Issue

- Timing of Adjustments under AS 43.55.170 (reimbursements) - SB305 revises Section 160(a)(1) and (2) to reference Lease Expenditures as adjusted under AS 43.55.170. Unclear if the adjustment is to occur before or after the allocation process. If after, then department needs authority and direction to allocate the Section .170 adjustments between oil and gas lease expenditures.

Conclusions

- Separating oil and gas taxes is not a panacea, and can raise new and different risks to state revenues compared to the status quo
- With uncertainties in the oil and gas markets and wildly fluctuating price forecasts, the tax system needs to be responsive to a wide range of potential price scenarios
- To achieve the state's objectives the tax system must balance the desire for revenue with creating an attractive investment climate for a gasline

The End

HCR

10

HOUSE COMMITTEE REPORT

(9)
Date Referred to Committee: February 27, 2009 **FURTHER REFERRALS:**

Date of Committee Action: 3/30/09

The RESOURCES Committee considered: **HOUSE CONCURRENT RESOLUTION NO. 10**

Urging the Governor to file an action to restrain the United States Department of the Interior, National Park Service, from intruding on the sovereign right of the state to exercise jurisdiction over navigable water and submerged land and urging the Governor to allocate sufficient resources to the Department of Law, the Department of Natural Resources, and the Department of Fish and Game to defend the state's right to manage the public use of its navigable water.

HCR 10 OPPOSE FED. CONTROL OF STATE LAND & WATER

Recommends it be replaced with [ ] HCS *or* [X] CS *for* HCR 10 (RES)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [X] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero
HRES				✓

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON	✓			
	GATTENBERG			X	
	TUCK	✓			
Paul R. Seaton	SEATON	✓			
Peggy Wilson	WILSON	✓			
Chair:	JOHNSON	✓			
Chair:	MEGENITY	X			

Representative Mike Hawker
Alaska State Legislature

Session:
State Capitol
Juneau, AK 99801
907 465-4949 direct
800 478-4950 toll free
907 465-4979 fax

Interim:
716 W 4th Avenue
Anchorage, AK 99501
907 269-0244 office
907 269-0248 fax

House District 32:
Eagle River
Anchorage
Rainbow
Indian
Bird
Girdwood
Portage
Whittier
Sunrise
Hope

House Concurrent Resolution 10
Sponsor Statement

"Urging the Governor to file an action to restrain the United States Department of the Interior, National Park Service, from intruding on the sovereign right of the state to exercise jurisdiction over navigable water and submerged land and urging the Governor to allocate sufficient resources to the Department of Law, the Department of Natural Resources, and the Department of Fish and Game to defend the state's right to manage the public use of its navigable water."

The State of Alaska owns and has the right to manage submerged land and navigable water in the state, unless Congress has specifically limited the state's authority. However, due to federal action, Alaska is quickly losing one if its most valuable assets and Alaskans are losing the ability to access these resources.

Starting in 1996, the United States Department of the Interior, National Park Service, began regulating public use of Alaska's navigable waterways. In the past 12 years, despite the state's continued protest and efforts to administratively address this problem, Alaskans' right to access and use Alaskan land has been eroded.

House Concurrent Resolution 10 reaffirms our sovereignty and asks for the governor to file suit to protect our citizens from this inappropriate preemption of our state's rights. We must take action now to ensure that our right to manage our resources, as guaranteed by Alaska's Constitution, and both federal and state law, is protected.

Staff Contact: Juli Lucky 465-4949

3/24/2009

Rep.Mike.Hawker@legis.state.ak.us • http://www.akrepublicans.org/hawker/

AMENDMENT

OFFERED IN THE HOUSE

TO: HCR 10

Page 2, line 17, following "by the state,"

Delete "issuing citations to placer miners that have valid state permits,"

Page 2, line 25, following "the Governor to"

Delete "file suit against the United States Department of the Interior, National Park Service,"

Insert "pursue all available legal options"

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HCR 10
() Publish Date:

Identifier (file name):
Dept. Affected:
Title OPPOSE FED. CONTROL OF STATE LAND & WATER
RDU
Component
Sponsor REPRESENTATIVE HAWKER, Stoltze, Lynn, Coghill
Requester
Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: House Resources Committee
Phone 465-3715
Division
Date/Time
Approved by: Representative Craig Johnson, Co-Chair
House Resources Committee
Date 3/30/2009

(Revised 9/10/2008 OMB)

4896

STATE OF ALASKA

SARAH PALIN,
Governor

CITIZENS' ADVISORY COMMISSION
ON FEDERAL AREAS

3700 AIRPORT WAY
FAIRBANKS, ALASKA
99709

PHONE: (907) 374-3737
FAX: (907) 451-2751

February 13, 2009

Richard Svobodny
Acting Attorney General
State of Alaska
Department of Law
P.O. Box 110300
Juneau, Alaska 99811-0300

Dear Mr. Svobodny:

In 1996, over the strong objections of the State of Alaska and others, the National Park Service adopted regulations which improperly extended its management and enforcement authorities over state owned navigable waters within units of the National Park System. While the agency has been fairly restrained in its enforcement of the regulations, there have been a growing number of encounters between National Park Service rangers and the public. It is our understanding that one citation has been issued and commercial operators have been required to get permits to operate on the Yukon River within the Yukon Charley Rivers National Preserve, even though they do not use the upland areas of the preserve.

The regulations at 36 CFR §1.2(a)(3) state that National Park Service regulations apply to waters located within the boundaries of the National Park System, including navigable waters, "without regard to ownership of submerged lands, tidelands or lowlands." This is contrary to ANILCA Section 103(c) which clearly states that only public lands are included as a portion of a conservation system unit and that state or private lands are not subject to the regulations applicable solely to public lands within such units. As defined by ANILCA, public lands do not include State owned lands, including the submerged lands beneath navigable waters.

In publishing its rulemaking the Park Service classified Section 103(c) as a "minor technical provision." To the contrary, addition of this section was a key revision included in the concurrent resolution that led to the final passage of ANILCA. Section 103(c)

clearly indicates that Congress recognized that the authority of the State to regulate its lands and waters was not to be superseded by federal agency regulations.

Since adoption of the regulations the State of Alaska, through your office and the ANILCA Program, has worked to find an administrative solution to this issue. While the National Park Service generally does not dispute state ownership of submerged lands underlying navigable waters, it maintains that the NPS Organic Act and other general statutory authorities grant it the necessary authority to regulate activities on navigable waters.

In view of the National Park Service position, it appears that there can be no administrative solution to this issue. Therefore, under the authority granted by AS 41.37.240, the Citizens' Advisory Commission on Federal Areas respectfully requests the Department of Law bring suit against the National Park Service and ask the court to set aside these regulations.

We should note that Senator Bunde and Senator Therriault have introduced Senate Concurrent Resolution (SCR) No. 3 which urges the Governor to file suit challenging these regulations. The Commission fully concurs with that resolution.

We believe that this action is in the best interest of the State and is necessary to protect the State's authorities over its lands and waters. The Commission is committed to providing any help and support it can in this matter. Please contact us if we can be of assistance.

Sincerely,

Rick Schikora
Chairman

Cc: Gov. Palin
Sen. Gary Stevens
Sen. Con Bunde
Sen. Gene Therriault
Rep. Mike Chenault
Comm. Tom Irwin
Comm. Denby Lloyd

Division of Mining, Land & Water

Alaska Department of Natural Resources

Navigability Program

- PAAD Notice regarding Director's Chuitna Report, Chuitna Field Trip Report
  - Director's Chuitna Report (04/04/08)
  - Chuitna Field Trip Report (09/08/08)

The mission of the Division of Land's Navigability Project is to protect the public rights associated with navigable and public waters, and to ensure that the state's title to lands beneath navigable waters is protected. The Alaska State Constitution provides for free access and common use of public and navigable waters by any citizen of the United States or resident of the State of Alaska. State ownership of the beds of navigable waters is an inherent attribute of state sovereignty protected by the United States Constitution.

The Division's Navigability Project will enable the State of Alaska to assert ownership of lands beneath navigable waters. This is important for two reasons: first, the public will be ensured access to these state lands; and second, if these lands are already owned by the State of Alaska, they shouldn't be counted against Alaska's statehood land entitlement or conveyed by the Federal Government to non-state ownership.

Contact:
Scott Ogan
Natural Resource Manager II
Department of Natural Resources
Division of Mining, Land & Water
Phone: (907) 269-5515
E-mail: scott_ogan@dnr.state.ak.us
Fax: (907) 269-5043

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- Navigable Waters Web Map
  - Map Training Video NEW!
- State's Policy on Navigability
- Recordable Disclaimers of Interest Fact Sheet
- State's Recordable Disclaimers of Interest for Navigable Waters
- BLM's website for Recordable Disclaimers of Interest for Navigable Waters

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State Policy on Navigability

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  - Navigable Waters within Pre-Statehood Federal Withdrawals
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Policies and Proceduces on Ownership and Management of Navigable and Public Waters

June 18,1996 State ownership of the beds of navigable waters is an inherent attribute of state sovereignty protected by the United States Constitution. Utah v. United States, 482 U.S. 193 (1987). Under the doctrine, all states enter the Union on an equal footing with respect to sovereign rights and powers, title to the beds of navigable waters in Alaska vested in the newly formed State of Alaska in 1959. In addition, under the Alaska Constitution and the public trust doctrine, all waters in the state are held and managed by the state in trust for the use of the people, regardless of navigability and ownership of the submerged lands under the Equal Footing Doctrine.

The purpose of this paper is to describe the State of Alaska's policies and procedures for identifying and protecting the state's title to the beds of navigable waters. In addition, this paper outlines the legal and policy considerations which guide the ownership and management of submerged lands and public waters.

I. IDENTIFYING AND PROTECTING STATE TITLE TO THE BEDS OF NAVIGABLE WATERS

Identification and management of the beds of navigable waters is an important policy of the State of Alaska. In 1980, the state established a comprehensive navigability program to respond to federal land conveyances and land management activities under the Alaska Statehood act, the Alaska Native Claims Settlement Act (ANCSA), and the Alaska National Interest Lands Conservation Act (ANILCA). Pursuant to the provisions of those acts, the federal government has issued navigability determinations for thousands of lakes, rivers, and streams throughout the state in an effort to determine whether the state or federal government owns the submerged lands. Navigability determinations are also made prior to many state land disposals to insure that adequate public use easements are reserved.

The basic purpose of the state's program is to protect the public rights associated with navigable waters, including, in particular, the state's title to the submerged lands. Because state and native land selections and federal conservation units blanket the state, navigability questions have arisen for rivers, lakes, and

streams throughout Alaska. The navigability of many of those waterbodies has a lready been established. There are hundreds of others, however, where navigability is not yet determined.

To help resolve these navigability disputes, a major goal of the state's navigability program is to identify the proper criteria for determining title navigability in Alaska and to gather sufficient information about the uses and physical characteristics of individual waterbodies so that accurate navigability determinations can be made as disputes arise. Other important aspects of the program include monitoring federal land conveyance and management programs to identify particular navigability disputes, seeking cooperative resolution of navigability problems through negotiations and legislation, and preparing for statewide navigability litigation.

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RIPARIAN RIGHTS AND STATUTE OF LIMITATIONS

Disputes over ownership of submerged lands in Alaska have arisen under a variety of circumstances. The principal source of the disputes in Alaska is the survey and acreage accounting system used by the federal government for conveying land to the state and native corporations.

The standard procedures for surveying and conveying federal land are found in the Manual of Instructions for the Survey of the Public Lands of the United States, generally known as the BLM Manual of Surveying Instructions. Under those procedures, consistently used in every public land state except Alaska, only uplands are surveyed and conveyed in fulfillment of acreage entitlements, not submerged lands. The survey rules require that all lakes 50 acres or larger, and rivers and streams three chains (198 feet) in width or wider, regardless of navigability, be meandered and segregated (excluded) from the surveyed public lands. Only the surveyed uplands are conveyed. The acreage of meandered rivers, lakes, and streams is not included in computing the amount of land involved in the conveyance.

In Alaska, however, the federal government had not consistently followed these survey rules. Until 1983, the federal government treated submerged lands the same as uplands. All bodies of water that were considered non-navigable by the federal government, regardless of size, were surveyed as though they were uplands and the acreage of submerged lands was charged against the total acreage entitlement.

Because of these conveyance procedures, the navigability of waterbodies in Alaska has been an issue of contention since the enactment of the Alaska Statehood Act and ANCSA. In addition to the problems caused by a lack of information about many waterbodies, the situation was exacerbated by the narrow definition of navigability used by the federal government. Hundreds of rivers, lakes, and streams considered navigable by the state were determined non-navigable by the federal government.

In 1983, following years of negotiations, lawsuits and legislative attempts to solve the navigability problems created by the unusual survey and conveyance procedures in Alaska, the State of Alaska, the United States Department of the Interior and the Alaska Federation of Natives (AFN) agreed that the standard rules of survey should be followed for land conveyances in Alaska. The effect of that decision was to treat Alaska surveys and land conveyances like federal land surveys and conveyances in other states. The recipients of conveyances from the federal government are charged only for the amount of public land that is calculated by the survey, which does not include the areas of meandered rivers, lakes and streams.

The use of these survey procedures has eliminated many of the problems associated with the federal land conveyance programs in Alaska. Submerged lands are no longer being conveyed to fulfill acreage entitlements. With the exception of lakes smaller than 50 acres and streams narrower than 198 feet, navigability determinations are no longer being made prior to federal land conveyances. Determinations of ownership of submerged lands can be put off until a natural resource use or conflict requires resolution, such as issuance of an oil and gas lease, mining claim, or a gravel sale.

Through the joint efforts of the State of Alaska, AFN, and the Department of the Interior, the 1983 decision to use the standard survey procedures for land conveyances in Alaska was legislatively approved in August 1988 when the United States Congress passed legislation (94 Stat. 2430) amending Section 901 of the Alaska National Interest Lands Conservation Act, codified at 43 U.S.C. 1631. The 1988 amendment, sometimes referred to as the Alaska Submerged Lands Act, requires that the standard rules of survey in the BLM Manual of Surveying Instructions be used for all federal surveys under the Alaska Statehood Act and ANCSA. The 1988 amendment also repealed the Section 901 statute of limitations that would have required the state to file a lawsuit within a very short period of time in order to preserve its title to the beds of

navigable waters conveyed to native corporations by the federal government as a result of erroneous navigability determinations, poor maps, surveys or whatever. Even with this legislation, a major problem concerning navigability decisions made by the federal government under the old system remains unresolved. At issue are the hundreds of erroneous non-navigability decisions and the resulting submerged land conveyances made to ANCSA corporations in previous years. In addition, to comply with the meandering requirements of the BLM Survey Manual, the federal government is still required to make navigability determinations for lakes smaller than 50 acres and rivers or streams narrower than 198 feet in width to determine if these waters must be meandered.

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NAVIGABILITY CRITERIA

The greatest hurdle to overcome in the state's efforts to identify and manage navigable waters has been the long- standing differences of opinion between the State of Alaska and the United States regarding the application of the test for determining title navigability. Navigability is a question of fact, not a simple legal formula. Variations in waterbody use that result from different physical characteristics and transportation methods and needs must be taken into account. There are many legal precedents for determining navigability in other states based upon the particular facts presented in those cases. In Alaska, though, we are just beginning to get the final court decisions that are necessary to provide legal guidance for accurate navigability determinations.

The physical characteristics and uses of a waterbody used by the state for asserting navigability, commonly referred to as navigability "criteria", are based upon legal principles that have been established by the federal courts. These criteria are applied to rivers, lakes, and streams throughout the state and take into account Alaska's geography, economy, customary modes of water-based transportation, and the particular physical characteristics of the waterbody under consideration.

The federal test for determining navigability was established over a hundred years ago. In the landmark decision of The Daniel Ball, 77 U.S. (19 Wall.) 557, 563, (1870), the Supreme Court declared:

Those rivers must be regarded as public navigable rivers in law which are navigable in fact. And they are navigable in fact when they are used, or are susceptible of being used, in their ordinary condition, as highways of commerce, over which trade and travel are or may be conducted in the customary modes of trade and travel on water.

Although The Daniel Ball test is accepted as the correct standard for determining navigability, there has been a lot of disagreement over application of many of the terms and phrases used in The Daniel Ball test to the specific uses of Alaska's lakes, rivers and streams. The State of Alaska uses the following interpretation of that test as the basis for its navigability program.

The Waterbody Must Be Usable As a Highway For the Transportation of People or Goods. Interpreting the requirements that navigable waterbodies be used or usable as "highways of commerce", the courts have ruled that the central theme of title navigability is that the waterbody be capable of use as a highway which people can use for transporting goods or for travel. Neither the types of goods being transported nor the purpose of the travel are important in determining navigability. Transportation on water associated with recognized commercial activities in Alaska, such as mining, timber harvesting, and trapping is, evidence of navigability. The use of waterbodies for transportation in connection with natural resources exploration or development, government land management, management of fish and game resources, or scientific research is also evidence of navigability. Travel by local residents or visitors for the purpose of hunting, fishing, and trapping, or as a means of access to an area can be used to establish navigability. The same holds for recreational transportation, including personal travel and professionally guided trips.

Waters Which Are Capable of Being Used For Transporting Persons and Goods, Although Not Actually Used, Are Navigable. It is not necessary that a waterbody be actually used for transportation to be found navigable. It is enough that it is susceptible, or physically capable, of being used. Whether a waterbody is susceptible of use for transportation depends upon the physical characteristics of the water course such as length, width, depth, and, for a river, current and gradient. If those physical characteristics demonstrate that a waterbody could be used for the transportation of persons or goods, it is legally navigable.

The susceptibility element of title navigability is very important for the identification of navigable waterbodies in Alaska. Because of Alaska's sparse population and lack of development, there are hundreds

of remote rivers, lakes, and streams where there is little or no evidence of actual use. Because of their physical characteristics, however, many of these remote waterbodies could be used for transporting people or goods if there was a need. Under these circumstances, they are considered legally navigable.

Transportation Must Be Conducted In the Customary Modes of Trade and Travel On Water. A finding of navigability does not require use or capability of use by any particular mode of transportation, only that the mode be customary. The courts have held that customary modes of transportation on water include all recognized types and methods of water carriage. Unusual or freak contrivances adapted for use only on a particular stream are excluded. Customary modes of trade and travel on water in Alaska include, but are not limited to, barges, scows, tunnel boats, flat-bottom boats, poling boats, river boats, boats propelled by jet units, inflatable boats, and canoes. In places suitable for harvesting timber, the flotation of logs is considered a customary mode of transportation.

The mode of travel must also be primarily waterborne. Boats which may be taken for short, overland portages qualify. The courts have ruled that the use of a lake for takeoffs and landings by floatplanes is insufficient, in and of itself, to establish navigability.

Without expressly rejecting the claim, at least two court decisions in Alaska have suggested that winter travel on the surface of a frozen river or lake is probably not evidence of navigability. The rivers involved in the two adjudicated cases were both found navigable based upon summer use by boats, however, and it appears likely that most waterbodies in Alaska that are used as highways in winter can also be travelled by at least small boats in the summer. Because of this, the state need not rely upon winter travel to support navigability.

Waters Must Be Navigable In Their Natural and Ordinary Condition. A waterbody which can be used for transportation only because of substantial man-made improvements to the condition of the watercourse is not navigable for title purposes. However, if transportation does or could occur on the waterbody even without the improvements and the improvements would only make transportation easier or faster or possible for larger boats (e.g., dredging), it is still considered navigable for title purposes.

The presence of physical obstructions to navigation (rapids, falls, log-jams, etc.) does not render a waterway non- navigable if the obstruction can be navigated despite the difficulties or if the obstruction can be avoided by other means, such as portaging, lining, or poling. A waterbody is also navigable even if seasonal fluctuations do not allow it to be navigated at all times of the year. However, a waterbody which is only navigable at infrequent and unpredictable periods of high water is not normally considered navigable. The fact that a waterbody may be frozen for several months of the year does not render it non-navigable if it is navigable in its unfrozen condition.

Title Navigability Is Determined As Of The Date Of Statehood. To be considered navigable for title purposes, the waterbody must have been navigable in 1959 (when Alaska became a state). This element of the navigability test focuses on the physical characteristics of the waterbody and whether those characteristics have changed significantly since statehood. Most waterbodies have not physically changed enough since statehood to alter their navigability. Assuming there have been no significant changes in the physical characteristics of the waterbody, a waterbody that is navigable today would be considered legally navigable in 1959 as well. Exceptions might include the creation, by natural or man-made causes after statehood, of a totally new lake, river, or canal now used for navigation. Such a waterbody would not be considered navigable for title purposes. Conversely, a waterbody which was navigable in 1959 but, because of natural or man-made physical changes, is no longer navigable in fact would still be considered navigable for title purposes.

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NAVIGABILITY CRITERIA DISPUTES

Because of differing legal interpretations of court navigability decisions, several aspects of the criteria used by the state to determine navigability have been disputed by the federal government. As a direct result of these criteria disputes, many waterbodies considered navigable by the state have been determined non-navigable by the federal government.

The major criteria dispute has been over the type or purpose of the transportation required to establish navigability. The federal government has asserted that a waterway must be used, or capable of use, for transporting commerce to be considered navigable. Other, "noncommercial" transportation uses are not

considered sufficient to establish navigability. In this context, the federal government has claimed that the only relevant "commercial" transportation is the distribution of goods for sale or barter, or the transportation for hire of people or things. The federal government has admitted that professionally guided transportation on Alaska's rivers, lakes and streams constitutes commerce, but nevertheless has argued that the waters are not being used as a navigable "highway" when recreation is involved, but rather more as an amusement park. The federal government has therefore claimed that waters used only for commercial recreation are legally nonnavigable even though they may be navigable in fact.

Through the work of the state's navigability program, this definition has been repeatedly rejected by the courts, most recently in the Gulkana River case. Alaska v. United States, 662 F.Supp.455 (D.Alaska 1987), affirmed sub nom. Alaska v. Ahtna, Inc., 891 F.2d 1401 (9th Cir. 1989). Applying the correct definition of navigability, many of the submerged lands that the federal government attempted to convey to ANCSA corporations should have been recognized as belonging to the state. The state appealed many conveyances to protect its title. As occurred in the Kandik-Nation Rivers appeal, Appeal of Doyon, 86 I.D. 692 (ANCAB 1979), Alaska Native Corporations also found it necessary to challenge erroneous federal determinations of non-navigability to insure they would not be deprived of any portion of their entitlement by being charged for submerged land owned by the state.

The federal government has also argued that aluminum boats, boats propelled by jet units, inflatable boats, and canoes are not customary modes of travel for the purpose of determining navigability in Alaska. As a result, many waterbodies navigated by these types of watercraft have been found legally non-navigable by the federal government. The claim is that these boats represent post-statehood technological advances, are too small to be considered "commercial", or that most "commercial" use of the watercraft developed after statehood.

Another navigability dispute involves remote, isolated lakes. The federal government has found many of these lakes legally non-navigable, even though they are physically capable of being navigated. The federal government's contention is that a navigable connection to another area is necessary to make travel on a remote lake worthwhile. Otherwise, the federal government views the lack of development in the area around the isolated lake as an indication that the lake will never be used for commercial transportation.

To resolve these navigability criteria disputes, the state has actively pursued a limited number of court cases challenging particular findings of non-navigability by the federal government. With the sole exception of floatplanes, the courts have agreed with the navigability criteria presented by the State of Alaska and have rejected the limitations suggested by the federal government. These cases include:

Gulkana River. In this case, both in the U.S. District Court and on appeal to the U.S. Court of Appeals, the federal courts rejected the federal government's restrictive interpretation of the phrase " highway of commerce" in the title navigability test. The federal district court stated that to demonstrate navigability, it is only necessary to show that the waterbody is physically capable of "the most basic form of commercial use: the transportation of people or goods." Because the Gulkana River can be used for the transportation of people or goods, the Gulkana River was found navigable. Alaska v. United States, 662 F.Supp.455 (D.Alaska 1987). On appeal, the court of appeals affirmed the district court's finding of navigability. Alaska v. Ahtna, Inc., 892 F.2d 1401 (9th Cir. 1989). The court of appeals found that the modern use of the Gulkana River for guided hunting, fishing, and sightseeing trips is a commercial use and, since the physical characteristics of the river have not significantly changed since 1959, provides conclusive evidence that the river was susceptible of commercial use at statehood. The court also found that modern inflatable rafts can be used to establish navigability. In April 1990, the United States Supreme court denied a request by Ahtna, Inc. to reconsider and overturn the court of appeals decision. The Gulkana River precedent is now binding on all future navigability determinations in Alaska.

Kandik and Nation Rivers. In this administrative appeal, the State of Alaska and Doyon Limited, an ANCSA regional corporation, successfully established that the use or susceptibility of use of a river or stream by an 18-24 foot wooden riverboat capable of carrying at least 1,000 pounds of gear or supplies is sufficient to establish navigability. Based upon the use of these types of boats for the transportation of goods and supplies by fur trappers, as well as extensive historic and contemporary canoe use, the court found the Kandik and Nation rivers, in Interior Alaska, navigable. Appeal of Doyon, 86 I.D.692 (ANCAB 1979).

Alagnak River. In this federal district court case, the Alagnak River, the Nonvianuk River, Kukaklek Lake and Nonvianuk Lake were all found navigable. These interconnected waterbodies are located in the Bristol Bay region of Alaska, south of Lake Iliamna. Their primary transportation use is for commercially guided hunting, fishing, and sightseeing and for government research and management. They also serve as a means of access for local residents to their homes and to the surrounding areas for subsistence hunting and

fishing. After several years of litigation, the federal government conceded that these rivers and lakes are navigable. Alaska v. United States, No. 82-201 (D.Alaska Feb. 2, 1985).

Matanuska River. The recommended decision in this administrative appeal agreed with the State of Alaska's position that post-statehood commercial river rafting operations are sufficient to establish navigability. Based upon that type of use, the administrative law judge who heard the case recommended that the Matanuska River, in Southcentral Alaska, be found navigable. The Secretary of Interior, over the state's objections, assumed jurisdiction over the case and stayed implementation of the recommended decision. No action has been taken in the case since that time. Appeal of Alaska, No. 82-1133 (IBLA Rec. Decision Aug. 18, 1983)

Slopbucket Lake. The state claimed that the extensive use of floatplanes on Slopbucket Lake, a twenty acre lake adjacent to Lake Iliamna, was sufficient to establish navigability. The federal courts rejected this view. The courts reasoned that floatplanes do not use the lake as a navigable highway; they just take off and land there. Alaska v. United States, 754 F.2d 851 (9th Cir.) cert denied, 106 S. Ct. 333 (1985).

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IDENTIFICATION OF NAVIGABLE WATERS

Even if the criteria for determining navigability in Alaska were totally agreed upon, it still would be difficult to prepare a complete list of all of the navigable lakes, rivers, and streams in the state. Much of Alaska has not yet been surveyed and many maps are inaccurate and out-of-date. It is an immense and complex task simply to identify and locate all of the thousands of named and unnamed lakes, rivers, and streams in the state which might be considered navigable. Furthermore, once a potentially navigable lake, river, or stream has been identified, detailed information about its size and uses is necessary for an accurate navigability determination. Because of Alaska's undeveloped and remote character, gathering navigability information is both time consuming and expensive. Finally, administrative navigability determinations made by the state or the federal government are always subject to legal challenge, since only the courts can authoritatively determine title to submerged lands.

Despite these difficulties, both the state and the federal government are frequently called upon to issue navigability determinations. Although the requirement that BLM adhere to the meandering requirements of the BLM Survey Manual has eliminated the need for navigability determinations on the larger rivers, lakes, and streams, which must now be meandered regardless of navigability, navigability determinations are still required for the smaller rivers, lakes, and streams to determine if they are to be meandered at the time of survey. Because of this, some navigability determinations are still made for nearly every federal land conveyance under ANCSA or the Alaska Statehood Act. The management plan for nearly every federal Conservation System Unit (CSU) also addresses the navigability issue.

Federal navigability determinations are reviewed by the state to insure that available information sources were used and interpreted correctly. Where the federal government determines non-navigable a waterbody which is considered navigable by the state, the state may provide the government with supplemental information about the uses and characteristics of the waterbody to obtain a redetermination of navigability. Under some circumstances the state needs to make its own navigability determinations, such as for a oil and gas lease sale, land disposal, material sale, mining claim, or another use of state land or resources requiring a determination of ownership of submerged lands within the affected area.

For large, undeveloped regions of Alaska there may be little or no accurate waterbody use or physical characteristics information available for making navigability determinations. When information is lacking, and it must make a navigability determination, the state is forced to rely solely upon the physical characteristics shown on maps and aerial photographs. In these cases, the state identifies as navigable all streams depicted on the U.S.G.S. maps with double lines (generally at least 70 feet wide) and having an average gradient over the length of the stream of no more than 50 feet per mile. With rare exceptions, the state's experience has been that streams of this type are deep enough and wide enough to be navigable by boats carrying persons or goods and must, therefore, be considered legally navigable. Streams depicted with single lines, although narrower in width, may also be listed as potentially navigable if they have gradients of substantially less than 50 feet per mile and are at least 10 miles.

If there is no public use or physical characteristics information readily available for lakes, those lakes which are shown on maps and aerial photographs as having a navigable water connection with other navigable waters, or which are accessible by short overland portages, are considered navigable regardless of the size

of the lake. These lakes are part of a system of interconnected navigable waters. If a lake is totally isolated, it will be included on the state's navigability maps if it is at least 1 1/2 miles long. That length insures that the lake can be used as a "highway". Future judicial decisions interpreting the "highway" requirement for isolated lakes could shorten or lengthen this 1 1/2 mile "rule of thumb."

The state recognizes that, under some circumstances, lakes smaller than 1 1/2 miles long can be and are used as navigable highways. In those cases, when known, these smaller lakes are also depicted on the state's navigability map. Moreover, as a matter of administrative policy and convenience only, the state may sometimes make an exception to the 1 1/2 mile standard in the extremely wet regions of the state, including some areas in the Yukon- Kuskokwim Delta, Yukon Flats, and on the North Slope. In these areas, an isolated lake might need to be 2-3 miles long to be included on the state's navigability maps. Although smaller lakes in these areas are capable of being used for transportation and should be found navigable by the courts, the state has decided to concentrate its limited resources in protecting the larger waterbodies first.

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NAVIGABLE WATERS WITHIN PRE-STATEHOOD FEDERAL WITHDRAWALS

Although disputes over which waters in Alaska are navigable are the most frequent cause of submerged land ownership disputes, there is another major legal issue which poses a threat to Alaska's sovereign claim to the beds of navigable waters. Even where navigability is conceded, the federal government often contends that title to the submerged lands did not vest in the state if the area was withdrawn or reserved by the federal government on the date of statehood. Within native conveyance areas, the federal government has used this claim of "reserved submerged lands" to justify its attempts to convey the beds of navigable waters in fulfillment of the native entitlements. Within state selections, the federal government has used the same claim to charge the acreage of submerged lands against the state's entitlement.

The state strongly disagrees with this federal claim and has actively pursued a number of court challenges to resolve the issue. In addition to numerous appeals from federal decisions to convey or charge for the beds of navigable waters, the state was actively involved as a friend of the court in one case before the United States Supreme Court and continues to be involved in another Supreme Court case which presents this issue. The pending case is United States v. Alaska, U.S. Supreme Court 84 Original (filed June, 1979).

On June 8, 1987 the Court issued its decision in Utah v. United States, No. 85-1772 (filed Oct. 14, 1986). In this case the federal government, in 1976, issued oil and gas leases for land underlying Utah Lake, a navigable waterbody located in Utah. The suit sought a declaratory judgement that Utah, rather than the United States, holds the lands under navigable waters in the territories in trust for future states, and, absent a prior conveyance by the federal government to third parties, a state acquires title to such land upon entering the Union on an "equal footing" with the original 13 states.

The Supreme Court held that title did pass to the state upon Utah's admission to the Union. They held that there is a strong presumption against finding congressional intent to defeat a state's title, and, that in light of the longstanding policy of the federal government's holding land under navigable waters for the ultimate benefit of future state absent exceptional circumstances, an intent to defeat a state's equal footing entitlement could not be inferred from the mere act of the reservation itself. The United States would not merely be required to establish that Congress clearly intended to include land under navigable waters within the federal reservation, but would additionally have to establish that Congress affirmatively intended to defeat the future state's title to such land.

This decision has significant ramifications within Alaska, since over 95 million acres - more than 25% of the total area of the state - was enclosed within various federal withdrawals and reservations at the time Alaska became a state.

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NAVIGABLE WATERS WITHIN ANILCA CONSERVATION SYSTEM UNITS

On December 2, 1980, the Alaska National Interest Lands Conservation Act became law. This act created or added 104.3 million acres to various federal conservation system units. Because these "withdrawals" occurred after the date of statehood, there is no disagreement between the state and federal governments that navigable waters within the various CSU's are owned by the state. However, there is some

disagreement on the amount of authority the federal land managers may have to regulate these state owned submerged lands.

The U.S. Constitution gives Congress certain limited powers to control uses on state owned submerged land. These are known as the Property Clause, Navigational Servitude and the Commerce Clause. The extent of these powers involves complex legal questions. However, even assuming that Congress has the power to regulate state-owned submerged lands in Alaska, the United States Supreme Court has ruled that Congress may choose not to exercise that power, thus leaving regulation totally up to the state. Escanaba Co. v. Chicago, 107 U.S. (17 Otto.) 678 (1883). Whether Congress has done that can only be determined by examining the federal laws passed by Congress dealing with Alaska lands. Another possibility is that the state and federal governments have concurrent jurisdiction, sharing the authority to regulate submerged lands.

In ANILCA, Congress did not take away the state's power to regulate state-owned submerged lands within federal CSU's in Alaska. Numerous provisions in ANILCA recognize and respect the state's authority over state-owned land. In some cases, however, Congress may have attempted to give the federal land managers some concurrent authority to regulate navigable waters within CSU's.

The state, where possible, cooperates with rather than confronts the federal land managers. This cooperation often takes the form of a memorandum of understanding that discusses management issues and how they will be resolved. Differences do occur, however, over issues such as column management and restrictions on mining.

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II. LEGAL AND POLICY GUIDELINES GOVERNING MANAGEMENT OF SUBMERGED LANDS AND PUBLIC WATERS

PUBLIC TRUST DOCTRINE

The state has special duties and management constraints with respect to state-owned land underlying navigable waters. These special duties and management constraints arise from the Alaska Constitution. The Alaska Constitution contains numerous provisions embracing the principles commonly known as the public trust doctrine. The public trust doctrine is remarkable both for its age and for its vigor. Rooted in the customs of the seafaring Greeks and Romans, it has evolved to become one of the most effective safeguards of public rights. Basically, the trust reflects an understanding of the ancient concept that navigable waters, their beds and their banks, should be enjoyed by all the people because they are too important to be reserved for private use.

In America, the concept of public rights to public waters was recognized since the early days of the Massachusetts Bay Colony where the great Pond Ordinance of 1641 guaranteed the right to fish and fowl in ponds greater than 10 acres, along with the freedom to pass through private property to do so.

By 1821, American courts were pronouncing the law of public trust as we know it today. This does not mean that no water-related development can take place. The public trust doctrine permits states to improve waterways by constructing ports, docks and wharves, thus furthering the purposes of the trust. Generally speaking, the people's trust rights may be alienated only in ways that further overall trust uses, and in relatively small parcels.

Illinois Central Railroad Company v. Illinois, 146 U.S. 387,452 (1982), involved a grant by the State of Illinois of one thousand acres of the bed of Lake Michigan, constituting the entire harbor of the City of Chicago, to the Illinois Central Railroad. The U.S. Supreme Court held that the grant was revocable, that the state held the land in trust for the public, and that it was powerless to relinquish its rights as trustee.

The court went on to say that land underlying navigable waters is much more than a simple property right.

[I]t is a title different in character from that which the state holds in lands intended for sale. It is different from the title which the United States holds in the public lands which are open to preemption and sale. It is a title held in trust for the people of the state that they may enjoy the navigation of the waters, carry on commerce over them, and have liberty of fishing therein freed from the obstruction or interference of private parties... The trust devolving upon the state for the public, and which can only be discharged by the

management and control of property in which the public has an interest, cannot be relinquished by a transfer of the property.

In the 19th century the purposes of the trust were generally described as "commerce, navigation and fishery." This was logical because the major waterways were essential highways of commerce. But as other values became increasingly important, courts began to recognize recreation and environmental protection among the purposes for which the trust exists. As a California court said in 1971, "with our ever increasing leisure time...and the ever increasing need for recreational areas it is extremely important that the public need not be denied use of recreational water...the rule is that a navigable stream may be used by the public for boating, swimming, fishing, hunting and all recreational purposes." People ex rel. Baker v. Mack, 19 Cal. App. 3d 1040, 1044 (1971).

The Alaska constitution provides protections similar to the public trust doctrine protections that cannot be disregarded by the legislature or overruled by the courts. Article VIII, Sec. 3 provides; "Wherever occurring in their natural state, fish, wildlife and waters are reserved to the people for common use." After reviewing the public trust doctrine in Owsichek v. State, Guide Licensing, 763 P.2d 488 (Alaska 1988), the Alaska Supreme Court explained that "the common use clause was intended to engraft in our constitution certain trust principles guaranteeing access to the fish, wildlife and water resources of the state."

In CWC Fisheries, Inc. v. Bunker, 755 P2.d 1115 (Alaska 1988), the Alaska Supreme Court applied the public trust doctrine to tidelands, holding that, even after conveyance, the title remains subject to continuing public easements for purposes of navigation, commerce and fishery.

The 1985 Alaska legislature recognized the constitution application of public trust doctrine principles in Alaska. In an Act relating to the public or navigable waters of the state, the legislature found that "the people of the state have a constitutional right to free access to the navigable or public waters of the state" and that the state "holds and controls all navigable or public waters in trust for the use of the people of the state". 85 SLA Ch. 82. In the same act, the legislature ruled that submerged lands are "subject to the rights of the people of the state to use and have access to the water for recreational purposes or any other public purpose for which the water is used or capable of being used consistent with the public trust."

Courts in other states over the years have defined in somewhat different ways the public uses that are permitted and protected by the public trust as it applies to submerged lands. In reviewing these other cases, it can clearly be seen that through time an ever expanding definition of the public uses protected by the public trust doctrine is being adopted. The California Supreme Court recently held that:

Although early cases had expressed the scope of the public's right in (lands subject to the public trust) as encompassing navigation, commerce and fishing, the permissible range of public uses is far broader, including the right to hunt, bathe or swim, and the right to preserve the (public trust) lands in their natural state as ecological units for scientific study. City of Berkeley v. Superior Court of Alameda, 606 P.2d 362, 365 (Cal. 1980)

It is clear under the Alaska Constitution that the State of Alaska has the responsibilities of a trustee with respect to management of land underlying navigable waters. Moreover, the Alaska legislature has adopted a broad view of the public uses protected or permitted by the public trust. Accordingly, the Alaska Attorney General's Office has determined that, until the Alaska Supreme Court rules on the question, the state should assume that a broad definition of public rights protected by the Alaska Constitution and the public trust doctrine applies in Alaska, similar to the one adopted by the California Supreme Court. 1982 Atty. Gen. Op. No. 3 (June 10, 1982).

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PUBLIC WATERS

It is not only the beds of navigable waters in Alaska that are reserved in public ownership for public use. Under article VIII, Section 3 of the Alaska Constitution, all waters occurring in their natural state are reserved to the people for common use. Article VIII, Section 14 of the Alaska Constitution also provides for the broadest possible access to and use of state waters by the general public.

Section 14. Access to Navigable Waters. Free access to the navigable or public waters of the state, as defined by the legislature, shall not be denied any citizen of the United States or resident of the state, except that the legislature may by general law regulate and limit such access for other beneficial uses or

public purposes.

Pursuant to this grant of authority, the Alaska State Legislature, in AS 38.05.365(12), defined "navigable waters" as follows:

"navigable waters" means any water of the state forming a river, stream, lake, pond, slough, creek, bay, sound, estuary, inlet, strait, passage, canal sea or ocean, or any other body of water or waterway within the territorial limits of the state or subject to its jurisdiction, that is navigable in fact for any useful public purpose, including but not limited to water suitable for commercial navigation, floating of logs, landing and takeoff of aircraft, and public boating, trapping, hunting waterfowl and aquatic animals, fishing, or other public recreational purposes.

This definition of navigable waters does not define state ownership of submerged land in Alaska. The definition of navigability for ownership purposes was discussed earlier in this paper. This definition, however, does define what types of waterbodies in Alaska are available for public use under the Alaska statutes.

The Alaska State Legislature has broadly construed the constitutional protections for public use of the waters of the state. In an Act (85 SLA chap. 82, codified as AS 38.05.128) relating to the navigable or public waters of the state, the state legislature found:

(a)The people of the state have a constitutional right to free access to the navigable or public waters of the state.

(b) Subject to the federal navigational servitude, the state has full power and control of all of the navigable or public waters of the state, both meandered and unmeandered, and it holds and controls all navigable or public waters in trust for the use of the people of the state.

(c) Ownership of land bordering navigable or public waters does not grant an exclusive right to the use of the water and any rights of title to the land below the ordinary high water mark are subject to the rights of the people of the state to use and have access to the water for recreational purposes or any other public purposes for which the water is used or capable of being used consistent with the public trust.

(d) This Act may not be construed to affect or abridge valid existing rights or create any right or privilege of the public to cross or enter private land.

AS 38.05.128 provides:

OBSTRUCTIONS TO NAVIGABLE WATER

(a) A person may not obstruct or interfere with the free passage or use by a person of any navigable water unless the obstruction or interference is:

(1) authorized by a federal agency and a state agency; (2) authorized under a federal or state law or permit; (3) exempt under 33 U.S.C. 1344(f) (Clean Water Act); (4) caused by the normal operation of freight barging that is otherwise consistent with law; or (5) authorized by the commissioner after reasonable public notice.

(b) An unauthorized obstruction or interference is a public nuisance and is subject to abatement. The cost of abatement shall be borne by the violator and is in addition to any penalty imposed by the court.

(c) This section may not be construed to affect or abridge valid existing rights.

(d) Free passage or use of any navigable water includes the right to use land below the ordinary high water mark to the extent reasonably necessary to use the navigable water consistent with the public trust.

(e) Free passage or use of any navigable water includes the right to enter adjacent land above the ordinary high water mark as necessary to portage around obstacles or obstructions to travel on the water, provided:

(1) entry is made without injury or damage to the land; (2) entry is made in the least obtrusive manner possible; (3) there is no reasonable alternative available to avoid the use of the adjacent land above the

ordinary high water mark; and (4) the navigable water is reentered immediately below the obstacle or obstruction at the nearest point where it is safe to do so.

(f) A violation of (a) of this section is a class B misdemeanor.

Thus, under the Alaska Constitution and this statute, any surface waters capable of use by the public defined in AS 38.05.365(12) are available to the public, irrespective of streambed ownership. Further, such public use is not considered a taking and is not subject to inverse condemnation action. Private ownership is subject to the public rights that are protected by the public trust.

In two Montana Supreme Court cases involving the nature of public rights where the submerged lands are privately owned, the court rules that public portaging, anchoring, and other uses incidental to the use of the water are allowed. The court also found that if travel on the water or streambed is obstructed, the public is allowed to use the adjacent private land to portage around the barrier in the least intrusive way possible, avoiding damage to the property holder's rights. However, the public does not have the right to enter into or trespass across private property in order to enjoy the recreational use of state-owned waters. The State of Alaska agrees with this ruling and believes a similar ruling would be made by our state courts.

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BOUNDARIES OF NAVIGABLE WATERS

The state is often asked where public ownership of water bodies ends and private ownership begins. There are two types of water body boundaries to address: 1) non-tidal water boundaries and 2) tidal water boundaries. Non-tidal boundaries are boundaries of lakes, rivers, and streams. Tidal boundaries are the boundaries along any body of water which is influenced by the rise and fall of the tides.

1. Non-tidal Water Boundaries The boundary between public and private ownership is the "Ordinary High Water Mark" which is defined in 11 AAC 53.900(23) as being - The mark along the bank or shore up to which the presence and action of the non-tidal water are so common and usual, and so long continued in all ordinary years, as to leave a natural line impressed on the bank or shore and indicated by erosion, shelving, vegetation, or other distinctive physical characteristics. Also see the Alaska State Supreme Court definition in Department of Natural Resources v. Pankrantz 538 P.2d 984, 988-89 (Alaska 1975). The ordinary high water line can usually be observed by the laymen simply by noting the vegetation line or well defined stream banks.

2. Tidal Water Boundaries The boundary between tidal water bodies and private/public owned uplands is the Mean High Water Line. Mean high water line as defined by 11 AAC 53.900(15) is: The tidal datum plane of the average of all the high tides, as would be established by the National Geodetic Survey, at any place subject to tidal influence.

This line is not readily observable because it is a line of known elevation which intersects the land surface. The mean high water line can be a considerable distance below the vegetation line because extreme high water will denude the beach above the line of mean high water. The only way that the location of mean high water line can be accurately determined is by differential leveling from known bench marks or by operating a tide gauge for a sufficient period of time to determine the mean high water elevation. The line of mean high water line can be approximated by time coordinated observations of the daily predictions for high and low waters, predicted by NOAA, as they relate to the published mean high water elevation. This method can be highly unreliable because small errors in the predictions or observations can transform into large errors in the horizontal location; this is especially true in areas where the beach gradient is very flat.

It is important to note that in some areas, such as Prince William Sound, the mean high water line boundary is considerably higher than the current mean high water line because the boundary became fixed at the 1964 pre-quake location. In this instance the boundary between state-owned tidelands and the uplands would be established at an elevation which equals the sum of the mean high water elevation plus the published amount of uplift or, in some cases, submergence.

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CONCLUSION

This paper describes the state's policies and procedures for managing and protecting state submerged lands

and public waters. As further legal and practical developments occur in this area, these policies and procedures will be reexamined by the state and, if necessary, appropriate changes will be made.

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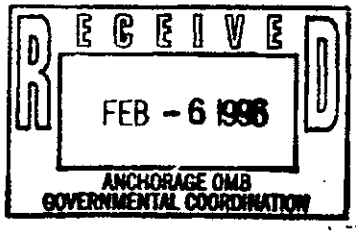

February 2, 1996

Ms. Maureen Finnerty
Associate Director, Operations
National Park Service
Department of the Interior
18th and C Streets, N.W.
Washington, D.C. 20240

Re: State of Alaska's Comments on the Proposed Rule at 60 Federal Register 62233 (December 5, 1995)

Dear Ms. Finnerty:

The State of Alaska has reviewed the proposed rule published December 5, 1995, at 60 Fed. Reg. 62233. These comments represent the consolidated views of various state agencies and replace the overview of comments previously provided to Solicitor Leshy.

The proposed rule would revise portions of the National Park Service's (NPS) general regulations, as well as certain provisions governing National Park System units in Alaska. Primarily at issue is whether NPS should extend regulatory jurisdiction over all navigable waters within park boundaries, regardless of ownership of the submerged lands. The proposed rule is not a simple "clarification" of prior law as the NPS has attempted to portray. The regulations would substantively and inappropriately extend NPS jurisdiction.

The State opposes the proposed rule and urges that it be withdrawn for the following reasons:

- The Federal Register notice fails to adequately address potential effects of this rulemaking in light of the draft NPS subsistence policy and management in Alaska and the State of Alaska v. Babbitt case.

- The federal government has no authority to regulate waters within the boundaries of conservation system units where Alaska owns the submerged lands.

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- The proposed rule is premature given that the Alaska National Interest Lands Conservation Act's definition of "public lands" is still in question.

- The NPS has failed to show other authority, e.g. the Commerce Clause, for its proposed action.

- Proposed definitional changes are inconsistent with existing law.

For these reasons, the NPS does not have the authority to extend its regulatory jurisdiction to all navigable waters within park boundaries, regardless of ownership of the submerged lands. These and other issues are documented in greater detail in the attachment, which should be considered part of the State's formal comments.

If NPS has concerns about particular activities occurring on navigable waters within park boundaries in Alaska, the State encourages NPS to discuss these concerns with the appropriate state representatives. We believe that many issues of particular concern to NPS can be resolved through ongoing cooperative efforts.

Thank you for your consideration of this letter and the attachment.

Very truly yours,

Bruce Botelho
Attorney General

Attachment

cc: Robert Barbee, Field Director, NPS
John Katz, Governor's Office, Washington, D.C.
Marilyn Heiman, Governor's Office, Juneau
Diane Mayer, Director, Division of Governmental Coordination
John Shively, Commissioner, Department of Natural Resources
Frank Rue, Commissioner, Department of Fish and Game
Joseph Perkins, Commissioner, Department of Transportation and Public Facilities
Michele Brown, Commissioner, Department of Environmental Conservation
William Hensley, Commissioner, Department of Commerce and Economic Development

ATTACHMENT

State of Alaska's Comments on the Proposed Rule at 60 Fed. Reg. 62233, December 5, 1995:

A. The Federal Register notice fails to adequately address potential effects of this rulemaking in light of the draft NPS subsistence policy and management in Alaska and the State of Alaska v. Babbitt case.

At the present time, an extensive statewide review of subsistence management and policy is underway within NPS. In fact, NPS has requested public review and comment until May 1, 1996 on its "Draft Review of Subsistence Law and National Park Service Regulations." In light of this ongoing internal review, the State believes the present rulemaking is premature and recommends that this rulemaking be postponed in order to consider the outcome of the subsistence program review. Remaining comments are provided without the benefit of this information.

B. The proposed rule is more than a "clarification" of prior law; it substantively extends NPS jurisdiction.

In the Federal Register notice, NPS states that the proposed rulemaking is designed to "clarify" that existing NPS regulations apply on navigable waters within National Park System units regardless of ownership of the submerged lands, and that the proposed rule does not create new or additional regulatory controls.

NPS claims this "clarification" of previous regulatory intent was made necessary by a seal hunting case in Glacier Bay National Park. United States v. Greg Brown. NPS states the seal hunting case made it aware that 36 C.F.R. § 1.2(b) "inadvertently incorporated language that seems ambiguous and could preclude park regulation of 'non-federally owned . . . waters.'" However, the proposed rule does not "clarify" existing regulations; it substantively extends NPS jurisdiction to areas not previously regulated.

Despite NPS' representations, 36 C.F.R. § 1.2(b) is not ambiguous. It clearly states that NPS regulations do not apply on non-federally owned waters.[1] The only exception

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1 Section 1.2(b) states:

> Except for regulations containing provisions that are specifically applicable, regardless of land ownership, on lands and waters within a park area that are under the legislative jurisdiction of the United States, the regulations contained in parts 1 through 5 and part 7 of this chapter do not apply on non-federally owned

to this rule is for non-federally owned lands and waters under the legislative jurisdiction of the United States. For areas under the legislative jurisdiction of the United States, NPS regulations apply only when the regulations are made specifically applicable regardless of land ownership. 36 C.F.R. § 1.2(b). There is no dispute that state owned lands and waters within Glacier Bay National Park, and most every other park system unit in Alaska, are not within the legislative jurisdiction of the United States.

Other NPS regulations reaffirm the unambiguous language and intention of 36 C.F.R. § 1.2(b). For example, the regulations applying to park units in Alaska state: "The regulations contained in this part 13 are applicable only on federally owned lands within the boundaries of any park area. . . ." 36 C.F.R. § 13.2(e).[2] See also 36 C.F.R. § 13.1(p) (defining "public lands" to mean lands in Alaska "which are federally owned lands"); 36 C.F.R. § 13.65(a) (humpback whale protection regulations, expressly stating they are an exception to §§ 1.2(b) and 13.2(e) and therefore apply on all navigable waters within Glacier Bay National Park).

Indeed, in the Glacier Bay seal hunting case, the United States openly acknowledged the express limitation in 36 C.F.R. § 1.2(b) on its regulatory jurisdiction. See United States v. Brown, No. 94-30019, United States' brief to the Ninth Circuit Court of Appeals at 5-6, 9 (submitted May 12, 1994) (conceding that, for NPS general regulations to be enforceable against Mr. Brown, 36 C.F.R. § 1.2(b) requires that the United States prove either legislative jurisdiction over Glacier Bay National Park or ownership of the submerged lands in question). Thus, in dismissing the Brown prosecution, the United States recognized the unambiguous language of its regulations. The United States conceded it does not have legislative jurisdiction over Glacier Bay National Park, see id. at 5, and decided not to attempt to prove ownership of the submerged lands in that case.

Contrary to NPS' assertion in the Federal Register, both the language and intent of its 1983 and 1987 regulatory revisions were that NPS regulations did not apply to non-federally owned lands and waters, unless those lands and waters were under the legislative jurisdiction of the United States. See 48 Fed. Reg. 30252 at 30261, 30275 (June 30, 1983) (regulations do not apply to state owned inholdings within national park boundaries unless those areas are under the legislative jurisdiction of the United States).

The regulatory revision in 1987 simply "clarified" that state owned lands would

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lands and waters . . . within the boundaries of a park area.

2 For the reasons discussed in these comments, the State opposes the proposed deletion of this statement in 36 C.F.R. § 13.2(e).

be treated like privately owned lands, and NPS regulations would not apply as a matter of course to either private or state lands and waters within park boundaries. See 52 Fed. Reg. 12037 (April 14, 1987) (proposing to clarify that NPS regulations only would apply to state owned lands and waters within park boundaries if those areas were under the legislative jurisdiction of the United States); 52 Fed. Reg. 35238, 35239 (Sept. 18, 1987) (certain NPS regulations apply to non-federally owned lands and waters within park boundaries only if those areas are under the legislative jurisdiction of the United States).

For these reasons, it is at best misleading for NPS to characterize the proposed rule as a "clarification" and not a substantive extension of regulatory jurisdiction. The proposed action substantially extends NPS jurisdiction to areas not previously covered by its regulations. The exclusion of state owned lands and waters from prior and existing regulations was not "inadvertent" but by express design. By not acknowledging these facts in its December 5, 1995 Federal Register notice, NPS significantly understates the effect of its proposed rule.

C. The federal government has no authority to regulate waters within the boundaries of conservation system units where Alaska owns the submerged lands.

On the substance of NPS' proposed action, the State disagrees that NPS has authority to extend its regulatory jurisdiction to all waters within park system boundaries, including navigable waters, and without regard to ownership of submerged lands.

The State has consistently objected to previous attempts by NPS to grant itself such extraterritorial authority in proposed rulemaking, e.g., Alaska's comments dated Nov. 1, 1991 (regarding proposed rule published Aug. 5, 1991). We reiterate our objections to NPS' efforts to extend regulatory jurisdiction to lands and waters lawfully owned and managed by the State.[3]

The proposed extension of NPS authority appears to be particularly dramatic in Alaska. Numerous navigable waterways run through the exterior boundaries of nearly all of the thirteen multi-million acre park units in the state. These waterways are often used for transportation and for many other activities. Under the proposed rule, NPS would apparently

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3 Under the constitutional doctrine of equal footing and confirmed by the Submerged Lands Act of May 22, 1953, the Alaska Statehood Act of July 7, 1958, and the Alaska Constitution, the State of Alaska owns and therefore is responsible for the management of all water columns, shorelands, tidelands, and submerged lands, including the resources located within or on such lands and waters.

intend to regulate these activities. For example, under the proposed rule, NPS might require an NPS Commercial Use Permit for the commercial barging and ferry service interests currently operating on the navigable Yukon River as it passes through the Yukon-Charley Rivers Preserve, despite the fact that the State presently manages water uses, access and activities on those waters. Such an assertion of general jurisdiction is not permitted by the Alaska National Interest Lands Conservation Act (ANILCA) or other applicable law.

One of Congress' primary purposes in enacting ANILCA was to preserve vast quantities of lands and waters in Alaska. 16 U.S.C. § 3101. Congress implemented this purpose in part by creating "conservation system units" (CSUs). By definition, CSUs include any unit in Alaska of the National Park System. 16 U.S.C. § 3102(4).

However, not all lands within Glacier Bay National Park or other national park units in Alaska are included as part of the CSU. ANILCA section 103(c) states in relevant part:

> Only those lands within the boundaries of any conservation system unit which are public lands (as such term is defined in this Act) shall be deemed to be included as a portion of such unit.
>
> 16 U.S.C. § 3103(c).[4]

Similarly, in coastal areas, ANILCA section 103(a) excludes lands seaward of the mean high tide line from the boundaries of areas added by ANILCA to the National Park System. 16 U.S.C. § 3103(a).

ANILCA Section 103(c) further provides that those lands not included within the conservation system unit are not subject to federal regulation:

> No lands which, before, on, or after the date of enactment of this Act, are conveyed to the State, to any Native Corporation, or to any private party shall be subject to the regulations applicable solely to public lands within such units.
>
> 16 U.S.C. § 3103(c).

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4 The legislative history of ANILCA § 103(c) makes clear Congress' intent to exclude lands which are not owned by the U.S. from conservation system unit regulations. The history specifies that "only public lands (and not State or private lands) are to be subject to the conservation system unit regulations applying to public lands." 126 Cong. Rec. S15129-32 (daily ed. Dec. 1, 1980) (statement of Sen. Stevens).

Legislative history establishes that Congress took this action fully aware of Kleppe v. New Mexico, 426 U.S. 529 (1976) and its progeny, which might arguably support extension of federal regulatory control over non-federally owned lands.[5] Congress directly and knowingly limited federal regulatory authority to "public lands" within conservation system units and specifically exempted inholdings from regulation. 16 U.S.C. § 3103(c). NPS recognized this fact in promulgating 36 C.F.R. § 13.2(e). See 46 Fed. Reg. 31836, 31843 (June 17, 1981) (ANILCA §§ 103(c) and 906(o) restrict the applicability of NPS regulations to federally owned lands within park boundaries; therefore, 36 C.F.R. § 13.2(e) applies only to federally owned lands).

In the case of parks in Alaska, any submerged lands underlying navigable waters within park boundaries are "inholdings" belonging to the State of Alaska. See Submerged Lands Act of 1953, 43 U.S.C. § 1311(a); Utah Div. of State Lands v. United States, 482 U.S. 193 (1987). Federal regulation does not apply to these waters.[6] The NPS therefore does not have authority to regulate navigable waters within park boundaries regardless of ownership.

If identical regulations addressing both state and federally owned lands or waters are particularly desirable in certain instances or for certain issues, the State encourages NPS to discuss these with the appropriate state regulatory entity. Through a cooperative effort, the goal of consistent regulation of especially significant issues can be lawfully achieved. Without State consent and cooperation, however, NPS may not extend its regulatory jurisdiction as proposed.

D. The proposed rule is premature given that the definition of "public lands," over which ANILCA permits some federal regulation, is still in question.

As noted earlier, the Federal Register notice does not address the proposed rule's potential effect on the implementation of ANILCA's Title VIII subsistence priority, and the State requests that NPS address the rule's implications for subsistence management and

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5 The State does not concede this authority. While there is case law in the Eighth Circuit that appears to support this contention, the question of extra-territorial regulation is not yet resolved. In any event, NPS does not purport to rely on Congress' Property Clause power to justify this proposed action.

6 The fact that ANILCA (and existing NPS regulations) specifically exclude state lands and waters from NPS general jurisdiction is also reflected in the General Management Plans adopted for park units in Alaska.

policy.[7]

ANILCA specifically limits federal regulatory authority in conservation system units to "public lands." Accordingly, federal jurisdiction depends on whether the waters in question constitute "public lands" as defined in ANILCA.

Although the State asserts the definition of "public lands" does not include any navigable waters where the state owns the submerged lands, this question is currently unresolved. The Alaska Supreme Court's decision in Totemoff v. State, as well as Judge Hall's dissent from the Ninth Circuit opinion in State of Alaska v. Babbitt (also commonly known as the "Katie John" case), conclude that navigable waters are not "public lands" under ANILCA. See Totemoff v. State, 905 P.2d 954 (Alaska 1995); State of Alaska v. Babbitt, ___ F.3d ___, 1995 WL 749795 (9th Cir., Dec. 19, 1995). This issue is presently before the U.S. Supreme Court on a petition for certiorari. Accordingly, the NPS should withdraw these regulations until they can be reassessed in light of the Babbitt litigation once it has been finalized.

E. The NPS has failed to show other authority for its proposed action.

NPS asserts that Congress' Commerce Clause power provides authority for NPS' regulation of non-federally owned lands and waters within park boundaries. However, NPS fails to explain where it derives its Commerce Clause power, and how its power is co-extensive with Congress' Commerce Clause powers.

Moreover, even assuming NPS has some authority to regulate pursuant to the Commerce Clause, the United States Supreme Court has confirmed that the Commerce Clause power is not unlimited. See United States v. Lopez, ___ U.S. ___, 115 S. Ct. 1624 (1995). To rely on this power, NPS must satisfy traditional Commerce Clause analysis, including a showing as to how the regulated activities "substantially affect" interstate commerce. Id. at 1629-30.

NPS' Federal Register notice makes no effort to undertake a Commerce Clause analysis, and the state does not agree that the Commerce Clause permits the proposed action. Cf. State of Alaska v. Babbitt, ___ F.3d ___, 1995 WL 749795 (9th Cir., Dec. 19, 1995) (majority opinion concludes that Congress did not intend to exercise its Commerce Clause authority to regulate subsistence fishing in Alaska's navigable waters; dissenting opinion

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7 Along this line, we note that the proposed revision to 36 C.F.R. § 13.2(c) deletes Sitka National Historical Park from the list of park units where subsistence activities are prohibited. This change is not addressed by NPS in its notice.

concludes that subsistence fishing in navigable waters does not "substantially affect" interstate commerce).[8]

Nor does NPS otherwise justify its authority to extend general regulatory jurisdiction over non-federally owned waters within park boundaries. NPS cites to 16 U.S.C. § 1a-2(h); however, the authority set forth therein is limited. That section permits NPS to promulgate and enforce regulations concerning boating and related activities; it does not provide general jurisdiction over non-federally owned waters within park boundaries. Likewise, the fact that NPS may enforce Coast Guard regulations on navigable waters within park boundaries does not provide authority over navigable waters for other purposes.

As examples of its asserted authority, NPS cites park-specific regulations that have applied on navigable waters within certain parks. However, these limited instances do not justify this proposed rule. In the case of Glacier Bay National Park, the State cooperated with the National Marine Fisheries Service and NPS in the adoption of regulations deemed necessary to protect whales. These special whale regulations were identified as an exception to NPS' general regulatory authority. See 13 C.F.R. §13.65(a), (b)(2). This example does not imply that NPS has jurisdiction to enact other regulations applying to waters owned by the State.

F. Proposed definitional changes are inconsistent with existing law.

Though the State's objections to NPS' proposed definitional changes should be clear from the preceding comments, we address the following comments specifically to NPS' proposed definitional revisions.

NPS' proposed revision of "boundary" at 36 C.F.R. § 1.4 would broadly include "the limits of lands or waters administered by the National Park Service" as "published or posted by the National Park Service." This definition grants to NPS the ability to define "boundaries" essentially as it chooses, on a case-by-case basis.

This definition is not permissible under ANILCA. ANILCA Section 103 directs that the conservation system units created by ANILCA shall have specific and defined boundaries. 16 U.S.C. § 3103 (a), (b), (c). Pursuant to the mandate in ANILCA § 103(b),

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8 In any case, even if the proposed action could be justified under a Commerce Clause analysis, the Submerged Lands Act expressly limits that authority as it applies to this situation. See 43 U.S.C. § 1311(a) (confirming state title and ownership of lands beneath the navigable waters within the states, as well as the natural resources within those lands and waters, and providing states rights to manage those lands and natural resources).

NPS published in 1992 a legal description of the external boundaries of national park units established or expanded by ANILCA. 57 Fed. Reg. 45166 (Sept. 30, 1992).

As a result of these authorities, the proposed definition of "boundary" would conflict with the determined boundaries of park units and with ANILCA's defined areas of NPS authority. NPS is not free to ignore these existing legal boundaries, nor may it grant itself authority to amend park boundaries simply by posting a notice of intent. Accordingly, NPS may not broadly revise "boundary" as proposed.[9]

The proposed revision to 36 C.F.R. § 13.2(e), including the revised definition of "federally owned lands," likewise is not permitted by ANILCA. Under ANILCA, "federally owned lands" include lands, title to which is in the Untied States. 16 U.S.C. § 3102. Thus, State and privately owned lands cannot be defined as "federally owned lands," as they apparently would be under the proposed rule. ANILCA prohibits this definitional change, as well as NPS' attempt to extend its jurisdiction to state owned lands and waters.

G. No notice of the proposed rule was provided to the State despite ongoing meetings with NPS regarding Glacier Bay National Park.

To promote cooperation between state and federal resource managers, Alaska agency representatives participate in quarterly meetings with the NPS field director to discuss issues involving park units in Alaska. In addition, state representatives and commercial fishing interests have embarked upon good faith discussions with NPS to resolve potential conflicts arising from activities on state waters adjacent to Glacier Bay. In fact, on December 5, 1995, the day this proposed rule was published in the Federal Register, the Superintendent of Glacier Bay National Park met with state representatives, fishermen, special interest groups and others to seek cooperative resolution of problems related to activities on waters adjacent to the park.

The State is troubled that, despite these ongoing meetings, NPS provided no notice of the proposed extension of NPS regulations over all navigable waters within park boundaries, regardless of ownership, especially since the seal hunting case in Glacier Bay inspired the proposed rulemaking.

To avoid compromising the effectiveness of these ongoing cooperative efforts,

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9 Similarly, NPS may not use such a broadened definition of "boundary" to assert general jurisdiction over state-owned lands and waters administered by NPS pursuant to a cooperative agreement. NPS and the State have entered into several cooperative agreements which grant NPS some limited administrative authority over state lands or waters. We do not contemplate that these agreements can be construed to permit broader federal authority over these areas.

the State urges the NPS field office to alert us of pending rulemakings in the future and to promote discussion of the issues involved.

Conclusion

The State disagrees that NPS has authority to extend its regulatory jurisdiction to all navigable waters within park boundaries regardless of ownership of the submerged lands. Consistent with the above discussion, the state requests that NPS withdraw the proposed rule.

March 25, 2009

Raymond E. Hickel
5725 Yukon Charlie Lp.
Anchorage, AK 99502

Rep. Mike Hawker
Alaska State Legislature
Juneau, AK

Dear Rep. Hawker,

I am in full support of HCR 10 opposing federal interference in the management and enjoyment of state lands and navigable waterways. Once again we must defend Alaska and her sovereign inalienable rights against federal control.

I am proud to see the leadership you and have taken on this issue. I wish to remind others of the solemn oath taken by all Legislators, and the Governor herself, in the promise to protect and defend the Constitution of the State of Alaska.

The sovereign entity of Alaska is at the heart of this issue and there should be no opposition to the full and complete defense of it. Time is of the essence in order to rid our state of this cancer.

In my opinion, an elected official who would not employ whatever legal means necessary to correct this gross error, is in violation of the oath of office.

Very Truly Yours,

Raymond Hickel

Representative Mike Hawker
Alaska State Legislature

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State Capitol
Juneau, AK 99801
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Interim:
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House District 32:
Eagle River
Anchorage
Glen Alps
Rainbow
Indian
Bird
Girdwood
Portage
Whittier
Sunrise
Hope

TO: Representative Craig Johnson, Co-Chairman
Representative Mark Neuman, Co-Chairman
House Resources Committee

FROM: Representative Mike Hawker

DATE: March 25, 2009

RE: House Concurrent Resolution 10

I request that House Concurrent Resolution 10, regarding navigable waters, be scheduled for a hearing in the House Resources Committee at your earliest convenience. HCR 10 reaffirms our sovereign right to manage state resources and calls on the Governor to take action to protect that right.

I have attached a Sponsor Statement, copy of the bill, and background materials. I would like to request a teleconference offnet for John Sturgeon (Anchorage – 230-0072) and for Tina Cunning, Subsistence & Federal Issues Coordinator, Department of Fish & Game (267-2248).

Please feel free to contact me if you need any additional information. You can also call Juli Lucky at 465-6587. Thank you.

Rep.Mike.Hawker@legis.state.ak.us · www.housemajority.org/hawker

ALASKA STATE LEGISLATURE

House Resources Committee

Craig Johnson, Co-Chair

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FAX

faxed @ 5:00pm on 3/30/09

To:	Legislative Legal Services	**From:**	Debra Higgins
Fax:	465-2029	**Phone:**	465-3715
Date:	3/30/09	**CC:**	
Re:	CS for HCR 10	**Pages with Cover:**	2

HCR 10 (26-LS0676\A) moved from House Resources Committee today with the attached conceptual amendment – including the handwritten part.

A final CS for HCR 10(RES) would be fine.

Thanks.

Debra

The information contained in this fax is CONFIDENTIAL and/or privileged. This fax is intended to be reviewed initially by only the individual named above. If the reader of this transmittal page is not the intended recipient or a representative of the intended recipient, you are hereby notified that any review, dissemination, or copying of this fax or the information contained herein is prohibited. If you have received this fax in error, please immediately notify the sender by telephone and return this fax to the sender at the above address.

Conceptual

3/30/09

AMENDMENT ~~#~~ 1

OFFERED IN THE HOUSE

TO: HCR 10

Page 2, line 17, following "by the state,"

Delete "issuing citations to placer miners that have valid state permits,"

Page 2, line 25, following "the Governor to"

Delete "file suit against the United States Department of the Interior, National Park Service,"

Insert "pursue all available legal options"

pg1, line1 – delete "to file an action"

insert "exercise ~~pursue~~ all available legal options"

adopted 3/30/09

HJR

7

HOUSE COMMITTEE REPORT

(9)
Date Referred to Committee: January 22, 2009 **FURTHER REFERRALS:**

Date of Committee Action: 2/23/09

The RESOURCES Committee considered: **HOUSE JOINT RESOLUTION NO. 7**

Urging the United States Congress to pass legislation to open the coastal plain of the Arctic National Wildlife Refuge to oil and gas exploration, development, and production.

HJR 7 ENDORSING ANWR LEASING

Recommends it be replaced with [ ] HCS *or* [X] CS *for* HJR 7 (RES)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON	✓			
	Edgmon	✓			
	GUTTENBERG				✓
	TUCK	✓			
	SEATON				✓
	Wilson	✓			
	KAWASAKI				X
Chair:	Johnson	✓			
Chair:	NEUMAN	X			

Alaska State House of Representatives

Interim:

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Session:
State Capitol, Room 412
Juneau, AK 99801-1182
Phone: (907) 465-3879
Fax: (907) 465-2069

Sponsor Statement from:

Representative Charisse Millett

R - District 30

RELEASED: January 26, 2009, v26-LS0400\A **CONTACT**: Jeff Turner, 465-3879

HJR7 - Endorsing ANWR Leasing

"Urging the United States Congress to pass legislation to open the coastal plain of the Arctic National Wildlife Refuge to oil and gas exploration, development, and production."

Status: PREFILE RELEASED >> (H) RES : 2009-01-22

House Joint Resolution 7 urges the United States Congress to pass legislation to open the coastal plain of the Arctic National Wildlife Refuge to oil and gas exploration and production.

ANWR remains a key component of our nation's effort to achieve energy independence. Combining environmentally responsible oil production with renewable energy sources like wind, solar and hydro will reduce and could someday even eliminate our dependence on crude oil from nations that are hostile to the United States.

New directional drilling technology will protect the delicate arctic ecosystem and shrink the size of the development footprint. Someday it may even be possible to drill outside the 1002 area.

All the reasons for opening ANWR are still valid. Failing to even address the issue only slows down America's effort to gain true energy security in the future.

Opening ANWR is more important for America's economy and national security than ever. HJR 7 expresses the Alaska Legislature's desire to see the 1002 area open as soon as possible and respectfully asks congress to pass legislation permitting oil and gas exploration and development to go forward.

###

House Majority Press: http://housemajority.org/spon.php?id=26HJR7

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HJR 7
() Publish Date:

Identifier (file name):
Dept. Affected:
Title ENDORSING ANWR LEASING
RDU
Component
Sponsor Representatives Millett, Lynn, Dahlstrom, Johnson
Requester
Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: Debra Higgins
Phone 465-3715
Division Committee Aide, House Resources Committee
Date/Time 2/19/09 8:00 AM
Approved by: Representative Craig Johnson, Co-Chair
House Resources Committee
Date 2/19/2009

(Revised 9/10/2008 OMB)

4930

HR 49 IH

HJR 7

111th CONGRESS

1st Session

H. R. 49

To direct the Secretary of the Interior to establish and implement a competitive oil and gas leasing program that will result in an environmentally sound program for the exploration, development, and production of the oil and gas resources of the Coastal Plain of Alaska, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

January 6, 2009

Mr. YOUNG of Alaska introduced the following bill; which was referred to the Committee on Natural Resources, and in addition to the Committees on Energy and Commerce and Science and Technology, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To direct the Secretary of the Interior to establish and implement a competitive oil and gas leasing program that will result in an environmentally sound program for the exploration, development, and production of the oil and gas resources of the Coastal Plain of Alaska, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the `American Energy Independence and Price Reduction Act'.

SEC. 2. DEFINITIONS.

In this Act:

(1) COASTAL PLAIN- The term `Coastal Plain' means that area described in appendix I to part 37 of title 50, Code of Federal Regulations.

(2) SECRETARY- The term `Secretary', except as otherwise provided, means the Secretary of the Interior or the Secretary's designee.

SEC. 3. LEASING PROGRAM FOR LANDS WITHIN THE COASTAL PLAIN.

(a) In General- The Secretary shall take such actions as are necessary--

(1) to establish and implement, in accordance with this Act and acting through the Director of the Bureau of Land Management in consultation with the Director of the United States Fish and Wildlife Service, a competitive oil and gas le[+]ng program that will result in an environmentally sound program for the exploration, development, and production of th FEEDBACK gas resources of the Coastal Plain; and

(2) to administer the provisions of this Act through regulations, lease terms, conditions, restrictions, prohibitions, stipulations, and other provisions that ensure the oil and gas exploration, development, and production activities on the Coastal Plain will result in no significant adverse effect on fish and wildlife, their habitat, subsistence resources, and the environment, including, in furtherance of this goal, by requiring the application of the best commercially available technology for oil and gas exploration, development, and production to all exploration, development, and production operations under this Act in a manner that ensures the receipt of fair market value by the public for the mineral resources to be leased.

(b) Repeal-

(1) REPEAL- Section 1003 of the Alaska National Interest Lands Conservation Act of 1980 (16 U.S.C. 3143) is repealed.

(2) CONFORMING AMENDMENT- The table of contents in section 1 of such Act is amended by striking the item relating to section 1003.

(c) Compliance With Requirements Under Certain Other Laws-

(1) COMPATIBILITY- For purposes of the National Wildlife Refuge System Administration Act of 1966 (16 U.S.C. 668dd et seq.), the oil and gas leasing program and activities authorized by this section in the Coastal Plain are deemed to be compatible with the purposes for which the Arctic National Wildlife Refuge was established, and no further findings or decisions are required to implement this determination.

(2) ADEQUACY OF THE DEPARTMENT OF THE INTERIOR'S LEGISLATIVE ENVIRONMENTAL IMPACT STATEMENT- The `Final Legislative Environmental Impact Statement' (April 1987) on the Coastal Plain prepared pursuant to section 1002 of the Alaska National Interest Lands Conservation Act of 1980 (16 U.S.C. 3142) and section 102(2)(C) of the National

Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C)) is deemed to satisfy the requirements under the National Environmental Policy Act of 1969 that apply with respect to prelease activities, including actions authorized to be taken by the Secretary to develop and promulgate the regulations for the establishment of a leasing program authorized by this Act before the conduct of the first lease sale.

(3) COMPLIANCE WITH NEPA FOR OTHER ACTIONS- Before conducting the first lease sale under this Act, the Secretary shall prepare an environmental impact statement under the National Environmental Policy Act of 1969 with respect to the actions authorized by this Act that are not referred to in paragraph (2). Notwithstanding any other law, the Secretary is not required to identify nonleasing alternative courses of action or to analyze the environmental effects of such courses of action. The Secretary shall only identify a preferred action for such leasing and a single leasing alternative, and analyze the environmental effects and potential mitigation measures for those two alternatives. The identification of the preferred action and related analysis for the first lease sale under this Act shall be completed within 18 months after the date of enactment of this Act. The Secretary shall only consider public comments that specifically address the Secretary's preferred action and that are filed within 20 days after publication of an environmental analysis. Notwithstanding any other law, compliance with this paragraph is deemed to satisfy all requirements for the analysis and consideration of the environmental effects of proposed leasing under this Act.

(d) Relationship to State and Local Authority- Nothing in this Act shall be considered to expand or limit State and local regulatory authority.

(e) Special Areas-

(1) IN GENERAL- The Secretary, after consultation with the State of Alaska, the city of Kaktovik, and the North Slope Borough, may designate up to a total of 45,000 acres of the Coastal Plain as a Special Area if the Secretary determines that the Special Area is of such unique character and interest so as to require special management and regulatory protection. The Secretary shall designate as such a Special Area the Sadlerochit Spring area, comprising approximately 4,000 acres.

(2) MANAGEMENT- Each such Special Area shall be managed so as to protect and preserve the area's unique and diverse character including its fish, wildlife, and subsistence resource values.

(3) EXCLUSION FROM LEASING OR SURFACE OCCUPANCY- The Secretary may exclude any Special Area from leasing. If the Secretary leases a Special Area, or any part thereof, for purposes of oil and gas exploration, development, production, and related activities, there shall be no surface occupancy of the lands comprising the Special Area.

(4) DIRECTIONAL DRILLING- Notwithstanding the other provisions of this subsection, the Secretary may lease all or a portion of a Special Area under terms that permit the use of horizontal drilling technology from sites on leases located outside the Special Area.

(f) Limitation on Closed Areas- The Secretary's sole authority to close lands within the Coastal Plain to oil and gas leasing and to exploration, development, and production is that set forth in this Act.

(g) Regulations-

(1) IN GENERAL- The Secretary shall prescribe such regulations as may be necessary to carry out this Act, including rules and regulations relating to protection of the fish and wildlife, their habitat, subsistence resources, and environment of the Coastal Plain, by no later than 15 months after the date of enactment of this Act.

(2) REVISION OF REGULATIONS- The Secretary shall periodically review and, if appropriate, revise the rules and regulations issued under subsection (a) to reflect any significant biological, environmental, or engineering data that come to the Secretary's attention.

SEC. 4. LEASE SALES.

(a) In General- Lands may be leased pursuant to this Act to any person qualified to obtain a lease for deposits of oil and gas under the Mineral Leasing Act (30 U.S.C. 181 et seq.).

(b) Procedures- The Secretary shall, by regulation, establish procedures for--

(1) receipt and consideration of sealed nominations for any area in the Coastal Plain for inclusion in, or exclusion (as provided in subsection (c)) from, a lease sale;

(2) the holding of lease sales after such nomination process; and

(3) public notice of and comment on designation of areas to be included in, or excluded from, a lease sale.

(c) Lease Sale Bids- Bidding for leases under this Act shall be by sealed competitive cash bonus bids.

(d) Acreage Minimum in First Sale- In the first lease sale under this Act, the Secretary shall offer for lease those tracts the Secretary considers to have the greatest potential for the discovery of hydrocarbons, taking into consideration nominations received pursuant to subsection (b)(1), but in no case less than 200,000 acres.

(e) Timing of Lease Sales- The Secretary shall--

(1) conduct the first lease sale under this Act within 22 months after the date of the enactment of this Act;

(2) evaluate the bids in such sale and issue leases resulting from such sale, within 90 days after the date of the completion of such sale; and

(3) conduct additional sales so long as sufficient interest in development exists to warrant, in the Secretary's judgment, the conduct of such sales.

SEC. 5. GRANT OF LEASES BY THE SECRETARY.

(a) In General- The Secretary may grant to the highest responsible qualified bidder in a lease sale conducted pursuant to section 4 any lands to be leased on the Coastal Plain upon payment by the lessee of such bonus as may be accepted by the Secretary.

(b) Subsequent Transfers- No lease issued under this Act may be sold, exchanged, assigned, sublet, or otherwise transferred except with the approval of the Secretary. Prior to any such approval the Secretary shall consult with, and give due consideration to the views of, the Attorney General.

SEC. 6. LEASE TERMS AND CONDITIONS.

(a) In General- An oil or gas lease issued pursuant to this Act shall--

(1) provide for the payment of a royalty of not less than 12 1/2 percent in amount or value of the production removed or sold from the lease, as determined by the Secretary under the regulations applicable to other Federal oil and gas leases;

(2) provide that the Secretary may close, on a seasonal basis, portions of the Coastal Plain to exploratory drilling activities as necessary to protect caribou calving areas and other species of fish and wildlife;

(3) require that the lessee of lands within the Coastal Plain shall be fully responsible and liable for the reclamation of lands within the Coastal Plain and any other Federal lands that are adversely affected in connection with exploration, development, production, or transportation activities conducted under the lease and within the Coastal Plain by the lessee or by any of the subcontractors or agents of the lessee;

(4) provide that the lessee may not delegate or convey, by contract or otherwise, the reclamation responsibility and liability to another person without the express written approval of the Secretary;

(5) provide that the standard of reclamation for lands required to be reclaimed under this Act shall be, as nearly as practicable, a condition capable of supporting the uses which the lands were capable of supporting prior to any exploration, development, or production activities, or upon application by the lessee, to a higher or better use as approved by the Secretary;

(6) contain terms and conditions relating to protection of fish and wildlife, their habitat, subsistence resources, and the environment as required pursuant to section 3(a)(2);

(7) provide that the lessee, its agents, and its contractors use best efforts to provide a fair share, as determined by the level of obligation previously agreed to in the 1974 agreement implementing section 29 of the Federal Agreement and Grant of Right of Way for the Operation of the Trans-Alaska Pipeline, of employment and contracting for Alaska Natives and Alaska Native Corporations from throughout the State;

(8) prohibit the export of oil produced under the lease; and

(9) contain such other provisions as the Secretary determines necessary to ensure compliance with the provisions of this Act and the regulations issued under this Act.

(b) Project Labor Agreements- The Secretary, as a term and condition of each lease under this Act and in recognizing the Government's proprietary interest in labor stability and in the ability of construction labor and management to meet the particular needs and conditions of projects to be developed under the leases issued pursuant to this Act and the special concerns of the parties to such leases, shall require that the lessee and its agents and contractors negotiate to obtain a project labor agreement for the employment of laborers and mechanics on production, maintenance, and construction under the lease.

SEC. 7. COASTAL PLAIN ENVIRONMENTAL PROTECTION.

(a) No Significant Adverse Effect Standard To Govern Authorized Coastal Plain Activities- The Secretary shall, consistent with the requirements of section 3, administer the provisions of this Act through regulations, lease terms, conditions, restrictions, prohibitions, stipulations, and other provisions that--

(1) ensure the oil and gas exploration, development, and production activities on the Coastal Plain will result in no significant adverse effect on fish and wildlife, their habitat, and the environment;

(2) require the application of the best commercially available technology for oil and gas exploration, development, and production on all new exploration, development, and production operations; and

(3) ensure that the maximum amount of surface acreage covered by production and support facilities, including airstrips and any areas covered by gravel berms or piers for support of pipelines, does not exceed 2,000 acres on the Coastal Plain.

(b) Site-Specific Assessment and Mitigation- The Secretary shall also require, with respect to any proposed drilling and related activities, that--

(1) a site-specific analysis be made of the probable effects, if any, that the drilling or related activities will have on fish and wildlife, their habitat, subsistence resources, and the environment;

(2) a plan be implemented to avoid, minimize, and mitigate (in that order and to the extent practicable) any significant adverse effect identified under paragraph (1); and

(3) the development of the plan shall occur after consultation with the agency or agencies having jurisdiction over matters mitigated by the plan.

(c) Regulations To Protect Coastal Plain Fish and Wildlife Resources, Subsistence Users, and the Environment- Before implementing the leasing program authorized by this Act, the Secretary shall prepare and promulgate regulations, lease terms, conditions, restrictions, prohibitions, stipulations, and other measures designed to ensure that the activities undertaken on the Coastal Plain under this Act are conducted in a manner consistent with the purposes and environmental requirements of this Act.

(d) Compliance With Federal and State Environmental Laws and Other Requirements- The proposed regulations, lease terms, conditions, restrictions, prohibitions, and stipulations for the leasing program under this Act shall require compliance with all applicable provisions of Federal and State environmental law, and shall also require the following:

(1) Standards at least as effective as the safety and environmental mitigation measures set forth in items 1 through 29 at pages 167 through 169 of the `Final Legislative Environmental Impact Statement' (April 1987) on the Coastal Plain.

(2) Seasonal limitations on exploration, development, and related activities, where necessary, to avoid significant adverse effects during periods of concentrated fish and wildlife breeding, denning, nesting, spawning, and migration.

(3) That exploration activities, except for surface geological studies, be limited to the period between approximately November 1 and May 1 each year and that exploration activities shall be supported, if necessary, by ice roads, winter trails with adequate snow cover, ice pads, ice airstrips, and air transport methods, except that such exploration activities may occur at other times if the Secretary finds that such exploration will have no significant adverse effect on the fish and wildlife, their habitat, and the environment of the Coastal Plain.

(4) Design safety and construction standards for all pipelines and any access and service roads, that--

(A) minimize, to the maximum extent possible, adverse effects upon the passage of migratory species such as caribou; and

(B) minimize adverse effects upon the flow of surface water by requiring the use of culverts, bridges, and other structural devices.

(5) Prohibitions on general public access and use on all pipeline access and service roads.

(6) Stringent reclamation and rehabilitation requirements, consistent with the standards set forth in this Act, requiring the removal from the Coastal Plain of all oil and gas development and production facilities, structures, and equipment upon completion of oil and gas production operations, except that the Secretary may exempt from the requirements of this paragraph those facilities, structures, or equipment that the Secretary determines would assist in the management of the Arctic National Wildlife Refuge and that are donated to the United States for that purpose.

(7) Appropriate prohibitions or restrictions on access by all modes of transportation.

(8) Appropriate prohibitions or restrictions on sand and gravel extraction.

(9) Consolidation of facility siting.

(10) Appropriate prohibitions or restrictions on use of explosives.

(11) Avoidance, to the extent practicable, of springs, streams, and river system; the protection of natural surface drainage patterns, wetlands, and riparian habitats; and the regulation of methods or techniques for developing or transporting adequate supplies of water for exploratory drilling.

(12) Avoidance or minimization of air traffic-related disturbance to fish and wildlife.

(13) Treatment and disposal of hazardous and toxic wastes, solid wastes, reserve pit fluids, drilling muds and cuttings, and domestic wastewater, including an annual waste management report, a hazardous materials tracking system, and a prohibition on chlorinated solvents, in accordance with applicable Federal and State environmental law.

(14) Fuel storage and oil spill contingency planning.

(15) Research, monitoring, and reporting requirements.

(16) Field crew environmental briefings.

(17) Avoidance of significant adverse effects upon subsistence hunting, fishing, and trapping by subsistence users.

(18) Compliance with applicable air and water quality standards.

(19) Appropriate seasonal and safety zone designations around well sites, within which subsistence hunting and trapping shall be limited.

(20) Reasonable stipulations for protection of cultural and archeological resources.

(21) All other protective environmental stipulations, restrictions, terms, and conditions deemed necessary by the Secretary.

(e) Considerations- In preparing and promulgating regulations, lease terms, conditions, restrictions, prohibitions, and stipulations under this section, the Secretary shall consider the following:

(1) The stipulations and conditions that govern the National Petroleum Reserve-Alaska leasing program, as set forth in the 1999 Northeast National Petroleum Reserve-Alaska Final Integrated Activity Plan/Environmental Impact Statement.

(2) The environmental protection standards that governed the initial Coastal Plain seismic exploration program under parts 37.31 to 37.33 of title 50, Code of Federal Regulations.

(3) The land use stipulations for exploratory drilling on the KIC-ASRC private lands that are set forth in Appendix 2 of the August 9, 1983, agreement between Arctic Slope Regional Corporation and the United States.

(f) Facility Consolidation Planning-

(1) IN GENERAL- The Secretary shall, after providing for public notice and comment, prepare and update periodically a plan to govern, guide, and direct the siting and construction of facilities for the exploration, development, production, and transportation of Coastal Plain oil and gas resources.

(2) OBJECTIVES- The plan shall have the following objectives:

(A) Avoiding unnecessary duplication of facilities and activities.

(B) Encouraging consolidation of common facilities and activities.

(C) Locating or confining facilities and activities to areas that will minimize impact on fish and wildlife, their habitat, and the environment.

(D) Utilizing existing facilities wherever practicable.

(E) Enhancing compatibility between wildlife values and development activities.

(g) Access to Public Lands- The Secretary shall--

(1) manage public lands in the Coastal Plain subject to subsections (a) and (b) of section 811 of the Alaska National Interest Lands Conservation Act (16 U.S.C. 3121); and

(2) ensure that local residents shall have reasonable access to public lands in the Coastal Plain for traditional uses.

SEC. 8. EXPEDITED JUDICIAL REVIEW.

(a) Filing of Complaint-

(1) DEADLINE- Subject to paragraph (2), any complaint seeking judicial review of any provision of this Act or any action of the Secretary under this Act shall be filed--

(A) except as provided in subparagraph (B), within the 90-day period beginning on the date of the action being challenged; or

(B) in the case of a complaint based solely on grounds arising after such period, within 90 days after the complainant knew or reasonably should have known of the grounds for the complaint.

(2) VENUE- Any complaint seeking judicial review of any provision of this Act or any action of the Secretary under this Act may be filed only in the United States Court of Appeals for the District of Columbia.

(3) LIMITATION ON SCOPE OF CERTAIN REVIEW- Judicial review of a Secretarial decision to conduct a lease sale under this Act, including the environmental analysis thereof, shall be limited to whether the Secretary has complied with the terms of this Act and shall be based upon the administrative record of that decision. The Secretary's identification of a preferred course of action to enable leasing to proceed and the Secretary's analysis of environmental effects under this Act shall be presumed to be correct unless shown otherwise by clear and convincing evidence to the contrary.

(b) Limitation on Other Review- Actions of the Secretary with respect to which review could have been obtained under this section shall not be subject to judicial review in any civil or criminal proceeding for enforcement.

SEC. 9. FEDERAL AND STATE DISTRIBUTION OF REVENUES.

(a) In General- Notwithstanding any other provision of law, of the amount of adjusted bonus, rental, and royalty revenues from Federal oil and gas leasing and operations authorized under this Act--

(1) 50 percent shall be paid to the State of Alaska; and

(2) except as provided in section 12(d), the balance shall be transferred to the ANWR Alternative Energy Trust Fund established by this Act.

(b) Payments to Alaska- Payments to the State of Alaska under this section shall be made semiannually.

SEC. 10. RIGHTS-OF-WAY ACROSS THE COASTAL PLAIN.

(a) In General- The Secretary shall issue rights-of-way and easements across the Coastal Plain for the transportation of oil and gas--

(1) except as provided in paragraph (2), under section 28 of the Mineral Leasing Act (30 U.S.C. 185), without regard to title XI of the Alaska National Interest Lands Conservation Act (30 U.S.C. 3161 et seq.); and

(2) under title XI of the Alaska National Interest Lands Conservation Act (30 U.S.C. 3161 et seq.), for access authorized by sections 1110 and 1111 of that Act (16 U.S.C. 3170 and 3171).

(b) Terms and Conditions- The Secretary shall include in any right-of-way or easement issued under subsection (a) such terms and conditions as may be necessary to ensure that transportation of oil and gas does not result in a significant adverse effect on the fish and wildlife, subsistence resources, their habitat, and the environment of the Coastal Plain, including requirements that facilities be sited or designed so as to avoid unnecessary duplication of roads and pipelines.

(c) Regulations- The Secretary shall include in regulations under section 3(g) provisions granting rights-of-way and easements described in subsection (a) of this section.

SEC. 11. CONVEYANCE.

In order to maximize Federal revenues by removing clouds on title to lands and clarifying land ownership patterns within the Coastal Plain, the Secretary, notwithstanding the provisions of section 1302(h)(2) of the Alaska National Interest Lands Conservation Act (16 U.S.C. 3192(h)(2)), shall convey--

(1) to the Kaktovik Inupiat Corporation the surface estate of the lands described in paragraph 1 of Public Land Order 6959, to the extent necessary to fulfill the Corporation's entitlement under sections 12 and 14 of the Alaska Native Claims Settlement Act (43 U.S.C. 1611 and 1613) in accordance with the terms and conditions of the Agreement between the Department of the Interior, the United States Fish and Wildlife Service, the Bureau of Land Management, and the Kaktovik Inupiat Corporation effective January 22, 1993; and

(2) to the Arctic Slope Regional Corporation the remaining subsurface estate to which it is entitled pursuant to the August 9, 1983, agreement between the Arctic Slope Regional Corporation and the United States of America.

SEC. 12. LOCAL GOVERNMENT IMPACT AID AND COMMUNITY SERVICE ASSISTANCE.

(a) Financial Assistance Authorized-

(1) IN GENERAL- The Secretary may use amounts available from the Coastal Plain Local Government Impact Aid Assistance Fund established by subsection (d) to provide timely financial assistance to entities that are eligible under paragraph (2) and that are directly impacted by the exploration for or production of oil and gas on the Coastal Plain under this Act.

(2) ELIGIBLE ENTITIES- The North Slope Borough, the City of Kaktovik, and any other borough, municipal subdivision, village, or other community in the State of Alaska that is directly impacted by exploration for, or the production of, oil or gas on the Coastal Plain under this Act, as determined by the Secretary, shall be eligible for financial assistance under this section.

(b) Use of Assistance- Financial assistance under this section may be used only for--

(1) planning for mitigation of the potential effects of oil and gas exploration and development on environmental, social, cultural, recreational, and subsistence values;

(2) implementing mitigation plans and maintaining mitigation projects;

(3) developing, carrying out, and maintaining projects and programs that provide new or expanded public facilities and services to address needs and problems associated with such effects, including fire-fighting, police, water, waste treatment, medivac, and medical services; and

(4) establishment of a coordination office, by the North Slope Borough, in the City of Kaktovik, which shall--

(A) coordinate with and advise developers on local conditions, impact, and history of the areas utilized for development; and

(B) provide to the Committee on Resources of the House of Representatives and the Committee on Energy and Natural Resources of the Senate an annual report on the status of coordination between developers and the communities affected by development.

(c) Application-

(1) IN GENERAL- Any community that is eligible for assistance under this section may submit an application for such assistance to the Secretary, in such form and under such procedures as the Secretary may prescribe by regulation.

(2) NORTH SLOPE BOROUGH COMMUNITIES- A community located in the North Slope Borough may apply for assistance under this section either directly to the Secretary or through the North Slope Borough.

(3) APPLICATION ASSISTANCE- The Secretary shall work closely with and assist the North Slope Borough and other communities eligible for assistance under this section in developing and submitting applications for assistance under this section.

(d) Establishment of Fund-

(1) IN GENERAL- There is established in the Treasury the Coastal Plain Local Government Impact Aid Assistance Fund.

(2) USE- Amounts in the fund may be used only for providing financial assistance under this section.

(3) DEPOSITS- Subject to paragraph (4), there shall be deposited into the fund amounts received by the United States as revenues derived from rents, bonuses, and royalties from Federal leases and lease sales authorized under this Act.

(4) LIMITATION ON DEPOSITS- The total amount in the fund may not exceed $11,000,000.

(5) INVESTMENT OF BALANCES- The Secretary of the Treasury shall invest amounts in the fund in interest bearing government securities.

(e) Authorization of Appropriations- To provide financial assistance under this section there is authorized to be appropriated to the Secretary from the Coastal Plain Local Government Impact Aid Assistance Fund $5,000,000 for each fiscal year.

SEC. 13. ANWR ALTERNATIVE ENERGY TRUST FUND.

(a) Establishment of Trust Fund- There is established in the Treasury of the United States a trust fund to be known as the `ANWR Alternative Energy Trust Fund', consisting of such amounts as may be transferred to the ANWR Alternative Energy Trust Fund as provided in section 9.

(b) Expenditures From ANWR Alternative Energy Trust Fund-

(1) IN GENERAL- Amounts in the ANWR Alternative Energy Trust Fund shall be available without further appropriation to carry out specified provisions of the Energy Policy Act of 2005 (Public Law 109-58; in this section referred to as `EPAct2005') and the Energy Independence and Security Act of 2007 (Public Law 110-140; in this section referred to as `EISAct2007'), as follows:

EPAct2005:	
Section 210	1.5 percent
Section 242	1.0 percent
Section 369	2.0 percent
Section 401	6.0 percent
Section 812	6.0 percent
Section 931	19.0 percent
Section 942	1.5 percent
Section 962	3.0 percent
Section 968	1.5 percent
Section 1704	6.0 percent
EISAct2007:	
Section 207	15.0 percent
Section 607	1.5 percent
Title VI, Subtitle B	3.0 percent
Title VI, Subtitle C	1.5 percent
Section 641	9.0 percent
Title VII, Subtitle A	15.0 percent
Section 1112	1.5 percent
Section 1304	6.0 percent.

(2) APPORTIONMENT OF EXCESS AMOUNT- Notwithstanding paragraph (1), any amounts allocated under paragraph (1) that are in excess of the amounts authorized in the applicable cited section or subtitle of EPAct2005 and EISAct2007 shall be reallocated to the remaining sections and subtitles cited in paragraph (1), up to the amounts otherwise authorized by law to carry out such sections and subtitles, in proportion to the amounts authorized by law to be appropriated for such other sections and subtitles.

END

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

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February 20, 2009

Representative Craig Johnson and Representative Mark Neuman, Co-Chairmen
House Resources Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

Re: HJR7, Urging the U.S. Congress to open the Coastal Plain of ANWR to oil and gas exploration, development, and production

Dear Representative Johnson and Representative Neuman:

On behalf of the Resource Development Council for Alaska, Inc., (RDC), I am writing in support of HJR7, which urges Congress to open the Coastal Plain of ANWR to oil and gas exploration, development, and production.

RDC is a statewide, non-profit, membership-funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

The 1002 Area of ANWR is considered the nation's most promising onshore oil and gas prospect, and there is strong support across Alaska for environmentally-responsible development of the oil and gas resources beneath the Coastal Plain. Such development could play a large role in Alaska's future prosperity, create hundreds of thousands of jobs across America, and reduce our reliance on foreign oil.

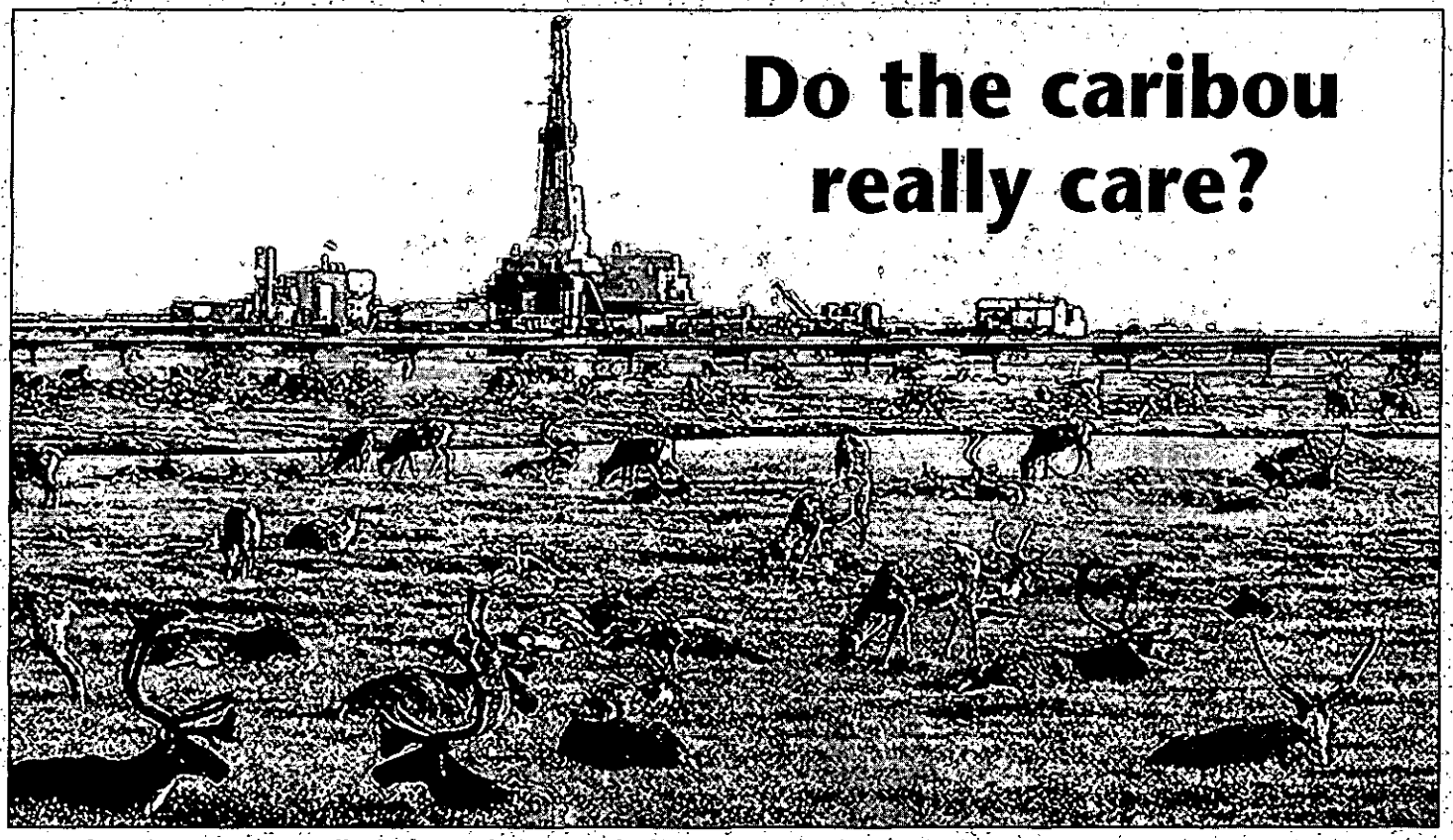
We encourage the Committee to vote in favor of this resolution. Thank you for your consideration.

Sincerely,

Jason Brune
Executive Director

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
Phone: 907/276-0700 Fax: 907/276-3887 Email: Resources@akrdc.org Website: www.akrdc.org

ANWR
INFORMATION BRIEF



Do the caribou really care?

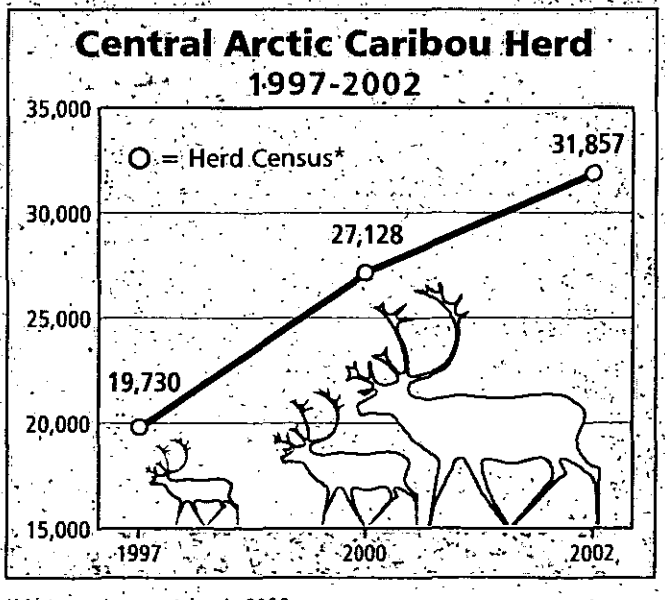
Central Arctic Herd near Prudhoe Bay on Alaska's North Slope.

Are caribou affected by oil development on the North Slope? It would appear not, based on the growing population of herds that use land in the existing oil fields in northern Alaska. The population of the Central Arctic caribou herd, which migrates north each summer into the oil fields near Prudhoe Bay, has been growing about 8.5 percent per year. Alaska Dept. of Fish and Game biologists counted 31,857 caribou in aerial surveys of this herd in July 2002. In July 2000, fish and game biologists counted 27,128. In 1997, the count was 19,730.

Caribou herd populations rise and fall with natural cycles, but one explanation biologists have for the increasing population of the Central Arctic Herd is good calf production and survival, and high survival of adults.

Pregnant caribou cows in the Central Arctic herd bear their calves on lands within or near operating oil fields. Some calves are born within a few hundred meters of oil field roads.

The Alaska Dept. of Fish and Game findings are backed by the Argonne National Laboratory. Argonne found no evidence that oil development harmed the Central Arctic Herd in the lab's work on the Environmental Impact Statement for an extension of the Trans-Alaska Pipeline System federal right-of-way.

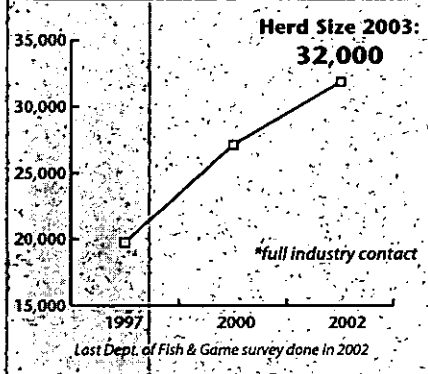


*Most recent survey taken in 2002

Arctic caribou herds

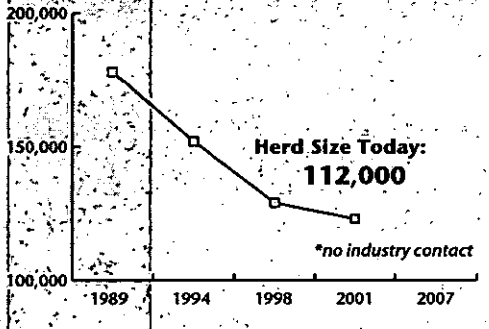
Caribou herds rise and fall in natural cycles, and it is interesting that while populations have been rising in the Central Arctic Herd (see chart) which use lands in the North Slope oilfields, populations have been declining in the Porcupine Herd (see chart) which do not use lands where there is oil and gas development. The fact is, caribou populations rise and fall with availability of good foraging ground, and influence from predators NOT from contact with the industry. The environmentalist myth about caribou Armageddon caused by the oil industry's presence simply is a lie.. It is interesting to note that in 6 out of the last 10 years the Porcupine Herd did not use the ANWR Coastal Plain as their main calving ground.

Central Arctic Herd*



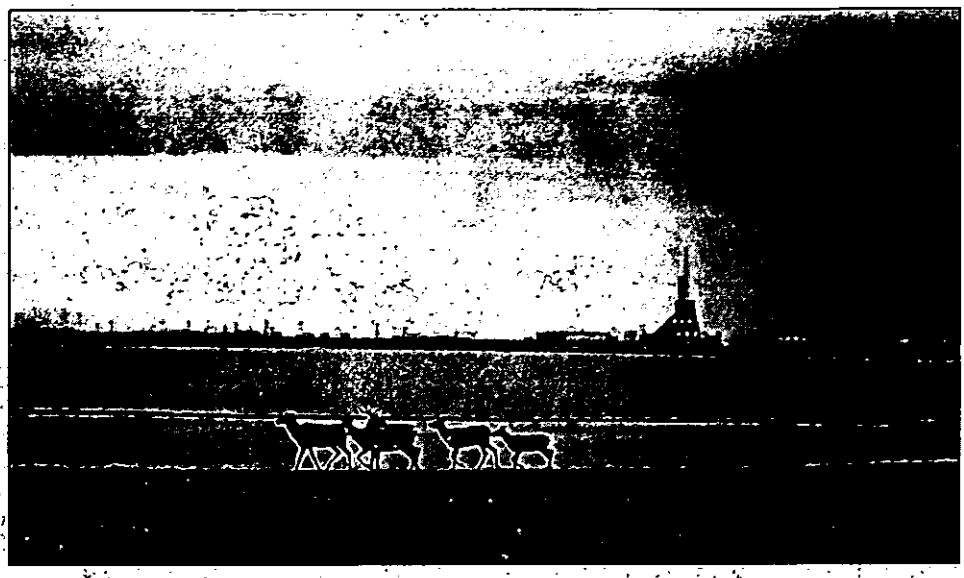
Last Dept. of Fish & Game survey done in 2002

Porcupine Herd*



Central Arctic, Porcupine caribou mingle

There is now evidence that caribou mix between all of the North Slope caribou herds, the Porcupine, Central Arctic and Western Arctic herds. Using analysis of DNA, researchers from the University of Alaska, Texas A&M University and the U.S. Dept. of Agriculture found that caribou in the three herds are genetically related. This reflects migration of animals between the herds over many generations.



The truth on Arctic Caribou

- Caribou use of the 1002 Area of ANWR varies dramatically from year to year. In 1995, 92% of the Porcupine Caribou Herd used this area to calve. In 2006, none did so.
- In some years, the Porcupine Herd calves only in Canada.
- Choice of calving area depends on snow melt and early growth of forage plants.
- Caribou live a boom and bust cycle, due to predation, weather, and overhunting.
- During the summer, caribou frequently use oil field roads and gravel pads as insect relief habitat: they stand on the elevated gravel pads because fewer mosquitoes and flies harass them there.
- North slope oil facilities are specifically designed to allow caribou migration with elevated pipes to allow caribou to freely walk underneath and unlimited use of service roads.
- With 30 years of contact with oil development to go by, the industry has shown that caribou and oil fields can successfully co-exist. The Central Arctic Herd, which calves in the vicinity of the Prudhoe Bay, Kuparuk, and Milne Point oil fields, has increased 900% from an estimated 3,000 animals in the early 1970s to 32,000 in 2002.

ANWR Facts:

- Refuge totals 19.6 million acres.
- 8 million acres is classified as designated Wilderness;
- Coastal Plain, 1.5 million acres, set aside by Congress for study of oil potential;
- Only a small percentage, .01%, of Coastal plain, about 2,000 acres, would be allowed to be used for oil development.

The coastal plain is not a pristine wilderness:

- About 40 guide outfits offer hunting and recreation services in the coastal plain;
- A community, Kaktovik, exists in the Coastal Plain; Military installations operate on the Plain now and in the past.

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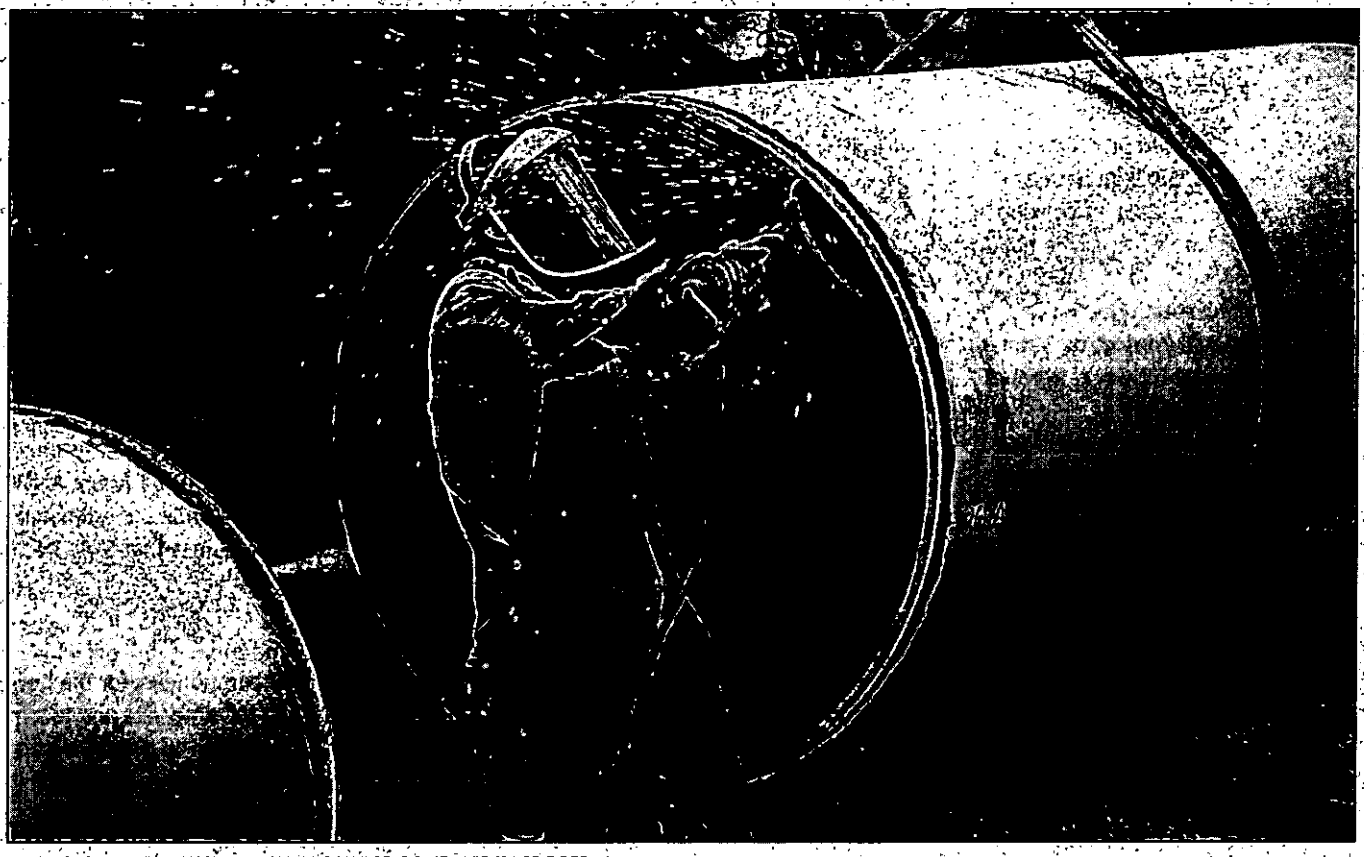


PHOTO Courtesy ALYESKA PIPELINE SERVICE CO./DAVID PREDEGER

ANWR could create 736,000 jobs

Development of oil reserves in the Coastal Plain of the Arctic National Wildlife Refuge could create as many as 736,000 new U.S. jobs, according to an economic analysis by Wharton Econometrics Forecasting Associates. (WEFA)

Supplying equipment and services needed to develop the expected oil discoveries on ANWR's coastal plain means jobs for workers in every single US state. Geologists think ANWR's coastal plain has the best potential of any unexplored U.S. region for major new oil discoveries, on the scale of the Prudhoe Bay oil field, also on Alaska's North Slope.

Where the jobs are:

WEFA calculates the breakdown of types of employment

Category	Jobs
Manufacturing	128,000
Mining (incl. oil)	84,000
Trade	225,000
Services	145,000
Construction	135,000
FIRE*	19,000
Total	**736,000**

** Finance, Insurance, Real Estate*

Source: Wharton Econometric Forecasting Associates

An example of potential benefits is seen in the $22.5 billion spent between 1980 and 1994 for construction of production modules for Alaska's existing North Slope oil fields.

Seventy eight percent of this $22.5 billion was spent outside of Alaska. Among the states, California received more than $3.2 billion; Texas received more than $6.8 billion; Washington received $1.7 billion; Minnesota received almost $84 million.

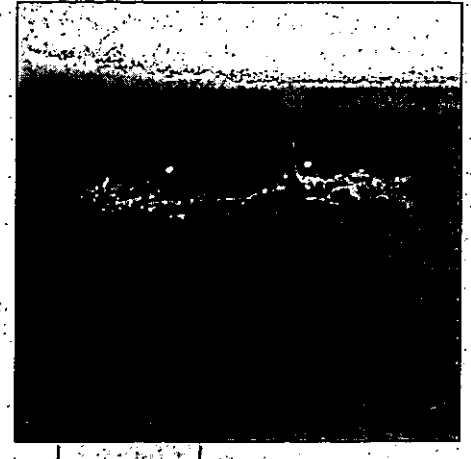
This money was spent for salaries, materials, design, engineering and construction services. To date an estimated $51billion has been spent to develop Alaska's oil. ANWR will create more jobs and money that stay in America!

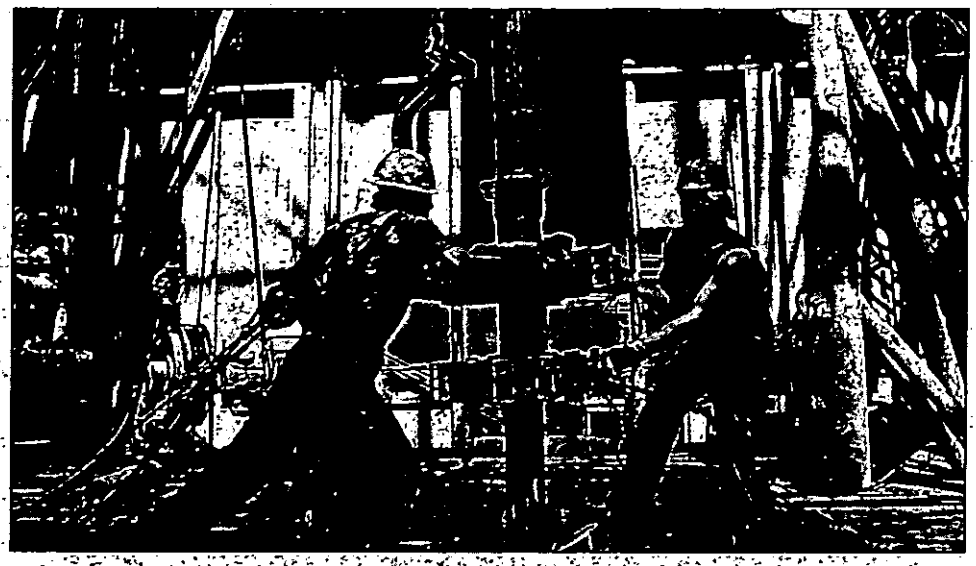
ANWR = jobs and income for America

The employment effect of ANWR is created not only by direct new investment in oil and gas drilling but also the widespread economic stimulus created by a larger domestic US oil supply and fewer barrels of imported oil. The national debt is decreased and the nation has fewer unemployed workers and greater revenues to spend. The mean average estimate of ANWR oil is about 9.25 billion barrels of oil, resulting in new production peaking at about 1.9 million barrels daily. The national macroeconomic effect of this amount of production is an increase in the nation's annual Gross National Product by $90 billion (based on the current world average price of oil @$13.0 a barrel).

Unions and Business support opening ANWR. Over 10,000 vendors have done business with Alaska's North Slope oil industry since operations began. This has affected over 1.5 million jobs nationwide! For this reason the International Brotherhood of Teamsters and other organized labor groups, the National Association of Counties, the National Grange, and the US Chamber of Commerce actively support responsible oil exploration of ANWR's coastal plain. The Energy Stewardship Alliance with over 90 participating organizations support opening the Coastal Plain of ANWR.

A job kept in America is better than a job sent abroad. A dollar kept in America is better than a dollar spent abroad. ANWR keeps the jobs and money home IN AMERICA!



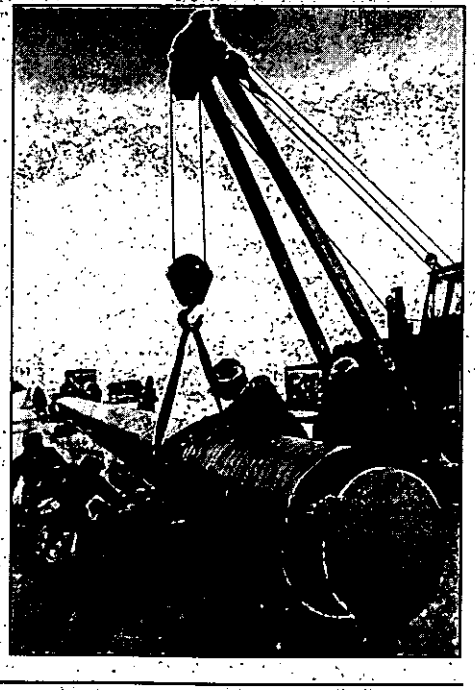


ANWR Jobs and Investment in America

Since operations started in Prudhoe Bay over $50 billion has been spent on construction and production. Over three-quarters of that $50 billion was spent outside Alaska. Jobs such as manufacturing piping, designing and constructing production modules, building super tankers, ecological field research, oil field maintenance work such as wire-lining and rig camp operations have been created. With future ANWR Coastal Plain development states such as New York, Texas, and California are estimated to benefit with more job creation than Alaska will. That's jobs and incomes that STAY IN AMERICA and don't get exported abroad.

Within 22 months of opening the Coastal Plain of ANWR, lease sales will bring in over $2 billion in revenue to the Native land holders and State Government. This will be followed by 8 years of design manufacturing and construction of components for the new fields coming from businesses in all 50 states. That means solid full time jobs and income for hundreds of thousands of people across America. Once the field is in operation, oil tax revenue will flow to the State and Federal government and steady incomes to thousands who work to continue maintaining field operations.

All of this revenue, income and work stays in America!



ANWR Facts:

- Refuge totals 19.6 million acres.
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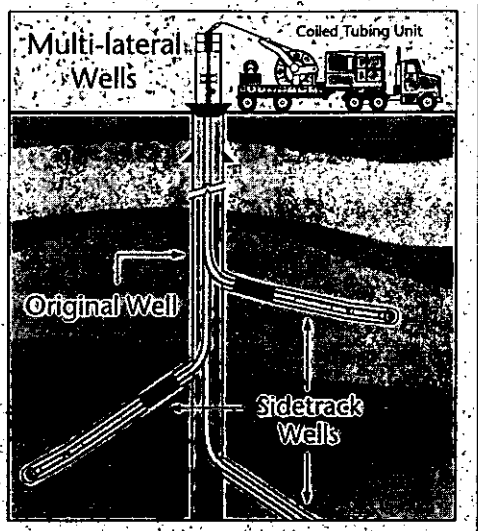


Multi-lateral oil wells

An exciting new technology pioneered on the North Slope involved "multi-lateral" wells, or several new wells drilled underground from the vertical hole of a single well. This conserves resources used on the surface, since one wellhead could service many underground sources.

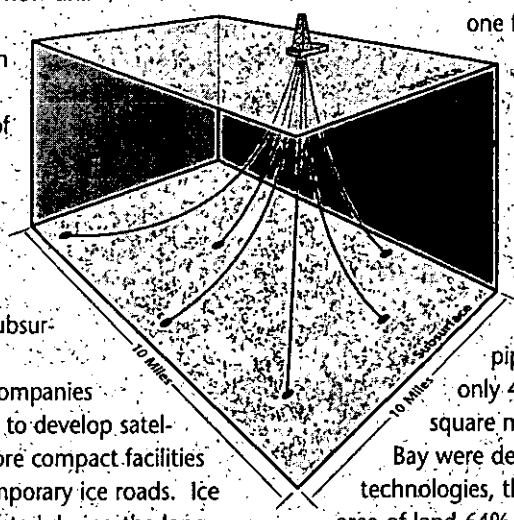
3-D seismic

New seismic technologies, aided by the powerful computers available today, more precisely and efficiently pinpoint promising oil and gas prospects. "Three-dimensional" seismology, is a new technique, involving conducting geophysical seismic surveys on a grid rather than in parallel "two dimensional" lines. The increased efficiency from 3D maps allows seismic crews to spend less time on the ground, and to more precisely pinpoint oil deposits. The result is that fewer exploration wells have to be drilled.

Using 3D technology will allow scientists to create more accurate maps to access the great oil and gas potential locked up beneath ANWR.

Technology allows industry to lessen "footprint" on land.

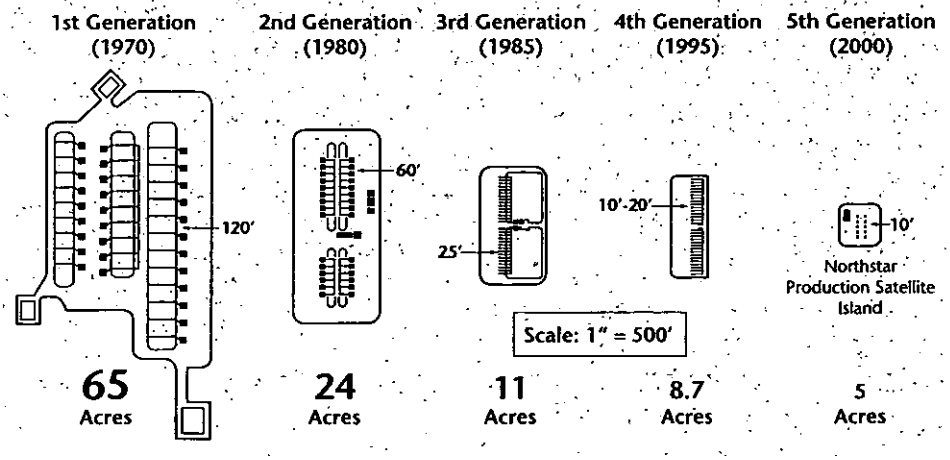
Industry now has technology to reduce the amount of land impacted by new oil development. North Slope drillers can now drill directional wells that reach out ten miles from the surface location of the rig. That means one production pad on the surface can access over 200 square miles of subsurface.



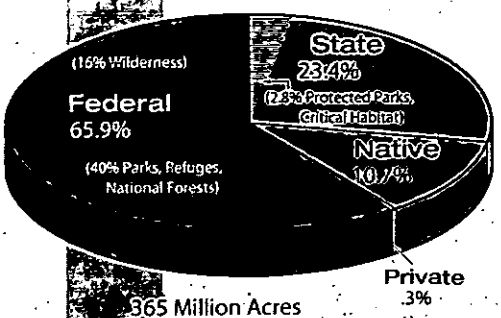
Alaskan oil companies have also learned to develop satellite fields with more compact facilities connected by temporary ice roads. Ice roads are constructed during the long winter, equipment is moved, and in the spring the roads melt away with minimal impact to the tundra. The reducing industry footprint on land is most noticeable with the reduction of drill pad sizes. The best example of drill pad size reduction is the Northstar offshore oil field west of ANWR which is being produced from only one five acre island.

Future oil development to be used in ANWR will continue the trend toward smaller satellite micro pads. It is interesting to note that in the giant Prudhoe Bay field all roads, drill pads, and pipeline routes take up only 4% of the field's 250 square miles. In fact, if Prudhoe Bay were developed with today's technologies, the field would utilize an area of land 64% smaller. Any ANWR development will be limited to 2,000 acres and yet it is expected that only 1,600 acres will be used due to compact modern oil technologies.

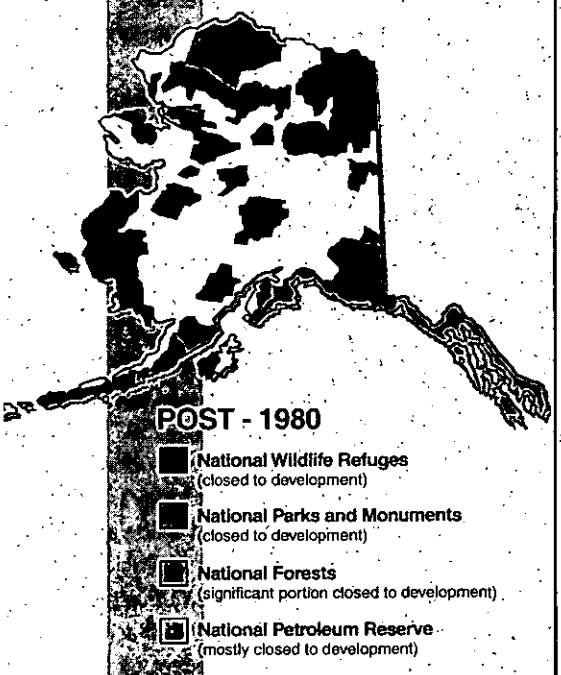
The Evolution of a Drillsite: 1970 to Present



EXPLORATION

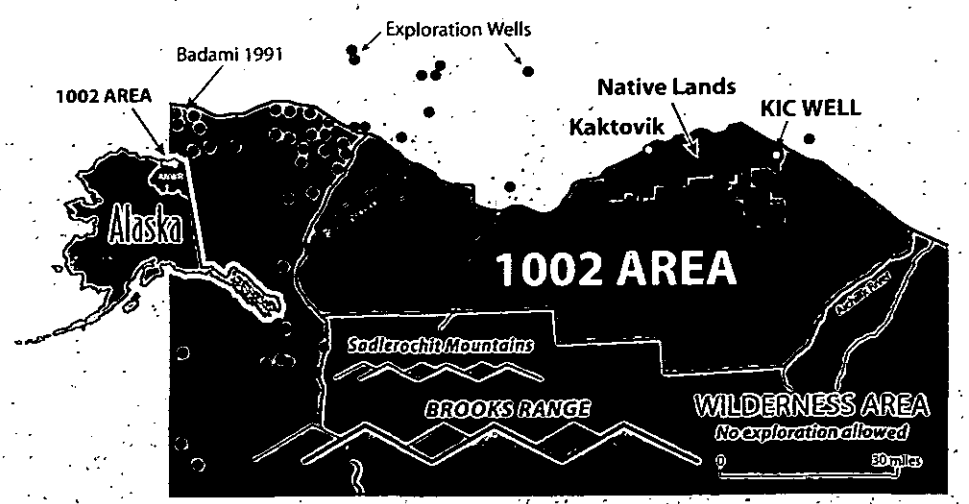


Half of Alaska's lands are protected. 58 million acres have been given formal wilderness designation, a restriction that prevents any development and virtually all human use.



Alaska's Parkland Overkill

The federal government currently owns about 235 million of Alaska's 365 million acres, about 65% of the state. That's bigger than the entire state of Texas. It's larger than Washington, Oregon and California combined. 58 million of these acres are designated as official wilderness, which accounts for 56% of the nation's total. About 40% of Alaska's land is in some sort of protected status, including wilderness land. Alaska has the largest state park system in the country. The notion that Alaska is somehow short on wild places is simply wrong. If Alaska's wilderness lands were made into a state it would be the 11th largest in the nation.



You can't find oil where there is none. "1002" is where the oil's at!

"Section 1002" of The Alaska National Interest Lands Conservation Act (ANILCA) passed by Congress in 1980, **specifically sets aside 1.5 million acres of the northern tier of ANWR for investigation of its oil and gas potential.** This 1.5 million acres, or the "1002 area", was chosen because it contains significant geologic evidence for major oil and gas deposits. Indeed, extensive USGS geologic studies on the area in 1998 confirm this assumption. The high potential 1002 area is well constrained geographically and geologically. The southern boundary of the 1002 area is the northern edge of the Sadlerochit Mountains, part of the vast Brooks Range which stretches across northern Alaska. Because of the heat and pressure generated in creating these rocks, the mountainous regions to the South are not prospective for oil or gas.

The 1.5 million acre 1002 area is the only part of ANWR that has any oil and gas potential.

ANWR Coastal Plain Oil =

>60% recovery rates not 37%
>$120 per barrel not $25
17 billion barrels, not 10 billion.

The 1998 USGS report on the ANWR Coastal Plain oil resources estimated between 6 to 16 billion barrels of oil with a mean average of 10 billion barrels. The report is based on two premises:

A technical recovery rate of only 37%
an economic recovery rate based on a $25 barrel of oil.

Today Arctic oil field technical recovery rates now exceed 60%. Using this figure for the amount of technically recoverable oil changes the average mean to...

17 BILLION BARRELS.

At current (>$120 per barrel), and reasonably forecast oil prices, ALL of this potential 17 billion barrels are economically recoverable.

Actual picture of ANWR Coastal Plain. Development restricted to 2,000 acres; less than .01% of ANWR.

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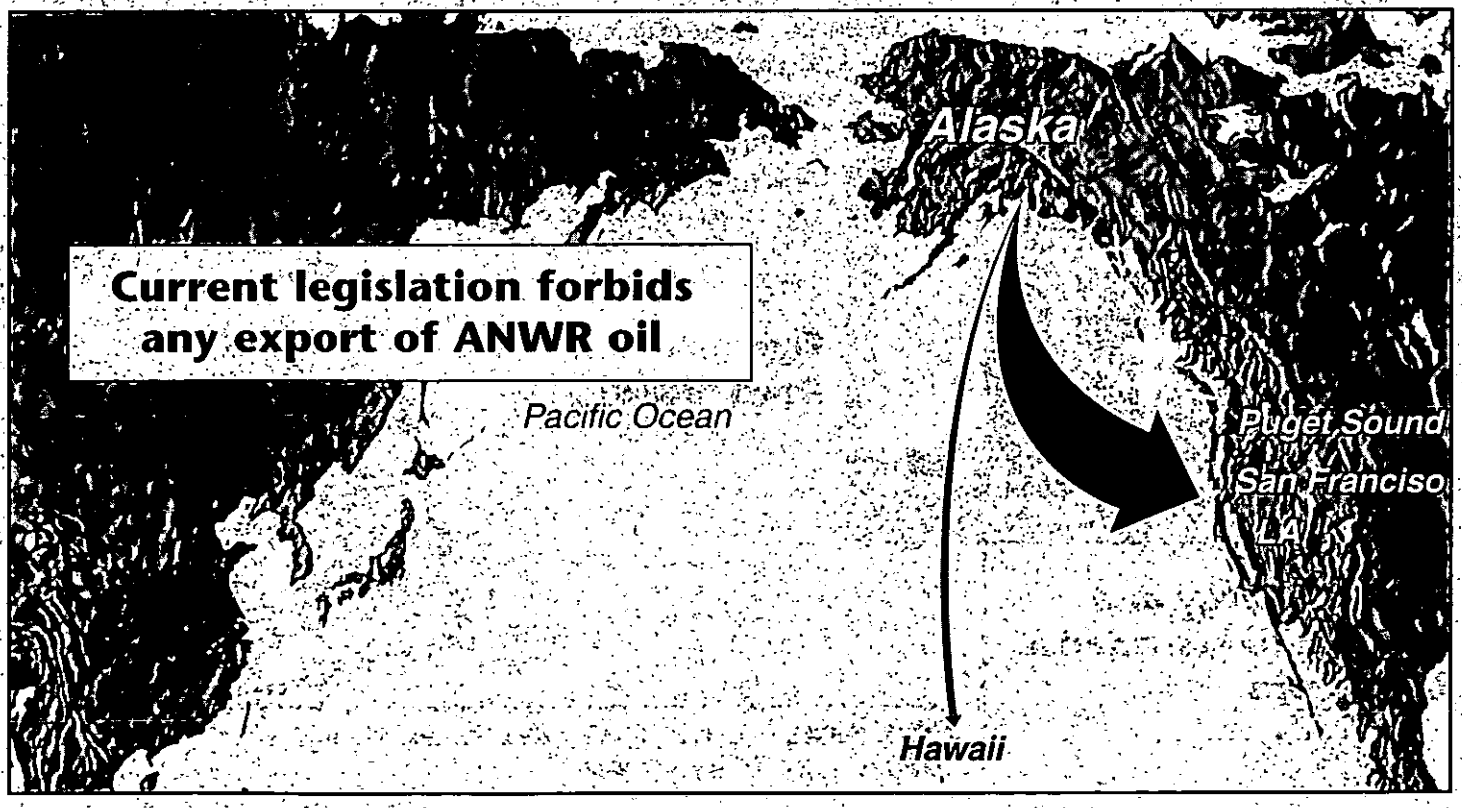
ALASKAN OIL POWERS AMERICA
ALASKA EXPORTS NO OIL ABROAD

The Facts: 100% of Alaskan oil is kept in America. This has been the case for all but 4 years of the 3 decades of Alaskan oil production. Between 1996-1999 up to 5.5% of North Slope oil could be exported to Asian countries. These exports were overwhelmingly supported by the US Congress and by the Clinton Administration to offset an oil glut in California at the time. In June 2000 Alaskan oil again ceased to be exported, and 100% of Alaskan production has stayed in America.

The jobs, the revenue, and the oil from Alaska's North Slope Production ALL STAY IN AMERICA.

Here is the breakdown of where Alaskan oil goes: 50% goes to California refineries near San Francisco and Los Angeles; 42% goes to Puget Sound refineries; and 8% goes to Hawaii. A fractional amount stays in Alaska. Today Alaskan oil provides America with 12% of its domestic oil needs. To put that in perspective, the 1973 oil crisis was caused by only a 3% drop in supply. ***At peak production Alaskan oil supplied America with 25% of its needs and with the opening of a small portion of the Coastal Plain of ANWR it could do so again.*** That's a big decrease in reliance of imports from abroad. America needs Alaskan oil. Opening the Coastal Plain of ANWR to oil exploration will ensure that America gets Alaskan oil.



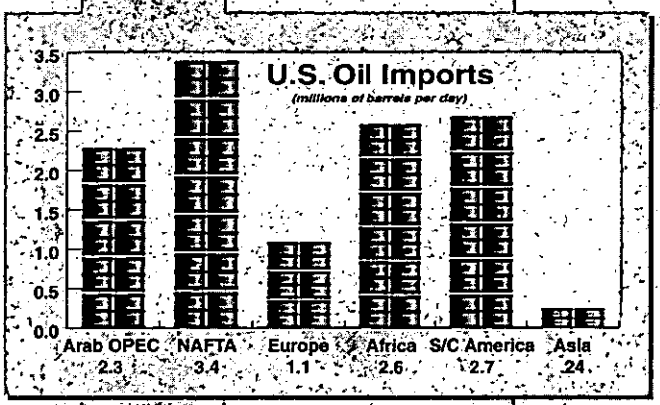
ANWR and the balance of trade

Exploration and development of oil and gas reserves of the Coastal Plain of the Arctic National Wildlife Refuge enhances the economy in other ways than job-creation.

The importation of crude oil and refined products now cost the nation over $650 billion annually and is the largest single commodity in the US Trade deficit. ANWR could add up to 1.5 million barrels of oil a day to our supply saving us up to $195,000,000 every single day or over $71 billion annually (@$130 per barrel).

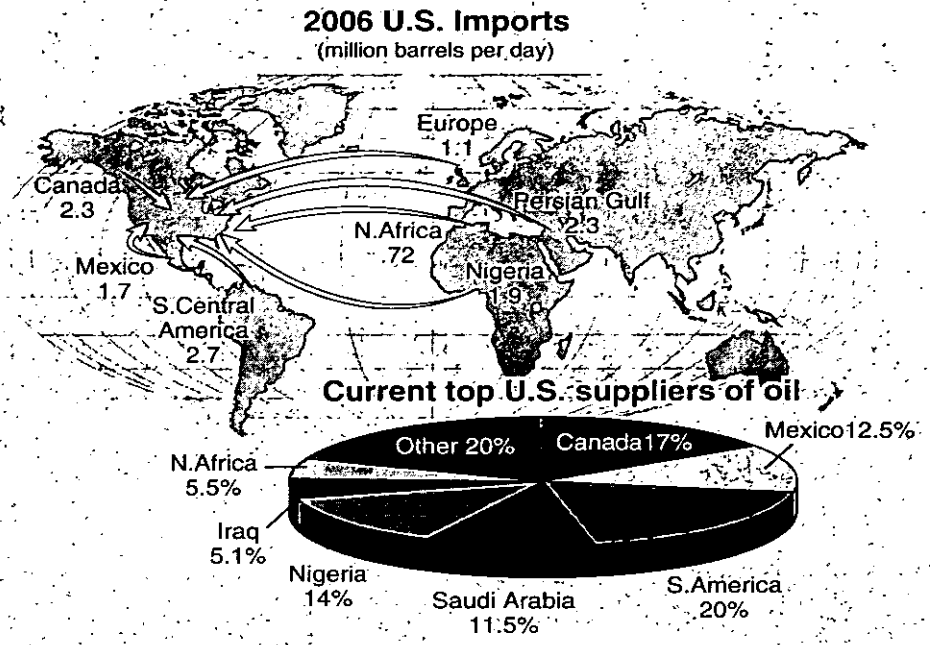
More imports of foreign oil are needed as our demand increases and the current domestic supply falls. ANWR represents the best geologic bet in North America to find oil and stem this decline.

Developing ANWR would keep jobs, and control of our energy supply here at home. Developing ANWR would mean over 30 years of production saving TRILLIONS of dollars from going overseas. Developing ANWR would mean economic, social and security benefits for the nation, all things lost when we buy from abroad.



ANWR = Energy and Economic independence for America

Where does your oil come from?



The U.S. spends $500 billion annually for imported oil and that doesn't include the costs to defend those resourses.

The real figures are much higher than you think. If you include refined oil products in 2007 the U.S. will directly spend over $650 billion on imported petroleum! That's $650 billion out the door. Just think of how many jobs and services we could have with that money. However the cost is even greater still. Think of the price we are paying in lives of our service men and women to defend our sources of oil. Then think of the cost to maintain that defense. Studies of the actual cost of imported oil and the defense of that oil runs over $200 a barrel and the cost of our oil is really more than $1 trillion. Yet is that anything compared to the lives we lose abroad to defend our foreign oil?

Oil from the Coastal Plain of ANWR could replace 50 years of Saudi Oil and save our economy billions of dollars a year. Think of that next time you fill up at the pump.

Fight back!
Open ANWR!

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Inupiaq children on the North Slope will share the benefits if ANWR's oil is developed.

A lot of us support ANWR development

We're the Inupiaq people of the North Slope, and despite what you may have been told, a lot of us support responsible oil and gas development in the coastal plain of the Arctic National Wildlife Refuge.

About 6,500 of us live in small communities on the Arctic Slope.

We've watched the petroleum industry operate in the Prudhoe Bay area for more than 30 years, and if the companies discover oil in ANWR's coastal plain, we think they'll develop it with care for the environment.

We hope to be partners with the industry, in fact. Arctic Slope Regional Corporation, our Native regional corporation for the Arctic in which we're all shareholders, owns subsurface rights in 94,000 acres of ANWR's coastal plain. If the rest of the plain is opened our lands can be explored too (federal law prohibits us from developing our lands until Congress approves exploration on the rest of the coastal plain.)

Our neighbors to the south talk sour grapes, however. Gwich'in Indians who live south of ANWR say they oppose development on our lands. But is that because they were unlucky when oil companies didn't find oil on their lands, after they leased them?

The fact is that oil development has brought many benefits to the people of northern Alaska. Living conditions were difficult in our villages before the oil companies came. We didn't have much in the way of schools or basic public services.

But thanks to the industrial tax base created by the oil fields, our local government is able to offer many excellent public services. Thanks to oil development on the North Slope, we have opportunities we couldn't have dreamed of 30 years ago.

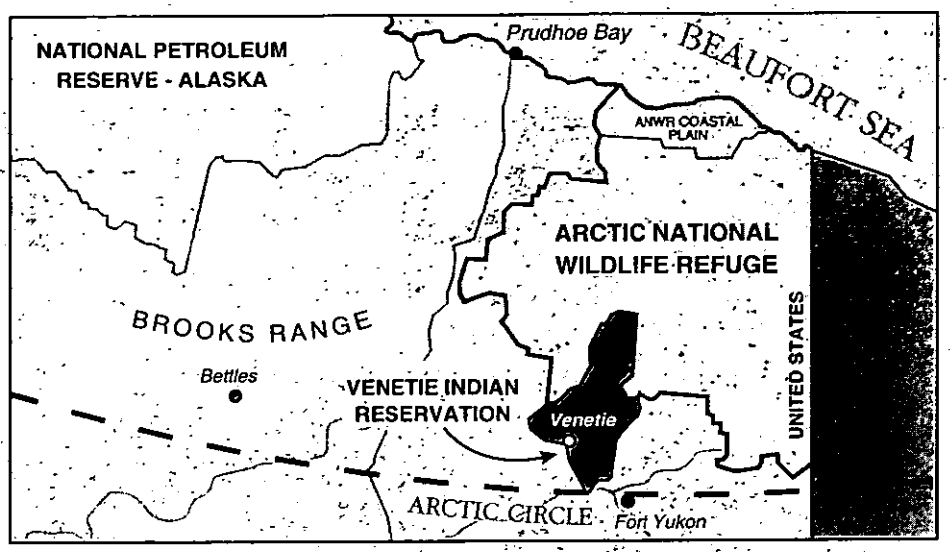
But development of ANWR's coastal plain is important for the country, not just for us. America is going to need that oil, sooner than we think.

So don't let some people claim to speak for all Alaska Natives. If you want to know our opinions, come and ask us. We want ANWR developed responsibly, and we know it can be.

"The Borough supports the lifting of all restrictions on energy and other economic development of North Slope lands owned by the Arctic Slope Regional Corporations and village corporations, especially the 92,160 acres near our village of Kaktovik. We are puzzled by a federal policy that closes our land off to development while opening our seas to oil exploration and drilling. Depriving us of this development threatens to make us supplicants once again, begging for federal largesse to provide our people with the basic amenities taken for granted by a majority of the peoples of the rest of the country...

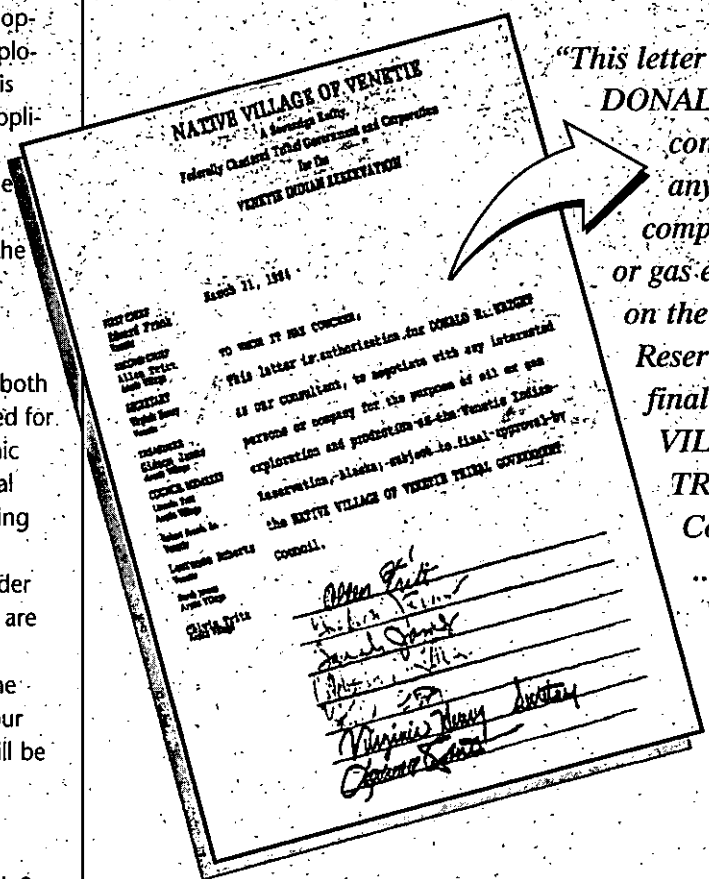
...Development of the Plains of ANWR is a sensible, viable solution to both the nation's energy needs and our need for continued jobs to protect our economic base. We feel this is an achievable goal with the North Slope Borough exercising its regulatory, permitting and zoning authority to advance development under strong environmental safeguards. We are not asking for the impossible or the improbable. We are only asking for the ability to use our land to provide for our residents. The result of our success will be of benefit not only to us but to all Americans."

Former Mayor George Ahmaogak Sr.
North Slope Borough



The biggest antagonists to safe, environmentally responsible development of the ANWR Arctic Coastal Plain have been the Gwich'in Indians of the Yukon Basin. They live over 150 miles away from the Arctic Coastal Plain, and yet wish to control oil drilling on land that is not theirs. Yet did you know that the Gwich'in leased their own land to oil companies 3 times. Only after unsuccessful attempts to find oil did they turn to try and prevent their neighbors from doing the same. The Mayor of the entire North Slope of Alaska calls this ***"SOUR GRAPES"***.

The Venetie Tribal Gov. offered 1,799,927 acres for Oil and Gas lease.


NATIVE VILLAGE OF VENETIE
A Sovereign Entity
Federally Chartered Tribal Government and Corporation
for the
VENETIE INDIAN RESERVATION

March 21, 1994

TO WHOM IT MAY CONCERN,

THIS letter is authorization for DONALD R. WRIGHT as our consultant, to negotiate with any interested persons or company for the purpose of oil or gas exploration and production on the Venetie Indian Reservation, Alaska; subject to final approval by the NATIVE VILLAGE OF VENETIE TRIBAL GOVERNMENT Council.

Edward Frank, Chief
Ellen Frost, Secretary
Clarence Roberts, Council
Chris Fritz, Council

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...The Native Village of Venetie Tribal Government hereby gives formal notice of intention to offer lands for competitive oil and gas lease."

Unlike the Inupiaq, the Gwich'in included little provision for protection of the environment or caribou in their leases.

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ANWR - Putting It in Perspective

2,000 acres < .01%

Estimated footprint of development based on current Arctic technology

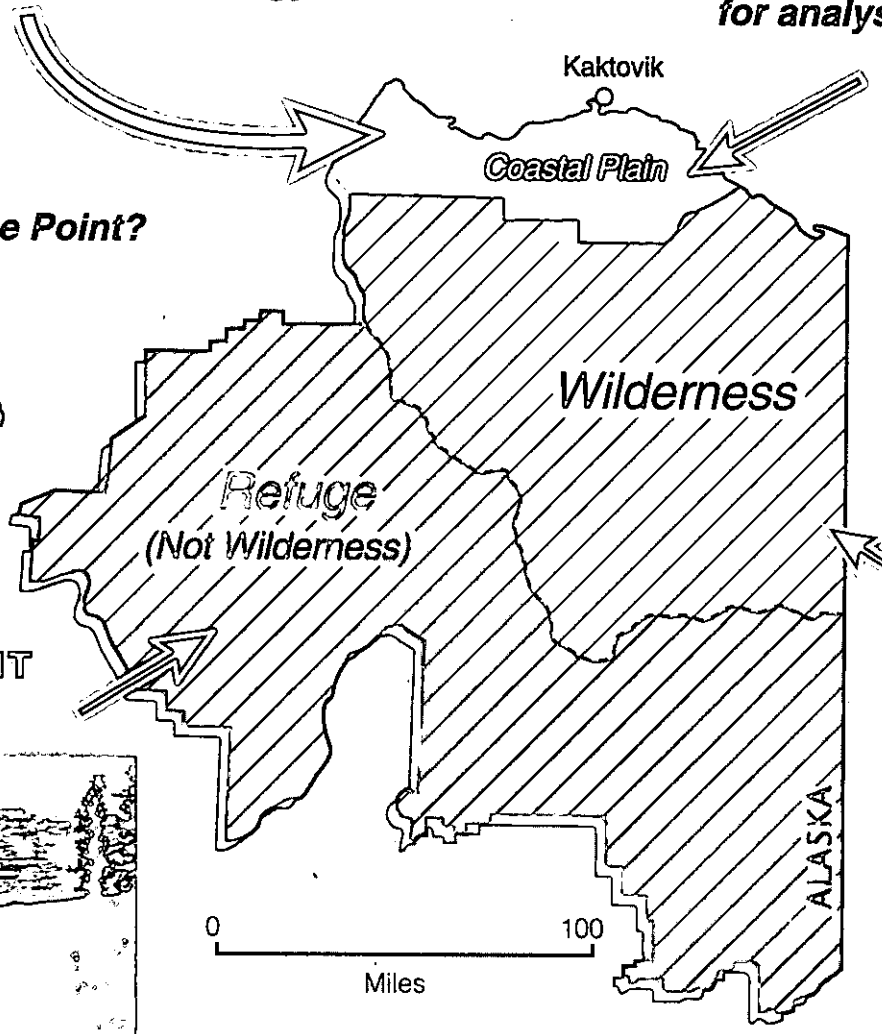
1.5 million acre 10-02 Area

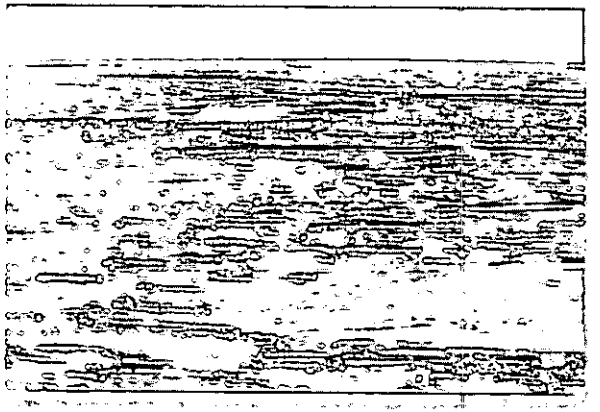
Specifically set aside by Congress for analysis of oil and gas exploration

Drilling in ANWR

(2,000 Acres out of 19 million)

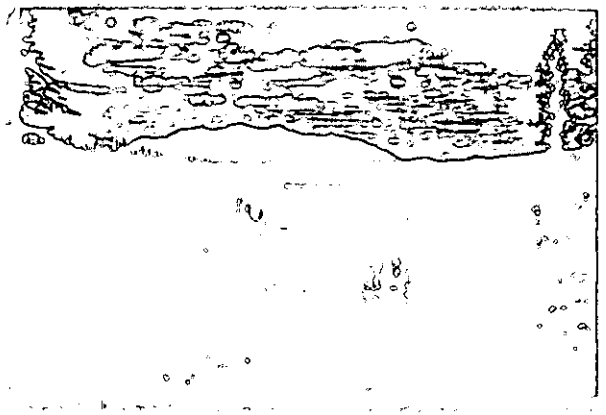
See the Point?





9.16 million acre "Refuge Area"

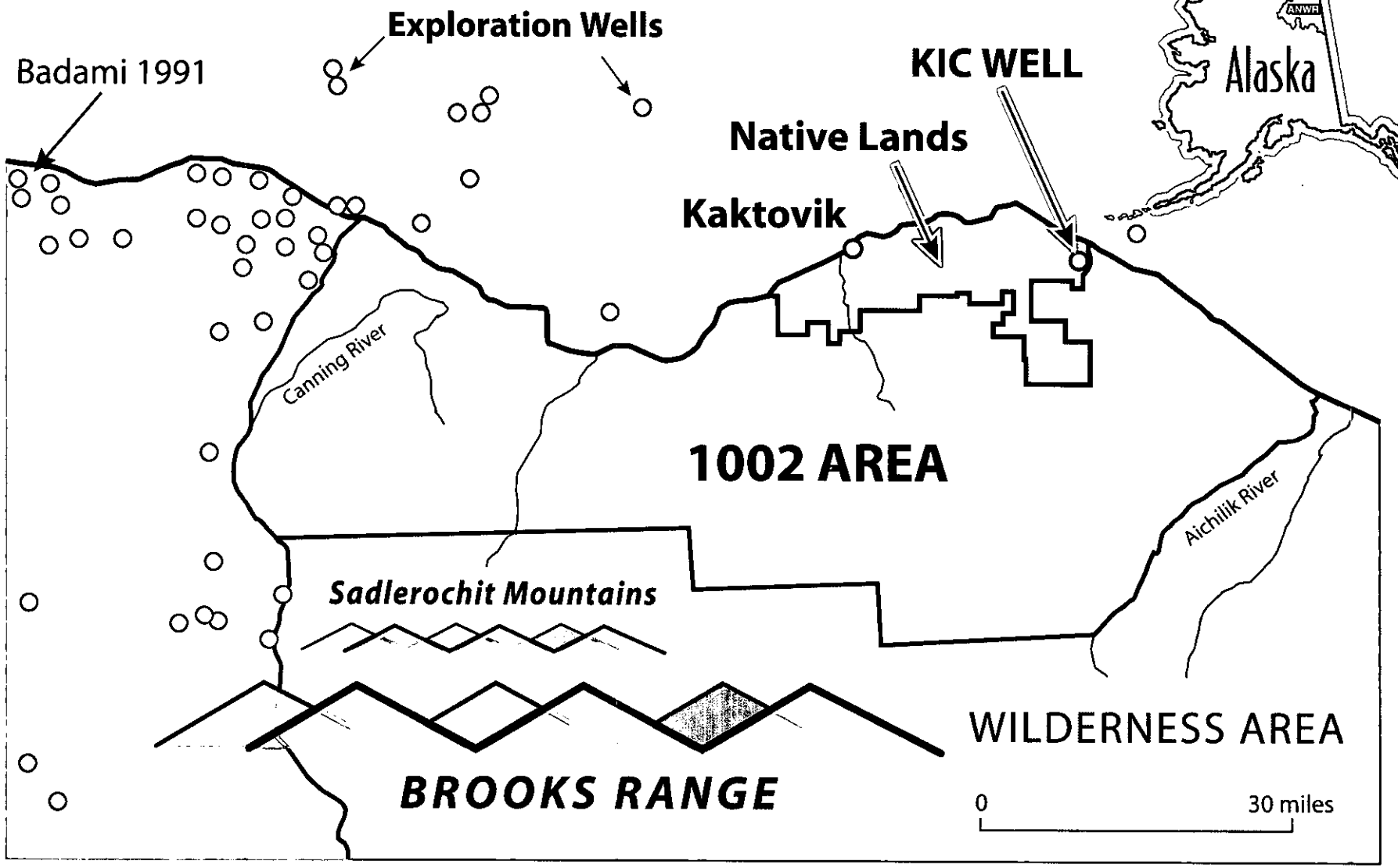
NO DEVELOPMENT ALLOWED



8 million acre "Wilderness Area"

NO DEVELOPMENT ALLOWED

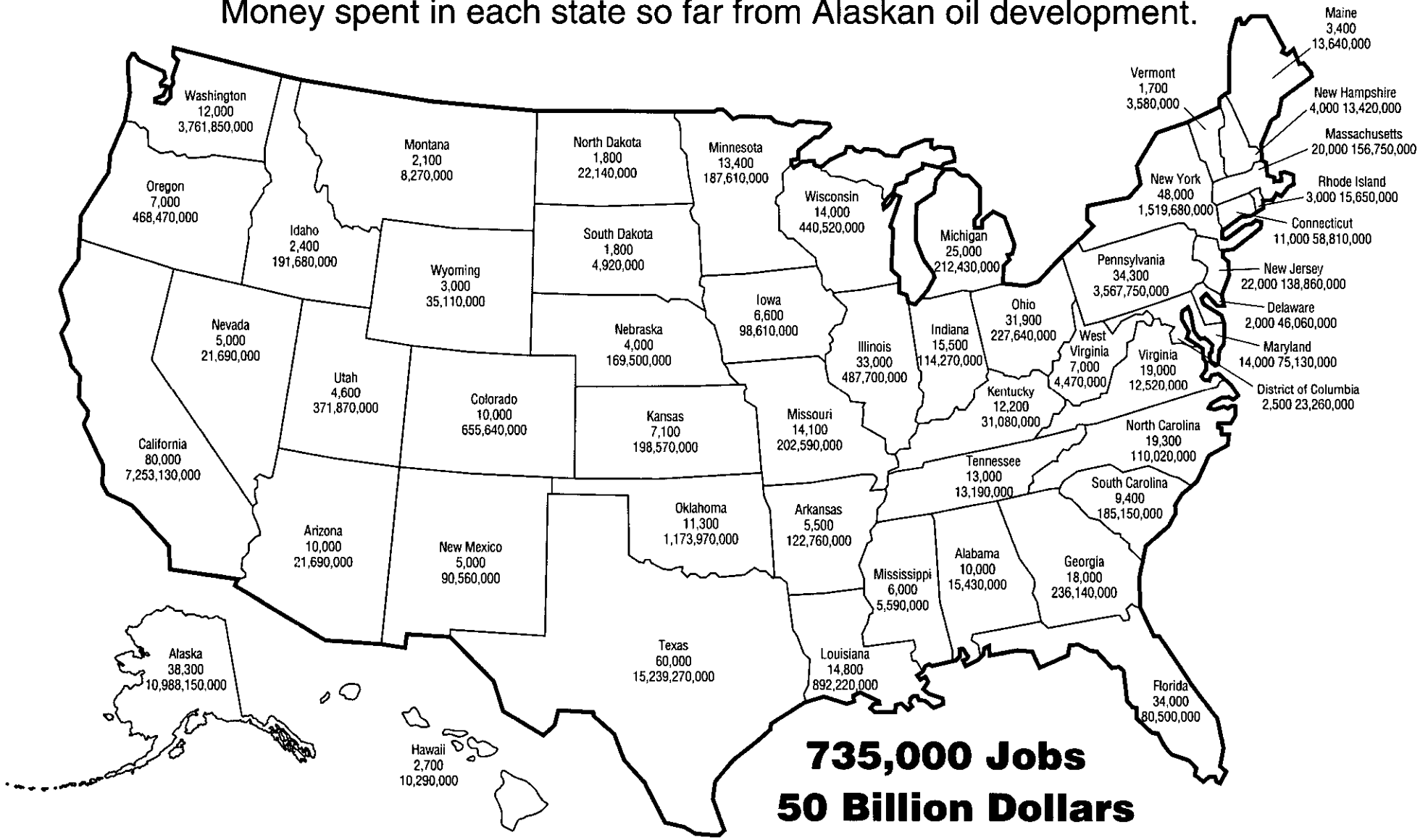
The ANWR Coastal Plain, or 1002 Area, is the ONLY area of ANWR with any oil and gas potential.



The 1002 Area was specifically set aside by Congress for study of oil and gas exploration. Geologically, the Area has the best onshore potential in North America for a large oil discovery.

ANWR Creates Jobs and Revenue for Every State

Potential Jobs from ANWR Coastal Plain Development
Money spent in each state so far from Alaskan oil development.



735,000 Jobs

50 Billion Dollars

Jobs Created*

Dollars Spent So Far**

**Potential jobs created by ANWR Coastal Plain development for oil and gas resources as forecast by WEFA,*

***Dollar figures of estimated expenditures in America by BP Exploration, ConocoPhillips, and ARCO between 1977 to the present for their Alaskan oil field activities.*

This excludes royalties, foreign purchases, and payments that could not be allocated to a single state.

ANWR Resource Estimates

The debate over oil and gas development in the Arctic National Wildlife Refuge (ANWR) is about as hot as it's ever been, thanks to soaring fuel prices, domestic energy shortfalls and political support in the nation's Oval Office. At the core of many arguments — pro and con — are results of the 1998 U.S. Geological Survey (USGS) study on ANWR's petroleum potential.

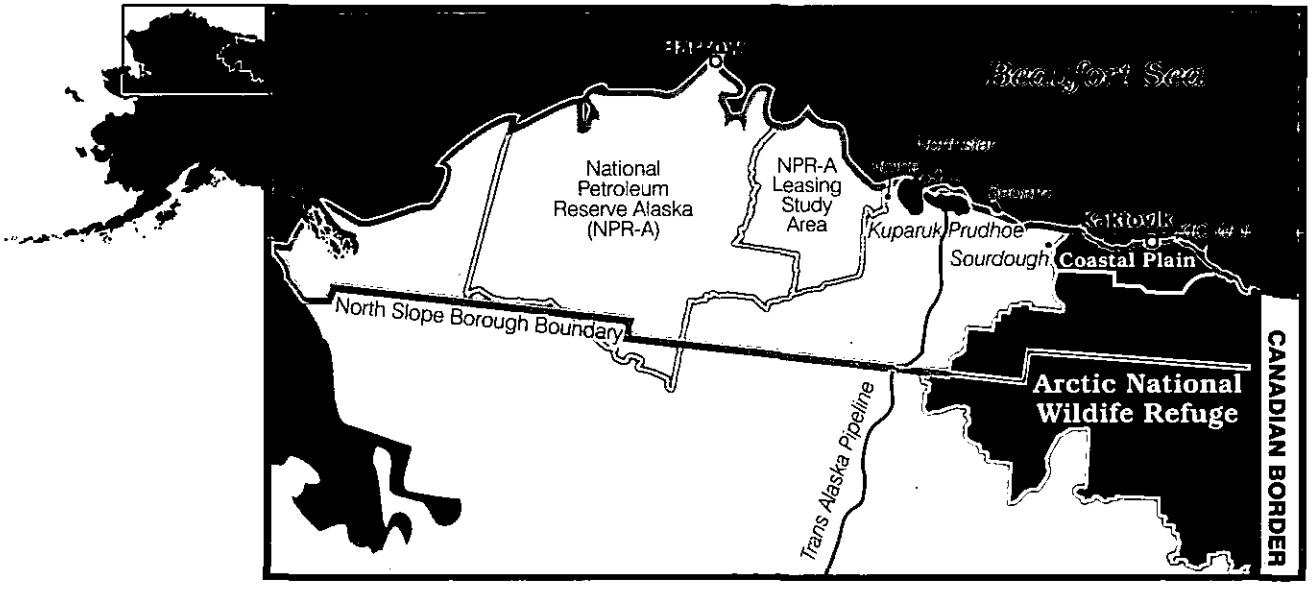
1998 USGS study concludes that ANWR contains recoverable resource volumes of 5.7 to 16 billion barrels of crude oil, with a mean of 10.4 billion barrels. This is the range cited by industry.

Pro-Development Resource Estimates: *Defensible and Desirable*

The USGS report is thorough, presenting estimates that use a number of alternative resource concepts. Industry is often accused of distorting ANWR's potential by focusing on the highest of these estimates. Not true. Numbers cited by advocates of ANWR drilling accurately characterize the USGS study conclusion — that ANWR contains undiscovered resource volumes of 5.7 to 16 billion barrels of crude oil, with an expected value of 10.4 billion barrels. Moreover, the USGS standard practice does not include any prospective effects of future technological change. One could argue, therefore, that USGS numbers are more likely to be conservative estimates of the true recovery potential of ANWR. On the flip side, several other numbers are cited by various opponents of development. Many are simply incorrect. An example is the 3.2 billion barrel estimate often attributed to the 1998 USGS study. This may have originated with the 1987 BLM EIS, or it may be based on a misinterpretation of data presented in the 1998 USGS report. In either case it is wrong.

Estimates are for the entire 1002 area, which includes federal and private lands. This geographical coverage is relevant, since none of the private lands within ANWR can be developed without opening federal lands.

Recovery from Prudhoe Bay was initially estimated at about 35%, but new technology applied since that time has progressed steadily, and recovery is now expected to exceed 60%.



Arctic Power • 1049 West 5th Avenue • Anchorage, Alaska 99501 • (907) 274-2697 • Fax (907) 274-2706 • http://www.anwr.org

Estimated Recoverable Resources: *Understated and Justified*

The table below presents the key resource estimates presented by USGS in its 1998 assessment. These estimates are for the entire Coastal Plain, including both federal property (1002 area) and private lands (Native owned). This geographical coverage is relevant, since none of the private lands within ANWR can be developed without opening federal lands. Within this area, USGS estimates that there are between 15.6 and 42.3 billion barrels of oil in place, with a mean of 27.8 billion barrels. From this, USGS derives the 5.7-to-16.0 billion barrel range as being recoverable using the technology of the mid-1990s. Anti-development groups often criticize use of *technically* recoverable resource numbers, rather than the narrower concept of *economically* recoverable resources. But a closer look confirms that use of the technically recoverable numbers does not overstate the resource base. As seen in this Table, at extremely low price levels ($12 on the West Coast), the commercially developable resources are only a small portion of the technically recoverable resource (0-11%). However, at a more realistic price of $24, the commercially developable portion of the resource approaches 90%, and at $30, all of the technically recoverable resource is commercially viable.

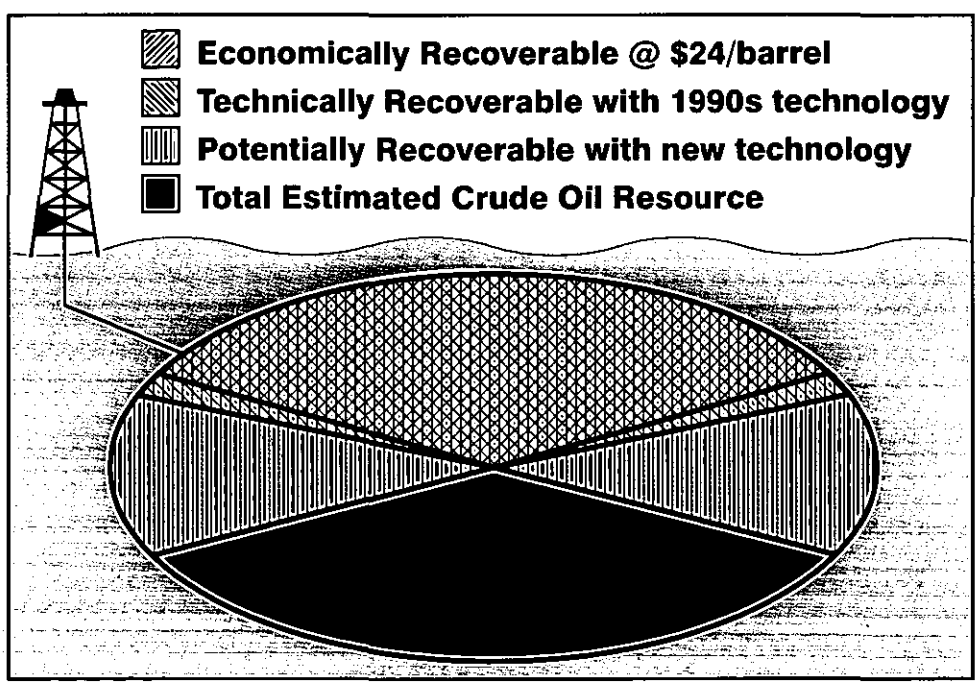
ANWR 1002 Area Crude Oil Resource Estimates

(in billion barrels)

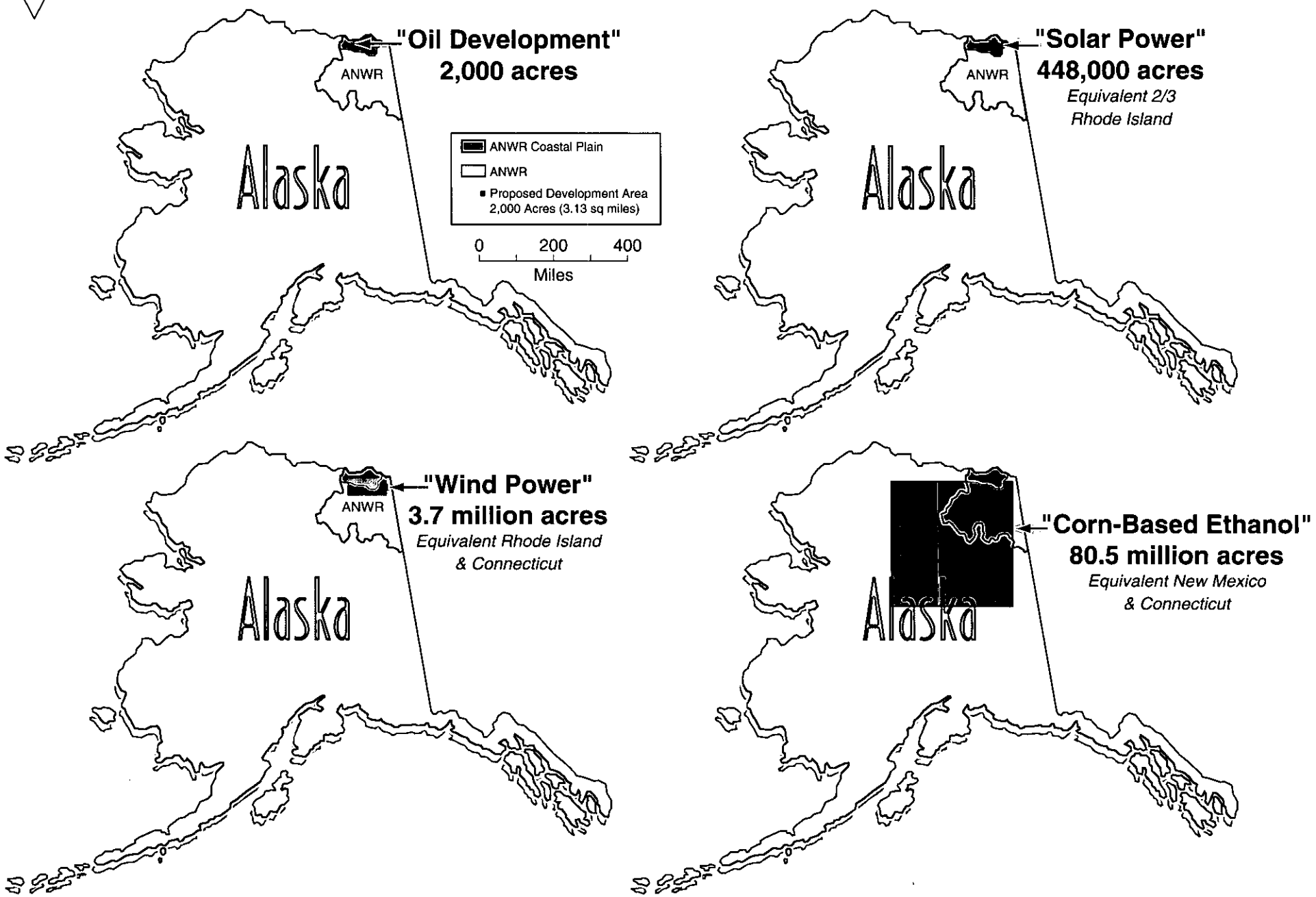
Estimate Range Probability	**95%**	**Mean**	**5%**
In-Place Resources	15.577	27.778	42.319
Technically Recoverable	5.724	10.36	15.955
Technically Recoverable as % of In-Place	37%	37%	38%
Economically Recoverable as a % of Technically Recoverable			
@ $12/barrel West Coast	0%	5%	11%
@ $18/barrel West Coast	48%	61%	71%
@ $24/barrell West Coast	87%	88%	91%

The Technology Factor: *Considerable and Real*

Technically recoverable volumes cited in the USGS assessment are very conservative. Remember that USGS estimates assume only current technology. In this case, the agency assumes only about 37% of the oil in place can eventually be recovered. Estimated recovery from Prudhoe Bay was initially estimated to be about 35%, but the application of new technology since that time has progressed steadily, and recovery is now expected to exceed 65%. Similar experience with ANWR could raise eventual recovery well beyond the USGS estimate. For example, 65% recovery would imply a range of 10 to 27 billion barrels, with a mean of 18 billion barrels.



The footprint of ANWR oil in comparison to equal amounts of energy.



HJR

18

HOUSE COMMITTEE REPORT

(9)
Date Referred to Committee: February 11, 2009 **FURTHER REFERRALS:**

Date of Committee Action: 2/23/09

The RESOURCES Committee considered: **HOUSE JOINT RESOLUTION NO. 18**

Urging the United States Congress to refrain from passing legislation that designates land in Area 1002 of the Arctic National Wildlife Refuge as wilderness.

HJR 18 OPPOSING ANWR WILDERNESS DESIGNATION

Recommends it be replaced with [ ] HCS *or* [X] CS *for* HJR 18 (RES)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW FISCAL NOTES *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero

PREVIOUS FISCAL NOTES				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	Edgmon	✓			
	[illegible]				✓
	Tuck	✓			
	Wilson	✓			
Chair:	Johnson	✓			
Chair:	[illegible]	X			

Alaska House of Representatives

Session: Jan. – Apr.
State Capitol Building
Room 412
Juneau, AK 99801
907.465.3879
Fax 907.465.2069

Interim: May – Dec.
Anchorage LIO
716 W 4th Ave.
Anchorage, AK 99501
907.269.0222
Fax 907.269.0223

Representative Charisse Millett
District 30

February 11, 2009
Bill Version: 26-LS0403\A

House Joint Resolution 18
Sponsor Statement

House Joint Resolution 18 urges the United States Congress to reject any legislation seeking a wilderness designation for the 1002 Area of the Arctic National Wildlife Refuge.

Legislation has been introduced in Congress to do just that. The 1002 Area could be the largest untapped onshore oil prospect in the United States and that makes it both a national refuge and a strategic resource. The two are not incompatible.

Congress deliberately set aside the 1002 Area for future oil and gas exploration. Lawmakers at the time understood the day may come when those reserves will be needed to fuel the economy and reduce the flow of imported oil into America.

Alaska needs new jobs to grow its economy and new revenue to fund basic services like education, public safety and transportation infrastructure. America needs a stable, safe and secure supply of energy to help the economy get back on its feet. ANWR can do all of that without harming the fragile arctic environment.

Locking up a two thousand acre area that makes up less than one percent of the refuge and holds an estimated 10,400,000,000 barrels of oil does not make sense for America's economy and national security.

HJR 18 has been referred to the House Resources Committee. For more information, contact Representative Millett at (907) 465-3879.

###

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HJR 18
() Publish Date:

Identifier (file name):
Dept. Affected:
Title OPPOSING ANWR WILDNERNESS DESIGNATION
RDU
Component
Sponsor Representatives Millett,Stoltze,Lynn,Johnson,Neuman...
Requester
Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: Debra Higgins
Phone 465-3715
Division Committee Aide, House Resources Committee
Date/Time 2/19/09 8:00 AM
Approved by: Representative Craig Johnson, Co-Chair
Date 2/19/2009
House Resources Committee

(Revised 9/10/2008 OMB)

HR 39 IH

HJR 18

111th CONGRESS

1st Session

H. R. 39

To preserve the Arctic coastal plain of the Arctic National Wildlife Refuge, Alaska, as wilderness in recognition of its extraordinary natural ecosystems and for the permanent good of present and future generations of Americans.

IN THE HOUSE OF REPRESENTATIVES

January 6, 2009

Mr. MARKEY of Massachusetts introduced the following bill; which was referred to the Committee on Natural Resources

A BILL

To preserve the Arctic coastal plain of the Arctic National Wildlife Refuge, Alaska, as wilderness in recognition of its extraordinary natural ecosystems and for the permanent good of present and future generations of Americans.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the `Udall-Eisenhower Arctic Wilderness Act'.

SEC. 2. FINDINGS AND STATEMENT OF POLICY.

(a) Findings- The Congress finds the following:

(1) Americans cherish the continued existence of expansive, unspoiled wilderness ecosystems and wildlife found on their public lands, and feel a strong moral responsibility to protect this wilderness heritage as an enduring resource to bequeath undisturbed to future generations of Americans.

(2) It is widely believed by ecologists, wildlife scientists, public land specialists, and other experts that the wilderness ecosystem centered around and dependent upon the Arctic coastal plain of the Arctic National Wildlife Refuge, Alaska, represents the very epitome of a primeval wilderness ecosystem and constitutes the greatest wilderness area and diversity of wildlife habitats of its kind in the United States.

(3) President Dwight D. Eisenhower initiated protection of the wilderness values of the Arctic coastal plain in 1960 w[+] FEEDBACK set aside 8,900,000 acres establishing the Arctic National Wildlife Refuge expressly `for the purpose of preserving unique wildlife, wilderness and recreational values'.

(4) In 1980, when the Congress acted to strengthen the protective management of the Eisenhower-designated area with the enactment of the Alaska National Interest Lands Conservation Act (Public Law 96-487), Representative Morris K. Udall led the effort to more than double the size of the Arctic National Wildlife Refuge and extend statutory wilderness protection to most of the original area.

(5) Before the enactment of the Alaska National Interest Lands Conservation Act, the House of Representatives twice passed legislation that would have protected the entire Eisenhower-designated area as wilderness, including the Arctic coastal plain.

(6) A majority of Americans have supported and continue to support preserving and protecting the Arctic National Wildlife Refuge, including the Arctic coastal plain, from any industrial development and consider oil and gas exploration and development in particular to be incompatible with the purposes for which this incomparable wilderness ecosystem has been set aside.

(7) When the Arctic National Wildlife Refuge was established in 1980 by paragraph (2) of section 303 of the Alaska National Interest Lands Conservation Act (Public Law 96-487; 94 Stat. 2390; 16 U.S.C. 668dd note), subparagraph (B)(iii) of such paragraph specifically stated that one of the purposes for which the Arctic National Wildlife Refuge is established and managed would be to provide the opportunity for continued subsistence uses by local residents, and, therefore, the lands designated as wilderness within the Refuge, including the area designated by this Act, are and will continue to be managed consistent with such subparagraph.

(8) Canada has taken action to preserve those portions of the wilderness ecosystem of the Arctic that exist on its side of the international border and provides strong legal protection for the habitat of the Porcupine River caribou herd that migrates annually through both countries to calve on the Arctic coastal plain.

(9) The extension of full wilderness protection for the Arctic coastal plain within the Arctic National Wildlife Refuge will still leave most of the North Slope of Alaska available for the development of energy resources, which will allow Alaska to continue to contribute significantly to meeting the energy needs of the United States without despoiling the unique Arctic coastal plain of the Arctic National Wildlife Refuge.

(b) Statement of Policy- The Congress hereby declares that it is the policy of the United States--

(1) to honor the decades of bipartisan efforts that have increasingly protected the great wilderness ecosystem of the Arctic coastal plain;

(2) to sustain this natural treasure for the current generation of Americans; and

(3) to do everything possible to protect and preserve this magnificent natural ecosystem so that it may be bequeathed in its unspoiled natural condition to future generations of Americans.

SEC. 3. DESIGNATION OF ADDITIONAL WILDERNESS, ARCTIC NATIONAL WILDLIFE REFUGE, ALASKA.

(a) Inclusion of Arctic Coastal Plain- In furtherance of the Wilderness Act (16 U.S.C. 1131 et seq.), an area within the Arctic National Wildlife Refuge in the State of Alaska comprising approximately 1,559,538 acres, as generally depicted on a map entitled `Arctic National Wildlife Refuge--1002 Area Alternative E--Wilderness Designation' and dated October 28, 1991, is hereby designated as wilderness and, therefore, as a component of the National Wilderness Preservation System. The map referred to in this subsection shall be available for inspection in the offices of the Secretary of the Interior.

(b) Administration- The Secretary of the Interior shall administer the area designated as wilderness by subsection (a) in accordance with the Wilderness Act as part of the wilderness area already in existence within the Arctic National Wildlife Refuge as of the date of the enactment of this Act.

END

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S 231 IS

HJR 18

111th CONGRESS

1st Session

S. 231

To designate a portion of the Arctic National Wildlife Refuge as wilderness.

IN THE SENATE OF THE UNITED STATES

January 14, 2009

Mr. LIEBERMAN (for himself, Mrs. MURRAY, Ms. STABENOW, Mr. WHITEHOUSE, Mr. LEAHY, Mr. CARDIN, Mr. SCHUMER, Mr. KOHL, Mr. FEINGOLD, Mr. KENNEDY, Mr. DURBIN, Mr. DODD, Mrs. BOXER, Ms. CANTWELL, Mr. WYDEN, Mr. REED, Mrs. FEINSTEIN, Mr. SANDERS, Mr. UDALL of New Mexico, Mr. UDALL of Colorado, Mr. HARKIN, Mr. LAUTENBERG, Mr. KERRY, Ms. KLOBUCHAR, and Mr. MENENDEZ) introduced the following bill; which was read twice and referred to the Committee on Environment and Public Works

A BILL

To designate a portion of the Arctic National Wildlife Refuge as wilderness.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. DESIGNATION OF PORTION OF ARCTIC NATIONAL WILDLIFE REFUGE AS WILDERNESS.

Section 4 of the National Wildlife Refuge System Administration Act of 1966 (16 U.S.C. 668dd) is amended by adding at the end the following:

`(p) Designation of Certain Land as Wilderness- Notwithstanding any other provision of this Act, a portion of the Arctic National Wildlife Refuge in Alaska comprising approximately 1,559,538 acres, as generally depicted on a map entitled `Arctic National Wildlife Refuge--1002 Area. Alternative E--Wilderness Designation, October 28, 1991' and available for inspection in the offices of the Secretary, is designated as a component of the National Wilderness Preservation System under the Wilderness Act (16 U.S.C. 1131 et seq.).'.

END

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[+] FEEDBACK

Anchorage Office • 3900 C Street • Suite 801 • Anchorage • Alaska 99503-5963 • (907) 339-6000 • FAX (907) 339-6028 • 1-800-770-2772

arctic slope regional corp.

February 12, 2009

Representative Charisse Millett
Alaska State Legislature
State Capitol Building
Room 412
Juneau, AK 99801-1182

Dear Representative Millet:

I am writing to extend my sincerest appreciation for your leadership on HJR 18, urging the United States Congress to keep the Arctic National Wildlife Refuge open for future oil and gas development.

As you may know, Arctic Slope Regional Corporation owns subsurface title to 92,000 acres inside the Coastal Plain of ANWR, and our sister village corporation, Kaktovik Iñupiat Corporation (KIC), owns the surface title to the same acreage.

ASRC in partnership with KIC have worked this issue for over two decades. We have an up close and personal interest in this debate because potential development or Wilderness designation will have a direct impact on the residents of Kaktovik and those of the North Slope.

I am extending ASRC's assistance in providing your office with additional information on this important matter. Please do not hesitate to contact me directly. Thank you, again, for your leadership on the ANWR issue.

Regards,
ARCTIC SLOPE REGIONAL CORPORATION

Tara M. Sweeney
Vice President of External Affairs and Communications

Cc: Philip Tikluk, President of Kaktovik Iñupiat Corporation

Corporate Headquarters • P.O. Box 129 • Barrow • Alaska • 99723-0129 • (907) 852-8533 or (907) 852-8633 • FAX (907) 852-5733

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

Founded 1975
Executive Director
Jason W. Brune
2008-2009 Executive Committee
Rick Rogers, President
Wendy Lindskoog, Sr. Vice President
Phil Cochrane, Vice President
Stephanie Madsen, Secretary
Tom Maloney, Treasurer
John T. Shively, Past President
Patty Bielawski
Allen Bingham
Marilyn Crockett
Steve Denton
Eric Fjelstad
Jeff Foley
Stan Foo
Paul S. Glavinovich
Craig A. Haymes
Len Horst
Teresa Imm
Erec Isaacson
Tom Lovas
Ethan Schutt
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Ella Ede
Mark Eliason
Joe Everhart
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Becky Gay
Charles J. Greene
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Mark Hanley
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Rick P. Harris
Tom Henderson
Becky Hultberg
Bill Jeffress
Mike Jungreis
Diane Keller
Frank V. Kelty
Kip Knudson
Thomas G. Krzewinski
John MacKinnon
David L. Matthews
Karen Matthias
Mary McDowell
Ron McPheters
James Mery
Denise Michels
Lance Miller
Jim Palmer
Tom Panamaroff
Lisa Parker
Judy Patrick
Debbie Reinwand
Elizabeth Rensch
Ralph Samuels
Keith Sanders
Lorna Shaw
Kenneth Sheffield
Keith N. Silver
Tiel Smith
Robert Stiles
Jeanine St. John
John L. Sturgeon
Jim Taro
John Williams
John Zager

Ex-Officio Members
Senator Mark Begich
Senator Lisa Murkowski
Congressman Don Young
Governor Sarah Palin

February 20, 2009

Representative Craig Johnson and Representative Mark Neuman, Co-Chairmen
House Resources Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

Re: HJR18, Urging the U.S. Congress to refrain from passing legislation that designates lands in Area 1002 of ANWR as Wilderness

Dear Representative Johnson and Representative Neuman:

On behalf of the Resource Development Council for Alaska, Inc., (RDC), I am writing in support of HJR18, which urges Congress to refrain from passing legislation that designates the 1002 Area of ANWR as Wilderness.

RDC is a statewide, non-profit, membership-funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

A Wilderness designation would preclude future action by Congress to provide for environmentally responsible exploration and production of oil and gas resources in ANWR. Federal Wilderness should not be expanded to include the 1002 Area, given the Coastal Plain is considered the nation's most promising onshore oil and gas prospect.

We encourage the Committee to vote in favor of this resolution. Thank you for your consideration.

Sincerely,

Jason Brune
Executive Director

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
Phone: 907/276-0700 Fax: 907/276-3887 Email: Resources@akrdc.org Website: www.akrdc.org

HJR

19

HOUSE COMMITTEE REPC Γ

(9)
Date Referred to Committee: February 23, 2009 **FURTHER REFERRALS:**

Date of Committee Action: 3/11/09

The RESOURCES Committee considered: **HOUSE JOINT RESOLUTION NO. 19**

Recognizing the 20th anniversary of the Exxon Valdez oil spill and supporting the continued practice of accompanying each oil tanker through Prince William Sound with at least a two vessel escort.

HJR 19 OIL TANKER ESCORT VESSELS/OIL SPILL ANNIV

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* _____ ( )
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero
HRES				✓

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP (5)	DNP	NR (2)	AM
	Gottenberg	X			
	Edgmon	X			
	OLSON	✓			
	KAWASAKI			X	
	SEATON	X			
	TUCK	X			
Chair:	Johnson			X	
Chair:					

Representative Alan Austerman

Alaska State Legislature

Representative_Alan_Austerman@legis.state.ak.us

Session:
State Capitol, Room 434
Juneau, Alaska 99801
(907) 465-2487 | (800) 865-2487
(907) 465-4956 (fax)

Interim:
305 Center Ave, Suite 1
Kodiak, Alaska 99615
(907) 486-8872
(907) 486-5264 (fax)

SPONSOR STATEMENT

HOUSE JOINT RESOLUTION 19

House Joint Resolution 19 recognizes the 20th anniversary of the Exxon Valdez oil spill and supports continuation of the practice of dual tug escorts for loaded oil tankers traversing Prince William Sound.

Currently, Trans-Alaska Pipeline System oil tankers in Prince William Sound are required to have two tug escorts when carrying oil. This is in accordance with the Oil Spill Prevention Act of 1990, a federal mandate. This act does not require tug escorts for double hull tankers, however. At the present time, all but two tankers engaged in the TAPS trade are double-hulled ships.

The regulations keeping the escort system in place for all tankers—including double-hulled tankers—are embodied in the oil spill contingency plans filed by oil shippers with the Alaska Department of Environmental Conservation. While the shippers say they do not envision changes in the escort system in the immediate future, these plans are as a matter of fact subject to review and amendment by the shippers at any time.

The current escort system is a vital component in preventing catastrophic oil spills in Prince William Sound and in responding when oil spills occur. It should be retained to assure the continued protection of Alaska's fisheries resources, both commercial and recreational, along with traditional subsistence uses, tourism, and the many other uses of the natural resources of Prince William Sound and the adjacent Gulf of Alaska. While HJR19 carries no legal force, it will educate Alaskans, spark debate, and put the Alaska Legislature on record as supporting the continued operation of the world-class escort system in Prince William Sound.###

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HJR 19
() Publish Date:

Identifier (file name):
Title OIL TANKER ESCORT VESSELS/OIL SPILL ANNIV
Sponsor
Requester

Dept. Affected:
RDU
Component
Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: Debra Higgins, Committee Aide — Phone 465-3715
Division House Resources Committee — Date/Time
Approved by: Representative Craig Johnson, Co-Chair — Date 3/11/2009
House Resources Committee

(Revised 9/10/2008 OMB)

4967

Sponsored by: Corbridge

CITY OF SEWARD, ALASKA
RESOLUTION 2005-14

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEWARD, ALASKA IN SUPPORT OF MAINTAINING A STRONG AND RELIABLE ESCORT FLEET AND PRESERVING THE PRACTICE OF REQUIRING TWO ESCORTS, AS CURRENTLY PRACTICED, FOR ALL LADEN CRUDE OIL TANKERS TRANSITING PRINCE WILLIAM SOUND

WHEREAS, the composition of Trans Alaska Pipeline System trade tankers is moving towards a fleet of double-hulled tankers as required by the Oil Pollution Act of 1990; and

WHEREAS, the current Prince William Sound escort system safeguards against oil spills caused by navigational errors, severe weather and human or organizational errors; and

WHEREAS, the current Prince William Sound escort system provides the capability and resources of immediate, on-scene response of two escort vessels; and

WHEREAS, laden double hull tankers, including those with redundant systems, are currently voluntarily escorted in a two-tug escort configuration; and

WHEREAS, since the implementation of the current escort system, there have been no major oil spills and potential accidents have been reduced to near misses; and

WHEREAS, it is imprudent to reduce proven prevention programs based solely on improvements in vessel engineering and design; and

WHEREAS, a large oil spill in Prince William Sound would adversely affect the commercial fisheries, tourism industry and economies of coastal communities in south central Alaska and cause major environmental damage.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEWARD, ALASKA, that:

Section 1. The Seward city council supports the continued operation of the Prince William Sound escort system in the configuration as described in the 2001 Vessel Escort and Response Plan for all laden crude oil tankers transiting Prince William Sound.

Section 2. This resolution shall take affect immediately upon its adoption.

PASSED AND APPROVED by the City Council of the city of Seward, Alaska, this 14th day of March, 2005.

THE CITY OF SEWARD, ALASKA

Vanta Shafer, Mayor

UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110
Juneau, Alaska 99801-1172
(907) 586-2820
(907) 463-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

March 11, 2009

Representative Craig Johnson, Co-Chairman
Representative Mark Neuman, Co-Chairman
House Resources Committee
Alaska State Legislature
State Capitol (Mail stop 3100)
Juneau AK 99811

Dear Chairman Johnson and Committee members,

United Fishermen of Alaska supports HJR 19, calling for an escort of at least two vessels accompanying loaded oil tankers in Prince William Sound, whether single-hulled or double-hulled. While the use of double hulled tankers offers some level of protection, the risk that oil tanker traffic brings against the value of Alaska's fisheries calls for the highest level of preventive protection that can be attained. With Alaska's coastal weather, tidal currents, and natural navigational hazards, the presence of a second escort vessel is required in order to safely control a large tanker vessel should a loss of power occur, to avoid a repeat of a preventable disaster.

UFA represents 37 Alaska commercial fishing organizations from fisheries throughout the state and its offshore waters, altogether representing more than half of U.S. domestic seafood production. We ask for your support of HJR 19 to best help prevent another tragedy to Alaska's fisheries.

Sincerely,

Mark Vinsel
Executive Director

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Independent Fishermen's Marketing Association • Alaska Independent Tendermen's Association
Alaska Longline Fishermen's Association • Alaska Scallop Association • Alaska Trollers Association • Alaska Whitefish Trawlers Association
Armstrong Keta • At-sea Processors Association • Bristol Bay Reserve • Bristol Bay Regional Seafood Development Association • Cape Barnabas Inc.
Concerned Area "M" Fishermen • Cook Inlet Aquaculture Association • Cordova District Fishermen United • Crab Group of Independent Harvesters
Douglas Island Pink and Chum • Fishing Vessel Owners Association • Groundfish Forum • Kenai Peninsula Fishermen's Association
Kodiak Regional Aquaculture Association • North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association
Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Purse Seine Vessel Owner Association
Seafood Producers Cooperative • Sitka Herring Association • Southeast Alaska Fisherman's Alliance • Southeast Alaska Regional Dive Fisheries Association
Southeast Alaska Seiners • Southern Southeast Regional Aquaculture Association • United Catcher Boats • United Cook Inlet Drift Association
United Southeast Alaska Gillnetters • Valdez Fisheries Development Association • Western Gulf of Alaska Fishermen

OLD HARBOR
NATIVE CORPORATION

March 10, 2009

Hon. Gary Stevens, President [Via Fax: 907 465-3517]
Alaska State Senate
State Capitol, Room 111
Juneau, Alaska 99801-1182

Hon. Alan Austerman [Via Fax: 907 465-4956]
Alaska House of Representatives
State Capitol, Room 434
Juneau, Alaska 99801-1182

Re: Support for Senate Joint Res. 11 and House Joint Res. 19

Dear Senator Stevens and Representative Austerman:

This letter is to express deep appreciation and strong support for your introduction of Senate Joint Resolution No. 11 and House Joint Resolution No. 19 respectively resolving --

> "that the Alaska State Legislature supports the continued practice in Prince William Sound of accompanying each loaded oil tanker, whether single-hulled or double-hulled, with at least two escort vessels."

Your resolutions will help ensure that the marine safety system for loaded oil tankers traveling from the Marine Oil Terminal in Valdez, Alaska through Prince William Sound is *not weakened* by reducing the current practice of using dual escort tugs to accompany such tankers. The continued practice of dual escorts is crucial to protecting people, communities, livelihoods, the economy, fish and wildlife and other natural resources of the Prince William Sound and other portions of the Gulf of Alaska within the Exxon Valdez oil spill region from another devastating oil spill.

As one of numerous communities in the oil spill region, the village of Old Harbor, for which the Old Harbor Native Corporation is the village corporation authorized by the Alaska Native Claims Settlement Act, witnessed and experienced, and continues to experience, the aftermath of the 1989 oil spill. President George H. W. Bush called that spill "the worst marine environmental disaster this Nation has ever experienced." Clearly, such a disaster should never be permitted to happen again.

Fortunately, because of the actions of the U.S. Congress, federal agencies, the State of Alaska, the citizens' panel authorized by Congress to help oversee the operations at the terminus of the Trans-Alaska Pipeline and oil transport through Prince William Sound, and to their credit, industry itself, the current marine safety system at Valdez is viewed by most to be among the safest in the world. The employment of dual escorts is a critical core safety component of that system.

We all learned the hard way that regardless of tanker technology . . . human error, equipment failure, weather, obstacles in the water such as icebergs, and other factors can contribute to the creation of catastrophic results. The 1989 oil spill resulted in enormous disruption and harm to the lives and livelihoods of people living in the region, including people in our village, to the fishing industry, to tourism, to subsistence resources and to the marine, intertidal and terrestrial shoreline environment.

Considering the huge social, environmental, economic and cultural impacts and costs of the Exxon Valdez oil spill, it would be a "penny-wise and pound-foolish" to diminish the current protections in place. We are concerned particularly about any effort by industry or others to reduce protections in place now by calling for a "risk assessment" of the marine safety system at the Port of Valdez and Prince William Sound. We believe as you appear to believe by virtue of your resolutions, and as most Alaskans do, that our state and the nation have already gone through a risk assessment in 1989 . . . the Exxon Valdez oil spill.

To weaken the current system that is working so well would be indefensible. Given that that system is the best insurance policy the public and industry could devise, we hope the oil industry will concur with the intent of your resolutions. Anyone who attempts to weaken the current system would be placing the entire region in serious jeopardy once again. Therefore, we urge you to be steadfast in keeping your resolutions strong and in doing so to protect the natural resources, communities, and the economy of the entire region.

On behalf of the shareholders of our village corporation, thank you for your leadership and the wisdom and judgment of those who join you in seeking passage of Senate Joint Resolution 11 and House Joint Resolution 19. We strongly support your efforts to obtain passage by the Alaska State Legislature of these resolutions.

Best regards.

Sincerely,

OLD HARBOR NATIVE CORPORATION

Emil Christiansen Sr.
President

cc: Kodiak Island Borough Assembly
City Council, Kodiak, Alaska
Dr. Sven Haakanson Jr., Director, Alutiiq Museum and Repository
Kodiak Area Aquaculture Association
Kodiak Island Convention and Visitors Bureau
Kodiak Chamber of Commerce
Kodiak Area Native Association
Kodiak Village Mayors Association
Mayor, Old Harbor, Alaska
Board of Directors, Old Harbor Native Corporation

Kodiak Chamber of Commerce

RESOLUTION NUMBER 03-09-01

A RESOLUTION OF THE KODIAK CHAMBER OF COMMERCE SUPPORTING SENATE JOINT RESOLUTION 11 AND HOUSE JOINT RESOLUTION 19 REQUIRING OIL TANKER VESSELS BE ACCOMPANIED BY TWO VESSEL ESCORTS

WHEREAS, the Kodiak Chamber of Commerce is dedicated to Kodiak's future; and.

WHEREAS, lessons from the past are helpful in planning for the future; and

WHEREAS, in 1989 the Kodiak community was traumatized by the Exxon Valdez Oil Spill; and

WHEREAS, since 1989 the practice of requiring a two vessel escort for tankers in Prince William Sound has contributed to no other oil spills in Prince William Sound; and

WHEREAS, in Senate Joint Resolution 11 and House Joint Resolution 19, the Alaska Legislature has an opportunity to inform the appropriate officials and companies that the practice of requiring a two vessel escort for tankers should continue; and

WHEREAS, the Kodiak community should not be subjected to another oil spill.

NOW, THEREFORE, BE IT RESOLVED the Kodiak Chamber of Commerce encourages the Alaska Legislature to pass SJR 11 or HJR 19.

Passed and approved by the Board of Directors of the Kodiak Chamber of Commerce this 6th day of March 2009.

Signed this 6th day of March 2009.

KODIAK CHAMBER OF COMMERCE

John Whiddon

President

ATTEST:

Nora McRae

Secretary to the Board

Sec. 46.04.030. Oil discharge prevention and contingency plans.
[Extracted from Alaska Statutes]

(a) A person may not cause or permit the operation of an oil terminal facility in the state unless an oil discharge prevention and contingency plan for the facility has been approved by the department and the person is in compliance with the plan.

(b) A person may not cause or permit the operation of a pipeline or an exploration or production facility in the state unless an oil discharge prevention and contingency plan for the pipeline or facility has been approved by the department and the person is in compliance with the plan.

(c) Except as provided in (n) of this section, a person may not operate a tank vessel or an oil barge within the waters of the state, or cause or permit the transfer of oil to or from a tank vessel or an oil barge, unless an oil discharge prevention and contingency plan for the tank vessel or oil barge has been approved by the department and the person is in compliance with the plan.

(d) Upon approval of a contingency plan, the department shall issue to the plan holder a certificate stating that the contingency plan has been approved by the department. The certificate must include the name of the facility, pipeline, tank vessel, or oil barge for which it is issued, the effective date of the contingency plan, and the date by which the contingency plan must be submitted for renewal. A contingency plan must be submitted for renewal every five years.

(e) The department may attach reasonable terms and conditions to its approval or modification of a contingency plan that the department determines are necessary to ensure that the applicant for a contingency plan has access to sufficient resources to protect environmentally sensitive areas and to contain, clean up, and mitigate potential oil discharges from the facility or vessel as provided in (k) of this section, and to ensure that the applicant complies with the contingency plan. If a contingency plan submitted to the department for approval relies on the services of an oil spill primary response action contractor, the department may not approve the contingency plan unless the primary response action contractor is registered and approved under AS 46.04.035. The contingency plan must provide for the use by the applicant of the best technology that was available at the time the contingency plan was submitted or renewed. The department shall identify the prevention and response technologies that are subject to a best available technology determination. The department may find that any technology meeting the response planning standards in (k) of this section or a prevention performance standard established under AS 46.04.070 is the best available technology. The department may prepare findings and maintain a list of those technologies that are considered the best available. The department may require an applicant or holder of an approved contingency plan to take steps necessary to demonstrate the applicant's or holder's ability to carry out the contingency plan, including

(1) periodic training;

(2) response team exercises; and

(3) verifying access to inventories of equipment, supplies, and personnel identified as available in the approved contingency plan.

(f) Upon request of a plan holder or on the department's own initiative, the department, after notice and opportunity for hearing, may modify its approval of a

contingency plan if the department determines that a change has occurred in the operation of a facility or vessel necessitating an amended or supplemented plan, or the operator's discharge experience demonstrates a necessity for modification. The department, after notice and opportunity for hearing, may revoke its approval of a contingency plan if the department determines that

(1) approval was obtained by fraud or misrepresentation;

(2) the operator does not have access to the quality or quantity of resources identified in the plan;

(3) a term or condition of approval or modification has been violated; or

(4) the person is not in compliance with the contingency plan and the deficiency materially affects the plan holder's response capability.

Oil Pollution Act of 1990

January 2007

FACT SHEET

Overview

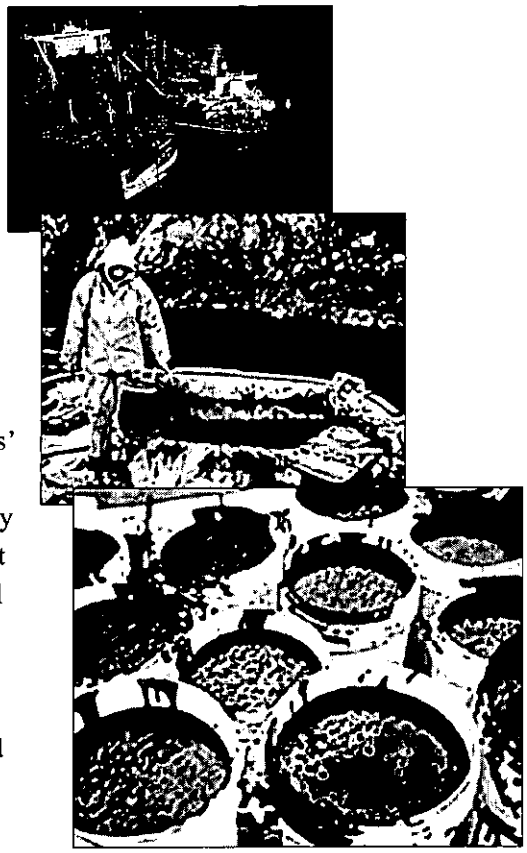
The federal Oil Pollution Act of 1990 (OPA 90) addresses oil spill prevention, response, and liability and compensation should spills occur. OPA 90 is one of two guiding documents under which Prince William Sound Regional Citizens' Advisory Council operates.

Creation of the Oil Pollution Act of 1990 was fueled by the *Exxon Valdez* oil spill of March 24, 1989, in which 11 million gallons of Alaskan crude oil leaked into Prince William Sound waters when the tanker grounded. It soon became apparent that response resources, especially federal funds, were lacking, and that required compensation to those affected was not enough under federal law. One of the most important results of the oil spill was the enactment of OPA 90, which addressed both of these deficiencies.

OPA 90 amended the Clean Water Act and addressed the wide range of problems associated with preventing, responding to, and paying for oil pollution incidents in navigable waters of the United States. The act significantly increased federal oversight of maritime oil transportation, while providing greater environmental safeguards.

OPA 90 also required Alyeska Pipeline Service Co. to establish and fund a citizens' advisory group. Prince William Sound Regional Citizens' Advisory Council (PWSRCAC) is certified as the program for Prince William Sound. Cook Inlet Regional Citizens' Advisory Council was established for Alaska's Cook Inlet region. Many people involved in the establishment of the Prince William Sound council also actively promoted citizen involvement provisions in OPA 90.

These oversight groups are designed to promote partnership and cooperation among local citizens, industry, and government, and to provide citizen oversight of environmental compliance by oil terminals and tankers.



TOP: Oil remaining on the Exxon Valdez *is transferred to another vessel. (NOAA photo)*

CENTER and BOTTOM: Commercial fishermen removed buckets of oil by hand from Knight Island in Prince William Sound during the Exxon Valdez *oil spill clean-up effort. (Photos by Tom Copeland)*

Workers used high-pressure, hot-water washing to clean an oiled shoreline in Prince William Sound after the 1989 Exxon Valdez *oil spill. (NOAA photo)*

see also:
www.pwsrcac.org/about/index.html
www.pwsrcac.org/docs/d0000200.pdf

Prince William Sound Regional Citizens' Advisory Council ~ *Citizens promoting environmentally safe operation of the Alyeska terminal and associated tankers.*

VALDEZ: PO Box 3089 / 130 S. Meals, Ste. 202, Valdez AK 99686 ~ toll-free: 877.478.7221 ph: 907.834.5000 fax: 907.835.5926
ANCHORAGE: 3709 Spenard Rd., Ste. 100, Anchorage, AK 99503 ~ toll-free: 800.478.7221 ph: 907.277.7222 fax: 907.277.4523

www.pwsrcac.org ~ see other PWSRCAC fact sheets at www.pwsrcac.org/resources/factsheet.html

Donna Schantz

From: Donna Schantz
Sent: Thursday, March 05, 2009 1:41 PM
To: Lawn, Dan; Stephens, Stan
Cc: Jacquelyn Olson
Subject: Tanker saves in PWS

Here's the list of tanker saves in PWS that Chris Jones put together last fall. Joel is working to make sure all incidents are captured. Do either of you remember any other incidents?

1. July 10, 2001- *Chevron Mississippi* nearly collides with the F/V *Orion* due to communication failure in the Valdez Narrows.

2. Oct 10 2002- *Kenai* is outbound near Schooner rocks in Hinchinbrook Entrance, suffers propulsion trouble, tanker master calls for tug assistance, then shuts down engines.

3. November 10, 1995- *Kenai* suffers near grounding at Middle Rock in the Valdez Narrows after the vessel strayed out of the shipping lanes and came to within ½ ship length of grounding.

