

ALASKA LEGISLATURE COMMITTEE FILES 1901 1902 1907 2

1941

SRES

SB 881

-

SB 889

1941

Senate Resources Committee

April 7, 1982

Page 2

Tim Wallis, President, Doyon, explained that their financing is contingent on getting rid of the return oil. A contract to this effect needs to be negotiated, and a search for an equity partner completed. He stated that a 6-month period would be "comfortable" for meeting these goals.

Senator Mulcahy moved that Doyon be given until September 1, 1982 to obtain financing, while maintaining all other essential elements.

Senator Mulcahy moved CSSB 880 with individual recommendations.

The meeting was adjourned at 4:00 p.m.

STATE OF ALASKA

**DEPARTMENT OF COMMERCE &
ECONOMIC DEVELOPMENT**
ROYALTY OIL AND GAS ADVISORY BOARD

JAY S. HAMMOND, GOVERNOR

4/6/82

620 E. 10TH AVENUE
SUITE 203
ANCHORAGE, ALASKA 99501
PHONE: (907) ~~372-9574~~ 276-7979

April 2, 1982

Senator Jalmar M. Kerttula
President of the Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

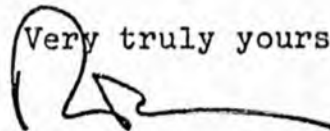
Dear Mr. President:

In accordance with AS 38.06, the Alaska Royalty Oil and Gas Development Advisory Board is required to examine proposed sales of royalty oil or gas and prepare a written recommendation to the Legislature that it approve or disapprove a proposed sale.

Forwarded herewith is the Board Resolution 82-1 relating to the "Agreement for the Sale and Purchase of Royalty Oil" between the State of Alaska and Tesoro Alaska Petroleum Company dated February 26, 1982. The Board has recommended that this sale be approved by the Alaska State Legislature.

Also forwarded herewith is the Board Resolution 82-2 relating to the "Agreement for the Sale and Purchase of Royalty Oil" between the State of Alaska and Doyon, Ltd., dated February 26, 1982. The Board has recommended that this sale be disapproved by the Alaska State Legislature.

Very truly yours,



Richard A. Lyon
Chairman

cc: Senator Bettye M. Fahrenkamp

Enclosures

ALASKA ROYALTY OIL AND GAS DEVELOPMENT ADVISORY BOARD

Resolution 62-1

WHEREAS, the State of Alaska, through the Commissioner of the Alaska Department of Natural Resources, and the Tesoro Alaska Petroleum Company have entered into an "Agreement for the Sale and Purchase of Royalty Oil" dated the 26th day of February 1982; and

WHEREAS, in accordance with AS 38.06.055(a) ". . . the Commissioner of Natural Resources may not enter into a sale, exchange, or other disposition of oil or gas or of the rights or waiver of the rights to receive future production of royalty oil or gas under AS 38.05.183 without the prior approval of the Legislature. . ."; and

WHEREAS, according to AS 38.06.055(a), ". . . a sale, exchange encumbrance, or other disposition of oil or gas or of the rights or waiver of the rights to receive future production of royalty oil or gas may not be made by the commissioner of natural resources under AS 38.05.183 without prior review of the proposed sale, exchange, encumbrance or other disposition by the board. A written recommendation of the board on the proposed sale, exchange, encumbrance or other disposition of oil or gas or of the rights or waiver of the rights to receive future production of royalty oil or gas shall be submitted to the legislature at the time a resolution approving the proposed sale, exchange, encumbrance or other disposition is introduced in the legislature"; and

WHEREAS, in accordance with AS 38.06.040(a), the board shall

- (2) "hold public hearings on proposed sales, exchanges, or other disposals of royalty oil or gas to determine whether the proposals comply with AS 38.06.070;
- (3) examine proposed sales, exchanges or other disposal of, and

recommend to the legislature that it approve or disapprove a proposed sale, exchange or other disposal of

(A) the oil or gas that is obtained by the state as royalty under AS 38.05.182; or

(B) the rights to receive future oil or gas production under state leases"; and

WHEREAS, the board did, on February 26, 1982, meet and receive from the commissioner of natural resources the above mentioned agreement with Tesoro as well as a document entitled "Review of Alaska Royalty Oil Policy and Findings on Proposed Disposal of State Royalty Oil" dated February 26, 1982 and the board did act and call public hearings, in accordance with the regulations outlined 3 AAC 56, in Anchorage on March 15, 1982 and Fairbanks on March 16, 1982 and received no public comment pertinent to this agreement; and

WHEREAS, in accordance with AS 38.06 and AS 38.05, the commissioner of natural resources is required to submit to the board, in writing, certain Findings or Determinations relating to the disposal of oil and gas royalty interests and the board has received the required Findings and Determinations; and

WHEREAS, the board members had the opportunity to review the agreement, related Findings and Determinations and Public Testimony during the period February 26, 1982 until March 25, 1982; and

WHEREAS, the board did, on March 25, 1982, meet to discuss the agreement, related Findings and Determination, and Public Testimony to insure that this disposal is in accordance with the statutory purpose and criteria set forth in AS 38.06 as well as

the board's "Basic Principles and Policies" as outlined in the board's development plan, and

THEREFORE, the board finds as follows:

1. that the commissioner of natural resources has followed the board policies and applicable statutes and regulations relating to the disposal of oil and gas royalty interests.
2. that the board agrees that the sale of the royalty oil interests to Tesoro-Alaska Petroleum Company as per the agreement is in the best interest of the state because
 - (a) the oil is to be refined or processed or traded for other oil to be processed in the existing Tesoro refinery near Kenai, Alaska.
 - (b) Tesoro-Alaska is an in-state refiner who supplies products to the Alaska market with price or supply benefits to state citizens.
 - (c) the price the state will receive for this royalty interest appears to be substantially equivalent to or greater than the price the state would receive by taking this royalty in-value.
 - (d) that Tesoro-Alaska is a highly qualified company who has been operating its refinery to produce products for the Alaska market for over 12 years.
 - (e) that adequate security provisions have been included in the agreement.
 - (f) that this agreement is consistent with the criteria outlined in AS 38.06.070.

AND THEREFORE BE IT RESOLVED THAT the Alaska Royalty Oil and Gas Development Advisory Board recommends to the Twelfth Alaska

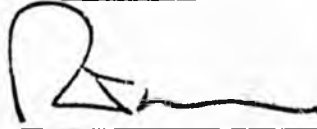
Legislature that the "Agreement for the Sale and Purchase of Royalty Oil" between the State of Alaska and Tesoro Alaska Petroleum Company, dated February 26, 1982 be APPROVED.

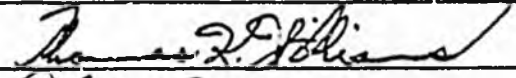
Board Member Charles P. WEBBER moved the adoption of the Resolution. Board Member Don TEPPER seconded.

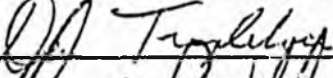
The vote was as follows:

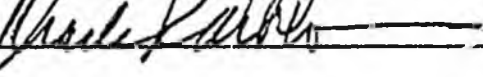
APPROVE

DISAPPROVE









Adopted this 25th day of March 1982.



R.A. Lyon

Chairman

LEGISLATION SUMMARY

SB 881: "An Act relating to the sale of royalty oil by the State of Alaska to the Tesoro Alaska Petroleum Company; and providing for an effective date."

Sec. 1: Approves and ratifies the Tesoro Alaska Petroleum Company Alaska royalty oil contract.

Sec. 2: Immediate effective date.

PRIME SPONSOR: Rules (Governor's request)

4/7
53881

AGREEMENT FOR THE SALE AND
PURCHASE OF ROYALTY OIL

THIS AGREEMENT entered into as of the 26 day of February, 1982, by and between the STATE OF ALASKA ("Seller") and TESORO ALASKA PETROLEUM COMPANY, an Alaskan corporation ("Purchaser"),

ARTICLE I
DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

1.1 "Commissioner" means the Commissioner of the Alaska Department of Natural Resources.

1.2 "Day" means a period of twenty-four (24) consecutive hours beginning at 12:01 a.m., Alaska Standard Time.

1.3 "Leases" means the oil and gas leases which are subject to the terms of the Unit Agreement.

1.4 "Lessee" means any person owning a working interest in any of the Leases.

1.5 "Month" means the period beginning at 12:01 a.m., Alaska Standard Time, on the first day of the calendar month and ending at the same time on the first day of the next succeeding calendar month.

1.6 "Oil" or "crude oil" shall have the same meaning as the word "oil" under the Unit Agreement.

1.7 "Point of Delivery" shall have the meaning set out in Article 2.4.

1.8 "Royalty Oil" means the oil which the Seller may take in-kind (amount) as its royalty under the Leases whether or not Seller has elected to take or is taking that royalty in in-kind.

1.9 "Daily Royalty Oil" means the quantity of Royalty Oil produced by the Lessees each day.

1.10 "Unit Agreement" means the Prudhoe Bay Unit Agreement effective April 1, 1977, by and between Seller and the Lessees, as it may be amended from time to time.

ARTICLE II

SALE OF ROYALTY OIL

2.1 Quantity. Seller agrees to sell to Purchaser and Purchaser agrees to buy from Seller up to that quantity of oil equal to 24.533% of the Daily Royalty Oil less Cook Inlet Royalty ("Maximum Quantity"). "Cook Inlet Royalty" means that daily volume of oil expected to be sold to Purchaser by Seller during the month of July in each calendar year under the agreement entitled "Agreement for the Sale and Purchase of State of Alaska Royalty Oil" entered into on January 31, 1969 and extended on March 8, 1977 and again February 24, 1978 and any renewals or extensions thereof or any new contract between Seller and Purchaser for the purchase and sale of crude oil produced from the Cook Inlet of Alaska. The determination of Cook Inlet Royalty shall be made no later than thirty (30) days

prior to the beginning of each calendar year. Upon at least nine (9) months written notice to Seller, Purchaser may increase or decrease the amount of oil to be tendered by Seller at the Point of Delivery, but the amount tendered by Seller under this Agreement shall not exceed the Maximum Quantity. It is understood and agreed that the volume of Daily Royalty Oil available to Seller will vary and may be interrupted from time-to-time, and depends upon a variety of factors, including the rate of production from the Leases. Seller disclaims and Purchaser waives any representation, covenant or warranty, express or implied, as to the specific quantity or the total or daily, monthly, average, or aggregate volume of Royalty Oil to be sold or tendered under this Agreement. Seller warrants that it has good title to the oil tendered under this Agreement. Seller shall hold the Purchaser harmless from all liens, encumbrances and valid adverse claims that may affect the Royalty Oil at the time the Royalty Oil is tendered to the Purchaser.

If Purchaser has not taken the Maximum Quantity of oil within five (5) years after the effective date of this Agreement, Seller, at its option, may permanently decrease the Maximum Quantity to the lesser of: (1) the greatest percentage of Daily Royalty Oil tendered by Seller within that five-year period, or (2) the maximum amount of oil that can be processed at Purchaser's refinery located at Kenai, Alaska. Purchaser may permanently decrease the Maximum

Quantity or terminate this Agreement upon nine (9) months written notice to Seller.

If Seller underlifts or stores Royalty Oil at Prudhoe Bay, or if Seller recovers underlifted or stored Royalty Oil, the quantity of Royalty Oil tendered under this Agreement shall be calculated as if no Royalty Oil was underlifted or stored or recovered.

2.2 Quality. The Royalty Oil sold shall be the same quality as the oil delivered by the Lessees to the Seller at the Point of Delivery. It is understood and agreed that the quality of the Royalty Oil sold may vary from time to time. Seller disclaims, and Purchaser waives, any guarantee, representation, or warranty, either expressed or implied, of the merchantability, fitness for use, or suitability for any particular use or purpose, or otherwise, of any of the oil delivered under this Agreement or as to any specific, average or overall quality or characteristic of Royalty Oil to be sold or tendered under this Agreement.

