

SCOMM

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APR 10 1989

William Farrell
4030 Lore Road #1
Anchorage, Alaska 99507
Phone: (907) 522-1376

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Dear *Ms. Pearce*,

The following information concerns a project and issues of utmost importance to Alaska and the rest of the country.

Pacific Texas Pipeline Company in San Pedro, California, has been positioned to build for the last two years a forty-two inch crude oil pipeline from Long Beach, California, to Midland, Texas. It's capacity will be 900,000+ barrels per day and can handle any excess oil on the West Coast that is now transported through the Panamanian pipeline. This project has secured all the permits, financing, contracts, etc. The only ingredient missing are through-put agreements with the major oil companies carrying Alaskan crude.

At the present moment, Exxon and perhaps all oil giants are being questioned about their motives, promises, priorities, guarantees, practices, etc. Their accountability and credibility are at stake. In this light, I present the following issues:

600,000 to 700,000 barrels of Alaskan oil pass through the Panama pipeline daily. Who benefits? General Manuel Noriega does. His profits are in the tens of millions of dollars collected yearly from transportation tariffs. He and his regime are corrupt. Why does the state and the federal government continue tolerating this practice when the aforementioned alternative is available? Why haven't Exxon in particular, and British Petroleum agreed to through-put agreements with Pacific Texas Pipeline which would benefit the entire country by providing many Americans jobs, Alaskans revenue, and a safe and stable means of transporting our oil?

Alaska stands to gain greatly with earnings in the hundreds of millions of dollars annually by shipping the oil through the Long Beach-Midland connection. Since the distance for tanker travel is decreased, the cost would be much less and Alaska would benefit from the change in what is called the well-head price of oil. Lower transportation costs means more royalties for Alaska's treasury. This move could also reduce the over-all price of petroleum products for the U.S. consumer.

Why would "Big Oil" want to preserve the status quo? They may have a huge financial ownership interest in the Panamanian pipeline system. Does their ownership appear under different company names? Would any single oil company discourage others from shipping Alaskan oil from Long Beach harbor? What do the oil companies want us to hear and believe? These are serious questions.

The Panamanian government is soon to receive complete control of the Panama Canal Zone courtesy of the Carter Administration. The oil pipeline in that country is in the Zone. What implications can that have?

My call to you in your official capacity is the promotion of the overall welfare of our state and country by changing this unacceptable scenario.

Pacific Texas Pipeline Company is located at:
1921 N. Gaffey, Suite I
San Pedro, California 90731
Phone: (213) 548-1455

Respectfully,

William A. Farwell
4-7-89

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

TESTIMONY ON ISSUES RELATED TO OIL SPILLS

The Department of Environmental Conservation appreciates the opportunity to comment on the legislation being considered here today.

Before we comment on each specific bill, I would like to describe some of the issues we see as critical to an effective legislative package to address hazardous substance spills. These thoughts and recommendations are preliminary, as most of the department's experts in this area are still in the field. We have not had an opportunity to fully debrief on this incident and to fully develop a position on the remedies necessary to better protect the people of the state and the natural resources of the state. However, we would like to share these thoughts. We have also not yet had an opportunity to provide specific recommendations on each bill.

Structure of contingency planning and response

The relationship between operators, the state, and other interested parties in both preventing and responding to hazardous substance releases needs thorough analysis and possible change. At present, the industry has the lead in both developing plans to respond to spills and in carrying out the actual response. The state is left in a largely reactive posture, and other interested parties such as local communities, fishing groups, and so on, are basically not included at all.

In the event of an inadequate response, the state's recourse under existing statutes is to take over the spill response. At present, DEC's resources to conduct such an operation are extremely minimal. Hence, the practical remedy in existing statute for failure to perform is largely ineffective. We need to look at whether the state needs to have an independent ability to initiate and carry out a meaningful response, without relieving the responsible party of their responsibility for the reaction to the spill. It might be appropriate to consider providing authority to compel a response according to approved contingency plans. A state strike force is another approach.

With regard to contingency planning, all planning is left to

operators of facilities. While cooperative agreements between different operations are possible, they are not required. There is no requirement for participation in a statewide data base and response planning structure.

The major lesson of this spill is that we cannot rely on the structure we have now, and we need to look at ways to improve responsiveness.

Adequate Funding for Prevention and Response Activities

A second concern is the need to adequate funding for spill prevention and response activities. Several bills propose funding sources for a reliable, adequate response fund. There must also be adequate funding for prevention, response planning, and ongoing preparedness. This is a critical portion of an effective solution.

Penalties

The penalties provided in the existing legislation need to be reexamined. The Department supports increases in penalties to reflect more closely actual costs. We also need to review the adequacy of criminal penalties. Current requirements for demonstration of financial responsibility for operators need to be updated to reflect more accurately actual damages. The Department recommends that the Legislature specifically address the problem of derelict vessels abandoned on state tidelands, and consider financial responsibility for salvage. Penalties for failure to comply with the regulations, as well as those for spilling oil into the water, need to be addressed.

Prevention

In the area of prevention, the Legislature might consider a review of the navigation aids that govern tanker traffic in the waters of the state to determine whether enhancements would reduce likelihood of collisions, groundings or other problems. The Department should be given the authority to look at ways to prevent spills, in addition to respond to spills.

Technology

The Department believes that improved technology needs to be identified and developed. Experience in this spill indicates that other countries have technology, such as the Soviet skimmer and Norwegian boom deployment vessels, that is substantially better than what is currently described as the state of the art in this country. It would be important to review this technology and to identify areas where more research and development is needed. We have discussed with Norwegian pollution control authority officials the establishment of a working relationship for technical exchange

and training. A training center for northern climates could be appropriate for Alaska.

