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HCRA

HB 219

(FILE # 1)

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provided services they intend to make. I can tell you forthrightly that the only "publicly provided services" we at Chugach have requested are that the Department of Community and Regional Affairs should refrain from negative interference in Chugach's relations with the federal Corps of Engineers through communications sent without Chugach's knowledge. We believe that our point has been made, and we are hopeful that our request for improved consultation techniques by State agencies with Chugach will be honored.

Third, proponents of House Bill 219 declare that the bill would "provide a mechanism by which the increase in demand for state and municipal services occurring as a result of an (OCS petroleum) development project will be met by revenue from the project responsible for the increase in demand." I have already noted that the claimed increase in demand for services is speculative, not proved, and not inevitable. Moreover, any demand for services that might occur in one place might be different in character and degree from the kind of demand, or the kind of services demanded, arising in a different place. But the bill treats every area and every development and every impact by an identical, simplistic formula.

Another fallacy is the notion that all development, regardless of when it occurs, will impact public expenditures in the same way. The notion that new development projects attract new residents to Alaska, and raise a demand for more public services, may have limited validity. But at a certain stage of Alaska's growth, in the post-TAPS era, there exists in the State a body of unemployed

or underemployed Alaska residents. For them, future development projects are a livelihood. The demand for "publicly provided services" from these people is inversely proportionate to the employment opportunities available within the State. Without employment, they become dependent upon public assistance; with employment, they become State and federal taxpayers.

I mention these facts only to demonstrate again that the underlying theme of House Bill 219, i.e., that all OCS development in Alaska, wherever and whenever it occurs, creates a like demand for "publicly provided services" is false; in some contexts, OCS developments may diminish the demand for "publicly provided services", we believe.

We also believe that the formula for computing the fee for a shores facilities permit is too rough a tool. We note that the worst possible case is assumed in a speculative way: "gross impact cost" is the "maximum anticipated population increase in the affected area during a 20-year period multiplied by the per capita costs of state and local government in the affected area". As noted above, in the worst case, the existence of OCS development will inspire mobility of some Alaskans from other places in the state to "the affected area". Thus OCS would be the cause of a lessened demand for "publicly provided services" in some places in the State. On the logic of House Bill 219, why doesn't the permittee receive some credit for that?

Again, for the same reasons I have discussed above, it cannot be assumed that the "per capita costs" in an "affected area" will be comparable from place to place. In Fairbanks, the impact meant

more demands for services like schools and sewers and roads. In a controlled area like Icy Bay, no such demands for public services are necessarily in the offing.

We also note that a discount rate is included in the bill to apply to the revenues that government would receive for the purpose of determining "development revenue", but no discount rate is used to weigh or measure the per capita costs of governments over a 20-year period. On its face, this is unfair and indefensible.

We object, in any event, to using historic "per capita" costs of "development" as any measure of future per capita impact, even assuming that some generalizations could be made on a statewide basis. After all, the State is proposing increased controls over coastal zone development and land use in a variety of ways. The effect of these controls, when and if fully implemented, should be to reduce the alleged public services costs which some associate with development. Therefore, the historic approach is inappropriate.

At bottom, our concern is based upon our realization that this measure calls for large front-end payments by developers, to be paid on a highly speculative basis, on property that may or may not exist, and with no provision for credits if estimated future maximum impacts do not occur. The business effect will be to discourage investment in areas like Icy Bay, encourage inefficient uses of existing facilities however antiquated they may be, reduce employment, and remove from petroleum production marginal properties.

Finally, we note that the same rationale that is included in HB 219 is used by the Governor in his cover letter supporting franchise tax legislation as the Governor's proposals would affect

companies operating in the Outer Continental Shelf; that is, the claim is made that proposed taxes are needed to compensate the State for services provided to OCS operators.

The question that arises is whether House Bill 219, if enacted, would foreclose the need for the franchise tax legislation, because permit fees would satisfy the rationale, or whether, in the alternative, the Legislature will seek more than one remedy for a single asserted burden.

In this light, we would respectfully recommend that no action on House Bill 219 be taken until the entire set of tax measures has been acted on finally by the Legislature prior to its 1978 adjournment, by passage, amendment, or defeat.

Thank you again for allowing us to share these views.

Respectfully submitted,



CECIL BARNES
President
CHUGACH NATIVES, INC.

STATE OF ALASKA
DEPT. OF COMMUNITY & REGIONAL AFFAIRS
DIVISION OF COMMUNITY PLANNING

JAY S. HAMMOND, GOVERNOR

POUCH E - JUNEAU 99811

March 22, 1977

The Honorable Lisa Rudd
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Rudd:

As requested by the House Community and Regional Affairs Committee, this letter summarizes the amount and status of matching grants-in-aid allocated by the Division of Community Planning to local governments for OCS-related planning over the immediate past and current fiscal years.

To date, a total of \$590.6 in matching grants has been awarded or reserved for local OCS planning. Grants were funded from the following federal and state program sources:

- (A) Federal HUD 701 Comprehensive Planning Assistance Program;
- (B) Two federal OCS Supplemental Planning grants the Division obtained through the federal office of Coastal Zone Management;
- (c) Federal Economic Development Administration title IX OCS grant for economic adjustment planning; and
- (d) State Oil Impact Program.

The following Table identifies the locality, grant amount and status of each local grant.

<u>Locale</u>	<u>Grant Amount</u>	<u>Project Status</u>
<u>HUD 701</u>		
1. City of Cordova	18.0	completed
2. City of Yakutat	24.0	completed
3. City of Yakutat	6.7	completed
4. North Slope Borough	9.0	completed
5. City of Sand Point	15.0	current
	<u>\$72.7</u>	

<u>Locale</u>	<u>Grant Amount</u>	<u>Project Status</u>
<u>OCZM/OCS I (Total Grant: \$300.0)</u>		
6. Kenai Peninsula Borough	60.0	completed
7. Kenai Peninsula Borough	25.0	pending
8. Kodiak Island Borough	36.0	completed
9. Kodiak Island Borough	12.0	current
10. Alaska Native Foundation	18.0	completed
	<u>\$151.0</u>	
<u>OCZM/OCS II (Total Grant: \$250.0)</u>		
11. North Slope Borough	40.0	pending
12. Unalaska	25.0	current
13. Kodiak Island Borough	50.0	current
	<u>\$115.0</u>	
<u>EDA Title IX (Total Grant: \$300.0)</u>		
14. Kodiak Island Borough	45.0	current
15. City of Seward	30.0	current
16. Cities of Kenai-Soldotna	30.0	pending
17. Cities of Homer-Seldovia	30.0	pending
18. City of Yakutat	33.0	current
19. City of Cordova	30.0	pending
	<u>\$198.0</u>	
<u>State Oil Impact Grant Program</u>		
20. City of Yakutat	\$53.9	completed

The OCZM/OCS Supplemental Grants and the EDA Title IX Grant represent new federal grant program funds which were obtained at the initiative of the Division of Community Planning to help local governments underwrite the cost of much-needed OCS impact planning. Of course, since all these federal programs require local matching contributions ranging from one-half to one-fourth of the grant amount, employment of these federal grant funds by local governments still means that substantial outlays of local funds are necessary. This has placed a serious financial squeeze on those local governments with small tax bases (e.g., Yakutat) or high mil rates (e.g., Seward at 25.0 mils) and has unfortunately hampered their ability to take quick advantage of matching grant funds available through the Division.

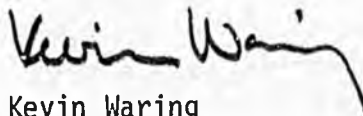
To summarize, better than half of the federal funds (\$464.0 out \$850.0) obtained by the Division specifically for OCS planning over these two years has been allocated to local agencies for locally sponsored projects. The bulk of the remainder has been allocated either to other State agency projects uniquely the responsibility of the State (e.g., drafting of Department of Environmental Conservation's oil tanker traffic regulations, Department of Highways' Gulf of Alaska regional transportation planning) or to special planning projects of common benefit to local and state governments alike (e.g., Marine Service Base

March 22, 1977

Study; Employment Forecast Model; OCS Bibliography; Management of OCS-Related Industrial Development Handbook). In my judgment, it is more sensible and economical to undertake this latter type of studies once under State sponsorship for universal use and reference, than to have them undertaken time and again by each separate local government.

I will be glad to provide any additional information on these matters that the Committee may request.

Sincerely,



Kevin Waring
Director





LISA RUDD

ALASKA HOUSE OF REPRESENTATIVES

*Pouch V
Juneau 99811*

*2827 Lore Road
Anchorage 99507*

April 25, 1977

Anchorage Daily News
821 W. 5th Avenue
Anchorage, Ak 99501

Dear Editor,

I was glad to see your recent editorial on House Bill 219, which would provide money to the state and communities impacted by the construction of shore facilities associated with outer continental shelf developments. The money would come before construction of the shore facilities, so that they can plan for and fund the increase in governmental services caused by the new development. The original bill sponsored by Representative Charlie Parr, D-Fairbanks, has undergone many changes. I am convinced however, that the original intent of the legislation remains intact.

Almost all of Alaska's coasts are going to be effected by outer continental shelf development. There are currently two rigs involved in exploratory drilling in the Gulf of Alaska and the community of Yakutat has already felt impact as a result of offshore exploration. Planned federal outer continental shelf lease sales are scheduled for November 1977 in the area southeast of Kodiak Island and a joint federal-state sale for February 1978 in the near-shore area of the Beaufort Sea. Additional sales are planned in the Bering Sea in 1979 and 1980 and second sales in the Kodiak Aleutian shelf area in 1980. The exploration phase of activity will affect shore communities to some extent, as one can learn by talking to anyone from Yakutat. If oil or gas is found and field development takes place it is likely that the nearest shore community will be heavily impacted, as Kenai can testify.

House Bill 219 will help the state and communities prepare for and deal with rapid increases in the demand for municipal services. The bill requires that any person or party engaged in exploration, development or production of oil or gas in the waters

REPRESENTATIVE - DISTRICT 11 - ANCHORAGE

adjacent to the state must secure a permit and pay a fee prior to constructing or leasing shore facilities. The bill further provides that the applicant for a permit must file a report on the size, location and estimated value of the proposed facility as well as projected impacts, both economic and environmental, upon the community in which the facility will be located.

The bill's strength lies in the fact that it provides the local communities affected by offshore activities the opportunity to have advance notification of potential development that will affect their area and to decide whether they wish to have the proposed facility within their boundaries. Besides gaining time to prepare for industrial growth, the community will receive a large percentage of the permit fee to cover the costs of providing the increased municipal services needed because of the development of the shore facility.

I feel that it is important that communities be able to control the siting and other aspects of shore facilities and that they receive "up front" money to help them provide new municipal services. It is for this reason that I still hope to get the bill moving. The recent editorial (April 9, 1977) of the Anchorage Daily News lends support toward that end and is much appreciated.

Yours sincerely,

Lisa Rudd

LR/ds



Alaska State Legislature
House

JUNEAU ALASKA

TO: All C.R.A. Committee Members

FROM: Merle G. Snider

Q. How do you make a Liberian tanker sink?

A. You put it in water.

That joke and the enclosed information I picked up at the O.C.S. conference sponsored jointly by the Alaska Native Foundation and the Kellogg Project of the University of Alaska, held in Anchorage Feb. 4, 5, & 6th. I also have ten lbs. of material directly concerned with O.C.S. and will be happy to share any of it with you, on any specific question.

Attending this conference were representatives from 90 villages, State personnel, House members, the press, and many others. As you can see by the program, many areas of concern were expressed.

Also noted in the program are events that were closed to non-villagers, in order to permit a freedom of expression and direct questions. All legislators were encouraged to attend these meetings.

I attended the Friday night banquet at which Senator Kay Poland spoke at length of the proposed Coastal Zone Management Bill, which will soon be submitted to the legislature. It is a bill on which an interm committee has been working on for at least two years. Public hearings have been held throughout the state on the issue.

Senator Poland stated that the bill will gather together, all of the existing state regulations concerning Coastal Zone Management, and will also allow a maximum of local control to exist. There have been some differences of opinion between the committee and the Administration, on this question of local control. Part of the problem has been with what to do with the unorganized lands of our state. Both the committee and the Administration have been addressing this issue.

Also speaking at the banquet, was Representative Alvin Osterback, as Chairman of the House Resources Committee. He replaced Frank Woods, who was unable to attend, and spoke briefly on the direction he felt the State should take regarding d2 Land Selections, State Land Selections, and of Park Lands.

The conference ended Sunday at noon. As I said, I returned to Juneau with a wealth of information on O.C.S.; a question that the State and the people of Alaska will be dealing with over the next 50 years. I shall be pleased to share any and all of this information with any member who wishes it.

Merle G. Snider

ALASKA OCS LEASING SCHEDULE

COOK INLET

	Notice of Sale	January, 1977
**	Sale	February, 1977

KODIAK

	Draft Environmental Impact Statement	March, 1977
	Public Hearing	May, 1977
	Final Impact Statement	August, 1977
	Notice of Sale	October, 1977
**	Sale	November, 1977

BEAUFORT SEA (Near Shore)

	Timeline uncertain--state may conduct sale	February, 1978
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BEAUFORT SEA

	Call for nominations of tracts	July, 1977
	Nominations due	September, 1977
	Announcement of tracts	December, 1977
	Draft Impact Statement	June, 1978
	Public Hearing	August, 1978
	Final Impact Statement	November, 1978
	Notice of Sale	January, 1979
**	Sale	February, 1979

NORTHERN GULF

	Call for Nominations	October, 1977
	Nominations due	December, 1977
	Announcement of Tracts	March, 1978
	Draft Impact Statement	September, 1978
	Public Hearing	November, 1978
	Final Impact Statement	February, 1979
	Notice of Sale	April, 1979
**	Sale	May, 1979

ALASKA OCS LEASING SCHEDULE (Page Two)

BERING SEA, NORTON SOUND AREA

Call for Nominations	May, 1978
Nominations Due	July, 1978
Announcement of Tracts	October, 1978
Draft Impact Statement	April 1979
Public Hearing	June, 1979
Final Impact Statement	September, 1979
Notice of Sale	November 1979
** Sale	December 1979

BERING SEA, ST. GEORGE AREA

Call for Nominations	October, 1978
Nominations Due	December, 1978
Announcement of Tracts	March, 1979
Draft Impact Statement	September, 1979
Public Hearing	November, 1979
Final Impact Statement	February, 1980
Notice of Sale	April, 1980
** Sale	May, 1980

COOK INLET

Call for Nominations	January, 1979
Nominations Due	March, 1979
Announcement of Tracts	June, 1979
Draft Impact Statement	December, 1979
Public Hearing	February, 1980
Final Impact Statement	May, 1980
Notice of Sale	July, 1980
** Sale	August, 1980

KODIAK, ALEUTIAN ISLANDS

Call for Nominations	May, 1979
Nominations Due	July, 1979
Announcement of Tracts	October, 1979
Draft Impact Statement	April, 1980
Public Hearing	June, 1980
Final Impact Statement	September, 1980
Notice of Sale	November, 1980
** Sale	December, 1980

HOW TO DO IT:

A COMMUNITY GUIDE FOR MANAGING OCS INDUSTRIAL DEVELOPMENT

*STEP 1

Determine what to expect from OCS development.

In other words, know how the oil companies work, and what they expect on-shore to support their off-shore activities.

*STEP 2

Evaluate community ability to serve industry needs.

Check to see if your village has the type of harbor and shoreline oil companies need; also estimate your village's potential for providing the needed facilities, services and utilities.

*STEP 3

Determine what the community wants.

Decide what your village wants--and doesn't want--from any OCS-related development.

*STEP 4

Examine and revise local zoning and other regulations.

Determine what codes and regulations will be required, or what changes in existing codes must be made to achieve the village's objectives and to accommodate the development.

*STEP 5

Annex or acquire land to extend jurisdiction.

Bring the areas that may be chosen for OCS development under village control.

*STEP 6

Develop a financial plan.

The plan should include: methods to expand or add to the village infrastructure; an operations and maintenance program for needed additional services; and a revenue program which balances the costs of everything with the funds to pay for them.

STEP 7

Establish procedures for reviewing development proposals.

Require that developers submit development proposals to the village. These proposals must contain enough information to tell if they will fit into the village's goals and policies; the reviewers must have enough knowledge to adequately evaluate the proposals; and any conflicts between developer and village should be dealt with in meetings so that every effort can be made to resolve them.

Each of the above steps is essential to fully deal with and manage the changes promised by on-shore development from OCS activities.

Three types of tools are available to villages for managing their future:

1. Leases: A detailed outline of the complete leasing process appears on pages 12-24 of the small blue booklet entitled "Leasing and Management of Energy Resources on the Outer Continental Shelf" in this conference packet. Briefly, you have a say at four specific times during the pre-sale period, and at three times after the sale.

Pre-sale times include:

- 1) After the Call for Nominations, the announcement of a general area under consideration for a possible future lease sale: At this time a village may--on its own or through the State Government--identify specific parts of the general area which it doesn't want to be sold, or which should be sold only with special restrictions because of environmental or other reasons.
- 2) During Tract Selection: When the Secretary of the Interior gets down to selecting actual tracts to include in the lease sale, he consults with State governors; so, this is the time to let the governor know how you feel.
- 3) Public Hearing: After the draft of the environmental impact statement is completed, a public hearing is held in the area of the proposed sale. Both written and verbal testimony count at this time.
- 4) A Final Decision by the Secretary: This is made only after final consultation with State Governors, as to which tracts will be included and with what restrictions. Again, here's a time to tell the governor what you want.

Post-sale times include:

The United States Geological Survey must write a plan of operation for each phase of OCS activity: Exploration, development and production. USGS must submit this to affected communities for comment before each phase is allowed to begin. These USGS studies include an analysis of what will happen both on-and off-shore during that phase.

2. Public Powers: This tool revolves around zoning and permits. Local communities can restrict, encourage or otherwise control development on their lands by the use of zoning and other local ordinances. Municipalities and boroughs can exercise control through their land use planning powers. Both the State and Federal Governments have extensive permit systems and regulatory procedures which allow public and local input prior to any development.
3. Indirect Management Tools: This is the least cut-and-dried tool of the three, but by far the most effective. This is when the village really takes the initiative and acts to try to achieve its goals. Some examples include: Negotiations with oil companies and their subcontractors, working with them on every step of proposed development to insure the village's concerns are taken care of; making sure village desires (for instance, local hire) are included in contracts; entering into joint-venture business arrangements with the oil companies for any business conducted in the area; helping decide where on-shore facilities will be located, working with the State and Federal officials to have their assistance on issues. In short, this tool involves using every resource available to the village to influence development to the benefit of local residents.

A NOTE ON SESSION #7

"Three Villages Response to OCS"

We chose these three villages because they reacted in different ways to OCS development near their shores. We present these as models: Villages may decide to pattern their responses after one of these, or may combine features of each in new ways to fit their own situations and goals.

YAKUTAT

The village corporation and the City of Yakutat have worked closely together to plan for on-shore facilities and to ensure that all on-shore development occurs only where the community wants it. Yak-Tat Kwaan's main priority has been to assure that development does not destroy the unique cultural and natural environment which make up the Yakutat community. By entering into a partnership role with the oil companies--and thus having a direct say in what happens--the corporation intends to minimize the degree of change and at the same time benefit from the opportunities presented by OCS development.

KODIAK

The joint-venture between Koniag, Inc. and its villages is pursuing the most pro-development course of action of the three examples. They are actively seeking to exploit their resources and land. Cape Chiniak, an old Air Force tracking station, is their choice for construction and operation of support facilities for off-shore activities, and the corporation and the villages are negotiating with the oil companies to get that firmed up. Koniag and its member village corporations are working closely with the Kodiak Island Borough and the State on comprehensive planning for development on the island.

ENGLISH BAY

This small community on the Kenai Peninsula represents the opposite position from Koniag, wanting no change in its present lifestyle. Residents want no on-shore facilities, nor any development in the nearby fisheries-rich waters of the Lower Cook Inlet. They succeeded, with private and State help, in getting former Interior Secretary Thomas Kleppe to remove objectionable tracts from this month's lease sale. English Bay residents decided that economic benefits of OCS development were not worth the necessary changes in the present fishing-based economy and in the surrounding wilderness environment.

the alaska native



515 "D" Street ■ Anchorage, Alaska 99501 ■ 274-5638

February 4, 1977

Dear Conference Participant:

WELCOME! We're very pleased you're joining us in Anchorage for this conference, "The Management of Change." The Alaska Native Foundation, with the assistance of the Kellogg Project of the University of Alaska, decided to sponsor this meeting because of the great importance to Alaskans of the consequences of Outer Continental Shelf petroleum development.

With the help of films, slides and speakers, we'll be exploring three major issues:

- 1) What changes can villages expect with OCS development?
- 2) What are the legal rights with regard to any development which affects a community or region?
- 3) How can villages best use all resources to plan for and manage the changes to the benefit of local residents?

In order for small group discussions to concentrate on specific subjects and particular regional and village concerns, several sessions will be open only to those directly affected. These sessions are noted on your conference schedule.

For those of you from the villages, a special word: This conference is not designed for us to simply pass on some interesting information to you. Rather, we hope you will take home what you learn and start an awareness among the residents of your village--the awareness that if you all act together, you can successfully manage the coming changes to meet your village's goals for the future.

If you believe we're on the right track with this conference, and are giving you the information you need and can use, tell us! If you want additional information or assistance, we may be able to hold follow-up meetings on specific subjects or problems. But only with your ideas and help can we do this.

The development of Alaska's Outer Continental Shelf may cause great changes in the lifestyles of our peoples living along the coast. We believe these changes -- properly managed -- may be beneficial. The time to begin planning and acting is now.

Again, on behalf of ANF's Board of Directors, Welcome to Anchorage and "The Management of Change".

Sincerely,



Richard Janson, President
Alaska Native Foundation

Board of Directors

Emil Notti, Chairman
Roy Huhndorf, 1st V. P.
Victor Fischer, 2nd V.P.
Vincent Schuerch, Treasurer
Richard Stitt, Secretary
Byron Mallott
Larry Mercurieff
Boris Kosbruk
Ralph Perdue

THE MANAGEMENT OF CHANGE

FRIDAY-February 4

- 9:00 a.m. until Noon, Saturday Registration, Lobby of Ramada Inn
- #1 1:00 - 1:30 Welcome, Opening Comments, Introduction of Village Participants
--Dick Janson, Pres., Alaska Native Foundation
--Michael DeMan, Village Management Assistance
--Roger Lang, Chairman, Alaska Native Human Resource Development
- #2 1:30 - 3:00 ~~XXXXXXXXXX~~ Slide Presentation: "OCS" (in both Yupik and English)
--Andrew Chikoyak, film maker, Tununak

"The Yakutat Experience"
--The Yakutat Team:
--Byron Mallott, Yakutat, Chairman of the Board, Yak-Tat Kwaan, Inc.
~~XXX~~ --Sam Demmert, Pres., Yak-Tat Kwaan, Inc.
--Vernon R. Wiggins and Robert C. Sharp, of Tryck, Nyman and Hayes, Consultants to Yak-Tat Kwaan, Inc.
- #3 3:30 - 5:00 Film: "Offshore" (18 min.)

