

ALASKA LEGISLATURE COMMITTEE FILES 1983-1984 8672

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HRLS SJR 29

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Honorable Members of the House Resources Committee:

My name is Ed Fisher and I am manager of the Ward Cove operations of Louisiana-Pacific Corporation, Ketchikan Division. I am here not only on behalf of Louisiana-Pacific Corporation but also on behalf of the approximately 800 employees who have been offered the opportunity to purchase the Ketchikan Division which includes a pulp mill, three sawmills and various logging facilities. On behalf of those employees, I would like to thank this committee for the opportunity to be here today.

As you are aware, the Environmental Protection Agency is presently considering the requests of Louisiana-Pacific in Ketchikan and Alaska Lumber and Pulp in Sitka for a Fundamentally Different Factors Variance from the Clean Water Act guideline limitations on waste stream effluents applicable to the Pulp and Paper Industry. Many of the criteria in assessing the applicability of the variance provisions are quite technical and perhaps boring in nature, however this procedure was provided as a mechanism to enable the Agency to tailor the requirements of the Clean Water Act to individual mills which exhibit significant differences from those contemplated by the agency in establishing National Water Effluent Guidelines.

Both Alaskan Mills qualify for this tailoring under the FDF variance procedures. The mills requests have been before the Agency since the Carter Administration over 3 1/2 years ago. It is clear that the Agency has the power to grant the variances and the legal basis to exercise that power. The constraints placed

on the Alaskan mills compared to the mills in the Lower 48 are fundamentally more adverse than those considered in the guideline development documents. These constraints are common to Southeast Alaska. The mills are faced with geographical limitations preventing landfilling of waste materials. They are also required to generate their own power. There is limited space for plant expansion and construction costs are significantly greater. At the same time the dilution and buffering effects of twenty foot tides even further reduce the minimal effects of the present effluent levels on receiving waters.

LPK has spent \$52.5 million in 1980 dollars on pollution control projects to date which has reduced BOD₅ pollutants to a discharge level of 75 lb of pollutant/ton of pulp produced thus eliminating 93% of the total discharge. The total annual cost to operate this equipment amounts to \$55,000/day. If the mills were required to go to BPT or Best Practicable Treatment Levels of 46.8 lb of pollutant/ton of pulp produced, this would be an incremental reduction of 3.0% and has been estimated to cost \$35 million.

It should be noted that in reaching our present level, we have used up much of our margin of safety in our energy system and must therefore replace that energy by burning greater quantities of oil. These additional costs in energy restoration if required to go to BPT are included in the \$35 million dollar figure. The total annual operating cost associated with this 3% reduction is an additional \$28,000/day. This represents a 50% increase over present environmental operating costs for a very

insignificant improvement in total mill discharges and according to our own Department of Environmental Conservation will result in no perceptible improvement in Ward Cove water quality.

LPK produces specialty dissolving pulp marketed world wide. 85% of our production over the last 3 years was sold in the Export Market bringing \$50 million a year into the United States and thus improving the United States balance of payments. The industry also has a major impact on Southeast Alaska as indicated by the USFS testimony at a Senate Resources Committee hearing on January 17. The United States Forest Service indicated that the two mills were responsible for injecting \$147.6 million into the Southeast Economy each year. There is a need for an integrated Forest Products Industry in Alaska. Without a Pulp Mill to consume the 30 to 40% of the Tongass which is too low in quality to saw, the Timber industry will cease to exist as we know it now. If the Ketchikan Division were to close, the impacts would be devastating. LPK's annual payroll is \$23 million and benefits are \$7 million. LPK injects additional money into the economy of Southern Southeast Alaska through Towing (\$3 million), Local purchases (\$25 million including contracts with loggers), and Road Building (\$15 million).

Although the markets have suffered through the last 3 years recession, LPK has managed to aggressively maintain sales volumes. Volume was maintained at great costs to the company's profitability, with the expectation that when markets returned to more normal levels, LPK would have managed to develop a steady long term customer base and thus ensure that the company would be

able to take full advantage of an economic recovery. In spite of extensive cost savings and attempts to reduce the average delivered cost of logs to our manufacturing facilities, LPK has continued to lose money. LP has in fact decided to leave Alaska. After attempting unsuccessfully to market the Alaskan operations worldwide, Louisiana-Pacific offered to sell the facilities to the Employees.

The KPC Employees ESOT Study Committee was formed as a representative employee group to study the feasibility of continued operations under Employee ownership. Although it may seem presumptuous for an Employee owned company to believe that it can do what LP and ALP have failed to do over the last 3 years, ie., show a profit, the group presently feels it is possible if certain events occur. Our present plans if we are successful in purchasing the operations include cost savings through modernization of the equipment, decreasing labor costs, increasing productivity and decreasing the cost of raw materials by working with the United States Forest Service.

If an additional capital investment which has no return is forced upon the company for pollution control then the result would be that much more savings which necessarily must be found elsewhere. The task is extremely difficult and risky at best and would be almost impossible if an extra layer of cost were added by the EPA. Please support the attempt to make our company an All Alaskan year round industry to provide jobs in Alaska and money for further investment in Alaska's Future. Thank you on behalf of all the Employees and their families.



Luke Popovich is contributing editor-national affairs for Pulp & Paper.

Treatment for its own sake

Press reports last month confirmed our doubts about the future of the Administration's dwindling effort to deregulate business. Officials at the Office of Management & Budget (OMB) told reporters the effort for now was dead—"ended," as they delicately put it. Since OMB was the locus maximus of the deregulation effort, sadly we must take these officials at their word that little will be done to discourage environmental regulation until after the 1984 election, assuming the home team wins.

