

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
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1 intentional act of the defendant;

2 (2) the defendant did not take reasonable measures to
3 contain and clean up the discharged oil; or

4 (3) the defendant did not act or respond in accordance with
5 an approved oil discharge prevention and contingency plan.

6 * Sec. 3. AS 46.03.823(a) is amended to read:

7 (a) A person who is a response action contractor with respect to
8 a release or threatened release of a hazardous substance whose acts or
9 omissions are not contrary to a response plan or order by a state or
10 federal agency having jurisdiction over the release or threatened
11 release is not civilly liable for injuries, costs, damages, expenses,
12 or other liability that results from the release or threatened release
13 unless the release or threatened release is caused by an act or omis-
14 sion of the response action contractor that is negligent or grossly
15 negligent or constitutes intentional misconduct. To show negligence by
16 a response action contractor, a claimant must show that the acts or
17 omissions of the contractor under the response action contract were
18 not in accordance with generally accepted professional standards and
19 practices at the time the response action services were performed.

20 * Sec. 4. AS 46.03.823(b) is amended to read:

21 (b) The liability limitation under (a) of this section

22 (1) does not apply to a response action contractor who
23 would otherwise be liable for the release or threatened release under
24 state or federal law even if that person had not carried out a re-
25 sponse action with respect to the release or threatened release; and

26 (2) does apply only to releases for which notification to
27 the department was provided and received in the manner prescribed
28 under state law [STRICTLY LIABLE UNDER THIS SECTION].

29 * Sec. 5. AS 46.03.823(e) is amended to read:

1 (e) This section does not affect the liability of a response
2 action contractor that may arise from the response action contractor's
3 failure to comply with the terms or conditions of a

4 (1) response action contract or a remedial action plan if
5 one has been approved by the department; or

6 (2) contingency plan approved by the department where the
7 response action contractor is the plan holder.

8 * Sec. 6. AS 46.03.823(g)(2) is amended to read:

9 (2) "response action contract" means a written contract or
10 agreement to provide response action with respect to a release or
11 threatened release of a hazardous substance, entered into by a person
12 with

13 (A) the department; [OR]

14 (B) another person who has entered into an agreement
15 with the department that provides for response action subject to
16 the department's oversight and control;

17 (C) a federal agency with jurisdiction over the re-
18 lease or threatened release; or

19 (D) another person potentially liable for the release
20 or threatened release under state or federal law;

21 * Sec. 7. AS 46.03.823(g)(3) is amended to read:

22 (3) "response action contractor" means

23 (A) a person who enters into a response action con-
24 tract with respect to a release or threatened release of a haz-
25 ardous substance and who is carrying out the contract, including
26 a cooperative organization formed to maintain and supply response
27 equipment and materials that enters into a response action con-
28 tract relating to a release or threatened release; and

29 (B) a person who is retained or hired by and is under

1 the control of a person described in (A) of this paragraph to
2 provide services related to the response action contract.

3 * Sec. 8. AS 46.04.020(e) is amended to read:

4 (e) The department shall enter into negotiations for memoranda
5 of understanding or cooperative agreements with the United States
6 Coast Guard, the United States Environmental Protection Agency, and
7 other persons in order to

8 (1) facilitate coordinated and effective oil discharge
9 prevention and response in the state, including agreements relating to
10 development and enforcement of vessel traffic control and monitoring
11 systems for tank vessels and oil barges operating in or near the
12 waters of the state;

13 (2) provide for cooperative review of oil discharge preven-
14 tion and contingency plans submitted to the department under AS 46.-
15 04.030;

16 (3) provide for cooperative inspections of oil terminal
17 facilities by the department and the United States Coast Guard or
18 United States Environmental Protection Agency; and

19 (4) provide for cooperative oil discharge notification
20 procedures.

21 * Sec. 9. AS 46.04.030 is amended to read:

22 Sec. 46.04.030. OIL DISCHARGE PREVENTION AND CONTINGENCY PLANS.

23 (a) A person may not cause or permit the operation of an oil terminal
24 facility in the state unless an oil discharge prevention and contin-
25 gency plan for the facility has been approved by the department and
26 the person is in compliance with the plan [... THE DEPARTMENT IS THE
27 ONLY STATE AGENCY WHICH HAS THE POWER TO APPROVE AN OIL DISCHARGE
28 CONTINGENCY PLAN FOR THE PURPOSES OF THIS SECTION].

29 (b) A [AFTER JANUARY 1, 1981, A] person may not cause or permit

1 the operation of a pipeline or an [OFFSHORE] exploration or production
2 facility in the state unless an oil discharge prevention and contin-
3 gency plan for the pipeline or facility has been approved by the
4 department and the person is in compliance with the plan.

5 (c) Except as provided in (n) of this section, a [A] person may
6 not operate a tank vessel or an oil barge within the waters of the
7 state, or cause or permit the transfer of oil to or from a tank vessel
8 or [, OR, AFTER JANUARY 1, 1981, TO OR FROM] an oil barge, unless an
9 oil discharge prevention and contingency plan for the tank vessel or
10 oil barge has been approved by the department and the person is in
11 compliance with the plan [EXCEPT FOR PROSECUTIONS UNDER AS 46.03.-
12 790(b), IT IS NOT A DEFENSE TO AN ACTION BROUGHT FOR VIOLATION OF THIS
13 SUBSECTION THAT THE PERSON CHARGED BELIEVED THAT A CURRENT OIL DIS-
14 CHARGE CONTINGENCY PLAN FOR THE TANK VESSEL OR OIL BARGE HAD BEEN
15 APPROVED BY THE DEPARTMENT].

16 (d) Upon approval of a contingency plan, the department shall
17 issue to the plan holder a certificate stating that the contingency
18 plan has been approved by the department. The certificate must in-
19 clude the name of the facility, pipeline, tank vessel, or oil barge
20 for which it is issued, the effective date of the contingency plan,
21 and the date by which the contingency plan must be submitted for
22 renewal. A [AN OIL DISCHARGE] contingency plan must be submitted for
23 renewal [RENEWED AT LEAST] every three years.

24 (e) The department may attach reasonable terms and conditions to
25 its approval or modification of a [AN OIL DISCHARGE] contingency plan
26 that the department [WHICH IT] determines are necessary to ensure
27 [INSURE] that the applicant for a [AN OIL DISCHARGE] contingency plan
28 has access to sufficient resources to protect environmentally sensi-
29 tive areas and to contain, clean up, and mitigate potential oil

1 discharges from the facility or vessel as provided in (k) of this sec-
2 tion, and to ensure that the applicant complies with the contingency
3 plan [WITHIN THE SHORTEST FEASIBLE TIME]. The [OIL DISCHARGE] contin-
4 gency plan must provide for the use [OF THE BEST AVAILABLE TECHNOLOGY]
5 by the applicant of the best technology that was available at the time
6 the contingency plan was submitted or renewed. The department may
7 require an applicant or holder of an approved contingency plan to take
8 steps necessary to demonstrate its ability to carry out the contingen-
9 cy plan, including

- 10 (1) periodic training;
11 (2) response team exercises; and
12 (3) verifying access to inventories of [AVAILABLE] equip-
13 ment, supplies, and personnel identified as available in the approved
14 contingency plan.

15 (f) Upon request of a plan holder or on the department's own
16 initiative, the [THE] department, after notice and opportunity for
17 hearing, may modify its approval of a [AN OIL DISCHARGE] contingency
18 plan if the department [IT] determines that a change has occurred in
19 the operation of a facility [, MARINA] or vessel necessitating an
20 amended or supplemented plan, or the operator's discharge experience
21 demonstrates a necessity for modification. The department, after
22 notice and opportunity for hearing, may revoke its approval of a [AN
23 OIL DISCHARGE] contingency plan if the department [IT] determines that

- 24 (1) approval was obtained by fraud or misrepresentation;
25 (2) the operator does not have access to the quality or
26 quantity of resources identified in the plan; [OR]
27 (3) a term or condition of approval or modification has
28 been violated; or
29 (4) the person is not in compliance with the contingency

1 plan and the deficiency materially affects the plan holder's response
2 capability.

3 (g) Failure of a holder of an approved or modified [OIL DIS-
4 CHARGE] contingency plan to comply with the plan, or to have access to
5 the quality or quantity of resources identified in the plan or [AND,
6 IN THE EVENT OF A SPILL,] to respond with those resources within the
7 shortest possible [FEASIBLE] time in the event of a spill is a vio-
8 lation of this chapter for purposes of AS 46.03.760(a), 46.03.765,
9 46.03.790, and any other applicable law. If the holder of an approved
10 or modified [OIL DISCHARGE] contingency plan fails to respond to and
11 conduct cleanup operations of an unpermitted discharge of crude oil
12 with the quality and quantity of resources identified in the plan and
13 in a manner required under the plan, the holder is strictly liable,
14 jointly and severally, for the civil penalty assessed under AS 46.03.-
15 758, 46.03.759, or 46.03.760 against any other person for that dis-
16 charge.

17 * Sec. 10. AS 46.04.030 is amended by adding new subsections to read:

18 (h) The department is the only state agency that has the power
19 to approve, modify, or revoke a contingency plan for the purposes of
20 this section. The department shall exercise its power under this
21 section in a timely manner. Except for prosecutions under AS 46.03.-
22 790(b) and except as provided in (i) of this section, it is not a
23 defense to an action brought for a violation of (a) - (c) of this
24 section that the person charged believed that a current contingency
25 plan had been approved by the department.

26 (i) It is a defense to an action brought for a violation of
27 (a) - (c) of this section that the person charged relied on a certifi-
28 cate of approval issued by the department under (d) of this section
29 unless the person knew or had reason to know at the time of the

1 alleged violation that approval of the plan had been revoked or that
2 the holder of the plan was not capable of carrying out the plan.

3 (j) Before the department approves or modifies a contingency
4 plan under this section, the department shall provide a copy of the
5 contingency plan to the Department of Fish and Game and to the Depart-
6 ment of Natural Resources for their review. The department shall by
7 regulation establish the procedures and time limits applicable to
8 agency review of contingency plans.

9 (k) Except as provided in (m) and (o) of this section, the
10 holder of an approved contingency plan required under this section
11 shall maintain, or have available under contract, in its region of
12 operation or in another region of operation approved by the depart-
13 ment, singly or in conjunction with other operators, sufficient oil
14 discharge containment, storage, transfer, and cleanup equipment,
15 personnel, and resources to meet the following response planning
16 standards:

17 (1) for a discharge from an oil terminal facility, the plan
18 holder shall plan to be able to contain or control, and clean up a
19 discharge equal to the capacity of the largest oil storage tank at the
20 facility within 72 hours, except that if the department determines
21 that the facility is located in an area of high risk because of natu-
22 ral or man-made conditions outside of the facility, it may increase
23 the volume requirement under this paragraph so that the contingency
24 plan must be designed for a response that is greater in amount than
25 the capacity of the largest oil storage tank at the facility;

26 (2) for a discharge from an exploration or production
27 facility or a pipeline, the plan holder shall plan to be able to
28 contain or control, and clean up the realistic maximum oil discharge
29 within 72 hours;

1 (3) for a discharge of crude oil from a tank vessel or oil
2 barge, the plan holder shall plan to be able to contain or control,
3 and clean up a realistic maximum oil discharge as provided in (A),
4 (B), and (C) of this paragraph:

5 (A) for tank vessels and oil barges having a cargo
6 volume of less than 500,000 barrels, the plan holder shall main-
7 tain at a minimum in the region of operation, equipment, person-
8 nel, and other resources sufficient to contain or control, and
9 clean up a 50,000 barrel discharge within 72 hours;

10 (B) for tank vessels and oil barges having a cargo
11 volume of 500,000 barrels or more, the plan holder shall maintain
12 at a minimum in its region of operation, equipment, personnel,
13 and other resources sufficient to contain or control, and clean
14 up a 300,000 barrel discharge within 72 hours;

15 (C) in addition to the minimum equipment, personnel,
16 and other resources required to be maintained within the region
17 of operation by (A) or (B) of this paragraph, a plan holder shall
18 maintain, either within or outside of the plan holder's region of
19 operation, additional equipment, personnel, and other resources
20 sufficient to contain or control, and clean up a realistic maxi-
21 mum discharge within the shortest possible time; the plan holder
22 must demonstrate that the equipment, personnel, and other re-
23 sources maintained outside the plan holder's region of operation
24 are accessible to the plan holder and will be deployed and op-
25 erating at the discharge site within 72 hours;

26 (4) for a discharge from a tank vessel or oil barge carry-
27 ing noncrude oil in bulk as cargo, the plan holder shall plan to be
28 able to contain or control 15 percent of the maximum capacity of the
29 vessel or barge or the realistic maximum oil discharge, whichever is

greater, within 48 hours and clean up the discharge within the shortest possible time consistent with minimizing damage to the environment;

(5) for a discharge subject to the provisions of (1) - (3) of this subsection that enters a receiving environment other than open water, the time requirement for clean up of the portion of the discharge that enters the receiving environment may, in the department's discretion, be within the shortest possible time consistent with minimizing damage to the environment.

(1) The provisions of (k) of this section do not constitute cleanup standards that must be met by the holder of a contingency plan. Notwithstanding (k) of this section, failure to remove a discharge within the time periods set out in (k) of this section does not constitute failure to comply with a contingency plan for purposes of (g) of this section or for the purpose of imposing administrative, civil, or criminal penalties under any other law.

(m) When considering whether to approve or modify a contingency plan, the department may consider evidence that oil discharge prevention measures such as double hulls or double bottoms on vessels or barges, secondary containment systems, hydrostatic testing, enhanced vessel traffic systems, or enhanced crew or staffing levels have been implemented, and, in its discretion, may make exceptions to the requirements of (k) of this section to reflect the reduced risk of oil discharges from the facility, pipeline, vessel, or barge for which the plan is submitted or being modified.

(n) A tank vessel or oil barge that is conducting, or is available only for conducting, oil discharge response operations is exempt from the requirements of (c) of this section if the tank vessel or oil barge has received prior approval of the department. The department

1 may approve exemptions under this subsection upon application and
2 presentation of information required by the department.