2.3 Price of the Royalty Oil. The price for the oil tendered under this Agreement shall be equal to the amount that Seller would have received from its Lessees for the Royalty Oil tendered if that royalty had been payable in money (taken in value) rather than taken in kind, plus the Field Cost Allowance incurred by that oil as determined under the Prudhoe Bay Royalty Settlement Agreement (dated April 1, 1980 for reference purposes only), which was entered as part of a final judgment dated August 13, 1980 in

State of Alaska, et al. v. Amerada Hess Corp., et al.,
(Superior Court for the State of Alaska, First Judicial
District at Juneau)("Amerada Hess")("Settlement Agree-
ment")("Purchase Price"). The Purchase Price shall be
determined by Seller based upon the reports submitted by the
Lessees for royalty purposes or, when those reports are
unavailable, incomplete, or inaccurate, upon information
submitted by the Lessees for production tax or other tax
purposes, as may be adjusted from time to time as provided
in this Agreement. Buyer will only be entitled to review or
request material or information which is not confidential
under state law or regulation.

The method, basis and amount of royalty due Seller
when it takes its royalty in value from the Leases is
presently the subject of litigation in Amerada Hess. One of
the issues involved is the proper method to be used by the
Lessees in calculating the state's royalty when that royalty
is payable in money (in value). Until there is a resolution
of that dispute through judicial resolution or settlement,
the Purchase Price will be based upon the calculation of an
amount per barrel equal to the per barrel volume weighted
average of the in-value prices reported by the Lessees to
Seller for royalty purposes or, when the royalty reports are
unavailable, incomplete, or inaccurate, upon information
submitted by the Lessees for production tax or other tax
purposes, plus the Field Cost Allowance as determined under
the Settlement Agreement. Upon resolution of each of the

various issues that are or will be involved in Amerada Hess, adjustments will be made to previous payments in accordance with each resolution. If additional amounts are owed by Purchaser to Seller, interest on those amounts will be paid at a variable interest rate which is the higher of: (1) the prime rate as may be announced from time to time by The Bank of America, San Francisco, California plus three per cent (3%); or (2) the rate of return as is realized from time to time in the investment of the State of Alaska's general fund. Amounts owed from Seller to Purchaser shall be repaid at the rate set out in Article 5.6. Buyer will not voluntarily intervene or otherwise participate in Amerada Hess unless Seller expressly consents to that participation in writing. A settlement of Amerada Hess will be binding upon Buyer whether or not Buyer agrees with or consents to the terms of that settlement.

If any applicable law of the United States of America or any rule or regulation promulgated by a federal agency will, in the judgment of Seller, operate to prohibit or prevent Seller from receiving the full amount due under the above provisions, Buyer's obligation to pay the amount of the Purchase Price in excess of the amount permitted will be suspended or adjusted to the minimum extent required for Seller to comply with that law, rule or regulation.

2.4 Point and Time of Delivery. Simultaneous with receipt of its Royalty Oil from its Lessees, Seller shall tender the oil to Purchaser at the point at which Seller

receives the Royalty Oil from its Lessees. That point as presently agreed to by Seller and its Lessees in Article 2.3 of the Settlement Agreement is the custody transfer meters into the Trans Alaska Pipeline System at Prudhoe Bay.

2.5 Passage of Title and Risk of Loss. Title and risk of loss to the Royalty Oil sold under this Agreement shall pass from Seller to Purchaser for all purposes when Seller tenders the oil at the Point of Delivery.

2.6 Purchaser's Responsibility. Purchaser shall be responsible for the oil after passage of title. Purchaser will indemnify and hold Seller harmless from and against any and all claims, costs, damages (including reasonably foreseeable consequential damages), expenses or causes of action as a result of any loss, injury, or damage incurred by any party as a result of any transaction or event which relates to the crude oil after title has passed to Purchaser.

2.7 Transportation Arrangements. Purchaser shall make all necessary arrangements for transporting the oil sold under this Agreement from Point of Delivery, including satisfaction of line obligations and storage tank bottom requirements of the Trans Alaska Pipeline System, if any. If and as requested by the Seller, and at the time or times requested by Seller, Purchaser shall submit specific information concerning the arrangement it has made for transportation of the Royalty Oil sold under this Agreement through and away from the Trans Alaska

Pipeline System and for the resale or other disposal of the Royalty Oil. Such information may include the specific tenders of oil made to the Trans Alaska Pipeline System and identification of tankers which will transport the Royalty Oil. In addition, Purchaser will provide Seller, if and as requested by Seller, with satisfactory evidence or reasonable assurance of the existence and continuing validity of adequate arrangements for the transportation or disposal of the Royalty Oil subject to this Agreement. Failure to provide information, evidence or assurances requested will, at Seller's election by notice to Purchaser, be a material default under this Agreement.

2.8 Absolute Obligations. The obligations of Purchaser to accept, pay for, and arrange for the transportation of the Royalty Oil tendered or sold under this Agreement are absolute and will not be excused or discharged by the operation of any disability of Purchaser, event of force majeure, impracticability of performance, change in conditions, or any other reason or cause.

2.9 Date of First Delivery. On January 1, 1983, or seven months after statutory approval as set forth in Article VI, whichever is later, Seller will tender to Purchaser at the Point of Delivery the Maximum Quantity unless Purchaser, under the provisions of Article 2.1, decrease the amount of Royalty Oil to be tendered.

2.10 Performance Guaranty and Reservation Fee. If Purchaser does not take the Maximum Quantity on the Date of

First Delivery, Purchaser shall pay to Seller, in addition to the Purchase Price, an amount equal to 1.25% of the Purchase Price per barrel per day on the difference between the Maximum Quantity and the actual quantity tendered to and accepted by Purchaser ("Actual Quantity") for each day Purchaser does not take the Maximum Quantity on and after the Date of First Delivery. The payment of this fee shall end on the day that Purchaser accepts delivery of the Maximum Quantity. When Purchaser accepts the Maximum Quantity, all of the amounts paid under this Article 2.12 will be allowed to be credited against future payments for oil tendered under this Agreement except for an amount to be retained by Seller equal to .75% of the Purchase Price per barrel per day on the difference between the Maximum Quantity and the Actual Quantity for each day Purchaser did not take the Maximum Quantity on and after the Date of First Delivery. If Purchaser should hereafter decrease the amount of Royalty Oil to be tendered under this Agreement, Purchaser shall pay to Seller, in addition to the Purchase Price, an amount equal to .75% of the Purchase Price per barrel per day after the date that the decrease in the amount of Royalty Oil to be tendered by Seller takes effect on the difference between the Maximum Quantity and the Actual Quantity.

2.11 In-state Processing. Purchaser agrees that any and all of the Royalty Oil tendered under this Agreement shall be processed through Purchaser's refinery near Kenai,

Alaska, or shall be exchanged for other crude oil which shall be processed at that refinery. "Process" means producing oil products in significant quantities, but which quantities may be less than 32% of the volume of Royalty Oil tendered under this Agreement. "Exchange" means: (1) direct trades of equal volumes of crude oil; (2) trades of crude oil involving either cash or volume adjustments, or both, provided that those adjustments relate solely to quality or location differences; (3) sequential transactions in which Purchaser receives back crude oil from a party other than the party which receives the Royalty Oil in a trade from Purchaser; or (4) matching purchases and sales of crude oil. The terms under which Purchaser receives crude oil in any exchange shall not differ in any significant term from the terms under which Purchaser delivered Royalty Oil except for terms which adjust for differences in quality and location. Purchaser agrees that any trade or exchange shall not reduce the price to be paid to Seller and that trades or exchanges shall be at no cost or expense to Seller.

Purchaser's obligation to process Royalty Oil or exchanged oil in-state may only be suspended or excused under the provisions of Articles VIII and XI.

Seller may, at its option, waive the in-state processing requirement in whole or in part, if Seller is satisfied that Purchaser is using its best efforts to process the Royalty Oil tendered or the oil exchanged for Royalty Oil tendered under this Agreement at Purchaser's

refinery and that the waiver would not be contrary to the underlying intent of the other provisions of this Agreement.

2.12 Best Efforts. Purchaser agrees to use its best efforts to produce and market in Alaska an amount of crude oil products not less in volume than 32 percent of the Royalty Oil tendered under this Agreement. "Crude oil products" does not include residual fuel oil exported from Alaska unless the Commissioner, in his sole discretion, otherwise agrees, but does include bunker fuel loaded in Alaska. Purchaser also agrees to use its best efforts to nominate no more than that amount of Royalty Oil that will be necessary to produce and market crude oil products not less in volume than 32 percent of the Royalty Oil that will be tendered under this Agreement. On or before the 20th day after the end of each month of the term of this Agreement, the Purchaser shall provide to the Seller an affidavit certified by the Purchaser stating the quantity of crude oil products produced and marketed in the State of Alaska from in-state processing of the Daily Royalty Oil tendered under this Agreement.

A determination of "best efforts" under this Article shall include consideration of Purchaser's capabilities and the surrounding business circumstances. Purchaser's obligation to use its best efforts include reasonable, diligent, and good faith efforts, but shall not require Purchaser to produce and market crude oil products in Alaska at a loss. "Best efforts" would, however, require

Purchaser to produce and market products in Alaska even though Purchaser could make a greater profit by another disposition of the Royalty Oil or the products refined from that oil.

2.13 Future Dispositions of Royalty Oil. Seller recognizes that AS 38.05.183, which governs disposition of Royalty Oil by the State of Alaska, establishes a statutory preference for dispositions proposing (1) in-state processing of Royalty Oil and (2) in-state supply of products generated from processing of Royalty Oil, in that order. Seller represents that, in conjunction with future dispositions of Royalty Oil, Purchaser will be afforded the consideration contemplated by AS 38.05.183.

ARTICLE III

REPRESENTATION AND OBLIGATIONS OF PURCHASER

Purchaser warrants, represents, and agrees:

3.1 Good Standing and Due Authorization. Purchaser is, and at all times during the operation of this Agreement shall remain, a corporation qualified to do business in, and in good standing with, the State of Alaska. Purchaser has all necessary corporate power to enter into this Agreement and to perform its covenants and obligations under this Agreement. All necessary corporate action has been taken to authorize Purchaser's entering into this Agreement and performing its covenants and obligations under this Agreement.

3.2 Financial Condition. The financial information submitted to Seller is complete and correct and fairly presents Purchaser's financial condition at the time the information was submitted to Seller. The financial information was prepared in accordance with generally accepted accounting principles consistently applied. Since the date the information was submitted, the condition, business and properties of Purchaser have not been materially adversely affected in any way. Purchaser agrees to inform Seller immediately if during the term of this Agreement there is any material adverse change in the condition, business, or properties of Purchaser which would have an appreciable adverse effect on Purchaser's performance under this Agreement. Purchaser, in addition, will immediately inform Seller of any significant change in ownership of either the Purchaser or any of its affiliates or parent company, and of any change in Purchaser's operations or agreements which would appreciably affect Purchaser's performance under this Agreement.

3.3 Financial Statements. As soon as possible after the end of each fiscal year of Purchaser, and in any event within 120 days thereafter, Purchaser will furnish to Seller, at Purchaser's sole cost and expense, complete financial statements in the form filed with the Securities and Exchange Commission.

3.4 Expansion/Modification. Purchaser agrees, for so long as Purchaser, in its sole judgement, determines that

an expansion or modification of its in-state refining capacity is potentially viable for Purchaser, to conduct feasibility studies concerning the expansion or modification of its in-state refining capacity, including analysis of the various options for producing refined products and by-products, including petroleum coke. Purchaser shall report to Seller annually on the status of such studies.