Involvement of local residents and experts

In Prince William Sound, the best expertise on how to move vessels and materials on the waters came from the fishermen, without doubt. The fishermen and other residents of the area have provided invaluable guidance and direction for those parts of the cleanup and defensive operations that have been successful. The response plan needs to tap this expertise. Expensive equipment from all over the world is of little value if it cannot be deployed. The use of fully trained volunteers from local communities would be one way to make use of this expertise, and is a method we would support. There may also be others. In Norway, volunteers are trained in each community for spill response, in a way that resembles fire departments here.

A combination of state, local, and industry response capacity, in conjunction with adequate state agency funding and authority, is a promising approach for Alaska.

We will offer comments on the individual bills.

EXXON COMPANY, U.S.A.

P.O. BOX 196401 • ANCHORAGE, ALASKA 99519-6401 • (907) 661-6331

DONALD E. CORNETT
ALASKA COORDINATOR

April 7, 1989

Mr. Hugh Gellert, Director
State of Alaska, Division of Tourism
State Office Building, Ninth Floor
333 Willoughby Avenue
Juneau, Alaska 99801

Dear Mr. Gellert:

I'm deeply concerned about the potential impact of the Valdez oil spill on the Alaskan tourism industry. It is vital to the state economy, now and in the future, that we act immediately to reassure travelers, tour companies and travel agents.

It goes without saying that the scenic beauty of the Prince William Sound and Gulf of Alaska are important assets to Alaskan tourism. While the oil spill is sizeable, much of the Sound has not been affected and we are working very hard to clean up the portion which has. At the same time, we are also very concerned about the thousands of families who depend on tourism for their livelihood. We would like to minimize the economic crisis which could result from a public misimpression about the scenic damage which has occurred.

In this spirit, I am proposing that we work together to protect the immediate and long term future of these families. As a first step, we need your in depth analysis of the potential negative impacts on the tourism industry. Based on this analysis, we would like your recommendations and budget estimate for an appropriate marketing program. The Alaska Tourism Marketing Council would retain control of program implementation and Exxon would underwrite appropriate costs. We are sincerely interested in helping to minimize the negative impacts on Alaskan tourism from this spill.

I would appreciate your prompt attention to this request and look forward to working with you.

Cordially,



DEC:jlp/196

c: Douglas B. Bailey, State Attorney General
Governor Steve Cowper
Alaska Tourism Marketing Council Board
Alaska Visitors Association Board
Alaska State Legislature
The Honorable Ted Stevens
The Honorable Frank Murkowski
The Honorable Don Young

APRIL 11, 1989

VALDEZ, ALASKA

NEWS RELEASE

EXXON HIRES RURAL AFFAIRS CONSULTANT TO ASSESS VILLAGE NEEDS

Exxon has hired Judy Meidinger, an Anchorage-based rural affairs specialist, to work with members of Prince William Sound native villages in assessing their food and supply needs.

Exxon will purchase the supplies requested by the villages and arrange for a contractor to deliver them. Local community centers will manage the distribution to residents.

Meidinger has already contacted leaders of Chenega Bay and Tatitlek, two Prince William Sound villages, and is gathering information on their needs for submission to Exxon officials in Valdez. She is also working with North Pacific Rim, a nonprofit native association, to determine needs of other villages in the region.

Meidinger's preliminary findings indicate needs for food staples in both Chenega Bay and Tatitlek. Meat, vegetables, fresh fruit, milk, flour and eggs have been requested by residents. Paper products, soap and other basic supplies are also needed and will be included in Exxon's shipment to the villages.

Seventy people live in Chenega Bay, 110 in Tatitlek. Both villages have run low on the fuel that powers their school and village generators. Exxon has furnished Chenega Bay with 5,000 gallons of fuel and will be supplying Tatitlek with 7,500 gallons.

"The villagers are grateful for Exxon's immediate response to their needs," said Meidinger. "There is a positive feeling among the people I've talked to, that Exxon is listening and responding."

4-12

APRIL 12, 1969

VALDEZ, ALASKA

NEWS RELEASE

EXXON ADVANCES \$1,000,000 TO AQUACULTURE CORPORATION

Exxon Shipping Company President Frank Iarossi took a business card out of his pocket, wrote on it: "\$1,000,000," signed it, and handed it to Bruce Suzumoto, President of Prince William Sound Aquaculture Corporation.

"This is your guarantee from Exxon," Iarossi said.

By the next day, Exxon had wired \$1,000,000 to the Prince William Sound Aquaculture Corporation as an advance against expenses incurred by the corporation in their efforts to protect the Armin F. Koernig Hatchery in Sawmill Bay.

The Sawmill Bay hatchery holds 117 million salmon fry, and PWSAC members have installed boom materials provided by Exxon around the perimeters of the hatchery to protect the salmon. Six to seven million fry have been transferred to the saltwater pens and are scheduled for release into Prince William Sound during the last week of April through early May.

Fishermen, whose boats are under contract to Exxon, have developed a multi-tiered boom system involving lines of protection stretching from the bay's opening up to and around the hatchery's holding ponds. Over 3,000 feet of 42" Navy boom was shipped yesterday to augment the materials already on hand. Exxon representatives in Valdez and Cordova are in communication with fishermen concerning requests for additional supplies.

A large amount of boom is currently deployed around the hatchery, and additional material is available if needed. Fishermen at Sawmill Bay continue boom maintenance and deployment activities.

EXXON COMPANY, U.S.A.

P.O. BOX 196601 • ANCHORAGE, ALASKA 99519-6601 • (907) 561-5331

DONALD E. CORNETT
ALASKA COORDINATOR

April 7, 1989

Ms. Merry Tuten, Director
Alaska Seafood Marketing Institute
1111 West Eighth
Juneau, Alaska 99801

Dear Ms. Tuten:

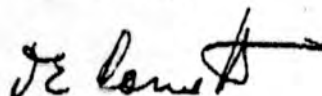
I'm deeply concerned about the potential impact of the Valdez oil spill on Alaskan seafood markets at home and abroad. It is vital to our state economy, now and in the future, that we act immediately to reassure seafood consumers and wholesalers.

