

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672
1212 SCOMM 46: HOUSE SPEC. COMMITTEE ON OIL AND GAS 1985-86



RECORDS CERTIFICATION



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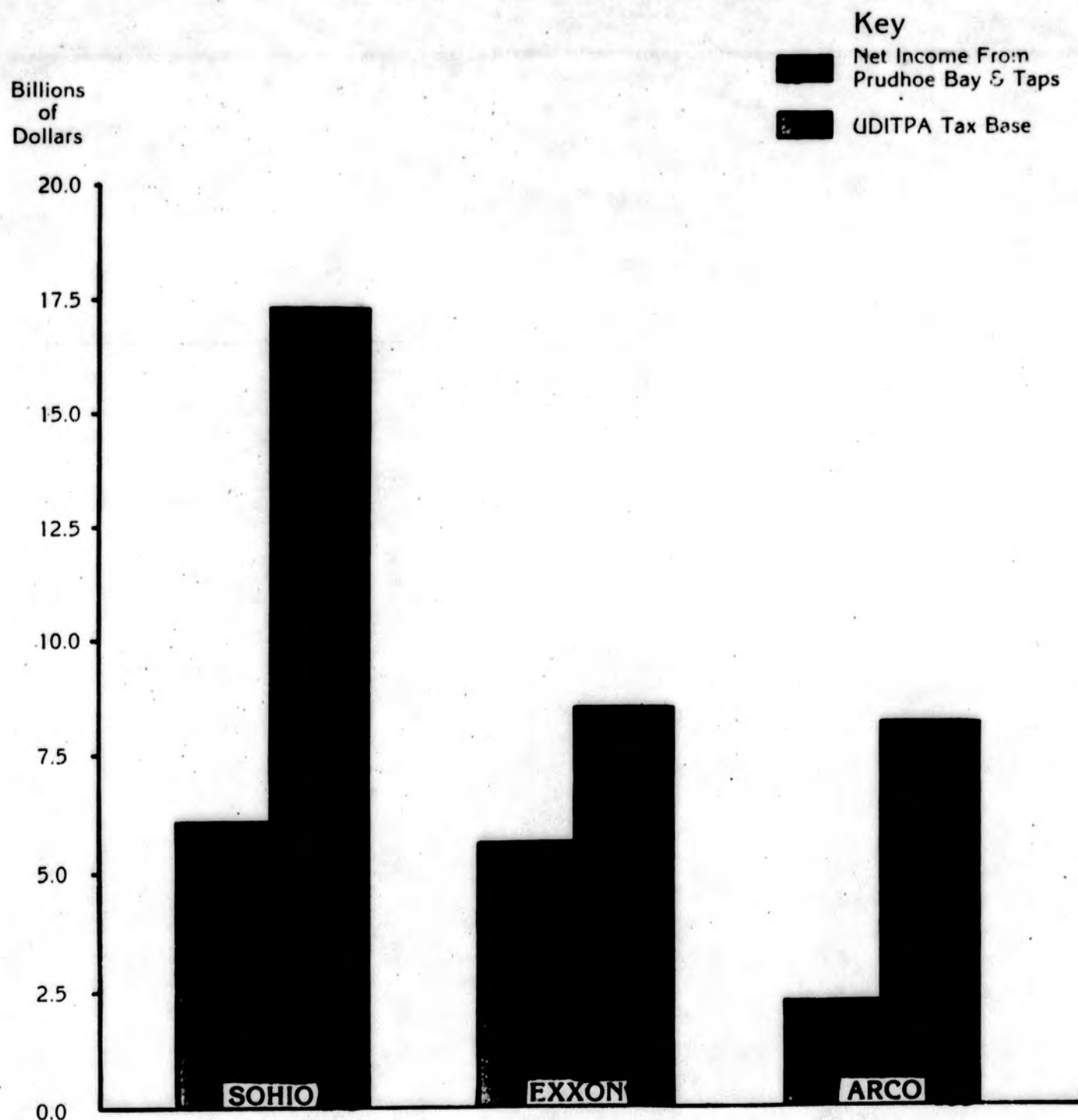

Date

SCOMM

#46:5

Net Income From Prudhoe Bay and Taps

Compared With UDITPA Tax Base (Life of Field)



Source: Arthur Anderson Study, Exhibit VIII(a)(R. 2899)

League of Women Voters of Alaska

April 18, 1985

Dear Representative:

You will soon have the opportunity to vote on House Joint Resolution 3. This adds Alaska to the growing list of states that have ratified the United States Constitutional amendment to grant voting representation in Congress to the residents of the District of Columbia. The League of Women Voters urges you to vote "yes."

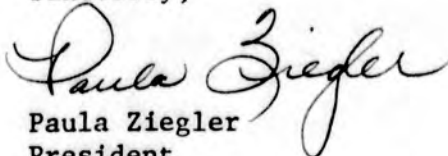
The United States has the dubious honor of being one of only two nations in the world that denies residents of its national capital the right to voting representation. (Brazil is the other.) As Alaska before 1959, District residents have all the responsibilities of American citizenship (taxpaying, military service, etc.) without the ability to have a voice in national legislative decision-making.

Changing this sad situation has long been a priority for members of the League. Whereas now federal laws apply "to residents of the several states and the District of Columbia," we would like to see the right to elect those who make the federal laws also apply "to residents of the several states and the District of Columbia."

For us, it is simply a matter of fairness; we hope you will see it that way, too.

Thank you.

Sincerely,



Paula Ziegler
President

127 N. Franklin Apt. 909
Juneau, Alaska 99811

ATLANTIC RICHFIELD COMPANY; ARCO
PIPE LINE COMPANY; BP ALASKA,
INC.; EXXON CORPORATION; EXXON
PIPELINE COMPANY; SOHIO ALASKA
PETROLEUM COMPANY; and SOHIO
PIPE LINE COMPANY.

vs.

Supreme Court
No. S-52

Superior Court Nos.
3AN-79-1903 Civil
3AN-80-1542 Civil

STATE OF ALASKA

SS.

FIRST JUDICIAL DISTRICT

1. I am Commissioner of the Department of Revenue for the State of Alaska and have held that post since January 21, 1983.

2. I directed my staff to prepare the following estimates based on information from department collection records, tax returns, taxpayer financial reports and other sources.

3. The figures for AS 43.21 earnings and tax liability are based upon initial collections less refunds and credits plus audit assessments collected. Because AS 43.21 tax returns are still being audited, the figures below are not final

collections. Moreover, certain retroactive refunds and credits for AS 43.21 tax years are still being processed.

4. Estimates of AS 43.20 taxes under a modified approach are based upon best available information.

5. The figures below reflect the most current information on the earnings and taxes collected by the State of Alaska under AS 43.21 and my best judgment on what would have accrued had AS 43.20, as presently amended, been in effect during the same period. These figures pertain only to the appellants in the above-captioned action, and do not consider either the AS 43.21 or possible AS 43.20 liability of other taxpayers.

6. The figures below are expressed in millions of current dollars and have been rounded to the nearest \$1 million.

7. Total net income subject to tax under AS 43.21 is:

<u>YEAR</u>	<u>AS 43.21 EARNINGS TAXED</u>
1978	\$ 1,588,000,000
1979	4,125,000,000
1980	7,637,000,000
1981	<u>7,617,000,000</u>
TOTAL	\$20,967,000,000

95% 623,000,000
43.20 LOSR

1.4 bill
↓
426 mil

1.826

8. Total AS 43.21 net collections to date:

<u>YEAR</u>	<u>AS 43.21 NET COLLECTIONS</u>
1978	\$ 148,000,000
1979	387,000,000
1980	648,000,000
1981	<u>838,000,000</u>
TOTAL	\$2,021,000,000

9. Estimated alternate tax liability under the AS 43.20 modified formula apportionment approach would be:

<u>YEAR</u>	<u>AS 43.20 ESTIMATED ALTERNATE TAX</u>
1978	\$ 66,000,000
1979	165,000,000
1980	216,000,000
1981	<u>176,000,000</u>
TOTAL	\$ 623,000,000

10. The net tax difference between AS 43.21 tax liabilities and estimated AS 43.20 tax liabilities is:

<u>YEAR</u>	<u>DIFFERENCE BETWEEN AS 43.21 AND AS 43.20 TAX LIABILITY</u>
1978	\$ 82,000,000
1979	222,000,000
1980	432,000,000
1981	<u>662,000,000</u>
TOTAL	\$1,398,000,000

HYPOTHETICAL TAXPAYER

STATE A
(Manufacturing)

STATE B
(Sales)

Cost of Production:

\$4/unit

Transfer Value:

\$5/unit

Distribution and
Marketing Costs:

\$4/unit

Retail Sales
Price:

\$10/unit

Separate Accounting Income:
(1000 units)

Gross income (transfer
value X 1000) = \$5,000

Cost of production
(X 1000) = \$4,000

Net Income = \$1,000

Gross income (retail
sales X 1000) = \$10,000

Cost of goods
(transfer X 1000) = \$5,000

Cost of sales
(X 1000) = \$4,000

Net Income = \$1,000

Total Corporate Net Income = \$2,000

WELL HERE

RETURNS

Three Factor Formula Income:

(Formula assumptions: all property State A; 1/2 payroll each state; all sales State B)

Formula Income:

Property Payroll Sales
1/1 1/2 0

Factor average: 1/2

Net Income (1/2 X \$2,000) = \$1,000

Formula Income:

Property Payroll Sales
0 1/2 1/1

Factor average: 1/2

Net Income (1/2 X \$2,000) = \$1,000

WELL HERE COST OF PRO

COMPS ALL TOGETHER

CHRONOLOGY

Income attribution rules for
oil and gas producers for
corporate income tax purposes

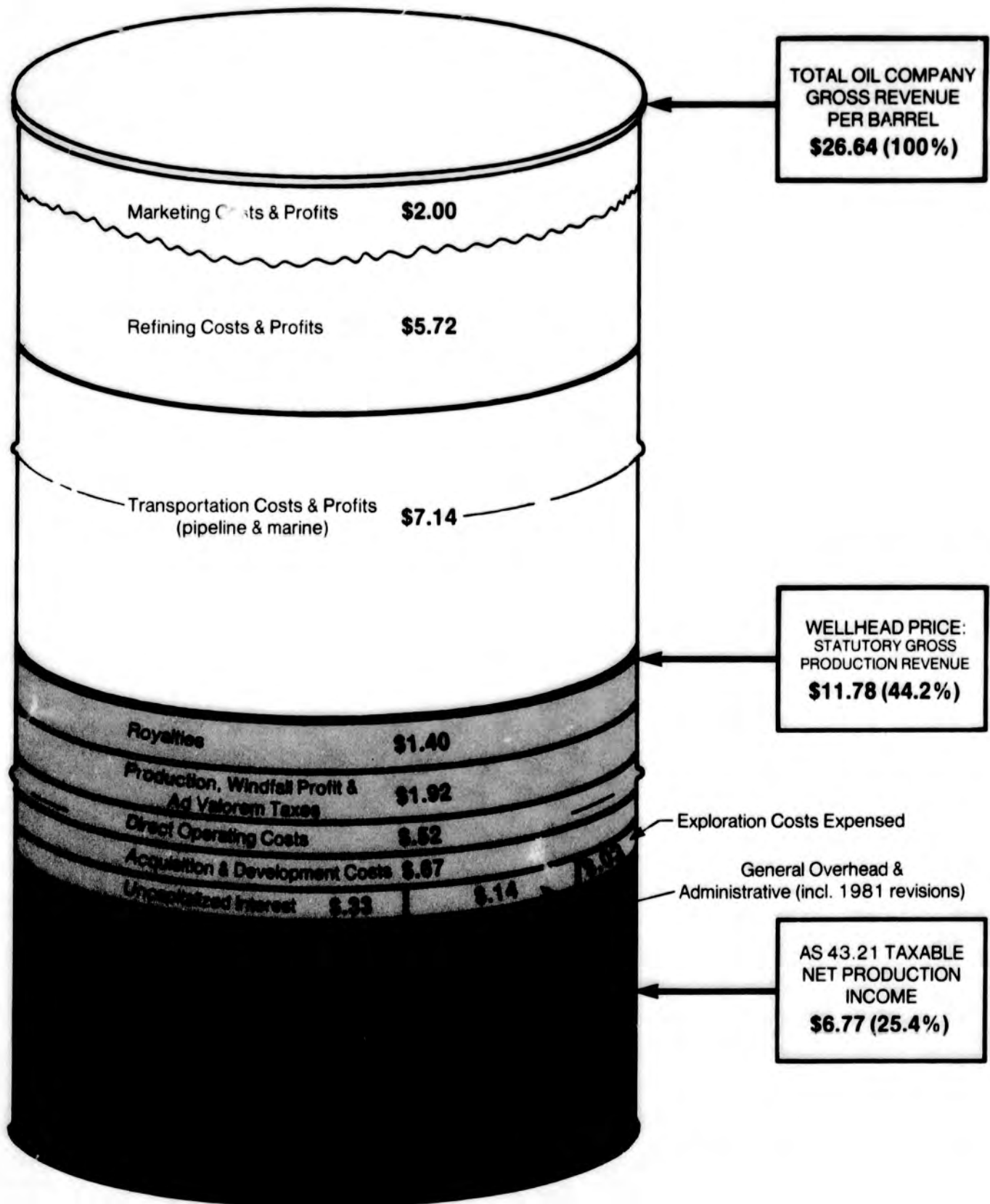
TAX YEARS	METHOD	DESCRIPTION
Territorial days through 1977	Formula apportionment	Three factor formula - "UDITPA" (Uniform Division of Income for Tax Purposes Act) AS 43.19/43.20
1978 - 1981	Separate accounting	Subject of lawsuit; AS 43.21
1982 - present	Modified formula apportionment	Two factor formula - uses property and extraction factors AS 43.20.072

