

ALASKA LEGISLATURE

2492

HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004

Virtually all of Agrium's vendor spending in Alaska (95 percent of the amount purchased) is spent with companies based in the Kenai Peninsula Borough.

- In 2001, Agrium spent \$90.5 million on goods and services provided by 118 Kenai Peninsula companies. The remaining purchases of goods and services in Alaska (\$4.7 million) were made to 129 companies in Anchorage, Fairbanks, Wasilla, and Palmer. The variety of the almost 250 businesses from which Agrium made its purchases include gas producers, construction contractors, engineering firms, environmental service firms, utility companies, retail and wholesale businesses, and other types of businesses.

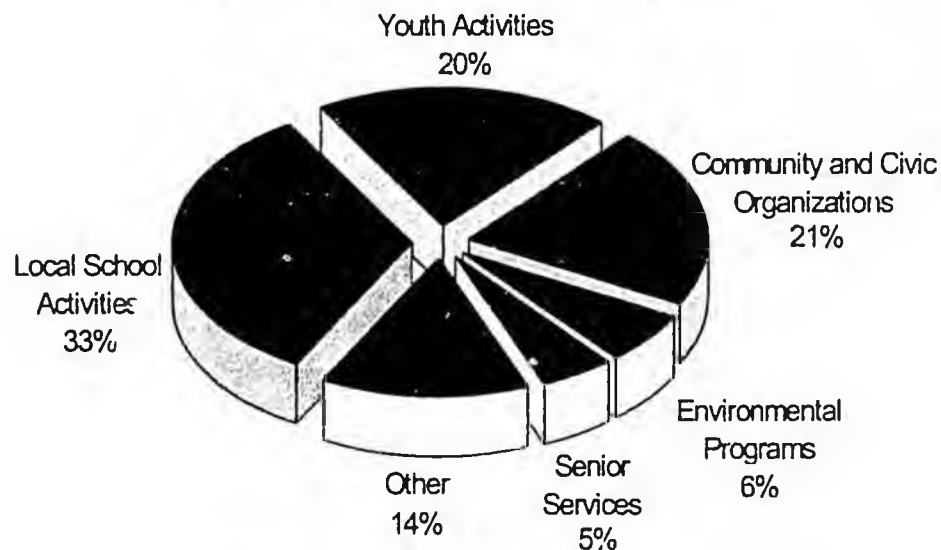
In 2001, the Kenai Peninsula Borough received \$4.0 million in Agrium-related revenues.

- In 2001, Agrium paid \$2.4 million in industrial property taxes to the Kenai Peninsula Borough, representing 8.8 percent of the Borough's total property tax receipts.
- Agrium families pay at least \$212,700 in residential property taxes exclusive of service area and city taxes on property (assuming an average KPB dwelling value of \$112,000). Because of the high average wage for Agrium employees, the actual figure, if known, likely would be significantly higher.
- Children of Agrium employee families account for \$1.4 million in state school funding support received by the Kenai Peninsula Borough School District.

Agrium is highly involved in the local community, supporting 87 membership and charitable organizations and events.

- In 2001, Agrium contributed \$138,329 to 87 non-profit organizations or programs, most of them located in the Kenai area.
- Charitable giving was provided to local schools athletic and academic programs, youth activities, community services and civic organizations, environmental programs, senior services, and other health and economic development programs.

Figure 3
Agrium's Charitable Contributions,
by Type of Organization or Program, 2001



Note: Percentages do not add up to 100 percent due to rounding.
 Source: Agrium Kenai Nitrogen Operations

Agrium household incomes are supported by year-round, full-time, high-skilled, and professional positions.

- Home ownership and real estate value tend to be significantly higher among families with an income profile enjoyed by Agrium households.
- Higher salaries tend to attract stable, long-term, skilled professionals to the region.
- The high amount of discretionary income translates into a wider variety and volume of local expenditures on local household goods and services.
- Agrium's work force is 100 percent resident in the Kenai Peninsula area. This fact, in turn, directs household spending locally, as opposed to other income sectors that have significant non-resident components. According to the Alaska Department of Labor and Workforce Development, in 2000, non-residents held 19.7 percent of the private sector jobs in Kenai Peninsula Borough.

Based on the relationship between the employment and population on the Kenai Peninsula Borough, the 1,000 Agrium-related jobs support a population of 2,150.

- This population impact accounts for 4.3 percent of the Kenai Peninsula Borough's total population and 7.0 percent of the Central Kenai Peninsula population.

Agrium's families accounted for 3.3 percent of Kenai Peninsula Borough School District student enrollment and \$1.4 million of the \$42.5 million in state revenue support to the District in the 2001/2002 school year.

- Agrium dependents account for approximately 4.9 percent of student enrollment in the Central Peninsula area.

Agrium

kenai

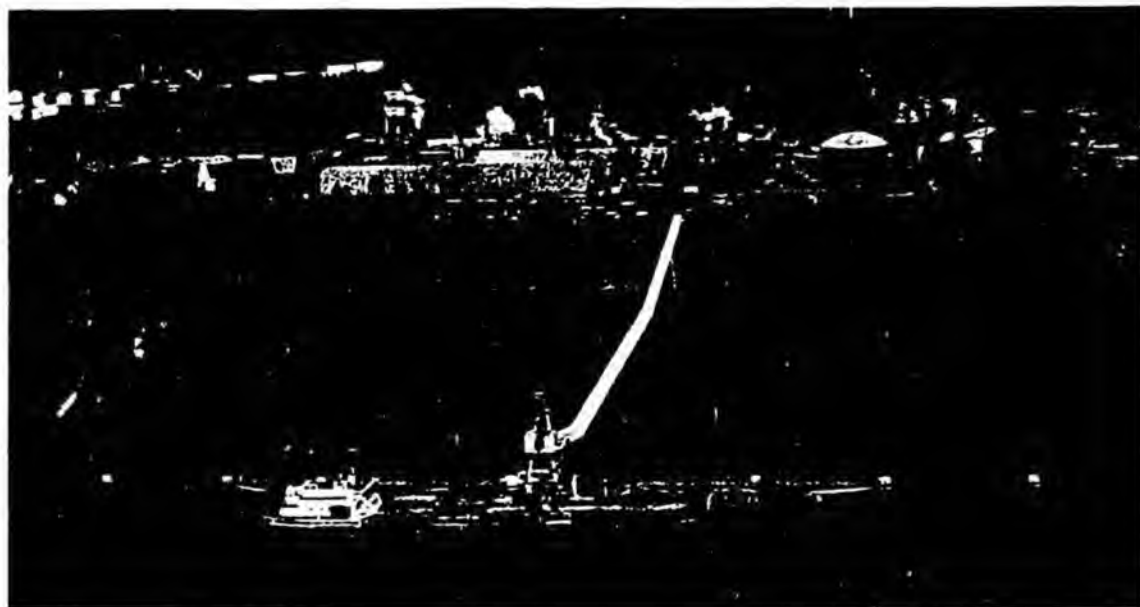
nitrogen operations

Agrium Inc. produces more than 11 million tons (10 million tonnes) of fertilizers annually. Nitrogen fertilizer products account for some 8.2 million tons (7.5 million tonnes) of that total. Potash fertilizers account for 1.7 million tons (1.5 million tonnes) and phosphate fertilizers for 1.1 million tons (1 million tonnes).

Agrium is also one of the largest agricultural retailers in the United States, supplying products and related services to growers in 24 states under the retail banners of Crop Production Services and Western Farm Service. We are also a leading fertilizer retailer in Argentina, with outlets operating under the trade name Agroservicios Pampeanos.

Agrium's commitment to the communities where we operate is actively demonstrated through open and honest communications, responsible environmental stewardship, putting safety first and by investing in a bright tomorrow.

From our
facilities in
North and
South America,
more than 5,000
Agrium employees
supply growers
around the world
with fertilizers
to sustain the
production of
nutritious and
safe food for
millions of
people



Kenai Nitrogen Operations is located 10 miles (16 km) north of the City of Kenai, Alaska on Cook Inlet. Accessible by air, water and land, the complex is made up of two ammonia plants and two urea plants. The ammonia plants have a combined annual production capacity of about 700,000 (net) tons (630,000 tonnes) of anhydrous ammonia and 1.1 million tons (1 million tonnes) of urea per year. That's enough to fertilize a strip of farmland 16 miles (25 km) wide stretching from Los Angeles to New York.

The principal raw materials for the ammonia and urea fertilizers manufactured by the Kenai plant are natural gas, water and air. Natural gas is piped to the facility from nearby gas fields.

The facility consists of two separate ammonia/urea production and utility plants. The original plant was completed in 1968. Its size was approximately doubled in 1977.

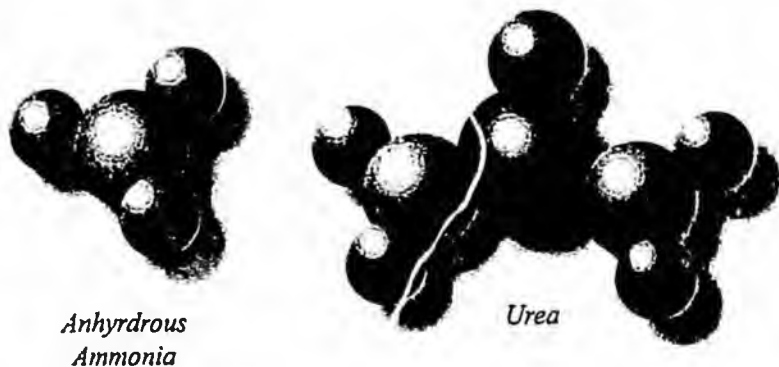
Due to its proximity to Asia, much of the fertilizer produced at Kenai is exported to Pacific Rim nations. In 2000, more than \$154 million worth of products were sold to overseas markets.

Nourishing a Growing World

Agrium

Fertilizer Products

It is estimated that 50 percent of the food production in North America is the direct result of nitrogen-based fertilization. Nitrogen is the plant nutrient most commonly deficient in western agriculture. The ammonia and urea fertilizers produced at Kenai Nitrogen Operations play a major role in promoting high yields of nutritious food crops. Without them, not only would food prices rise, but food quality would also diminish.



- Hydrogen
- Nitrogen
- Carbon
- Oxygen

Ammonia and urea are found in nature. Without them, life as we know it would not be possible. Ammonia is a vital part of every living cell, and urea is a natural byproduct of the breakdown of protein in the digestive system.

In terms of their nutrient content, the nitrogen fertilizer products produced at Kenai Nitrogen Operations are identical to 'organic' fertilizers. The source of plant nutrients is irrelevant to the yield or quality of the fruit, grain or vegetable matter produced by the plant.

Anhydrous ammonia is a liquid fertilizer, manufactured by combining nitrogen gases from the atmosphere with hydrogen derived from natural gas and water. The natural gas reacts with superheated steam (between 1300°F (700°C) and 1400°F (760°C)) in the presence of a catalyst to separate hydrogen, from the natural gas, reacts with nitrogen from the atmosphere to form anhydrous ammonia. The word "anhydrous" simply means "without water."

Urea is a solid fertilizer, made by reacting carbon dioxide and ammonia under extreme pressure at 375°F (190°C). The resulting molten mixture is then processed into small, white, crystalline spheres, called prills or granules. Urea is the major fertilizer traded in international commerce, accounting for approximately 50 percent of the nitrogen fertilizer traded around the world.

Ammonia and urea are also used in many other applications including cattle feed, paper, synthetic fibers, resins, refrigeration, waste treatment, rocket propellants, household cleaners, even medicines.

Environment

We are continually working to reduce emissions with state and federal environmental considerations are a part of all our business.

Our environmental protection begins with the safety of a safe workplace, which comes from careful preparedness and preventative maintenance. The safety of our employees could impact the environment.

Since 1996 we have reduced hazardous waste generation by replacing a process solution that produced hazardous waste, and by replacing solvent and caustic dip tanks.

We have an aggressive pollution prevention plan in place to reduce the volume and toxicity. Our waste minimization efforts are a part of Environmental Conservation and have been successful.

We continually implement efficiency improvements to reduce fossil fuel. In spring, 2001, the start-up of an electrical generator reduced (455 tonnes) per year of nitrogen oxide emissions.



Kenai

nitrogen operations

Stewardship

Environmental impact of our operations. Complying with regulations is just a beginning. Environmental decisions.

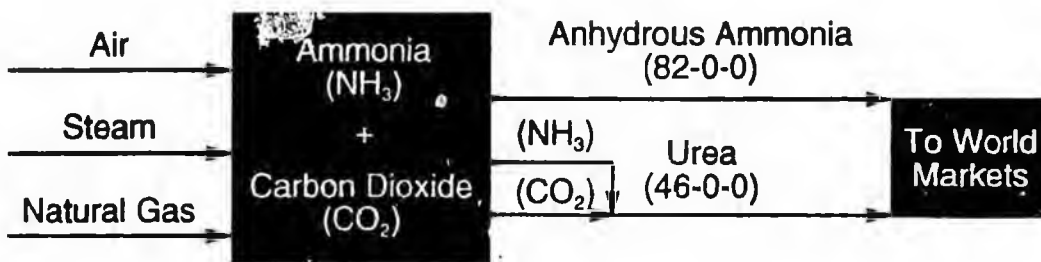
Our employees. Everyone benefits from having a strong commitment to safe operating procedures, emergency procedures reduce the potential for plant upsets which

reduced at the plant by 99 percent. We accomplished this by eliminating hazardous byproduct with one that generates no waste. With part washers that use hot water and soap.