"The Community's Role: Some Considerations"
--Sam Demmert, Pres., Yak-Tat Kwaan, Inc.
--Hugh W. Fleischer, attorney, city of Yakutat
--Jack Wick, Pres., Koniag, Inc.
--Stuart Denslow, Planning and Management Consultant to Kodiak Island Borough

"The Shetland Experience"
--Niall Trimble, Economist, Dept. of Community and Regional Affairs
- #4 7:00 - 9:00 (CLOSED TO NON-VILLAGERS)
ATTEND
Dinner with speakers - "OCS-The Local Approach"
--The Hon. Kay Poland, State Senator from Kodiak and Co-Sponsor of Proposed OCS legislation
--Frank Woods, New Stuyahok"

END Friday Sessions

SATURDAY-February 5

#5 8:30 - 10:15

Slide Presentation: "A Question of Values"

"The Federal Role: How the OCS Office Relates to You."

"Will Hold HEARINGS
IN KODIAK."

--Ed Hoffmann, Alaska Director, OCS Office of the Bureau of Land Management

9 LEASE SALES IN AK
16 " " " " US.

"The State and You, and OCS Development"

--The Hon. Guy Martin, Commissioner, Dept. of Natural Resources

--Sandy Sagalkin, Attorney General's Office

--Glenn Akins, Office of Coastal Zone Management

--Kevin Waring, Dept. of Community and Regional Affairs

--Jim Wiedeman, Dept. of Commerce

"A SHIFT OF EMPHASIS TO
LOCAL CONTROL."

#6 10:30 - 11:45

(CLOSED TO NON-VILLAGERS)

"Three Villages Response to OCS"

--David Wolf, Attorney for Yak-Tat Kwaan, Inc.

--Martin Farrell, Attorney for Kodiak OCS Project

--Arnold Melsheimer, English Bay

"Eating After OCS Development"

--Pat Wennekens, Arctic Environmental Information and Data Center

#7 Noon - 1:15

Lunch and Speaker: "The Oil Industry's View of Yakutat"

--James W. Hart, District Engineer for South Alaska, Atlantic Richfield Oil Company

#8 1:45 - 3:15

"Off-shore Means On-shore Too"

--Joe Homer, Alaska Drilling Manager, Exxon Co.

Slide Presentation: "Icy Bay"

--Cecil Barnes, Pres., Chugach Natives, Inc.

"Be Ready Before the Oil Companies Pull Into Your Harbor"

--Anthony Vaska, Calista, KCC

--Linda Ellana, Bering Straits, ACC

#9 3:30 - 5:00

(CLOSED TO NON-VILLAGERS)

"How to Talk to Oil Companies"

--The Yakutat Team

Small Group Discussions of Conference Purpose, Follow-up Activities and Action

#10 8:00 - 10:00

Banquet: "OCS and Polar Rim Peoples"

--Eben Hopson, Sr., North Slope Borough

"Village Self-Determination"

--Clay Antioquia, Area Director, BIA

END Saturday Sessions

Lisa,

Several points of clarification you might make when Tom Mathews testifies again:

- 1) Oil Revenue to the State. Future oil company contributions to state revenues may approach 60% of total State revenue. However, that revenue will come mostly from oil royalties not from taxation. Royalties are equivalent to rents paid to any landlord and are normal practice whether the landlord is public or private. Furthermore, oil company royalty and tax payments from the North Slope should not necessarily subsidize oil development elsewhere. The same companies might not even be involved. Why should severance taxes paid by ARCO on the North Slope pay for impacts occurring because of Texaco's or Shell's onshore operations in the Gulf of Alaska?
- 2) Who Needs to Obtain a Permit. Native corporations will not have to purchase permits unless they are successful bidders for offshore tracts. Under Sec. 41.45.020, only "a person engaged in the exploration, development, or production of oil or gas under terms of lease from the United States..." If the Native corporation merely owns and operates a shoreside facility, they will not be required to obtain a permit - oil operators leasing the facility will have to obtain the permit. (This means that no facility will be built without a prior commitment by the operators to use the facility. That's good.)
- 3) Timing of Development. Mathews emphasizes exploration and minimizes other phases of oil development. It is true that actual oil production may not begin until 5-8 years after a lease sale. However, if there is oil to be found, it will take about one year to make a discovery and another 2 1/2 years to delineate the field and estimate recoverable reserves. At that point (3 1/2 years from lease sale), major decisions about pipelines and terminals will be made. Assuming some preliminary design work is underway, construction could begin shortly thereafter. Construction of a terminal on, say, Kodiak Island will create temporary but major local changes - see Table 3.27. If construction workers are hired out of local hiring halls, a situation similar to Fairbanks may arise. During the construction phase of a terminal or LNG plant, there is bound to be a boom-bust situation.
- 4) North Sea and Santa Barbara Comparisons. It's true that acreage leased in the North Sea far exceeds that leased offshore in the U.S. However, operating conditions in the North Sea are quite similar to the Gulf of Alaska. Floating bases are not too attractive. The weather is too rough. The similarity between Santa Barbara and Alaska rests with the high degree of public interest and possible hassles for the oil companies.

Fee for Shore Facilities Permit. Lisa, this section needs reworking. It would not be very fruitful to get sidetracked on a discussion of whose 20-year projections are most reliable.

Coastal Energy impact Program. This federal program is primarily a loan program. Grants will be hard to come by.

Further Questions about Exxon Operations. I was under the impression that the Alaskan Star was not drilling yet. They have been training crew while moored in Resurrection Bay and have not begun operations. Also their stated plan is to move rig crews through the Yakutat Airport. Mathews slipped by that detail. You might also ask him to specify the \$750,000 expenditures per month.

NUISANCE
POINTS

Lois

Type up for transmittal
(copies for com. members)

To
Steve Cooper, Chair
House Finance Com.

From
Lisa Rudd, Chair
House C & RA Com.

Re: HB 219 (Onshore facilities permits)

There was some doubt in the
C & RA Com. as to whether the fiscal
note received from the department
was an accurate reflection of the
costs which will be incurred by
the dept. in administering HB 219.

While I personally think that the
fiscal note does reflect the obligations
of the dept., I would ask that your
committee take a ~~look at it~~ care-
ful look at ~~the~~ it.

Some members of the
committee think that the
dept's estimates are low -

JUNEAU

KENAI PENINSULA BOROUGH SUPPORTS SB126 CONCERNING RUNOFF
REQUIREMENTS IN MUNICIPAL ELECTIONS.

MARGARET BRANSON CHAIRMAN KENAI PENINSULA BOROUGH ASSEMBLY
COMMITTEE LEGISLATIVE OVERVIEW BOX 850 SOLDOTNA

POUCH V

JUNEAU

KENAI PENINSULA BOROUGH DOES NOT SUPPORT SB47 TO ALLOW TAX
EXEMPTIONS FOR AESTHETIC IMPROVEMENTS.

MARGARET BRANSON CHAIRMAN KENAI PENINSULA BOROUGH ASSEMBLY
COMMITTEE LEGISLATIVE OVERVIEW BOX 850 SOLDOTNA

POUCH V

JUNEAU

KENAI PENINSULA BOROUGH DOES NOT SUPPORT SSSB37 RELATING TO
REDEMPTION OF TAX FORECLOSED REAL PROPERTY

MARGARET BRANSON CHAIRMAN KENAI PENINSULA BOROUGH ASSEMBLY
COMMITTEE LEGISLATIVE OVERVIEW BOX 850 SOLDOTNA

JUNEAU

KENAI PENINSULA BOROUGH WOULD SUPPORT HB35 SO LONG AS BOROUGH
DETERMINES EXEMPTION LIMITS.

MARGARET BRANSON, CHAIRMAN KENAI PENINSULA BOROUGH ASSEMBLY
COMMITTEE LEGISLATIVE OVERVIEW BOX 850 SOLDOTNA

JUNEAU

KENAI PENINSULA BOROUGH WOULD SUPPORT SB114 RELATING TO PUBLIC
WORKS IF AMENDED TO READ PLANNING AUTHORITY INSTEAD OF PLANNING
COMMISSION.

MARGARET BRANSON CHAIRMAN KENAI PENINSULA BOROUGH ASSEMBLY
COMMITTEE LEGISLATIVE OVERVIEW BOX 850 SOLDOTNA

February 6, 1977

TO: LISA
FROM: JUDITH
RE: Highlights from OCS Conference

Friday - February 4

- "The Yakutat Experience" was the focus of this first days sessions with two excellent presentations by the Yak-Tat Kwaan board members on the history and the future of OCS for their village. I learned about cultural preservation as seen through the eyes and experience of the Native peoples. I now understand what a service base is and how it develops and the determination of the Yak-Tat Kwaan in obtaining an agreement with the oil companies to confine the service base to a single 77-acre tract known as the Industrial Park. This service base will be supply and storage with no production facilities and no oil coming ashore.

- We were also briefed on the current events in Cook Inlet, English Bay and the Kodiak Island Borough by people of those areas.

Saturday - February 5

- A briefing by the Bureau of Land Management provided these highlights:

The Federal leasing program is nationwide and is being accelerated due to the fact that currently 40% of our energy in the form of oil and natural gas is imported.

The current lease schedule is a planning schedule and not a committment. (see attached proposed lease sites for Alaska area)

The Alaska Natives are in an excellent position to control industrial development.

The lease plan provides for:

- Announcement to the public 4 years in advance
- Call for nominations (industries opportunity to identify tracts) 18 months in advance.
- With good planning and village committment there can be a site selection that is agreeable. In the case of English Bay, the village wanted no intrusion and currently that tract in their area is no longer being considered.

- The State's approach to OCS highlights: - (a panel consisting of Guy Martin, Kevin Waring, Glen Aikens, Sandy Sagalkin and Jim Wiedeman.)

Alaska operates over 1/2 of the national OCS burden and is the harshest critic of federal leasing. The basic problem of the program was that it was too big and too fast. The state's approach was to buy time on the part of local areas so that they would have ample time to organize and plan.

What is Coastal Zone Management?

- Helping communities deal with change.
- Coordination between the state and local community.
- Planning for federal law implementation of Alaska's CZM program.

What is Community Planning?

- Federal government "treasure hunt" if successful there will be tremendous changes in the way of life on the coast.
- There can be a partnership with C&RA and the local government by way of providing practical skills and consulting assistance backed by state funding whenever possible.
- C&RA can assist the village in appraising the basic situation in the community and formulating projections of employment and population growth generated by OCS development.

The Shetland Experience - Niall Trimble

This experience in Scotland's North Sea provides many similarities to conditions and life styles along Alaska's coast.

The ever-present and still unanswered questions of impact to marine life were addressed without resolution due principally to a lack of knowledge as to the potential threat to aquaculture.

February 24, 1977

TO: LISA
FROM: JUDITH
RE: HB 219

Sec. 41.45.030. FEE FOR SHORE FACILITIES PERMIT.

In arriving at the permit fee, gross impact cost and development revenue are the two factors being estimated as follows:

Step 1.

anticipated population increase
x
per capita costs of state and local government
= gross impact cost

Step 2.

estimated petroleum taxes *(over what period of time?)*
+ general property taxes for onshore facilities "
+ income taxes from residents in affected area "
+ OCS and gas grants summed and discounted
(prod. money)
= development revenue

Definition:

"discounted on a cash flow basis"

Money has a "time value", in the sense that it can be reinvested and earn future profits, a dollar of profit today is worth more to a corporation than a dollar of profit ten years from now. It is this truism which underlies the widespread corporate use of the discounted cash flow, or DCF, method of analysis for computing the rate of profit on different investments. As is implied by the name of the method, discounted cash flow analysis involves two basic elements: a cash flow of costs and profits over time, and discounting these flows by some factor to take into account the greater value of near money as compared to far money.

Step 3.

gross impact cost

- development revenue

= the fee for a shore facilities construction permit

1. Mike Davis should have some back-up information for us by Friday which apparently includes a statement attesting to the constitutionality of this concept.
2. On advice from Jim Rhode of House Finance, I contacted Gregg Erickson from the Division of Research Services to let him know of the hearing on HB 219 for Monday. Mr. Erickson is an economist and he and his staff are apparently well versed regarding this bill; either himself or one of his staff will be on hand for the meeting.

March 15, 1977

TO: LISA
FROM: JUDITH

RE: Income Tax of OCS drilling rig employees

Transcript - Verbatim 3/7/77

Ose: "These 75 or whatever, that are being brought up then, the only revenue is through income tax?"

Matthews: "That's right, because they don't live in the state and they don't place any demand or services on the state".

Kelly: "Why are we receiving income tax on these people, I don't think we are, are we?"

Matthews: "It depends on how their residency is established with the company. If they are working for a company that is established and franchised with the State of Alaska, and they're paid out of Alaska, then essentially a portion of their income is subject to Alaskan taxation."

Kelly: "Is the Alaska Star subject to Alaska taxation?"

Matthews: "Yes sir, being it's maintained and operated by a company called North-Star Drilling Company in Anchorage."

I spoke with Mike McCormick, Chief, Audit Services, Department of Revenue and between corporate and individual taxation. The company has a legal obligation to withhold taxes on employees who are residents of the state. The state can tax individuals who are non-residents for income earned within the state. The state has no legal jurisdiction to tax income earned outside of the state.

March 30, 1977

TO: LISA
FROM: JUDITH

RE: Department of Interior Reports

*in my 219 file
(not for members)*

I spoke with Kevin Waring (12:50 p.m. 3/30/77) to find out what is included in reports filed with the Department of Interior and whether or not these reports might be applicable to development plans required for issuance of a permit.

According to Kevin these reports are filed only by the operators of a rig. The information is directed at the exploration phase and attendant factors relative to the rig operation. This would not generate any information or development plans to include subcontractors supplying services to the facility.

Kevin also pointed out that currently the Department of Interior reports are filed only two months prior to actual construction.



MICHAEL MONCHINO
New Kodiak manager

capacity of the hotel, located on South Benson. It will reportedly be a split-level, three story structure, and may include banquet facilities. Tentative plans call for construction to begin this spring.

Monchino, 25, has served as manager of the Sheffield Top of the World Hotel in Barrow. He

Kodiak Sen. Kay Poland has announced that the contract for a 1.9-mile Mill Bay Road extension has been signed with an Anchorage contractor.

Stephan and Sons, Inc.-Mat-Su, Inc., a joint venture, was awarded the contract at their bid of \$1,662,115.95. The engineer's estimate

for the project, which extends from the intersection of Rezanof and later connects with Mill Bay, was more than \$300,000 under the contract figure.

Work is expected to be completed on the project, which does not include paving, by the end of the year.

Impact:

Problem of becoming a center of development while maintaining traditional lifestyles . . .

By CHRIS BLACKBURN
Daily Mirror Correspondent
Second of a Series

If the exploratory wells drilled in 1978 confirm there are indeed extensive deposits of oil on the Kodiak shelf, the oil industry will begin plans for oil development and production. Unless the oil fields lie in the extreme northern end of the lease sale area Kodiak Island can expect to become a center of oil development activity. Construction workers, production personnel, planes and tankers and materials for support facilities will float in, ferry in and fly onto the island.

If the people of Kodiak Island have discussed and accepted a new comprehensive plan and supporting zoning ordinances, the oil support facilities will be constructed in the areas the citizens of Kodiak have predetermined to be most desirable — or least undesirable.

If the groundwork is not completed by 1979, the oil facilities will be constructed wherever the oil industry can build most efficiently and with least expense.

THE KODIAK ISLAND OUTER CONTINENTAL SHELF Impact Study recommends that "To the extent possible, the Kodiak Island Borough should discourage the location of OCS related industrial facilities within the Kodiak metropolitan area or in any of the other villages on Kodiak Island. The location of such facilities within these areas would be extremely

disruptive to the traditional lifestyles, community structures, and social and economic characteristics.... The Borough should insist that the oil industry be self-sufficient and willing to pay its own way in terms of the impacts resulting from the facilities directly related to OCS development..."

The Kodiak Island Outer Continental Shelf Impact Study estimates that the Western Gulf oil lease sale lands could produce as much as 164 million barrels of oil a year. All estimates of oil facilities and personnel requirements are based on this figure.

In 1979, as the first exploratory wells show evidence of productive oil fields, the oil industry will begin looking for a site for permanent onshore facilities. By 1984, at the projected peak of the development phase, a maximum of ten berths for oil company vessels may be needed — plus land for silos, tank storage and warehousing, open storage and office facilities. In all, about 80 acres of land will be needed in conjunction with harbor facilities.

THE OIL INDUSTRY will probably prefer a site on or near the existing road system. Chiniak may best suit the needs of the oil industry, provided the people of Kodiak have decided to prohibit industrial facilities within or near the metropolitan areas. The north side of Ugak Bay would also be suitable. Possible, but less likely, sites are Kalsin Bay and Middle Bay.

Karl Armstrong, executive vice president of the Koning Regional

Native Corporation, which holds title to the former Chiniak tracking station, said that the oil companies have shown interest in using Chiniak as the site of onshore facilities, but that discussions ceased when the Kodiak lease sale was postponed.

Armstrong a former fisherman, also mentioned that harbor facilities at Chiniak would offer sanctuary to fishing vessels encountering rough seas near Cape Chiniak, an area notoriously hazardous for fishing vessels.

ARMSTRONG SAID that while Koning is not averse to discussing the prospect of onshore oil facilities at Chiniak, only further study will tell which site would be most desirable.

Whichever site is selected, harbor development must be preceded by public hearings. The State of Alaska owns all coastal waters from the shoreline to three miles from shore and would have to grant a permit for development. Before any permits could be granted public hearings would have to be held.

Likewise, any attempt to locate onshore support facilities on federal lands would require public hearings.

PUBLIC HEARINGS can be used by the people of Kodiak to direct the eventual siting of oil facilities. A strong and unified show of support, or opposition, to a particular location usually has a decided effect on final decisions.

Armstrong also pointed out the desirability of the people of Kodiak insisting — with the help of the Borough government, state legislators

and other groups — that all public hearings related to development on Kodiak Island be held in Kodiak rather than Anchorage or Juneau.

As the development phase progresses more airport land will be needed — for helicopters, for increased commercial and cargo flights and for warehouses, and maintenance and service areas: approximately 40 additional acres.

DURING THE DEVELOPMENT phase over 1,000 people would be employed in development and construction. The year '85 is predicted to be a peak employment year with 1,565 people involved in oil-related activities.

By 1987 the oil industry could be entering the production phase on the Kodiak lease lands. As early as 1979 the oil industry will begin selecting the site of a crude oil storage area and marine terminal. These facilities would require about 150 acres of flat, stable land — more if the land is hilly or unstable. The size of the crude oil storage facilities will determine the number of tanker trips required each year to keep the production operations underway. As few as eight tanker trips could be needed, or as many as 20.

By 1987 the oil related population should begin to stabilize. The impact study estimates that about 2,651 people will be employed in oil-related occupations and Kodiak Island will have a total population of 14,252 people.

Tomorrow: Housing — how can Kodiak meet the demands?

Kodiak housing need could hit peak in year 1984

By CHRIS BLACKBURN
Daily Mirror Correspondent
Third of a Series

Assuming that large oil reserves will be proven on the Kodiak lease sale lands, the island's population could grow by 8,000 people in the next 10 years, according to the Kodiak Island Borough Outer Continental Shelf Impact Study. Those 8,000 people would need nearly 3,000 new homes.

The growth and resultant need for dwellings is expected to vary each year. The Impact Study projects that in 1979 the island's population would increase by 500, requiring 170 new homes. But during 1984, the peak of oil development activity, the population increase is projected to be 1,300 people needing 440 additional homes.

As evidenced by Kodiak's continuing critical housing shortage, construction has not been able to keep pace with the comparatively modest demands of the last decade. During 1974 only 26 new single-family homes were built. In 1975 another 26 single-family homes were built, but 107 additional dwelling units were built in multi-family dwellings.

IF KODIAK ISLAND does not find a way to cope with the projected future housing needs, the island could conceivably become the site of the same headline-making conditions that occurred on the mainland during the peak of the trans-Alaska pipeline construction — families squatting in campers in parks and along the backroads, several families crowded together in one dwelling and long-term residents forced out by soaring rents.

Failing to provide for growth did not

stop population increases.

Fairbanks is often cited as a community that was caught totally unprepared for rapid growth. Reacting to the population pressures and ended up overbuilding.

Kodiak has a chance to plan and consider both the kinds of dwelling units that would most likely meet the future needs, and the methods the people feel will best stimulate construction without overbuilding.

Impact

The new comprehensive plan should clearly reflect the feelings of the people of Kodiak. Supporting zoning ordinances should insure that growth takes place as was planned.

TRADITIONALLY KODIAK has been a city of single-family residences. Under current zoning and subdivision ordinances a single family home requires 7,200 square feet of land, provided the lot is served by sewer and water facilities. Otherwise each single family home requires 23,000 to 40,000 square feet of land.

Thus, if current patterns continue and there were sufficient buildable land, between 635.7 acres and 3,500 acres would be taken by the needed 3,000 units — depending on the availability of water and sewer.

Conversely, were Kodiak to completely reverse current trends and house the growing population in apartments, townhouses and condominiums — high density housing using only 2,774.5 square feet per dwelling — only 175.8 acres of land

would be needed for 3,000 additional units.

ACCORDING TO the impact study

"It is impossible to determine at this time how much land along the existing roads and sewer and water lines are available for development...It can be assumed, however, that as development activity increases, the majority of new structures would be placed on existing utilities and roads. Therefore, within a few short years after the initial impacts of OCS development...the existing road and utility system will be completely utilized..."

According to Stuart Denslow, Kodiak Island Borough manager, extension of public utilities requires a capital improvements program, which Kodiak does not currently have. The Impact Study recommends, "In the capital improvements program and the comprehensive plan, the community should indicate exact areas where public utilities and facilities are to be extended. They should also specify the timing of the provision of those services...(This) will reduce escalation in land costs and result in improved physical planning."

WITHOUT PUBLIC UTILITIES, high-density housing is not usually feasible. All of Kodiak's current multi-unit dwellings are within the municipal service area, and the townhouse developments planned for Russell Estates' Divisions 2 and 3 will be on municipal utility lines.

Extension of public utilities tends to stimulate new construction. According to Denslow, two years are required to plan and obtain the state matching funds to build a sewer line. Thus the ability of Kodiak to meet the

housing needs of 1980 depends partly on decisions made — or not made — in 1977.

