

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

3569 HRES HB 445 - HB 461

2145



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9/5/89
Date

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Original sponsor: Pignalberi

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 445 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to information on royalty oil and
7 gas."

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

9 * Section 1, AS 38.05.183 is amended by adding new subsections to read:

10 (h) The department shall collect and compile information neces-
11 sary to determine on a monthly basis a representative

12 (1) price paid for state royalty oil and gas by in-state
13 refiners;

14 (2) refinery gate sales price of in-state refined fuel
15 products;

16 (3) wholesale or market exchange sales price of in-state
17 refined fuel products; and

18 (4) retail price of in-state refined fuel products.

19 (i) The commissioner may not enter into a contract of more than
20 one year for the sale of state royalty oil or gas to an in-state
21 refiner unless the refiner agrees to provide information to, and
22 assist or allow the collection of information by, the department on a
23 monthly basis to determine the representative monthly wholesale price,
24 market exchange sales price, and refinery gate sales price of the
25 in-state refined fuel products of the refiner.

26 (j) A person who contracts to purchase royalty oil from the
27 state under this section under a contract of more than one year for
28 in-state use shall provide to the commissioner, during the period that
29 the purchaser takes, refines, transports, or otherwise deals with the

1 purchased royalty oil, a report for the preceding month that indicates
2 for the purchased royalty oil

3 (1) the volume of oil taken;

4 (2) the products, including residual oil, produced from the
5 oil;

6 (3) the volume of oil sold in the state; and

7 (4) the volume of oil exported from the state.

8 * Sec. 2. AS 38.05.965 is amended by adding a new paragraph to read:

9 (24) "fuel products" means all oil and gas refined products
10 produced at an in-state refinery from state royalty oil and gas.

11 * Sec. 3. AS 38.05.183(j) enacted by sec. 1 of this Act applies to
12 contracts of more than one year for the purchase of royalty oil for in-
13 state use from the state that are entered into on or after the effective
14 date of this Act.

HOUSE
COMMITTEE REPORT

4/29
5

(9)
Date referred: 2/21/86

FURTHER REFERRALS: FINANCE

DATE: 4/28/86

The RESOURCES Committee has considered HB 445

"An Act requiring in-state refiners to submit and the Department of Commerce and Economic Development to collect information concerning the purchase and sale price of royalty oil and gas and fuel products by in-state refiners."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CS for HB 445 (Resources) same title
- new title

and recommends do pass

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

Pearce [Signature]

Jenkins [Signature]

Cato [Signature]

Shultz [Signature]

[Signature] Herrmann No Rec.

[Signature] Sund

[Signature] Co-Chairman

[Signature] Shultz

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 2/19/86

REQUEST

Bill/Resolution No. : CSHB 445 (oil + gas)
 Title : An Act Requiring Refiners
TO Submit
 Sponsor : Signalberi
 Requestor : Signalberi
 Date of Request : 2/17/86

FISCAL DETAIL

Agency Affected: Natural Resources
 BRU: Oil & Gas
 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES	3900	3900	3900	3900	3900	3900
TRAVEL	500	500	500	500	500	500
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	4400	4400	4400	4400	4400	4400

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND	4400	4400	4400	4400	4400	4400
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME						
PART-TIME	1/12	1/12	1/12	1/12	1/12	1/12
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by: Ned Farquhar Phone: 465-2400
 Division: Commissioner's Office Date: 465-2400

Approved by Commissioner: *Esther C. Wunnicke* Date: 2-19-86
 Agency: Department of Natural Resources

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y, State Capitol
Juneau, Alaska 99811
(907) 465-3991

April 26, 1986

MEMORANDUM

TO: Representative Marco Pierson

FROM: Gretchen Keiser *G. Keiser*
Legislative Analyst

RE: A Comparison of Royalty Oil and Retail Fuel Prices
Research Request 86-187

You asked us to provide a comparison of the price paid by instate refiners for royalty oil with retail prices for gasoline and heating fuel in Anchorage and Fairbanks during 1985 and 1986.

Table 1 summarizes the prices of royalty oil (paid by Tesoro Petroleum Company), unleaded regular gasoline (self service), and heating fuel #2 in Anchorage. We provide prices on a quarterly basis for the first half of 1985, and monthly September 1985 through February 1986. You will note that Tesoro's royalty price maintained a fairly narrow range of \$16.90 - \$17.13/barrel between January and December 1985.¹ However, the February 1986 royalty oil price of \$10.88/barrel is markedly lower than the \$17.13 price of December 1985--about 36 percent lower.

During the same period, the changes in retail fuel prices were mixed. Unleaded regular gasoline prices in Anchorage dropped over 6¢/gal. between January and December 1985, but experienced a negligible decline between December 1985 and February 1986. The retail price of heating Fuel No. 2 increased during 1985 and declined less than a 1¢/gal between December 1985 and February 1986. Figure 1 graphs these price changes for Tesoro royalty oil and Anchorage retail fuel prices.

Table 2 presents the prices of royalty oil (paid by MAPCO Petroleum Company), unleaded regular gasoline (self service), and heating fuel No. 1 (also called Arctic Diesel) in Fairbanks. Unfortunately, consistent retail price data are not readily available for Fairbanks, particularly in the case of heating fuel prices. Nevertheless, we can

¹Tesoro began receiving royalty oil under a new 26,000 bpd contract in October 1985--in addition to its existing 46,000 bpd contract. We weighted the two separate royalty oil contract prices in order to obtain an average price for this memorandum.

Representative Pignalberi
April 26, 1986
Page Two

make the following general observations about the prices.

- 1) MAPCO royalty oil prices did not change markedly during 1985, but the price dropped about 33 percent between December 1985 (\$17.30/barrel) and February 1986 (\$11.64/barrel).
- 2) Unleaded regular gasoline retail prices increased over 7¢/gal during 1985 and then remained virtually unchanged until early April 1986 when a survey by the Community Research Center (Fairbanks North Star Borough) noted an average drop of about 9¢/gal (or six percent).
- 3) Heating fuel No. 1 retail prices declined about 10¢/gal between September 1985 and early April 1986.

* * * * *

I hope this information is useful. Please contact me if I can be of further assistance.

GK

TABLE 1
 COMPARISON OF ROYALTY OIL AND RETAIL GASOLINE AND HEATING FUEL PRICES
 IN ANCHORAGE: 1985-1986

Date	Tesoro Royalty	-----Retail Price-----	
	Oil Price (\$/Barrel)	Unlead Reg Gas (\$/gal)	Heating Fuel #2 (\$/gal)
January 1985	\$16.95	\$1.268	\$1.117
April	16.90	1.225	1.115
June	16.97	1.261	1.115
September	16.91	1.274	1.115
October**	17.06	1.192	1.104
November	17.07	1.197	1.107
December 1985	17.13	1.200	1.134
January 1986	15.53	1.198	1.136
February	10.88	1.196	1.132
March	na	na	na

**Beginning in October 1985, the royalty oil price is weighted to account for different prices under two separate contracts.

Sources: Royalty prices: Royalty Accounting Section, Dept. of Natural Resources.
 Retail prices: Bureau of Labor Statistics, U.S. Dept. of Labor.

Prepared by the House Research Agency, April 1986.

FIGURE 1

Tesoro Royalty Oil Prices 1985-1986

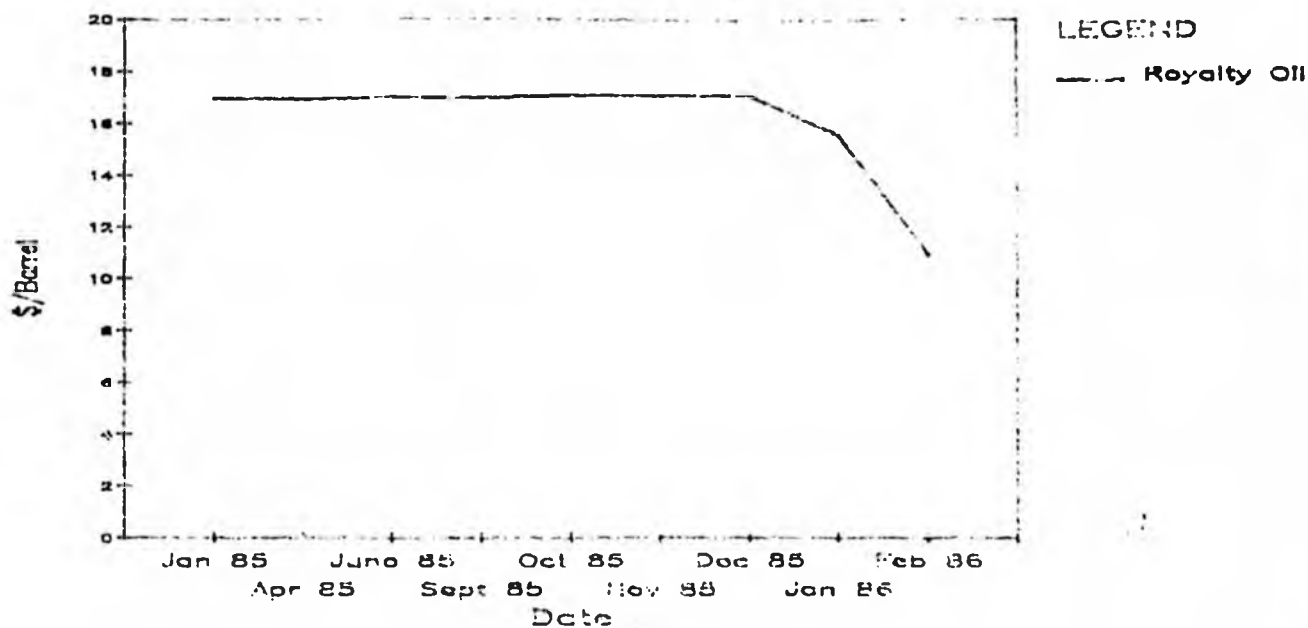
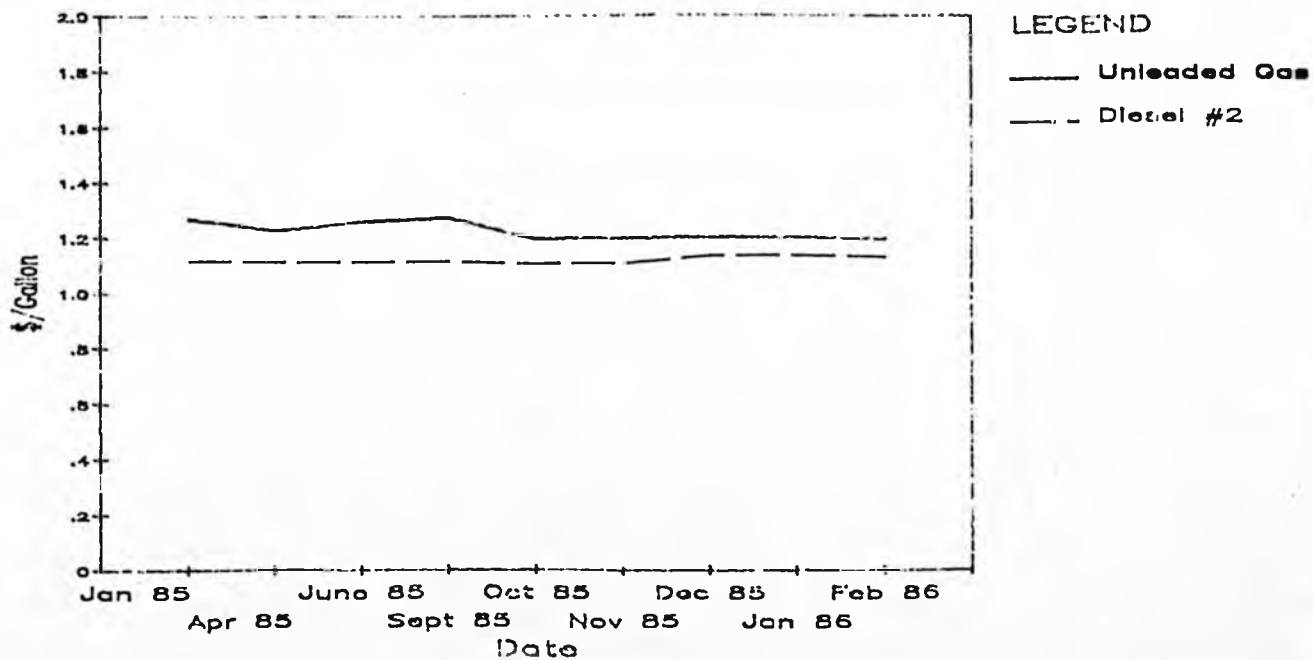


FIGURE 2

Anchorage Retail Fuel Prices 1985-1986



Prepared by the House Research Agency, April 1986.