We continually look for opportunities to reduce waste and have received praise from the Alaska Department of Environmental Conservation by Alaska's Green Star Program.

To reduce atmospheric emissions and burn less natural gas, our cogeneration facility eliminated more than 500 tons

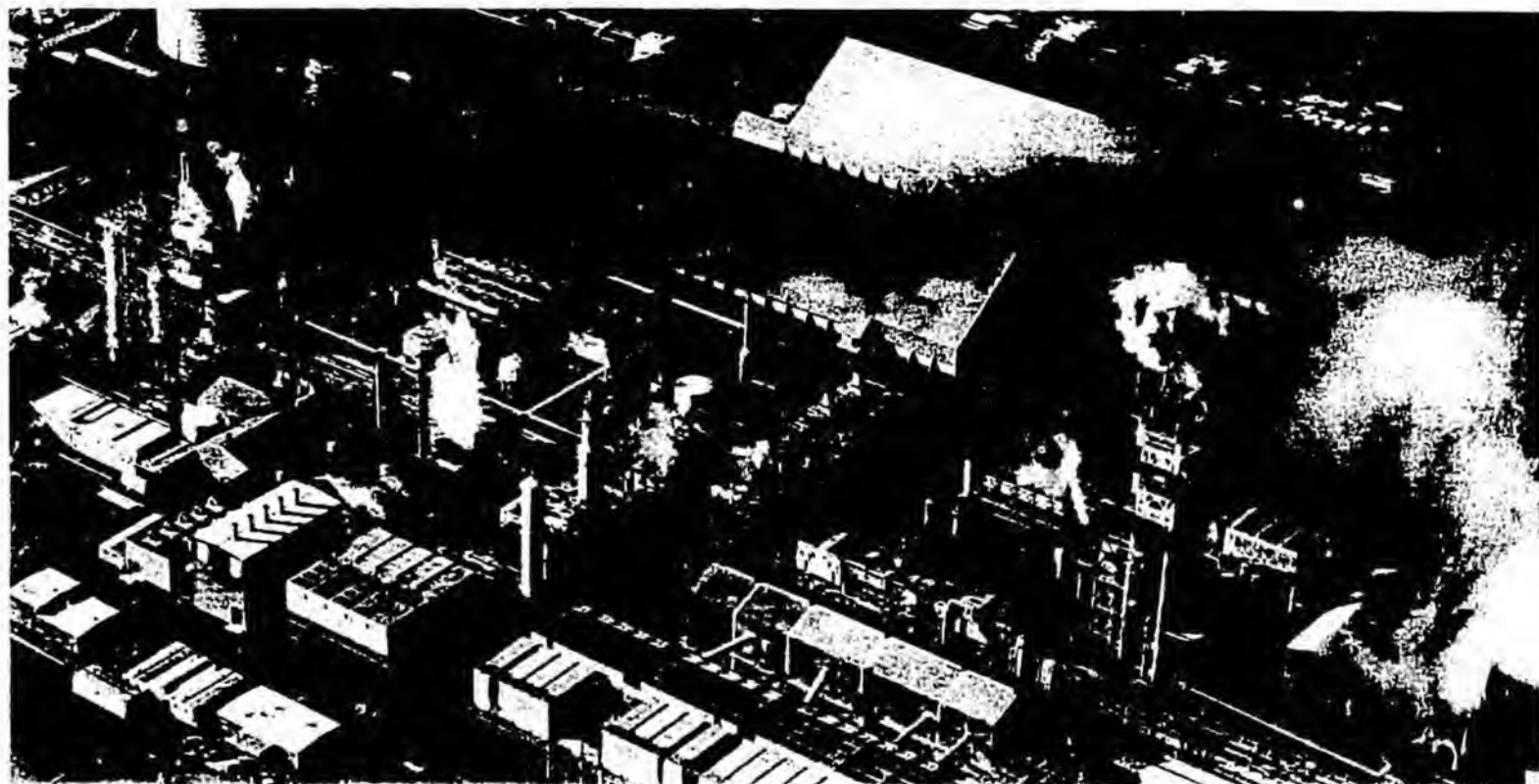
Raw Materials and Products



Best Management Practices

To ensure that our customers always receive safe, competitively-priced products, Agrium is committed to best management practices in the production, distribution and use of everything we make. For the grower, getting the best value for every dollar spent on crop production is more important today than ever before.

The proper use of Agrium anhydrous ammonia and urea fits well into Best Management Practices. The fertilizers produced at the Kenai plant are an effective aid in helping growers achieve maximum efficiency while minimizing environmental impact.



kenai

nitrogen operations

Impact on Local Economy

The Kenai Operation provides employment for more than 296 full time employees who earn approximately \$26 million in wages and benefits. The plant also pays about \$3.6 million in local property taxes and spends more than \$14 million a year to buy local goods and supplies.

Caring for the Kenai

We also are proud to sponsor the nationally acclaimed Caring for the Kenai environmental awareness contest that annually challenges local high school students to answer the question "What can I do, create, invent or improve to better care for the environment of the Kenai Peninsula?" The program has not only raised the level of environmental awareness on the Kenai, but has also generated many practical ideas that have improved our environment.

In April, 2001, President George W. Bush honored Kenai Peninsula youth by presenting a President's Environmental Youth Award to three young people who had participated in our "Caring for the Kenai" environmental awareness program. In return, the students gave the President a "Caring for the Kenai" jacket.

Caring for the Kenai - President George W. Bush presented with a "Caring for the Kenai" jacket.



Partners in the Community

Agrium employees live and work on the Kenai Peninsula, and they are deeply involved in activities that enrich the lives of all its citizens. They coach hockey, soccer, football, basketball and Little League baseball. Many serve in leadership roles in organizations such as Boys and Girls Clubs, 4-H, Girl Scouts and Boy Scouts. Others participate as teachers at the Kenai Peninsula College, as advisors in the Junior Achievement program, as first aid instructors and as Sunday school teachers.

Kenai Nitrogen Operations is a strong supporter of the United Way, with Employee donations matched dollar for dollar by the Company. And we are active volunteers on business and professional organizations as well as government boards and commissions.

"More than seventy years in the fertilizer business have taught us how to compete and stay ahead of the competition."

Agrium

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Nitrogen Operations
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Fax: 907-335-1112
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PRINTED IN CANADA

Agrium

Kenai Nitrogen Operations

February 2003



Summary of

Alaskan Direct Economic Impacts

"By Alaska economic standards, the Agrium operation is exceptional for its combination of high pay levels, amount and concentration of expenditures in the local area, and the degree of value added manufacturing that occurs in Alaska prior to export. The result is a high multiplier impact."

- McDowell Group, October 2002

A study completed by Resource Solutions and the McDowell Group in October 2002 identified the following direct impacts of Agrium's Kenai Nitrogen Operations:

- \$95 million in purchases of goods and services from 250 Alaskan businesses
- \$24.6 million in direct payroll; including benefits, expenditures exceed \$35 million
- \$2.5 million in taxes and lease payments
- \$140,000 in charitable donations to 87 non-profit organizations and groups

Summary of

Alaskan Indirect Economic Benefits

For every one thousand cubic feet of Cook Inlet natural gas used by Agrium for feedstock and power generation, \$6.28 in total economic output is generated.

- Agrium employees have 326 school age dependents or about 5.0 percent of the Central Peninsula student enrollment
- Agrium's total direct, indirect, and induced payroll impacts support 8.8 percent of the total Kenai Peninsula payroll
- Agrium total direct, indirect, and induced employment accounts for 5.5 percent of the total employment on the Kenai Peninsula
- The 1,000 Agrium related jobs support a population of 2,150. This accounts for 7.0 percent of the Central Peninsula population

Did You Know?

Agrium's Kenai Nitrogen Operations is the third largest private employer in Alaska.

700 jobs in Alaska

\$90.5 million in 2001

Agrium's Kenai Nitrogen Operations accounted for 53% of the company's charitable contributions.

Agrium's Kenai Nitrogen Operations is the second largest nitrogen production complex in the U.S.A.

Agrium's Kenai Nitrogen Operations accounts for about 6 percent of North America's nitrogen production.

In 2001, Agrium's Kenai Nitrogen Operations exported 1.5 million tons of ammonia and urea to 17 countries valued at \$190 million.

Agrium's Kenai Nitrogen Operations is one of Alaska's top value added industries.

**REPRESENTATIVE
MIKE CHENAULT**

STATE OF ALASKA



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HOUSE OF REPRESENTATIVES

SPONSOR STATEMENT HOUSE BILL 57

This bill proposes to add "manufacturer" as a further entity that may claim that benefit of the contract price as the basis for determining royalty due to the state of the gas production.

HB

57

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/17/03

REPORTED OUT
 MAY 14 2003
 FURTHER: SENATE FINANCE COMMITTEE
 DATE TURNED IN TO OFFICE: 14 May 2003

Finance Committee considered CS FOR HOUSE BILL NO. 57(FIN)

HB 57 ROYALTY GAS CONTRACTS

"An Act amending the manner of determining the royalty received by the state on gas production as it relates to the manufacture of certain value-added products."

and recommends:

- be replaced with S CS CS HB 57 FIN
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical title
 - new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DNR	5/5/03		✓	#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

FISCAL NOTE

MAY 14 2003

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: DRAFT
Bill Version: S. CSHB57(FIN) Wk Draf
() Publish Date: _____

Revision Date/Time (Note if correction): 5/1/2003
Title Royalty Gas Contracts

Dept. Affected: Natural Resources
BRU Resource Development
Component Oil and Gas Development

Sponsor Chenault
Requester Senate Finance

Component No. 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (GF 1004)	**	**	**	**	**	**
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

WORKDRAFT - (S)FIN.** This bill amends AS 38.05.180 to include subsection (ee), which allows the DNR Commissioner to enter into agreements with lessees to establish the value of the state's royalty share for gas that is used in contract(s) entered into on or after the effective date between the lessee and a manufacturer of agricultural chemicals. The royalty value may not be less than the price used in contracts (floor) but may not exceed the amount that would otherwise be due under the lease (ceiling). HB 57 gives the commissioner discretion to determine and use the value that is in the best interest of the state and may or may not result in state revenues losses. The state could see lower revenues between an estimated \$0-to-\$11.5 million in cumulative royalties for the only known potential applicant over the period FY 2004-09 or an average of about \$0-to-\$1.9 million per year (see Table 1, below). However, the effects of the loss could be mitigated by other factors.

Prepared by: Mark D. Myers
Division Oil and Gas
Approved by: _____
Agency Natural Resources

Phone 269-8800
Date/Time 5/5/2003
Date 5/1/2003

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. S. CSHB 57(Fin) wk dr

ANALYSIS CONTINUATION

Table 1. Potential Impact of HB 57 on State Royalty Revenue: FY 2003 - 2009

New Gas Produced from Other 3rd-Party Producers - State Lands								
FY	Total	State Leases (1000 Cu. Feet)	Non-State Feet per Year	State Royalty Share	Contract Value (\$ per Mcf)	Royalty Value (\$ per Mcf)	Diff	Potential Royalty Foregone (\$ per Year)
2005	1,728,506	1,728,506	-	230,583	2.00	2.57	0.57	\$0 -to- (130,287)
2006	14,900,000	9,983,000	4,917,000	1,331,732	2.00	2.70	0.70	\$0 -to- (938,763)
2007	32,300,001	21,641,001	10,659,000	2,886,909	2.00	2.84	0.84	\$0 -to- (2,438,869)
2008	39,500,000	26,465,000	13,035,000	3,530,431	2.00	2.98	0.98	\$0 -to- (3,476,367)
2009	44,400,000	29,748,000	14,652,000	3,968,383	2.00	3.12	1.12	\$0 -to- (4,462,725)

Estimated Total Royalty Losses Under New gas Supply 3rd-Party Contracts (FY 2004-09) = **\$0 -to- (11,545,044)**
Total Royalty Losses (Discounted) = **\$0 -to- (7,619,642)**

The analysis in Table 1 illustrates the yearly potential royalty revenue impacts taking into account the decline in gas to be supplied by Unocal to Agrium under a pre-existing contract after FY 2005. The implied yearly gas shortfall during FY 2006-09 is, by assumption, supplemented with new gas from 3rd-party producers. Royalty production from new gas would post date the Act and be eligible for (ee) treatment under HB 57. It is further assumed that Agrium would realize 100 percent of the benefits. Table 1 indicates that the state would forego from \$0-to-\$11.5 million in royalty revenue or about \$0-to-\$1.9 million per year (undiscounted) over the period FY 2004-09. Detailed assumptions used for the estimates in Table 1, plus several sensitivity scenarios, are described below.

Assumptions

1. Annual gas consumption at the fertilizer plant is equal to about 53 billion cubic feet per year (Bcf), based on historic rates of gas usage over the past five years.
2. The analysis in Table 1 draws from the "Annual Contract Quantity" (ACQ) commitments contained in the existing Unocal-Agrium gas supply contract. During the later years of the contract, the ACQ falls from the approximate plant capacity of about 53 Bcf per year in FY 2005 to 9.1 Bcf per year in FY 2009.
3. State leases would account for approximately two-thirds of the total gas usage at the plant from new, 3rd-party gas supply contracts after 2005; the remaining one-third is new gas production from private and federal lands.
4. The average state royalty share for gas dispositions to the plant is 13.34 percent.
5. Royalty value is indexed to the Alaska Department of Revenue prevailing value for Cook Inlet Gas (DOR PV). The Division of Oil and Gas forecasts DOR PV to increase from about \$2.50 per Mcf today, to \$3.12 per Mcf in FY 2009, based on the historic trend observed during 1995-02.
6. The implied gas shortfall in ACQ commitments is made up of new gas from 3rd-party producers but at a cost of \$2.00 per Mcf. This is considerably higher than the current \$1.20 benchmark input gas price in the existing Unocal-Agrium contract.