The density of housing will determine the amount of new sewer and water lines that will be needed and the rate at which new units can be built. The impact study estimates that for the projected 2,761 new units needed by 1988, 24.7 miles of sewer lines would be required if the current low-density trend continues. However, the same 2,761 units could require only 6.7 miles of sewer and water lines if built in high-density configurations.

THE IMPACT STUDY also suggests that Kodiak develop a mobile home park ordinance and plan to use trailer court areas to absorb some of the population impact. Housing for employees of the onshore facilities could be developed near those facilities rather than in the Kodiak Metropolitan area. Additionally, the borough could consider developing some of its land, which lies north of the City of Kodiak. The study suggests a joint venture agreement with the oil industry.

Alternative methods of meeting Kodiak's housing needs can be discussed at the Borough's planning and zoning commission meetings every third Wednesday of the month. Further citizen input will come from a planned borough housing questionnaire, and public hearings preceding adoption of the new comprehensive plan.

The plan should outline which alternatives and which compromises will best provide housing for Kodiak's growing population.

Monday: Transportation — Roads, planes, ferries and barges.

community to look like in the Alaska oil lease sales, Denslov future. The effort will be in- said.

Report reasons problems are not insoluble

By CHRIS BLACKBURN
Daily Mirror Correspondent

The Kodiak Island Borough Outer Continental Shelf Impact Study — the result of a half-year's research by an Anchorage consulting firm — concludes that "the assets of the Kodiak Island Borough and the communities are uniquely valuable and should be protected and enhanced. The problems faced by the communities are not insoluble...They are the type that can be dealt with through community awareness, local action and proper planning and implementation.

"...The result of the OCS impact will depend upon the level of oil industry activity which will occur in Kodiak and the methods that are used in planning for and coping with the impact."

According to the impact study, which was just completed, Kodiak Island Borough's population will continue to grow. If current trends continue, the population will double in 20 years without OCS activity. OCS activity could double the population in 10 years.

As the population increases the existing problems of crime, housing, land availability, social services and recreational facilities will become more acute.

How acute depends on the decisions made during 1977 and on the exact location of oil reserves. The impact statement predicts that the initial oil exploratory phase will probably use facilities in Seward, giving Kodiak precious time to plan.

If oil reserves are developed near Kodiak Island, onshore oil facilities will require 300 acres of land somewhere in the Kodiak Island Borough. The OCS-related Kodiak Island population increase could total 8,000 people by 1988.

According to the impact study, the additional 8,000 people would require 2,700 more housing units. If Kodiak continues

(Continued on Page 2)

Report

(Continued from Page 1)

its current low-density development pattern — with an estimated 4.35 housing units per acre — an additional 635.7 acres of residential land, 21.7 miles of road and water and sewer lines will be needed.

Were "high-density development" — with an estimated 15.7 units per acre — considered, only 175.8 additional acres of residential land would be required and only 6.7 more miles of road, sewer and water lines.

There will be corresponding increases in services, government and costs. However, the impact study lists many federal and state funding sources which could be used.

The future of Kodiak depends on where the oil reserves are and how thoroughly the community prepares.

A copy of the Kodiak Island Borough Outer Continental Shelf Impact Study has been placed in the A. Holmes Johnson Memorial Library. Additional copies will be available in about six weeks.

A time to prepare

Editor's Note — Kodiak recently received the first copies of the finished Kodiak Island Borough Outer Continental Shelf Impact Study, which not only qualified much of what may be expected if oil actually is discovered off of Kodiak, but also quantifies some interesting information about the island as it is now. Mirror correspondent Chris Blackburn today begins a series examining the impact study — and the impact of the study on the community.

By CHRIS BLACKBURN
Daily Mirror Correspondent

Impact from the Western Gulf oil lease sale could bypass Kodiak Island, or it could bring thousands of people and all the support facilities oil development requires.

The first clue to Kodiak Island's potential involvement with oil will come in November 1977 — if the oil lease sale occurs as scheduled. If the oil industry leases land in the southern half of the lease sale area, the probability of Kodiak Island becoming a desirable service base site is high.

The second clue will come as the exploratory phase progresses and the size and location of the oil fields are delineated. Once again, the closer to Kodiak Island the oil fields lie, the more likely it is that Kodiak Island will become impacted by oil development.

THOUGH ONLY ONE OUT OF every three potential oil fields contain enough oil to warrant development, it is felt the people of Kodiak must plan now as though oil discovery were a certainty or face the prospect of an unmanageable and undirected impact that disastrously alters the quality of life.

The experience of Fairbanks in 1975 — soaring rents, overcrowded facilities and unrealistic property values which is leaving an aftermath of defaults and arson — can be avoided on Kodiak Island.

The Kodiak Island Borough Outer Continental Shelf Impact Study, commissioned by the Kodiak Island Borough, outlines what can be expected and alternative methods of absorbing oil-related impact. The next step is for the people of Kodiak Island to develop a

plan ready for implementation if developments in the oil industry indicate that Kodiak will become part of the saga of oil and Alaska.

AFTER THE NOVEMBER, 1977 oil lease sales, according to the Outer Continental Shelf Impact Study, the oil companies can be expected to begin the exploratory phase of oil development in the Western Gulf during the spring of 1978. In the past the oil industry has taken a "minimum investment during exploration" approach and utilized existing facilities as much as possible. The exploratory phase of development in Cook Inlet during the late 1950's was supplied from Anchorage, Seward, Cordova and Yakutat and are believed to be being considered as supply bases for exploration in the Northern Gulf.

The Western Gulf could be supplied either from Kodiak or Seward. Kodiak has neither the land nor the port facilities to act as a supply base without intensive capital investment and development. Seward, however, has land and harbor space available. Exxon already controls 32 acres of land in Seward, including two acres on the waterfront. Shell and Arco depend on Seward for water to support drilling operations on the Northern Gulf.

However, Seward does not have adequate facilities for air support. The runway cannot accommodate the Hercules-type aircraft used by oil companies, nor commercial jets. The Seward airport also lacks an instrument landing system. Kodiak does have an instrument landing system which can handle both helicopters and cargo aircraft. Further, there is no practical weight limit on Kodiak's runways.

THUS IN 1978 KODIAK will probably experience its first taste of oil impact at the airport if its facilities are used to serve the first two exploratory wells. Commercial aircraft will bring some supplies and personnel from Seattle and Anchorage. Helicopters will fly from Kodiak to the exploratory rigs.

According to the Outer Continental Shelf Impact Study, an additional seven acres will have to be developed at the airport for

(Continued on Page 2)

Impact

(Continued from Page 1)

warehouse space, office space, aircraft maintenance facilities and apron area. Some additional personnel will be needed for expediting, aircraft maintenance, loading and unloading.

By late summer, 1978 the first discovery well should be completed and confirmed by a second well. Then the oil companies will begin deciding if the oil fields will be productive and where to locate permanent onshore marine service facilities.

By 1981, 10-12 exploratory wells will have

been drilled and, if the suspected oil reserves are proven, the development phase will begin.

The site for onshore facilities will have been chosen and Kodiak Island will know if it will become an oil-impacted island. Hopefully, by the time the oil development phase begins, Kodiak Island will be prepared to grow rapidly in a graceful manner.

Tomorrow: Oil development and production; the maximum impact Kodiak can expect.

in other Przhnyk announcements, Doug Dawson, a high school teacher who has played a variety of Ram parts since its beginning 11 years ago, received the best supporting actor award for his 1976 portrayal

Sports	4
Classified	6
Comics	7
Local News	8

DOUG DAWSON WITH SUPPORTING ACTOR AWARD

Kodiak supply system could be challenged

By CHRIS BLACKBURN
Daily Mirror Correspondent
Fourth of a series

Temporary consumer supply shortages resulting in inflated prices were a part of the Trans-Alaska Pipeline impact on the mainland. The supply system was unable to meet the increased demands of a growing population and increased commercial and industrial development as well as the pipeline's supply needs. The Kodiak shelf oil lease sales pose an even greater threat to Kodiak's ability to supply its residents.

The marine cargo system — Kodiak's lifeline — is already operating at maximum capacity, according to the Kodiak Island Borough Outer Continental Shelf Impact Study. In 1976 a total of 205,000 tons of cargo moved over the dock to and from Kodiak — approximately 21 tons for each man, woman and child on the island. The total cargo tonnage can be expected to increase as the population increases, and to have periods of even greater increase as the commercial and industrial segments of the island attempt to expand their facilities in response to the population growth.

Currently the city cargo dock, operated by the city of Kodiak, has 21,600 square feet of warehouse space and two piers over 300 feet in length. Sea-Land, under the provisions of its contract with the City of Kodiak, is allowed 104 berthings a year. Not only do the piers serve the cargo vessels, but they are used by the fishing fleet on a space-available basis. The boat

harbor, also run by the City of Kodiak, is currently overcrowded.

TO MEET THE EXPECTED increased cargo demands the city cargo dock will have to be expanded, according to the impact statement. Were more storage and maneuvering space available, supplies could be delivered on larger vessels and the actual number of berthings would not necessarily have to increase.

Impact

Also, if the recommendation made in the impact study — that the cargo docks not be used for OCS related cargo — is followed, the pressure on the cargo system will be reduced.

The airport services will also come under pressure. The study estimates that an additional eight flights a week will be necessary to accommodate the increased demands for passenger travel, including oil and construction crew shifts. Also two additional cargo flights a week may be necessary.

THERE IS ADEQUATE LAND at the airport for the expected demands. Funds for airport master planning are available through the Federal Aviation Administration. The airport facilities are administered by the State of Alaska. Thus airport expansion will not be a part of the borough's planning efforts.

However, the people of Kodiak will be dependent on their own efforts and the efforts of their legislators to encourage the state government to plan for airport expansion to meet the anticipated demands.

The ferry Tustumena represents the only vehicular link between Kodiak and the mainland. The ferry carries a maximum of 200 people and 45 cars. It can also transport vans up to 40 feet in length.

AS POPULATION PRESSURES increase, the demands on the ferry system should also increase. Eventually year round service may be necessary, as well as more frequent service. Since the ferry system is administered by the State of Alaska Division of Marine Transportation, Kodiak's own planning efforts will not include the ferry system.

However, once again, the people of Kodiak can encourage the state to consider planning for increases in ferry service.

Additional cargo and people moving into Kodiak will mean proportionate increases in vehicular traffic on Kodiak's road system. Though the proportions of the increase and potential areas of congestion depend on the future housing patterns and siting of oil industry facilities.

The city, the borough and the state are all involved in the building and maintenance of different parts of the road system.

THE STUDY QUOTED the State Department of Highways as saying, the bridges along the Chiniak Highway can support large semi-tractor-trailer

trucks. The road would have to be widened an additional 28 feet and straightened in some parts.

The city road system is designed for low-density traffic and may need considerable upgrading to meet anticipated demands. The impact study recommends that road standards be adopted; methods of separating commercial, industrial and normal traffic be examined; and a trail system for pedestrian traffic be considered.

Anchorage has had success with its bicycle trails program which has received ready bonding support. The bicycle trails are usually built in conjunction with new roads or the upgrading of existing roads.

MEETING THE TRANSPORTATION needs anticipated for the future involves the city and the borough and diverse state agencies. To consolidate planning efforts and utilize funding sources, the impact study recommends the borough and city create a transportation authority with its own charter.

"The authority should be comprehensive, with powers over the port, airports, the OCS transportation facilities, and should operate in close coordination with the Public Works Department of the City of Kodiak."

Whatever method is used to meet the anticipated demands on Kodiak's transportation system, close cooperation between the borough, the city and the state will be essential.

Tomorrow: Social strains.

Anchorage Times
May 12, 1976

Young Raps Impact Aid

By BETTY MILLS

Times Washington Bureau

WASHINGTON — A bill to compensate coastal states for the adverse impact of offshore oil drilling would not provide adequate funds, Rep. Don Young, R-Alaska, says.

The House will consider legislation Friday which would provide \$50 million in automatic state grants to meet the onshore impact of development on the outer continental shelf in the next two fiscal years. It also would authorize \$125 million in discretionary funds administered by the secretary of commerce in the next five years.

In minority views submitted with the report on the bill, Young said the funding "is not sufficient to cover the costs that the local and state government will have to bear as a result of the federal development.

"This will leave the states in serious economic straits, especially in the more heavily impacted areas, from overcrowded schools and services, insufficient sewage systems, poor roads and higher state and local taxes," the congressman said.

Young said the per capita cost of offshore development from increased population, based on growth figures from the Alaska pipeline, would be \$1,630 to the state government and \$351 to the local government. The projected population growth directly attributable to oil development is 94,000 by 1985, according to estimates of the Office of Management and Budget. The total cost to state and local governments from offshore oil development would be \$186,214,000 per year, Young said.

"While the revenue received from the Alaska pipeline was sufficient to meet much of the cost of impact funding, this is presently impossible to meet since no revenue is coming into the state as a result of OCS development," Young said.

The congressman said the authorization to coastal states must be increased.

"The state deserves the money for investment for other worthy projects, instead of underwriting the cost of a federal project," Young said. "The OCS is a federal project and should be a federal responsibility."

N-M Dec 13, 76

Kenai mayor testifies on Coastal Act

ANCHORAGE (AP)—The mayor of the Kenai Peninsula Borough has testified in Washington before a U.S. House subcommittee looking into regulations proposed for implementation of 1976 amendments to the Coastal Zone Management Act.

The Anchorage Times Washington Bureau reports Mayor Don Gilman told the House oceanography subcommittee Friday that Alaska needs money immediately to plan for offshore oil exploration and development.

Grants are available for such planning under the amendments passed by Congress this year. The office of coastal-zone management of the U.S. Department of Commerce has prepared draft regulations for implementation.

Gilman told the subcommittee the Borough is a microcosm of the issues and problems the nation faces in preparing for impact of drilling on the outer continental shelf (OCS).

He said the borough's population is expected to increase 50 per cent in the next seven years during preparation for lease sales in the northern Gulf of Alaska, lower Cook Inlet and the western gulf.

Gilman told the subcommittee, "Our present community facilities and services are either at or beyond their planned capacity."

He said increased population, whether temporary or permanent, cannot occur without severe impact unless funds are accessible for planning and providing needed services.

Some subcommittee members were critical of the draft regulations. Rep. Pierre Dupont, R-Del., told assistant administrator for coastal zone management Robert Knecht he had "misconstrued the intent of Congress."

"I don't know how you think you have the authority to add things in your regulations that Congress did not provide," said Dupont, who will leave the House next month to become governor of Delaware. "Congress has once again been frustrated by the fourth branch of government—the bureaucracy."

NOME (AP)—The president of the Northwest Alaska Chamber of Commerce says it is time this Bering Sea community began preparing for upcoming oil and gas lease sales on the outer continental shelf.

Jack Carpenter announced formation of the chamber's OCS Planning Committee at a chamber meeting in Nome Friday. He said OCS leasing will begin in the Nome area in about two years and its impact "should be dynamic."

Carpenter told the chamber that he spoke in Kotzebue last week with Patrick Doherty, manager of Alaska's Petroleum Department and head of the state's OCS leasing program.

He said Doherty quoted him some figures which indicate how significant that impact will be. For example, he said, "a dredge out there will cost \$1,000

a minute, and they will have five such dredges going."

Carpenter said there is a possibility local businesses will be bought out by persons involved in oil exploration and development.

"These are the kinds of things we have to start looking at—the impact of these funds being spent in Nome," he said, adding he believes Nome can learn from the experiences of other communities.

Guest speaker at the meeting was Frank Murkowski, state chamber president and president of Alaska

National Bank, who said the impact of the Alaska Native Claims Settlement Act on the state's business community has been significant. He noted most Alaska Natives are staying here and using the settlement funds to develop the state.

And he said while some Natives have made mistakes in their dealings with the business community, "by the same token, they are developing, and every time you make a mistake you learn by it. And your own life and you learn by it. And how many opportunities are you afforded because of that knowledge?"

N-M Dec 13, 76

Nome should prepare for sales

N-M Dec 13, 76
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this company expects added industry spending of \$25-30 million for detail work.

The company says the most heavily mapped regions for reconnaissance are the mid-Atlantic, North Atlantic, off southern California, and in the eastern Gulf of Alaska and Lower Cook Inlet. More reconnaissance remains to be done in the South Atlantic, off northern California, in the Western Gulf of Alaska, Bering Sea, and Beaufort Sea.

Another company says the industry's spending to date for geophysical work amounts to about \$35 million along the East Coast and \$45 million off Alaska, with more multimillion-dollar programs required.

The company estimates about 70,000 line-miles of seismic data costing \$25 million has been gathered off the East Coast since 1968 in programs involving group shoots and nonexclusive work by several contractors. This doesn't include spending by individual companies. Gravity, magnetic, and refraction-type surveys to date could add another \$10 million to the total geophysical costs.

And future investments in frontier geophysical operations could pile still another \$15-20 million on total costs, the company says.

It places industry's total outlay at \$45 million for 150,000 miles of marine seismic off Alaska, with another 100,000 miles required at a cost of \$50 million.

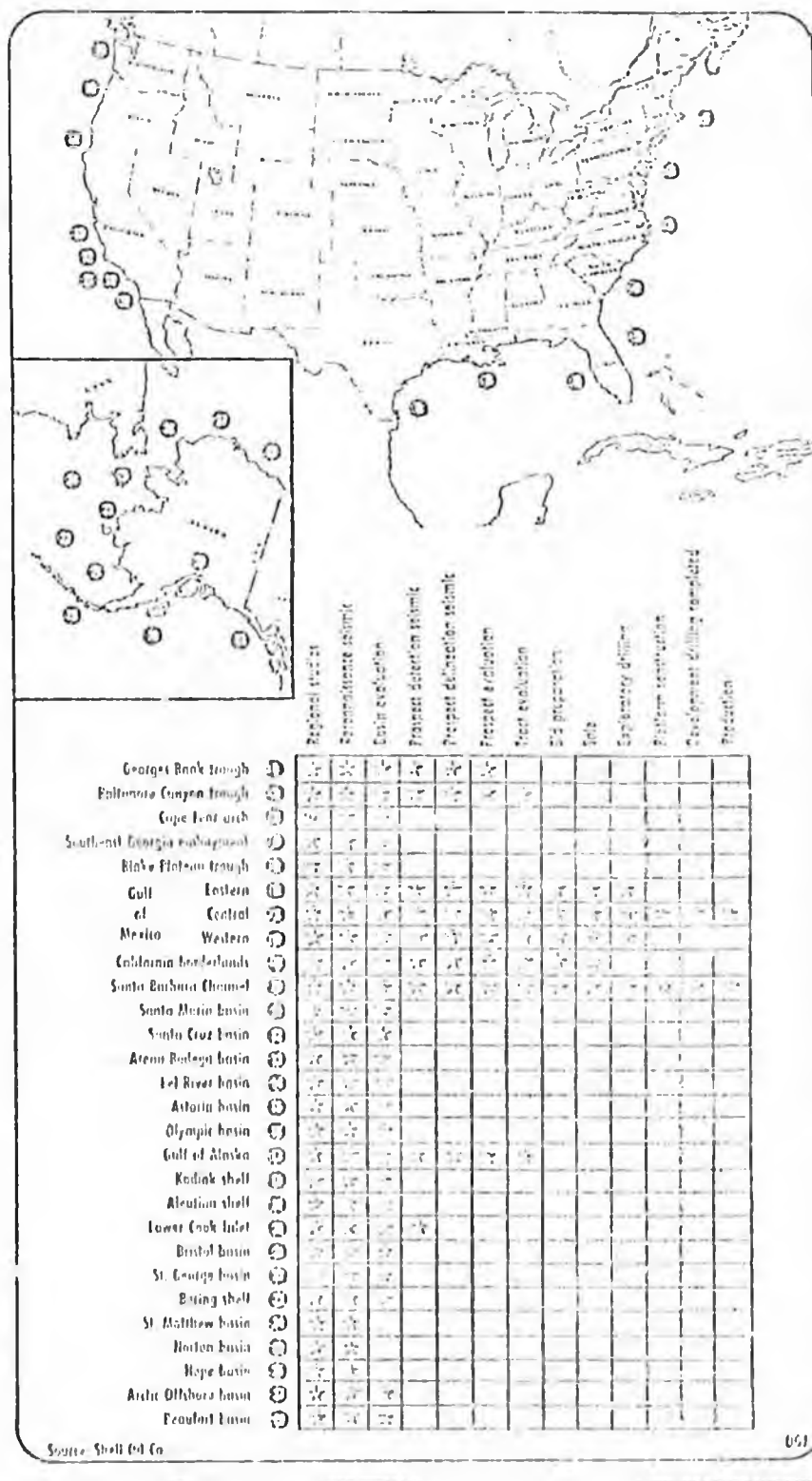
Several operators report difficulty in shooting off Alaska, particularly in the Gulf of Alaska and the Beaufort Sea.

Seismic-acquisition programs in the stormy gulf are subject to frequent and lengthy interruptions due to heavy seas and high winds. What's more, seismic data generally isn't of highest quality, because a thick layer of glacial till and large boulders obscures the Tertiary and Cretaceous objectives.

In the Beaufort Sea, shooting depends on pack ice moving out in the summer. And the ice hasn't cleared enough to permit seismic acquisition for a number of years. As a result, the federal portion of the Beaufort Sea shelf isn't well covered by seismic lines.

A major company says its offshore-frontier program has run into "no unusual shooting problems" except those related to Arctic ice, permit restrictions, currents which make it

What's happening in Offshore U.S. basins



hard to keep cables aligned, and logistical problems in certain areas.

Action by areas. Structures involved in the first proposed sale of Gulf of Alaska tracts and in the Baltimore Canyon off the East Coast have been well delineated by numerous seismic surveys in the past several years, says Exxon's Jones. In fact,

Jones says, these proposed-sale tracts are well explored up to the point of drilling.

He sees little if any additional seismic work being done in the Gulf of Alaska sale area and the Baltimore Canyon prior to sales. However, additional acquisition of in-fill data is likely after sales.



MICHAEL MONCHINO
New Kodiak manager

capacity of the hotel, located on South Benson. It will reportedly be a split-level, three story structure, and may include banquet facilities. Tentative plans call for construction to begin this spring.

Monchino, 25, has served as manager of the Sheffield Top of the World Hotel in Barrow. He

Kodiak Sen. Kay Poland has announced that the contract for a 1.9-mile Mill Bay Road extension has been signed with an Anchorage contractor.

Stephan and Sons, Inc.-Mat-Su, Inc., a joint venture, was awarded the contract at their bid of \$1,662,115.95. The engineer's estimate

for the project, which extends from the intersection of Rezanof and later connects with Mill Bay, was more than \$300,000 under the contract figure.

Work is expected to be completed on the project, which does not include paving, by the end of the year.

Impact:

Problem of becoming a center of development while maintaining traditional lifestyles . . .