3.5 Option to Purchase Resid. Subject to Purchaser's existing contracts, Purchaser grants to Seller an option to purchase all, or any quantity, of the residual oil ("resid") produced or refined from the Royalty Oil sold hereunder or the oil exchanged for the Royalty Oil. Seller shall exercise this option by giving Purchaser written notice nine (9) months in advance of purchase by Seller. The notice shall specify the quantity Seller will purchase. Thereafter Seller may increase, decrease, or terminate the quantity of resid by giving written notice nine (9) months in advance, and Seller may again, subject to Purchaser's existing contracts, commence purchases after having terminated such purchase by giving written notice nine (9) months in advance of Seller's purchase. Seller shall take the resid for a period of at least nine (9) months unless the Royalty Oil is run in Purchaser's refinery for a period of less than nine (9) months. In that case, Seller shall be obligated to purchase resid only for that shorter period of time.

This option shall remain in effect for the term of this Agreement. Failure to exercise this option for any period of time shall not affect Seller's right to exercise the option at a later time. This option, in whole or in part and for any term, shall be freely assignable by Seller and such assignment shall release Seller from all obligations to receive or pay for the resid sold under this option; provided, however, that Purchaser shall have the right to demand of an assignee of Seller reasonable security for the resid sold to that assignee. If authorized in an assignment by Seller, an assignee shall have the further right freely to assign that option, however, that assignment shall not release that assignee (or any subsequent assignee) of any responsibilities or liabilities to Purchaser unless agreed to by Purchaser in writing.

Seller shall pay the same price for resid as the highest price the Purchaser is offered for the same product from any other bona fide buyer of the resid. In the event Purchaser has no similar offer to buy from a bona fide buyer, the price shall be Purchaser's posted price for a like grade of resid in effect on date of loading at its Kenai, Alaska, refinery, provided, however, that at no time shall the price be more than the cost of the Royalty Oil purchased hereunder plus actual transportation cost to Kenai, Alaska. Purchaser shall have the right to supply a comparable or better quality of resid from any source, domestic or foreign, so long as the laid-in cost of the

resid at Seller's intended destination does not exceed the laid-in cost based upon Seller purchasing the resid at Kenai, Alaska.

3.6 Petroleum Coke. Purchaser agrees that if it modifies or expands its refinery at Kenai, Alaska so that the refinery is able to produce and handle petroleum coke, Purchaser will at that time enter into good faith negotiations with Seller for an option to purchase that petroleum coke.

ARTICLE IV

MEASUREMENTS AND TESTS

4.1 Measurement Standards and Procedures. The quantity and quality of the crude oil sold under this Agreement shall be determined at the Point of Delivery. Procedures and methods for measuring and metering the oil sold under this Agreement shall be in accordance with the practices then in effect at Prudhoe Bay, Alaska.

ARTICLE V

PAYMENTS AND ACCOUNTING

5.1 Billing. Seller will send to Purchaser, on or before the tenth (10th) business day of each month after delivery of Royalty Oil, an invoice statement of account of all Royalty Oil estimated to have been measured at the custody transfer meter into the Trans Alaska Pipeline System and tendered to Purchaser under this Agreement during the immediately preceding month according to the best information available to Seller, the estimated price or prices

applicable to those deliveries, and the total amount due ["initial billing"]. The estimates will be made by Seller according to the best information reasonably available to Seller. Seller may render its initial billing to Purchaser based in part upon information reported by the Lessees to Seller and information published by the U.S. government. Seller shall thereafter adjust its initial billing under this Article as soon as more accurate information concerning the quantity and price or prices of Royalty Oil delivered each month is available. Seller, however, shall not be required to adjust the initial billing prior to the sending of the next month's invoice statement of account.

5.2 Initial Adjustment. After the monthly invoice under Article 5.1, the subsequent monthly invoice will also state Seller's initial adjustments to be made, if any, to the invoice rendered in the immediately preceding calendar month, in accordance with any additional or more accurate information which may have become available to Seller. Whether or not initial adjustments are made, however, subsequent adjustments may be made under Article 5.5.

5.3 Payment. Purchaser will make payment of that amount billed under this Article within ten (10) days after receipt of the invoice statement of account. Payment shall be made without any deduction, set off, or withholding in immediately available funds to Seller at the following address:

Bank of America, NT & SA
San Francisco, California
Securities Department 3255
Credit to:

State of Alaska Investment Account

Payment may be made in such other manner or to such other address as Seller may specify in the invoice statement of account or by other written notice. All other payments to be made under this Agreement shall be paid in the same manner. If payment is due on a Saturday, Sunday, or legal holiday of the place where payment is to be received, payment shall be made on the next following business day. It is recognized that Seller may bill, and that Purchaser will pay, amounts that are based upon confidential information held or received by Seller. If confidential information is used as the basis for a billing, then upon request Seller will furnish Purchaser with the certified statement of the Commissioner that the amounts billed are correct based upon the best information available to Seller. Except for obvious clerical mistakes, if a dispute concerning a bill arises, it is agreed that Purchaser will pay the full amount billed by Seller pending final resolution of the dispute. Upon final resolution, the amount paid will be refunded to the Purchaser with interest, if such a refund is appropriate.

5.4 Payment to Lessee. Purchaser, at the request of Seller in the invoice statement of account or otherwise in writing, shall pay all or any portion designated by Seller of that payment required to be made to one or more of

the Lessees at an address or addresses and in the manner designated by Seller. The payment will be made within the time limit specified in Article 5.3. Seller may authorize and designate a third party to make the request and designate the amount, manner and place of payment under this provision. Unless otherwise specified, the balance of the payment due, if any, and payment for subsequent months, shall be made in accordance with Article 5.3.

5.5 Subsequent Adjustments. Purchaser acknowledges that more accurate information concerning the quantity of or Purchase Price for Royalty Oil tendered may subsequently become available to Seller. In the event that any such information should subsequently become available to Seller, Seller shall promptly furnish a corrected invoice statement of account to Purchaser and the parties will adjust the amount billed and pay or refund the amount of those adjustments.

In the event that Seller should render a corrected invoice to Purchaser, the parties will adjust the amount previously billed accordingly. Any amount to be refunded from Seller to Purchaser or paid from Purchaser to Seller will be paid within fifteen (15) days after the date of the corrected invoice. The time for paying an adjustment will be different, however, when the adjustment concerns an amount last invoiced more than sixty (60) days before the corrected invoice, in which case the amount will be paid by Purchaser or refunded by Seller, as the case may be, in

equal monthly installments over the same period of time as that over which the adjustment accrued or six (6) months, whichever is the shorter period. No adjustment will be made more than twelve (12) months after the date of the last original invoice to which the adjustment relates, except for adjustments resulting from (i) regulatory or court proceedings (including appeals) commenced or pending during that twelve (12) month period, whether or not Seller or Purchaser is a party to the proceeding, or (ii) bona fide audits by Seller of any Lessee(s) commencing at any time during the period six (6) years after the date of the last invoice to which such adjustment relates, or any resolution of disputes arising out of those audits. Adjustments due to audits or regulatory proceedings or court proceedings may be made at any time. The provisions of this Article 5.5 will survive any termination of this Agreement.

5.6 Interest. Except for adjustments made upon resolution of Amerada Hess under Article 2.3, the amount of all sums which are not paid when due under this Agreement or which are subsequently determined to be due under an adjustment under Article 5.5, or refunds, shall bear interest from the date accrued until paid in full at a variable rate per annum equal to the prime rate as announced from time to time by the Bank of America, San Francisco, California, plus one and one-quarter percent (1.25%) per annum.

5.7 Late Payment Penalty. Except for unintentional failures to pay, including clerical mistakes or

occurrences not within the reasonable control of Purchaser, or insignificant underpayments, if Purchaser fails to make payment within one day of the date that payment is due, then in addition to the amount due plus interest from the date that payment was due until the date of payment, Purchaser will pay an amount equal to one percent (1%) of the amount owed.

5.8 Payment to Third Parties. Seller may direct that Purchaser pay any amount due or which may become due directly to a third party in the manner and time as may be directed by Seller in written notice to the Purchaser if, in the Seller's sole discretion, the payment to the third party will assist Seller in monitoring or enforcing this Agreement.

ARTICLE VI

TERM

6.1 Term. This Agreement shall become effective upon execution by the parties and after enactment of legislation by the State of Alaska (including approval by the Governor) approving this Agreement. This Agreement shall be null and void if it is not so approved by September 1, 1982. Subject to the other provisions contained in this Agreement, Seller's obligation to sell and Purchaser's obligation to buy Royalty Oil shall begin seven (7) months after the above approval or January 1, 1983, whichever is later, and end January 1, 1995.

ARTICLE VII

DEFAULT OR TERMINATION

7.1 Default. If any one or more of the following events ("Events of Default") occur, then at Seller's option, Seller may terminate or suspend its obligation to tender and sell Royalty Oil and proceed to exercise any one or more of the rights and remedies provided in this Agreement:

(i) Except for obvious clerical errors, Purchaser does not pay in full any sum owed under this Agreement at the time when payment is due; or

(ii) Purchaser fails to observe or perform any of its other covenants and obligations under Article II; or

(iii) Purchaser does not perform any act required or contemplated under this Agreement and either: (a) the nonperformance continues for more than thirty (30) days after Seller has notified the Purchaser of Purchaser's nonperformance; or (b) Purchaser had failed to perform the same or any other act required or contemplated under this Agreement during the immediately preceding 12 month period; or

(iv) There is a material adverse change in Purchaser's condition, business or property which appreciably affects the ability of the Purchaser to perform any of its obligations under this Agreement, and Purchaser is unable to give Seller adequate assurance of continued performance either within fourteen (14) days of a request for such an assurance or within such other shorter time

period as Seller may reasonably request under the circumstances; or

(v) Any representation or warranty made by Purchaser in this Agreement proves to have been false or incorrect in any material respect at the time that the representation or warranty was made.

7.2 Failure to Pay Debts. If at any time Purchaser becomes unable to pay any of its debts when those debts are due, or should otherwise become insolvent (without regard to how that insolvency may be evidenced), Purchaser will immediately give notice of that fact to Seller. Whether or not that notice is given, if Purchaser becomes unable to pay any of its debts when those debts are due or should otherwise become insolvent, Seller's obligation to tender and sell Royalty Oil under this Agreement will automatically and immediately terminate without any requirement of notice or other action by Seller; however, Purchaser will nevertheless be and remain liable for payment and performance of all of its obligations and covenants under this Agreement with respect to Royalty Oil actually tendered by Seller to and after any such termination. Within thirty (30) days after receipt of Purchaser's notice or, if no notice is given, after Seller otherwise becomes aware (as determined in Seller's sole discretion) of Purchaser's insolvency, Seller will have the right, upon written notice to Purchaser, to reinstate all of Seller's and Buyer's

obligations under this Agreement retroactively to the date of termination.

7.3 Seller's Remedies. Upon the occurrence of any Event of Default or if Seller's obligation to tender and sell Royalty Oil under this Agreement is terminated or suspended under Article 7.1 and 7.2, all obligations of Purchaser accrued but not otherwise due and payable under this Agreement will immediately be due and payable in full. In addition, Purchaser will indemnify and hold Seller harmless from and against all other liability, damages (including reasonably foreseeable consequential damages), costs, losses and expenses (including reasonable attorneys' fees and disbursements) incurred by Seller and arising out of the Event of Default, termination, or suspension. Seller shall have the right cumulatively to exercise any and all other rights and remedies and to obtain all other relief available under applicable law or at equity, including mandatory injunction and specific performance. The Seller, upon occurrence of any Event of Default, in its sole discretion, may arrange for any disposition to third parties of Royalty Oil to be tendered and sold under this Agreement. Upon the occurrence of any Event of Default, the Purchaser is released from the obligations set forth in Articles 2.11 (In-State Processing) and 2.12 (Best Efforts) until the Event of Default no longer exists or the obligation of the Purchaser to take Royalty Oil under this Agreement expires. If upon occurrence of any Event of Default the Seller makes

arrangement for disposition to third parties of Royalty Oil or if the Purchaser is released from Articles 2.11 and 2.12, whether or not this Agreement is terminated, Purchaser will nevertheless be and remain liable to Seller for the full amount of the Purchase Price for that Royalty Oil in excess of the Purchase Price over any amount or amounts received by Seller on account of that disposition, net of the expenses of that disposition and for all other costs, expenses (including reasonable attorneys' fees and disbursements), damages (including reasonably foreseeable consequential damages) and losses incurred by Seller and arising out of the Event of Default or disposition.