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. S.CSHB57(Fin) wkdr

ANALYSIS CONTINUATION

Sensitivity Analysis

Three alternative gas-supply scenarios are considered. **Case A:** Assume that the average formula-driven, gas-supply contract value is \$2.25 per Mcf instead of \$2.00 (see assumption #6). All else equal, this would lower maximum royalties foregone from \$11.5 million to \$8.5 million. **Case B:** By comparison, if the average formula-driven, gas-supply contract value is \$1.20 per – equal to the current Unocal benchmark – the maximum royalties foregone would nearly double from \$11.5 to 21.3 million.) **Case C:** If the fertilizer plant operates at 75% capacity due to input gas supply shortages from both existing and 3rd-party producers then, assuming \$2.00 per Mcf input gas cost, maximum royalties foregone would fall from \$11.5 million to \$8.7 million. **Cases A and C combined** would reduce cumulative maximum royalties foregone from \$11.5 million to about \$6.4 million.

adopted

WORK DRAFT

WORK DRAFT

WORK DRAFT

23-LS0303\C
Chenoweth
4/23/03

SENATE CS FOR CS FOR HOUSE BILL NO. 57()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES CHENAULT, Whitaker, Crawford, Heinze, Lynn

A BILL

FOR AN ACT ENTITLED

1 "An Act amending the manner of determining the royalty received by the state on gas
2 production as it relates to the manufacture of certain value-added products."

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

4 * Section 1. AS 38.05.180(bb) is amended to read:

5 (bb) In (aa) and (ee) of this section,

6 (1) "gas or electric utility" includes an electric cooperative organized
7 under AS 10.25, a municipal utility, and a gas or electric utility regulated under
8 AS 42.05; provided that, if the contract gas is transmitted to consumers through a
9 pipeline and the gas utility either owns the pipeline or is related in ownership to the
10 owner of the pipeline, then the gas utility qualifies as a "gas or electric utility" within
11 the meaning of this paragraph only if it is bound or agrees to be bound by the
12 covenants set out in AS 38.35.120;

13 (2) "price for the gas established in the contract" includes tax
14 reimbursement amounts, deliverability and other charges, and other forms of

L

1 consideration paid by the gas or electric utility or by the manufacturer of
2 agricultural chemicals, as appropriate, under the contract;

3 (3) "state's royalty share of gas production"

4 (A) includes payments on federal leases made to the state under
5 30 U.S.C. 191;

6 (B) does not include the state's royalty share of gas production
7 from land patented to the state under

8 (i) P.L. 84-830, 70 Stat. 709 (Alaska Mental Health
9 Enabling Act);

10 (ii) 38 Stat. 1214 (Act of March 4, 1915); or

11 (iii) 43 U.S.C. 1635 in settlement of the claims of the
12 state under 38 Stat. 1214.

13 * Sec. 2. AS 38.05.180(bb) is amended by adding a new paragraph to read:

14 (4) "manufacturer of agricultural chemicals" means a person that is a
15 business entity primarily engaging in the manufacturing of nitrogenous and phosphatic
16 based fertilizers, mixed fertilizers, pesticides, and similar chemicals for agricultural
17 purposes.

18 * Sec. 3. AS 38.05.180(cc) is amended to read:

19 (cc) The provisions of (aa) and (ee) of this section do not prohibit the
20 commissioner from accepting any payment on a federal lease tendered by the federal
21 agency responsible for determination and transmittal of the payment to the state under
22 30 U.S.C. 191 or otherwise due the state as the state's royalty share of gas production
23 irrespective of the state's acceptance of an amount that is different than the amount
24 due under the lease [THE USE OF THE CONTRACT PRICE] for purposes of
25 determining royalty share on gas production under that subsection.

26 * Sec. 4. AS 38.05.180 is amended by adding a new subsection to read:

27 (ee) For a contract that is entered into on or after the effective date of this Act,
28 within 90 days after the written request of a lessee of a lease issued under this section
29 or of a lessee of federal land from which the state is entitled under applicable federal
30 law to receive a share of the royalty on gas production, in order to establish the value
31 of the state's royalty share of gas production sold by the lessee under the contract, the

1 commissioner may enter into an agreement with the lessee to use or accept as a price
2 for the gas an amount that is not less than the price established in the contract between
3 the lessee and a manufacturer of agricultural chemicals, not to exceed the amount that
4 would otherwise be due under the lease. The commissioner may enter into the
5 agreement if it is in the best interest of the state

6 (1) only if the primary function of the manufacturer is to engage in the
7 production of a value-added product, and the manufacturer with which the lessee has
8 entered into the contract is not affiliated with the lessee or with a subsequent purchaser
9 of more than 10 percent of the manufacturer's value-added product; for purposes of
10 this paragraph, the parties to a contract or purchase are affiliated if, in the judgment of
11 the commissioner, one of the parties to the contract or purchase exercises substantial
12 influence over the policies and actions of the other as evidenced by relationship based
13 on common ownership or family interest or by action taken in concert without regard
14 to whether that influence is based upon stockholdings, stockholders, officers, or
15 directors;

16 (2) unless the commissioner makes a written finding, based on clear
17 and convincing evidence, that

18 (A) the contract price is unreasonably low; or

19 (B) the prospective reduction in royalty receipts would not be
20 balanced by employment opportunities or other tangible benefits to the state.

21 * Sec. 5. The uncoded law of the State of Alaska is amended by adding a new section to
22 read:

23 **APPLICABILITY.** The provisions of this Act apply to determine the price received
24 by the state on royalty gas production as it relates to the sale of the gas to a manufacturer of
25 agricultural chemicals based on contracts under AS 38.05.180(ee) that are entered into on or
26 after the effective date of this Act.



Official Business

Alaska State Senate

Senate Finance Committee

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FAX COVER SHEET

DATE: 14 May 2003 TIME: 10:15 am

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 1

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: SCS CS HB 57 23-LS0303/C
Chenoweth 4/23/03

no changes

Final Please

Thx

Mindy

STATE OF ALASKA

REPRESENTATIVE
MIKE CHENAULT

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HOUSE OF REPRESENTATIVES

HB 57 SPONSOR STATEMENT

This bill adds a new subsection to AS 38.05.180 (aa) which allows the commissioner to enter into an agreement with the producer to use or accept as a price for the gas an amount that is not less than the price established in the contract (between the producer and the manufacturer of agricultural chemicals) and the highest prevailing price being paid for natural gas in the area. What this does is allow the agricultural manufacturer, along with the producer, to know early on what the price will be for the gas being purchased from the state's royalty share and give "certainty in price".

Secondly, it amends current statute and gives the commissioner more discretion to reject an agreement between a producer and manufacturer. The commissioner may enter into an agreement if it is in the State's best interest and he finds:

1. The manufacturer and producer are not affiliated (one party exercises substantial financial interest over another);
2. He makes a written finding based on clear and convincing evidence that
 - a. the price is unreasonably low; or
 - b. that the royalty receipts would not be balanced by employment opportunities or other tangible benefits.

The House passed bill and the Senate Committee Substitute are the same in that, once adopted, the law would only apply to new contracts, not any existing contracts; the definition of manufacturing of agricultural chemicals is the same; and it will help provide certainty in price.

This policy is consistent with policies adopted by the State of Alaska. During the 22nd Legislature (2001) the state adopted AS 44.99.100: Declaration of state economic development policy. In part this policy states:

"To take advantage of investment opportunities afforded by Alaska's abundant natural resources and productive capacity, the state should undertake activities that serve as a catalyst to responsible economic development..."

"It is the policy of the state to encourage 'value-added' processing in the state..."

Thirdly, this should help accelerate exploration and production in the Cook Inlet.

STATE OF ALASKA

**REPRESENTATIVE
MIKE CHENAULT**

Interim:
145 Main St. Loop, Second Floor
Kenai, Alaska 99611
(907) 283-7223
Fax: (907) 283-3075



HOUSE OF REPRESENTATIVES

Official Business

Session:
Capitol Building, Room 432
Juneau, Alaska 99801-1182
(907) 465-3779
Toll Free: (800) 469-3779
Fax: (907) 465-2833

SPONSOR STATEMENT **HOUSE BILL 57**

This bill proposes to add "manufacturer" as a further entity that may claim that benefit of the contract price as the basis for determining royalty due to the state of the gas production.

North Peninsula Chamber of Commerce

P.O. Box 8053 • Nikiski, Alaska 99635

NIKISKI IS ON THE MOVE...



April 7, 2003

RESOLUTION 2003-001

A RESOLUTION IN SUPPORT OF "AN ACT AMENDING THE MANNER OF DETERMINING THE ROYALTY RECEIVED BY THE STATE ON GAS PRODUCTION AS IT RELATES TO THE MANUFACTURE OF CERTAIN VALUE ADDED PRODUCTS"

WHEREAS, the manufacturing of value added resources in the State of Alaska serve as a catalyst to economic development in Alaska; and

WHEREAS, one of the state's premier value added manufacturing industries is located on the Kenai Peninsula; and

WHEREAS, this industry, Agrium Kenai Nitrogen Operations, is exceptional for its combination of high pay levels, amount and concentration of expenditures in Alaska; and

WHEREAS, Agrium Kenai Nitrogen Operations is one of the few industries adding value to Alaska's natural resources using Cook Inlet natural gas to create anhydrous ammonia and two forms of urea; and

WHEREAS, Agrium Kenai Nitrogen Operations purchases natural gas from producers in Cook Inlet; and

WHEREAS, Agrium Kenai Nitrogen Operations markets its products around the world competing against major world competition which is primarily based upon the monetization of trapped gas resources; and

WHEREAS, Agrium Kenai Nitrogen Operations is the Kenai Peninsula's third largest private employer and accounts for an additional 700 jobs in Alaska and the Kenai Peninsula; and

WHEREAS, Agrium Kenai Nitrogen Operations expenditures in Alaska are spread to over 250 businesses statewide with 118 companies located on the Kenai Peninsula; and

WHEREAS, House Bill 57 has been introduced which will provide for the State of Alaska to enter into agreements with non-affiliated natural gas producers to accept as the price for the State's royalty share the price established in an arm's length contract negotiated between the natural gas producer and a manufacturer of value added products; and

North Peninsula Chamber of Commerce
Resolution 2003-001

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE
NORTH PENINSULA CHAMBER OF COMMERCE:**

SECTION 1: That the North Peninsula Chamber of Commerce urges the 23rd Alaska State Legislature to enact HB 57, "An Act Amending The Manner Of Determining The Royalty Received By The State On Gas Production As It Relates To The Manufacture Of Certain Value Added Products."

SECTION 2: That copies of this resolution shall be sent to all members of the 23rd Alaska State Legislature.

SECTION 3: That this resolution takes effect immediately upon its enactment.

**ADOPTED BY THE BOARD OF DIRECTORS OF THE NORTH PENINSULA CHAMBER OF
COMMERCE THIS DAY OF MARCH 2003.**

Signed:

**Fred A. Miller
President**

Introduced by: Superman
Date: 04/01/03
Action: Adopted
Vote: 8 Yes, 0 No, 1 Absent

**KENAI PENINSULA BOROUGH
RESOLUTION 2003-035**

**A RESOLUTION SUPPORTING THE PASSAGE OF SENATE BILL 136 AND SIMILAR
LEGISLATION WHICH RAISES THE CURRENT OPTIONAL RESIDENTIAL TAX
EXEMPTION FROM \$10,000 TO \$50,000**

WHEREAS, AS 29.45.050 authorizes municipalities to implement various property tax exemptions; and

WHEREAS, the \$10,000 maximum residential property exemption authorized by AS 29.45.050(a) has remained unchanged since 1974; and

WHEREAS, of the five Alaska municipalities offering this tax exemption, the Kenai Peninsula Borough is the only one to also levy a sales tax; and

WHEREAS, the two percent sales tax levied by the Kenai Peninsula Borough has kept the mill rate to a minimum, thus allowing the State to retain a greater share of the AS 43.56 (Oil and Gas Property) revenues; and

WHEREAS, in October 2002, the voters of the Kenai Peninsula Borough defeated a ballot proposition that would have exempted food from sales tax; and

WHEREAS, over the last decade, property owners have seen a substantial rise in assessed valuations, thereby increasing their tax bills by fifty to one hundred percent in some areas; and

WHEREAS, an increase in the Residential Property Tax Exemption will minimally affect state revenues and should be left to the discretion of the local governing body; and

WHEREAS, a minimal and stable tax rate is a primary factor in residential and economic development; and

WHEREAS, the Kenai Peninsula Borough Assembly has identified an increase in residential property tax exemptions as one of its 2003 legislative priorities; and

WHEREAS, SB 136 and similar legislation will provide a discretionary tax relief mechanism that will benefit bonafide full time residential homeowners;

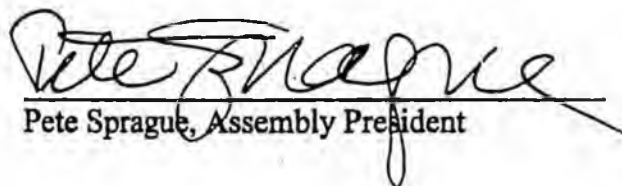
NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That the Kenai Peninsula Borough Assembly urges the 23rd Alaska State Legislature to enact SB 136, increasing the optional residential property exemption from \$10,000 to \$50,000.

