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**LEGISLATIVE COUNCIL, STATE OF ALASKA**

**Conference on Alaska's Future Frontiers**

**Friday, December 7, 1979**

**Sheraton Anchorage Hotel**

**Anchorage, Alaska**

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**Reported by: Louise K. Mizota CSR**

DELTA GROUP PROCEEDINGS

(December 7, 1979, 9:50 a.m.)

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THE MODERATOR: I wasn't able to hear Mr. Fuller last night. Can somebody tell me what they heard from him?

MR. HARTLE: I'm sure that everybody heard different things. He spoke a long time and he was very impressive, to me a very impressive speech, and I really enjoyed it.

And to me he said there's much to do; it can work out great; be brave. That sums it up in three phrases for me, anyway.

And don't take any assumptions that you haven't investigated thoroughly first.

And he really had a way of just looking at things totally logically and re-examining assumptions that we've been making for years and years. And I found it very impressive for that reason.

MS. STRASSBURG: Jack, to me, what his consensus was is that whether you're an individual, a community, a state or a nation, you can do anything you want to do, if you want to do it bad enough. There's no limit to what we can do regardless, and that all the resources are here, all over the world, not just in Alaska.

But also he felt that Alaska is the keystone of the entire world. It's the thing where everything meets. I

1 thought it was very -- like him, I think it was terrific.  
2 I wouldn't have missed it for anything in the world. It's  
3 just a great experience.

4 THE MODERATOR: Harold?

5 MR. POMEROY: This preliminary recommendations, I take  
6 this to mean these are suggested recommendations. They are  
7 not things that we preliminarily agreed upon as a group.

8 THE MODERATOR: Right. Those are just sort of the wish  
9 list we did yesterday. You know, there's been no action  
10 taken on them. I think they will be helpful to refer to.  
11 Some of you will want to expand, some of you will want to  
12 delete. Obviously there's an opportunity to add new ones.

13 MR. ECKHOLM: We didn't make them to give to anybody  
14 else. It's just an in-house group.

15 THE MODERATOR: Following along on our procedure,  
16 yesterday it was finance. This morning I gather it's going  
17 to be natural resources, and this afternoon services. Is  
18 that your understanding?

19 MR. ECKHOLM: Yes.

20 THE MODERATOR: We couldn't have picked a better man  
21 to help us with resources, and Milton Lipton has been  
22 involved with the State for at least ten years. He and  
23 Walter Levi have been advising the Governor and the  
24 Legislature about our resources, primarily oil and gas.  
25 They're international authorities on oil and gas. He knows

1 as much as anyone in the State about oil and gas, so I've  
2 asked Milton to speak for three to five minutes and then  
3 open himself up to questions.

4 It's a pleasure to introduce him. He's a  
5 world-wide authority, and he knows Alaska. Milton?

6 MR. LIPTON: Ladies and gentlemen, it's a pleasure to  
7 be with you. You've got a limited amount of time to do an  
8 awful lot of things. And the ideas that he recommendations  
9 are going to have to be your ideas, not mine. But I did  
10 accept from the Legislative Council, who were sponsoring  
11 this conference, the invitation to write a paper. And I  
12 believe that it's probably been reproduced and is in all of  
13 your hands, although I doubt very much that many of you,  
14 under the pressure of time and circumstances, have had a  
15 chance to read it.

16 So what I would like to do for three to five  
17 minutes and no more than that is to try to identify for you,  
18 say, four selected issues of oil and gas policy.

19 I've selected these for your possible discussion  
20 and consideration because they're the kind of issues, while  
21 they matter very much to the State, more important than  
22 that, they involve inevitably conflicting values among the  
23 people and citizens of Alaska. That is to say, there's no  
24 easy answer to the kind of questions I'm going to mention.

25 There are four of them, I said. The first one is

1 an obvious and straightforward one. And that has to do with  
2 how intensively and how fast is the State of Alaska going  
3 to push the exploration of State lands.

4 There's no question but that from outside in a  
5 world where oil supplies are in imbalance, where the nation  
6 is heavily dependent on imported oil and energy, where the  
7 cost of energy is going up very, very rapidly, that there  
8 will be great pressure upon you because of your resource  
9 potential.

10 To develop and facilitate the exploration of your  
11 resources as rapidly as possible, this will be the pressure  
12 that comes from outside.

13 But I think that, from the standpoint of your own  
14 internal circumstances, these may be conducive to a more  
15 deliberate evaluation of competing interests among the  
16 citizens of the State.

17 First of all, as the price of oil goes up, surely  
18 it becomes more and more economical to explore even the  
19 difficult areas of Alaska.

20 Secondly, since you're concerned not only with  
21 finding and developing your resources but the effect upon  
22 the environment, this margin of decision, the choice you  
23 make between "do we develop our resources or do we protect  
24 our environment," the margin of decision there has probably  
25 become a more realistic one. That is to say, every barrel

1 of oil that you may chose to find and produce is worth so  
2 much more that you could afford to spend a lot more on  
3 environmental protection you might have been able to ten  
4 years ago.

5 And, third, all of the environmental concomitants  
6 of exploration and development of the coastal land  
7 management, current versus deferred revenues, all of these  
8 things that are troublesome and you're going to have to  
9 debate, at least in the world ahead, the ten years in front  
10 of you as compared to the ten years behind you, the debate  
11 and the decision ought to be able to be carried on in a far  
12 less pressurized atmosphere than heretofore, simply again  
13 because of the increase in the value of your resources and  
14 therefore the wider range of decisions that you have.

15 Now, the second area, the area of State revenues  
16 from leasing and from taxation.

17 If you go back, look back over the past ten years,  
18 decision after decision that had to be taken by the  
19 administration in terms of recommendations, and decision  
20 after decision that was taken by the legislature in terms  
21 of leasing and tax policy, we're almost inevitably  
22 constrained and almost inevitably dictated by budgetary  
23 needs. That is to say, three years ago there was a  
24 consideration "should there be a Beaufort lease sale" when  
25 the State was facing a 500 million dollar budgetary deficit.

1 There's only one way you could have leased. Front end  
2 bonuses to have a Beaufort lease sale; you needed the money  
3 in a hurry.

4 Now you can time your leasing. Consider other  
5 forms of leasing policy, ranging from bonuses, from  
6 variable royalties, down to a share of net profits.

7 In all aspects of leasing and taxation, where  
8 finances are involved, the State has a wider range of  
9 choices over the next ten years ahead than it's ever had  
10 before.

11 Third: This whole question about resource-based  
12 development, that is to say, will you have investment in  
13 the State based upon the availability of the state's  
14 natural resources? The commitment of royalty oil or royalty  
15 gas is a means of getting downstream investment.

16 You know, when royalty oil was first held out as  
17 a fulcrum for downstream investment, it had virtually no  
18 leverage, it took a long time and finally the State was  
19 offered four projects, some energy refineries and a couple  
20 of petro-chemical facilities. They were thrown into the  
21 hopper. And a comparative evaluation among these four was  
22 based upon the most tenuous and uncertain comparisons. What  
23 came out of it finally was the ALPETCO contract, fraught  
24 with conflicting opinions and interpretations.

25 What I'm saying here is again whether it's a

1 review of a restructured ALPETCO project, whether it's LNG  
2 availability, whether it's a natural gas pipeline, or  
3 whatever, Alaska's position is strengthened for the ten  
4 years ahead as contrasted with the ten years past by the  
5 sheer importance of physical access to petroleum supplies  
6 and investment decisions.

7           The availability of oil and gas in Alaska becomes  
8 a much more important factor than it has been in the past  
9 because availability everywhere else in the world is  
10 suspect, is uncertain for political as well as for economic  
11 reasons.

12           What's happened in the world outside has moved  
13 Alaska ahead ten years.

14           And, finally, a point, an issue that is apt to  
15 affect, I think, Alaskans more intimately and more directly  
16 than these broad policy issues.

17           Petroleum is more needed in Alaska than other  
18 areas in the United States for heating and transportation.  
19 Put very simply, a lot of oil or gas has to be used in the  
20 home, be it in the city or the village. Whether on the  
21 ground or in the air, it takes a lot of oil to move Alaska's  
22 ten miles of traffic, be it movement of goods or movement  
23 of people. In the past, because Alaska is remote from  
24 where the petroleum products were refined, transportation  
25 added very, very heavily to the cost of oil for Alaska's

1 consumers.

2 In the present, because Alaska is remote from  
3 where its crude oil is refined, transportation costs  
4 subtract substantially from the value of Alaska's oil and  
5 gas.

6 To what extent should your State as a matter of  
7 policy seek to achieve a better balance between the costs  
8 of the oil and gas that are produced here and the prices of  
9 the oil and gas which are consumed by Alaskans here?

10 Given the rising trend in real oil prices in the  
11 next ten years ahead and the relatively heavy weight of  
12 energy consumption in Alaska's households and in its  
13 economy, the impact of rising costs on the future costs of  
14 living and on the costs of doing business in Alaska could  
15 be very substantial. State policy in this area could make a  
16 tremendous difference to the future of Alaska, issues, I  
17 think, that are of interest to you. I'm not sure.

18 THE MODERATOR: Questions.

19 MR. ECKHOLM: When you were suggesting an aggressive  
20 exploration of State lands, how do you suggest going about  
21 that? Do you mean we actually go and lease the lands for  
22 exploration, explore them ourselves? What do you mean?

23 MR. LIPTON: Eric, I did not suggest an aggressive  
24 exploration of State lands.

25 I think the world as it exists creates a

1 tremendous incentive and economic possibility for  
2 aggressive exploration of State lands. But at the same time,  
3 there are many different issues which you as Alaskans  
4 confront. The very aggressive exploration of State lands  
5 carries a high plus here in Alaska.

6           What I'm saying is the balance between  
7 exploration and all the other things that you value,  
8 protection of other resources which may be in danger by  
9 exploration, whether you want the income now or you want  
10 the income later because the oil will always be there in  
11 the ground, what the effect is going to be on the  
12 environment. This is an issue.

13           But what I'm saying is, in whatever direction you  
14 go, the decisions ought to be easier and the debate ought  
15 to be a more relaxed debate over the next ten years than in  
16 the past, because your oil and your gas is worth so much  
17 more.

18           THE MODERATOR: Ed?

19           MR. MERDES: Are you suggesting, Bill, that there's a  
20 possible policy that the State could take, for instance, in  
21 the future sale of its royalty oil? Are you saying that it  
22 could be a State policy that the State, for example, would,  
23 say, the North Pole refinery were Tesoro, gentlemen, we'll  
24 sell you this oil below market value, or whatever, provided  
25 that you sell it to Alaska residents at such and such or

1 such and such a cost?

2 As I see it, that's the only way that the people  
3 of Alaska can benefit from lower fuel prices in the bush  
4 and in the urban areas.

5 MR. LIPTON: There's never only one way.

6 MR. MERDES: That away, though?

7 MR. LIPTON: Surely. If the state wants to have lower-  
8 priced petroleum products in Alaska, one way in a sense is  
9 to make it available on the condition that the prices will  
10 be reduced. But there are other ways. That's a direct  
11 subsidy. There are other ways. And one way is to induce  
12 maximum competition among potential suppliers to supply the  
13 State market here in Alaska.

14 For example, if companies want royalty oil, how  
15 much royalty oil they get for whatever purposes may be  
16 conditioned upon how much they sell in the Alaskan market.  
17 So you have three, four, five, potential suppliers, all of  
18 whom have now a vested interest in capturing a share or an  
19 increasing share of the Alaskan market. Competition may do  
20 it without subsidy.

21 I think there are many different ways.

22 But, for heavens sake, my purpose here -- I  
23 wouldn't presume for a moment to try to suggest to you the  
24 way in which you're going to answer these questions.  
25 Because these decisions have to be based upon your own

1 values. I doubt very much if you could get a consensus of  
2 opinion among the delegates sitting around the table here  
3 on the question of exploration versus protection of the  
4 environment. There will be differences of opinions.

5           What I'm saying is it ought to be easier to  
6 debate and find the compromise among them in the ten years  
7 ahead than in the past. And the same thing on the question  
8 of how you get reasonable prices for oil and gas for the  
9 consumers within the State. There are many different ways  
10 of doing it. And some people will like subsidy, and other  
11 people will like competition.

12           THE MODERATOR: But as an economist, Ed, which is the  
13 next question. We've got the oil, we own it, or at least we  
14 own 12 and a half percent of the existing oil. Is it better  
15 to take it off at Fairbanks, subsidize it at that point,  
16 refine it so it gets out of the bush at a subsidized price?

17           As an economist, is that good?

18           MR. MERDES: He came up with alternate suggestions,  
19 see, which I like. And that's where his skill would be.

20           MR. LIPTON: Can I ask one thing? There's no good, bad;  
21 there is no right, wrong; there's no justice in there. What  
22 it requires is that you focus on what the purpose and  
23 objectives of Alaska ought to be in terms of developing and  
24 utilizing its resources. What is it you want to achieve?  
25 It's not a matter of right or wrong, it's a matter of how

1 you feel, whether you want to take advantage of the  
2 potential resources that are here.

3 MR. POMEROY: It seems to me, Mr. Lipton, that's a  
4 very simple, straightforward proposition.

5 Do we want to benefit the people of Alaska by a  
6 subsidy; that is to say, by providing fuel cheaper than  
7 they otherwise would get it.

8 It comes up in a good many ways, in housing, for  
9 example. And that comes to the matter, it seems to me, and  
10 I'd like to you to comment, that is a social purpose. Do we  
11 say that because costs are so high for living in Alaska,  
12 that we should subsidize ourselves? You don't have any  
13 observation on that, do you, I suppose?

14 MR. LIPTON: No, but let me call something, very, very  
15 forcibly to your attention.

16 The cost of producing oil and gas in Alaska is  
17 largely imposed upon you by nature. Nature has created the  
18 oil and gas. Nature tells you how hard it is to find.  
19 You've got a hostile environment in which to operate. Some  
20 of the costs are imposed by the economy because of  
21 inflation, but basically the costs are imposed by nature.

22 But the prices are not determined by nature. The  
23 prices of gasoline, the prices of heating oil, the prices  
24 of fuel while it's used to generate electricity, these are  
25 determined by a whole host of circumstances that man makes,

1 and most of them outside of Alaska.