3 (o) A holder of an approved contingency plan does not violate
4 the terms of the contingency plan by furnishing to another plan hold-
5 er, with the approval of the department, equipment, materials, or
6 personnel to assist the other plan holder in a response to an oil
7 discharge. The plan holder shall replace or return the transferred
8 equipment, materials, and personnel as soon as feasible. The depart-
9 ment shall by regulation determine the maximum amount of equipment,
10 materials, or personnel and the maximum amount of time for which it
11 will approve a transfer.

12 (p) In this section,

13 (1) "contingency plan" means an oil discharge prevention
14 and contingency plan required under this section;

15 (2) "in compliance with the plan" means, with respect to a
16 contingency plan, to

17 (A) establish and carry out procedures identified in
18 the plan as being the responsibility of the holder of the plan;

19 (B) have access to and have on hand the quantity and
20 quality of equipment, personnel, and other resources identified
21 as being accessible or on hand in the plan;

22 (C) fulfill the assurances espoused in the plan in the
23 manner described in the plan;

24 (D) comply with terms and conditions attached to the
25 plan by the department under the authority of (e) of this sec-
26 tion; and

27 (E) successfully demonstrate the ability to carry out
28 the plan when required by the department under (e) of this sec-
29 tion;

1 (3) "realistic maximum oil discharge" means the maximum and
2 most damaging oil discharge that the department estimates could occur
3 during the lifetime of the facility or pipeline based on the size,
4 location, and capacity of the facility or pipeline; on the depart-
5 ment's knowledge and experience with the facility or pipeline or with
6 similar facilities or pipelines; and on the department's analysis of
7 possible mishaps at the facility or pipeline or at similar facilities
8 or pipelines;

9 (4) "region of operation," with respect to the holder of a
10 contingency plan, means the area where the operations of the holder
11 that require a contingency plan are located, the boundaries of which
12 correspond to the regional boundaries established by the commissioner
13 for regional master planning purposes under AS 46.04.210.

14 * Sec. 11. AS 46.04.040(a) is amended to read:

15 (a) A person may not cause or permit the operation of an oil
16 terminal facility in the state unless the person has furnished to the
17 department, and the department has approved, proof of financial abil-
18 ity to respond in damages. Proof of financial responsibility required
19 for a crude oil terminal is \$50,000,000 per incident. Proof of finan-
20 cial responsibility required for a noncrude oil terminal is \$25, per
21 incident, for each barrel of total noncrude oil storage capacity at
22 the terminal or [WHICH HAS BEEN ACCEPTED BY THE DEPARTMENT. ABILITY
23 TO RESPOND IN DAMAGES NEED NOT EXCEED \$50,000,000 BUT MUST BE IN AN
24 AMOUNT (1) NOT LESS THAN \$10, PER INCIDENT, FOR EACH BARREL OF STORAGE
25 CAPACITY AT THE OIL TERMINAL FACILITY: OR (2)] \$1,000,000, whichever
26 is greater subject to a maximum of \$50,000,000. For purposes of this
27 subsection, an oil terminal facility that stores both crude oil and
28 noncrude oil is subject to the financial responsibility requirements
29 applicable to the type of facility that corresponds to the type of oil

1 storage that predominates at the facility. However, if the facility
2 stores more noncrude oil than crude oil, the \$25 per incident, per
3 barrel requirement of this subsection applies to each barrel of oil
4 storage capacity at the facility.

5 * Sec. 12. AS 46.04.040(b) is amended to read:

6 (b) A [AFTER JULY 1, 1981, A] person may not cause or permit the
7 operation of a pipeline or an [OFFSHORE] exploration or production
8 facility in the state unless the person has furnished to the depart-
9 ment, and the department has approved, proof of financial ability to
10 respond in damages [HAS BEEN ACCEPTED BY THE DEPARTMENT]. Proof of
11 financial responsibility required for a pipeline or an offshore explo-
12 ration or production facility is \$50,000,000 [MAY NOT BE LESS THAN
13 \$35,000,000] per incident. Proof of financial responsibility required
14 for an onshore production facility is \$20,000,000 per incident. Proof
15 of financial responsibility required for an onshore exploration facil-
16 ity is \$5,000,000 per incident.

17 * Sec. 13. AS 46.04.040(c) is amended to read:

18 (c) Except as provided in (m) of this section, a [A] person may
19 not operate a tank vessel or an oil barge within the waters of the
20 state, or cause or permit the transfer of oil to or from a tank vessel
21 [,] or [, AFTER JANUARY 1, 1981, TO OR FROM] an oil barge, unless the
22 person operating the tank vessel or oil barge has furnished to the
23 department, and the department has approved, proof of financial abil-
24 ity to respond in damages. Proof of financial responsibility required
25 under this subsection is

26 (1) \$300. per incident, for each barrel of storage capacity
27 or \$100,000,000, whichever is greater, for a tank vessel or barge
28 carrying crude oil;

29 (2) \$100, per incident, for each barrel of storage capacity

1 or \$1,000,000, whichever is greater, subject to a maximum of
2 \$35,000,000, for a tank vessel or barge carrying noncrude oil [RESPON-
3 SIBILITY FOR THE TANK VESSEL OR BARGE HAS BEEN ACCEPTED BY THE DEPART-
4 MENT. FINANCIAL RESPONSIBILITY UNDER THIS SUBSECTION SHALL BE IN THE
5 FOLLOWING AMOUNTS:

6 (1) FOR A TANK VESSEL OR OIL BARGE INVOLVED IN THE TRANS-
7 PORTATION OF TRANS-ALASKA PIPELINE OIL, THE AMOUNT REQUIRED BY THE
8 FEDERAL MARITIME COMMISSION UNDER 43 U.S.C. 1653(c)(3) (SEC. 204
9 (c)(3), TRANS-ALASKA PIPELINE AUTHORIZATION ACT);

10 (2) FOR ANY OTHER OIL BARGE, THE AMOUNT REQUIRED BY SEC. -
11 311(p)(1) OF THE CLEAN WATER ACT, OR \$1,000,000, WHICHEVER IS GREATER;

12 (3) FOR ANY OTHER TANK VESSELS, THE AMOUNT REQUIRED BY
13 SEC. 311(p)(1) OF THE CLEAN WATER ACT, OR \$20,000,000, WHICHEVER IS
14 GREATER].

15 * Sec. 14. AS 46.04.040(d) is amended to read:

16 (d) Except for prosecutions under AS 46.03.790(b) and except as
17 provided in (k) of this section, it is not a defense to an action
18 brought for violation of (a) - (c) [(c)] of this section that the
19 person charged believed in good faith that proof of financial ability
20 to respond in damages had been furnished to, and approved by, the
21 department [THE VESSEL OPERATOR POSSESSED PROOF OF FINANCIAL RESPON-
22 SIBILITY ACCEPTED BY THE DEPARTMENT].

23 * Sec. 15. AS 46.04.040(e) is amended to read:

24 (e) Financial responsibility may be demonstrated by (1) self-
25 insurance, (2) insurance, (3) surety, (4) [OR] guarantee, (5) letter
26 of credit approved by the department or (6) other proof of financial
27 responsibility approved by the department, including proof of finan-
28 cial responsibility provided by a group of insureds who have agreed to
29 cover pollution risks of members of the group under terms the

1 department may prescribe. An action brought under AS 46.03.758,
2 46.03.759, 46.03.760(a) or (e), 46.03.822, or AS 46.04.030(g) [OR TO
3 COLLECT PENALTIES IMPOSED UNDER AS 46.03.759] may be brought in a
4 state court directly against the insurer, the group, or another person
5 providing evidence of financial responsibility. The applicant, and an
6 insurer, surety, [OR] guarantor, person furnishing an approved letter
7 of credit, or other group or person providing proof of financial
8 responsibility approved by the department shall appoint an agent for
9 service of process in the state. For purposes of this subsection, an
10 [AN] insurer, other than a group of insureds whose agreement has been
11 approved by the department, must either be authorized by the Depart-
12 ment of Commerce and Economic Development to sell insurance in the
13 state or be an unauthorized insurer listed by the Department of Com-
14 merce and Economic Development as not disapproved for use in the
15 state.

16 * Sec. 16. AS 46.04.040(f) is amended to read:

17 (f) Acceptance of proof of financial responsibility expires

18 (1) one year from its issuance for self-insurance;

19 (2) on the effective date of a change in the surety bond,
20 guarantee, [OR] insurance agreement, letter of credit, or other proof
21 of financial responsibility; or

22 (3) on the expiration or cancellation of the surety bond,
23 guarantee, [OR] insurance agreement, letter of credit, or other proof
24 of financial responsibility.

25 * Sec. 17. AS 46.04.040(g) is amended to read:

26 (g) The person whose proof of financial responsibility is ac-
27 cepted by the department under this section shall notify the depart-
28 ment at least 30 days before the effective date of a change, expira-
29 tion or cancellation in the surety bond, guarantee, [OR] insurance

1 agreement, letter of credit, or other proof of financial responsibil-
2 ity. Application for renewal of acceptance of proof of financial
3 responsibility under this section must be filed at least 30 days
4 before the date of expiration.

5 * Sec. 18. AS 46.04.040 is amended by adding new subsections to read:

6 (j) Upon acceptance and approval of proof of financial responsi-
7 bility under this section, the department shall issue to the applicant
8 a certificate stating that the state's financial responsibility re-
9 quirements have been satisfied. The certificate must include the name
10 of the facility, pipeline, tank vessel, or oil barge for which it is
11 issued and the expiration date of the certificate.

12 (k) It is a defense to an action brought for violation of (a) -
13 (c) of this section that the person charged relied on a certificate of
14 approval issued under (j) of this section unless the person knew or
15 had reason to know at the time of the alleged violation that the
16 approval had been revoked or was expired.

17 (l) Notwithstanding the requirements of (e) of this section, the
18 applicant may provide evidence of financial responsibility provided by
19 an insurer or other person who does not agree to be subject to direct
20 action in state courts or to appoint an agent for service of process
21 if

22 (1) the department is satisfied that the insurance or other
23 form of financial responsibility covers judgments under the statutes
24 listed in (e) of this section;

25 (2) the applicant provides proof of \$50,000,000, or the
26 amount required by (a) - (c) of this section, whichever is less, in
27 insurance or other form of financial responsibility that meets the
28 requirements of (e) of this section; and

29 (3) the applicant provides a sworn statement or affidavit

1 that insurance or other form of financial responsibility that meets
2 the requirements of (e) of this section is not available in greater
3 amounts.

4 (m) A tank vessel or oil barge that is conducting, or is avail-
5 able only for conducting, oil discharge response operations is exempt
6 from the requirements of (c) of this section if the tank vessel or oil
7 barge has received prior approval of the department. The department
8 may approve an exemption under this subsection upon application and
9 presentation of information required by the department.

10 * Sec. 19. AS 46.04 is amended by adding a new section to read:

11 Sec. 46.04.045. ADJUSTMENT OF DOLLAR AMOUNTS. (a) The dollar
12 amounts in AS 46.04.040 change, as provided in this section, according
13 to and to the extent of changes in the Consumer Price Index for all
14 urban consumers for the Anchorage metropolitan area compiled by the
15 Bureau of Labor Statistics, United States Department of Labor (the
16 index). The index for January of the year in which this section
17 becomes effective is the reference base index.

18 (b) The dollar amounts change on October 1 of each third year
19 according to the percentage change between the index for January of
20 that year and the most recent index used to determine whether to
21 change the dollar amounts. After calculation of new amounts, the
22 resulting amounts shall be rounded to the nearest cent.

23 (c) If the index is revised, the percentage of change is cal-
24 culated on the basis of the revised index. If a revision of the index
25 changes the reference base index, a revised reference base index is
26 determined by multiplying the reference base index applicable by the
27 rebasing factor furnished by the United States Bureau of Labor Statis-
28 tics. If the index is superseded, the index referred to in this sec-
29 tion is the one represented by the Bureau of Labor Statistics as

1 reflecting most accurately changes in the purchasing power of the
2 dollar for Alaskan consumers.

3 (d) The department shall adopt a regulation announcing

4 (1) on or before June 30 of each third year, the changes in
5 dollar amounts required by (b) of this section; and

6 (2) promptly after the changes occur, changes in the index
7 required by (c) of this section, including, if applicable, the numer-
8 ical equivalent of the reference base index under a revised reference
9 base index and the designation or title of any index superseding the
10 index.

11 (e) The department shall also provide notification of a change
12 in dollar amounts required under (b) of this section to the clerks of
13 court in each judicial district of the state.

14 * Sec. 20. AS 46.04.050 is amended to read:

15 Sec. 46.04.050. EXEMPTIONS. The provisions of [BECAUSE OF THE
16 RESTRICTED NATURE OF THE OPERATIONS AND THE MINIMAL DANGER TO THE
17 ENVIRONMENT POSED BY THE ACTIVITIES,] AS 46.04.030, 46.04.040, and
18 46.04.060 do not apply to an oil terminal facility that has an effec-
19 tive storage capacity of less than 5,000 [10,000] barrels of crude oil
20 or less than 10,000 barrels of noncrude oil.

21 * Sec. 21. AS 46.04.060 is amended to read:

22 Sec. 46.04.060. INSPECTIONS. In addition to other rights of
23 access or inspection conferred upon the department by law or other-
24 wise, the department may at reasonable times and in a safe manner
25 enter and inspect oil [OIL] terminal facilities, pipelines, [OFFSHORE]
26 exploration and production facilities, tank vessels, and oil barges in
27 order [ARE SUBJECT TO INSPECTION BY THE DEPARTMENT] to

28 (1) ensure compliance with the provisions of this chapter;

29 or

1 (2) participate in an examination of the structural integ-
2 rity and the operating and mechanical systems of those vessels,
3 barges, pipelines, and facilities by federal and state agencies with
4 jurisdiction.