TABLE 2
 COMPARISON OF ROYALTY OIL AND RETAIL GASOLINE AND HEATING FUEL PRICES
 IN FAIRBANKS: 1985-1986

Date	MAPCO Royalty Oil Price (\$/Barrel)	-----Retail Price-----	
		Unlead Reg Gas (\$/gal)	Heating Fuel #1 (\$/gal)
January 1985	17.13	1.299	na
March	--	1.291	na
April	17.20	na	na
June	17.25	1.312	na
September	17.09	1.347	1.098
October	17.15	na	na
November**	17.13	na	na
December 1985	17.30	1.373	na
January 1986	16.34	1.375	na
February	11.64	na	na
March	na	1.373	na
April	na	1.285	0.990

**MAPCO begins producing gasoline at the North Pole refinery.

Sources: Royalty prices: Royalty Accounting Section, Dept. of Natural Resources.
 Retail prices: Community Research Center, Fairbanks North Star Borough and
 Alaska Dept. of Law.

Prepared by the House Research Agency, April 1986.

BILL SHEFFIELD, GOVERNOR

REPLY TO:

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ANCHORAGE, ALASKA 99501
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1st NATIONAL CENTER
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POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

March 11, 1986

The Honorable Bill Sheffield
Governor
State of Alaska
P.O. Box A
Juneau, AK 99811

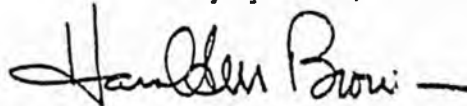
Dear Governor Sheffield:

Enclosed is my office's report on Fairbanks gasoline prices, as requested by your letter of January 13, 1986. As you know, during the last year gasoline prices in Fairbanks have increased, during a time when crude oil prices have decreased substantially.

Our investigation looked at all levels of the gasoline distribution system in Fairbanks: retail, wholesale, distributor, and refinery. Our conclusion is that the higher prices are the result of price increases at the refinery level. That is, the refineries are charging more for refined gasoline, even though they are paying less for the crude oil they use to make the gasoline. This price increase has been entirely passed on through the distribution chain to the Alaska consumer.

There is no law against charging high prices, as far too many Alaskans can testify. However, this situation is particularly deplorable. Alaskans are being paid less and less for the state royalty oil that goes into the refinery, but are being charged more for the product that comes out of the refinery.

Sincerely yours,



Harold M. Brown
Attorney General

HMB:RDM:cck
Enclosure:

cc: Hon. Mike Davis
Alaska State House of
Representatives

FAIRBANKS GASCLINE REPORT

February, 1986

The Fairbanks North Star Borough Assembly passed a resolution on December 9, 1985, requesting that the Governor investigate the price of gasoline and fuel oils in Interior Alaska. The Assembly asked for an explanation of why retail prices for gasoline and fuel oils in Interior Alaska have increased during a time when (1) world oil prices have declined, (2) the supply of crude oil exceeds the demand, and (3) retail gasoline and fuel oil prices have declined in many Lower 48 markets. The Governor referred the matter to the Attorney General for investigation.

The Attorney General's investigation focussed primarily on the price of motor gasoline at the refiner, wholesale, and retail levels in the Fairbanks and North Pole area. Where appropriate, the Fairbanks gasoline market was compared to the Anchorage and Juneau markets. Additionally, the investigation examined the Fairbanks home heating oil market, as requested by the Borough Assembly's resolution.

In preparing this report, the Attorney General's Office interviewed numerous petroleum product distributors, gasoline retailers in Fairbanks and North Pole, state economists, and industry representatives familiar with the Anchorage, Fairbanks,

and Juneau gasoline markets. 1/ Several subpoenas for testimony and documents were issued pursuant to the Attorney General's authority under the Alaska Restraint of Trade Act, AS 45.50.562 -- AS 45.50.596.

This report contains a general summary of our findings. Most of the individuals and corporations who provided information did so under the condition that some or all of the specific information related to us be kept confidential from their competitors. Additionally, information received pursuant to the Alaska Restraint of Trade Act is confidential as a matter of law. AS 45.50.492(e). Therefore, the material presented in this report is of necessity general in nature. In all instances, the prices charged, volumes of gas sold, and other information have been verified independently from more than one source.

A. General Market Characteristics and Comparisons

1. Fairbanks

Most gasoline retailers in Fairbanks purchase their gasoline from independently-owned distributors known as "jobbers," who own bulk fuel storage facilities. The jobbers purchase bulk fuel either from Tesoro's bulk fuel storage

1/ For a more complete description of the Juneau gasoline market, please refer to the Attorney General's report concerning that subject dated May 13, 1985.

facility in Fairbanks, from Tesoro's Nikiski refinery via Alaska Railroad shipments, or from the Mapco refinery in North Pole. The Mapco refinery began selling motor gasoline as of October 31, 1985.

The four motor gasolines sold on the retail level in Fairbanks are Chevron, Tesoro, Texaco, and Union Oil of California. The Chevron, Texaco, and Union jobbers each mix a unique additive package into the Tesoro or Mapco fuel they purchase before selling it as brand-name gasoline.

Within a rough five-mile radius of the downtown Fairbanks core area there are 32 retail gas stations. This area includes the City of Fairbanks and the Chena Gold Stream, University, and Steese fire service areas, and has an approximate population of 48,000 persons. Consequently, there is one gas station in the Fairbanks area for about every 1,500 people. These stations range from complete-service branded gas stations to convenience stores with gas pumps to unbranded "pumps-only" self-serve operations.

2. Anchorage

The Anchorage retail market offers the same four branded motor gasolines sold in Fairbanks. All motor gasolines sold in Anchorage originate from Tesoro's Nikiski refinery. Chevron, Texaco, and Union each have product exchange agreements with Tesoro under which they receive gasoline in Anchorage in

return for delivering a similar quantity of crude oil or refined gasoline to Tesoro at designated Lower 48 locations. Chevron, Texaco and Union "additize" Tesoro gasoline before selling it in the Anchorage area as their own branded product. Unlike the jobber system in Fairbanks, most retailers in Anchorage buy gasoline directly from bulk plants owned by the major companies. There is approximately one gas station for every 2,300 persons in Anchorage.

3. Juneau

Juneau area retailers buy gasoline directly from one of just two bulk fuel suppliers: a Chevron commission agent and a Union distributor. Juneau area gasoline originates from west coast refineries in the Lower 48 and from Tesoro's Nikiski refinery. There is approximately one gas station per 3,200 persons in the Juneau-Douglas area.

B. Alaska Gasoline Retailers Passed on Wholesale Price Increases to Consumers during 1985

According to retail gas price data compiled by the Community Research Center of the Fairbanks North Star Borough, the average per gallon retail price of leaded regular gas in Fairbanks increased by 7.9 cents between January 1985 and December 1985. This figure exceeds the 7.3 cent per gallon increase over the same period in the leaded regular wholesale price by .6 cents per gallon. See Appendix A, Price Comparison Charts, and Appendix B, Price Comparisons.

Fairbanks Community Research Center data shows a 7.4 cent per gallon increase in the average retail price of unleaded regular between January 1985 and December 1985. This also exceeds the 6.8 cents per gallon increase over the same period in the wholesale price paid by Fairbanks retailers by .6 cents per gallon. It appears that Fairbanks retailers passed the wholesale price increases they experienced in the last year on to Fairbanks consumers without significantly increasing their profit margins.

Anchorage retail prices for leaded and unleaded regular gas increased by an average of about 8 cents and 9.7 cents per gallon, respectively, between January 1985 and January 1986. These average retail price increases match the average wholesale price increase of 8.0 cents per gallon during the same period in the case of leaded regular, and slightly exceed the average wholesale price increase of 8.0 cents per gallon in the case of unleaded regular. Thus, Anchorage retailers also passed along wholesale price increases directly to local consumers.

Juneau retail prices for leaded and unleaded gas each increased by an average of 2.5 cents per gallon between January 1985 and January 1986. The retail price increases considerably exceeded the average wholesale price increases of .8 cents (leaded) and 1.8 cents (unleaded) over the same period. Therefore, Juneau retailers not only passed along wholesale price

increases to the local consumer, but increased their profit margins as well.

C. Profit Comparisons

"Gross Profit Margin Per Gallon" is used by the industry to describe the difference between a retailer's per gallon sales price and the per gallon wholesale price, including federal tax (9 cents per gallon), state tax (8 cents per gallon in Alaska) and any local tax (4 percent in Juneau, none in Fairbanks or Anchorage). The "gross profit margin per gallon" is calculated prior to deduction of overhead costs such as utilities, salaries, insurance, rents/mortgages, etc.; and often varies according to grade of gasoline (leaded, unleaded, supreme, or diesel), type of service (self-serve or full serve), and method of payment (cash or credit). Many, but not all, stations charge more for credit card purchases than for cash transactions. Sales volume also varies according to grade, type of service, and method of payment.

When the weighted average is computed for all gross profit margins at a particular service station, the result is what the industry refers to as the "pool margin." Pool margins for Fairbanks dealers average about 18 to 22 cents per gallon, as compared to 9 to 11 cents per gallon for Anchorage dealers and about 21 to 23 cents per gallon for Juneau dealers.

Fairbanks dealers pump an average of about 65,000 -- 70,000 gallons of gas per month, although there are a number of gasoline retailers in Fairbanks that sell either substantially above or below that average. At 70,000 gallons per month, and with a 20 cent per gallon pool margin, a Fairbanks retailer's annual gross profits from gasoline sales would total \$168,000.

Anchorage and Juneau dealers, on the average, pump about 100,000 gallons monthly, although as with Fairbanks retailers, there are a number that sell substantially above or below the average. At 100,000 gallons per month, and with a 10 cent per gallon pool margin, an Anchorage retailer's annual gross profits from gasoline sales would total \$120,000. At 100,000 gallons monthly, and with a 22 cent per gallon pool margin, a Juneau retailer's annual gross profits from gasoline sales would total \$264,000. Thus, Fairbanks is squarely in the center of Alaska's three largest cities as far as retail gasoline profits are concerned.

Slightly higher average overall operating expenses translate into an average 3 cents per gallon higher cost of doing business for Fairbanks retailers as compared with their Anchorage counterparts. Utilities and rents/mortgages are chiefly responsible for the operating cost differential between Anchorage and Fairbanks. Salaries paid by Fairbanks retailers are, on the average, only marginally higher than those paid by Anchorage

retailers, and insurance costs run about the same for each location.

Thus, Fairbanks retailers make greater profits per gallon than their Anchorage counterparts. To illustrate, the Fairbanks-Anchorage average retail price differential is 22.5 cents per gallon. Subtracting the 11.8 cent per gallon average wholesale price differential and the 3.0 cent per gallon higher cost of doing business from this figure leaves a 7.7 cent per gallon higher average profit margin for Fairbanks retailers than for Anchorage retailers. This 7.7 cent per gallon difference translates into annual profits of about \$65,000 for the average Fairbanks retailer.

D. Comparative Market Dynamics: Fairbanks and Anchorage

Although Anchorage and Fairbanks are both railbelt communities, the market dynamics of the two cities are quite different. The 22.5 cent per gallon average retail price difference between Fairbanks and Anchorage is only partially explained by the approximately 11.8 cent per gallon higher wholesale prices paid by Fairbanks retailers and the 3.0 cent per gallon higher cost of doing business in Fairbanks.

Anchorage profit margins have been less than half of those of Fairbanks dealers for the last several years. This is primarily because of the presence of high volume discount retailers in the Anchorage market. Low profit margins in

Anchorage means that retail prices there have been held at the lowest levels in Alaska for a protracted period. Industry officials consistently characterize the Anchorage market as "fiercely competitive."

It appears that the absence in Fairbanks of a high volume price cutter along the lines of those currently found in Anchorage has enabled Fairbanks dealers to hold on to their higher profit margins. With one gas station in Fairbanks for every 1,500 people, compared with one for every 2,300 people in Anchorage, competition should be stronger. 2/

E. North Pole: Potential Retail Price Reductions

North Pole is a community of about 1,600 people and is located 13 miles southeast of downtown Fairbanks. There are three gas stations at the intersection of the Richardson Highway and Badger Road/Santa Claus Lane that, according to a November 4, 1985 article in The North Pole Paper, were engaged at the time in a "gas war." All three stations were selling gas at self-serve cash prices of \$1.149 (leaded) and \$1.209 (unleaded), and one

2/ This is not to say that there are no high volume gas stations in the Fairbanks area. Two high volume stations are found in the South Cushman Street area of Fairbanks. However, after differences in wholesale prices and operating costs are taken into account, high volume stations in Fairbanks do not cut prices anywhere near as much as the Anchorage discount stations.

station reportedly claimed to be selling gasoline below cost. During the week of January 13, 1986, prices at these stations had increased slightly to \$1.189 (leaded) and \$1.249 (unleaded). This was roughly 12.5 cents per gallon cheaper than the Fairbanks price.

The prices at the North Pole stations have over a period of months remained at least 12 to 13 cents below average self-serve cash prices in Fairbanks. The station owners we interviewed stated that these low prices were a direct result of intense competition among the three stations for the commuter trade. The North Pole stations still make an approximate 5.0 cents per gallon profit on these sales.