CHRONOLOGY

Income attribution rules for
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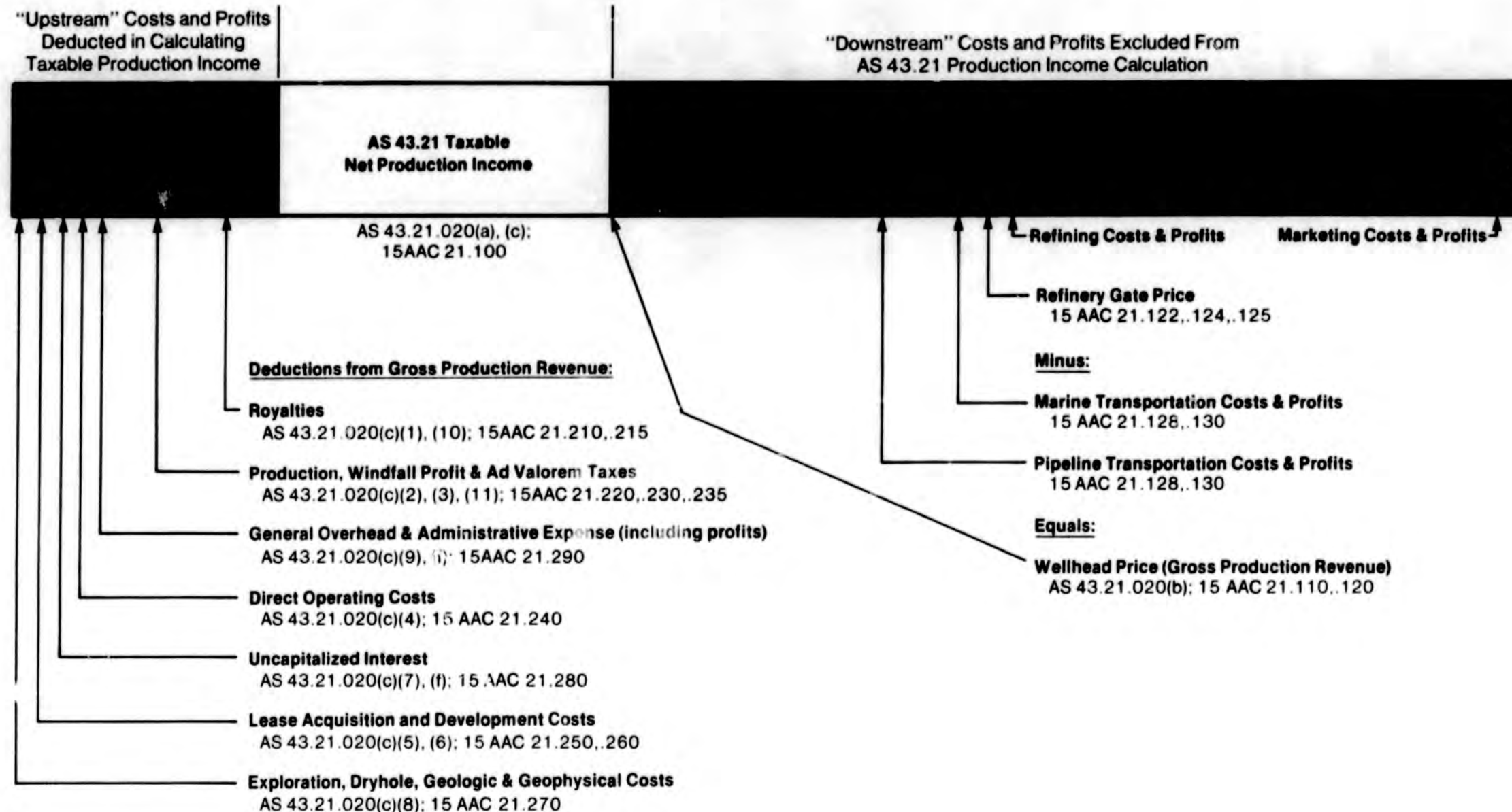
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**ESTIMATED REVENUES AND COSTS
PER BARREL OF ALASKAN CRUDE OIL
1978 - 1980**



SOURCE: Deakin 2d Supplemental Affidavit ¶ 15.

AS 43.21 TAXABLE NET PRODUCTION INCOME CALCULATION
EXCLUDES ALL COSTS AND PROFITS OF UPSTREAM AND DOWNSTREAM ACTIVITIES



NOTE: Segments of bar are proportioned by approximate values for these taxpayers for 1978 - 1980. SEE Deakin 2d Supplemental Affidavit ¶ 15.

OIL AND GAS CORPORATE INCOME TAX

Sec. 1, ch. 110, SLA 1978

* Section 1. LEGISLATIVE FINDINGS AND INTENT. The legislature finds and declares that the method of apportioning income for tax purposes under the "Uniform Division of Income for Tax Purposes" formula embodied in the Multistate Tax Compact (AS 43.19) and AS 43.20.065 does not fairly represent the extent of the business activities in this state of multistate corporations engaged in the production and pipeline transportation of crude oil and natural gas in Alaska. The legislature therefore intends that, in accordance with the provisions of art. IV, sec. 18 of the Multistate Tax Compact (AS 43.19), the income tax of all corporations engaged in the production or pipeline transportation of oil or natural gas in or directly associated with this state shall be assessed by the tax administrator under this Act. The legislature further intends that the assessment of income tax against a multistate corporation engaged in the production or pipeline transportation of oil or natural gas shall be commensurate with the tax that would be assessed against a corporation owning and operating only those assets of the multistate corporation which are in or directly associated with this state.

Chapter 21. Oil and Gas Corporate Income Tax.

Section	Section
10. Application	50. Assessment of income and tax
20. Determination of taxable income from oil and gas production	60. Returns
30. Determination of income from oil and gas pipeline transportation	70. Payment of tax
40. Determination of income from activities other than oil and gas production or pipeline transportation	80. Transitional rules
	90. Regulations
	100. Penalties
	110. Public reporting
	120. Definitions

Chapter repealed effective January 1, 1982. — Section 19, ch. 116, SLA 1981, repealed this chapter effective January 1, 1982.

Editor's notes. — As to legislative findings and intent, see § 1, ch. 110, SLA

1978, in the 1978 Temporary and Special Acts and Resolves.

Section 4, ch. 110, SLA 1978, provides: "This Act applies to taxable income earned or received after December 31, 1977."

Sec. 43.21.010. Application [Repealed effective January 1, 1982]. AS 43.21.010 — 43.21.120 applies to every corporation doing business in the state which derives income from the production of oil or gas from a lease or property in the state or from the pipeline transportation of oil or gas in the state. The tax calculated under AS 43.21.010 — 43.21.120 is measured by the total taxable income of the corporation during the tax period as determined under AS 43.21.020 — 43.21.040 and is calculated at the rates established under AS 43.20.011(e). (§ 3 ch 110 SLA 1978; am § 28 ch 113 SLA 1980; am § 6 ch 116 SLA 1981)

Effect of amendments. — The 1980 amendment retroactive to January 1, 1978, deleted "or directly associated with" following "a lease or property in" near the middle of the first sentence.

The 1981 amendment, retroactive to January 1, 1978, added "during the tax period" following "income of the corporation," substituted "determined under" for "defined in" preceding "AS 43.21.020 —

43.21.040" and substituted "calculated" for "determined" preceding "at the rates" in the second sentence.

Editor's notes. — Section 50, ch. 113, SLA 1980 makes this section applicable to tax years beginning after December 31, 1977.

Section 20, ch. 116, SLA 1981 provides that the 1981 amendment apply to tax years beginning after December 31, 1977.

Sec. 43.21.020. Determination of taxable income from oil and gas production [Repealed effective January 1, 1982]. (a) The taxable income of a corporation from the production of oil and gas from a lease or property in the state shall be the corporation's net income as calculated by the department in accordance with this section.

(b) Gross income of a corporation from oil and gas production shall be the gross value at the point of production of oil or gas produced from a lease or property in the state. The department shall by regulation

determine a uniform method of establishing the gross value at the point of production. In making its determination the department may use the actual prices or values received for the oil or gas, the posted prices for the oil or gas in the same field, or the prevailing prices or values of oil or gas in the same field. In addition, in its determination of gross value at the point of production of oil or gas produced from a lease or property, the department shall determine the reasonable costs of transportation from the point of sale to the point of production of the oil or gas. Transportation costs set by a tariff properly on file with the Alaska Pipeline Commission or other regulatory agency shall be considered prima facie reasonable, but if a tariff properly on file with a regulatory agency is subsequently amended, changed, or overturned retroactively, the reasonable costs of transportation shall be recomputed for that period using the newly determined tariff.

(c) Net income from oil and gas production shall be determined by the department by deducting from gross income the following:

- (1) royalties paid in kind or in value;
- (2) taxes imposed under AS 43.55.011 — 43.55.150 and AS 43.57.010 which are actually paid or incurred by the corporation on the production from a lease or property in the state;
- (3) taxes imposed under AS 43.56.010 — 43.56.210 and AS 29.53.010 — 29.53.460 which are actually paid or incurred by the corporation on property used directly in the production of oil or gas from a lease or property in the state, including property used in production, gathering, treatment, or preparation of the oil or gas for pipeline transportation, but only if those property tax payments were due and payable only after the date of commercial production from the lease or property with which the property was associated;
- (4) the direct costs incurred by or for the corporation in operating the lease or property, including the direct costs of producing, gathering, treating, or preparing the oil or gas for pipeline transportation, but not of any payments received for those activities and not including any indirect cost or overhead expense;
- (5) depreciation (using the unit of production method or such other reasonable methods as the department may by regulation establish) on property used directly in the production, gathering, treatment, or preparation of the oil or gas for pipeline transportation including amortization of capitalized interest for investments in this property at a rate not to exceed the average cost of borrowed capital to the taxpayer during the year in which it is capitalized;
- (6) the amortization of lease acquisition payments and taxes paid or incurred under AS 43.56.010 — 43.56.210 and AS 29.53.010 — 29.53.460 (including capitalized interest on both) for or on producing properties before the commencement of commercial production from the lease or property for which the property is being used;

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(7) interest expense of the corporation, not capitalized during construction, that was paid or incurred in connection with property in Alaska; however, unless (f) of this section applies, the interest expense may not exceed that portion of the total interest paid by the consolidated business of which the corporation is a part, determined by multiplying the total interest by a fraction, the numerator of which is the value of the corporation's real and tangible personal property used directly in the production of oil or gas from a lease or property in the state and the denominator of which is the value of all real and tangible personal property of the consolidated business; in this subsection, "total interest paid by the consolidated business" does not include interest expense arising from intercompany obligations within the consolidated business except to the extent that the interest expense reflects a pass-through of interest on a third-party borrowing by the parent or other member of the consolidated business with the purpose, expressed at the time of the third-party borrowing, of financing Alaska business activity of the taxpayer corporation;

(8) expenses incurred by the corporation after December 31, 1977, of unsuccessful exploration of oil or gas in the state including the acquisition costs of abandoned properties, dry hole costs, and the costs of geologic and geophysical exploration related to those abandoned properties;

(9) general overhead or administrative expense incurred by the corporation attributable to deriving income from the production of oil or gas from a lease or property in the state to the extent, except as provided in (f) of this section, that it does not exceed that portion of the total general overhead or administrative expense incurred by the consolidated business of which the corporation is a part, determined by multiplying the total general overhead or administrative expense by a fraction, the numerator of which is the value of the corporation's real and tangible personal property used directly in the production of oil or gas from a lease or property in the state and the denominator of which is the value of all real and tangible personal property of the consolidated business;

(10) the amount of income from the production of oil and gas from a lease or property that is divided among the regional native corporations under sec. 7(i) of the Alaska Native Claims Settlement Act (P.L. 92-203);

(11) the tax imposed by sec. 4986 of the Internal Revenue Code that is paid or incurred by the taxpayer for oil production from leases or properties in the state.

(d) Deductions from gross income under this section shall not include expenses previously deducted on a return filed under AS 43.20.011 — 43.20.350.

(e) Where a corporation subject to AS 43.21.010 — 43.21.120 shares the production or proceeds of the production from a lease or property

through a working interest, royalty interest, overriding royalty interest, production payment, net profit interest, joint venture or other agreement, the department shall allocate the deductions from gross income between the corporation and the persons with whom it has such an agreement in accordance with the terms of the agreement.

(f) If a corporation demonstrates to the satisfaction of the department that it paid or incurred actual expenses for interest or for general overhead or administration attributable to deriving income from the production of oil or gas from a lease or property in the state in an amount greater than the amount determined under (c)(7) or (c)(9) of this section, the department may allow the corporation to deduct the greater amount. (§ 3 ch 110 SLA 1978; am § 29 ch 113 SLA 1980; am §§ 7, 8 ch 116 SLA 1981)

Effect of amendments. — The 1980 amendment retroactive to January 1, 1980, in paragraph (7) of subsection (c), inserted "of the corporation" and substituted "during construction" for "of the corporation", both near the beginning of the paragraph.

The 1981 amendment, retroactive to January 1, 1978, in subsection (c), added "or incurred" following "actually paid" in paragraphs (2) and (3), added "or incurred" following "taxes paid" in paragraph (6), and in paragraph (7), substituted "that was paid or incurred in connection with property in Alaska; however, unless (f) of this section applies, the interest expense may" for "to the extent that it does," deleted "(reduced by intercompany transactions within the consolidated business)" following "the total interest" and added the language beginning "in this subsection" and ending with "business activity of the taxpayer corporation." Additionally, in subsection (c), the amendment added "deriving income from" preceding "the production of," added "except as provided in (f) of this section" following "to the extent," deleted "the lesser of:" following "does not exceed," deleted subparagraph designation (A) and repealed subparagraph (B) which read "the sum of \$0.12 for each barrel of oil and \$0.02 for each thousand cubic feet of gas produced from a lease or property in the state" in paragraph (a). The amendment also added paragraphs (10) and (11) in subsection (c) and subsection (f).

Editor's notes. — Section 52, ch. 113, SLA 1980 makes this section applicable to tax years beginning after December 31, 1979.

Section 20, ch. 116, SLA 1981 provides that the 1981 amendment apply to tax years beginning after December 31, 1977.

Section 24, ch. 116, SLA 1981 provides: "If the method of determining taxable income under either AS 43.21.020 or AS 43.21.030 is held invalid by a final judgment of a court from which an appeal is not taken, and if as a result of that judgment a corporation, whether or not a party named in that judgment, receives a refund of taxes or estimated taxes paid under AS 43.21, then the provisions of AS 43.20, as amended in sec. 5 of this Act, apply to that corporation for the entire period for which it receives the refund."

Section 25, ch. 116, SLA 1981 provides: "Section 24 of this Act is retroactive to January 1, 1978, and applies to tax years beginning after December 31, 1977."

Section 26, ch. 116, SLA 1981 provides: "If sec. 25 of this Act is held invalid by a final judgment of a court from which an appeal is not taken, then sec. 24 of this Act is retroactive to January 1, 1979, and applies to tax years beginning after December 31, 1978."

Section 27, ch. 116, SLA 1981 provides: "If secs. 25 and 26 of this Act are held invalid by a final judgment of a court from which an appeal is not taken, then sec. 24 of this Act is retroactive to January 1, 1980, and applies to tax years beginning after December 21, 1979."

Section 28, ch. 116, SLA 1981, provides: "If secs. 25, 26 and 27 of this Act are held invalid by a final judgment of a court from which an appeal is not taken, then sec. 24 of this Act is retroactive to January 1, 1981, and applies to tax years beginning after December 31, 1980."

Sec. 43.21.030. Determination of income from oil and gas pipeline transportation [Repealed effective January 1, 1982]. (a) Except as provided in (c) of this section, taxable income attributable to the transportation of oil in a pipeline engaged in interstate commerce in Alaska shall be determined by the department and shall be the amount reported or that would be required to be reported to the Federal Energy Regulatory Commission or its successors as net operating income, less those portions of interest and general administrative expense attributable to the pipeline transportation of oil in the state, except that taxable income shall also include taxes on or measured by income. The department shall establish regulations governing the determination of interest and general administrative expense attributable to pipeline transportation of oil in the state.

(b) Except as provided in (c) of this section, taxable income attributable to the transportation of natural gas in a pipeline engaged in interstate commerce in Alaska shall be determined by the department and shall be the amount reported or that would be required to be reported to the Federal Energy Regulatory Commission as net operating income less that portion of interest and general administrative expense attributable to pipeline transportation in the state, except that the taxable income shall also include taxes on or measured by income. The department shall establish regulations governing the determination of interest and general administrative expense attributable to pipeline transportation of natural gas in the state.