7.4 Purchaser's Exclusive Remedies. Upon any breach of, or default in, the due and timely observance or performance of any of Seller's covenants or obligations under this Agreement, Purchaser acknowledges and agrees that Purchaser's remedies will not include a temporary restraining order or preliminary injunction preventing Seller from taking any action with regard to the Royalty Oil sold under the Agreement.

ARTICLE VIII

DISPOSITION OF OIL

8.1 Disposition of Oil Upon Default or Termination. Purchaser acknowledges and agrees that under the Unit Agreement and Leases Seller's election to take Royalty Oil in-kind can be revoked or reversed only upon the satisfaction of various conditions, including the giving of six (6)

months notice to return all or more than ten percent (10%) of Seller's then current nominations. Purchaser acknowledges and agrees that Seller's election to invoke its rights to return to taking its Royalty Oil in value on less than six (6) months notice, or to attempt to secure a waiver of any condition or requirement, is at Seller's sole and complete discretion. Notwithstanding termination of this Agreement for default or for any other reason, including expiration or termination under any provision contained in this Agreement, Purchaser shall continue to take and purchase Seller's Royalty Oil in the amount and for the price set forth in this Agreement for up to seven (7) months following termination of this Agreement if Seller, in its discretion, so requires.

8.2 Inability to Receive Oil. If for any reason Purchaser is unable or refuses to accept or receive any Royalty Oil tendered under this Agreement, Purchaser shall nevertheless be and remain responsible for the disposal of that Royalty Oil and for paying the Seller for the oil as though it had been received and accepted by Purchaser unless Seller, in its sole discretion, elects to waive this requirement.

8.3 No Right to Storage or Underlift. Purchaser waives and disclaims any interest or right that it may assert to storage of Royalty Oil, including by underlift or other means, to which Seller is or may come to be entitled under the Leases or any other agreement.

ARTICLE IX

WAIVER

9.1 Waiver. The failure of either party to insist upon strict performance of any provision of this Agreement shall not constitute a waiver of, or estoppel against, asserting the right to require that performance in the future. A waiver or estoppel in any one instance shall not constitute a waiver or estoppel with respect to a later breach of a similar nature or otherwise. A course of performance established by a party shall also not estop the other party from complaining of a later breach similar in nature.

ARTICLE X

VALIDITY

10.1 Validity. If any provision or clause of this Agreement or application of this Agreement to any person or circumstance is held invalid, that invalidity shall not affect other provisions or applications of this Agreement which can be given effect without the invalid provision or application. If, however, an invalidity should operate to impair any material right or remedy of a party to this Agreement, that party may terminate this Agreement by notice to the other.

ARTICLE XI

FORCE MAJEURE AND CHANGE IN CONDITION

11.1 Effect of Force Majeure. Except for

Purchaser's obligations to make payment of money for Royalty Oil tendered under this Agreement and except for Purchaser's obligations to accept and dispose of Royalty Oil, neither party shall be liable for any failure to perform the terms of this Agreement when the failure is due in whole or in substantial part to force majeure. The term "force majeure" as applied to this Agreement shall mean acts of God, strikes, lockouts and industrial disputes or disturbances, civil disturbances, arrests and restraints from rulers or people, interruptions by government or court orders or by present or future orders of any regulatory body having or asserting jurisdiction, acts of the public enemy, wars, riots, blockades, insurrections, inability to secure materials by reasons of allocations promulgated by authorized governmental agencies, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or pipelines, or any other event or condition, whether of the kind herein enumerated or otherwise, not within the reasonable control of the party claiming the benefit of this excuse. If, however, any material obligation of Purchaser is excused or suspended because of a claim of force majeure for a period of 365 successive days or more, Seller will have the right to terminate this Agreement. Prior to the Seller exercising its right to terminate this Agreement the Seller and Purchaser shall enter into good faith negotiations to restore, to the

fullest extent possible, the Seller and Purchaser to the benefits and obligations that existed under this Agreement before the occurrence of the force majeure condition.

11.2 Responsibility. Upon the occurrence and discovery of an event providing the basis for a claim of force majeure, the party making a claim shall notify the other party to this Agreement of its claim of force majeure. Upon the occurrence of an event constituting force majeure that event shall, so far as possible, be remedied with all reasonable diligence and dispatch. Except for Purchaser's obligations to make payment of money for Royalty Oil tendered under this Agreement and except for Purchaser's obligation to dispose of Royalty Oil, the obligations of the disabled party to perform under this Agreement, insofar as they are affected by that force majeure, shall be suspended from the time that force majeure occurs and for so long as the disability caused should have continued had the party claiming the existence of the force majeure had remedied the event providing the basis of the claim of force majeure with reasonable diligence and dispatch, and for no longer. The settlement of strikes or lockouts or industrial disputes or disturbances will be entirely within the discretion of the party having the difficulty, and the above requirement that any force majeure shall be remedied with diligence and dispatch shall not require the settlement of strikes, lockouts, or industrial disturbances by acceding to the

demands of any opposing party therein when such course is inadvisable in the sole discretion of the disabled party.

ARTICLE XII

NOTICES

12.1 Method. All notices, requests, demands or statements shall be in writing, and may be delivered personally to the party to be notified or may be sent by registered or certified United States mail, postage prepaid, with a return receipt requested to such party. Notice deposited in the mail in this manner shall be effective upon the expiration of seven (7) days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the addressee. For the purposes of notice the addresses of the parties to this Agreement shall be as follows:

If to Seller: State of Alaska
 Commissioner of Natural Resources
 Pouch "M"
 Juneau, Alaska 99811

and

Commissioner of Revenue
Pouch "S"
Juneau, Alaska 99811

and

Director, Division of Minerals
and Energy Management
555 Cordova Street
Anchorage, Alaska 99501

If to Purchaser:

Tesoro Alaska Petroleum Company
8700 Tesoro Drive
P.O. Box 17536
San Antonio, Texas 78286

12.2 Change of Address. Each party may change its address for notice by giving notice of the change.

ARTICLE XII

RULES AND REGULATIONS

13.1 Rules and Regulations. This Agreement is subject to all present and future valid laws, orders, rules and regulations of the United States, the State of Alaska, and any duly constituted agency thereof.

ARTICLE XIV

SOVEREIGN POWER OF THE STATE

14.1 Sovereign Power of the State. This Agreement and its covenants shall not be interpreted as a limit on the exercise by the State of Alaska of any of its sovereign or regulatory powers, whether conferred on the State by constitution, statute or regulation, including but not limited to, its regulatory power over the Leases. The exercise by the State of Alaska of any sovereign or regulatory power will not operate or be deemed to enlarge any rights of Purchaser or to limit or impair any obligations or liability of Purchaser under this Agreement except for state statutes enacted after the effective date of this Agreement which have a direct and significant adverse affect on the ability of Purchaser to perform an obligation under this Agreement

other than the obligations to accept, dispose, and pay for Royalty Oil tendered under this Agreement.

ARTICLE XV

SECURITY

15.1 Letter of Credit. At least ninety (90) days before the Date of First Delivery, unless waived by Seller, Purchaser shall cause to be furnished to Seller an irrevocable stand-by letter of credit for the benefit of Seller, issued by a state or national banking institution of the United State which is a member of the Federal Deposit Insurance Corporation and has an aggregate capital and surplus of not less than \$100,000,000, or other banking institution acceptable to Seller in its sole discretion. The principle face amount of the letter of credit shall initially be \$48,000,000. The letter of credit shall be substantially in a form satisfactory to the Commissioner, but in any event shall not require any documents to be submitted in support of drafts drawn against this letter of credit other than the certified statement of the Commissioner or his designee and the Attorney General of the State of Alaska or his designee that Purchaser is liable to Seller for a sum equal to the amount of such draft, and that that sum is due and payable in full and has not been timely paid. In the event that Seller should have reasonable grounds for asserting any claims against Puchaser under this Agreement and does assert those claims in an aggregate amount in excess of the aggregate principal face amount of the letter

of credit then in effect, Purchaser shall upon Seller's request (whether or not Purchaser may deny, reject or otherwise resist such claims) cause the principal face amount of the letter of credit to be increased by an amount equal to the excess. The principal face amount of the letter of credit shall also be automatically increased by Purchaser without request from Seller whenever the face amount is less than the expected Purchase Price of sixty (60) days of Royalty Oil tenders under this Agreement, to an amount equal to the expected Purchase Price of sixty (60) days of Royalty Oil tenders. The principal face amount of the letter of credit may be decreased by Purchaser upon approval of Seller if the face amount is less than the expected Purchase Price of sixty (60) days of Royalty Oil tenders under this Agreement, to an amount equal to the expected Purchase Price of sixty (60) days of Royalty Oil tenders. The Commissioner may accept such other or additional security as he, in his sole discretion, considers adequate to protect Seller.

ARTICLE XVI

PREFERENTIAL HIRING AND NON-DISCRIMINATION

16.1 Compliance with Alaska Law. Purchaser will comply with all applicable Alaska statutes and regulations in effect at the time this Agreement becomes effective, as well as all amendments to them and subsequent enactments, providing for preferential hiring of Alaska residents and non-discrimination against them.

16.2 Preference to Qualified Alaska Residents. To the extent not superceded by or inconsistent with subsequently enacted legislation or regulations, Purchaser will use its best efforts to assure that work done by or for it within the State of Alaska in connection with this Agreement shall, to the extent they are available, willing and qualified, be performed by Alaska residents who, at the time of their initial employment by Purchaser, its contractors or subcontractors, fall within one or more of the following employment target groups, as determined by the State or an agency or agencies designated by the State:

(1) "chronically unemployed resident," defined as either:

(A) a resident who has been unemployed for a minimum of eight (8) months, cumulatively, of the twelve (12) months immediately preceding the time of application for determination of status, so long as the individual's income for the 12-month period does not exceed \$25,000; or

(B) a resident who has exhausted benefits available under the Alaska Employment Security Act, AS 23.20, within the (twelve) 12 months immediately preceding the time at which he makes the application for certification and is currently not eligible for unemployment benefits;

(2) "economically disadvantaged resident," defined as a resident whose total household income for the twelve (12) months immediately preceding the time of application for determination of status falls below seventy percent

(70%) of the minimums set by the U.S. Bureau of Labor Statistics "lower living standard income level" as adjusted for Alaska; and

(3) "training-qualified resident," defined as a resident who, within the twelve (12) months immediately preceding the time of application for determination of status, has successfully completed a program of job training designed to qualify the resident for employment on projects carried out in connection with this agreement.

16.3 Assurance of Compliance. Purchaser shall use its best efforts to assure that neither it, nor its contractors and subcontractors, hire nonresidents when residents falling within one or more of the employment target groups set out in Article 16.2 are known to be available, willing and qualified for employment for work performed in connection with this Agreement within the State of Alaska.

16.4 Exceptions. The requirements of this Article do not apply to bona fide administrative, executive or professional employees of the Purchaser or its contractors or subcontractors, as those terms are defined in 8 AAC 15.910.

16.5 Collective Bargaining Agreements. In implementing the requirements of this Article, Purchaser shall assure that it and its contractors and subcontractors use their best efforts to include in all collective bargaining agreements with labor unions covering work to be performed in connection with this Agreement provisions that will

assure employment preference to Alaska residents falling within the target groups set out in Article 16.2 in accordance with the requirements of this Article.