Vice President Bush chaired the President's Task Force on Regulatory Relief, which closed down this summer, leaving to OMB the day-to-day vigilance over unnecessary rules. In signaling an end to the much-touted deregulatory effort, the Administration has borrowed liberally from the Vietnam antiwar strategy propounded by former Vermont Senator George Aiken: simply declare a victory, allow a self-satisfied smile, and withdraw. But if a thumping victory has been won against environmental regulation, the paper industry has yet to be informed.

AN ALASKAN CASE. Battlefield conditions still suggest that the war against treatment for treatment's sake is far from over. A story from Alaska illustrates the enemy's tenacity. Ketchikan Paper Co. and Alaska Lumber & Pulp Co. of Sitka applied to the Environmental Protection Agency for variances from secondary-treatment requirements under the Clean Water Act in December 1981. The companies had good reasons for asking a waiver from compliance with costly best practicable technology (BPT) requirements beyond the secondary treatment they had already employed.

First, the companies cited insufficient sites for installing sludge disposal facilities. Second, alternative power sources were not available to run generators during installation of control technology. Third, the additional treatment would harm other, nonwater values. Together, they said, additional requirements to treat then-nonhazardous wastes would cost more than EPA's model for similar reductions in the lower 48 states had suggested was proper. Nor would the treatment result in cleaner water.

Their case looked persuasive. The state's Department of Environmental Conservation and congressional delegation okayed the variance. So too did EPA's then-Region X administrator John Spencer on Dec. 28, 1981 recommend that the variance be approved. Again on May 10, he wrote to his EPA superiors in Washington for a variance, citing EPA's own view, dating back to 1974, that "the Alaska

mills are entitled to different treatment . . . because of peculiar land, energy, and logistical constraints." Not only were the companies entitled to a variance, he said, but since EPA staff thought the BPT rule for the sulfite pulp category was "too stringent," the rule ought to be reviewed for immediate suspension.

So it was somewhat surprising that on Aug. 29, EPA announced it had tentatively decided to deny the variance, citing the absence of "fundamentally different factors" in the Alaskan case that would justify suspension of the additional secondary treatment requirements. "We did a thorough economic test and didn't find that their costs were out of line" with those facilities in the lower 48, said one EPA official in Washington.

INSIDE EPA. But an internal EPA memo from the Washington staff to EPA's acting water chief dated Feb. 3, 1982 suggests a different motivation for the denial. "A variance based on these problems does not appear to be entirely foreclosed," conceded EPA staff. "Nevertheless," the memo continued, "this [approval] could present a legal problem" because the "Natural Resource Defense Council has been closely following" the case. Worse, the memo alluded to the many other variance applications EPA would be forced to answer if it granted this one, thus upsetting its priorities for approving industrial permits.

Instead of granting the variance, EPA staff suggested the agency grant the two firms a temporary suspension of the BPT rules for the pulp category. And what of the quality of receiving water in all this decision making? It seems that consideration was irrelevant; water quality per se is expressly forbidden to bear on the issue of BPT compliance, and so it is irrelevant to the approval or disapproval of a variance. "If what these companies must do doesn't affect water quality one bit, they still have to install [BPT technology]," said EPA water effluent expert Bob Dellinger in Washington, D.C.

Treatment for treatment's sake is not only pointless but expensive. If the tentative decision isn't overturned after the Nov. 1, comment period expires, officials of Alaska Lumber & Pulp claim they'll be forced to spend \$51 million to achieve mandated reductions of 28 lb/ton. That's in addition to the \$45 million they've already spent to get from 275 lb to 75 lb/ton. "We don't have \$51 million to dump into this project," complained one company spokesman. Too bad money, like environmental quality, has nothing to do with the issue.

MEMORANDUM

to contact for Rules meeting Monday. Say we are making technical wording changes only to the second Resol's clause, no policy changes. May review proposed Rules CS at our office.

Run 118

TO: Sandra
 FM: Edie
 RE: individuals contacted for SJR 29 hearing
 DT: January 13, 1983

NAME	ASSOCIATION	#	COMMENTS
✓ Wally Koble Jim Clark	LPK ALP	586-3340	will be in Japan with BF
✓ Billie Trent	Leg. Liason for DEC	2600	someone else from Dept. will be there
✓ Alex Viteri	Water Quality Mngmt/DEC	2653	provided Neve with testimony in Sitka; Ketchikan; Seattle. is preparing agency response; will attend and submit written testimony
✓ Ray Gillespie	Leg. Liaison/Gov's office	2300 3500	contacted
✓ Lennie Boston	S.A./Resources/Gov's office	2300	contacted
✓ Fran Ulmer	Juneau Mayor	586-5257	contacted; may or may not be there
✓ Kevin Ritchie	Asst. Mayor of Juneau	" "	will attend as an observer
✓ Lindsey "Wally" Scarborough Scarborough	EPA Office/JNO	586-7619	may or may not be there/contacted
✓ John Sanders	US Forest Service/JNO	586-7263	will attend as an observer
✓ Jay Nelson	AK Environ'l Lobby	(586-2345)	will attend
✓ George Kruze	AK Chamber of Commerce		contacted
Dan Bodēin	EPA, Seattle	(206) 442-1531	
Ernesta Paines	Reg. Admin. EPA, Seattle	(206) 442-1220	

✓ Called for Rules meeting on SJR 29
 1/30/84
 Jean Smith