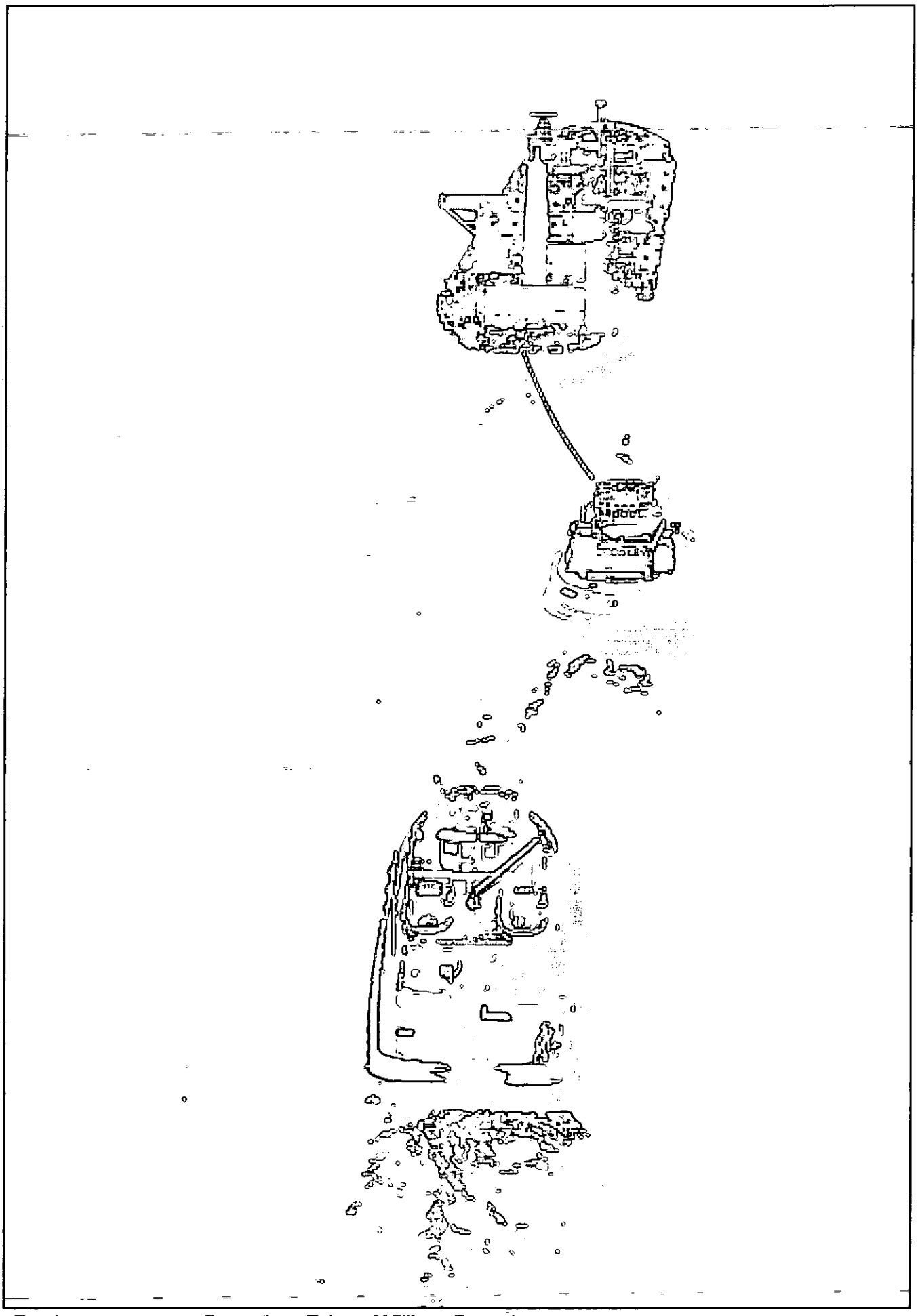
4. October 20, 1992- *Kenai* experiences propulsion trouble and drifts to within 100 yards of Middle Rock before tug saves tanker and brings back on course.

5. March 4, 1992- *Exxon North Slope* suffers propulsion problem, upon entering the Sound is escorted to Knowles Head anchorage.

6. September 20, 1989- *BP Atigun Pass* loses power near Bligh Reef, escort vessel holds tanker in shipping lanes until power is regained.

7. July 31st 1989- *Mobil Arctic* suffered gyrocompass failure, requested help from escort vessel because fog had caused master to lose his bearings.

Donna Schantz
Acting Executive Director
Prince William Sound Regional Citizens' Advisory Council
130 S. Meals Suite 202 / P.O. Box 3089
Valdez, AK 99686
ph: 907-834-5000
www.pwsrcac.org



Dual tug escort configuration, Prince William Sound

4977 Photo courtesy of Alyeska Pipeline Service Co.

Representative Alan Austerman

Alaska State Legislature

MEMORANDUM

To: Representative Craig Johnson, Co-Chair
Representative Mark Neuman, Co-Chair
House Resources Committee

From: Representative Alan Austerman

Date: February 27, 2009

RE: House Joint Resolution 19—Request for Hearing

House Joint Resolution 19 is a resolution recognizing the 20th anniversary of the Exxon Valdez oil spill and supporting the continued practice of accompanying each oil tanker through Prince William Sound with at least a two vessel escort.

I am requesting a hearing for HJR 19 at your earliest convenience. Attached you will find a copy of HJR19. I have also provided my sponsor summary. I will provide additional backup as it becomes available.

Please let Erin Harrington of my staff know if there is anything else we can provide. Thank you for your consideration.

~ Representing Alaska State House District 36 ~
Akhiok | Igiugig | Iliamna | Karluk | Kodiak | Kokhanok | Larsen Bay | Levelock
Newhalen | Nondalton | Old Harbor | Ouzinkie | Pedro Bay | Port Alsworth | Port Lions

HJR

21

HOUSE COMMITTEE REPO

(9)

Date Referred to Committee: March 12, 2009 **FURTHER REFERRALS:**

Date of Committee Action: 18 Mar 2009

The RESOURCES Committee considered: **HOUSE JOINT RESOLUTION NO. 21**

Requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program license holder to participate in the Pacific cod fisheries in the Gulf of Alaska.

HJR 21 GROUNDFISH FISHERIES LICENSES

Recommends it be replaced with [ ] HCS *or* **[ ] CS** *for* _____ (_____)

For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero
H.FSH				✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	Olson	✓			
	Edgmon			X	
	Guttenberg			X	
	Ivck	✓			
	SEATON	✓			
	WILSON	✓			
Chair:	Neuman	✓			
Chair:	Johnson	✓			

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Representative Alan Austerman

Alaska State Legislature

Representative_Alan_Austerman@legis.state.ak.us

Session:
State Capitol, Room 434
Juneau, Alaska 99801
(907) 465-2487 | (800) 865-2487
(907) 465-4956 (fax)

Interim:
305 Center Ave, Suite 1
Kodiak, Alaska 99615
(907) 486-8872
(907) 486-5264 (fax)

SPONSOR STATEMENT

HOUSE JOINT RESOLUTION 21

House Joint Resolution 21 requests the North Pacific Fishery Management Council (NPFMC) to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program (LLP) license holder to participate in the Pacific cod fixed gear fisheries in the Gulf of Alaska. It also supports the continuation of the existing LLP program for groundfish in the Gulf of Alaska, and supports a policy of broad participation in the harvest of marine resources in the Gulf of Alaska.

The NPFMC is the federal regulatory body that oversees management of the federal fisheries off the coast of Alaska, in the area from 3 to 200 miles from shore. The NPFMC is currently considering regulatory action that would create and require Pacific cod "endorsements" on Gulf of Alaska fixed gear license limitation program (LLP) licenses in order to harvest the Pacific cod resource. (In this proposed action, "fixed gear" includes pot and longline gear types.) These endorsements would be placed on only those LLPs that have been used in a specific range of recent years. LLPs without Pacific cod endorsements could not be used to fish for Pacific cod. This action renders those LLPs functionally useless and valueless to their owners and increases the barriers for re-entry or new entrance into the Pacific cod fisheries. Of the LLPs that would be impacted by this action, more than 60% are estimated to be owned by Alaska residents.

Pacific cod is among the most important of the fishery resources harvested in federal waters in the Gulf of Alaska. Pacific cod is harvested by four different gear types, and on vessels ranging in size from very small (<30 feet) to relatively large (>100 feet). The greatest number of vessels harvesting Pacific cod in the Gulf of Alaska use pot, longline or jig gear, and the vast majority of these vessels are ≤60 feet in length. This is the core of the coastal Alaska resident fleet in the Gulf of Alaska. Pacific cod are also harvested using trawl gear.

The creation and requirement of Pacific cod endorsements for participation in federal Pacific cod fisheries in the Gulf of Alaska would create significant barriers for new entrants to Alaska's commercial fisheries, and for re-entrance by fishermen who did not participate in a specific range of qualifying years. It would also impact a group of recent fishery entrants who made their fishery investments *after* the qualifying years. Impacted individuals would include young Alaskans and enterprising crewmen looking to advance into ownership positions in the industry.

This action is also likely to lead to consolidation of the fishing fleet and concentration of LLP ownership in fewer hands. Expected results of this action would include consolidation of the Gulf of Alaska Pacific cod fixed gear fleet, fewer crew jobs, less demand for support sector services in Alaska's coastal communities, and increased costs of entry into Gulf of Alaska fisheries.

In absence of a biological concern for resource sustainability, it is important to maintain fisheries with relatively low entry barriers to encourage and allow the entrance of the next generation of fishermen into Alaska's fisheries. While HJR21 carries no legal force, it put the Alaska Legislature on record as supporting a policy of broad participation in Gulf of Alaska groundfish fisheries.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HJR 21
(H) Publish Date: 3/12/2009

Identifier (file name): 26-LS0668\E
Title: GROUNDFISH FISHERIES LICENSES
Sponsor: Representative Alan Austerman
Requester: House Fisheries Committee

Dept. Affected:
RDU
Component
Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: House Fisheries Committee
Phone 907-465-4451
Division
Date/Time 3/10/2009 10:00 a.m.
Approved by: Representative Bryce Edgmon, Chair, House Fisheries Committee
Date 3/10/2009

(Revised 9/10/2008 OMB)

North Pacific Fishery Management Council, December 2008
C-2(a) Gulf of Alaska Fixed Gear Recency Motion

The Council directed staff to develop an analysis based upon the following purpose and need statement, components, and options for initial public review. Final action is scheduled for April 2009.

C-2(a) Gulf of Alaska Fixed Gear Recency

Western GOA and Central GOA Pacific cod fisheries are subject to intense competition, particularly during the A season, when fish are aggregated and of highest value. Competition among fixed gear participants in the Western GOA and Central GOA Pacific cod fisheries has increased for a variety of reasons, including increased market value of Pacific cod products, a declining ABC/TAC, increased participation by harvesters displaced from other fisheries and introduction of capital that has been accrued from participation in rationalized fisheries. Additionally, fishery policies have created incentives that encourage non-traditional efficiency improvements for the less than 60 ft LOA vessel class. The possible future entry of latent effort and disproportionate vessel efficiency would have detrimental effects on LLP holders that have exhibited participation in, and dependence on, the fixed gear Pacific cod fisheries. Many fixed gear vessel owners have made significant investments, have long catch histories, and are dependent on the Western GOA and Central GOA Pacific cod resources. These long-term participants need protection from those who have little or no recent history and who have the ability to increase their participation in the Pacific cod fisheries. At the same time, retaining Federal waters opportunities for small community quota eligible (CQE) communities dependent on access to a range of fishery resources and expanding opportunities in Federal waters for small capacity jig operations is valued to promote community protections at a level that imposes minimal impact on historic catch shares of recent participants.

The intent of the proposed amendment is to prevent the future entry or re-entry of latent fixed gear groundfish fishing capacity that has not been utilized in recent years into the Pacific cod fisheries, and to preserve the traditional vessel operational efficiencies within the fisheries. This requires prompt action to promote stability in the fixed gear sectors of the GOA Pacific cod fisheries, and is expected to be implemented concurrently with the division of GOA Pacific cod among sectors which is currently under consideration. However, this action cannot address continued growth in the waters managed by the State of Alaska.

ALTERNATIVE 1.

No Action. No changes would be made to the current License Limitation Program.

ALTERNATIVE 2.

Add non-severable gear-specific Pacific cod endorsements to fixed gear licenses. Pacific cod endorsements would limit entry into the directed Pacific cod fisheries in Federal waters in the Western and Central Gulf of Alaska.

Component 1— Areas included

Western Gulf
Central Gulf (current LLP endorsement includes West Yakutat)

- Different options may be applied to each management area.

Component 2— Identify and define sectors

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The sector definitions for awarding Pacific cod endorsements may be different from those used for the GOA Pacific cod sector split action. The purpose of sector definitions in this action is to allow the Council to select different catch thresholds for the different gear types, operation types, and vessel lengths. Individual licenses may qualify for any combination of a jig, hook-and-line, and pot endorsement if the license meets the respective threshold(s) for the appropriate gear type, operation type, and vessel length.

- Hook-and-line CP
  Option: Hook-and-line CP ≥125
  Hook-and-line CP <125
- Hook-and-line CV
  Option: Hook-and-line ≥60
  Hook-and-line <60
- Pot CP
- Pot CV
  Option: Pot CV ≥60
  Pot CV <60
- Jig
  Exempt vessels using jig gear from the LLP requirement (including the Pacific cod endorsement requirement) that use a maximum of 5 jigging machines, 5 lines, and 30 hooks per line or one line of 150 hooks.

Option: Exempt vessels participating with fixed gear in the Western GOA B season directed Pacific cod fishery from the Pacific cod endorsement requirement.
Suboption: Exempt vessels using pot gear only.

Component 3 – Qualifying years

Option 1: 2000-2006
Option 2: 2002-2006
Option 3: Add the qualifying period January 1, 2007 through:
Suboption 1: June 4, 2008
Suboption 2: December 8, 2008

- Either of these suboptions will be selected in addition to one of the qualifying periods in Option 1 or Option 2.

  Suboption 3: If an LLP license qualifies only when the supplemental range of years in Suboption 1 or Suboption 2 is included, any Pacific cod endorsements granted to licenses under these suboptions would be extinguished upon transfer of the LLP license to another vessel or owner.

- If a GOA hook-and-line catcher processor LLP license holder was a voluntary non-participant in the Freezer Longliner Coalition informal PSC co-op efforts of 2006, 2007, or 2008, and does not qualify under Component 3, Options 1, 2, or 3, the LLP would not be extinguished. If Pacific cod endorsements are a result of this action in the GOA hook-and-line CP sector, the LLP would receive a Pacific cod endorsement.

4985

Component 4 – Catch thresholds

Thresholds shall be based on legally retained catch in the aggregate during all of the qualifying years in the Federal and parallel fisheries (excluding IFQ catch). Separate and distinct thresholds may be determined for each defined sector.

Option 1: All directed Pacific cod 1, 3, or 5 landings (resulting in a Pacific cod endorsement)
Option 2: All directed Pacific Cod 5, 10, 25, or 100 mt (resulting in a Pacific cod endorsement)

Option: Hardship provision. A GOA fixed gear LLP holder who had 5 or more Pacific cod landings in 1999, but had a vessel on which the LLP was used sink in 1999 or 2000, shall be credited with qualifying history so as to obtain a Pacific cod endorsement.

Directed Pacific cod catch is defined as landings made when the directed Pacific cod fisheries are open. For purposes of catch accounting, licenses are credited with deliveries or processing activity recorded up to 7 days after the directed season closes.

Component 5 – Stacked license provisions

Where there are multiple LLPs registered to a single vessel, also known as 'stacking' of LLPs, groundfish harvest history will be fully credited to all stacked licenses, each carrying its own qualifying endorsements and designations.

Component 6 – Capacity/efficiency limits to CV and CP fixed gear LLPs

Add a width restriction (efficiency restriction) on each CV and CP fixed gear LLP license that is eligible to access Pacific cod under this action. The width restriction would be 1 ft of width for each 3 ft of length, and is based on the LOA of the vessel assigned to the license on December 8, 2008. The licenses that are assigned to vessels on December 8, 2008 that exceed the width restriction will be grandfathered at their present LOA. For vessels under construction on December 8, 2008, the width restriction for the license shall be equal to the vessel width upon completion. Vessels would be required to report width measurements to RAM.

Option: Add a simple gross tonnage maximum to licenses.

Component 7 – CQE community resident exemption

CQE community residents currently holding latent, non-qualifying, LLP permits shall retain their LLP and area endorsement(s) and be exempt from the Pacific cod endorsement requirement. A hook-and-line or pot gear endorsement shall be made through (a) a one-time designation at the time the endorsement is issued or (b) designated at the time the first Pacific cod landing is made based on the gear type used. The CQE community resident's LLP, shall not be leased, and can only be transferred to an individual who has lived continuously in the permit holder's CQE community for 24 consecutive months prior to the transfer and who intends to remain a resident of the community. Residency shall be affirmed annually upon renewal. If a CQE community LLP holder with a restricted transfer LLP is no longer a resident of the CQE community or dies without a designated qualified LLP community beneficiary, the community CQE shall designate a qualified individual in the CQE community to hold the restricted transfer LLP.

4986

Option: Restrict exemption to LLPs with a MLOA endorsement less than 60 feet.

Additional information requested

- Additional information on the number of identical stacked licenses that meet the catch thresholds (Component 5).
- Additional information on possible approaches to identifying a maximum length to width ratio or maximum simple gross tonnage for purposes of adding a capacity endorsement to licenses (Component 6).

Representative Alan Austerman

Alaska State Legislature

MEMORANDUM

To: Representative Craig Johnson, Co-Chair
Representative Mark Neuman, Co-Chair
House Resources Committee

From: Representative Alan Austerman

Date: February 27, 2009

RE: House Joint Resolution 21—Request for Hearing

House Joint Resolution 21 is a resolution requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program license holder to participate in the Pacific cod fisheries in the Gulf of Alaska.

Pending referral by House Fisheries Committee, I am requesting a hearing for HJR 21 at your earliest convenience. Attached you will find a copy of HJR21. I have also provided my sponsor summary, and the relevant motion from the North Pacific Fishery Management Council (December 2008). Please note that the proposed action that this resolution addresses is scheduled for action at an NPFMC meeting that begins March 30. Time is therefore important in the consideration of this resolution.

I will provide additional backup as it becomes available. Please let Erin Harrington of my staff know if there is anything else we can provide. Thank you for your consideration.

~ Representing Alaska State House District 36 ~
Akhiok | Igiugig | Iliamna | Karluk | Kodiak | Kokhanok | Larsen Bay | Levelock
Newhalen | Nondalton | Old Harbor | Ouzinkie | Pedro Bay | Port Alsworth | Port Lions

PUBLIC REVIEW

DRAFT

ENVIRONMENTAL ASSESSMENT/REGULATORY IMPACT REVIEW/
INITIAL REGULATORY FLEXIBILITY ANALYSIS

for a Proposed Amendment to the
Fishery Management Plan for Groundfish
of the GOA Management Area
to

ADD PACIFIC COD ENDORSEMENTS TO WESTERN AND CENTRAL GOA FIXED GEAR LLP LICENSES

Prepared by staff of the
North Pacific Fishery Management Council
605 W. 4th Avenue, #306
Anchorage Alaska 99501

March 3, 2009

DEFINITIONS AND ASSUMPTIONS FOR THE GOA PACIFIC COD ENDORSEMENT FMP AMENDMENT ANALYSIS

The following list provides definitions for a list of selected words or phrases used in the analysis:

- An **LLP license** is held by a person, and not by a vessel. NOAA Fisheries requires license owners to assign a vessel to the license before it can be used in a fishery subject to the LLP. Licenses may be transferred to a different vessel or owner once per calendar year (Jan 1- Dec 31). The LLP license must be physically on board the vessel when it is engaged in activities authorized by the license.
- **Area Endorsements** – Each license carries one or more area endorsements authorizing entry into fisheries in those management areas (Bering Sea, Aleutian Islands, Western GOA, Central GOA, and Southeast). For purposes of the LLP, the Central GOA area endorsement also allows vessels to fish in West Yakutat.
- **Gear Designation**- Each license carries a non-trawl and/or trawl gear designation which authorizes the license to fish using the designated gear type.
- **Landing** – For purposes of this analysis, a catcher vessel landing includes any LLP groundfish species landed during one calendar day. State waters and IFQ catch is not counted toward qualifying catch. Catcher vessel harvests are based upon ADFG Fish tickets. A catcher processor landing includes any groundfish landed during a one week interval, because catcher processor landings are based upon Blend and Catch Accounting data and are only specific to a week ending date.
- **MLOA designation** – Each license carries a maximum length overall (LOA) designation, limiting the length of the vessel that may use the license.
- **Non-severability** – The endorsements and designations on a license are non-severable and only transfer with the license.
- **Non-Trawl** – A license was assigned a non-trawl designation if fixed gear was used to harvest groundfish from a qualifying fishery during the period beginning January 1, 1988 through June 17, 1995 (§679(k)(3)(iv)(D)).
- **Operation-type designation** – Each license carries a designation for either catcher processor or catcher vessel operation. A catcher processor may choose to operate as a catcher vessel, delivering its catch shoreside or to a floating processor.
- **Trawl/non-trawl** – A license was assigned both a trawl and non-trawl gear designation if both gear types were used to harvest groundfish by the qualifying vessel during the period beginning January 1, 1988 through June 17, 1995 (§679(k)(3)(iv)(B)).
- **Trawl** – A license was assigned a trawl gear designation if trawl gear was used to harvest groundfish from by the qualifying vessel during the period beginning January 1, 1988 through June 17, 1995 (§679(k)(3)(iv)(C)).

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EXECUTIVE SUMMARY

This EA/RIR/IRFA examines the environmental, economic, and socioeconomic aspects of the proposed action to revise the groundfish License Limitation Program (LLP). The proposed action would add Pacific cod endorsements to Western and Central GOA fixed gear licenses. Licenses would be required carry a Pacific cod endorsement, in addition to the appropriate area endorsement, to participate in the directed Pacific cod fisheries in the Western and Central GOA. The action would result in an amendment to the GOA Fisheries Management Plan (FMP).

Competition among fixed gear participants in the Western and Central GOA Pacific cod fisheries has intensified in recent years, and long-term participants are concerned about the potential for latent fixed gear licenses to re-enter the fisheries. The proposed amendment would address this concern by limiting entry to the Pacific cod fishery to fixed gear licenses that have participated in recent years and qualify for a Pacific cod endorsement. This action may enhance stability in the GOA Pacific cod fisheries, reduce competition among fixed gear participants, and protect historic catch shares of participants. In the absence of this action, future entry of latent effort into the Western and Central GOA Pacific cod fisheries could further intensify competition among fixed gear participants and erode catch shares of long-term participants.

To address these concerns, the Council adopted the following problem statement:

GOA Fixed Gear Recency Purpose and Need Statement

Western GOA and Central GOA Pacific cod fisheries are subject to intense competition, particularly during the A season, when fish are aggregated and of highest value. Competition among fixed gear participants in the Western GOA and Central GOA Pacific cod fisheries has increased for a variety of reasons, including increased market value of Pacific cod products, a declining ABC/TAC, increased participation by harvesters displaced from other fisheries and introduction of capital that has been accrued from participation in rationalized fisheries. Additionally, fishery policies have created incentives that encourage non-traditional efficiency improvements for the less than 60 ft LOA vessel class. The possible future entry of latent effort and disproportionate vessel efficiency would have detrimental effects on LLP holders that have exhibited participation in, and dependence on, the fixed gear Pacific cod fisheries. Many fixed gear vessel owners have made significant investments, have long catch histories, and are dependent on the Western GOA and Central GOA Pacific cod resources. These long-term participants need protection from those who have little or no recent history and who have the ability to increase their participation in the Pacific cod fisheries. At the same time, retaining Federal waters opportunities for small community quota eligible (CQE) communities dependent on access to a range of fishery resources and expanding opportunities in Federal waters for small capacity jig operations is valued to promote community protections at a level that imposes minimal impact on historic catch shares of recent participants.

The intent of the proposed amendment is to prevent the future entry or re-entry of latent fixed gear groundfish fishing capacity that has not been utilized in recent years into the Pacific cod fisheries, and to preserve the traditional vessel operational efficiencies within the fisheries. This requires prompt action to promote stability in the fixed gear sectors of the GOA Pacific cod fisheries, and is expected to be implemented concurrently with the division of GOA Pacific cod among sectors which is currently under consideration. However, this action cannot address continued growth in the waters managed by the State of Alaska.

Alternatives, Components, and Options

There are two alternatives currently under consideration:

Alternative 1 (no action) would not make any changes to the current License Limitation Program.

Alternative 2 would add Pacific cod endorsements to fixed gear licenses, which would limit entry into the directed Pacific cod fisheries in Federal waters in the Western and Central GOA. Alternative 2 includes the following Components and Options:

Component 1— Management areas included

Western GOA
Central GOA (current LLP endorsement includes West Yakutat)

- Different options may be applied to each management area.

Component 2— Identify and define sectors

The sector definitions for awarding Pacific cod endorsements may be different from those used for the GOA Pacific cod sector split action. The purpose of sector definitions in this action is to allow the Council to select different catch thresholds for the different gear types, operation types, and vessel lengths. Individual licenses may qualify for any combination of a jig, hook-and-line, and pot endorsement if the license meets the respective threshold(s) for the appropriate gear type, operation type, and vessel length.

- Hook-and-line CP
  Option: Hook-and-line CP ≥125
  Hook-and-line CP <125
- Hook-and-line CV
  Option: Hook-and-line ≥60
  Hook-and-line <60
- Pot CP
- Pot CV
  Option: Pot CV ≥60
  Pot CV <60
- Jig
  Exempt vessels using jig gear from the LLP requirement (including the Pacific cod endorsement requirement) that use a maximum of 5 jigging machines, 5 lines, and 30 hooks per line or one line of 150 hooks.

Option: Exempt vessels participating with fixed gear in the Western GOA B season directed Pacific cod fishery from the Pacific cod endorsement requirement.
Suboption: Exempt vessels using pot gear only.

Component 3 – Qualifying years

Option 1: 2000-2006
Option 2: 2002-2006
Option 3: Add the qualifying period January 1, 2007 through:
Suboption 1: June 4, 2008
Suboption 2: December 8, 2008

- Either of these suboptions will be selected in addition to one of the qualifying periods in Option 1 or Option 2.

Suboption 3: If an LLP license qualifies only when the supplemental range of years in Suboption 1 or Suboption 2 is included, any Pacific cod endorsements granted to licenses under these suboptions would be extinguished upon transfer of the LLP license to another vessel or owner.

- If a GOA hook-and-line catcher processor LLP license holder was a voluntary non-participant in the Freezer Longliner Coalition informal PSC co-op efforts of 2006, 2007, or 2008, and does not qualify under Component 3, Options 1, 2, or 3, the LLP would not be extinguished. If Pacific cod endorsements are a result of this action in the GOA hook-and-line CP sector, the LLP would receive a Pacific cod endorsement.

Component 4 – Catch thresholds

Thresholds shall be based on legally retained catch in the aggregate during all of the qualifying years in the Federal and parallel fisheries (excluding IFQ catch). Separate and distinct thresholds may be determined for each defined sector.

Option 1: All directed Pacific cod 1, 3, or 5 landings (resulting in a Pacific cod endorsement)
Option 2: All directed Pacific Cod 5, 10, 25, or 100 mt (resulting in a Pacific cod endorsement)

Option: Hardship provision. A GOA fixed gear LLP holder who had 5 or more Pacific cod landings in 1999, but had a vessel on which the LLP was used sink in 1999 or 2000, shall be credited with qualifying history so as to obtain a Pacific cod endorsement.

Directed Pacific cod catch is defined as landings made when the directed Pacific cod fisheries are open. For purposes of catch accounting, licenses are credited with deliveries or processing activity recorded up to 7 days after the directed season closes.

Component 5 – Stacked license provisions

Where there are multiple LLPs registered to a single vessel, also known as 'stacking' of LLPs, groundfish harvest history will be fully credited to all stacked licenses, each carrying its own qualifying endorsements and designations.

Component 6 – Capacity/efficiency limits to CV and CP fixed gear LLPs

Add a width restriction (efficiency restriction) to each CV and CP fixed gear LLP license that is eligible to access Pacific cod under this action. The width restriction would be 1 ft of width for each 3 ft of length, and is based on the LOA of the vessel assigned to the license on December 8, 2008. The licenses that are assigned to vessels on December 8, 2008 that exceed the width restriction will be grandfathered at their present LOA. For vessels under construction on December 8, 2008, the width restriction for the license shall be equal to the vessel width upon completion. Vessels would be required to report width measurements to RAM.

Option: Add a simple gross tonnage maximum to licenses.

Component 7 – CQE community resident exemption

CQE community residents currently holding latent, non-qualifying, LLP permits shall retain their LLP and area endorsement(s) and be exempt from the Pacific cod endorsement requirement. A hook-and-line

or pot gear endorsement shall be made through (a) a one-time designation at the time the endorsement is issued or (b) designated at the time the first Pacific cod landing is made based on the gear type used. The CQE community resident's LLP shall not be leased, and can only be transferred to an individual who has lived continuously in the permit holder's CQE community for 24 consecutive months prior to the transfer and who intends to remain a resident of the community. Residency shall be affirmed annually upon renewal. If a CQE community LLP holder with a restricted transfer LLP is no longer a resident of the CQE community or dies without a designated qualified LLP community beneficiary, the community CQE shall designate a qualified individual in the CQE community to hold the restricted transfer LLP.

Option: Restrict the exemption to LLPs with a MLOA designation of less than 60 feet.

Expected Effects of the Alternatives

This section provides an overview of the expected effects of the proposed action to add Pacific cod endorsements to Western and Central GOA fixed gear groundfish licenses. The tables show the number of fixed gear groundfish licenses that will be eligible to participate in the directed Pacific cod fisheries in Western and Central GOA under the various components and options. The EA/RIR/IRFA for the proposed action includes a discussion of the potential economic and socioeconomic effects which may occur as a result of the proposed action. In that document, effects on harvesters, processors, and communities are analyzed, followed by a description of the cumulative effects of the proposed amendment and other recent actions, and an analysis of the net benefits to the Nation.

Alternative 1 – No Action

Under the no action alternative, Pacific cod endorsements would not be added to Western and Central GOA fixed gear groundfish licenses. As a result, there would be no reduction in the number of fixed gear groundfish licenses eligible to participate in the directed Pacific cod fisheries in the Western and Central GOA. If this alternative is selected, fixed gear licenses that have not participated in the Western and Central GOA Pacific cod fisheries in recent years could enter the fisheries in the future and dilute revenues, increase costs, or both, for licenses with recent participation in the fisheries. Increased participation may result in negative economic impacts to current participants in the fisheries. The number of licenses that might enter the fisheries in the absence of this action is unknown, and depends on future market conditions, the size of Pacific cod TACs, opportunities to participate in other fisheries, the future regulatory environment, and operating costs in the fisheries. Consequently, this analysis does not provide a quantitative estimate of the potential economic impacts of the no action alternative.

Current number of fixed gear groundfish licenses

The number of fixed gear licenses with Western and Central GOA endorsements is reported by operation type and maximum length overall (MLOA) in Table 3-22. The table also indicates the number of licenses that have other area endorsements in addition to a Western or Central GOA endorsement. There are 883 fixed gear catcher vessel licenses with Central GOA endorsements and 264 fixed gear catcher vessel licenses with Western GOA endorsements. Most of these licenses may only be used on vessels less than 60 feet LOA. Fewer than 25% of catcher vessel licenses with Central GOA endorsements also have BSAI or Western GOA endorsements. In contrast, more than half of catcher vessel licenses with Western GOA endorsements also have BSAI or Central GOA endorsements. There are 49 Central GOA and 31 Western GOA CP licenses, and the majority of these licenses also carry BSAI endorsements. Only a small number of catcher processor licenses are restricted for use on vessels less than 60 feet LOA. This is

the universe of fixed gear licenses that would continue to have access to the directed Pacific cod fisheries in the Western and Central GOA in the absence of the proposed amendment.

Table E-1 Number of GOA fixed gear LLP licenses with each area endorsement, operation type, MLOA, and gear designation.

	Number of endorsements		Licenses that also have an endorsement (or designation) for:					
	All licenses	Licenses with MLOA <60 feet	Central Gulf	Western Gulf	Aleutian Islands	Bering Sea	Southeast Outside	Trawl
Central Gulf CV	883	702	--	175	61	159	178	114
Central Gulf CP	49	5	--	27	41	45	5	8
Western Gulf CV	264	154	175	--	62	157	42	78
Western Gulf CP	31	1	27	--	30	31	3	4

Source: NMFS RAM groundfish license file, December 2008.

Alternative 2 – Add Pacific cod endorsements to licenses

This section describes the impacts of the proposed action on the universe of fixed gear licenses that are currently eligible to participate in the directed Pacific cod fisheries in Federal waters of the Western and Central GOA. The proposed action would add Pacific cod endorsements to fixed gear licenses. Licenses would be required carry a Pacific cod endorsement, in addition to the appropriate area endorsement, to participate in the directed Pacific cod fisheries in Federal waters of the Western and Central GOA. The action would result in an amendment to the GOA Fisheries Management Plan (FMP).

The tables in this section show the number of fixed gear licenses that meet the various landings and catch thresholds during 2000-2006 and 2002-2006, and also show the additional number of licenses that would qualify if landings during 2007 through either June 4, 2008 or December 8, 2008 are included in addition to landings during 2000-2006 or 2002-2006. Under Component 3, there is a provision that states that one of the qualifying periods included in the suboptions under Option 3 will be selected in addition to either 2000-2006 (Option 1) or 2002-2006 (Option 2). If Suboption 3 is also selected, any license that qualifies for a Pacific cod endorsement only when catch during the supplemental years in Option 3 are included would receive a nontransferable Pacific cod endorsement. The endorsement would be extinguished if the license is transferred to another vessel or owner.

Catcher vessel licenses

The number of fixed gear catcher vessel licenses that meet each landings and catch threshold is reported in Table E-2. The number of licenses that would qualify for a Pacific cod endorsement depends upon the catch definition, landings or catch threshold, and qualification period selected. There are currently 264 Western GOA fixed gear CV licenses, and 54 to 110 of these licenses would qualify for a Pacific cod endorsement. There are 883 Central GOA fixed gear CV licenses, and 110 to 306 of these licenses would qualify for a Pacific cod endorsement. If landings during 2007 through June 4, 2008 or December 8, 2008 are included in addition to landings during one of the qualifying periods under Options 1 or 2, approximately 10% to 15% more CV licenses meet the one landing threshold (see Table 3-23).

The number of licenses that meet each landings and catch threshold based on catch made while using a specific gear type is reported in Table E-3. It is important to note that the gear type columns are not mutually exclusive. Licenses may have qualified landings using more than one fixed gear type, and as a

result, the number of licenses in the columns in Table E-3 may sum to more than the number of qualifying licenses in Table E-2. In the absence of specific gear type endorsements (i.e., pot, hook-and-line, or jig endorsements), these licenses could continue to fish in the directed Pacific cod fisheries using any fixed gear type. The Council could choose different catch or landings thresholds for different gear types and MLOA size class to account for differences in catch history among licenses in each sector. There are additional tables in Chapter 3 of this document that report the number of licenses in each gear type and MLOA size class that meet the various landings and catch thresholds.

Under the current set of landings and catch thresholds, the number of gear-specific Pacific cod endorsements that would be added to fixed gear catcher vessel licenses includes:

Central GOA

- 68 to 202 hook-and-line endorsements
- 42 to 124 pot endorsements
- 0 to 24 jig endorsements

Western GOA

- 0 to 14 hook-and-line endorsements
- 54 to 96 pot endorsements
- 0 to 12 jig endorsements

Table E-2 Number of fixed gear catcher vessel licenses that meet the landings and catch thresholds based on landings in the Western or Central GOA directed Pacific cod fisheries.

Western GOA – 264 CV licenses

Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	110	106	93	101	96	82
3 landings	100	95	83	95	90	76
5 landings	91	87	74	86	82	68
5 mt	105	100	85	99	94	77
10 mt	97	93	79	93	89	73
25 mt	91	88	74	85	82	66
100 mt	68	63	55	68	63	54

Central GOA – 883 CV licenses

Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	306	297	269	245	234	198
3 landings	272	266	240	220	215	179
5 landings	249	246	219	203	200	164
5 mt	273	267	237	222	216	180
10 mt	255	250	223	210	205	171
25 mt	221	220	190	189	188	154
100 mt	171	169	151	142	139	110

Source: ADFG Fish Tickets (2000-2007), NMFS Catch Accounting (2008) and RAM groundfish license file, December 2008.

Table E-3 Number of fixed gear licenses that meet the catch and landings thresholds based on catch using a specific gear type in the Western or Central GOA directed Pacific cod fisheries.

Western GOA licenses - 264 CV licenses

Hook-and-line						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	14	12	7	14	12	7
3 landings	11	8	4	10	7	3
5 landings	9	5	1	9	5	1
5 mt	13	11	6	12	10	5
10 mt	11	9	3	11	9	3
25 mt	9	6	0	9	6	0
100 mt	3	0	0	3	0	0

Jig						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	12	9	9	11	8	8
3 landings	7	7	7	7	7	7
5 landings	5	5	5	5	5	5
5 mt	7	6	6	7	6	6
10 mt	3	3	3	3	3	3
25 mt	*	*	*	*	*	*
100 mt	0	0	0	0	0	0

Pot						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	96	94	83	86	84	72
3 landings	88	87	77	82	81	69
5 landings	82	81	71	76	75	64
5 mt	91	89	78	84	82	69
10 mt	88	86	75	83	81	68
25 mt	82	81	71	76	75	63
100 mt	65	63	55	65	63	54

Source: ADFG Fish Tickets (2000-2007), NMFS Catch Accounting (2008) and RAM groundfish license file, December 2008.
*Withheld for confidentiality.
Note: Gear type columns are not mutually exclusive, and the number of licenses in the columns in Table E-3 may sum to more than the number of qualifying licenses in Table E-2.

Central GOA licenses – 883 CV licenses

Hook-and-line gear						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	202	196	169	161	154	123
3 landings	177	172	149	142	138	111
5 landings	157	155	133	125	123	98
5 mt	180	176	149	145	141	112
10 mt	162	159	135	133	130	104
25 mt	134	134	112	116	116	94
100 mt	96	94	84	84	81	68

Jig						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	24	22	19	20	18	15
3 landings	10	10	9	7	7	6
5 landings	9	9	7	7	7	5
5 mt	9	8	7	8	7	6
10 mt	4	4	4	4	4	4
25 mt	*	*	0	*	*	0
100 mt	0	0	0	0	0	0

Pot						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	124	120	111	94	90	78
3 landings	109	106	100	85	82	70
5 landings	98	98	91	78	78	66
5 mt	109	106	99	85	82	72
10 mt	106	103	96	83	80	69
25 mt	93	91	83	76	74	62
100 mt	75	75	66	59	59	42

Source: ADFG Fish Tickets (2000-2007), NMFS Catch Accounting (2008) and RAM groundfish license file, December 2008.
*Withheld for confidentiality.
Note: Gear type columns are not mutually exclusive, and the number of licenses in the columns in Table E-3 may sum to more than the number of qualifying licenses in Table E-2.

Catcher processor licenses

The number of catcher processor licenses that meet the various landings and catch thresholds is reported in Table E-4. There are 31 Western GOA catcher processor licenses, and 19 to 24 licenses meet the 1 landing threshold during the qualifying periods in Options 1 through 3, and would qualify for a Pacific cod endorsement. The majority of Western GOA licenses that have catch history during the various qualifying periods also meet the highest catch threshold (100 mt) and landings threshold (5 landings). Three licenses qualified only when catch through December 2008 was included. There are 49 Central GOA licenses, and 12 to 21 licenses meet the 1 landing threshold during the qualifying periods in Options 1 through 3 and would qualify for a Pacific cod endorsement. In general, a smaller proportion of Central GOA CP licenses that meet the one landing threshold also meet the highest catch and landings thresholds. There were 7 licenses that qualified only when catch (at the 1 landing threshold) through December 2008 was included.

The number of catcher processor licenses that would qualify for gear-specific Pacific cod endorsements includes:

Western GOA

- 14 to 22 hook-and-line catcher processor endorsements
- Up to 5 pot catcher processor endorsements
- 3 licenses have both hook-and-line and pot landings

Central GOA

- 7 to 18 hook-and-line catcher processor endorsements
- Up to 4 pot catcher processor endorsements
- 1 license has both hook-and-line and pot landings

Table E-4 Number of fixed gear catcher processor licenses qualifying under various landings and catch thresholds based on catch in the Western and Central GOA directed Pacific cod fisheries.

Western GOA – 31 CP licenses

All gear						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	24	22	21	23	21	19
3 landings	24	21	20	22	19	17
5 landings	20	19	18	18	17	16
5 mt	23	21	20	22	20	18
10 mt	22	20	19	21	19	17
25 mt	21	20	19	20	19	17
100 mt	18	18	*	*	*	*

Hook-and-line gear						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	22	19	18	20	17	16
3 landings	21	17	16	20	16	14
5 landings	17	15	15	16	14	13
5 mt	21	18	17	19	16	15
10 mt	20	17	16	18	15	14
25 mt	18	16	15	17	15	14
100 mt	16	15	15	15	14	14

Pot gear						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	5	5	5	4	4	3
3 landings	5	5	5	3	3	3
5 landings	4	4	3	3	3	3
5 mt	5	5	5	4	4	3
10 mt	5	5	5	4	4	3
25 mt	5	5	5	4	4	3
100 mt	4	4	*	*	*	*

Source: Catch Accounting/Blend data and RAM LLP license file, December 2008. *Withheld for confidentiality.
Note: Gear type columns are not mutually exclusive, because some licenses have catch history using more than one gear type. The number of licenses in the gear columns may sum to more than the total number of licenses qualifying.

Central GOA – 49 CP licenses

	All gear					
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	21	21	14	19	19	12
3 landings	18	18	12	17	17	11
5 landings	14	14	11	12	12	9
5 mt	21	21	14	18	18	*
10 mt	19	19	12	18	18	*
25 mt	18	18	12	17	17	*
100 mt	15	15	*	14	14	*

	Hook-and-line gear					
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	18	18	12	16	16	10
3 landings	15	15	10	14	14	9
5 landings	10	10	8	9	9	7
5 mt	18	18	12	15	15	9
10 mt	16	16	10	15	15	9
25 mt	15	15	10	14	14	9
100 mt	11	11	7	11	11	7

	Pot gear					
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	4	4	3	3	3	2
3 landings	4	4	3	3	3	2
5 landings	4	4	3	3	3	2
5 mt	4	4	3	3	3	*
10 mt	4	4	3	3	3	*
25 mt	4	4	3	3	3	*
100 mt	4	4	*	3	3	*

Source: Catch Accounting/Blend data and RAM LLP license file, December 2008. *Withheld for confidentiality.
Note: Gear type columns are not mutually exclusive, because some licenses have catch history using more than one gear type. The number of licenses in the gear columns may sum to more than the total number of licenses qualifying.

Licenses that only Qualify when 2007 and 2008 Catch History is Included

Under Component 3, Suboption 3 states that if an LLP license qualifies for a Pacific cod endorsement only when the supplemental range of years (Jan 1, 2007 through Jun 4, 2008 or Dec 8, 2008) in Suboption 1 or Suboption 2 of Component 3 are included, any Pacific cod endorsement granted to a license would be extinguished upon transfer of the LLP license to another vessel or owner. Those participants who entered the fishery in 2007 and 2008 would receive a Pacific cod endorsement under Suboption 1 or Suboption 2, and could continue to participate in the fishery. **It is important to note that Suboption 3 currently states that the Pacific cod endorsement would not be transferable to another vessel or owner.**

Designating licenses that qualify under Suboption 1 or Suboption 2 as non-transferable to another vessel or owner could have several effects. First, it would maintain the existing fleet of vessels in the Pacific cod fishery that are currently assigned to licenses that qualify based on 2007 or 2008 catch history. For

example, a high capacity 58 ft LOA vessel could not later be assigned to a license to replace a lower capacity boat that is currently assigned to a license. However, it would also prevent a license holder from replacing a vessel for safety or other considerations. If a boat sinks or otherwise becomes inoperable, the Council may wish to specify vessel replacement provisions for these licenses. If the Council wishes to choose Suboption 3, but to allow the owner to transfer the license to another vessel, **Suboption 3 could be revised so that a license cannot be transferred to another owner, but can be transferred to another vessel.** This would allow license holders to replace the vessel assigned to the license with a different vessel.

There are up to 37 additional Central GOA CV licenses that qualify at the 1 landing threshold when catch from 2000 through Dec 8, 2008 is credited to licenses; 32 of these licenses have an MLOA of <60 ft, and 19 have an MLOA of 58 or 59 ft. There are 17 Western GOA CV licenses that qualify at the 1 landing threshold only when catch history through Dec 8, 2008 is included; 10 licenses have an MLOA of <60 ft, and 7 licenses have an MLOA of 58 or 59 ft.

There are also additional CP licenses that qualify for a Pacific cod endorsement at the 1 landing threshold when catch through Dec 8, 2008 is credited to licenses. Three additional Western GOA licenses and 7 additional Central GOA licenses meet the 1 landing threshold. Most of these licenses have hook-and-line CP landings, and would qualify for a hook-and-line Pacific cod endorsement. There is a comparison of annual participation and revenues in the GOA Pacific cod fisheries and other Alaska fisheries by CV and CP licenses that only qualify when 2007 and 2008 catch is included and licenses that qualify based on 2000-2006 catch in Section 3.6.2 of the EA/RIR/IRFA for the proposed action.

Exemptions from the Pacific cod endorsement requirement

The Council is considering several exemptions from the Pacific cod endorsement requirement, or from the catch thresholds. These exemptions would (1) allow certain types of vessels to participate in the GOA directed Pacific cod fisheries without a Pacific cod endorsement, and (2) exempt some licenses from the catch thresholds, allowing these licenses to qualify for a Pacific cod endorsement even if they do not have qualifying catch. In determining which exemptions will be selected, the Council may wish to consider balancing the objective of creating opportunities for new entry with the need to protect long-term participants from an influx of additional effort into the fisheries. The exemptions currently under consideration include:

- An exemption from the Pacific cod endorsement requirement for vessels using jig gear that use a maximum of 5 jigging machines, 5 lines, and 30 hooks per line or one line of 1ine of 150 hooks.

- An exemption from the Pacific cod endorsement requirement for vessels participating with fixed gear in the Western GOA B season directed Pacific cod fishery. A suboption would exempt only vessels using pot gear.

- An exemption from the catch thresholds for CP licenses that voluntarily stood down from the GOA Pacific cod fisheries during 2006, 2007, or 2008 as part of the informal hook-and-line CP halibut PSC cooperative.

- An exemption from the catch thresholds for licenses held by residents of CQE communities. A suboption would only exempt licenses with an MLOA designation of less than 60 ft.

Each of the proposed exemptions is discussed in Chapter 3 of this document. Additional tables report the number of licenses that would be eligible for the halibut PSC co-op exemption and the CQE exemption.

Potential Range of Outcomes from this Action

Based on the existing set of options, there is a range of possible outcomes from this action:

1. Status quo: No Pacific cod endorsements are added to Western and Central GOA fisheries. All existing fixed gear licenses are eligible to access the directed Pacific cod fisheries.
2. Pacific cod endorsements are added to fixed gear licenses to limit entry to the directed Pacific cod fisheries in the Western and Central GOA.
3. Gear-specific (pot, hook-and-line, and jig) Pacific cod endorsements are added to fixed gear licenses to limit entry to the Western and Central GOA directed Pacific cod fisheries, and to limit access to the proposed Pacific cod sector allocations.

Interactions with Pacific Cod Sector Allocations

In refining the alternatives and options for analysis, the Council may wish to consider interactions between the proposed action to add Pacific cod endorsements to fixed gear licenses and the proposed GOA Pacific cod sector allocations. A comparison of the components and options currently under consideration for the two actions is found Table E-5. The Council is considering options to add Pacific cod endorsements to fixed gear licenses to limit entry into the directed Pacific cod fisheries in the Western and Central GOA. Pacific cod endorsements could also restrict licenses to using the fixed gear type (e.g., pot, hook-and-line, or jig) specified on the endorsement. The gear endorsements could limit access to the Pacific cod sector allocations to ensure that vessels that contributed catch history to the sector allocations have access to those allocations.

Both actions include provisions to increase entry level opportunities in the GOA Pacific cod fisheries. The proposed exemption from the LLP requirement for vessels using jig gear, in tandem with the proposal to provide the jig sector an Pacific cod allocation of more than the sector's historic catch, will provide a substantial increase in opportunity for current as well as new participants in this sector. In addition, the potential for a stairstep increase in the jig allocation, if it is fully harvested, would provide for growth in the jig sector.

Table E-5 A comparison of the components and options included in the proposed GOA Pacific cod sector allocation and GOA fixed gear recency actions.

COMPARISON OF GULF OF ALASKA ACTIONS		
ACTION	**GOA Pacific Cod Sector Allocations**	**GOA Fixed Gear LLP Recency**
PURPOSE OF ACTION	Allocate Western and Central Gulf Pacific cod TACs to the various sectors	Add Pacific cod endorsements to licenses to limit entry to directed Pacific cod fisheries in WG and CG
MANAGEMENT AREAS	Western and Central Gulf of Alaska	Western and Central Gulf of Alaska (CG endorsement also includes West Yakutat)
SECTORS	(1) Hook-and-line CVs Option: Hook-and-line CVs <60 and ?60 Option: Hook-and-line CVs <50 and ?50 (CGOA) (2) Hook-and-line CPs Option: Hook-and-line CPs <125 and ?125 (3) Pot CVs Option: Pot CVs <60 and ?60 (4) Pot CPs (5) Jig (6) Trawl CVs (7) Trawl CPs Option: Combined <60 ft trawl and pot CV (WG only)	(1) Hook-and-line CVs Option: Hook-and-line CVs <60 and ?60 (2) Hook-and-line CPs Option: Hook-and-line CPs <125 and ?125 (3) Pot CVs Option: Pot CVs <60 and ?60 (4) Pot CPs (5) Jig
QUALIFYING CATCH	Retained catch of Pacific cod from parallel and Federal waters State waters catch is excluded	Retained catch from the directed Pacific cod fisheries in parallel and Federal waters State waters and IFQ catch is excluded
QUALIFYING YEARS	(1) 1995-2005: best 5 or 7 years (2) 2000-2006: best 3 or 5 years (3) 2002-2007: best 3 or 5 years (4) 2002-2008: best 3 or 5 years	(1) 2000-2006 (2) 2002-2006 (3) Include 2007-June 4, 2008 or 2007-Dec 8, 2008 in addition to one of the above qualifying periods
LANDINGS THRESHOLDS	None	(1) 1, 3, or 5 landings during qualifying years (2) 5, 10, 25, or 100 mt during qualifying years
JIG	1%, 3%, 5%, or 7% allocation Step up provision (1%) if allocation is 90% harvested during a given year Step down provision if allocation is not 90% harvested during 3 consecutive years, but allocation will not drop below its initial level	(1) Exempt jig vessels from any LLP requirement (2) Exempt jig vessels from Pacific cod endorsement requirement
OTHER COMPONENTS	Options to allocate hook-and-line halibut PSC to CVs and CPs Options to cap mothership processing shares	Option to exempt licenses held by CQE residents from the landings thresholds Option to exempt vessels using fixed gear (Suboption: pot gear only) from the Pacific cod endorsement requirement in the WGOA during the B season.

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1.0 INTRODUCTION

The groundfish fisheries in the Exclusive Economic Zone (3 to 200 miles offshore) of the Gulf of Alaska (GOA) are managed under the GOA Fisheries Management Plan (FMP), developed by the North Pacific Fishery Management Council under the Magnuson-Stevens Fishery Conservation and Management Act. The GOA FMP was approved by the Secretary of Commerce and became effective in 1978.

This document is an Environmental Assessment/Regulatory Impact Review/Initial Regulatory Flexibility Analysis (EA/RIR/IRFA) for the proposed action to add Pacific cod endorsements to fixed gear LLP licenses to limit entry to the Western and Central GOA directed Pacific cod fisheries. This action would result in an amendment to the GOA FMP. Under the proposed action, a fixed gear license would receive a Pacific cod endorsement if it meets the minimum landings or catch (mt) threshold during a specific qualifying period.

An Environmental Assessment (EA) is required by the National Environmental Policy Act of 1969 (NEPA) to determine whether the proposed action will result in a significant impact on the human environment. If the action is determined not to be significant based on an analysis of the relevant considerations, the EA and finding of no significant impact (FONSI) would be the final environmental documents required by NEPA. An Environmental Impact Statement (EIS) must be prepared for major Federal actions significantly affecting the human environment.

The purpose of the EA is to analyze the environmental impacts of the proposed Federal action to remove latent fixed gear licenses from the Western and Central GOA. The human environment is defined by the Council on Environmental Quality as the natural and physical environment and the relationships of people with that environment (40 CFR 1508.14). This means that economic or social effects are not intended by themselves to require preparation of an EA. However, when an EA is prepared and socio-economic and natural or physical environmental impacts are interrelated, the EA must discuss all of these impacts on the quality of the human environment. NEPA requires a description of the purpose and need for the proposed action as well as a description of alternatives which may address the problem. This information is included in **Chapter 1** of this document. **Chapter 2** contains a description of the affected human environment and information on the impacts of the alternatives on that environment, specifically addressing potential impacts on endangered species and marine mammals and cumulative effects.

Executive Order 12866 (E.O. 12866) requires preparation of a Regulatory Impact Review (RIR) to assess the social and economic costs and benefits of available regulatory alternatives, in order to determine whether a proposed regulatory action is economically significant as defined by the order. This analysis is included in **Chapter 3. Chapter 4** addresses the requirements of other applicable laws, including the Magnuson Stevens Act, Marine Mammal Protection Act, and Regulatory Flexibility Act (RFA). The RFA requires an analysis of potential adverse economic impacts to small entities that would be directly regulated by the proposed action. The references and literature cited are in **Chapter 5**, the list of preparers is in **Chapter 6**, and the list of agencies and individuals consulted is in **Chapter 7**.

1.1 Purpose and Need for the Action

1.1.1 Background

Management of the GOA groundfish fisheries has become increasingly complex as a result of Steller sea lion protection measures, increased participation by vessels displaced from other fisheries, and bycatch reduction requirements under the Magnuson-Stevens Act (MSA). These factors have made achieving the

goals set by the National Standards in the MSA difficult, and have had significant adverse social and economic impacts on harvesters, processors, crew, and communities that depend on the GOA fisheries. In 1999, the Council began developing a package of measures to rationalize the GOA groundfish fisheries. At its April 2003 meeting, the Council adopted a motion defining preliminary alternatives for rationalizing the GOA groundfish fisheries. During 2003 through 2006, the Council worked to develop and refine these alternatives. However, in December 2006, the Council elected to delay further consideration of the comprehensive rationalization program. Instead, the Council decided to proceed with the more discrete issues of allocating the Pacific cod resource to the various gear sectors and limiting future entry to the GOA groundfish fisheries by extinguishing latent License Limitation Program (LLP) groundfish licenses. In April 2008, the Council took final action to remove latent trawl licenses from the BSAI and GOA. The Council began reviewing options to remove latent fixed gear licenses from the GOA fisheries in 2007.

In October 2007, the Council adopted a problem statement, outlined draft components and options, and directed staff to prepare an EA/RIR/IRFA for a proposed amendment to revise the LLP. The Council's motion included options to either remove latent licenses from the Western and Central GOA groundfish fisheries or add Pacific cod endorsements to licenses in order to limit entry into the directed Pacific cod fisheries. The Council reviewed a draft initial EA/RIR/IRFA at its December 2008 meeting in Anchorage, and decided to retain the options to add Pacific cod endorsements to licenses, and remove the options to extinguish latent licenses. The Council recommended that the document be released for public review. Final action is scheduled for the April 2009 meeting.

1.1.2 Purpose and Need Statement

The LLP limits access to the groundfish and crab fisheries in the Bering Sea, Aleutian Islands, and GOA.[1] In the mid to late 1990s, the Council developed the LLP to address capacity concerns and take a first step toward rationalization of the groundfish fisheries under its management. Fishing under the program began in 2000. Competition among fixed gear participants in the Western and Central GOA Pacific cod fisheries has intensified in recent years, and long-term participants are concerned about the potential for latent fixed gear licenses to re-enter the fisheries. The proposed amendment would address this concern by adding gear-specific Pacific cod endorsements to fixed gear licenses that have recent landings in the Western GOA and Central GOA directed Pacific cod fisheries.

The sectors potentially affected by the proposed amendment include fixed gear catcher vessel and catcher processor groundfish LLP license holders with Western and Central GOA[2] area endorsements. The action would add Pacific cod endorsements to fixed gear licenses that meet the minimum landings or catch (mt) threshold. Fixed gear licenses would be required to carry a Pacific cod endorsement, in addition to the appropriate area endorsement, to participate in the directed Pacific cod fisheries in Federal waters in the Western and Central GOA.

The rationale for this action is concern over the impacts that future entry of latent effort may have on current LLP permit holders that participate in the Western and Central GOA Pacific cod fisheries. Latent effort, for the purpose of the proposed action, is comprised of valid LLPs that have not been utilized in the directed Pacific cod fisheries during recent years. Recent participation has been defined by the Council to be participation in the Western or Central GOA directed Pacific cod fisheries using fixed gear during a specified time period (2000-2006, 2002-2006, 2000-2008, or 2002-2008). The proposed action would add Pacific cod endorsements to Western and Central GOA fixed gear LLP licenses that meet minimum landings thresholds during a specific qualifying period. This action may enhance stability in the GOA Pacific cod fisheries, reduce competition among fixed gear participants, and protect historic

[1] Amendment 39 to the BSAI groundfish plan and Amendment 41 to the groundfish plan for the GOA established the LLP. The primary rules governing the LLP are contained in 50 CFR 679.4(k).
[2]Note that under LLP area designations, the Central GOA subarea includes West Yakutat.

catch shares of participants. If entry to the Pacific cod fisheries is not limited by a Pacific cod endorsement requirement, future entry of latent effort into the Western and Central GOA Pacific cod fisheries could further intensify competition among fixed gear participants and erode catch shares of long-term participants.

To address these concerns, the Council adopted the following problem statement:

GOA Fixed Gear Recency Purpose and Need Statement

Western GOA and Central GOA Pacific cod fisheries are subject to intense competition, particularly during the A season, when fish are aggregated and of highest value. Competition among fixed gear participants in the Western GOA and Central GOA Pacific cod fisheries has increased for a variety of reasons, including increased market value of Pacific cod products, a declining ABC/TAC, increased participation by harvesters displaced from other fisheries, and introduction of capital that has been accrued from participation in rationalized fisheries. Additionally, fishery policies have created incentives that encourage non-traditional efficiency improvements for the less than 60 ft LOA vessel class. The possible future entry of latent effort and disproportionate vessel efficiency would have detrimental effects on LLP holders that have exhibited participation in, and dependence on, the fixed gear Pacific cod fisheries. Many fixed gear vessel owners have made significant investments, have long catch histories, and are dependent on the Western GOA and Central GOA Pacific cod resources. These long-term participants need protection from those who have little or no recent history and who have the ability to increase their participation in the Pacific cod fisheries. At the same time, retaining Federal waters opportunities for small community quota eligible (CQE) communities dependent on access to a range of fishery resources and expanding opportunities in Federal waters for small capacity jig operations is valued to promote community protections at a level that imposes minimal impact on historic catch shares of recent participants.

The intent of the proposed amendment is to prevent the future entry or re-entry of latent fixed gear groundfish fishing capacity that has not been utilized in recent years into the Pacific cod fisheries, and to preserve the traditional vessel operational efficiencies within the fisheries. This requires prompt action to promote stability in the fixed gear sectors of the GOA Pacific cod fisheries, and is expected to be implemented concurrently with the division of GOA Pacific cod among sectors which is currently under consideration. However, this action cannot address continued growth in the waters managed by the State of Alaska.

Limiting entry to the fisheries with a Pacific cod endorsement requirement may prevent future gross revenues from Pacific cod harvests in the respective management areas from being diluted by future increases in fishing effort by latent licenses. Those LLP holders exhibiting dependence and participation in the fixed gear Pacific cod fisheries, (i.e., those meeting the selected threshold criteria), would be protected from possible future increases in effort and dilution of their gross revenue share. However, this action may not result in increased production efficiencies to licenses that would generally be expected from a comprehensive rationalization program. Following implementation of the amendment, each qualified LLP holder will still have an incentive to expand their fishing effort and maximize their respective share of the gross revenues in the open access GOA Pacific cod fisheries. The action will not necessarily result in an 'optimum' harvesting capacity in any of the sectors or management areas. The Council is considering a range of potential catch and landings thresholds, qualification periods, and catch definitions. The number of Pacific cod endorsements that would be added to fixed gear licenses under any of these options was not based on a predetermined optimum capacity for the fixed gear fleet. The action would revise the LLP by removing latent effort from the directed Pacific cod fisheries, and is a more modest approach to revolving participation issues than a fully rationalized fixed gear Pacific cod fishery.

1.2 Alternatives

This section identifies the alternatives and options under consideration for the proposed action. **Alternative 1** (no action) would not make any changes to the current License Limitation Program. **Alternative 2** would add Pacific cod endorsements to fixed gear licenses that would limit entry into the directed Pacific cod fisheries in Federal waters in the Western and Central GOA.

ALTERNATIVE 1.

No Action. No changes would be made to the current License Limitation Program.

ALTERNATIVE 2.

Add non-severable gear-specific Pacific cod endorsements to fixed gear licenses. Pacific cod endorsements would limit entry into the directed Pacific cod fisheries in the Western and Central GOA.

Component 1— Areas included

Western GOA
Central GOA (current LLP endorsement includes West Yakutat)

- Different options may be applied to each management area.

Component 2— Identify and define sectors

The sector definitions for awarding Pacific cod endorsements may be different from those used for the GOA Pacific cod sector split action. The purpose of sector definitions in this action is to allow the Council to select different catch thresholds for the different gear types, operation types, and vessel lengths. Individual licenses may qualify for any combination of a jig, hook-and-line, and pot endorsement if the license meets the respective threshold(s) for the appropriate gear type, operation type, and vessel length.

- Hook-and-line CP
  Option: Hook-and-line CP ≥125
  Hook-and-line CP <125
- Hook-and-line CV
  Option: Hook-and-line ≥60
  Hook-and-line <60
- Pot CP
- Pot CV
  Option: Pot CV ≥60
  Pot CV <60
- Jig
  Exempt vessels using jig gear from the LLP requirement (including the Pacific cod endorsement requirement) that use a maximum of 5 jigging machines, 5 lines, and 30 hooks per line or one line of 150 hooks.

Option: Exempt vessels participating with fixed gear in the Western GOA B season directed Pacific cod fishery from the Pacific cod endorsement requirement.
Suboption: Exempt vessels using pot gear only.

Component 3 – Qualifying years

Option 1: 2000-2006
Option 2: 2002-2006
Option 3: Add the qualifying period January 1, 2007 through:
Suboption 1: June 4, 2008
Suboption 2: December 8, 2008

- Either of these suboptions will be selected in addition to one of the qualifying periods in Option 1 or Option 2.

Suboption 3: If an LLP license qualifies only when the supplemental range of years in Suboption 1 or Suboption 2 is included, any Pacific cod endorsements granted to licenses under these suboptions would be extinguished upon transfer of the LLP license to another vessel or owner.

- If a GOA hook-and-line catcher processor LLP license holder was a voluntary non-participant in the Freezer Longliner Coalition informal PSC co-op efforts of 2006, 2007, or 2008, and does not qualify under Component 3, Options 1, 2, or 3, the LLP would not be extinguished. If Pacific cod endorsements are a result of this action in the GOA hook-and-line CP sector, the LLP would receive a Pacific cod endorsement.

Component 4 – Catch thresholds

Thresholds shall be based on legally retained catch in the aggregate during all of the qualifying years in the Federal and parallel fisheries (excluding IFQ catch). Separate and distinct thresholds may be determined for each defined sector.

Option 1: All directed Pacific cod 1, 3, or 5 landings (resulting in a Pacific cod endorsement)
Option 2: All directed Pacific Cod 5, 10, 25, or 100 mt (resulting in a Pacific cod endorsement)

Option: Hardship provision. A GOA fixed gear LLP holder who had 5 or more Pacific cod landings in 1999, but had a vessel on which the LLP was used sink in 1999 or 2000, shall be credited with qualifying history so as to obtain a Pacific cod endorsement.

Directed Pacific cod catch is defined as landings made when the directed Pacific cod fisheries are open. For purposes of catch accounting, licenses are credited with deliveries or processing activity recorded up to 7 days after the directed season closes.

Component 5 – Stacked license provisions

Where there are multiple LLPs registered to a single vessel, also known as 'stacking' of LLPs, groundfish harvest history will be fully credited to all stacked licenses, each carrying its own qualifying endorsements and designations.

Component 6 – Capacity/efficiency limits to CV and CP fixed gear LLPs

Add a width restriction (efficiency restriction) on each CV and CP fixed gear LLP license that is eligible to access Pacific cod under this action. The width restriction would be 1 ft of width for each 3 ft of length, and is based on the LOA of the vessel assigned to the license on December 8, 2008. The licenses that are assigned to vessels on December 8, 2008 that exceed the width restriction will be grandfathered at

their present LOA. For vessels under construction on December 8, 2008, the width restriction for the license shall be equal to the vessel width upon completion. Vessels would be required to report width measurements to RAM.

Option: Add a simple gross tonnage maximum to licenses.

Component 7 – CQE community resident exemption

CQE community residents currently holding latent, non-qualifying, LLP permits shall retain their LLP and area endorsement(s) and be exempt from the Pacific cod endorsement requirement. A hook-and-line or pot gear endorsement shall be made through (a) a one-time designation at the time the endorsement is issued or (b) designated at the time the first Pacific cod landing is made based on the gear type used. The CQE community resident's LLP shall not be leased, and can only be transferred to an individual who has lived continuously in the permit holder's CQE community for 24 consecutive months prior to the transfer and who intends to remain a resident of the community. Residency shall be affirmed annually upon renewal. If a CQE community LLP holder with a restricted transfer LLP is no longer a resident of the CQE community or dies without a designated qualified LLP community beneficiary, the community CQE shall designate a qualified individual in the CQE community to hold the restricted transfer LLP.

Option: Restrict exemption to LLPs with a MLOA endorsement less than 60 feet.

Options considered but rejected:

At its June 2008 meeting, the Council removed options from the motion that would have precluded vessels from participating in both the trawl and fixed gear sectors during a given year, or would have required vessels to make a one time election to participate in either the trawl or fixed gear sectors. The Council reviewed data which showed that approximately 10 to 15 vessels use both trawl and fixed gear in the Pacific cod fisheries (most operating in the Western GOA) on an annual basis. Restricting vessels to using only one gear type during a given year would impact the annual fishing operations of this group of vessels. In addition, when the trawl recency action is limited, only a small number of licenses will hold dual gear designations. This information is included in this document (see Section 3.3.2.14, Table 3-47).

At its December 2008 meeting, the Council removed options that would have extinguished Western GOA and Central GOA area endorsements from fixed gear licenses that did not meet catch thresholds based on all groundfish landings. Instead, the proposed action will add Pacific cod endorsements to licenses that have recent catch history in the directed Pacific cod fisheries in the Western and Central GOA. The Council also removed an option that would have exempted vessels less than 60 ft LOA and under a specified capacity limit from the LLP requirement or from the Pacific cod endorsement requirement. The majority of WGOA and CGOA CV licenses have an MLOA of less than 60 ft, and exempting these licenses from the action would substantially limit the scope of the action. Instead of the less than 60 ft exemption, the Council has included a provision to exempt all vessels using jig gear from the LLP requirement in the GOA. The intent of the jig exemption is to provide entry-level opportunities into the fisheries. In addition, the Council added an exemption for fixed gear licenses held by residents of CQE communities. Under the CQE exemption, the licenses held by residents of CQE communities would receive a Pacific cod endorsement even if they do not meet the selected catch thresholds. There is an option to limit this exemption to licenses with an MLOA of less than 60 ft. The Council also removed options to use 2000-2005 or 2002-2005 as qualifying periods under Component 4, and added an option to include more recent catch history (through December 8, 2008). Under Component 5, the Council removed an option to divide catch history among licenses that were stacked on a vessel at the time of landing. This option was removed because it has the potential to complicate implementation of the

action. Licenses may be stacked on a vessel for operational reasons. For example, 2 or more licenses may be stacked on a vessel to obtain additional area, gear, or other endorsements.

1.3 Consistency with the Problem Statement

The alternatives under consideration are consistent with the problem statement. The problem identified is that fixed gear participants who have made significant, long-term investments, have extensive catch histories, and are highly dependent on the Western and Central GOA Pacific cod fisheries need protection from the potential increase in competition that may be caused by the entry re-entry of latent licenses into the fisheries. If latent fixed gear licenses remain eligible for entry or re-entry into the Western and Central GOA Pacific cod fisheries, future participation levels may increase, intensifying competition for the Western and Central GOA Pacific cod TACs.

Under the no action alternative (Alternative 1), latent fixed gear licenses with Western or Central GOA endorsements will continue to have the potential to enter the directed Western and Central GOA Pacific cod fisheries. If this alternative is selected, any of the currently existing fixed gear licenses could enter the Western and Central GOA Pacific cod fisheries in the future and dilute revenues, increase costs, or both, for licenses that have participated in the fisheries during recent years. Increased participation may result in negative economic impacts to current participants in the fisheries. If Pacific cod endorsements are not added to fixed gear licenses, licenses with no recent catch history in the GOA Pacific cod fisheries could enter the fisheries and erode the catch shares of recent participants. Finally, if gear-specific Pacific cod endorsements are not added to licenses, and Pacific cod sector allocations are implemented, participants in each of the fixed gear sectors will be vulnerable to an influx of effort into those sectors. If effort increases substantially in a particular sector, the erosion of catch shares resulting from latent licenses re-entering the fisheries will be exacerbated, because each sector's catch will be constrained by its allocation.

Alternative 2 includes options to add gear-specific Pacific cod endorsements to fixed gear licenses. Pacific cod endorsements would limit entry into the directed Pacific cod fisheries in Federal waters of the Western and Central GOA. This action would reduce fixed gear capacity in the GOA Pacific cod fisheries to include only licenses that have recent catch history in the fisheries. Those LLP holders exhibiting dependence and participation in the fixed gear Pacific cod fisheries, (i.e., those meeting the selected threshold criteria), would be protected from possible future increases in effort and dilution of their gross revenue share.

2.0 ENVIRONMENTAL ASSESSMENT

The purpose of this environmental assessment (EA) is to analyze the environmental impacts of the proposed action to add Pacific cod endorsements to fixed gear LLP licenses to limit entry to the Western and Central GOA directed Pacific cod fisheries. An EA is intended to provide sufficient evidence of whether or not the environmental impacts of the action are significant (40 CFR 1508.9).

The purpose and need statement for this action and a description of the alternatives and options are included in Chapter 1. This chapter analyzes the alternatives for their effects on the biological, physical, and human environment. Each section discusses the environment that would be affected by the alternatives and then describes the impacts of the alternatives. The following components of the environment are discussed: the Pacific cod fishery, other groundfish fisheries, incidental and prohibited species catch, seabirds and marine mammals, benthic habitat, essential fish habitat, ecosystem effects, economic impacts and management considerations, and cumulative effects.

The criteria listed in Table 2-1 are used to evaluate the significance of impacts. If significant impacts are likely to occur, preparation of an Environmental Impact Statement (EIS) is required. Although economic and socioeconomic impacts must be evaluated, such impacts by themselves are not sufficient to require the preparation of an EIS (see 40 CFR 1508.14).

Table 2-1 Criteria Used to Evaluate the Alternatives.

Component	Criteria
Fish species	An effect is considered to be significant if it can be reasonably expected to jeopardize the sustainability of the species or species group.
Habitat	An effect is considered to be significant if it exceeds a threshold of more than minimal and not temporary disturbance to habitat.
Seabirds and marine mammals	An effect is considered to be significant if it can be reasonably expected to alter the population trend outside the range of natural variation.
Ecosystem	An effect is considered to be significant if it produces population-level impacts for marine species, or changes community- or ecosystem-level attributes beyond the range of natural variability for the ecosystem.

2.1 GOA Groundfish Fisheries

2.1.1 GOA Environment

The action area includes the Western and Central GOA. The documents listed below contain information about the fishery management areas, fisheries, marine resources, ecosystem, social, and economic elements of the GOA groundfish fisheries.

Alaska Groundfish Harvest Specifications Final Environmental Impact Statement (NMFS 2007a). This EIS provides decision makers and the public an evaluation of the environmental, social, and economic effects of alternative harvest strategies for the Federally-managed groundfish fisheries in the GOA and the Bering Sea and Aleutian Islands management areas. The EIS examines alternative harvest strategies that comply with Federal regulations, the GOA FMP, and the Magnuson-Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act). These strategies are applied to the best available scientific information to derive the total allowable catch estimates for the groundfish fisheries. The EIS evaluates the effects of different alternatives on target species, non-specified species, forage species, prohibited

species, marine mammals, seabirds, essential fish habitat, ecosystem relationships, and economic aspects of the GOA fisheries.

Stock Assessment and Fishery Evaluation (SAFE) Report for the Groundfish Resources of the GOA (NPFMC 2007). Annual SAFE reports review recent research and provide estimates of the biomass of each species and other biological parameters. The SAFE report includes the acceptable biological catch (ABC) specifications used by NMFS in the annual harvest specifications. The SAFE report also summarizes available information on the GOA ecosystem and the economic condition of the groundfish fisheries off Alaska. This document is available from: http://www.afsc.noaa.gov/refm/stocks/assessments.htm.

2.1.2 Pacific Cod

Pacific cod (*Gadus macrocephalus)* is the primary groundfish species targeted by the fixed gear sectors in the Western and Central GOA. Pacific cod is widely distributed in the GOA and occurs at depths from shoreline to 500 m (Thompson et al. 2006). Pacific cod are moderately fast growing, and females reach 50% maturity at approximately 5.8 years old. Spawning occurs during January through April in the GOA. Pacific cod are demersal and concentrate on the shelf edge and upper slope at depths of 100-250 m in the winter, and move to shallower waters (<100 m) in the summer.

The Pacific cod resource is managed under three discrete TACs in the GOA: the Western GOA TAC, the Central GOA TAC, and the Eastern GOA TAC. In addition, the GOA Pacific cod TACs are divided between the A season (60%) and B season (40%), and are apportioned to the inshore processing component (90%) and offshore component (10%). Historically, the majority of the GOA Pacific cod catch has come from the Central and Western GOA management subareas. Final 2008 harvest specifications apportioned 57% of the GOA catch to the Central GOA (28,426 mt), 39% to the Western GOA (19,449 mt), and 5% to the Eastern GOA (2,394 mt).

Table 2-2 summarizes levels of acceptable biological catch (ABC), total allowable catch (TAC), and actual catch of Pacific cod in the Federal and State waters fisheries in the GOA from 1985 to 2007. From 1989 to 1996, the Federal TAC was set at 100% of the acceptable biological catch (ABC). The Federal TAC has been set below the ABC since 1997 to accommodate the State waters Pacific cod fishery. Total catch in the Federal and State Pacific cod fisheries averaged 87% of the ABC from 1997 to 2007. Most of the unharvested Federal TAC during recent years has been the result of low harvests during the B season. In addition, 25% of the Western and Central GOA Pacific cod ABC is allocated to the State waters fisheries, and the State Guideline Harvest Levels (GHLs) have not been fully harvested during recent years. In 2006 and 2007, only 70% and 74% of the GOA ABC was harvested.

Effects of the proposed action depend to some extent on current and future abundance of the Pacific cod stock. Model projections indicate that the Pacific cod stock is not overfished. However, the ABC is projected to decline over the next several years due to below average recruitment levels during a series of recent years. A comprehensive description of recent survey data and biomass projections is available in the groundfish SAFE report (NMFS 2008a).

Table 2-2 Total catch in the Federal and State GOA Pacific cod fisheries, total allowable catch (TAC) for the Federal fishery, and acceptable biological catch (ABC), 1985-2007.

Year	Federal catch	Federal TAC	Percentage of TAC harvested	State catch	Total catch	ABC	Percentage of ABC harvested
1985	14,428	60,000	24.0	n/a	14,428	n/a	n/a
1986	25,012	75,000	33.3	n/a	25,012	136,000	18.4
1987	32,939	50,000	65.9	n/a	32,939	125,000	26.4
1988	33,802	80,000	42.3	n/a	33,802	99,000	34.1
1989	43,293	71,200	60.8	n/a	43,293	71,200	60.8
1990	72,517	90,000	80.6	n/a	72,517	90,000	80.6
1991	76,328	77,900	98.0	n/a	76,328	77,900	98.0
1992	80,747	63,500	127.2	n/a	80,747	63,500	127.2
1993	56,487	56,700	99.6	n/a	56,487	56,700	99.6
1994	47,484	50,400	94.2	n/a	47,484	50,400	94.2
1995	68,084	69,200	98.4	n/a	68,084	69,200	98.4
1996	68,150	65,000	104.8	n/a	68,150	65,000	104.8
1997	67,856	69,115	98.2	8,393	76,250	81,500	93.6
1998	61,504	66,060	93.1	10,422	71,926	77,900	92.3
1999	67,927	67,835	100.1	13,781	81,708	84,400	96.8
2000	54,266	58,715	92.4	12,037	66,303	76,400	86.8
2001	41,532	52,110	79.7	9,917	51,449	67,800	75.9
2002	42,306	44,230	95.6	12,211	54,516	57,600	94.6
2003	41,152	40,540	101.5	11,423	52,575	52,800	99.6
2004	43,017	48,033	89.6	13,605	56,622	62,810	90.1
2005	35,127	44,433	79.1	12,714	47,840	58,100	82.3
2006	37,807	52,264	72.3	10,338	48,145	68,859	69.9
2007	39,721	52,264	76.0	11,250	50,971	68,859	74.0

Source: 2006 Groundfish SAFE Report, Pacific cod stock assessment (Thompson et al., 2006), NMFS Blend and Catch Accounting databases (1995-2007 Federal catch), and Sagalkin (2007) (State waters catch).

Effects of the Alternatives

Current management of the GOA Pacific cod fisheries was analyzed in detail in the Groundfish PSEIS (NOAA 2004a). This analysis is updated annually during the harvest specifications process for the groundfish fisheries (NMFS 2006a). These analyses concluded that the Pacific cod stock is currently being managed at a sustainable level and that the probability of overfishing occurring is low. The status quo management of Pacific cod is not expected to have a significant impact on the long-term sustainability of the GOA Pacific cod stock.

The proposed action would add Pacific cod endorsements to fixed gear LLP licenses to limit entry to the Western and Central GOA directed Pacific cod fisheries. Participants with recent fishing history would receive a Pacific cod endorsement and would continue to have access to the fishery. Alternative 2 would not change the proportion of the TAC harvested by the various fixed gear sectors. In effect, Alternative 2 maintains the status quo division of catch among the fixed gear sectors by stabilizing participation within each sector. The proposed action would not change the annual harvest specifications process, which sets TACs at appropriate levels to prevent the stock from being overfished. As a result, the proposed action is not expected have a significant effect on the sustainability of the Pacific cod stock.

2.1.3 Other Groundfish Fisheries

The fixed gear sectors primarily participate in the directed Pacific cod fisheries in the GOA and catch other groundfish species incidentally while targeting cod. More than 98% of groundfish catch by vessels using fixed gear is comprised of Pacific cod, excluding IFQ halibut and sablefish catch. Vessels participating in the IFQ fisheries are not required to hold LLP licenses, and these fisheries will not be discussed further in this EA. Other species retained by vessels using fixed gear include skates, rockfish, pollock, and octopus. The proposed action is not expected to result in significant changes in catch levels of other groundfish species. Overall levels of fishing effort by each gear sector, and the timing and location of fishing activities, are not expected to change under the proposed action.

2.2 Halibut Prohibited Species Catch

Halibut prohibited species catch allowances are currently allocated separately to the GOA trawl and hook-and-line sectors, according to the guidelines outlined in 50 CFR 679.21(d). Halibut PSC allowances are not apportioned by management subarea within the GOA. The 2008 PSC allowances for the GOA Pacific cod trawl and hook-and-line fisheries are shown in Table 2-3. The pot and jig sectors are exempt from halibut PSC limits. The GOA-wide halibut PSC mortality allowance is 2000 mt for the trawl sector and 300 mt for the hook-and-line sector (including 10 mt set aside for the demersal shelf rockfish fishery).

The hook-and-line allowance is divided into three seasons: January 1 to June 10 (the A season for Pacific cod), June 10 to September 1, and September 1 to December 31 (the B season for Pacific cod). The trawl allowance is divided not only seasonally, but also between the shallow-water species complex (including the pollock, Pacific cod, shallow-water flatfish, flathead sole, Atka mackerel, skates, and the "other species" directed fisheries) and the deep-water species complex (all other fisheries, which includes Pacific Ocean perch, northern rockfish, pelagic shelf rockfish, and deep-water flatfish). Halibut bycatch during the directed Pacific cod fishery is counted against the shallow-water trawl halibut PSC apportionment. This apportionment is divided into four seasons: January 20 to April 1, April 1 to July 1, July 1 to September 1, and September 1 to October 1. In addition, a separate apportionment that is not divided between the shallow-water and deep-water complexes is available for use from October 1 to December 31. Unused seasonal halibut PSC apportionments are rolled over to the following season. Halibut PSC limits often determine season closure dates for the trawl sector, and to a lesser extent, for the hook-and-line sector.

Table 2-3 Halibut prohibited species catch seasonal allowances in the GOA, 2008

Trawl		Hook-and-line			
		Other than Demersal Shelf Rockfish		Demersal Shelf Rockfish	
Dates	Amount (mt)	Dates	Amount (mt)	Dates	Amount
Jan 20 - Apr 1	550 (27.5%)	Jan 1 - Jun 10	250 (86%)	Jan 1 - Dec 31	10 (100%)
Apr 1 - July 1	400 (20%)	Jun 10 - Sep 1	5 (2%)		
July 1 - Sep 1	600 (30%)	Sep 1 - Dec 31	35 (12%)		
Sep 1 - Oct 1	150 (7.5%)				
Oct 1 - Dec 31	300 (15%)				
Totals	2000		290		10

Source: NMFS 2008-2009 harvest specifications for the groundfish fisheries in the GOA.

Halibut PSC usage in the GOA Pacific cod target fisheries during 1995-2008 is summarized in Table 2-4. The table reports PSC by catcher vessels and catcher processors in each harvest sector. The pot sector is not subject to PSC limits in the GOA, and halibut PSC by pot vessels is reported for informational purposes only. Prohibited species catch limits for halibut apply to the hook-and-line and trawl sectors

and constrain bycatch levels. Inseason managers monitor halibut PSC in the Pacific cod fisheries and close the directed fisheries if halibut PSC limits are reached. After such a closure, the directed fisheries are typically reopened when the next seasonal apportionment of halibut PSC becomes available.

It is important to note that these halibut PSC estimates are based on the best available data, and some sectors have relatively low levels of observer coverage. The trawl and hook-and-line CP fleets in the GOA have relatively high observer coverage rates, and majority of the halibut PSC mortality amounts are estimated based on observer estimates from on board these vessels. Most trawl CV catch in the Central GOA is by vessels in the 30% observed fleet (60 to 125 ft LOA), and most trawl CV catch in the Western GOA is by the unobserved <60 ft LOA fleet. The hook-and-line CV fleet has a very low observer coverage level. In recent years, only 2 to 4 hook-and-line catcher vessels have carried observers for any portion of the Pacific cod season in the GOA.

Table 2-4 Halibut prohibited species catch (PSC) (mt) by vessels targeting Pacific cod in the Western and Central GOA

Western Gulf										
Year	HAL CV	HAL CP	HAL Total	Trawl CV	Trawl CP	Trawl Total	Pot CV	Pot CP	Pot Total	Total
1995	0.2	87.6	87.8	122.3	12.7	135.0	2.2	*	2.2	225.0
1996	1.3	37.3	38.6	86.1	21.6	107.7	1.8	0.0	1.8	148.0
1997	*	41.1	41.1	90.5	0.7	91.3	1.1	0.0	1.1	133.4
1998	*	34.3	34.3	92.7	2.9	95.6	1.7	*	1.7	131.5
1999	*	142.3	142.3	376.8	31.9	408.6	0.4	3.4	3.8	554.8
2000	*	84.1	84.1	131.1	15.2	146.3	1.2	*	1.2	231.6
2001	0.3	122.0	122.3	77.9	32.9	110.9	0.9	0.4	1.3	234.4
2002	0.0	99.9	100.0	32.9	5.5	38.4	1.0	*	1.0	139.4
2003	0.9	98.3	99.3	43.9	21.6	65.5	5.7	*	5.7	170.5
2004	0.2	99.1	99.3	57.5	29.8	87.2	8.3	*	8.3	194.8
2005	6.3	33.6	39.9	24.6	*	24.6	7.5	*	7.5	71.9
2006	2.5	103.6	106.0	60.4	0.4	60.8	4.6	*	4.6	171.4
2007	9.0	84.8	93.8	41.9	9.7	51.6	5.2	*	5.2	150.6
2008	13.8	60.5	74.3	97.8	1.7	99.5	10.0	0.0	10.0	183.8

Central Gulf										
Year	HAL CV	HAL CP	HAL Total	Trawl CV	Trawl CP	Trawl Total	Pot CV	Pot CP	Pot Total	Total
1995	254.0	16.5	270.5	294.2	42.7	336.8	15.3	0.0	15.3	622.7
1996	94.2	18.2	112.5	130.4	24.9	155.3	14.7	0.0	14.7	282.5
1997	70.2	*	70.2	446.6	65.7	512.3	8.4	0.0	8.4	590.8
1998	212.3	*	212.3	358.5	242.9	601.4	11.4	0.0	11.4	825.0
1999	167.5	9.2	176.7	678.0	147.5	825.5	12.3	24.7	37.1	1,039.3
2000	165.1	4.4	169.4	188.6	50.7	239.3	4.7	*	4.7	413.4
2001	143.9	*	143.9	529.6	149.7	679.3	2.7	0.5	3.2	826.4
2002	75.4	62.6	138.0	152.1	*	152.1	1.2	*	1.2	291.4
2003	74.6	10.8	85.4	367.1	*	367.1	3.4	0.0	3.4	455.9
2004	165.6	25.7	191.3	779.1	55.8	834.9	7.7	0.0	7.7	1,033.9
2005	157.6	*	157.6	594.1	33.1	627.2	25.4	0.0	25.4	810.1
2006	166.3	45.7	212.0	267.7	19.7	287.4	14.0	0.0	14.0	513.3
2007	158.7	33.0	191.8	428.2	*	428.2	12.8	*	12.8	632.7
2008	282.9	40.1	323.0	455.4	3.6	459.0	13.4	0.0	13.4	795.4

Source: NMFS Catch Accounting PSC Database (2003-2008) and Blend PSC Database (1995-2002).
*Indicates data are confidential. Totals do not include confidential data.

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2.3 Marine Mammals

Marine mammals occur in diverse habitats in the GOA, and include both resident and migratory species. Species that occur in the GOA are listed below (NOAA 2004b). The Groundfish PSEIS (NOAA 2004a) provides descriptions of the range, habitat, diet, abundance, and population status for these marine mammals. Annual stock assessment reports prepared by the National Marine Mammal Laboratory provide population estimates, population trends, and estimates of potential biological removals (Angliss and Outlaw 2007).

NMFS Managed Species
Pinnipeds: Steller sea lion (Western U.S., Eastern U.S.), Northern fur seal (Eastern Pacific), Harbor seal (Southeast Alaska, GOA, Bering Sea), Spotted seal (Alaska), Bearded seal (Alaska), Ringed seal (Alaska), Ribbon seal (Alaska).

Cetaceans: Beluga Whale (Beaufort Sea, Eastern Chukchi Sea, Eastern Bering Sea, Bristol Bay, Cook Inlet), Killer whale (Eastern North Pacific Northern Resident, Eastern North Pacific transient), Pacific White-sided dolphin (North Pacific), Harbor porpoise (Southeast Alaska, GOA), Dall's porpoise (Alaska), Sperm whale (North Pacific), Baird's beaked whale (Alaska), Cuvier's beaked whale (Alaska), Stejneger's beaked whale (Alaska), Gray whale (Eastern North Pacific), Humpback whale (Western North Pacific, Central North Pacific), Fin whale (Northeast Pacific), Minke whale (Alaska), North Pacific right whale (North Pacific)

USFWS Managed Species
Northern sea otter (Southeast Alaska, Southcentral Alaska, Southwest Alaska), Pacific walrus (Alaska)

Direct and indirect interactions between marine mammals and the groundfish fisheries result from temporal and spatial overlap between commercial fishing activities and marine mammal occurrence. Direct interactions include injury or mortality due to entanglement in fishing gear. Indirect interactions include overlap in the size and species of groundfish important both to the fisheries and to marine mammals as prey. The GOA Pacific cod target fisheries are classified as Category III fisheries under the Marine Mammal Protection Act. Category III fisheries are unlikely to cause mortality or serious injury to more than 1% of the marine mammal's potential biological removal level, calculated on an annual basis (50 CFR 229.2). Taking of marine mammals is monitored by the North Pacific observer program.

Marine mammals listed under the Endangered Species Act (ESA) that may be present in the GOA are listed in Table 2-5. All of these species are managed by NMFS, with the exception of Northern Sea Otter, which is managed by U.S. Fish and Wildlife Service. A Biological Opinion evaluating impacts of the groundfish fisheries on the endangered species managed by NMFS was completed in November 2000 (NMFS 2000). The western population segment of Steller sea lions was the only ESA-listed species identified as likely to be adversely affected by the groundfish fisheries. A new Section 7 consultation was initiated in 2006. NMFS is also currently consulting with USFWS on the distinct southwest Alaska population of northern sea otters.

Table 2-5 ESA-listed marine mammal species that occur in the GOA.

Common Name	Scientific Name	ESA Status
Steller Sea Lion (Western Population)	*Eumetopias jubatus*	Endangered
Steller Sea Lion (Eastern Population)	*Eumetopias jubatus*	Threatened
Blue Whale	*Balaenoptera musculus*	Endangered
Fin Whale	*Balaenoptera physalus*	Endangered
Humpback Whale	*Megaptera novaeangliae*	Endangered
Right Whale	*Balaena glacialis*	Endangered
Sei Whale	*Balaenoptera borealis*	Endangered
Sperm Whale	*Physeter macrocephalus*	Endangered
Northern Sea Otter	*Enhydra lutris*	Threatened

A Biological Opinion addressing Steller sea lion management issues was completed in 2001 (NMFS 2001b), and found that the under the new suite of protection measures, the GOA groundfish fisheries were unlikely to jeopardize the continued existence of the western population of Stellar sea lions or adversely modify critical habitat. Protection measures include area-specific closures around rookeries and haulouts and seasonal divisions of TACs to disperse fishing effort throughout the year. The Pacific cod fishing season was divided into two periods: 60% of the TAC was allocated to the A season (Jan. 1 – June 10) and 40% to the B season (June 10 – Dec. 31). The objective was to limit the total amount of cod harvested in the first half of the year. Pacific cod is one of the four most important prey items of Steller sea lions and is especially important to sea lions during winter (Sinclair and Zeppelin 2002).

Since 2000, the western population of Steller sea lions has been increasing. However, the 2004 count (38,988 animals) was still 7.4% lower than the 1996 count and 32.6% lower than the 1990 count. In the GOA, the 2004 count (9,005 animals) was 12.6% higher than the 2000 count (7,995 animals), but was 45.1% lower than the 1990 count. Annual counts at haulouts and rookeries represent a minimum population estimate and are not corrected to account for animals that were at sea during the surveys (Angliss and Outlaw 2007). The minimum estimate of incidental mortality due to commercial fishing activities in all waters off Alaska is 24.2 sea lions per year, which is slightly more than 10% of the allowable level (234 animals) of removal for this stock (Angliss and Outlaw 2007). No incidental mortalities of Steller sea lions caused by the fixed gear sectors in the GOA were observed during 2000-2005.

Effects of the Alternatives

Impacts of the GOA fixed gear Pacific cod fishery on Steller sea lions were analyzed in the Programmatic SEIS (NOAA 2004a) and in the 2001 Biological Opinion. Current management practices were found to have no adverse impacts on marine mammals, including Steller sea lions. As a result, the status quo alternative is not expected to have a significant impact on Steller sea lions or other marine mammals.

The proposed action would add Pacific cod endorsements to fixed gear licenses, limiting entry to the directed Pacific cod fisheries in the Western and Central GOA to vessels with recent participation in the fisheries. The timing, location, and overall level of fishing effort in the GOA Pacific cod and other groundfish fisheries is not expected to change, and there will be no changes in the harvest specifications process. Annual mortality of Steller sea lions is not expected to change under the proposed action, because fishing effort by the various gear sectors will remain similar to the status quo. Sector allocations will continue to be divided into seasonal apportionments to disperse fishing effort throughout the year.

2.4 Seabirds

Various species of seabirds occur in the GOA, including resident species, migratory species that nest in Alaska, and migratory species that only occur in Alaska outside of the breeding season. The most numerous seabirds in Alaska are northern fulmars, storm petrels, kittiwakes, murres, auklets, and puffins. There are 38 species of seabirds that breed in Alaska. A list of species is provided below.[3] Eight species breed only in Alaska and in Siberia. Populations of five other species are concentrated in Alaska but range throughout the North Pacific region. Marine waters off Alaska provide critical feeding grounds for these species as well as others that do not breed in Alaska but migrate to Alaska during summer, and for other species that breed in Canada or Eurasia and overwinter in Alaska. A detailed analysis of the effects of commercial fisheries on seabirds appears in the Alaska Groundfish Fisheries Programmatic Supplemental Environmental Impact Statement (NMFS 2004). The Groundfish PSEIS also provides descriptions of the range, habitat, diet, abundance, and population status for these seabirds.

Species nesting in Alaska

Tubenoses-Albatrosses and relatives: Northern Fulmar, Fork-tailed Storm-petrel, Leach's Storm-petrel
Kittiwakes and terns: Black-legged Kittiwake, Red-legged Kittiwake, Arctic Tern, Aleutian Tern
Pelicans and cormorants: Double-crested Cormorant, Brandt's Cormorant, Pelagic Cormorant, Red-faced Cormorant
Jaegers and gulls: Pomarine Jaeger, Parasitic Jaeger, Bonaparte's Gull, Mew Gull, Herring Gull, Glaucous-winged Gull, Glaucous Gull, Sabine's Gull
Auks: Common Murre, Thick-billed Murre, Black Guillemot, Pigeon Guillemot, Marbled Murrelet, Kittlitz's Murrelet, Ancient Murrelet, Cassin's Auklet, Parakeet Auklet, Least Auklet, Wiskered Auklet, Crested Auklet, Rhinoceros Auklet, Tufted Puffin, Horned Puffin

Species that visit Alaska waters

Tubenoses: Short-tailed Albatross, Black-footed Albatross, Laysan Albatross, Sooty Shearwater, Short-tailed Shearwater
Gulls: Ross's Gull, Ivory Gull

The Northern Fulmar accounts for the majority of incidental seabird take in the groundfish fisheries, and is one of the most abundant species breeding in Alaska. The hook-and-line sector causes most of this take. Three ESA-listed species occur in waters off Alaska (see Table 2-6), and Kittlitz's Murrelet is a candidate species for listing under the ESA. The U.S. Fish and Wildlife Service (USFWS) has primary responsibility for managing seabirds, and has evaluated effects of the BSAI and GOA FMPs and the harvest specifications process on currently listed species in two Biological Opinions (USFWS 2003a and 2003b). Both Biological Opinions concluded that the groundfish fisheries, including the GOA Pacific cod fishery, are unlikely to jeopardize populations of listed species or adversely modify or destroy critical habitat for listed species.

Table 2-6 ESA-listed and candidate seabird species that occur in the management area.

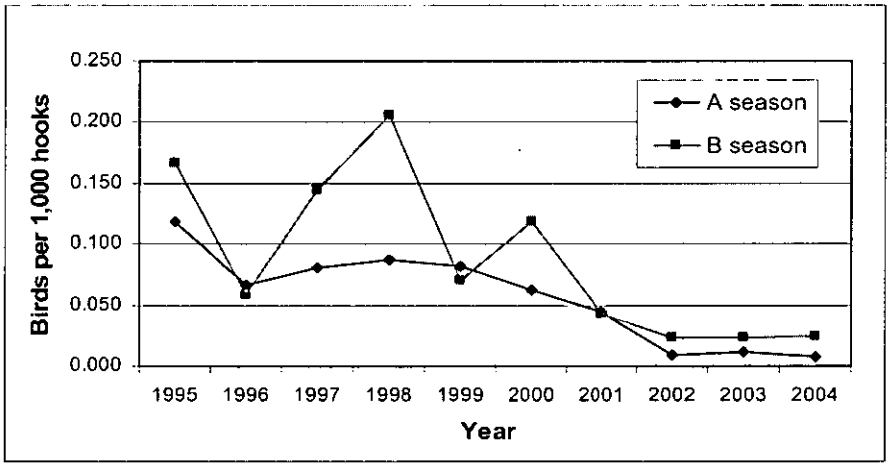
Common Name	*Scientific Name*	ESA Status
Short-tailed Albatross	*Phoebaotria albatrus*	Endangered
Steller's Eider	*Polysticta stelleri*	Threatened
Spectacled Eider	*Somateria fishcheri*	Threatened
Kittlitz's Murrelet	*Brachyramphus brevirostris*	Candidate

[3]Source: (USFWS web site Seabirds. Species in Alaska. Accessed at http://alaska.fws.gov/mbsp/mbm/seabirds/species.htm on August 31, 2007).

The fixed gear Pacific cod fisheries in the GOA have direct and indirect impacts on seabirds. Seabird take is the primary direct effect of fishing operations. Seabirds are taken in the hook-and-line Pacific cod fisheries in two ways. While hooks are being set, seabirds attracted to the bait may become entangled in fishing lines. Seabirds are also caught directly on baited hooks. Hook-and-line and trawl gear accounts for the majority of the seabird take in the groundfish fisheries.

Indirect effects of fishing on seabirds include impacts to food sources. The fixed gear fisheries may reduce the biomass of prey species available to seabird populations. Fishing gear may disturb benthic habitat used by seabirds that forage on the seafloor and reduce available prey. Bottom trawl gear is the primary source of benthic habitat disturbance in the groundfish fisheries. Fishing activities may also create feeding opportunities for seabirds, for example when catcher processors discard offal.

Hook-and-line gear accounts for the majority of seabird take in the North Pacific groundfish fisheries. Depending on which estimates are used, hook-and-line gear accounts for either 65% or 94% of seabird bycatch in the BSAI and GOA combined (Fitzgerald et al. 2006). Seabird bycatch by the GOA hook-and-line fisheries consists of 46% fulmars, 34% albatrosses, 12% gull species, 5% unidentified seabirds, 2% shearwater species, and less than 1% of 'all other' species (Fitzgerald et al. 2006). Most bycatch of Black-footed Albatross in waters off Alaska occurs in the GOA hook-and-line fisheries. From 2000 to 2004, an estimated 88 Black-footed Albatross were taken annually in the GOA hook-and-line fisheries. Total seabird bycatch in the GOA hook-and-line fisheries peaked in 1996 at 1,649 birds, and decreased to 156 birds in 2004, despite an increase in fishing effort. The incidental catch rate in the GOA decreased from an annual average of 0.021 birds per 1,000 hooks from 1993 to 2004 to 0.01 birds per 1,000 hooks from 2000-2004.



Source: AFSC. Data include BSAI and GOA hook-and-line CP fisheries.

Figure 2-1 Seabird bycatch rates by hook-and-line catcher processors during the Pacific cod A and B seasons, 1995-2004.

Figure 2-1 compares seabird bycatch rates per 1,000 hooks by the hook-and-line catcher processor fleet during the A and B seasons from 1995 to 2004, and includes data from both the BSAI and GOA. Seabird bycatch by hook-and-line catcher processors is higher during the B season than during the A season, but bycatch rates have been reduced substantially since 2001 as a result of widespread use of seabird avoidance techniques such as paired streamer lines. The average bycatch rate for hook-and-line catcher processors from 2002 through 2004 was 0.018 birds per 1,000 hooks (Figure 2-1), a substantial reduction from previous years.

Due to different sampling procedures on trawl vessels, two sets of estimates are calculated for seabird bycatch. Average annual take by trawl vessels in the GOA from 1993 to 2004 was either 63 birds or 97 birds (Fitzgerald et al. 2006). Northern Fulmars comprised the majority of bycatch by trawl vessels during this period. Seabird bycatch by the groundfish pot sector has historically been very low. Average annual bycatch in the GOA pot sector from 1993–2004 was 55 seabirds, less than 1% of the average annual seabird bycatch in the groundfish fisheries.

Effects of the Alternatives

The Groundfish PSEIS (NMFS 2004a) concluded that the current GOA groundfish fisheries are not adversely impacting ESA-listed seabird species. Biological Opinions by the USFWS (2003a and 2003b) concluded that the groundfish fisheries in the GOA are unlikely to jeopardize populations of listed species or adversely modify or destroy critical habitat for listed species. Based on current estimates of seabird bycatch, the status quo alternative is not likely to have a significant impact on seabird populations.

The proposed action would add Pacific cod endorsements to fixed gear LLP licenses to limit entry to the Western and Central GOA directed Pacific cod fisheries. Overall levels of fishing effort by each gear sector, and the timing and location of fishing activities are not expected to change. The proposed action will not modify the management practices analyzed in previous Biological Opinions (USFWS 2003a and 2003b), is not likely to cause additional adverse effects to ESA-listed species, and is not likely to increase incidental takes of listed species. Consequently, the proposed action is not likely to have a significant impact on seabird populations.

2.5 Essential Fish Habitat

Essential fish habitat (EFH) is defined as those areas necessary to fish for spawning, breeding, feeding, or growth to maturity. Section 303(a)(7) of the Magnuson-Stevens Act requires all FMPs to describe and identify Essential Fish Habitat (EFH). In addition, FMPs must minimize to the extent practicable adverse effects of fishing on EFH and identify other actions to conserve and enhance EFH. Maps and descriptions of EFH for the GOA groundfish species are available in the Environmental Impact Statement for Essential Fish Habitat Identification and Conservation in Alaska (NMFS 2004). This document also describes the importance of benthic habitat to different groundfish species and the impacts of different types of fishing gear on benthic habitat. Benthic habitat is potentially impacted by fishing practices that contact the seafloor. The analysis concludes that there are long term effects of fishing on benthic habitat features off Alaska and acknowledges that considerable scientific uncertainty remains regarding the consequences of those effects on the sustained productivity of managed species. Based on the best available scientific information, the EIS concludes that there are no indications that current fishing activities are altering the capacity of EFH to support health populations of managed species over the long term. The analysis concludes that no Council-managed fishing activities have more than a minimally adverse effect on EFH, which is the regulatory standard requiring action to minimize adverse effects under the MSA. The Council elected to adopt a variety of new measures to conserve EFH, which were implemented in 2006.

Effects of the Alternatives

The effects of the GOA Pacific cod fixed gear fisheries on benthic habitat and EFH were analyzed in the EFH EIS (NMFS 2005e). In the Pacific cod hook-and-line fishery, anchors, groundline, ganglions, and hooks potentially contact the seafloor. The Pacific cod pot fishery has a very small footprint (an estimated 0.17 square mile footprint for the GOA and BSAI combined). The jig fishery has no direct contact with the seafloor, although contact may occur incidentally. Year-round area closures protect

sensitive benthic habitat. Current fishing practices have minimal or temporary effects on benthic habitat and essential fish habitat. These effects are likely to continue under Alternative 1, and are not considered to be significant. Under the proposed action, the location, timing, and overall level of fishing effort by the various fixed gear sectors will remain essentially the same as under Alternative 1. As a result, impacts on benthic and essential fish habitat under this alternative are not expected to be significant.

2.6 Ecosystem Considerations

Ecosystems consist of communities of organisms interacting with their physical environment. Within marine ecosystems, competition, predation, and environmental disturbance cause natural variation in recruitment, survivorship, and growth of fish stocks. Human activities, including commercial fishing, can also influence the structure and function of marine ecosystems. Fishing may change predator-prey relationships and community structure, introduce foreign species, affect trophic diversity, alter genetic diversity, alter habitat, and damage benthic habitats.

The GOA Pacific cod fishery potentially impacts the GOA ecosystem by relieving predation pressure on shared prey species (i.e., species which are prey for both Pacific cod and other species), reducing prey availability for predators of Pacific cod, altering habitat, imposing bycatch mortality, or by ghost fishing caused by lost fishing gear. Ecosystem considerations for the GOA groundfish fisheries are summarized annually in the GOA Stock Assessment and Fishery Evaluation (SAFE) report (NPFMC 2005). These considerations are summarized according to the ecosystem effects on the groundfish fisheries as well as the potential fishery effects on the ecosystem.

Effects of the Alternatives

An evaluation of the effects of the GOA fixed gear groundfish fisheries on the ecosystem is conducted annually in the Ecosystem Assessment section of the Stock Assessment and Fishery Evaluation report (NMFS 2006b) and in the Harvest Specifications SAFE report (NMFS 2006c). These analyses conclude that the current GOA fixed gear groundfish fisheries do not produce population-level impacts to marine species or change ecosystem-level attributes beyond the range of natural variation. Consequently, Alternative 1 is not expected to have a significant impact on the ecosystem.

Alternative 2 will not change the overall level of Pacific cod or groundfish harvest from the status quo. The level of fishing effort by each fixed gear sector, and the location and timing of fishing activities is not expected to change. As a result, Alternative 2 is not likely to have a significant impact on the ecosystem.

2.7 Economic Impacts

A detailed description of the economic and socioeconomic components of the GOA fixed gear groundfish fisheries and an analysis of the effects of the proposed action may be found in the Regulatory Impact Review (Chapter 3 of this document).

2.8 Cumulative Effects

Analysis of the potential cumulative effects of a proposed action and its alternatives is a requirement of NEPA. Cumulative effects result from the incremental impact of the proposed action in addition to past, present, and reasonably foreseeable future actions. The Alaska Groundfish Fisheries PSEIS (NOAA 2004a) assesses the potential direct and indirect effects of groundfish FMP policy alternatives in

combination with other factors that affect physical, biological and socioeconomic components of the BSAI and GOA environment.

Beyond the cumulative impacts analysis documented in the Groundfish PSEIS, no additional past, present, or reasonably foreseeable cumulative negative impacts on the natural and physical environment (including fish stocks, essential fish habitat, ESA-listed species, marine mammals, seabirds, or marine ecosystems), fishing communities, fishing safety or consumers have been identified that would occur as a result of the proposed action. The proposed action, in combination with other actions, may have additional economic effects on the fixed gear sectors that participate in the GOA Pacific cod fisheries. In recent years, several regulatory changes implemented to protect Steller sea lions have had economic effects on participants in the GOA Pacific cod fisheries. The cumulative impacts from recent management actions are one of the driving forces behind industry support for the proposed amendment. Other fisheries in the region are subject to increasingly restrictive management measures. The GOA Pacific cod fisheries are among the few open access fisheries remaining. Participants that depend on these fisheries are concerned that changes in other fisheries will result in increased numbers of displaced vessels entering the GOA Pacific cod fisheries. Recent actions include:

- the IFQ halibut and sablefish fisheries
- AFA rationalization of the BSAI pollock fishery
- Amendment 67 to the BSAI groundfish management plan that established LLP endorsements specifically for fixed gear Pacific cod fishery participants
- BSAI crab rationalization
- GOA Rockfish Pilot Program – initially approved for two years but recently extended under reauthorization of the Magnuson-Stevens Act
- GOA and BSAI trawl LLP recency

Several reasonably foreseeable future actions are expected to have additional social and economic effects on these sectors, including the GOA Pacific cod sector allocations and revisions to the GOA Pacific cod sideboards. These social and economic effects are addressed in the Regulatory Impact Review (RIR), found in Chapter 3 of this document.

3.0 REGULATORY IMPACT REVIEW

This chapter provides information on the economic and socioeconomic impacts of the alternatives, as required by Executive Order (E.O.) 12866 (58 FR 51735; October 4, 1993). This chapter includes a description of the GOA Pacific cod fisheries, an analysis of the potential effects of the proposed action on the fisheries, identification of the individuals or groups that may be affected by the action, and a discussion of the nature of those impacts (quantifying the economic impacts where possible) and potential tradeoffs.

The requirements for all regulatory actions specified in E.O. 12866 are summarized in the following Statement from the order:

> *In deciding whether and how to regulate, agencies should assess all costs and benefits of available regulatory alternatives, including the alternative of not regulating. Costs and benefits shall be understood to include both quantifiable measures (to the fullest extent that these can be usefully estimated) and qualitative measures of costs and benefits that are difficult to quantify, but nevertheless essential to consider. Further, in choosing among alternative regulatory approaches, agencies should select those approaches that maximize net benefits (including potential economic, environment, public health and safety, and other advantages; distributive impacts; and equity), unless a statute requires another regulatory approach.*

E.O. 12866 requires that the Office of Management and Budget review proposed regulatory programs that are considered to be significant. A significant regulatory action is one that is likely to:

(1) Have an annual effect on the economy of $100 million or more, or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities;

(2) Create a serious inconsistency or otherwise interfere with an action taken or planned by another agency;

(3) Materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or

(4) Raise novel legal or policy issues arising out of legal mandates, the President's priorities, or the principles set forth in this Executive Order.

3.1 The Limited License Program (LLP)

The Limited License Program (LLP) limits access to the Federal groundfish and crab fisheries in the BSAI and GOA.[4] In the mid to late 1990s, the Council developed the LLP to address capacity concerns and take a first step toward rationalization of the groundfish fisheries under its management. Fishing under the program began in 2000. The LLP requirement does not apply to Pacific halibut or lingcod, which are not considered groundfish under the Federal Fisheries Management Plans (FMPs). In addition, some Federal groundfish fisheries are not subject to the LLP requirement. In Federal regulations, License Limitation groundfish includes target species and the 'other species' category, specified annually pursuant to 679.20(a)(2).

The LLP established criteria for the issuance of licenses to persons based on the fishing history of vessels. This discussion briefly summarizes the primary provisions applicable to the fixed gear participants. The LLP defined a general qualification period (GQP) and an endorsement qualification period (EQP) both of which must have been satisfied for a management subarea for a vessel owner to receive a license. Vessels that met requirements for more than one subarea endorsement were issued a single, non-severable LLP license with multiple area endorsements. Qualification criteria differ across areas and subareas, and include a variety of exceptions meant to address specific circumstances in the different areas.

Table 3-1 shows the primary GQP and EQP requirements applicable to trawl vessels in the various BSAI and GOA subareas. In general, the endorsements and EQP catch requirements apply to a single subarea. However, the Central GOA endorsement and EQP catch requirements treat the Central GOA area and West Yakutat district as a single LLP endorsement area. Catch in either the Central GOA or West Yakutat qualified a vessel for a Central GOA endorsement, and this endorsement allows a vessel to fish in both the Central GOA and West Yakutat. EQP requirements differ across the different endorsement areas.[5]

Table 3-1 General LLP license issuance criteria.

Management area	General Qualification Period (GQP) (Jan. 1, 1988 – June 27, 1992)	Endorsement area	Vessel length and operation	Endorsement Qualification Period (EQP) (Jan. 1, 1992 - June 17, 1995)
Bering Sea and Aleutian Islands	One landing	Bering Sea	All vessels	One landing
		Aleutian Islands	All vessels	One landing
GOA	One landing	Western GOA	CVs ≥ 125 ft and CPs ≥ 60 ft	One landing in at least two calendar years
			CVs < 125 ft and CPs < 60 ft	One landing
		Central GOA	All vessels, ≥ 60 ft	One landing in at least two calendar years
			All vessels < 60 ft	One landing

[4] Amendment 39 to the BSAI groundfish plan and Amendment 41 to the groundfish plan for the GOA established the LLP. The primary rules governing the LLP are contained in 50 CFR 679.4(k).

[5] Notably, persons fishing only inside 3 nm (i.e., in State waters only) were eligible for an LLP license based on their State waters participation. However, persons that never acquired a Federal fisheries permit (FFP), required for participation in fisheries in Federal waters, were issued LLPs that are not transferable from the originating vessel.

In addition to the different area endorsements, LLP licenses also carry a designation for operation type (catcher processor or catcher vessel), gear (trawl or fixed gear), and maximum vessel length (MLOA). LLP licenses were issued catcher processor designations if groundfish were processed on the vessel during the period from January 1, 1994 through June 17, 1995 or the last calendar year of the EQP. It is important to recognize that licenses of either operation type (catcher vessel or catcher processor) authorize participation as a catcher vessel. As a result, removing inactive catcher vessel licenses will not prevent entry of catcher processor licenses into the catcher vessel sector.[6] Each license carries a gear designation (trawl or fixed gear) based on the gear used on the vessel during the period from January 1, 1988 through June 17, 1995. If a vessel used both trawl and fixed gear during the qualifying period, its license received both gear designations.

Primary LLP License Endorsements and Designations

Area endorsements – Each license carries one or more LLP area endorsements authorizing entry to fisheries in those LLP areas (BS, AI, CG, WG, or SEO).

Operation-type designations – Each license carries a designation for either catcher processor operation or catcher vessel operation. A catcher processor may choose to operate as a catcher vessel, delivering its catch to shore or to a mothership.

Gear designation – Each license carries a gear designation, trawl and/or fixed gear, authorizing its entry in fisheries for the designated gear.

MLOA designation – Each license carries a maximum LOA designation, limiting the length of the vessel that can use the license.

Non-severability – The endorsements and designations of a license are non-severable and only transfer with the license.

Finally, each license carries an MLOA endorsement. The MLOA of the vessel assigned to the license cannot exceed the MLOA endorsements on that license. For vessels 125 feet or greater in length on June 24, 1992, the MLOA endorsement is equal to the vessel length. For vessels less than 125 feet in length on that date, the MLOA endorsement is the lesser of 1.2 times the LOA or 125 feet. If a vessel was under reconstruction on June 24, 1995, the basis for determining the MLOA is the vessel's length on completion of the reconstruction. In addition, vessels under 60 feet on June 17, 1995 (or under construction on that date with a reconstructed LOA under 60 feet) cannot have an MLOA greater than 60 feet; vessels under 125 feet on June 17, 1995 (or under construction on that date with a reconstructed LOA under 125 feet) cannot have an MLOA greater than 125 feet; and vessels under construction on that date with a reconstructed LOA over 125 feet will have an MLOA equal to the vessel's reconstructed length.

3.1.1 Exemptions from the LLP requirement

Generally, vessels participating in the groundfish fisheries in Federal waters in the BSAI or GOA are required to have an LLP license with the applicable area endorsement, gear designation (trawl or fixed gear), and operation type designation (catcher processor or catcher vessel), and cannot exceed the allowed MLOA. There are several exemptions from the LLP requirement, including:

(1) Vessels fishing exclusively in parallel or State waters fisheries
(2) Vessels less than 26 feet LOA in the GOA and less than 32 feet LOA in the BSAI
(3) Vessels less than 60 ft LOA using jig gear in the BSAI directed groundfish fisheries, subject to gear restrictions (maximum of 5 jig machines, one line per machine, and 15 hooks per line)

[6] This transition could occur one of two ways. First, catcher processor licenses can be voluntarily (and irreversibly) converted to a catcher vessel license. In addition, a catcher processor may choose to deliver its catch to shore or to a mothership.

(4) Vessels participating in the IFQ halibut and sablefish fisheries. Vessels fishing IFQ may also retain groundfish bycatch without a license. This provision was included in the LLP to minimize discards, and is consistent with National Standard 9 of the Magnuson-Stevens Act.

3.1.2 Pacific cod endorsements

Participation in the directed fisheries for Pacific cod in the Bering Sea and Aleutian Islands with pot or hook-and-line gear requires a gear-specific Pacific cod endorsement, in addition to an LLP license with the appropriate gear designation and area endorsements. These endorsements were created under Amendment 67 to the BSAI FMP and became effective on January 1, 2003. Pacific cod endorsements are not required to participate in the BSAI fisheries using trawl and jig gear. Four endorsements were created under Amendment 67: hook-and-line catcher vessel, pot catcher vessel, hook-and-line catcher processor, and pot catcher processor. The program used a vessel basis for determining qualification, because the LLP had not been implemented during the qualification periods. Vessels were required to meet various catch thresholds to qualify for the different endorsements. Qualification criteria for endorsements are summarized in Table 3-2. Vessels using jig gear could qualify for either a hook-and-line catcher vessel or pot catcher vessel endorsement based on their combined jig and hook-and-line catch or jig and pot catch, respectively.

Table 3-2 Qualification criteria for BSAI Pacific cod LLP endorsements.

Operation type	Gear type used for harvests	Pacific cod harvest threshold	Pacific cod endorsement
Catcher vessel	Hook-and-line or jig	7.5 mt in one year from 1995 to 1999	Hook-and-line catcher vessel
	Pot or jig	100,000 pounds (45 mt) in each of any two years from 1995 to 1999	Pot catcher vessel
Catcher processor	Hook-and-line or jig	270 mt in any one year from 1996 to 1999	Hook-and-line catcher processor
	Pot	300,000 pounds (136 mt) in each of any two years from 1995 to 1998	Pot catcher processor

Under Amendment 67, vessels with multiple licenses were only allowed to qualify for BSAI Pacific cod endorsements on a single license, in order to avoid increasing the capacity for additional entry into the fishery. However, individual licenses could qualify for more than one gear endorsement, although they could not qualify for more than one operation type endorsement within each gear type. For example, a license can carry a pot catcher vessel or pot catcher processor endorsement, but not both. However, a pot catcher processor endorsement allows that vessel to fish as either a catcher processor or catcher vessel. It should be noted that one groundfish license currently has 3 BSAI Pacific cod endorsements. This license has both a catcher vessel and catcher processor endorsement for pot gear. These endorsements still have interim status and are being adjudicated by RAM. Once the adjudication process is completed, licenses will have a maximum of two BSAI Pacific cod endorsements, one for each gear type.

Qualification thresholds for BSAI Pacific cod endorsements were based on retained catch from the directed Pacific cod fishery and excluded catch used for personal bait. Any vessel under 60 feet was exempt from the endorsement requirements. The action also contained a provision to address unavoidable circumstances. Although the action only limited entry to the Pacific cod fishery, the Bering Sea and Aleutian Islands catcher processor capacity reduction act (which was part of the Consolidated Appropriations Act of 2005) extended the scope of the endorsements for catcher processors to several other species, specifically Atka mackerel, flathead sole, Pacific Ocean perch, rock sole, Greenland turbot, and yellowfin sole.

Key BSAI Pacific cod LLP endorsement provisions under Amendment 67:

- Vessels with multiple LLP licenses only received Pacific cod endorsements on a single license, but individual licenses were eligible to qualify for up to 2 gear/operation type endorsements (pot and hook-and-line CV or CP)
- Jig catch could be combined with either pot or hook-and-line catch to qualify for a pot or hook-and-line endorsement
- Catcher vessels less than 60 feet LOA are exempt from the BSAI Pacific cod endorsement requirement
- Vessels exempt from the LLP and vessels catching Pacific cod for personal use bait are not required to hold a Pacific cod endorsement

3.2 The GOA Pacific cod fishery

3.2.1 Management of the fishery

This section describes current management of the GOA Pacific cod fishery, and highlights important regulatory changes in management of the GOA Pacific cod fishery during 1992 through 2008. These regulatory changes are summarized in
Table 3-3. Separate area TACs are identified for Pacific cod in the Western GOA, Central GOA, and Eastern GOA management subareas. Final 2008 harvest specifications apportioned 57% of the GOA TAC to the Central GOA (28,426 mt), 39% to the Western GOA (19,449 mt), and 5% to the Eastern GOA (2,394 mt). The total allowable catch (TAC) and percentage of TAC harvested in the Pacific cod fisheries in the Western and Central GOA are summarized in Table 3-3.

The GOA Pacific cod TACs are not divided among gear types, but are apportioned to the inshore and offshore processing sectors, with 90% allocated to the inshore component and 10% to the offshore component. The inshore/offshore apportionments were established in 1992 under GOA Amendment 20. Catcher processors and motherships participating in the directed Pacific cod fisheries must make an annual election to participate in either the inshore or offshore component. The inshore component is comprised of shore plants, stationary floating processors, and vessels less than 125 feet in length that process less than 126 metric tons (round weight) per week of pollock and Pacific cod in the aggregate. In addition, the TACs are apportioned seasonally, with 60% allocated to the A season and 40% to the B season. The A and B seasons were implemented in 2001 as a Steller sea lion protection measure. The A season begins on January 1 for fixed gear vessels, and on January 20 for trawl vessels. This delayed start for the trawl season was implemented in 1993 under Amendments 19/24. The intent of the delayed start of the trawl season was to reduce Chinook salmon and halibut bycatch in the BSAI. In the following year, the BSAI Pacific cod TAC was allocated among the gear and operation types based on catch history. As a result, the different fixed and trawl gear season opening dates did not impact the ability of the sectors to maintain their historic shares of the BSAI TAC.

In the GOA, the A season ends on June 10, but NMFS usually closes the season much earlier when the directed fishing allowance has been harvested. The B season begins on September 1 for all gear types, and ends Nov 1 for trawl vessels and December 31 for fixed gear vessels. NMFS inseason managers monitor catch in the fisheries and time the closure of the directed fisheries to allow full harvest of the TAC. To meet that goal, the closure must be timed to leave only enough of the TAC to support incidental catch of Pacific cod in other fisheries during the remainder of the season. Managers attempt to time the A season closure to leave a sufficient portion of the A season TAC for incidental catch by other directed fisheries. Incidental catch continues to accrue to the A season TAC until the A season ends on June 10. Any A season overage or incidental catch between the end of the A season (June 10) and the beginning of the B season (September 1) counts against the B season TAC.

Table 3-3 Regulatory changes impacting management of the GOA Pacific cod fishery, 1992 – 2008.

1992	GOA Amendment 20 established 90% inshore & 10% offshore processing sector apportionments. Catcher processors and motherships <125 ft LOA may elect annually to participate in the inshore sector. Inshore vessels are limited to processing <126 mt of pollock and Pacific cod (in the aggregate) per week. Later amendments extended these apportionments.
1993	BSAI/GOA Amendment 19/24 established Jan 20 start date for trawl gear in both the BSAI and GOA. Intent was to reduce halibut and Chinook salmon bycatch.
1994	BSAI Amendment 24. Established BSAI Pacific cod sector allocations. Later amendments (Am 46, Am 68, Am 77, Am 85) modified these allocations. Allocations to trawl, pot, and hook-and-line sectors were based on catch history. The allocation to the jig sector was higher than historic catch, with the intent of increasing entry level opportunities in the fishery.
1995	BSAI/GOA Amendment 23/28 established a moratorium on new vessel entry to the groundfish fisheries. A moratorium permit was issued to any vessel that made a legal landing during a specified qualification period.
1997	The Alaska Board of Fish established the GOA State waters Pacific cod fishery with initial GHLs of 15% of WGOA ABC and 15% of CGOA ABC.
1998	BSAI/GOA Amendment 49/49. Increased Retention/Increased Utilization regulations require 100% retention of pollock and Pacific cod beginning in 1998, and shallow water flatfish beginning in 2003, while the directed fisheries for these species are open. When the directed fisheries are closed, all catch up to the maximum retainable amount (MRA) must be retained.
1998	The American Fisheries Act was implemented, and AFA-permitted CPs were prohibited from participating in the GOA groundfish fisheries.
2000	Sideboards that limit the GOA groundfish catch of 95 non-exempt AFA CVs were established. 16 AFA CVs were exempted from the sideboard, because they are <125 ft LOA, have annual BSAI pollock landings of <5,100 mt, and made at least 40 landings of GOA groundfish from 1995-1997.
2000	BSAI/GOA Amendment 60/58. Groundfish LLP implemented. Vessels must hold a groundfish LLP with the appropriate gear (trawl or fixed gear), area (WG or CG), and operation type (CV or CP) endorsement to participate in the WGOA or CGOA groundfish fisheries in Federal waters. No LLP license is required to participate in the parallel waters fisheries.
2001	The WGOA and CGOA Pacific cod TACs were apportioned seasonally under the Steller sea lion management measures. 60% of each TAC is apportioned to the A season (Jan 1- June 10) and 40% is apportioned to the B season (Sept 1 - Dec 31). Incidental catch between the A and B seasons accrues to the B season TAC.
2006	GOA Pacific cod crab sideboards were implemented that limit the catch of 85 non-AFA vessels that qualified for initial allocations of C. opilio under the BSAI crab rationalization program (recent Council revisions exempt 3 vessels).
2007	Amendment 80 sideboards implemented – limit groundfish catch of Am 80 trawl CPs in the GOA. Pacific cod sideboards are 2.2% of the Western GOA TAC and 4.0% of the Central GOA TAC.
2008	BSAI/GOA Amendment 92/82. Trawl recency- final action taken by the Council in April 2008. When implemented, will reduce number of trawl CV licenses to 96 Central GOA license (from 176) and 77 WGOA licenses (from 160). Will reduce the number of CP licenses to 20 Central GOA and 19 Western GOA licenses from 27 and 26, respectively.

Incidental catch when the directed groundfish fisheries are closed is limited to a Maximum Retainable Amount (MRA). The MRA limits the amount of non-directed species catch that may be retained to a percent of directed species catch. For Pacific cod, the MRA with respect to all directed species, with the exception of arrowtooth flounder, is 20%. The MRA for Pacific cod in the directed arrowtooth flounder

fishery in the GOA is 5%. When Pacific cod is not open for directed fishing, a vessel must retain Pacific cod up to the amount of the MRA.[7] There is no MRA for Pacific cod for catcher vessels participating in the Rockfish Pilot Program. Catcher vessels participating in the Rockfish Pilot Program receive an allocation of 2.09% of the Central GOA TAC. The MRA for Pacific cod is 4% for catcher processors participating in the Rockfish Pilot Program. Any Pacific cod caught in excess of the MRA must be discarded. Under the Improved Retention/Improved Utilization regulations, all Pacific cod catch must be retained when the fisheries are open for directed fishing, and all catch up to the MRA must be retained when the fisheries are closed to direct fishing.

The directed fisheries for Pacific cod in State waters (0 nm to 3 nm) are open concurrently with the directed fisheries in Federal waters (3 to 200 nm). These fisheries in State waters (referred to as the 'parallel fisheries') are prosecuted under the same rules as the Federal fisheries, with catch counted against the Federal TAC. In addition, beginning in 1997 the State of Alaska has undertaken its own Pacific cod fisheries inside of 3 nm (referred to as the 'State waters fisheries'), which is allocated a portion of the Federal ABC.

3.2.2 Catch history

In both the Western and Central GOA, total catch as a percentage of the Federal TAC has generally declined since the Pacific cod TAC was seasonally apportioned in 2001, although nearly 98% of the Central GOA TAC was harvested in 2008 (Table 3-4). In the Western GOA, less than 80% of the TAC was harvested during 2005 through 2008. The inshore and offshore TACs, and the A and B season apportionments, have not been utilized equally in the management areas. Inshore TACs have typically been fully harvested in the Central GOA, but in the Western GOA, only 68% to 77% of the inshore TAC was harvested during 2006-2008 (see Table 3-5).

Table 3-4 Total catch of Pacific cod in the Federal Pacific cod fisheries in the Western and Central GOA.

	Western Gulf			Central Gulf		
Year	Total catch	Federal TAC	Percent of TAC harvested	Total catch	Federal TAC	Percent of TAC harvested
1995	22,516	20,100	112.0%	45,465	45,650	99.6%
1996	19,823	18,850	105.2%	47,589	42,900	110.9%
1997	23,949	24,225	98.9%	43,678	43,690	100.0%
1998	19,817	23,170	85.5%	41,424	41,720	99.3%
1999	23,158	23,630	98.0%	44,554	42,935	103.8%
2000	21,867	20,625	106.0%	32,188	34,080	94.4%
2001	14,161	18,300	77.4%	27,324	30,250	90.3%
2002	17,168	16,849	101.9%	25,057	24,790	101.1%
2003	16,235	15,450	105.1%	24,828	22,690	109.4%
2004	15,554	16,957	91.7%	27,350	27,116	100.9%
2005	12,408	15,687	79.1%	22,705	25,086	90.5%
2006	14,743	20,141	73.2%	23,029	28,405	81.1%
2007	13,407	20,141	66.6%	25,998	28,405	91.5%
2008	14,919	19,449	74.9%	27,763	28,426	97.7%

Source: NMFS Blend (1995-2002) and Catch Accounting (2003-2008) databases.

During recent years, a substantial proportion of the offshore TACs in both management areas have not been harvested. Inseason management has opened the offshore TACs concurrently with the inshore TACs, but has closed the offshore TACs when the BSAI Pacific cod A season fisheries have ended, to

[7] Pacific cod catch is also retained in the halibut and sablefish IFQ program. Vessels fishing IFQ are required to retain Pacific cod up to the MRA, except if Pacific cod is on prohibited retention (PSC) status

prevent the BSAI catcher processor fleet from directed fishing on the GOA offshore Pacific cod TACs. The reason for these closures is that the offshore TACs are relatively small and cannot support directed fishing by a large portion of the BSAI catcher processor fleet. In 2003, the offshore seasons were open to this fleet, and the Western GOA offshore A season TAC was overharvested (220%; see Table 3-6).

Table 3-5 Pacific cod catch and percent of the TAC harvested in the inshore and offshore sectors

		Inshore			Offshore		
Area	Year	TAC	Catch	Percent harvested	TAC	Catch	Percent harvested
Western Gulf	2001	16,470	12,461	75.7%	1,830	1,700	92.9%
	2002	15,164	15,541	102.5%	1,685	1,627	96.6%
	2003	13,905	14,029	100.9%	1,545	2,205	142.7%
	2004	15,261	14,274	93.5%	1,696	1,281	75.5%
	2005	14,118	11,978	84.8%	1,569	423	27.0%
	2006	18,127	13,648	75.3%	2,014	1,095	54.4%
	2007	18,127	12,265	67.7%	2,014	1,142	56.7%
	2008	17,504	13,452	76.9%	1,945	1,467	75.4%
Central Gulf	2001	27,255	25,255	92.7%	3,025	2,066	68.3%
	2002	22,311	22,665	101.6%	2,479	2,393	96.5%
	2003	20,421	22,601	110.7%	2,269	2,228	98.2%
	2004	24,404	25,533	104.6%	2,712	1,931	71.2%
	2005	22,577	22,234	98.5%	2,509	361	14.4%
	2006	25,565	21,609	84.5%	2,840	1,402	49.4%
	2007	25,565	24,860	97.2%	2,840	1,138	40.1%
	2008	25,583	26,518	103.7%	2,837	1,245	43.9%

Source: NMFS Catch Accounting (2003-2008) and Blend databases (2001-2002).

The A and B season TACs are not utilized equally (see Table 3-6). The A season TAC, which is harvested when Pacific cod are aggregated and roe peaks, is typically fully harvested. During recent years, A season catches have met or exceeded A season TACs in both the Western and Central GOA. Incidental catch between the A and B seasons is substantial, particularly by the inshore sector in the Central GOA. Incidental catch made between the A and B season counts against the B season TAC. During recent years, B season TACs have not been fully harvested. During some years, the trawl and hook-and-line B seasons have ended before the TAC is fully harvested, when halibut PSC limits have been reached. During 2005 through 2007, the hook-and-line, pot, and jig gear B seasons remained open until December 31, but inclement weather conditions, high operating costs, and difficulty finding fish limited B season harvests, particularly in the Western GOA.

Table 3-6 Pacific cod catch during the A and B seasons by the inshore and offshore sectors in the Western and Central GOA, 2003-2008

Western GOA

	Inshore						Offshore					
	A season			B season			A season			B season		
Year	TAC	Catch	Percent harvested	TAC	Catch	Percent harvested	TAC	Catch	Percent harvested	TAC	Catch	Percent harvested
2003	8,343	10,057	120.5%	5,562	3,972	71.4%	927	2040	220.1%	618	165	26.7%
2004	9,157	10,536	115.1%	6,104	3,738	61.2%	1017	626	61.6%	679	655	96.5%
2005	8,471	10,298	121.6%	5,647	1,686	29.9%	941	123	13.1%	628	300	47.8%
2006	10,876	12,299	113.1%	7,251	1,349	18.6%	1208	666	55.1%	806	429	53.2%
2007	10,876	10,836	99.6%	7,251	1,430	19.7%	1208	643	53.2%	806	500	62.0%
2008	10,502	10,577	100.7%	7,002	2,875	41.1%	1,167	1,190	102.0%	778	277	35.6%

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Central GOA

	Inshore						Offshore					
	A season			B season			A season			B season		
Year	TAC	Catch	Percent harvested	TAC	Catch	Percent harvested	TAC	Catch	Percent harvested	TAC	Catch	Percent harvested
2003	12,253	15,679	128.0%	8,168	6,922	84.7%	1,361	1,440	105.8%	788	908	115.2%
2004	14,643	15,673	107.0%	9,761	9,860	101.0%	1,627	1,347	82.8%	1,085	584	53.8%
2005	13,547	12,688	93.7%	9,660	9,660	100.0%	1,414	91	6.4%	1,003	270	26.9%
2006	15,339	15,529	101.2%	10,226	6,083	59.5%	1,679	25	1.5%	1,136	1,378	121.3%
2007	15,339	15,234	99.3%	10,226	9,626	94.1%	1,704	43	2.5%	1,136	1,096	96.5%
2008	15,350	15,827	103.1%	10,233	10,692	104.5%	1,706	1,133	66.4%	1,131	113	10.0%

Source: NMFS Annual Catch Reports, 2003-2008.

3.2.3 Season lengths

Short A season lengths are another indication that the GOA Pacific cod fisheries are fully subscribed. During recent years, the A season has closed approximately one month after the trawl gear opening on January 20 (see Table 3-7). In 2004, 2005, and 2008, the Central GOA inshore A seasons closed just 11 days, 7 days, and 8 days, respectively, after the trawl season opened on January 20.

Table 3-7 Pacific cod A season closures for the Western and Central GOA, 2001-2008

	Western Gulf				Central Gulf			
	Inshore		Offshore		Inshore		Offshore	
Year	Date	Reason	Date	Reason	Date	Reason	Date	Reason
2001	27-Feb	TAC	24-May	TAC	4-Mar	TAC	24-May (TRW)	**HAL**
2002	26-Feb	TAC	9-Feb	TAC	9-Mar	TAC	25-Mar	TAC
2003	17-Feb	TAC	20-Mar	TAC	9-Feb	TAC	1-Feb	TAC
2004	24-Feb	TAC	8-Mar	TAC	31-Jan	TAC	2-Feb	TAC
2005	24-Feb	TAC	22-Feb	TAC	26-Jan	TAC	22-Feb	TAC
2006	2-Mar	TAC	19-Feb	TAC	28-Feb	TAC	19-Feb	TAC
2007	8-Mar	TAC	14-Feb	TAC	27-Feb	TAC	14-Feb	TAC
2008	29-Feb	TAC	4-Mar	TAC	1-Mar	TAC	9-Mar	TAC
2009					27-Jan	TAC		

During some years, the B season has closed to hook-and-line and trawl gear before the TAC has been fully harvested. Halibut PSC limits closed all of the GOA hook-and-line B seasons and the Central GOA inshore trawl B season before the TACs were fully harvested during 3 of the past 8 years (see Table 3-8). The Western GOA inshore trawl season closed 6 of the past 8 years and the offshore trawl seasons closed 4 of the past 8 years due to halibut PSC limits. Both the trawl and hook-and-line sectors have worked with NMFS to better manage their B season halibut bycatch. The hook-and-line CP sector has been working with NMFS since 2006 to voluntarily manage B season halibut PSC through an informal halibut PSC cooperative (described in Section 3.5.6). Beginning in 2006, the trawl sector has extended its B season by working closely with NMFS inseason management to control halibut bycatch with a series of short openings during the B season. Table 3-8 shows the final B season closure date, but does not show the multiple, short trawl season openings during 2006 through 2008. This approach has been successful in limiting halibut PSC and allowing the trawl season to stay open longer, and has increased Central GOA B season catches. In 2008, the Central GOA inshore B season Pacific cod fishery closed when the TAC was fully harvested on October 3.

Table 3-8 Pacific cod B season closures for the trawl and hook-and-line sectors in the Western and Central GOA, 2001-2008

		Inshore		Offshore		Inshore		Offshore	
		Trawl				Hook-and-line			
Area	Year	Date	Reason	Date	Reason	Date	Reason	Date	Reason
Western Gulf	2001	21-Oct	HAL	21-Oct	HAL	4-Sep	HAL	4-Sep	HAL
	2002	13-Oct	HAL	3-Oct	TAC	23-Nov	TAC	3-Oct	TAC
	2003	12-Sep	HAL	not opened	TAC	25-Sep	TAC	not opened	TAC
	2004	1-Oct	HAL	1-Oct	HAL	2-Oct	HAL	2-Oct	HAL
	2005	1-Oct	HAL	1-Oct	HAL	31-Dec	n/a	31-Dec	n/a
	2006	8-Oct	HAL	8-Oct	HAL	31-Dec	n/a	31-Dec	n/a
	2007	1-Nov	SSL reg	1-Nov	SSL reg	31-Dec	n/a	31-Dec	n/a
	2008	1-Nov	SSL reg	1-Nov	SSL reg	16-Oct	HAL	16-Oct	HAL
Central Gulf	2001	21-Oct	HAL	21-Oct	HAL	4-Sep	HAL	4-Sep	HAL
	2002	not opened	TAC	8-Oct	TAC	26-Sep	TAC	8-Oct	TAC
	2003	3-Sep	TAC	14-Oct	TAC	3-Sep	TAC	14-Oct	TAC
	2004	10-Sep	TAC	1-Oct	HAL	2-Oct	HAL	2-Oct	HAL
	2005	1-Oct	HAL	1-Oct	HAL	31-Dec	n/a	31-Dec	n/a
	2006	8-Oct	HAL	8-Oct	HAL	31-Dec	n/a	31-Dec	n/a
	2007	1-Nov	SSL reg	1-Nov	SSL reg	31-Dec	n/a	31-Dec	n/a
	2008	3-Oct	TAC	1-Nov	SSL reg	16-Oct	HAL	16-Oct	HAL

Source: NMFS Alaska region season closures summary. HAL = halibut PSC closure. TAC = TAC reached.
*The table shows the final B season closure date, and does not show the multiple openings of the trawl season.

3.2.4 Participation by fixed gear vessels and licenses

Pacific cod is the primary groundfish species targeted by the fixed gear sectors in the Western and Central GOA. During 2000 through 2008, Pacific cod comprised approximately 98% of retained groundfish harvests by vessels using fixed gear in the Western and Central GOA, excluding the IFQ halibut and sablefish fisheries. The number of vessels participating in a fishery is one measure of effort, although it does not capture variables such as the capacity of the fleet. Table 3-9 reports the number of fixed gear vessels that participated in the directed Pacific cod fisheries during 2000-2008 in the Western and Central GOA, excluding vessels that only had incidental catch of Pacific cod in the IFQ fisheries. There have been notable increases in participation in the directed Pacific cod fisheries in the GOA during the past several years, particularly in 2007 and 2008. For example, in both the Western and Central GOA, participation by pot and hook-and-line catcher vessels <50 ft LOA and 50-60 ft LOA increased in 2007 and 2008. In the Central GOA, the number of ≥60 ft pot CVs participating in the directed Pacific cod fisheries increased during the past several years, after several years of low participation in 2002 through 2004. Pot CV and CP participation peaked in the GOA 2000, when the start of the BSAI *C. opilio* fishery was delayed due to ice. In the Western GOA, pot CV participation by vessels ≥60 ft LOA declined somewhat during the past several years. In 2006, sideboards went into effect that limit Pacific cod harvests by recipients of initial allocations of BSAI *C. opilio* crab quota. These sideboard provisions limit participation by some pot vessels that historically fished in the GOA. Specifically, the sideboards prohibit 137 vessels from directed fishing for GOA Pacific cod, and limit Pacific cod harvests by 82 additional vessels to a sideboard limit. In addition to these sideboarded vessels, 36[8] fixed gear groundfish LLP licenses are subject to the Pacific cod sideboards, and 11 licenses are prohibited from directed

[8] The Council took final action in October 2008 to exempt 3 vessels and 3 licenses from the sideboards. Previously, 85 vessels and 39 fixed gear groundfish LLP licenses were subject to the sideboards.

fishing for Pacific cod in the GOA. Participation by hook-and-line CPs has fluctuated during 2000 through 2008. There was an increase in participation by the <125 ft hook-and-line CP sector in the Western GOA in the past several years. Finally, participation by jig vessels has also fluctuated over the years. Most of the jig participants fished in parallel waters and do not hold fixed gear licenses. The jig sector's participation in the GOA Pacific cod fisheries is discussed in detail in Section 3.5.4.

Table 3-9 Number of fixed gear vessels participating in the directed Pacific cod fisheries, excluding IFQ participants, from 2000 to 2008.

Western GOA

Year	HAL CP <125	HAL CP ≥125	HAL CV <50	HAL CV 50-60	HAL CV ≥60	Jig CV	Pot CP	POT CV <50	POT CV 50-60	POT CV ≥60
2000	10	2	2	0	1	2	2	9	28	44
2001	9	2	2	2	1	16	3	9	22	10
2002	7	4	1	2	0	26	2	3	30	15
2003	6	8	1	0	1	11	1	3	39	17
2004	3	4	1	3	0	22	1	7	46	28
2005	2	3	8	7	0	8	1	5	34	19
2006	7	5	2	3	0	1	0	7	26	18
2007	7	3	8	5	1	4	1	5	25	18
2008	10	2	5	3	2	8	1	2	41	16

Central GOA

Year	HAL CP <125	HAL CP ≥125	HAL CV <50	HAL CV 50-60	HAL CV ≥60	Jig CV	Pot CP	POT CV <50	POT CV 50-60	POT CV ≥60
2000	3	0	117	26	5	16	4	15	40	59
2001	1	0	92	18	2	14	3	7	27	28
2002	0	4	58	14	2	7	3	8	20	17
2003	2	2	53	10	2	7	0	5	17	13
2004	1	2	47	13	6	30	0	6	16	13
2005	1	1	52	13	6	25	0	7	18	22
2006	2	4	47	15	6	24	0	9	27	23
2007	2	2	62	19	5	18	1	7	33	23
2008	4	3	64	26	6	12	0	9	29	20

Source: ADFG Fish Tickets and NMFS Catch Accounting/Blend, 2000-2008. Note: Excludes IFQ fisheries

Table 3-10 reports the number of unique vessels in each sector that participated in the directed Pacific cod fisheries during 2000 through 2008. These unique vessel counts may be compared with the number of vessels that participated annually during 2000-2008 for some perspective on the frequency of new entrants into each sector. For example, there were 89 pot CVs <60 ft LOA that participated in the directed Pacific cod fishery during 2000-2008, and 55 of those vessels fished during 2000, indicating that 34 additional vessels have entered the <60 ft LOA pot sector since 2000. Participation in the jig sector has been even more variable. During 2000-2008, 84 different vessels fished using jig gear in the Central GOA, but the maximum number of participants in any one year was 30 vessels. Similarly, 248 hook-and-line vessels <60 ft LOA had catch in the Central GOA directed Pacific cod fisheries during 2000-2008, but only 60 to 143 vessels have fished during a given year, indicating that a large number of vessels participate during some, but not all years.

Table 3-10 Number of unique vessels in each sector that participated in the directed Pacific cod fisheries in the Western and Central GOA during 2000-2008. Excludes IFQ participants.

Number unique vessels from 2000-2008	HAL CP <125	HAL CP ≥125	HAL: CV<50	HAL CV 50-60	HAL CV ≥60	Jig CV	Pot <50	Pot CV 50-60	Pot CV ≥60	Pot CP
Western Gulf	17	15	22	14	5	70	18	75	81	5

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Central Gulf	12	8	188	60	16	84	27	62	78	7

Table 3-11 Annual catch (mt) per vessel by fixed gear vessels participating in the directed Pacific cod fisheries, excluding IFQ catch, from 2000 to 2008.

Western GOA

Year	HAL CP <125	HAL CP ≥125	HAL CV <50	HAL CV 50-60	HAL CV ≥60	Jig CV	Pot CP	POT CV <50	POT CV 50-60	POT CV ≥60
2000	*	*	*	0	*	*	*	24	32	89
2001	*	*	*	*	*	10	346	38	45	82
2002	777	223	*	*	0	7	*	59	94	114
2003	445	184	*	0	*	4	*	108	146	204
2004	714	179	*	*	0	8	*	34	98	178
2005	*	*	24	8	0	6	*	52	47	237
2006	276	144	*	*	0	*	0	30	62	227
2007	381	120	19	*	*	0	*	61	81	128
2008	*	*	7	*	*	6	*	*	*	111

Central GOA

Year	HAL CP <125	HAL CP ≥125	HAL CV <50	HAL CV 50-60	HAL CV ≥60	Jig CV	Pot CP	POT CV <50	POT CV 50-60	POT CV ≥60
2000	69	0	36	62	119	2	227	30	93	132
2001	*	0	47	*	*	1	196	35	67	51
2002	0	406	*	80	*	0	44	13	73	98
2003	*	*	45	*	*	2	0	16	92	120
2004	*	*	79	69	108	4	0	18	149	186
2005	*	*	55	74	58	5	0	17	178	220
2006	*	*	77	112	125	4	0	21	142	192
2007	*	*	65	86	89	2	*	16	123	179
2008	145	337	47	86	91	2	0	7	93	123

Source: ADFG Fish Tickets and NMFS Catch Accounting/Blend, 2000-2008. Note: Excludes IFQ fisheries

The annual catch (mt) per vessel within each sector in the GOA directed Pacific cod fisheries is reported in Table 3-11. In general, hook-and-line and pot CPs and ≥60 ft LOA pot CVs have the highest annual catch per vessel. Jig vessels have the lowest annual catch per vessel (less than 10 mt per vessel). Annual catches per vessel within each sector depend on a number of variables, including Pacific cod TACs, conditions in the Pacific cod fishery, the number of vessels participating in the fishery, weather conditions, the timing of halibut PSC closures, and conditions in other fisheries. These variables make it difficult to describe trends in annual catch per vessel. For example, annual catches by hook-and-line vessels have varied, and do not show a clear trend. During some years, halibut PSC closures have limited hook-and-line catches during the B season. Conversely, during some years, the trawl B season has closed early due to halibut PSC limits, and the fixed gear sectors have had the opportunity to catch more of the TAC. Annual catches per vessel have declined in several sectors. For example, in the Central GOA, annual catches by ≥60 ft pot CVs declined from 220 mt per vessel in 2005 to 123 mt per vessel in 2008, and catches by 50-60 ft pot CVs declined by nearly half, from 178 mt in 2005 to 93 mt in 2008. In the Western GOA, annual catches by ≥60 ft pot CVs declined from 237 mt per vessel in 2005 to 111 mt per vessel in 2008.

Trends in the numbers of Western and Central GOA fixed gear CV licenses participating in the directed Pacific cod fisheries are reported in Table 3-12. In 2000 the number of fixed gear licenses participating in the Central and Western GOA was particularly high, because of the late start of the *C. opilio* season described earlier. In the Central GOA, the number of licenses participating in the directed Pacific cod fishery dropped to 99 licenses in 2003, climbed to 118 licenses in 2006, then increased substantially to 154 licenses in 2007 and 157 licenses in 2008. In the Western GOA, fixed gear CV license participation in the directed Pacific cod fishery ranged from 33 to 64 licenses during 2000 through 2008. In 2008, 55

Western GOA CV licenses participated in the fishery. Table 3-12 also breaks down license participation into the different gear groups. In the Western GOA, pot CV license participation fluctuates on an annual basis, and there has not been a clear trend in participation. Hook-and-line CV participation increased to 7 licenses in 2008. In the Central GOA, hook-and-line license participation increased to 100 licenses in 2008, and pot participation increased to 60 licenses in 2007 and 56 licenses in 2008. Catch (mt) per license in both sectors decreased in 2008. Catch per license for Central GOA pot CVs was only 97 mt in 2008; pot CV catches had not dropped below 100 mt per license since 2002.

Table 3-12 Number of fixed gear CV licenses and catch (mt) per license from 2000 to 2008 in the directed Pacific cod fisheries. Excludes IFQ participants.

Western GOA

	All gear types		Hook-and-line		Jig		Pot	
Year	Number of licenses*	Catch (mt) per license	Number of licenses*	Catch (mt) per license	Number of licenses*	Catch (mt) per license	Number of licenses*	Catch (mt) per license
2000	47	55	1	*	1	*	46	56
2001	33	*	1	*	0	0	33	56
2002	35	*	1	*	5	9	31	105
2003	48	162	1	*	2	*	45	172
2004	64	133	0	0	6	10	59	143
2005	50	*	3	8	1	*	46	112
2006	39	*	2	*	0	0	37	108
2007	41	94	6	33	0	0	35	104
2008	55	99	7	70	4	2	47	105

Central GOA

	All gear types		Hook-and-line		Jig		Pot	
Year	Number of licenses*	Catch (mt) per license	Number of licenses*	Catch (mt) per license	Number of licenses*	Catch (mt) per license	Number of licenses*	Catch (mt) per license
2000	195	76	109	51	4	2	85	110
2001	147	60	89	59	4	1	56	63
2002	111	89	68	100	3	0	41	76
2003	99	66	66	51	3	3	31	100
2004	106	101	69	82	8	2	35	143
2005	120	107	73	63	6	6	44	186
2006	118	123	66	102	7	6	50	155
2007	154	98	93	76	6	4	60	133
2008	157	75	100	63	4	2	56	97

Source: ADFG Fish Tickets and RAM groundfish license file, December 2008

* License counts do not necessarily correspond to vessel counts in Table 3-9. The CV license counts may include vessels operating with stacked licenses (i.e., 2 or more licenses assigned to a single vessel). In Table 3-9, vessel counts may include vessels participating in the parallel waters fisheries without an LLP license. Licenses may have used more than one gear type.

Trends in the numbers of Western and Central GOA fixed gear CP licenses participating in the directed cod fisheries are reported in Table 3-13. In both the Western and Central GOA, the number of CP licenses participating with hook-and-line gear increased in 2006, 2007, 2008, to levels higher than previous years. Pot CP participation has remained fairly stable, with 1 to 2 licenses participating in each management area in each year. Catch (mt) per hook-and-line CP license in both management areas was substantially lower in 2005 through 2008 than during previous years. Halibut PSC closures in 2005 (for the BSAI hook-and-line CP fleet only) and 2008 (for all hook-and-line vessels) resulted in shortened B seasons. Participation was also higher in 2006 through 2008. There were not sufficient numbers of CP licenses participating with pot gear in most years to report catch per license.

Table 3-13 Number of fixed gear CP licenses and catch (mt) per license from 2000 to 2008 in the directed Pacific cod fisheries. Excludes IFQ participants.

Western GOA

	All gear types		Hook-and-line		Pot	
Year	Number of licenses*	Catch (mt) per license	Number of licenses*	Catch (mt) per license	Number of licenses*	Catch (mt) per license
2000	8	446	8	446	0	0
2001	8	*	7	503	2	*
2002	6	*	5	871	1	*
2003	11	*	9	362	2	*
2004	9	*	7	408	2	*
2005	6	*	4	169	2	*
2006	12	*	11	220	1	*
2007	12	*	10	277	2	*
2008	14	*	12	254	2	*

Central GOA

	All gear types		Hook-and-line		Pot	
Year	Number of licenses*	Catch (mt) per license	Number of licenses*	Catch (mt) per license	Number of licenses*	Catch (mt) per license
2000	4	133	2	*	2	*
2001	3	*	1	*	3	139
2002	4	*	3	369	1	*
2003	2	*	2	*	0	0
2004	3	347	3	347	0	0
2005	3	140	3	140	0	0
2006	9	*	7	145	2	*
2007	8	266	5	260	3	276
2008	10	*	9	195	1	*

Source: NMFS Catch Accounting/Blend and RAM groundfish license file, December 2008

* License counts do not necessarily correspond to vessel counts in Table 3-9. License counts may include vessels operating as CVs using CP licenses and vessels operating with stacked licenses (i.e., 2 or more licenses assigned to a single vessel). In Table 3-9, vessel counts may include vessels participating in the parallel waters fisheries without an LLP license. Licenses may have used more than one gear type.

3.2.5 Revenues in the GOA Pacific cod fisheries

Ex-vessel prices in the GOA Pacific cod fisheries increased substantially during 2007 (Table 3-14). Ex-vessel prices for fixed gear landings averaged $0.494 per pound in 2007, an increase of $0.10 per pound since 2006. Ex-vessel prices for trawl landings also averaged $0.487 in 2007, an increase of $0.12 per pound since 2006. Gross revenues for all catcher vessel landings of GOA Pacific cod totaled $34.4 million in 2007, a 27% increase from 2006 revenues (Table 3-15). Participants in the 2008 GOA Pacific cod fisheries reported prices of up to $0.68 per pound, including bonuses. CFEC price and gross revenues data for 2008 are not yet available. In 2009, poor market conditions worldwide resulted in price declines. Participants have reported that ex-vessel prices during the 2009 A season ranged from $.30 to $.33 in the GOA. Extensive information on economic conditions in the GOA Pacific cod fisheries can be found in the Economic SAFE Report (Hiatt et al., 2008).

Table 3-14 Ex-vessel prices (dollars) per pound in the GOA Pacific cod fisheries

Year	Fixed gear	Trawl gear
2001	$0.299	$0.258
2002	$0.287	$0.234
2003	$0.304	$0.282
2004	$0.267	$0.251
2005	$0.297	$0.269
2006	$0.396	$0.369
2007	$0.494	$0.487

Source: ADFG Fish Tickets and CFEC gross revenues data.

Table 3-15 Ex-vessel gross revenues from the GOA Pacific cod fisheries (millions of dollars)

Year	Pot	Trawl	Hook-and-line	Jig	Total
2001	3.5	11.8	4.2	0.1	19.6
2002	3.9	7.2	4.4	0.1	15.6
2003	7.7	10.0	2.7	0.04	20.4
2004	8.2	8.4	3.6	0.2	20.4
2005	9.7	7.6	3.1	0.1	20.5
2006	12.6	8.7	5.7	0.1	27.1
2007	14.1	12.7	7.5	0.05	34.4

Source: ADFG Fish Tickets and CFEC gross revenues data.

First wholesale prices for Pacific cod products increased substantially in 2006 and 2007 (Table 3-16). The all products price is a weighted average of the prices for all products produced from Pacific cod. Table 3-17 shows the product mix from Pacific cod harvested in the GOA, and includes production by both at-sea processors and shorebased plants. Catcher processors produce mostly eastern and western cut headed and gutted products and several ancillary products. Shorebased processors produce fillets and headed and gutted products, along with a wide variety of ancillary products. Headed and gutted fish comprised the majority of products for at-sea processors, while fillets made up a larger fraction of the product mix for shoreside processors (Hiatt et al., 2007).

Table 3-16 First wholesale price (dollars per pound) of Pacific cod products by processing sector, includes BSAI and GOA fisheries

	Whole fish		Head & gut		Fillets		Other products		All products	
Year	At-sea	Shoreside	At-sea	Shoreside	At-sea	Shoreside	At-sea	Shoreside	At-sea	Shoreside
2001	0.46	0.51	1.09	0.87	1.49	1.86	1.39	1.04	1.11	1.24
2002	0.29	0.41	0.97	0.99	1.58	2.28	1.03	0.79	0.98	1.31
2003	0.41	0.56	1.13	0.97	2.29	2.18	0.89	0.56	1.14	1.29
2004	0.43	0.54	1.09	1.04	2.20	2.13	1.02	0.80	1.09	1.26
2005	0.56	0.58	1.29	1.50	2.07	2.72	1.32	0.81	1.29	1.65
2006	0.65	0.79	1.67	1.38	3.35	3.12	1.21	0.94	1.66	1.76
2007	0.66	0.92	1.86	1.64	2.74	3.63	1.30	0.96	1.84	1.81

Table 3-17 Products produced from Pacific cod harvested in the GOA.

	Whole fish		Head & gut		Fillets		Other products		Total
Year	Mt	Percentage	Mt	Percentage	Mt	Percentage	Mt	Percentage	Mt
2001	1.8	8.5%	9.0	42.8%	6.0	28.6%	4.3	20.2%	21.1
2002	1.1	5.0%	7.1	33.8%	6.7	32.0%	6.1	29.2%	21.0
2003	2.2	9.7%	4.5	19.7%	8.6	38.0%	7.4	32.6%	22.6
2004	0.8	3.5%	10.3	45.3%	6.5	28.8%	5.1	22.3%	22.6
2005	0.9	4.9%	6.4	35.1%	5.9	32.4%	5.0	27.6%	18.2
2006	0.6	2.5%	7.1	32.2%	8.1	36.8%	6.3	28.5%	22.1

Source: 2007 Economic SAFE (Hiatt et al., 2008).

Gross revenues by catcher vessels that used fixed gear in the directed Pacific cod fisheries in the Central or Western GOA are summarized in Table 3-18. Revenues are reported based on the sector that a vessel participated in during a given year in the Central or Western GOA directed Pacific cod fisheries. Table 3-18 also shows each sector's economic dependence on the GOA Pacific cod fisheries relative to its dependent on other Alaska fisheries. Pot vessels that did not qualify for BSAI crab allocations were highly dependent on GOA Pacific cod (19.7% of revenues), as well as the State GOA Pacific cod fisheries (11.5%) and IFQ halibut (25.1%). Crab-qualified pot CVs earned 14.6% of revenues from GOA Pacific cod during 2001-2007, and 65.3% of revenues from crab. Hook-and-line CVs earned 8.4% from GOA Pacific cod and 58% from halibut IFQ. Finally, jig vessels earned only 6.5% from the GOA Pacific cod fisheries, but also earned an additional 19.3% of revenues from the State GOA Pacific cod fisheries, and 43.3% of revenues from salmon.

First wholesale revenues for catcher processors that participated in the GOA Pacific cod fisheries are summarized in Table 3-19. The table shows that the GOA Pacific cod fisheries are a relatively small proportion of total production by trawl catcher processors. Trawl catcher processors mostly catch GOA Pacific cod incidentally while participating in other directed fisheries, and revenues from GOA Pacific cod comprised only 1.5% of first wholesale revenues during 2001-2007. Revenues for hook-and-line catcher processors were mainly from the BSAI Pacific cod fishery during 2001-2007 (77.5%). GOA Pacific cod and sablefish comprised 8.9% and 8.2% of first wholesale revenues for hook-and-line catcher processors during 2001-2007. Relatively few pot catcher processors participate in the GOA and BSAI Pacific cod fisheries. During 2001-2007, those pot CPs that participated in the GOA Pacific cod fisheries earned the majority of first wholesale revenues from the GOA Pacific cod fisheries (58.4%), and the remainder of revenues from the BSAI Pacific cod fishery.

Table 3-20 reports annual gross revenues per fixed gear CV license. Annual revenues per CV license have generally increased in both GOA management areas as the price of Pacific cod has increased. The tables also report revenues that licenses earned in the Western GOA or Central GOA Pacific cod fisheries as a percentage of revenues from all Alaska commercial fisheries, including groundfish, halibut, shellfish, salmon, and herring. Revenues from the GOA directed Pacific cod fisheries have remained a fairly consistent percentage of total annual revenues by these licenses in Alaska fisheries. Fixed gear CV licenses that participated in the directed Pacific cod fisheries in the Western GOA earned 11% to 22% of annual fisheries revenues from Pacific cod. Central GOA licenses earned 14% to 18% of annual fisheries revenues from the directed Pacific cod fishery. Table 3-20 also reports annual gross revenues per fixed gear CV license based on the gear type used in the directed Pacific cod fishery. Licenses that used pot gear had the highest annual revenues per license of the fixed gear CV sectors (2007 revenues: $149,305 in the CGOA and $108,295 in the WGOA). These figures only include revenues from the directed Pacific cod fishery in that management area. In 2007, licenses with hook-and-line catch earned approximately $85,000 per license in the CGOA and $34,000 per license in the Western GOA directed Pacific cod fisheries. Licenses with jig catch generally had annual revenues of less than $5,000 per license in the directed cod fisheries.

Table 3-21 reports annual wholesale revenues per fixed gear CP license. Annual revenues per CP license in the directed Pacific cod fisheries have generally declined over time in the Western GOA, although they increased in 2007 with higher Pacific cod prices. Annual revenues per CP license that used hook-and-line gear in the Western GOA directed Pacific cod fishery during 2000-2007 ranged from $215,000 per license in 2005 to more than $900,000 per license in 2002. In the Central GOA, revenues per hook-and-line CP license have ranged from just over $100,000 per license to nearly $500,000 per license in 2007. In both management areas, revenues from the GOA directed Pacific cod fisheries have ranged from 5% to more than 20% of total annual wholesale revenues by CP licenses in all Alaska fisheries (including groundfish and halibut and sablefish IFQ, but not including salmon or shellfish).

Table 3-18 Percentage of gross revenues from GOA Pacific cod and other fisheries by catcher vessels that participated in the GOA directed Pacific cod fisheries, averaged from 2001-2007.

Sector	Fishery	Vessels	Tons	Revenues	Percent of revenues
Hook-and-line CV	**GOA Pacific Cod**	**132**	**5,564**	**$4,422,751**	**8.4%**
	State GOA Pacific Cod	24	1,006	$815,727	1.5%
	BSAI Other Groundfish	13	961	$1,416,293	2.7%
	BSAI Pacific Cod	17	1,040	$815,479	1.5%
	GOA Other Groundfish	69	3,933	$1,209,310	2.3%
	IFQ Halibut	105	4,630	$30,578,179	58.0%
	IFQ Sablefish	54	1,498	$7,295,575	13.8%
	Other	62	472	$247,664	0.5%
	Salmon	62	5,025	$3,517,411	6.7%
	Shellfish	20	508	$2,410,427	4.6%
	Total	569	24,636	$52,728,815	100.0%
Jig CV	**GOA Pacific Cod**	**28**	**149**	**$99,019**	**6.5%**
	State GOA Pacific Cod	21	425	$292,917	19.3%
	BSAI Other Groundfish	1	*	*	*
	BSAI Pacific Cod	3	*	*	*
	GOA Other Groundfish	6	7	$3,305	0.2%
	IFQ Halibut	6	65	$346,984	22.9%
	IFQ Sablefish	1	*	*	*
	Other	10	60	$38,358	2.5%
	Salmon	13	1,115	$655,908	43.3%
	Shellfish	4	12	$57,595	3.8%
	Total	100	1,860	$1,516,116	100.0%
Crab qualified Pot CV	**GOA Pacific Cod**	**13**	**2,285**	**$1,634,973**	**14.6%**
	State GOA Pacific Cod	2	*	*	*
	BSAI Other Groundfish	8	30	$81,569	0.7%
	BSAI Pacific Cod	8	1,856	$1,363,502	12.2%
	GOA Other Groundfish	4	2	$501	0.0%
	IFQ Halibut	2	*	*	*
	IFQ Sablefish	1	*	*	*
	Other	8	12	$13,542	0.1%
	Salmon	1	*	*	*
	Shellfish	12	1,285	$7,299,936	65.3%
	Total	56	5,714	$11,176,266	100.0%
Non Crab qualified Pot CV	**GOA Pacific Cod**	**87**	**9,583**	**$6,913,255**	**19.7%**
	State GOA Pacific Cod	62	5,973	$4,047,893	11.5%
	BSAI Other Groundfish	8	443	$421,760	1.2%
	BSAI Pacific Cod	13	2,476	$1,603,858	4.6%
	GOA Other Groundfish	35	6,673	$1,577,411	4.5%
	IFQ Halibut	36	1,431	$8,823,240	25.1%
	IFQ Sablefish	11	330	$1,555,630	4.4%
	Other	54	1,570	$608,213	1.7%
	Salmon	37	11,967	$5,219,824	14.9%
	Shellfish	30	787	$4,356,802	12.4%
	Total	382	41,233	$35,127,885	100.0%

Source: ADFG fish tickets and CFEC gross revenues data, 2001-2007

Table 3-19 Percentage of gross revenues from GOA Pacific cod and other fisheries by catcher processors that participated in the GOA Pacific cod fisheries, averaged from 2001-2007.

Gear	Area	Fishery	Total number of unique vessels (2000-2007)**	Average annual catch (mt)	Average annual revenues	Percent of revenues
Hook-and-line	BSAI	Atka Mackerel	10	1	$827	0.0%
		Flatfish	32	1,244	$878,138	1.3%
		Other Species	31	1,265	$497,720	0.7%
		Pacific Cod	36	38,307	$51,833,438	77.5%
		Pollock	36	1,238	$999,429	1.5%
		Rockfish	31	56	$45,771	0.1%
		Sablefish	24	181	$949,223	1.4%
		BSAI Total			$55,204,547	82.6%
Hook-and-line	GOA	Atka Mackerel	3	1	$374	0.0%
		Flatfish	24	49	$54,181	0.1%
		Other Species	26	114	$66,384	0.1%
		Pacific Cod	36	4,502	$5,918,465	8.9%
		Pollock	29	19	$7,964	0.0%
		Rockfish	26	129	$117,117	0.2%
		Sablefish	20	1,077	$5,469,946	8.2%
		GOA Total			$11,634,430	17.4%
		Hook-and-line total			$66,838,977	100.0%
Pot	BSAI	Atka Mackerel	1	*	*	*
		Flatfish	1	*	*	*
		Other Species	4	*	*	*
		Pacific Cod	6	515	$594,218	40.7%
		Pollock	4	3	$2,229	0.2%
		Sablefish	2	*	*	*
		BSAI Total			$603,132	41.3%
Pot	GOA	Atka Mackerel	2	*	*	*
		Other Species	6	5	$3,659	0.3%
		Pacific Cod	8	655	$852,861	58.4%
		Pollock	1	*	*	*
		Rockfish	2	*	*	*
		GOA Total			$856,619	58.7%
		Pot Total			$1,459,750	100.0%
Trawl	BSAI	Atka Mackerel	19	34,747	$22,693,733	17.0%
		Flatfish	21	64,134	$50,254,938	37.6%
		Other Species	21	789	$309,549	0.2%
		Pacific Cod	21	18,396	$24,439,183	18.3%
		Pollock	21	10,169	$8,350,252	6.2%
		Rockfish	20	5,891	$4,754,323	3.6%
		Sablefish	20	115	$577,423	0.4%
		BSAI Total			$111,379,401	83.3%
Trawl	GOA	Atka Mackerel	18	351	$202,757	0.2%
		Flatfish	21	8,825	$8,871,453	6.6%
		Other Species	17	190	$115,465	0.1%
		Pacific Cod	21	1,530	$2,006,816	1.5%
		Pollock	20	286	$116,860	0.1%
		Rockfish	20	9,162	$8,602,974	6.4%
		Sablefish	20	469	$2,349,967	1.8%
		GOA Total			$22,266,293	16.7%
		Trawl Total			$133,645,693	100.0%

Source: Retained catch data from Catch Accounting/Blend database, 2001-2007. First wholesale price per ton from Economic SAFE (Hiatt, 2008). *Withheld for confidentiality. **Not all vessels fished during all years from 2001-2007.

Table 3-20 Annual gross revenues from Pacific cod for fixed gear CV licenses that participated in the directed GOA Pacific cod fisheries during 2000-2008.

Western GOA	All gear types			Hook-and-line		Jig		Pot	
Year	Number of licenses	Annual revenues per license	Percent of annual revenues from WG Pcod	Number of licenses	Annual revenues per license	Number of licenses	Annual revenues per license	Number of licenses	Annual revenues per license
2000	47	*	*	1	*	0	$0	46	$37,090
2001	33	*	*	1	*	0	$0	33	$30,404
2002	35	$44,197	14.7%	1	*	5	*	31	$49,187
2003	48	$92,385	21.8%	1	*	2	*	45	$98,209
2004	64	$70,092	15.2%	0	$0	6	$5,283	59	$75,495
2005	50	$61,950	10.7%	3	*	1	*	46	$66,923
2006	39	*	*	2	*	0	$0	37	$90,545
2007	41	$97,514	11.4%	6	$34,626	0	$0	35	$108,295
2008	55	$130,791	n/a	7	n/a	0	n/a	47	n/a

Central GOA	All gear types			Hook-and-line		Jig		Pot	
Year	Number of licenses	Annual revenues per license	Percent of annual revenues from WG Pcod	Number of licenses	Annual revenues per license	Number of licenses	Annual revenues per license	Number of licenses	Annual revenues per license
2000	195	$62,210	17.7%	109	$45,113	4	$1,668	85	$84,789
2001	147	$41,896	14.0%	89	$43,570	4	$722	56	$40,680
2002	111	*	*	68	$63,837	3	*	41	*
2003	99	*	*	66	$37,900	3	*	31	*
2004	106	$65,429	15.2%	69	$54,672	8	$1,303	35	$90,076
2005	120	$75,829	16.0%	73	$44,256	6	$4,455	44	$132,775
2006	118	$110,138	17.5%	66	$91,879	7	$5,400	50	$137,889
2007	154	$109,758	16.5%	93	$85,155	6	$4,168	60	$149,305
2008	157	$98,767	n/a	100	n/a	4	n/a	56	n/a

Source: ADFG Fish Tickets, CFEC gross revenues data, and RAM groundfish license file.

Table 3-21 First wholesale revenues per CP license in the directed GOA Pacific cod fisheries, 2000-2008.

Western GOA	All gear types			Hook-and-line		Pot	
Year	Number of licenses	Revenues per license	Percent of revenues from WG Pcod	Number of licenses	Revenues per license	Number of licenses	Revenues per license
2000	8	$565,077	17.0%	8	$565,077	0	$0
2001	8	*	19.0%	7	$602,040	2	*
2002	6	*	23.8%	5	$911,895	1	*
2003	11	*	11.4%	9	$423,330	2	*
2004	9	*	11.6%	7	$490,861	2	*
2005	6	*	5.1%	4	$215,126	2	*
2006	12	*	6.9%	11	$371,981	1	*
2007	12	*	10.6%	10	$543,162	2	*
2008	14	n/a	n/a	12	n/a	2	n/a

Central GOA	All gear types			Hook-and-line		Pot	
Year	Number of licenses	Revenues per license	Percent of revenues from WG Pcod	Number of licenses	Revenues per license	Number of licenses	Revenues per license
2000	4	$168,608	20.5%	2	*	2	*
2001	3	*	5.4%	1	*	2	*
2002	4	*	11.6%	3	$386,836	1	*
2003	2	*	24.1%	2	*	0	$0
2004	3	$346,793	22.8%	3	$346,793	0	$0
2005	3	$102,634	6.5%	3	$102,634	0	$0
2006	9	*	4.9%	7	$215,044	2	*
2007	8	$392,367	13.1%	5	$494,355	3	$222,388
2008	10	n/a	n/a	9	n/a	1	n/a

Source: NMFS Blend/Catch Accounting, RAM groundfish license file (Dec 2008), and Hiatt et al (2007).

3.3 Analysis of the Alternatives, Components, and Options

This section provides an overview of the expected effects of the proposed action to add Pacific cod endorsements to Western and Central GOA fixed gear groundfish licenses. The tables show the number of fixed gear groundfish licenses that will be eligible to participate in the directed Pacific cod fisheries in Western and Central GOA under the various components and option. Following this overview is a discussion of the potential economic and socioeconomic effects which may occur as a result of the proposed action. Finally, effects on harvesters, processors, and communities are analyzed, followed by a description of the cumulative effects of the proposed amendment and other recent actions, and an analysis of the net benefits to the Nation.

3.3.1 Alternative 1 – No Action

Under the no action alternative, Pacific cod endorsements would not be added to Western and Central GOA fixed gear groundfish licenses. As a result, there would be no reduction in the number of fixed gear groundfish licenses eligible to participate in the directed Pacific cod fisheries in the Western and Central GOA. If this alternative is selected, fixed gear licenses that have not participated in the Western and Central GOA Pacific cod fisheries in recent years could enter the fisheries in the future and dilute revenues, increase costs, or both, for licenses with recent participation in the fisheries. Increased participation may result in negative economic impacts to current participants in the fisheries. The number

of licenses that might enter the fisheries in the absence of this action is unknown, and depends on future market conditions, the size of Pacific cod TACs, opportunities to participate in other fisheries, the future regulatory environment, and operating costs in the fisheries. Consequently, this analysis does not provide a quantitative estimate of the potential economic impacts of the no action alternative.

Current number of fixed gear groundfish licenses

The number of fixed gear licenses with Western and Central GOA endorsements is reported by operation type and maximum length overall (MLOA) in Table 3-22. The table also indicates the number of licenses that have other area endorsements in addition to a Western or Central GOA endorsement. There are 883 fixed gear catcher vessel licenses with Central GOA endorsements and 264 fixed gear catcher vessel licenses with Western GOA endorsements. Most of these licenses may only be used on vessels less than 60 feet LOA. Fewer than 25% of catcher vessel licenses with Central GOA endorsements also have BSAI or Western GOA endorsements. In contrast, more than half of catcher vessel licenses with Western GOA endorsements also have BSAI or Central GOA endorsements. There are 49 Central GOA and 31 Western GOA CP licenses, and the majority of these licenses also carry BSAI endorsements. Only a small number of catcher processor licenses are restricted for use on vessels less than 60 feet LOA. This is the universe of fixed gear licenses that would continue to have access to the directed Pacific cod fisheries in the Western and Central GOA in the absence of the proposed amendment.

Table 3-22 Number of GOA fixed gear LLP licenses with each area endorsement, operation type, MLOA, and gear designation.

	Number of endorsements		Licenses that also have an endorsement (or designation) for:					
	All licenses	Licenses with MLOA <60 feet	Central Gulf	Western Gulf	Aleutian Islands	Bering Sea	Southeast Outside	Trawl
Central Gulf CV	883	702	--	175	61	159	178	114
Central Gulf CP	49	5	--	27	41	45	5	8
Western Gulf CV	264	154	175	--	62	157	42	78
Western Gulf CP	31	1	27	--	30	31	3	4

Source: NMFS RAM groundfish license file, December 2008.

3.3.2 Alternative 2 – Add Pacific cod endorsements to licenses

This section describes the impacts of the proposed action on the universe of fixed gear licenses that are currently eligible to participate in the directed Pacific cod fisheries in Federal waters of the Western and Central GOA. The proposed action would add Pacific cod endorsements to fixed gear licenses. Licenses would be required carry a Pacific cod endorsement, in addition to the appropriate area endorsement, to participate in the directed Pacific cod fisheries in Federal waters of the Western and Central GOA. The action would result in an amendment to the GOA Fisheries Management Plan (FMP).

The tables in this section show the number of fixed gear licenses that meet the various landings and catch thresholds during 2000-2006 and 2002-2006, and also show the additional number of licenses that would qualify if landings during 2007 through either June 4, 2008 or December 8, 2008 are included in addition to landings during 2000-2006 or 2002-2006. Under Component 3 (see below), there is a provision that states that one of the qualifying periods included in the suboptions under Option 3 will be selected in addition to either 2000-2006 (Option 1) or 2002-2006 (Option 2). If Suboption 3 is also selected, any license that qualifies for a Pacific cod endorsement only when catch during the supplemental years in

Option 3 are included would receive a nontransferable Pacific cod endorsement. The endorsement would be extinguished if the license is transferred to another vessel or owner.

Component 3

Option 1: 2000-2006
Option 2: 2002-2006
Option 3: Add the qualifying period January 1, 2007 through:
Suboption 1: June 4, 2008
Suboption 2: December 8, 2008

- Either of these suboptions will be selected in addition to one of the qualifying periods in Option 1 or Option 2.

Suboption 3: If an LLP license qualifies only when the supplemental range of years in Suboption 1 or Suboption 2 is included, any Pacific cod endorsements granted to licenses under these suboptions would be extinguished upon transfer of the LLP license to another vessel or owner.

Licenses will be credited with retained catch from the directed Pacific cod fisheries in the Federal and parallel waters fisheries. Landings must be made with fixed gear (pot, hook-and-line, or jig) in the endorsement area. Catch in the IFQ and State waters fisheries is excluded. Note that licenses with Central GOA endorsements are also credited with landings in the West Yakutat management area, because under the LLP, the Central GOA endorsement authorizes licenses to fish in Federal waters of West Yakutat. Each table shows the number of licenses that would qualify under the 2 options in

Component 4:

Option 1 – All directed Pacific Cod 1, 3, 5 landings (resulting in a Pcod endorsement)
Option 2 – All directed Pacific Cod 5, 10, 25, 100 mt (resulting in a Pcod endorsement)

Licenses that meet a landings threshold of 1, 3, or 5 landings or a catch threshold of 5, 10, 25, 100 mt in the respective management area would receive a Pacific cod endorsement. Directed Pacific cod catch is defined as landings made when the directed Pacific cod fisheries are open. Licenses are credited with landings made up to 7 days after the directed season closes in order to allow time for deliveries to be made or processing activity to be reported.

3.3.2.1 Catcher vessel licenses

The number of fixed gear catcher vessel licenses that meet each landings and catch threshold is reported in Table 3-23. The number of licenses that would qualify for a Pacific cod endorsement depends upon the catch definition, landings or catch threshold, and qualification period selected. There are currently 264 Western GOA fixed gear licenses, and 54 to 110 of these licenses would qualify for a Pacific cod endorsement. There are 883 Central GOA fixed gear licenses, and 110 to 306 of these licenses would qualify for a Pacific cod endorsement. If Pacific cod endorsements are added to licenses, the number of fixed gear catcher vessel licenses eligible to participate in the directed Pacific cod fishery would be reduced to 20% to 42% of current capacity in the Western GOA and 12% to 35% of current capacity in the Central GOA.

The number of qualifying Central GOA licenses varies substantially, and depends on the range of qualifying years used to determine catch history. If 2000-2001 catch history is included, approximately 30 to 60 additional Central GOA licenses meet the 1 landing threshold. The qualification period makes somewhat less of a difference for Western GOA licenses. In general, most Western GOA licenses with fishing history during 2000-2006 were also active during 2002-2006. Most Western and Central GOA licenses that have 3 or 5 landings also meet the 5 mt or 10 mt catch thresholds. However, only about 50%

to 65% of the licenses that meet the 1 landing threshold during a given qualifying period meet the 100 mt threshold during the same time period.

If landings during 2007 through June 4, 2008 or December 8, 2008 are included in addition to landings during one of the qualifying periods under Options 1 or 2, approximately 10% to 20% more CV licenses meet the one landing threshold (see Table 3-23). For example, 306 Central GOA licenses have at least one directed Pacific cod landing during 2000 through December 8, 2008, compared to only 269 during 2000-2006. Similarly, 110 Western GOA CV licenses have at least one directed Pacific cod landing during 2000-2008, compared to only 93 licenses during 2000-2006. Under Option 3, Suboption 3 would make the Pacific cod endorsement nontransferable if a license only qualified for a Pacific cod endorsement when one of the 2007-2008 qualifying periods is included. Any Pacific cod endorsement that is granted to a license under Option 3 could, under Suboption 3, be extinguished upon transfer of the license to another vessel or owner.

Catcher Vessel Licenses by Gear Type Used

The number of licenses that meet each landings and catch threshold based on catch made while using a specific gear type is reported in Table 3-24. It is important to note that the gear type columns are not mutually exclusive. Licenses may have qualified landings using more than one fixed gear type, and as a result, the number of licenses in the columns in Table 3-24 may sum to more than the number of qualifying licenses in Table 3-23. In the absence of specific fixed gear type endorsements (i.e., pot, hook-and-line, or jig endorsements), these licenses could continue to fish in the directed Pacific cod fisheries using any fixed gear type.

Each table shows the number of licenses meeting each threshold based on catch in the directed Pacific cod fisheries using a specific gear type. Under the proposed action, licenses would be required to carry Pacific cod endorsements, in addition to the appropriate area endorsements, to participate in the directed Pacific cod fisheries in Federal waters of the GOA. Pacific cod endorsements could also have a specific gear designation, similar to the BSAI Pacific cod endorsements created under Amendment 67. Pacific cod endorsements would limit the number of licenses eligible to participate in the directed Pacific cod fisheries in the Western and Central GOA. However, vessels without LLP licenses, and licenses without Pacific cod endorsements, could continue to participate in the directed Pacific cod fisheries in parallel waters. Licenses would qualify for Pacific cod endorsements based on catch in the directed Pacific cod fisheries in Federal and parallel waters. Under the current options being considered, incidental catch of Pacific cod outside of the directed season would not count toward the landings and catch thresholds.

Under the current landings and catch thresholds, the number of gear-specific Pacific cod endorsements that would be added to fixed gear catcher vessel licenses includes:

Central GOA

- 68 to 202 hook-and-line endorsements
- 42 to 124 pot endorsements
- 0 to 24 jig endorsements

Western GOA

- 0 to 14 hook-and-line endorsements
- 54 to 96 pot endorsements
- 0 to 12 jig endorsements

The number of gear-specific Pacific cod endorsements that could be added to licenses under the different options (shown in Table 3-24) may be compared with the number of licenses participating on an annual basis using each gear type (see Table 3-12). In the Western GOA, up to 59 licenses per year have participated using pot gear, and as many as 96 licenses would qualify for pot endorsements at the 1 landing threshold during 2000 through Dec 8, 2008. As many as 7 hook-and-line vessels and 6 jig vessels have participated in the Western GOA directed Pacific cod fishery per year, and up to 14 hook-and-line and 12 jig endorsements could be added to licenses. In the Central GOA, up to 109 licenses participated using hook-and-line gear per year, and up to 202 licenses qualify for hook-and-line endorsements. A maximum of 85 licenses used pot gear in one year, and up to 124 licenses qualify for pot endorsements. Finally, up to 8 Central GOA licenses have jig landings in one year and up to 24 licenses would qualify for a jig endorsement.

The Council could choose different catch or landings thresholds for different gear types and MLOA designations to account for differences in catch history among licenses in each sector. In Component 4, options for defining the catcher vessel sectors include:

- Hook-and-line CV
  Option: Hook-and-line CV ≥60
  Hook-and-line CV <60
- Pot CV
  Option: Pot CV ≥60
  Pot CV <60
- Jig

In past actions, the Council has selected different qualifying thresholds for vessels based on gear, operation type, and vessel length. For example, the qualification criteria used to establish BSAI Pacific cod endorsements under Amendment 67 are shown in Table 3-2. In the BSAI, vessels with pot history needed 100,000 lbs (45 mt) of catch in each of 2 years during 1995-1999 to qualify for a pot catcher vessel endorsement, and vessels with hook-and-line history needed 7.5 mt of catch in any one year during 1995-1999 to qualify for a hook-and-line catcher vessel endorsement.

In determining the criteria that licenses will need to meet to qualify for GOA Pacific cod endorsements, the Council could take into consideration the differences in catch history among the gear types. For example, approximately 65% to 75% of Western GOA licenses that have at least one directed Pacific cod landing using pot gear also meet the highest (100 mt) catch threshold. Under most options, more than 50% of Central GOA licenses with at least 1 pot or hook-and-line landing in the directed Pacific cod fishery in the Central GOA meet the 100 mt threshold. However, in the Western GOA, no licenses with hook-and-line catch history in the directed Pacific cod fishery meet the 100 mt threshold during any of the qualification periods. Similarly, most licenses with jig history have less than 10 mt of Pacific cod catch during all of the qualifying periods.

Some catcher vessel licenses have catch history using more than one fixed gear type. Under the current set of options being considered by the Council, these licenses could potentially qualify for more than one gear-specific Pacific cod endorsement. Note that under Amendment 67, licenses could qualify for up to 2 BSAI Pacific cod endorsements (pot and hook-and-line CP or CV). If licenses are allowed to qualify for more than one Western or Central GOA Pacific cod endorsement, the endorsements could be made non-severable to prevent license holders from selling their Pacific cod endorsements, which could result in an expansion of the fleet. Allowing individual licenses to hold more than one gear endorsement would give those licenses the flexibility to use different fixed gear types during a given fishing year or over a series of years.

Below is a summary of the number of licenses that meet the minimum catch threshold of 1 landing of directed Pacific cod during **2000-2006 or 2000-Dec 8, 2008** using more than one fixed gear type:

Central GOA

- 18 or 30 licenses have both pot and hook-and-line landings
- 10 or 12 licenses have both hook-and-line and jig landings
- 3 licenses have both pot and jig landings
- 1 license has pot, hook-and-line, and jig landings

Western GOA

- 2 or 5 licenses have both pot and hook-and-line landings
- 1 license has both hook-and-line and jig landings
- 4 or 7 licenses have both pot and jig landings
- 1 license has pot, hook-and-line, and jig landings

Catcher Vessel Licenses by Gear Type Used and MLOA

Table 3-25 reports the number of licenses that meet the landings and catch thresholds while using a specific gear type, reported by the MLOA designation on the license. This table provides an estimate of the number of licenses that would be eligible to fish the catcher vessel Pacific cod sector allocations, if separate allocations are established for vessels of different lengths (e.g. vessels <60 ft LOA and ≥60 ft LOA). However, it should be noted that the number of licenses shown in each size category in Table 3-25 is based on the MLOA designation on the license, and is not based on the length of the vessel assigned to the license. In some cases, the MLOA designation on the license is larger than the LOA of the vessel assigned to that license. Also, note that some vessels have multiple (i.e., stacked) licenses, and the number of licenses in each length category may be greater than the number of vessels in that length category with recent participation in the fisheries. These estimates provide some perspective on how the catcher vessel sectors could be divided by vessel length for the purpose of establishing Pacific cod sector allocations. For example, dividing the pot catcher vessel sector at 60 feet LOA results in a fairly even distribution of licenses that could potentially fish the <60 ft LOA and ≥60 feet LOA allocations. In contrast, the hook-and-line sector is mostly comprised of licenses with an MLOA of <60 feet, and few active licenses are ≥60 feet MLOA. Hook-and-line vessels ≥60 feet LOA have historically taken a relatively small proportion of the Pacific cod catch in the Western GOA (less than 1%) and Central GOA (1 to 2%). Dividing the hook-and-line catcher vessel allocation at 50 feet LOA would result in a more even distribution of licenses eligible to fish those allocations

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The tables also show the number of additional licenses that would qualify in each gear and MLOA class if catch during 2007 through June 4, 2008 or December 8, 2008 is included in addition to catch during one of the qualifying periods in Options 1 or 2. In the Central GOA, the majority of additional licenses that qualify are 50-60 ft MLOA and have pot history (6 or 10 additional licenses with 1 landing) or hook-and-line history (17 or 22 additional licenses with 1 landing). Similarly, in the Western GOA, the majority of additional licenses that qualify have an MLOA of 50-60 ft and have pot history (8 additional licenses with 1 landing).

Licenses that only qualify when 2007 and 2008 catch history is included

Under Component 3, Suboption 3 states that if an LLP license qualifies for a Pacific cod endorsement only when the supplemental range of years (Jan 1, 2007 through Jun 4, 2008 or Dec 8, 2008) in Suboption 1 or Suboption 2 of Component 3 are included, any Pacific cod endorsement granted to a license would be extinguished upon transfer of the LLP license to another vessel or owner. The rationale for including Suboption 3 is that licenses that only have recent (2007 and 2008) history in the Western or Central GOA Pacific cod fisheries may have made these landings specifically for the purpose of qualifying for a Pacific cod endorsement. Those participants who entered the fishery in 2007 and 2008 would receive a Pacific cod endorsement under Suboption 1 or Suboption 2, and could continue to participate in the fishery. **It is important to note that Suboption 3 currently states that the Pacific cod endorsement would not be transferable to another vessel or owner.**

Designating licenses that qualify under Suboption 1 or Suboption 2 as non-transferable to another vessel or owner could have several effects. First, it would maintain the existing fleet of vessels in the Pacific cod fishery that are currently assigned to licenses that qualify based on 2007 or 2008 catch history. For example, a high capacity 58 ft LOA vessel could not later be assigned to a license to replace a lower capacity boat that is currently assigned to a license. However, it would also prevent a license holder from replacing a vessel for safety or other considerations. If a boat sinks or otherwise becomes inoperable, the Council may wish to specify vessel replacement provisions for these licenses. If the Council wishes to choose Suboption 3, but to allow the owner to transfer the license to another vessel, **Suboption 3 could be revised so that a license cannot be transferred to another owner, but can be transferred to another vessel.** This would allow license holders to replace the vessel assigned to the license with a different vessel. Suboption 3 would also preclude a license holder who receives a Pacific cod endorsement based on 2007 or 2008 history from opportunistically selling the license with the endorsement to another person. The intent of including 2007 and 2008 history is to allow those participants who have only recently entered the fishery to be able to continue to participate in the fishery. It is not intended to allow recent entrants to qualify for an endorsement in order to sell the license with the endorsement to another person.

Table 3-26 provides a summary of the CV licenses that qualify at the 1 landing threshold only when catch history from 2007 through December 8, 2008 is included. Approximately half of the additional CV licenses that qualify have an MLOA of 58 or 59 ft. There are 37 Central GOA CV licenses that qualify at the 1 landing threshold; 32 of these licenses have an MLOA of <60 ft, and 19 have an MLOA of 58 or 59 ft. Three of the 37 licenses are currently assigned to 'Super 8' vessels greater than 100 gross tons. The licenses are mostly held by Alaska residents (25 of the 37 licenses, including 10 held by Kodiak residents). There are 17 Western GOA CV licenses that qualify at the 1 landing threshold only when 2007 and 2008 catch history is included; 10 licenses have an MLOA of <60 ft, and 7 licenses have an MLOA of 58 or 59 ft (including 1 'Super 8' vessel that is greater than 100 gross tons). The licenses are also mostly held by Alaska residents (7 of 10 licenses). Four Western GOA and 4 Central GOA CV licenses that qualify are stacked on two vessels (2 licenses per vessel). If these licenses are transferable, the stacked licenses could be assigned to different vessels or sold to different persons in the future, which would result in an increase in the size of the fleet eligible to participate in the Western and Central GOA Pacific cod fishery.

There are also additional CP licenses that qualify for a Pacific cod endorsement at the 1 landing threshold when catch through Dec 8, 2008 is credited to licenses. Three additional Western GOA licenses and 7 additional Central GOA licenses meet the 1 landing threshold. Most of these licenses have hook-and-line CP landings, and would qualify for a hook-and-line Pacific cod endorsement. There is a comparison of annual participation and revenues in the GOA Pacific cod fisheries and other Alaska fisheries by CV and

CP licenses that only qualify when 2007 and 2008 catch is included and licenses that qualify based on 2000-2006 catch in Section 3.4.1.2.

Table 3-23 Number of fixed gear catcher vessel licenses that meet the landings and catch thresholds based on landings in the Western or Central GOA directed Pacific cod fisheries.

Western GOA – 264 CV licenses

Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	110	106	93	101	96	82
3 landings	100	95	83	95	90	76
5 landings	91	87	74	86	82	68
5 mt	105	100	85	99	94	77
10 mt	97	93	79	93	89	73
25 mt	91	88	74	85	82	66
100 mt	68	63	55	68	63	54

Central GOA – 883 CV licenses

Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	306	297	269	245	234	198
3 landings	272	266	240	220	215	179
5 landings	249	246	219	203	200	164
5 mt	273	267	237	222	216	180
10 mt	255	250	223	210	205	171
25 mt	221	220	190	189	188	154
100 mt	171	169	151	142	139	110

Source: ADFG Fish Tickets (2000-2007), NMFS Catch Accounting (2008) and RAM groundfish license file, December 2008.

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Table 3-24 Number of fixed gear catcher vessel licenses that meet the landings and catch thresholds based on landings using a specific gear type in the Western or Central GOA directed Pacific cod fisheries.

Western GOA licenses - 264 CV licenses

Hook-and-line						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	14	12	7	14	12	7
3 landings	11	8	4	10	7	3
5 landings	9	5	1	9	5	1
5 mt	13	11	6	12	10	5
10 mt	11	9	3	11	9	3
25 mt	9	6	0	9	6	0
100 mt	3	0	0	3	0	0

Jig						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	12	9	9	11	8	8
3 landings	7	7	7	7	7	7
5 landings	5	5	5	5	5	5
5 mt	7	6	6	7	6	6
10 mt	3	3	3	3	3	3
25 mt	*	*	*	*	*	*
100 mt	0	0	0	0	0	0

Pot						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	96	94	83	86	84	72
3 landings	88	87	77	82	81	69
5 landings	82	81	71	76	75	64
5 mt	91	89	78	84	82	69
10 mt	88	86	75	83	81	68
25 mt	82	81	71	76	75	63
100 mt	65	63	55	65	63	54

Source: ADFG Fish Tickets (2000-2007), NMFS Catch Accounting (2008) and RAM groundfish license file, December 2008.
*Withheld for confidentiality.
Note: Gear type columns are not mutually exclusive, and the number of licenses in the columns in Table 3-24 may sum to more than the number of qualifying licenses in Table 3-23.

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Central GOA licenses – 883 CV licenses

Hook-and-line gear						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	202	196	169	161	154	123
3 landings	177	172	149	142	138	111
5 landings	157	155	133	125	123	98
5 mt	180	176	149	145	141	112
10 mt	162	159	135	133	130	104
25 mt	134	134	112	116	116	94
100 mt	96	94	84	84	81	68

Jig						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	24	22	19	20	18	15
3 landings	10	10	9	7	7	6
5 landings	9	9	7	7	7	5
5 mt	9	8	7	8	7	6
10 mt	4	4	4	4	4	4
25 mt	*	*	0	*	*	0
100 mt	0	0	0	0	0	0

Pot						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	124	120	111	94	90	78
3 landings	109	106	100	85	82	70
5 landings	98	98	91	78	78	66
5 mt	109	106	99	85	82	72
10 mt	106	103	96	83	80	69
25 mt	93	91	83	76	74	62
100 mt	75	75	66	59	59	42

Source: ADFG Fish Tickets (2000-2007), NMFS Catch Accounting (2008) and RAM groundfish license file, December 2008.
*Withheld for confidentiality.
Note: Gear type columns are not mutually exclusive, and the number of licenses in the columns in Table 3-24 may sum to more than the number of qualifying licenses in Table 3-23.

Table 3-25 Number of catcher vessel licenses that meet the landings and catch thresholds based on catch in the directed Pacific cod fisheries in the Western and Central GOA using a specific gear type, reported by the MLOA on the license.

Western GOA- 264 CV licenses

Hook-and-line gear									
	<50 feet	50-59 feet	≥60 feet	<50 feet	50-59 feet	≥60 feet	<50 feet	50-59 feet	≥60 feet
	2000- Dec 2008			2000- June 2008			2000-2006		
1 landing	4	6	4	3	6	3	0	6	1
3 landings	4	4	3	3	4	1	0	3	1
5 landings	3	3	3	2	2	1	0	1	0
5 mt	3	6	4	*	6	*	0	6	0
10 mt	3	4	4	*	4	*	0	3	0
25 mt	*	*	4	*	*	*	0	0	0
100 mt	0	*	*	0	0	0	0	0	0

Jig gear									
	<50 feet	50-59 feet	≥60 feet	<50 feet	50-59 feet	≥60 feet	<50 feet	50-59 feet	≥60 feet
	2000- Dec 2008			2000- June 2008			2000-2006		
1 landing	4	7	1	4	5	0	4	5	0
3 landings	3	4	0	3	4	0	3	4	0
5 landings	2	3	0	2	3	0	2	3	0
5 mt	3	4	0	*	*	0	*	*	0
10 mt	*	*	0	*	*	0	*	*	0
25 mt	*	*	0	*	*	0	*	*	0
100 mt	0	0	0	0	0	0	0	0	0

Pot gear									
	<50 feet	50-59 feet	≥60 feet	<50 feet	50-59 feet	≥60 feet	<50 feet	50-59 feet	≥60 feet
	2000- Dec 2008			2000- June 2008			2000-2006		
1 landing	2	67	27	2	67	25	2	59	22
3 landings	2	62	24	2	61	24	2	53	22
5 landings	1	59	22	1	58	22	1	51	19
5 mt	*	63	*	*	63	*	*	55	*
10 mt	*	*	25	*	*	24	*	*	21
25 mt	0	58	24	0	57	24	0	50	21
100 mt	0	46	19	0	44	19	0	37	18

Source: ADFG Fish Tickets (2000-2007), NMFS Catch Accounting (2008) and RAM groundfish license file, December 2008.
*Withheld for confidentiality.
Note: Length classes are based on the MLOA on each license, and not on the vessel assigned to that license. A vessel may have an LOA less than the MLOA on its license. The number of licenses qualifying in each MLOA length class may differ from the number of vessels in each LOA length class that have participated in the fisheries.

Central GOA- 883 CV licenses

Hook-and-line gear									
	<50 feet	50-59 feet	≥60 feet	<50 feet	50-59 feet	≥60 feet	<50 feet	50-59 feet	≥60 feet
	2000- Dec 2008			2000- June 2008			2000-2006		
1 landing	104	84	14	103	79	14	97	62	10
3 landings	100	68	9	99	64	9	92	51	6
5 landings	89	59	9	88	58	9	82	45	6
5 mt	97	72	11	96	69	11	90	52	7
10 mt	87	64	11	86	62	11	79	49	7
25 mt	71	54	9	71	54	9	67	39	6
100 mt	54	37	5	53	36	5	50	30	4

Jig gear									
	<50 feet	50-59 feet	≥60 feet	<50 feet	50-59 feet	≥60 feet	<50 feet	50-59 feet	≥60 feet
	2000- Dec 2008			2000- June 2008			2000-2006		
1 landing	13	10	1	12	9	1	11	7	1
3 landings	5	4	1	5	4	1	5	3	1
5 landings	4	4	1	4	4	1	4	2	1
5 mt	*	5	*	*	4	*	*	3	*
10 mt	*	*	*	*	*	*	*	*	*
25 mt	0	0	*	0	0	*	0	0	0
100 mt	0	0	0	0	0	0	0	0	0

Pot gear									
	<50 feet	50-59 feet	≥60 feet	<50 feet	50-59 feet	≥60 feet	<50 feet	50-59 feet	≥60 feet
	2000- Dec 2008			2000- June 2008			2000-2006		
1 landing	7	66	51	7	62	51	7	56	48
3 landings	6	57	46	6	54	46	6	49	45
5 landings	6	53	39	6	53	39	5	48	38
5 mt	5	58	46	5	55	46	5	50	44
10 mt	4	58	44	4	55	44	4	50	42
25 mt	4	51	38	4	49	38	4	43	36
100 mt	3	39	33	3	39	33	*	*	30

Source: ADFG Fish Tickets (2000-2007), NMFS Catch Accounting (2008) and RAM groundfish license file, December 2008.
*Withheld for confidentiality.
Note: Length classes are based on the MLOA on each license, and not on the vessel assigned to that license. A vessel may have an LOA less than the MLOA on its license. The number of licenses qualifying in each MLOA length class may differ from the number of vessels in each LOA length class that have participated in the fisheries.

Table 3-26 Catcher vessel licenses qualifying only under Component 3, Suboption 2 (catch through December 8, 2008) at the 1 landing threshold.

	<60 ft MLOA		Total <60 ft MLOA	>60 ft MLOA	Total
	<100 gross tons	≥100 gross tons			
Central GOA CV licenses	29	3	32*	5	37
Western GOA CV licenses	9	1	10**	7	17

*19 of 32 Central GOA <60 ft MLOA licenses have an MLOA of 58 or 59 ft
**7 of 10 Western GOA <60 ft MLOA licenses have an MLOA of 58 or 59 ft

3.3.2.2 Catcher processor licenses

The number of catcher processor licenses that meet the various landings and catch thresholds is reported in Table 3-27. For the purpose of this analysis, catcher processor licenses were credited with both catcher processor and catcher vessel landings. The same rule was used for the trawl recency action. Catch Accounting data was used to determine the number of landings and retained catch (mt) by catcher processors. The Council elected to use Catch Accounting data rather than Weekly Production Reports for the GOA Pacific cod sector allocations to catcher processors. Catch Accounting data was used in this analysis to be consistent with the sector split analysis, but the Council could choose to use Weekly Production Reports instead. For the purpose of determining whether licenses meet the recency criteria, Catch Accounting data and Weekly Production Reports should produce similar results. One advantage of using Catch Accounting data to generate the estimates in this analysis is that landings by all vessels are stored in a single database, making it easier to ensure that catcher processors are credited for any landings made as catcher vessels.

The Council elected to exclude IFQ catch from qualifying catch for the purpose of determining recent participation in the groundfish fisheries. However, the Catch Accounting and Weekly Production Report databases have not historically tracked IFQ catch in a consistent manner. NMFS staff suggested excluding all halibut and sablefish targeted catch as a proxy for identifying IFQ catch. This approach may exclude some qualified groundfish catch, particularly directed Pacific cod catch, when Pacific cod comprised more than 20%, but less than 50% of a vessel's catch while it was targeting halibut or sablefish. Directed fishing is defined as any fishing activity that results in the retention of greater than the maximum retainable amount (MRA) for that species (679.2). For this reason, these trips were identified and groundfish and directed cod catch was credited to licenses.

There are 31 Western GOA catcher processor licenses, and between 19 and 24 licenses meet the 1 landing threshold during the qualifying periods in Options 1 through 3, and would qualify for a Pacific cod endorsement. The majority of Western GOA licenses that have catch history during the various qualifying periods also meet the highest catch threshold (100 mt) and landings threshold (5 landings). Three licenses qualified only when catch through December 2008 was included. There are 49 Central GOA licenses, and 12 to 21 licenses meet the 1 landing threshold during the qualifying periods in Options 1 through 3 and would qualify for a Pacific cod endorsement. In general, a smaller proportion of Central GOA CP licenses that meet the one landing threshold also meet the highest catch and landings thresholds. There were 7 licenses that qualified only when catch (at the 1 landing threshold) through December 2008 was included.

The number of catcher processor licenses that would qualify for gear-specific Pacific cod endorsements includes:

Western GOA

- 13 to 22 hook-and-line catcher processor endorsements
- Up to 5 pot catcher processor endorsements
- 3 licenses have both hook-and-line and pot landings during 2000-Dec 8, 2008

Central GOA

- 7 to 18 hook-and-line catcher processor endorsements
- Up to 4 pot catcher processor endorsements
- 1 license has both hook-and-line and pot landings during 2000-2006 and 2000-Dec 8, 2008

The number of gear-specific Pacific cod endorsements that could be added to CP licenses under the different options (shown in Table 3-27) may be compared to the number of CP licenses participating on

3.3.2.2 Catcher processor licenses

The number of catcher processor licenses that meet the various landings and catch thresholds is reported in Table 3-27. For the purpose of this analysis, catcher processor licenses were credited with both catcher processor and catcher vessel landings. The same rule was used for the trawl recency action. Catch Accounting data was used to determine the number of landings and retained catch (mt) by catcher processors. The Council elected to use Catch Accounting data rather than Weekly Production Reports for the GOA Pacific cod sector allocations to catcher processors. Catch Accounting data was used in this analysis to be consistent with the sector split analysis, but the Council could choose to use Weekly Production Reports instead. For the purpose of determining whether licenses meet the recency criteria, Catch Accounting data and Weekly Production Reports should produce similar results. One advantage of using Catch Accounting data to generate the estimates in this analysis is that landings by all vessels are stored in a single database, making it easier to ensure that catcher processors are credited for any landings made as catcher vessels.

The Council elected to exclude IFQ catch from qualifying catch for the purpose of determining recent participation in the groundfish fisheries. However, the Catch Accounting and Weekly Production Report databases have not historically tracked IFQ catch in a consistent manner. NMFS staff suggested excluding all halibut and sablefish targeted catch as a proxy for identifying IFQ catch. This approach may exclude some qualified groundfish catch, particularly directed Pacific cod catch, when Pacific cod comprised more than 20%, but less than 50% of a vessel's catch while it was targeting halibut or sablefish. Directed fishing is defined as any fishing activity that results in the retention of greater than the maximum retainable amount (MRA) for that species (679.2). For this reason, these trips were identified and groundfish and directed cod catch was credited to licenses.

There are 31 Western GOA catcher processor licenses, and between 19 and 24 licenses meet the 1 landing threshold during the qualifying periods in Options 1 through 3, and would qualify for a Pacific cod endorsement. The majority of Western GOA licenses that have catch history during the various qualifying periods also meet the highest catch threshold (100 mt) and landings threshold (5 landings). Three licenses qualified only when catch through December 2008 was included. There are 49 Central GOA licenses, and 12 to 21 licenses meet the 1 landing threshold during the qualifying periods in Options 1 through 3 and would qualify for a Pacific cod endorsement. In general, a smaller proportion of Central GOA CP licenses that meet the one landing threshold also meet the highest catch and landings thresholds. There were 7 licenses that qualified only when catch (at the 1 landing threshold) through December 2008 was included.

The number of catcher processor licenses that would qualify for gear-specific Pacific cod endorsements includes:

Western GOA

- 13 to 22 hook-and-line catcher processor endorsements
- Up to 5 pot catcher processor endorsements
- 3 licenses have both hook-and-line and pot landings during 2000-Dec 8, 2008

Central GOA

- 7 to 18 hook-and-line catcher processor endorsements
- Up to 4 pot catcher processor endorsements
- 1 license has both hook-and-line and pot landings during 2000-2006 and 2000-Dec 8, 2008

The number of gear-specific Pacific cod endorsements that could be added to CP licenses under the different options (shown in Table 3-27) may be compared to the number of CP licenses participating on

an annual basis using each gear type (see Table 3-13). In the Western GOA, 4 to 12 hook-and-line CPs participated in the fishery during 2000-2008; up to 24 CP licenses could receive a hook-and-line Pacific cod endorsement. In the Central GOA, 1 to 9 hook-and-line CPs participated in the fishery during 2000-2008, and as many as 14 CP licenses could receive a hook-and-line Pacific cod endorsement. As many as 5 Western GOA and 4 Central GOA CP licenses qualify for a pot Pacific cod endorsements. Typically, fewer than 3 pot CPs participate in the directed Pacific cod fishery in either management area in a given year.

Table 3-27 Number of fixed gear catcher processor licenses qualifying under various landings and catch thresholds based on catch in the directed Pacific cod fisheries in the Western and Central GOA.

Western GOA – 31 CP licenses

All gear						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	24	22	21	23	21	19
3 landings	24	21	20	22	19	17
5 landings	20	19	18	18	17	16
5 mt	23	21	20	22	20	18
10 mt	22	20	19	21	19	17
25 mt	21	20	19	20	19	17
100 mt	18	18	*	*	*	*

Hook-and-line gear						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	22	19	18	20	17	16
3 landings	21	17	16	20	16	14
5 landings	17	15	15	16	14	13
5 mt	21	18	17	19	16	15
10 mt	20	17	16	18	15	14
25 mt	18	16	15	17	15	14
100 mt	16	15	15	15	14	14

Pot gear						
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	5	5	5	4	4	3
3 landings	5	5	5	3	3	3
5 landings	4	4	3	3	3	3
5 mt	5	5	5	4	4	3
10 mt	5	5	5	4	4	3
25 mt	5	5	5	4	4	3
100 mt	4	4	*	*	*	*

Source: Catch Accounting/Blend data and RAM LLP license file, December 2008. *Withheld for confidentiality.
Note: Gear type columns are not mutually exclusive, because some licenses have catch history using more than one gear type. The number of licenses in the gear columns may sum to more than the total number of licenses qualifying.

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Central GOA – 49 CP licenses

	All gear					
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	21	21	14	19	19	12
3 landings	18	18	12	17	17	11
5 landings	14	14	11	12	12	9
5 mt	21	21	14	18	18	*
10 mt	19	19	12	18	18	*
25 mt	18	18	12	17	17	*
100 mt	15	15	*	14	14	*

	Hook-and-line gear					
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	18	18	12	16	16	10
3 landings	15	15	10	14	14	9
5 landings	10	10	8	9	9	7
5 mt	18	18	12	15	15	9
10 mt	16	16	10	15	15	9
25 mt	15	15	10	14	14	9
100 mt	11	11	7	11	11	7

	Pot gear					
Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	4	4	3	3	3	2
3 landings	4	4	3	3	3	2
5 landings	4	4	3	3	3	2
5 mt	4	4	3	3	3	*
10 mt	4	4	3	3	3	*
25 mt	4	4	3	3	3	*
100 mt	4	4	*	3	3	*

Source: Catch Accounting/Blend data and RAM LLP license file, December 2008. *Withheld for confidentiality.
Note: Gear type columns are not mutually exclusive, because some licenses have catch history using more than one gear type. The number of licenses in the gear columns may sum to more than the total number of licenses qualifying.

Table 3-28 shows the number of hook-and-line catcher processor licenses in each length class that qualify under the various catch thresholds. Vessel length (of the vessel currently assigned to each license) rather than the MLOA on the license was used in this table, because there is currently one fixed gear GOA catcher processor license with an MLOA of ≥125 feet that is assigned to a vessel <125 feet in length. If Pacific cod sector allocations for hook-and-line catcher processors are established based on vessel length, Pacific cod endorsements could specify the maximum vessel length allowed (in addition to the MLOA on the license). This provision would cap the number of hook-and-line catcher processors in each size class that could fish the proposed Pacific cod sector allocations. In the absence of this provision, licenses with an MLOA of ≥125 feet that are currently assigned to vessels <125 feet in length could be transferred to a larger vessel, resulting in an increase in the number of vessels fishing the ≥125 feet LOA hook-and-line catcher processor allocation. There are 7 to 13 Western GOA licenses on <125 ft vessels and 7 to 9 licenses on ≥125 ft vessels that have at least 1 directed cod landing during the different qualification periods. There are as many as 11 Central GOA licenses on <125 ft vessels and as many as 7 licenses on ≥125 ft vessels that have at least 1 directed cod landing during the different qualification periods.

Table 3-28 Number of hook-and-line catcher processor licenses qualifying at various landings and catch thresholds based on catch in the directed Pacific cod fisheries in the Western and Central GOA, reported by the MLOA on the license.