2 The fact that your oil now in Prudhoe Bay  
3 commands a value of 13 and a half dollars a barrel, this  
4 didn't come out of nowhere. This was not preordained. This  
5 has got to do with decisions that man is making economic  
6 and political decisions in world economies distant and  
7 remote from you. But does that mean that number two oil, to  
8 heat a home in Fairbanks, shall always cost the family in  
9 Fairbanks a price which is determined by the value of  
10 Alaskan crude oil, which is determined by what OPEC does in  
11 Caracas, Venezuela on December 18th, 1979?

12 No answers.

13 You make those choices. The oil has that value,  
14 and you can get the value of that oil and you can use those  
15 dollars in a thousand different ways.

16 Or you can say these are the costs that nature  
17 imposes, and we choose to use our resources in a different  
18 way.

19 MR. MERDES: Jack, here's always been the problem  
20 in the past conferences. You hit the nail on the head. We  
21 start to talk about methods and technical ways to  
22 accomplish a policy and everybody gets hung up. I agree  
23 with Milton. I think this group ought to make a decision as  
24 a matter of policy, should the people of Alaska, should  
25 they benefit more than any other state in the country,

1 because we have the oil and gas, and let the State figure  
2 out how we benefit from it?

3 MR. LIPTON: I'm not urging this upon Alaska.

4 MR. MERDES: But the method, subsidy or competition,  
5 is something that you can advise us on.

6 MR. LIPTON: Look, the name of the conference is  
7 Future Frontiers.

8 THE MODERATOR: But Ed, wait a minute. Subsidy or  
9 competition, if you go competition, then you're going to  
10 get the highest market value for your oil.

11 MR. MERDES: No. He's saying just the opposite.

12 MR. LIPTON: Competition can drive prices down or up.

13 MR. MERDES: I think I know where he's coming from. We  
14 ought to vote eventually. For example, if you're in Texas  
15 and you were getting gasoline at 68 cents or 57; we were  
16 paying 99 up here. Why? Because they had infrastructure  
17 and a competitive marketing system they didn't subsidize.  
18 That's the point. I think we ought to decide whether the  
19 people of Alaska are going to benefit or pay the world  
20 price. I say we can benefit and let the State figure it out.  
21 That's my point.

22 MS. STRASSBURG: Jack, why is it we have a refinery at  
23 North Pole and at Kenai now, and you start from here and  
24 drive on every single road that's within the web of this  
25 little highway system we have.

1           The highest price that you pay for gasoline in  
2 your tank is at a gas station very close to the refinery in  
3 either North Pole or Kenai. Why is the gas higher than it  
4 is here if transportation is so vital to the cost of  
5 gasoline?

6           THE MODERATOR: Milton?

7           MS. STRASSBURG: I did this this summer. I bought gas  
8 at North Pole and I bought it at Kenai. And I paid a dollar  
9 and 39 cents a gallon.

10          MR. LIPTON: You address your impressions to someone  
11 else.

12          MR. MERDES: Milt, we want your answer.

13          MR. POMEROY: That's retail pricing practices. They  
14 don't divide it up into zones by every ten miles.

15          MR. MERDES: There's no competition in North Pole and  
16 Kenai, that's why.

17          MS. PORTER: A gentleman here said they're producing  
18 number two oil here. They're not producing gasoline.

19          MR. MERDES: That's right. They're producing Number 1  
20 oil.

21          MR. PADDOCK: A few minutes ago, Mr. Lipton, you  
22 mentioned what happens in the outside world has moved  
23 Alaska ahead ten years. I think we can understand that.

24                 But I'd personally appreciate it very much if you  
25 would care to put a little meat on those bones and cite

1 specific things and give us a little background around that.

2 MR. LIPTON: Well, what's happened in the world  
3 outside, it's happened abruptly for political reasons. The  
4 crisis in Iran, the interference with the flow of oil  
5 supplies and the uncertainty even about the continued flow  
6 which now exists, all of these things have brought forcibly  
7 to the fore a basic fact. That is to say the world today  
8 and for the foreseeable future faces inevitably a shortage  
9 of oil. It's a shortage of oil. Never mind whether OPEC is  
10 responsible for higher prices, whether the U.S. government  
11 has had a good policy or bad policy, about whether the oil  
12 companies have created an artificial crisis through  
13 conspiracy. You can argue this all day long.

14 The reality is that we face today and for the  
15 foreseeable future a shortage of oil, a very precise sense.  
16 The major countries of the world that consume oil would  
17 like to consume more oil at lower prices than the major  
18 countries of the world that produce it at those prices. It  
19 means the price is going to go up. Sometime there is going  
20 to be a serious depression. Sometimes there's going to be  
21 an acute crisis and the shortage becomes an acute crisis.  
22 Come hell or high water, whatever we do with substitutes,  
23 whatever we do with alternative exploration, we are facing  
24 a continuing shortage of oil, as I define it.

25 This changes entirely the circumstances of Alaska.

1           That is to say, your past was already intimately  
2 affected by the major discoveries of oil and gas here.  
3 Alaska today is a different state than it would have been  
4 if there hadn't been a Cook Inlet at Prudhoe Bay. You're a  
5 different state already. But as compared to the next ten  
6 years, the last ten years are as nothing. Because the next  
7 ten years, whatever you do is creating for you such  
8 continuing appreciation, increases in the value of your  
9 potential resources. The outside world is doing it for you.

10           As I look back over the last ten years of close  
11 association with Alaska on all of these issues, two things  
12 stands out.

13           Number one, literally not a barrel of oil, not an  
14 MCF of gas has been added to the known reserves of Alaska  
15 in ten years.

16           But, at the same time, the value of Alaska's oil  
17 at refineries in the Lower 48 states has increased already  
18 ten times over.

19           What's been done in Alaska has been very little.  
20 What the world outside has done for you has increased the  
21 value of your potential resources tremendously. What I'm  
22 saying, if I'm reading the future correctly, what happened  
23 in the last ten years to the value of resources is nothing  
24 as compared to what will happen in the next 10, 12, 15  
25 years. That's what I mean by the changing circumstances.

1 You'll be living, you'll be making your decisions for the  
2 State, for the industry and for your family in a vastly  
3 different world. Your Future Frontiers is going to look  
4 very different. That's what I'm saying.

5 MR. POMEROY: It seems to me the most important point  
6 you're making is, because of these internal influences that  
7 are applicable, shortages growing, it gives us much more  
8 elbow room, many more choices for what we wish to do.

9 MR. LIPTON: No question. But two things about that: I  
10 like your much more elbow room for making your choices. For  
11 every choice you make will cut far more deeply than in the  
12 past. If you opt to be conversationalist in the development  
13 of your resources, this cuts very deeply upon the rest of  
14 the country. You've got to strike that balance. But it  
15 matters tremendously to the country outside, also.

16 So more elbow room to make decisions, but every  
17 decision probably is going to be a lot more important in  
18 the future than the decisions you made in the past.

19 MS. RICHCREEK: I feel that exploration could  
20 definitely be opened up and and I think it should be done  
21 immediately and I'll say it for this reason: That if we  
22 don't do it right away and find out where things are at and  
23 get them more or less ready, when the South 48 really gets  
24 behind, they're going to come in on us and they're going to  
25 come in in a bad way. And we need to be ready and waiting

1 for them. And if we don't go ahead and open it up, I don't  
2 think if it was Beaufort, sea or someplace else, I see in  
3 the paper, if they offer to okay the exploration now, it  
4 will be at least 1982 before we get in there.

5 THE MODERATOR: Let me say that most of the oil  
6 potential in Alaska is offshore. So we've got to consider  
7 the impact on our fisheries and on the coastal communities.

8 Now, I think they're one of the keys. Would you  
9 agree with that, Milton, or Ed?

10 MR. LIPTON: I don't know the answer to that question,  
11 Jack. You got tremendous potential here also, both in  
12 native lands and the State lands, as well as offshore. But  
13 apropos of what you were saying, I think in a way it's a  
14 mistake to draw a line between us and them. Alaska, and  
15 them, the Lower 48 states.

16 You know, the "us" up here in Alaska - and  
17 forgive me if I make an Alaskan out of myself, I feel that  
18 way - us in Alaska have conservation and development, they  
19 down in the Lower 48 are also bifurcated. There's An awful  
20 lot of people that want to speed up development, especially  
21 if it's not in their back yard, but there's lot of people  
22 that want to tie up Alaska. I don't think it's a matter of  
23 us and them. I think it's a matter of the way people seize  
24 upon values. To some people, the undestroyed environment is  
25 a real, very appreciated value. It becomes more important

1 than anything else.

2 To fishermen to protect against real threats or  
3 imagined threats, to protect the protein, the source of  
4 protein is a very, very closely-held value. It's a  
5 meaningful thing. There's a group of people who went down  
6 to Washington and talked about the resources of Alaska  
7 being greater than Saudi Arabia, and let's speed it up.  
8 These are values. Nobody is right or wrong in this.

9 This is your big problem here in this conference.  
10 How do you choose up sides among all of these conflicting  
11 values?

12 MS. RICHCREEK: What I'm primarily saying is go and  
13 explore it. I'm not saying necessarily develop it. But  
14 explore it, examine, know where it's at and be ready so it  
15 doesn't get torn up as a last-minute thing to rush in and  
16 get it.

17 MR. ECKHOLM: Would you say that we should explore  
18 before we start to develop any more? Should we explore the  
19 State lands before we go ahead and lease them all out as a  
20 policy, or shall we lease it first?

21 MR. MERDES: I'd like to try to answer that question.  
22 The Governor's Blue Ribbon Committee on D-2 legislation  
23 considered this. The question she raises is the absolute  
24 gut issue. Nobody here wants to see Alaska torn up by a  
25 bunch of rapacious oil developers, the Alcan Highway,

1 without any considerations. That's what she's talking about.  
 2 But the D-2 Committee, on this question, the legislation is  
 3 passed. The Arctic wildlife plateau that goes out to the  
 4 Beaufort sea, nobody wants to rip that up and nobody knows  
 5 what's there.

6           The Arctic Slope Regional Corporation - and I've  
 7 been closely associated with it - spent over 21 million  
 8 dollars before they selected an acre of land with seismic  
 9 information to determine whether or not they were going to  
 10 select that land. They were smart. I think the State of  
 11 Alaska, we ought to know what's there before we tie it up  
 12 into a single use. We owe it to the country, to the State.  
 13 We may never want to develop it. But it's insane to tie up  
 14 all the land until you know what's under it. Seismic  
 15 information will give you that, and develop it now in five  
 16 years or 20 years.

17           THE MODERATOR: Seismic information will give you some  
 18 of the knowledge. It won't tell you where the oil is, but  
 19 it will tell you something.

20           MR. MERDES: That's right.

21           MR. ECKHOLM: Are you suggesting, then, Mr. Merdes,  
 22 that we actually act a State drilling corporation?

23           MR. MERDES: No. The seismic information is not  
 24 drilling. They will you if it's not there.

25           MR. ECKHOLM: Would you think the State should go one

1 step further and drill exploratory wells?

2 MR. MERDES: I would leave that up to experts. If they  
3 run a seismic, if there's nothing there, turn it into a  
4 national park. But why should you turn it into a national  
5 park if there's other Prudhoe Bay.

6 MR. ECKHOLM: Was the State done this?

7 MR. MERDES: No. The State hasn't the information. The  
8 Arctic Slope Regional Corporation has.

9 MS. SHROYER: I agree, as this can cost hundreds  
10 of dollars, into the many millions of dollars, and the  
11 State can't afford to put that much money into wasteful  
12 exploration. I think with the technology that we are  
13 bringing upon, we can find better ways to explore costs a  
14 lot less. We have the time and we have the money to move a  
15 lot slower and find better ways of doing it.

16 We don't have to destroy our environment through  
17 exploration or through development. And I think we have to  
18 keep that in mind, that we have the time to go slow.

19 MR. MOORE: In my region, we've had a contract with  
20 Shell Oil Company to explore the Yukon coast, coastal areas  
21 of our region. There's 57 villages. We stopped the contract,  
22 at least Shell Oil Company didn't explore any more because  
23 the people, the village people says we don't want the  
24 terrain, the country to be spoiled.

25 I guess they had a little occasion one time when

1 a little slough was damaged the little fishes that were  
2 living there and sort of damaged the environment. And at  
3 that point in time we stopped exploration.

4 But we have another contract now to continue  
5 exploration more precautiously. But as a director of the  
6 corporation, I feel that we explore and find what's there  
7 and know when we need it. And that's exactly what we're  
8 doing at the moment, except that we have an agreement with  
9 each village. If a village says we don't want exploration,  
10 we don't; we honor that. We only have certain contracts  
11 with each village in order to complete exploration.

12 Because the village people value just what they  
13 have.

14 But my own opinion is to explore and find out  
15 what we have.

16 THE MODERATOR: I'd be interested in Mr. Samuelson's  
17 reaction to that. Is that sort of Bristol Bay's corporation,  
18 where you encourage exploration but you adapt it to your  
19 particular villager's concerns?

20 MR. HARVEY SAMUELSON: We went and talked to them  
21 first. We had no objections from none of the villagers, so  
22 we went right ahead and explored.

23 Our land down there is somewhat different than  
24 the land up in the Chulista region, where Martin is talking  
25 about. They have permafrost up there where we don't have

1 permafrost. So it's easier.

2 THE MODERATOR: Again that OCS thing, is that a big  
3 concern to you, in fact they'll drill offshore and impact  
4 you onshore?

5 MR. HARVEY SAMUELSON: No. It's no big deal with us.

6 MR. PADDOCK: Jack, I'd like to ask Mr. Linton. I'm not  
7 sure that the one responded to this or not, whether it's  
8 out of his field. I'm not sure this is a fair question.

9 But I'm wondering, sir, if in your mind you feel  
10 that exploration is enimical to so-called conservation  
11 values. Has the technology of oil exploration advances to  
12 the point where exploration can take place without without  
13 being destructive of these intangibles?

14 MR. LIPTON: If there were a single answer to that  
15 question, I would answer it. I don't think there really is.

16 I suspect that -- well, see, the way you phrase  
17 the question, "Is exploration consistent with protection of  
18 the environment?"

19 Well, one has to know how much protection of the  
20 environment. What part of the environment do you want to  
21 protect? It's a very difficult thing.

22 I would think, in general, one, because we have  
23 had enough experience, for example, you talk about Beaufort  
24 Sea. The Canadians have gone drilling in Beaufort Sea for  
25 three years now, in the Canadian side of Beaufort. A, our

1 technology has advanced. 2, out of sheer self-protection,  
2 oil companies have to be cautious today the way they would  
3 not have been ten years ago. I mean, just out of sheer self-  
4 protection. Because the first time there is an avoidable  
5 accident, you know, the heavens split aside and all hell  
6 breaks loose for them.