I'm certain you agree with me that the Prince William Sound has many valuable fisheries and is a very important source of fish. But, it would only compound the current tragedy if we let consumers and wholesalers believe that the supply or quality of Alaskan seafood will be affected.

I am proposing that we work together to protect the immediate and long-term future of the families that depend upon the Prince William Sound for their livelihood. As a first step, we need your in-depth analysis of the potential negative impact on Alaskan seafood markets. Based on your analysis, we want your recommendations, and budget figures, for an appropriate marketing response. The ASMI would have control of program implementation and Exxon would be willing to provide appropriate funding. We are sincerely interested in helping to protect the future of the fisheries of Prince William Sound.

I would appreciate your prompt attention to this request and look forward to working with you.

Cordially,



DEC:jlp/195

c: Douglas B. Bailey, State Attorney General
Governor Steve Cowper
Alaska Seafood Marketing Institute Board
Alaska State Legislature
The Honorable Ted Stevens
The Honorable Frank Murkowski
The Honorable Don Young

April 13, 1989

Senate Special Committee on Oil and Gas
Statement of Alyeska Pipeline Service Company
Presented by R.I. Shoaf

Madame Chairman and members of the Committee,

My name is Rob Shoaf. I am an employee of Alyeska Pipeline Service Company. My job is government relations. Like every Alaskan, we have been shocked by the results of the Exxon Valdez spill. I share with the management and employees of Alyeska Pipeline the belief that all of us in the oil industry must renew our dedication to preventing occurrence of another tragedy like this.

At least 17 bills have been introduced in the Alaska legislature in reaction to the Exxon Valdez oil spill. Most of the ideas expressed in the proposed legislation are good and can lead to improved protection for the people and environment of Alaska from disasters like the one that recently occurred. Alyeska's goal is to cooperate with the State as it plans and implements new prevention and response techniques for Prince William Sound. We believe that the Alaska Department of Environmental Conservation is the appropriate state agency to direct this effort. We also believe that the communities and hatcheries in Prince William Sound and in the surrounding areas like Resurrection Bay, Kachemak Bay, Cook Inlet, Kodiak and the Alaska Peninsula must participate in the assessment of what happened and in the preparation to prevent and to respond to similar events in the future, if they occur.

We understand the public's desire to make changes immediately so that there will be a different response in the event of another occurrence. Ultimately the best plan to prepare for future events will be based on thorough study of what happened this time. Now

that the state has appropriated the money needed for ongoing response efforts, the number one priority should be to establish an assessment process that will involve all potentially affected groups. Participants in the assessment must be charged with the responsibility to make recommendations to the administration and the legislature. It will be most efficient for the administration and legislature to combine their efforts. Alyeska promises to cooperate with that assessment and requests that one focus of planning for the future be the coordination of industry and private efforts to maximize the protection of Alaska's resources.

In order for you to determine what needs to be done immediately and what should wait for the recommendations produced by the assessment and planning process, you should be aware of the current operating conditions in Valdez as a result of the DEC's emergency order directing immediate changes in the operation of the Valdez Marine Terminal.

Tanker Safety - Accident Prevention.

At the present time, pilots escort tankers out of Valdez past Bligh Reef. Two tugs accompany all outbound tankers in PWS. Alyeska maintains radio or radio/telephone contact with all tankers in PWS. Equipment will be installed to record these radio transmissions. The DEC is evaluating Coast Guard radar procedures and equipment.

Oil Spill Response.

As required by the emergency order, Alyeska booms all vessels upon arrival at the terminal, as we have done since February 1989. The area within these booms is inspected on an hourly basis. All of the core contingency equipment required by the terminal oil spill plan is in place at the terminal and available for use. This equipment may not be used except in response to spills or for training. Alyeska now has an around the clock dedicated 12 man oil spill response crew.

Future equipment and Material.

Alyeska and the DEC are working together to define what additional steps must be taken to satisfy the requirements of the Order.

In light of these events, we believe the legislature should encourage the DEC to take steps that will enhance the response capability existing in Prince William Sound. However, we urge that the ultimate response organization be created only after an evaluation of recent events produces recommendations from the DEC and the local communities. Even decisions on the types and amounts of materials and equipment to be stored in various places in PWS should be made based on careful analysis of the objectives of the public response organization.

To be more specific, we suggest that the legislature direct the DEC to work with the Joint Committee and/or Task Force to analyze what happened and to plan for the future. The DEC should also be given the discretion and resources to purchase and deploy basic equipment and materials, and to create and train a basic PWS response organization, pending further development of detailed plans. These efforts should be under the direction of a State Oil Spill Coordinator, within the DEC.

The immediate focus of the legislature should be on PWS. If a fee on TAPS throughput or an additional severance tax on North Slope production is used to create revenue for a public response organization and for a response fund, uses of the revenue should be limited to those areas and events that might be affected by North Slope production and transportation. If the geographic area or the types of events covered by a fund created by new taxes is expanded beyond this basic responsibility, then the revenue sources should be expanded as well.

If a new revenue source is established, a cap on the fund balance and imposition of the tax is appropriate. Expenditures from the fund that are recovered from responsible parties should be returned to the fund to avoid reimposition of the tax.

Thank you for this opportunity to comment before the Committee.

Testimony of Hugh Motley
Vice President and General Tax Officer, ARCO Alaska, Inc.
to
Senate Oil and Gas Committee
April 13, 1989

Good evening. My name is Hugh Motley, vice president and general tax officer for ARCO Alaska, Inc. I'm here today to testify on behalf of ARCO Alaska on Senate Bill 260, which proposes an additional severance tax to pay expenses incurred by the state in responding to an oil spill or the release of a hazardous substance.