Western GOA—31 CP licenses

	<125	≥125	<125	≥125	<125	≥125	<125	≥125	<125	≥125	<125	≥125
	2000- Dec 2008		2000- June 2008		2000-2006		2000- Dec 2008		2000- June 2008		2000-2006	
l1	13	9	10	9	9	9	12	8	9	8	8	8
l3	13	8	9	8	8	8	12	8	8	8	6	8
l5	10	7	8	7	8	7	9	7	7	7	6	7
h5	12	9	9	9	8	9	11	8	8	8	7	8
h10	12	8	9	8	8	8	11	7	8	7	7	7
h25	11	7	9	7	8	7	10	7	8	7	7	7
h100	9	7	8	7	8	7	8	7	7	7	7	7

Source: Catch Accounting/Blend data and RAM LLP license file, December 2008. *Withheld for confidentiality.
Note: Length classes are based on vessel length (of the vessel currently named on each license) rather than MLOA. One license with an MLOA ≥125 ft is assigned to a vessel with an LOA of <125 feet.

Central GOA—49 CP licenses

	<125	≥125	<125	≥125	<125	≥125	<125	≥125	<125	≥125	<125	≥125
	2000- Dec 2008		2000- June 2008		2000-2006		2000- Dec 2008		2000- June 2008		2000-2006	
l1	11	7	11	7	6	6	9	7	9	7	4	6
l3	8	7	8	7	4	6	7	7	7	7	3	6
l5	4	6	4	6	3	5	3	6	3	6	2	5
h5	11	7	11	7	6	6	8	7	8	7	3	6
h10	9	7	9	7	4	6	8	7	8	7	3	6
h25	8	7	8	7	4	6	7	7	7	7	3	6
h100	5	6	5	6	*	*	5	6	5	6	*	*

Source: Catch Accounting/Blend data and RAM LLP license file, December 2008. *Withheld for confidentiality.
Note: Length classes are based on vessel length (of the vessel currently named on each license) rather than MLOA. One license with an MLOA ≥125 ft is assigned to a vessel with an LOA of <125 feet.

3.3.2.3 Licenses subject to crab sideboards

In developing the BSAI crab rationalization program, the Council imposed sideboards on the GOA groundfish fisheries. Pot vessels generally participate in only the crab and Pacific cod fisheries. As a result, the only perceived increase in opportunity arising from the crab rationalization program was thought to be in the Pacific cod fisheries in the GOA that are prosecuted in January, when the Bering Sea *C. opilio* fishery is typically prosecuted. Only recipients of initial allocations[9] in the Bering Sea *C. opilio* fishery are subject to the sideboards. The sideboards limit these vessels and licenses to their historic share of retained catch of GOA Pacific cod and other GOA groundfish during 1996-2000, excluding catch of fixed gear sablefish. Vessels that have limited history in the GOA groundfish fisheries – less than 50 mt of catch during 1996 to 2000 – are prohibited from directed fishing for Pacific cod in the GOA. Vessels that landed less than 100,000 pounds of Bering Sea *C. opilio* and more than 500 mt of Pacific cod in the GOA from 1996 to 2000 are exempt from the sideboards.

These sideboard provisions limit participation by some vessels that historically fished in the GOA. Specifically, the sideboards prohibit 137 vessels from directed fishing for GOA Pacific cod, and limit Pacific cod harvests by 82 additional vessels to a sideboard limit. In addition to these sideboarded vessels, 36[10] fixed gear groundfish LLP licenses are subject to the Pacific cod sideboards, and 11 licenses are prohibited from directed fishing for Pacific cod in the GOA. The purpose of this discussion is to provide an estimate of the number of licenses that may qualify for a Pacific cod endorsement in each gear group, but are subject to the GOA Pacific cod sideboards for BSAI crab qualified vessels. These licenses may receive a gear-specific Pacific cod endorsement, but their participation in the GOA Pacific cod fisheries will be limited by the crab sideboards.

Of the 36 sideboarded licenses, 6 are CP licenses and 30 are CV licenses (see Table 3-29). The 6 CP licenses include 4 Central GOA and 4 Western GOA endorsed licenses. The 30 CV licenses include 20 Central GOA and 14 Western GOA endorsed licenses. All but one of the sideboarded CV licenses has an MLOA of ≥60 ft. The sideboard amounts are calculated as a percentage of the Western and Central GOA inshore and offshore Pacific cod TACs (see Table 3-30). If GOA Pacific cod sector allocations are established, and supersede the current inshore/offshore processing sector allocations, the GOA inshore and offshore crab sideboards will likely need to be recalculated into a combined sideboard amount.

Table 3-29 Number of licenses subject to crab sideboards or prohibited from directed fishing for Pacific cod

	P. Cod Prohibited			P. Cod Sideboarded		
Operation Type	Number of licenses	Number WG endorsed	Number CG endorsed	Number of licenses	Number WG endorsed	Number CG endorsed
Catcher Vessel	11	8	6	30	14	20
Catcher Processor	0	0	0	6	4	4

Source: RAM LLP license file, October 2008. Does not include 3 licenses recently exempted from the sideboards in Oct 2008.

[9] Since allocations in the program are based on catch history associated with a license, the sideboard is constructed to limit catch using the license. This is done by sideboarding any vessel the catch of which led to a share allocation and any vessel named on the license that arose from the catch history of the vessel that led to that allocation.

[10] The Council took final action in October 2008 to exempt 3 vessels and 3 licenses from the sideboards. Previously, 85 vessels and 39 fixed gear groundfish LLP licenses were subject to the sideboards.

Table 3-30 Crab sideboards for the Western and Central GOA Pacific cod fisheries.

Management Area	TAC	Percent of TAC
Western Gulf	Inshore	9.02%
	Offshore	20.46%
Central Gulf	Inshore	3.83%
	Offshore	20.74%

Source: NMFS Harvest Specifications.

All of the crab sideboarded Western GOA CV licenses that have directed Pacific cod landings during the potential qualifying periods have MLOA designations of ≥60 ft, and all of these licenses have only pot landings. Table 3-25 shows the number of Western GOA CV licenses with MLOA designations of ≥60 ft that qualify using pot gear during 3 of the proposed qualifying periods: 18 to 19 licenses at the 100 mt directed cod threshold, and 22 to 27 licenses at the 1 landing threshold. Of these licenses, 11 licenses that qualify at the 100 mt threshold are subject to the crab sideboards, and 13 licenses with 1 landing are sideboarded. The sideboarded Central GOA CV licenses that have qualified landings have pot or hook-and-line landings. Table 3-25 also shows the number of Central GOA CV licenses with MLOA designation of ≥60 ft that qualify with pot gear during the 3 periods shown: 30 to 33 licenses at the 100 mt directed cod threshold and 48 to 51 licenses at the 1 landing threshold. Of these licenses, 14 licenses qualifying at 100 mt are sideboarded, and 16 licenses with 1 landing are sideboarded. In addition, 1 sideboarded Central GOA license with an MLOA greater than 60 ft has at least one qualified hook-and-line landing. Finally, either 2 or 3 (depending on the threshold) of the ≥60 ft MLOA Western GOA CV licenses that have qualified pot landings are prohibited from participating in the GOA directed Pacific cod fisheries, and one ≥60 ft MLOA Central GOA license with qualified pot landings cannot participate in the directed Pacific cod fisheries.

In sum, 16 of the 93 to 110 Western GOA CV licenses that have at least one directed Pacific cod landing during the various qualifying periods are subject to the crab sideboards (13 licenses) or prohibited from directed fishing for Pacific cod (3 licenses), and all of these licenses have an MLOA designation of ≥60 ft. A total of 18 of the 269 to 306 Central GOA licenses that have at least one landing are subject to the crab sideboards (17 licenses) or are prohibited from directed fishing for Pacific cod (1 license). Six of the crab sideboarded licenses are CP licenses; none of the Pacific cod-prohibited licenses are CP licenses. Four of these sideboarded CP licenses have a Western GOA endorsement and at least 3 of these licenses have at least one directed Pacific cod landing in the Western GOA during 2000-2006 or 2000-Dec 8, 2008. Four licenses have a Central GOA endorsement, and at least 3 of these licenses have at least one directed Pacific cod landing in the Central GOA during 2000-2006 or 2000-Dec 8, 2008

3.3.2.4 Years included in catch history

The Limited License Program was implemented in 2000, and during the first two years of the program persons participating in the GOA groundfish fisheries were required to hold LLP licenses, but RAM did not require a vessel to be formally assigned to each license. Consequently, the official record of license use is incomplete during 2000-2001. For the purposes of this analysis, catch during 2000-2001 was assigned to both the original qualifying vessel and current vessel in cases where the license was transferred to a different vessel during this period. The rationale for this approach was that both vessels that held the license may have had catch history during this time. Double counting catch on these licenses during 2000-2001 may have resulted in more licenses appearing to meet the catch thresholds. For this reason, the Council should consider the data presented in the tables to be an estimate of the actual number of qualifying licenses.

If the qualification period includes 2000-2001, NMFS may need to rely on alternative forms of documentation, such as individual affidavits or private contracts, to document catch history on licenses that were transferred during this period. Use of these forms of documentation is also likely to make the action more difficult to implement. Excluding 2000 and 2001 from the qualification period would simplify implementation of the action. Beginning in 2002, licenses were required to be formally assigned to a vessel in order to participate in LLP fisheries, and a complete record of license transfers exists. The transfer data was used to assign catch from each vessel to all licenses assigned to the vessel from 2002 to the present. Table 3-31 summarizes the number of licenses that have been transferred from the original qualifying vessel.

Table 3-31 Number of GOA fixed gear licenses no longer assigned to the original qualifying vessel.

Area endorsement	Operation designation	Number of licenses	Number of licenses not on original vessel
Central Gulf	Catcher vessel	883	236
	Catcher processor	49	10
Western Gulf	Catcher vessel	264	87
	Catcher processor	31	7

Source: RAM groundfish LLP license file, December 2008

3.3.2.5 Definition of qualifying catch

Qualifying catch includes retained catch from the directed Pacific cod fisheries in parallel and Federal waters. Qualifying catch does not include incidental catch of groundfish from the IFQ fisheries or State waters fishery catch. The IFQ halibut and sablefish fisheries are exempt from the LLP requirement. Incidental catch of LLP groundfish species in the IFQ fisheries may be retained without a groundfish license. This exemption was included in the LLP to minimize discards, and is consistent with National Standard 9 of the Magnuson-Stevens Act.

Catch thresholds are currently based on retained catch. Retained catch is likely a better indicator of dependence than total catch, because discards provide no direct return. Also, retained catch can be estimated more precisely, because discards by catcher vessels are typically extrapolated from observer estimates of at-sea discards. Currently, these definitions of qualifying catch do not exclude catch used for meal production. Data provided in the draft preliminary review EA/RIR/IRFA for the GOA Pacific cod sector allocations indicated that catcher processors in the GOA did not produce meal from Pacific cod during 1995-2006, and typically less than 1% of Pacific cod harvests by catcher vessels are used for meal production. The Council has excluded catch destined for meal production from some allocation programs based on the rationale that meal is a relatively low value product and its inclusion could disadvantage some small catcher processors that do not have meal production capacity. This was not an issue in the GOA, and the Council elected to include catch destined for meal production as qualifying catch for the purposes of the proposed GOA Pacific cod sector allocations and this action.

Exemptions from the proposed action

The Council is considering several exemptions from the proposed action. These exemptions would (1) allow certain types of vessels to participate in the directed Pacific cod fisheries without a Pacific cod endorsement, and (2) exempt some licenses from the catch thresholds, allowing these licenses to qualify for a Pacific cod endorsement even if they do not have qualifying catch. In determining which exemptions will be selected, the Council may wish to consider balancing the objective of creating

opportunities for new entry with the need to protect long-term participants from an influx of additional effort into the fisheries. The exemptions currently under consideration include:

- An exemption from the Pacific cod endorsement requirement for vessels using jig gear that use a maximum of 5 jigging machines, 5 lines, and 30 hooks per line or one line of 1ine of 150 hooks.

- An exemption from the Pacific cod endorsement requirement for vessels participating with fixed gear in the Western GOA B season directed Pacific cod fishery. A suboption would exempt only vessels using pot gear.
- An exemption from the catch thresholds for CP licenses that voluntarily stood down from the GOA Pacific cod fisheries during 2006, 2007, or 2008 as part of the informal hook-and-line CP halibut PSC cooperative.

- An exemption from the catch thresholds for licenses held by residents of CQE communities. A suboption would only exempt licenses with an MLOA designation of less than 60 ft. This exemption is discussed in Section 3.5.12.

3.3.2.6 Exemptions for jig vessels

The proposed action includes an exemption for all vessels using jig gear from any Pacific cod endorsement requirement, subject to gear restrictions (5 jigging machines, 5 lines, and 30 hooks per line or one line of 150 hooks). These gear restrictions are consistent with the gear allowed in the GOA State waters Pacific cod jig fisheries. The purpose of the jig exemption is to ensure that there are adequate entry level opportunities for small vessels in the GOA Pacific cod fisheries. In the BSAI, vessels <60 ft LOA using a maximum of 5 jig machines, one line per jig machine, and 15 hooks per line may participate in the directed groundfish fisheries in Federal waters of the BSAI without an LLP license.

The Council initially discussed the possibility of limiting the jig exemption to vessels less than 58 feet LOA, and asked staff to bring back additional information on the number of vessels using jig gear in the Federal fisheries that hold LLP licenses. Table 3-32 shows the number of vessels using jig gear that have retained catch of Pacific cod from the Federal and parallel waters fisheries in the Western and Central GOA during 2000-2007, and the number of these vessels that hold an LLP license. The majority of vessels using jig gear during 2000-2007 did not hold an LLP license and were only eligible to fish in parallel waters. Also, most vessels that used jig gear are less than 58 feet LOA. Based on this information, and the limitations imposed by the proposed gear restrictions, the Council decided to exempt vessels of any length using jig gear from the Pacific cod endorsement requirement.

The Council also requested additional information on LLP licenses that have recent jig landings. Most jig landings are on licenses with an MLOA of less than 58 feet (Table 3-33). However, some licenses with larger MLOAs have groundfish and directed Pacific cod catch using jig gear. Table 3-32 reports the number of vessels participating in the fisheries in each length (LOA) class, and Table 3-33 reports the number of licenses with jig history based on the MLOA on the license. Note that there may be some differences between the number of vessels and licenses in each length class reported in the two tables. The MLOA may be greater than the actual length of the vessel assigned to the license. As a result, some licenses with an MLOA of ≥58 ft may be assigned to vessels <58 ft LOA.

Some licenses may have sufficient jig landings of directed Pacific cod to qualify for a Pacific cod endorsement. The Council indicated during its deliberations that its intent was to allow these licenses to qualify for a Pacific cod endorsement based on jig landings. These licenses could participate in the

fishery using jig gear and would not be restricted to the gear limits that apply to licenses that do not have a Pacific cod endorsement. Several licenses that could qualify for a Western or Central GOA Pacific cod endorsement based on jig landings also have pot or hook-and-line landings, and could potentially qualify for a pot or hook-and-line Pacific cod endorsement based on catch using these gear types.

Table 3-32 Number of vessels with Pacific cod catch using jig gear in the parallel and Federal fisheries in the Western and Central GOA during 2000-2007, and their LLP status.

	Central GOA						Western GOA					
	<58 feet		58-59 feet		≥60 feet		<58 feet		58-59 feet		≥60 feet	
Year	LLP	No LLP	LLP	No LLP	LLP	No LLP	LLP	No LLP	LLP	No LLP	LLP	No LLP
2000	5	11	0	1	0	0	3	1	0	0	0	0
2001	4	11	0	0	0	0	3	14	0	0	0	0
2002	2	4	0	0	1	0	8	20	1	0	0	1
2003	5	7	0	0	0	0	4	7	0	0	0	0
2004	7	26	0	0	0	2	8	15	0	0	0	0
2005	5	19	0	1	1	2	1	5	0	0	0	0
2006	6	16	0	0	1	1	0	1	0	0	0	0
2007	5	12	0	1	1	0	2	2	0	0	0	0

Source: ADFG fish tickets and RAM Groundfish license file, October 2008. Note: Includes all Pacific cod catch (both directed and incidental).

Table 3-33 Number of fixed gear catcher vessel licenses meeting the landings and catch thresholds with jig landings during 2000-2006, reported by the MLOA on the license.

Western GOA		<40 feet	40-49 feet	50-57 feet	≥58 feet
All Groundfish	1 landing	1	3	2	7
	3 landings	1	2	2	2
	5 landings	1	1	2	1
	5 mt	0	*	*	*
	10 mt	0	*	*	*
	25 mt	0	*	*	0
	100 mt	0	0	0	0
Directed cod	1 landing	1	3	2	3
	3 landings	1	2	2	2
	5 landings	1	1	2	1
	5 mt	0	*	*	*
	10 mt	0	*	*	*
	25 mt	0	*	*	0
	100 mt	0	0	0	0

Central GOA		<40 feet	40-49 feet	50-57 feet	≥58 feet
All Groundfish	1 landing	4	18	9	14
	3 landings	1	8	4	6
	5 landings	1	3	3	4
	5 mt	*	*	*	*
	10 mt	0	*	0	*
	25 mt	0	*	0	0
	100 mt	0	0	0	0
Directed cod	1 landing	3	8	4	4
	3 landings	1	4	2	2
	5 landings	1	3	1	2
	5 mt	*	*	*	*
	10 mt	0	*	0	*
	25 mt	0	0	0	0
	100 mt	0	0	0	0

Source: ADFG Fish Tickets and RAM Groundfish license file, October 2008. *Withheld for confidentiality.

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The number of vessels using jig gear in the parallel and Federal fisheries in the GOA during a given year has been relatively small. However, if vessels less than 58 feet in length using jig gear were exempted from the LLP requirement, new vessels could potentially enter the jig fishery and fish in Federal waters without a license. This outcome may be desirable if the Council perceives a need to provide new entry level opportunities in the fisheries. The proposed exemption from the LLP requirement for vessels using jig gear, in tandem with the proposal to provide the jig sector an Pacific cod allocation of more than the sector's historic catch, will provide a substantial increase in opportunity for current as well as new participants in this sector. In addition, the potential for a stairstep increase in the jig allocation if the allocation is fully harvested would provide for growth in the jig sector. The data indicate that a large number of vessels that use jig gear and hold LLP licenses participate in the State waters Pacific cod fisheries, but not in the parallel and Federal waters fisheries. This suggests that LLP licenses may not be the most important factor limiting jig participation in the Federal fisheries. The timing of the Pacific cod A and B seasons may limit these vessels from participating in the parallel and Federal fisheries in the GOA. If Pacific cod sector allocations are implemented, jig vessels could potentially fish later in the A season, or possibly year-round in State and Federal waters, if the State and Federal jig allocations are jointly managed.

3.3.2.7 Exemption during Western GOA B season

In Component 2, the Council is considering an option to exempt vessels using fixed gear from the Pacific cod endorsement requirement during the Western GOA Pacific cod B season. Under a suboption, only vessels using pot gear would be exempted. Vessels would be required to hold a Western GOA fixed gear CV or CP license to participate in the fishery, but would not be required to have a Pacific cod endorsement on the license. The rationale for this exemption is that the Western GOA B season TAC has not been fully harvested since 2001, when Steller sea lion management measures were implemented and the TAC was seasonally apportioned between the A season (60%) and B season (40%). The intent of the exemption is to increase fishing opportunities during the B season and to increase the likelihood of fully harvesting the TAC. The proportion of the Western GOA B season inshore TAC and offshore TAC that was harvested during 2003 through 2008 is reported in Table 3-34. During most years, less than 50% of the B season TAC was harvested, although when A season overages are accounted for (e.g., more than 100% of the inshore TAC A season was harvested in 2003 through 2006), the amount of unharvested B season TAC is reduced.

Table 3-34 Pacific cod catch during the A and B seasons by the inshore and offshore sectors in the Western GOA, 2003-2008

	Inshore						Offshore					
	A season			B season			A season			B season		
Year	TAC	Catch	Percent harvested	TAC	Catch	Percent harvested	TAC	Catch	Percent harvested	TAC	Catch	Percent harvested
2003	8,343	10,057	120.5%	5,562	3,972	71.4%	927	2040	220.1%	618	165	26.7%
2004	9,157	10,536	115.1%	6,104	3,738	61.2%	1017	626	61.6%	679	655	96.5%
2005	8,471	10,298	121.6%	5,647	1,686	29.9%	941	123	13.1%	628	300	47.8%
2006	10,876	12,299	113.1%	7,251	1,349	18.6%	1208	666	55.1%	806	429	53.2%
2007	10,876	10,836	99.6%	7,251	1,430	19.7%	1208	643	53.2%	806	500	62.0%
2008	10,502	10,577	100.7%	7,002	2,875	41.1%	1,167	1,190	102.0%	778	277	35.6%

Source: NMFS catch reports.

During recent years, the Western GOA B season has remained open to all fixed gear vessels until the end of the calendar year, with the exception of years when the hook-and-line season was closed because the hook-and-line sector reached its halibut PSC limit (see Table 3-35). Typically, the majority of B season effort in the Western GOA Pacific cod fishery occurs in September and October. Table 3-36 shows the

amount of inshore and offshore Pacific cod TAC remaining on Sept 1 during 2003 through 2008, including any remaining A season TAC that was rolled over to the B season TAC, and excluding any A season overages that were subtracted from the B season TAC. Most B season harvests have occurred prior to Nov 1, although during most years, some vessels have continued to fish until the end of the calendar year. Table 3-37 reports inshore and offshore harvests by fixed gear vessels during the B season in the Western GOA from 2003-2008. The table shows that the majority of Western GOA B season harvests have been by catcher vessels that used pot gear. Catches and participation are highest during September and decrease in later months. If the Council chooses the minimum threshold of 1 directed Pacific cod landing during 2000 through Dec 8, 2008, 110 Western GOA CV licenses and 24 Western GOA CP licenses would qualify for a Pacific cod endorsement. The proposed B season exemption would apply to the estimated 154 Western GOA CV licenses and 7 Western GOA CP licenses that do not qualify for a Pacific cod endorsement. These licenses would be eligible to fish in the Western GOA directed Pacific cod fishery under the proposed exemption, either using any fixed gear type or using pot gear only.

Table 3-35 Pacific cod B season closures for the trawl and hook-and-line sectors in the Western GOA.

		Inshore		Offshore		Inshore		Offshore	
		Trawl				Hook-and-line			
Area	Year	Date	Reason	Date	Reason	Date	Reason	Date	Reason
Western Gulf	2001	21-Oct	HAL	21-Oct	HAL	4-Sep	HAL	4-Sep	HAL
	2002	13-Oct	HAL	3-Oct	TAC	23-Nov	TAC	3-Oct	TAC
	2003	12-Sep	HAL	not opened	TAC	25-Sep	TAC	not opened	TAC
	2004	1-Oct	HAL	1-Oct	HAL	2-Oct	HAL	2-Oct	HAL
	2005	1-Oct	HAL	1-Oct	HAL	31-Dec	n/a	31-Dec	n/a
	2006	8-Oct	HAL	8-Oct	HAL	31-Dec	n/a	31-Dec	n/a
	2007	1-Nov	SSL reg	1-Nov	SSL reg	31-Dec	n/a	31-Dec	n/a
	2008	1-Nov	SSL reg	1-Nov	SSL reg	16-Oct	HAL	16-Oct	HAL

Table 3-36 Inshore and offshore catch of Pacific cod during the B season in the Western GOA.

		Catch from Sept 1 - Oct 31			Catch from Nov 1 - Dec 31		
Year	Inshore B season TAC available on Sept. 1 (mt)**	mt	% of B season TAC	Inshore B season TAC available on Nov. 1 (mt)	mt	% of B season TAC	Inshore B season TAC available on Dec. 31 (mt)
2003	3662	3786	103%	0	1	0%	0
2004	4665	3427	73%	1,238	258	6%	980
2005	3753	1396	37%	2,357	233	6%	2124
2006	5800	458	8%	5,342	865	15%	4477
2007	7224	1184	16%	6,040	181	3%	5859
2008	6896	2281	33%	4,615	492	7%	4123
Year	Offshore B season TAC available on Sept. 1 (mt)**	mt	% of B season TAC	Offshore B season TAC available on Nov. 1 (mt)	mt	% of B season TAC	Offshore B season TAC available on Dec. 1 (mt)
2003	0	28	n/a	0	0	n/a	0
2004	867	452	52%	415	0	0%	415
2005	1384	238	17%	1,146	0	0%	1146
2006	1282	168	13%	1,114	196	15%	918
2007	1225	309	25%	916	45	4%	871
2008	640	123	19%	517	16	3%	501

Source: NMFS Catch Accounting. ** May exceed the initial 40% B season apportionment when unused A season TAC was rolled over to the B season, or may be less than the initial 40% B season apportionment if there was an A season overage.

Table 3-37 Inshore and offshore participation and catch (mt) of Pacific cod by fixed gear vessels in the Western GOA during the B season months.

			Hook-and-line CP		Hook-and-line CV		Jig CV		Pot CP		Pot CV	
	Year	Month	Vessels	Catch	Vessels	Catch	Vessels	Catch	Vessels	Catch	Vessels	Catch
Inshore	2003	Sept	2	*	15	6	9	46	1	*	41	2,917
		Oct	0	0	6	1	0	0	0	0	2	*
		Nov	0	0	4	0	0	0	0	0	0	0
	2004	Sept	2	*	19	7	4	56	0	0	25	2,472
		Oct	1	*	15	2	2	*	0	0	17	348
		Nov	0	0	3	4	1	*	1	*	6	134
		Dec	0	0	0	0	0	0	1	*	0	0
	2005	Sept	1	*	11	11	1	*	0	0	15	880
		Oct	0	0	19	9	1	*	0	0	14	431
		Nov	0	0	8	20	0	0	0	0	4	44
		Dec	2	*	3	34	0	0	0	0	1	*
	2006	Sept	0	0	26	12	0	0	0	0	4	132
		Oct	5	128	14	6	1	*	0	0	5	99
		Nov	5	700	6	18	1	*	0	0	5	127
		Dec	0	0	2	*	0	0	0	0	2	*
	2007	Sept	0	0	21	9	1	*	0	0	9	422
		Oct	2	*	9	18	3	1	0	0	12	424
		Nov	0	0	7	6	0	0	0	0	5	138
		Dec	1	*	0	0	0	0	0	0	4	32
	2008	Sept	3	200	28	184	6	25	0	0	11	769
		Oct	4	261	18	85	4	18	0	0	11	586
		Nov	0	0	4	8	2	*	0	0	7	483

			Hook-and-line CP		Hook-and-line CV		Jig CV		Pot CP		Pot CV	
Offshore	2003	Sept	0	0	0	0	0	0	0	0	0	0
		Oct	0	0	0	0	0	0	0	0	0	0
	2004	Sept	2	*	0	0	0	0	0	0	0	0
		Oct	2	*	0	0	0	0	0	0	0	0
	2005	Sept	3	234	0	0	0	0	0	0	0	0
	2006	Sept	1	*	0	0	0	0	0	0	0	0
		Oct	4	151	0	0	0	0	0	0	0	0
		Nov	4	196	0	0	0	0	0	0	0	0
	2007	Sept	0	0	0	0	0	0	0	0	0	0
		Oct	2	*	0	0	0	0	0	0	0	0
		Nov	0	0	2	*	0	0	0	0	1	*
		Dec	0	0	1	*	0	0	0	0	1	*
	2008	Sept	0	0	0	0	0	0	0	0	0	0
		Oct	0	0	0	0	0	0	0	0	0	0
		Nov	0	0	0	0	0	0	0	0	0	0

Source: NMFS Catch Accounting. Includes retained and discarded catch, and incidental catch in other target fisheries.

Increased effort during the B season by vessels that do not hold Pacific cod endorsed licenses is not perceived to have the potential to erode B season catch shares of participants that hold endorsed licenses, because the Western GOA B season TAC has not been fully utilized in recent years. However, if vessels using hook-and-line gear that do not have a Pacific cod endorsement are allowed to participate in the B season, an increase in hook-and-line participation would likely result in an increase in the amount of halibut PSC, and could potentially result in the halibut PSC limit being reached earlier in the B season. The hook-and-line halibut PSC limit applies to the entire GOA management area, and an increase in hook-and-line effort in the Western GOA during the B season could have a direct impact on hook-and-line participants in the entire GOA. There is a suboption to apply the Western GOA B season exemption to vessels using pot gear only. Under this suboption, there would be increased opportunity for vessel participation using pot gear. Pot vessels are not subject to halibut PSC limits, and an increase in Western

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GOA B season pot vessel effort is not likely to have a direct impact on participants in other GOA management areas.

3.3.2.8 Exemption for participants in informal halibut PSC cooperative

In Component 3, there is an option to exempt hook-and-line catcher processors that voluntarily stood down from the GOA Pacific cod fisheries as part of the informal halibut PSC cooperative in 2006, 2007, or 2008 from the catch or landings thresholds. The rationale for this exemption is that these licenses did not have directed Pacific cod landings during these years because they voluntarily stood down from the GOA Pacific cod fishery so that other hook-and-line vessels had the opportunity to participate in the fishery. Most of the freezer longliner fleet fishes for Pacific cod in the BSAI, then moves into the GOA after the BSAI Pacific cod seasons close. In 2005, the BSAI freezer longliner fleet did not fish in the GOA during the B season, because NMFS inseason management was concerned that there was not sufficient halibut PSC to support this fleet. As a result, in 2006, 2007, and 2008 the freezer longliners set up an informal 'PSC co-op' with NMFS inseason management during the B season. Under this arrangement, the third seasonal apportionment of halibut PSC was informally divided between catcher processors and catcher vessels. The freezer longliners then further divided the catcher processor PSC among vessels fishing the B season.

There are 28 hook-and-line catcher processor licenses that participated in the informal PSC cooperative during 2006, 2007, or 2008, and 26 of these licenses voluntarily stood down from fishing in the GOA during at least one of these years. The 26 licenses include 22 Central GOA endorsed vessels and 16 Western GOA endorsed licenses. The exemption would allow any of these 26 catcher processor licenses that do not meet the landings thresholds in the directed Pacific cod fishery to qualify for a Pacific cod endorsement. If endorsements specify a gear type and operation type, these licenses would receive a hook-and-line CP endorsement.

Table 3-38 Number of fixed gear CP licenses that would qualify for a Pacific cod endorsement under the exemption for participants in the informal halibut PSC cooperative during 2006 through 2008, because they do not meet the landings or catch thresholds during the qualifying periods.

Western GOA

Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	1	1	1	1	1	2
3 landings	1	1	1	2	2	3
5 landings	2	2	3	3	3	4
5 mt	*	*	*	*	*	*
10 mt	*	*	*	*	*	*
25 mt	*	*	*	*	*	*
100 mt	*	*	*	*	*	*

Central GOA

Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	10	10	14	10	10	14
3 landings	11	11	15	11	11	15
5 landings	15	15	16	16	16	17
5 mt	10	10	14	11	11	15
10 mt	11	11	15	11	11	15
25 mt	11	11	15	11	11	15
100 mt	12	12	16	13	13	17

Source: NMFS Catch Accounting/Blend and RAM groundfish license file, Dec 2008.

Depending on the landings or catch (mt) threshold selected, there are 10 to 17 Central GOA endorsed licenses and up to 4 Western GOA endorsed licenses that would receive Pacific cod endorsements as a result of this exemption (see Table 3-38). The actual number of licenses that qualify under the exemption depends on the landings or catch threshold selected by the Council. In the absence of the exemption, these vessels would not qualify for a Pacific cod endorsement. If the GOA Pacific cod TACs are allocated to the sectors, these vessels would be eligible to fish off the hook-and-line CP allocation. The exemption would effectively increase the number of vessels that are eligible to fish off the hook-and-line CP allocation, and participation by these vessels would not directly impact other sectors. If the GOA Pacific cod TACs are not allocated to the sectors, the hook-and-line CPs that are exempted would compete with vessels in all sectors for access to the Western GOA and Central GOA TACs. As a result, in the absence of Pacific cod sector allocations, the exemption could have direct impacts on catch of vessels in other sectors.

3.3.2.9 Other exemptions

The Council considered, but rejected, an option to exempt vessels that are both under 60 ft and under a capacity limit (to be determined by the Council) from the Pacific cod endorsement requirement. Currently, vessels <26 ft LOA are exempt from the LLP requirement in the GOA. The Council has proposed expanding opportunities for small, entry-level vessels by exempting all vessels using jig gear from the LLP requirement in the GOA. The exemption for vessels using jig gear is currently a provision in the motion. In the BSAI, vessels <60 ft LOA using pot or hook-and-line gear are exempt from the BSAI Pacific cod endorsement requirement. The <60 ft LOA fixed gear fleet in the BSAI has historically been very small, and under Amendment 85, this sector received an allocation of 2% of the BSAI Pacific cod TAC. However, during recent years the number of vessels fishing in the <60 ft pot and hook-and-line sector has doubled, from 25 vessels in 2004 to 50 vessels in 2007.

The <60 ft LOA fixed gear fleet is relatively large in the GOA, and in recent years has harvested nearly 40% of the Western GOA and more than 40% of the Central GOA Pacific cod catch (Fig 3-1). The majority of fixed gear licenses with Western and Central GOA endorsements have MLOA designations of less than 60 ft. Exempting all vessels <60 ft MLOA from the Pacific cod endorsement requirement would mean that any of the estimated 456 to 488 CGOA and 74 to 84 WGOA fixed gear CV licenses with <60 ft MLOAs that do not have any qualified landings during 2000-2006 or 2000- Dec 8, 2008 could enter the GOA Pacific cod fisheries (Table 3-39). If sector allocations are implemented, these vessels would fish off the <60 ft LOA Pacific cod sector allocations to fixed gear vessels. Entry into the fisheries by these latent licenses would result in a substantial influx of effort into these sectors.

One concern that was expressed in public testimony is that smaller vessels may be less likely to meet the landings and catch thresholds. Table 3-39 and Table 3-40 report the number of licenses that meet the various landings and catch thresholds, summarized by the MLOA designation on each license. Overall, Central GOA licenses with MLOA designations of less than 50 feet were more likely to have at least one directed Pacific cod landing than licenses with larger MLOA designations. In the Western GOA, no licenses with MLOA designations of less than 50 ft meet the highest catch threshold (100 mt). In the Central GOA, 51 to 57 licenses with MLOA designations of less than 50 ft meet the 100 mt threshold.

If total catch (mt) rather than number of landings is used to determine which licenses meet the qualification thresholds for retaining Central and Western GOA endorsements, or for receiving a Pacific cod endorsement, the Council may wish to consider setting lower catch thresholds for licenses with small MLOAs. Such an approach may be desirable if these licenses have actively participated in the fisheries during the qualifying period, but were less likely to meet the higher catch thresholds. This approach may also be appropriate if opportunities in the parallel and State waters fisheries are perceived to be inadequate. Participants wishing to enter fisheries in Federal waters would need to purchase an LLP

license, and the availability of licenses allowing for that entry is critical. In developing this action, the Council will need to balance the interests of those wishing to limit entry to the fixed gear groundfish fisheries against the interests of creating adequate opportunities for potential future entrants.

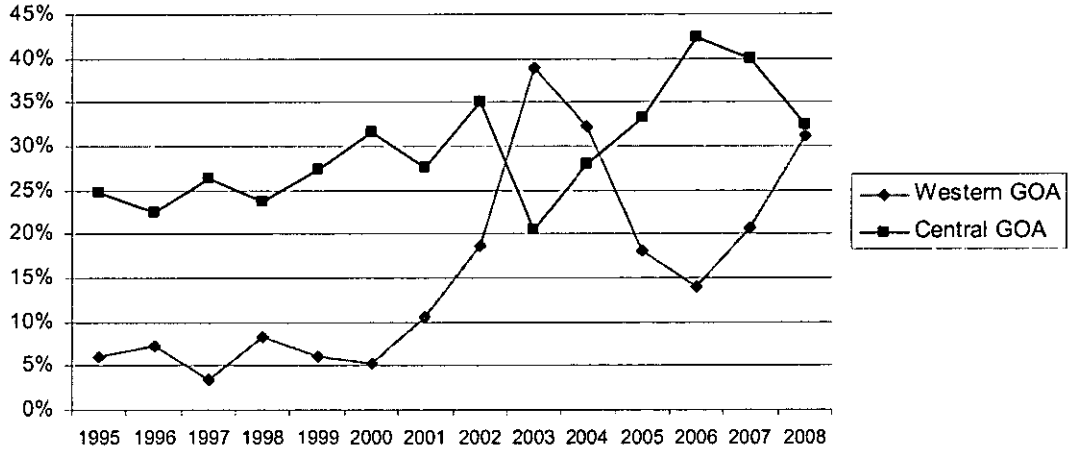

Figure 3-1 Percent of retained Pacific cod catch harvested by <60 ft LOA vessels using fixed gear in the Western GOA and Central GOA during 1995-2008.

Table 3-39 Percentage of licenses with at least one directed Pacific cod landing, by MLOA on license.

	Western Gulf				Central Gulf			
		Percent with at least one fixed gear landing in the endorsement area				Percent with at least one fixed gear landing in the endorsement area		
MLOA on license	Number of licenses	2000-Dec 2008	2000-June 2008	2000-2006	Number of licenses	2000-Dec 2008	2000-June 2008	2000-2006
<40 ft MLOA	13	23%	23%	4%	64	33%	33%	30%
40- 49 ft MLOA	22	27%	23%	23%	182	50%	49%	47%
50- 59 ft MLOA	119	60%	60%	54%	456	29%	28%	24%
≥60 ft MLOA	110	27%	25%	21%	181	33%	33%	30%

Source: ADFG Fish Tickets and RAM groundfish LLP license file, December 2008

Table 3-40 Number of fixed gear catcher vessel licenses meeting qualification thresholds reported by the MLOA on the license.

Western GOA- 264 CV licenses

	2000-December 8, 2008				2000-June 4, 2008				2000-2006			
	<40 feet	40-50 feet	50-60 feet	≥60 feet	<40 feet	40-50 feet	50-60 feet	≥60 feet	<40 feet	40-50 feet	50-60 feet	≥60 feet
1 landing	3	6	71	30	3	5	71	27	1	5	64	23
3 landings	3	5	64	28	3	4	63	25	1	4	55	23
5 landings	3	3	60	25	3	3	58	23	1	2	52	19
5 mt	3	5	67	30	*	*	67	27	0	3	60	22
10 mt	*	*	64	28	*	*	63	26	0	*	56	*
25 mt	*	*	60	27	*	*	59	26	0	*	52	*
100 mt	0	0	47	21	0	0	44	19	0	0	37	18

Source: ADFG Fish Tickets (2000-2007), NMFS Catch Accounting (2008) and RAM LLP groundfish license file, December 2008. *Withheld for confidentiality

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Central GOA- 883 CV licenses

	2000-December 8, 2008				2000-June 4, 2008				2000-2006			
	<40 feet	40-50 feet	50-60 feet	≥60 feet	<40 feet	40-50 feet	50-60 feet	≥60 feet	<40 feet	40-50 feet	50-60 feet	≥60 feet
1 landing	21	91	134	60	21	89	127	60	19	86	109	55
3 landings	20	85	115	52	20	84	110	52	18	80	93	49
5 landings	19	76	107	47	19	75	105	47	17	71	88	43
5 mt	20	83	117	53	20	82	112	53	18	78	93	48
10 mt	18	75	110	52	18	74	106	52	16	69	91	47
25 mt	15	61	99	46	15	61	98	46	15	57	77	41
100 mt	13	44	76	38	13	43	75	38	12	39	65	35

Source: ADFG Fish Tickets (2000-2007), NMFS Catch Accounting (2008) and RAM LLP groundfish license file, December 2008.

3.3.2.10 Hardship provision

In past actions, the Council has adopted hardship provisions to make exceptions from participation requirements when unavoidable circumstances have precluded vessels from participating in a fishery. The proposed action would require licenses to have directed Pacific cod landings during the years following implementation of the LLP in order to qualify for a Pacific cod endorsement. Fishing under the LLP began in 2000. In some cases, the vessel that made the qualifying catch that gave rise to a license, and was originally assigned to the license, sank prior to or shortly after implementation of the LLP. The Council recognized that under these circumstances, a license may not have qualifying catch during the required time period. As a result, there is a hardship provision in Component 4 that would allow a license to qualify for a Pacific cod endorsement if the license had 5 or more Pacific cod landings in 1999, but was assigned to a vessel that sank in 1999 or 2000. These licenses will be credited with catch history during 1999 in order to qualify for a Pacific cod endorsement.

According to the U.S. Coast Guard vessel losses database, there were 50 commercial fishing vessels that sank during 1999 or 2000 off Alaska. Additional vessels that hold fixed gear licenses may have sunk in other regions, but are not accounted for here. Out of the 50 vessels that sank in 1999 or 2000, at least 5 vessels were original qualifying vessels on a Western or Central GOA fixed gear license. At least 3 of the 5 vessels had at least 5 fixed gear landings in the directed Pacific cod fishery in 1999 in the Central GOA. The licenses that were assigned to these vessels were not later reassigned to another vessel, and do not qualify based on catch made after 1999.

In sum, the proposed hardship provision would allow 3 licenses that have not participated in the GOA Pacific cod fisheries since 1999 to qualify for a Pacific cod endorsement. All three of the licenses would qualify in the Central GOA, and have at least 5 Pacific cod landings in 1999. If the vessels assigned to these licenses did not sink, these vessels might have participated in the Pacific cod fisheries in 2000, and qualified for a Pacific cod endorsement. Although these licenses have not participated in the fishery for a long period of time, the Council is considering options to establish a qualifying period that extends back to either 2000 or 2002. If the Council chooses a qualifying period that starts in 2000, there will likely be some licenses that qualify based on landings during 2000, and do not have landings in more recent years, similar to the licenses that would qualify under the hardship provision.

3.3.2.11 Component 5: Stacked licenses

The Council addressed the issue of 'stacked' licenses (i.e., more than one license assigned to a single vessel) during the trawl recency action. Licenses are stacked for several reasons, most often to increase the number of areas that a vessel can fish by adding area endorsements. A vessel may also hold multiple

LLPs to increase the number of gear or operation type endorsements it holds or to gain access to a fishery that requires a species and gear-specific endorsement, such as the BSAI fixed gear Pacific cod fishery. Stacking licenses is necessary because endorsements are not severable under the current LLP. If a vessel wishes to expand its operations into a new area or fishery and does not have the necessary endorsements on its current license, it needs to obtain another license with the appropriate area endorsement.

The Council considered several approaches to crediting catch to stacked licenses for the trawl recency action. Based on staff analysis and its own deliberations, the Council adopted a provision in Component 5 that credits catch to both licenses if they were stacked on a single vessel at the time the landing was made. The rationale for this approach is that both licenses were being used at the time of landing. Currently, groundfish catch is not assigned to a specific license. When vessels report catch on Fish Tickets or Weekly Production Reports, they are not required to report the LLP license that was assigned to the vessel at the time of landing. This data gap is problematic, because if a vessel holds multiple LLPs with duplicate area endorsements, and the vessel makes a landing in that area, there are no clear rules regarding which license is credited with that catch. Apportioning history among 2 or more stacked licenses would require the Council to develop detailed rules describing how catch should be apportioned, which could complicate and possibly delay implementation of the action. The landings threshold selected for the trawl recency action was low (2 landings), and it was not clear that apportioning landings among stacked licenses would have a sufficient impact on the number of qualifying licenses to justify complicating the action by creating specific rules for stacked licenses.

The proposed action differs in several respects from the trawl recency action. The current set of options under consideration include relatively minimal landings thresholds (1, 3, or 5 landings), but there are also tonnage thresholds (5, 10, 25, or 100 mt) that could potentially be selected. If the Council chooses a minimal landings threshold, double counting catch history is unlikely to result in many stacked licenses qualifying that would not qualify if catch were apportioned among stacked licenses. However, if the Council chooses more substantial catch thresholds, some stacked licenses would likely benefit from double counting of catch. Also, the Council is considering options to gear-specific Pacific cod endorsements to licenses. If vessels with stacked licenses are eligible to qualify for duplicate fixed gear Pacific cod endorsements on stacked licenses, they could potentially lease or sell the duplicate license and the fleet's capacity would increase.

In Amendment 67, a vessel with stacked licenses could only qualify for a Pacific cod endorsement on a single license. This provision was included to avoid increasing the capacity for additional entry into the fishery. In the absence of a provision that limits vessels with stacked licenses from qualifying for duplicate Pacific cod endorsements, vessels with duplicate endorsements could potentially sell those licenses to other vessels, resulting in an overall increase in effort in the Western and Central GOA Pacific cod fixed gear fisheries.

There are currently 18 stacked Western GOA catcher vessel licenses (assigned to 9 vessels, each with 2 licenses) and 98 stacked Central GOA catcher vessel licenses (assigned to 47 vessels; 43 vessels have 2 licenses, and 4 vessels have 3 licenses; Table 3-41). These totals only include fixed gear licenses that are currently stacked with other fixed gear licenses that have duplicate Western and/or Central GOA area endorsements. There is also one Central GOA catcher processor license that is currently stacked with a Central GOA catcher vessel license. There are no fixed gear catcher processor licenses with Western or Central GOA endorsements currently stacked with other catcher processor licenses, and agency records indicate that no GOA fixed gear CP licenses have been stacked in the past. Of the currently stacked licenses, 8 Western GOA licenses and 47 Central GOA licenses have at least one qualified fixed gear landing during 2000-2006. These currently stacked licenses, in addition to licenses that were stacked in the past, are potentially the universe of licenses at issue if the Council chooses to develop rules to apportion landings among stacked licenses.

Table 3-41 Number of currently stacked fixed gear catcher vessel licenses with Western and/or Central GOA area endorsements.

Area endorsement	Number of stacked licenses	Number of stacked licenses with at least one qualified fixed gear landing during 2000-2006
Central GOA	98	47[1]
Western GOA	18	8[2]

Source: ADFG Fish Tickets and RAM groundfish LLP license file, December 2008
1 Licenses are stacked on 23 vessels. 22 vessels have 2 licenses, and 1 vessel has 3 licenses
2 Licenses are stacked on 4 vessels, each with 2 licenses

In past actions (e.g., Amendment 80), the Council has apportioned catch history among stacked licenses for the purpose of making allocations. Allocations were calculated by splitting catch evenly among all licenses held by a vessel at the time of landing. There are several complications that could arise if the Council chooses to apportion catch history among licenses for the proposed action. For example, if a vessel has two stacked licenses, and catch is split evenly between the two licenses, it is possible that neither license would meet the qualification threshold selected by the Council. The Council could include a provision that would give the license owner(s) the opportunity to choose which license would be credited with landings so that one of the stacked licenses could qualify. In the absence of an agreement among license owners, catch history could be split evenly. If a catcher processor license is stacked with a catcher vessel license, and there are different qualification criteria for these operation types, the license owners could potentially choose to split history between the two licenses so that both licenses qualified.

Table 3-42 Number of qualifying CV licenses when catch is fully credited to all licenses, and when catch is divided among stacked licenses.

Western GOA

	Landings fully credited to stacked licenses				Landings divided equally among stacked licenses			
	2000-2006	2002-2006	2000-June 4, 2008	2002-June 4, 2008	2000-2006	2002-2006	2000-June 4, 2008	2002-June 4, 2008
1 landing	94	83	107	97	94	82	107	96
3 landings	83	76	96	91	83	76	91	86
5 landings	74	68	90	85	74	68	84	78
5 mt	85	77	101	95	85	77	101	94
10 mt	79	73	94	90	79	73	92	86
25 mt	74	66	88	82	74	66	86	80
100 mt	55	54	62	62	55	54	60	58

Central GOA

	Landings fully credited to stacked licenses				Landings divided equally among stacked licenses			
	2000-2006	2002-2006	2000-June 4, 2008	2002-June 4, 2008	2000-2006	2002-2006	2000-June 4, 2008	2002-June 4, 2008
1 landing	269	198	297	234	268	197	289	224
3 landings	240	179	267	216	238	173	256	203
5 landings	219	164	246	200	215	154	231	182
5 mt	237	180	267	216	237	180	259	208
10 mt	223	171	250	205	223	170	243	196
25 mt	190	154	220	188	185	144	213	176
100 mt	151	110	170	140	139	97	148	111

Source: ADFG Fish Tickets and RAM Groundfish license file, October 2008.

In sum, the Council's current motion for the proposed action credits catch to both licenses if they were stacked on a single vessel at the time the landing was made, and all of the license tables in this document

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fully credit all catch to stacked CV licenses. Table 3-42 shows the results of dividing catch history evenly among stacked CV licenses. These results may be compared to those in Table 3-42 to see the number of licenses that do not qualify when catch history is divided among stacked licenses. Few Western GOA fixed gear licenses are stacked, and Table 3-42 shows that in most cases, the same number of licenses qualify when stacked history is split among licenses. In contrast, a large number of active Central GOA licenses are stacked, and splitting catch history reduces the total number of licenses that qualify under each of the options. For example, at the 1 landing threshold, 269 Central GOA licenses qualify during 2000-2006 when catch is split among stacked licenses, compared with 268 licenses when history is split among stacked licenses. At the 100 mt threshold for directed Pacific cod, 151 Central GOA licenses qualify when catch history is fully credited to all stacked licenses, and only 139 licenses qualify when history is divided among stacked licenses. Dividing catch history makes more of a difference when the qualifying period extends to June 4, 2008. For example, 297 Central GOA licenses qualify at the 1 landing threshold when landings are fully credited to stacked licenses. Only 289 Central GOA licenses qualify when catch history is divided among stacked licenses.

If the Council wishes to treat stacked licenses in a different way, there are a number of questions that would need to be addressed, including:

(1) What is the definition of a stacked license? Currently, staff assumes that licenses are stacked, for the purpose of the proposed action, if 2 or more licenses assigned to a single vessel at any point in time all have: (a) fixed gear designations, and (b) at least one duplicate area endorsement (Western GOA or Central GOA). Stacked licenses may have different operation type designations, i.e. one license could have a catcher vessel designation and the other license a catcher processor designation. Stacked licenses may have additional area endorsements (AI, BS, SE), a trawl designation, and BSAI Pacific cod endorsements that do not duplicate each other.

(2) What are the rules for apportioning catch among stacked licenses? Catch could simply be split evenly among stacked licenses (as the default rule), or license owners could be given the option to agree upon another method for apportioning catch. These rules would not only apply to licenses that are stacked at the time this action is implemented, they would also apply retroactively (to 2000 or 2002, depending upon the qualification period selected) to any fixed gear licenses that were stacked at any point in time. If license owners are given the opportunity to choose how catch will be apportioned, implementation of the action would likely be delayed. Even if a default rule is used, and catch is split evenly among stacked licenses, apportioning catch would complicate implementation of the action.

(3) How would the Council address ownership issues? Stacked licenses may be held by different persons, and the vessel assigned to those licenses may be owned by another person. Stacked licenses may not be connected in any way except through the vessel assigned to those licenses. License owners may enter into temporary partnerships to combine the endorsements and designations on their licenses and maximize their opportunities to participate in the fisheries. If the Council simply splits catch history evenly among stacked licenses for the purpose of the proposed action, it could avoid the complications that could arise if multiple license owners were allowed to choose which license is credited with catch history.

3.3.2.12 Component 6: Capacity endorsement

The Council asked that staff explore ways in which vessel capacity limits could be used in addition to vessel length to restrict participation in certain sectors. The problem identified is that new, high capacity 58 ft LOA vessels are being built and are entering the GOA Pacific cod fisheries, and existing 58 ft LOA vessels are being rebuilt with expanded capacity. Most of these high capacity 58 ft LOA vessels are relatively recent entrants to the GOA Pacific cod fishery. The GOA State waters Pacific cod fisheries

limit the proportion of the GHL that may be harvested by vessels >58 ft LOA (see Table 3-5). This creates an incentive for 58 ft LOA vessels to maximize their hold capacity. In addition, vessels <60 ft LOA are not required to participate in the Federal observer program. For these reasons, the incentive exists for additional vessels in this class to enter the GOA Pacific cod fisheries. If the catcher vessel allocations are split at 60 feet, this may leave smaller, lower capacity vessels vulnerable to an influx of effort by high capacity, <60 ft LOA vessels.

Table 3-43 shows the number and catch history of 58 to 59 ft LOA vessels ≥100 gross tons and <100 gross tons in the Western and Central GOA Pacific cod fisheries during 2001-2008. Prior to 2008, there were only 1 or 2 pot or hook-and-line vessels that exceed 100 gross tons participating in the Western and Central GOA Pacific cod fisheries, and catch data for these vessels cannot be reported due to confidentiality restrictions. In 2008, there was an increase in effort by 58 to 59 ft LOA vessels in these sectors, and their catch is reported in the table.

Table 3-43 Catch by 58 to 59 ft LOA vessels less than 100 gross tons and greater than 100 gross tons in the Western and Central GOA.

	Hook-and-line				Pot				Trawl			
	<100 gross tons		≥100 gross tons		<100 gross tons		≥100 gross tons		<100 gross tons		≥100 gross tons	
Year	Vessels	Catch	Vessels	Catch	Vessels	Catch	Vessels	Catch	Vessels	Catch	Vessels	Catch
Western GOA												
2003	6	14	0	0	21	3,384	1	*	21	717	3	*
2004	9	14	0	0	29	2,702	2	*	18	1,255	2	*
2005	14	65	1	*	22	654	2	*	22	3,213	2	*
2006	11	60	1	*	15	734	0	0	22	3,813	2	*
2007	17	155	1	*	15	872	2	*	23	3,684	2	*
2008	23	260	3	24	27	1,655	4	530	22	3,897	3	693
Central GOA												
2003	24	522	1	*	11	998	0	0	8	414	1	*
2004	27	589	2	*	9	1,464	1	*	5	61	1	*
2005	30	550	2	*	9	2,044	1	*	4	3	0	0
2006	28	1,514	1	*	15	2,587	1	*	4	34	0	0
2007	39	1,378	2	*	21	3,201	2	*	2	*	0	0
2008	50	1,421	6	507	17	2,024	4	174	1	0	2	*

Source: ADFG Fish Tickets (2003-2007) and NMFS Catch Accounting (2008).

There are several sources of data on vessel measurements. Vessels that obtain Federal fisheries permits (FFPs) are required to submit accurate measurements of the vessel's length overall (LOA)[11] in feet, registered length in feet, and gross tonnage. However, these measurements are self-reported, and no documentation is required to verify the measurements. Vessels that obtain CFEC permits are also required to submit length and tonnage measurements, but these measurements are also self-reported. The U.S. Coast Guard (USCG) maintains a vessel database with length, breadth, depth, and gross and net tonnage measurements. When vessels initially register with the USCG, they are required to submit documentation to verify these measurements.

These existing data sources are incomplete and, in many cases, inconsistent. For example, there were 1,473 unique vessels that participated in the GOA Pacific cod fisheries during 1995 through 2007

[11] The LOA of a vessel is defined as the centerline longitudinal distance, rounded to the nearest foot, measured between: (a) the outside foremost part of the vessel visible above the waterline, including bulwarks, but excluding bowsprits and similar fittings or attachments, and (b) the outside aftermost part of the vessel visible above the waterline including bulwarks, but excluding rudders, outboard motor brackets, and similar fittings or attachments (see http://alaskafisheries.noaa.gov/ram/FFPAPP.pdf).

(excluding vessels that participated exclusively in the State waters fisheries). Of these 1,473 vessels, nearly half of the CFEC, NMFS, and USCG gross tonnage measurements differ. These inconsistencies are a clear indication that a consistent method for measuring gross tonnage needs to be identified, and that existing data sources need to be updated and verified if capacity is going to be used to limit entry to sectors.

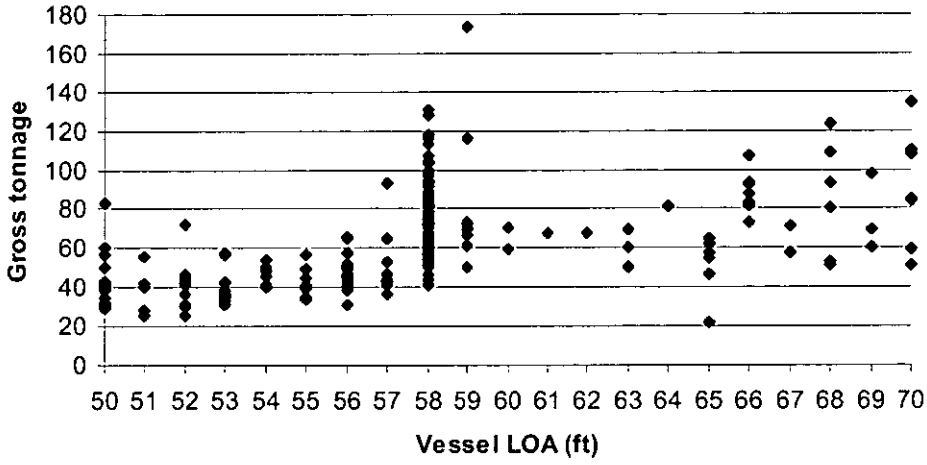

Figure 3-2 Gross tonnage of catcher vessels 50-70 ft LOA that participated in the GOA Pacific cod fisheries during 1995-2007.
Source: Vessel length overall is from NMFS; Gross tonnage is from USCG vessel database.

Figure 3-2 shows a plot of vessel length overall versus gross tonnage (using LOA from the NMFS database and gross tonnage from the USCG database), and includes all vessels 50 to 70 ft LOA that participated in the GOA Pacific cod fisheries during 1995 through 2007. In general, there is a linear relationship between vessel length and gross tonnage. There is a substantial spike in gross tonnage for vessels 58 ft and 59 ft LOA. The 58 ft LOA vessels range up to 129 tons.

Under Component 6, a width restriction would be added to each CV and CP fixed gear LLP license that is eligible to access Pacific cod under this action. The width restriction would be 1 ft of width for each 3 ft of length, and is based on the LOA of the vessel assigned to the license on December 8, 2008. The licenses that are assigned to vessels on December 8, 2008 that exceed the width restriction will be grandfathered at their present LOA. For vessels under construction on December 8, 2008, the width restriction for the license shall be equal to the vessel width upon completion. Vessels would be required to report width measurements to RAM. There is also an option under Component 6 to add a simple gross tonnage maximum to licenses, rather than a width restriction. Simple gross tonnage for vessels with ship-shaped and cylindrical hulls is calculated as the product of 0.67 times the length overall, width, and depth of the vessel (46 CFR Subpart E).

Vessels would be required to report these measurement(s) to RAM, and RAM would add the width or simple gross tonnage endorsement to each license. A license could not be assigned to a vessel that exceeds the width or simple gross tonnage limit, in addition to the MLOA, on the license. This would prevent new, high capacity 58 ft LOA vessels from entering the GOA groundfish fisheries, and would also prevent existing vessels from being rebuilt beyond a specified capacity, unless the vessel obtains an LLP with a sufficiently large width or simple gross tonnage endorsement.

One problem with basing the width or simple gross tonnage restriction on the LOA of the vessel assigned to the license is that not all licenses are assigned to a vessel. RAM does not require a vessel assignment to each license. One possible solution is to base the width restriction on the MLOA on the license, because every license has an MLOA endorsement, even if no vessel is currently assigned to the license. Another potential solution is to base the width restriction on the measurements of the current vessel for licenses assigned to a vessel as of December 8, 2008, and on the LOA of the original qualifying vessel for licenses not assigned to a vessel as of this date. The simple gross tonnage calculation would require both width and depth measurements, in addition to LOA. **The Council may wish to specify how a simple gross tonnage endorsement would be assigned to licenses that were not assigned to a vessel as of December 8, 2008.**

The rationale for basing the width restriction on the LOA rather than on the MLOA is that it is a more conservative method of calculating the width restriction. The MLOA designation is 1.2 times the length of the original qualifying vessel for vessels <60 ft LOA, up to 60 ft; and 1.2 times the length of the original vessel for vessels 60 to 125 ft LOA, up to 125 ft. For vessels 125 feet or greater in length, the MLOA designation is equal to the vessel length. If the width restriction is calculated based on the MLOA rather than the LOA of the vessel assigned to the licenses, the width endorsement on the license would be larger for vessels <125 ft LOA. This may be desirable if the Council perceives a need to provide some flexibility in the width of the vessel assigned to a license. The combination of the MLOA designation and width restriction on each license may make it more difficult for licenses to be sold or transferred to another vessel. Providing some cushion in the width restriction, similar to that provided the MLOA restriction, may make it more feasible for a license to be sold or transferred.

NMFS is preparing a discussion paper that will be provided to the Council at the April 2009 meeting and that addresses two aspects of the capacity endorsement issue:

(1) Providing a regulatory definition of width and depth
(2) Discussing enforcement issues

The intent of the paper is to discuss aspects of the practicability of adding a capacity endorsement to fixed gear groundfish licenses. Specifically, NMFS enforcement has several concerns regarding enforceability of the capacity limit and potential safety considerations.

3.3.2.13 Component 7: CQE exemption

There are 21 communities eligible under the Community Quota Entity (CQE) Program located in the Western and Central GOA management areas, including West Yakutat.[12] Under the LLP, the Central GOA endorsement area also authorizes vessels to fish in the West Yakutat management area, and communities located in this area are also included in this discussion. To be eligible under the program, a community must have fewer than 1,500 residents, lack direct road access, have direct access to saltwater, and have historic participation in the halibut and sablefish fisheries. These communities were identified under Amendment 66 to the GOA FMP and are eligible to purchase catcher vessel halibut and sablefish Quota Share (QS) on the open market. Table 3-44 lists the CQE communities located in Southwest and Southcentral Alaska, and shows the 2000 U.S. Census population in each community and the number of Western and Central GOA fixed gear licenses held by residents of these communities. Note that only 11 of the 21 eligible communities in Table 3-44 have formed the non-profit entity (i.e., CQE) necessary to participate in the program and purchase quota share.

[12]An additional 21 communities located in Southeast Alaska (Area 2C) are eligible under the CQE Program.

Table 3-44 Community Quota Entity (CQE) eligible communities in Southwest and Southcentral Alaska, and the number of fixed gear LLP licenses held by community residents.

Name	Population	Management Area	WG licenses	CG licenses
Akhiok*	80	Central Gulf	0	0
Chenega Bay*	86	Central Gulf	0	0
Chignik	79	Central Gulf	0	3
Chignik Lagoon	103	Central Gulf	1	5
Chignik Lake	145	Central Gulf	0	0
Halibut Cove	35	Central Gulf	0	1
Ivanof Bay	22	Western Gulf	0	0
Karluk	27	Central Gulf	0	0
King Cove*	792	Western Gulf	23	5
Larsen Bay*	115	Central Gulf	0	1
Nanwalek*	177	Central Gulf	0	0
Old Harbor*	237	Central Gulf	0	9
Ouzinkie*	225	Central Gulf	0	10
Perryville*	107	Western Gulf	1	1
Port Graham*	171	Central Gulf	0	1
Port Lions	256	Central Gulf	0	8
Sand Point*	952	Western Gulf	29	16
Seldovia	286	Central Gulf	0	10
Tatitlek	107	West Yakutat	0	1
Tyonek	193	Central Gulf	0	0
Yakutat*	680	Central Gulf	0	3
Total			54	74

Source: Population from 2000 U.S. Census. Residency information is based on the license holder's address information reported in the RAM groundfish LLP license file in December 2008, and does not necessarily indicate that an individual license holder meets the definition of an eligible CQE resident.
*Eligible communities that have formed CQEs.

Currently, residents in 14 of the 21 CQE communities own a total of 54 licenses with Western GOA endorsements and 74 licenses with Central GOA endorsements. It is important to note that residency information is based on the license holder's address information reported in the RAM groundfish LLP license file in December 2008, and does not necessarily indicate that an individual license holder meets the definition of an eligible CQE resident. Table 3-45 shows the number of licenses in each community that had at least one fixed gear landing of directed Pacific cod during 2000-2006 or 2000 through December 8, 2008. Residents of King Cove and Sand Point hold most (52) of the Western GOA licenses, and the majority (>65%) of these licenses had at least one landing during both time periods. Residents of two other communities in Southwest Alaska, Perryville and Chignik Lagoon, own the other 2 Western GOA licenses. One license (owned by the Chignik Lagoon resident) was active in the Western GOA fixed gear fisheries.

The majority of Central GOA licenses held by residents of CQE communities are owned by residents of Sand Point (16 licenses), Seldovia (10 licenses), Ouzinkie (10 licenses), Old Harbor (9 licenses), and Port Lions (8 licenses). However, only 1 of 16 Central GOA licenses held by Sand Point residents had at least one directed Pacific cod landing during 2000-2006 or 2000-2008. Overall, only 3 of 30 Central GOA licenses held by residents of Southwest Alaska CQE communities had at least one directed Pacific landing in the Central GOA during 2000-2006 or 2000-2008, whereas either 16 or 17 of 43 Central GOA licenses held by residents of Southcentral Alaska CQE communities had at least one directed Pacific cod landing during the same time periods, respectively. In sum, residents of 3 CQE communities currently hold Western GOA licenses that have recent directed Pacific cod landings, and residents of 8 CQE communities hold Central GOA licenses with recent directed Pacific cod landings.

Table 3-45 Number of licenses held by residents of eligible CQE communities that have at least 1 landing of directed Pacific cod.

City	CQE	WG licenses	1 landing from 2000-Dec 2008	Percent	1 landing from 2000-2006	Percent	CG licenses	1 landing from 2000-Dec 2008	Percent	1 landing from 2000-2006	Percent
Chignik	Y	0	0	0%	0	0%	3	1	33%	1	33%
Chignik Lagoon	Y	1	1	100%	1	100%	5	1	20%	1	20%
Halibut Cove	Y	0	0	0%	0	0%	1	0	0%	0	0%
King Cove	Y	23	16	70%	16	70%	5	0	0%	0	0%
Larsen Bay	Y	0	0	0%	0	0%	1	1	100%	1	100%
Old Harbor	Y	0	0	0%	0	0%	9	7	78%	7	78%
Ouzinkie	Y	0	0	0%	0	0%	10	3	30%	2	20%
Perryville	Y	1	0	0%	0	0%	1	0	0%	0	0%
Port Graham	Y	0	0	0%	0	0%	1	0	0%	0	0%
Port Lions	Y	0	0	0%	0	0%	8	2	25%	2	25%
Sand Point	Y	29	19	66%	19	66%	16	1	6%	1	6%
Seldovia	Y	0	0	0%	0	0%	10	4	40%	4	40%
Tatitlek	Y	0	0	0%	0	0%	1	0	0%	0	0%
Yakutat	Y	0	0	0%	0	0%	3	0	0%	0	0%
Total		54	36	67%	36	67%	74	20	27%	19	26%

Source: ADFG Fish Tickets (2000-2007), NMFS Catch Accounting (2008) and RAM groundfish license file, December 2008.

The Council has the option, in Component 7, to exempt licenses held by residents of CQE communities from being required to meet the selected catch or landings thresholds in order to qualify for a Pacific cod endorsement. The intent of this exemption is to help minimize potential adverse economic impacts of this action on these small, remote, fishing communities, and to ensure that community residents who currently hold licenses continue to have access to the Pacific cod fishery. Component 7 states that licenses **currently** held by CQE residents are exempt from the landings thresholds. **The Council should provide a specific date when a license must be held by a CQE resident in order to qualify for the exemption.** If Component 7 is selected, licenses held by residents of CQE communities that do not qualify for a Pacific cod endorsement under the general criteria would instead receive a hook-and-line or pot gear endorsement through either (a) a one-time designation at the time the endorsement is issued, or (b) a designation at the time the first Pacific cod landing is made based on the gear type used. **If the license receives an endorsement through a one-time designation, the Council may wish to clarify whether the license holder would have the option to choose either a pot or hook-and-line endorsement. The alternative is to assign a gear endorsement to licenses that qualify under the exemption.**

There are currently 54 Western GOA and 74 Central GOA licenses held by residents of GOA CQE communities. Most of these licenses have an MLOA designation of <60 ft (53 Western GOA licenses and 69 Central GOA licenses). There is an option to apply the proposed exemption only to licenses with an MLOA designation of <60 ft. Depending on the catch or landings threshold selected by the Council, some licenses may qualify for a Pacific cod endorsement without the exemption. If the 1 landing threshold is selected, as many as 36 Western GOA licenses held by CQE residents would qualify for a Pacific cod endorsement based on directed cod landings, and up to 18 Western GOA licenses would qualify under the CQE exemption (Table 3-46). In the Central GOA, as many as 20 licenses held by CQE residents meet the 1 landing threshold (including 3 of the 5 CGOA ≥60 ft MLOA licenses), and up to 54 licenses would qualify for a Pacific cod endorsement under the CQE exemption. If a higher landings threshold or if one of the catch thresholds is selected, the CQE exemption would allow additional licenses to receive a Pacific cod endorsement. Table 3-46 shows the number of Western GOA and Central GOA licenses held by CQE residents that qualify under the various thresholds. The majority of the licenses that do not have GOA directed Pacific cod landings have landings in other fisheries during 2000 through 2006. In Appendix A, Table A-2 reports the participation and average annual revenues of licenses held by CQE community residents in the GOA Pacific cod fishery and in other Alaska fisheries.

Table 3-46 Catcher vessel licenses currently held by residents of CQE communities that meet the landings and catch (mt) thresholds identified in Component 4.

Western GOA (54 current licenses)

Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	36	36	36	33	32	32
3 landings	34	34	34	32	32	32
5 landings	32	32	31	29	29	28
5 mt	35	35	34	32	32	31
10 mt	31	31	31	29	29	29
25 mt	29	29	29	26	26	26
100 mt	25	25	23	25	25	23

Central GOA (74 current licenses)

Threshold	2000-Dec 2008	2000-June 2008	2000-2006	2002-Dec 2008	2002-June 2008	2002-2006
1 landing	20	20	19	12	12	11
3 landings	18	18	15	11	11	8
5 landings	15	15	12	11	11	8
5 mt	17	17	14	11	11	8
10 mt	13	13	10	10	10	7
25 mt	12	12	10	8	8	6
100 mt	9	9	9	5	5	5

Source: ADFG Fish Tickets (2000-2007), NMFS Catch Accounting (2008) and RAM groundfish license file, December 2008.

Administrative issues

Staff from NMFS RAM division expressed a number of concerns regarding administration of the CQE exemption. Component 7 currently states that licenses that receive a Pacific cod endorsement as a result of the CQE exemption would be subject to several restrictions that do not apply to licenses that qualify for a Pacific cod endorsement by meeting the selected catch threshold:

(1) A license that receives a Pacific cod endorsement as a result of the CQE exemption cannot be leased.

(2) A license that receives a Pacific cod endorsement as a result of the CQE exemption can only be transferred to an individual who has lived continuously in the permit holder's CQE community for 24 consecutive months prior to the transfer and who intends to remain a resident of the community. Residency of license holders would be affirmed annually.

(3) If a license holder with a restricted transfer LLP is no longer a resident of the CQE community or dies without a designated qualified LLP community beneficiary, the CQE will designate a qualified individual in the CQE community to hold the restricted transfer LLP.

Prohibiting licenses from being leased is not practicable, because there is no regulatory definition of leasing for LLP licenses. A license must be carried on board the vessel to which the license is assigned while the vessel is participating in fisheries subject to the LLP requirement, but there is no owner on board requirement. If the vessel owner or skipper is not the owner of the LLP license assigned to the vessel, there is not a clear definition of what constitutes a leasing agreement.

The residency restrictions would be complicated to administer in several respects. NMFS could require license holders to submit an affidavit affirming their residency on an annual basis, but there are no immediate consequences to not submitting the affidavit. For example, if a license holder moves out of a CQE community and does not submit the annual affidavit affirming their residency, RAM would first have to notify the individual that the failure to submit the affidavit will result in RAM revoking the Pacific cod endorsement. Once the license holder is notified, the holder would have 60 days to file an appeal. If the LLP holder does not appeal, RAM would revoke the Pacific cod endorsement and re-issue the license without it. If the LLP holder appeals, then the Office of Administrative Appeals (OAA) would review the case and the LLP holder would continue to hold the endorsement until OAA made a final decision. OAA has no time frame for resolving appeals. The license would have interim status during the appeals process, and the license holder would be eligible to participate in the fisheries using the license and Pacific cod endorsement.

It should be noted that the requirement under Component 7 that the license can only be transferred to an individual who has lived continuously in the permit holder's CQE community for 24 consecutive months prior to the transfer may ensure that benefits flow to residents of small communities. This requirement may be difficult to meet in some small communities, as many of those communities do not have year-round economies, effectively requiring residents to live outside of the community for a period or season, even if their principal home is in the community. In addition, as communities attempt to provide fishing opportunities as an incentive for residents to return to the community, this requirement would preclude a person from taking advantage of this opportunity until the individual had lived in the community for 24 continuous months.

Note also that this requirement differs from the existing CQE Program requirement that a 'resident' is defined as 1) a U.S. citizen and 2) someone who has maintained a domicile in the community for 12 consecutive months preceding the time when the assertion of residency is made (and who is not claiming residency in any other community). The common legal definition of domicile is the residence where a person has a permanent home to which they intend to return whenever they are absent; every person has only a single domicile at any time. Thus, the criteria for residency in the existing CQE Program do not appear to require that a person must have 'lived continuously' in the community for 12 months; rather, residency is based on having the principal home in the community, and the intent to return to that home[13] Should Component 7 be selected, the Council may wish to consider revising the requirement that a license be transferred to a person who has lived continuously in the community so that it mirrors the residency requirement in the existing CQE Program.

Possible alternative approaches to Component 7

One approach that would minimize the administrative burden on NMFS, while still providing a direct benefit to current residents of CQE communities, is to modify Component 7 so that licenses held by residents of CQE communities as of a specific date are exempt from the landings thresholds, based on a one-time application for the exemption. License holders would not be required to remain residents of the CQE community in order to retain the Pacific cod endorsement. Under this approach, NMFS would not be required to track the residency of license holders who receive the exemption. Requiring NMFS to track the residency of license holders in perpetuity significantly complicates administration of the exemption.

[13]While this definition still inhibits a young person from returning home and immediately fishing CQE quota until they have established a principal residence for 12 months, it does not appear to require an individual to have lived continuously at that residence during that time period.

This approach may provide a direct benefit to the *individuals* who receive an endorsement. However, in the long term it would provide less benefit to the community if license holders leave the community. (This possibility is what motivated the overall approach to the CQE Program, in that the community (CQE) holds the fishing privileges (i.e., halibut and sablefish QS) such that the benefits of the QS remain in the community regardless of whether individual residents relocate.) In order to preclude license holders who receive an endorsement as a result of the exemption from opportunistically selling the license to another individual, these licenses could be designated non-transferable. If the license is sold to another owner, the Pacific cod endorsement would be removed. This restriction would give the original license holder the option to access the directed Pacific cod fisheries in the future, but would not allow the holder to sell that option to another person. Eventually, however, if designated non-transferable, all of these licenses would be extinguished.

License holders would have to affirm their residency at the time of application to RAM for a Pacific cod endorsement. An eligible community resident could be defined, for purposes of this exemption, as any individual who (1) is a citizen of the United States, (2) has maintained a domicile in one of the 21 CQE eligible communities located in Southwest or Southcentral Alaska for a specified period of time immediately preceding the time when the assertion of residence is made, and who is not claiming residency in another community, state, territory, or country. This is similar to the definition of residency used in the IFQ program. For the purposes of that program, a person needs to have maintained a domicile in the community for 12 consecutive months to qualify as a resident.

A second alternative approach that has been proposed in AP and Council deliberations is to give each CQE a specific number of fixed gear licenses. For example, CQE communities in the Central GOA management area would receive a limited number of licenses with a Central GOA endorsement, a fixed gear designation, an MLOA of 60 ft, and a pot and/or hook-and-line Pacific cod endorsement. The licenses would be held by the CQEs and used by community residents, similar to the existing CQE Program structure. The license could be made non-transferable to prevent the CQE from selling the license.

The regulations that allow CQEs to hold and lease quota share are already in place under GOA Amendment 66, and could be modified to fit this approach. Currently, the CQE takes on the burden of finding a community resident who is willing to lease the shares under contract, and both the CQE and the resident must certify that the lessee is a resident on the transfer application to NMFS (i.e., lease of IFQ from the CQE to the resident). Providing inaccurate information is considered fraud under Federal law. While there is no regulatory definition of leasing for LLP licenses, and no requirement for a transfer application, if the Council opts to give each CQE a specific number of fixed gear licenses, the Council could establish that a condition of the CQE receiving the license is attesting that the individuals that will use the license to fish are residents of the community the CQE represents. The additional administrative burden of this approach on NMFS is minimal, because NMFS only requires the CQE attest to individuals' residency, but would not need to require individuals to submit proof of residency in order to use the CQE license. Regardless of the overall approach, the Council may want to consider mirroring any residency requirements to the existing CQE Program.

There are a number of benefits and drawbacks to giving CQE communities fixed gear licenses. The main benefit is that it would provide opportunities for new entrants, who reside in the community, to participate in the directed Pacific cod fishery. Only 14 of the 21 Southcentral and Southwest Alaska CQE communities currently have residents who hold fixed gear licenses, and not all of these communities have residents who will qualify for a Pacific cod endorsement. Providing licenses to each CQE would give residents in each community the opportunity to access the Pacific cod fishery. One possible drawback is that many CQE communities currently have active participants in the GOA Pacific cod fisheries who will

likely qualify for Pacific cod endorsements and do not need the exemption. Giving additional licenses to the CQE to lease to community residents could increase competition for access to the local fishery if participation increases. Also, there are currently no regulations that prevent CQEs from purchasing groundfish licenses. Finally, the Council may wish to consider whether each CQE should receive the same number of licenses, or if the number of licenses should be proportional to the population in the community.

3.3.2.14 Restrictions on movement between fixed and trawl gear sectors

The Council has considered several options to preclude licenses from using more than one gear type in the GOA groundfish fisheries. The intent of these options is to protect vessels that use a particular gear and operation type from an influx of vessels that have historically used another gear or operation type. Specific endorsements or designations added to fixed gear licenses could prohibit cross over among sectors.

The Council considered, but rejected, options that would have limited licenses to using either fixed or trawl gear in the GOA groundfish fisheries. The options would have precluded catcher vessel licenses with both fixed and trawl gear designations from participating in both sectors. These licenses would be required to make either an annual election or a one-time election to participate in the trawl or fixed gear fisheries. Currently, there are 114 Central GOA licenses and 78 Western GOA licenses with dual gear designations (Table 3-47). However, once the trawl recency action has been implemented, only 63 Central GOA and 54 Western GOA licenses will have dual gear designations. Of these licenses, 30 Central GOA and 40 Western GOA licenses have at least one directed Pacific cod landing with fixed gear during 2000-2008 and could qualify for a Pacific cod endorsement under the proposed action. However, some of these licenses will lose their Central or Western GOA trawl area endorsements under the trawl recency action.

Table 3-47 Fishing activity by catcher vessel licenses that have both fixed and trawl gear designations.

	Number of licenses with fixed and trawl gear designations (number qualifying under trawl recency)	Number of licenses with at least 1 directed Pcod landing during 2000-2008 (number from 2000-2006)	Number of licenses with at least 1 directed Pcod landing during 2000-2008 that also qualify under trawl recency (number qualifying from 2000-2006)		Number of licenses that used fixed and trawl gear during the same year in the same management area
			<60 ft MLOA	≥60 ft MLOA	
Central Gulf	114 (63)	30 (25)	5 (5)	12 (9)	4-6 licenses per year during 2000-2008
Western Gulf	78 (54)	40 (38)	32 (32)	3 (2)	10-15 licenses per year during 2000-2008

Source: ADFG Fish Tickets (2000-2007), NMFS Catch Accounting (2008) and RAM groundfish license file, December 2008.

Table 3-47 shows that 17 Central GOA licenses with dual gear designations both have at least one directed Pacific cod landing during 2000 through December 8, 2008 and qualify under the trawl recency action, and 35 Western GOA licenses meet both these criteria. The majority of the Central GOA licenses that meet these criteria have MLOA designations of ≥60 ft (12 of 17 licenses); the majority of Western GOA licenses with dual gear designations and catch history have MLOA designations of <60 ft (32 of 35 licenses). Most of these licenses used both pot and trawl gear, although several used hook-and-line and

trawl gear. Within a given year, there were typically 4 to 6 Central GOA licenses and 10 to 15 Western GOA licenses that used both fixed and trawl gear to harvest Pacific cod during the same year.

The catch data indicate that a number of these vessels use both gear types during a given fishing year on a regular basis, and that this harvest strategy is part of the annual fishing operations of these vessels. This is a particularly common practice in the Western GOA, where there are a number of vessels that regularly fish for Pacific cod with both trawl and pot gear during the same year. A typical pattern is for vessels to fish with pot gear when the fixed gear season opens on January 1 and to switch to trawl gear on January 20 when the trawl season opens. This strategy also allows these vessels to have a longer B season. The Pacific cod B season often closes to trawl gear in early October when the final trawl halibut PSC apportionment has been used. Vessels then switch back to pot gear and continue fishing late into the year. In recent years, the GOA Pacific cod B seasons have remained open to vessels using fixed gear until December 31.

3.4 Expected effects of the alternatives

3.4.1 Effects on harvesters

Under the no action alternative, there would be no reduction in the number of fixed gear licenses eligible to participate in the directed Pacific cod fisheries in the Western and Central GOA. If this alternative is selected, any of the currently existing fixed gear licenses could enter the Western and Central GOA Pacific cod fisheries in the future and dilute revenues, increase costs, or both, for licenses that have participated in the fisheries during recent years. Increased participation may result in negative economic impacts to current participants in the fisheries. If Pacific cod endorsements are not added to fixed gear licenses, licenses with no recent catch history in the GOA Pacific cod fisheries could enter the fisheries and erode the catch of recent participants. Finally, if gear-specific Pacific cod endorsements are not added to licenses, and Pacific cod sector allocations are implemented, participants in each of the fixed gear sectors will be vulnerable to an influx of effort into those sectors. If effort increases substantially in a particular sector, the erosion of catch resulting from latent licenses re-entering the fisheries will be exacerbated. The number of licenses that enter the Pacific cod fisheries in the absence of this action is unknown, and the specific effect of that entry depends on future market conditions, the size of Pacific cod TACs, opportunities to participate in other fisheries, the future regulatory environment, and operating costs in the fisheries. Consequently, this analysis does not provide a quantitative estimate of the potential economic impacts of the no action alternative.

If the Council chooses the minimum landings threshold of 1 directed Pacific cod landing, this action would result in any recent (as defined by the qualifying period selected) participants in the fisheries receiving a Pacific cod endorsement. The primary effect of this action on the harvesting sector would be to limit the potential for future entry of latent licenses into the GOA Pacific cod fisheries. If the Council chooses a higher landings threshold, this action has the potential to exclude some recent participants who do not have sufficient landings to meet the threshold from continuing to participate in the directed Pacific cod fisheries in the GOA.

This action would reduce fixed gear capacity in the GOA Pacific cod fisheries to include only licenses that meet the catch history threshold in the fisheries. Extinguishing latent licenses may prevent future revenues from Pacific cod harvests in the respective management areas from being diluted by future increases in fishing effort by latent licenses. Those LLP holders exhibiting dependence and participation in the fixed gear Pacific cod fisheries, (i.e., those meeting the selected threshold criteria), would be protected from possible future increases in effort and dilution of their gross revenue share. However, this action may not result in increased production efficiencies to licenses that would generally be expected

from a comprehensive rationalization program. Following implementation of the amendment, each qualified LLP holder will still have an incentive to expand their fishing effort and maximize their respective share of the gross revenues in the GOA Pacific cod fisheries. The action will not necessarily result in an 'optimum' harvesting capacity in any of the sectors or management areas. The Council is considering a range of potential catch and landings thresholds, qualification periods, and catch definitions. The number of gear-specific Pacific cod endorsements that will be added to licenses under any of these options was not based on a predetermined optimum capacity for the pot, hook-and-line, and jig gear Pacific cod fleet. The action is a more modest approach to revolving participation issues than a fully rationalized fixed gear Pacific cod fishery.

Pacific cod is the primary species targeted by the fixed gear sectors. Increases in Pacific cod prices in recent years have the potential to attract re-entry of latent effort into the fisheries. In the absence of this action, latent LLP licenses would not necessarily re-enter the fisheries in the future. The re-entry of these latent licenses would depend on future market conditions, conditions in the fisheries, the future regulatory environment, and opportunities to participate in other fisheries. The proposed action is not likely to result in any immediate reduction of effort. Therefore, the short term effects on efficiency should be negligible. In the longer term, the proposed action has the potential to limit overcrowding in the GOA Pacific cod fisheries. However, in the absence of this action, the number of latent licenses that would have re-entered the fixed gear Pacific cod fisheries is not known. Therefore, the economic effects of the proposed action cannot be precisely quantified.

The action would potentially reduce the number of fixed gear catcher vessel licenses eligible to participate in the directed Pacific cod fisheries to 20% to 42% of the current number in the Western GOA and 12% to 35% of the current number in the Central GOA. The number of catcher processor licenses would be reduced to 52% to 77% of the current number in the Western GOA and 22% to 43% in the Central GOA. If catch history during 2007 through June 4, 2008 or December 8, 2008 is included, additional licenses would qualify for Pacific cod endorsements. The action would cap the number of participants in the directed Pacific cod fisheries at the number of available licenses, and new entrants will have to purchase an existing license.

Prices of licenses

Reducing the pool of licenses eligible to access the directed Pacific cod fisheries has the potential to increase the prices of remaining licenses. The price of a license may depend on the combination of area, gear (trawl and/or fixed gear), and species endorsements, and the MLOA on the license. It also may depend on whether the license has recent catch history. Anecdotal reports have indicated that Central GOA fixed gear licenses with an MLOA of <60 ft, and without catch history, sell for approximately $3,000 to $5,000. Licenses with an MLOA of 50 ft or less are valued on the lower end of this range, and licenses with an MLOA of 58 ft to 60 ft may be valued at the higher end of this range. Licenses with either a Central GOA or Western GOA area endorsement (but not a BS or AI endorsement), an MLOA of less than 60 ft, and recent catch history may be valued at $20,000 to $25,000. Licenses with both Central and Western GOA endorsements are likely more valuable.

3.4.1.1 Licenses with no qualified GOA fixed gear landings

The proposed action would limit access to the GOA Pacific cod fisheries, but would not limit participation in other fisheries by vessels that hold licenses with other area endorsements or gear designations. Table 3-48 provides an overview of the fishing activities of Western and Central GOA fixed gear licenses that do not qualify under any of the landings or catch thresholds. For this purpose of the table, non-qualified licenses were defined as licenses that do not meet the minimum recency threshold of one directed Pacific cod landing in the endorsement area during 2000 through 2006. Most non-

qualified catcher vessel licenses have catch in other fisheries in Alaska. This other catch includes fixed gear landings of groundfish in areas other than the LLP endorsement area, and any trawl catch, IFQ catch, State waters groundfish catch, and non-groundfish catch (e.g., salmon, shellfish, and herring). Out of 883 Central GOA catcher vessel licenses, there are 614 licenses with no directed Pacific cod landings, and 500 of these licenses had landings in other fisheries during 2000-2006. Of 264 Western GOA catcher vessel licenses, there are 171 licenses with no WGOA directed Pacific cod landings, and 127 of these licenses had landings in other fisheries during 2000-2006. Notably, there are very few licenses that had no commercial landings in Alaska fisheries during 2000-2006. Only 114 Central GOA catcher vessel licenses and 27 Western GOA catcher vessel licenses did not have landings in any commercial fishery in Alaska during 2000-2006.

Similarly, Table 3-48 shows that most catcher processor licenses that did not have qualified landings during 2000-2006 are active participants in other groundfish fisheries in Alaska, including the BSAI fixed gear fisheries and the BSAI and GOA trawl fisheries. There are 10 catcher processor licenses with Western GOA endorsements that have no WGOA directed Pacific cod landings, and 8 of these licenses had landings in other Alaska fisheries. There are 35 catcher processor licenses with Central GOA endorsements that have no CGOA directed Pacific cod landings, and 33 of these licenses had landings in other Alaska fisheries.

Table 3-48 Summary of fishing activity of licenses with at least one directed Pacific cod landing and licenses with no qualified landings.

	Number of licenses with at least one directed Pacific cod landing in the endorsement area during 2000-2006			Catch history of licenses with no directed Pacific cod landings during 2000-2006	
	Number of licenses	At least one directed Pcod landing	No directed Pcod landings	At least one non-qualified landing in another fishery	No landings in any fishery
Central Gulf CV	883	269	614	500	114
Central Gulf CP	49	14	35	33	2
Western Gulf CV	264	93	171	144	27
Western Gulf CP	31	21	10	8	2

Note: Non-qualified landings include fixed gear landings in management areas other than the endorsement area, and trawl, State waters, IFQ, and other fisheries.

3.4.1.2 Gross revenues from GOA Pacific cod and other fisheries

Catcher Vessel Licenses

Many fixed gear licenses with GOA endorsements were active in other Alaska commercial fisheries in addition to the GOA fixed gear Pacific cod fisheries. Groundfish licenses may have up to five area endorsements (Bering Sea, Aleutian Islands, Western GOA, Central GOA, and Southeast Outside), two gear designations (trawl and fixed gear), and two BSAI Pacific cod endorsements, and these endorsements and designations allow licenses to participate in a suite of groundfish fisheries. In addition, many license owners hold halibut and sablefish IFQ, BSAI crab quota, and other permits that allow them to participate in other fisheries in Alaska.

Gross revenues data indicate that the majority of fixed gear catcher vessel and catcher processor licenses that did not have any qualified fixed gear landings during the proposed qualifying periods elected to participate in other Alaska fisheries during this period. Table 3-49 reports the number of licenses that had at least one directed Pacific cod landing in the Western or Central GOA during 2000-2006 (top line, left

hand column) and did not have one directed Pacific cod landing in the Western or Central GOA during 2000-2006 (top line, right hand column). The table also reports the number of licenses that participated in other fisheries in Alaska, based on the activity of the vessel(s) assigned to the license during 2000 through 2006. The table reports total revenues to licenses that participated in each fishery and average annual revenues per license across all fisheries from 2000 through 2006. Note that 'licenses', per se, are not participating in each of the fisheries; the analysis is based on the fishing activities of the vessel(s) assigned to each license. Table 3-49 provides an indication of the level of participation by active and inactive fixed gear licenses in the various fisheries.

Several fisheries overlap temporally with the Western and Central GOA Pacific cod fisheries. Requiring licenses to have a Pacific cod endorsement to enter the directed Pacific cod fisheries in the GOA would not impact the status quo fishing operations of these licenses. The intent of the action is to give licenses that have recent participation in the Pacific cod fisheries the endorsement, so that those licenses continue to have access to the fisheries. However, licenses that do not qualify for a Pacific cod endorsement would not have the opportunity to enter these fisheries in the future. Allowing these licenses to have the option to access the directed Pacific cod fisheries in the Western and Central GOA in the future should be balanced against the interests of current participants, who may have made long-term investments in the fisheries and historic catch shares in the GOA Pacific cod fisheries.

Most catcher vessel licenses that did not have directed Pacific cod landings in the Western or Central GOA during the proposed qualifying periods were active in other Alaska commercial fisheries. Out of 264 Western GOA licenses, there are 171 licenses that did not have any qualified landings during 2000-2006. However, 144 of the 171 licenses had landings in other Alaska fisheries. Western GOA licenses that did not have directed Pacific cod landings, but were active in other fisheries, had revenues mainly from the IFQ halibut (35.4%) and sablefish (21.4%) fisheries, and the BSAI trawl fisheries (31.1%). Less than 1% of revenues were from GOA Federal (0.8%) or State waters (0.3%) fixed gear fisheries. In contrast, most Western GOA licenses that had at least one fixed gear groundfish landing during 2000-2006 also participated in the State waters Pacific cod fisheries (72 of 93 licenses), and many licenses had landings in the Central GOA fixed gear Federal fisheries (20 licenses). The majority of active Western GOA licenses also had shellfish, salmon, and IFQ halibut landings. Gross revenues for licenses with qualified Western GOA landings were from IFQ halibut landings (29.5%), shellfish (33.4%), and salmon (19.9%). Notably, GOA trawl groundfish fisheries comprised 18.8% of revenues for licenses with at least one qualified landing, and landings from the Western GOA directed Pacific cod fishery comprised only 11.0% of gross revenues.

Of 883 Central GOA licenses, 614 licenses did not have at least one directed Pacific cod landing during 2000-2006; 500 of these non-qualified licenses had landings in other Alaska fisheries. Similar to non-qualified Western GOA licenses, the majority of revenues by these licenses were from IFQ halibut (35.0%) and sablefish (21.3%), and the BSAI trawl fisheries (13.6%). Only a small proportion of revenues by these licenses were from the fixed gear groundfish fisheries in the Western GOA (0.7%) or from the GOA State waters Pacific cod fisheries (1.4%). Most Central GOA licenses that made at least one directed Pacific cod landing during 2000-2006 also participated in the halibut IFQ fisheries (226 of 269 licenses). These licenses also fished for salmon (164 licenses), IFQ sablefish (141 licenses), State GOA Pacific cod (140 licenses), and shellfish (123 licenses). Revenues by active licenses were from halibut IFQ landings (45.1%), followed shellfish (10.3%). Directed Pacific cod landings from the Central GOA comprised 10.0% of gross revenues by Central GOA licenses with at least one qualified landing during 2000-2006.

When comparing annual gross revenues per license, the most apparent difference between catcher vessel licenses with directed Pacific cod landings and licenses without qualified landings is that they are participating in a different suite of fisheries. Western GOA CV licenses with at least one qualified

landing during 2000-2006 had annual gross revenues of $274,608 per license. In contrast, Western GOA CV licenses without qualified landings had substantially higher revenues, averaging $622,658 per license. Western GOA licenses without qualified cod landings but that were active in the BSAI trawl fisheries had on average over $1 million in gross revenues per year in that fishery during 2000-2006. There was not a large difference between annual gross revenues for Central GOA CV licenses with qualified fixed gear landings ($319,458) and without qualified landings ($353,067). However, there was again a sharp contrast in gross earnings in the BSAI trawl fisheries. Non-qualified licenses had more than twice ($725,929) the revenues that qualified licenses earned ($305,379) in the BSAI trawl fisheries, indicating that non-qualifying licenses are making a choice to participate in the BSAI trawl fisheries rather than the GOA Pacific cod fisheries.

Western and Central GOA CV licenses that did not have at least one directed Pacific cod landing during 2000-2006, and would only qualify for a Pacific cod endorsement if catch during 2007 and 2008 is included, have different participation patterns in the fisheries. Table 3-50 compares 2007 participation, catch, and revenues data, and 2008 participation and catch data (revenues data were not available for 2008), for licenses with at least one landing during 2000-2006 and licenses that only had a landing in 2007 or 2008. The table shows the number of licenses that participated in the Central GOA or Western GOA Pacific cod fisheries in 2007 and 2008, participation by those licenses in other Alaska fisheries, and catch and revenues by those licenses in each fishery. Central GOA licenses that only have directed Pacific cod landings during 2007 earned only 7% of revenues from the Central GOA Pacific cod fishery in 2007, compared with 17% for vessels that had a landing during 2000-2006. In contrast, Western GOA licenses that first entered the directed Pacific cod fishery in 2007 earned 22% of revenues from that fishery, compared to 10% for vessels that had landings during 2000-2006. Revenues for the 2008 fisheries were not available. Catch data for 2008 shows that Western and Central GOA licenses that have qualified landings during 2000-2006 harvested more Pacific cod per license in each management area than licenses that only qualify based on 2007-2008 landings.

During 2000-2007, the majority of first wholesale revenues for catcher processor licenses with fixed gear landings in the GOA fisheries were from the BSAI fixed gear fisheries (Table 3-51). Revenues from Western GOA directed Pacific cod (5.5%) and Central GOA directed Pacific cod (2.7%) were a small proportion of total revenues for licenses that have qualifying catch in the respective management areas. Nearly all catcher processor licenses that did not have directed Pacific cod landings during 2000-2006 were active in other fisheries in Alaska. The majority of revenues for these licenses were from the BSAI trawl and BSAI fixed gear fisheries and GOA trawl fisheries. Only 2 Western GOA and 2 Central GOA CP licenses did not have any landings in any commercial fisheries in Alaska during 2000 through 2006.

Annual revenues by fixed gear CP licenses that had qualified Western GOA landings during 2000-2006 ($3.45 million) were substantially greater than licenses without qualified landings ($1.57 million). Central GOA CP licenses with and without qualified landings during 2000-2006 had approximately $2.4 million in wholesale revenues per year. The 21 Western GOA CP licenses that made at least one directed Pacific cod landing during 2000-2006 had average annual revenues of $189,041 in that fishery during 2000-2006. The 14 Central GOA CP licenses with at least one landing during 2000-2006 had average annual revenues of $62,902 in that fishery during 2000-2006. The majority of CP licenses that did not have qualified Pacific cod landings during 2000-2006 were active in other fisheries (33 of 35 non-qualified CGOA licenses; 6 of 10 nonqualified WGOA licenses). Western GOA CP licenses that did not have qualified GOA fixed gear landings participated in the BSAI and/or GOA trawl fisheries during 2000-2006. Central GOA CP licenses that did not have qualified GOA landings participated in the BSAI fixed gear and the IFQ halibut and sablefish fisheries.

Table 3-49 Participation, average annual revenues per licenses, and total revenues in Alaska fisheries during 2000-2006 by fixed gear CV licenses with at least 1 directed Pacific cod landing during 2000-2006 and with no GOA directed Pacific cod landings during 2000-2006.

Western GOA	Western Gulf licenses with at least one Western Gulf directed Pacific cod landing during 2000-2006 (93 licenses)				Western Gulf licenses with no qualified Western Gulf directed Pacific cod landings during 2000-2006 (171 licenses)			
Fishery	Number of licenses in fishery	Percent revenues	Total revenues 2000-2006	Annual revenues per license	Number of licenses in fishery	Percent revenues	Total revenues 2000-2006	Annual revenues per license
Federal WG Pcod- Fixed Gear	**93**	**11.0%**	**$19,650,003**	**$30,184**	**0**	**0.0%**	**$0**	**$0**
Federal CG Pcod- Fixed Gear	20	3.2%	$5,735,002	$40,964	29	0.8%	$5,158,527	$25,411
Federal GOA Groundfish- Trawl	35	18.8%	$33,644,062	$137,323	25	6.3%	$39,365,495	$224,946
State GOA Pacific Cod	72	12.6%	$22,506,883	$44,657	22	0.3%	$1,591,976	$10,338
BSAI Fixed Gear	42	8.7%	$15,480,123	$52,653	52	1.9%	$12,206,408	$33,534
BSAI Trawl	11	2.0%	$3,598,632	$46,735	26	31.1%	$195,299,784	$1,073,076
Herring	11	0.6%	$1,083,821	$14,076	6	0.2%	$1,158,735	$27,589
IFQ Halibut	46	29.5%	$52,776,776	$163,903	96	35.4%	$222,403,332	$330,957
IFQ Sablefish	15	5.6%	$10,068,941	$95,895	75	21.4%	$134,442,989	$256,082
Other	81	0.3%	$470,682	$830	59	0.2%	$981,816	$2,377
Salmon	63	19.9%	$35,602,608	$80,732	55	2.3%	$14,492,161	$37,642
Shellfish	82	33.4%	$59,688,306	$103,987	45	7.4%	$46,653,903	$148,108
All fisheries	93	100.0%	$178,769,889	$274,608	144	100.0%	$627,639,129	$622,658
No landings in any fishery	0	0.0%	$0	$0	27	0.0%	$0	$0

Central GOA	Central Gulf licenses with at least one Central Gulf directed Pacific cod landing during 2000-2006 (269 licenses)				Central Gulf licenses with no qualified Central Gulf directed Pacific cod landings during 2000-2006 (614 licenses)			
Fishery	Number of licenses in fishery	Percent revenues	Total revenues 2000-2006	Annual revenues per license	Number of licenses in fishery	Percent revenues	Total revenues 2000-2006	Annual revenues per license
Federal CG Pcod- Fixed Gear	**269**	**10.0%**	**$74,271,566**	**$30,815**	**0**	**0.0%**	**$0**	**$0**
Federal WG Pcod- Fixed Gear	59	0.7%	$5,421,101	$11,900	48	0.7%	$8,042,967	$23,937
Federal GOA Groundfish- Trawl	16	4.1%	$30,399,054	$234,864	67	9.0%	$110,960,249	$236,589
State GOA Pacific Cod	140	3.5%	$25,661,171	$20,514	95	1.4%	$17,373,455	$26,125
BSAI Fixed Gear	90	4.4%	$32,819,768	$48,379	74	1.6%	$20,180,519	$38,959
BSAI Trawl	9	2.7%	$20,074,960	$305,379	33	13.6%	$167,689,679	$725,929
Herring	19	1.0%	$7,792,837	$53,813	44	1.2%	$14,557,579	$47,265
IFQ Halibut	226	45.1%	$334,726,144	$176,788	339	35.0%	$432,463,156	$182,243
IFQ Sablefish	141	9.2%	$68,289,880	$57,712	231	21.3%	$263,645,381	$163,046
Other	243	0.6%	$4,324,153	$2,238	188	0.2%	$2,975,985	$2,261
Salmon	164	8.4%	$61,994,701	$44,733	319	11.6%	$143,832,669	$64,412
Shellfish	123	10.3%	$76,650,158	$71,700	183	4.4%	$54,012,859	$42,165
All fisheries	269	100.0%	$742,425,494	$319,458	500	100.0%	$1,235,734,497	$353,067
No landings in any fishery	0	0.0%	$0	$0	114	0.0%	$0	$0

*Note: Licenses may have participated in more than one fishery during 2000-2006. Licenses participated in each fishery during at least one year from 2000-2006, but may not have participated during every year. Revenues from each fishery are averaged across the period from 2000-2006, including years when a license did not participate in the fishery, to provide an index of dependence over the time period. Annual revenues and dependence on the GOA Pacific cod fisheries are shown in Table 3-20.
Source: ADFG Fish Tickets, CFEC gross revenues data, and RAM groundfish LLP license file from December 2008
Note: Revenues from Western and Central GOA license tables are not additive; licenses may have both area endorsements.

Table 3-50 Annual participation, annual revenues per license, and annual catch per license in Alaska fisheries during 2007-2008 by fixed gear CV licenses with at least 1 GOA directed Pacific cod landing during 2000-2006 and with no GOA directed Pacific cod landings during 2000-2006 (but at least 1 landing during 2007-2008).

Western GOA		Revenues and catch(mt) by licenses that have at least 1 landing during 2000-2006				Revenues and catch(mt) by licenses that only have 1 landing during 2007-Dec 8, 2008			
Year	Fishery	Number of licenses	Percent revenues from CG Pcod	Catch (mt) per license	Revenues per license	Number of licenses	Percent revenues from CG Pcod	Catch (mt) per license	Revenues per license
2007	**Federal WG Pcod- Fixed Gear**	**35**	**10.0%**	**87**	**$89,406**	**6**	**21.9%**	**134**	**$144,810**
	Federal CG Pcod- Fixed Gear	2	*	*	*	3	*	*	*
	Federal GOA Groundfish- Trawl	10	8.1%	518	$251,694	0	0.0%	0	
	State GOA Pacific Cod	24	10.3%	132	$133,813	2	*	*	*
	BSAI Fixed Gear	10	8.2%	203	$255,874	3	*	*	*
	IFQ Halibut	15	21.8%	49	$452,528	3	*	*	*
	IFQ Sablefish	4	*	*	*	1	*	*	*
	Other	30	0.1%	1	$893	5	0.1%	36	$780
	Salmon	20	19.8%	551	$308,299	0	0.0%	111	
	Shellfish	8	19.4%	123	$756,016	1	*	*	*
	All fisheries	35	100.0%	754	$890,641	6	100.0%	247	$681,028
2008	**Federal WG Pcod- Fixed Gear**	**41**	--	**96**	--	**14**	--	**61**	--
	Federal CG Pcod- Fixed Gear	3	--	86	--	7	--	107	--
	Federal GOA Groundfish- Trawl	11	--	950	--	0	--	0	--
	State GOA Pacific Cod	31	--	143	--	8	--	75	--
	BSAI Fixed Gear	9	--	257	--	10	--	243	--
	BSAI Trawl	1	--	*	--	0	--	0	--
	IFQ Halibut	16	--	15	--	11	--	15	--
	IFQ Sablefish	4	--	49	--	7	--	67	--
	Other	39	--	*	--	14	--	24	--
	All fisheries	41	--	544	--	14	--	423	--

Year	Central GOA	Number of licenses	Percent revenues from CG Pcod	Catch (mt) per license	Revenues per license	Number of licenses	Percent revenues from CG Pcod	Catch (mt) per license	Revenues per license
2007	**Federal CG Pcod- Fixed Gear**	**134**	**17%**	**108**	**$121,246**	**20**	**7.1%**	**29**	**$32,789**
	Federal WG Pcod- Fixed Gear	11	1%	86	$92,956	0	0.0%	0	$0
	Federal GOA Groundfish- Trawl	1	*	*	*	2	*	*	*
	State GOA Pacific Cod	48	6%	114	$124,019	4	4.7%	98	$108,602
	BSAI Fixed Gear	21	2%	68	$95,919	1	*	*	*
	BSAI Trawl	0	0%	0	$0	1	*	*	*
	Herring	3	*	*	*	0	0.0%	0	$0
	IFQ Halibut	105	50%	47	$444,566	10	53.5%	52	$491,508
	IFQ Sablefish	60	10%	29	$158,008	4	6.6%	26	$152,663
	Other	126	1%	6	$4,675	19	0.3%	4	$1,559
	Salmon	67	6%	99	$85,110	4	7.5%	254	$173,208
	Shellfish	12	5%	74	$385,153	3	*	*	*
	All fisheries	134	100%	292	$693,762	20	100.0%	$253	$459,274
2008	**Federal CG Pcod- Fixed Gear**	**127**	--	**83**	--	**30**	--	**41**	--
	Federal WG Pcod- Fixed Gear	7	--	70	--	6	--	209	--
	Federal GOA Groundfish- Trawl	1	--	*	--	1	--	*	--
	State GOA Pacific Cod	48	--	124	--	11	--	49	--
	BSAI Fixed Gear	13	--	92	--	9	--	46	--
	IFQ Halibut	91	--	12	--	23	--	16	--
	IFQ Sablefish	34	--	36	--	15	--	55	--
	Other	125	--	*	--	29	--	*	--
	All fisheries	127	--	495	--	30	--	219	--

*Note: Licenses may have participated in more than one fishery during 2000-2006. Revenues data not available for 2008.
Source: ADFG Fish Tickets (2007), NMFS Catch Accounting (2008), and RAM groundfish license file from December 2008

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Table 3-51 Participation, average annual revenues per license, and total wholesale revenues from Alaska fisheries during 2000-2006 by fixed gear CP licenses with at least 1 GOA directed Pacific cod landing during 2000-2006 and with no GOA directed Pacific cod landings during 2000-2006.

Western GOA (31 licenses)	Western Gulf licenses with at least one Western Gulf directed Pacific cod landing (21 licenses)				Western Gulf licenses with no qualified Western Gulf directed Pacific cod landings (10 licenses)			
Fishery	Number of licenses in fishery	Percent revenues	Total revenues 2000-2006	Annual revenues per license	Number of licenses in fishery	Percent revenues	Total revenues 2000-2006	Annual revenues per license
WG Fixed Gear	**21**	**5.5%**	**$26,465,697**	**$189,041**	**0**	**0.0%**	**$0**	**$0**
CG Fixed Gear	6	0.6%	$2,780,310	$66,198	0	0.0%	$0	$0
Gulf Trawl	0	0.0%	$0		3	9.8%	$8,640,833	$411,468
BSAI Fixed Gear	20	84.9%	$410,003,073	$2,928,593	4	34.1%	$29,975,493	$1,070,553
BSAI Trawl	0	0.0%	$0		4	39.4%	$34,593,091	$1,235,468
IFQ	15	8.9%	$42,919,584	$408,758	3	16.7%	$14,634,022	$696,858
Other	20	0.1%	$563,711	$4,027	3	0.0%	$0	$0
Total	21	100.0%	$482,732,375	$3,448,088	8	100.0%	$87,843,439	$1,568,633
No landings in fisheries	0	0.0%	$0	$0	2	0.0%	$0	$0
Central GOA (49 licenses)	Central Gulf licenses with at least one Central Gulf directed Pacific cod landing (14 licenses)				Central Gulf licenses with no qualified Central Gulf directed Pacific cod landings (35 licenses)			
Fishery	Number of licenses in fishery	Percent revenues	Total revenues 2000-2006	Annual revenues per license	Number of licenses in fishery	Percent revenues	Total revenues 2000-2006	Annual revenues per license
CG Fixed Gear	**14**	**2.7%**	**$6,164,413**	**$62,902**	**0**	**0.0%**	**$0**	**$0**
WG Fixed Gear	6	1.7%	$3,973,999	$94,619	16	4.2%	$23,702,800	$211,632
Gulf Trawl	0	0.0%	$0	$0	5	3.7%	$20,714,822	$591,852
BSAI Fixed Gear	13	91.6%	$212,580,485	$2,336,049	22	67.0%	$377,505,918	$2,451,337
BSAI Trawl	0	0.0%	$0	$0	6	15.8%	$89,041,838	$2,120,044
IFQ	9	3.9%	$9,076,583	$144,073	22	9.1%	$51,522,950	$334,565
Other	12	0.1%	$273,381	$3,255	21	0.2%	$865,682	$5,889
Total	14	100.0%	$232,068,861	$2,368,050	33	100.0%	$563,354,010	$2,438,762
No landings in fisheries	0				2	0.0%	$0	$0

Source: Catch Accounting/Blend – retained catch data; Economic SAFE Report (Hiatt 2007) – First wholesale prices per ton.
*Note: Licenses may have participated in more than one fishery during 2000-2006. Licenses participated in each fishery during at least one year from 2000-2006, but may not have participated during every year. Revenues from each fishery are averaged across the period from 2000-2006, including years when a license did not participate in the fishery, to provide an index of dependence over the time period. Annual revenues and dependence on the GOA Pacific cod fisheries are shown in Table 3-21. Revenues from Western and Central GOA license tables are not additive; licenses may have both area endorsements.

Table 3-52 Annual participation, annual revenues per license, and annual catch per license in Alaska fisheries during 2007-2008 by fixed gear CP licenses with at least 1 GOA directed Pacific cod landing during 2000-2006 and with no GOA directed Pacific cod landings during 2000-2006 (but at least 1 landing during 2007-2008).

Western GOA		Revenues and catch(mt) by licenses that have at least 1 landing during 2000-2006				Revenues and catch(mt) by licenses that only have 1 landing during 2007-Dec 8, 2008			
Year	Fishery	Number of licenses	Percent revenues from CG Pcod	Catch (mt) per license	Revenues per license	Number of licenses	Percent revenues from CG Pcod	Catch (mt) per license	Revenues per license
2007	**Federal WG Pcod- Fixed Gear**	11	10.9%	285	$549,816	1	*	*	*
	Federal CG Pcod- Fixed Gear	2	*	*	*	0	0.0%	0	$0
	BSAI Fixed Gear	9	77.1%	2,414	$4,747,207	1	*	*	*
	IFQ Halibut or Sablefish	7	9.8%	161	$779,101	1	*	*	*
	Other	10	*	*	*	0	0.0%	0	$0
	All fisheries	11	100.0%	2,440	$5,039,298	1	*	*	*
2008	**Federal WG Pcod- Fixed Gear**	11	--	281	--	3	--	42	--
	Federal CG Pcod- Fixed Gear	1	--	*	--	2	--	*	--
	BSAI Fixed Gear	10	--	2,282	--	1	--	*	--
	IFQ Halibut or Sablefish	6	--	137	--	3	--	211	--
	Other	9	--	*	--	3	--	4	--
	All fisheries	11	--	2,459	--	3	--	300	--
Central GOA		Revenues and catch(mt) by licenses that have at least 1 landing during 2000-2006				Revenues and catch(mt) by licenses that only have 1 landing during 2007-Dec 8, 2008			
Year	Fishery	Number of licenses	Percent revenues from CG Pcod	Catch (mt) per license	Revenues per license	Number of licenses	Percent revenues from CG Pcod	Catch (mt) per license	Revenues per license
2007	**Federal CG Pcod- Fixed Gear**	4	23.0%	345	$417,605	4	10.5%	187	$367,129
	Federal WG Pcod- Fixed Gear	1	*	*	*	2	9.2%	*	*
	BSAI Fixed Gear	1	*	*	*	3	91.8%	2,199	$4,283,668
	IFQ Halibut or Sablefish	1	*	*	*	1	6.6%	*	*
	Other	4	0.7%	38	$12,770	4	1.6%	38	$54,981
	All fisheries	4	100%	1,107	$1,819,274	4	100.0%	1,735	$3,500,122
2008	**Federal CG Pcod- Fixed Gear**	5	--	157	--	5	--	201	--
	Federal WG Pcod- Fixed Gear	1	--	*	--	2	--	*	--
	BSAI Fixed Gear	3	--	3,783	--	3	--	3,139	--
	IFQ Halibut or Sablefish	1	--	*	--	2	--	*	--
	Other	5	--	67	--	5	--	3	--
	All fisheries	5	--	2,539	--	5	--	2,000	--

*Note: Licenses may have participated in more than one fishery during 2000-2006. Revenues data not available for 2008.
Source: ADFG Fish Tickets (2007), NMFS Catch Accounting (2008), and RAM groundfish license file from December 2008

Western and Central GOA CP licenses that did not have at least one directed Pacific cod landing during 2000-2006, and would only qualify for a Pacific cod endorsement if catch during 2007 and 2008 is included, have different participation patterns in the fisheries. Table 3-52 compares 2007 participation, catch, and revenues data, and 2008 participation and catch data (revenues data were not available for 2008), for licenses with at least one landing during 2000-2006 and licenses that only had a landing in 2007 or 2008. The table shows the number of licenses that participated in the Central GOA or Western GOA Pacific cod fisheries in 2007 and 2008, participation by those licenses in other Alaska fisheries, and catch and revenues by those licenses in each fishery. Central GOA licenses that only have directed Pacific cod landings during 2007 earned only 10.5% of revenues from the Central GOA Pacific cod fishery in 2007, compared with 23.0% for vessels that had a landing during 2000-2006. Western GOA revenues for licenses that first entered the fishery in 2007 cannot be reported due to confidentiality. Catch data for 2008 shows that Western GOA licenses that have qualified landings during 2000-2006 harvested

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substantially more Pacific cod per license in each management area than licenses that only qualify based on 2007-2008 landings.

3.4.2 Effects on processors

Pacific cod landings by fixed gear LLP license holders in the Western and Central GOA are primarily delivered to shoreside processors in Kodiak, King Cove, Sand Point, and Dutch Harbor. During some years, there have been deliveries to at-sea processors operating offshore. The proposed action is not expected to directly impact the distribution of landings among shoreside processing communities or at-sea processors. The proposed action, in tandem with the recent trawl recency action, may stabilize the number of participants in the fixed gear and trawl gear fisheries in the GOA. The proposed Pacific cod sector allocations also have the potential to stabilize the distribution of catch between catcher vessels and catcher processors, as well as stabilize the distribution of catch among gear types. Catcher vessels could continue to deliver to shoreside or at-sea processors, and this action would not directly impact that choice.

3.4.3 Effects on management, monitoring, and enforcement

Implementation of the proposed action will require NOAA Fisheries to process and adjudicate the qualifying and non-qualifying licenses, and add Pacific cod endorsements to licenses that meet the qualification criteria. Also, it will be necessary for NOAA Fisheries to make changes to databases used to administer and record license information.

Pacific cod is the primary target fishery of fixed gear vessels in the GOA; Pacific cod comprises more than 98% of retained catch by fixed gear vessels in the GOA, excluding halibut and sablefish IFQ catch. The Pacific cod endorsement would limit participation in the directed Pacific cod fisheries, and it is possible that some participants that do not have a Pacific cod endorsement may use retained incidental catch to supplement their catch revenue in less lucrative target fisheries. However, aside from the IFQ fisheries, fixed gear catch in other target fisheries is relatively low. When the directed Pacific cod season is closed, vessels targeting other species are only allowed to retain incidentally harvested Pacific cod up to the MRA (20%). It is unlikely that many vessels will prosecute other fixed gear fisheries only as a means of accessing incidental catch of Pacific cod. Currently, a relatively small number of fixed gear vessels target other groundfish species in the GOA, and some of these vessels likely already have LLP licenses and would qualify for fixed gear Pacific cod endorsements. Requiring fixed gear LLP licenses to have Pacific cod endorsements would further reduce the number of open access fisheries available to the fixed gear sectors. However, vessels that do not have an LLP license with a fixed gear Pacific cod endorsement could continue to harvest Pacific cod in the parallel and State waters fisheries.

3.4.4 Effects on communities

Impacts of the proposed action on communities are difficult to assess, because licenses may be freely bought and sold by residents of any state or community. Licenses are held by individuals, not communities, and individual license holders may sell or lease licenses to residents of other communities. In-depth profiles of GOA fishing communities may be found in Community Profiles for North Pacific Fisheries (NMFS 2005). This document includes profiles of 136 fishing communities in Alaska. The profiles provide demographic information on each community, and describe the history, geography, and local economy of each community. In addition, they provide detailed descriptions of each community's involvement in the North Pacific fisheries, including data on the number and type of fishing permits held by residents, and participation by those permit holders in the different fisheries. Finally, each profile

provides information on subsistence and sport fishing activities in each community. The profiles may be found at: http://www.afsc.noaa.gov/REFM/Socioeconomics/Projects/CPU.php

The State of Alaska's Community Information Summaries, which are compiled by the Alaska Department of Commerce, Community, and Economic Development (DCCED), include information on community location, population, taxes, climate, history, culture, demographics, utilities, schools, health care, economy, and transportation. The summaries may be found at: http://www.commerce.State.ak.us/dca/commdb/CF_CIS.htm

The number of catcher vessel licenses that meet the 1 directed Pacific cod landing threshold during 2000 through 2006 and 2000 through December 8, 2008 is reported by the current residency of license holders in Table 3-53. Alaska residents hold the greatest number of Western and Central GOA fixed gear licenses. Licenses owned by Alaska residents are more likely to have 1 landing during 2000-2006 or 2000-2008 than licenses owned by residents of other states. Nearly half of Western GOA licenses held by Alaska residents had at least one directed Pacific cod landing (42% to 46%), slightly more than licenses owned by residents of other states. Between 35% and 40% of Central GOA licenses that are held by Alaska residents had directed Pacific cod landings. Most Central GOA licenses that had directed Pacific cod landings during 2000 through Dec 2008 are held by Alaska residents (240 of 306 active licenses). The majority of Western GOA licenses with directed Pacific cod landings during 2000 through Dec 2008 are also held by Alaska residents (71 of 110 licenses), and 33 active licenses are held by residents of Washington.

Table 3-53 Number of CV licenses with 1 directed Pacific cod landing during 2000-2006 or 2000-Dec 8, 2008 by license owner's residence.

	WG licenses	WG licenses with 1 landing from 2000-2006	Percent of licenses with 1 landing from 2000-2006	WG licenses with 1 landing from 2000-2008	Percent of licenses with 1 landing from 2000-2008
Alaska	153	64	42%	71	46%
Oregon	8	1	13%	4	50%
Washington	92	26	28%	33	36%
Other State	11	2	18%	2	18%
Grand Total	264	93	35%	110	42%

	CG licenses	CG licenses with 1 landing from 2000-2006	Percent of licenses with 1 landing from 2000-2006	CG licenses with 1 landing from 2000-2008	Percent of licenses with 1 landing from 2000-2008
Alaska	607	215	35%	240	40%
Oregon	48	11	23%	13	27%
Washington	183	21	11%	30	16%
Other State	45	22	49%	12	27%
Grand Total	883	269	30%	306	35%

Source: ADFG Fish Tickets (2000-2007), NMFS Catch Accounting (2008), and RAM groundfish license file, December 2008

The number of catcher processor licenses that meet the 1 directed Pacific cod landing threshold during 2000 through 2006 or 2000 through December 8, 2008 is reported by the residency of license holders in Table 3-54. Out of 49 Central GOA CP licenses, 12 are held by residents of Alaska and 37 are held by residents of other states. A substantially higher percentage of licenses held by Alaska residents and residents of other states meet the 1 landing threshold during 2000-2008 than during 2000-2006. Out of 31 Western GOA CP licenses, 3 are held by Alaska residents, and all 3 of these licenses have at least one groundfish landing during 2000-2008. The other 28 licenses are held by residents of other states, and 21

of these licenses have at least one landing during 2000-2008. No CP licenses are held by residents of CQE communities. Additional information on homeport locations of CPs that participate in the GOA Pacific cod fisheries, ownership of CPs by CDQ groups, and contributions of CPs to local tax revenues may be found in the draft initial EA/RIR/IRFA for the GOA Pacific cod sector allocations (NPFMC, 2008).

Table 3-54 Number of CP licenses with 1 directed Pacific cod landing during 2000-2006 or 2000-Dec 8, 2008 by license owner's residence.

	WG licenses	WG licenses with 1 landing from 2000-2006	Percent of licenses with 1 landing from 2000-2006	WG licenses with 1 landing from 2000-2008	Percent of licenses with 1 landing from 2000-2008
Alaska	3	2	67%	3	100%
Other States	28	19	68%	21	75%
Grand Total	31	21	68%	24	77%
	CG licenses	CG licenses with 1 landing from 2000-2006	Percent of licenses with 1 landing from 2000-2006	CG licenses with 1 landing from 2000-2008	Percent of licenses with 1 landing from 2000-2008
Alaska	12	3	25%	5	42%
Other States	37	11	30%	16	43%
Grand Total	49	14	29%	21	43%

Source: NMFS Catch Accounting and RAM groundfish license file, December 2008. *Western GOA licenses held by Alaska residents from Juneau (1), Petersburg (1), and Seward (1). Central GOA licenses held by Alaska residents from Anchorage (1), Juneau (1), Kenai (1), Kodiak (4), Petersburg (3), Seward (1), and Sitka (1).

Overall, the majority of Central GOA licenses that have at least 1 directed Pacific cod landing during 2000-2006 or 2000-Dec 8, 2008 are held by residents of Kodiak, Homer/Anchor Point, Cordova, and Anchorage (Table 3-55). Central GOA licenses held by residents of Kodiak Island communities and Homer area communities (including Anchor Point, Homer, and Nikolaevsk) were among the most likely to have landings. Licenses held by residents of Southeast Alaska communities were among the least likely to have landings in the fisheries. Sitka and Petersburg residents each hold more than 30 Central GOA licenses. None of the 34 licenses held by Sitka residents and only 2 of 32 licenses held by Petersburg residents had at least directed Pacific cod landing during 2000-2006 or 2000-2008. Western GOA licenses that have been active in the fisheries and are held by Alaska residents are primarily owned by residents of Sand Point, King Cove, and Kodiak. Western GOA licenses held by residents of Southcentral and Southeast Alaska were less likely to have directed Pacific cod landings in the Western GOA fisheries. For example, no Western GOA licenses held by Sitka residents (7 licenses) and only 2 of 14 licenses held by Homer residents had directed Pacific cod landings in the Western GOA.

Finally, a summary of the number of catcher vessel owners from Alaska communities that have participated in the fixed gear fisheries in the GOA is included in Appendix A. Table A-1 reports the number of catcher vessel owners who have participated in the Federal waters, parallel waters, and State waters Pacific cod fisheries using fixed gear during 1995-2006, by community of residence. Note that this table includes landings from the Western GOA, Central GOA, and West Yakutat, because the LLP authorizes licenses with Central GOA endorsements to fish in Federal waters of West Yakutat. The tables also report gross revenues from the fisheries, and the percentage of total revenues from all Alaska fisheries comprised by the GOA Pacific cod fisheries in each community. This provides a measure of the relative economic importance of the GOA Pacific cod fisheries to these communities.

Table 3-55. Number of catcher vessel licenses with at least one directed Pacific cod landing in the endorsement area during 2000-2006 or 2000-Dec 8, 2008, reported by license owner's community of residence (Alaska communities only).

City	CQE	WG licenses	1 landing from 2000-2008	Percent	1 landing from 2000-2006	Percent	CG licenses	1 landing from 2000-2008	Percent	1 landing from 2000-2006	Percent
Adak		1	0	0%	0	0%	2	1	50%	1	50%
Akutan		2	1	50%	1	50%	0	0	0%	0	0%
Anchor Point		12	5	42%	5	42%	30	8	27%	6	20%
Anchorage		1	1	100%	1	100%	1	0	0%	0	0%
Chignik	Y	0	0	0%	0	0%	3	1	33%	1	33%
Chignik Lagoon	Y	1	1	100%	1	100%	5	1	20%	1	20%
Clam Gulch		0	0	0%	0	0%	3	1	33%	1	33%
Cold Bay		2	1	50%	1	50%	0	0	0%	0	0%
Copper Center		0	0	0%	0	0%	1	0	0%	0	0%
Cordova		5	0	0%	0	0%	30	5	17%	4	13%
Craig		0	0	0%	0	0%	1	0	0%	0	0%
Delta Junction		2	1	50%	0	0%	7	7	100%	7	100%
Douglas		0	0	0%	0	0%	2	0	0%	0	0%
Dutch Harbor		3	2	67%	2	67%	4	1	25%	1	25%
Eagle River		0	0	0%	0	0%	2	1	50%	1	50%
Elfin Cove		0	0	0%	0	0%	1	0	0%	0	0%
Fairbanks		0	0	0%	0	0%	1	0	0%	0	0%
False Pass		3	2	67%	2	67%	3	0	0%	0	0%
Fritz Creek		0	0	0%	0	0%	3	1	33%	1	33%
Girdwood		2	1	50%	1	50%	8	2	25%	1	13%
Gustavus		1	0	0%	0	0%	0	0	0%	0	0%
Haines		0	0	0%	0	0%	3	0	0%	0	0%
Halibut Cove	Y	0	0	0%	0	0%	1	0	0%	0	0%
Homer		13	3	23%	0	0%	114	73	64%	67	59%
Hoonah		0	0	0%	0	0%	2	0	0%	0	0%
Juneau		3	1	33%	1	33%	13	1	8%	1	8%
Kasilof		0	0	0%	0	0%	8	0	0%	0	0%
Kenai		0	0	0%	0	0%	3	0	0%	0	0%
Ketchikan		2	1	50%	1	50%	7	1	14%	1	14%
King Cove	Y	23	16	70%	16	70%	5	0	0%	0	0%
Klawock		0	0	0%	0	0%	1	0	0%	0	0%
Kodiak		22	10	45%	9	41%	135	92	68%	82	61%
Larsen Bay	Y	0	0	0%	0	0%	1	1	100%	1	100%
Nikiski		0	0	0%	0	0%	2	0	0%	0	0%
Nikolaevsk		0	0	0%	0	0%	14	8	57%	7	50%
Nome		1	0	0%	0	0%	2	1	50%	1	50%
Old Harbor	Y	0	0	0%	0	0%	9	7	78%	7	78%
Ouzinkie	Y	0	0	0%	0	0%	10	3	30%	2	20%
Palmer		1	1	100%	1	100%	4	1	25%	1	25%
Pelican		0	0	0%	0	0%	2	0	0%	0	0%
Perryville	Y	1	0	0%	0	0%	1	0	0%	0	0%
Petersburg		7	1	14%	1	14%	33	2	6%	2	6%
Port Graham	Y	0	0	0%	0	0%	1	0	0%	0	0%
Port Lions	Y	0	0	0%	0	0%	8	2	25%	2	25%
Sand Point	Y	29	19	66%	19	66%	16	1	6%	1	6%
Seldovia	Y	0	0	0%	0	0%	10	4	40%	4	40%
Seward		1	1	100%	0	0%	22	4	18%	2	9%
Sitka		7	0	0%	0	0%	34	0	0%	0	0%
Soldotna		0	0	0%	0	0%	2	1	50%	0	0%
St Paul Island		1	0	0%	0	0%	0	0	0%	0	0%
Sterling		0	0	0%	0	0%	2	0	0%	0	0%
Tatitlek	Y	0	0	0%	0	0%	1	0	0%	0	0%
Tenakee Springs		0	0	0%	0	0%	2	0	0%	0	0%
Unalaska		4	1	25%	0	0%	0	0	0%	0	0%
Valdez		0	0	0%	0	0%	6	0	0%	0	0%
Wasilla		1	1	100%	1	100%	9	2	22%	2	22%
Whittier		0	0	0%	0	0%	2	0	0%	0	0%
Willow		2	1	50%	1	50%	7	7	100%	7	100%
Wrangell		0	0	0%	0	0%	5	0	0%	0	0%
Yakutat	Y	0	0	0%	0	0%	3	0	0%	0	0%
Total Alaska		153	71	46%	64	42%	607	240	40%	215	35%

Source: ADFG Fish Tickets (2007), NMFS Catch Accounting (2008), and RAM groundfish license file from December 2008

3.4.5 Parallel waters issues

Parallel waters catch by vessels without LLP licenses

If Pacific cod endorsements are added to Western and Central GOA fixed gear licenses, these endorsements would limit entry to the directed Pacific cod fisheries in each management area. Specific gear designations included on these endorsements would limit the number of licenses eligible to participate in each sector. Several tables in this document provide estimates of the number of licenses that could receive Pacific cod gear and operation type endorsements. If Pacific cod sector allocations are implemented, these licenses would be eligible to fish off the respective gear and operation type allocations. However, there are several gaps in the limited entry provisions of the LLP that would allow vessels to fish off sector allocations without an LLP license or Pacific cod endorsement.

First, vessels are not required to hold an LLP license to fish in the parallel waters fisheries. Although the LLP limits entry into the groundfish fisheries in Federal waters, vessels can fish in parallel waters without an LLP license. If sector allocations are implemented, vessels without LLP licenses, and licenses without Pacific cod endorsements, could be restricted from fishing in Federal waters during the directed Pacific cod fisheries, but could continue to fish in the parallel waters fisheries. In years when fish are concentrated in inside waters, or when conditions in other fisheries are unfavorable, participation by vessels without LLP licenses may increase in the parallel waters fisheries. In the GOA, the presence of a local fleet that can readily access the parallel waters fisheries makes it more likely that during certain years, vessels without LLP licenses will fish for Pacific cod in parallel waters.

During recent years, vessels without LLP licenses have harvested a relatively small proportion of the catch in each management area. Table 3-56 shows the average number of vessels without LLPs that fished for Pacific cod during the parallel waters seasons in 2002-2007, retained catch, and the average percentage of catch within each sector by these vessels. These numbers are an estimate, and are intended to provide the Council with some perspective on the extent of participation in the Pacific cod fisheries by vessels without LLP licenses.

The table also provides some insight into the level of participation within each sector by vessels without licenses. If Pacific cod sector allocations are implemented, and Pacific cod endorsements are added to fixed gear licenses, vessels without licenses, or without Pacific cod endorsements on their licenses, will continue to be eligible to fish in the parallel waters. Most hook-and-line catcher vessels that do not have LLPs and that have retained catch of Pacific cod from the parallel waters fisheries were participating in the IFQ fisheries at the time they made these Pacific cod landings. Under the LLP, vessels participating in the IFQ fisheries that do not have LLP licenses are allowed to retain incidental catch of Pacific cod. This provision in the LLP is consistent with National Standard 9 of the Magnuson-Stevens Act, and was intended to reduce the waste that occurs when discards of groundfish are required. In the Central GOA, an average of 63 hook-and-line vessels per year during 2002-2007 that did not have LLP licenses had at least one landing of Pacific cod, but catch by these vessels amounted to only 2% of the catch by hook-and-line catcher vessels in the Central GOA. Overall, vessels without LLP licenses harvest a small proportion of the retained catch of Pacific cod in the Central GOA (2%) and Western GOA (5%). The majority of this catch was by pot vessels fishing without LLPs in the Western and Central GOA. Hook-and-line vessels without LLPs harvested 11% of the Western GOA hook-and-line catch during 2002-2007, but hook-and-line catcher vessels typically catch less than 1% of the Western GOA catch. The majority of the jig catch in each management area is harvested by vessels without LLP licenses, but these vessels generally harvest less than 1% of the Western and Central GOA catch.

Table 3-56 Average number of vessels fishing in the parallel waters fisheries without an LLP license, retained catch (mt), and percent of retained catch of Pacific cod within each sector by vessels without LLPs during 2002-2007.

		HAL CV		Jig CV		Pot CV		Trawl CV		All sectors
	Year	Vessels	Catch	Vessels	Catch	Vessels	Catch	Vessels	Catch	Catch
Central GOA	2002-2007 average	63	106	15	45	5	211	1	*	362
Western GOA	2002-2007 average	11	16	9	50	7	629	1	*	695

		HAL CV	Jig CV	Pot CV	Trawl CV	All sectors
	Year	Percent of sector catch	Percent of sector catch	Percent of sector catch	Percent of sector catch	Percent of total catch
Central GOA	2002-2007 average	2%	69%	3%	*	2%
Western GOA	2002-2007 average	11%	64%	9%	*	5%

Source: ADFG Fish Tickets and RAM groundfish license file, October 2008. *Withheld due to confidentiality.
Notes: Excludes State waters fisheries. Includes IFQ fisheries, because IFQ participants may retain groundfish without an LLP (and are required to retain Pacific cod up to the MRA).

Catcher processors acting as catcher vessels

Pacific cod endorsements could restrict vessels to using a specific gear type in the directed Pacific cod fisheries, but may not prevent catcher processors from fishing off catcher vessel allocations. Historically, few catcher processors in the GOA have acted as catcher vessels, but sector allocations could potentially create an incentive for catcher processors to opportunistically fish as catcher vessels. If this activity becomes more common than it has in the past, it could potentially erode the catch shares of vessels that can only act as catcher vessels and who contributed history to the catcher vessel allocations.

Under previous amendments (e.g., Amendment 85), catch is counted against allocations based on vessel activity. If a vessel catches and processes its own catch, that catch is deducted from the catcher processor allocation. If a vessel delivers its catch shoreside or to a mothership, that catch is deducted from the catcher vessel allocation. If the Council perceives that catcher processors may opportunistically fish off catcher vessel Pacific cod allocations in the GOA, it could modify the catch accounting system for the sector allocations. Instead of accounting for catch based on mode of operation, NOAA fisheries could account for catch based on the mode of operation on a vessel's Pacific cod endorsement. Currently, the Catch Accounting system does not track catch by LLP licenses. Modifying the Catch Accounting system to track licenses and license endorsements would require substantial programming effort. However, given the small number of catcher processor licenses which would likely qualify for a Pacific cod endorsement in the Western or Central GOA, this modification to the Catch Accounting system may be practicable. Licenses may only be transferred once per year. The Catch Accounting system would link catch by each vessel holding a Pacific cod catcher processor endorsement to the appropriate sector allocation account. In this way, vessels holding Pacific cod catcher processor endorsements could only fish off the catcher processor allocations, regardless of their mode of operation. Revisions to the Catch Accounting system could be minimized by continuing to base other aspects of the Catch Accounting system (e.g., estimates of bycatch, discards, and PSC) on the mode of operation of the vessel.

The Council is currently considering options in the proposed GOA Pacific cod sector allocation action to preclude vessels from opportunistically fishing off both the catcher processor and catcher vessel sector allocations in the GOA Pacific cod fisheries. Those options are included in Component 2 of the sector allocation motion:

Option: Restrict vessels from participating in the GOA Pacific cod fishery using more than one operation type.

Suboption 1: Restrict CP licenses to the operation type on their license (licenses with a catcher processor designation could only fish off the catcher processor sector allocation).

Suboption 2: Add a CV/CP Pacific cod endorsement to both trawl and non-trawl CP licenses that have operated as catcher vessels during the qualifying period. These CP/CV licenses will elect to participate as either a CP or CV in the GOA Pacific cod fishery either:

(i) annually
(ii) as a permanent, one-time election

Finally, it is important to note that the State of Alaska does not legally recognize the distinction between Federal allocations to catcher vessels and catcher processors using the same gear type to harvest fish in the same management area. For example, the BSAI Pacific cod fishery is allocated by gear type and processing sector. The State recognizes allocations by gear type, but does not recognize the separate pot and hook-and-line CP and CV allocations.[14] If the directed fishery for one of the pot or hook-and-line sectors is open in Federal waters, any vessel using that gear type and meeting any applicable vessel length restrictions is eligible to participate in the parallel waters fishery. In 2008, pot catcher processors continued to fish in the Aleutian Islands parallel waters fishery even after the Amendment 85 pot CP allocation had been fully harvested, because the adjacent Federal waters fishery was still open to pot catcher vessels. In the same way, catcher vessels may fish in the parallel waters fishery even if it is only open to catcher processors in adjacent Federal waters.

The Council is currently considering two options to address these parallel waters issues in the GOA Pacific cod sector allocations motion. Those options are in Component 10 of the sector allocation motion. Option 2 is essentially the same approach that the Council is currently considering for the BSAI Pacific cod fixed gear parallel waters fishery, but also includes vessels using trawl gear:

Option 1. Aleutian Islands sablefish model (parallel fishery catch cap)

Option 2. Limiting access to the parallel zone for Federal fishery participants
Require any pot and longline vessel with an LLP or an FFP to have a Pacific cod endorsement and the appropriate area endorsement to participate in the Western GOA or Central GOA Pacific cod parallel water fishery. Require any trawl vessel with an LLP or an FFP to have the appropriate gear and area endorsement to participate in the Western GOA or Central GOA Pacific cod parallel water fishery.

i. Suboption: In addition, require the above Federally licensed vessels that fish in the parallel waters to adhere to Federal seasonal closures of the Western/Central GOA corresponding to the sector in which the vessel operates.

[14] State v. Grunert, 139 P.2d 1226 (Alaska 2006); Grunert v. State, 109 P.2d 924 (Alaska 2005). In the 2005 case, the Alaska Supreme Court ruled that the Board of Fisheries could not allocate within a single fishery. 109 P.2d at 931-32. In the 2006 case, the Court held that 'fisheries' could only be distinguished by differences in the gear that is actually used to harvest the fish. 139 P.2d at 1235-39.

ii. Suboption: In the Western/Central GOA, vessels can only surrender and/or reactivate their FFP:
    a. Once per calendar year
    b. Once every eighteen months
    c. Once every two years

iii. Suboption: FFP cannot be surrendered during the 3 year term of the permit.

The Council and NOAA fisheries have broad authority over vessels that hold Federal permits and licenses. Vessels that hold Federal fisheries permits or LLP licenses may be subject to Federal groundfish regulations, even while fishing in State waters adjacent to the GOA or BSAI. For example, vessels that hold FFPs are subject to Federal recordkeeping and reporting, observer, and VMS requirements while fishing in Federal, parallel, or State waters fisheries. In 2006, sideboards were implemented that limit harvests of GOA Pacific cod by vessels that received initial allocations of *C. opilio* crab quota. The sideboard regulations were written such that vessels cannot circumvent sideboard closures by fishing in parallel waters fisheries. Vessels that hold *either* an FFP or an LLP are subject to the sideboards while participating in any groundfish fishery in the parallel waters fisheries in the GOA (680.22). The Council is currently considering options to extend the LLP and Pacific cod endorsement requirement to the BSAI Pacific cod parallel waters fishery for CPs only, and to require CPs to surrender Federal permits and licenses if they choose to fish in the BSAI Pacific cod parallel waters fishery. The Council is scheduled to take final action on the proposed regulatory amendment in June 2009.

3.4.6 Harvest cooperative formation

Long term allocations of the Western and Central GOA Pacific cod TACs to the sectors and provisions that limit entry to the directed Pacific cod fisheries may provide opportunities for the formation of harvest cooperatives. Individual sectors may be more likely to form cooperatives if all eligible participants are easily identified through a restrictive license limitation program, and if separate allocations are made to each sector. Pacific cod endorsements on fixed gear licenses would limit entry to the directed Pacific cod fisheries in Federal waters, but would not restrict vessels without LLP licenses, or without Pacific cod endorsements on licenses, from participating in the directed Pacific cod fisheries in the parallel waters fisheries. NOAA Fisheries does not currently have a mechanism to allocate catch history to cooperatives in the GOA Pacific cod fisheries. All vessel owners within a sector would need to voluntarily join a cooperative and abide by its bylaws, or additional regulations would need to be implemented to provide NOAA fisheries with the necessary authority to allocate Pacific cod to individual cooperatives.

In the GOA Pacific cod fisheries, the hook-and-line catcher processor sector may be the sector that is most likely to form a harvest cooperative. Most of the freezer longliner fleet fishes for Pacific cod in the BSAI, then moves into the GOA after the BSAI Pacific cod seasons close. In 2005, the BSAI freezer longliner fleet did not fish in the GOA during the B season, because NMFS inseason management was concerned that there was not sufficient halibut PSC to support this fleet. As a result, in 2006, 2007, and 2008 the freezer longliners set up an informal 'PSC co-op' with NMFS inseason management during the B season. Under this arrangement, the third seasonal apportionment of halibut PSC was informally divided between catcher processors and catcher vessels. The freezer longliners then further divided the catcher processor PSC among vessels fishing the B season. This informal cooperation in sharing PSC suggests that this sector has the potential to establish a formal harvest cooperative.

The freezer longliner fleet is relatively small, and the proposed action could potentially limit the number of participants in this sector by adding gear-specific Pacific cod endorsements to fixed gear licenses. There are currently 53 fixed gear catcher processor licenses with Central and/or Western GOA area

endorsements; 49 of these licenses have Central GOA endorsements and 31 licenses have Western GOA endorsements. A total of 16 to 22 Western GOA licenses and 10 to 18 Central GOA licenses have at least one hook-and-line landing in the directed Pacific cod fisheries during the different qualifying periods, and could potentially qualify for Pacific cod hook-and-line catcher processor endorsements. If the landings or catch thresholds are set higher, even fewer licenses would qualify for Pacific cod endorsements. If Pacific cod sector allocations are established, total catch by hook-and-line catcher processors would be capped by the allocations. If vessels in this sector form a harvest cooperative subsequent to the implementation of sector allocations, this sector could potentially take advantage of increased production efficiencies of fishing cooperatively, but would not be able to increase the sector's overall harvest shares of the Western and Central GOA TACs. However, if vessels fish the catcher processor allocations cooperatively, some vessels in this fleet could opportunistically act as catcher vessels and fish off the hook-and-line catcher vessel allocations. Again, if the Council perceives this to be a potential problem, NOAA fisheries could account for catch based on the operation type on a license's Pacific cod endorsement, rather than based the vessel's activity.

3.4.7 Interactions with other recent or proposed actions

A number of past actions have limited effort by individual vessels or sectors in the BSAI and GOA groundfish and crab fisheries. The halibut and sablefish IFQ program, BSAI crab rationalization program, Amendment 67 (BSAI Pacific cod fixed gear endorsements), and Amendments 64 and 85 (BSAI Pacific cod sector allocations) limit entry to some fisheries and sectors. For example, the halibut and sablefish IFQ program and BSAI crab rationalization program provide exclusive allocations to fixed gear vessels and limit entry by holders of latent licenses excluded from those programs. In effect, these programs foreclose certain fisheries to new entry. Holders of latent licenses who wish to reenter the fisheries have access to fewer fisheries.

Rationalization programs may expose participants in remaining open access fisheries to increased effort by these displaced participants. In addition, such programs can result in increased effort in open access fisheries by recipients of exclusive allocations. Sideboards are often imposed on participants in rationalized programs to prevent these spillover effects. For example, in developing the BSAI crab rationalization program, the Council imposed sideboards on the GOA fisheries. Pot vessels generally participate in only the crab and Pacific cod fisheries. As a result, the only perceived increase in opportunity arising from the crab rationalization program was thought to be in the Pacific cod fisheries in the GOA that are prosecuted in January, when the Bering Sea *C. opilio* fishery is typically prosecuted. Only recipients of initial allocations[15] in the Bering Sea *C. opilio* fishery are subject to the sideboards. There are 82 sideboarded vessels and 37 sideboarded groundfish licenses. The sideboards limit these vessels and licenses to their historic share of retained catch of GOA Pacific cod and other GOA groundfish during 1996-2000, excluding catch of fixed gear sablefish. Vessels that have limited history in the GOA groundfish fisheries – less than 50 mt of catch during 1996 to 2000 – are prohibited from directed fishing for Pacific cod in the GOA. Vessels that landed less than 100,000 pounds of Bering Sea *C. opilio* and more than 500 mt of Pacific cod in the GOA from 1996 to 2000 are exempt from the sideboards. No sideboards were specified under the halibut and sablefish IFQ program, as the potential for spillover effects from these fisheries was considered to be limited.

The proposed GOA Pacific cod sector allocations would limit effort by each sector in the fisheries by capping the percentage of the Western and Central GOA TACs available to each sector. Increased effort in one sector, via the re-entry of latent effort into the fisheries, would reduce catch (and revenues) for

[15] Since allocations in the program are based on catch history associated with a license, the sideboard is constructed to limit catch using the license. This is done by sideboarding any vessel the catch of which led to a share allocation and any vessel named on the license that arose from the catch history of the vessel that led to that allocation.

other participants in that sector. The adverse impacts of the entry of latent effort are often exacerbated for sectors with substantial latent capacity. For example, the majority of fixed gear catcher vessel licenses with Western or Central GOA endorsements do not have any recent (2000-2006 or 2000-2008) landings in the directed Pacific cod fisheries in the GOA. Re-entry of these licenses into the fisheries has the potential to intensify competition for the TACs. If Pacific cod sector allocations are accompanied by provisions that limit entry into the directed Pacific cod fisheries, for example by adding Pacific cod endorsements to fixed gear licenses, the fixed gear sectors would be protected from potential re-entry of latent fixed gear licenses into the directed Pacific cod fisheries. However, new provisions that limit access to the GOA Pacific cod fisheries would also reduce the number of open access fisheries. The remaining open access fisheries would be even more vulnerable to increased competition as displaced participants enter these fisheries.

3.4.8 Net benefits to the Nation

Overall, this action is likely to have a limited effect on net benefits realized by the Nation. Under the status quo (Alternative 1), all existing fixed gear licenses would continue to have access to the directed Pacific cod fisheries in Federal waters of the GOA. Licenses not currently active in the fisheries would have the potential to enter the Pacific cod fisheries at some future time, increasing overall effort in the fisheries. This increase in effort could contribute to losses of production efficiency. Costs could rise slightly if participants perceive a need to increase effort to secure their historic catch shares. The increase in effort could contribute to more aggressive fishing and processing practices, both of which contribute to lower quality and less value added production. The extent of these potential effects is very difficult to predict and depends on several factors, including future TAC levels, market conditions, and operating costs.

Under the proposed action (Alternative 2), Pacific cod endorsements would be added to fixed gear groundfish licenses that have recent catch history in the Western or Central GOA directed Pacific cod fisheries. As a result, licenses that do not receive a Pacific cod endorsement would not be eligible to enter the Western or Central GOA Pacific cod fisheries in the future, removing the potential for an influx of effort into the fisheries. Preventing these licenses from entering the Pacific cod fisheries in the future could contribute to production efficiency if a substantial increase in effort by latent licenses were to occur in the absence of this action. Limiting effort in the fisheries could contribute to slowing down the fisheries, although if TACs continue to decline and market conditions for Pacific cod continue to improve, the pace of the fisheries is unlikely to slow down.

Minor changes in consumer surplus could accompany any change in production outputs. Specifically, changes in product outputs and quality could have effects on consumers. The difference in consumer surplus across the alternatives is likely to be quite small. The status quo, which would maintain the existing number of licenses eligible to enter the Pacific cod fisheries, would have the lowest consumer surplus, as it would not change the conditions for entry into the fisheries. In addition, the change in U.S. consumer surplus is likely to be diluted, since much of the production from these fisheries is exported for overseas secondary processing and consumption. As a result, some portion of any consumer surplus benefit resulting from the proposed action is unlikely to be realized as a U.S. benefit.

Implementation of the action alternative would require NOAA fisheries to process and adjudicate the qualifying and non-qualifying licenses. The license limitation file administered by NOAA fisheries will need to be updated to reflect the changes to existing licenses. Also, NOAA fisheries will need to update and make changes to databases used to store license information in order to track Pacific cod endorsements that have non-transferable status. These costs would not be incurred under the no action alternative. The addition of gear-specific Pacific cod endorsements to fixed gear licenses will introduce new administrative costs for NOAA fisheries, and possibly create new enforcement costs.

The main economic benefit from the proposed action is that it will prevent the future entry of latent fixed gear LLP licenses into the Western and Central GOA directed Pacific cod fisheries, and will primarily benefit LLP license owners who are economically dependent on the GOA Pacific cod fisheries. The action may have modest distributional effects among persons eligible to enter licenses into the directed Pacific cod fisheries that are subject to the LLP.

4.0 INITIAL REGULATORY FLEXIBILITY ANALYSIS (IRFA)

4.1 Introduction

The Regulatory Flexibility Act (RFA), first enacted in 1980, and codified at 5 U.S.C. 600-611, was designed to place the burden on the government to review all regulations to ensure that, while accomplishing their intended purposes, they do not unduly inhibit the ability of small entities to compete. The RFA recognizes that the size of a business, unit of government, or nonprofit organization frequently has a bearing on its ability to comply with a Federal regulation. Major goals of the RFA are: 1) to increase agency awareness and understanding of the impact of their regulations on small business; 2) to require that agencies communicate and explain their findings to the public; and 3) to encourage agencies to use flexibility and to provide regulatory relief to small entities.

The RFA emphasizes predicting significant adverse impacts on small entities as a group distinct from other entities and on the consideration of alternatives that may minimize the impacts, while still achieving the Stated objective of the action. When an agency publishes a proposed rule, it must either, (1)"certify" that the action will not have a significant adverse effect on a substantial number of small entities, and support such a certification declaration with a "factual basis", demonstrating this outcome, or, (2) if such a certification cannot be supported by a factual basis, prepare and make available for public review an Initial Regulatory Flexibility Analysis (IRFA) that describes the impact of the proposed rule on small entities.

Based upon a preliminary evaluation of the proposed program alternatives, it appears that "certification" would not be appropriate. Therefore, this IRFA has been prepared. Analytical requirements for the IRFA are described below in more detail.

The IRFA must contain:

1. A description of the reasons why action by the agency is being considered;
2. A succinct Statement of the objectives of, and the legal basis for, the proposed rule;
3. A description of, and where feasible, an estimate of the number of small entities to which the proposed rule will apply (including a profile of the industry divided into industry segments, if appropriate);
4. A description of the projected reporting, record keeping, and other compliance requirements of the proposed rule, including an estimate of the classes of small entities that will be subject to the requirement and the type of professional skills necessary for preparation of the report or record;
5. An identification, to the extent practicable, of all relevant Federal rules that may duplicate, overlap, or conflict with the proposed rule;
6. A description of any significant alternatives to the proposed rule that accomplish the Stated objectives of the Magnuson-Stevens Act and any other applicable statutes, and that would minimize any significant adverse economic impact of the proposed rule on small entities. Consistent with the Stated objectives of applicable statutes, the analysis shall discuss significant alternatives, such as:

a. The establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities;
b. The clarification, consolidation or simplification of compliance and reporting requirements under the rule for such small entities;
c. The use of performance rather than design standards;
d. An exemption from coverage of the rule, or any part thereof, for such small entities.

The "universe" of entities to be considered in an IRFA generally includes only those small entities that can reasonably be expected to be directly regulated by the proposed action. If the effects of the rule fall primarily on a distinct segment of the industry, or portion thereof (e.g., user group, gear type, geographic area), that segment would be considered the universe for purposes of this analysis.

In preparing an IRFA, an agency may provide either a quantifiable or numerical description of the effects of a proposed rule (and alternatives to the proposed rule), or more general descriptive Statements if quantification is not practicable or reliable.

4.2 Definition of a Small Entity

The RFA recognizes and defines three kinds of small entities: 1) small businesses; 2) small non-profit organizations; and 3) and small government jurisdictions.

Small businesses: Section 601(3) of the RFA defines a "small business" as having the same meaning as a "small business concern," which is defined under Section 3 of the Small Business Act. A "small business" or "small business concern" includes any firm that is independently owned and operated and not dominate in its field of operation. The U.S. Small Business Administration (SBA) has further defined a "small business concern" as one "organized for profit, with a place of business located in the United States, and which operates primarily within the United States, or which makes a significant contribution to the U.S. economy through payment of taxes or use of American products, materials, or labor. A small business concern may be in the legal form of an individual proprietorship, partnership, limited liability company, corporation, joint venture, association, trust, or cooperative, except that where the form is a joint venture there can be no more than 49% participation by foreign business entities in the joint venture."

The SBA has established size criteria for all major industry sectors in the U.S., including fish harvesting and fish processing businesses. A business "involved in fish harvesting" is a small business if it is independently owned and operated and not dominant in its field of operation (including its affiliates), and if it has combined annual receipts not in excess of $4.0 million for all its affiliated operations worldwide. A seafood processor is a small business if it is independently owned and operated, not dominant in its field of operation (including its affiliates) and employs 500 or fewer persons, on a full-time, part-time, temporary, or other basis, at all its affiliated operations worldwide. A business involved in both the harvesting and processing of seafood products is a small business if it meets the $4.0 million criterion for fish harvesting operations. A wholesale business servicing the fishing industry is a small business if it employs 100 or fewer persons on a full-time, part-time, temporary, or other basis, at all its affiliated operations worldwide.

The SBA has established "principles of affiliation" to determine whether a business concern is "independently owned and operated." In general, business concerns are affiliates of each other when one concern controls or has the power to control the other or a third party controls or has the power to control both. The SBA considers factors such as ownership, management, previous relationships with or ties to another concern, and contractual relationships, in determining whether affiliation exists. Individuals or

firms that have identical or substantially identical business or economic interests, such as family members, persons with common investments, or firms that are economically dependent through contractual or other relationships, are treated as one party, with such interests aggregated when measuring the size of the concern in question. The SBA counts the receipts or employees of the concern whose size is at issue and those of all its domestic and foreign affiliates, regardless of whether the affiliates are organized for profit, in determining the concern's size. However, business concerns owned and controlled by Indian Tribes, Alaska Regional or Village Corporations organized pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. 1601), Native Hawaiian Organizations, or Community Development Corporations authorized by 42 U.S.C. 9805 are not considered affiliates of such entities, or with other concerns owned by these entities, solely because of their common ownership.

Affiliation may be based on stock ownership when: (1) A person is an affiliate of a concern if the person owns or controls, or has the power to control 50% or more of its voting stock, or a block of stock which affords control because it is large compared to other outstanding blocks of stock, or (2) If two or more persons each owns, controls or have the power to control less than 50% of the voting stock of a concern, with minority holdings that are equal or approximately equal in size, but the aggregate of these minority holdings is large as compared with any other stock holding, each such person is presumed to be an affiliate of the concern.

Affiliation may be based on common management or joint venture arrangements. Affiliation arises where one or more officers, directors, or general partners control the board of directors and/or the management of another concern. Parties to a joint venture also may be affiliates. A contractor and subcontractor are treated as joint venturers if the ostensible subcontractor will perform primary and vital requirements of a contract or if the prime contractor is unusually reliant upon the ostensible subcontractor. All requirements of the contract are considered in reviewing such relationship, including contract management, technical responsibilities, and the percentage of subcontracted work.

Small organizations: The RFA defines "small organizations" as any nonprofit enterprise that is independently owned and operated and is not dominant in its field.

Small governmental jurisdictions: The RFA defines small governmental jurisdictions as governments of cities, counties, towns, townships, villages, school districts, or special districts with populations of fewer than 50,000.

4.3 Reason for considering the proposed action

The Council developed a purpose and need statement defining the reasons for considering the proposed action (see Chapter 1). The Western and Central GOA Pacific cod fisheries subject to the Limited License Program are currently managed as a limited access race for fish. There are substantial numbers of latent fixed gear licenses with Western and Central GOA endorsements. Participants who have made significant long-term investments, have extensive catch histories, and are highly dependent on the GOA Pacific cod fisheries subject to the LLP need protection from the re-entry of latent effort into the fisheries. Adding Pacific cod endorsements to licenses in order to limit access to the directed Pacific cod fisheries in the GOA would prevent new entrants into the fisheries from impinging on historic levels of catch by recent participants in the fisheries.

4.4 Objectives of, and the legal basis for, the proposed action

The objective of the proposed action is to add Pacific cod endorsements to fixed gear licenses with recent catch history in order to limit entry to the Western and Central GOA Pacific cod fisheries to those

participants with recent catch history. The problem statement notes that many fixed gear vessel owners have made significant investments, have long catch histories, and are dependent on WGOA and CGOA Pacific cod resources. The proposed amendment may increase stability in the GOA fixed gear fisheries.

The legal basis for this action is the Magnuson-Stevens Fishery Conservation and Management Act (MSA). One of the stated purposes of the MSA is to promote domestic commercial fishing under sound conservation and management principles and to achieve and maintain the optimum yield from each fishery.

4.5 Number and description of affected small entities

The proposed action directly regulates persons who hold fixed gear groundfish LLP licenses with Western or Central GOA area endorsements. Licenses without recent participation in the Western or Central GOA Pacific cod fisheries will no longer be eligible to participate in the directed Pacific cod fisheries in Federal waters of the GOA. There are 972 fixed gear catcher vessels licenses subject to the proposed action; 883 of these licenses have Central GOA endorsements and 264 licenses have Western GOA endorsements (175 licenses have both area endorsements). The contact licensee information on each license was used to determine ownership affiliation. Based on this information, there are 909 entities that own these catcher vessel licenses, and 20 of these are large entities based on 2007 gross revenues. There are 53 fixed gear catcher processor licenses subject to the proposed action, including 49 licenses with Central GOA endorsements and 31 licenses with Western GOA endorsements (27 licenses have both area endorsements). These licenses are owned by 47 entities, 28 of which are large entities based on 2007 first wholesale revenues. In sum, the proposed action would directly impact 889 small entities that own fixed gear catcher vessel licenses with Western and/or Central GOA area endorsements, and 19 small entities that own fixed gear catcher processor licenses with Western and/or Central GOA area endorsements. It is likely that additional licenses are affiliated through partnerships with other entities, and would be considered large entities for the purpose of this action, but in the absence of complete ownership information, these affiliations cannot be determined.

4.6 Recordkeeping and reporting

Implementation of the proposed action to add Pacific cod endorsements to licenses would not change the overall reporting structure and record keeping requirements for vessels in the GOA groundfish fisheries. Currently, NOAA fisheries does not require vessel owners to report the LLP license used while participating in the groundfish fisheries subject to the LLP. This action would not add any new reporting requirements for vessels.

4.7 Relevant Federal rules that may duplicate, overlap, or conflict with the proposed action

There do not appear to be any Federal rules that duplicate, overlap, or conflict with the proposed action.

4.8 Description of significant alternatives to the proposed action

The Council is currently considering two alternatives for this action. Under **Alternative 1**, no Pacific cod endorsements would be added to Western or Central GOA fixed gear LLP licenses. Under **Alternative 2**, fixed gear LLP licenses with Western and Central GOA endorsements that meet minimum catch thresholds would receive a Pacific cod endorsement. The proposed action could potentially apply different catch thresholds to licenses, depending on the operation type or size of the vessel. Options to

exclude jig vessels from the LLP requirement or from the Pacific cod endorsement requirement would be advantageous to jig vessels, which are among the smallest entities participating in the fisheries.

5.0 CONSISTENCY WITH OTHER APPLICABLE LAWS

5.1 Consistency with National Standards

Below are the ten National Standards in the Magnuson-Stevens Act (Act), and a brief discussion of the consistency of the proposed alternatives with those National Standards.

National Standard 1 – Conservation and management measures shall prevent overfishing while achieving, on a continuing basis, the optimum yield from each fishery.

In terms of achieving 'optimum yield' from the fishery, the Act defines 'optimum', with respect to yield from the fishery, as the amount of fish which:

(A) Will provide the greatest overall benefit to the Nation, particularly with respect to food production and recreational opportunities, and taking into account the protection of marine ecosystems;
(B) Is prescribed as such on the basis of the maximum sustainable yield from the fishery, as reduced by any relevant economic, social, or ecological factor; and,
(C) In the case of an overfished fishery, provides for rebuilding to a level consistent with producing the maximum sustainable yield in such fishery.

The GOA groundfish fisheries will continue to be managed under the current harvest specifications process. Groundfish stocks in the GOA are not currently in danger of being overfished and are considered stable. Overall levels of groundfish catch by the fixed gear sectors in the GOA are not likely to be affected by the proposed action. The proposed action would add Pacific cod endorsements to fixed gear licenses with Western or Central GOA endorsements if the licenses have landings during recent years. Recent participants in the fisheries would continue to have access to the directed Pacific cod fisheries subject to the LLP. The distribution of catch among sectors or participants and the overall net benefits to the Nation are not expected to change to an identifiable degree.

National Standard 2 – Conservation and management measures shall be based upon the best scientific information available.

This analysis is based on the most current, comprehensive data available, recognizing that some information (such as operation costs) is unavailable.

National Standard 3- To the extent practicable, an individual stock of fish shall be managed as a unit throughout its range, and interrelated stocks of fish shall be managed as a unit or in close coordination.

The Western and Central GOA groundfish TACs are established on an annual basis during the harvest specifications process. NOAA fisheries conducts annual GOA stock assessments for the groundfish species and makes acceptable biological catch recommendations to the Council. The Council sets the groundfish TACs based on the most recent stock assessment and survey information. Separate quotas for each groundfish species in the GOA would continue to be monitored inseason by NMFS.

National Standard 4 – Conservation and management measures shall not discriminate between residents of different states. If it becomes necessary to allocate or assign fishing privileges among various U.S. fishermen, such allocation shall be (A) fair and equitable to all such fishermen, (B) reasonably calculated to promote conservation, and (C) carried out in such a manner that no particular individual, corporation, or other entity acquires an excessive share of such privileges.
Residency within a specific state is not a criterion for receiving a Pacific cod endorsement. Licenses which meet minimum landings thresholds will remain eligible to participate in the Western and Central GOA Pacific cod fisheries, and exceptions to these eligibility standards will not be made for individual persons or entities based on residency in a specific state.

National Standard 5 – Conservation and management measures shall, where practicable, consider efficiency in the utilization of fishery resources, except that no such measure shall have economic allocation as its sole purpose.

The wording of this standard was changed in the 1996 Magnuson-Stevens Act authorization, to 'consider' rather than 'promote' efficiency. Efficiency in this context refers to economic efficiency, and the reason for the change is to de-emphasize the importance of economics relative to other considerations (Senate Report of the Committee on Commerce, Science, and Transportation on S. 39, the Sustainable Fisheries Act, 1996). The analysis presents information on economic considerations, but does not emphasize this standard over other considerations.

National Standard 6 – Conservation and management measures shall take into account and allow for variations among, and contingencies in, fisheries, fishery resources, and catches.

Adding Pacific cod endorsements to groundfish licenses in order to limit access to the directed Pacific cod fisheries in the Western and Central GOA is unlikely to reduce the ability of recent participants to increase effort in response to changes in fishing and market conditions. Overall harvest levels by the fixed gear sectors would not be constrained by the proposed action. In the event of lower Pacific cod quotas in the BSAI or changes in other fisheries, this action would protect the relative harvest levels of those license holders that have recently participated in the fisheries and are dependent on the GOA Pacific cod resource. In addition, provisions to exclude the jig sector from the Pacific cod endorsement requirement may increase future opportunities for participation and total catch by this sector.

National Standard 7 – Conservation and management measures shall, where practicable, minimize costs and avoid unnecessary duplication.

The alternatives under consideration appear to be consistent with this standard.

National Standard 8 – Conservation and management measures shall, consistent with the conservation requirements of this Act (including the prevention of overfishing and rebuilding of overfished stocks), take into account the importance of fishery resources to fishing communities in order to (A) provide for the sustained participation of such communities, and (B) to the extent practicable, minimize adverse economic impacts on such communities.

The RIR presents information on the impact of the proposed action on licenses held by residents of Alaska and other states, and provides detailed information on the number of qualifying licenses from Alaska communities. This action does not appear to have a disproportionate effect on residents of a particular state or on specific fishing communities. The RIR discusses the number of licenses held by residents of coastal fishing communities, including Community Quota Entity (CQE) communities that could qualify to for a Pacific cod endorsement. The analysis also discusses the relative importance of the Pacific cod fishery in comparison to other commercial fisheries to these communities.

In Component 7, the Council has the option to exempt licenses held by residents of CQE communities from the catch thresholds proposed by the action. These licenses would receive a Pacific cod endorsement even if they do not have recent landings in the fishery. The intent of this exemption is to help minimize any adverse economic impacts of this action on these small, remote communities, and to ensure that community residents who currently hold licenses continue to have access to the Pacific cod fishery.

Major ports in Alaska that process groundfish catch from the Western and Central GOA include Kodiak, Sand Point, King Cove, Homer, and Dutch Harbor, and the proposed action would not directly impact communities with processing facilities. Additionally, the greater Seattle, Washington metropolitan area is home to many catcher and catcher processor vessels operating in the fixed gear fisheries, as well as cold storage, transshipping, and secondary processing facilities. Information on these communities is available in the Steller Sea Lion SEIS (NMFS 2001b), the Draft Programmatic SEIS (NMFS 2001a), and the crab rationalization EIS (NPFMC 2004). Detailed information on Kodiak, Akutan, Dutch Harbor, and King Cove is available in the Comprehensive Baseline Commercial Fishing Community Profiles Final Report (EDAW 2005).

National Standard 9 – Conservation and management measures shall, to the extent practicable, (A) minimize bycatch, and (B) to the extent bycatch cannot be avoided, minimize the mortality of such bycatch.

The EA (Chapter 2) presents information on bycatch of prohibited species by the fixed gear sectors in the GOA Pacific cod fishery. This action, in combination with the proposed Pacific cod sector allocations, is not expected to change the overall amount or rate of PSC by the fixed gear sectors.

National Standard 10 – Conservation and management measures shall, to the extent practicable, promote the safety of human life at sea.

This action, in combination with the proposed Pacific cod sector allocations, may reduce the race for fish by limiting entry to the fixed gear sectors.

5.2 MSA Section 303(a)(9) – Fisheries Impact Statement

The Magnuson Stevens Act requires that any management measure submitted by the Council take into account potential impacts on participants in the fisheries subject to the proposed action, as well as participants in other fisheries. The impacts of alternatives on participants in the harvesting and processing sectors are discussed in Chapter 3. The proposed action is unlikely to affect the historic distribution of catch among sectors. License holders with minimal levels of catch during recent years will continue to have access to the directed Pacific cod fisheries. As a result, this action is unlikely to have a substantial effect on the number of participants or overall level of effort in the GOA Pacific cod fishery or other GOA groundfish fisheries prosecuted by the fixed gear sectors. Pacific cod seasons will likely continue to be short, particularly during the A season, and any new participants will need to forgo participation in other fisheries. Consequently, no impacts to participants in other fisheries are anticipated.

5.3 Marine Mammal Protection Act

The Marine Mammal Protection Act (MMPA) of 1992 (16 U.S.C. 1361 *et seq.*) vests the Department of Commerce with authority to manage marine mammal populations. The Department of the Interior, USFWS, has management authority for all other marine mammal species in Alaska, including sea otter, walrus, and polar bear. The MMPA recognizes that certain species and populations of marine mammals

are or may be in danger of depletion due to human activities, and that marine mammals are resources of international significance and should be protected using best management practices.
The primary management objectives of the MMPA are to maintain the health and stability of the marine ecosystem and to maintain sustainable populations of marine mammals within the carrying capacity of the habitat. The MMPA is intended to work in concert with the provisions of the Endangered Species Act. The Secretary of Commerce is required to give full consideration to all factors regarding regulations applicable to the take of marine mammals, including the conservation, development, and utilization of marine resources, and the economic and technological feasibility of implementing the regulations. Impacts of commercial fishing activities on marine mammal populations must be analyzed in an EA or EIS, and the Council or NMFS may be requested to consider measures to mitigate adverse impacts. Under the proposed action, no changes in the temporal or spatial distribution of harvests or overall level of fishing effort are anticipated. Consequently, no additional impacts to marine mammal populations are expected to result from the proposed action.

5.4 Coastal Zone Management Act

Implementation of either of the alternatives would be conducted in a manner consistent with the Alaska Coastal Management Program and Section 30(c)(1) of the Coastal Zone Management Act of 1972 and its implementing regulations.

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APPENDIX A. COMMUNITIES

Table A-1. Number of vessels using fixed gear participating in the Western GOA, Central GOA, and West Yakutat Pacific cod fisheries, gross revenues, and percent of total gross revenues from all Alaska fisheries comprised by GOA Pacific cod during 1995-2000 and 2001-2006, reported by vessel owner residency.

			1995-2000				2001-2006			
Community	CQE	Fishery	Num vessels	Total revenues	Catch (mt)	Percent of total revenues	Num vessels	Total revenues	Catch (mt)	Percent of total revenues
Anchor Point		Fed/parallel	24	1,681,284	2,716	12.3%	13	972,385	1,365	5.3%
Anchor Point		Fed/parallel/State	26	1,830,766	2,913	13.4%	14	1,241,131	1,704	6.8%
Chenega Bay	Y	Fed/parallel	1	*	*	*	0	0	0	0.0%
Chenega Bay	Y	Fed/parallel/State	1	*	*	*	0	0	0	0.0%
Chignik	Y	Fed/parallel	1	*	*	*	2	*	*	*
Chignik	Y	Fed/parallel/State	6	515,449	977	6.3%	8	1,194,015	1,936	17.2%
Chig. Lagoon	Y	Fed/parallel	3	*	*	*	2	*	*	*
Chig. Lagoon	Y	Fed/parallel/State	16	2,149,698	4,130	8.1%	15	4,230,835	7,479	22.4%
Chignik Lake	Y	Fed/parallel/State	2	*	*	*	0	0	0	0
Cordova		Fed/parallel	32	1,649,114	2,836	1.3%	6	52,365	81	0.0%
Cordova		Fed/parallel/State	34	1,671,046	2,867	1.3%	7	177,406	262	0.1%
Delta Junction		Fed/parallel	9	1,767,803	2,832	31.7%	7	1,957,306	2,649	27.1%
Delta Junction		Fed/parallel/State	9	1,781,583	2,851	31.9%	7	1,963,466	2,656	27.2%
Dutch Harbor		Fed/parallel	7	380,448	564	1.8%	6	110,093	177	1.1%
Dutch Harbor		Fed/parallel/State	10	487,991	786	2.3%	8	196,914	344	1.9%
False Pass		Fed/parallel	1	*	*	*	6	818,891	1,434	20.7%
False Pass		Fed/parallel/State	2	*	*	*	7	1,399,191	2,390	35.3%
Homer		Fed/parallel	111	7,846,627	12,476	4.2%	76	10,216,567	14,067	5.0%
Homer		Fed/parallel/State	130	8,922,949	13,987	4.8%	95	12,518,216	17,257	6.1%
Kenai		Fed/parallel	11	67,288	108	0.3%	2	*	*	*
Kenai		Fed/parallel/State	17	258,502	395	1.1%	7	58,733	99	0.3%
King Cove	Y	Fed/parallel	25	2,045,841	4,573	5.6%	20	3,805,941	6,658	13.0%
King Cove	Y	Fed/parallel/State	28	4,893,548	10,391	13.4%	26	9,094,674	15,683	31.2%
Kodiak		Fed/parallel	162	27,486,080	47,145	6.2%	150	25,249,675	36,002	5.3%
Kodiak		Fed/parallel/State	255	34,588,046	58,785	7.8%	240	38,817,734	56,256	8.1%
Larsen Bay	Y	Fed/parallel	4	116,288	208	6.3%	4	33,879	49	3.7%
Larsen Bay	Y	Fed/parallel/State	4	121,341	216	6.5%	6	137,070	194	15.2%
Nikolaevsk		Fed/parallel	11	533,757	763	6.8%	6	678,863	946	7.7%
Nikolaevsk		Fed/parallel/State	11	533,757	763	6.8%	6	678,863	946	7.7%
Old Harbor	Y	Fed/parallel	15	1,529,369	2,690	14.2%	8	752,900	1,045	9.1%
Old Harbor	Y	Fed/parallel/State	17	1,800,276	3,100	16.7%	9	1,198,157	1,688	14.4%
Ouzinkie	Y	Fed/parallel	6	168,034	302	6.1%	0	0	0	0.0%
Ouzinkie	Y	Fed/parallel/State	7	218,664	392	8.0%	6	58,524	84	1.9%
Palmer		Fed/parallel	5	277,233	430	1.8%	2	*	*	*
Palmer		Fed/parallel/State	7	498,363	804	3.2%	4	663,121	1,199	7.1%
Perryville	Y	Fed/parallel/State	5	83,867	129	1.6%	4	212,587	411	5.8%
Petersburg		Fed/parallel	2	*	*	*	4	96,696	120	0.0%
Petersburg		Fed/parallel/State	4	241,297	366	0.1%	7	580,784	930	0.2%
Port Lions	Y	Fed/parallel	5	29,271	56	0.8%	3	*	*	*
Port Lions	Y	Fed/parallel/State	6	75,068	111	2.0%	4	107,725	154	2.5%
Sand Point	Y	Fed/parallel	29	846,079	1,722	1.2%	44	3,581,618	6,350	5.8%
Sand Point	Y	Fed/parallel/State	69	3,761,617	7,455	5.1%	63	9,155,375	16,403	14.8%
Seldovia	Y	Fed/parallel	7	3,252,133	5,558	17.6%	3	*	*	*
Seldovia	Y	Fed/parallel/State	11	3,395,819	5,737	18.3%	5	1,436,581	1,949	10.1%
Seward		Fed/parallel	16	833,744	1,382	2.8%	8	97,388	140	0.3%
Seward		Fed/parallel/State	19	911,257	1,481	3.0%	9	240,982	349	0.6%
Sitka		Fed/parallel	11	939,677	1,659	0.6%	4	61,907	103	0.0%
Sitka		Fed/parallel/State	12	1,259,622	2,226	0.8%	9	235,911	348	0.1%
Tatitlek	Y	Fed/parallel	2	*	*	*	0	0	0	0.0%
Tatitlek	Y	Fed/parallel/State	2	*	*	*	0	0	0	0.0%
Unalaska		Fed/parallel	5	39,928	68	0.5%	4	341,777	422	4.0%
Unalaska		Fed/parallel/State	7	40,436	69	0.5%	4	341,777	422	4.0%
Wasilla		Fed/parallel	10	473,429	874	2.3%	9	463,560	760	2.4%
Wasilla		Fed/parallel/State	17	620,583	1,172	3.1%	11	865,876	1,417	4.5%
Willow		Fed/parallel	8	1,253,182	1,747	27.0%	6	1,655,327	2,327	28.3%
Willow		Fed/parallel/State	8	1,301,589	1,822	28.1%	7	1,691,034	2,380	28.9%

Source: ADFG Fish Tickets and CFEC gross revenues data. [1] Fed/parallel includes fixed gear catch in the Federal and parallel waters fisheries in West Yakutat, Central GOA, and Western GOA. Fed/parallel/State includes fixed gear catch in the Federal, parallel waters, and State waters Pacific cod fisheries in West Yakutat, Central GOA, and Western GOA management areas.

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Table A-2. Participation, total revenues, and annual revenues per license during 2000-2006 by fixed gear CV licenses held by residents of CQE communities that have at least 1 directed Pacific cod landing during 2000-2006 and with no GOA directed Pacific cod landings during 2000-2006.

	Western Gulf licenses with at least one Western Gulf directed Pacific cod landing during 2000-2006 (36 licenses)				Western Gulf licenses with no qualified Western Gulf directed Pacific cod landings during 2000-2006 (18 licenses)			
Fishery	Number of licenses in fishery	Percent revenues	Total revenues 2000-2006	Annual revenues per license	Number of licenses in fishery	Percent revenues	Total revenues 2000-2006	Annual revenues per license
Federal WG Pcod- Fixed Gear	**36**	**10.0%**	**$7,462,885**	**$29,615**	**0**	**0**	**$0**	**$0**
Federal CG Pcod- Fixed Gear	2	*	*	*	0	0	$0	$0
Federal GOA Groundfish- Trawl	18	19.0%	$14,159,477	$112,377	0	0	$0	$0
State GOA Pacific Cod	35	17.8%	$13,240,376	$54,042	6	4.2%	$132,242	$3,149
BSAI Fixed Gear	8	1.3%	$986,655	$17,619	1	*	*	*
BSAI Trawl	3	*	*	*	0	0.0%	$0	$0
Herring	5	0.6%	$471,231	$13,464	2	*	*	*
IFQ Halibut	21	19.2%	$14,310,389	$97,350	3	*	*	*
IFQ Sablefish	2	*	*	*	0	0.0%	$0	$0
Other	29	0.1%	$76,821	$378	1	*	*	*
Salmon	33	27.6%	$20,558,845	$88,999	12	82.6%	$2,623,042	$31,227
Shellfish	33	3.8%	$2,851,049	$12,342	1	*	*	*
All Fisheries	36	100.0%	$74,474,601	$295,534	14	100.0%	$3,175,191	$32,400
No landings in any Alaska fisheries	0	0.0%	$0	$0	4	0.0%	$0	$0

	Central Gulf licenses with at least one Central Gulf directed Pacific cod landing during 2000-2006 (19 licenses)				Central Gulf licenses with no qualified Central Gulf directed Pacific cod landings during 2000-2006 (55 licenses)			
Fishery	Number of licenses in fishery	Percent revenues	Total revenues 2000-2006	Annual revenues per license	Number of licenses in fishery	Percent revenues	Total revenues 2000-2006	Annual revenues per license
Federal CG Pcod- Fixed Gear	**19**	**8.8%**	**$2,951,398**	**$22,191**	**0**	**0.0%**	**$0**	**$0**
Federal WG Pcod- Fixed Gear	2	*	*	*	17	7.7%	$5,017,110	$42,161
Federal GOA Groundfish- Trawl	1	*	*	*	15	19.0%	$12,312,457	$117,261
State GOA Pacific Cod	13	8.6%	$2,903,842	$31,910	23	14.5%	$9,416,027	$58,485
BSAI Fixed Gear	3	*	*	*	4	1.1%	$733,683	$26,203
BSAI Trawl	1	*	*	*	2	*	*	*
Herring	5	5.0%	$1,695,125	$48,432	4	1.4%	$932,870	$33,317
IFQ Halibut	13	34.3%	$11,547,575	$126,896	28	16.4%	$10,667,454	$54,426
IFQ Sablefish	5	7.2%	$2,405,572	$68,731	2	*	*	*
Other	11	0.1%	$35,045	$455	22	0.1%	$70,518	$458
Salmon	13	20.4%	$6,845,104	$75,221	35	35.4%	$22,980,569	$93,798
Shellfish	12	9.8%	$3,286,517	$39,125	24	4.1%	$2,674,335	$15,919
All Fisheries	19	100.0%	$33,634,176	$252,889	44	100.0%	$64,925,384	$210,797
No landings in any Alaska fisheries	0	0.0%	$0	$0	11	0.0%	$0	$0

Source: ADFG Fish Tickets, CFEC gross revenues, and RAM groundfish license file, December 2008.

House Resources Committee

3-18-09

Thank you chairman members of the Commite.
My name is Ilia Kuzmin I represent K-Bay Fisheries Association.
Long time cod participant in the Gulf of Alaska Specifically in Central Gulf but, based out of Homer We have to end this race for fish due to Safety as number I priority.
We oppose House Joint Resolution # 21 as it is not produtive for the legislature to insert themselves into complex fishery management issues.
In HJR 21 there are misrepresentations and incorrect assertions, such as consolidation of vessels, reduction of participants elemination of crew jobs.
So, we ask the Commite to let the Council do it's job to complete this process of LLP Recency.
With the current final action that the Council is considering there will still be anywhere from 110 to 306 pemits that will qualify It is totally false because with the LLP recency Action that the Council will take will actually save crew jobs, protect long time local Alaska fisherman that have been dependent on P-cod fishery, protect small boat owner/operators from being pushed out of the fishery by bigger 58 Footers, that have just recently started fishing and are taking a bigger chunk of the TAC.

We do not support HJR 21 and urge you to let the Council process work as it is intended to do.

Sincerely,
Ilia Kuzmin

Ilia Kuzmin
P.O. Box 3433
Homer, Ak 99603

Alaska State Legislature

Please enter into the record my testimony to the HOUSE RESOURCES committee name

committee on HJR 21 bill/subject, dated WEDNESDAY, MAR. 18, 2009

PLEASE SEE TESTIMONY ATTACHED - 3 PAGES TO FOLLOW -

Signed: _____ SHAWN DOCHTERMANN

Testifier

SELF

Representing (Optional)

PO Box 3886 KODIAK, AK 99615

Address

907- 486- 8777

Phone No.

5121

State of Alaska - Legislature
House Resources Committee

Public Comment of Shawn Dochtermann on HJR 21 re P.Cod Endorsements

Wednesday, March 18, 2009

Chairmen Johnson & Neuman and House Resource Members,

I'm Shawn Dochtermann, a second-generation commercial fisherman from Kodiak with over 30 years of fishing experience under my knife belt. I'm here representing my interests in Gulf of Alaska fisheries, today — even though I'm frequently a public advocate for many Alaskan fishermen, their families and coastal communities.

I'm here in support of HJR 21, for many reasons.

First I'd like to review a brief history of fisheries rationalization regimes:

- Fifty years ago, we became a state, and forced fisheries processors to start sharing profits of the resources that were being extracted from our state.
- Fast forward to the early seventies, Limited Entry was introduced as state fishery law. **There was only one catch: in order to harvest the fish, the permit holder had to actually put his boots on and go down and work on the boat, go fishing, catch the fish and then deliver them for processing. It was an owner-on-board fishery**, and the crews got paid well.
- In 1995 the halibut and sablefish federal fisheries management program (FMP) was changed from open access to Individual Fish Quotas, a.k.a. IFQs, DAPs, LAPs, or 'Catch Shares'. The NPFMC gave quotas to vessel owners and the program created a superior right so they would never have to step foot on boat again if they so chose. **This is what you would call an absentee owner model.**

  For the record, approximately 15,000 halibut crewmen and skippers lost their jobs in one day. But at least when quotas are sold or the initial recipient expires from the fishery (my father will be 100 years old, I'll bet!) the IFQ has to be fished by the quota holder. That's what one would call fair – as compared to the newer privatization schemes. And the quotas were awarded only to fishermen as suppliers, not given to processors as buyers: who might dominate price setting.
- Next (BS) pollock was privatized in 1998 with the direct help of Ted Stevens and Trevor McCabe. **Now foreign owned companies that own processors and vessels are granted exclusive rights to catch and process pollock in the BS.** This greatly degraded Alaska's sovereign abilities to control its own resources.
- Lastly, in 2005 came Bering Sea Aleutian Island Crab Rationalization (CR) or CRAB RATZ. With a name like that one would know there's real "devils in the details", as over 1,000 crab crewmen were disenfranchised by Ted Stevens' Rider on a must-pass federal appropriations bill. **This gifted over 1 Billion Dollars in**

IFQ rights to about 100 individuals and corporations.

The processing rights were given to 7 major processing companies. Japanese trading companies own 40-50% of the processing rights, while Trident Seafoods has over 25% of processing and a large amount of IFQs. **All of the IFQs were given to the quota holders forever; consequently there is no program to get fishing privileges back into the hands of active fishermen.**

Crewmen in the Bering Sea are now getting paid at unfair and inequitable compensation rates due to high rent seekers taking exorbitant lease fees off the top. The average Bering Sea crabber now makes from 50-70% less than he did pre-rationalization. Now BS crab IFQ holders (who by majority live out of state) can play golf in Hawaii during the crab season — and collect a paycheck from Alaskan crab that was harvested without having to even own a boat or gear — by skimming 70% of the gross proceeds right off the top, before the boat it is fished on leaves the dock.

The next generation (myself included) is now sitting at this table and we've had enough of **fishery access removal** by the factions of fisheries lobbyists you will hear from today. If you're not born into a fishing family, it will take millions of dollars invested just to go catch some fish.

We fought Ben Stevens and his thuggery and stopped SB113 in this same building in 2005/6, and we won. Governor Palin was elected and she put the kibosh on the rush into GOA groundfish rationalization. **But now the NPFMC is trying to get GOA groundfish rationalization through by other means to suit the trawlers' need of getting quota ownership and securing the high value bycatch — incidental species now targeted that should by the standards of the Magnuson Stevens Act and related fisheries laws be brought to a halt.** The gear groups that fish the dirtiest should be penalized for excessive bycatch, not awarded allocations as a prize for lobbying efforts and campaign financing.

In summary, removing the latent LLPs from the GOA groundfish permit holders will leave state waters as the dumping ground for new entrants. Why shouldn't federal waters have a place for active fishermen as new entrants to transition into, for all of its fisheries? Where is the problem of too many fishing vessels? There is no great influx of vessels coming into the GOA Pacific cod fishery in the last 5-10 years. It's not financially viable for that many vessels to stay in the fishery, in any case — especially with the huge recent drop in ex-vessel cod prices. So, many vessels are now fishing only to secure rights to a catch history in case a rationalization management or privatization scheme gets imposed.

I'll be headed out jigging in state waters this week. But with these low prices, it looks like I'll be fishing first for my sanity and second to try to make an income. But there are no guarantees, it's fishing. I should be able to have access to the fisheries that are right outside of my doorstep, and the next generation should have that opportunity as well. **Fishing rights need to remain with those who go out on the boats.**

Removing these LLPs from the fixed-gear fishermen will simply **take rights from active and future fishermen and give exclusive rights to a investor-only faction who do not fish.**

The North Pacific Fishery Management Council presides over the federal waters off of one state only: Alaska. And the Council and State conduct joint Board of Fish and other coordinated efforts. Yet some have argued that you should not concern yourself with advising the Council on behalf of the People of Alaska whom you represent. Nothing could be further from the truth. It is both the right and duty of this Legislature to keep watch over these economic and social issues. In fact, it is inherent in our State's birthright and Constitution.

I urge the House Resources Committee to move HJR21a to the floor and ask all of the members here today to speak with the state senator representing their district to move this Resolution forward to the NPFMC.

As always, I appreciate the time you've taken to listen to my comments.

Respectfully,

Shawn C Dochtermann
F/V Isanotski
PO Box 3886
Kodiak, AK 99615
Tel: 907-486-8777

Add'l. Bio: I've fished in the Gulf of Alaska (GOA), Bering Sea (BS), Aleutians, up to St. Matthew Island, and in the rivers of Bristol Bay. I'm a state salmon driftnet permit holder, and own a Bristol Bay vessel, and also fish halibut, cod, king crab and tanner crab.

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COMMENTS ON HJR 21 FOR THE HOUSE RESOURCES COMMITTEE

March 18, 2009

I would like to submit written comments in regard to HJR 21. I am in opposition to this Resolution and would like to refer you to my written comments submitted to the Fisheries Committee last week. Following are additional thoughts and comments.

The Resolution has created a significant amount of confusion with regard to the Pacific cod limited entry recency provision being contemplated at the North Pacific Fishery Management Council (Council). It states that this action would facilitate federal takeover of Alaska's fisheries and that the license which would be issued is rationalization or a step toward rationalization. Both of these statements are inaccurate.

First, it is important to note that of the 11 voting members of the Council, a majority of six are Alaskan whose names are submitted to the Secretary of Commerce by the Governor of Alaska. This ensures that Alaska will be able to create and shape policy as it moves through the Council process. The leader of the state team is the Commissioner of ADF&G. There is only one federal voting member of the Council. The other four seats are from Washington and Oregon. I provide this information to assure the members of the Resources Committee that a federal takeover of fisheries in Alaska cannot occur without the State of Alaska in agreement and that is not about to happen.

In regard to the "rationalization" statements in the Resolution, this is very problematic to me. The definition of rationalization typically describes some sort of catch sharing program, either with cooperatives or individual fishing quotas. In fact, in the past two administrations with Governor Knowles and Governor Murkowski, the Council actively worked on rationalizing fisheries. Under the watch of Governor Knowles, the Council passed the crab rationalization program, which for the first time in history in the United States required harvesters to deliver 90% of their crab to specific processors. Under the Murkowski administration, for which Representative Austerman was fishery advisor, the rockfish pilot program emerged, as well as active movement toward individual catch quotas for Pacific cod in the Gulf of Alaska. It is important to note that within less than a week after Governor Palin was inaugurated in early December of 2006, the North Pacific Council, at the request of the governor and Commissioner Lloyd, took rationalization of Gulf of Alaska Pacific cod off the table and moved to a sector split discussion and then a recent landing requirement.

This is a limited entry discussion, not rationalization and I believe this important distinction has been lost in the rhetoric.

Since 1999, the Gulf of Alaska Pacific cod management has been under consideration at the North Pacific Council and at each step of the way, Alaska has led the policy on management options. Nothing has changed. Finally, after long years of dealing with this, the Council is poised to take final action in two weeks to address a significant problem. That problem is that there are a

significant number of groundfish limited entry permits that have never had a directed landing of Pacific cod – up to 600 in the Central Gulf alone. If someone has not purchased a permit or fished a permit for Pacific cod in the last nine years, I don't believe they've demonstrated a dependence on this resource. There are many others who are actively engaged in the fishery and they need protection from those who would enter this fully subscribed fishery. That protection is vital, particularly in light of the fact that those entities most likely to purchase unused permits and aggressively begin harvesting Pacific cod are those with significant funding sources, primarily out of Washington and Oregon.

Another issue for your consideration is that the state waters fishery, which is 25% of the overall catch limit, is not under any kind of license restriction, and action being contemplated by the Council would also not limit any efforts in the jig fishery. This is important for those entry level and small boat owners.

Before taking action to approve this Resolution, please read the recently released 129-page analysis that clearly identifies the problem being addressed, as well as potential solutions being considered. This process has been complete and measured, with the issue being addressed at many meetings over the last ten years. Remember, the State of Alaska is always shaping fish policy at the Council and this action is good fish policy. Many of us have worked closely with the governor's office and ADF&G to help create the proposal being considered for final action next month in Anchorage.

Thank you for reviewing my comments.

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COMMENTS ON HJR 21- March 2009

In reviewing HJR 21, I have concerns regarding the resolution that I would like to address. These concerns are divided into three categories in the hope to more efficiently articulate my thoughts. My proposal to the North Pacific Council can be found at the end of this document.

History of the Issue and Some Facts

In regard to HJR 21, I wonder how many members of the Legislature or staff have bothered to read the 80-page analysis or reviewed the problem statement or the history of this issue. In 1999, the Council, at the request of industry, began working on a comprehensive program that would provide individual fishing quotas for the Pacific cod fishery participants in the Gulf of Alaska. By April of 2003, the Council was prepared to begin discussions on a preliminary alternative for defining the program. The full analytical process began and for three years, hearings were held.

In 2006, shortly after a change in administration, the State of Alaska successfully removed the IFQ alternatives from the discussion and instead began to look at stabilizing the Pacific cod fishery by revising the limited entry licenses that are in place for groundfish and for creating sector allocations. The recency proposal was to provide for a specific endorsement to fish in the directed Pacific cod fishery and participation in that directed fishery would be necessary in order to receive the endorsement. It is important to note that when the original groundfish licenses were initially distributed that any landing of any type of groundfish qualified a person to receive the license. The proposal now is to simply provide a directed Pacific cod endorsement for those who have actually fished Pacific cod in the last nine or ten years.

The North Pacific Council has been dealing with the Pacific cod issue since 1999 and final action on this item is scheduled for April of this year. There has been plenty of time for people to provide comments and recommendations in the last ten years. Many Alaskan fishermen who are dependent on this fishery support the Council moving forward and providing some stability in this fishery.

Agency Authority for Fishery Management

For the state waters fisheries including salmon and herring, the authority to manage lies with the Alaska Board of Fisheries, with limited entry proposals being addressed by the Commercial Fisheries Entry Commission. For the federal fisheries, the North Pacific Fishery Management Council is tasked with recommending to the Secretary of Commerce various management and allocation decisions, as well as limiting access to the resource. Each of these bodies has a process for their decision-making, which includes proposals, analysis, hearings, and appeals. In regard to the North Pacific Fishery Management Council, the governor of the State of Alaska is represented by the ADF&G Commissioner or designee and there are five other Alaskans on the Council.

When the United States Congress or Alaska Legislature intervene in the management of fishery issues, problems are inevitable. Many times elected officials have been lobbied on an issue by a segment of the industry focused on achieving a specific goal, and they approach a friendly elected face to promote that idea. It is often the case that the information presented is lacking or even misleading and very little time is spent on attempting to understand the issue.

Specific Concerns Regarding the Resolution

The resolution is specific to limited entry, but the WHEREAS statements mix limited entry with individual fishing quotas which results in a confusing and misleading document.

Some observations regarding specific sections are shown below:

Page 2, line 6:

The action in question is only for the federal waters and inside three miles, which are state waters, no limited entry exists. This is confusing.

Page 2, line 12:

The North Pacific Council under the leadership of the State of Alaska, in fact, reversed course in 2006 and is now only focused on the limited entry aspects of the fishery. This is not considered "rationalization" and should not be confused with an IFQ or cooperative fishery.

Page 2, line 16:

Limited entry is not known as "rationalization".

Page 2, line 18:

The action being considered is not "rationalization" and other limited entry programs such as salmon and herring have not demonstrated significant job losses or consolidation, rather they have served to stabilize the industry.

Page 2, line 20:

The action being considered will not have negative impacts on businesses in coastal Alaska. Again, the action will not promote consolidation or job loss.

Page 2, line 22:

Active participation in a fishery is considered by some to be owner on board, while others consider it to be a vessel owner who hires a qualified skipper and crew to run their vessel. The tradition in the Pacific cod fishery in the Gulf is for some owner on board and some hired skipper situations. This will not change in the limited entry action being considered.

Page 2, line 25:

This statement does not appear to be factual.

Page 2, line 27:

All limited entry fisheries have some entry costs. The cost for entering the Pacific cod fishery will be substantially less than that for many salmon or herring fisheries in the state. This statement seems to say that all fisheries should revert to open access. Most salmon or herring permit holders would not agree.

Page 3, lines 15 - 29:
It is difficult to agree that all groundfish fixed gear licenses without a cod endorsement would be valueless. If you have never fished for Pacific cod and don't get an endorsement to fish Pacific cod in the directed fishery, you have lost nothing.

Page 4, line 2:
A limited entry program is not a natural progression towards "rationalization".

Page 4, lines 4 - 12:
The number of participants will not decline under one of the Council's alternatives. Instead it will simply grant an endorsement to participate in the directed Pacific cod fishery for those who already are or have even made one landing since 2000. No jobs will be lost or demand reduced for shore side support or services.

Proposal for the North Pacific Fishery Management Council
The proposal that I have been promoting for some time is that if anyone has demonstrated dependence in the last ten years by either purchasing a license or making even one landing, they would receive a fully transferable Pacific cod endorsement. This seems very generous and would not shut anyone out of the fishery. If you haven't made even one landing in ten years, you aren't dependent on the fishery.

In speaking with Council staff, there are about 900 groundfish licenses in the Central Gulf and around 300 in the Western Gulf for fixed gear. If the Council chose to award Pacific cod endorsements for those vessel owners who have made at least one landing in the last ten years, regardless of poundage, this would result in around 300 licenses in the Central Gulf and 150 in the Western Gulf. This action would provide stability for the fleet that is dependent on the fishery, demonstrated by their actual participation

The Council action would not preclude halibut IFQ harvesters from retaining cod taken incidentally, nor would it limit in any way the jig fishery. Of course, the state waters fishery has no license restrictions.

United Fishermen's Marketing Association, Inc.

P.O. Box 1035 Kodiak, Alaska 99615

Telephone 486-3453

Fax: 907-486-8362

March 9, 2009

Representative Bryce Edgmon, Chair
House Fisheries Special Committee
State Capitol, Room 416
Juneau, AK 99801-1182

Re: HJR 21 "Requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program license holder to participate in the Pacific cod fisheries in the Gulf of Alaska"

Dear Representative Edgmon,

We respectfully submit the following comments in opposition to HJR 21 (i.e., "Requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program license holder to participate in the Pacific cod fisheries in the Gulf of Alaska").

I. Introductory Comments

HJR 21 addresses a proposed regulatory action that is under consideration by the North Pacific Fishery Management Council ("NPFMC" or "Council"). The proposed regulatory action is intended to add gear-specific (i.e., pot, hook-and-line, and jig) Pacific cod "Endorsements" to fixed gear licenses for the purpose of limiting entry to the directed Pacific cod fisheries in Federal waters of the Western Gulf of Alaska (WGOA) and the Central Gulf of Alaska (CGOA). Briefly, licenses that meet the selected catch threshold (1, 3, or 5 landings, or 5 mt, 10 mt, 25 mt, or 100 mt of directed Pacific cod catch) using pot, hook-and-line, or jig gear would receive gear-specific Pacific cod "Endorsements". The NPFMC has the flexibility to select different catch thresholds for vessels within the array of gear (i.e., pot, hook and line, etc.), operation type (i.e., catcher vessel, catcher processor, etc.) and vessel length sectors that are included in this proposed action.

It is important to note that the proposed action to implement Gulf of Alaska (GOA) fixed gear P. cod Endorsements provides needed stability for the Alaska resident fleets that participate in the WGOA and CGOA fixed gear P. cod fisheries, and incorporates several tools to ensure ample opportunities for new participation and entry-level participation in these fisheries. The proposed Endorsements action seeks to arrest an ongoing and continued deterioration of, and to provide necessary protection for, the social, cultural and economic characteristics of WGOA and CGOA communities, and those fishing businesses, vessels, vessel owners, operators, crews, support businesses, etc. that are so important to Kodiak and

other Alaska coastal communities, and that depend on stability and growth in the CGOA fixed gear P. cod fishery. The proposed GOA fixed gear P. cod Endorsements action adopts a fleet management protocol that is very similar to that which is instituted in the State of Alaska Limited Entry system; that is, the proposed Endorsements action creates licenses that have a similar purpose and function, for example, as the Limited Entry Licenses that are created by the State of Alaska in the Kodiak salmon, herring and tanner crab fisheries.

In addition to comments that directly address our opposition to HJR 21, we have included a brief compilation of relevant and recent documentary resources that define and explain the complexity of the proposed GOA Fixed Gear P. cod Endorsements action, and the serious and significant attention that has been invested in such proposed action.

II. Comments on HJR 21

We respectfully request that the House Fisheries Special Committee (House Fisheries Committee) take no action on HJR 21.

We respectfully request that the House Fisheries Committee please understand that a regulatory process has been underway for a long period of time to develop a proposed action for GOA fixed gear P. cod Endorsements. We respectfully request the House Fisheries Committee to please understand that many of the Alaskan communities, fishing businesses, vessels, vessel owners, operators, crews, support businesses, etc. that depend on the GOA fixed gear p. cod fishery would be detrimentally impacted by the adoption of HJR 21. We fear that the individuals, businesses and coastal communities who are in need of the proposed Endorsements action may be harmed by any legislative insertion into this process that may be caused by HJR 21. HJR 21 seeks to insert the Alaska Legislature into a regulatory process that is governed by a federally established entity that has developed the proposed initiative for GOA fixed gear P. cod Endorsements. However, HJR 21 falls far short of providing an accurate, thorough, complete and comprehensive consideration and understanding of the issues that are associated with the proposed Endorsements action. We fear that a significant risk exists to the individuals, businesses and coastal communities who are impacted by the proposed Endorsements action if the Alaska Legislature does not guarantee a significant investment of their time and attention to fully and completely understand the significant complexity, considerations, ramifications and details of the statutory, regulatory, social, cultural, economic and statistical considerations and analysis that have heretofore already been invested in the Endorsements initiative.

To be clear, we respect and support the authority, interests and prerogatives of the Alaska Legislature, on behalf of the State of Alaska, its resources and its citizens, to convey official expressions and resolutions of interest, intent and policy for the purpose of addressing

specific resource management initiatives that may otherwise lie within the official jurisdiction of a resource management entity that is officially established apart from the jurisdiction of the State of Alaska. However, the action that is proposed in HJR 21 is misdirected, unproductive and unreasonable, and leads to no practical or beneficial result whatsoever. And the accuracy, efficacy, manner of expression and foundation of the provisions therein contained are in large part hyperbole, malapropos, uninformed and inaccurate. HJR 21 suggests action that would significantly disadvantage and harm Alaska-resident harvesters and Alaskan coastal communities, and, instead, permit the continuing erosion of Alaskan interests in the GOA fixed gear P. cod fishery that is caused by non-Alaskan interests, and other interests that are otherwise enriched by favorable management programs in other fisheries.

Please bear in mind that the consideration of the proposed action for GOA fixed gear P. cod Endorsements is given by federal statute to a federally established entity (i.e., the NPFMC) in which the State of Alaska has statutorily been provided with significant official standing, involvement, influence and participation. The State of Alaska has reasonably sufficient and experienced professional resources with which to engage, and which have, in fact, reasonably engaged, in the development of the proposed Endorsements action. The State of Alaska has significant and ample opportunity to consider, balance, judge and advocate the details and impacts, and the policy and other considerations, that are associated with the proposed Endorsements action.

Importantly, the proposed Endorsements action that is referenced in HJR 21 has been under development for several years, and is scheduled for final action during the April, 2009, NPFMC meeting. The proposed action is very important to the stability, survival and future growth of the traditional and customary social, cultural, economic and business framework of Kodiak and other Alaska coastal communities. In fact, aggressive action to address the problems, challenges and threats to such stability, survival and future growth, such as are addressed in the proposed GOA Endorsements action, should have been taken and implemented many years ago.

We respectfully request that the House Fisheries Special Committee, the House Resources Committee and the Alaska Legislature please do not insert themselves in the proposed GOA fixed gear P. cod Endorsements initiative, especially in the manner that is expressed in HJR 21. We respectfully request that the House Fisheries Committee take no action on HJR 21.

III. Brief Compilation of Relevant and Recent Documentary Resources

A. Analysis (Public Review Draft EA/RIR/IRFA; March 3, 2009)

"PUBLIC REVIEW DRAFT; ENVIRONMENTAL ASSESSMENT/REGULATORY IMPACT REVIEW/INITIAL REGULATORY FLEXIBILITY ANALYSIS for a Proposed Amendment to the Fishery Management Plan for Groundfish of the GOA Management Area to ADD PACIFIC COD ENDORSEMENTS TO WESTERN AND CENTRAL GOA FIXED GEAR LLP LICENSES; March 3, 2009" (129 pages)
<http://www.fakr.noaa.gov/npfmc/current_issues/pcod/fixedgearrecency309.pdf>

The above referenced document is commonly referred to as an "Analysis", and illustrates the most recent version of the analytical review of those conservation, management, community, statutory, regulatory, policy and other issues that the Council has determined to be included in such Analysis, in response to significant and diverse public testimony, agency comment (including from NOAA General Counsel, National Marine Fisheries Service Sustainable Fisheries Division and Enforcement Division personnel or "NMFS", Alaska Department of Fish & Game or "ADF&G", United States Coast Guard or "USCG", etc.), conformity with federal statutory and regulatory requirements (i.e., NEPA, etc.), etc.

Please see Chapter 1.1 ("Purpose and Need for the Action"; page 21), and the associated "GOA Fixed Gear Recency Purpose and Need Statement" (page 23).

Please also see that the subject Analysis identifies the most recent array of "Alternatives and Options" that are under consideration by the NPFMC for the proposed regulatory action (please see Chapter "1.2 Alternatives"; page 24).

B. December 2008 NPFMC Newsletter Article (see page 7) "GOA Fixed Gear LLP Pacific cod Endorsements"
<http://www.fakr.noaa.gov/npfmc/newsletters/news1208.pdf>

This NPFMC December 2008 newsletter article provides the public with a brief summary of the status, elements, direction and expectations for NPFMC action on the proposed GOA fixed gear P. cod Endorsements action that is the subject of HJR 21.

Thank you for your consideration of our comments on HJR 21.

Sincerely,

Jeffrey R. Stephan

March 18, 2009

Representative Craig Johnson, Co-Chair, House Resources Committee Representative Mark Neuman, Co-Chair, House Resources Committee Members, House Resources Committee

Dear Co-Chair Johnson, Co-Chair Neuman, and members of the House Resources Committee,

We respectfully submit the attached testimony in opposition to HJR 21 <UFMAStephanTestimonyHJR21_030909.pdf>.

Please note that this testimony is the same testimony that we submitted to the House Fisheries Special Committee for their March 10 hearing on HJR 21.

HJR 21 will result in negative outcomes for Alaska's coastal communities, harvesters, captains, crews and support businesses that support the Gulf of Alaska pacific cod fishery.

The declarations that are offered in HJR 21 are largely misleading, inexact and faulty, and do not accurately portray the underlying circumstances or anticipated outcomes that form the basis of the action by the North Pacific Fishery Management Council that HJR 21 seeks to obstruct.

We support the initiative by the North Pacific Fishery Management Council to adopt and implement "Endorsements" in the Gulf Of Alaska Pacific Cod fixed gear fisheries; we object to the initiative that is promoted by HJR 21 to encourage the Alaska State Legislature to interfere with this initiative, and, especially, when this requested interference is based on rationale that is absent the thought, discourse and study that should otherwise be invested in issues that carry significant economic, social and cultural consequences.

Please consider our testimony during the House Resources Committee hearing on HJR 21 that is scheduled for today, March 18.

We respectfully request the House Resources Committee to either not pass HJR 21, or to otherwise hold HJR 21 in committee.

Thank you.

Sincerely,

Jeff Stephan

Jeffrey R. Stephan
United Fishermen's Marketing Association, Inc.
PO Box 2917
Kodiak, AK 99615
tel: 907-486-3453; 907-486-4568
email: jstephan@ptialaska.net

3/17/09 pm

My name is DJ Vinberg and I have fished in the Kodiak area for 40 years. I am a 3rd generation fisherman and own and operate the same boat as my father before me.

I am opposed to HJR21. Morally I agree with the open fishing concept, but I live and fish in a real world and have felt the impact of rationalization for 14 years. The race for history is on. Pandora's Box is open and those of us with a long history in the Kodiak area are not protected.

With relatively no restrictions, our cod fishing is rapidly becoming a derby-style fishery, not unlike Halibut fishing of the past. A Cod season used to last 3-4 months; this year it was 26 days and preseason estimates were 75-100 more participants. Boats came from the West Coast due to the depressed Dungy economy. A large proportion were long liners from the peninsula and most disturbing to me were the larger boats from out West who have crab IFQ's (made their deal with the devil) who now are free to participate in any open fishery at no risk to their already "banked" crab money.

The Cod fishery represents 50% of my yearly income. In 2009 the length of time for fishing the Federal Cod season was reduced to 26 days and the State Cod season to 14 days. This has put me survival mode. If left unchecked, our cod fishery will be over capitalized with emphasis on quantity and not quality caught in a 30 day period. This will allow for a more depressed price and more risky fishing, as a day missed due to weather is a missed opportunity with the clock ticking.

I personally feel that there should be more restrictions on access to our cod fishery and definitely some qualifying years set in place. The +800 LLP permits in the Central Gulf is a joke and does nothing to protect me, or boats like me, who live in Kodiak and are totally committed to the fishery. My options are limited to Kodiak – I am too small to chase cod out West, and my business is in jeopardy if my piece of "The Cod Pie" continues to shrink.

Some hard choices have to be made. You can't privatize big chunks of our Alaskan fisheries, thus protecting those participants, and leave the rest of us who are not so lucky totally exposed.

While I appreciate the opportunity to express my concerns about the future of my livelihood, I am also concerned about the Alaska Legislature's ability to undermine The North Pacific Fisheries Management Council. I think you should be concerned about our fisheries and knowledgeable about our situation, but at the same time be respectful of those whose sole responsibility is to make fishery management decisions. If you do not trust them, why should I?

Donald J. Vinberg

F/V Family Pride

To: House Fishery Committee
Re: House Joint Resolution # 21
Date: March 9, 2009

My name is Julie Bonney and I live in Kodiak. I represent fishermen that have License Limitation Permits (LLPs) that are endorsed for fixed gear in the GOA. Some of these fishermen will not receive a Pacific cod endorsement while other will if the North Pacific Fishery Management Council (Council or NPFMC) implements the recency action. Overall these fishermen realize that the Council must manage the fishery resource for sustainability, management easy and economics of the fishery. We do not support House Joint Resolution 21.

The resolution pits Alaskans against Alaskans both individually as well as individuals within communities. Those Alaskan's that are historically dependent on the Federal Pacific cod fishery against those Alaskan's that have not participated in the fishery. Basically this resolution puts the Alaska Legislators squarely in the middle of fish allocation decisions. However, you have not been involved in the lengthy Council public process over the last two years to understand the debate. The resolution is poorly written, contains many inaccuracies and totally misrepresents what the Council recency action hopes to accomplish.

The reality is that the recency amendment package tries to balance protecting historically dependent license holders yet create entry level opportunities for new participants at a modest level. Below is a set of questions and responses that will help you understand whether this action is good for Alaska and compares this action with the State of Alaska limited entry system that is in place for many state fisheries.