5 * Sec. 22. AS 46.04.060 is amended by adding a new subsection to read:

6 (b) When the department determines that no federal or state
7 agencies with jurisdiction are performing timely and adequate inspec-
8 tions of an oil terminal facility, pipeline, exploration or production
9 facility, tank vessel, or oil barge, it may perform its own inspection
10 of the structural integrity and operating and mechanical systems of a
11 facility, pipeline, tank vessel, or oil barge by using personnel with
12 qualifications in the areas being inspected.

13 * Sec. 23. AS 46.04.200 is amended to read:

14 Sec. 46.04.200. STATE MASTER PLAN. (a) The department shall
15 prepare and annually review and revise a statewide master oil and
16 hazardous substance discharge [AND] prevention and contingency plan.

17 (b) The state master plan prepared under this section must

18 (1) take into consideration the elements of an oil dis-
19 charge prevention and contingency plan approved or submitted for
20 approval under AS 46.04.030;

21 (2) clarify and specify the respective responsibilities of
22 each of the following in the assessment, containment, and cleanup of a
23 catastrophic oil discharge or of a significant discharge of a hazard-
24 ous substance into the environment of the state:

25 (A) agencies of the state;

26 (B) municipalities of the state;

27 (C) appropriate federal agencies;

28 (D) operators of facilities;

29 (E) private parties whose land and other property may

1 be affected by the oil or hazardous substance discharge; and

2 (F) other parties identified by the commissioner as
3 having an interest in or the resources to assist in the contain-
4 ment and cleanup of an oil or hazardous substance discharge;

5 (3) specify the respective responsibilities of parties
6 identified in (2) of this subsection in an emergency response; and

7 (4) identify actions necessary to reduce the likelihood of
8 catastrophic oil discharges and significant discharges of hazardous
9 substances.

10 (c) In preparing and annually reviewing the state master plan,
11 the commissioner shall

12 (1) consult with municipal and community officials, and
13 with representatives of affected regional organizations;

14 (2) submit the draft plan to the public for review and
15 comment;

16 (3) submit to the legislature for review, not later than
17 the 10th day following the convening of each regular session, the plan
18 and any annual revision of the plan; and

19 (4) require or schedule unannounced oil spill drills to
20 test the sufficiency of an oil discharge prevention and contingency
21 plan approved under AS 46.04.030 or of the cleanup plans of a party
22 identified under (b)(2) of this section.

23 * Sec. 24. AS 46.04.210(a) is amended to read:

24 (a) For any region of the state, the boundaries of which are
25 determined by the commissioner by regulation, in which the department
26 is required to review and approve an oil discharge prevention and
27 contingency plan submitted by a person under AS 46.04.030, the depart-
28 ment shall prepare and annually review and revise a regional master
29 oil and hazardous substance discharge [AND] prevention and contingency

1 plan.

2 * Sec. 25. AS 46.04.900(8) is amended to read:

3 (8) "[OFFSHORE] exploration [OR PRODUCTION] facility" means
4 a platform, vessel, or other facility used to explore for [OR PRODUCE]
5 hydrocarbons in or on the waters of the state or in or on land in the
6 state; the term does not include platforms or vessels used for strati-
7 graphic drilling or other operations that [WHICH] are not authorized
8 or intended to drill to a producing formation;

9 * Sec. 26. AS 46.04.900(15) is amended to read:

10 (15) "tank vessel" means a self-propelled waterborne vessel
11 that is constructed or converted to carry liquid bulk cargo in tanks
12 and includes tankers, tankships, and combination carriers when carry-
13 ing oil; the term does not include vessels carrying oil in drums,
14 barrels, or other packages, or vessels carrying oil as fuel or stores
15 for that vessel;

16 * Sec. 27. AS 46.04.900 is amended by adding new paragraphs to read:

17 (18) "pipeline" means the facilities, including piping,
18 compressors, pump stations, and storage tanks, used to transport crude
19 oil and associated hydrocarbons between production facilities or from
20 one or more production facilities to marine vessels;

21 (19) "production facility" means a drilling rig, drill site,
22 flow station, gathering center, pump station, storage tank, well, and
23 related appurtenances on other facilities to produce, gather, clean,
24 dehydrate, condition, or store crude oil and associated hydrocarbons
25 in or on the water of the state or on land in the state, and gathering
26 and flow lines used to transport crude oil and associated hydrocarbons
27 to the inlet of a pipeline system for delivery to a marine facility,
28 refinery, or other production facility.

29 * Sec. 28. AS 46.08.040 is amended to read:

1 Sec. 46.08.040. PURPOSES OF THE FUND. The commissioner may use
2 money from the fund to

3 (1) investigate and evaluate the release or threatened
4 release of oil or a hazardous substance, and contain, clean up, and
5 take other necessary action, such as monitoring and assessing, to
6 address a release or threatened release of oil or a hazardous sub-
7 stance that poses an imminent and substantial threat to the public
8 health or welfare, or to the environment;

9 (2) pay all costs incurred

10 (A) to establish and maintain the oil and hazardous
11 substance response office and for the expenses of the oil and
12 hazardous substance response corps and the oil and hazardous
13 substance response depots established by that office;

14 (B) to review oil discharge prevention and contingency
15 plans submitted under AS 46.04.030;

16 (C) to conduct training, response exercises, inspec-
17 tions, and tests, in order to verify equipment inventories and
18 ability to prevent and respond to oil and hazardous substance
19 release emergencies, and to undertake other activities intended
20 to verify or establish the preparedness of the state, a munic-
21 ipality, or a party required by AS 46.04.030 to have an approved
22 contingency plan to act in accordance with that plan; and

23 (D) to verify or establish proof of financial respon-
24 sibility required by AS 46.04.040;

25 (3) provide matching funds for participation in federal oil
26 spillage cleanup activities and under 42 U.S.C. 9601 - 9657 (Compre-
27 hensive Environmental Response, Compensation, and Liability Act of
28 1980); [AND]

29 (4) recover the costs to the state or to a municipality of

1 a containment and cleanup resulting from the release or the threatened
2 release of oil or a hazardous substance; [.]

3 (5) prepare, review, and revise

4 (A) the state's master oil and hazardous substance
5 discharge [AND] prevention and contingency plan required by
6 AS 46.04.200; and

7 (B) a regional master oil and hazardous substance
8 discharge [AND] prevention and contingency plan required by
9 AS 46.04.210; and

10 (6) restore the environment by addressing the effects of an
11 oil or hazardous substance release.

12 * Sec. 29. AS 46.08.060(a) is amended to read:

13 (a) The commissioner shall submit a report to the legislature
14 not later than the 10th day following the convening of each regular
15 session of the legislature. The report may include information con-
16 sidered significant by the commissioner but must include:

17 (1) the amount of money expended under AS 46.08.040 during
18 the preceding fiscal year;

19 (2) the amount and source of money received and money
20 recovered during the preceding fiscal year as specified in AS 46.08.-
21 020;

22 (3) a summary of municipal participation in responses
23 funded by the fund;

24 (4) a detailed summary of department activities in re-
25 sponses funded by the fund during the preceding fiscal year, including
26 necessary descriptions, and statements outlining the nature of the
27 threat; in this paragraph, "detailed" includes information describing
28 each personal services position and total compensation for that posi-
29 tion, each contract in excess of \$20,000, and each purchase in excess

1 of \$10,000; and

2 (5) the projected cost for the next fiscal year of monitor-
3 ing, operating, and maintaining sites where response has been com-
4 pleted or is expected to be continued during the fiscal year.

5 * Sec. 30. SURVEY OF SMALL NONCRUDE OIL TERMINAL FACILITIES. (a) By
6 January 31, 1992, the Department of Environmental Conservation shall sur-
7 vey, inspect, and prepare an inventory of noncrude oil terminal facilities
8 in the state with an effective storage capacity of 5,000 to 10,000 barrels
9 in order to determine for each facility

10 (1) its actual storage capacity;

11 (2) the type of noncrude oil products stored;

12 (3) its age, design, construction, and general condition;

13 (4) the design and construction standards applicable or rele-
14 vant;

15 (5) the presence or absence of containment structures and equip-
16 ment;

17 (6) ~~the~~ ability to respond to a release or threatened release;

18 (7) ~~the~~ environmental sensitivity of the surrounding area and
19 the potential risk to the environment if a release occurs;

20 (8) the presence or absence of surface and subsurface pipelines
21 and storage tanks; and

22 (9) other appropriate information.

23 (b) By January 31, 1992, the Department of Environmental Conservation
24 shall report to the legislature the results of the survey required under
25 (a) of this section and its written recommendations concerning discharge
26 ~~prevention and contingency requirements~~ or design review requirements that
27 should be enacted for noncrude oil terminal facilities with storage capac-
28 ities of less than 10,000 barrels.

29 (c) Upon completion of the survey required under (a) of this section,
SCS CSHB 567(O&G)

1 the Department of Environmental Conservation may

2 (1) notify each facility of the results of the facility's in-
3 spection; and

4 (2) provide each facility with recommendations and technical
5 assistance concerning identified deficiencies.

6 (d) The Department of Environmental Conservation may conduct the
7 inspections required under this section notwithstanding the provisions of
8 AS 46.04.050. The department shall conduct the inspections at reasonable
9 times.

10 * Sec. 31. STUDY RELATING TO NONCRUDE OIL TANKERS AND BARGES. By
11 July 1, 1991, the Department of Environmental Conservation shall conduct a
12 study and report to the legislature its recommendations concerning the
13 following issues related to oil discharge prevention and contingency plan-
14 ning for tank vessels and oil barges carrying noncrude oil in bulk as
15 cargo:

16 (1) appropriate locations for regional response depots, based on
17 an assessment of historical evidence of where noncrude oil discharges are
18 most likely to occur and the needs of remote areas of the state such as
19 western and northern Alaska and the Aleutians;

20 (2) appropriate discharge response times;

21 (3) requirements for personnel and equipment that should be
22 imposed on contingency plan holders;

23 (4) appropriate roles for industry and state and local govern-
24 ments in the purchase, ownership, and positioning of discharge response
25 efforts.

26 * Sec. 32. TRANSITIONAL PROVISIONS. (a) AS 46.04.030(k) - (m), en-
27 acted by sec. 10 of this Act, do not apply to oil discharge prevention and
28 contingency plans until June 1, 1991. On and after June 1, 1991, a contin-
29 gency plan must comply with AS 46.04.030(k) - (m), enacted by sec. 10 of

1 this Act, regardless of whether the contingency plan is due for renewal
2 under AS 46.04.030(d), as amended by sec. 9 of this Act.

3 (b) The amendments to AS 46.04.040, made by secs. 11 - 18 of this
4 Act, do not apply to persons required to show proof of financial respon-
5 sibility until June 1, 1991. On and after June 1, 1991, proof of financial
6 responsibility must comply with AS 46.04.040, as amended by secs. 11 - 18
7 of this Act, regardless of whether acceptance of proof of financial respon-
8 sibility has expired under AS 46.04.040(f), as amended by sec. 16 of this
9 Act.

10 * Sec. 33. This Act takes effect immediately under AS 01.10.070(c).
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STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

7HB 565
HB 566
HB 567

February 21, 1990

The Honorable Sam Cotten
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting three bills implementing recommendations made by the Alaska Oil Spill Commission.

One bill authorizes the governor to use the oil and hazardous substance release response fund, established under AS 46.08.010, to respond to declared disaster emergencies under AS 26.23.020. The bill also repeals the exception in AS 46.04.080(a) that requires the Department of Environmental Conservation (DEC) to perform the duties of the Division of Emergency Services during a catastrophic oil discharge. Finally, the bill creates in statute the State Emergency Response Commission, presently established by an administrative order.

Another bill extensively revises AS 46.03.758 - 46.03.763, which deals with civil penalties for oil spills. In general, the bill increases penalties for spills and eliminates unwarranted exemptions and defenses.

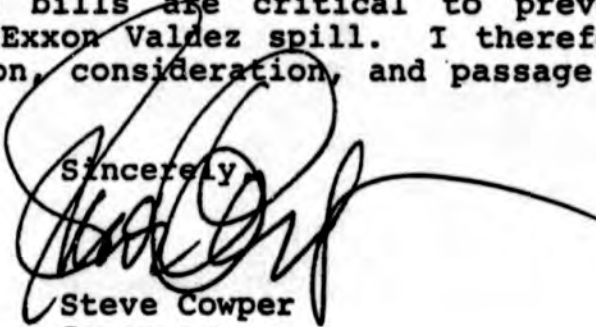
The third bill strengthens DEC's authority to require compliance with oil discharge contingency plans. Of particular significance is the requirement that applicants for contingency plans must maintain sufficient resources to contain and remove, within the shortest possible time, a realistic maximum oil discharge. Next, this bill increases the financial responsibility requirements for offshore oil exploration and production activities, to guarantee that in the event of another spill, significant financial resources will exist to compensate damaged parties, including the state. Finally, this bill authorizes DEC to inspect oil industry facilities and tankers to guarantee compliance with contingency plans and to assure structural integrity of the equipment.

Sectional analyses of each bill, describing the bills in detail, will be provided by my staff.

As you know, the Oil Spill Commission "Executive Summary," issued last month, includes over 50 recommendations. Through this legislation, as well as other bills already under consideration by the legislature (House Bill 409, Senate Bills 359, 421, and 497), most of those recommendations are being addressed. Furthermore, additional legislative proposals based upon these recommendations are still under consideration, and, after review of the full commission report, just released, additional proposals might be forthcoming.

The Oil Spill Commission, after extensive study, has identified several ways for the state to improve its ability to prevent future spills and to better respond if a serious bill occurs again. These bills are critical to prevent another disaster like the Exxon Valdez spill. I therefore urge your serious discussion, consideration, and passage of these measures.

Sincerely,

A large, stylized handwritten signature in black ink, likely belonging to Steve Cowper, is written over the word "Sincerely," and extends to the right.

Steve Cowper
Governor

Letter of Intent for HB 567

Subsection (k) (3) (C) of HB 567 provides that a contingency plan holder must demonstrate that the equipment, personnel, and other resources maintained outside of the plan holder's region of operation will be deployed and operating at the discharge site within 72 hours.