Before addressing the bill, I'd like to say that we at ARCO Alaska are as stunned and dismayed by what has occurred in Prince William Sound as you are. We are horrified by pictures of oiled beaches, dying sea otters and, like you, angered by conflicting reports about the effectiveness of cleanup efforts.

Since it was not our tanker, we know relatively little about the events leading to the grounding of the Exxon Valdez or the containment efforts that followed. The data we have access to is a mixture of fact, rumor and speculation. Although we've offered technical assistance, personnel and provided thousands of feet of boom to Exxon, mopping up the spill is a responsibility which has been assumed by Exxon. We don't want to interfere with or impede their efforts.

We do know that this should never have happened, and that the oil spill contingency plan could have been more effectively executed. Mistakes had to have been made. Determining who made them and why is still an open question.

No one is in a position to accurately point fingers at anyone. For that reason we ask that you wait until a factually accurate record of the events following the March 24 accident is available before acting on legislation that could have sweeping, long term impacts. A complete investigation is a necessary first step in reducing the risk of future spills and improving oil spill cleanup capability in Alaska.

At ARCO Alaska, we've already begun that process. We have reviewed emergency contingency plans at all of our facilities. Risk is inherent in the exploration, production and transportation of oil and gas. We're continually working to reduce that risk. In the process, we're preparing for the worst and impressing upon our employees the need for individual responsibility in the work place. Events in Prince William Sound have shown that a single human error can lead to terrible tragedy and obscure a fine record built by an entire industry.

People will remember this spill for years to come. They have already forgotten that tankers carrying 7 billion barrels of oil have safely traversed Prince William Sound almost 9,000 times over the last 12 years.

We are and will remain good citizens of this state. We've helped bring unparalleled prosperity to Alaska. Everyone here has

benefitted in some way from the dollars we've invested and the oil we've produced. The industry is not going to leave the state while you investigate this spill. We will still be here when all the facts are in and appropriate legislation is enacted.

Exxon has publicly acknowledged full financial responsibility for the spill. Their efforts to cleanup the spill have not been restrained by cost. They've promised to compensate fishermen, processors, cannery workers, tour boat operators and others for the financial losses they've suffered. We believe Exxon will do what they say.

The state already has laws that allow it and other injured parties to collect all of the monetary damages caused by this spill. State laws allow for extensive fines and penalties if punitive action is warranted. The Trans Alaska Pipeline liability fund now contains more than \$248 million. The fund is automatically renewed at the rate of 5 cents a barrel if it drops below \$100 million.

We understand that additional legislation is being demanded by a concerned public. Raising oil taxes and establishing a new cleanup fund is not the answer. Senate Bill 260 only duplicates existing financial safeguards. It does nothing to reduce the risk of a recurrence or improve oil spill response capability.

Senate Bill 260 doesn't ensure that the money collected will be used for oil spill response. It has no provisions for a limit on the tax collected based on estimated cleanup costs. The bill could severely impact economically marginal fields in Cook Inlet and on the North Slope, fields so marginal that they are currently assessed little or no

production tax by the state. For these reasons we oppose the adoption of Senate Bill 260.

No one has had adequate time to assess the short term and long term effects of Senate Bill 260 and other sp^{oil} related bills on state oil revenues, the economy or the oil industry. We urge that you get the facts before you take action on this or any related bill.



Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

907-586-2345

AEL ISSUE PAPER: OIL SPILL RELATED BILLS

The Alaska Environmental Lobby supports the intent of all these bills. The top priorities in the wake of the Exxon Valdez oil spill are: ensuring oil industry payment for improved state capability to prevent and respond to oil and hazardous substance release; stronger penalties to prevent future disasters of this type; and adequate DEC funding to upgrade response and monitoring efforts.

REVENUE:

- * All oil production, not just marine transported petroleum, should be taxed to fund prevention and cleanup.
- * Both the \$.05/barrel tax proposed in SB 260, and the \$.02/barrel tax with a \$20 million cap on the fund proposed in SB 266, fail to generate adequate funds to cover the costs of the Exxon Valdez spill, let alone establish an on-going emergency response fund of significant size. The fund will only be effective for future emergency response and cleanup if it is fed by a steady stream of revenue.
- * Provisions to ensure that the legislature does appropriate money to the Fund, as provided in SB 266, are appropriate.
- * Other oil revenue sources to adequately fund prevention and cleanup should be explored.

RESPONSE CORPS/STRIKE FORCE:

- * Any emergency response team must combine trained professional specialists (SB 266) who can provide state-of-the-art technical expertise, with trained local volunteers (SB 264) who are prepared for an emergency cleanup. Local fishermen's response to the Prince William Sound spill has proved how valuable local knowledge is to any cleanup effort.
- * A strike force must not substitute for cleanup by the responsible party. It must serve, instead, as an emergency back-up.
- * Strike force responsibilities should include oversight, monitoring, evaluation, enforcement, and cleanup of all oil and hazardous substance spills.
- * Adequate funding must be available to carry out these duties.

INQUEST:

- * A task force, such as proposed in SB 277, should be established to evaluate the events surrounding the Exxon Valdez discharge disaster, and to make agency, legislative, and industry recommendations on how to prevent similar occurrences in the future.