Who wins and looses based on the recency threshold of one landing for the time period 2000 to 2006?

1) The recency action will increase Alaska ownership for those licenses that receive a P cod endorsement in the overall license pool (see table 1 attached), assumes recency threshold of 2000 to 2006.
For the WGOA, there are presently 264 endorsed licenses, 58% of these licenses are held by Alaskans and 42% are held by non-Alaskans. If the recency P cod endorsement amendment package moves forward then Alaska ownership will increase by 11% to 69% and non-Alaska ownership will decrease by 11% to 31%.

   For the CGOA, there are presently 883 CGOA endorsed licenses, 69% are held by Alaskans and 31% are held by non-Alaskans. If the recency P cod endorsement amendment package moves forward with one landing 2000 to 2006 then Alaska ownership will increase by 11% to 80% and non-Alaska ownership will decrease by 11% to 20%.

2) The recency action will not disproportionately disadvantage small boat vessels (see table 2 attached), assumes recency threshold of 2000 to 2006.

   For the WGOA there are presently 154 licenses for the vessels less than 60 foot and 110 licenses for vessels 60 feet or greater, 58% versus 42% respectively. After recency the number of licenses with P cod endorsements would be approximately 76 licenses for less than 60 feet and 23 licenses for 60 feet and greater, 77% and 23% respectively. The pool of licenses will increase by 19% for the less than 60 foot vessel class.

   For the CGOA there are presently 702 licenses for the vessels less than 60 foot and 181 licenses for vessels 60 feet or greater, 80% versus 20% respectively. After recency the number of licenses with P cod endorsements would be approximately 240 licenses for less than 60 feet and 59 licenses for 60 feet and

greater, 80% and 20% respectively. The pool of licenses available for the less than 60 foot vessel class will not change.

3) The recency action will remove a large portion of the Catcher processor licenses endorsed for the Western and Central GOA. Removing Catcher Processors will reduce competition with the Catcher Vessel sector for the available quota. Catcher Processors compete with the Catcher vessel sector if they are less than 125 ft and process less than 126 MT per week for the available Pacific cod quota. In the CGOA CP licenses that could participate in the Pacific cod fisheries would be reduced by 80% and in the WGOA by 48% if one landing from 2000 to 2006 is the recency threshold.

Why are there so many licenses available in the GOA?
The Limited License Program (LLP) limits access to the Federal groundfish in the GOA. Fishing under the program began in 2000. The LLP defined a general qualification period (GQP) and an endorsement qualification period (EQP) both of which must have been satisfied. The GQP period is from Jan 1988 – June 27, 1992 requiring one landing of any groundfish and the EQP requiring one landing for < 60 ft vessels and one landing in at least two calendar years from Jan 1, 1992 to June 17, 1995 for vessels equal to or greater than 60 feet. Vessels that landed two to three groundfish, which could be taken incidentally in other fisheries, qualified a vessel for a license. This was a minimal threshold that created a large number of licenses and gave license holders the opportunity to invest and participate in the groundfish fisheries. The action now being considered by the North Pacific Fishery Management Council examines whether LLP holders actually took advance of the opportunity. The recency action is considering minimal thresholds for a period of up to 2000 to 2008, a nine year period.

Presently, there are more LLP licenses available than the fishery can support. National Marine Fisheries Service (NMFS) has stated that if all LLPs participated in the Pacific cod fishery that they would have no choice but to close the fishery since it would be unmanageable.

How does this action compare to the limited entry system in place for State fisheries?
The state of Alaska limited entry system that is in place for many state fisheries such as salmon and herring is no different than the license limitation system in place for federal fisheries for the Gulf of Alaska. In either case license holders' race for the available common quota; quota is not allocated to individuals.

In the first stage of the state limited entry system, a fishery is limited by adopting a "maximum number" of permits and issuing those permits to the highest ranking applicants under a hardship ranking ("point") system. By law and court decision, the maximum number for a fishery should be no less than the highest participation level in any one of the four years immediately prior to the qualification date.

In the second stage of limited entry, the law directs the Commercial Fisheries Entry Commission (commission or CFEC) to determine an "optimum number" for the fishery. The optimum number should represent a reasonable balance of three general standards specified in the law (see AS 16.43.290). The three standards include economic, resource conservation, and management concerns.

The federal action is much less restrictive then state limited entry system since the qualification period for the federal action at a minimum is five years (2002 – 2006) and at a maximum is nine years (2000 to 2008) compared to four years for the state system. In other words, state limited entry is more restrictive with regards to recent participation than what is being considered for the federal action.

How many licenses will remain after a recency action? (See table 4)
The number of licenses that will be endorsed for Pacific cod would be appropriately 200% of the average number of licenses that has participated in the fishery from 2000 to 2008 if the threshold time period of 2000 to 2006 was adopted.

Jig sector entry level opportunity?
The NPFMC is considering exempting jig gear from any LLP requirements or Pacific cod endorsements. In addition the Council is considering allocating this sector a non-historical share of the Pacific cod federal quota in the sector split amendment package. Typically Jig gear cannot compete with the other sectors during the winter months and typically jig gear harvests less than 1% of the available federal quota. The sector split amendment is contemplating allocating 5% of the federal TAC to these participants. Most jig gear operations do not have an LLP but instead participate inside the state parallel zone of 0 to 3 miles. With the exemption vessels would have access to fishing grounds from 0 to 200 miles and up to 5% of the federal quota.

For Alaskan's this opportunity is much more viable then leaving a bunch of licenses in the fixed gear sectors available for any US citizen to access. Jig gear is really only viable for Alaskan residents since the fishery is not efficient enough for non-residents. Weather impacts the fishery and trip ex-vessel values are usually less than $2,500 per trip. It only makes sense for residences that live in Alaskan coastal communities. Additionally, cod jigging is a good supplemental income for many fishing operations in the winter and spring months. If the Council stops action on the recency action then the jig sector opportunities would most likely be stopped since this is part of the trade off for the overall action of recency and sector splits.

How can fishermen enter the Pacific cod fishery?
There are many methods to access the Pacific cod resource in the GOA besides receiving a Pacific cod endorsement for an LLP. These options included:

1) Fish in the parallel fishing zone without a cod endorsed LLP.
2) Participate in the State of Alaska Pacific cod fisheries which have been allocated 25% of the federal Acceptable Biological Catch limit.
3) Buy a LLP with an endorsement from another license holder.
4) Participate in the newly created Jig fishery (if both the recency and sector split actions move forward).
5) Participate in the WGOA B season which would allow an LLP holder to participate (no P cod endorsement required).

Why protect License holders?
According to Alaska statue "Economically healthy fishery" is defined in AS 16.43.990(2) as follows:
(2) "Economically healthy fishery" means a fishery that yields a sufficient rate of economic return to the fishermen participating in it to provide for, among other things, the following:
(A) Maintenance of vessels and gear in satisfactory and safe operating condition;
And
(B) Ability and opportunity to improve vessels, gear and fishing techniques, including, when permissible, experimentation with new vessels, new gear, and new techniques.

Allowing excessive entry will not provide for an economically healthy fishery. Data in the Council analysis for gross revenues data indicate that the majority of fixed gear catcher vessel and catcher processor licenses that did not have any qualified fixed gear landing during the proposed qualifying period elected to participate in other Alaska fisheries during this period.

Out of 264 Western GOA licenses, there are 171 licenses that did not have any qualified landings during 2000-2006. However, 144 of the 171 licenses had landings in other Alaska fisheries. Western GOA licenses that did not have directed Pacific cod landings, but were active in other fisheries, had revenues mainly from the IFQ halibut (35.4%) and sablefish (21.4%) fisheries, and the BSAI trawl fisheries (31.1%). Less than 1% of revenues were from GOA Federal (0.8%) or State waters (0.3%) fixed gear fisheries. In contrast, most Western GOA licenses that had at least one fixed gear groundfish landing during 2000-2006 also participated in the State waters Pacific cod fisheries (72 of 93 licenses), and many licenses had landings in the Central GOA fixed gear Federal fisheries (20 licenses). The majority of active Western GOA licenses also had shellfish, salmon, and IFQ halibut landings. Gross revenues for licenses with qualified Western GOA landings were from IFQ halibut landings (29.5%), shellfish (33.4%), and salmon (19.9%). Notably, GOA trawl groundfish fisheries comprised 18.8% of revenues for licenses with at least one qualified landing, and landings from the Western GOA directed Pacific cod fishery comprised only 11.0% of gross revenues.

Of 883 Central GOA licenses, 614 licenses did not have at least one directed Pacific cod landing during 2000-2006; 500 of these non-qualified licenses had landings in other Alaska fisheries. Similar to nonqualified Western GOA licenses, the majority of revenues by these licenses were from IFQ halibut (35.0%) and sablefish (21.3%), and the BSAI trawl fisheries (13.6%). Only a small proportion of revenues by these licenses were from the fixed gear groundfish fisheries in the Western GOA (0.7%) or from the GOA State waters Pacific cod fisheries (1.4%). Most Central GOA licenses that made at least one directed Pacific cod landing during 2000-2006 also participated in the halibut IFQ fisheries (226 of 269 licenses). These licenses also fished for salmon (164 licenses), IFQ sablefish (141 licenses), State GOA Pacific cod (140 licenses), and shellfish (123 licenses). Revenues by active licenses were from halibut IFQ landings (45.1%), followed shellfish (10.3%). Directed Pacific cod landings from the Central GOA comprised 10.0% of gross revenues by Central GOA licenses with at least one qualified landing during 2000-2006.

When comparing annual gross revenues per license, the most apparent difference between catcher vessel licenses with directed Pacific cod landings and licenses without qualified landings is that they are participating in a different suite of fisheries. Western GOA CV licenses with at least one qualified CV landing during 2000-2006 had annual gross revenues of $274,608 per license. In contrast, Western GOA CV licenses without qualified landings had substantially higher revenues, averaging $622,658 per license. There was not a large difference between annual gross revenues for Central GOA CV licenses with qualified fixed gear landings ($319,458) and without qualified landings ($353,067). Many of the fisheries that non-qualified licenses participate in are difficult for Pacific cod dependent license holders to enter. Entry for the following fisheries -- IFQ sablefish, IFQ halibut, IFQ BSAI crab, AFA pollock and state limited entry fisheries such as salmon and herring – all would come at a substantial cost to gain access for participation. Allowing other non-dependent LLPS to enter the GOA Pacific cod fishery seems with limited costs seems wholly unfair to these economically depend fixed gear participation.

In conclusion my member fishermen do not support HJR #21. We believe the appropriate forum to advocate for fish allocations and management of fisheries resources is at the respective fishery management bodies – the Alaska Board of Fisheries and the North Pacific Fishery Management Council. Please feel free to contact me if you have questions regarding the fixed gear recency amendment package.

Sincerely,

Julie Bonney
Tel: 907-486-3033
e-mail: jbonney@gci.net

The data below is extracted from the most recent fixed gear recency analysis by the North Pacific Fishery Management Council and can be found on the web at:
http://www.fakr.noaa.gov/npfmc/current_issues/pcod/fixedgearrecency309.pdf.

Table 1. Comparison of residency of Catcher Vessel LLPs – Alaskan versus Non-Alaskans – All licenses versus licenses that would receive a Pacific cod endorsement with a directed Pacific cod landing for 2000 to 2006

	Total # of Fixed gear LLPs		Fixed gear LLPs w 1 landing	
WGOA	WG endorse	Percentage	1 landing	Percentage
Alaska	153	58%	64	69%
Oregon	8	3%	1	1%
Washington	92	35%	26	28%
Other States	11	4%	2	2%
Non-Alaskan TOT	111	42%	29	31%
Grand Total	264	100%	93	100%

	Total # of Fixed gear LLPs		Fixed gear LLPs w 1 landing	
CGOA	CGOA endorse	Percentage	1 landing	Percentage
Alaska	607	69%	215	80%
Oregon	48	5%	11	4%
Washington	183	21%	21	8%
Other States	45	5%	22	8%
Non-Alaskan TOT	276	31%	54	20%
Grand Total	883	100%	269	100%

Table 2. Comparison of < 60 foot and > = 60 foot Catcher Vessel LLPs All licenses versus licenses that would receive a Pacific cod endorsement with a directed P cod landing for 2000 to 2006.

WGOA	<60 ft	>=60 ft	Total
Hook-n-line	6	1	7
Jig	9	0	9
Pot	61	22	83
Total	76	23	99
% w/ 1 landing	77%	23%	100%
All licenses	154	110	264
% all licenses	58%	42%	100%

CGOA	<60 ft	>=60 ft	Total
Hook-n-line	159	10	169
Jig	18	1	19
Pot	63	48	111
Total	240	59	299
% w/ 1 landing	80%	20%	100%
All licenses	702	181	883
% all licenses	80%	20%	100%

Note: the number of endorsements for licenses is higher when compared to table 1 since some licenses qualify for multiple gear endorsements, 6 licenses in the WGOA and 30 licenses in the CGOA.

Table 3. Catcher Processors licenses endorsed for WGOA / CGOA and status after 2000- 2006 threshold requirement.

Category	WGOA	CGOA
W/ one landing	16	10
All licenses	31	49
% licenses w/ P cod	52%	20%
% reduction	48%	80%

Table 4. Average # of LLPS participating from 2000 to 2008 compared to potential LLPs with one landing from 2000 to 2006 that would qualify for a Pacific cod endorsement.

Area	Ave # LLP (00 - 08)	LLP w/1 land	Percentage
WGOA	46	93	203%
CGOA	134	269	201%

Alaska State Legislature

Please enter into the record my testimony to the HOUSE RESOURCES committee name

committee on HJR 21 bill/subject., dated 3/17/2009.

I HAVE FISHED PACIFIC COD SINCE 1986. I WAS BORN IN KODIAK AND STILL LIVE HERE, MY CREW LIVES IN KODIAK.

THE COD SEASON LASTED FOR MONTHS, NOW IT LAST FOR DAYS. SOMETHING HAS TO BE DONE TO SLOW IT DOWN. THERE ARE TOO MANY BOATS, IT IS ALMOST A FEEDING FRENZY.

I LOOK TO YOU PEOPLE TO SLOW IT DOWN SO MY CREW + I CAN STILL MAKE A LIVING FISHING COD.

Signed: J Thorvold Olsen
THORVOLD OLSEN
Testifier

Representing (optional)

BOX 322 KODIAK, ALASKA 99615
Address

(907) 654-5387
Phone number

HAIDA CORPORATION

Representative Alan Austerman
120 4th St
Juneau, AK 99802

March 10, 2009

To: Representative Alan Austerman

Subject: HJR 21 - A resolution requesting North Pacific Fishery Management Council to cease considering an amendment that package that would require a Pacific cod endorsement for a license limitation to participate in the Pacific Cod Fisheries in the Gulf of Alaska.

Dear Mr. Austerman:

The Haida Corporation Board of Directors supports HJR 21 that you have co-sponsored. We are deeply concerned that the Current North Pacific Fishery Management Council actions to reduce the existing federal ground fish licenses for the fixed gear and trawl gear, in combination with the proposed sector split is not in the best interest of Alaska nor it's fishing communities.

Our communities in the fishing industry of Alaska depend solely on the resources surrounding our coastal communities. Our community and other communities as well, continually lose access to our local fisheries. The results are the same no matter what label is applied to this issue, at some point in the future, ALL our federal Gulf Fisheries Waters would be owned by outside interests. This would not benefit our own fisheries.

We would like to urge the Alaska Legislature to pass this resolution, thus making a strong statement to the North Pacific Fishery Management Council the that this amendment is not good for Alaska and it's communities and should not be made. The North Pacific Fishery Management Council needs to heed the guidance in HJR 21 and drop all consideration regarding the LLP amendment package.

We thank you for your time and consideration in this important issue.

Sincerely,

Lisa Lang
President
Haida Corporation

P.O. Box 89 • Hydaburg, Alaska 99922 • (907) 285-3721 • Fax: (907) 285-3541

Alvin R. Burch
P.O. Box 848
Kodiak, AK 99615
907 486-3910
Alaska@ptialaska.net

F/V DAWN & F/V DUSK
Kodiak, Alaska

March 9, 2009

To: House Fisheries Committee
Re: House Joint Resolution 21

Dear Committee Members:

I have lived in Alaska since Territorial days, 40 years of it here in Kodiak. I've fished Alaska waters for more than 50 years. I've also been involved in fish politics and am familiar with the process of fish management conducted by the Alaska Fish Board and the North Pacific Fisheries Management Council (NPFMC).

Based on that I am opposed to HJR 21 and urge you to stop progress of the measure in the legislature.

I have two main reasons to oppose HJR 21.

1) It pits one group of Alaska fishermen against another group of Alaska fishermen.

2) It does that by injecting the legislature into the middle of fishery allocation issues that are best left to the NPFMC and the Fish Board.

The resolution seeks to stop the North Pacific Fishery Management Council's (NPFMC) consideration of a recency amendment package regarding the Pacific cod fishery in the Gulf of Alaska.

The NPFMC's recency amendment package, is designed to protect those fishermen who have historically fished Pacific cod, while establishing a clear path for future entrants into the fisheries. The package is a result of the long process of public testimony, scientific input and many months of deliberation.

The package does not take anything away from anyone that has participated in the fixed gear Pacific cod fishery. Yet it allows new entrants to the fishery. The package is necessary because it prevents people from taking a fishery away from those who have traditionally fished—those who have made it possible to even have a successful cod fishery for the new-comers to enter.

I thank you for taking my concerns into consideration. I trust that you will uphold the integrity of the resource management systems in place to take politics out of decisions that are best made by biologists and fish managers at the Council and Fish Board level.

Sincerely,

Alvin R. Burch
Owner

'Pass to the Future'

SHAAN SEET INC.

Representative Alan Austerman
120 4th St.
Juneau, Alaska 99802

March 9, 2009

To: Representative Alan Austerman

Subject: HJR 21 – A Resolution requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program to participate in the Pacific cod fisheries in the Gulf of Alaska.

Dear Representative: Austerman,

Shaan-Seet Inc. strongly supports House Joint Resolution #21 that you have co-sponsored.

We are deeply concerned that current North Pacific Fishery Management Council action to reduce existing federal groundfish licenses for both fixed gear and trawl gear, combined with a proposed sector split is not good for our coastal communities and not good for Alaska.

The life blood of our community and many other communities in the Gulf of Alaska depend upon access to the marine resources that lie on our doorsteps. Our communities are continually losing access to local fisheries and it doesn't matter whether you call this rationalization or something else – the result is the same. If we continue down this same path at some point in the future all our federal waters Gulf fisheries could be fully owned by Outside interests.

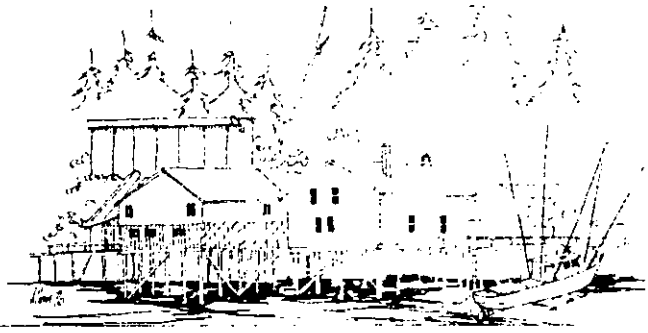
We encourage the Alaska Legislature to pass this resolution and thereby make a strong statement to the North Pacific Fishery Management Council that this amendment package is not good for Alaska communities and should be scrapped. The Council should heed the guidance in HJR 21 and cease considering the LLP recency amendment package. Any attempt to address similar issues in the future should also address as a primary goal how the fishing economies of Gulf of Alaska Communities can be maintained or strengthened as a result of the amendment package.

We thank you for your concern and effort on this very important matter.

Sincerely,

James H. Carle
President
Shaan-Seet, Inc

P.O. Box 690 • Craig, Alaska 99921 • 907-826-3251 • Fax 907-826-3980



City of Pelican

BOX 737 · PELICAN, ALASKA 99832 · PHONE [illegible] · FAX [illegible] · E-MAIL [illegible] · WEBSITE: www.pelicancity.net

March 9. 2009

Dear Legislators:

I am writing in support of House Joint Resolution #21and I support the Gulf of Alaska Coastal Communities Coalition concerns that the current North Pacific Fishery Management Council action to reduce existing federal groundfish licenses for both fixed gear and trawl gear, combined with a proposed sector split, will significantly and adversely affect Alaska's coastal communities, and have a negative ripple effect throughout Alaska.

The viability of Alaska coastal communities depends upon access to marine resources. These communities are under a constant barrage of regulatory modifications that continually cause local fishermen to lose access to local fisheries. Whether this is rationalization or reallocation – the result is the same. As this continues then in the near future much of the FCZ in the Gulf of Alaska fisheries will be held by outside interests as our local communities lie dormant.

I encourage you to support this resolution and thereby make a strong statement to the North Pacific Fishery Management Council that this amendment package be rejected as it will have a significant adverse affect on our local communities. The NPFMC should heed the guidance in HJR 21 and cease consideration of an amendment package that requires a Pacific cod endorsement for a license limitation program license holder to participate in the Pacific cod fisheries in the Gulf of Alaska. Further efforts to address similar issues should recognize the socio-economies of Alaska's fishing communities and take actions that will maintain and strengthen community sustainability as a result of the proposed amendment process

Thank you for your concern and effort on this very important matter.

Sincerely,

Patricia Phillips

Patricia Phillips
Mayor

CC:

The Honorable Sarah Palin, Governor, State of Alaska	465-2332
Denby Lloyd, Commissioner of Alaska Department of Fish and Game	465-2332
Cora Crome, Fisheries Policy Advisor, Office of the Governor	465-3532
John Moller, Rural Advisor, Office of the Governor	465-3532

Alaska Whitefish Trawlers Association

P.O. Box 991
Kodiak, AK
99615
(907) 486-3910
alaska@ptialaska.net

March 9, 2009

To: House Fisheries Committee
Re: House Joint Resolution 21

Dear Committee Members:

The Alaska Whitefish Trawlers Association urges you to NOT SUPPORT HJR21. AWTA represents approximately 40 trawl vessels that fish out of Kodiak.

The resolution seeks to stop the North Pacific Fishery Management Council's (NPFMC) consideration of a recency amendment package regarding the Pacific cod fishery in the Gulf of Alaska.

The NPFMC's recency amendment package, seeks to protect those fishermen who have historically fished Pacific cod, while establishing a clear path for future entrants into the fisheries. At the same time it allows new interests to the fishery. It protects the interests of those who took all the risks and financial commitments to develop and set the foundations of Kodiak's cod fisheries.

Another big consideration regarding HJR 21, is that it puts the legislature in the position of regulating and making decisions on fisheries that are most appropriately handled by the North Pacific Fisheries Management Council and by the Alaska Board of Fish.

The resolution puts the Legislature smack-dab-in-the-middle of fish allocation issues that will pit Alaskans against other Alaskans. That is not an appropriate place for legislators, nor is it appropriate to manage fish allocation issues by legislative resolution. It sets a bad precedent that will leave Alaska's fishermen and Alaska's fish resource the worse for it.

Thank you for your consideration in this matter. Thank you in advance for stopping this travesty of fisheries management from moving forward.

Sincerely,

Alvin R. Burch
Executive Director
Alaska Whitefish Trawlers Association

March 9, 2009

Dear Governor Palin,

I am writing to express my support for HJR21 which formalizes the State of Alaska's opposition to LLP reduction. The NPFMC is once again putting working Alaskans out of work and reducing new opportunity to near impossible levels. I am a long term participant in the Pacific Cod fishery and own an LLP that will qualify under the proposed reduction. However, my history was earned by working through some very hard winters on my old boat which was only 38 feet long. I made a modest upgrade to a 48 foot boat in January of 2008, and this new boat came with an LLP that I thought would allow me to continue my long term participation. Under the Council's proposed alternatives, my new LLP will be rendered useless and I will either have to cease participation or be forced to purchase a new valid LLP which will undoubtedly be very expensive. Many of the recipients of these new valid LLPs are older boat owners who already received a huge advantage when they were given free halibut IFQs and/or free crab IFQs. It is frustrating for a younger fisherman like myself to have to continue to borrow and buy while these graying boat owners, who don't even have to pull their boots on anymore, continue to be given huge advantages by the Federal government.

The NPFMC has recently published the Agenda for the upcoming meetings beginning March 30th. They have now scheduled the LLP reduction for the first item on the agenda, and they have listed it as "final action". There is no doubt that this was done to preempt any action by the State on HJR21. Hopefully, HJR21 can pass through its Committee hearings by then but this is doubtful. Is there any way that you can persuade the Council to postpone action until HJR21 is properly heard? I employ two hardworking local crewmembers who both have families with small children, and we need to be able to participate in Winter cod fishing in our local waters to survive. Thank you for you consideration.

Respectfully Yours, Ryan Johnson

Cc: Denby Lloyd, Alan Austerman

Ryan Johnson
1325 Mission Rd.
Kodiak, AK 99615
rpj@alaska.com
907-539-1972
F/V Castle Cape

March 9, 2009

To:

Representative Alan Austerman	120 4th St., Juneau, Alaska 99802	Fax 907-465-4956
Representative Bill Thomas Jr.	120 4th St., Juneau, Alaska 99802	Fax 907-465-2652
Representative Jay Ramras	120 4th St., Juneau, Alaska 99802	Fax 907-465-2070
Representative Cathy Munoz	120 4th St., Juneau, Alaska 99802	Fax 907-465-2273
Representative Charisse Millett	120 4th St., Juneau, Alaska 99802	Fax 907-465-2069
Representative Bryce Edgmon	120 4th St., Juneau, Alaska 99802	Fax 907-465-3445
Representative Paul Seaton	120 4th St., Juneau, Alaska 99802	Fax 907-465-3472
Representative Peggy Wilson	120 4th St., Juneau, Alaska 99802	Fax 907-465-3175
Representative John Harris	120 4th St., Juneau, Alaska 99802	Fax 907-465-3799
Representative Mark Neuman	120 4th St., Juneau, Alaska 99802	Fax 907-465-4822

Subject: HJR 21 – A resolution requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program to participate in the Pacific cod fisheries in the Gulf of Alaska.

Dear Representatives: Austerman, Thomas, Ramras, Munoz, Millett, Edgmon, Seaton, Wilson, Harris, and Neuman,

The Chignik Lake Traditional Council strongly supports House Joint Resolution # 21 that you have co-sponsored.

We are deeply concerned that current North Pacific Fishery Management Council action to reduce existing federal groundfish licenses for both fixed gear and trawl gear, combined with a proposed sector split is not good for our coastal communities and not good for Alaska.

The life blood of our community and many communities in the Gulf of Alaska depend upon access to the marine resources that lie on our doorsteps. Our communities are continually losing access to local fisheries and it doesn't matter whether you call this rationalization or something else – the result is the same. If we continue down this same path at some point in the future all our federal waters Gulf fisheries could be owned by Outside interests.

We encourage the Alaska Legislature to pass this resolution and thereby make a strong statement to the North Pacific Fishery Management Council that this amendment package is not good for Alaska communities and should be scrapped. The Council should heed the guidance in HJR 21 and cease considering the LLP recency amendment package. Any attempt to address similar issues in the future should also address as a primary goal how the fishing economies of Gulf of Alaska Communities can be maintained or strengthened as a result of the amendment package.

We thank you for your concern and effort on this very important matter.

Sincerely,

John Lind
Chignik Lake Traditional Council President

CC:

The Honorable Sarah Palin, Governor, State of Alaska	907-465-2332
Denby Lloyd, Commissioner of Alaska Department of Fish and Game	907-465-2332
Cora Crome, Fisheries Policy Advisor, Office of the Governor	907-465-3532
John Moller, rural Advisor, Office of the Governor	907-465-3532

Akhiok-Kaguyak, Inc.
1400 W. Benson Blvd., Suite 425 • Anchorage, Alaska 99503
Phone: (907) 258-0604 • Fax: (907) 258-0608

March 9, 2009

To: Representative Alan Austerman
Representative Bill Thomas Jr.
Representative Jay Ramras
Representative Cathy Munoz
Representative Charisse Millett
Representative Bryce Edgmon
Representative Paul Seaton
Representative Peggy Wilson
Representative John Harris
Representative Mark Neuman

Subject: HJR 21 – A Resolution requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program to participate in the Pacific cod fisheries in the Gulf of Alaska.

Dear Representatives Austerman, Thomas, Ramras, Munoz, Millett, Edgmon, Seaton, Wilson, Harris, and Neuman,

Akhiok-Kaguyak, Inc. strongly supports House Joint Resolution 21 that you have co-sponsored. Akhiok-Kaguyak, Inc. is the Alaska Native Village Corporation for the Alutiiq villages of Akhiok and Kaguyak on the southeast coast of Kodiak Island.

We are deeply concerned that the current North Pacific Fishery Management Council action to reduce existing federal ground fish licenses for both fixed gear and trawl gear, combined with a proposed sector split is not good for our coastal communities and not good for Alaska.

The life blood of our village and many other communities in the Gulf of Alaska depend upon access to the marine resources that lie on our doorsteps. Our communities are continually losing access to local fisheries and it does not matter whether it is called rationalization or something else – the result is the same. If we continue down this same path at some point in the future all our federal water Gulf fisheries could be fully owned by Outside interests.

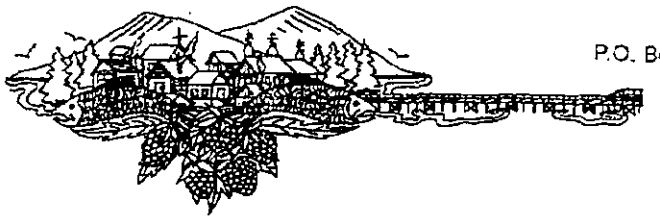
We encourage the Alaska Legislature to pass HJR 21 and thereby send a strong statement to the North Pacific Fishery Management Council that their amendment package is not good for Alaska communities and should be scrapped. The Council should heed the guidance in HJR 21 and cease considering the LLP recency amendment package. Any attempt to address similar issues in the future should also address as a primary goal how the fishing economies of Gulf of Alaska Communities can be maintained or strengthened as a result of the amendment package.

We thank you for your concern and effort on this very important matter.

Sincerely,

David D. Goade, President & CEO
Akhiok-Kaguyak, Inc.

cc: The Honorable Sarah Palin, Governor, State of Alaska
Denby Lloyd, Commissioner of Alaska Department of Fish and Game
Cora Crome, Fisheries Policy Advisor, Office of the Governor
John Moller, Rural Advisor, Office of the Governor



City of Port Lions Administrative Office
P.O. Box 110 Port Lions, Alaska 99550 • Phone: (907) 454-2332 • Fax: (907) 454-2420
E-mail: cityofportlions@hotmail.com

Dear Representative Alan Austerman,

The City of Port Lions strongly supports House Joint Resolution #21 that you have co-sponsored.

We are deeply concerned that current North Pacific Fishery Management Council action to reduce existing federal groundfish licenses for both fixed gear and trawl gear, combined with a proposed sector split is not good for our coastal communities and not good for Alaska.

The life blood of our community and many other communities in the Gulf of Alaska depend upon access to the marine resources that lie on our doorsteps. Our communities are continually losing access to local fisheries and it doesn't matter whether you call this rationalization or something else - the result is the same. If we continue down this same path at some point in the future all our federal waters Gulf Fisheries could be fully owned by Outside interests.

We encourage the Alaska Legislature to pass this resolution and thereby make a strong statement to the North Pacific Fishery Management Council that this amendment package is not good for Alaska communities and should be scrapped. The Council should heed the guidance in HJR 21 and cease considering the LLP regency amendment package. Any attempt to address similar issues in the future should also address as a primary goal how the fishing economies of Gulf of Alaska communities can be maintained or strengthened as a result of the amendment package.

We thank you for your concern and effort on this very important matter.

Sincerely,

Steve Andresen, Mayor

City of Port Lions

Chugach Regional Resources Commission

Chenega Bay
Eyak
Nanwalek
Port Graham
Qutekcak Native Tribe
Tatitlek
Valdez Native Tribe

March 6, 2009

To:

Representative Alan Austerman	120 4th St., Juneau, Alaska 99802	Fax 465-4956
Representative Bill Thomas Jr.	120 4th St., Juneau, Alaska 99802	Fax 465-2652
Representative Jay Ramras	120 4th St., Juneau, Alaska 99802	Fax 465-2070
Representative Cathy Munoz	120 4th St., Juneau, Alaska 99802	Fax 465-2273
Representative Charisse Millett	120 4th St., Juneau, Alaska 99802	Fax 465-2069
Representative Bryce Edgmon	120 4th St., Juneau, Alaska 99802	Fax 465-3445
Representative Paul Seaton	120 4th St., Juneau, Alaska 99802	Fax 465-3472
Representative Peggy Wilson	120 4th St., Juneau, Alaska 99802	Fax 465-3175
Representative John Harris	120 4th St., Juneau, Alaska 99802	Fax 465-3799
Representative Mark Neuman	120 4th St., Juneau, Alaska 99802	Fax 465-4822

Subject: HJR 21 – A Resolution requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program to participate in the Pacific cod fisheries in the Gulf of Alaska.

Dear Representatives: Austerman, Thomas, Ramras, Munoz, Millett, Edgmon, Seaton, Wilson, Harris, and Neuman,

The Chugach Regional Resources Commission strongly supports House Joint Resolution #21 that you have co-sponsored.

We are deeply concerned that current North Pacific Fishery Management Council action to reduce existing federal groundfish licenses for both fixed gear and trawl gear, combined with a proposed sector split is not good for our coastal communities and not good for Alaska.

The life blood of our community and many other communities in the Gulf of Alaska depend upon access to the marine resources that lie on our doorsteps. Our communities are continually losing access to local fisheries and it doesn't matter whether you call this rationalization or something else – the result is the same. If we continue down this same path at some point in the future all our federal waters Gulf fisheries could be fully owned by Outside interests.

We encourage the Alaska Legislature to pass this resolution and thereby make a strong statement to the North Pacific Fishery Management Council that this amendment package is not good for Alaska communities and should be scrapped. The Council should heed the guidance in HJR 21 and cease considering the LLP recency amendment package. Any attempt to address similar issues in the future should also address as a primary goal how the fishing economies of Gulf of Alaska Communities can be maintained or strengthened as a result of the amendment package.

We thank you for your concern and effort on this very important matter.

Sincerely,

for

Patrick Norman
Chairman
Chugach Regional Resources Commission

CC:

The Honorable Sarah Palin, Governor, State of Alaska	465-2332
Denby Lloyd, Commissioner of Alaska Department of Fish and Game	465-2332
Cora Crome, Fisheries Policy Advisor, Office of the Governor	465-3532
John Moller, Rural Advisor, Office of the Governor	465-3532

NATIVE VILLAGE OF PORT LIONS

PORT LIONS TRADITIONAL TRIBAL COUNCIL

P.O. Box 69
PORT LIONS, AK 99550
PH: (907) 454-2234
FX: (907) 454-2434

March 6, 2009

To:		Fax:
Representative Alan Austerman	120 4th St., Juneau, Alaska 99802	465-4956
Representative Bill Thomas Jr.	120 4th St., Juneau, Alaska 99802	465-2652
Representative Jay Ramras	120 4th St., Juneau, Alaska 99802	465-2070
Representative Cathy Munoz	120 4th St., Juneau, Alaska 99802	465-2273
Representative Charisse Millett	120 4th St., Juneau, Alaska 99802	465-2069
Representative Bryce Edgmon	120 4th St., Juneau, Alaska 99802	465-3445
Representative Paul Seaton	120 4th St., Juneau, Alaska 99802	465-3472
Representative Peggy Wilson	120 4th St., Juneau, Alaska 99802	465-3175
Representative John Harris	120 4th St., Juneau, Alaska 99802	465-3799
Representative Marki Neuman	120 4th St., Juneau, Alaska 99802	465-4822

Port Lions
Kodiak Island

Subject: HJR 21 – A Resolution requesting the North Pacific Management Council to cease consideration of an amendment package that would require a Pacific code endorsement for a license limitation program to participate in the Pacific cod fisheries in the Gulf of Alaska.

Dear Representatives: Austerman, Thomas, Ramras, Munoz, Millett, Edgmon, Seaton, Wilson, Harris and Neuman,

The Native Village of Port Lions strongly supports House Joint Resolution #21 that you have co-sponsored.

We are deeply concerned that current North Pacific Fishery Management Council action to reduce existing federal groundfish licenses for both fixed gear and trawl gear, combined with a proposed sector split is not good for our coastal communities and not good for Alaska.

The life blood of our community and many other communities in the Gulf of Alaska depend upon access to the marine resources that lie on our doorsteps. Our communities are continually losing access to local fisheries and it doesn't matter whether you call this rationalization or something else – the result is the same. If we continue down this same path at some point in the future all our federal waters Gulf fisheries could be fully owned by Outside interests.

March 6, 2009
House of Representatives
Subject: HJR 21
Page 2 of 2 (continued)

We encourage the Alaska Legislature to pass this resolution and thereby make a strong statement to the North Pacific Fishery Management Council that this amendment package is not good for Alaska communities and should be scrapped. The Council should heed the guidance in HJR 21 and cease considering the LLP recency amendment package. Any attempt to address similar issues in the future should also address as a primary goal how the fishing economies of Gulf of Alaska Communities can be maintained or strengthened as a result of the amendment package.

We thank you for your concern and effort on this very important matter.

Sincerely,

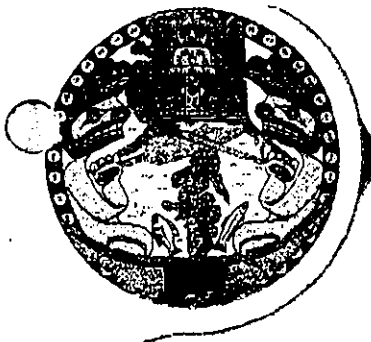
NATIVE VILLAGE OF PORT LIONS
IVAN D. LUKIN, PRESIDENT

Susan Boskofsky
Administrator

cc:

The Honorable Sarah Palin, Governor, State of Alaska	465-2332
Denby Lloyd, Commissioner of Alaska Dept. of Fish & Game	465-2332
Cora Crome, Fisheries Policy Advisor, Office of the Governor	465-3532
John Moller, Rural Advisor, Office of the Governor	465-3532

SB/mrw



ORGANIZED VILLAGE OF KASAAN

P. O. Box 26-Kasaan • Ketchikan, Alaska 99950-0340
(907) 542-2230 • (fax) 907-542-3006

March 6, 2009

To:

Representative Alan Austerman	120 4th St., Juneau, Alaska 9980?	Fax 465-4956
Representative Bill Thomas Jr.	120 4th St., Juneau, Alaska 9980?	Fax 465-2652
Representative Jay Ramras	120 4th St., Juneau, Alaska 9980?	Fax 465-2070
Representative Cathy Munoz	120 4th St., Juneau, Alaska 9980?	Fax 465-2273
Representative Charisse Millett	120 4th St., Juneau, Alaska 9980?	Fax 465-2069
Representative Bryce Edgman	120 4th St., Juneau, Alaska 9980?	Fax 465-3445
Representative Paul Seaton	120 4th St., Juneau, Alaska 9980?	Fax 465-3472
Representative Peggy Wilson	120 4th St., Juneau, Alaska 9980?	Fax 465-3175
Representative John Harris	120 4th St., Juneau, Alaska 9980?	Fax 465-3799
Representative Mark Neuman	120 4th St., Juneau, Alaska 9980?	Fax 465-4822

Subject: HJR 21 – A Resolution requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program to participate in the Pacific cod fisheries in the Gulf of Alaska.

Dear Representatives: Auterman, Thomas, Ramras, Munoz, Millett, Edgmon, Seaton, Wilson, Harris, and Neuman,

The Organized Village of Kasaan strongly supports House Joint Resolution #21 that you have co-sponsored.

We are deeply concerned that current North Pacific Fishery Management Council action to reduce existing federal groundfish licenses for both fixed gear and trawl gear, combined with a proposed sector split is not good for our coastal communities and not good for Alaska.

a federally recognized

The life blood of our community and many other communities in the Gulf of Alaska depend upon access to the marine resources that lie on our doorsteps. Our communities are continually losing access to local fisheries and it doesn't matter whether you call this rationalization or something else – the result is the same. If we continue down this same path at some point in the future all our federal waters Gulf fisheries could be fully owned by Outside interests.

We encourage the Alaska Legislature to pass this resolution and thereby make a strong statement to the North Pacific Fisheries Management Council that this amendment package is not good for Alaska communities and should be scrapped. The Council should heed the guidance in HJR 21 and cease considering the LLP recent amendment package. Any attempt to address similar issues in the future should also address as a primary goal how the fishing economies of Gulf of Alaska Communities can be maintained or strengthened as a result of the amendment package.

We thank you for your concern and effort on this very important matter

Sincerely,

Richard J Peterson

Richard Peterson, President
Organized Village of Kasaan

CC:

The Honorable Sarah Palin, Governor, State of Alaska	465-2332
Denby Lloyd, Commissioner of Alaska Department of Fish and Game	465-2332
Cora Crome, Fisheries Policy Advisor, Office of the Governor	465-3532
John Moller, Rural Advisor, Office of the Governor	465-3532

Chugach Regional Resources Commission

Chenega Bay
Eyak
Nanwalek
Port Graham
Qutekcak Native Tribe
Tatitlek
Valdez Native Tribe

March 6, 2009

To:

Representative Alan Austerman	120 4th St., Juneau, Alaska 99802	Fax 465-4956
Representative Bill Thomas Jr.	120 4th St., Juneau, Alaska 99802	Fax 465-2652
Representative Jay Ramras	120 4th St., Juneau, Alaska 99802	Fax 465-2070
Representative Cathy Munoz	120 4th St., Juneau, Alaska 99802	Fax 465-2273
Representative Charisse Millett	120 4th St., Juneau, Alaska 99802	Fax 465-2069
Representative Bryce Edgmon	120 4th St., Juneau, Alaska 99802	Fax 465-3445
Representative Paul Seaton	120 4th St., Juneau, Alaska 99802	Fax 465-3472
Representative Peggy Wilson	120 4th St., Juneau, Alaska 99802	Fax 465-3175
Representative John Harris	120 4th St., Juneau, Alaska 99802	Fax 465-3799
Representative Mark Neuman	120 4th St., Juneau, Alaska 99802	Fax 465-4822

Subject: HJR 21 – A Resolution requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program to participate in the Pacific cod fisheries in the Gulf of Alaska.

Dear Representatives: Austerman, Thomas, Ramras, Munoz, Millett, Edgmon, Seaton, Wilson, Harris, and Neuman,

The Chugach Regional Resources Commission strongly supports House Joint Resolution #21 that you have co-sponsored.

We are deeply concerned that current North Pacific Fishery Management Council action to reduce existing federal groundfish licenses for both fixed gear and trawl gear, combined with a proposed sector split is not good for our coastal communities and not good for Alaska.

The life blood of our community and many other communities in the Gulf of Alaska depend upon access to the marine resources that lie on our doorsteps. Our communities are continually losing access to local fisheries and it doesn't matter whether you call this rationalization or something else – the result is the same. If we continue down this same path at some point in the future all our federal waters Gulf fisheries could be fully owned by Outside interests.

6200 Lake Otis Parkway, Suite 201, Anchorage, Alaska 99507 • (907) 562-6647 • Fax (907) 562-4939
www.crrcalaska.org

We encourage the Alaska Legislature to pass this resolution and thereby make a strong statement to the North Pacific Fishery Management Council that this amendment package is not good for Alaska communities and should be scrapped. The Council should heed the guidance in HJR 21 and cease considering the LLP recency amendment package. Any attempt to address similar issues in the future should also address as a primary goal how the fishing economies of Gulf of Alaska Communities can be maintained or strengthened as a result of the amendment package.

We thank you for your concern and effort on this very important matter.

Sincerely,

for

Patrick Norman
Chairman
Chugach Regional Resources Commission

CC:

The Honorable Sarah Palin, Governor, State of Alaska	465-2332
Denby Lloyd, Commissioner of Alaska Department of Fish and Game	465-2332
Cora Crome, Fisheries Policy Advisor, Office of the Governor	465-3532
John Moller, Rural Advisor, Office of the Governor	465-3532

OUZINKIE NATIVE CORPORATION

P.O. Box 89
Ouzinkie, Alaska 99644

Phone: (907) 680-2208 Fax: (907) 680-2268 Email: ouzinkie@starband.net

March 6, 2009

Representative Alan Austerman
Representative Bill Thomas Jr.
Representative Jay Ramrus
Representative Cathy Munoz
Representative Charisse Millett
Representative Bryce Edgmon
Representative Paul Seaton
Representative Peggy Wilson
Representative John Harris
Representative Mark Neuman
120 4th Street
Juneau, Alaska 99802

RE: HJR 21 – A Resolution requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program to participate in the Pacific cod fisheries in the Gulf of Alaska

Dear Representatives Austerman, Thomas, Ramrus, Munoz, Millett, Edmon, Seaton, Wilson, Harris and Neuman:

Ouzinkie Native Corporation strongly supports House Joint Resolution 21 that you have co-sponsored.

We are deeply concerned that current North Pacific Fishery Management Council action to reduce existing federal ground-fish licenses for both fixed gear and trawl gear, combined with a proposed sector split, is not good for our coastal communities and not good for Alaska.

The life blood of our community and many other communities in the Gulf of Alaska depend upon access to local fisheries and it does not matter whether you call this rationalization or something else – the result is the same. If we continue down this same path, at some point in the future all our federal waters Gulf fisheries could be fully owned by Outside interests.

We encourage the Alaska Legislature to pass this resolution and thereby make a strong statement to the North Pacific Fishery Management Council that this amendment package is not good for Alaska communities and should be scrapped. The Council should heed the guidance in HJR 21 and cease considering the LLP recency amendment package. Any attempt to address similar issues in the future should also address as a primary goal how the fishing economies of Gulf of Alaska Communities can be maintained or strengthened as a result of the amendment package.

We thank you for your concern and effort on this very important matter.

Best regards,

Michael G. O'Connor,
President & CEO

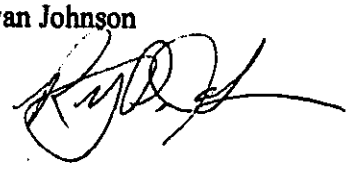
March 6, 2009

My name is Ryan Johnson, and I am a small boat fisherman from Kodiak. I am 36 years old and have fished out of Kodiak since 1993 and resided in Kodiak since 1997. Since 2001 I have participated in the Pacific Cod fishery using pots and longlines on board my very small 38 foot boat, the Cyclone. I currently own a Central Gulf LLP for the Cyclone that is valid for boats up to 46 feet in length, and all of my catch history has been with this LLP. In January of 2008 I purchased a new vessel, the Castle Cape, which is 48 feet long and came with another Central Gulf LLP that does not have any recent history. I've since learned that the NPFMC is attempting to revoke LLPs that don't have any history, which would effectively ban me from a fishery that I have participated in for seven years.

As a year-round resident and home-owner in Kodiak, I depend on several fisheries throughout the year to make my business plan work. Pot fishing for cod in the January and February seasons are crucial to my Winter survival and to the servicing of the debt that I have taken on with my fishing business. I have borrowed substantial sums over the years, not only for my vessels, but for my pots and gear such as haulers, launchers, bait-choppers etc. I employ local crewmembers who also live year-round in Kodiak and have families with small children. It is with great dismay as I watch the Council yet again run roughshod over the majority of Alaskan stakeholders for the good of only a few. Most of the beneficiaries of this action are large boatowners who are approaching or beyond retirement age, and who already received huge private quota allocations in the Halibut/ Sablefish IFQ Program and/or the Bering Sea Crab IFQ Program. If this action passes, the LLPs that are left will take on a much larger value, and I will be forced once again to take on more debt just to continue to participate.

I applaud the efforts of Representative Austerman and others to stand up for working Alaskans and oppose this harmful Council action.

Respectfully, Ryan Johnson



Rep. Alan Austerman

From: Iver Holm [skiffman88@gmail.com]
Sent: Friday, March 06, 2009 1:27 PM
To: Rep. Alan Austerman
Subject: HJR 21

Honorable Representative Alan Austerman,

My name is Iver Holm and I am a lifelong resident of Kodiak. I am only 21 years old but have fished for many years crewing for salmon seine and set net as well as tanner crab, herring, halibut, and cod jigging. I am in the process of purchasing a 38' boat.

I strongly support HJR 21. My father has an LLP that I could use with my boat but it doesn't have recent history so the pending N.P.F.M.C action would render it useless for cod fishing. LLP's with history are priced so high that I wouldn't be able to afford one for many years, if ever. While I can jig for cod in the state waters season, being able to pot fish for cod in the earlier federal season may be necessary for my boat to be successful. It is clear that being able to switch fisheries based on market conditions and availability of fish is necessary to be successful in small boat fisheries.

I hope that HJR 21 receives support in the Senate and is heeded by the North Pacific Fisheries Management Council. Thank you for your efforts regarding these important issues.

Sincerely,

Iver Holm

KONIAG
INCORPORATED

March 5, 2009

To:		
	Representative Alan Austerman	Fax 465-4956
	Representative Bill Thomas Jr.	Fax 465-2652
	Representative Jay Ramras	Fax 465-2070
	Representative Cathy Munoz	Fax 465-2273
	Representative Charisse Millett	Fax 465-2069
	Representative Bryce Edgmon	Fax 465-3445
	Representative Paul Seaton	Fax 465-3472
	Representative Peggy Wilson	Fax 465-3175
	Representative John Harris	Fax 465-3799
	Representative Mark Neuman	Fax 465-4822

Subject: HJR 21

Dear Representatives Austerman, Thomas, Ramras, Munoz, Millett, Edgmon, Seaton, Wilson, Harris, and Neuman:

Koniag Inc, strongly supports House Joint Resolution #21 that you have co-sponsored. We are deeply concerned that current North Pacific Fishery Management Council action toward reducing existing federal ground fish licenses for both fixed gear and trawl gear, combined with the proposed sector split is not good for our coastal communities and not good for Alaska.

As it was for generations of Alutiiq people before us, the life blood of our village and regional hub communities depend upon access to marine resources. Fisheries are the only economic engine in many coastal communities; the source of small business development and self reliance. The opportunity to participate in fisheries represents many things to Kodiak including thriving resident families and increasing regional infrastructure.

We encourage the Alaska Legislature to pass this resolution and thereby make a strong statement to the North Pacific Fishery Management Council that their present amendment package is not good for Alaska's communities.

Sincerely,

Charlie Powers, Vice President Corporate Affairs

cc:		
	The Honorable Sarah Palin, Governor, State of Alaska	455-2332
	Denby Lloyd, Commissioner of Alaska Department of Fish and Game	455-2332
	Cora Crome, Fisheries Policy Advisor, Office of the Governor	455-3532
	John Moller, Rural Advisor, Office of the Governor	455-3532

104 Center Ave, Suite 205
Kodiak, AK 99615
(907) 486-2530
FAX (907) 486-3325
www.koniag.com

509 1st Street
P.O. Box 1388
Cordova, Alaska 99574-1388
Ph (907) 424-7738 * Fax (907) 424-7739

Native Village of Eyak

10,000 years in our Traditional Homeland, Prince William Sound & The Copper River Delta

March 4, 2009

To:

Representative Alan Austerman	120 4th St., Juneau, Alaska 99802	Fax 465-4956
Representative Bill Thomas Jr.	120 4th St., Juneau. Alaska 99802	Fax 465-2652
Representative Jay Ramras	120 4th St., Juneau, Alaska 99802	Fax 465-2070
Representative Cathy Munoz	120 4th St., Juneau, Alaska 99802	Fax 465-2273
Representative Charisse Millett	120 4th St., Juneau, Alaska 99802	Fax 465-2069
Representative Bryce Edgmon	120 4th St., Juneau. Alaska 99802	Fax 465-3445
Representative Paul Seaton	120 4th St., Juneau, Alaska 99802	Fax 465-3472
Representative Peggy Wilson	120 4th St., Juneau, Alaska 99802	Fax 465-3175
Representative John Harris	120 4th St., Juneau, Alaska 99802	Fax 465-3799
Representative Mark Neuman	120 4th St., Juneau, Alaska 99802	Fax 465-4822

Subject: HJR 21 – A Resolution requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program to participate in the Pacific cod fisheries in the Gulf of Alaska.

Dear Representatives: Austerman, Thomas, Ramras, Munoz, Millett, Edgmon, Seaton, Wilson, Harris, and Neuman,

The Native Village of Eyak strongly supports House Joint Resolution #21 that you have co-sponsored.

We are deeply concerned that current North Pacific Fishery Management Council action to reduce existing federal groundfish licenses for both fixed gear and trawl gear, combined with a proposed sector split is not good for our coastal communities and not good for Alaska.

The life blood of our community and many other communities in the Gulf of Alaska depend upon access to the marine resources that lie on our doorsteps. Our communities are continually losing access to local fisheries and it doesn't matter whether you call this rationalization or something else – the result is the same. If we continue down this same path at some point in the future all our federal waters Gulf fisheries could be fully owned by Outside interests.

We encourage the Alaska Legislature to pass this resolution and thereby make a strong statement to the North Pacific Fishery Management Council that this amendment package is not good for Alaska communities and should be scrapped. The Council should heed the guidance in HJR 21 and cease considering the LLP recency amendment package. Any attempt to address similar issues in the future should also address as a primary goal how the fishing economies of Gulf of Alaska Communities can be maintained or strengthened as a result of the amendment package.

We thank you for your concern and effort on this very important matter.

Sincerely,

Robert J. Henrichs
President
Traditional Council

Robert J Henrichs

CC:
The Honorable Sarah Palin, Governor, State of Alaska 465-2332
Denby Lloyd, Commissioner of Alaska Department of Fish and Game 465-2332
Cora Crome, Fisheries Policy Advisor, Office of the Governor 465-3532
John Moller, Rural Advisor, Office of the Governor 465-3532

Native Village of Chignik Lagoon
PO Box 09
Chignik Lagoon, AK 99565
907-840-2281
FAX 840-2217

March 4, 2009

To:

Representative Alan Austerman	120 4th St., Juneau, Alaska 99802	Fax 465-4956
Representative Bill Thomas Jr.	120 4th St., Juneau, Alaska 99802	Fax 465-2652
Representative Jay Ramras	120 4th St., Juneau, Alaska 99802	Fax 465-2070
Representative Cathy Munoz	120 4th St., Juneau, Alaska 99802	Fax 465-2273
Representative Charisse Millett	120 4th St., Juneau, Alaska 99802	Fax 465-2069
Representative Bryce Edgmon	120 4th St., Juneau, Alaska 99802	Fax 465-3445
Representative Paul Seator	120 4th St., Juneau, Alaska 99802	Fax 465-3472
Representative Peggy Wilson	120 4th St., Juneau, Alaska 99802	Fax 465-3175
Representative John Harris	120 4th St., Juneau, Alaska 99802	Fax 465-3799
Representative Mark Neuman	120 4th St., Juneau, Alaska 99802	Fax 465-4822

Subject: HJR 21 – A Resolution requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program to participate in the Pacific cod fisheries in the Gulf of Alaska.

Dear Representatives: Austerman, Thomas, Ramras, Munoz, Millett, Edgmon, Seaton, Wilson, Harris, and Neuman,

The Chignik Lagoon Village Council strongly supports House Joint Resolution #21 that you have co-sponsored.

We are deeply concerned that current North Pacific Fishery Management Council action to reduce existing federal groundfish licenses for both fixed gear and trawl gear, combined with a proposed sector split is not good for our coastal communities and not good for Alaska.

The life blood of our community and many other communities in the Gulf of Alaska depend upon access to the marine resources that lie on our doorsteps. Our communities are continually losing access to local fisheries and it doesn't matter whether you call this rationalization or something else – the result is the same. If we continue down this same path at some point in the future all our federal waters Gulf fisheries could be fully owned by Outside interests.

We encourage the Alaska Legislature to pass this resolution and thereby make a strong statement to the North Pacific Fishery Management Council that this amendment package is not good for Alaska communities and should be scrapped. The Council should heed the guidance in HJR 21 and cease considering the LLP recency amendment package. Any attempt to address similar issues in the future should also address as a primary goal how the fishing economies of Gulf of Alaska Communities can be maintained or strengthened as a result of the amendment package.

We thank you for your concern and effort on this very important matter.

Sincerely,

Clemens Grunert
Chignik Lagoon Village Council President

CC:
The Honorable Sarah Palin, Governor, State of Alaska 465-2332
Denby Lloyd, Commissioner of Alaska Department of Fish and Game 465-2332
Cora Crome, Fisheries Policy Advisor, Office of the Governor 465-3532
John Moller, Rural Advisor, Office of the Governor 465-3532

Native Village of Port Graham

PORT GRAHAM VILLAGE COUNCIL
P.O. BOX 5510 • PORT GRAHAM • ALASKA 99603-5510
907-284-2227 FAX 907-284-2222

March 4, 2009

To:

Representative Alan Austerman	120 4th St., Juneau, Alaska 99802	Fax 465-4956
Representative Bill Thomas Jr.	120 4th St., Juneau, Alaska 99802	Fax 465-2652
Representative Jay Ramras	120 4th St., Juneau, Alaska 99802	Fax 465-2070
Representative Cathy Munoz	120 4th St., Juneau, Alaska 99802	Fax 465-2273
Representative Charisse Millett	120 4th St., Juneau, Alaska 99802	Fax 465-2069
Representative Bryce Edgmon	120 4th St., Juneau, Alaska 99802	Fax 465-3445
Representative Paul Seaton	120 4th St., Juneau, Alaska 99802	Fax 465-3472
Representative Peggy Wilson	120 4th St., Juneau, Alaska 99802	Fax 465-3175
Representative John Harris	120 4th St., Juneau, Alaska 99802	Fax 465-3799
Representative Mark Neuman	120 4th St., Juneau, Alaska 99802	Fax 465-4822

Subject: HJR 21 – A Resolution requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program to participate in the Pacific cod fisheries in the Gulf of Alaska.

Dear Representatives: Austerman, Thomas, Ramras, Munoz, Millett, Edgmon, Seaton, Wilson, Harris, and Neuman,

The Port Graham Village Council strongly supports House Joint Resolution #21 that you have co-sponsored.

We are deeply concerned that current North Pacific Fishery Management Council action to reduce existing federal groundfish licenses for both fixed gear and trawl gear, combined with a proposed sector split is not good for our coastal communities and not good for Alaska.

The life blood of our community and many other communities in the Gulf of Alaska depend upon access to the marine resources that lie on our doorsteps. Our communities are continually losing access to local fisheries and it doesn't matter whether you call this rationalization or something else – the result is the same. If we continue down this same path at some point in the future all our federal waters Gulf fisheries could be fully owned by Outside interests.

We encourage the Alaska Legislature to pass this resolution and thereby make a strong statement to the North Pacific Fishery Management Council that this amendment package is not good for Alaska communities and should be scrapped. The Council should heed the guidance in HJR 21 and cease considering the LLP recency amendment package. Any attempt to address similar

issues in the future should also address as a primary goal how the fishing economies of Gulf of Alaska Communities can be maintained or strengthened as a result of the amendment package.

We thank you for your concern and effort on this very important matter.

Sincerely

Patrick Norman Chief Port Graham Village Council

March 4, 2009

Representative Alan Austerman
House of Representatives
Alaska State Legislature
120 4th Street Room 3
Juneau, Alaska 99801-1182

Dear Representative Austerman,

I strongly support HJR 21. I am a twenty three year old fisherman from the Kodiak village of Port Lions. I have been fishing since I was eleven years old, starting with my dad, Harry (Fuzzy) Nelson. I have seined salmon and herring, longlined halibut and cod, pot fished and trawled. Last year I purchased an LLP and fished it with my dad's boat, the F/V Anna Lisa. I bought a boat of my own last summer and have been fishing hard as crew to help me with my start up costs. Currently, I am a crewman on the F/V Elizabeth F with Capt Stormy Stutes. Fishing is a way of life for me, but I don't want to spend my life as crewman. I need to be able to grow. But each time a new regulation or rule is created that gives away the resources of the Gulf of Alaska to the big players, it diminishes the opportunity I need to make a life for myself. The LLP I bought will be extinguished if the NPFMC takes its planned action at the April meeting. It does not have specified recency to qualify it for continued use under the NPFMC's preferred alternatives. Each new regulation closing off opportunity for people like me helps kill communities like Port Lions, Ouzinkie, Larsen Bay, and Old Harbor. We are Alaska. We live here. We need opportunities to fish. We are not asking for the ownership rights to the North Pacific, we are asking for a right to earn a living in our communities and to contribute to the employment opportunities for our neighbors.

Thank you for HJR 21, perhaps you can help keep the big money interests from extinguishing Alaska's coastal citizens' right to earn a living from the resources right outside our front doors.

Sincerely,
Michael Nelson

Gulf of Alaska Coastal Communities Coalition (GOAC3)
PO Box 201236, Anchorage Alaska 99520
Phone: (866) 561-7633 or (907) 561-7633 Fax: (907)561-7634
Web: www.goac3.org Email: goaccc@alaska.net

March 4, 2009

To:

Representative Alan Austerman	120 4th St. Juneau, Alaska 99802	Fax 465-4956
Representative Bill Thomas Jr.	120 4th St. Juneau, Alaska 99802	Fax 465-2652
Representative Jay Ramras	120 4th St. Juneau, Alaska 99802	Fax 465-2070
Representative Cathy Munoz	120 4th St. Juneau, Alaska 99802	Fax 465-2273
Representative Charisse Millett	120 4th St. Juneau, Alaska 99802	Fax 465-2069
Representative Bryce Edgmon	120 4th St. Juneau, Alaska 99802	Fax 465-3445
Representative Paul Seaton	120 4th St. Juneau, Alaska 99802	Fax 465-3472
Representative Peggy Wilson	120 4th St. Juneau, Alaska 99802	Fax 465-3175
Representative John Harris	120 4th St. Juneau, Alaska 99802	Fax 465-3799
Representative Mark Neuman	120 4th St. Juneau, Alaska 99802	Fax 465-4822

Subject: HJR 21 – A Resolution requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program to participate in the Pacific cod fisheries in the Gulf of Alaska.

Dear Representatives: Austerman, Thomas, Ramras, Munoz, Millett, Edgmon, Seaton, Wilson, Harris, and Neuman,

The Board of Directors of the Gulf of Alaska Coastal Communities Coalition (GOAC3) strongly supports House Joint Resolution #21 that you have co-sponsored.

For far too long the push toward rationalization of fisheries in the North Pacific has been made without consideration of the negative impacts on Gulf of Alaska fisheries-dependent communities. Although, Governor Palin has made it very clear that further rationalization in the Gulf of Alaska should not be pursued, it is evident that the LLP (license limitation program) fixed gear recency amendment package that is now before the North Pacific Fishery Management Council (NPFMC), combined with the recent trawl LLP reduction and the proposed "sector split" is a very real step on the path toward full rationalization without benefit of application of federally mandated community protections.

Gulf of Alaska coastal communities have continually lost access to fisheries resources as a direct result of regulatory action. Many of our communities, that have thrived for millennia, could conceivably become extinct as a result of the last 30 years of regulatory impacts.

We are concerned that pre-Statehood conditions have already returned to our adjacent federal waters. The potential for all federal fisheries in the Gulf of Alaska to be owned by Outside interests in the not-too-distant future is a "clear and present danger."

The Gulf of Alaska does not have benefit of a workable community quota program, such as the Western Alaska CDQ (community development quota) that would "anchor" a certain amount of fishing effort in Alaska. The CQE (community quota entity) program for the purchase of halibut and sablefish quota share in the Gulf has not had benefit of either initial issuance of quota or a fiscal note to enable the purchase of quota. Despite the efforts of many over the last several years, the sharp increase in the price of quota has made it infeasible for most Gulf communities to utilize the CQE program for their benefit. The GOAC3 is part of a group effort to work toward pursuing needed language changes and creative funding. But it is only one part of a progressive problem.

We encourage the Alaska Legislature to pass this resolution. We further encourage this Resolution to be a message to the North Pacific Fishery Management Council that the proposed amendment package is not good for Alaska communities and that any future amendments need to be considered within the context of whether the amendment harms or strengthens affected communities.

Thank you for your effort on behalf of this extremely important issue.

Sincerely,

Freddie Christiansen, Chairman
Gulf of Alaska Coastal Communities Coalition

Gale R. Vick, Executive Director
Gulf of Alaska Coastal Communities Coalition

Emil Christiansen Sr. Old Harbor Native Corp.	Richard George CCTHITA	Robert Henrichs NV of Eyak
Patrick Kosbruk NV of Perryville	Johnny Lind NV of Chignik Lake	Charles McCallum Lake & Pen. Borough
Jackie Muller Ouzinkie Native Corp.	Pat Norman Port Graham Tribal Council	Arnold Olsen Koniag, Inc.
Conrad Peterson Old Harbor Tribal Council	Howard Torsen Ouzinkie Native Corp.	Charles Totemoff Chenega Corp.

CC:

Denby Lloyd, Commissioner of Fish and Game	465-2332
Cora Crome, Fisheries Policy Advisor	465-3532
John Moller, Rural Advisor	465-3532
Sarah Palin, Governor	465-3532

Verna Adams

From: Rep. Alan Austerman
Sent: Thursday, March 05, 2009 1:42 PM
To: Cliff Stone; Erin Harrington
Subject: FW: HJR 21

From: pomega@gci.net [mailto:pomega@gci.net]
Sent: Wednesday, March 04, 2009 10:45 AM
To: Rep. Alan Austerman
Subject: HJR 21

March 3, 2009

Representative Alan Austerman

Regarding HJR 21

I am writing to you today to object to you getting the legislature involved in pacific cod endorsements. We feel that the North Pacific Management Council has the back ground on this matter and that it is more appropriate for the legislature to focus on the problems that we are having with the pacific cod fishery that takes place in State Waters.

The way matters stand after this years fishery we are wondering if an action for limited entry in State waters isn't long over due and possibly would be closing the door with way too many participants already in the game.

As you probably realize Ken has been running the Point Omega out of Kodiak since it was new in 1970. It is 72' and we have been closed out of the very same p cod pot fishery we helped to develop here around Kodiak starting back in 1986. Most State water fisheries are geared toward the salmon fleet that has had State limited entry for years and has a vessel length of no more that 58'. Kodiak is the last place the Point Omega can actually fish the State water P cod fishery due to our size. We can't travel west and take part in any other area so with bigger boats that no longer do Bering Sea crab looking for places to fish we are getting a lot of help catching cod here during the State water fishery and some extra in the federal due in part to people trying to get a permit of some kind.

This action that the council has been working on does no more than to protect the resource and those of us who actually do depend on the cod fishery to be able to support a crew and our business here in our home port of Kodiak. If the legislature thinks they are doing the community a favor by jumping in on this issue that has been on the table for several years now I think they may be doing more harm than good. There may be, as always, some people in Kodiak that are not happy about the recency endorsement package, but I ask you, if you actually understand that there is entry level participation in the jig fishery as part of this package and any fixed gear vessel is able to fish in state waters during the federal fishery and any pot or jig vessel is able to participate in the state water fishery, and will be able to... endorsement or no endorsement.

The amount of fixed gear LLP's that are being discussed in this action is huge, mostly they were originated by p cod deliveries made during halibut and sablefish operations and most of these LLP's have never been dependent on the p cod fishery at all. In fact they haven't even tried to make a delivery even though we had several years where rationalization was a possibility. The threshold for catch criteria in Component 4 of the recency (endorsement) package hardly shows dependence if you are actually trying to make a living at cod fishing. Once again I would like to point out that there is no such endorsement being recommended for the jig fishery and that is open to all.
People don't seem to have a problem with the limited entry program for salmon or herring, if you want to fish it and you never did before you buy a permit, in this case you would find a permit with an endorsement for the right area. It makes sense to protect the resource by limiting the amount of effort. If you think about the salmon fishery and the herring fishery and compare what is being done here it is much the same. The resource is getting smaller and the ability to have over 800 permits targeting p cod in the CGOA would have negative impacts on the resource and on those of us who have been fishing here since this fishery was first a viable fixed gear fishery. If we continue to get the kind of big boat participation that is now coming around here since crab rationalization we will soon be unable to make enough money fishing cod to make it worth the effort. This action will still leave way more permits with P cod endorsements than there are people who fish on a yearly basis so there is still opportunity for people to get in as abundance dictates.

I didn't mean to write you a novel but we are some of your constituents and we feel that you are taking sides with out giving us a proper heads up or an opportunity to hear what kind of influences have brought you to this point.

We also take exception to your whereas the median age of fishermen is now 47 years old. Does this mean that, as we age, we are no longer considered as important and that we should roll up and die and let some other person take our place? Sounds like some kind of discrimination to me. We are trying to protect some traditional ways of life here in our coastal community, we live here and our kids live here and we run our business out of here, are you sure you know enough about what you are trying to stop to make this decision for us?

Please let the NPFMC do what they are supposed to and deal with this issue in a timely fashion before we all go broke. It isn't really feasible for us to slap on some jig gear and try to make a living here while you let other people who arrive with cash in hand from other rationalization programs and take over the p. cod pot fishery we have been dependent on for the last 23 years.

Sincerely,

Chris and Ken Holland
PO Box 608
Kodiak, AK 99615
F/V POINT OMEGA

March 2, 2009

Representative Alan Austerman
State Capitol, Room 434
Juneau, AK 99801-1182
(907)465-4956 Fax

Re: HJR 21-Grounfish Fisheries Licenses

Representative Austerman:

Thank you for your sponsorship of HJR-21, a bill which may hold the key, to the future of many coastal communities and coastal fishermen. As you know, ground fish(Pacific Cod) is an important component of Coastal Alaska's diversified fishing fleets. Maintaining access to these fish stocks is essential to the very survival for many, "boots on deck" active fishermen, fishery support businesses, and local economies.

This bill makes a strong statement to the North Pacific Fishery Management Council(NPFMC) that the continuation on the road to more rationalized fisheries is not supported by the highest levels of the State of Alaska's government. Viable alternatives to LLP reduction already exist in the form of trip catch limits, tiered permits , exclusive registration, gear limitations, and fishing hours restrictions. None of which are currently being looked at as solutions by the council.

My family and I own/operate a small 45' combination vessel which is home ported in Kodiak. We employ between 6-8 resident crewmembers each year. Our primary fisheries have been halibut, dungeness/tanner crab, and ground fish. All of these fisheries are necessary for us to be solvent and provide year round employment.

I have personally been fishing Pacific Cod for twenty-two years(crewmember-4yrs., hired skipper-14 yrs., boat owner/operator-4yrs). LLP reduction/cod endorsements as written, would exclude us from future participation. Myself and many other active fishermen fall through the cracks in the federal plan.

Regards;
Frank Miles
Frank Miles
F/V Lady Lu-Miles Fish Company Inc.
Box 2744
Kodiak, AK 99615
(907)486-8204 PH

March 1, 2009

Representative Alan Austerman
House of Representatives
Alaska State Legislators
120 4th Street Room 3
Juneau, Alaska 99801-1182

Dear Representative Austerman,

I am a nineteen year old, 3rd generation Alaskan fisherman. I grew up in Kodiak and have been going out on commercial fishing boats sine I was three and had the chance to go seining in Alitak with my dad. After graduating high school and attending a couple of semesters in college at UAA, I decided to come back home and fish the federal and state cod fisheries this year. In looking ahead into my future, I am interested in pursuing fishing opportunity in Kodiak and continuing my college career in the off seasons to explore direct marketing opportunity.

However, within this plan I am faced with the reality that opportunity for my generation is quickly diminishing. With the way things are looking, there may not be enough affordable entry level opportunity in enough fisheries to achieve my long term goal. The IFQ rights to fish halibut and sablefish are out of my range and I don't expect much to change there. Now there is an action at the NPFMC to further limit the number of licenses to fish for cod in federal waters. It seems this action is driven by the big industry players that made their mark in fishing under open access and now want to lock up the rights.

Where does this leave people like me? Without being able to answer what will happen to future generations that want to go fishing and live in Kodiak, the State should not support this action moving forward. It is not the job of federal managers to look out for the well being of coastal Alaskans, it is the State's. I have attended a few of these NPFMC meetings and found it all so complicated I did not know where to begin. I know that is true for most of my friends. They don't think the direction we are going in fishing is right but they, like me, don't really know what to do about it.

In reading through the resolution HJR 21, to cease the action to extinguish latent licenses and all the reasons why, I fully support the resolution. At this time we need to stand back and answer some of the basic questions, like the opportunity in the future for kids like me, before charging on ahead. I'm willing to go out on the water and work hard to make a living, but there needs to be a door left open to do it.

Sincerely,

Charlie Peterson

Timothy Clark

From: pomega@gci.net on behalf of F/V Point Omega [pomega@gci.net]
Sent: Wednesday, March 04, 2009 1:49 PM
To: Timothy Clark
Subject: HJR 21

March 4, 2009

RE: HJR 21 Requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program license holder to participate in the Pacific cod fisheries in the Gulf of Alaska.

My name is Chris Holland. My husband Ken and I own and operate the 72' F/V POINT OMEGA out of Kodiak and we have been fishing Pacific Cod with pots since 1986. Our entire income is from our fishing operations and we as well as our children and their children live and work out of Kodiak.

We have been spending our hard earned money for the last several years to attend the North Pacific Fisheries Council meetings and try to help keep our community and our fisheries here in this coastal town viable for serious fishermen who actually fish.

The NPFMC is very engaged in this and they are the body that handles fisheries, we don't understand why now you are trying to have the legislature step into an on going action and mess with it. Do you understand the make up of the fishing fleet in our coastal communities? Do you earn your entire living off of working on the sea? I don't know what your situation is but I would really appreciate it if you would let those of us who have been following this issue get some relief.

The P. Cod fishery in the Central Gulf of Alaska has many and varied participants and it has been a fairly stable part of our yearly fishing business plan. We are being impacted here by people who are coming with money from other rationalized programs (like the Bering Sea Crab and the AFA and the CDQ groups) and trying to add our fisheries into their business plan now that they can lease out their crab shares or have a co-op catch their pollock.

The action that you are discussing derailing here is intended rather like other programs that have been done in State fisheries. It is to protect the resource and to protect the people and businesses that have been dependent on this fishery.

Many of the people who may be talking to you about this being a good idea have no stake in this fishery at all. The action is also leaving alone an entry level jig fishery that has half the state water cod in the Kodiak area already and will be able to fish with out endorsements at all in both the federal and the state fisheries.

We would rather that you take on the State water fishery and institute a limited entry program that is fair in State waters than for you to mess up a federal program that

people like us who are sincerely dependent on the P. Cod pot fishery have been helping to craft.

Maybe if I put it in terms of State limited entry programs that people have been working with successfully for years, like salmon and herring you will see what I mean.

The amount of fixed gear LLP's that are being discussed in this action is huge, mostly they were originated by p cod deliveries made during halibut and sablefish operations and most of these LLP's have never been dependent on the p cod fishery at all. In fact they haven't even tried to make a delivery even though we had several years where rationalization was a possibility. The threshold for catch criteria in Component 4 of the recency (endorsement) package hardly shows dependence if you are actually trying to make a living at cod fishing. Once again I would like to point out that there is no such endorsement being recommended for the jig fishery and that it is open to all.
People don't seem to have a problem with the limited entry program for salmon or herring, if you want to fish it and you never did before you buy a permit, in this case you would find a permit with an endorsement for the right area. It makes sense to protect the resource by limiting the amount of effort. If you think about the salmon fishery and the herring fishery and compare what is being done here it is much the same. The resource is getting smaller and the ability to have over 800 permits targeting p cod in the CGOA would have negative impacts on the resource and on those of us who have been fishing here since this fishery was first a viable fixed gear fishery. If we continue to get the kind of big boat participation that is now coming around here since crab rationalization we will soon be unable to make enough money fishing cod to make it worth the effort. This action will still leave way more permits with P cod endorsements than there are people who fish on a yearly basis so there is still opportunity for people to get in as abundance dictates.

Please leave the North Pacific Fisheries Management Council to do what they do pretty well and let us get on with our fishing business and not spend all our time worrying about who is going to try and take it away from us next.

Sincerely,

Chris and Ken Holland
F/V POINT OMEGA
PO Box 608
Kodiak, AK 99615

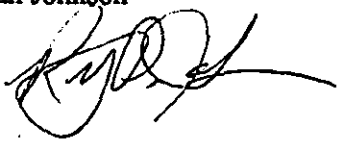
March 6, 2009

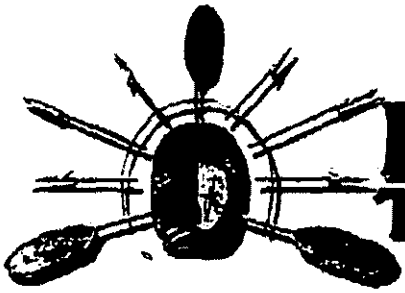
My name is Ryan Johnson, and I am a small boat fisherman from Kodiak. I am 36 years old and have fished out of Kodiak since 1993 and resided in Kodiak since 1997. Since 2001 I have participated in the Pacific Cod fishery using pots and longlines on board my very small 38 foot boat, the Cyclone. I currently own a Central Gulf LLP for the Cyclone that is valid for boats up to 46 feet in length, and all of my catch history has been with this LLP. In January of 2008 I purchased a new vessel, the Castle Cape, which is 48 feet long and came with another Central Gulf LLP that does not have any recent history. I've since learned that the NPFMC is attempting to revoke LLPs that don't have any history, which would effectively ban me from a fishery that I have participated in for seven years.

As a year-round resident and home-owner in Kodiak, I depend on several fisheries throughout the year to make my business plan work. Pot fishing for cod in the January and February seasons are crucial to my Winter survival and to the servicing of the debt that I have taken on with my fishing business. I have borrowed substantial sums over the years, not only for my vessels, but for my pots and gear such as haulers, launchers, bait-choppers etc. I employ local crewmembers who also live year-round in Kodiak and have families with small children. It is with great dismay as I watch the Council yet again run roughshod over the majority of Alaskan stakeholders for the good of only a few. Most of the beneficiaries of this action are large boatowners who are approaching or beyond retirement age, and who already received huge private quota allocations in the Halibut/ Sablefish IFQ Program and/or the Bering Sea Crab IFQ Program. If this action passes, the LLPs that are left will take on a much larger value, and I will be forced once again to take on more debt just to continue to participate.

I applaud the efforts of Representative Austerman and others to stand up for working Alaskans and oppose this harmful Council action.

Respectfully, Ryan Johnson





LARSEN BAY TRIBAL COUNCIL

PHONE(907) 847-2207
FAX (907) 847-2307
PO BOX 50
LARSEN BAY
ALASKA 99624

March 6, 2009

To:

Representative Alan Austerman	120 4th St., Juneau, Alaska 99802	Fax 465-4956
Representative Bill Thomas Jr.	120 4th St., Juneau, Alaska 99802	Fax 465-2652
Representative Jay Ramras	120 4th St., Juneau, Alaska 99802	Fax 465-2070
Representative Cathy Munoz	120 4th St., Juneau, Alaska 99802	Fax 465-2273
Representative Charisse Millett	120 4th St., Juneau, Alaska 99802	Fax 465-2069
Representative Bryce Edgmon	120 4th St., Juneau, Alaska 99802	Fax 465-3445
Representative Paul Seaton	120 4th St., Juneau, Alaska 99802	Fax 465-3472
Representative Peggy Wilson	120 4th St., Juneau, Alaska 99802	Fax 465-3175
Representative John Harris	120 4th St., Juneau, Alaska 99802	Fax 465-3799
Representative Mark Neuman	120 4th St., Juneau, Alaska 99802	Fax 465-4822

Subject: HJR 21- A resolution requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program to participate in the Pacific cod fisheries in the Gulf of Alaska.

Dear Representatives: Austerman, Thomas, Ramras, Munoz, Milett, Edgmon, Seaton, Wilson, Harris, and Neuman,

The Larsen Bay Tribal Council strongly supports House Joint Resolution #21 that you have co- sponsored.

We are deeply concerned that current North Pacific Fishery Management Council action to reduce existing federal ground fish licenses for both fixed gear and trawl gear, combined with a proposed sector split is not good for our coastal communities and not good for Alaska.

The life blood of our community and many other communities in the Gulf of Alaska depend upon access to the marine resources that lie on our doorsteps. Our communities are continually losing access to local fisheries and it doesn't matter whether you call this rationalization or something else- the result is the same. If we continue down this same path at some point in the future all our federal waters Gulf fisheries could be fully owned by Outside interests.

United Cook Inlet Drift Association

43961 K-Beach Road, Suite E • Soldotna, Alaska 99669 • (907) 260-9436 • fax (907) 260-9438
• info@ucida.org •

March 10, 2009

Representative Alan Austerman
State Capitol, Room 434
Juneau, AK 99801

Re: HJR 21

Dear Representative Austerman:
United Cook Inlet Drift Association (UCIDA) represents some 585 Upper Cook Inlet salmon fishing families. Many of our members use their salmon fishing vessels in the spring and fall cod fishery in Cook Inlet and Kodiak areas. For many younger families and fishermen, this fishery is where they enter a career of professional commercial fishing. The current action before the North Pacific Fishery Management Council closes this fishery to new entrants and removes unused permits. It is essential that fisheries remain open for new, often younger fishermen to enter fisheries without the economic challenges of needing to purchase harvesting privileges, IFQ's or a limited entry permit. We fully support HJR 21.

Sincerely,

Roland Maw

Roland Maw, PhD
UCIDA Executive Director

ams

SEAGO
SouthEast Alaska Guides Organization

March 09, 2009

Rep. Bryce Edgmon, Chairman
House Fisheries Special Committee
26th Alaska Legislature

Re: Support for HB-143

Dear Rep. Bryce Edgmon:

The Southeast Alaska Guides Organization (SEAGO) represents 26 sport fishing guides and lodges throughout Southeast Alaska with more than 100 active vessels. Information provided to ADF&G for reporting and analysis under this legislation is of great value and continuation of this program is beneficial to multiple user groups.

This program is one of the best tools that ADF&G has to identify who is involved in the charter/lodge industry and provides important data used to establish levels of harvest, effort, identification of clients, as well as species targeted. The money collected is used for issuing licenses and for sport fishing logbook data collection and reporting expenses.

Our members support extension of the current law with the fees at their levels as originally passed in 2004.

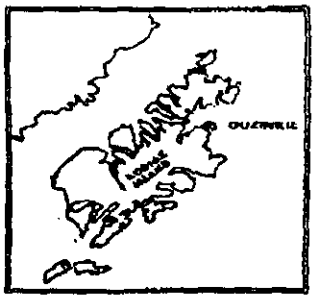
Sincerely,

Tom Ohaus, President

Note: sent via email to: ***timothy.clark@legis.state.ak.us***

cc: Mr. Denby Lloyd, Commissioner, ADF&G, via email
Mr. Charles Swanton, Director, ADF&G, via email

SEAGO • P.O. Box 422 • Sitka, Alaska 99835 • 907.947.2121
www.seagoalaska.org



City of Ouzinkie

P.O. Box 109
3rd & C Street
Ouzinkie, AK 99644
Phone (907) 680-2209 Fax (907) 680-2223
cityofouzinkie@ouzinkie.org

March 6, 2009

To:

Representative Alan Austerman	120 4th St., Juneau, Alaska 99802	Fax 465-4956
Representative Bill Thomas Jr.	120 4th St., Juneau, Alaska 99802	Fax 465-2652
Representative Jay Ramras	120 4th St., Juneau, Alaska 99802	Fax 654-2070
Representative Cathy Munoz	120 4th St., Juneau, Alaska 99802	Fax 465-2273
Representative Charisse Millett	120 4th St., Juneau, Alaska 99802	Fax 465-2069
Representative Bryce Edgmon	120 4th St., Juneau, Alaska 99802	Fax 465-3445
Representative Paul Seaton	120 4th St., Juneau, Alaska 99802	Fax 465-3472
Representative Peggy Wilson	120 4th St., Juneau, Alaska 99802	Fax 465-3175
Representative John Harris	120 4th St., Juneau, Alaska 99802	Fax 465-3799
Representative Mark Neuman	120 4th St., Juneau, Alaska 99802	Fax 465-4822

Re: Support of HJR 21

Dear Representatives: Austerman, Thomas, Ramras, Munoz, Millett, Edgmon, Seaton, Wilson, Harris, and Neuman:

This letter is being sent to you in support of HJR 21. A Resolution you have co-sponsored requesting that the North Pacific Fishery Management Council cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program in order to participate in the Pacific cod fisheries in the Gulf of Alaska

We encourage the Alaska Legislature to pass this resolution, thereby making a strong statement to the North Pacific Fishery Management Council that this amendment package is not good for our Alaska communities and should be discarded.

Our communities are continually losing access to local fisheries that are responsible for our economic well-being. Since 1990 there has been a 35 percent decline in the number of commercial fishermen in the state. Rationalization has created significant barriers for new entrants in the commercial fisheries by increasing costs of access to fishing permits and individual transferable quotas.

This has a far-reaching effect and touches other businesses that provide goods and services to the commercial fishing industry and exist for the support of the industry.

We believe there must be a better approach to the issues than the reduction of individual rights of a person to fish the marine resources that lie at our doorstep. We hope that the North Pacific Fishery Management Council will heed the guidance in HJR 21 and cease the consideration for allocation of the GOA Pacific cod resource to the various gear sectors and, also cease the consideration for limiting future entry to the GOA groundfisheries by extinguishing latent LLP licenses.

Sincerely,

Zack Chichenoff
Mayor
Zack Chichenoff

CC:

The Honorable Sarah Palin, Governor, State of Alaska	Fax 465-2332
Denby Lloyd, Commissioner of Alaska Department of Fish and Game	Fax 465-2332
Cora Cromo, Fisheries Policy Advisor, Office of the Governor	Fax 465-3532
John Moller, Rural Advisor, Office of the Governor	Fax 465-3532

COUNCIL ANNETTE ISLANDS RESERVE

METLAKATLA INDIAN COMMUNITY

KARL S. COOK, MAYOR
DIANA M. YLINIEMI, SECRETARY
NATHAN W. FAWCETT, TREASURER

ESTABLISHED 1887

POST OFFICE BOX 8
METLAKATLA, ALASKA 99926
PHONE (907) 886-4411
FAX (907) 886-7997

TO: DATE: 03/09/08

Representative Alan Austerman	120 4th St., Juneau, Alaska 99802	FAX: 465-4956
Representative Bill Thomas Jr.	120 4th St., Juneau, Alaska 99802	FAX: 465-2652
Representative Jay Ramras	120 4th St., Juneau, Alaska 99802	FAX: 465-2070
Representative Cathy Munoz	120 4th St., Juneau, Alaska 99802	FAX: 465-2273
Representative Charisse Millett	120 4th St., Juneau, Alaska 99802	FAX: 465-2069
Representative Bryce Edgmon	120 4th St., Juneau, Alaska 99802	FAX: 465-3445
Representative Paul Seaton	120 4th St., Juneau, Alaska 99802	FAX: 465-3472
Representative Peggy Wilson	120 4th St., Juneau, Alaska 99802	FAX: 465-3175
Representative John Harris	120 4th St., Juneau, Alaska 99802	FAX: 465-3799
Representative Mark Neuman	120 4th St., Juneau, Alaska 99802	FAX: 465-4822

Subject: HJR 21 – A resolution requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program to participate in the Pacific cod fisheries in the Gulf of Alaska.

Dear Representatives Austerman, Thomas, Ramras, Munoz, Millett, Edgmon, Seaton, Wilson, Harris and Neuman,

The Metlakatla Indian Community strongly supports House Joint Resolution #21 that you have co-sponsored.

We are deeply concerned that current North Pacific Fishery Management Council action to reduce existing federal ground fish licenses for both fixed gear and trawl gear, combined with a proposed sector split is not good for our coastal communities and not good for Alaska.

The Life blood of our community and many other communities in the Gulf of Alaska depend upon access to the marine resources that lie on our doorsteps. Our communities are continually losing access to local fisheries and it doesn't matter whether you call this rationalization or something else – the result is the same. If we continue down this same path at some point in the future all our federal waters Gulf fisheries could be fully owned by outside interests.

We encourage the Alaska Legislature to pass this resolution and thereby make a strong statement to the North Pacific Fishery Management Council that this amendment package is not good for Alaska communities and should be scrapped. The Council should heed the guidance in HJR 21 and cease considering the LLP recency amendment package.

Any attempt to address similar issues in the future should also address as a primary goal how the fishing economics of Gulf of Alaska Communities can be maintained or strengthened as a result of the amendment package.

We thank you for your concern and effort on this very important manner.

Sincerely,

Karl S. Cook

Karl Cook, MIC Mayor
Metlakatla Indian Community

Cc:

The Honorable Sarah Palin, Governor, State of Alaska	465-2332
Denby Lloyd, Commissioner of Alaska Department of Fish & Game	465-2332
Cora Crome, Fisheries Policy Advisor, Office of the Governor	465-3532
John Moller, Rural Advisor, Office of the Governor	465-3532

Chignik Lagoon Village Corporation
3917 Macinnes
Anchorage, Alaska 99508

March 4, 2009

To:

Representative Alan Austerman	120 4th St., Juneau, Alaska	Fax 465-4956
Representative Bill Thomas Jr.	120 4th St., Juneau, Alaska	Fax 465-2652
Representative Jay Ramras	120 4th St., Juneau, Alaska	Fax 465-2070
Representative Cathy Munoz	120 4th St., Juneau, Alaska	Fax 465-2273
Representative Charisse Millet	120 4th St., Juneau, Alaska	Fax 465-2069
Representative Bryce Edgemon	120 4th St., Juneau, Alaska	Fax 465-3445
Representative Paul Seaton	120 4th St., Juneau, Alaska	Fax 465-3472
Representative Peggy Wilson	120 4th St., Juneau Alaska	Fax 465-3175
Representative John Harris	120 4th St., Juneau, Alaska	Fax 465-3799
Representative Mark Newman	120 4th St., Juneau Alaska	Fax 465-4822

Subject: HJR 21 - A Resolution requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation to participate in the Pacific cod fisheries in the gulf of Alaska.

Dear Representatives: Austerman, Thomas, Ramras, Munoz, Millet, Edgemon, Seaton, Wilson, Harris, and Newman,

The Chignik Lagoon Village Corporation, strongly supports HJR 21 that is before you at this time.

We are deeply concerned that current North Pacific Fishery Management Council action to reduce existing federal groundfish licenses for both fixed gear and trawl gear, combined with a proposed sector split is not good for our coastal communities and the State of Alaska.

The life blood of our community and many other communities in the Gulf of Alaska depend upon access to the marine resources that lie on our doorsteps. Our communities are continually losing access to local fisheries and it does not matter whether you call this rationalization or something else, the result would be the same. If we continue down this path at some point in the future all our federal waters gulf fisheries could be fully owned by "outside" interests.

We encourage the Alaska Legislature to pass this resolution and thereby make a strong

statement to the North Pacific Fisheries Management Council that this amendment package is not for the good for the gulf communities and should be scrapped. The council should heed the guidance in HJR 21 and cease considering the LLP Recency amendment package. Any attempt to address similar issues in the future should also address as a primary goal how the fishing economies of Gulf of Alaska Communities can be maintained or strengthened as a result of the amendment package.

We thank you for your concern and effort on this very important matter.

Sincerely,

Rhonda Gregorio, President

Rhonda Gregorio President Chignik Lagoon Village Corporation

March 9, 2009

To:

Representative Alan Austerman	120 4th St., Juneau, Alaska 99802	Fax 907-465-4956
Representative Bill Thomas Jr.	120 4th St., Juneau, Alaska 99802	Fax 907-465-2652
Representative Jay Ramras	120 4th St., Juneau, Alaska 99802	Fax 907-465-2070
Representative Cathy Munoz	120 4th St., Juneau, Alaska 99802	Fax 907-465-2273
Representative Charisse Millett	120 4th St., Juneau, Alaska 99802	Fax 907-465-2069
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Representative Paul Seaton	120 4th St., Juneau, Alaska 99802	Fax 907-465-3472
Representative Peggy Wilson	120 4th St., Juneau, Alaska 99802	Fax 907-465-3175
Representative John Harris	120 4th St., Juneau, Alaska 99802	Fax 907-465-3799
Representative Mark Neuman	120 4th St., Juneau, Alaska 99802	Fax 907-465-4822

Subject: HJR 21 – A resolution requesting the North Pacific Fishery Management Council to cease consideration of an amendment package that would require a Pacific cod endorsement for a license limitation program to participate in the Pacific cod fisheries in the Gulf of Alaska.

Dear Representatives: Austerman, Thomas, Ramras, Munoz, Millett, Edgmon, Seaton, Wilson, Harris, and Neuman,

The Chignik Lake Traditional Council strongly supports House Joint Resolution # 21 that you have co-sponsored.

We are deeply concerned that current North Pacific Fishery Management Council action to reduce existing federal groundfish licenses for both fixed gear and trawl gear, combined with a proposed sector split is not good for our coastal communities and not good for Alaska.

The life blood of our community and many communities in the Gulf of Alaska depend upon access to the marine resources that lie on our doorsteps. Our communities are continually losing access to local fisheries and it doesn't matter whether you call this rationalization or something else – the result is the same. If we continue down this same path at some point in the future all our federal waters Gulf fisheries could be owned by Outside interests.

We encourage the Alaska Legislature to pass this resolution and thereby make a strong statement to the North Pacific Fishery Management Council that this amendment package is not good for Alaska communities and should be scrapped. The Council should heed the guidance in HJR 21 and cease considering the LLP recency amendment package. Any attempt to address similar issues in the future should also address as a primary goal how the fishing economies of Gulf of Alaska Communities can be maintained or strengthened as a result of the amendment package.

We thank you for your concern and effort on this very important matter.

Sincerely,

John Lind
Chignik Lake Traditional Council President

CC:

The Honorable Sarah Palin, Governor, State of Alaska	907-465-2332
Denby Lloyd, Commissioner of Alaska Department of Fish and Game	907-465-2332
Cora Crome, Fisheries Policy Advisor, Office of the Governor	907-465-3532
John Moller, rural Advisor, Office of the Governor	907-465-3532

HJR

25

HOUSE COMMITTEE REPORT

(9)

Date Referred to Committee: March 25, 2009 **FURTHER REFERRALS:**

Date of Committee Action: 04/08/09

The RESOURCES Committee considered: **HOUSE JOINT RESOLUTION NO. 25**

Urging the United States Congress to classify hydroelectric power as a renewable and alternative energy source.

HJR 25 HYDROELECTRIC POWER; RENEWABLE ENERGY

Recommends it be replaced with [ ] HCS *or* [✓] CS for HJR25 (ENE)

For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ [X] Same Title [ ] New Title

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
HSS
LEG
LAW
LWF
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero
HENE	1			0

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	Gattenberg				X
	Edgmon	X			
	Olson	—			
	Tuck	X			
	KAWASAKI			X	
	SEATON	X			
Chair:	Johnson	X			
Chair:	Neuman	—			

5194

REPRESENTATIVE BILL THOMAS
ALASKA STATE LEGISLATURE DISTRICT 5
e-mail: Representative.Bill.Thomas@legis.state.ak.us
webpage: www.akrepublicans.org/thomas/

State Capitol
Juneau AK, 99801-1182
907-465-3732
888-461-3732
FAX 907-465-2652

Sponsor Statement for
CSHJR 25 Urging Congress to Classify Hydroelectric Power as Renewable

One of the most readily available sources of renewable energy in Alaska is hydroelectric power. Alaska has a vast amount of high elevation lakes and run-of-the-river systems which have the potential, in many areas, to completely displace diesel generated power with little to no environmental impact. Hydroelectric power is so abundant in Alaska that most areas of the state can make use of it in some form or another.

With such a plentiful source of non-diesel generated power, it is unfortunate that the Federal Government does not have a working definition of renewable or alternative that includes hydroelectric power. This effectively cuts hydroelectric power projects off from many potential sources of federal funding, and therefore, hinders Alaska's efforts to displace diesel generated power.

CSHJR 25 asks Congress to develop a working definition of renewable and alternative which includes hydropower so that reliable renewable energy policy can be developed, and valuable projects receive adequate support.

I urge your support of CSHJR 25.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHJR 25(ENE)
(H) Publish Date: 3/25/2009

Identifier (file name):
Dept. Affected:
Title: Urging Congress to classify hydroelectric power as renewable and
RDU
Component
Sponsor: Representatives THOMAS, Johansen, Millett, Dahlstrom, Tuck...
Requester
Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: Jeff Turner
Phone 465-6588
Division: Committee Aide, House Special Committee on Energy
Date/Time 3/23/2009 10:30 a.m.
Approved by: Representative Charisse Millett, Co-Chair, House Special Committee on Energy
Date 3/23/2009

(Revised 9/10/2008 OMB)

5196

NHA
National Hydropower Association

"Assessment of Waterpower Potential and Development Needs" By the Numbers

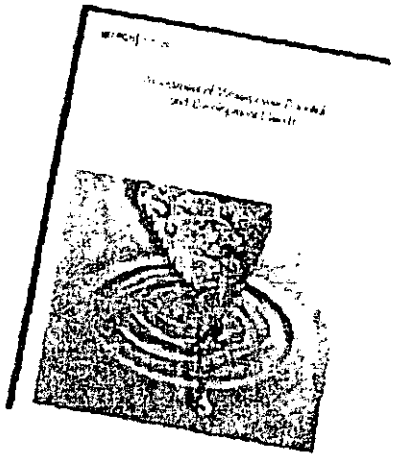
A quick look at the growth potential of hydropower by the year 2025, as detailed in the March 2007 report released by the Electric Power Research Institute.

GENERAL OVERVIEW

- **270,000 GWH** - existing hydropower generation in the United States (75 percent of U.S. renewable energy generation—the largest renewable source)
- **90,000 MW** - overall water potential available
- **23,000 MW** - potential capacity increase by 2025

BY 2025, CONVENTIONAL POTENTIAL

- **10,000 MW** - overall potential increase
  - **2,700 MW** - from new small and low-power conventional hydropower
  - **2,300 MW** - from capacity gains and efficiency improvements at existing hydropower facilities
  - **5,000 MW** - from new hydro at existing non-powered dams



Copies of the EPRI report are available at www.wpri.com. Search for report #1014762.

By 2025, NEW WATERPOWER TECHNOLOGY POTENTIAL

- **10,000 MW** - increase from ocean and wave energy devices
- **3,000 MW** - increase from new hydrokinetic technologies

The power of moving water

National Hydropower Association
1 Massachusetts Ave, Suite 850
Washington DC 20001
p: 202-682-1700 f: 202-682-9478
www.hydro.org

Hydropower is a domestic source of renewable, reliable, and affordable electricity. No other energy source offers so many advantages.

Domestic and Secure

Water from our rivers is a domestic resource that is not subject to disruptions from foreign suppliers, cost fluctuations, and transportation issues.

Efficient

Today's hydropower turbines are capable of converting more than 90% of available energy into electricity, which is more efficient than any other form of generation (the best fossil fuel power plant is only about 50% efficient).

Popular

Nationally, 93% of individuals believe hydropower is important or very important for meeting future electricity needs.

Source: 2002 public opinion poll by Bisconti Research Inc.

Renewable

Like wind, solar, and geothermal, hydropower's "fuel" is essentially infinite and is not depleted during the production of electricity. Hydropower facilities simply harness the natural energy of flowing and falling water to generate electricity.

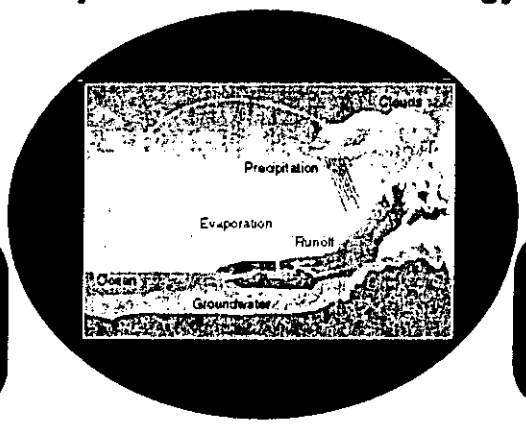
Clean

Hydropower uses water to generate electricity. It is climate-friendly and does not produce air pollution or create any toxic by-products.

HydroPOWER
the power of moving water

Clean power for a secure energy future

Any moving water has the potential to make power



Water used for power is returned to the water cycle

The hydrologic cycle

source: http://hydropower.inel.gov/hydrofacts/how_hydro_works.shtml

Reliable

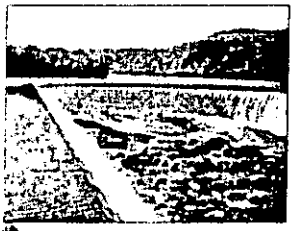
Hydropower can go from zero power to maximum output rapidly and predictably. This makes hydropower exceptionally good at meeting changing demands for electricity and providing ancillary electrical services that maintain the balance between supply and demand.

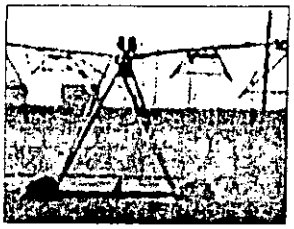
Flexible

Hydropower has the unique ability to change output quickly. Its unique voltage control, load-following, and peaking capabilities are critical for electric grid stability. This ability also provides an efficient and cost-effective way to support the use of intermittent renewable sources of power such as wind and solar energy.

Non-power benefits

Hydropower projects do more than just produce electricity; they create wildlife conservation lands, provide stable habitat for many kinds of wildlife, support healthy fisheries, provide water supply, control floods, irrigate land for food production, and create recreational opportunities for millions of Americans.





NHA National Hydropower Association

National Hydropower Association
1 Massachusetts Avenue, NW • Suite 850 • Washington, DC • 20001 • Phone: 202.682.1700 • Fax: 202.682.9478 • www.hydro.org

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2009-03-16

US Senator Murkowski says higher taxes on oil, gas could backfire

Washington (Platts)--16Mar2009

US Senator Lisa Murkowski, ranking Republican on the Energy and Natural Resources Committee, said Monday that increasing taxes on the oil and gas industry would have the unintended consequence of driving natural gas producers and independent companies out of the country.

In his fiscal 2010 budget released last month, President Barack Obama called for excluding the petroleum industry from a manufacturer's tax credit, which might raise $31 billion in additional taxes from the industry.

"People get up in the morning to hate the oil industry," said Murkowski, speaking at Platts Energy Podium in Washington. Murkowski represents Alaska, which after Texas produces the most oil of any US state.

Still, if Congress approves the president's proposal to raise taxes on the industry, that could reduce production of gas and its use as a lower-carbon alternative to coal-fired electricity generation.

She said that the committee will likely not agree on a renewable energy standard, although she said she could support a low-carbon electricity standard which includes nuclear energy and hydroelectric generation.

"If your goal is reduction of emissions, why would you not want to recognize those existing resources that aren't contributing to carbon output?" she said.

Energy and Natural Resources Committee Chairman Jeff Bingaman of New Mexico, a Democrat, plans to offer a renewable energy standard that would require investor-owned utilities to draw 20% of their output from wind, solar and other renewables by 2021. His proposal does not classify hydropower as renewable energy.

Nonetheless, Murkowski said she is optimistic that she and Bingaman will agree on a range of issues that could pass their panel with broad bipartisan support, including increased federal authority over

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transmission siting, ways
to boost energy production on public lands and perhaps
language creating a new
clean energy bank to finance new projects.

She also said the bill could include a provision
addressing energy
futures market regulation, though that issue had lost
some urgency as oil
prices have declined over the last several months. "The
heat has been turned
down on the issue of market regulation," she said.

--Jean Chemnick,
jean_chemnick@platts.com

Similar stories appear in Platts Inside Energy.
See more information at http://insideenergy.platts.com.

For a podcast of the Platts Energy Podium with Senator
Murkowski, please visit
http://www.platts.com/energypodium/

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- **True-up period**. A three-month true-up period is provided at the end of each year during which generators may obtain the required number of RECs or makeup any shortfall. During this period, purchases of RECs can be made from renewable-resource generators that have unsold RECs, or from generators that have RECs exceeding their requirement.

- **Credit banking**. Generators and renewable energy producers could be allowed to "bank" credits indefinitely. This will help to even out variations in output associated with natural resources, and provide generators with additional methods for ensuring that they are in full compliance.

- **Force majeure provision**. An extended true-up period could be provided to allow response time for extreme deviations in expected renewables generation resulting from events that are impossible to control, i.e., "act of God" situations such as a damaging hurricane. Such fluctuations should not affect the entire REC market, but may affect individual generators who have contracted for RECs from certain facilities.

TOP

Hydropower

It is necessary to exclude large hydropower from the RPS for several reasons. Though hydro brings public benefits in terms of avoiding the air emissions and wastes associated with conventional power plants, hydro is technologically mature, is fully commercialized (representing a significant share of the electricity market), and has limited development potential. Most importantly, including hydro in the RPS would create several intractable practical problems: (a) output from the large base of Canadian hydro projects could potentially be rerouted into the U.S. market and "flood" that market, depressing prices to levels too low to support non-hydro renewables; (b) the large year-to-year fluctuations in hydro output would make it difficult to meet a fixed standard each year and at the same time provide a predictable market for renewables; and (c) many hydro facilities have more than one use and have been built with the aid of large government subsidies. Therefore, it may be difficult to avoid cross-subsidizing irrigation, recreation, flood control, etc., through payments to hydro via the RPS. Including hydro projects under some size limit (no more than 30 MW) may help to keep in operation those projects that will have difficulty competing in the market (especially those with high environmental mitigation costs).

Encouraging a Diversity of Renewables

The RPS in its simplest form is a strategy for diversifying the electric supply with the lowest-cost renewable power available, as judged through market competition. Its primary purpose is not aimed directly at technology commercialization, though it will certainly encourage private investment in technology advancement. A diversity of renewable resources will be encouraged because generators and investors are likely to seek out the most cost-effective technologies and technology applications, thereby taking advantage of the most cost-effective applications of each resource (i.e., the low-cost end of the supply curve for each resource). Because the cost of many renewable technologies, e.g., wind, geothermal, landfill gas and some solid-fuel biomass and some solar thermal facilities, are in the same competitive range, the market is likely to result in a diversity of resources and technologies. The market can also be expected to seek out cost-effective niche applications of renewables, such as distributed applications of photovoltaics. Higher-cost technologies can be encouraged through commercialization programs (e.g., those funded by system benefits charges), which can work along side the RPS. Because the RPS creates a market for renewables, it will help to close the gap between the cost of pre-commercial technologies and the renewables-market price. As a result, technology commercialization program dollars can go farther as a result of the RPS.

Self-generation

Surplus renewables generation that is metered and sold at retail from customer-owned, grid-connected renewable facilities could be eligible for RECs. If a simple method is available to measure the power produced by these systems that is consumed on-site, that generation could also qualify for RECs. Though off-grid renewable self-generation applications could qualify for RECs, there are two reasons for not including them: (1) most off- grid self-generation applications are already competitive as compared to T&D line extensions; and (2) off-grid applications are not metered or sold at retail, and thus verification of production would be difficult. If policy-makers nevertheless want to encourage off-grid renewables, procedures could be developed to estimate production, though verification could entail high transactions costs.

Allocating RECs from Existing Facilities

An RPS policy creates a new, unanticipated source of income for existing renewable

AMENDMENT NO. Calendar No.

Purpose: To provide a renewable portfolio standard.

IN THE SENATE OF THE UNITED STATES—111th Cong., 1st Sess.

(no.)

(title)

Referred to the Committee on and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by

Viz:

At the appropriate place, add the following:

TITLE VIII—RENEWABLE PORTFOLIO STANDARD

SEC. 01. RENEWABLE PORTFOLIO STANDARD.

(a) IN GENERAL.—Title VI of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2601 et seq.) is amended by adding at the end the following:

"SEC. 610. FEDERAL RENEWABLE PORTFOLIO STANDARD.

"(a) DEFINITIONS.—In this section:

"(1) BASE QUANTITY OF ELECTRICITY.—

"(A) IN GENERAL.—The term 'base quantity of electricity' means the total quantity of electricity sold by an electric utility to electric consumers in a calendar year.

"(B) EXCLUSIONS.—The term 'base quantity of electricity' does not include—

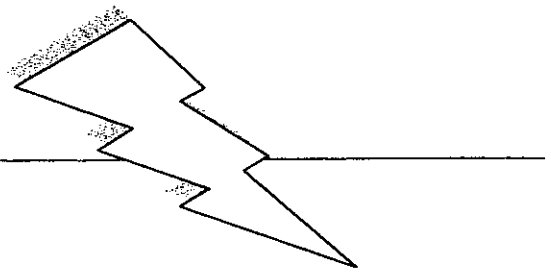
"(i) electricity generated by a hydroelectric facility (including a pumped storage facility but excluding incremental hydropower); or

"(ii) electricity generated through the incineration of municipal solid waste.

"(2) DISTRIBUTED GENERATION FACILITY.—The term 'distributed generation facility' means a facility at a customer site.

"(3) EXISTING RENEWABLE ENERGY.—Except as provided in paragraph (7)(B), the term 'existing renewable energy' means electric energy generated at a facility (including a distributed generation facility) placed in service prior to January 1, 2006, from solar, wind, or geothermal energy, ocean energy, biomass [(as defined in section 203(b) of the Energy Policy Act of 2005 (42 U.S.C. 15852(b)))], or landfill gas.

Southeast Conference Energy Program



Legislative Report – January 2009

Southeast Conference

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Juneau Alaska 99802-1989
(907) 523-2310
Fax (907) 463-5670

Mike Korsmo: SEC Board President
Shelly Wright: SEC Executive Director
J.C. Conley: SEC Energy Committee Chair
Robert Venables: SEC Energy Coordinator

Executive Summary

Mission Statement

The mission of Southeast Conference is to undertake and support activities that promote strong economies, healthy communities, and a quality environment in Southeast Alaska.

Southeast Conference is a private membership organization that works to advance the collective interests of the people, communities, and businesses of Southeast Alaska. It is the Alaska Regional Development Organization (ARDOR), Federal Economic Development District (EDD), and USDA Resource Conservation and Development (RC&D) Council for the region.

Energy Committee Mission

Our vision for Southeast Alaska is to reduce, to the maximum extent possible, the use of diesel as a primary fuel source for the generation of electricity.

This will be accomplished through the utilization of the regions plentiful hydroelectric potential and the development of an interconnected transmission system to share these resources throughout the region.

ACCOMPLISHMENTS:

The Southeast Conference, working with its member communities and utilities, has been successful in developing regional plans and obtaining state and federal funds for many energy projects in the region. Our energy committee represents communities, organizations and utilities throughout the region. This is a 'working committee' dedicated to working together to solve the region's energy problems.

Plans and Organizational Work

- Completed an engineering/economic analysis of the entire Southeast Alaska Intertie Project (**Acres Report, 1998 and D. Hittle & Associates, 2003 & 2005**).
- Secured U.S. Congressional Authorization for SE Electrical Intertie System Plan (PL 106-511).
- Took a lead role in the formation of Kwaan Electric Transmission Intertie Cooperative (KWETICO), potential owner/operator of portions of the SE Intertie.
- Worked with AEA to develop the Southeast Alaska Energy Export Study (2007).
- Kake-Petersburg Transmission Intertie Study Update (due March 2009).

Current Utility Projects Underway

- Kasidaya Hydro Project near Haines/Skagway (Project operational, 2008).
- Juneau to Hoonah Intertie Segment (Project partially completed to Greens Creek).
- Swan-Tyee Intertie Segment (Project on schedule for completion October 2009).
- Kake-Petersburg Intertie Segment (Planning Study/Economic Analysis, update in progress, joint design/permitting project with AKDOT&PF and AEA).
- Reynolds Creek, Haida Corp. (partially funded, ready to construct this year).
- Prince of Wales Intertie (partially funded, ready to construct).
- Elfin Cove Utility Commission (in final design for hydroelectric facility).
- Gustavus Falls Creek Hydro (operational 2009, final phase ready to construct).

Southeast Conference Energy Program FY10

Funding Overview

To maintain its Energy program, Southeast Conference (SEC) is working to locate short-term funding and to identify long-term (and sustained) sources of income. The immediate goal is to secure funding for two years to maximize the effectiveness of the energy program and assist communities in their ongoing efforts to reduce energy costs and increase efficiencies.

Program Goals

- Reduce dependence on fossil fuels. This is critical in light of the recent volatility in oil prices.
- Bring affordable hydro power to communities where this is technically and economically feasible.
- Develop a regional electrical grid interconnecting Southeast communities and utilities with hydroelectric generation.
- Work with member communities and utilities to develop adequate energy infrastructure including alternative energy sources to meet current and future needs.
- Lower costs to rate payers and communities and increase economic development opportunities.

Priorities / Tasks

- Secure funding for permitting and design for Kake-Petersburg Intertie ($4.3 million).
- Work with IPEC and rural communities on solutions for their energy needs.
- Support Haida Corporation's efforts to advance the Reynolds Creek Hydro to completion.
- Begin working with federal and state funding agencies to construct the Kake-Petersburg Intertie.
- Facilitate efforts in Southeast to develop a regional Intertie and projects that increase hydro capacity.
- Work with member communities and utilities in their efforts to secure permits and funding for hydro and other alternative energy project development.
- Study alternative energy sources – biomass, hydrogen, wind, geo-thermal, tidal, and waste-to-energy.

Southeast Conference feels it is essential to develop and implement a regional energy plan for Southeast Alaska. We are working with the Alaska Energy Authority (AEA) and the Tlingit & Haida Energy Department to develop a regional energy plan and working with the communities to implement the opportunities that exist in their areas. Substantial and measurable progress has been made over the past couple of years, and it is important to keep the momentum of this program moving forward. The Southeast Conference Board of Directors has voted to maintain its energy coordinator position and its energy program as a core program within Southeast Conference and voted to support its staff in the pursuit of these goals. The position is currently being funded from reserves.

The following information is intended to demonstrate many areas where the State of Alaska can make an investment with significant impact and benefits to the region. These projects come from the communities and have been vetted through the public process. It is a work in progress and will be updated as more information comes to us from the communities.

Southeast Alaska Energy Projects with Estimated Funding Needs

Facilities and Infrastructure Construction Needs

- **Metlakatla Intertie to Ketchikan**: This is the southernmost leg of the SE Intertie system and is designed to transmit surplus hydroelectricity (approx. 8,500,000kW per year) to Ketchikan where the energy will be used to offset diesel generation (about 580,000 gallons). **CONSTRUCTION READY AT A PROJECT COST OF $7,652,000.**

- **POW Island Intertie**: AP&T proposes to construct a 48 mile line extension to the communities of Coffman Cove and Naukati Bay (both use 100% diesel generated power). This project will place these communities onto the POW grid which is supplied by hydroelectric power. This intertie will reduce fossil fuel consumption by 71,082 gallons per year and reduce the electrical rate by up to 60%. **CONSTRUCTION READY, PARTIALLY FUNDED, AP&T HAS REQUESTED $3,752,181 TO COMPLETE.**

- **Reynolds Creek Hydroelectric Power Project**: This 5 MW hydro facility is located 10 miles east of Hydaburg and is a joint venture between Haida Corporation and AP&T. The development of this resource is essential to meet the electrical needs of the POW Island as it grows and will prevent the use of supplemental diesel power. **CONSTRUCTION READY, PARTIALLY FUNDED, HAIDA POWER REQUESTING $13,720,000 TO COMPLETE.**

- **Gustavus Electric**: The Falls Creek Hydro Electric Project is an 800 kWh run-of-river hydroelectric facility which will provide electric power to the community of Gustavus. The project will displace existing diesel generation. Construction of the project is approximately 90% complete and will provide 90% of the community's electric needs. **FUNDING REQUESTED BY GUSTAVUS FOR COMPLETION, $750,000.**

- **Kake – Petersburg Intertie**: This is a high priority need in the region. Funding has been identified through HB 152 for final design and permitting. Detailed construction cost estimates will be available in March, but the project is estimated to cost between **$25-34 MILLION** and could be funded in phases. The AK DOT&PF has begun field work and is an active partner in the development of this project.

Capacity Development Projects: Final Design and Permitting

Ketchikan - Whitman Lake: The proposed Whitman Lake Hydroelectric Project is located approximately four miles east of Ketchikan, Alaska. KPU proposes to install 4.6 MW of hydropower generating capacity at the existing Whitman Lake Dam to provide an additional source of clean renewable energy to the city of Ketchikan and the Borough area including Saxman Village, while also enhancing the conversion of oil heat to electric heat and displacing expensive and nonrenewable diesel generation. Phases 1 & 2 are complete. **FUNDING FOR FINAL DESIGN IS REQUESTED BY KPU AT $1,300,000 (KPU MATCH, $320K).**

Sitka- Blue Lake Hydroelectric Project: This project will raise the height of the dam by 83 feet and expand the plant's capacity from 8MW to 18MW of capacity. Sitka has nearly maxed out available hydro resources. Multiple funding partners are expected to participate in order to bring this facility on line by 2015. The City and Borough of Sitka **REQUESTS FINANCIAL ASSISTANCE IN FY2010 OF $7,500,000.**

Hoonah Energy Needs: With the costs of the proposed Juneau to Hoonah intertie escalating to an estimated $40 million, Alaska Energy Authority (AEA) commissioned a conceptual study of the hydroelectric resources in the immediate area of Hoonah along with an analysis of the power plant needs that should be addressed concurrently. The findings are as follows:

- $4,061,317 Power Plant Replacement (2,600kW @ $1,562/kW)
- $4,558,500 Gartina Creek Hydroelectric Project (600kW)
- $3,946,500 Water Supply Creek Hydroelectric Project (600kW)
- $4,393,500 Elephant Falls Hydroelectric Project (600kW)

The development of any one of the three proposed hydro facilities would offset approx. 30% of Hoonah's projected annual demand. This would result in a savings of approx. 129,000 gallons of diesel fuel per year (saving approx. $380,000 using an est. fuel cost of $3.00/gallon). The development of any two of the three proposed hydroelectric facilities would offset about 50% of Hoonah's annual demand, with an approx. savings of $640K. No formal request has yet been made, **CAPITAL NEEDS ABOVE TOTAL, $16,959,817**. These projects will benefit the community significantly but will not meet all of Hoonah's energy needs. The Juneau to Hoonah Intertie Project is construction-ready and is still a long-term objective as part of the regional electrical grid network.

Elfin Cove Utility Commission: This hydroelectric power plant and associated infrastructure for access and connection will serve the community of Elfin Cove. Upon completion, the hydroelectric facility will include: a 1,000-foot long diversion conduit; a 1,300-foot long penstock to tidewater; and upgrades to the hydro power house. **FUNDING REQUEST BY ELFIN COVE FOR FINAL DESIGN AND FERC PERMITTING IS $395,200.**

Community Planning Efforts: Feasibility and Assessment

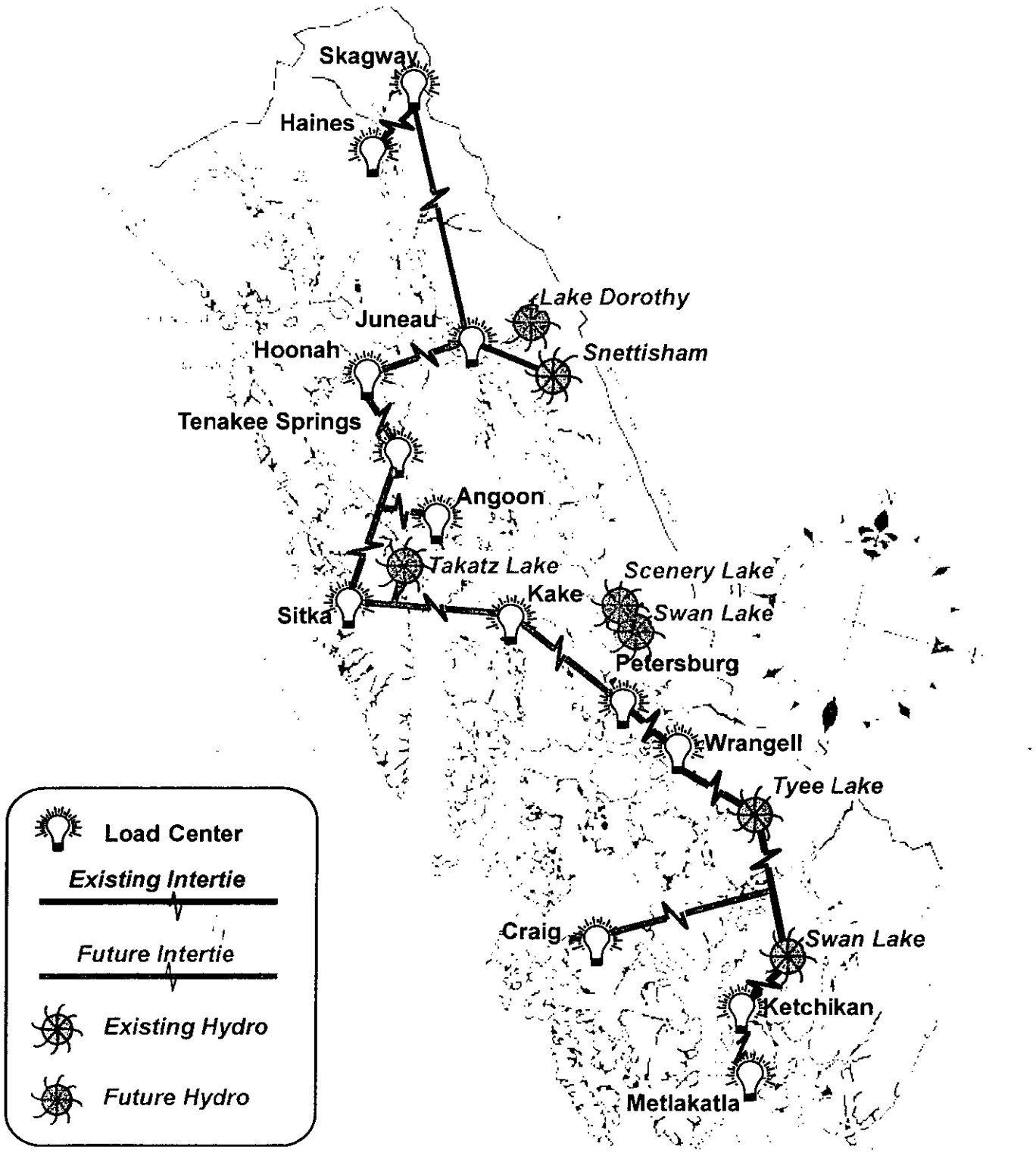
Petersburg – Ruth Lake: This Project would develop the hydro potential at Ruth Lake, with a total installed capacity of the powerhouse of 20 MW. The proposed Ruth Lake Hydroelectric Project would be interconnected to the existing transmission infrastructure currently owned and operated by the FDPPA. Ruth Lake would be a major addition to the energy resources to serve communities in an interconnected Southern Southeast Alaska grid. **PHASE 1 FUNDING REQUEST FROM THE CITY OF PETERSBURG FOR PRE-FEASIBILITY IS $160,000 AND PHASE 2 PERMITTING IS $2 MILLION.** Petersburg is providing matching funds of $540,000 for the two phases.

Metlakatla – Triangle Lake: This proposed 4MW hydroelectric project is located along the proposed transmission line intertie to Ketchikan. The Triangle Lake project will provide additional hydro power to Metlakatla and will offset diesel power generated in Ketchikan. **FUNDING REQUESTED BY METLAKATLA FOR FEASIBILITY ANALYSIS AND CONCEPTUAL DESIGN IS $500,000.**

Sitka – Takatz Lake: Sitka is engaged in a long range strategy to decrease its dependence on oil by developing its renewable energy resources, particularly the known hydroelectric resources on Baranof Island. This project is the study and investigation phase of developing Sitka's hydroelectric resources to determine the feasibility of developing the estimated 28MW Takatz Lake Hydroelectric Project. **THE ESTIMATED COST OF THIS STUDY AND INVESTIGATION OF THE HYDROELECTRIC POTENTIAL OF TAKATZ LAKE IS $2,000,000.**

This is a compilation of community projects that have gone through the public process. Most are part of the Southeast Intertie Plan authorized by Congress in 2001. More detailed information is available upon request. Other projects, such as Thayer Creek in Angoon will be added to this list as information becomes available.

Attachments to this report:
Map1_1997 Electrical Intertie System Plan
Map2_Kupreanof Island
Map3_POW & Reynolds Creek
Map4_Ruth Lake Hydroelectric Project
Map5_Upper Lynn Canal Regional Energy Infrastructure

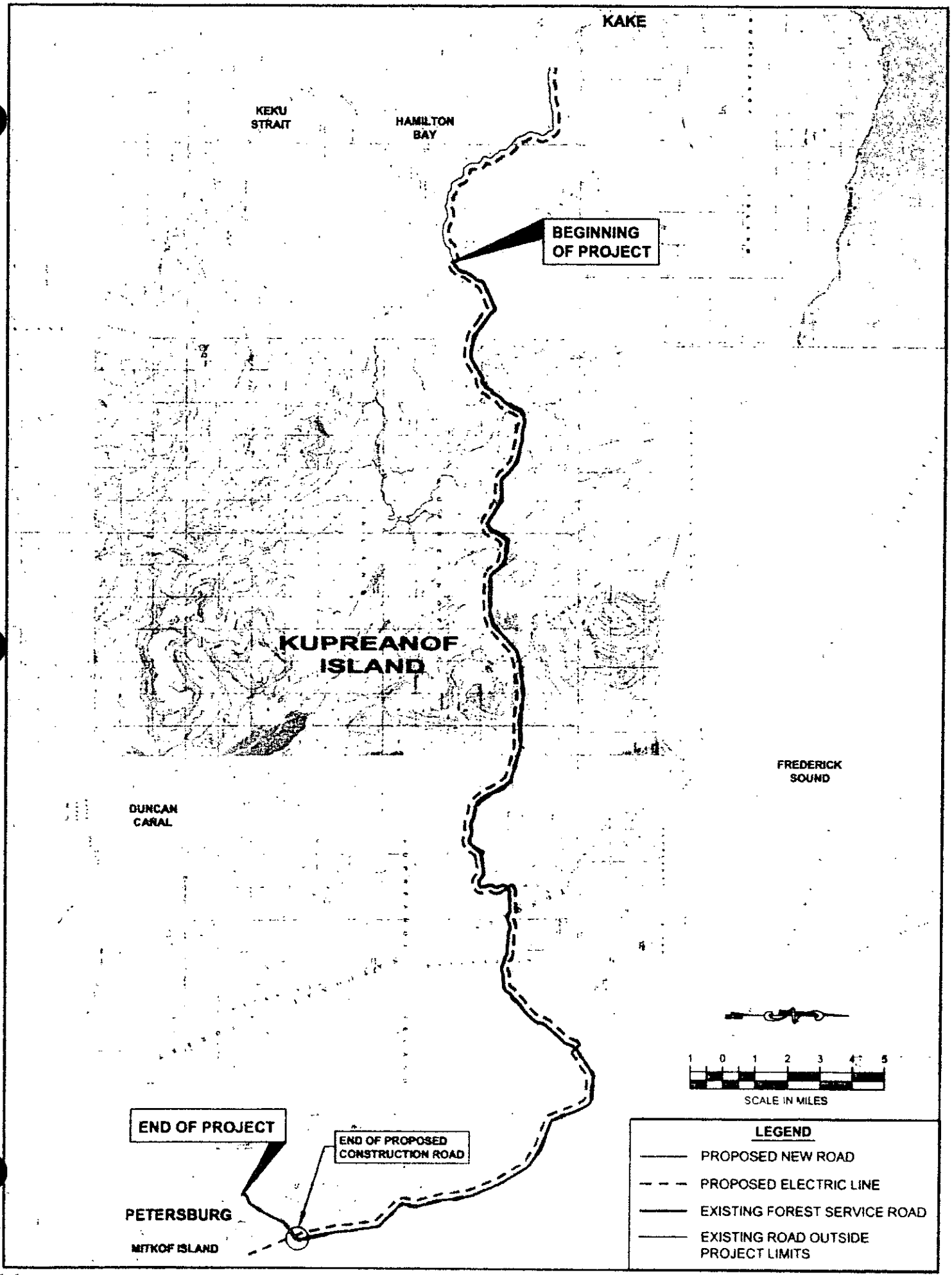


HATCH ACRES

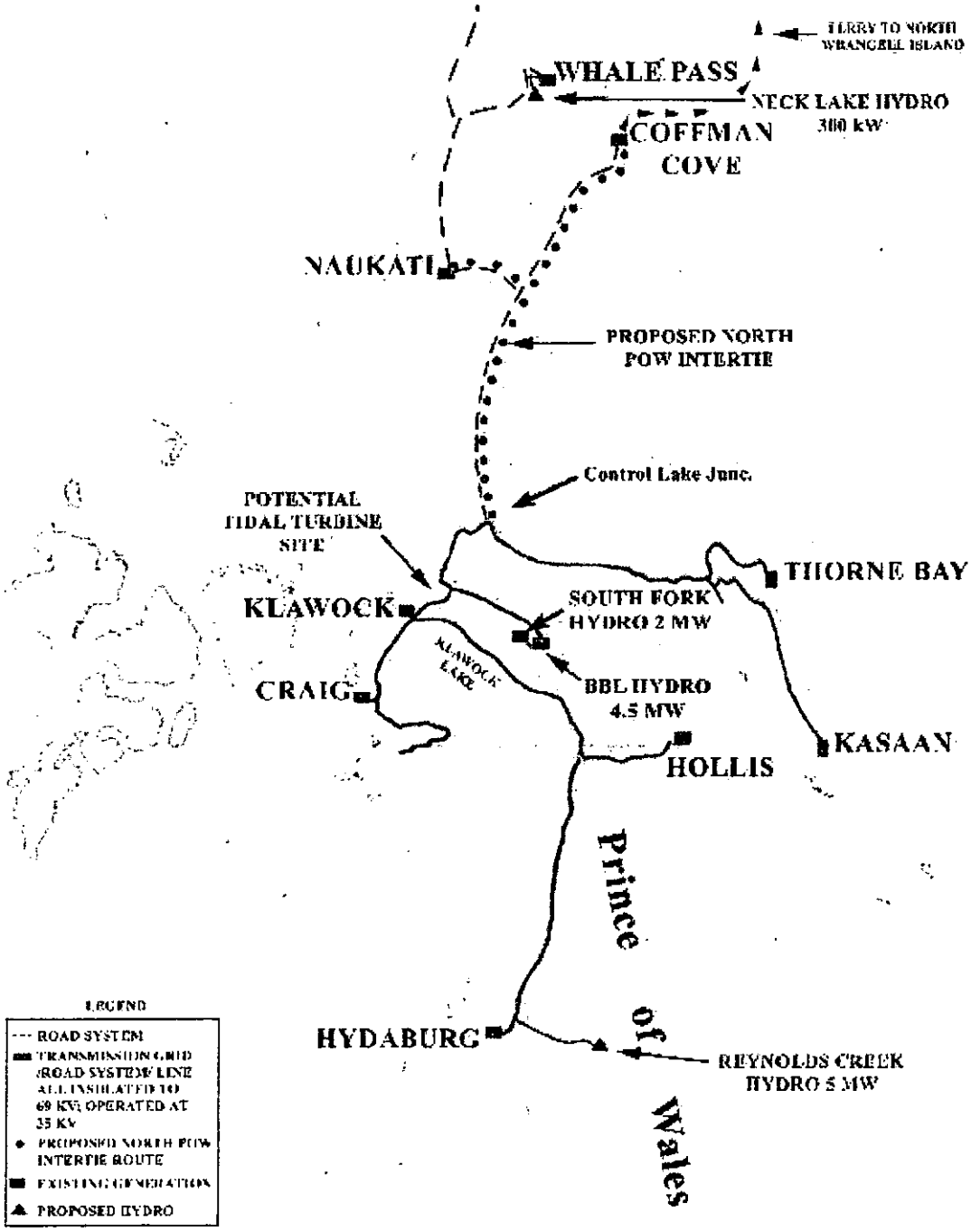
Southeast Alaska Utilities

1997 ELECTRICAL INTERTIE SYSTEM PLAN

5210


KAKE
KEKU STRAIT
HAMILTON BAY
BEGINNING OF PROJECT
KUPREANOF ISLAND
FREDERICK SOUND
DUNCAN CANAL
1 0 1 2 3 4 5
SCALE IN MILES
END OF PROJECT
END OF PROPOSED CONSTRUCTION ROAD
PETERSBURG
MITKOF ISLAND
LEGEND
PROPOSED NEW ROAD
PROPOSED ELECTRIC LINE
EXISTING FOREST SERVICE ROAD
EXISTING ROAD OUTSIDE PROJECT LIMITS

Prince of Wales Island Intertie & Reynolds Creek Electrical System



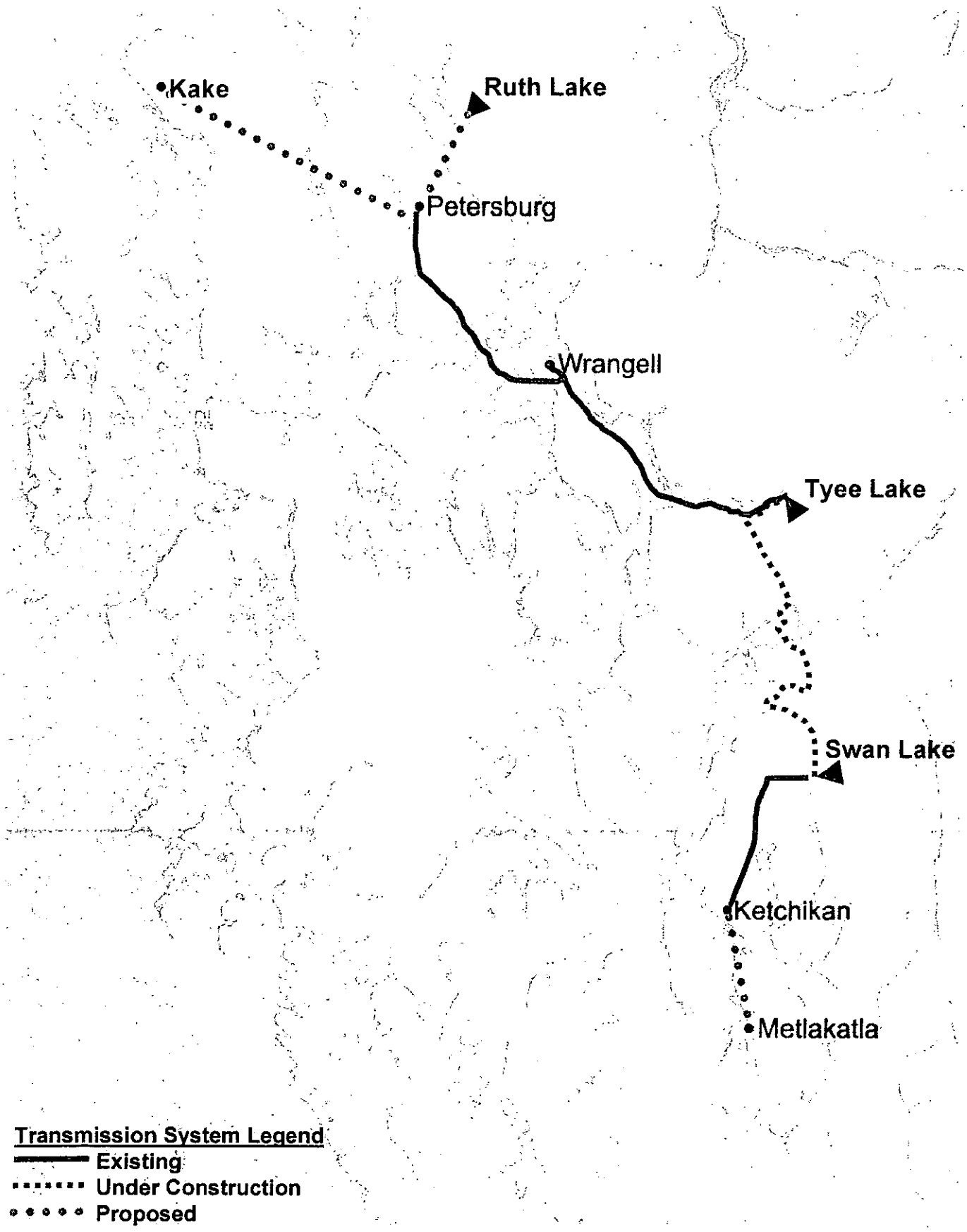
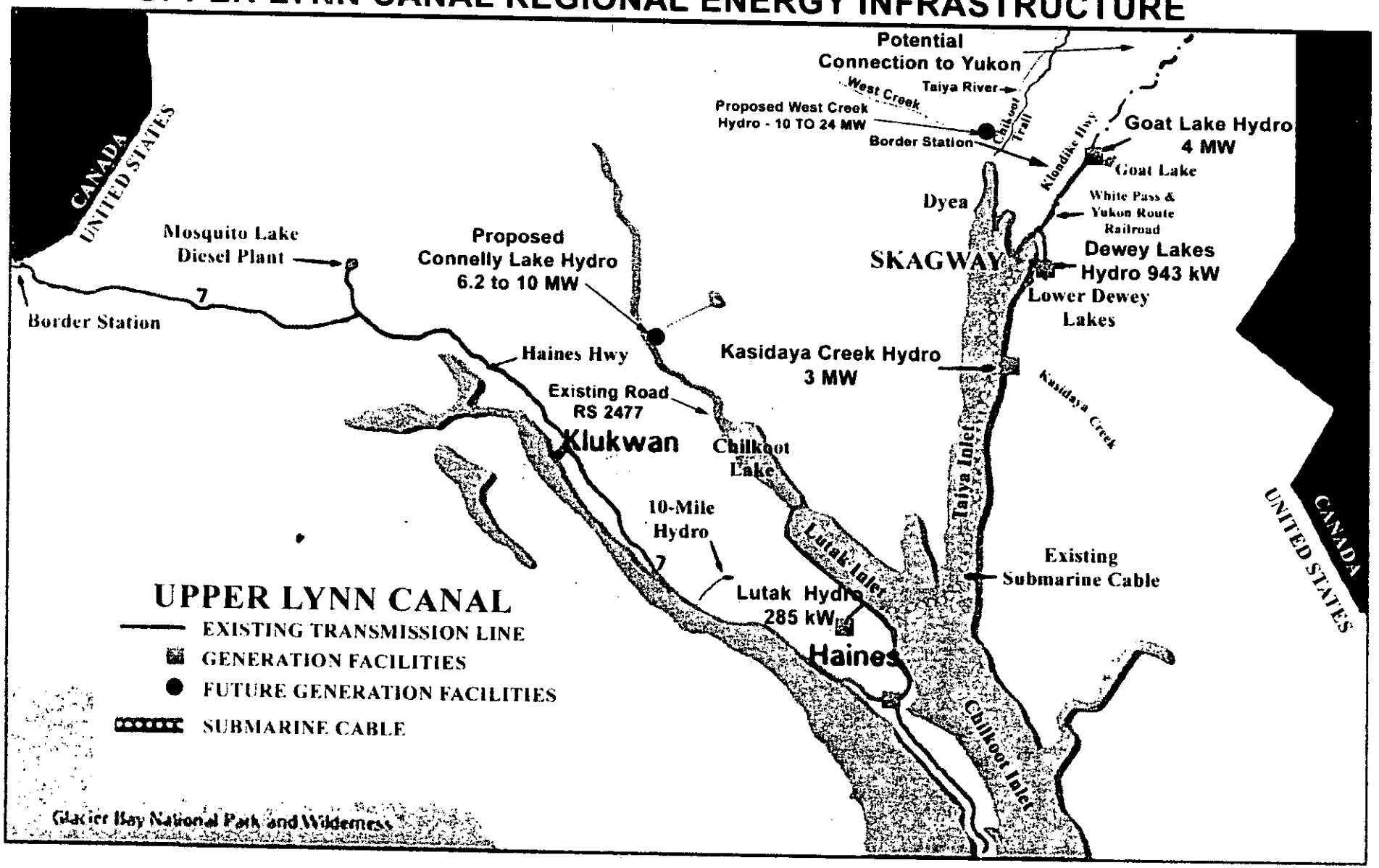


Exhibit F.2
Ruth Lake Hydroelectric Project

Southern SE Alaska Transmission System

UPPER LYNN CANAL REGIONAL ENERGY INFRASTRUCTURE



REPRESENTATIVE BILL THOMAS
ALASKA STATE LEGISLATURE DISTRICT 5
e-mail: Representative.Bill.Thomas@legis.state.ak.us
webpage: www.akrepublicans.org/thomas/

State Capitol
Juneau AK, 99801-1182
907-465-3732
888-461-3732
FAX 907-465-2652

MEMORANDUM

DATE: March 25, 2009

TO: Representative Neuman, Co-Chair House Resources Committee
Representative Johnson, Co-Chair House Resources Committee

FROM: Representative Thomas

RE: CSHJR 25 Urging Congress to Classify Hydroelectric Power as a Renewable and Alternative Energy Source

---

Please schedule CSHJR 25 Classifying Hydropower as a Renewable Energy Source for a hearing in the House Special Committee on Energy as soon as possible. CSHJR 25 points out the enormous potential that Alaska has for hydroelectric power, which is a clean, non-diesel source of energy, and asks Congress to develop a working definition of renewable and alternative that includes hydroelectric power. Currently, there is no blanket policy on hydroelectric power and it often is excluded or omitted from renewable energy legislation.

Please contact Kaci Schroeder Hotch, in my office if you have any questions.

HJR

26

HOUSE COMMITTEE REPO

(9)
Date Referred to Committee: March 18, 2009 **FURTHER REFERRALS:**

Date of Committee Action: 4/06/09

The RESOURCES Committee considered: **HOUSE JOINT RESOLUTION NO. 26**

Urging the United States Congress to adequately fund land surveys in Alaska in order to issue patents to the State of Alaska and Alaska Native corporations.

HJR 26 STATEHOOD/ANCSA LAND SURVEY FUNDING

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* _____ (_____)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW FISCAL NOTES *Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero
RES				

PREVIOUS FISCAL NOTES

List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON			✓	
	SEATON			✓	
	TUCK			✓	
	WILSON	✓			
Chair:	JOHNSON	2			
Chair:	NEUMAN	2			

Alaska State Legislature

Representative Anna Fairclough – House District 17

House Joint Resolution 26

"Urging the United States Congress to adequately fund land surveys in Alaska in order to issue patents to the State of Alaska and Alaska Native corporations."

House Joint Resolution 26 urges the United States Congress to adequately fund land surveys in Alaska in order to issue patents to the State of Alaska and Alaska Native Corporations. This is critical concern in Alaska because surveys and subsequent land patents issued to the State and Native Corporations are critical to the future use and development of land in Alaska.

At Statehood, Alaska was granted a land entitlement from the federal government of 103,350,000 acres. Alaska Natives, through the Alaska Native Claims Settlement Act (ANCSA), were granted a land entitlement from the federal government of over 45 million acres. In 2004, Congress passed the Alaska Land Transfer Acceleration Act (ALTAA) with the intent of largely completing state and ANCSA land entitlements by 2009.

The United States Bureau of Land Management (BLM) has aggressively and diligently worked to implement the ALTAA, however, despite BLM's efforts, considerable land conveyance work remains to be accomplished, particularly in the area of land survey. Land surveys are necessary to issue patents to the state and ANCSA Corporations, and are essential to determining with certainty what lands are owned by the state and ANCSA corporations. This certainty regarding boundaries and ownership is needed long term for land use and development.

Congress provided interim title to the state and ANCSA corporations by granting Tentative Approval (TA) to the State and Interim Conveyance (IC) to ANCSA Corporations, but with the understanding that the land would eventually be surveyed and patent issued. Under both the Statehood Act and ANCSA, the federal government is responsible for preparing these land surveys. As of December 31, 2008, over 66 million acres of land still awaits patent in Alaska, including more than 40 million acres of land that has been TA'd to the State and 14 million acres IC'd to ANCSA corporations, and over 12 million additional acres await conveyance.

This resolution asks the United States Congress to budget sufficient funds to BLM to ensure the timely completion of land surveys in Alaska in order that land promised to Alaska Natives and the State of Alaska can be patented. This is especially important with current federal budget constraints.

I urge your support on the passage of this legislation.

Session: Alaska State Capitol • Juneau, AK 99801 • 907-465-3777 • Fax 907-465-2819
Interim: 10928 Eagle River Road, Suite 238 • Eagle River, AK 99577 • 907-694-8944 • Fax 907-694-8945
Representative_Anna_Fairclough@legis.state.ak.us

Fact Sheet

Title: Land Ownership In Alaska

Alaska Department of NATURAL RESOURCES
Division of Mining, Land & Water
March 2000

Current land ownership in Alaska can be traced back to three main events in the state's history.

- Russian traders arrived in Alaska in the mid-1700's and established small, scattered trading posts and settlements. Alaska Natives (the Eskimo, Indian, and Aleut peoples) continued as the primary "landowners" during this period of Russian occupation.

  On October 18, 1867, Russia sold Alaska to the United States government. As a result, the federal government owned the Alaska Territory, approximately 375 million acres (about one-fifth the size of the continental U.S.).

- Alaska became a state in 1959. The federal government granted the new state 28% ownership of its total area. Approximately 103,350,000 acres were selected under three types of grants: Community (400,000 acres), National Forest Community (400,000 acres), and General (102,550,000 acres). Additional territorial grants, for schools, university and mental health trust lands, totaling 1.2 million acres were confirmed with statehood. All grants combined gave the State of Alaska approximately 105 million acres.

- In 1971 Congress passed the Alaska Native Claims Settlement Act (ANSCA). This law granted 44 million acres and 1 billion dollars to village and native corporations created under the act. Generally, ANSCA gave Native selections priority over state land selections.

State Land

To date, the state has received patent to approximately 85% (90 million acres) of its total land selections. The state was permitted to select lands, from any federal land not already reserved for other uses, to provide:

1. Land and resources to support the state's economy for road construction, economic development, and building houses, schools, and other public and private facilities.
2. A reduction in federal control over state internal affairs by giving the state ownership and jurisdiction over its own land.

The state chose land to meet three specific needs - settlement, resources and recreation.

Settlement – The State of Alaska selected land to encourage development and settlement. Land for public facilities, road construction and other public needs were included. Once owned, the state transfers large tracts of land to local governments, and leases and disposes of land to the private sector. There are approximately 580,000 acres currently in the state's land disposal bank for eventual lease or sale.

Resources - The Alaskan economy is based on exploration for and the development of natural resources. Lands were selected for agriculture, forestry, commercial fisheries, mining potential, oil and gas development, and wildlife habitat.

Recreation – Lands for wildlife, back-country recreation, and varying degrees and types of developed recreation were chosen and reserved to provide a variety of experiences for Alaskans and the tourist industry.

Once land is selected, land planners develop state land use plans. Planners consider laws and policies set by the Governor and state legislature, the character of the land itself, recommendations made by resource experts and public input to determine the most appropriate management of currently owned or selected state land. Plans are developed for land in selected status in anticipation of its conveyance to the state.

Federal Land

The federal government is still the largest landowner in Alaska with 60% of the total area (222 million acres). This acreage includes national parks, wildlife refuges, national forests, military reservations and the North Slope National Petroleum Reserve. More than a dozen federal agencies manage federal lands in Alaska.

The majority of federally owned lands have been set aside for public use (approximately 80 million acres). These are designated as follows:

> The National Park Service and Fish and Wildlife Service manage about 119.3 acres (48.3 and 71.0 million acres respectively) for primary uses of resource protection and fish and wildlife conservation.
>
> The Forest Service and Bureau of Land Management manage about 97.7 million acres (19.8 and 77.9 million acres respectively) for multiple use purposes including timber production, fish and wildlife, recreation, water and mining. Management of these lands is based on priorities and compatibility among various uses.

The remaining federal land is designated for special purposes, such as military reservations, the National Petroleum Reserve and U.S. Postal Service lands.

Native Lands

Native lands are private lands. The Alaska Native Claims Settlement Act, passed by Congress in 1971, mandated the creation of regional and village Native corporations for the disbursement of the 44 million acres and payment of one billion dollars mandated to Native ownership.

Thirteen regional corporations were created for the distribution of ANSCA land and money. Twelve of those shared in selection of 16 million acres, the thirteenth corporation, based in Seattle, received a cash settlement only. 224 village corporations, of 25 or more residents, shared 26 million acres. The remaining acres, which include historical sites and existing native-owned lands, went into a land pool to provide land to small villages of less than 25 people.

Other Private Land

Land in private ownership (other than Native land) comprises less than one percent of the total land in Alaska. Much of the best land for development around Alaska's communities is, or will be, privately owned. Private land development meets people's needs by providing places to live, work, shop and recreate. It also provides a tax base for cities and communities to help support public services.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HJR 26**
() Publish Date:

Identifier (file name):
Title STATEHOOD/ANCSA LAND SURVEY FUNDING
Sponsor REPRESENTATIVE FAIRCLOUGH, Joule, Foster, Thomas...
Requester

Dept. Affected:
RDU
Component
Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: House Resources Committee
Division
Phone 465-3715
Date/Time

Approved by: Representative Craig Johnson, Co-Chair
House Resources Committee
Date 4/3/2009

(Revised 9/10/2008 OMB)

5221

Alaska State Legislature

Representative Anna Fairclough – House District 17

MEMORANDUM

Date: March 25th, 2009

To: Representative Johnson
Chair

From: Representative Anna Fairclough

Re: HJR 26 "Urging the United States Congress to adequately fund land surveys in Alaska in order to issue patents to the State of Alaska and Alaska Native corporations."

I am requesting a hearing for HJR 26 "Urging the United States Congress to adequately fund land surveys in Alaska in order to issue patents to the State of Alaska and Alaska Native corporations" at your earliest convenience. I have attached the relevant materials for your committee.

Thank you in advance for your consideration.

Attachments:
I. HJR 26 Sponsor Statement
II. HJR 26
III. Backup Documentation

Session: Alaska State Capitol • Juneau, AK 99801 • 907-465-3777 • Fax 907-465-2819
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Representative_Anna_Fairclough@legis.state.ak.us

HJR

27

HOUSE COMMITTEE REPORT

(9)
Date Referred to Committee: March 19, 2009 **FURTHER REFERRALS:**

Date of Committee Action: 3/30/09

The RESOURCES Committee considered: **HOUSE JOINT RESOLUTION NO. 27**

Relating to sovereign powers of the state.

HJR 27 STATE SOVEREIGNTY

Recommends it be replaced with [ ] HCS *or* [X] CS *for* HJR 27 (RES)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[X] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
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DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero
HRES				✓

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON	✓			
	[illegible]				X
	SEATON	X			
	IVEY				X
Peggy Wilson	WILSON	X			
Chair:	Johnson	X			
Chair:	[illegible]	X			

5224

ALASKA STATE LEGISLATURE

REPRESENTATIVE
Craig Johnson
716 W 4th Avenue, Suite 640
Anchorage, Alaska 99501
(907) 269-0200
FAX (907) 269-0204

While in Juneau
State Capitol
Juneau, Alaska
99801-1182
(907) 465-4993
FAX (907) 465-3872.

House District 28

FAX

Faxed @ 5:52pm on 3/30/09

To: Legislative Legal Services **From:** Debra Higgins

Fax: 465-2029 **Phone:** 465-3715

Date: 3/30/09 **CC:**

Re: CS for HJR 27(RES)

Pages with Cover: 1

☐ **Urgent** ☐ **For Review** ☐ **Please Comment** ☐ **Please Reply** ☐ **Please Recycle**

•Comments:

HJR 27 (26-LS0760\A) moved from House Resources Committee today with the following conceptual amendment.

On page 2, line 18: (two commas)
Insert "," after "penalties" and after "sanctions"

On page 2, line 25 (or wherever it fits in the last paragraph)

Delete "."

Insert "; and governors and legislative bodies of the other 49 states."

A final CS for HJR 27(RES) would be fine.

Thanks.

Debra

5225

HJR 27

Seats –

~~pg 2, line 19~~

~~delete " or lose federal funding be prohibited or repealed "~~

Wagner – Conceptual ~~Amendment~~ #1

Tuck – Amendment to HJR 27

pg 2, Line 18

insert " , " & " , "

after "penalties" after "sanctions"

adopted 3/30/09

Johnson –

Conceptual Amendment #2

HJR 27

pg 2,

Copies of this resolution sent to:

~~add~~ + ~~the~~ legislative bodies

2:48pm ~~the~~ Governors of the other states. ~~and~~

add + legislative bodies

" Governors of the other 49 states. " adopted 3/30/09

5226

the Ninth Amendment to the Constitution of the United States reads, "The enumeration in the Constitution, of certain rights, shall not be construed to deny or disparage others retained by the people"; and

WHEREAS the United States Supreme Court has ruled in New York v. United States, 112 S.Ct. 2408 (1992), that the United States Congress may not simply commandeer the legislative and regulatory processes of the states; and

WHEREAS all states, including Alaska, find themselves regularly facing proposals from the United States Congress that weaken states' rights protected by the Tenth Amendment;

BE IT RESOLVED that the Alaska State Legislature hereby claims sovereignty for the state under the Tenth Amendment to the Constitution of the United States over all powers not otherwise enumerated and granted to the federal government by the Constitution of the United States; and be it

FURTHER RESOLVED that this resolution serves as Notice and Demand to the federal government, as our agent, to cease and desist, effective immediately, mandates that are beyond the scope of these constitutionally delegated powers; and be it

FURTHER RESOLVED that all compulsory federal legislation that directs states to comply under threat of civil or criminal penalties, or sanctions, or requires states to pass legislation or lose federal funding be prohibited or repealed.

COPIES of this resolution shall be sent to the Honorable Barack Obama, President of the United States; the Honorable Joseph R. Biden, Jr., Vice-President of the United States and President of the U.S. Senate; the Honorable Nancy Pelosi, Speaker of the U.S. House of Representatives; the Honorable Lisa Murkowski and the Honorable Mark Begich, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress; and all other members of the 111th United States Congress.

Alaska State Legislature

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Member
House Finance Committee

Representative Mike Kelly

House District 7

HJR 27 SPONSOR STATEMENT

HJR 27 re-asserts Alaska's rights as a sovereign. The resolution reminds the federal government that the 10th Amendment limits the scope of federal power to that specifically granted by the Constitution of the United States and no more. Each state possesses a vast array of rights that our Founders strove to make certain the federal government could not usurp, rights the federal government seems to increasingly have ignored or diminished.

This year several resolutions before the House refer to the abuse of federal powers and the consequences that abuse poses for Alaska including:

- HR 8 and SR 6 – Resolutions opposing the Transportation Security Administration's (TSA) proposal to require in-state general aviation to implement a Large Aircraft Security Plan, similar to that in effect for major Interstate and International airports and flights.
- HJR 17 – A Resolution opposing the "Blair Holt's Firearm Licensing and Record of Sale Act" which would violate Alaskans' 2nd Amendment right to keep and bear arms.
- SCR 3 – A Resolution Urging the Governor to take action against the US Department of the Interior for violating our right to manage our millions of acres of navigable waters and submerged lands.
- HB 186 – A bill exempting firearms manufactured and kept in Alaska from federal regulation.

The federal government's encroachment on state's rights doesn't stop there. According to the National Conference of State Legislatures, "the volume of federal legislation that preempts state authority has increased" and "pressure continues to mount for Congress and the White House to support federal usurpation of state authority in a variety of areas such as criminal law, tort reform, driver's license security and the environment."

Unfunded mandates in Medicare, Medicaid and Education spending, preemption of state absentee voting laws and product liability and consumer protection standards should be added to the list of over-reaching federal authority. As the 9th and 10th amendments to the United States Constitution anticipated, the states must forever retain the power and flexibility to craft innovative solutions to their own problems.

Often the broad manner in which laws are written in congress can most politely be described as overreaching and cavalier. One example that concerns Alaskans is a Congressional proposal that could turn into the confiscation of our firearms in violation of the 2nd Amendment. HJR 27 tells the feds to back off, that Alaska has the authority and right to determine how best to govern our state.

I would appreciate your support for this resolution.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HJR 27
() Publish Date:

Identifier (file name):
Title STATE SOVEREIGNTY
Sponsor REPRESENTATIVE KELLY, Keller
Requester

Dept. Affected:
RDU
Component
Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: House Resources Committee
Division
Phone 465-3715
Date/Time

Approved by: Representative Craig Johnson, Co-Chair
House Resources Committee
Date 3/30/2009

(Revised 9/10/2008 OMB)

5230

NCSL NEWS

May 14, 2008

States Call on Congress to Stop Impeding State Authority

Regulatory Activism Undermines State-Federal Partnership

WASHINGTON – In testimony today before Congress, the National Conference of State Legislatures urged U.S. Representative Henry Waxman to move forward on legislation to protect states against federal pre-emption of their authority. State Representative David Clark, majority leader in the Utah House of Representatives and chairman of NCSL's Standing Committees, told members of the U.S. House Committee on Oversight and Government Reform that decisions of state legislatures should not be trumped by unelected federal bureaucrats.

Clark cited specific instances of pre-emption by the Food and Drug Administration as being especially troublesome. In several cases, federal agencies have developed regulations that have no basis in underlying federal law, he said.

"States have different ways of solving problems. The diversity found within our state laws helps refine our democratic system," Clark said in his testimony. "When those state policy decisions are overridden by Congress, the agencies or the Supreme Court, the results are significant to states."

The FDA, for example, appeared to have circumvented the legislative process to create product liability and consumer protection standards without input from state officials. Many states, including Utah, already have stringent product liability laws that meet specific needs.

In his testimony, Clark urged Waxman to create legislation creating a transparent and open regulatory process that

respects Congress and state and local governments. Committee members are reviewing draft legislation that supports state oversight of product safety regulation.

"The bill recognizes that some decisions, such as how to protect people from defective products, are best made by the state legislatures, not by the federal government," Clark said.

NCSL is the bipartisan organization that serves the legislators and staff of the states, commonwealths and territories. It provides research, technical assistance and opportunities for policymakers to exchange ideas on the most pressing state issues and is an effective and respected advocate for the interests of the states in the American federal system.

###

BC BLOGCR'TICS MAGAZINE
POLITICS
"A SINISTER CABAL OF SUPER CR WRITERS"

Blogcritics is an online magazine, a community of writers and readers from around the globe.

Publisher: Eric Olsen

State Sovereignty Movement Quietly Growing

Written by Dave Nalle
Published February 05, 2009

You may not have heard much about it, but there's a quiet movement afoot to reassert state sovereignty in America and stop the uncontrolled expansion of federal government power. Almost half of the state legislatures are considering or have representatives preparing to introduce resolutions which reassert the principles of the 9th and 10th Amendments to the Constitution and the idea that federal power is strictly limited to specific areas detailed in the Constitution and that all other governmental authority rests with the states.

In the version of this bill being considered in Washington State, they appeal to the authority of James Madison in *The Federalist* who wrote:

> "The powers delegated to the federal government are few and defined. Those which are to remain in the state governments are numerous and indefinite. The former will be exercised principally on external objects, [such] as war, peace, negotiation, and foreign commerce. The powers reserved to the several states will extend to all the objects which, in the ordinary course of affairs, concern the lives, liberties, and properties of the people."

The founding fathers believed in a balance between state and federal power. This state sovereignty movement clearly arises from the belief that the balance of power has tilted too far and for too long in the direction of the federal government and that it's time to restore that lose balance.

The emergence of this movement is a hopeful sign of the people asserting their rights and the rights of the states and finally crying "enough" to runaway government. With the threat of increasingly out of control federal spending, some of these sovereignty bills may stand a fair chance of passage in the coming year.

There's a lot of excitement about these bills, but there are also a lot of misconceptions, with people claiming that some states have already declared sovereignty and that the movement is much farther along than it really is. Contrary to popular rumor, none of the states has actually enacted a sovereignty law yet. Some have come close. Oklahoma's bill passed their lower house overwhelmingly but stalled in the Senate last fall and is being held over for consideration in the new year.

Contrary to the fantasies of some extremists, these sovereignty bills are not the first step towards secession or splitting up the union, nor are they an effort to block collection of the income tax, appealing though that might be. For the most part, they are not so much political statements of independence as they are expressions of fiscal authority directed specifically at the growing cost of unfunded mandates being placed upon the states by the federal government. Despite the movement picking up steam as he came to office, the target of these bills is not President Obama, but rather the Democrat-dominated Congress whose plans for massive bailouts and expanded social programs are likely to come at an enormous cost to the states.

It has become increasingly common for Congress to pass legislation which dictates policy to the states, but which comes without adequate federal funding and the expectation that the cost of these programs, which the states had no real say in approving, will come out of state budgets. This has been a long-term problem with Medicaid and Medicare, but the unfunded mandate which stirred up the most ire recently was the *No Child Left Behind* program. More concern has been raised with the recent reauthorization and expansion of the SCHIP program which has a history of requiring more expenditure than is provided for in the federal budget.

The text of the bill proposed in Arizona makes the clearest statement of the intent to block unfunded mandates:

> "That this Resolution serves as notice and demand to the federal government, as our agent, to cease and desist, effective immediately, mandates that are beyond the scope of these constitutionally delegated powers."

and

> "That all compulsory federal legislation that directs states to comply under threat of civil or criminal penalties or sanctions or requires states to pass legislation or lose federal funding be prohibited or repealed."

What this movement is most similar to is the Nullification Crisis of 1832, when the State of South Carolina asserted that it had the right to nullify the authority of federal laws within its borders. In this case the states are not asserting anything as broad as the Doctrine of Nullification, but are merely reasserting the limits which the 10th Amendment places on federal authority, specifically as it applies to spending, the idea being that they don't have to pay for federal mandates if their legislators choose not to.

Not all of the bills fall within these limitations. Missouri's bill actually goes somewhat further and does assert the right for the state to negate federal law, specifically in reference to the proposed federal Freedom of Choice Act, which some fear would bar states from passing laws regulating abortion. New Hampshire's bill actually goes so far as to lay out a very strongly worded variant of the Doctrine of Nullification, which specifies acts by the federal government (many of them currently being proposed in Congress) which would effectively negate the Constitution and the authority of the federal government within their state. Hawaii's proposed sovereignty bill comes very close to being an actual act of secession, based on native tribal rights.

As things stand right now it looks like Oklahoma, Washington, Hawaii, Missouri, Arizona, New Hampshire, Georgia, California, Michigan and Montana will all definitely consider sovereignty bills this year. They may be joined by Arkansas, Colorado, Idaho, Indiana, Alaska, Kansas, Alabama, Nevada, Maine and Pennsylvania where legislators have pledged to introduce similar bills. Twenty states standing up to the federal government and demanding a return to constitutional principles is a great start, but it remains to be seen whether legislatures and governors are brave enough or angry enough to follow through. As the Obama administration and the Democratic Congress push for more expansion of federal power and spending that may help provide the motivation needed for the sovereignty movement to take off.

JUNEAUEMPIRE.COM

We can break the chains of government control

Tuesday, March 17, 2009
By Kevin Reeves | **Round Two**

"Live Free or Die"

- New Hampshire motto

"Conviction is worthless unless it is translated into conduct."

- Thomas Carlyle

His name was Sean Flaherty, a diminutive, dark-headed Irishman's son, and I had the severe misfortune to be seated next to him in algebra class at the beginning of my freshman year. The math was bad enough - I never had a head for the stuff - but what made the class intolerable was Flaherty's mouth.

It was the dominant part of his personality, and he couldn't help livening up the room with colorful invective. Unfortunately, most of it was directed at me. Barbs about my acne, gangly appearance, etc. elicited laughter from my gangly, acne-faced classmates, who tittered like girls because the puberty hormones hadn't yet kicked in. I hated taking it on the chin that way, but I was scared to death of fighting. So to spare my miserable hide, I just laughed nervously along with the other 40 children in the room.

Then, one day, in the middle of a boring lecture on numbers, it happened. The under-the-breath jibes, the infuriating grin, the quiet, mocking laughter all coalesced to produce a real-time example of Newton's Third Law. In other words, I snapped. It was just a quiet, little pop, actually, which no one noticed but me. But suddenly, irreversibly, it was better to get bloodied than to just silently take the abuse. Flaherty had finally pushed all the right buttons in sequence. I'd had enough.

"Don't ever say that to me again."

Silence dropped like a guillotine blade. Mr. Tayzak's numbers-laden monologue froze midstream. Everyone, and I mean everyone, stared at us.

With a dismissive smirk Flaherty loudly replied, "Yeah? And what'll you do?"

I never blinked. "I'll bust your head."

The surprise on his face was priceless. A shadow of fear flitted across his eyes and he faked a puny laugh, looked away, and never bothered me again. Mr. Tayzak smiled faintly and continued his lecture. And I discovered that self-respect felt real good.

I learned a valuable lesson that day: If you let people stomp you, they will.

The issue of state sovereignty has cannon-balled in the past three weeks. It is long overdue. Some 20 states have either drafted resolutions against federal interference or are in the process of doing so. Thankfully, Alaska's own House Resolution 9 "serves as Notice and Demand to the federal government, as our agent, to cease and desist, effective immediately, mandates that are beyond the scope of these constitutionally delegated powers ..."

Since the passage of the fiat money bailout, which blithely promises Americans that our "representatives" can spend us out of debt, more and more states are experiencing the first sluggish awakenings from a federally-induced hypnotic trance. The sparkly medallion swung back and forth before drooping eyelids, of course, is the so-called "funding" that a state gets if it grovels enough before the federal hierarchy. Unfortunately for the Washington, D.C., conglomerate, with a deficit in the trillions, a probable depression looming, current taxation nearly astronomical, multiplied millions out of work and American freedoms melting like snowflakes under a desert sun, many average folks have drawn a line in the sand.

The New Hampshire resolution was killed in the state house, apparently by those who either cannot comprehend or view with utter contempt the state motto. Happily, those same who voted against it will be remembered as federal lackeys and now face a constituency who've had a gutful of being legislatively bullied.

Yet, this movement is merely so much rhetoric unless it is coupled with decisive action. If H.R. 9 means anything - and it certainly should, given our own proud motto - then the people of Alaska have declared that we are taking a stand, finally, and that threats and intimidation from our self-described betters in Washington won't work anymore.

Freedom has grave responsibilities. We're about to find out if we're worthy enough to carry them, or if we are to shoulder the accusation from another era, spoken to another complacent people: "Crouch down and lick the hand that feeds you; May your chains rest lightly upon you, and may posterity forget that ye were our countrymen."

Click here to return to story:
http://juneauempire.com/stories/031709/opi_410751487.shtml

ALASKA STATE LEGISLATURE

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REPRESENTATIVE MIKE KELLY
HOUSE DISTRICT 7

Member
House Finance Committee
Legislative Budget & Audit

MEMORANDUM

To: Representative Craig Johnson Co-Chair – House Resources Committee
Representative Mark Neuman Co-Chair – House Resources Committee

From: Representative Mike Kelly

Date: March 19, 2009

Re: Committee Hearing Request – HJR 27 "Relating to Sovereign Powers of the State."

I respectfully request that HJR 27, "Relating to Sovereign Powers of the State" be scheduled for a hearing. I have included a sponsor statement, the bill and other items of evidentiary support.

If you have any questions or comments, or require additional material please feel free to contact me at extension 4976 or my staff, Derek Miller at extension 6879.

HJR

28

HOUSE COMMITTEE REPORT

(9)

Date Referred to Committee: March 27, 2009 **FURTHER REFERRALS:**

Date of Committee Action: 3/30/09

The RESOURCES Committee considered: **HOUSE JOINT RESOLUTION NO. 28**

Urging the President of the United States and the United States Congress not to adopt any policy, rule, or administrative action or enact legislation that would restrict energy exploration, development, and production in federal and state waters around Alaska, the outer continental shelf within 50 miles of shore, and elsewhere in the continental United States; urging the President of the United States and the United States Congress to encourage and promote continued exploration, development, and production of domestic oil and gas resources.

HJR 28 OPPOSE RESTRICTIONS ON OIL/GAS ACTIVITIES

Recommends it be replaced with [ ] HCS *or* [X] CS *for* HJR 28 (RES)

For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW **FISCAL NOTES** *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
RES				✓

PREVIOUS **FISCAL NOTES**				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON	✓			
	GUTTENBERG			X	
	IVCK				X
	SEATON	X			
	WILSON	X			
Chair:	Johnson	✓			
Chair:	NEUMAN	✓			

5240

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HJR 28
() Publish Date:

Identifier (file name):
Title OPPOSE RESTRICTIONS ON OIL/GAS ACTIVITIES
Sponsor REPRESENTATIVE JOHNSON, Millett
Requester

Dept. Affected:
RDU
Component
Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: House Resources Committee
Division
Phone 465-3715
Date/Time

Approved by: Representative Craig Johnson, Co-Chair
House Resources Committee
Date 3/30/2009

(Revised 9/10/2008 OMB)

5241

ALASKA STATE LEGISLATURE

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Rep_Craig_Johnson@legis.state.ak.us

Session:
State Capitol, Room 126
Juneau, Alaska
99801-1182
(907) 465-4993
FAX (907) 465-3872

Representative Craig Johnson
House District 28

Sponsor Statement

House Joint Resolution No. 28

"Urging the President of the United States and the US Congress not to adopt any policy, rule or administrative action or enact legislation that would restrict energy exploration, development and production in federal and state waters around Alaska, the OCS within 50 miles of shore, and elsewhere in the continental US."

The Alaskan Outer Continental Shelf (OCS) is a potentially important source of future energy supply. Recent estimates of the potential resources in the OCS place the undiscovered reserves at 27 billion barrels of oil and 132 trillion CF of natural gas. Add this to the estimated 35,000 jobs that OCS development could potentially create and the economic benefits are clear.

Recent actions and statements from the President of the United States and his Administration have caused uncertainty among producers and regulators regarding the future of OCS development in Alaska and the continental United States. Considering the unprecedented escalation of gasoline and heating oil prices that were seen last year, as well as the current economic crisis America is facing today, now is not the time to restrict businesses that are creating jobs and generating revenue.

It is more important than ever that we work with the oil and gas industry and federal regulators to ensure that Alaska's pipeline continues to provide oil and gas to the nation and revenue to the state. To facilitate this, President Obama and his Administration need to avoid enacting regulations, rules or administrative actions that would hinder or ban OCS development.

HJR 28 urges President Obama, key members of his Administration and members of Congress to not adopt any policy, rule, administrative action or legislation that would restrict energy exploration, development and production in federal or state waters around Alaska, the OCS within 50 miles of shore or elsewhere in the continental United States. HJR 28 further urges the President and Congress to encourage and promote continued exploration, development and production of domestic oil and gas resources.

Co-Chair House Resources Committee
Member of Fisheries, State Affairs, Transportation Committees

ALASKA STATE LEGISLATURE

REPRESENTATIVE
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While in Juneau
State Capitol
Juneau, Alaska
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FAX (907) 465-3872

House District 28

faxed 4:04pm on 3/30/09

FAX

To:	Don Bullock, Legislative Legal Services	**From:**	Debra Higgins
Fax:	465-2029	**Phone:**	465-3715
Date:	3/30/09	**CC:**	
Re:	CS for HJR 28(RES)		

Pages with Cover: 1

☐ **Urgent** ☐ **For Review** ☐ **Please Comment** ☐ **Please Reply** ☐ **Please Recycle**

•Comments:

HJR 28 (26-LS0566\E) moved from the House Resources Committee today with the following conceptual amendment:

Pg 1, line 4 and Pg 2, line 21: + Pg 2, line 31

Delete "50" after "within"

Insert "200"

A final CS for HJR 28(RES) would be fine.

Thanks.

Debra

3/30/09

Tom Lalosh - Get him Rep Sessions

Conceptual amendment #1 offered Nauman

Pg 1, line 4
Pg 2, line 21

delete: 50 after "within"
insert: 200 after "within"

~~strike~~

~~strike~~

adopted

HJR

33

ALASKA STATE LEGISLATURE

REPRESENTATIVE KURT OLSON

- Chair, Labor and Commerce
- Member: Rules, Resources, Military and Veterans Affairs

Session: January - April
State Capitol
Juneau, AK 99801-1182
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Fax: 907-283-2763

Official Business

Summary of Changes
CSHJR 33

Page 1:

Lines 5-6

Delete "on March 22, 2009"
Insert "in September 2008"

Page 2:

Line 19

Following "Mt. Redoubt"
Insert "in a safe and responsible manner"

Pg1 Line 3 (Title)

Email: Representative_Kurt_Olson@legis.state.ak.us

26-LS0896\S
Bullock
4/14/09

CS FOR HOUSE JOINT RESOLUTION NO. 33( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES OLSON, Chenault, Johnson, Gatto, Ramras, Neuman, Thomas, Hawker, Coghill, Muñoz, Wilson, Fairclough, Lynn, Millett

A RESOLUTION

Urging immediate action by the governor, the Alaska Congressional delegation, and state and federal agencies to assist in the restart of oil production in Cook Inlet that was affected by the eruption of Mt. Redoubt in a safe and responsible manner.

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

WHEREAS a period of increased volcanic activity began at Mt. Redoubt in September 2008; and

WHEREAS the proximity of Mt. Redoubt to state population centers, airports, and oil production facilities makes the recent volcanic eruptions particularly threatening to Alaskans; and

WHEREAS the eruption cycle that began on March 22, 2009, resulted in massive snow and glacial melt in the Drift River Valley, leading to the flooding of the Drift River; and

WHEREAS the Drift River oil storage and transfer facility is located in the floodplain of the river and in the path of flooding caused by lahars; and

WHEREAS, in an effort to avert a potential oil discharge into Cook Inlet, the Drift River terminal was shut down, and the oil in its storage tanks was drawn down; and

WHEREAS, because of the complexity of crude oil production in Cook Inlet, the length of time production wells are shut down adversely affects the ability to return to normal production levels; and

WHEREAS the Drift River terminal, as a crucial waypoint in the delivery of oil produced from Cook Inlet platforms, is integral to the operation of the Trading Bay and Granite Point facilities, the Tesoro refinery in Nikiski, and future oil and gas development and production in the Cook Inlet; and

WHEREAS the shutdown of the Drift River facility disrupts oil production on Cook Inlet platforms and adversely affects the operation of oil and gas facilities throughout the Cook Inlet basin; and

WHEREAS the oil services industries on which these platforms and facilities depend have been forced to curtail production and lay off workers as a result of the closure of the Drift River terminal; and

WHEREAS a prolonged closure of the terminal threatens to cripple the regional economy, with a decline in oil and gas production, potential price increases, and layoffs in the oil and gas sector and the industries that support it;

BE IT RESOLVED that the Alaska State Legislature urges immediate action by the governor, the Alaska Congressional delegation, and state and federal agencies to assist in the restart of oil production in Cook Inlet that was affected by the eruption of Mt. Redoubt in a safe and responsible manner.

COPIES of this resolution shall be sent to the Honorable Barack Obama, President of the United States; the Honorable Joseph R. Biden, Jr., Vice-President of the United States and President of the U.S. Senate; the Honorable Ken Salazar, United States Secretary of the Interior; the Honorable Lisa P. Jackson, Administrator of the U.S. Environmental Protection Agency; Admiral Arthur E. Brooks, Commander, Seventeenth Coast Guard District; the Honorable Tom Irwin, Commissioner, Department of Natural Resources; the Honorable Larry Hartig, Commissioner, Department of Environmental Conservation; and the Honorable Lisa Murkowski and the Honorable Mark Begich, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

ALASKA STATE LEGISLATURE

REPRESENTATIVE KURT OLSON

- Chair, Labor and Commerce
- Member: Rules, Resources, Military and Veterans Affairs

Session: January - April
State Capitol
Juneau, AK 99801-1182
Phone: 907-465-2693
Fax: 907-465-3835

Interim: May - December
145 Main Street Loop, Ste 221
Kenai, AK 99611
Phone: 907-283-2690
Fax: 907-283-2763

Official Business

MEMORANDUM

TO: Representative Craig Johnson, Co-Chair
Representative Mark Neuman, Co-Chair
House Resources Committee

FROM: Rep. Kurt Olson

DATE: April 11, 2009

RE: House Joint Resolution 26-LS0896\R Hearing Request
HJR 33

Pending introduction and referral, I respectfully request a hearing on House Joint Resolution 26-LS0896\R at your earliest possible convenience.

The resolution urges immediate action by the governor, the Alaska Congressional delegation, and state and federal agencies to assist in the restart of oil production in Cook Inlet that was affected by the eruption of Mt. Redoubt.

The shut down of the Drift River oil storage and transfer facility after the eruption of Mt. Redoubt has adversely affected oil and gas production and development in the Cook Inlet basin. The closure threatens to cripple the regional economy with a decline in oil and gas production, potential price increases, and layoffs in the oil and gas sector and the industries that support it.

The economic welfare of the region depends on resumed production in the Cook Inlet, and I urge the appropriate parties to assist in the restart of production in the region.

Please contact my staff, Konrad Jackson, at 465-4954 with any questions regarding this legislation.

Email: Representative_Kurt_Olson@legis.state.ak.us

ALASKA STATE LEGISLATURE

REPRESENTATIVE KURT OLSON

- Chair, Labor and Commerce
- Member: Rules, Resources, Military and Veterans Affairs

Session: January - April
State Capitol
Juneau, AK 99801-1182
Phone: 907-465-2693
Fax: 907-465-3835

Interim: May - December
145 Main Street Loop, Ste 221
Kenai, AK 99611
Phone: 907-283-2690
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Official Business

Sponsor Statement
HJR 26-LS0896\R (HJR-33)

Alaska's economy is largely dependent on oil and gas production in the Cook Inlet basin. Much of this production has been stopped, however, due to the recent volcanic activity at Mt. Redoubt. The production stoppage threatens to cripple the state economy with a decline in oil and gas production, potential price increases, and substantial layoffs.

The shutdown of the Drift River oil storage and transfer facility is a substantial blow to production and development in the region. The facility is a crucial waypoint in the delivery of oil produced from Cook Inlet platforms and is integral to the operation of the Trading Bay and Granite Point facilities, the Tesoro refinery in Nikiski, and future oil and gas development and production in the Inlet. Its closure not only affects platforms and facilities in the Cook Inlet basin, but the support industries on which they depend.

Because the economic implications of reduced production in the Cook Inlet have the potential to affect the state economy in such a profound way, I respectfully urge the appropriate parties to assist in the restart of production in the region.

I kindly ask for your favorable consideration of this legislation. If you have any questions or concerns, please do not hesitate to contact me or my staff.

Email: Representative_Kurt_Olson@legis.state.ak.us

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HJR 33**
() Publish Date:

Identifier (file name):
Title RESTART COOK INLET PRODUCTION
Sponsor OLSON, Chenault, Johnson, Gatto, Ramras, Neuman...
Requester

Dept. Affected:
RDU
Component
Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: House Resources Committee
Division
Phone 465-3715
Date/Time 4/13/09 12:00 AM

Approved by: Representative Mark Neuman, Co-Chair
House Resources Committee
Date 4/13/2009

(Revised 9/10/2008 CMB)

5251

SB 243

HOUSE COMMITTEE REPORT

(9)

Date Referred to Committee: April 6, 2010

FURTHER REFERRALS: Labor and Commerce
Finance

Date of Committee Action: 9 Apr 2010

The RESOURCES Committee considered:

CS FOR SENATE BILL NO. 243(FIN)

"An Act relating to geothermal resources; relating to the royalty obligation for geothermal resources; transferring from the Department of Natural Resources to the Alaska Oil and Gas Conservation Commission authority over permitting and inspection of geothermal wells; providing for a regulatory cost charge for geothermal wells; and providing for an effective date."

SB 243-GEOTHERMAL RESOURCE:ROYALTY/PERMIT/FEE

Recommends it be replaced with [✓] **HCS** *or* [ ] **CS for** CSSB243 (Res)

For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ [✓] Same Title [ ] New Title

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW FISCAL NOTES
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero

PREVIOUS FISCAL NOTES

List by Dept(s):	FN#	Fiscal	Indet.	Zero
ADM	4			✓
DNR	3			✓
REV	2			✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
		X			
	Edgmon	X			
	Olson	X			
Chair:	Johnson	X			
Chair:					

ALASKA STATE LEGISLATURE

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Chair
Senate Special Committee on Energy
Senate Committee on World Trade, Technology and Innovations

Co-Chair
Senate Resources Committee

Member
Senate Judiciary Committee

SENATOR LESIL MCGUIRE

Sectional Analysis of Senate Bill 243: 26-LS 1346\PS

Please note that a sectional analysis is not an authoritative interpretation of a bill. The bill itself is the best statement of its contents.

Section 1 amends AS 31.05.030 clarifying that the Alaska Oil and Gas Conservation Commission (AOGCC) has jurisdiction over the exploration and development of geothermal resources; except for the management of leases and units.

Section 2 amends the royalty rate for geothermal resources in AS 38.05.181(g) to reflect federal royalty rates; 1.75% of gross income during the first 10 years and 3.5% of gross income thereafter.

Section 3 adds a new section to AS 41.06 delineating jurisdiction over geothermal resources between the AOGCC and Department of Natural Resources (DNR).

Section 4 amends AS 41.06.010 to allow the AOGCC to investigate the waste of geothermal resources.

Section 5 repeals and reenacts AS 41.06.020 to set out the jurisdiction of the AOGCC over all land in the state and to allow for the suspension of the application of chapter 06 on federal land if similarly regulated by Federal government and clarifies the application of the chapter.

Section 6 amends AS 41.06.030(a) to clarify that a plan of development and operation for a geothermal resource must be filed with the AOGCC.

Section 7 amends AS 41.06.030(b) to clarify that unitization by DNR of a geothermal resource system under AS 41.06.030 when the geothermal resource system includes state land.

Section 8 amends AS 41.06.030(c) to conform to the changes made in section 7.

Section 9 amends AS 41.06.030 by inserting a new subsection (e) that allows the commissioner of DNR to adopt regulations necessary to implement the purposes and intent of chapter 6.

ALASKA STATE LEGISLATURE

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Senate Judiciary Committee

SENATOR LESIL MCGUIRE

Section 10 amends AS 41.06 by adding a new section 41.06.035 allowing the AOGCC to issue orders and impose requirements to prevent waste and protect correlative rights on any geothermal opeation. This section also allows the AOGCC to adopt regulations. ~~regulate the management of a geothermal resource~~.

Section 11 repeals and reenacts AS 41.06.040(a) governing the authority of the AOGCC to adopt regulations governing the safe development ~~management~~ of a geothermal resource.

Section 12 amends AS 41.06.040 (b) ~~by replacing the commissioner of DNR's authority governing the filing of a surety bond with the AOGCC.~~ to allow the AOGCC to require a geothermal operator to file a surety bond.

Section 13 amends AS 41.06.040(c) to require notification of the AOGCC rather than the DNR is geothermal exploration encounters hydrocarbons and other fissionable materials.

Section 14 amends AS 41.06.040(d) to replace the commissioner of DNR with the AOGCC for the purposes of authorizing inspection of a geothermal operation.

Section 15 repeals and reenacts AS 41.06.050 governing the AOGCC permitting process for geothermal exploration and development drilling.

Section 16 amends AS 41.06 by adding a new section 41.06.055 authorizing a regulatory cost charge for geothermal wells.

Section 17 repeals and reenacts AS 41.06.060 providing definitions for AS 41.06

Section 18 repeals AS 41.06.030(d) governing lease operations under an approved plan of development and AS 41.06.040(e) the exemption from AOGCC authority of geothermal resources.

Section 19 adds a new section to the uncodified law of the State of Alaska that applies the royalty rates established by section 2 to leases entered into or renewed after the effective date of the act and directs the commissioner of DNR to offer the royalty rates established by section 2 to an existing lessee.

Section 20 adds a new section to the uncodified law of the State of Alaska that governs the transition of authorities over geothermal resources established in this act.

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SENATOR LESIL MCGUIRE

Section 21 adds a new section to the uncodified law of the State of Alaska that gives direction to the revisor of statutes.

Section 22 immediate effective date for section 20

Section 23 effective date of July 1, 2010

Prepared By: Michael Pawlowski, Aide to Senator McGuire

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: CSSB 243(FIN)
(S) Publish Date: 4/2/10

Identifier (file name): CSSB243(FIN)-DNR-DOG-03-31-10
Title: No Royalty on Geothermal Resources
Sponsor: Sen McGuire
Requester: SFIN

Dept. Affected: Natural Resources
RDU: Resource Development
Component: Oil and Gas Development
Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Under AS 38.05.181(g) SB 243 reduces royalty on gross revenues from 10% under current lease conditions to 1.75% of the gross revenues derived from geothermal leases during the first 10 years of income generating production on state leased lands, with a 3.5% royalty rate thereafter. These royalty rates apply to a geothermal lease or the renewal of a geothermal lease entered into on or after the effective date of the Act.

Given the immature state of the geothermal industry in Alaska, the impact to royalty revenue is indeterminate. Although a reduced royalty rate will lead to less royalty collected for a given geothermal project, this reduced royalty rate may make geothermal projects on state lands more competitive. This bill will also transfer certain drilling inspection functions and other authorities to AOGCC. There will be no budget impact to DNR as a consequence of this transfer. Without SB 243 DNR must either hire or contract drilling engineers and inspectors to meet the potential demand of geothermal leasing.

Sec. 17 (d) defines those waters where the Division of Mining, Land and Water will continue to manage water rights in the state when the water is not a "geothermal resource."

Prepared by: Kevin Banks — Phone 269-8800
Division: Oil and Gas — Date/Time 3/31/10 1:00 PM
Approved by: Tom Irwin — Date 3/31/10 5:15pm
Natural Resources

(Revised 11/6/2009 OMB)

5257

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 4
Bill Version: CSSB 243(FIN)
(S) Publish Date: 4/2/10

Identifier (file name): SB243CS -DOA-AOGCC-03-31-10
Dept. Affected: Admin
Title
RDU AOGCC
"An Act relating to the royalty obligation for geothermal resources." Component AOGCC
Sponsor Senator Lesil McGuire
Requester (S) FIN
Component Number 2010

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Interagency Receipts		0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Additional work for the Alaska Oil and Gas Conservation Commission (AOGCC) resulting from this bill could be managed by existing staff. The agency would need to provide training for Commissioners and staff on geothermal drilling and production practices, but the costs would be absorbed by the agency. Therefore, AOGCC submits a zero fiscal note.

Prepared by: Jody J. Colombie, Special Assistant I
Phone (907 793-1221
Division Alaska Oil and Gas Conservation Commission
Date/Time 3/31/10 10:00 AM
Approved by: Rachael Petro, Deputy Commissioner
Date 3/31/2010
Department of Administration

(Revised 11/6/2009 OMB)

5258

Geothermal State Leasing

(Taken from www.geothermal.org)

Alaska

Legislative Reference: Alaska Administrative Code 41.06.40 – 41.06.60; Alaska Statutes - Alaska Public Lands Act, Section 38.910, Section 38.05.181 – 38.05.182

Agency Responsible for Leasing: Department of Natural Resources Division of Lands

Leasing: Leasing is by competitive bid in areas designated by the Commissioner of the Department of Natural Resources. On state land that has not been declared a competitive geothermal area or withdrawn from geothermal prospecting, the commissioner may issue a prospecting permit to the first qualified bidder. Upon discovery of geothermal resources in commercial quantities the permit maybe converted to a noncompetitive lease.

Lease Terms:

Primary: 10 years
Renewal: 5 years if engaged in drilling and thereafter for duration of commercial production
Rentals: $3.00 per acre per year
Royalties: 10 – 15 % of gross revenue derived for products, sale, or use of geothermal resources under the lease. Royalties may be taken in kind if in the best interest of the state.

Arizona

Legislative Reference: Legislative Reference Title 12 Natural Resources Article 22 Geothermal Resource R12-5-2201 to R12-5-2217

Agency Responsible for Leasing: State Land Department

Leasing: Leasing is by competitive bid

Lease Terms:

Primary: 10 years
Renewal: As long as production is maintained
Rentals: $1.00 per acre per year
Royalties: Not less than 12.5 % of the market value

California

Legislative Reference: California Public Resource Code 6901-6925.2

Agency Responsible for Leasing: State Lands Commission

Leasing: Leasing is by competitive bid in areas selected for lease by the commission. Prospecting permits are available and may be convertible to a lease upon discovery with such terms as specified in 6913.

Lease Terms:

Primary: 10 years
Renewal: Yes, for so long as geothermal resources are being or capable of being produced or utilized in commercial quantities
Rentals: $1.00 per acre per year escalating, or prospecting permit
Royalties: Not less than 10 % of gross revenue
Not less than 20 % of gross revenue of mineral products
The Commissioner may provide for a royalty of less than 10 % for direct heat applications.

Colorado

Legislative Reference: Colorado Statutes Title 36 Natural Resources 36-1-115 Development of oil, gas, or geothermal resources areas.
36-1-147 Geothermal Leases.

Agency Responsible for Leasing: State Board of Land Commissioners

Leasing: Leases issued by the State Board of Land Commissioners may be awarded as the result of negotiation or competitive bidding. 36-1-113 (2)

Lease Terms:

Primary: Set in lease
Renewal: For as long as production continues
Rentals: Set in lease
Royalties: Set in lease

Hawaii

Legislative Reference: Hawaii Administrative Rules Title 13 Department of Land and Natural Resources Subtitle 7 Water and Land Development Chapter 183 Rules on Leasing and Drilling Geothermal Resources

Agency Responsible for Leasing: Department of Land and Natural Resources
Leasing: Leases on state land shall be granted only on a competitive bid basis. Leasing on reserved land may be granted on a competitive bid basis by public auction or without auction to the occupier or to his assignee upon a vote of two-thirds of the Board members. Exploration permits are also available on any state or reserved land.

Lease Terms:
Primary: 10 years
Renewal: For up to a maximum of 65 years
Rentals: Set by Board
Royalties: Determined by the Board
Royalties on by-products not less than 5 %

Idaho

Legislative Reference: Idaho Statutes Title 47 Mines and Mining Chapter 16 Geothermal Resources 47-1601 to 47-1611 Administrative Code 20.03.15 to 20.03.120

Agency Responsible for Leasing: State Board of Land Commissioners

Leasing: Leasing is by competitive bid in areas designated by the Director of the Department of Lands as being in a Known Geothermal Resource Area (KGRA) or where there is competitive interest, i.e. two or more applications are received on the same day for the same site. Other areas are available on a noncompetitive basis.

Lease Terms:
Primary: 10 years
Renewal: The primary term can be extended if lessee is actively engaged in drilling once geothermal resources are proved or utilized in paying quantities. The lease shall be extended but in no event for more than 40 years. After the end of the primary term, the lessee has preferential right to renewal for a second 40 years.
Rentals: $1.00 per acre per year – first five years
$2.00 per acre per year – second five years
$3.00 per acre per year – thereafter
Royalties: 10 % of the amount of value of geothermal resource, 5 % of the associated byproducts.

Kansas

No leasing regulations for geothermal.

Montana

Legislative Reference: Montana Code Annotated 2001 77-4-101 to 77-4-109, 77-4-121 to 77-4-129; Administrative Rule of Montana 36.25.103 and 104; Subchapter 4 Geothermal Rules and Regulations 36.25.401 to 36.25.413

Agency Responsible for Leasing: Board of Land Commissioners

Leasing: All leasing is by competitive bid. If at the lease sale, no bid is made on the tract for which an application was made, the applicant may negotiate with the Board.

Lease Terms:

Primary: 10 years
Renewal: The lease will continue in effect beyond the primary ten years if the lessee is engaged in drilling for geothermal resources. The lease shall continue in force so long as geothermal resources in paying quantities are produced.
Rentals: $1.00 per acre per year
Royalty: 10 % of the gross revenue; minimum $2.00 per acre per year

Nebraska

Legislative Reference: Nebraska State Statutes Section 66-1101 to 66-1106

Nebraska has not developed any provisions for leasing of state lands for geothermal exploration and development. However, for minerals as well and oil and gas, leasing competition is by competitive auction.

Nevada

Legislative Reference: Nevada Revised Statutes 534A.010; 534A.050

No leasing regulations for geothermal development.
For leasing, see Lands, Contract Department.

New Mexico

Legislative Reference: New Mexico Annotated Code Title 19 Chapter 14-1; Title 19 Chapter 2-7; Title 19 Chapter 13-7 to 13-12

Agency Responsible for Leasing: New Mexico State Lands Office

Leasing: Leases are available on a non-competitive basis. However, the Commissioner of Public Lands may at his discretion reject any application and offer the tract or tracts at public auction. Lands classified as "known geothermal fields" are leased through public auction through either sealed or oral bidding procedure.

Lease Terms:

Primary: 5 years

Renewal: Primary term can be renewed for additional 5 years and thereafter so long as geothermal resources are being produced or utilized or are capable of being produced or utilized in commercial quantities.

Rentals: $1.00 per acre or fraction thereof per year. Escalates to $5.00 per acre per year after primary lease term.

Royalties: 10 % of the gross revenue from the sale or use of steam, brines or hot water, associated gases or other forms of heat or energy derived from production with a minimum of $2.00 per acre or fraction thereof per year.
A royalty of not less than 2 % nor more than 5 % of the gross revenue received for the sale of mineral products or chemical compounds recovered from geothermal fluids.
A royalty of 8 % of the net revenue for the operation of an energy producing plant on the leased land.
A royalty of not less than 2 % nor more than 10 % of the gross revenue received from the operation of the geothermal resource for recreational, space heating, or health purposes.

North Dakota

Legislative Reference: North Dakota Century Code Chapter 38-19

Agency Responsible for Leasing: The State Industrial Commissioner – Office of the State Geologist

Leasing: Leases are negotiated.

Oklahoma

Legislative Reference: Oklahoma Statutes Title 64 Public Lands

Agency Responsible for Leasing: The Land Office

Leasing: The Commissioners of the Land Office have not adopted specific rules and regulations relating to the leasing of school or other public lands for the purpose of geothermal exploration and development.

Oregon

Legislative Reference: Oregon Revised Statues (ORS) Chapters 522 and 273, Oregon Administrative Rules 141-075

Agency Responsible for Leasing: The Division of State Lands

Leasing: Leases are available on both competitive and non-competitive bases. Geothermal exploration permits are also available, but allow only for nonexclusive access to land for geothermal exploration.

Lease Terms:

Primary: 10 years

Renewal: 5 years extension if resource discovery has been made or is imminent. No lease shall exceed 50 years; lessee has right of first refusal in the event the Division decides to continue leasing.

Rentals: Years 1 – 3: $1.00 per acre
Year 4: $3.00 per acre
Years 5 – 10: $5.00 per acre
Renewal geothermal lease: $5.00 per acre

Royalties: A royalty of at least 10 % upon the production value of the geothermal resources produced under the lease and sold or utilized by the lessee. The production value shall be determined by the gross sale price paid by the plant or other purchaser for value.

Royalties on By-Products: 1 % of the gross sale price of de-mineralized water sold, exchanged or otherwise disposed of.

South Dakota

Legislative Reference: South Dakota Codified Laws Chapter 5-1-2, 5-1-7, 5-7-19 to 25

Agency Responsible for Leasing: Department of Schools and Public Lands

Leasing: Leasing is on a competitive basis by public auction; the commissioner retains the right to reject any or all bids.

Lease Terms:

Primary: 10 years

Renewal: So long as resources are produced from the leased lands
Rental: Not less than $1.00 per acre per year.
Royalty: Not less than 10 % of the gross value received from the sale of steam brines at the point of delivery to the purchaser.
A 5 % royalty of the gross revenue from sale of mineral products or chemical compounds recovered from geothermal fluid or chemical compounds.

Texas

Legislative Reference: Texas Natural Resources Code (TNRC) – Title 5 Chapter 141 and Chapter 51.192

Agency Responsible for Leasing: Railroad Commission, Commissioner of the General Land Office

Leasing: All leasing is by competitive bid.

Lease Terms:
Primary: Generally 3-5 years
Renewable: As long as actively pursuing development. Thereafter so long as productive.
Rentals: Established at the time of bid or negotiated thereafter.
Royalties: Established at the time of bid or negotiated thereafter.

Utah

Legislative Reference: Utah Code Section 73-22-1 to 73-22-9, and 59-12-02

Agency Responsible for Leasing: Utah School and Institutional Trust Lands Administration

Leasing: In known geothermal areas lands have been withdrawn and are available for sealed bid competitive leasing upon nomination by a potential lessee. Non-withdrawn lands are available from over-the-counter leasing.

Lease Terms:
Primary: 10 years
Renewable: Primary term extendable if spudding or drilling wells. The lease is extendable indefinitely so long as in production.
Rentals: $1.00 per acre per year escalates to $4.00 per acre per year after expiration of primary lease term.
Royalties: 10% on production or minimum of $4.00 per acre per year.

Washington

Legislative Reference: Revised Code of Washington Chapter 79.76, 79.12, 79.13, 79.01, 79.02, Washington Annotated Code 332-22

Agency Responsible for Leasing: Department of Natural Resources, Division of Lands

Leasing: Leasing may be by competitive bid or negotiation.

Lease Terms:

Primary: 10 years

Renewal: Up to 55 years subject to approval every 5 years upon approval of plan of Development.

Rentals: Years 1 to 5, not less than $1.25 per acre per year or $250, whichever is greater; years 6 to 10, not less than $2.00 per acre per year or $500, whichever is greater.

Royalties: 10 % of the gross proceeds received from the sale of such geothermal resources which are derived, generated or manufactured from the premises sufficient for commercial sales, and 10 % of the fair market value thereof of products utilized but not sold, and 10 % of the gross proceeds for all byproducts derived from the leasehold estate.

Wyoming

Wyoming has never adopted rules and regulations for geothermal leasing. General leasing provisions are found in Wyoming Statutes Title 36 Chapter 5 (36-5-101) Qualification of lessees; lease terms; rental.

ALASKA STATE LEGISLATURE

Session
State Capitol Building, Room 125
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Chair
Senate Special Committee on Energy
Senate Committee on World Trade,
Technology and Innovations

Co-Chair
Senate Resources Committee

Member
Senate Judiciary Committee

SENATOR LESIL MCGUIRE

Annual Royalty Due Under the SB 243 for the Proposed Mt. Spur Geothermal Project

The following was prepared based on the numbers provided by ORMAT, Inc. to the Senate Resources Committee.

Assumptions:

1. 50 Megawatt Geothermal Project
2. 95% Capacity factor
3. $130 per Megawatt/Hour

At the 1.75% rate for the first 10 years:

- 50 MW x 8760 hrs/yr x 95% CF x $130 MW/hr x 1.75% = $946,627.50 annually

At the 3.5% rate (effective in perpetuity after the first 10 years):

- 50 MW x 8760 hrs/yr x 95% CF x $130 MW/hr x 3.5% = $1,893,255 annually

*It is important to note that if the Mt. Spur project is developed by a private entity as proposed, the corporation would also be subject to Alaska's corporate income tax.

Prepared by: Michael Pawlowski, Aide to Senator McGuire

Debra Higgins

From: Foerster, Catherine P (DOA) [cathy.foerster@alaska.gov]
Sent: Tuesday, April 06, 2010 3:43 PM
To: Rep. Craig Johnson
Cc: Seamount, Dan T (DOA); Norman, John K (DOA)
Subject: SB243

Good afternoon Representative Johnson,

SB243 is floating around in the House right now. There is a portion on royalty rates and a portion transferring some authorities from DNR to AOGCC.

The AOGCC has no opinion on the royalty piece, but here are our thoughts on the portion of SB243 relating to transferring authority from DNR to AOGCC:

The bill transfers some, but not all authorities for regulating geothermal operations from the DNR to the AOGCC. The authorities transferred are the authority to regulate drilling and production operations, the authority to protect correlative rights, and the authority to prevent physical waste of the resource. The DNR retains all of its authorities as a landowner.

The authorities being transferred to AOGCC are consistent with regulatory authorities already held by the AOGCC for oil and gas operations.

The AOGCC already has in place the expertise to allow us to take on these authorities. Most importantly, we have experienced drilling engineers who know what to look for when approving a drilling or well work permit to ensure safety and good operational practices. And we have experienced field inspectors who know what safety equipment is needed and how to test that equipment to demonstrate that it operates properly.

Since we already have the appropriate staff in place, there will be no fiscal impact by making this transfer of authority. However, if this bill does not pass, it will likely cost the State money for the DNR to hire or contract the needed expertise I described above.

Also, this change in authority is consistent with the way geothermal operations are regulated in other states. The only states that have an agency other than their oil and gas regulatory agency overseeing geothermal are Idaho and Utah – which are not oil producing states.

One last comment: The AOGCC's costs are paid by the industry we regulate, through a regulatory cost charge. This bill recognizes that fact, and establishes that geothermal producers will participate in that cost charge, similarly to the way that oil and gas producers do. I.e., during exploration there is no charge; only once production commences are charges billed.

If you have any questions, please do not hesitate to send them my way.

Thanks.

5268

ALASKA STATE LEGISLATURE
Senate Resources Committee

Senator Bill Wielechowski,
Co-Chair Senate Resources
State Capitol Building, Room 115
Juneau, Alaska 99801-1182
Phone (907) 465-2435
Fax (907) 465-6615
sen.bill.wielechowski@legis.state.ak.us

Senator Lesil McGuire, Co-Chair
Senate Resources
State Capitol Building, Room 125
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Phone (907) 465-2995
Fax (907) 465-6592
sen.lesil.mcguire@legis.state.ak.us

TO: Representative Johnson, House Resources, Co-Chairman

Representative Neuman

FR: Senator Lesil McGuire

RE: Request to Schedule

Dear Representatives Johnson and Neuman,

Please schedule Senate Bill 243: *No Royalty on Geothermal Resource* for a hearing in the Senate Finance Committee at your earliest convenience.

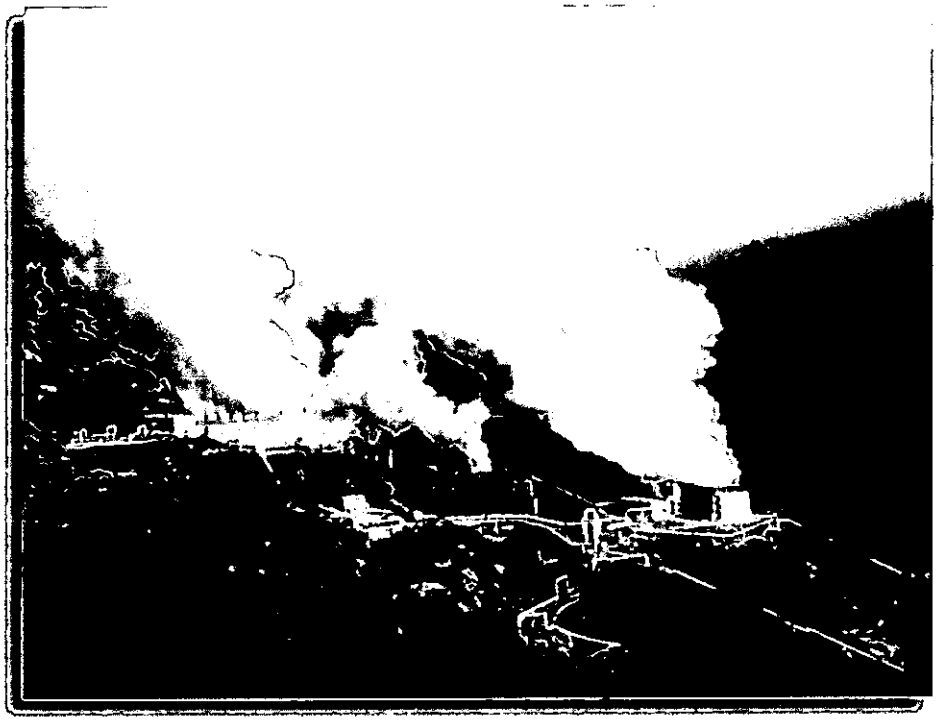
Attached you will find:

1. Sponsor Statement
2. The most current version of the bill: CS SB 243 (FIN) [version 26-LS1346\P]
3. Fiscal Notes
    a. Revenue 4/2/10
    b. DNR 4/2/10
4. Sectional Analysis for CS SB 243 (FIN)
5. The original version of the bill: 26-LS134\A
6. Backup Documents
    a. Royalty Sheet for Senate Finance
    b. Letter of Support from Akutan
    c. Ormat Presentation to Senate Resources
    d. Geothermal Royalty Rates
    e. USGS Geothermal Paper

USGS
science for a changing world

Assessment of Moderate- and High-Temperature Geothermal Resources of the United States

Scientists with the U.S. Geological Survey (USGS) recently completed an assessment of our Nation's geothermal resources. Geothermal power plants are currently operating in six states: Alaska, California, Hawaii, Idaho, Nevada, and Utah. The assessment indicates that the electric power generation potential from identified geothermal systems is 9,057 Megawatts-electric (MWe), distributed over 13 states. The mean estimated power production potential from undiscovered geothermal resources is 30,033 MWe. Additionally, another estimated 517,800 MWe could be generated through implementation of technology for creating geothermal reservoirs in regions characterized by high temperature, but low permeability, rock formations.



Geothermal power plants at The Geysers in northern California. Currently, the United States has an installed and utilized power production capacity of more than 2,500 Megawatts-electric (MWe) from geothermal plants located in Alaska, California, Hawaii, Idaho, Nevada, and Utah. (USGS photograph by Julie Donnelly-Nolan.)

Introduction

The U.S. Geological Survey (USGS) has recently assessed the electric power generation potential of conventional geothermal resources in the United States. These resources are concentrated in the States of Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming, which contain all 241 identified moderate-temperature (90 to 150°C; 194 to 302°F) and high-temperature (greater than 150°C) geothermal systems located on private or accessible public lands. (Geothermal systems located on closed public lands, such as national parks, were not included in the assessment.) Electric-power potential was also determined for seven low-temperature (less than 90°C) systems in Alaska for which local conditions make electric power generation feasible. In addition, the assessment also includes a provisional estimate of the power generation potential from the application of unconventional, Enhanced Geothermal Systems (EGS) technology in Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming. This assessment benefited from cooperation and coordination with the Department of Energy (DOE); Bureau of Land Management (BLM); the University of Nevada, Reno; the University of Utah; Idaho National Laboratory; Lawrence Berkeley National Laboratory; state and local agencies; and the geothermal industry.

Identified Geothermal Systems

Currently, the United States has an installed and utilized power production capacity of more than 2,500 Megawatts-electric (MWe) from geothermal plants located in Alaska, California, Hawaii, Idaho, Nevada, and Utah. The nearly 15,000 Gigawatt-hours (GWh) of geothermal power generated in 2005 constituted 25% of domestic nonhydroelectric renewable electrical power generation. (Power generation of 1 MWe provides 8.77 GWh of electricity in 1 year.) The results of the new assessment for the power generation potential from identified geothermal systems yield a mean total of 9,057 MWe

U.S. Department of the Interior
U.S. Geological Survey

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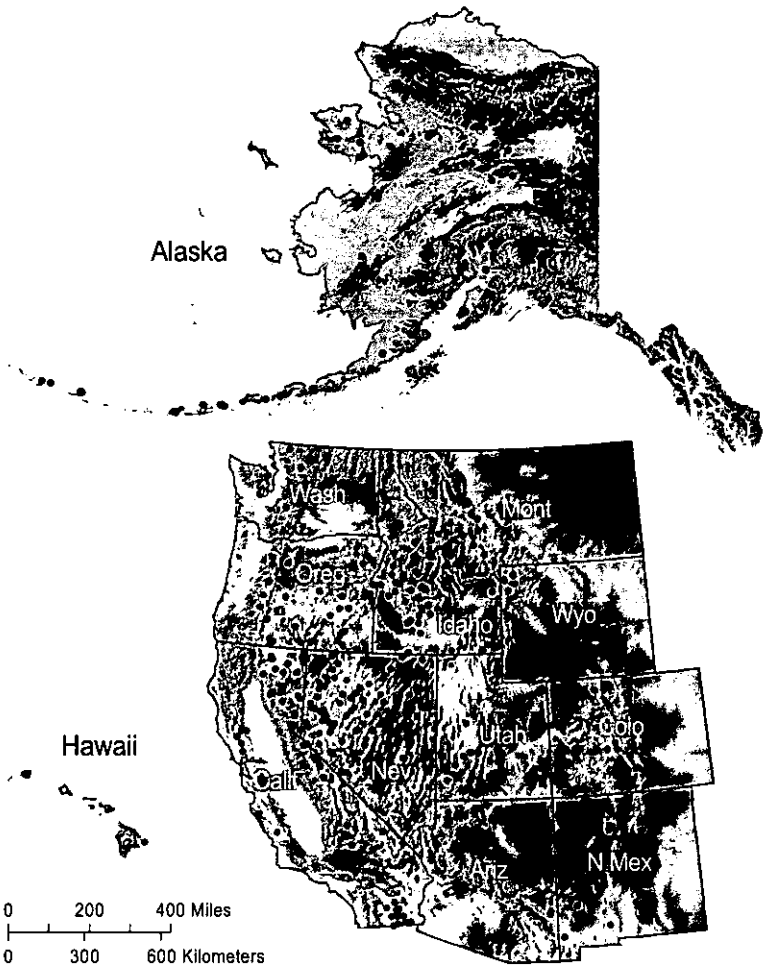

Figure 1. *Map showing the location of identified moderate-temperature and high-temperature geothermal systems in the United States. Each system is represented by a black dot.*

with a 95% probability of 3,675 MWe and a 5% probability of 16,457 MWe (table 1). The distribution of the individual systems across the study area is shown in figure 1. State totals were derived from summations of volumetric models for the thermal energy and electric generation potential of each individual geothermal system (Muffler, 1979; Williams and others, 2008). The results of the assessment indicate that full development of identified systems alone could expand geothermal power production by approximately 6,500 MWe and to seven additional states. The distribution of identified geothermal resources among the 13 states with identified geothermal resources is shown graphically in figure 2*A*. California, with large producing geothermal fields at The Geysers, the Salton Sea, and Coso, has 59.7% of the total resource, followed by Nevada with 15.4% and Alaska with 7.5%.