7 Third, as I said before, you can afford to spend  
8 more money now on environmental protection than you ever  
9 could before. So I would think in general with the advanced  
10 State of the arts, the fact that the oil industry is driven  
11 self perpetually as careful as they can be, and third  
12 because we can he can afford to spend more money, the odds  
13 are that it is more compatible with environmental concerns.  
14 But that's not to say that all risks are gone and therefore  
15 one doesn't think about it or in designing an exploration  
16 program, you don't do, as they do in Chulista,  
17 progressively try to establish as many safeguards as is  
18 possible.

19 MR. PADDOCK: Well, I think I hear you saying that  
20 we've come a long way since Santa Barbara.

21 Would you care to comment on the type of  
22 technology, the carefulness for the environment that may or  
23 may not have been utilized by drilling down in the Gulf of  
24 Mexico?

25 MR. LIPTON: The Mexicans? I have no comment to make.

1 I have no idea whether that was sheer carelessness or  
2 whether it could have been avoided or anything else.

3 I mean, basically, if you're going to be honest  
4 with ourselves, we've got to say, with all of the  
5 protection in the world, A, there's a chance of accident,  
6 and, two, man is a fallible creature. It can happen.

7 THE MODERATOR: Even oil men.

8 MR. MORGAN: I'd like to comment on the shoreline  
9 archeologic sites along the Arctic Coast, just publicize  
10 the fact that I have some concern that they will not be  
11 somehow taken care of.

12 The dew line stations were implanted on top of  
13 archaeological sites; roadways have been built over  
14 villages. I would make a plea that whatever does go on up  
15 there, it's imperative that these sites be somehow  
16 investigated by professionals and all that needs to be  
17 learned about them be learned before they may certainly  
18 some are being eroded into the sea now.

19 Our mapping of these sites is fairly incomplete.  
20 Because this is one of the measures that the natives  
21 understandably feels very strong about.

22 THE MODERATOR: Tom?

23 MR. SINGER: Just a slight change in focus, but I see a  
24 certain segmentation of issues. Yesterday we were  
25 discussing the state's fiscal situation. And I was

1 wondering if Mr. Lipton can give us insights into the  
2 linkage between physical policy. Specifically, we were  
3 talking about investing our oil royalty. Given your  
4 worldwide perspective since the 30's, Texas' boom or bust  
5 since the turn of the century, or something like that. And  
6 they certainly have diversified.

7 Do you see, should the policy debate on use of  
8 the surplus be concerned about a boom-bust phenomena, given  
9 this optimistic future, or are we all right?

10 MR. LIPTON: Obviously, one, you want to be concerned  
11 about the continent, about revenues and how you use it.  
12 There's an important distinction between Alaska and the  
13 other major oil-producing states in the United States. If  
14 you take the three largest producing oil states in the  
15 Lower 48 states, Louisiana, Texas, California, they have  
16 several other industries, but they've got fantastically  
17 important industrial industries and all three of them are  
18 important agriculture states. So it's a mixture of resource  
19 development, industrialization and agriculture in all three  
20 states.

21 In Alaska, if you look back over the last ten  
22 years, the dominant economic impact upon the State has been  
23 the discovery and development of oil. But we've never had  
24 this same kind of diversification, nor are you likely,  
25 because of the circumstances of the State, to have it in

1 terms of industrialization on the scale that you have in  
2 Louisiana, Texas and California or the agricultural  
3 industries that these have. So they have much greater  
4 diversification. And the impact of what they could do in  
5 terms of oil doesn't have nearly the consequences they have  
6 in those states, even though they're the most important  
7 states south of Alaska.

8 So you must be concerned not only about the continuity  
9 of your oil revenues, but also the short-term uses and the  
10 long-term impact on the life of your citizens of how you  
11 utilize these oil revenues much more than these other  
12 states.

13 THE MODERATOR: We had Belden Daniels talk to us  
14 yesterday and Russ Meekins and Tom Williams. They were  
15 talking about investing dollars, buying a part of the  
16 pipeline; would we have bought the pipeline if we had a  
17 choice now.

18 Do you have any comments on hard investments,  
19 equities?

20 MR. LIPTON: It seems to me -- think about your State  
21 for a moment and oil and gas in these issues. The State  
22 starts out as a landlord. It's inevitable. Most of the land  
23 that's prospected onshore is owned by the State. So you  
24 start out as a landlord. And as a landlord, you've got  
25 certain interests in finding out the value of your property

1 and getting high rent for your property.

2           Whatever the State chooses to do, you will end up  
3 as an investor. The State will end up as an investor why?  
4 Because of the timing and ac consumption of oil revenue.  
5 Its inevitable. You're going to have to invest it. So as an  
6 investor, you want security of investment, you want a high  
7 rate of return on your investment. And, in between, you're  
8 a sovereign government that regulates the taxes that it  
9 spends. So the State appears many different guises.

10           And if you're contemplating investment, you can  
11 look at it just as an investor would. Yes, you want to  
12 worry about security, yes, you want to worry about the rate  
13 of interest or dividends that you get out of it. But you  
14 also happen to be a State with broader interests than just  
15 a bank that says I want security. Your investment has to be  
16 purposeful. So you ask yourself, well, why am I investing.  
17 If I invested in natural gas pipeline, is it because  
18 without it the pipeline won't be built or is it because I  
19 want to accomplish something besides just getting an  
20 interest rate on my money.

21           I would suggest that when you look at problems of  
22 investment in this State, the first question you ask is  
23 what am I trying to effect, what am I trying to achieve by  
24 that investment, whether it's in ALPETCO.

25           Look, if you commit royalty oil, that's an

1 investment. The State has made an investment. If you commit  
2 money to build a conditioning plant to service the natural  
3 gas pipeline, that's going to be a hell of a big investment.  
4 A billion dollars. Why. What are the purposes, not just  
5 security of investment and interest rates. Yes, you worry  
6 about that. Why am I doing these things? How is this going  
7 to contribute to what Alaska is going to look 10, 15, 20  
8 years from now.

9 MR. REEVES: Why do you think Alaska does not have the  
10 opportunity to industrialize to some extent along the lines  
11 of Texas and Louisiana?

12 MR. LIPTON: To some extent, yes. What I'm saying is  
13 it can't be of the proportions in those. The reason is very,  
14 very simple.

15 A, relatively high costs here; and, two,  
16 relatively far from big markets. Industry depends upon  
17 extensive markets. And Louisiana and Texas and California  
18 are proximate to tremendous population centers. Sure, you  
19 can industrialize here, and you can even use your resources  
20 to speed industrialization, if that's what you want. But  
21 you're not going to be a Southern California or a Texas or  
22 a Louisiana. You're too far from where the people are,  
23 unless you want to build Alaska into a big population  
24 center. You build a population of 10, 15 million people  
25 here in Alaska and you'll have industrialization.

1           MR. ECKHOLM: What is your personal opinion of the  
2           commonwealth north proposal to come out as rapidly as  
3           possible to help our energy problem and be pumping out four  
4           and a half million barrels?

5           MR. LIPTON: I haven't seen anything other than a  
6           newspaper headline. I wouldn't want to comment.

7           MR. POMEROY: Mr. Chairman, this is the concept of  
8           growth, getting development, getting development by  
9           industrialization and here's getting development by simply  
10          getting more and more going.

11           I know and work with these people quite a good  
12          deal, and I should like to make a further comment about our  
13          production up here.

14           Mr. Lipton commented partly on cost. It's just  
15          simply basically economics. If we have an oil refinery up  
16          here or a petro-chemical company, we can produce basic  
17          products that can be sent out bulk. But we can't produce  
18          sewing machine oil or products that inquire the necessity  
19          to ship in the metal to make the cans and the containers to  
20          put them in and send it back out to the market unless we  
21          subsidize heavily. That has been an issue pretty much up to  
22          now. I don't know whether it will come into any comment  
23          here or not.

24           THE MODERATOR: Thank you.

25           Any further questions of Milton?

1 MS. PALMQUIST: I have a question. And that is this:  
2 Is it not in the interests of the oil companies to assist  
3 the environmentalists in keeping the State closed or slowed  
4 up in order to reap the higher prices that will obviously  
5 come later on?

6 MR. LIPTON: I don't think that the oil companies are  
7 capable of such long-range planning. Look, they have to  
8 survive today. And today there's not an oil company in the  
9 world, including the very, very large international major  
10 oil companies.

11 Look, it's overtime. No matter what they do in  
12 Alaska, they're not going to have a heck of a lot of oil  
13 produced out of today's exploration, the length of time it  
14 takes to explore, to develop. They've got to do it for  
15 today, for tomorrow.

16 So I don't think Alaska has to be worried about  
17 the self-interest of oil companies, as such. I think their  
18 self-interest is to protect the environment, too, because  
19 Heaven will fall on their heads if they make a mistake here.  
20 I think they will tend to be protective.

21 I think also competition among them will probably  
22 conduce to relatively rapid development. They may like more  
23 rapid development than the State is prepared to do. I don't  
24 know. But I don't think by itself that they are fearsome  
25 creatures for Alaska today.

1 MS. PALMQUIST: I do want to expand on what was  
2 discussed around the table, and that is protecting the  
3 environment.

4 I come from an area which is the second largest  
5 borough in the State next to the North Slope Borough, which  
6 is the Matanuska-Susitna Borough. There has been extensive  
7 exploration in that area north and west of the Anchorage  
8 and Cook Inlet area.

9 Those trails that were built, if there was any  
10 damage at all, it's not observable to the naked eye. What  
11 it has done is the same as the homesteaders that cleared  
12 off your 10 or 20 acres and got their homestead, had a crop,  
13 got their homestead. What's happening to those homesteads  
14 now, if they're not being farmed, they're going up in  
15 moose feed. As a matter of fact, the moose can't keep up  
16 with the brush that's growing up in there. So pretty soon  
17 it will be back in forests.

18 We see no damage from the oil exploration, and of  
19 course that borough was extremely hopeful that they would  
20 strike something there, which they did not.

21 It would have been very helpful to the tax base  
22 of that borough, just as the North Slope situation is very  
23 good for the tax base of the North Slope Borough.

24 So I'm not concerned about that. But I do want to  
25 elaborate on what the lady across the way said. It is

1 important in whatever you do to know the full extent of  
2 what it is you're operating with. And it's important for  
3 the State to know where its resources are. And at the  
4 present time private industry itself has not completed the  
5 exploration that is necessary for determining where we have  
6 large amounts of whatever it is. In this case, oil, or gas.

7 And I certainly favor the State entering into a  
8 cooperative arrangement with the oil companies where the  
9 State also knows where the resources are and not just the  
10 oil companies for the first two years when everything is  
11 secret.

12 MS. SCHIRMER: I agree.

13 MR. ECKHOLM: Given the state's short-term capital  
14 wealth, would you recommend as a wise policy for the State  
15 to develop, not to explore, but develop our resources  
16 rapidly, or over the long term?

17 MR. LIPTON: I am neither so foolish nor so heroic  
18 that I'm going to answer that question. That's why you're  
19 here, to establish the values and guidelines.

20 MR. ECKHOLM: You've called yourself an Alaskan. What  
21 would you say as an Alaskan?

22 MR. LIPTON: I don't think I ought to presume to give  
23 you a personal opinion on that. I mean, it would just be  
24 completely off base for me.

25 MR. MERDES: I think he's right.

1           MR. LIPTON: You've got a whole cross-section of the  
2 State here. And you're struggling with these questions. I  
3 wouldn't be so presumptuous to try to advise you. It's got  
4 nothing to do with my experience. It has to do with what  
5 you want.

6           THE MODERATOR: He's got lots of opinions, but he's  
7 very clever.

8           MR. HARVEY SAMUELSON: How close to the truth were the  
9 headlines last night on all the oil we have in Alaska?

10          MR. LIPTON: I don't know. Look, there are people to  
11 whom the truth has been revealing. It has not been to me.  
12 It has not been to me.

13          MS. SCHIRMER: It seems to me that the ideas of  
14 exploration without sudden exploitation is excellent. And  
15 if we can do that, then we can develop a plan so we won't  
16 have the boom and bust business so much. And I think that's  
17 what we need to aim at.

18          THE MODERATOR: You know, I see where this  
19 conversation is going. The oil industry is very competitive,  
20 and they go out and get this information for themselves in  
21 order to compete. They keep it all. And the state's job is  
22 to get as much as they need, I think. And on the  
23 geophysical stuff, they get nothing.

24                 The oil industry is very sensitive and very  
25 jealous of this information. And so what we do is we don't

1 have anything, and we put it out on a contract to lease.  
2 That's a contract. You have ten years to explore, so we put  
3 it out on a contract before we have any information. Now,  
4 the alternative, and the reason the industry resists is if  
5 the State gets all this information in advance, what will  
6 keep them from going out and exploring on their own? Why  
7 put it out on contract when you have all the information?  
8 This is the sort of philosophical struggle you keep going  
9 through. Do you allow the industry to get a contract, take  
10 the risks and find the oil, or do you get the information  
11 yourself, once having all the information, just like an oil  
12 company, why not go drill it?

13 Go ahead, Ed.

14 MR. MERDES: Again, I do in this context have some  
15 experience in this field.

16 The State of Alaska, for instance, could say to  
17 the oil companies, "Before we lease this land, we want to  
18 find out seismically whether it is sensible to lease it."

19 To give you a comparison, the corporation went to  
20 Chevron, Mobil, said, "Look, we're at arm's length now. You  
21 spend the 20 million dollars and share the seismic  
22 information with us," which the contract provided, then  
23 they decided what land. They said okay, if there's royalty  
24 information there, we'll lease it to you.

25 THE MODERATOR: They're acting like a private

1 landowner.

2 MR. MERDES: The State ought to spend State money and  
3 say, look, we'll hire a seismic crew and find out if  
4 there's any oil. Then you get ten times as much money as  
5 you normally get.

6 I want to ask a question before he leaves. We met  
7 you ten years ago when you first came. Personally as an  
8 Alaskan and legislator, I want to thank you and Walter,  
9 because you've done a real service. I'm not trying to build  
10 you up. But I want a question answered in terms of issues.

11 Based upon your experience and Walter's  
12 experience up here, and you've got more than anybody,  
13 knowing how we feel, what issues, what can we do, Milton,  
14 using your experience in terms that 10 years down the road  
15 or 15 years down the road, what issues should we address  
16 ourselves here, besides the one we talked about, for  
17 example, whether or not we should use State royalty oil to  
18 benefit Alaskans? Is there anything from your experience  
19 that you could warn us or we should talk about down the  
20 road here? Not the answers, I agree with you.