Like all other provisions in Section (k), subsection (k) (3) (C) is subject to Section (l) which provides that the Section (k) provisions are not clean up or performance standards for the discharge response. Rather, the Section (k) requirements, including those in subsection (k) (3) (C), are planning requirements for determining what will be in any particular contingency plan.

The subsection (k) (3) (C) planning provisions require a demonstrated plan for moving equipment, personnel, and other resources necessary to deploy and operate that equipment and personnel to the discharge site. The provision includes deployment and operation of the equipment and personnel to ensure that there are systems and plans to actually use the additional equipment in a manner that is well orchestrated to supplement and enhance the equipment and personnel from the plan holder's region of operation.

However, both segments of the contingency plan -- the deployment of the in-region equipment and the transportation and deployment of the out-of-region equipment -- are subject to Section (l). Neither segment creates a performance standard under the terms of HB 567. So, if a contingency plan has been approved, based upon a demonstrated plan of action to get equipment, personnel, and other resources to the site, it would not be a violation of the terms of A.S. 46.04.030 if unforeseeable circumstances result in a failure to actually deploy and operate all equipment within 72 hours.

A M E N D M E N T

OFFERED IN THE SENATE

TO: SCS CSHB 567(O&G)

Page 11, after line 11:

Insert a new subsection to read:

"(p) A person who intends to commence operations for which an approved contingency plan is required under this section shall submit the proposed contingency plan to the department so that it is received by the department at least 65 days before the date on which the person intends to commence the operations. The department shall approve or disapprove the proposed contingency plan within 65 days after it receives a complete application for approval under this subsection."

Reletter the following subsections accordingly.

TO: SCS CS HB 567 (Oil and Gas)

AMENDMENT

page 12, line 3, insert after "of the"

"tank vessel, oil barge,"

page 12, line 4, insert after "of the"

"tank vessel, oil barge,"

page 12, line 5, insert after "with the"

"tank vessel, oil barge,"

page 12, line 6, insert after "similar"

"tank vessels, oil barges,"

page 12, line 7, insert after "mishaps"

"to the tank vessel or oil barge, or"

page 12, line 7, insert after "pipeline or"

"to similar tank vessels or oil barges, or"

DATE: May 1, 1990

TO: Senator Drue Pearce

FROM: Walter B. Parker *WBP*

RE: Draft 4-30-90 by DL on CS for HB 567

P. 4 OK

P. 6 (1), (2), (3), (4) appears OK

(5) Has some problems. It simply in effect extends 72 hours to 144 hours. Nothing in the 4/29 markup inhibits utilization of out of region equipment if 72 hours is met. Most airborne response will be from out of region. Paragraph (1) in the 4/29 markup takes care of that. Also paragraph (k) holds the CP holder harmless if a good faith effort fails for extreme weather or other unforeseen causes.

**VALDEZ TANKER TRADE
AND 72 HOUR RECOVERY**

Walter B. Parker
Chairman
Alaska Oil Spill Commission

Destinations	1989 Share Shipped Oil	Average Tanker Load in BBL.	% recovered in *1 72 Hours using Alyeska Present Plan
Puget Sound	24.9%	531,000	54.2%
San Francisco	16.1%	570,000	50.2%
Los Angeles	28.9%	875,000	32.9%
Virgin Island	5.7%	1,741,000	16.5%
Panama	18.1%	1,394,000	20.7%
Nikiski	3.8%	335,000	86.0%
Hawaii	2.5%	456,000	63.1%
Average Load		910,000	31.8%

*1 Utilizing 4,000 BBLs per hour recovery based on Skimmers in Alyeska Contingency Plan under review having a nameplate capacity of 14,000 BBLs per hour gives a total of 288,000 recovered in 72 hours.

Utilizing 4,000 BBLs per hour plus ARCO Skimmer 45,000 BBLs per hour gives a total 3,528,000 recovered in 72 hours or 100% recovery for all the above.

**FINANCIAL RESPONSIBILITY REQUIREMENTS
NON-CRUDE BARGES**

<u>Barge Size (BBLs)</u>	<u>Existing Requirements</u>	<u>Proposed Requirements</u>
< 5,000	\$1 million	None
5,000 - 10,000	\$1 million	\$1 million
20,000	\$1 million	\$2 million
30,000	\$1 million	\$3 million
40,000	\$1 million	\$4 million
50,000	\$1 million	\$5 million
75,000	\$1 million	\$7.5 million
100,000	\$1 million	\$10 million
150,000	\$1 million	\$15 million

FINANCIAL RESPONSIBILITY REQUIREMENTS

EXISTING NON-CRUDE BARGE COMPANIES

<u>COMPANY</u>	<u>LARGEST BARGE SIZE (BBLs)</u>	<u>EXISTING REQUIREMENTS</u>	<u>NEW REQUIREMENTS</u>
Crowley	154,608	\$ 1 million	\$15.5 million
Foss	75,510	\$ 1 million	\$ 7.6 million
United Marine	74,100	\$ 1 million	\$ 7.4 million
Delta Western	50,000	\$ 1 million	\$ 5.0 million
Northland	39,000	\$ 1 million	\$ 3.9 million
Brix Maritime	21,750	\$ 1 million	\$ 2.1 million
Alaska Marine	16,031	\$ 1 million	\$ 1.6 million
White Pass	12,828	\$ 1 million	\$ 1.3 million
Yutana	7,600	\$ 1 million	\$ 1 million
Moody's	5,476	\$ 1 million	\$ 1 million
Kugkaktlike	3,600	\$ 1 million	None
Smith	1,768	\$ 1 million	None

Note: Barges listed are only those that have fulfilled financial responsibility requirements through June 30, 1990, and submitted contingency plans.

**FINANCIAL RESPONSIBILITY REQUIREMENTS
NON-CRUDE TERMINALS**

<u>Terminal Size (BBLs)</u>	<u>Existing Requirements</u>	<u>Proposed Requirements</u>
<10,000	None	None
10,000-40,000	\$1 million	\$1 million
50,000	\$1 million	\$1.25 million
100,000	\$1 million	\$2.5 million
500,000	\$5 million	\$12.5 million
1,000,000	\$10 million	\$25.0 million
1,500,000	\$15 million	\$37.5 million

FINANCIAL RESPONSIBILITY REQUIREMENTS

BARROW NON-CRUDE TERMINALS

<u>FACILITY</u>	<u>SIZE (BBLs)</u>	<u>EXISTING REQUIREMENTS</u>	<u>NEW REQUIREMENTS</u>
Block B Tank Farm (Eskimo Inc)	68,095	\$ 1 million	\$ 1.7 million
Barrow Oil Terminal (NSB)	24,240	\$ 1 million	\$ 1 million
Browerville (Eskimo Inc)	1,430	None	None

Block B Tank Farm and the Barrow terminal are currently required to have contingency plans and have submitted them to DEC for approval. The Browerville facility had a contingency plan in the past, but reduced its capacity and is no longer required to have a plan.

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION : SCSCSHB 567 (O & G)
PUBLISH DATE : _____

FISCAL NOTE

REQUEST:

Revision Date: 5/3/90
Title: An Act relating to contingency
plan requirements, financial responsibility...
Sponsor: Rules/Governor
Requestor: Senate Oil and Gas

Agency Affected: Environ. Conservation
BRU: Environmental Quality
Components: Environmental Quality

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	665.0	614.0	563.0	563.0	563.0	563.0
TRAVEL	60.0	52.5	45.0	45.0	45.0	45.0
CONTRACTUAL	562.0	554.0	546.0	546.0	546.0	546.0
SUPPLIES	14.0	13.0	12.0	12.0	12.0	12.0
EQUIPMENT	70.0	65.0	60.0	60.0	60.0	60.0
LAND&STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS,CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	1,371.0	1,298.5	1,226.0	1,226.0	1,226.0	1,226.0
CAPITAL	0.0	1,298.5	1,226.0	1,226.0	1,226.0	1,226.0
REVENUE	0.0	0.0	0.0	0.0	0.0	0.0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS	0.0	0.0	0.0	0.0	0.0	0.0
OTHER	1,371.0	1,298.5	1,226.0	1,226.0	1,226.0	1,226.0
TOTAL	1,371.0	1,298.5	1,226.0	1,226.0	1,226.0	1,226.0

POSITIONS:

FULL-TIME	12.0	12.0	12.0	12.0	12.0	12.0
PART-TIME	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	2.0	1.0	0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary)

Further analysis attached.

Prepared by: Larry Dietrick

Division: Environmental Quality

Phone: 465-2640

Date: 5/4/90

Approved by Commissioner: A. D. Ilye

Agency: Environmental Conservation

Date: 5/4/90

Distribution (by preparer) :

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

FISCAL ANALYSIS

The legislation requires certain facilities and vessels to include prevention measures in their contingency plans. One Ecologist II is necessary to develop prevention regulations such as design, construction and operation standards for the various types of facilities and vessels. In addition, field staff will require additional time to review the prevention portions of the plan and to perform more detailed facility inspections. Statewide, this will increase the workload by two FTE (Environmental Field Officer II's).

In addition, this legislation this section requires a new class of facilities - onshore exploration and production facilities - to develop oil discharge prevention and contingency plans. There are approximately 60 sites with multiple facilities currently operating in the state. Two Environmental Field Officers are necessary to evaluate these contingency plans, inspect facilities for compliance with the approved contingency plans, and to develop and participate in spill drills designed to test the ability of the contingency plans.

The legislation requires the Department to provide a copy of a contingency plan to the Departments of Fish and Game and Natural Resources and provide those agencies with an opportunity to review and comment on the plans. The coordination of review for over 70 plan reviews annually will require one additional FTE (Ecologist II).

The legislation requires proof of financial responsibility for responding to discharge incidents. One-half of an Administrative Assistant III is necessary to carry out the additional workload reviewing and approving the financial responsibility documentation for facilities covered by the section.

The legislation broadens the forms of security acceptable to demonstrate financial responsibility. The Department will need to evaluate what forms of security will be acceptable to the state and define those by regulation (.5 Administrative Assistant III).

The legislation provides authority to the Department to inspect the structural integrity of tank vessels, oil barges, oil terminal facilities, and pipelines. Outside expertise is necessary for some inspections. The Department will require two FTE (Environmental Field Officer III) and contractual funds (\$350.0) to implement this section.

The legislation requires the Department to conduct a survey of small non-crude oil terminal facilities with storage capacities between 5,000 and 10,000 barrels. There are over 30 of these facilities, most of which are located in rural areas. The inspections will involve a technical review of facility design and construction, prevention measures, and spill response capability. The Department will provide technical assistance to the facility owners/operators to enhance their spill prevention and response capabilities. In addition, the Department will submit a report to the legislature outlining the types of problems at these facilities and suggestions for improvement. The inspections and technical assistance will require two Environmental Field Officers. Compilation of the statewide inspection information and recommendations report to the legislature will require one Ecologist II. The survey is required to be done within two years.

The legislation requires the Department to study oil discharge prevention and contingency planning issues associated with tank vessels and oil barges carrying noncrude oil. Based on the study results, the Department must report to the legislature with recommendations for locating regional response depots, defining operator response times including equipment and personnel requirements, and assigning industry and government roles in response efforts. The study must be completed no later than July 1, 1991. The Department will require contractual funds (\$100.0) to manage the study required by this section and prepare a report to the legislature.

Position	100	200	300	400	500	Total
1 Ecologist II	51.0	5.0	8.0	1.0	5.0	70.0
2 Env. Field Ofc II's	102.0	10.0	16.0	2.0	10.0	140.0
2 Env. Field Ofc III's	102.0	10.0	16.0	2.0	20.0	140.0
1 Ecologist II	51.0	5.0	8.0	1.0	5.0	70.0
1 Admin. Asst. III	36.0	0.0	8.0	1.0	5.0	50.0
2 Env. Field Ofc III	102.0	10.0	16.0	2.0	10.0	140.0
Contractual (inspections)			450.0			450.0
2 Env. Field Ofc III	102.0	15.0	16.0	2.0	10.0	145.0
1 Ecologist II	51.0	5.0	8.0	1.0	5.0	70.0
2 Clerk Typist III's	68.0	0.0	16.0	2.0	10.0	96.0
TOTALS	665.0	60.0	562.0	14.0	70.0	\$1,371.0

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION: SCSCS HB 567 (O&G)
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: 5/5/90
Title: Oil Spill Contingency Plans
Sponsor: Rules Committee (Governor)
Requestor: Senate Oil & Gas

Agency Affected: Natural Resources
BRU: Petroleum Management
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Carol Wilson

Phone: 465-2400

Division: Commissioner's Office

Date: 5/5/90

Approved by Commissioner: *Samuel Gould*

Date: 5/5/90

Agency: Natural Resources

Distribution (by preparer):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

STATE OF ALASKA
1990 LEGISLATIVE SESSION

SCS. CSHB 567(O&G)
PUBLISH DATE: 5/8/90

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Fish and Game
Title: An Act strengthening DEC's BRU: Habitat Division
contingency plan and inspection requirements.
Sponsor: Rules Committee/Governor Components: Habitat
Requestor: House Finance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	135.9					
TRAVEL	6.0					
CONTRACTUAL	13.6					
SUPPLIES	1.0					
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	156.5					

CAPITAL	0					
---------	---	--	--	--	--	--

REVENUE	0					
---------	---	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	0					
FEDERAL FUNDS	0					
OTHER *	156.5					
TOTAL	156.5					

POSITIONS:

FULL-TIME	2					
PART-TIME	1					
TEMPORARY	0					

ANALYSIS : (Attach a separate page if necessary)

* Oil and Hazardous Substance Release Response Fund

Prepared by: House Finance Committee Phone: 465-3727
Division: Co-Chairman Ron Larson Date: 4/23/90
Co-Chairman Lyman Hoffman
Approved by Commissioner: [Signature] Date: 4/23/90
Agency: _____

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Continuation of fiscal note analysis

No. 4
CSHB 567(Fin)
HOUSE 4/24/90FY91 Line Itemization -

PCN/NEW	RANGE/STEP	CLASSIFICATION	NO. MONTHS (COST)	LOCATION
New	18C	Habitat Biologist III	12 (54.0)	Anchorage
New	18C	Habitat Biologist III	12 (61.1)	Fairbanks
6118	16J	Cartographer III	3 (13.5)	Anchorage
New	8C	Clerk/Typist III	1.5 (3.8)	Anchorage
6131	7A	Clerk/Typist III	1.5 (3.5)	Fairbanks
TOTAL			\$135.9	

EXPLANATION

As a result of the Exxon Valdez oil spill, it has become apparent that existing oil spill contingency plans are inadequate. Consequently, the U.S. Coast Guard (USCG) is reviewing and updating its regional contingency plans, and the state intends to re-evaluate the adequacy of at least the major nongovernmental contingency plans. This effort has already been initiated and we anticipate that, at a minimum, the state will participate in planning projects for Prince William Sound, Cook Inlet, the Beaufort Sea, and possibly other areas such as the Chukchi Sea. The state will also be involved in re-evaluating and potentially expanding the Dispersant Use Guidelines and Wildlife Protection Guidelines, which have incorporated into the USCG Alaska Region spill contingency plan. In order to protect the state's interests in fish and wildlife populations, habitats, and public uses of these resources, ADF&G will require additional staff to dedicate specifically to contingency planning.