Undiscovered Geothermal Resources

Undiscovered geothermal resources were assessed for the same states in which the identified moderate- and high-temperature geothermal systems are located, based on a series of Geographic Information Systems (GIS) statistical models for the spatial correlation of

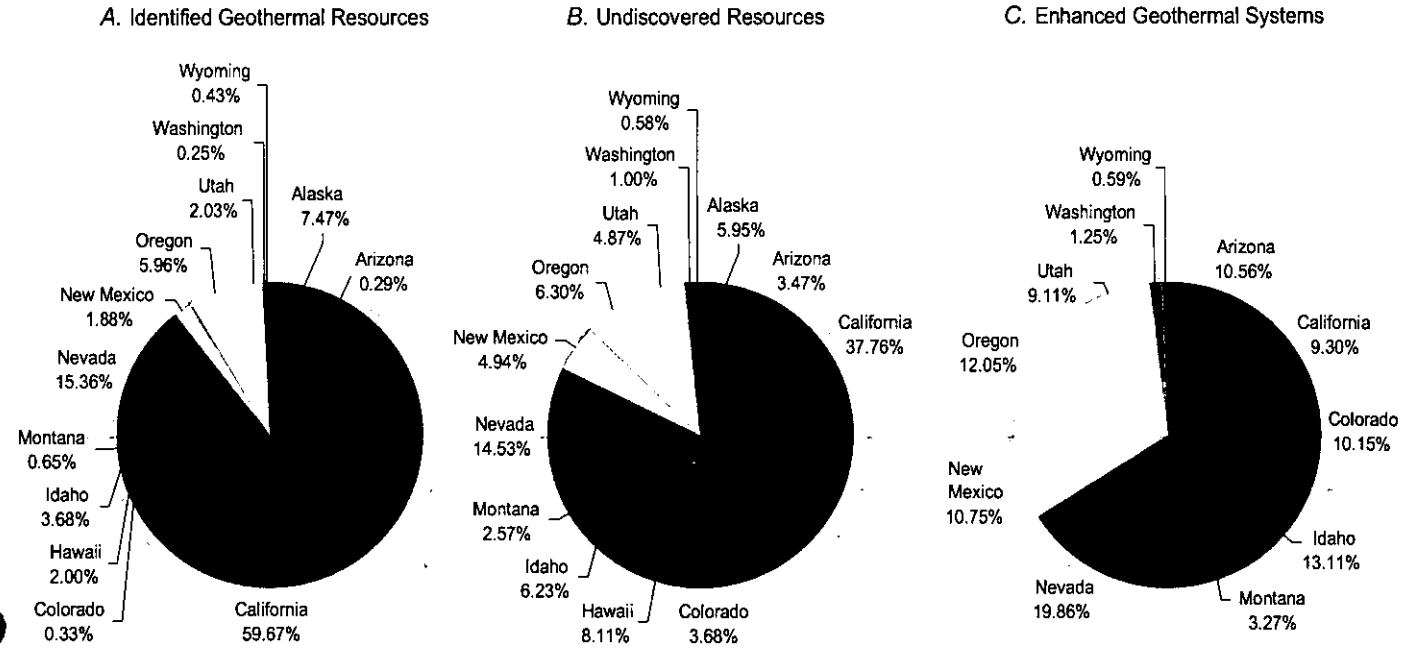

Figure 2. *Pie charts illustrating the distribution of (A) identified, (B) undiscovered and (C) Enhanced Geothermal Systems (EGS) resources (mean estimates) among the western states. Alaska and Hawaii were not included in the assessment of EGS resources because of a lack of information in those states.*

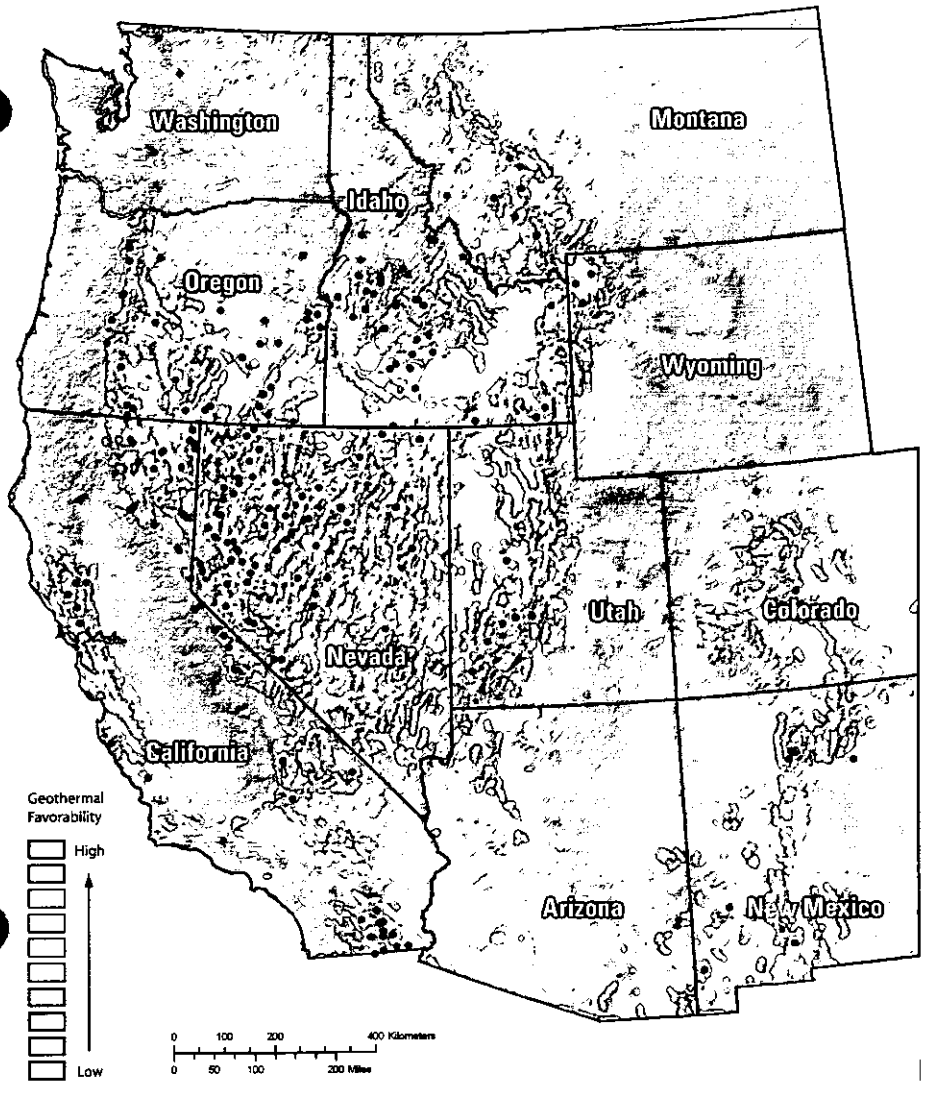

Figure 3. *Example map from one of a series of 28 spatial models showing the relative favorability of occurrence for geothermal resources in the western contiguous United States. The other models differ in details but show generally similar favorability patterns. Warmer colors equate with higher favorability. Identified geothermal systems are represented by black dots.*

geological factors that facilitate the formation of geothermal systems. The mean estimated power production potential from undiscovered resources located on private and accessible public lands is 30,033 MWe, with a 95% probability of 7,917 MWe and a 5% probability of 73,286 MWe. As illustrated in figure 2*B*, compared to the identified resources, a larger fraction of the undiscovered geothermal resources are located outside California. This reflects both the limited degree of exploration and development in States other than California and Nevada and the uniqueness of the vapor-dominated geothermal reservoir at The Geysers in northern California, which contributes approximately 1,000 MWe to the identified geothermal resource for the State but is unlikely to be matched by any equivalent occurrences on private or accessible public lands elsewhere in the United States. The undiscovered resources results indicate that additional exploration could add substantially to the total of identified geothermal resources and further expand geothermal power production. As indicated by the geothermal favorability map shown in figure 3, regions with significant geothermal potential but few identified geothermal systems include northeastern Nevada, western Utah, southern Idaho, eastern Oregon, and parts of New Mexico and Colorado.

Enhanced Geothermal Systems

Conventional geothermal resources depend on hydrothermal fluid circulation that arises only with the convergence of high temperatures—due either to magmatism or other tectonic processes that elevate temperature gradients in the Earth's crust—and permeability, typically fracture permeability produced as a result of active faulting (Duffield and Sass, 2003). Enhanced Geothermal Systems (EGS) are geothermal resources that require some form of engineering to develop the permeability necessary for the circulation of hot water or steam and the recovery of heat for electrical power generation. Because exploitation of EGS resources incorporates the augmentation or creation of permeability in place, the presence of elevated temperatures at drillable depths is the dominant factor controlling the quality of the resource.

Under the assumption of continued successful implementation of EGS technology, models for the extension of geothermal energy recovery techniques into regions of hot but low permeability crust yield an estimated mean electric power resource on private and accessible public land of 517,800 MWe (table 1), with a 95% probability of 345,100 MWe and a 5% probability of 727,900 MWe. This is approximately half of the current installed electric power generating capacity in the United States and an order of magnitude larger than the conventional geothermal resource. This estimate does not include Alaska and Hawaii, because there is not enough information to accurately estimate crustal temperatures in those States on a regional basis. With EGS technology at an early stage of development (DOE, 2008), the assessment results should be considered provisional.

The high crustal heat flow favorable for EGS development is more uniformly distributed across the western United States, and this is reflected in the distribution of the resource among the states, as shown in figure 2*C*. The EGS resource distribution, although large in total magnitude, is also relatively diffuse. In contrast to power production from conventional geothermal reservoirs, which is often concentrated at 10 to 20 MWe per km^2 of field area, the EGS resource outside of the high-temperature margins of

Table 1. Electric power generation potential in Megawatts-electric (MWe) from identified and undiscovered geothermal resources and Enhanced Geothermal Systems in the western United States.

[All electric power generation figures are calculated on a basis of 30 years of production. F95 represents a 95% chance of at least the amount tabulated; other fractiles are defined similarly. Fractiles are additive under the assumption of perfect positive correlation. N is the number of identified geothermal systems included in the estimate].

		Identified Resources (MWe)				Undiscovered Resources (MWe)				Enhanced Geothermal Systems (MWe)			
State	N	F95	F50	Mean	F5	F95	F50	Mean	F5	F95	F50	Mean	F5
Alaska	53	236	606	677	1,359	537	1,428	1,788	4,256	NA	NA	NA	NA
Arizona	2	4	20	26	70	238	775	1,043	2,751	33,000	52,900	54,700	82,200
California	45	2,422	5,140	5,404	9,282	3,256	9,532	11,340	25,439	32,300	47,100	48,100	67,600
Colorado	4	8	11	30	67	252	821	1,105	2,913	34,100	51,300	52,600	75,300
Hawaii	1	84	169	181	320	822	2,027	2,435	5,438	NA	NA	NA	NA
Idaho	36	81	283	333	760	427	1,391	1,872	4,937	47,500	66,700	67,900	92,300
Montana	7	15	51	59	130	176	573	771	2,033	9,000	16,100	16,900	27,500
Nevada	56	515	1,216	1,391	2,551	996	3,243	4,364	11,507	71,800	101,300	102,800	139,500
New Mexico	7	53	153	170	343	339	1,103	1,484	3,913	35,600	54,400	55,700	80,100
Oregon	29	163	485	540	1107	432	1,406	1,893	4,991	43,600	61,500	62,400	84,500
Utah	6	82	171	184	321	334	1,088	1,464	3,860	32,600	46,500	47,200	64,300
Washington	1	7	20	23	47	68	223	300	790	3,900	6,300	6,500	9,800
Wyoming	1	5	31	39	100	40	129	174	458	1,700	2,900	3,000	4,800
Total	248	3,675	8,356	9,057	16,457	7,917	23,739	30,033	73,286	345,100	507,000	517,800	727,900

identified geothermal systems averages approximately 0.5 MWe per km^2. However, continued advances in EGS technology, particularly with respect to creation of reservoirs at great depth and improved thermal energy recovery, could add substantially to the resource estimates (DOE, 2008).

EGS are not the only type of unconventional geothermal resource. Previous assessments (see for example, Muffler, 1979) indicated significant unconventional geothermal resource potential associated with fluids in deep sedimentary basins of the United States. These unconventional geothermal resources will be assessed in a future study.

Geothermal resources have the potential to play a much more significant role in our Nation's energy mix. This assessment of geothermal resources in the United States is only part of the USGS effort to help ensure our Nation's energy future.

References

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Duffield, W.A., and Sass, J.H., 2003, Geothermal energy—clean power from the Earth's Heat: U.S. Geological Survey Circular 1249, 36 p. [http://pubs.usgs.gov/circ/2004/c1249/]

Muffler, L.P.J., 1979, Assessment of geothermal resources of the United States—1978, U.S. Geological Survey Circular 790, 163 p.

Williams, C.F., Reed, M.J., and Mariner, R.H., 2008, A review of methods applied by the U.S. Geological Survey in the assessment of identified geothermal resources: U.S. Geological Survey Open-File Report 2008-1296 [http://pubs.usgs.gov/of/2008/1296/]

USGS Geothermal Resources Assessment Team—*Colin F. Williams, Marshall J. Reed, Robert H. Mariner, Jacob DeAngelo, S. Peter Galanis, Jr.*

Edited by James W. Hendley II
Graphic design by Jeanne DiLeo

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Colin F. Williams: colin@usgs.gov,
345 Middlefield Road, Mail Stop 977
Menlo Park, CA 94025

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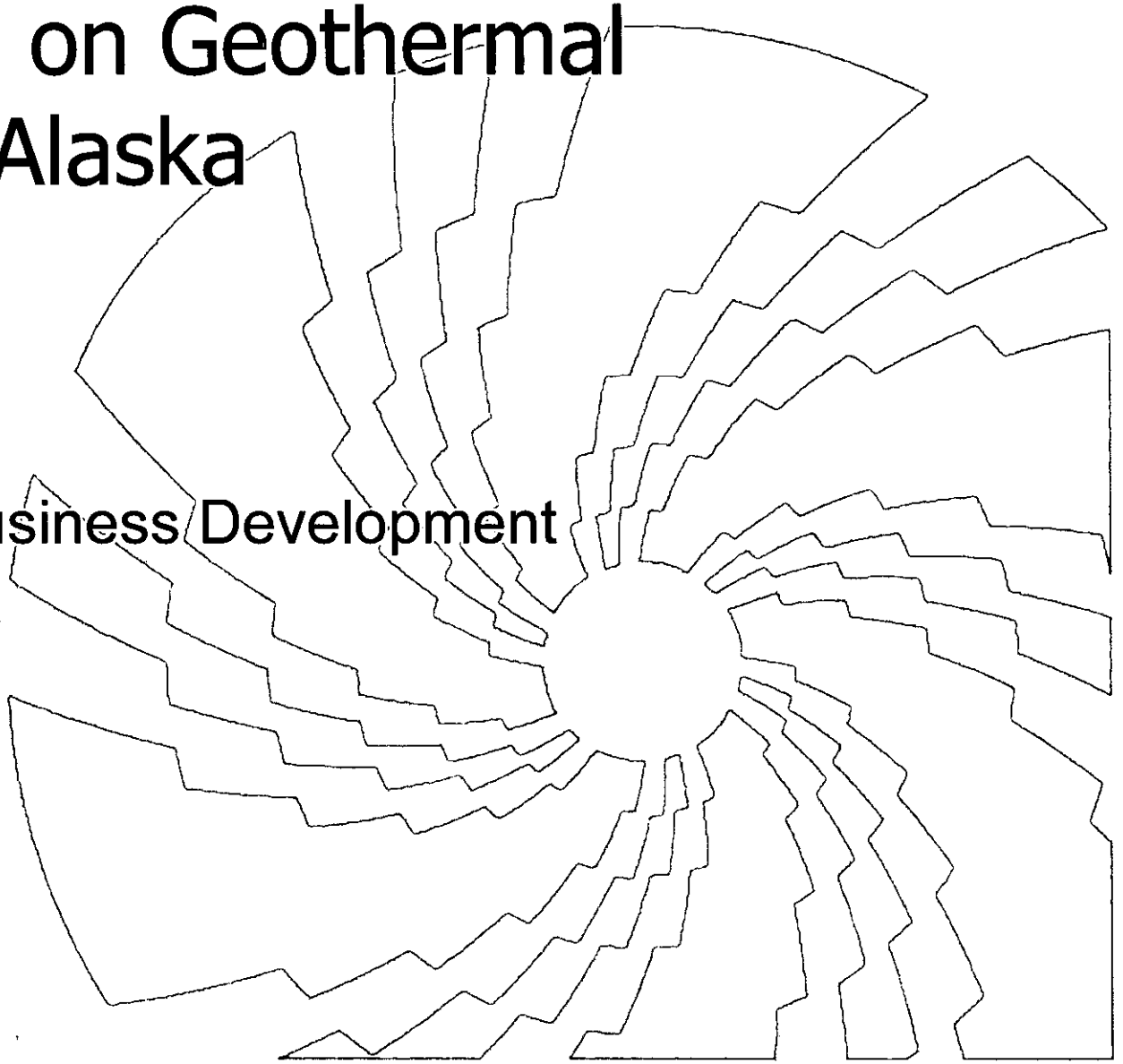
Impact of SB243 on Geothermal Development in Alaska

Paul Thomsen
Director of Policy and Business Development
Ormat Technologies, Inc



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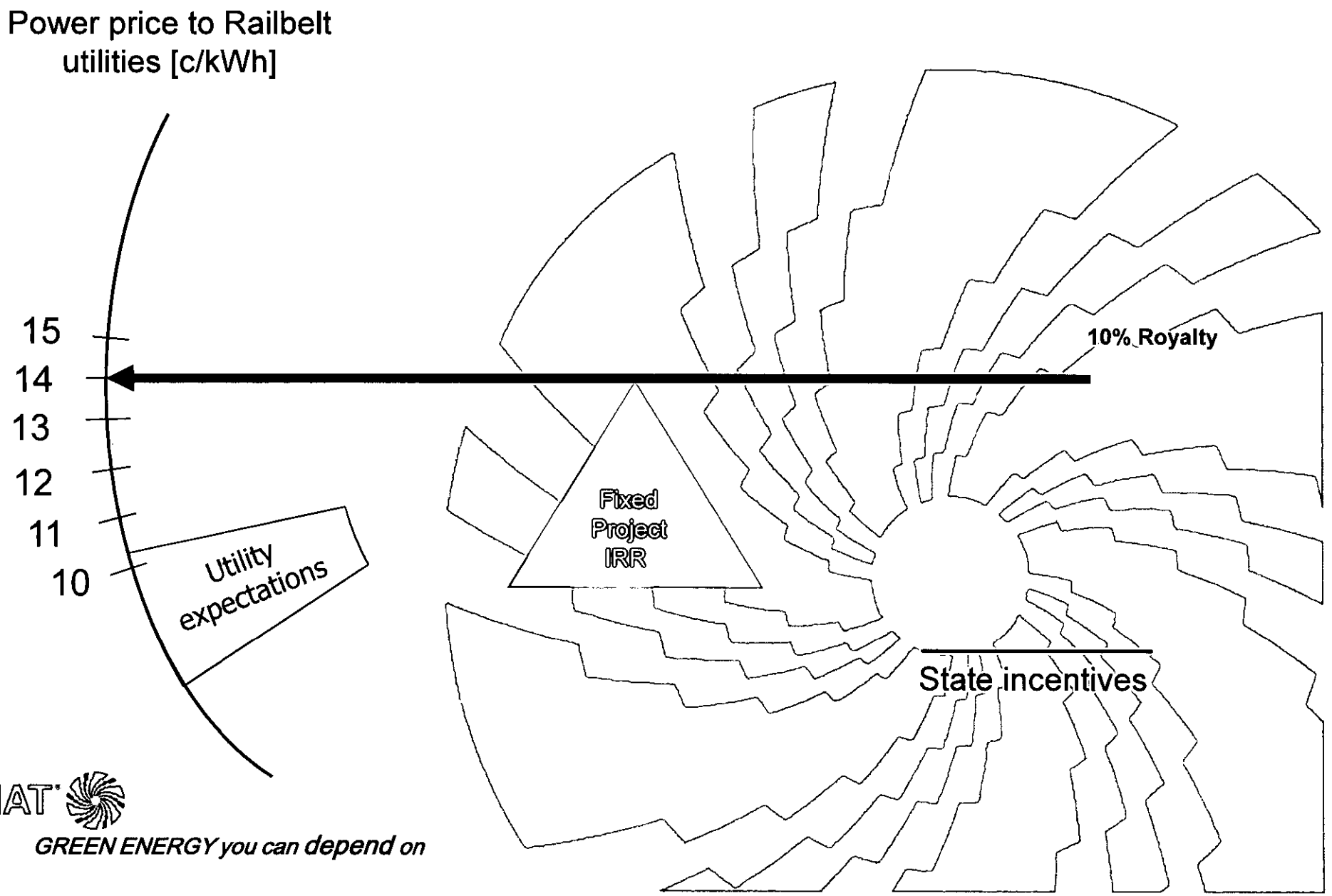
GREEN ENERGY you can depend on

Estimated Power Price, Current Conditions



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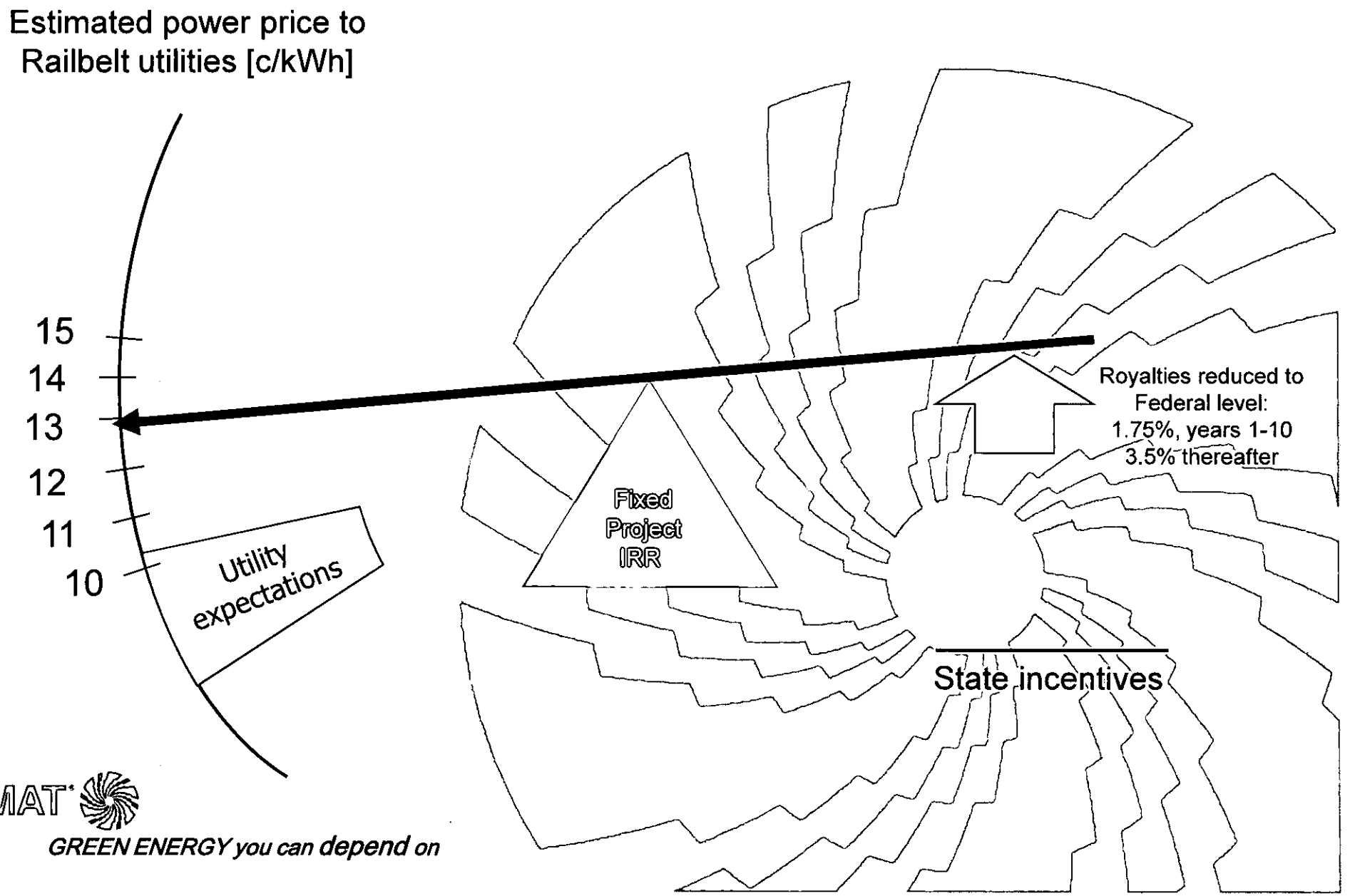
Impact of SB243 on Mt Spurr Power Price



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GREEN ENERGY you can depend on

Economic Benefits to the State of Alaska

- Estimated royalty payment in 25 years[1]:

  50 * 0.95 * 8760 * 130 * 2.8% * 25 = **$38 million**

  - MW
  - hours /year
  - Average royalties
  - availability
  - $/MWh
  - years

- Saving to railbelt ratepayers[1]:

  50 * 0.95 * 8760 * 10 * 25 = **$104 million**

  - $/MWh reduction in power price

- Total economic benefit: **>$140 million**

[1] This is a simplified calculation, not accounting for inflation and other factors that will affect actual payment / saving

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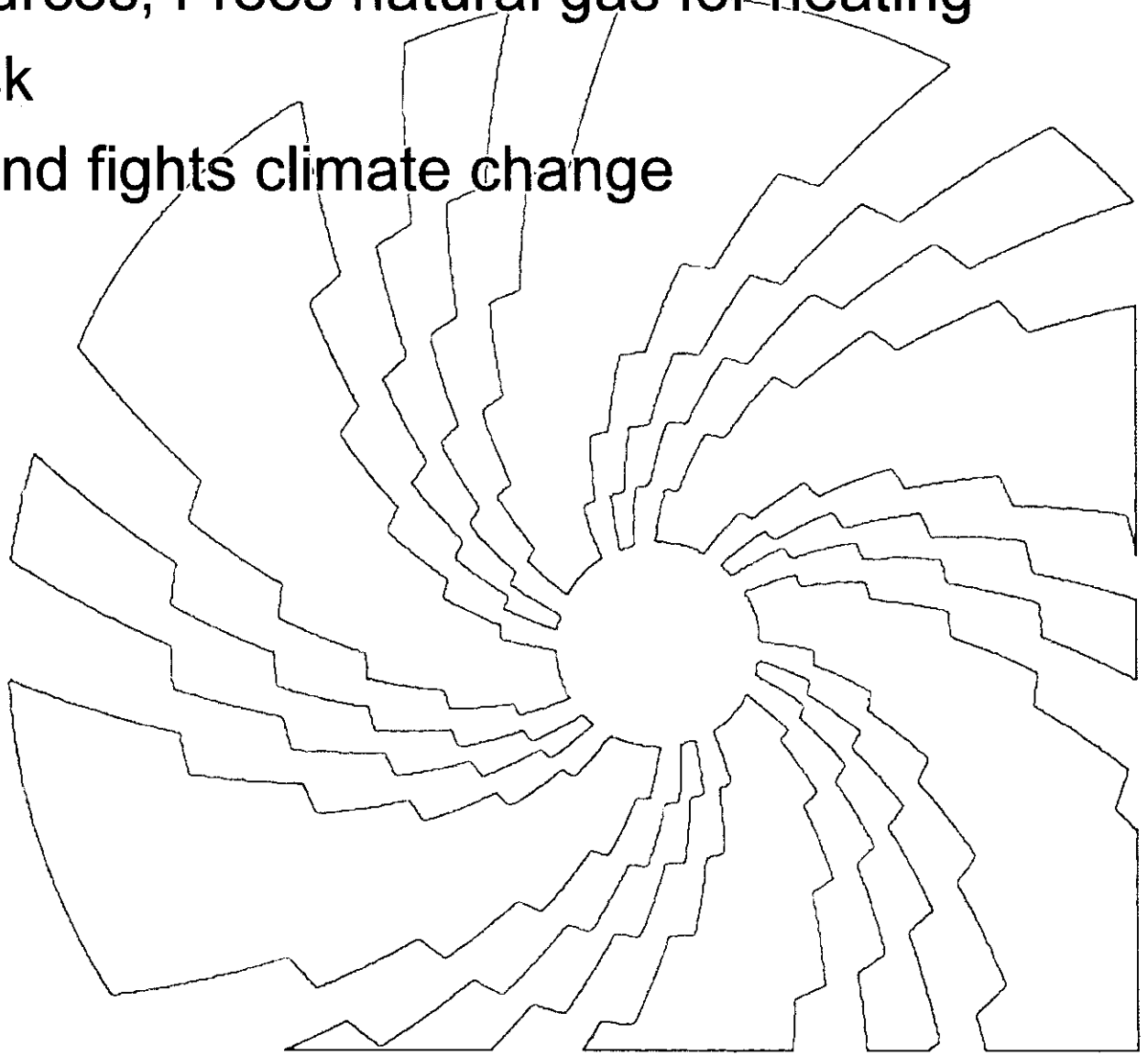
Other Benefits to the State of Alaska

- Diversifies energy sources; Frees natural gas for heating
- Removes fuel cost risk
- Reduces emissions and fights climate change
- Creates green jobs



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GREEN ENERGY you can depend on

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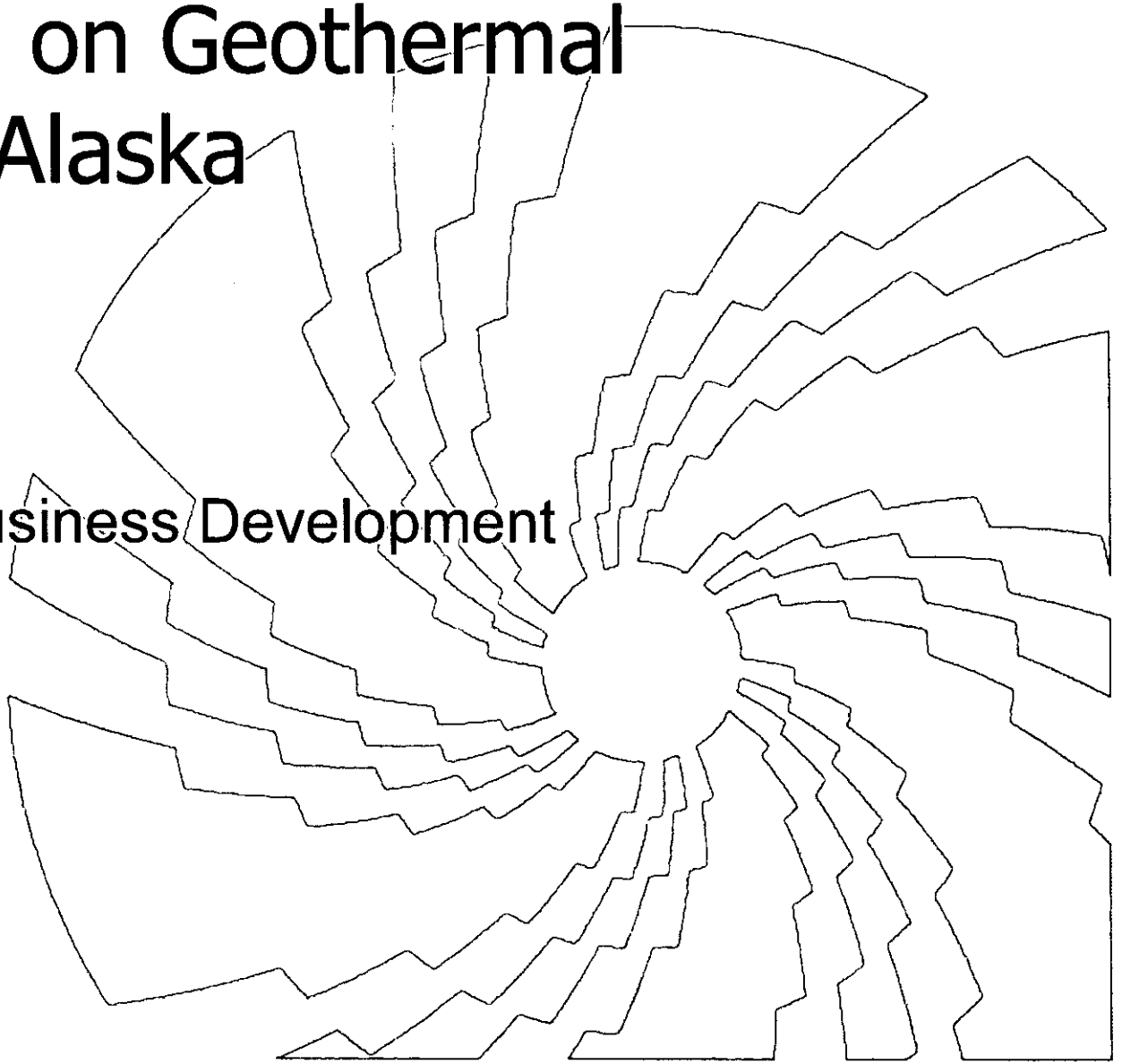
Impact of SB242 on Geothermal Development in Alaska

Paul Thomsen
Director of Policy and Business Development
Ormat Technologies, Inc



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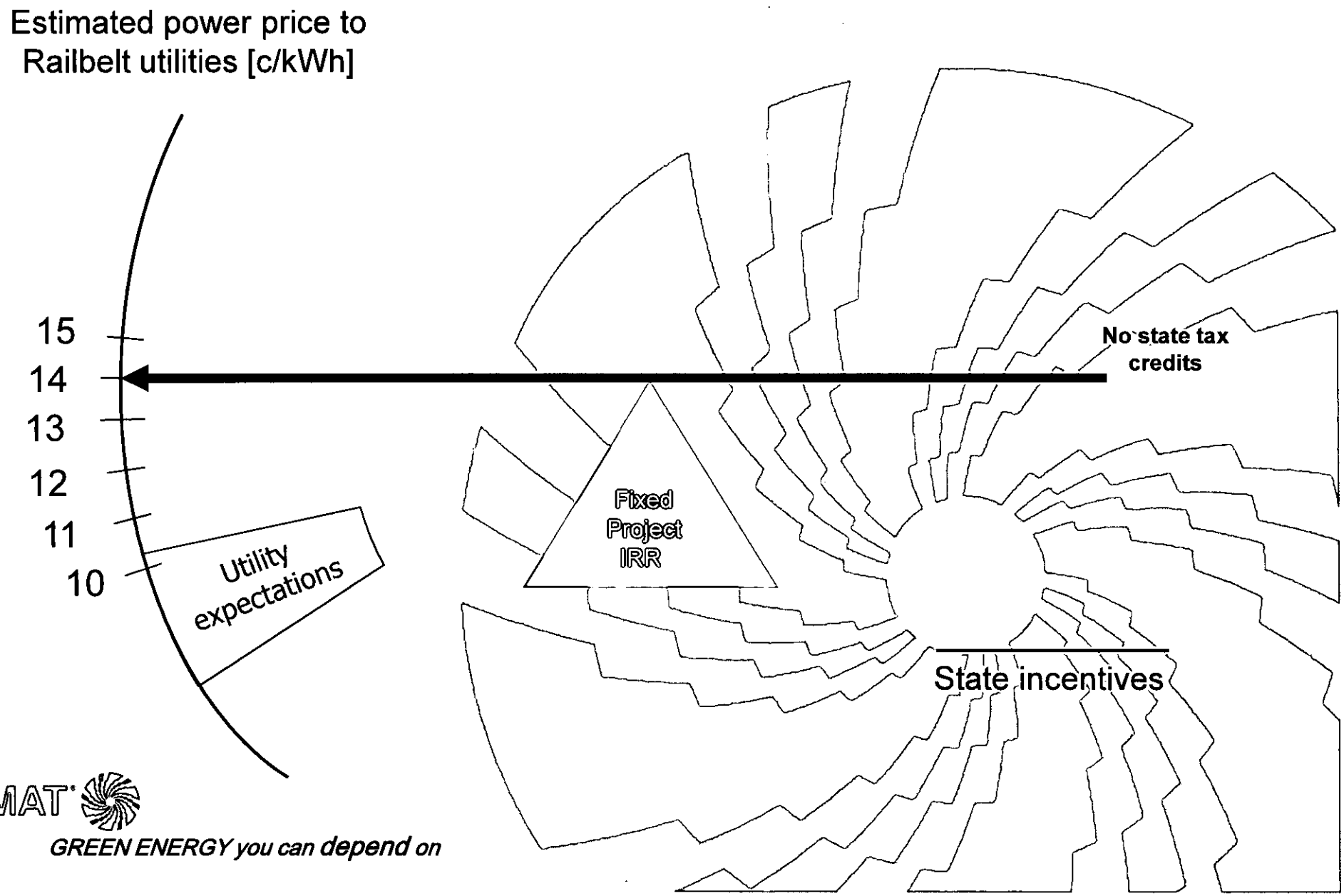
Estimated Power Price, Current Conditions



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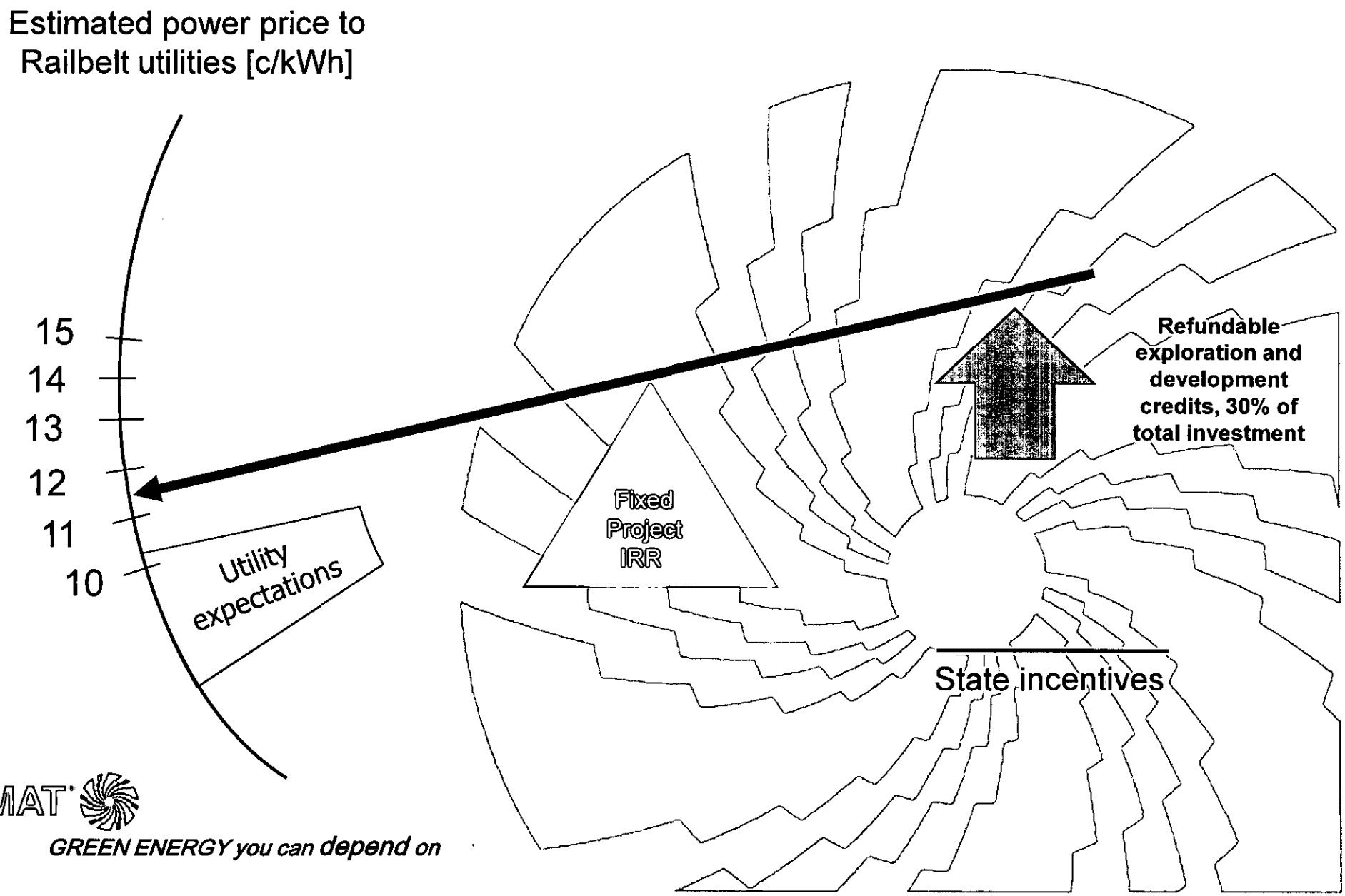
GREEN ENERGY you can depend on

Impact of SB243 on Mt Spurr Power Price



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Cost and Economic Benefits to the State of AK

- Estimated cost of tax credits:

  30%* 275 = **($82.5 million)**

  Estimated cost of exploration and development [$m]

- Estimated saving to railbelt ratepayers[1]:

  50 * 0.95 * 8760 * 25 * 25 = **$260 million**

  MW | availability | hours /year | $/MWh saving | years

- Total economic benefit: **>$175 million**

[1] This is a simplified calculation, not accounting for inflation and other factors that will affect actual saving

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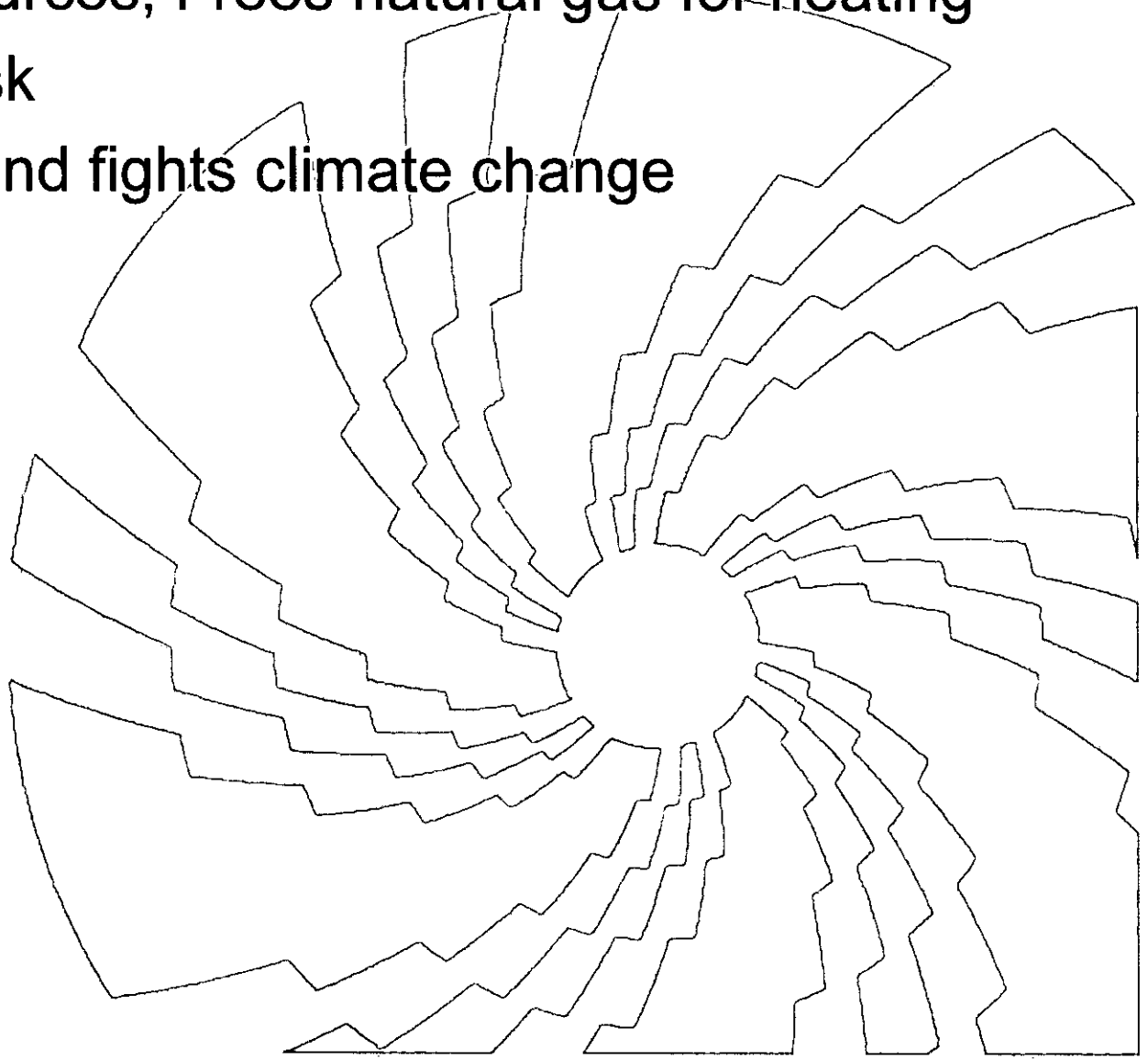
GREEN ENERGY you can depend on

Other Benefits to the State of Alaska

- Diversifies energy sources; Frees natural gas for heating
- Removes fuel cost risk
- Reduces emissions and fights climate change
- Creates green jobs



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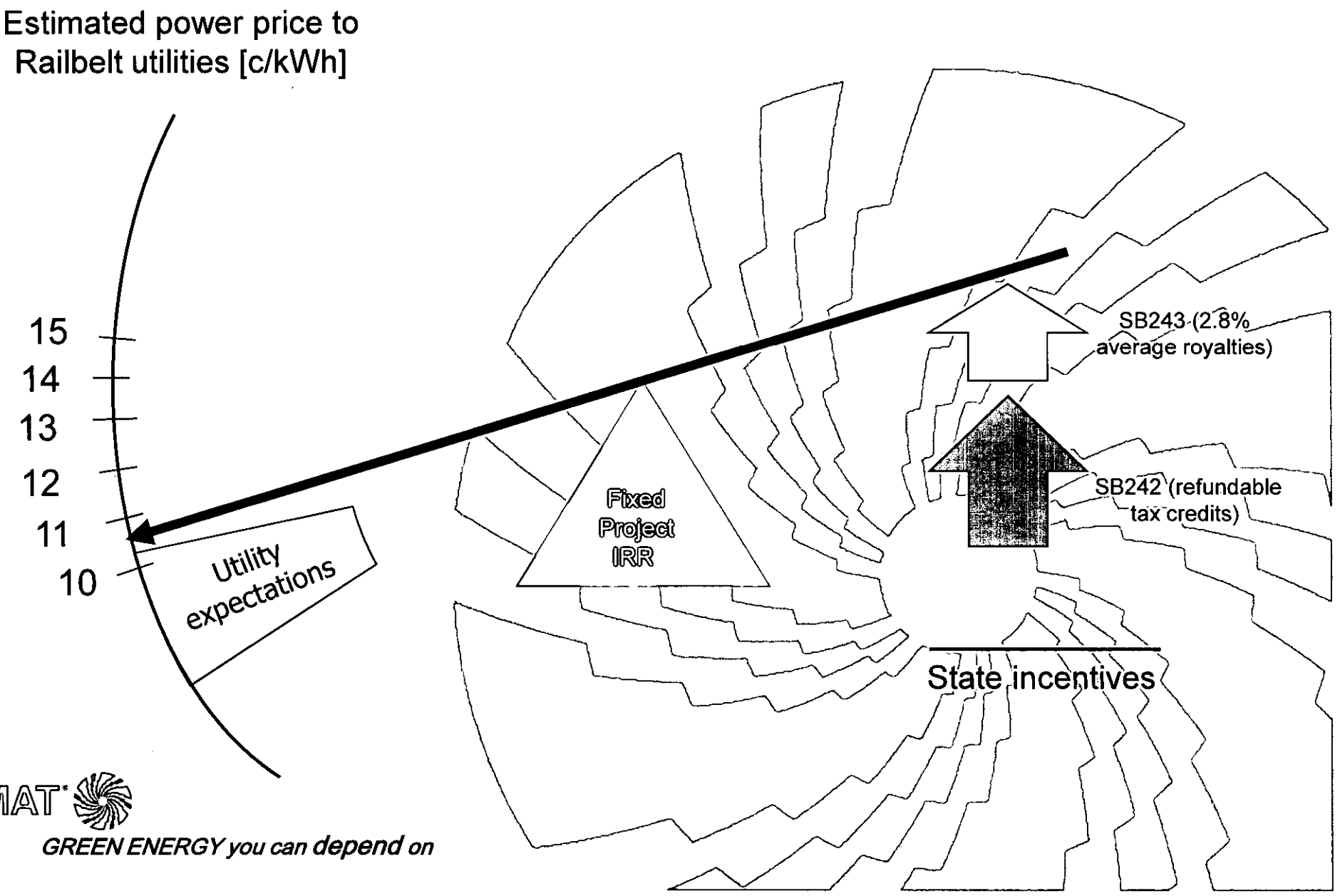
GREEN ENERGY you can depend on

Impact of SB242 + SB243 on Power Price



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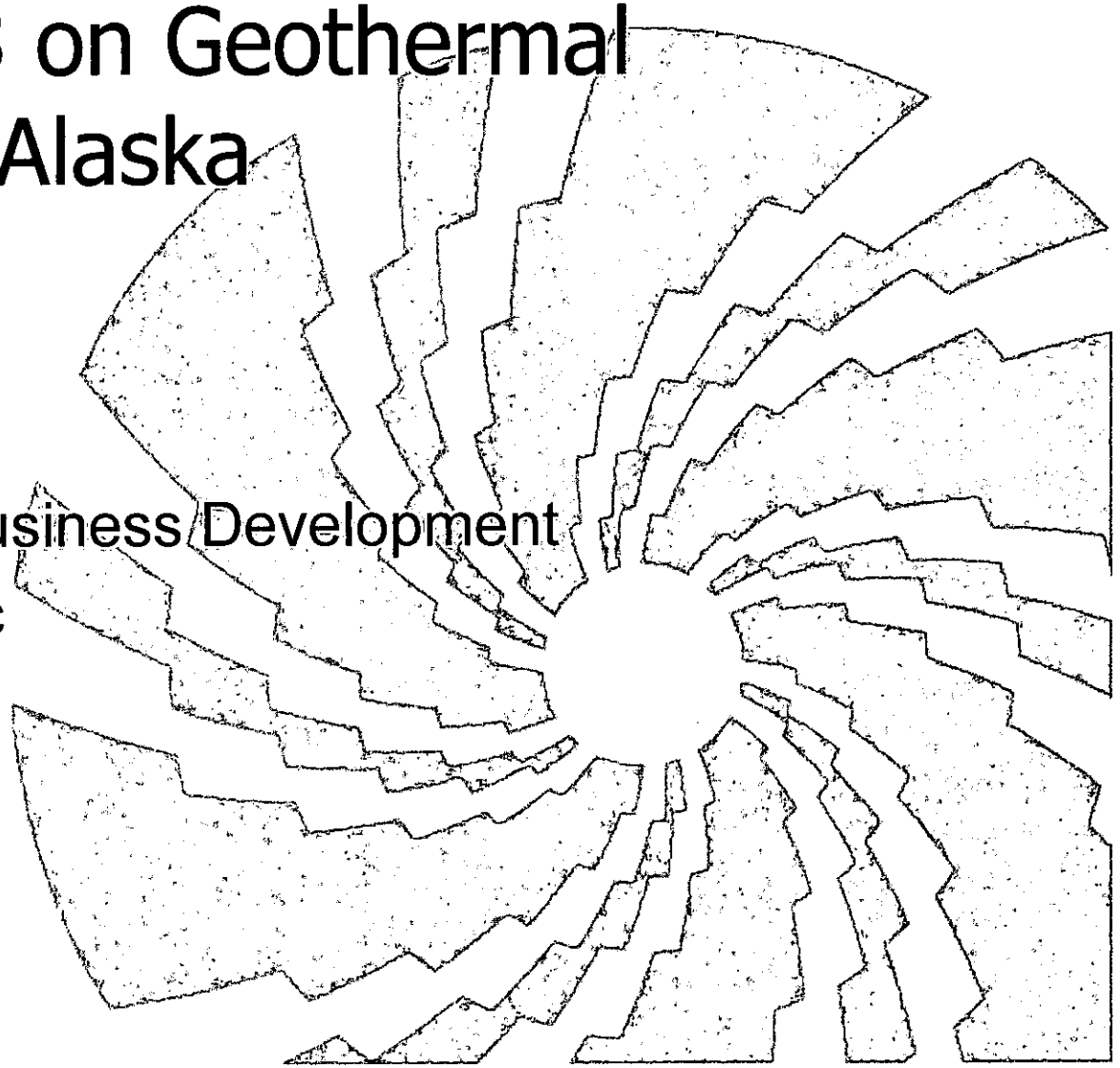
Impact of SB243 on Geothermal Development in Alaska

Paul Thomsen
Director of Policy and Business Development
Ormat Technologies, Inc



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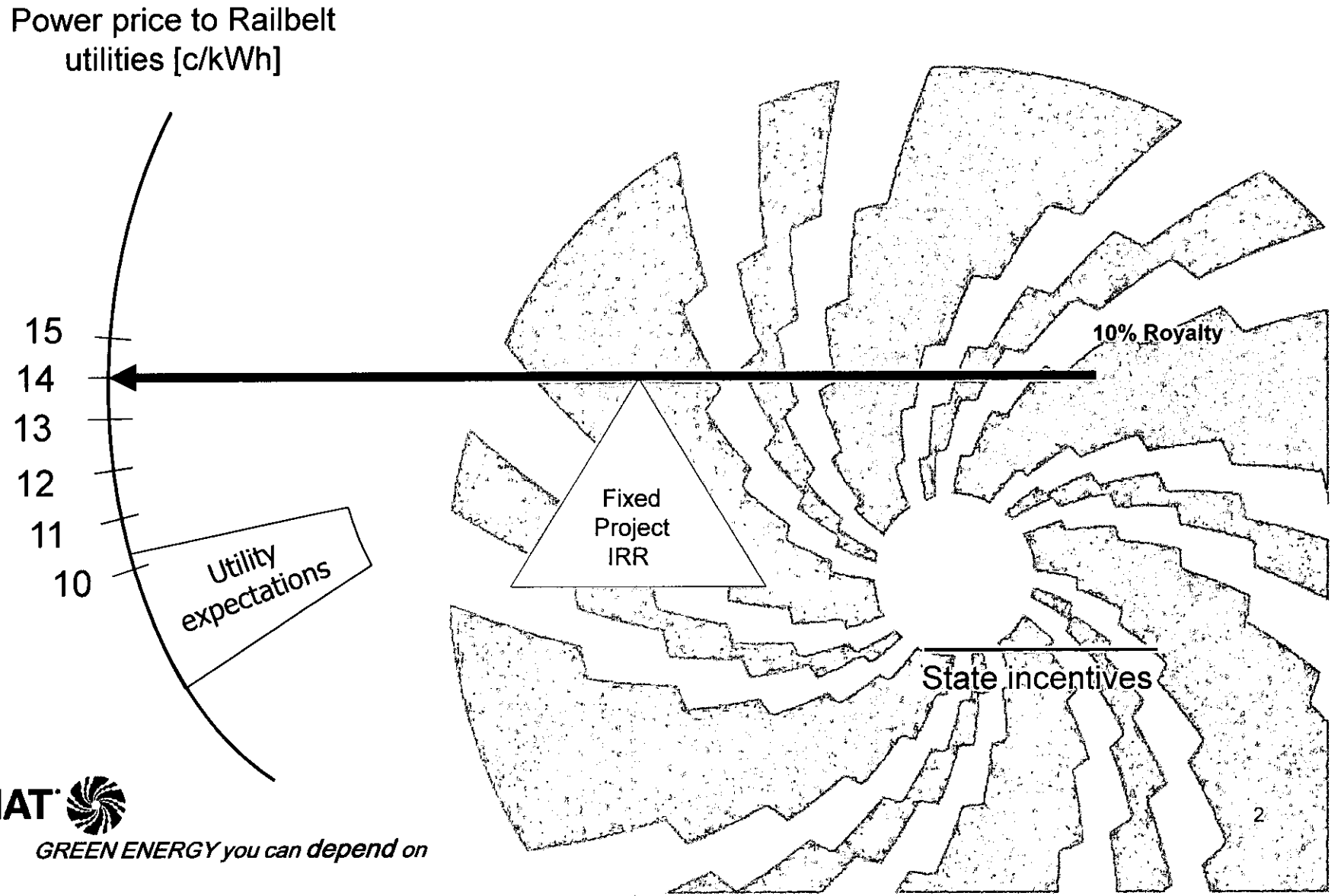
*GREEN ENERGY you can **depend** on*

Estimated Power Price, Current Conditions



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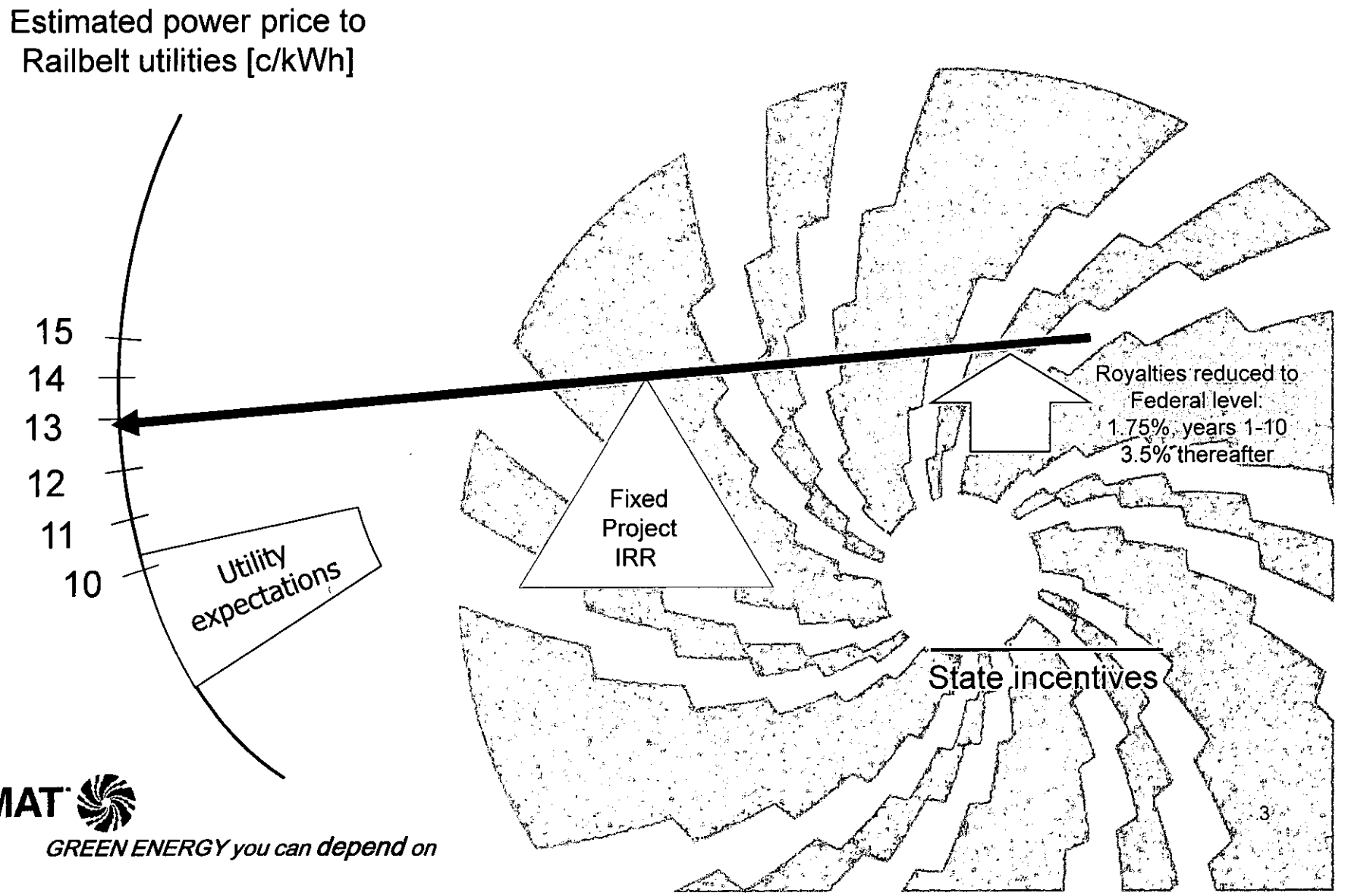
*GREEN ENERGY you can **depend** on*

Impact of SB243 on Mt Spurr Power Price



ORMAT

*GREEN ENERGY you can **depend** on*

Economic Benefits to the State of Alaska

- Estimated royalty payment in 25 years[1]:

  50 * 0.95 * 8760 * 130 * 2.8% * 25 = **$38 million**

  MW | availability | hours /year | $/MWh | Average royalties | years

- Saving to railbelt ratepayers[1]:

  50 * 0.95 * 8760 * 10 * 25 = **$104 million**

  $/MWh reduction in power price

- Total economic benefit: **>$140 million**

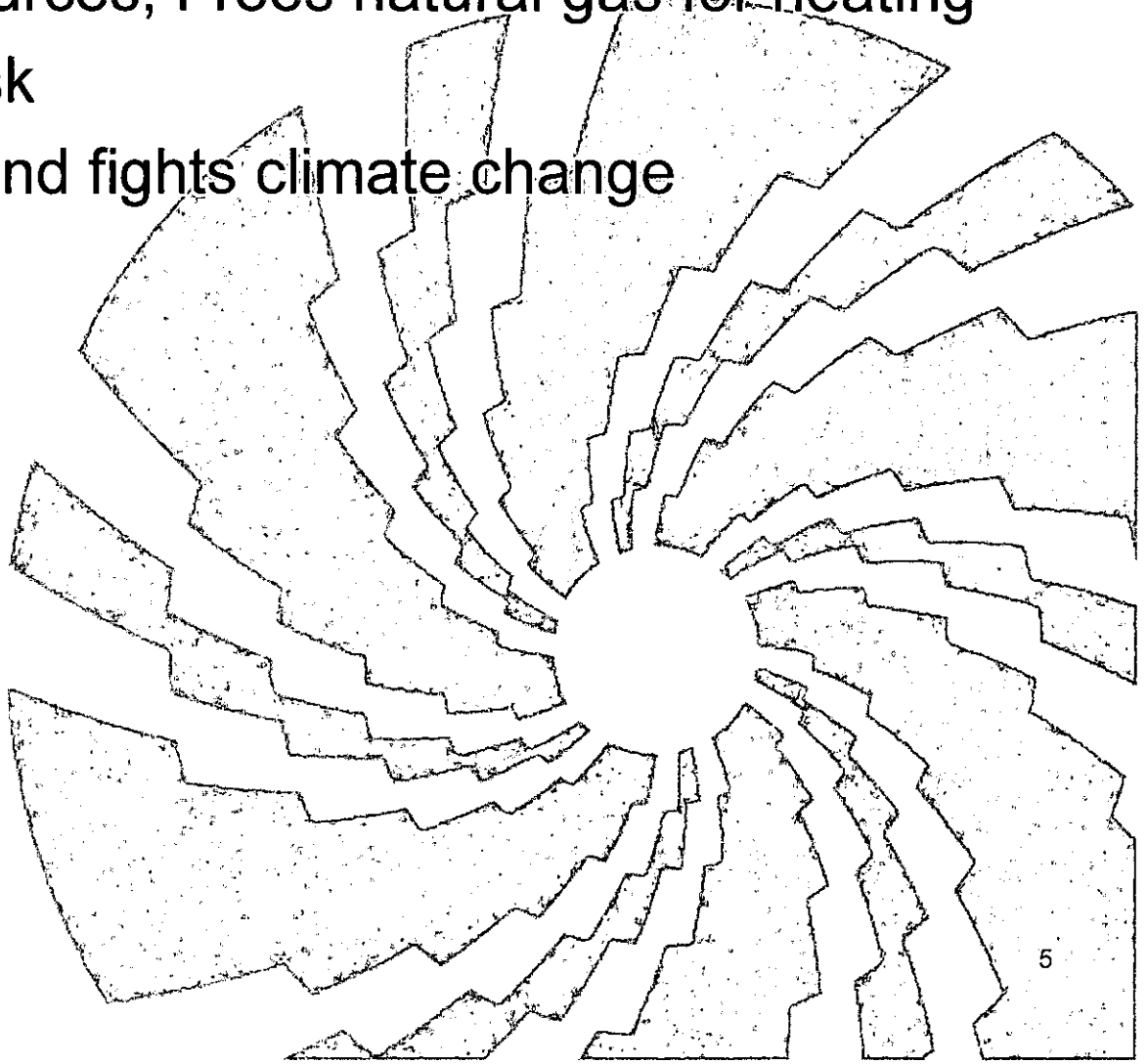
[1] This is a simplified calculation, not accounting for inflation and other factors that will affect actual payment / saving

ORMAT

*GREEN ENERGY you can **depend** on*

Other Benefits to the State of Alaska

- Diversifies energy sources; Frees natural gas for heating
- Removes fuel cost risk
- Reduces emissions and fights climate change
- Creates green jobs



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SB 274

SENATOR FRED DYSON

March 23, 2010

To: Members of House Resources

From: Senator Fred Dyson

I am respectfully requesting to waive SB274, "An Act naming the state fish hatchery on the Elmendorf Air Force Base the William Jack Hernandez Sport Fish Hatchery" out of House Resources Committee.

Rep. Craig Johnson, Co-Chair

Rep. Mark Neuman, Co-Chair

Rep. Bryce Edgmon

Rep. Kurt Olson

Rep. Paul Seaton

Rep. Peggy Wilson

Rep. David Guttenberg

Rep. Scott Kawasaki

Rep. Chris Tuck

During Session (January-May): Alaska State Capitol • Juneau, Alaska 99801 • (800) 342-2199 • (907) 465-2199 • (907) 465-4587 FAX
During Interim (June-December): 10928 Eagle River Road • Eagle River, Alaska 99577 • (907) 694-6683 • (907) 694-1015 FAX
Senator.Fred.Dyson@Legis.state.ak.us • www.akrepublicans.org

SENATOR FRED DYSON

SPONSOR STATEMENT

SB 274 – William Jack Hernandez Sport Fish Hatchery

The purpose of this bill is to name the new state fish hatchery on Elmendorf Air Force Base, the William Jack Hernandez Sport Fish Hatchery. Hernandez pioneered the fish rearing and fish hatchery program at Ft. Richardson.

William Jack "Bill" Hernandez served his country valiantly during WWII, serving as a civilian contractor on Wake Island in the South Pacific, building fortifications for USMC personnel. Wake Island was attacked by the Japanese on Dec. 7, 1941, the same day as the Pearl Harbor attack, and a violent 16 day struggle ensued between the Marine regiment and an overwhelming enemy force. On December 23, 1941, Wake Island was captured and Mr. Hernandez was taken as a prisoner of war. He was a POW for three years before being released following surrender of the Japanese forces in 1945.

In 1947 Mr. Hernandez enlisted in the US Army, and in 1956 his unit was transferred to Fort Richardson where he became a Fish and Wildlife Conservation NCO. His orders were to rehabilitate the lakes and streams on post. As a result of Mr. Hernandez efforts, in 1957 the Secretary of the Army approved a cooperative agreement between the Army, the Alaska Territorial Department of Fish and Game, and the Fort Richardson power plant, allowing the plant's cooling pond to be used for rearing fish. Mr. Hernandez ran the fish rearing project, and annual production reached 12,000 rainbow trout, 100,000 Chinook salmon smolt, and 200,000 Coho salmon smolt.

In 1968 Mr. Hernandez retired from the US Army and received an Army Commendation Medal for his efforts. Shortly after retirement, Hernandez was hired by the Alaska Department of Fish and Game as a Fish Culturist at the Fire Lake Hatchery. In a few years he returned to Fort Richardson to manage the large scale fish hatchery constructed at the cooling pond. He also worked at the nearby Elmendorf fish hatchery. In 1983, after 26 years of dedicated service raising salmon and trout, Hernandez retired.

Sadly, Hernandez died of cancer in 2003. The Veterans of Foreign Wars Post 7665 honored him with a 21-gun salute. He was the epitome of Tom Brokaw's "Greatest Generation." Without his drive and dedication, the fish rearing project at Fort Richardson would have never gotten off the ground. His life's work made an enormous contribution to the sport and commercial fishing industry of the Cook Inlet region. Please honor William Jack "Bill" Hernandez by supporting this legislation.

Contact: Chuck Kopp, Staff to Senator Dyson (907)465-6580

During Session (January - May): Alaska State Capitol • Juneau, Alaska 99801 • (800) 342-2199 • (907) 465-2199 • (907) 465-4587 (fax)
During Interim (June-December): 10928 Eagle River Road, Suite 238 • Eagle River, Alaska 99577 • (907) 694-6683 • (907) 694-1015 (fax)
senator.fred.dyson@legis.state.ak.us • www.akrepublicans.org

26-LS1449\A.2
Kane
2/25/10

AMENDMENT

OFFERED IN THE SENATE BY SENATOR DYSON

TO: SB 274

Page 1, line 1, following the first occurrence of "**the**":

Insert "**new**"

Page 1, line 5, following "**Sec. 35.40.225.**":

Insert "**William Jack Hernandez Sport Fish Hatchery.**"

Page 1, line 5:

Delete "located"

Insert "under construction"

Page 1, line 6, following "Anchorage":

Insert "scheduled to be completed in May 2011"

OUSE COMMITTEE REPOI

(9)
Date Referred to Committee: March 23, 2010 **FURTHER REFERRALS:**

Date of Committee Action: _____

The RESOURCES Committee considered: **CS FOR SENATE BILL NO. 274(RES)**

"An Act naming the new state fish hatchery on the Elmendorf Air Force Base the William Jack Hernandez Sport Fish Hatchery."

SB 274-WILLIAM JACK HERNANDEZ FISH HATCHERY

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* _____(_____)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Chair:					
Chair:					

5294

SB 274 Notes

1. Director Charlie Swanton, ADF&G, Division of Sport Fish, states that he takes no official position with respect to naming a public facility. Swanton also states he has no objection to the proposed name (William Jack Hernandez) for the fish hatchery.

2. Director Swanton states the Division of Sport Fish has not received any additional recommendations for naming the fish hatchery, other than recommendations for naming it after William Jack Hernandez, and several former staff members have also recommended naming the new hatchery after Hernandez.

3. The new state fish hatchery will be completed May 2011.

4. Citizens (including current and former ADF&G employees) who strongly support this legislation and wish to testify via teleconference:

   Tom Namtvedt, 5640 Portage Drive, Wasilla, AK 99654 – (907)355-7403

   Larry Engel, 16341 E Vera Way, Palmer, AK 99645-8641 – (907)745-4132

   Darrell Keifer, 3709 Carleton Ave, Anchorage, AK 99517-1542 – (907)279-3187

   Fred Williams, PO Box 88, Copper Center, AK 99573 – (907)822-3922

   Gary A. Wall, PO Box 101007, Anchorage, AK 99510-1007 – (907)223-4640 cell/333-5901 hm

   Sidney Logan, PO Box 2589, Soldotna, AK 99669-2589 – (907)262-4048

   David A Watsjold, 2811 Cutwater Ct, Anchorage, AK 99516-3473 – (907)345-5166

   Robert (Bugs) McCartney, PO Box 91, Palmer, AK 99645 – (907)376-3551

   Louis S Bandirola (retired Deputy Director, Division of Sport Fish, ADF&G), 2616 Douglas Hwy, Apt 106, Juneau, AK 99801-2047 – (907) 780-4207

   Larry J Heckart (retired Regional Research Supervisor, Division of Sport Fish, ADF&G), PO Box 11046, Anchorage, AK 99511-0446 – (907) 349-3361

Contact: Chuck Kopp, Staff to Senator Dyson (907)465-6580

5640 Portage Drive
Wasilla, AK 99654
aktn@gci.net
December 24, 2009

Representative Wes Keller
600 E. Railroad Avenue
Wasilla AK, 99654

Dear Representative Keller:

I am a retired ADF&G fisheries biologist, commercial fisherman and one of your constituents. I and various active and retired ADF&G biologists are requesting your assistance with legislation to name the new Elmendorf fish hatchery after the man who pioneered the fish rearing and hatchery program at the Ft Richardson: William Jack (Bill) Hernandez (biography, photos, news clippings and draft bill attached). The Elmendorf hatchery is under construction and is scheduled to be completed in May of 2011. I have written Representative Dahlstrom and Senator Dyson, who represent Elmendorf AFB, to sponsor legislation to name the hatchery after Mr. Hernandez.

Mr. Hernandez was a remarkable man who was a Wake Island civilian POW during WWII, enlisted in the U.S. Army after liberation, and, in 1957, while a sergeant in the Army, started the fish rearing program at Ft. Richardson. He ran the fish rearing facility for 11 years, with annual production reaching 12,000 catchable-size rainbow trout, 100,000 Chinook smolt and 200,000 coho smolt. Bill retired from the Army in 1968, and I was appointed to be his successor at Ft Richardson. Bill left huge "shoes" to fill. There was no hatchery at the site then but rather the pond was segregated into three areas for rearing fish. Two old Quonset huts served as living quarters, warehouse, office and lab. Trout were stocked in lakes on military land as well as Anchorage area lakes. Salmon smolt were released into Ship Creek, and returning adult salmon contributed to the commercial and sport fishery. Bill often worked seven days a week, with limited assistance from ADF&G or Army personnel. Bill was not immune from other duties regularly assigned to NCOs, and he spent one night a week as duty NCO at HQ Co. Bill was a busy guy! After Army retirement, Bill worked another 15 years as a fish culturist for ADF&G at the Fire Lake Hatchery and the new hatcheries on Ft. Richardson and Elmendorf AFB.

Sadly, Bill died of cancer in 2003. Without his drive and dedication, the fish rearing project at Ft. Richardson would have never gotten off the ground and the hatchery there probably would have never been constructed. He made an enormous contribution to Anchorage sport fishermen and Cook Inlet commercial fishermen. Please honor William Jack (Bill) Hernandez by helping with this legislation.

Respectfully,

Tom Namtvedt

Representative Wes Keller

January 25, 2010

Mr. Tom Namtvedt
5640 Portage Drive
Wasilla, Alaska 99654

Dear Mr. Namtvedt:

Thank you for your letter regarding a recommendation to name the Fort Richardson Fish Hatchery after Mr. Hernandez. Based on the historical account, the concept of fish hatcheries in Southcentral Alaska must truly be attributed to his efforts.

I am joining you in suggesting to Representative Dahlstrom that she sponsor legislation to name the soon to be completed Elemdorf fish hatchery after William Jack (Bill) Hernandez. I will join her as a co-sponsor of that bill. I am asking her, as she serves as the Representative for Elemdorf Air Force Base.

Again, I would like to thank you for bring this information to my attention. It is important to honor those who throughout our history have done the work that makes Alaska what it is today. Obviously, Mr. Hernandez is one of those pioneers who should not be forgotten.

Sincerely:

Wes Keller
Representative
District 14

Cc: Representative Nancy Dahlstrom

During Session (January - April): Alaska State Capitol • 120 4th Street, Juneau, Alaska 99801 • (800) 468-2186 • Fax (907) 465-3818
During Interim (May - December): 600 E. Railroad Avenue, Wasilla, Alaska 99654 • (907) 373-1842 • Fax (907) 373-4729
Representative.wes.keller@legis.state.ak.us • www.housemajority.org

Not Paid For With State Funds

William Jack Hernandez

William Jack (Bill) Hernandez was born in Los Angeles, California on April 30, 1920 and died Aug. 31, 2003 in Wasilla. At the age of 21, Bill was employed by Morrison-Knudson Construction Co. building fortifications on Wake Island. After the attack on Pearl Harbor, he and other civilian contractor personnel were assigned to assist the Marine detachment defending the Wake Island. On Dec. 23, 1941, Wake Island was captured, and Bill was imprisoned in various POW camps in China. He survived an escape attempt, breaking his ankle while jumping from a train. He was subsequently recaptured, and this is described in several books on the battle of Wake Island, perhaps most notably "Jim's Journey: A Wake Island Civilian POW's Story" as well as a History Channel documentary: "Wake Island: Alamo of the Pacific."

After the war, Bill returned to California enlisting in the Army in 1947. He initially served as a foreign language interpreter, and his early military career took him to Korea and Europe. Bill honed his chess skills and became a Chess Master. At one point, Bill defeated Japan's top chess player. In 1956, his unit was transferred to Fort Richardson, where he became a Fish and Wildlife Conservation NCO. His orders were to rehabilitate the lakes and streams on post. In 1957, after several months of negotiating with the military and others, Bill received a letter from the Secretary of the Army approving a cooperative agreement between the Army, the Alaska Territorial Department of Fish and Game and the Fort Richardson power plant which allowed the plant's cooling pond to be utilized for rearing fish. Bill ran the fish rearing project, and annual production reached as high as 12,000 catchable-size rainbow trout, 100,000 Chinook smolt and 200,000 coho smolt. Bill retired from the Army in 1968 and received an Army Commendation Medal for his efforts: *"Through his perseverance, ingenuity, and scholarly research, he conceived and pioneered a process of rearing rainbow trout, silver salmon and king salmon from the fingerling stage to the migratory smolt, and in addition, accelerated the restocking of post and community lakes and streams.* ***By virtue of Sergeant Hernandez' diligent efforts coupled with his high sense of responsibility, the military conservation program in Alaska received successive official and recorded recognition by the State Legislature of Alaska and by the United States Senate.*** *His invaluable service to the military and civilian communities of Alaska earned him the worthy respect and admiration of all with whom he came in contact."*

Shortly after his Army retirement, Bill was hired by the Alaska Department of Fish and Game as a Fish Culturist at the Fire Lake Hatchery. He returned to Ft Richardson a few years later to manage the large scale hatchery constructed at the cooling pond. Bill also worked at the Elmendorf hatchery. In 1983, after 26 years of dedicated service raising salmon and trout, Bill retired again.

Bill then purchased a boat and fished commercially for seven seasons in Bristol Bay. When not fishing, Bill spent his time at his cabin on Lake Susitna and groomed snowmobile trails in the area. He was a member of the Wake Island Civilian Survivors Association, a Mason, and a Cooperative Weather Observer for NOAA. Though Bill never married, his many friends and dog Peggy were his Alaskan family. He was loved and respected by everyone who knew him.

Bill was buried in his native California, close to his twin sister Jewel with whom he shared a special bond. The Veterans of Foreign Wars Post 7665 honored him with a 21-gun salute. **Bill Hernandez was the epitome of Tom Brokaw's "Greatest Generation".**

THE FOLLOWING DOCUMENT(S) ARE POOR ORIGINAL COPIES

We Alaskans

The Anchorage Daily News Magazine
April 17, 1983

- Satch: Ah, graft and corruption!
- Ski to Sea Relay: Fast, frantic fun
- General Delivery: Preparing for spring

5300

5301

Harvest days at the hatchery

Story by Andrew Perala / photos by Paul Brown

B

hatchery

Continued from page 9

scooping up a few fish at a time in long-handled nets.

The nets are emptied into the tubs with a wild splashing that is stilled as the tranquilizer, called MC-222, takes effect. The drug tranquilizes voluntary muscle action without affecting the involuntary muscles, so a fish can breathe through its gills but cannot lift a fin to save its life.

Each fish is picked up by two hands. A gentle squeeze to the middle of the gut confirms the fish's status. Eggs will protrude from the underside of a ripe female. Males will squirt clear liquid or white milt.

Females with eggs are passed into a tub next to the doorway of a tent covering a length of the raceway. Males are transferred to a penned-off area at the far end of the raceway. Inside the Quonset-shaped tent two handlers work steadily.

One holds the fish upside down while the other picks up a metallic device shaped like a common garden hose nozzle. A brown hose trails off into the water and is attached to a large green cylinder of the same oxygen hospitals use. There is a trigger on the nozzle device and, at the end, a short, thick needle that looks as though it could fill a basketball. The needle is sharp, though, and a quick jab into the fish's body cavity just behind the dorsal fin produces no blood.

With a pull of the trigger, oxygen at low pressure flows into the fish, gently forcing out the bright orange eggs in a steady stream that spills into a round plastic tray. The eggs are checked to see if the color is normal and if there are any genetic mutations. Occasionally, bad eggs will be dark or green.

At one time eggs were harvested by squeezing the sides of the fish, a process that damaged the eggs and hurt the fish.

While one worker pours the eggs into a larger bucket, another tosses the rainbow into a penned-off section of the raceway inside the tent. The fish slips into the water like a limp torpedo and lies still for a minute or two, gills working in gulps. The constantly flowing water soon washes away the paralyzing drug. With little flicks of the tail and a few turns of the head, the fish rights itself and surges off into the distance.

Forty fish contribute 1,200 to 2,000 eggs apiece. The eggs are disinfected to kill germs from human contact and given to another worker for fertilization.

The process is quick. With the male fish held firmly in one hand, the handler squeezes a white stream of milt into the bucket. Unlike females, most males die after contributing to the genetic pool. It is the same in the wild. There is no natural reason for male fish to live another winter. Although winter water temperatures dip to as low as 34 degrees, virtually stopping all feeding and movement, the low oxygen content in the lakes would not support larger fish populations.

Elmendorf is able to function year-round as a hatchery because it receives from an Air Force generating plant a constant supply of 53-degree waste water that is piped half a mile to the hatchery. There it is mixed with Ship Creek water and brought to a stable temperature.

The temperatures are constantly monitored and alarms sound if there is a variance of more than a few degrees. Rainbows cannot live in water above 62 degrees without suffering from a killing form of stress. For salmon, the disaster brink is several degrees lower. Rainbows live in 42-degree water in the winter and 46-degree water in the spring when spawning.

Of the 19 fish hatcheries and rearing facilities in Alaska, Elmendorf is the only one that handles brood stock rainbow, the fish from which we get more fish. Other hatcheries trap wild salmon in streams and collect the eggs for rearing.

There are approximately 18,000 of the dark, fat trout in three raceways at Elmendorf, ranging in age from 1 to 4 years.

Watching thousands of them rolling in the water can arouse even the most casual fisherman, but catching these hand-fed beauties would be quite a trick.

An eight-foot-high chain link fence surrounds the property. Inside, eight large white plastic dishes create invisible barriers just inside the fence. Cross their line of fire and a shrieking alarm goes off outside the office and inside the newly constructed manager's house just a hundred yards away.

Casting a long line over the fence wouldn't work, either. A 20-foot mast of land separates the fence from the tanks. Reaching the ponds would be simple enough, but dragging a fighting trout overland and flipping it over the fence would be all but impossible.

There is more science than meets the eye inside the hatchery. Besides the electronically controlled warm water system, there is food that would captivate the most jaded readers of junk food wrappers.

Back in the 1940s, the early days of fisheries science, fish at hatcheries outside were fed chopped cattle guts. Seemed like a good idea at the time. It was a waste product, the fish ate it voraciously, and it appealed to people who thought all that came from cattle was good.

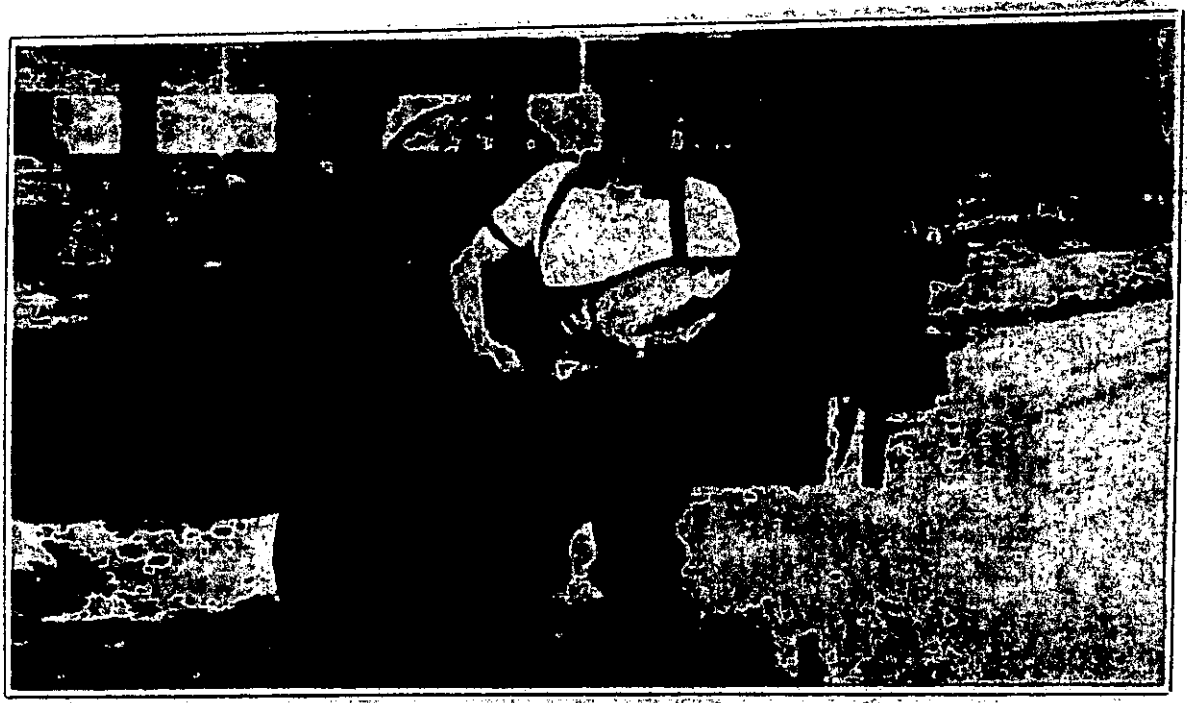
But the diet soon caused epidemic disease and many early hatcheries were closed.

Today, fish food is a science itself. Bagged in 50-pound sacks like dog food, the Oregon mash used at Elmendorf contains 22 ingredients ranging from fish meal to vitamins. An abundance of herring oil makes the pellets soft. Mature fish are fed at least once a day and consume, Hernandez says, about 1 percent of their total body weight daily. Young fish are fed more often, up to seven times a day. The Elmendorf hatchery uses 700 pounds of fish food daily in the peak spring season.

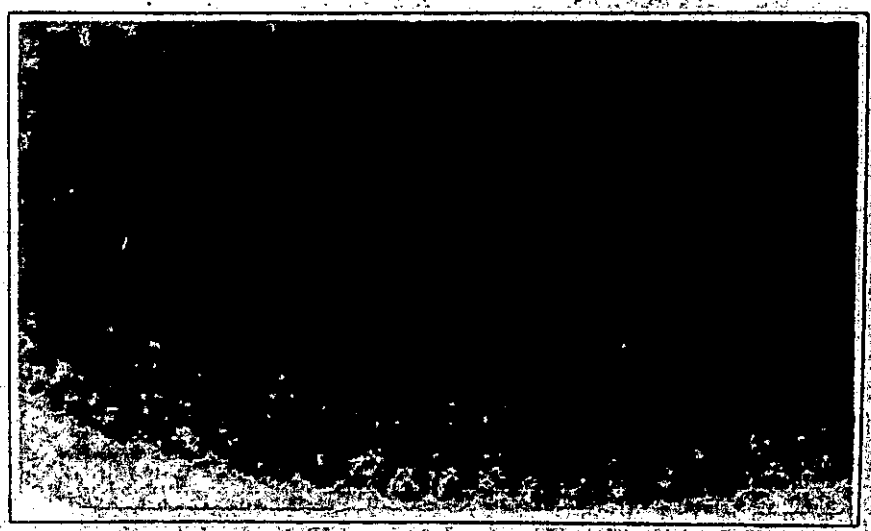
Although he had the opportunity to advance in the Department of Fish and Game hierarchy and the later bureaucracies that came to control the hatcheries in Alaska, Hernandez never pursued those career avenues. This summer, after working more than 25 years for others in the handling of fish, Hernandez will harvest fish on his own. With his 20-foot boat, the Hernandez I, he will head out into Bristol Bay in search of king salmon.

A home computer will help him keep track of catch rates, fish locations and landing patterns. But out on the rolling bay, Hernandez will use his own instinct, gleaned from years of experience, to catch fish.

Andrew Wiese is a reporter for The Daily News.



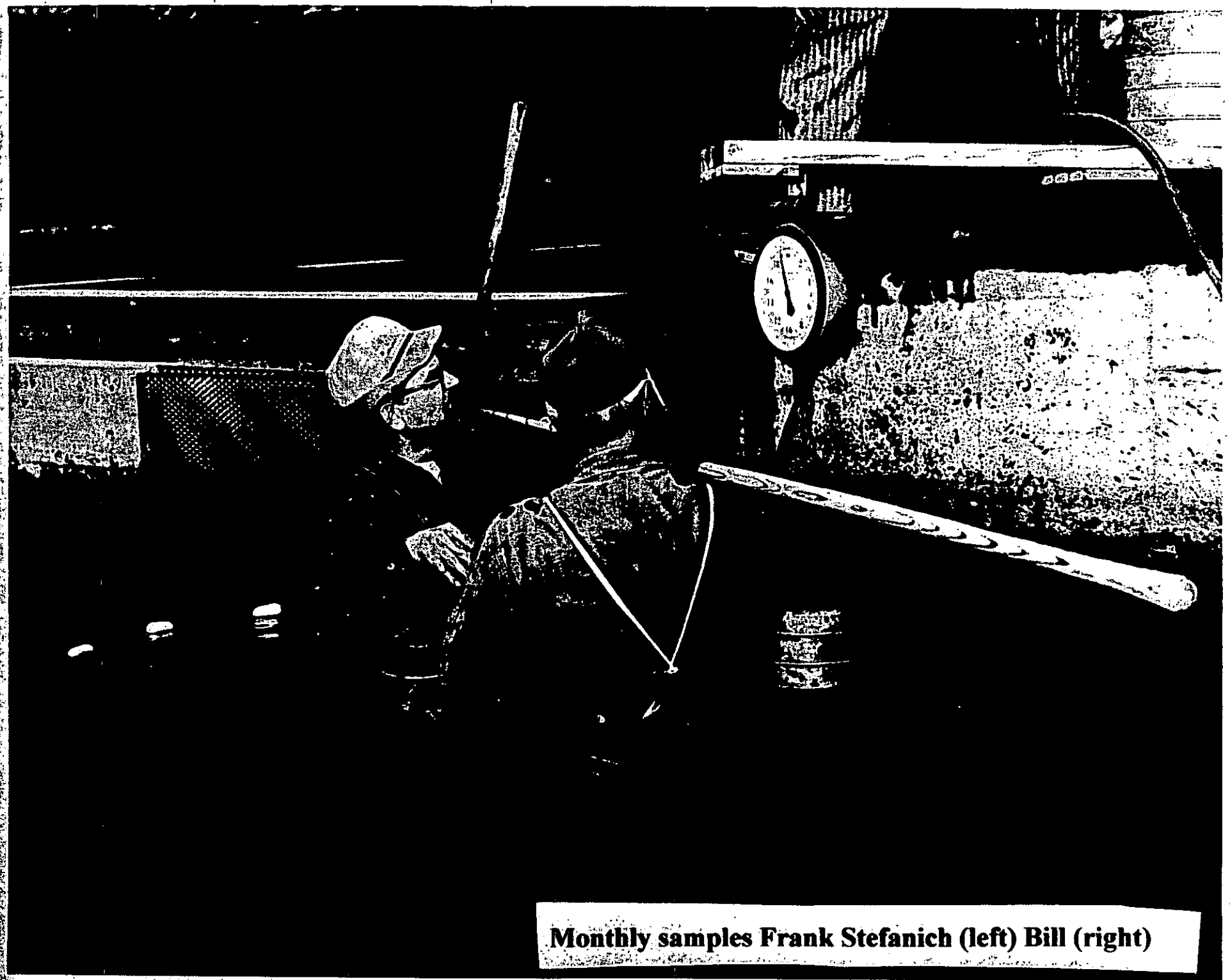
Bill Hernandez cradles the last fish he will handle at Fort Richardson. Now he plans to catch fish for himself.



This year the Elmendorf hatchery will produce 5 million rainbow trout eggs.

5302

Who needs a tagging trailer (Bill 2nd from left)



Monthly samples Frank Stefanich (left) Bill (right)

SB 301

HOUSE COMMITTEE REPORT

(9)

Date Referred to Committee: April 9, 2010 **FURTHER REFERRALS: Finance**

Date of Committee Action: 4-12-10

The RESOURCES Committee considered: **SENATE BILL NO. 301**

"An Act relating to the power project fund; authorizing the Alaska Energy Authority to charge and collect fees relating to the power project fund; authorizing the Alaska Energy Authority to sell and authorizing the Alaska Industrial Development and Export Authority to purchase loans of the power project fund; providing legislative approval for the sale and purchase of loans of the power project fund under the memorandum of understanding dated February 17, 2010; and providing for an effective date."

SB 301-POWER PROJECT FUND

Recommends it be replaced with [ ] HCS *or* **[ ] CS** *for* _____ (_____)

*For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR*_____ [ ] Same Title [ ] New Title

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW FISCAL NOTES *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero

PREVIOUS FISCAL NOTES				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
DOT	1			✓
REV	2			✓
CED	3			✓
CED	4			✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON			X	
Bya Edgmon	Edgmon	X			
	GUTTENBERG			X	
Wilson	WILSON	X			
Paul K Seaton	SEATON	Y			
				X	
Chair:					
Chair:	Johnson	X			

5307

AIDEA Alaska Industrial Development and Export Authority

ALASKA ENERGY AUTHORITY

March 18, 2010

The Honorable Lyman Hoffman
The Honorable Bert Stedman
Co-Chairs, Senate Finance Committee
Alaska State Legislature
State Capitol Room 516
Juneau, Alaska 99801-1182

RE: SB 301, "An Act relating to the Power Project Fund"

Dear Senators Hoffman and Stedman:

On March 17, 2010, SB 301 (Companion Bill HB 411) passed the Senate Resources Committee and was referred to Senate Finance. This legislation is intended to allow the Alaska Energy Authority (AEA) to charge and collect fees relating to the Power Project Fund (PPF) and authorize AEA to sell and authorize the Alaska Industrial Development and Export Authority (AIDEA) to purchase loans of the PPF.

SB 301 allows AEA to charge and collect fees in administering the PPF, similar to the authority AEA has to charge and collect fees in administering the Bulk Fuel Revolving Loan Fund (BFRLF.) AEA charges an application fee and an origination fee for a loan of the BFRLF; AEA proposes to charge similar fees for a PPF loan application and loan.

SB 301 also authorizes AEA to sell and AIDEA to purchase certain loans from the PPF. The proposed sale of existing loans will recapitalize the PPF with approximately $20.6 million. To maximize the price paid to AEA for the sale of the loans, the bill includes provisions for AEA to repurchase from AIDEA loans which later default. This repurchase provision substantially reduces financial risk to AIDEA and allows AIDEA to purchase the loans without significant discount.

We respectfully request you to schedule SB 301 for hearing in Senate Finance, and we urge favorable action on this bill. A copy of the Memorandum of Understanding between AIDEA and AEA, fiscal notes and sectional analysis are attached. We will be happy to meet with you and other members of the committee to provide any other information you may require. Thank you for considering our request.

Sincerely,

ALASKA ENERGY AUTHORITY

Steve Haagenson
Executive Director

Attachments (4)

cc: Ted Leonard, AIDEA Executive Director

813 West Northern Lights Boulevard • Anchorage, Alaska 99503-2495
www.aidea.org • 907/771-3000 • FAX 907/771-3044 • Toll Free (Alaska Only) 888/300-8534 • www.akenergyauthority.org

HB 411 and SB 301

An Act relating to the power project fund

Sectional Analysis

Section	Analysis
1	AS 42.45.010(a) is amended to allow proceeds from the sale of power project loans to be deposited into the power project fund (PPF).
2	AS 42.45.010(d) repeals and reenacts AEA authority to adopt regulations relating to the loan program by specifically allowing AEA to establish fees for applications and loan originations.
3	AS 42.45.010 is amended by adding new subsections – (k) to provide that fees collected will be deposited into the general fund. (l) provides authority to AEA to sell loans of the PPF with legislative approval, allows AEA to repurchase loans sold under this subsection which default, allows proceeds received to be deposited into the fund.
4	AS 44.88.080 is amended by adding new subsection (30) allowing AIDEA to purchase from AEA, as an investment of the revolving fund, PPF loans.
5	Uncodified law is amended by adding a new section providing for legislative approval for AEA to sell and AIDEA to purchase certain power project fund loans. This section references the 2/17/10 MOU between AIDEA and AEA that memorializes the proposed terms of the sale and purchase.
6	Provides for an immediate effective date

Prepared by AEA

Exhibit A

Alaska Energy Authority
Power Project Loans
as of 2/9/10

Payment Period	Loan #	Loan Name	Outstanding Commitment	Current Balance	Next Due Date	Interest Rate	Payment Amount	Maturity Date
Annually								
	40901044	QINARMIUT CORP	$0.00	$84,841.03	10/1/10	0.00	$12,266.17	10/1/16
	40901045	CORDOVA ELEC CO OP	$0.00	$742,857.13	6/11/10	0.00	$28,571.43	6/11/35
	40901047	ST PAUL, CITY OF	$0.00	$97,306.42	10/1/10	3.00	$8,614.18	10/1/23
	40901048	WRANGELL, CITY OF	$0.00	$78,553.50	7/1/10	2.00	$27,238.92	7/1/12
	40901050	PELICAN UTILITY DISTRICT	$0.00	$15,161.70	7/1/10	5.61	$2,191.43	7/1/19
	40901057	ST PAUL, CITY OF	$0.00	$1,260,000.00	10/1/10	0.00	$90,000.00	10/1/23
Total for Annually				**$2,278,719.78**			**$168,882.13**	
SemiAnnually								
	40901009	SITKA, CITY OF	$0.00	$9,178,074.93	7/1/10	4.00	$307,037.96	1/1/33
	40901049	GWITCHYAA ZHEE UTILITY	$0.00	$145,384.29	7/1/10	6.16	$9,844.52	1/1/20
	40901051	AP&T TOK DOT LAKE	$0.00	$232,837.77	7/1/10	0.00	$12,254.63	7/1/19
	40901052	AP&T (TETLIN)	$0.00	$172,614.56	7/1/10	4.20	$11,121.71	7/1/19
	40901059	AP&T (PRINCE OF WALES PROJECT)	$0.00	$893,333.30	7/1/10	0.00	$20,000.00	1/1/37
	40901060	ELFIN COVE, COMMUNITY OF	$0.00	$550,325.15	7/1/10	0.00	$13,102.98	1/1/31
	40901061	SOUTHERN ENERGY	$0.00	$517,673.38	7/1/10	5.60	$21,480.18	7/1/30
	40901062	YAKUTAT, CITY & BOROUGH OF	$0.00	$125,792.95	7/1/10	3.00	$7,325.59	1/1/20
	40901065	AVEC NIGHTMUTE	$0.00	$205,283.22	7/1/10	0.00	$10,804.38	7/1/19
	40901068	AP&T (SKAGWAY)DYEA LINE EXTENSION	$0.00	$114,153.48	7/1/10	2.00	$6,052.95	7/1/20
	40901071	TUNTUTULIAK COMMUNITY SERVICES A	$0.00	$129,509.64	7/1/10	0.00	$5,396.23	1/1/22
	40901072	GUSTAVUS ELECTRIC COMPANY	$0.00	$118,626.84	7/1/10	5.40	$10,288.01	1/1/17
	40901076	NAPASKIAK ELEC UTILITY	$0.00	$6,304.97	7/1/10	5.80	$1,669.45	1/1/12
	40901079	TDX SAND POINT GENERATING INC	$0.00	$203,984.12	7/1/10	4.00	$10,109.49	1/1/23
	40901080	AK POWER CO-POW SWITHGEAR PROJ.	$0.00	$167,889.70	7/1/10	5.45	$7,639.46	1/1/27
	40901081	AK POWER CO-SKAGWAY LINE EXT	$0.00	$187,093.47	7/1/10	5.45	$6,660.67	1/1/37
	40901084	AK POWER CO-SOUTH FORK HYDRO	$0.00	$1,576,590.23	7/1/10	5.45	$57,000.66	1/1/36
	40901085	ADAK, CITY OF (DOWNSIZE GEN)	$0.00	$85,577.88	7/1/10	5.39	$6,648.22	1/1/18
	40901086	TDX NORTH SLOPE GENERATING INC	$0.00	$796,539.85	7/1/10	3.00	$34,972.27	1/1/24
	40901090	TDX NORTH SLOPE GENERATING INC	$0.00	$746,334.45	7/1/10	5.15	$35,901.66	1/1/25
	40901091	TDX SAND POINT GENERATING INC	$0.00	$120,251.45	7/1/10	5.11	$5,454.25	7/1/26
	40901092	AK POWER CO	$0.00	$63,010.57	7/1/10	5.11	$2,912.94	1/1/26
	40901093	PORT HEIDEN, CITY OF	$0.00	$38,730.34	7/1/10	5.09	$2,403.24	7/1/20
	40901094	YAKUTAT, CITY & BOROUGH OF	$0.00	$224,977.15	7/1/10	4.92	$17,225.39	1/1/18
	40901095	TDX NORTH SLOPEGENERATING, INC	$0.00	$1,193,582.30	7/1/10	4.92	$53,356.61	7/1/26
	40901096	CHENA POWER LLC	$0.00	$530,138.84	7/1/10	5.02	$23,729.86	7/1/26
	40901097	CRAIG, CITY OF	$0.00	$482,653.23	7/1/10	5.05	$19,908.31	1/1/29
	40901100	GUSTAVUS ELECTRIC, INC	$0.00	$928,029.76	7/1/10	4.69	$29,659.32	7/1/38
	40901102	CHIGNIK LAGOON POWER UTILITY	$0.00	$30,920.85	7/1/10	4.62	$5,599.19	1/1/13
	40901104	ALASKA WIND POWER, LLC	$0.00	$143,502.81	7/1/10	4.88	$7,176.84	1/1/14
	40901106	NUSHAGAK ELECTRIC & TELEPHONE CO(	$0.00	$12,010.97	7/1/10	4.99	$4,820.30	1/1/15
	40901107	TDX NORTH SLOPE GENERATING, INC.	$0.00	$2,500,000.00	7/1/10	5.46	$104,892.75	1/1/30
Total for SemiAnnually				**$22,421,732.45**			**$872,450.02**	
Grand Total				**$24,700,452.23**				

Prepared by AEA

Memorandum of Understanding

This Memorandum of Understanding ("MOU") is entered into this 17th day of February, 2010, between the Alaska Energy Authority ("AEA") and the Alaska Industrial Development and Export Authority ("AIDEA").

Recitals

A. The power project fund ("PPF") is established as a separate fund of AEA under AS 42.45.010(a).

B. AEA may make PPF loans for financing various activities related to the development of energy generation and transmission projects, bulk fuel storage facilities, waste energy, energy conservation, or alternative energy facilities, or may make loans to the bulk fuel revolving loan fund for the purposes described in AS 42.45.250(l).

C. The Renewable Energy Grant Fund was established under AS 42.45.045 to finance certain energy projects in Alaska, with an emphasis on feasible energy projects that provide a cost benefit to Alaska ratepayers, and projects that will serve areas in which the average cost of energy exceeds the average cost of energy in other areas of the state.

D. AEA makes PPF loans available to assist project developers meet their matching fund obligations under the Renewable Energy Fund Grant Recommendation Program. By doing so, AEA is able to leverage the funding available from each program to better promote the development of cost efficient, renewable energy projects for the benefit of Alaska ratepayers.

E. The PPF currently has less than $5,000,000 available for serving the purposes of the fund.

F. AEA desires to sell, and AIDEA desires to purchase, the outstanding PPF loans identified in the attached Exhibit A.

G. In this MOU, in order to maximize the amount AIDEA would be willing to pay for the PPF loans identified in Exhibit A and minimize financial risk to AIDEA from purchasing the PPF loans, AEA agrees to repurchase from AIDEA any outstanding loan if the borrower has a payment default after the sale.

H. The outstanding PPF loans identified in Exhibit A have a combined current balance as of February 9, 2010, of $24,700,452.23, and earn interest at annual rates that range from 0% to 6.16%.

I. AEA and AIDEA agree that the outstanding loans identified in Exhibit A have a projected present value as of the closing date (expected to be in July 2010) of approximately $20.6 million. This present value is the value of projected loan payments over the life of the outstanding loans, discounted at 6.02%, which was AIDEA's return on investments for the three year period ended September 30, 2009.

J. AEA and AIDEA agree that the sale and purchase of the outstanding PPF loans identified in Exhibit A at the present value of the loans will both adequately capitalize the Power Project Fund and provide a reasonable investment for the revolving fund of AIDEA.

K. The sale and purchase of the outstanding PPF loans identified in Exhibit A will require, among other things, the enactment of legislation approving the sale and purchase.

L. This MOU is intended to set forth the principal terms and conditions under which AEA would sell, and AIDEA would purchase, the outstanding PPF loans identified in Exhibit A. The parties intend that this MOU be incorporated into legislation to be submitted to the Alaska State Legislature authorizing the sale and purchase of the loans.

NOW, THEREFORE, in exchange for the mutual promises contained herein and for other consideration the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

1. AEA agrees to sell, and AIDEA agrees to purchase, the outstanding PPF loans identified in Exhibit A on the closing date, expected to be in July 2010, for a purchase price equal to the present value as of the closing date of all PPF loans identified in Exhibit A.

2. In this MOU, the "present value" of a PPF loan means the present value of all scheduled loan payments on the PPF loan over the entire remaining life of the PPF loan, using a discount rate of 6.02%.

3. Based upon the definition of "present value," AIDEA and AEA estimate that the purchase price of all PPF loans identified in Exhibit A on the closing date will be approximately $20.6 million.

4. AEA shall repurchase from AIDEA any outstanding PPF loan if the borrower defaults on payment after the sale. The repurchase price shall equal the present value of the loan determined on the date of the payment default by the borrower, less any payments received by AIDEA after the payment default date. AIDEA may exercise the right to have AEA repurchase a PPF loan by sending notice to AEA of the payment default.

AEA shall pay AIDEA within 30 days of the notice of payment default from unencumbered and uncommitted funds in the Power Project Fund. If the PPF has an inadequate amount of unencumbered and uncommitted funds to repurchase the PPF loan from AIDEA within 30 days of the notice of default, AEA shall make payments to AIDEA with unencumbered and uncommitted funds as they become available in the Power Project Fund (through repayments from other PPF loans or otherwise), with interest on the unpaid balance at the annual rate of four percent (4%) from the date 30 days after the notice of default. Nothing in this paragraph precludes AIDEA from rescinding a notice of default.

WHEREFORE the parties have executed this Agreement as of the date first written above.

Alaska Energy Authority

by: Steve Haagenson
Executive Director

Alaska Industrial Development and Export Authority

by: Ted Leonard
Executive Director

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 301
(S) Publish Date: 2/26/10

Identifier (file name): 0974-DOT-CO-01-04-10
Title: Power Project Fund
Sponsor
Requester

Dept. Affected: DOT&P
RDU: Adminstration and Support Services
Component: Commissioner's Office
Component Number: 530

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate pege if necessary)*

This bill has no fiscal impact on the Department of Transportation and Public Facilities

Prepared by: Mary Siroky, Legislative Liaison — Phone 465-4772
Division: DOT&PF, Commissioner's Office — Date/Time 1/4/10 5:25 PM
Approved by: Frank Richards — Date 1/4/2010
Deputy Commissioner, DOT&PF

(Revised 11/6/2009 OMB)

5314

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 301
(S) Publish Date: 2/26/10

Identifier (file name): 0974-REV-TRS-1-6-10
Dept. Affected: Revenue
Title: AIDEA Power Project Fund
RDU: Taxation and Treasury
Component: Treasury
Sponsor: Rules
Requester: Request of Governor
Component Number: 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

The Department of Revenue anticipates no fiscal impact as a result of this legislation.

Prepared by: Ginger Blaisdell for Jerry Burnett, Deputy Commissioner
Phone 465-3669
Division: Treasury Division
Date/Time: 1/5/10; 9:48am
Approved by: Ginger Blaisdell, Director
Date: 1/6/10; 1:49pm
Administrative Services Division

(Revised 10/13/2009 OMB)

5315

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 3 **CORRECTED**
Bill Version: SB 301
(S) Publish Date: 3/8/10

Identifier (file name): SB301-CED-AIDEA-3-2-10
Dept. Affected: DCCED
Title: Power Project Fund Loan Portfolio Sale
RDU: 125
Component: AIDEA Operations
Sponsor: Rules by Request of the Governor
Requester: Senate Resources Committee
Component Number: 1234

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ()							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

This bill authorizes the Alaska Energy Authority (AEA) to charge and collect fees relating to the power project fund (PPF.) See AEA's fiscal note for details.

In addition to authorizing the collection of fees, this bill allows AEA to sell and the Alaska Industrial Development and Export Authority to make a one-time purchase of substantially all loans from the PPF loan portfolio.

Prepared by: Sara Fisher-Goad, Deputy Director-Operations
Phone 907-771-3012
Division: Alaska Industrial Development and Export Authority
Date/Time 2/17/10 12:00 AM
Approved by: Emil Notti, Commissioner
Department of Commerce, Community and Economic Development
Date 3/2/2010

(Revised 11/6/2009 OMB)

5316

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. SB 301

ANALYSIS CONTINUATION

AEA and AIDEA have developed a memorandum of understanding outlining the terms of the sale. AIDEA will purchase outstanding loans at a discount rate equivalent to 6.02%, its return on investments for the 3-year period ended September 30, 2009. To maximize the price paid, AEA agrees to repurchase from AIDEA loans which later default. Estimated sale proceeds are approximately $20.6 million. The closing date of the sale is anticipated to be in July 2010.

No additional operating costs are anticipated with this legislation.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 4 **CORRECTED**
Bill Version: SB 301
(S) Publish Date: 3/8/10

Identifier (file name): SB301-CED-AEA-3-2-10
Dept. Affected: DCCED
Title: Power Project Fund Loan Portfolio Sale
RDU: 453
Component: Statewide Project Development
Sponsor: Rules by Request of the Governor
Requester: Senate Resources Committee
Component Number: 2888

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ()	**						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

This bill authorizes the Alaska Energy Authority (AEA) to charge and collect fees relating to the power project fund (PPF.) Currently, AEA only collects funds from applicants relating to the direct cost of analyzing the feasibility of a project. All fees would be deposited into the general fund; however, AEA will request an annual appropriation to have collected fees be deposited into the PPF. A similar annual appropriation is requested for fees collected from bulk fuel loans. ** Estimated fees are indeterminate until regulations are adopted; however, as a reference, AEA charges a $25 application fee and a .5% origination fee for loans from the Bulk Fuel Revolving Loan Fund.

In addition to authorizing the collection of fees, this bill allows AEA to sell and the Alaska Industrial Development
(continued on page 2)

Prepared by: Sara Fisher-Goad, Deputy Director-Operations — Phone 907-771-3012
Division: Alaska Energy Authority — Date/Time 2/17/10 12:00 AM
Approved by: Emil Notti, Commissioner — Date 3/2/2010
Department of Commerce, Community and Economic Development

(Revised 11/6/2009 OMB)

5318

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. SB 301

ANALYSIS CONTINUATION

and Export Authority to make a one-time purchase of substantially all loans from the PPF loan portfolio. AEA and AIDEA have developed a memorandum of understanding outlining the terms of the sale. AIDEA will purchase outstanding loans at a discount rate equivalent to 6.02%, its return on investments for the 3-year period ended September 30, 2009. To maximize the price paid, AEA agrees to repurchase from AIDEA loans which later default. Estimated sale proceeds are approximately $20.6 million. The closing date of the sale is anticipated to be in July 2010.

No additional operating costs are anticipated with this legislation.

SB 305

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3873 - Phone
(907) 465-3922 - Fax
Senator_Bert_Stedman@legis.state.ak.us

Official Business

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
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Phone - (907) 465- 4453
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Senator_Lyman_Hoffman@legis.state.ak.us

SPONSOR STATEMENT
CSSB 305(FIN) (title am)

SB 305 separates oil and natural gas for purposes of calculating the progressivity portion of the production tax under AS 43.55. Under this bill the progressivity surcharges for oil and Cook Inlet and in-state gas would be calculated together, but distinctly from export gas, instead of the current practice on all oil and gas combined. The progressivity structure itself would be unchanged, based on 0.4% of the production value that exceeds $30 per barrel for oil, and $30 per BTU barrel of oil equivalent for gas. The base tax rate is unchanged at 25% of production tax value.

Under current law the tax rate is based on the combined BTU value of oil and gas. However, oil and gas can have vastly different values on a BTU basis. Currently a BTU of oil is worth much more than a BTU of gas. Accordingly, once a major gas sale starts, overlaying the existing oil production, the BTU value of the combined oil and gas would be much lower than it was for oil alone. This has been referred to as the dilution effect and could cause a significant reduction in oil taxes as a result of a major gas sale. The existing tax structure, in conjunction with the inherent uncertainty of future oil and gas prices, exposes the state to significant financial risk were a major gas sale to occur. The structure also creates economic instability for entities looking to participate in the development and financing of a natural gas pipeline project in Alaska. SB 305 removes the dilution effect by having progressivity calculated distinctly for oil and gas. This will result in no reduction in oil taxes from a major gas sale.

As in current law, the bill gives the Department of Revenue the authority to adopt regulations to allocate costs between oil and gas, with the added instruction that a method based on relative BTU barrel of oil equivalents should be considered. That method was the one adopted by the department under the same authority for implementation of the current law.

Some producers currently produce Cook Inlet gas or other in-state gas along with North Slope oil. If all gas were separated from oil these producers would see an immediate tax increase. The bill is not intended to increase taxes on current activity. Having the progressivity for Cook Inlet gas and other in-state gas calculated together replicates the current situation, so these producers will see no tax increases. Only progressivity on export gas, like the gas from a major gas sale, would be calculated distinctly. This will prevent a major gas sale from diluting progressivity on oil.

Under the tax inducement provisions of the Alaska Gasline Inducement Act (AGIA), the tax structure in place at the time of the first binding open season (May 1, 2010), may be locked in for the first ten years of gas commercialization. Consequently, to the extent there is interest in decoupling our tax structure, it needs to be done before April 30, 2010.

COPY

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM March 30, 2010

SUBJECT: Sectional summary of CSSB 305(RIN), Draft Version "T" with comparison to Draft Version "P" (Work Order No. 26-LS1577\T and 26-LS1577\P)

TO: Senate Finance Committee

FROM: Donald M. Bullock Jr.
Legislative Counsel

Section 1. Amends AS 29.60.850(b) to reference the new separate progressive tax on gas as a source of money that may be appropriated to the community revenue sharing fund. The "community revenue sharing fund" was established in AS 29.60.850(a), "for the purpose of making community revenue sharing payments to municipalities, reserves, and communities for any public purpose." *There is no amendment to AS 29.60.850(b) in CSSB 305(FIN), Draft Version "P" because the progressive tax on oil in AS 43.55.011(g) continued and would continue to be a source for appropriation.*

Section 2. Amends AS 43.55.011(e) to make separate references to the monthly progressive taxes on oil and gas. The progressive tax on oil, gas produced in Cook Inlet, and gas produced elsewhere and used in the state is in AS 43.55.011(g). The progressive tax on other gas is in AS 43.55.011(p). *Section 1 of CSSB 305(FIN), Draft Version "P" amended AS 43.55.011(e)(2) to refer only to the progressive tax on oil.*

Section 3. Amends AS 43.55.011(g) to have the tax rate determined using the production tax values of oil and the production tax values on a BTU equivalent basis of gas produced in Cook Inlet and gas produced elsewhere and used in the state. Applies the tax rate only to that oil and gas production. Makes no change in the tax rates or the range of production tax values within which the two tax rates apply. *Section 2 in CSSB 305(FIN), Draft Version "P" determined the progressive rate only on the production tax value of oil and applied that rate only to oil.*

Section 4. Adds a new subsections, (p), to AS 43.55.011. Provides for a progressive tax applicable to gas production that is not included in AS 43.55.011(g) as amended in sec. 3 of the bill. Provides that the tax rate is applied to the production tax value of a BTU equivalent of gas. Uses the same tax rates and ranges of production tax values as AS 43.55.011(g) under current law. *The progressive tax on gas in new subsection AS 43.55.011(p) has no counterpart in CSSB 305(FIN), Draft Version "P."*

Section 5. Amends AS 43.55.020(a) to describe the determination of the amount of a monthly installment payment for production taxes when the progressive tax on oil, Cook Inlet gas, and other gas used in the state, and the progressive tax applicable to other gas are determined separately. *Section 6 of CSSB 305(FIN), Draft Version "P" amended AS 43.55.020(a)(1) by excluding gas from the determination of that part of the installment payment that was based on the progressive tax applicable only to oil.*

Section 6. Amends AS 43.55.020(d), relating to a settlement with the royalty owner, by adding references to the progressive tax on the gas to which AS 43.55.011(p) is applicable. *There is no similar provision in CSSB 305(FIN), Draft Version "P" because the reference to AS 43.55.011(g) was still applicable.*

Section 7. Amends AS 43.55.160(a), relating to the determination of the production tax value of oil and gas, by providing the means for determining the production tax value of oil and the production tax value of gas separately. Reorders the subparagraphs so that the subparagraphs related to the production tax value of gas produced outside of Cook Inlet and other gas not used in the state are at the end. *Section 7 in CSSB 305(FIN), Draft Version "P" also amended AS 43.55.160(a), but amended the subsection by removing references to gas when determining the production tax value of oil for purposes of the progressive tax on oil.*

Section 8. Amends AS 43.55.165(h), relating to the requirement that the Department of Revenue adopt regulations for allocating lease expenditures, by requiring that the Department of Revenue consider allocating lease expenditures in proportion to the BTU equivalent barrels of oil produced and gas produced from each lease or property. *Section 9 in CSSB 305(FIN), Draft Version "P" also amended AS 43.55.165(h) in the same manner.*

Section 9. Adds a new subsection, AS 43.55.170(d), which is similar to the amendment to AS 43.55.165(h) in sec. 8, but is applicable to allocating adjustments to lease expenditures. Directs the Department of Revenue to consider allocating adjustments based on the proportion of the BTU equivalents of oil and gas produced. *Section 10 in CSSB 305(FIN), Draft Version "P" also amended AS 43.55.170 by adding a new subsection in the same manner.*

Section 10. Requires a producer that underpays an installment payment after December 31, 2009 and before the effective date because of the retroactive application of the new progressive tax section to pay the amount of the underpayment on the date the first installment payment is due after the effective date of the Act. *There is no similar section in CSSB 305(FIN), Draft Version "P" because the changes in that version were applicable after the effective date of the Act.*

Section 11. Makes the progressive tax provisions of the bill - secs. 2 - 4 and 7 - retroactive to January 1, 2010. *There is no similar section in CSSB 305(FIN), Draft Version "P" because the changes in that version were applicable after the effective date of the Act.*

Section 12. Makes the Act take effect immediately. *The immediate effective date is the same as the immediate effective date in sec. 11 of CSSB 305(FIN), Draft Version "P."*

Bill sections in CSSB 305(FIN), Draft Version "P" that have no counterpart in CSSB 305(FIN), Draft Version "T"

Sec. 3 in CSSB 305(FIN), Draft Version "P", that amends AS 43.55.011(j) by adding a reference to AS 43.55.011(e)(1), rather and AS 43.55.011(e) because of the exclusion of the progressive tax on gas in that bill, has no counterpart in CSSB 305(FIN), Draft Version "T", which has a progressive tax on gas.

Sec. 4 in CSSB 305(FIN), Draft Version "P" that amends AS 43.55.011(o) by adding a reference to AS 43.55.011(e)(1), rather and AS 43.55.011(e) because of the exclusion of the progressive tax on gas in that bill, has no counterpart in CSSB 305(FIN), Draft Version "T", which has a progressive tax on gas.

Sec. 8 in CSSB 305(FIN), Draft Version "P" that amends AS 43.55.160(c) by removing a reference to gas for the purpose of determining the progressive tax rate on gas has no counterpart in CSSB 305(FIN), Draft Version "T", which has a progressive tax on gas.

Sec. 11 in CSSB 305(FIN), Draft Version "P" made the Act applicable after the effective date of the Act; CSSB 305(FIN), Draft Version "T" has no similar provision because of the retroactive effect of provisions in the bill.

DMB:med
10-022.lmb

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSSB 305(FIN)
(S) Publish Date: 3/31/2010

Identifier (file name): 2010 03 31 FN CSSB305 SFIN
Title
Sponsor Senate Finance Committee
Requester Senate Finance Committee

Dept. Affected: Revenue
RDU Taxation and Treasury
Component Tax Division
Component Number 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual	0.0						
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	0.0						
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	**0.0**						
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

This bill separates oil and natural gas for purposes of calculating the progressivity portion of the production tax under AS 43.55. Under this bill the progressivity surcharges for oil and Cook Inlet and in-state gas would be calculated together, but distinctly from export gas, instead of the current practice on all oil and gas combined. The progressivity structure itself would be unchanged, based on 0.4% of the production that value that exceeds $30 per barrel for oil, and $30 per BTU barrel of oil equivalent for gas. The base tax rate is unchanged at 25% of production tax value.

Prepared by: Miles Baker, Finance Aide — Phone (907) 465-3873
Division Senate Finance Committee — Date/Time 3/30/2010 7:00pm
Approved by: Senator Stedman, Co-Chair — Date 3/31/2010 8:00am
Senate Finance Committee

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. CSSB 305(FIN)

ANALYSIS CONTINUATION

Under current law the tax rate is based on the combined BTU value of oil and gas. However, oil and gas can have vastly different values on a BTU basis. Currently a BTU of oil is worth much more than a BTU of gas. Accordingly, once a major gas sale would start up, overlaying the existing oil production, the BTU value of the combined oil and gas would be much lower than it was for oil alone. This could cause a significant reduction in oil taxes as a result of a major gas sale.

This structure, in conjunction with the inherent uncertainty of future oil and gas prices, exposes the state to significant financial risk were a major gas sale to occur. The structure also creates economic instability for entities looking to participate in the development and financing of a natural gas pipeline project in Alaska.

Under the tax inducement provisions of the Alaska Gasline Inducement Act (AGIA), the tax structure in place at the time of the first binding open season (May 1, 2010), may be locked in for the first ten years of gas commercialization. Consequently, to the extent there is interest in decoupling our tax structure, it needs to be done before April 30, 2010.

The bill removes the dilution effect by having progressivity calculated distinctly for oil and gas. This will result in no reduction in oil taxes from a major gas sale.

As in current law, the bill gives the Department of Revenue the authority to adopt regulations to allocate costs between oil and gas, with the added instruction that a method based on relative BTU barrel of oil equivalents should be considered. That method was the one adopted by the department under the same authority for implementation of the current law, for the same purposes as would be for the proposed law.

Some producers currently produce Cook Inlet gas or other in-state gas along with North Slope oil. If all gas were separated from oil these producers would see an immediate tax increase. The bill is not intended to increase taxes on current activity. Having the progressivity for Cook Inlet gas and other in-state gas calculated together replicates the current situation, so these producers will see no tax increases. Only progressivity on export gas, like the gas from a major gas sale, would be calculated distinctly. This will prevent a major gas sale from diluting progressivity on oil.

Expenditures
The Tax Division is in the process of developing a new, single, comprehensive, integrated tax management system for all tax types. The new system will incorporate tax programs and recent tax changes as necessary to improve the efficiency and accuracy of the Division's revenue collection efforts. There is a $300,000 request in the Governor's FY2011 Capital Budget to complete the agency's IT plan for submission and review by the Enterprise Investment Board. It is assumed that the tax structure changes contained in this bill will be addressed by this systemwide review and eventual restructuring project.

2 March 2010

To: Senate Finance Committee

Attn: Senator Bert Stedman, Co-Chairman

From: David Wood

Date: 2 March, 2010

Re: Answer to Question & Request Raised by Senator Thomas during My Testimony (25 February 2010) – Fiscal Years 2008 and 2009

The very pertinent and perceptive question asked earlier today by Senator Thomas sought information with respect to how might the gas dilution / cross subsidy effect identified in Alaska's current production tax rules have impacted the production taxes actually paid in recent periods had a gas line been in operation at the time?

In order to provide an indicative answer to this question I have taken the data for price, volume and costs (excluding Cook Inlet Gas) for fiscal years 2008 and 2009 (i.e. July 2007 to June 2008 and July 2008 to June 2009), which are available from the Alaska Department of Revenue (DOR), Fall 2008 and 2009 Revenues Sources Books (RSB), (Dec 2008and Dec 2009). These two periods encompass the wide range of oil prices that prevailed since the ACES rules were in place. The six tables attached (three for each fiscal period) to this document provide the necessary data and calculations to establish the impact of the cross subsidy effect.

Note that in this calculation the annual figures for production volumes and costs are distributed pro rata according to days / month across each month of the year. This assumption was necessary as DOR do not publish a monthly breakdown of the production tax calculation. This approximation is responsible for the small difference between the actual production tax paid and that calculated in the tables that follow. For fiscal year 2008 the calculated production tax shown in Table 1 is 2.7% higher than the actual production tax paid ($6867.3 million). For fiscal year 2009 the calculated production tax shown in Table 1 is 4.5% higher than the actual production tax paid ($3112.0 million). These slight differences are not considered significant in the context of the purpose of this analysis.

Fiscal Year 2008

Table 1 calculates the production tax for oil based on actual data showing the components of that calculation. As no gas is exported the calculations are based upon oil barrels only. This results in total production tax of **$ 7.462 billion** which is reduced by investment credits of $411.5 million to $ 7.050 billion. The calculation shown essentially reproduces the figures from the RSB (2.7% difference attributed to monthly pro rata production and cost allocations).

Table 2 assumes a 4.5 bcf/day gas line and calculates production tax for this hypothetical gas stream on a stand-alone basis (i.e. not combined with oil). The calculation uses the U.S. wellhead natural gas prices from the EIA's records for the months in question. There would be some small differentials between these prices and AECO prices in Alberta, but I believe they are close enough for the purpose. I have also assumed gas transportation costs of $4.5/mcf ($27/boe) and field costs (capital costs plus operating costs) of $400 million ($1.46/ boe) which are those used by Commissioner Galvin in the examples he provided from the DOR in his testimony of 24 February 2010. This data computes a total production tax of **$ 1.140 billion** to which no investment credits are applied.

By adding the computed production taxes in tables 1 and 2 the stand-alone oil and gas production tax for this FY 2008 (assuming 4.5 bcf /day) would be **$8.599 billion** (reduced to $8.187 billion by the deduction of $411.5 million investment credits).

Table 3 calculates the production tax by combining the revenue cost and volume streams from tables 1 and 2 to provide a combined oil and gas production tax calculation of **$6.776 billion** (reduced to $6.365 billion by the deduction of $411.5 million investment credits).

For this period the loss to the State in production tax revenue caused by the cross subsidy effect of combining oil and gas in the production tax calculation would have amounted to:

$6.776 billion less $8.599 billion = -$1.822 billion.

This calculation is in line with the figures of potential loss in fiscal revenue discussed during the testimonies.

Fiscal Year 2009

Table 4 calculates the production tax for oil based on actual data showing the components of that calculation. As no gas is exported the calculations are based upon oil barrels only. This results in total production tax of **$ 3.601 billion** which is reduced by investment credits of $350 million to $ 3.251 billion. The calculation shown essentially reproduces the figures from the RSB (4.5% difference attributed to monthly pro rata production and cost allocations).

Table 5 assumes a 4.5 bcf/day gas line and calculates production tax for this hypothetical gas stream on a stand-alone basis (i.e. not combined with oil). The calculation uses the U.S. wellhead natural gas prices from the EIA's records for the months in question. There would be some small differentials between these prices and AECO prices in Alberta, but I believe they are close enough for the purpose. I have also assumed gas transportation costs of $4.5/mcf ($27/boe) and field costs (capital costs plus operating costs) of $400 million ($1.46/ boe) which are those used by Commissioner Galvin in the examples he provided from the DOR in his testimony of 24 February 2010. This data computes a total production tax of **$ 0.583 billion** to which no investment credits are applied.

By adding the computed production taxes in tables 1 and 2 the stand-alone oil and gas production tax for this FY 2009 (assuming 4.5 bcf /day) would be **$4.185 billion** (reduced to $3.835 billion by the deduction of $350 million investment credits).

Table 6 calculates the production tax by combining the revenue cost and volume streams from tables 4 and 5 to provide a combined oil and gas production tax calculation of **$3.381 billion** (reduced to $3.031 billion by the deduction of $350 million investment credits).

For this period the loss to the State in production tax revenue caused by the cross subsidy effect of combining oil and gas in the production tax calculation would have amounted to:

$3.381 billion less $4.185 billion = -$0.804 billion.

This calculation indicates a lower potential loss in fiscal revenue for fiscal year 2009 compared to fiscal year 2008. This is due to the lower prices and value of oil and gas revenue streams in fiscal year 2009. However, $0.8 billion remains a substantial potential loss in a relative low price / value environment.

Sincerely,

David Wood

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Table 1. Oil Stand-alone Production Tax Calculation (July 2007 to June 2008)

FY 2008 Production Tax Revenues: Actual Versus Potential Under Alternative Mechanisms

(Analysis Based on Actual US West Coast Prices and Cost Data)

Month	US West Coast Oil Price	Per Barrel Total Costs	Per Barrel Production Tax Value	Progressivity Threshold	PTV less Progressivity Threshold	PTV Rate per Dollar of Adjusted PTV	Incremental Progressivity Rate	Volume (Millions barrels)	Combined Progressivity Tax (CPT)	Base Production Tax (BPT) Rate	Base Production Tax (BPT) Value	CPT + BPT Value	CPT + BPT less Investment Credits	
	$/barrel	$/barrel	PTV $/barrel	$/barrel	$/barrel	%	%	millions barrels	$ millions	%	$ millions	$ millions	$ millions	
A	B	C	D= (B + C)	E	F= (D + E)>=0	G	H= (F * G)	I	J= (D * H * I)	K	L= (D * I * K)	M= (J + L)	N= (M - P)	
Monthly Analysis, $30 PTV $/boe threshold and 0.004% progressivity parameter under Current Law as enacted in 2007														
Jul	75.93	-22.88	53.05	-30	23.05	0.40%	9.22%	19.4	95.0	25.00%	257.5	352.5		
Aug	73.83	-22.88	50.95	-30	20.95	0.40%	8.38%	19.4	82.9	25.00%	247.4	330.3		
Sep	79.92	-22.88	57.04	-30	27.04	0.40%	10.81%	18.8	115.9	25.00%	268.0	383.9		
Oct	84.77	-22.88	61.89	-30	31.89	0.40%	12.75%	19.4	153.3	25.00%	300.5	453.8		
Nov	92.98	-22.88	70.10	-30	40.10	0.40%	16.04%	18.8	211.3	25.00%	329.3	540.6		
Dec	88.64	-22.88	65.76	-30	35.76	0.40%	14.30%	19.4	182.7	25.00%	319.3	501.9		
Jan	91.16	-22.88	68.28	-30	38.28	0.40%	15.31%	19.4	203.0	25.00%	331.5	534.5		
Feb	94.42	-22.88	71.54	-30	41.54	0.40%	16.61%	18.2	215.9	25.00%	324.9	540.8		
Mar	105.06	-22.88	82.18	-30	52.18	0.40%	20.87%	19.4	333.1	25.00%	399.0	732.1		
Apr	112.37	-22.88	89.49	-30	59.49	0.40%	23.79%	18.8	400.2	25.00%	420.4	820.6		
May	125.41	-22.88	102.53	-30	72.53	0.40%	29.01%	19.4	577.6	25.00%	497.8	1075.4		
Jun	133.78	-22.88	110.90	-30	80.90	0.40%	32.36%	18.8	674.4	25.00%	521.0	1195.5		
							Totals:	**229.3**	**3245.3**	**25.00%**	**4216.6**	**7461.9**	**7050.4**	

Data Source: Alaska Department of Revenue (DOR), Fall 2008 Revenues Sources Book (RSB), (Dec 2008) P

FY2008 Taxable North Slope barrels /day: 626,456 229.3 millions barrels in FY2008 Lease Expenditures ($/bbl): 16.78 TT&T ($/bbl): 6.10 Capex Credits ($ millions): 411.5

Table 2. Gas Stand-alone Production Tax Calculation (July 2007 to June 2008) [Assuming Gas Line Operational]

FY 2008 Production Tax Revenues: 4.5 bcf /day Hypothetical Gas Sales (Standalone Production Tax Calculation)

(US Gas Price Data from EIA)

Month	EIA U.S. Wellhead Price $/mcf	Per BOE Total Costs for Gas $/boe	Per Barrel Production Tax Value PTV $/boe	Progressivity Threshold $/boe	PTV less Progressivity Threshold $/boe	PTV Rate per Dollar of Adjusted PTV %	Incremental Progressivity Rate %	Volume (Millions boe) millions boe	Progressivity Tax (Gas Calculated Separately) $ millions	Base Production Tax (BPT) Rate %	Base Production Tax (BPT) Value $ millions	Total Production Tax (BPT + Progressivity) Value $ millions	CPT + BPT less Investment Credits $ millions
A	B	C	D=	E	F=	G	H=	I	J=	K	L=	M=	N=
2007/2008			(B + C)		(D + E)>=0		(F * G)		(D * H * I)		(D * I * K)	(J + L)	(M - P)
Monthly Analysis, $30 PTV $/boe threshold and 0.004% progressivity parameter under Current Law as enacted in 2007													
Jul	6.32	-28.46	9.46	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	55.0	55.0	
Aug	5.87	-28.46	6.76	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	39.3	39.3	
Sep	5.42	-28.46	4.06	-30	0.00	0.40%	0.00%	22.5	0.0	25.00%	22.9	22.9	
Oct	5.90	-28.46	6.94	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	40.4	40.4	
Nov	6.58	-28.46	11.02	-30	0.00	0.40%	0.00%	22.5	0.0	25.00%	62.0	62.0	
Dec	6.97	-28.46	13.36	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	77.7	77.7	
Jan	6.99	-28.46	13.48	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	78.4	78.4	
Feb	7.55	-28.46	16.84	-30	0.00	0.40%	0.00%	21.8	0.0	25.00%	91.6	91.6	
Mar	8.29	-28.46	21.28	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	123.7	123.7	
Apr	8.94	-28.46	25.18	-30	0.00	0.40%	0.00%	22.5	0.0	25.00%	141.7	141.7	
May	9.81	-28.46	30.40	-30	0.40	0.40%	0.16%	23.3	1.1	25.00%	176.7	177.9	
Jun	10.82	-28.46	36.46	-30	6.46	0.40%	2.59%	22.5	21.2	25.00%	205.1	226.3	
							Totals:	**274.5**	**22.8**	**25.00%**	**1114.3**	**1136.7**	**1136.7**

Data Source: EIA for gas price

TT&T ($/mcf): 4.5

Hypothetical gas production (bcf/day): 4.5 — 274.5 millions boe in FY2008 — Lease Expenditures ($/boe): 1.46 — TT&T ($/boe): 27.00 — Capex Credits ($ millions): 0.0

Combined Production Tax Calculated on an oil + gas stand-alone calculation: 8998.5 8187.0

Table 3. Oil & Gas Combined Production Tax Calculation (July 2007 to June 2008)

FY 2008 Production Tax Revenues: Oil plus Gas Combined

(Analysis Assumes Actual Oil Plus Hypothetical Gas)

Month	Oil + Gas Effective BOE Price	Oil + Gas Effective Per BOE Total Costs	Per Barrel Production Tax Value	Progressivity Threshold	PTV less Progressivity Threshold	PTV Rate per Dollar of Adjusted PTV	Incremental Progressivity Rate	Oil + Gas Volume (Millions boe)	Combined Progressivity Tax (CPT)	Base Production Tax (BPT) Rate	Base Production Tax (BPT) Value	CPT + BPT Value	CPT + BPT less $400 in credits
	$/boe	$/boe	PTV $/boe	$/boe	$/boe	%	%	millions boe	$ millions	%	$ millions	$ millions	$ millions
A	B	C	D= (B + C)	E	F= (D + E)>=0	G	H= (F * G)	I	J= (D * H * I)	K	L= (D * I * K)	M= (J + L)	N= (M - P)
Monthly Analysis, $30 PTV $/boe threshold and 0.004% progressivity parameter under Current Law as enacted in 2007													
Jul	55.22	-25.92	29.30	-30	0.00	0.40%	0.00%	42.7	0.0	25.00%	312.5	312.5	
Aug	52.79	-25.92	26.87	-30	0.00	0.40%	0.00%	42.7	0.0	25.00%	286.7	286.7	
Sep	54.09	-25.92	28.17	-30	0.00	0.40%	0.00%	41.3	0.0	25.00%	290.8	290.8	
Oct	57.87	-25.92	31.95	-30	1.95	0.40%	0.78%	42.7	10.6	25.00%	340.8	351.4	
Nov	63.83	-25.92	37.91	-30	7.91	0.40%	3.16%	41.3	49.5	25.00%	391.3	440.9	
Dec	63.13	-25.92	37.21	-30	7.21	0.40%	2.88%	42.7	45.8	25.00%	396.9	442.7	
Jan	64.34	-25.92	38.42	-30	8.42	0.40%	3.37%	42.7	55.2	25.00%	409.9	465.1	
Feb	67.66	-25.92	41.74	-30	11.74	0.40%	4.69%	39.9	78.2	25.00%	416.5	494.7	
Mar	74.92	-25.92	49.00	-30	19.00	0.40%	7.60%	42.7	158.9	25.00%	522.7	681.6	
Apr	80.37	-25.92	54.45	-30	24.45	0.40%	9.78%	41.3	219.9	25.00%	562.1	782.0	
May	89.15	-25.92	63.23	-30	33.23	0.40%	13.29%	42.7	358.6	25.00%	674.5	1033.1	
Jun	96.26	-25.92	70.34	-30	40.34	0.40%	16.14%	41.3	468.7	25.00%	726.1	1194.8	
							Totals:	**503.8**	**1445.4**	**25.00%**	**5330.9**	**6776.3**	**6364.8**
Difference Between Production Tax Calculated on a combined Oil & Gas Basis Minus Standalone Oil and Gas Basis:												**-1822.3**	**-1822.3**
												Capex Credits ($ millions):	411.5

Table 4. Oil Stand-alone Production Tax Calculation (July 2008 to June 2009)

FY 2009 Production Tax Revenues: Actual Versus Potential Under Alternative Mechanisms

(Analysis Based on Actual US West Coast Prices and Cost Data)

Month	US West Coast Oil Price	Per Barrel Total Costs	Per Barrel Production Tax Value	Progressivity Threshold	PTV less Progressivity Threshold	PTV Rate per Dollar of Adjusted PTV	Incremental Progressivity Rate	Volume (Millions barrels)	Combined Progressivity Tax (CPT)	Base Production Tax (BPT) Rate	Base Production Tax (BPT) Value	CPT + BPT Value	CPT + BPT less Investment Credits	
	$/barrel	$/barrel	PTV $/barrel	$/barrel	$/barrel	%	%	millions barrels	$ millions	%	$ millions	$ millions	$ millions	
A	B	C	D= (B + C)	E	F= (D + E)>=0	G	H= (F * G)	I	J= (D * H * I)	K	L= (D * I * K)	M= (J + L)	N= (M - P)	
Monthly Analysis, $30 PTV $/boe threshold and 0.004% progressivity parameter under Current Law as enacted in 2007														
Jul	132.87	-26.15	106.72	-30	76.72	0.40%	30.69%	18.6	607.6	25.00%	495.0	1102.5		
Aug	115.98	-26.15	89.83	-30	59.83	0.40%	23.93%	18.6	398.8	25.00%	416.6	815.5		
Sep	101.86	-26.15	75.71	-30	45.71	0.40%	18.28%	18.0	248.5	25.00%	339.8	588.3		
Oct	73.65	-26.15	47.50	-30	17.50	0.40%	7.00%	18.6	61.7	25.00%	220.3	282.0		
Nov	53.94	-26.15	27.79	-30	-2.21	0.40%	-0.88%	18.0	-4.4	25.00%	124.7	120.3		
Dec	37.70	-26.15	11.55	-30	-18.45	0.40%	-7.38%	18.6	-15.8	25.00%	53.6	37.8		
Jan	39.01	-26.15	12.86	-30	-17.14	0.40%	-6.86%	18.6	-16.4	25.00%	59.6	43.3		
Feb	42.78	-26.15	16.63	-30	-13.37	0.40%	-5.35%	16.8	-14.9	25.00%	69.7	54.8		
Mar	47.75	-26.15	21.60	-30	-8.40	0.40%	-3.36%	18.6	-13.5	25.00%	100.2	86.7		
Apr	46.56	-26.15	20.41	-30	-9.59	0.40%	-3.84%	18.0	-14.1	25.00%	91.6	77.5		
May	58.23	-26.15	32.08	-30	2.08	0.40%	0.83%	18.6	4.9	25.00%	148.8	153.7		
Jun	69.80	-26.15	43.65	-30	13.65	0.40%	5.46%	18.0	42.8	25.00%	195.9	238.7		
							Totals:	**218.4**	**1285.3**	**25.00%**	**2315.8**	**3601.1**	**3251.1**	

Data Source: Alaska Department of Revenue (DOR), Fall 2009 Revenues Sources Book (RSB), (Dec 2009) P

FY2009 Taxable North Slope barrels /day: 598,463 218.4 millions barrels in FY2009 Lease Expenditures ($/bbl): 19.67 TT&T ($/bbl): 6.48 Capex Credits ($ millions): 350.0

Table 5. Gas Stand-alone Production Tax Calculation (July 2008 to June 2009) [Assuming Gas Line Operational]

FY 2009 Production Tax Revenues: 4.5 bcf /day Hypothetical Gas Sales (Standalone Production Tax Calculation)

(US Gas Price Data from EIA)

	EIA U.S. Wellhead Price	Per BOE Total Costs for Gas	Per Barrel Production Tax Value	Progressivity Threshold	PTV less Progressivity Threshold	PTV Rate per Dollar of Adjusted PTV	Incremental Progressivity Rate	Volume (Millions boe)	Progressivity Tax (Gas Calculated Separately)	Base Production Tax (BPT) Rate	Base Production Tax (BPT) Value	Total Production Tax (BPT + Progressivity) Value	CPT + BPT less Investment Credits
Month	$/mcf	$/boe	PTV $/boe	$/boe	$/boe	%	%	millions boe	$ millions	%	$ millions	$ millions	$ millions
A	B	C	D=	E	F=	G	H=	I	J=	K	L=	M=	N=
2007/2008			(B + C)		(D + E)>=0		(F * G)		(D * H * I)		(D * I * K)	(J + L)	(M - P)
Monthly Analysis, $30 PTV $/boe threshold and 0.004% progressivity parameter under Current Law as enacted in 2007													
Jul	10.62	-28.46	35.26	-30	5.26	0.40%	2.10%	23.3	17.2	25.00%	204.9	222.2	
Aug	8.32	-28.46	21.46	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	124.7	124.7	
Sep	7.27	-28.46	15.16	-30	0.00	0.40%	0.00%	22.5	0.0	25.00%	85.3	85.3	
Oct	6.36	-28.46	9.70	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	56.4	56.4	
Nov	5.97	-28.46	7.36	-30	0.00	0.40%	0.00%	22.5	0.0	25.00%	41.4	41.4	
Dec	5.87	-28.46	6.76	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	39.3	39.3	
Jan	5.15	-28.46	2.44	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	14.2	14.2	
Feb	4.19	-28.46	-3.32	-30	0.00	0.40%	0.00%	21.0	0.0	25.00%	0.0	0.0	
Mar	3.72	-28.46	-6.14	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	0.0	0.0	
Apr	3.43	-28.46	-7.88	-30	0.00	0.40%	0.00%	22.5	0.0	25.00%	0.0	0.0	
May	3.45	-28.46	-7.76	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	0.0	0.0	
Jun	3.45	-28.46	-7.76	-30	0.00	0.40%	0.00%	22.5	0.0	25.00%	0.0	0.0	
							Totals:	273.8	17.2	25.00%	566.2	583.4	583.4

Data Source: EIA for gas price										TT&T ($/mcf):	4.5		
Hypothetical gas production (bcf/day):	4.5	273.8	millions boe in FY2009			Lease Expenditures ($/boe)	1.46			TT&T ($/boe):	27.00	Capex Credits ($ millions):	0.0
										Combined Production Tax Calculated on an oil + gas stand-alone calculation:		4184.5	3884.5

Table 6. Oil & Gas Combined Production Tax Calculation (July 2008 to June 2009)

FY 2009 Production Tax Revenues: Oil plus Gas Combined

(Analysis Assumes Actual Oil Plus Hypothetical Gas)

	Oil + Gas Effective BOE Price	Oil + Gas Effective Per BOE Total Costs	Per Barrel Production Tax Value	Progressivity Threshold	PTV less Progressivity Threshold	PTV Rate per Dollar of Adjusted PTV	Incremental Progressivity Rate	Oil + Gas Volume (Millions boe)	Combined Progressivity Tax (CPT)	Base Production Tax (BPT) Rate	Base Production Tax (BPT) Value	CPT + BPT Value	CPT + BPT less $400 in credits	
Month	$/boe	$/boe	PTV $/boe	$/boe	$/boe	%	%	millions boe	$ millions	%	$ millions	$ millions	$ millions	
A	B	C	D= (B + C)	E	F= (D + E)>=0	G	H= (F * G)	I	J= (D * H * I)	K	L= (D * I * K)	M= (J + L)	N= (M - P)	
Monthly Analysis, $30 PTV $/boe threshold and 0.004% progressivity parameter under Current Law as enacted in 2007														
Jul	94.41	-27.44	66.97	-30	36.97	0.40%	14.79%	41.8	414.1	25.00%	699.9	1114.0		
Aug	79.24	-27.44	51.80	-30	21.80	0.40%	8.72%	41.8	188.8	25.00%	541.4	730.2		
Sep	69.47	-27.44	42.03	-30	12.03	0.40%	4.81%	40.5	81.8	25.00%	425.1	506.9		
Oct	53.91	-27.44	26.47	-30	0.00	0.40%	0.00%	41.8	0.0	25.00%	276.7	276.7		
Nov	43.86	-27.44	16.43	-30	0.00	0.40%	0.00%	40.5	0.0	25.00%	166.1	166.1		
Dec	36.32	-27.44	8.88	-30	0.00	0.40%	0.00%	41.8	0.0	25.00%	92.8	92.8		
Jan	34.50	-27.44	7.06	-30	0.00	0.40%	0.00%	41.8	0.0	25.00%	73.8	73.8		
Feb	32.97	-27.44	5.53	-30	0.00	0.40%	0.00%	37.8	0.0	25.00%	52.2	52.2		
Mar	33.61	-27.44	6.17	-30	0.00	0.40%	0.00%	41.8	0.0	25.00%	64.5	64.5		
Apr	32.11	-27.44	4.67	-30	0.00	0.40%	0.00%	40.5	0.0	25.00%	47.3	47.3		
May	37.36	-27.44	9.92	-30	0.00	0.40%	0.00%	41.8	0.0	25.00%	103.7	103.7		
Jun	42.49	-27.44	15.06	-30	0.00	0.40%	0.00%	40.5	0.0	25.00%	152.3	152.3		
							Totals:	492.2	684.7	25.00%	2695.7	3380.5	3030.5	
Difference Between Production Tax Calculated on a combined Oil & Gas Basis Minus Standalone Oil and Gas Basis:												-804.1	-804.1	P
												Capex Credits ($ millions):		350.0

Senator Joe Paskvan

Alaska State Senate • District E • Fairbanks • Ft Wainwright

March 26, 2010

Representative Mark Neuman
State Capitol, Room 432
Juneau, AK 99801-1182

Dear ~~Representative~~ Mark Neuman,

You are likely aware of the discussions taking place in both chambers of the Alaska Legislature concerning decoupling and the legal implication that the first day of the open season has on Alaska's tax regime. Many have studied this topic and contributed much to the discussions. This letter is my attempt to respectfully convey my rationale for reaching the conclusion that decoupling is needed – and needed before May 1, the first day of the open season. I recognize that I am one legislator among sixty, but I feel that I would be remiss in my responsibilities if I did not share what I believe to be absolutely critical to our state's future. After reading, I invite you to contact me with any questions, comments or concerns regarding this important issue.

Following research into this matter, it is clear to me that the State of Alaska needs to separate its oil tax and its gas tax structures. This is necessary as the British thermal unit (BTU) equivalency benchmark currently in place is not relevant to the real world pricing of oil and gas. The 6:1 BTU benchmark was marginally acceptable when it applied to no gas production. Now that the ratio may actually apply to and be locked in under AGIA, Alaska needs to separate oil and gas taxation; to not do so would be dangerous to the State of Alaska's financial future.

Chart 1 (attached) depicts, from a historical view, the pricing deviation and the magnitude of the fluctuations from the BTU benchmark. The chart essentially shows the frequency of high oil pricing relative to gas pricing. If one looks at the chart while thinking about risk to the state under the currently linked tax structures, the chart shows that risk to the state exists about 95% of the time historically. The deviation from the benchmark means that the lower value gas is diluting the higher value oil under a combined tax structure. About 95% of the time, the risk is great for Alaska.

Recently, the ratio has been between 15:1 and 20:1, with occasional spikes even higher, such as August 2009, when a ratio greater than 20:1 existed. Today, too, the ratio is 20:1.

In Juneau:
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The best and only evidence available to the State Legislature indicates that for the immediate and long term (i.e., 20 years) that the deviation from the BTU benchmark will not only continue, but that the magnitude of the deviation will also continue. US Department of Energy (DOE) oil and gas pricing forecasts for 2020 to 2030 show oil at $115 to $130 per barrel; natural gas pricing is shown in the range of $5.25 to $7.50 per mcf. See Chart 2 (attached, two pages).

If one were to try to place this forecasted ratio on the Department of Revenue's chart, a 15:1 to 18:1 ratio would be, literally, off the chart. That should indicate to the Legislature that the potential risk to Alaska is also off the chart. Also, the risk to the state is for 100% of the forecasted period of time.

Using a Department of Revenue (DOR) presentation, the magnitude to the risk is shown in dollars — actually in billions of dollars. See Chart 3 (attached). Using mid-range oil pricing (i.e., $120) and high gas pricing (i.e., $8), the loss of revenues to the state is about $2 billion per year. This risk is one that the state cannot afford to take. When one looks to the first two charts, the risk and magnitude of it is clear and Alaska is endangered.

To better understand the risk, and magnitude of that risk, a straightforward analysis of what $2 billion means is helpful. Cumulatively, the $2 billion represents 100% of the production tax (i.e., $1.1B) plus 100% of the state's royalty (i.e., $.7B) plus another $.2B cash from savings. This is also shown in a slightly different DOR slide which shows the $2B loss of revenues because of the linkage between oil and gas taxes producing negative combined revenues. See Chart 4 (attached). In other words, Alaska would get less revenue under the combined tax than if Alaska only collected oil revenues. This is an important reason why the linkage between oil and gas tax must be decoupled.

It is troubling to see DOR portraying the best information on 2020 – 2030 pricing (i.e., from the US DOE) as non-meaningful or, at best, as only a guess. In evaluating risk, the validity of information should only be questioned if more reliable or more credible information exists. Monetary figures are presented by DOR as if they are based upon a report or study or some other credible source. Possibly this omission of a source is done to argue that the risk portrayed in the non-fact-based slide is equal to the real risk based upon the reliable and credible information known. If so, this raises serious questions as to what standards, if any, are used by DOR in its presentations. If decisions are not based upon the best and only evidence, what is the standard which DOR does rely upon?

The reasons for the lack of logic may never be understood. Objectively, DOR can be viewed as rejecting the best and only evidence of pricing and relying upon the conjectural and speculative. This is apparently done to obstruct the decoupling of oil and gas tax structures.

Decoupling is the objectively reasonable method to avoid the risk to Alaska of losing, from both its royalty share and production tax, billions of dollars per year. It is objectively reasonable as it is based upon the best and only evidence from forecasted oil and gas pricing.

This letter addresses the financial risk to our state; it is, however, also appropriate to speak to the legal risk which has been mentioned by some. There are a number of legal opinions, including but not limited to the recent opinion of Attorney General Sullivan, which have touched upon the legal risk of acting now as compared to later. The only way that a definitive answer would be received, as to a later decoupling after May 1st, would be in the context of litigation against the State with the Alaska Supreme Court publishing a decision on a matter of first impression. We do not know, and cannot know, at this time the definitive answer as to what the Court's legal conclusion might be regarding a later decoupling. Therefore, it is prudent and wise in this context to act now when prompt action can be taken to avoid any legal risk in remedying the obvious financial risk to our state. Let me be clear, there is no legal risk by decoupling now.

I am not willing to bet the future of Alaska and risk losing billions per year based upon DOR's speculation, conjecture and non-fact based figures. The proper path to follow is to immediately decouple oil and gas taxation. This decoupling removes the risk to Alaska as it puts an end to the most perverse potential of Alaska giving away billions while our resource is exported. Decoupling secures Alaska's royalty share. Decoupling secures Alaska's receipt of production taxes.

Please do not hesitate to contact me directly if you have comments or questions.

Sincerely,

Senator Joe Paskvan

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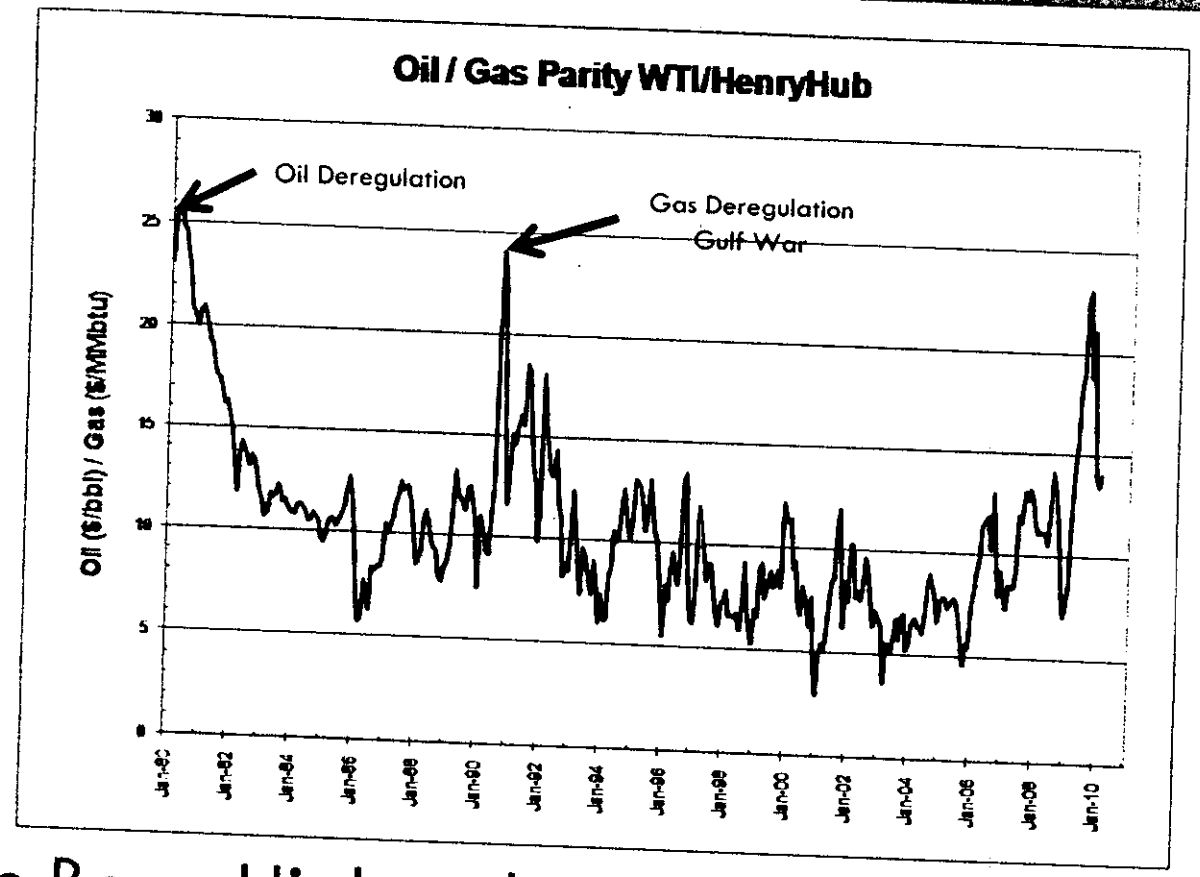
CHART 1

The Oil/Gas Price Parity....



....Has Been Higher than Expected....

DOR

2/24/2010

5340

CHART 2 (Pg. 1)

Comparison of Recent US DOE Annual Energy Outlooks for Light Sweet Imported Oil Prices

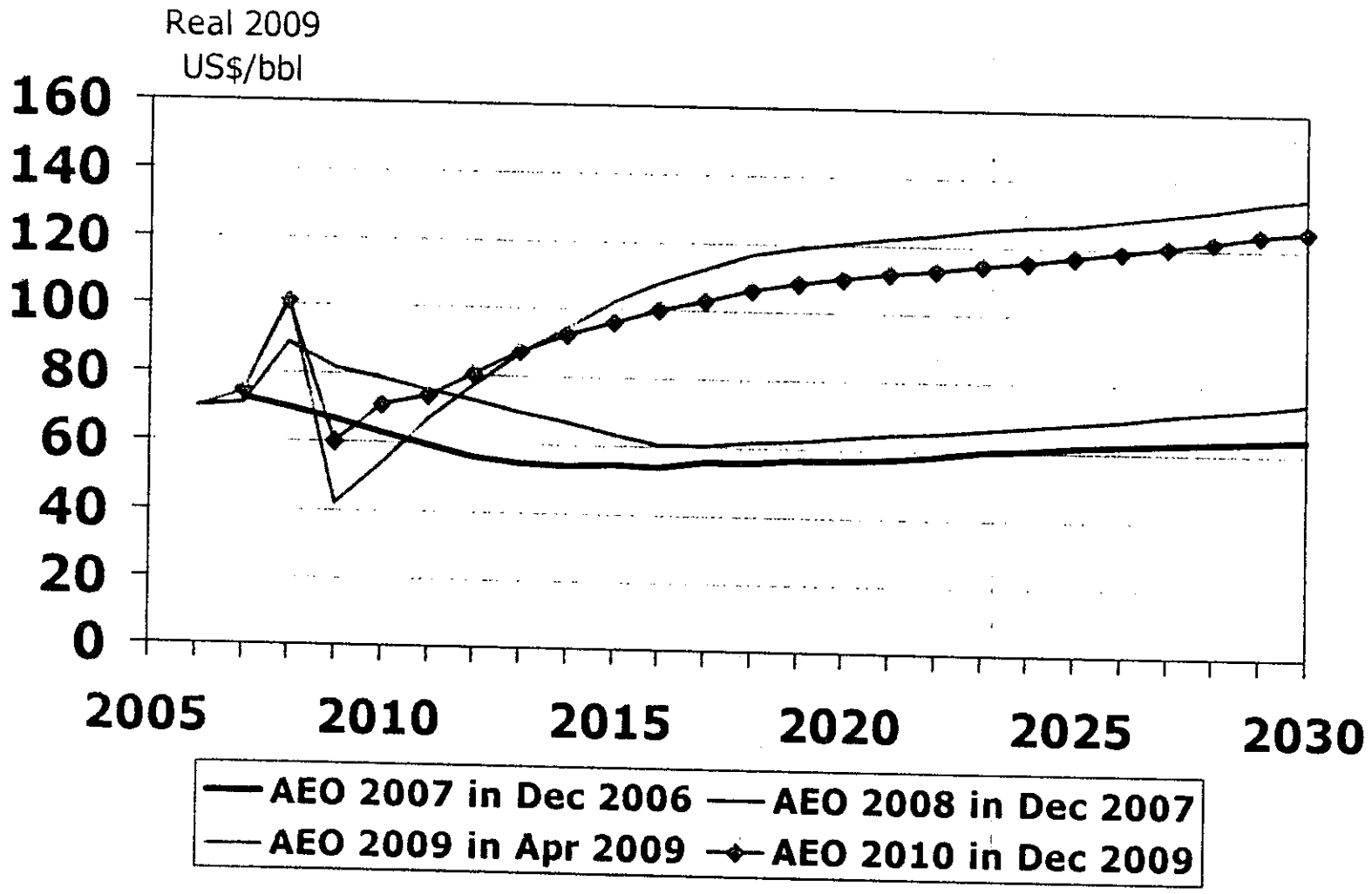


CHART 2(pg.2)

5341

Comparison of Recent US DOE Annual Energy Outlooks for Alberta Hub Natural Gas Prices

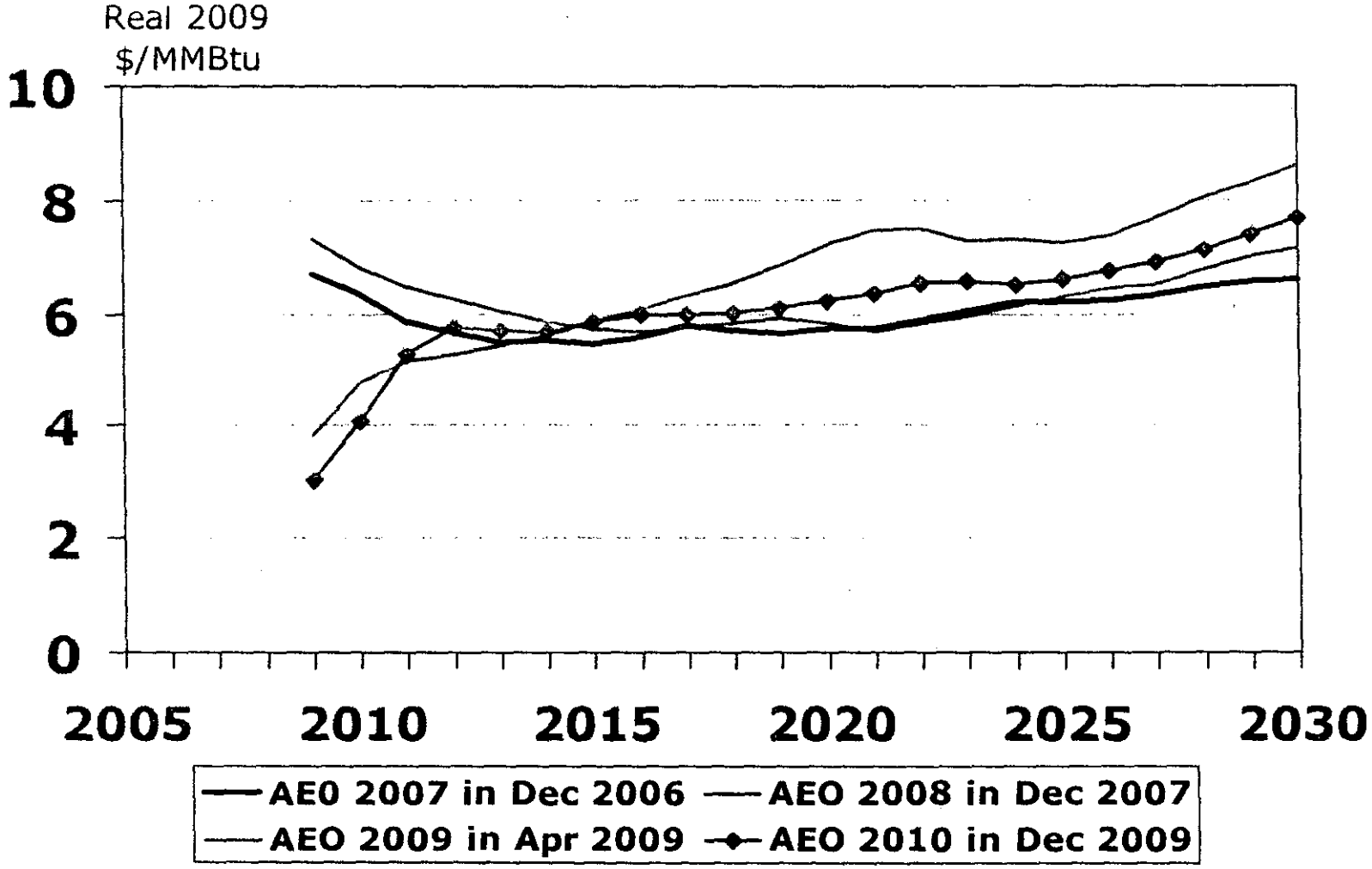


CHART 3

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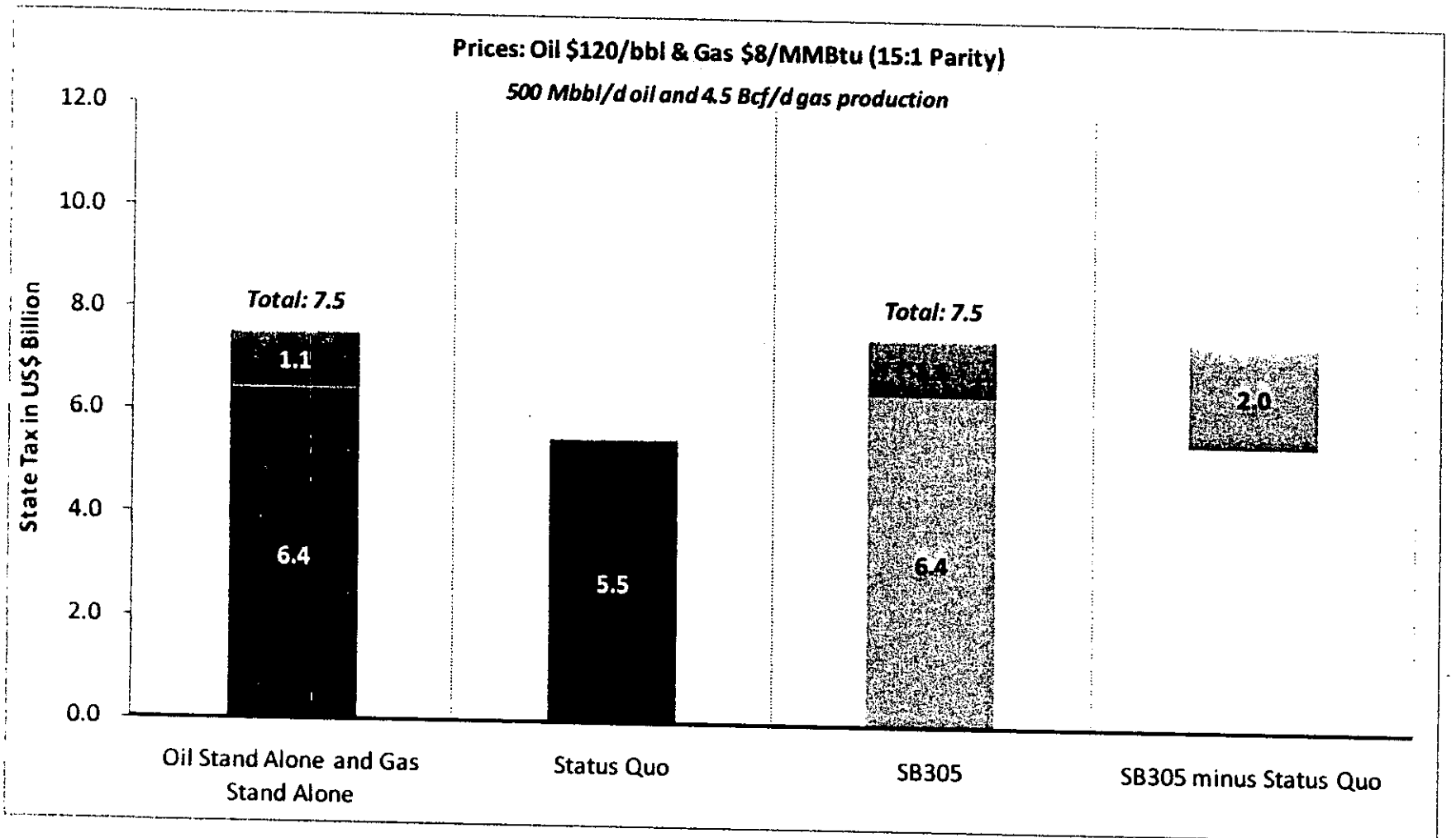
	Oil	Gas	Combined
ANS Price	$120.00 $/bbl	$8.00 $/mmbtu	
Daily Production	500,000 Bbl/d	4.5 Bdf/d	
Annual Production	182,500,000 bbl	1,643 Bcf/year	
Total Annual Gross Sales Value	**$21,900,000,000**	**$13,140,000,000**	**$35,040,000,000**
Marine and TAPS Tariff on Oil	($6.50) $/bbl		
Gas Pipeline and Gas Treatment Plant		($4.50) $/mmbtu	
Transportation Costs	**($1,186,250,000.00)**	**($7,391,250,000)**	**($8,577,500,000)**
Value at Point Of Production	**$20,713,750,000**	**$5,748,750,000**	**$26,462,500,000**
Royalty and Federal	($2,589,218,750.00)	($718,593,750.00)	($3,307,812,500)
Taxable Point of Production Value	$18,124,531,250	$5,030,156,250.00	$23,154,687,500
Lease Expenditures			
Opex	($2,000,000,000)	($200,000,000)	($2,200,000,000)
Capex	($2,000,000,000)	($200,000,000)	($2,200,000,000)
Total Lease Expenditures	**($4,000,000,000)**	**($400,000,000)**	**($4,400,000,000)**
Production Tax Value (PTV)	**$14,124,531,250**	**$4,630,156,250**	**$18,754,687,500**
PTV on BOE basis	**$88.45**	**$19.33**	**$47**
Base Tax (25%*PTV)	$3,531,132,813	$1,157,539,063	$4,688,671,875
Progressive Tax Rate	23.38%	0.00%	6.79%
Progressive Tax	$3,302,376,216	$0	$1,273,703,865
Total Tax Due before credits	$6,833,509,029	$1,157,539,063	$5,962,375,740
Credits Applied Against Taxes	($400,000,000)	($40,000,000)	($440,000,000)
Total Tax after credits	**$6,433,509,029**	**$1,117,539,063**	**$5,522,375,740**

CHART 4

At high parity, SB305 > Status Quo



DOR

Note: Same as Commissioner presentation to Senate Finance Committee on February 24, 2010

3/12/2010

To: Rep. Craig Johnson
Rep. Mark Neuman
Co-Chairs, House Resources Committee

From: Roger Marks, Logsdon & Associates

Date: 4/2/10

Re: HB 414 - Oil/Gas Crossover Price for Production Tax Dilution Effect

On Wednesday March 31 we made a presentation on HB 414, the bill that would separate oil and gas for calculating the production tax. Oil and gas are combined under current law. Currently oil is valued much higher than gas. If that relationship endured to that time of a major gas sale, the addition of gas onto oil activity could dilute oil value, which could reduce oil taxes by a significant amount.

We presented Department of Revenue figures from February 24, 2010 that displayed the magnitude of the annual tax losses. They were as follows:

$8/mmbtu gas / $75/bbl oil (market prices): $0.3 billion
$8/mmbtu gas/ $100/bbl oil (market prices): $1.1 billion
$8/mmbtu gas / $120/bbl oil (market prices): $2.0 billion

The question arose in the committee as to what the crossover points might be, the prices where the dilution effect would be zero. The other question was whether dilution would only occur when the market price of oil was more than 6 times the price of gas, the ratio of BTUs in a barrel of oil to an mmbtu (million BTUs) of gas.

First, the crossover would be determined by three other factors in addition to the market prices. First, it would depend on the relative volumes of oil and gas. Second, it would depend on the difference in transportation costs between oil and gas. Finally, it would also depend on the relative upstream capital and operating costs for oil and gas.

Using the Department of Revenue assumptions we calculated the crossover points. The assumptions were as follows:

Oil

Production of 500,000 bbls/day
Transportation cost deduction of $6.50/bbl
Upstream capital costs of $2 billion
Upstream operating costs of $2 billion

Gas

Production of 4.5 bcf/day
Transportation cost deduction of $4.50/mmbtu
Upstream capital costs of $200 million
Upstream operating costs of $200 million

We computed crossover points for the three oil prices and one gas price used in the above illustration:

Crossover Point where Dilution Effect is Zero

At $75/bbl oil market price	Gas crossover point = $11/mmbtu gas market price
At $100/bbl oil market price	Gas crossover point = $15/mmbtu gas market price
At $120/bbl oil market price	Gas crossover point = $18/mmbtu gas market price
At $8/mmbtu gas market price	Oil crossover point = $60/bbl oil market price

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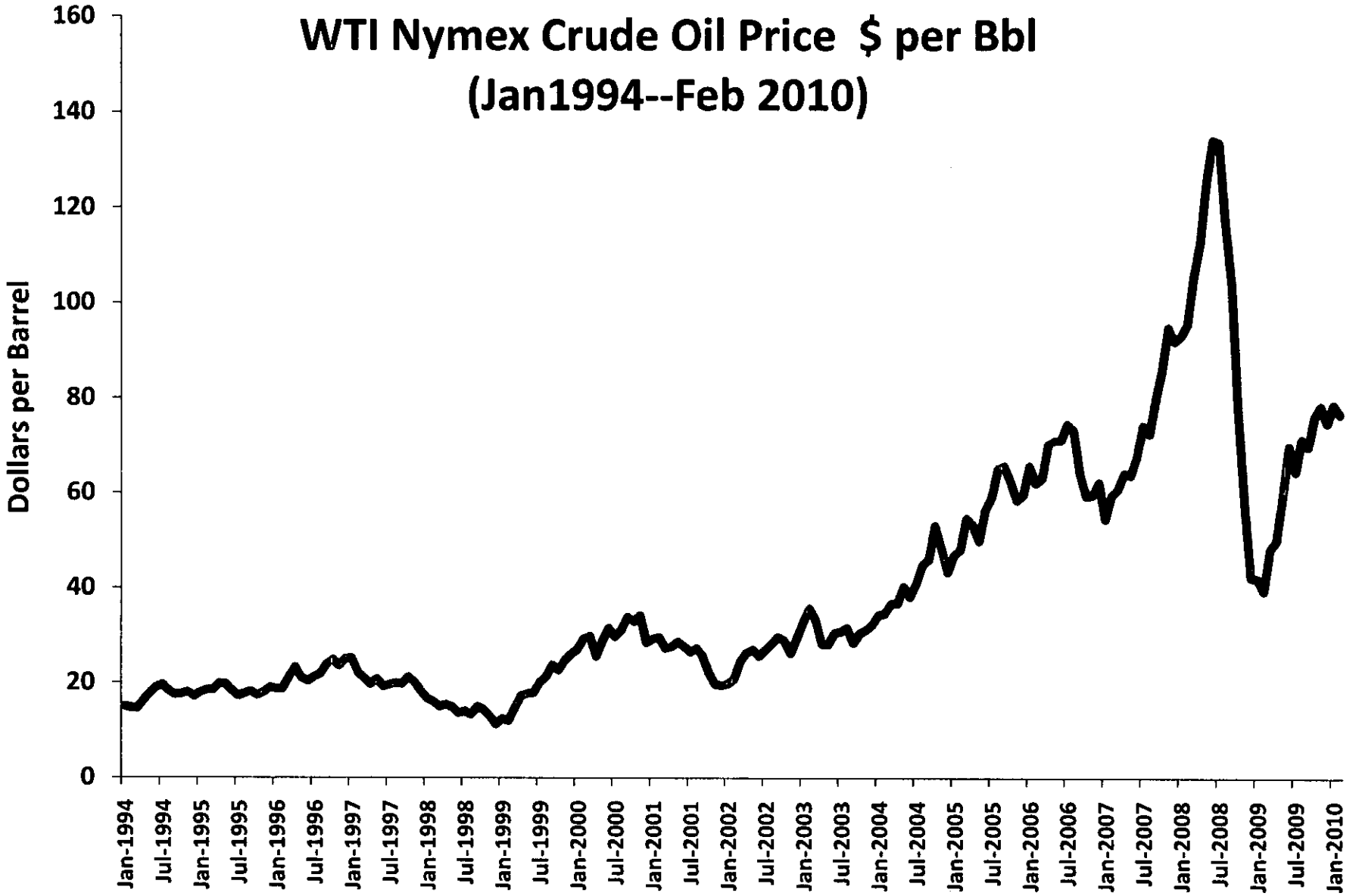
Monthly Oil and Natural Gas Price Analysis

Logsdon and Associates

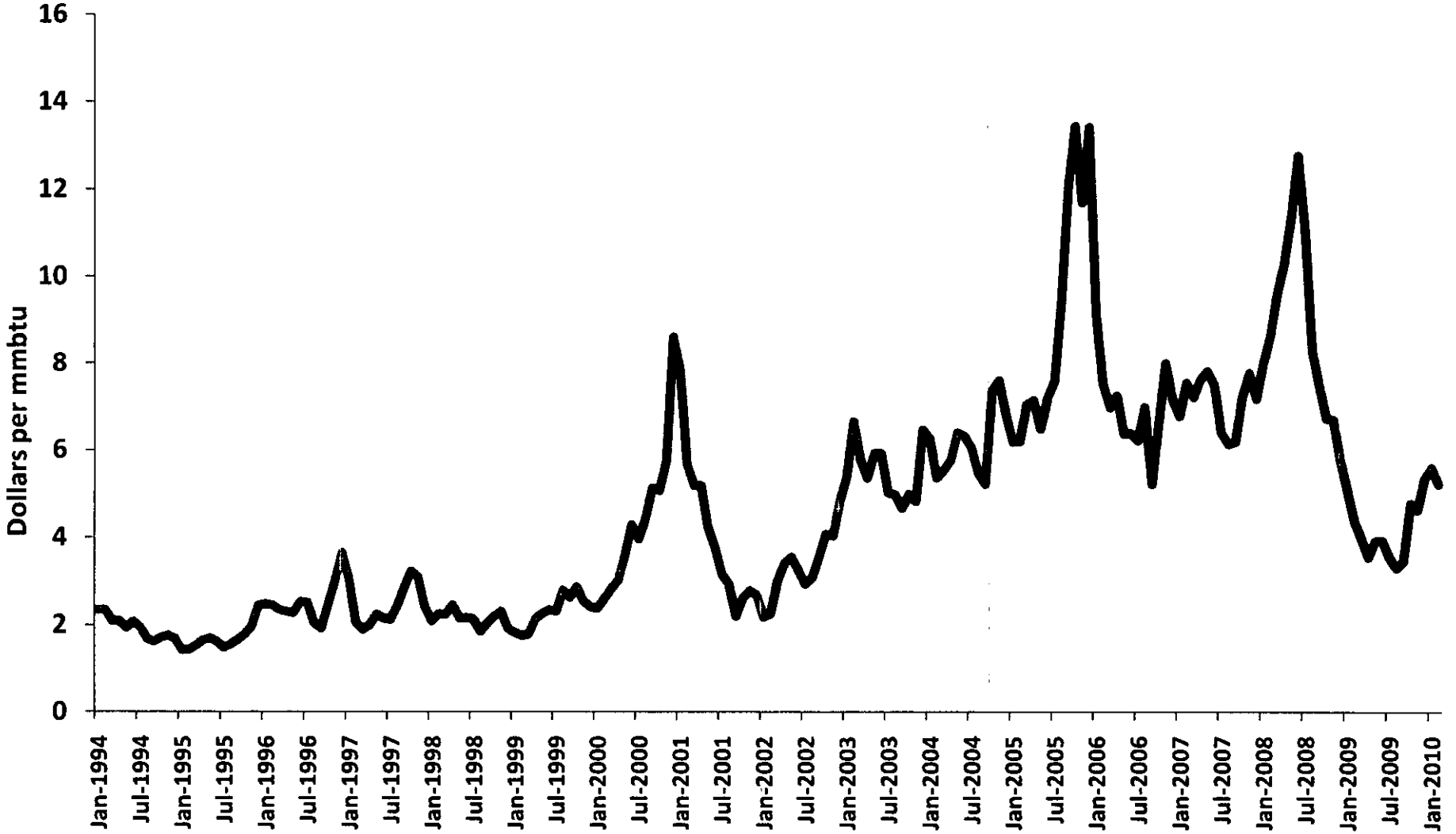
April 2, 2010

Average Monthly Closing Prices for U.S. Crude Oil and Natural Gas as Reported on the New York Mercantile Exchange (NYMEX)

- West Texas Intermediate (WTI) oil and Henry Hub Gas prices are quoted daily on the NYMEX. The near month contract tracks very closely with the spot price since the delivery of physical barrels of WTI oil and Henry Hub gas underwrite the futures contract.
- The spot price is assessed by survey of buyers and sellers of physical cargos or lots or tranches. The near month NYMEX contract is determined in a regulated transparent market.
- The following charts illustrate both volatility and trend of oil and natural gas prices over the last 16 years.
- The charts start in 1994 because that is the first year that the natural gas contract was offered on the NYMEX.
- The price of oil is stated in dollars per barrel. The price of gas is stated in millions of British thermal units (btu), a measure of energy content.


WTI Nymex Crude Oil Price $ per Bbl
(Jan1994--Feb 2010)
Dollars per Barrel
160
140
120
100
80
60
40
20
0
Jan-1994
Jul-1994
Jan-1995
Jul-1995
Jan-1996
Jul-1996
Jan-1997
Jul-1997
Jan-1998
Jul-1998
Jan-1999
Jul-1999
Jan-2000
Jul-2000
Jan-2001
Jul-2001
Jan-2002
Jul-2002
Jan-2003
Jul-2003
Jan-2004
Jul-2004
Jan-2005
Jul-2005
Jan-2006
Jul-2006
Jan-2007
Jul-2007
Jan-2008
Jul-2008
Jan-2009
Jul-2009
Jan-2010

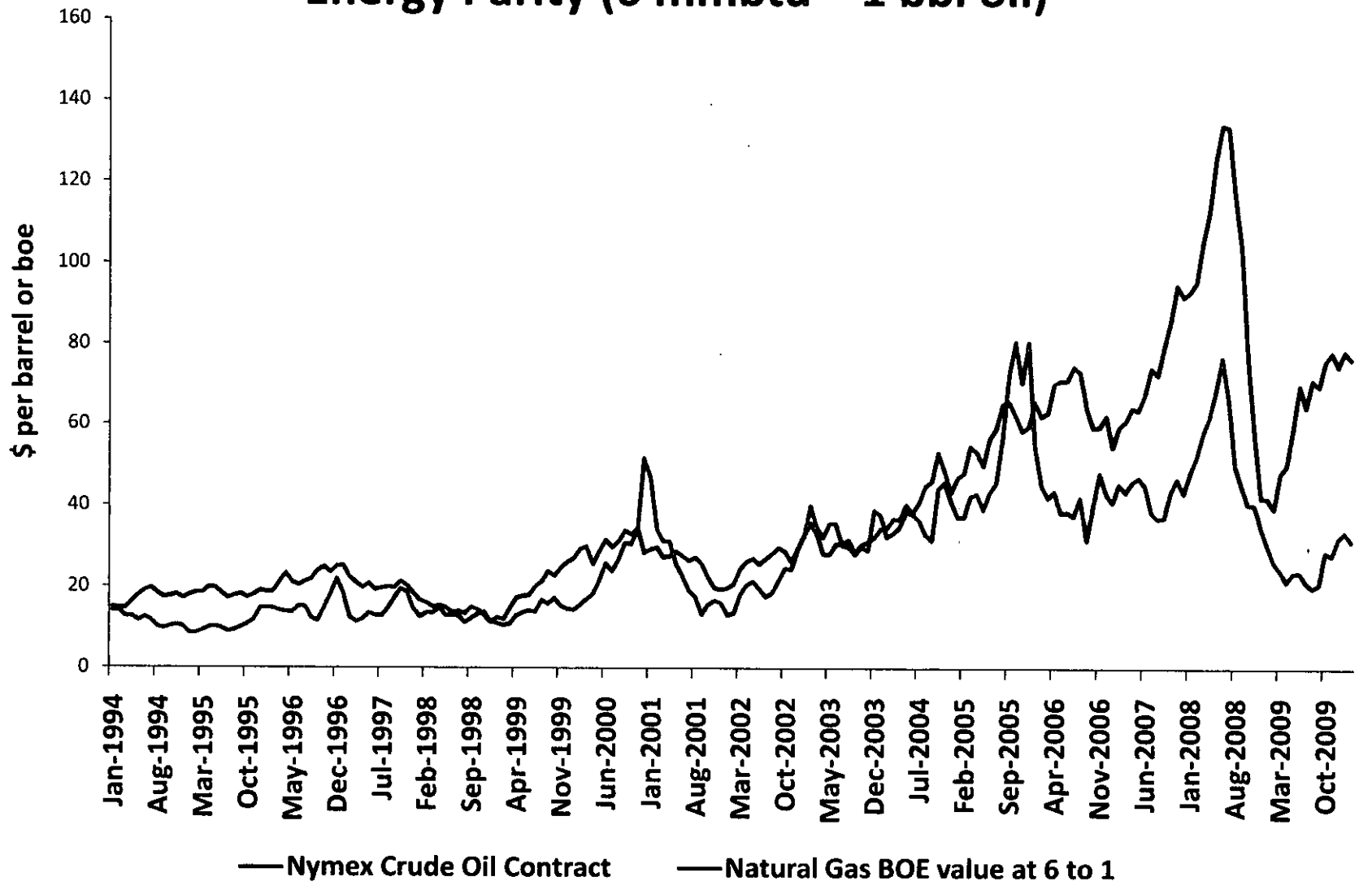
Henry Hub Nymex Natural Gas Futures
Jan 1994—Feb 2010 ($ per Million BTU)



Comparison of Oil and Gas on an Apples to Apples Basis

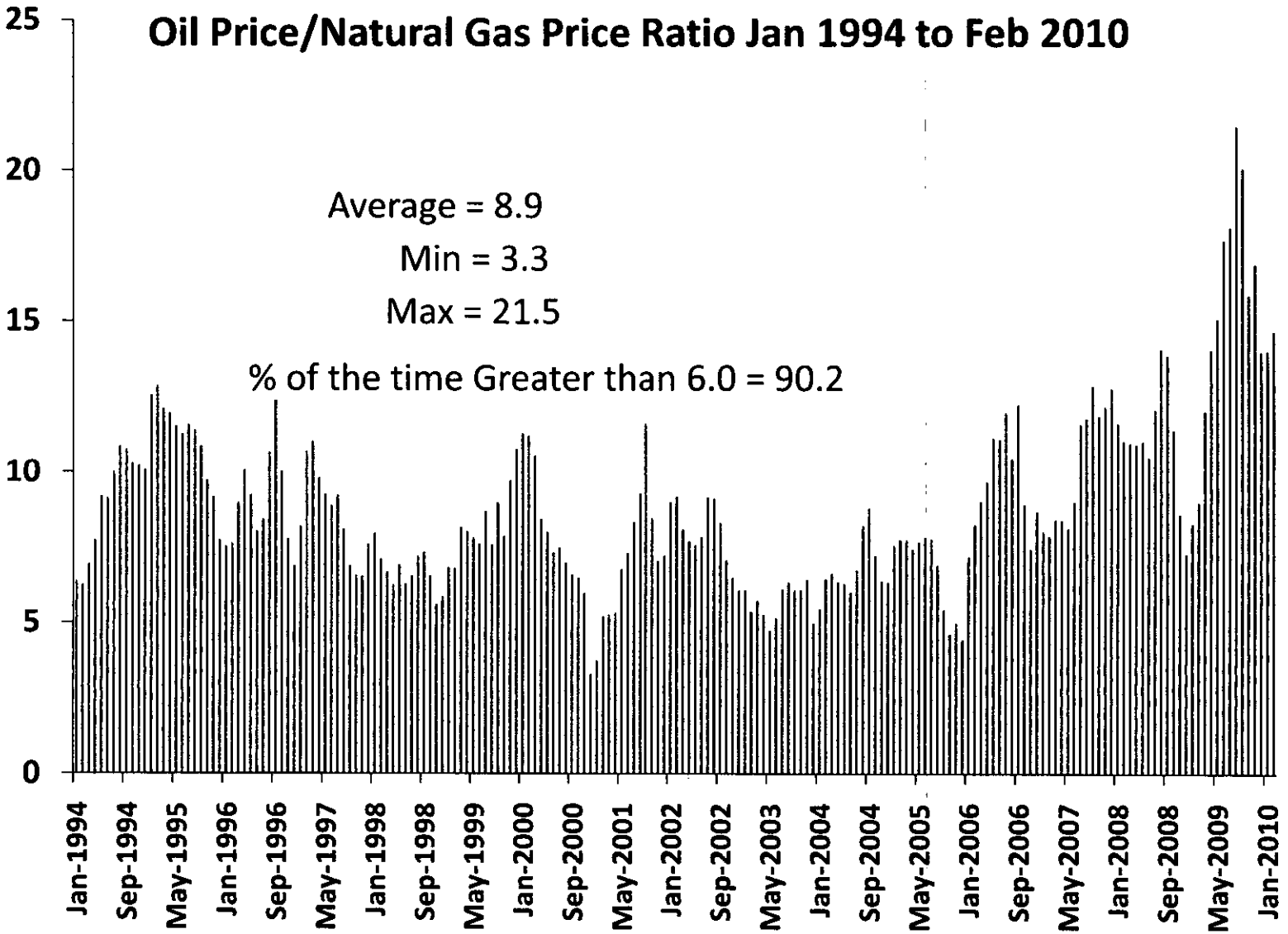
- The following chart makes an apples to apples comparison between the price of the two substances by converting the gas price to a barrel equivalent price based on the physical energy propertys of the two substances. There are six million btu's in a barrel of oil and gas prices are quoted per one million btu.
- What you see is that gas tends to be less valuable on a per btu basis.

Nymex Oil vs. Nymex Natural Gas if Gas Sold at Energy Parity (6 mmbtu = 1 bbl oil)



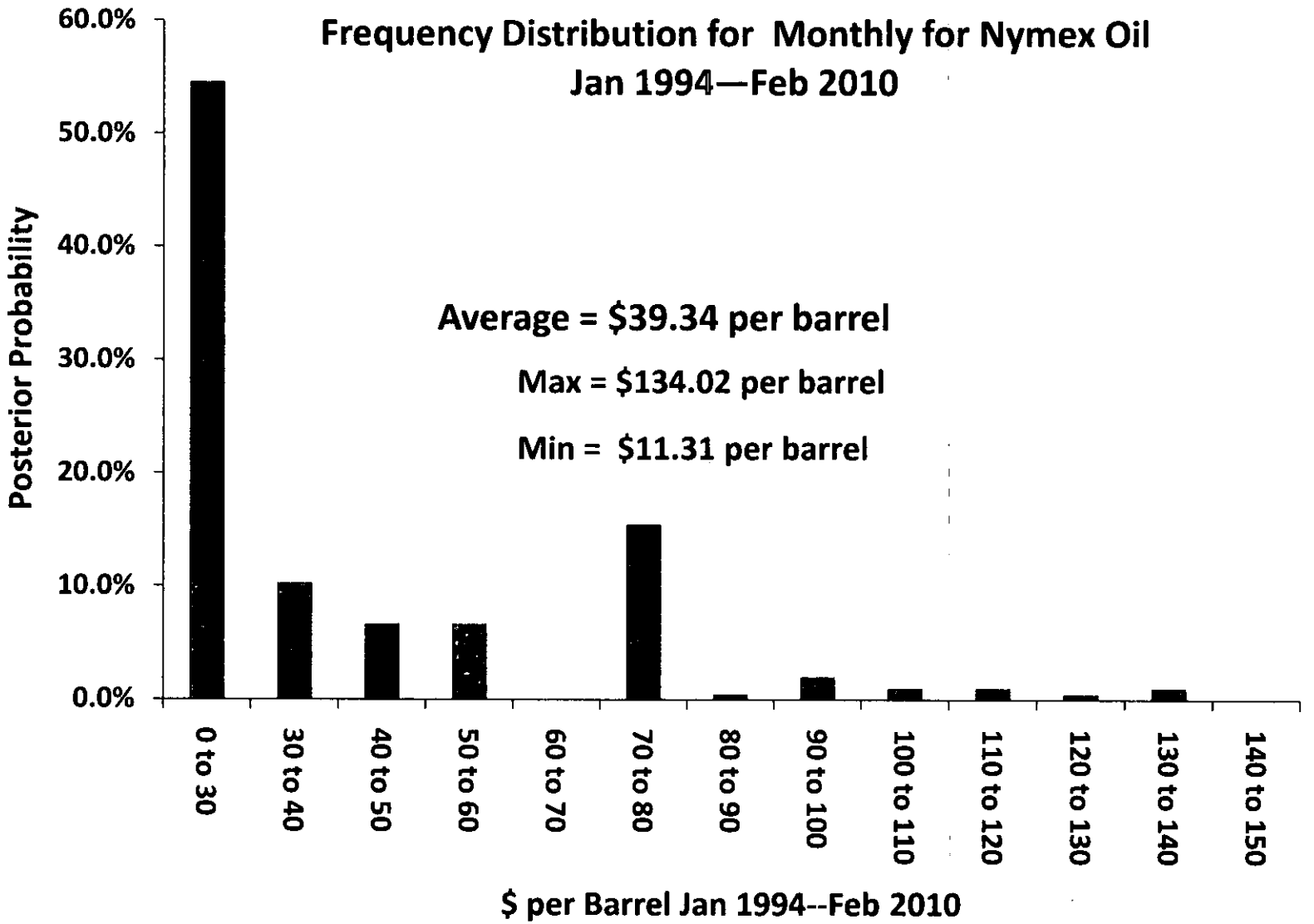
What is the historic number of btu's of gas needed to have the same value as a barrel of oil?

- The following chart makes this comparison.
- Clearly there have been some points in time when gas has sold at energy parity (6 to 1) or better with oil. This has not happened very often.
- The other thing to notice is that although there appears to be a partial correlation over time, the relationship between oil and gas prices is highly unstable from month to month.

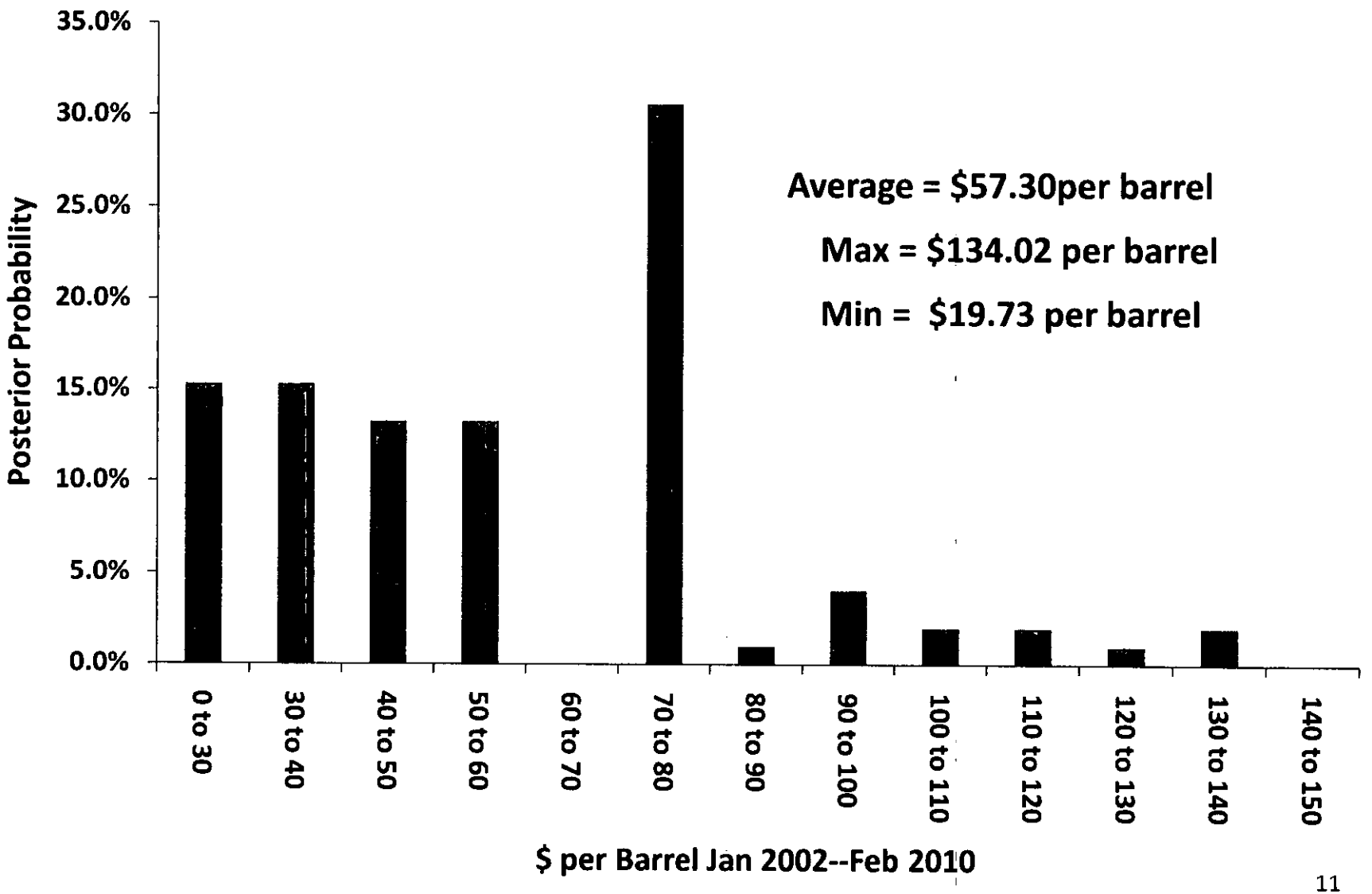

Oil Price/Natural Gas Price Ratio Jan 1994 to Feb 2010
Average = 8.9
Min = 3.3
Max = 21.5
% of the time Greater than 6.0 = 90.2
25
20
15
10
5
0
Jan-1994
Sep-1994
May-1995
Jan-1996
Sep-1996
May-1997
Jan-1998
Sep-1998
May-1999
Jan-2000
Sep-2000
May-2001
Jan-2002
Sep-2002
May-2003
Jan-2004
Sep-2004
May-2005
Jan-2006
Sep-2006
May-2007
Jan-2008
Sep-2008
May-2009
Jan-2010

Looking at oil and gas prices using frequency distributions

- The following charts are based on the percent of time that oil or gas prices fell within certain intervals.
- This is essentially a historical probability view.
- Three time periods are examined, long term medium term and shortterm. Jan 1994—Feb 2010, Jan 2002—Feb 2010. and Jan 2004—Feb 2010.
- Look for spikes and bunching, what statisticians call modes and central tendencies.
- The charts on the next two pages clearly show that we are in an evolving oil pricing world. The oil price frequency distribution shown between Jan 1994 and Feb 2010 on on the next page, shows that between 1994 and 2010, 55% of the time the price of oil was $30/bbl or less. In the next chart, covering 2002 through 2010, oil prices were $30/bbl or less only 15% of the time.


Frequency Distribution for Monthly for Nymex Oil
Jan 1994—Feb 2010
Average = $39.34 per barrel
Max = $134.02 per barrel
Min = $11.31 per barrel
Posterior Probability
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
0 to 30
30 to 40
40 to 50
50 to 60
60 to 70
70 to 80
80 to 90
90 to 100
100 to 110
110 to 120
120 to 130
130 to 140
140 to 150
$ per Barrel Jan 1994--Feb 2010

Frequency Distribution for Monthly for Nymex Oil Jan 2002—Feb 2010



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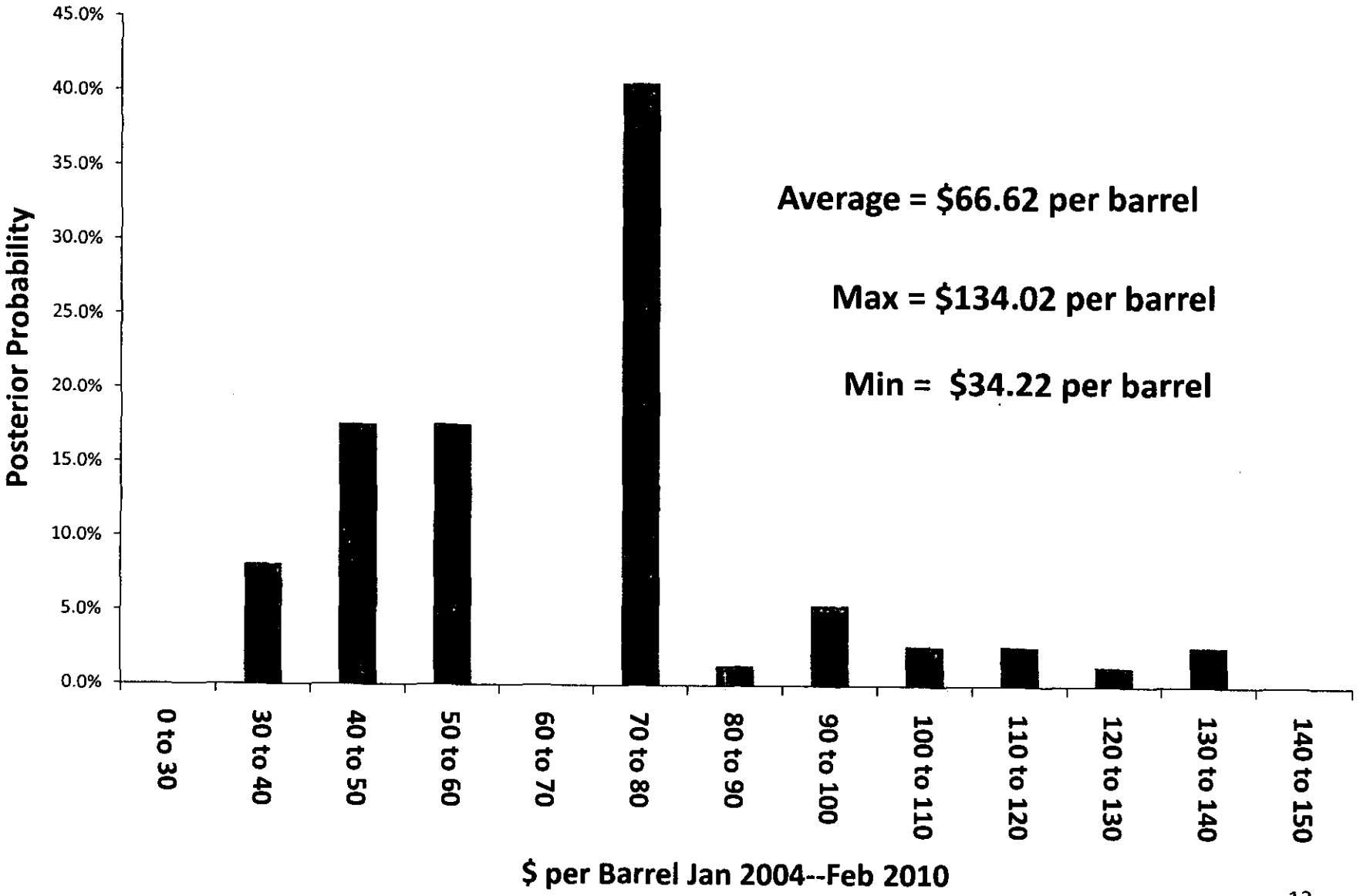
A much more recent shorter term view

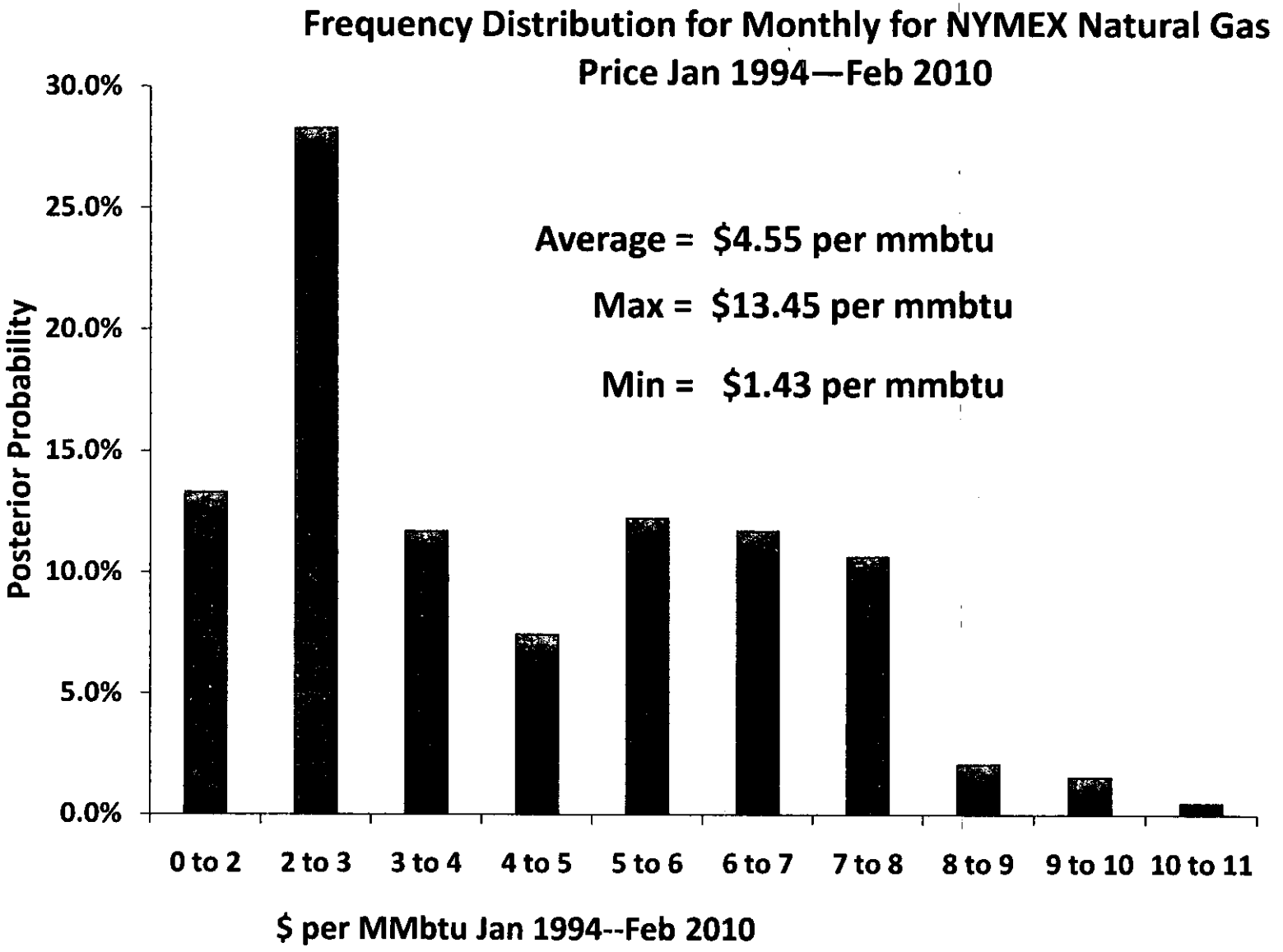
- The following chart shows the frequency distribution for oil prices from January 2004 through February 2010.
- Notice that for this most recent 6 year period that oil prices have traded in a pretty tight range between $70 and $80, 40% of the time.
- Connecting the spikes gives you a somewhat symetric shape. This suggests that at we are in a market that trends to a price in the $70 to $80 range.