Even though the three North Pole stations are 13 miles from downtown Fairbanks, if this price difference persists over a long period of time, it may very well have a lowering effect on Fairbanks prices. The retailers we interviewed were acutely aware of the North Pole prices. One Fairbanks dealer expressed great concern over this price difference. Another reported that his customers have asked him for explanations of why retail prices are higher in Fairbanks than in North Pole. A third dealer stated that he is watching the gas pricing of the North Pole stations very closely; and that if the North Pole retail marketing strategy of waging gas wars reaches the Fairbanks market, it will have a considerable effect on Fairbanks prices.

F. Heating Oil Prices

Unlike motor gasoline prices, number 1 and number 2 heating oil prices in the Fairbanks areas have been on the decline. The Fall 1985 Community Research Quarterly published by the Fairbanks North Star Borough Community Research Center indicates that the average retail prices for number 1 and number 2 heating oil have decreased by 5.5 cents and 5.2 cents per gallon respectively, between September 1984 and September 1985; (see page 83 of that publication).

The average per gallon price in September 1985 for number 1 heating oil was \$1.098 and the average for number 2 was \$1.04. A January 1986 phone survey of home heating oil prices in Anchorage revealed an average per gallon price for number 1 of \$1.195 and an average price for number 2 of \$1.115. (Both Fairbanks and Anchorage prices cited here are based on automatic delivery of 500 gallons of heating oil.) Thus, home heating oil prices in Fairbanks are not only declining, but also average 9.7 cents (number 1) and 7.5 cents (number 2) per gallon less than Anchorage home heating oil prices.

CONCLUSIONS

A. Higher Margins in Fairbanks Due to Weak Competition

The Attorney General's Office examined the possibility that price differences between Anchorage and Fairbanks are due in part to violations of the state's antitrust laws. However, we have found no evidence to date which indicates any widespread conspiracy on the part of Fairbanks retailers to engage in price fixing, nor is there any indication that such activity has occurred at the jobber or refiner levels. 3/

Instead of uncovering antitrust violations, the investigation revealed that the higher Fairbanks profit margins are the result of unaggressive pricing by retailers. Price competition in the Fairbanks retail gas market is sluggish, despite a comparatively high concentration of retail gas stations. The high per capita gas station ratio in Fairbanks should encourage much more vigorous competition than presently exists.

3/ There are indications that at least one gas station attempted to fix prices by trying to convince a nearby competitor to join in a plan to raise prices. Further investigation, however, revealed that the competitor who was approached with the price-fixing proposal did not agree to it. In the absence of an agreement by two or more competitors to fix, raise, maintain, or otherwise manipulate prices, there is no conspiracy in restraint of trade actionable under state antitrust laws.

Instead, Fairbanks dealers are able to maintain consistently high prices and thus high profit margins. When asked to explain this phenomenon, one Fairbanks dealer offered the following explanation:

Everybody here seems to have a feel for what it costs to operate, and they're not really trying to prove anything to anybody. Tomorrow, if I wanted to, I could knock 10 cents a gallon off of all of my prices. I'll pick up volume for maybe one or two days. But the minute that's up, (my competitors) are going to see that I went down and I guarantee that within two or three days they'll match me. So therefore, there's no advantage for me to be down there. The only advantage is, it would make us all go broke, and that's just common sense. In this area up here, we know that, and we know that's basically how it's worked for years up here. Everybody watches everybody. By watching everybody in that aspect, you really kind of, I would say, control the market. I would never say it's a form of price fixing, but it's a form of maintaining your margins, I would say.

To the extent that these comments are representative of Fairbanks dealers generally, they reflect a less-than-aggressive attitude toward competitive pricing, and are consistent with some of the conclusions reached in a February 1, 1983 report entitled, "Alaska Petroleum Product Pricing" prepared for the Alaska Senate Resources Committee by Louis F. DeLong and Lloyd M. Pernela of Pacific-Alaska, Inc. The DeLong and Pernela report, which covered the period of 1980 -- 1982, arrived at the following conclusions:

The prices of motor gasoline in Fairbanks at the retail level increased significantly during 1980,

a period of increased costs of crude oil. Starting in early 1981 until today (February 1, 1983), gasoline prices have remained steady in spite of significant decreases in crude costs. The motor gasoline retail market has reacted to cost increases on the upside but not on the downside. This lack of a market reaction to declining costs seems to indicate a "structured" noncompetitive retail environment in Fairbanks.

DeLong and Pernela, 1983, at 83.

We were told by several sources that by summer's end this year, between 4 and 12 additional gas stations of various types will have opened in the Fairbanks area. This would result in the highest concentration of gas stations per capita in Alaska, if not in the entire Northwest. There is speculation that these new stations will sell gasoline substantially below current prices to establish a market share. In that event, existing gas stations would be forced to lower prices to preserve their current market share. Whether this scenario actually becomes a reality, of course, remains to be seen.

As matters stand, we conclude that weak competition and tacit agreement between Fairbanks retailers "not to rock the boat" has kept their profit margins high during the last several years. This does not explain, however, why Fairbanks gasoline retail prices have increased during the last year, when in-state oil prices have dropped significantly. The increase in retail prices does not appear to be the result of increased profit margins at the retail level. Rather, the retailers have simply

passed on price increases at the wholesale level to the Fairbanks consumer. These wholesale price increases, we have determined, are due to price increases at the refinery level. 4/

3. Alaska Price Increases Result from High Refinery Prices

The price of crude oil purchased by Tesoro, Alaska's principal in-state refiner of motor gasoline during 1985, is governed largely by a long-term royalty oil supply contract with the State of Alaska. Under this contract, Tesoro's purchase price is set at the weighted average of in value amounts reported monthly by Prudhoe Bay producers and is subject to adjustment in accordance with the current litigation over the value of North Slope oil production. Unlike the rapidly fluctuating world spot prices, the reported in value North Slope royalties, and hence the price under Tesoro's long-term contract, generally react slowly to changes in the world oil market. 5/

4/ See Appendix B. The refinery price for leaded gasoline increased by 6.2 cents per gallon between January, 1985 and January, 1986. The jobbers passed this increase (with a little extra) on to the retailers, increasing the wholesale price by 7.3 cents per gallon during the same period. Unleaded gasoline went up 6.8 cents per gallon at the refinery, and 6.8 cents per gallon at the wholesale level. Thus, the refinery price increase for unleaded was passed-through by the jobbers to the retailers with only a slight surcharge.

5/ Between early December 1985 and mid-February 1986, world spot

The slow decline in royalty contract prices does not provide an explanation of why gas prices in Fairbanks have increased over the last year. Despite a documented one dollar per barrel decline in reported Prudhoe Bay royalty oil prices over the last year, our office has independently verified that Alaska's major gasoline producer has actually raised its selling prices during that time.

Tesoro is the only in-state refiner which produced motor gasoline throughout the entire calendar year 1985. As mentioned earlier, Mapco only started refining motor gasoline as of October 31, 1985. All gasoline sold in Fairbanks and Anchorage is either Tesoro or Mapco gasoline, regardless of what brand name is on the pump. The bulk of Tesoro's Nikiski refinery feedstock in 1985, approximately 40,000 barrels per day, comes

market prices have dropped by more than \$10 per barrel, to the \$15 per barrel range. However, the posted price of a major Prudhoe Bay producer, Sohio, has only fallen \$4 per barrel in that period. Further, that decline did not occur until February 1986.

The decline resistance of North Slope crude oil prices is amplified for in-state refiners since there is a two-month lag period before price changes are passed on to Alaska refiners. This is due to the method used to report and calculate the value of royalty oil. Thus, the current decline in spot market prices will not be reflected in state royalty oil contracts until this spring.

from the long-term state Prudhoe Bay royalty oil contract described above.

Because of the lag in the price changes under the royalty oil contracts, the per barrel price billed to Tesoro for royalty oil in January, 1985 was based on the in value amount reported by the Prudhoe Bay producers for the month of November 1984. That price, as most recently revised, was \$17.96 under Tesoro's 40,000 barrel-per-day contract.

The per barrel price billed to Tesoro under the same contract in January 1986, based on November 1985's reported in value amount, was \$16.99. Therefore, the per barrel price paid by Tesoro for the bulk of its 1985 Prudhoe Bay feedstock decreased by 97 cents between January 1985 and January 1986. This amounts to a 2.3 cent reduction on a per gallon basis.

Despite the decrease in Tesoro's price for the bulk of its 1985 feedstock, the wholesale prices for all four brands of gasoline in Anchorage and Fairbanks increased by an average of about 6.5 cents per gallon over the last year.

The inverse relationship between decreasing 1985 royalty oil prices and increasing 1985 selling prices is a strong indication that Tesoro and the oil companies which sell Tesoro gasoline under their brand names have been pursuing a "what the market will bear" pricing strategy for selling motor gasoline in Alaska. Over the last year, increases established by oil

companies in their Alaska selling prices have been passed on throughout the petroleum distribution chain to retailers, and ultimately to Alaskan consumers.

Conversely, reductions in crude acquisition costs during 1985, insofar as such data is available to us, do not appear to have been passed along by the oil companies. In this regard, the DeLong and Pernela report, on page 82, asserts that one reason Alaska refineries are highly profitable is that "... the reductions in crude pricing are not being reflected in the Alaska market price of the refined products."

A sustained lowering of crude supply prices, in traditional economic theory, should result in an eventual lowering of retail prices to consumers. However, Alaska refiners appear to be stretching their profit margins by increasing their prices despite the lower cost of crude oil. As reported in an Anchorage Daily News article dated February 12, 1986, titled "Alaska Won't See Cheaper Gas Soon," oil industry officials expressed uncertainty as to whether and when Alaska's consumers will benefit from the kind of retail gas price reductions currently enjoyed by consumers in many Lower 48 markets. The consumer certainly will not see lower gas prices at the pump when prices at the refinery are going up.

APPENDIX A
PRICE COMPARISON SHEET
(Self-Serve Cash Prices)

I. January 1985 Leaded regular Gas Average Per Gallon Prices

	Fairbanks	Anchorage	Juneau
Average Jobber Buying Price	\$1.031	\$0.943	N/A
Average Wholesale Price	\$1.080	\$0.955	\$1.165
Average Retail Price	\$1.237	\$0.990	\$1.405
Average Retail Profit Margin	\$0.157	\$0.035	\$0.240

II. January 1986 Leaded Regular Gas Average Per Gallon Prices

	Fairbanks	Anchorage	Juneau
Average Jobber Buying Price	\$1.093	\$1.008	N/A
Average Wholesale Price	\$1.153	\$1.035	\$1.173
Average Retail Price	\$1.316	\$1.070	\$1.430
Average Retail Profit Margin	\$0.163	\$0.035	\$0.257

III. January 1985 Unleaded Regular Gas Average Per Gallon Prices

	Fairbanks	Anchorage	Juneau
Average Jobber Buying Price	\$1.077	\$0.989	N/A
Average Wholesale Price	\$1.132	\$1.002	\$1.205
Average Retail Price	\$1.301	\$1.070	\$1.464
Average Retail Profit Margin	\$0.169	\$0.068	\$0.259

IV. January 1986 Unleaded Regular Gas Average Per Gallon Prices

	Fairbanks	Anchorage	Juneau
Average Jobber Buying Price	\$1.141	\$1.056	N/A
Average Wholesale Price	\$1.200	\$1.108	\$1.223
Average Retail Price	\$1.375	\$1.167	\$1.489
Average Retail Profit Margin	\$0.175	\$0.059	\$0.266

Note: All prices include 17 cents federal/st te tax.

APPENDIX B
PRICE COMPARISONS

I. JOBBER BUYING PRICES

Many fuel purchaser who buy motor gasoline at jobber buying prices hold a qualified dealer's license which enables them to make fuel purchases on a tax-exempt basis. Some companies who are not qualified dealer license holders are able to purchase motor gasoline from an oil company at jobber buying prices, but such purchases are not tax-exempt. For the sake of uniformity and for ease of comparison with wholesale and retail prices presented later in this report, the jobber buying prices presented in this section are inclusive of federal and state tax.

A. Fairbanks

In January 1985, the average per gallon price of gasoline paid by Fairbanks jobbers to the major oil companies, including 17 cents federal/state tax, was \$1.031 for leaded regular and \$1.077 for unleaded regular. By January 1986, the average price for these products had increased to \$1.093 (leaded) and \$1.41 (unleaded). This resulted in an average per gallon increase over the last year of 6.2 cents (leaded) and 6.4 cents (unleaded).

B. Anchorage

Even though most Anchorage retailers do not buy gasoline from jobbers, the major oil companies maintain jobber buying prices for the Anchorage area, as some retailers are served by

jobbers. In January 1985, the average per gallon jobber buying price of gasoline in Anchorage, including 17 cents federal/state tax, was \$.943 (leaded) and \$.989 (unleaded). By January 1986, these averages had increased to \$1.008 (leaded) and \$1.056 (unleaded), representing average per gallon annual increases of 6.6 cents and 6.7 cents, respectively.