By CHRIS BLACKBURN
Daily Mirror Correspondent
Second of a Series

If the exploratory wells drilled in 1978 confirm there are indeed extensive deposits of oil on the Kodiak shelf, the oil industry will begin plans for oil development and production.

Unless the oil fields lie in the extreme northern end of the lease sale area Kodiak Island can expect to become a center of oil development activity. Construction workers, production personnel, planes and tankers and materials for support facilities will float in, ferry in and fly onto the island.

If the people of Kodiak Island have discussed and accepted a new comprehensive plan and supporting zoning ordinances, the oil support facilities will be constructed in the areas the citizens of Kodiak have predetermined to be most desirable — or least undesirable.

If the groundwork is not completed by 1979, the oil facilities will be constructed wherever the oil industry can build most efficiently and with least expense.

THE KODIAK ISLAND OUTER CONTINENTAL SHELF Impact Study recommends that "To the extent possible, the Kodiak Island Borough should discourage the location of OCS related industrial facilities within the Kodiak metropolitan area or in any of the other villages on Kodiak Island. The location of such facilities within these areas would be extremely

disruptive to the traditional lifestyles, community structures, and social and economic characteristics.... The Borough should insist that the oil industry be self-sufficient and willing to pay its own way in terms of the impacts resulting from the facilities directly related to OCS development..."

The Kodiak Island Outer Continental Shelf Impact Study estimates that the Western Gulf oil lease sale lands could produce as much as 164 million barrels of oil a year. All estimates of oil facilities and personnel requirements are based on this figure.

In 1979, as the first exploratory wells show evidence of productive oil fields, the oil industry will begin looking for a site for permanent onshore facilities. By 1984, at the projected peak of the development phase, a maximum of ten berths for oil company vessels may be needed — plus land for silos, tank storage and warehousing, open storage and office facilities. In all, about 80 acres of land will be needed in conjunction with harbor facilities.

THE OIL INDUSTRY will probably prefer a site on or near the existing road system. Chiniak may best suit the needs of the oil industry, provided the people of Kodiak have decided to prohibit industrial facilities within or near the metropolitan areas. The north side of Ugak Bay would also be suitable. Possible, but less likely, sites are Kalsin Bay and Middle Bay.

Karl Armstrong, executive vice president of the Kodiak Regional

Native Corporation, which holds title to the former Chiniak tracking station, said that the oil companies have shown interest in using Chiniak as the site of onshore facilities, but that discussions ceased when the Kodiak lease sale was postponed.

Armstrong a former fisherman, also mentioned that harbor facilities at Chiniak would offer sanctuary to fishing vessels encountering rough seas near Cape Chiniak, an area notoriously hazardous for fishing vessels.

ARMSTRONG SAID that while Kodiak is not averse to discussing the prospect of onshore oil facilities at Chiniak, only further study will tell which site would be most desirable.

Whichever site is selected, harbor development must be preceded by public hearings. The State of Alaska owns all coastal waters from the shoreline to three miles from shore and would have to grant a permit for development. Before any permits could be granted public hearings would have to be held.

Likewise, any attempt to locate onshore support facilities on federal lands would require public hearings.

PUBLIC HEARINGS can be used by the people of Kodiak, to direct the eventual siting of oil facilities. A strong and unified show of support, or opposition, to a particular location usually has a decided effect on final decisions.

Armstrong also pointed out the desirability of the people of Kodiak insisting — with the help of the Borough government, state legislators

and other groups — that all public hearings related to development on Kodiak Island be held in Kodiak rather than Anchorage or Juneau.

As the development phase progresses more airport land will be needed — for helicopters, for increased commercial and cargo flights and for warehouses, and maintenance and service areas: approximately 40 additional acres.

DURING THE DEVELOPMENT phase over 1,000 people would be employed in development and construction. The year 1985 is predicted to be a peak employment year with 1,565 people involved in oil-related activities.

By 1987 the oil industry could be entering the production phase on the Kodiak lease lands. As early as 1979 the oil industry will begin selecting the site of a crude oil storage area and marine terminal. These facilities would require about 150 acres of flat, stable land — more if the land is hilly or unstable. The size of the crude oil storage facilities will determine the number of tanker trips required each year to keep the production operations underway. As few as eight tanker trips could be needed, or as many as 26.

By 1987 the oil related population should begin to stabilize. The impact study estimates that about 2,651 people will be employed in oil-related occupations and Kodiak Island will have a total population of 14,252 people.

Tomorrow: Housing — how can Kodiak meet the demands?

Kodiak housing need could hit peak in year 1984

By CHRIS BLACKBURN
Daily Mirror Correspondent
Third of a Series

Assuming that large oil reserves will be proven on the Kodiak lease sale lands, the island's population could grow by 8,000 people in the next 10 years, according to the Kodiak Island Borough Outer Continental Shelf Impact Study. Those 8,000 people would need nearly 3,000 new homes.

The growth and resultant need for dwellings is expected to vary each year. The Impact Study projects that in 1979 the island's population would increase by 500, requiring 170 new homes. But during 1984, the peak of oil development activity, the population increase is projected to be 1,300 people needing 440 additional homes.

As evidenced by Kodiak's continuing critical housing shortage, construction has not been able to keep pace with the comparatively modest demands of the last decade. During 1974 only 26 new single-family homes were built. In 1975 another 26 single-family homes were built, but 107 additional dwelling units were built in multi-family dwellings.

IF KODIAK ISLAND does not find a way to cope with the projected future housing needs, the island could conceivably become the site of the same headline-making conditions that occurred on the mainland during the peak of the trans-Alaska pipeline construction — families squatting in campers in parks and along the backroads, several families crowded together in one dwelling and long-term residents forced out by soaring rents.

Failing to provide for growth did not

stop population increases.

Fairbanks is often cited as a community that was caught totally unprepared for rapid growth. Reacting to the population pressures and ended up overbuilding.

Kodiak has a chance to plan and consider both the kinds of dwelling units that would most likely meet the future needs, and the methods the people feel will best stimulate construction without overbuilding.

Impact

The new comprehensive plan should clearly reflect the feelings of the people of Kodiak. Supporting zoning ordinances should insure that growth takes place as was planned.

TRADITIONALLY KODIAK has been a city of single-family residences. Under current zoning and subdivision ordinances a single family home requires 7,200 square feet of land, provided the lot is served by sewer and water facilities. Otherwise each single family home requires 25,000 to 40,000 square feet of land.

Thus, if current patterns continue and there were sufficient buildable land, between 635.7 acres and 3,500 acres would be taken by the needed 3,000 units — depending on the availability of water and sewer.

Conversely, were Kodiak to completely reverse current trends and house the growing population in apartments, townhouses and condominiums — high density housing using only 2,774.5 square feet per dwelling — only 175.8 acres of land

would be needed for 3,000 additional units.

ACCORDING TO the impact study

"It is impossible to determine at this time how much land along the existing roads and sewer and water lines are available for development...It can be assumed, however, that as development activity increases, the majority of new structures would be placed on existing utilities and roads. Therefore, within a few short years after the initial impacts of OCS development...the existing road and utility system will be completely utilized..."

According to Stuart Denslow, Kodiak Island Borough manager, extension of public utilities requires a capital improvements program, which Kodiak does not currently have. The Impact Study recommends, "In the capital improvements program and the comprehensive plan, the community should indicate exact areas where public utilities and facilities are to be extended. They should also specify the timing of the provision of those services...(This) will reduce escalation in land costs and result in improved physical planning."

WITHOUT PUBLIC UTILITIES, high-density housing is not usually feasible. All of Kodiak's current multi-unit dwellings are within the municipal service area, and the townhouse developments planned for Russell Estates' Divisions 2 and 3 will be on municipal utility lines.

Extension of public utilities tends to stimulate new construction. According to Denslow, two years are required to plan and obtain the state matching funds to build a sewer line. Thus the ability of Kodiak to meet the

housing needs of 1990 depends partly on decisions made — or not made — in 1977.

The density of housing will determine the amount of new sewer and water lines that will be needed and the rate at which new units can be built. The impact study estimates that for the projected 2,761 new units needed by 1988, 24.7 miles of sewer lines would be required if the current low-density trend continues. However, the same 2,761 units could require only 6.7 miles of sewer and water lines if built in high-density configurations.

THE IMPACT STUDY also suggests that Kodiak develop a mobile home park ordinance and plan to use trailer court areas to absorb some of the population impact. Housing for employees of the onshore facilities could be developed near those facilities rather than in the Kodiak Metropolitan area. Additionally, the borough could consider developing some of its land, which lies north of the City of Kodiak. The study suggests a joint venture agreement with the oil industry.

Alternative methods of meeting Kodiak's housing needs can be discussed at the Borough's planning and zoning commission meetings every third Wednesday of the month. Further citizen input will come from a planned borough housing questionnaire, and public hearings preceding adoption of the new comprehensive plan.

The plan should outline which alternatives and which compromises will best provide housing for Kodiak's growing population.

Monday: Transportation — Roads, planes, ferries and barges.

community to look like in the Alaska oil lease sales, Denslow
future. The effort will be in- said.

Report reasons problems are not insoluble

By CHRIS BLACKBURN
Daily Mirror Correspondent

The Kodiak Island Borough Outer Continental Shelf Impact Study — the result of a half-year's research by an Anchorage consulting firm — concludes that "the assets of the Kodiak Island Borough and the communities are uniquely valuable and should be protected and enhanced. The problems faced by the communities are not insoluble...They are the type that can be dealt with through community awareness, local action and proper planning and implementation.

"...The result of the OCS impact will depend upon the level of oil industry activity which will occur in Kodiak and the methods that are used in planning for and coping with the impact."

According to the impact study, which was just completed, Kodiak Island Borough's population will continue to grow. If current trends continue, the population will double in 20 years without OCS activity. OCS activity could double the population in 10 years.

As the population increases the existing problems of crime, housing, land availability, social services and recreational facilities will become more acute.

How acute depends on the decisions made during 1977 and on the exact location of oil reserves. The impact statement predicts that the initial oil exploratory phase will probably use facilities in Seward, giving Kodiak precious time to plan.

If oil reserves are developed near Kodiak Island, onshore oil facilities will require 300 acres of land somewhere in the Kodiak Island Borough. The OCS-related Kodiak Island population increase could total 8,000 people by 1988.

According to the impact study, the additional 8,000 people would require 2,700 more housing units. If Kodiak continues

(Continued on Page 2)

Report

(Continued from Page 1)

its current low-density development pattern — with an estimated 4.35 housing units per acre — an additional 635.7 acres of residential land, 24.7 miles of road and water and sewer lines will be needed.

Were "high-density development" — with an estimated 15.7 units per acre — considered, only 175.8 additional acres of residential land would be required and only 6.7 more miles of road, sewer and water lines.

There will be corresponding increases in services, government and costs. However, the impact study lists many federal and state funding sources which could be used.

The future of Kodiak depends on where the oil reserves are and how thoroughly the community prepares.

A copy of the Kodiak Island Borough Outer Continental Shelf Impact Study has been placed in the A. Holmes Johnson Memorial Library. Additional copies will be available in about six weeks.

A time to prepare

Editor's Note — Kodiak recently received the first copies of the finished Kodiak Island Borough Outer Continental Shelf Impact Study, which not only qualified much of what may be expected if oil actually is discovered off of Kodiak, but also quantifies some interesting information about the island as it is now. Mirror correspondent Chris Blackburn today begins a series examining the impact study — and the impact of the study on the community.

By CHRIS BLACKBURN
Daily Mirror Correspondent

Impact from the Western Gulf oil lease sale could bypass Kodiak Island, or it could bring thousands of people and all the support facilities oil development requires.

The first clue to Kodiak Island's potential involvement with oil will come in November 1977 — if the oil lease sale occurs as scheduled. If the oil industry leases land in the southern half of the lease sale area, the probability of Kodiak Island becoming a desirable service base site is high.

The second clue will come as the exploratory phase progresses and the size and location of the oil fields are delineated. Once again, the closer to Kodiak Island the oil fields lie, the more likely it is that Kodiak Island will become impacted by oil development.

THOUGH ONLY ONE OUT OF every three potential oil fields contain enough oil to warrant development, it is felt the people of Kodiak must plan now as though oil discovery were a certainty or face the prospect of an unmanageable and undirected impact that disastrously alters the quality of life.

The experience of Fairbanks in 1975 — soaring rents, overcrowded facilities and unrealistic property values which is leaving an aftermath of defaults and arson — can be avoided on Kodiak Island.

The Kodiak Island Borough Outer Continental Shelf Impact Study, commissioned by the Kodiak Island Borough, outlines what can be expected and alternative methods of absorbing oil-related impact. The next step is for the people of Kodiak Island to develop a

plan ready for implementation if developments in the oil industry indicate that Kodiak will become part of the saga of oil and Alaska.

AFTER THE NOVEMBER, 1977 oil lease sales, according to the Outer Continental Shelf Impact Study, the oil companies can be expected to begin the exploratory phase of oil development in the Western Gulf during the spring of 1978. In the past the oil industry has taken a "minimum investment during exploration" approach and utilized existing facilities as much as possible. The exploratory phase of development in Cook Inlet during the late 1950's was supplied from Anchorage. Seward, Cordova and Yakutat are believed to be being considered as supply bases for exploration in the Northern Gulf.

The Western Gulf could be supplied either from Kodiak or Seward. Kodiak has neither the land nor the port facilities to act as a supply base without intensive capital investment and development. Seward, however, has land and harbor space available. Exxon already controls 32 acres of land in Seward, including two acres on the waterfront. Shell and Arco depend on Seward for water to support drilling operations on the Northern Gulf.

However, Seward does not have adequate facilities for air support. The runway cannot accommodate the Hercules-type aircraft used by oil companies, nor commercial jets. The Seward airport also lacks an instrument landing system. Kodiak does have an instrument landing system which can handle both helicopters and cargo aircraft. Further, there is no practical weight limit on Kodiak's runways.

THUS IN 1978 KODIAK will probably experience its first taste of oil impact at the airport if its facilities are used to serve the first two exploratory wells. Commercial aircraft will bring some supplies and personnel from Seattle and Anchorage. Helicopters will fly from Kodiak to the exploratory rigs.

According to the Outer Continental Shelf Impact Study, an additional seven acres will have to be developed at the airport for

(Continued on Page 2)

Impact

(Continued from Page 1)

warehouse space, office space, aircraft maintenance facilities and apron area. Some additional personnel will be needed for expediting, aircraft maintenance, loading and unloading.

By late summer, 1978 the first discovery well should be completed and confirmed by a second well. Then the oil companies will begin deciding if the oil fields will be productive and where to locate permanent onshore marine service facilities.

By 1981, 10-12 exploratory wells will have

been drilled and, if the suspected oil reserves are proven, the development phase will begin.

The site for onshore facilities will have been chosen and Kodiak Island will know if it will become an oil-impacted island. Hopefully, by the time the oil development phase begins, Kodiak Island will be prepared to grow rapidly in a graceful manner.

Tomorrow: Oil development and production; the maximum impact Kodiak can expect.

...and... announcements, Doug Dawson, a high school teacher who has played a variety of Ram parts since its beginning 11 years ago, received the best supporting actor award for his 1976 portrayal

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DOUG DAWSON WITH SUPPORTING ACTOR AWARD

Kodiak supply system could be challenged

By CHRIS BLACKBURN
Daily Mirror Correspondent
Fourth of a series

Temporary consumer supply shortages resulting in inflated prices were a part of the Trans-Alaska Pipeline impact on the mainland. The supply system was unable to meet the increased demands of a growing population and increased commercial and industrial development as well as the pipeline's supply needs. The Kodiak shelf oil lease sales pose an even greater threat to Kodiak's ability to supply its residents.

The marine cargo system — Kodiak's lifeline — is already operating at maximum capacity, according to the Kodiak Island Borough Outer Continental Shelf Impact Study. In 1976 a total of 205,000 tons of cargo moved over the dock to and from Kodiak — approximately 21 tons for each man, woman and child on the island. The total cargo tonnage can be expected to increase as the population increases, and to have periods of even greater increase as the commercial and industrial segments of the island attempt to expand their facilities in response to the population growth.

Currently the city cargo dock, operated by the city of Kodiak, has 21,600 square feet of warehouse space and two piers over 300 feet in length. Sea-Land, under the provisions of its contract with the City of Kodiak, is allowed 104 berthings a year. Not only do the piers serve the cargo vessels, but they are used by the fishing fleet on a space-available basis. The boat

harbor, also run by the City of Kodiak, is currently overcrowded.

TO MEET THE EXPECTED increased cargo demands the city cargo dock will have to be expanded, according to the impact statement. Were more storage and maneuvering space available, supplies could be delivered on larger vessels and the actual number of berthings would not necessarily have to increase.

Impact

Also, if the recommendation made in the impact study — that the cargo docks not be used for OCS related cargo — is followed, the pressure on the cargo system will be reduced.

The airport services will also come under pressure. The study estimates that an additional eight flights a week will be necessary to accommodate the increased demands for passenger travel, including oil and construction crew shifts. Also two additional cargo flights a week may be necessary.

THERE IS ADEQUATE LAND at the airport for the expected demands. Funds for airport master planning are available through the Federal Aviation Administration. The airport facilities are administered by the State of Alaska. Thus airport expansion will not be a part of the borough's planning efforts.

However, the people of Kodiak will be dependent on their own efforts and the efforts of their legislators to encourage the state government to plan for airport expansion to meet the anticipated demands.

The ferry Tustumena represents the only vehicular link between Kodiak and the mainland. The ferry carries a maximum of 200 people and 45 cars. It can also transport vans up to 40 feet in length.

AS POPULATION PRESSURES increase, the demands on the ferry system should also increase. Eventually year round service may be necessary, as well as more frequent service. Since the ferry system is administered by the State of Alaska Division of Marine Transportation, Kodiak's own planning efforts will not include the ferry system.

However, once again, the people of Kodiak can encourage the state to consider planning for increases in ferry service.

Additional cargo and people moving into Kodiak will mean proportionate increases in vehicular traffic on Kodiak's road system. Though the proportions of the increase and potential areas of congestion depend on the future housing patterns and siting of oil industry facilities.

The city, the borough and the state are all involved in the building and maintenance of different parts of the road system.

THE STUDY QUOTED the State Department of Highways as saying, the bridge along the Chiniak Highway can support large semi-trailer-trailer

trucks. The road would have to be widened an additional 28 feet and

straightened in some parts.

The city road system is designed for low-density traffic and may need considerable upgrading to meet anticipated demands. The impact study recommends that road standards by adopted; methods of separating commercial, industrial and normal traffic be examined; and a trail system for pedestrian traffic be considered.

Anchorage has had success with its bicycle trails program which has received ready bonding support. The bicycle trails are usually built in conjunction with new roads or the upgrading of existing roads.

MEETING THE TRANSPORTATION needs anticipated for the future involves the city and the borough and diverse state agencies. To consolidate planning efforts and utilize funding sources, the impact study recommends the borough and city create a transportation authority with its own charter.

"The authority should be comprehensive, with powers over the port, airports, the OCS transportation facilities, and should operate in close coordination with the Public Works Department of the City of Kodiak."

Whatever method is used to meet the anticipated demands on Kodiak's transportation system, close cooperation between the borough, the city and the state will be essential.

Tomorrow: Social strains.

Anchorage Times
May 12, 1976

Young Raps Impact Aid

By BETTY MILLS

Times Washington Bureau

WASHINGTON — A bill to compensate coastal states for the adverse impact of offshore oil drilling would not provide adequate funds, Rep. Don Young, R-Alaska, says.

The House will consider legislation Friday which would provide \$50 million in automatic state grants to meet the onshore impact of development on the outer continental shelf in the next two fiscal years. It also would authorize \$125 million in discretionary funds administered by the secretary of commerce in the next five years.

In minority views submitted with the report on the bill, Young said the funding "is not sufficient to cover the costs that the local and state government will have to bear as a result of the federal development.

"This will leave the states in serious economic straits, especially in the more heavily impacted areas, from overcrowded schools and services, insufficient sewage systems, poor roads and higher state and local taxes," the congressman said.

Young said the per capita cost of offshore development from increased population, based on growth figures from the Alaska pipeline, would be \$1,630 to the state government and \$351 to the local government. The projected population growth directly attributable to oil development is 94,000 by 1985, according to estimates of the Office of Management and Budget. The total cost to state and local governments from offshore oil development would be \$183,214,000 per year, Young said.

"While the revenue received from the Alaska pipeline was sufficient to meet much of the cost of impact funding, this is presently impossible to meet since no revenue is coming into the state as a result of OCS development," Young said.

The congressman said the authorization to coastal states must be increased.

"The state deserves the money for investment for other worthy projects, instead of underwriting the cost of a federal project," Young said. "The OCS is a federal project and should be a federal responsibility."

Next Three Years Hold Plans For Other Areas

Today's lease sale of tracts in the northeastern Gulf of Alaska is the first of nine federal outer continental shelf oil and gas lease sales planned off Alaska's shores during the next three years.

The accelerated leasing program is aimed at making the United States more energy self-sufficient, says Edward Hoffman, manager of the

Alaska Outer Continental Shelf Office.

The tentative schedule calls for two more sales this year. Tracts in Lower Cook Inlet are to be leased this fall, possibly by October, and tracts in the western Gulf of Alaska, in the Kodiak area, are scheduled to be leased in December.

Other sale areas on the federal schedule include

Bering Sea (St. George area), March 1977; Beauford Sea, October 1977; Outer Bristol Basin, December 1977; Bering Sea (Norton Basin), August 1978; Gulf of Alaska, Aleutian Shelf October 1978, and Chukchi Sea (Hope Basin), December 1978.

Offshore Alaska has an estimated petroleum potential of 60 billion barrels of oil and 340 trillion cubic feet of gas, according to the Alaska Outer Continental Shelf Office.

An estimated 40 per cent of the nation's "frontier areas" which are untouched by the drill lie off Alaska's shores. Another 40 per cent lie onshore, said Dr. V. E. McKelvey, director of the U.S. Geological Survey. But both are subject "to some of the worst operating conditions known on our planet," he said.

Offshore, drifting sea ice, 50- to 75-knot winds, 25-foot waves, protracted periods of darkness and occasional major earthquakes all present potential hazards, McKelvey pointed out in a Dallas speech in September.

"Onshore, temperatures reach well below zero and logistic problems are staggering. In addition, the entire area is 1,000 to 2,000 miles away from a major energy market. One does not have to look far to understand why this area has been left alone until now."

13, 1976

Arch Times Apr 13, 76

OIL & GAS JOURNAL JAN 1976

Jones believes companies will wait until they obtain leases before investing in more data. The first wells in each area, he predicts, will have considerable impact on subsequent seismic activity.

Esso Seismic Inc.'s Kirsten Bravo shot about 1,000 miles of seismic line last September in the Baltimore Canyon and Georges Bank for Exxon.