16.6 Non-discrimination. Purchaser shall assure that neither it nor its contractors or subcontractors engage in discriminatory practices against Alaska residents falling within the employment target groups set out in Article 16.2 who are employed or seeking employment by Purchaser or its contractors or subcontractors. Prohibited discriminatory practices include, but are not necessarily limited to:

(1) rejection of a resident referred to an employer by a collective bargaining agent in favor of a nonresident of similar qualifications in employment covered by a collective bargaining agreement;

(2) rejection of a resident in favor of a nonresident of similar qualifications in employment not covered by a collective bargaining agreement;

(3) termination of a resident in favor of a nonresident of similar qualifications; and

(4) differentiation in payment of wages, salaries, fringe benefits, and working conditions between a resident and nonresident.

16.7 Definitions. In this Article,

(1) "qualified" means able, by education, training and experience or combinations of them, to perform the duties and satisfy the terms and conditions which are usual in the offered employment, provided that the duties, terms

and conditions meet the reasonable standards of the industry as required of other employees performing the same type of work in the industry; and

(2) "resident" means a person who

(A) except for brief intervals, military service, attendance at an educational or training institution, or for absences for good cause, is physically present in the state for a period of at least 30 days immediately before the time that person's status is determined;

(B) maintains a place of residence in the state;

(C) has established residency for voting purposes in the state;

(D) has not, within the period of required residency, claimed residency in another state; and

(E) shows by all attending circumstances that that person's intent is to make Alaska his or her permanent residence.

ARTICLE XVII

APPLICABLE LAW

17.1 Alaska Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Alaska, excluding any conflict-of-law rule or principle which might refer such construction to the laws of another state or country.

17.2 Submission to Jurisdiction. Any legal action or proceeding arising out of or relating to this Agreement or for the enforcement of the covenants or obligation of either party must be instituted in a State court of general jurisdiction sitting in the State of Alaska, and Purchaser hereby irrevocably submits to the jurisdiction of that court in any such action or proceeding.

ARTICLE XIII

WARRANTIES

18.1 No Warranties. The purchase and sale of Royalty Oil under this Agreement is subject only to the warranties of Seller expressly set forth in this Agreement and Seller disclaims and Purchaser waives all other warranties, express or implied in law, whatsoever.

ARTICLE XIX

AMENDMENT

19.1 Amendment. This Agreement may be supplemented, amended or modified at any time, but only by written instrument duly executed by the parties to this Agreement. In addition, material amendments to this Agreement which appreciably reduce the consideration to Seller must be approved by the Legislature of the State of Alaska.

ARTICLE XX

SUCCESSORS AND ASSIGNS

20.1 General Prohibition. No assignment, pledge or encumbrance of this Agreement shall be made by either party without first obtaining the written consent of the

other party. The Commissioner may grant such consent on behalf of the Seller. The Commissioner shall have sole and complete discretion in granting or denying a proposed assignment, pledge or encumbrance. Subject to the above requirements in this Article, this Agreement will be binding upon and inure to the benefit of each of the parties and its successors and permitted assigns. In addition, if Purchaser gains or acquires a controlling interest in an entity which has an agreement with Seller for the sale of Royalty Oil ("Other Agreement"), then upon at least one year's notice Seller, at its option may require Purchaser to terminate either this Agreement or the Other Agreement. The choice of which Agreement to terminate will be Purchaser's. Purchaser may request that Seller waive this option in advance of Purchaser gaining a controlling interest in an entity which has an agreement with Seller for the sale of Royalty Oil. The Commissioner has sole and complete discretion in granting or denying the requested waiver.

ARTICLE XXI

HEADINGS

21.1 Headings. Headings used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

ARTICLE XXII

RECORDS

22.1 Preservation of Records. Purchaser will

preserve and maintain all books, accounts, and records relating to or arising out of the performance of this Agreement, including but not limited to the purchase or sale of Royalty Oil and its refined products, for a period of six (6) years. Purchaser will also maintain and preserve all similar books, accounts, and records of which it has possession belonging to those third parties with whom it contracts for the performance of various parts of this Agreement. Neither Purchaser nor Seller shall be required to retain any records for more than six (6) years unless retention of such records is specifically required by applicable law or regulation. Purchaser shall either maintain its records within the State of Alaska or make such records available to Seller at Purchaser's principal office in the State of Alaska within thirty (30) days after written request by Seller.

22.2 Inspection of Records of Parties. Purchaser and Seller will accord to each other and to their authorized agents, attorneys, and auditors during reasonable business hours access to any and all property, records, books, documents, and indexes directly relating to the Purchaser's or Seller's performance of this Agreement and which are under the control of the party from which access is desired so that the other party may inspect, photograph and make copies of that property, records, books, documents and indexes. In no event, however, shall Seller be required to disclose any information, data, or records which are

required to be held confidential by state law or regulation. If the information obtained by Seller may be held confidential under state or federal law or regulation, Purchaser may request that that information be held confidential by Seller.

ARTICLE XXIII


INTERPRETATION OF TERMS AND CONDITIONS

23.1 Commissioner finding and review. In the event that there is a disagreement about the meaning or application of a word, term, or condition in this Agreement, Purchaser will present the arguments supporting its view in writing to the Commissioner for his consideration. The Commissioner will subsequently, within a reasonable time, issue a finding on the meaning or application of the disputed word, term, or condition, and setting forth the basis for his conclusions. Purchaser agrees to accept findings by the Commissioner under this Article as long as there is substantial evidence supporting the Commissioner's findings.

DATED this 26 day of February, 1982.

SELLER:

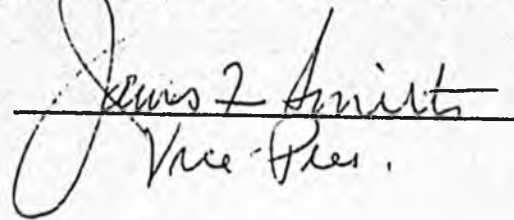
THE STATE OF ALASKA

 _____
Department of Natural Resources

PURCHASER:

Esso-Alaska Petroleum Company

By:


Vice Pres.



ALASKA OIL & GAS BOARD

SENATE RESOURCES COMMITTEE
LEGISLATION CHECKLIST

SB 881

BILL NUMBER _____

IDENTIFICATION:

BILL NAME: "An Act relating to the sale of royalty oil by the State of Alaska to the Tesoro Alaska Petroleum Company; and providing for an effective date."

SPONSOR(S): Rules (Governor's request)

RELATED BILLS PENDING:

DATE INTRODUCED: 3/29/82

REFERRALS

Resources
Finance

INITIAL RESEARCH:

INITIAL BILL SUMMARY COMPLETED

SUMMARY BY LEGAL DIVISION:
DEPT. OF LAW SUMMARY:

SPONSOR CONTACTED FOR BACKUP
MATERIALS:

FISCAL NOTE:

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR
REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS AND/OR GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE

BACKGROUND MATERIAL DISTRIBUTED

PSA/PRESS RELEASE

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/CS DRAFTED:

Cliff Groh - Attorney for Tesoro - Notified



Alaska State Legislature

SENATE Resources Committee

Official Business

BETTYE FAHRENKAMP, Chairman
VIC FISCHER, Vice-Chairman
BRAD BRADLEY
DICK ELIASON
DON GILMAN
BOB MULCAHY
ARLISS STURGULEWSKI

POUCH V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

TO: Senate Resources Committee
FROM: Senate Resources Committee Staff
RE: Committee Meeting, 4/7/82
DATE: April 5, 1982

Please find attached background information for
Wednesday's hearing on the following bills:

SSSB 796 TELECONFERENCE 1:30 -3:00 p.m.
Providing for the management of state owned
land in the Haines area, establishing the
Alaska Chilkat Bald Eagle Preserve and the
Haines State Forest Resource Management Area.

3:00 - 4:00 p.m.
SB 880 Sale of royalty oil by the State of Alaska
to Doyon, Ltd.

SB 881 Sale of royalty oil by the State of Alaska
to Tesoro Alaska Petroleum.

The meeting will be held in the Beltz Room.

TESORO ALASKA PETROLEUM COMPANY

- 2.1 QUANTITY: 24.533% of the daily royalty oil less Cook Inlet oil. 46,000 B/D deducted from this amount is an amount of Cook Inlet royalty Tesoro receives from its existing contract with the State.
- 2.3 PRICE OF OIL: In-value price.
- 2.4 POINT OF DELIVERY: Pump Station #1
- 2.5 PASSAGE OF TITLE: Title passes at point of delivery.
- 2.6 PURCHASERS RESPONSIBILITY: Purchaser responsible after passage of title.
- 2.7 TRANSPORTATION: Sole responsibility of purchaser.
- 2.9 DATE OF FIRST DELIVERY: January 1, 1983
- 2.10 RESERVATION FEE: Tesoro may vary the volume taken up to the maximum, but must pay fee on portion unused.
- 2.11 IN-STATE PROCESSING: Purchaser agrees all royalty oil processed through refinery near Kenai or exchanged for other crude which shall be processed through refinery at Kenai.
- 2.12 BEST EFFORTS: Purchaser agrees to produce and market in Alaska an amount of product not less than 32% of royalty oil tendered.
- 2.13 FUTURE DISPOSITION OF OIL: AS 38.05.183 will govern.
- 3.1 GOOD STANDING: Purchaser agrees to remain qualified to do business in the state of Alaska.
- 3.2-3.4 FINANCIAL CONDITION, FINANCIAL STATEMENTS, AND EXPANSION CLAUSES: Standard boiler type.
- 3.5 OPTION TO PURCHASE RESIDUAL: Purchaser grants to seller an option to purchase all or any quantity of residual oil produced or refined from the royalty oil.
- 3.6 PETROLEUM COKE: Purchaser agrees that if it modifies or expands its Kenai refinery to produce petroleum coke, State has option to buy.

ARTICLE V BILLING, ADJUSTMENT, PAYMENT: Standard clauses.

5.6 INTEREST: Adjustments due or owing upon resolution of
Amerada Hess shall bear interest equal to prime rate
(Bank of America) plus 1.25%.

6.1 TERM: 12 years, expire January 1, 1995

ARTICLE VII DEFAULT, FAILURE TO PAY DEBTS: Standard contract clauses.

15.1 LETTER OF CREDIT: Irrevocable stand by letter of credit.
Principle face amount \$48,000,000 (60 days of royalty
oil). Face amount may be adjusted.

ARTICLE XVI PREFERENTIAL HIRING AND NONDISCRIMINATION: Standard
clauses.

S

B

8

8

9

CS SB 889 (Res)

New Soc. Totals

Sec

3	\$ 945,000
4	114,897,000
5	70,000
6	<u>5,088,000</u>

\$ 121,000,000⁰⁰

g-

IDENTIFICATION:

BILL NAME: "An Act providing for the issuance of general obligation bonds in the amount of \$121,000,000 for the purpose of paying the cost of construction of and improvements to water, sewer, and solid waste facilities; and providing for an effective date."

SPONSOR(S): Finance

RELATED BILLS PENDING: HB 840

DATE INTRODUCED: (Ferguson)

4/20/82

REFERRALS

Resources
Finance

INITIAL RESEARCH:

INITIAL BILL SUMMARY COMPLETED *yes*

SUMMARY BY LEGAL DIVISION:
DEPT. OF LAW SUMMARY:

SPONSOR CONTACTED FOR BACKUP

FISCAL NOTE:

MATERIALS: (S) Finance-4/23-referred to Ferguson
4/23--materials from Mike Scott (Ferguson's staff), re: HB 840.
--discussed Res. CS-tech. amends & elim DC&RA

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR
REPS. NOTIFIED:

4/23-phone to R. Aks, DC&RA--doesn't want
to admin. approps.

4/23-K. Kolter, DCC-better suited to admin. approps.

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS AND/OR GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED.