C. Juneau

Since branded motor gasolines in Juneau are sold to retailers by bulk facilities owned by Chevron and Unocal rather than by independently-owned jobbers, no jobber buying prices are available for Juneau.

D. Fairbanks/Anchorage Jobber Buying Prices

In January 1985, Fairbanks jobber buying prices averaged 8.8 cents per gallon higher than for both leaded and unleaded gasoline than Anchorage jobber buying prices. In January 1986, Fairbanks jobber buying prices averaged 8.5 cents per gallon higher for both leaded and unleaded gasoline than Anchorage jobber buying prices.

II. WHOLESALE PRICES

A. Fairbanks

In January 1985, the average per gallon delivered wholesale price of gasoline paid by Fairbanks retailers, including 17 cents federal/state tax, was \$1.08 for leaded regular and \$1.132 for unleaded regular. By January 1986, the

average price paid by Fairbanks retailers for these products increased to \$1.153 and \$1.20 respectively. Thus, over the last year, the average wholesale price increased by 7.3 cents per gallon for leaded regular and 6.8 cents per gallon for unleaded regular.

B. Anchorage

In January 1985, the average per gallon delivered wholesale price of gasoline paid by Anchorage retailers was \$.955 for leaded regular and \$1.002 for unleaded regular. By January 1986, these averages increased to \$1.035 and \$1.108 respectively. Thus, over the last year, the average wholesale price increased by 8.0 cents per gallon for leaded regular and 8.0 cents per gallon for unleaded regular. In early 1985, Anchorage average wholesale prices were lower than those in Seattle. However, at present, Seattle wholesale prices average about 10 cents lower than those in Anchorage.

C. Juneau

In January 1985, the average per gallon delivered wholesale price of gasoline paid by Juneau retailers was \$1.165 for leaded regular and \$1.205 for unleaded regular. By January 1986, these figures were \$1.173 and \$1.223 respectively. This represents an average net increase of .8 cents (leaded) and 1.8 cents (unleaded) as between January 1985 and January 1986. However, Juneau wholesale prices actually rose to a mid-1985

average of about 4 cents per gallon higher than 1985 year-end levels.

D. Fairbanks/Anchorage/Juneau Wholesale Price Comparison

In January 1985, Fairbanks retailers paid an average of 12.5 cents per gallon more for leaded regular and 13.0 cents per gallon more for unleaded regular than did Anchorage retailers. At the same time, Juneau retailers paid an average of 8.5 cents (leaded) and 7.3 cents (unleaded) per gallon more than Fairbanks retailers.

In January 1986, Fairbanks retailers paid an average of 11.8 cents per gallon more for leaded regular and 11.8 cents per gallon more for unleaded regular than did Anchorage retailers. In the same month, Juneau dealers paid an average of 2.0 cents (leaded) and 2.3 cents (unleaded) more than Fairbanks retailers.

Freight and loading costs associated with transporting motor gasoline from Anchorage to Fairbanks have ranged from about 9 to 12 cents per gallon, depending upon the quantity of fuel shipped.

III. RETAIL PRICES

A. Leaded Regular

During the week of January 13, 1986, with one or two exceptions, cash prices for self-serve leaded regular gasoline in the Fairbanks area (excluding North Pole) ranged from \$1.279 to \$1.349 per gallon, and averaged \$1.316 per gallon. During the

same week, leaded gas at self-serve cash prices in Anchorage sold at between \$1.039 and \$1.099, with an average of about \$1.07 per gallon. In Juneau, with one or two exceptions, self-serve cash prices for leaded regular ranged from \$1.319 to \$1.469, with an average of \$1.43 per gallon.

B. Unleaded Regular

During the week of January 13, 1986, with one or two exceptions, cash prices for self-serve unleaded regular gasoline in the Fairbanks area ranged from \$1.319 to \$1.409 with an average of \$1.375. Unleaded self-serve cash prices in Anchorage during the same week ranged from \$1.139 to \$1.199, and averaged about \$1.167. In Juneau, with one or two exceptions, unleaded regular cash prices ranged from \$1.369 to \$1.519, and averaged \$1.489. (Note: For about a 35-day period at the end of 1985, several Juneau retailers lowered their prices by approximately 20 cents per gallon.)

C. Average Retail Price Comparisons

Fairbanks leaded regular self-serve cash prices during the week of January 13, 1986 averaged 24.6 cents per gallon higher than those in Anchorage, and 11.4 cents per gallon lower than those in Juneau. Fairbanks unleaded regular self-serve cash prices during the same week averaged 20.8 cents per gallon higher than those in Anchorage, and 10.5 cents per gallon lower than those in Juneau. Overall, Fairbanks self-serve cash prices

FAIRBANKS GASOLINE REPORT

February, 1986
Page 26

averaged about 22.5 cents per gallon higher than Anchorage prices, and about 11.0 cents per gallon lower than Juneau prices during mid-January 1986.

COMMITTEE REPORT

7/21

HOUSE

RESOURCES

(7)

FINANCE

5/11/85

FURTHER:

2/20/86

Date: _____

HOUSE SPECIAL COMMITTEE
ON OIL & GAS

HB 445

The Committee on _____ has had _____

"An Act requiring in-state refiners to submit and the Department of Commerce and Economic Development to collect information concerning the purchase and sale price of royalty oil and gas and fuel products by in-state refiners."

under consideration and recommends:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 445 (R.O.) same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note Zero Fiscal Note Attached
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Malcolm

MEMBERS HAVING
OTHER RECOMMENDATIONS:

AUM MARRON No Rec.
Mike ~~DO NOT PASS~~ ^{DO NOT PASS} ~~more~~ ^{more} ~~burial~~ ^{burial} ~~paper~~ ^{paper}
Mike No Rec.
See Carty No Rec. COTTEI
Pat Parsons no rec
John no rec SUND
Archie
CHAIRMAN

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date : _____

REQUEST

Bill/Resolution No. : CSHB 445
 Title : An Act relating to information on royalty oil and gas.
 Sponsor : Marco A. Pignalberi
 Requestor : _____
 Date of Request : _____

FISCAL DETAIL

Agency Affected : Commerce & Economic Development
 BRU : Economic Development Advocates
 Components : Research and Support

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	-0-	55.0	58.0	60.6	63.0	65.5
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	55.0	58.0	60.6	63.0	65.5

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

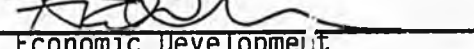
POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

DCED plans to subcontract the task in the form of a telephone survey and report the results of this survey on a monthly basis. It is assumed that transactions of royalty oil and refined products, as well as transaction prices, will be reported to DCED by oil producers and refiners.

Prepared by : Orhan Yildiz, Chief Economist Phone : 465-2079
 Division : Research and Support Date : February 13, 1986

Approved by Commissioner :  Date : 2/13/86
 Agency : Commerce & Economic Development

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : HB 445
 Title : Requiring in-state refiners to submit and Dept. of Commerce and Economic Development to....
 Sponsor : Rep. Pignalberi
 Requestor : Rep. Pignalberi
 Date of Request : 2-6-86

FISCAL DETAIL

Agency Affected : Natural Resources
 BRU : Petroleum Management

 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

No fiscal impact.

Prepared by : Bob Butts *RB*
 Division : Oil and Gas

Phone : 465-2400
 Date : 2-6-86

Approved by Commissioner : Wm D. Amodeo, Deputy
 Agency : Natural Resources

Date : _____

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-465-2400

OFFICE OF THE COMMISSIONER

February 7, 1986

The Honorable Marco Pignalberi
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Pignalberi:

* As you requested, the Department has examined House Bill 445, which is entitled "An Act relating to information on royalty oil and gas." The bill calls for the submission and gathering of a variety of data to enable precise estimates of the consumer benefits attributable to in-state royalty oil contracts. The availability of such data would enhance considerably the department's ability to address this very complex and recurring question.

The department annually gathers the data mentioned in this bill that pertain to the regional and intrastate movement of refined products. That task represents a large share of the staff time embodied in the Historical and Projected Oil and Gas Consumption report. As was mentioned in my letter to you of February 4, 1986, some reporting requirements are also contained in the royalty contracts held by Tesoro and Chevron. A similar clause appears in the Petro Star/Chevron royalty contract presently before the Legislature.

With some exceptions, the new data sought under House Bill 445 relates to wholesale and retail product prices. The implementation of the reporting and data gathering system for those prices is the department's main area of concern with this bill. The foremost difficulty with obtaining such data stems from the language of the royalty oil contracts presently in force or before the Legislature. MAPCO, Tesoro, and Chevron, which together nearly constitute the State's refining industry, did not negotiate their long-term royalty oil contracts with price reporting provisions. Such a provision would doubtless be regarded as a material item by those refiners.

The absence of direct wholesale information from those refiners severely undermines the ability of this or any other department to gather such data. Of the first set of four data items listed in this legislation, the refinery

February 7, 1986

gate sales price (3) and the wholesale and market exchange sales price (4) would be affected by this limitation. As presently written, a number of areas would also be left to the interpretation of the agency charged with this task. For example, the distinction between refinery gate, wholesale, and market exchange prices is not clear.

The interpretation of the term "regional" as it corresponds to "average" may also prove troublesome. For instance, the second data item shown in the bill refers to the retail price of refined products. While such prices would be relatively easy to gather, they vary substantially within the State according to region. Further, considerable price variation can be expected within any region selected since transportation costs, even over small distances, account for much of that variation. A hypothetical region such as Western Alaska, where retail prices in Dutch Harbor are markedly less than those of Bethel, is a case in point. The retail price differentials between Fairbanks and remote locations in the Interior region provide a further example. Since there are nearly as many "retail price regions" as there are remote settlements in Alaska, the attempt to produce average retail prices on a regional basis, if this is intended, would not yield meaningful figures.

The apparent utility of the data requested is to learn the price effects of state royalty oil contracts. However, the task of relating retail prices to refinery gate prices, even when available, is much complicated by the interim activities of transportation and distribution. In that process, the ownership of refined products may change several times before reaching the final consumer. These factors are a prime obstacle to a satisfactory measurement of the price effects of royalty oil contracts to in-state refiners. The measurement of those price effects must entail a comparison to some base case. That base case would be the price of Alaska refined products in the absence of state royalty oil contracts. This in turn depends on the actual cost of refining, including the amortization of refinery capital stock at present value. Such sensitive cost data would not likely be made available to the State. Generally, the price advantages traceable to a royalty oil contract could not exceed the difference between the cost of royalty oil and the cost of alternative feedstocks, plus what value the purchasers may place on the advantages of a long-term contract.

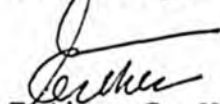
The cost to the department of implementing this bill is very dependent on which agency is given the task of compiling the information, the bill's interpretation, and the degree of cooperation from in-state refiners. As now written, the

February 7, 1986

* fiscal impact in DNR is negligible since the Department of Commerce and Economic Development is responsible for compiling the information. If it is decided to give DNR this responsibility and under the most demanding interpretation with no cooperation from in-state refiners beyond their present contractual obligations, the department conservatively estimates that the equivalent of one staff member would be permanently assigned to this task. This preliminary estimate is based on a discussion with staff from the University's Institute of Social and Economic Research and the department's previous experience with the annual Historical and Projected Oil and Gas Consumption report.

I hope this is helpful. Please contact Kay Brown if you would like additional information.

Sincerely,



Esther C. Wunnicke
Commissioner

cc: Kay Brown, Director
Division of Oil and Gas

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-485-2400

February 4, 1986

The Honorable Marco Pignalberi
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative ^{Marco} Pignalberi:

I am writing in response to your recent information requests of the department regarding mental health lands and royalty oil.

It would be costly and take a great deal of staff time to reproduce a complete set of maps, status plats, and reports on state mental health lands. Instead, we have provided your office a copy of the Alaska-wide map indicating townships containing mental health lands. I also would be willing to meet with you to describe the programs and would gladly put our microfiche records and hard-copy reports at your disposal if you or your staff wish to do research in Juneau or Anchorage. Please let me know if you need anything more on this topic.

The department does not keep a royalty oil chart of the kind that you requested, and it would be expensive and time consuming to undertake the preparation of one. Similar information is available in the historic oil and gas supply/demand report submitted annually to the Legislature. The House Research Agency might be able to prepare a chart like the one you have requested.

* In response to your inquiries of January 16 and January 30, 1986, on royalty oil management, I would like to raise several points helpful to your consideration of a bill calling for specific reporting requirements of in-state royalty oil purchasers. Presently, two of the state's four in-state refiners are contractually obligated to report on a monthly basis most of the data listed in your letter. The long-term negotiated royalty contract for Petro Star/Chevron presently before the Legislature also contains those reporting obligations, but on a quarterly basis. The earlier

Mapco contract contains no regular reporting obligation, however, the contract calls for Mapco to consult with the state prior to exporting refined products from Alaska. (See Sec. 3.3 and 3.3.1 of the contract.)