21 MR. LIPTON: The ones that I passed over quickly at  
22 the beginning. Certainly I think the question of the way in  
23 which your natural resources are utilized to serve the  
24 interests of the people of Alaska is one.

25 The second one is a whole question of investment.

1 I define investment a lot of different ways. If you commit  
2 royalty oil and gas, you're investing a lot of money, or if  
3 you directly invest surplus funds. The whole question of  
4 investment, and what the purpose of the investment is,  
5 quite a apart from security and investments rates.

6 The third, I think, is the whole question of the  
7 pace of exploration and development and how you balance  
8 that against all the other things that as individual  
9 Alaskans you're worried about, whether it's coastal zone  
10 management or whether it's environment and so on. And the  
11 third, I think, has to do this whole subject of leasing  
12 policy and taxation. I remember the debates in the  
13 legislature, is the State getting a fair share of the value  
14 of the oil industry, or it is taxing so heavily that you're  
15 going to drive the oil industry out of the State of Alaska?

16 Well, the questions are going to be the same the  
17 next ten years as they were in the last ten years, but the  
18 answers don't have to be the same. Because with the  
19 increase in the value of the oil and gas, you can do all  
20 sorts of things.

21 I just want to say I think the direction of your  
22 discussions here as it dealt with how much the State knows  
23 about its resources before the pace of development, I think  
24 this is a fruitful area to explore. Because the way in  
25 which the oil industry operated in the past doesn't have to

1 be the way it's going to operate in the future.

2 The oil industry in the Lower 48 states, each  
3 company, hired oil scouts and they went out and they tried  
4 to tie up acreage. They did all of their exploration, their  
5 geophysical studies in deep and dark secrets. They come up  
6 to Alaska and you're going to have a lease sale in the  
7 difficult area. When they went into the Gulf of Alaska,  
8 they put groups together to do it. Can the State of Alaska  
9 be a partner to this kind of preliminary exploration to  
10 learn things?

11 What I'm saying is the world is changing enough  
12 so that the forms and the practices and the associations  
13 can be in a sense pioneered here to suit your interests.  
14 And I don't think one has to worry too much about this is  
15 the way the oil companies always did it. They're adapting  
16 like mad to a changing worlds, and you can adapt as fast as  
17 they can.

18 I appreciate very much the opportunity of being  
19 with you, but I'm committed to run. So again, thanks you.  
20 You've indulged me very much, and I enjoyed being with you.  
21 Thanks a lot.

22 THE MODERATOR: What is your pleasure?

23 MS. RICHCREEK: I would have one more question. Can  
24 somebody tell me, does the State own the subsurface rights  
25 to all the land in the State before it is bought back?

1 A VOICE: No.

2 MS. RICHCREEK: Who does own it?

3 THE MODERATOR: Under State land, it's owned by the  
4 State. Under federal land, by the feds.

5 MS. RICHCREEK: Who owns the subsurface under private?

6 MS. SIMONDS: The federal government, if it's got any  
7 minerals that it knows about.

8 THE MODERATOR: It depends on the age. The older ones,  
9 the guy owns it all, to the center of the earth.

10 MS. PALMQUIST: After 1957, it changed.

11 MS. RICHCREEK: I cannot agree with it, and I'll tell  
12 you why. About 71, a man was drilling for water in  
13 Glennallen. And a little over 100 feet they hit gas. He was  
14 a native, he had given up his mineral rights in order to  
15 get his patent.

16 THE MODERATOR: That's right.

17 MS. RICHCREEK: So the State then had his mineral  
18 rights, so they ended up having to come in and cap that gas  
19 well.

20 THE MODERATOR: Right.

21 MS. RICHCREEK: We're told out there that we don't own  
22 our subsurface rights.

23 THE MODERATOR: It depends. You probably don't. The  
24 Federal or State government reserve those rights when they  
25 gave you the patent.

1 MS. SIMONDS: It would be in your deed.

2 THE MODERATOR: Right.

3 MS. PALMQUIST: It's in your patent. I got my  
4 homestead patent before 1957. Therefore, I own all the  
5 mineral rights, which includes gas and oil. Those that got  
6 their patents after a certain month, I think it's July,  
7 1957, do not own their subsurface rights..

8 MS. SIMONDS: In 1948, they knew there was coal under  
9 some of the land. So therefore if you find it, you would  
10 have to pay the federal government to take the coal off. So  
11 they own the coal because they knew it was there. But they  
12 didn't know oil and gas was there.

13 MR. MORGAN: That was only where they knew there was  
14 coal.

15 MS. SIMONDS: That's right.

16 MS. RICHCREEK: Well, then, the individual does not  
17 own the subsurface rights, necessarily.

18 MR. MORGAN: In some cases.

19 MS. RICHCREEK: In some, but not all.

20 MR. ECKHOLM: Could we hold the conversations down a  
21 little bit? She's getting a little confused.

22 If we're going to talk about other resources in  
23 oil and gas, we're going to have to move on. Before we move  
24 on, should we have a recommendation session and take a  
25 short break and then come back and talk about fisheries?

1           MR. PADDOCK: I wanted to touch on one issue and  
2 perhaps lay it to rest a little bit before we move off of  
3 oil.

4           We talked about exploration. Somehow or other I  
5 got the feeling that there was sort of a latent feeling in  
6 some quarters that oil exploration was inherently, or could  
7 be, at least, inherently destructive of certain values. And  
8 I personally feel like perhaps we're providing a straw man  
9 here perhaps that doesn't exist in view of the present  
10 state of the art in seismic exploration. I'm glad Harvey  
11 Samuelson walked back into the room.

12           It was my privilege to be associated with certain  
13 seismic activities out this Bristol Bay as a biologist.  
14 These have been required to be done from helicopters. When  
15 the work was done, I defy almost anyone to go out there  
16 today and find out where seismic exploration was carried on.  
17 The exploration took place and I'm a conservationist, but I  
18 defy anyone to go find the results of that late work.

19           Now, the early work, certainly, you can still see  
20 the paths in tundra. But it's ancient history. As Mr.  
21 Lipton told us, we can do things differently today.

22           And I think that, Heaven help us, in some cases,  
23 subsistence, hunting from snowmobiles is far more damaging  
24 to tundra than state-of-the-art oil exploration.

25           MR. ECKHOLM: I've heard two recommendations that I'll

1 just lay out before the group and then if there's more  
2 let's talk about them.

3 The major recommendation that I heard many of you  
4 talking about was to explore the state's oil and gas  
5 potentials so that planned development can occur, and  
6 specifically to develop seismic information before the  
7 State commits its resources.

8 The second one I heard was to investigate the  
9 archaeological sites along the Arctic coast to insure their  
10 protection as development occurs.

11 MR. POMEROY: Mr. Chairman, I'd like to ask that first  
12 one, about learning better what we have, final action to  
13 that be held until we get a recommendation that Raushaf,  
14 after an all-day panel discussion in May on oil potential  
15 wrote concerning what I considered a feasible program. I've  
16 telephoned him to see if we can get it, and it may be here.  
17 I suggest you hold final action to that, see if you find  
18 anything that's useful.

19 MR. MERDES: I'd like to recommend -- I took notes  
20 on what Milt said. I think we ought to vote on these four  
21 issues.

22 Number one, should our oil and gas resources be  
23 used to benefit Alaskans. Let the technical way of how to  
24 do that be taken care of, but we should vote on that issue.

25 Secondly, the question of investments. Should we

1 recommend that factors other than safety and rate of return  
2 be considered when the State makes investments. Yes or no?

3 THE MODERATOR: Security?

4 MR. MERDES: Security. I'm sorry. You're right.  
5 Security and rate of return.

6 Thirdly, what should the pace of exploration and  
7 development of oil and gas and other resources be. I would  
8 personally elect that it be determined by the legislature.  
9 In other words, should it be slow, fast, medium, whatever.

10 Fourth, the leasing policy and taxation, in other  
11 words, the State be a partner in oil and gas explorations  
12 due to changing conditions in the world in the oil industry.

13 I'm not suggesting answers, but I think we should  
14 vote on this.

15 THE MODERATOR: A partner, you say.

16 MR. MERDES: A partner, or whatever. Should the State  
17 be a partner or some way participate in oil and gas  
18 exploration due to changing conditions in the world.

19 THE MODERATOR: Is that a motion?

20 MR. MERDES: I would recommend that we vote on those  
21 sometime before we leave.

22 MR. MOORE: Is that a motion?

23 MR. HARVEY SAMUELSON: I second it.

24 MR. HARTLE: I'd like to comment briefly on the first  
25 one. Could you read your first?

1 MR. MERDES: Should oil and gas resources be used to  
2 benefit Alaskans.

3 MR. HARTLE: Okay. I think that, as stated, we would  
4 probably all agree. But unfortunately the situation is it's  
5 not that simple. If it comes to should we subsidize oil  
6 companies with State dollars so that it's cheaper for  
7 Alaskans, that's a very different question than should we  
8 find other mechanisms, such as the one you picked up on,  
9 competition.

10 I think that I would like, before we vote on  
11 something like that, would you clarify it a little bit in  
12 terms of what it would cost to the State in terms of State  
13 dollars rather than oil company dollars. Do you understand  
14 what I mean?

15 MR. MERDES: Yes. I think you're correct. I think I'd  
16 like to add to that and let the technical method of this  
17 being carried out be left up to the legislature.

18 MR. HARTLE: Could we add further, in doing so, the  
19 technical method that the legislature choose be directed to  
20 be that which is least expensive for the State in achieving  
21 the same ends?

22 MR. MERDES: I think you're going into too much detail.

23 MS. PALMQUIST: I do too, because we may want to  
24 invest in human interests, something which will advance,  
25 our, for instance, education. And that has no immediate

1 dollar return. So of benefit to Alaskans. I'd like to  
2 leave it right there.

3 MR. MERDES: That's right. I move those four.

4 MR. ECKHOLM: That brings us up to six, more or less,  
5 recommendations to vote on. These four we won't really  
6 know what the recommendation is until we vote.

7 MS. SIMONDS: Besides, why can't we take an inventory  
8 of all our mineral resources and not just limit it to oil  
9 and gas to find out where everything is to know what we can  
10 depend on the future. Financially, also to know in the  
11 future where to put our harbors and roads and what have you.  
12 So without an inventory of our mineral all mineral  
13 resources, meaning coal, it would bein complete; just oil  
14 and gas inventory wouldn't be enough. I think a complete  
15 inventory, as much as possible.

16 You know, they can fly over and see by the color  
17 of foliage, what certain things are.

18 MR. ECKHOLM: What's the state's action in developing  
19 information?

20 THE MODERATOR: Well, I'm not an expert on it. I think  
21 that there has been a general reconnaissance, and probably  
22 flown magometers and things like that.

23 But my impression is that in order for us to  
24 really inventory what we really have in hard rock minerals,  
25 for instance, there's no substitute in getting on the land.

1 It's going to take years.

2 MS. SIMONDS: Coal? I mean, we shouldn't put all our  
3 eggs in the oil and gas basket.

4 THE MODERATOR: We know what the coal is, but we don't  
5 know the specifics.

6 It's been inventoried, but I think there's a lot  
7 more to be done, or have to be done to really know what we  
8 have.

9 THE MODERATOR: I'm not answering your question?

10 MS. SIMONDS: No. But I think it would be advisable to  
11 do it, if at all possible.

12 MR. MERDES: You want that voted on, don't you?

13 MS. SIMONDS: Yes.

14 MS. PORTER: There is a federal study that was  
15 completed a year and a half ago. They did reconnaissance  
16 flying over the entire State so they have the entire State  
17 mapped out minerally, and that report is available to  
18 anybody. Just write to the feds and they'll give you a copy  
19 of it. That doesn't specifically give us the value today or  
20 in 20 years of what's there. We just generally know what  
21 are on the mineral areas and what kinds of minerals are in  
22 the State.

23 But we do have to separate exploration from  
24 development. I think it would benefit the State greatly to  
25 do oil and gas exploration specifically, or to deal with an

1 oil company to have it done so that we know. Right now  
2 we're all saying well, the oil money may dry up, we may run  
3 out of this, run out of that. It would be very great to  
4 know what our potential is. We don't have to develop it. We  
5 can sit on it.

6 MR. ECKHOLM: That goes in the first question.

7 MS. PORTER: But it would certainly help us to know  
8 what we may have.

9 MR. ECKHOLM: That's the first recommendation that we  
10 have. So we'll vote on that first. Are there any other  
11 recommendations?

12 MS. SHROYER. I would just like to add to the  
13 recommendation of the inventory of our mineral resources  
14 that that inventory should be looked at before public  
15 facilities such as docks, and new towns and roads and other  
16 avenues such as that be built, that all of those be taken  
17 into consideration.

18 MR. MERDES: Makes sense.

19 MR. HARVEY SAMUELSON: I noticed the State has a  
20 fishery policy. They have a policy for this and that. Do  
21 they have a policy for minerals?

22 THE MODERATOR: We have 140 million acres. They  
23 selected 35 million.

24 MR. MERDES: They've been conveyed.

25 THE MODERATOR: That was a heavy. So their policy was,

1 under the Egan Administration, to select as much of the  
2 mineral land as possible.

3 MR. MERDES: And agriculture.

4 MR. ECKHOLM: Are there any other recommendations  
5 along oil and gas?

6 MR. MORGAN: It has to do with the mineral exploration.  
7 I think we should strengthen several departments at the  
8 University of Alaska, would be my recommendation, history  
9 and geographic areas. If we had had strong history and  
10 geography departments, we would know a heck of a lot more  
11 about our state.

12 What I would recommend, in short, is let us  
13 strengthen the remote sensing that the university could do,  
14 whatever department they want to put it under.

15 MR. MERDES: Can we include oceanography, fisheries,  
16 forestry and other departments that the university  
17 strengthen them, and agriculture?

18 MR. ECKHOLM: That goes back to Mr. Lipton's third  
19 point, was a resource based development. So something like  
20 develop the University of Alaska as a resource --

21 MR. MERDES: Think tank.

22 MS. PALMQUIST: But that should be a separate motion,  
23 should it not?

24 I'd like to know when we get to human concerns.  
25 Would that be this afternoon?

1 MR. ECKHOLM: Any other oil and gas specific  
2 recommendations?

3 A VOICE: I wonder whether, when we talk about lowering  
4 the cost of gas for Alaskans, that should be the primary  
5 concern, or the primary concern should be protecting  
6 primary energy uses in Alaska, the development of  
7 alternative energy.