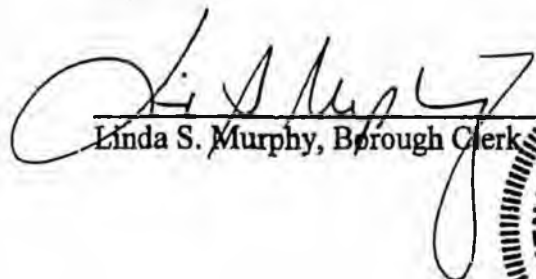
SECTION 2. That copies of this resolution shall be provided to Senators Con Bunde, Georgiana Lincoln, Gary Stevens and Tom Wagoner, and to Representatives Mike Chenault, Mike Hawker, Carl Morgan, Paul Seaton and Kelly Wolf.

SECTION 3. That this resolution shall take effect upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 1ST DAY OF APRIL, 2003.


Pete Sprague, Assembly President

ATTEST:


Linda S. Murphy, Borough Clerk



SOLDOTNA CHAMBER OF COMMERCE

RESOLUTION 2003-02

A RESOLUTION IN SUPPORT OF "AN ACT AMENDING THE MANNER OF DETERMINING THE ROYALTY RECEIVED BY THE STATE ON GAS PRODUCTION AS IT RELATES TO THE MANUFACTURE OF CERTAIN VALUE ADDED PRODUCTS"

WHEREAS, the manufacturing of value added resources in the State of Alaska serve as a catalyst to economic development in Alaska; and

WHEREAS, one of the state's premier value added manufacturing industries is located on the Kenai Peninsula; and

WHEREAS, this industry, Agrum Kenai Nitrogen Operations, is exceptional for its combination of high pay levels, amount and concentration of expenditures in Alaska; and

WHEREAS, Agrum Kenai Nitrogen Operations is one of the few industries adding value to Alaska's natural resources using Cook Inlet natural gas to create anhydrous ammonia and two forms of urea; and

WHEREAS, Agrum Kenai Nitrogen Operations purchases natural gas from producers in Cook Inlet; and

WHEREAS, Agrum Kenai Nitrogen Operations markets its products around the world competing against major world competition which is primarily based upon the monetization of trapped gas resources; and

WHEREAS, Agrum Kenai Nitrogen Operations is the Kenai Peninsula's third largest private employer and accounts for an additional 700 jobs in Alaska and the Kenai Peninsula; and

WHEREAS, Agrum Kenai Nitrogen Operations expenditures in Alaska are spread to over 250 businesses statewide with 115 companies located on the Kenai Peninsula; and

WHEREAS, House Bill 57 has been introduced which will provide for the State of Alaska to enter into agreements with non-affiliated natural gas producers to accept as the price for the State's royalty share the price established in an arm's length contract negotiated between the natural gas producer and a manufacturer of value added products; and

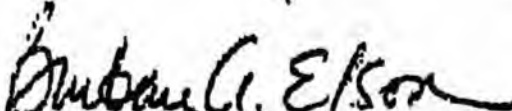
NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SOLDOTNA CHAMBER OF COMMERCE:

SECTION 1: That the Soldotna Chamber of Commerce urges the 23rd Alaska State Legislature to enact HB 57, "An Act Amending The Manner Of Determining The Royalty Received By The State On Gas Production As It Relates To The Manufacture Of Certain Value Added Products."

SECTION 2: That copies of this resolution shall be sent to all members of the 23rd Alaska State Legislature.

SECTION 3: That this resolution takes effect immediately upon its enactment.

ADOPTED BY THE BOARD OF DIRECTORS OF THE SOLDOTNA CHAMBER OF COMMERCE THIS 14th Day of MARCH 2003.


Barbara Elson, President

ATTEST:


Justine Polata, Executive Director

CITY OF SOLDOTNA
RESOLUTION 2003-17
(Requested by Council Member McLane)

A RESOLUTION SUPPORTING HOUSE BILL 57, AN ACT AMENDING THE MANNER OF DETERMINING THE ROYALTY RECEIVED BY THE STATE ON GAS PRODUCTION AS IT RELATES TO THE MANUFACTURE OF CERTAIN VALUE ADDED PRODUCTS

WHEREAS, the manufacturing of value added resources in the State of Alaska serves as a catalyst to economic development in Alaska; and

WHEREAS, one of the state's premier value added manufacturing industries is located on the Kenai Peninsula; and

WHEREAS, this industry, Agrium Kenai Nitrogen Operations, is exceptional for its combination of high pay levels, amount and concentration of expenditures in Alaska, and Agrium Kenai Nitrogen Operations is one of the few industries adding value to Alaska's natural resources using Cook Inlet natural gas to create anhydrous ammonia and two forms of urea; and

WHEREAS, Agrium Kenai Nitrogen Operations purchases natural gas from producers in Cook Inlet and markets its products around the world competing against major world competition which is primarily based upon the monetization of trapped gas resources; and

WHEREAS, Agrium Kenai Nitrogen Operations is the Kenai Peninsula's third largest private employer and accounts for an additional 700 jobs in Alaska and the Kenai Peninsula, and

WHEREAS, Agrium Kenai Nitrogen Operations' expenditures in Alaska are spread to over 250 businesses statewide with 118 companies located on the Kenai Peninsula; and

WHEREAS, House Bill 57 has been introduced which will provide for the State of Alaska to enter into agreements with non-affiliated natural gas producers to accept as the price for the State's royalty share the price established in an arm's length contract negotiated between the natural gas producer and a manufacturer of value added products;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SOLDOTNA, ALASKA:

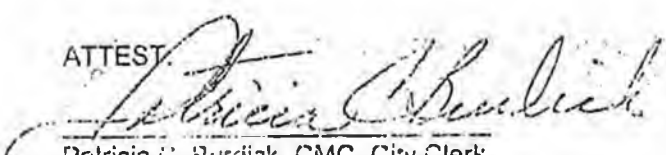
Section 1. The Soldotna City Council urges the 23rd Alaska State Legislature to enact HB 57, "An Act Amending the Manner of Determining the Royalty Received by the State on Gas Production as it Relates to the Manufacture of Certain Value Added Products".

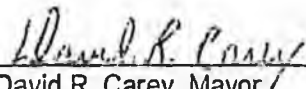
Section 2. Copies of this resolution shall be sent to all members of the 23rd Alaska State Legislature.

Section 3. This resolution shall take effect immediately upon adoption.

ADOPTED this 26th day of February, 2003.

ATTEST:


Patricia C. Burdick, CMC, City Clerk


David R. Carey, Mayor

Suggested by: City Council

CITY OF KENAI

RESOLUTION 2003-08

A RESOLUTION OF THE COUNCIL OF THE CITY OF KENAI, ALASKA SUPPORTING HB57, "AN ACT AMENDING THE MANNER OF DETERMINING THE ROYALTY RECEIVED BY THE STATE ON GAS PRODUCTION AS IT RELATES TO THE MANUFACTURE OF CERTAIN VALUE ADDED PRODUCTS."

WHEREAS, Agrium Kenai Nitrogen Operations is exceptional for its combination of high pay levels, amount and concentration of expenditures in Alaska; and,

WHEREAS, Agrium Kenai Nitrogen Operations is one of the few industries adding value to Alaska's natural resources using Cook Inlet natural gas to create anhydrous ammonia and two forms of urea; and,

WHEREAS, Agrium Kenai Nitrogen Operations purchases natural gas from producers in Cook Inlet; and,

WHEREAS, Agrium Kenai Nitrogen Operations markets its products around the world competing against major world competition which is primarily based upon the monetization of trapped gas resources; and,

WHEREAS, Agrium Kenai Nitrogen Operations is the Kenai Peninsula's third largest private employer and accounts for an additional 700 jobs in Alaska and the Kenai Peninsula; and,

WHEREAS, Agrium Kenai Nitrogen Operations expenditures in Alaska are spread to over 250 businesses statewide with 118 companies located on the Kenai Peninsula; and,

WHEREAS, House Bill 57 has been introduced which will provide for the State of Alaska to enter into agreements with non-affiliated natural gas producers to accept as the price for the State's royalty share the price established in an arm's length contract negotiated between the natural gas producer and a manufacturer of value added products, like Agrium Kenai Nitrogen Operations.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA, the following:

Section 1: The Kenai City Council urges the 23rd Alaska State Legislature to enact HB 57, "An Act Amending the Manner of Determining the Royalty Received by the State on Gas Production as it Relates to the Manufacture of Certain Value Added Products."

Section 2: Copies of this resolution shall be sent to all members of the 23rd Alaska State Legislature.

Section 3: This resolution takes effect immediately upon its enactment.

PASSED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA, this 19th day of February, 2003.

ATTEST:

Carol L. Freas
Carol L. Freas, City Clerk

John J. Williams
JOHN J. WILLIAMS, MAYOR



Kenai Chamber of Commerce
402 Overland
Kenai, Alaska 99611

(907) 283-7989
(907) 283-7183 (Fax)

RESOLUTION 2003-01

A RESOLUTION IN SUPPORT OF "AN ACT AMENDING THE MANNER OF DETERMINING THE ROYALTY RECEIVED BY THE STATE ON GAS PRODUCTION AS IT RELATES TO THE MANUFACTURE OF CERTAIN VALUE ADDED PRODUCTS"

WHEREAS, the Kenai Chamber of Commerce has over 350 business members, and

WHEREAS, the manufacturing of value added resources in the State of Alaska serve as a catalyst to economic development in Alaska; and

WHEREAS, one of the state's premier value added manufacturing industries is located on the Kenai Peninsula; and

WHEREAS, this industry, Agrium Kenai Nitrogen Operations, is exceptional for its combination of high pay levels, amount and concentration of expenditures in Alaska; and

WHEREAS, Agrium Kenai Nitrogen Operations is one of the few industries adding value to Alaska's natural resources using Cook Inlet natural gas to create anhydrous ammonia and two forms of urea; and

WHEREAS, Agrium Kenai Nitrogen Operations purchases natural gas from producers in Cook Inlet; and

WHEREAS, Agrium Kenai Nitrogen Operations markets its products around the world competing against major world competition which is primarily based upon the monetization of trapped gas resources; and

WHEREAS, Agrium Kenai Nitrogen Operations is the Kenai Peninsula's third largest private employer and accounts for an additional 700 jobs in Alaska and the Kenai Peninsula; and

WHEREAS, Agrium Kenai Nitrogen Operations expenditures in Alaska are spread to over 250 businesses statewide with 118 companies located on the Kenai Peninsula; and

WHEREAS, House Bill 57 has been introduced which will provide for the State of Alaska to enter into agreements with non-affiliated natural gas producers to accept as the price for the State's royalty share the price established in an arm's length contract



Kenai Chamber of Commerce
402 Overland
Kenai, Alaska 99611

(907) 283-7989
(907) 283-7183 (Fax)

negotiated between the natural gas producer and a manufacturer of value added producers; and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE KENAI CHAMBER OF COMMERCE:

SECTION 1: That the Kenai Chamber of Commerce urges the 23rd Alaska State Legislature to enact HB 57, "An Act Amending The Manner Of Determining The Royalty Received By The State On Gas Production As It Relates To The Manufacture Of Certain Value Added Products."

SECTION 2: That copies of this resolution shall be sent to all members of the 23rd Alaska State Legislature and Governor Frank Murkowski.

SECTION 3: That this resolution takes effect immediately upon its enactment.

UNANIMOUSLY PASSED BY THE KENAI CHAMBER OF COMMERCE OF THE CITY OF KENAI ALASKA, this 7th day of February, 2003.

Cherie L. Brewer

Cherie L. Brewer
Chamber Board President

To: Pete Sprague, Assembly President

Assembly Members

Thru: Dale L. Bagley, Mayor

From: Bill Popp, Oil & Gas Liaison

Date: February 6th, 2003

Subject: House Bill 57 and Senate Bill 50

The Administration requests the support of the Assembly for House Bill 57 and Senate Bill 50. These companion pieces of legislation would allow the Commissioner of the Department of Natural Resources the discretion to enter into agreements with non-affiliated natural gas producers to accept as the price for the State's royalty share of natural gas the price established in an arm's length contract negotiated between the natural gas producer and Agrium Kenai Nitrogen Operations and any other manufacturer that uses Alaska natural gas to create value added products. Currently, under AS 38.05.180, this type of fixed royalty pricing arrangement is allowed only for public electrical utilities as a means of offering price certainty for natural gas for use in power generation.

Traditionally, the State of Alaska usually takes 12.5% of most produced natural gas as its royalty share of the resource, most of which is sold through an "in-kind" agreement where the producer acts as the selling 'agent' for the State. Further, the State of Alaska maintains an expectation that it will receive the highest prevailing value for its royalty share of natural gas sold. This value is calculated on a quarterly basis. Using this method has resulted in broad fluctuations in the value of royalty natural gas.

Agrium has requested this legislation to provide for a more stable cost structure for the natural gas it relies on as a feedstock for its Nikiaki facility. Under the current system, Agrium faces the potential for broad future price swings and retroactive royalty payment demands from the State for past royalty payment adjustments. This lack of price certainty makes it very difficult for Agrium to establish sound business planning for future production and capital investments.