Section 2.12 of the Tesoro, Chevron, and Petro Star/Chevron royalty oil contracts states in part that the purchaser shall report "the quantity of refined petroleum products produced and marketed in the State of Alaska...." While this section does not explicitly call for the product slate of the purchaser, the purchasers have, as a matter of practice, included their product slate with the monthly report. Petro Star, which has a very narrow product slate, is expected to follow suit. To avoid prospective competitive disadvantages, Chevron has requested that its monthly report be held confidential.

* In addition to a more explicit requirement with respect to product slate, the department believes there may be merit to your suggestion for an export report requirement. However, this information may be roughly deduced by comparing the volume of products marketed in Alaska to the volume of refined products produced in Alaska. The volume of residual oil may be obtained in a similar manner.

As your letter acknowledges, it probably would be difficult at this point to tighten the reporting requirements of Mapco, Tesoro and Chevron. We are also precluded against taking such action with the Petro Star/Chevron contract for two reasons: 1) Petro Star has virtually no capacity for export, and 2) Petrostar's limited product slate may be ascertained by examining its report of the volume of refined products produced in Alaska, as the product ratios of this simple distillation refinery are relatively inflexible. Nevertheless, I believe the reporting requirements you are considering may be of some aid to the department's data gathering efforts in the future. Naturally, the degree of resistance to these requirements on the part of a potential purchaser is an offsetting factor.

* With respect to the additional price related data mentioned in your correspondence of January 30, 1986, the royalty contracts presently in force or before the Legislature do not call for the reporting of such price information. As for the last two items of that correspondence regarding the volume of oil sold in and exported from the state, I believe you are referring to refined products and perhaps residual oil, all of which is either directly or indirectly attainable from Tesoro, Chevron, and Petro Star.

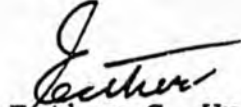
The Hon. Marco Pignalberi

-3-

February 4, 1986

We are preparing a response to your most recent information request regarding HB 445 and will be in touch with you as soon as our work is complete. If you have any further questions, please contact me or Kay Brown, Director of the Division of Oil and Gas.

Sincerely.



Esther C. Wunnicke
Commissioner

cc: Tom Koester, Department of Law
Kay Brown, Division of Oil and Gas
Tom Hawkins, Division of Land and
Water Management
Jim Ayers, Governor's Office

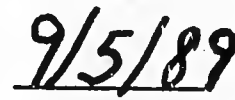


RECORDS CERTIFICATION



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Signature of Camera Operator


Date

H B

H B

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : CSHB 461 (HESS)
 Title : Act relating to grants for water quality enhancement programs;
Pearce, Gruenberg, Uehling, Boucher,
 Sponsor : Furnace, Hanley, Martin, Jenkins
 Requestor : _____
 Date of Request : _____

FISCAL DETAIL

Agency Affected : _____
 BRU : _____

 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Gary Hayden, Director

Phone : 465-2610

Division : Facility Construction & Operation

Date : 2/04/86

Approved by Commissioner : *Bill P...*

Date : 2/4/86

Agency : Department of Environmental Conservation

Distribution (by Agency preparing fiscal note) :

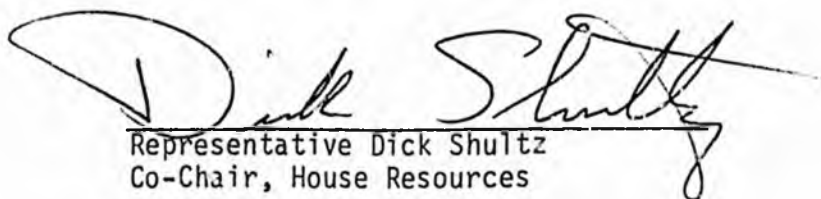
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Submitted by Representative Drue Pearce

March 12, 1986

Letter of Intent - CSHB 461

This letter of intent is in regard to Section 3 of CSHB 461. In Section 3, AS 46.03.030 is amended to expand eligible costs for grant funds to include costs of testing, research, education, enforcement, and clean-up programs for the purpose of discovering and solving water pollution problems. It is the intent of Section 3 of this legislation to first fund actual clean-up programs. If funds are remaining they may be used for testing, research, education, and enforcement.



Representative Dick Shultz
Co-Chair, House Resources

HOUSE
COMMITTEE REPORT

3/14

(9)

Date referred: 2/26/86

FURTHER REFERRALS: FINANCE

DATE: 3/14/86

The RESOURCES Committee has considered HB 461

"An Act relating to grants for water quality enhancement programs; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CS HB 461 (Hess) same title
- new title

and recommends do pass

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

SHULTZ Dick Shultz

HERMANN Edelheid Hermann

CATO Pete Cato

JENKINS Roger Jenkins

PEARCE Gene Pearce

SUND Bob Sund

THOMPSON Raymond W. Thompson

MILLER (W.P.) M. W. Miller

Dick Shultz
co - Chairman SHULTZ

HOUSE
COMMITTEE REPORT

2/26

RESOURCES

Date referred: 1/13/86

FURTHER REFERRALS: FINANCE

DATE: 2/25/86

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee has considered HB 461

"An Act relating to grants for water quality enhancement programs; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CSHB 461 (HESS) same title
- new title

and recommends do pass

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

[Signature]
[Signature]
 Vice Chair
[Signature]
[Signature]
[Signature]
[Signature]

[Signature] co-chair
[Signature]
 co-chair

HB 461 File Contents

- 1) HB 461
- 2) HESS Committee Substitute for HB 461
- 3) Bill Summary -- Legislative Reporting Service
- 4) Sectional Analysis -- Tamara Brandt Cook
- 5) Fiscal Note and Position Paper -- Department of Environmental Conservation
- 6) Municipality of Anchorage -- letter of support
- 7) Anchorage Waterways Council -- letter of support
- 8) Department of Environmental Conservation -- Grants Program History
- 9) Department of Environmental Conservation -- Criteria System
- 10) Key Points for Revisions/Amendments to Title 46, Alaska Statutes
- 11) Alaska Statutes -- Title 46
- 12) Article regarding water quality

INTRODUCTION OF BILLS (House)

HB 458, cont'd)

Provides for court review of the validity of a regulation by authorizing any person to bring an action in Superior Court for declaratory relief to determine whether the justification of need presents sufficient facts to establish the need for the regulation.

Introduced Jan. 13, and referred to State Affairs and Judiciary Committees.

State Grants
(interest on) HOUSE BILL NO. 459, by Rep. Martin. Gives the recipients of state grant money the option of retaining interest earned on the money, or turning it over to the state for deposit in the general fund. Takes effect July 1, 1986.

Introduced Jan. 13, and referred to Community and Regional Affairs and Finance.

Off-road
Vehicles
(Registration) HOUSE BILL NO. 460, by Rep. Hurley. Adds a new chapter to Title 5 (Amusement & Sports), making it unlawful for anyone to operate an off-road vehicle unless it has been registered with the Department of Public Safety, except on the owner's property. The registration fee is \$15, valid for 3 years. Provides for issuance of registration certificate and decal; transfer and ownership of off-road education and training program; operation by minors; required safety equipment; retail sales; and use on highway. A violation constitutes a misdemeanor, subject to a fine of up to \$500.

Introduced Jan. 13 and referred to the Transportation, Judiciary and Finance Committees.

Water
Quality
(grants) HOUSE BILL NO. 461, by Reps. Pearce, Gruenberg, Uehling, Boucher, Furnace, Hanley, Martin and Jenkins. Adds water quality enhancement facilities to those water supply, sewerage and solid waste facilities for which a fund has been established to enable the Dept. of Environmental Conservation to carry out those functions. Also authorizes the department to grant to a municipality from the fund not more than 50 percent of the eligible costs not financed by the federal government of enhancing water quality in bodies of water, if the costs are incurred after July 1, 1986.

Introduced Jan. 13 and referred to the H&Ss, Resources and Finance Committees.

Perm. Fund
Dividends
(disposal) HOUSE BILL NO. 462, by Rep. Pearce. Authorizes eligible recipients of a permanent fund dividend, or one who is authorized to claim one on behalf of another, to direct that the dividend be paid back into the permanent fund. Directs the Dept. of Revenue to furnish an application form for those who elect to pay dividends into the permanent fund.

OTHER ACTION IN THE HOUSE

HB-357. (cont'd)

required fees and room and board. Also applies to teachers' loans.

School Bus Drivers (licensing) HOUSE BILL NO. 409, (see page 777, 1985 report). On 1/22 Rep. Furnace added his name as co-sponsor.

Our summary from last year follows:

School Bus Drivers (licensing) HOUSE BILL NO. 409, by Reps. Jenkins, Larson, Hurley, Hanley, Collins, Pearce, Phillips, Rieger, Thompson, Uehling, and Cotten. Amends the Motor Vehicle Code as it pertains to drivers' licenses (A2 28.15) by adding a new section providing a person may not drive a school bus or a bus transporting school children until the person has applied for and has been issued a license for that purpose. The Dept. of Public Safety is prohibited from issuing the license unless the applicant is at least 19, has had a drivers license for at least a year when he applies, has successfully completed all required driving, written and physical exams, has submitted sufficient information to complete a background check consisting of a fingerprint check of national and state criminal records, and has completed a state approved school bus driver training course or has for the previous two years been licensed by the state to operate a school bus.

Would not allow the Dept. to issue a license to an applicant who has been convicted within the past 20 years of sexual abuse or assault, incest, unlawful exploitation of a minor, contributing to the delinquency of a minor, a felony involving possession of a controlled or imitation controlled substance, a felony or misdemeanor involving distribution of a controlled or imitation controlled substance, promoting prostitution in the first or second degree. Convictions under prior state law or in another jurisdiction of offenses having similar elements count.

An applicant who has been convicted of drunk driving within two years or who has two or more drunk driving convictions within 20 years of application could not get a license.

Costs of having a background check shall be paid by the applicant. School bus drivers' licenses expire September 1 of the year following issuance. Application for renewal can be made by submitting the results of a current physical exam and by paying the required fee. Deletes reference to driving a school bus from current classification section. Provides Act takes effect 9/1/85.

Judicial Reprimand (disclosure) HOUSE BILL NO. 451, (see page 23). On 1/22 Rep. Uehling added his name as co-sponsor.

Water Quality HOUSE BILL NO. 461, (see page 26). On 1/22 Rep. Rieger added his name as co-sponsor.

Misdemeanor Crimes HOUSE BILL NO. 463, (see page 27). On January 20 Rep. Wallis added her name as co-sponsor.

Job Preference HOUSE BILL NO. 466, (see page 28). On 1/22 Rep. Koponen added his name as co-sponsor.

COMMITTEE REPORTS (House)

HB 407, (cont'd)

confidential reports which may be released by the Dept. of Fish and Game reports dealing with the acquisition of untanned skin or exportation from the state of the fur of a game animal only under certain expressed conditions, and specifies that sealing means the placement of a "metal" seal on the animal carcass.

Water
Quality
(grants)

HOUSE BILL NO. 461 (see pages 26, 76). Reported back to the House by HESS Feb. 26 with a committee substitute and do pass recommendation. Signing the committee report were Koponen and Gruenberg (co-chairs), Taylor, Thompson, Hanley and Pettyjohn. To Resources.

The HESS substitute adds "repairs" to eligible costs, and further defines eligible costs to include "testing, research, education, enforcement and clean-up programs for the purpose of discovering and solving water solution problems."

Volunteer
Guardians
(authorized)

HOUSE BILL NO. 474 (see pages 30, 77, 158). Reported back to the House Feb. 26 by Judiciary with a committee substitute and a do pass recommendation. Signing the committee report were M.M. Miller (chair) Sund, Gruenberg, Taylor, Pettyjohn and Clocksin. Phillips had no recommendation. To Finance.

The Judiciary substitute removed language in the title and text added by HESS pertaining to "special advocates" and added a section providing that non-attorney guardians ad litem may not give legal advice or act in the capacity of counsel for a minor before a court or administrative agency. The Judiciary substitute appears to contain a drafting error on page 2, line 21, wherein the language "local governments, persons" is not underlined as new language, but apparently should be.

Permanent
Fund
(deposits)

HOUSE BILL NO. 484 (see page 32). Reported back to the House Feb. 24 by State Affairs with a do pass recommendation. Signing the committee report were Hurley (chair), M.M. Miller, Collins and Navarre. Cato had no recommendation. To Finance.

Duties of
Guardians

HOUSE BILL NO. 485 (see pages 33, 159). Reported back to the House Feb. 26 by Judiciary with a committee substitute and a do pass recommendation. Signing the committee report were Sund, Gruenberg, Taylor and Pettyjohn. Clocksin recommends do not pass, while M.M. Miller (chair) and Phillips had no recommendation.

The Judiciary substitute modifies language stating that a guardian is not required to oppose cessation or withholding of lifesaving medical procedures when those procedures will only serve to prolong the dying process and offer no reasonable expectation of effecting a temporary or permanent cure by adding the language "unless the ward has clearly stated that lifesaving medical procedures not be withheld;".