(c) Taxable income attributable to the transportation of oil or natural gas in Alaska of any corporation not under the Federal Energy Regulatory Commission jurisdiction, or of a corporation under the jurisdiction of the Federal Energy Regulatory Commission but not reporting the operation of pipelines in Alaska separately from the operation of pipelines elsewhere, shall be determined by the department and shall be based upon an amount equal to that which would have been reported to the Federal Energy Regulatory Commission under (a) of this section in the case of oil pipelines, or (b) of this section in the case of natural gas pipelines, had the corporation been, in fact, under Federal Energy Regulatory Commission jurisdiction for the taxable year and required to report on the operation of Alaska pipelines separately from the operation of pipelines elsewhere. (§ 3 ch 110 SLA 1978)

Editor's notes. — Section 24, ch. 116, SLA 1981 provides: "If the method of determining taxable income under either AS 43.21.020 or AS 43.21.030 is held invalid by a final judgment of a court from which an appeal is not taken, and if as a result of that judgment a corporation, whether or not a party named in that judgment, receives a refund of taxes or estimated taxes paid under AS 43.21, then the

provisions of AS 43.20, as amended in sec. 5 of this Act, apply to that corporation for the entire period for which it receives the refund."

Section 25, ch. 116, SLA 1981 provides: "Section 24 of this Act is retroactive to January 1, 1978, and applies to tax years beginning after December 31, 1977."

Section 26, ch. 116, SLA 1981 provides: "If sec. 25 of this Act is held invalid by a

final judgment of a court from which an appeal is not taken, then sec. 24 of this Act is retroactive to January 1, 1979, and applies to tax years beginning after December 31, 1978."

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1980, and applies to tax years beginning after December 21, 1979."

Section 28, ch. 116, SLA 1981, provides: "If secs. 25, 26 and 27 of this Act are held invalid by a final judgment of a court from which an appeal is not taken, then sec. 24 of this Act is retroactive to January 1, 1981, and applies to tax years beginning after December 31, 1980."

Sec. 43.21.040. Determination of income from activities other than oil and gas production or pipeline transportation [Repealed effective January 1, 1982]. (a) Taxable income of a corporation subject to AS 43.21.010 — 43.21.120 from activities in this state other than the production of oil or gas from a lease or property in the state or the pipeline transportation of oil or gas in the state shall be determined in accordance with the method established in art. IV of AS 43.19.010 and in AS 43.20.071, as modified by (b) — (f) of this section.

(b) The total taxable income of the consolidated business is its entire income less the portion of that entire income attributable to worldwide production and pipeline transportation of oil and gas. In this section,

(1) for a member of a consolidated business who is required to file under the Internal Revenue Code, "entire income" means taxable income under Subtitle F and chapter 1 of Subtitle A of the Internal Revenue Code of 1954, as amended, except that those provisions adopted after December 31, 1975, which change or modify exemptions from tax are not adopted by reference as a part of this section until the second January 1 following the effective date of the federal law;

(2) for a member of a consolidated business who is not required to file under the Internal Revenue Code, "entire income" means book income, except that a taxpayer may elect to report his income as the income would be determined under (1) of this subsection.

(c) The numerator and denominator of the property factor, of the payroll factor and of the sales factor shall be calculated without reference to that portion of property, payroll or sales directly related to the production of oil or gas from a lease of property in the state or the pipeline transportation of oil or gas in the state.

(d) Repealed by § 17 ch 116 SLA 1981.

(e) Repealed by § 17 ch 116 SLA 1981.

(f) The value attributed to vessels transporting Alaskan oil or gas of the consolidated business which are not owned or effectively owned by the consolidated business shall be excluded from the property factor. (§ 3 ch 110 SLA 1978; am §§ 30 — 32 ch 113 SLA 1980; am §§ 9, 17 ch 116 SLA 1981)

Effect of amendments. — The 1980 amendment, retroactive to January 1, 1978, in subsection (a), substituted "(f)" for

"(e)" near the end of the subsection, in former subsection (b), substituted "earnings and profits of the consolidated

business gained directly from oil and gas production and pipeline transportation" for "taxable income of the corporation as determined under AS 43.21.020 and 43.21.030" at the end of the subsection, and added subsection (f).

The 1981 amendment, retroactive to January 1, 1978, rewrote subsection (b) and repealed subsection (d) which read "Compensation earned by the employees of the consolidated business who are employed in the United States but not in any state shall be included in the numerator of the payroll factor if the employees are directly supplied from the base of operation maintained in this state" and repealed subsection (e) which read "The value of oil or gas production facilities or other properties of the consoli-

dated business which are located in the United States but not in any state shall be included in the numerator of the property factor if the property is serviced or supplied from a base of operations maintained in the state or if that property relies on onshore facilities in this state for storage of the oil or gas produced."

Editor's notes. — Section 50, ch. 113, SLA 1980 makes this section applicable to tax years beginning after December 31, 1977.

Chapter 1 of Subtitle A and Subtitle F of the Internal Revenue Code, referred to in subsection (b), are found in 26 U.S.C. § 1 et seq. and 26 U.S.C. § 6001 et seq.

Section 20, ch. 116, SLA 1981 provides that the 1981 amendment apply to tax years beginning after December 31, 1977.

Sec. 43.21.050. Assessment of income and tax [Repealed effective January 1, 1982]. (a) The department shall assess taxable income and the amount of tax payable on that taxable income.

(b) On or before August 15 of each year the department shall send to every corporation taxable under AS 43.21.010 — 43.21.120 a notice of assessment showing the amount of income taxable under AS 43.21.010 — 43.21.120 for the previous year and the amount of tax payable on that taxable income.

(c) For purposes of AS 43.21.010 — 43.21.120 the department may combine taxable incomes of corporations subject to tax under AS 43.21.010 — 43.21.120 who are part of the same consolidated business.

(d) If the methods of allocation and apportionment provided in AS 43.21.010 — 43.21.120 do not fairly represent the extent of a corporation's business activity in the state, the corporation may petition for or the department may require, in respect to all or any part of the corporation's business activity, if reasonable, the employment of any method authorized under art. IV, sec. 18, of the Multistate Tax Compact (AS 43.19.010) to effectuate an equitable allocation and apportionment of the corporation's income. The commissioner shall include in his annual report required in AS 43.21.110 a report on all relief granted under this subsection, including for each case a statement of the changes in tax liability resulting from the granting of relief, the tax years involved, and a description of the method of determining taxable income that was substituted for those provided in AS 43.21.010 — 43.21.120. (§ 3 ch 110 SLA 1978; am § 10 ch 116 SLA 1981)

Effect of amendments. — The 1981 amendment, retroactive to January 1, 1978, added subsection (d).

Editor's notes. — Section 20, ch. 116,

SLA 1981 provides that the 1981 amendment apply to tax years beginning after December 31, 1977.

Sec. 43.21.060. Returns [Repealed effective January 1, 1982]. On or before April 15 of each year, a corporation subject to tax under AS 43.21.010 — 43.21.120 shall submit a return in a form prescribed by the department setting out information required by the department to determine taxable income. For purposes of AS 43.21.010 — 43.21.120, the department may require corporations subject to tax under AS 43.21.010 — 43.21.120 who are part of the same consolidated business to file a single return. (§ 3 ch 110 SLA 1978)

Sec. 43.21.070. Payment of tax [Repealed effective January 1, 1982]. The tax levied under AS 43.21.010 — 43.21.120 is payable to the department on or before September 30 of each year or in installments, including prepayments of estimated tax, at the times and under the conditions the department may by regulation require. This tax is payable on the due date set out in this section even though the assessment is under appeal or the validity, enforceability or application of AS 43.21.010 — 43.21.120 or any provision of AS 43.21.010 — 43.21.120 is challenged before the department or in the courts. (§ 3 ch 110 SLA 1978; am § 11 ch 116 SLA 1981)

Effect of amendments. — The 1981 amendment, retroactive to January 1, 1978, added "including prepayments of estimated tax" preceding "at the times and under the conditions" in the first sentence.

Editor's notes. — Section 20, ch. 116, SLA 1981 provides that the 1981 amendment apply to tax years beginning after December 31, 1977.

Sec. 43.21.080. Transitional rules [Repealed effective January 1, 1982]. The department shall provide by regulation transition rules for corporations subject to tax under AS 43.20.011 — 43.20.350 before July 9, 1978 to avoid double taxation of the same income or double deduction of the same expense of those corporations as a result of becoming subject to tax under AS 43.21.010 — 43.21.120. (§ 3 ch 110 SLA 1978)

Sec. 43.21.090. Regulations [Repealed effective January 1, 1982]. The department may adopt regulations in accordance with the Administrative Procedure Act (AS 44.62.010 — 44.62.650) as appropriate to administer and enforce AS 43.21.010 — 43.21.120. (§ 3 ch 110 SLA 1978)

Sec. 43.21.100. Penalties [Repealed effective January 1, 1982]. The penalties established in AS 43.20.011 — 43.20.350 apply to AS 43.21.010 — 43.21.120. (§ 3 ch 110 SLA 1978)

Sec. 43.21.110. Public reporting [Repealed effective January 1, 1982]. (a) The commissioner of revenue shall compile and transmit to the legislature an annual consolidated report of state revenues and taxation policies under AS 43.21.010 — 43.21.120. This report shall include total aggregate income tax paid by corporations covered under

AS 43.21.010 — 43.21.120 and aggregate income and deductions by category, so classified as to prevent the identification of particular returns or reports.

(b) The legislative auditor shall transmit to the legislature an annual report reviewing the actions of the department in administering AS 43.21.010 — 43.21.120. (§ 3 ch 110 SLA 1978)

Sec. 43.21.120. Definitions [Repealed effective January 1, 1982]. Unless the context requires otherwise the definitions contained in AS 43.55.140 are applicable to AS 43.21.010 — 43.21.120. In addition, in AS 43.21.010 — 43.21.120

(1) "base of operations" means the closest point on land to the offshore oil or gas production operations from which goods, services and supplies flow to those offshore oil or gas production operations;

(2) "consolidated business" means a corporation or group of corporations having more than 50 percent common ownership direct or indirect, or a group of corporations in which there is common control either direct or indirect as evidenced by any arrangement, contract or agreement. (§ 3 ch 110 SLA 1978; am § 33 ch 113 SLA 1980)

Effect of amendments. — The 1980 amendment, substituted "more than" for "at least" in paragraph (2).

SLA 1980 makes this section applicable to tax years beginning after December 31, 1977.

Editor's notes. — Section 50, ch. 113,

Chapter 23. Permanent Fund Dividends.

Section

10. Eligibility for permanent fund dividend
20. Proof of eligibility
30. Amount of dividend
40. Penalties and enforcement
50. Dividend fund established
60. Duties of the department

Section

70. Exemption of permanent fund dividends
80. Eligibility for state public assistance payments
90. Tax exemption
100. Definitions

Editor's notes. — Section 1, ch. 21, SLA 1980, retroactive to January 1, 1979, provides: "POLICY, PURPOSES AND FINDINGS. (a) It is the duty and policy of the state with respect to the natural resources belonging to it and the income derived from those natural resources to provide for their use, development, and conservation for the maximum benefit of the people of the state.

(b) The purposes of this Act are

(1) to provide a mechanism for equitable distribution to the people of Alaska of at least a portion of the state's energy wealth derived from the development and

production of the natural resources belonging to them as Alaskans;

(2) to encourage persons to maintain their residence in Alaska and to reduce population turnover in the state; and

(3) to encourage increased awareness and involvement by the residents of the state in the management and expenditure of the Alaska permanent fund (art. IX, sec. 15, state constitution).

(c) The legislature finds that the accrual of permanent fund dividends provided in AS 43.23 [AS 43.23.010 — 43.23.100] enacted in sec. 2 of this Act, based on full years of residency since Jan-

Recent History of Alaska Corporation Net Income Tax
Prepared by Audit Division
March 13, 1985
Alaska Department of Revenue

- I. 1975 through 1977 AS43.20.011(e)
All corporations paid tax on net income derived from sources in the state. Tax rate equaled 5.4 percent plus a 4 percent surtax on income over the Federal surtax exemption. Oil companies were required to use worldwide combination using the unitary concept. All multistate taxpayers were required to use the standard three factor formula of property, payroll and sales.
- II. 1978 AS43.20.011(e)
Regular corporations tax rates remained the same. The surtax exemption was set at \$50,000.
- 1978 AS43.21.010
Companies deriving income from the production or pipeline transportation of crude oil or natural gas are to calculate net income under AS43.21 using separate accounting. Their tax rate remained the same as for regular corporations. The standard three factor formula remained in effect.
- III. 1981 AS43.20.011(e)
The tax rates applicable to all corporations were revised and the surtax exemption eliminated. Progressive rates from 2 percent on income over \$10,000 to 11% on income over \$4 million was set.
- IV. 1982 AS43.20.011(e)
Regular corporation's tax rates were revised slightly with a top tax rate of 9.4% for income exceeding \$90,000.
- 1982 AS43.20.072
The separate accounting law at AS43.21 was repealed effective 12/31/81. AS43.20.072, applicable to oil and gas producers and pipeline companies was enacted bringing the companies back under combination and apportionment under the unitary concept. Special apportionment factors specifically for these groups were devised.

I don't understand
the question

Ask
What are
the issues
to implement
the task

John's
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Recent History of Alaska Corporation Net Income Tax
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I don't understand
the question

Ask
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Answer

HYPOTHETICAL TAXPAYER

STATE A
(Manufacturing)

STATE B
(Sales)

Cost of Production:
\$4/unit

Transfer Value:
\$5/unit

Distribution and
Marketing Costs:
\$4/unit

Retail Sales
Price:
\$10/unit

Separate Accounting Income:
(1000 units)

Gross income (transfer
value X 1000) = \$5,000
Cost of production
(X 1000) = \$4,000

Net Income = \$1,000

Gross income (retail
sales X 1000) = \$10,000
Cost of goods
(transfer X 1000) = \$5,000
Cost of sales
(X 1000) = \$4,000
Net Income = \$1,000

Total Corporate Net Income = \$2,000

Three Factor Formula Income:

(Formula assumptions: all property State A; $\frac{1}{2}$ payroll each state; all sales State B)

Formula Income:

Property Payroll Sales
1/1 1/2 0

Factor average: 1/2

Net Income (1/2 X \$2,000) = \$1,000

Formula Income:

Property Payroll Sales
0 1/2 1/1

Factor average: 1/2

Net Income (1/2 X \$2,000) = \$1,000



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


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Date

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STATE OF ALASKA



POUCH V
JUNEAU, ALASKA 99811
(907) 465-4941

HOUSE SPECIAL COMMITTEE ON OIL AND GAS

April 24, 1985

Hazardous Substances Public Hearing

The role of the House Special Committee on Oil and Gas is to examine issues of concern to the state within the full context of oil and gas activities. An issue of particular concern is the disposal of hazardous materials related to the oil and gas industry; specifically, used drilling muds and fluids and wastewater discharge.