8 MR. ECKHOLM: Is that a recommendation?

9 A VOICE: Yes, it's a recommendation, or a suggestion.  
10 Just an idea, maybe.

11 MR. MERDES: To be part of the debate.

12 MS. SCHIRMER: I don't think you have to choose one or  
13 the other. I think you have to work on both.

14 A VOICE: Then I think there should be something  
15 included in the statement.

16 MR. ECKHOLM: So you would recommend that we develop  
17 alternate energy resources other than oil and gas?

18 A VOICE: Right. Encourage the development.

19 MS. PORTER: I think yesterday we touched on that  
20 subject by using some of our oil monies to develop other  
21 methods of supplying energy to the State; diverse methods.

22 MR. ECKHOLM: Maybe we could finalize that  
23 recommendation.

24 MR. NASKE: I think a good example is on the North  
25 Slope where there are tremendous coal resources, but oil is

1 shipped at great expense. Why can't the State develop small  
2 power plants that burn coal? There's no reason for that.  
3 It's there. It would provide jobs.

4 MR. ECKHOLM: Okay, Frieda.

5 MS. SHROYER: I was just going to go back to the  
6 benefits of Alaskans through lower prices is an immediate  
7 concern and alternative energy plans is a futuristic thing  
8 we have to develop.

9 But lower prices on oil and gas has to be taken  
10 care of now, because that's what we're using now.

11 MR. ECKHOLM: There's different ways to go about that.  
12 They've talked about giving it to an in-State processor so  
13 they can get it to the consumer cheaper, and Governor  
14 Hammond's latest on that is an energy credit. So instead of  
15 actually getting the oil cheaper, the State gets the money  
16 from its royalties and then it's passed out in some sort of  
17 an energy credit based on how much energy you consume.  
18 That's a different kind of a way to get to the same problem.

19 So are there any recommendations as to how to use  
20 our energy to make it cheaper for us to consume energy?

21 MS. SCHIRMER: Is there anything in that thing based on  
22 how much energy you consume that is incentive to consume  
23 less?

24 MR. HARTLE: That was my concern also.

25 MS. PALMQUIST: The other thing it doesn't address is

1 still how to get at the heat for your home cheaper. The  
2 State hasn't addressed whether the refineries could refine,  
3 Number one and number two oils and put it out as a cheaper  
4 price, even if it had to be subsidized, rather than to give  
5 the consumer a better way to pay the higher bill.

6 MR. ECKHOLM: That's basically the energy credit plan.

7 Are there any recommendations on either --

8 MR. NASKE: I would recommend that the State provide  
9 some incentives for, for instance, better building  
10 construction or better insulating methods as part of that  
11 energy credit, not merely subsidizing the cost of oil.

12 MR. ECKHOLM: Okay. That would be part of an energy  
13 credit recommendation, if there is one. There isn't one yet.

14 MS. PORTER: There is one already. There is in  
15 existence a Federal and a State energy credit for  
16 insulating.

17 MR. POMEROY: I think we should take note that a  
18 number of these things the State has already gotten into.  
19 And we may want to say we want to emphasize an acceleration  
20 in one direction or the other.

21 MR. MERDES: Eric, I think we ought to distinguish, at  
22 least from my viewpoint, between gasoline and home heating  
23 oil. I think we ought to discourage excessive use of  
24 gasoline. But I don't think under any circumstances that  
25 you ought to raise the price of home heating oil, and

1 particularly in the urban area, in the bush. So you can  
2 address a subsidy policy on that part possibly, and maybe  
3 use the competitive market situation that Milton was  
4 talking about in terms of giving oil to -- royalty oil,  
5 say you're going to first take care of the Alaska market  
6 before you ship it to California or anywhere else. But I  
7 think we ought to distinguish between the two.

8           There isn't anybody in this room that isn't --  
9 incredible that we pay more for our home heating oil than  
10 Seattle does.

11           MR. ECKHOLM: The general recommendation that I'm  
12 hearing is we ought to use our oil and gas energy to lower  
13 the cost of Alaskans' energy somehow. Is there any way you  
14 want to recommend more specifically to do that? That's so  
15 broad, it's not going to give the legislature any  
16 directions.

17           MS. SCHIRMER: We've made other recommendations.

18           MR. ECKHOLM: I want to get these done and vote on  
19 them in the next five minutes.

20           MS. PALMQUIST: I'd like to have it, when looking at  
21 what the higher costs are, and that is in the bush where  
22 they use oil. They have to pay as much as \$500 and \$600 a  
23 month to keep a small house heated. And I think they suffer  
24 the most from the high cost of fuel oil.

25           MR. MERDES: They should subsidize home heating oil

1 everywhere for home use, but maybe not gasoline.

2 MS. SHROYER: Going back to gasoline use, and I think  
3 everybody would like to see less gasoline, maybe, used.  
4 I'd like to throw out to debate an incentive or credit for  
5 carpools, or the use of public transport. I don't know how  
6 exactly we could do that. But to carpool or to use public  
7 transport would be definitely to use less gasoline, and an  
8 incentive or credit along those lines may be useful.

9 MS. RICHCREEK: That's kind of limited to Anchorage,  
10 though.

11 MS. SHROYER: To the urban centers, Fairbanks and  
12 Juneau.

13 MS. PALMQUIST: Juneau as well. They have a peoplenover.

14 A VOICE: The point was raised that any resources that  
15 are diverted for developing renewable kinds of energy for  
16 the future should be probably put off. And it seems to me  
17 that in thinking about Alaska's future, it would not  
18 provide a very smooth transition if we were to put off  
19 devoting resources into developing renewable energy  
20 resources.

21 THE MODERATOR: In other words, you're saying if we  
22 continue to rely on oil and gas, we will never get off the  
23 circuit.

24 A VOICE: Not only continue to rely on it, but without  
25 devoting some of our dollars now into developing practical

1 means of utilizing the renewable resources for energy in  
2 the future, that we'll never get there and there will be a  
3 big problem later.

4 MR. ECKHOLM: Maybe the way we can address that, if we  
5 get to the recommendations, if anybody wants to attach a  
6 recommended dollar figure in terms of investment, if we  
7 want to two alternative energies, how much do you want to  
8 put into it next year? \$500 million?

9 MS. PORTER: When we say we're going to delay that,  
10 one of our categories is energy. I think that's a whole  
11 specific category. We have to address that under that  
12 category. I don't think we should go into that debate at  
13 this time. When we're delaying it, we're not delaying it  
14 for ten years, we're delaying it until this afternoon or  
15 this evening.

16 But the energy is a whole different topic. And  
17 we're not talking about what we are going to do with the  
18 oil and gas monies at this time. We're talking about policy,  
19 we're talking about State policy. So when we're delaying  
20 the development of other kinds of alternate energy plans,  
21 it's until this afternoon.

22 MR. ECKHOLM: Well, I'll read through these  
23 recommendations. Some of them are very negative. So if  
24 people decide to table them, they can do that. But a lot of  
25 these are energy related.

1 MS. PORTER: I would prefer to talk about alternate  
2 energy, totally separate from the oil and gas issue, if you  
3 don't mind, if the group doesn't mind.

4 THE MODERATOR: Could you address yourself to that?

5 MR. HARTLE: I'd like to make other recommendation, if  
6 we're talking about a ten-year plan here, somehow the  
7 biggest push the State should make with oil and gas is to  
8 get off the use of it. We can subsidize home heating fuel  
9 or whatever. But basically what Mr. Lipton said, and it's  
10 very clear, in ten years it's going to cost a lot more no  
11 matter how much we subsidize it, no matter what we do. So  
12 as a recommendation, our push in this area should be to  
13 conserve, to get off of it.

14 MR. NASKE: Alternatives.

15 MR. ECKHOLM: Any other recommendations?

16 Let's go back and ratify the recommendations that  
17 we just listed and we'll take a short break.

18 The first recommendation that I heard and heard  
19 the strongest was to explore State oil and gas potentials  
20 so the planned development can occur, specifically to  
21 develop seismic information before the State commits its  
22 oil and gas resources to development.

23 Is there any discussion before we vote on that?

24 Okay. All those who would be in favor of that  
25 recommendation please raise their hands.

1           Is anybody opposed? Okay. Thank you.

2           The second one was to investigate the  
3 archaeological sites along the Arctic Coast to ensure their  
4 protection. Is there any discussion?

5           THE MODERATOR: Is it just the Arctic Coast?

6           MR. MORGAN: All of our coastline is needed to be  
7 surveyed. We have archaeological sites washing into the sea  
8 all around our coast.

9           MR. ECKHOLM: How about just archaeological sites?

10          MR. MORGAN: But there should be some prioritization  
11 there, hot spots. National erosion is threatening more  
12 than in some areas. But some sort of coastal survey. Some  
13 of this has been done, but I know that the sites along the  
14 Arctic Coast from the Canadian border to the (inaudible)  
15 River have not really been taken care of.

16          A VOICE: I'd like to delete the word arctic and add  
17 all of the state.

18          MR. ECKHOLM: Why don't we just investigate  
19 archaeological sites and insure their protection in areas  
20 currently being developed.

21          MR. MORGAN: I don't know investigating is a good word.  
22 I want to just call attention to them. I want the proper  
23 agencies to look at them. There has been some lax policies  
24 in the U.S. Fish and Wildlife Service.

25          MR. ECKHOLM: How much money would you want the State

1 to spend on this program?

2 MR. MORGAN: Well, I bid on the map and the ones along  
3 the Arctic coast \$150,000. It's a pretty expensive kind of  
4 a thing.

5 MR. ECKHOLM: Should we tie it to a dollar figure?

6 A VOICE: No.

7 MR. PADDOCK: I was just going to say, perhaps not  
8 everyone is aware of the fact that there are organisms  
9 already in effect to protect sites like that against  
10 degradation in any sort of exploration.

11 If an archaeological site is brought to light,  
12 everything stops right there. That's the way it is now.

13 But I do agree that we need to get on the ball  
14 and start, not necessarily mapping, but at least  
15 inventorying sites. We have spent virtually nothing on this.  
16 And there are important sites that are known to nobody in  
17 an official capacity. And I'd like to see that change and  
18 I'd certainly strongly support a motion which says that,  
19 let's take an inventory of these things. Let's spend some  
20 State bucks from this windfall to do this important task.

21 MR. ECKHOLM: Let's vote on the recommendation to  
22 investigate and inventory archaeological sites and insure  
23 their protection, especially in areas currently being  
24 developed.

25 MR. POMEROY: That seems to be like an awful great,

1 big shotgun kind of a thing.

2           Would there be any support for something like  
3 this: That before entering on to land in connection with  
4 seismographic work and exploration work, the matter of  
5 archaeological sites and other sensitive areas be taken  
6 into account?

7           MR. MORGAN: May I address this? The oil men are only  
8 half of the problem. National erosion is the other half.  
9 In other words, this has been pressing us since the early  
10 60's. We have sites going into the ocean.

11           So, as it relates to the oil, I think it's  
12 appropriate to bring it up at this time. However, natural  
13 erosion is as big as any man can destroy a site just as  
14 effectively as a dozer.

15           MR. ECKHOLM: What we have done with this  
16 recommendation is said especially that areas currently  
17 being developed. So if we have limited monies to do it, it  
18 should be in areas currently being looked at. So that would  
19 be a limiting factor in terms of saving for the State.

20           MS. PALMQUIST: I like the motion the way it was put  
21 to us originally.

22           MS. SHROYER: Because of natural erosion maybe make  
23 you could change the emphasis. Potential damage currently  
24 happening or about to happen.

25           MR. ECKHOLM: Okay. Especially in areas that might

1 currently being be degrading?

2 MS. SHROYER: Through development or erosion.

3 MR. ECKHOLM: Currently be threatened. That might be  
4 threatened.

5 Okay. Let's vote. Rosemary?

6 MS. PORTER: That might be something that would be  
7 appropriate for the University of Alaska again. I know  
8 previously they've done some of that work, but they're  
9 terribly underfunded. They just have peanuts to work with.

10 MR. ECKHOLM: You would specifically want us to give  
11 it to the University of Alaska rather than have it open for  
12 bid?

13 MS. PORTER: Yes.

14 MR. ECKHOLM: Any discussion on that?

15 MS. PALMQUIST: I wouldn't to want to tie our hands.  
16 Maybe there are other agencies that do that kind of --  
17 maybe the native corporations have knowledge that they have.  
18 Maybe they would like to be on a contract basis. I don't  
19 think we should specify just who does it.

20 MS. PORTER: I don't think giving it to the University  
21 would preclude being on a contract basis. But I know the  
22 university has done studies with both the native  
23 corporations and individual villages to find out where  
24 sites might be.

25 MR. ECKHOLM: What you're doing, Rosemary, you're

1 giving an economic guarantee to the university, whereas if  
2 if the the State's resources are being used for it and they  
3 went on a contract basis to develop this information from  
4 whatever, they may be an Archaeological Institute of  
5 Brooklyn that would bid on it and do it as well as the  
6 university. So what you're saying with that just is you  
7 want to boost the university. That's fine, if you want to  
8 do it.

9 MS. PORTER: Why not do it?

10 MR. ECKHOLM: Claus, you have something to say about  
11 that?

12 MR. NASKE: I do. If we say -- the most cost effective  
13 way of doing anything is not doing it here. The most cost  
14 effective way would be to do away with the university  
15 system all together and give each student \$10,000 to go to  
16 Puget Sound or somewhere else.

17 MR. ECKHOLM: Let's not discuss the cost effectiveness  
18 of the university.

19 I think we ought to move along.

20 MR. MORGAN: I've been walking up and down the Arctic  
21 Coast since 1960, and in all that period of time there has  
22 been millions of dollars spent on that Arctic Coast through  
23 NOAA and other agencies, millions, tens of millions. These  
24 sites have not been taken care of. That's why I make a plea.  
25 Let us at least call them to somebody's attention. And I

1 for one am not willing to say the university will take care  
2 of it.

3 MR. ECKHOLM: Everybody who would like to include  
4 "specifying the university as the primary person to do this  
5 investigation" raise their hands.

6 MS. PORTER: Well, maybe we could word it some other  
7 way so that the university could also contract, which is  
8 not -- they would at least participate.