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE

BACKGROUND MATERIAL DISTRIBUTED

PSA/PRESS RELEASE

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/CS DRAFTED

Alaska MUNICIPAL League

TELEPHONES
☎(907) 586-1325
586-6526

204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

April 26, 1982

to: Senate Resources

from: Ginny Chitwood *G.C.*

re: SB 889 - Water Supply, Sewerage, & Solid Waste Facilities Bonds

Alaska Municipal League urges you to amend SB 889 to include an appropriation for the water supply, sewerage, and solid waste facility fund, established in AS 46.03.030. Under this program, which has been operated successfully by DEC since 1970, the state and municipality each pay 50% of the non-federal costs of eligible projects. Many communities that are willing to put up a local share would be eliminated from any state program if SB 889 is not amended, because the existing fund is out of money and there is no more in SB 889.

Another amendment we would suggest is intent language to prohibit the use of the direct grants listed in Sec. 4 of the bill as the local share for the state matching grant program. If that procedure is allowed, the communities listed will receive a double benefit, leaving nothing for the others.

A possible compromise between the 100% funding in SB 889 for a limited number of projects and the current 50% match program is passage of either HB 304 or SB 252, both of which increase the state share to 75%, and passage of an adequate bond package.

SENATOR
DON GILMAN

Juneau Ph.
(907) 465-4934

Alaska State Legislature



State Senate

HOME ADDRESS
P.O. BOX 630
KENAI, ALASKA 99611
(907) 283-4182

DURING SESSION
POUCH V
JUNEAU, ALASKA 99811

April 23, 1982

MEMORANDUM

To: Senator Bettye Fahrenkamp
From: Don Gilman
Subject: SB 889 (Bonding for Water & Sewer)

I am requesting the following item for inclusion in SB 889 which is in your Committee:

City of Soldotna Reservoir and Water Systems	\$2,450.
---	----------

This item is the City's number 2 priority for capital improvements identified in City of Soldotna's five-year capital plan. The project plan was developed from Soldotna's water system master plan completed in 1980. The existing storage reservoir of 500,000 gallon capacity is deficient for meeting demands and for meeting fire safety standards. A 1968 study predicted the existing reservoir would reach the end of its useful life by 1975. Population growth has exceeded the 1968 projections. Plans and specifications are complete and the requested funding would allow the City to go to immediate bid and construction.

Background information attached. Please contact my office for additional information.

Attachments

WATER SYSTEM IMPROVEMENTS

<u>CATEGORY PRIORITY</u>	<u>PROJECTS</u>	<u>ESTIMATED COST</u>	<u>ADMIN. PRIORITY</u>
1	Reservoir -(1,000,000 gallon) & 12" Transmission Line	\$ 1,500,000	2
2	Water Loop - Kenai Spur Main -Extension (Karen to Knight Drive across Spur Highway	800,000	7
3	Water Loop - Park Lane	150,000	25
	TOTAL WATER SYSTEM IMPROVEMENTS	\$ 2,450,000	

WATER STORAGE RESERVOIR AND TRANSMISSION MAIN

The City Council's No. 2 priority consists of improvements to the City's water distribution system. These requested improvements are a result of our Water System Master Plan which was completed in the winter of 1980. This study provides the City with the guideline for orderly and rational development of its water system. Using this study as a basis, the following is one of the priorities provided for in this study and has been considered by the City Council for immediate construction.

Based on evaluation of basic fire flow characteristics made in 1977 by the Insurance Services Office, it was concluded that the existing storage reservoir of 500,000 gallon capacity is deficient in meeting maximum demands and expected base fire flow through the City. To increase the reliability of the System and also improve the City's fire insurance rating, an additional storage reservoir of approximately 1,000,000 gallons is needed. During a previous study of the City's water system in 1968, it was predicted that the existing reservoir would have reached its useful life by 1975. In conjunction with the City's 1980 Water System Study, the design of an additional storage reservoir with a capacity of 1,000,000 gallons and a 12" transmission main was accomplished. These new facilities are needed to handle the increased demand on the City's water system.

Our plans and specifications for this reservoir have been completed and the City would be ready to go to bid and start construction by the spring of 1982 should this request be funded.

Water Storage Reservoir and Transmission Main

Construction:

Estimated total construction cost for this project including the reservoir and the 12" transmission main is \$1,500,000.

TESTIMONY ON SB 889

By
Ernst W. Mueller
Commissioner of Environmental Conservation

Before
Senate Resources Committee
April 26, 1982

SB 889 is a bill providing for the issuance of \$121 million in general obligation bonds to improve sanitation facilities in 107 Alaskan communities. We are pleased to have the opportunity to provide the following comments:

Section 3 - \$920,000 is appropriated to the ADEC for water and sewer feasibility studies. We support this approach. Feasibility studies are an excellent way to identify problems and accurately document capital improvement costs. However, we recommend that group funding be used rather than specifying how much is to be spent in each village.

Section 4 - \$1,715,000 to ADEC for water and sewer projects in eight communities. Appropriations are specified for each place.

It is extremely difficult to accurately estimate the amount needed to construct sanitation improvements, unless engineering studies are initiated to define the exact scope of each project. To the best of our knowledge, this has not been done for all the communities identified in Section 4, and many of the estimates are suspect.

To remedy this problem, we suggest feasibility studies totalling \$300,000 in Iguigig, Togiak, Platinum, Koliganek, Pilot Point, and Egegik. This will enable the Department to deliver more accurate cost estimates to the Legislature next session and ensure that the proposed capital projects reflect local desires.

After feasibility studies are complete, we recommend that a group funding approach be used for a number of projects, rather than specifying a certain amount of money for each community. This reduces the likelihood of there not being enough money to satisfy community needs, and permits more flexibility in designing and constructing needed improvements.

Project estimates for St. George and Kongiganak appear to accurate.

Sections 5- \$1,754,000 to ADEC for solid waste site in 17 places.
and 8

Appropriations for each village are specified.

Again, it is impossible to accurately estimate the true cost of these landfills unless engineering studies are done first. Soil and ground water conditions, road access, land status, and availability of gravel must be determined before accurate estimates can be made.

Sections 6- \$116,611,000 to C & RA for water and sewer projects in 47 places.
and 7

Determining the appropriate level of service for a particular village, and estimating the cost of providing that service

is a complex task that requires consideration of: (1) What the community feels it needs; (2) What the community feels it can maintain; and (3) The technological complexity associated with providing this level of service. The only way to obtain this information is to do an engineering study. To the best of our knowledge, this has not been done for all the communities identified in Sections 6 and 7, and many of the estimates may not be accurate. In addition, there has been insufficient consideration of long-term operation and maintenance costs and the ability of each of the villages to support them. As a result, there is a significant likelihood of poorly conceived projects and, consequently, shattered expectations in these communities.

It is also important to point out that based on past experience, most of these communities expect to use their appropriation as a match for the ADEC Municipal Construction Grants Program. As you know, our Construction Grants Program is presently out of funds. Unless the Department receives additional appropriations, there will be no money available to match the potential grant applications identified in SB 889.

We again suggest that specific project funding be deleted and that group funding be utilized. This will allow community needs to be more closely matched with a viable solution; not a project dictated by available funding.

The Department has not submitted a fiscal note for the present form of this bill. However, we understand that the bill may be amended to authorize the Department of Environmental Conservation to administer the projects listed in Sections 6 and 7. If this occurs a fiscal note will need to be submitted

I would be happy to answer any questions you may have at this time.



Alaska State Legislature

SENATE Resources Committee

Official Business

BETTYE FAHRENKAMP, Chairman
VIC FISCHER, Vice-Chairman
BRAD BRADLEY
DICK ELIASON
DON GILMAN
BOB MULCAHY
ARLISS STURGULEWSKI

POUCH V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

TO: Senate Resources Committee
FROM: Senate Resources Committee Staff
RE: Committee Meeting, 4/26/82
DATE: April 23, 1982

Please find attached background information for Monday's hearing on the following bills:

- HB 668 Providing the division of fish and wildlife protection, Department of Public Safety, access to confidential reports and records of the Department of Fish and Game related to commercial fishing; and providing for an effective date.
- HB 811 Providing preferences for occupants of land under a United States Forest Service timber contract; and providing for an effective date.
- SB 889 Providing for the issuance of general obligation bonds in the amount of \$121,000,000 for the purpose of paying the cost of construction of and improvements to water, sewer, and solid waste facilities; and providing for an effective date.

The meeting will be held at 1:30 p.m. in the Beltz Room.

ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION
FACILITY CONSTRUCTION AND OPERATION DIVISION
STATUS REPORT
OF
MUNICIPAL GRANTS PROGRAM

April 1982

MUNICIPAL GRANTS

The municipal Grants Program is authorized by AS 46.03.030. This program provides grants up to 50 percent of the nonfederally financed costs for water, sewerage, and solid waste improvements. These grants may be used to pay for engineering, construction, legal, administrative and equipment costs. Grants are available only to incorporated municipalities. The State does not provide any operation and maintenance support beyond technical assistance.

Project scope, scheduling, and funding are left to local determination. The Department does not attempt to second-guess the validity or local priority of requested grants. The Department is concerned with approval of construction plans and specifications, contract documents for engineering design and for construction. Progress payments and interim construction inspections are made during the course of the project. Grantees' final project costs are audited by the Department. The emphasis of the program is to minimize grant requirements with the grantees responsible for the majority of project administration.

Funding for this program has been provided by general obligation bonds approved by the voters. Bonds totaling \$112.5 million have been authorized in 1970, 72, 76, 78, and 80. Grants are awarded on a first-come, first-serve basis, subject to the availability of funds. No priority system is presently utilized in awarding these grants.

The program has currently obligated all but approximately \$1.0 million of the bonds approved by the voters. This \$1.0 million is being held in reserve to fund grant increases due to change orders for existing projects under construction. We are in receipt of approved grant applications totaling nearly \$18.7 million, which we are unable to fund at this time. The projects will be funded in the order that applications were approved, subject to the availability of funds. A list of these projects is attached.

The Governor's capital budget request obtains \$10.0 million in general funds that will be available this summer, subject to approval by the Legislature. An additional \$40.0 million is proposed for voter approval in this fall's general election. As can be noted, general fund approval of \$10.0 million by the Legislature will result in over \$8.0 million of projects that cannot be constructed this summer. Delaying these projects by a year will result in approximately a 15 percent increase due to inflation.

It is our estimate that to fully meet the needs of grantees for the 1982 construction season, \$25.0 million will be required and should be available no later than June 1. The balance of program funding requirements could then be met by voter approval of bonds in the 1982 general election. It is estimated that an additional \$50.0 million will need to be approved for FY-83 & 84 if the grants program is to fully respond to the public's demand for sanitation improvements.

If funding is unavailable at the estimated levels of need, we propose to develop a priority system considering public health, benefiting population, and level of existing services. If this occurs, all grantees will be asked to submit their project applications by a specified date for the full calendar year. The projects would then be ranked in accordance with the priority system.