Today's public hearing is intended to provide an overview regarding these materials, and an understanding as to what extent existing problems are not being adequately met. This hearing will focus primarily on the following topics:

1. Expected DEC actions following the completion of a report by Tetra Tech, Inc. in December, 1984 that evaluated potential hazardous waste sites in Alaska.
2. A status update on Union Oil Company's request to bury 126,000 barrels of used drilling muds and fluids in existing reserve pits in the Kenai and Cannery Loop gas fields.
3. Status of drilling mud disposal guidelines being drafted by DEC.
4. The question as to which agency, DEC or the AOGCC (Alaska Oil and Gas Conservation Commission) is ultimately responsible for the clean-up of abandoned drilling sites.
5. Effects upon Alaska's environment resulting from both state and federal exemptions of used drilling muds and fluids from hazardous waste regulations.
6. Status of hazardous waste disposal on the North Slope.
7. Status of wastewater discharge from oil tankers in Prince William Sound.

This hearing will be teleconferenced to Anchorage, Kenai, and Fairbanks. Expected participants are as follows:

Commissioner Bill Ross, DEC
Steve Torok, EPA
Julie Athens, ARCO
David Wigglesworth, Alaska Health Project
Larry Weiss, Alaska Health Project
Jeff Mach, DEC
David Sears, AOGA
Mary Core, Alaska Center for the Environment
Bill Bobrick, Laborers Union
Sue Flemming, Anchorage Hazardous Waste Task Force
Bob Sizemore, Kenai resident
Ursula Barell
Exxon representative

INDEX OF PACKET MATERIALS

House Research Agency - Regulation of Toxic and Hazardous
Wastes in Alaska

AS 46.03. Hazardous Wastes Statutes

Preliminary Assessment of 45 Potential Hazardous Waste Sites
in the State of Alaska - Excerpts from Tetra Tech report

Response to Tetra Tech report - DEC response/newspaper articles

Drilling Muds - newspaper articles

Hazardous Wastes/SB 503 - newspaper articles

Wastewater Discharge - newspaper articles

Environmental Concerns in Louisiana - Petzinger & Getschow/WSJ



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y, State Capitol
Juneau, Alaska 99811
(907) 465-3991

April 24, 1985

MEMORANDUM

TO: Representative Mike Davis

ATTN: ~~Jonathan Sperber~~

FROM: Eric^{ESU} Laschever, Legislative Analyst

RE: Regulation of Toxic and Hazardous Wastes in Alaska
Research Request 85-294

At your request, I have prepared the following information regarding the disposal of hazardous and toxic wastes:

- an overview of the types, quantities, location and disposal of hazardous wastes in Alaska;
- a summary of the laws and regulations which apply to these wastes; and
- a brief discussion of the disposal of petroleum drilling muds in other states and provinces.

HAZARDOUS WASTES IN ALASKA

The distinction between hazardous and toxic wastes is a legal one which is discussed later in this memorandum. Aside from this legal distinction, there is little difference between the two. In this memorandum, the term "hazardous waste" is generally used to refer to both hazardous and toxic wastes generated by Alaska businesses, government and individuals.

Information on the types, quantities and location of wastes is limited. In addition, sources often use different terms and measurements in presenting their findings. The following data are neither comprehensive nor complete, but they do provide a sense of the status of hazardous wastes in Alaska.

Representative Davis
April 24, 1985
Page Two

Types of Hazardous Wastes

In 1980, the Environmental Protection Agency (EPA) surveyed 322 industrial, commercial, and institutional facilities in Alaska to determine what types of hazardous wastes they were generating. The responses identified 75 different waste types.¹

The most common way of grouping these wastes is by the following characteristics: ignitability, corrosivity, chemical instability (reactivity), and toxicity. ~~Certain wastes are considered to be acutely hazardous.~~ These include pesticides, halogenated hydrocarbons, carcinogens, and inorganics such as cyanide, arsenic, mercury and other heavy metals.²

In 1982, the EPA funded an assessment of hazardous wastes in Alaska. This assessment grouped hazardous wastes into the following four categories:

Solvents--chemicals or petroleum distillates used for degreasing metal parts, cutting and finishing fluids, varnish, laquer and paint thinner. Solvents are generally ignitable.

Petroleum sludge--contaminated petroleum wastes that are either a by product of a recovery or refining process or have accumulated in storage tanks. Petroleum sludge often contains toxic heavy metal contaminants.

Acids and corrosives--liquid wastes from pickling liquors, electroplating baths, battery manufacturing, and boiler descaling processes.

Other sludges and solids--electroplating sludges, spent containers, waste pesticides and herbicides, and outdated chemicals.³

A final category of hazardous wastes is poisons. Attachment A contains two lists which provide specific hazardous wastes. Attachments B, C and D, which present information on the quantities and location of hazardous waste, also illustrate types of hazardous wastes.

¹Evaluation of Collection, Treatment, and Disposal Alternatives for Hazardous Wastes for the State of Alaska, JRB Associates, September 1982, p. 2.

²Ibid., p. 3.

³Ibid., p. 14, 18.

Quantities of Hazardous Wastes

The EPA study estimated that 350 to 400 tons of hazardous wastes were generated annually in Alaska. It estimated that there were 25 to 40 industrial and commercial facilities which generate more than 2,200 pounds per month. The study estimated that 58 percent of these wastes were solvents, 18 percent were petroleum sludges, 18 percent were acids and corrosives, and 6 percent were other sludges and solids. According to the study, the military accounts for 65 percent of these wastes.⁴

A report recently prepared for the city of Anchorage estimates that the amount of hazardous wastes disposed of statewide each year is 154 tons.⁵ Corrosives and petroleum wastes accounted for approximately 54 percent and 46 percent of the total, respectively. Solvents accounted for less than one percent of the total.

Another indication of the quantities of hazardous wastes generated each year is provided by the results of the spring cleanup sponsored by the Department of Environmental Conservation (DEC). Under this program, the State pays to ship wastes which are generated by households and businesses out of the state. During the 1983 cleanup, 1,059 pounds of corrosives, 2,852 pounds of flammables and 3,352 pounds of poisons were collected in Anchorage alone.⁶ According to Marilyn Heiman, of the Alaska Center for the Environment, 61,000 pounds of wastes were collected statewide during the 1984 clean up.

Attachment B contains information on the quantities of different types of hazardous wastes generated in Alaska.

Location

According to the EPA study, the majority of Alaska's hazardous wastes are generated in the Matanuska and Tanana Valleys. Sources which generate more than 220 pounds per month are all in the vicinity of Anchorage, Kenai, Fairbanks or Prudhoe Bay. Elmendorf and Eielson Air Force Bases and Fort Richardson and Fort Wainright account for 60 percent of

⁴Ibid., p. 48.

⁵Hazardous Waste Management Plan Elements 1, 2, & 3, CH2M Hill, March 1984, p. 2-18.

⁶Ibid., p. 2-7.

the statewide production.⁷ The first table presented in Attachment B also lists the location of hazardous waste generators throughout the state. Attachment C contains a figure which further illustrates the distribution of hazardous waste generators in Alaska.

Current Disposal Practices

Until recently, the disposal of hazardous wastes was regulated only for generators who produced more than 2,200 pounds of wastes per month. The EPA study concluded that while this regulated waste was shipped to Arlington, Oregon, the majority of hazardous wastes generated in Alaska were stored or disposed of on-site, or disposed of in local landfills, sewers or incinerators. The study notes that reliable figures were unavailable, but estimated that only 20 percent of the 178 tons of nonsolvent wastes were shipped out, while most of the solvents were disposed of in Alaska.⁸ Attachment D illustrates the major disposal method for several types of waste.

The DEC recently completed an assessment of 45 potential hazardous waste disposal sites. This assessment provides further examples of disposal practices in recent years. Attachment E contains a summary of the study's findings and the detailed reports from the three sites which the study identified as having the greatest need for further action.

LAWS AND REGULATIONS

Currently, three federal laws influence the management of hazardous wastes in Alaska. The State passed legislation in 1984 which outlines the State's role in hazardous waste management. Regulations to implement these laws must be adopted by July 1, 1986. Federal and State laws are examined below.

Federal Laws and Regulations

The Resource Conservation and Recovery Act (RCRA). The RCRA has been the primary vehicle for managing hazardous wastes in Alaska since 1980. In November 1984, the RCRA was reauthorized and amended. These changes will alter the management of hazardous wastes in Alaska. The following discussion first examines the current program and then reviews some of the recent changes.

⁷Evaluation of Collection, Treatment, and Disposal Alternatives for Hazardous Wastes for the State of Alaska, p. 12.

⁸Ibid., p. 17.

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Page Five

The RCRA contains three main elements. It defines hazardous wastes, specifies the quantity of wastes which will be regulated and establishes a management system for hazardous wastes. Hazardous wastes are defined in two ways. First, a waste is hazardous if it is ignitable, corrosive, reactive, or leaches toxic substances such as heavy metals. Second, a number of specific wastes are listed. These listed wastes are by definition hazardous. It is important to note that drilling muds are specifically exempted from the definition of hazardous waste in the RCRA. Provisions of the RCRA apply only to generators who produce more than 2,200 pounds per month of most hazardous wastes or 2.2 pounds of acute wastes. Some of the components of the management system are discussed below.

The management system for hazardous waste is designed to track these wastes from their generation to their disposal. Under the RCRA, all businesses must know what their wastes are and whether or not they are hazardous under the law. Those businesses which are generating hazardous wastes must notify the EPA, which assigns them an identification number.

The EPA uses this identification number for tracking the waste through the system. The regulations specify procedures for labeling and dating the drums in which the wastes are stored and limits on-site storage in most cases to 90 days. A manifest which specifies the types and quantities of waste must be filled out. This manifest accompanies the waste through each stage of transportation, treatment and disposal. This record system ensures that there is documentation that the waste is properly disposed of.

The RCRA outlines specific procedures for the storage, treatment and disposal of hazardous wastes. Storage, treatment and disposal must be performed at licensed facilities which are designed for this purpose. There are no licensed disposal facilities in Alaska. According to all of the sources I interviewed, the absence of disposal facilities and licensed collecting stations greatly increases the costs of hazardous waste disposal.

Under the RCRA, the EPA is responsible for implementing the program. Implementation includes inspecting known and suspected generators, reviewing permit applications for storage, treatment and disposal facilities, and educating producers of hazardous wastes about the requirements of the law. A state may be authorized to perform this function if it develops a program which satisfies the law. Alaska is currently developing such a program. A cooperative agreement between the EPA and DEC assigns DEC certain responsibilities in the interim. This approach increases the EPA's resources for administering the program and provides training to the DEC staff so that they will be ready when the program is turned over to the State.

During FY 84, the DEC conducted 19 RCRA inspections of EPA-regulated facilities. In FY 85, 40 inspections are planned. The EPA will continue to review permit applications until the State is authorized to take over the program.

The recent amendments to the RCRA greatly increase the number of waste generators subject to the law. As noted earlier, the current regulations apply only to sources which generate over 2,200 pounds of waste per month. The amended law requires the EPA to develop regulations for generators of over 220 pounds per month by March 31, 1986. By July 1985, waste generated in quantities of greater than 220 pounds must be accompanied by an EPA manifest if shipped off-site. This new requirement is likely to promote the demand for licensed collection or disposal facilities in Alaska because shipping wastes out-of-state is extremely expensive for small generators.

Other amendments of the RCRA broaden the restrictions on land disposal. By specified dates, the EPA must decide whether it is safe to continue land disposal of such hazardous wastes as solvents and dioxin. If no determination is made by these dates, then land disposal of the substances is automatically prohibited. This regulation may effect the on-site disposal practices of some Alaska generators.

The Toxic Substances Control Act (TSCA). All hazardous wastes in Alaska are regulated by the RCRA with the exception of polychlorinated biphenyls (PCBs). PCBs were already regulated under the TSCA and were therefore excluded from regulation under the RCRA. For legal purposes, PCBs are classified as toxic wastes rather than hazardous wastes. According to Steve Torok of the EPA, PCBs are the only toxic wastes.

PCBs are part of the family of organic chemicals known as chlorinated hydrocarbons. Most PCBs were sold for use as insulating liquids in electrical transformers and capacitors. PCBs have been shown to cause toxic effects such as reproductive defects, gastric disorders, skin lesions and cancerous tumors.⁹ The TSCA prohibits the manufacture, processing and distribution of PCBs and provides a time table for phasing out PCBs which are already in use.

In Alaska, the EPA regulates PCBs which are in use by requiring the user to keep records on the equipment which contains the PCB and by inspecting these facilities on a regular basis. According to Steve Torok, the EPA has performed 10 to 20 inspections annually in recent years. The regulations for disposing of PCB-contaminated fluids vary according to the concentration of PCB. If the fluid has under 50 parts

⁹EPA Toxics Information Series, Polychlorinated Biphenyls, July 1983, p. 1 and 2.

Representative Davis
April 24, 1985
Page Seven

per million (ppm), it may be disposed of in a local landfill. A fluid containing more than this amount must be disposed of in either a licensed incinerator or licensed landfill. Because there are no licensed facilities in Alaska, most contaminated equipment is shipped to Oregon for disposal.

According to Mr. Torok, there are no summaries which list the location or quantities of PCBs which are present in Alaska. He notes that PCBs are likely to be present anywhere that there is electrical generating equipment. ~~Examples of users of PCB-contaminated equipment are rural utilities, the University of Alaska and the military.~~ He adds that rural utilities are of particular concern at this time, because recent inspections detected several severe violations. Mr. Torok estimates that the military shipped over one million pounds of contaminated equipment and soil to Oregon last year. He said that the amount of nonmilitary waste which was shipped was significantly less.

Comprehensive Environmental Response Compensation and Liability Act (CERCLA). The CERCLA provides funds to assist states inventory hazardous waste sites and (if they qualify) clean them up. The preliminary assessment of 45 sites in Alaska (which was mentioned earlier in this memorandum) was funded through this program.

State Laws

In 1981, the legislature passed SB 29, which instructed the DEC to seek EPA authorization to administer and enforce a hazardous waste program. Regulations were drafted to implement the law, but in 1983 it became clear that the statute would have to be amended to meet EPA specifications. In 1984, the legislature passed SB 503, which combined the amendments proposed by the governor in SB 498 with those proposed by the Senate Resources Committee, Senator Vic Fischer and Senator Josephson in SB 503, SB 450, and SB 486, respectively. The major provisions of SB 503 are summarized below. (Attachment F contains a copy of the version of SB 503 which was adopted.)

Section 1 of the bill authorizes the Department of Environmental Conservation to develop regulations for managing hazardous wastes. These regulations, when approved by the EPA, will enable the State to assume the responsibility for hazardous waste management under the RCRA by July 1, 1987. Regulations would apply to amounts of 220 pounds per month or greater, and acute wastes of 2.2 pounds per month. Mining wastes and those generated by oil and gas operations would initially be excluded.¹⁰

¹⁰The sectional analysis is taken from a memo by Edward Hein to Senator Fahrenkamp dated April 18, 1984.

Representative Davis
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Page Eight

Section 2 requires transporters of hazardous waste to first send a copy of the manifest for those wastes to the DEC. The DEC must send copies to all state and local public safety agencies in the areas through which the waste is transported.

Sections 3 and 4 require the DEC to set up temporary collection stations for hazardous wastes and to evaluate and select potential sites for permanent disposal sites in Alaska.