Frequency Distribution for Monthly for Nymex Oil
Jan 2004—Feb 2010

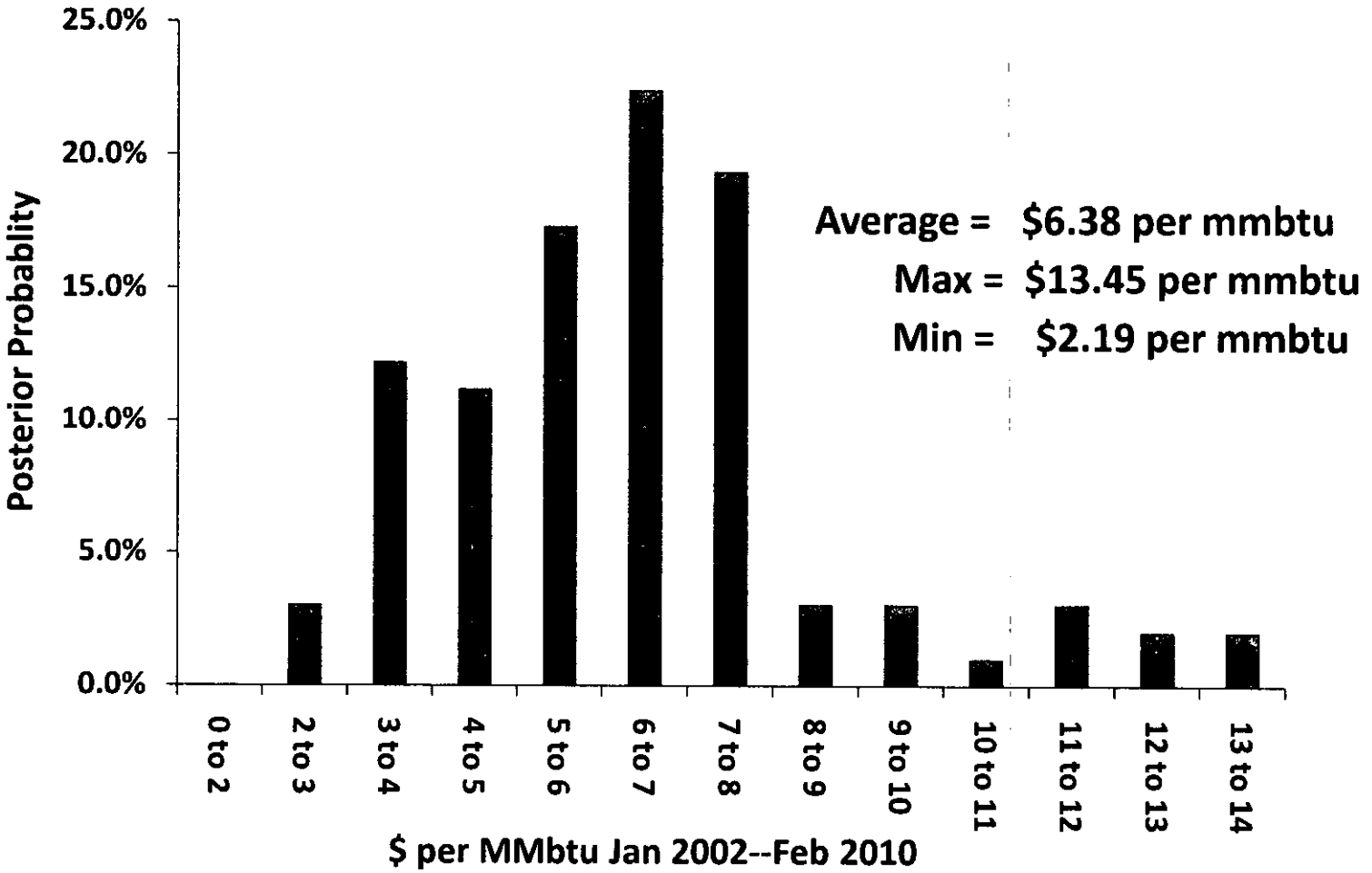


Gas Price Frequency Distributions

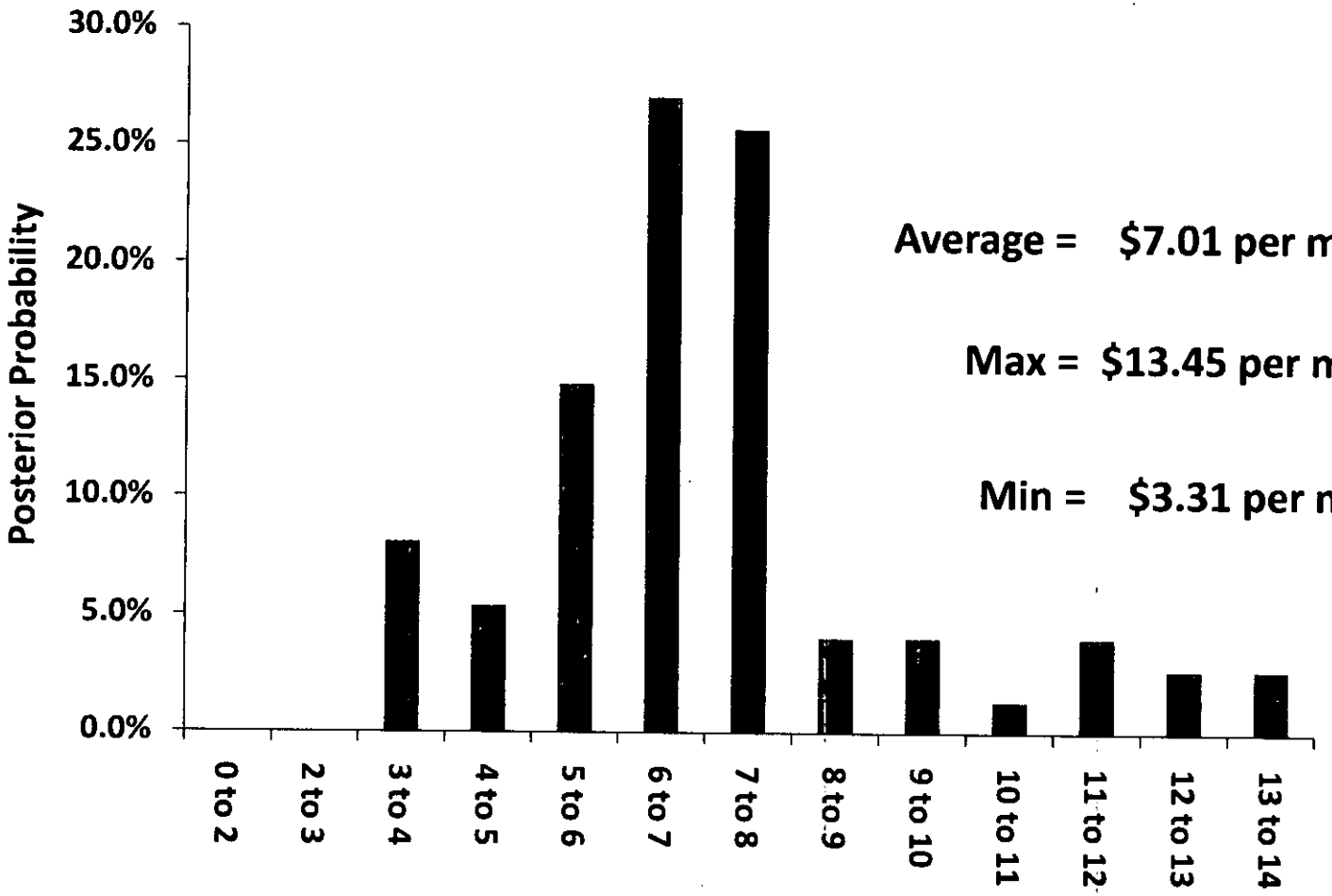
- Comparing the following three charts it can be seen that gas prices viewed over the longer time period of Jan 1994—Feb 2010 were most frequently in the $2-$3 range but relatively evenly distributed all the way up to $8 per mmbtu.
- Going to the distribution from Jan 2002 to Feb 2010 shows that dropping the earlier 8 years moves the distribution up to center around the $5 to $8 range.
- The final chart shows that distribution of gas prices from Jan 2004 to Feb 2010 where gas prices become more bunched in the region of $6 to $8 per mmbtu.
- The today's situation in the gas market with gas around $4 is consistent with the 16 year average ($4.55) rather than either the last 8 or 6 year averages of $6.38 and $7.01 respectively.


Frequency Distribution for Monthly for NYMEX Natural Gas Price Jan 1994—Feb 2010
Average = $4.55 per mmbtu
Max = $13.45 per mmbtu
Min = $1.43 per mmbtu
Posterior Probability
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
0 to 2
2 to 3
3 to 4
4 to 5
5 to 6
6 to 7
7 to 8
8 to 9
9 to 10
10 to 11
$ per MMbtu Jan 1994--Feb 2010

Frequency Distribution Monthly for NYMEX Natural Gas Price Near Contract



Frequency Distribution Monthly for NYMEX Natural Gas Price Jan 2004—Feb 2010



5363

SB 305:
The Separation of Oil from Gas for the Oil & Gas Production Tax

House Resources Committee
Logsdon & Associates
April 7, 2010

5364

Premise of the Bill

- Under current law oil and gas are taxed together
- Oil is worth much more than gas
- The combining mechanism has the potential to materially reduces oil taxes even though oil operations are unaffected

Oil is Different than Gas

- Supply
  - Oil more geographically concentrated (fewer sellers: OPEC)
  - Oil supplies more depleted
  - Lower cost gas is more plentiful
- Demand
  - Oil has fewer substitutes
  - Gas has more substitutes
- Result: Oil is worth more than gas

BTU 9:1

West Coast ANS

- Market Price $80/bbl
- Less:
  - Shipping $2.07
  - TAPS $4.18
- Gross Value $73.75
- 6 mmbtu's / bbl
- $12.29 / mmbtu

North Slope Gas

- Market Price $6/mmbtu
- Less:
  - Tariff AK to AB $3.54
  - AB Hub $0.24
  - Tariff AB to L48 $0.85
- Gross Value $1.37/mmbtu
- On a straight BTU to BTU basis oil is worth nearly 9 X as much as gas

Some Things that have BTUs

- Oil
- Gas
- Coal
- Wood
- Asphalt
- Shoe Leather
- Rubber
- Coffee grounds
- Citrus rinds
- Corn cobs
- Dung

Mechanics of Current Tax

- 1) Oil gross value (market price less transport cost)
- 2) Gas gross value (market price less transport cost)
- 3) Oil + gas gross value gas = Combined gross value
- 4) Combined gross value – lease capital and operating costs = Combined oil & gas net value
- 5) Combined oil & gas net value / total oil & gas BOEs = p/BOE net value (see Slide # 7)
- 6) Progressivity factor (based on per BOE net value) plus 25% base rate = tax rate
- 7) Single tax rate applied to combined oil & gas net value

Barrel of Oil Equivalents (BOEs):
Putting Oil & Gas on an Apples / Apples Basis

- 4.5 billion cubic feet per day (bcf/d) of natural gas
- A cubic foot of North Slope gas will have about 1,100 BTUs
- Natural gas is measured in millions of BTUs (mmbtu)
- 4.5 billion cubic feet per day will have 4.95 million mmbtu's (4.5 X 1,100)
- A barrel of oil has about 6 mmbtu's
- 4.5 billion cubic feet per day will have the BTU equivalence of 825,000 barrels of oil (BOEs) (4,950,000 / 6)
- If there are 500,000 barrels of oil, total BOEs will total 500,000 + 825,000 = 1,325,000

Progressivity Mechanics

- "Trigger" = $30 net / BOE value
- "Slope" = 0.4%*
- Progressivity surcharge = (Net per BOE value - $30) X .004
- Example: if net value = $50
  - Base tax rate = 25%
  - Progressivity = ($50 – $30) X .004 = 8%
  - Total tax of 33% on net value

* Slope changes to 0.1% after $92.50 net per BOE value

HOW GAS IMPACTS OIL TAXES

	Oil Alone (p/bbl)
Market Price	$80.00
Transp cost	$5.00
Gross Value	$75.00
Costs	$20.00
Net (p/barrel or p/mmbtu)	$55.00
Base rate	25.00%
Progressivity	10.00%
Total tax rate	35.00%

HOW GAS IMPACTS OIL TAXES

	Oil Alone (p/bbl)	Gas (p/mmbtu)
Market Price	$80.00	$6.00
Transp cost	$5.00	$4.50
Gross Value	$75.00	$1.50
Costs	$20.00	$0.50
Net (p/barrel or p/mmbtu)	$55.00	$1.00
Base rate	25.00%	
Progressivity	10.00%	
Total tax rate	35.00%	
Daily bbls (oil) or mmbtu (gas)	500,000	4,950,000
Daily BOEs	500,000	825,000
Annual million bbls (oil) or million mmbtu (gas)	183	1,807
Annual BOEs (millions)	183	301

HOW GAS IMPACTS OIL TAXES

	Oil Alone (p/bbl)	Gas (p/mmbtu)	Combined Oil & Gas	
Market Price	$80.00	$6.00	Oil	
Transp cost	$5.00	$4.50	p/bbl net value	$55.00
Gross Value	$75.00	$1.50	Barrels (millions)	183
			Total oil net value ($mm)	$10,038
Costs	$20.00	$0.50	Gas	
			p/mmbtu net value	$1.00
Net (p/barrel or p/mmbtu)	$55.00	$1.00	mmbtu's (millions)	1,807
			Total gas net value ($mm)	$1,807
Base rate	25.00%			
Progressivity	10.00%		Total oil & gas net value	$11,844
Total tax rate	35.00%		Total BOEs	484
			Net value / BOE	$24.49
Daily bbls (oil) or mmbtu (gas)	500,000	4,950,000	NO PROGRESSIVITY!	
Daily BOEs	500,000	825,000		
Annual million bbls (oil) or million mmbtu (gas)	183	1,807		
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HOW GAS IMPACTS OIL TAXES

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Combined Oil & Gas	
Oil	
p/bbl net value	$55.00
Barrels (millions)	183
Total oil net value ($mm)	$10,038
Gas	
p/mmbtu net value	$1.00
mmbtu's (millions)	1,807
Total gas net value ($mm)	$1,807
Total oil & gas net value	$11,844
Total BOEs	484
Net value / BOE	$24.49
NO PROGRESSIVITY!	

DEPARTMENT OF REVENUE EXAMPLES TO SENATE FINANCE - FEBRUARY 24, 2010

Oil Price	Gas Price	Oil Alone Progressivity Factor	Oil & Gas Combined Progressivity Factor	Reduction in Progressivity Factor	Oil Alone Tax ($billions)	Gas Alone Tax ($billions)	Total Tax if Taxed Separately ($billions)	Combined Tax ($billions)	Annual Tax Reduction from Combining ($billions)
$75	$8.00	5.38%	0.00%	5.38%	$1.7	$1.1	$2.8	$2.5	$0.3
$100	$8.00	15.38%	3.59%	11.79%	$4.0	$1.1	$5.1	$4.0	$1.1
$120	$8.00	23.38%	6.79%	16.59%	$6.4	$1.1	$7.5	$5.5	$2.0

* Oil
  Production 500,000 bbls/day
  Transportation cost deduction $6.50/bbl
  Upstream capital costs $2 billion
  Upstream operating costs $2 billion
** Gas
  Production 4.5 bcf/day
  Transportation cost deduction $4.50/mmbtu
  Upstream capital costs $200 million
  Upstream operating costs $200 million

How can you be so sure about future prices?

- We cannot
- Different price relationships would produce different outcomes
- Since the potential for these outcomes exist, the current tax structure adds another level of risk to an already large amount of uncertainty
- At current price relationships there is a risk of undermining state finances

How SB 305 Works

No change to progressivity formula:

Progressivity on oil and gas:

Progressivity rate =
(production tax value per BOE - $30) X .004

Total tax rate = 25% base tax rate + progressivity rate

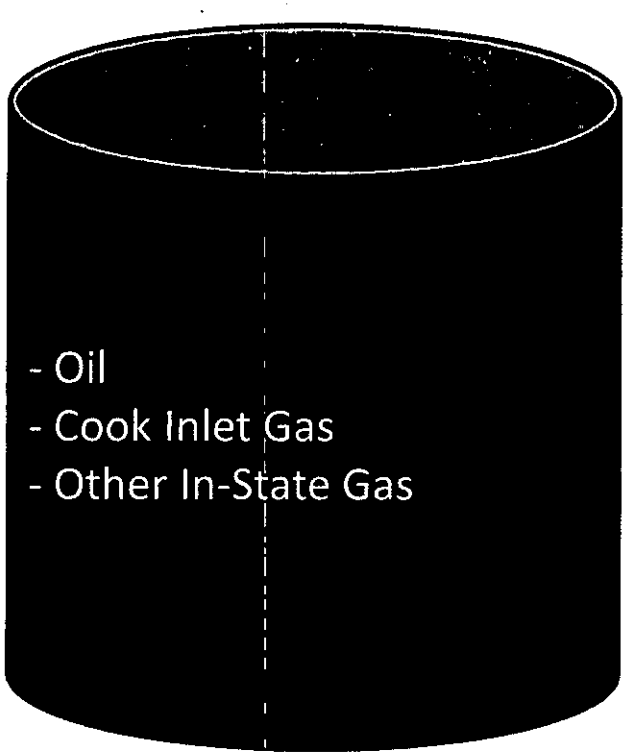
How Progressivity Operates Now

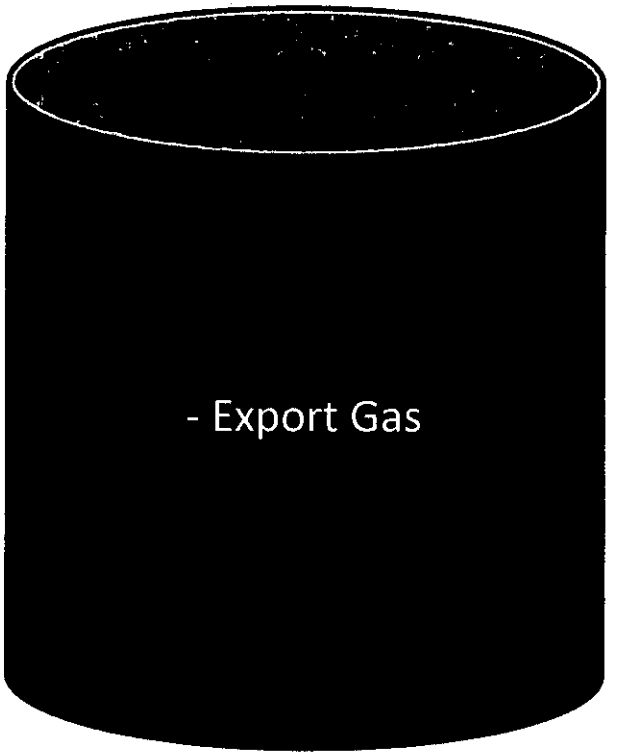
- Each company calculates one statewide progressivity rate based on all activity and the production tax value per BOE
- Company divides operations into 5 segments
  - 1) Cook Inlet oil
  - 2) Cook Inlet gas
  - 3) North Slope oil and gas except gas used in-state
  - 4) Non-North Slope / Non-Cook Inlet oil and gas except gas used in-state
  - 5) Non-Cook Inlet gas used in-state
- For each segment:
  - For each segment calculate tax liability based on total tax rate (base 25% rate plus statewide progressivity rate) and the segment's production tax value
  - For segments 1, 2, and 5 tax liability is lower of ELF or above

SB 305: Instead of One Statewide Progressivity Calculation: Two Progressivity Calculations

- FIRST: Oil / CI Gas / Other In-State Gas
  - Progressivity calculated together
  - Same as current activity
  - Same 5 segments treated as now
  - No tax increase on current activity
- SECOND: Export Gas (Major Gas Sale Gas)
  - Calculated distinctly: segment unto itself
  - Will not dilute oil progressivity

SB 305:
Two Progressivity "Buckets"





Issue: Cost Allocation

- Costs to produce oil and gas are truly joint costs
- Current approach (AS 43.55.165(h)): gives department authority to adopt regulations for allocating costs between oil and gas:
  - As recipients of confidential cost data they are in the best position to evaluate costs
  - A regulatory process allows more time
  - The regulatory process is public
- AS 43.55.165(h) is amended to require the department to consider allocating lease expenditures between oil and gas production in proportion to BTU barrel of oil equivalents (BOE) produced op each substances.

Cost Allocation: BTU Barrel of Oil Equivalent (BOE) Approach

- This is the approach DOR adopted to implement the existing statute for the same cost allocation purposes as this bill
- The same costs that **produce** oil **produce** gas
- Since **produced** together, costs are allocated based on amounts **produced**
- BOE method: putting oil & gas on apples/apples basis in terms of relative **produced** volumes

COMMENTS ON CSSB305 (FIN)

Issues Surrounding the Gas Tax Debate At this Time

- Entering two open seasons for the gas pipeline
  - Likely to result in Producers continuing to claim changes in the fiscal system are necessary
- Full commitments to ship gas (i.e. project sanction) not expected until 2014
- Stakeholders will continue to discuss:
  - Necessary Producer cash flow from gas development,
  - Relative risks/rewards borne/realized by the Producers and the State,
  - Amount of Fiscal Predictability the Producers need

Primary State Considerations Today

- Are the State's Interests protected going into the uncertainty of the next few years?
  - Achieve a gas pipeline project
  - Secure an appropriate share of revenue from oil and gas production
- Is the State's fiscal system attractive for a gas pipeline project?
- Is the potentially "locked-in" portion of the fiscal system set at an acceptable level for the state?

4 Modeling CSSB 305(FIN)

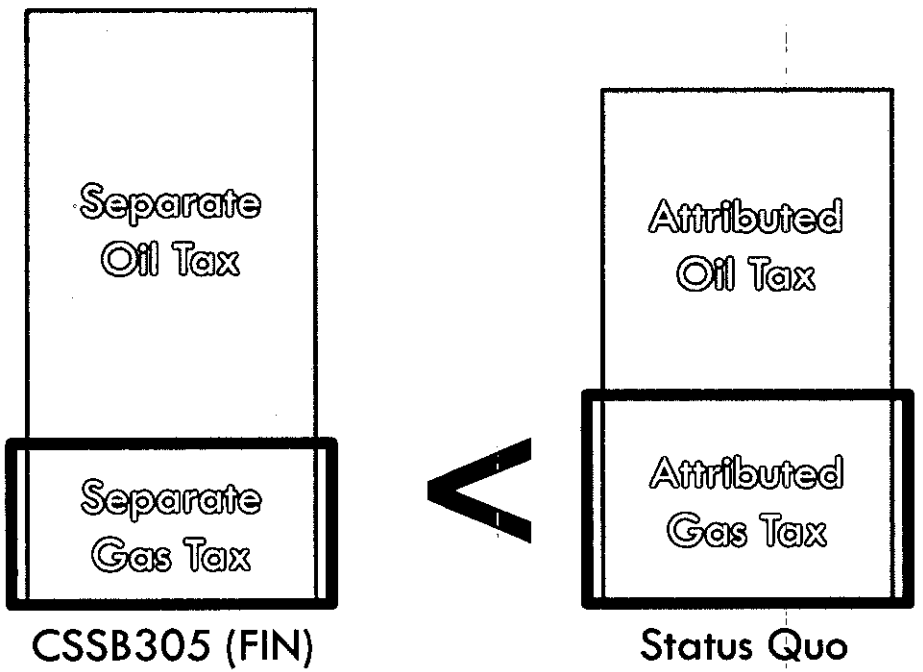
Oil Price Range 40 to 200 $/bbl

Gas Price Parity Range 6 to 26

Oil Production	500 Mbbl/d
Gas Production	4.5 Bcf/d
Total OPEX	$ 2.2 Billions
Total CAPEX	$ 2.2 Billions

In All of the Cases Run:
CSSB305 (FIN) Results in a Lower "Locked–in" Gas Tax Obligation

5

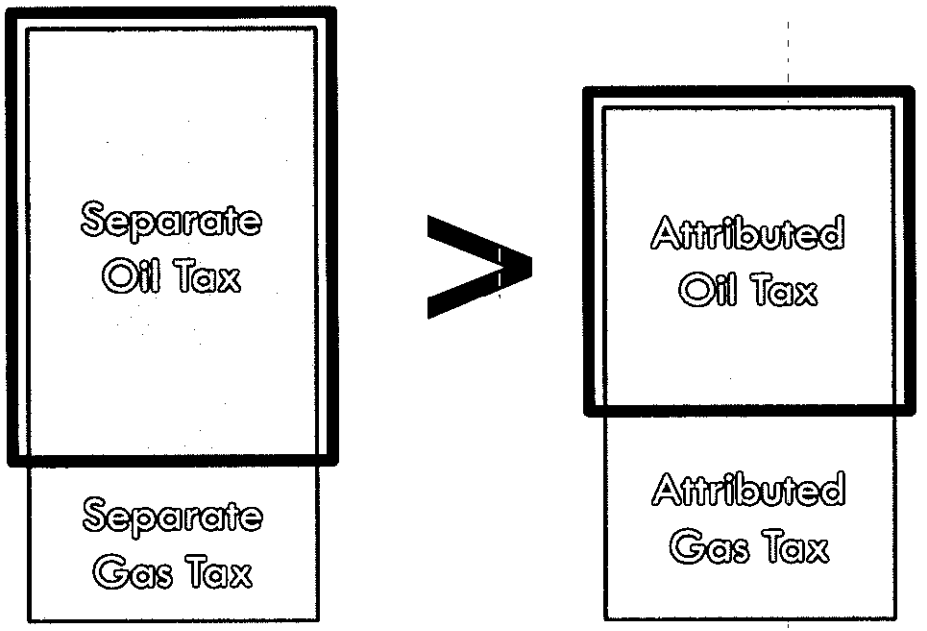


* Cost Allocation assumed to be on either a BTU barrel equivalent (BOE) basis or on a Point of Production (PoP) basis

market price
– Transportation

4/7/2010

In All of the Cases Run:
CSSB305 (FIN) Raises Oil Taxes



* Cost Allocation assumed to be on either a BTU barrel equivalent (BOE) basis or on a Point of Production (PoP) basis

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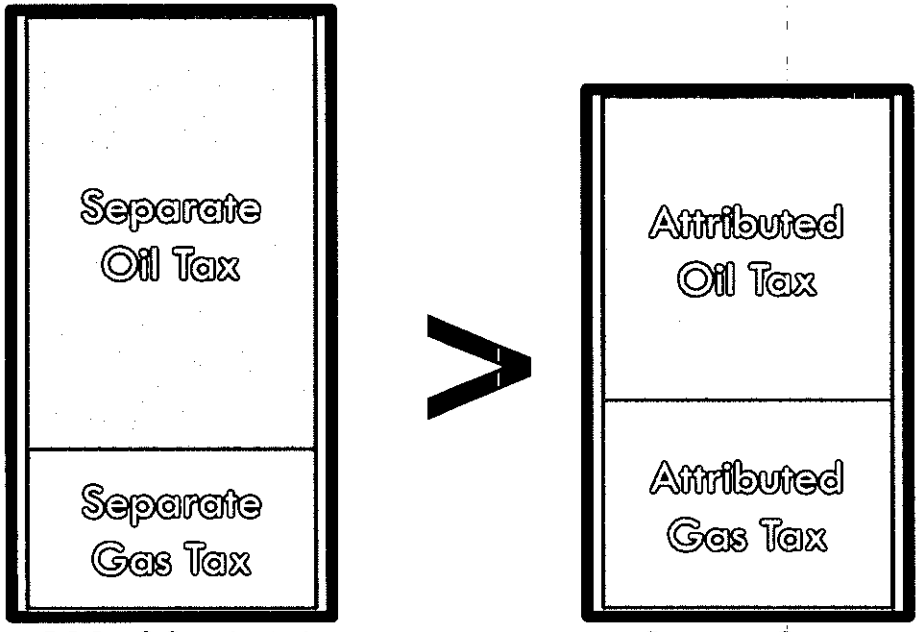
In over 90% of the Cases Run:
CSSB305 (FIN) Raises Overall Oil and Gas Taxes

7



* Cost Allocation assumed to be on either a BTU barrel equivalent (BOE) basis or on a Point of Production (PoP) basis

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Example Cases

State Production Tax Revenue

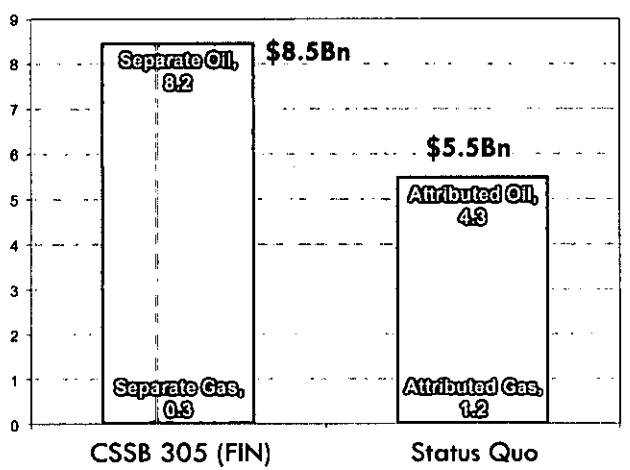
Oil: 500 Mbbl/d and Gas: 4.5 Bcf/d

Capex: $2.2Bn and Opex: $2.2Bn

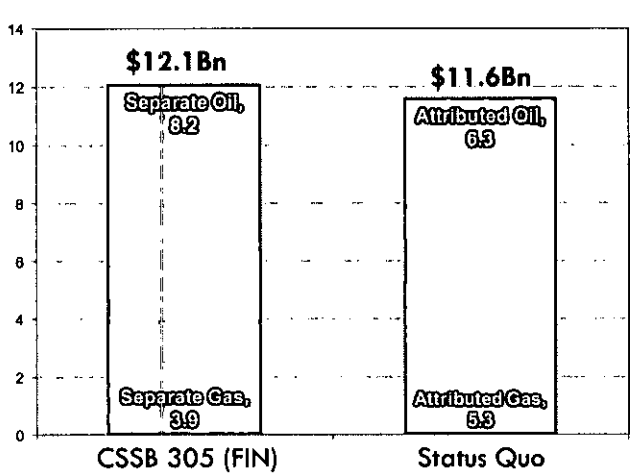
0

BOE

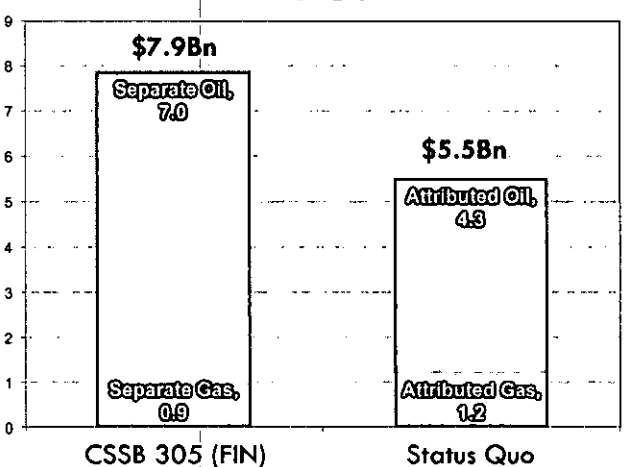
$120/$8 (15:1)

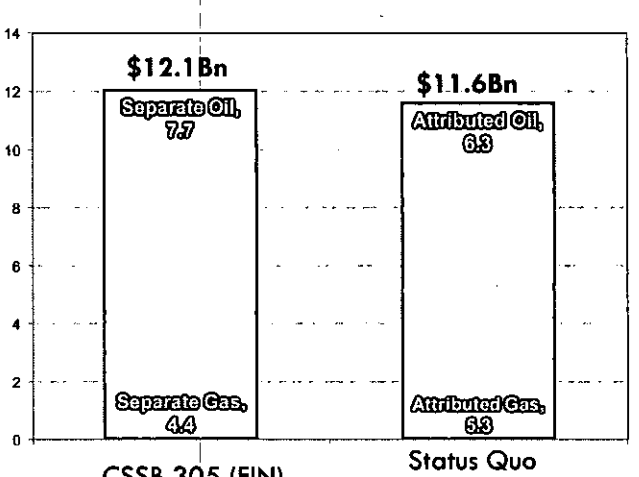


$120/$15 (8:1)



PoP





Observations

- CSSB305 (FIN) Increases Oil Taxes, and in almost all cases increases total Oil and Gas taxes
  - Provides a higher "starting point" for further discussions with Producers
  - However, it negatively affects projected gas pipeline economics
- CSSB305 (FIN) "Locks-In" a lower Gas Tax Ceiling
  - Enhances the value of the AGIA tax inducement
  - However, it reduces the State's flexibility in changing gas tax after the open season
- CSSB305 (FIN) could be passed after the open season without conflicting with the AGIA tax inducement
- Lack of a defined cost allocation method creates uncertainty about the actual tax obligation under CSSB305 (FIN)

CSSB 305 (FIN) MODELING RUNS

4/7/2010

Presentation Back-up Materials

Total Tax Take Comparison

- Model Assumptions:
  - One year snapshot
  - 4.5 Bcf/d and 500 Mbbl/d
  - Total Opex = $2.2 Bn and Total Capex = $2.2 Bn

- Ran multiple cases varying oil price from 40 to 200 $/bbl and gas price parity from 6 to 26
- Ran the above cases for each of BOE, PoP and Fixed cost allocation methodology

Total Tax CSSB305 (FIN) less Status Quo
BOE Cost Allocation

3

Gas Price Parity ↓

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	0.1	0.3	0.2	0.2	0.2	0.2	0.2	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	0.5	0.1	0.3	0.8	0.8	0.7	0.8	0.9	0.5	0.0	(0.6)	(0.6)	(0.3)	0.2	0.4	0.4	0.5
10	0.5	0.5	0.5	0.8	1.2	1.4	1.6	1.6	1.3	0.9	0.5	(0.1)	(0.7)	(0.6)	(0.3)	(0.0)	0.3
12	0.5	0.8	0.8	0.9	1.3	1.8	2.1	2.4	2.2	1.8	1.4	1.0	0.5	(0.1)	(0.3)	(0.2)	0.0
14	0.5	0.9	1.1	1.2	1.5	2.0	2.4	2.8	2.8	2.6	2.3	1.9	1.4	0.9	0.4	0.1	0.2
16	0.5	0.9	1.3	1.5	1.8	2.2	2.7	3.1	3.2	3.1	2.9	2.7	2.3	1.9	1.3	0.8	0.6
18	0.5	0.9	1.5	1.7	2.0	2.4	3.0	3.4	3.4	3.5	3.4	3.2	3.0	2.7	2.3	1.8	1.2
20	0.5	0.9	1.6	1.8	2.2	2.6	3.2	3.8	3.8	3.7	3.7	3.7	3.5	3.3	3.0	2.6	2.2
22	0.5	0.9	1.6	2.0	2.3	2.8	3.4	4.1	4.1	4.1	4.0	4.0	3.9	3.8	3.5	3.3	2.9
24	0.5	0.9	1.6	2.1	2.4	2.9	3.6	4.3	4.4	4.4	4.4	4.3	4.2	4.1	4.0	3.8	3.5
26	0.5	0.9	1.6	2.2	2.5	3.1	3.7	4.5	4.6	4.7	4.7	4.6	4.5	4.4	4.3	4.2	4.0

CSSB305 (FIN) > STATUS QUO

CSSB305 (FIN) = STATUS QUO

CSSB305 (FIN) < STATUS QUO

4/07/2010

Total Tax CSSB305 (FIN) less Status Quo
PoP Cost Allocation

4

Gas Price Parity ↓

Oil Price ($/bbl) →

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	0.0	0.2	0.1	0.1	0.1	0.1	0.1	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	0.0	0.0	0.1	0.5	0.5	0.5	0.6	0.6	0.5	(0.0)	(0.6)	(0.6)	(0.2)	0.3	0.3	0.4	0.4
10	0.0	0.0	0.0	0.4	0.8	0.9	1.0	1.1	1.1	0.8	0.4	(0.1)	(0.7)	(0.6)	(0.3)	(0.0)	0.4
12	0.0	0.1	0.0	0.3	0.7	1.1	1.4	1.6	1.7	1.4	1.1	0.7	0.2	(0.3)	(0.5)	(0.3)	(0.1)
14	0.0	0.2	0.1	0.2	0.6	1.2	1.6	1.9	2.2	2.0	1.7	1.4	1.0	0.6	0.0	(0.3)	(0.1)
16	0.0	0.2	0.3	0.2	0.5	1.1	1.6	2.1	2.5	2.4	2.3	2.0	1.6	1.3	0.8	0.3	0.1
18	0.0	0.2	0.5	0.4	0.5	1.0	1.7	2.1	2.6	2.7	2.7	2.5	2.3	1.9	1.5	1.1	0.6
20	0.0	0.2	0.6	0.5	0.7	0.9	1.6	2.2	2.7	2.9	2.9	2.9	2.7	2.5	2.1	1.8	1.3
22	0.0	0.2	0.6	0.7	0.8	1.1	1.5	2.2	2.8	3.1	3.1	3.1	3.0	2.9	2.6	2.3	1.9
24	0.0	0.2	0.6	0.8	0.9	1.2	1.7	2.2	2.8	3.2	3.3	3.3	3.3	3.2	3.0	2.8	2.5
26	0.0	0.2	0.6	0.9	1.1	1.4	1.8	2.3	2.8	3.3	3.4	3.5	3.5	3.4	3.3	3.1	2.9

CSSB305 (FIN) > STATUS QUO

CSSB305 (FIN) = STATUS QUO

CSSB305 (FIN) < STATUS QUO

4/07/2010

Total Tax CSSB305 (FIN) less Status Quo
Fixed (90/10) Cost Allocation

5

Gas Price Parity ↓

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	0.0	0.0	0.0	0.2	0.1	0.2	0.2	0.2	0.3	0.1	(0.4)	(0.4)	0.0	0.2	0.2	0.2	0.2
10	0.0	0.0	0.0	0.2	0.5	0.5	0.5	0.7	0.8	0.6	0.3	(0.2)	(0.8)	(0.6)	(0.3)	0.1	0.5
12	0.0	0.2	0.0	0.2	0.6	0.9	1.0	1.2	1.3	1.2	0.9	0.5	0.1	(0.5)	(0.6)	(0.4)	(0.2)
14	0.0	0.3	0.2	0.2	0.6	1.1	1.4	1.6	1.8	1.8	1.5	1.2	0.8	0.4	(0.1)	(0.4)	(0.3)
16	0.0	0.3	0.4	0.4	0.6	1.1	1.6	1.9	2.2	2.3	2.1	1.8	1.4	1.1	0.6	0.1	(0.1)
18	0.0	0.3	0.6	0.6	0.7	1.1	1.7	2.1	2.5	2.6	2.5	2.3	2.1	1.7	1.3	0.9	0.4
20	0.0	0.3	0.7	0.7	0.9	1.2	1.7	2.2	2.7	2.9	2.9	2.8	2.6	2.3	2.0	1.5	1.1
22	0.0	0.3	0.7	0.9	1.0	1.4	1.8	2.3	2.9	3.1	3.1	3.1	3.0	2.8	2.5	2.2	1.8
24	0.0	0.3	0.7	1.0	1.2	1.5	1.9	2.5	3.0	3.3	3.3	3.3	3.3	3.1	2.9	2.7	2.4
26	0.0	0.3	0.7	1.1	1.3	1.6	2.1	2.7	3.1	3.4	3.5	3.5	3.5	3.4	3.3	3.1	2.8

CSSB305 (FIN) > STATUS QUO

CSSB305 (FIN) = STATUS QUO

CSSB305 (FIN) < STATUS QUO

4/07/2010

MODELING THE OIL TAX INCREASE

4/7/2010

Oil Tax Comparison

- Model Assumptions:
  - One year snapshot
  - 4.5 Bcf/d and 500 Mbbl/d
  - Total Opex = $2.2 Bn and Total Capex = $2.2 Bn

- Ran multiple cases varying oil price from 40 to 200 $/bbl and gas price parity from 6 to 26
- Ran the above cases for each of BOE, PoP and Fixed cost allocation methodology

Oil Tax CSSB305 (FIN) less Status Quo*
BOE Cost Allocation

8

Gas Price Parity

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.2	0.3	0.5	0.6	0.6	0.7	0.8	0.9	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4
8	0.5	0.3	0.7	1.1	1.3	1.5	1.8	2.0	1.8	1.5	1.2	1.1	1.2	1.2	1.3	1.4	1.6
10	0.5	0.6	0.7	1.2	1.7	2.0	2.4	2.8	2.7	2.5	2.3	2.1	1.7	1.8	1.9	2.1	2.3
12	0.5	0.8	0.9	1.2	1.8	2.4	2.8	3.2	3.3	3.2	3.1	2.9	2.7	2.4	2.4	2.6	2.8
14	0.5	0.9	1.1	1.3	1.8	2.4	3.1	3.6	3.7	3.7	3.7	3.6	3.4	3.2	3.0	2.9	3.1
16	0.5	0.9	1.3	1.5	1.9	2.5	3.1	3.8	4.0	4.1	4.1	4.0	4.0	3.8	3.7	3.5	3.4
18	0.5	0.9	1.5	1.7	2.0	2.5	3.3	3.8	4.1	4.4	4.4	4.4	4.4	4.3	4.2	4.0	3.8
20	0.5	0.9	1.6	1.8	2.2	2.6	3.4	4.0	4.2	4.4	4.7	4.7	4.7	4.7	4.6	4.5	4.4
22	0.5	0.9	1.6	2.0	2.3	2.8	3.4	4.2	4.4	4.5	4.6	4.9	5.0	5.0	5.0	4.9	4.8
24	0.5	0.9	1.6	2.1	2.4	2.9	3.6	4.3	4.5	4.7	4.8	4.9	5.1	5.3	5.3	5.2	5.1
26	0.5	0.9	1.6	2.2	2.5	3.1	3.7	4.5	4.6	4.8	5.0	5.1	5.2	5.3	5.5	5.5	5.4

CSSB305 (FIN) > STATUS QUO

CSSB305 (FIN) = STATUS QUO

CSSB305 (FIN) < STATUS QUO

*Oil Tax under the Status Quo equals Total Tax less attributed gas tax

4/07/2010

5400

Oil Tax CSSB305 (FIN) less Status Quo*
PoP Cost Allocation

9

Gas Price Parity ↓

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	0.0	0.2	0.3	0.4	0.5	0.5	0.6	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
8	0.0	0.0	0.1	0.5	0.7	0.9	1.1	1.4	1.4	1.1	0.8	0.6	0.7	0.8	0.9	1.0	1.1
10	0.0	0.0	0.0	0.4	0.8	1.1	1.4	1.8	2.0	1.8	1.6	1.4	1.0	1.1	1.3	1.4	1.6
12	0.0	0.1	0.0	0.3	0.7	1.2	1.6	2.0	2.3	2.3	2.2	2.0	1.8	1.5	1.5	1.7	1.8
14	0.0	0.2	0.1	0.2	0.6	1.2	1.6	2.1	2.6	2.6	2.6	2.5	2.4	2.2	1.9	1.8	2.0
16	0.0	0.2	0.3	0.2	0.5	1.1	1.7	2.2	2.7	2.8	2.8	2.8	2.7	2.6	2.4	2.2	2.2
18	0.0	0.2	0.5	0.4	0.5	1.0	1.7	2.2	2.7	3.0	3.0	3.1	3.0	3.0	2.8	2.7	2.5
20	0.0	0.2	0.6	0.5	0.7	0.9	1.6	2.2	2.8	3.1	3.2	3.2	3.3	3.2	3.1	3.0	2.9
22	0.0	0.2	0.6	0.7	0.8	1.1	1.5	2.2	2.8	3.2	3.3	3.4	3.4	3.4	3.4	3.3	3.2
24	0.0	0.2	0.6	0.8	0.9	1.2	1.7	2.2	2.8	3.3	3.4	3.5	3.6	3.6	3.6	3.5	3.4
26	0.0	0.2	0.6	0.9	1.1	1.4	1.8	2.3	2.8	3.3	3.5	3.6	3.7	3.8	3.8	3.7	3.7

CSSB305 (FIN) > STATUS QUO CSSB305 (FIN) = STATUS QUO CSSB305 (FIN) < STATUS QUO

*Oil Tax under the Status Quo equals Total Tax less attributed gas tax

4/07/2010

Oil Tax CSSB305 (FIN) less Status Quo*
Fixed (50/50) Cost Allocation

10

Gas Price Parity

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.2	0.1	0.3	0.3	0.3	0.4	0.4	0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
8	0.3	0.2	0.5	0.8	1.0	1.2	1.4	1.6	1.5	1.2	0.9	0.7	0.8	0.9	1.0	1.1	1.2
10	0.3	0.4	0.5	1.0	1.4	1.7	2.0	2.3	2.4	2.2	2.0	1.7	1.4	1.5	1.6	1.7	1.9
12	0.3	0.7	0.7	0.9	1.6	2.0	2.4	2.8	2.9	2.9	2.8	2.6	2.4	2.1	2.0	2.2	2.4
14	0.3	0.7	0.9	1.1	1.5	2.2	2.7	3.2	3.4	3.4	3.3	3.2	3.1	2.9	2.6	2.5	2.7
16	0.3	0.7	1.1	1.2	1.6	2.2	2.8	3.5	3.7	3.7	3.7	3.7	3.6	3.5	3.3	3.1	3.0
18	0.3	0.7	1.3	1.4	1.7	2.2	2.9	3.5	3.9	4.0	4.1	4.1	4.0	4.0	3.8	3.7	3.5
20	0.3	0.7	1.4	1.6	1.9	2.3	3.0	3.7	3.9	4.2	4.3	4.4	4.4	4.3	4.3	4.1	4.0
22	0.3	0.7	1.4	1.7	2.0	2.5	3.1	3.8	4.1	4.2	4.5	4.6	4.7	4.7	4.6	4.5	4.4
24	0.3	0.7	1.4	1.8	2.2	2.6	3.2	3.9	4.2	4.4	4.5	4.7	4.9	4.9	4.9	4.9	4.8
26	0.3	0.7	1.4	1.9	2.3	2.7	3.4	4.1	4.4	4.5	4.7	4.8	4.9	5.1	5.2	5.1	5.1

CSSB305 (FIN) > STATUS QUO CSSB305 (FIN) = STATUS QUO CSSB305 (FIN) < STATUS QUO

*Oil Tax under the Status Quo equals Total Tax less attributed gas tax

4/07/2010

Oil Tax CSSB305 (FIN) less Status Quo*
Fixed (75/25) Cost Allocation

Gas Price Parity ↓

Oil Price ($/bbl) →

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)	(0.6)	(0.6)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)
8	0.1	(0.0)	(0.1)	0.2	0.2	0.3	0.5	0.6	0.7	0.4	0.0	(0.1)	(0.0)	0.0	0.1	0.1	0.2
10	0.1	0.1	0.1	0.3	0.7	0.8	1.1	1.3	1.6	1.4	1.2	0.9	0.5	0.6	0.7	0.8	0.9
12	0.1	0.4	0.2	0.5	0.8	1.2	1.5	1.8	2.2	2.1	2.0	1.8	1.5	1.2	1.1	1.3	1.4
14	0.1	0.5	0.4	0.5	1.0	1.4	1.8	2.2	2.6	2.6	2.5	2.4	2.2	2.0	1.7	1.6	1.8
16	0.1	0.5	0.6	0.7	1.0	1.5	2.0	2.5	2.9	2.9	2.9	2.9	2.8	2.6	2.4	2.2	2.1
18	0.1	0.5	0.8	0.9	1.1	1.5	2.2	2.7	3.2	3.2	3.3	3.2	3.2	3.1	2.9	2.7	2.5
20	0.1	0.5	0.9	1.0	1.3	1.6	2.2	2.8	3.4	3.5	3.5	3.6	3.5	3.5	3.4	3.2	3.0
22	0.1	0.5	0.9	1.2	1.4	1.8	2.3	2.9	3.5	3.7	3.8	3.8	3.8	3.8	3.7	3.6	3.5
24	0.1	0.5	0.9	1.3	1.5	1.9	2.4	3.0	3.6	3.8	3.9	4.0	4.0	4.0	4.0	3.9	3.8
26	0.1	0.5	0.9	1.4	1.6	2.0	2.5	3.2	3.7	3.9	4.0	4.2	4.2	4.3	4.3	4.2	4.1

CSSB305 (FIN) > STATUS QUO CSSB305 (FIN) = STATUS QUO CSSB305 (FIN) < STATUS QUO

*Oil Tax under the Status Quo equals Total Tax less attributed gas tax

4/07/2010

Oil Tax CSSB305 (FIN) less Status Quo*
Fixed (90/10) Cost Allocation

12

Gas Price Parity ↓

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	(0.4)	(0.5)	(0.6)	(0.7)	(0.8)	(0.9)	(1.1)	(1.2)	(1.3)	(1.2)	(1.3)	(1.3)	(1.3)	(1.4)	(1.4)	(1.4)	(1.4)
8	0.0	(0.3)	(0.4)	(0.2)	(0.2)	(0.1)	(0.1)	0.0	0.1	(0.0)	(0.4)	(0.6)	(0.6)	(0.5)	(0.5)	(0.4)	(0.3)
10	0.0	0.0	(0.2)	0.0	0.2	0.4	0.5	0.7	1.0	1.0	0.7	0.4	0.0	0.0	0.1	0.3	0.4
12	0.0	0.2	0.0	0.1	0.4	0.7	1.0	1.2	1.6	1.6	1.5	1.3	1.0	0.7	0.6	0.7	0.9
14	0.0	0.3	0.2	0.3	0.5	1.0	1.3	1.6	2.0	2.1	2.0	1.9	1.7	1.5	1.2	1.1	1.2
16	0.0	0.3	0.4	0.4	0.6	1.1	1.5	1.9	2.3	2.5	2.5	2.4	2.3	2.1	1.9	1.6	1.5
18	0.0	0.3	0.6	0.6	0.7	1.2	1.7	2.1	2.6	2.8	2.8	2.8	2.7	2.6	2.4	2.2	2.0
20	0.0	0.3	0.7	0.7	0.9	1.2	1.8	2.3	2.8	3.0	3.1	3.1	3.0	2.9	2.8	2.7	2.5
22	0.0	0.3	0.7	0.9	1.0	1.4	1.8	2.4	2.9	3.2	3.3	3.3	3.3	3.3	3.2	3.1	2.9
24	0.0	0.3	0.7	1.0	1.2	1.5	1.9	2.5	3.1	3.4	3.5	3.5	3.5	3.5	3.5	3.4	3.3
26	0.0	0.3	0.7	1.1	1.3	1.6	2.1	2.7	3.2	3.5	3.6	3.7	3.7	3.7	3.7	3.7	3.6

CSSB305 (FIN) > STATUS QUO CSSB305 (FIN) = STATUS QUO CSSB305 (FIN) < STATUS QUO

*Oil Tax under the Status Quo equals Total Tax less attributed gas tax

4/07/2010

Oil Tax Comparison

- Model Assumptions:
  - One year snapshot
  - 4.5 Bcf/d and 200 Mbbl/d
  - Total Opex = $2.2 Bn and Total Capex = $2.2 Bn

- Ran multiple cases varying oil price from 40 to 200 $/bbl and gas price parity from 6 to 26
- Ran the above cases for each of BOE, PoP and Fixed cost allocation methodology

Oil Tax CSSB305 (FIN) less Status Quo*
BOE Cost Allocation

14

Gas Price Parity

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	0.2	0.2	0.3	0.3	0.4	0.4	0.5	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
8	0.0	0.0	0.3	0.5	0.7	0.8	1.0	1.1	1.1	1.1	1.0	0.9	0.7	0.7	0.8	0.8	0.9
10	0.0	0.0	0.3	0.4	0.9	1.1	1.3	1.5	1.6	1.6	1.6	1.6	1.5	1.4	1.3	1.2	1.3
12	0.0	0.0	0.3	0.6	0.7	1.1	1.5	1.8	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.9
14	0.0	0.0	0.3	0.6	0.9	1.0	1.3	1.9	2.1	2.3	2.3	2.4	2.4	2.5	2.5	2.5	2.5
16	0.0	0.0	0.3	0.6	0.9	1.2	1.4	1.7	2.1	2.5	2.6	2.7	2.8	2.8	2.9	2.9	2.9
18	0.0	0.0	0.3	0.6	0.9	1.3	1.5	1.8	2.0	2.3	2.7	2.9	3.0	3.1	3.2	3.2	3.3
20	0.0	0.0	0.3	0.6	0.9	1.3	1.7	1.9	2.1	2.3	2.5	2.9	3.2	3.3	3.4	3.5	3.6
22	0.0	0.0	0.3	0.6	0.9	1.3	1.8	2.1	2.2	2.4	2.6	2.8	3.2	3.4	3.6	3.7	3.8
24	0.0	0.0	0.3	0.6	0.9	1.3	1.8	2.2	2.4	2.5	2.7	2.9	3.1	3.4	3.7	3.9	4.1
26	0.0	0.0	0.3	0.6	0.9	1.3	1.8	2.3	2.5	2.6	2.8	3.0	3.2	3.4	3.6	3.9	4.2

CSSB305 (FIN) > STATUS QUO

CSSB305 (FIN) = STATUS QUO

CSSB305 (FIN) < STATUS QUO

*Oil Tax under the Status Quo equals Total Tax less attributed gas tax

4/07/2010

Oil Tax CSSB305 (FIN) less Status Quo*
PoP Cost Allocation

15

Gas Price Parity

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	0.0	0.0	0.1	0.2	0.2	0.3	0.3	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2
8	0.0	0.0	0.0	0.1	0.2	0.4	0.5	0.6	0.7	0.7	0.6	0.5	0.4	0.4	0.4	0.5	0.6
10	0.0	0.0	0.0	0.0	0.1	0.3	0.5	0.7	0.9	1.0	1.0	1.0	0.9	0.9	0.8	0.7	0.7
12	0.0	0.0	0.0	0.0	0.0	0.2	0.4	0.7	0.9	1.2	1.2	1.3	1.3	1.3	1.2	1.2	1.1
14	49.0	0.0	0.0	0.0	0.0	0.1	0.3	0.5	0.9	1.2	1.4	1.4	1.5	1.5	1.5	1.5	1.5
16	9.2	0.0	0.0	0.0	0.0	0.0	0.2	0.4	0.7	1.1	1.4	1.5	1.6	1.7	1.7	1.8	1.8
18	5.5	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.6	0.9	1.3	1.6	1.7	1.8	1.9	1.9	2.0
20	4.2	318.8	0.0	0.0	0.0	0.0	0.0	0.2	0.5	0.8	1.2	1.6	1.7	1.8	1.9	2.0	2.1
22	3.6	28.2	0.0	0.0	0.0	0.0	0.0	0.1	0.4	0.7	1.1	1.5	1.7	1.9	2.0	2.1	2.2
24	3.2	14.4	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.6	0.9	1.4	1.7	1.9	2.0	2.2	2.3
26	2.9	10.1	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.5	0.8	1.2	1.6	1.9	2.0	2.2	2.3

CSSB305 (FIN) > STATUS QUO CSSB305 (FIN) = STATUS QUO CSSB305 (FIN) < STATUS QUO

*Oil Tax under the Status Quo equals Total Tax less attributed gas tax

4/07/2010

Oil Tax CSSB305 (FIN) less Status Quo*
Fixed (27/73) Cost Allocation

16

Gas Price Parity ↓

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	0.0	0.0	0.3	0.4	0.5	0.6	0.7	0.9	0.9	0.9	0.8	0.7	0.5	0.5	0.6	0.6	0.6
10	0.0	0.0	0.2	0.3	0.7	0.9	1.1	1.3	1.4	1.4	1.4	1.4	1.3	1.2	1.1	1.0	1.1
12	0.0	0.0	0.2	0.4	0.5	1.0	1.2	1.5	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.7	1.7
14	0.0	0.0	0.2	0.4	0.7	0.9	1.2	1.7	2.0	2.1	2.1	2.2	2.2	2.3	2.3	2.3	2.3
16	0.0	0.0	0.2	0.4	0.8	1.0	1.2	1.5	2.0	2.3	2.4	2.5	2.5	2.6	2.7	2.7	2.7
18	0.0	0.0	0.2	0.4	0.8	1.2	1.4	1.6	1.9	2.2	2.6	2.7	2.8	2.9	3.0	3.0	3.1
20	0.0	0.0	0.2	0.4	0.8	1.2	1.5	1.7	2.0	2.1	2.4	2.8	3.0	3.1	3.2	3.3	3.4
22	0.0	0.0	0.2	0.4	0.8	1.2	1.6	1.8	2.1	2.2	2.4	2.7	3.0	3.3	3.4	3.5	3.6
24	0.0	0.0	0.2	0.4	0.8	1.2	1.6	2.0	2.2	2.3	2.5	2.7	3.0	3.3	3.5	3.7	3.8
26	0.0	0.0	0.2	0.4	0.8	1.2	1.6	2.1	2.3	2.4	2.6	2.8	3.0	3.3	3.5	3.8	4.0

CSSB305 (FIN) > STATUS QUO CSSB305 (FIN) = STATUS QUO CSSB305 (FIN) < STATUS QUO

*Oil Tax under the Status Quo equals Total Tax less attributed gas tax

4/07/2010

Oil Tax CSSB305 (FIN) less Status Quo*
Fixed (50/50) Cost Allocation

17

Gas Price Parity ↓

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	(0.2)	(0.3)	(0.4)	(0.4)	(0.5)	(0.6)	(0.6)	(0.7)	(0.8)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
8	0.0	0.0	(0.1)	(0.2)	(0.1)	(0.1)	(0.3)	(0.0)	0.0	0.1	0.0	(0.1)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)
10	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.4	0.5	0.6	0.7	0.6	0.5	0.4	0.3	0.2	0.2
12	0.0	0.0	0.0	0.0	0.2	0.3	0.5	0.7	0.8	1.0	1.1	1.1	1.1	1.0	1.0	0.9	0.8
14	0.0	0.0	0.0	0.0	0.2	0.4	0.6	0.8	1.1	1.3	1.4	1.4	1.5	1.5	1.5	1.4	1.4
16	0.0	0.0	0.0	0.0	0.3	0.4	0.6	0.9	1.2	1.5	1.7	1.7	1.8	1.8	1.8	1.9	1.9
18	0.0	0.0	0.0	0.0	0.3	0.6	0.7	0.9	1.3	1.6	1.8	1.9	2.0	2.1	2.1	2.2	2.2
20	0.0	0.0	0.0	0.0	0.3	0.6	0.8	1.0	1.2	1.7	1.9	2.1	2.2	2.3	2.4	2.5	2.5
22	0.0	0.0	0.0	0.0	0.3	0.6	0.9	1.1	1.3	1.6	1.9	2.2	2.4	2.5	2.6	2.7	2.8
24	0.0	0.0	0.0	0.0	0.3	0.6	0.9	1.2	1.4	1.7	1.9	2.2	2.5	2.7	2.8	2.9	3.0
26	0.0	0.0	0.0	0.0	0.3	0.6	0.9	1.3	1.5	1.8	2.0	2.2	2.4	2.8	2.9	3.0	3.2

CSSB305 (FIN) > STATUS QUO CSSB305 (FIN) = STATUS QUO CSSB305 (FIN) < STATUS QUO

*Oil Tax under the Status Quo equals Total Tax less attributed gas tax

4/07/2010

Oil Tax CSSB305 (FIN) less Status Quo*
Fixed (90/10) Cost Allocation

18

Gas Price Parity ↓

Oil Price ($/bbl) →

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	(0.2)	(0.4)	(0.6)	(0.9)	(1.3)	(1.6)	(1.8)	(2.0)	(2.2)	(2.2)	(2.1)	(2.0)	(2.1)	(2.1)	(2.2)	(2.2)
8	0.0	0.0	(0.2)	(0.4)	(0.6)	(0.9)	(1.1)	(1.2)	(1.3)	(1.4)	(1.4)	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)	(1.6)
10	0.0	0.0	0.0	(0.2)	(0.4)	(0.6)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)	(1.0)	(1.2)	(1.2)
12	0.0	0.0	0.0	0.0	(0.2)	(0.5)	(0.6)	(0.5)	(0.5)	(0.4)	(0.4)	(0.3)	(0.2)	(0.3)	(0.4)	(0.5)	(0.6)
14	0.0	0.0	0.0	0.0	(0.1)	(0.3)	(0.4)	(0.4)	(0.3)	(0.2)	(0.1)	0.0	0.2	0.2	0.1	0.1	0.0
16	0.0	0.0	0.0	0.0	0.0	(0.2)	(0.3)	(0.2)	(0.1)	0.0	0.2	0.3	0.5	0.5	0.5	0.5	0.5
18	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.1)	(0.0)	0.1	0.4	0.5	0.7	0.8	0.8	0.8	0.8
20	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.5	0.7	0.9	1.0	1.1	1.1	1.1
22	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.3	0.5	0.8	1.1	1.2	1.3	1.3	1.4
24	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.4	0.6	0.9	1.2	1.4	1.4	1.5	1.6
26	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.4	0.5	0.7	1.0	1.3	1.5	1.6	1.7	1.7

CSSB305 (FIN) > STATUS QUO CSSB305 (FIN) = STATUS QUO CSSB305 (FIN) < STATUS QUO

*Oil Tax under the Status Quo equals Total Tax less attributed gas tax

4/07/2010

MODELING THE GAS TAX LOWERING

4/7/2010

Gas Tax Comparison

- Model Assumptions:
  - One year snapshot
  - 4.5 Bcf/d and 500 Mbbl/d
  - Total Opex = $2.2 Bn and Total Capex = $2.2 Bn

- Ran multiple cases varying oil price from 40 to 200 $/bbl and gas price parity from 6 to 26
- Ran the above cases for each of BOE, PoP and Fixed cost allocation methodology

Gas Tax CSSB305 (FIN) less Status Quo*
BOE Cost Allocation

20

Gas Price Parity

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	(0.2)	(0.2)	(0.2)	(0.4)	(0.5)	(0.6)	(0.6)	(0.7)	(0.8)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
8	0.0	(0.2)	(0.4)	(0.3)	(0.5)	(0.8)	(1.0)	(1.1)	(1.3)	(1.5)	(1.8)	(1.7)	(1.4)	(1.1)	(0.9)	(1.0)	(1.1)
10	0.0	(0.0)	(0.2)	(0.5)	(0.5)	(0.6)	(0.8)	(1.1)	(1.4)	(1.6)	(1.8)	(2.1)	(2.4)	(2.4)	(2.3)	(2.1)	(1.9)
12	0.0	0.0	(0.1)	(0.2)	(0.5)	(0.6)	(0.7)	(0.9)	(1.1)	(1.4)	(1.7)	(2.0)	(2.3)	(2.6)	(2.7)	(2.7)	(2.7)
14	0.0	0.0	0.0	(0.1)	(0.2)	(0.4)	(0.7)	(0.8)	(0.9)	(1.1)	(1.4)	(1.7)	(2.0)	(2.3)	(2.6)	(2.8)	(2.9)
16	0.0	0.0	0.0	0.0	(0.1)	(0.2)	(0.4)	(0.7)	(0.8)	(1.0)	(1.1)	(1.4)	(1.6)	(2.0)	(2.3)	(2.6)	(2.9)
18	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.2)	(0.4)	(0.7)	(0.9)	(1.0)	(1.2)	(1.4)	(1.6)	(1.9)	(2.2)	(2.6)
20	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.3)	(0.4)	(0.7)	(0.9)	(1.1)	(1.2)	(1.4)	(1.6)	(1.9)	(2.2)
22	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.3)	(0.4)	(0.7)	(0.9)	(1.1)	(1.3)	(1.4)	(1.6)	(1.9)
24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.3)	(0.5)	(0.7)	(0.9)	(1.2)	(1.3)	(1.5)	(1.7)
26	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.3)	(0.5)	(0.7)	(0.9)	(1.1)	(1.3)	(1.5)

CSSB305 (FIN) > STATUS QUO CSSB305 (FIN) = STATUS QUO CSSB305 (FIN) < STATUS QUO

*Gas Tax under the Status Quo equals Attributed Gas Tax

4/07/2010

Gas Tax CSSB305 (FIN) less Status Quo*
PoP Cost Allocation

22

Gas Price Parity ↓

Oil Price ($/bbl) →

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	0.0	(0.0)	(0.2)	(0.3)	(0.4)	(0.4)	(0.5)	(0.6)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
8	0.0	0.0	0.0	0.0	(0.2)	(0.4)	(0.6)	(0.7)	(0.9)	(1.1)	(1.3)	(1.2)	(0.9)	(0.6)	(0.6)	(0.6)	(0.7)
10	0.0	0.0	0.0	0.0	(0.0)	(0.2)	(0.4)	(0.7)	(0.8)	(1.1)	(1.3)	(1.5)	(1.8)	(1.7)	(1.6)	(1.4)	(1.2)
12	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.2)	(0.4)	(0.6)	(0.9)	(1.1)	(1.3)	(1.6)	(1.9)	(2.0)	(2.0)	(1.9)
14	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.2)	(0.4)	(0.6)	(0.9)	(1.1)	(1.4)	(1.6)	(1.9)	(2.1)	(2.1)
16	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.2)	(0.4)	(0.6)	(0.8)	(1.1)	(1.4)	(1.6)	(1.9)	(2.1)
18	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.0)	(0.1)	(0.2)	(0.4)	(0.6)	(0.8)	(1.0)	(1.3)	(1.6)	(1.9)
20	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.1)	(0.3)	(0.4)	(0.6)	(0.8)	(1.0)	(1.3)	(1.6)
22	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.0)	(0.1)	(0.2)	(0.3)	(0.4)	(0.6)	(0.8)	(1.0)	(1.2)
24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.1)	(0.2)	(0.3)	(0.4)	(0.6)	(0.8)	(1.0)
26	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.0)	(0.1)	(0.1)	(0.2)	(0.3)	(0.4)	(0.6)	(0.8)

CSSB305 (FIN) > STATUS QUO CSSB305 (FIN) = STATUS QUO CSSB305 (FIN) < STATUS QUO

*Gas Tax under the Status Quo equals Attributed Gas Tax

4/07/2010

Gas Tax CSSB305 (FIN) less Status Quo*
Fixed (49/51) Cost Allocation

23

Gas Price Parity ↓

Oil Price ($/bbl) →

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	(0.2)	(0.1)	(0.0)	(0.2)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)
8	0.0	(0.2)	(0.3)	(0.2)	(0.4)	(0.6)	(0.8)	(0.9)	(1.1)	(1.3)	(1.5)	(1.4)	(1.1)	(0.7)	(0.7)	(0.7)	(0.8)
10	0.0	(0.0)	(0.2)	(0.4)	(0.3)	(0.5)	(0.7)	(1.0)	(1.2)	(1.4)	(1.6)	(1.9)	(2.1)	(2.1)	(1.9)	(1.8)	(1.6)
12	0.0	0.0	(0.1)	(0.2)	(0.5)	(0.5)	(0.5)	(0.7)	(1.0)	(1.3)	(1.5)	(1.8)	(2.0)	(2.3)	(2.5)	(2.5)	(2.4)
14	0.0	0.0	0.0	(0.1)	(0.2)	(0.4)	(0.5)	(0.6)	(0.8)	(1.0)	(1.2)	(1.5)	(1.8)	(2.1)	(2.4)	(2.6)	(2.7)
16	0.0	0.0	0.0	0.0	(0.1)	(0.2)	(0.4)	(0.6)	(0.7)	(0.8)	(1.0)	(1.2)	(1.5)	(1.8)	(2.2)	(2.4)	(2.7)
18	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.2)	(0.4)	(0.7)	(0.8)	(0.9)	(1.0)	(1.3)	(1.5)	(1.8)	(2.1)	(2.5)
20	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.3)	(0.4)	(0.7)	(0.8)	(0.9)	(1.1)	(1.3)	(1.5)	(1.8)	(2.0)
22	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.3)	(0.4)	(0.7)	(0.9)	(1.0)	(1.1)	(1.3)	(1.5)	(1.7)
24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.3)	(0.5)	(0.7)	(0.9)	(1.0)	(1.2)	(1.3)	(1.5)
26	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.3)	(0.5)	(0.7)	(0.9)	(1.1)	(1.2)	(1.4)

CSSB305 (FIN) > STATUS QUO CSSB305 (FIN) = STATUS QUO CSSB305 (FIN) < STATUS QUO

*Gas Tax under the Status Quo equals Attributed Gas Tax

4/07/2010

Gas Tax CSSB305 (FIN) less Status Quo*
Fixed (90/10) Cost Allocation

24

Gas Price Parity ↓

Oil Price ($/bbl) →

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.4	0.5	0.6	0.7	0.8	1.0	1.1	1.2	1.3	1.2	1.3	1.3	1.3	1.4	1.4	1.4	1.5
8	0.0	0.3	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.1	(0.0)	0.2	0.6	0.7	0.6	0.6	0.6
10	0.0	(0.0)	0.2	0.2	0.3	0.2	0.0	(0.1)	(0.2)	(0.3)	(0.4)	(0.6)	(0.8)	(0.7)	(0.4)	(0.2)	0.1
12	0.0	0.0	(0.0)	0.1	0.2	0.2	0.1	(0.1)	(0.3)	(0.4)	(0.6)	(0.7)	(0.9)	(1.1)	(1.2)	(1.1)	(1.0)
14	0.0	0.0	0.0	(0.1)	0.0	0.1	0.1	0.0	(0.1)	(0.3)	(0.6)	(0.7)	(0.9)	(1.1)	(1.3)	(1.5)	(1.5)
16	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	(0.1)	(0.2)	(0.4)	(0.6)	(0.8)	(1.0)	(1.2)	(1.5)	(1.6)
18	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.0)	(0.0)	(0.0)	(0.1)	(0.3)	(0.4)	(0.6)	(0.9)	(1.1)	(1.3)	(1.5)
20	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.0)	(0.1)	(0.1)	(0.2)	(0.3)	(0.5)	(0.6)	(0.9)	(1.1)	(1.4)
22	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.3)	(0.5)	(0.7)	(0.9)	(1.1)
24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	(0.3)	(0.4)	(0.5)	(0.7)	(0.9)
26	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)	(0.4)	(0.6)	(0.7)

CSSB305 (FIN) > STATUS QUO CSSB305 (FIN) = STATUS QUO CSSB305 (FIN) < STATUS QUO

*Gas Tax under the Status Quo equals Attributed Gas Tax

4/07/2010

Gas Tax Comparison

- Model Assumptions:
  - One year snapshot
  - 4.5 Bcf/d and 200 Mbbl/d
  - Total Opex = $2.2 Bn and Total Capex = $2.2 Bn

- Ran multiple cases varying oil price from 40 to 200 $/bbl and gas price parity from 6 to 26
- Ran the above cases for each of BOE, PoP and Fixed cost allocation methodology

Gas Tax CSSB305 (FIN) less Status Quo*
BOE Cost Allocation

26

Gas Price Parity

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	(0.2)	(0.1)	(0.2)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
8	0.0	0.0	(0.2)	(0.3)	(0.2)	(0.4)	(0.5)	(0.6)	(0.7)	(0.8)	(1.0)	(1.1)	(1.2)	(0.9)	(0.6)	(0.6)	(0.6)
10	0.0	0.0	0.0	(0.2)	(0.4)	(0.4)	(0.4)	(0.5)	(0.8)	(0.9)	(1.0)	(1.1)	(1.3)	(1.5)	(1.6)	(1.8)	(1.6)
12	0.0	0.0	0.0	0.0	(0.2)	(0.4)	(0.5)	(0.4)	(0.5)	(0.7)	(0.9)	(1.1)	(1.2)	(1.4)	(1.6)	(1.7)	(1.9)
14	0.0	0.0	0.0	0.0	(0.0)	(0.2)	(0.4)	(0.6)	(0.5)	(0.6)	(0.7)	(0.9)	(1.1)	(1.3)	(1.5)	(1.6)	(1.8)
16	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.2)	(0.3)	(0.5)	(0.6)	(0.6)	(0.7)	(0.9)	(1.0)	(1.2)	(1.5)	(1.6)
18	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.2)	(0.3)	(0.5)	(0.6)	(0.7)	(0.8)	(0.9)	(1.0)	(1.2)	(1.4)
20	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.2)	(0.3)	(0.4)	(0.6)	(0.8)	(0.8)	(0.9)	(1.0)	(1.2)
22	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.2)	(0.3)	(0.4)	(0.6)	(0.8)	(0.9)	(0.9)	(1.0)
24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.0)	(0.1)	(0.2)	(0.3)	(0.4)	(0.5)	(0.7)	(0.9)	(1.0)
26	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.1)	(0.2)	(0.3)	(0.4)	(0.5)	(0.7)	(0.9)

CSSB305 (FIN) > STATUS QUO CSSB305 (FIN) = STATUS QUO CSSB305 (FIN) < STATUS QUO

*Gas Tax under the Status Quo equals Attributed Gas Tax

4/07/2010

Gas Tax CSSB305 (FIN) less Status Quo*
PoP Cost Allocation

27

Gas Price Parity ↓

Oil Price ($/bbl) →

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	0.0	0.0	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
8	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.2)	(0.3)	(0.4)	(0.5)	(0.6)	(0.7)	(0.8)	(0.5)	(0.3)	(0.3)	(0.4)
10	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.2)	(0.4)	(0.5)	(0.6)	(0.7)	(0.8)	(1.0)	(1.1)	(1.2)	(1.0)
12	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.3)	(0.5)	(0.6)	(0.7)	(0.8)	(1.0)	(1.1)	(1.3)
14	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.2)	(0.4)	(0.6)	(0.7)	(0.8)	(1.0)	(1.1)
16	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.2)	(0.3)	(0.5)	(0.7)	(0.8)	(0.9)
18	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.2)	(0.3)	(0.4)	(0.6)	(0.8)
20	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.1)	(0.3)	(0.4)	(0.6)
22	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.1)	(0.2)	(0.4)
24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.1)	(0.2)
26	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.2)

CSSB305 (FIN) > STATUS QUO

CSSB305 (FIN) = STATUS QUO

CSSB305 (FIN) < STATUS QUO

*Gas Tax under the Status Quo equals Attributed Gas Tax

4/07/2010

Gas Tax CSSB305 (FIN) less Status Quo*
Fixed (25/75) Cost Allocation

28

Gas Price Parity ↓

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
8	0.0	0.0	(0.2)	(0.2)	(0.2)	(0.3)	(0.4)	(0.5)	(0.6)	(0.7)	(0.8)	(0.9)	(1.0)	(0.7)	(0.4)	(0.4)	(0.5)
10	0.0	0.0	0.0	(0.2)	(0.3)	(0.3)	(0.3)	(0.5)	(0.7)	(0.8)	(0.9)	(1.0)	(1.2)	(1.3)	(1.5)	(1.6)	(1.4)
12	0.0	0.0	0.0	0.0	(0.2)	(0.4)	(0.4)	(0.4)	(0.5)	(0.6)	(0.9)	(1.0)	(1.1)	(1.3)	(1.4)	(1.6)	(1.8)
14	0.0	0.0	0.0	0.0	(0.0)	(0.2)	(0.4)	(0.5)	(0.5)	(0.5)	(0.6)	(0.8)	(1.0)	(1.2)	(1.3)	(1.5)	(1.7)
16	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.2)	(0.3)	(0.5)	(0.5)	(0.6)	(0.7)	(0.8)	(0.9)	(1.2)	(1.4)	(1.5)
18	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.2)	(0.3)	(0.5)	(0.6)	(0.6)	(0.7)	(0.8)	(0.9)	(1.1)	(1.3)
20	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.2)	(0.3)	(0.4)	(0.6)	(0.7)	(0.7)	(0.8)	(0.9)	(1.1)
22	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.2)	(0.3)	(0.4)	(0.6)	(0.7)	(0.8)	(0.9)	(1.0)
24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.0)	(0.1)	(0.2)	(0.3)	(0.4)	(0.5)	(0.7)	(0.8)	(0.9)
26	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.1)	(0.2)	(0.3)	(0.4)	(0.5)	(0.7)	(0.9)

CSSB305 (FIN) > STATUS QUO CSSB305 (FIN) = STATUS QUO CSSB305 (FIN) < STATUS QUO

*Gas Tax under the Status Quo equals Attributed Gas Tax

4/07/2010

Gas Tax CSSB305 (FIN) less Status Quo*
Fixed (90/10) Cost Allocation

29

Gas Price Parity ↓

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.6	0.9	1.0	1.3	1.5	1.7	1.9	2.1	2.3	1.9	2.0	2.1	2.1	2.2	2.2	2.3	2.3
8	0.0	0.5	0.7	0.8	0.8	1.0	1.1	1.2	1.3	1.4	1.4	1.5	1.5	1.6	1.6	1.6	1.6
10	0.0	0.0	0.4	0.6	0.6	0.7	0.7	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.8	0.8	1.2
12	0.0	0.0	0.0	0.3	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.4	0.3
14	0.0	0.0	0.0	0.0	0.3	0.4	0.4	0.5	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.2	0.1
16	0.0	0.0	0.0	0.0	0.0	0.2	0.3	0.4	0.4	0.5	0.4	0.3	0.2	0.2	0.2	0.1	0.0
18	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.3	0.4	0.4	0.4	0.3	0.2	0.1	0.0	(0.0)
20	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.0	(0.1)
22	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	0.1	0.2	0.2	0.3	0.3	0.3	0.2	0.1	0.0
24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.0)	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.1
26	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.0)	0.0	0.1	0.1	0.2	0.2	0.2	0.1

CSSB305 (FIN) > STATUS QUO

CSSB305 (FIN) = STATUS QUO

CSSB305 (FIN) < STATUS QUO

*Gas Tax under the Status Quo equals Attributed Gas Tax

4/07/2010

Alaska Oil and Gas Association

AOGA

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TESTIMONY
OF THE
ALASKA OIL AND GAS ASSOCIATION
REGARDING CSSB 305(FIN) (TITLE AM)

PRESENTED TO THE
HOUSE RESOURCES COMMITTEE

April 7, 2010

Mr. Chairman and Members of the Committee:

My name is Marilyn Crockett and I am the Executive Director of the Alaska Oil and Gas Association (AOGA), the private, nonprofit trade association for the oil and gas industry in Alaska. Our 14 members account for the majority of oil and gas activities in the state. We appreciate the opportunity to share with you our deep concerns about Committee Substitute for Senate Bill 305, Finance, title amended — "SB 305" for short — which has passed the Senate and is now before you for consideration. The written testimony submitted for the record today has been approved by the AOGA Tax Committee, which can only approve testimony or public statements in AOGA's name about tax matters unless there is no dissent. We recognize, of course, that my oral testimony today will be included in the transcript for today's hearing.

We believe proposed legislation to revise a major tax like the production tax should be evaluated to see whether the change would improve the investment climate in Alaska, lead to more investment to help stem the annual oil production decline, simplify and add clarity to Alaska's complicated tax structure and whether it is it something that should be enacted now. AOGA's 14 member companies agree unanimously that SB 305 fails all of these tests and thus should not be enacted.

We have three main concerns with SB 305:

1) It is premature to establish decoupling at this time.

2) The justification for decoupling is flawed.

3) Determining an appropriate mechanism for cost allocations is complex and further analysis should be done to ensure a proper methodology is established.

SB 305 proposes to alter Alaska's current production tax structure by decoupling oil and gas so that progressivity will apply to them separately and so that revenues and costs will be separately determined, in order to avoid the potential for state revenue "dilution" when major gas sales are commingled with the oil stream. As a consequence of this decoupling, SB 305 proposes to have lease expenditures allocated between oil and gas.

Decoupling is Premature

Our first concern with proposed SB 305 is that it is premature to put decoupling into effect this year. The impetus to pass SB 305 this session appears to be driven by the AGIA provision that purports to provide gas tax fiscal certainty through a lock-in provision on May 1 to any company committing gas during the first open season. And that failure to address the dilution issue prior to that May 1 deadline might prohibit a future correction.

The apparent rush to address this issue will yield a "fix" that is not needed now and one that will result in further complexity to Alaska's already complex production tax system and will lead to adverse unintended tax and administrative consequences, further reducing an already shaky future investment climate—a potential result that neither the State of Alaska nor our industry can afford.

Potential changes to any tax regime need to be carefully considered and designed to ensure the desired objective of resource development is achieved. This is especially true for Alaska. Sufficient time should be given to examine the potential impacts and costs of SB 305 fully.

Flawed Justification for Decoupling

We are also concerned about the very idea of decoupling and the justification that is being offered for it. The $2 billion figure that is being circulated as the amount of production tax that the State would "lose" each year without decoupling is deeply flawed. Regarding the $2 billion figure, one must understand that there are three primary drivers that determine how much tax revenue the production tax generates. One is the netback value, the second is the amount of lease expenditures or deductible cost, and the third is the number of BTU equivalent barrels that are being produced. The difference between the first driver and the second is not only the value that is taxed, but when expressed on a BTU equivalent taxable barrel basis, it also determines whether progressivity applies, and if so, what the progressivity rate is.

The analysis for the $2 billion figure was based on generic deductible-cost data released by the Department of Revenue for the North Slope for 2008, and it also relied on oil production forecasts published by the State. The way these data were used in the analysis yields figures that are not likely to reflect actual circumstances in 2020 when a major gas pipeline is likely to begin operation. In particular, oil production in 2020 is likely to be significantly lower than the state estimate, which reflects an annual decline rate of only 2.7% during the current decade from FY 2010 to FY 2019. Historic annual decline rates for ANS oil have been 5.1% during the past 20 years and 6.6% during the last five.

This difference in decline rate means that, whatever the $2 billion analysis used as the figure for lease expenditures per barrel, the cost-per-barrel figure using these historic decline rates would be one-third to almost two-thirds higher. This means the analysis significantly overstated the taxable margin per barrel and overstated the tax rate to the extent it shows progressivity as applying. In addition, when

ANS gas production is added to the picture, it means the analysis understated the reduction in costs per BTU equivalent barrel because — with less oil production than the analysis assumed — the change in number of barrels to spread the costs over as a result of having the gas would be proportionally greater.

These distortions are inherent simply from the design of the analysis that produced the $2 billion figure, and do not depend on the particular numbers which that analysis used as the netback prices of gas and oil, or the deductible costs per barrel. Indeed, as stated in BP's March 12, 2010 letter to the Senate Finance Committee, it is possible in some situations that the State would actually receive more production tax without decoupling than with it. If, however, this Committee believes SB 305 needs to be passed this session, then the effective date of its key provisions, oil and gas decoupling and cost allocations, should be deferred until commercial production of Alaska North Slope gas commences.

Establishing Proper Cost Allocation Methodology is Complex

We are also very troubled over the potential cost allocations that SB 305 would require before major gas development. Under SB 305, taxpayers would be required — either immediately as the Bill now provides, or when commercial ANS gas production begins as we propose — to begin allocating costs between oil and gas. Developing a cost allocation methodology is a complex issue. Determining the proper methodology and understanding its potential impacts on the administration of and compliance with the underlying tax and on current and future investments are matters that should be fully evaluated and studied to ensure the concerns of all potentially affected taxpayers and the State can be adequately addressed.

The enactment of ACES was designed, in part, to incentivize investment and exploration of Alaska's resources. Requiring cost allocations prior to major gas development could undermine that objective. Currently, under AS 43.55.165(h), the Department of Revenue is authorized to develop, when needed, cost allocation methods to determine lease expenditures that are costs of exploring for, developing, or producing oil and gas deposits. If cost allocations are required prior to major gas development, how would costs associated for any lease or property (1) which contains both oil and gas, and (2) currently produces only oil (and possibly trace amounts of gas), be handled when the production of the oil provides information about the reservoir and its potential for major gas development? Would any of the costs be required to be allocated to gas, thereby raising the tax on current oil operations?

On the North Slope, there are producers with current oil production from one field that are also incurring gas related expenditures related to another field without gas production. How would those gas related expenditures be handled? Will the gas related expenditures be allowed for that producer against its oil related production income or only against future gas revenues from future gas production - revenues that producer may not have until many years in the future if at all?

Cost allocations prior to major gas development could also result in unintended consequences for explorers. Currently, an explorer who takes the risk and incurs the cost to explore in Alaska does so with the knowledge its expenses are deductible regardless of whether oil is discovered or gas. SB 305 is not clear and we are concerned that decoupling might be interpreted to mean that exploration expenditures will be deductible only for oil if oil is discovered, and only for gas if gas is discovered.

For an explorer with no production, or for one that only has oil production, discovering gas will mean there is nothing from which its exploration costs can be deducted for that discovery. As a result those costs will become "carried-forward annual loss" converted into a tax credit which can then either be used by that taxpayer in the next tax year or, if certain conditions are met, converted into a transferable tax credit certificate the taxpayer can then possibly sell to other taxpayers or to the state. Given the decoupling of oil and gas proposed by SB 305, the credit for the costs of a gas discovery could be limited so it could only be applied against tax on gas production. Since the tax on nearly all of today's gas production is capped under special rules, explorers who discover gas are likely to find it difficult, if not impossible, to find anyone with gas tax liability under decoupling who could use "carried-forward annual loss" credits from new gas discoveries. This needlessly penalizes explorers who are exploring for gas, as well as those who are exploring for oil but discover gas anyway.

The present tax without decoupling does not penalize explorers in this way, which is another reason why decoupling should be deferred until commercial ANS gas production begins. At that time there would be taxpayers with significant gas tax liability who would be in a position to use "carried-forward annual loss" credits from subsequent gas discoveries.

Entire Production Tax Structure Should Be Re-evaluated

It is important to reiterate AOGA's belief that the overall production tax structure in Alaska needs to re-examined carefully. As we have stated many times before, our primary concern is that the tax rates under the present production tax are already too high and place Alaska at a competitive disadvantage for oil industry investment. Based on the testimony you have heard this session and the Department of Revenue's own forecasts about expected future continuing decline in oil production and in projected industry investment, it is clear that a comprehensive evaluation and revision of the production tax needs to be undertaken if it is to achieve the objective of providing Alaska jobs, increasing Alaska production and maximizing State revenues.

Summary

In summary, then, it is premature to decouple gas from oil at this time. The concern that decoupling seeks to address will not arise until commercial ANS gas production begins. In addition, decoupling now will have unintended adverse consequences for current operations and explorers, particularly if they find gas instead of oil. Further, the case for any decoupling at all has not been adequately proven, and in any event, whatever negative effect there might be on production tax revenues without de-coupling seems likely to be substantially less than the $2 billion a year being claimed.

And finally, the production tax needs to be evaluated as a whole, both to see how well it works internally and how well it fits in with the other elements of Alaska's fiscal regime for oil and gas. We therefore ask this Committee to hold SB 305 in committee and let these matters be evaluated and addressed in a comprehensive fashion, instead of piecemeal as this Bill would do. Enacting SB 305 so it can be in place by May 1st and locked in for AGIA is premature. But if you feel you must enact it, then the effective date of its key provisions, oil and gas decoupling and cost allocations, should be deferred until commercial production of Alaska North Slope gas commences.

Thank you again for the opportunity to provide this testimony.

	decoupled tax rates		implied attributive tax rates	
	oil	gas	oil	gas
price ($/bbl or $/mmbtu)	$120.00	$8.00	$120.00	$8.00
transportation cost ($/bbl or $/mmbtu)	$6.50	$4.50	$6.50	$4.50
gross value ($/bbl or $/mmbtu)	$113.50	$3.50	$113.50	$3.50
volume (bbls/day or mcf/day)	500,000	4,500,000	500,000	4,500,000
BTU barrel of oil equivalents (BOE's)	500,000	750,000	500,000	4,500,000
annual BOE's	182,500,000	273,750,000	182,500,000	273,750,000
total gross value	$20,713,750,000	$5,748,750,000	$20,713,750,000	$5,748,750,000
non-royalty value	$18,124,531,250	$5,030,156,250	$18,124,531,250	$5,030,156,250
costs (allocated by BOEs)	$1,760,000,000	$2,640,000,000	$1,760,000,000	$2,640,000,000
net value	$16,364,531,250	$2,390,156,250	$16,364,531,250	$2,390,156,250
net value p/boe	$102.48	$9.98	$102.48	$9.98
gas net value p/mmbtu (boe / 6)		$1.66		$1.66
tax rate (base 25% rate plus progressivity)	**0.5399**	**0.25**	**0.2749**	**0.6124**
tax before credits	$8,835,437,796	$597,539,063	$4,498,687,217	$1,463,688,523
credits	$176,000,000	$264,000,000	$176,000,000	$264,000,000
tax	**$8,659,437,796**	**$333,539,063**	**$4,322,687,217**	**$1,199,688,523**
TOTAL		**$8,992,976,858**		**$5,522,375,740**

SB 350:
Notes on Operation of Tax

Logsdon & Associates
House Resources Committee
April 9, 2010

Example Cases

State Production Tax Revenue

Oil: 500 Mbbl/d and Gas: 4.5 Bcf/d

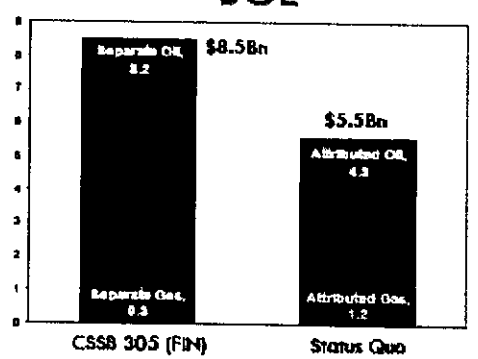
Capex: $2.2Bn and Opex: $2.2Bn

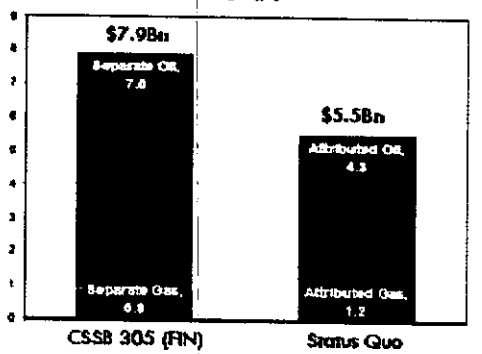
8

BOE

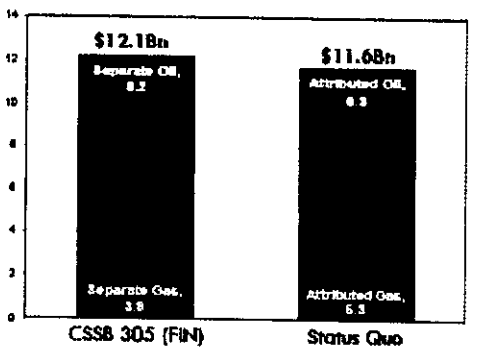
PoP

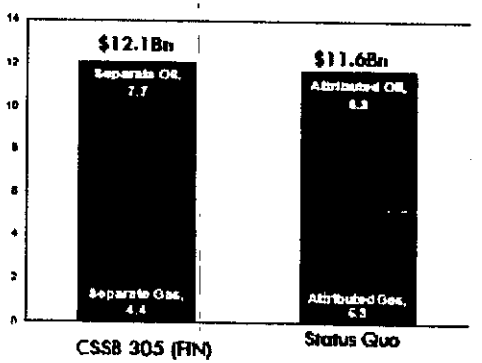
$120/$8 (15:1)





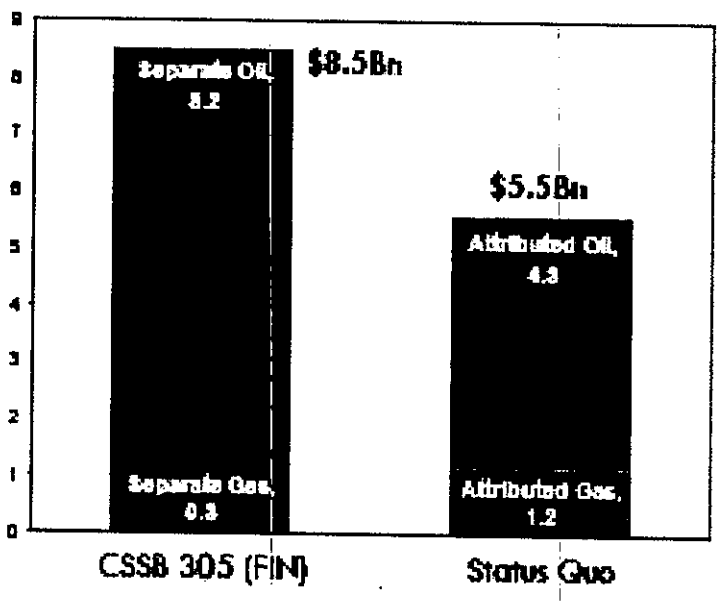
$120/$15 (8:1)





BOE

$120/$8
(15:1)


$8.5Bn
Separate Oil, 8.2
Separate Gas, 0.3
$5.5Bn
Attributed Oil, 4.3
Attributed Gas, 1.2
CSSB 305 (FIN)
Status Quo

OIL AND GAS TAXES COMBINED (STATUS QUO)

	oil	gas	combined
price ($/bbl or $/mmbtu)	$120.00	$8.00	
transportation cost ($/bbl or $/mmbtu)	$6.50	$4.50	
gross value ($/bbl or $/mmbtu)	$113.50	$3.50	
volume (bbls/day pr mcf/day)	500,000	4,500,000	
BTU barrel of oil equivalents (BOE's)	500,000	750,000	
annual BOE's	182,500,000	273,750,000	456,250,000
total gross value	$20,713,750,000	$5,748,750,000	$26,462,500,000
non-royalty gross value			$23,154,687,500
costs			$4,400,000,000
net value			$18,754,687,500
net value p/boe			$46.98
tax rate (base 25% rate plus progressivity)			0.3179
tax before credits			$5,962,375,740
credits			$440,000,000
tax			**$5,522,375,740**
DOR GAS TAX ALLOCATION METHODOLOGY (15 AAC 55.220)			
Proportion of Gross Value	0.78	0.22	
Atributed Gas Tax	$4,322,687,217	**$1,199,688,523**	

Attributed Gas Tax per DOR AGIA Regulations (15 AAC 55.220)

- AGIA tax inducement only applied to gas
- Since current tax is combined with oil it was necessary to ascribe that portion which is gas
- Regulation allocates tax based on relative gross value
  - Allocating tax is different than allocating costs
  - Gross value is a very material determinant of the differences in tax value between oil and gas

OIL AND GAS TAXES DECOUPLED

	oil alone	gas alone	total
price ($/bbl or $/mmbtu)	$120.00	$8.00	
transportation cost ($/bbl or $/mmbtu)	$6.50	$4.50	
gross value ($/bbl or $/mmbtu)	$113.50	$3.50	
volume (bbls/day or mcf/day)	500,000	4,500,000	
BTU barrel of oil equivalents (BOE's)	500,000	750,000	
annual BOE's	182,500,000	273,750,000	
total gross value	$20,713,750,000	$5,748,750,000	
non-royalty value	$18,124,531,250	$5,030,156,250	
costs (allocated by BOEs)	$1,760,000,000	$2,640,000,000	
net value	$16,364,531,250	$2,390,156,250	
net value p/boe	$102.48	$9.98	
tax rate (base 25% rate plus progressivity)	0.5399	0.25	
tax before credits	$8,835,437,796	$597,539,063	
credits	$176,000,000	$264,000,000	
tax	$8,659,437,796	**$333,539,063**	**$8,992,976,858**

Implication

- Alone
  - Gas net value p/boe = $9.98/boe
  - Gas net value p/mmbtu = $1.66/mmbtu
- Combined
  - Gas net value p/boe = $46.98/boe
  - Gas net value p/mmbtu = $7.83/mmbtu
- Result: under status quo gas with a value of $1.66 will be taxed as if it had a value of $7.83

Combining under Current Law

- Combining oil and gas dilutes the oil tax down
- It also "dilutes" the gas tax up
- Fiscal stability is only good if what is being stabilized is good
- Locking in a rate that may be too high negates the value of the AGIA inducement and may not be healthy for the project
- Underscores the problem of combining substances of vastly different values for taxation

Power of Status Quo

- Current dilution effect is clear
- Future discussions
  - Same producers who produce gas produce oil
  - Issue will move beyond gas
    - If the state becomes unhappy with gas taxes - can extract value from producers through oil tax increases
    - Oil taxation will predictably be part of discussion
- Status quo (whatever it is at the time) will inevitably become frame of reference for evaluation

SB 305:
Flowchart: 26-LS1577\WA.6

House Resources Committee
Logsdon & Associates
April 10, 2010

Mechanics of Tax (Current & SB 305)

- 1) Oil gross value (market price less transport cost)
- 2) Gas gross value (market price less transport cost)
- 3) Oil + gas gross value gas = total **gross value**
- 4) Total gross value – lease capital and operating costs = **Production tax (net) value**
- 5) Production tax value / total oil & gas BOEs = p/BOE production tax value
- 6) Total tax rate = 25% base rate + progressivity factor (based on p/BOE production tax value)
- 7) Total tax rate applied to production tax value

Progressivity Calculation (Current & SB 305)

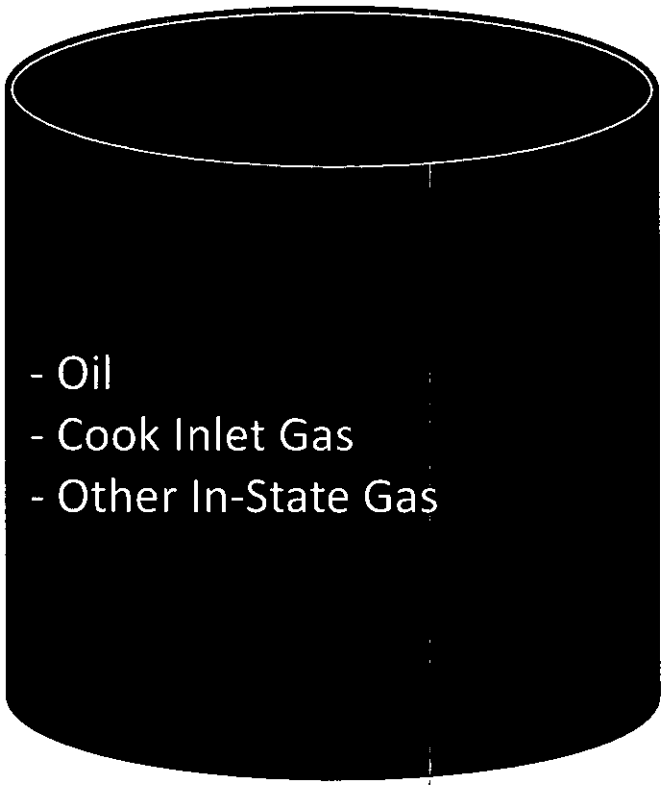
- "Trigger" = $30 p/BOE production tax value
- "Slope" = 0.4%*
- Progressivity surcharge = (P/BOE production tax value - $30) X .004
- Example: if production tax value = $50
  - Base tax rate = 25%
  - Progressivity = ($50 – $30) X .004 = 8%
  - Total tax of 33% on net value

* Slope changes to 0.1% after $92.50 net per BOE value

How Progressivity Operates Now

- Each company calculates one statewide progressivity rate based on all combined oil and gas activity
- Company divides operations into segments:
  - 1) Each Cook Inlet oil lease
  - 2) Each Cook Inlet gas lease
  - 3) North Slope oil and gas except gas used in-state
  - 4) Non-North Slope / Non-Cook Inlet oil and gas except gas used in-state
  - 5) Non-Cook Inlet gas used in-state
- For each segment:
  - For each segment calculate tax liability based on total tax rate (base 25% rate plus statewide progressivity rate) X the segment's production tax value
  - For segments 1, 2, and 5 tax liability is lower of ELF or above

Currently:
One Progressivity Bucket

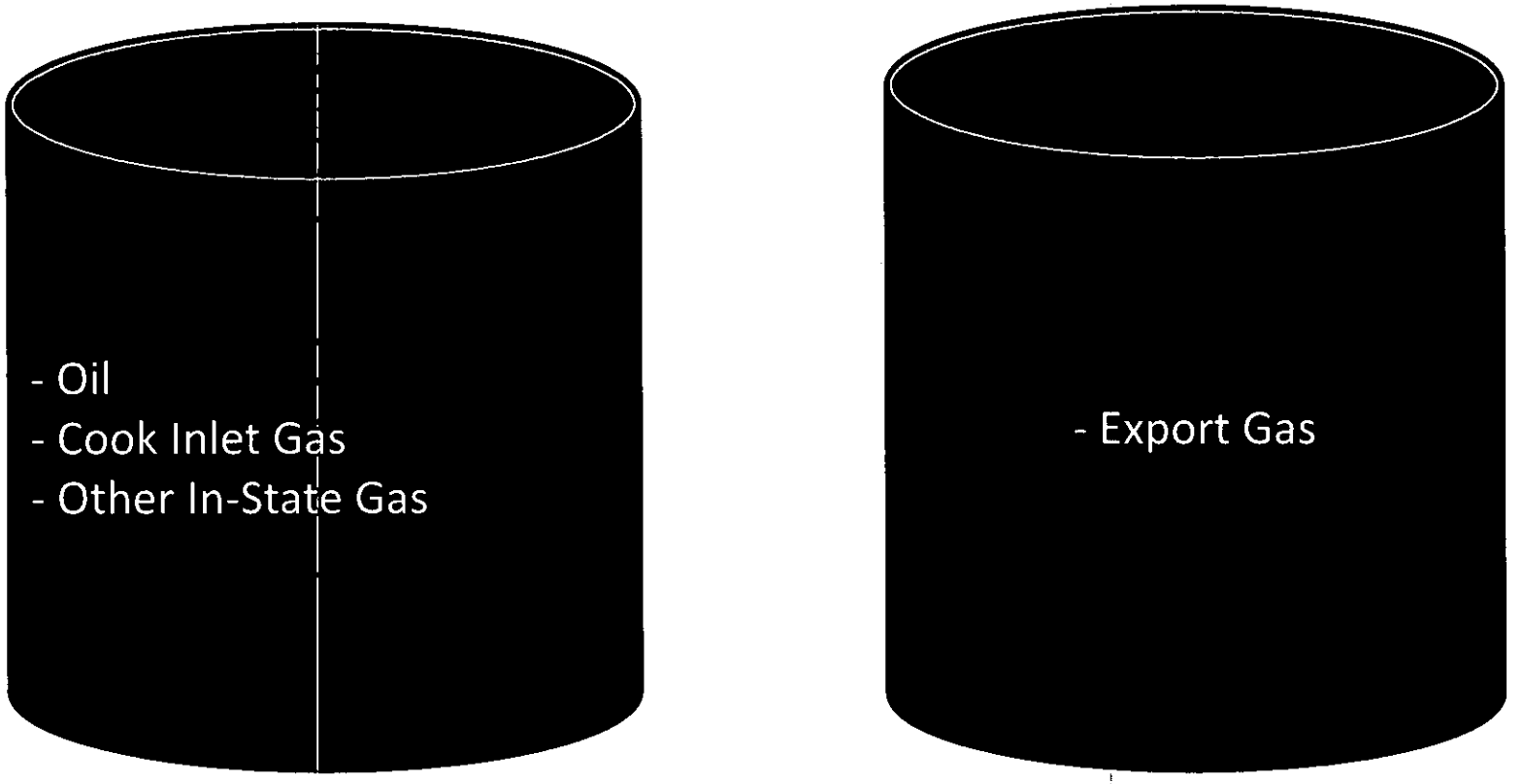


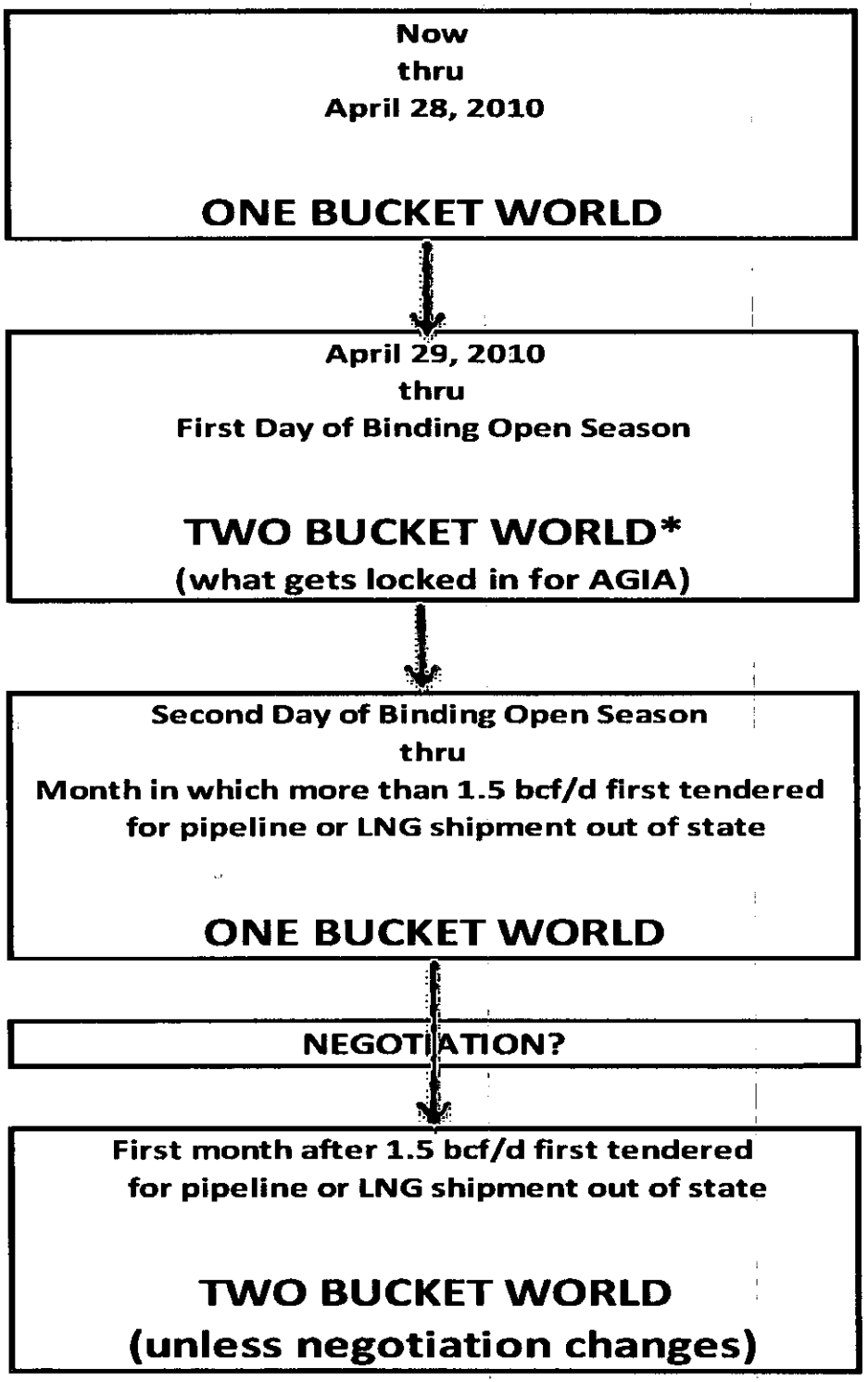
SB 305: Instead of One Statewide Progressivity Calculation: Two Progressivity Calculations

- FIRST BUCKET: Oil / CI Gas / Other In-State Gas
  - Progressivity calculated together (no change to formula)
  - Same as current activity
  - Same 5 segments treated as now
  - No tax increase on current activity

- SECOND BUCKET: Export Gas (Major Gas Sale Gas)
  - Progressivity calculated distinctly (same formula based on export gas p/BOE production tax value)
  - Segment unto itself: Calculate tax liability based on total tax rate (base 25% rate plus export gas progressivity rate) X export gas production tax value
  - Will not dilute oil progressivity

SB 305:
Two Progressivity Buckets




Now
thru
April 28, 2010
ONE BUCKET WORLD
April 29, 2010
thru
First Day of Binding Open Season
TWO BUCKET WORLD*
(what gets locked in for AGIA)
Second Day of Binding Open Season
thru
Month in which more than 1.5 bcf/d first tendered
for pipeline or LNG shipment out of state
ONE BUCKET WORLD
NEGOTIATION?
First month after 1.5 bcf/d first tendered
for pipeline or LNG shipment out of state
TWO BUCKET WORLD
(unless negotiation changes)

26-LS1577\WA.6
Bullock
4/10/10

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE JOHNSON

TO: CSSB 305(FIN)(title am)

Page 1, lines 1 - 11:

Delete "**providing that the tax rate applicable to the production of oil as the average production tax value of oil, gas produced in the Cook Inlet sedimentary basin, and gas produced outside of the Cook Inlet sedimentary basin and used in the state increases above $30 shall be 0.4 percent multiplied by the number that represents the difference between that average monthly production tax value and $30, or the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between that average monthly production tax value and $92.50, except that the total rate determined in the calculation may not exceed 50 percent; providing for an increase in the rate of tax on the production of gas as the average production tax value on a BTU equivalent barrel basis of gas produced outside of the Cook Inlet sedimentary basin and not used in the state increases above $30**"

Insert "**relating to that part of the tax on the production of oil and gas that increases as the average production tax value of the oil and gas increases above $30**"

Page 2, line 2, following "**expenditures;**":

Insert "**relating to the tax on the production of gas in effect at the start of the first binding open season held for the project licensed under the Alaska Gasline Inducement Act;**"

Page 2, following line 12:

Insert new bill sections to read:

"* **Sec. 2.** AS 29.60.850(b), as amended by sec. 1 of this Act, is amended to read:

(b) Each fiscal year, the legislature may appropriate to the community revenue sharing fund an amount equal to 20 percent of the money received by the state during the previous calendar year under AS 43.55.011(g) [AND (p)]. The amount may not exceed

(1) $60,000,000; or

(2) the amount that, when added to the fund balance on June 30 of the previous fiscal year, equals $180,000,000.

* **Sec. 3.** AS 29.60.850(b), as amended by sec. 2 of this Act, is amended to read:

(b) Each fiscal year, the legislature may appropriate to the community revenue sharing fund an amount equal to 20 percent of the money received by the state during the previous calendar year under AS 43.55.011(g) **and (p)**. The amount may not exceed

(1) $60,000,000; or

(2) the amount that, when added to the fund balance on June 30 of the previous fiscal year, equals $180,000,000."

Renumber the following bill sections accordingly.

Page 2, following line 24:

Insert new bill sections to read:

"* **Sec. 5.** AS 43.55.011(e), as amended by sec. 4 of this Act, is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of this section, the tax is equal to the sum of

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(2) the sum, over all months of the calendar year, of the tax amounts determined under

[(A) SUBSECTION] (g) of this section [; AND

(B) SUBSECTION (p) OF THIS SECTION].

* **Sec. 6.** AS 43.55.011(e) as amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of this section, the tax is equal to the sum of

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(2) the sum, over all months of the calendar year, of the tax amounts determined under

(A) subsection (g) of this section**; and**

(B) subsection (p) of this section."

Renumber the following bill sections accordingly.

Page 3, following line 18:

Insert new bill sections to read:

"* **Sec. 8.** AS 43.55.011(g), as amended by sec. 7 of this Act, is amended to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under **AS 43.55.160(a)(2)** [AS 43.55.160(a)(2)(A) - (E)] of a BTU equivalent barrel of taxable oil and gas is more than $30, the amount of tax for purposes of **(e)(2)** [(e)(2)(A)] of this section is determined by multiplying the monthly production tax value of the taxable oil **and gas** produced during the month [, GAS PRODUCED DURING THE MONTH FROM A LEASE OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN, AND GAS PRODUCED DURING THE MONTH FROM A LEASE OR PROPERTY OUTSIDE THE COOK INLET SEDIMENTARY BASIN AND USED IN THE STATE] by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value [UNDER AS 43.55.160(a)(2)(A) - (E)] of a BTU equivalent barrel of taxable oil and gas for the

month is not more than $92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between the producer's average monthly production tax value [UNDER AS 43.55.160(a)(2)(A) - (E)] of a BTU equivalent barrel of taxable oil and gas and $30; or

(2) if the producer's average monthly production tax value [UNDER AS 43.55.160(a)(2)(A) - (E)] of a BTU equivalent barrel of taxable oil and gas for the month is more than $92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the producer's average monthly production tax value [UNDER AS 43.55.160(a)(2)(A) - (E)] of a BTU equivalent barrel of taxable oil and gas and $92.50, except that the sum determined under this paragraph may not exceed 50 percent.

*** Sec. 9.** AS 43.55.011(g), as amended by sec. 8 of this Act, is amended to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under **AS 43.55.160(a)(2)(A) - (E)** [AS 43.55.160(a)(2)] of a BTU equivalent barrel of taxable oil and gas is more than $30, the amount of tax for purposes of **(e)(2)(A)** [(e)(2)] of this section is determined by multiplying the monthly production tax value of the taxable oil [AND GAS] produced during the month**, gas produced during the month from a lease or property in the Cook Inlet sedimentary basin, and gas produced during the month from a lease or property outside the Cook Inlet sedimentary basin and used in the state** by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E)** of a BTU equivalent barrel of taxable oil and gas for the month is not more than $92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between the producer's average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E)** of a BTU equivalent barrel of taxable oil and gas and $30; or

(2) if the producer's average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E)** of a BTU equivalent barrel of taxable oil and gas for the month is more than $92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the producer's

average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E)** of a BTU equivalent barrel of taxable oil and gas and $92.50, except that the sum determined under this paragraph may not exceed 50 percent."

Renumber the following bill sections accordingly.

Page 4, following line 9:

Insert a new bill section to read:

"* **Sec. 11.** AS 43.55.011 is amended by adding a new subsection to read:

(p) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas is more than $30, the amount of tax on the production of gas for purposes of (e)(2)(B) of this section is determined by multiplying the monthly production tax value of the taxable gas produced during the month other than gas produced from a lease or property in the Cook Inlet sedimentary basin or gas produced outside the Cook Inlet sedimentary basin and used in the state by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the month is not more than $92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and $30; or

(2) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the month is more than $92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and $92.50, except that the sum determined under this paragraph may not exceed 50 percent."

Renumber the following bill sections accordingly.

Page 6, line 31:

Delete "**before 2022**"

Page 7, following line 24:

Insert new bill sections to read:

"* **Sec. 13.** AS 43.55.020(a), as amended by sec. 12 of this Act, is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i) [AND (p)] shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin but not subject to AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

(ii) [AN AMOUNT EQUAL TO] the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production [APPLICABLE TO THE OIL PRODUCED BY THE PRODUCER FROM THOSE LEASES AND PROPERTIES] under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160 [,] from the gross value at the point of production of the oil **and gas** produced from the leases or properties

during the month for which the installment payment is calculated [ADDED TO THE SUM OF 25 PERCENT AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(p) MULTIPLIED BY THE REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM THOSE LEASES AND PROPERTIES UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE FOR THE LEASES OR PROPERTIES UNDER AS 43.55.160 FROM THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS PRODUCED FROM THE LEASES OR PROPERTIES DURING THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED];

(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), the greatest of

(i) zero;

(ii) zero percent, one percent, two percent, three percent, or four percent, as applicable, of the gross value at the point of production of the oil and gas produced from all leases or properties during the month for which the installment payment is calculated; or

(iii) [AN AMOUNT EQUAL TO] the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production [APPLICABLE TO THE OIL PRODUCED BY THE PRODUCER FROM THOSE LEASES AND PROPERTIES] under AS 43.55.165 and 43.55.170 that are deductible for those leases or properties under AS 43.55.160 [,] from the gross value at the point of production of the oil **and gas** produced from those leases or properties during the month for which the installment payment is calculated [ADDED TO THE SUM OF 25 PERCENT AND THE TAX RATE

CALCULATED FOR THE MONTH UNDER AS 43.55.011(p) MULTIPLIED BY THE REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM THOSE LEASES AND PROPERTIES UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE FOR THOSE LEASES OR PROPERTIES UNDER AS 43.55.160 FROM THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS PRODUCED FROM THOSE LEASES OR PROPERTIES DURING THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED];

(C) for oil and gas produced from each lease or property subject to AS 43.55.011(j), (k), or (o), the greater of

(i) zero; or

(ii) [AN AMOUNT EQUAL TO] the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production [APPLICABLE TO THE OIL PRODUCED BY THE PRODUCER FROM THOSE LEASES AND PROPERTIES] under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for oil **or gas, respectively,** produced from the lease or property [,] from the gross value at the point of production of the oil **or gas, respectively,** produced from the lease or property during the month for which the installment payment is calculated [ADDED TO THE SUM OF 25 PERCENT AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY THE REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION APPLICABLE TO THE

GAS PRODUCED BY THE PRODUCER FROM THE LEASE OR PROPERTY UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE UNDER AS 43.55.160 FOR GAS PRODUCED FROM THE LEASE OR PROPERTY, FROM THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS PRODUCED FROM THE LEASE OR PROPERTY DURING THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED];

(2) an amount calculated under (1)(C) of this subsection for oil or gas produced **before 2022** from a lease or property subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by AS 43.55.011(e) or (i), net of any credits applied as allowed by law, that exceeds the total of the amounts due as

installment payments of estimated tax is due on March 31 of the year following the calendar year of production.

* **Sec. 14.** AS 43.55.020(a), as amended by sec. 13 of this Act, is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i) **and (p)** shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin but not subject to AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

(ii) **an amount equal to** the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production **applicable to the oil produced by the producer from those leases and properties** under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160, from the gross value at the point of production of the oil [AND GAS] produced from the leases or properties during the month for which the installment payment is calculated **added to the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(p) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production applicable to the gas produced by the producer from those leases and**

properties under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160 from the gross value at the point of production of the gas produced from the leases or properties during the month for which the installment payment is calculated;

(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), the greatest of

(i) zero;

(ii) zero percent, one percent, two percent, three percent, or four percent, as applicable, of the gross value at the point of production of the oil and gas produced from all leases or properties during the month for which the installment payment is calculated; or

(iii) **an amount equal to** the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production **applicable to the oil produced by the producer from those leases and properties** under AS 43.55.165 and 43.55.170 that are deductible for those leases or properties under AS 43.55.160, from the gross value at the point of production of the oil [AND GAS] produced from those leases or properties during the month for which the installment payment is calculated **added to the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(p) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production applicable to the gas produced by the producer from those leases and properties under AS 43.55.165 and 43.55.170 that are deductible for those leases or properties under AS 43.55.160 from the gross value at the point of production of the gas produced from those leases or properties during the month for which the installment payment is calculated**;

(C) for oil and gas produced from each lease or property subject to AS 43.55.011(j), (k), or (o), the greater of

(i) zero; or

(ii) **an amount equal to** the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production **applicable to the oil produced by the producer from those leases and properties** under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for oil [OR GAS, RESPECTIVELY,] produced from the lease or property, from the gross value at the point of production of the oil [OR GAS, RESPECTIVELY,] produced from the lease or property during the month for which the installment payment is calculated **added to the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production applicable to the gas produced by the producer from the lease or property under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for gas produced from the lease or property, from the gross value at the point of production of the gas produced from the lease or property during the month for which the installment payment is calculated**;

(2) an amount calculated under (1)(C) of this subsection for oil or gas produced before 2022 from a lease or property subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil

produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by AS 43.55.011(e) or (i), net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production."

Renumber the following bill sections accordingly.

Page 8, line 11:

Insert new bill sections to read:

"* **Sec. 16.** AS 43.55.020(d), as amended by sec. 15 of this Act, is amended to read:

(d) In making settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes due to the amount of the tax paid. If the total deductions of installment payments of estimated tax for a calendar year exceed the actual tax for that calendar year, the producer shall, before April 1 of the following year, refund the excess to the royalty owner. Unless otherwise agreed between the producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) - (g) [AND (p)] on

taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or right to which constitutes a landowner's royalty interest, is considered to be the gross value at the point of production of the taxable royalty oil and gas produced during the calendar year multiplied by a figure that is a quotient, in which

(1) the numerator is the producer's total tax liability under AS 43.55.011(e) - (g) [AND (p)] for the calendar year of production; and

(2) the denominator is the total gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) - (g) [AND (p)] produced by the producer from all leases and properties in the state during the calendar year.

*** Sec. 17.** AS 43.55.020(d), as amended by sec. 16 of this Act, is amended to read:

(d) In making settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes due to the amount of the tax paid. If the total deductions of installment payments of estimated tax for a calendar year exceed the actual tax for that calendar year, the producer shall, before April 1 of the following year, refund the excess to the royalty owner. Unless otherwise agreed between the producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) - (g) **and (p)** on taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or right to which constitutes a landowner's royalty interest, is considered to be the gross value at the point of production of the taxable royalty oil and gas produced during the calendar year multiplied by a figure that is a quotient, in which

(1) the numerator is the producer's total tax liability under AS 43.55.011(e) - (g) **and (p)** for the calendar year of production; and

(2) the denominator is the total gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) - (g) **and (p)** produced by the producer from all leases and properties in the state during the calendar year."

Renumber the following bill sections accordingly.

Page 11, following line 31:

Insert new bill sections to read:

"* **Sec. 19.** AS 43.55.160(a), as amended by sec. 18 of this Act, is amended to read:

(a) Except as provided in (b) of this section, for the purposes of

(1) AS 43.55.011(e), the annual production tax value of the taxable

(A) oil **and gas** produced during a calendar year from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil **and gas** taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil **and gas** produced by the producer from those leases or properties, as adjusted under AS 43.55.170; **this subparagraph does not apply to gas subject to AS 43.55.011(o);**

(B) oil **and gas** produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil **and gas** taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil **and gas** produced by the producer from those leases or properties, as adjusted under AS 43.55.170; **this subparagraph does not apply to gas subject to AS 43.55.011(o);**

(C) oil produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures

under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a calendar year from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

[(F) GAS PRODUCED DURING A CALENDAR YEAR FROM LEASES OR PROPERTIES IN THE STATE THAT INCLUDE LAND NORTH OF 68 DEGREES NORTH LATITUDE IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS TAXABLE UNDER AS 43.55.011(e) AND PRODUCED BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES, LESS THE PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER AS 43.55.170; THIS SUBPARAGRAPH DOES NOT APPLY TO GAS USED IN THE STATE;

(G) GAS PRODUCED DURING A CALENDAR YEAR FROM LEASES OR PROPERTIES IN THE STATE OUTSIDE THE COOK INLET SEDIMENTARY BASIN, NO PART OF WHICH IS NORTH OF 68 DEGREES NORTH LATITUDE, IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS TAXABLE UNDER AS 43.55.011(e) AND PRODUCED BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES, LESS THE PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER AS 43.55.170; THIS SUBPARAGRAPH DOES NOT APPLY TO GAS USED IN THE STATE;]

(2) AS 43.55.011(g) [AND (p)], the monthly production tax value of the taxable

(A) oil **and gas** produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil **and gas** taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil **and gas** produced by the producer from those leases or properties, as adjusted under AS 43.55.170; **this subparagraph does not apply to gas subject to AS 43.55.011(o);**

(B) oil **and gas** produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil **and gas** taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil **and gas** produced by the producer from those leases or properties, as adjusted under AS 43.55.170; **this subparagraph does not apply to gas subject to AS 43.55.011(o);**

(C) oil produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a month from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170 [;

(F) GAS PRODUCED DURING A MONTH FROM LEASES OR PROPERTIES IN THE STATE THAT INCLUDE LAND NORTH OF 68 DEGREES NORTH LATITUDE IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS TAXABLE UNDER AS 43.55.011(e) AND PRODUCED BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES, LESS 1/12 OF THE PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER AS 43.55.170; THIS SUBPARAGRAPH DOES NOT APPLY TO GAS USED IN THE STATE;

(G) GAS PRODUCED DURING A MONTH FROM LEASES OR PROPERTIES IN THE STATE OUTSIDE THE COOK INLET SEDIMENTARY BASIN, NO PART OF WHICH IS NORTH OF 68 DEGREES NORTH LATITUDE, IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS TAXABLE UNDER AS 43.55.011(e) AND PRODUCED BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES, LESS 1/12 OF THE PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER AS 43.55.170; THIS SUBPARAGRAPH DOES NOT APPLY TO GAS USED IN THE STATE].

*** Sec. 20.** AS 43.55.160(a), as amended by sec. 19 of this Act, is amended to read:

(a) Except as provided in (b) of this section, for the purposes of

(1) AS 43.55.011(e), the annual production tax value of the taxable

(A) oil [AND GAS] produced during a calendar year from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(B) oil [AND GAS] produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(C) oil produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the

producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a calendar year from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(F) gas produced during a calendar year from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas used in the state;

(G) gas produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas used in the state;

(2) AS 43.55.011(g) **and (p)**, the monthly production tax value of the taxable

(A) oil [AND GAS] produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties,

less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(B) oil [AND GAS] produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(C) oil produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a month from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year

applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(F) gas produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas used in the state;

(G) gas produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas used in the state."

Renumber the following bill sections accordingly.

Page 12, line 28, through page 13, line 11:

Delete all material and insert:

"* **Sec. 23.** AS 43.55.011(p) is repealed.

* **Sec. 24.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION; REGULATIONS; PAYMENT OF TAX; FILING OF REPORTS. If secs. 1, 4, 7, 10, 12, 15, and 18 of this Act take effect, the Department of Revenue shall adopt regulations providing for the payment of tax and the filing of reports required for the period in which secs. 1, 4, 7, 10, 12, 15, and 18 of this Act are in effect.

*** Sec. 25.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT OF SECS. 1, 2, 4, 5, 7, 8, 10, 12, 13, 15, 16, 18, 19, AND 23 OF THIS ACT; NOTICE. (a) Sections 1, 2, 4, 5, 7, 8, 10, 12, 13, 15, 16, 18, 19, and 23 of this Act take effect only if secs. 21 and 22 of this Act take effect before April 29, 2010.

(b) The commissioner of revenue shall notify the revisor of statutes of the date of the start of the first binding open season for the project licensed under AS 43.90 (Alaska Gasline Inducement Act).

*** Sec. 26.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT OF SECS. 3, 6, 9, 11, 14, 17, AND 20 OF THIS ACT; NOTICE. (a) Sections 3, 6, 9, 11, 14, 17, and 20 of this Act take effect only if more than 1,500,000,000 cubic feet of natural gas a day that is produced in the state is tendered for shipment through a natural gas pipeline project in the state to a market in Canada or the 48 contiguous states, or to a gas liquefaction facility in the state for shipment in a liquefied state by marine transportation to a market outside of the state.

(b) The commissioner of revenue shall notify the revisor of statutes of the date that natural gas was first tendered for shipment under the circumstances described in (a) of this section.

*** Sec. 27.** If secs. 1, 4, 7, 10, 12, 15, and 18 of this Act take effect, they take effect April 29, 2010.

*** Sec. 28.** If secs. 2, 5, 8, 13, 16, 19, and 23 of this Act take effect, they take effect on the first day immediately following the date on which the open season starts for the project licensed under AS 43.90.

*** Sec. 29.** If secs. 3, 6, 9, 11, 14, 17, and 20 take effect, they take effect on the first day of the month immediately following the date on which the condition in sec. 26(a) of this Act is met.

*** Sec. 30.** Except as provided in secs. 27 - 29 of this Act, this Act takes effect immediately under AS 01.10.070(c)."

26-LS1577\M
Bullock
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HOUSE CS FOR CS FOR SENATE BILL NO. 305(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act relating to that part of the tax on the production of oil and gas that increases as the average production tax value of the oil and gas increases above $30; relating to payments of the oil and gas production tax; relating to availability of a portion of the money received from the tax on oil and gas production for appropriation to the community revenue sharing fund; relating to the allocation of lease expenditures and adjustments to lease expenditures; relating to the tax on the production of gas in effect at the start of the first binding open season held for the project licensed under the Alaska Gasline Inducement Act; and providing for an effective date."

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

*** Section 1.** AS 29.60.850(b) is amended to read:

(b) Each fiscal year, the legislature may appropriate to the community revenue sharing fund an amount equal to 20 percent of the money received by the state during

the previous calendar year under AS 43.55.011(g) **and (p)**. The amount may not exceed

(1) $60,000,000; or

(2) the amount that, when added to the fund balance on June 30 of the previous fiscal year, equals $180,000,000.

*** Sec. 2.** AS 29.60.850(b), as amended by sec. 1 of this Act, is amended to read:

(b) Each fiscal year, the legislature may appropriate to the community revenue sharing fund an amount equal to 20 percent of the money received by the state during the previous calendar year under AS 43.55.011(g) [AND (p)]. The amount may not exceed

~~(1) $60,000,000; or~~

(2) the amount that, when added to the fund balance on June 30 of the previous fiscal year, equals $180,000,000.

*** Sec. 3.** AS 29.60.850(b), as amended by sec. 2 of this Act, is amended to read:

(b) Each fiscal year, the legislature may appropriate to the community revenue sharing fund an amount equal to 20 percent of the money received by the state during the previous calendar year under AS 43.55.011(g) **and (q)**. The amount may not exceed

(1) $60,000,000; or

(2) the amount that, when added to the fund balance on June 30 of the previous fiscal year, equals $180,000,000.

*** Sec. 4.** AS 43.55.011(e) is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of this section, the tax is equal to the sum of

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(2) the sum, over all months of the calendar year, of the tax amounts determined under

(A) subsection (g) of this section**; and**

(B) subsection (p) of this section.

*** Sec. 5.** AS 43.55.011(e), as amended by sec. 4 of this Act, is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of this section, the tax is equal to the sum of

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(2) the sum, over all months of the calendar year, of the tax amounts determined under

[(A) SUBSECTION] (g) of this section [; AND

(B) SUBSECTION (p) OF THIS SECTION].

*** Sec. 6.** AS 43.55.011(e) as amended by sec. 5 of this Act is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of this section, the tax is equal to the sum of

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(2) the sum, over all months of the calendar year, of the tax amounts determined under

(A) subsection (g) of this section**; and**

(B) subsection (q) of this section.

*** Sec. 7.** AS 43.55.011(g) is amended to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under **AS 43.55.160(a)(2)(A) - (E) of a** [AS 43.55.160(a)(2) PER] BTU equivalent barrel of [THE] taxable oil and gas is more than $30, the amount of tax for purposes of **(e)(2)(A)** [(e)(2)] of this section is

determined by multiplying the monthly production tax value of the taxable oil [AND GAS] produced during the month**, gas produced during the month from a lease or property in the Cook Inlet sedimentary basin, and gas produced during the month from a lease or property outside the Cook Inlet sedimentary basin and used in the state** by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E) of a** [PER] BTU equivalent barrel of [THE] taxable oil and gas for the month is not more than $92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between **the producer's** [THAT] average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E) of a** [PER] BTU equivalent barrel **of taxable oil and gas** and $30; or

(2) if the producer's average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E) of a** [PER] BTU equivalent barrel of [THE] taxable oil and gas for the month is more than $92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the **producer's** average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E) of a** [PER] BTU equivalent barrel **of taxable oil and gas** and $92.50, except that the sum determined under this paragraph may not exceed 50 percent.

* **Sec. 8.** AS 43.55.011(g), as amended by sec. 7 of this Act, is amended to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under **AS 43.55.160(a)(2)** [AS 43.55.160(a)(2)(A) - (E)] of a BTU equivalent barrel of taxable oil and gas is more than $30, the amount of tax for purposes of **(e)(2)** [(e)(2)(A)] of this section is determined by multiplying the monthly production tax value of the taxable oil **and gas** produced during the month [, GAS PRODUCED DURING THE MONTH FROM A LEASE OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN, AND GAS PRODUCED DURING THE MONTH FROM A LEASE OR PROPERTY OUTSIDE THE COOK INLET SEDIMENTARY BASIN AND USED IN THE STATE] by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value [UNDER

AS 43.55.160(a)(2)(A) - (E)] of a BTU equivalent barrel of taxable oil and gas for the month is not more than $92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between the producer's average monthly production tax value [UNDER AS 43.55.160(a)(2)(A) - (E)] of a BTU equivalent barrel of taxable oil and gas and $30; or

(2) if the producer's average monthly production tax value [UNDER AS 43.55.160(a)(2)(A) - (E)] of a BTU equivalent barrel of taxable oil and gas for the month is more than $92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the producer's average monthly production tax value [UNDER AS 43.55.160(a)(2)(A) - (E)] of a BTU equivalent barrel of taxable oil and gas and $92.50, except that the sum determined under this paragraph may not exceed 50 percent.

*** Sec. 9.** AS 43.55.011(g), as amended by sec. 8 of this Act, is amended to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under **AS 43.55.160(a)(2)(A) - (E)** [AS 43.55.160(a)(2)] of a BTU equivalent barrel of taxable oil and gas is more than $30, the amount of tax for purposes of **(e)(2)(A)** [(e)(2)] of this section is determined by multiplying the monthly production tax value of the taxable oil [AND GAS] produced during the month**, gas produced during the month from a lease or property in the Cook Inlet sedimentary basin, and gas produced during the month from a lease or property outside the Cook Inlet sedimentary basin and used in the state** by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E)** of a BTU equivalent barrel of taxable oil and gas for the month is not more than $92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between the producer's average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E)** of a BTU equivalent barrel of taxable oil and gas and $30; or

(2) if the producer's average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E)** of a BTU equivalent barrel of taxable oil and gas for the month is more than $92.50, the tax rate is the sum of 25 percent and the product of 0.1

percent multiplied by the number that represents the difference between the producer's average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E)** of a BTU equivalent barrel of taxable oil and gas and $92.50, except that the sum determined under this paragraph may not exceed 50 percent.

*** Sec. 10.** AS 43.55.011 is amended by adding a new subsection to read:

(p) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas is more than $30, the amount of tax on the production of gas for purposes of (e)(2)(B) of this section is determined by multiplying the monthly production tax value of the taxable gas produced during the month other than gas produced from a lease or property in the Cook Inlet sedimentary basin or gas produced outside the Cook Inlet sedimentary basin and used in the state by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the month is not more than $92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and $30; or

(2) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the month is more than $92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and $92.50, except that the sum determined under this paragraph may not exceed 50 percent.

*** Sec. 11.** AS 43.55.011 is amended by adding a new subsection to read:

(q) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas is more than $30, the amount of tax on the production of gas for purposes of (e)(2)(B) of this section is determined by multiplying the

monthly production tax value of the taxable gas produced during the month other than gas produced from a lease or property in the Cook Inlet sedimentary basin or gas produced outside the Cook Inlet sedimentary basin and used in the state by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the month is not more than $92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and $30; or

(2) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the month is more than $92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and $92.50, except that the sum determined under this paragraph may not exceed 50 percent.

*** Sec. 12.** AS 43.55.020(a) is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i) **and (p)** shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin but not subject to AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

(ii) **an amount equal to** the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production **applicable to the oil produced by the producer from those leases and properties** under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160, from the gross value at the point of production of the oil [AND GAS] produced from the leases or properties during the month for which the installment payment is calculated **added to the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(p) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production applicable to the gas produced by the producer from those leases and properties under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160 from the gross value at the point of production of the gas produced from the leases or properties during the month for which the installment payment is calculated**;

(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), the greatest of

(i) zero;

(ii) zero percent, one percent, two percent, three percent, or four percent, as applicable, of the gross value at the point of production of the oil and gas produced from all leases or properties during the month for which the installment payment is calculated; or

(iii) **an amount equal to** the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production **applicable to**

the oil produced by the producer from those leases and properties under AS 43.55.165 and 43.55.170 that are deductible for those leases or properties under AS 43.55.160, from the gross value at the point of production of the oil [AND GAS] produced from those leases or properties during the month for which the installment payment is calculated **added to the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(p) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production applicable to the gas produced by the producer from those leases and properties under AS 43.55.165 and 43.55.170 that are deductible for those leases or properties under AS 43.55.160 from the gross value at the point of production of the gas produced from those leases or properties during the month for which the installment payment is calculated**;

(C) for oil and gas produced from each lease or property subject to AS 43.55.011(j), (k), or (o), the greater of

(i) zero; or

(ii) **an amount equal to** the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production **applicable to the oil produced by the producer from those leases and properties** under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for oil [OR GAS, RESPECTIVELY,] produced from the lease or property, from the gross value at the point of production of the oil [OR GAS, RESPECTIVELY,] produced from the lease or property during the month for which the installment payment is calculated **added to the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures**

for the calendar year of production applicable to the gas produced by the producer from the lease or property under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for gas produced from the lease or property, from the gross value at the point of production of the gas produced from the lease or property during the month for which the installment payment is calculated;

(2) an amount calculated under (1)(C) of this subsection for oil or gas produced from a lease or property subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by AS 43.55.011(e) or (i), net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the

calendar year of production.

*** Sec. 13.** AS 43.55.020(a), as amended by sec. 12 of this Act, is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i) [AND (p)] shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin but not subject to AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

(ii) [AN AMOUNT EQUAL TO] the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production [APPLICABLE TO THE OIL PRODUCED BY THE PRODUCER FROM THOSE LEASES AND PROPERTIES] under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160 [,] from the gross value at the point of production of the oil **and gas** produced from the leases or properties during the month for which the installment payment is calculated [ADDED TO THE SUM OF 25 PERCENT AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(p) MULTIPLIED BY THE REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION

APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM THOSE LEASES AND PROPERTIES UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE FOR THE LEASES OR PROPERTIES UNDER AS 43.55.160 FROM THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS PRODUCED FROM THE LEASES OR PROPERTIES DURING THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED];

(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), the greatest of

(i) zero;

(ii) ~~zero percent, one percent, two percent, three~~ percent, or four percent, as applicable, of the gross value at the point of production of the oil and gas produced from all leases or properties during the month for which the installment payment is calculated; or

(iii) [AN AMOUNT EQUAL TO] the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production [APPLICABLE TO THE OIL PRODUCED BY THE PRODUCER FROM THOSE LEASES AND PROPERTIES] under AS 43.55.165 and 43.55.170 that are deductible for those leases or properties under AS 43.55.160 [,] from the gross value at the point of production of the oil **and gas** produced from those leases or properties during the month for which the installment payment is calculated [ADDED TO THE SUM OF 25 PERCENT AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(p) MULTIPLIED BY THE REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM THOSE LEASES AND PROPERTIES UNDER AS 43.55.165

AND 43.55.170 THAT ARE DEDUCTIBLE FOR THOSE LEASES OR PROPERTIES UNDER AS 43.55.160 FROM THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS PRODUCED FROM THOSE LEASES OR PROPERTIES DURING THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED];

(C) for oil and gas produced from each lease or property subject to AS 43.55.011(j), (k), or (o), the greater of

(i) zero; or

(ii) [AN AMOUNT EQUAL TO] the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production [APPLICABLE TO THE OIL PRODUCED BY THE PRODUCER FROM THOSE LEASES AND PROPERTIES] under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for oil **or gas, respectively,** produced from the lease or property [,] from the gross value at the point of production of the oil **or gas, respectively,** produced from the lease or property during the month for which the installment payment is calculated [ADDED TO THE SUM OF 25 PERCENT AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY THE REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM THE LEASE OR PROPERTY UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE UNDER AS 43.55.160 FOR GAS PRODUCED FROM THE LEASE OR PROPERTY, FROM THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS PRODUCED FROM THE LEASE OR PROPERTY DURING THE MONTH FOR

WHICH THE INSTALLMENT PAYMENT IS CALCULATED];

(2) an amount calculated under (1)(C) of this subsection for oil or gas produced **before 2022** from a lease or property subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by AS 43.55.011(e) or (i), net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production.

*** Sec. 14.** AS 43.55.020(a), as amended by sec. 13 of this Act, is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i) **and (q)** shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by

AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin but not subject to AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

(ii) **an amount equal to** the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production **applicable to the oil produced by the producer from those leases and properties** under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160, from the gross value at the point of production of the oil [AND GAS] produced from the leases or properties during the month for which the installment payment is calculated **added to the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production applicable to the gas produced by the producer from those leases and properties under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160 from the gross value at the point of production of the gas produced from the leases or properties during the month for which the installment payment is calculated**;

(B) for oil and gas produced from leases or properties subject

to AS 43.55.011(f), the greatest of

(i) zero;

(ii) zero percent, one percent, two percent, three percent, or four percent, as applicable, of the gross value at the point of production of the oil and gas produced from all leases or properties during the month for which the installment payment is calculated; or

(iii) **an amount equal to** the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production **applicable to the oil produced by the producer from those leases and properties** under AS 43.55.165 and 43.55.170 that are deductible for those leases or properties under AS 43.55.160, from the gross value at the point of production of the oil [AND GAS] produced from those leases or properties during the month for which the installment payment is calculated **added to the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(q) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production applicable to the gas produced by the producer from those leases and properties under AS 43.55.165 and 43.55.170 that are deductible for those leases or properties under AS 43.55.160 from the gross value at the point of production of the gas produced from those leases or properties during the month for which the installment payment is calculated**;

(C) for oil and gas produced from each lease or property subject to AS 43.55.011(j), (k), or (o), the greater of

(i) zero; or

(ii) **an amount equal to** the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted

lease expenditures for the calendar year of production **applicable to the oil produced by the producer from those leases and properties** under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for oil [OR GAS, RESPECTIVELY,] produced from the lease or property, from the gross value at the point of production of the oil [OR GAS, RESPECTIVELY,] produced from the lease or property during the month for which the installment payment is calculated **added to the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production applicable to the gas produced by the producer from the lease or property under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for gas produced from the lease or property, from the gross value at the point of production of the gas produced from the lease or property during the month for which the installment payment is calculated**;

(2) an amount calculated under (1)(C) of this subsection for oil or gas produced before 2022 from a lease or property subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under

AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by AS 43.55.011(e) or (i), net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production.

*** Sec. 15.** AS 43.55.020(d) is amended to read:

(d) In making settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes due to the amount of the tax paid. If the total deductions of installment payments of estimated tax for a calendar year exceed the actual tax for that calendar year, the producer shall, before April 1 of the following year, refund the excess to the royalty owner. Unless otherwise agreed between the producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) - (g) **and (p)** on taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or right to which constitutes a landowner's royalty interest, is considered to be the gross value at the point of production of the taxable royalty oil and gas produced during the calendar year multiplied by a figure that is a quotient, in which

(1) the numerator is the producer's total tax liability under AS 43.55.011(e) - (g) **and (p)** for the calendar year of production; and

(2) the denominator is the total gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) - (g) **and (p)** produced by the producer from all leases and properties in the state during the calendar year.

*** Sec. 16.** AS 43.55.020(d), as amended by sec. 15 of this Act, is amended to read:

(d) In making settlement with the royalty owner for oil and gas that is taxable

under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes due to the amount of the tax paid. If the total deductions of installment payments of estimated tax for a calendar year exceed the actual tax for that calendar year, the producer shall, before April 1 of the following year, refund the excess to the royalty owner. Unless otherwise agreed between the producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) - (g) [AND (p)] on taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or right to which constitutes a landowner's royalty interest, is considered to be the gross value at the point of production of the taxable royalty oil and gas produced during the calendar year multiplied by a figure that is a quotient, in which

(1) the numerator is the producer's total tax liability under AS 43.55.011(e) - (g) [AND (p)] for the calendar year of production; and

(2) the denominator is the total gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) - (g) [AND (p)] produced by the producer from all leases and properties in the state during the calendar year.

*** Sec. 17.** AS 43.55.020(d), as amended by sec. 16 of this Act, is amended to read:

(d) In making settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes due to the amount of the tax paid. If the total deductions of installment payments of estimated tax for a calendar year exceed the actual tax for that calendar year, the producer shall, before April 1 of the following year, refund the excess to the royalty owner. Unless otherwise agreed between the producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) - (g) **and (q)** on taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or right to which constitutes a landowner's royalty interest, is considered to be the gross value at the point of production of the taxable royalty oil and gas produced during the calendar year multiplied by a figure that is a quotient, in which

(1) the numerator is the producer's total tax liability under AS 43.55.011(e) - (g) **and (q)** for the calendar year of production; and

(2) the denominator is the total gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) - (g) **and (q)** produced by the producer from all leases and properties in the state during the calendar year.

*** Sec. 18.** AS 43.55.160(a) is amended to read:

(a) Except as provided in (b) of this section, for the purposes of

(1) AS 43.55.011(e), the annual production tax value of the taxable

(A) oil [AND GAS] produced during a calendar year from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(B) oil [AND GAS] produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(C) oil produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a calendar year from a lease or

property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a calendar year from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(F) gas produced during a calendar year from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas used in the state;

(G) gas produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas used in the state;

(2) AS 43.55.011(g) **and (p)**, the monthly production tax value of the taxable

(A) oil [AND GAS] produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(B) oil [AND GAS] produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(C) oil produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a month from a lease or property

outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(F) gas produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas used in the state;

(G) gas produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas used in the state.

* **Sec. 19.** AS 43.55.160(a), as amended by sec. 18 of this Act, is amended to read:

(a) Except as provided in (b) of this section, for the purposes of

(1) AS 43.55.011(e), the annual production tax value of the taxable

(A) oil **and gas** produced during a calendar year from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil **and gas** taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year

applicable to the oil **and gas** produced by the producer from those leases or properties, as adjusted under AS 43.55.170; **this subparagraph does not apply to gas subject to AS 43.55.011(o);**

(B) oil **and gas** produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil **and gas** taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil **and gas** produced by the producer from those leases or properties, as adjusted under AS 43.55.170; **this subparagraph does not apply to gas subject to AS 43.55.011(o);**

(C) oil produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a calendar year from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

[(F) GAS PRODUCED DURING A CALENDAR YEAR FROM LEASES OR PROPERTIES IN THE STATE THAT INCLUDE LAND NORTH OF 68 DEGREES NORTH LATITUDE IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS TAXABLE UNDER AS 43.55.011(e) AND PRODUCED BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES, LESS THE PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER AS 43.55.170; THIS SUBPARAGRAPH DOES NOT APPLY TO GAS USED IN THE STATE;

(G) GAS PRODUCED DURING A CALENDAR YEAR FROM LEASES OR PROPERTIES IN THE STATE OUTSIDE THE COOK INLET SEDIMENTARY BASIN, NO PART OF WHICH IS NORTH OF 68 DEGREES NORTH LATITUDE, IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS TAXABLE UNDER AS 43.55.011(e) AND PRODUCED BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES, LESS THE PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER AS 43.55.170; THIS SUBPARAGRAPH DOES NOT APPLY TO GAS USED IN THE STATE;]

(2) AS 43.55.011(g) [AND (p)], the monthly production tax value of the taxable

(A) oil **and gas** produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil **and gas** taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil **and gas** produced by the producer from those leases or properties, as adjusted under AS 43.55.170; **this subparagraph**

does not apply to gas subject to AS 43.55.011(o);

(B) oil **and gas** produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil **and gas** taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil **and gas** produced by the producer from those leases or properties, as adjusted under AS 43.55.170; **this subparagraph does not apply to gas subject to AS 43.55.011(o);**

(C) oil produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a month from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170 [;

(F) GAS PRODUCED DURING A MONTH FROM LEASES OR PROPERTIES IN THE STATE THAT INCLUDE LAND NORTH OF 68

DEGREES NORTH LATITUDE IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS TAXABLE UNDER AS 43.55.011(e) AND PRODUCED BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES, LESS 1/12 OF THE PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER AS 43.55.170; THIS SUBPARAGRAPH DOES NOT APPLY TO GAS USED IN THE STATE;

(G) GAS PRODUCED DURING A MONTH FROM LEASES OR PROPERTIES IN THE STATE OUTSIDE THE COOK INLET SEDIMENTARY BASIN, NO PART OF WHICH IS NORTH OF 68 DEGREES NORTH LATITUDE, IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS TAXABLE UNDER AS 43.55.011(e) AND PRODUCED BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES, LESS 1/12 OF THE PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER AS 43.55.170; THIS SUBPARAGRAPH DOES NOT APPLY TO GAS USED IN THE STATE].

*** Sec. 20.** AS 43.55.160(a), as amended by sec. 19 of this Act, is amended to read:

(a) Except as provided in (b) of this section, for the purposes of

(1) AS 43.55.011(e), the annual production tax value of the taxable

(A) oil [AND GAS] produced during a calendar year from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, as adjusted under AS 43.55.170; [THIS

SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(B) oil [AND GAS] produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(C) oil produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a calendar year from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(F) gas produced during a calendar year from leases or

properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas used in the state;

(G) gas produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas used in the state;

(2) AS 43.55.011(g) **and (q)**, the monthly production tax value of the taxable

(A) oil [AND GAS] produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(B) oil [AND GAS] produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced

by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(C) oil produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a month from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(F) gas produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170;

this subparagraph does not apply to gas used in the state;

(G) gas produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas used in the state.

*** Sec. 21.** AS 43.55.165(h) is amended to read:

(h) The department shall adopt regulations that provide for reasonable methods of allocating costs between oil and gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within different leases or properties. **When determining a reasonable method of allocating lease expenditures between the production of oil and the production of gas, the department shall consider allocating lease expenditures in proportion to the BTU equivalent barrels of oil produced and gas produced from each lease or property.**

*** Sec. 22.** AS 43.55.170 is amended by adding a new subsection to read:

(d) The department shall adopt regulations that provide for reasonable methods of allocating the adjustments to a producer's lease expenditures in (a) of this section and the payments and credits described in (b) of this section between oil and gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits, or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within

different leases or properties. When determining a reasonable method of allocating the adjustments to a producer's lease expenditures between the production of oil and the production of gas, the department shall consider allocating the adjustments in proportion to the lease expenditures allocated to the production of oil and the production of gas under regulations adopted by the department under AS 43.55.165(h).

*** Sec. 23.** AS 43.55.011(p) is repealed.

*** Sec. 24.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION; REGULATIONS; PAYMENT OF TAX; FILING OF REPORTS. If secs. 1, 4, 7, 10, 12, 15, and 18 of this Act take effect, the Department of Revenue shall adopt regulations providing for the payment of tax and the filing of reports required for the period in which secs. 1, 4, 7, 10, 12, 15, and 18 of this Act are in effect.

*** Sec. 25.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT OF SECS. 1, 2, 4, 5, 7, 8, 10, 12, 13, 15, 16, 18, 19, AND 23 OF THIS ACT; NOTICE. (a) Sections 1, 2, 4, 5, 7, 8, 10, 12, 13, 15, 16, 18, 19, and 23 of this Act take effect only if secs. 21 and 22 of this Act take effect before April 29, 2010.

(b) The commissioner of revenue shall notify the revisor of statutes of the date of the start of the first binding open season for the project licensed under AS 43.90 (Alaska Gasline Inducement Act).

*** Sec. 26.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT OF SECS. 3, 6, 9, 11, 14, 17, AND 20 OF THIS ACT; NOTICE. (a) Sections 3, 6, 9, 11, 14, 17, and 20 of this Act take effect only if more than 1,500,000,000 cubic feet of natural gas a day that is produced in the state is tendered for shipment through a natural gas pipeline project in the state to a market in Canada or the 48 contiguous states, or to a gas liquefaction facility in the state for shipment in a liquefied state by marine transportation to a market outside of the state.

(b) The commissioner of revenue shall notify the revisor of statutes of the date that natural gas was first tendered for shipment under the circumstances described in (a) of this

section.

*** Sec. 27.** If secs. 1, 4, 7, 10, 12, 15, and 18 of this Act take effect, they take effect April 29, 2010.

*** Sec. 28.** If secs. 2, 5, 8, 13, 16, 19, and 23 of this Act take effect, they take effect on the first day immediately following the date on which the open season starts for the project licensed under AS 43.90.

*** Sec. 29.** If secs. 3, 6, 9, 11, 14, 17, and 20 take effect, they take effect on the first day of the month immediately following the date on which the condition in sec. 26(a) of this Act is met.

*** Sec. 30.** Except as provided in secs. 27 - 29 of this Act, this Act takes effect immediately under AS 01.10.070(c).

Explanation of Amendments to CSSB 305 v. W.A and M

in House Resources

Department of Revenue

April 13, 2010

Current Law:

SALES PROCEEDS

-Transportation costs

= Gross Value of Oil and Gas at Point of Production (GV at POP) .150

Calculated For Each Segment:

A. NS oil and gas
B. Mid Earth oil and gas
C. CI oil
D. CI gas
E. Gas used in state

Annual Production Tax Value (PTV) .160(a)(1)

GV_A at POP – LE_A= PTV_A
GV_B at POP – LE_B= PTV_B
GV_C at POP – LE_C= PTV_C
GV_D at POP – LE_D= PTV_D
GV_E at POP – LE_E= PTV_E

*Each PTV cannot be < 0
*Excess LEs in each segment get carried forward as NOL

Monthly Production Tax Value (PTV) .160(a)(2)

GV_A at POP – LE_A= PTV_A
GV_B at POP – LE_B= PTV_B
GV_C at POP – LE_C= PTV_C
GV_D at POP – LE_D= PTV_D
GV_E at POP – LE_E= PTV_E

* Each PTV cannot be < 0

Current Law:

Calculating the Progressivity Rate .011(g)

Monthly PTV .160(a)(2)

GV_A at POP – LE_A = PTV_A
GV_B at POP – LE_B = PTV_B
GV_C at POP – LE_C = PTV_C
GV_D at POP – LE_D = PTV_D
GV_E at POP – LE_E = PTV_E

Add together ➕ Total BOEs of all Oil and Gas in Segments A-E (per regulation) 〓 Average Monthly Production Tax Value

If Average Monthly Production Tax Value is > $30 then 0.4% progressivity tax rate for each $1 over $30

CSSB305 v. W.A
CSSB305 v. M

Amendment to (g) and (p): Weighted Average PTV Calculation

Segments

A. NS oil
B. Mid Earth oil
C. CI oil
D. CI gas
E. Gas used in state
F. NS Gas
G. Mid Earth gas

Annual PTV .160(a)(1)*

GV_A at POP – LE_A= PTV_A
GV_B at POP – LE_B= PTV_B
GV_C at POP – LE_C= PTV_C
GV_D at POP – LE_D= PTV_D
GV_E at POP – LE_E= PTV_E
GV_F at POP – LE_F= PTV_F
GV_G at POP – LE_G= PTV_G

*Each PTV cannot be < 0
* Excess LEs for each segment get carried forward as NOL

Monthly PTV .160(a)(2)*

GV_A at POP – LE_A= PTV_A
GV_B at POP – LE_B= PTV_B
GV_C at POP – LE_C= PTV_C
GV_D at POP – LE_D= PTV_D
GV_E at POP – LE_E= PTV_E
GV_F at POP – LE_F= PTV_F
GV_G at POP – LE_G= PTV_G

* Each PTV cannot be < 0

CSSB305 v. W.A
CSSB305 v. M

Amendment to (g) and (p) to ensure weighted average calculation

Calculating the Progressivity Rate .011(g)* and .011(p)*

Monthly PTV .160(a)(2)*

GV_A at POP – LE_A= PTV_A
GV_B at POP – LE_B= PTV_B
GV_C at POP – LE_C= PTV_C
GV_D at POP – LE_D= PTV_D
GV_E at POP – LE_E= PTV_E

Add together + Total BOEs of all Oil and Gas in Segments A-E = Average Monthly Production Tax Value .011(g)*

Monthly PTV .160(a)(2)*

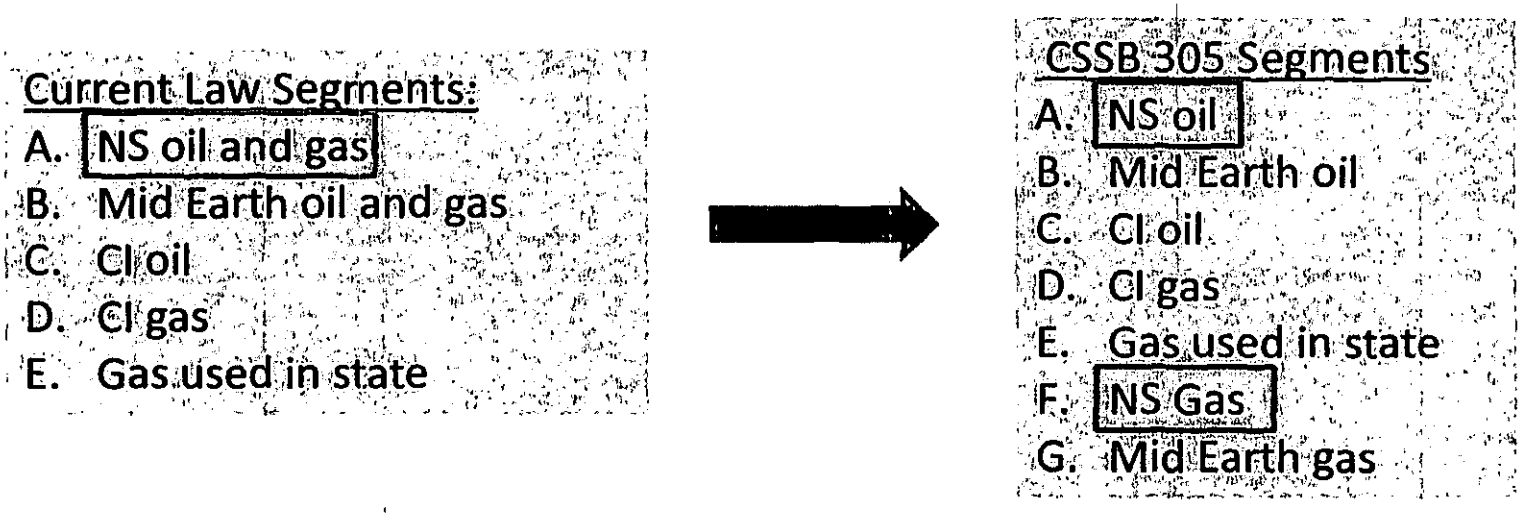
GV_F at POP – LE_F= PTV_F
GV_G at POP – LE_G= PTV_G

Add together + Total BOEs of all Oil and Gas in Segments F-G = Average Monthly Production Tax Value .011(p)*

If Average Monthly Production Tax Value is > $30 then 0.4% progressivity tax rate for each $1 over $30 under both (g) and (p)

Why Version M?

Lease Expenditures from NS properties that are not yet producing oil or gas, have very limited opportunity to offset the gross value of other existing NS production, and also can't be used to lower progressivity rate.

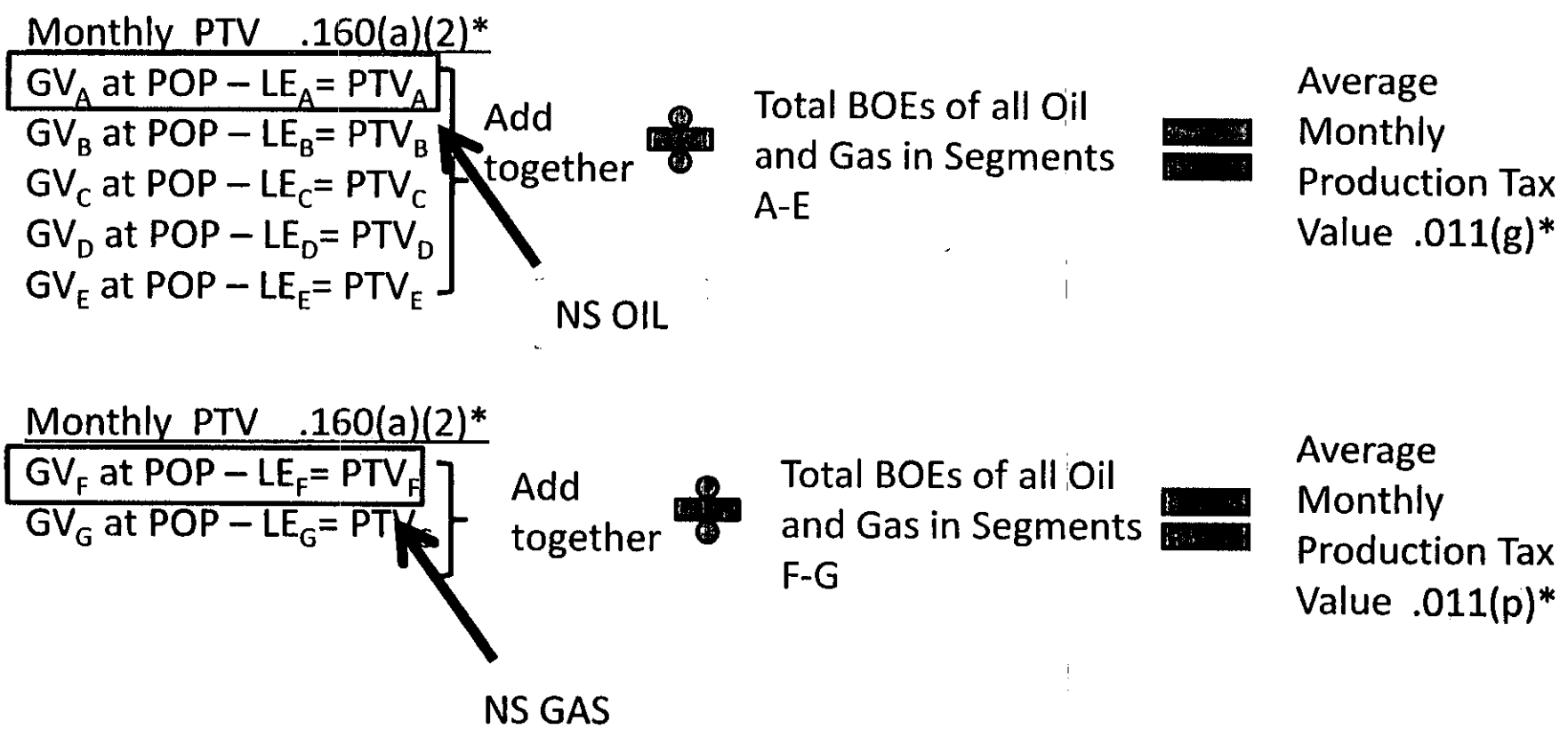


Remember: Lease Expenditures stay inside their Segment. If excess, they become NOLs and .

Version M protects the greater options to offset lease expenditures by moving back and forth between CSSB 305 segments and Current Law segments until big gas fields are developed.

Why Version M?

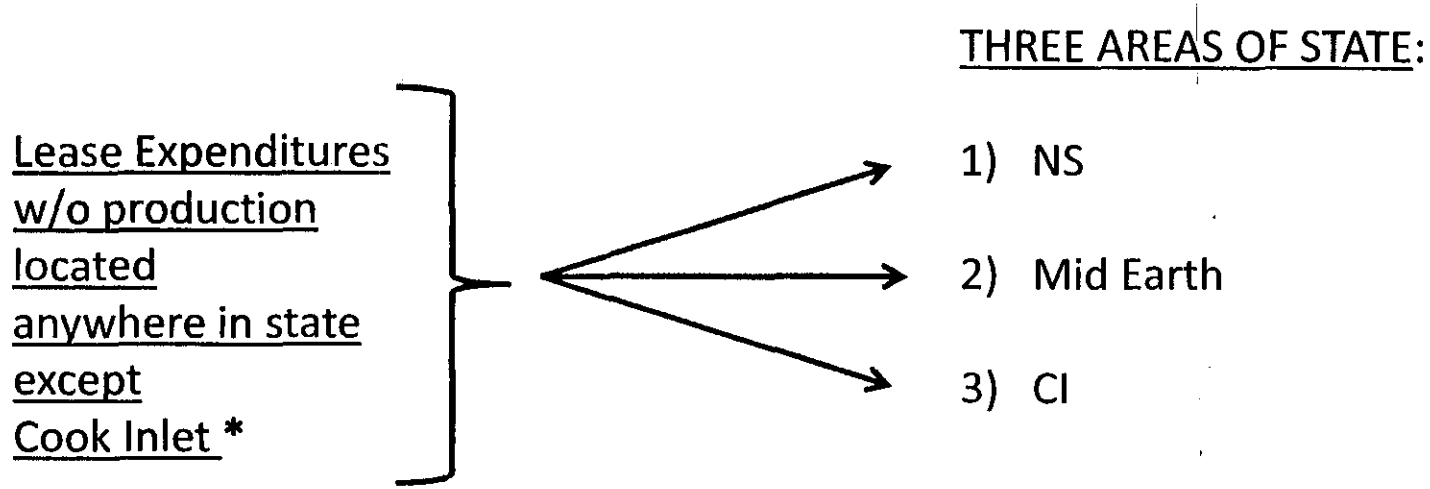
Lease Expenditures from NS properties that are not yet producing oil or gas, also can't be used to lower progressivity rate.



SOLUTION: Option 1

Amendment to .165(h) - Gross Value at POP Option

How to allocate Lease Expenditures to Other Production when no sustained production yet.



RULE: LEs are allocated to oil and gas produced among three areas of state in proportion to the Gross Value of oil and gas at POP in each Area.

* Lease expenditures for CI allocated on basis of regulations.

SOLUTION: Option 2

Amendment to .165(h) - BOE Option

How to allocate Lease Expenditures to Other Production when no sustained production yet

Lease Expenditures w/o production located anywhere in state except Cook Inlet*

THREE AREAS OF STATE:

1) NS
2) Mid Earth
3) CI

RULE: LEs are allocated to oil and gas produced among three areas of state in proportion to the volume of oil and gas in BOEs in each Area.

* Lease expenditures for CI allocated on basis of regulations.

5508

The End

5509

Response to Request from Rep. Tuck

COMPARISON OF REVENUE FROM PPT (DE-COUPLED) VERSUS STATUS QUO

April 13, 2010

Alaska Department of Revenue

Description of the Analysis

- Compared the Overall State tax revenue generated by the status quo combined tax (ACES) versus the PPT tax system as if it had been de-coupled.
- Primary difference between the two:
  - PPT progressivity calculation kicks off at $40 profit per barrel, and has a slope of .25% per dollar; compared to status quo of a $30 kick off, and .4% slope;
  - PPT base tax rate was 22.5% compared to 25% status quo.

Example Cases

State Production Tax Revenue

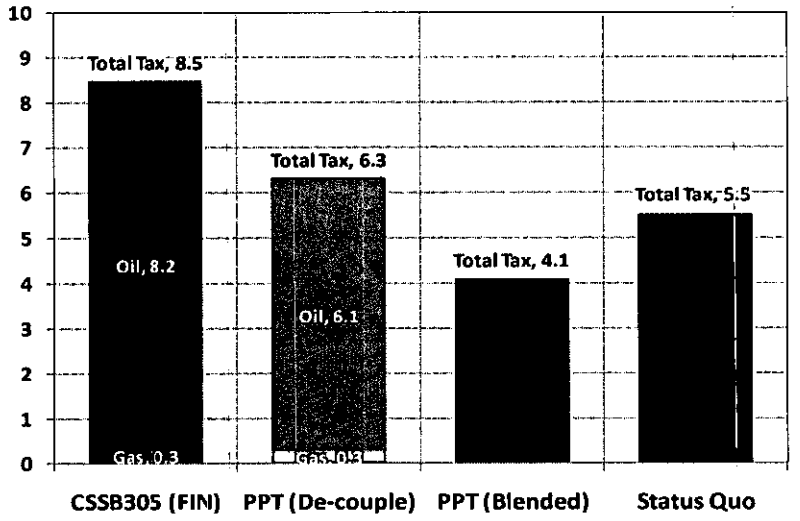
Oil: 500 Mbbl/d and Gas: 4.5 Bcf/d
Capex: $2.2Bn and Opex: $2.2Bn

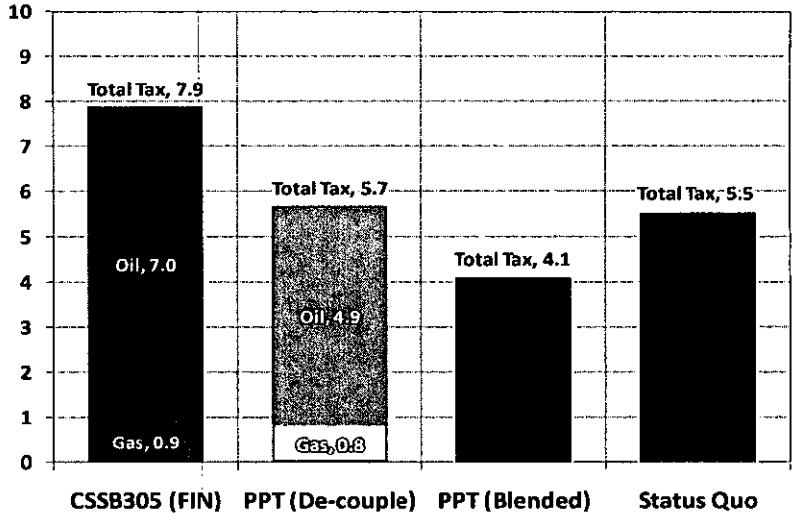
3

BOE

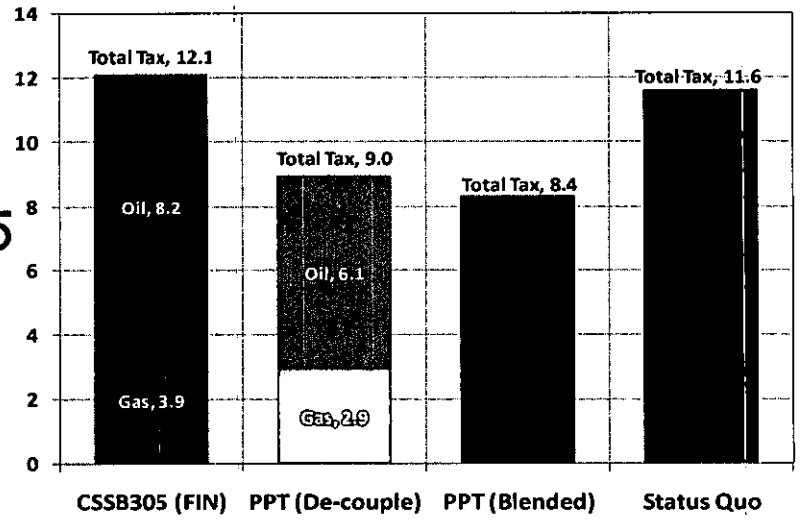
PoP

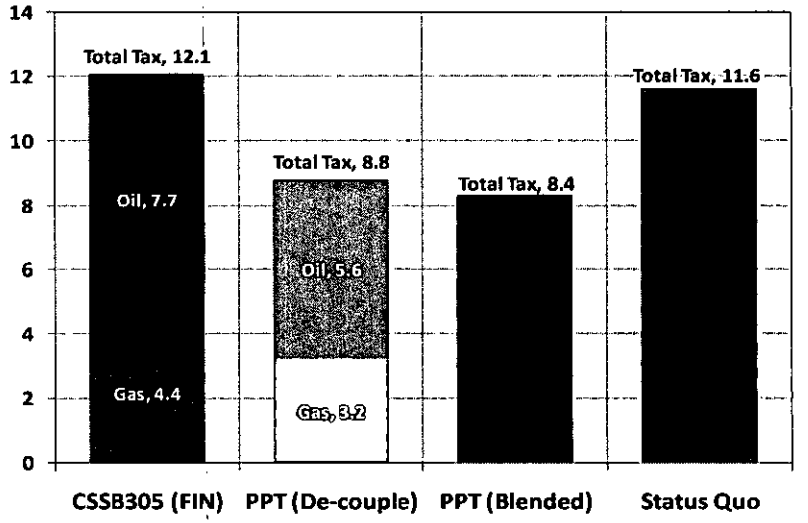
$120/$8 (15:1)





$120/$15 (8:1)





Total Tax Take Comparison

- Model Assumptions:
  - One year snapshot
  - 4.5 Bcf/d and either 500 Mbbl/d or 200 Mbbl/d
  - Total Opex = $2.2 Bn and Total Capex = $2.2 Bn

- Ran multiple cases varying oil price from 40 to 200 $/bbl and gas price parity from 6 to 26
- Ran the above cases for each of BOE, PoP and Fixed cost allocation methodology

Total Tax PPT ("de-coupled") less Status Quo

Cost Allocation: BOE Basis

5

Oil: 500 Mbbl/d and Gas: 4.5 Bcf/d
Capex: $2.2Bn and Opex: $2.2Bn

Gas Price Parity ↓

Oil Price ($/bbl) →

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	(0.1)	(0.2)	(0.3)	(0.8)	(1.5)	(2.2)	(3.0)	(3.9)	(4.9)	(5.2)	(5.1)	(4.8)	(4.6)	(4.7)	(5.0)	(5.9)	(7.0)
8	0.4	(0.1)	(0.2)	(0.0)	(0.3)	(0.8)	(1.4)	(2.0)	(2.7)	(3.4)	(4.2)	(4.5)	(4.5)	(4.9)	(5.2)	(5.6)	(5.9)
10	0.4	0.4	(0.0)	0.1	0.2	0.0	(0.3)	(0.6)	(1.1)	(1.7)	(2.3)	(2.9)	(3.7)	(4.2)	(4.6)	(5.1)	(5.5)
12	0.4	0.7	0.4	0.2	0.3	0.4	0.3	0.2	(0.1)	(0.4)	(0.8)	(1.3)	(1.9)	(3.0)	(3.8)	(4.3)	(4.8)
14	0.4	0.7	0.6	0.5	0.5	0.7	0.7	0.7	0.6	0.4	0.2	(0.0)	(0.5)	(1.5)	(2.7)	(3.6)	(4.0)
16	0.4	0.7	0.8	0.8	0.8	0.9	1.0	1.0	1.0	1.0	0.9	0.8	0.5	(0.3)	(1.3)	(2.4)	(3.3)
18	0.4	0.7	1.0	1.0	1.0	1.1	1.3	1.3	1.3	1.4	1.4	1.4	1.2	0.5	(0.3)	(1.2)	(2.3)
20	0.4	0.7	1.1	1.1	1.2	1.3	1.5	1.7	1.6	1.7	1.8	1.8	1.7	1.1	0.4	(0.4)	(1.3)
22	0.4	0.7	1.1	1.3	1.3	1.5	1.7	1.9	2.0	2.0	2.0	2.2	2.2	1.6	1.0	0.3	(0.5)
24	0.4	0.7	1.1	1.4	1.5	1.6	1.9	2.2	2.3	2.4	2.4	2.5	2.5	2.0	1.5	0.8	0.1
26	0.4	0.7	1.1	1.5	1.6	1.7	2.0	2.3	2.5	2.6	2.8	2.9	2.8	2.4	1.9	1.2	0.6

PPT > STATUS QUO

PPT = STATUS QUO

PPT < STATUS QUO

4/13/2010

Total Tax PPT ("de-coupled") less Status Quo

Cost Allocation: Point of Production (PoP) Basis

6

Oil: 500 Mbbl/d and Gas: 4.5 Bcf/d
Capex: $2.2Bn and Opex: $2.2Bn

Gas Price Parity ↓

Oil Price ($/bbl) →

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	(0.1)	(0.2)	(0.3)	(0.9)	(1.5)	(2.2)	(3.0)	(3.9)	(5.0)	(5.2)	(5.1)	(4.8)	(4.5)	(4.7)	(5.0)	(5.9)	(7.0)
8	0.0	(0.1)	(0.2)	(0.2)	(0.5)	(1.0)	(1.6)	(2.2)	(2.8)	(3.5)	(4.4)	(4.7)	(4.5)	(4.8)	(5.2)	(5.5)	(5.8)
10	0.0	(0.1)	(0.2)	(0.2)	(0.1)	(0.3)	(0.6)	(1.0)	(1.5)	(2.1)	(2.6)	(3.2)	(3.9)	(4.2)	(4.6)	(5.0)	(5.5)
12	0.0	0.1	(0.1)	(0.2)	(0.0)	0.1	(0.1)	(0.3)	(0.6)	(1.0)	(1.4)	(1.9)	(2.3)	(3.1)	(3.9)	(4.4)	(4.8)
14	0.0	0.1	(0.0)	(0.2)	(0.0)	0.2	0.2	0.1	(0.0)	(0.2)	(0.5)	(0.8)	(1.2)	(1.8)	(2.9)	(3.7)	(4.1)
16	0.0	0.1	0.2	(0.1)	(0.1)	0.2	0.4	0.4	0.3	0.2	0.1	(0.1)	(0.3)	(0.7)	(1.7)	(2.7)	(3.6)
18	0.0	0.1	0.4	0.1	(0.1)	0.2	0.5	0.5	0.6	0.5	0.5	0.4	0.3	0.1	(0.7)	(1.6)	(2.7)
20	0.0	0.1	0.5	0.3	0.1	0.1	0.4	0.6	0.7	0.8	0.8	0.8	0.8	0.7	(0.0)	(0.8)	(1.7)
22	0.0	0.1	0.5	0.4	0.3	0.3	0.4	0.7	0.8	0.9	1.0	1.1	1.1	1.1	0.5	(0.2)	(1.0)
24	0.0	0.1	0.5	0.5	0.4	0.4	0.6	0.8	0.9	1.1	1.2	1.3	1.4	1.5	1.0	0.3	(0.4)
26	0.0	0.1	0.5	0.6	0.5	0.6	0.7	0.9	1.0	1.1	1.3	1.5	1.6	1.7	1.3	0.7	0.0

PPT > STATUS QUO

PPT = STATUS QUO

PPT < STATUS QUO

4/13/2010

Total Tax PPT ("de-coupled") less Status Quo

Cost Allocation: BOE Basis

7

Oil: 200 Mbbl/d and Gas: 4.5 Bcf/d
Capex: $2.2Bn and Opex: $2.2Bn

Gas Price Parity ↓

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	(0.1)	(0.2)	(0.3)	(0.8)	(1.3)	(1.8)	(2.5)	(3.2)	(4.0)	(3.9)	(3.8)	(3.6)	(3.5)	(3.4)	(4.0)	(4.7)
8	0.0	0.0	(0.1)	(0.1)	(0.0)	(0.2)	(0.5)	(1.0)	(1.4)	(1.8)	(2.3)	(2.9)	(3.5)	(3.7)	(3.9)	(4.0)	(4.1)
10	0.0	0.0	0.1	(0.0)	0.0	0.1	0.2	0.0	(0.2)	(0.6)	(0.9)	(1.2)	(1.6)	(2.2)	(2.9)	(3.6)	(3.9)
12	0.0	0.0	0.1	0.3	0.2	0.2	0.3	0.5	0.4	0.3	0.1	(0.1)	(0.4)	(0.9)	(1.4)	(2.0)	(2.6)
14	0.0	0.0	0.1	0.3	0.5	0.4	0.4	0.6	0.7	0.8	0.7	0.7	0.5	0.2	(0.3)	(0.8)	(1.3)
16	0.0	0.0	0.1	0.3	0.6	0.7	0.6	0.6	0.8	1.0	1.1	1.1	1.1	0.9	0.6	0.2	(0.3)
18	0.0	0.0	0.1	0.3	0.6	0.9	0.9	0.8	0.9	1.0	1.3	1.4	1.5	1.3	1.1	0.8	0.5
20	0.0	0.0	0.1	0.3	0.6	0.9	1.1	1.1	1.1	1.2	1.3	1.6	1.8	1.7	1.5	1.3	1.0
22	0.0	0.0	0.1	0.3	0.6	0.9	1.2	1.2	1.3	1.4	1.5	1.7	1.9	1.9	1.8	1.6	1.4
24	0.0	0.0	0.1	0.3	0.6	0.9	1.2	1.4	1.5	1.6	1.7	1.9	2.1	2.1	2.0	1.9	1.7
26	0.0	0.0	0.1	0.3	0.6	0.9	1.2	1.5	1.6	1.7	1.9	2.0	2.2	2.3	2.1	2.1	2.0

PPT > STATUS QUO

PPT = STATUS QUO

PPT < STATUS QUO

4/13/2010

Total Tax PPT ("de-coupled") less Status Quo

Cost Allocation: Point of Production (PoP) Basis

8

Oil: 200 Mbbl/d and Gas: 4.5 Bcf/d
Capex: $2.2Bn and Opex: $2.2Bn

Gas Price Parity ↓

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	(0.1)	(0.2)	(0.3)	(0.9)	(1.3)	(1.9)	(2.5)	(3.2)	(4.0)	(4.0)	(3.8)	(3.6)	(3.5)	(3.4)	(4.0)	(4.7)
8	0.0	0.0	(0.1)	(0.1)	(0.1)	(0.3)	(0.7)	(1.1)	(1.5)	(1.9)	(2.4)	(3.0)	(3.6)	(3.7)	(3.9)	(4.0)	(4.1)
10	0.0	0.0	0.0	(0.1)	(0.1)	(0.1)	(0.0)	(0.2)	(0.5)	(0.9)	(1.2)	(1.5)	(1.9)	(2.3)	(2.9)	(3.6)	(3.8)
12	0.0	0.0	0.0	0.0	(0.1)	(0.1)	(0.0)	0.1	0.0	(0.1)	(0.4)	(0.6)	(0.9)	(1.1)	(1.5)	(2.0)	(2.7)
14	0.0	0.0	0.0	0.0	(0.1)	(0.1)	(0.0)	0.1	0.2	0.2	0.1	0.0	(0.1)	(0.3)	(0.6)	(1.0)	(1.5)
16	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.1)	0.0	0.2	0.3	0.4	0.4	0.3	0.2	0.1	(0.2)	(0.6)
18	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.0)	0.1	0.3	0.5	0.6	0.6	0.6	0.6	0.4	0.1
20	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.0)	0.1	0.2	0.4	0.6	0.7	0.8	0.8	0.9	0.6
22	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0	0.2	0.4	0.6	0.8	0.9	1.0	1.1	1.0
24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.0)	0.1	0.3	0.5	0.8	1.0	1.1	1.2	1.2
26	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	(0.0)	0.1	0.3	0.5	0.7	1.0	1.2	1.3	1.4

PPT > STATUS QUO

PPT = STATUS QUO

PPT < STATUS QUO

4/13/2010

Observations

- In many of the instances, the status quo combined tax would result in more overall tax revenue than PPT decoupled.
- Provides insight into the perception of the "appropriate" state share of oil and gas revenues once a major gas sale occurs.
- Results are an interesting reflection on whether the state is "losing" revenue under a combined tax system.

CSSB305 (FIN) COST ALLOCATION SENSITIVITY

April 13, 2010

Alaska Department of Revenue

Methodology

- Model Assumptions:
  - One year snapshot
  - 4.5 Bcf/d and 500 Mbbl/d
    - (additional sensitivity of 4.5 Bcf/d and 200 Mbbl/d)
  - Total Opex = $2.2 Bn and Total Capex = $2.2 Bn

- Ran multiple cases varying oil price from 40 to 200 $/bbl and gas price parity from 6 to 26
- Ran the above cases for each of BOE, PoP and calculated the difference

Total Tax CSSB305 (FIN)

PoP less BOE Cost Allocation

3

Oil: 500 Mbbl/d and Gas: 4.5 Bcf/d
Capex: $2.2Bn and Opex: $2.2Bn

Gas Price Parity ↓

Oil Price ($/bbl) →

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
8	(0.5)	(0.1)	(0.2)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(0.0)	(0.0)	0.0	0.0	0.1	0.1	(0.1)	(0.1)	(0.1)
10	(0.5)	(0.5)	(0.4)	(0.4)	(0.5)	(0.5)	(0.6)	(0.6)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	0.0	0.0
12	(0.5)	(0.7)	(0.8)	(0.7)	(0.6)	(0.7)	(0.7)	(0.8)	(0.5)	(0.4)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)
14	(0.5)	(0.7)	(1.0)	(1.0)	(0.9)	(0.8)	(0.9)	(1.0)	(0.6)	(0.6)	(0.6)	(0.5)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)
16	(0.5)	(0.7)	(1.0)	(1.3)	(1.2)	(1.1)	(1.0)	(1.1)	(0.7)	(0.6)	(0.7)	(0.7)	(0.7)	(0.6)	(0.5)	(0.5)	(0.5)
18	(0.5)	(0.7)	(1.0)	(1.3)	(1.5)	(1.4)	(1.4)	(1.3)	(0.8)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.7)	(0.6)
20	(0.5)	(0.7)	(1.0)	(1.3)	(1.5)	(1.7)	(1.6)	(1.6)	(1.0)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)
22	(0.5)	(0.7)	(1.0)	(1.3)	(1.5)	(1.7)	(1.9)	(1.9)	(1.3)	(1.0)	(0.8)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(1.0)
24	(0.5)	(0.7)	(1.0)	(1.3)	(1.5)	(1.7)	(1.9)	(2.1)	(1.6)	(1.2)	(1.1)	(0.9)	(0.9)	(0.9)	(1.0)	(1.0)	(1.0)
26	(0.5)	(0.7)	(1.0)	(1.3)	(1.5)	(1.7)	(1.9)	(2.1)	(1.8)	(1.4)	(1.3)	(1.1)	(1.0)	(1.0)	(1.0)	(1.0)	(1.1)

PoP > BOE PoP = BOE PoP < BOE

5521

Total Tax CSSB305 (FIN)

PoP less BOE Cost Allocation

4

Oil: 200 Mbbl/d and Gas: 4.5 Bcf/d
Capex: $2.2Bn and Opex: $2.2Bn

Gas Price Parity ↓

Oil Price ($/bbl) →

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	0.0	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
8	0.0	(0.0)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)	(0.0)	0.0	0.0	0.0	0.1	(0.0)	(0.0)	(0.0)
10	0.0	(0.0)	(0.3)	(0.2)	(0.3)	(0.4)	(0.4)	(0.5)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	0.0
12	0.0	(0.0)	(0.3)	(0.6)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.4)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)
14	0.0	(0.0)	(0.3)	(0.6)	(0.9)	(0.8)	(0.7)	(0.8)	(0.7)	(0.6)	(0.5)	(0.5)	(0.5)	(0.3)	(0.3)	(0.3)	(0.3)
16	0.0	(0.0)	(0.3)	(0.6)	(0.9)	(1.1)	(1.1)	(0.9)	(0.9)	(0.8)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.5)	(0.4)
18	0.0	(0.0)	(0.3)	(0.6)	(0.9)	(1.3)	(1.4)	(1.3)	(1.1)	(0.9)	(0.8)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)	(0.7)
20	0.0	(0.0)	(0.3)	(0.6)	(0.9)	(1.3)	(1.7)	(1.6)	(1.5)	(1.2)	(0.9)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)
22	0.0	(0.0)	(0.3)	(0.6)	(0.9)	(1.3)	(1.8)	(1.9)	(1.8)	(1.5)	(1.2)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
24	0.0	(0.0)	(0.3)	(0.6)	(0.9)	(1.3)	(1.8)	(2.1)	(2.0)	(1.8)	(1.6)	(1.2)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
26	0.0	(0.0)	(0.3)	(0.6)	(0.9)	(1.3)	(1.8)	(2.2)	(2.3)	(2.1)	(1.8)	(1.5)	(1.3)	(1.2)	(1.1)	(1.1)	(1.1)

PoP > BOE PoP = BOE PoP < BOE

Gas Tax CSSB305 (FIN)

PoP less BOE Cost Allocation

5

Oil: 500 Mbbl/d and Gas: 4.5 Bcf/d
Capex: $2.2Bn and Opex: $2.2Bn

Gas Price Parity

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
8	0.0	0.2	0.4	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.4	0.4	0.4
10	0.0	0.0	0.2	0.5	0.5	0.4	0.4	0.4	0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.7
12	0.0	0.0	0.1	0.2	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.7	0.7	0.7	0.8	0.8
14	0.0	0.0	0.0	0.1	0.2	0.4	0.6	0.6	0.5	0.5	0.5	0.6	0.7	0.7	0.7	0.8	0.8
16	0.0	0.0	0.0	0.0	0.1	0.2	0.4	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.7	0.8	0.8
18	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.4	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.7
20	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.4	0.5	0.7	0.7	0.7	0.6	0.6	0.6	0.6
22	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.4	0.5	0.6	0.7	0.7	0.7	0.7	0.7
24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.4	0.5	0.6	0.7	0.7	0.7	0.7
26	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.5	0.6	0.7	0.7	0.7

PoP > BOE

PoP = BOE

PoP < BOE

Gas Tax CSSB305 (FIN)

PoP less BOE Cost Allocation

6

Oil: 200 Mbbl/d and Gas: 4.5 Bcf/d
Capex: $2.2Bn and Opex: $2.2Bn

Gas Price Parity ↓

Oil Price ($/bbl)

	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
6	0.0	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
8	0.0	0.0	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.3	0.3	0.3
10	0.0	0.0	0.0	0.2	0.4	0.4	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.6
12	0.0	0.0	0.0	0.0	0.2	0.4	0.5	0.4	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.6
14	0.0	0.0	0.0	0.0	0.0	0.2	0.4	0.6	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.7	0.7
16	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.3	0.5	0.6	0.6	0.5	0.5	0.5	0.6	0.7	0.7
18	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6
20	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.4	0.6	0.7	0.7	0.6	0.6	0.6
22	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.4	0.6	0.7	0.7	0.7	0.7
24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.4	0.5	0.6	0.8	0.7
26	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.3	0.4	0.5	0.6	0.7

PoP > BOE PoP = BOE PoP < BOE

Explanation of Amendment WA.2 to CSSB 305(FIN) (title am)

This amendment repeals the 5% net profit tax cap on gas sold in-state for thirty days following the immediate effective date of the act. After thirty days the 5% in-state tax cap is reenacted.

The reason for the temporary repeal of the in-state cap is that if a producer bids North Slope gas at the initial season and the tax regime is challenged in federal court by buyers once gas flows because their price is higher based on the differential taxation given to Alaska use gas, I believe this would be a violation of the Commerce Clause of the US Constitution. I believe that they would propose the remedy of lowering the export tax rate to the same as the in-state use rate. I think there is a good probability that the federal court would order that proposed remedy instead of allowing the State to repeal the in-state rate at that time as cases are decided on the facts at time of suit not later remedies.

This could mean that the state revenue from the gasline would be almost nothing and would be fixed for the first 10 years of gas flow by the May 1 2010 'contract term' in AGIA if for the gas bid at the start of the first binding open season. Since almost no gas is being sold off the North Slope now, repeal of this provision would not increase anyone's current taxes on gas but would eliminate a huge potential future revenue decrease which is the intent of the bill.

26-LS1577\WA.2
Bullock
4/5/10

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE SEATON

TO: CSSB 305(FIN)(title am)

Page 1, line 2:

Delete "**oil,**"

Insert "**oil produced in the state and**"

Page 1, lines 2 - 3:

Delete "**, and gas produced outside of the Cook Inlet sedimentary basin and used in the state**"

Page 1, lines 10 - 11:

Delete "**and not used in the state**"

Page 2, line 17:

Delete "(f), (j), (k), and (o)"

Insert "**(f), (j), and (k)** [(f), (j), (k), AND (o)]

Page 2, following line 24:

Insert a new bill section to read:

"*** Sec. 3.** AS 43.55.011(f) is amended to read:

(f) The levy of tax under this section for oil and gas produced north of 68 degrees North latitude, other than oil and gas production subject to (i) of this section [AND GAS SUBJECT TO (o) OF THIS SECTION], may not be less than

(1) four percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States

5525

West Coast during the calendar year for which the tax is due is more than $25;

(2) three percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over $20 but not over $25;

(3) two percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over $17.50 but not over $20;

(4) one percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over $15 but not over $17.50; or

(5) zero percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is $15 or less."

Renumber the following bill sections accordingly.

Page 2, line 27:

Delete "**AS 43.55.160(a)(2)(A) - (E)**"

Insert "**AS 43.55.160(a)(2)(A) - (D)**"

Page 3, line 1:

Delete "**,**"

Insert "**and**"

Page 3, lines 2 - 4:

Delete "**, and gas produced during the month from a lease or property outside the Cook Inlet sedimentary basin and used in the state**"

Page 3, line 6:

Delete "**AS 43.55.160(a)(2)(A) - (E)**"

Insert "**AS 43.55.160(a)(2)(A) - (D)**"

Page 3, line 9:

Delete "**AS 43.55.160(a)(2)(A) - (E)**"

Insert "**AS 43.55.160(a)(2)(A) - (D)**"

Page 3, line 12:

Delete "**AS 43.55.160(a)(2)(A) - (E)**"

Insert "**AS 43.55.160(a)(2)(A) - (D)**"

Page 3, line 16:

Delete "**AS 43.55.160(a)(2)(A) - (E)**"

Insert "**AS 43.55.160(a)(2)(A) - (D)**"

Page 3, following line 18:

Insert a new bill section to read:

"* **Sec. 5.** AS 43.55.011(m) is amended to read:

(m) Notwithstanding any contrary provision of AS 38.05.180(i), AS 41.09.010, AS 43.55.024, or 43.55.025, the department shall provide by regulation a method to ensure that, for a calendar year for which a producer's tax liability is limited by **(j) or (k)** [(j), (k), OR (o)] of this section, tax credits otherwise available under AS 38.05.180(i), AS 41.09.010, AS 43.55.024, or 43.55.025 and allocated to gas subject to the limitations in **(j) or (k)** [(j), (k), AND (o)] of this section are accounted for as though the credits had been applied first against a tax liability calculated without regard to the limitations under **(j) or (k)** [(j), (k), AND (o)] of this section so as to reduce the tax liability to the maximum amount provided for under **(j)** [(j) OR (o)] of this section for the production of gas or (k) of this section for the production of oil. The regulation must provide for a reasonable method to allocate tax credits to gas subject to **(j)** [(j) AND (o)] of this section. Only the amount of a tax

credit remaining after the accounting provided for under this subsection may be used for a later calendar year, transferred to another person, or applied against a tax levied on the production of oil or gas not subject to **(j) or (k)** [(j), (k), OR (o)] of this section to the extent otherwise allowed."

Renumber the following bill sections accordingly.

Page 3, line 21:
Delete "AS 43.55.160(a)(2)(F) and (G)"
Insert "AS 43.55.160(a)(2)(E) and (F)"

Page 3, lines 25 - 26:
Delete "or gas produced outside the Cook Inlet sedimentary basin and used in the state"

Page 3, line 29:
Delete "AS 43.55.160(a)(2)(F) and (G)"
Insert "AS 43.55.160(a)(2)(E) and (F)"

Page 4, line 1:
Delete "AS 43.55.160(a)(2)(F) and (G)"
Insert "AS 43.55.160(a)(2)(E) and (F)"

Page 4, line 4:
Delete "AS 43.55.160(a)(2)(F) and (G)"
Insert "AS 43.55.160(a)(2)(E) and (F)"

Page 4, line 7:
Delete "AS 43.55.160(a)(2)(F) and (G)"
Insert "AS 43.55.160(a)(2)(E) and (F)"

Page 4, lines 21 - 22:

Delete "but not subject to AS 43.55.011(o)"

Insert "[BUT NOT SUBJECT TO AS 43.55.011(o)]"

Page 6, line 9:

Delete "AS 43.55.011(j), (k), or (o)"

Insert "**AS 43.55.011(j) or (k)** [AS 43.55.011(j), (k), OR (o)]"

Page 6, line 31:

Delete "AS 43.55.011(j), (k), or (o)"

Insert "**AS 43.55.011(j) or (k)** [AS 43.55.011(j), (k), OR (o)]"

Page 7, line 2:

Delete "or 43.55.011(o)"

Insert "[OR 43.55.011(o)]"

Page 7, line 4:

Delete "or 43.55.011(o)"

Insert "[OR 43.55.011(o)]"

Page 9, lines 14 - 21:

Delete "gas produced during a calendar year from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(F)"

Page 9, lines 27 - 28:

Delete "**this subparagraph does not apply to gas used in the state;**"

Page 9, line 29:

Delete "**(G)**"

Insert "**(F)**"

Page 10, lines 5 - 6:

Delete "**; this subparagraph does not apply to gas used in the state;**"

Insert "[GAS PRODUCED DURING A CALENDAR YEAR FROM A LEASE OR PROPERTY OUTSIDE THE COOK INLET SEDIMENTARY BASIN AND USED IN THE STATE IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THAT GAS TAXABLE UNDER AS 43.55.011(e) AND PRODUCED BY THE PRODUCER FROM THAT LEASE OR PROPERTY, LESS THE PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR APPLICABLE TO THAT GAS PRODUCED BY THE PRODUCER FROM THAT LEASE OR PROPERTY, AS ADJUSTED UNDER AS 43.55.170];"

Page 11, lines 8 - 15:

Delete "gas produced during a month from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(F)"

Page 11, line 22:

Delete all material.

Page 11, line 23:

Delete "**(G)**"

Insert "**(F)**"

Page 11, lines 30 - 31:

Delete "**; this subparagraph does not apply to gas used in the state**"

Insert "[GAS PRODUCED DURING A MONTH FROM A LEASE OR PROPERTY OUTSIDE THE COOK INLET SEDIMENTARY BASIN AND USED IN THE STATE IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THAT GAS TAXABLE UNDER AS 43.55.011(e) AND PRODUCED BY THE PRODUCER FROM THAT LEASE OR PROPERTY, LESS 1/12 OF THE PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR APPLICABLE TO THAT GAS PRODUCED BY THE PRODUCER FROM THAT LEASE OR PROPERTY, AS ADJUSTED UNDER AS 43.55.170]"

Page 11, following line 31:

Insert a new bill section to read:

"* **Sec. 10.** AS 43.55.160(e) is amended to read:

(e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would otherwise be deductible by a producer in a calendar year but whose deduction would cause an annual production tax value calculated under (a)(1) of this section of taxable oil or gas produced during the calendar year to be less than zero may be used to establish a carried-forward annual loss under AS 43.55.023(b). However, the department shall provide by regulation a method to ensure that, for a period for which a producer's tax liability is limited by **AS 43.55.011(j) or (k)** [AS 43.55.011(j), (k), OR (o)], any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would otherwise be deductible by a producer for that period but whose deduction would cause a production tax value calculated under **(a)(1)(C) or (D)** [(a)(1)(C), (D), OR (E)] of this section to be less than zero are accounted for as though the adjusted lease expenditures had first been used as deductions in calculating the production tax values of oil or gas subject to any of the limitations under **AS 43.55.011(j) or (k)** [AS 43.55.011(j), (k), OR (o)] that have positive production tax values so as to reduce the tax liability calculated without regard to the limitation to the maximum amount provided for under the applicable provision of **AS 43.55.011(j) or (k)**

[AS 43.55.011(j), (k), OR (o)]. Only the amount of those adjusted lease expenditures remaining after the accounting provided for under this subsection may be used to establish a carried-forward annual loss under AS 43.55.023(b). In this subsection, "producer" includes "explorer.""

Renumber the following bill sections accordingly.

Page 12, lines 3 - 4:

Delete ", between gas subject to AS 43.55.011(o) and other gas,"

Insert "[, BETWEEN GAS SUBJECT TO AS 43.55.011(o) AND OTHER GAS,]"

Page 12, line 17:

Delete ", between gas subject to AS 43.55.011(o) and other gas,"

Page 12, following line 27:

Insert a new bill section to read:

"* **Sec. 13.** AS 43.55.011(o) and AS 43.55.900(24) are repealed."

Renumber the following bill sections accordingly.

Page 13, line 2:

Delete "secs. 2 - 4 and 7"

Insert "secs. 2, 4, 6, and 9"

Page 13, line 5:

Delete "secs. 2 - 4 and 7"

Insert "secs. 2, 4, 6, and 9"

Page 13, line 10:

Delete "Sections 2 - 4 and 7"

Insert "Sections 2, 4, 6, and 9"

CS SB 305 Conceptual Amendment to Amendment 26-LS1577\WA.2

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: Amendment WA.2 to CSSB 305

The tax provisions for in-state sale of gas from the North Slope and other fields are re-enacted 30-days after the effective date of this act

CONCEPTUAL AMENDMENT

OFFERED IN RESOURCES BY REPRESENTATIVE GUTTENBERG

TO: CSSB 305 W.A

Page 3, following line 18

Insert new bill section to read:

"***Sec. 5**. AS.43.55.011 is amended by adding a new subsection (p) to read:

(p) The levy of tax under this section for oil and gas produced north of 68 degrees North latitude in a calendar year, other than oil and gas production subject to (i) of this section and gas subject to (o) of this section, may not be less than the tax that would have been levied for the oil or the gas if the calculation of the tax under AS 43.55.011(e) had been made separately for the oil and gas.

5534

CONCEPTUAL AMENDMENT

OFFERED IN THE HOUSE RESOURCES COMMITTEE

TO: CSSB305

version W.A: Page 12, lines 9-12; version M: Page 31, lines 19-22

Delete

"When determining a reasonable method of allocating lease expenditures between the production of oil and the production of gas, the department shall consider allocating lease expenditures in proportion to the BTU equivalent barrels of oil produced and gas produced from each lease or property."

Insert

"When determining a reasonable method of allocating lease expenditures between the production of oil and the production of gas, the department shall to the extent possible allocate lease expenditures in proportion to the gross value at the point of production for oil produced and gas produced from each lease or property."

(4/12/2010)
(____ pm)

AMENDMENT

OFFERED IN THE HOUSE RESOURCES COMMITTEE

BY Seaton

TO: CSSB305 v. M

Page 31, delete lines 19-22 and replace with:

"properties. **The department shall allocate lease expenditures between the production of oil and the production of gas in proportion to the gross values at the point of production of the oil and gas produced from each lease or property."**

5536

SB 305 CONCEPTUAL AMENDMENT

We believe the following language addresses the concerns raised by the producers regarding the ability to recognize costs as they are incurred. This can be added to AS 43.55.165(h) in Section 8 of the Current CS (Version W.A):

Costs incurred to explore for, develop or produce oil or gas either
(1) on a lease or property that include land north of 68 degrees North latitude and which did not produce commercial quantities of oil or gas in the calendar year in which the costs were occurred; or
(2) outside of a lease or property, but that include land north of 68 degrees North latitude , will be allocated between
(A) each lease or property producing gas subject to AS 43.55.011(o) that include land north of 68 degrees North latitude and
(B) all other producing leases or properties that include land north of 68 degrees North latitude.

Costs incurred to explore for, develop or produce oil or gas either
(1) on a lease or property outside the Cook Inlet Sedimentary Basin, no part of which is north of 68 degrees North latitude and which did not produce commercial quantities of oil or gas in the calendar year in which the costs were occurred; or
(2) outside of a lease or property, but outside the Cook Inlet Sedimentary Basin, no part of which is north of 68 degrees North latitude, will be allocated between
(A) each lease or property producing gas subject to AS 43.55.011(o) outside the Cook Inlet Sedimentary Basin, no part of which is north of 68 degrees North latitude and
(B) all other producing leases or properties that outside the Cook Inlet Sedimentary Basin, no part of which is north of 68 degrees North latitude.

SJR

3

SENATOR
GENE THERRIAULT
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Alaska State Legislature

Senate

While in session
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SENATE DISTRICT F

Sponsor Statement

Senate Joint Resolution 3

It is the intent of SJR 3 to show appreciation for the change in National Park policy that now allows park users to carry the firearms they need for personal protection in National Parks.

Alaskans, who have in their state over 75% of the National Park system, understand how important it is to have personal protection when in the wilderness. This bill affirms that progress that has been made in allowing the carrying of firearms under the previous administration and encourages the new Obama administration to continue with the policy and add improvements by allowing open carry in addition as concealed carry.

Whether it is for bear protection, obtaining food in a survival situation, or signaling for assistance when needed, firearms have been on the hips and in the arms of Alaskans since the frontier was first explored. Now the unbroken wilderness and inherent dangers have been exacerbated with the conditioning of animals to lose their natural tendency of avoiding humans. With the Parks Service's steady line of visitors who have no real experience in the true wilderness, the need for protection is more prudent now than ever before.

Email: Senator_Gene_Therriault@legis.state.ak.us

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SJR 3
(S) Publish Date: 2/13/09

Identifier (file name):
Title SJR 3 FIREARMS IN NATIONAL PARK
Sponsor Senator Therriault
Requester (S) Judiciary Committee

Dept. Affected:
RDU
Component
Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: SENATE JUDICIARY COMMITTEE
Division
Approved by: /s/ Senator French, Chair

Phone 465-3892
Date/Time 2/11/09 12:00 AM
Date 2/11/2009

(Revised 9/10/2008 OMB)

SUPPORTERS CITE SAFETY, CRITICS SEE POLITICAL MOTIVES

Fight Rages Over Guns in Parks

By Dan Testa, 3-05-08

At the end of April, Interior Secretary Dirk Kempthorne will suggest new rules for carrying loaded guns in national parks that will likely relax the restrictions to bring them more in-line with state laws. In Montana, where gun restrictions are relatively few, carrying loaded weapons could be permitted in Glacier and Yellowstone national parks.

Both opponents and supporters of relaxing the ban agree on one thing: Permitting loaded weapons in national parks where they are currently restricted will alter the role these lands play in our national identity. Whether the proposed change is for safety reasons or a political move in an election year, depends on where you stand and whom you ask.

The Argument

At its heart, the question of loaded weapons in national parks comes down to differing conceptions of safety. For gun-rights advocates, relaxing the ban would increase the safety of national parks, allowing visitors to better defend themselves from aggressive people or animals. Guns are currently allowed in Glacier as long as they are unloaded and stored.

Gary Marbut, president of the Montana Shooting Sports Association, believes gun-free zones are inherently dangerous, and cites recent school shootings at Virginia Tech and Northern Illinois University as examples of places where law-abiding citizens could have defended themselves were they allowed to do so.

"Gun-free zones are broken social institutions," Marbut said, "and they need to be fixed anywhere they occur, including in national parks."

Opponents of relaxing the ban disagree that national parks, with respect to gun restrictions, are broken social institutions. And if it isn't broken, they say, don't fix it. Last week the Coalition of National Park Service Retirees protested any plans to reconsider gun regulations.

Pete Hart has worked as a ranger and superintendent in 17 national parks over 38 years, including stints at Glacier, and is now a member of the National Parks Conservation Association. He also carried a weapon in parks for 23 of those years, and echoes many retired park service employees who say national parks are safe, and introducing more weapons into the mix would create problems where none exist.

"The fact that people don't carry firearms in the backcountry is a good thing," Hart said. "I believe in the Second Amendment, but I believe the current regulations are working."

Supporters of changing regulations point out that loaded firearms are restricted on federal parkland, but not U.S. Forest Service or Bureau of Land Management property, representing selective enforcement of gun regulations. Opponents counter that people don't travel from across the country and around the world to visit BLM land like they do for Glacier Park, so the rules should be different considering the diversity of urban and international visitors. Part of national parks' appeal, Hart said, derives from "a certain feeling of tranquility and really firearms don't need to be a part of it."

Poaching could increase if visitors can carry loaded weapons. Whereas park rangers currently have probable cause to investigate a possible poacher if that person is carrying a loaded weapon in the park, that reason no longer holds up if the guns are allowed.

"There's nothing in this ruling that makes poaching legal," counters Andrew Arulanandam, director of public affairs for the National Rifle Association. "That's another baseless argument."

Crime in National Parks: By the Numbers

Gun-rights advocates point to the recent murder of a 24-year-old hiker in the mountains of north Georgia as an example of a victim in the backcountry who might have defended herself with a firearm. But despite such a high-profile example, the National Park Service says the crime statistics across its 390 park units are very low.

Out of 272 million visits, there were 116,588 reported offenses in national parks in 2006. Only 384 of those were violent

crimes – and that includes statistics reported by park police at urban parks like the Lincoln Memorial in Washington, D.C., and the Statue of Liberty in New York. That makes the probability of becoming a victim of a violent crime on national parkland one in 708,333. Out of roughly 1.3 billion visitors to national parks since 2002, two have been killed by animals.

In 2006 the national park system had 11 killings, 35 rapes or attempted rapes, 16 kidnappings, 261 aggravated assaults and 61 robberies. Out of the 11 killings: five were categorized as murders: two people were pushed off cliffs; one was a murder-suicide; one was a drunk driver crash; and two were bodies or remains found where the victim was killed elsewhere.

In Glacier Park, however, crime is virtually nonexistent. There have been 20 cases of poaching since 1997, and none in 2007. In that 10-year span there were 91 general weapons violations, 15 of which occurred last year. Glacier Park had two reports of rape last year, and no kidnappings, robberies or homicides. Glacier also had three reported assaults last year – one with a firearm and two bodily assault cases.

Parks, Guns and Politics

Kempthorne took up the issue of guns in national parks after receiving complaints, organized by Idaho Republican Sen. Mike Crapo, about current regulations from 50 U.S. senators: 41 Republicans and nine Democrats. Montana's Sens. Max Baucus and Jon Tester were among those nine. A prerequisite for holding elected office in most of the Rocky Mountain West, particularly if you're a Democrat, is an immaculate record of pro-gun rights positions, and it is an election year.

All of which has opponents of relaxing gun regulations charging that this is simply a wedge issue, designed by the NRA to get lawmakers on their side in the run-up to a momentous election.

"The NRA inserted a very contentious issue into this election year," said Bryan Faehner, legislative representative for the NPCA. "It's unfortunate that the NRA chose the national parks to flex their muscle."

"It didn't just happen because some senators spoke out," Faehner added. "It was a full-fledged campaign where the NRA covered all the pressure points in Washington, D.C., to make this happen."

But Marbut and Arulanandam say their groups have been pushing for a re-examination of gun regulations in parks for five years now, through two previous elections, and that the issue has finally risen to the top of the stack. The idea that the NRA is creating hoops for lawmakers to jump through, added Arulanandam, wildly overestimates the power of the gun lobby.

"Contrary to popular belief, the NRA does not control congressional schedules, nor do we make the rules of the land as they pertain to firearms," Arulanandam said. "That is just empty rhetoric from those who oppose this measure."

But both Faehner and Arulanandam think that when the Department of Interior releases its new draft regulations for public comment, they are likely to apply state gun laws to national parks.