The Georges Bank area isn't far behind the Baltimore Canyon in the amount of seismic data available to companies, Jones tells the Journal. There may be a last-minute flurry of proprietary shooting in Georges Bank in the coming months if it appears the sale will come off in August as proposed.

Jones predicts considerable seismic activity in the South Atlantic next spring and summer. Not much seismic data have been gathered on the Southeast Georgia Embayment or the broad, deepwater Blake Plateau.

Jones expects a rapid buildup of group, speculative, and proprietary shooting within 600 ft of water on the Southeast Georgia Embayment. A gradual increase is predicted for the Blake Plateau, which isn't scheduled for a sale until mid-1978.

Because basins off northern California, Washington, and Oregon are believed by industry to be very poor petroleum prospects, Jones doubts there will be any rush to acquire new data there.

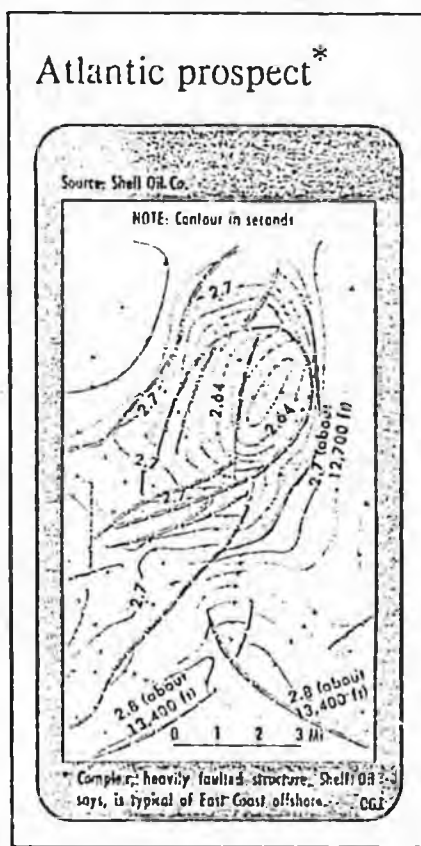
Very little seismic data are available in Offshore Alaska basins, other than in the Gulf of Alaska.

Industry is in the midst of an active exploratory effort in the Lower Cook Inlet, although acquisition programs there currently are shut down for the winter. Jones expects a spurt of shooting and possibly core or deep-stratigraphic drilling this summer.

The Kodiak shelf also should be an active area in the coming months, if it appears the proposed December sale will materialize. A very coarse grid of seismic data is available on Kodiak.

Although exploration on this shelf is still in an early stage, Jones believes industry can generate and interpret enough data in the coming months to be fully prepared for a December sale.

Seismic data in the Bering Sea consist of a very coarse grid over only a portion of the area, in the Bristol basin. Most of the current data was acquired beginning in the summer of 1973. Activity speeded up in the sum-



mer of 1974, and Jones predicts considerable shooting and possibly core drilling will take place in the next few summers.

USGS reconnaissance surveys indicate six or seven distinct basins in the Bering Sea, Jones reports.

The Exxon explorationist also foresees increased seismic activity in the unexplored Aleutian shelf, Norton basin, and Hope basin. The latter, he says, has been the scene of proprietary shooting by one or two companies.

Stratigraphic tests. The Sedco J semisubmersible is drilling the first of two Offshore East Coast stratigraphic tests (see cover photo) for a 31-company group led by Ocean Production Co. And more tests are planned in other regions as part of industry's program to collect the first subsurface information in offshore frontiers.

Spudded last Dec. 14, the initial East Coast test is projected to 16,000 ft. Site for the B-2 test is 73.6 miles off the New Jersey coast in the Baltimore Canyon (see map, OGJ, Oct. 20, 1975, p. 39).

The Ocean Production group also will use Sedco J to drill its second 16,000-ft test, designated G-1, more than 100 miles off the Massachusetts coast in the Georges Bank area.

Combined cost of the two operations is a little less than \$18 million to determine porosity and permeability

in Jurassic and younger sediments.

Among future work, Exploration Services Co. Inc., Ventura, Calif., proposes to drill a 12,000-ft stratigraphic test in Lower Cook Inlet beginning in March. Estimated cost is \$5.5 million at a site in 19-14s-22w.

Exploration Services also is trying to generate 3,000-5,000-ft tests on the Kodiak shelf, Exxon's Jones reports.

West Coast sources say a second attempt may be made this summer to drill a stratigraphic test in the Gulf of Alaska, where mechanical problems halted a similar test last October. Last year's hole reached the 5,100-ft level — far short of its 16,500-ft goal — at a reported cost of \$12 million.

Earlier deep stratigraphic drilling included two holes on the Outer Continental Shelf off South Texas. Drilled by two 32-company groups, the tests revealed poor characteristics in potential reservoirs. This poor showing was reflected in low bonuses offered in Feb. 4 and May 28, 1975, sales of federal leases.

Discouraging results from another stratigraphic test, this one drilled off southern California, drew part of the blame for the generally low level of bonuses offered at last December's federal lease sale off California (OGJ, Dec. 22, 1975, p. 15).

On-structure drilling has yet to take place in the frontiers. And only this can determine if known structures hold oil and gas.

Gulf's Carter believes results of on-structure drilling in the Gulf of Alaska will have a strong influence on pre-drilling evaluation of the Kodiak shelf, Bristol basin, and Bering shelf. Likewise, Baltimore Canyon drilling will determine to a great degree how much leasing and exploration Georges Bank, Southeast Georgia Embayment, and Blake Plateau will attract.

Drilling problems. Several companies surveyed by the Journal declare the Gulf of Alaska presents some of the frontier regions' thorniest problems in exploration, drilling, and production. Lesser problems are foreseen in most other areas of the offshore frontier.

"To be economic, a structure in the Gulf of Alaska will have to contain several hundred million barrels of reserves." Gulf's Carter says. He doesn't see gas as a viable exploration target because of enormous development costs.

Severe storms, strong currents, and

though its presence is widely known to the industry because of seismic work in the area.

It resembles a huge oval about 25 miles long and 10 miles wide, starting near the 3-mile line offshore and extending southwest into the center of the Icy Bay sale area.

"There is room here for another Prudhoe Bay field," says one company geologist. "But no one suggests that it will turn out to be another Prudhoe Bay. It's extremely rare to find a big structure filled with oil. What I am saying is that there is room here for another Prudhoe Bay. We just hope that it contains several billion barrels of oil.

"But if it's going to have anything big, it must have pay sections which are tremendously thick, and it certainly must have better porosity than the same formations onshore.

"Just because it is offshore, or downdip, doesn't mean it would have more porosity. That would not be a

valid geological supposition. But we can reasonably expect some porosity. If we have that, we must also have the source beds to contribute the oil. Everything has to come together just right."

Operating costs. Companies preparing to bid on Gulf of Alaska leases have tempered their enthusiasm for the area in the past 2 years because of the great surge in offshore drilling and production costs.

The semisubmersible rigs which will be used for most of the drilling, plus other supporting services, will cost an estimated \$100,000/day. This would mean that a well which took 100 days to drill would cost \$10 million.

A shallow test may cost only \$7 million, but if there is any trouble with the hole, the price tag of an exploratory well could rise to \$15 million.

And finding oil is just the first step. Constructing platforms which meet the weather, ocean-bottom, and earth-

quake specifications will start at \$100 million. Laying pipelines to a shore base, or constructing an offshore loading terminal, will add to the mounting costs.

Because of such prospective costs, companies are counting on reasonable crude prices to recoup their investments and make a profit.

"We couldn't go into the Gulf of Alaska for oil priced at \$3 to \$4/bbl," says one oil-company executive. "If we found a 5-billion-bbl field, we could make it on \$5 to \$6 oil. But if it's just a 1-billion-bbl field, we would need \$10. We couldn't develop a 500-million-bbl field at today's oil prices."

Economics such as this will have a dampening effect on bids at the sale.

The rigs. Two semisubmersible rigs are being built by the Kaiser Shipyards near San Francisco specifically for use in the Gulf of Alaska. Others will be available from shipyards in Japan and other yards of Southeast Asia.

N-M Dec 17, 76

Federal report says

Pipeline construction has sped deterioration of state's highways

ANCHORAGE (AP)—The federal Department of Transportation reports that trans-Alaska pipeline construction has speeded the deterioration of Alaska state highways—and says the federal government has no responsibility for repairs.

Alaska's Gov. Jay Hammond has fired off telegrams protesting that conclusion to Vice President Nelson Rockefeller, House Speaker Carl Albert, Transportation Secretary William Coleman and Federal Highway Administrator Norbert Tiemann.

Hammond noted the trans-Alaska pipeline was mandated by the U.S. Congress. This year's federal highways appropriations bill includes a section directing the Federal Highway Administration to study the need for special federal aid in building or repairing roads necessary for energy-related projects.

"This is another Catch-22," the governor stated. "Why should the study go forth if precedent has been established that there is no federal responsibility for impacts to highways used for the nation's energy needs?"

Coleman stated in his report to Vice

President Nelson Rockefeller, president of the Senate, "This report of initial finding documents the fact that pipeline construction has accelerated deterioration of several state highways at a more rapid rate than highways not subjected to such traffic.

"The report further establishes that repair and restoration of the damaged highways is not a federal responsibility."

The report estimates some \$300 million would be needed for reconstruction made necessary by

pipeline construction.

The state sought \$70 million from Congress for emergency repairs during the last session. That bill passed the Senate but was downed by the House.

In August, Sen. Ted Stevens, R-Alaska, said he believed the DOT study would indicate damage exceeded the \$70-million figure, adding, "There is no question it is a federal responsibility."

Coleman said the department report is an interim study and makes no recommendation for a final solution to the problem.

SUN OIL CO. estimates development of 100,000 b/d of production in the Gulf of Alaska would cost \$500 million to \$1.1 billion, depending on water depth.

That is based on estimated development costs ranging from \$5,000 to \$11,000 per daily barrel of production, depending on water depth, M. D. (Zeke) Noble says.

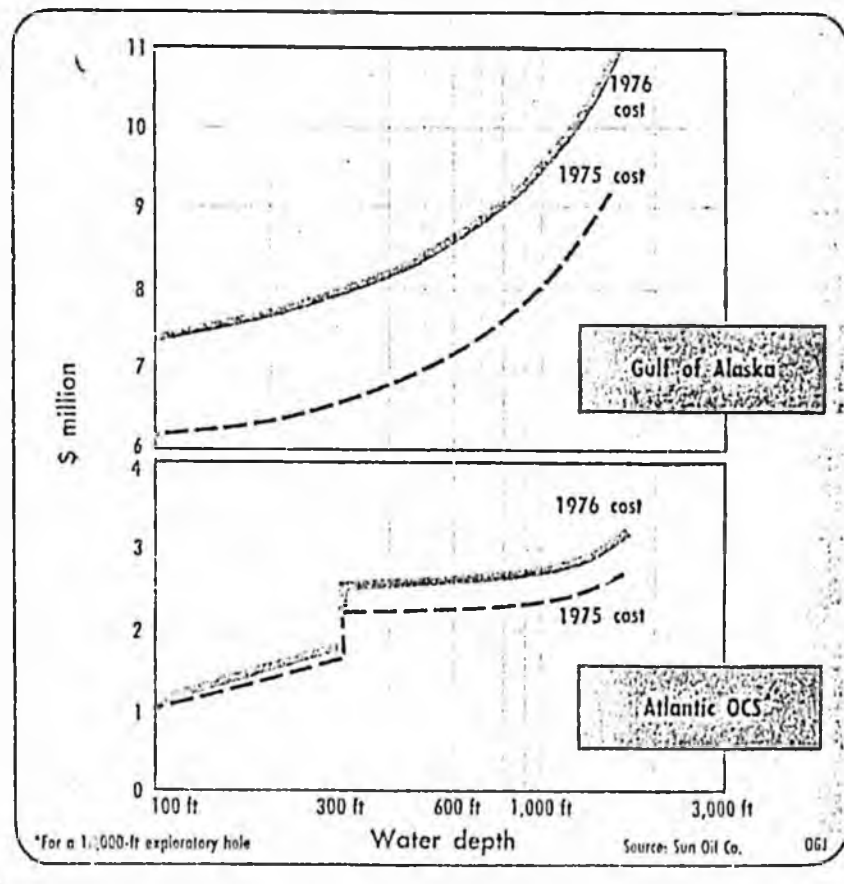
Noble, president of Sun's newly formed Sunmark Exploration Co., and J. Dwayne Taylor, an executive vice-president of Sun, spoke to the Houston Society of Financial Analysts on Mar. 17. Taylor described the purpose of Sun's recent reorganization.

Gulf of Alaska. In the face of such ferocious costs, how high must the price of oil be to support development

Taylor says the price should be in the range of \$14-16/bbl. And Noble says "a great deal of Gulf of Alaska potential would not be developed at today's prices." If the Gulf of Alaska sale occurs as scheduled on Apr. 13, Noble says, first production probably could not take place until 1981.

Sun also has revised upward its cost estimates for exploratory drilling in the Gulf of Alaska (see graph). A year ago, Sun estimated a 10,000-ft exploratory hole in 300 ft of water would cost about \$6.5 million. Noble now estimates the same well would cost \$8 million. He estimates a well on some of the known structures in deeper waters of the Gulf of Alaska would cost \$9 million.

Gulf of Alaska, Atlantic wildcat costs*



MICHAEL MONCHINO
New Kodiak manager

banquet facilities. Tentative plans call for construction to begin this spring.

Monchino, 25, has served as manager of the Sheffield Top of the World Hotel in Barrow. He

extension has been signed with an Anchorage contractor.

Stephan and Sons, Inc.-Mat-Su, Inc., a joint venture, was awarded the contract at their bid of \$1,662,115.95. The engineer's estimate

Mill Bay, was more than \$300,000 under the contract figure.

Work is expected to be completed on the project, which does not include paving, by the end of the year.

Impact:

Problem of becoming a center of development while maintaining traditional lifestyles . . .

By CHRIS BLACKBURN
Daily Mirror Correspondent
Second of a Series

If the exploratory wells drilled in 1978 confirm there are indeed extensive deposits of oil on the Kodiak shelf, the oil industry will begin plans for oil development and production. Unless the oil fields lie in the extreme northern end of the lease sale area Kodiak Island can expect to become a center of oil development activity. Construction workers, production personnel, planes and tankers and materials for support facilities will float in, ferry in and fly onto the island.

If the people of Kodiak Island have discussed and accepted a new comprehensive plan and supporting zoning ordinances, the oil support facilities will be constructed in the areas the citizens of Kodiak have predetermined to be most desirable — or least undesirable.

If the groundwork is not completed by 1979, the oil facilities will be constructed wherever the oil industry can build most efficiently and with least expense.

THE KODIAK ISLAND OUTER CONTINENTAL SHELF Impact Study recommends that "To the extent possible, the Kodiak Island Borough should discourage the location of OCS related industrial facilities within the Kodiak metropolitan area or in any of the other villages on Kodiak Island. The location of such facilities within these areas would be extremely

disruptive to the traditional lifestyles, community structures, and social and economic characteristics.... The Borough should insist that the oil industry be self-sufficient and willing to pay its own way in terms of the impacts resulting from the facilities directly related to OCS development..."

The Kodiak Island Outer Continental Shelf Impact Study estimates that the Western Gulf oil lease sale lands could produce as much as 164 million barrels of oil a year. All estimates of oil facilities and personnel requirements are based on this figure.

In 1979, as the first exploratory wells show evidence of productive oil fields, the oil industry will begin looking for a site for permanent onshore facilities. By 1984, at the projected peak of the development phase, a maximum of ten berths for oil company vessels may be needed — plus land for silos, tank storage and warehousing, open storage and office facilities. In all, about 80 acres of land will be needed in conjunction with harbor facilities.

THE OIL INDUSTRY will probably prefer a site on or near the existing road system. Chiniak may best suit the needs of the oil industry, provided the people of Kodiak have decided to prohibit industrial facilities within or near the metropolitan areas. The north side of Ugak Bay would also be suitable. Possible, but less likely, sites are Kalsin Bay and Middle Bay.

Karl Armstrong, executive vice president of the Kodiak Regional

Native Corporation, which holds title to the former Chiniak tracking station, said that the oil companies have shown interest in using Chiniak as the site of onshore facilities, but that discussions ceased when the Kodiak lease sale was postponed.

Armstrong a former fisherman, also mentioned that harbor facilities at Chiniak would offer sanctuary to fishing vessels encountering rough seas near Cape Chiniak, an area notoriously hazardous for fishing vessels.

ARMSTRONG SAID that while Kodiak is not averse to discussing the prospect of onshore oil facilities at Chiniak, only further study will tell which site would be most desirable.

Whichever site is selected, harbor development must be preceded by public hearings. The State of Alaska owns all coastal waters from the shoreline to three miles from shore and would have to grant a permit for development. Before any permits could be granted public hearings would have to be held.

Likewise, any attempt to locate onshore support facilities on federal lands would require public hearings.

PUBLIC HEARINGS can be used by the people of Kodiak to direct the eventual siting of oil facilities. A strong and unified show of support, or opposition, to a particular location usually has a decided effect on final decisions.

Armstrong also pointed out the desirability of the people of Kodiak insisting — with the help of the Borough government, state legislators

and other groups — that all public hearings related to development on Kodiak Island be held in Kodiak rather than Anchorage or Juneau.

As the development phase progresses more airport land will be needed — for helicopters, for increased commercial and cargo flights and for warehouses, and maintenance and service areas: approximately 40 additional acres.

DURING THE DEVELOPMENT phase over 1,000 people would be employed in development and construction. The year 1985 is predicted to be a peak employment year with 1,565 people involved in oil-related activities.

By 1987 the oil industry could be entering the production phase on the Kodiak lease lands. As early as 1979 the oil industry will begin selecting the site of a crude oil storage area and marine terminal. These facilities would require about 150 acres of flat, stable land — more if the land is hilly or unstable. The size of the crude oil storage facilities will determine the number of tanker trips required each year to keep the production operations underway. As few as eight tanker trips could be needed, or as many as 26.

By 1987 the oil related population should begin to stabilize. The impact study estimates that about 2,651 people will be employed in oil-related occupations and Kodiak Island will have a total population of 14,252 people.

Tomorrow: Housing — how can Kodiak meet the demands?

ALASKA Seas and Coasts

A Newsletter for the Alaska Commercial Fishing Industry



THE ALASKA OCS - An update

By John Williams

Until recently, John Williams served as a Marine Advisory Program Agent with the University of Alaska. He was involved with seafood processing and coastal resource activities.

Because of the rapid changes in the policies and scheduling of the development of the Alaskan outer continental shelf, and the necessary time lapse between completion of a story and the delivery of Alaska Seas and Coasts, some points contained in this article may have changed. More information will be presented soon in Citizen's Handbook - The Alaska OCS. The publication will be presented by the Alaska Sea Grant Program with partial funding by the State of Alaska.

OCS UPDATE

ALASKA - One down - eight to go.

In April of this year, the Department of the Interior leased the first outer continental shelf (OCS) oil development tracts off the coast. The sale, located in the northeast Gulf of Alaska from Icy Bay to Kayak Island, netted over 500 million dollars in bonus bids for the Department of the Interior, which administers the OCS program through the Bureau of Land Management (BLM). This is the first of nine scheduled sales on Alaska's OCS.

Shell Oil Company began exploratory drilling in the Icy Bay region on September 1, with Sedco 706, a semisubmersible drilling rig. In October, ARCO began exploratory

drilling operations with the semisubmersible Ocean Ranger, recently transferred from the Bering Sea.

Sedco 706 is 330 feet high with its derrick upright, 245 feet wide, and 295 feet long. It provides living quarters for 96 men, and storage space sufficient to drill for several weeks without resupply. The drilling rig is held in place by anchors connected to computer controlled tension winches, which compensate for wind, waves, and current to keep the rig located over the undersea well.

Next on BLM's agenda is a sale scheduled for lower Cook Inlet, followed by a western Gulf of Alaska (Kodiak) sale. Cook Inlet could go on the auction block early next year, with the Kodiak sale following later in 1977.

OCS IMPACTS

In early 1976, the federal government estimated that OCS leasing would create 90,000 oil jobs in Alaska to be filled by trained personnel and that this would cost state and local governments in excess of \$600 million to supply the necessary services and facilities to these new residents. This dollar figure did not consider families of the oilmen or the jobs created in the service industries which accompany the oil business. An additional 1.3 to 1.7 jobs will likely be created in service industries for each new oil job.

The Coastal Zone Management Act of 1972 (CZM) was amended this year to help states in planning and funding

coastal energy development activities. The CZM amendments of 1976 created a \$1.2 billion national impact fund. Eight hundred million dollars of the fund is in the form of loans for environmental and economic planning, schools, highways, hospitals, guaranteed bonds, etc.

The remaining \$400 million is available as grants to be used as a back-up system for the loan fund. Money from this source will be distributed to states based upon a formula considering the number of offshore acres leased, the volume of oil and gas produced, population influx, etc.

The federal government's assistance to states coping with the onshore effects of OCS development is much more limited than for mineral resource development on federal lands contained within state boundaries. In this situation, the federal royalty from the resource is shared with the state from which it was extracted and can be used in any manner that state government chooses. The royalty from OCS petroleum development is not shared by the federal government with adjacent states. In the case of OCS resources, state and local governments must apply for impact monies for specific purposes and be able to prove that it is a reasonable request.

In addition to the burden of proof requirement, states receiving OCS impact monies must already have or be

(Continued on page 2)

(Continued from page 1)

making "reasonable progress" toward a coastal management plan as outlined in the CZM Act. Legislative support for development of such a plan for Alaska's coast has been minimal. The Legislature may have another look at coastal management legislation in the upcoming January session.

NEW ADMINISTRATION

Because of Jimmy Carter's election, many people in Alaska are now trying to assess the impact the new administration will make on the OCS lease schedule and procedures. To date, Carter has not been specific on the issue. He has, however, expressed some concern about the accelerated pace of lease sales and its impact on federal revenues from the leases.

With a Democratic congress and president, chances seem better that some changes will be made in the OCS Lands Act, under which the OCS is administered. Senator Jackson (D-Washington) wants new amendments completed and signed by late spring. The amendments reportedly would

consider states' interests to a much greater degree, and involve state and local governments in the process.