~~Sections 5 through 7 establish civil penalties of \$500-\$100,000 for violations, with additional fines of up to \$10,000 per day if the violations continue. Section 8 establishes criminal penalties of up to \$10,000 per day and up to one year imprisonment.~~

DISPOSAL OF OIL AND GAS DRILLING MUDDS IN OTHER STATES

I obtained brief descriptions of disposal procedures used by California, Texas and Louisiana. The Department of Environmental Conservation recently completed a survey of disposal practices used by other states and their findings supplement the following descriptions. In addition, Dan Wilkerson of the DEC will be sending a selection from the materials he received from these and other states which I will forward to you upon receipt.

California

In California, the type of disposal required for drilling muds is based on the level of toxicity of the waste. According to Stanford Lau of the California Department of Health, drilling muds are covered by California's hazardous waste laws and are tested for toxicity, corrosivity and ignitability to determine whether a given set of waste is hazardous. He notes that the tests and criteria are similar to those used by the EPA under the RCRA; however, the restrictions for heavy metals are more stringent than the EPA's restrictions.

Drilling muds which are determined to be hazardous by the above standards must be disposed of in Class 1 disposal sites. These sites are double lined to prevent leaching and must be located in areas with stable geology. There are less than five Class 1 sites in the state. A manifest system similar to the one described for the RCRA is used to track these wastes from their source to their disposal site.¹¹ Non-hazardous drilling muds are disposed of in the following ways: on-site

¹¹Survey of Drilling Mud Use and Disposal, Alaska Department of Environmental Conservation, September 1984, p. 28.

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April 24, 1985
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dumps, sanitary land fills (Class 3 disposal sites), and other double-lined containment pits (Class 2 disposal sites).

Texas

The Texas Railroad Commission regulates the disposal of drilling muds. Rule 8 prescribes the procedures for such disposal and covers such topics as authorized disposal methods, authorized pits, prohibited disposal methods and permits. Attachment G contains a copy of Rule 8. Texas also uses a manifest system to document the handling and disposal of its drilling Muds.¹²

Louisiana

According to Steve Colpepper, of the Office of Conservation, drilling muds are not classified as hazardous wastes in Louisiana. He indicated that much of the drilling waste has been stockpiled with little supervision or safeguards, but that incineration is becoming more common. Landfarming is also used as a disposal method. A survey completed by the DEC notes the following procedures used in Louisiana: the use of pits lined with three to five feet of materials with low permeability, monitoring of pits to detect seepage, and a manifest system for tracking the disposal of drilling muds.¹³

Please contact us if we can be of further assistance.

EL

Attachments

¹²Ibid.

¹³Ibid., p. 27 - 29.

§ 46.03.296

utes repealed or
all remain in effect
partment of Envi-
in consultation
Health and Social

t radiation;

ended by this Act
all repealed by the
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with the Depart-
al Services."

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or imminent
water, land or
to the public
issue an order
rsons to take
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with it imme-
ven a hearing
hereafter the

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onment. (§ 3
59 SLA 1982)

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tes repealed or
remain in effect
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ner that uses
ies of a haz-

§ 46.03.299

WATER, ETC., CONSERVATION

§ 46.03.299

ardous waste which is subject to this chapter and which the depart-
ment, on a case-by-case basis, determines is achievable for the haz-
ardous waste by application of production processes and available
methods, systems and techniques, taking into account energy, envi-
ronmental, and economic impacts and other costs; and

(2) the waste is disposed of in a manner that will ensure the pro-
tection of human health, livestock, wildlife, property, and the envi-
ronment.

(b) The department shall adopt regulations in accordance with the
Administrative Procedure Act (AS 44.62) for the treatment, storage,
and disposal of hazardous wastes to ensure the protection of human
health, livestock, wildlife, property, and the environment. (§ 10 ch 93
SLA 1981)

Sec. 46.03.299. Control of hazardous wastes. (a) The department
shall, by regulations adopted under the Administrative Procedure Act
(AS 44.62), establish a state hazardous waste program.

(b) The state hazardous waste program shall, consistent with and
substantially equivalent to the Federal Resource Conservation and
Recovery Act of 1976 (P.L. 94-580, 42 U.S.C. 6901 — 6987),

(1) establish criteria to identify the characteristics of hazardous
wastes;

(2) enumerate specific hazardous wastes (within the meaning of AS
46.03.900(32)) subject to the provisions of AS 46.03.302 and 46.03.305;
however, the department may not list as hazardous a waste that has
not been listed as a hazardous waste by the United States Envi-
ronmental Protection Agency under 42 U.S.C. 6921, unless the com-
missioner first determines that the waste is hazardous as defined in
this chapter;

(3) identify the sources of hazardous wastes enumerated under (2) of
this subsection;

(4) qualify the department to receive authorization from the admin-
istrator of the Environmental Protection Agency to administer and
enforce a hazardous waste program in accordance with the Federal
Resource Conservation and Recovery Act;

(5) determine the amount of a hazardous waste that is so small as to
not present a hazard to public health, livestock, fish, wildlife, and the
environment of the state when disposed of;

(6) exempt a person who generates, treats, transports, stores, or
disposes of a hazardous waste from the provisions of this chapter if the
quantity of the hazardous waste is less than the amount identified in
(5) of this subsection; and

(7) establish

(A) criteria for identifying appropriate hazardous waste disposal site
locations;

(B) procedures by which the public shall have opportunity to

- (i) participate in hazardous waste disposal site locations; and
- (ii) review and comment on issuance of hazardous waste disposal permits by the department. (§ 10 ch 93 SLA 1981)

Revisor's notes. — In subsection (b), the word "Resource" was added preceding "Conservation and Recovery Act" and in paragraph (2) of that subsection, a refer-

ence to AS 46.03.900(32) was substituted for a reference to AS 46.03.900(31) by the revisor of statutes under AS 01.05.031.

Sec. 46.03.300. Exceptions.

Repealed by § 12 ch 172 SLA 1978.

Revisor's notes. — Section 6, ch. 172, SLA 1978 would have added a new subsection (b) to AS 46.03.300 (repealed by Sec. 12 of that same Act), but as the language of the new subsection (b) refers solely to AS 46.03.270, also repealed in Sec. 12 of ch. 172, the amendment purportedly made by § 6 has been considered to be of no effect, and consequently dropped.

Editor's notes. — The repealed section derived from § 3, ch. 120, SLA 1971.

Section 10, ch. 172, SLA 1978, provides: "Regulations adopted under authority of statutes repealed or amended by this Act shall remain in effect until repealed by the Department of Environmental Conservation in consultation with the Department of Health and Social Services."

Sec. 46.03.302. Hazardous waste permit. (a) A person may not treat, transport, store, or dispose of a hazardous waste as defined by the department by regulation unless that person first secures a permit from the department and submits to the department any reports or manifests that the department may require for handling the hazardous wastes.

(b) A person who generates hazardous waste is not required to obtain a permit under (a) of this section unless the person also treats, transports, stores, or disposes of the hazardous waste. (§ 10 ch 93 SLA 1981)

Sec. 46.03.305. Hazardous waste reports and manifests. A person who generates hazardous wastes shall submit to the department reports or manifests that the department may require for handling the hazardous wastes. (§ 10 ch 93 SLA 1981)

Sec. 46.03.308. Transportation of hazardous wastes. Hazardous wastes may not be transported to a hazardous waste disposal site unless the wastes are accompanied by a report or manifest that the department may require for handling hazardous wastes. (§ 10 ch 93 SLA 1981)

Sec. 46.03.310. Conflicting laws.

Repealed by § 12 ch 172 SLA 1978.

Editor's notes. — The repealed section derived from § 3, ch. 120, SLA 1971.

Section 10, ch. 172, SLA 1978, provides:

"Regulations adopted under authority of statutes repealed or amended by this Act shall remain in effect until repealed by the

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WATER, ETC., CONSERVATION

§ 46.03.320

Department of Environmental Conserva-
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of Health and Social Services."

Sec. 46.03.311. Public records. (a) Permits, permit applications, records, reports, and information and documentation obtained under AS 46.03.302 — 46.03.308 are available to the public for inspection and copying. However, upon a showing satisfactory to the commissioner that a record, report, permit, application, or information would, if made public, divulge methods or processes entitled to protection as trade secrets, the commissioner shall treat the record, report, permit, application, or information as confidential.

(b) Information that is confidential may be transmitted under a continuing restriction of confidentiality to other officers, employees, or authorized representatives of the state or of the United States if

(1) the person responsible for furnishing the record, report, permit, application, or information to which such information pertains is informed at least two weeks before the transmittal; and

(2) the information has been acquired by the department under the provisions of AS 46.03.296 — 46.03.311.

(c) The provisions of this section do not limit the department's authority to release confidential information during emergency situations. (§ 10 ch 93 SLA 1981)

Article 6. Pesticide Control.

Section

320. Authority

330. Public pesticide programs

Collateral references. — 61A Am. Jur.
2d, Pollution Control, §§ 295-295, 299,
300, 305-406.

39A C.J.S., Health and Environment,
§ 47.

Constitutionality of statutes for pro-
tection of vegetation against disease or
infection. 70 ALR2d 852.

Liability for injury caused by spraying
or dusting of crops. 37 ALR3d 833.

Sec. 46.03.320. Authority. (a) The department is authorized to

(1) regulate the transportation, testing, inspection, packaging, labeling, handling and advertising of pesticides and broadcast chemicals offered for sale, or placed in commerce for use in the state;

(2) regulate and supervise the distribution, application or use of pesticides and broadcast chemicals in any state project or program, or by a public agency under the jurisdiction of the state;

(3) regulate or prohibit the use of pesticides and broadcast chemicals.

(b) The department may provide by regulation for the licensing of private applicators of restricted-use pesticides and for persons engaged

(23) "restricted-use pesticides" means pesticides that are classified for restricted use under section 3(d)(1)(C) of the Federal Insecticide, Fungicide, and Rodenticide Act, as amended (7 U.S.C. 136a (d)(1)(C));

(24) "facility" means any offshore or onshore structure, improvement, vessel, vehicle, land, enterprise, or endeavor;

(25) Repealed by § 116 ch 59 SLA 1982.

(26) "resource recovery" means the recovery of materials or energy from solid wastes for industrial use, agriculture, heat production, power production, or other processes or purposes and includes the reuse of materials or products to conserve natural resources;

(27) "solid waste" means all unwanted, abandoned, or discarded solid or semi-solid material whether or not subject to decomposition, originating from any source;

(28) "solid waste disposal facility" means a facility for the discharge, deposit, injection, consolidation, or placement of solid waste into or onto the land and includes transfer stations and sanitary landfills;

(29) "solid waste processing facility" means a facility for the extraction of materials from solid waste, volume reduction, conversion to energy, or other separation and preparation of solid waste for reuse or disposal and includes incinerators, shredders, balers, and transfer stations;

(30) "low level radioactive materials" means a radioactive waste other than

(A) used nuclear reactor fuel;

(B) waste produced during the reprocessing of used nuclear reactor fuel; and

(C) elements having an atomic number greater than 92 and containing 10 or more nanocuries per gram;

(31) "dispose" has the same meaning as the term "disposal" is defined in 42 U.S.C. 6903(3);

(32) "hazardous waste" means a waste or combination of wastes that because of quantity, concentration, or physical, chemical, or infectious characteristics may

(A) cause, or significantly contribute to, an increase in mortality or an increase in serious irreversible or incapacitating reversible illness; or

(B) pose a substantial present or potential hazard to human health or the environment when improperly managed, treated, stored, transported, or disposed of;

(33) "manifest" means the form used for identifying the quantity, composition, origin, routing, and destination of a hazardous waste when the hazardous waste is transported;

(34) "storage" means the containment of hazardous waste, either on a temporary basis or for a period of years, in a manner that does not constitute disposal of the hazardous waste;

(35) "treat" defined in 42 U.S.C. 197 §§ 7, 12 ch 1 SLA 1981; a:

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TC-3924

PRELIMINARY ASSESSMENT OF 45 POTENTIAL HAZARDOUS
WASTE SITES IN THE STATE OF ALASKA

by

Tetra Tech, Inc.

for

Alaska Department of Environmental Conservation
Juneau, Alaska 99811

December, 1984

Tetra Tech, Inc.
11820 Northup Way, Suite 100
Bellevue, Washington 98005

ACKNOWLEDGEMENTS

This report, "Preliminary Assessment of 45 Potential Hazardous Waste Sites in the State of Alaska," was produced for the Alaska Department of Environmental Conservation (ADEC), Juneau, Alaska, under a cooperative agreement with the Environmental Protection Agency (EPA). Tetra Tech wishes to thank the following individuals who supplied information and comments for this study and subsequent report:

David DiTraglia	ADEC (Juneau)
Debbie Flood	U.S. EPA (Seattle)
Mike Lucky	ADEC (Soldotna)
Joan McNamee	U.S. EPA (Seattle)
Jeff Mach	ADEC (Fairbanks)
Simon Mawson	ADEC (Nome)
Glenn Miller	ADEC (Juneau)
Steve Torok	U.S. EPA (Juneau)
Steve Zrake	ADEC (Anchorage)

For Tetra Tech, the gathering of information, site visits and assessments, and preparation of this report were conducted by Scott Ferris and Warren Hansen. Project management and assistance was provided by Lary Marx, Warren Hansen, and Tom Johnson.

INTRODUCTION

This report is a preliminary assessment of 45 potential uncontrolled hazardous waste sites in the state of Alaska. It was prepared by Tetra Tech, Inc. for the Alaska Department of Environmental Conservation (ADEC) and represents Alaska's response to Section 3012 of the Resource Conservation and Recovery Act (RCRA). Project activities included gathering background information, conducting site visits, and acquiring supplemental data from federal, state, and local sources. All data for each site were then reviewed and summarized on EPA Form 2070-12, "Potential Hazardous Waste Site Preliminary Assessment." These assessments are presented in Appendix A, and constitute the majority of this report.

HISTORICAL OVERVIEW

With geophysical and industrial characteristics unlike all other states, Alaska is a unique location for hazardous waste evaluations. In most regions, Alaska is still a vast, undeveloped frontier, and human activities have been limited primarily to commercial resource exploration and military outposts.

The development of the North Slope-Prudhoe Bay oil fields and construction of the Alyeska oil pipeline in the 1970s presaged industrial expansion and an increase in oil production capacity. Mining and ore refining have also been conducted on a large scale. These and other industries have produced significant volumes of waste, including smelting and mining residues, drilling muds, and waste oils. The latter two are exempt from regulation as hazardous wastes, per se, but can contain metals, halogenated hydrocarbons, or polychlorinated biphenyls (PCBs), and must therefore be closely monitored.

The physical conditions throughout the state have a direct impact on hazardous waste management and containment. In the permafrost zones of the north, groundwater migration from land disposal sites is limited.

The stratigraphy of glacial deposits is unknown in many areas, and makes it difficult to predict groundwater location or flow. Surface water flow is limited to periods of thaw and is often difficult to trace in the tundra. Low temperatures influence the hazardous chemicals directly by reducing vapor pressure, changing viscosity, and affecting other characteristics.

The logistics of conducting commercial activities has also had a direct bearing on the management and types of wastes in Alaska. The stockpiling of fuels, drilling mud additives, solvents, explosives, and other materials is a regular practice at remote locations. This has resulted in the accumulation of large numbers of drums that may then be reused to store wastes. When a remote site is abandoned, these products are often left behind. Major oil companies operating on the North Slope have conducted regular cleanups of such inventories, and have deposited waste materials in nearby landfills. These sites do not always meet RCRA standards for hazardous waste disposal, and must be closely monitored.