The principal resources at risk because of oil and other hazardous substance releases are fish and wildlife, and the ADF&G is the state agency with the expertise and statutory mandate to provide information and recommendations regarding these resources. The department must compile and provide information on the distribution, abundance, and critical life function needs of fish and wildlife populations that may be affected by a spill or other release. Based on this information, the department must recommend mitigation measures that will afford the highest possible level of fish and wildlife protection. Examples of mitigation decisions are

Continuation of Explanation

the identification of areas that are biologically suitable for oil dispersant use, identification of areas of highest priority for containment or defensive booming, identification of criteria for deploying shoreline cleanup equipment and crews, and the selection of shoreline cleanup techniques that will maximize biological benefits and minimize biological costs.

At present, ADF&G has no funding allocated to perform this function. Between February 16 and June 30 of FY90, ADF&G will need: 9 months of HBIII, 2.25 months of CTIII, and 1.0 month of CartIII. ADF&G will also require two computers and funding for other support services as noted above.

STATE OF ALASKA
1990 LEGISLATIVE SESSION

No. 4
BILL VERSION: CSHB 567(Fin)
PUBLISH DATE: HOUSE 4/24/90

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Fish and Game
Title: An Act strengthening DEC's BRU: Habitat Division
contingency plan and inspection requirements.
Sponsor: Rules Committee/Governor Components: Habitat
Requestor: House Finance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	135.9					
TRAVEL	6.0					
CONTRACTUAL	13.6					
SUPPLIES	1.0					
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	156.5					

CAPITAL	0					
---------	---	--	--	--	--	--

REVENUE	0					
---------	---	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	0					
FEDERAL FUNDS	0					
OTHER *	156.5					
TOTAL	156.5					

POSITIONS:

FULL-TIME	2					
PART-TIME	1					
TEMPORARY	0					

ANALYSIS : (Attach a separate page if necessary)

* Oil and Hazardous Substance Release Response Fund

Prepared by: House Finance Committee Phone: 465-3727
Division: Co-Chairman Ron Larson Date: 4/23/90
Co-Chairman Lyman Hoffman
Approved by Commissioner: [Signature] Date: 4/23/90
Agency: _____

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Continuation of fiscal note analysis

No. 4
CSHB 567(Fin)
HOUSE 4/24/90FY91 Line Itemization -

PCN/NEW	RANGE/STEP	CLASSIFICATION	NO. MONTHS (COST)	LOCATION
New	18C	Habitat Biologist III	12 (54.0)	Anchorage
New	18C	Habitat Biologist III	12 (61.1)	Fairbanks
6118	16J	Cartographer III	3 (13.5)	Anchorage
New	8C	Clerk/Typist III	1.5 (3.8)	Anchorage
6131	7A	Clerk/Typist III	1.5 (3.5)	Fairbanks
TOTAL			\$135.9	

EXPLANATION

As a result of the Exxon Valdez oil spill, it has become apparent that existing oil spill contingency plans are inadequate. Consequently, the U.S. Coast Guard (USCG) is reviewing and updating its regional contingency plans, and the state intends to re-evaluate the adequacy of at least the major nongovernmental contingency plans. This effort has already been initiated and we anticipate that, at a minimum, the state will participate in planning projects for Prince William Sound, Cook Inlet, the Beaufort Sea, and possibly other areas such as the Chukchi Sea. the state will also be involved in re-evaluating and potentially expanding the Dispersant Use Guidelines and Wildlife Protection Guidelines, which have incorporated into the USCG Alaska Region spill contingency plan. In order to protect the state's interests in fish and wildlife populations, habitats, and public uses of these resources, ADF&G will require additional staff to dedicate specifically to contingency planning.

The principal resources at risk because of oil and other hazardous substance releases are fish and wildlife, and the ADF&G is the state agency with the expertise and statutory mandate to provide information and recommendations regarding these resources. The department must compile and provide information on the distribution, abundance, and critical life function needs of fish and wildlife populations that may be affected by a spill or other release. Based on this information, the department must recommend mitigation measures that will afford the highest possible level of fish and wildlife protection. Examples of mitigation decisions are

Continuation of Explanation

the identification of areas that are biologically suitable for oil dispersant use, identification of areas of highest priority for containment or defensive booming, identification of criteria for deploying shoreline cleanup equipment and crews, and the selection of shoreline cleanup techniques that will maximize biological benefits and minimize biological costs.

At present, ADF&G has no funding allocated to perform this function. Between February 16 and June 30 of FY90, ADF&G will need: 9 months of HBIII, 2.25 months of CTIII, and 1.0 month of CartIII. ADF&G will also require two computers and funding for other support services as noted above.

STATE OF ALASKA
1990 LEGISLATIVE SESSION

No. 3
BILL VERSION: CSHB 567(Fin)
PUBLISH DATE: HOUSE 4/24/90

FISCAL NOTE

REQUEST:

Revision Date: 4/2/90
Title: An act relating to contingency
plan requirements, financial responsibility...
Sponsor: Rules/Governor
Requestor: HFinance

Agency Affected: Environ. Conservation
BRU: Environmental Quality
Components: Environmental Quality

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	665.0	614.0	563.0	563.0	563.0	563.0
TRAVEL	60.0	52.5	45.0	45.0	45.0	45.0
CONTRACTUAL	562.0	554.0	546.0	546.0	546.0	546.0
SUPPLIES	14.0	13.0	12.0	12.0	12.0	12.0
EQUIPMENT	70.0	65.0	60.0	60.0	60.0	60.0
LAND&STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	1,371.0	1,298.5	1,226.0	1,226.0	1,226.0	1,226.0
CAPITAL	0.0	1,298.5	1,226.0	1,226.0	1,226.0	1,226.0
REVENUE	0.0	0.0	0.0	0.0	0.0	0.0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS	0.0	0.0	0.0	0.0	0.0	0.0
OTHER RESPONSE FUNDS	1,371.0	1,298.5	1,226.0	1,226.0	1,226.0	1,226.0
TOTAL	1,371.0	1,298.5	1,226.0	1,226.0	1,226.0	1,226.0

POSITIONS:

FULL-TIME	12.0	12.0	12.0	12.0	12.0	12.0
PART-TIME	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	2.0	1.0	0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary)

Further analysis attached.

Prepared by: Lynn Kent

Division: Environmental Quality

Approved by Commissioner: *AD Kyle*

Agency: Environmental Conservation

Phone: 465-2630

Date: 4/2/90

Date: 4/2/90

Distribution (by preparer) :

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

FISCAL ANALYSIS

Sections 1, 2, and 3

These sections allow the Department and municipalities to enter into agreements relating to vessel traffic control and monitoring systems and alter penalty provisions. There is no fiscal impact to the Department from these sections.

Section 4

This section requires certain facilities and vessels to include prevention measures in their contingency plans. One Ecologist II is necessary to develop prevention regulations such as design, construction and operation standards for the various types of facilities and vessels. In addition, field staff will require additional time to review the prevention portions of the plan and to perform more detailed facility inspections. Statewide, this will increase the workload by two FTE (Environmental Field Officer II's)

In addition, this section requires a new class of facilities - onshore exploration and production facilities - to develop oil discharge prevention and contingency plans. There are approximately 60 sites with multiple currently operating in the state. Two Environmental Field Officers are necessary to evaluate these contingency plans, inspect facilities for compliance with the approved contingency plans, and to develop and participate in spill drills designed to test the ability of the contingency plans.

Section 5

Section 5 of the bill requires the Department to provide a copy of a contingency plan to the Departments of Fish and Game and Natural Resources and provide those agencies with an opportunity to review and comment on the plans. The coordination of review for over 70 plan reviews annually will require one additional FTE (Ecologist II).

Section 6

Section 6 has no fiscal impact on the Department.

Section 7

Section 7 requires approximately 60 additional facilities (onshore exploration and production facilities) to demonstrate proof of financial responsibility. One-half of an Administrative Assistant III is necessary to carry out the additional workload of reviewing and approving the financial responsibility documentation for these facilities.

Sections 8 and 9

Sections 8 and 9 have no fiscal impact on the Department.

Sections 10, 11 and 12

These sections broaden the forms of security acceptable to demonstrate financial responsibility. The Department will need to evaluate what forms of security will be acceptable to the state and define those by regulation (.5 Administrative Assistant III)

Section 13

Section 13 has no fiscal impact on the Department.

Section 14

This section requires crude oil terminals with a capacity between 5,000 and 10,000 barrels to have approved contingency plans. This will not significantly increase the workload for the Department.

Section 15

This section provides authority to the Department to inspect the structural integrity of tank vessels, oil barges, oil terminal facilities, pipelines. Outside expertise is necessary for some of this activity. The Department will require two FTE (Environmental Field Officer III) and contractual funds (\$450.0) to implement this section.

Sections 16 and 17

Sections 16 and 17 are for drafting clarification and do not have a fiscal impact on the Department.

Section 18

Section 18 has no fiscal impact on the Department.

Section 19

Section 19 broadens the use of the Oil and Hazardous Substance Release Response Fund. The fiscal impact to the Department comprises the total of this fiscal note.

Section 20

This section requires the Department to conduct a survey of small non-crude oil terminal facilities with storage capacities between 5,000 and 10,000 barrels. There are over 30 of these facilities, most of which are located in rural areas. The inspections will involve a technical review of facility design and construction, prevention measures, and spill response capability. The Department will provide technical assistance to the facility owners/operators to enhance their spill prevention and response capabilities. In addition the Department will submit a report to the legislature outlining the types of problems at these facilities and suggestions for improvement. The inspections and technical assistance will require two Environmental Field Officers. Compilation of the statewide inspection information and recommendations report to the legislature will require one Ecologist II. The survey is required to be done within two years. One EFO position is for just one year, while the other one is for the two years of the survey. The Department proposes to keep the Ecologist II for subsequent years to initiate implementation of accepted recommendations.

Position	100	200	300	400	500	Total
Ecologist II	51.0	5.0	8.0	1.0	5.0	70.0
2 Env. Field Ofc II's	102.0	10.0	16.0	2.0	10.0	140.0
2 Env. Field Ofc III's	102.0	10.0	16.0	2.0	10.0	140.0
Ecologist II	51.0	5.0	8.0	1.0	5.0	70.0
Admin. Asst. III	36.0	0.0	8.0	1.0	5.0	50.0
2 Env. Field Ofc III	102.0	10.0	16.0	2.0	10.0	140.0
Contractual (inspections)			450.0			450.0
2 Env. Field Ofc III	102.0	15.0	16.0	2.0	10.0	145.0
Ecologist II	51.0	5.0	8.0	1.0	5.0	70.0
2 Clerk Typist III's	68.0	0.0	16.0	2.0	10.0	96.0
TOTALS	665.0	60.0	562.0	14.0	70.0	\$1,371.0

SCOMM

62:32

SENATE COMMITTEE REPORT

URTHER

RES

3/31/89

DATE TURNED INTO OFFICE

Mr. President:

OIL & GAS

Committee considered

HJR 32 am

oil and gas drilling on the North Aleutian Basin Outer Continental Shelf

and recommended

☒ replace with § CS HJR 32 (O&G) ☒ same titl
☐ or adopt CS ☐ new titl
☐ attached amendment(s) and of intent do pass ☐ technical
☐ letter of intent adopted ☐ title change
(HB only)

☐ do pass

☐ do not pass

☐ no recommendation

☒ individual recommendations

☐ further referral to

FISCAL NOTE(S) ☐ zero ☐ fiscal impact ☐ appropriation no FN
☐ new ☐ updated ☐ previous
☐ same as previous fiscal note(s) published

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Tim Kell
Rick Halford
Paul Smith

SCS &
OFN for review

Chairman signature and recommendation



OFFICIAL BUSINESS

Alaska State Legislature

APR 8 1989

P.O. Box V
State Capitol
Juneau, Alaska 99811

April 5, 1989

The Honorable George Bush
The President
The White House
Washington, D.C. 20500

Dear Mr. President:

As members of the Alaska Legislature whose districts encompass Bristol Bay, the world's richest salmon fishery, we write to you today to request that you take immediate action to prevent the exploration for oil and gas on federal leases sold under Outer Continental Shelf Lease Sale 92.

The ongoing tragedy wrought upon Alaska's Prince William Sound by the wreck of the supertanker EXXON VALDEZ has finally brought home the truth about the oil industry's inability to recover major oil spills in a marine environment. They just can't do it, Mr. President, and it's beyond us how any reasonable person could claim otherwise in view of the proof floating on the waters of Prince William Sound and the Gulf of Alaska right now.

With one exception, the people of the State of Alaska have supported the OCS leasing program off our coast. But most Alaskans, including the current governor and his two predecessors, have felt very strongly that the relatively low potential for oil and gas recovery in the Sale 92 area does not balance against the known value of the nearby Bristol Bay fishery.