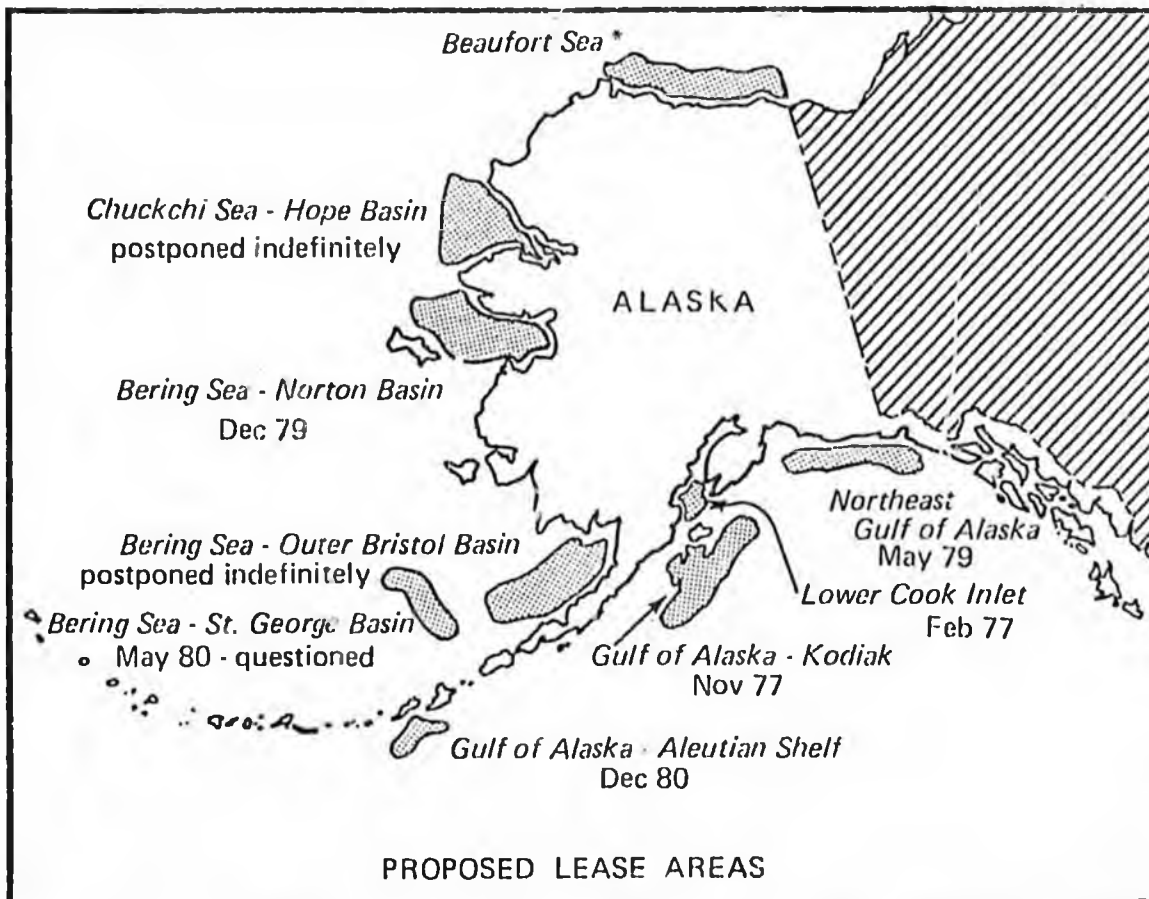
The State of Alaska has conducted an ongoing battle with the Department of the Interior over the presently proposed lease schedule and procedures. In a letter dated August 4, 1976, Governor Hammond submitted the State's proposal for an OCS lease schedule to Secretary of the Interior Thomas Kleppe. The Secretary had promised to reassess the Alaska OCS sale schedule, which presently calls for nine sales in three years. What actions the lame duck Ford Administration may take on this matter prior to January 20 are uncertain, although at press time negotiations were ongoing to dramatically revamp the present BLM schedule.

Hammond bases his schedule on a number of factors of importance to the people and environment of Alaska. His reasons for slowing down the sale pace include the cumulative effects which would result from the present accelerated lease schedule and the impact on communities and people unprepared for the rapid influx of large development. Hammond also wanted

time for further study of the physical hazards and potential environmental risks, especially in the ice covered western and northern waters, and time to prepare the management sectors of state and local government to deal with the many implications of petroleum development on the frontier Alaska OCS.

Hammond's proposal, substantiated by considerable research by state agencies, would extend the schedule to six years, and would not include scheduled sales in the federal areas of the Beaufort Sea, Bristol Bay, or St. George Basin until further research and industrial technology are achieved. The state would agree to hold a joint state/federal lease sale in the shallow, inshore Beaufort Sea area in the fall of 1977 in place of a federal Beaufort Sea sale in the deeper, shear ice zone.

Many of the changes resulted from recommendations by Governor Hammond in his August letter to Interior Secretary Kleppe. The new sale dates reflect a compromise between the rapid schedule and Hammond's proposed delays. The Department of the Interior and the state disagreed on the need to complete environmental studies before scheduling a lease sale.



Included in Interior's proposed new OCS lease schedule are changes brought about because of the state's insistence on a slower, more cautious pace in Alaska.

*The Beaufort Sea lease area is subdivided into at least three zones generally characterized by distance from shore, water depth, type of ice and anticipated ice motion. The leases for this area in the current schedule are: near shore, Mar. 78; less than 60 ft. water depth, Feb. 79; greater than 60 ft. water depth, not scheduled.

OCS
Impact
Aid
By Sen.
Ted Stevens



President Ford recently signed the Coastal Zone Management Act Amendments of 1976 into law. This new government program will provide a \$1,200,000,000 impact assistance fund for states and municipalities affected by outer continental shelf oil and natural gas development.

The Office of Coastal Zone Management, which is part of the National Oceanic and Atmospheric Administration, will be administering the impact assistance program. That office is presently drafting regulation which will serve as guidelines for the disbursement of funds. Draft regulations have been published in the Federal Register so that they may be viewed by the public, and the Office of Coastal Zone Management is soliciting comments from interested citizens and public groups in the formulation of final regulations.

The Office of Coastal Zone Management is particularly interested in Alaska problems. During the month of August the Coastal Zone Management Advisory Committee, the Citizens Advisory Committee to the Office of Coastal Zone Management, was in Alaska for a tour of areas of the state which potentially could be impacted by outer continental shelf oil and gas development. The members of the Advisory Committee went to Juneau, Yakutat, Anchorage, and Kenai. All of the members found the trip to be informative and they learned a great deal about Alaskan problems.

The Coastal Energy Impact Assistance program has an authorization level of \$800 million in loans and \$400 million in grants. The grants are to be used for planning, to meet the needs created by unavoidable ecological losses, and any other projects which are necessary and cannot be funded under the loan program. The \$800 million loan program is for public facilities and services.

Under a series of amendments which I sponsored, the loans issued by the federal government can go either to the state or to the municipalities. The full faith and credit of the United States is pledged to these loans — not the credit of the state or municipality. Therefore, the complex system of referendums required for normal state or municipal indebtedness is unnecessary.

In order for a state or municipality to receive a loan, it must first set out a revenue schedule to the Secretary of Commerce in which the state or municipality assures the Secretary that income which the state or municipality would receive from the oil and natural gas development over a 20-year period would be sufficient to pay off the loan. Should that income fail to accrue for any reason, the Secretary must automatically forgive the balance of the loan indebtedness.

Many Alaskan communities will be interested in receiving planning grants from the Office of Coastal Zone Management. The Act provides for \$50 million in planning grants, to be awarded to states and municipalities impacted by outer continental shelf oil and gas development. These are non-matching grants in which the federal government puts up 100% of the money. These monies can be used for any planning activities to meet the on-shore impacts of outer continental shelf oil and natural gas activities. The Office of Coastal Zone Management informs me that they are working as expeditiously as possible to see that planning grants are awarded to Alaskan communities at the earliest possible date. Since the Office of Coastal Zone Management is presently drafting regulations to implement the Act, it has not yet begun receiving grant applications.

The Coastal Zone Management Act Amendments of 1976 will be of substantial benefit to the Alaska fishing industry. In areas of the state which are impacted by outer continental shelf oil and natural gas development, impact assistance funds may be used to build harbor and dock facilities, breakwaters, aids to navigation, and other facilities of general benefit to the entire maritime community. I also expect that impact assistance funds may be used to build aquaculture facilities. In the unlikely event that a major oil spill occurs, an aquaculture facility could be used to offset any damage which was incurred to fish stocks. It is therefore essential that these facilities be built prior to the production of oil and natural gas. I have strongly urged the Office of Coastal Zone Management to include aquaculture facilities in its funding program.

In addition to impacts resulting from outer continental shelf oil and natural gas development, the coast energy impact fund can be used to meet the impacts resulting from the transportation of energy resources through the coastal zone. This means that state municipalities located in the coastal zone, such as Valdez, which are the transportation centers for oil, natural gas, or coal would also be eligible to receive funding. The city of Valdez is potentially eligible to receive funding as a result of the trans-Alaska pipeline project. Looking ahead a few years, in the event that Alaska ships coal to the southern 48 states, port facilities for the operation would also be eligible to receive impact assistance funds.

The Office of Coastal Zone Management expects to be finished drafting its regulations by April of 1977. Dr. Robert Knecht, Associate Administrator for Coastal Zone Management of the National Oceanic and Atmospheric Administration, has advised me that he expects the first funds from the impact assistance program to be available for states and municipalities sometime in April or May of 1977.

On May 17, 1971, Cornell University ornithologists announced what they said was the first successful rearing of a wild bird of prey hatched from an artificially inseminated egg.

In the bloody battle of Jutland, the German navy slugged it out with the British navy in the North Sea in 1916. It was the only major sea battle of World War I.

5-2-77

CAPITAL NEEDS FOR EXISTING AND NEW OIL AND GAS FIELDS
1975 THROUGH 1985
(Billions of Dollars)

Area	Capital Outlays
1 Alaska - Onshore	\$ 41.9
1-A Alaska - Offshore	22.1
2 Pacific Coast States	15.5
2-A Pacific Ocean, Except Alaska	20.2
3 Western Rocky Mountain States	8.8
4 Eastern Rocky Mountain States	13.0
5 West Texas and Eastern New Mexico	37.5
6 Western Gulf Basin	57.8
6-A Gulf of Mexico	75.7
7 Mid-Continent	21.0
8 Michigan Basin)
Eastern Interior)
Appalachia) 11.7
11 Eastern Gulf and Atlantic Coastal Plain	1.6
11-A Atlantic Ocean	13.1
Area Unidentified ^{a/}	<u>5.7</u>
Total	\$345.6

Source: The backup data for the figures used is cited in a study entitled "Domestic Petroleum Industry Capital Needs and Availability, 1975 - 1985" published by The Standard Oil Company of Ohio on April 14, 1975. The \$345.6 billion shown above is the oil and gas exploration and development portion of the \$411 billion of petroleum industry needs for all purposes on Table I of the Appendix of that report.

^{a/} Includes certain naval lands and military reservations and lands with heavy hydrocarbons in California and certain other locations.

*Richard M. Donaldson, Standard Oil Co of Ohio,
Resource Comm hearings March 23-30, 1976*

OCS sale ^{OCS} Impact

Arch News Jan 31, 1976

95,000 people due in oil migration

JUNEAU (AP) — Gov. Jay Hammond said Friday a new federal study indicated Alaska would carry a vast share of the population increase expected from accelerated development of oil resources on the outer continental shelf.

A report compiled by the Office of Management and Budget (OMB), Hammond said, showed that of the more than 147,000 persons who would be attracted by development off all states, nearly 95,000 would come to Alaska by 1985.

Such a migration of new residents would bulge Alaska's current population by more than 25 per cent.

Other figures from the OMB report, disclosed by Hammond at a news conference, projected rapid development of offshore oil and gas tracts nationwide would generate \$951 million in additional government "infrastructure" in the next 10 years.

Of that total, \$683 million was allocated to Alaska, more than seven times the cost of government services expected in any other region.

"This is just a working paper," Hammond said of the report. "Whether or not the figures are firm is debatable, but it is what the federal government is keying into their assessment of impact upon the state of Alaska.

"And, I think it is very dramatic in its revelation."

Bob Palmer, chief of staff to Hammond, said he had obtained the figures during a trip to Washington Monday. They are part of a report to be distributed to coastal states soon, he said.

A copy of the full report was not available.

Hammond has been an outspoken critic of Interior Department plans for conducting nine major lease sales off Alaska during the next three years, including one in the northeast Gulf of Alaska early this year.

A study conducted by the state last year concluded that costs associated with the leasing program would mean an additional \$300 tax burden for each Alaska resident annually.

Interior Secretary Thomas Kleppe has delayed the gulf sale while he considers criticism by the Environmental Protection Agency and the President's Council on Environmental Quality leveled at an environmental impact statement on the sale.

Other figures from a portion of the report released by Hammond predicted peak employment in Alaska during the 10-year period would be 19,200 workers, with permanent employment set at 8,100.

Net additional new employment was projected to be 13,650 persons.

Offshore oil boom: where's the revenue?

By HAROLD POMEROY

(Second of three articles)

Consider these revenue facts:

—The state spends more than twice what it receives from recurring revenues (income taxes and liquor-cigaret levies, etc.) on a variety of items and services, capital improvements, debt payments and revenue sharing to boroughs and cities.

—The deficit above normal revenue receipts is met from the petroleum industry payments, primarily lease bonus bid payments (about \$1.1 billion since the beginning), royalty and production taxes.

—The 20-mill pipeline tax is significant but from the start of flow from Prudhoe Bay, the revenue diminishes toward zero in proportion as the reservoir is depleted.

Now consider this:

Most of the lower Cook Inlet petroleum industry activity that produces revenue for the public treasury will be located beyond the three-mile state jurisdiction. Tax revenue from on shore activities, such as corporate income, personal income (from workers) and gross receipts, will be negligible compared with the revenues denied Alaskans from bonus bids, royalty, production tax.

Thus, in order that the national interest be served, the state will face a deficit of the gap between available tax revenues and the cost in state services disbursements to boroughs and cities for the people added to the population by reason of the new oil boom.

The deficit in revenue may be the equivalent of \$800 or more per person per year. The total number of people — workers and

dependents — in the boom period may be an average of as many as 13,500. This number at \$800 per person is \$10,800,000 per year. If half the people chargeable to the boom were already residing in Alaska, the net deficit might be assumed to be around \$5 million a year. For those enticed here by the boom and who manage to find ways to stay indefinitely the deficit between public revenues and cost will continue indefinitely.

It is demonstrated daily that we are unable to discourage "foreigners" from coming to Alaska to find greener pastures and excitement. Efforts in this direction are inevitably of minor effect. There is no residency requirement for state service, for example, for the very good reason that a residency requirement is subject to constitutional challenge.

The pending federal development activities in lower Cook Inlet highlight the unique "cost element" of our Alaskan society. The facts are not obscure, but there is a temptation to find a palatable explanation.

The central facts are: When we became a state in 1959 the public services we provided for ourselves were limited and meager. Our means were very meager without any oil production. Since then normal tax revenues have been enormously augmented by petroleum industry revenues. The people wanted, and continue to want, a range and extent of services similar to what is considered normal in other states. Costs of doing public business are as extreme as the costs of doing private business in Alaska.

What has been happening is well illustrated by the Alaska Psychiatric Institute, working on the funding of which started before we became a state. Before that, the mentally ill might be

held in jail temporarily, or put in beds in medical hospitals not equipped for their care, then shipped Outside, far from friends and families. Under the leadership of Delegate Senator Bob Bartlett, money was secured from the federal government to build API, and Alaska was authorized to select one million acres of land to be used as a resource for mental health programs. API was opened in 1963. The mentally ill were brought home for treatment here. Now there are also mental health centers, which function as outpatient clinics.

Thus, we are doing what civilized people consider a "must" — engaging in services for the mentally ill contrasted with the alternative of a combination of just ignoring them or locking them up in an "insane asylum." API care ranks with average for the smaller states.

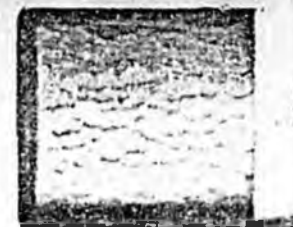
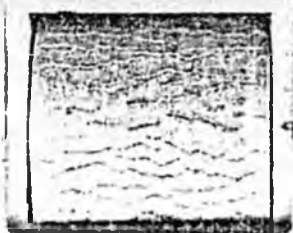
It is probable that most people will want a decent American standard of services, even if it takes revenue we haven't got — in the absence of using bonus bid money, royalties and production taxes. Is such an expectation unreasonable?

Meanwhile, we face an unusual situation.

Up to now, with respect to development in lower Cook Inlet, the Gulf of Alaska, or anywhere else beyond the three-mile limit, the federal government position is: We are going to establish developments out there; you are expected to provide the people from onshore; it is not our concern how much more it costs you beyond your tax revenues to take care of them decently.

(The writer is a member of the governor's growth policy council and a former chairman of the Kenai Peninsula Borough. His final article will appear on Tuesday's Opinion Page.)

*Arch New
Jan 12, 1976*



ny, March 17, 1977

Auditors Say Lease Mistakes Costly

WASHINGTON (AP) — Congressional auditors say the Nixon and Ford administrations were in such a hurry to obtain offshore oil that they failed to make sure the oil companies paid a fair price for drilling rights.

The General Accounting Office said yesterday the former policy of expedited leasing of offshore oil areas "could adversely affect our domestic energy production."

The Interior Department leased oil fields on the outer continental shelf "without reli-

able knowledge of the resources they contained," the GAO report said.

This encouraged speculation in offshore oil lands, thereby tying up oil industry capital in lands with little or no oil and infringing "on the public's right to receive fair market value for the resources," the GAO said.

President Carter's interior secretary, Cecil Andrus, has promised to overhaul leasing procedures for offshore oil fields. In recent congressional testimony, Andrus said the

government plans to do some exploratory drilling before leasing new areas to make sure that the government receives a fair return.

The GAO said the Interior Department estimated fiscal 1976 revenues from sale of offshore leases at \$12.9 billion. "Actual bonus revenues received from all sales amounted to \$1.3 billion, only 10 per cent of the original estimate by the department," GAO said.

Included in this was revenue from leases

of 1.3 million acres off southern California sold on Dec. 11, 1975. Before the sale the Interior Department estimated that two-thirds of the 231 leases up for bidding would be sold for about \$2.3 billion. However, oil companies bought only 24 per cent of the leases for \$417 million.

This sale came after former President Richard Nixon had twice ordered the Interior Department to triple its leasing of offshore oil fields.



"Exploring Offshore Oil: A Scottish Economist Views
Onshore Impacts for Alaskan Communities"

An Interview with Niall Trimble



ALASKA
COASTAL MANAGEMENT PROGRAM

INTRODUCTION

Good day, this is Kevin Waring. I'm Director of the Division of Community Planning in the Alaska Department of Community and Regional Affairs. With me today is Mr. Niall Trimble, an Economist with the University of Aberdeen in Scotland. Niall has done substantial research on the development of the offshore oil fields in the North Sea. It's a very timely visit Mr. Trimble is making here to Juneau. He is here shortly after we have seen the first of the Federal offshore leases in the Gulf of Alaska. We have arranged for an interview with him to talk about some of what he has seen in his own research in oil development in the North Sea, particularly what it might mean to the communities and the State too, which over the next few years, will be facing some pretty substantial responsibilities for managing population growth and onshore growth associated with the offshore industries.

MR. WARING: Niall, in your research in the North Sea, what have your findings been, generally?

MR. TRIMBLE: Our research has basically covered two areas. We've been studying the industry itself, trying to predict the level of activity. For example, the demand for helicopter services, the demand for supply bases, supply routes, the requirements for merchant platforms and for the sites being constructed. We've looked at the overall demand for labor that's involved in all these processes, and we've also looked at area studies for several of the areas likely to be seriously effected by the advent of North Sea oil. This includes areas like the Shetland Islands and the Aberdeen area.

MR. WARING: Niall, one of the things that has been of most concern to many of Alaska's smaller communities has been the uncertainty of the schedule of development, how quickly things would happen, and what would happen following a lease sale. Could you outline the schedule of development in the North Sea since exploration began there?

MR. TRIMBLE: The first serious leasing for the northern half of the North Sea, the area off the Scottish coast, took place in early 1969. There was also a major leasing in 1971-72. Following the 1969 leasing, there were rigs exploring in 1970. I would expect that in Alaska there will be at least some rigs out there within a year of this Gulf of Alaska lease sale. Probably, substantial activity would be occurring two or three years after that. I would also expect that as soon as exploration starts, there will be some oil discovery, probably within six months to a year of the first rig going up. After that, it gets a little more complicated. Once you've found oil, then there is a period of approximately a year or so to determine the structure of the oil deposit and where to put the platforms. They then have to sit down and think about the way in which they are going to develop the field (six months) - how many platforms they are going to have, where they need pipelines, whether to use tanker loading. Then about two years after the field has been first discovered, they will announce a development plan of some sort. They will then order platforms, announce contracts for labor to lay pipelines, and that sort of thing. Once you've ordered a platform, it will take about two years to construct, assuming

there is no delay in starting construction. After two years, the platform is ready and it will have to be towed out. If it's a steel platform it will take as much as a year to 18 months to install. Assuming the Gulf of Alaska is like the North Sea and you can't work in the winter months, then you can't do installation or pipe laying in the period from October to March. You are confined to the summer months. About a year after you've first towed the platform out, it will be ready to start drilling. You should be able to start producing from this field in about a year or so. Production will probably build very quickly to a peak within about three years. Drilling will not be completed for another three years after that. So roughly from the time leasing starts, you'd expect to see some oil production within about six or seven years. Alaska can look forward to oil production from about 1982, 83 or 84, I would imagine.

MR. WARING: Is it at the production stage that employment starts to taper off? Is it at the earlier stages that the most intensive employment occurs?

MR. TRIMBLE: Most intensive employment is in the development stage when you are actually constructing platforms and laying pipelines. This may not be the case in Alaska, because all of these activities may take place elsewhere. Alaska is a very remote rural area with small communities which simply don't have the facilities to produce platforms, coat pipe or anything like this. The greatest employment will probably be in two areas. First of all, supply bases, supplying the exploration rigs and the platforms. It will also be in marine terminals. The pipelines running into shore will eventually reach terminals where oil will be shipped into tankers and on to markets. These things will cause employment in the Alaskan case.

MR. WARING: How much employment might be involved in the exploration associated with, say, one platform or terminal construction or, were it to occur, platform fabrication?

MR. TRIMBLE: If you have an exploration rig operating, it will have a crew of about 45 to 60 people. There will be two crews that will work about a fortnight, so it's between 90 and 120 people on a rig. There will also be perhaps 100 people on shore associated with this. In the case of Alaska these may be located elsewhere, not necessarily in a shore base, but perhaps in Anchorage or Seattle. In the case of a platform, there are probably about 200 or 300 people involved, both in installation work and in the first 5 or 6 years while the platform is drilling. Thereafter it will fall off quite considerably to maybe 50 to 80 people. The terminal, it depends on the size of the terminal. The Sullom Voe terminal in Shetland is a very large one. About 100 million tons of oil a year scheduled to be shipped through it. It would employ about 600 people. I would guess that terminals on the Alaskan coast would employ about 150 or thereabouts.