Sites in and around the metropolitan centers are more typical of those found in other states. These include battery operations, tanneries, metal plating shops, municipal landfills, and other sites. Wastes generated at these sites include waste oil, dilute acids, miscellaneous solvents, wastewater, and general refuse. Drinking water contamination is the most prevalent hazard posed by these sites.

In October, 1982, Congress appropriated 10 million dollars from the trust fund established under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) of 1980 to implement Section 3012 of the Resource Conservation and Recovery Act. In the conference report for the appropriation, the committee indicated that it was:

aware that in many areas delays have been experienced in the discovery, inspection and evaluation of hazardous waste sites. This \$10,000,000 is a one-time, non-recurring appropriation to assist States in completing the site survey and inspection process. Since this will not be a continuing program, the conferees expect the Agency to allocate these funds to the States as expeditiously

as possible, without establishing unduly complex administrative mechanisms or requirements. [CERCLA/RCRA 3012 Guidance Document, March 8, 1983]

On February 7, 1983, the Environmental Protection Agency (EPA) published a notice in the Federal Register which finalized the guidelines implementing Section 3012 of the RCRA program. This notice provided a mechanism for allocating funds to states, waived state cost-sharing responsibilities, identified and defined allowable uses of the funds, discussed the priority of the allowable activities, and established general procedures for obtaining the funds.

The RCRA 3012 program was designed to integrate with existing CERCLA implementation efforts. The CERCLA remedial response program begins with site discovery and, depending on the results of each subsequent phase, progresses through preliminary assessment, site inspection, National Priority List nomination, remedial investigation, feasibility study, and design and implementation of the selected remedial action.

RCRA SECTION 3012 OBJECTIVES

ADEC and EPA have jointly compiled an inventory of potential hazardous waste sites in the state of Alaska. This list, in addition to the RCRA Interim Status Inspections, provides the basis for the list of potential hazardous waste sites in Alaska, which, in turn, makes up the federal Emergency and Remedial Response Information System (ERRIS). Presently, there are approximately 100 reported uncontrolled hazardous waste sites in Alaska. The number of sites listed may be reduced as new data confirm the absence of threats to human health or the environment.

The Hazard Ranking System (HRS) is designed to assist in quantifying potential hazards at waste disposal sites. If a site's HRS score is high, the site may be included on the CERCLA National Priorities List (NPL). EPA defined five activities for states to undertake under RCRA Section 3012. In order of priority, these activities are:

- Preliminary assessments
- Site inspections
- Responsible party searches
- Discovery
- Site inspection follow-up.

Preliminary assessments and site inspections reduce the number of sites for further investigation, and allow more efficient use of available resources. Responsible party searches provide support for enforcement action. Discovery of additional sites ranks lower than assessment and inspection because of the pressing need to learn more about identified sites and because it is thought that earlier efforts located the majority of potentially hazardous sites. Follow-up site inspection is costly and requires highly trained staff.

PRELIMINARY SITE ASSESSMENTS

Tetra Tech's role under the EPA-State of Alaska cooperative agreement was to perform preliminary assessments of 45 potential hazardous waste sites on the ERRIS list and to recommend priorities for future actions that would better characterize each site.

EPA defines a preliminary assessment as the process of collecting and reviewing readily available information about a known, suspected, or potentially hazardous waste site; and using this information to determine the degree of the hazard to public health and the environment, the source and nature of a release or potential release, and the identity of the responsible party. Potential hazardous waste sites are then ranked or grouped into one of the following four priority action groups:

- "None" - no further action recommended
- "Low" - inspection recommended on a time-available basis
- "Medium" - inspection recommended on a scheduled basis
- "High" - inspection recommended promptly.

Sites rated "Low", "Medium", or "High", should then be inspected in order to fully characterize the hazards. Sites with a "None" priority assessment may be removed from the ERRIS list because it has been determined that no problem exists at the site, or that a problem exists and steps have been taken to resolve it. Sites must be placed in one of the following backlog reduction categories in order to be removed from the ERRIS list:

- No problem, no further action required.
 1. No hazardous substances exist at the site.
 2. Hazardous substances exist but are fully controlled.
 3. Hazardous substances exist, but in quantities and concentrations which do not pose a threat to health or the environment. This determination is difficult to make, and requires a "risk/safety" decision. Risk is an objective measure of the probability of an undesirable event occurring. Safety is a judgment of what level of risk is acceptable. Risk/safety decisions are based on one of the following, in order of priority:
 - Approved standards: WQS, NAAQS, PDWS, etc.
 - Formally published criteria: WQS, SNARLS, etc.
 - Other standards and guidelines: OSHA, NIOSH, etc.
 - General literature.
 - Expert opinion.

4. Site is a duplicate of another site.
5. Site does not exist.
- Problem, further action required.
 1. Site included on National Priorities List.
 2. CERCLA enforcement site, non-NPL.
 3. Site regulated by another federal agency (e.g., military base, BLM, USFS).
 4. Site regulated by another EPA program (e.g., NPDES).
 5. Site regulated by state government.
 6. Site regulated by local government.
 7. Problems exist but no appropriate regulatory/response tool available.
 8. Problems too minor for EPA or other agency attention.

RESULTS

PRIORITY ACTION RANKINGS

To use the decision flowchart, start in the upper lefthand corner at the Potential HW Site arrow. Follow the arrows to the landfill site decision/description box. Continue following the flowchart until the site is adequately described and subsequently assessed. Some sites may fit into more than one site decision/description box. For these sites, follow the decision flowchart for each site decision/description box. The site will be ranked according to the worst case priority assessment. Table 1 depicts the priority action rankings for each of the 45 sites.

SUMMARY MATRIX

The following matrix lists the 45 sites with their Priority Action Rankings. The sites are further described in terms of status (active or abandoned, landfill or dump); contents (presence of PCBs, waste oil, or drilling mud); size; and other characteristics.

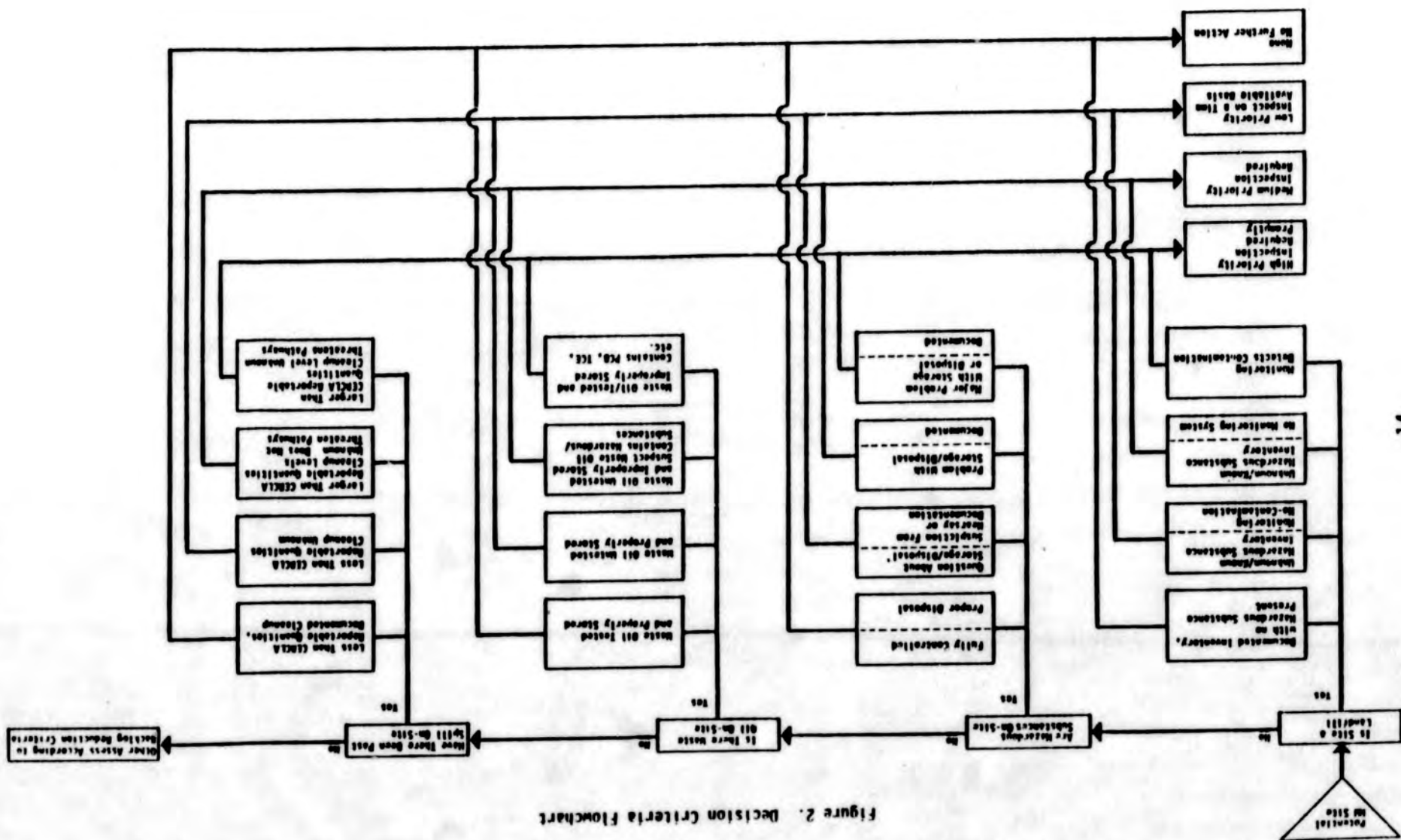


TABLE 1. PRIORITY ACTION RANKINGS

None: No further action required	Low: Inspect on a time-available basis	Medium: Inspection required	High: Inspection required immediately
• Commercial Printing Company • Fairbanks Daily News-Miner • The Letter Shop • Diesel Fuel Dump, Kotzebue • Liquid Air, Inc.	• Fairbanks City Dump, 2nd Ave. • Juneau Landfill • Alaska Battery Enterprises • Alaska Gold • Big Murrah Gold Mine • Earth Movers of Fairbanks • Fairbanks Sand & Gravel, Inc. • Alaska Electroplating & Bumper Repair, Anchorage • Alaska Husky Battery, Inc. • Pacific Airmotive Corp. • Red Devil Mine Waste Ponds • Tesoro Alaska Petroleum • Chevron USA Alaska • Crowley Environmental Services • Kenai Landfill • M & M Enterprises • Russian Creek/Bell Flats • Rogers & Babler, Inc. • International Airport Landfill • North Pole Refinery	• Fairbanks North Star Borough Landfill • Nome City Dump • City Dump, Fort Yukon • Nome Barrel Dump • Sagwon Airstrip Dump • Mukluk Dump • Sand Dune Landfill • Putuligayuk Landfill • ARCO - Prudhoe Bay Site • Mukluk Freightlines • Municipal Utilities System • University of Alaska, Fairbanks • Alaska Railroad, Fairbanks • White Pass/Yukon Railroad • Alaska Pollution Control • Old Kenai Dump • Frontier Tanning	• Old Creosote Plant • Union Oil of California • Alaska Railroad, Anchorage

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17; 2 Anchorage

3; 1 Anchorage

SUMMARY MATRIX

	None Priority	Low Priority	Medium Priority	High Priority	Site is Inactive/Abandoned	Site is a Landfill/Dump	Site Contains PCBs	Site Contains <u>Only</u> Waste Oil	The Site is a Small 1-2 Person Operation	COMMENTS
Fairbanks City Dump	●			●	●					The inventory at the dump is unknown. There is no monitoring system.
Fairbanks North Star Borough Landfill		●			●					The landfill does not accept hazardous wastes. There may be hazardous wastes.
Nome City Dump		●			●					This site is an open dump.
City Dump, Fort Yukon		●			●					Municipal wastes and petroleum products are stored at this site.
Juneau Landfill	●				●					The landfill contains radioactive wastes.
Nome Barrel Dump		●		●						Approximately 1,000 deteriorating barrels are stored at this site.
Sagwon Airstrip Dump		●		●				●		Approximately 3,000 deteriorating drums are stored at this site.
Nuluk Dump		●		●	●			●		Drilling materials are suspected at this site.
Sand Dunes Landfill		●		●	●			●		Small quantities of hazardous materials are suspected at the site.
Putuligayuk Landfill		●			●			●		Oil wastes are suspected at this landfill.
Alaska Battery Enterprises	●								●	This facility recycles its wastes.
Alaska Gold	●					●				This site may contain PCB transformers.
ARCO, Prudhoe Bay Site		●		●	●			●		Drilling muds are at this site.
Big Murrah Gold Mine	●			●						The site once contained 18 drums of cyanide.
Commercial Printing Company	●									There is no problem at this site. This site is owned by Fairbanks Daily News.
Earth Movers of Fairbanks		●					●			This site generates 300 gallons/month of waste oil.
Fairbanks Daily News Miner	●									There is no problem at this site.
Fairbanks Sand and Gravel, Inc.		●					●			This site generates waste oil which is stored in 55-gallon drums.
Nuluk Freight Lines		●						●		Miscellaneous drilling chemicals were stored at this site.
Municipal Utilities System		●				●				This site contains 40-45 PCB capacitors.
The Letter Shop	●									This facility generates waste rags.
University of Alaska, Fairbanks		●		●	●					The site is a 1/2-acre landfill containing laboratory wastes.
Alaska Railroad, Fairbanks		●			●	●				The site contains a landfill and at least 10 PCB transformers.

SUMMARY MATRIX

	None Priority	Low Priority	Medium Priority	High Priority	Site is Inactive/Abandoned	Site is a Landfill/Dump	Site Contains PCBs	Site Contains Only Waste Oil	The Site is a Small 1-2 Person Operation	COMMENTS
diesel Fuel Dump, Kotzebue	●									The City of Kotzebue is underlain with diesel fuel.
Alaska Electroplating and Bumper Repair		●								Facility generates approximately 500 gallons of dilute HCL/month.
Alaska Husky Battery, Inc.		●								This facility generates less than 200 gallons/month of dilute HCL.
Pacific Automotive Corporation		●		●						Location of the facility is not known.
Red Devil Mine Waste Ponds		●		●						Mercury and arsenic contamination are present at this abandoned mine.
Imperial Alaska Petroleum Company		●						●		This facility is a large refinery. Wastes include oily materials.
Old Creosote Plant, Whittier			●	●						Creosote and waste oil contaminate this site.
White Pass and Yukon Railroad			●	●						There is no information about this site.
Alaska Pollution Control			●				●			The facility stores waste oil. The storage capacity is 50,000 gallons.
Chevron USA Alaska Ref.		●								This facility is a refinery. It generates miscellaneous oily wastes.
Crawley Environmental Services		●				●				This facility once stored hazardous wastes for disposal.
Kenai Landfill		●			●					The Kenai landfill has accepted hazardous wastes in the past.
Liquid Air, Inc.	●									This facility generates lime as its only waste.
W & M Enterprises		●							●	This facility is a scrap metal recycler. Batteries are recycled.
Russian Creek and Bell Flats Subdivision		●		●						At one time there were 300 drums suspected of containing tar at this site.
Old Kenai Dump			●	●	●					The inventory at this abandoned dump is unknown.
Rogers & Babler, Inc.		●					●			Waste oil is generated at this site.
Union Oil of Calif., N. Kenai			●							This facility is a chemical manufacturing plant.
Frontier Tanning			●					●		This facility uses an on-site leach field for disposal of tanning wastewater.
International Airport Landfill		●		●	●					The inventory of wastes at this facility is unknown.
North Pole Refinery		●					●			All waste fuel/oils are either re-refined or reinjected into the pipeline.
Alaska Railroad, Anchorage			●		●	●				Facility generates caustics. On-site landfill and past spill history.