9 MR. ECKHOLM: Everybody who would like to include the  
10 university as a --

11 MR. MERDES: That's where we get into -- you  
12 shouldn't have technical ways of doing it. Just the policy.  
13 And maybe the university can do it. I think we also get  
14 into arguments when you start getting technical. Don't put  
15 it in at all.

16 MS. SIMONDS: Let the legislature figure it out and  
17 worry about the money.

18 MS. PORTER: Then the State will open up their own  
19 department of archaeological and compete with the  
20 university.

21 MR. MORGAN: They have a State archeologist.

22 SUSAN HENOCH: The only land use inventory I'm aware of  
23 is done by Flossie Hobson at Burroughs.

24 MR. MORGAN: I'm familiar with Flossie's work. I gave  
25 her most of the location of her sites. There are other

1 sites that we've not yet mapped. We know they're there.  
2 We've flown over.

3 MR. ECKHOLM: The recommendation is to investigate and  
4 inventory archaeological sites to ensure the protection,  
5 especially in the areas that currently may be threatened due  
6 to erosion or development.

7 A VOICE: Question.

8 MR. ECKHOLM: All those in favor raise their hands.

9 Anyone opposed?

10 These are the four recommendations that Senator  
11 Merdes has proposed to us. The first one is sort of a broad  
12 policy vote on should the State's oil and gas resources be  
13 used primarily to benefit Alaska?

14 MR. MERDES: Leave the means up to the legislature.

15 MR. POMEROY: Is there any more specific way that that  
16 can be stated?

17 MS. PALMQUIST: No.

18 MR. ECKHOLM: There are some more specifics as we get  
19 into it. But this is just the broad overall policy. I  
20 think the key word there is primarily. That means that  
21 we're taking a stand. It says our resources. If it means  
22 it cost more to the Lower 48, we ought to get that out.

23 MR. MERDES: I'd like to leave the technical means up  
24 to the legislature.

25 (Discussion off the record.)

1           MR. MERDES: I'm suggesting, if you get the highest  
2 price, if that's the policy of the State, that's a policy I  
3 disagree with, insofar as Alaskans are concerned. Get the  
4 highest price from everybody else in the market, but adapt  
5 the benefits of this resource in any way you decide to do  
6 it, Mr. Legislator, so that the people in Alaska will at  
7 least be equal to or less than in the southern 48, in Texas  
8 or Louisiana or California.

9           THE MODERATOR: Walt, as a legislator, I want to get  
10 the market price. I want to get \$41 a barrel, therefore  
11 I'll have dollars in my hand, therefore I can pay for  
12 essential services. If you're saying less than, something  
13 different --

14           MR. MERDES: I like what Eric says.

15           MR. POMEROY: That's too confoundedly broad. Anything  
16 we do benefits Alaskans one way or the other. We either  
17 sell it, have ALPETCO do it. We had a recommendation last  
18 night that we have an energy tax credit thing, or whatever  
19 you call it. That's before us.

20                       That's benefitting Alaskans. And when we talk  
21 about benefitting Alaskans, are you talking about the  
22 individual consumers, or are you talking about a huge  
23 industry? Is it going to get cheaper fuel? What's it going  
24 to be? I want to see this refined more before I vote on it  
25 at all.

1 MS. SHROYER: I have changed that recommendation.  
2 Instead of benefit to Alaskans, relieve Alaskans of the  
3 burden of high energy cost, or high oil and gas cost. You  
4 take away the broad benefit, you still keep it broad, but  
5 maybe it's more specific.

6 MR. MERDES: I have no trouble with that language.

7 MR. ECKHOLM: Should the state's oil and gas -- as it  
8 now stands: Should the state's oil and gas resources be  
9 used primarily to benefit --

10 MR. MERDES: Use her language.

11 MS. SHROYER: Relieve Alaskans from the burden of  
12 higher energy costs.

13 MR. MERDES: That's it.

14 MR. PADDOCK: Ed, would you stand still for an  
15 amendment which said benefit Alaskan consumers? Does that  
16 help any?

17 MR. MERDES: It's the intent.

18 MR. PADDOCK: I know that's the intent.

19 MR. MERDES: I think her language is better.

20 MR. PADDOCK: Just insert the word consumers in her  
21 language.

22 MR. POMEROY: Mr. Chairman, does she mean individual  
23 consumers, or all consumers, business and industry and all  
24 utilizers of oil and gas?

25 MS. SHROYER: I think --

1 MR. ECKHOLM: Is there any more discussion on this?

2 Rosemary.

3 MS. PORTER: Well, I just -- I'm not really clear on  
4 what that's supposed to do.

5 MR. ECKHOLM: Now it's been refined. Instead of just a  
6 broad policy, it's back to the energy credit kind of  
7 approach.

8 MR. MERDES: Her language is satisfactory to me.

9 MR. ECKHOLM: As it now stands, it's should the State's  
10 oil and gas resources be used to primarily to relieve  
11 Alaskan consumers from the burdens of higher energy costs.

12 MR. HARTLE: Would that be that the primary use of our  
13 resources be that --

14 MR. ECKHOLM: Until that's met.

15 MS. PORTER: I really object to that and I'll tell you  
16 why, for a lot of reasons. The first reason is our major  
17 problem is with home heating oil, not with gasoline. People  
18 pay whatever the going price is. But we should always be in  
19 a crunch so that we are continually looking for alternate  
20 energy sources. If we're relieved, if we're paying such a  
21 cheap price, there's no incentive to look for other ways.  
22 There's no incentive to look for another house or build  
23 another home or look for other ways of being energy  
24 efficient. I think it's a great mistake.

25 I think by giving that kind of a benefit to the

1 State, we definitely need it for now and maybe even for the  
2 foreseeable future as far as home and heating oil. Because  
3 it's an impossible task to change that over to hydro-  
4 electric particular, electricity, or whatever.

5 But I think there should be -- I just don't  
6 like the motion.

7 MR. MERDES: Since it's my motion -- I actually agree  
8 with what she says. That's the trouble trying to do  
9 something without having some committee work on it. I think  
10 we ought to defer it. I'd like to get with Rosemary and  
11 just write the language out that we intend and then vote on  
12 it. You're not doing it off the top of your head.

13 MR. ECKHOLM: We'll hold this one until later, and  
14 then move on.

15 The second question is: Should other  
16 considerations than rate of return be considered as a State  
17 investment policy. Is that right, Ed?

18 MR. MERDES: Security. Should considerations in  
19 addition to security and rate of return be a policy in  
20 State investments. In other words, just what Milton said.

21 MR. ECKHOLM: Would you restate the motion?

22 MR. MERDES: Should the criteria other than rate of  
23 return and security be considered in making State  
24 investments. That's should considerations other than  
25 security and rate of return be utilized in making State

1 investments.

2 MR. HARTLE: I think you need to state that in the  
3 form of a positive thing rather than a question.

4 And secondly, if you could explain it, I'd really  
5 appreciate it.

6 MR. MERDES: Do you remember when Milt was talking  
7 about a question that we should consider here, the normal  
8 commercial investor takes into consideration two things  
9 before he'll invest any money: Is it safe, and maximum  
10 return. Right?

11 Should factors other than safety and maximum  
12 return be used by the State when it makes up its mind what  
13 investment it's going into, such as human values.

14 MS. PORTER: Would you stand for one word in addition  
15 to that? Monetary.

16 MR. MERDES: I agree with that. See, that's obviously  
17 what I intend. And again, that should be determined by the  
18 legislature. Okay?

19 But I think that's a very important policy matter.  
20 Sort of guide the State.

21 MR. ECKHOLM: Are we ready to vote on the question?

22 MR. HARTLE: Can we hear it?

23 MR. ECKHOLM: I think we've got it. Considerations  
24 other than the monetary rate of security should be used as  
25 a State investment policy.

1                   Is there anyone opposed to it?

2           MR. MCGINNIS: Mr. Chairman, I would just like to make  
3 a comment on it. I think we're talking about the state's  
4 special piece of resource to be invested. It would seem to  
5 me we move away from rate of return and investment for that  
6 piece of investment money, that we could be moving into  
7 very treacherous and dangerous waters.

8                   Every dollar invested in education is an  
9 investment. 200 million, we're putting that in. That's  
10 because of our human values and so forth. We're putting  
11 almost \$100 million a year into subsidizing health care for  
12 Alaskans. That is an investment. State's money in human  
13 values.

14                   We do it in cultural values, in libraries, in  
15 every kind of money transfer paper. We spend perhaps a half  
16 a billion annually in human cultural, educational, social  
17 values.

18                   For one to recommend that we take, say, pieces of  
19 the permanent fund and move away from rate of return and  
20 safety of principal could lead us to some very treacherous  
21 financial positions, in my view.

22           MS. PORTER: We're not saying all, all investments.  
23 We're allowing, in a sense, the legislature to make another  
24 investment. In other words, they're not only guided by  
25 financial return and security. They can do other things if

1 they wish.

2 MR. MCGINNIS: Are we talking about the permanent fund?

3 MR. ECKHOLM: Not specifically. It's just broad State  
4 investment policy, is how we've got it.

5 MS. SIMONDS: The money that's left over after our  
6 rainy-day fund or the permanent fund.

7 MR. MCGINNIS: I would have no problem if we were to  
8 eliminate permanent fund from it. But to say -- because  
9 almost every other dollar we so-call invest, is spent is  
10 for other than that.

11 MR. MERDES: That's why we left it up to the  
12 legislature, really. They know the permanent fund criteria.

13 MS. PALMQUIST: I have problems with what Dr. McGinnis  
14 said, because the intent of the general motion was to allow  
15 the legislature to use all of those human concerns that Dr.  
16 McGinnis mentioned. And I don't see that we are endangering  
17 the investment process itself.

18 MR. ECKHOLM: If I may cut you off, because I think we  
19 should move on. We've already taken a vote on the issue and  
20 it was unanimous. If Dr. McGinnis would like to vote no,  
21 that's fine.

22 MR. MCGINNIS: I think you were about to vote. That's  
23 just a P.S.

24 MR. ECKHOLM: Number three, what rate -- this is a  
25 question. We'll have to form it as a recommendation. But

1 we should say -- let's let Senator Merdes frame a  
2 recommendation.

3 MR. MERDES: I would say the pace of exploration and  
4 development of the state's oil and gas resources be  
5 determined by the legislature, keeping in mind, say, Alaska's  
6 life-style. In other words, I think the legislature ought  
7 to come out with a policy determination on the pace,  
8 whether it's slow, fast, or medium. Because you want them  
9 to address that issue in the legislature.

10 MR. ECKHOLM: Do we want to determine a slow or  
11 fast --

12 MR. MERDES: First, I don't know. We're so dependent  
13 upon the Arab situation, whether it eases off, or whether  
14 it's our best interest to wait. I don't think we have  
15 information to say whether it's slow, fast or --

16 MR. ECKHOLM: We do know the State has got an  
17 awful lot of money in the coffers now.

18 MR. MERDES: That's why I'm saying the legislature  
19 should debate what should the pace be, because they have  
20 all the facts. But I want them to debate it. I don't want  
21 them to ignore it.

22 MR. ECKHOLM: You would make a recommendation that the  
23 legislature shall develop a policy regarding State oil and  
24 gas exploration --

25 MR. MERDES: That's it. Development of oil and gas

1 consistent with whatever the state's best interests are.

2 MR. ECKHOLM: We could argue this and take it --

3 MR. MERDES: No. That's basically it.

4 MS. PORTER: The State already has a timeline of what  
5 they're going to develop. Everything we know of on the  
6 board has a date and they're already working.

7 MR. MERDES: I happen to know there's violent  
8 disagreement in the State government on this in the  
9 executive branch. And that's why I said the State  
10 legislature should do it. I know one group wants to do it  
11 fast, and another slow. I would like the people I vote for  
12 make the policy.

13 MR. ECKHOLM: We could come up -- I think that we  
14 don't need to put this on the legislature. I think there's  
15 enough information that maybe you people could vote,  
16 because there's basically two questions. We could say the  
17 State should utilize it's oil and gas resource as a long-term  
18 basis, or the State should develop its oil and gas  
19 resources as far as is possible, given environmental  
20 concerns.

21 MS. PORTER: Depending on the gas situation, we may  
22 not have any choice.

23 MR. ECKHOLM: But we have the right to say what we  
24 want to do, whether it's taken out of our hands. We can't  
25 argue about that. We could say what we want to do. If it's

1 taken out of our hands, that's not the point.

2 MR. PADDOCK: Mr. Chairman, I don't feel I have enough  
3 information. I don't think the rest of you do, either.

4 MR. ECKHOLM: So you would like to leave it to the  
5 legislature?

6 MR. PADDOCK: I would like to leave it like Ed stated  
7 it.

8 MS. STRASSBURG: And require them to make a policy.

9 MR. MERDES: That's the Kenai.

10 MR. ECKHOLM: In this next year the legislature shall  
11 develop a policy to determine the rate of development of  
12 our oil and gas resources in the 1980-81 legislature  
13 session.

14 MR. MURDES: Okay.

15 MR. ECKHOLM: Is there anyone opposed to that?

16 MR. ECKHOLM: Without opposition, it's adopted.

17 Okay. The fourth question that we haven't  
18 developed as a recommendation is should the State act as a  
19 partner with the oil industry in developing our oil  
20 resources in the future.

21 Would you like to frame a recommendation?

22 MR. MERDES: Again, I don't think we have the  
23 information. I think it should be the same thing. I think  
24 the legislature should address the issue of whether the  
25 State, because of changing dynamic conditions in the world

1 and gas market, the legislature should determine whether  
2 the State should participate as a partner in leasing  
3 policies, oil and gas leasing policies. That's essentially  
4 what I heard Milton say, whether or not, because of those  
5 conditions, the State -- in other words, I'm not saying  
6 he should or should not. The legislature should address  
7 itself to that issue because of changing world conditions.  
8 it's whether the State should participate as a partner in  
9 oil and gas leases.

10 MR. HARTLE: Can you define what you mean by partner?

11 MR. MERDES: For example, he says the oil companies  
12 and the states historically would secretly get their  
13 seismic information and they wouldn't go together, but then  
14 they had the oil in the Gulf of Alaska and it was so big  
15 and monstrous that they got together as consortiums. Maybe  
16 it's the State's best interest that it get involved in  
17 finding that seismic information and getting it all itself.  
18 It could be, that may be our interest to get more money.  
19 That's the point.

20 So, hence, I think the legislature again should  
21 determine that by studying it, and maybe they'll say no.  
22 But I hope they say yes, frankly. The question is the issue.