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 KANGERS AND KAYAKERS

SOUTHEAST CONFERENCE

P.O. Box 22286

Juneau, Alaska 99802

SOUTHEAST CONFERENCE RESOLUTION #89-01

RELATING TO THE PREPARATION OF A SOUTHEAST REGION OIL AND
HAZARDOUS SUBSTANCE DISCHARGE AND PREVENTION PLAN AND
DEMONSTRATION THAT THERE BE IMMEDIATE CAPABILITY TO PROTECT THE
SOUTHEAST COAST AND ITS RESOURCES

WHEREAS, the recent oil spill disaster in Prince William Sound clearly demonstrates the vulnerability of coastal communities; and

WHEREAS, more than 500 super tankers transporting North Slope crude oil pass through the Southeast coastal waters and carry massive quantities of oil; and

WHEREAS, the news recently reported an oil company announcement that a large crack(s) was found in a tanker at Valdez; and

WHEREAS, the recent disastrous oil spill also points out the impact and the reality of possible human errors aboard the tankers; and

WHEREAS, the coastal environment is the primary habitat of our fish and wildlife and the foundation of our economy; and

WHEREAS, tides, currents and winds could put a blanket of oil around our islands and mainland, destroying our salmon, herring, crab, clams, abalone, shrimp, halibut, sable fish, ground fish and other fisheries; and

WHEREAS, a spill of the magnitude of the one in the Prince William Sound would devastate the marine organisms and mammals in Southeast Alaska; and

WHEREAS, the devastation of our coastal environment would cause a collapse of our economy, putting thousands of people out of work; and

WHEREAS, a spill of such magnitude could have long term effects on the propagation of all fisheries and wildlife for decades in Southeast Alaska; and

WHEREAS, a spill accident would have secondary impacts that threaten our eagles, bears, deer and other wildlife that rely on the sea for food sources; and

WHEREAS, the Gulf of Alaska has a known history of violent storms which cause further deterioration of oil tankers that are already aging; and

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**



Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

907-586-2345

AEL ISSUE PAPER: OIL SPILL RELATED BILLS

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SITKA CONSERVATION SOCIETY • NORTHERN ALASKA ENVIRONMENTAL CENTER • SOUTHEAST ALASKA CONSERVATION COUNCIL
KNIK KANOERS AND KAYAKERS

* Any task force must be comprised of a broad spectrum of interests, and must employ fully public process.

* The deadline for the final report should be no later than January 1, 1990.

PENALTIES:

* Stronger penalties, as proposed in SB 271, are necessary incentives to the oil industry to better protect our environment and to avoid future catastrophic spills.

* These stronger penalties must include all oil spills, not just crude oil or marine transported petroleum.

* The application of criminal penalties for oil and hazardous substance release needs to be considered.

Coordinated Statewide/Regional Contingency Plans:

* The state needs to take a more proactive approach to protecting the environment and preventing future spill disasters.

* The state's oil spill and hazardous substance release response efforts must be coordinated, as provided for in SB 261. In addition, it is important that the responsibilities of the involved parties are clearly delineated, that local municipalities and communities are properly included in the planning, and that oil and hazardous substance releases are properly evaluated, investigated, and prosecuted.

* To avoid duplication, Superfund Title III activities must be incorporated into this contingency planning.

* Additional funding must be appropriated to DEC to carry out these critical responsibilities.

April 13, 1989

Karen Brewster

SOUTHEAST CONFERENCE
RESOLUTION #89-01

RELATING TO THE PREPARATION OF A SOUTHEAST REGION OIL AND
HAZARDOUS SUBSTANCE DISCHARGE AND PREVENTION PLAN AND
DEMONSTRATION THAT THERE BE IMMEDIATE CAPABILITY TO PROTECT THE
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WHEREAS, the coastal environment is the primary habitat of
our fish and wildlife and the foundation of our economy; and

WHEREAS, tides, currents and winds could put a blanket of oil
around our islands and mainland, destroying our salmon, herring,
crab, clams, abalone, shrimp, halibut, sable fish, ground fish and
other fisheries; and

WHEREAS, a spill of the magnitude of the one in the Prince
William Sound would devastate the marine organisms and mammals in
Southeast Alaska; and

WHEREAS, the devastation of our coastal environment would
cause a collapse of our economy, putting thousands of people out
of work; and

WHEREAS, a spill of such magnitude could have long term
effects on the propagation of all fisheries and wildlife for
decades in Southeast Alaska; and

WHEREAS, a spill accident would have secondary impacts that
threaten our eagles, bears, deer and other wildlife that rely on
the sea for food sources; and

WHEREAS, the Gulf of Alaska has a known history of violent
storms which cause further deterioration of oil tankers that are
already aging; and

RESOLUTION #89-01. P.2

WHEREAS, the people of Southeast Alaska have a right to expect maximum protection, including a demonstration of the capability to prevent, contain, and clean-up, possible oil spills.

NOW THEREFORE BE IT RESOLVED that the Southeast Conference strongly urges the Federal Government, the State, and the oil industry to assure the protection of the people and the environment of Southeast Alaska by preparing a Southeast Region Oil and Hazardous Substance Discharge and Prevention Plan, and demonstrate that there is immediate capability to protect the Southeast Coast and its resources by making available appropriate oil spill containment equipment and supplies in Yakutat, Sitka and Annette Island and any other appropriate locations; and

BE IT FURTHER RESOLVED that the Southeast Conference urgently requests the legislature to immediately pass Senate Bill 261 requiring the Department of Environmental Conservation to prepare a State Master Oil and Hazardous Substance Discharge Plan; and

BE IT FURTHER RESOLVED that the Southeast Conference urges the President, the Governor, and Oil Company Executive Officers to take action immediately.

Adopted by the Southeast Conference Board of Directors this 10th day of April, 1989.