MR. WARING: Would that be true of the construction period too?

MR. TRIMBLE: No, during the construction period for most of these things, employment would be very much larger. Again, the example we can look at is the

Shetlands, where a terminal would require about 2000 to 3000 people to construct. I imagine that any medium size terminal handling 10 to 20 million tons of oil a year could require 1000 people to construct it. So the problem of accomodating large numbers of men will probably come at the construction stage, rather than long-term operations.

MR. WARING: Are there any rough figures on overall employment directly associated with the offshore industries? What level has this reached now in Scotland?

MR. TRIMBLE: The current figure is about 25,000 people in those establishments which have been set up specifically to deal with the oil industry. There is a lot of employment with indigenous companies which were there prior to the arrival of the oil industry. I think these are things like engineering firms who have taken additional oil industry business and have had to hire extra people to meet the demand. The overall figure would be something like 35,000 to 45,000. I wouldn't expect it to be anything like this in Alaska.

MR. WARING: How have the national governments and the local governments reacted to the growth of the offshore industry? What is of special concern to us is how the smaller communities have reacted to the substantial changes in economics and lifestyles.

MR. TRIMBLE: The British government has been concerned about the development of offshore oil in parts of Scotland because some of the areas effected are very small, isolated areas with social ways of life which may be adversely effected by the arrival of the oil industry and large construction camps. On occasions they have diverted construction projects to other areas which they felt to be more suitable. Some of the local authorities have imposed particularly rigorous conditions on their developments in order to try and maintain there own way of life. The obvious example is the case of the Shetland Islands. Shetland is very similar to many of the communities in Alaska. It is remore, rural, with a total population of about 18,000 people. It is located 150 miles from the Scottish mainland. Its people have traditional independence. The Shetland Council has insisted that development on the Island be held to the absolute minimum. Any activities which are not absolutely required to be located on Shetland must be sent elsewhere -- to Aberdeen or somewner like that. Importantly, all developments must be grouped together to avoid unnecessary proliferation around the Shetland coastline. For example, the main function of Shetland is a trans-shipment terminal where oil comes in by pipelines. It's stored in tanks and passed through jetties into waiting tankers. This is one of the major activities which is going to occur in Alaska. Shetland has concentrated all of its trans-shipment activities in one site. That's Sullom Voe, north of the Shetlands. The companies are not being allowed to go elsewhere. If they don't want to come to Sullom Voe, then they can't go to Shetland at all. They have also taken rigorous control of the proliferation of supply bases. They've controlled that very sucessfully. In general, they try to limit the impact of the industry on Shetland. The long term job creation is probably only about 1000, which a place like the Shetlands can cope with successfully, even though there are problems at the construction stage when the labor force is always much larger.

MR. WARING: Has the oil industry been discouraged by the rather stringent planning requirements?

MR. TRIMBLE: It doesn't appear to have been at all.

MR. WARING: Can they accomodate themselves quite well to them?

MR. TRIMBLE: Very much so. It doesn't cost them that much and Shetland is the obvious place for them to go, under the circumstances. They just accept these sort of planning constraints. They have no choice. There is only one obvious site for them to use and the Shetlands are not insisting on anything unreasonable. The oil industry seems to react to this quite favorably.

MR. WARING: What sort of arrangements are made for providing local revenue to, say, the county government for providing services or housing expansion?

MR. TRIMBLE: A lot of these things are financed centrally by the British government and the Scottish Office: like roads, new airports, expansion of port facilities, and housing. These aren't financed entirely from central government, but they offer large grants, perhaps 75%. So, a lot of funding comes from outside. The Shetland government also has an unusual arrangement with the oil companies whereby it receives a certain amount of revenue on every ton of oil which passes through the Shetland Terminal. It gets a revenue of something like four or five million pounds a year coming directly from the oil companies. That is in addition to the normal property taxes that are levied on the terminal itself and on the port dues that the companies pay. It is an entirely separate thing.

MR. WARING: You've been here a few days, Niall, and have had a chance to learn some of what is going on in Alaska, what the reactions have been to the potential offshore development, and what the community situations are. Could you offer some recommendations to our State and to some of the communities as to how they might manage things to their own best advantage?

MR. TRIMBLE: I think the best advice you could offer to the communities of Alaska is not to underestimate the strength of your position. There are certain obvious sites for the oil industry to choose from for supply bases and terminals. The oil industry will take these sites come what may. The people living in parts of Alaska don't need to think that they have to surrender to the oil companies. They can impose quite strong conditions. Their position is very strong. They can dictate to the oil companies, not the other way around, because the oil companies have no choice. They have to go to the nearest position for supply bases and to the nearest land for pipeline land falls. The industry is forced to choose this so the position of a local community can really be quite strong. But you must try and prepare yourself, you mustn't assume that you can do nothing about it. You can impose strong planning conditions and try and make sure that the arrival of the industry is acceptable to the community. Another thing for the State government in general is to acquaint itself

with the modus operandi of the oil industry. How exactly do they operate? Have your own source of expertise, so when the oil industry makes requests of you, you know whether to turn them down or not, and what the effect is likely to be if you do turn these things down.

MR. WARING: Given the importance of the fishing industries in Alaska, have there been any particular problems or conflicts between the fishing industry and oil developments in the North Sea?

MR. TRIMBLE: There don't appear to have been many problems as far as I'm aware, though I'm not an expert in this field. There are two problems which could arise. First of all, labor loss from the fishing industry to the oil industry. I gather there have been several problems in Alaska before with the construction of the pipeline. With very high paid employment, people have left all sorts of jobs. This doesn't appear to have happened in Scotland as far as the fishing industry is concerned, partly because the fishing industry offers very high paid employment. This may be different in Alaska, where I gather fishing is not as well paid as oil company jobs. But it certainly doesn't appear to have been a problem in Scotland. The other possibility is pollution. Dumping of oil at sea could damage fishing grounds. Again, this doesn't appear to have been a problem so far. Another possible problem is the dumping of debris over the side of rigs and over platforms, which may get caught up in nets. The oil industry has made arrangements to compensate fishermen in the North Sea and I imagine some arrangements could be made here.

MR. WARING: Has the industry accepted, or do they have unlimited liability for damage they might do to fisheries through pollution or damage of equipment?

MR. TRIMBLE: I'm not quite sure what their position is. They certainly have a fund to pay for damaged nets. Obviously, if the damage to the net can be traced to a specific company, it is automatically liable under normal British law. If a net is damaged, and there is no obvious person to blame, then the industry has a general fund for compensation, though it's not very large.

MR. WARING: Before we come to a close, might there be any other points you'd like to call to our attention?

MR. TRIMBLE: Again, I think your strength with the oil companies is quite great, and there is not very much you can do that is going to turn them away. Communities all over the world are imposing more rigorous conditions and imposing high taxes. Don't feel constrained. Don't feel that you have to give them a particularly good deal because Alaska is a very attractive area for them. There are very good reserves here. It's quite possible that in the next 10 to 15 years Alaska could become the biggest oil producing state in the United States, and that is quite sufficient on its own to attract the oil companies here.

MR. WARING: Thank you very much Mr. Niall Trimble, from the University of Aberdeen, for a very informative, comparative point of view on offshore oil development and what it means for the communities in Alaska.

This project was supported, in part, by the Federal Coastal Zone Management Program Development funds (P.L. 92-583, Sec. 305) granted to the State of Alaska by the Office of Coastal Zone Management, National Oceanic and Atmospheric Administration, U.S. Department of Commerce.

TO: LISA

FROM: Jack Chenoweth

Coastal Energy Impact Assistance program -- initial determinations of assistance to states...

House C&RA Committee may want to hold hearings by way of "oversight" to determine, first, whether available federal assistance is adequate for coastal municipalities, and how the assistance is being made available to municipalities, as well as to determine whether a state program of assistance (HB 219) is necessary, and, if so, how it could be tailored...

Nautilus
1056 National Press Building
Washington, DC-20004



Coastal Zone Management

EDITOR
John R. Botzum

FIRST NEWSLETTER OF COASTAL RESOURCES DEVELOPMENT, CONSERVATION & ENHANCEMENT

Volume 8, Number 20, May 18, 1977

THE COASTAL ENERGY IMPACT PROGRAM PASSED A MILESTONE THIS WEEK with the announcement from Commerce Secretary Juanita Kreps of the first allotments of funds to the coastal states and territories. Some \$125 million is involved, including \$15 million in outright grants (\$3.5 million for planning, \$1.5 million for environmental grants, plus \$10 million in the so-called "formula" grants for past impacts), and \$110 million in the form of "credit assistance" -- loans and guarantees. The allotment will be turned into cash for the 30 states and three territories no later than next month, a source at the Office of Coastal Zone Management told CZM newsletter, when the first planning grants are awarded. The states have been drafting their applications for those funds with the help of OCZM personnel during a series of site visits. The first states to receive their planning funds will not be those with the largest allotments, according to CZM's source. He emphasized that "certainly" part of the \$3.5 million in planning monies will be awarded in June but indicated the bulk of the funds would be going out in July.

There is no further state review of the allotments announced this week. That process ended 4 May after a 45-day period in which the states had the opportunity to examine the data base OCZM had established for allocating the funds. An OCZM source noted that there had been "some questions" on the planning grants during the review process, so there may be a second look at just how these funds are allocated. There's a possibility another technical paper will be circulated among the states for comment during the next few months which would describe "alternative" ways of dealing with planning grants. The largest questions center around how OCZM should weight the impact of energy facilities on heavily populated areas in contrast to the impact on environmentally sensitive regions -- the difference between New York and Alaska, for example. The planning grants are allotted on the basis of all energy facilities in the planning stage for the coastal zone.

Asked if OCZM would change its allotments on the basis of any new outer continental shelf leasing schedule from the Dept. of the Interior, an OCZM source said the agency would not "go back and withdraw the money." Schedule changes would simply affect the next allotment of CEIP funds. (See page 3 for the latest OCS leasing schedule.)

There are few surprises in the allotments. Alaska takes the lion's share of the credit assistance program -- \$48.6 million of the total \$110 million available. Louisiana ranks second with \$19.4 million, while the mid-Atlantic sale group of states will share \$12.7 million (although the funds are impounded until current litigation is resolved). Texas is allotted \$4 million. The west coast situation looks like this: California is allotted \$6.6 million, Oregon, \$484,000, and Washington \$5.8 million. The Washington state impact is based mostly on the movement of oil from Alaska. Three states together account for almost \$1 million of the \$3.5 million in planning grants: Alaska, California and New York, each getting about \$350,000. Surprisingly, two Great Lakes states don't fare badly at all: both Michigan and Ohio will receive over \$250,000 in planning grants. Massachusetts on the other hand will get only \$65,000. The Gulf states together account for a little better than 10% of these grants. Alaska is allotted over 40% of the environmental grants (\$663,000 of the \$1.5 million available), while Louisiana runs a distant second, getting \$265,000. The mid-Atlantic sale group gets \$173,000. (Continued on next page)

INSIDE THIS ISSUE: How each state fared under the first CEIP allotment (p. 2)
... Andrus issues new OCS lease sale schedule (p. 3)... Johnston dominates first
mark-up session on S. 9 (p. 3)... New URI coastal center sets conference (p. 5)

ALLOTMENT OF FUNDS UNDER THE COASTAL ENERGY IMPACT PROGRAMPlanning Allotments

Alabama	\$ 25,548.47
Alaska	365,466.40
California	349,638.96
Connecticut	44,447.31
Delaware	56,045.14
Florida	161,350.92
Georgia	38,920.16
Hawaii	16,397.16
Illinois	28,315.79
Indiana	39,671.93
Louisiana	125,522.44
Maine	57,306.54
Maryland	181,235.26
Massachusetts	64,751.00
Michigan	246,304.73
Minnesota	15,909.09
Mississippi	45,446.39
New Jersey	252,702.13
New Hampshire	79,319.80
New York	334,624.07
North Carolina	21,716.17
Ohio	203,712.45
Oregon	30,930.48
Pennsylvania	23,590.91
Rhode Island	93,520.80
South Carolina	26,871.44
Texas	193,230.78
Virginia	83,223.88
Washington	175,227.48
Wisconsin	27,165.17
Virgin Islands	59,422.90
Guam	16,554.57
Puerto Rico	<u>15,909.09</u>

TOTAL \$ 3,499,999.99

Credit Assistance

Alabama	\$ 1,271,355.85
Alaska	48,612,973.45
California	6,605,743.00
Florida	94,452.96
Georgia	2,739,427.21
Louisiana	19,412,573.54
Maryland	3,539,591.82
Michigan	259,380.37
Mississippi	2,660,663.68
Oregon	484,460.32
Texas	4,078,925.80
Washington	5,781,743.50
Virgin Islands	1,794,200.20
* Mid-Atlantic Sale	<u>12,664,508.23</u>
TOTAL	\$ 110,000,000.00

Environmental Grants

Alabama	\$ 17,336.67
Alaska	662,974.18
California	90,078.31
Florida	1,277.99
Georgia	37,355.82
Louisiana	264,716.91
Maryland	48,267.16
Michigan	3,537.00
Mississippi	36,281.77
Oregon	6,606.27
Texas	55,621.71
Washington	78,841.95
Virgin Islands	24,466.36
* Mid-Atlantic Sale	<u>172,697.83</u>

TOTAL \$ 1,500,000.00

* These funds are impounded as a result of litigation arising from OCS Lease Sale 40. They will be allocated upon resolution of the litigation.

** A small portion of formula grants will be allotted after resolution of state boundary disputes.

Formula Grants

Alabama	23,114.00
Alaska	1,178,643.00
California	869,022.00
Florida	51,687.00
Louisiana	5,458,584.00
Mississippi	258,771.00
Texas	993,554.00
* Mid-Atlantic Sale	<u>1,010,723.00</u>

** TOTAL \$ 10,000,000.00

THE NEW SCHEDULE FOR THE SALE OF OCS LEASES WAS ISSUED 17MAY BY INTERIOR:

#47 Gulf of Mexico	Jun77	#49 Mid-Atlantic	Dec78
CI Cook Inlet, Alaska	Oct77	Beaufort Sea, Alaska	1979
#42 North Atlantic	Nov77	#46 Kodiak, Alaska	1979-80
#43 South Atlantic	Jan78	#48 So. California	1979-80
#45 Gulf of Mexico	Feb78	#54 S. Atlantic Blake Plateau	1979-80
Eastern Gulf of Mexico	Aug78	#53 General Pacific	In doubt
#51 Gulf of Mexico	Oct78		

The above schedule represents a general delay by Interior Secretary Cecil Andrus of two months in Gulf of Mexico sales originally scheduled in 1977 by former Secretary Thomas Kleppe, and four to six months in the Atlantic coast sales originally scheduled from Jun77 to Jun78. The Cook Inlet AK sale will go forward, but later than had been anticipated (CZM, 4May) -- not until Oct77. The Kodiak sale (originally Nov77), as well as the ones in southern California (originally Mar78) and on the Atlantic's Blake Plateau (originally Dec78), will be allowed to slip into the 1979-1980 period. Andrus said merely that they would be "considered for the planning schedule to be developed for the period through 1980." That schedule is due in August.

The Secretary practically ruled out a general Pacific sale when he said it "may be dropped from the planning schedule." Departmental planning activities for those sales which could occur in 1979 or 1980 "will continue." Andrus further emphasized his own flexibility: The schedule issued 17May and the one to be issued in August are, he said, "for planning purposes only." Specific dates for all the sales under discussion have yet to be fixed, and the Secretary added: "I will make decisions on whether to proceed with specific sales only after all the requirements of the Natl. Environmental Policy Act have been met and I have personally studied the comments of the governors of the affected states and others on all issues related to the sale." The Dept. of the Interior will in no way "be bound," he said "by a desire to achieve a schedule...."

The Secretary described the new program as having "twin thrusts" -- completion of development in known areas and a "steady exploration and development pattern in frontier areas." He recognized the "need to develop" U.S. oil and gas resources "as a part of the President's Natl. Energy Plan." But he also recognized the states' concerns for the impact of outer continental shelf development off their shores. Claiming that his leasing program would be different from that of the previous Administration, Andrus said he intended "to recognize fully the distinct social, economic, technological, cultural and environmental elements associated with each individual region and sale." He promised to work with the states "and others" to resolve key issues, and suggested that those issues can be resolved "by providing adequate time in the planning process." He said he believed that the department "will benefit from the advice of the coastal states and, in turn, the states may better understand the impacts they must plan for."

AESTHETICS TOOK ITS LUMPS ON THE FIRST DAY OF THE MARK-UP OF THE OCS BILL (S. 9) by the Senate's Energy Committee. Otherwise the session produced some heat among the members over the basic issues confronted in the Senate's version of the 1977 amendments to the Outer Continental Shelf, as well as some light on how those opposed to the bill intend to fight it. The whole session (two and one-half hours) was spent on amendments submitted by Sen. J. Bennett Johnston (D-LA). Some 27 amendments to the bill will be unopposed on the basis of agreements reached between the majority and minority staffs, but there seems to be an ample number of "opposed" amendments to keep the committee in mark-up sessions for several full working days at least.

The committee earnestly considered its future schedule of meetings in order to continue the mark-up as quickly as possible -- Chairman Henry Jackson (D-WA) emphasizing the need to meet at least two more days this week -- but it was decided today (18May) that the best the committee could do was to schedule a "tentative" mark-up session Friday (20May). So much

Exxon Man Belittles Oil Impact

Times Juneau Bureau
JUNEAU — Impact on the northern Gulf of Alaska communities where federal outer continental shelf oil development is to take place will be minimal, an oil company representative testified before the House Community and Regional Affairs Committee yesterday.

Most of the impact will be out of Anchorage, Monte Taylor, spokesman for Exxon Co. USA, said.

The committee is considering a bill sponsored by Rep. Charlie Parr, D-Fairbanks, which would require oil companies to pay a construction permit fee equal to the amount of impact their facility will have on state and municipal onshore services.

Parr, testifying earlier before the committee, said he read press reports which said Alaska would gain 95,000 people because of federal offshore leasing. He also based his support for the bill on a study on North Sea oil development.

Taylor, whose company bid \$49 million for 24 gulf tracts earlier this month, said it is not fair to compare the North Sea with Alaska because the North Sea was developed faster than any oil development planned in the U.S.

Taylor also said a final environmental impact statement on oil leasing in the state said that Alaska would gain only 95,000 persons if El Paso Natural Gas Co. constructs a trans-Alaska gas pipeline at the same time the lease development occurred.

This will not occur simultaneously, Taylor said, adding that the report also said El Paso would employ more people than oil development.

In Exxon's exploratory work in the Santa Barbara Channel off California only 50 persons were employed at the peak, Taylor said.

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When the firm begins construction work there, offshore and onshore, to prepare for production, 500 to 700 persons will be employed but that figure will drop to 50 to 100 persons after production begins, Taylor said.

Taylor also said his firm proposes to build a \$30 million facility onshore, which will cost the company \$1 million annually in taxes to Santa Barbara County. The impact on the county will be only \$15,000 to \$20,000 annually, he said.

Other oil company representatives are expected to testify against the bill when the committee continues its hearings next week.

Oil at Yakutat? March '77

Three Residents Have Their Say

To illustrate the impact offshore development has had and is having on the northeast Gulf village of Yakutat, AC&O's Grant Petersen talked with three of its residents.

Byron Mallott, 33, was recently named president of the Alaska Federation of Natives. Born and raised in Yakutat, he has served as city councilman and mayor, and was commissioner of community and regional affairs under former Governor William A. Egan. He serves on the board of Yak-tat Kwaan, the Native village corporation of Yakutat and is chairman of the Sealaska Native regional corporation. He also operates charter and commercial fishing businesses in Yakutat. Yakutat is the northernmost Tlingit village in Alaska. Fishing and related activities are the primary sources of income. In addition to oil-related employment, other significant income sources include state and federal jobs.

AC&O: 1976 was a big year for OCS operations in the northern Gulf of Alaska, with two exploration rigs (SEDCO 706 and Ocean Ranger) drilling in the fall and a third enroute when 1977 arrived. When was the impact of offshore development first felt in Yakutat?

MALLOTT: The first apparent activity began in the fall of 1974 when a consortium of three companies, Shell-ARCO-Mobil (SAM), purchased the old Ocean Cape cannery properties. They then contacted the city council. Yakutat is a first class city, has a number of governmental powers and exercises most of them. It's a pretty sophisticated village both in terms of leadership and the services it provides; it's not what most people

think of when they think of a typical Native village. The city had anticipated interest by oil business and earlier in the year contacted me for some assistance in my capacity as commissioner of community and regional affairs, and our department started assembling a planning assistance program for Yakutat. The council was contacted by real estate agents seeking to obtain rights to the tidelands that fronted the cannery. The previous owners didn't own the rights and thus couldn't transfer them to the oil companies. Communications between the SAM group and the city government continued through the winter and into 1975 as the companies outlined their plans.

In 1975 I resigned from the cabinet, returned to Yakutat and subsequently testified for the city at the Gulf of Alaska lease sale EIS hearings held in Anchorage. Immediately after the hearings the state contacted the city concerning its planning and zoning program.

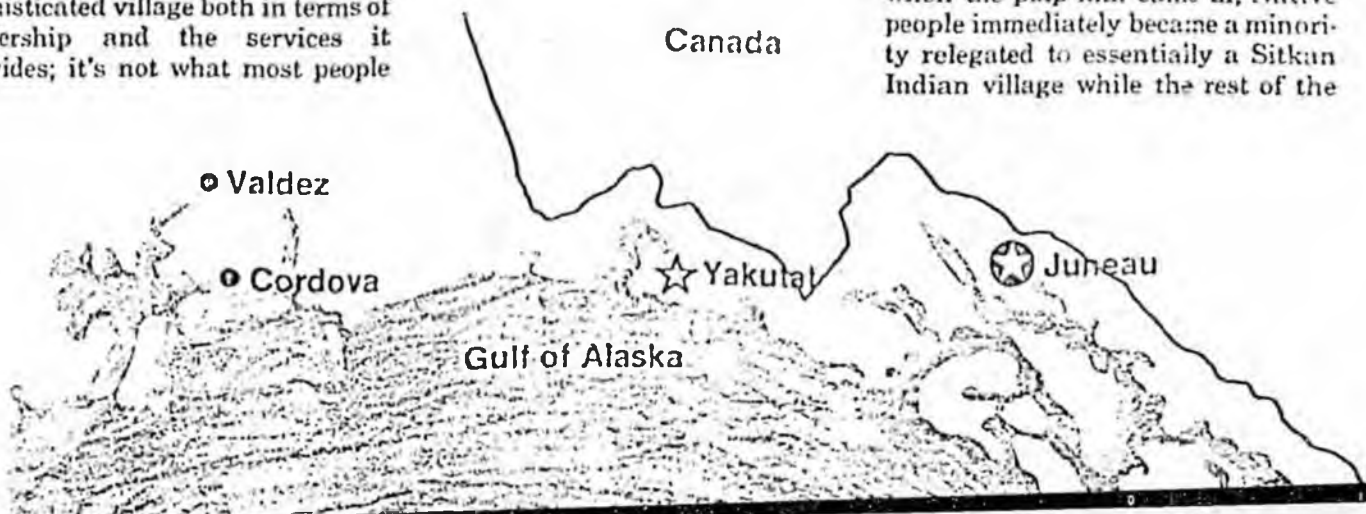
Shortly after my resignation and prior to the EIS hearings, I came to the AFN and asked them if they could assist us in dealing with the impact issue. I pointed out that the city was about to move into building a planning and zoning program from scratch in a relatively short period of time and asked if the AFN would help us fund an attitudinal study of the whole Yakutat area, to allow the city to get some sense of what local people really felt. We were inquiring not about OCS oil development but about growth and the future of Yakutat as a general proposition. They said they would and gave us a grant of \$15,000.