23 MR. PADDOCK: Didn't --

24 MR. ECKHOLM: Excuse me. Is it leasing policy, or  
25 exploration and development?

1           MR. MERDES: No. Well, it includes leasing and  
2 exploration and development.

3           MR. ECKHOLM: Leasing, exploration.

4           MR. MERDES: Whether they should participate. Whether  
5 or not. Let them debate it. That's all I'm saying. They  
6 haven't debated it before.

7           MR. POMEROY: Excuse me. Do you mean consider  
8 participating in development, becoming a partner in  
9 ownership and operation?

10          MR. ECKHOLM: That's exactly what he says.

11          MR. MERDES: You bet. Debate it. They may oppose it.  
12 I think -- just like if you recall what Buckmeister  
13 Fuller said last night, this world is changing so much, we  
14 better keep on her premises.

15          MR. ECKHOLM: Let's keep rolling.

16          MS. PORTERFIELD: Could the wording possibly be  
17 involved?

18          MR. MERDES: What's what I mean.

19          MR. ECKHOLM: Being involved is --

20          MR. MERDES: Consider being involved.

21          MR. ECKHOLM: Being involved, or being a partner?

22          MR. MERDES: Being involved as a partner.

23          MR. ECKHOLM: The legislature should determine whether  
24 the State should be involved as a partner to industry in  
25 oil and gas leasing exploration and development.

1 MR. MERDES: That's it.

2 MS. PORTER: Should consider the possibility.

3 MR. POMEROY: Would you read that again, please?

4 MR. ECKHOLM: The legislature shall determine whether  
5 the State should be involved as a partner with industry in  
6 oil and gas leasing exploration and development.

7 MS. PORTER: Should consider the possibility of  
8 becoming a partner.

9 MR. MERDES: That language is what it's intended.  
10 Should consider the possibility.

11 MR. ECKHOLM: Should consider the possibility.

12 MR. MERDES: They may say no.

13 MR. PADDOCK: Mr. Chairman, didn't we in earlier  
14 action move to do that, insofar as exploration is concerned?

15 MR. MERDES: No.

16 MR. MOORE: It's a partner. Question.

17 MR. ECKHOLM: The question is should the legislature  
18 consider the possibility to whether the State should be  
19 involved as a partner with industry in oil and gas leasing  
20 exploration and development.

21 Is there opposition to it?

22 Without opposition, that's adopted.

23 Question number seven, the State should inventory  
24 all of the state's mineral and coal resources and that  
25 should be incorporated into the state's capital projects

1 development plan.

2 MR. NASKE: Already there are a number of studies that  
3 have been done on that, in inventories, energy inventories.

4 MR. HARTLE: Would we want to say better inventory? I  
5 think that's the intent of the --

6 MS. SHROYER: I think an inventory would encompass all  
7 of the studies already done. We wouldn't have to duplicate  
8 those studies. But a formal inventory should be done to  
9 bring those studies together.

10 MR. ECKHOLM: We may be taking actions that already  
11 are State policy. That shouldn't preclude us from  
12 recommending it if it's already done.

13 MR. POMEROY: Yes. It seems to me to be too much of a  
14 shotgun thing. We should take note that there is a great  
15 deal of material already secured and being secured, and I  
16 know what you say about that.

17 But I note in connection with all of this, too,  
18 that we haven't yet given consideration to money. We're all  
19 of us talking about we've got to save money. We're  
20 increasing our State budget at the rate of about ten  
21 percent a year. We're going to run out of money. We're  
22 talking now about spending more money.

23 Before we get through here, I hope we're going to  
24 address the question as to whether or not we want the  
25 legislature to begin diminishing the rate at which we

1 increase our expenditures.

2 So, in connection with this recommendation, I  
3 think at the very least we should modify it to something  
4 like this: That it is suggested that the State accelerate  
5 as feasible the inventorying and determining potentials of  
6 the various resources of the State, with a view to this  
7 being of assistance in the development of other potentials  
8 to make us progressively less dependent on oil.

9 MR. MERDES: I only say, in response to that, I got to  
10 distinguish between an expense and an investment. Obviously,  
11 we shouldn't spend a lot of money unnecessarily. But it  
12 seems to me any prudent businessman, and the State should  
13 be prudent, ought to consider inventorying as an absolute  
14 investment in common sense to make intelligent policy  
15 decisions. So I don't think it ought to be considered.

16 I think the motion as presented ought to be the  
17 one voted on and not watered down and let some State  
18 Department say, well, it's just a Mickey-mouse motion.

19 MR. NASKE: Well, I think we're talking about two  
20 things here. Inventory means just a collection of possibles,  
21 or known sites. Now, that has been done. That involves the  
22 literature search, and the Department of Natural Resources  
23 did that, I don't know, a year ago, or maybe a couple of  
24 years ago.

25 These sites are known now, talking about

1 exploration, determining the precise size of the content of  
2 these various locations. That involves money. I think we  
3 should deal with precisely determining how much coal, or  
4 whatever it is we're talking about, geothermal energy and  
5 so on is available at these various locations. But there  
6 will be exploration, because the information has been  
7 collected. Inventorying has been done. So I would like to  
8 have a different motion there.

9 MR. ECKHOLM: Would you like to recommend a change?

10 MR. NASKE: I would say that, taking the baseline  
11 information that is available on various -- all the  
12 national energy sources in Alaska, the State should move  
13 with prudent speed to determine the exact content of these  
14 various deposits and their economic feasibility.

15 MR. ECKHOLM: That's a little long.

16 MR. NASKE: Maybe somebody else can --

17 MR. MORGAN: I'd like to comment on what I said  
18 earlier about remote sensing and so forth.

19 Most of the things I find faulty with the  
20 inventories that exist is that they're spotty, and they're  
21 dated. I would wish that we could work some way to  
22 integrate the inventories in such a way into a computerized  
23 situation to where they can be updated so that the  
24 information you have about them is valuable other than from  
25 a historical standpoint, that you have an updated inventory

1 or an inventory taken in such a way that it can b  
2 continually updated. This can be done. It's just a matter  
3 of are we going to do it.

4 Ten years ago I noticed in the literature that we  
5 asked for, a clearinghouse kind of thing on natural  
6 resources. I don't know whether we're very much further  
7 along than we were then.

8 MR. POMEROY: I don't want to look foolish in some of  
9 the things we're doing here, and I would make an  
10 observation: I don't care how long something is if it has  
11 to be worded longer to carry a clear meaning.

12 But I go on from that general observation to the  
13 suggestion that was made, that we go ahead and determine  
14 exactly the content of these various resources. I suggest  
15 that that's very poor wording, because to determine exactly  
16 the content of a great coal field or a metal deposit is  
17 something in which you're talking about tens or hundreds of  
18 millions of dollars. And I hope that the maker of the  
19 motion is suggesting that word to say determine as  
20 accurately as feasible

21 MR. MERDES: That's right.

22 MR. POMEROY: Or more extensively.

23 MR. ECKHOLM: The State should determine as accurately  
24 as possible -- no?

25 MR. POMEROY: Well, I would have said -- what did

1 you say?

2 MR. MERDES: Considering the present state of the arts.

3 MR. HARTLE: Or as accurate as economically feasible,  
4 or reasonable.

5 MR. POMEROY: Determine as economically -- determine  
6 as accurately as is economically feasible, or something to  
7 get that thought.

8 MR. ECKHOLM: The motion is the State should inventory  
9 the state's mineral and coal resources as precisely --

10 MR. MERDES: Accurately as possible.

11 MR. NASKE: Fuel and mineral resources.

12 MR. ECKHOLM: You've already done -- okay.

13 MS. SIMONDS: Fuel is mineral, isn't it?

14 MR. ECKHOLM: Not necessarily.

15 MR. NASKE: Geothermal, for instance.

16 MR. MERDES: Geothermal is an important one.

17 MR. NASKE: And wind power.

18 THE MODERATOR: Energy.

19 MR. NASKE: Energy.

20 MR. ECKHOLM: We need a little clarification on this.

21 It's not coming together.

22 The State should inventory the state's fuel and  
23 mineral resources as accurately as possible?

24 MR. PADDOCK: That's impossible.

25 MR. ECKHOLM: Should inventory. Okay. The State should

1 inventory the state's fuel and mineral resources, and that  
2 inventory should be incorporated -- and that potential  
3 should be incorporated into the state's capital projects  
4 development plan.

5 MS. SHROYER: I'd like to make a point of information.  
6 In 1969 there was a recommendation made to catalogue all  
7 mineral resources and a report has been made about how the  
8 legislature responded to those ten years ago.

9 I'd like to find out what kind of action has been  
10 taken so we know. Maybe we'd like to change it a little  
11 bit from there.

12 MS. SHROYER: Because that was a 69 recommendation.

13 MS. STRASSBURG: But anything we do is only a  
14 continuation of whatever has been started.

15 MS. SHROYER: That's true. That's true.

16 MR. PADDOCK: Mr. Chairman, this effort is a  
17 never-ending thing. It's dynamic. It's not static. It can't  
18 be static.

19 MR. ECKHOLM: New methods, new styles.

20 Let's take the question as stated.

21 MR. MERDES: Let's vote.

22 MR. ECKHOLM: All those in favor of the motion say aye.

23 Any opposed?

24 The next question, the University of Alaska shall  
25 develop a strong resource management program.

1           MR. MORGAN: Create another department. Strengthen  
2 those they have.

3           MR. ECKHOLM: Shall strengthen?

4           MR. MERDES: The University of Alaska shall develop  
5 excellence in the areas of particular concern in Alaska,  
6 such as oceanography, forestry, fisheries.

7           MR. NASKE: Why don't you say northern latitudes?

8           MR. MERDES: What I'm saying, anything that is related  
9 to fishing, forestry.

10          MR. ECKHOLM: Those are still resources, so we can  
11 lump those together.

12                   The University of Alaska shall develop excellence  
13 in Alaska's resources.

14          MR. MERDES: You may not develop them. I don't think  
15 you mean development. Should develop excellence in --  
16 what is the -- Claus, you used a phrase?

17          MR. NASKE: I think in matters pertaining to northern  
18 latitudes.

19          MR. MERDES: In matters pertaining to Alaska's  
20 resources. Don't use development.

21          A VOICE: Are we talking about educational programs?

22          MR. ECKHOLM: But we can come back and do that on  
23 education, but this is specifically a resource thing. It is  
24 energy-related.

25          MR. NASKE: Because if you make it Alaska, that would

1 preclude their programs that are overlapping with Canada  
2 and with Greenland, with the Soviet Union, with Siberia and  
3 so on. It should be the north latitudes, because we're part  
4 of that. Fishes, I mean, swim not only in Alaskan waters,  
5 but they have the a nasty habit of going elsewhere.

6 MR. ECKHOLM: The question is the University of Alaska  
7 shall develop excellence in matters pertaining to the north  
8 latitudes.

9 Is there any debate? Is anyone opposed? Without  
10 opposition, that's adopted.

11 Nine, the State shall use its oil well to develop  
12 nonoil energy as a major State priority.

13 MR. NASKE: Excellent.

14 MR. MERDES: And renewable resources.

15 MR. ECKHOLM: Well, this is energy. This isn't  
16 resources.

17 MR. POMEROY: Wait, say that again, please?

18 MR. ECKHOLM: The State shall use our oil well to  
19 develop nonoil energy as a major State priority.

20 MR. POMEROY: How about saying should invest from our  
21 oil well. It sounds as though you want to make it a number  
22 one priority.

23 MR. ECKHOLM: Shall invest.

24 MR. MERDES: That's right.

25 MR. ECKHOLM: Shall invest from our oil well?

1 MR. POMEROY: Yes.

2 MR. ECKHOLM: The State shall invest from our oil well  
3 to develop nonoil energy as a major State priority.

4 Is there any discussion?

5 MS. PORTER: How about changing that to nonrenewable.

6 MR. MERDES: I think that's better. Make it more  
7 positive.

8 MR. ECKHOLM: Okay.

9 MS. PORTER: That includes all fossil fuel.

10 MS. SCHIRMER: Read that again, now?

11 MR. ECKHOLM: The State shall invest from our oil well  
12 to develop nonrenewable -- no, no, no.

13 THE MODERATOR: Energy.

14 MR. MORGAN: Renewable.

15 MS. PORTER: The state shall invest from our oil  
16 well --

17 MR. ECKHOLM: To develop?

18 MS. PORTER: To develop.

19 MR. HARTLE: Don't you mean the State shall invest  
20 from our nonrenewable resource wealth?

21 MR. ECKHOLM: No. Because coal is a nonrenewable  
22 resource wealth. So you're saying you don't want to develop  
23 coal.

24 MS. PORTER: I'm not saying I don't want to develop,  
25 but if there's any wealth from it, we want to use it to

1 develop.

2 MR. ECKHOLM: So you wouldn't want to develop coal.

3 MS. PORTER: I think coal is a disaster for the State.

4 MR. ECKHOLM: That's what you're saying.

5 MS. PORTER: I'm saying if there is any fossil fuel  
6 development monies that we get, some of it should be used  
7 in the development of alternate energy, other than fossil  
8 fuels.

9 MR. ECKHOLM: Well, you're precluding coal development.

10 MS. STRASSBURG: No. Using the returns from the coal  
11 income.

12 MR. NASKE: Income from nonrenewable energy sources.

13 MR. MERDES: Shall be used to develop renewable energy.

14 MR. ECKHOLM: Okay. The State /STAT shall invest  
15 income from our nonrenewable wealth to develop renewable  
16 energy as a major State priority.

17 MR. MERDES: That's right.

18 MR. HARTLE: Would you want to say resource wealth?

19 A VOICE: Nonrenewable resource wealth?

20 MR. MERDES: Yes.

21 MR. ECKHOLM: Once more? Is there any question?

22 MR. HARTLE: Read it again.

23 MR. ECKHOLM: The State shall invest income from our  
24 nonrenewable resource wealth to develop renewable energy as  
25 a major State priority.

1 A VOICE: Question.

2 MR. MERDES: Question.

3 MR. ECKHOLM: Anybody opposed? Adopted.

4 Ten: The State shall develop incentives for  
5 energy conservation.

6 MR. MERDES: I think you said that already. I think  
7 that's included in the previous.

8 MS. SCHIRMER: No.

9 MR. ECKHOLM: We're talking about carpooling and mass  
10 transit. Such as insulation --

11 MS. SCHIRMER: Public transportation.

12 MR. ECKHOLM: Mass transit.

13 MR. NASKE: Improved building construction.

14 MR. ECKHOLM: Carpooling.

15 MS. SIMONDS: Walking.

16 MR. PETERSON: Mr. Chairman, I don't know if it's  
17 already been covered, but you recently received a handout  
18 on recommendations considerations. It ties in with what we  
19 were just discussing with development of renewable energy  
20 resources. What I'd like to offer, and I again, if it's  
21 already been covered, I don't want to delay it.