We are even more assured of that simple truth in view of the mounting losses in Prince William Sound. We are watching not only the death of fish, fowl and wildlife, but the loss of jobs, as well; a \$12-million herring fishery already has been cancelled and other cancellations undoubtedly will follow. But as bad as the situation is

in Prince William Sound, a similar accident in Bristol Bay would jeopardize an even larger number of fish, wildlife and human livelihoods.

There are resolutions working their way through the Legislature right now that variously ask the Department of Interior and you, Mr. President, to either delay or suspend indefinitely any oil and gas exploration activity on the federal leases sold in Sale 92. There also was a news story recently indicating Alaska's junior U.S. Senator, Frank Murkowski, has changed his mind in the aftermath of the VALDEZ spill and now supports postponement of Sale 92.

As representatives of the people who make their living from Bristol Bay, we take these requests a step further, and respectfully ask that you cancel the Sale 92 leases outright and refund the bid money to the respective oil companies.

We will not belabor you further in this letter with additional facts and figures of the tragedy of Prince William Sound. We know you sent a team of advisors to Alaska and certainly you've watched the news accounts and receive daily briefings on the situation. But in closing, we do add our voices to that of the Anchorage Daily News, which yesterday urged you to come to Alaska and view this catastrophe yourself.

If you do come to inspect this national disaster, we'd ask you to expand your itinerary to include a look at Bristol Bay and see firsthand the tremendous resource that will be placed in risk if Lease Sale 92 proceeds.

We think you'd conclude, as we did long ago, Mr. President, that you ought to let them keep their bid money, and let us keep our Bristol Bay.

Sincerely,



Rep. George Jacko, Jr.
House District 26



Sen. Fred Zharoff
Senate District N

APR - 7 1989

April 4, 1989

Oil & Gas Resource Committee
Alaska State Senate
Attn! Drew Pierce - Chair -
Pouch V
Juneau, Ak. 99811

Dear Senator Pierce;

I am writing in regards to the teleconference on April ^{3rd} ~~K~~ concerning Senate Joint Resolution No. 11. Mr. Sparcks had asked me to testify in his stead as he would be traveling out of state at that time.

Due to unforeseen mechanical/personal difficulties however, I was unable to make it in time to testify. Please accept this written testimony in place of that lost opportunity.

My thanks for your understanding and consideration.

Regards,



Greg Roczicka
Box 513
Bethel, Ak. 99559



Testimony of the Yukon-Kuskokwim Fisheries Task Force to the Alaskan State Senate Seeking the Termination of the North Aleutian Shelf OCS Oil Lease Sale #92

My name is Harold Sparck. I am the director of the Yukon-Kuskokwim Fisheries Task Force, a group composed of 84 villages and their subsistence and commercial fishing interests in Western Alaska. There are over 1800 commercial fishing permit holders, and more than 3,000 subsistence families within our group's zone of representation.

I speak in support of the State Legislative Resolution calling upon President Bush to terminate the recently court approved Oil Lease Sale #92 in Bristol Bay.

Although our region is north of Bristol Bay, we are dependent on the sea life that seasonally uses the North Aleutian Shelf Corridor that is contained within Sale #92. Unimak Pass and the North Shore of the Alaskan Peninsula which fronts Sale #92 acreage is the known migratory route for four of our five species of salmon, the marine mammals, seabirds, and migratory waterfowl so vital to our subsistence economy, and limited commercial economy.

Through the early 1980's, our fishing groups opposed the OCS program in the Bering Sea in the St. George Basin, Norton Sound, and the Navarin Basin for three reasons. First, nowhere in the lease document nor in the permits required for the seismic and exploration program did Industry have to prove under any weather condition that it could clean up a spill at sea or in ice. Our two most glaring examples of this situation were oil spill control tests for Norton Sound and St. George's Basins. This was an open water, no ice environment. The Minerals Management Service allowed Industry to postpone these planned tests because the winds and waves exceeded the technical limits of the existing machinery. No new improvements in this technology exist.

Second, the Federal Government did not require Industry to station adequate oil spill containment equipment on site. In all permits, contingency plans that proved so flawed in the recent Prince Williams Sound spill were proposed, and accepted by Government. We live in the Bush, with its cold, and ice. We know that things do not go right almost all of the time when there is a rush to bring unique technology on site.

Last, at no time did the Federal Government recognize the long term value of the natural system when doing cost-benefit analysis to promote OCS oil development. The Government de-valued our commercial economy, discounted our subsistence way of life, and artificially limited the zone of oil influence to make the numbers demonstrate that oil development was preferred.

The lack of adequate clean-up in Prince Williams Sound clearly demonstrates that Bristol Bay is too valuable to risk.

**Chevron U.S.A. Inc.**

P.O. Box 107839, Anchorage, AK 99510 • Phone (907) 563-2560

*done
bce file***APR 5 1989**

April 4, 1989

Senator Bettye Fahrenkamp
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Senator Fahrenkamp:

On Monday, April 3, 1989, I presented a statement on behalf of Chevron U.S.A., Inc. in opposition to HJR No. 32 and SJR No. 11. These resolutions support the delay or prohibition of drilling in the North Aleutian Basin and the delay or prohibition of future lease sales in the North Aleutian Basin.

After the hearing, I spoke briefly with Senator Zharoff and was asked how much it would cost the federal government to buy back the leases awarded in Sale 92. Apparently, Senator Zharoff understood my response to mean that Chevron would support the refund of our bids and the cancellation of our leases in the North Aleutian Basin. I am sorry if my answer created this impression.

Our position is that we should be allowed to pursue our plans to conduct exploratory drilling in accordance with the terms and conditions of the leases. We do agree that our plans for oil spill containment and cleanup should be subject to scrutiny as will be the case when we submit a plan for exploratory drilling in the North Aleutian Basin.

Sincerely,

Tom Cook
Exploration Representative-Alaska

TC:db

cc: Senator Fred Zharoff
Senator Drue Pearce ✓

Gethel:

Anna Phillip
Cavalierist

Harold Spark
Spark Assoc

Greg Kotick
Newman Kitchin
(Protectors of the Land)

Naknak:

Fred Pike
Borough Mayor

Discrimination:

~~Henry~~ Susan Elensburg
Bristol Bay Coastal Mgmt Program

Anchorage:
Henry Mitchell
Bering Sea Fisheries

after
springs
→
Mitchell

← Juneau

- Tom Cook

In charge of Exploration for
Cherron in the state

- Bob Williams

runs refinery at Kenai for Cherron
Bristol Bay fisherman (grew up)

Hivelock

Stesh Anderson, Pres
Bristol Bay Salmon
Enhancement Assn

Togiak:
?

mean:

dept of law

Gary Amendola

Steyaholt

Peter Andrews

and 3 other people

443-5820

Cogratk

Marie or Eliz

Paddock

- Dear ~~Patrick~~

Bristol Bay Drift
Netters Assoc.

friend of O. L. + Greg
Dev.

463-4970

P.O. 20312

June 99802

Sign up



Official Business

COMMITTEE: SENATE

OIL & GAS

DATE: MAR 31, 1989

SIGN-IN

Subject of meeting:

SJR 11

NAME	ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
SEN FRED ZHAROFF	P.O. Box V	465-3473	Sponsor of SJR 11	YES
GARY AMENDOLA	P.O. Box K Assistant Attorney General	465-3800	DEPT of LAW	YES
Tom Cook			Chevron	YES
Bob Williams			Chevron	YES
DEAN PADDOCK	P.O. Box 20312 June 99802	463-4970	BRISTOL Bay DriftNetters Assoc	YES

Cowper plans a final appeal

Governor takes case to Congress to stop Bristol Bay development

By DAVID WHITNEY

Daily News reporter

WASHINGTON — Alaska Gov. Steve Cowper has turned to Congress in a last-ditch effort to block oil exploration and development in Bristol Bay, the richest fishing ground for Alaska and Pacific Northwest commercial fishermen.

Cowper's appeal follows the state's attempt to stop development through legal challenges. It comes after the Interior Department last fall opened bids in which oil companies pledged \$95 million for the right to drill in nearly two dozen areas of the bay.

In a letter last week, Cowper urged the House Interior Appropriations Subcommittee to order a deferral in Bristol Bay drilling pending further study when the panel writes a 1990 spending bill for the Interior Department.



Knight-Ridder/Tribune News

Noting the state's persistent opposition to any development in the bay, Cowper said that "in the past we have been reluctant to use the appropriations process to further this objective."

But Cowper said the recent 9th Circuit U.S. Court of Appeals decision affirming the lease sale had dimin-

Please see Page C-3, OIL

OIL: Cowper makes last-ditch appeal to Congress

Continued from Page C-1

ished the authority of states to be involved in offshore development decisions "and forces us to return to the legislative process for relief."

Cowper cited the Interior Department's relatively low prediction of oil reserves in Bristol Bay and the high probability of a major oil spill. He quoted government projections that development would damage populations of red crab, tanner crab, salmon, herring and groundfish.

"The first wholesale value of the commercial fisheries can exceed \$1 billion annually and the fishery employs 10,000 people, either directly or indirectly," Cowper wrote. He said the wholesale value of the fishery could be

cut by nearly 60 percent as a result of development.

That the Democratic governor has turned to the appropriations process not only is a sign of increasing desperation but, potentially, puts him on a collision course with the state's Republican congressional delegation.

Alaska Sens. Ted Stevens and Frank Murkowski and Rep. Don Young are generally pro-development and, now that the appeals court has ruled against the state, it is unlikely that Congress will step into the controversy at this late juncture unless the delegation voices its approval.

"Obviously, what the delegation thinks is going to be very important to the ultimate outcome," said John Katz, special counsel to the

governor in Washington, D.C.

How the House appropriations panel will respond is uncertain. A deferral could raise some thorny questions, including whether the government would face any liability by blocking the oil companies' exercise of their leases.

Among the subcommittee's nine members are Washington Rep. Norm Dicks and Oregon Rep. Les AuCoin. Both Democrats have large constituencies involved in Bristol Bay fishing and both were lobbied earlier this month by members of United Fishermen of Alaska, which represents commercial fishermen in all three states.

However, the full appropriations committee is nearly evenly divided over off-

shore oil development. In earlier sessions in which the committee has looked at offshore oil development, it has declined to impose a moratorium for Bristol Bay even though it did so for waters off California and Florida.

Katz conceded that the state's best hope for stopping the Bristol Bay development is for the Congress to step in, even though a final appeal to the Supreme Court is being prepared.

"The Bristol Bay bids have been opened," Katz said Tuesday. "For that reason, we've felt that if there is any solace short of a judicial remedy, it would have to come from the Congress."

"We've made our views known to the Bush administration," Katz added.

Testimony by Gordon E. Evans
On Behalf of Shell Western E&P Inc.
On Senate Joint Resolution No. 11 and HJR 32 am

Before Alaska Senate Oil & Gas Committee

~~March 31~~, 1989

April 3

Madam Chair, Members of the Senate Oil & Gas Committee:

My name is Gordon Evans and I am here today representing Shell Western E&P Inc. (SWEPI), one of the successful bidders last October in the OCS Sale 92 for the North Aleutian Basin, in the seaward reaches of Bristol Bay. SWEPI appreciates the opportunity to present its views in opposition to Senate Joint Resolution No. 11.

Senate Joint Resolution No. 11 has two stated purposes: first, it states the Legislature's support for the administrative and legal efforts of the Governor to stop or postpone oil and gas leasing in Bristol Bay and the North Aleutian Basin; and secondly, it also takes the unusual and somewhat drastic step of requesting the Secretary of the Interior "to return the bids for Lease Sale 92 and cancel further plans for leasing in Bristol Bay and the North Aleutian Basin."

It is unfortunate, Madam Chair, that this hearing has been scheduled at this time in light of the regrettable accident of last week in Prince William Sound. It is difficult to draw comparisons between a carefully planned exploration program and an accidental tanker spill, but some people will take advantage of that unfortunate incident and try to equate the two.

SWEPI Testimony -- SJR11
Alaska Senate Oil & Gas Committee
March 31, 1989
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Let me assure you that the oil industry does appreciate the value of Alaska's marine resources, in the North Aleutian Basin as well as in Prince William Sound. Industry is also aware, having produced oil in Cook Inlet for over 25 years, that it has consistently demonstrated an admirable safety record in the production of petroleum in the Alaska offshore without detrimental effects on the marine environment.

SWEPI and the other successful bidders in Sale 92 were awarded their leases in Bristol Bay last fall after a very protracted period of environmental study and legal delays, and we look forward to a drilling program with a partner in the area next year. The potential environmental impact of the drilling of an exploratory well in no way can be compared to the type of accident in Prince William Sound. Over the years, our industry has drilled more than 9,000 exploratory wells in the U.S. OCS without any significant environmental incident -- and we look forward to the same experience next year in Bristol Bay.

However, as you probably know, the Governor's office and a coalition of environmental groups recently submitted testimony to the U.S. House Appropriations Subcommittee on Interior and

Related Agencies seeking somewhat similar actions to those proposed by SJR 11. The allegations of SJR 11, and those presented by the Governor to the congressional subcommittee recently, regarding the alleged lack of information and the purported hazards associated with any oil and gas development activities in the Sale 92 area, are essentially the very same arguments which the State administration and the same environmental groups have been making, without success, in the Federal courts for the past three years. The Governor and the environmental groups, in effect, are attempting an end around on the courts, to relitigate in Congress issues which have been decided against them by the courts.

The fact is, Madam Chair, the arguments for further delay or for no exploration are simply unjustified. Leasing in Bristol Bay originally was proposed to take place in 1977 but sales were delayed or rescheduled for nearly 11 years because of various concerns expressed by the state and others. During that time the Department of Interior and the industry worked to satisfy those concerns. Interior continued to acquire additional environmental information, and it significantly reduced the size of the area available to be leased by about 83 percent -- so that the oil and gas activities would be restricted to the southwest

corner of Bristol Bay about 150 miles from its principal salmon fishing areas. A deep stratigraphic test well was drilled in the North Aleutian Basin over six years ago by ARCO Alaska Inc. on behalf of itself and other industry companies. In addition, thousands of miles of seismic surveys have been made in the sale area by various companies.