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

January 27, 1986

SUBJECT: Grants for water quality enhancement programs
HB 461

TO: Representative Drue Pearce

FROM: Tamara Brandt Cook *TBC*
Director
Division of Legal Services

Here is the sectional analysis that you requested for
HB 461.

Section 1. The term "water quality enhancement" is added to the description of the grant fund that under existing law is used for water supply, sewage and solid waste facilities.

Sec. 2 A new subsection allows the Department of Environmental Conservation to grant to municipalities up to 50 percent of eligible costs of enhancing water quality if the costs are not financed by the federal government and if they are incurred after July 1, 1986. Costs of administering the water quality enhancement program are not included and a grant may be made only for a program approved by the department.

Sec. 3 The Act would take effect at the beginning of the next fiscal year.

TBC:mkr
M2:090

DEPT. OF ENVIRONMENTAL CONSERVATION
OFFICE OF THE COMMISSIONER
POUCH O, JUNEAU 99811

Telephone: (907) 465-2600
Address:

February 25, 1986

The Honorable Drew Pearce
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Drew:

I would like to offer my support for HB 461 "An Act Relating to Grants for Water Quality Enhancement Programs . . ." I presented testimony in favor of the proposed amendments to AS 46.03.030 before the Senate Community and Regional Affairs Committee during their February 18, 1986, hearing of SB 324. SB 324 and HB 461 are identical bills.

The Sheffield administration and the proponents of this legislation are in strong agreement on the need to preserve the quality of Alaska's water resources. Recent monitoring and analysis by the Department of Environmental Conservation (DEC) indicates the need to reduce the pollution in several of Alaska's streams, lakes, and tributaries. A very graphic example of the type of problem was the discovery of high fecal coliform bacteria in the Lower Campbell and Fish Creeks in Anchorage. As you know, this public health threat led to the cancellation of the annual canoe race on Campbell Creek. Once this problem was discovered, the Governor allocated \$110,000 from the contingency fund for a grant to Anchorage to assist in defining the source of this problem. The Legislature appropriated an additional \$200,000 grant to Anchorage to address the problem.

The proposed bill would amend DEC's current authority (AS 46.03.030) for administration of 50 percent grants for new construction to allow us to administer grants to address "water quality enhancement" projects. DEC's grant program has successfully administered funds for construction since 1970. The matching grants program offers several advantages to administration of State funds. Four of these are:

1. Providing technical review of projects.
2. Stretching State and local dollars. In a cooperative partnership, State and local government can combine efforts to achieve twice as much as either body could do alone.
3. Accountability is ensured by all parties.
4. DEC staff are trained and experienced in water quality management, troubleshooting, monitoring, analysis, evaluation, and program implementation.

February 25, 1986

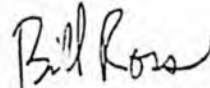
I would point out that the proposed amendment would limit water quality enhancement grants to new construction projects. The additional amendments proposed by the Anchorage Waterways Council, recently sent to you by Jim Nordlund, would broaden the statute to include grants for program type activities, in addition to construction of water quality enhancement facilities.

I also support their proposal. The ability to address water quality issues through both facility construction and program implementation activities, such as monitoring, will provide an effective tool for making water quality improvements to adversely impacted waters.

Our analysis of the fiscal impact of this proposed bill shows it would have a zero impact on our operating budget and staffing levels. As with other capital projects, the Legislature will control the fiscal impact of program through the appropriation of grant money. The Department does not have a separate source of revenue for the matching grant program other than what is appropriated from the general funds each year of the Legislature.

Again, I support the proposed Water Quality Enhancement Bill. If this Bill passes and funds are appropriated, we will work with the communities in a joint effort to address significant water quality problems.

Sincerely,



Bill Ross
Commissioner

cc: Senator Tim Kelly



ANCHORAGE WATERWAYS COUNCIL

801 W. Fireweed Lane, Suite 103 • Anchorage, Alaska 99503

February 20, 1986

Senator Tim Kelly
Representative Drue Pearce
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Kelly and Representative Pearce:

The Anchorage Waterways Council wants to extend our appreciation to each of you for introducing SB 324 and the identical bill HB 461, both titled, "An Act relating to grants for water quality enhancement programs...". The initiative that you have taken by proposing this legislation will help to establish stronger state sponsored programs to improve water quality.

The Council believes that the 50/50 match program is an excellent vehicle for water quality enhancement. We agree that this program will encourage local participation, will place little or no burden on existing state agencies, will leverage additional funds from municipalities, and will be subject to rational allocation mechanisms already in place within the Department of Environmental Conservation.

We do, however, have reservations about the contents of SB 324 and HB 461. The bills only go part of the way toward establishing a comprehensive program. Grant funds would be limited to the construction of facilities only, and no funds could be used for the administration of a water quality enhancement program. Except for the construction of certain facilities, such as oil and grease separators and water detention basins, this bill does not address many important measures that could be taken to improve surface and subsurface water quality in Anchorage, and other communities.

We have enclosed an amended version of the bills and encourage your support. What we have done is to allow programs as well as facilities to be funded by the 50/50 match. Also, we have stricken the sentence disallowing the costs of administration and made eligible the costs of research, testing, education, enforcement and clean up.

Senator Kelly
Representative Pearce

Page Two

Using Anchorage as an example, it would be impossible to resolve the stream pollution problem without these components:

- * Research would enable an effective monitoring program to be designed to track pollutants.
- * Testing would allow for the collection of water samples and their lab analysis.
- * Enforcement would enable violators to be located and brought into compliance.
- * Clean-up would help fund efforts to clean up litter and other pollutants when violators cannot be located.
- * Education is most important. Stream pollution sources in Anchorage are widely dispersed, most often due to the activities of average citizens. Without an effort to inform people about their role in contributing to and alleviating water pollution, the problem will not go away. In dealing with air pollution, for example, the success of Anchorage's vehicle maintenance and inspection program is due, in large part, to a very effective public education program by the Municipality.

In short, just building facilities will not do the job. To illustrate this clearly, last year's legislative appropriation to the Municipality of Anchorage for the detection of stream pollution, could not have been funded through your proposed legislation.

Our version of the bill reflects one additional change to the existing statute. Sec. 46.03.030 (d) states that the "replacement" of a facility is not eligible for funding under this section. We can see no reason for this exclusion. For example, an old wood stave water main needs replacement in Fairbanks and is ineligible for the 50/50 program because of the exclusion. Indeed, the goal of water pollution control will be promoted by eliminating this unnecessary exclusion.

We apologize for not informing you earlier of our proposed version. Committee action on SB 324 has compelled us to respond. We urge you to adopt our amendments to SB 324 and HB 461 so that a comprehensive water quality enhancement program can be created.

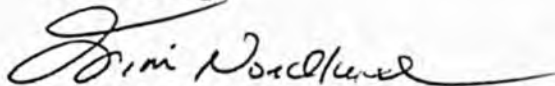
Senator Kelly
Representative Pearce

Page Three

If you have any questions, please contact me in Juneau at 465-4968 or our office in Anchorage at 277-WATR.

Thank you again for your concern about water quality.

Sincerely,



Jim Nordlund
President

c.c. All Co-Sponsors
Rep. Koponen
Rep. Clocksin
Governor Sheffield
Commissioner Ross, DEC
Mayor Knowles, Municipality of Anchorage

Municipality of Anchorage



P.O. BOX 6-650
ANCHORAGE, ALASKA 99502-0650
(907) 264-4960

TONY KNOWLES,
MAYOR

FEB 27 1986

INTERGOVERNMENTAL AFFAIRS
February 20, 1986

Rep. Drue Pearce
Pouch V
Juneau, Alaska 99801

Re: Revisions to Title 46 to Water Quality Enhancement

Dear Rep. Pearce:

The Water Quality Council of the Municipality of Anchorage has reviewed this matter again recently, and it heartily supports your draft bill to add surface and subsurface water quality enhancement to the DEC 50/50 match program.

Anchorage is making progress in the matter of surface and groundwater pollution through defining accurately the problem, searching out point sources of contamination, planning for better drainage, and raising public consciousness about the need for more sewers. Two state grants in 1985 - \$110,000 from the Governor's contingency fund, and \$200,000 appropriated from the Legislature through DEC - have helped us greatly in those efforts.

Also, as you know, Anchorage citizens approved in October the sale of \$15 million in sewer bonds and \$10 million for various water quality projects including purchase of wetlands and buffer zones along certain endangered streams and other projects to halt or reverse degradation.

Recently, Mayor Knowles gave a major address on water quality before the Anchorage Chamber of Commerce. In addition to setting policy goals for the administration in this area over the next several years, he stressed the integrated approach which we are taking in dealing with water resources - through providing safe drinking water (Eklutna), dealing with our subsurface waters (water and sewer extensions and a new wastewater ordinance), and surface waters (our water quality bond issue). The State has a partnership with the Municipality in each of these areas. We view the matching construction grants program as an ongoing program. Adding the category of water quality enhancement to that program is consistent with the overall policy direction the Municipality has taken in integrating all of our water programs.

Rep. Drue Pearce
February 20, 1986
Page Two

We appreciate your concern and leadership in this matter. We offer our assistance in helping you achieve passage of your proposed amendments to Title 46.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Chip Dennerlein", written over a circular stamp.

Chip Dennerlein

cc: Bill Ross, Commissioner, ADEC
Jim Ayers

DEPARTMENT OF ENVIRONMENTAL CONSERVATION
GRANTS PROGRAM HISTORY

<u>Funding Source</u>	<u>Municipal Grants</u>	<u>VSW</u>	<u>Grant Funds to Municipality of Anchorage</u>
70 BF	\$ 8,000,000	\$ 3,000,000	\$ 3,459,407 (43%)
72 BF	32,000,000	1,000,000	8,746,279 (27%)
76 BF	29,500,000	1,500,000	12,119,015 (41%)
78 BF	19,890,000	7,750,000	4,110,649 (21%)
80 BF	<u>23,000,000</u>	<u>10,000,000</u>	<u>1,197,374 (5%)</u>
Total	<u>\$112,390,000</u>	<u>\$23,250,000</u>	<u>\$29,632,724 (26.4%)</u>

<u>Funding Source</u>	<u>Municipal Grants</u>	<u>VSW</u>	<u>Federal Funds</u>
FY82 approp	\$ 9,359,000	\$ 1,608,900	\$11,300,000
FY83 approp	4,590,000	515,000	14,642,000
FY84 approp	19,302,969	690,610	14,642,000
FY85 approp	15,700,000	7,972,000	14,642,000
FY86 approp	1,823,100	1,219,000	14,642,000*

FUNDING FOR WATER, WASTEWATER, AND SOLID WASTE
FROM GENERAL FUNDS

<u>Fiscal Year</u>	<u>Through ADEC</u>	<u>Direct</u>	<u>Total</u>
FY83	\$ 5,105,000	\$ 26,441,700	\$ 31,546,700
FY84	19,993,579	108,587,100	128,580,679
FY85	16,492,000	132,501,525	148,993,525
FY86	<u>3,042,100</u>	<u>25,115,300</u>	<u>28,157,400</u>
Total	<u>\$41,632,679</u>	<u>\$292,645,625</u>	<u>\$337,278,304</u>

BOND FUNDS OBLIGATED TO ANCHORAGE
WATER AND SEWER PROJECTS

70	\$ 3,459,407
72	8,746,279
76	12,119,015
78	4,110,649
80	<u>1,197,374</u>
Total Bond Funds	<u>\$29,632,724</u>

ANCHORAGE FUNDING HISTORY FOR
GENERAL FUND APPROPRIATIONS

<u>Fiscal Year</u>	<u>Through ADEC</u>	<u>Direct</u>	<u>Total</u>	<u>% of Statewide</u>
FY83	\$ 3,744,038	\$ 8,382,000	\$ 12,126,038	38%
FY84	6,397,069	55,423,500	61,820,569	48%
FY85	-0-	49,920,300	49,920,300	33%
FY86	-0-	5,860,600	<u>5,860,000</u>	21%
Total			<u>\$129,727,507</u>	

During this time, Anchorage received 38.5 percent of all State money spent on this type of project.