RECOMMENDATIONS

As a result of this study, it is recommended that the five sites ranked "None" priority be removed from the ERRIS list. A site inspection should be performed, on a time-available basis, on the 20 sites ranked "Low" priority. The 17 sites in the "Medium" priority group should receive prompt site inspection.

There were three sites ranked in the "High" priority group: Old Creosote Plant, Whittier; Union Oil of California, North Kenai; and the Alaska Railroad, Anchorage. Creosote and waste oil tank bottoms are present in the soil and in a pond at the Old Creosote Plant in Whittier. The Union Oil of California chemical manufacturing facility in North Kenai has had large chemical spills and has disposed of hazardous wastes on-site. The Alaska Railroad in Anchorage has discharged hazardous materials on-site and houses an abandoned on-site landfill. It is recommended that these three sites receive the highest priority for inspection.

MEMORANDUM

State of Alaska

TO: Bob Martin
Special Assistant
Anchorage

RECEIVED

DATE: January 17, 1985

JAN 18 1985 FILE NO:

TELEPHONE NO: 465-2606

FROM: *Judy C. Ansley*
Judy C. Ansley
Public Information Office

DEPARTMENT OF
ENVIRONMENTAL CONSERVATION

SUBJECT: 3012 Study

DEC has just completed a preliminary assessment of 45 hazardous waste sites in Alaska. The study, funded by EPA under RCRA 3012, is the first step toward locating and cleaning up uncontrolled hazardous waste in Alaska. Work on the study was done under contract by Tetra Tech, Inc. in the summer of 1984, at nonfederal locations named in the federal ERRIS list.

DEC is distributing the report now to owners of the 45 sites and to other people who express interest in it. You can expect phone calls about it. Here is a list of questions that might arise, and potential answers:

I. Q - Is there hazardous waste at these sites?

A - Yes, we assume so, at some locations, based on past activities at the sites. The 3012 study is just an inventory of where hazardous waste sites might be located in Alaska. We don't know at present whether or not disposal or spills occurred which might have contaminated soil or water.

II. Q - Where did the list of sites come from?

A - The list was compiled by the EPA over the last eight years from a variety of sources. Anyone who suspects past or present hazardous waste activity at a site in Alaska is urged to contact the EPA or the Department of Environmental Conservation.

III. Q - What is DEC going to do next?

A - We're applying for a large grant from EPA to take samples to determine whether or not contamination from spills or disposal activities occurred at the sites. The present study was basically an inventory of sites, with minimal sampling at only a few sites.

IV. Q - If DEC finds hazardous waste, what are you going to do about it?

A - Federal regulations put the responsibility for cleanup on the owner of the land.

V. Q - What if the owner doesn't clean up?

A - EPA has the responsibility to enforce cleanup. If we find the business refuses to clean it up, we will turn the matter over to the EPA for enforcement. The state and federal governments can also litigate, and criminal and civil penalties can be assessed against the owner.

VI. Q - What if it is too expensive for the owner to clean up?

A - That has happened in the lower 48, and some businesses have gone bankrupt. Let's hope it doesn't happen here.

VII. Q - Are we going to shut the sites in the study down?

A - No, not based on the present report, which is basically an inventory. If, during the next phase of our study, we uncover a situation which has the potential to endanger public health or the environment, we will take steps to minimize exposure to the public based on the extent and type of contamination.

VIII. Q - When will the next phase of the study start?

A - DEC is applying for an EPA grant now. Specific site investigating could begin as early as this summer.

IX. Q - Can DEC shut down sites in the meantime?

A - No, unless the Commissioner finds immediate danger to health or irreversible damage to natural resources or the environment.

X. Q - Do you know what happened at these sites?

A - Not necessarily. Someone reported the sites because they suspected wastes were spilled or disposed of inappropriately. Whether any contamination occurred is what we are looking at in the next phase.

JCA/ne

cc: Stan Hungerford
David DiTraglia
Glenn Miller
Doug Lowery
Deena Henkins
Bill Lamoreaux
Jeff Mach
Bill MacClarence

Neve ✓

Noah

Anchorage Daily News

ANCHORAGE, ALASKA, SATURDAY, JANUARY 19, 1985

★ PRICE 25 CENTS

Study warns of possible health risks

Probe of 3 Southcentral hazardous waste sites recommended

By CRAIG MEDRED
Daily News reporter

Hazardous wastes could pose a threat to public health at three sites in Southcentral Alaska — including one in Anchorage, according to a study prepared for the state.

The environmental consulting firm of Tetra Tech Inc. has recommended an immediate investigation into the risks posed by chemical wastes at the Alaska Railroad yard in downtown Anchorage, an old creosote plant in Whittier and the Union Oil of California

chemical plant in North Kenai.

The Bellingham, Wash., firm's "Preliminary Assessment of 45 Potential Hazardous Waste Sites in the State of Alaska" also says 17 other sites — including two more in Anchorage — should be checked for dangerous chemicals as soon as possible.

"Drinking water contamination is the most prevalent hazard posed by these sites," the report said.

Tetra Tech last summer began checking hazardous waste sites around the state. The firm summarized its

findings in a report prepared for the Alaska Department of Environmental Conservation and the Environmental Protection Agency in December.

Five waste sites were judged clean by Tetra Tech, but 40 others were said to warrant further investigation. Twenty of those, the report said, could be inspected "on a time available basis."

But the other 20 — many of which are associated with early mining or oil exploration activities — need attention immediately or as soon as possible,

Tetra Tech said.

State and municipal officials this week said they have already begun organizing an investigation of the most worrisome sites in Anchorage.

Jim Sweeney, hazardous waste coordinator for the municipality, said monitoring wells are being installed near three waste sites — the railroad yard, and two others called suspect in the report, Frontier Tanning and Alaska Pollution Control, both in South An-

See Back Page, HAZARDOUS

Hazardous wastes could pose serious health risks at 3 Southcentral sites

Continued from Page A-1

chorage.

The wells will tell whether any hazardous chemicals have seeped into the groundwater near those businesses, Sweeney said.

"It's hard to deal with speculation, which is all we have now," he said. "It's much better to deal with fact."

State officials began working months ago to help clean up the Union chemical plant in Kenai, and they will shortly start to work investigating other hazardous waste sites, said Bill Lamoureaux, regional supervisor for environmental conservation.

"I haven't got all the details on the report myself, yet," he said. "But there is some information that is, in my opinion, adequate for us to initiate some more investigations."

Many of the hazardous wastes sites identified by Tetra Tech trace their origins back to the 1960s or 1970s — before anyone recognized the dangers of the wastes being dumped.

Up until 1975, for instance, the Alaska Railroad pumped its waste oil and chemical solvents into Ship Creek, and dumped various chemicals into a landfill on its property.

Tetra-Tech said the state needs to determine what is in that landfill and check oil-laden soils in the rail yard.

"There's nothing happening out there that you can physically note," Lamoureaux said. "But there's a lot of contaminated soil. The question is: contaminated with what? We're most concerned from the standpoint of what might be coming out of there into Ship Creek."

Tetra Tech indicated the soil might contain heavy metals or chemicals.

The Union Oil chemical plant in North Kenai should be checked because of old landfill operations and a history of environmental violations, Tetra Tech said.

The 80-acre chemical plant manufactures urea and ammonia fertilizer. It had an on-site landfill from 1967 to 1975.

"There have been large chemical spills at this facility," said Tetra Tech. "There is a high potential for these spills to recur. The facility needs better prevention methods."

A chemical containing arsenic spilled at the plant in June of last year, the report said.

The report said the old creosote plant near the Whittier marina also needs to be checked for heavy metals and chemical seepage into a local stream.

Sweeney said the two other suspected hazardous waste sites under investigation in Anchorage — Alaska Pollution Control and Frontier Tanning — handle a variety

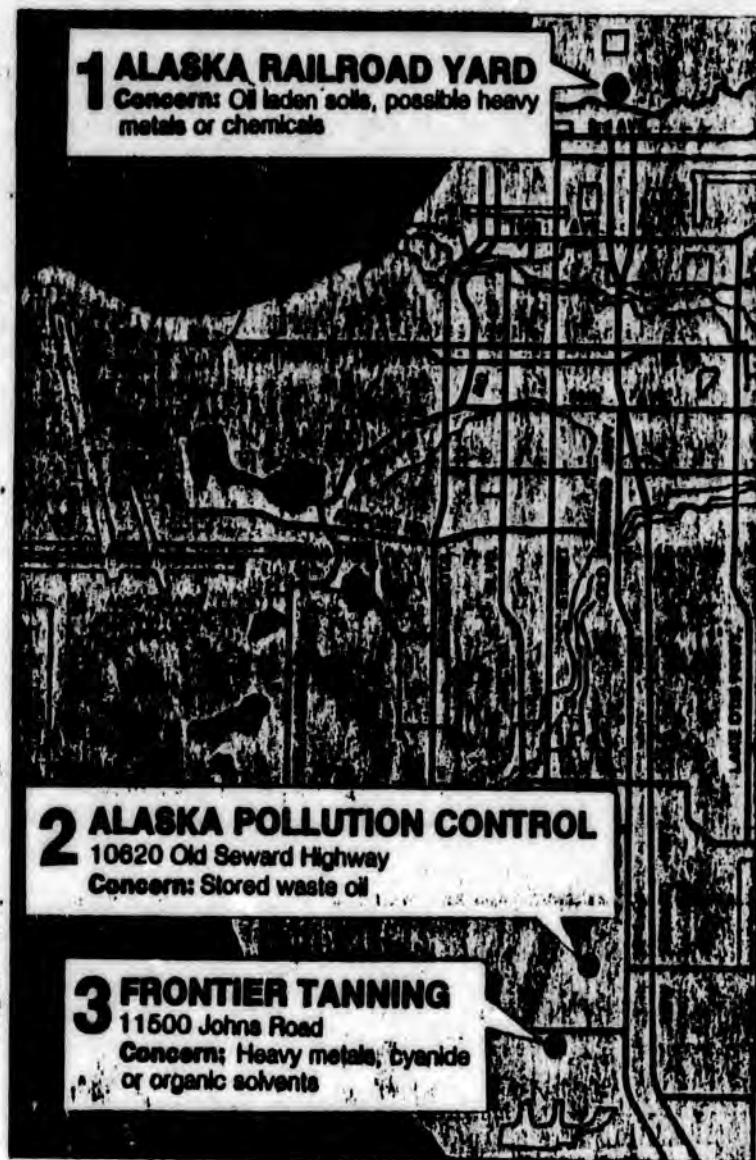
of chemicals.

Alaska Pollution Control stores waste oil for oiling roads. There have been charges the firm has in the past handled oil contaminated with hazardous chemicals.

Frontier Tanning treats hides and as a result discharges water that may contain heavy metals, cyanide or organic solvents. The wastes are pumped into the firm's backyard.

"There is evidence that Frontier Tanning is disposing of uncontrolled hazardous wastes into the environment and that over a period of 25 years of operation, this chronic discharge may be resulting in significant subsurface contamination," Tetra Tech said.

Other sites around the state in need of inspection, according to Tetra Tech, are the Fairbanks North Star Borough Landfill, the Nome City Dump, the Fort Yukon City Dump, the Nome Barrel Dump, the Sagwon Alstrip Dump near Prudhoe Bay, the Mukluk Dump near Prudhoe Bay, the Sand Dunes Landfill on the North Slope, the Putuligayak Landfill on the North Slope, the Atlantic Richfield (ARCO) dump at Prudhoe Bay, Mukluk Freightlines at Deadhorse, the Municipal Utilities System in Fairbanks, the University of Alaska-Fairbanks, the Alaska Railroad in Fairbanks, and the White Pass and Yukon Railroad in Skagway.



1 ALASKA RAILROAD YARD
Concern: Oil laden soils, possible heavy metals or chemicals

2 ALASKA POLLUTION CONTROL
10620 Old Seward Highway
Concern: Stored waste oil

3 FRONTIER TANNING
11500 Johns Road
Concern: Heavy metals, cyanide or organic solvents

Wednesday Jan. 23, 1985

Vol. 15, Issue 81 © The Peninsula Clarion/U.S.P.S. 438-410 Kenai, Alaska 25 cents



Sterling Special Waste Site operator Dave Brown stands at the bottom of a trench dug at an abandoned Union Oil well site Tuesday. He's pointing to buried drilling mud, which he says was illegally left at the site. (Photo by John Quinley)

Drilling mud unearthed

Waste site operator excavates Beaver Loop site

By JAN MIRELES, Staff Writer

A local waste site operator who claims Union Oil Company illegally disposed of drilling mud on the Kenai Peninsula has uncovered the mud at one of the firm's abandoned sites.

Dave Brown, operator of the Sterling Special Waste Site, hired a backhoe to dig up a portion of Union's Cannery Loop Unit Two located off Beaver Loop in Kenai. The backhoe, digging a hole measuring approximately 30-feet long and 13-feet deep, uncovered drilling mud throughout.

Union spokesman Mark Eversole discounted the find, however, and said the com-

pany has a permit from the Alaska Corps of Engineers allowing disposal of drilling mud solids at the site.

"We've never denied that there was drilling mud there," Eversole said. "That was spelled out in the application. We stated there would be a pit, that we would pump off the pumpable liquids and bury the solids."

Pat Richardson, assistant public information officer for the corps, denied any knowledge of a Union permit. According to Richardson, the corps grants permits only for clean fill material.

"We don't regulate drilling mud," she said. "Drilling mud would have things in it that we wouldn't allow under our permit."

Although the state Department of Environmental Conservation is considering a Union permit application to dispose of drilling mud at seven sites, Cannery Loop Unit Two is not part of the proposal. The Alaska Oil and Gas Conservation Commission approved abandonment of the site in 1982.

C. V. Chatterton, chairman of the commission, said a site is approved for abandonment when the surface is clear and free of all trash and debris. Chatterton said the AOGCC is not responsible for what might be buried underneath abandoned drill sites.

"I don't know who would be," he said. "That's a good question. As far as this agen-

See AREA, back page

Peninsula Clarion, Wednesday Jan 23, 1985

...Area site

Continued from Page 1

cy is concerned the site was cleaned up. We don't worry about waste disposal. That's the turf of another state agency."

Local DEC officer Bob Cannone said he was not certain which agency bears responsibility for making sure the site was cleaned. He said he would be interested in seeing proof that drilling mud was found at the site.

"Whoever issues the permit is responsible," he said. "It would be their (AOGCC) responsibility to police the area."

In most instances the oil and gas commission issues drilling permits to oil companies and then notifies the DEC, Chatterton said. The DEC is notified, he said, so they will be aware firms may be seeking additional permits for related drilling activities.