It should be noted that the proposed legislation will apply to any non-affiliated manufacturer of value-added products that use natural gas as a feed stock. Affiliated companies such as the ConocoPhillips LNG facility, where the supplier of natural gas also owns the value-added manufacturing facility, will not qualify for this kind of royalty gas pricing agreement.

>>> "G. Scott Pfoff" <gpspfoff@aurorapower.com> 02/11/08 10:14AM >>>
To whom it may concern,

Aurora Gas, LLC is aggressively pursuing the development of natural gas producing properties, primarily on the West side of Cook Inlet. Oil and Gas exploration and development is a high cost, high risk endeavor. As a producer looking to market our natural gas, there is great hesitation to enter into a gas sales agreement with a purchaser such as Agrium because it adds yet another layer of risk to the producer. A producer selling gas to Agrium runs the risk, in fact the probability, that several years after selling its gas to Agrium, the State will assert a claim that royalty needs to be paid on a value higher than the arms length negotiated contract price. This additional royalty, plus interest accrued at a higher-than-market rate, would have to be born by the producer and/or by the purchaser.

It is for this reason that Aurora Gas, LLC and its natural gas marketing affiliate, Aurora Power Resources, Inc. strongly endorse HB57 and the concept that royalty should be paid on the basis of arms length negotiated contract prices. Accordingly, we salute and support the draft resolution in support of HB57 and urge the Kenai City Council to adopt same.

G. Scott Pfoff
President,
Aurora Power Resources, Inc
(713) 977-5789

March 31, 2003

To Whom It May Concern,

Pelican Hill Oil & Gas, Inc. is an independent oil and gas company with a history of successful operations in Kansas. We are now actively pursuing the exploration and development of oil and natural gas prospects on our leases in the Cook Inlet Basin. These are primarily gas prospects on the West Side of the inlet.

For all operators, and especially the smaller independent companies like Pelican Hill, the investment of time, money and resources that are required by such exploratory ventures can only be compensated by the prospect of discovering volumes of natural gas that are economically viable. There is always an inherent amount of risk associated with such ventures and the operator is never assured that original investment will ever be returned, let alone any profit from the ventures if oil or gas are discovered. Upon discovery of such deposits, the immense amount of risk involved may significantly decrease as development operations continue.

Entering into a gas sales agreement with a gas purchaser should not involve an amplification of the inherent risk for the producer or the purchaser that may arise long after a sales agreement has been executed and production has been initiated. This type of amplified risk would accompany any sales agreement between Pelican Hill Oil & Gas, Inc. and Agrium U.S. Inc, should this practice be applied. Solidifying an agreement with a purchaser must be accomplished without the likelihood of future State of Alaska royalty claims. Such claims made at a later date due to higher subsequent gas prices than those initially negotiated in an arms length contract is not a desired situation. In that case the royalty, as well as the interest the State would claim

The potential for this scenario to occur is high and would be a mitigating factor for Pelican Hill or any other producer to not enter into a gas sales agreement with Agrium.

For this reason, Pelican Hill Oil & Gas, Inc. endorses HB 57 entirely. We further endorse the concept that royalties should be paid on the original arms length negotiated contract foundation without any financially devastating changes. We soundly support draft resolution HB 57 and urge you to do the same.

Allen J. Gross
President
Pelican Hill Oil & Gas, Inc.
(949) 498-2101



The Alaska Farm Bureau



Colleen Wright, Project Coordinator
Post Office Box 55149 Fax: (907) 488-6179
North Pole, AK 99705-0149 E-mail: akfarmus@hotmail.com
or cwrite@ptialaska.net

Robert Franklin, President
Fax: (907) 488-3184
E-mail: akbfrank@gci.net

March 27, 2003

Representative Charles Chenault
Fax 465-2833

Dear Representative Chenault,

HB 57, commonly referred to as the "Agrium bill", would provide for consideration in the price paid for natural gas used in the production of agriculture fertilizer. Agrium and its predecessors have provided a valuable service to the agriculture industry in Alaska. The Alaska Farm Bureau supports the efforts of this legislation in maintaining the operation of a fertilizer production plant in Alaska.

There are other "tangible benefits", as noted in Section 1aa(2)Bii, that should be considered in the legislation. In Alaska, fertilizer accounts for about 25% of the cost of production for crops. About half of the fertilizer that is used is in the form of urea as produced by the Agrium facility. The price paid by Alaska farmers for urea has a significant impact on the profitability of agriculture.

When that fertilizer plant was originally built, the Kenai Borough provided tax relief for a period of time. One of the considerations during that period of tax relief was a substantial reduction or waiver of price for urea fertilizer sold to Alaska farmers. That offering of good will had a minimal impact on the cost of operations but it provided enormous help to agriculture in Alaska.

If the State provides relief to Agrium in the cost of natural gas, it would be appropriate to include a provision that reduces the cost of urea sold to Alaska farmers. The amount of fertilizer sold in Alaska is extremely small compared to their total production and the effect on their cost of operations would be insignificant. On the other hand, the good will would be positive and the economic benefit to Alaska agriculture would be substantial.

I would request that you add language to HB57 that provides a price reduction for fertilizer sold in Alaska for agriculture production. Feel free to contact me if you have any questions or need additional information.

Signed:

Robert Franklin - pres.
Phone 488-7738

SENATE FINANCE COMMITTEE

SIGN-IN

HB 57-ROYALTY GAS CONTRACTS

NAME: LISA PARKER Subject/Bill No: HB 57
Co./Dept./Title: AGRIUM Phone: 902-776-3275
Address: PO Box 575 KENNA Zip: 99611

Do you wish to testify? Yes No Respond To Questions

NAME: Jim Calvin Subject/Bill No: HB 57
Co./Dept./Title: McDowell Group Phone: 907-586-6126
Address: PO Box 21009 Juneau Zip: 99802

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

SENATE FINANCE COMMITTEE

SIGN-IN

HB 57-ROYALTY GAS CONTRACTS

NAME: LISA PARKER Subject/Bill No: _____
Co./Dept./Title: AGRIUM Phone: 907-776-3275
Address: PO Box 575 KENAI Zip: 99611
Do you wish to testify? Yes No Respond To Questions

NAME: MARK MYERS Subject/Bill No: 3.57
Co./Dept./Title: DNR/OSB Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

HB

59

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 59(JUD)
(H) Publish Date: 2/26/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Public Safety
Title An act relating to the evaluation and BRU AST Detachment
cleanup of sites where certain... Component AST Detachment
Sponsor Representative Holm
Requester House Judiciary Component No. 2325

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

No fiscal impact.

Prepared by: Lieutenant Matthew Leveque
Division: Alaska State Troopers
Approved by: William Tandeske, Commissioner
Agency: Department of Public Safety

Phone 907 269-0390
Date/Time 2/19/03 10:20 AM
Date 2/14/2003

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSHB 59(JUD)
(H) Publish Date: 2/26/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Environmental Conservation
Title: An Act Relating to Evaluation and BRU: Spill Prevention and Response
Cleanup of Illegal Drug Sites Component: Prevention and Emergency Response
Sponsor: Rep. Holm
Requester: House Judiciary Component No.: 2064

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	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
Contractual	25.0	7.0	7.0	7.0	7.0	7.0
Supplies	5.0	5.0	5.0	5.0	5.0	5.0
Equipment	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
Grants & Claims	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
TOTAL OPERATING	30.0	12.0	12.0	12.0	12.0	12.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	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
1004 GF	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
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
1052 Oil and Haz. Sub. Response Fund	30.0	12.0	12.0	12.0	12.0	12.0
TOTAL	30.0	12.0	12.0	12.0	12.0	12.0

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

The evaluation and cleanup process for illegal drug sites proposed in this bill will require the Department to develop health standards, sampling protocols, analytical methods, and decontamination guidelines for lead, mercury, volatile organic compounds, and methamphetamines. The Department may also determine whether additional substances pose a substantial risk and include such substances in the guidelines development. In the first year funds will be used for the initial guidelines development. In the out years funds will be used to review and update the standards and protocols, and provide for the development of additional standards for compounds that may be added to the list of substances covered under this legislation. An addition of one compound per year is assumed.

Prepared by: Larry Dietrick, Director
Division: Division of Spill Prevention and Response
Approved by: Kurt Fredriksson
Agency: Department of Environmental Conservation

Phone 465-5255
Date/Time 2/25/03 4:41 PM
Date 2/25/2003

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FISCAL NOTE # 2

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. CSHB 59(JUD)

ANALYSIS CONTINUATION

Continuation from Page 1

The Department will maintain a list of laboratories, a list of contaminated properties, and develop the proposed regulations using existing staff resources, and will contract for compound analysis and guidelines development. Once a property owner has certified to the Department that a site has been cleaned up in accordance with the Department's guidelines, the property will be removed from the list. It is assumed that the Department will not be undertaking any independent verification of laboratories or of the property owner's certification.

In preparing this fiscal note, the Department has assumed that the expected number of contaminated sites requiring evaluation and cleanup would be approximately 20 a year based on actual numbers of 13 sites last year and 25 the year before. Additionally, it is assumed that standards and cleanup guidance documents from other states can be used as templates.

Line Item Description	FY 2004	FY 2005	FY 2006	FY 2007	FY2008	FY2009
Personal Services	\$0	\$0	\$0	\$0	\$0	\$0
Travel	\$0	\$0	\$0	\$0	\$0	\$0
Contractual						
• Analytical Methods	\$4,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
• Health Standards	\$4,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
• Sampling protocols	\$7,000	\$1,750	\$1,750	\$1,750	\$1,750	\$1,750
• Decontamination guidelines	\$9,000	\$2,250	\$2,250	\$2,250	\$2,250	\$2,250
• Additional substance analysis	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Subtotal:	\$25,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Supplies						
• Copies of regulations and guidance	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Equipment	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$30,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000

Alaska State Legislature

Representative Jim Holm

District 9

Session

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Changes in House Bill 59 Version I

"CLEANUP OF ILLEGAL DRUG SITES"

House Finance Committee Members:

Changes in the Committee Substitute Version "T" will bring us up to Version "S." These changes were made in conjunction with the office of Senator Guess and address concerns from the Department of Public Safety and the Department of Environmental Conservation.

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Line 9: After "perform the" insert "sampling and"

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Line 16: After "property" insert "under AS 46.03.520"

Line 26: After "occupy" insert "or use"

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Line 9: After "based on" insert "sampling and"

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pg 7 line 20

23-LS0341\S
Lauterbach
3/8/03

CS FOR HOUSE BILL NO. 59()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE HOLM

#1 pass
5#2 passed

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the evaluation and cleanup of sites where certain controlled
2 substances may have been manufactured or stored; and providing for an effective date."

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

4 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
5 to read:

6 **PURPOSE.** The purpose of this Act is to provide a just, equitable, and practicable
7 method, to be cumulative with and in addition to any other remedy provided by law, whereby
8 property that endangers the life, safety, or welfare of the general public or occupants of the
9 property because of toxic chemical contamination that may result from illegal drug
10 manufacturing may be required to be decontaminated or vacated and secured against use.

11 * **Sec. 2.** AS 46.03 is amended by adding new sections to read:

12 **Article 7A. Cleanup of Illegal Drug Sites.**

13 **Sec. 46.03.500. Notice of illegal drug manufacturing site.** (a) When a law
14 enforcement officer or team of law enforcement officers, qualified under federal

1 regulations to investigate and dismantle illegal drug manufacturing sites, determines
2 that a site constitutes an illegal drug manufacturing site, the primary law enforcement
3 agency that conducted the investigation shall notify the owner of the property, the
4 occupants and users of the property, and the department that the determination has
5 been made. The owner of the property may appeal the determination to the superior
6 court for review of whether the determination was made in compliance with this
7 subsection. In the appeal, the burden of proving by a preponderance of the evidence
8 that the determination was made in compliance with this subsection is on the primary
9 law enforcement agency that conducted the investigation.

10 (b) The notice to the property owner required under (a) of this section shall be
11 given in a manner that is consistent with the Alaska Rules of Civil Procedure for the
12 service of process in a civil action in this state and must include the following
13 information:

14 (1) the parcel identification number and legal description of the
15 property where the site is located;

16 (2) a statement of the determination made by the primary law
17 enforcement agency that the site was an illegal drug manufacturing site and the
18 findings that formed the basis for the determination;

19 (3) a citation to, and short summary of, AS 46.03.510, which restricts
20 transfer and occupancy of the site until it is determined to be fit for use; and

21 (4) the following information, which shall be provided to the primary
22 law enforcement agency by the department:

23 (A) a copy of the standards contained in regulations adopted
24 under AS 46.03.530 that determine whether the property is fit for use;

25 (B) a copy of the sampling and testing procedures established
26 under AS 46.03.520(b) and a copy of the list of laboratories maintained under
27 AS 46.03.520(c) that must be used for determining whether the property is fit
28 for use; and

29 (C) a copy of the guidelines for decontamination established by
30 the department under AS 46.03.540(b).

31 (c) The notice to the department required under (a) of this section must

1 include

2 (1) the parcel identification number and legal description of the
3 property where the site is located;

4 (2) a statement of the determination made by the primary law
5 enforcement agency that the site was an illegal drug manufacturing site and the
6 findings that formed the basis for the determination; and

7 (3) the name and mailing address of the person who owns the property
8 where the site is located.

9 (d) The notice required under (a) of this section for the occupants and users of
10 the property shall be accomplished by immediate posting of the entryway of the
11 property with a notice that includes the location of the property, the information
12 described in (b)(2) and (3) of this section, and a statement that the property may pose a
13 substantial risk of physical harm to persons who occupy or use the property.