"It's too premature to speculate," Arulanandam said. "We're cautiously optimistic." **[End of article]**

Comment By garyt, 3-05-08

If people are allowed to have guns in their possession there will be shootouts reminiscence of the OK corral. The gun-control crowd use the same argument every time and it is yet to happen. Why should we have to give up our constitutional rights to satisfy a few people who have no clue of the real world? Are you aware that the areas with the highest crime rates are those that have the strictest gun control laws? New York, Washington DC and San Francisco are some that come to mind. Everytime that you travel from Kalispell to Browning and you don't take apart your gun do you know are breaking the law? The gun-free zones are just inviting these criminals to make headlines.

Comment By Denny, 3-05-08

What is their argument for not allowing guns in the park? I always assumed it was to prevent poaching. I am an honest do-good citizen that contributes positive influence on my community. I have never in my life committed a crime past j-walking, and have never been involved in a firearms accident or offense. I have and hold a concealed carry permit for a pistol. I ask those who oppose the legalization of firearms in the parks this, "On what grounds do you deny my right to carry?" I desire to protect myself and my family. Bear-spray is not always 100% deterrant. I have utilized the modern techniqu of pistol shooting for around 20 years now and can pretty much guarantee that I could effectively eliminate a threat if it were to occur in a national park. Fear, government bureaucracy should not intrude with my right to self defense and the ability to maintain my own species. I'm sure legalizing guns in the park will not cause a spike in crime there, in fact it will if anything deter it, and with wildlife, I guarantee that the only shots that would ever be fired would be in complete self preseration. Thanks.

Comment By Wendy Weinbaum, 3-06-08

As a Jewess in the US, I want to remind everyone that America wasn't won with a registered gun. Nor are criminals stopped by talk, but rather by FIREARMS. That is why all REAL Americans put our 2nd Amendment FIRST!

Comment By Uncle Lar, 3-06-08

In 2006, criminal activity in our national parks included 11 killings, 35 rapes or attempted rapes, 61 robberies, 16 kidnappings and 261 aggravated assaults.
A tiny number, hardly significant, except to all the real people victimized by these crimes. Tell me again why I should surrender my only true means of self defense for your convenience. You want to catch poachers? Arrest them when they shoot.
And please explain if it's so safe why then do your rangers go armed?

Comment By Addicus Daily, 3-06-08

I carry a gun in the parks any way. I have for years. It is concealed and ready for bear or criminal. If you try to take it from me I may confuse you with a criminal.

Comment By Average American, 3-07-08

So let me get this right! The Second Amendment of the Constitution does not apply in National Parks? I did not know the government could abrogate my constitutional rights to effectively defend myself. I understand that Park Rangers may feel more comfortable if they are the only ones armed in the Parks, but they really need to "man up". People have a right to defend themselves. And what is this crap about "agressive people" don't you really mean "depraved criminals". Parks are often far from the police station and a 911 response. Enforcement authorities cannot be everywhere, and the graveyards of full of people who are evidence of that. Get a clue people- government cannot solve all your problems sometimes you have to be self reliant.

Comment By Walt, 3-07-08

As a both a current and retired law enforcement officer, I have authority to carry a concealed weapon under HR-218. I recently took an 11 State trip including going through Yellowstone, Jewel Caverns, Custer State Park and many other State and Federal Parks and properties. Carried my firearm with me to all locations for personal protection. At none of the sites was I asked if I was carrying a firearm. I assumed the philosophy of "don't ask, don't tell".
It would be my bet that many firearms are carried within these areas much like I did, without problems.
Those that are intent in misusing a firearm are those that don't care what the rules are anyway.

Comment By Gery, 3-08-08

I live near the Rocky Mtn. National Park. I am also a U.S. Forest Service volunteer. I carry concealed in both instances. Why? Wolves, grizzley bears, mountain lions and evil humanoids. The aforementioned three have fangs, claws, stealth and speed that I do not have and the fourth is ruthless, cunning and without consience (sp?). To do otherwise would make me stupid and a helpless victim. (Not sure I want to eat at Wendy's or visit an educational campus either.)

Curious that when interacting with outfitters, etc. while with the Forest Service they do not care much for Forest Service Rangers but loathe National Park Rangers. They find them uppity and overbearing like they have their own fiefdom and you the citizen are lucky they let you into their park.

Comment By Did they forget something?, 3-10-08

Glacier National Park had a ranger abducted from the entrance station. She was assaulted and raped before she could escape. We always carry in GNP and don't care about the rangers discovering. The ones you meet in the field are usually very young, still going to school. The rest are bureaucrats, sitting in the office, bitching about something. It's ok for them to carry, but not the public which owns the park?

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Lawsuit Targets New Policy Allowing Guns in Parks

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Associated Press
Wednesday, December 31, 2008; A13

The Bush administration was sued yesterday over a new policy that would allow people to carry concealed, loaded guns in most national parks and wildlife refuges.

"The Bush administration's last-minute gift to the gun lobby, allowing concealed semiautomatic weapons in national parks, jeopardizes the safety of park visitors in violation of federal law," said Paul Helmke, president of the Brady Campaign to Prevent Gun Violence. "We should not be making it easier for dangerous people to carry concealed firearms in our parks."

The Brady Campaign sued the Interior Department and its secretary, Dirk Kempthorne, as well as the leaders of the U.S. Fish and Wildlife Service and the National Park Service, in U.S. District Court. The gun-control advocacy group wants a federal judge to issue an immediate injunction stopping the elimination of the 25-year-old federal rule that severely restricts loaded guns in national parks.

An Interior Department spokeswoman would not comment on the lawsuit, saying the department does not discuss pending litigation.

Interior overturned a regulation dating to the Reagan administration that has restricted loaded guns in parks and wildlife refuges. The previous regulation required that firearms be unloaded and placed somewhere that is not easily accessible, such as in a car trunk.

Under a rule to take effect in January, visitors will be able to carry a loaded gun into a park or wildlife refuge -- but only if the person has a permit for a concealed weapon and if the state where the park or refuge is located also allows concealed firearms.

The rules change would take effect before President-elect Barack Obama takes office in January. Overturning the rule would take months or even years if the Obama administration wanted to, since it would require the new administration to restart the lengthy rule-making process.

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Alaska State Legislature

Senate

While in session
State Capitol
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99801-1182
(907) 465-4797
Fax: (907) 465-3884
SENATE DISTRICT F

Memorandum

To: Representative Craig Johnson/ C0-Chairman House Resources

From: Senator Gene Therriault

Date: April 15, 2009

Re: Senate Joint Resolution 3

I respectfully request a committee hearing on SJR 3 to encourage continuation and improvement on the policy allowing persons to carry firearms in National Parks.

Thank you for honoring this request.

Email: Senator_Gene_Therriault@legis.state.ak.us

HOUSE COMMITTEE REPORT

(9)

Date Referred to Committee: April 5, 2010 **FURTHER REFERRALS: Finance**

Date of Committee Action: 13 Apr 2010

The RESOURCES Committee considered: **CS FOR SENATE BILL NO. 305(FIN)(title am)**

"An Act providing that the tax rate applicable to the production of oil as the average production tax value of oil, gas produced in the Cook Inlet sedimentary basin, and gas produced outside of the Cook Inlet sedimentary basin and used in the state increases above $30 shall be 0.4 percent multiplied by the number that represents the difference between that average monthly production tax value and $30, or the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between that average monthly production tax value and $92.50, except that the total rate determined in the calculation may not exceed 50 percent; providing for an increase in the rate of tax on the production of gas as the average production tax value on a BTU equivalent barrel basis of gas produced outside of the Cook Inlet sedimentary basin and not used in the state increases above $30; relating to payments of the oil and gas production tax; relating to availability of a portion of the money received from the tax on oil and gas production for appropriation to the community revenue sharing fund; relating to the allocation of lease expenditures and adjustments to lease expenditures; and providing for an effective date."

SB 305-SEPARATE OIL & GAS PRODUCTION TAX

Recommends it be replaced with [✓] HCS *or* [ ] CS *for* CSSB 305 (Res)

***For Senate Bills with new title:* [ ] *Technical Title* [✓] *New Title: HCR*_____ [ ] Same Title [✓] New Title

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

Pending ↑ introduction

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW **FISCAL NOTES** *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero

PREVIOUS **FISCAL NOTES**				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
REV	1		'	✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	GUTTENBERG			X	
	OLSON	X			
Bryce Edgmon	Edgmon			X	
Chris Ivan	IVAN			X	
	KAWASAKI				X
	SEATON				X
Peggy Wilson	WILSON			X	
Chair:	Johnson			X	
Chair:	VENUTI				

HJR

40

HOUSE COMMITTEE REPO

(9)
Date Referred to Committee: January 27, 2010 **FURTHER REFERRALS:**

Date of Committee Action: 24FeG 2010

The RESOURCES Committee considered: **HJR 40**

HOUSE JOINT RESOLUTION NO. 40
Opposing the proposed designation by the National Marine Fisheries Service of 3,000 square miles of upper Cook Inlet, the mid-inlet, all of the inlet's western shores, and Kachemak Bay as critical habitat for beluga whales.

HJR 40-COOK INLET/KACHEMAK BELUGA POPULATION

Recommends it be replaced with [ ] HCS *or* [✓] CS *for* HJR 40 (Res)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero
Res				Ø

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Paul Seaton	SEATON			X	
Peggy Wilson	WILSON	X			
				X	
Chair:		X			
Chair:	JOHNSON	X			

Alaska Legislature
Representative Charisse Millett

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Interim:
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Anchorage, AK 99501
Phone (907) 269-0222
Fax (907) 269-0223

MEMORANDUM

To: Rep. Craig Johnson

From: Rep. Charisse Millett

Subject: Hearing request for HJR 40

Date: Monday, February 1, 2010

CC:

I am respectfully requesting a hearing on House Joint Resolution 40 before the House Resources Committee at your earliest possible convenience.

Jeff Turner is assigned to the legislation. Please have your staff call him at 465-6588 if you need any additional information or materials.

###

Invited Testimony for HJR 40

1) Stacy Schubert, Municipality of Anchorage

2) Jason Brune, Resource Development Council

Available to answer questions:

1. Mark Madden, Solid Waste Services
2. Mark Premo, AWWU
3. Steve Ribuffo and Leo Carroll, Port of Anchorage

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February 23, 2010

Attn: Kaja Brix
Assistant Regional Administrator Protected Resources Division, Alaska Region NMFS
PO Box 21668 Juneau, Alaska 99802

Re: RIN 0648-XT72 Proposed Critical Habitat Designation for Cook Inlet Beluga Whales

Thank you for the opportunity to comment on the above referenced proposed critical habitat designation. In general, the proposed critical habitat designation is far too broad and encompasses an area much larger than would seem to be necessary for protection of Cook Inlet Beluga whales.

First, it is worth commenting that the endangerment finding was flawed in the first place because indications are that the Beluga population in Cook Inlet is increasing. It is well documented that over harvest was the cause of the decline in population and recent curtailment of harvest has already reversed the trend. It would appear that existing marine related activity, such as shipping and energy development that utilize the proposed critical habitat area is not a significant factor in past decline of the population.

Having worked on the marine terminal in Anchorage for over 30 years as well as recreational boating and fishing in upper cook inlet, I have observed Beluga whales on many occasions. My observations is that the mouths and lower reaches of major rivers, such as the Little Susitna, Susitna and Beluga experience concentrations of Beluga whales, especially during salmon runs. The upper reaches of Turnagain Arm also attract significant numbers during times of hooligan and salmon migration. Otherwise, the whales seem to be fairly widely dispersed in the broader areas of the Inlet. If critical habitat designation is needed, it seems like it should be limited to such areas of high use and concentration. The fact that Belugas transit the larger parts of the Inlet does not justify critical habitat protection.

North Star Terminal & Stevedore Company operates at Anderson Dock in Anchorage, the Port of Anchorage, Port McKenzie, Rig Tenders Marine Terminal in Nikiski, and at both terminals in Homer. Critical habitat designation in the Port Mackenzie area and for the shipping lanes through upper Cook Inlet could be a serious impediment to all current and potential import and export opportunities. All of the necessary goods, commodities and supplies for over 70% of Alaska's population rely on these Ports to provide for the necessary shipment and handling of these necessities.

Alaskan's pay some of the highest energy costs in America. Development of our energy, mineral and other natural resources always has been, and will continue to be, vital to maintaining a healthy economy and good jobs for our citizens.. Hampering resource development and the flow of commerce in and around Cook Inlet will have far reaching

detrimental effects for most Alaskan's far and away many times more substantial in economic impact than estimated to date.

Cook Inlet is the most densely developed and heavily used region in Alaska with respect to resource development, human population and recreational activity. At the same time, it remains one of the biologically most productive regions in the State. Well developed management programs and diligent attention to environmental protection by industry have demonstrated that the marine environment and people can flourish in Cook Inlet. There is no reason the Beluga whales cannot recover and flourish again as well, without the harsh restrictions imposed by the proposed critical habitat designations.

In conclusion, no real Alaskan would approve of activities that truly endanger the Cook Inlet Beluga whales. Many, like me, have experienced the pleasure of watching these unique animals as part of our enjoyment of Cook Inlet. However, the proposal to place half of Cook Inlet in critical habitat designation will do nothing to protect the whales and has the potential to cripple future economic development in the region. I have 6 children and if Alaska's economy does not grow, they will be forced to leave to find gainful employment elsewhere. I want them to have the opportunity to enjoy Alaska's natural wonders as residents, not visitors.

Thank you for your consideration of my comments.

Sincerely,

Jeff Bentz
President
North Star Terminal & Stevedore Company LLC

Export Council of Alaska

February 12, 2010

Ms. Kaja Brix
Assistant Regional Administrator, Protected Resources
Alaska Region
National Marine Fisheries Service
P.O. Box 21668
Juneau, AK 99802-1668

ATTN: Ellen Sebastian

RIN 0648-AX50

Dear Ms. Brix:

The following comments are provided on behalf of the Export Council of Alaska (ECA) in response to the National Marine Fisheries Service (NMFS) proposed rule and request for comment regarding Endangered and Threatened Species; Designation of Critical Habitat for Cook Inlet Beluga Whale [Docket No. 090224232-91321-03] published in the Federal Register on December 2, 2009. The ECA is commenting on both the November 17, 2009, Draft Regulatory Impact review/Section 4(b)(2) Preparatory Assessment/Initial Regulatory Flexibility Act Analysis (RIR/4(b)(2)PA/IRFA) and the proposed rule.

The ECA is one of a nationwide network of export councils intended to foster the international competitiveness of the United States. Nationwide, export councils link together 1,500 leaders of business, government, and academia with the International Trade Administration of the U.S. Department of Commerce. Each member is appointed to a limited term by the Secretary of Commerce on behalf of the President. We serve as an advisory group and communications link between the exporting community and the U.S. Department of Commerce. In Alaska, we focus on expanding awareness of companies and individuals to opportunities in markets abroad and assist those firms engaged in exporting. Exports of liquefied natural gas, fish, minerals, and other items valued at hundreds of millions of dollars move through Cook Inlet and its ports every year. Many projects are proposed or under development in this area; some of these projects are directly related to exports, while others are infrastructure projects that are indirectly related to exports in that they improve the international competitiveness of Alaska and the United States. The designation of Cook Inlet beluga whale critical habitat should be tailored to have minimal or no impact on these exports.

Comments on Draft RIR/4(b)(2)PA/IRFA:

The Draft RIR/4(b)(2)PA/IRFA significantly undercounts the costs, and exaggerates the benefits, of the critical habitat designation and arbitrarily and capriciously concludes that the benefits of such designation exceed its costs. NMFS should revise this document to address the weaknesses described in the following paragraphs:

Significantly Undercounts the Costs:

The Draft RIR/4(b)(2)PA/IRFA significantly undercounts the costs of the critical habitat designation by failing to include the costs associated with several energy and transportation projects in the Cook Inlet region. These projects include the following:

Turnagain Arm Tidal Energy Generation Project: On November 17, 2009, the Turnagain Arm Tidal Energy Corporation filed an application with the Federal Energy Regulatory Commission (FERC) for a preliminary permit to study the feasibility of a tidal energy generation system on the Turnagain Arm of Cook Inlet. Section 7.7 of the Draft RIR/4(b)(2)PA/IRFA analyzed cost impacts of critical habitat designation for two other tidal energy projects, and should be revised to include the potential costs of critical habitat designation to the Turnagain Arm Tidal Energy Generation project as well.

Mt. Spurr Geothermal Power Plant: Section 7.7 of the Draft RIR/4(b)(2)PA/IRFA states that this project was reviewed, but it was not analyzed further because a decision to go forward with the plant has not been made. Table 6-28 of the Draft RIR/4(b)(2)PA/IRFA describes the status of the project as "pre-decisional, geothermal lease in place, no permits have been requested". Ormat Technologies, a company with a history of successfully developing geothermal projects in other countries, is the major lease holder for the Mt. Spurr geothermal development. It has a better record of success than any of the tidal energy companies whose projects were analyzed in the Draft RIR/4(b)(2)PA/IRFA. Power transmission lines for this project may need to cross Cook Inlet to reach Anchorage or the Kenai Peninsula. Ormat has identified the North Forelands Dock and Industrial Area as its logistics base for construction and operation of this project, which would result in an increase in vessel traffic through this area. This project is expected to have a total construction cost, including supporting infrastructure, of approximately $1 billion. Because this project is highly unlikely to jeopardize the existence of Cook Inlet beluga whales but may affect a small portion of the whales' habitat, project modification costs should be estimated. Section 7.7 should be revised to include the potential costs of critical habitat designation to the Mt. Spurr Geothermal Power Plant project as well.

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Chakachamna Hydropower Plant: Section 6.4.7 of the Draft RIR/4(b)(2)PA/IRFA states that this project was reviewed, but determined to not have a connection with the critical habitat designation due to its inland location and lack of physical connection with Cook Inlet. However, the project description clearly describes the projects planned measures to protect salmon, which are designated as a primary constituent element (PCE) of the critical habitat. The project would discharge water flow from the facility into the MacArthur River near its confluence with Cook Inlet. The power transmission lines may need to cross the MacArthur River, and potentially Cook Inlet, to reach Anchorage or the Kenai Peninsula. Chakachamna Power has identified the North Forelands Dock and Industrial Area as its logistics base for construction and operation of this project, which would result in an increase in vessel traffic through this area. A preliminary permit application for this project was filed with FERC on December 10, 2009. This project is expected to have a total construction cost, including supporting infrastructure, of $1.75 billion. Because this project is highly unlikely to jeopardize the existence of Cook Inlet beluga whales but may affect a small portion of the whales' habitat, project modification costs should be estimated. Section 7.7 of the Draft RIR/4(b)(2)PA/IRFA should be revised to include the potential costs of critical habitat designation to the Chakachamna Hydropower Plant project.

North Forelands Dock and Industrial Area aggregate mining and export: The Tyonek Native Corporation is developing plans to mine and export high quality aggregate from its North Forelands Dock and Industrial Area using the existing adjacent pier, which would require modification (see www.tyonek.com/Presentations/tnc_wci08.pdf). This project would result in increased vessel traffic through this area. This project is expected to have a total construction cost of approximately $20 million. Because this project is highly unlikely to jeopardize the existence of Cook Inlet beluga whales but may affect a small portion of the whales' habitat, project modification costs should be estimated. Sections 6.4.2, 7-2 and 9-2-1.1 and Table 6-28 of the Draft RIR/4(b)(2)PA/IRFA should be revised to include the potential cost impacts of critical habitat designation to this project.

Beluga Coal to Liquids Plant: Alaska Natural Resources to Liquids recently completed a $1.5 million preliminary feasibility study with the help of the Alaska Industrial Development and Export Authority (see www.aidea.org/PDF%20files/BelugaCTLoverview9-20-06.pdf). Plans call for using coal from the Chuitna coal fields to produce 80,000 barrels per day of diesel and naphtha for U. S. West Coast markets in addition to jet fuel and petrochemical feedstocks. This fuel would be shipped out of the existing North Forelands Dock, which would require modification, and result in increased vessel traffic through this area. This project is expected to have a total construction cost, including supporting infrastructure, of approximately $12 billion. Because this project is highly unlikely to jeopardize the

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existence of Cook Inlet beluga whales but may affect a small portion of the whales' habitat, project modification costs should be estimated. Sections 6.4.2, 7-2 and 9-2-1.1 and Table 6-28 of the Draft RIR/4(b)(2)PA/IRFA should be revised to include the potential cost impacts of critical habitat designation to this project.

Alaska natural gas pipeline projects: Multiple major natural gas pipeline projects are in various stages of development in Alaska, all of which would require the shipment of large quantities of materials through Cook Inlet to the Anchorage area for staging and shipment inland. Because these projects are highly unlikely to jeopardize the existence of Cook Inlet beluga whales but may affect a small portion of the whales' habitat, project modification costs should be estimated. Sections 6.4.2, 7-2 and 9-2-1.1 and Table 6-28 of the Draft RIR/4(b)(2)PA/IRFA should be revised to include the potential cost impacts of critical habitat designation to these projects

North Slope to Lower 48 through Canada: Public Law 108-324 authorized the development of this pipeline and $18B in federal loan guarantees to facilitate its construction. In 2009, the Senate Energy and Natural Resources Committee reported out legislation to increase the federal loan guarantee amount to $30 billion. Two projects are competing to build this pipeline: AGIA (TransCanada's $26 billion, 1,715 mile pipeline) and Denali (BP and Conoco Phillips' $32 billion, 1,500 mile pipeline). The Alaska Natural Gas Transportation Projects, Office of the Federal Coordinator is reviewing both projects, and both have initiated the FERC application process.

ANGDA spur pipeline to Cook Inlet: Alaska Natural Gas Development Project (ANGDA) is planning a $2 billion pipeline to divert a portion of the gas from the above pipeline project to Cook Inlet to replace dwindling local reserves and provide processed natural gas liquids for export from a to-be-developed facility through Cook Inlet. This pipeline would run from Delta, through Glennallen to a Beluga gas facility near Wasilla.

Enstar bullet pipeline: This $4B pipeline would connect Alaska North Slope gas fields through Fairbanks to the Beluga gas facility. This project is competing with the ANGDA spur line project above for both local consumption and liquid products export. Enstar is currently pursuing Alaska environmental permits for this project.

Port MacKenzie Projects: Sections 6.4.4, 7-4 and 9-2-1.1 and Table 6-28 of the Draft RIR/4(b)(2)PA/IRFA analyzed cost impacts of critical habitat designation for two port MacKenzie projects: Deep Draft Dock Expansion and Barge Dock Expansion. The port also plans to spend $18M to construct a ferry terminal for the service to Anchorage and Tyonek. On July 17, 2009, the Surface Transportation Board, a federal agency, published a Notice of Availability of Final Scope of Study for the Environmental

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Impact Statement (EIS) for an extension from Port MacKenzie to the Alaska Railroad Corporation (ARRC) main line between Wasilla and north of Willow, Alaska. The purpose of this extension is to transport mined minerals to Port MacKenzie for export. The ARRC Port MacKenzie to Willow project is expected to cost $200M, with most of the required materials being shipped through Cook Inlet to Port MacKenzie. Both of these projects would significantly increase vessel traffic through Port MacKenzie, so they should be included in the above sections and table of the Draft RIR/4(b)(2)PA/IRFA. Because these projects are highly unlikely to jeopardize the existence of Cook Inlet beluga whales but may affect a small portion of the whales' habitat, project modification costs should be estimated.

Ferry service to Tyonek: Sections 6.4.3, 7.3, and 7.7 and Table 6-28 of the Draft RIR/4(b)(2)PA/IRFA describe the Cook Inlet ferry service as being planned only for service between Port MacKenzie and Anchorage. However, the Matanuska-Susitna Borough signed a memorandum of understanding with the Native Village of Tyonek in July, 2008, to provide ferry service between Tyonek and the Matanuska-Susitna valley. This was reported in Alaska News on July 16, 2008. Either the existing Ladd Landing or North Foreland waterfront sites would be used for this purpose and a suitable ferry landing would have to be constructed at either site. This project is expected to have a total construction cost of approximately $14 million. Because this project is highly unlikely to jeopardize the existence of Cook Inlet beluga whales but may affect a small portion of the whales' habitat, project modification costs should be estimated. The above sections and table of the Draft RIR/4(b)(2)PA/IRFA should be revised to include the potential costs of critical habitat designation to the Tyonek ferry landing development and the extended ferry service.

Road and bridge projects connecting West Cook Inlet settlements and projects: The Alaska Department of Transportation has designated rights of way for a system of roads to connect West Cook Inlet settlements and development sites. These road systems include bridges crossing several of the medium and high flow-accumulation rivers entering Cook Inlet identified in the proposed rule as supporting prey species for the Cook Inlet beluga whale (see http://www.fakr.noaa.gov/protectedresources/whales/beluga/management.htm#habitat). These projects would connect Anchorage to several of the West Cook Inlet energy projects described in this letter and the Draft RIR/4(b)(2)PA/IRFA. They are expected to have a total construction cost of approximately $200 million. Because these projects are highly unlikely to jeopardize the existence of Cook Inlet beluga whales but may affect a small portion of the whales' habitat, project modification costs should be estimated. Sections 6.4.3, 7-3 and 9-2-1.1 and Table 6-28 of the Draft RIR/4(b)(2)PA/IRFA should be revised to include the potential cost impacts of critical habitat designation to these projects.

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Section 4.1.2 of the Draft RIR/4(b)(2)PA/IRFA describes how project modification costs are to be calculated in addition to federal agency consultation costs. However, in the Section 7 analysis of total potential costs of critical habitat designation, no project modification costs are included. In addition to the project modification costs for the projects described above, such costs should also be estimated for the other projects included in Section 7.

The Draft RIR/4(b)(2)PA/IRFA should be revised to expand the valuation of the anticipated costs to address the above concerns.

Exaggerates the Benefits:

The Draft RIR/4(b)(2)PA/IRFA exaggerates the benefits of the critical habitat designation by: (1) failing to adequately differentiate between the benefits that accrue from the designation of the Cook Inlet beluga whale as endangered and the benefits of the designation of the whale's critical habitat; (2) failing to account for the baseline requirements of the Endangered Species Act (ESA) that, without the designation of critical habitat, NMFS would be required to not take any action that would jeopardize the Cook Inlet beluga whale's existence due to inadequate stocks of prey fish species; and (3) attributing benefits to fishermen from such critical habitat designation while ignoring legal requirements other than the ESA for fisheries conservation and the increased consumption of fish by the resulting larger whale population.

Section 3.3.1 of the Draft RIR/4(b)(2)PA/IRFA states that "The baseline for the critical habitat designation analysis is the existing state of regulation that provides protection to the Cook Inlet beluga whales under the ESA, as well as under other federal, state, and local laws and guidelines, without the critical habitat designation...Absent a designation of CH, Section 7 of the ESA requires Federal agencies to consult with NMFS to ensure that any action authorized, funded, or carried out will not likely jeopardize the continued existence of any endangered or threatened species."

While Section 5.5 of the Draft RIR/4(b)(2)PA/IRFA states that "in all cases, the types of economic benefits associated with CHD are largely co-extensive with listing the Cook Inlet beluga whale as endangered", Section 5.2.1.1 proposes that the designation of critical habitat may sustain healthy stocks of Cook Inlet beluga whale prey fish and increase the consumptive value from fishing in and adjacent to such critical habitat. Sections 7.8, 7.9, and 7.10 of the Draft RIR/4(b)(2)PA/IRFA also presume an increase in fish stocks from critical habitat designation. These presumptions ignore the baseline requirements for NMFS and the Alaska Department of Natural Resources to maintain the reproductive capacity of such fish stocks through managing human harvesting of

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these stocks and the increased consumption of such fish stocks by a larger Cook Inlet beluga whale population that NMFS expects to result from such critical habitat designation. Preserving designated critical habitat is more likely to help maintain such prey fish at current stock levels, not increase them, since such designation merely retains the status quo with respect to the condition of such habitat and does not require improving such habitat. On the other hand, to the extent to which the designation of critical habitat would increase the Cook Inlet beluga whale population above the baseline condition, the consumption of such fish stocks by such whale population would clearly increase, leaving fewer fish available for fishermen to catch. In summary, the net effect of critical habitat designation is more likely to be a reduction in the consumptive value from fishing in and adjacent to such critical habitat, and therefore would not be a benefit to fishermen.

Appendix A is titled "Nonuse Values of Critical Habitat for the Cook Inlet Beluga Whale". However, the analysis included in Appendix A discusses the nonuse value of both the critical habitat and protecting Cook Inlet beluga whales and most of the studies cited therein pertain to valuation of a species, not the critical habitat of such species. The protection of the species from extinction is a baseline requirement of the ESA without critical habitat designation. Therefore, it should be separated from the nonuse valuation of the protection of such species' critical habitat before comparing costs and benefits of critical habitat designation. As with calculating the costs of critical habitat designation, the calculation of the benefits of such designation must be limited to the incremental value provided by such designation over the baseline protections afforded by the ESA without such designation. Unfortunately, the statement on page A-4 that "Therefore, it is logical to conclude that in the absence of critical habitat the species would go extinct" and the analysis that follows fail to adequately separate out the protections that would provided to such habitat under the ESA under the baseline condition without designation of critical habitat.

In its discussion of the Kontoleon and Swanson (2003) study, Appendix A fails to show that the preference for preserving a species in its natural habitat versus in a reserve does not represent a valuation of a preference that a species remain in its natural habitat rather than being relocated to a reserve (i.e., a negative reaction to the unnatural condition of animal) and not a valuation of preserving the habitat itself. Therefore, the conclusion that the Kontoleon and Swanson (2003) study provides grounds for believing that some portion of the public's value for the Cook Inlet beluga whale is attributable specifically to critical habitat is premature, as the choice in this case does not involve preservation of the beluga whale in an unnatural habitat.

The literature cited in the Draft RIR/4(b)(2)PA/IRFA may represent the best available science on the subject of valuation of protecting endangered species and their critical

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habitat, however, the analysis in this document of this scientific data clearly falls short of meeting the requirements of the ESA. The Draft RIR/4(b)(2)PA/IRFA should be revised to narrow the valuation of anticipated benefits to address the above concerns.

Arbitrarily and Capriciously Concludes that Benefits Exceed Costs:

Section 5 and Appendix A of the Draft RIR/4(b)(2)PA/IRFA describe several methods for calculating the value of several forms of benefits, but do not attempt to place a quantitative value on the benefits of Cook Inlet beluga whale critical habitat designation above the benefits of the baseline protection of the ESA without such designation. Similarly, the document also does not attempt to develop a qualitative measurement of such value or attempt to describe how such benefits were compared with the more easily calculated (although in this case, undercounted) costs of such designation. Instead, section 8 of the Draft RIR/4(b)(2)PA/IRFA in two short paragraphs simply states that the anticipated benefits would outweigh the anticipated costs and a net benefit to the nation would result. No support is provided for this statement. No basis is provided that would allow an outside disinterested expert to reach such a conclusion using the same information provided in the document. NMFS simply throws up its hands and says that a valuation of the benefits can't be done, yet it concludes that such benefits would exceed the expected costs. The lengthy separate discussions of the costs and benefits do not overcome the opaque, arbitrary and capricious manner in which the comparison of the two was made and in which the conclusion was reached. This is especially egregious when the agency undercounts the costs and exaggerates the benefits for the purposes of this comparison.

The Draft RIR/4(b)(2)PA/IRFA should be revised to include a detailed method of comparing quantitative and qualitative valuations of costs and benefits and an explanation of how such a comparison was made using costs and benefits information revised to address the inaccuracies described above. The resulting net cost or benefit conclusion should be supported in a manner that is repeatable by outside disinterested experts using the same data.

Comments on Proposed Rule (all page numbers reference the December 2, 2009 Federal Register Vol. 74, No. 230):

Page 63081, second column, second full paragraph, seventh sentence: Change the estimated economic impact range to account for the additional costs identified above.

Page 63084, Figure 1: Revise Figure 1 to include the proposed changes to Areas 1 and 2 described later in this letter.

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Page 63087, second column, first full paragraph, second sentence: Change to read: 'The effects of prolonged harassment may also include the prolonged abandonment of habitat."

Rationale: To remove the potential for incorrectly interpreting the original sentence to mean that momentary incidents of harassment could result in the prolonged abandonment of habitat by the endangered species.

Page 63087, second column, physical or biological feature number 1: Insert before the semicolon at the end the following: ", except as excluded by the descriptions of Areas 1 and 2".

Rationale: To clarify that these features only apply to the waters included in Areas 1 and 2.

Page 63087, second column, physical or biological feature number 3: Change to read: "The absence of non-naturally occurring toxins or other agents of a type and amount that would kill or injure Cook Inlet beluga whales or cause the prolonged abandonment of their critical habitat areas;"

Rationale: These changes clarify that federal agencies are not required to eliminate naturally occurring irritants to Cook Inlet beluga whales and replace the vague standard of harm with effects-based language from physical or biological feature number 5.

Page 63087, second column, physical or biological feature number 4: Change to read: "The absence of prolonged impediments to unrestricted passage within or between the critical habitat areas; and".

Rationale: To remove the potential for incorrectly interpreting the original sentence to mean that the changes in direction by Cook Inlet beluga whales to avoid a vessel or structure in Cook Inlet does not necessarily equate to denial of unrestricted passage.

Page 63087, second column, physical or biological feature number 5: Change to read: "The absence of in-water noise at levels and durations resulting in the prolonged abandonment of critical habitat by Cook Inlet beluga whales."

Rationale: This discussion on page 63088 of the impacts of noise on beluga whales describes two thresholds: one for impulsive noises and one for continuous noise. The revised language recognizes the duration basis for the two noise thresholds and incorporates the same abandonment clarification that is included in the previous

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paragraphs. Again, this removes the potential for incorrectly interpreting this sentence to mean that the temporary avoidance by Cook Inlet beluga whales of a vessel operating in Cook Inlet at a noise level below the stated thresholds, which the whales would detect by sound, does not equate to abandonment of critical habitat. Cook Inlet experiences significant natural in-water noise levels from the shifting of ice during winter tidal changes, yet beluga whales continue to inhabit the region. Noise limits for vessels and other human activities should be set at levels higher than this natural noise level.

Page 63087, third column, Area 1 description: Insert before the period at the end the following: ", excluding those waters within ½ mile of the Port MacKenzie dock complex (61.27 N, 149.92 W) and within ½ mile of the Anchorage marine terminal (61.22N, 149.91W)".

Rationale: Part 424.19 of title 50 of the Code of Federal Regulations authorizes the Secretary to exclude any portion of an area being considered for designation as critical habitat if benefits of such exclusion outweigh the benefits of specifying the area as part of the critical habitat, and such exclusion does not result in the extinction of the species. Four economically significant activities are planned for Port MacKenzie: (1) deep draft dock expansion, (2) barge dock expansion, (3) ferry service to Anchorage and Tyonek, and (4) extension of the Alaska Railroad to Port MacKenzie from the main line between Wasilla and north of Willow, Alaska. These marine terminals are the gateways to the bulk of Alaskan exports and imports. The expansion of the Port of Anchorage has already started, an initial beluga whale incidental take authorization from NMFS, and several measures are being taken to protect the whales. Additionally, ferry service between Port MacKenzie and Tyonek will serve Anchorage. While these projects are in different stages of development, combined, they are critical to the economic development of the Cook Inlet region and the mobility of its residents. The inclusion of these small areas within Area 1 would likely result in the imposition of significant limitations on the development and use of the above projects, resulting in economic harm to the region. While Cook Inlet beluga whales have been sighted in the vicinity of Port MacKenzie and the Port of Anchorage marine terminal, the areas to be excluded are miniscule in comparison to the remaining critical habitat and their exclusion would have no significant impact on the Cook Inlet beluga whale's critical habitat or its continued existence. Clearly, the benefits of excluding these small portions of Area 1 exceed the benefits of including them in the critical habitat designation.

Page 63087, third column, Area 2 description: Insert before the period at the end the following: ", excluding those waters within 2 miles of the Ladd Landing pier (61.13N, 151.10W), within 1 mile of the North Forelands Dock (61.04N, 151.16W), within 1 mile of the Upland Rock Quarry at Cottonwood Bay (59.64N, 153.63W), and within ½ mile of the Kenai LNG export terminal (60.68N, 151.40W)." Strike "and the mouth of the

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Douglas River (59.04 N., 153.45 W)," and insert "and 60.00 N. latitude," or, alternatively, add to the excluded areas in the first sentence of this paragraph the following: "within 1 mile of the multimodal port site in Iniskin Bay (59.66N, 153.46W),".

Rationale: The rationale for these changes is similar to that described in the preceding proposed change. Ladd Landing may be used for the export of Chuitna coal and as a landing for the ferry service to Port MacKenzie and Anchorage (which would require modifications to these piers). The North Forelands Dock may be used to export locally mined aggregate and locally produced coal to liquids fuel and may be used as a landing for the ferry service to Port MacKenzie and Anchorage (any of which may require modifications to the pier). A multimodal port facility may be built in Iniskin Bay to enable shipment by water of materials extracted from the Pebble Mine. The Upland Rock Quarry waterfront in Cottonwood Bay requires filling and dredging to support extraction and export of excavated materials. The Kenai LNG export terminal provides important revenue and a significant source of employment to the Kenai area. Combined, these facilities are critical to the economic development of the Cook Inlet region. The inclusion of these small areas within Area 2 would likely result in the imposition of significant limitations on the development and use of the above projects, resulting in economic harm to the region. The Alaska Fisheries Science Center 2008 Supplemental Status Review and Extinction Assessment of Cook Inlet Belugas shows: (1) a small presence of 2-10 belugas within 2 miles of the Ladd Landing site only during the 1993-1997 period, (2) no presence of belugas within 1 mile of the North Forelands Dock between 1978 and 2008, (3) a small presence of 2-10 belugas within Iniskin Bay only during the 1993-1997 period, (4) no information on beluga presence in Cottonwood Bay, (5) a small presence of 3-10 belugas in the Kenai River only during the 1978-1979 period, and (6) the 95% population area boundary for Cook Inlet beluga whales as far back as 1978-1979 does not include either Iniskin Bay or Cottonwood Bay. Clearly, the benefits of excluding these portions of Area 2 exceed the benefits of including them in the critical habitat designation.

Page 63090, first column, second full paragraph, second sentence: Insert before the period at the end the following: ", which may include adjusting agency actions to protect Cook Inlet beluga whale habitat".

Rationale: To clarify that the baseline condition without critical habitat designation may still require Federal agencies to adjust their actions to protect Cook Inlet beluga whale habitat to prevent jeopardizing that species' existence.

Page 63090, first column, third full paragraph, sixth sentence: Insert "beyond those prohibited by the Clean Water Act and other federal, state or local laws or regulations" between "Cook Inlet" and the comma.

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Rationale: To clarify that the pollution reduction benefit of critical habitat designation is limited to only that which exceeds pollution limits required by current laws and regulations.

Page 63090, second column, first full paragraph, first sentence: Insert "beyond that required by the ESA Section 7 jeopardy provision" between "derived from protection of critical habitat" and "),".

Rationale: To clarify that the increase in Cook Inlet beluga whale lives saved, longevity, health, productivity, etc. derived from critical habitat designation is limited to that which exceeds the baseline protections without critical habitat designation afforded by Section 7 of the ESA.

Page 63093, first column, first paragraph, first full sentence: Insert "geothermal and" between "FERC permits for" and "turbine".

Rationale: To include the potential for geothermal project transmission line interactions with Cook Inlet.

Page 63093, second column, first paragraph, first full sentence: Strike "destruction of adverse modification" and insert "destruction or adverse modification".

Rational: Correct typographical error.

Page 63094, third column, Area 1 description: Insert before the period at the end the following: ", excluding those waters within ½ mile of the Port MacKenzie dock complex (61.27N, 149.92W) and within ½ mile of the Anchorage marine terminal (61.22N, 149.91W)".

Rationale: Same as described for page 63087 change.

Page 63094, third column, Area 2 description: Insert before the period at the end the following: ", excluding those waters within 2 miles of the Ladd Landing pier (61.13N, 151.10W), within 1 mile of the North Forelands Dock (61.04N, 151.16W), within 1 mile of the Upland Rock Quarry at Cottonwood Bay (59.64N, 153.63W), and within ½ mile of the Kenai LNG export terminal (60.68N, 151.40W)." Strike "and the mouth of the Douglas River (59.04 N., 153.45 W)," and insert "and 60.00 N. latitude," or, alternatively, add to the excluded areas in the first sentence of this paragraph the following: "within 1 mile of the multimodal port site in Iniskin Bay (59.66N, 153.46W),".

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Rationale: Same as described for page 63087 change.

Page 63095 map: Revise the map to include the proposed changes to Areas 1 and 2.

Page 63095, first column, primary constituent element number (1): Insert before the period at the end the following: ", except as excluded by the descriptions of Areas 1 and 2".

Rationale: Same as described on page 63087 for physical or biological feature number 1.

Page 63095, first column, primary constituent element number (3): Change to read: "The absence of non-naturally occurring toxins or other agents of a type and amount that would kill or injure Cook Inlet beluga whales or cause the prolonged abandonment of their critical habitat areas."

Rationale: Same as described on page 63087 for physical or biological feature number 3.

Page 63095, first column, primary constituent element number (4): Change to read: "The absence of prolonged impediments to unrestricted passage within or between the critical habitat areas.".

Rationale: Same as described on page 63087 for physical or biological feature number 4.

Page 63095, first column, primary constituent element number (5): Change to read: "The absence of in-water noise at levels and durations resulting in the prolonged abandonment of critical habitat by Cook Inlet beluga whales."

Rationale: Same as described on page 63087 for physical or biological feature number 5.

Conclusion

Due to the flaws in the Draft RIR/4(b)(2)PA/IRFA, its conclusion that there would be a net benefit to the Nation by designating critical habitat for Cook Inlet beluga whales is suspect. The Draft RIR/4(b)(2)PA/IRFA should be revised as described above and a new analysis of whether such critical habitat designation would result in a net cost or a net benefit should be performed. Should such an analysis result in a justified and repeatable conclusion that a net benefit would result, the above proposed changes to

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the proposed rule should be included in that rule. Should such an analysis result in a justified and repeatable conclusion that a net cost would result, the ECA recommends that the proposed rule be revised to not designate critical habitat for the Cook Inlet beluga whale.

Respectfully yours,

Export Council of Alaska

Anthony B. Follett, Chairman

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MUNICIPALITY OF ANCHORAGE

Office of the Mayor

Phone: 907-343-7100
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Mayor Dan Sullivan

February 19, 2010

The Honorable Chatisse Millett
Alaska State Legislature
State Capitol Room 412
Juneau, AK 99801

Re: HJR 40 – Opposing Proposed Designation of Cook Inlet as Critical Habitat for Cook Inlet Beluga

Dear Representative Millett:

I support your resolution to oppose the proposed designation of 3,000 miles of the Cook Inlet as critical habitat for the Cook Inlet Beluga whale.

The Municipality of Anchorage (MOA) is committed to ensuring the long-term health and productivity of the Cook Inlet and to the conservation of its beluga population. Cook Inlet supports significant oil and gas production, fishing, mining and a year-round tourism industry to the benefit of all Alaskans. The Port of Anchorage is the essential conduit through which passes an astounding 85% of all goods entering the state, and 26% of the tonnage of U.S. international air freight moves through the city via Ted Stevens Anchorage International Airport.

Anchorage's strategic location continues to be vitally important to our nation's overall defense strategy. We are an excellent staging point for an array of military operations and equipment that is deployed – and redeployed – through our Port in support of our national strategic interests.

The proposed critical habitat designation adds nominal value to the protection of the Cook Inlet beluga. It is fundamentally vague, and because the Endangered Species Act already applies, the MOA is addressing the needs of the beluga responsibly, directly, and with best available science. The projections of economic costs associated with the proposed designation do not pass the red face test; the potential for new regulations, delayed development and increased costs will most certainly total more than the $575,000 that NMFS included along with its proposal.

Thank you for your work and for the opportunity to provide comments. Please contact my intergovernmental affairs director, Stacy Schubert, if she can be of assistance to you. She can be reached at 343-7112 or by email: schuberts@muni.org.

Sincerely,

Dan Sullivan
Mayor

Webb Exploration and Production, LLC

Alaskan Operations: P.O. Box 113141 ◆ (907) 229-8398
Anchorage, Alaska 99511-3141

The Honorable Charisse Millet
Alaska House of Representatives
Twenty-Sixth Alaska Legislature
State Capital
Juneau, AK 99810-1182

February 23, 2010

RE: House Joint Resolution No. 40 in Response to the National Marine Fisheries Service Proposed Beluga Whale Critical Habitat Designation of 3,000 Sq. Miles in the Cook Inlet, Alaska

Dear Representative Millett:

As a lifelong Alaskan, I support the adoption of the above referenced Resolution.

My primary source of income for myself and my family is reliant on oil and gas exploration and development in the Cook Inlet. The Cook Inlet is approaching a natural gas shortage. Current producible reserves of natural gas will not meet the south central demand by 2014. Virtually all state and federal experts, as well as industry representatives, agree that there are exist enough natural gas reserves in the Cook Inlet to meet the demand beyond 2040. These experts also agree that the majority of these reserves needed to meet the demand beyond 2014, lie in undeveloped fields that are either inaccessible by road and existing infrastructure, are located in deep-offshore reservoirs requiring a jack-up drilling rig and huge initial investments, or in areas closed to oil and gas exploration and development – such as the Kenai National Moose Range.

This looming shortage of natural gas and the difficulties associated in new exploration and development in the Cook Inlet is further exacerbated by unreasonable restrictions on state lands, such as the Susitna Flats State Game Refuge, the high cost / high risk nature of Alaska, the uncertain tax structure, the excessive bonding requirements, and the most onerous regulatory and environmental permitting process in the country. The excessive federal control of Alaska's resources makes the prospect of doing oil and gas business here less than inviting. The proposed designation of the entire Cook Inlet as critical habitat for the beluga whale creates an additional stigma towards future exploration and development that the residents of the Cook Inlet region and the State of Alaska simply cannot allow.

The NMFS asserts that the beluga whales are endangered and thus need protection and the establishment of this outrageous critical habitat designation. This assertion is erroneous, at best. The beluga population has been increasing since subsistence harvesting of the whale ended, and the population has experienced a steady growth since then. In fact, the juvenile whales cannot even be spotted by the air because of their grey color which is identical to the silty waters of the Cook Inlet. I can personally attest to this, as I have been a pilot since the late 1980's and have flown over the Cook Inlet hundreds of times.

The NMFS blatantly tries to make the public believe that the cost involved in "additional consultation" and other related federal regulations will only cost a total of $600,000 to the people of Alaska and the affected industries. This is absurd! In one exploration project alone, Escopeta's Kitchen Lights, this proposed designation has steered an initial investment of $50,000,000 away from the Cook Inlet. Should an oil and gas company desire to perform the costly proposition of drilling an offshore well in the Cook Inlet with this designation, they will have to budget millions of dollars in delays, legal fees and litigation, without any guarantee of drilling the first well.

The finding by the NMFS significantly undercounts the costs, and exaggerates the benefits, of the critical habitat designation and arbitrarily and capriciously concludes that the benefits of such designation exceed its costs. This finding does not pass the red-face test and the NMFS should be ashamed in even suggesting such a finding. Clearly, this action by the NMFS is backed by environmentalists who do not reside, and have probably not even visited the State of Alaska.

The State of Alaska has approximately 365 million acres of land. The federal government already controls over 222 million of those acres in parks, reserves, and other national interest lands – all of which are closed to oil and gas exploration and development. Of the remaining 143 million acres, 43 million acres are native or private lands. That only leaves the State of Alaska with about 100 million acres, much of that is mountains, glaciers and populated areas. Alaska cannot afford to have any more of its land and resources controlled by the federal government or the environmental obstructionists who have fostered this ridiculous critical habitat designation.

The Cook Inlet provides more the half of the states population with affordable natural gas for electricity and heat for their homes. The negative impact created by this designation creates an anti-development stigma that is contrary to the national energy policy and prejudices Alaska's ability to responsibly explore and develop its natural resources for the benefit of all Alaskans.

A final designation of the Cook Inlet as critical habitat will empower the environmental obstructionists in initiating frivolous litigation which will delay and even cancel the regions essential exploration and development activities. The federal government and the environmental community already have a strangle-hold on our state's oil and gas industry, a decision by the NMFS in finalizing such a preposterous designation will choke out the remaining oil and gas companies in the Cook Inlet and repel further investments. The State of Alaska cannot allow this to happen.

The proposed critical habitat designation of 3,000 square miles, which encompasses the entire Cook Inlet, is excessive and cannot all be considered "critical" by any stretch of the imagination. The beluga whales have coexisted with offshore oil and gas exploration and development for over 30 years, and there is no scientific or historic evidence that indicates oil and gas activities have had an impact to the whale population or its habitat. This designation will have an unwarranted negative impact on existing and future oil and gas activities.

The NMFS determination did not consider the cumulative negative impacts of this proposed critical habitat designation on the oil and gas industry, local communities, or other industries such as fishing, tourism, water and waste utilities, mining, and transportation.

Aside from the obvious negative impact to the oil and gas industry and its resultant effect on the local communities and their energy requirements, this proposed designation will have far-reaching negative impacts, both on their feasibility and their economics, for the following planned projects: Port of Anchorage expansions, Turnagain Arm tidal energy generation project, Mt. Spurr geothermal power plant, Chakachamna hydroelectric plant, Port MacKenzie projects, ferry service to Tyonek, North Forelands dock and industrial area aggregate mining and export, Beluga coal to liquids plant, and road and bridge projects connecting West Cook Inlet settlements and projects to Anchorage.

The proposed critical habitat designation exaggerates the benefits by: (1) failing to adequately differentiate between the benefits that accrue from the designation of the Cook Inlet beluga whale as endangered and the benefits of the designation of such whale's critical habitat; (2) failing to account for the baseline requirements of the Endangered Species Act that, absent the designation of critical habitat, NMFS would be required to not take any action that would jeopardize the Cook Inlet beluga whale's existence due to inadequate stocks of certain fish species; and (3) attributing benefits to the fishing industry and recreational and subsistence users from such critical habitat designation, while ignoring legal requirements other than the Endangered Species Act for fisheries conservation and the increased consumption of fish by the resulting larger whale population.

The baseline for the critical habitat designation analysis is in the existing regulations that provide protection to the Cook Inlet beluga whales under the Endangered Species Act, as well as under other federal, state, and local laws and guidelines, without any critical habitat designation. Absent a designation of critical habitat by the NMFS, the Endangered Species Act already requires all federal agencies to consult with NMFS to ensure that any action authorized, funded, or carried out would not jeopardize the continued existence of the beluga whale. Therefore, a proposed habitat designation, especially of the entire Cook Inlet, will not provide a higher level of protection than that already established under the Endangered Species Act."

The NMFS finding proposes that the designation of critical habitat may sustain healthy stocks of Cook Inlet beluga whale prey-fish and increase the consumptive value from fishing in and adjacent to such a critical habitat. This finding also presumes an overall increase in fish stocks solely from the critical habitat designation. These presumptions ignore the baseline requirements for the NMFS and the Alaska Department of Natural Resources to maintain the reproductive capacity of such fish stocks through managing human harvesting of these stocks and the increased consumption of such fish stocks by a larger Cook Inlet whale populations, which the NMFS erroneously expects to result simply from such critical habitat designation. Preserving designated critical habitat is more likely to help maintain such prey-fish at current stock levels, not increase them, since such designation merely retains the status-quo with respect to the condition of such habitat and does not require improving such habitat.

On the other hand, to the extent to which the designation of critical habitat would increase the Cook Inlet beluga whale population above the baseline condition, the consumption of such fish stocks by such whale populations would clearly increase.

In summary, the net effect of the critical habitat designation is more likely to be a reduction in the consumptive value from fishing in and adjacent to such critical habitat, and therefore would not be a benefit to fishermen, the commercial fishing industry, or the export of Alaska seafood products.

The finding by the NMFS describes several methods for calculating the value of several forms of benefits, but does not attempt to place a quantitative value on the benefits of Cook Inlet beluga whale critical habitat designation above the benefits of the baseline protection already afforded under the Endangered Species Act. Similarly, the finding also does not attempt to develop a qualitative measurement of such value or attempt to describe how such benefits were compared with the more easily calculated, albeit underestimated, costs of such a designation. Instead, the finding simply states, in brevity, that the anticipated benefits would outweigh the anticipated costs and a net benefit to the nation would result. No support is provided for this statement. No basis that would allow an outside disinterested expert to reach such a similar conclusion using the same information is provided in the finding.

The NMFS simply throws up its hands and says that a valuation of the benefits can't be done, yet it concludes that such benefits would exceed the expected costs. This is outrageous! A methodology such as this would not be allowed in an academic application, and should not be relied upon in such an important administrative application. The lengthy separate discussions of the costs and benefits do not overcome the vague, unscientific, illogical, arbitrary and capricious manner in which the comparison of the two was made, and in which the conclusion was reached. This is especially egregious when the NMFS undercounts the costs and exaggerates the benefits for the purposes of this biased comparison.

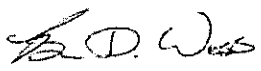
The proposed analysis of the effects of this critical habitat designation should include a detailed method of comparing quantitative and qualitative valuations of costs and benefits and an explanation of how such a comparison was made using costs and benefits information to eliminate the inaccuracies described above. The resulting net cost or benefit conclusion should be supported in a manner that is repeatable by an outside disinterested expert, using the same data.

The conclusion by the NMFS that there would be a net benefit to the Nation by designating critical habitat for Cook Inlet beluga whales is extremely suspect. Any proposed critical habitat designation should include a realistic and predictable analysis of whether such a designation would result in a net cost or a net benefit. Absent such, a designation of critical habitat must be rejected.

The overwhelming conclusion regarding the NMFS' proposed designation of 3,000 sq. miles of the Cook Inlet as critical habitat is that it is a finding that is not based on facts or repeatable scientific analysis. This proposed designation is nothing more than the attempts by the environmental community in manipulating a federal agency for their own special interests. It is in no way representative in what is best for the nation, the people of Alaska, or even the beluga whale itself. It is time for the environmentalists and special interest groups living outside Alaska to stay out of the state's business. The federal government needs to stop allowing itself to be manipulated by these groups.

In closing, I would just like to say that I have heard comments by Alaskan's in the past regarding Alaska succeeding from the United States. I have always considered such talk to be irrational. However, given the increased over-regulation of Alaska's resources, which are owned by the people of Alaska, I can see how this type of attitude exists. I am not sure, as a native Alaskan, how much more federal oppression of Alaska's resources the people of Alaska will stand for. Without the interference by the federal government and the environmental obstructionists, Alaska could be one of wealthiest countries in the world. I remember an instance in our own U.S. history where we were governed by those who did not share our views and values. It is my sincere hope that the federal government does not push Alaskans that far.

Respectfully submitted,



Debra Higgins

From: Jeff Turner
Sent: Tuesday, February 23, 2010 6:19 PM
To: Debra Higgins; Rex Shattuck
Subject: Written testimony for HJR 40

From: Richard Berkowitz [mailto:tinstitute@qwestoffice.net]
Sent: Tuesday, February 23, 2010 7:30 AM
To: Rep. Charisse Millett
Subject: HJR 40 Beluga Whale Critical Habitat Designation -- Support

On behalf of the Transportation Institute and our member companies, I am writing to endorse HJR 40 concerning Cook Inlet beluga whale critical habitat. The Transportation Institute is a non-profit organization dedicated to maritime research, education, and promotion. The Institute member companies participate in all phases of the nation's deep-sea, foreign, and domestic shipping trades. All are of U.S. Registry—manned by American citizen-mariners, operating under the world's highest safety standards, and proudly flying the American flag. Several of these operators would be impacted by the critical habitat designation being considered by the National Oceanic and Atmospheric Administration.

Aside from the lack of scientific data supporting NOAA's decision making and the overall threat to potential economic development for Southcentral Alaska, I wish to confine our concerns of the issue at hand to certain transportation/logistics and national security impacts of the NOAA rulemaking. The Endangered Species Act (ESA) Section 4(b)(2) provides that "the Secretary shall designate critical habitat...on the basis of the best scientific data available and after taking into consideration the economic impact, impact to national security, and any other relevant impact of specifying any particular area as critical habitat." Accordingly, the potential impact of NOAA's designation of beluga whale critical habitat and remediation thereof will have a significant and direct impact on the economic and defense interests of Alaska and our nation. At the very least, NOAA should exclude the Port of Anchorage and the vessel traffic lane through Cook Inlet to the port from being impacted by this rulemaking.

Despite up to five transits a week through Cook Inlet and in every season, our members' ocean-going vessels have never had a single whale strike. They have maintained an unblemished record of safety and risk avoidance while managing the difficult transit through Cook Inlet and its challenging tidal action. Given their nearly fifty years of experience and dynamic improvements in technology, we have every reason to believe this admired safety record will continue. Furthermore, both Horizon and TOTE do not discharge ballast water in Cook Inlet and threaten these waters with the potential introduction of invasive species to create further imbalance to the beluga's marine environment.

The Port of Anchorage serves 80 percent of Alaska's population and 90 percent of the consumer goods of Alaska. The port is the major gateway for Alaska's water-borne commerce and a vital element of the regional economy. In terms of economic impact, the port generates more than $750 million each year. Much of this economic activity is related to the predictable and frequent service provided by the ocean-going vessels of Horizon Lines and TOTE. Maintaining their reliable schedules is critical to the just-in-time logistics service supporting South-central Alaska, the rail-belt Interior Alaska, and the critical energy sector of the North Slope. Having regular and dependable service through the population and transit hub of Anchorage affords Alaskan firms the ability to eliminate the need to warehouse most goods through distribution centers. Most containers and trailers are handled as intermodal cargo and proceed directly to their retail destinations from the ships. This saves Alaskans an estimated $70.2 million in annual warehouse and distribution costs. Moreover, the quality and freshness of goods, despite a 3-4 day ocean-going journey, is maintained. Thankfully, the days of brown lettuce and powdered milk are a distant memory for Alaskans served through the Port of Anchorage.

Undoubtedly, the threat of losing schedule integrity is of paramount importance for our vessel operators and the impact it would have on Alaska's citizens cannot be underestimated. It is conceivable for the critical habitat designation to require operational changes that will at best hamper, if not create uncompromising circumstances and unanticipated consequences causing insurmountable delays. The rigor of managing the tides, weather, silt, and ice in Cook Inlet while meeting scheduled arrival and departure times must not be further complicated. This is especially so since numerous studies conducted over many years show a distinct lack of any scientific evidence that human activity of any kind (beyond subsistence harvesting) has had any impact on the beluga whale population.

Aside from these economic impact concerns, Congress sought to assure an ESA designation did not endanger the defense requirements of our nation. It has been noted that the Port of Anchorage is one of only 19 Strategic Seaports –and the only one not in the Continental United States—as designated by the Military Surface Deployment and Distribution Command (SDDC). This selection is based upon Anchorage playing a critical role in the deployment of U.S. Armed Forces, including units based at Fort Richardson and other military installations in Alaska. An engineering analysis of the POA determined that its strategic value was based on its crucial "highway, water and rail access, cargo staging area and berthing capacity." According to Brig. Gen. Mark Scheid, SDDC's Deputy Commanding General/Director of Operations, units like the 172nd Stryker Brigade Combat Team, at Fort Wainwright, and an Airborne Brigade Combat Team, at Fort Richardson, require the ability to deploy by sea, as do units that may train in Alaska.

Furthermore, TOTE officials attest to the critical nature of their waterborne cargo service to Anchorage. TOTE's annual estimated load factor attributed to military-related supplies and equipment is a full 12 percent of their business.

A more subtle aspect of the defense-related role of the deep-sea vessels serving the Cook Inlet, including the U.S.-flag tankers serving Nikiski, is our military relies on a reserve pool of professional mariners to crew the vessels maintained by the federal Maritime Administration in the Ready Reserve Force which are broken out in times of conflict or crises. Among these are the skilled seafarers who work aboard Horizon Line and TOTE cargo ships and Seabulk tankers. Former Chairman of the Joint Chiefs of Staff, General Colin Powell stated in 1992 that, "I have come to appreciate first-hand why our merchant marine has long been called the nation's fourth arm of defense... The American seafarer provides an essential service to the well-being of the nation, as was demonstrated so clearly during operations Desert Shield and Desert Storm." In fact, civilian mariners are currently serving aboard MARAD managed vessels and on private U.S.-flag vessels contracted to support our government in defense and humanitarian efforts in Afghanistan and Haiti.

The military also relies on the vessels and logistical support of our private-sector merchant marine. Ironically, one of the first commercial vessels to be chartered to the military to supply our troops with vehicles and cargo during Operation Enduring Freedom/Iraqi Freedom was none other than a TOTE roll-on/roll-off (Ro-Ro) ship taken off the Anchorage run. The special design of the vessel enables most any vehicle to be driven aboard, making it an exceptional vessel for charter to the military. It can sail at a top speed of 24 knots and has a shallow draft --to reach ports that other vessels would find too dangerous.

It should be abundantly clear that the use of commercial U.S.-flag vessels having great military utility, along with their civilian officers and crew, are of significant importance to our military planners, logistics experts, and transporters in the event of a national emergency or global conflict. They rely on us, particularly when our allies are not willing or able to help. Threatening the viability of these firms and the crucial seagoing and logistical jobs they support is not in the nation's interest.

I trust I have shared, in brief, some of the economic and defense impact concerns the ESA critical habitat designation poses for Alaska and the United States. The economy of Alaska and the nation is in a precarious state and will suffer if unwarranted impositions are placed on the vessels serving Southcentral Alaska. Our organization endorses the effort Representative Millet has placed in HJR 40 and encourages the support of the Alaska State Legislature for its passage.

Debra Higgins

From: Jeff Turner
Sent: Tuesday, February 23, 2010 6:21 PM
To: Debra Higgins; Rex Shattuck
Subject: written testimony for HJR 40

From: oksun@gci.net [mailto:oksun@gci.net]
Sent: Tuesday, February 23, 2010 8:21 AM
To: Rep. Charisse Millett
Subject: HJR No. 40

Subject: Support for HJR No. 40
I have reviewed the content of this State Legislative Resolution and am in agreement with its content and hereby express my support.
I have been involved with the Cook Inlet beluga whale issues for the past 9 years and belief that I have a good understanding of the situation.
The economic impact has been grossly mis-stated and a professionally done and more encompassing economic analysis is absolutely necessary. In addition the critical habitat designation has been done too broadly without any consideration for exclusion of certain areas.
I support the resolve-clauses as stated in the HJR 40
Heinrich Springer
PO Box 232114
Anchorage, AK 99523
Alaska resident since 1960

Alaska Legislature
Representative Charisse Millett

Session:
State Capitol Building, Room 412
Juneau, AK 99801
Phone (907) 465-3879
Fax (907) 465-2069

Interim:
Anchorage LIO
716 W 4th Ave., Room 630
Anchorage, AK 99501
Phone (907) 269-0222
Fax (907) 269-0223

District 30
Co-chair, House Special Committee on Energy

Date: 1/29/10
Version: 26-LS1376\E

Sponsor Statement – HJR 40

"Opposing the proposed designation by the National Marine Fisheries Service of 3,000 square miles of upper Cook Inlet, the mid-inlet, all of the inlet's western shores, and Kachemak Bay as critical habitat for beluga whales."

House Joint Resolution 40 seeks to protect the economy of the entire Cook Inlet region from an unnecessary critical habitat designation for beluga whales. The designation would apply to 3,000 square miles of Cook Inlet. The National Marine Fisheries Service is considering the designation a way to protect Cook Inlet beluga whales.

NMFS scientists concluded years ago that an unsustainable harvest caused the decline in the beluga population. The beluga numbers are now increasing at the rate of four percent a year because a revised harvest management program was instituted in place in 2000.

All activities in and around Cook Inlet from the Port of Anchorage, to military operations, to sport and commercial fishing could be slapped with new restrictions if a critical habitat designation is issued.

I urge all my colleagues to join me, our congressional delegation and Governor Parnell in opposing the critical habitat designation.

26-LS1376\E
Kane
2/4/10

CS FOR HOUSE JOINT RESOLUTION NO. 40( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES MILLETT, Neuman, Lynn, Johnson, Keller, Gatto

A RESOLUTION

Opposing the proposed designation by the National Marine Fisheries Service of 3,000 square miles of upper Cook Inlet, the mid-inlet, all of the inlet's western shores, and Kachemak Bay as critical habitat for beluga whales.

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

WHEREAS the Endangered Species Act requires economic effects to be taken into account for critical habitat designations and areas may be excluded from critical habitat if it is determined that the benefit of such exclusion outweighs the benefit of specifying such areas as critical habitat; and

WHEREAS the National Marine Fisheries Service has proposed declaring 3,000 square miles of upper Cook Inlet, the mid-inlet, all of the inlet's western shores, and Kachemak Bay as critical habitat for beluga whales; and

WHEREAS scientists in the National Marine Fisheries Service have concluded that the sole reason for the population decline was the unsustainable subsistence harvest in the 1990s; and

WHEREAS a cooperative harvest management plan was put into place in 2000; and

WHEREAS scientists predicted signs of recovery of the beluga whale population would take five to seven years after a cooperative harvest management plan was instituted; and

WHEREAS, in 2005, the population of beluga whales was 278, and, in 2009, the population was 321, a four percent increase a year; and

WHEREAS the State of Alaska has given notice of its intent to sue challenging the Cook Inlet beluga whale Endangered Species Act listing; and

WHEREAS there is no evidence that human activity has harmed the beluga whale's environment, migration, or ecology; and

WHEREAS the National Marine Fisheries Service has stated that the additional regulatory oversight will cost only an additional $600,000 over the next decade; and

WHEREAS the cost estimate does not factor in the extra costs that existing and future operations may have to pay to meet unnecessary new regulatory burdens; and

WHEREAS a critical habitat designation in Cook Inlet may hurt community and economic development; and

WHEREAS permitting and construction projects may suffer costly delays, and economic development could be curtailed; and

WHEREAS the proposed Knik Arm Bridge, Port Mackenzie, tourism, and vessel traffic may be negatively affected; and

WHEREAS infrastructure development in Cook Inlet for resource development and energy projects could be threatened by critical habitat designations; and

WHEREAS the Port of Anchorage serves 85 percent of the population of the state and receives 90 percent of the goods coming into the state, and the port has already fully addressed the conservation needs of the Cook Inlet beluga whales relating to the whales' activity, based on the best scientific information available, working with the National Marine Fisheries Service and other experts; and

WHEREAS military deployments from the Port of Anchorage, military flight patterns, and military operations could be negatively affected or limited with no benefit to beluga whales; and

WHEREAS environmental lawsuits may add significant delays and millions of dollars to the cost of economic development projects in the Cook Inlet area; and

WHEREAS decades of safe and environmentally responsible oil and gas production, vessel transportation, community development, commercial, sport, and subsistence fishing, and other economic activity in Cook Inlet have taken place without harming Cook Inlet beluga whales; and

WHEREAS future oil and gas exploration, development, and production could be gravely affected by critical habitat designations; and

WHEREAS southcentral Alaska energy needs have been met predominantly through responsible oil and gas production in Cook Inlet for nearly 50 years while beluga whale populations thrived; and

WHEREAS there is no evidence that commercial or sport fishing is harming the beluga whale population; and

WHEREAS the commercial and sport fishing industries will be gravely threatened by a critical habitat designation because the beluga whale's primary food source is fish; and

WHEREAS lost development opportunities because of critical habitat designations could ultimately lead to lost revenue to the State of Alaska and to local governments; and

WHEREAS all three members of Alaska's congressional delegation and Governor Sean Parnell are opposed to the critical habitat designation; and

WHEREAS designation of such broad areas of municipal, commercial, and industrial interest, without any known or identifiable link between these activities and the conservation status of the Cook Inlet beluga whale is contrary to the public interest; and

WHEREAS the conservation benefits, which are entirely uncertain and speculative, are outweighed by the costs and impediments posed by designation of critical habitat in this instance in most, if not all, of the proposed designation area;

BE IT RESOLVED that the Alaska State Legislature opposes the proposed designation by the National Marine Fisheries Service of 3,000 square miles of upper Cook Inlet, the mid-inlet, all of the inlet's western shores, and Kachemak Bay as critical habitat for beluga whales; and be it

FURTHER RESOLVED that the State of Alaska requests a more robust economic analysis be completed by the National Marine Fisheries Service before finalizing any critical habitat designation.

COPIES of this resolution shall be sent to the Honorable Barack Obama, President of

the United States; the Honorable Joseph R. Biden, Jr., Vice-President of the United States and President of the U.S. Senate; the Honorable Nancy Pelosi, Speaker of the U.S. House of Representatives; the Honorable Gary F. Locke, United States Secretary of Commerce; Dr. Jane Lubchenko, Under Secretary of Commerce for Oceans and Atmosphere, United States Department of Commerce; Kaja Brix, Director, Protected Resources Division, Alaska Region, National Marine Fisheries Service, National Oceanic and Atmospheric Administration; the Honorable Dan Sullivan, Mayor of the Municipality of Anchorage; the Honorable John C. Combs, Mayor of the City of Palmer; the Honorable Verne E. Rupright, Mayor of the City of Wasilla; the Honorable Talis Colberg, Mayor of the Matanuska Susitna Borough; the Honorable James C. Hornaday, Mayor of the City of Homer; the Honorable Pat Porter, Mayor of the City of Kenai; the Honorable Peter A. Micciche, Mayor of the City of Soldotna; the Honorable Dave Carey, Mayor of the Kenai Peninsula Borough; and the Honorable Lisa Murkowski and the Honorable Mark Begich, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

Changes to HJR 40\R that are included in CS HJR 40 ( )\E

1. Page 2, lines 13, 14, 16, 19 and 27, strike "will" and insert "may";

2. Page 2, strike lines 22 through 23 and insert the following:

"WHEREAS the Port of Anchorage serves 85 percent of the population of the state and receives 90 percent of the goods coming into the state, and the Port has already fully addressed the conservation needs of the Cook Inlet beluga whales relating to the whales' activities based on the best scientific information available, working with the National Marine Fisheries Service and other experts; and"

3. Page 3, strike lines 7 through 10.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **HJR 40**
() Publish Date:

Identifier (file name):
Dept. Affected:
Title COOK INLET/KACHEMAK BELUGA POPULATION
RDU
Component
Sponsor Representative MILLETT, Neuman, Lynn, Johnson, Keller
Requester House Resources Committee
Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: Debra Higgins, Committee Aide
Phone 465-3715
Division House Resources Committee
Date/Time 2/22/10 3:00pm
Approved by: Representative Craig Johnson, Co-Chair
Date 2/22/2010
House Resources Committee

(Revised 11/6/2009 OMB)

W. Stelle
January 30, 2010 draft

Proposed Amendments to House Joint Resolution No. 40
Sponsored by Rep. Millett
Introduced January 27, 2010

1. Page 2, lines 13, 14, 16, 19, and 27, strike "will" and insert in lieu thereof "may";

2. Page 2, strike lines 22 through 23 and insert in lieu thereof the following:

"WHEREAS the Port of Anchorage serves 85 percent of the state of Alaska with 90 percent of the goods to those areas, and the Port has already fully addressed the conservation needs of the Cook Inlet belugas whales relating to its activities based upon the best scientific information available, working in tandem with the National Marine Fisheries Service and other experts;" and

3. Page 3, strike lines 7 through 10.

W. Stelle edits
January 30, 2010 7:30 am draft

26-LS1376\R
HOUSE JOINT RESOLUTION NO. 40
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - SECOND SESSION
BY REPRESENTATIVE MILLETT

Introduced: 1/27/10
Referred:

A RESOLUTION

Opposing the proposed designation by the National Marine Fisheries Service of 3,000 square miles of upper Cook Inlet, the mid-inlet, all of the inlet's western shores, and Kachemak Bay as critical habitat for beluga whales.

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

WHEREAS the Endangered Species Act requires economic effects to be taken into account for critical habitat designations and areas may be excluded from critical habitat if it is determined that the benefit of such exclusion outweighs the benefit of specifying such areas as critical habitat; and

WHEREAS the National Marine Fisheries Service has proposed declaring 3,000 10 square miles of upper Cook Inlet, the mid-inlet, all of the inlet's western shores, and Kachemak Bay as critical habitat for beluga whales; and

WHEREAS scientists in the National Marine Fisheries Service have concluded that the sole reason for the population decline was the unsustainable subsistence harvest in the 1990s; and

WHEREAS a cooperative harvest management plan was put into place in 2000; and

WHEREAS scientists predicted signs of recovery of the beluga whale population would take five to seven years after a cooperative harvest management plan was instituted; and

WHEREAS, in 2005, the population of beluga whales was 278, and, in 2009, the population was 321, a four percent increase a year; and

WHEREAS the State of Alaska has given notice of its intent to sue challenging the Cook Inlet beluga whale Endangered Species Act listing; and

WHEREAS there is no evidence that human activity has harmed the beluga whale's environment, migration, or ecology; and

WHEREAS the National Marine Fisheries Service has stated that the additional regulatory oversight will cost only an additional $600,000 over the next decade; and

WHEREAS the cost estimate does not factor in the extra costs that existing and future operations may have to pay to meet unnecessary new regulatory burdens; and

WHEREAS a critical habitat designation in Cook Inlet may hurt community and economic development; and

WHEREAS permitting and construction projects may suffer costly delays, and economic development could be curtailed; and

WHEREAS the proposed Knik Arm Bridge, Port Mackenzie, tourism, and vessel traffic may be negatively affected; and

WHEREAS infrastructure development in Cook Inlet for resource development and energy projects could be threatened by critical habitat designations; and

WHEREAS the Port of Anchorage serves 85 percent of the state of Alaska with 90 percent of the goods to those areas, and the Port has already fully addressed the conservation needs of the Cook Inlet beluga whales relating to its activities based upon the best scientific information, working in tandem with the National Marine Fisheries Service and other experts; and

WHEREAS military deployments from the Port of Anchorage, military flight patterns, and military operations may be negatively affected or limited with no benefit to beluga whales; and

WHEREAS environmental lawsuits may add significant delays and millions of dollars to the cost of economic development projects in the Cook Inlet area; and

WHEREAS decades of safe and environmentally responsible oil and gas production, vessel transportation, community development, commercial, sport, and subsistence fishing, and other economic activity in Cook Inlet have taken place without harming Cook Inlet beluga whales; and

WHEREAS future oil and gas exploration, development, and production could be gravely affected by critical habitat designations; and

WHEREAS southcentral Alaska energy needs have been met predominantly through responsible oil and gas production in Cook Inlet for nearly 50 years while beluga whale populations thrived; and

~~WHEREAS THE MUNICIPALITY OF ANCHORAGE MAY HAVE TO SPEND A MINIMUM OF $400,000,000 TO MEET UNNECESSARY NEW WASTEWATER TREATMENT REQUIREMENTS THAT WOULD COME WITH A CRITICAL HABITAT DESIGNATION, CAUSING UTILITY BILLS FOR CUSTOMERS OF ANCHORAGE WATER AND WASTEWATER TO, AT A MINIMUM, TRIPLE; AND~~

WHEREAS there is no evidence that commercial or sport fishing is harming the beluga whale population; and

WHEREAS the commercial and sport fishing industries will be gravely threatened by a critical habitat designation because the beluga whale's primary food source is fish; and

WHEREAS lost development opportunities because of critical habitat designations could ultimately lead to lost revenue to the State of Alaska and to local governments; and

WHEREAS all three members of Alaska's congressional delegation and Governor Sean Parnell are opposed to the critical habitat designation; and

WHEREAS designation of such broad areas of municipal, commercial, and industrial interest, without any known or identifiable link between these activities and the conservation status of the Cook Inlet beluga whale is contrary to the public interest; and

WHEREAS the conservation benefits, which are entirely uncertain and speculative,

are outweighed by the costs and impediments posed by designation of critical habitat in this instance in most, if not all, of the proposed designation area;

BE IT RESOLVED that the Alaska State Legislature opposes the proposed designation by the National Marine Fisheries Service of 3,000 square miles of upper Cook Inlet, the mid-inlet, all of the inlet's western shores, and Kachemak Bay as critical habitat for beluga whales; and be it

FURTHER RESOLVED that the State of Alaska requests a more robust economic analysis be completed by the National Marine Fisheries Service before finalizing any critical habitat designation.

COPIES of this resolution shall be sent to the Honorable Barack Obama, President of the United States; the Honorable Joseph R. Biden, Jr., Vice-President of the United States and President of the U.S. Senate; the Honorable Nancy Pelosi, Speaker of the U.S. House of Representatives; the Honorable Gary F. Locke, United States Secretary of Commerce; Dr. Jane Lubchenko, Under Secretary of Commerce for Oceans and Atmosphere, United States Department of Commerce; Kaja Brix, Director, Protected Resources Division, Alaska Region, National Marine Fisheries Service, National Oceanic and Atmospheric Administration; the Honorable Dan Sullivan, Mayor of the Municipality of Anchorage; the Honorable John C. Combs, Mayor of the City of Palmer; the Honorable Verne E. Rupright, Mayor of the City of Wasilla; the Honorable Talis Colberg, Mayor of the Matanuska Susitna Borough; the Honorable James C. Hornaday, Mayor of the City of Homer; the Honorable Pat Porter, Mayor of the City of Kenai; the Honorable Peter A. Micciche, Mayor of the City of Soldotna; the Honorable Dave Carey, Mayor of the Kanai Peninsula Borough; and the Honorable Lisa Murkowski and the Honorable Mark Begich, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

William Stelle edits
January 30, 2010
7:30 am

W. Stelle edits
January 30, 2010 7:30 am draft

HJR

49

OUSE COMMITTEE REPOI

(9)
Date Referred to Committee: February 23, 2010 **FURTHER REFERRALS:**

Date of Committee Action: 8 Mar 2010

The RESOURCES Committee considered: **HOUSE JOINT RESOLUTION NO. 49**

Urging the United States Congress to enact S.J. Res. 26, a resolution disapproving the Environmental Protection Agency's imposition of climate regulations that would harm Alaska's economy and the livelihoods of the state's citizens.

HJR 49-OPPOSING EPA CLEAN AIR ACT REGULATIONS

Recommends it be replaced with [ ] HCS *or* [✓] CS *for* CSHJR 49(Res) ( )
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR _____ [✓] Same Title [ ] New Title

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW FISCAL NOTES *Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero
Res	1			Ø

PREVIOUS FISCAL NOTES

List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON	X			
Bry Edgmon	Edgmon	X			
			X		
	SEATON	X			
	WILSON	X			
	Tuck				X
	KAUFMAN				X
Chair:	NEUMAN	X			
Chair:	Johnson	X			

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HJR 49
() Publish Date:

Identifier (file name):
Title OPPOSING EPA CLEAN AIR ACT REGULATIONS
Sponsor Representatives STOLTZE, Chenault, Gatto, Keller...
Requester

Dept. Affected:
RDU
Component
Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: Debra Higgins, Committee Aide
Division House Resources Committee
Phone 465-3715
Date/Time 3/01/10 4:00pm

Approved by: Representative Craig Johnson, Co-Chair
House Resources Committee
Date 3/1/2010

(Revised 11/6/2009 OMB)

AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

111TH CONGRESS
2D SESSION

S. J. RES. 26

Disapproving a rule submitted by the Environmental Protection Agency relating to the endangerment finding and the cause or contribute findings for greenhouse gases under section 202(a) of the Clean Air Act.

IN THE SENATE OF THE UNITED STATES

JANUARY 21, 2010

Ms. MURKOWSKI (for herself, Mrs. LINCOLN, Mr. BARRASSO, Mr. NELSON of Nebraska, Mr. CHAMBLISS, Ms. LANDRIEU, Mr. THUNE, Mrs. HUTCHISON, Mr. GRAHAM, Mr. COBURN, Mr. VITTER, Mr. CORNYN, Mr. ISAKSON, Mr. GRASSLEY, Mr. ALEXANDER, Mr. BOND, Mr. INHOFE, Mr. BUNNING, Mr. CRAPO, Mr. BROWNBACK, Mr. ROBERTS, Mr. MCCONNELL, Mr. ENZI, Mr. MCCAIN, Mr. WICKER, Mr. LUGAR, Mr. CORKER, Mr. COCHRAN, Mr. KYL, Mr. BENNETT, Mr. RISCH, Mr. JOHANNS, Mr. SESSIONS, Mr. VOINOVICH, Mr. BURR, Mr. SHELBY, Mr. GREGG, Mr. HATCH, Mr. LEMIEUX, and Mr. DEMINT) introduced the following joint resolution; which was read twice and referred to the Committee on Environment and Public Works

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JOINT RESOLUTION

Disapproving a rule submitted by the Environmental Protection Agency relating to the endangerment finding and the cause or contribute findings for greenhouse gases under section 202(a) of the Clean Air Act.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That Congress disapproves the rule submitted by the Environmental Protection Agency relating to the

endangerment finding and the cause or contribute findings for greenhouse gases under section 202(a) of the Clean Air Act (published at 74 Fed. Reg. 66496 (December 15, 2009)), and such rule shall have no force or effect.

○

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Governor Sean Parnell
STATE OF ALASKA

November 3, 2009

The Honorable Barbara Boxer
Chairman
Environment and Public Works Committee
United States Senate
112 Hart Senate Office Building
Washington, DC 20510

The Honorable James Inhofe
Ranking Member
Environment and Public Works Committee
United States Senate
453 Russell Senate Office Building
Washington, DC 20510

Re: Clean Energy Jobs and American Power Act (S. 1733)

Dear Chairman Boxer and Ranking Member Inhofe,

The State of Alaska wishes to comment on the Clean Energy Jobs and American Power Act (S. 1733). This legislation, which aims to drastically modify U.S. fossil fuel consumption, stimulate greater use of renewable energy resources, and address the challenges of climate change adaptation, involves some of the most important issues facing the State of Alaska.

Alaska supports the transition to lower-carbon and renewable energy. However, as a major exporter of carbon-based energy, producing approximately 13 percent of the nation's oil supply and receiving more than 80 percent of its unrestricted general fund revenues directly from oil and gas operations, the State cannot ignore the potential economic consequences of a "cap-and-trade" system. We are currently preparing analyses that assess the possible impacts of this legislation on State revenues, the economic viability of our oil refineries, and future construction of an Alaska natural gas pipeline. The State fears this act may disadvantage domestic fossil fuel producers and shift production overseas, resulting in lost revenues and jobs while reducing our nation's energy security.

While climate change legislation could pose economic threats to our state, Alaska is also primed to help lead a clean energy economy. In the Alaska natural gas pipeline, the State of Alaska offers a promising low-carbon energy option, which could provide a vital bridge to other clean energy alternatives. Alaska also holds vast renewable energy potential, from hydropower, to biomass, wind, geothermal, solar, and ocean power.

In the area of adaptation, Alaska is already facing a host of serious developments related to climate change. This includes addressing the impacts to critical infrastructure associated with accelerated coastal erosion, increased storm effects, sea ice retreat, and permafrost melt. Efforts to protect and relocate Alaskan communities are already underway and the State values the partnerships we have formed with many federal agencies and other entities. More resources, however, are needed along with a designated federal agency lead to coordinate the federal efforts.

Coupled with climate change impacts are opportunities, including the potential for increased marine access to Arctic waters and the resources they contain. The United States is slowly waking to the fact it is an Arctic nation and the importance of the Arctic in general. It is imperative that this legislation not foreclose possible opportunities in the Arctic.

Enclosed you will find the State's analysis of provisions in S. 1733. This document identifies key priorities for Alaska and a number of areas for improvement. Some of the items the State advocates for in this bill include:

- **Adequate funding for climate change adaptation:** the State supports sufficient funding to address Alaska's pressing adaptation needs on various fronts, including protecting critical and valuable infrastructure.

- **Measures to preserve domestic refineries:** Alaska calls for provisions aimed to protect Alaska's refineries, which are essential to our economy and cold weather fuel needs, as well as uniquely vulnerable to increased costs posed by cap-and-trade legislation.

- **Fair allocations for Alaska:** the State is concerned that the Environmental Protection Agency (EPA) has underestimated emissions in Alaska, based on estimates provided to Senator Feingold by EPA. This could disadvantage the state as a whole in the distribution of allowances.

- **Avoidance of unfunded mandates:** Alaska opposes burdensome and unrealistic unfunded mandates that may be created through new climate change programs.

- **Respect for states' rights:** the State supports the protection of states' rights and notably recognition of the State of Alaska's role as primary trustee over fish and wildlife.

- **Exclusion of problematic broad policy statements:** Alaska opposes broad policy statements that open the door to stricter enforceable regulations and future litigation.

- **Emphasis on domestic production:** the State supports expanding access and incentives for responsible domestic onshore and offshore oil and gas exploration as part of a strategy for creating a secure energy future.

- **Promotion of the natural gas pipeline:** the State seeks to promote the Alaska natural gas pipeline as a clean and reliable fuel source which would provide significant economic benefits for the nation, consistent with the Alaska Natural Gas Pipeline Act of 2004 (P.L. 108-324, 118 Stat. 1220).

- **Carbon capture and sequestration incentives:** Alaska supports the commercial deployment of carbon capture and sequestration (CCS) technologies, and in particular, sequestration as a result of Enhanced Oil Recovery (EOR) projects.

- **Program flexibility:** The State believes that effective mitigation and adaptation programs must acknowledge regional differences. Alaska has particular concerns regarding the proposed natural resources adaptation framework.

- **Focus on monitoring and research:** Alaska supports collaborations among federal, State, and other partners in monitoring and research that will lead to better decisions in the management of land and marine resources.

- **Exclusive role of climate change legislation:** We believe climate change legislation should be the sole instrument for addressing climate change mitigation, not the strained use of existing statutes such as the Endangered Species Act or the Clean Air Act.

We appreciate the opportunity to share our views and hope the committee will give them its fullest consideration.

Sincerely,

Sean Parnell
Governor

Enclosure

cc: The Honorable Lisa Murkowski, United States Senate
The Honorable Mark Begich, United States Senate
The Honorable Don Young, United States Congress
The Honorable Thomas Carper, Chairman, Subcommittee on Clean Air and Nuclear Safety
The Honorable David Vitter, Ranking Member, Subcommittee on Clean Air and Nuclear Safety
The Honorable Bernard Sanders, Chairman, Subcommittee on Green Jobs and the Economy
The Honorable Christopher Bond, Ranking Member, Subcommittee on Green Jobs and the Economy
The Honorable Frank Lautenberg, Chairman, Subcommittee on Superfund, Toxics, and Environmental Health
The Honorable Max Baucus, Chairman, Subcommittee on Transportation and Infrastructure
The Honorable George Voinovich, Ranking Member, Subcommittee on Transportation and Infrastructure
The Honorable Benjamin Cardin, Chairman, Subcommittee on Water and Wildlife
The Honorable Mike Crapo, Ranking Member, Subcommittee on Water and Wildlife

State of Alaska Comments on Clean Energy Jobs and American Power Act (S. 1733)
Senator Boxer's Chairman's Mark

INTRODUCTORY NOTES:

This document describes the positions of the State of Alaska on notable elements of Senator Barbara Boxer's Chairman's Mark of the Clean Energy Jobs and American Power Act (S. 1733), which was introduced by Senators John Kerry and Barbara Boxer. The Alaska Departments of Environmental Conservation, Fish and Game, Law, Natural Resources, Revenue, Transportation and Public Facilities, and the Governor's Washington, DC office contributed to the analysis of this bill.

While particular design elements of "cap-and-trade" legislation, like S. 1733 and the American Clean Energy and Security Act of 2009 (H.R. 2454), raise broad concerns about the economic interests of Alaska, this document focuses instead on specific provisions of S. 1733. The State is currently preparing separate analyses of the possible impacts of this legislation on State revenues, the economic viability of Alaska's oil refineries, and future construction of an Alaska natural gas pipeline.

In many ways, Alaska is ground zero for obvious and costly climate change impacts. Alaska is currently experiencing coastal erosion, increased storm effects, sea ice retreat and permafrost melt. The villages of Shishmaref, Kivalina, and Newtok have already begun relocation plans and the U.S. Army Corps of Engineers has identified over 160 additional rural Alaskan communities threatened by erosion.

The effects of climate change are expected to occur most rapidly and be most pronounced at higher latitudes. Thus, no discussion about climate change is complete without recognition of the issues facing the Arctic. Surprisingly, in the 925-page bill, offered as a U.S. response to climate change, the word "Arctic" appears only once.

The State of Alaska strongly encourages that the following key components be incorporated in any climate change legislation:

- Mitigation and adaptation strategies that account for regional differences and avoid a "top-down" approach, likely to produce inflexible and inefficient policy;
- avoidance of broad policy statements that open the door to stricter enforceable regulations and future litigation;
- an effort to spare states from burdensome and unrealistic unfunded mandates;
- emphasis on climate change legislation as the sole instrument for addressing climate change mitigation, rather than the strained use of existing statutes, such as the Endangered Species Act or the Clean Air Act;
- incentives for a diverse spectrum of clean energy alternatives;
- respect for states' rights, and notably recognition of a state's role as primary trustee over fish and wildlife;
- a focus on studying the Arctic climate and environment;
- appropriate funding for adaptation efforts in Alaska where there is a pressing need to respond on numerous fronts, including the protection of critical infrastructure;
- aid for consumers burdened by climate change-related regulations;
- provisions aimed to protect Alaska's refineries, which are essential to our economy and cold weather fuel needs, as well as uniquely vulnerable to increased costs posed by cap-and-trade legislation; and
- promotion of Alaska's natural gas pipeline as a clean, reliable, long-term fuel source.

In the remainder of this document, the State considers how S. 1733 addresses these and other priorities important to Alaska.

STATE POSITIONS AND ANALYSIS OF S. 1733:

Section 1. Short Title; Table of Contents

Findings. (Sec. 2)

- Alaska Natural Gas Pipeline Projects. The State supports the addition of a finding, that the completion of the Alaska Natural Gas Transportation Projects is vital to the country to provide a clean fuel alternative to coal and petroleum as a bridge to power generation that does not involve the combustion of fossil fuels. This finding would be consistent with the Alaska Natural Gas Pipeline Act of 2004 (P.L. 108-324, 118 Stat. 1220).

- Arctic Impacts. The State supports the addition of a finding that the impacts of climate change are expected to occur first and be most severe in the Arctic and in the higher latitudes, creating unique adaptation needs in these areas.

Division A – Authorizations for Pollution Reduction, Transition, and Adaptation

Title I – Greenhouse Gas Reduction Programs

Subtitle A – Clean Transportation

Greenhouse Gas Reductions through Transportation Efficiency; Transportation Greenhouse Gas Emission Reduction Program Grants. (Sec. 112-113)

- Funding. The State fears Section 112 would create a substantial unfunded mandate and shift resources away from Alaska's transportation priorities. S. 1733 would amend Title VIII of the Clean Air Act to require the EPA Administrator, in consultation with the Alaska Department of Transportation and Public Facilities (DOT), to establish national greenhouse gas (GHG) emission reduction goals. States and metropolitan planning organizations (MPOs) would, in turn, be required to develop targets consistent with the national goals. The State would need to perform extensive data gathering and modeling, compute baseline emissions, and develop new strategies and programs to meet their goals. Section 113, which outlines a grant program for transportation GHG reduction, does not clearly provide funding to states for planning. If Alaska is unable to secure sufficient funding, it would be forced to divert resources from other programs, such as transit and road improvements, in order to absorb the new costs. The State supports a funding mechanism that will ensure adequate assistance to states working to comply with this new mandate.

- Adequate Time Frame. The State has concerns about the time requirements for data production and analysis. Adequate time is necessary to produce data on local conditions. Default national data does not accurately reflect Alaska's environmental conditions and emissions. The State believes this legislation should contain provisions ensuring states have sufficient time to collect and incorporate local data.

The State also supports inclusion of a statutory process to extend State target deadlines should federal agencies fail to meet deadlines or should there be legal changes to models or methodologies. New standardized models and methods adopted may differ from those used to establish the 2005 emissions reduction baseline. If this is the case, analysis would be necessary to properly compare new results with the 2005 baseline. If EPA and DOT lag in making this adjustment, it will shorten the timeframe states have to meet their deadlines.

Furthermore, the State fears the timeline for new regulations in this section is not realistic. Regulations must be proposed within 12 months and promulgated within 18 months of enactment. Preparing regulations and completing the public process for adopting the regulations can take months under ideal circumstances. If the regulation process is not completed on schedule, states and MPOs would be left with insufficient time to achieve emission reduction targets.

- Authority. The State also questions whether states possess the requisite authority to carry out their new duties under this section. State transportation programs generally do not operate transit, rail, or intercity bus systems, control land use, or regulate the amount of driving or method of vehicular propulsion. This authority is traditionally reserved for local government planning and zoning departments. Yet it will be impossible to meet ambitious emissions targets without regulating these activities. Furthermore, Section 112 holds MPOs to a lesser standard than states, though MPO emission plans are central to meeting state targets.

- Public Health. The State also has reservations about use of the term "public health," which has certain connotations within the Clean Air Act. A provision may be necessary to ensure the term does not invoke actions related to the Clean Air Act Section 109(b)(1), which directs EPA to set ambient air quality standards to "protect the public health" and allow for an adequate margin of safety. Recent EPA actions have shown an increased propensity for moving beyond the agency's traditional authority.

- Surface Transportation. The State believes the language of this section should be clarified to describe "surface" transportation-related greenhouse gas emissions reduction targets in all cases. Further, the term "surface transportation-related" should be defined to specifically exclude maritime (except ferries), rail, and off-road vehicles.

- Lead Planning/Modeling Agency. The State supports establishing the U.S. Department of Transportation, not the EPA, as the lead agency regarding the development of transportation planning and modeling tools. S. 1733 does this.

- Vehicle Miles Traveled. The State is concerned by provisions creating goals for reduced "vehicle miles traveled." Construction of the natural gas pipeline may create large short-term increases in vehicle miles traveled, but will generate benefits that far outweigh these increases. The State supports an exception for large construction projects promoting clean energy.

- Clean Air Act Incorporation. Section 112 also raises concern because of its incorporation into the Clean Air Act. The provision could subject planning and activities to burdensome Clean Air Act statutes and regulations.

Subtitle F – Energy Efficiency and Renewable Energy

Renewable Energy. (Sec. 161)

- Grants for Renewable Resource Programs. The State supports the nation's transition to increased reliance on renewable energy. Alaska possesses vast renewable energy potential, including hydro, biomass, wind, geothermal, solar, and ocean power. S. 1733 authorizes EPA grants for projects that increase the quantity of energy that a state uses from renewable resources, with priority to applicants in states with a binding Renewable Portfolio Standard. The State approves of the provision's goal.

  The State, however, has concerns about the definition of "qualified hydropower," used in Section 102. It appears hydropower can be considered "qualified" in two ways. First, incremental gains or capacity additions to projects in place before 1988 are considered qualified hydropower. Second, energy produced from capacity added after 1988 to a dam that was originally in place for reasons other than power generation qualifies. This narrow definition would exclude large portions of existing hydropower, making it difficult for Alaska to meet a Renewable Portfolio Standard and compete for grants under Section 161, despite having an abundance of hydropower. The definition would also leave out new hydro projects. The State supports the expansion of the definition of "qualified hydropower."

Energy Efficiency in Building Codes. (Sec. 163)

- National Building Codes. The State opposes setting national energy efficiency building codes. S. 1733 would create national codes for residential and commercial buildings, in order to meet national energy efficiency targets. The EPA Administrator would publish an annual report on energy efficiency building code adoption and compliance by states. Though penalties for noncompliance are not defined in S. 1733, Alaska opposes the existence of national standards in this area. A federally mandated, universal energy code is a poor fit for a state with Alaska's vast size and varied conditions.

Subtitle H – Clean Energy and Natural Resources

Clean Energy and Accelerated Emission Reduction Programs. (Sec. 181)

- Clean Energy Incentives. The State supports Section 181, which rewards companies that switch from power sources with higher emissions than the 2007 power sector average to cleaner fuels, including natural gas, and Section 182, which would establish a new federal grant program encouraging investment in advanced natural gas technologies.

Title III – Transition and Adaptation

Part 1 – Domestic Adaptation

Subpart A – National Climate Change Adaptation Program

National Climate Change Adaptation Program. (Sec. 341)

- Existing Programs. The State supports the inclusion of language to clarify that the proposed National Climate Change Adaptation Program (NCCAF) will not replace existing federal programs already providing state and local governments and tribes with funds for projects that will assist in adaptation. The NCCAF should be a supplemental source of funding that prioritizes meeting urgent needs.

Climate Services. (Sec. 342)

- Coordination. The State believes a lack of specificity in the bill's natural resources adaptation strategy could hamper coordination and produce a duplication of efforts. In this section, the Department of Commerce (NOAA) is tasked with developing a National Climate Service. Section 365 creates a Natural Resources Climate Change Adaptation Panel, chaired by the Council for Environmental Quality. Section 367 establishes a National Climate Change and Wildlife Science Center. These provisions leave ambiguity as to how the bodies will interact. At the State level, federal agencies have competed for leadership and funds in the climate change arena. The vagueness in these provisions could produce a similar dynamic.

Subpart B – Public Health and Climate Change

National Strategic Action Plan; Advisory Board. (Sec. 353-354)

- Public Health. The State supports the inclusion of a section dedicated to addressing public health. However, the bill calls for development of a Health Impact Assessment. The requirement that Health Impact Assessments be conducted by the federal government within the National Environmental Policy Act (NEPA) process has produced challenges in Alaska. Additionally, no funding mechanism is provided to develop these assessments or the strategic plan called for by the bill. The section also lacks a mandate for State or Native representation on the Advisory Board.

Subpart C – Climate Change Safeguards for Natural Resources Conservation

Natural Resources Climate Change Adaptation Plan; Natural Resources Climate Change Adaptation Strategy; Natural Resources Adaptation Science and Information. (Sec. 365-367)

- Mission of Panel. The State believes the purpose of the Natural Resources Climate Change Adaptation Panel should be expanded to address other forms of adaptation, such as infrastructure. As introduced, the bill lacks a strategy for coordinating federal policy on climate change effects outside of the natural resources area.

Federal Natural Resource Agency Adaptation Plans; State Natural Resources Adaptation Plans. (Sec. 368-369)

- Flexibility. The State fears the natural resource adaptation framework in S. 1733, like that in H.R. 2454, is too top-down driven for success. The bill calls for each federal agency to develop a natural resource adaptation plan, with which subsequently-formed state plans must be consistent. Climate impacts, however, differ regionally and locally, requiring maximum flexibility. Development of a national plan will hamstring local identification and prioritization of issues and associated strategies to address them, stifle innovation, and prevent the local "buy-in" vital to effective implementation. A national focus also impedes the development of regional strategies.

  States should be allowed to negotiate cooperative natural resource agreements with the federal government on a state-by-state basis with maximum flexibility. In the face of significant intrusion by the federal government on a state's authority to regulate fish and game, states may reasonably prefer departing from the national strategy. If a state does so, however, it will be penalized through denial of funding under programs in this subtitle and potentially other federal programs. The scenario is counterproductive and could be alleviated with greater flexibility.

- Competing Interests. The State fears efforts to assist species in adapting to climate change and ocean acidification will require controlling human activities to reduce other stressors on these species. Large new conservation units may be carved out and human activities in migration corridors could be substantially limited. The bill does not state how the adaptation strategy and planning called for is to be reconciled with human population growth, resource development, commercial, and other human activities. With this approach, other competing interests of importance to the people of Alaska will be marginalized.

National Resources Climate Change Adaptation Account. (Sec. 370)

- Other Statutes. The State believes the bill should specifically de-link existing statutes, such as the Endangered Species Act (ESA), from the climate change policy process. The State opposes use of the ESA as a vehicle for carrying out climate change policy. Section 370 provides for an expansion of ESA programs, which, without further guidance, could result in significant increases in listings that provide little benefit to those species. The bill should include language affirming that climate change legislation is the appropriate instrument for responding to climate change and that ESA should retain its traditional role of conserving species most at risk.

- Corps of Engineers. The State also believes this section should be modified to explicitly grant the U.S. Army Corps of Engineers the authority to use Natural Resources Climate Change Adaptation Account funding for coastal erosion reduction projects and infrastructure adaptation.

- Funding Allocation. The State appreciates that, of the funds made available to states in this account, a portion (six percent) is set aside for coastal agencies. Coastal states will have unique adaptation needs. To ensure adequate funding where climate change impacts are most severe, though, the State advocates for a separate allocation for Arctic adaptation efforts.

National Wildlife Habitat and Corridors Information Program. (Sec. 371)

- State's Role. The State fears this section undermines the State's role as primary trustee over fish and wildlife. The proposed National Fish and Wildlife Habitat and Corridors Information Program centers around developing Geographic Information System (GIS) databases and maps to support decision-making in this area. The State approves of this approach. The stated purpose of the effort, however, is to allow the Secretary of the Interior to recommend how the information developed "may be incorporated" into relevant State and federal plans that affect fish and wildlife including land management plans, and the State Comprehensive Wildlife Conservation Strategies. Further, the Secretary is granted authority to "ensure that relevant State and federal plans that affect fish and wildlife (1) prevent unnecessary habitat fragmentation and disruption of corridors; (2) promote the landscape connectivity necessary to allow wildlife to move as necessary to meet biological needs, adjust to shifts in habitat, and adapt to climate change; and (3) minimize the impacts of energy, development, water, transportation, and transmission projects and other activities expected to impact habitat and corridors." The State is leery of this expansion of federal authority. To be successful, adaptation efforts must respect the primary roles and authorities of State fish and wildlife agencies in managing fish and wildlife and be built on this precept.

- Landscape Conservation Planning Programs. The relationship of this program to existing landscape conservation planning programs (such as the Landscape Conservation Cooperatives) should also be clarified.

Subpart D – Additional Climate Change Adaptation Programs

Coastal and Great Lakes State Adaptation Program. (Sec. 384)

- Funding Formula. The State approves of this program's focus on coastal states. By factoring in the proportion of shoreline miles, the formula also acknowledges that a state's amount of coastline is an important consideration in assessing adaptation needs. Once again, however, the State feels the formula should account for the unique needs experienced in the Arctic and high latitudes.

Division B – Pollution Reduction and Investment

Title I – Reducing Global Warming Pollution

Subtitle A – Reducing Global Warming Pollution

Reducing Global Warming Pollution. (Sec. 101)

"International Offset Credits." (Clean Air Act [CAA] Sec. 744)

- International Offsets. The State supports the inclusion of international offsets (the ability for companies to reduce emissions outside the U.S. and have it count towards domestic reductions). Like H.R. 2454, S. 1733 allows international offsets, though the portion of overall offsets comprised by international offsets is smaller in S. 1733 than in H.R. 2454.

Definitions. (Sec. 102)

"Definitions." (CAA Sec. 700)

- Alaska Refineries. Alaskans are uniquely dependant on in-state refineries for their fuel needs. Alaska has limited fuel storage and is located thousands of miles from the nearest non-Alaskan refinery. The state's refineries are particularly vulnerable to increased costs because they are relatively simple on the Nelson Complexity Index, meaning they operate at lower levels of economic efficiency than more sophisticated refineries which can extract more refined product from a barrel of crude oil. If Alaska's refineries are disadvantaged to the point of closing, it would likely produce a wide range of negative consequences across the state. These may include higher costs associated with importing fuel by tanker and building storage tanks in addition to increased economic burdens on Alaska's rural communities.

  The Chairman's Mark includes provisions granting small business refiners additional time to comply with the Pollution Reduction and Investment program and distributes additional allowances to small business and medium refineries. These provisions could help Alaska's refineries, but may not be sufficient to protect them from substantial costs.

  The State would support an exemption for certain domestic refineries to prevent regional market failures and promote the interest of regional energy security. One way of achieving this is through modifications to the definition of "covered entities" in the Clean Air Act. First, the language in S. 1733 could be amended to match the corresponding language in H.R. 2454, requiring that a stationary source producing petroleum products do so in "interstate commerce" to be covered under CAA Section 700(13)(B). Second, CAA Section 700(1)(F) subsection (viii) for "petroleum refining" could be removed. These modifications would exempt refineries, like those in Alaska, that sell virtually all of their saleable product in-state.

- Embedded Emissions, Direct Emissions, and Fossil Fuel Based Carbon Dioxide. The State supports adding definitions for Embedded Emissions, Direct Emissions, and Fossil Fuel Based Carbon Dioxide to clarify that natural gas produced at the wellhead or flowing through a pipeline will not be burdened with the requirement of emission allowances for the carbon dioxide that may one day be produced when the natural gas is burned.

- Natural Gas Liquids. The State seeks clarification on this section, which differs from H.R. 2454 in its definition of natural gas liquids as being "ready for commercial sale or use." This change raises concern given the value natural gas liquids bring in a major gas sale scenario.

Disposition of Allowances for Global Warming Pollution Reduction Program. (Sec. 111)

- Fair Allocation of Allowances. The State is very concerned about the disposition of allowances for Alaska under a cap-and-trade regime. An EPA memo provided to Senator Feingold indicated that the agency drastically underestimated emissions in Alaska. The document gave the false impression that Alaska would be sufficiently accommodated through the provision of free allowances under H.R. 2454. EPA's estimates for capped emissions in 2012 appear to have been based exclusively on Alaska's electric generation, primarily electricity generated for retail electricity sales, leaving out all facilities that generate their own power, such as oil and gas fields and some military bases. As a result, EPA estimated the state's emissions at three million tons per year (MMt/yr). For the same year, the State's models estimated capped emissions at 24.2 MMt/yr. This inaccuracy could substantially disadvantage Alaska in the distribution of allowances.

- Emission Allowances for Alaska Natural Gas Transportation Projects. The State supports specific free emission allowances for the operation of Alaska Natural Gas Transportation Projects. The 1,700 mile Alaska Gas Pipeline will be a source of substantial CO2 emissions, estimated to be between 20-50 percent of total Alaskan capped emissions.

"Electricity Consumers." (CAA Sec. 772)

- Regulatory Commission Approval. This section describes an allocation process for allowances to electric utilities with a requirement that applicants first seek approval from the Regulatory Commission of Alaska. This requirement could create a costly unfunded mandate for the State as regulatory proceedings have become contentious and expensive.

- Hydropower Projects. See discussion for section 161.

"Home Heating Oil and Propane Consumers." (CAA Sec. 774)

- Heating Oil Allocation. CAA Section 774 addresses allocations to states based on domestic oil and propane consumption and, as written, is unfavorable to Alaska. Free allowances for heating oil and propane would be allocated to the states based on each state's relative share of total domestic heating oil and propane consumption. Alaska consumes a significant amount of oil due to heating degree days and the prevalence of heating oil use across the state. Heating oil and propane, however, appear to be weighted equally. Thus, states like California and Texas that may consume more propane for barbecue grills and hot tubs than Alaska consumes heating oil, would receive larger shares. The State believes heating oil and propane should be separated for allocation purposes.

"Exchange of State-Issued Allowances." (CAA Sec. 777)

- State-Issued Emission Allowances. Although Alaska is only an observer of the Western Climate Initiative (WCI), it supports WCI's position that the work of the states should be integrated into a new climate regime, rather than completely preempted. This bill would integrate state efforts by exchanging regional allowances for federal allowances.

"Commercial Deployment of Carbon Capture and Sequestration Technologies." (CAA Sec. 780)

- CCS in High-Cost Locations. The State supports the commercial deployment of carbon capture and sequestration (CCS) technologies, and in particular, sequestration as a result of Enhanced Oil Recovery (EOR) projects. CCS is afforded special treatment through the "bonus allowance value," which is essentially a subsidy when compared to the value of purchased or freely distributed allowances.

  The State supports EOR activities in Alaska, especially on the North Slope. This activity produces multiple benefits. Sequestration of CO2 in a known, well-defined hydrocarbon reservoir and trap is inherently safer than in those that are less defined. Furthermore, increased production due to EOR will lengthen oil field life. Since a gas pipeline from the North Slope is economically dependent on the oil field facilities, increasing oil field life improves the economics of a gas pipeline. Gas, as a fuel source, is more environmentally friendly than other carbon fuel sources.

  The costs of CCS on the North Slope may still be prohibitive, however, even with a boost from these allowances and incentives through carbon costs. Costs have been found to be significantly higher for CCS on the North Slope than the averages published for the Lower 48, primarily due to the North Slope's location and weather. The State supports inclusion of provisions that account for greater expenses in high-cost locations in order to make CCS economically feasible in these areas.

Ensuring Real Reductions in Industrial Emissions. (Sec. 141)

"Definitions; Eligible Industrial Sectors." (CAA Sec. 762, 763)

- Foreign Competition for Domestic Refineries. These sections protect certain manufacturing industries from "off-shoring" and foreign competition, but specifically exclude domestic refineries. The State believes domestic refineries should be protected as well.

Title II – Program Allocations

State and Local Investment in Energy Efficiency and Renewable Energy. (Sec. 202)

- Allocation Formula. The allocation method in this section unfairly disadvantages Alaska. While 30 percent of the allowances are granted to states on an equal basis, 30 percent is allocated based on population and another 40 percent is allocated based on state energy consumption as a share of total domestic consumption. By these standards, Alaska would receive fewer allowances than almost any other state. This proposal is unfair to Alaska because the state has more heating degree days and thus Alaskans use more energy on average than residents of other states, costs are highest in rural Alaska where incomes are typically lowest, and switching to other fuel sources is not possible or cost effective in most cases for rural Alaskans. The State would support an increased percentage distributed equally among states, measuring energy consumption per capita rather than as a share of total consumption, or allocating some allowances based on energy costs as a share of per capita income using Census data.

- Indian Tribes. In addition, the State supports Section 202, which provides for the distribution of allowances to Indian tribes, which may benefit some rural areas of Alaska.

Additional Issues:

Domestic Production. The State believes S. 1733 should be modified to expand access and incentives for responsible domestic onshore and offshore oil and gas exploration and production. The U.S. Department of Energy's recent forecast for growth in the energy sectors shows demand for fossil energy continuing to increase in the nation, and to remain above 80 percent of the total portfolio of energy supply through 2030 and beyond. Therefore, it is clear that fossil fuels will be needed as a bridging fuel in the coming decades, and access to domestic production, and specifically clean-burning natural gas, is imperative. Increased domestic production, carbon mitigation, expanded development of renewables, and long-term nuclear energy planning is the only viable path to a secure energy future.

OMB Funding Criteria. The State believes the Office of Management and Budget should be tasked with developing common criteria federal agencies can use to prioritize funding to state and local governments and tribes for infrastructure and other projects addressing climate change vulnerabilities. Existing funding criteria may not be appropriate for this purpose. For example, in sparsely populated but more vulnerable areas like western Alaska, federal assistance may be withheld despite great vulnerability if the primary criterion for funding is the number of people or the dollar value of infrastructure at risk.

EPA Limitation Provision. S. 1733 does not include important language related to the Environmental Protection Agency that appeared in H.R. 2454. The House bill contains language preventing the EPA from requiring performance standards on stationary sources under the federal cap. The State feels limitation language like that in the House bill should be included in S. 1733 and that EPA officials should not set climate change policy.

Adaptation Priorities. The State has identified the following as high priorities and areas of need with respect to adaptation:

- Changing Risks. The State supports collaboration between the states, federal agencies, and academia to challenge traditional assumptions on weather and climate. This effort should focus on data collection and analysis, forecasting models, hydrology, flood plains and inundation, coastal and riverine erosion, critical infrastructure, and related topics.

- Community Profile. The State believes the initial focus and study on adaptation should be on Alaskan coastal and riverine communities. These communities are currently threatened due to climate change and cannot relocate without extreme disruption and costs.

- Evacuation Routes. The State seeks federal assistance in identifying, designing, constructing, and maintaining all-weather evacuation routes from endangered communities to safe havens from approaching storms.

- Safe Havens. The State seeks federal assistance in selecting and equipping safe havens near the endangered communities, with full consideration of the hydrology, geology, and current and more accurate digital mapping. These safe havens should be outfitted with sufficient housing, water and fuel sources, and communications capabilities.

- Shoreline Protection and Stabilization. The State supports a program of shoreline protection and stabilization and considers such projects as the most effective means of protecting against the sudden onslaught of storms.

- Science, Analysis, and Informed Decisions. The State calls for creating and sustaining a program of coordinated, collaborative scientific examination and study of the Arctic climate and environment.

- Other Key Areas. Alaska's needs will also encompass other key areas such as consequences to natural resources, national security, infrastructure, emergency response capacity, etc., resulting from climate change impacts due to diminishing Arctic sea ice and from ocean acidification.

NFIB

The Voice of Small Business®

ALASKA

February 24, 2010

Representative Bill Stoltze
State Capitol Building
Juneau, Alaska 99801-1182

RE: House Joint Resolution 49

Representative Stoltze:

On behalf of the National Federation of Independent Business/Alaska (NFIB/AK), the state's leading small business advocacy organization, I am writing in support of House Joint Resolution 49 supporting U.S. Senator Murkowski's S.J. Res 26 disapproving the Environmental Protection Agency's (EPA) endangerment finding on greenhouse gases (GHGs) and implementation of climate regulations that would harm Alaska's economy.

On December 15, 2009, the EPA announced a final rule regarding the "Endangerment and Cause or Contribute Findings for GHGs under Section 202(a) of the Clean Air Act (CAA)". The rule finds that six greenhouse gases taken in combination endanger the public health and welfare. This effectively allows the EPA to continue to announce new emissions regulations on businesses and individuals under the CAA. NFIB/AK believes that the CAA is an inefficient and ineffective vehicle to address climate protection and that Congress solely should address GHG emissions. The CAA was designed to control air pollution by requiring individual stationary pollutant sources to institute emission control technologies.

Environmental regulations have been and continue to be a challenge for small businesses, as small entities are not major polluters and least able to sustain or even understand new restrictions. This regulation will create new burdens such as federal permitting requirements, restrictions on fuel choices and energy use, and expensive requirements for installation of new energy efficient equipment.

The EPA's Prevention of Significant Deterioration (PSD) Program is one such program that will impose major new costs on small business. The PSD permitting process itself is time consuming and expensive. The costs include legal, engineering and consulting fees, as well as permitting and administrative fees. Small entities that would now be subject to PSD program requirements include many restaurants, office and apartment buildings, hotels, malls, retail stores and warehouses, schools, hospitals, nursing facilities, churches, and small manufacturing plants. Unfortunately, hundreds of thousands of previously unregulated small entities would be regulated as a 'major' emitter.

National Federation of Independent Business – ALASKA
P. O. Box 34761•Juneau, AK 99803-4761•907 723 6667•www.NFIB.com

In addition to the PSD Program, NFIB/AK expects small businesses to be regulated under the Title V permitting program and the Hazardous Air Pollutant program. Adding more regulatory costs and administrative burdens would be a serious blow to already overburdened small business owners, who according to the January 2010 NFIB Small Business Economic Trends survey, are still suffering from weak sales and profits numbers.

Subjecting over a million new sources to the CAA's complex and expensive permitting process will not materially reduce the nation's greenhouse gases. NFIB/AK strongly supports the independent actions of business to become more energy efficient. According to NFIB's *2006 National Small Business Poll on Energy Consumption*, over the past three years, over 43 percent of America's small business owners have taken steps to reduce the amount of energy their businesses consume. Small business believes that the free market is best suited to develop new energy efficient technologies and renewable sources of fuel, and our nation's job creators stand ready to do so without the heavy hand of government mandates.

NFIB/AK strongly supports the Murkowski resolution of disapproval. We strongly support HJR 49 that puts the state of Alaska on record opposing this bureaucratic action by the EPA that would cause higher energy prices, higher food prices, lost jobs, and reduced production of domestic oil, natural gas and coal.

Sincerely yours,

Dennis L. DeWitt
Alaska State Director

Cc: NFIB/AK Leadership Council
House Resources Committee

ALASKA STATE LEGISLATURE

Co-Chair:
House Finance Committee

Chair:
House Finance Subcommittees for;
Department of Public Safety
Department of Law

Member:
Legislative Council
Legislative Budget & Audit

BILL STOLTZE
STATE REPRESENTATIVE
Representative_Bill_Stoltze@legis.state.ak.us

Session:
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Phone: (907) 465-4958
Fax: (907) 465-4928

District:
600 E. Railroad Ave.
Wasilla, AK 99654

MEMORANDUM

TO: Representative Mark Neuman, Co-Chair
House Resources Committee

FROM: Bill Stoltze

DATE: February 25, 2010

SUBJECT: Hearing Request

I respectfully request a hearing be scheduled for House Joint Resolution 49, urging the United States Congress to enact Senate Joint Resolution 26, a resolution disapproving the Environmental Protection Agency's imposition of climate regulations.

Thank you for your consideration.

SB

144

HOUSE COMMITTEE REPORT

(9)

Date Referred to Committee: March 29, 2010 **FURTHER REFERRALS: Finance**

Date of Committee Action: 4-12-10

The RESOURCES Committee considered: **CS FOR SENATE BILL NO. 144(FIN)**

"An Act relating to hunting permits and tag fees for musk oxen."

SB 144-MUSK OXEN PERMITS

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* _____ (_____)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW **FISCAL NOTES** *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero

PREVIOUS **FISCAL NOTES**				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
F&G	1			✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON	✓			
	Edgmon	X			
	Guttenberg			A	
	Seaton	X			
	Kawasaki				X
Chair:	Johnson	X			
~~Chair:~~	Neuman	X			

ALASKA STATE LEGISLATURE

SENATOR DONALD C. OLSON

ALASKA
STATE CAPITOL
ROOM 514
JUNEAU, ALASKA 99801-1182

(907) 465-3707
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CSSB 144 (FIN) – Musk Oxen Permits & Tags

Version 26-LS0666/E, March 22, 2010
STAFF: Tim Benintendi, 465-4989

SPONSOR STATEMENT and SECTIONAL ANALYSIS

SPONSOR STATEMENT:

There are four Game Management Units in which musk oxen are found in Alaska; Unit 18 (Nunivak and Nelson Islands), Units 22 and 23 (Seward Peninsula and Northwest), and Unit 26 (Northeast). The musk oxen population in Alaska is currently estimated to be 4,400 animals, and annually, between 325 and 350 animals are available for harvest.

The primary objective of SB 144 is to allow issuance of a second permit for a musk ox hunt in a second Game Management Unit or another hunt area within a unit, for resident hunters and subsistence hunters only; no out-of-state hunters qualify. If a harvester does not take an animal under the first permit, this would double the chance a hunter has to harvest the bag limit of one animal, either a bull or a cow. It would not allow for the taking of two animals.

Current statute provides for a limit of one musk ox permit for each hunter per calendar year. Musk oxen are the only game animals in the Arctic to which the one-permit restriction still applies. Under SB 144, the department could issue subsistence permits beyond a calendar year basis, to accommodate a season which straddles two calendar years (Example: a season which runs from August 1st to March 15th), because a "year" under this bill, is changed from a calendar year to a regulatory year, which is July 1st to June 30th.

Wildlife biologists and regulators within the Department of Fish and Game have determined that the health and size of the state's herd is well past the threshold for expanding opportunities for Alaskan hunters. State biologists

estimate that a minimal number of additional permits would be issued under the provisions of this bill, and perhaps 25 more animals would be harvested. If passed this legislative session, these new provisions would be in place for seasons beginning in August of this year.

SB 144 would authorize the Board of Game to reduce or eliminate subsistence tag and fee requirements at its discretion.

SB 144 carries a ZERO fiscal note, and has the support of the department. Support from the hunting community in Northwest Alaska includes the Northern and Southern Norton Sound Advisory Committees, and the Seward Peninsula Musk Ox Cooperators' Group. We have discovered no opposition to this bill.

SECTIONAL ANALYSIS:

SECTION 1: Amends AS 16.05.340(a)(16) to allow the Board of Game to reduce or eliminate the fee, as well as the tag requirements, for a musk oxen hunt, and makes it applicable to all or a portion of a game management unit. Applying this to an open season has been eliminated. The objective is to have the statute for musk oxen read the same as for other game.

SECTION 2: Amends AS 16.05.346(a) by providing that the department shall issue permits to take musk oxen once the Board of Game has reduced or eliminated requirements for a resident tag and fee. This statute is further amended by providing that a resident may not be charged a fee for an application for a musk oxen permit under these circumstances.

COMMITTEE SUBSTITUTE CHANGES:

The Senate Finance Committee Substitute addresses a drafting error. It inserts the word **"and"** between the words "tag" and "fee" in two places, one on page 1, line 15, and the second on page 2, line 8.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **SB144**
() Publish Date:

Identifier (file name): SB144-DFG-DAS-03-05-10
Dept. Affected: ADF&G
Title: An Act relating to hunting permits and tag fees for musk oxen
RDU: Administration and Support
Component: Administrative Services
Sponsor: Senator Olson
Requester: Senate Resources
Component Number: 479

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES ( )	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: *(Attach a separate page if necessary)*

No fiscal impact to Department of Fish and Game

Prepared by: Jeff Hoover, Deputy Director
Phone 907-465-6077
Division: Administrative Services
Date/Time 3/5/10 12:00 PM
Approved by: Tom Lawson, Director of Administrative Services
Date 3/5/2010
Alaska Department of Fish and Game

(Revised 11/6/2009 OMB)

CONTACTS For Senate Bill 144 – Musk Oxen Permits

STAFF FOR SN. OLSON: Tim Benintendi (office – 465-4989)

DRAFTER: BRIAN KANE (wk-465-6660 / fax-465-2029)
(Lori Weed, Secretary / Legal Staff)

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PROFESSIONAL ADVISORS:

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GMU 22	Area Biologist Tony Gorn	(907) 443-2271
GMU 23	Asst. Area Charlotte Westing	(907) 442-1712

ALASKA STATE LEGISLATURE

SENATOR DONALD C. OLSON

ALASKA
STATE CAPITOL
ROOM 514
JUNEAU, ALASKA 99801-1182

(907) 465-3707
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MEMORANDUM

DATE: March 29, 2010

TO: ~~Representative Craig Johnson, Co-Chairman~>
Representative Mark Neuman, Co-Chairman
House Resources Committee

FROM: Senator Donald Olson
Senate District T D.O.

SUBJ: Request for Hearing – CSSB 144 (FIN)

I would like to request your consideration for scheduling a committee hearing for this bill, which would allow a second hunting permit for residents and subsistence hunters to take musk oxen. It would not apply to non-resident hunters.

Attached are: Both bill versions, a sponsor statement / sectional analysis, a ZERO fiscal note, and a poster on the status of musk oxen in Alaska. We have discovered no opposition to this bill.

The Committee Substitute made two single-word insertions, to address a drafting error.

If there are any questions, contact Tim Benintendi of my office at 465-4989. Thank you.

Current Status of Muskoxen in Alaska 1970-2009

Letty Hughes[1]*, Patricia Reynolds[2]*, Kimberlee Beckmen[1]*, Phillip Perry[1], Geoff Carroll[1], Steve Arthur[1]

[1]Alaska Dept. of Fish & Game, [2]US Fish & Wildlife Service, Arctic National Wildlife Refuge

Introduction

Muskoxen (*Ovibos moschatus*) were reintroduced to Alaska after disappearing in the late 1800s. The first establishment of muskoxen from Greenland to rural Alaska was Nunivak Island in 1936. The Nunivak population acted as a source of animals for future relocations on historic range between 1967-1981. The relocation of 300 animals created five populations throughout Alaska: Nunivak, Nelson Island, Northeastern, Northwestern, and Seward Peninsula (Figure 1). The successful establishment of muskoxen populations and current cooperative management efforts have resulted in range expansion, population growth and stability, along with hunting and viewing opportunities .

Recent Range Expansion

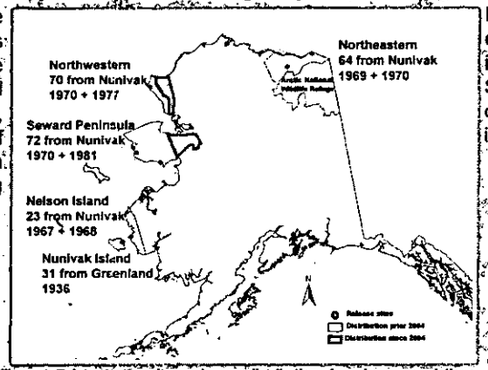

Figure 1. Reintroduction sites and group distribution of muskoxen populations

Population Growth

During the 74 years since 31 muskoxen were first established on Nunivak Island, populations have increased to over 4400 animals in Alaska (Table 2). The Seward Peninsula population is the state's largest, and continues to expand eastward (Figure 1) as the population increases (Figure 2).

Table 2. Current size of Alaska muskoxen populations

Population	Population Size	Date of Estimate	Status
Nunivak Island	567	Oct. 2009	•16% from 1947-1968 •Stable since 1970
Nelson Island	557	Jun. 2009	•22% from 1968-1981 •6% from 2004
Northeast	200-250[c]	Apr. 2008	•650 muskoxen by 1995 •Declined 60% 1996-2006 •Stable from 2006-2009
Northwest	324-424[a]	Jan. 2008	•8% from 1970-1998 •Stable from 1999-2008
Seward Peninsula	2688[b]	Mar. 2007	•14% from 1970-2000 •6% from 2000-2007
Total minimum Alaska population estimate	4486		[a] Wrangell 2006 [b] Gorn 2009 [c] Northern Canada, estimate unavailable

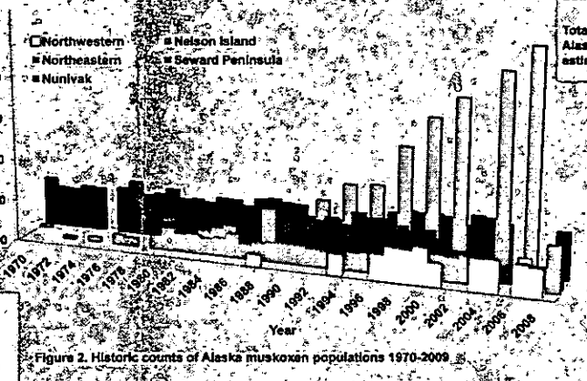

Figure 2. Historic counts of Alaska muskoxen populations 1970-2009

Harvest

Hunting of reintroduced muskoxen first occurred on Nunivak Island in 1975. Four of the five populations are open to harvest on an annual quota and permit basis (Table 1). In 2008, the Board of Game adopted regulations that allow Alaskans to harvest muskoxen on the Seward Peninsula with a registration permit (Gorn 2009). The new hunts were created from recommendations from local advisory committees and Seward Peninsula Muskox Cooperators, a stakeholder group established in 1994.

Table 1. Harvest of Muskoxen in Alaska

Population	Hunting Began	Average Annual harvest Pre-1998	Average Annual Harvest 1998-2008	Available Harvest 2009	Hunt Structure 2009	Sex of Harvest	Available Harvest as % of population 2009
Nunivak Island	1975	66	81	85	•Drawing •Registration	•Bulls 1975-1976 •Cows & Bulls 1979-present	15
Nelson Island	1981	23	23	42	•Registration	•Cows & Bulls	8
Northeastern	1990	9	6	0	No Open Season	•Closed to harvest in 2008	0
Northwestern	1999	No Hunt	<3	6	•Tier II drawing	•Bulls 1999-present	1
Seward Peninsula	1995	13	76	167	•Tier I Registration •Drawing •Federal Permit	•Bulls 1995-2000 •Cows & Bulls 2000-present	7* *will be < 7% in 2010-2011 pending census results

Future Management

The reintroduction of muskoxen to Alaska continues to be successful. Population growth and range expansion provides opportunities for consumptive and non-consumptive uses of muskoxen. Continued investigation of population parameters and health assessments along with public input will enhance future management of Alaska muskoxen.

Table 3. Mortality type in Northeastern population 2007-2009

Mortality Type	Adults	Calves	Total
Bear Predation	16	36	52
Disease	2	2	4
Vehicle collision	3	0	3
Other non-predation	4	10	14
Total	25	48	73

Mortality and Disease Surveillance

Seward Peninsula

- Predation relatively low compared to Northeastern
- Chlamydia present (Gorn 2009)
- Low in copper
- Negative for iron, zinc, selenium (Gorn 2009)
- Composition surveys show 30 yearlings:100 cows since 2002 (Gorn 2009)

Northeastern

- Predation a significant mortality factor (Table 3)
- Mortalities from drowning and stranding on sea ice
- Chlamydia present (Lenart 2009)
- Copper deficient (Lenart 2009)
- Low calf recruitment and low calf:cow ratios (Lenart 2007)

Wildlife Restoration

Your Purchases of hunting licenses and equipment support Wildlife Restoration funding.

References

Gorn, T.S. 2009. In Prep. Unit 22 Muskox. Muskox management report of survey and inventory activities. 1 July 2006-30 June 2008. Alaska Department of Fish and Game. Juneau, AK, USA

Lenart, E.A. 2007. Units 26B and 26C muskox. Pages 48-62 in P. Harper, editor. Muskox management report and inventory activities. 1 July 2004-30 June 2006. Alaska Department of Fish and Game. Project 16.0. Juneau, AK, USA

Lenart, E.A. 2009. In Prep. Units 26B and 26C muskox. Muskox management report of survey and inventory activities. 1 July 2006-30 June 2008. Alaska Department of Fish and Game. Juneau, AK, USA

Wilding, C. In Prep. Unit 22 muskox. Muskox management report of survey and inventory activities. 1 July 30 June 2008. Alaska Department of Fish and Game. Juneau, AK, USA

SB 177

Alaska State Legislature

Interim:
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Anchorage, Alaska 99501
(907) 269-0199

Session:
State Capitol Building
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(907) 465-4945

Senator Kevin Meyer
Senate District O

TO: Representative Craig Johnson, Co-Chairman
Representative Mark Neuman, Co-Chairman
House Resource Committee

FROM: Senator Kevin Meyer

DATE: April 15, 2009

RE: House Resource Committee Hearing Request for CSSB 177

This is a request for a House Resource committee hearing for CSSB 177, "An Act relating to an exception for professional fishing guide services in the Kenai River Special Management Area; relating to the licensing and regulation of sport fishing operators and sport fishing guides and licensing and registration of sport fishing vessels; and providing for an effective date."

The following documents will be sent in hard copy and electronically:

- Sponsor Statement
- Current version of the bill
- Letters & emails of support
- Fiscal Note
- Witness/Testimony:
    - Charlie Swanton, ADF&G Sport Fish Division
- Staff member assigned to the bill: Christine R. Marasigan, 465-6876

This bill would ensure the continuation of Alaska's sport fish guide licensing and reporting program, providing oversight over the sport fishing operators and guides. This bill would also provide a waiver for a mid-season replacement of a fishing guide within the Kenai River Special Management Area.

Please contact Christine if you have any questions regarding this legislation.

ALASKA STATE LEGISLATURE

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Senator_Kevin_Meyer@legis.state.ak.us

Session:
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Fax: (907) 465-3476
Toll Free: (866) 465-4945

SENATOR KEVIN MEYER
SENATE DISTRICT O

SPONSOR STATEMENT FOR CSSB 177

"An Act relating to an exception for professional fishing guide services in the Kenai river Special management Area; relating to the licensing and regulation of sport fishing operators an sport fishing guides and licensing and registration of sport fishing vessels; and providing for an effective date."

CSSB 177 will provide a waiver for a mid-season replacement of a fishing guide within the Kenai River Special Management Area and ensure the continuation of Alaska's sport fish guide licensing and reporting program for five years.

This waiver benefits sports fish operating guide businesses—particularly small guide operators who would have to turn away business if they had a sudden and unexpected loss of a guide mid-season because of injury, misconduct or some other unforeseen circumstance.

The licensing and reporting program has proven beneficial to both the sport fishing industry and resource managers. Legislation authorizing the program was passed in 2004 for a number of purposes. The Department of Fish & Game sought more comprehensive and credible information on guide numbers and guiding activities. The Department also wanted to create basic standards for sport fish business operators and guides, including minimum liability insurance coverage, first aid certification, and in some cases U.S. Coast Guard vessel licensing.

Passing SB 177 will provide relief for sport fish operating guides and permit the ADF&G to continue to foster high standards in Alaska's sport fishing industry by enabling the department to carry on collecting important data for management decisions to benefit both fisheries resources and their stakeholders.

26-LS0832\E

April 15, 2009

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: **CSSB 177(RES)**
(S) Publish Date: 4/11/09

Identifier (file name): SB177-DFG-SFD-04-03-09
Dept. Affected: ADF&G
Title: An act repealing the termination of licensing & regulation of sport fishing operators and sport fishing guides.....
RDU: Sport Fisheries
Component: Sport Fisheries
Sponsor: Senator Meyer
Requester: Senate Resources
Component Number: 464

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2010**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Personal Services		344.5	344.5	344.5	344.5	344.5	344.5
Travel		10.0	10.0	10.0	10.0	10.0	10.0
Contractual		100.7	100.7	100.7	100.7	100.7	100.7
Supplies		7.0	7.0	7.0	7.0	7.0	7.0
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**462.2**	**462.2**	**462.2**	**462.2**	**462.2**	**462.2**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
1024 Fish/Game		462.2	462.2	462.2	462.2	462.2	462.2
TOTAL	**0.0**	**462.2**	**462.2**	**462.2**	**462.2**	**462.2**	**462.2**

Estimate of any current year (FY2009) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

The division has budgeted $462.2 in the FY10 Governor's budget to administer the Sport Fish operator/guide/vessel program. The program generates estimated Fish & Game Fund revenues of $256.0, with the balance covered by other Fish & Game Funds.

Prepared by: Charles O. Swanton, Director — Phone 465-6184
Division: Sport Fisheries — Date/Time 4/3/09 10:13 AM
Approved by: Tom Lawson, Director — Date 4/3/2009
Administrative Services

(Revised 9/10/2008 OMB)

SEAGO
SouthEast Alaska Guides Organization

April 3, 2009

Senator Kevin Meyer
Capitol Building Room 101
Juneau, AK 99801

Re: Support for SB-177

Dear Senator Meyer:

The Southeast Alaska Guides Organization (SEAGO) represents 26 sport fishing guides and lodges throughout Southeast Alaska with more than 100 active vessels. Information provided to ADF&G for reporting and analysis under this legislation is of great value and continuation of this program is beneficial to multiple user groups.

This program is one of the best tools that ADF&G has to identify who is involved in the charter/lodge industry and provides important data used to establish levels of harvest, effort, identification of clients, as well as species targeted. The money collected is used for issuing licenses and for sport fishing logbook data collection and reporting expenses.

Our members support extension of the current law with the fees at their levels as originally passed in 2004.

Sincerely,

John Blair, Executive Director

Note: sent via email to: christine_marasigan@legis.state.ak.us

SEAGO • P.O. Box 422 • Sitka, Alaska 99835 • 907.947.2121
www.seagoalaska.org

April 3rd, 2009

Senator Kevin Meyer
26th Alaska legislature

RE: SUPPORT SB 177
SENATE RESOURCES COMMITTEE

Dear Senator Meyer,

The Petersburg Charter Boat Association (PCBA) represents 17 individual charter and lodge businesses operating 22 active vessels in the sportfishing industry. We have been an active association since 1991.

The original legislation authorizing the guide license and logbook program has been an extremely valuable tool in aiding the Alaska Department of Fish and Game and the State of Alaska , in the collection of data necessary to identify not only who the charter industry is but how they interact with other user groups. This information is important for the management of Alaska's resources and resource users, both sport and commercial.

PCBA supported the original bill and we fully support SB 177 complete with the associated fees necessary to fund this ongoing program.

Sincerely,

Stan Malcom
President
Petersburg Charter Boat Association

Note: sent via email to Senator_Kevin_Meyer@legis.state.ak.us
Cc: Christine_marasigan@legis.state.ak.us

2009 Board Members

Richard Erkeneff
Board Chair
Owner – Kenai River Raven

Eldon Mulder
Vice Chair
President - The Mulder Company

Kevin Branson
Secretary and Treasurer
CPA - Thomas, Head & Greisen

Ron Rainey
Vice President
Ron's Alaska Lodge – Retired

Jim Golden
Vice President
Owner - The Sports Den

Ed Bryson
Vice President Field Operations
Alaska Communications Systems

Rik Bucy
General Manager
Tesoro Northstores – Retired

Bill Eckhardt
President
Alaska USA Federal Credit Union

Ben Ellis
Managing Director
Institute of the North

Mark Hamilton
President
University of Alaska

Reuben Hanke
Owner
Harry Gaines Kenai River Fishing

Bill MacKay
Senior Vice President
Alaska Airlines

Robert Penney
Owner
PENCO Properties

Darwin Peterson
Legislative Aide
Senator Stedman's Office

Karen Rey
Registered Nurse
ANS Territory Manager, Alaska

Gary Turner
Director
Kenai Peninsula College

KENAI RIVER SPORTFISHING
ASSOCIATION

April 3, 2009

Senator Kevin Meyer
Alaska State Capitol
Juneau, AK 99801

Re: SB 177

Dear Senator Kevin Meyer:

Kenai River Sportfishing Association (KRSA) is a 501(c) 3 charitable non-profit dedicated to fishery conservation on the Kenai River and in Alaska. Our programs focus on habitat conservation, fisheries management, research and education.

KRSA is in full support of SB 177, which would repeal the sunset of the sport fish guide licensing program through ADFG. We feel that the sport fish guide licensing program is an essential component of fisheries management that should continue without sunset. The program provides sport fish guides with minimum professional standards and gathers valuable information on the numbers of guides, clients, and harvest levels and patterns, which can be used in sound management of our recreational fisheries.

We support timely reporting requirements of log book information from guides, and the efforts of ADFG process such information into real-time data that then can be used in a timely manner by fisheries managers.

We would like to see implementation of an electronic based log book reporting system, which would remove the current bottleneck of having to enter the paper-based log book information into an electronic database management system. Access to and the ability to use data from the log books should mirror the timeframe of the weekly guide reporting requirements. Unfortunately at this time with the paper-based system that is not possible. This leaves fisheries managers in the position of having to use forecast or past trend data instead of real time data in their in-season decision making.

We support a fee structure that covers the full costs of the program, with the understanding that the goal of being able to provide real-time data from the

log books to fisheries managers is a priority for the department and gets implemented in a timely fashion.

In summary, KRSA supports the continuation of the sport fish guide licensing program as an essential component of responsible fisheries management. Thank you for the opportunity to provide comment on this issue.

Respectfully,

Dick Erkeneff, Board Chair
Kenai River Sportfishing Association

Resolution 2008-08 Kenai River Special Management Area Advisory Board

Presented 3-13-08

Provisions for Replacing a Guide In-season

This process addresses the in-season replacement of a fishing guide registered with Alaska State Parks to guide on the Kenai River in the current year and who has been issued a State Park Commercial Permit for the current year.

The justification for replacement can be either a major medical situation or an extenuating circumstance. The major medical option would be applicable in the case of incapacitating injury, extended illness or death of the fishing guide. The death of an immediate family member that necessitates the guide leaving the business may also be a valid reason to replace the guide. The extenuating circumstance requirement pertains to the termination of the guide's employment with the business owner.

ISSUE: The sudden and unexpected loss of a guide in-season could have serious effects on the business, as well as clients who have paid for these services. Current guide numbers are static and are expected to decline in future years. Due to this trend, it will become more difficult to find a qualified guide as an in-season replacement from among those who have graduated from the state required Kenai River Guide Academy.

The sport fishing business loss particularly among the small operators (t-3 fishing guides) could amount to a significant portion of their season's incomes. For the larger operator, the loss would be proportional to the total number of guides employed. The public would suffer as those who had booked and paid for a guided fishing trip, sometimes a year or more in advance, sometimes a once in a lifetime trip to Alaska and the Kenai Peninsula, would not be able to participate due to the loss of a guide due to one of the reasons cited above.

PROCESS: The person licensed by the State of Alaska as the Sport Fishing Business owner may apply for an in-season guide replacement. Said individual will petition the Kenai River Guide Advisory Board for a hearing. The designated application will be filled out and submitted to the KRSMA superintendent. The KRGAB chair will review the application and set a date for a meeting of the board. The chair can call a meeting at the earliest time a quorum can be present. The business owner applicant will be asked to attend.
The business owner applicant will need to explain the particulars circumstances relative to this petition and why it deserves consideration. The applicant can be asked questions by the board members.

The KRGAB will make a recommendation, in writing to the DNR Area Superintendent.

The following factors will impact the recommendation made by the KRGAB:

1. The business owner applicant will need to show that all options to secure a replacement guide have been exercised. This will include but is not limited to consideration of guides previously licensed with Parks as well as those students having completed the Guide Academy who have given permission to release their contact information. The first action is taken through Parks and the Kenai River Center. The second action is taken through the Kenai Peninsula College.

2. There can be no net gain in the number of guides the Sport Fishing Business has licensed. The replacement is for the remainder of the current year only.

3. The replacement guide will be required to meet all of the following requirements:
a. Must be 18 years of age.
b. Must be a United States citizen.
c. Have a current first aid certification.
d. Have a valid current United States Coast Guard license (when applicable).
e. Have a current Alaska sport fishing license.
f. Have a State of Alaska, ADF&G Sport Fish Guide License.
g. Have proof of current enrollment in an approved drug testing program.
h. Pay the Park Use Permit fee.
i. Sign the Alaska State Park Use Stipulations package.

4 The replacement guide will be required to complete the Orientation Course provided by the Alaska Department of Natural Resources at the Kenai River Center and pay any fees associated with this course. The guide must successfully pass the course; the course is offered on a pass/fail basis.

5 Should the replacement guide wish to guide in a subsequent, he/she will be required to graduate from the Kenai River Guide Academy, as well as meeting all local, state and federal Requirements.

Be it resolved that Resolution 2008-08 is approved and forwarded to the Commissioner of Natural Resources and the Director of the Division of Parks for Consideration for implementation in 2009.

Dave Carey
President

3/13/2008
Date

SB 195

HOUSE COMMITTEE REPORT

(9)

Date Referred to Committee: February 15, 2010 **FURTHER REFERRALS:**

Date of Committee Action: 3/26/10

The RESOURCES Committee considered: **SENATE BILL NO. 195**

"An Act relating to the repeal of the establishment of the Goldstream Public Use Area."
SB 195-MAKE GOLDSTREAM PUBLIC USE AREA PERMANENT

Recommends it be replaced with [ ] HCS *or* **[ ] CS** *for* _____ (_____)
*For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR*_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero
DNR	1			✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON	X			
	GUTTENBERG	Y			
Chris Tuck	TUCK	X			
	KAWASAKI	X			
Paul Seaton	SEATON	X			
Peggy Wilson	WILSON	X			
Chair: Craig Johnson	Johnson	X			
Chair:					

ALASKA STATE LEGISLATURE

SENATOR JOE THOMAS

Senate Bill 195 – An Act relating to the repeal of the establishment of the Goldstream Public Use Area

Sponsor Statement

The Goldstream Public Use Area (GPUA) was created in 1990 by Senator Bettye Fahrenkamp and Representative Mike Davis in order to preserve the recreational opportunities, traditional uses and atmosphere of the local neighborhoods. The GPUA is set to sunset on July 1st, 2010 unless Senate Bill 195 is passed this session.

The GPUA encompasses a patchwork of nearly 2000 acres of state land bordered by Sheep Creek Road to the west, Goldstream Road to the north and the Steese Highway to the east. The GPUA is home to an ever-growing network of trails that connect users to the Chatanika River Valley, the White Mountains and the Fairbanks area, all from a central location close to Fairbanks' population base. The GPUA is passively managed by the state and the trails are maintained by volunteers at no cost to the taxpayers.

All uses are allowed in the area and the GPUA is utilized year round by a variety of outdoor enthusiasts and families.

The repeal of the GPUA's sunset clause is actively supported by the Alaska Outdoor Council, Alaska Dog Mushing Association, Alaska Miners Association, Nordic Ski Club of Fairbanks, Alaska Trapper's Association, Skijoring and Polk Association, Fairbanks Snow Travelers, Northern Area State Parks Advisory Board, Fairbanks North Star Borough Trails Advisory Board, Alaska Trails, Interior Trails Preservation Coalition, Interior Alaska Land Trust, Arctic Audubon Society, and the *Fairbanks Daily News-Miner.*

Additionally, over 100 individuals have written letters of support.

Senate Bill 195 receives broad support from the community and I urge you to support this important effort.

"This all makes for an ideal center for outdoor recreation, a sort of Central Park for the Goldstream neighborhoods. It deserves permanent designation."

-Fairbanks Daily News-Miner Editorial, December 25th, 2009

January – May: State Capitol – Juneau, Alaska 99801 – (907) 465-2327 – 1 (800) 336-7383 – Fax (907) 465-5241
June – December: 1292 Sadler Way Ste 203 – Fairbanks, Alaska 99701 – (907) 456-8161 – Fax (907) 456-8163
Senator.Joe.Thomas@legis.state.ak.us

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **SB195**
() Publish Date:

Identifier (file name): SB195-DNR-TAD-02-04-2010
Title: Make Goldstream Public Use Area Permanent
Sponsor: Sen. Thomas
Requester: Senate Resources

Dept. Affected: Natural Resources
RDU: Resourse Development
Component: Title Acquisition and Defense
Component Number: 2459

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

DNR anticipates no need for additional funding under this proposed legislation.

Prepared by: Dick Mylius, Director
Division: Mining, Land and Water
Phone: 269-8600
Date/Time: February 4, 2010

Approved by: Tom Irwin, Commissioner
Natural Resources
Date: February 4, 2010

Brief facts on Senate Bill 195

The Goldstream Public Use Area was created in 1990 by Sen. Bettye Fahrenkamp and Rep. Mike Davis and is set to sunset on July 1st, 2010:

The GPA is a patchwork of nearly 2000 acres of state land between the Steese Hwy to the east, Sheep Creek Rd to the west and south of Goldstream Rd to the north.

There is an expanding network of trails that can connect you from the Steese Hwy to Minto Flats and the Richardson Hwy to the White Mountains.

The Tanana Railroad Trail is the main trail within the GPUS and is a future section of the 100 Mile Loop Trail. Also, a proposed connector to the Skyline trail system is also in the works. A substantial maze of smaller trails is also maintained by volunteers.

All uses are statutorily allowed in the area:

Sec. 41.23.150 (c) ...the commissioner shall allow uses within the Goldstream Public Use Area, including but not limited to horseback riding, hiking, mining, all terrain vehicle driving, bicycling, dog sledding, cross-country skiing, skijoring, snowmachining, camping, and other traditional public uses of fish and wildlife populations such as fishing, hunting, trapping, viewing, and photographing of moose, trumpeter swan and other waterfowl, otter, beaver, mink, muskrat, and fox.

Impact on the state:

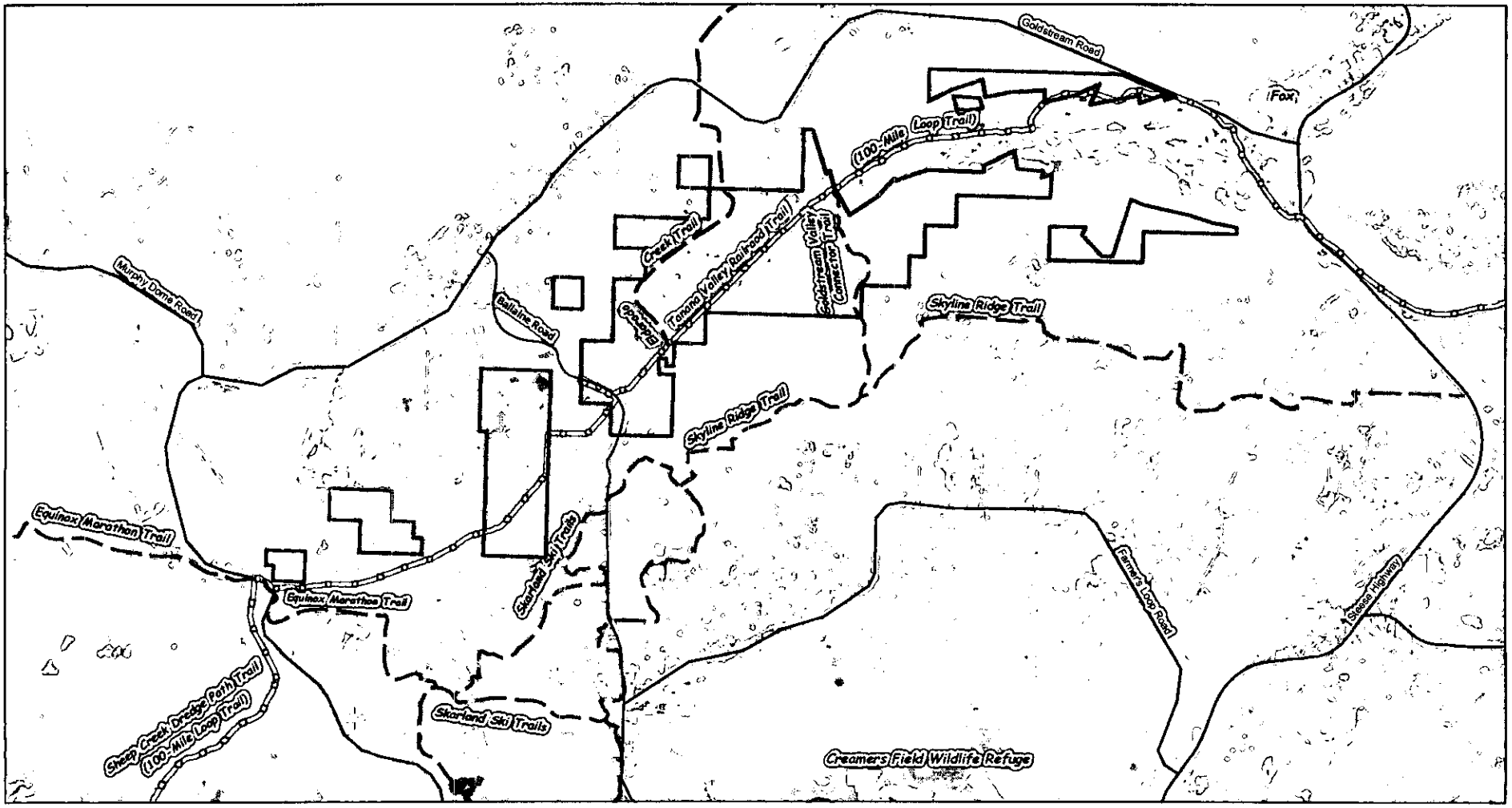
The state passively manages the GPUA and there are no financial costs incurred by this area. Its trails are maintained by volunteers throughout the year.

SB 195 is supported by:

Alaska Outdoor Council, Alaska Trapper's Association, Alaska Dog Musher's Association, Alaska Mining Association, Nordic Ski Club of Fairbanks, Skijoring and Polk Association, Northern Area State Parks Advisory Board, Fairbanks North Star Borough Trails Advisory Board, Alaska Trails, Interior Trails Preservation Coalition, Fairbanks Snow Travelers, Interior Alaska Land Trust, Arctic Audubon Society, and the Fairbanks Daily News-Miner

"This all makes for an ideal center for outdoor recreation, a sort of Central Park for the Goldstream neighborhoods. It deserves permanent designation."

-Fairbanks Daily News-Miner Editorial, December 25th, 2009



Goldstream Public Use Areas

Fairbanks North Star Borough
Department of Parks and Recreation

Scale: 1:48,985

FAIRBANKS NORTH STAR BOROUGH
PARKS & RECREATION

ALASKA STATE LEGISLATURE

SENATOR JOE THOMAS

February 15th, 2010

Representative Craig Johnson
Co-Chair, House Resources Committee
Alaska State Capitol, Room 126
Juneau, AK 99801

Re: Senate Bill 195 - An Act relating to the repeal of the establishment of the Goldstream Public Use Area

Representative Johnson,

I write today to respectfully request that the House Resource schedule Senate Bill 195: *An Act relating to the repeal of the establishment of the Goldstream Public Use Area* for a hearing at your earliest possible convenience.

This bill removes the sunset clause of July 1st, 2010 from the Goldstream Public Use Area. The bill is actively supported by Alaska Outdoor Council, Alaska Dog Mushing Association, Alaska Miners Association, Nordic Ski Club of Fairbanks, Alaska Trapper's Association, Skijoring and Polk Association, Fairbanks Snow Travelers, Northern Area State Parks Advisory Board, Fairbanks North Star Borough Trails Advisory Board, Alaska Trails, Interior Trails Preservation Coalition, Interior Alaska Land Trust, Arctic Audubon Society, and the *Fairbanks Daily News-Miner*. Nearly one hundred individuals have also voiced their support.

Attached is the most recent version of the sponsor statement and the attached zero fiscal note.

Please feel free to contact me with any questions at 465-2327

Sincerely,

Senator Joe Thomas

January – May: State Capitol – Juneau, Alaska 99801 – (907) 465-2327 – 1 (800) 336-7383 – Fax (907) 465-5241
June – December: 1292 Sadler Way Ste 203 – Fairbanks, Alaska 99701 – (907) 456-8161 – Fax (907) 456-8163
Senator.Joe.Thomas@legis.state.ak.us

ALASKA STATE LEGISLATURE

SENATOR JOE THOMAS

Senate Bill 195 – An Act relating to the repeal of the establishment of the Goldstream Public Use Area

Sponsor Statement

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"This all makes for an ideal center for outdoor recreation, a sort of Central Park for the Goldstream neighborhoods. It deserves permanent designation."

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Senator.Joe.Thomas@legis.state.ak.us

Letters of Support for Senate Bill 195

Alaska Outdoor Council

Alaska Dog Mushing Association

Alaska Miners Association,

Nordic Ski Club of Fairbanks

Alaska Trapper's Association

Skijoring and Polk Association

Fairbanks Snow Travelers

Northern Area State Parks Advisory Board

Fairbanks North Star Borough Trails Advisory Board

Alaska Trails

Interior Trails Preservation Coalition

Interior Alaska Land Trust

Fairbanks North Star Borough

Fairbanks Daily News-Miner

"For the past 20 years, the state-owned portions of the lowlands have been held in that undeveloped condition by the Goldsteam Public Use Area, a popular, legislatively designated withdrawal. The withdrawal is about to expire, so the legislature needs to reaffirm it – permanently this time."

-Fairbanks Daily News-Miner Editorial, December 25th, 2009

print

A central park: Goldstream public use area needs permanent designation

12.25.09 - 11:31 pm

A letter to the editor dated Nov. 23, 1959, from Jim Todd offered a hopeful vision for the Goldstream Valley, which lies just beyond the hills that form the northern horizon in Fairbanks.

Todd appealed to the territory's Bureau of Public Roads, or, rather, the "Bureau of Parallel Ruts," to divert some of its "superhighway"-building enthusiasm into a real road for Goldstream, where dozens of farmers were struggling in the mud.

"We beg your assistance, dear editor. Next year when these spendthrifts start blowing their measly millions, help them 'blow' a few thousand into roads into Goldstream Valley. Alaska's returns will be a thousandfold," Todd wrote.

The roads came to be, but Todd's vision did not. As a result, much of the valley bottom remains undeveloped. For the past 20 years, the state-owned portions of the lowlands have been held in that undeveloped condition by the Goldstream Public Use Area, a popular, legislatively designated withdrawal. The withdrawal is about to expire, so the Legislature needs to reaffirm it — permanently this time.

It was an accident both of Fairbanks' economic history and the swampy nature of the Goldstream Valley bottom that the area remained undisturbed. By the mid-1960s, the roads that Todd wanted were built. Sheep Creek Road was a modern, if still-unpaved, thoroughfare. Goldstream and Ballaine roads weren't far behind. The farmers didn't follow, though. Instead, the roads mostly brought homeowning commuters. Today, the evening view from the valley divide — whether at Happy Gap on Sheep Creek Road or the top of the big hill on Ballaine — reveals a constellation of house lights on the slopes to the north.

The valley bottom itself, where some of the farmers of Todd's day worked, remains empty in many places. Some of the land was never homesteaded because it was too wet or frozen. But the farmers also were undercut by the increasingly efficient road, rail, air and ocean connections to the Lower 48, which allowed importation of cheaper fresh food. So, aside from some large mining pits, Goldstream is more wooded today than it was in the 1950s and early 1960s.

The residential homeowners who replaced the farmers, however, have put the lowlands to use. The acreage has become a favorite year-round recreation area. The old Tanana Valley Railroad bed, along which ties and spikes sometimes still can be seen, provides a backbone trail through the area. The railroad intersects with a few roads and other trails from the homesteading era. Here and there, the old roads are sinking into lakes that began decades ago as drainage ditches, but they still work as winter routes. Ponds, swamps and creeks of various sizes are scattered throughout the area, containing the relatively rich variety of wildlife and vegetation that such areas support.

This all makes for an ideal center for outdoor recreation, a sort of Central Park for the Goldstream neighborhoods. It deserves a permanent designation.

© newsminer.com 2009

print

The Goldstream Public Use Area: Keeping the public-use designation will benefit Fairbanks

02.15.10 - 02:11 am

The variety of groups that want to continue the Goldstream Public Use Area tells quite a bit about the level of support for this long-standing recreation area that is in need of legislative reauthorization.

The Alaska Outdoor Council, the Nordic Ski Club of Fairbanks, the Alaska Miners Association, the Arctic Audubon Society and the Fairbanks North Star Borough trails advisory group all want the area continued in its current form.

The Legislature in 1990 set aside the 2,000-acre space for public recreation purposes, but that designation will expire in July unless the Legislature acts to renew it. The Senate on Friday passed a renewal measure by a vote of 15-0, with five members absent.

The area, in the vicinity of Ballaine Road along Goldstream Creek, is popular with a variety of user groups. It's largely swampy, making it good for berry picking in the fall. It's also used by hunters and, in winter, by snowmachiners and dog mushers.

The bill, Senate Bill 195, would repeal the sunset clause of the original measure, making the Goldstream Public Use Area a long-term fixture of Fairbanks. Few things are permanent, of course, and the Legislature could, after passage of this bill, change the purpose of the area if the need arose.

For now, however, the general sentiment is to keep the area as it is. More than 100 letters of support have been submitted on behalf of the bill.

The Senate's strong vote of support and the backing of a mix of user groups should make it easy for the House to pass the measure and for Gov. Sean Parnell to sign it into law.

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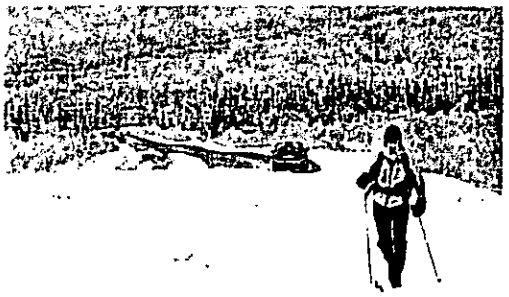
print

Groups work to preserve public use area in Goldstream Valley

by Tim Mowry / tmowry@newsminer.com
12.21.09 - 02:17 am



FAIRBANKS — For the past 10 years, Bonnie Borba has been able to run her sled dogs right out of her home on Snowhook Drive in the Goldstream Valley.

Her property, like many of her mushing neighbors, bumps right up next to the Goldstream Public Use Area, an almost-2,000-acre swamp along Goldstream Creek that transforms into a popular winter playground each winter for mushers, skiers, skijorers and snowmachiners in the Goldstream Valley.

"That's why we moved there," said Borba, a sprint musher. "Everybody on Snowhook Drive moved there for dog mushing purposes. We have access to the trails right from our house."

What Borba and others didn't know until recently is that there is a 20-year sunset clause on the Goldstream Public Use Area, which was created in 1990 by the Alaska Legislature as a result of a bill sponsored by Rep. Mike Davis and Sen. Bettye Fahrenkamp, both of Fairbanks. The area is set to lose its protected status this coming year.

"That'd be a real bummer if we lost it," Borba said. "I can't see anyone developing it. It's a swamp. Its best use is the uses it serves now."

Borba and her neighbors, along with several outdoor recreation groups, have sent letters to Sen. Joe Thomas, D-Fairbanks, asking him to keep the Goldstream Public Use Area the way it is in perpetuity. Thomas' district includes the Goldstream Valley.

Sen. Thomas agrees, which is why the second-year senator plans to introduce a bill this legislative session to drop the sunset clause and make the Goldstream Public Use Area permanent.

"The legislation will remove the sunset clause and the conversation will ensue from there," Thomas said. If somebody says, 'Well, that means in perpetuity' and we'll say, 'Yeah, that's what we want.' If people object, we work at it from there."

The public use area is a patchwork of land east and west of Ballaine Road along Goldstream Creek. The biggest chunk, and the one that gets the most use, extends east up Goldstream Valley from Ballaine Road. Over the years, an intricate trail network has been developed in the biggest portion of the area.

"Mushers, bicyclists, snowmachiners, skijorers, walkers, trappers, I've passed them all," Borba said.

The area is famous for its abundance of blueberries and attracts hordes of berry pickers in the summer.

Goldstream Valley resident Dick Bishop proposed the idea of a public use area to Rep. Mike Davis, his neighbor at the time, in the late 1980s as a way to preserve trail access on state land that was rapidly disappearing to residential development.

"My thought was that already for decades that area had been used by people for outdoor activities," Bishop said. "It seemed like it was important to the extent possible to get the remaining state lands which hadn't been put up for disposal in a category where those uses could continue."

The public use area concept has worked out fabulously, Bishop said. It's been a low-profile, high-use area with no bureaucracy involved. The area is maintained by users and the state hasn't been involved in any way except for its creation.

"There's been very few conflicts and very few problems," Bishop said. "It seems to me it's worked out real well."

It was Davis who reminded Bishop of the sunset clause last spring. Bishop in turn contacted Thomas' office.

Thomas in turn sent out a letter to multiple user groups soliciting support for the public use area, and his aide, Grier Hopkins, attended meetings with mushing, skijoring and snowmachine clubs, as well as outdoor and mining groups. So far, all Hopkins and Thomas have heard is support.

"We have not run into any opposition at all," Hopkins said, noting that even the Alaska Miners Association wrote a letter in support.

Peg Bowers, who lives a mile or so from the area, skis on the trails about twice a week during the winter.

"For me it's a place I can take my dog and let it run and I can ski at the same time," Bowers said shortly after a ski with her golden retriever, Andra, on Thursday.

Like many, Bowers knew about the Goldstream Public Use Area but she didn't know about the sunset clause. Hearing about it has spurred her to action. Bowers intends to write a letter to Thomas voicing her support for the public use area.

"I thought since it was a public use area it was going to be there forever," she said. "I'd be really sad to lose it. It's part of the joy of where we live."

With lots of support and no opposition, Thomas is hopeful his bill will make it

through the Legislature this session.

Contact staff writer Tim Mowry at 459-7587.

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Richard H. Bishop
1555 Gus's Grind
Fairbanks, AK 99709
907-455-6151
rmbishop@ptialaska.net

22 Dec 09

Senator Joe Thomas
Alaska State Legislature
1292 Sadler Way, Suite 308
Fairbanks, AK 99701

by FAX - 2 pp. total

Dear Senator Thomas:

Thank you for proposing legislation to give the Goldstream Public Use Area permanent legal status by eliminating the sunset provision from state law. I strongly support this action.

I was very involved in the original Goldstream Public Use Area (GPUA) proposal in the late 1980's. As a Goldstream Valley resident, I was well aware of the area's many values. My family and I were regular users of the trails and wild areas for dog mushing, snow machining, hunting, bird watching camping, berry picking, and just enjoying the varied landscapes and water bodies. Several of our friends have trapped there in the past.

I knew that the Valley trails had been used by mushers, hunters, trappers, miners and others going back to the early 1900's. The old Tanana Valley Railroad grade, dating from the early 1900's, was and is the central east-west Valley trail. Well known sprint dog mushers Rosie Losonsky, Pete Machione, and others trained in the Valley, and it's a popular area for today's sprint, distance and recreational mushers, i.e. "Sunday Tail Waggers".

The trails run through the valley, with numerous connecting trails leading out of the area in all directions, so that in winter one can start in Goldstream Valley and go to most all of the outlying areas around Fairbanks and even to distant parts of Alaska.

In the late 1980's there was increased interest in sales of private and public lands for residential developments even on very poor lands for such use, including the Goldstream Valley lowlands, which are extensively underlain with permafrost. Important main and connector trails as well as numerous ponds, swamps, parts of creeks and good wildlife habitat occurred on the several large parcels of State lands in the Valley lowlands. If those lands were disposed of, much of the trail access could be blocked and other outdoor recreation such as hunting, trapping, wildlife viewing, etc., could be denied by private land owners. Some restriction had already occurred as former homesteads were broken up and pieces sold. People built cabins and larger homes on poor lands, often with complications following due to the extensive permafrost.

If the State lands followed the same pattern of use, important outdoor uses could be lost or restricted, and a lot of people could be disadvantaged by having unknowingly bought and built on unstable, wet, thaw-prone ground.

The situation prompted me and others to propose that all the State lands be kept in public ownership, and open to all the uses which had occurred there for decades.

Representative Mike Davis agreed to introduce legislation to establish the Goldstream Public Use Area. Senator Betty Fahrenkamp took an interest in it. Senator Arlys Sturgelewski, Chairman of the Rules Committee, was convinced of its merits by a brief field-road trip near Session end. Support developed and opposition faded as legislators learned that the most valuable assets of the State lands were the trails and wildlife habitat and the continued opportunities for public use.

Since its establishment, the GPUA has remained pretty much as it was at the beginning as far as the lands, waters, habitats and trails, although some trails have been blocked by nearby private ownership. My impression is that outdoor uses have generally increased as more Fairbanks area residents have found the trails and other opportunities are really convenient and enjoyable. But public uses do not seem to have become congested, perhaps due to the many miles of trails and large undeveloped areas. To the best of my knowledge there have been no serious conflicts among the various uses, even though, mercifully, there are no formal rules or management dictates in place specific to the GPUA. There has been very little impact on ground cover, trail condition, or habitat from public uses. Users of the GPUA seem to take pretty good care of it.

In my opinion, the Goldstream Public Use Area has proven to be a great public outdoor asset and it has not been an impediment to various human uses and developments in Goldstream Valley.

Thank you again for preparing legislation to maintain the Goldstream Public Use Area. I will strongly encourage the Interior delegation to support it, the Legislature to pass it, and the Governor to sign it.

Sincerely,

Dick Bishop

Richard H. Bishop

cc: Interior legislators
Commissioner Tom Irwin
Commissioner Denby Lloyd
Governor Sean Parnell

P.S. Merry Christmas & Happy New Year!

Dear Alaska State Legislature,

My name is Orville Helms and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely, Orville Helms

Dear Alaska State Legislature,

My name is Victoria Foote and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Victoria Foote

Dear Alaska State Legislature,

My name is Ian Olson and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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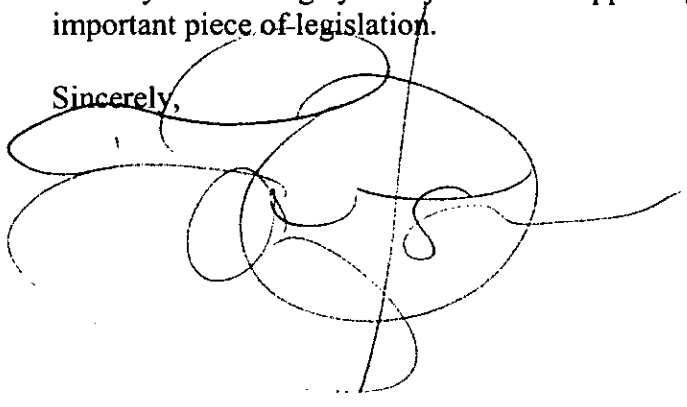

Dear Alaska State Legislature,

My name is Mike Winstrup and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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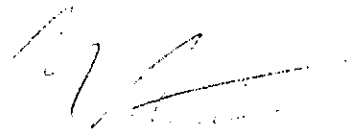

1/15/07

Dear Alaska State Legislature,

My name is Janelle Perry and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Janelle Perry

12/16/09

Dear Alaska State Legislature,

My name is Tom Meyer and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Tom Meyer

Dear Alaska State Legislature,

My name is JOE VARGAS and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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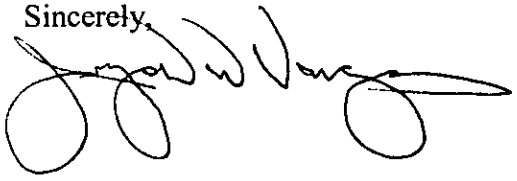

Dear Alaska State Legislature,

My name is Reggie and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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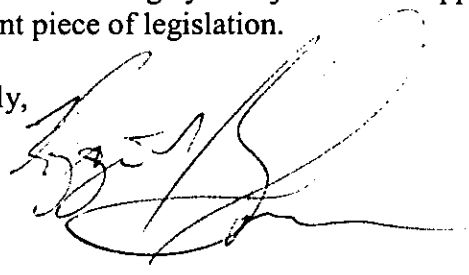

Dear Alaska State Legislature,

Grant

My name is Christopher and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Grant Archemault

Dear Alaska State Legislature,

My name is Geoff Aikman and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely, Geoff Aikman

Dear Alaska State Legislature,

My name is Shannon Erhart and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Shannon Erhart

Dear Alaska State Legislature,

My name is Hilary Schwaftel and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Dear Alaska State Legislature,

My name is Ann Gjestson and I support the Goldstream Public Use Area.

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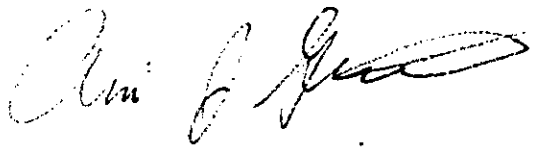

Dear Alaska State Legislature,

My name is Ed Arobio and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Dear Alaska State Legislature,

My name is Jason Dunlap and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Dear Alaska State Legislature,

My name is Jennifer Pabst and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Jennifer Pabst

Dear Alaska State Legislature,

My name is PAUL L. GREGORY and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Paul L. Gregory

P.O. Box 55501
North Pole AK 99705
HOME 907-488-1597
CELL 907-687-8023

Dear Alaska State Legislature,

My name is Robert Tsigonis and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

12/4/09

Dear Alaska State Legislature,

My name is Evan Daigneault and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized snowmachine and non-motorized access, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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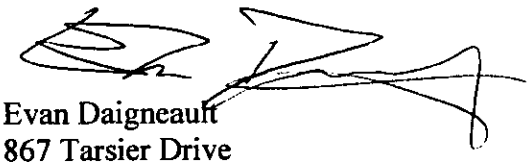

Evan Daigneault
867 Tarsier Drive
Fairbanks, AK 99712
Cell: 907-322-3235
Home: 907-474-4292

Dear Alaska State Legislature,

My name is Courtney Roberts and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Dear Alaska State Legislature,

My name is DAVID WRIGHT and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

David G Wright

Dear Alaska State Legislature,

My name is Don GRAY and I support the Goldstream Public Use Area.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Don Gray

399 Hillside Dr.
Fairbanks, AK

Dear Alaska State Legislature,

My name is James Loughlin and I support the Goldstream Public Use Area.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

James Loughlin 12-04-09

Dear Alaska State Legislature,

My name is Fred Heflinger and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Fred Heflinger

Dear Alaska State Legislature,

My name is KATHRYN G. ARLEN and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle. The Goldstream Public Use Area section in statute, 41.23, protects the subsurface resource interests in the area, guaranteeing potential development of our riches in the future.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Kathryn Grace Arlen B.A., M.A.

Dear Alaska State Legislature,

My name is Valerie Mundt and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

V. Mundt
PO Box 84608
Fairbanks, AK
99708

Dear Alaska State Legislature,

My name is [illegible] and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

[illegible]

1621 Wolverine Ln

Fbx, AK 99709

Dear Alaska State Legislature,

My name is Charlotte M. DAVIS and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Charlotte M. Davis

Two Rivers, AK

Dear Alaska State Legislature,

My name is Laura Wilson and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Laura J. H.

Dear Alaska State Legislature,

My name is PHYLLIS CHURCH and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Phyllis Church

Dear Alaska State Legislature,

My name is Gerald Ransom and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Gerald Ransom

1912 Gilmore Trail

Fairbanks, AK 99712

Dear Alaska State Legislature,

My name is Brooks Ludwig and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Brooks Ludwig
POB 82496
Fairbanks, AK. 99708
474-0333

Dear Alaska State Legislature,

My name is Linda De Foliart and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Linda De Foliart

3908 Murphy Dome Rd.
Fairbanks, AK 99709
455.6928

Dear Alaska State Legislature,

My name is Dan Chagnon and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Dan Chagnon

Dan Chagnon
2005 Carr Ave.
Fbks. AK 99709

Dear Alaska State Legislature,

My name is Bruce Jamieson and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Bruce Jamieson

ph. 907-479-4673
email: bjamieson@acsalaska.net

Dear Alaska State Legislature,

My name is PATRICK and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

PATRICK COTTER
1070 Evergreen St.
Fairbanks, AK 99709

Dear Alaska State Legislature,

My name is Lissa Hughes and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Lissa Hughes

Address:

2920 Portillo Pl.
Fairbanks, AK. 99709

Fairbanks Alaska
January 11, 2010

Dear Alaska State Legislature,

We the undersigned support the Goldstream Public Use Area.

We believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and We urge you to join us in supporting the continued existence of this important piece of legislation.

Sincerely,

Name and address:

Keith & Keith Bakelmeyer
Susan M. Campbell
1042 Eldorado Rd.
Fairbanks, AK. 99709

Larry Mayo
282 HAY WAY
Fairbanks, AK 99709

Fairbanks Alaska
January 11, 2010

Dear Alaska State Legislature,

We the undersigned support the Goldstream Public Use Area.

We believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

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Thank you and We urge you to join us in supporting the continued existence of this important piece of legislation.

Sincerely,

Name and address:

MARY NEWMAN 1083 ESRO, FAIRBANKS 99712

Ronald Kotyk 4003 Diane Rd Juneau 99801
Ronald Kotyk

PAULETTE WILLE 1220 CHENA RIDGE RD. FAIRBANKS 99709

Rideline Musick 4231 Aspenwood Fbx 99709

Molly Sheets 2699 Wedgewood FBX 99709.

Jackie Martin PO Box 195 Ester, AK 99725

Fairbanks Alaska
January 11, 2010

Dear Alaska State Legislature,

We the undersigned support the Goldstream Public Use Area.

We believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and We urge you to join us in supporting the continued existence of this important piece of legislation.

Sincerely,

Name and address:

Pam Webster Pam Webster POB 71642 Fbx 99709
Ronald A. Yarnell Ron Yarnell PO Box 81651 Fair. 99708
Alison York 1170 Sundance loop Fairbanks 99709
Janet Dailey 3875 Geist Rd. E113 Fairbanks 99709
Gail Mayo, 282 Hay Way, Fairbanks, 99709

Grier Hopkins

From: B. Gamble [brook.gamble@gmail.com]
Sent: Thursday, December 03, 2009 2:55 PM
To: Grier Hopkins
Subject: Re: Thank you for helping the Goldstream Valley

Dear Alaska State Legislature,

My name is __J. Brook Gamble_____ and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

J. Brook Gamble
325 Yana Court
Fairbanks, AK 99709
(907) 456-3775

--
"Ten thousand flowers in spring, the moon in autumn, a cool breeze in summer, snow in winter: if your mind isn't clouded by unnecessary things, this is the best season of your life." -Wu men

Grier Hopkins

From: Elizabeth Green [bessie.bug@gmail.com]
Sent: Monday, December 07, 2009 10:24 AM
To: Grier Hopkins
Subject: Goldstream Public Use Area

Follow Up Flag: Follow up
Flag Status: Completed

Hello. I'm writing about the sunsetting of the provision to protect the Goldstream Public Use Area. As a frequent recreational user of the area, I really appreciate the tremendous opportunity we have to ski in the woods right outside our back door. Recreational opportunities like this are what make Fairbanks such a great place to live. I would like to encourage Sen. Thomas to work to extend the provision.

thanks,
elizabeth green markley

~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~

Bessie Green Markley
M.S. Candidate, Dept. of Biology and Wildlife Alaska Cooperative Fish and Wildlife Research Unit
201 Irving I
902 N. Koyukuk Drive
University of Alaska Fairbanks 99775
office: 907-474-1949 lab: 907-474-6740
http://mercury.bio.uaf.edu/~elizabeth_green/
~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~

Grier Hopkins

From: Laura Grage [lgrage@acsalaska.net]
Sent: Monday, December 07, 2009 9:49 AM
To: Grier Hopkins
Subject: Goldstream Valley...

Follow Up Flag: Follow up
Flag Status: Completed

Hi Mr. Hopkins,

I'm emailing you to let you know I received word of the sunset on the provision that protects the Goldstream Valley Recreation area in 2010. My husband and I were recently able to purchase land in Goldstream area in the neighborhood where we have rented for a long time. The primary reason that we wanted to remain permanently in this neighborhood off of Line Drive was because we can skijor from our front door into Goldstream Valley and beyond. We can also commute to work on our bikes or skis. These things are precious to us--not having to drive our old car around in the winter in order to get out with our dogs. We spent much of last winter building a house on our property and have thoroughly enjoyed to be able to transition into a more permanent status here, next to all these great trails!

Please pass this on to Senator Thomas, in hopes that he will consider extending or making this protected area a permanent feature here in Goldstream Valley!

Laura Grage

Dear Alaska State Legislature,

My name is _____ and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Eleanor K. Wirts

Mailing address: P.O. Box 750435 Fairbanks, Alaska 99775
Physical address: Mile 3 Chena Hot Springs Road, Fairbanks, Alaska

--
Eleanor K. Wirts M.Ed.
Northern Studies Graduate Student
606 D Gruening Building
University of Alaska Fairbanks
907-750-0208

Grier Hopkins

From: Lou Brown and Jon Miller [jonmiller@acsalaska.net]
Sent: Sunday, December 06, 2009 9:06 PM
To: Sen. Joe Thomas
Cc: Grier Hopkins; chenaflats@gmail.com
Subject: Goldstream Public Use Area

Follow Up Flag: Follow up
Flag Status: Completed

Dear Senator Thomas:

We are writing to express our support for the continued protection of the Goldstream Public Use Area and to urge you to pursue legislation to extend and enhance the conservation status of these properties. We frequently use Goldstream Valley for recreation, skiing, running and biking on the many trails that lace the valley, picking berries in the wetlands, and occasionally even canoeing the creek. These trails, the uncluttered landscape, and the wildlife that lives in the valley add immensely to our quality of life, and to that of our neighbors! Unfortunately, changing land ownership has resulted in the closure of a number of important trails over the past several years, and residential construction is encroaching on the valley wetlands.

At a minimum, we'd like to see existing Goldstream Valley Recreation Area parcels protected indefinitely. We would also like to see the area enlarged and made more continuous, as opportunity permits. On the west side of Ballaine Road the recreation area parcels are scattered along the valley with much private land interspersed, although most of this boggy area remains undeveloped and would serve the public better in the future as a recreational sanctuary than as a rag tag assemblage of subdivisions and rental cabins.

It is my understanding that DNR has been reluctant to acquire additional land to add to the Recreation area, even to the extent that they turned down land offered to them by the Interior Alaska Land Trust. Furthermore, when we spoke to DNR staff at the in Fairbanks office, they were barely aware of the existence of the Goldstream Public Use Area...let alone that it was their department's job to manage it! We feel that adding to the Recreation Area is golden opportunity that won't last long.

The Goldstream Valley Public Use Area is a much loved and well used public resource that adds character and a lovely backdrop to the area, even for residents who do not actively recreate here. As a recreation area, it offers a huge benefit to a wide range of outdoor enthusiasts who access the trail system from their own neighborhoods. Again, the western portion is less protected than would be optimal. We urge you to look into ways to protect and enlarge this excellent playground for the future.

Thank you,

Jon Miller and Lou (Linda) Brown
2630 Home Run
Fairbanks, AK 99709
479-5629

Grier Hopkins

From: Jessica Guritz [jlguritz@gmail.com]
Sent: Sunday, December 06, 2009 6:50 PM
To: Grier Hopkins
Subject: goldstream valley public use area

Follow Up Flag: Follow up
Flag Status: Completed

Dear Mr. Hopkins,
I recently found out that the public use area in the Goldstream Valley may lose its protected status. We cannot let this happen! This area is an integral part of who we are as a community, providing recreational opportunities to those who may not otherwise have such opportunities. It has been a blessing for the past several years to be able to walk out my back door and skijor for miles through this area whenever I wanted to. I know there are hundreds of other mushers, skiiers, and other recreational users of these trails that feel as strongly as I do that we must keep this area protected.
Sincerely,
Jessica Guritz

Grier Hopkins

From: Barbara O'Donnell [bodonnell@alaska.net]
Sent: Saturday, December 05, 2009 10:22 AM
To: Grier Hopkins
Subject: Goldstream Rec Area
Attachments: image001.jpg

Follow Up Flag: Follow up
Flag Status: Completed

Hello Grier,

Please forward my support for maintaining the Goldstream Recreaction Area to Senator Joe Thomas.

Having lived in this area for 30 years I have seen a lot of irresponsible and inappropriate development. This area is mostly a wetlands, drainage, and mining tailings subject to instability and permafrost. Traditional recreation is the best use of this area (multiple use trails, non-motorized access in the summer).

Senator Thomas is very reasonable and I trust he will work towards the highest level of permanent protection.

Thank you for your hard work on our behalf,

Barb O'Donnell
POB 325
Ester, AK 99725
479-0302

Grier Hopkins

From: John Lyle [kanakaukoa@gmail.com]
Sent: Friday, December 04, 2009 11:52 AM
To: Grier Hopkins
Subject: Goldstream Valley Public Use Area

Dear Senator Thomas,
I have lived next to and used the Goldstream Public Use Area for 30 years and learn that it's protection may end in 2010. I also understand you may be submitting legislation which would make this area protected permanently. I support this idea 100%. I wish it would have happened 20 years ago. The area is not suited for development, however for multi-use all-year recreation, it's perfect. It's a resource that needs protection in a permanent way, so I can't encourage you strongly enough to do this. Thank you very much. I know I speak for all my neighbors who have used this area for years as well. Best regards, John and Susanne Lyle

Dear Alaska State Legislature,

My name is Jon Underwood and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,
Jon Underwood
1253 Salmonberry Lane
Fairbanks, AK

Grier Hopkins

From: Sarah Drew [sdrew@northstar.k12.ak.us]
Sent: Thursday, December 03, 2009 2:17 PM
To: Grier Hopkins
Subject: Goldstream Public Use Area

Follow Up Flag: Follow up
Flag Status: Completed

Hello Grier,

I just got notice about the Goldstream Public Use Area being in danger of losing protected status in 2010. PLEASE help us protect this unique ecosystem that is already in danger due to global warming issues. The land IS NOT suitable for development of any kind. The protected status it holds today is the most beneficial for all peoples who may visit the area, and all animals that inhabit the land. I may be wrong, but I do believe this piece is part of the 100 mile trail system that is suppose to be dedicated to public use.

I was involved with a huge rezone project in the borough that occurred this fall. My farm borders state land that was rezoned into public usage. I rezoned my farm from general usage to Rural Ag 10 to
protect it from over building and loss of fragile habitat. I am sure
that the group that worked so hard on this rezone will be contacting you to urge that the land remain protected.

PS Congratulations to your dad and you for a successful campaign. My son and I went twice to the polls to make sure the right candidate was elected. This was the first time my son got to vote (as he just turned 18 this summer). At first he did not think the election was important enough to vote, then he listened to the candidates and knew he had to go vote...we voted together in the same booth and we celebrated together once the race was won!

pss I still remember you in class at Ryan Middle School...smile.
Seems you are doing very well in life.

Sincerely,
Sarah Drew

Grier Hopkins

From: Lauren Attanas [lauren.attanas@gmail.com]
Sent: Thursday, December 03, 2009 1:48 PM
To: Grier Hopkins
Subject: Goldstream Public Use Area sunset...

Follow Up Flag: Follow up
Flag Status: Completed

Hi, Grier-

Recently, someone forwarded a little article about the impending sunset of the Public Use Area designation for the Goldstream Valley's trail system. As a frequent, year-round user of these trails, both for bird watching and skijoring, I'm concerned that these trails might loose protection in 2010. I support any efforts that Sen. Thomas and his staff make to permanently designate these trails as a Public Use Area. Please let me know how I can help.

Sincerely,

Lauren Attanas

Grier Hopkins

From: Joseph Rueter [jrueter@alaska.net]
Sent: Tuesday, December 01, 2009 10:54 PM
To: Grier Hopkins
Subject: Goldstream Trails

Follow Up Flag: Follow up
Flag Status: Completed

Hi Grier,

I am contacting you regarding the Goldstream Public use area. I use the area both East and West of Ballaine for hunting, berry picking, and skiing and ski jouring. It is Accessable to me via the new Sky Ridge Park on top of Ski Boot hill road. I live off of Grenac Road. One Idea that comes to mind is to sell the permant status as an adjoining plot of Rec. land to this new borough park.

Let me know what I can do to help preserve this area for recreation use.

Thanks,

Jose Rueter

Joseph Rueter
PO Box 83585
Fairbanks AK
99708
(907) 479-9101

Grier Hopkins

From: ben abbott [benabbo@gmail.com]
Sent: Tuesday, December 01, 2009 5:05 PM
To: Grier Hopkins
Subject: Support the Goldstream Trails Public Area

Follow Up Flag: Follow up
Flag Status: Completed

Hi I just wanted to write that I strongly support the Goldstream Trails public area that is potentially losing its protection in 2010. Trails are one of the biggest community assets Fairbanks has. They distinguish this city from any other 100,000 person sprawl anywhere else. Trails increase property value of the houses around them, improve community health by facilitating exercise and improving air quality by allowing non-motorized travel.

Please protect this area!

Thank you,

Ben Abbott
3590 Isberg Road
Fairbanks, AK 99709

Grier Hopkins

From: Jane Lanford [jane@usibelli.com]
Sent: Tuesday, December 01, 2009 3:41 PM
To: Grier Hopkins
Subject: Goldstream PUA

Follow Up Flag: Follow up
Flag Status: Completed

Sen. Thomas:
I have used the Goldstream Public Use Area, as defined below, for running and snowshoeing for several years, and I would like it to continue to be available for such uses. Maybe someday I'll get out there skiing and/or berry-picking also. Please consider me a supporter of your bill to keep the area available for public recreation.

Thank you,
Jane Lanford

The Goldstream Public Use Area, a nearly two thousand acre patchwork of designated recreation land in the Goldstream Valley north of Fairbanks, is set to sunset on July 1, 2010. This means the recreation area which encompasses a number of heavily used trails, hunting areas and berry picking opportunities extending from Cash Creek to the Steese Highway will dissolve and be removed from state statute.
The Goldstream Public Use Area is used avidly by dog mushers, runners, snow machiners, skiiers, hunters of all types, berry pickers, bird watchers and trappers to name a few. Its close proximity to the population of Fairbanks allows our families and outdoor enthusiasts of all levels an easy opportunity to enjoy our great outdoors.
Senator Joe Thomas (D-Fairbanks) will be introducing a bill to remove this sunset date and have the Public Use Area remain in perpetuity during the upcoming legislative session starting January 19, 2010. Because of the quickly approaching sunset date, time is of the essence and Senator Thomas must move this bill through the entire legislature in just 90 days. The most effective way to show legislators from across the state the importance of keeping this public use area intact is to show its wide spread support by those that use it.
If you recreate in this area, know somebody who does, or you just enjoy all that the Goldstream Valley's open space has to offer, please contact Senator Thomas' office and ask how you can help. He will have form letters for you to sign on to, a list of supporters and groups to lend your name to and will work with you to make it as easy as possible. Contact his staff, Grier Hopkins at grier.hopkins@legis.state.ak.us or (907)456-8161 to find out how you can help protect this integral part of our Fairbanks lifestyle.

Grier Hopkins

From: Sara Tabbert [sara@saratabbert.com]
Sent: Tuesday, December 01, 2009 2:51 PM
To: Grier Hopkins
Subject: Goldstream Valley

Follow Up Flag: Follow up
Flag Status: Completed

Please let me know what I can do to help extend the protection of this part of Goldstream Valley. My boyfriend and I own 90 acres adjacent to this part of Goldstream and we ski, skijor, winter bike, and berry pick all over the area. These trails are well used and very loved. On my way home today (a rare +30 December day in Fairbanks) there were all sorts of people parked at the main Ballaine road trailhead loading and unloading.

Tell me who to write to or call, and I'd be happy to do so.

Sincerely,
Sara Tabbert
907 479 0456
sara@saratabbert.com

Grier Hopkins

From: Max Kaufman [amkaufman@alaska.edu]
Sent: Tuesday, December 01, 2009 1:41 PM
To: Grier Hopkins
Subject: Re: Goldstream Public Use area. letter of support.

Follow Up Flag: Follow up
Flag Status: Completed

Sen Joe Thomas,

I support the effort to extend or make permanent the current status of the Goldstream Public Use area. I live at 1039 Pika Road, uphill to the south of the area. I am a frequent winter user of the trail system in this area of Goldstream valley, east of Ballaine road. I would like to see the area maintain it's current status as a multi-use recreation area. It's too cold and the ground is mostly permafrost, so it's not good for any kind of housing or industrial development.

If any changes are made, I'd like to see restrictions on summertime use of 4 wheelers, which tear up the main trail in wet or boggy areas.

Sincerely,

Alexander Kaufman

Grier Hopkins

From: John Shook [john_shook@hotmail.com]
Sent: Tuesday, December 01, 2009 12:47 PM
To: Grier Hopkins
Subject: Goldstream Rec Area

Follow Up Flag: Follow up
Flag Status: Completed

I'd like to help protect the Goldstream Rec Area. I've lived in and recreated in the Goldstream area for more than a decade (ski, ski-joring, running, berry picking, biking, hunting, birding, and in the last year now commute on the winter trails).

Let me know how I can help support the initiative to preserve the area for recreational use.

Thanks, John

Grier Hopkins

From: John Gaedeke [jgaedeke@gmail.com]
Sent: Tuesday, December 01, 2009 9:56 AM
To: Grier Hopkins
Subject: Goldstream Public Use Area Support

Follow Up Flag: Follow up
Flag Status: Completed

Please forward this to the appropriate authority, thank you.

I am in full support of extending the provision to protect the 2,000 acre Goldstream Public Use Area created in 1990. Fairbanks needs every square inch of recreational land it can provide for its citizens and this is a particularly useful area enjoyed by many in the Fairbanks North Star Borough.

Thank you for continuing this provision and serving the public good,

Sincerely,

John Gaedeke
235 Henrik Ct.
Fairbanks AK 99709

Dear Alaska State Legislature,

My name is Timothy D. Mortensen and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Timothy D. Mortensen

Dear Alaska State Legislature,

My name is Dean Phillips and my family and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Dean C. Phillips, Jr.
465 Bullion Dr.
Fairbanks, AK

Dear Alaska State Legislature,

My name is Michael A. Wilson and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Michael A. Wilson

Grier Hopkins

From: James L. Davis [jrox@acsalaska.net]
Sent: Monday, January 11, 2010 8:07 PM
To: Grier Hopkins
Subject: Goldstream Public Use Area

To Senator Joe Thomas,

I would like to express my support for this use area. It has gone unmanaged for many years which makes it a quality area to frequent. It does not need rules and regulations for it to function well. Hopefully, there is no economic value to it but is invaluable for quality recreation.

Sincerely,

Roxie Davis

Dear Alaska State Legislature,

My name is Carol Kaynor and I support the Goldstream Public Use Area. Please help us to protect this valuable resource.

The Goldstream Public Use Area is used for a host of summer and winter activities, including hunting, wildlife photography, motorized and non-motorized access, boating, berry picking, trapping, dog mushing, skijoring, snowmachining, and hiking. The area also provides important wildlife habitat. As most local Fairbanksans know, a pair of trumpeter swans often visits the pond next to Ballaine Road in the spring, and waterfowl are common all over the area. Moose browse on the willows, foxes hunt the ptarmigans. Blueberries grow rampant in the boggy fields north of the creek.

There is major community support for the public use area. A good example is the support shown to the Interior Alaska Land Trust several years ago when they endeavored to acquire the "Blueberry Preserves," a piece of property that lay in between two large blocks of state-owned land in the public use area. The land trust received a huge outpouring of community donations and in-kind support, enabling them to make that purchase.

As a dog musher and skijorer, access to protected trails is extremely important to me. When I moved to Snowhook Trail in 1996, I thought I had died and gone to heaven. Several friends and I bought property there specifically because the parcels bordered the Goldstream Public Use Area. My neighbors and I could run our sled dogs right from our yards, and we could access the extensive network of trails that wind through the public use area. I relocated to Snowhook from another area that had once had a beautiful but unprotected trail system, a trail system now crisscrossed with driveways.

My neighbor and running partner, Bonnie Borba, and I have spent many years maintaining about 10 miles of these trails in the public use area. We spend hours and hours brushing for safety and line of sight, removing stumps, and filling holes, as well as grooming after each snowfall. While grooming or running dogs, we've encountered dog mushers, skijorers, hikers, bicycle riders, four-wheelers, and snowmachiners. From personal experience, I can say that the portion of the public use area that we groom gets heavy and constant use in the winter. We know of many winter users who access the public use area not just from the pullout at Ballaine, but from the El Dorado Creek trail, Willow Run, and several other trails.

The Goldstream Public Use Area is an important and valuable asset to our community. Please support its continued existence.

Sincerely,

Carol Kaynor

Senator Joe Thomas
Alaska State Senate
Fairbanks, Alaska

Hi Joe,

We just want to weigh in on the Goldstream Recreation Area issue. As you know, we've been in this area since 1961 and have seen it evolve over the years. Although my wife and I were teaching in the Bush when Mike Travis was able to set the area aside as recreational, we were thankful that he was foresighted enough to do this. Now that it's coming up for renewal, Jennifer and I are heartily in support of your taking this issue seriously and pushing for a permanent recreational designation.

I couldn't count on all my fingers and toes ten times how much we and our friends from all over Fairbanks have used this area for recreation, whether for skiing or walking in winter or bird watching and walking in summer. I also included it on the Audubon birding and hiking map when I designed the map two years ago.

So, yes, we support your attempts to make this recreational area a permanent one for the Fairbanks North Star Borough. Go for it. Make it so, as Capt. Jacques Piccard said.

Sincerely,

Frank and Jennifer Keim
2220 Penrose Lane
Fairbanks, AK 99709
451-9308

Grier Hopkins

From: Sen. Joe Thomas
Sent: Thursday, December 31, 2009 10:31 AM
To: Grier Hopkins
Subject: FW: Goldstream Public Use Area

-----Original Message-----
From: Laurie Smith [mailto:laurie_smith@live.com]
Sent: Tuesday, December 22, 2009 4:54 PM
To: Sen. Joe Thomas
Subject: Goldstream Public Use Area

Dear Senator Thomas,
After reading the December 21, 2009 article in the Fairbanks Daily News-Miner, "Groups work to preserve public use area in Goldstream Valley," I decided to write you.
I live in Goldstream and use the trails in this public use area frequently. One thing that never ceases to amaze me about this trail network is that, despite the high traffic volume it sustains, it never seems to show the wear and tear of crowds. If someone is inconsiderate enough to litter, someone else who is a little more civic-minded seems to come along right behind them and clean it up. I've never had problems with vandalism, theft, or any other issue that tends to plague so many public-use areas in other places.
As a matter of fact, early this winter, a car had been abandoned at the pullout. After a few weeks, I became sick of looking at it. I contacted the Troopers who referred me to the Borough. The Borough referred me to Alaska DOT. I called a gentleman at DOT and left a voicemail describing the problem. That evening, as I went home, I saw that the car was gone. I was ecstatic that a response had come so quickly. I sent a grateful email to the gentleman at DOT.
A few days later, he called me to say that he was glad that the car was gone, but DOT hadn't done it.
I think that someone else who calls Goldstream home, who takes pride in our little piece of paradise, coincidentally got sick of looking at it the same day I did, towed it away, and ponied up the $60 to dump it legally.
This is only an anecdote, but it certainly lends credence to my idea that something as precious as this kind of a playground in our own back yards is worth taking care of, and it's obvious that the area is well-loved and well-stewarded by those who use it.
Goldstream is a wonderful community nestled into a great town, and much of the flavor of our community comes from the trail networks and the people who use them. Every morning, as I come into town and hit the crest of Ballaine and the flats stretch out in front of me, I think to myself how lucky I am to live in such a beautiful area. Every evening, as I come down the hill and pass the pullout for the Public Use Area, I think the same thing.
Your work to preserve this area for the use and enjoyment of everyone, in perpetuity, will be noted and appreciated by all who use this area. Even those who have never used the Public Use Area would surely miss it, once it's gone.
Thank you for reading this.
Sincerely,
Laurie Smith
PO Box 70611
Fairbanks, AK 99707

Grier Hopkins

From: shideler@acsalaska.net
Sent: Tuesday, December 29, 2009 9:41 AM
To: Grier Hopkins
Subject: Goldstream Public Use Area

Mr Hopkins:
I support Senator Thomas filing a bill to eliminate the "sunset clause" on the Goldstream Public Use Area. I am a 36-year resident of Goldstream Valley, and supported the initial legislation that was introduced by Representative Mike Davis. I have used the trails in the area since I moved here in 1974, and hunted and picked berries there. In fact, access to the trails and the rest of that area was one reason for my moving to Goldstream Valley. When I still had a dog team I probably used the trails at least 3 times a week for 17 years during the mushing season, and even now I'm out there at least once a week skiing, skijoring or just walking. I've watched as new houses have extended down into the valley from both the north and south sides, and have seen what happened to the trail system west of Ballaine Road where it used to be possible to access trails on both sides of Goldstream Creek. Although the mine has disrupted the original trails on the upper end, the miners have provided alternative access through their claims. However, this is voluntary on their part and I am sure that without the official designation for recreational use, we'd have lost a lot of the trail system to poorly planned development in the valley. This area supports a lot of recreational activity now, with virtually no infrastructure improvements. The only real change from 30 years ago is the Ballaine Road pullout, which has enhanced access to the area. So it seems to me that this has been a real benefit for the public at very little cost. I hope we can keep it that way.
Sincerely,

Richard Shideler
PO Box 81465
Fairbanks 99708

Grier Hopkins

From: Kathy Turco [kath@alaskas-spirit.com]
Sent: Monday, December 28, 2009 1:43 PM
To: Grier Hopkins
Subject: support of Goldstream Public Use Area-

Hello Grier,
This email is in support of a permanent status designation of the Goldstream Public Use Area: I have lived in the Goldstream Valley for over 21 years and know that the networks of trails have been extensively used over this period by myself along with many skiers, mushers, snow shoers, snowmachiners, bikers, runners, walkers, berry pickers, canoers, bird watchers, and more. I was just on the trails last week for an hour in the late afternoon, and at minus 20 I saw 4 pairs of walkers, 3 dog mushers, 3 snowmachiners, 1 skier with her dog and 2 runners- the area is very much a favorite public winter playground for people and their families. The Goldstream Public use area is a unique part of Fairbanks that many residents enjoy and want to keep a free access designation. Please use this email in any way you can to voice my support of this. This letter is also supported by Alaska's most legendary sprint sled dog racing Champion George Attla, who is living in the Goldstream Valley this winter while coaching a young person training a sprint team to race throughout the state. He also told me to mention that he feels Fairbanks is an exceptional community in its support of traditional winter sports, and why change a good thing. He told me to add his name with mine below.

Please contact me if you have any questions about this email.

Thank you for your time.

Kathy

Kathy Turco (& George Attla)
2825 Triplehorn Lane
Fairbanks, AK 99708
907-455-4286

Grier Hopkins

From: Ann Farris [farris.ann@googlemail.com]
Sent: Tuesday, December 22, 2009 9:15 PM
To: Grier Hopkins
Subject: Goldstream PUA

Dear Alaska State Legislature,

My name is Ann Farris and I support the Goldstream Public Use Area. I've lived in Fairbanks for 16 years and find I utilize the Goldstream Public Use Area more and more each year. Please support legislation to maintain this area for public use.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for our community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you for your continued support and protection of this area for public use.

Sincerely,
Ann Farris

Grier Hopkins

From: Heather Best [hbest25@yahoo.com]
Sent: Tuesday, December 22, 2009 4:36 PM
To: Grier Hopkins
Subject: Goldstream Public Use Area

Dear Alaska State Legislature,

My name is Heather Best and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors. And in all my years of use, I have not had one bad encounter with other types of users.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,
Heather Best
Fairbanks, AK

Dear Alaska State Legislature,

My name is John Shook and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely, John E. Shook

733 Dalton Trail
Fairbanks, AK 99709

Grier Hopkins

From: George Happ [gmhapp@gmail.com]
Sent: Saturday, December 19, 2009 5:52 PM
To: Grier Hopkins

Dear Alaska State Legislature,

My name is George Happ and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. I have helped groom the winter trails in teh public use are since 1995. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

George Happ

1695 Snowhook Trail

99709

Grier Hopkins

From: christyyuncker happ [christy.yuncker.happ@gmail.com]
Sent: Saturday, December 19, 2009 5:50 PM
To: Grier Hopkins
Subject: Goldstream Public Use Area.

Dear Alaska State Legislature,

My name is Christy Happ and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. It ids an exceptional area for wildlife. At least three Sandhill crane pairs nest in the Public Use Area. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,
Christy

Dear Alaska State Legislature,

My name is MATT M and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Matt McClurg & the McCLURG FAMILY

JENNIFER, ABBY, LEVI, SETH

1185 GRENAC RD.

FAIRBANKS, AK 99709

Dear Alaska State Legislature,

My name is Lona and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Lona Boyarsky

Lona R. Boyarsky
1678 Amidon Dr.
Fairbanks, AK 99712

Grier Hopkins

From: kfranzen@att.net
Sent: Wednesday, December 16, 2009 12:06 PM
To: Grier Hopkins
Subject: Re: Goldstream Valley Public Use Area

Grier Hopkins
Office of Sen. Joe Thomas
Office: (907) 456-8161
Fax: (907) 456-8163

Dear Alaska State Legislature,

My name is Karin Franzen and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,
Karin FRanzen

Grier Hopkins

From: heather mcintyre [heathermc48@gmail.com]
Sent: Wednesday, December 16, 2009 10:10 AM
To: Grier Hopkins
Subject: Goldstream valley public use

Dear Alaska State Legislature,

My name is Heather McIntyre and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,
Heather McIntyre
800 Smythe Street
fairbanks AK 99709

Grier Hopkins

From: phyllis haggland [phaggland@yahoo.com]
Sent: Wednesday, December 16, 2009 9:24 AM
To: Grier Hopkins
Subject: Goldstream Public Use Area

Grier Hopkins
Office of Sen. Joe Thomas
Office: (907) 456-8161
Fax: (907) 456-8163

Dear Alaska State Legislature,

My name is Phyllis Haggland and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,
Phylllis Haggland
907-479-6737

Grier Hopkins

From: John and Kathleen Wright [wrights@acsalaska.net]
Sent: Tuesday, December 15, 2009 9:41 PM
To: Grier Hopkins
Subject: Continue Goldstream Public Use Area

Dear Alaska State Legislature,

I strongly support continuing the Goldstream Public Use Area.

The Goldstream Valley Public Use Area is a key to this northern portion of Fairbanks. The rural character of the area is dependent upon open space and the multi-use trails that have long been used within it. Like Creamer's Refuge on the edge of the city, the Goldstream Public Use Area helps preserve the traditionals of the community.

Please vote to extend this legislation that makes Fairbanks a wonderful place to live.

Sincerely,

John M and Kathleen K Wright

Dear Alaska State Legislature,

My name is Davya Flaharty and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking (mmm blueberries!), trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Davya Flaharty

Dear Senator Thomas,

I am writing you to support the preservation of public lands in the Goldstream Valley as open space. As an avid trail user in this area and the author of "Outside in the Interior", I have extensive knowledge of the trails here. These trails are all multi-use trails, that is, they are utilized by snowmachiners, cross-country skiers, skate skiers, skijourers, people walking and talking their dogs for walks, berry pickers, wildlife enthusiasts and bicyclers. There are 4 main subregions of the Goldstream Valley - Cache Creek, Ace Lake, West Goldstream and East Goldstream. The latter two are divided by Ballaine Road. Numerous trails are contained within each subregion and many other trails and trail systems are adjacent to these areas. The West Goldstream area has already undergone significant development which has lead to the outright loss of some trails and the reduction of others. Currently, the trail systems are intact enough that they are somewhat still linked. Please do what you can to protect these well used and loved trails and open areas. Further, improvements, such as a tunnel connecting the East and West areas under Ballaine, should be investigated. Protection of these areas will be a great gift to future Fairbanksians. Please feel free to contact me if you have any questions or if I can be of assistance in this endevour. Thank you.

Kyle Joly
Fairbanks

Grier Hopkins

From: Henszey Family [henszey@acsalaska.net]
Sent: Monday, December 14, 2009 10:09 PM
To: Grier Hopkins
Subject: Support for Goldstream Public Use Area

Dear Alaska State Legislature,

We are Bob and Joann Henszey, and we support the Goldstream Public Use Area.

In addition to the form letter below, we support the Goldstream Public Use Area as a valuable green space asset already in place for the public's enjoyment. As one of the founding supporters for the Chena Flats Greenbelt Project at the base of Chena Rigde in Fairbanks (www.chenaflats.org), we know how difficult it is to purchase green space from private ownership so a traditional common use area can continue to be enjoyed by the public in the midst of a rapidly developing community. Chena Flats would have been much easier if our local government had the foresight to set this area of wetland bogs aside in the first place like the Goldstream Public Use Area.

We believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for our family and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you, and we urge you to join us in supporting the continued existence of this important piece of legislation.

Sincerely,
Bob and Joann Henszey

==========

The Henszeys
(Bob, Joann, Ryan, and Erin)
540 Tuxford Ct. Fairbanks, AK 99709

==========

Dear Alaska State Legislature,

My name is Bill Schneider and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Bill Schneider

Grier Hopkins

From: Karen Brewster [karen.brewster@alaska.edu]
Sent: Monday, December 14, 2009 4:32 PM
To: Grier Hopkins
Subject: Goldstream Public Use Area

Dear Alaska State Legislature,

My name is Karen Brewster and I am writing to express my support for the Goldstream Public Use Area in Fairbanks. I am a regular user of the trails in this area and believe it is critical that they remain open and available to full public access. Having this wide open undeveloped space and vast trail network in the heart of Fairbanks is a key part of what makes life in Fairbanks so wonderful. Studies have shown that living close to greenspace and having access to outdoor recreation opportunities create a better quality of life and make people happier and healthier.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle. With the continued protection of this public use area, I would also like to see some minimal management to deal with conflicting uses and trail maintenance issues.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,
Karen Brewster
1022 Prindle Court
Fairbanks, AK 99709
karen.brewster@alaska.edu

Grier Hopkins

From: Joan Hardesty [joan-kevin@gci.net]
Sent: Monday, December 14, 2009 1:53 PM
To: Grier Hopkins
Subject: In support of Goldstream Valley Public Use Area

Please forward / include with other letters of support - thank you, Joan Hardesty

****

Dear Alaska State Legislature,

My name is Joan Hardesty and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors. The dog trails I use for running my ◆sleddog◆ bird dogs extend into the Goldstream Public Use area. It would be a great loss to Goldstream Valley, and the community of Fairbanks, if the Goldstream Public Use Area were allowed to ◆disappear.◆ In March, there's no other place in the world I'd rather be than behind 2 floppy eared setters running for the joy of running.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,
Joan Hardesty
1815 Snowhook Trail
Fairbanks, AK 99709
joan-kevin@gci.net

Grier Hopkins

From: Tom George [tgeorge@mosquitonet.com]
Sent: Monday, December 14, 2009 12:21 PM
To: Grier Hopkins
Subject: RE: Thank you for helping the Goldstream Valley

You got it! -Tom

Dear Alaska State Legislature,

My name is Tom George and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Tom George
PO Box 83750
Fairbanks, AK 99708

December 14, 2009

Dear Alaska State Legislature,

My name is Doug Braddock and I support removing the sunset date for the Goldstream Public Use Area (GPUA). I live near the GPUA and am a regular user of the trails in the area.

The Fairbanks North Star Borough is in the process of taking over ownership and management of Bender Mountain Park, located to the south of the GPUA. The trail systems within Bender Mountain Park and the GPUA are complementary and allow for many great multiple-use recreational opportunities.

For the above reason, I would like to see the Goldstream Public Use Area remain in existence without the need to periodically remove a sunset date.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Doug Braddock
Fairbanks, Alaska
djbraddock@gmail.com
(907) 479-4071

Grier Hopkins

From: Gretchen Hundertmark [gretchenhund@yahoo.com]
Sent: Monday, December 14, 2009 11:11 AM
To: Grier Hopkins
Subject: Goldstream Valley Public Use Area

Dear Alaska State Legislature,

My name is Gretchen Hundertmark and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Gretchen Hundertmark
1962 Red Leaf Road
Fairbanks, AK 99709
907.456.2250

Grier Hopkins

From: jimbrader [jimbrader@mosquitonet.com]
Sent: Sunday, December 13, 2009 9:03 PM
To: Grier Hopkins
Subject: Goldstream Public Use Area

Dear Alaska State Legislature,

My name is Jim Brader and I support the Goldstream Public Use Area.