ANCHORAGE AND FEDERAL FUNDS
September 18, 1985

	<u>Total Available</u>	<u>Awarded to Anchorage</u>	
FY83	\$14,642,000	\$ 6,836,292	
FY84	\$14,642,000	3,786,904	
FY85	\$14,642,000	18,464,000	
FY86	<u>\$14,642,000</u>	<u>8,500,000</u> *	
Total	<u>\$58,568,000</u>	<u>\$37,587,196</u>	(64.2% of Total available)

*Estimated to be awarded

ANCHORAGE PROJECTS

70 BOND FUND

<u>Project</u>	<u>Amount</u>
Pt Woronzof Improvements	\$ 12,553
Water System	500,000
Phase II Water	203,482
South Street & 14th Ave. Water	5,565
Pressure Reducing Stations	43,498
Laterals	377,045
Sewer Treatment	1,571,456
Sewer Interceptor	575,252
Eagle River	75,936
Henshaw Service	42,343
Infiltration/Inflow	<u>52,275</u>
TOTAL	\$3,459,407

76 BOND FUND

<u>Project</u>	<u>Amount</u>
Water System	\$ 188,000
LID 69 & 70	154,612
1977 LID	431,033
Ace LID 50-9	31,727
LID 50-8	53,830
Halo Extension	8,461
Yale LID 88	28,073
Production Well #12	66,583
36th Avenue Main	148,885
SE Interceptor	33,490
SE Int/Diamond E-2	77,046
E-2 Trunk	111,420
Lake Otis/Dowling E-77	221,036
E-1 Trunk Phase II	210,165
E-3 Crossing of Old Sewer	17,985
LID 93-Homecrest	36,190
Kelly LID 92	114,576
"A" Street Water/Benson-39	99,204
E-1-1 Trunk Phase II	287,509
SE Inc Crossing of Old Sewer	17,214
Well #4 Aux Power	81,035
5th Avenue Unga-Gambell	620,037
LID 90 - Hyatt Estates	32,148
LID 91 - Campbell Heights	109,205
LID 95 - Marys	32,197
Misc Test Wells	31,917
East 68th Ave Water	18,970
Shalikoff	46,140
"A" Street Alley Water	29,876
10th Avenue Water	84,944
Bluff/Richardson Water	32,562
O'Malley Crossing Seward	10,418
LID 98 - Shelikof	47,089
LID 100 - Century	12,222
LID 96 - Timothy	44,523
Misc Water Main Extensions	17,557
Gruman Water	21,330
South Street Water	14,466
Water Improvements #6	72,018
Test Wells	36,288
Panchos Villa Sewer	8,738
DeBarr Road Sewer	34,273
Airport 12" Water	44,773
Industrial LID 75	125,812
Sewer A-2 Phase II	109,448
Brookwood LID 87	238,818
5th Avenue Water	161,715
Sewer Extension 77-1	23,919
Baxter LID 89	8,855

76 BOND FUND (Continued)

<u>Project</u>	<u>Amount</u>
Roberts Lateral Extensions	\$ 4,546
East 4th Avenue Main	30,734
LID 311	49,071
Railroad Bore Crossings	19,121
Campbell Creek Pump	111,500
D-3 Trunk Sewer	51,305
LID 94 - Hathor	137,710
LID 102 - Alpine	18,098
LID 107 - O'Brien	86,109
LID 113 - O'Brien	36,822
Water Well #7	6,449
Laterals	116,328
LID 126 - Atkins	17,027
Eagle River STP	789,765
"C" Street Trunk	35,750
Well House #12	242,605
SE Interceptor Xing New Seward Hwy	250,000
Int'l Airport Road "A" Minnesota	242,500
SE Interceptor E-2 to O'Malley	278,918
Infiltration/Inflow	134,883
E-3 Trunk, Phase I	150,323
Water Main, Dam to WTP	1,087,002
LID 115 Bruce	206,000
Bragaw, Tudor to University	290,000
Hawthorne Subdivision Water	18,300
Hawthorne Sewer Stubouts	7,600
Fireweed Lane Water	16,860
Wisconsin Street Water	42,610
Eagle River Urban Sewer Crossings	16,100
Arctic Blvd Main	58,200
Pt. Woronzof STP Improvements	357,316
16th Ave Water Main Extension	88,353
Girdwood STP	1,411,330
Fire lake Interceptor	87,500
44th Avenue Fish Creek Trunk	556,880
Spruce Street 68th - 64th Avenue	82,925
Gambell Street Water	14,370
LID 50-13 Citation	50,650
LID 127 Poggas	17,117
Production Well #13	69,737
CBD-2 Trunk	282,250
	<u>\$12,119,015</u>

72 BOND FUND

<u>Project</u>	<u>Amount</u>
Water System	\$ 646,828
Water Well #7	111,250
1977 LID	166,591
Dowling Road/Potter	99,391
Campbell Creek Pump	129,000
Campbell Creek Force	148,991
Willow Street Main	11,822
East 26th Avenue	30,425
5th Avenue Unga-Gambell	58,250
"A" Street Alley	3,230
Pt. Woronzof Waterline	234,192
Tudor Corners LID 103	93,775
LID 118 Stewart	39,206
LID 119 Frisley	15,258
Laterals	1,237,832
New Eagle River	29,661
Sewer Treatment	1,300,906
Sewer Interceptor	107,336
Eagle River	69,531
Henshaw Service	5,031
Lambert WID 3 4	28,188
LID 130 Mason	29,531
12th Avenue Water P-R	13,371
78th West Interceptor	643,526
"C" Street Trunk	35,750
International Airport Road Water	401,635
STP Extension Design	85,000
SE Interceptor Crossing	196,200
Eagle River STP	11,471
Infiltration/Inflow	67,000
Girdwood STP	1,792,503
Northern Lights Water	30,296
Eagle River Road Sewer Trunk	95,399
Gambell Street Water	29,399
Gambell Street Sewer	31,100
Production Well #13	79,320
CBD-2 Trunk	347,300
7th Avenue Watermain	241,244
Downtown Alley Waterline	49,788
	<hr/>
	\$8,746,279

78 BOND FUND

<u>Project</u>	<u>Amount</u>
O'Malley - Seward	\$ 1,062
East 76th Avenue 16" Main	113,840
LID 86-Campbell Hts. North	115,942
LID 67-Kim	9,348
"C" Street Trunk	93,250
Eagle River STP	18,000
East 68th - Hyatt to Abbott	331,600
10 MG Reservoir #4	1,638,000
Fire Lake Interceptor Phase I	500,000
LID 123-Hillcrest	138,667
LID 50-11-Tonsina Court	142,100
Arctic Blvd Sewer	17,850
CBD-1 Sewer Trunk	90,504
Well House #13	324,750
Gambell Street Water	114,436
Warehouse Avenue Trunk	135,850
Lake Otis Water Main	325,450
	<u>\$4,110,649</u>

80 BOND FUND

<u>Project</u>	<u>Amount</u>
10 MG Reservoir #4	\$ 112,000
Aero WID 315	170,949
Eagle River Road Sewer Trunk	131,000
Gambell Street Water	281,875
Intn'l Airport Road Sewer	373,300
Denali Street Sewer	28,450
Abbott Road Water Main	99,800
	<u>\$1,197,374</u>

CRITERIA SYSTEM

ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION
CAPITAL PROJECTS

1. Problem Addressed	<u>Points</u>
A. Public Health	
1. A documented <u>existing</u> disease event exists (documented by a recognized public health organization and confirmed by ADEC sanitarians).	500
2. The <u>potential</u> for a disease event exists. (All the elements are there, it just has not yet happened.)	200
3. The potential for a disease does not exist. Not all the elements exist but <u>development</u> suggests the event will occur in the future unless this project is constructed.	100
B. Public Safety	
1. This project is needed to provide water for fire protection. The existing population currently has no fire protection through a piped water/hydrant system.	100
2. This project is needed to provide water for fire protection. New development is being constructed which needs a piped water/hydrant system.	50
C. Environmental	
1. A documented <u>existing</u> pollution event exists.	100
2. The potential for a pollution event exists.	75
3. Development suggests a pollution event will occur in the future unless this project is constructed.	50
4. An esthetic "pollution" problem needs correcting.	25
2. This project is being done in conjunction with an EPA funded project.	100
3. Project Development Status	
A. Project has engineering plans and specification already prepared.	75
B. A feasibility study or facility plan has been prepared for the project.	45
C. A comprehensive study has been prepared which addresses the need for this project among other community needs.	20
D. No documentation has been prepared for this project.	0

	<u>Points</u>
4. Matching Funds Available	
A. Matching funds are currently available for this project.	100
B. Matching funds have been approved by appropriate authorities.	60
C. There is reasonable expectation that matching funds will be available and the source has been specified.	45
5. Grant Funds Cost/Population Benefitted. This criteria will use the actual population expected to be benefitted.	
A. The cost/population ratio is low: 0 to 400.	75
B. The cost/population is moderate: 401 to 4,000.	45
C. The cost/population ratio is high: >4,000.	15
6. Operational and Maintenance costs have been considered and either are not existent or a source of funds will exist to pay for them.	50
7. Phased or Segmented Project	
A. Part of the project is already started. This phase is needed to make the project functional.	50
B. The project is composed of more than one segment. This segment is needed to meet the water quality or public health intent of the plan but is not necessary to make the project functional.	25
8. Effect on Other Projects	
A. Project needs to be accomplished in conjunction with another project to reduce overall cost to State (paving, etc.).	15

KEY POINTS FOR REVISIONS/AMENDMENTS TO TITLE 46, ALASKA STATUTES:

1. STATE POLICY: Section 46.03.010 "Declaration of Policy" provides overall guidance and authority for actions by the State of Alaska in improving and enhancing water quality.
2. Sen. Tim Kelly is offering revisions and amendments to Title 46, Alaska Statutes, that will enable the Department of Environmental Conservation to work with, assist and provide funding to local governments in Alaska in our efforts to enhance the quality of our surface and subsurface waters.
3. It is totally unacceptable that within the Great Land we now have polluted streams, rivers and lakes. State and local government, and all concerned people of our state must make correcting this situation a high priority. As custodians of our natural environment we owe it to ourselves and to our children to maintain the waters of this state in as high quality condition as reasonably possible.
4. For several years there has been in effect a program within DEC that was popularly referred to as the 50/50 match program. This program provided state grants to local governments for the purpose of constructing water and sewer systems and solid waste facilities. Sen. Kelly is proposing that this current program (46.03.030 Grants) be expanded to include grant funding for surface and subsurface water quality enhancement.
5. Sen. Kelly believes that expanding the current program is preferable to instituting a new program for the following reasons:
 - a. The current 50/50 match program has been quite successful in the past and it is well accepted and even praised by both state and local officials.
 - b. The program is cost effective.
 - c. The program works.
 - d. This program encourages local participation and responsibility regarding water quality enhancement.
 - e. This is a long range solution, a comprehensive program that will enable state and local governments to make a continuing effort to enhance our water quality throughout the state.
 - f. State funds can go twice as far when they are combined with matching funds from local governments. We get twice the "bang for the buck".

- h. By expanding the current program administrative cost are held to a minimum. No new state personnel positions will be required to administer this program. There already exists within DEC a municipal grants section, and this section will be able to carryout the expanded mission of Title 46. No new bureaucracy!
- x i. This will be a statewide program that will enable DEC to allocate scarce resources on a logical and rational priority basis.
- j. This program, to a large de . will de-politicize the regional allocation of resources.
- k. These revisions/amendments have the support of DEC and the Municipality of Anchorage.
- l. For the past couple of years this grant program has not recieved adequate funding. Sen. Kelly will work to fund this program at a reasonable level. DEC would like to see 15 to 20 million per year allocated to this program. Keep in mind that this will be funding statewide, domestic water systems, sewer systems, solid waste facilities and now water quality enhancement.
- m. It is very important that we get our residents off of on site septic systems and hooked into municipal sewer systems as soon as possible so our ground water does not become saturated beyond the point that it can naturally handle. By fully funding this program we will be able to make progress in this regard.

Alaska Statutes

Title 46. Water, Air, Energy, and Environmental Conservation.

Chapter

- 03. Environmental Conservation (§§ 46.03.010 — 46.03.900)
- 04. Oil Pollution Control (§§ 46.04.010 — 46.04.120)
- 05. Water Pollution Control Act (Repealed)
- 06. Recycling and Reduction of Litter (§§ 46.06.010 — 46.06.150)
- 07. Village Safe Water Act (§§ 46.07.010 — 46.07.050)
- 10. Pollution as Nuisance (Repealed)
- 11. Conservation of Energy and Materials (§§ 46.11.010 — 46.11.900)
- 12. Alaska Energy Center (§§ 46.12.010 — 46.12.500)
- 15. Water Use Act (§§ 46.15.010 — 46.15.270)
- 25. Alaska State Commission of Oceanography (Repealed)
- 26. Commission for Ocean Advancement Through Science and Technology (Repealed)
- 30. Certification of Water and Wastewater Systems Operators (§§ 46.30.010 — 46.30.130)
- 35. Environmental Procedures Coordination (§§ 46.35.010 — 46.35.210)
- 40. The Alaska Coastal Management Program (§§ 46.40.010 — 46.40.210)

Chapter 03. Environmental Conservation.