14 (e) If a person other than the owner, such as a property manager or rental
15 agency, is authorized to let others use or occupy property for which an owner has
16 received a notice under (a) of this section or is authorized to transfer, sell, lease, or
17 rent the property to others, the owner of the property shall communicate the substance
18 of the notice to that person within four days after receiving the notice.

19 **Sec. 46.03.510. Restrictions on property.** (a) Until determined to be fit for
20 use under AS 46.03.550, the property for which a notice has been issued under
21 AS 46.03.500(a) may not be transferred, sold, leased, or rented to another person
22 except as provided in (b) of this section, and a person may not use or occupy the
23 property at any time after the fourth day following the day on which the property was
24 posted with the notice required under AS 46.03.500(d), except as necessary for
25 sampling, testing, or decontamination under AS 46.03.520 and 46.03.540. An oral or
26 written contract that would transfer, sell, lease, rent, or otherwise allow the use of the
27 property in violation of this subsection is voidable between the parties at the option of
28 the purchaser, transferee, user, lessee, or renter. However, this subsection does not

29 (1) make voidable a promissory note or other evidence of indebtedness
30 or a mortgage, trust deed, or other security interest securing the promissory note or
31 evidence of indebtedness, if the note or evidence of indebtedness, mortgage, trust

1 deed, or other security interest was given to a person other than the person
2 transferring, selling, using, leasing, or renting the property to induce the person to
3 finance the transfer, sale, use, leasing, or rental of the property;

4 (2) make voidable a lease or rental agreement between the property
5 owner and the person who caused the property to be contaminated and determined
6 unfit for use; or

7 (3) impair obligations or duties required to be performed on
8 termination of a contract, as required by the contract, such as payment of damages or
9 return of refundable deposits.

10 (b) Notwithstanding (a) of this section, property covered by (a) of this section
11 may be transferred or sold if full written disclosure is made to the prospective
12 transferee or purchaser that the property has been determined to be an illegal drug
13 manufacturing site and the property has not been determined to be fit for use. The
14 disclosure shall be attached to the earnest money receipt, if any, and shall accompany
15 the transfer or sale document. The disclosure is not considered to be part of the
16 transfer or sale document, however, and may not be recorded. The property shall
17 continue to be subject to the restrictions in (a) of this section after transfer or sale
18 under this subsection.

19 (c) A person who knowingly transfers, sells, leases, or rents property to
20 another, knowingly allows another to use or occupy property, or, being the owner of
21 property, knowingly occupies or uses the property, in violation of this section is guilty
22 of a class A misdemeanor. In this subsection, "knowingly" has the meaning given in
23 AS 11.81.900(a).

24 (d) It is an affirmative defense to a prosecution under (c) of this section for
25 allowing another to use or occupy the property that the defendant or an agent of the
26 defendant, within four days after receiving a notice under AS 46.03.500, filed an
27 appropriate civil action to remove the user or occupier from the property for which the
28 notice was received.

29 **Sec. 46.03.520. Sampling and testing procedures.** (a) If the owner of the
30 property for which notice was received under AS 46.03.500(b) desires to determine if
31 the property is fit for use, the owner shall cause the site to be sampled and tested for

1 the substances covered in regulations adopted under AS 46.03.530, using the
2 procedures and laboratory services specified under (b) and (c) of this section. The
3 property owner shall inform the laboratory used for sampling or testing under this
4 subsection that the sampling and testing are related to property that has been
5 determined to be an illegal drug manufacturing site.

6 (b) The department shall establish procedures for sampling and testing
7 property that may have been an illegal drug manufacturing site.

8 (c) The department shall establish and maintain a list of laboratories in the
9 state that have notified the department that they have the capacity to perform the
10 sampling and testing procedures and that they wish to be on the list maintained under
11 this subsection. A laboratory may not be included on the list unless the laboratory
12 agrees to send the department a copy of test results related to properties whose owners
13 have informed the laboratory that the test results are for property that has been
14 determined to be an illegal drug manufacturing site.

15 **Sec. 46.03.530. Standards for determining fitness.** (a) Property for which a
16 notice was received under AS 46.03.500(b) is not fit for use if sampling and testing of
17 the property under AS 46.03.520 shows the presence of one of the following
18 substances above the limit set by the department for that substance: lead, mercury,
19 methamphetamines, volatile organic compounds, and other substances for which the
20 department has set a limit under (b) of this section.

21 (b) The department shall adopt regulations that set the limit for each substance
22 specifically listed in (a) of this section for purposes of determining whether the
23 property for which a notice was received under AS 46.03.500 is fit for use. The
24 department may also determine whether there are other substances associated with
25 illegal drug manufacturing sites that may pose a substantial risk of harm to persons
26 who occupy or use the site or to public health and may adopt regulations that set limits
27 for those substances for the purposes of determining whether the property for which
28 notice was received under AS 46.03.500 is fit for use.

29 **Sec. 46.03.540. Decontamination requirements.** (a) If the owner desires to
30 decontaminate the property for which a notice has been issued under AS 46.03.500,
31 the owner shall follow the guidelines established by the department under (b) of this

1 section.

2 (b) The department shall establish guidelines for decontamination of sites that
3 are determined to be unfit for use under AS 46.03.530. The department shall provide
4 a copy of the guidelines to any person who requests a copy.

5 **Sec. 46.03.550. Fitness for use.** (a) Property for which a notice has been
6 issued under AS 46.03.500 shall be determined by the department to be fit for use if
7 the owner certifies to the department under penalty of unsworn falsification that

8 (1) based on sampling and testing procedures established by the
9 department under AS 46.03.520(b) and performed by laboratories that are on the list
10 maintained by the department under AS 46.03.520(c), the limits on substances
11 specified in regulations adopted under AS 46.03.530 are not exceeded on the property;

12 (2) if the property was ever sampled and tested under AS 46.03.520
13 and the test results showed the property to be unfit for use under AS 46.03.530,
14 decontamination procedures were performed in accordance with the guidelines
15 established under AS 46.03.540(b) and the requirements of (1) of this subsection have
16 been met; or

17 (3) a court has held that the determination that the property was an
18 illegal drug manufacturing site was not made in compliance with AS 46.03.500(a).

19 (b) The department shall maintain a list of properties for which the department
20 has received notice under AS 46.03.500(c). When the department determines under
21 (a) of this section that a property on the list is fit for use, the department shall remove
22 the property from the list and notify the owner of the property that the property is fit
23 for use. On request, the department shall give a copy of the list maintained under this
24 section to any person who requests the list.

25 **Sec. 46.03.560. Securing the property.** The owner of property for which a
26 notice was received under AS 46.03.500(b) shall ensure that the property is vacated
27 and secured against use

28 (1) within four days after receiving the notice if the owner does not test
29 the property under AS 46.03.520 within four days after receiving the notice; or

30 (2) within four days after receiving the test results if the owner tests
31 the property within four days after receiving the notice, the test shows the presence of

1 a substance that exceeds the limits set in regulations adopted under AS 46.03.530, and
2 the owner does not begin decontamination procedures under AS 46.03.540 within four
3 days after receiving the test results.

4 **Sec. 46.03.570. Duties of the department; regulations.** (a) The department
5 shall adopt regulations implementing AS 46.03.500 - 46.03.599.

6 (b) The department shall periodically review information related to
7 decontamination of illegal drug manufacturing sites to determine whether substances
8 should be added to or deleted from the list of substances specifically named in
9 AS 46.03.530(a). The department shall report written findings to the governor if the
10 department determines that a change should be made to the list of specific substances
11 in AS 46.03.530(a). The governor shall notify the legislature when written findings
12 have been made under this subsection and provide a copy of the findings to a legislator
13 on request.

14 **Sec. 46.03.599. Definitions.** In AS 46.03.500 - 46.03.599,

15 (1) "illegal drug manufacturing site" means property on which there is
16 reasonable cause to suspect contamination with chemicals associated with the
17 manufacturing of a controlled substance and where

18 (A) activity involving the unauthorized manufacture of a
19 controlled substance listed on schedule I or II in AS 11.71 or a precursor
20 chemical ^{or necessary chemical} for the substances has occurred; or

21 (B) there are kept, stored, or located any of the devices,
22 equipment, things, or substances used for the unauthorized manufacture of a
23 controlled substance listed on schedule I or II in AS 11.71;

24 (2) "site" means an illegal drug manufacturing site.

25 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
26 read:

27 **REGULATIONS.** The Department of Environmental Conservation may immediately
28 begin to develop and adopt regulations to implement this Act. The regulations take effect
29 under AS 44.62 (Administrative Procedure Act).

30 * **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to
31 read:

1 CERTIFICATION OF EFFECTIVE DATE OF REGULATIONS. The lieutenant
2 governor shall certify to the revisor of statutes the effective date of the initial regulations
3 adopted by the Department of Environmental Conservation under sec. 3 of this Act.

4 * **Sec. 5.** Sections 1 and 2 of this Act take effect on the effective date of the initial
5 regulations adopted by the Department of Environmental Conservation under sec. 3 of this
6 Act.

7 * **Sec. 6.** Sections 3 and 4 of this Act take effect immediately under AS 01.10.070(c).

Amendment #1 — HB 59

3-12-03

Williams

Amendment # 1

adopted N/O

Offered in House Finance
To: House CS for HB 59

1 Page 5 line 17 - 19

Delete "one of the following substances above the limit set by the department for that substance: lead, mercury, methamphetamines, volatile organic compounds, and other"

2 Page 5 line 21

Insert "The Department of Public Safety shall annually submit a list of substances to the Department of Environmental Conservation."

3 Page 5 line 22

Delete "specifically listed in (a) of this section"
Insert "specified by the Department of Public Safety"

Alaska State Legislature

Representative Jim Holm

District 9

Session

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"CLEANUP OF ILLEGAL DRUG SITES"

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Line 16: After "property" insert "under AS 46.03.520"

Line 26: After "occupy" insert "or use"

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23-LS0341S

Lauterbach

3/8/03

CS FOR HOUSE BILL NO. 59()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY

Offered:

Referred:

Sponsor(s): REPRESENTATIVE HOLM

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the evaluation and cleanup of sites where certain controlled**
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3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

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8 property that endangers the life, safety, or welfare of the general public or occupants of the
9 property because of toxic chemical contamination that may result from illegal drug
10 manufacturing may be required to be decontaminated or vacated and secured against use.

11 *** Sec. 2.** AS 46.03 is amended by adding new sections to read:

12 **Article 7A. Cleanup of Illegal Drug Sites.**

13 **Sec. 46.03.500. Notice of illegal drug manufacturing site.** (a) When a law
14 enforcement officer or team of law enforcement officers, qualified under federal

1 regulations to investigate and dismantle illegal drug manufacturing sites, determines
2 that a site constitutes an illegal drug manufacturing site, the primary law enforcement
3 agency that conducted the investigation shall notify the owner of the property, the
4 occupants and users of the property, and the department that the determination has
5 been made. The owner of the property may appeal the determination to the superior
6 court for review of whether the determination was made in compliance with this
7 subsection. In the appeal, the burden of proving by a preponderance of the evidence
8 that the determination was made in compliance with this subsection is on the primary
9 law enforcement agency that conducted the investigation.

10 (b) The notice to the property owner required under (a) of this section shall be
11 given in a manner that is consistent with the Alaska Rules of Civil Procedure for the
12 service of process in a civil action in this state and must include the following
13 information:

14 (1) the parcel identification number and legal description of the
15 property where the site is located;

16 (2) a statement of the determination made by the primary law
17 enforcement agency that the site was an illegal drug manufacturing site and the
18 findings that formed the basis for the determination;

19 (3) a citation to, and short summary of, AS 46.03.510, which restricts
20 transfer and occupancy of the site until it is determined to be fit for use; and

21 (4) the following information, which shall be provided to the primary
22 law enforcement agency by the department:

23 (A) a copy of the standards contained in regulations adopted
24 under AS 46.03.530 that determine whether the property is fit for use;

25 (B) a copy of the sampling and testing procedures established
26 under AS 46.03.520(b) and a copy of the list of laboratories maintained under
27 AS 46.03.520(c) that must be used for determining whether the property is fit
28 for use; and

29 (C) a copy of the guidelines for decontamination established by
30 the department under AS 46.03.540(b).

31 (c) The notice to the department required under (a) of this section must

1 include

2 (1) the parcel identification number and legal description of the
3 property where the site is located;

4 (2) a statement of the determination made by the primary law
5 enforcement agency that the site was an illegal drug manufacturing site and the
6 findings that formed the basis for the determination; and

7 (3) the name and mailing address of the person who owns the property
8 where the site is located.

9 (d) The notice required under (a) of this section for the occupants and users of
10 the property shall be accomplished by immediate posting of the entryway of the
11 property with a notice that includes the location of the property, the information
12 described in (b)(2) and (3) of this section, and a statement that the property may pose a
13 substantial risk of physical harm to persons who occupy or use the property.

14 (e) If a person other than the owner, such as a property manager or rental
15 agency, is authorized to let others use or occupy property for which an owner has
16 received a notice under (a) of this section or is authorized to transfer, sell, lease, or
17 rent the property to others, the owner of the property shall communicate the substance
18 of the notice to that person within four days after receiving the notice.