I have used this area for both winter and summer recreation for 19 years. I have used this area for hiking, hunting, berry picking, skiing, and snow shoeing. It is used by many other people for bird watching, snow machining, mountain biking, and dog mushing. I also own property in the area and access to the Goldstream Public Use Area is one of the reasons I bought the property. This area offers great outdoor recreation for all types of people and is very close to Fairbanks. The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,
Jim Brader
PO Box 74263
Fairbanks AK 99707

Grier Hopkins

From: Jorgenson [jorgenson@alaska.net]
Sent: Sunday, December 13, 2009 9:01 PM
To: Grier Hopkins
Subject: Goldstream

Dear Alaska State Legislature,

My name is Janet Jorgenson and I support the Goldstream Public Use Area.

My family and I live in Goldstream Valley and we have used the trails through the public use area in both winter and summer for the past 2 decades. Our house overlooks the valley and we love the view. This area is very important to us.

Sincerely, Janet Jorgenson

Grier Hopkins

From: Paul Reichardt [pbreichardt@alaska.edu]
Sent: Sunday, December 13, 2009 8:12 PM
To: Grier Hopkins
Subject: Fwd: Goldstream Valley Public Use Area

Dear Alaska State Legislature,

Our names are Paul and Cordelia (Terry) Reichardt and we support the Goldstream Public Use Area.

We believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for us and our entire community. We regularly ski in this area in winter (even today with the temperature at -15 degrees), and we pick berries there each summer. However, this Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and we urge you to join us in supporting the continued existence of this important area by passing the legislation that is necessary to keep it as a Public Use Area.

Sincerely,

Paul and Cordelia (Terry) Reichardt

Grier Hopkins

From: Grier Hopkins [grier.hopkins@gmail.com]
Sent: Sunday, December 13, 2009 6:35 PM
To: Grier Hopkins
Subject: Fwd: Goldstream Public Use Area

Begin forwarded message:

From: Karl Kassel <canoeak@acsalaska.net>
Date: December 13, 2009 6:27:09 PM AKST
To: Grier Hopkins <grier.hopkins@gmail.com>
Subject: Goldstream Public Use Area

Dear Alaska State Legislature,

My name is Karl Kassel and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,
Karl Kassel

1670 Willow Run Road
Fairbanks, AK 99709

907-455-6115

KELLEY HEGARTY & ASSOCIATES, L.L.C.

Community & Regional Planning Consultants
501 Prospectors Trail ✦ Fairbanks, Alaska 99712
planners@gci.net ✦ (907) 457-2400 ✦ fax 457-5200

December 11, 2009

Dear Alaska State Legislature,

I am writing today in support of the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including:

- hunting,
- dog mushing,
- motorized and non-motorized access,
- skiing and skijoring,
- boating,
- berry picking,
- trapping, and
- many others.

This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Kelley Hegarty Lammers

Grier Hopkins

From: Bonnie Borba [borba@mosquitonet.com]
Sent: Saturday, December 12, 2009 9:01 PM
To: Grier Hopkins
Subject: Goldsteam Valley Public Use Area

Dear Alaska State Legislature,

My name is Bonnie Borba and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, canoeing, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Bonnie Borba
1740 Snowhook Trail
Fairbanks, Alaska 99709

Dear Alaska State Legislature,

My name is Tim Obritschkewitsch, and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Tim Obritschkewitsch

Dear Alaska State Legislature,

My name is Bob Ritchie, a 35 year resident of the Goldstream Valley. I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle. Importantly, it has more value for these pursuits than any commercial or residential uses (e.g., housing).

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Bob Ritchie
2671 Black Sheep Lane
Fairbanks, AK 99709

(907-479-2694)

Grier Hopkins

From: Amy Turner [amymarieturner@gmail.com]
Sent: Thursday, December 10, 2009 1:37 PM
To: Grier Hopkins
Subject: Goldstream PUA

Hello Grier,

I have included my personal letter below in support of the Goldstream Public Use Area.

Thank you!
Amy

Dear Alaska State Legislature,

As a resident of the Goldstream Valley, I put high value on the Goldstream Public Use Area and the many ways it allows for the recreation and enjoyment for all Fairbanksans. I urge you to continue to support the existence of Goldstream Public Use Area and keep this near town public use area open for us to continue to enjoy this beautiful area.

Sincerely,

Amy Turner

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* * * * * * * * * * * *
" The heart that breaks open can contain the whole universe." joanna macy

Grier Hopkins

From: Jon Holmgren [machine@alaska.com]
Sent: Thursday, December 10, 2009 10:38 AM
To: Grier Hopkins
Subject: Support for Goldstream Public Use area

Dear Alaska State Legislature,

My name is Jon Holmgren and I live in Goldstream Valley. I highly support the Goldstream Public use area. I spent 3 hours skiing through the upper section towards Fox on Sunday and would like to see this area remain like it is, a place for unstructured recreation. We don't want a Park with rules and regulations, just an open area to enjoy nature.
Thanks,
Jon

203

Grier Hopkins

From: Don Logan [donald_logan@yahoo.com]
Sent: Wednesday, December 09, 2009 11:48 PM
To: Grier Hopkins
Subject: Re: post t-day

Grier Hopkins
Office of Sen. Joe Thomas
Office: (907) 456-8161
Fax: (907) 456-8163

Dear Alaska State Legislature,

My name is Don Logan and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

There are enough subdivisions in the Fairbanks area with room for more buildings. This is Fairbanks, and we value the remoteness of our home. If we build on all the available land, it will no longer be Fairbanks. The corner of New Steese and the Mitchell Expressway already looks much like parts of Anchorage or towns in the lower 48. While I like the convenience, I liked the raw land better. Some good bike trails are under that asphalt.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Don Logan

Grier Hopkins

From: samd@gci.net on behalf of Martha Raynolds [mraynolds@gci.net]
Sent: Wednesday, December 09, 2009 10:31 PM
To: Grier Hopkins
Subject: Re: Thank you for helping the Goldstream Valley

Dear Alaska State Legislature,

My name is Martha Raynolds and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others.
This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Martha Raynolds

--
+-
Martha Raynolds
mraynolds@gci.net
(907) 479-3726

Michael Whalen
PO Box 85033
Fairbanks, AK 99708

December 9, 2009

Dear Alaska State Legislature,

As a resident of the Goldstream Valley I wholeheartedly support the Goldstream Public Use Area.

I believe the access and opportunities for outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for myself and our entire community. This Public Use Area is home to a wide variety of activities, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the great Alaskan outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,
Michael Whalen

Dear Alaska State Legislature,

My name is Brent Sass and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

1105 Jure Road A Fairbanks AK 99709

<Goldstream PUA support letter.doc>

Brent Sass
Wild and Free Mushing
brent@wildandfreealaska.com
www.wildandfreealaska.com

"Pain is Inevitable Suffering is optional"

Dear Alaska State Legislature,

My name is Elizabeth Markley and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. I have spent many hours skiing, hiking, mushing, ski-joring, and berry picking in Goldstream. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Elizabeth Markley

Bessie Green Markley
M.S. Candidate, Dept. of Biology and Wildlife
Alaska Cooperative Fish and Wildlife Research Unit
201 Irving I
902 N. Koyukuk Drive
University of Alaska Fairbanks 99775
office: 907-474-1949 lab: 907-474-6740
http://mercury.bio.uaf.edu/~elizabeth_green/

Grier Hopkins

From: Aren Gunderson [arengunderson@gmail.com]
Sent: Tuesday, December 08, 2009 11:19 AM
To: Grier Hopkins
Subject: Re: Thank you for helping the Goldstream Valley

To Senator Joe Thomas, care of Grier Hopkins,

Dear Alaska State Legislature,

Our names are Aren and Jen Gunderson and we support the Goldstream Public Use Area.

We believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for us and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle. We use this trail system for skijoring and mushing our 5 dogs. We have introduced numerous individuals to skijoring and mushing on these trails and others in the Goldstream Valley. This trail system is unique in that it is so close to town and heavily used, yet maintained and regulated entirely by local residents through their mutual respect for the land and its users at no cost (that we am aware of) to the state or borough.

Thank you and we urge you to join us in supporting the continued existence of this important piece of legislation.

Sincerely,

Aren and Jen Gunderson

590 Mammoth Drive, Fairbanks, AK

Dear Alaska State Legislature,

My name is Jen Gunderson and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Jen and Aren Gunderson
590 Mammoth Drive
Fairbanks, AK 99709
Jen.gunder@gmail.com

Grier Hopkins

From: Kate Beattie [kbeattie@abrinc.com]
Sent: Tuesday, December 08, 2009 9:24 AM
To: Grier Hopkins
Subject: Thank you for helping the Goldstream Valley

Dear Alaska State Legislature,

My name is _Katherine Beattie_ and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Katherine Beattie

Grier Hopkins

From: kumi rattenbury [krattenbury@yahoo.com]
Sent: Tuesday, December 08, 2009 9:06 AM
To: Grier Hopkins
Subject: Goldstream Valley Public Use Area

Dear Alaska State Legislature,

My name is Kumi Rattenbury and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. My husband and I enjoy the trails to run our dog team, to skijor and to bike-jor as well (it's excellent in the winter!). This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Kumi Rattenbury

1982 Eldovista Pkwy

Fairbanks, AK 99709

Grier Hopkins

From: Carolyn Parker [clparker@alaska.edu]
Sent: Monday, December 07, 2009 8:47 PM
To: Grier Hopkins
Subject: Re: Thank you for helping the Goldstream Valley

Dear Alaska State Legislature,

My name is Carolyn Parker and I support the Goldstream Public Use Area. I have lived in the Goldstream Valley area for almost 40 years and have used the area north of Ballaine Road (as well as a lot of the area downstream of Ballaine Road, following Goldstream Creek all the way to S of Murphy Dome, for skiing, ski-joring, snowmaching, bird watching and berry picking. Most of us realize that most of this area is totally unfit for subdivision efforts due to the saturated and permafrost rich soils, but its use for berry picking, wildlife habitat, and all forms of winter recreation is invaluable for those of us who live in the area. It is a 'green belt' we would certainly hate of see lost.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Carolyn Parker

1698 Old John Trail
5 Mile Murphy Dome Road
455-4113

Dear Alaska State Legislature,

Barbara O'Donnell and Linda Bode support the Goldstream Public Use Area.

We believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and we urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Barbara O'Donnell
Linda Bode
POB 325
Ester, AK 99725
479-0302

Grier Hopkins

From: mareca guthrie [marecaguthrie@gmail.com]
Sent: Monday, December 07, 2009 6:36 PM
To: Grier Hopkins
Subject: Re: Thank you for helping the Goldstream Valley

Dear Alaska State Legislature,

My name is Mareca Guthrie and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Mareca Guthrie
2183 Nottingham Dr.
Fairbanks, AK 99709

Dear Alaska State Legislature,

My name is Joel Buth, owner of Goldstream Sports and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Joel Buth

711 Sheep Creek Rd
Fairbanks, AK 99709

Dear Alaska State Legislature,

My name is Amanda Byrd and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Amanda Byrd

PO Box 81644
Fairbanks, AK 99708

Dear Alaska State Legislature,

My name is Deborah C. Manning and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Tim A. Manning
Deborah Coccia Manning
debtim@acsalaska.net
907-456-6561

Grier Hopkins

From: Natalie M Monacci [nmonacci@yahoo.com]
Sent: Friday, December 04, 2009 10:08 AM
To: Grier Hopkins
Subject: Goldstream Valley

Dear Alaska State Legislature,

My name is Natalie Monacci and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Natalie Monacci

Fairbanks, AK

Dear Alaska State Legislature,

My name is Anthony Gasbarro and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Anthony Gasbarro

2687 Horsetail Trail

Fairbanks, AK 99709

Grier Hopkins

From: Tom Clark [aksnowbiker@gmail.com]
Sent: Friday, December 04, 2009 1:52 AM
To: Grier Hopkins
Subject: Re: Thank you for helping the Goldstream Valley

Dear Alaska State Legislature,

My name is Thomas M. Clark of Fairbanks, Alaska and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,
Tom Clark
PO Box 81134,
Fairbanks AK 99708

Dear Alaska State Legislature,

My name is Karen Moritz and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,
Karen Moritz
2390 Inclination Dr.
Fairbanks, AK 99709

Dear Alaska State Legislature,

My name is Michael Wald and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Michael Wald, Ester AK Dec 3 ,2009

Grier Hopkins

From: Susan Todd [sktodd@alaska.edu]
Sent: Thursday, December 03, 2009 5:46 PM
To: Grier Hopkins
Subject: Re: Thank you for helping the Goldstream Valley

Dear Alaska State Legislature,

My name is Susan Todd and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Susan Todd

3255 Edby Road
Fairbanks, Ak 99709
907-479-5642

--
Susan Todd
Assoc. Professor of Resource Planning
Dept. of Resources Management
349 O'Neill Bldg
University of Alaska Fairbanks
Fairbanks, AK 99775-7200
Phone 907-474-6930
Fax 907-474-6184

Dear Alaska State Legislature,

My name is Cathy Weeg and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Cathy Weeg

Dear Alaska State Legislature,

My name is Deb Lawton and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Deb Lawton

Dear Alaska State Legislature,

My name is Nicole and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle. Not only would this be a detriment to people, it would harm moose, owls, waterfowl, and many other animals that use this space.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Nicole Smith
1370 Jones Road
Fairbanks, AK 99709

> Dear Alaska State Legislature,
>
>I support the Goldstream Public Use Area. I use it often for skijoring and berry picking, and it is a critical visual addition to my drives through that area.
>
> I believe the access and opportunities to outdoor recreation of all
> types that are available because of the Goldstream Public Use Area are
> essential to maintaining a strong quality of life for me and our
> entire community. This Public Use Area is home to a wide variety of
> uses, including hunting, dog mushing, motorized and non-motorized
> access, skiing and skijoring, boating, berry picking, trapping and many others.
> This array of allowable uses gives every Fairbanks resident and family
> a place, close to town, where they can enjoy the Alaskan great outdoors.
>
> The Goldstream Public Use Area encompasses an ever growing number of
> established trails that are utilized year round by user groups of all
> kinds. The loss of this open space, access to trails and beautiful
> scenery would be a major loss to every resident of Fairbanks, no
> matter their lifestyle.
>
> Thank you and I urge you to join me in supporting the continued
> existence of this important piece of legislation.
>
> Sincerely,
> Gail Davidson
> 3638 Rosie Creek Road
> Fairbanks, AK 99709
> 479-7127

December 3, 2009

Dear Alaska State Legislature,

My name is Jane Lanford, and I support the Goldstream Public Use Area. I have personally used the area off and on since 1994 for running and snowshoeing, both for training and in races. I keep meaning to get out there berry-picking and cross-country skiing, and I hope it stays available until I do. I also enjoy looking for, and often spotting, moose and other critters every time I drive through on Ballaine or other roads.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Jane Lanford
5041 Vancouver Road
Fairbanks, AK 99709

My name is Robert Pristash 1745 Snowhook Trail , Fairbanks,Ak and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Grier Hopkins

From: Melissa Rouge [melissarouge@yahoo.com]
Sent: Saturday, January 30, 2010 1:08 PM
To: Grier Hopkins
Subject: Goldstream valley

To whom it may concern,

I live in the Goldstream valley and routinely use the trails on both the East and West side of Ballaine road. I support making the Goldstream Public Use Area into a permanent public use area.
The loss of these trails would mean needing to relocate, with a kennel of sled dogs it is imperative to be able to run from home.

Sincerely,
Melissa Rouge

Grier Hopkins

From: Tom McGrane [tom.mcgrane@gmail.com]
Sent: Saturday, January 30, 2010 12:55 PM
To: Grier Hopkins
Subject: Support for Goldstream Public Use Area

Please add my name as a supporter of making the Goldstream Public Use area protections permanent.

I'm the volunteer trails coordinator for the Alaska Dog Mushers Association in Fairbanks and help with issues concerning the 28 mile trail system located in and around Creamers Refuge between College Road and Farmers Loop Road.

These two trails systems, along with several others in the Fairbanks area, help make Fairbanks the mushing capital of the world and contribute significantly to the winter economy by supporting local businesses and bringing in out-of-town visitors.

As Fairbanks has grown, access to many trails has been lost due to new construction blocking unofficial trails. It's critical that key existing trails be protected from future encroachment. Fortunately, the Goldstream Public Use area is so wet that there are few alternative uses that are practical and continued multi-use recreational use is clearly the highest and best use.

Thanks.

Tom McGrane
879 Mushers Road
Fairbanks, AK 99712
tom.mcgrane@gmail.com

January 26, 2010

Dear Alaska State Legislature,

Our names are Susan Slifer and Cliff Moore. We live in the Goldstream Valley and support the Goldstream Public Use Area.

We believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for us and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and we urge you to join us in supporting the continued existence of this important piece of legislation.

Sincerely,

Cliff Moore
Susan Slifer
2141 Penrose Lane
Fairbanks, AK

Grier Hopkins

From: Phyllis Morrow [pmorrow@alaska.edu]
Sent: Wednesday, January 27, 2010 10:17 AM
To: Grier Hopkins
Subject: Goldstream Public Use Area

Grier Hopkins
Office of Sen. Joe Thomas
Office: (907) 465-3802
Fax: (907) 465-5241
Grier_Hopkins@legis.state.ak.us

Dear Alaska State Legislature,

My name is Phyllis Morrow and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. I use this area frequently -- to ski, walk, pick berries and watch birds. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Phyllis Morrow

Address:
1674 Red Fox Dr.
Fairbanks, AK 99709-6622

Grier Hopkins

From: John Lyle [kanakaukoa@gmail.com]
Sent: Tuesday, January 26, 2010 9:43 AM
To: Grier Hopkins
Subject: Goldstream Valley Public Use Area

Dear Senator Thomas,

I have been living in and using the Goldstream Public USe Area for 30 years now and want to thank you and encourage others to support this legislation which would benefit Fairbanksans and visitors for eternity. It's a win-win piece of legislation. I could go on and on about it's merits but in brief, want to thank you for sponsoring this. Please keep me informed as to how, where and when I can continue supporting support for this bill.

Best regards,

John and Susanne Lyle

Grier Hopkins

From: Marjie Richards [marjierichards@gmail.com]
Sent: Tuesday, January 26, 2010 9:36 AM
To: Grier Hopkins
Subject: Re: Goldstream PUA

Dear Alaska State Legislature,

My name is Marjorie Richards and I use and support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where we can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,

Marjorie Richards
2046 Toboggan Lane
Fairbanks AK 99709

Grier Hopkins

From: Viereck Eleanor [tviereck@alaska.net]
Sent: Monday, January 25, 2010 5:36 PM
To: Grier Hopkins
Subject: Re: Goldstream

Dear Alaska State Legislature

My name is Eleanor Viereck and I support the Goldstream Public Use Area. The large area is an incredibly valuable asset to dog mushers who need long trail systems for training and recreation. I have used this area for fifty years for berry picking, skiing, biking, bird watching, and field trips when I teach ethnobotany and ecology courses or take young people on nature quests. I drive over to Goldstream valley from my home in Pearl Creek Valley to get a good look at a sky without light pollution in the winter dark. The land values in Pearl Creek valley (adjacent to Goldstream Valley) are enhanced by the existence of our ski trails. And as an ecologist I feel strongly about the importance of this undisturbed area as a resource for our long-term well-being, and even for our survival.

Thank you,

Eleanor G. Viereck, Ph.D.

Dear Alaska State Legislature,

My name is __Dan Pagel_____ and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,
Dan Pagel

Dear Alaska State Legislature,

My name is ____Mary Pagel_____ and I support the Goldstream Public Use Area.

I believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for me and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

In addition portions of this area are home to Sandhill Cranes, Canada Geese and a variety of other water fowl that return to nest every spring. Under the current designation this land provides a peaceful and safe landing place for these beautiful birds and should be preserved.

Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.

Sincerely,
Mary Kay Pagel

Grier Hopkins

From: Sen. Joe Thomas
Sent: Monday, January 25, 2010 7:42 AM
To: Grier Hopkins
Subject: FW: Goldstream Trails

-----Original Message-----
From: jreynolds@guru.uaf.edu [mailto:jreynolds@guru.uaf.edu]
Sent: Sunday, January 24, 2010 2:28 PM
To: Sen. Joe Thomas
Subject: Goldstream Trails

Senator Thomas,

I strongly support the effort to convert the Goldstream Public Use Area to permanent status.

I live in Goldstream Valley, on Pine Wood Road (top of Pandora), several miles from these trails, and I regularly use them in the winter for dog mushing and skiing. I personally contribute to maintenance of the trails by grooming some of them in winter (for dog mushing) using snowmachine and iron drag. I also occasionally enter the area in late summer for berry-picking.

The Goldstream Public Use Area is very important to the character of the area. My experience is that yes, people are able to share these trails for all types of recreational activities, because of the generally cooperative attitude of the users. This type of non-regulated, cooperative use is the type of thing Alaskans often say they want. I strongly support making the public-use status of the area permanent.

Thank you for your efforts.

Jennifer R. Reynolds

P.O. Box 83886
Fairbanks, AK 99708

Grier Hopkins

From: Shay Wilson
Sent: Friday, February 05, 2010 10:42 AM
To: Grier Hopkins
Subject: New Pom:SB 195 Make Goldstream Public Use Area Permanent

Michael Kolasa Po Box 72461 Fairbanks 99707-2461, I would like to support this legislation.

Grier Hopkins

From: steven sheehy [woemkrab69@yahoo.com]
Sent: Wednesday, February 03, 2010 6:42 AM
To: Grier Hopkins
Subject: Goldstream

As a resident of Fairbanks, I am a skier, and dog musher and live in the Goldstream Valley and I support making the Goldstream Public Use Area into a permanent public use area.
Steven Sheehy

Grier Hopkins

From: Lorien N [doublehappyjoy@gmail.com]
Sent: Sunday, January 31, 2010 2:17 PM
To: Grier Hopkins
Subject: Goldstream Valley Public Use Area

Howdy - Just wanted to register my support for extending the Goldstream Valley Public Use Area into perpetuity. The trails are irreplaceable, and get used by a huge section of the public. I skijor my dog, ride my bike, and generally appreciate the existence of these trails, and would very much like to see them continue to exist forever.
Thank you
Lorien Nettleton, Fairbanks

Grier Hopkins

From: D Garland [sgarland@alaska.edu]
Sent: Sunday, January 31, 2010 2:00 PM
To: Grier Hopkins
Subject: Goldstream public use area

I support making the Goldstream valley public use area permanent. The area does get a lot of public use from a wide range of users. It is an asset to the community. Once public use areas like that are lost, it is nearly impossible to get anything like it back.

Sarah Garland
Fairbanks, Alaska

Grier Hopkins

From: Peggy Raybeck [paycheck39@hotmail.com]
Sent: Sunday, January 31, 2010 12:45 PM
To: Grier Hopkins
Subject: Support for Goldstream Public Use Area

Greetings,

I live in Goldstream Valley and have been using the trails here for over 15 years. These trails are very popular and get regular use by a wide range of people and their pets and working animals from horses to dogs. I must admit I haven't seen cats on the trails yet. It's a prime blueberry picking area in the summertime. I see hikers and bow hunters in the Fall. Popular with mushers, skiers, skijorers, walkers, snowmachiners, and bicyclists in winter. I strongly support preserving this area for public use.

Thank you for your consideration.

Peggy Raybeck, 2129 Odonata Ct. Fairbanks, 99709

Hotmail: Free, trusted and rich email service. Get it now.

Grier Hopkins

From: bhpartee@gmail.com on behalf of Barbara Partee [partee@linguist.umass.edu]
Sent: Saturday, January 30, 2010 8:22 PM
To: Grier Hopkins
Subject: Goldstream Public Use Area

Dear Mr. Hopkins,

I'm writing to support the bill to make the Goldstream Public Use Area on the outskirts of Fairbanks into a permanent public use area. I'm not a constituent, so I don't merit a real vote in the matter, but my son David Partee and daughter-in-law Carol Kaynor are, and they are directly affected, since they live close by. I had my first mushing lessons last March (at age 68, but better late than never!) on trails that start at their place and connect into trails in the Goldstream Public Use Area, and I appreciate what a wonderful area it is and how much use it gets by mushers, skijorers, hikers, photographers, blueberry-lovers, bird-watchers, ... It's a treasure, and should surely be preserved for future generations.

Sincerely,
Barbara Partee

--
****
Barbara H. Partee
Tallinskaya 2, apt. 258, Moscow 123458, Russia
+7 (495) 757-0108

50 Hobart Ln, Amherst, MA 01002
+1 (413) 549-4501

Dept. of Linguistics, Univ. of Massachusetts, Amherst, MA 01003-9274
phone (413) 545-0889, fax (413) 545-2792
*****
E-mail (no matter where): partee@linguist.umass.edu
Home page: http://people.umass.edu/partee/
Jan - Aug 09: Moscow. Sept - Dec 09: Amherst.

Grier Hopkins

From: Melissa Rouge [melissarouge@yahoo.com]
Sent: Saturday, January 30, 2010 1:08 PM
To: Grier Hopkins
Subject: Goldstream valley

To whom it may concern,

I live in the Goldstream valley and routinely use the trails on both the East and West side of Ballaine road. I support making the Goldstream Public Use Area into a permanent public use area.
The loss of these trails would mean needing to relocate, with a kennel of sled dogs it is imperative to be able to run from home.

Sincerely,
Melissa Rouge

Grier Hopkins

From: Tom McGrane [tom.mcgrane@gmail.com]
Sent: Saturday, January 30, 2010 12:55 PM
To: Grier Hopkins
Subject: Support for Goldstream Public Use Area

Please add my name as a supporter of making the Goldstream Public Use area protections permanent.

I'm the volunteer trails coordinator for the Alaska Dog Mushers Association in Fairbanks and help with issues concerning the 28 mile trail system located in and around Creamers Refuge between College Road and Farmers Loop Road.

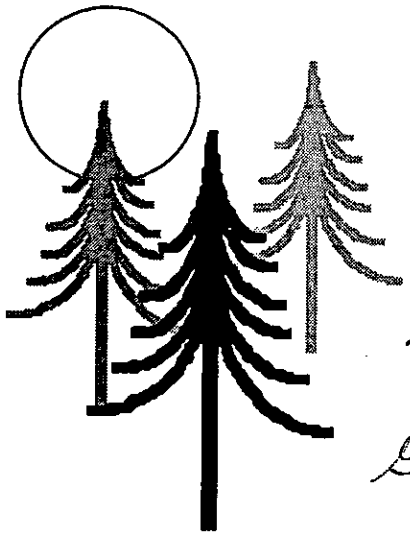
These two trails systems, along with several others in the Fairbanks area, help make Fairbanks the mushing capital of the world and contribute significantly to the winter economy by supporting local businesses and bringing in out-of-town visitors.

As Fairbanks has grown, access to many trails has been lost due to new construction blocking unofficial trails. It's critical that key existing trails be protected from future encroachment. Fortunately, the Goldstream Public Use area is so wet that there are few alternative uses that are practical and continued multi-use recreational use is clearly the highest and best use.

Thanks.

Tom McGrane
879 Mushers Road
Fairbanks, AK 99712
tom.mcgrane@gmail.com

February 7, 2000



Senator Joe Thomas
Alaska State Capitol
Juneau, Alaska

Dear Senator Thomas:

I support your bill to protect the Goldstream Public Use Area.

Maintaining Fairbanks' quality of life for present and future residents is essential. I hike and pick berries in the areas in question, and would support adding lands to the Public Use Area.

I live in the valley, and regard the Area as part of my neighborhood.

Thanks,

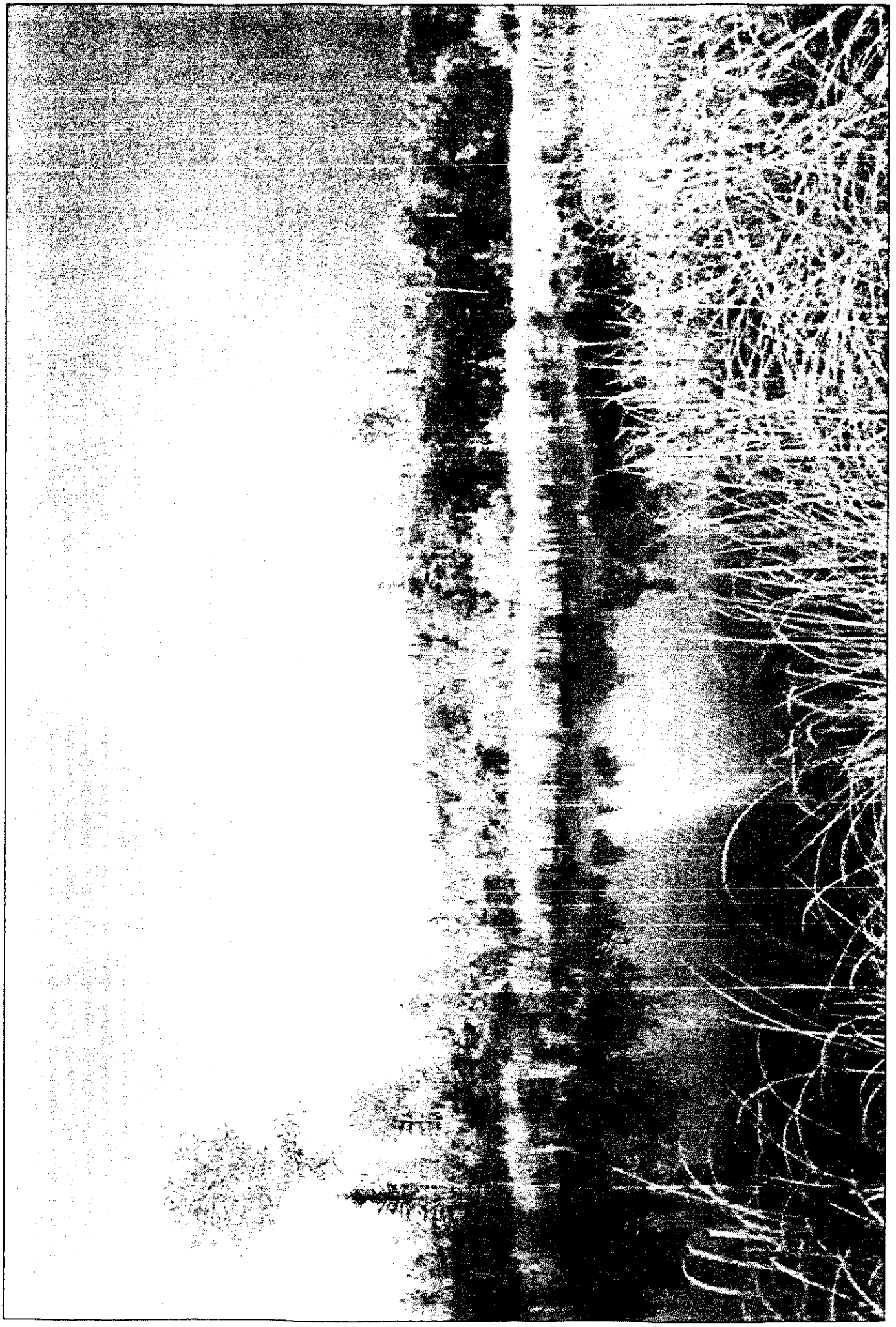
Birch (Ray) Pawlosky
6063 Reconstruction Rd.
Fairbanks, 99709

Senator Thomas,

I live in Goldstream Valley and am an extensive user of the Goldstream Public Use Area. My wife + I use the trails for winter walks on a regular basis. I also cross country ski regularly and occasionally ride my snow machine on these trails. Thank you for taking this project on and making it a priority.

Bob Zaukel
POB 83244
Fairbanks AK 99708
455-6164

P.S. I am a 25+ years resident of Goldstream Valley and don't plan on moving. I own + operate a sawmill in Goldstream dBA Alaska Brick Works.



Letters of Support for Senate Bill 195

Alaska Outdoor Council

Alaska Dog Mushing Association

Alaska Miners Association,

Nordic Ski Club of Fairbanks

Alaska Trapper's Association

Skijoring and Polk Association

Fairbanks Snow Travelers

Northern Area State Parks Advisory Board

Fairbanks North Star Borough Trails Advisory Board

Alaska Trails

Interior Trails Preservation Coalition

Interior Alaska Land Trust

Fairbanks North Star Borough

Fairbanks Daily News-Miner

"For the past 20 years, the state-owned portions of the lowlands have been held in that undeveloped condition by the Goldsteam Public Use Area, a popular, legislatively designated withdrawal. The withdrawal is about to expire, so the legislature needs to reaffirm it – permanently this time."

-Fairbanks Daily News-Miner Editorial, December 25th, 2009

Alaska Outdoor Council

310 K Street, Suite 200
Anchorage, Alaska 99501
Phone: (907) 264-6645 Fax: (907) 264-6602
e-mail: aoc@alaskaoutdoorcouncil.org
web: www.alaskaoutdoorcouncil.org

December 16, 2009

Board of Directors

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Bill Iverson
Soldotna

Southcentral 1st Vice Pres.
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Interior 2nd Vice Pres.
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Todd Clark
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Secretary
Dave Ausman

At Large

Fund Trustee
Byron Haley
Fairbanks

Executive Director
Rod Arno
Palmer

Dear Alaska State Legislature,

The Alaska Outdoor Council continues to supports the Goldstream Public Use Area because it is an important resource for the Fairbanks community. This area allows a wide variety of outdoor opportunities close to the hub of Fairbanks and has many established trails that get extensive use by many groups.

Sincerely yours,

Bill Iverson
President
Alaska Outdoor Council
"Protecting your Hunting, Trapping, Fishing and Access Rights"
Email: president@alaskaoutdoorcouncil.org

Alaska Dog Mushers Association

*PO Box 70662 * Fairbanks, Alaska 99707 * (907) 457-MUSH*
*adma@sleddog.org * www.sleddog.org*

December 16, 2009

Dear Alaska State Legislature,

The Alaska Dog Mushers Association supports the Goldstream Public Use Area.

We believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life in our community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The trails in the Goldstream Public Use Area are used extensively by mushers. Fairbanks is home to the best sled dog racing in the world and mushing brings millions of dollars to Fairbanks every year. Without access to trails like these, this would not be possible.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and I urge you to join us in supporting the continued existence of this important piece of legislation.

Sincerely,

Shannon Erhart

Shannon Erhart
President

ALASKA MINERS ASSOCIATION, INC.

3305 Arctic Blvd., #105, Anchorage, Alaska 99503 • (907) 563-9229 • FAX: (907) 563-9225 • www.alaskaminers.org

February 15, 2010

Honorable Joe Thomas
Alaska State Senate
Capitol Building
Juneau, AK 99801

Re: Senate Bill 195, Repeal of Sunset on Goldstream Public Use Area

Dear Senator Thomas,

The Alaska Miners Association supports SB-195 which would repeal the sunset requirement on the Goldstream Public Use Area. The Goldstream Public Use Area allows for multiple use and specifically for mineral entry (staking mining claims) and mineral development if economic deposits are found at some time in the future.

Thank you for the opportunity to comment on this bill and we urge that it be passed this session of the legislature.

Sincerely,

Steven C. Borell, P.E.
Executive Director

NORDIC
SKI CLUB

FAIRBANKS

NORDIC SKI CLUB OF FAIRBANKS

Mailing Address:
PO Box 80111
Fairbanks, AK 99708-0111

Shipping Address:
1540 Hayes Avenue
Fairbanks, AK 99709

Office Phone: 474-4242
Birch Hill Weather: 457-4837
Junior Nordic: 457-4437
Racing Hotline: 457-4434
e-mail: nordic@nscfairbanks.org
Web: http://www.nscfairbanks.org

Dear Alaska State Legislature,

The Nordic Ski Club of Fairbanks supports the Goldstream Public Use Area and efforts maintain its current status.

We believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for our membership and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, skiing and skijoring, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.

The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds, including our membership. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.

Thank you and we urge you to join us in supporting the continued existence the Goldstream Public Use Area by passing this important piece of legislation.

Sincerely,

Mike Ruckhaus
President

ALASKA SKIJORING AND PULK ASSOCIATION
INTERIOR ALASKA
P. O. Box 82843, Fairbanks, Alaska 99708-2843
Hotline: 907-457-5456, Website: http://www.sleddog.org/skijor

December 22, 2009

To: Alaska State Legislature

RE: Letter of Support for Goldstream Public Use Area

The Alaska Skijoring and Pulk Association (ASPA) is a nonprofit organization that promotes recreational and competitive skijoring in the Alaskan Interior. We host a variety of events each season, including how-to clinics, fun races, competitive races and trail tours. We have used the trails in the Goldstream Public Use Area for numerous events.

The ASPA Board supports the continuance of the Goldstream Public Use Area which encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, as well as access to trails and the beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle or interests.

Thank you and we urge you to join us in supporting the continued existence of this important piece of legislation.

Sincerely,

Jamie Marschner
President, Alaska Skijoring and Pulk Association

Grier Hopkins

From: jody formon [jodyf_us@yahoo.com]
Sent: Monday, December 14, 2009 6:42 PM
To: Grier Hopkins

Dear Alaska State Legislature,
I am the president of the Fairbanks Snow Travelers. We support the Goldstream Public Use Area. We believe the access and opportunities to outdoor recreation of all types that are available because of the Goldstream Public Use Area are essential to maintaining a strong quality of life for us and our entire community. This Public Use Area is home to a wide variety of uses, including hunting, dog mushing, motorized and non-motorized access, boating, berry picking, trapping and many others. This array of allowable uses gives every Fairbanks resident and family a place, close to town, where they can enjoy the Alaskan great outdoors.
The Goldstream Public Use Area encompasses an ever growing number of established trails that are utilized year round by user groups of all kinds. The loss of this open space, access to trails and beautiful scenery would be a major loss to every resident of Fairbanks, no matter their lifestyle.
Thank you and I urge you to join me in supporting the continued existence of this important piece of legislation.
Sincerely,

Jody Formon
President
Fairbanks Snow Travelers

Alaska Trappers Association
PO Box 82177
Fairbanks, AK 99708

Senator Joe Thomas
1292 Sadler Way – Suite 308
Fairbanks, AK 99708

12/22/09

Dear Senator Thomas:

Please allow the Alaska Trappers Association to add their voice to those in support of the Goldstream Public Use Area (GPUA) and your proposed legislation which would preclude the "sunsetting" of the current law.

ATA is a statewide organization with several hundred members in the Fairbanks area. At the time of the original legislation establishing the GPUA, our group, along with many other outdoor users, supported Senator Fahrenkamp and Representative Davis in their efforts to protect this area. Our support for keeping the area insulated from development and open to a wide variety of outdoor activities has not diminished.

We feel that the multiple uses of this area, particularly when it comes to wildlife, is a model of cooperation. The trails system is important to untold local recreationists, including trappers. The area is heavily used for moose hunting (currently by bowhunting only) and has been the site of habitat improvement and enhancement projects by ADFG and ADNR.

We are grateful that trapping was one of the designated uses when the area was established. This use remains important. Having areas such as the GPUA in proximity to town is very helpful to new and younger trappers who cannot travel great distances.

We appreciate and support your efforts to rid the statute of the "sunset" clause.

Sincerely,

Randy Zarnke

Randy Zarnke, President

ALASKA STATE PARKS

Northern Area Alaska State Parks Citizen Advisory Board

3700 Airport Way Fairbanks, Alaska 99709-4609 (907) 451-2695

December 17, 2009

Senator Joe Thomas
1292 Sadler Way, Suite 314
Fairbanks, AK 99701

Dear Senator Thomas,

Thank you for having Grier attend the Legislative Briefing presented by the Citizen Advisory Board of the Northern Area State Parks on December 9th, 2009. The members of the Board appreciated the opportunity to share our pride in, and our hopes for, Alaska State Parks.

The goal of Alaska State Parks is to assure quality management of our park units. We have implemented a wide range of ways to provide quality service with the least cost to the state. Tools include privatization, partnerships, grants, volunteers, and user fees.

Unfortunately these tools haven't proven successful for the three popular sites in the Northern Area as well as the 66.5 million dollar Deferred Maintenance Back-log. We ask for your support in strengthening the park system for the use, enjoyment, and welfare of the people.

Thanks again for attending the briefing and supporting Alaska State Parks! We look forward to working with you on issues and opportunities facing our State Parks. Please feel free to contact us with any comments or questions. Thank you for your support of Alaska State Parks!

Respectfully,

Jamie Marschner, Chair
Northern Area Alaska State Parks Citizen Advisory Board

ALASKA TRAILS

December 17, 2009

Senator Joe Thomas,

RE: SUPPORT OF THE Goldstream Public Use Area

Sen. Thomas,

Alaska Trails greatly appreciates your efforts in helping to preserve the Goldstream Public Use Area. We hope the Legislature sees the wisdom in saving this very valuable resource in interior Alaska by keeping the public use area and eliminating the sunset clause.

The Goldstream Public Use Area has many points in its favor:

- It is used for a large variety of winter activities including snowmachining, mushing, Nordic skiing, ski-joring, running, walking, biking, and snowshoeing.
- Despite much of the public use area being boggy, it is still popular in summer and fall for berry picking, bird watching, and hunting.
- The main trail that traverses the public use area is integral to the 100-Mile Loop Trail, an important trail project of the Fairbanks North Star Borough.
- The area borders a parcel of land that the borough plans to turn into Skyline Ridge Park, a lightly managed park with an emphasis on trails. Trails already existing there connect to trails in the Goldstream Public Use Area.
- Winter tourism is growing in interior Alaska. A large component of that business is the easy availability of trails and the recreational opportunities they offer. Goldstream Valley offers one of the best wilderness trail experiences that can be had a few minutes from Fairbanks.
- Land in the public use area is mostly boggy. It is far more valuable as a public use area than it would ever be if it were developed.

Alaska Trails urges the Alaska State Legislature to support the Goldstream Public Use Area by continuing its existence without a sunset clause. This valuable resource needs to be protected.

Sincerely,

Max Gruner
Executive Director
Alaska Trails

President
Geoffrey Orth
Fairbanks

Past President
Lindsay Winkler
Logan, UT

Secretary
Jillian Morrissey
Palmer

Treasurer
Malcolm McEwen
Fairbanks

Members at Large
Wayne Blessel
Kodiak

Dan Chagnon/
Karl Kassel
Fairbanks

Executive Director
Max Gruner
Anchorage

Alaska Trails
PO Box 100627
Anchorage, AK
99510
907-334-8049
office@alaska-trails.org
www.alaska-trails.org

INTERIOR TRAILS PRESERVATION

ITPC

Tuesday, December 15, 2009

Senator Joe Thomas,
1292 Sadler Way Ste 314
Fairbanks, AK 99701

Re: The Goldstream Public Use Area

Dear Sen. Thomas,

Thank you for taking up this very important issue. We strongly urge the state legislature to pass a law that would continue the Goldstream Public Use Area. This area is a highly popular and important part of winter recreation to interior Alaska for both residents and visitors. We were unaware of the sunset provision in the original law that created the public use area and were very concerned when we learned of it.

The nearly 2,000-acre PUA is heavily used by area residents and others. Goldstream Valley, of which this PUA is a critical part, is especially popular in the winter. The area has a network of trails used by mushers, snowmachiners, skijorers, winter bikers, skiers, runners, walkers, and snowshoers. The trails connect to other trails that lead to Fox, lower Goldstream Valley, El Dorado Creek Valley, O'Connor Creek Valley, and Skyline Ridge. The trails in the PUA can be accessed at several points including parking pullouts on Ballaine and Goldstream roads, Skyline Ridge trails, and subdivisions off Ballaine and Goldstream roads. This access and popularity make the PUA a very valuable resource.

Additionally, the main trails in the PUA make up a portion of the borough's 100-Mile Loop Trail, a trail concept that will connect existing trails to make a large circle around Fairbanks. The 100-Mile Loop Trail will greatly enhance the trail experience in Fairbanks. The trails through the Goldstream PUA are a critical part of that project. Trail connectivity is critical. Without it, trails can be unusable or even unsafe if trails must cross numerous roads. This is especially true for mushers, a significant portion of winter trail users here.

Yet another important aspect of the PUA, is its proximity to a planned borough park. The Fairbanks North Star Borough is working with the state Department of Natural Resources to assume ownership of a 400-acre parcel of land on Skyline Ridge that abuts the PUA. The borough intends to turn that parcel of land into a lightly managed park. The park and PUA would complement each other.

Much of the PUA is boggy during summer, yet it is still used by berry pickers, canoers,

ITPC
P.O. Box 74263, Fairbanks, AK 99707 Phone: (907) 458-7968

bird watchers, and hunters. The boggy land is ill-suited for development. However, experience has shown that with enough gravel people will build in all sorts of boggy land. That is why it is imperative that the PUA be protected. It is worth far more to the community as a public use area than if it were eventually sold and developed as sub-prime lots.

We ask that the PUA be continued without a sunset clause. We are confident that if given proper protections the Goldstream Public Use Area will be a valuable asset to the community for many years to come.

Sincerely,

Eric Troyer
Vice President
fbxtrails@gmail.com

Interior
Alaska
Land Trust

P.O. Box 84169
Fairbanks, AK 99708-4169
907-451-0737
interioraklandtrust@gmail.com
www.interioraklandtrust.org

BOARD RESOLUTION

RE: Removing sunset clause on the Goldstream Public Use Area designation

WHEREAS the legislation for the Goldstream Public Use Area (AS 41.23.140 - 41.23.170), a nearly two thousand acre patchwork of designated Alaska State land in the Goldstream Valley north of Fairbanks, is set to sunset on July 1, 2010, and

WHEREAS the Goldstream Public Use Area is used by dog mushers, runners, snow machiners, skiers, hunters, berry pickers, bird watchers, trappers and others for recreation, subsistence and other activities; and

WHEREAS the proximity of the Goldstream Public Use Area to the population of Fairbanks makes it especially valuable to families and outdoor enthusiasts of all levels; and

WHEREAS the Goldstream Public Use Area provides many other ecosystem services in its natural condition, including water filtering and storage capacity, wildlife habitat, and natural viewsheds; and

WHEREAS the Interior Alaska Land Trust owns 110 acres of conservation land adjacent to three parcels included in the Goldstream Public Use Area and has an interest in preserving the conservation values of the adjacent lands for its members and residents of the Fairbanks area; therefore

BE IT RESOLVED, that the Interior Alaska Land Trust supports legislation to remove the sunset clause from the legislation designating the Goldstream Public Use Area, and have that legislation stand until modified by vote of the legislature. The Interior Alaska Land Trust supports Senator Joe Thomas (D-Fairbanks) and any other legislators in their efforts to remove this sunset clause.

The Board of the Interior Alaska Land Trust unanimously voted to approve this resolution during a regularly scheduled monthly board meeting on 8 December 2009.

Signed _____
Roselynn Ressa, Board President

Fairbanks North Star Borough
Office of the Mayor
PO Box 71267, Fairbanks AK 99707 907-459-1300, 459-1102 fax

January 12, 2010

Alaska State Legislature
% Senator Joe Thomas
1292 Sadler Way, Suite 308
Fairbanks Alaska, 99701

Re: Goldstream Public Use Area

Dear Members of the Alaska State Legislature:

The Goldstream Public Use Area, Alaska Statues 41.23.140-170, is an important asset to the Fairbanks North Star Borough community. Senator Joe Thomas is proposing a bill that would remove the "sunset" clause of July 1, 2010 from the Goldstream Public Use Area, AS 41.23.140, and preserving it in perpetuity. As recommended to me by the Borough Trails Advisory Commission and the Parks and Recreation Advisory Commission, I support this legislation.

For many years this area of approximately 2,000 acres has been used for a variety of summer and winter outdoor recreational activities. These activities range from motorized to non-motorized uses and include snow-machining, sled dog-mushing, skiing, skijoring, snowshoeing, hunting, hiking, trapping, berry picking, walking, and canoeing to name a few. With its proximity near a major urban area the Goldstream Public Use Area not only provides for these uses but also serves as a vital link to an ever expanding network of recreational trails, extending beyond the boundaries of the borough, and enjoyed by local and state-wide residents alike.

The outdoor recreational opportunities within the Goldstream Public Use Area provide significant economic and social value to the Borough, its residents, and visitors to our community. To lose this public use area would be a tremendous loss to our community. I urge your support of this important piece of legislation.

Sincerely,

Luke Hopkins, Mayor
Fairbanks North Star Borough

cc: Michael Cox, Director, FNSB Parks and Recreation
FNSB Trails Advisory Commission
FNSB Parks and Recreation Advisory Commission

SB 208

ALASKA STATE LEGISLATURE

House Resources Committee

Craig Johnson, Co-Chair

State Capitol Building, Room 126
Juneau, AK 99801-1182
Phone (907) 465-4993
Fax (907) 465-3872
Rep.Craig.Johnson@legis.state.ak.us

Mark Neuman, Co-Chair

State Capitol Building, Room 432
Juneau, AK 99801-1182
Phone (907) 465-2679
Fax (907) 465-4822
Rep.Mark.Neuman@legis.state.ak.us

MEMORANDUM

TO: Representative Mike Chenault, Speaker
Alaska State House of Representatives

FROM: Rep. Craig Johnson and Rep. Mark Neuman
Co - Chairs, House Resources Committee

DATE: April 10, 2009

SUBJECT: Waiver of CSSB 208(RES) from Committee

The undersigned members of the House Resources Committee request that CS for SB 208, DNR/REVENUE STUDY ON NATURAL GAS, be waived from committee. This bill passed the Senate unanimously, has a zero fiscal note, and simply tasks the Administration with evaluating existing incentives to promote Cook Inlet gas production and recommending any new incentives which are needed before the state of the next legislative session.

Rep. Craig Johnson, Co-Chair

Rep. Mark Neuman, Co-Chair

Rep. Bryce Edgmon

Rep. Kurt Olson

Rep. Paul Seaton

Rep. Peggy Wilson

Rep. David Guttenberg

Rep. Scott Kawasaki

Rep. Chris Tuck

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSSB 208(RES)
(S) Publish Date: 3/10/10

Identifier (file name): SB 208-DNR-O&G-02-04-10
Dept. Affected: Natural Resources
Title: Cook Inlet Gas Exploration Incentives
RDU: Resource Development
Component: Oil and Gas Development
Sponsor: Sen. Wielechowski
Requester: Senate Resources
Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual	**200.0**						
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**200.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	200.0						
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**200.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

SB 208 requires the Department of Natural resources to complete a report by November 1, 2010 for the legislature dealing with potential measures to encourage the investment needed to bring on undeveloped and unproven gas resources in the Cook Inlet.

It is estimated that $200,000 will be required for an outside consultant and legal advice. If the study must be completed by November 1, 2010, DNR will evaluate whether an existing contract with an outside consultant can be modified to include this work. It will be a challenge to complete a thoughtful and comprehensive study in such a short period of time.

Prepared by: Kevin Banks — Phone 269-8800
Division: Director — Date/Time 2/4/10 5:00 PM
Approved by: Tom Irwin — Date 2/5/2010
Natural Resources

(Revised 11/6/2009 OMB)

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSSB 208(RES)
(S) Publish Date: 4/7/10

Identifier (file name):
Title: Cook Inlet Gas Exploratoin Incentives
Sponsor: Sen. Wielechowski
Requester: Senate Finance Committee

Dept. Affected: Natural Resources
RDU: Resource Development
Component: Oil and Gas Development
Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: Senate Finance Committee
Co-Chair Bert Stedman/Co-Chair Lyman Hoffman
Phone 465-3873/465-4453
Date/Time

Approved by:
Date 4/6/2010

(Revised 11/6/2009 OMB)

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: CSSB 208(RES)
(S) Publish Date: 4/7/10

Identifier (file name): CSSB208(RES)-REV-TAX-04-05-10
Dept. Affected: Revenue
Title: DNR Study on Natural Gas
RDU: Taxation and Treasury
Component: Tax Division
Sponsor: Senator Wielechowski
Requester: Senate Finance Committee
Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

***** See Analysis Section for Additional Information *****

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	**0.0**	0.00	0	0	0	0	0
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

SB 208 requires the Department of Natural Resources and Department of Revenue to complete a report by November 1, 2010 for the legislature dealing with potential measures to encourage the investment needed to bring on undeveloped and unproven gas resources in the Cook Inlet.

$200,000 is included in the Natural Resources fiscal note for SB208 to cover the costs of an outside consultant and legal advice. Both departments will supplement this amount with exisiting resources, and will work together to complete the study by November 1, 2010. Becuase of the short timeline, the departments will evaluate whether an existing contract with an outside consultant can be modified to include this work.

Prepared by: Ian Laing, Project Manager — Phone 907-392-9449
Division: Tax Division — Date/Time 4/5/10; 5:05 pm
Approved by: Ginger Blaisdell, Director — Date 04-05-10; 5:43pm
Administrative Services Division

SJR

16

HOUSE COMMITTEE REPC T

(9)

Date Referred to Committee: April 6, 2009 **FURTHER REFERRALS:**

Date of Committee Action: 13 Apr 2009

The RESOURCES Committee considered: **CS FOR SENATE JOINT RESOLUTION NO. 16(RES)**

Expressing support for responsible development of the oil and gas resources in federal waters offshore of Alaska's coast as a means to ensure energy independence, security for the nation, and jobs for Alaskans; and urging the United States Congress to provide a means for consistently sharing with all coastal energy-producing states, on an ongoing basis, revenue generated from oil and gas development on the outer continental shelf, to ensure that those states develop, support, and maintain necessary infrastructure and preserve environmental integrity.

SJR 16 OFFSHORE OIL & GAS REVENUE

Recommends it be replaced with [ ] HCS *or* **[ ] CS** *for* _____ (_____)

For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW **FISCAL NOTES** *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero

PREVIOUS **FISCAL NOTES**				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
SRES	1			✓

Signing with recommendations	**Printed Last Name**	**DP**	**DNP**	**NR**	**AM**
	OLSON			✓	
	Edgmon			X	
	GUTTENBERG	✓		✓	
	TUCK	✓			
				X	
	SEATON	+			
Chair:	NEUMAN	+			
Chair:					

ALASKA STATE LEGISLATURE

Co-chair, Resources Committee
•
Co-chair, Joint Armed Services Committee
•
Vice chair, Judiciary Committee
•
Energy Committee
•
World Trade Committee

State Capitol, Rm. 115
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(907) 465-2435
Fax: (907) 465-6615

716 W. 4th Ave, Ste. 440
Anchorage, AK 99501
(907) 269-0102
Fax: (907) 269-6122

SENATOR BILL WIELECHOWSKI

April 7, 2009

Representative Mark Neuman, Co-Chair
Representative Craig Johnson, Co-Chair
House Resources Committee
State Capitol
Juneau, Alaska 99801

I am writing to respectfully request a hearing on CS for SJR 16, which expresses the support of the Alaska State Legislature for responsible development of the oil and gas resources in federal waters off of Alaska's coast. This resolution, which passed the Senate unanimously, also calls on the Congress to share revenues from offshore development with coastal energy-producing states to compensate them for developing and maintaining infrastructure in support offshore development.

Secretary of the Interior Ken Salazar will be holding a hearing in Anchorage on proposed outer continental shelf oil development off Alaska on April 14 and it would be advantageous to present him with this resolution at the hearing.

Thank you for your prompt consideration of this request.

Sincerely,

Senator Bill Wielechowski

ALASKA STATE LEGISLATURE

Co-chair, Resources Committee
•
Vice chair, Judiciary Committee
•
Co-chair, Joint Armed Services
•
Energy Committee
•
World Trade Committee

State Capitol, Rm. 115
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Fax: (907) 465-6615

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SENATOR BILL WIELECHOWSKI

SJR 16:
Development of Offshore Oil and Gas Reserves

SJR 16 expresses support for responsible development of the oil and gas resources in federal waters off Alaska coast. It also urges Congress to provide Alaska with a fair share of federal revenue from oil and gas leasing and development in federal waters.

Under current law, Alaska receives little revenue from oil and gas leasing and development that occurs more than six miles off our coast. This contrasts with how other states, including Louisiana, Mississippi, Alabama and Texas, are treated. Under the 2006 Gulf of Mexico Energy Security Act, these states receive 37.5 percent of revenues from newly leased federal waters off their coasts. This new law is expected to direct more than $13 billion to Louisiana alone over the next three decades.

Alaska deserves to be treated in the same way as other states that contribute to our nation's energy security. Like other energy-producing states, Alaska bears the costs of infrastructure in support of offshore development, and our coastal resources and residents bear the impacts of offshore development. Alaskans deserves to share in the benefits of production, just as we do its costs.

The federal Minerals Management Service estimates that there could be as much as 55 billion barrels of technically recoverable oil and 280 trillion cubic feet of technically recoverable gas off Alaska's coast. Last year companies bid $2.6 billion for access to tracts in the Chukchi Sea. More than 1.4 million acres off Alaska's coast have already been leased by the federal government. The Chukchi Sea sale could result in the leasing of an additional 2.7 million acres, providing ongoing support for a robust oil and gas industry in Alaska.

As more lands off Alaska's coast are leased for offshore oil production, we need to ensure that Alaska gets its fair share of the benefits of that leasing and production. It's time Congress treated all coastal states equally and fairly. Please join me in supporting SJR 16.

Ted Stevens: Time to divvy up OCS

Alaska's senior U.S. senator, governor want state to get share of outer continental shelf oil and gas royalties

By KRISTEN NELSON
Petroleum News

The State of Alaska should share in royalties from outer continental shelf production on its borders, says U.S. Sen. Ted Stevens, R-Alaska, predicting that such sharing will take place as a condition of OCS production off Alaska.

The senator, in Juneau to give his annual update to the Legislature, told members of the press Feb. 19 that the bill passed in 2006 which allocated OCS monies to Gulf of Mexico states originally included Alaska.

"We had a provision in the bill as it went through and it was the people opposed to ANWR who took that out of there. They thought it was an incentive to drill in Alaska and would not let us enact it."

Stevens said North Slope residents oppose drilling "until they get a percentage of it — that's what we're facing right now."

Both the state and federal governments "have to wake up," Stevens said.

People on the North Slope are not going to put up with oil and gas drilling and the risk to their resources from a spill. "I don't think it's a great risk," Stevens said, but calling it a "potential risk to their resources."

Alaska is not included in OCS offshore royalty sharing, he said, "because of the opposition of the extreme environmental people."

Alaska has two-thirds of the outer continental shelf "and we don't get any money from any production that comes from the outer continental shelf."

"I predict there's not going to be any production until we get it. Both the state and the Native people oppose any real production until we get the same kind of share that others get from production off our shore," Stevens said.

Governor: time Alaska starts promoting OCS share

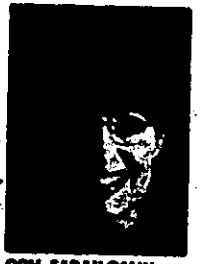
Alaska Gov. Sarah Palin agreed with Stevens on OCS royalty share.

"It's going to become much brighter on everyone's radar screen, I think, once Alaskans realize that these other coastal states do receive OCS revenue shares. Alaska doesn't; we're exempt from that," the governor told reporters Feb. 21.

She said she would like to see that changed and thinks it's time Alaska started pushing for that change, and anticipates that the state's congressional delegation would support that move.

Stevens helped the Gulf of Mexico states get a share of OCS royalties, Palin said, adding that she hopes delegations from those states would, in return, assist Alaska in getting royalties off its shores.

SEN. TED STEVENS



GOV. SARAH PALIN

Alaska's share $21.7 million

Alaska does earn royalties from production from federal lands onshore and from offshore lands adjacent to state waters.

Alaska was one of 34 states which earned a share of almost $2 billion during fiscal year 2007 as part of federal revenues collected by the Department of the Interior's Minerals Management Service, MMS said late last year.

Alaska's share, $21.7 million, represents its share of revenues collected from oil, gas and coal production.

MMS said for the majority of onshore federal lands, states receive 50 percent of the revenues while the other 50 percent goes to various funds of the U.S.

see **SHARE** *page 14*

continued from page 13

SHARE

Treasury, including the Reclamation Fund for water projects. Alaska receives a 90 percent share of revenues from onshore production as prescribed in the Alaska Statehood Act.

"In addition, Texas, Alabama, Louisiana and Mississippi with producing federal offshore tracts adjacent to state waters receive 27 percent of those mineral royalties," while remaining offshore revenues MMS collects go into various accounts of the U.S. Treasury, the majority into the general fund.

U.S. coastal waters are divided into three zones: from zero to three miles is state waters; in federal waters from three to six miles from shore, states get a 27 percent cut of royalties from production; there is no state cut beyond six miles, except for those Gulf Coast states receiving OCS royalties as a result of the 2006 federal legislation. ●

On the Web

See previous Petroleum News coverage:

See previous Petroleum News coverage:
"GOM energy act passes" in Dec. 17, 2006, issue at www.petroleumnews.com/pnads/501450772.shtml

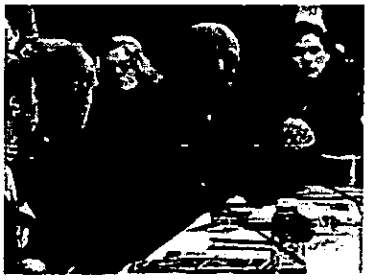
"OCS impact assistance program moves ahead" in March 11, 2007, issue at www.petroleumnews.com/pnads/829616050.shtml

KTUU News Story

Shell Oil in the United States President John Hofmeister (Rich Jordan/KTUU-TV)

North Slope Borough Mayor Ed Itta (Rich Jordan/KTUU-TV)

University of Alaska Anchorage Chancellor Fran Ulmer (Rich Jordan/KTUU-TV)



Alaska AFL-CIO President Vince Beltrami (Rich Jordan/KTUU-TV)

by Steve Mac Donald
Tuesday, Feb. 19, 2008

ANCHORAGE, Alaska -- A unique conversation between 32 people took place Tuesday. Representatives from big oil, environmental groups, government and labor tied to the Alaska's oil industry gathered around a table to discuss the state's future.

The U.S. uses 10,000 gallons of oil a second every day and Shell Oil in the United States, which sponsored the summit, made that point very clear.

The company's president, John Hofmeister, is on a kind of goodwill tour around Alaska. He faced his fair share of questions from participants, many of which questioned him about finances.

North Slope Borough Mayor Ed Itta says the federal government isn't sharing revenues from off-shore lease sales with coastal communities like his.

"We believe it's reasonable and fair. While monetary gains is not the issue, of course, it's always nice to have revenues and continue to fund our government," he said. "We as a people are being asked to take a whole bunch of risk without any reward."

Perhaps the most compelling question posed at the roundtable had to do with jobs. Who, exactly, is going to retrieve all that oil and gas in the Beaufort and Chukchi Seas and on the North Slope?

"We've got about a 20,000 workers shortage so we have our work cut out for us just to even meet current demands," said Alaska Vocational Technical Centers director Fred Esposito.

With the possibility of a natural gas pipeline in Alaska's future, along

with potential oil developments in the Beaufort and Chukchi Seas, many at the table worry there won't be nearly enough Alaskans qualified to fill construction jobs those projects could bring.

"We tried to pass a local hire law a couple times, went to the Supreme Court, that didn't go very well," said University of Alaska Anchorage Chancellor Fran Ulmer.

Many at the meeting were concerned the jobs may go to workers Outside.

"The ultimate local hire is growing our own, training our own -- it's kind of a no brainer isn't it," Ulmer said.

Labor unions say they're trying to meet the demand through apprenticeship programs.

"The majority of work that needs to be trained for are the primary crafts -- welders, operators, pipe fitters, teamsters -- and we do that real well and we've got a 100 percent resident hire requirement in our apprenticeship program," said Alaska AFL-CIO President Vince Beltrami.

The state must take advantage of training programs such as this for what could be a potential job boon if and when these major projects become reality.

A new training facility planned for the Fairbanks area may help train Alaskans to qualify for jobs in the maturing energy field here.

The organizers of Tuesday's discussion was a Washington, D.C.-based group, the Congressional Quarterly, which says a White Paper will be produced summarizing the findings, results and conclusions.

Contact Steve Mac Donald at stevem@ktuu.com

WorldNow

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H.R.6111

Tax Relief and Health Care Act of 2006 (Enrolled as Agreed to or Passed by Both House and Senate)

Excerpt ...

SEC. 105. DISPOSITION OF QUALIFIED OUTER CONTINENTAL SHELF REVENUES FROM 181 AREA, 181 SOUTH AREA, AND 2002-2007 PLANNING AREAS OF GULF OF MEXICO.

(a) In General- Notwithstanding section 9 of the Outer Continental Shelf Lands Act (43 U.S.C. 1338) and subject to the other provisions of this section, for each applicable fiscal year, the Secretary of the Treasury shall deposit--

(1) 50 percent of qualified outer Continental Shelf revenues in the general fund of the Treasury; and

(2) 50 percent of qualified outer Continental Shelf revenues in a special account in the Treasury from which the Secretary shall disburse--

(A) 75 percent to Gulf producing States in accordance with subsection (b); and

(B) 25 percent to provide financial assistance to States in accordance with section 6 of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 460l-8), which shall be considered income to the Land and Water Conservation Fund for purposes of section 2 of that Act (16 U.S.C. 460l-5).

(b) Allocation Among Gulf Producing States and Coastal Political Subdivisions-

(1) ALLOCATION AMONG GULF PRODUCING STATES FOR FISCAL YEARS 2007 THROUGH 2016-

(A) IN GENERAL- Subject to subparagraph (B), effective for each of fiscal years 2007 through 2016, the amount made available under subsection (a)(2)(A) shall be allocated to each Gulf producing State in amounts (based on a formula established by the Secretary by regulation) that are inversely proportional to the respective distances between the point on the coastline of each Gulf producing State that is closest to the geographic center of the applicable leased tract and the geographic center of the leased tract.

(B) MINIMUM ALLOCATION- The amount allocated to a Gulf producing State each fiscal year under subparagraph (A) shall be at least 10 percent of the amounts available under subsection (a)(2)(A).

(2) ALLOCATION AMONG GULF PRODUCING STATES FOR FISCAL YEAR 2017 AND THEREAFTER-

(A) IN GENERAL- Subject to subparagraphs (B) and (C), effective for fiscal year 2017 and each fiscal year thereafter--

(i) the amount made available under subsection (a)(2)(A) from any lease entered into within the 181 Area or the 181 South Area shall be allocated to each Gulf producing State in amounts (based on a formula established by the Secretary by regulation) that are inversely proportional to the respective distances between the point on the coastline of each Gulf producing State that is closest to the geographic center of the applicable leased tract and the geographic center of the leased tract; and

(ii) the amount made available under subsection (a)(2)(A) from any lease entered into within the 2002-2007 planning area shall be allocated to each Gulf producing State in amounts that are inversely proportional to the respective distances between the point on the coastline of each Gulf producing State that is closest to the geographic center of each historical lease site and the geographic center of the historical lease site, as determined by the Secretary.

(B) MINIMUM ALLOCATION- The amount allocated to a Gulf producing State each fiscal year under subparagraph (A) shall be at least 10 percent of the amounts available under subsection (a)(2)(A).

(C) HISTORICAL LEASE SITES-

(i) IN GENERAL- Subject to clause (ii), for purposes of subparagraph (A)(ii), the historical lease sites in the 2002-2007 planning area shall include all leases entered into by the Secretary for an area in the Gulf of Mexico during the period beginning on October 1, 1982 (or an earlier date if practicable, as determined by the Secretary), and ending on December 31, 2015.

(ii) ADJUSTMENT- Effective January 1, 2022, and every 5 years thereafter, the ending date described in clause (i) shall be extended for an additional 5 calendar years.

(3) PAYMENTS TO COASTAL POLITICAL SUBDIVISIONS-

(A) IN GENERAL- The Secretary shall pay 20 percent of the allocable share of each Gulf producing State, as determined under paragraphs (1) and (2), to the coastal political subdivisions of the Gulf producing State.

(B) ALLOCATION- The amount paid by the Secretary to coastal political subdivisions shall be allocated to each coastal political subdivision in accordance with subparagraphs (B), (C), and (E) of section 31(b)(4) of the Outer Continental Shelf Lands Act (43 U.S.C. 1356a(b)(4)).

(c) Timing- The amounts required to be deposited under paragraph (2) of subsection (a) for the applicable fiscal year shall be made available in

accordance with that paragraph during the fiscal year immediately following the applicable fiscal year.

(d) Authorized Uses-

(1) IN GENERAL- Subject to paragraph (2), each Gulf producing State and coastal political subdivision shall use all amounts received under subsection (b) in accordance with all applicable Federal and State laws, only for 1 or more of the following purposes:

(A) Projects and activities for the purposes of coastal protection, including conservation, coastal restoration, hurricane protection, and infrastructure directly affected by coastal wetland losses.

(B) Mitigation of damage to fish, wildlife, or natural resources.

(C) Implementation of a federally-approved marine, coastal, or comprehensive conservation management plan.

(D) Mitigation of the impact of outer Continental Shelf activities through the funding of onshore infrastructure projects.

(E) Planning assistance and the administrative costs of complying with this section.

(2) LIMITATION- Not more than 3 percent of amounts received by a Gulf producing State or coastal political subdivision under subsection (b) may be used for the purposes described in paragraph (1)(E).

(e) Administration- Amounts made available under subsection (a)(2) shall--

(1) be made available, without further appropriation, in accordance with this section;

(2) remain available until expended; and

(3) be in addition to any amounts appropriated under--

(A) the Outer Continental Shelf Lands Act (43 U.S.C. 1331 et seq.);

(B) the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 460l-4 et seq.); or

(C) any other provision of law.

(f) Limitations on Amount of Distributed Qualified Outer Continental Shelf Revenues-

(1) IN GENERAL- Subject to paragraph (2), the total amount of qualified outer Continental Shelf revenues made available under subsection (a)(2) shall not exceed $500,000,000 for each of fiscal years 2016 through 2055.

(2) EXPENDITURES- For the purpose of paragraph (1), for each of fiscal years 2016 through 2055, expenditures under subsection (a)(2) shall be net of receipts from that fiscal year from any area in the 181 Area in the Eastern Planning Area and the 181 South Area.

(3) PRO RATA REDUCTIONS- If paragraph (1) limits the amount of qualified outer Continental Shelf revenue that would be paid under subparagraphs (A) and (B) of subsection (a)(2)--

(A) the Secretary shall reduce the amount of qualified outer Continental Shelf revenue provided to each recipient on a pro rata basis; and

(B) any remainder of the qualified outer Continental Shelf revenues shall revert to the general fund of the Treasury.

SJR

22

HOUSE COMMITTEE REPO

(9)
Date Referred to Committee: February 10, 2010 **FURTHER REFERRALS:**

Date of Committee Action: 8 Mar 2010

The RESOURCES Committee considered: **CS FOR SENATE JOINT RESOLUTION NO. 22(RES)**

Opposing litigation that seeks to eliminate the Kenai, Kasilof, and Chitina sockeye salmon personal use dip net fisheries.

SJR 22-FEDERAL PREEMPTION OF SALMON MANAGEMENT

Recommends it be replaced with [✓] HCS *or* [ ] CS for HCS CS SJR 22(FSH) ( )
*For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR*_____ [✓] Same Title [ ] New Title

[ ] attach amendments
[ ] add new referral to _____ Committee
[ ] Letter of Intent_____ Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero
	1			
	2			

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON			X	
	Edgmon			X	
	[illegible]	X			
	[illegible]	X			
	Seaton			X	
	KAWASAKI				X
	WILSON			X	
Chair:	[illegible]	X			
Chair:	[illegible]	X			

ALASKA STATE LEGISLATURE

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Charlie Huggins
Senator

Sponsor Statement SJR 22

This resolution takes aim at lawsuits filed in the US District Court of Alaska, one by the United Cook Inlet Drift Association (UCIDA) and another by Herbert T. Jensen. The complaints by this commercial fishing group and an individual, calling for a return of federal management, are an affront to the State of Alaska. Please, do not forget, here in the afterglow of our yearlong celebration of 50 years of statehood, it was a colossal failure of federal salmon management that was a major driving force behind the statehood movement. Hopefully, no one wishes to return to such a regime.

UCIDA is an association of both resident and non-resident commercial fishers who participate in drift gillnet salmon fisheries in the inlet. Remarkably, they can keep, for their personal use, an unlimited number of fish from their commercial catch. Their goal is to have the state-managed personal use dip net fishery declared unconstitutional and be pre-empted by federal law. This resolution seeks a fair shake for Alaskans who fish, without commercial gear, with simple dip nets, to feed their families. It asks the governor to intervene in defense of our state's authority to manage its own fisheries in a responsible manner.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Versio: HCS CSSJR 22(FSH)
(H) Publish Date: 2/10/2010

Dept. Affected:

Title: FEDERAL PREEMPTION OF SALMON MANAGEMENT
RDU:
Component:

Sponsor: Sen. Huggins, et al
Requester: House Fisheries
Component Number:

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: House Special Committee on Fisheries
Phone 465-2839
Division
Date/Time 2/9/2010 12:30 p.m.
Approved by: House Special Committee on Fisheries
Date 2/9/2010

(Revised 11/6/2009 OMB)

SJR 22 Explanation of changes

Changes since original introduction have been "housekeeping" type changes to clearly identify the lawsuits in question and to reflect post election changes of appointed officials to whom the resolution is directed.

UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
NATIONAL MARINE FISHERIES SERVICE
1315 East-West Highway
Silver Spring, Maryland 20910

THE DIRECTOR

James N. Butler, III
Gregory R. Gabriel, Jr.
Baldwin & Butler, LLC
125 North Willow Street
Kenai, Alaska 99611

Dear Mr. Butler and Mr. Gabriel:

Thank you for your "Petition for Emergency Rules Related to Salmon Management in Cook Inlet, Alaska" (Petition), dated June 12, 2008, and submitted to the Secretary of Commerce by the United Cook Inlet Drift Association and the Kenai Peninsula Fishermen's Association (Petitioners). We have reviewed and considered the Petition. The attached document constitutes the National Marine Fisheries Service's (NMFS's) response to the Petition.

For various reasons explained fully in the attached response, NMFS denies Petitioners' claims that challenge the consistency of certain State of Alaska (State) salmon regulations applicable within the Exclusive Economic Zone (EEZ) with the provisions of the Magnuson-Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act), the Fishery Management Plan for the Salmon Fisheries in the EEZ Off the Coast of Alaska (FMP), and other applicable Federal law. Before appealing such regulations to NMFS, the FMP requires persons challenging State salmon fishing regulations to first exhaust their remedies through the appropriate State procedures. The information provided in the Petition indicates that Petitioners have failed to exhaust their remedies with the State. Petitioners may resubmit these claims to NMFS after exhausting their remedies with the State in accordance with Chapter 9 of the FMP.

NMFS also declines to pursue Petitioners' request that NMFS preempt State management of salmon fisheries within the State waters of Upper Cook Inlet because the Magnuson-Stevens Act prevents NMFS from preempting a state's management authority within that state's waters if NMFS in unable to find that the fishery occurs predominantly within the EEZ. The catch data for salmon in the EEZ versus State waters clearly show that fishing for salmon governed by the FMP, on a broad scale as well as solely within the Cook Inlet Management Area, does not occur predominately within the EEZ.

See pg 11 of attached back-up doc.

THE ASSISTANT ADMINISTRATOR
FOR FISHERIES

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Finally, the attached document provides the agency's position relative to a number of interpretations of several provisions of the Magnuson-Stevens Act and the scope of Federal authority to manage salmon fisheries under the provisions of the Magnuson-Stevens Act and the FMP that are included in the Petition.

Sincerely,

James W. Balsiger, Ph.D.
Acting Assistant Administrator for Fisheries

cc: Denby Lloyd, Commissioner, State of Alaska Department of Fish & Game

Attachments:

1. NMFS's Response to "Petition for Emergency Rules Related to Salmon Management in Cook Inlet, Alaska"
2. The portion of commercial salmon catch harvested in the EEZ
3. Petition for Emergency Rules Related to Salmon Management in Cook Inlet, Alaska, submitted by the United Cook Inlet Drift Association and the Kenai Peninsula Fishermen's Association

National Marine Fisheries Service's Response To
"Petition for Emergency Rules Related to Salmon Management in Cook Inlet, Alaska"
Dated June 12, 2008, and Submitted By the
United Cook Inlet Drift Association and the Kenai Peninsula Fishermen's Association

The United Cook Inlet Drift Association and the Kenai Peninsula Fishermen's Association ("Petitioners") submitted to the Secretary of Commerce ("Secretary") a document entitled "Petition for Emergency Rules Related to Salmon Management in Cook Inlet, Alaska" ("Petition"), dated June 12, 2008. The National Marine Fisheries Service ("NMFS") has reviewed and considered the Petition, and offers the following response.[1]

I. Categorization of Petitioners' claims

Petitioners make a number of claims in their Petition. In reviewing and considering the Petition, NMFS categorized Petitioners claims into three groups. The first group includes those claims that challenge the consistency of certain State of Alaska ("State") salmon regulations applicable within the U.S. Exclusive Economic Zone ("EEZ") with various provisions of the Fishery Management Plan for the Salmon Fisheries in the EEZ Off the Coast of Alaska ("FMP"), the Magnuson-Stevens Fishery Conservation and Management Act ("Magnuson-Stevens Act"), and other laws. The second group includes one claim that requests the Secretary[2] to preempt State management of salmon fisheries within State waters. The final group includes those claims that interpret provisions of the Magnuson-Stevens Act and NMFS's scope of authority under the Magnuson-Stevens Act and the FMP.[3]

NMFS has determined that the first group of claims challenging the consistency of certain State salmon regulations with the FMP, the Magnuson-Stevens Act and other applicable Federal law are appealable to NMFS under Chapter 9 of the FMP. These claims challenge the consistency of the State's regulations for (1) mandatory interim closures, (2) season opening and closing dates, and (3) escapement goals for salmon fisheries within the Cook Inlet Management Area. Petition

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[1] Petitioners cite section 305(f) of the Magnuson-Stevens Act (16 U.S.C. 1855(f)), and its requirement that the Secretary file a response to a judicial action within 45 days of receipt, as providing the statutory timeline in which NMFS must respond to the Petition. Petitioners misconstrue section 305(f); section 305(f) applies to challenges filed in judicial courts of the United States and not to petitions for rulemaking submitted to NMFS under Chapter 9 of the FMP. Chapter 9.1 of the FMP does not set forth a timeframe by which the Secretary must respond to an appeal. Although Petitioners submitted the Petition to the Secretary in June 2008, NMFS was unaware of the existence of the Petition until January 2009. Therefore, although the time in which it took NMFS to issue this response is not typical, NMFS's response is not untimely under the FMP or the Magnuson-Stevens Act.

[2] The Secretary delegated fishery management authority under the Magnuson-Stevens Act to NMFS so the remainder of this response refers to NMFS.

[3] Chapter 9 is provided as an attachment to this response. The complete FMP is available on the North Pacific Fishery Management Council web page at: http://www.fakr.noaa.gov/npfmc/fmp/salmon/salmon.htm

at 31, 23, and 33, respectively. These claims challenge State regulations that have applicability within the EEZ. NMFS can supersede State regulations applicable within the EEZ if those regulations are found to be inconsistent with the FMP, Magnuson-Stevens Act, or other applicable Federal law. The State also has the authority to modify its regulations as it determines necessary. NMFS addresses these claims in section II of this response.

NMFS has determined that Petitioners' request for preemption of State management of salmon fisheries within State waters is not an appealable challenge under Chapter 9 of the FMP because it is not a challenge to Magnuson-Stevens Act and FMP consistency of State salmon regulations applicable within the EEZ. Instead, Petitioners are asking NMFS to extend Federal management authority into State waters. NMFS addresses Petitioners' request in section III of this response.

Finally, NMFS has determined that the remaining group of claims does not challenge Magnuson-Stevens Act and FMP consistency of State salmon regulations applicable within the EEZ, but instead presents Petitioners' interpretations of the Magnuson-Stevens Act and the scope of Federal authority to manage salmon fisheries under the provisions of the Magnuson-Stevens Act and the FMP. NMFS has determined that this group of claims is not appealable under Chapter 9 of the FMP. However, in order to provide Petitioners' with the agency's position relative to these interpretations, NMFS addresses Petitioners interpretations in section IV of this response.

II. NMFS's Determination Concerning Petitioners' Claims That Are Appealable Under the FMP

Chapter 9 of the FMP provides a process for review of State statutes or regulations by the Secretary and allows any member of the public to appeal a statute or regulation issued by the State for the salmon fisheries in the EEZ off the coast of Alaska. FMP at 46. NMFS considers appeals under Chapter 9 of the FMP to be petitions for rulemaking, as they are requests that NMFS take some regulatory action to supersede application of State salmon statutes or regulations in the EEZ. Chapter 9.1 of the FMP sets forth the general process NMFS will follow if an appeal challenges annual or perennial regulations issued by the State; Chapter 9.2 sets forth the general process NMFS will follow if an appeal challenges inseason management actions taken by the State.

Petitioners claim that the State's season opening and closing dates and regulatory interim closures, or "windows", should be superseded because they are inconsistent with the Magnuson-Stevens Act. Petition at 31-33. State regulations at 5 AAC 21.363(e) establish guidelines for when the Alaska Department of Fish and Game ("ADF&G") managers can open and close the commercial salmon fisheries, including salmon fisheries conducted within the EEZ, during the fishing season to provide for escapement and to allow fish to enter the Kenai and Kasiliof rivers on a predictable schedule for sport and personal use fisheries.

Petitioners claim that the fixed mandatory closures within a commercial fishing season and the season opening and closing dates are inconsistent with the Magnuson-Stevens Act because they (1) are arbitrary, capricious, and not based on the best available science or objective conservation and management criteria but are politically motivated; (2) have led to over-escapement and fail to meet optimum yield; (3) result in the reallocation of salmon stocks from the commercial fishery to the personal use fishery; (4) force participants to go to sea in conditions that jeopardize their safety in an attempt to remain economically viable; (5) result in lost yield for the commercial fishery which affects fishermen, processors, and communities; and (6) are not adaptive management measures per Magnuson-Stevens Act requirements. Petition, generally, at 20, 26-27, and 31-34. Further, Petitioners state that regulations are not in best interest of the Nation because they result in lost food production, reduced exports, and lower employment. Petition at 32.

Petitioners claim that the State of Alaska Board of Fisheries (Board) began implementing regulations that manage for the bottom of the yield curve by setting sustainable, rather than optimal, escapement goals which threaten economic viability of Upper Cook Inlet commercial fishing communities and are otherwise inconsistent with the Magnuson-Stevens Act. Petition at 33. Petitioners also claim that the State's escapement goals for the salmon fisheries managed under the FMP are not based on the best available science but based on political compromise. Petition at 34. Petitioners request that the Secretary provide guidance to the State and the Council that exploitation rates on most salmon stocks in Upper Cook Inlet are far below what is necessary to ensure optimum yield and provide the greatest benefit to the Nation. Petition at 34.

Although the mandatory closure window regulations have an inseason component and ADF&G has discretion within the regulations on when to implement the closure windows, Petitioners do not challenge any specific inseason management action. Based on NMFS's review of the Petition, NMFS concludes that Petitioners challenge the State's regulatory framework for the closure windows, which are perennial regulations, rather than a specific inseason closure. Therefore, NMFS has determined that the Petitioners challenge annual or perennial regulations issued by the State, and NMFS considered the Petition under Chapter 9.1 of the FMP.

As stated in Chapter 9.1 of the FMP, persons are required to exhaust their remedies with the State before appealing to NMFS. FMP at 46. The North Pacific Fishery Management Council (Council) and NMFS stated in the FMP at page 46 and in the preambles to the proposed and final rules for Amendment 3 to the FMP[4] that this requirement encourages persons with serious concerns to participate fully in the State procedures before seeking Secretarial intervention. According to the Petition at page 10, Petitioners are aware of the process contained in Chapter

[4] The proposed rule for Amendment 3 was published at 55 Fed. Reg. 28661, 28663 (July 12, 1990), and the final rule for Amendment 3 was published at 55 Fed. Reg. 47773, 47774 (November 15, 1990).

9.1 but argue that exhaustion of State remedies is inappropriate because the Board is the delegate of the Secretary, and any petition challenging a State salmon regulation must be brought under federal law given the federal statutes, Federal APA requirements, and Federal law applicable to the Secretary's decisions. Additionally, Petitioners argue that the Secretary is not subject to State jurisdiction regarding salmon fishery regulations. For reasons explained more fully in section IV of this response, NMFS disagrees with Petitioners' rationale for failing to exhaust State remedies prior to submitting this Petition to NMFS.[5]

Because of Petitioners' failure to exhaust their remedies with the State as required by Chapter 9.1 of the FMP, NMFS denies Petitioners' appeal of the State's mandatory window closures, season opening and closing dates, and escapement goal regulations for the salmon fisheries in Upper Cook Inlet. Petitioners may resubmit their appeal to NMFS after exhausting their remedies with the State in accordance with Chapter 9 of the FMP.

III. NMFS's Determination Concerning Petitioners' Request for Preemption of State Management of Salmon Fisheries Within State Waters

For the following reasons, NMFS declines to pursue Petitioners' request that the Secretary initiate preemption proceedings against State of Alaska management of salmon fisheries within State waters.

Petitioners make the following statements in their Petition: (1) "The commercial salmon fishery in Cook Inlet takes place in the EEZ"; (2) "Drift gillnet harvest of salmon in Cook Inlet occurs predominately in the EEZ of the US"; and (3) "A majority of the Cook Inlet drift gillnet fishery occurs in the EEZ." Petition at 13, 4, and 25, respectively. Petitioners further state that because "[r]ecently promulgated regulations by the [Board] and ADF&G will substantially and adversely affect the commercial fishery and EFH beginning in June 2008 because they attempt to reduce or eliminate historical commercial fishing interests in Cook Inlet by limiting the economic viability of processors and harvesters", the State's management is inconsistent with the FMP and the Magnuson-Stevens Act National Standards. Petition at 3-4. Based on these assertions, Petitioners ask NMFS to begin preemption proceedings for the Upper Cook Inlet salmon fishery under Magnuson-Stevens Act section 306(b) and 50 CFR 600.615. Petition at 3. For the reasons provided below, NMFS concludes that the salmon fishery governed by the FMP does not occur predominately within the EEZ. Because NMFS is unable to make one of the two required

[5] Section IV of the Petition is entitled "Statutory Authority for Petition." Petitioners cite to various provisions of the Magnuson-Stevens Act and the Administrative Procedure Act that they argue support their claim that the Secretary must consider the Petition. NMFS concludes that Petitioners have misconstrued a number of provisions in the Magnuson-Stevens Act as lending support for this claim. However, as explained in this response, NMFS freely recognizes the ability of persons, such as Petitioners, to appeal State regulations under Chapter 9 of the FMP, provided persons follow the procedure and requirements set forth in Chapter 9.

findings for preemption, NMFS declines to initiate preemption proceedings against the State and its management of salmon fisheries within State waters, and rejects Petitioners' request.

As explained more fully in section IV of this response, the Magnuson-Stevens Act explicitly recognizes a state's jurisdiction and its authority to manage its fishery resources within its waters. Furthermore, NMFS may not regulate fishing within a state's waters unless NMFS undertakes the process and makes the factual findings required by 16 U.S.C. 1856(b). This section states:

> If the Secretary finds, after notice and an opportunity for a hearing in accordance with section 554 of title 5, United States Code, that -
>
> (A) the fishing in a fishery, which is covered by a fishery management plan implemented under this Act, is engaged in predominately within the [EEZ] and beyond such zone; and
>
> (B) any State has taken any action, or omitted to take any action, the results of which will substantially and adversely affect the carrying out of such fishery management plan; the Secretary shall promptly notify such State and the appropriate Council of such finding and of his intention to regulate the applicable fishery within the boundaries of such State (other than its internal waters), pursuant to such fishery management plan and the regulations promulgated to implement such plan.

16 U.S.C. 1856(b). Thus, in order for NMFS to regulate fishing within State waters, NMFS must find that: (1) the fishing in a fishery that is covered by an FMP is predominately within the EEZ; **and** (2) a state has taken an action, or omitted to take any action, the results of which will "substantially and adversely affect" the carrying out of the FMP. The Magnuson-Stevens Act prevents NMFS from preempting a state's management authority within that state's waters if NMFS is unable to make both of the required findings. Regulations at 50 CFR 600.610(b)[6] provide some guidance on determining predominance as used in 16 U.S.C. 1856(b)(1)(A):

> Whether fishing is engaged in "predominately" within or beyond the EEZ will be determined after consideration of relevant factors, including but not limited to, the catch (based on numbers, value, or weight of fish caught, or other relevant factors) of fishing effort during the appropriate period, and in light of historical patterns of the distribution of catch or fishing effort for such stock or stocks of fish.

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[6] 50 CFR 600.610(c) provides regulatory guidance on the phrase "substantially and adversely affect" the carrying out of an FMP: "Whether relevant effects are substantial will be determined after consideration of the magnitude of such actual or potential effects. Relevant to this determination are various factors, including but not limited to, the proportion of the fishery (stock or stocks of fish and fishing for such stocks) that is subject to the effects of a particular state's action or omission, the characteristics and status (including migratory patterns and biological condition) of the stock or stocks of fish in the fishery, and the similarity or dissimilarity between the goals, objectives, or policies of the state's action or omission and the management goals or objectives specified in the FMP for the fishery or between the state and Federal conservation and management measures of the fishery."

In considering Petitioners' request, NMFS examined commercial fisheries catch data for all five species of salmon governed by the FMP (see the attachment "The portion of commercial salmon catch harvested in the EEZ"). These commercial fisheries occur in the EEZ in the Southeast Alaska, Prince William Sound, Cook Inlet, and the Alaska Peninsula areas. The attachment includes commercial catch data from 1991 to 2008. This data represents all commercial fishing in these areas since implementation of Amendment 3 to the FMP and therefore provides a reasonable representation of the distribution of catch over time. The data shows that the commercial catch of all salmon species during this time period was slightly less than 4 percent of the total commercial catch from both the EEZ and State waters in these areas. The attachment does not include commercial catch of salmon within State waters but outside of these four areas. Therefore, if all catch statewide was included, the total portion harvested in the EEZ would be significantly smaller.

The attachment also provides catch data by species and by region for each year. The data show that even by region or by species, with the exception of chum salmon in Upper Cook Inlet, the catch predominately is from State waters. Based on these data, NMFS concludes that fishing in the salmon fishery governed by the FMP is not conducted predominately within the EEZ and beyond.

NMFS also examined salmon catch data from the EEZ and the State waters comprising the Cook Inlet Management Area.[7] These data show that the commercial catch of all FMP species of salmon from the EEZ within the Cook Inlet Management Area during this time period was about 31 percent of the total commercial catch of these salmon species from both the EEZ and State waters in the Cook Inlet Management Area. Even with these higher salmon catch levels in the EEZ within the Cook Inlet Management Area, NMFS concludes that fishing occurring in the EEZ is not greater than fishing occurring within State waters of that area and 31 percent of the total salmon catch that occurs within the EEZ of the Cook Inlet Management Area does not demonstrate "predominance" of salmon fishing within Federal waters.

The catch data for salmon in the EEZ versus State waters during this time period clearly show that fishing for salmon governed by the FMP, on a broad scale as well as solely within the Cook Inlet Management Area, is not conducted predominately within the EEZ. Therefore, in accordance with regulatory guidance as well as analysis of this data, NMFS has determined that the salmon fishery does not occur predominately within the EEZ. Because the Magnuson-Stevens Act prevents NMFS from preempting a state's management authority within that state's waters if NMFS in unable to make both of the required findings set forth in 16 U.S.C. 1856(b)

[7] The portion of total catch in the EEZ represents a maximum amount. As described in the attachment "The portion of commercial salmon catch harvested in the EEZ", ADF&G catch data is recorded by state statistical area which can include both State and EEZ waters in one statistical area. All catch in State statistical areas that have both EEZ and State waters were assumed to be EEZ catch; therefore, it is likely that more catch is attributed to the EEZ than actually occurred.

and because NMFS has determined that one of the findings cannot be made, NMFS declines to initiate preemption proceedings as requested by the Petitioners.[8]

IV. NMFS's Position Relative to Petitioners' Interpretations of the Magnuson-Stevens Act and the Scope of Federal Authority to Manage Salmon Fisheries Under the Provisions of the Magnuson-Stevens Act and the FMP

In the Petition, Petitioners interpret several provisions of the Magnuson-Stevens Act and the scope of Federal authority to manage salmon fisheries under the provisions of the Magnuson-Stevens Act and the FMP. These interpretations are summarized as follows:

1. The Magnuson-Stevens Act gives the Council and NMFS the authority to manage anadromous species throughout the species' migratory range, and that authority extends into state waters and "include beyond the fresh and estuarine waters of the State of Alaska." As such, the mandates of the Magnuson-Stevens Act apply to the State's salmon management regime in Upper Cook Inlet, and NMFS must examine State salmon regulations in light of the stated purposes of the Magnuson-Stevens Act, finding regulations that conflict with those purposes inconsistent with the Magnuson-Stevens Act. Petition, generally, and at 8, 13-14, 34.

2. Under the FMP, the Council and NMFS asserted their Magnuson-Stevens Act management authority over anadromous salmon species within State waters and delegated to the Board the responsibility for management of salmon in Alaska. Petition at 7, 8, 25.

3. As a result of this delegation to the Board, State regulations affecting salmon fisheries in Cook Inlet must comply with the provisions of the Magnuson-Stevens Act, and NMFS must repeal or amend those rules that are inconsistent with the Magnuson-Stevens Act. Petition, generally, and at 8.

4. Furthermore, as a result of this delegation, when the Board issues regulations, the Board is amending the FMP and NMFS has a duty to review and ensure that the Board's amendments to the FMP are consistent with the Magnuson-Stevens Act. Petition at 9, 21.

5. NMFS must take action to restore and protect essential fish habitat ("EFH") on the Kenai River and other essential fish habitats in the upper Cook Inlet basin.

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[8] Petitioners also claim that preemption is warranted because the State's management regime has adverse effects on salmon EFH, and therefore substantially and adversely affects the carrying out of the FMP. NMFS did not address this claim in the preemption context because of its determination on the lack of predominance of salmon fishing in the EEZ. However, NMFS addresses Petitioners' EFH claims at pages 12 - 13 of this response.

6. The State's resident-only Personal Use fishery is inconsistent with the Magnuson-Stevens Act and NMFS must eliminate it.

7. NMFS must promulgate emergency regulations to supersede State regulations and manage Upper Cook Inlet salmon stocks.

The following provides NMFS's position relative to these interpretations.

Section 101(b)(1) of the Magnuson-Stevens Act (16 U.S.C. 1811(b)(1)) does not vest the agency with management responsibility and authority over anadromous species within State waters and the requirements of the Magnuson-Stevens Act do not apply to the State's management of salmon within the State waters of Upper Cook Inlet.

Under the Magnuson-Stevens Act, Congress vested NMFS, by and through the Secretary, with exclusive management authority over all fish and all Continental Shelf fishery resources within the EEZ. 16 U.S.C. 1811(a). Off the State of Alaska, the EEZ extends from 3 nautical miles seaward of the State's baseline to 200 nautical miles offshore. 16 U.S.C. § 1802(11). Congress also vested in NMFS management authority over all anadromous species throughout the migratory range of each species beyond the EEZ. 16 U.S.C. 1811(b)(1) (emphasis added).

Congress recognized that the exercise of federal jurisdiction must be balanced against the interest of the various coastal States to manage their own fisheries. The Magnuson-Stevens Act explicitly recognizes that "nothing in this Act shall be construed as extending or diminishing the jurisdiction or authority of any State within its boundaries [and] ... except as provided in subsection (b), the jurisdiction and authority of a State shall extend to any pocket of waters that is adjacent to the State and totally enclosed by lines delimiting the territorial sea of the United States . . . ." 16 U.S.C. § 1856(a)(1) & (2).[9]

NMFS has interpreted "beyond the EEZ" as used in 16 U.S.C. 1811(6)(1) to mean seaward of the EEZ, or those areas of the ocean that are more than 200 nautical miles from the baseline. NMFS does not interpret the phrase to include the territorial seas of the states, or those waters within 0 to 3 nautical miles from the State's baseline. NMFS's interpretation is consistent with the statutory language of 16 U.S.C. 1811(b)(1), which excludes the waters of foreign nations from the United States' jurisdiction over anadromous species and clearly indicates Congressional intent to extend authority over anadromous species that are seaward, and not landward, of the EEZ. NMFS's interpretation is also consistent with the statutory scheme set forth in the Magnuson-Stevens Act given 16 U.S.C. 1856, which explicitly recognizes a state's jurisdiction

[9] The Magnuson-Stevens Act also recognizes a state's authority to regulate a fishing vessel outside the boundaries of the state in certain circumstances. *See* 16 U.S.C. 1856(a)(3).

and authority to manage fishery resources within its boundaries, as explained above, and which contains no exception for anadromous species. Furthermore, NMFS's interpretation is consistent with the legislative history for 16 U.S.C. 1811 wherein Congress refers to the high seas and waters seaward of the EEZ when referring to "beyond the EEZ" in section 1811(b).[10] Therefore, 16 U.S.C. 1811(b)(1) of the Magnuson-Stevens Act does not vest NMFS with the authority to manage anadromous species within a state's territorial sea.

NMFS may regulate fishing for anadromous species within a state's waters only if NMFS has undertaken the process and made the required findings for preemption set forth in 16 U.S.C. 1856(b). Without preemption of State fishery management in accordance with 16 U.S.C. 1856(b) of the Magnuson-Stevens Act, the requirements of the Magnuson-Stevens Act do not apply to the State's management of fishery resources within its waters.

NMFS disagrees with Petitioners' interpretations that: (1) the Council and NMFS through the FMP preempted State management of salmon within State waters and then delegated to the Board the responsibility for management of salmon in Alaska; (2) State management of salmon fisheries within State waters must be consistent with the Magnuson-Stevens Act; and (3) Board regulations are amendments to the FMP.

The Council adopted the original FMP in 1978, and NMFS approved and implemented it in 1979. Among other things, the original FMP established the Council's and NMFS's authority over the salmon fisheries in the Federal waters off the coast of Alaska from 3 to 200 nautical miles offshore (the EEZ), but excluded that portion of the EEZ west of 175 degrees East longitude from the FMP. In 1990, NMFS approved and implemented Amendment 3 to the FMP. Among other things, Amendment 3 extended the jurisdiction of the FMP to the EEZ west of 175 degrees East longitude and deferred regulation of the sport and commercial salmon fisheries in the EEZ to the State, thereby removing the Council and NMFS from routine management of the salmon fisheries but maintaining Federal participation and oversight of, and final authority over salmon management within the EEZ.

The fishery management unit for the FMP is all waters of the EEZ off the coast of Alaska and the salmon and fisheries that occur there. FMP at chapter 2. Two management areas are established within the EEZ, the West Area and the East Area, with the border for the areas at the

[10] While there are several examples in the legislative history for the original Magnuson-Stevens Act that explain that "beyond the EEZ" as used in 16 U.S.C. 1811(b)(1) means the high seas seaward of the EEZ and not the territorial seas of the coastal states (see A LEGISLATIVE HISTORY OF THE FISHERY CONSERVATION AND MANAGEMENT ACT OF 1976, at 99, 144, and 274 (1976)), the following excerpt is particularly informative: "The assertion of exclusive authority over anadromous species of fish is meant to apply when such fish are found on the high seas beyond the U.S. [EEZ], but outside the jurisdiction of any other nation. It is anticipated that the United States will use this authority to ban any capture of anadromous species of fish on the high seas and regulate their taking in the [EEZ]. Furthermore, this assertion of authority is not intended to preempt coastal States' authority to manage anadromous species of fish within their boundaries." (Emphasis added.) Id., at 678.

longitude of Cape Suckling (143° 53' 36" West longitude). The West Area includes the EEZ in the Bering, Chukchi, and Beaufort Seas, as well as the EEZ in the North Pacific Ocean west of Cape Suckling. The FMP authorizes sport (or recreational) salmon fishing in the EEZ of the West Area. However, the FMP prohibits commercial salmon fishing in the EEZ of the West Area with the exception of three pockets of EEZ waters adjacent to three historical State commercial fishing areas: the Cook Inlet Area, the Prince William Sound Area, and the Alaska Peninsula Area.[11]

Through the FMP and implementing Federal regulations,[12] the Council and NMFS have asserted management authority over salmon fisheries within the EEZ of the West Area, and have deferred routine management of the salmon fisheries that occur within the EEZ of the West Area, including the three historical areas open to commercial fishing, to the State. FMP at 34, 35, 41. This deferral means that State management of salmon fishing within the EEZ of the West Area, including the three historical areas, must be consistent with the FMP, the Magnuson-Stevens Act, and other applicable Federal law. Although NMFS and the Council defer management of salmon fisheries within the West Area's EEZ to the State, the Council and NMFS have ultimate management authority over salmon fishing in the West Area's EEZ, including the three historical areas.

As to Petitioners' first assertion, NMFS disagrees that the Council and NMFS, through the FMP, have preempted the State's management authority over salmon within State waters and delegated Federal management responsibilities for salmon fishing within State and Federal waters to the Board. The FMP is clear that Federal management of salmon fisheries does not extend into State waters (0 to 3 nautical miles from the State's baseline). The FMP explicitly states that the FMP governs salmon fishing from 3 to 200 nautical miles off the coast of Alaska. FMP at i, 1, and 5. Furthermore, at no time have the Council and NMFS preempted the State's management of salmon fisheries within State waters.

Because NMFS has not preempted the State's management of salmon fisheries within State waters, NMFS has not delegated Federal management responsibilities for salmon fishing within State waters to the Board. Rather, the Council and NMFS asserted Federal management over salmon species solely within the EEZ and then extended to the State, through deferral, routine management of those EEZ salmon fisheries. Through the FMP, NMFS and the Council maintain Federal participation and oversight of State management in the EEZ to ensure consistency with the FMP, the Magnuson-Stevens Act, and other applicable law. Under the FMP's deferral of management authority to the State, the Council and NMFS are not frequently involved in the

[11] Appendix C of the FMP contains descriptions and geographic coordinates for these areas.

[12] See 50 CFR 679.3(f)(4): "Commercial fishing for salmon in the EEZ west of Cape Suckling is not allowed except in three net fisheries managed by the State of Alaska as described in Section 2.2.2 and Appendix C of the Salmon FMP. For State of Alaska regulations governing these fisheries, see 5 Alaska Administrative Code 09 (Alaska Peninsula), 5 Alaska Administrative Code 21 (Cook Inlet), and 5 Alaska Administrative Code 24 (Prince William Sound)."

State's routine management of the salmon fisheries within the EEZ. As described earlier in this response, the FMP provides persons with the opportunity to ask NMFS to review State regulations as they apply in the EEZ for consistency with the FMP, the Magnuson-Stevens Act, and other applicable law. The FMP also authorizes the Council and NMFS to implement regulations applicable in the EEZ in order for the salmon fisheries conducted within the EEZ to achieve the objectives of the FMP or to be consistent with the Magnuson-Stevens Act or other applicable law.

Finally, Petitioners' assert that State management of salmon fisheries within State waters must be consistent with the Magnuson-Stevens Act and that Board regulations are amendments to the FMP. These assertions appear to be based on the premise that the FMP extends Federal management authority over salmon fisheries into State waters. However, as explained above, NMFS has not preempted the State's authority to manage salmon fisheries within its waters. Therefore, there is no requirement that State management of salmon fisheries within State waters be consistent with the Magnuson-Stevens Act and no basis for concluding that Board regulations are amendments to the FMP. Furthermore, FMPs and amendments to them are specialized documents prepared by fishery management councils and approved by NMFS under provisions of the Magnuson-Stevens Act. The Magnuson-Stevens Act contains no provisions for entities other than the councils or NMFS to prepare or approve FMPs or FMP amendments. Therefore, NMFS disagrees with these assertions.

<u>The provisions of the Magnuson-Stevens Act do not apply to the State's resident-only Personal Use fishery and NMFS lacks authority to regulate or eliminate it</u>.

Petitioners make a number of claims that the personal use fishery is inconsistent with the Magnuson-Stevens Act and requests NMFS to eliminate the resident-only personal use net fishery because it discriminates against non-residents, harms the environment, harms the commercial salmon fishery, and substantially and adversely affects the carrying out of the FMP for salmon in the EEZ. Petition at 29-31. There are four personal use fisheries in Cook Inlet, a set gillnet fishery at the mouth of the Kasilof River, and three in-river dipnet fisheries on the Kasilof and Kenai rivers, and at Biglake (closed since 2001). No personal use fishing occurs in the EEZ. As discussed previously, NMFS has not preempted State management of salmon fisheries within State waters and the factual circumstances of the salmon fishery do not warrant initiation of preemption proceedings at this time. Therefore, NMFS lacks authority to regulate the State's personal use fishery conducted within State waters and the requirements of the Magnuson-Stevens Act do not apply to the personal use fishery.

Petitioners further claim that the Board regulations that manage the personal use fishery are amendments to the FMP that must meet the Magnuson-Stevens Act requirements, including a social impact assessment, and be supported by a NEPA analysis. Petition at 21. Board actions to

manage salmon fisheries in State waters are not FMP amendments as discussed above, and therefore the Board is not required to conduct analyses that are required for amendments to the Federal FMP.

NMFS lacks the authority to take action to restore and protect essential fish habitat ("EFH") on the Kenai River and other EFH in the upper Cook Inlet basin.

Petitioners request that NMFS take action to restore and protect EFH on the Kenai River and other EFH in the Upper Cook Inlet basin. Petitioners claim that the purpose of the Magnuson-Stevens Act is to promote EFH, that salmon management regulations promulgated by the Board must be reviewed for consistency with the purpose of protecting EFH, and that any State regulations that negatively impact EFH must be preempted by the Secretary. Petition at 15.

The FMP identifies the Kenai River and all known salmon in-river habitat as salmon EFH.[13] The Magnuson-Stevens Act does not require the Secretary to review each State salmon management action for consistency with an FMP's EFH provisions. The Magnuson-Stevens Act establishes specific but limited requirements for EFH. Each FMP must describe and identify EFH for the fishery, minimize to the extent practicable adverse effects on EFH caused by fishing, and identify other actions to encourage the conservation and enhancement of EFH. 16 U.S.C. 1853(a)(7). With regard to State agency actions, the Magnuson-Stevens Act provides that if the Secretary receives information that an action authorized, funded, or undertaken by a state or federal agency would adversely affect any EFH, then the Secretary shall recommend measures to the applicable agency to conserve EFH. The Magnuson-Stevens Act contains no other requirements or authority for NMFS to engage in a review of State management programs regarding effects to EFH, and there is no exception to the process and factual findings required by 16 U.S.C. 1856(b) that permits NMFS to preempt State management actions.

The Magnuson-Stevens Act states that "Each Council shall comment on and make recommendations to the Secretary and any Federal or State agency concerning any such activity that, in the view of the Council, is likely to substantially affect the habitat, including essential fish habitat, of an anadromous fishery resource under its authority." 16 U.S.C. 1855(b)(3)(B). The Council has not determined that any State actions trigger this requirement and has not commented on or made recommendations to the State for salmon EFH. The Council is beginning a 5-year review of the FMP's EFH provisions per the requirement at 50 CFR 600.815(a)(10) that "a review and revision of EFH components" be completed every 5 years, and EFH provisions be revised or amended, as warranted, based on available information. This review will include an analysis of whether there have been changes to the available information

[13] The EFH amendments to the FMP are available at the NMFS Alaska Region web page at: http://www.fakr.noaa.gov/analyses/salmon/amds_7_8.pdf

regarding fishing and non-fishing activities affecting essential fish habitat since the EFH FEIS analysis. Through this process, the Council may determine that the activities identified in the Petition, or any other fishing activities occurring in State waters or in the EEZ, substantially affect salmon EFH and may make recommendations accordingly to the State. NMFS encourages Petitioners to become involved in the Council 5-year review process[14]. If NMFS or the Council determines that measures are necessary to protect salmon EFH in the EEZ, NMFS will follow the established process whereby the Council develops and analyzes alternatives in a public process and makes a recommendation to the Secretary.

Additionally, as discussed in the FMP, during EFH consultations between NMFS and other agencies, NMFS strives to provide reasonable and scientifically-based recommendations that account for restrictions imposed under various state and federal laws by agencies with appropriate regulatory jurisdiction. FMP Appendix E at 83. Moreover, the coordination and consultation required by the Magnuson-Stevens Act do not supersede the regulations, rights, interests, or jurisdictions of other federal or state agencies. 16 U.S.C. 1855(b). Further NMFS's EFH conservation recommendations are not binding. FMP Appendix E at 84.

Petitioners also claim that the substantial and adverse effects of the personal use net fishery were not fully explained in the EFH FEIS, raising the question of whether a supplemental EIS must be prepared prior to the start of the 2008 personal use net fishery. Petition at 24. Petitioners also claim that although the adverse impacts to EFH were known at the time of the EIS, the impacts are not addressed. Petition at 24. NMFS disagrees. The EFH FEIS does analyze the impacts to in-river salmon EFH, including the impacts of the personal use fisheries. The EFH FEIS discusses drift, set, troll, recreational, and personal use salmon fisheries. EFH FEIS at 3-148 through 3-150. Appendix B of the EFH FEIS also contains a comprehensive, peer-reviewed analysis of fishing effects on EFH and detailed results for each managed species. For each non-fishing activity, known and potential adverse impacts to EFH are described in Appendix G of the EFH FEIS. The descriptions explain the mechanisms or processes that may cause the adverse effects and how these may affect habitat function. The EFH analysis concluded that no fisheries managed under the Council FMPs cause more than minimal and temporary adverse effects on EFH. At this time, NMFS does not intend to prepare a supplemental EIS to analyze the impacts to in-river salmon EFH. After the 5-year review, the Council and NMFS may decide to prepare a supplemental EIS if the 5-year review reveals that significant new circumstances or information exist relevant to environmental concerns and bearing on the proposed action or its impacts. 40 CFR 1502.9(c)(1).

[14] More information about the 5-year review is available at the Council web site: http://www.fakr.noaa.gov/npfmc/default.htm.

NMFS declines to promulgate emergency regulations to supersede State regulations and manage Upper Cook Inlet salmon stocks.

Petitioners request NMFS to promulgate emergency regulations to supersede State regulations and manage Upper Cook Inlet salmon stocks. Specifically, Petitioners' request NMFS to issue an emergency rule that: (1) removes mandatory closures and season opening and closing dates from the salmon management plans for Upper Cook Inlet, (2) establishes one optimum escapement goal range for all species in Upper Cook Inlet, (3) protects salmon habitat/EFH, (4) eliminates the resident-only personal use net fishery, and (5) enacts measures necessary to ensure harvest opportunity on those stocks. Petition, at 31-32 and 34-36.

To the extent Petitioners' request is asking NMFS to impose emergency regulations that would have applicability within State waters, NMFS declines Petitioners' request for the reasons already provided in this response concerning preemption of State management of salmon fisheries within State waters. Furthermore, to the extent Petitioners' request is asking NMFS to impose emergency regulations that would have applicability within the EEZ and would supercede State management measures applicable in the EEZ, NMFS declines to take emergency action under 16 U.S.C. 1855(c) of the Magnuson-Stevens Act at this time. According to NMFS policy guidelines, the use of emergency actions should be limited to extremely urgent, special circumstances where substantial harm to or disruption of the resources, fishery, or community would be caused in the time it would take to follow standard rulemaking procedures.[15] For reasons provided earlier in this response, NMFS has concluded that Petitioners have not provided information that indicates that substantial harm would occur in the EEZ due to State salmon management measures applicable in the EEZ.

If NMFS were to determine that measures are necessary to supersede State management measures applicable in the EEZ, then NMFS would follow the standard procedures for notice and comment rulemaking, including conducting the required analysis under the National Environmental Policy Act, the Regulatory Flexibility Act, and Executive Order 12866. Applicable Federal law establishes processes for assessment and responsive implementation of appropriate management measures if warranted, and NMFS cannot truncate this process without good cause.

[15] 62 FR 44422, August 21, 1997.

Attachment: The portion of commercial salmon catch harvested in the EEZ

To determine whether the commercial salmon fisheries occur predominantly in the U.S. Exclusive Economic Zone (EEZ), NMFS examined commercial salmon catch data for all five species of salmon governed by the FMP. These commercial fisheries occur in the EEZ in the Southeast Alaska, Prince William Sound, Cook Inlet, and the Alaska Peninsula areas. This attachment includes commercial catch data provided by the Alaska Department of Fish and Game (ADF&G) for each area from 1991 to 2008. The period from 1991 to 2008 represents fishing under the current FMP and provides a reasonable representation of the distribution of catch over time.

To estimate the portion of catch harvested in the EEZ, catches in the statistical areas that include the EEZ were tabulated and compared to the total catch for that management area. ADF&G catch data is recorded by statistical areas which can include both State and EEZ waters in one statistical area. All catch in statistical areas that have both EEZ and State waters were assumed to be EEZ catch; therefore it is likely that these tables attribute more catch to the EEZ than actually occurred. Thus, the portion of total catch estimated to have been harvested in the EEZ represents a maximum amount.

Table 1 shows that the commercial catch of all salmon species during this time period was slightly less than 4 percent of the total commercial catch from both the EEZ and State waters in these areas. Note that this table does not include commercial catch in state waters in all other areas. If all catch statewide was included, the total portion harvested in the EEZ would be significantly smaller because the EEZ waters in all other areas are closed to salmon fishing.

Table 1: Commercial salmon catch data and estimated percentage of total catch from the EEZ in the areas where salmon fisheries occur in the EEZ; Alaska Peninsula, Cook Inlet, Southeast Alaska, and Prince William Sound/Copper River.

	EEZ catch	Total catch	EEZ as % of total
AK Peninsula	30,295,085	244,662,687	12.38%
Cook Inlet	32,810,061	105,486,193	31.10%
SEAK	2,926,919	1,118,674,467	0.26%
PWS Copper River	18,113,825	681,134,615	2.66%
Total	84,145,890	2,149,957,962	3.91%

ALASKA STATE LEGISLATURE

Bill Stoltze
State Representative
House District 16

Charlie Huggins
State Senator
Senate District H

Huggins, Stoltze Introduce Resolution to Protect Alaska's Personal Use Dip Net Fisheries

(JUNEAU, April 9, 2009) – Senator Charlie Huggins (R-Mat-Su) and Representative Bill Stoltze (R-Chugiak/Mat-Su) today announced that they are introducing companion resolutions requesting Governor Sarah Palin's administration to join the federal government in opposing a lawsuit filed by a Cook Inlet commercial fishing group challenging salmon management in the inlet. Senate Joint Resolution 22, sponsored by Senator Huggins and co-sponsored by Senators Johnny Ellis (D-Anchorage), Bill Wielechowski (D-Anchorage) and Linda Menard (R-Wasilla), was introduced this morning. Representative Stoltze plans to introduce a companion resolution in the House of Representatives tomorrow.

"With this resolution, we're trying to get a fair shake for Alaskans who fish to feed their families and asking the governor to defend the state's authority to manage our fisheries in a responsible manner," said Senator Huggins. "If this lawsuit is successful, it could pre-empt state management and be detrimental to Alaskans' access to our salmon resources."

The lawsuit was filed last year by the United Cook Inlet Drift Association (UCIDA) against the U.S. Department of Commerce opposing the current management of salmon fisheries in Cook Inlet. UCIDA is an association of both resident and non-resident commercial fishermen who participate in drift gillnet salmon fisheries in the inlet. Senate Joint Resolution 22 would express the Senate's objection to the association's effort to have state-managed personal use dip net fisheries declared unconstitutional and therefore pre-empted by federal law.

"It is appalling that this Alaska resident-only salmon fishery is under assault by special interests, said Representative Stoltze. "Dipnetting is a great part of Alaska - a true family tradition."

The resolutions request Governor Palin "to direct the attorney general to oppose this lawsuit", and, "in cooperation with the legislature, to re-examine the inordinate and potentially unfair, unethical, and disproportionate influence of the commercial fisheries industries on fisheries management in Alaska."

SJR 22 has been referred to the Resources Committee and the Judiciary Committee. The House version will be referred to committees tomorrow.

For more information, contact Senator Huggins or Sharon Long at 907-465-3878, or Representative Stoltze or Ben Mulligan at 907-465-4958.

###

BALDWIN & BUTLER, LLC
ATTORNEYS AT LAW

C. R. Baldwin
James N. Butler, III
Gregory R. Gabriel, Jr.

125 N. Willow Street
Kenai, Alaska 99611
(907) 283-7167
(907) 283-8435 (Fax)

February 19, 2010
VIA EMAIL

Governor Parnell
Senate President Stevens
House Speaker Chenault

Gentlemen:

Prior to moving SJR 22 to the floor for a vote, there are a couple of points I would like to put forward as counsel for the parties named in the resolution.

First of all, Mr. Jensen is a decorated Vietnam veteran, sixth generation Alaskan, Alaska Native, and federally recognized subsistence user in addition to being a commercial fisherman. Mr. Jensen, fought and was wounded serving our country, protecting the rights we all enjoy as United States citizens. This includes the right to have grievances resolved in federal court, and the right to appeal any adverse lower court decision.

Likewise, UCIDA is an organization duly formed and recognized under our form of government, with the recognized right to petition the government, seek redress in federal court, and to appeal any adverse lower court decisions.

Presently, the State of Alaska is a party in the Jensen case. The proposed resolution does nothing to encourage further involvement in a case that the State of Alaska is fully engaged in already.

The true impact of such a resolution demonstrates to individuals around the state, who have the audacity to take up an issue that is unpopular with urban legislators, that those legislators will abuse their position of trust and civic responsibility to foment negative sentiment statewide against you as an individual. The intended consequence of such legislation is to silence those who would seek to have the boundaries of government proscribed by our judicial

system – a system that rose out of the American Revolution and upon which our country was built.

Regarding the UCIDA cases, UCIDA as an organization lawfully petitioned the federal government under the federal Administrative Procedure Act. When the federal government failed to even acknowledge receipt of UCIDA's petition for an unreasonable amount of time, UCIDA filed suit seeking a declaration that it was denied due process and equal protection of the law for failing to respond to UCIDA's petition. It is unlikely that the State of Alaska has standing to intervene against UCIDA regarding constitutional claims against the Secretary of Commerce for failing to respond to UCIDA's petition within a reasonable time.

UCIDA's second case challenges aspects of National Marine Fisheries denial of UCIDA's petition under the Administrative Procedure Act. The Alaska Department of Law was provided courtesy copies of the pleadings in this case and likely have legal reasons for not intervening at this time. Again, the proposed resolution is unlikely to influence the executive branch in this case, the real consequence is the chilling effect this legislation will have on those who seek to petition the government and ultimately seek redress against an unresponsive government.

The government works for us. Presumably, the government will act in a responsible manner. One of the real consequences of our form of government, is that the strong and influential act in a manner that affects the small and the weak. The right to petition and seek redress is a built in check on majority rule – one that our forefathers recognized as indispensible to true democracy. A read of the sponsors' press release reveals this legislation for what it really is, an attempt to bully an individual and an organization lawfully seeking redress into dropping their lawsuits.

The sponsors label commercial fishing interests as having inordinate, unfair, unethical and disproportionate influence on fisheries management. These labels are decidedly unhelpful and further foment negative sentiment against the parties to the litigation by seeking to paint all commercial fishermen with the same brush.

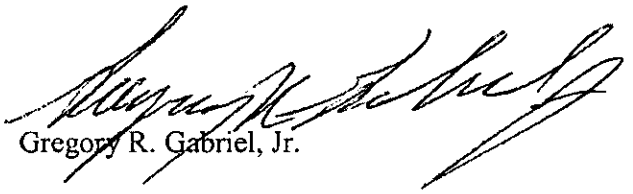
At the same time, we see the prime sponsor of SJR 22 on the House side has introduced HB 266 to prioritize personal use dipnetting. An examination of campaign contributions demonstrates where the real influence comes from regarding fisheries management. HB 266 will

have negative impacts on the fishing industry in the State of Alaska, discouraging investment, reducing the number of jobs available, and reducing taxable income to the State and those communities that share in that revenue. The social impacts of personal use dipnetting should be considered and dealt with before creating a priority in this fishery that will negatively affect coastal communities in Cook Inlet and Prince William Sound. This bill will likely lead to further litigation, and will galvanize the commercial fishing industry in a way that SJR 22 did not.

At this time I am urging the Alaska Legislature, on behalf of my clients, to respect their rights to petition and redressability and oppose SJR 22. Furthermore, the legislature should find that HB 266 is not in the best interest of the State of Alaska and oppose that bill as well.

Sincerely,

BALDWIN & BUTLER, LLC



Gregory R. Gabriel, Jr.

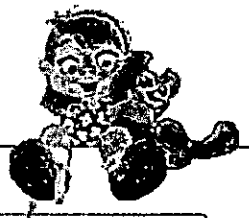
cc: Sen. Tom Waggoner, Rep. Kurt Olsen, Sen. Albert Kookesh, Rep. Bill Thomas, Jr.

Timothy Clark

From: Rep. Bryce Edgmon
Sent: Saturday, February 13, 2010 5:36 PM
To: Timothy Clark
Subject: FW: Please support SJR22 & HB266

From: Lucy Bishop [mailto:Lucky8118@alaska.net]
Sent: Saturday, February 13, 2010 11:41 AM
To: Rep. Bryce Edgmon
Subject: Please support SJR22 & HB266

Please vote for SJR22 & HB266 !



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LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE INFORMATION OFFICE
201 Katlian Street, Suite 200A, Sitka, AK 99835
Phone: 747-6276 Fax: 747-5807
Email: sitka_lio@legis.state.ak.us

DATE: Feb 9, 2009

TO: House Special Committee on Fisheries Chair & members

RE: SJR 22, Federal Preemption of Salmon Mgt

FAX: 465-3445 **2 pages, including cover sheet**

Dear Chair and Members of House Special Fisheries Committee :

Mr. Donohoe was listening to your Committee meeting this morning and wanted to testify on SJR 22. Because there was some confusion at the LIO whioh bill he wanted to testify on, he was unable to testify on SJR 22.

Please review his comments attached re: SJR22.

Respectfully submitted,

Marle Murray, Legislative Information Officer

Alaska State Legislature

Please enter into the record my testimony to the HFSH
committee name

Committee on SJR 22, dated 2-9-10

Commercial Fishermen CAN not keep all the Fish they WANT. They CAN choose to keep some or All of their Commercial Catch AND NOT sell it. They CAN NOT keep Fish when their Commercial Fishery is Closed.

Signed: Matt Donohoe

Position
self (commercial fisherman)
Representing (optional)

P.O. Box 3114 SITKA AK 99835
Address

Phone number

HB266--Bonnie Borba Email

From: Bonnie Borba [borba@mosquitonet.com]
Sent: Monday, February 08, 2010 9:58 PM
To: Rep. Bryce Edgmon
Subject: Support SJR22 and HB266

Dear Representative Bryce,

I was born and raised here in Alaska and my brothers and I grew up hunting, trapping and fishing with our parents. Chitna dip netting of sockeye and Chinook salmon has been a stable source of quality food of our family. We are now on our third generation of family members now dipping to provide salmon to our parents and grandparents. Occasionally we get only a few but we are usually the diehard shore based dippers that usually get our limit if not one trip maybe a second. The trip is a family affair and the salmon are better than anything you can buy at a store. I understand the commercial aspect of the fishery as well but many of these fishermen are not even from our state and precedence lies with subsistence priority first before commercial fisheries, subsistence means food for local peoples and in this state means all residents. Chitna is not an easy place to fish and it is not for everyone because of the difficult river and weather. I typically do not sport fish because if I catch a fish I am going to eat it. I do not understand totally the reason why this fishery got changed to a personal use fishery but you should be thinking of the families this resource is providing for -the everyday working man.

Please support SJR22 and HB266.

Bonnie Borba

Timothy Clark

From: Clemens M. Clooten [cmclooten@ci.fairbanks.ak.us]
Sent: Monday, February 08, 2010 8:44 AM
To: Rep. Bryce Edgmon
Subject: SJR 22 and HB266

Representative Edgmon,
Please pass the two above bills so Alaskans can continue to provide fish for their families.
Thank you for your work.

Clem Clooten

Timothy Clark

From: Frank Casey [profishguide@hotmail.com]
Sent: Sunday, February 07, 2010 8:11 AM
To: Rep. Bryce Edgmon; Sen. Charlie Huggins; Rep. Bill Stoltze
Subject: Support SJR22 and HB266

Dear Sirs,
I am glad to see that there are a few looking out for Alaskans right to gather thier own food sources. Its one of the reasons I came to Alaska, so please support SJR22 and HB266.

Thanks,
Frank Casey
po box 343
Clam Gulch, AK 99568

907-252-4525 cell

Hotmail: Trusted email with Microsoft's powerful SPAM protection. Sign up now.

Timothy Clark

From: Marcie & Dan [bentti@mtaonline.net]
Sent: Sunday, February 07, 2010 6:31 AM
To: Rep. Bryce Edgmon
Subject: SJR22/Bil 266

Please pass these out of committee and let the house vote!

Dan Bentti

Timothy Clark

From: Roy Slemp [rslempusa@gci.net]
Sent: Sunday, February 07, 2010 5:46 AM
To: Rep. Bryce Edgmon
Subject: SJR22 and HB266

Dear Representative Edgmon,

I rely heavily on dipnetting to sustain my family. Please vote to pass HB266 and SJR22.

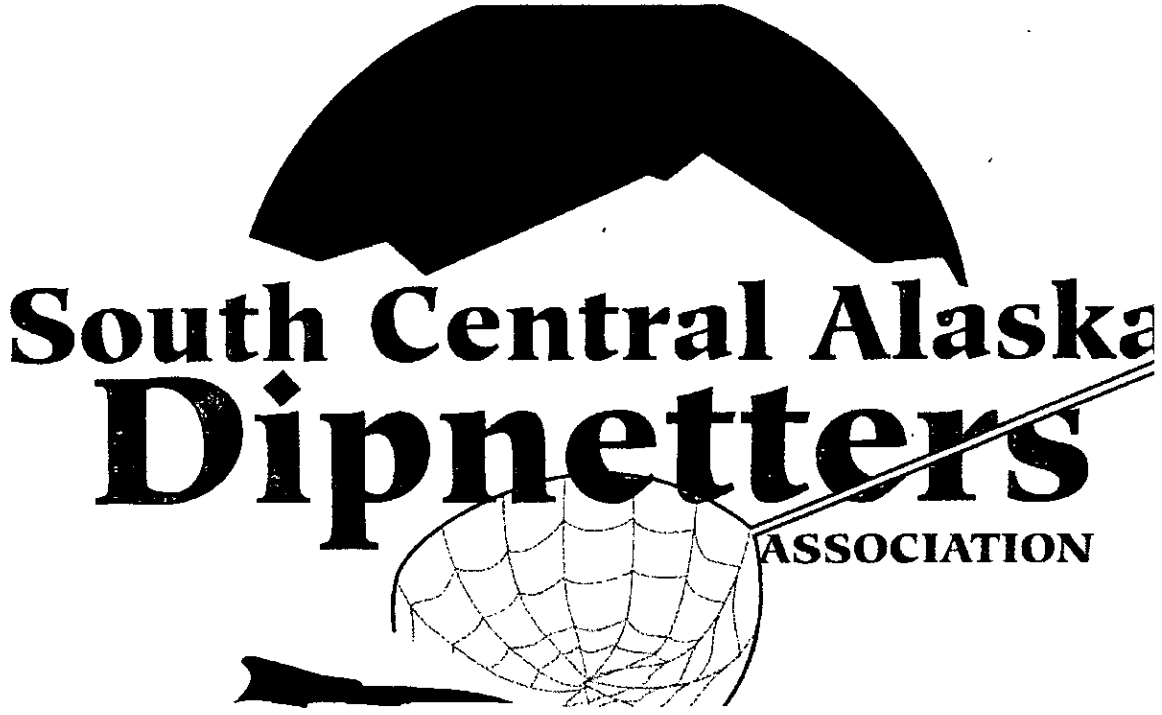
Thank you,
Roy Slemp

Timothy Clark

From: art trenholme, ph.d. [art65@alaska.net]
Sent: Saturday, February 06, 2010 6:55 PM
To: Rep. Bryce Edgmon
Subject: dip netting

Sir: I strongly support putting Alaskan citizens ahead of commercial fishermen when dipnetting is an issue. I urge you to vote for HB 266 and SJR 22 to get them out of committee and on to the House floor. thanks...art trenholme, muldoon

From: Ken Federico [mailto:kenfederico@mtaonline.net]
Sent: Friday, February 05, 2010 3:35 PM
To: Ben Mulligan; Sen. Charlie Huggins; Rep. Mark Neuman; Rep. Carl Gatto
Cc: dennis gease; steve rasmussen; Ken Federico
Subject: HB 266 SJR 22



Representative Bill Stoltze, February 5,2010

Please let me say thank you to all in the Legislature that are involved with SJR 22 and HB 266. I am glad to see that you are helping to ensure that Alaskan residents would have some priority when it comes to our resources, in times of shortages.

As you all must be aware, there are over 90,000 Alaskan residents that benefit from personal use fishing in our great state. Whether it is done in Chitina, The Kenai/Kasilof or even China poot, Alaskans from through out the state put fish into their freezers because of dipnetting.

I have to admit I am somewhat biased since I started SCADA a number of years ago. What keeps me working on keeping dipnetting from getting cut back is the feedback I get from mostly elderly Alaskan residents. Let me explain. Whenever I am quoted in the newspaper or go on talk radio, concerning dipnetting, I start to receive cold phone calls, usually that night.

It turns out that a lot of our elderly really depend on fish from personal use and these phone calls are a lot of "thank you's" for standing up and fighting to keep personal use in play. I have been amazed at the amount of seniors that have looked up my last name in the phone book to call and tell me that they appreciate my efforts and really depend on these fish. That is what keeps me going.

My hat is off to all of you that support Alaskan residents.

Thank You again,

Ken Federico, SCADA, [redacted]

Sharon Long

From: Melvin Grove [mbgrove@mtaonline.net]
Sent: Monday, April 13, 2009 3:19 PM
To: Sharon Long; Sen. Charlie Huggins
Cc: Sen. Lesil McGuire; Sen. Bill Wielechowski; Sen. Hollis French
Subject: SJR 22
Follow Up Flag: Follow up
Flag Status: Red

Senator Huggins,

I would like to express my support of SJR 22 and all initiatives that will bring a fair and equitable share among sport fisherman and the commercial fishing industry.

Sincerely,

Mel and Cheryl Grove
Halibut Grove Valdez Charters
[redacted]
P.O. Box 520575 Big Lake, AK 99652
www.alaskan-adventures-unlimited.com

Sharon Long

From: Duane BelAND [BELAND@MOSQUITONET.COM]
Sent: Monday, April 13, 2009 2:22 PM
To: Sharon Long
Subject: SJR 22
Follow Up Flag: Follow up
Flag Status: Red

I support SJR 22 and ask that the fisheries resources be allocated iaw the state Constitution and that commercial interests and out of state interests do not get priority as they seem to be attempting.

Duane Beland
North Pole, AK.

Sharon Long

From: Chuck and Joanne Collins [tales@ptialaska.net]
Sent: Monday, April 13, 2009 11:44 AM
To: Sharon Long, staff to Senator Huggins
Subject: SJR 22

Dear Ms. Long,

Please let Sen. Huggins know that we are in full support of SJR 22; for too long the commercial fishing industry has dominated boards and councils regarding fisheries management. It past time that a more equitable balance be established on these boards and councils and we believe SJR 22 to be a first step in that direction.

Sincerely,
Charles E. and Alice J. Collins

Sharon Long

From: Holly Van Pelt [alaskavetpath@mosquitonet.com]
Sent: Monday, April 13, 2009 11:11 AM
To: Sharon Long, Staff to Senator Huggins
Subject: support for SJR 22

support for SJR 22:

Dear Ms Long: Please be aware that I support SJR 22. The imbalance in the representation of our fisheries decision making councils and boards is a major causeof the creation of rules that are benefitting a small number of commercial fisherman in a disproportional manner. There finally is a study out that reflects the huge value of sport caught fish. The recreational fishery not only benefits local Alaskans directly by putting food in their freezers, but the financial benefit from tourist dollars is widely spread through the economy by the huge variety of the many small businesses that support this industry.

I think specifically the failures of the North Pacific Fisheries Management council to create a reasonable allocation of halibut resources between private and commercial sector is a result of a ridiculously biased council and somewhat biased staff and legal advisors. If there were to be a balance on that council, they might actually have produce a reasonable solution instead of the 15 years of failed efforts and legally flawed rules.

Thank you for your efforts in protecting the public interest in its resources,

Holly Van Pelt
Alaskan Cottages
P.O. Box 3309
Homer, AK 99603
907-235-9113

Sharon Long

From: edfelt@gci.net on behalf of Larry Edfelt [edfelt@gci.net]
Sent: Friday, April 10, 2009 1:33 PM
To: Sen. Lesil McGuire; Sen. Bill Wielechowski; Sen. Hollis French; Sharon Long
Subject: Support for SJR 22

Dear Senators:

I strongly support passage of SJR 22. The resolution thoroughly captures my thoughts. I hope the examination of the fisheries management process the resolution calls for actually happens.

In this same vein, please also reject the appointment of Brent Johnson to the Board of Fisheries, and encourage the governor to provide more geographic balance and broader user group expertise to the board.

Thank you for whatever consideration you give to this.

sincerely,
Larry Edfelt

Box 210821
Auke Bay, AK 99821
907-780-4780

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HOUSE COMMITTEE REPORT

(7)
Date Referred to Committee: April 18, 2009 **FURTHER REFERRALS: Resources**

Date of Committee Action: 2/9/2010

The HOUSE SPECIAL COMMITTEE ON FISHERIES considered:
CS FOR SENATE JOINT RESOLUTION NO. 22(RES)

Opposing litigation that seeks to eliminate the Kenai, Kasilof, and Chitina sockeye salmon personal use dip net fisheries.
SJR 22 FEDERAL PREEMPTION OF SALMON MANAGEMENT

Recommends it be replaced with [✓] HCS *or* [ ] CS *for* CS SJR 22 (FSH) ( )
Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR _____ [X] Same Title [ ] New Title

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero
HFSH				✓

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Craig Johnson	Johnson	X			
Millett	Millett	X			
Kawasaki	Kawasaki				X
Wes Keller	Keller	X			
R. L. Buch	Buch			0	
Cathy Muñoz	Muñoz	✓			
Chair: Bryce Edgmon	Edgmon			X	
Chair:					

ALASKA STATE LEGISLATURE

Senate District H
600 E. Railroad Avenue
Wasilla AK 99654
907-376-4866
907-373-4724 - Fax
Senator_Charlie_Huggins@legis.state.ak.us

State Capitol, Room 119
Juneau AK 99801-1182
907-465-3878
Fax: 907-465-3265
800-862-3878
www.akrepublicans.org/huggins/

Charlie Huggins
Senator

Sponsor Statement SJR 22

This resolution takes aim at lawsuits filed in the US District Court of Alaska, one by the United Cook Inlet Drift Association (UCIDA) and another by Herbert T. Jensen. The complaints by this commercial fishing group and an individual, calling for a return of federal management is an affront to the State of Alaska. Please, do not forget, here in our 50th year as a state, it was a colossal failure of federal salmon management that was a major driving force behind the statehood movement. I would hope no one wishes to return to such a regime.

UCIDA is an association of both resident and non-resident commercial fishers who participate in drift gillnet salmon fisheries in the inlet. Remarkably, these fishers can keep, for their personal use, an unlimited number of fish from their commercial catch. Their goal is to have the state-managed personal use dip net fishery declared unconstitutional and be pre-empted by federal law. This resolution seeks a fair shake for Alaskans who fish, without commercial gear, with simple dip nets, to feed their families. It asks the governor to intervene in defense of our state's authority to manage its own fisheries in a responsible manner.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **CS for CSSJR22(RES)**
() Publish Date:

Dept. Affected:
Title FEDERAL PREEMPTION OF SALMON MANAGEMENT RDU
Component
Sponsor Sen. Huggins, et al
Requester House Fisheries Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: House Special Committee on Fisheries Phone 465-2839
Division Date/Time 2/9/2010 12:30 p.m.
Approved by: House Special Committee on Fisheries Date 2/9/2010

(Revised 11/6/2009 OMB)

ALASKA STATE LEGISLATURE

Bill Stoltze
State Representative
House District 16

Charlie Huggins
State Senator
Senate District H

Huggins, Stoltze Introduce Resolution to Protect Alaska's Personal Use Dip Net Fisheries

(JUNEAU, April 9, 2009) – Senator Charlie Huggins (R-Mat-Su) and Representative Bill Stoltze (R-Chugiak/Mat-Su) today announced that they are introducing companion resolutions requesting Governor Sarah Palin's administration to join the federal government in opposing a lawsuit filed by a Cook Inlet commercial fishing group challenging salmon management in the inlet. Senate Joint Resolution 22, sponsored by Senator Huggins and co-sponsored by Senators Johnny Ellis (D-Anchorage), Bill Wielechowski (D-Anchorage) and Linda Menard (R-Wasilla), was introduced this morning. Representative Stoltze plans to introduce a companion resolution in the House of Representatives tomorrow.

"With this resolution, we're trying to get a fair shake for Alaskans who fish to feed their families and asking the governor to defend the state's authority to manage our fisheries in a responsible manner," said Senator Huggins. "If this lawsuit is successful, it could pre-empt state management and be detrimental to Alaskans' access to our salmon resources."

The lawsuit was filed last year by the United Cook Inlet Drift Association (UCIDA) against the U.S. Department of Commerce opposing the current management of salmon fisheries in Cook Inlet. UCIDA is an association of both resident and non-resident commercial fishermen who participate in drift gillnet salmon fisheries in the inlet. Senate Joint Resolution 22 would express the Senate's objection to the association's effort to have state-managed personal use dip net fisheries declared unconstitutional and therefore pre-empted by federal law.

"It is appalling that this Alaska resident-only salmon fishery is under assault by special interests, said Representative Stoltze. "Dipnetting is a great part of Alaska - a true family tradition."

The resolutions request Governor Palin "to direct the attorney general to oppose this lawsuit", and, "in cooperation with the legislature, to re-examine the inordinate and potentially unfair, unethical, and disproportionate influence of the commercial fisheries industries on fisheries management in Alaska."

SJR 22 has been referred to the Resources Committee and the Judiciary Committee. The House version will be referred to committees tomorrow.

For more information, contact Senator Huggins or Sharon Long at 907-465-3878, or Representative Stoltze or Ben Mulligan at 907-465-4958.

###

UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
NATIONAL MARINE FISHERIES SERVICE
1315 East-West Highway
Silver Spring, Maryland 20910

THE DIRECTOR

James N. Butler, III
Gregory R. Gabriel, Jr.
Baldwin & Butler, LLC
125 North Willow Street
Kenai, Alaska 99611

Dear Mr. Butler and Mr. Gabriel:

Thank you for your "Petition for Emergency Rules Related to Salmon Management in Cook Inlet, Alaska" (Petition), dated June 12, 2008, and submitted to the Secretary of Commerce by the United Cook Inlet Drift Association and the Kenai Peninsula Fishermen's Association (Petitioners). We have reviewed and considered the Petition. The attached document constitutes the National Marine Fisheries Service's (NMFS's) response to the Petition.

For various reasons explained fully in the attached response, NMFS denies Petitioners' claims that challenge the consistency of certain State of Alaska (State) salmon regulations applicable within the Exclusive Economic Zone (EEZ) with the provisions of the Magnuson-Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act), the Fishery Management Plan for the Salmon Fisheries in the EEZ Off the Coast of Alaska (FMP), and other applicable Federal law. Before appealing such regulations to NMFS, the FMP requires persons challenging State salmon fishing regulations to first exhaust their remedies through the appropriate State procedures. The information provided in the Petition indicates that Petitioners have failed to exhaust their remedies with the State. Petitioners may resubmit these claims to NMFS after exhausting their remedies with the State in accordance with Chapter 9 of the FMP.

NMFS also declines to pursue Petitioners' request that NMFS preempt State management of salmon fisheries within the State waters of Upper Cook Inlet because the Magnuson-Stevens Act prevents NMFS from preempting a state's management authority within that state's waters if NMFS in unable to find that the fishery occurs predominantly within the EEZ. The catch data for salmon in the EEZ versus State waters clearly show that fishing for salmon governed by the FMP, on a broad scale as well as solely within the Cook Inlet Management Area, does not occur predominately within the EEZ.

THE ASSISTANT ADMINISTRATOR
FOR FISHERIES

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Finally, the attached document provides the agency's position relative to a number of interpretations of several provisions of the Magnuson-Stevens Act and the scope of Federal authority to manage salmon fisheries under the provisions of the Magnuson-Stevens Act and the FMP that are included in the Petition.

Sincerely,

James W. Balsiger, Ph.D.
Acting Assistant Administrator for Fisheries

cc: Denby Lloyd, Commissioner, State of Alaska Department of Fish & Game

Attachments:

1. NMFS's Response to "Petition for Emergency Rules Related to Salmon Management in Cook Inlet, Alaska"
2. The portion of commercial salmon catch harvested in the EEZ
3. Petition for Emergency Rules Related to Salmon Management in Cook Inlet, Alaska, submitted by the United Cook Inlet Drift Association and the Kenai Peninsula Fishermen's Association

SJR

27

HOUSE COMMITTEE REPORT

(9)

Date Referred to Committee: March 17, 2010 **FURTHER REFERRALS:**

Date of Committee Action: 3/26/10

The RESOURCES Committee considered: **CS FOR SENATE JOINT RESOLUTION NO. 27(RES)**

Urging the federal government to provide funding for domestic seafood marketing and promotional activities.
SJR 27-FED. FUNDING: DOMESTIC SEAFOOD MARKETING

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* _____ (_____)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW **FISCAL NOTES** *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero

PREVIOUS **FISCAL NOTES**				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
SRES Comm	1			✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	OLSON	X			
	GUTTENBERG	X			
	IVEN	X			
	SEATON	X			
	WILSON	X			
Chair:	Johnson	X			
Chair:	NEUMAN	X			

SENATOR DENNIS EGAN

Senate Joint Resolution 27 – National Seafood Marketing

Senate Joint Resolution (SJR) 27 communicates to the Obama Administration, the Alaska Congressional Delegation, and Congress the Legislature's support for using a portion of federal revenues generated from duties on imported seafood and fish products for marketing American seafood—including that harvested in Alaska.

Since the 1990s, over eighty percent of the fish consumed annually by American families is the product of foreign countries. And every year the governments of many of these countries bankroll multi-million-dollar campaigns to market their seafood to Americans.

While the Alaska seafood industry as well as the state of Alaska contribute millions in funding for marketing purposes, the amounts are not adequate to finance the vigorous, consistent, and innovative promotion that our products require in the face of foreign competition.

Meanwhile, each year hundreds of millions of dollars are derived from duties on these imported fish and fish products that so aggressively compete with American seafood. Yet only an insignificant fraction of this revenue has ever been employed to promote domestically produced seafood.

SJR 27 endorses putting a portion of these revenues to work in developing and maintaining the robust domestic markets that healthy, sustainable Alaskan seafood deserves. The resolution urges Congress to pass legislation dedicating such funding for the effective domestic marketing of American seafood. It asks the Alaska Delegation in Congress to work together with representatives from other seafood producing states to accomplish these goals.

ALASKA SENATE
STATE CAPITOL • JUNEAU, ALASKA 99801-1182 • (907) 465-4947 • FAX (907) 465-2108
SENATOR.DENNIS.EGAN@LEGIS.STATE.AK.US

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: SJR27
Bill Version:
() Publish Date:

Identifier (file name): SJR27-DFG-DAS-02-26-10
Dept. Affected: ADF&G

Title: Urging the federal government to provide funding for domestic seafood marketing and promotional activities.
RDU: Administration and Support
Component: Administrative Services

Sponsor: Senator Egan
Requester: Resources
Component Number: 479

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES ( )	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts							
1003 GF Match							
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS							
Full-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0

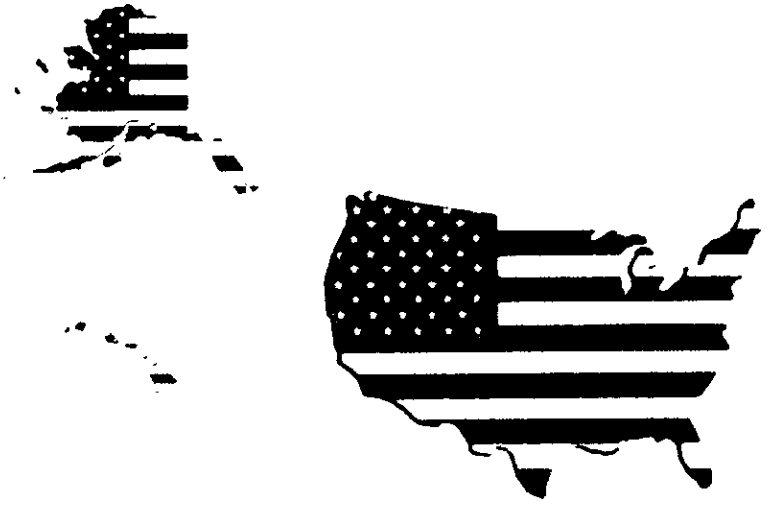
ANALYSIS: *(Attach a separate page if necessary)*

No fiscal impact to Department of Fish and Game

Prepared by: Jeff Hoover, Deputy Director
Phone 907-465-6077
Division: Administrative Services
Date/Time 02/26/10 10:45 a.m.
Approved by: Tom Lawson, Director of Administrative Services
Date 2/26/2010
Alaska Department of Fish and Game

(Revised 11/6/2009 OMB)

National Seafood Marketing Coalition



Julie Decker
Kevin Adams
Julianne Curry
Bruce Wallace

United Fishermen of Alaska

Contact Info:
907-305-0586
juliedecker@gci.net

Creation of a
National Seafood Marketing Coalition

Executive Summary

U.S. seafood producers have common interests. These common interests are often overshadowed by a variety of conflicts, such as access and allocation. U.S. seafood producers can set aside conflicts in order to focus on areas of common interest.

U.S. seafood producers need parity with other U.S. food producers. The bottom line is that U.S. seafood producers are food producers and struggle with the same issues as other U.S. food producers. However, seafood producers are not included in many of the USDA programs which currently benefit farmers. For example, seafood producers do not receive specific funding for domestic marketing and product development which leaves us behind foreign competitors. Additionally, "wild caught" seafood producers cannot participate in the USDA Farm Service Agency's Loan Program due to the agency's definition of "fish."

These two examples, *marketing and affordable working capital,* address areas which are critical to the survival and success of the U.S. seafood industry. In order to affect positive change for U.S. seafood producers, we need to begin to think strategically. Below is an outline of those strategic steps.

Strategic Steps to Success:

1) Create a Coalition
2) Define the issue
3) Build support
4) Identify potential legislative vehicles
5) Wait for the correct timing

Step 1 – Create a Coalition: The formation of a *National Seafood Marketing Coalition* (Coalition) creates a forum on which to build grass roots support and effect the changes necessary in the industry. The creation of the Coalition is vital to the health of our industry and the survival of our coastal communities.

Step 2 – Define the issue: The first issue adopted by the Coalition could be the establishment of a National Seafood Marketing Fund which targets revenues from import duties on fish and fish products as an annual funding source. Other issues may be adopted by the Coalition in the future; however, beginning with one single issue allows the Coalition to focus on building its relationships and support around that issue.

A focused single issue and message with broad support is essential to achieving success. Marketing is an issue which will help all sectors of the industry by bringing higher demand and value to U.S. seafood products.

Step 3 – Build support: Grassroots support is the single most powerful influence on our Congressional Delegates. The Coalition must build support at the local, regional and national levels to create an unshakeable foundation of support for its issues. To do this, Coalition members must rally organizations, businesses, communities, and states with interest in the seafood industry, to support Coalition issues in Congress.

Step 4 – Identify potential vehicles: The next strategic step for success is to identify potential legislative vehicles on which to attach the Coalition's issue. A potential vehicle could be President Obama's Jobs Bill, mentioned in his State of the Union Address.

Step 5 – Wait for the correct timing: The political timing must be correct in order to accomplish our goal.

We must form a strong, supportive Coalition and be strategically smart. Remember, we have legitimate value in our goal; a healthy U.S. seafood industry is good for the economy and good for the country.

National Seafood Marketing Coalition

Proposal to Create a National Seafood Marketing Fund

DRAFT-DRAFT-DRAFT

Need

American seafood products are increasingly forced to compete with imported seafood and many other sources of protein in the domestic marketplace. Consequently, United States fishermen and seafood producers struggle to maintain a healthy business profile. Ex-vessel prices are too low to sustain many domestic fisheries. Fishing jobs are being lost and fishery dependant communities are in decline. It is in the interest of the U.S. to maintain a strong domestic seafood industry.

Concept

Develop national legislation directing a portion of the import duties collected on fish and fish products be dedicated to a National Seafood Marketing Fund (NSMF). The NSMF would market domestic seafood which directly competes with foreign imported seafood. Secondly, the legislation would establish nine (9) Regional Seafood Marketing Boards to receive, manage and direct these dedicated funds.

Factual Background

Seafood imports generate two sources of revenue for the U.S. treasury. First, approximately $300 million dollars annually ($282 million in 2008) is generated through duties and tariffs on imported fish and fish products. Second, as much as $400 million dollars may be generated annually from the antidumping/countervailing duties (AD/CVD) on imported fish and fish products.

The first source of revenue, money collected from import duties on fish and fish products, are funds for the U.S. Department of Agriculture (USDA) and the U.S. treasury. Annually, 30% of these funds are transferred from USDA to the U.S. Department of Commerce (USDC) National Marine Fisheries Service's *Promote and Develop Fisheries Products* (P&D) account. NMFS further allocates a majority of the P&D account to Operations, Research and Facilities (ORF). The remaining portion funds the Saltonstall-Kennedy (S-K) program, which traditionally has few or no proposals to *"promote and develop fisheries products."* To date, it has been difficult to find the disposition of the

remaining funds retained within the USDA. A breakdown of the appropriation of these funds for fiscal years 2007 & 2008 is listed below:

Revenue from Import Duties on Fish & Fish Products (millions)

Year	Total Duties in USDA	P&D Account	Remaining in USDA	P&D Account Breakdown	
				ORF	SK
FY07	**$ 276.05**	$ 82.82	$ 193.23	$ 79.00	$ 3.82
% of Total Duties	**100%**	30%	70%	29%	1%
FY08	**$ 281.98**	$ 84.59	$ 197.39	$ 77.00	$ 7.59
% of Total Duties	**100%**	30%	70%	27%	3%

The 1956 S-K Act was amended in 1983 to require that 60% of the P&D, or approximately $50M, be used to fund the S-K program annually. Further, it is interesting to note that the amount of funds used for the S-K program since 1983 has never met this minimum of 60%; the average for this period is 11.8% (including promotional and marketing funds).

From FY1978 to FY2008, import duties on fish and fish products have grown from $43.3M to $282M. However, funds available for the S-K program have shrunk from $13M to $7.6M. The average for this period is $7.3M.

The second source of revenue, the antidumping/countervailing duties (AD/CVD), is not currently allocated for any use by domestic seafood producers, although domestic seafood producers are dramatically affected by imported products often subsidized by foreign governments. AD/CVD funds collected from imported seafood have been difficult to definitively identify; however, it is believed to be as much as $400M annually.

Funding Source

This proposal suggests an annual funding mechanism for the National Seafood Marketing Fund by utilizing equal portions of the revenue from import duties on fish and fish products and the revenue from AD/CVD. The portion of revenue from import duties on fish and fish products should be equal to the congressional intent of 60% of the P&D account (approximately $50M annually) which would then be matched with an equal amount from the AD/CVD.

To be clear, the import duties on fish and fish products targeted for this proposal are the 70% remaining in USDA, not the 30% transferred to NMFS for ORF and S-K.

Structure of Regional Seafood Marketing Boards

1. Nine (9) Regional Seafood Marketing Boards (Boards) would be established in order to include all U.S. seafood producers which would include mariculture and aquaculture. Eight (8) Boards would geographically parallel the 8 Regional Fishery Management Councils authorized by the Magnuson-Stevens Act. The 9th Board would represent inland domestic seafood production. Marketing activities of each Board would be directed toward seafood caught or products produced in each region.

2. Establish a statutorily "fixed" annual funding mechanism using an equal portion of the import duties on fish and fish products and the AD/CVD. The total amount appropriated annually would be divided into thirds:

- One-third distributed equally to all 9 regional Boards.
- One-third distributed based on the comparative regional value of seafood produced in the most recently reported year.
- One-third distributed based on the comparative regional volume of seafood (metric tons) produced in the most recently reported year.

3. The Boards should be limited in scope to promotion and marketing, including new product development, of seafood harvested and/or produced in each region (e.g. no imported products). "Promotion and marketing, including new product development" should be defined broadly enabling Boards to respond quickly to market needs.

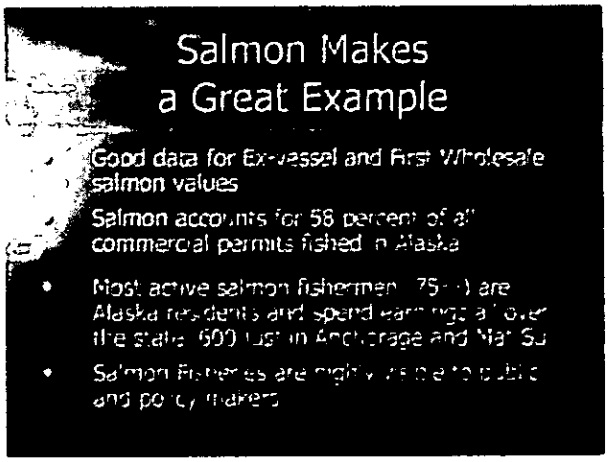
4. Boards serve as the regional "umbrella funding" entity. The Boards' activities should be limited to the awarding of grants and the distribution of funds through a Request for Proposal process. Boards would not manage marketing programs. Existing marketing or development entities, such as the Wild American Shrimp, Inc., Louisiana Seafood Promotion and Marketing Board, Maine Lobster Promotion Council, Alaska Seafood Marketing Institute, or the California Salmon Council could also apply to the Boards for funding to support their programs.

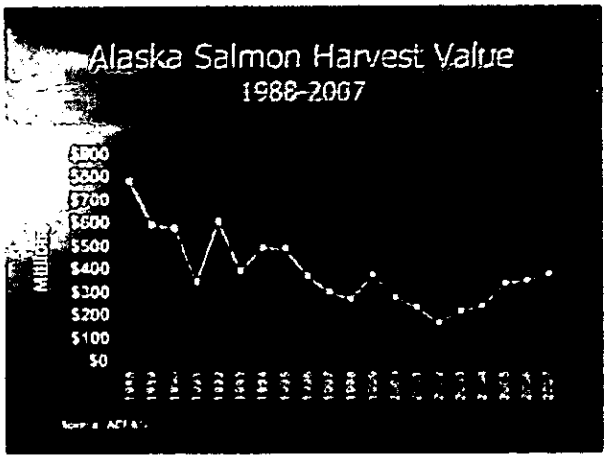
In addition, the Boards, as regional "umbrella" entities, should be encouraged to also focus on smaller (niche) marketing initiatives by requiring Boards to distribute a specific portion of their annual funding to "small businesses" as defined by the Small Business Administration.

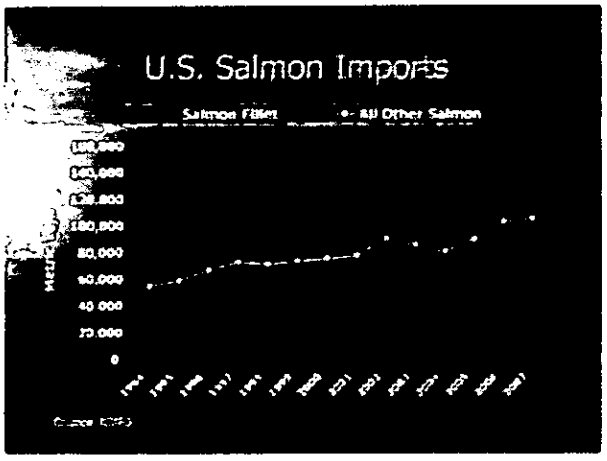
Boards can spend no more than 10% of their annual funding for administration and operational expenses.

5. Cooperation between Boards should be encouraged by requiring the Board chairmen to meet semi-annually to discuss common species, marketing projects and issues of concern. Semi-annual meetings could also include representatives from various existing seafood marketing organizations as well.

Why Marketing?
An Example from the Alaska Salmon Industry







In 1991, the Alaska salmon industry suffered from a huge influx of imported farmed salmon in consumer-friendly forms.

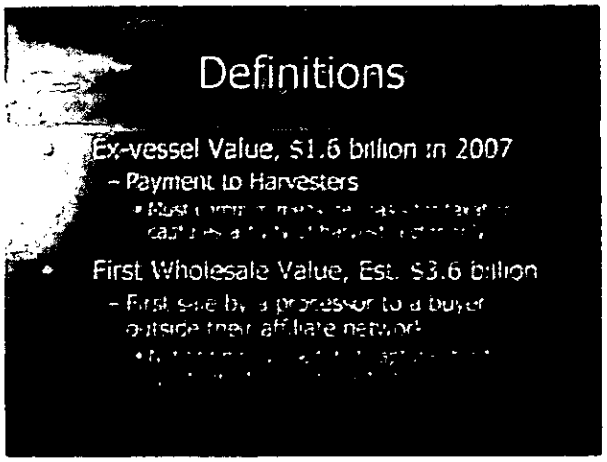
From 1991 to 2002, the value of Alaska salmon continued to drop as the import of farmed salmon continued to rise.

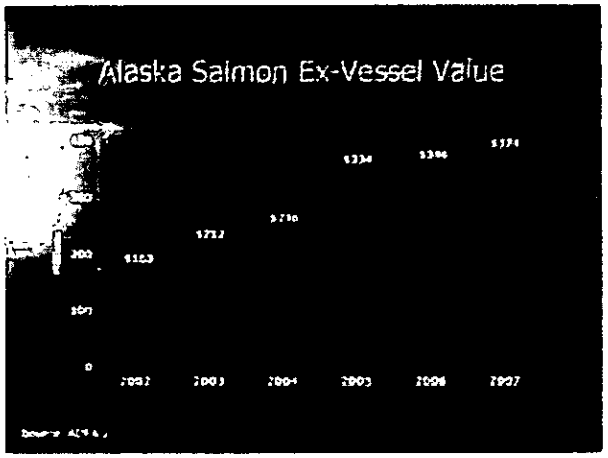
As the demand for Alaska salmon fell, so did the funds used to market Alaska salmon through the Alaska Seafood Marketing Institute (ASMI). ASMI is funded based on a percent tax on the industry.

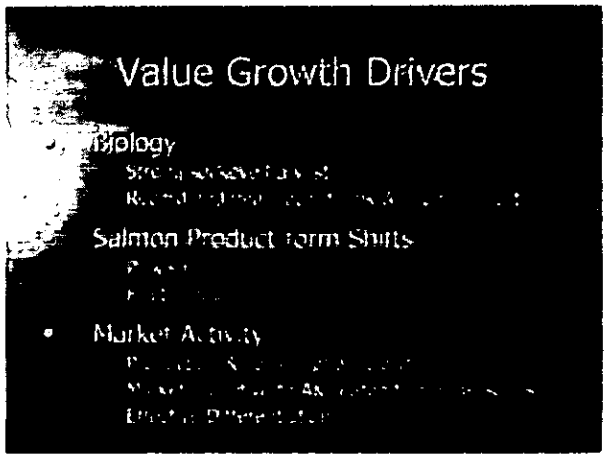
As the value of the fishery declined, the marketing funds desperately needed to pull the industry out of the tail-spin were also declining, furthering the downward trend.

During this time, approximately two-thirds of the fishermen and processing companies went out of business across Alaska.

In 2002, the Alaska salmon industry hit the lowest point of profitability in history.







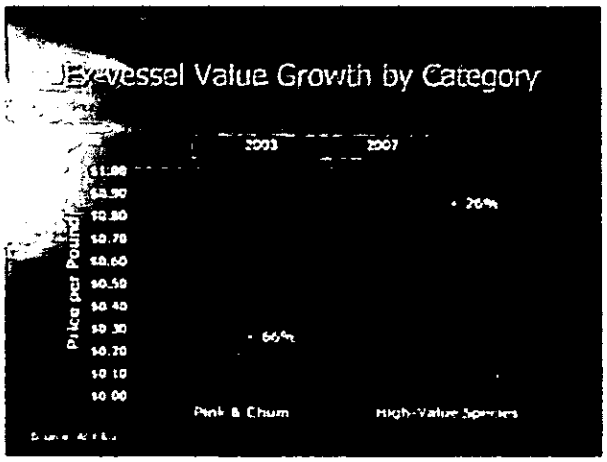
Also in 2002, Governor Frank Murkowski and his Salmon Cabinet designed and implemented the Alaska Salmon Revitalization Plan, funded with approximately $40 million, plus an equal amount of matching funds from private industry.

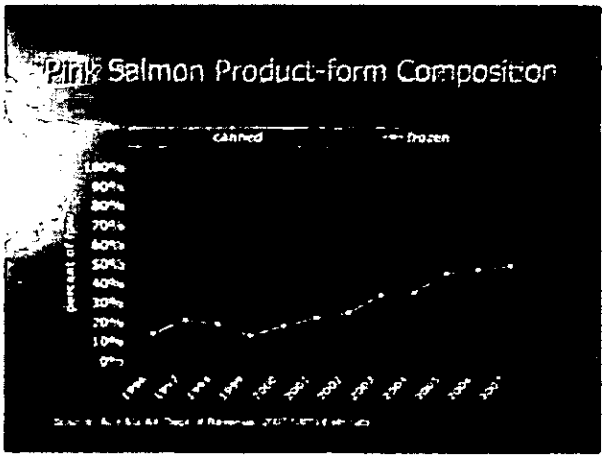
At this same time, Senator Ted Stevens created the Alaska Fisheries Marketing Board (AFMB) out of frustration in trying to meet the intent of Congress to use 60% of the Promote & Develop Fisheries Account funds to "promote and develop fisheries products." AFMB is considered a pilot project to the current proposed National Seafood Marketing Fund.

The AFMB was funded with $36 million between 2002 and 2007.

The combination of these funds, over $116 million, was used for marketing, product development and infrastructure with an emphasis on the failing salmon industry.

The positive results of these investments are significant.





Impacts of Product-form Shift

- Sustains demand growth for frozen in emerging markets
- Reduced chronic surplus of canned salmon, restoring balance of supply and demand
- Full utilization of harvestable surpluses

Results of Investments in Marketing:

--Increased quality on vessels and in processing plants.

--Increased the number of new product forms, such as fillets, portions, and consumer-ready products.

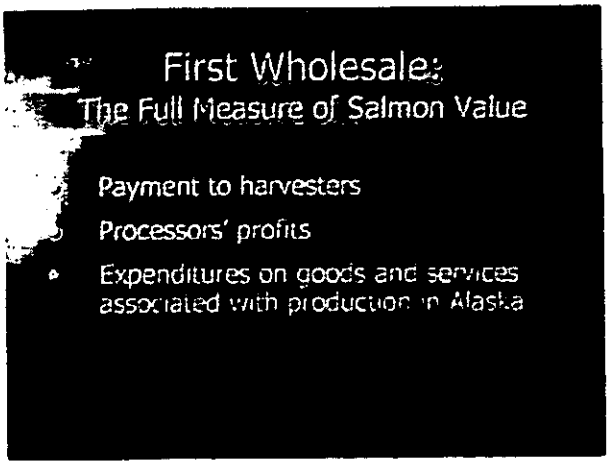
--Decreased the number of old product forms, such as canned and headed-and-gutted salmon.

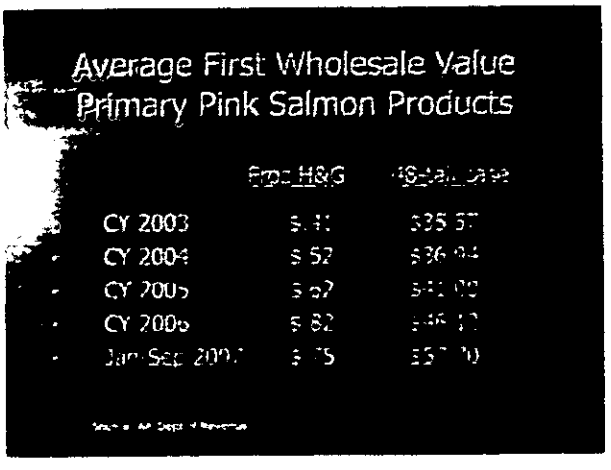
--Changed from focusing on the primary processing industry to the secondary processing industry.

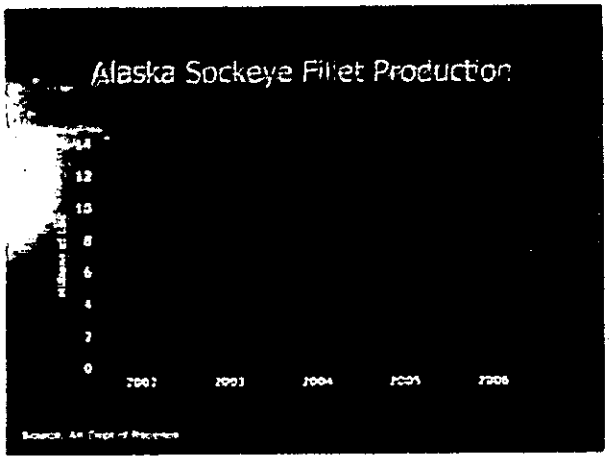
--Changed from focusing on the salmon market to focusing on the food market.

--Changed from a commodity-driven market to a consumer-driven market.

--Brought fishermen, processors, wholesalers and government agencies to the table to determine what was needed as market conditions were dynamically changing.







As a result of the investments in marketing (quality, product development, infrastructure and advertisement), the value of Alaska salmon began to rise almost immediately.

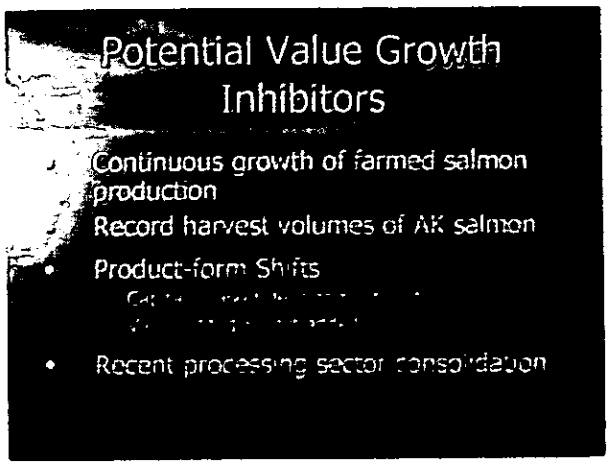
From 2002 to 2007, the ex-vessel values increased from $163 million to $374 million, an increase of 130%.

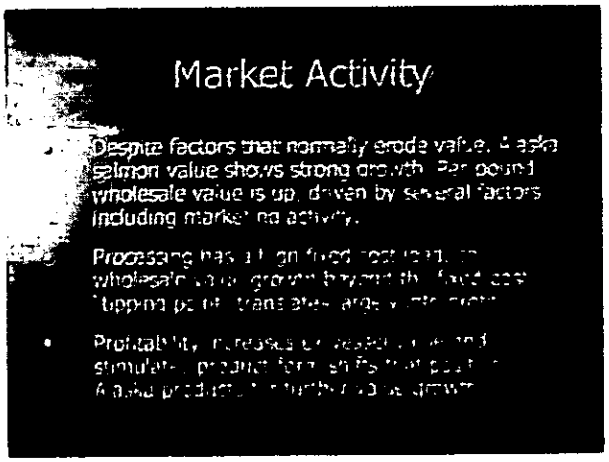
The first wholesale value of salmon increased from approximately $550 million to $850 million.

The price of canned pink salmon rose from $35.57 to $57.70 per case.

The amount of sockeye fillets produced continued to rise from approximately 2 millions pounds to almost 14 million pounds.

Many of the costs for processors are fixed. Therefore, as profitability began to rise, the percentage of profits that could be shared with fishermen also rose. The price paid to fishermen, as a percentage of the first wholesale value, increased from 29% to 40%.

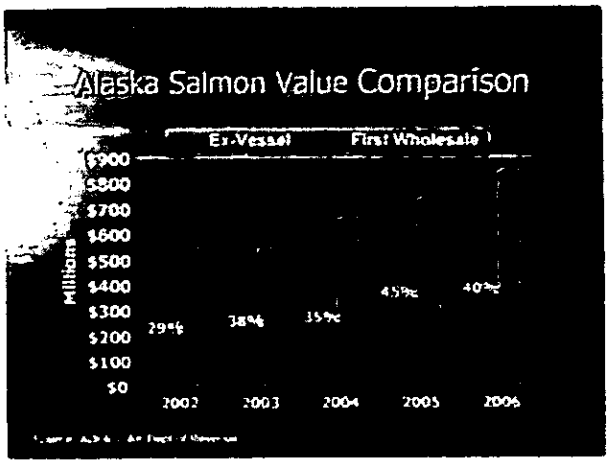


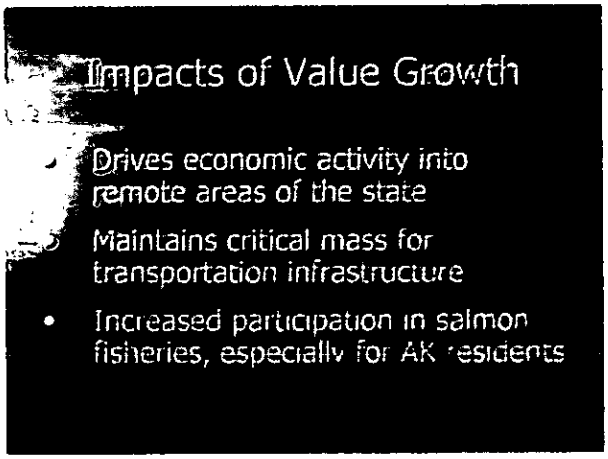


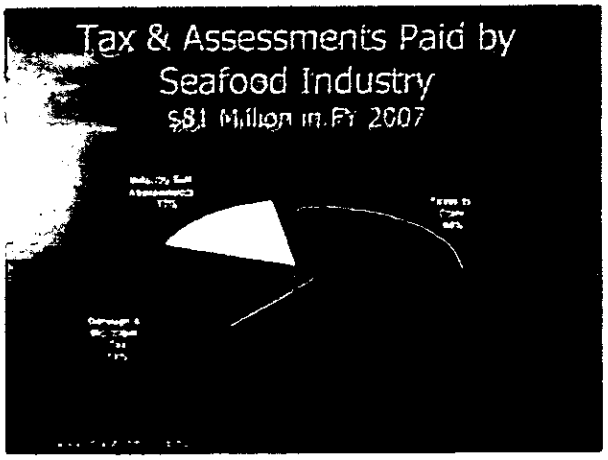
The rise in value of Alaska salmon continued even in the face of increased production of farmed salmon, record harvests of Alaska salmon, increased competition from other sources of seafood, and increased marketing efforts from foreign countries. For example, Norwegian salmon companies have budgeted $15 million for marketing in the U.S. for 2010.

The Alaska Seafood Marketing Institute (ASMI) continues to receive funding for marketing from taxes assessed on the industry. ASMI's budget from assessments is between $5 million and $10 million per year to market ***all*** Alaska Seafood. These assessments allow ASMI to leverage a variety of grants.

Since 2007, the influx of $116 million in marketing funds is no longer available. However, the ex-vessel value of salmon continues to rise. In 2008, ex-vessel values of Alaska salmon rose to $452 million, an increase of 177% over 2002 ex-vessel values.





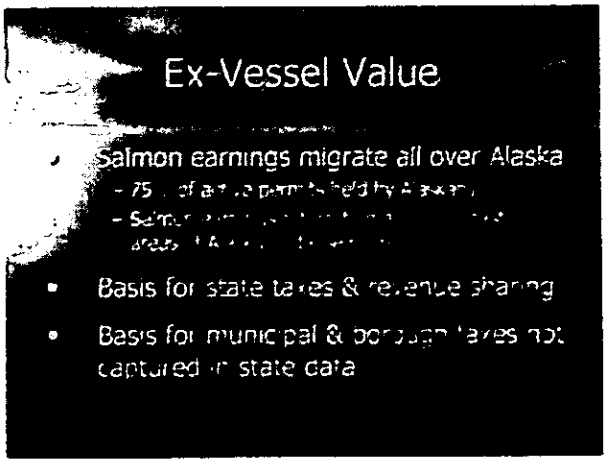


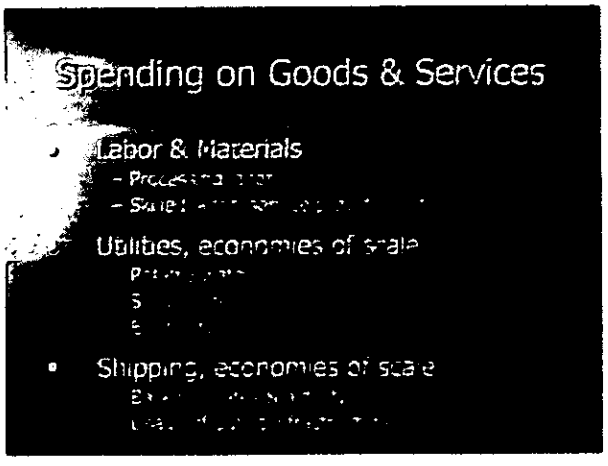
These marketing investments in the Alaska salmon industry were pure economic development.

As the value of the industry increased, economic activity also increased from rural areas of Alaska to urban centers, and even extending to other states which support the industry.

For example, as the industry began to be profitable again, upgrades were made in both the processing and harvesting sectors. Airlines invested in additional cargo capacity as more fillets and high quality salmon were shipped by air. Freight and trucking companies invested in upgrades as distribution lines changed.

Quality improvements and product development meant investments in equipment and machinery (i.e. ice machines, flash freezers and fillet machines) purchased through supply companies all over the country.





As the salmon industry increased in value, the tax revenue from the industry also increased. Salmon industry taxes support the continued marketing of Alaska seafood, the enhancement of the industry, state activities and municipal activities, such as schools and harbors.

This chain of economic impact continues to trickle down and is seen on local, regional, state and federal levels.

The investment in marketing Alaska salmon is a success story; it is also an example of what marketing can do for any product and the value of aggressive and continued marketing support, such as a *National Seafood Marketing Fund*.

*Note: Slides are excerpts from the McDowell Group's presentations to the Alaska Fisheries Marketing Board (Jan. 21, 2008) titled, "Alaska Salmon Industry: Value Growth Drivers, Secondary Impacts" & to the Alaska Seafood Marketing Institute (Feb. 21, 2008) titled "Value of the Alaska Fishing Industry to the State of Alaska".

Order Code RS21799
Updated May 26, 2004

CRS Report for Congress
Received through the CRS Web

Saltonstall-Kennedy Fishery Funding

Eugene H. Buck
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Resources, Science, and Industry Division

Summary

The Saltonstall-Kennedy Act established a fund that, among other things, has supported fishery research and development projects, with funding awarded annually on a competitive basis. Recent congressional "earmarks" have preempted the competitive process for awarding funding for industry projects. This report will be updated as this issue evolves.

The Saltonstall-Kennedy (S-K) Act, as amended (15 U.S.C. §713c-3), established a fund (known as the S-K Fund) that the Secretary of Commerce uses to finance projects and cooperative agreements for fishery research and development. Under this authority, projects or cooperative agreements are selected annually on a competitive basis to assist NOAA Fisheries (previously known as the National Marine Fisheries Service) in addressing concerns related to U.S. commercial and recreational fisheries. The S-K Fund is capitalized through annual transfers under a permanent appropriation to the Secretary of Commerce of 30% of the gross receipts collected by the Secretary of Agriculture under the customs laws on imports of fish and fish products.[1]

The objective of the S-K program is to address the needs of fishing communities in providing economic benefits for rebuilding and maintaining sustainable fisheries, and in dealing with the impacts of conservation and management measures.[2] The S-K program has become very important in addressing issues of immediate concern to the commercial fishing industry, by producing many new gear innovations, markets, and management options. Issues addressed have included fish harvesting, seafood quality improvements, domestic and foreign market development, efficiency and productivity improvements, and the costs/profitability of potential fishing industry investments.[3]

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[1] Because of progressive reductions and eliminations of tariffs on edible fisheries products, most of these customs duties come from non-edible products, such as pearls, coral jewelry, etc.

[2] U.S. Dept. of Commerce, National Marine Fisheries Service, *The Saltonstall-Kennedy Grant Program: Fisheries Research and Development*, Report 2003 (Aug. 1, 2003), p. 2.

[3] U.S. General Accounting Office, *Uses of Saltonstall/Kennedy Fisheries Development Funds*, (continued...)

Customs receipts have increased substantially during the life of this program, with almost $80 million currently being transferred annually to the Secretary of Commerce. **Table 1** summarizes program funding. In 1980, Congress enacted formal program authority to fund fishing industry development projects and expanded this authority in 1983, establishing a minimum percentage of S-K funds to be used to provide financial assistance to projects. The balance of S-K funds were to be used by the Secretary of Commerce for a national program of fisheries research and development to address aspects of U.S. fisheries not adequately addressed by funded industry projects. Beginning in FY1979, increasing amounts of S-K dollars have been transferred to the Department of Commerce's National Oceanic and Atmospheric Administration's (NOAA's) *Operations, Research, and Facilities* (ORF) account, reducing the funds and percentage of funds available for fishing industry projects and the national program. Since FY1982, the S-K program has never allocated the minimum amount (50% after FY1980 and 60% after FY1983) specified by law for industry projects. For example, in FY2002, slightly more than $79.1 million in customs duty receipts were transferred to the Department of Commerce from the Department of Agriculture. Of this amount, P.L. 107-77 transferred $68 million to NOAA's ORF account "for necessary expenses of activities authorized by law for the National Oceanic and Atmospheric Administration."[4] A total of slightly more than $11.1 million (14.1% of the customs receipts transferred to the Department of Commerce) remained for commercial fishing industry projects, the national program of fisheries research and development, and S-K program administration.

In FY2004 appropriations (P.L. 108-199, 118 Stat. 73, §208 of "General Provisions — Department of Commerce"), congressional earmarks designated funds for specific activities outside the regular competitive award process, and the competitive program was cancelled for FY2004.[5] A similar situation occurred in FY2003. Regardless of the merits of the activities funded through the congressional earmarks, some elements of the commercial fishing industry have expressed frustration when the competitive process is circumvented and projects are funded outside a competitive selection process.[6]

Since the S-K program requires no periodic reauthorization, no recent congressional oversight hearings have been held to review the department's rationale for allocating S-K funds between industry projects and agency base funding; how specific project areas to be funded are selected; how this program is administered and at what cost; how the results of funded projects are reviewed, disseminated, and used; and to what extent the program continues to meet its statutory objectives. Additional questions include whether the S-K

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[3] (...continued)
GAO/RCED0-85-145 (Washington, DC: Aug. 30,1985), p. ii.

[4] 115 Stat. 774-775.

[5] In several earlier instances, congressional "soft" earmarks were specified in report language associated with annual appropriations. Although such language is not legally binding, NOAA followed the direction in making funds available noncompetitively for various specific projects. Examples include the Interstate Shellfish Sanitation Conference for an education program on naturally occurring *Vibrio vulnificus* in shellfish and the Alaska Fisheries Development Foundation for a report entitled *An Ocean of Answers*.

[6] Discussions among commercial fishermen on the internet discussion group "Fishfolk" fishfolk@mitvma.mit.edu on Mar. 22-25, 2004.

program might be considered a continuing subsidy for the commercial fishing industry, whether the funding of industry projects continues to be useful, how the utility of the S-K program authority may have changed over time, and whether critical research might be done by industry if it were not funded by the S-K program.

Criticism of S-K program management generally comes from elements of the commercial fishing industry. Some critics of S-K Fund management question whether the administration of both regulation and research within the same agency raises questions about objectivity; they suggest that researchers might be hesitant to criticize the agency for its regulatory actions because they might lose access to future or continued project funding. Others suggest that the selection (i.e., restriction) of what types of projects will be funded also may administratively "earmark" funds, such as occurred in FY2003 when about half of all industry project funding ($5 million of an anticipated $10.3 million) was identified for direction to Atlantic salmon aquaculture development. Others suggest that the narrow agency identification of projects that would be funded in FY2003 actually prompted the subsequent congressional earmarks to specify projects that are to be funded.

The following chronology presents the development of this program. Key references are identified in footnotes by links to where they may be viewed, with care taken to select those resources that may be least transient. Full citations are not provided to these footnoted documents because of the lengthy organizations and titles for them.

Chronology

07/01/1954 — President Eisenhower signs the Saltonstall-Kennedy Act (68 Stat. 376; 15 U.S.C. §713c-3) into law.

06/15/1961 — Senate Commerce Subcommittee on Merchant Marine and Fisheries holds a hearing on fishery research and rehabilitation amendments to the S-K Act.[7]

10/01/1978 — NOAA's National Marine Fisheries Service (NMFS) begins receiving S-K dollars as annual budgetary transfers to NOAA's *Operations, Research, and Facilities* account.

12/22/1980 — Section 210 of the American Fisheries Promotion Act (P.L. 96-561) amends the S-K Act to require that not less than 50% of each fiscal year's funds be used to provide financial assistance for projects.

01/06/1983 — Section 423 of P.L. 97-424 amends the S-K Act to require that not less than 60% of each fiscal year's funds be used to provide financial assistance for projects.

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[7] U.S. Congress, Senate, Committee on Commerce, Subcommittee on Merchant Marine and Fisheries, *Fishery Research and Rehabilitation (Amendments to Saltonstall-Kennedy Act)*, 87th Congress, 1st session, hearing on S. 1230 on June 15, 1961 (Washington, DC: GPO, 1961), 103 p.

08/30/1985 — The General Accounting Office (GAO) releases a report on the *Uses of Saltonstall/Kennedy Fisheries Development Funds* (GAO/RCED0-85-145), reviewing both NMFS in-house activities and competitive industry projects supported by S-K dollars. GAO examines the adequacy of the project selection process, project monitoring procedures, and the dissemination of project results. GAO presents views on the benefits of this program to the U.S. commercial fishing industry but makes no recommendations.[8]

11/14/1986 — The enactment of §209 of P.L. 99-659 creates the Fisheries Promotional Fund, to be capitalized with S-K funds.[9]

05/14/2002 — NOAA Fisheries announces the FY2003 S-K Program, allocating $5 million of an anticipated $10.3 million for Atlantic salmon aquaculture development.[10]

02/20/2003 — President Bush signs P.L. 108-7, wherein §209 (Division B; General Provisions — Department of Commerce) appropriates $10 million in S-K dollars for the Alaska Fisheries Marketing Board for FY2003.[11]

06/30/2003 — NOAA Fisheries announces the FY2004 S-K Program, suggesting that about $4 million would be available for projects.[12]

08/01/2003 — NOAA Fisheries publishes its 2003 S-K Report to Congress.[13]

01/23/2004 — President Bush signs P.L. 108-199, wherein §208 (Division B; General Provisions — Department of Commerce)[14] appropriates $17 million in S-K dollars for various specified fisheries programs for FY2004;[15] a "soft" earmark (H.Rept. 108-221, p. 89) identifies an additional $250,000 for the Gulf and South Atlantic Fisheries Foundation to continue a *Vibrio* education program.

03/19/2004 — NOAA Fisheries announces that the FY2004 competitive S-K Program is being canceled due to insufficient funding and all

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[8] See [http://161.203.16.4/d11t3/127795.pdf], visited Mar. 24, 2004.

[9] 16 U.S.C. §4008.

[10] 67 *Federal Register* 34427-34434 (May 14, 2002).

[11] 117 Stat. 78.

[12] 68 *Federal Register* 38678-38690 (June 30, 2003).

[13] See [http://www.nmfs.noaa.gov/ocs/sk/pdf/03report_wsite.pdf], visited Mar. 24, 2004.

[14] 118 Stat. 73-74.

[15] $10,000,000 to the Alaska Fisheries Marketing Board, $2,000,000 to the Gulf and South Atlantic Fisheries Foundation, $2,000,000 to the South Carolina Seafood Alliance, $1,500,000 to the Oregon Trawl Commission, and $1,500,000 to the Oregon State University Seafood Laboratory.

applications are being returned to the applicants without further consideration.[16] On its S-K website, NOAA Fisheries notes that the President's budget request for FY2005 also does not provide sufficient funding for the competitive S-K Program.[17]

[16] 69 *Federal Register* 13021 (Mar. 19, 2004).

[17] See [http://www.nmfs.noaa.gov/ocs/skhome.html], visited Mar. 24, 2004.

Table 1. Financing History of Saltonstall-Kennedy Account

(thousand $)

FY	Import duties collected	Transfer from Agriculture	Funds to NOAA ORF	Fishermen's Promotional Fund	Congress. earmarks[a]	Remainder available[aa]	Earmarks and remainder as % of transfer
1978	43,280	12,984	0	0	0	12,984	100%
1979	58,120	17,436	5,000	0	0	12,436	71%
1980	88,930	26,679	5,000	0	0	21,679	81%
1981	116,600	35,000	17,500	0	0	17,500	50%
1982	87,300	26,200	10,000	0	0	16,200	62%
1983	102,100	30,600	22,600	0	0	8,000	26%
1984	119,900	33,600	23,600	0	0	10,000	30%
1985	116,500	34,900	25,900	0	0	9,000	26%
1986	145,600	43,700	34,100	0	0	9,600	22%
1987	191,400	57,400	51,600	750	0	5,050	9%
1988	187,800	56,300	44,400	2,600	0	9,300	17%
1989	178,900	53,600	45,600	3,000	0	5,000	9%
1990	206,500	61,900	55,000	2,000	0	4,900	8%
1991	235,900	70,800	60,900	2,000	0	7,900	11%
1992	213,700	64,100	63,100	0	0	1,000	2%
1993	204,700	61.400	55,000	0	0	6,400	10%
1994	206,500	61,944	54,800	0	0	7,144	12%
1995	215,885	64,765	55,500	0	0	9,265	14%
1996	242,977	72,893	63,000	0	0	9,893	14%
1997	221,270	66,381	66,000	0	0	381	1%
1998	219,110	65,730	62,380	0	0	3,350	5%
1999	221,420	66,430	63,380	0	0	3,050	5%
2000	233,070	69,920	68,000	0	0	1,920	3%
2001	242,760	72,830	68,000	0	0	4,830	7%
2002	263,770	79,130	68,000	0	0	11,130	14%
2003	250,750	75,220	65,000	0	10,000	220	14%
2004	265,747	79,724	62,000	0	17,250	474	22%

[a].Except for FY2004, this column does not include the "soft" earmarks as previously discussed.

[aa].This amount includes funds for industry projects, the national program, and NMFS/NOAA Fisheries expenses for administering the industry projects. In FY2003, these administrative expenses were estimated at $500,000.

Alaska Seafood Marketing Institute

Resolution 2009-01

A RESOLUTION OF THE ALASKA SEAFOOD MARKETING INSTITUTE SUPPORTING FEDERAL FUNDING FOR UNITED STATES PRODUCED SEAFOOD

WHEREAS, the State of Alaska in conjunction with the fishing industry created the Alaska Seafood Marketing Institute (ASMI) to market and promote Alaska seafood; and

WHEREAS, ASMI has worked for 28 years to champion the "Alaska Brand" and to identify Alaska seafood as wild and sustainable; and

WHEREAS, effective marketing of Alaska's seafood requires a constant, consistent and long term marketing presence, especially in times of oversupply and new competition; and

WHEREAS, the Alaska seafood industry has "self assessed" fishery production to pay for ASMI's promotional activities; and

WHEREAS, despite the money raised from the Alaska Seafood Industry, ASMI's promotional activities are often limited and underfunded; and,

WHEREAS, in times of economic collapse or fishery oversupply, the industry is least able to increase marketing assessments; and

WHEREAS, the Federal Government collects approximately $280 million dollars annually through customs laws regulating the importation of fishery products, many of which compete with Alaska's fishery products; and

WHEREAS, funds collected from the importation of fishery products are not available for the domestic marketing of American seafood; and

WHEREAS, using fishery product import revenues to market American seafood will preserve American fishing and seafood processing jobs, U.S. processing capacity and ensure availability of domestic seafood for the American Consumer;

THEREFORE BE IT RESOLVED, that the Alaska Seafood Marketing Institute strongly supports the use of a portion of federally generated fishery product import revenues for the domestic marketing of Alaska seafood; and

Alaska Seafood Marketing Institute ▲ 311 North Franklin Street, Suite 200 ▲ Juneau, AK 99801-1147
Phone 907/465-5560 800/478-2903 ▲ Fax 907/465-5572 ▲ www.AlaskaSeafood.org ▲ info@AlaskaSeafood.org

THEREFORE BE IT FURTHER RESOLVED, that the Alaska Seafood Marketing Institute's support for the use of a portion of federally generated fishery product import revenues for the domestic marketing of Alaska seafood be communicated to Governor Sean Parnell, the Alaska Legislature, Senators Lisa Murkowski and Mark Begich, Representative Don Young and to the United Fishermen of Alaska.

Alaska Seafood Marketing Institute ▲ 311 North Franklin Street, Suite 200 ▲ Juneau, AK 99801-1147
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(from http://www.gpoaccess.gov/uscode/browse.html)

"Saltonstall-Kennedy Act" - Title 15 U.S.C. 713c-3

From the U.S. Code Online via GPO Access
[www.gpoaccess.gov]
[Laws in effect as of January 3, 2007]
[CITE: 15USC713c-3]

[Page 833-836]

TITLE 15--COMMERCE AND TRADE

CHAPTER 15--ECONOMIC RECOVERY

SUBCHAPTER I--GENERALLY

Sec. 713c-3. Promotion of the free flow of domestically produced fishery products

(a) Definitions

As used in this section--

(1) The term ``person'' means--

(A) any individual who is a citizen or national of the United States or a citizen of the Northern Mariana Islands;

(B) any fishery development foundation or other private nonprofit corporation located in Alaska; and

(C) any corporation, partnership, association, or other entity (including, but not limited to, any fishery development foundation or other private nonprofit corporation not located in Alaska), nonprofit or otherwise, if such entity is a citizen of the United States within the meaning of section 50501 of title 46 and for purposes of applying such section 50501 with respect to this section--

(i) the term ``State'' as used therein includes any State referred to in paragraph (3),

(ii) citizens of the United States must own not less than 75 percent of the interest in the entity or, in the case of a nonprofit entity, exercise control in the entity that is determined by the Secretary to be the equivalent of such ownership, and

(iii) nationals of the United States and citizens of the Northern Mariana Islands shall be treated as citizens of the United States in meeting the ownership and control requirements referred to in clause (ii).

(2) The term ``Secretary'' means the Secretary of Commerce.

(3) The term ``State'' means any State, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, the Virgin Islands of the United States, Guam, the Northern Mariana Islands, and any other Commonwealth, territory, or possession of the United States.

(4) The term ``United States fishery'' means any fishery, including any tuna fishery, that is, or may be, engaged in by citizens or nationals of the United States or citizens of the Northern Mariana Islands.

(5) The term ``citizen of the Northern Mariana Islands'' means--

(A) an individual who qualifies as such under section 8 of the Schedule on Transitional Matters attached to the Constitution of the Northern Mariana Islands; or

(B) a corporation, partnership, association, or other entity organized or existing under the laws of the Northern Mariana Islands, not less than 75 percent of the interest in which is owned by individuals referred to in subparagraph (A) or citizens or nationals of the United States, in cases in which ``owned'' is used in the same sense as in section 50501 of title 46.

(b) Transfer of funds

(1) The Secretary of Agriculture shall transfer to the Secretary each fiscal year, beginning with the fiscal year commencing July 1, 1954, and ending on June 30, 1957, from moneys made available to carry out the provisions of section 612c of title 7, an amount equal to 30 per centum of the gross receipts from duties collected under the customs laws on fishery products (including fish, shellfish, mollusks, crustacea, aquatic plants and animals, and any products thereof, including processed and manufactured products), which shall be maintained in a separate fund only for--

(A) use by the Secretary--

(i) to provide financial assistance for the purpose of carrying out fisheries research and development projects approved under subsection (c) of this section,\1\

\1\ So in original. The comma probably should be a semicolon.

(ii) to implement the national fisheries research and development program provided for under subsection (d) of this section;

(iii) to implement the Northwest Atlantic Ocean Fisheries Reinvestment Program established under section 1863 of title 16; and

(iv) to fund the Federal share of a fishing capacity reduction program established under section 1861a of title 16; and

(B) the provision of moneys, subject to paragraph (2), to carry out the purposes of the Fisheries Promotion Fund established under

[[Page 834]]

section 208(a) \2\ of the Fish and Seafood Promotion Act of 1986 [16 U.S.C. 4008(a)].

\2\ So in original. Probably should be section ``209(a)''.

(2) There are transferred from the fund established under paragraph (1) to the Fisheries Promotion Fund referred to in paragraph (1)(B) $750,000 in fiscal year 1987, $3,000,000 in each of fiscal years 1988 and 1989, and $2,000,000 in each of fiscal years 1990 and 1991.

(c) Fisheries research and development projects

(1) The Secretary shall make grants from the fund established under subsection (b) of this section to assist persons in carrying out research and development projects addressed to any aspect of United States fisheries, including, but not limited to, harvesting, processing, marketing, and associated infrastructures.

(2) The Secretary shall--

(A) at least once each fiscal year, receive, during a 60-day period specified by him, applications for grants under this subsection;

(B) prescribe the form and manner in which applications for grants under this subsection must be made, including, but not limited to, the specification of the information which must accompany applications to ensure that the proposed projects comply with Federal law and can be evaluated in accordance with paragraph (3)(B); and

(C) approve or disapprove each such application before the close of the 120th day after the last day of the 60-day period (specified under subparagraph (a)) in which the application was received.

(3) No application for a grant under this subsection may be approved unless the Secretary--

(A) is satisfied that the applicant has the requisite technical and financial capability to carry out the project; and

(B) evaluates the proposed project as to--

(i) soundness of design,

(ii) the possibilities of securing productive results,

(iii) minimization of duplication with other fisheries research and development projects,

(iv) the organization and management of the project,

(v) methods proposed for monitoring and evaluating the success or failure of the project, and

(vi) such other criteria as the Secretary may require.

(4) Each grant made under this subsection shall be subject to such terms and conditions as the Secretary may require to protect the interests of the United States, including, but not limited to, the following:

(A) The recipient of the grant must keep such records as the Secretary shall require as being necessary or appropriate for disclosing the use made of grant funds and shall allow the Secretary and the Comptroller General of the United States, or any of their authorized representatives, access to such records for purposes of audit and examination.

(B) The amount of a grant may not be less than 50 percent of the estimated cost of the project.

(C) The recipient of the grant must submit to the Secretary periodic project status reports.

(5)(A) If the cost of a project will be shared by the grant recipient, the Secretary shall accept, as a part or all of that share, the value of in-kind contributions made by the recipient, or made available to, and applied by, the recipient, with respect to the project.

(B) For purposes of subparagraph (A), in-kind contributions may be in the form of, but are not limited to, personal services rendered in carrying out functions related to, and permission to use real or personal property owned by others (for which consideration is not required) in carrying out the project. The Secretary shall establish (i)

the training, experience, and other qualifications which shall be required in order for services to be considered as in-kind contributions; and (ii) the standards under which the Secretary will determine the value of in-kind contributions for purposes of subparagraph (A).

(C) Any valuation determination made by the Secretary for purposes of this paragraph shall be conclusive.

(d) National fisheries research and development program

(1) The Secretary shall carry out a national program of research and development addressed to such aspects of United States fisheries (including, but not limited to, harvesting, processing, marketing, and associated infrastructures) if not adequately covered by proj- ects assisted under subsection (c) of this section, as the Secretary deems appropriate.

(2) The Secretary shall, after consultation with appropriate representatives of the fishing industry, submit to the Committee on Commerce, Science, and Transportation of the Senate and the Committee on Merchant Marine and Fisheries of the House of Representatives, an annual report, that must be submitted not later than 60 days before the close of each fiscal year, containing--

(A) the fisheries development goals and funding priorities under paragraph (1) for the next fiscal year;

(B) a description of all pending projects assisted under subsection (c) of this section or carried out under paragraph (1), in addition to--

(i) a list of those applications approved and those disapproved under subsection (c) of this section, and the total amount of grants made, for the current fiscal year, and

(ii) a statement of the extent to which available funds were not obligated or expended by the Secretary for grants under subsection (c) of this section during the current fiscal year; and

(C) an assessment of each project assisted under subsection (c) of this section or carried out under paragraph (1) that was completed in the preceding fiscal year regarding the extent to which (i) the objectives of the project were attained, and (ii) the project contributed to fishery development.

(e) Allocation of fund moneys

(1) Notwithstanding any other provision of law, all moneys in the fund shall be used exclu

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sively for the purpose of promoting United States fisheries in accordance with the provisions of this section, and no such moneys shall be transferred from the fund for any other purpose. With respect to any fiscal year, all moneys in the fund, including the sum of all unexpended moneys carried over into that fiscal year and all moneys transferred to the fund under subsection (b) of this section or any other provision of law with respect to that fiscal year, shall be allocated as follows:

(A) the Secretary shall use no less than 60 per centum of such moneys to make direct industry assistance grants to develop the United States fisheries and to expand domestic and foreign markets for United States fishery products pursuant to subsection (c) of

this section; and

(B) the Secretary shall use the balance of the moneys in the fund to finance those activities of the National Marine Fisheries Service which are directly related to development of the United States fisheries pursuant to subsection (d) of this section.

(2) The Secretary shall, consistent with the number of meritorious applications received with respect to any fiscal year, obligate or expend all of the moneys in the fund described in paragraph (1). Any such moneys which are not expended in a given fiscal year shall remain available for expenditure in accordance with this section without fiscal year limitation, except that the Secretary shall not obligate such moneys at a rate less than that necessary to prevent the balance of moneys in the fund from exceeding $3,000,000 at the end of any fiscal year.

(Aug. 11, 1939, ch. 696, Sec. 2, 53 Stat. 1412; July 1, 1954, ch. 447, 68 Stat. 376; Aug. 8, 1956, ch. 1036, Sec. 12(b), 70 Stat. 1124; Pub. L. 89-348, Sec. 1(13), Nov. 8, 1965, 79 Stat. 1311; Pub. L. 96-561, title II, Sec. 210, Dec. 22, 1980, 94 Stat. 3287; Pub. L. 97-424, title IV, Sec. 423(a), Jan. 6, 1983, 96 Stat. 2164; Pub. L. 99-659, title II, Sec. 209(e), Nov. 14, 1986, 100 Stat. 3721; Pub. L. 101-627, title VII, Sec. 703, Nov. 28, 1990, 104 Stat. 4463; Pub. L. 102-567, title IX, Sec. 902(c), Oct. 29, 1992, 106 Stat. 4319; Pub. L. 104-208, div. A, title I, Sec. 101(a) [title II, Sec. 211(b)], Sept. 30, 1996, 110 Stat. 3009, 3009-41; Pub. L. 104-297, title I, Sec. 116(c), Oct. 11, 1996, 110 Stat. 3603.)

Codification

``Section 50501 of title 46'' substituted for ``section 2 of the Shipping Act, 1916 (46 U.S.C. 802)'' in subsec. (a)(1)(C) and (5)(B) and ``such section 50501'' substituted for ``such section 2'' in subsec. (a)(1)(C) on authority of Pub. L. 109-304, Sec. 18(c), Oct. 6, 2006, 120 Stat. 1709, section 8(b) of which enacted parts A and B of subtitle V of Title 46, Shipping.

Amendments

1996--Subsec. (b)(1)(A)(iii). Pub. L. 104-208 made technical amendment to reference in original act which appears in text as reference to section 1863 of title 16.

Subsec. (b)(1)(A)(iv). Pub. L. 104-297 added cl. (iv).

Pub. L. 104-208 made technical amendment to reference in original act which appears in text as reference to section 1861a of title 16.

1992--Subsec. (b)(1)(A). Pub. L. 102-567 struck out ``and'' at end of cl. (i) and added cl. (iii).

1990--Subsec. (b)(2). Pub. L. 101-627 substituted ``each of fiscal years 1990 and 1991'' for ``fiscal year 1990''.

1986--Subsec. (b). Pub. L. 99-659 designated existing provisions as introductory provisions and subpar. (A) of par. (1) and added pars. (1)(B) and (2).

1983--Subsec. (e). Pub. L. 97-424 amended subsec. (e) generally, which formerly had provided:

``(1) With respect to any fiscal year, not less than 50 percent of--

``(A) the moneys transferred to the fund under subsection (b) of this section or any other provision of law with respect to that fiscal year; and

``(B) such existing fund moneys carried over into that fiscal year;

shall be used by the Secretary during that fiscal year to provide financial assistance for projects under subsection (c) of this section; and the remainder of such moneys in the fund shall be used to implement the national fisheries research and development program established under subsection (d) of this section during that fiscal year.

``(2) Moneys accruing to the fund established under subsection (b) of this section for any fiscal year and not expended with respect to that year shall remain available for expenditure under this section without fiscal year limitation.''

1980--Subsec. (a). Pub. L. 96-561, Sec. 210(2), (3), added subsec. (a) and redesignated former subsec. (a) as (b).

Subsec. (b). Pub. L. 96-561, Sec. 210(1), (2), (4), redesignated subsec. (a) as (b), substituted ``transfer to the Secretary'' for ``transfer to the Secretary of Commerce'', ``only for use by the Secretary'' for ``and used by the Secretary of Commerce'', and provision directing that the fund be used to provide financial assistance for carrying out fisheries research and development projects and to implement the national fisheries research and development program for provision directing that the fund be used to promote free flow of domestically produced fisheries products by conducting a fishery educational service and fishery technological, biological, and related research programs, to acquire, construct, or maintain vessels and other facilities necessary for conducting research, to develop and increase markets for fishery products of domestic origin, and to conduct any biological, technological, or other research pertaining to American fisheries, and struck out former subsec. (b) which authorized any agency or wholly owned government corporation of the United States to transfer to the Secretary of Commerce any vessels or equipment excess to its needs.

Subsec. (c). Pub. L. 96-561, Sec. 210(1), (5), added subsec. (c) and struck out former subsec. (c) which directed the Secretary of Commerce to cooperate with other Federal, State, and local agencies for promotion of free flow of domestically produced fishery products and provided for the appointment of an advisory committee of the American fisheries industry to advise the Secretary in formulation of policy, rules, and regulations.

Subsec. (d). Pub. L. 96-561, Sec. 210(1), (5), added subsec. (d) and struck out former subsec. (d) which authorized the Secretary of Commerce to retransfer any funds available under this section, not to exceed $1,500,000, to the Secretary of Agriculture to be used for the purposes specified in section 713c-2 of this title.

Subsec. (e). Pub. L. 96-561, Sec. 210(1), (5), added subsec. (e) and struck out former subsec. (e) which provided that the special fund created for use of the Secretary of Commerce under subsec. (a) of this section and the annual accruals thereto be available for each year until expended by the Secretary.

1965--Subsec. (f). Pub. L. 89-348 repealed subsec. (f) which required an annual report to the appropriate committees of Congress on the use of the separate fund.

1956--Subsec. (e). Act Aug. 8, 1956, struck out provisions which limited expenditures to not more than $3,000,000 in any fiscal year, restricted the balance of the fund to not more than $5,000,000 at the end of any fiscal year, and required the Secretary of the Interior to retransfer funds in excess of the $5,000,000 to the Secretary of Agriculture.

1954--Act July 1, 1954, amended section generally, to encourage the distribution of fishery products.

Effective Date of 1996 Amendment

Section 101(a) [title II, Sec. 211(b)] of div. A of Pub. L. 104-208 provided that the amendment made by that section is effective 15 days after Oct. 11, 1996.

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Effective Date of 1983 Amendment

Section 423(b) of Pub. L. 97-424 provided that: ``The amendment made by subsection (a) of this section [amending this section] shall take effect on October 1, 1983.''

Short Title

Section 2 of act Aug. 11, 1939, which enacted this section, is popularly known as the ``Saltonstall-Kennedy Act''.

Termination of Reporting Requirements

For termination, effective May 15, 2000, of provisions in subsec. (d)(2) of this section relating to submitting annual report to Congress, see section 3003 of Pub. L. 104-66, as amended, set out as a note under section 1113 of Title 31, Money and Finance, and page 50 of House Document No. 103-7.

Abolition of House Committee on Merchant Marine and Fisheries

Committee on Merchant Marine and Fisheries of House of Representatives abolished and its jurisdiction transferred by House Resolution No. 6, One Hundred Fourth Congress, Jan. 4, 1995. Committee on Merchant Marine and Fisheries of House of Representatives treated as referring to Committee on Resources of House of Representatives in case of provisions relating to fisheries, wildlife, international fishing agreements, marine affairs (including coastal zone management) except for measures relating to oil and other pollution of navigable waters, or oceanography by section 1(b)(3) of Pub. L. 104-14, set out as a note preceding section 21 of Title 2, The Congress.

Transfer of Functions

Functions of all officers, agencies, and employees of Department of Agriculture transferred, with certain exceptions, to Secretary of Agriculture by Reorg. Plan No. 2 of 1953, Sec. 1, eff. June 4, 1953, 18 F.R. 3219, 67 Stat. 633, set out in the Appendix to Title 5, Government Organization and Employees.

Continuation of Authorization for Transfer of Funds

Section 12(a) of act Aug. 8, 1956, provided that: ``The authorization for the transfer of certain funds from the Secretary of Agriculture to the Secretary of the Interior and their maintenance in a separate fund as contained in section 2(a) of the Act of August 11,

1939, as amended July 1, 1954 (68 Stat. 376), [now subsec. (b) of this section], shall be continued for the year ending June 30, 1957, and each year thereafter.''

Termination of Advisory Committees

Advisory committees in existence on Jan. 5, 1973, to terminate not later than the expiration of the 2-year period following Jan. 5, 1973, unless, in the case of a committee established by the President or an officer of the Federal Government, such committee is renewed by appropriate action prior to the expiration of such 2-year period, or in the case of a committee established by the Congress, its duration is otherwise provided by law. See section 14 of Pub. L. 92-463, Oct. 6, 1972, 86 Stat. 776, set out in the Appendix to Title 5, Government Organization and Employees.

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SENATOR DENNIS EGAN

MEMORANDUM

TO: Representative Mark Neuman, Resources Committee Co-Chair
Representative Craig Johnson, Resources Committee Co-Chair
FROM: Senator Dennis Egan
SUBJECT: SJR27 Hearing Request
DATE: 3/17/2010

I respectfully request a hearing on Senate Joint Resolution, "Urging the federal government to provide funding for domestic seafood marketing and promotional activities."

Senate Joint Resolution 27 urges Congress to fund marketing of domestic seafood. SJR 27 will assign a portion of the taxes collected on imported fish to marketing American seafood to Americans.

Thank you for considering a hearing on SJR27. Please feel free to contact me if you have any questions.

Sincerely,

Sen. Dennis Egan

Enclosed please find:

- Sponsor statement
- Most current version of the bill
- Fiscal note
- United Fisherman of Alaska Letter of Support
- United Fisherman of Alaska Marketing Coalition Proposal
- Salmon Marketing McDowell Report Excerpt
- CRS Saltonstall-Kennedy Funding Report
- Alaska Seafood Marketing Institute Resolution
- Saltonstall-Kennedy Act
- No teleconference services needed for testimony

ALASKA SENATE
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SENATOR DENNIS EGAN

Senate Joint Resolution 27 – National Seafood Marketing

Senate Joint Resolution (SJR) 27 communicates to the Obama Administration, the Alaska Congressional Delegation, and Congress the Legislature's support for using a portion of federal revenues generated from duties on imported seafood and fish products for marketing American seafood—including that harvested in Alaska.

Since the 1990s, over eighty percent of the fish consumed annually by American families is the product of foreign countries. And every year the governments of many of these countries bankroll multi-million-dollar campaigns to market their seafood to Americans.

While the Alaska seafood industry as well as the state of Alaska contribute millions in funding for marketing purposes, the amounts are not adequate to finance the vigorous, consistent, and innovative promotion that our products require in the face of foreign competition.

Meanwhile, each year hundreds of millions of dollars are derived from duties on these imported fish and fish products that so aggressively compete with American seafood. Yet only an insignificant fraction of this revenue has ever been employed to promote domestically produced seafood.

SJR 27 endorses putting a portion of these revenues to work in developing and maintaining the robust domestic markets that healthy, sustainable Alaskan seafood deserves. The resolution urges Congress to pass legislation dedicating such funding for the effective domestic marketing of American seafood. It asks the Alaska Delegation in Congress to work together with representatives from other seafood producing states to accomplish these goals.

ALASKA SENATE
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