22 But basically what I'm suggesting is that we urge  
23 the State or the legislature to actively encourage and  
24 support expanded use of coal and hydroelectric power and  
25 other alternative resource energy within the State.

1 I did not include the alternative energy  
2 resources in my draft, but I think it should be. I'm  
3 wondering if there would be an appropriate time to bring  
4 that in.

5 MR. ECKHOLM: I think we already covered that. The  
6 motion that we just passed is the State shall invest income  
7 from our nonrenewable resource wealth to develop renewable  
8 energy as a major State priority.

9 MR. REAVES: He's identifying hydroelectric power  
10 specifically.

11 MR. PETERSON: I identified specific ones.

12 MS. PORTER: We're a very large State. Some areas have  
13 hydroelectric potential. Some have geothermal. Wind  
14 generation. Such a large state that it's not going to apply  
15 across the board.

16 MR. REAVES: I don't think you can make that  
17 determination. Hydroelectric power can be transmitted for  
18 miles.

19 MS. PORTER: When you're looking at where I live,  
20 which is the size of the State of Oregon, crossing the  
21 tundra for 300 or 400 hundred miles, sure you can do it,  
22 but it's over tundra.

23 MR. HARTLE: Also we're talking about ten years, and  
24 we haven't any idea what they'll be doing ten years from  
25 now, they are advancing so rapidly. Secondly, I'd like to

1 mention coal as a nonrenewable resource.

2 MS. PORTER: Getting back to our initial topic, add in  
3 there incentives for the power company to look at waste  
4 heat. There are many, many ways that power companies can  
5 use waste heat, heat water that heats other buildings. So  
6 we ought to add incentives for power companies who are  
7 running very inefficiency at this time to be totally  
8 efficient.

9 Also there should be incentive to maybe develop  
10 some of the sewage burning plants, as an example, which are  
11 very expensive to construct, but could take care of a major  
12 problem in Alaska, that is sewage disposal, and give us  
13 heat at the same time. So if we're going to give incentives,  
14 let's include utilities companies which will in turn lower  
15 cost or at least --

16 MR. MERDES: I'd like to expand it. I think we should  
17 state as a matter of policy that we encourage all utility  
18 companies, whether the public or private, including  
19 pipeline oil and gas companies to utilize waste heat from  
20 their pumping stations for the use of Alaska renewable  
21 resource development. Let me tell you that pipeline wastes  
22 more heat going up into the air that they could use to dry  
23 gain and put into other things. And I think it's an  
24 excellent idea. Expand it to include pipeline companies.

25 MS. PORTER: Or industry. There may be other

1 industries that would be converted.

2 MR. POMEROY: You're speaking about utilizing, giving  
3 attention to utilizing all the resources of waste heat.  
4 It's all over in all kinds of places.

5 MS. PORTER: Giving industry an incentive to do that,  
6 because it is expensive.

7 MR. MERDES: The State provide incentive policies for  
8 capturing the use of waste heat, all.

9 SUSAN HENOCH: There's either a legislation in the  
10 hopper, or it's already being done, to capture waste heat  
11 from power plants. And I don't know if there's an incentive  
12 in that or not. Do you know?

13 MR. ECKHOLM: We've got to move on here.

14 MR. MERDES: Let's vote on that.

15 MR. ECKHOLM: One question.

16 SUSAN HENOCH: Are you including incentive tax credits  
17 for individuals utilizing?

18 MR. ECKHOLM: The State shall develop incentives for  
19 energy conservation, especially in the areas of waste heat  
20 utilization, mass transit, insulation and carpooling.

21 MS. PORTER: Not just waste heat, because that's just  
22 one whole part of it. There are a lot of other areas  
23 connected with industry that's just not labeled waste heat.

24 MR. PADDOCK: Mr. Chairman, I'm troubled over getting  
25 too specific. I would certainly hate to exclude any source.

1 MR. ECKHOLM: I said especially, meaning that there  
2 are others, because those were brought up. That didn't  
3 exclude those.

4 MR. PADDOCK: I think we want to be careful to be not  
5 exclusive in any way. We want be inclusive of any energy  
6 efficiency.

7 MR. MERDES: May I suggest before these things go out  
8 maybe appoint a subcommittee to look over thinks these  
9 things?

10 MR. ECKHOLM: I'll do that, make copies of these  
11 things. Jack, who do you want to chair?

12 THE MODERATOR: Ed?

13 MR. MERDES: Anybody volunteer.

14 THE MODERATOR: Fine.

15 MR. ECKHOLM: The question as I now understand it is  
16 the State shall develop incentives for energy conservation.  
17 Do we want especially in areas of waste heat, carpooling,  
18 all that?

19 MR. MERDES: And other related. We'll change it.

20 MR. HARTLE: I'm not sure that we need to, as long as  
21 we include things as yet to be developed.

22 MR. ECKHOLM: You're not sure we need to include any  
23 of the especiallies?

24 MR. HARTLE: No. I think the especiallies can stay in  
25 there.

1 MR. POMEROY: Maybe you can get it.

2 MR. ECKHOLM: Any other massive?

3 MR. MERDES: Yeah.

4 MR. ECKHOLM: Is there any opposition to that? That's  
5 adopted.

6 The State shall use its energy wealth -- I  
7 think we kind of handled this in the first one. The State  
8 shall use its energy wealth to keep Alaskans' energy bills  
9 down.

10 MR. MERDES: That's covered.

11 MR. ECKHOLM: That's covered. That's all I have.

12 THE MODERATOR: What's the schedule now?

13 MR. ECKHOLM: The schedule now is basically we got  
14 this room until 4:30, and then we have room 305 available  
15 at 8:00 P.M. tonight.

16 THE MODERATOR: How many subjects are we still to  
17 cover? We haven't even gotten on fisheries. Red Swanson  
18 and Woody Johansen have offered to spend ten minutes with  
19 us on transportation modes in the State, if you're  
20 interested in that. What are the topics that we need to  
21 cover now?

22 MR. ECKHOLM: We've got so many that it's obvious  
23 we're not going to cover them all. So I think we should  
24 take five minutes to develop some priorities on what we're  
25 going to devote the afternoon to.

1           MR. POMEROY: The big one will be our financial future.  
2 We haven't said anything about that.

3           THE MODERATOR: Now, this morning we worked on natural  
4 resources, which ended up basically fossil fuels, I would  
5 say; oil and gas. Right?

6                     And this afternoon was to be human services. And  
7 then we've just got tomorrow morning, or we've got this  
8 evening, too.

9                     How many other natural resources are we going to  
10 want to deal with? What about transportation, about what  
11 the social services?

12           MR. ECKHOLM: Fisheries is one. We've got  
13 transportation, we've got support services, and we've got  
14 to finalize what we talk about in financial futures.

15           MS. SCHIRMER: And we haven't said anything about  
16 communications.

17           MR. POMEROY: It's interesting -- excuse me. It's  
18 interesting in our letter of transmittal that brought us  
19 this big book, it listed four things: Alaska's financial  
20 future, developing marine resources, oil and gas and  
21 education. Of course, it doesn't go on to other things, but  
22 it mentioned those four.

23           MR. ECKHOLM: We won't even get to those. So does  
24 anybody have any direction?

25           MR. REAVES: What about the timber industry?

1 MR. ECKHOLM: Do you want to go come back after lunch  
2 and keep on going?

3 MR. MERDES: And agriculture.

4 MR. BEARDSLEY: I think we ought to spend at least an  
5 hour and a half on those.

6 MR. ECKHOLM: When we come back let's lights put it  
7 into third gear and maybe devote an hour, or set a time and  
8 when that time is up, make recommendations and get off of  
9 it.

10 MS. SCHIRMER: Can we go now and come back at 1:00  
11 instead of coming back at 2:00?

12 MR. ECKHOLM: I'll search around and try and find a  
13 room. I don't understand what the situation is.

14 THE MODERATOR: 1:15.

15 (The proceedings recessed at 12:15 P.M. and  
16 reconvened at 1:45 P.M.)

17 THE MODERATOR: Let's try to get started here.

18 MS. PALMQUIST: Are we going to get to social services  
19 or human values?

20 THE MODERATOR: Let's try to decide that now. Eric and  
21 I have been trying to go down the subjects now at that we  
22 haven't covered yet.

23 MS. PALMQUIST: We've gone over commercial areas and  
24 industrial areas and energy. But there also are the human  
25 values to be considered and I'd like to know when we're

1 going to get to them.

2 THE MODERATOR: Let me tell you what we've done, or  
3 recommended, or said.

4 We've gone down the list of topics that were  
5 given here in the pamphlets that came out on the conference.  
6 And we think we've sort of covered finance. We obviously,  
7 I think, have covered oil and gas, energy, probably, thus  
8 far, up to a point.

9 We still have timber, agricult' e, fisheries,  
10 health, education, transportation, communication, justice  
11 and finance wrap-up. We've got to do this al between now  
12 and 8:00, and whatever you want to do tonight.

13 So, what Eric and I have tentatively done is  
14 we've taken them in that order and given them a half hour  
15 apiece. We've got timber first, and then agriculture, and  
16 then fishery, and then health. Fred McGinnis wants to  
17 contribute something there. Education, then transportation.  
18 And if we want, that would be maybe after 4:00 o'clock,  
19 4:30.

20 MR. ECKHOLM: At 4:30 we have to move to another room.

21 DELEGATE: Have you decided where?

22 MR. ECKHOLM: Have you been up to 1060? It's a suite.

23 MR. ECKHOLM: 1416 is the room number they've found  
24 for us. It's not a very large room, but that's the best we  
25 can do.

1 THE MODERATOR: What do you think of the general idea  
2 of what we're doing here?

3 MR. ECKHOLM: What we thought we would do is limit the  
4 discussion on 15 minutes on each topic, then go into a  
5 recommendation session for about ten minutes, and then move  
6 on.

7  
8 MS. PALMQUIST: Well, justice, transportation and  
9 health and education are all human values. One thing you  
10 left out, health is not all-inclusive of what this State is  
11 administering in the field of human concerns. We have the  
12 large area of public assistance and the large area of  
13 programs for elderly, the programs for children, so on and  
14 so on.

15 At least some time should be put to that and the  
16 Brookings Institute did address those. If we're supposed to  
17 follow somewhat the major corners of the Brookings  
18 Institute, then under the schedule that you have we're  
19 leaving out that large area.

20 MR. MCGINNIS: Mr. Chairman, I wonder if it would be  
21 helpful to think in these terms with regard to these broad  
22 social concerns and the health concerns which of course all  
23 of us feel to be legitimate. It is true that duly  
24 commissioned there was a paper on this topic for this  
25 conference. It did not get in the booklet for some reasons.

1 But, in any event, it's been made available together with a  
2 number of recommendations.

3 I would suggest a possibility in that field maybe  
4 a slight departure, when it gets to the health agenda item,  
5 we spend maybe five or ten minutes just calling on your  
6 attention the topics, maybe with a thought you could name  
7 four or five people who could take, if you get in a time  
8 crunch, and to take those recommendations and either amend  
9 them or strike them or say this is the most important, and  
10 then come back and say we've now gone over it.

11 Contributing to those recommendations I would  
12 think would be people in the State that would have had a  
13 minimum of 100 years of experience in these fields, and  
14 they've suggested some things for the State, which I think,  
15 based on the way they were created, would give some  
16 validity to the background.

17 But, in any event, I would suggest that we look  
18 at exactly what the recommendations seem to say with a  
19 possibility then of asking a number of the group to be  
20 determined by you to do some homework for us and then bring  
21 back the report and say this is what recommendations we  
22 ought to go with, if any.

23 MS. PORTER: I concur with his suggestion, that maybe  
24 it would be done over the dinner hour, as an example. I  
25 don't know if there were any people that would be able to

1 do that. That would be a good time. I for one would not  
2 want to miss any of the other discussion. So that would  
3 split off from the group.

4 The other thing I would like to suggest, instead  
5 of health, call it health and social services, because  
6 that's what it is.

7 MR. MCGINNIS: That's what it is.

8 MR. HARTLE: As a procedural matter --

9 MR. ECKHOLM: We have it blocked until 6:00 o'clock  
10 and coming back at 8:00.

11 MR. HARTLE: You have it blocked that way?

12 MR. ECKHOLM: Yes.

13 MR. HARTLE: That will be acceptable to me, but it's  
14 the pleasure of the group.

15 MS. PORTER: One other thing. Members of the public  
16 have come for a couple of days that have not gotten an  
17 opportunity to speak. I might suggest at this time for a  
18 certain number of minutes, decide on the number of minutes,  
19 and let them have their say.

20 MR. ECKHOLM: Haven't we allowed to public to speak?

21 MS. PALMQUIST: We did this morning.

22 MS. PORTER: I thought we had a list of a number of  
23 people who were here that wanted to speak on specific  
24 subjects.

25 THE MODERATOR: That's a group of people who have --

1 MR. ECKHOLM: Written papers.

2 MS. PORTER: I've got two lists. I've got this one.

3 A VOICE: That's a supplement.

4 THE MODERATOR: We've been trying to recognize hands  
5 in the back.

6 MR. ECKHOLM: If we're going to talk about a  
7 subcommittee approach in the health and social services  
8 area, maybe we ought to go ahead and have Dr. McGinnis lay  
9 out those recommendations now and get the subcommittees  
10 appointed so maybe we're discussing other things. The  
11 subcommittees would have time to think and ask that group  
12 that's appointed to come back at 8:00 with the  
13 recommendations.

14 MS. PALMQUIST: He does have a summary of his  
15 suggestions, and it comes down to four pages with his  
16 recommendations. I think everyone has them.

17 MR. ECKHOLM: Do you want to accelerate that, do that  
18 now so the subcommittees have more time to think about it,  
19 rather than going back to resources?

20 MR. MCGINNIS: I would leave that totally up to you  
21 and the group, Mr. Chairman.

22 MS. PALMQUIST: I think if we could meet at the dinner  
23 hour and have our supper and go on, between 6:00 and 8:00,  
24 I think you need to schedule a time to come back with the  
25 recommendations.