William B. Privett, President

**TESTIMONY
OF
D. E. CORNETT**

**BEFORE THE
SENATE SPECIAL COMMITTEE ON OIL & GAS**

THURSDAY, APRIL 13, 1989

JUNEAU, ALASKA

MADAM CHAIRMAN AND MEMBERS OF THE COMMITTEE, I AM DON CORNETT, ALASKA COORDINATOR FOR EXXON COMPANY, U.S.A. I APPRECIATE THE OPPORTUNITY TO APPEAR THIS EVENING AND COMMENT ON THE LEGISLATIVE ACTIVITY RELATIVE TO THE EXXON VALDEZ OIL SPILL IN PRINCE WILLIAM SOUND. I HAVE NOT HAD A CHANCE TO READ THE VARIOUS BILLS AND AM HERE TO BRING YOU UP TO DATE ON THE ENORMOUS EFFORTS EXXON IS DEVOTING TO THE SPILL IN CONJUNCTION WITH STATE AND FEDERAL AGENCIES--ALL UNDER THE DIRECTION OF THE COAST GUARD. BEFORE YOU DECIDE WHETHER AND WHAT LEGISLATION IS NEED, I URGE THAT YOU GIVE CONSIDERATION TO THE ACTIONS EXXON HAS TAKEN SINCE THE ACCIDENT.

WE CANNOT UNDO WHAT HAPPENED, BUT WE CAN AND HAVE TAKEN STEPS TO MITIGATE THE EFFECTS. I WOULD LIKE TO DESCRIBE FOR YOU SOME OF THE ACTIONS WE HAVE TAKEN:

- FIRST AND MOST IMPORTANTLY, WE PLACED TOP PRIORITY ON SAFELY RECOVERING THE 1 MILLION BARRELS OF OIL WHICH REMAINED ON THE EXXON VALDEZ AFTER THE SPILL. YOU SHOULD APPRECIATE THAT THIS REQUIRED CONSIDERABLE EXPERTISE AND OUR SUCCESS WAS EXCEEDINGLY IMPORTANT.**

- **REACTING VERY QUICKLY TO THE SPILL, WE BEGAN A MASSIVE BUILDUP OF EQUIPMENT AND PERSONNEL TO FIGHT THE SPILL. MORE THAN 4 MILLION POUNDS OF MATERIAL AND EQUIPMENT HAVE BEEN AIRLIFTED TO THE SITE FROM AS FAR AWAY AS ENGLAND. MORE THAN 200,000 FEET OF BOOM, 41 SIMMERS, AND 210 VESSELS HAVE BEEN DEPLOYED. WE BELIEVE THIS IS PROBABLY THE LARGEST BUILDUP OF MATERIALS EVER ASSEMBLED FOR A SPILL OF THIS TYPE.**
- **TO THIS POINT, IT HAS BEEN ESTIMATED THAT MORE THAN 60% OF THE SPILLED OIL HAS EVAPORATED, BEEN DISPERSED, BIODEGRADED, OR RECOVERED. MUCH OF THE REMAINING OIL HAS MADE ITS WAY INTO THE GULF OF ALASKA, WHERE NATURE WILL DECOMPOSE THE OIL.**
- **IN FIGHTING THE SPILL IN COOPERATION WITH LOCAL EXPERTS, KEY ENVIRONMENTALLY SENSITIVE AREAS WERE IDENTIFIED AND TOP PRIORITY PLACED ON PROTECTION OF THOSE AREAS. OTHERS HAVE CONTRIBUTED TO THE PROTECTION OF THESE AREAS AND EXXON HAS PAID \$1.5 MILLION TO LOCAL GROUPS TO COVER THEIR COSTS IN THE OIL SPILL CONTAINMENT EFFORT. THE PRINCE WILLIAM SOUND AQUACULTURE ASSOCIATION AND THE CORDOVA FISHERMEN UNITED HAVE BEEN ACTIVE PARTICIPANTS.**

- **ATTENTION IN RECENT DAYS HAS BEEN DEVOTED TO SHORELINE CLEANUP UNDER GUIDELINES ESTABLISHED BY THE SHORELINE CLEANUP COMMITTEE. THE COMMITTEE IS COMPRISED OF EXPERTS FROM THE STATE OF ALASKA, THE FEDERAL GOVERNMENT, AND EXXON. WORKING TOGETHER, THESE GROUPS HAVE DEVELOPED AND AGREED UPON CLEANUP PLANS.**
- **NATIVE ALASKAN WORKERS AND CONTRACTORS ARE BEING GIVEN PRIORITY BY EXXON IN ITS OIL SPILL CLEANUP EFFORTS.**
- **IN OUR OVERALL EFFORTS, WE HAVE NOT FORGOTTEN THE IMPACT WHICH THE OIL SPILL HAD ON THE BIRDS AND OTTERS. RESCUE CENTERS WERE CONSTRUCTED IN VALDEZ, ONE IS UNDER CONSTRUCTION IN SEWARD AND A BIRD RESCUE CENTER IS PLANNED FOR CORDOVA.**

WE ALSO KNOW THAT YOU ARE PARTICULARLY CONCERNED ABOUT HOW EXXON WILL REIMBURSE PERSONS FOR DAMAGES RESULTING FROM THE SPILL. SO I WOULD LIKE TO DESCRIBE FOR YOU THE PROCESS AND PROCEDURES WE HAVE PUT INTO PLACE FOR HANDLING CLAIMS FILED BY THOSE WHO HAVE BEEN AFFECTED.

WE INTEND TO PROVIDE FAIR, REASONABLE AND PROMPT SETTLEMENTS TO THOSE WHO WERE DAMAGED BY THE SPILLED OIL. CLAIMS ARISING FROM THE OIL SPILL WILL BE EXPEDITIOUSLY PROCESSED BY OFFICES IN VALDEZ, CORDOVA AND HOMER. WHILE WE ARE HOPEFUL OTHER AREAS WILL NOT BE SIGNIFICANTLY AFFECTED, ADDITIONAL OFFICES WILL BE ESTABLISHED IN KODIAK, SEWARD AND OTHER COMMUNITIES IF NEEDED.