19 **Sec. 46.03.510. Restrictions on property.** (a) Until determined to be fit for
20 use under AS 46.03.550, the property for which a notice has been issued under
21 AS 46.03.500(a) may not be transferred, sold, leased, or rented to another person
22 except as provided in (b) of this section, and a person may not use or occupy the
23 property at any time after the fourth day following the day on which the property was
24 posted with the notice required under AS 46.03.500(d), except as necessary for
25 sampling, testing, or decontamination under AS 46.03.520 and 46.03.540. An oral or
26 written contract that would transfer, sell, lease, rent, or otherwise allow the use of the
27 property in violation of this subsection is voidable between the parties at the option of
28 the purchaser, transferee, user, lessee, or renter. However, this subsection does not

29 (1) make voidable a promissory note or other evidence of indebtedness
30 or a mortgage, trust deed, or other security interest securing the promissory note or
31 evidence of indebtedness, if the note or evidence of indebtedness, mortgage, trust

1 deed, or other security interest was given to a person other than the person
2 transferring, selling, using, leasing, or renting the property to induce the person to
3 finance the transfer, sale, use, leasing, or rental of the property;

4 (2) make voidable a lease or rental agreement between the property
5 owner and the person who caused the property to be contaminated and determined
6 unfit for use; or

7 (3) impair obligations or duties required to be performed on
8 termination of a contract, as required by the contract, such as payment of damages or
9 return of refundable deposits.

10 (b) Notwithstanding (a) of this section, property covered by (a) of this section
11 may be transferred or sold if full written disclosure is made to the prospective
12 transferee or purchaser that the property has been determined to be an illegal drug
13 manufacturing site and the property has not been determined to be fit for use. The
14 disclosure shall be attached to the earnest money receipt, if any, and shall accompany
15 the transfer or sale document. The disclosure is not considered to be part of the
16 transfer or sale document, however, and may not be recorded. The property shall
17 continue to be subject to the restrictions in (a) of this section after transfer or sale
18 under this subsection.

19 (c) A person who knowingly transfers, sells, leases, or rents property to
20 another, knowingly allows another to use or occupy property, or, being the owner of
21 property, knowingly occupies or uses the property, in violation of this section is guilty
22 of a class A misdemeanor. In this subsection, "knowingly" has the meaning given in
23 AS 11.81.900(a).

24 (d) It is an affirmative defense to a prosecution under (c) of this section for
25 allowing another to use or occupy the property that the defendant or an agent of the
26 defendant, within four days after receiving a notice under AS 46.03.500, filed an
27 appropriate civil action to remove the user or occupier from the property for which the
28 notice was received.

29 **Sec. 46.03.520. Sampling and testing procedures.** (a) If the owner of the
30 property for which notice was received under AS 46.03.500(b) desires to determine if
31 the property is fit for use, the owner shall cause the site to be sampled and tested for

1 the substances covered in regulations adopted under AS 46.03.530, using the
2 procedures and laboratory services specified under (b) and (c) of this section. The
3 property owner shall inform the laboratory used for sampling or testing under this
4 subsection that the sampling and testing are related to property that has been
5 determined to be an illegal drug manufacturing site.

6 (b) The department shall establish procedures for sampling and testing
7 property that may have been an illegal drug manufacturing site.

8 (c) The department shall establish and maintain a list of laboratories in the
9 state that have notified the department that they have the capacity to perform the
10 sampling and testing procedures and that they wish to be on the list maintained under
11 this subsection. A laboratory may not be included on the list unless the laboratory
12 agrees to send the department a copy of test results related to properties whose owners
13 have informed the laboratory that the test results are for property that has been
14 determined to be an illegal drug manufacturing site.

15 **Sec. 46.03.530. Standards for determining fitness.** (a) Property for which a
16 notice was received under AS 46.03.500(b) is not fit for use if sampling and testing of
17 the property under AS 46.03.520 shows the presence of one of the following
18 substances above the limit set by the department for that substance: lead, mercury,
19 methamphetamines, volatile organic compounds, and other substances for which the
20 department has set a limit under (b) of this section.

21 (b) The department shall adopt regulations that set the limit for each substance
22 specifically listed in (a) of this section for purposes of determining whether the
23 property for which a notice was received under AS 46.03.500 is fit for use. The
24 department may also determine whether there are other substances associated with
25 illegal drug manufacturing sites that may pose a substantial risk of harm to persons
26 who occupy or use the site or to public health and may adopt regulations that set limits
27 for those substances for the purposes of determining whether the property for which
28 notice was received under AS 46.03.500 is fit for use.

29 **Sec. 46.03.540. Decontamination requirements.** (a) If the owner desires to
30 decontaminate the property for which a notice has been issued under AS 46.03.500,
31 the owner shall follow the guidelines established by the department under (b) of this

1 section.

2 (b) The department shall establish guidelines for decontamination of sites that
3 are determined to be unfit for use under AS 46.03.530. The department shall provide
4 a copy of the guidelines to any person who requests a copy.

5 **Sec. 46.03.550. Fitness for use.** (a) Property for which a notice has been
6 issued under AS 46.03.500 shall be determined by the department to be fit for use if
7 the owner certifies to the department under penalty of unsworn falsification that

8 (1) based on sampling and testing procedures established by the
9 department under AS 46.03.520(b) and performed by laboratories that are on the list
10 maintained by the department under AS 46.03.520(c), the limits on substances
11 specified in regulations adopted under AS 46.03.530 are not exceeded on the property;

12 (2) if the property was ever sampled and tested under AS 46.03.520
13 and the test results showed the property to be unfit for use under AS 46.03.530,
14 decontamination procedures were performed in accordance with the guidelines
15 established under AS 46.03.540(b) and the requirements of (1) of this subsection have
16 been met; or

17 (3) a court has held that the determination that the property was an
18 illegal drug manufacturing site was not made in compliance with AS 46.03.500(a).

19 (b) The department shall maintain a list of properties for which the department
20 has received notice under AS 46.03.500(c). When the department determines under
21 (a) of this section that a property on the list is fit for use, the department shall remove
22 the property from the list and notify the owner of the property that the property is fit
23 for use. On request, the department shall give a copy of the list maintained under this
24 section to any person who requests the list.

25 **Sec. 46.03.560. Securing the property.** The owner of property for which a
26 notice was received under AS 46.03.500(b) shall ensure that the property is vacated
27 and secured against use

28 (1) within four days after receiving the notice if the owner does not test
29 the property under AS 46.03.520 within four days after receiving the notice; or

30 (2) within four days after receiving the test results if the owner tests
31 the property within four days after receiving the notice, the test shows the presence of

1 a substance that exceeds the limits set in regulations adopted under AS 46.03.530, and
2 the owner does not begin decontamination procedures under AS 46.03.540 within four
3 days after receiving the test results.

4 **Sec. 46.03.570. Duties of the department; regulations.** (a) The department
5 shall adopt regulations implementing AS 46.03.500 - 46.03.599.

6 (b) The department shall periodically review information related to
7 decontamination of illegal drug manufacturing sites to determine whether substances
8 should be added to or deleted from the list of substances specifically named in
9 AS 46.03.530(a). The department shall report written findings to the governor if the
10 department determines that a change should be made to the list of specific substances
11 in AS 46.03.530(a). The governor shall notify the legislature when written findings
12 have been made under this subsection and provide a copy of the findings to a legislator
13 on request.

14 **Sec. 46.03.599. Definitions.** In AS 46.03.500 - 46.03.599,

15 (1) "illegal drug manufacturing site" means property on which there is
16 reasonable cause to suspect contamination with chemicals associated with the
17 manufacturing of a controlled substance and where

18 (A) activity involving the unauthorized manufacture of a
19 controlled substance listed on schedule I or II in AS 11.71 or a precursor
20 chemical for the substances has occurred; or

21 (B) there are kept, stored, or located any of the devices,
22 equipment, things, or substances used for the unauthorized manufacture of a
23 controlled substance listed on schedule I or II in AS 11.71;

24 (2) "site" means an illegal drug manufacturing site.

25 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
26 read:

27 **REGULATIONS.** The Department of Environmental Conservation may immediately
28 begin to develop and adopt regulations to implement this Act. The regulations take effect
29 under AS 44.62 (Administrative Procedure Act).

30 * **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to
31 read:

1 CERTIFICATION OF EFFECTIVE DATE OF REGULATIONS. The lieutenant
2 governor shall certify to the revisor of statutes the effective date of the initial regulations
3 adopted by the Department of Environmental Conservation under sec. 3 of this Act.

4 * **Sec. 5.** Sections 1 and 2 of this Act take effect on the effective date of the initial
5 regulations adopted by the Department of Environmental Conservation under sec. 3 of this
6 Act.

7 * **Sec. 6.** Sections 3 and 4 of this Act take effect immediately under AS 01.10.070(c).

LEGAL SERVICES

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LEGISLATIVE AFFAIRS AGENCY
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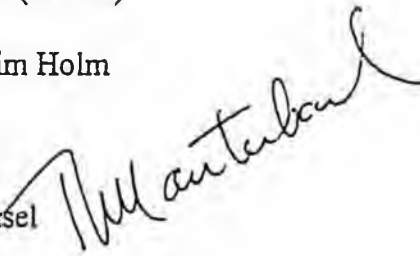
MEMORANDUM

January 21, 2003

SUBJECT: Illegal Drug Sites (HB 59)

TO: Representative Jim Holm
Attn: Jos

FROM: Terri Lauterbach
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. Describes the purpose of the bill.

Section 2. Requires testing of property before continued use if a law enforcement officer has determined that the property was an illegal drug manufacturing or storage site. Declares that the property is unfit for use if it doesn't meet the limits set by the Department of Environmental Conservation for lead, mercury, methamphetamines, or volatile organic compounds. Requires decontamination, if done, to be done according to guidelines set by DEC. Specifies miscellaneous other duties for DEC and for the property owner.

TML:med
03-040.med

http://www.kci.org/meth_info/meth_cleanup.htm

What are possible health effects from exposure to meth lab contaminants?

Many of the contaminants present during meth's cooking process can be harmful if someone is exposed to them. These contaminants can cause health problems including respiratory (breathing) problems, skin and eye irritation, headaches, nausea and dizziness. Acute (short-term) exposures to high concentrations of some of these chemicals, such as those law enforcement officers face when they first enter a lab, can cause severe health problems including lung damage and burns to different parts of the body.

There is little known about the health effects from chronic (long-term) exposure to contaminants left behind after a meth lab is dismantled. Until the contaminants have been identified, their quantities measured, and their health effects known, MDOH advises property owners to exercise caution and use the safest possible cleaning practices in dealing with a former meth lab property and any possible remaining contamination.

The potential health effects depend on

- the specific chemicals to which a person is exposed
- how much of each chemical to which a person is exposed,
- how long a person is exposed, and
- the health condition of the person being exposed.

Exposure to meth residues may cause symptoms similar to those experienced by meth users.

Exposure to volatile organic compounds (VOCs) may cause symptoms such as nose and throat irritation, headaches, dizziness, nausea, vomiting, confusion and breathing difficulties. Benzene is a VOC known to cause cancer.

Acids or bases will cause a burning sensation on the skin and in mucous membranes, and can cause severe eye damage. Exposure to metals and salts can cause a wide range of health effects including respiratory irritation, decreased mental function, anemia, kidney damage and birth defects



How can the property be cleaned up?

Basic steps for cleaning a former meth property:

1. Determine if the property was used for meth production.
2. Air out the property before and during cleanup.
3. Remove all unnecessary items and dispose of them.
4. Remove visibly contaminated items or items that have an odor.
5. Clean all surfaces using household cleaning methods and proper personal protection.
6. Clean the ventilation system.
7. Leave plumbing cleaning up to the experts.
8. Air out the property for three to five days.

Some general guidelines include:

Owners who clean their own properties should be aware that household building materials and furniture can absorb contaminants and give off fumes. Use caution and wear clothing to protect your skin, such as gloves, long sleeves, and eye protection during cleaning.

- **Air out the property**

After a lab is seized by law enforcement officials, professionals trained to handle hazardous materials are generally called in to remove lab waste and any bulk chemicals. During this removal, every effort is made to air out the property for the safety of the removal crew. For security reasons, the property is usually closed upon their departure. However, this short-term airing-out may not be sufficient to clear out all the contaminants from the air inside the home. Be sure the property has been aired out for **several** days before cleaning. After the initial airing out, good ventilation should be continued throughout the property's cleanup.

To promote the volatilization (dissolving into the air) of some types of chemicals, windows and doors may be closed and the temperature inside the home increased to approximately 90 degrees Fahrenheit for a few days. After cleaning and heating is complete, the property should be aired out for three to five days to allow for any volatiles to disperse from the house. Open all the building's windows and set up exhaust fans to circulate air out of the house. During this time, the property should remain off limits unless it is necessary to make short visits to the property.

After the cleaning and final three to five days of airing-out, the property should be checked for re-staining and odors, which would indicate that the initial cleaning was not successful, and further, more extensive steps should be taken.

- **Contamination removal and disposal**

During the meth cooking process, vapors are given off that can spread and be absorbed by nearby materials. Spilled chemicals, supplies and equipment can further contaminate non-lab items. It is a good idea to remove unnecessary items from the property and dispose of them properly. Items that are visibly contaminated should be removed from the property and may be disposed of in a local landfill.

If you find suspicious containers or lab equipment at the property, do not handle them yourself. Leave the area and contact your local law enforcement agency or fire department. It is possible that some items may have been left behind after a seizure. If the property has been searched by a hazardous materials cleanup team, the items have most likely been identified and are not dangerous. However, some properties may not have been searched or some items may have been overlooked in the debris or confusion.