PENDING GRANTS

<u>Project</u>	<u>Date Received</u>	<u>Grant Amount</u>	<u>Date Funded</u>
Anchorage - SD 81-1 Fire Hydrants	12-16-81	\$ 425,520	
W81-13 Dowling Rd Water	12-16-81	100,950	
S81-20 Brown's LID	12-16-81	103,000	
S81-21 AERO LID 112	12-16-81	272,550	
S81-22 Stella LID 112	12-16-81	107,850	
Kotzebue - Water Transmission	12-21-81	232,380	
Water System Exp.	12-21-81	248,320	
Sewer System Exp.	12-21-81	1,153,800	
Ketchikan - Karlanna/Hawkins S/D	12-24-81	90,800	
Anchorage - S81-26 Abbot Loop Manor LID 132	12-31-81	292,650	
S81-18 Original LID 117	12-31-81	45,050	
Ketchikan - Penstock Ktn Lakes	1-11-81	19,320	
Seward - Terminal Water & Sewer SW82-1	1-22-82	1,562,657	
Anchorage - W82-3 Univ. Drive 16" Water	1-26-82	50,950	
W82-4 Ship Avenue Water	1-26-82	20,900	
S82-1 Shackleton LID Sewer	1-26-82	70,500	
S82-2 Alpine Village LID Sewer	1-26-82	238,200	
S82-3 Zodiac LID Sewer	1-26-82	60,250	
S82-4 Fire Lk Int. Phase III	1-26-82	120,694	
W82-2 Northern Lights Water	1-26-82	103,100	
Houston - Sanitary Landfill	2-11-82	30,000	
Anchorage - W82-6 Ship Creek Water Plant Exp.	2-19-82	4,580,850	
W82-5 Ingra St 16" Water 11th-15th	2-19-82	109,619	
Skagway - Solid Waste	2-21-82	211,610	
Water Storage Tank	2-21-82	269,000	
Sitka - Water Storage Tank	2-22-82	1,192,500	
Water Storage Tank	2-22-82	1,186,050	
Valdez - Solid Waste Landfill	2-22-82 (permit)	210,876	
Juneau - Vanderbilt Hill Water	2-23-82	616,431	
- Lemon Road Water	2-23-82	524,173	
Skagway - Water System	2-24-82	628,000	
Juneau - Bayview S/D	2-26-82	684,600	

PENDING GRANTS
Page 2

<u>Project</u>		<u>Date Received</u>	<u>Grant Amount</u>	<u>Date Funded</u>
Valdez	- Pioneer/Chitina Dr W & S	3-09-82	\$ 233,973	
Sitka	- Car Smasher	3-12-82	11,160	
Sand Point	- Meadows S/D Phase I	3-24-82	1,867,800	
Soldotna	- Kobuk	3-25-82	383,906	
Kake	- Water Dist. Loop	3-30-82	122,305	
Nome	- Increase 82 Water & Sewer	4-01-82	<u>504,236</u>	
			\$18,686,530	

Introduced: 4/20/82
Referred: Resources and
Finance

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 889 (RESOURCES)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the issuance of general obliga-
7 tion bonds in the amount of \$121,000,000 for the pur-
8 pose of paying the cost of construction of and improve-
9 ments to water, sewer, and solid waste facilities; and
10 providing for an effective date."

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

12 * Section 1. For the purpose of paying the cost of construction of and
13 improvements to water, sewer, and solid waste facilities, general obligation
14 bonds of the state in the principal amount of not more than \$121,000,000
15 shall be issued and sold. The full faith, credit, and resources of the state
16 are pledged to the payment of the principal of and interest and redemption
17 premium, if any, on these bonds. These bonds shall be issued under the
18 provisions of AS 37.15 as those provisions read at the time of issuance.

19 * Sec. 2. If the issuance of these bonds is authorized by the qualified
20 voters of the state, a special fund of the state to be known as the "1982
21 Water, Sewer, and Solid Waste Facilities Fund" shall be established, to which
22 shall be credited the proceeds of the sale of the bonds described in sec. 1
23 of this Act except for the accrued interest and premiums.

24 * Sec. 3. The amount of \$945,000 is appropriated from the "1982 Water,
25 Sewer, and Solid Waste Facilities Fund" to the Department of Environmental
26 Conservation for water and sewer feasibility studies in the following communi-
27 ties:

- 28 (1) Chignik Bay \$ 50,000
- 29 (2) Chignik Lagoon 50,000

1	(3) Manley Hot Springs	50,000
2	(4) Hoonah	80,000
3	(5) Mekoryuk	40,000
4	(6) Gambell	50,000
5	(7) Hooper Bay	200,000
6	(8) Hydaburg	300,000
7	(9) Chuathbaluk	25,000
8	(10) Nulato	25,000
9	(11) Selawik	50,000
10	(12) Stevens Village - water system feasibility study	25,000

11 * Sec. 4. The amount of ~~\$114,897,000~~ is appropriated from the "1982 Water,
12 Sewer, and Solid Waste Facilities Fund" to the Department of Environmental
13 Conservation for water and sewer projects as follows:

14	(1) St. George - water project	\$ 955,000
15	(2) Kongiganak - water and sewer project	75,000
16	(3) Iguigig - well	50,000
17	(4) Togiak - well	100,000
18	(5) Platinum - well	50,000
19	(6) Koliganek - water and sewer project	75,000
20	(7) Pilot Point - water and sewer project	200,000
21	(8) Egegik - water and sewer project	210,000
22	(9) Saxman - water and sewer upgrade for	
23	Revilla Road and Evergreen Avenue	\$ 150,000
24	(10) Klawock - upgrade and reroute of water system	350,000
25	(11) Craig - extension and upgrade of water and	
26	sewer lines	350,000
27	(12) Wrangell-Stikine-Evergreen project	1,035,000
28	(13) Sitka - design of specifications for an alternate	
29	domestic water source	500,000

1	(14)	Haines - water project	500,000
2	(15)	Skagway - water and sewer project	1,932,000
3	(16)	Wasilla - sewer planning, design and	
4		right-of-way acquisition	1,000,000
5	(17)	Ouzinkie - water and sewer renovation	750,000
6	(18)	City of Kodiak - design of water and sewer	
7		system for Near Island	750,000
8	(19)	Sand Point - water and sewer extensions	1,300,000
9	(20)	Port Lions - water and sewer extensions	750,000
10	(21)	Goodnews Bay - water and sewer system	800,000
11	(22)	Aleknagik - water, sewer, landfill	540,000
12	(23)	New Stuyahok - sewer upgrade	90,000
13	(24)	Akiak - water system	200,000
14	(25)	Anchorage - water and sewer expansion and	
15		improvements	60,000,000
16	(26)	Emmonak - water and sewer system	2,400,000
17	(27)	Shishmaref - water system project	750,000
18	(28)	Huslia - water and sewer upgrade	185,000
19	(29)	Galena - water and sewer extension	500,000
20	(30)	Fairbanks - water and sewer improvements and	
21		expansion	20,000,000
22	(31)	Kotzebue - fire protection water line	400,000
23	(32)	Kotzebue - water and sewer service line repair	450,000
24	(33)	Kiana - sewage treatment plant and water	
25		line repairs	750,000
26	(34)	Noorvik - water and sewer repairs	150,000
27	(35)	Buckland - water system upgrade	100,000
28	(36)	Buckland - water and sewage trucks	198,000
29	(37)	Diomedes - water tanks	364,000

STAFF WORK DRAFT

1	(38) Chevak - water system upgrade	370,000
2	(39) Savoonga - water system upgrade	431,000
3	(40) Chenega - water system development	350,000
4	(41) Shaktoolik - water line to clinic	100,000
5	(42) Wales - water and sewage trucks	150,000
6	(43) Kaktovik - water storage tanks	1,200,000
7	(44) Akiachak - water and sewer lines to school	300,000
8	(45) Seldovia - water and sewer line extensions	557,000
9	(46) Kodiak Island Borough Service	
10	District I - water and sewer, phase II	5,800,000
11	(47) Fort Yukon - water and sewer system	3,500,000
12	(48) Newhalen - water and sewer system	2,350,000
13	(49) Metlakatla - water line drainage, sewer lines,	
14	sewer treatment plant, chlorination plant	\$650,000
15	(50) Copper Center for Silver Springs -	
16	community well	30,000
17	(51) Dot Lake - water system repair	150,000

18 * Sec. 5. The amount of \$70,000 is appropriated from the "1982 Water,
 19 Sewer, and Solid Waste Facilities Fund" to the Department of Environmental
 20 Conservation for solid waste disposal sites in the following communities:

21	(1) Manokotak	\$ 20,000
22	(2) Togiak	20,000
23	(3) Twin Hills	20,000
24	(4) Clark's Point	10,000

25 * Sec. 6. The amount of \$5,089,000 is appropriated from the "1982 Water,
 26 Sewer, and Solid Waste Facilities Fund" to the Department of Environmental
 27 Conservation for solid waste facilities in the following communities:

28	(1) Akutan	\$ 60,000
29	(2) Pletinum	40,000

1	(3) Koyukuk	22,000
2	(4) Huslia	22,000
3	(5) Kiana - dump fencing	30,000
4	(6) Ambler	30,000
5	(7) Kotlik	50,000
6	(8) Teller	100,000
7	(9) Teller - solid waste disposal vehicle	90,000 ,
8	(10) Karluk	120,000
9	(11) Old Harbor	60,000
10	(12) Newhalen	150,000
11	(13) Napakiak	500,000
12	(14) Akiachak	500,000
13	(15) Deering - road to dumpsite	100,000
14	(16) Bristol Bay Borough - solid waste disposal	
15	compactor units	3,214,000

16 * Sec. 7. If the issuance of these bonds is authorized by the qualified
 17 voters of the state, the amount of \$423,500 or as much of that amount as is
 18 found necessary is appropriated from the general fund of the state to the
 19 state bond committee to carry out the provisions of this Act and to pay
 20 expenses incident to the sale and issuance of the bonds authorized in this
 21 Act. The amounts expended from the appropriation authorized by this section
 22 shall be reimbursed to the general fund from the proceeds of the sale of the
 23 bonds authorized by this Act.

24 * Sec. 8. The amount withdrawn from the public facility planning fund
 25 for the purpose of advance planning for the improvements financed under this
 26 Act shall be reimbursed to the fund from the proceeds of the sale of bonds
 27 authorized by this Act.

28 * Sec. 9. The question whether the bonds authorized in this Act are to
 29 be issued shall be submitted to the qualified voters of the state at the next

1 be issued shall be submitted to the qualified voters of the state at the next
2 general election and shall read substantially as follows:

3 Proposition

4 State General Obligation Water, Sewer, and Solid
5 Waste Facilities Bonds \$121,000,000

6 Shall the State of Alaska issue its general obligation bonds
7 in the principal amount of not more than \$121,000,000 for the
8 purpose of paying the cost of construction of and improvements
9 to water, sewer, and solid waste facilities?

10 Bonds Yes []

11 Bonds No []

12 * Sec. 10. This Act takes effect immediately in accordance with AS 01.10.-
13 070(c).

14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

LEGISLATION SUMMARY

CSSB 889 (Res): "An Act providing for the issuance of general obligation bonds in the amount of \$121,000,000 for the purpose of paying the cost of construction of and improvements to water, sewer, and solid waste facilities; and providing for an effective date."

Sec. 1: Authorizes the issuance and sale of general obligation bonds in the principal amount of not more than \$121,000,000, for construction of and improvements to water, sewer and solid waste facilities, under the provisions of the State Bonding Act.

Sec. 2: Authorizes the establishment of the "1982 Water, Sewer, and Solid Waste Facilities Fund", subsequent to and conditional upon approval of the bond issue by state voters. Requires that the proceeds on the bond sale, excepting accrued interest and premiums, be credited to the Fund.

Sec. 3: Appropriates \$945,000 from the Fund to the Department of Environmental Conservation for water and sewer feasibility studies in 12 specified communities.

Sec. 4: Appropriates \$114,897,000 from the fund to the Department for water and/or sewer projects in 51 specified communities.

Sec. 5: Appropriates \$70,000 from the Fund to the Department for solid waste disposal sites in 4 specified communities.

Sec. 6: Appropriates \$5,008,000 from the Fund to the Department for solid waste facilities in 16 specified communities.

Sec. 7: Appropriates up to \$423,500 from the general fund to the state bond committee for incidental expenses for the sale and issuance of the bonds. Requires that the amounts expended be reimbursed to the general fund from the bond sale proceeds.

Sec. 8: Requires that amounts withdrawn from the public facility planning fund for advanced planning for improvements under this Act be reimbursed to the planning fund from the bond sale proceeds.

Sec. 9: Requires that a proposition to approve or disapprove the bond sale in its total amount be submitted to state voters at the next general election.

Sec. 10: Immediate effective date.