CLAIMS FOR BOTH PROPERTY DAMAGES AND FOR LOSS OF INCOME ARE BEING RECEIVED. LOSS OF INCOME CLAIMS WILL BE PROCESSED FOR INDIVIDUALS AND BUSINESSES THAT LOSE NET INCOME BECAUSE OF THEIR REDUCED ABILITY TO USE THE NATURAL RESOURCES OF PRINCE WILLIAM SOUND AS A DIRECT RESULT OF THE DISCHARGE OF OIL. THESE WILL INCLUDE FISHERMEN, HATCHERIES, CANNERIES AND OTHERS WHO HAVE BEEN DIRECTLY IMPACTED BY THE SPILLED OIL. WE KNOW THERE WILL BE SOME CLAIMS FILED BY A FEW WHO WERE NOT DAMAGED AND WE WILL NOT PAY THOSE. HOWEVER, IT IS OUR INTENT TO REIMBURSE THOSE WHO WERE ACTUALLY AND DIRECTLY DAMAGED BY THE SPILLED OIL.

IN ORDER TO SUPPORT A CLAIM, REASONABLE DOCUMENTATION WILL, OF COURSE, BE REQUIRED. SUCH DOCUMENTATION MAY INCLUDE FEDERAL TAX RETURNS, PERMITS TO

FISH, FISH DELIVERY TICKETS, CONTRACTS WITH PROCESSORS, EMPLOYMENT CERTIFICATION FROM EMPLOYERS, OR OTHER VALID RECORDS WHICH SUPPORT THE AMOUNT CLAIMED.

A THREE STEP PAYMENT PROCEDURE HAS BEEN PLACED INTO OPERATION - ADVANCES, PARTIAL SETTLEMENTS, AND FINAL SETTLEMENTS - TO EXPEDITE THE FLOW OF CASH.

IN ORDER TO PROVIDE PAYMENTS FOR THOSE IN NEED OF IMMEDIATE CASH, A CASH ADVANCE SYSTEM IS IN PLACE. WITH MINIMUM DOCUMENTATION TO ESTABLISH THE VALIDITY OF A CLAIM AND THE NEED FOR IMMEDIATE CASH, ADVANCES ARE BEING MADE WITH A RECEIPT REQUESTED AND THE GRANTING OF THE RIGHT OF OFFSET AGAINST SUBSEQUENT SETTLEMENTS. THE INDIVIDUALS RECEIVING THE ADVANCE GIVE UP NONE OF THEIR RIGHTS BUT RECEIVE PARTIAL PAYMENT TOWARD THE ULTIMATE AMOUNT.

PARTIAL SETTLEMENTS CAN BE EFFECTED TO SETTLE CLAIMS FOR EVENTS THAT HAVE ALREADY OCCURRED SUCH AS THE CLOSING OF THE HERRING SEASON. UNDER THIS PROCEDURE A FINAL SETTLEMENT IS NEGOTIATED, THE FULL AMOUNT IS PAID AND A RELEASE IS OBTAINED ONLY FOR THE EVENT BEING SETTLED. INDIVIDUALS GIVE UP NONE OF THEIR RIGHTS TO CLAIM DAMAGES FROM ANY OTHER EVENTS.

FINAL SETTLEMENTS WILL BE NEGOTIATED AS SOON AS ALL THE FACTORS ARE KNOWN AND DOCUMENTATION CAN BE FINALIZED.

SPECIAL FINANCING ARRANGEMENTS ARE BEING DEVELOPED TO ASSIST IN SOLVING THE CASH FLOW PROBLEM OF BUSINESSES SUCH AS CANNERIES. THE ARRANGEMENTS WILL BE MADE THROUGH ALASKA BANKS TO THE MAXIMUM EXTENT POSSIBLE.

OTHER STEPS SUCH AS MAXIMIZING THE USE OF LOCAL PROCUREMENT, LOCAL HIRING, AND EXPEDITED PAYMENT PROCESSING FOR INVOICES HAVE ALSO BEEN IMPLEMENTED.

ALL OF THE EFFORTS HAVE BEEN PUT IN PLACE TO MITIGATE, TO THE EXTENT POSSIBLE, THE ECONOMIC IMPACT ON THOSE INDIVIDUALS AND COMPANIES DIRECTLY AFFECTED BY THE OIL SPILL.

WE ARE HOPEFUL THAT MOST CAN BE HANDLED TO THE SATISFACTION OF THE CLAIMANT THROUGH THIS PROCESS. HOWEVER, FOR THOSE FEW CASES WHERE AGREEMENT CANNOT BE REACHED, WE SUPPORT VOLUNTARY ARBITRATION BY A PANEL TO BE SELECTED BY EXXON AND THE CLAIMANT. IT IS IMPORTANT THAT THE ARBITRATION ALTERNATIVE BE AGREED BY BOTH PARTIES AND THAT BOTH ARE ASSURED OF A FAIR HEARING BY AN IMPARTIAL GROUP OF ARBITRATORS. WE UNDERSTAND LEGISLATION ALONG THESE LINES WAS INTRODUCED THIS MORNING.

ANYONE HAVING A CLAIM IS ENCOURAGED TO CONTACT THE NEAREST EXXON CLAIMS OFFICE AND WE PROMISE TO GIVE EXPEDITIOUS CONSIDERATION TO THEIR CLAIM.

IN SUMMARY, I REGRET THAT WE CANNOT UNDO THE REGRETFUL ACCIDENT, BUT WE ARE DOING OUR BEST TO CONTAIN THE OIL, CLEANUP THE OIL WHICH REACHES SHORE, AND REIMBURSE THOSE DAMAGED BY THE SPILLED OIL. I BELIEVE THAT OUR CORPORATION HAS REACTED TO THE SPILL IN A RESPONSIBLE WAY. THANK YOU FOR THE OPPORTUNITY TO BRING YOU UP TO DATE ON WHAT WE ARE DOING.