That survey revealed a number of things. It showed that local people are very concerned about OCS and what the potential for rapid growth meant to Yakutat. At the same time they were very concerned that Yakutat needed a much stronger economic base. It had suffered economically for years and years from the seasonal cycle of summer employment from fishing and winter welfare.

On the one side was the combination of wishing to maintain a small town lifestyle which translated for Native residents into wishing to maintain subsistence uses of natural resources and concern about what population increases would mean to everyone. You see it every year. In a short period of time, sport fishing bag limits on the nearby Situk River went from 12 to six to two salmon daily simply because of the increase in the number of people in sport fishing.

People are very concerned about that type of thing. A lot of people use sport fishing bag limits as part of their subsistence and subsistence permits were becoming much more complex to obtain. People were concerned that this would be the trend and that sooner or later they would be shut out, and they recognized that it all came from population growth; that in turn resulted in over-utilization of resources.

At the same time, local people in leadership roles also felt that they wanted to maintain a small-town lifestyle because of the political control that local residents have of smaller governmental institutions. Fresh in our minds were examples of what happened with rapid growth in Native places elsewhere. At Sitka when the pulp mill came in, Native people immediately became a minority relegated to essentially a Sitkan Indian village while the rest of the



prosperous city grew up around it without their having any economic or social participation. At Juneau, Ketchikan and Wrangell the same things happened; a major industry came and the Native people were left to live in what amounted to a Native slum. We didn't want that to happen in Yakutat. We didn't feel that the history of the development of the Alaska Native and the understanding of non-Natives in the terms of industry, in terms of their social habits had progressed to the point where this was not something to be concerned about.

But at the same time people were saying we want jobs. We're sick and tired of being poor. So we developed the survey so that we could try to get a more definite statement of the people's real wants. People were saying essentially those two things but beyond it they were saying "We think that if economic growth comes, we'd still have essentially a small town lifestyle even if Yakutat got up to 1,500 people, which would be doubling or tripling the size of the city; we could live with this."

While this was happening, the oil companies began preparation of the cannery site for additional service space. This was taking place while the city was protesting the use of that property for that purpose and asking the companies to wait until the planning and zoning program had been developed. They were advised that the property would not be zoned for industrial purposes. About the same time, the oil group purchased from the local Standard Oil distributor, a man named Israelson, some beach property on the other side of Monti Bay and began to develop this area also, thinking that with the existing connecting roadway they could use both sites.

At this point we had two types of impact, one economic and one psychological. The former was in terms of more employment. Green Construction, as the contractor, hired as many local people as they could. Thus it was normal summer construction impact that Yakutat had known for many years.

The greater impact was more in the area of expectation, anticipation that this was going to be something far larger than had ever happened here before. It produced a sense of concerned expectation, especially on the part of the city government, which took a substantial interest in what was happening.

AC&O: You mentioned the city was advising the companies while they were setting up their work pad that the zoning would likely be inconsistent with their plans for the area. How was this resolved?

MALLOTT: It was settled basically through the oil companies asking what the rules of the game were, our establishing the rules and the companies, the Kwaan and the city working within them. How we got to this point is important and considerably more complex. The outcome was an outgrowth of the relationship

between the Kwaan and the city, policy recommendations from several sources and by basic land use considerations.

We have about 350 shareholders in Yak-tat Kwaan and almost all of them reside in Yakutat. Recognizing that the corporation's shareholders comprised 90 percent of the residents of Yakutat in 1975, it was pretty likely that public policy and corporate policy wouldn't be too far apart.

I should also mention that at this time there was a pretty paranoid attitude based on a lot of rather scary information we were hearing. The



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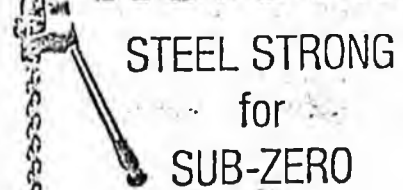
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EIS of course had to include a wide range of possibilities as to what OCS oil development might mean to Yakutat. Population impacts were projected to range from 1,000 to ten times that figure and the state was talking to us about major impacts over a relatively short period of time.

We had a lot of very conservation-oriented people riding us, calling us, saying "Give 'em hell." Major policy makers in state government were saying "You have (we think) if you choose to exercise it the capability of getting them out of Yakutat. All you have to do is say it, and do it." Other state officials were saying "You have the capability of achieving something different here, achieving what you want in terms of limited growth, building a strong local economy but at the same time avoiding the other kinds of difficulties." Still other advice from state circles said "You're going to get wiped out so you might as well roll over and play dead."

Along with the advice we also received a firm offer of support from the state, specifically from Governor Hammond and Commissioner of Natural Resources Guy Martin.

During this time we had been giving the oil companies a series of what were essentially ultimatums that said they weren't really wanted, nor was (their) rapid growth desired. We asked what they were going to do and got little response back because in view of this, they didn't know how they fit into the picture.

Their reply was essentially: "Hey. We want to be good neighbors. Give us the ground rules. We want to know what the rules are and we'll be glad to play the game."

We decided that we didn't want a confrontation with the industry, so we went to them and said there was no desire to do battle with them. Instead we said "If you'll agree to move out of the Ocean Cape property and won't fight us over it (and they had, with lawyers coming from Denver and Houston to the planning and zoning meetings to oppose the new ordinances), we'll try to put together a comparable package agreeable to us both."

The decision ultimately made did agree with the industry and with Yakutat, although others did not understand how we reached an agreement and some very much opposed what we were doing, in some cases for personal gain reasons.

As background to the agreement, in

the fall of 1974, when Yak-tat Kwaan had just begun its land selection, we were more concerned at that time with the selection of lands having significant timber value and with balancing that with lands having significant historical and cultural value to shareholders.

We chose those large blocks which obviously had no other value than commercial timber; we also selected all of the islands and as much shoreline as was possible to get ownership of as many salmon streams and camping areas as we could, since our history and culture is tied into use of the seashore.

In the meantime we'd been hearing something about this OCS business but weren't aware of the magnitude of things accompanying it. Then in the winter of 1975 when the city was gearing up its planning and zoning program, with Shell-ARCO-Mobil already on the ground, a number of other oil companies contacted us about the acquisition of Kwaan property. BP wanted to purchase property further away from the city on Yakutat Bay. Yak-tat Kwaan was then a brand new corporation and we'd just made our land selections; suddenly we're being hit by oil companies wanting our land. In addition we'd been approached by Pacific Alaska, who wanted to lease land on Monti Bay for the future siting of a liquefied natural gas plant.

While the Kwaan was building its land use policy statement, the city was designing its planning and zoning program. The latter also supported a major policy position made at the time by the Kwaan—no major developments on Yakutat Bay, other than on Monti Bay. We felt that for the benefit of our shareholders, for recreation use and for subsistence use, development on Yakutat Bay had to be limited. This coincided very closely with the city's thinking; at an early stage they had said they didn't want one oil firm to use the (facing) Ocean Cape and Israelson properties because other oil companies would seek similar sites and service spaces would be scattered around the Bay and all over Yakutat. The city said, "We want development to be located in an industrial area, a single integrated industrial park complex to which all users would have access."

Although they came from different directions, the Kwaan and the city were saying the same thing. The Kwaan wanted protection of recrea-

tion and subsistence resources in other parts of Yakutat Bay and preferred development confined to Monti Bay. The city said local residents should be protected by isolating development to a specific part of the area. Coming from different locations, the Kwaan and the city arrived at a pretty major policy decision on how they wanted it to happen and where.

Enter the state, which owned a significant hunk of nearby property—almost all of the land surrounding the Israelson property that SAM had purchased on the other side of Monti Bay.

In July 1976, the city and the Kwaan met with Governor Hammond and his cabinet with a proposition to exchange some land. To obtain the land around the Israelson property, the Kwaan and the city would offer land of comparable value further down Monti Bay. This arrangement would allow the corporation and the city to go to the oil companies with an alternative to their initial two-site location, an area that could be developed into a single integrated industrial park.

The governor agreed with the concept and the Kwaan and the city each

appointed several people to a negotiating group that worked with the state. The resulting land trade proposal was approved and the Kwaan obtained 70 acres surrounding the ARCO base.

This trade, incidentally, was done over fierce opposition. A number of local people and several developers essentially from Anchorage were trying to kill it, knowing it could stifle other speculative development opportunities in Yakutat, so it was over a number of "dead bodies" that the land trade was finally accomplished. It's significant to note that throughout this critical stage, we had a solid 80 percent of the Yakutat area residents supporting our efforts. One minority said "Development at any cost, bring it on, man, let's open up Yakutat and go!"

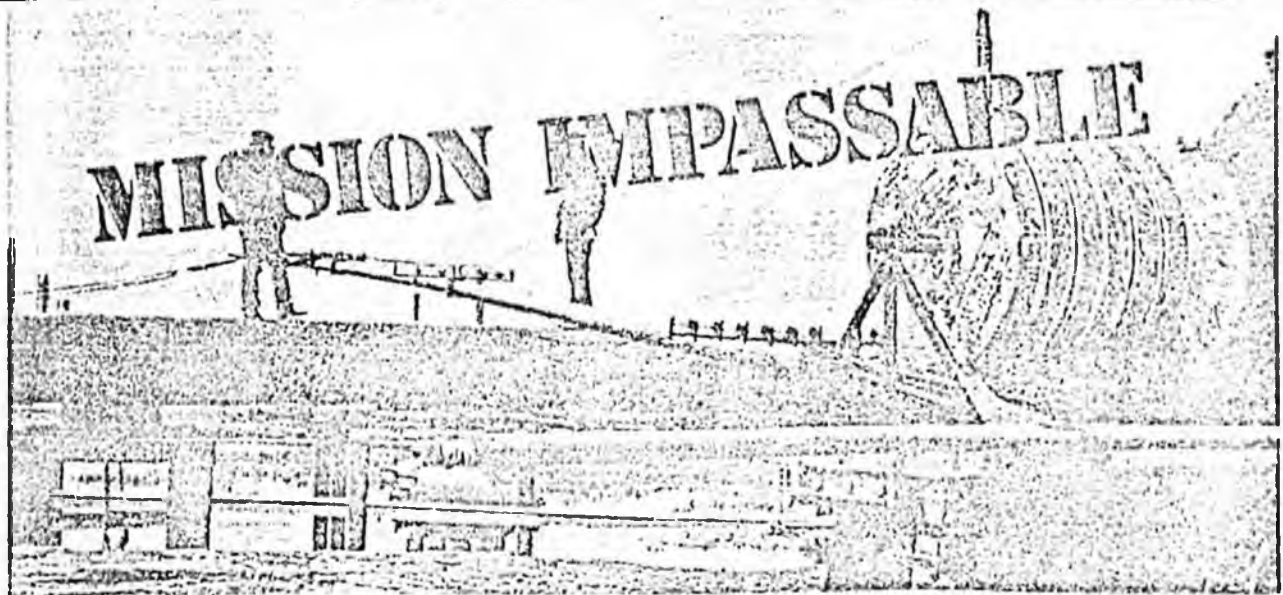
With the trade complete, one step remained before going back to the companies with an offer. The city as part of its planning and zoning and a look to future growth felt it needed to expand the municipal boundaries to take in the other side of Monti Bay, which was proposed for industrial use. The Kwaan, who owned most of the land, agreed with the city. In what is an unusual move for business, the

Kwaan urged the city to expand the city boundaries to take in this Kwaan land. Usually local businesses raise hell when local governments start to annex, but again, because Kwaan shareholders comprise the majority of city residents, they said bring the Kwaan land for industrial use into the city so there is some control over how things happen.

The local boundary commission approved it and by March 1976, the city boundaries were nearly quadrupled to include all the potential development in Monti Bay.

At the same time the city and the Kwaan came to an agreement on the tidelands. As part of the boundary expansion, the city agreed to include the tidelands fronting the Kwaan lands used for the industrial park. This gave the city additional local governmental leverage on what would happen in the park. This then set the stage for a return to negotiations with the oil companies.

The Ocean Cape area, on which work had already been done, was zoned non-industrial; the oil companies could have sought relief in the courts. To diminish that possibility, they were given an alternative. In essence they were told they couldn't



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operate there but were not going to be kicked out altogether. Instead we told them that we had 80 acres across the Bay and that we'd like to talk about putting together a joint venture for operating all of this. The results of that approach can be seen in a lease agreement we just signed with ARCO and Shell. The agreement provides for their operation of a 77-acre industrial park that will serve as a supply and operations base for petroleum activity in the Gulf.

A related transaction calls for the buy-back of half of the 21-acre Ocean Cape property by the Kwaan. The remainder is to be sold to the city in the near future.

AC&O: We've covered much of the early development-related decisions that were made and some of the background. What about the experiences of other communities in dealing with very similar problems? Were you able to use their experiences?

MALLOTT: As you noted earlier, several of us went to England, Norway and the Shetland Islands to see how things were being done in the North Sea and to learn how the people there had handled it. One of the lessons, a significant one, was learned from the Shetland Islands' Council. That council, in getting a special act through Parliament, got the powers of both a local government and a business corporation combined in a single entity. For example they could zone an area, tell a company wanting to establish there where it would locate, and, functioning as the same governmental unit, tell the company they (the council) would own 51 percent of whatever business goes in. Their powers were huge. They could exercise jurisdiction as far as three miles out, could even stop ships from coming into their waters. But the basis of their strength to deal with the oil industry there was the quasi-business powers given to the council. They could require part ownership in any business activity that took place in their area.

That was the essence of the governmental strength that the Shetlanders had, and it reinforced our beliefs that we were moving in the right direction by insisting on and designing in local control. We were two separate agencies; but through the close working relationship developed between the city of Yakutat and the Kwaan, we achieved

something close to the leadership strength of the council.

The other thing we observed over there that alleviated much of my personal uncertainties over offshore activity was the technological capabilities of the industry. This is not to say they didn't make mistakes; they did make them, a couple of which were financially very costly. The important thing was that they showed the capability to deal with their problems, and without placing the surrounding environment in jeopardy.

AC&O: The impacts of a business the size of the oil industry on a local economy are significant. This is especially true in the case of Yakutat, with a small population and an economy that has been based primarily upon the seasonal business of fishing. What are some changes you've observed in the area?

MALLOTT: Inflated property values were one, and the best example I can give is the oil companies' purchase of the Ocean Cape property. They paid over \$500,000 for property listed on the city assessor's books for \$170,000. This started an inflationary spiral. All of a sudden, property that in 1974 was selling for \$1,000 was selling for \$10,000 less than two years later; real estate agents from Anchorage were interested and were in Yakutat scouring the area for available property. A corporation that owned large mobile home parks throughout the state wanted to put in a 200-unit mobile home park in Yakutat. There were home builders who were interested in putting together a subdivision.

The city had been urged by its planners and state agencies to plan for this kind of impact, which could include a two- to 20-fold increase in population. The city refused and said they'd plan for what they considered to be sufficient services for local people and prepared instead for a maximum of 1,500, in terms of expansion of municipal services.

Their position was and is to stop at 1,500 and to make it tough for people to live here beyond that. The Kwaan cooperated by keeping a lid on speculative kinds of purchases by not allowing their area lands to be sold. That was one major early impact. The assessed valuation of properties more than doubled from 1974 to 1976.

In 1974 the total city budget was \$75,000; it was \$300,000 in 1976, largely as a result of increased demands for

city services. Legal fees increased significantly. While the city was working on the planning and zoning, it instructed its legal counsel to look at all existing ordinances to determine if they were sufficient to deal with potential OCS oil development. One of his principal responsibilities was to look at the city's financial ordinances to ascertain whether the city would be receiving its fair share. The instructions were not to rip off the oil industry but to draft ordinances to ensure that the city would receive sufficient revenues to meet required services. To meet the increase in city operating expenses, the 1975 city mill rate of 7.5 went to 20 mills in 1976.

The two percent sales tax was modified. There had been a segregation of funds within the sales tax which earmarked half the tax for a specific health and education process. To meet the operating budget, we had to change the ordinance to allow all the sales tax to go into the general fund.

The city school system (the local school district) was operating at maximum, so we needed a new elementary school. We went to Juneau and obtained state funding to build the school. It will be a \$2-million physical plant whose large operating costs will have to be picked up by local sources and that'll be a strain on the budget. The city now receives less than one-fourth of its total operating capital from local sources. All other revenues come from federal and state revenue-sharing, grant-in-aid programs and various kinds of contract services with the state and federal governments. These are some of the impacts.

To lessen them, particularly those involving property values, when we were negotiating for the buy-back of the old Ocean Cape property, we said we'd not contribute to furthering the inflationary spiral created by paying what ARCO and Shell paid for it. The oil companies said they recognized the fact that their activity was a cause, agreed to take a look at realistic property values and based the negotiations on that.

AC&O: Did you see any signs of people moving in, anticipating jobs with the industry?

MALLOTT: Nobody has moved into Yakutat just looking for employment. It didn't happen in '75 or '76. As a matter of fact, the FAA pulled some people out and it caused the school district to have fewer people. The

resulted in some problems because we count heads in order to get our money.

One thing the Kwaan did that greatly minimized some of the impact on the area was to obtain the old RCA "White Alice" communications site and convert it to a transient housing complex for oil workers involved in crew changes out of Yakutat. Yak-Tat Kwaan has operated the transient camp for about six months and by doing so alleviated potential crowding in the city's hotels and restaurants. ARCO in fact has provided financial support beyond its obligations to keep the camp going and thus hold down the effect of its crew rotations.

AC&O: There are some obvious pluses to the industry's arrival in Yakutat.

MALLOTT: Several. We now have one of the best airports in the state. Before it didn't have all the aircraft navigational facilities that other airports had. It was largely the advent of increased air traffic from OCS that caused the FAA to install a full instrument landing system in 1975. Alaska Airlines, looking at increased traffic, has constructed a new terminal. The Evergreen and Era chopper outfits have built hangars. Essentially all of

the impacts with the exception of the ones mentioned, have been positive.

In the area of employment, we worked very hard, both the city and the Kwaan, with the oil companies to get them to hire locally; they agreed, sought qualified people and hired them. We had local people working on the construction of the on-shore operations base. When it became operational, a majority of the 40 workers were local people, half of which were Kwaan shareholders.

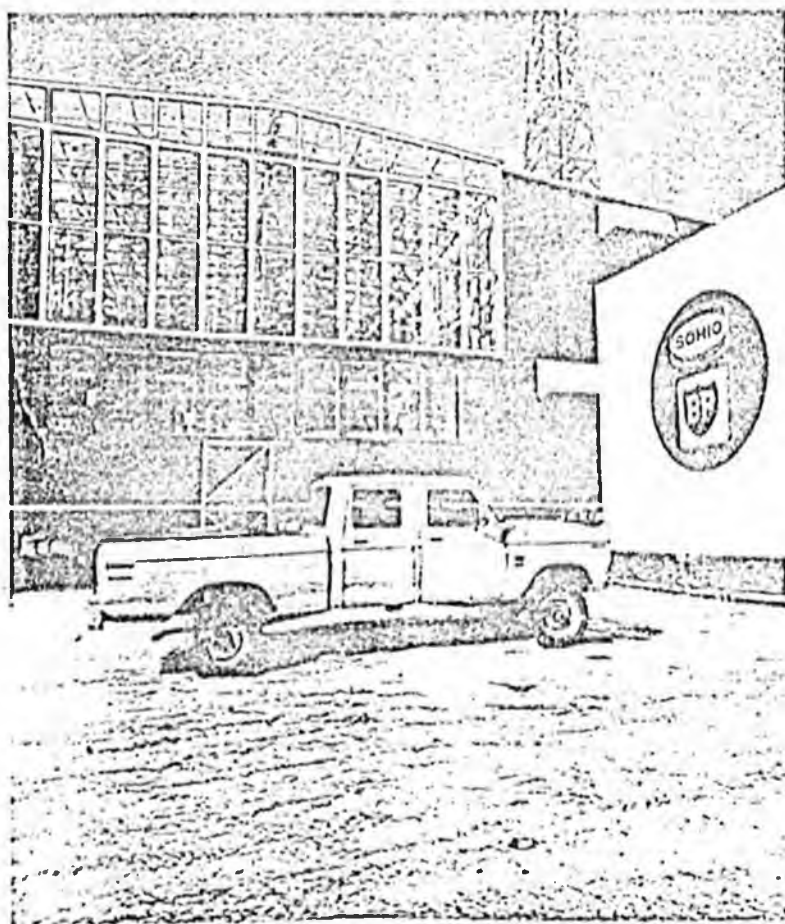
That amounts to a \$200,000 a month payroll. This has had great impact on the health of our people. They now have the money to get medical and dental care that before was out of their reach. Some people are traveling outside of Yakutat for the first time in their lives. The impact has been very positive.

Incidentally, while on the subject of employment, part of a lease agreement signed by ARCO and Shell for the industrial area includes provisions for training and hiring Kwaan shareholders and members of their families, as well as keeping to a minimum the number of new families the industry moves into the area.

AC&O: Much of what we've discuss-

ed concerns consensus feelings and thoughts of Yakutat's people. As one who is obviously very concerned about the city's future, what are your feelings about offshore development in the northeast Gulf and throughout the state.

MALLOTT: The industry is far ahead of any of the governmental institutions in terms of preparedness for offshore development. As a result, we should proceed slowly until the governing agencies are capable of dealing with even potential impacts. I think the federal "Project Independence" development schedule amounts to insanity, and is based upon no sense of reality. I'm not saying I oppose offshore development, but even if we develop all the oil resources available to the United States, we're looking at a very limited supply. They are not sufficient to allow us to not be dependent upon other sources. Members of the government and the industry are ignoring this to justify speeding up oil development. We'll never be independent of other sources; I think we need to accept this and slow down the schedule. The industry has the



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