Alaska State Legislature

BETTYE FAHRENKAMP, CHAIRMAN
VIC FISCHER, VICE-CHAIRMAN
BRAD BRADLEY
DICK ELIASON
DON GILMAN
BOB MULCAHY
ARLISS STURGULEWSKI



POUCH V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

MEMORANDUM

TO: Senator Fahrenkamp, Chairman
Senate Resources Committee

FROM: Senate Resources Committee Staff

DATE: April 24, 1982

RE: Proposed Resources Committee Substitute for SB 889--providing for the issuance and sale of \$121,000,000 in g.o. bonds for water, sewer and solid waste facilities.

In reviewing SB 889 (Finance), preparatory to Monday's hearing on the bill, several drafting errors were discovered. The Committee Substitute is intended to correct those errors, as follows:

Secs. 6 & 7 appropriates funds to the Department of Community and Regional Affairs, for their administration. In checking with Senate Finance Committee staff, we were referred to Mike Scott, of Senator Ferguson's office. Senators Ferguson and Sackett were involved in drafting the bill. Mike informed us that the inclusion of the Department of Community and Regional Affairs as an administering agency was in error, and that the administering agency should properly be the Department of Environmental Conservation throughout the bill. In telephone conversations, Richard Aks (DC&RA) and Keith Kelton (DEC) confirmed this.

Sec. 8 does not specify any agency to administer the funds.

Sec. 6 relates only to water and sewer projects; however, items 29, 35 & 43 are solid waste projects.

Sec. 7 relates to water, sewer and solid waste projects; however, item 4 is a water system feasibility study, and should have properly been listed under sec. 3 of SB 889, which relates to feasibility studies.

The proposed Committee Substitute includes the Department of Environmental Conservation as the administering agency throughout, combines items under various sections in appropriate new sections, and moves items improperly listed under various sections to the appropriate new sections.



Alaska State Legislature

Senate

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

To: Senator Fahrenkamp
From: Senator Ferguson *[Signature]*
Re: Senate Bill 889

Date: April 26, 1982

Senate Bill 889 is in need of technical amendments to clear up inappropriate departmental designations and and project misplacements.

The designation of the Department of Community and Regional Affairs in sections six and seven actually should read the Department of Environmental Conservation.

Section eight is without a departmental designation and should read the Department of Environmental Conservation.

Since each of the above sections now reads the Department fo Environmental Conservation, sections six, seven and eight could be combined with the appropriate projects in sections three, four and five.

The remaining sections should be renumbered accordingly.

Your staff has identified individual projects that orginally were under the wrong sections and have placed each in the appropriate section.

Thank you for your consideration in correcting these drafting errors.

CS5B 889 (RES)

Introduced: 4/20/82
Referred: Resources and Finance

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 SENATE BILL NO. 889

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the issuance of general obliga-
7 tion bonds in the amount of \$121,000,000 for the pur-
8 pose of paying the cost of construction of and improve-
9 ments to water, sewer, and solid waste facilities; and
10 providing for an effective date."

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

12 * Section 1. For the purpose of paying the cost of construction of and
13 improvements to water, sewer, and solid waste facilities, general obligation
14 bonds of the state in the principal amount of not more than \$121,000,000
15 shall be issued and sold. The full faith, credit, and resources of the state
16 are pledged to the payment of the principal of and interest and redemption
17 premium, if any, on these bonds. These bonds shall be issued under the
18 provisions of AS 37.15 as those provisions read at the time of issuance.

19 * Sec. 2. If the issuance of these bonds is authorized by the qualified
20 voters of the state, a special fund of the state to be known as the "1982
21 Water, Sewer, and Solid Waste Facilities Fund" shall be established, to which
22 shall be credited the proceeds of the sale of the bonds described in sec. 1
23 of this Act except for the accrued interest and premiums.

24 * Sec. 3. The amount of ~~\$920,000~~ ^{\$945,000 - NEW SEC. TOTAL} is appropriated from the "1982 Water,
25 Sewer, and Solid Waste Facilities Fund" to the Department of Environmental
26 Conservation for water and sewer feasibility studies in the following communi-
27 ties:

- | | | | |
|----|--------------------|----|--------|
| 28 | (1) Chignik Bay | \$ | 50,000 |
| 29 | (2) Chignik Lagoon | | 50,000 |

1	(3) Manley Hot Springs	50,000
2	(4) Hoonah	80,000
3	(5) Mekoryuk	40,000
4	(6) Gambell	50,000
5	(7) Hooper Bay	200,000
6	(8) Hydaburg	300,000
7	(9) Chuathbaluk	25,000
8	(10) Nulato	25,000
9	(11) Selawik	50,000
10	(12) STEVENS VILLAGE - WATER SYSTEM FEASIBILITY STUDY	25,000
11	* Sec. 4. The amount of \$1,715,000 is appropriated from the "1982 Water, Sewer, and Solid Waste Facilities Fund" to the Department of Environmental Conservation for water and sewer projects as follows:	
		<i>\$ 114,897,000 - NEW SEC. TOTAL</i>

13	(1) St. George - water project	\$ 955,000
14	(2) Kongiganak - water and sewer project	75,000
15	(3) Iguigig - well	50,000
16	(4) Togiak - well	100,000
17	(5) Platinum - well	50,000
18	(6) Koliganek - water and sewer project	75,000
19	(7) Pilot Point - water and sewer project	200,000
20	(8) Egegik - water and sewer project	210,000

21 * Sec. 5. The amount of \$70,000 is appropriated from the "1982 Water, Sewer, and Solid Waste Facilities Fund" to the Department of Environmental Conservation for solid waste disposal sites in the following communities:

24	(1) Manokotak	\$ 20,000
25	(2) Togiak	20,000
26	(3) Twin Hills	20,000
27	(4) Clark's Point	10,000

28 ~~* Sec. 6. The amount of \$115,756,000 is appropriated from the "1982 Water, Sewer, and Solid Waste Facilities Fund" to the Department of Community~~

MOVED TO
AFTER
NEW SEC. 4

DELETED

1 ~~and Regional Affairs for the following water and sewer projects:~~

2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

ADDED
TO NEW
SEC. 4

- | | | |
|------|--|------------|
| (1) | Saxman - water and sewer upgrade for
Revilla Road and Evergreen Avenue | \$ 150,000 |
| (2) | Klawock - upgrade and reroute of water system | 350,000 |
| (3) | Craig - extension and upgrade of water and
sewer lines | 350,000 |
| (4) | Wrangell-Stikine-Evergreen project | 1,035,000 |
| (5) | Sitka - design of specifications for an alternate
domestic water source | 500,000 |
| (6) | Haines - water project | 500,000 |
| (7) | Skagway - water and sewer project | 1,932,000 |
| (8) | Wasilla - sewer planning, design and
right-of-way acquisition | 1,000,000 |
| (9) | Ouzinkie - water and sewer renovation | 750,000 |
| (10) | City of Kodiak - design of water and sewer
system for Near Island | 750,000 |
| (11) | Sand Point - water and sewer extensions | 1,300,000 |
| (12) | Port Lions - water and sewer extensions | 750,000 |
| (13) | Goodnews Bay - water and sewer system | 800,000 |
| (14) | Aleknagik - water, sewer, landfill | 540,000 |
| (15) | New Stuyahok - sewer upgrade | 90,000 |
| (16) | Akiak - water system | 200,000 |
| (17) | Anchorage - water and sewer expansion and
improvements | 60,000,000 |
| (18) | Emmonak - water and sewer system | 2,400,000 |
| (19) | Shishmaref - water system project | 750,000 |
| (20) | Huslia - water and sewer upgrade | 185,000 |
| (21) | Galena - water and sewer extension | 500,000 |
| (22) | Fairbanks - water and sewer improvements and | |

MOVED TO
NEW SEC. 4

1	expansion	20,000,000
2	(23) Kotzebue - fire protection water line	400,000
3	(24) Kotzebue - water and sewer service line repair	450,000
4	(25) Kiana - sewage treatment plant and water	
5	line repairs	750,000
6	(26) Noorvik - water and sewer repairs	150,000
7	(27) Buckland - water system upgrade	100,000
8	(28) Buckland - water and sewage trucks	198,000
9	(29) Deering - road to dumpsite	100,000
10	(30) Diomedea - water tanks	364,000
11	(31) Chevak - water system upgrade	370,000
12	(32) Savoonga - water system upgrade	431,000
13	(33) Chenega - water system development	350,000
14	(34) Shaktoolik - water line to clinic	100,000
15	(35) Teller - solid waste disposal vehicle	90,000
16	(36) Wales - water and sewage trucks	150,000
17	(37) Kaktovik - water storage tanks	1,200,000
18	(38) Akiachak - water and sewer lines to school	300,000
19	(39) Seldovia - water and sewer line extensions	557,000
20	(40) Kodiak Island Borough Service	
21	District I - water and sewer, phase II	5,800,000
22	(41) Fort Yukon - water and sewer system	3,500,000
23	(42) Newhalen - water and sewer system	2,350,000
24	(43) Bristol Bay Borough - solid waste disposal	
25	compactor units	3,214,000

MOVED
TO NEW
SEC. 6

DELETED

* ~~Sec. 7. The amount of \$855,000 is appropriated from the "1982 Water, Sewer, and Solid Waste Facilities Fund" to the Department of Community and Regional Affairs for the following water, sewer, and solid waste facility projects in the following communities:~~

MOVED TO
NEW SEC. 4

- 1 (1) Metlakatla - water line drainage, sewer lines, sewer treatment plant, chlorination plant \$650,000
- 2
- 3 (2) Copper Center for Silver Springs -
- 4 community well 30,000
- 5 (3) Dot Lake - water system repair 150,000
- 6 (4) Stevens Village - water system feasibility study 25,000

ITEM (12)
SEC. 3

NEW
SEC. 6



7 ~~* Sec. 8:~~ The amount of ~~\$1,684,000~~ is appropriated from the "1982 Water,
 8 Sewer, and Solid Waste Facilities Fund" for solid waste facilities in the
 9 following communities:

- 10 (1) Akutan \$ 60,000
- 11 (2) Platinum 40,000
- 12 (3) Koyukuk 22,000
- 13 (4) Huslia 22,000
- 14 (5) Kiana - dump fencing 30,000
- 15 (6) Ambler 30,000
- 16 (7) Kotlik 50,000
- 17 (8) Teller 100,000
- 18 (9) Karluk 120,000
- 19 (10) Old Harbor 60,000
- 20 (11) Newhalen 150,000
- 21 (12) Napakiak 500,000
- 22 (13) Akiachak 500,000

ITEMS 9-16 ADDED FROM VARIOUS OLD SECS.

23 ~~* Sec. 9.~~ If the issuance of these bonds is authorized by the qualified
 24 voters of the state, the amount of \$423,500 or as much of that amount as is
 25 found necessary is appropriated from the general fund of the state to the
 26 state bond committee to carry out the provisions of this Act and to pay
 27 expenses incident to the sale and issuance of the bonds authorized in this
 28 Act. The amounts expended from the appropriation authorized by this section
 29 shall be reimbursed to the general fund from the proceeds of the sale of the

1 bonds authorized by this Act.

2 * ~~Sec. 17.~~ ^{Sec. 8} The amount withdrawn from the public facility planning fund
3 For the purpose of advance planning for the improvements financed under this
4 Act shall be reimbursed to the fund from the proceeds of the sale of bonds
5 authorized by this Act.

6 * ~~Sec. 11.~~ ^{Sec. 9} The question whether the bonds authorized in this Act are to
7 be issued shall be submitted to the qualified voters of the state at the next
8 general election and shall read substantially as follows:

9 Proposition

10 State General Obligation Water, Sewer, and Solid
11 Waste Facilities Bonds \$121,000,000

12 Shall the State of Alaska issue its general obligation bonds
13 in the principal amount of not more than \$121,000,000 for the
14 purpose of paying the cost of construction of and improvements
15 to water, sewer, and solid waste facilities?

16 Bonds Yes []

17 Bonds No []

18 * ~~Sec. 12.~~ ^{Sec. 10.} This Act takes effect immediately in accordance with AS 01.10.-
19 070(c).