There is absolutely nothing in the record to indicate that oil and gas activities cannot be conducted safely in the North Aleutian Basin. To the contrary, the history of the petroleum industry in offshore areas such as the North Sea, the Gulf of Mexico, and, of course, in Alaska's Cook Inlet for the past 25 years, proves that oil and gas exploration and production can indeed be accomplished in harmony with the fishing industry and without harm to the area as long as there is cooperation, trust and understanding between all parties concerned.

In addition, Madam Chair, the state and the environmentalists have thoroughly litigated -- through two decisions from the U.S. District Court, two by the Court of Appeals, and one by the United States Supreme Court -- their claims that the Department of Interior was proceeding without adequate information.

As we are all aware, last fall the Ninth Circuit Court of Appeals upheld the District Court's ruling that Interior had fully complied with NEPA, with the OCS Lands Act, and with the Endangered Species Act in conducting its planning for the lease sale. Shortly thereafter, in October, the Department of Interior opened the bids and awarded the leases, with the successful bidders paying nearly \$100 million for the right to proceed with their exploration plans in accordance with the terms of the OCS Lands Act.

That brings me to my next point. The proponents of SJR 11, Madam Chair, have ignored the possible consequences of the action requested by the resolution. The action sought by SJR 11 could place the Secretary of the Interior in a position between a legal "rock and a hard place". It asks the Secretary to do something -- return the bids for Lease Sale 92 -- which we contend he cannot do now without violating existing law governing OCS oil and gas exploratory drilling activities and/or breaching the contractual rights of the successful bidders, as well.

The rights of an OCS lessee are determined by the statutes and regulations in effect at the time the government issues a lease. In the case of Sale 92, one of those statutory rights was the guarantee provided by the OCS Lands Act, as amended in 1978 after four years of hearings, reports and

SWEPI Testimony -- SJR11
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debates, which states very explicitly that the Secretary shall review and act upon an exploration plan "within 30 days of its submission". If the Secretary fails to act within that time frame, whether by his own act or inaction or by congressional directive, as urged by the Governor and the environmentalist groups, the delay in the right to explore is a breach of the contractual rights of the lessees or, alternatively, an unlawful taking of their property rights.

Thus, because the leases have been awarded, the Secretary could not comply with SJR 11's request to return the bids for Sale 92 without clearly violating the OCS Lands Act, and he could possibly be exposing the United States to substantial damages. Remember, the North Aleutian Basin lessees paid nearly \$100 million for those property rights.

In conclusion, Madam Chair, the industry is committed to working with all other parties concerned -- the state and federal agencies, the communities and residents of the Bristol Bay region, the fishermen, and environmental groups -- to conduct prudent and orderly development of the state's Outer Continental Shelf oil and gas resources in an environmentally acceptable manner. We urge you to reject SJR 11 as being counterproductive to that cooperative effort. Thank you.

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: SCSHJR32(O&G)
PUBLISH DATE: 4/3/89

FISCAL NOTE

REQUEST: _____

REVISION DATE: _____

AGENCY: _____

TITLE: Relating to oil and gas
drilling on the North Aleutian Basin

BRU: _____

SPONSOR: House Rules

COMPONENTS: _____

REQUESTOR: _____

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERS. SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LAND/BUILD.	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS/CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (THOUSANDS OF DOLLARS)

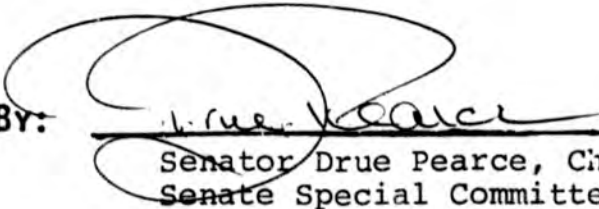
GENERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS:

PREPARED BY: _____


Senator Drue Pearce, Chair
Senate Special Committee on Oil and Gas

DATE: April 3, 1989

PHONE NO.: 465-4993

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE SENATE SPECIAL
COMMITTEE ON OIL AND GAS

2 SENATE CS FOR HOUSE JOINT RESOLUTION NO. 32 (O&G)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 Relating to oil and gas drilling on
6 the North Aleutian Basin Outer
7 Continental Shelf.

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

9 WHEREAS the state fully supports the prudent and orderly development
10 of the state's outer continental shelf oil and gas resources in an environ-
11 mentally acceptable manner; and

12 WHEREAS the state has been very responsive to the nation's need to
13 decrease its dependence on foreign oil; and

14 WHEREAS there are presently 10 Alaskan planning areas on the Federal
15 Outer Continental Shelf leasing schedule, encompassing approximately
16 480,000,000 acres; and

17 WHEREAS, with the exception of the North Aleutian Basin, the state has
18 not requested a ban or moratorium on oil and gas leasing and drilling on
19 any of Alaska's outer continental shelf planning areas; and

20 WHEREAS the North Aleutian Basin lease sale area has relatively low
21 hydrocarbon potential; and

22 WHEREAS over 1,300,000 marine mammals inhabit or migrate through the
23 North Aleutian Basin area; and

24 WHEREAS virtually the entire world's population of black brant and
25 emperor geese stage in nearby coastal areas during the fall migration;
26 and

27 WHEREAS an annual average of 45,000,000 to 60,000,000 adult salmon
28 have migrated through the North Aleutian Basin each year since 1978; and

29 WHEREAS domestic Bristol Bay fisheries have an average wholesale value

1 of \$250,000,000 and employ over 10,000 people annually; and

2 WHEREAS the Bristol Bay area coastal habitats and fish and wildlife
3 resources are highly vulnerable to oil spill damage and disturbance; and

4 WHEREAS, the Alaska rural population depends heavily on commercial and
5 subsistence use of these fish and wildlife resources; and

6 WHEREAS significant gaps exist in understanding the distribution,
7 abundance, and population dynamics associated with many of these renewable
8 resources; and

9 WHEREAS industry has failed in its efforts to contain or control the
10 catastrophic oil spill in Prince William Sound even under favorable metero-
11 logical and oceanographic conditions; and

12 WHEREAS industry has not demonstrated the ability to adequately con-
13 tain and clean up oil spills under the extreme meteorological and ocean-
14 ographic conditions common in Bristol Bay; and

15 WHEREAS the people of the state, acting through their duly elected
16 representatives, have delayed oil and gas leasing in adjacent state waters;
17 and

18 WHEREAS by delaying leasing in state waters and delaying drilling in
19 federal waters in the Bristol Bay area, the opportunity exists to gain
20 additional knowledge and develop additional technologies that will protect
21 fish and wildlife resources in the presence of oil and gas activities, and
22 further assess potential impacts to these resources from the presence of
23 oil and gas activities; and

24 WHEREAS, given the facts stated above, it is not in the nation's or
25 the state's best interest to permit drilling in the North Aleutian Basin at
26 this time;

27 BE IT RESOLVED that the Alaska State Legislature respectfully requests
28 the Secretary of the United States Department of the Interior to suspend
29 and reevaluate the approval or permitting of any drilling, exploration

1 activity, or other development on the North Aleutian Basin Outer Conti-
2 nental Shelf; and be it

3 FURTHER RESOLVED that the legislature requests the President to sus-
4 pend Lease Sale 92 and to include oil and gas leasing in Bristol Bay and
5 the North Aleutian Basin to the work assigned to the President's Special
6 Task Force set up to measure the potential for environmental damage in the
7 offshore areas of California and Florida; and be it

8 FURTHER RESOLVED that the legislature respectfully requests the Con-
9 gress of the United States to prohibit the expenditure by the Department of
10 the Interior of any money for the conduct of leasing or the approval of
11 permitting of any drilling or other exploration activity on the North
12 Aleutian Basin Outer Continental Shelf at this time.

13 COPIES of this resolution shall be sent to the Honorable George Bush,
14 President of the United States; the Honorable Dan Quayle, Vice-President of
15 the United States and President of the United States Senate; the Honorable
16 Robert C. Byrd, President Pro Tem of the United States Senate; the Honor-
17 able Jim Wright, Speaker of the United States House of Representatives; the
18 Honorable Manuel Lujan, Secretary of the Interior; the Honorable James D.
19 Watkins, Secretary of Energy; the Honorable Richard G. Darman, Director,
20 Office of Management and Budget; the Honorable William K. Reilly, Director,
21 Environmental Protection Administration; William E. Evans, Administrator,
22 National Oceanic and Atmospheric Administration; and Robert E. Kallman,
23 Director, Minerals Management Service; and to the Honorable Ted Stevens and
24 the Honorable Frank Murkowski, United States Senators, and the Honorable
25 Don Young, United States Representative, members of the Alaska delegation
26 in Congress.

AMENDMENT

TO: HJR 32

by Senator Pearce

Page 2, delete lines 25-29 and insert:

"BE IT RESOLVED that the Alaska State Legislature respectfully requests the Secretary of the United States Department of the Interior to suspend and reevaluate the approval or permitting of any drilling, exploration activity, or other development on the North Aleutian Basin Outer Continental Shelf; and be it"

Page 3, line 1:

FURTHER RESOLVED that the Legislature requests the President to suspend Lease Sale 92 and to include oil and gas leasing in Bristol Bay and the North Aleutian Basin to the work assigned to his Special Task Force set up to measure the potential for environmental damage in the offshore areas of California and Florida; and be it"

PRESIDENTIAL ADVISORY TASK FORCE
ON OCS LEASING

Members:

Secretary, Department of Interior
Secretary, Department of Energy
Director, Office of Management and Budget
Director, Environmental Protection Administration
Director, National Oceanographic and Atmospheric
Administration

Chairman: Secretary Lujan, Department of Interior

Executive Director: To be announced

Scientific Staff Support: to be provided by
National Academy of Science

generation of students a special incentive to excel in science and mathematics;

- the expanded use of magnet schools, which give families and students greater choice;
- and a new program to encourage "alternative certification," which will let talented people from all fields teach in the classroom.

I have said I would like to be "the Education President." Tonight, I ask you to join me by becoming "the Education Congress."

Just last week, as I settled into this new office, I received a letter from a mother in Pennsylvania who had been struck by my message in the Inaugural Address. "Not 12 hours before," she wrote, "my husband and I received word that our son was addicted to cocaine. He had the world at his feet. Bright, gifted, personable, he could have done anything with his life. Now he has chosen cocaine."

"Please," she wrote, "find a way to curb the supply of cocaine. Get tough with the pushers. Our son needs your help."

My friends, that voice crying out for help could be the voice of your own neighbor. Your own friend. Your own son. Over 23 million Americans used illegal drugs last year—at a staggering cost to our Nation's well-being.

Let this be recorded as the time when America rose up and said "no" to drugs. The scourge of drugs must be stopped.

I am asking tonight for an increase of almost a billion dollars in budget outlays to escalate the war against drugs. The war will be waged on all fronts.

Our new "drug czar," Bill Bennett, and I will be shoulder-to-shoulder, leading the charge.

Some money will be used to expand treatment to the poor and to young mothers. This will offer the helping hand to the many innocent victims of drugs—like the thousands of babies born addicted, or with AIDS, because of the mother's addiction.

Some will be used to cut the waiting time for treatment.

Some money will be devoted to those urban schools where the emergency is now the worst. And much of it will be used to protect our borders, with help from the Coast Guard, the Customs Service, the Departments of State and Justice, and, yes, the U.S. military.

I mean to get tough on the drug criminals. Let me be clear: This President will back up those who put their lives on the line every day—our local police officers.

My budget asks for beefed-up prosecution, for a new attack on organized crime, and for enforcement of tough sentences—and for the worst-kingpins, that means the death penalty.

I also want to make sure that when a drug dealer is convicted, there is a cell waiting for him. He should not go free because prisons are too full.

Let the word go out: If you are caught and convicted, you will do time.

But for all we do in law enforcement, in interdiction and treatment, we will never win this war on drugs unless we stop demand for drugs.

So some of this increase will be used to educate the young about the dangers of drugs. We must involve parents. We must involve teachers. We must involve communities. And my friends, we must involve ourselves.

One problem related to drug use demands our urgent attention and our continuing compassion. That is the terrible tragedy of AIDS.

I am asking for \$1.6 billion for education to prevent the disease—and for research to find a cure.

If we are to protect our future, we need a new attitude about the environment.

We must protect the air we breathe.

I will send to you shortly legislation for a new, more effective Clean Air Act. It will include a plan to reduce, by date certain, the emissions that cause acid rain—because the time for study alone has passed, and the time for action is now.

We must make use of clean coal. My budget contains full funding, on schedule, for the clean coal technology agreement we have made with Canada. We intend to honor that agreement.

We must not neglect our parks. So I am asking to fund new acquisitions under the land and water conservation fund.

We must protect our oceans. I support new penalties against those who would dump medical waste and other trash in the oceans. The age of the needle on the beach must end.

In some cases, the gulfs and oceans off our shores hold the promise of oil and gas reserves that can make our Nation more secure and less dependent on foreign oil. When those with the most promise can be tapped safely, as with much of the Alaska National Wildlife Refuge, we should proceed. But we must use caution, and we must respect the environment.

So tonight I am calling for the indefinite postponement of three lease sales that have raised troubling questions—two off the coast of California and one that could threaten the Everglades in Florida.

Action on these three lease sales will await the conclusions of a special task force set up to measure the potential for environmental damage.

I am directing the Attorney General and the Administrator of the Environmental Protection Agency to use every tool at their disposal to speed and toughen the enforcement of our laws against toxic-waste dumpers. I want faster cleanups and tougher enforcement of penalties against polluters.

In addition to caring for our future, we must care for those around us. A decent society shows compassion for the young, the elderly, the vulnerable, and the poor.

