

106A

HRES

SB

268

Alaska State Legislature

SENATOR
GEORGE C. SILIDES
DISTRICT J

POST OFFICE BOX 746
FAIRBANKS, ALASKA 99707



ALASKA INTERIOR

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99801

Senate

April 8, 1974

The Honorable Joe McGill
Chairman
House Resources Committee

Dear Representative McGill:

You now have in your committee Senate Bill No. 311 which is an important measure dealing with the disposition of royalty gas and oil. To assist your deliberations I have prepared a summary of my remarks on the measure during debate in the Senate where it was passed 16 to 4.

1. Serves notice to everyone, including the ICC and the FPC of our determination to keep our royalties for our use. This is especially important in view of the fact that plants engaged in product manufacture find it necessary to locate in areas guaranteeing uninterrupted supply of feedstocks. We attempt to do this by prohibiting the sale or export of royalties, or their derivatives, until it is determined by the Commissioner of Natural Resources that the royalties and products are surplus to present and projected intra-state domestic and industrial needs.
2. Provides both authority and mandate to the Commissioner of Natural Resources to determine disposition of the royalties in a manner which would bring overall benefits rather than a rigid bidding procedure. For example, while an LNG processor may bid more per 1,000 cubic feet, a refinery or petrochemical plant may accrue greater benefits through jobs and taxes.
3. Establishes an Advisory Board, as requested by the Governor, to assist the Commissioner to perform his duties. The bill provides for the powers, duties, procedures,

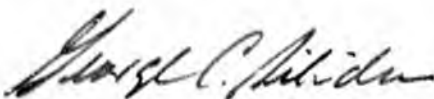
The Honorable Joe McGill
April 8, 1974
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composition, terms, and emoluments of the Board. The Board is made more responsive to the public than in the original bill, Senate Bill Number 309, by calling for three public members removable only for cause to serve with the Commissioners of Natural Resources, Economic Development, and Revenue.

Of particular interest to the members should be Sec. 38.06.060 of the bill, on page 4, which sets out the criteria which the Board is to use in making its determinations. These include revenue needs for the state, local and regional needs, localized capital investment, social impact, costs and responsibilities, labor markets, environmental effects, and effects on existing private commercial enterprise.

I am trustful of your committee's prompt action on this measure and will be available to you at any time for testimony or questions.

Sincerely,



George C. Silides
State Senator
District J

cc: All members House Resources

The Legislature of the State of Alaska
 FISCAL NOTE
 Second Session - Eighth Legislature

I. REQUEST

Bill Identification: Senate Bill 268
 Title: "An Act relating to oil and gas pipelines..."
 Requested by: Jay Hogan Date: February 6, 1974
 Return Date Requested: _____
 Agency: Commerce Program: Pipeline Commission

II. FISCAL DETAIL

Budget Request Unit(s) Affected: _____
 A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 74	FY 75	FY 76	FY 77	FY 78	FY 79
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
Repayable Advances	-0-	25.0	25.0	-0-	-0-	-0-
TOTAL	-0-	25.0	25.0	-0-	-0-	-0-

B. FUNDING: (Thousands of dollars)

GENERAL FUND	-0-	25.0	25.0	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-

C. POSITIONS:

PERMANENT/TEMPORARY	0/0	0/0	0/0	0/0	0/0	0/0
MAN MONTHS (P./T.)	/	/	/	/	/	/

D. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Projecting the number of possible requests for special fittings and the number of advances to fund them was discussed with the Department of Natural Resources in an attempt to arrive at a reasonable estimate of general fund outlay for this Bill. It was our consensus that the magnitude of the Pipeline and the monitoring controls to be placed on the line would tend to prohibit noncontinuous flow thereby prohibiting connections for other than municipalities or possibly refineries.

IV. ATTACHMENTS

Continuation of Analysis.

V. DATE: March 8, 1974

PREPARED BY: *Jay Hogan*

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Analysis (Continued)

To include one of the special fittings referred to in the Bill at the time of construction of the Pipeline would probably cost in the neighborhood of \$5,000. This estimate could, however, be much higher depending on the magnitude of the proposed connection.

At the present time, 5 villages or small towns are located within proximity of the Pipeline which could conceivably request such a connection (Wiseman, Bettles, Stevens Village, Big Delta and Glennallen) and could possibly request an advance from the State. It is felt, however, that a corporation, company or person proposing a project of an extent to utilize a continuous flow into or from a pipeline the size of the Alaska Pipeline would have the funds available to cover the special connection.

The operating budget for the Pipeline Commission to process the advances would not be impacted. An unsubstantiated estimate of advancements would be \$25,000 for FY 74 and 75.