

**SB**

**175**

<TARGET><BILL>SB 175</BILL><SUBJECT>SB  
175</SUBJECT><COMM>SJUD30</COMM></TARGET>

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Governor Bill Walker  
STATE OF ALASKA

February 2, 2018

The Honorable Pete Kelly  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 111  
Juneau, AK 99801-1182

Dear President Kelly:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill that clarifies how confidential information obtained by the Commissioner of natural resources may be used and treated as part of the Department of Natural Resources (DNR) appeals, audits, and requests for reconsideration.

A long-standing dilemma faces DNR with respect to the handling of oil and gas sales price information considered "confidential" under Alaska law. Specifically, this dilemma impedes the department's ability to effectively audit and enforce royalty payments when multiple companies working the same lease negotiate different prices. Because sales contracts by one party cannot be provided to another due to confidentiality, producers object to the audit on the basis of a lack of due process. The department then faces administrative obstacles in finalizing the royalty audits.

While the department believes it has the statutory and contractual authority to share this information for audit purposes, providing the information in the face of objection from the affected parties could expose the department and its employees to a claim for improper disclosure of confidential information and criminal penalties. This bill would clarify that the department may disclose pricing information to affected parties under a protective order to finalize the audits without going to court. This will allow the State to more quickly and efficiently collect the royalties it is owed in the future.

I urge your favorable action on this measure so the State may timely finalize audits and recover the royalties it is owed moving forward.

Sincerely,

A handwritten signature in blue ink that reads "Bill Walker".

Bill Walker  
Governor

Enclosure



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

Department of Natural Resources

COMMISSIONER'S OFFICE

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**MEMORANDUM**

TO: Senator Coghill  
Senate Judiciary Committee

DATE: February 7, 2018

FROM: Commissioner Andy Mack  
Department of Natural Resources

RE: Hearing Request for SB 175

Please accept this request to hear SB 175 – “DNR: Disclosure of Confidential Info” in the Senate Judiciary Committee.

SB 175 would allow the commissioner to issue a protective order to better adjudicate audits, appeals, and requests for reconsiderations. Such a protective order would allow the commissioner to disclose confidential data, only to affected parties, when that data is part of the administrative record and due process requires that disclosure.

Thank you for your consideration. If you would like any additional information or have questions regarding this request, please feel free to contact me at 269-8431 or Ed King at 465-4730.

Sincerely,

A handwritten signature in blue ink that reads "Andrew T. Mack".

Andrew T. Mack  
Commissioner  
Department of Natural Resources

# Fiscal Note

State of Alaska  
2018 Legislative Session

Bill Version:	SB 175
Fiscal Note Number:	1
(S) Publish Date:	2/5/2018

Identifier: DNR-DOG-12-14-17  
 Title: DNR: DISCLOSURE OF CONFIDENTIAL INFO  
 Sponsor: RLS BY REQUEST OF THE GOVERNOR  
 Requester: Governor

Department: Department of Natural Resources  
 Appropriation: Oil & Gas  
 Allocation: Oil & Gas  
 OMB Component Number: 439

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2019 Appropriation Requested	Included in Governor's FY2019 Request	Out-Year Cost Estimates					
			FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimated SUPPLEMENTAL (FY2018) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2019) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
 If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version/comments:**

Initial version.
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Prepared By:	Chantal Walsh, Director	Phone:	(907)269-7493
Division:	Division of Oil & Gas	Date:	12/14/2017 10:00 AM
Approved By:	Andrew T. Mack, Commissioner	Date:	12/14/17
Agency:	Department of Natural Resources		

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2018 LEGISLATIVE SESSION

**Analysis**

Department of Natural Resources does not anticipate any fiscal impact from this proposed legislation.