Our first obligation is to the most vulnerable—infants, poor mothers, children living in poverty—and my proposed budget recognizes this. I ask for full funding of Medicaid—an increase of over \$3 billion—and an expansion of the program to include coverage of pregnant women who are near the poverty line.

I believe we should help working families cope with the burden of child care.

Our help should be aimed at those who need it most—low-income families with young children. I support a new child care tax credit that will aim our efforts at exactly those families—without discriminating against mothers who choose to stay at home.

Now, I know there are competing proposals. But remember this: The overwhelming majority of all preschool child care is now provided by relatives and neighbors, churches and community groups. Families who choose these options should remain eligible for help. Parents should have choice.

And for those children who are unwanted or abused, or whose parents are deceased, we should encourage adoption. I propose to reenact the tax deduction for adoption expenses and to double it to \$3,000. Let us make it easier for those kids to have parents who love them.

We have a moral contract with our senior citizens. In this budget, Social Security is fully funded, including a full cost-of-living adjustment. We must honor our contract.

We must care about those in "the shadows of life," and I, like many Americans, am deeply troubled by the plight of the homeless. The causes of homelessness are many, the history is long, but the moral imperative to act is clear.

Thanks to the deep well of generosity in this great land, many organizations already contribute. But we in government cannot stand on the sidelines. In my budget, I ask for greater support for emergency food and shelter, for health services and measures to prevent substance abuse, and for clinics for the mentally ill—and I propose a new initiative involving the full range of Government agencies. We must confront this national shame.

There is another issue I decided to mention here tonight. I have long believed that the people of Puerto Rico should have the right to determine their own political future. Personally, I favor statehood. But I ask the Congress to take the necessary steps to let the people decide in a referendum.

Certain problems, the result of decades of unwise practices, threaten the health and security of our people. Left unattended, they will only get worse—but we can act now to put them behind us.

Earlier this week, I announced my support for a plan to restore the financial and moral integrity of our savings



Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

907-586-2345

AEL ISSUE PAPER FOR SJR 11: SUPPORTING EFFORTS TO STOP OR POSTPONE OCS OIL AND GAS LEASES IN BRISTOL BAY AND THE NORTH ALEUTIAN BASIN

The Alaska Environmental Lobby strongly supports SJR 11 due to the national and international significance of Bristol Bay and the North Aleutian Basin for fish and wildlife resources and the insignificance of the area for oil and gas production as evidenced by the following:

The first wholesale value of the fishery, employing 10,000 people, may exceed one billion dollars annually. These areas support the world's largest sockeye salmon fishery, a world class herring fishery, and major components of the king and tanner crab and groundfish resources.

The benefits of area hydrocarbon resources are among the lowest of all the OCS planning areas. In 1985, the Department of the Interior ranked it 14th out of the Nation's 18 OCS planning areas in terms of the net economic value of recoverable hydrocarbon resources.

According to the National Marine Fisheries Service, the Basin is the single most important region of the U. S. Outer Continental Shelf for the conservation of marine mammals, endangered species, and protection and management of fisheries resources. Over one million marine mammals, including the entire world population of northern fur seals and Pacific grey whales, inhabit or migrate through the area. The world's population of black brant and emperor geese stage in the area in the fall; 45-100 million salmon annually migrate through the area.

Potential risks to these fish and wildlife populations are extremely high. Oil spill cleanup technologies are unproven and ineffective as the social, economic, and environmental disaster of Prince William Sound oil spill clearly demonstrates.

--According to the Sale 92 EIS, there is a 52-57% probability that one or more spills exceeding 1000 barrels of oil will occur over the productive life of the leases.

--The Governor's risk analysis estimates a discounted gross economic loss based on first wholesale values to be approximately 563.6 million dollars. The EIS projects major effects to red king crab and impacts to tanner crab, salmon, herring, and groundfish.

--The Department of the Interior has found that mechanical recovery of spilled oil at sea becomes ineffective between sea states 3 and 4, which occur 68-94% of the time in Sale 92 area.

The AEL recognizes that leasing, at this time, is not a wise resource management decision considering the significance of the resources at risk and our unproven ability to protect them. The Lobby believes that national energy needs can be effectively met through energy conservation measures alleviating the need to drill in sensitive areas.

Becky Achten 3-20-89

ALASKA CENTER FOR THE ENVIRONMENT • ALASKA CHAPTER, SIERRA CLUB • JUNEAU GROUP, SIERRA CLUB • SITKA GROUP, SIERRA CLUB
KNIK GROUP, SIERRA CLUB • DENALI GROUP, SIERRA CLUB • ANCHORAGE AUDUBON SOCIETY • ARCTIC AUDUBON SOCIETY
DENALI CITIZENS' COUNCIL • ALASKA FRIENDS OF THE EARTH • JUNEAU AUDUBON SOCIETY • KACHEMAK BAY CONSERVATION SOCIETY
KENAI PENINSULA AUDUBON SOCIETY • KODIAK AUDUBON SOCIETY • LYNN CANAL CONSERVATION • ALASKA WILDLIFE ALLIANCE
SITKA CONSERVATION SOCIETY • NORTHERN ALASKA ENVIRONMENTAL CENTER • SOUTHEAST ALASKA CONSERVATION COUNCIL
KNIK KANOERS AND KAYAKERS

STATEMENT OF TOM COOK
FOR CHEVRON U.S.A. INC
ON SENATE JOINT RESOLUTION NO. 11 *and HJR 52*
BEFORE THE SENATE OIL AND GAS COMMITTEE
IN THE SIXTEENTH LEGISLATURE
OF THE STATE OF ALASKA

April 3, 1989
Juneau, Alaska

Good morning Madam Chair and members of the Committee. My name is Tom Cook and I am employed by Chevron U.S.A. Inc. as Exploration Representative for Alaska in Anchorage, Alaska. I appreciate this opportunity to testify in opposition to Senate Joint Resolution No. 11 which seeks to stop or postpone leasing in the North Aleutian Basin and asks the Secretary of the Interior to cancel existing leases and plans for future leasing in the North Aleutian Basin.

I realize it is difficult to keep the impact of various petroleum operations in perspective in the aftermath of the massive oil spill in Prince William Sound, but I urge you to keep in mind that the spill was a marine transportation accident, apparently caused by gross human error. The record clearly shows that the vast majority of oil spills are related to marine transportation and those types of spills tend to be much larger than other spills.

By way of background, chevron, along with its partners and other firms in the oil industry, acquired leases in OCS Sale 92 for the North Aleutian Basin in October 1988 after protracted litigation which lasted over two and a half years. OCS Sale 92 was scheduled for January 15, 1986, but legal challenges by the State of Alaska and others delayed the opening of bids and awarding of

leases until October 11, 1988. This delay and extensive review of Sale 92 by the U.S. Courts is in actuality only a small part of the delay in the leasing and exploration of the North Aleutian Basin.

The North Aleutian Basin was among the earliest of all OCS sales planned for the Alaska Outer Continental Shelf. Plans for leasing in this area were first announced in November of 1974 and the first sale was planned for 1977. Previously planned sales were repeatedly delayed and rescheduled because of concerns expressed by the State of Alaska. During this period of over 10 years leading to the Final Notice of Sale 92 in December 1985, there was extensive consultation between the State of Alaska and the U.S. Department of the Interior. Also, during the period leading to the scheduling of Sale 92, there were voluminous studies and numerous research programs undertaken to address the concerns expressed by the State and others opposed to leasing in the area. In fact, there was near total accommodation and compromise by the Department of the Interior of the concerns expressed by the State. The North Aleutian Basin Planning Area, consisting of 32.5 million acres and 5,947 blocks of an average of 5,465 acres each, could have been offered under the area-wide leasing program. Instead, the lease offering was reduced by approximately 83 percent and only 5.6 million acres of the 32.5 million acre Planning Area was offered in Sale 92. Of the 990 blocks representing about 5.6 million acres, only 23 blocks accounting for 121,754 acres were ultimately leased after all the years of delay, compromise, and litigation.

These 23 leases, shown on the map attached to my statement, represent only about 0.4 percent of the North Aleutian Basin Planning Area. The leases involve 5 prospects in a relatively small, concentrated area ranging from 15 to 58 miles from the nearest part of the Aleutian Peninsula.

Our interpretation of geological and geophysical data leads us to believe that the major area of interest is the Bidarka Prospect which is shown on the attached map. This assessment is reinforced by bidding patterns which show that this prospect received \$69.5 million in high bids of total high bids of about \$95.5 million for the 5 prospects. Because this single structure is regarded as the key to establishing commercial production in the Sale 92 area, only limited exploratory drilling will be required to evaluate the area.

In fact, we have proposed the drilling of a single initial exploratory well in partnership with the other lessees. This joint venture could reduce initial drilling to one well. If that initial well should result in a discovery or prove encouraging enough to warrant further drilling, the additional exploration could also be undertaken jointly to minimize impact in the area. If the initial well is discouraging, we believe it is unlikely that additional exploratory drilling will occur in the foreseeable future.

This background brings me to several points which I hope your committee will consider before requesting that the opportunity for exploration and possible development in the North Aleutian Basin be prohibited or further delayed.

1. The petroleum industry has long operated and produced petroleum in many sensitive marine areas world-wide. These include the North Sea, the Gulf of Mexico, offshore California, and here in the Cook Inlet of Alaska. In all of these areas, petroleum exploration and development have proven to be compatible with thriving commercial and sport fisheries. Here in Alaska the industry has over twenty-five years of experience in upper Cook Inlet, which demonstrates the compatibility of petroleum development with commercial and sports fisheries.
2. The industry has demonstrated its capability to conduct exploratory drilling safely in areas of the Bearing Sea with similar or more severe environmental conditions. Eighteen exploratory wells have been drilled in the Bering Sea using semi-submersible rigs of the type suitable for drilling in the North Aleutian Basin; eight of these wells were drilled in the St. George Basin just west of the Sale 92 area and ten wells were drilled in the remote and hostile Navarin Basin. Tens of thousands of wells have been drilled all over the world using jack-up drill rigs, drillships, and semi-submersible drilling vessels without significant benefits to society in terms of energy supply, jobs, and economic security.
3. One deep stratigraphic test well (C.O.S.T. well) has been drilled by ARCO Alaska, Inc. in the North Aleutian Basin on behalf of ARCO and 18 partners. This well was drilled off-structure for geological and geophysical information and not for discovery of oil or gas. The well was plugged and

abandoned on January 14, 1983. The drilling of a deep stratigraphic test well is the same kind of operation involved in drilling for the discovery of oil and gas. This well and the thousands of miles of seismic surveys show that operations can be conducted without harm to the area.

4. The North Aleutian Basin has significant petroleum potential. Furthermore, if petroleum is discovered in sufficient quantities, development will be possible from an economic, technical and environmental standpoint. The North Aleutian Basin is one of Alaska's most promising unexplored areas. In our judgment, the North Aleutian Basin and the Arctic National Wildlife Refuge coastal plain are the most promising areas for the next phase of frontier exploration in Alaska.
5. Before bidding in Sale 92, Chevron and several other companies participated in a study of the feasibility of petroleum development in the North Aleutian Basin. If petroleum should be discovered in commercial quantities, our studies demonstrate that transportation would be by buried marine pipeline to a point on the north side of the Alaska Peninsula. Production would then be transported across the Peninsula by pipeline to a terminal on the Pacific side of the Peninsula for tanker movement to market. In other words, tanker transportation would not be required on the waters of Bristol Bay.

I will close my statement with a few comments about Chevron's experience with the Kodiak Island community and its fishermen. When OCS leasing was first proposed for the waters around Kodiak Island in the mid-to-late 1970's, there was a great deal of concern and, in some case, hostility toward any thought of petroleum exploration and potential development. The community had little experience with exploration and what they had wasn't too good. Seismic survey vessels conducting exploration on the Kodiak Shelf and in the Shelikof Strait occasionally destroyed valuable crab fishing gear and our seismic operations were sometimes perceived to impair important fisheries.

As we participated in the pre-sale hearing process which led to OCS Sale 60 in September 29, 1981, we were faced with many questions from the community. We learned from the process. We learned that it was important to work with the local community and see that legitimate concerns and complaints were addressed. Chevron was a leader in forming the Oil/Fisheries Group of Alaska which became a useful forum for resolving conflicts and communicating industry-to-industry.

Through this organization and our direct efforts with fishermen and community leaders, we were able to resolve conflicts. We educated ourselves about their fisheries. We learned where they fished, how they fished, and most importantly how to avoid damage to their gear. And, if we did inadvertently damage their gear, we made restitution. We took into account the seasonal nature of the fisheries and scheduled our operations accordingly, which also helped avoid conflict.

After acquiring a few leases in Sale 60, we proceeded with plans for an exploratory well in Shelikof Strait. After much dialogue and planning with the Kodiak community, we drilled our well. But we worked with the fishermen in planning and conducting the operation. Corridors were established for our support vessels after consultation with fishermen to avoid conflict with commercial fishing and fixed gear. Fishermen were provided with the location of our anchor chains so that fishing gear wouldn't be lost. Communications between our drilling vessel and their fishing boats were established which meant that current weather and sea conditions were widely known.

Although our well did not result in a discovery, it was a success in terms of working with a community which is vitally concerned with protecting its fishing industry.

As I said earlier, we initially faced a great deal of opposition in the Kodiak area, especially from the fishermen. But we met with them, listened to their concerns and really tried to understand their concerns and perspective.

It took some time and a lot of talking, but eventually, we found a way for both groups to work together. We developed an understanding that set general operating guidelines for us and for them. We even developed a unique manual that explains the technology and operations of both groups.

We are committed to working with communities in the Bristol Bay region just as we did in Kodiak. We have had some initial communications with the communities in the Bristol Bay region concern-

ing our plans in the Sale 92 area and intend to work with fishermen and community leaders to see that petroleum exploration in the North Aleutian Basin is conducted in a responsible manner.

I respectfully ask that you do not pass Senate Joint Resolution No. 11. If our efforts are successful in finding new reserves, the Bristol Bay region and the State will have an improved economy and the nation will benefit from increased domestic sources of energy.

Thank you. I'll be happy to respond to your questions.