Article

- 1. Declaration of Policy (§ 46.03.010)
- 2. Department of Environmental Conservation (§§ 46.03.020 — 46.03.040)
- 3. Water Pollution Control (§§ 46.03.050 — 46.03.130)
- 4. Air Pollution Control (§§ 46.03.140 — 46.03.240)
- 5. Radiation and Hazardous Waste Protection (§§ 46.03.250 — 46.03.311)
- 6. Pesticide Control (§§ 46.03.320 — 46.03.330)
- 7. Prohibited Acts and Penalties (§§ 46.03.370 — 46.03.350)
- 8. General Provisions (§§ 46.03.360 — 46.03.900)

Editor's notes. — Section 5, ch. 120, SLA 1971, provides: "All litigation, hearings, investigations and other proceedings pending under any law amended or functions which may be transferred by this Act, continue in effect and may be continued and completed notwithstanding any such transfer or amendment provided for in this Act. Certificates, orders, rules or regulations issued or filed under authority

of a law amended by this Act or functions which may be transferred by this Act, remain in effect for the term issued, unless or until revoked, vacated, or otherwise modified under the provisions of this Act. All contracts or other obligations created by any law amended by this Act or by virtue of functions which may be transferred by this Act, and in effect on July 1, 1971, remain in effect unless or until revoked, or

10. Declaration of policy

Sec. 46.03.010. Declaration of policy. (a) It is the policy of the state to conserve, improve and protect its natural resources and environment and control water, land and air pollution, in order to enhance the health, safety and welfare of the people of the state and their overall economic and social well-being.

(b) It is the policy of the state to improve and coordinate the environmental plans, functions, powers and programs of the state, in cooperation with the federal government, regions, local governments, other public and private organizations and concerned individuals, and to develop and manage the basic resources of water, land and air to the end that the state may fulfill its responsibility as trustee of the environment for the present and future generations. (§ 3 ch 120 SLA 1971)

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NOTES TO DECISIONS

This chapter is not void for vagueness under the Alaska and United States constitutions. *Stock v. State*, Sup. Ct. Op. No. 1076 (File No. 2007), 526 P.2d 3 (1974).

When the somewhat shadowy boundaries of the area of prohibited conduct were contrasted with the overall purpose of this chapter and the absence of any evidence of discriminatory application, the supreme court could not say that the presumption of constitutionality of the statute was overcome. *Stock v. State*, Sup. Ct. Op. No. 1076 (File No. 2007), 526 P.2d 3 (1974).

There can be no doubt of the general frame of operation of this chapter; no

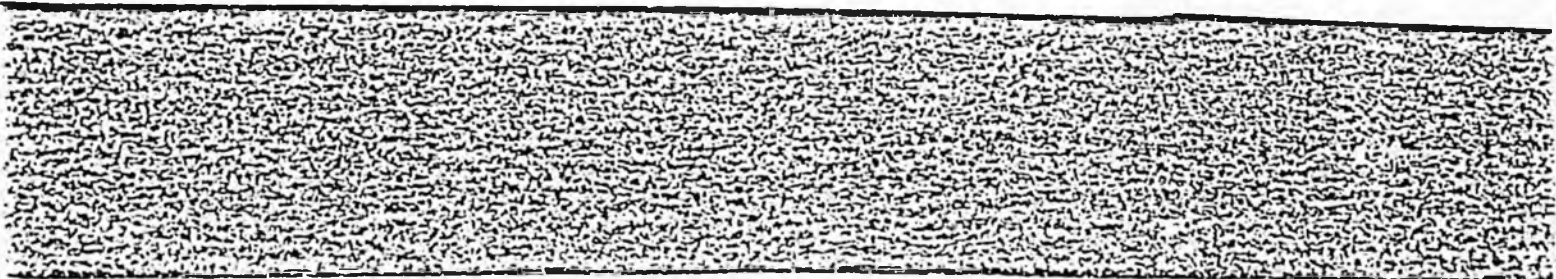
contention can be made that this chapter has a subterfuge purpose or effect of curtailing the exercise of protected political or individual rights to speech, association, privacy and the like. *Stock v. State*, Sup. Ct. Op. No. 1076 (File No. 2007), 526 P.2d 3 (1974).

As to adequacy of notice of what acts prohibited, see *Stock v. State*, Sup. Ct. Op. No. 1076 (File No. 2007), 526 P.2d 3 (1974).

The concern indicated by this chapter is the protection of the environment from pollution. *Stock v. State*, Sup. Ct. Op. No. 1076 (File No. 2007), 526 P.2d 3 (1974).

Collateral references. — 61A Am. Jur. 2d, Pollution Control, §§ 46-49
39A C.J.S., Health and Environment, §§ 115-124
Power of state to prohibit or restrict exportation of natural resources. 32 ALR 331.

Preservation, or protection of animals or birds as subject of charitable trust. 66 ALR 465
Constitutionality of reforestation or forest conservation legislation. 13 ALR2d 1095.



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§ 46.03.020

WATER, ETC., CONSERVATION

§ 46.03.020

Article 2. Department of Environmental Conservation.

Section

- 20. Powers of the department
- 30. Grants for water supply, sewerage and solid waste facilities
- 40. Alaska environmental plan

Collateral references. — 61A Am. Jur.
23. Pollution Control, § 6.
39A C.J.S. Health and Environment,
§§ 5, 9-15, 125-145.
Power of state to prohibit or restrict
exportation of natural resources, 32 ALR
331.
Preservation or protection of animals or

birds as subject of charitable trust, 66 ALR
465.
Constitutionality of reforestation or
forest conservation legislation, 13 ALR2d
1095.
Right to maintain action to enjoin public
nuisance as affected by existence of pollu-
tion control agency, 60 ALR3d 665.

Sec. 46.03.020. Powers of the department. The department may
(1) enter into contracts necessary or convenient to carry out the
functions, powers and duties of the department;

(2) review and appraise programs and activities of state depart-
ments and agencies in light of the policy set out in AS 46.03.010 for the
purpose of determining the extent to which the programs and activities
are contributing to the achievement of that policy and to make recom-
mendations to the departments and agencies, including but not limited
to, environmental guidelines;

(3) consult with and cooperate with
(A) officials and representatives of any nonprofit corporation or
organization in the state;

(B) persons, organizations and groups, public and private, using,
served by, interested in or concerned with the environment of the state;

(4) appear and participate in proceedings before any state or federal
regulatory agency involving or affecting the purposes of the depart-
ment;

(5) undertake studies, inquiries, surveys or analyses it may consider
essential to the accomplishment of the purposes of the department;
these activities may be carried out by the personnel of the department
or in cooperation with public or private agencies, including educa-
tional, civic and research organizations, colleges, universities, insti-
tute and foundations;

(6) at reasonable times enter and inspect with the consent of the
owner or occupier any property or premises to investigate either actual
or suspected sources of pollution or contamination or to ascertain com-
pliance or noncompliance with a regulation which may be promulgated
under AS 46.03.020 — 46.03.040; information relating to secret pro-
cesses or methods of manufacture discovered during investigation is
confidential;

(7) conduct investigations and hold hearings and compel the attendance of witnesses and the production of accounts, books and documents by the issuance of a subpoena;

(8) advise and cooperate with municipal, regional and other local agencies and officials in the state, to carry out the purposes of this chapter;

(9) act as the official agency of the state in all matters affecting the purposes of the department under federal laws now or hereafter enacted;

(10) adopt regulations necessary to effectuate the purposes of this chapter, including, by way of example and not limitation, regulations providing for

(A) control, prevention and abatement of air, water, or land or subsurface land pollution;

(B) safeguard standards for petroleum and natural gas pipeline construction, operation, modification or alteration;

(C) protection of public water supplies by establishing minimum drinking water standards, and standards for the construction, improvement, and maintenance of public water supply systems;

(D) collection and disposal of sewage and industrial waste;

(E) collection and disposal of garbage, refuse, and other discarded solid materials from industrial, commercial, agricultural and community activities or operations;

(F) Repealed by § 12 ch 172 SLA 1978.

(G) control of pesticides;

(H) such other purposes as may be required for the implementation of the policy declared in AS 46.03.010;

(I) handling, transportation, treatment, storage, and disposal of hazardous wastes;

(11) after consultation with other state agencies and local government officials, identify and propose for additional or deletion, by regulation, other licenses, permits or authorizations for which the provisions of AS 46.35 are applicable, and report annually to the legislature the permits which have been included or deleted. (§ 3 ch 120 SLA 1971; am § 1 ch 220 SLA 1976; am § 2 ch 60 SLA 1977; am § 12 ch 172 SLA 1978; am § 8 ch 93 SLA 1981)

Revisor's notes. — In ch. 120, SLA 1971, paragraph (6) of this section contained a reference to AS 46.03.030 — 46.03.040. The engrossed version of the bill (SB 75 am 1) referred to "this article" which includes AS 46.03.020; therefore the provision has been corrected here to a reference to AS 46.03.020 — 46.03.040. In paragraph (11), a reference to AS 46.35 was substituted for a reference to 46.30 by the revisor of statutes under the authority of AS 01.05.031.

Cross references. — For status of enforcement and inspection employees of the Department of Environmental Conservation as peace officers, see AS 46.04.090(b). For provisions relating to environmental procedures coordination, see AS 46.35.010 et seq.

Effect of amendments. — The 1977 amendment added paragraph (11).

The 1975 amendment, in paragraph (10), repealed subparagraph (F), which read "control of radiation sources to pro-

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hibit and prevent unnecessary radiation."

The 1981 amendment added subparagraph (b) in paragraph (10).

Editor's notes. — Section 10, ch. 172, SLA 1978, provides: "Regulations adopted under authority of statutes repealed or

amended by this Act shall remain in effect until repealed by the Department of Environmental Conservation in consultation with the Department of Health and Social Services."

Sec. 46.03.030. Grants for water supply, sewerage and solid waste facilities. (a) Repealed by § 19 ch 220 SLA 1976.

(b) The department may grant to a municipality, as funds are available, up to 50 percent of eligible costs not financed by the federal government, for public water supply, treatment and distribution systems and public sewage collection, treatment and discharge facilities for which construction has not commenced on or before June 21, 1976. The eligible cost of a project or portions of a project will be as determined by the federal agency granting the most monetary assistance. On projects or portions of projects, for which federal participation is not available, eligible costs will be determined by the department in accordance with (d) of this section. Projects shall be constructed in accordance with plans and specifications approved by the department.

(c) There is a water supply, sewerage and solid waste facilities fund created in the department to carry out the purposes of this section.

(d) The department shall, by regulation, identify those costs which are eligible costs for the purposes of this section. Eligible costs include the costs established in a construction contract which are necessary for construction of a project, but do not include the cost of interest and financing and right-of-way acquisition, or costs related to operation, maintenance, repair or replacement of a project.

(e) The department may grant to a municipality not more than 50 percent of the eligible costs, including costs of obtaining federal waivers from the requirement for secondary treatment plants, which are not paid for by the federal government for solid waste processing or disposal facilities constructed after July 1, 1980. However, the department may grant a municipality up to 60 percent of the eligible costs not paid for by the federal government for a solid waste processing or disposal facility constructed after July 1, 1980, if the facility is used for resource recovery. The eligible costs of a solid waste processing or disposal facility are determined by the federal agency granting the most monetary assistance for construction of the facility. For a solid waste processing or disposal facility for which federal money is not available, the department shall determine the eligible costs in accordance with (d) of this section. A municipality shall construct solid waste processing or disposal facilities financed by grants under this section according to plans and specifications approved by the department. (8 3 ch 120 SLA 1971; am §§ 2, 19 ch 220 SLA 1976; am §§ 30, 31 ch 168 SLA 1978; am §§ 1-4 ch 163 SLA 1980)



Senators Tim Kelly and Arliss Sturgulewski inspect a polluted portion of Chester Creek with Jim Nordlund, Chair of the Anchorage Waterways Council.

Kelly Vows To Cleanup Waterways

Citing recent reports which indicated many of Anchorage's streams were unfit for even wading purposes, Sen. Tim Kelly has drafted legislation to help municipalities cleanup polluted waters. Under Kelly's proposal the state would provide matching grants to local governments for water quality improvement. Kelly believes the matching grant program is one of the most efficient, effective ways to begin correcting this problem.

"I'm upset," stated Sen. Kelly, "that our natural streams in Eagle River and Anchorage have become contaminated. There is no excuse for allowing our creeks, rivers and streams to deteriorate to the extent that they are no longer useable for fishing or recreational purposes, much less for human consumption."

During the 1985 session, Kelly convinced the Anchorage Senate Caucus to fund initial cleanup efforts of the area's waterways. The money was appropriated to the Municipality of Anchorage for preliminary studies to determine the sources of the pollution.

While Kelly was pleased with the initial appropriation to begin isolating the problem, he pointed out the need for additional state funding once the matching grant program is passed to begin cleanup efforts as well as providing for a long-term solution.

"This is just a small first step," added Kelly. "There is a need for all Alaskans to commit themselves to a clean environment. These same problems are also occurring in the Mat-Su valley, Ketchikan, and other communities in the state. We need to begin cleanup efforts now, before the problem worsens, and begin long-term measures to restore our waterways to their original condition. We need to ensure our children the opportunity to enjoy the same Alaska we've all known and lived in."

"The Anchorage delegation has told municipal officials we would support their requests next session to help solve some of the problems of water contamination," said Kelly. "We want to see those pollution signs come down."