Absorbent materials, such as carpeting, drapes, clothing, etc. can accumulate vapors that are dispersed through the air during the cooking process. They also may collect dust and powder from the chemicals involved in the manufacturing process. It is recommended that these materials be disposed of, especially if an odor or discoloration is present.

- **Surfaces**

Surfaces, such as walls, counters, floors, ceilings, etc. are porous and can hold contamination from the meth cooking process, especially in those areas where the cooking and preparation were performed. Cleaning these areas is very important as people may come in frequent contact with these surfaces through skin contact, food preparation, etc.

If a surface has visible contamination or staining, complete removal and replacement of that surface section is recommended. This could include removal and replacement of wallboard, floor coverings and counters. If this is not feasible, intensive cleaning, followed by the application of a physical barrier such as paint or epoxy is recommended. These areas should be monitored and the barrier maintained to assure that the contamination is contained.

Normal household cleaning methods and products will remove any remaining contamination. Don't forget to wear gloves, protective clothing, such as long sleeves, and eye protection. Again, ventilation of the property should be continued throughout the cleaning process.

- **Ventilation system**

Ventilation systems (heating, air conditioning) tend to collect fumes and dust and redistribute them throughout a home. The vents, ductwork, filters, and even the walls and ceilings near ventilation ducts can become contaminated. Replace all of the air filters in the system, remove and clean vents, clean the surfaces near system inlets and outlets, and clean the system's ductwork.

- **Plumbing**

While some of the waste products generated during meth manufacture may be thrown along the sides of roads or in yards, most are dumped down sinks, drains, and toilets. These waste products can collect in drains, traps, and septic tanks and give off fumes. If a strong chemical odor is coming from household plumbing, do not attempt to address the problem yourself, contact a plumbing contractor for professional assistance. If you suspect the septic tank or yard may be contaminated, contact the local health department.

- **Repainting**

When a surface has been cleaned, painting that surface should be considered, especially in areas where contamination was found or suspected. If there is any remaining contamination that cleaning did not remove, painting the surface puts a barrier between the contamination and anyone who may come in contact with those surfaces. Even on those areas that people do not normally touch, painting will cover up and "lock" the contamination onto the surface, reducing the chances that it would be released into the air.

http://www.kci.org/meth_info/meth_cleanup.htm

http://www.kci.org/rmeth_info/neighborhood_lab.htm

IS THERE A METH LAB COOKIN' IN YOUR NEIGHBORHOOD?



Many people may be unaware that they're living near a meth lab. Here are some things to look for:

- Unusual, strong odors (like cat urine, ether, ammonia, acetone or other chemicals).
- Residences with windows blacked out.
- Renters who pay their landlords in cash. (Most drug dealers trade exclusively in cash.)
- Lots of traffic - people coming and going at unusual times. There may be little traffic during the day, but at night the activity increases dramatically.
- Excessive trash including large amounts of items such as: antifreeze containers, lantern fuel cans, red chemically stained coffee filters, drain cleaner and duct tape.
- Unusual amounts of clear glass containers being brought into the home.

Presence of the following items could indicate the existence of a meth lab:

Alcohol
Ether
Benzene
Toluene/Paint Thinner
Freon
Acetone
Chloroform
Camp Stove Fuel/Coleman Fuel
Starting Fluid
Anhydrous Ammonia
"Heet"
White Gasoline
Phenyl-2-Propane
Phenylacetone
Phenylpropanolamine
Iodine Crystals
Red Phosphorous
Black Iodine
Lye (Red Devil Lye)
Drano
Muriatic/Hydrochloric Acid
Battery Acid/Sulfuric Acid
Epsom Salts
Batteries/Lithium
Sodium Metal
Wooden Matches
Propane Cylinders
Hot Plates
Ephedrine (over-the-counter)
Cold Tablets
Bronchodilators
Energy Boosters
Rock Salt
Diet Aids

If you suspect a meth lab in your neighborhood call
the police

Fairbanks Daily News-Miner

Meth 101: Hotels learn to spot labs

By KYLE HOPKINS
Staff Writer

Tuesday, February 25, 2003 - The hot plates, alcohol, cold medicine, pickle jars and mostly household chemicals collected by Alaska State Trooper Teague Widmier offered enough over-the-counter ingredients to create about five grams of methamphetamine. And to accidentally scorch a hotel room or gas out nearby guests when the chemicals are hastily dumped before a raid.

Widmier displayed the make-shift meth lab components at a Monday afternoon forum at the Westmark. More than 60 representatives of area hotels, motels and inns gathered to learn how to spot labs and their operators.

Two recent meth busts in which labs or ingredients were discovered in local hotel rooms helped prompt the event, said Bob Harmon, general manager for the Westmark Fairbanks Hotel.

"It was time to just set something up for the hospitality community so they can know what to look for," Harmon said.

Widmier, an investigator with the statewide drug enforcement unit in Fairbanks, encouraged the group to call authorities when they suspect a room is being used as a lab.

"We'd be more than glad to come over and pay a visit and see what's going on," he said.

Doris Lundin, owner of the Fairbanks Hotel, said she hopes employees return to work with a higher sense of vigilance.

"These kinds of chemicals can hurt everybody in a hotel," she said.

Methamphetamine production in Fairbanks and North Pole still appears to be on the rise, Widmier said. Many of the labs authorities raid here are designed to manufacture enough for a cook's personal use and to share with friends, but are so prevalent authorities could bust two a week if they had the resources.

Authorities also have worked with major Fairbanks retailers to limit the amount of Sudafed sold to a single customer.

Widmier told the collection of managers, security, housekeepers and other industry workers how meth is created and how to spot each step of the process. The table of ingredients ranged from relatively specialized products like a nutritional supplement for animals and sodium metal to familiar items like Drano and Iso-Heat.

Most of the ingredients by themselves wouldn't raise a red flag. But meth cooks buy certain household items like matches, coffee filters and particularly Sudafed in huge quantities, Widmier said.

Labs produce a strong chemical smell sometimes compared to model airplane glue. Hotel staff also might want to watch for the remnants of boxes of matches ripped apart and plastic containers with protruding hoses.

"This is exactly what I wanted them to show me. The chemicals, the containers," said Sam Brown, who handles security as bell captain for the Regency Fairbanks Hotel. "I had a good idea of what I was looking for. Now we've nailed it down."

A high volume of phone calls to and from a room and heavy traffic at odd times of the night also may be cause for suspicion.

Methamphetamine users may seem anxious, talk rapidly and appear itchy, the trooper said. Rotted teeth and sores on the face and hands, from scratching, also are common. The high lasts 10 to 12 hours, keeping addicts up for days before they crash, hard. Widmier painted an unappealing picture of the drug and its use.

"A lot of them don't snort it now that are heavy meth users. They just eat it," he said.

The audience watched a short training film geared toward law enforcement, warning that improperly handling an active meth lab or ingredients can lead to injury or death.

On Jan. 9, drug investigators raided a room at the Ranch Motel off South Cushman Street and found two men in the middle of cooking what was suspected to be meth. On Feb. 3, University Fire Department responded to a fire at the Aspen Hotel off Airport Way that investigators blamed on a suspected methamphetamine lab. A 19-year-old man was charged with manufacturing the drug.

Lundin fears a trend. A member of the Downtown Association and the Fairbanks Convention and Visitors Bureau, she said she's worked to improve the image of her business.

"Anything like this that looks like it's trying to come in and infiltrate really gets my gander up," she said.

Contact Kyle Hopkins at khopkins@newsminer.com or call 459-7593.

Fairbanks Daily News-Miner

Drug lab raided

By KYLE HOPKINS
Staff Writer

Friday, January 31, 2003 - Authorities arrested two men Thursday night at a Van Horn Road residence in a suspected methamphetamine operation linked to a pair of arrests earlier this week.

"Fairbanks has got a problem with meth labs," said Alaska State Trooper Teague Widmier, case supervisor for the two recent busts. Widmier is a member of the Fairbanks statewide drug unit, which with enough time could find multiple labs every week in the city and nearby communities, he said.

The unit served a warrant just before 5 p.m. at 3330 Van Horn Road, a trailer and addition that troopers have long suspected housed a meth lab. Jeff Lees, 39, was arrested outside the residence, said Sgt. Ron Wall, unit supervisor.

Lees is charged with a probation violation.

The team arrested Bruce H. Gillam, 40, inside the home and found an active, medium-sized lab, Wall said. Gillam, who lives at the residence according to borough records, is accused of possession of methamphetamine. Both men could face additional charges.

"Charges regarding the manufacture of methamphetamines will be referred to the D.A.'s office," Wall said.

On Tuesday, troopers found a small-scale lab in the Gold Rush Estates trailer park and charged Cinda J. Ingles, 44, and Harold T. Griffin, 79, on charges of possessing finished methamphetamines.

Statements by Griffin, a cab driver, led investigators to the Van Horn residence, where Ingles would travel by taxi and deliver methamphetamine ingredients, Widmier said.

"This is all manufactured for sale and there was a large quantity of processed meth that was on Mr. Gillam at the time the warrant was served," Widmier said.

Troopers suspected illegal activity was under way at the Gold Rush Estates residence for about a year, but in recent weeks enough evidence surfaced to serve a warrant.

The Fairbanks North Star Borough's hazardous materials team responded Tuesday night to handle the active chemicals. The drug unit team includes members of the Alaska State Troopers, Fairbanks Police Department, UAF Police Department and the Drug Enforcement Agency.

Inside the residence, authorities found an open safe containing assault rifles. Although dusty, the weapons appeared to have been handled recently, Widmier said.

In 2001, police reported finding Gillam with a small amount of methamphetamines after his vehicle caught fire on the Richardson Highway.

Contact Kyle Hopkins at 459-7593 or khopkins@newsminer.com

Fairbanks Daily News-Miner

Two face charges after suspected drug lab raided

Wednesday, January 29, 2003 - Staff report

Alaska State Troopers discovered a small-scale methamphetamine lab in a residence in the Gold Rush Estates trailer park Tuesday and arrested two occupants on a charge of possessing finished methamphetamine.

Cinda J. Ingles, 44, and Harold T. Griffin, 79, were both arrested on a charge of fourth-degree misconduct involving a controlled substance.

However, more charges could be filed after the materials found in the trailer are tested at the troopers crime lab, Sgt. Ron Wall said.

Troopers had been investigating the possibility of a meth lab at the trailer for about a year before entering with a search warrant on Tuesday, he said. Wall classified the operation as "relatively small."

Louise Chikigak, a neighbor who lives in the park behind the College Corner shopping center, said she was surprised to learn of the meth lab across the street.

"I never saw any strange people over there or anything," she said.

Troopers said Griffin had been living in the residence since about 1994 and that he and Ingles were boyfriend and girlfriend.

Fairbanks Daily News-Miner

Investigators surprise suspected meth chefs

By BETH IPSEN
Staff Writer

Friday, January 10, 2003 - Drug investigators kicked in the door and interrupted two men in the middle of cooking what is suspected to be methamphetamine at the Ranch Motel Thursday morning.

A relative of someone who had been partying at the room the night before tipped off authorities, saying a meth lab in the room was about to be torn down. Three drug investigators went to the hotel and knocked on room No. 218, said Alaska State Trooper Teague Widmier, an investigator for the statewide drug enforcement unit in Fairbanks.

They didn't get an answer, but "all of the a sudden we heard jars clinking," Widmier said. He kicked in the door and interrupted the two men inside as they were trying to flush chemicals down the toilet and bathtub drain, Widmier said.

A man who was staying in the room next door said he heard the loud knocking on the door followed by shouting from both inside and outside. He then heard foot steps of the two men running back and forth, and glass breaking.

"Finally, the toilet flushed," followed by a strong smell emitting from the plumbing in his own room, said the man, who asked to remain anonymous. The witness then heard troopers yelling at the suspects to get on the floor.

"The hot plates were still hot and the odor was very strong," said Widmier, indicating authorities likely caught the two men in the middle of cooking meth.

"The Mason jars were just empty, laying on the bathroom floor and bath tub and they had water running in the tub," he said. "There wasn't a lot of sampling to be done because prior to our arrival they were dumping it."

Jeffrey Franks, 41, was arrested on a warrant and a charge of probation violation for a prior meth bust. Bruce Barcus, 41, was charged with fourth-degree misconduct involving a controlled substance after investigators found traces of meth inside his pockets, Widmier said.

Investigators also found traces of methamphetamines scattered throughout the room, he said.

Widmier suspects the suspects had been using meth all night long because the pair wouldn't stop twitching, a trait associated with methamphetamine use. Widmier called the suspected lab a medium-sized operation.

"I'd say they were manufacturing for themselves and their friends, just because of the crowd that's been running around," he said.

Investigators also want to question Fortune Kurzendoerfer, 31, who has been placed at the room the night before.

Hotel employee Robert Garcia said he was walking outside the South Cushman Street hotel when three men with guns began banging on the doors.

"I saw some guns and I split," Garcia said. "They weren't dressed like cops."

Hotel owner Donna Gilbert said the room was registered under a North Pole woman's name three days ago and staff hadn't received any complaints from people in the neighboring room. There weren't a large amount of calls going to the hotel room, which can be an indication that something is going on, Gilbert said.

"They didn't request any service so the girls never went in the room," she said. "But that happens here all the time. That isn't a sign that something's going on."

Meanwhile, the man staying next door said he thought the number of people going in and out of the room over the past few days seemed suspicious.