UNITED FISHERMEN OF ALASKA

211 4th Street, Suite 106
Juneau, AK 99801
907-586-2820

April 10, 1989

Dear Legislator:

The oil spill in Prince William Sound is a calamitous event. We, of United Fishermen of Alaska, are deeply concerned over the erosion of state resource agency budgets which left the State essentially unprepared to assert its authority and implement the actions necessary for immediate response to the spill.

From both the Cook Inlet spill of last year and the recent Prince William Sound spill, we have learned that human error is an occurrence to be planned for, that accidents do happen, and that when the responsible party is a business entity, they do not demonstrate the State's best interest as their top priority.

We urge you to reinstate to the resource agencies the capability to implement the enforcement, protection and conservation mandates of their governing statutes. Budget IS policy, and money targeted for implementing onsite compliance with resource management stipulations is imperative. We cannot continue to compartmentalize legislation, which fosters development, from State policy, which fosters natural resource stewardship. This results in irresponsible use of both renewable and nonrenewable State resources.

Industries will continue to profit from Alaska's resources in spite of tough laws. The Legislature must: 1) provide a means for the Administration to ensure that resource development occurs in a balanced manner, and 2) demonstrate concern for those industries utilizing renewable resources, such as tourism, commercial fishing and outdoor recreation.

Following are recommendations for legislative action during this 1989 session:

- 1) Increase funding for Department of Environmental Conservation, Department of Fish and Game, and Department of Natural Resources. Specify to the appropriate agency that funds are to be used for: a) development, implementation and enforcement of resource protection stipulations, b) development and maintenance of oil spill contingency plans, and c) purchase and maintenance of containment and cleanup equipment and supplies.

2) Increase funding for the Alaska Seafood Marketing Institute (ASMI) as immediate and long term additional marketing campaigns will be necessary to preserve the quality reputation of Alaska's seafood.

3) Pass a resolution supporting a moratorium on the Bristol Bay OCS Lease Sale 92. As the Cook Inlet and Prince William Sound accidents have shown, oil spills in the marine environment cannot be cleaned up. The potential for damage to renewable resources in Bristol Bay far exceeds that in other areas. Ask Congress for immediate action. (HJR 32/SJR 32)

4) Tighten current oil spill liability legislation to ensure victims receive emergency interim funds and final compensation. (HB 68)

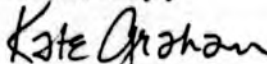
5) Eliminate the \$100,000 ceiling on penalties, as specified in AS 46.03.760 (f), and allow penalty assessment based on value of damages.

6) Review and revise the oil pollution statutes, under AS 46.04 and portions of 46.03 and 45.08, to ensure the State has the authority and funds necessary to protect the public trust.

7) Change the language under AS 46.08.020 regarding funding sources for the "oil and hazardous substance release response fund" from "may" to read: the Legislature "shall" put into the fund any money recovered from the responsible parties for clean-up or penalties.

Time is of essence on these proposed actions. We will be monitoring your actions and support for long term protection and management of Alaska's renewable and nonrenewable resources.

Sincerely,



Kate Graham
Executive Director

Subject: Oil Spill Bills under Consideration

To: Senator Drue Pearce

From: Craig B. Dotson

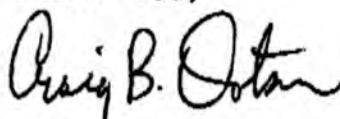
Please distribute to all members at the Legislative Public Hearing.

The recent disaster in Prince William Sound has caused great concern to all the people of Alaska. At first I felt anger over what has happened and now sad as I watch and read the news, I agree we need to take action but level heads need to prevail.

First I agree with Senate Bill No. 277 or in some form creating a task force made up of people to determine what is needed to prevent this from happening again and developing a quicker response team. This task force should be made up of state government, oil industry, Coast Guard, fisherman and environmental people. As far as I am concerned the State Government of Alaska is at fault with the containment and prevention of the oil spill as much as anybody else. Therefore to levy a severance tax (SB 260/266) to put in the general fund for clean up and prevention will not result in any better effort for clean up or prevention, cooperation is needed between all parties. Just recently 20 million dollars was passed through for clean up when the money was approved then we had to figure out how to spend it. This is a problem that needs to be worked out by several different agencies and companies and once you have the task force recommendations then action needs to be taken. Three benefits of the task force are an agreed response by industry and state officials, a better plan of action with all groups cooperating, and a dialog set up that is needed for quick response if this should ever happen again.

I hope level heads prevail and action is taken for the good of the State, we need cooperation between the state and oil industry not more money in the general fund.

Thank You,



Craig B. Dotson

April 14, 1989

Last night Dan Winn was at the Oil and Gas Teleconference in Homer and unable to voice his opinion and requested that we share it with the Committee for the record.

SB 260 - He is in favor of the bill. He also thinks it would be nice if 5¢ per gallon could be designated (and not used for something such as funding DEC).

SB 264 - He is in favor of this bill that will train people for immediate action.

SB 266 - He thinks that rather than having a \$20 million limit, it should perhaps be \$100 million.

SB 261 - He is in favor.

SCR 30 - He is in favor.

SB 271 - He could not hear the arguments on the bill. It sounds good, however, he is leary without more information.

HB 68 - He is not sure if it would help that much in the Glacier Bay incident, but he is basically in favor of the bill.

S 277 - He is opposed to this bill, especially to having a member from Alyeska and Exxon on the panel being paid per diem to discuss the spill. He is afraid it would be another do nothing commission.

He would like to see ELF voted on the Senate floor next week. He hopes that the oil industry will not dominate the hearings in the other committees of referral for these bills and the people get a chance to talk.

Dan Winn
Box 1272
Homer, Alaska 99603

235-8712