The DEC is developing guidelines for drilling mud disposal and officials have said they expect to unveil a policy by April. Brown has argued that Union has violated solid waste disposal laws and should be forced to remove the drilling mud immediately. Brown operates the only licensed disposal site for drilling mud on the peninsula.

Brown originally estimated that 35,000 barrels of drilling mud had been buried illegally at the Cannery Loop Unit Two site. The original dimensions of the pit were 400-feet long by 80-feet wide by 15-feet deep. When a backhoe operator started digging the hole Tuesday he reached the water table at approximately 13-feet, Brown said.

Also found in the pit were plastic sheeting and bits of discarded lumber. The drilling mud, said Brown, already may have contaminated the surrounding water table.

Landowner Michael Pelch of Oregon gave Brown written permission to dig up the pit. Pelch has told the Clarion that he does not want drilling mud disposed of on his property.

Representatives from the Environmental Protection Agency and the Alaska Corps of Engineers were expected to visit the site this morning, Brown said.

A D E C N E W S

PRESS RELEASE FROM THE PUBLIC INFORMATION OFFICE
ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION
POUCH O, JUNEAU, ALASKA 99811 (907) 465-2606

Bill Sheffield, Governor

Bill Ross, Commissioner
Joe Ferguson, Information Officer

FOR IMMEDIATE RELEASE

April 17, 1985

Recent tests conducted by the U.S. Environmental Protection Agency (EPA) at the Sterling Special Waste Site reveal that metals found in pits at the site are also found at low levels in the monitoring wells. The Department of Environmental Conservation (DEC) agrees with EPA that at this time the situation does not constitute an immediate threat to public health. However, both DEC and EPA also agree that the potential may exist in the future and further study is warranted to determine if this is the case.

Both DEC and EPA agree that further study is needed to more accurately determine the direction of groundwater flow and the types and amounts of naturally occurring background components in the groundwater in the vicinity of the site.

DEC and EPA have announced that they will embark this summer on a new series of tests to monitor groundwater on and off the site. At the same time that EPA installs six new monitoring wells around the perimeter of the site, DEC will begin a program to routinely test certain residential wells.

(MORE)

ADD 1-1-1

DEC Commissioner Ross said, "Testing the well water at homes located near the site is a precautionary measure which may help to alleviate undue alarm about water quality."

Ross continued, "Beginning now and through the summer, DEC will become increasingly visible and busy on the Kenai Peninsula. Data from DEC's water well testing, along with review of data from EPA's new monitoring wells, should help us answer some very basic questions about the existence of or potential for health or environmental risks."

Of particular concern to DEC are results from water samples taken from Monitoring Well #6 which lies in what is believed to be the general path of the groundwater flow from the site. Over the years, samples from this well have contained traces of hydrocarbons and metals. At this time, it is not known to what degree some of these metals occur naturally in the groundwater. Routine tests of Kenai Peninsula public drinking water systems show that arsenic, barium and lead (all metals) occur naturally in varying degrees in these systems.

These elements are also found in samples from Monitoring Well #6. Concentrations of these components, both in monitoring well samples and in the public drinking water supplies, are within health standards for drinking water with the exception of the level of lead in a singular monitoring well sample.

(MORE)

ADD 2-2-2

Ross stated, "The site has been in operation for a number of years under several operators and has been used for the disposal of several types of waste. Since the current permit was issued in 1982, engineering methods for industrial waste disposal pits have been refined. We now know more about safe methods to contain drill muds and sludges. Unlined pits are increasingly recognized to be inadequate. And we now know that some components of drill muds and sludges may be harmful."

Ross continued, "Since we now recognize that at this site percolation of waste liquids is not desirable, DEC will modify the permit to minimize this occurrence. While DEC takes action to bring the Sterling site into compliance with existing permit conditions, the department will make changes to correct deficiencies in the permit itself."

Ross also emphasized, "DEC has been working to develop review procedures for use in reviewing applications for solid waste disposal permits for muds and sludges. These review procedures will assure that DEC decisions on all such permit applications will result in consistent requirements."

(MORE)

ADD 3-3-3

Ross also stressed the need to comprehensively address the problem of drill mud disposal on the Kenai Peninsula. "The oil and gas industry is an important element of the Kenai's economy, and is an important economic resource for all Alaskans. This important industry has a by-product -- drill muds and sludges. Industry, concerned citizens, local, state and federal government all need to work together to ensure that drill muds are disposed of in a way that is both safe and economical. We all want to keep the Kenai a special place to live, work and visit for generations to come."

#

Sterling Special Waste Site

The Sterling Special Waste Site is an 11.9 acre disposal facility about 1 1/2 miles northwest of Sterling. This facility has an ADEC Waste Disposal Permit for the processing and disposal of drilling muds, water containing less than four percent oil, water-oil emulsions and non-toxic water conditioning sludges. The permit prohibits the disposal of hazardous wastes at this facility. This site has been the subject of continued public concern that hazardous wastes may have been disposed of on-site and that, in any case, the wastes present may pose a threat to the groundwater.

Since approximately 1980 there have been eight groundwater monitoring wells constructed around the perimeter of the facility. Four of these are still in use. Although a few samples were taken during the early operation of the site, regular quarterly sampling was not required by the permit until March 1982. Sampling of the four monitoring wells since that time has shown intermittent traces of various metals and organic compounds. Limited sampling of three nearby private drinking water wells have shown metal concentrations to be within Safe Drinking Water Act limits. One of these wells showed a trace of one organic priority pollutant at a concentration approximately 1000 times less than the level considered safe. EPA conducted additional on-site sampling in October 1984 to try to establish what was present in the ponds. A total of 44 samples were taken of liquids and sediments from the ponds and groundwater from the monitoring wells.

The samples from the ponds showed low to moderate concentrations of various metals and organic compounds. Groundwater from the monitoring wells and one private well showed no significant levels of any metals and no organic priority pollutants. In short, off-site sampling to date has been inconclusive and has not revealed any contamination that would be a threat to public health.

At this time ADEC and EPA feel that additional sampling is necessary to determine if any significant migration of contaminants from the site is occurring. EPA will return in June to construct additional monitoring wells to better sample groundwater beneath the site and determine its flow direction. In addition ADEC will begin conducting regular monitoring of nearby drinking water wells to insure that there is no public health threat while the site investigation continues.

Finally, even though the concentrations found to date have been quite low, EPA is currently evaluating this site for possible inclusion on the National Priority List to make sure there isn't a problem. If the site were to score high enough to make the list it would be eligible for federal Superfund money to conduct any additional investigations and cleanup if necessary.

In the coming months we will keep you informed of future activities and information as it is available. If you have any questions please feel free to contact:

Steve Torok EPA, Juneau
(907) 586-7619

John Meyer EPA, Seattle
(206) 442-1271

Jack Dismore - Superfund person

B-6 Tuesday, September 25, 1984, The Anchorage Times

State mulls toxic disposal permit

Associated Press

Kenai — The state Department of Environmental Conservation is considering a Union Oil Co. of California permit request that would allow burial of 128,500 barrels of toxic drilling muds in pits dug in the Kenai and Cannery Loop gas fields.

Two years ago, the state threatened to sue Union Oil for disposing of drilling muds in unlicensed pits in that area. The company responded that it was not disposing of the materials, which contain caustic chemicals, but instead was storing them in reserve pits.

Today, the reserve pits remain in the same places, filled with the same drilling muds. The difference is that Union Oil now is seeking permission to bury the material.

Approval of the permit would turn seven unlicensed reserve pits into legal disposal sites. Some of the pits are located in residential areas with high water tables or in wetlands that serve as nesting and resting areas

for migratory birds, environmentalists say.

The permit application is opposed by the Alaska Center for the Environment, the Kenai Peninsula Audubon Society and Dave Brown, the operator of the only licensed special waste facility on the Kenai Peninsula.

All say they are concerned that the corrosive chemicals, salts and dangerous amounts of arsenic, lead, mercury and other substances will get into the water table.

Peter Neitlich of the Alaska Center for the Environment claims approval of the permit will endanger the city of Kenai's water supply.

"High levels of toxic metals have been reported in wetlands and water surrounding the present impoundments. Many of these levels exceed the levels set for safe drinking water," he said in a letter to the state agency.

He said those metals could get into Kenai's water.

Union Oil's application indicates only a few inches of earth and clay separate the drilling muds in some of the pits from the water table, but company officials say the clay is impermeable and will protect the ground water from contamination.

"We don't want to do any damage to the water supply, because we're using the water," said Jim Callender, a Union Oil spokesman. "We don't think we're damaging it."

A state study indicates small amounts of drilling fluid associated with the muds in three pits are being found in the environment, but testing of nearby wells has "never really shown" that the fluids are leaching through pit walls, said Bob Flint, state regional program coordinator.

Environmentalists have asked for an extension of the time allowed for public comment on the oil company's request, and have asked for a public hearing.

State may allow burial of toxic muds

Associated Press ANCHORAGE TIMES 9-27-81

Kenai — The Alaska Department of Environmental Conservation (ADEC) is considering a Union Oil Co. of California permit request that would allow burial of 125,500 barrels of toxic drilling muds in pits dug in the Kenai and Cannery Loop gas fields.

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See Toxic, page A-1

Toxic drilling muds

Continued from page A-1

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Environmentalists have asked for an extension of the time allowed for public comment on the oil company's request, and they also have asked for a public hearing.

Waste dump poses problem

by Tom Grouler
Special to The Times

4/18/85

Kenai — The Environmental Protection Agency and the Alaska Department of Environmental Conservation told a group of Sterling residents Wednesday that an industrial waste dump near the town could be leaking heavy metals into the surrounding ground waters, creating a potential health danger.

The EPA called the meeting in an elementary school less than two miles from the dump and said that both departments would be testing this summer to see if the site presented a hazard.

Field tests made by the EPA last fall show that traces of metals found in the pits of the dump are present in monitoring wells surrounding the site. Officials said that further study is

needed to determine the direction of ground water flow and the amounts of metals in natural water that could be confused with those found in the dump.

DEC test records show that traces in the low parts per billion of volatile organic compounds have occasionally been found in the monitoring wells. While the traces were far too small to present a threat to human health, one EPA spokesman said that it could be the beginning of a problem.

"These wells have occasionally shown parts per billion of metal solvents," said John Meyer of the EPA. "These are low, but they probably shouldn't be there. It's very hard to say if these metals are natural or the very beginning of a

See Kenai, page B-3

Kenai waste dump

Continued from page B-1

problem. The site is only a few years old and sometimes migration can take decades."

Meyer said that the EPA would be drilling additional wells around the dump in June to determine the contents of the ground water and the direction of the flow. The DEC will be monitoring residential wells in the area for any potential contamination. Four of the eight monitoring wells on site have been unusable for testing, Meyer said.

Samples from the four functioning wells have shown traces of organic compounds and heavy metals used in industry. The Sterling Special Waste Site is used as a disposal site for drilling mud from oil wells operated on the Kenai Peninsula.

One private well showed minute concentrations of an organic industrial solvent found in the dump. The trace of 1-1-1 trichloroethane was far below levels

considered dangerous.

Meyer said that the EPA was concerned because current monitoring wells were not built to similar standards. A well can provide false indications in metals tests if not constructed properly.

Meyer said the dump could be placed on a national priority list for cleanup if testing revealed a potential health hazard. The EPA's list currently has more than 700 sites designated nationwide.

Bill Lamoreaux, regional supervisor for DEC, told the more than 60 people at the meeting that the DEC would sample any private wells in the area if asked, but that all metals are found naturally in the ground water. Residents should not be alarmed if testing shows minute traces of arsenic or other metals in the samples.

Lamoreaux also said that the permit that allows the site to operate would be modified by DEC.

State rejects proposed Kenai disposal sites for drilling mud

By RONNIE CHAPPELL
Daily News reporter

State officials have told the Union Oil Co. that they do not plan to allow the burial of used drilling mud in sensitive wetlands near the city of Kenai.

According to Bob Martin of the Alaska Department of Environmental Conservation, the state also has informed the company that four of seven proposed burial sites are not suitable for drilling mud disposal.

Union wants to dispose of 126,000 barrels of mud in existing reserve pits in the Kenai and Cannery Loop gas fields. Some of the pits are in wetlands areas and some are near residential subdivisions.

"We don't think permanent disposal at the sites out there that are really close to the water table would be appropriate," said Martin. "We've essentially ruled out four

sites as of this time."

Two of the sites are in the Kenai Gas Field and two are in the City of Kenai.

"I'd like to emphasize that these are preliminary findings," Martin added. "We have not, at this date, made a final decision on the application. We have arrived at some conclusions."

DEC may allow disposal at three other pits in the Kenai Gas Field, Martin said, but a decision will not be made until after the adoption of new state guidelines governing the disposal of drilling mud.

According to Martin, those guidelines should be complete by April 15.

In the meantime, Martin said, DEC will issue a compliance order establishing a deadline for proper disposal of drilling muds contained in the four pits already "ruled out" by the agency.

The deadline has not been set, Martin said. "They will have the decision on this application before they have to move the muds. We don't want to make them move the muds to somewhere that's impractical for them if they're ultimately going to get a permit to do something on their own in the gas field."

Union spokesman Mark Eversole pointed out that the decision was a preliminary one.

"Based on that fact, it doesn't seem much has changed," he said. Eversole declined further comment.

Dave Brown, owner of Alaska Environmental Industries, said the preliminary decision was just "more delay on the part of DEC."

Brown has been leading a high pressure lobbying effort aimed at forcing Union to

See Page C-3, DISPOSAL

Disposal sites

Continued from Page C-1

dispose its spent muds at the Sterling Special Waste Site. Brown operates the site.

Environmentalists hailed the DEC announcement.

"It's a good first step," said Peter Neitlich of the Alaska Center for the Environment. "We're very excited about the preliminary findings and the fact that disposal won't be allowed at four of the pits."

"We're also very pleased that they've decided to go ahead with development of criteria (for drill mud disposal) before taking final action on the permit application, he said.

Neitlich believes that the fight over the new guidelines "will be as big an issue" as Union's application, which drew strong opposition from Peninsula homeowners, the City of Kenai and a number of environmental groups.

"It's certainly good news," said Jeff Sauer of the Kenai Peninsula Chapter of the National Audubon Society of the DEC announcement. It is "what we asked for, and we think that it's real reasonable."

The state has asked Union to provide more information on the construction and permeability of the three remaining pits, additional

chemical testing on the contents of the pits, and additional soils information on some of the sites.

The company has also been asked to produce proof that it has the right to dispose of drilling mud at the sites in question.

Union's reserve pits are located on land leased from private owners. If those landowners have not agreed to let Union bury drilling wastes on their property, the state will not issue a permit, Martin said.

Several landowners have already voiced opposition to the Union plan.

Finally, Martin said, DEC has asked for information on a reserve pit in a wetlands off Beaver Loop within sight of municipal wellhouse.

There have been allegations that Union illegally disposed of 35,000 barrels of used mud and drill cuttings at that site. Company officials acknowledge burying mud and drill cuttings at Cannery Loop 2, but say the materials were disposed of in compliance with state and federal permits.

"What happened with Cannery Loop 2 is something we're going into with Union right now. We don't have all the answers," Martin said.

"When we get to the point of making a final determination on this application, we also want to be fully knowledgeable on the history of Cannery Loop 2."

